



## **Staff Report for Budget Committee of the Whole Meeting**

**Date of Meeting:** June 23, 2020

**Report Number:** SRCFS.20.017

**Department:** Corporate and Financial Services

**Division:** Financial Services

**Subject:** 2019 Development Charges, Cash in Lieu of Parkland  
and Section 37 Community Benefits Reserve Funds  
Statement

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### **Purpose:**

To present the City of Richmond Hill's 2019 Development Charges, Cash in Lieu of Parkland and Section 37 Community Benefits Reserve Funds Statement, in accordance with the legislative requirements provided in the Development Charges Act, 1997 and the Planning Act, as amended through Bill 73, The Smart Growth for Our Communities Act, 2015.

### **Recommendation(s):**

- a) That Council receive staff report SRCFS.20.017 for information purposes; and
- b) That the 2019 Development Charges, Cash in Lieu of Parkland and Section 37 Community Benefits Reserve Funds Statement be made available to the public on the City of Richmond Hill website as outlined in the report.

### **Contact Person:**

Ilan Treiger, Financial Management Advisor, Long Range Financial Planning & Policy, Extension 2415

Gigi Li, Manager Fiscal Planning & Strategy, Corporate and Financial Services, Extension 6435

### **Report Approval:**

**Submitted by:** Sherry Adams, Commissioner of Corporate and Financial Services (Acting)

**Approved by:** Mary-Anne Dempster, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner and City Manager. Details of the reports approval are attached.

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### Background:

In March 1998, the provincial government enacted the Development Charges Act, 1997, (DCA) which revised existing development charges legislation. Section 43 of the DCA, 1997 and O. Reg. 82.98 outline specific reporting requirements for Development Charges Reserve Funds.

On December 3, 2015 the Province enacted Bill 73, “Smart Growth for Our Communities Act, 2015” which, among other matters, made amendments to the reporting requirements previously outlined in Section 43 of the DCA, and Section 42 of the Planning Act. The amended legislation came into effect for the Development Charges Act on January 1, 2016 and on July 1, 2016 for the Planning Act.

Following each year, the Treasurer of the municipality is required to provide Council with a financial statement relating to established development charge By-laws and reserve funds. As a result of *Bill 73, the amended legislation* requires that the contents of the financial statement be expanded to include additional details on:

- the use and sources of the funds and a statement as to the municipality’s compliance in not imposing, directly or indirectly, a charge related to development, except as permitted by the *DCA* (effective January 1, 2016, previously reported for 2015)
- detailed reporting of Cash in Lieu of Parkland (Planning Act S.42(6)) received from development and how the funds are spent (effective July 1, 2016)
- detailed reporting on bonus density contributions (Planning Act S.37) received from development and how these funds are spent (effective July 1, 2016)

This report compiled the 2019 Development Charges, Cash in Lieu of Parkland and S.37 Community Benefits Reserve Funds Statement information. Development Charges, Cash in Lieu of Parkland and S.37 Community Benefits Reserve Fund balances are not discretionary reserve funds of the City. These funds may be spent only for capital costs determined within the regulations of the *Development Charges Act, 1997 and Planning Act* as amended.

### Financial/Staffing/Other Implications:

#### Development Charges Reserve Funds

The Development Charges Reserve Fund balances have increased by \$3.21 million, from an opening balance of \$43.29 million to a closing balance of \$46.50 million (exclusive of developers’ credits). During 2019, the City funded \$21.39 million capital projects from Development Charges Reserve Funds and collected \$22.78 million. Attachment 2A contains the details of the various projects funded by the Development Charges Reserve Funds, as well as, projects that were funded by Development

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Charges in previous years but were closed during 2019 with the surplus funds being returned to the Development Charges Reserve Funds.

