



# Policy

<b>Policy Name:</b>	<b>Infrastructure Funding Policy</b>
<b>Policy Owner:</b>	Corporate and Financial Services – Financial Services
<b>Approved by:</b>	Council
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<b>Date of Last Revision:</b>	N/A
<b>Review Date:</b>	Reviewed as necessary
<b>Procedure Status:</b>	New policy

## Policy Statement:

An external party to the Corporation of the City of Richmond Hill (“the City”), including a Developer(s), may require planned City infrastructure that is not part of the Development to be advanced in order for a Development to proceed. In such cases, a Developer(s) may choose to advance the financing, design and construction of the City infrastructure necessary for private Development to proceed. In these cases, a growth-related capital alternative funding agreement is necessary in order to establish the mechanism for the Developer to recover all or part of their costs and to establish the Developer(s)’ obligation for construction and/or funding.

## Purpose:

This policy provides a framework for a Developer(s) to accelerate the construction of infrastructure in the City’s capital program to facilitate development, while protecting the City from potential financial risks associated with advancing infrastructure and providing a contribution towards said infrastructure.

Infrastructure Funding Policy is intended to provide a funding framework for municipal infrastructure. Private infrastructure or service connections specifically required to service the subject development are not eligible under this Policy.

## Scope

This policy applies to Developer(s) developing in the City who need certain City infrastructure earlier than the City had planned to construct the works.

## Definitions:

For the purpose of this policy the following definitions have been provided:

**Capital Budget and Forecast:** means the annual Council approved plan of the City for expenditures and funding sources to acquire, improve, maintain or construct capital assets or to conduct studies.

**Capital Project:** means an undertaking for which expenditures of a capital nature are made, or are to be made, including expenditures to acquire, improve or maintain land, buildings, structures, machinery and equipment, to install computer software and to conduct studies relating to Corporate assets.

**City:** means the Corporation of the City of Richmond Hill.

**Council:** means Council of the City.

**Developer(s):** means a person, corporation, group of persons and / or corporations, or agent for a person that has submitted a Development application to the City for review.

**Development:** means the construction, erection or placing of one or more buildings or structures on land, or the making of an addition or alteration to a building or a structure that has the effect of substantially increasing the size or usability thereof and includes redevelopment.

**Development Agreement:** means an agreement between a registered property owner and the City required to satisfy the conditions of a site plan or subdivision planning application, servicing requirements for By-law 109-11, and to demonstrate adequate municipal servicing for the development property including but not limited to obligations with respect to design and construction of municipal servicing.

**Development Charges:** means a charge imposed pursuant to the City's Development Charges By-laws.

**Development Charges Credit:** means a credit, approved by the City for work performed by a Developer(s) that relates to a service for which is identified within the City's Development Charges By-law.

**Eligible Costs:** means the approved cost of construction as outlined in this policy, including up to a maximum of 10% for design, 8% administration, 10% contingencies.

**Growth-related Costs:** means the capital costs to be recovered through the Development Charges By-law based on the capital program identified in the City's most recent Development Charges Background Study and the City's approved Capital Budget and Forecast.

**Local Service Policy:** means the City's general policy guidelines on Development Charges and local service funding for Services related to a Highway, Stormwater Management, Watermains, Sanitary Sewers, the Greenway and Open Space Blocks, and Parks and Recreational Trails, included in the Development Charges Background Study.

**Non-growth-related Costs:** means the capital costs that are not related to new Development and cannot be recovered under the Development Charges By-law, and are funded by the City through tax levy, user rates or other non-development funding sources.

**Reimbursement:** means a City contribution, approved by the City for work performed by Developer(s) that relates to a service for which a payment is provided within the Development Charges By-law and/or the Capital Budget and Forecast.

## Policy

Developers who pay to advance the timing of City infrastructure may be provided a Development Charges Credit against the Development Charges payable at building permit issuance, or plan of subdivision registration.

The City has established a framework for a Developer to advance the construction timing of City infrastructure in the City's capital program and receive Development Charges Credits or reimbursement for the amount paid to advance the works.

### 1. General Conditions:

The developer(s) must adhere to, and recognize the following conditions when constructing City infrastructure:

- 1.1. The infrastructure development must comply with the City's Local Service Policy.
  - 1.1.1. In no way does this policy override or substitute any requirements, restrictions, or guidelines set out in the Local Service Policy.
- 1.2. The Developer(s) seeking a Development Charges Credit and/or Reimbursement must submit a formal request to the City and receive approval before construction of the works.
- 1.3. Development Charges Credits and/or Reimbursements are subject to Council approval, and there is no entitlement to Development Charges Credit and/or Reimbursement prior to approval.
- 1.4. The City is under no obligation to approve a request or advance capital projects through this policy as a result of a request.
- 1.5. The Developer(s) must have demonstrated, to the satisfaction of the City's Commissioner of Infrastructure and Engineering, how the proposed completion of infrastructure is in the public interest.
- 1.6. The Developer(s) is to assume all risks, including those associated with any changes to provincial legislation specific to Development Charges, when entering into an agreement with the City.

