



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: June 24, 2025

Report Number: SRCFS.25.025

Department: Corporate and Financial Services

Division: Financial Services

Subject: **SRCFS.25.025 - 2024 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds Statement**

Purpose:

To present the City of Richmond Hill's 2024 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 staff report SRCFS.25.025 be received;
- b) That the 2024 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(s):

- Muhammad Raza, Manager Fiscal Strategy and Long-Term Planning, Ext. 6307
- Gigi Li, Director Financial Services and Treasurer, Ext. 6435
- Sherry Adams, Commissioner Corporate and Financial Services, Ext. 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 report's approval are attached.

Page 2

Key Messages:

- Richmond Hill is in compliance with the requirement of development charges allocation set out in the Development Charges Act.
- In 2024, Richmond Hill collected \$34.53 million in development charges and allocated \$21.34 million to capital expenditures. This represents a \$12.36 million increase in capital expenditures compared to 2023. The uncommitted Development Charges Reserve Funds balance increased by \$22.66 million in 2024.
- In 2024, Richmond Hill collected \$8.08 million in Cash-in-lieu of Parkland and allocated \$6.81 million to capital expenditures. This represents a \$2.76 million increase in capital expenditures compared to 2023. The uncommitted Cash-in-lieu of Parkland Reserve Fund balance increased by \$4.77 million.
- In 2024, Richmond Hill did not collect any Community Benefits Charges and funded approximately \$0.10 million in capital expenditures, resulting in a year-end reserve fund balance of \$1.29 million.
- The City provided one development charges deferral to a long-term care institution and exempted 102 additional residential units from development charges.

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).

Page 3

This report compiles the 2024 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 on capital costs determined within the regulations of the Development Charges Act, 1997, and the Planning Act as amended.

Discussion:

Development Charges Reserve Funds

The uncommitted Development Charges Reserve Funds balances increased by \$22.66 million in 2024, from an opening balance of \$162.50 million to a closing balance of \$185.51 million (exclusive of developers' credits). During 2024, the City collected \$34.53 million and funded \$21.34 million in capital projects from Development Charges Reserve Funds. This reflects a \$12.34 million increase in capital expenditures over 2023, as the City continues to expand its growth-related infrastructure investments to accommodate population growth, promote economic development, and maintain service delivery.

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 2024, with the surplus funds being returned to the Development Charges Reserve Funds.

Summary Table A - Development Charges Reserve Fund Activity for 2024 and 2023

City of Richmond Hill			
Development Charge Reserve Fund Activity	2024 \$(millions)	2023 \$(millions)	Difference
Beginning Balance	\$162.50	\$143.72	\$18.78
Add:			
DC Revenues	\$34.53	\$22.99	\$11.19
Interest Income and Other	\$9.82	\$4.43	\$5.39
Total Revenues	\$44.35	\$27.42	\$16.58
Less:			
DC Funds Allocated to Capital Projects	\$21.34	\$8.98	\$12.36
DC Funds Returned from Capital Projects	\$0.00	\$(0.34)	\$0.34
DC Credits Released	\$0.00	\$0.00	\$0.00
Total Expenditures	\$21.34	\$8.64	\$12.70
Ending Balance	\$185.51	\$162.50	\$22.66

