

Subject: Treasurer's Report on 2022 Growth Related Revenues

File Number: ACS2023-FCS-FSP-0014

Report to Planning and Housing Committee on 20 September 2023

and Council 27 September 2023

**Submitted on September 8, 2023 by Cyril Rogers, General Manager and Chief
Financial Officer (A), Finance and Corporate Services Department**

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Ward: Citywide

Objet : Rapport du Trésorier sur les 2022 revenus liés à la croissance

Numéro de dossier : ACS2023-FCS-FSP-0014

Rapport présenté au Comité de la planification et du logement

Rapport soumis le 20 septembre 2023

et au Conseil le 27 septembre 2023

**Soumis le 8 septembre 2023 par Cyril Rogers, Directeur général par intérim et
chef des finances, Direction générale des finances et des services
organisationnels**

**Personne ressource : Gary Baker, Coordonnateur de programme, Direction
générale de la planification, des biens immobiliers et du développement
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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

**That the Planning and Housing Committee recommend that Council receive this
report for information.**

RECOMMANDATION(S) DU RAPPORT

Que le Comité de la planification et du logement recommande au Conseil municipal de prendre connaissance du présent rapport.

BACKGROUND

The *Development Charges Act* (DCA) requires the City Treasurer to provide a year-end summary of development charge reserve fund balances to Council. The attached 2022 Summary Statement of Development Charge Reserve Funds (Document 1) lists the transactions relating to the various accounts including: opening and closing balances, interest earnings and expenses, category of services, and a summary of the financial transactions. This report also includes information regarding Cash-in-Lieu of Parkland, Section 37 allocations, a summary of discretionary exemptions and forecasted expenditures on projects funded from the roads and related services category.

DISCUSSION

Development charges are one-time fees levied on new residential and non-residential properties to fund a portion of the City's growth-related capital costs. The authority to introduce development charges is authorized by provincial legislation, and the schedule of capital projects and rates are outlined within the Development Charges Background Study and By-law.

The total amount of the charge applied varies by dwelling type and location, which reflects different costs associated with providing growth-related infrastructure services. The residential component is comprised of three area-specific charges: inside the greenbelt, outside the greenbelt, and rural area. The rates are structured to reflect growth-related infrastructure requirements within these three geographic locations. The rural area is further divided into serviced and unserved development. Non-residential rates, applied to industrial and non-industrial uses, are calculated on a uniform city-wide basis. The corresponding rates are designed so that the City collects enough revenue to pay for necessary infrastructure.

The following engineering services are included in the summary: roads and related services, sanitary sewers, water, and stormwater, along with the following general services: public transit, protection (fire and police), recreation facilities, parks development, libraries, paramedic services, affordable housing (discontinued in November 2022) and corporate studies.

The City approves most of the growth-related spending during the annual budget process with only those capital projects included in the background study being eligible for funding. This process is used to align the timing of infrastructure needed to accommodate growth with actual collections. Development charge revenues are only transferred to capital projects when the expenditures have been incurred, not when the capital budget has been approved. Reserve funds are monitored to ensure account balances follow the various funding policies adopted by Council. The City has not utilized the option of temporarily borrowing funds across reserve fund accounts to pay for growth-related capital costs. The attached Summary Statement of Development Charge Reserve Funds (Document 1) provides an overview of financial activity within the various growth-related reserve funds, by service component, for the year ending December 31, 2022.

In 2022, net transfers to growth-related capital projects totaled \$170 million and were made in accordance with accounting guidelines that stipulate development charges may only be applied to eligible capital projects when expenditures are incurred. Overall, the 2022 closing balance was \$794.4 million. Further adjustments were made to account for outstanding approved capital project transfers that totaled \$696.2million and future debt payment requirements of \$445.6 million. This resulted in an overall negative adjusted total closing balance of \$347.5 million.

