

**12. Treasurer's Report on Growth-Related Revenues**

**Rapport de la trésorière sur les revenus liés à la croissance**

**Committee Recommendation**

**That Council receive this report for information.**

**Recommandation du Comité**

**Que le Conseil prenne connaissance du présent rapport.**

**Documentation / Documentation**

1. Report from the General Manager, Corporate Services and City Treasurer, dated August 12, 2019 (ACS2019-CSD-FIN-0021)

Rapport de la Directrice générale, Services organisationnels et Trésorière municipale, daté le 12 août 2019 (ACS2019-CSD-FIN-0021)

Report to  
Rapport au:

Planning Committee / Comité de l'urbanisme  
August 22, 2019 / 22 août 2019

and Council / et au Conseil  
September 11, 2019 / 11 septembre 2019

Submitted on August 12, 2019  
Soumis le 12 août 2019

Submitted by  
Soumis par:

Marian Simulik, General Manager, Corporate Services and City Treasurer /  
Directrice générale, Services organisationnels et Trésorière municipale

Contact Person

Personne ressource:

Gary Baker, Program Coordinator, Development Charges, Economic  
Development Services, Planning, Infrastructure & Economic Development  
Department / Coordonnateur de programme, Redevances d'aménagement,  
Service du développement économique, Direction générale de la planification, de  
l'infrastructure et du développement économique  
613-580-2424 ext. / poste 27406, [gary.baker@ottawa.ca](mailto:gary.baker@ottawa.ca)

Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE      File Number: ACS2019-CSD-FIN-0021

**SUBJECT: TREASURER'S REPORT ON GROWTH-RELATED REVENUES**

**OBJET: RAPPORT DE LA TRÉSORIÈRE SUR LES REVENUS LIÉS À LA CROISSANCE**

**REPORT RECOMMENDATIONS**

That the Planning Committee and Council receive this report for information.

## RECOMMANDATIONS DU RAPPORT

**Que le Comité de l'urbanisme et le Conseil prennent connaissance du présent rapport.**

## BACKGROUND

The *Development Charges Act* (DCA) requires the City Treasurer to provide to Council a year-end summary of development charge reserve fund balances. The attached 2018 Summary Statement of Development Charge Reserve Funds (Document 1) lists the transactions relating to the various accounts including opening and closing balances, interest earnings, descriptions of the category of services and a summary of the financial transactions. In compliance with the legislative requirements, this report also includes information concerning Cash-in-Lieu of Parkland, Section 37 allocations and a summary of development charge exemptions provided by the City.

## DISCUSSION

Development charges are one-time fees levied by the City on new residential and non-residential properties to fund a portion of the growth-related capital infrastructure. The authority to introduce development charges is provided by provincial legislation, and the administrative details and schedule of rates are outlined within the Development Charge By-law.

The total amount of the charge applied varies by dwelling type and location within the city, which reflects different costs associated with providing infrastructure services. The residential component is broken down into three area charges: Inside the Greenbelt, Outside the Greenbelt, and Rural, which reflects infrastructure requirements in these geographic areas. The Rural category is further divided into serviced and unserviced development. Non-residential rates, applied to Industrial and Non-Industrial uses, are calculated on a uniform city-wide basis for all non-residential development.

The following Engineering Services are currently included for cost recovery: Roads and Related Services, Sanitary Sewers, Water, and Stormwater, along with the following General Services: Public Transit, Protection, Recreation Facilities, Parks Development, Library, Paramedic Services, Affordable Housing and Corporate Studies.

The City approves most of the growth-related spending authority 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. Reserve Fund accounts are monitored to ensure balances are following the various policies adopted by Council. 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, 2018.

In 2018, the estimated full recovery growth-related revenue was \$206.1 million based on the assumptions listed within the Development Charges Background Study versus actual collections of \$167.8 million (excluding \$10.2 million for area-specific charges), for an overall shortfall of \$38.3 million. In 2017, the shortfall was \$63.2 million. Net transfers to capital projects of \$88.1 million were made in accordance with standard accounting practice that stipulates development charges may only be applied to eligible capital projects when expenditures are incurred. Overall, the 2018 closing balance was \$429.8 million. Further adjustments were made to take into account outstanding unapplied funding requirements or commitments that totaled \$422.4 million and future debt payments of \$232.1 million. This resulted in a negative adjusted year-end balance of \$224.7 million.