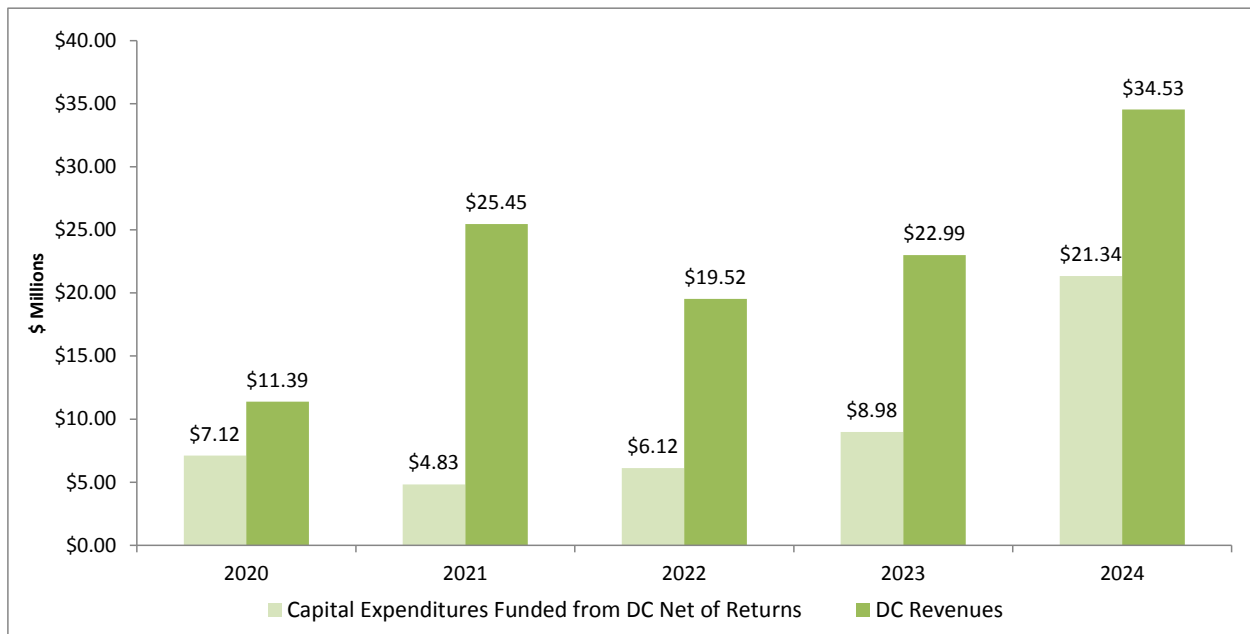
Page 4

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 2020 to 2024 totaled \$113.88 million while the expenditures towards Capital projects over the 5-year period amounted to \$48.39 million. In the past 5 years, Development Charges collections have been gradually increasing year-over-year, mainly due to global economic recovery from the COVID-19 pandemic in 2020 and increase in development activities. The gradual increase in collections from 2020 to 2024 is evident, with an average of \$25.54 million per year. In 2024, the City collected \$34.53 million, which is \$11.19 million more than in 2023. This increase is primarily driven by a surge in residential development activity.

The timing difference between the 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 significant ongoing road projects, notably projects such as the Highway 404 Over-pass North of 16th Avenue, construction of Harding Park Revitalization, construction of Bayview Hill Revitalization, and the UMESP Sanitary Improvement Project WW-14 on Harding Blvd.

2020-2024 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 2024.

Page 5

Requirement to Spend or Allocate Development Charges

Pursuant to the Development Charges Act, starting in 2023 and for each year thereafter, a municipality must spend or allocate at least 60% of the funds held in reserve at the beginning of the year for the following services:

- Water supply services;
- Waste water services;
- Services related to highways.

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

Through the annual capital planning process, Richmond Hill has allocated approximately \$148 million between 2025 and 2034 to future Engineering Services capital growth projects to the services outlined above, as these are critical infrastructure components that directly support new development, ensure public health and safety, and align with the legislative priorities set out in the Development Charges Act.

Development Charges Deferrals and Exemptions

The Development Charges Act provides deferrals and exemptions on certain developments. In accordance with Section 26.1 of the Act, deferrals of development charges on rental housing and institutional developments are permitted. In addition, pursuant to Sections 4 to 4.3 of the Act, additional residential units, affordable and attainable residential units, and non-profit housing development are exempt from development charges. Furthermore, Council has implemented deferral policies aimed at encouraging specific types of development, including those by charities, non-profit organizations, and office projects.

The City had provided a total of 102 exemptions to additional residential units in 2024.

In accordance with Section 26.1(2) of the Act, the City has also provided a development charges deferral for 5 years (6 payments) to a long-term care institution.

