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# 2006 DEVELOPMENT CHARGE RESERVE FUND STATEMENT

**The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, April 10, 2007, from the Commissioner of Finance, subject to recommendation 2 being amended to reflect that the Greater Toronto Homebuilders Association and the Urban Development Institute (GTHA-UDI) are now one organization:**

## 1. RECOMMENDATIONS

It is recommended that:

1. The 2006 Development Charge Reserve Fund Statement prepared in accordance with the provisions of The Development Charges Act, 1997 be received.

2. The 2006 Development Charge Reserve Fund Statement be forwarded to the Minister of Municipal Affairs and Housing, Area Municipalities, the Urban Development Institute (York Region Chapter), the Greater Toronto Homebuilders Association, and other interested parties for information purposes.

## 2. PURPOSE

The purpose of this report is to provide detailed financial information regarding 2006 development charge ("DC") collections totalling $114.3 million and capital expenditures of $121.6 million in accordance with the reporting requirements outlined in The Development Charges Act, 1997 ("The DC Act, 1997") and to provide a year end summary of reserve balances established under the DC Act, 1997 totalling $463 million.

## 3. BACKGROUND

### 3.1 Development Charge Reporting Requirements

In March 1998, the Provincial government enacted the DC Act, 1997, which revised existing development charge legislation. The DC Act, 1997 outlines specific reporting requirements for DC reserves. In accordance with s.33 and s.43 of the DC Act, 1997 the following is required:

- A municipality that has passed a development charge by-law shall establish a separate reserve fund for each service to which the development charge relates, and may be spent only for eligible capital costs.

- The Treasurer of the municipality shall give to Council a financial statement relating to development charge by-laws and reserve funds established.

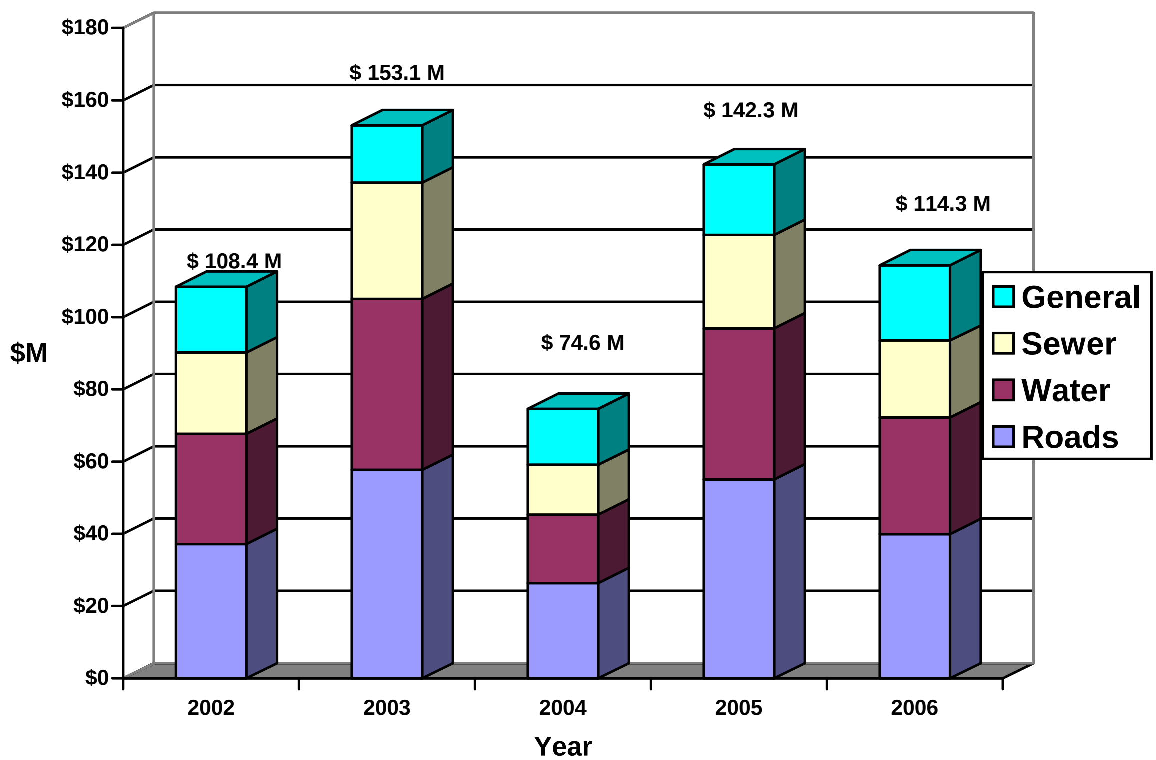
Reporting requirements also include identifying all other sources of funding applied to each project funded with development charges, and providing a detailed summary of activity for each development charge reserve for the year. This varies from municipal reporting requirements, as DC's are treated as deferred revenue for reporting purposes.

