



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: June 28, 2022

Report Number: SRCFS.22.022

Department: Corporate and Financial Services

Division: Financial Services

Subject: 2021 Development Charges, Cash in Lieu of Parkland
and Section 37 Community Benefits Reserve Funds
Statement

Purpose:

To present the City of Richmond Hill's 2021 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*, as amended.

Recommendation(s):

- a) That Council receive staff report SRCFS.22.022 for information purposes; and
- b) That the 2021 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

Sara Beukeboom, Manager Fiscal Planning & Strategy, Corporate and Financial Services, Extension 6311

Report Approval:

Submitted by: Sherry Adams, Commissioner of Corporate and Financial Services

Approved by: Darlene Joslin, Interim 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 2021 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 \$22.42 million in 2021, from an opening balance of \$103.41 million to a closing balance of \$125.83 million (exclusive of developers’ credits). During 2021, the City collected \$25.45 million and funded \$4.83 million in capital projects from Development Charges Reserve Funds.

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 2021, with the surplus funds being returned to the Development Charges Reserve Funds.

Summary Table A - Development Charges Reserve Fund Activity for 2020 and 2021

| City of Richmond Hill | | | |
|--|----------------------|----------------------|-----------------|
| Development Charge Reserve Fund Activity | 2021 \$(millions) | 2020 \$(millions) | Difference |
| Beginning Balance | \$103.41 | \$100.08 | \$3.33 |
| Add: | | | |
| DC Revenues | \$25.45 | \$11.39 | \$14.06 |
| Interest Income and Other | \$1.05 | \$1.37 | (\$0.32) |
| Total Revenues | \$26.50 | \$12.76 | \$13.74 |
| Less: | | | |
| DC Funds Allocated to Capital Projects | \$4.83 | \$7.12 | (\$2.29) |
| DC Funds Returned from Capital Projects | (\$1.43) | (\$0.06) | (\$1.37) |
| DC Credits Released | \$0.68 | \$0.00 | \$0.68 |
| DC Funds Refunded | \$0.00 | \$2.37 | (\$2.37) |
| Total Expenditures | \$4.08 | \$9.43 | (\$5.35) |
| Ending Balance | \$125.83 | \$103.41 | \$22.42 |

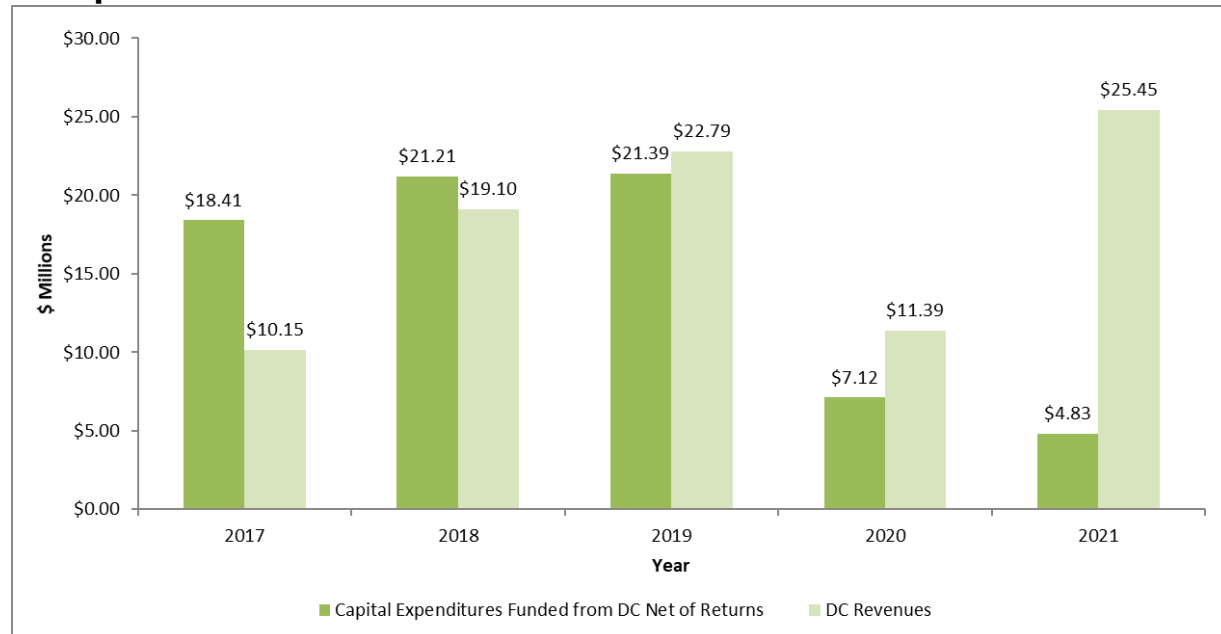
A full description of all the Development Charges Reserve Funds is provided in Table 1, as attached to this report.

