



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: May 28, 2024

Report Number: SRCFS.24.022

Department: Corporate and Financial Services

Division: Financial Services

Subject: 2023 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds Statement

Purpose:

To present the City of Richmond Hill's 2023 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*, and the Planning Act, 1990, as amended.

Recommendation(s):

- a) That Council receive staff report SRCFS.24.022 for information purposes; and
- b) That the 2023 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 the report.

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 2023 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds Statement information. 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 uncommitted Development Charges Reserve Funds balances have increased by \$18.78 million in 2023, from an opening balance of \$143.72 million to a closing balance of \$162.50 million (exclusive of developers’ credits). During 2023, the City collected \$22.99 million and funded \$8.98 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 2023, with the surplus funds being returned to the Development Charges Reserve Funds.

Summary Table A - Development Charges Reserve Fund Activity for 2022 and 2023

City of Richmond Hill			
Development Charge Reserve Fund Activity	2022 \$(millions)	2023 \$(millions)	Difference
Beginning Balance	\$125.83	\$143.72	\$17.89
Add:			
DC Revenues	\$19.52	\$22.99	\$3.47
Interest Income and Other	\$3.31	\$4.43	\$1.12
Total Revenues	\$22.83	\$27.42	\$4.59
Less:			
DC Funds Allocated to Capital Projects	\$6.12	\$8.98	\$2.86
DC Funds Returned from Capital Projects	\$(1.18)	\$(0.34)	\$0.84
DC Credits Released	\$0.00	\$0.00	\$0.00
Total Expenditures	\$4.94	\$8.64	\$3.70
Ending Balance	\$143.72	\$162.50	\$18.78

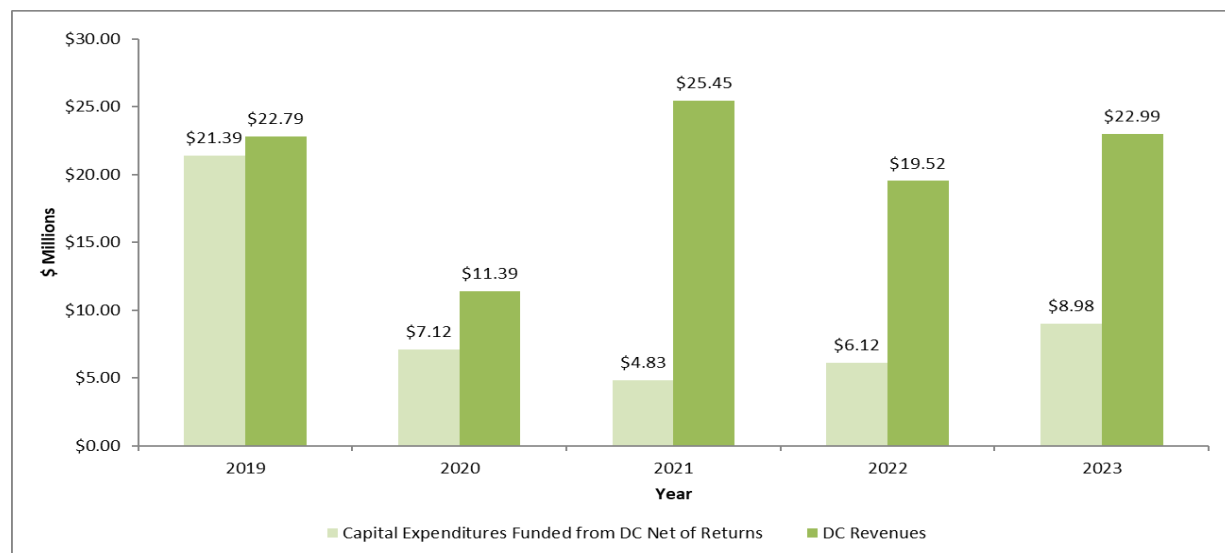
A full description of all the Development Charges Reserve Funds is provided in Table 1, as attached to this report.

As shown in the graph below, the collections of Development Charges from 2019 to 2023 totaled \$102.14 million while the expenditures towards Capital projects over the 5-year period amounted to \$48.44 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. This trend 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 2023, the City collected \$22.99 million, which is consistent with the pre-pandemic revenues, and represents an increase of \$3.47 million when compared to 2022, mainly due to a significant increase in residential development activity in the month of June of 2023.

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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 projects such as, construction of the Elmway pond, reconstruction of King Road, Leyburn Avenue extension (Yonge and Bernard area servicing), as well as, Dove Park revitalization and Xpressions Condos Community Space.

2019-2023 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 2023.

