

Committee of the Whole (2) Report

DATE: Tuesday, June 18, 2024

WARD(S): ALL

TITLE: 2023 DEVELOPMENT CHARGE RESERVE AND SPECIAL RESERVE STATEMENT

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: FOR INFORMATION

Purpose

To provide Council with the 2023 Development Charges Reserve Fund Statement, Special Account Statement for Increased Height and Density (Section 37) payments, and Statement for Cash-in-Lieu Parkland.

Report Highlights

- The *Development Charges Act, 1997* (the DCA) and the *Planning Act* require that the Treasurer of the municipality provide to Council, annually, a statement relating to Development Charges (DC), Increased Height and Density (Section 37) and the Cash-in-Lieu of Parkland (CIL) reserve funds and a listing of DC/Lot levy credits.
- The DC reserve funds consolidated opening balance for 2023 was \$564.8 million. The City collected \$51.3 million in DC collection revenues, \$23.5 million in interest revenue and funded \$109.8 million in capital projects. The consolidated ending balance was \$529.8 million as of December 31, 2023.
- The City collected \$20.5 million in CIL parkland revenue and spent \$103.5 million in 2023. The ending balance of the CIL parkland reserve fund was \$77.7 million as of December 31, 2023.

Report Highlights continued

- The City received \$3.5 million in revenues through Section 37 agreements during 2023 and spent \$0.3 million in 2023. The closing balance as of December 31, 2022 was \$30.4 million.
- In September 2022, Council approved the new Community Benefits Charge (CBC) under Section 37 of the Planning Act, replacing the previous Section 37 Height and Density Bonusing. No collections under the new CBC have been received in 2023.
- In compliance with the DCA, the City does not impose directly or indirectly a charge related to a development or a requirement to construct a service related to development except as allowed under existing legislative Acts.

Recommendations

1. THAT the 2023 Development Charges Reserve Fund and Special Fund Statement be received for information; and
2. THAT the 2023 Development Charges Reserve Fund and Special Fund Statement be made available to the public, and that a copy be forwarded to the Ministry of Municipal Affairs and Housing on request.

Background

The Development Charges Act, 1997 (the “DCA”) section 43(1) and 43(2) requires the Treasurer of the municipality to provide Council with an annual financial statement relating to development charge by-laws and reserve funds established under the DCA. Section 12 of the Ontario Reg. 82/98 prescribed the information that must be included in the Treasurer statement under section 43 of the DCA.

The Planning Act Section 42 requires the treasurer of the municipality to provide Council a financial statement relating to the special account set up for Cash-in-Lieu for Parkland under Section 42.

The Planning Act Section 37 requires the treasurer of the municipality to provide Council a financial statement relating to the special account for Increased Height and Density/Community Benefits Charge under Section 37.

Previous Reports/Authority

[2022 Development Charge Reserve and Special Reserve Statement](#)

Analysis and Options

The collection of development charges, payments in lieu of parkland and payments from developers pursuant to a Section 37 agreement are a major source of funding for the City's growth-related capital works.

There are legislative requirements for the Treasurer to provide Council a financial statement relating to the establishment of these reserve funds and the receipt and disbursement of funds during the fiscal year, and to make these statements available to the public. The inclusion of this report on a public agenda, and subsequent posting of the report to the City's website, ensures that this report is available to the public.

The required financial statements were prepared on an accrual basis for goods and services received however it does not reflect other commitments of funds.

DC Reserve Fund Statements

The DCA outlines specific reporting requirements for development charge reserves. A municipality that has passed a Development Charge by-law shall establish a separate reserve fund for each service to which the development charge relates; and the fund shall be used only to meet growth related capital costs for which the development charge was imposed. Reporting requirements include identifying all other types of funding applied to each project funded with development charges and providing a detailed summary of the activity for each development charge reserve for the year.

As of December 31, 2023, the consolidated fund balance in the City's development charge reserve funds was \$529.8 million.

The table below summarizes the Development Charges Reserve Fund activities for the period of January 1, 2023 to December 31, 2023.

