



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

**Date of Meeting:** June 27, 2023

**Report Number:** SRCFS.23.035

**Department:** Corporate and Financial Services

**Division:** Financial Services

**Subject:** 2022 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds Statement

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### **Purpose:**

To present the City of Richmond Hill's 2022 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds Statement, in accordance with the legislative requirements provided in the *Development Charges Act, 1997*, as amended.

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

- a) That staff report SRCFS.23.035 regarding the 2022 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds Statement, be received for information purposes; and
- b) That the 2022 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds Statement be made available to the public on the City of Richmond Hill website as outlined in staff report SRCFS.23.035.

### **Contact Person:**

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

Lisa Chen, 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, 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.

In 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 Community Benefits Charge, formerly Section 37 bonus density contributions (Planning Act S.37) received from development and how these funds are spent (effective July 1, 2016)

This report compiled the 2022 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds Statement information (summarized in Table 2). Development Charges, Cash in Lieu of Parkland and Community Benefits Charge 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 the Planning Act as amended.

### Financial/Staffing/Other Implications:

#### Development Charges Reserve Funds

The Development Charges Reserve Funds balances have increased by \$17.89 million in 2022, from an opening balance of \$125.83 million to a closing balance of \$143.72 million (exclusive of developers’ credits). During 2022, the City collected \$19.52 million and funded \$6.12 million in capital projects from Development Charges Reserve Funds.

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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 Charges in previous years but were closed during 2022, with the surplus funds being returned to the Development Charges Reserve Funds.

### Summary Table A - Development Charges Reserve Fund Activity for 2022 and 2021

City of Richmond Hill			
Development Charge Reserve Fund Activity	2022 \$(millions)	2021 \$(millions)	Difference
<b>Beginning Balance</b>	<b>\$125.83</b>	<b>\$103.41</b>	<b>\$22.42</b>
Add:			
DC Revenues	\$19.52	\$25.45	\$(5.93)
Interest Income and Other	\$3.31	\$1.05	\$2.26
<b>Total Revenues</b>	<b>\$22.83</b>	<b>\$26.50</b>	<b>(\$3.67)</b>
Less:			
DC Funds Allocated to Capital Projects	\$6.12	\$4.83	\$1.29
DC Funds Returned from Capital Projects	\$(1.18)	\$(1.43)	\$0.25
DC Credits Released	\$0.00	\$0.68	\$(0.68)
<b>Total Expenditures</b>	<b>\$4.94</b>	<b>\$4.08</b>	<b>\$0.86</b>
<b>Ending Balance</b>	<b>\$143.72</b>	<b>\$125.83</b>	<b>\$17.89</b>

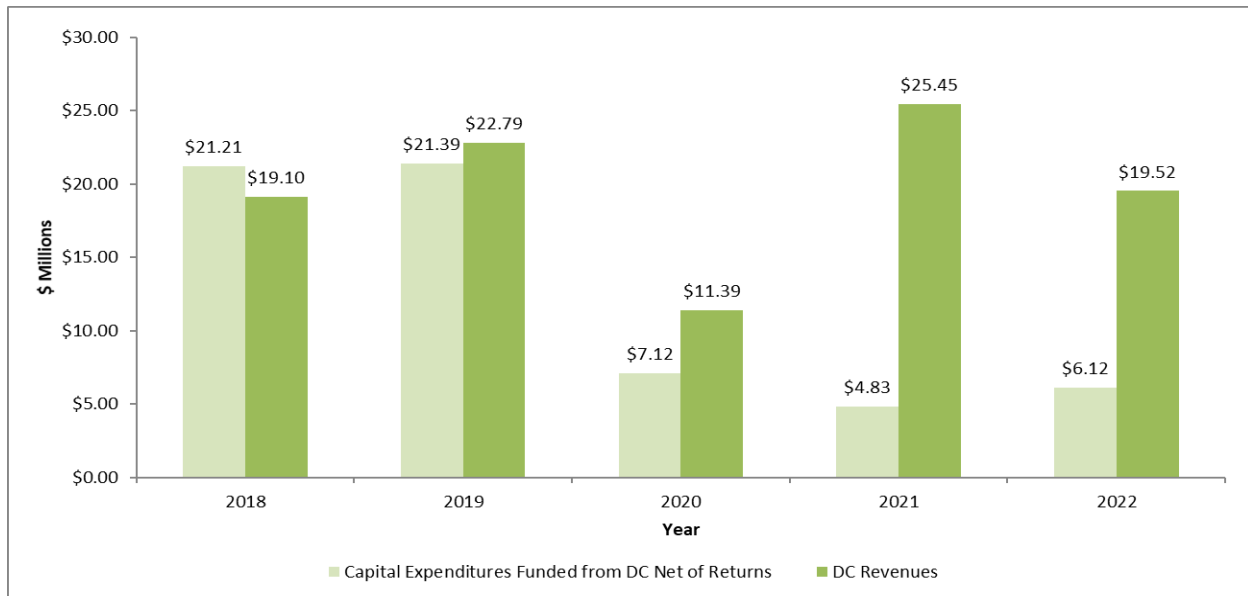
A full description of all the Development Charges Reserve Funds is provided in Table 1, as attached to this report.