## 4. ANALYSIS AND OPTIONS

### 4.1 2006 Development Charge Collections (Five-year comparative analysis)

The following table compares the 2006 development charge collections to the previous four years collections.

**Table 1**
Regional Municipality of York
Development Charges Collected by Service Component

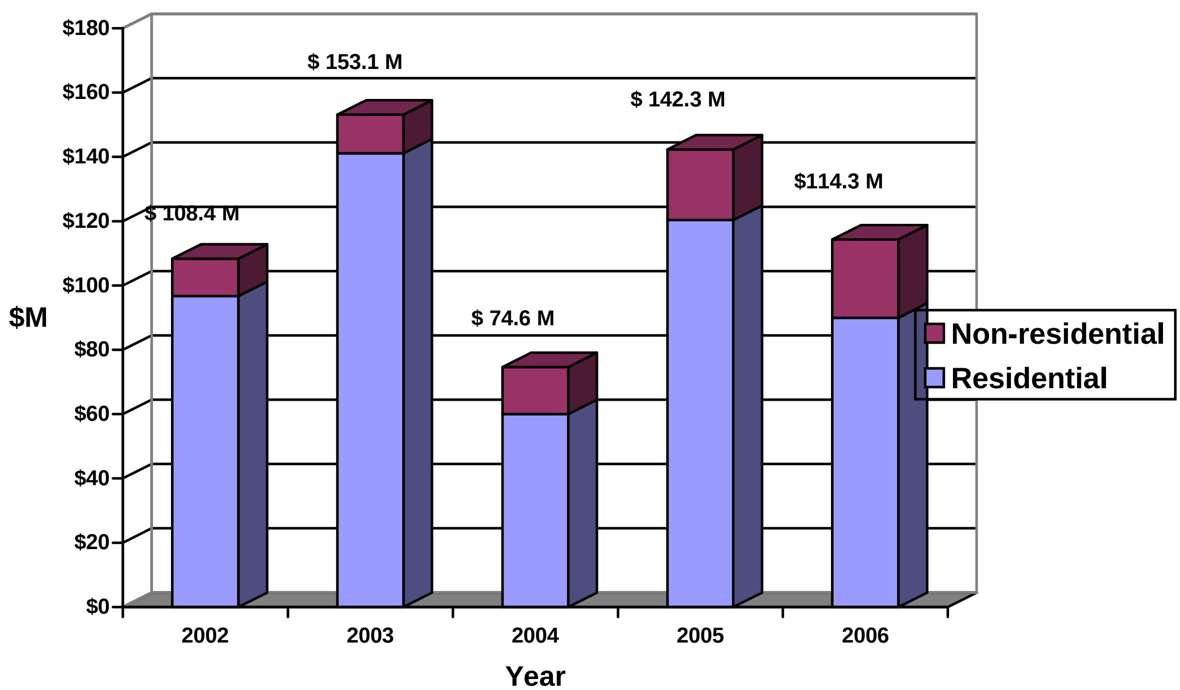



In 2006, York Region's population increased by 32,291 people, a growth of 3.5% over the prior year. The continued growth in York Region resulted in 10,933 residential building permits issued in York Region, an increase of 5.0% from 2005. Development charge collections decreased in 2006, down $28 million or 20% from the prior year. The 5 year average from 2002-2006 is $118.5 million annually with 2006 below the average by $4.2 million or 3.56%.

Development charge collections were higher in 2005 than 2006 primarily due to the amendment to the Development Charge By-law which took effect on June 23, 2005. Collections increased by over $52 million in the month of June alone, prior to the enactment of the amended by-law, as development proponents were targeting to submit applications prior to the increase in rates. In addition, 2004 legislated regulatory requirements have contributed to significant delays in the delivery of Regional servicing infrastructure resulting in the decrease in DC collections.

As shown in Table 2, non-residential development accounted for 21.2% of 2006 development charge revenue, and has averaged 15.0% over the past five years. Total construction works were valued at $3.1 billion in 2006. Of the total construction value, non-residential construction for 2006 totalled $ 0.9 billion, with 29.1% of this total representing commercial construction.