Requirement to Spend or Allocate Development Charges

In accordance with the Development Charges Act, beginning in 2023 and in each calendar year thereafter, a municipality shall spend or allocate at least 60% of the monies that are in a reserve fund for the following services at the beginning of the year:

- Water supply services;
- Waste water services;
- Services related to a highway.

Richmond Hill is in compliance with the requirement of development charges allocation set out in the Development Charges Act.

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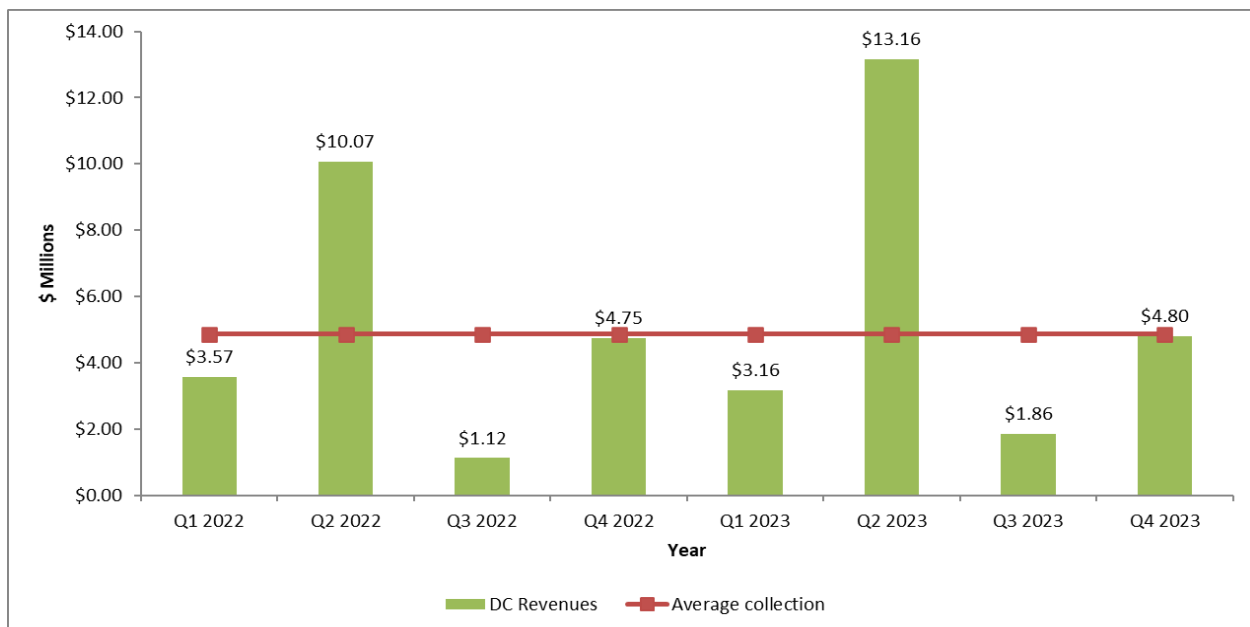
Through the annual capital planning process Richmond Hill has allocated approximately \$146 million between 2024 and 2033 to future Engineering Services capital growth projects. This represents approximately 80% of the of the reserve fund balance and forecasted revenues over the same period, dedicated to services outlined above.

Q1 2022 - Q4 2023 Development Charges Revenues Comparison

Development Charges, which are dependent on new development and redevelopment, represent 38% of the 2024-2033 capital budget forecast, and is 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 onwards, with a consistent average collection \$22.65 million per year.

As shown in the graph below, collections of Development Charges from Q1 2022 to Q4 2023 totaled to \$42.49 million, with average quarterly revenue collection of \$5.31 million. The development charges collection trend is reflective of the seasonality in development activity, as evident in the chart below Q1 and Q3 are typically lower than the rest of the year, while Q2 of each year is the highest in the year.

Development charges revenues are consistent when compared by quarter, year over year. Staff will continue to monitor the development charges collections trend, review the timing of capital projects and reserve fund levels as part of the annual capital budget process to ensure the long term financial sustainability of these reserve funds.