## **2. Standards & Tendering:**

- 2.1. All proposed infrastructure must be constructed to the City's satisfaction and in accordance with the latest standards, specifications, applicable policies, approved engineering plans and priorities identified in the City's approved master plans and associated financial master plans including but not limited to: The Official Plan, Parks Plan, Recreation and Culture Plan, Transportation Master Plan, Stormwater Management Financial Plan, Water and Wastewater Financial Plan, Urban Master Environmental Servicing Plan, Environmental Assessments, and other standards, policies, and best practices.
- 2.2. Coordination of design and construction for adjacent capital projects or related works will be managed by City staff in accordance with the latest standards and specifications, applicable policies and approved engineering plans.
- 2.3. As part of the engineering approval process, Developer(s) must submit a list of detailed items that are to be considered for recovery.
- 2.4. Minimum of three (3) tender bids must be obtained by the Developer(s), and submitted to the City for review. The tendering process for capital projects must be performed in open and competitive manner.

## **3. Advancement of City Infrastructure:**

- 3.1. Infrastructure Funding Policy is intended to provide a funding framework municipal infrastructure. Private infrastructure or service connections specifically required to service the subject development are not eligible under this Policy.
- 3.2. Prior to commencement of construction, the Developer(s) shall submit for the City's review and approval, engineering plans and all supporting documentation in accordance with the City's most current Development engineering submission requirements.
- 3.3. Prior to commencement of construction, the Developer(s) will be required to enter into a Development Agreement and/or Development Charges Credit agreement to capture the obligations associated with the delivery of subject infrastructure, and terms of Development Charges Credit and/or Reimbursement.
- 3.4. The Developer(s) will be required to fund 100% of the cost of the capital project, and recover costs discounted for financing costs based on the capital project's timing in the Capital Budget and Forecast.
- 3.5. Any related capital works that are required to be simultaneously advanced with the works for which a credit is being requested must be included in the Development Charges Credit request.
- 3.6. Works not eligible for reimbursement include:
  - 3.6.1. Voluntary and/or statutory land dedications to the City;
  - 3.6.2. Temporary infrastructure required to facilitate the proposed capital project;

- 3.7. Any expenditures incurred after the approved project completion date are not eligible for Development Charges Credits and/or Reimbursements.
- 3.8. The Developer(s) may be required to design and construct bridges and similar structures to a higher standard, at its sole expense, as determined by the City, to reflect earlier delivery than otherwise detailed in the City's 10-Year Capital Budget and Forecast, thereby enabling a life for such structure(s) that is consistent with the City's existing, approved 10-Year Capital Program.
- 3.9. Growth-related Cost of the Capital Project:
  - 3.9.1. To determine the Development Charges Credit and/or Reimbursement, eligible growth-related costs are subject to the maximum amount identified as the "Potential D.C. Recoverable Costs" contained in the City's most recent Development Charges Background Study, plus the Non-residential Building Construction Price Index.
  - 3.9.2. Any costs which exceed the indexed "Gross Capital Cost Estimate" contained in the City's most recent Development Charges Background Study, will be subject to review by the City, and will require Council approval.
  - 3.9.3. Where capital project costs estimates exceed the indexed "Gross Capital Cost Estimate" contained in the City's most recent Development Charges Background Study, Development Charge Credit and/or Reimbursement, if any and are approved by Council, may be granted upon the inclusion of such costs in future Development Charges Background Study.
  - 3.9.4. Development Charges Credits, if any, are granted at the time of building permits issuance or at the time of plan of subdivision registration.
  - 3.9.5. Subject to approval by the Director of Financial Services and Treasurer, any Development Charge Credit that exceeds the amount of Development Charges payable for that service, may be applied to the Development Charges payable of another service.
  - 3.9.6. Where the eligible costs of the capital project cost exceeds the Development Charges payable, subject to approval by the Director of Financial Services and Treasurer, Reimbursements can be combined with Development Charges Credits and may generally be considered when there are no more credits available.
  - 3.9.7. Any recommendation for Reimbursement will be subject to the availability of funds in the City's Development Charges Reserve Funds and may be subject to a long-term agreement. Reimbursements from funds collected through Development Charges will be limited to the amount collected specifically for the services specific to the work conducted by the developer.
  - 3.9.8. Reimbursement to the Developer(s), if any, occur once the capital project is complete and passes the final inspection by the municipal inspectors.

