



OAKVILLE

## REPORT

ADMINISTRATIVE SERVICES COMMITTEE

MEETING DATE: MAY 21, 2019

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**FROM:** Finance Department

**DATE:** April 25, 2019

**SUBJECT:** 2018 Development Charges, Cash in Lieu of Parkland and Bonus Zoning Reserve Fund Statements

**LOCATION:**

**WARD:** Town wide

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**RECOMMENDATION:**

That the 2018 Development Charges, Cash in Lieu of Parkland and Bonus Zoning Reserve Fund Statements be received.

**KEY FACTS:**

The following are key points for consideration with respect to this report:

- The Development Charges, Cash in Lieu of Parkland and Bonus Zoning reserve funds are obligatory reserve funds that may only be used for capital costs set out in the *Development Charges Act, 1997* (DCA), its regulations, and specified costs set out in the *Planning Act* as amended.
- To comply with the reporting requirements, the treasurer of the municipality must provide annual financial statements to council relating to by-laws and reserve funds established for the purposes of Development Charges, Cash in Lieu of Parkland and Bonus Zoning.
- These statements must contain prescribed information with respect to the sources and uses of the funds received from developers and made available to the public and upon request, the Ministry of Municipal Affairs and Housing (MMAH).

**BACKGROUND:**

The purpose of this report is to present the required 2018 Development Charges, Cash in Lieu of Parkland and Bonus Zoning Reserve Fund Statements to Council and provide information on financial transactions, which occurred during the year in relation to these reserve funds.

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### Development Charges (DC's)

DCs are collected under the authority of the DCA and the town's DC by-law, to address the increased service needs of the community triggered by growth. DCs are typically collected at the time of building permit issuance on a per unit basis for residential buildings and on a square metre basis for non-residential buildings. Collections and interest provide the main sources of revenue for the fund.

Section 43 of the DCA and O. Reg. 82/98 require that financial statements relating to the municipality's DC by-laws and reserve funds established under section 33 of the DCA be provided annually to council, the public and upon request the MMAH. They also set out the prescribed information to be contained in the statements, including but not limited to requirements such as, opening and closing balances, transactions relating to the funds and the provision of all other sources of funding for any projects funded by DCs.

### Bonus Zoning and Cash in Lieu of Parkland

Bonusing is a tool provided by section 37 of the *Planning Act*, that allows municipalities to secure public benefits through bonusing agreements in exchange for permitting additional height and density in a development through the re-zoning process. Its use is contingent on their being enabling bonusing policies/provisions in place in the municipality's official plan and zoning by-law. Funds collected are held in a segregated reserve fund, established for this purpose, and spent only for facilities, services and other matters specified in accordance with provisions of the legislation. The town's Livable Oakville Plan, North Oakville Secondary Plans, Zoning by-law and Bonusing procedure contain the required policy statements along with guidance on where and how the benefit should be provided.

Cash in lieu of Parkland is collected and utilized in accordance with the *Planning Act*, and town by-law 2008-105, which permits a municipality to require, as a condition of development, that land be conveyed to the municipality for park or other public recreational purposes. Alternatively, there may be required a payment in lieu, to the value of the land otherwise required to be conveyed. Funds collected are held in a segregated reserve fund, established for this purpose, and spent only on acquisition of land for a park or other ancillary park purposes such as the acquisition of machinery and the erection, improvement or repair of buildings.

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**COMMENT/OPTIONS:****Development Charges**

DC reserve fund balances increased in 2018 by \$3.0 million from an adjusted opening balance of \$63.2 million to a closing balance of \$66.3 million. The adjusted opening balance arises from an effort to improve transparency of DC exemption funding from non-DC sources in the prior year. The reserve fund balance for 2017 reflected a transfer from capital reserves representing DC exemption financing from non-DC sources. This presentation conflicted with public sector account board (PSAB) principles with respect to obligatory reserve fund accounting and was subsequently reflected outside of DC reserve funds.

During the year, DC funds provided \$18.9 million in capital funding to growth projects and \$3.9 million in debt financing recoveries. It should be noted that transfers from DC reserves to fund capital works can only be made once spending has occurred, in accordance with PSAB principles. When outstanding commitments are taken into account, the uncommitted balance at year-end was \$4.5 million.

The town indexes its DC rates annually on April 1<sup>st</sup> in accordance with the year over year change in the non-residential construction index for Toronto. In 2018, the increase in DC rates resulting from this index adjustment was 2.7%.

Investment and interest income are allocated to DC reserve funds in accordance with the town's approved reserves/reserve funds procedure based on the proportionate share of the service component to the total reserve fund balance. DC reserve funds with positive balances are allocated interest and DC services with negative balances are charged interest. The earnings rate of the town's investment portfolio dictates the percentage of interest earned or charged.

Appendix A provides a summary of opening and closing balances and financial transactions relating to all DC reserve funds held by the town for the period ended December 31, 2018.