**Table 2**
Regional Municipality of York
Development Charges Collected – Residential/Non-residential



## 4.2 2006 Development Charge Detailed Activity Statements

Total development charges required to fund the 2006 Regional capital program is $121.6 million. The summary table below outlines the expenditures by service category:

**Table 3**
Regional Municipality of York
2006 Development Charge Expenditures
($millions)

| Service | Expenditures |
|---|---|
| Roads | $23.7M |
| Water | $50.4M |
| Sewer | $49.1M |
| General | $10.0M |
| Total | $133.2M |

Attached to this report are six schedules:

- Schedule 1- The detailed reserve fund statement for development charge reserves established under authority of the DC Act, 1997, and the DC By-law (including a summary of DC credits issued).
- Schedule 2 - The prescribed capital project addendum, which details 2006 capital project expenditures and development charge funds transferred to each project.
- Schedule 3 - A detailed analysis of Regional capital road program development charge expenditures for 2006.
- Schedule 4 - A detailed analysis of Regional capital water program development charge expenditures for 2006.
- Schedule 5 - A detailed analysis of Regional capital sewer program development charge expenditures for 2006.
- Schedule 6 - An analysis of 2006 Year End DC Reserves and Regional Capital Expenditure forecast for 2007 – 2016

## 4.3 2007 Development Charge By-law Review

The Region's current Development Charge By-law came into force on June 23, 2003. It was amended in June 2005 to recognize some of the significant cost increases for water and wastewater projects, primarily due to new conditions imposed by the Ministry of the Environment. It was amended again in September 2006 and a new By-law passed to introduce an area-specific development charge for the Nobleton Community for sanitary sewers (see section 4.5 below).

The current Region-wide Development Charge By-law will expire on June 22, 2007, which necessitates the completion of a Background Study, public meeting and approval of the new DC By-law.

The process to prepare a new supporting background study to review and enact the new by-law began in 2006. High level consultations with community stakeholders commenced to ensure that critical issues will be considered. Regional staff reviews were carried out through most of the year, particularly focusing on the increased Roads and Wastewater Capital plans. To date, the draft background study has been released and the public meeting took place April 5. It is anticipated that the new by-law will be enacted by Council in May 2007 and in effect June 2007.

### 4.4 GO Transit DC By-law

In order to recover growth-related GO Transit capital costs, the GTA municipalities were required to enact a development charge by-laws for GO Transit. In November 2001, Council enacted a DC By-law for GO Transit capital costs, with an expiry date of December 31, 2003. The GTA and Municipalities' attempted to revise the by-law however outstanding issues with Province have prevented its completion. In recognition of these outstanding issues, the Province has extended the term of the GO By-law three times. As these issues still have not been resolved, the Province has once again extended the by-law to December 31, 2008.

### 4.5 Nobleton Wastewater Area Specific Development Charge

The Regional Municipality of York enacted By-laws No. DC-0006-2006-090 and DC-0005(b)-2006-091 on Thursday, September 21, 2006. By-law No. DC-0006-20006-090 imposes an area-specific development charge for sanitary sewers in the Nobleton community. By-law No. DC-0005(b)-2006-091 amends By-law No. DC 0005-2003-050 pursuant to section 19 of the *Development Charges Act*, 1997 ("the Act") to amendment exempt land in the Nobleton Community from the Region-wide sanitary sewer development charge imposed under that by-law. All other Region-wide development charges continue to apply.

## 5. FINANCIAL IMPLICATIONS

### 5.1 Development Charge – Capital Expenditure Commitments

Capital commitments to the DC reserves per the 2006 Budget and 10 year capital forecast are outlined in Schedule 6. The 2006 Budget commitment from development charge reserves is $615.5 million. It is estimated that $412.1 million of debt will be required in

2007 for long term growth-related infrastructure, particularly for water, sewer, transit and roads capital. Future development charge collections will be used to pay off the principal and interest on the outstanding debt. A significant portion of the debt repayment, which would commence in 2007, will be funded from development charge reserves. The balance of proposed ten-year capital program that accommodates the significant growth within the Region of York will be funded primarily through Development Charges.

As an incentive to economic development, the current Region policy is to discount the non-residential development charge rate. This discounting of DC rates must be funded from non-DC sources, i.e. tax levy and user rates, and currently places significant pressure on the Region's tax levy and user rate requirements. Staff is reviewing the existing discounting methodology in an effort to reduce the impact of the discounting on the Region's financial requirements. Options for reducing the DC discount have been tabled as part of the DC Background Study.

Development charge revenue shortfalls attributable to reduced development charge rates, rate phasing and exemptions as approved by Regional Council must be continually monitored through the annual budget approval process to ensure DC reserve balances are consistent with capital expenditures. This will ensure that the infrastructure required for growth is provided in a fiscally responsible manner, in accordance with Financial Growth Management policies adopted in the Regional Official Plan.

## 6. LOCAL MUNICIPAL IMPACT

Development charges are an important revenue source for constructing growth-related infrastructure which benefits all municipalities in York Region. The long term infrastructure master plans and detailed ten year capital plans upon which the DC Background Study is based, allows for co-ordinated planning with area municipalities.

## 7. CONCLUSION

The 2006 Development Charge Reserve Fund Statement is provided pursuant to the reporting requirements of the Development Charges Act R.S.O. 1997.

The Senior Management Group has reviewed this report.

*(The attachments referred to in this clause were included in the agenda for the May 3, 2007 Committee meeting.)*