

14. Treasurer's Report on 2019 Growth-Related Revenues

Rapport de la Trésorière sur les 2019 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. Chief Financial Officer's report, Finance Services Department, dated August 13, 2020 (ACS2020-FSD-FIN-0018)

Rapport de la Cheffe des finances, Direction Générale des services des finances, daté le 13 août 2020 (ACS2020-FSD-FIN-0018)
2. Extract of draft Minutes, Planning Committee, August 27, 2020

Extrait de l'ébauche du procès-verbal du Comité de l'urbanisme, le 27 août 2020

**Planning Committee
Report 28
September 9, 2020**

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**Comité de l'urbanisme
Rapport 28
le 9 septembre 2020**

**Report to
Rapport au:**

**Planning Committee
Comité de l'urbanisme
27 August 2020 / 27 août 2020**

**and Council
et au Conseil
9 September 2020 / 9 septembre 2020**

**Submitted on August 13, 2020
Soumis le 13 août 2020**

**Submitted by
Soumis par:**

**Wendy Stephanson, Chief Financial Officer, Finance Services Department / Cheffe
des finances, Direction Générale des services des finances**

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**

Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2020-FSD-FIN-0018

SUBJECT: TREASURER'S REPORT ON 2019 GROWTH-RELATED REVENUES

**OBJET: RAPPORT DE LA TRÉSORIÈRE SUR LES 2019 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 that the City Treasurer provide to Council a year-end summary of development charge reserve fund balances. The attached 2019 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 and reflects infrastructure requirements in these three 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, Libraries, Paramedic Services, Affordable Housing and Corporate Studies.

The City approves the majority 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 funds are monitored to ensure account 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, 2019.

For instance, net transfers to capital projects totaled \$135.7 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 2019 closing balance was \$566.5 million. Further adjustments were made to account for outstanding unapplied funding requirements or commitments that totaled \$627.2 million and future growth-related debt payments of \$343.8 million. This resulted in a negative adjusted closing balance of \$404.5 million.

In Document 2, the non-growth funding sources for the various growth-related capital projects has also been provided. 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 rates imposed on other development types. To offset the foregone revenues, the City reimburses 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 2019, \$6.5 million was transferred to offset the overall revenue shortfall, excluding Brownfields, with the various exemption types listed in Document 5. The City budgeted \$5.4 million for all development charge exemptions in 2019.

The passage of Bill 197 (*COVID-19 Economic Recovery Act, 2020*) reversed many of the proposed changes that were made to the *Development Charges Act* and *Planning Act* in 2019. Initially, the provisions introduced under Bill 108 included the replacement of certain development charge funded services and parkland dedication with a Community Benefits Charge (CBC). Subsequent refinements through the draft regulation process added back almost all soft services to the eligible development

charge funding list. Moreover, development-related costs of providing these services will no longer be subject to a 10% tax funded discount. The City will be able to update the development charge by-law to eliminate the discount immediately after the new legislation comes into effect when proclaimed by the Lieutenant Governor.

Under Bill 197, the scope of CBCs will be narrower since it will only apply with respect to apartment buildings with at least ten units and at least five storeys. This charge may now be imposed to fund growth-related capital costs that are not funded under a development charge by-law. The amendments will also provide greater financial flexibility for the City by more closely aligning development charges, CBCs, and revenue from parkland contributions with no funding overlap. The CBC payable on any particular development would continue to be limited to a prescribed percentage of the value of land to be developed.

Changes to the timing of collection of development charges that came into effect commencing on January 1, 2020 will result in a revised process and impact the City's ability to fund growth-related capital projects by reducing cashflow. The collection of fees is delayed from building permit issuance to occupancy for three types of development: rental housing, institutional, and non-profit housing. In addition, the payment timeframe has been extended with development charges payable in twenty-one instalments in the case of non-profit housing and in six instalments for the other two development types. These new payment timelines will be administratively onerous since they will require the City to track and monitor the ongoing payments over a longer period. The City may charge interest on the installments from the date of building permit issuance until the outstanding development charges are paid in full. Further changes were made to the calculation methodology with the development charge quantum frozen, in some cases, for two years from the date the site plan or zoning application was approved.

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 undue 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.

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

This report supports the City's on-going commitment to financial sustainability and transparency

SUPPORTING DOCUMENTATION (*distributed separately*)

Document 1: Summary Statement of Development Charges Reserve Funds for the Period Ended December 31, 2019

Document 2: Details of 2019 Development Charge Capital Project Funding for the Period Ended December 31, 2019

Document 3: Details of 2019 City-wide and Ward Cash-in-Lieu Parkland (CILP) Capital Project Funding for the Period Ended December 31, 2019

Document 4: Section 37 Deferred Revenue Accounts as at December 31, 2019

Document 5: Summary List of Development Charge Exemptions Granted at
Building Permit Issuance for the Period Ended December 31, 2019

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.