

DATE: June 19, 2023
REPORT NO: T-14-2023
SUBJECT: **Treasurer’s Annual Statement for 2022 Development Charges**
CONTACT: Donna DeFilippis, Director of Finance and Treasurer

OVERVIEW:

- Schedule A summarizes the activity within the Township’s Development Charge Reserves for the calendar year 2022

RECOMMENDATION:

That, report T-14-2023, regarding “Treasurer’s Annual Statement for 2022 Development Charges” be received for information.

ALIGNMENT TO STRATEGIC PLAN:

Theme # 1, 3, 5 and 6

- **Theme #1: Strong Transportation Connections-** Development Charges provide funding for projects that have a growth component
- **Theme #3: Strategic, Responsible Growth –** Development Charges act as a key funding component available to meet the infrastructure requirements brought on by growth
- **Theme #5: Community Health and Safety-** Development Charges provide funding for projects that have a growth component
- **Theme #6: Efficient, Fiscally Responsible Operations-**preparation and presentation of this report will ensure that the Township complies with legislated reporting obligations.

BACKGROUND:

Section 43(2) of the *Development Charges Act* (DCA) prescribes the information that must be included in the Treasurer’s annual statement. The requirements are as follows:

- Opening and closing balances of the Reserve Funds
- All transactions in the funds
- Identify all assets funded by Development Charges (DCs) and how the portions not funded by DCs were funded
- A statement from the Treasurer that the Township is in compliance with section 59.1(1) of the *Development Charges Act* (DCA)
- This statement must be available to the public.

Section 59.1(1) of the Development Charges Act specifically prohibits municipalities from imposing additional payments on developers or requiring construction of a service unless specifically authorized under the DCA or another Act. This provision does not affect a municipality's right to include conditions for installation or payment for local services but is intended to close the door on other "voluntary" payments that may have been sought by municipalities outside the legislative framework. The importance that the province places on this new section is reinforced by (a) requiring that the Treasurer's report must now include a statement confirming that the municipality is in compliance with Section 59.1(1); and, (b) granting extensive investigative powers to the Minister of Municipal Affairs and Housing to investigate whether a municipality is in compliance. The Township of West Lincoln complies with section 59.1(1) of the *Development Charges Act*.

CURRENT SITUATION:

Development charges are one-time fees collected on new residential and non-residential properties to finance a portion of the capital infrastructure requirements associated with growth. Amounts collected are held in the designated Development Charge Reserve Fund account and accumulate interest. The growth-related spending authority is approved annually as part of the Township's budget process with capital projects included in the current background study being eligible for development charge funding.

The statement (Schedule A) provides a summary of the financial activity of the various Development Charge Reserve Funds for the year ending December 31, 2022. Transfer into the reserve consist of contributions collected at the time of building permit issuance, plus interest earned in the fiscal year. Transfers for funding are made in accordance with the Township's 2019 Background Study in support of the Development Charge By-law 2019-51. The closing balance as at December 31, 2022 represents the cash balance in the Development Charge Reserve Account.

In September 2022, Council adopted Amending Development Charge By-Law 2022-77. This updated Development Charge By-Law ensured that the Township met the requirements of the the Development Charges Act (D.C.A.), as amended by Bill 108 (More Homes, More Choice Act, 2019), Bill 138 (Plan to Build Ontario Act, 2019), Bill 197 (COVID-19 Economic Recovery Act, 2020), and Bill 213 (Better for People, Smarter for Business Act, 2020). Highlights of this amending by-law are captured below:

- Adding new definitions;
- Removing the mandatory 10% deduction for indoor and outdoor recreation services (parks and recreation services), library services and administration (growth studies);
- Changing the administration category to growth studies, which includes aligning the growth studies to the category of services;
- The amended regulations provide for mandatory DC exemptions for additional dwelling units in new residential buildings, an additional dwelling unit in a residential building that is ancillary to a new residential building,
- Adding the mandatory exemption to the DC By-law for universities that receive government funding from the requirement to pay DCs;

- Amending the timing of DC payments for rental housing, institutional and non-profit housing to provide for annual payments to be made at occupancy to reflect the changes to the DCA which came into effect on Jan. 1, 2020. Rental housing and institutional developments qualify for six equal annual payments. Non-profit housing qualifies for 21 equal annual payments.
- The DC amount for all developments occurring within 2 years of a Site Plan or Zoning By-law Amendment planning approval, shall be determined based on the DC in effect as of the date of receipt of a complete application for Site Plan or Zoning By-law Amendment. If the development is not proceeding via these planning approvals, then the amount is determined as the earlier of the date of issuance of a building permit or occupancy.