### Summary Table A - Development Charge Reserve Fund Activity for 2018 and 2019

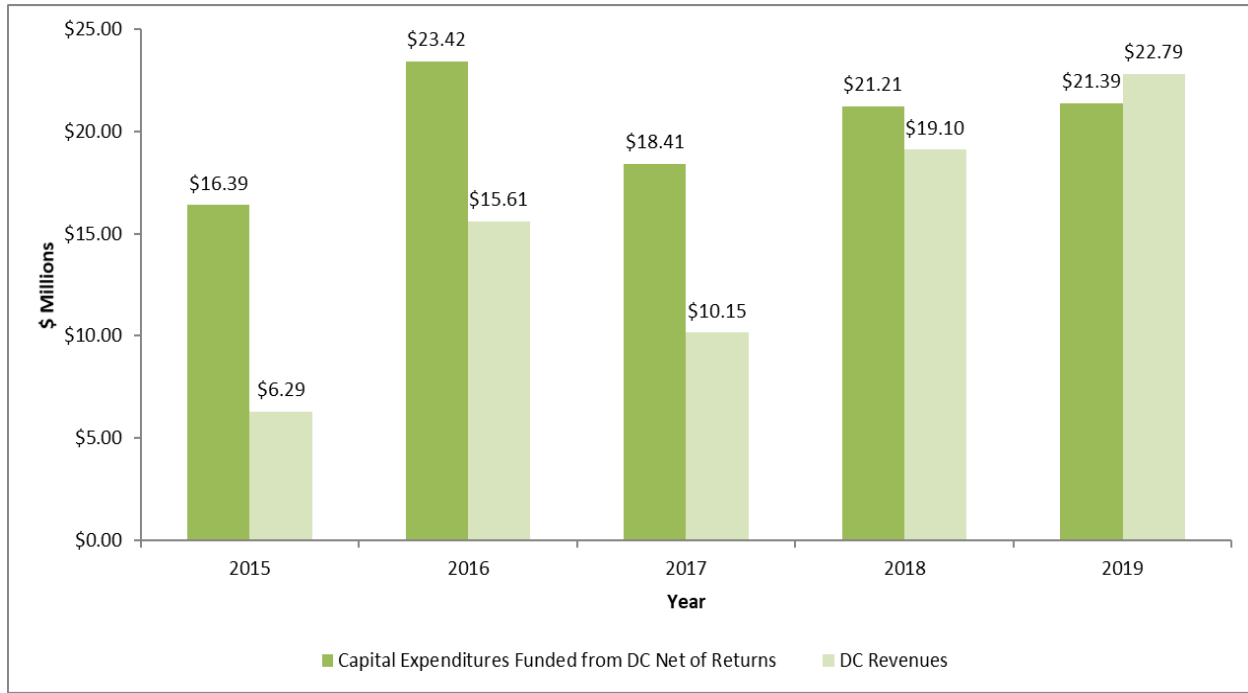
City of Richmond Hill			
Development Charge Reserve Fund Activity	2019 \$(millions)	2018 \$(millions)	Difference
<b>Beginning Balance</b>	\$43.29	\$44.18	(\$0.89)
Add:			
DC Revenues	\$22.78	\$19.10	\$3.68
Interest Income and Other	\$1.44	\$1.22	\$0.22
<b>Total Revenues</b>	<b>\$24.22</b>	<b>\$20.32</b>	<b>\$3.90</b>
Less:			
DC Funds Allocated to Capital Projects	\$21.39	\$21.21	\$0.18
DC Funds Returned from Capital Projects	(\$0.38)	\$0.00	(\$0.38)
<b>Total Expenditures</b>	<b>\$21.01</b>	<b>\$21.21</b>	<b>(\$0.20)</b>
<b>Ending Balance</b>	<b>\$46.50</b>	<b>\$43.29</b>	<b>\$3.21</b>

A full description of all the Development Charges Reserve Funds is provided in Table 1.

As shown in the graph below, the collections of Development Charges from 2015 to 2019 totaled to \$62.46 million. The expenditures towards Capital projects over the 5 year period amounted to \$100.82 million. Over the last 5 years there has been a trend of funding projects through the reserve funds from the previous years where collections were greater than expenditures. The timing difference between when development charges are collected and spent will always exist but over extended timeline, it should be net neutral gain. The substantial expenditures over the past year are related to funding of significant ongoing roads, and outdoor recreation projects: Highway 404 Fly-over, vehicles utilized in the windrow clearing program and land acquisitions.

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### 2015-2019 Development Charges Revenues and Expenditures Comparison



Attachment 2B shows the Development Charge credits which were outstanding at the beginning of the year, granted during the year, utilized during the year and the balance remaining at the end of 2019.

### Q1 2018 - Q1 2020 Development Charges Revenues Comparison

Development Charges, which are dependent on new development, represent the largest funding source for growth related projects. With the impact of COVID-19 on growth in 2020 as well as the reduction in overall economic activity, slowing development revenues to the City have been observed.

As shown in the graph below, the collections of Development Charges from Q1 2018 to Q1 2020 totaled to \$40.22 million, with average quarterly revenue collection of \$4.47 million. In the past 3 consecutive quarters, development charges collections have been significantly lower than. Furthermore, taking into account collection seasonality, Q1 of 2020 is on average \$4.24 million lower than Q1 2019 and 2018.

