Staff Report for Committee of the Whole Meeting

Date of Meeting: November 6, 2024
Report Number: SRCFS.24.055

Department: Corporate and Financial Services
Division: Financial Services

Subject: SRCFS.24.055 - Infrastructure Funding Policy

Purpose:

This report seeks Council approval for the City's Infrastructure Funding Policy ("Policy"), which provides a framework to accelerate the construction of infrastructure in the City of Richmond Hill ("City"). The intent is to facilitate development, while protecting the City from potential financial risks associated with advancing infrastructure and provide a contribution towards said infrastructure.

Recommendation(s):

a)   That staff report SRCFS.24.055 be received;

b)   That the Infrastructure Funding Policy attached as Appendix "A" be approved;

c)   That the Mayor and City Clerk be authorized to execute a Development Agreement and any further agreements or documentation as may be necessary to give effect to the Infrastructure Acceleration Incentive Program (Housing Accelerator Fund), upon the recommendation of the Commissioner of Infrastructure and Engineering Services.

Contact Person(s):

- Ilan Treiger, Financial Management Advisor, extension #2415
- Muhammad Raza, Manager Fiscal Strategy and Long-term Planning, extension #6307
- Gigi Li, Director Financial Services and Treasurer, extension #6435
- Dan Terzievski, Director Infrastructure Planning and Development Engineering, extension #6358
- Sherry Adams, Commissioner Corporate and Financial Services, extension #2521

Report Approval:

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.

Key Messages:

- The Infrastructure Funding Policy provides guidance on the amount, timing and the method in which the City may contribute towards the delivery of the City's municipal infrastructure by developers.

- The Infrastructure Funding Policy further provides a framework to accelerate the construction of municipal infrastructure in the City utilizing grant funding when such funding is available.

- As it relates to the Housing Accelerator Fund (HAF), a procedure has been specifically developed for the Infrastructure Acceleration Incentive Program that sets out how this initiative will be administered under the Infrastructure Funding Policy.

- This report seeks Council's delegated authority to the Mayor and City Clerk to execute development agreements and other documentation as may be necessary to facilitate the Infrastructure Acceleration Incentive Program.

Background:

An external party to the City, including developers, may require the construction of planned municipal infrastructure to be advanced for development to proceed. In these cases, a developer may choose to undertake this work on behalf of the City. In order to facilitate this, a growth-related capital funding agreement is necessary to establish the mechanism for the developer to recover all or part of their costs and to establish the developer(s) obligations for construction and/or funding. The City has created a policy framework to manage and administer development charge credits and/or reimbursements for these capital works based on their planned forecasting within the City's Capital Budget and Forecast.

The Infrastructure Funding Policy will provide a framework to facilitate development by providing contributions towards this municipal infrastructure, while protecting the City from potential financial risks associated with advancing the timing of said infrastructure.

Purpose:

This report provides the policy framework for a Developer(s) to accelerate the construction of municipal infrastructure in the City's capital program to help facilitate development, while protecting the City from potential financial risks associated with advancing the infrastructure and contributions or reimbursements towards it. Furthermore, this report also specifically sets out the procedure for administering the Infrastructure Acceleration Incentive Program under the Infrastructure Funding Policy.

Discussion:

General Conditions and Standards Under the Policy

Developers must adhere to the general conditions and standards outlined in the Policy to ensure that the proposed municipal infrastructure is completed in a manner that serves the public's interest. Additionally, these conditions will guarantee that the municipal infrastructure is built to the City's satisfaction, meeting the latest standards, specifications, applicable policies, approved engineering plans, and priorities and needs identified in the City's approved master plans.

Advancement of City Infrastructure Under the Policy

Developer(s) must submit a formal request to the City and receive approval before commencing work on the municipal infrastructure. Developer(s) may seek a City contribution through this request towards the delivery of the municipal infrastructure. Contributions may come in two forms:

- Development Charges credit provided to the developer at the time of building permit issuance or subdivision registration. This credit will offset the overall Development Charges payable associated to the private development and covers only the growth component of the infrastructure.

- Reimbursement comes in the form of cash payment funded from reserve funds and may include contributions toward the growth and non-growth components of the municipal infrastructure. This payment is contingent upon the health of the City's Reserve and Reserve Funds and will only be made once the capital project is completed and has passed the final inspection by City inspectors. The timing of these reimbursements will also be contingent on the planned timing of the municipal infrastructure within the City's Capital Budget and Forecast.

The City contribution is subject to Council approval, and there is no entitlement to development charges credit and/or reimbursement prior to approval.

A municipal project can have different components and associated funding. For example, growth components are directly associated with accommodating new development and are required to support the increase in population and business activity. These components are funded by Development Charges while non-growth components which are necessary for maintaining or improving existing infrastructure and services are funded by other Reserves and Reserve Funds.

Some projects may also have a post-period benefit costs indicating that the project will support growth beyond the current planning period and will benefit future growth. These costs are not included in the current Development Charges calculation.

Growth-related Cost of the Capital Project Under the Policy

To determine the City contribution, eligible growth-related costs are subject to the maximum amount identified in the City's most recent Development Charges Background Study adjusted for the Non-residential Construction Price Index.