Table 1: 2023 Development Charge Reserve Balance as of December 31, 2023 (\$million)

	City-Wide Development Charges	Area Specific Development Charges	Total
Opening Balance	\$545.2	\$19.6	\$564.8
Revenues	\$75.6	-\$0.8	\$74.8
Expenses	-\$109.8	-\$0.1	-\$109.8
Closing Balance	\$511.0	\$18.8	\$529.8

Note 1: The Revenues and Expenses include interest accruals.

Note 2: Some numbers may not add due to rounding

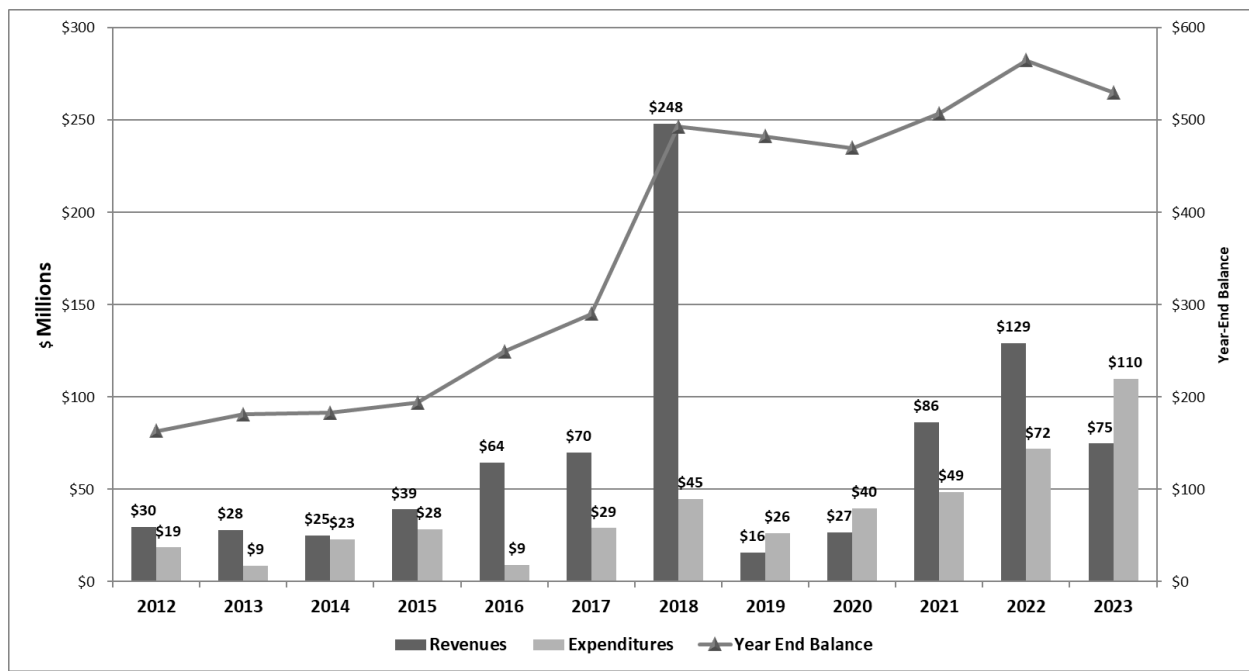
Attachment 1 summarizes the development charges reserve established under the authority of the DCA and the City’s Development Charge By-laws. The summary schedule provides a breakdown of the funds collected, interest earned and capital expenditures for each reserve fund. There are detailed schedules for each reserve fund providing capital project detail of expenditures processed during 2023, indicating other non-development charge related funding sources.

Attachment 2 provides a description of each service for which the development charge reserve fund was established.

Development charge revenues in 2023 were \$74.8 million, which was approximately \$35 million less than 2023 expenditures of \$109.8 million.

Chart 1 illustrates the collections in comparison to previous years. In each year since 2012, the City’s development charge collections have exceeded the draws from the development charge reserves, except for 2019, 2020 and 2023. As illustrated in the chart, in 2023 the DC collections have decreased due to softening in the market and a high interest rate environment. DC revenues were \$74.8 million, consisting of DC collections of approximately \$50.1 million with an additional \$23.5 million in interest revenue assigned to the DC reserves and \$1.2 million in reserve repayment. Draws from the DC reserves in 2023 continue to increase over previous years due to the ongoing need to fund growth related infrastructure projects. As a result of increasing expenditures above revenues, the balances in the development charge reserves have decreased leaving a consolidated reserve fund balance of \$529.8 million as of December 31, 2023.