Document 2 provides a detailed listing of the various growth-related capital projects that had development charges transferred to or from them, as well as the total budgeted financing and funds that were applied upfront from other sources. The format of this document has been modified and refined to provide additional information. The statement fully documents the growth versus non-growth funding shares for all development-related projects. This ensures the integrity of the growth-related capital program, which underlies the calculation. An additional reference number has been added to certain projects, which improves transparency and traceability.

In addition, the capital funding details concerning all cash-in-lieu transactions made in 2022 for parkland dedication purposes from citywide and ward accounts is attached in Document 3. Also, the payments received in 2022 during the development process via Section 37 of the *Planning Act* is attached in Document 4 (no Community Benefit Charge collections have occurred to date).

Non-statutory development charge exemptions for various uses and services, excluding the public transit component, are listed within the Development Charges by-law. The resulting revenue shortfall may not be recovered through higher rates imposed on other

development types in the future. To offset the annual foregone contributions, the City reimburses reserve funds from general revenues on a yearly basis. Council authorizes this contingency amount during the annual budget process. This approach allows the City to identify the on-going costs associated with providing various discretionary development charge exemptions granted under the by-law. In 2022, \$1.6 million was transferred to offset the overall revenue shortfall, excluding Brownfields credits, with the various exemption types listed in Document 5. Document 6 is the 2023 Summary List of Forecasted Expenditures on Road and Related Services Capital Projects.

The recent passage of Bill 23, *More Homes Built Faster Act, 2022*, introduced substantive amendments to the *DCA* such as mandatory phase-in provisions, removal of eligible costs such as affordable housing and the provision of additional statutory exemptions, which will reduce the amount of deferred revenue available in the future to fund growth-related projects. There are also several outstanding changes associated with Bill 23 that have not yet been proclaimed with updated regulations.

Development charges are a key source of financing of the City's capital program related to the expansion of infrastructure to service new growth. With the City's unique blend of major urban, suburban, and rural infrastructure needs, it is important that the legislation continue to provide flexibility in how development costs are funded. Without proper levels of growth-related revenue to balance the funding required to pay for new infrastructure the City may need to consider deferring projects, taking on additional debt and/or increasing other revenue sources if projected growth and corresponding revenues are insufficient to pay for the required capital investments.

For example, service categories that are now statutorily excluded such as Affordable Housing, which is as essential to the fabric of a community as those services that continue to be eligible. The legislative changes now require taxpayers to contribute 100% of the funding of affordable housing. Municipalities should be allowed to levy development charges to provide for the fundamental municipal services that can be clearly demonstrated as resulting from growth.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

LEGAL IMPLICATIONS

There are no legal impediments to receiving this report for information. This report is before Council pursuant to the legislative requirement to submit financial statements

regarding development charge fund activity under Section 43 of the *Development Charges Act*.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

CONSULTATION

Preparation of the attached documents is a legislative requirement; no public consultation is required.

ACCESSIBILITY IMPACTS

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitments the current 2023 - 2026 Term of Council Priorities of: a city that has affordable housing and is more livable for all; a city that is more connected with reliable, safe and accessible mobility options; a city that is green and resilient; and a city with a diversified and prosperous economy. The report also promotes the City's commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1: Summary Statement of Development Charges Reserve Funds for the Period Ended December 31, 2022

Document 2: Details of 2022 Development Charge Capital Project Funding for the Period Ended December 31, 2022

Document 3: Details of 2022 Citywide and Ward Cash-in-Lieu Parkland (CILP) Capital Project Funding for the Period Ended December 31, 2022

Document 4: Section 37 Deferred Revenue Accounts for the Period Ended December 31, 2022

Document 5: Summary List of Development Charge Exemptions Granted at Building Permit Issuance for the Period Ended December 31, 2022

Document 6: Summary List of Forecasted Expenditures on Road and Related Services

Capital Projects for the Period 2023 to 2032

DISPOSITION

In accordance with recent changes made to the *Development Charges Act*, a copy of the Treasurer's Statement will be posted to the City's website.