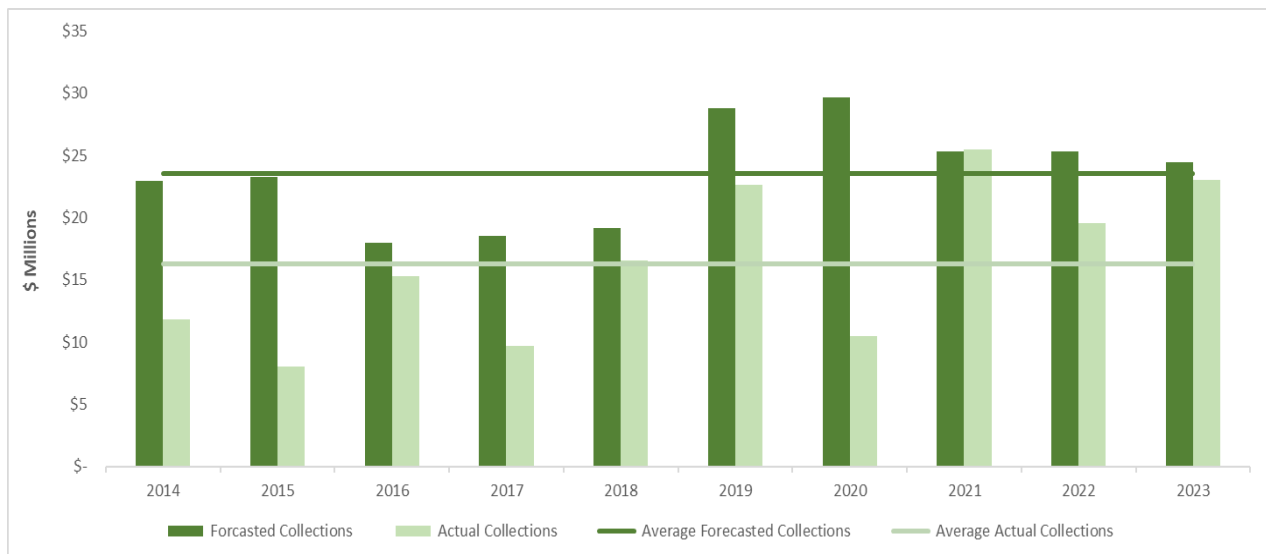
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2014 - 2023 Development Charges Revenues Forecast vs. Actual Comparison

Over the past 10 years, from 2014 to 2023, Development Charges collected totaled \$162.60 million or 69% of the forecast collections of \$235.42 million. As shown in the graph below, actual collections fluctuate year over year. The average annual collections are approximately \$16.26 million, compared to the average annual forecast of approximately \$23.54 million, which is approximately \$7.28M or 69% of the forecasted collections. This variance is primarily a result of lower than anticipated residential development, particularly high density, in comparison to the forecast.

Development charges collection fluctuates year over year due to timing, and the amount of new development projects that come into 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.

Although in the past several years the Region of York has been experiencing slower than projected growth, as has Richmond Hill, Richmond Hill did realize its forecasted growth in 2021. In March 2024 Richmond Hill has updated its Development Charges Background Study, which reflects updated growth forecast. Staff will continue to monitor the actual and forecasted development charges collections, and adjust its development charges revenues expectations.



Cash in Lieu of Parkland Reserve Fund

The 2023 ending uncommitted balance in the Cash in Lieu reserve fund is \$61.88 million and reflects increase of \$0.79 million from 2022. The City collected \$2.77 million of Cash in Lieu of parkland payments, and funded \$4.05 million of capital expenditure in 2023. Nearly 70% of the Cash-in-Lieu collected were from medium density development. Significant projects funded through Cash in Lieu of Parkland include:

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David Dunlap Observatory Early Priorities Phase 1 , David Dunlap Observatory Pickleball Facilities, David Dunlap Observatory Assignments 2 and 3, Fulton Parkette, Richmond Green play structure, and Richmond Green artificial turf, and Minthorn Park revitalization. Attachment 2A contains the details of the various projects funded by the Cash-in-Lieu of Parkland Reserve Fund.

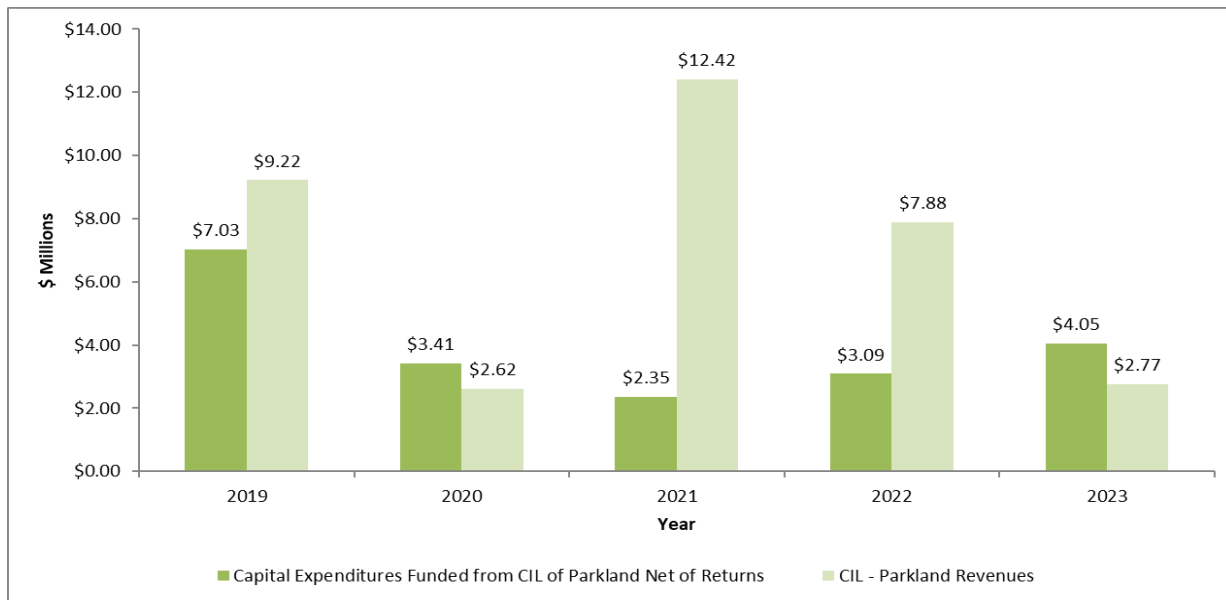
Summary Table B – CIL of Parkland Reserve Fund Activity for 2022 and 2023