As shown in the graph below, the collections of Development Charges from 2017 to 2021 totaled \$88.88 million while the expenditures towards Capital projects over the 5-year period amounted to \$72.96 million. In the past 5 years, Development Charges collections have been increasing year-over-year, except for 2020 as a result in slowing development during the COVID-19 lockdown. In 2017 and 2018, the City funded growth related projects through reserve funds from previous years where collections were greater than expenditures. However, starting in 2019 the City had adjusted its capital spending to reflect actual collection levels experienced. In the last year, the City had seen a significant increase in DC collections as the industry recovered after the immediate impact of Covid-19 and when restrictions were lifted, this resulted in a significant upside in collections compared to spending.

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The timing difference between when development charges are collected and spent will always exist but over an extended timeline, it is expected to be net neutral. The expenditures over the past year are related to funding of significant ongoing road projects, and outdoor recreation projects: Highway 404 mid-block-crossing, Leslie Street - Elgin Mills to 19th, and David Dunlap Observatory Park early priorities.

2017-2021 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 2021.

Q1 2020 - Q1 2022 Development Charges Revenues Comparison

Development Charges, which are dependent on new development, represent the largest funding source for growth related projects. Development charge collections were impacted in 2020 and first quarter of 2021 due to the effects of COVID-19, as well as uncertainty related to a future recession brought on by the pandemic and a reduction in overall economic activity, resulting in lower development charge revenues to the City.

As shown in the graph below, the collections of Development Charges from Q1 2020 to Q1 2022 totaled to \$40.15 million, with average quarterly revenue collection of \$4.46 million. In the past year especially Q2 through Q4 of 2021, development charges collections have significantly increased when compared to the same time period in the prior year. This is a result of significant increase in issuance of building permits for medium and high density developments.

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



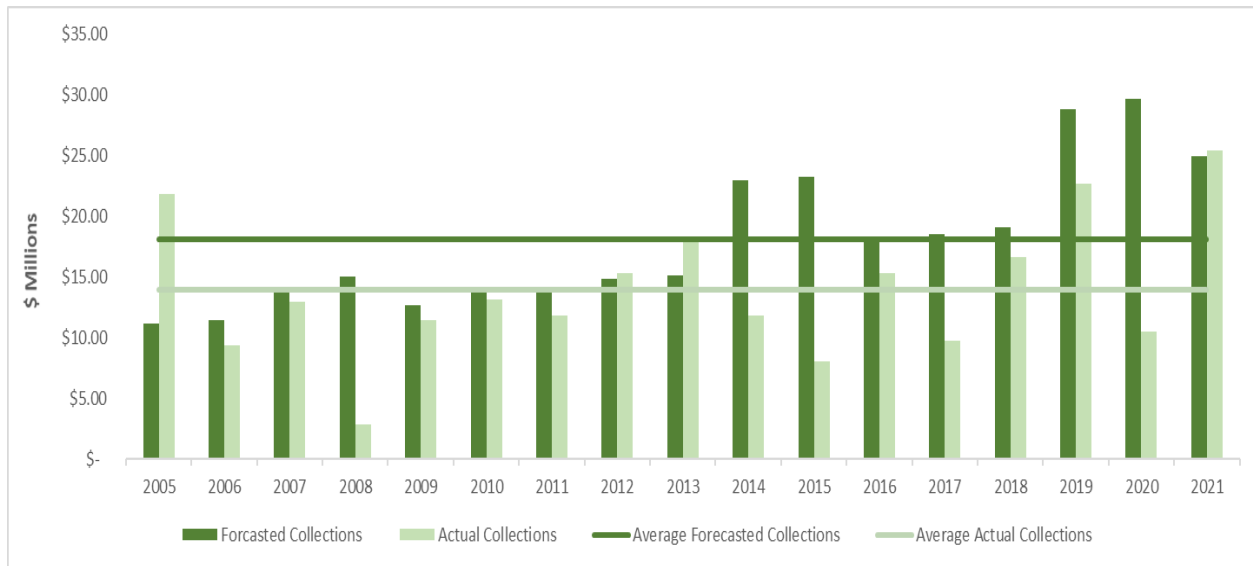
2005 - 2021 Development Charges Revenues Forecast vs. Actual Comparison