The amending By-Law came into force on September 27, 2022.

In 2022, Development Charges were collected on 10 building permits as follows:

- 8 permits for Single Family and Semi-Detached units
- 2 permits for Non-residential units

3 of the above permits were issued for properties that were within the Urban Boundary, which includes a charge for Water, Wastewater and Storm services. Applications in the rural area of the municipality do not pay Development Charges for those services.

This report, along with Schedule A, will be posted on the Township's website.

FINANCIAL IMPLICATIONS:

Development Charges (DCs) assist in financing a portion of growth related capital requirements and are legislated through the Development Charges Act. The DC By-law sets the fees for collection at the building permit stage. Fees are deposited into separate DC Reserve Funds in accordance with legislative requirements. Interest accrues on these funds and draws take place to fund eligible capital expenditures. Development Charges are revenue once funds are transferred to finance an approved Capital project. There is no financial impact to receiving this report.

The current Development Charges By-Law expires on July 15, 2024. Staff will soon commence the process of establishing a new Background Study, which will form the basis of the new By-Law that will be required in 2024.

INTER-DEPARTMENTAL COMMENTS:

The CAO has reviewed this report.

CONCLUSION:

It is recommended that the Development Charge Reserve Fund Activity Report for the year ended December 31, 2022 (Schedule A) be received and posted on the Township's website.

Prepared & Submitted by:

Approved by:

Donna DeFilippis, Director of Finance

Bev Hendry, CAO

Township of West Lincoln												
Statement of Development Charges Reserve Funds												
As at December 31, 2022												
2022 Projects Funded with Development Charges												
Project Name and Type	Total Project Cost	Operating Fund	Development Charges	Reserve Capital	Reserve Library	Reserve Planning	Reserve Community Fund	Reserve Road Settlement	Reserve In Lieu of Parkland	Reserve Bridge	Donations	Grants
DEVELOPMENT CHARGES BYLAW UPDATE	13,229	-	13,229	-	-							
URBAN BOUNDARY EXPANSION	15,041	-	1,354			13,687						
REPLACEMENT OF FIRE STATION 2	1,614,800	-	613,624			-	501,176					500,000
EQUIPMENT FOR ADDITIONAL FIREFIGHTERS	33,966	-	33,966									
LEISUREPLEX NEW PAVILION	200,581		16,328						84,253			100,000
GENERAL ROAD IMPROVEMENTS	774,440	-	90,676	5,152					-			678,612
BRIDGE REHABILITATION AND REPLACEMENT	58,554	-	5,855					15,762	-	28,247		8,690
MULTI USE RECREATION FACILITY DEBT REPAYMENT	1,200,280	1,162,028	38,252									
NEW PLAYGROUND EQUIP. SMITHVILLE STATION	125,963		125,963									
WELLANDPORT LIBRARY ADDITION	SEE NOTE BELOW		864									
SMITHVILLE LIBRARY ADDITION TO COLLECTION	14,552		12,900		1,652							
WELLANDPORT LIBRARY ADDITION TO COLLECTION	9,628		7,828		-						1,800	
CAISTORVILLE LIBRARY ADDITION TO COLLECTION	7,700		6,500		-						1,200	
Total	4,068,734	1,162,028	967,339	5,152	1,652	13,687	501,176	15,762	84,253	28,247	3,000	1,287,302
NOTE:												
The Wellandport Library Addition was constructed between 2017 and 2018 with a total cost of \$1,252,304. As per the 2019 Background Study, 9% of the project is funded through Development Charges.												
Prior to 2022, \$97,569 or 7.8% has been transferred from the Library Development Charges Account. Each year a portion of the Development Charges collected will be used to payback the Library Reserve until the 9% or \$112,707 is reached.												