Staff will continue to monitor development charge reserve fund levels and the associated expenditures during the annual budget process to ensure the long term financial sustainability of these reserve funds.

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## Cash in Lieu of Parkland Reserve Fund

The 2019 ending balance in the Cash-in-Lieu reserve fund is \$34.54 million and reflects increase of \$2.1 million from 2018. The City collected \$9.22 million of Cash-in-Lieu of parkland payments and funded \$7.03 million of capital expenditure in 2019. Nearly 50% of the Cash-in-Lieu collected were from high and medium density development. \$5.61 million was used to fund parkland acquisition, and \$0.92 million funded projects such as King's College Park Revitalization and Bayview Hill Park Revitalization. Attachment 2A contains the details of the various projects funded by the Cash-in-Lieu of Parkland Reserve Funds.

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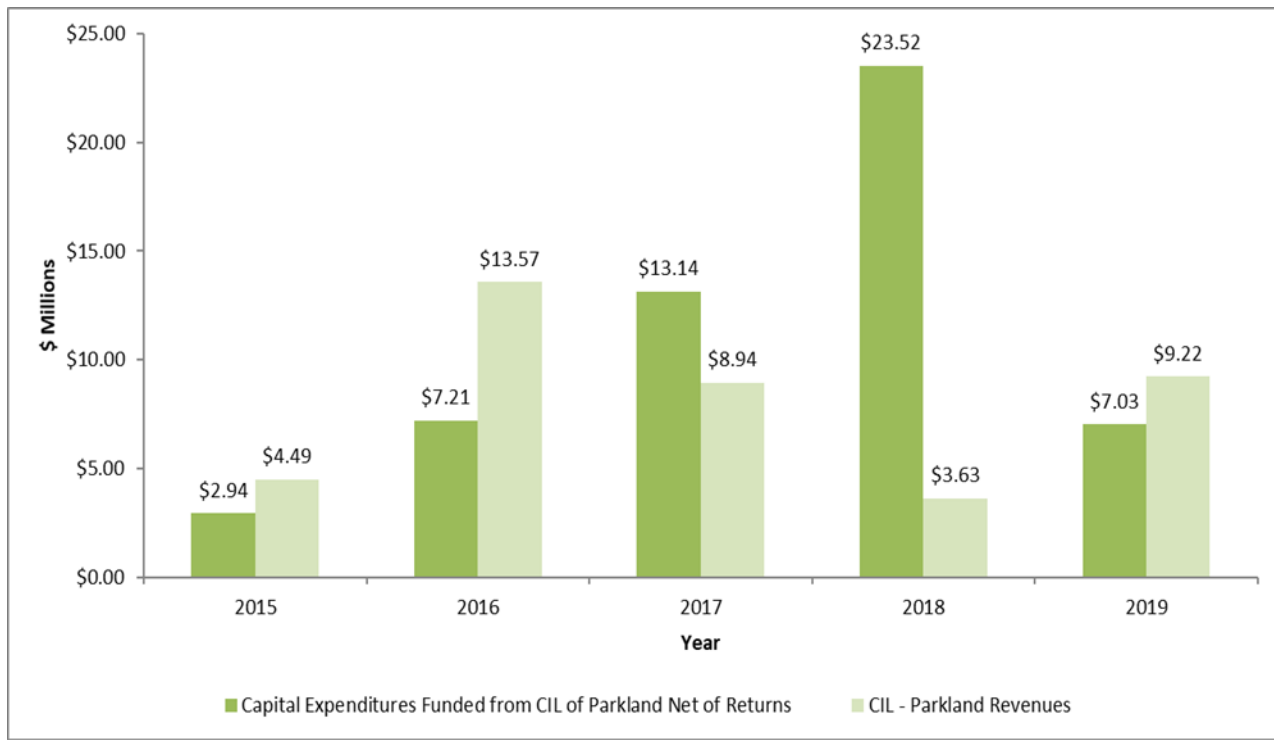
### Summary Table B – CIL of Parkland Reserve Fund Activity for 2018 and 2019

City of Richmond Hill			
CIL - Parkland Reserve Fund Activity	2019 \$(millions)	2018 \$(millions)	Difference
<b>Beginning Balance</b>	<b>\$30.73</b>	<b>\$49.77</b>	<b>(\$19.04)</b>
Add:			
CIL - Parkland Revenues	\$9.22	\$3.63	\$5.59
Interest Income and Other	\$0.79	\$0.85	(\$0.06)
<b>Total Revenues</b>	<b>\$10.01</b>	<b>\$4.48</b>	<b>\$3.82</b>
Less:			
CIL - Parkland Funds Allocated to Capital Projects and Acquisitions	\$7.03	\$23.52	(\$16.49)
CIL - Parkland Funds Returned from Capital Projects	(\$0.83)	\$0.00	(\$0.83)
<b>Total Expenditures</b>	<b>\$6.20</b>	<b>\$23.52</b>	<b>(\$17.22)</b>
<b>Ending Balance</b>	<b>\$34.54</b>	<b>\$30.73</b>	<b>\$2.10</b>