The City is also required to identify non-growth funding sources allocated against 2018 funded growth-related capital projects and to provide a detailed summary of each service category as attached in Document 2. In addition, the capital funding details concerning all cash-in-lieu transactions made for parkland dedication purposes from city-wide and ward accounts is attached in Document 3, as well as the payments received during the development process via Section 37 of the *Planning Act* is attached in Document 4.

Non-statutory development charge exemptions for various uses are listed within the by-law. The resulting revenue shortfall may not be recovered through higher fees imposed on other development types. To offset the foregone revenues, the City reimburses growth-related reserve funds from general revenues on an annual basis. Council authorizes this contingency amount during the yearly budget process. This approach allows the City to identify the on-going costs associated with providing various non-statutory exemptions. In 2018, \$8.1 million was transferred to offset the overall revenue shortfall with the various exemption types listed in Document 5.

With the passage of Bill 108 (*More Homes, More Choice Act*), several changes were made to the DCA that will impact the collection of "soft service" development charges and how certain growth-related capital projects will be funded in the future. The changes include the replacement of development charges with a Community Benefits Charge (CBC) to fund soft

services, including libraries, park amenities, recreation facilities, and other infrastructure that is essential in providing for vibrant and complete communities.

The proposed changes to the administration of development charges will result in a revised collection process and will impact the City's ability to fund growth-related capital projects by reducing cashflow, thereby increasing pressure on debt levels, and ultimately delaying the construction of infrastructure needed to service land. For example, the payment timeframe has been extended for five types of development: rental housing, institutional, industrial, commercial and non-profit housing. Development charges will be payable in 21 yearly instalments in the case of non-profit housing and in six yearly instalments for the other four types of development. These new payment timelines will be administratively onerous since the new rules will require the City to track and monitor the ongoing payments over a longer period.

The new CBC will also require the City to pass a by-law to impose charges based on a prescribed percentage applied to the value of the development land to pay for certain eligible costs previously included under the DCA. The amount of revenue the City can expect to collect to pay for soft service costs may become less predictable since land values will vary from location to location, will fluctuate with market conditions, and is beyond the City's ability to control. Height and density bonusing under Section 37 provisions of the *Planning Act* and a separate parkland dedication process have been intertwined within the proposed CBC framework.

The City, however, will continue to pursue the underlying principle of collecting development charges and the new CBC to finance a portion of the capital costs required to service new growth so that an undo financial burden is not placed on existing residents.

## **RURAL IMPLICATIONS**

There are no rural implications associated with this report.

## **CONSULTATION**

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

## **COMMENTS BY THE WARD COUNCILLOR(S)**

This section is not applicable.

## **ADVISORY COMMITTEE(S) COMMENTS**

This section is not applicable.

## **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*.

## **RISK MANAGEMENT IMPLICATIONS**

There are no risk management implications.

## **FINANCIAL IMPLICATIONS**

There are no financial implications resulting from this information report.

## **ACCESSIBILITY IMPACTS**

There are no accessibility impacts associated with this report.

## **TERM OF COUNCIL PRIORITIES**

There are no impacts.

## **SUPPORTING DOCUMENTATION** (*distributed separately*)

Document 1: Summary Statement of Development Charges Reserve Funds

Document 2: Details of 2018 Development Charge Capital Project Funding

Document 3: Details of 2018 City-wide and Ward Cash-in-Lieu Parkland (CILP) Capital Project Funding

Document 4: Section 37 Deferred Revenue Accounts

Document 5: Summary List of Development Charges Exemptions

## **DISPOSITION**

In accordance with the *Development Charges Act*, a copy of the Treasurer's Statement is available to the public on the City's website or upon request.