### 3.10. Non-growth-related Costs of the Capital Project:

3.10.1. Non-growth-related costs 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 at the scheduled time of the project in the City's most recent approved Capital Budget and Forecast at the time of Development Agreement execution.

### 3.11. Post-period Benefit Related Costs of the Capital Project:

3.11.1. 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 subject to reimbursement only upon inclusion of such costs in future Development Charges Background study. Such reimbursement will be subject to a negotiated long-term payment arrangement recommended by the Director of Financial Services and Treasurer and approved by Council.

### 3.12. Capital Projects Excluded from Approved City's Master Plans and Studies, and the City's Approved 10-year Capital Budget and Forecast:

3.12.1. Developer(s) that deliver, capital projects that are excluded from the City's approved master plans and studies (e.g. Transportation Master 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, until such capital project becomes part of the City's approved Capital Budget and Forecast and/or Development Charges Background Study.

3.12.2. Some capital projects included in section 3.11.1 of this policy, may qualify for a City contribution through external grants.

## 4. **Grant Funding Sources:**

4.1. From time to time the City may have access to Provincial and/or Federal grant funding. The City may utilize such grants to contribute towards capital projects delivered by a Developer(s).

4.2. Developer(s) that deliver capital projects that are not eligible for Development Charges Credit and/or Reimbursement, as discussed in Section 3 of this Policy, may be eligible for Reimbursement utilizing Provincial and/or Federal grants available to the City.

4.3. The City may impose conditions to the Developer(s) in order 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 a funder.

4.4. Notwithstanding the above inquiries/requests for a capital financing arrangement, shall be considered on a case-by-case basis and will be subject to eligibility and financial analysis undertaken by City staff.

## 5. Financial Security and Other Financial Obligations:

- 5.1 Where the Developer(s) is undertaking to complete the construction of the capital projects, the estimated cost and/or cashflow payments of the capital projects shall be secured by the Developer providing a financial security in an amount equal to the estimated cost of the capital projects, in a form satisfactory to the Director of Financial Services and Treasurer. The financial security will be held until such time as the capital projects are constructed to the satisfaction of the City. The financial security may be reduced for a maintenance period in accordance with the terms set out in the subdivision, site plan or other construction or Development Agreement.
- 5.2 The transactional costs incurred by a Developer(s) in connection with entering into an agreement under this policy shall not be reimbursable by the City (e.g. legal, consultant, study, agreement, City review and inspection fees, etc.).
- 5.3 The full costs borne by the City to consider the request to advance municipal infrastructure under this policy will be recoverable from the Developer(s), including but not limited to the costs of legal services, engineering review and inspection fees, consultant services, and studies.
- 5.4 A cost recovery fee applicable to staff review of a request for an agreement will be charged for the planning, engineering, legal and finance departments costs incurred relating to the necessary preparation and administration. These fees shall be set out in the City's Tariff of Fees By-law, as amended.

## 6. Authority:

- 6.1. All agreements will need to obtain Council approval prior to execution. Any Development Charges Credit and/or Reimbursement request that exceeds the amount of Development Charges payable by that Developer in respect of its Development will be subject to a negotiated long-term Credit and/or Reimbursement arrangement recommended by the Director of Financial Services and Treasurer and approved by Council.

## Roles and Responsibilities:

### Financial Services Division

Director of Financial Services and Treasurer, Corporate and Financial Services

- Maintains administrative authority and responsibility for this policy;
- Approves operating procedures and processes under this policy; and
- Evaluates Development Charges Credit/Reimbursement requests, based on the City's financial position, and provide recommendation to Council.

Manager, Revenue Billing, Corporate and Financial Services

- Reviews and process reimbursements as required by the City's signing authority framework.
- Follows procedures to prepare the payment of reimbursements as requested by the City's Infrastructure and Engineering staff.

## **Infrastructure and Engineering Division**

Director of Infrastructure Planning and Development Engineering:

- Reviews and approves design, tender package, bids, design, and related documentation.
- Assist in preparation of the necessary Development Agreements.

Commissioner of Infrastructure and Engineering Services or their delegate:

- Evaluates Development Charges Credit requests, based on the need of the proposed City infrastructure, and recommend approval/non-approval to Council.
- Approves total eligible costs for the Capital Project.

### **Legal Services:**

- At the request and discretion of the Director of Financial Services and Treasurer or the Director of Infrastructure Planning and Development Engineering, assist in the drafting, review and interpret any agreements that are required as a part of this policy to protect the legal interests of the City.
- Prepares the necessary Development Agreements to capture the obligations of the project.

### **Non-compliance with Policy:**

Non-compliance with this Policy will result in the City not entering into an arrangement under this Policy or disallowing any Development Charges Credit and/or Reimbursement.

*Development Charges Act, 1997, S.O. 1997, c.27*

Richmond Hill Development Charges By-laws