Development charges collected from 2005 to 2020 totaled \$237.07 million or at 77% compared to a forecast of \$307.61 million. As shown in the graph below, actual collections fluctuate year over year, with an average annual collection of approximately \$13.94 million compared to the average annual forecast of approximately \$18.09 million, which is approximately \$4.14M or 23% higher. This variance is primarily a result of lower than anticipated residential development, particularly high density, in comparison to the forecast. This trend is supported by the number of building permits issued by the City over the same period, 22,801 building permits issued or 80% compared to a forecast of 28,351 building permits.

Development charges collection fluctuates year over year due to timing, and the amount of new development projects that come in to the City. Further, large residential developments such as subdivisions, and high-rise apartment buildings, may take longer to process when compared to individual single development applications. As such the timing of actual development charges collection may deviate from the forecast.

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Although in the past several years the Region of York has been experiencing slower than projected growth, as has Richmond Hill, in 2021 Richmond Hill has realized its forecasted growth. The Region is undertaking an update of its Official Plan and infrastructure master plans which will inform Richmond Hill's Official Plan and growth forecast in the upcoming Development Charges By-law Update in 2023, and will also provide a more realistic forecast on future development charges collections.



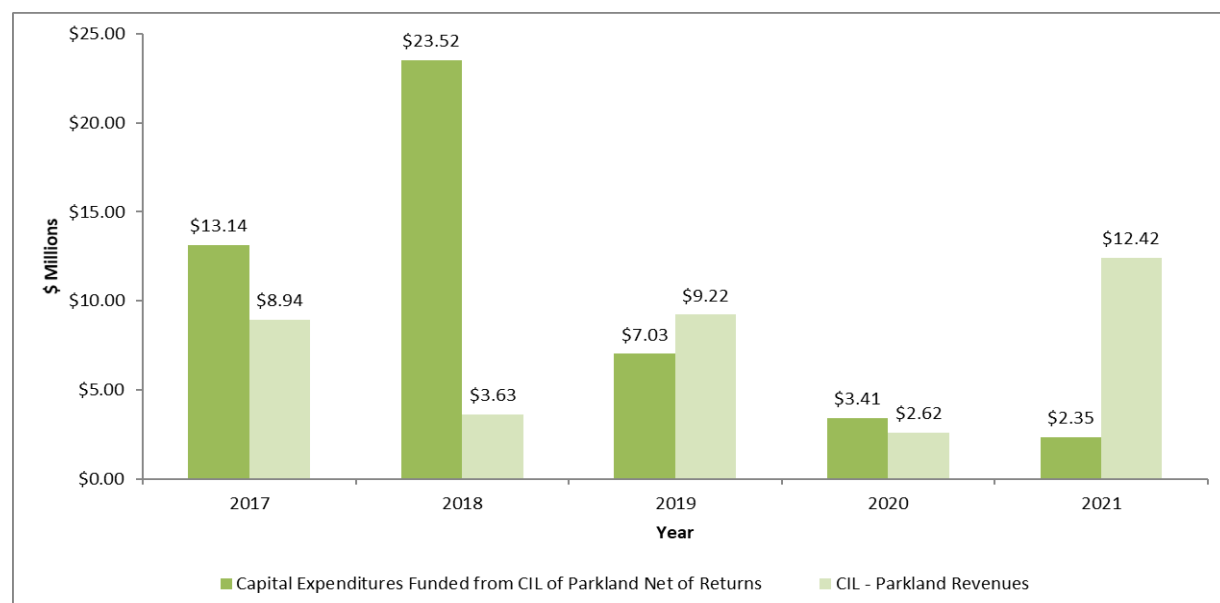
Cash in Lieu of Parkland Reserve Fund

The 2021 ending balance in the Cash-in-Lieu reserve fund is \$54.63 million and reflects increase of \$10.65 million from 2020. The City collected \$12.42 million of Cash-in-Lieu of parkland payments and funded \$2.35 million of capital expenditure in 2021. Nearly 50% of the Cash-in-Lieu collected were from high and medium density development. \$1.76 million was used to fund projects such as the David Dunlap Observatory, Harding/Lennox Park revitalization, and artificial turf replacement. Attachment 2A contains the details of the various projects funded by the Cash-in-Lieu of Parkland Reserve Fund.

