

Date: 2023-04-28

Subject: DC and CIL of Parkland Annual Treasurer's Statement Report - Summary of Activity in 2022

Contact: Nash Damer, Treasurer, Corporate Support Services

Report Number: Corporate Support Services-2023-402

Recommendations:

1. That the report titled ***DC and CIL of Parkland Annual Treasurer's Statement Report - Summary of Activity in 2022***, to the Committee of Council Meeting of May 24, 2023, be received.

OVERVIEW:

- **Development Charges (DC) are collected under authority of the *Development Charges Act, 1997* (the "DCA") for the purpose of funding necessary growth related services.**
- **Section 43 of the DCA and Section 12 of Ontario Regulation 82/98 require that the Treasurer of the municipality provide to Council, annually, a financial statement relating to development charge by-laws and reserve funds established under section 33 of the DCA.**
- **Schedule A summarizes the DC Reserve Fund financial transactions for the year ended December 31, 2022. Closing balance of the DC Reserve Fund balances as of December 31, 2022 is \$384 million.**
- **Subsection 42 (17) under the *Planning Act* requires the Treasurer of the municipality to provide Council with a statement relating to the status of the Cash-in-lieu of Parkland (CIL) Reserve Fund.**
- **Closing balance of the Cash-in-lieu of Parkland Reserve Fund balances as of December 31, 2022 is \$129 million.**
- **DC statements for 2022 are presented to Council for receipt, and these statements must be made available to the public.**

Background:

Development Charges (DC) are collected by the City for the sole purpose of funding necessary infrastructure to new residents and businesses. All DC funds collected can be used only for this purpose in accordance with the *Development Charges Act (DCA)*. These funds are collected so that existing property owners are not unduly burdened by the cost of growth-related infrastructure.

The attached DC Statements have been provided to the Committee of Council for information in accordance with requirements of the *DCA*. The purpose of the report and associated statements is to ensure that all transactions related to development charges have been correctly accounted for and reported, as stipulated under the *DCA*.

The current DC rates came into effect on August 1st, 2019 with the approval of the City's 2019 DC By-laws. The 2019 DC By-laws retained existing reserve fund classifications as it accurately reflected how individual program areas have managed the DC revenue received. These reserve funds represent monies currently collected for and spent on the following program areas: Growth Studies, Library Services, Fire Services, Recreation Services, Transit Services, Public Works, Roads Services, and the Bramwest / North and South Transportation Corridor.

The City of Brampton does not impose, directly or indirectly, a charge related to a development or a requirement to construct a service related to development, except as permitted by the *DCA* or another Act, in compliance with subsection 59.1 (1) of the *DCA*. Amendments were made to the *Planning Act* in 2017 with the passage into law of Bill 73 – the *Smart Growth for Our Communities Act*. The legislation requires that funds that have been collected under both Section 37 of the *Planning Act* - related to increased density allocations, and Sections 42 and 51 – related to the collection and expenditure of cash-in-lieu of parkland (CIL), must now be reported annually to Council by the Treasurer. For Council's reference, CIL is collected by way of the City's Parkland Dedication By-law under the authority of the *Planning Act*. A municipality may require, as a condition of development, that land be conveyed to the municipality for park, or other recreational, purposes. Alternatively, the Council may require a payment in lieu of land otherwise required to be conveyed – commonly referred to as CIL. In accordance with the *Planning Act*, CIL monies must be held in a reserve fund and may be spent "...only for the acquisition of land to be used for park or other public recreational purposes, including the erection, improvement or repair of buildings and the acquisition of machinery for park or other public recreational purposes."

Bill 108 introduced the Community Benefits Charge (CBC), which replaced the former Section 37 (density bonusing) provisions of the *Planning Act*. The Province updated the *Planning Act* as part of the COVID-19 Economic Recovery Act, 2020 (Bill 197) in order to implement the CBC.

The City of Brampton passed a Community Benefits Charge By-law in September ,2022 which applies to all development or redevelopment containing 5 or more storey and adding at least ten residential units, within the City of Brampton that meets the criteria as

set out in the by-law, capped at 4% of the value of land subject to development or redevelopment and will contribute to City-wide capital costs for Housing, Public Realm, Community Facilities, Active Transportation, Parks & Trails, Parking, Heritage Assets and Administration.

The City has established Reserve #33 Community Benefits Charges Reserve Fund to account for monies collected under the CBC bylaw. No revenue has been collected under this funding tool till the end of 2022.