City of Richmond Hill			
CIL - Parkland Reserve Fund Activity	2022 \$(millions)	2023 \$(millions)	Difference
Beginning Balance	\$54.63	\$61.09	\$6.46
Add:			
CIL - Parkland Revenues	\$7.88	\$2.77	\$(5.11)
Interest Income and Other	\$1.59	\$2.05	\$0.46
Total Revenues	\$9.47	\$4.82	\$(4.65)
Less:			
CIL - Parkland Funds Allocated to Capital Projects and Acquisitions	\$3.09	\$4.05	\$0.96
CIL - Parkland Funds Returned from Capital Projects	\$(0.1)	\$(0.02)	\$0.08
Total Expenditures	\$2.99	\$4.03	\$1.73
Ending Balance	\$61.09	\$61.88	\$0.79

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As shown in the graph below, the revenues collected for Cash in Lieu of Parkland from 2019 to 2023 totaled \$34.91 million. The expenditures towards Capital projects over the 5-year period amounted to \$19.93 million.

2019-2023 CIL of Parkland Revenues and Expenditures Comparison



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. The City of Richmond Hill approved the CBC Strategy and its associated By-law in 2022

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 2023 ending balance in the Community Benefits Charge reserve fund is \$1.41 million and reflects decrease of \$0.41 million from 2022. The City collected \$.17 million of s.37 of the Planning Act, legacy, payments, and funded \$0.63 million of capital expenditure in 2023, most of which relates to Racoon Park Tennis Court.

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Summary Table C – Community Benefits Charge Reserve Fund Activity for 2022 and 2023

City of Richmond Hill				
Community Benefits Charge Reserve Fund Activity	2022 \$(millions)	2023 \$(millions)	Difference	
Beginning Balance	\$1.63	\$1.82	(\$0.19)	
Add:				
s.37 Revenues	\$0.27	\$0.17	\$(0.10)	
Interest Income and Other	\$0.00	\$0.00	\$0.00	
Total Revenues	\$0.27	\$0.17	\$(0.10)	
Less:				
s.37 Funds Returned from Capital Projects	\$(0.01)	\$(0.05)	\$(0.04)	
s.37 Funds Allocated to Capital Projects	\$0.09	\$0.63	\$0.54	
Total Expenditures	\$0.08	\$0.58	\$0.05	
Ending Balance	\$1.82	\$1.41	\$(0.41)	

Relationship to Strategic Plan:

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 Plan Pillar of Strengthening our Foundations, in recognizing the need to comply with the legislative requirements set in the Development Charges Act. As well as utilizing this report to inform future decisions on capital funding that are evidence based and data driven to enable the City’s long term financial sustainable.

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 2023. 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.

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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 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, 2023
- 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.24.022 - 2023 Treasurer's Statement Development Charges Cash in Lieu of Parkland and Community Benefits Charge.docx
Attachments:	- SRCFS.24.022 - Table 1 - Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds.pdf - SRCFS.24.022 - Table 2 -Annual Treasurer's Statement of DC, CIL of Parkland and CBC Reserve Fund.pdf - SRCFS.24.022 - Table 2A - Amounts Transferred to Capital (Other) Funds.pdf - SRCFS.24.022 - Table 2B - Statement of Credit Carry Forward.pdf
Final Approval Date:	May 14, 2024

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

Gigi Li - May 14, 2024 - 2:17 PM

Sherry Adams - May 14, 2024 - 3:11 PM

Darlene Joslin - May 14, 2024 - 3:28 PM