Q1 2023 - Q4 2024 Development Charges Revenues Comparison

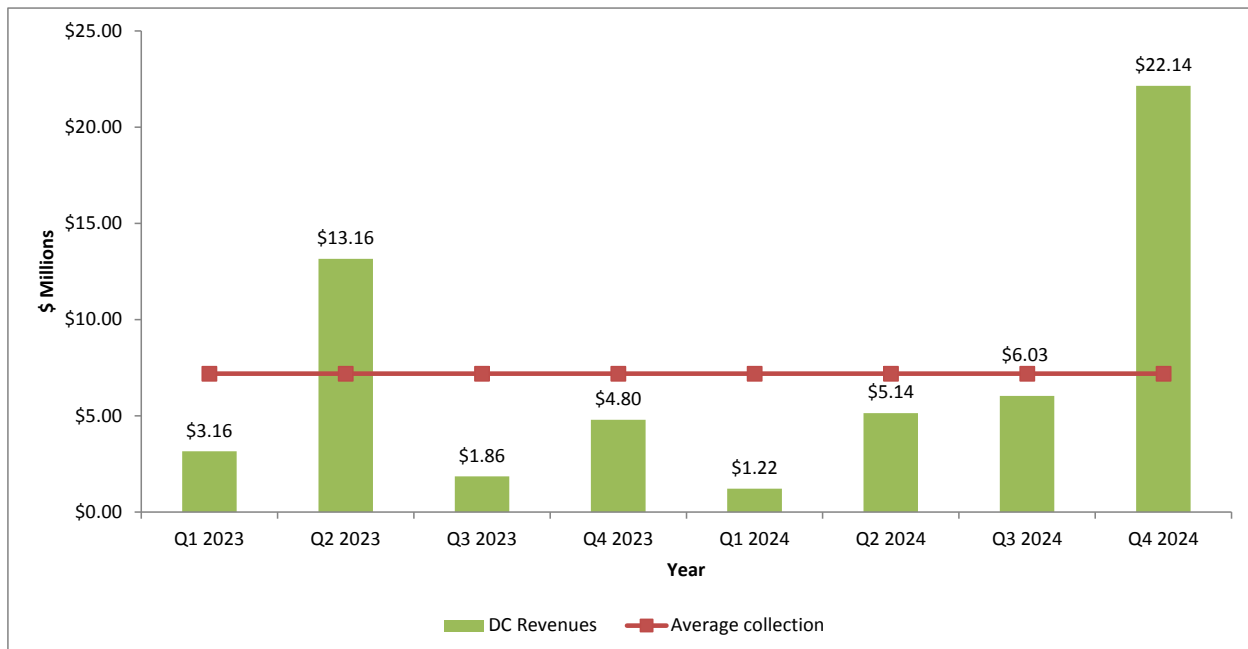
Development Charges, which are dependent on new development and redevelopment, represent 37.41% of the 2026-2034 capital budget forecast, and is the largest funding source for growth related capital projects.

As shown in the graph below, collections of Development Charges from Q1 2023 to Q4 2024 totaled \$57.52 million, with an average quarterly revenue collection of \$7.19 million. The Development Charges collection trend is reflective of the seasonality in development activity, where in a normal course of the year Q1 and Q3 are typically lower than the rest of the year, while Q2 of each year is the highest in the year.

Page 6

In 2024, the City observed an anomaly in the seasonality trend, specifically a significantly larger volume of building permits issued in all months of Q4, and a relatively lower volume in Q2. In December, a high-density development of approximately 1,713 dwelling units and institutional development building permits were issued; in November, a medium-density development with approximately 119 permits was issued; and in October, low-density development of approximately 95 permits was issued.

Staff will continue to monitor the development charges collections trend, align the timing of capital projects, and review reserve fund levels as part of the annual capital budget process to ensure the long-term financial sustainability of these reserve funds.



2015 - 2024 Development Charges Revenues Forecast vs. Actual Comparison

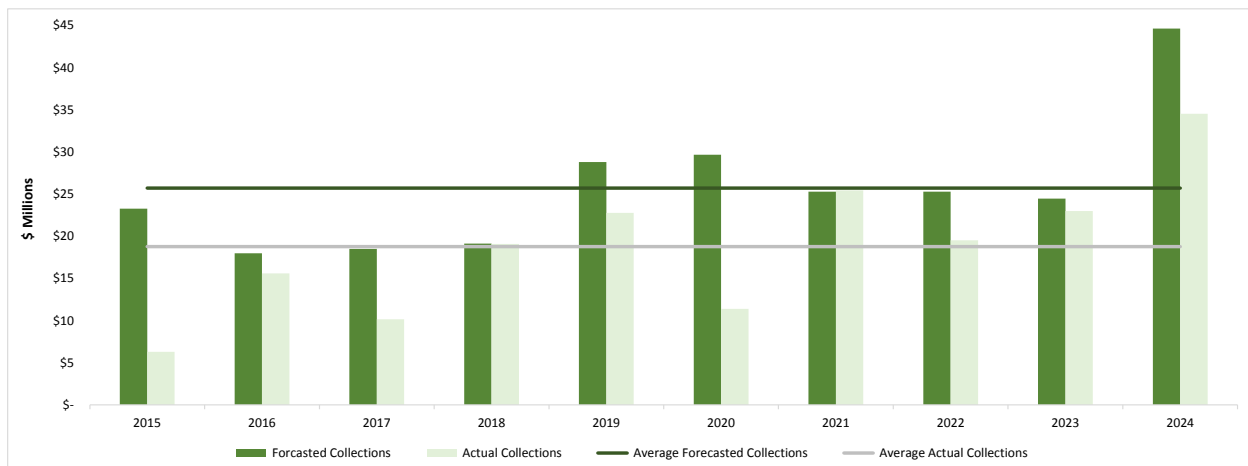
Over the past 10 years, from 2015 to 2024, Development Charges collected totaled \$187.82 million, or 73% of the forecast collections of \$257.13 million. As shown in the graph below, actual collections fluctuate year after year. The average annual collections are approximately \$18.78 million, compared to the average annual forecast of approximately \$25.73 million, which is approximately \$6.95 million lower or at 73% of the forecasted collections. This variance is primarily a result of lower-than-anticipated residential development in comparison to the forecast.