Any costs that exceed the indexed amount will be subject to review by the City and will require Council approval. City contributions would only be granted upon the inclusion of such costs in future Development Charges Background Study.

Non-growth-related Costs of the Capital Project Under the Policy

Non-growth components of the project cannot be funded from Development Charges and would require a non-development charges funding source. The value of the non-growth component is determined based on the non-growth cost breakdown identified in the approved Capital Budget and Forecast and/or Development Charges Background Study. Reimbursement of the non-growth component, if any, may be made in the scheduled year of the project based on the City's most recent approved Capital Budget and Forecast at the time of development agreement execution.

Post-period Benefit Related Costs of the Capital Project Under the Policy

Any post-period benefit related costs, which are defined as costs of infrastructure related to growth, but not included in the current Development Charge rate calculations, may be eligible for reimbursement, but only upon inclusion of such costs in a future Development Charges Background Study.

Capital Projects Excluded from Approved City's Master Plans and Studies, and the City's Approved 10-year Capital Budget and Forecast Under the Policy

Developer(s) that deliver capital projects that are excluded from the City's approved master plans and studies (e.g. Transportation Maser Plan), and from the City's approved 10-year Capital Budget and Forecast, shall not be eligible for City contribution in the form of Development Charges credits and/or Reimbursement, unless it is deemed that the project serves a broader municipal benefit, and only at the time that the capital project becomes part of the City's approved Capital Budget and Forecast and/or Development Charges Background Study.

Grant Funding Sources and Infrastructure Acceleration Incentive Program (HAF)

The Infrastructure Funding Policy sets out in general terms the utilization of grant funding, when available to the City, as a City contribution towards municipal infrastructure delivered by Developer(s).

The City may impose conditions to the Developer(s) to comply with the Provincial and/or Federal grant conditions, specifically as it relates to accelerating timelines to increase the City's housing supply, or other priorities identified through a transfer payment agreement between the City and the funder.

The Infrastructure Acceleration Incentive Program, which will help advance new residential developments by funding the acceleration of necessary municipal infrastructure under HAF, is also governed by this Policy. A specific procedure has been developed for the administration of the Infrastructure Acceleration Incentive Program under the Infrastructure Funding Policy. This procedure is attached in Appendix B for reference.

Delegated Authority - Infrastructure Acceleration Incentive Program:

The Infrastructure Acceleration Incentive Program funded by a grant from HAF stipulates that certain deadlines must be met by Developer(s) and the City, for municipal infrastructure to be eligible for funding through this grant. This includes the issuance of any required building permits for related residential developments by November 14, 2026 (or otherwise specified by the CMHC), and completion of the municipal infrastructure to the satisfaction of the City by October 1, 2027 (or otherwise specified by the CMHC).

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In order to expedite the administrative process set out in the procedure, and help meet the tight deadlines set out by HAF for the Infrastructure Acceleration Incentive Program, staff are seeking Council's delegated authority to authorize the Mayor and City Clerk to execute all agreements and documentation necessary to facilitate the delivery of municipal infrastructure under the Infrastructure Acceleration Incentive Program. Recommendation for the execution of these agreements will come from the Commissioner of Infrastructure and Engineering Services, in consultation with the Commissioner of Planning and Building Services and the Treasurer.

Financial Implications:

Advancing municipal infrastructure to facilitate private development has implications on the City's Reserve and Reserve Funds. The Policy provides clear guidance on the amount, timing and the method in which the City may contribute towards the delivery of the City's municipal infrastructure by a third party, while protecting the City from potential financial risks associated with advancing such infrastructure.

Clear guidance along with consistent treatment of timing, and selection/prioritization of municipal infrastructure that is delivered by third parties, will ensure that City's capital program is carried out as planned. Moreover, this Policy will support the long term health and financial sustainability of the City's Reserve and Reserve Funds used to fund the Capital Budget and Forecast, by ensuring consideration is given to how and when contributions are made to municipal infrastructure delivered by third parties.

Relationship to Strategic Plan 2024-2027:

Establishment of a formal Infrastructure Funding Policy demonstrates wise management of resources in the City, especially as it enables private developments while protecting the City from potential financial risks.

This report is aligned with the Council's Strategic Plan Pillar 3: Strengthening our Foundations, especially Priority 1, make decisions that are evidence based and data driven to enable the City's long term financial sustainability, as well as social, environmental, and economic sustainability. The Policy should be utilized as a tool to help the City make capital investments within the context of financial sustainability and based on best practices in asset management planning.

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.

- Appendix "A" – Infrastructure Funding Policy
- Appendix "B" – Procedure to the Infrastructure Acceleration Incentive Program (Housing Accelerator Fund)

Report Approval Details

Document Title:	SRCFS.24.055 - Infrastructure Funding Policy.docx
Attachments:	- SRCFS.24.055 - Appendix A - Infrastructure Funding Policy.pdf - SRCFS.24.055 - Appendix B - Procedures to the Infrastructure Acceleration Incentive Program.pdf
Final Approval Date:	Oct 30, 2024

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

Gigi Li - Oct 29, 2024 - 11:50 AM

Dan Terzievski - Oct 29, 2024 - 2:31 PM

Sherry Adams - Oct 29, 2024 - 3:25 PM

Darlene Joslin - Oct 30, 2024 - 10:35 AM