Chart 1: 2012-2023 Development Charge Revenues and Expenditures Comparison (\$million)



Amendments to the Act since January 1, 2020 have reduced the amount of development charges the City collects.

Prior to January 1, 2020, DCs collected for new developments were only based on Council's approved DC rates in effect at time of subdivision approval or building permit issuance.

Changes to the Act, as the result of Bill 108, More Homes, More Choice Act, 2019, development charges are now collected based on rates in effect at either date of zoning bylaw amendment or site plan application for the development. Also, as of November 28, 2022, further changes to the Act through Bill 23, More Homes Built Faster Act, 2022 require new DC rates to be phased in when a new DC bylaw is passed. The phase-in begins at 80% of the Council's approved rate in the first year, 85% in the second, 90% in the third, 95% in the fourth year and 100% of the rates in the fifth and subsequent years of the bylaw. This change is applicable to any DC bylaw passed on, or after, January 1, 2022, and was therefore applied to the City's 2022 DC Bylaw, passed on June 28, 2022.

For 2023, development charge collections were lower by approximately \$6.5 million due to changes to the Act through Bill 108 and Bill 23.

Special Fund Statement on Cash-in-Lieu Parkland and Section 37

The *Planning Act* outlines specific reporting requirements for payments received in lieu of the conveyance of parkland and payments received in consideration of increases in the height or density of proposed developments. In 2022, Height and density bonusing provision under Section 37 of the Planning Act was replaced by a new growth funding tool called the Community Benefits Charge (CBC) within Section 37. In accordance with Sections 37 and 42 of the *Planning Act*, 1990, the following is required:

All money received by the municipality shall be paid into a separate reserve account and spent only for the acquisition of land to be used for park or other public recreational purposes (CIL Parkland), infrastructure and services specified in the agreement (Section 37) or CBC (Section 37).

Reporting requirements include identifying all other types of funding applied to each project funded with CIL Parkland or Section 37 proceeds and providing a detailed summary of the activity for this special account for the year.

The following table summarizes the reserve activity for these special reserves as of December 31, 2023:

Table 2: 2023 Cash-in-Lieu Parkland and Section 37 Reserve Balance as of December 31, 2023
(\$million)

	Cash in Lieu Parkland	Height and Density Section 37	Community Benefits Charge
Opening Balance	\$160.8	\$27.2	\$0
Revenues	\$20.5	\$3.5	\$0
Expenses	-\$103.5	-\$0.3	\$0
Closing Balance	\$77.7	\$30.4	\$0

Note 1: Some numbers may not add due to rounding
Note 2: Include interest earned

As of December 31, 2023, the CIL Parkland reserve balance was \$77.7 million.

During 2023, \$16.1 million in cash in lieu payments were received and the reserve earned \$3.4 million in interest. There was also \$0.9 million in land sale that was deposited to this reserve. There were \$103.5 million in capital expenditures for the year. Attachment 3 provides information of the capital expenditures that were funded from the CIL Parkland reserve fund in 2023.

As of December 31, 2023, the Section 37 reserve balance was \$30.4 million.