Development charges collection fluctuates year over year due to the timing and 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.

Page 7

In 2024, Development Charges (DC) collections were 22.7% lower than forecast, primarily due to weaker-than-expected housing market activity and a slowdown in construction. The 2024 forecast had assumed a robust level of growth, including a significant increase in high-density developments, which was well above the City's historical average. However, this anticipated growth did not materialize amidst a record-slow housing market, resulting in a shortfall in DC revenues. This variance highlights the sensitivity of growth-related revenue forecasts to market conditions and underscores the importance of aligning capital planning with realistic development trends.

In March 2024, Richmond Hill updated its Development Charges Background Study and By-laws, which reflected updated growth forecasts. The Development Charges By-laws were further amended in late 2024 to align with the Development Charges Act, as amended by Bill 185. 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 2024 ending uncommitted balance in the Cash in Lieu reserve fund is \$66.65 million and reflects an increase of \$4.77 million from 2023. The City collected \$8.08 millions of Cash in Lieu of parkland payments and funded \$6.81 million of capital expenditure in 2024.

Nearly 70% of the Cash-in-Lieu funds collected were from medium-density development. Significant projects funded through Cash in Lieu of Parkland include the construction of Harding Park Revitalization, construction of Bayview Hill Revitalization, and construction of Palmer Park Revitalization. Attachment 2A contains the details of the various projects funded by the Cash-in-Lieu of Parkland Reserve Fund.