2018 financing activity from DC reserve funds is detailed in Appendix B by capital project. As noted previously, projects are funded from DC's based on spending to date in accordance with approved capital budgets and PSAB. In addition, this appendix provides information on other sources of funding utilized for the project. Operating costs reflected in this appendix that received DC funding are solely for the repayment of principle and interest on debt issued to fund capital projects. Those projects requiring financing outside of the budget process were funded in accordance with council approved financing policies.

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The town’s DC by-law also provides for credits against the applicable service component of the charge when a developer enters into a financing arrangement with the town for a DC financed project or provides services in lieu of DC’s. Credits may then be applied towards DC’s as they become due (i.e. building permit issuance or in accordance with the terms of the applicable development agreement). For the year 2018, the town does not have any outstanding DC credits.

In addition, the DCA and town’s DC by-law provide for mandatory and discretionary exemptions from DC’s, including but not limited to, municipally-owned lands, certain agricultural structures, hospitals, areas of worship, expansions less than 50% of the size of existing industrial buildings, etc. The following table details DC exemptions, temporary structures and demolition credits applied against DC’s otherwise payable in 2018.

EXEMPTIONS				
Category	Authority	Sq. Metres	# of units	\$
Municipal/Provincial/School Board	DCA, 1997	4,590.80		\$520,847.55
Industrial Expansion	DCA, 1997	2,696.80		\$306,605.14
Secondary Units	DCA, 1997		16	\$401,970.00
<b>Total Exemptions</b>		<b>7,287.60</b>	<b>16</b>	<b>\$ 1,229,422.69</b>
School Board - Temporary Structures	DCA, 1997	3,605.00		\$409,275.65
Demolition Credits	By-law	1,619.17		\$182,660.15
<b>Total Exemptions and Credits</b>		<b>12,511.77</b>	<b>16</b>	<b>\$ 1,821,358.49</b>

Appendices D and E provides supplemental information required by O. Reg. 82/98 and Sec. 43 of the DCA including descriptions of the DC service categories, specific transaction types, and a statement of compliance with section 59.1 (1) of the DCA.

The annual statement of DC reserve funds as presented herein to council satisfies the requirements of the DCA, O. Reg. 82/98, and the town’s DC by-law. Subsequent to council’s approval, this report will be made available to the public on the town’s web site and upon request, to MMAH.

**Cash-in-lieu of Parkland and Bonus Zoning**

To comply with provisions of the *Planning Act*, the 2018 annual statement of the cash in lieu of parkland and bonus zoning reserve funds must include the following for the preceding year;

- (a) The opening and closing balances of the reserve fund and transactions relating to the account;
- (b) Information pertaining to,
  - (i) Identification of land, facilities, services or other matters specified in the authorizing by-laws for which funds from the reserve funds have been spent during the year,

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- (ii) Details of the amounts spent, and
- (iii) The manner in which any capital cost not funded from the special account was or will be funded; and
- (c) Any other information that is or becomes prescribed.

2018 activity in the bonus zoning reserve fund consists of the application of interest earnings to the fund balance and a budgeted disbursement to finance the *Kerr Village Building Façade Improvement Grant Program*. There were not any collections with respect to Section 37 Bonus Zoning agreements in 2018.

Cash in lieu of parkland is collected in accordance with the *Planning Act* and the town's by-law 2008-105. Funds received are deposited to the segregated reserve fund for parkland purposes and interest applied in accordance with town policy and procedures. Eligible disbursements from the fund are in accordance with the provisions of legislation, town policy and approved budget.

Appendix E details 2018 activity in these reserve funds in compliance with the reporting requirements of the *Planning Act*.

## **CONSIDERATIONS:**

### **(A) PUBLIC**

DCs provide a non-tax source of revenue to finance growth-related municipal infrastructure. The DCA requires the treasurer to report to council annually on the activity in the development charge reserve funds.

The *Planning Act* requires the treasurer to report to Council annually on activity in the cash in lieu of parkland and bonus zoning reserve funds.

The treasurer is further required to make a copy of these documents available to the public and if requested, the Ministry of Municipal Affairs & Housing.

### **(B) FINANCIAL**

Development charges are the main source of funding for growth-related infrastructure. The capital budget and forecasts are dependent on the funds collected through development charges. Funding received through the provisions of the *Planning Act* provide additional non-tax levy revenue streams to secure public benefits for the community.

### **(C) IMPACT ON OTHER DEPARTMENTS & USERS**

N/A

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**(D) CORPORATE AND/OR DEPARTMENT STRATEGIC GOALS**

This report addresses the corporate strategic goal to:

- be accountable in everything we do
- be fiscally sustainable

**(E) COMMUNITY SUSTAINABILITY**

The funding received through development charges, cash in lieu of parkland and bonus zoning enhances our environment and addresses the pillar of economic sustainability.

**APPENDICES:**

- Appendix A: Development Charge reserve fund statement
- Appendix B: Projects funded from Development Charges
- Appendix C: Treasurer's Statement – Development Charges
- Appendix D: Statement of Compliance – Development Charges
- Appendix E: Treasurer's Statement of Reserve Funds – Planning Act

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