As shown in the graph below, the collections of Development Charges from 2018 to 2022 totaled \$98.25 million while the expenditures towards Capital projects over the 5-year period amounted to \$60.67 million. In the past 5 years, Development Charges collections have been inconsistent year-over-year, this is mainly due to economic uncertainty resulting from the pandemic.. This is evident through a significant decrease in collections during the COVID-19 lockdown in 2020, from a collection of \$22.79 million in 2019 to \$11.39 million in 2020. The decrease in collections was followed by an immediate rebound in 2021 with a total of \$25.45 million in collections, mainly due to increase in activity related to high and medium density developments. In 2022 the City collected \$19.52 million, a decrease when compared to 2021, however the 2022 collections are in-line with collections made prior to the COVID-19 lockdown.

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The timing difference between collection of development charges and expenditure 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, notably Bethesda side road.

### 2018-2022 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 2022.

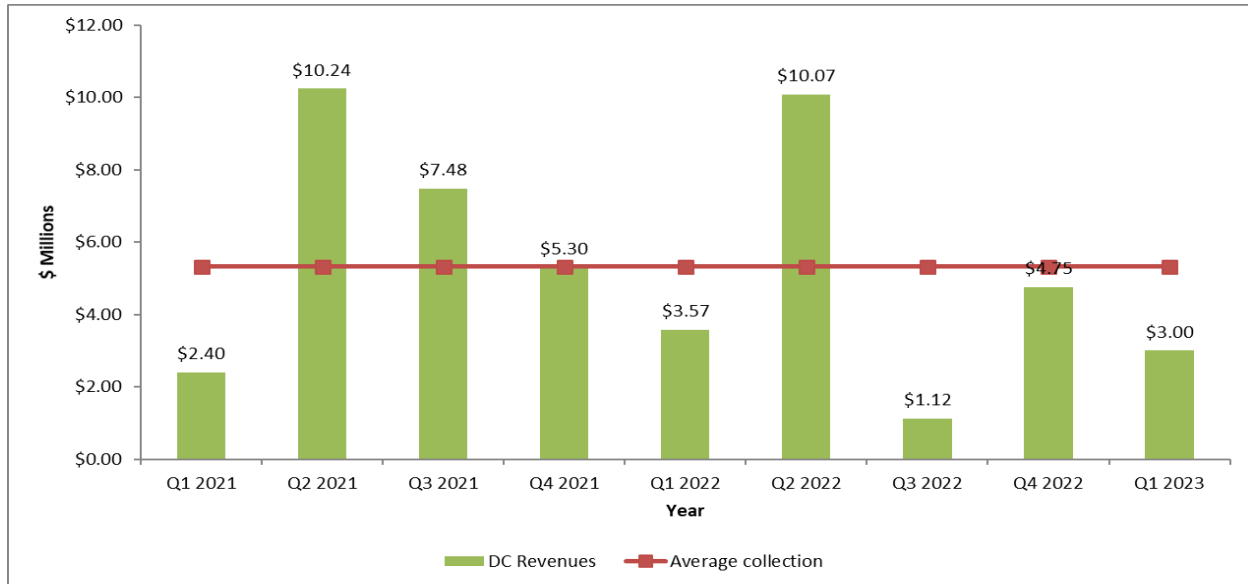
### Q1 2021 - Q1 2023 Development Charges Revenues Comparison

Development Charges, which are dependent on new development and redevelopment, represent the largest funding source for growth related capital projects. As discussed above, for the past 3 years Development Charge collections were impacted by the COVID-19 lockdowns, with a significant decrease in collections in 2020 and immediate rebound in 2021.

As shown in the graph below, collections of Development Charges from Q1 2021 to Q1 2023 totaled to \$47.93 million, with average quarterly revenue collection of \$5.33 million. In the past year especially Q3 of 2022, development charges collections have significantly decreased when compared to the same time period in the prior year. This is a result of decrease 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.