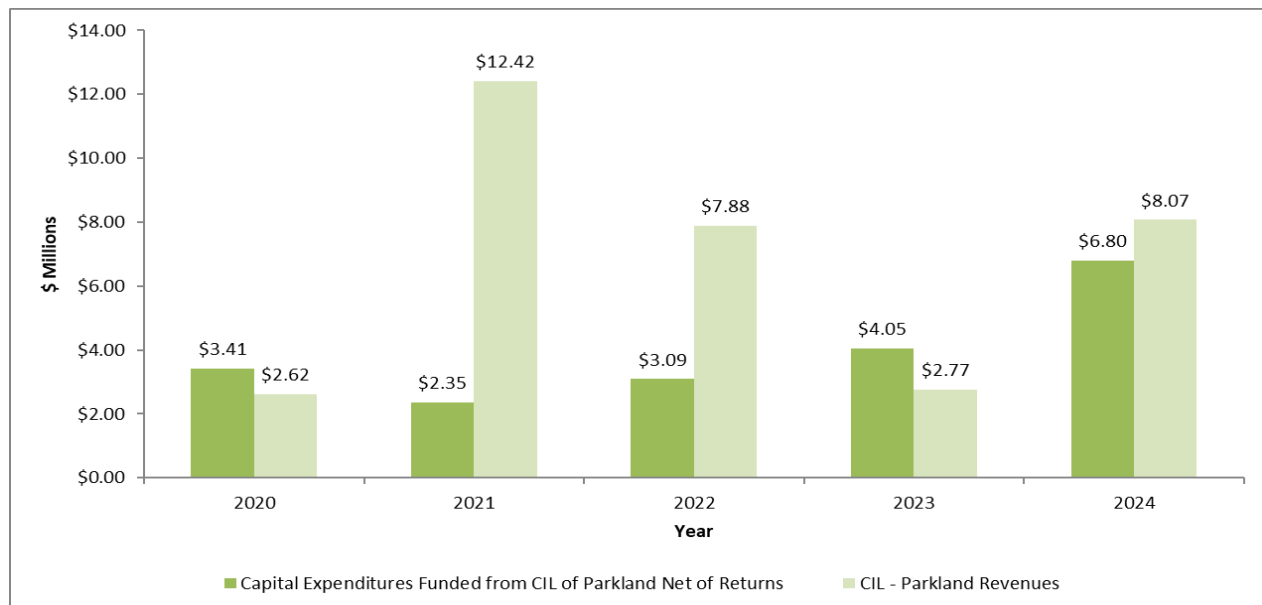
Page 8

Summary Table B – CIL of Parkland Reserve Fund Activity for 2024 and 2023

<i>City of Richmond Hill</i>			
<i>CIL - Parkland Reserve Fund Activity</i>	2024 \$(millions)	2023 \$(millions)	Difference
Beginning Balance	\$61.88	\$61.09	\$0.79
<i>Add:</i>			
<i>CIL - Parkland Revenues</i>	\$8.08	\$2.77	\$5.31
<i>Interest Income and Other</i>	\$3.48	\$2.05	\$1.43
Total Revenues	\$11.56	\$4.82	\$6.74
<i>Less:</i>			
<i>CIL - Parkland Funds Allocated to Capital Projects and Acquisitions</i>	\$6.81	\$4.05	\$2.76
<i>CIL - Parkland Funds Returned from Capital Projects</i>	\$0.00	\$(0.02)	\$0.02
Total Expenditures	\$6.80	\$4.03	\$2.77
Ending Balance	\$66.65	\$61.88	\$4.77

As shown in the graph below, the revenues collected for Cash in Lieu of Parkland from 2020 to 2024 totaled \$33.76 million. The expenditures towards Capital projects over the 5-year period amounted to \$19.70 million.

2020-2024 CIL of Parkland Revenues and Expenditures Comparison



Page 9**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 repealed and replaced 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.

As of year-end 2024, the balance in the Community Benefits Charge (CBC) reserve fund was \$1.29 million. The City did not collect any CBC payments under the Planning Act during the year and funded approximately \$0.10 million in capital expenditures, the majority of which was allocated to the Raccoon Park Tennis Court project.

Summary Table C – Community Benefits Charge Reserve Fund Activity for 2024 and 2023

City of Richmond Hill			
Community Benefits Charge Reserve Fund Activity	2024 \$(millions)	2023 \$(millions)	Difference
Beginning Balance	\$1.32	\$1.82	(\$0.50)
Add:			
s.37 Revenues	\$0.00	\$0.17	\$(0.17)
Interest Income and Other	\$0.07	\$0.05	\$0.02
Total Revenues	\$0.07	\$0.22	\$(0.15)
Less:			
s.37 Funds Returned from Capital Projects	\$0.00	\$0.00	\$0.00
s.37 Funds Allocated to Capital Projects	\$0.10	\$0.72	\$(0.62)
Total Expenditures	\$0.10	\$0.72	\$(0.62)
Ending Balance	\$1.29	\$1.32	\$(0.03)

Page 10

Financial Implications:

Richmond Hill consistently met all Development Charges Act requirements in 2024. The City collected significant Development Charges (DC) and directed a substantial portion to capital expenditures, representing a notable increase in infrastructure investments compared to the previous year. While the overall DC collections have shown an upward trend over recent years, driven by residential development, last year's collections were lower than anticipated, mainly due to a softer housing market.

For Cash-in-lieu of Parkland (CIL), the City collected considerable funds, allocating a significant portion to capital projects, most of these CIL funds came from medium-density developments. As for Community Benefits Charges (CBC), no new charges were collected last year.

Overall, Richmond Hill effectively managed its development-related funds to support essential growth infrastructure. The City's financial approach remains compliant and adaptable, reflecting its commitment to long-term sustainability despite fluctuating market conditions.

Relationship to Strategic Plan 2024-2027:

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 sustainability.

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, 2024
- Attachment 2A - Amounts Transferred to Capital (Other) Funds
- Attachment 2B - Statement of Credit Carry Forward

Page 11

Report Approval Details

Document Title:	SRCFS.25.025 - 2024 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds Statement.docx
Attachments:	<ul style="list-style-type: none">- SRCFS.25.025 - Attachment 2A Amounts Transferred to Capital (Other) Funds.pdf- SRCFS.25.025 - Attachment 2B Statement of Credit Carry Forward.pdf- SRCFS.25.025 - Table 1 Development Charges, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds.pdf- SRCFS.25.025 - Table 2 Treasurer's Statement of DC, Cash in Lieu of Parkland and Community Benefits Charge Reserve Funds.pdf
Final Approval Date:	Jun 6, 2025

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

Gigi Li - Jun 5, 2025 - 2:31 PM

Sherry Adams - Jun 5, 2025 - 3:08 PM

Darlene Joslin - Jun 6, 2025 - 8:51 AM