As shown in the graph below, the revenues collected for Cash-in-lieu of Parkland from 2015 to 2019 totaled \$39.85 million. The expenditures towards Capital projects over the 5 year period amounted to \$53.84 million.

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### 2015-2019 CIL of Parkland Revenues and Expenditures Comparison



### S.37 Community Benefits Reserve Fund

The Section 37 Community Benefits Reserve Fund was reported in accordance with section 37 of the Planning Act. These funds enable the City to provide community benefits including facilities and services, when increases in development height and density are approved by Council. There are no cash contributions into the reserve fund to date, however there are outstanding commitments from developers to contribute community benefits towards City capital projects.

### Community Benefits Charges

The Province of Ontario changed municipal funding options related to development charges, parkland dedication/cash-in-lieu of parkland, and Planning Act - Section 37 agreements, and introduced community benefits charges (CBC) in legislation. Significant changes were made to DCs, including:

- Freezing DC rates for Site Plan or Zoning Amendments at the time of the application.
- Introducing DC payment installments for rental housing, institutional, and non-profit housing development.

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- Allowing municipalities to charge interest on the DCs, at a rate not exceeding the maximum interest rate (which has not yet been prescribed by the Province), from the date of the application to the date the development charges is payable. (Richmond Hill Council approved annual interest rate of 5%).
- Removing the mandatory 10% deduction on soft services (e.g. new park and trail development, libraries, community centres) for all services that remain eligible in the DC framework, meaning these services can be 100% funded by DC, not just 90% as was previously the case.

While Richmond Hill will benefit from some changes to how municipalities can fund growth-related community infrastructure, preliminary analysis indicates that it will not be revenue neutral. As the proposed maximums (caps) on basic parkland dedication values are not sufficient to maintain the level of parkland dedication collection compared to the previous revenue tools available to fund parkland, including the current fixed rate for apartment and townhouse units.

The timing of when the draft regulations will be finalized are not known, staff will continue to monitor and report back on this matter.

### Relationship to the Strategic Plan:

Presentation of the Development Charges, Cash in Lieu of Parkland and S.37 Community Benefits Reserves Fund Statement demonstrates wise management of resources in Richmond Hill.

### Conclusion:

The attached tables comprise the Treasurer's Statement on the Development Charges, Cash in Lieu of Parkland and S.37 Community Benefits Reserve Funds for 2019. The Treasurer's Statement is provided pursuant to the reporting requirements of the *Development Charges Act, 1997*, the City's Development Charges By-laws and Planning Act as amended.

### Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. If you require an alternative format please call the contact person listed in this document.

- Table 1 - Development Charges, Cash in Lieu of Parkland and Section 37 Community Benefits Reserve Funds
- Table 2 - Annual Treasurer's Statement of Development Charges, Cash in Lieu of Parkland and S.37 Community Benefits Reserve Funds as at December 31, 2019
- Attachment 2A - Amounts Transferred to Capital (Other) Funds
- Attachment 2B - Statement of Credit Carry Forward



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### Report Approval Details

Document Title:	SRCFS.20.017 - 2019 Treasurer's Statement Development Charges Cash in Lieu of Parkland and S.37 Community Benefits.docx
Attachments:	<ul style="list-style-type: none"><li>- SRCFS.20.017 - Table 1 Development Charges, Cash in Lieu of Parkland and Section 37 Community Benefits Reserve Funds.pdf</li><li>- SRCFS.20.017 - Table 2 - Annual Treasurer's Statement of Development Charges, CIL.pdf</li><li>- SRCFS.20.017 - Attachment 2A - Amounts Transferred to Capital (Other) Funds.PDF</li><li>- SRCFS.20.017 - Table 2b Statement of Credit Holder Transactions.pdf</li></ul>
Final Approval Date:	Jun 17, 2020

This report and all of its attachments were approved and signed as outlined below:

**David Dexter - Jun 15, 2020 - 9:52 AM**

**Sherry Adams - Jun 15, 2020 - 10:52 AM**

**MaryAnne Dempster - Jun 17, 2020 - 9:27 AM**