Current Situation:

Statement of Development Charge Reserve Funds Activity – 2022

The table below presents a summary of information reported in Schedule A of the report which outlines the 2022 DC Reserve Fund balances:

	<u>\$ Million</u>
Beginning Balance as at January 1, 2022	294.86
Add: Development Charge Proceeds	73.95
Add: Interest Income	7.82
Less: Transfer to Capital Projects/Current Fund	<u>(7.00)</u>
Balance before Outstanding Section 38 Credits	383.63
Outstanding Section 38 Credits	<u>(0.03)</u>
Closing Balance as at December 31, 2022	<u>383.60*</u>

** Represents uncommitted fund balances (only actual expenditures are netted of and not total approved budget)*

Schedule A summarizes information for each Reserve Fund in respect of each service program for which development charges have been imposed by the City of Brampton. The schedule shows:

- The opening balance as of January 1st, 2022;
- The distribution of the development charge proceeds received during the year;
- The apportionment of accrued interest; and
- The closing balance as at December 31st, 2022.

The closing balance of the DC Reserve Fund as of December 31, 2022 is \$384 million (2021 - \$295 million). Increase in fund balances was mainly due to development charges proceeds and interest income exceeding transfers to capital projects and current fund.

In addition, City Council approved the Central Area Community Improvement Plan. One of the components of this plan is the Development Charges Incentive Program which, since inception, has granted nearly \$31 million in DC waivers. Of the \$31 million, \$12 million has been recovered through the general tax as of December 31, 2022. The reimbursement of these funds is repaid over a 25-year horizon and is currently funded through General Rate Stabilization Reserve.

Statement of CIL-Parkland Reserve Fund Activity – 2022

The table below presents a summary of CIL-Parkland Reserve Fund Activity:

	<u>\$ Million</u>
Beginning Balance as at January 1, 2022	136.83
Add: CIL-Parkland Revenues	22.20
Add: Interest Income	3.31
Less: Transfer to Capital Projects	33.45***
Closing Balance as at December 31, 2022	<u>128.89*</u>

*** Detail of transfers to Capital Projects are outlined in Schedule E of this report.

* *Represents uncommitted fund balances (only actual expenditures are netted of and not total approved budget)*

Schedule B details the approved financing transfers for each reserve fund, outlining the Development Charge financing (DC) and Non-Development Charge Financing (Non-DC) for each project. This schedule provides additional detail to the “Transfer to Capital Project /Current Fund” column in Schedule A by capital project in each program area. When capital projects are closed or excess financing has been identified, the financing is returned back to the original Reserve Fund. The figures in brackets indicate returned financing.

Schedule C lists the remaining Section 14 credits by Plan and Block Number as at December 31st, 2022.

Schedule D details the status of DC credits accorded or committed to developers for undertaking works on behalf of the City as at December 31, 2022.

Treatment of Credits related to old DC by-laws and previous DC Acts

- ***Outstanding Section 38 Credits***

Section 38 of the *DCA* stipulates that a municipality shall give a person credit toward the DCs payable if it agrees to allow the person to perform work that relates to a service to which a DC by-law relates. The amount of the credit is the reasonable cost of doing the work as agreed. The current Section 38 credits included in Schedule A are minor in nature and are fully related to parkland improvements performed in old subdivisions. Since there has been no activity on these subdivisions in many years there has been no opportunity to provide the credit for work performed in the past. This does not preclude the possibility of the credits being applied in a redevelopment or new development project in those areas in the future.

- **Section 14 Credits (see Schedule C)**

In 1989 the Province enacted the *Development Charges Act, 1989* (“Old DCA”) which replaced the lot levy regime with DCs. Municipalities were empowered to impose DCs pursuant to DC by-laws enacted under the Old DCA. The Old DCA did not exempt from the payment of DCs those lands that were subject to pre-existing lot levy agreements or lands for which lot levies had been paid. Instead, these prior payments were treated as credits against DCs otherwise payable, pursuant to Section 14 of the Old DCA, by October 31st, 1999.

The Old DCA was replaced by the 1997 DCA and O. Reg 82/.98 in 1998 which sets out a mechanism for recognizing credits for lot levies paid under old agreements. The owners and former owners were required to apply for credits by October 31st, 1999. The City is obligated to fund the total credit claims applied for within the prescribed period.

Corporate Implications:

Financial Implications:

There are no financial implications associated with this report.

Other Implications:

There are no other implications resulting from this report.

Strategic Plan:

This report achieves the Strategic Plan priority of Good Government by practicing proactive, effective and responsible management of finances, policies and service delivery and promotes transparency in the reporting of the City’s financial affairs.

Term of Council Priorities:

This report fulfils the Council Priority of a Well-Run City through strict adherence to effective financial management policies and supports Brampton’s 2040 Vision by ensuring sustainable financial revenues.

Conclusion:

In accordance with the *Development Charges Act, 1997*, this report provides Council with a statement of the DC reserve funds for the year ending December 31st, 2022.

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Reviewed and Recommended by:

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Appendices:

- Schedule A: Statement of Development Charge Reserve Funds
- Schedule B: Details of Project Funding
- Schedule C: Section 14 Credits
- Schedule D: Development Charges Credits
- Schedule E: CIL-Parkland Reserve Details of Project Funding