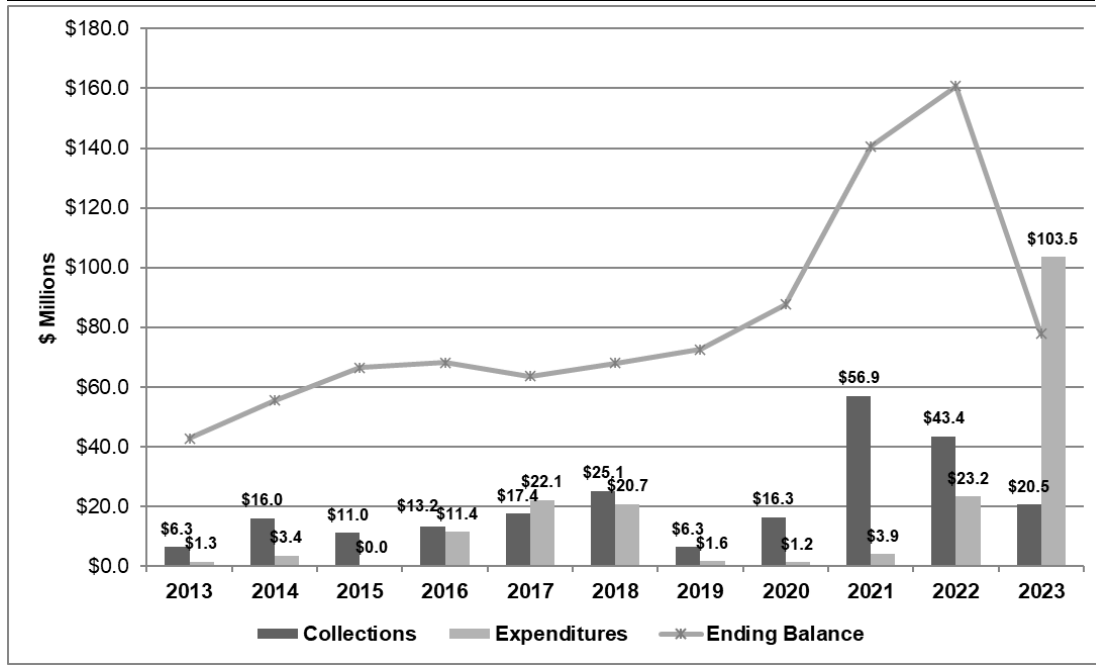
During 2023, \$2.3 million in revenue was received through Section 37 agreements and the reserve earned \$1.2 million in interest. There were \$0.3 million in capital expenditures for the year. Attachment 4 provides information of the capital expenditures that were funded from the Section 37 reserve fund in 2023.

As of December 31, 2023, the Community Benefits Charges reserve had a zero balance.

In September 2022, Council approved a Community Benefits Charge (CBC) by-law under Section 37 of the Planning Act. This new growth funding tool replaces the Height and Density bonusing under Section 37. In 2023, there was no revenue under the CBC, however there will be collections in future years.

Following chart illustrate CIL Parkland collections and expenditures for the period of 2013-2023.

Chart 2: 2013-2023 CIL Parkland Collections* and Expenditures Comparison (\$million)



* Includes interest earned

Financial Impact

Development charges are collected on a city-wide and area specific basis from developers to help fund growth related infrastructure.

Payments received in lieu of conveying parkland within a planned development, are used by the City to fund acquisition of land required for parks and other recreation purposes.

Payments received from developers pursuant to an agreement under Section 37 of the Planning Act are to increase the height and/or density of a proposed development in exchange for a benefit to the community such as enhanced park service levels, streetscaping or public art in intensification areas.

Interest earned on development charges collected and held for future use is apportioned to the various development charge reserves on a proportionate basis and is not used to fund the operations of the City. There are also separate reserves for Payments in Lieu of parkland and payments received as a result of executed Section 37 agreements into which these funds are allocated when received and interest is accrued.

The City issued development charge credits in the fiscal year 2023 in the amount of \$2.2 million as it relates to the VMC West Interchange Sanitary Sewer Area Specific Development Charge.

Operational Impact

Not applicable.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

The 2023 Development Charges Reserve Fund and Special Account Statement are provided pursuant to the reporting requirements of the *Development Charges Act, 1997* and the *Planning Act*.

In compliance with the DCA and to the best of staff's knowledge and belief, the City does not impose directly or indirectly a charge related to a development or a requirement to construct a service related to development except as allowed under existing legislative Acts.

For more information, please contact Michael Marchetti, Director, Financial Planning and Development Finance, ext.8271

Attachments

1. 2023 Development Charge Reserve Fund Statement
2. Description of City Wide and Area Specific Development Charge Reserves
3. 2023 Cash-in-Lieu of Parkland Reserve Fund Statement
4. 2023 Section 37 Reserve Fund Statement

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