Page 7**Summary Table B – CIL of Parkland Reserve Fund Activity for 2020 and 2021**

| City of Richmond Hill | | | |
|---|----------------------|----------------------|-----------------|
| CIL - Parkland Reserve Fund Activity | 2021 \$(millions) | 2020 \$(millions) | Difference |
| Beginning Balance | \$43.98 | \$44.19 | (\$0.21) |
| Add: | | | |
| CIL - Parkland Revenues | \$12.42 | \$2.62 | \$9.8 |
| Interest Income and Other | \$0.43 | \$0.56 | (\$0.13) |
| Total Revenues | \$12.85 | \$3.18 | \$9.67 |
| Less: | | | |
| CIL - Parkland Funds Allocated to Capital Projects and Acquisitions | \$2.35 | \$3.41 | (\$1.06) |
| CIL - Parkland Funds Returned from Capital Projects | (\$0.15) | (\$0.02) | \$0.13 |
| Total Expenditures | \$2.20 | \$3.39 | (\$1.19) |
| Ending Balance | \$54.63 | \$43.98 | \$10.65 |

As shown in the graph below, the revenues collected for Cash-in-lieu of Parkland from 2017 to 2021 totaled \$36.83 million. The expenditures towards Capital projects over the 5-year period amounted to \$49.45 million.

2017-2021 CIL of Parkland Revenues and Expenditures Comparison

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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.

| City of Richmond Hill | | | |
|--|----------------------|----------------------|-----------------|
| S.37 Reserve Fund Activity | 2021 \$(millions) | 2020 \$(millions) | Difference |
| Beginning Balance | \$0.00 | \$0.00 | (\$0.21) |
| Add: | | | |
| S.37 Revenues | \$1.70 | \$0.00 | \$1.70 |
| Interest Income and Other | \$0.01 | \$0.00 | \$0.01 |
| Total Revenues | \$1.71 | \$0.00 | \$1.71 |
| Less: | | | |
| S.37 Funds Allocated to Capital Projects | \$0.07 | \$0.00 | \$0.07 |
| Total Expenditures | \$0.07 | \$0.00 | \$0.07 |
| Ending Balance | \$1.63 | \$0.00 | \$1.63 |

In addition to the cash contributions made into the reserve fund to date, 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 Charge ("CBC") in legislation, which repeals the Section 37 of the Planning Act.

CBC could fund the growth-related, capital costs of any potential service, facilities and matters, including services recovered partially through development charges or parkland dedication, provided that the capital costs that are intended to be funded by the CBC are not capital costs that are intended to be funded under a DC by-law or parkland dedication.

The City's CBC Strategy and By-law is tabled for Council consideration and adoption on July 6, 2022.

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Relationship to Council's Strategic Priorities 2020-2022:

Presentation of the Development Charges, Cash in Lieu of Parkland and Section 37 Community Benefits Reserve Funds Statement demonstrates wise management of resources in Richmond Hill.

This report is aligned with the Council's Strategic Priority of a Fiscal Responsibility, in recognizing the need to ensure that the Development Charges By-laws are updated, when applicable, and amended for the recent changes to the Development Charges Act.

Conclusion:

Climate change considerations are not applicable to this staff report.

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. All attachments have been reviewed and made accessible. 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, 2021
- 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.22.022 - 2021 Development Charges, Cash in Lieu of Parkland and Section 37 Community Benefits Reserve Funds Statement.docx |
| Attachments: | <ul style="list-style-type: none">- SRCFS.22.022 - Table 1 - 2021 Treasurer's Statement Development Charges Cash in Lieu of Parkland and S.37 Community Benefits.pdf- SRCFS.22.022 - Att. 2A - 2021 Treasurer's Statement Development Charges Cash in Lieu of Parkland and S.37 Community Benefits.pdf- SRCFS.22.022 - Att. 2B - 2021 Treasurer's Statement Development Charges Cash in Lieu of Parkland and S.37 Community Benefits.pdf- SRCFS.22.022 - Table 2 - 2021 Treasurer's Statement Development Charges Cash in Lieu of Parkland and S.37 Community Benefits.pdf |
| Final Approval Date: | Jun 16, 2022 |

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

Gigi Li - Jun 16, 2022 - 8:12 AM

Sherry Adams - Jun 16, 2022 - 9:35 AM

Darlene Joslin - Jun 16, 2022 - 10:22 AM