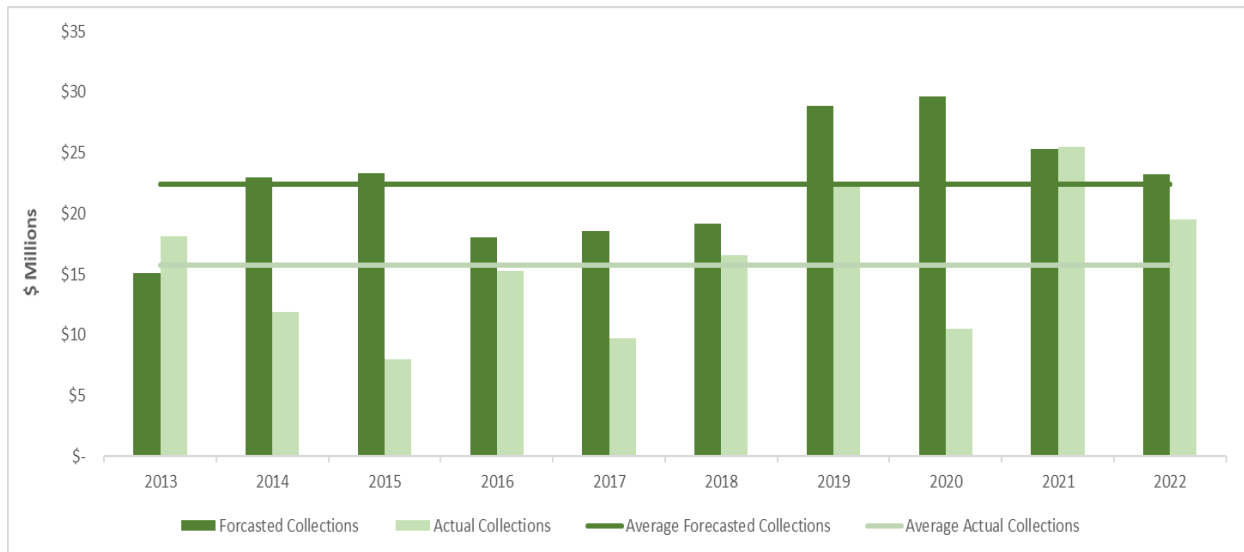
### 2013 - 2022 Development Charges Revenues Forecast vs. Actual Comparison

Over the past 10 years, from 2013 to 2022, Development Charges collected totaled \$157.73 million or 68% of the forecast collections of \$233.55 million. As shown in the graph below, actual collections fluctuate year over year. The average annual collections are approximately \$15.77 million, compared to the average annual forecast of approximately \$23.35 million, which is approximately \$6.8M or 68% of the forecasted collections. 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, 11,560 building permits issued or 67% compared to a forecast of 17,280 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 at the end of 2023, and will also provide a more realistic forecast on future development charges collections.



### Cash in Lieu of Parkland Reserve Fund

The 2022 ending balance in the Cash in Lieu reserve fund is \$61.09 million and reflects increase of \$6.46 million from 2021. The City collected \$7.88 million of Cash in Lieu of parkland payments, and funded \$3.09 million of capital expenditure in 2022. Nearly 50% of the Cash-in-Lieu collected were from high and medium density development. \$2.3 million was used to fund projects such as the David Dunlap Observatory, Fulton Parkette, Carville Park, and Maplewood Park. Attachment 2A contains the details of the various projects funded by the Cash-in-Lieu of Parkland Reserve Fund.

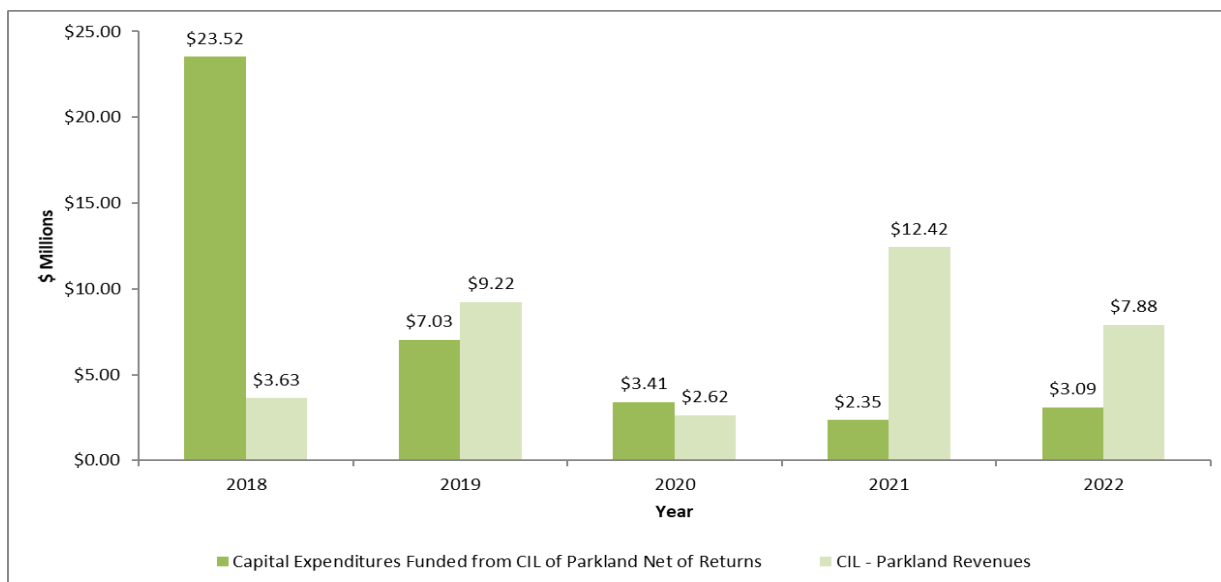
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### Summary Table B – CIL of Parkland Reserve Fund Activity for 2022 and 2021

