



The Corporation of the City of Cornwall
Regular Meeting of Council
Report

Department: Financial Services
Division: Finance
Report Number: 2020-306-Financial Services
Prepared By: Tracey Bailey, General Manager
Meeting Date: June 29, 2020
Subject: **2019 Annual Report on Development Charges Reserve Fund**

Purpose

The purpose of this report is to present the required 2019 Statement of Development Charges to Council and provide information on financial transactions which occurred during the year in relation to the Development Charges Reserve Fund.

Recommendation

That Council receives Report No. 2020-306-Financial Services prepared in accordance with Section 12 of O.Reg.82/98 of the *Development Charges Act, 1997* (Act).

Financial Implications

A statement of the Development Charge Reserve Fund balance and transactions for 2019, by service area, is listed in Schedule A. Schedule B provides a description of the service for which the fund was established.

In 2018, the City began imposing development charges (DCs) to residential and non-residential development. The residential charge is being phased-in annually under the provisions of the by-law (2019 was the second year of a 5-year phase-in). The implication of providing rules within the DCs by-law to allow for DCs payable to be lower than the fully calculated rate, is that the City is foregoing

potential DC revenue. This is important to note as these policy recommendations in effect, are a loss of revenue to the City which will have to be funded from non-DC sources (e.g. taxes, user fees, reserves or other financial resources). In 2019, the cost of providing exemptions was \$1,441,822 (\$652,381 discretionary, \$789,441 mandatory). To maintain the existing discretionary DC exemption policy and to fund mandatory exemptions the City should plan to budget for the exemptions in future years.

Subsections 18 (3) and 25 (2) and section 36 of the Act, describes the minimum interest rate that a municipality shall use to pay interest to the DC Reserve Fund. The municipality calculates interest earned from the Bank of Canada rate on the day the bylaw comes into force, updated on the first business day of every January, April, July and October. In 2019, the reserve earned \$50,951.

In 2019, the City used funds in the amount of \$466,854 from the DC reserve for various capital projects that qualified for development charges. Through the 2020 budget, additional DCs in the amount of \$1,037,700 have been committed. Funds remaining in the Development Charges Reserve Fund are considered to be committed for projects as identified in the 2017 Development Charges Background Study. The funds will be transferred to the capital projects when growth related costs are incurred.

No amounts have been borrowed from the fund during the year.

Strategic Priority Implications

There is no relationship to the strategic plan as this is a compliance report under the *Development Charges Act*.

Background / Discussion

In 2018, following the completion and adoption of the 2017 Development Charges Background Study, DCs were imposed pursuant to By-law 2018-038 City-Wide Development Charges and By-law 2018-037 Area-Specific Development Charges within the Brookdale Avenue North Corridor.

A summary of the 2019 permit activity and associated development charges is provided as follows:

<u>By-Law 2018-38</u>	<u># of Permits</u>	<u>Sq Ft</u>	<u>Development Charges</u>
Residential			
- Single/Semi-Detached Dwelling	111		218,280.00
- Apartments (2+ bedrooms)	2		47,267.00
- Special Care / Special Dwelling	1		23,722.00
Non-Residential	8	195,793.21	545,521.97
			834,790.97
City Portion of Residential (YR 2 - phase in)			-
Interest Earned			50,951.00
By-Law 2018-38 City-Wide Development Charges			885,741.97

<u>By-Law 2018-37</u>	<u># of Permits</u>	<u>Sq Ft</u>	<u>Development Charges</u>
Non-Residential	0	-	-
Interest Earned			-
By-Law 2018-37 Area-Specific Development Charges within the Brookdale North Corridor			-

Purpose of Development Charges

The general purpose for which the City imposes DCs is to assist in providing the infrastructure required by future development in the municipality through the establishment of available capital funding source to meet the City's financial requirements.

Development charge funds may only be used for the purpose for which they are collected.

Development charges are based on the methodology that existing taxpayers should not be liable for capital costs of new growth. At the same time, new taxpayers should not have to contribute more than the net capital cost attributable to growth in order to maintain current levels of municipal services.

Approval of the By-laws

By-laws 2018-037 and 2018-038 were passed on April 9, 2018 by Cornwall City Council and came into effect April 10, 2018.

Development Charge Rates and Indexing

Development charges imposed pursuant to these by-laws are adjusted annually without amendment to the by-laws on January 1 of each year, in accordance with the prescribed index in the Act.

Bill 108 “More Homes, More Choice Act, 2019”

On May 2, 2019, the Province introduced Bill 108 “More Homes, More Choice Act, 2019”. The Bill proposed a number of changes to the Development Charges Act and the Planning Act. The Bill was amended by the Standing Committee on May 29, 2019 and received royal assent June 6, 2019. The predominant impacts of the provisions that came into force January 1, 2020 after being proclaimed December 10, 2019 are:

Payment in Instalments

Unless the developer and the municipality enter into an agreement to the contrary, not-for-profit rental housing developments will pay DCs in 21 equal annual payments, while rental housing and institutional developments will pay DCs in 6 equal annual payments commencing on the earlier of the date of the issuance of an occupancy permit or the date the building is first occupied. The municipality is entitled to charge interest on the deferred portion of the DC, at a maximum rate not yet prescribed

When the DC Amount is Determined

The DC rate for all developments will be determined based on the rate in effect on the day of application for site plan or zoning amendment. In cases where there are no such applications required, the rate will be based on the rate in effect on the day of the building permit issuance.

The changes listed above are a summary of matters related to DCs and are not an exhaustive list of all changes from Bill 108 and not all changes have been proclaimed.

Statement of Treasurer

In accordance with Section 12 of O.Reg.82/98, of the *Development Charges Act, 1997*, the Treasurer will issue a statement for the preceding year including:

- a) statements of the opening and closing balances of the reserve fund and of the transactions relating to the fund;

- b) statements identifying,
 - i. all assets whose capital costs were funded under a development charge by-law during the year,
 - ii. for each asset mentioned in sub-clause (i), the manner in which any capital cost not funded under the by-law was or will be funded;
- c) a statement as to compliance with subsection 59.1 (1).

The statement provided by the Treasurer is required to be made available to the public and to the Minister of Municipal Affairs and Housing on request. The City will post this report and its attachments to the Development Charges' page of the City's website.

The Treasurer has reviewed this report and confirms that the City is in compliance with subsection 59.1(1) of the *Development Charges Act, 1997*, as amended which states:

A municipality shall 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 this Act or another Act. 2015, c.26, s.8.

Document Title:	Annual Report on 2019 Development Charges Reserve Fund - 2020-306-Financial Services.docx
Attachments:	- Schedule A.pdf - Schedule B.pdf
Final Approval Date:	Jun 25, 2020

This report and all of its attachments were approved and signed as outlined below:

Tracey Bailey - Jun 24, 2020 - 7:51 PM

Maureen Adams - Jun 25, 2020 - 7:42 AM