City of Richmond Hill			
CIL - Parkland Reserve Fund Activity	2022 \$(millions)	2021 \$(millions)	Difference
<b>Beginning Balance</b>	<b>\$54.63</b>	<b>\$43.98</b>	<b>(\$10.65)</b>
Add:			
CIL - Parkland Revenues	\$7.88	\$12.42	\$(4.54)
Interest Income and Other	\$1.59	\$0.43	\$1.16
<b>Total Revenues</b>	<b>\$9.47</b>	<b>\$12.85</b>	<b>(\$3.38)</b>
Less:			
CIL - Parkland Funds Allocated to Capital Projects and Acquisitions	\$3.09	\$2.35	\$(0.74)
CIL - Parkland Funds Returned from Capital Projects	\$(0.1)	\$(0.15)	\$0.05
<b>Total Expenditures</b>	<b>\$3.03</b>	<b>\$2.20</b>	<b>\$0.83</b>
<b>Ending Balance</b>	<b>\$61.09</b>	<b>\$54.63</b>	<b>\$6.46</b>

As shown in the graph below, the revenues collected for Cash in Lieu of Parkland from 2018 to 2022 totaled \$35.77 million. The expenditures towards Capital projects over the 5-year period amounted to \$39.40 million.

### 2018-2022 CIL of Parkland Revenues and Expenditures Comparison



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### Community Benefits Charge Reserve Fund

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 and replaces 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.

On July 6<sup>th</sup>, 2022 the City of Richmond Hill approved CBC Strategy and its associated By-law.

The Community Benefits Charge Reserve Fund is reported in accordance with Section 37 of the Planning Act as follows:

<b>City of Richmond Hill</b>			
<b>Community Benefits Charge Reserve Fund Activity</b>	<b>2022 \$(millions)</b>	<b>2021 \$(millions)</b>	<b>Difference</b>
<b>Beginning Balance</b>	<b>\$1.63</b>	<b>\$0.00</b>	<b>(\$0.21)</b>
Add:			
s.37 Revenues	\$0.27	\$1.70	\$1.70
Interest Income and Other	\$0.00	\$0.01	\$0.01
<b>Total Revenues</b>	<b>\$0.27</b>	<b>\$1.71</b>	<b>\$1.71</b>
Less:			
s.37 Funds Returned from Capital Projects	\$(0.01)	\$0.00	\$(0.01)
s.37 Funds Allocated to Capital Projects	\$0.09	\$0.07	\$0.07
<b>Total Expenditures</b>	<b>\$0.08</b>	<b>\$0.07</b>	<b>\$0.07</b>
<b>Ending Balance</b>	<b>\$1.82</b>	<b>\$1.63</b>	<b>\$1.63</b>

### Relationship to Council’s Strategic Priorities 2020-2022:

Presentation of the Development Charges, Cash in Lieu of Parkland and Section 37 Community Benefits Charge 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,



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when applicable, and amended for the recent changes to the Development Charges Act.

### **Conclusion:**

The attached tables comprise the Treasurer's Statement on the Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds for 2022. 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. 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 Community Benefits Charge Reserve Funds
- Table 2 - Annual Treasurer's Statement of Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds as at December 31, 2022
- 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.23.035 2022 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds Statement.docx
Attachments:	<ul style="list-style-type: none"><li>- SRCFS.23.035 - Table 1 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds.pdf</li><li>- SRCFS.23.035 - Table 2 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds.pdf</li><li>- SRCFS.23.035 - Table 2A Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds.pdf</li><li>- SRCFS.23.035 - Table 2B Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds.pdf</li></ul>
Final Approval Date:	Jun 20, 2023

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

**Gigi Li - Jun 20, 2023 - 6:13 AM**

**Sherry Adams - Jun 20, 2023 - 10:51 AM**

**Darlene Joslin - Jun 20, 2023 - 12:37 PM**