

# Information Report

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Service Area	Corporate Services
Date	Friday, May 15, 2020
Subject	<b>2019 Development Charge Statement</b>

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## Executive Summary

### Purpose of Report

To report on the 2019 Development Charge (DC) reserve funds as required by Ontario Regulation 82/98 of the Development Charges Act (DCA), 1997.

### Key Findings

DC collections increased \$10 million from the \$21.3 million collected in 2018. Population and non-residential facility growth, as measured by DC collections achieved in 2019 was in line with the growth targets identified in the 2018 DC Background Study for both residential and non-residential development.

The City issued \$11.5 million in DC debt in 2019 for both the Wilson Street Parkade and the remaining balance required for Guelph Police Services Headquarters.

Legislated and Council directed exemptions totaled \$5.1 million in 2019, primarily driven by the addition of 200 accessory apartments added to existing residences.

### Financial Implications

The condition of the DC reserve funds has improved over 2018 due to an exceptionally strong year for DC collections for both residential and non-residential development. The improved position of the DC reserve funds will positively impact the City's ability to fund the projects identified in the capital forecast and achieve the growth targets prescribed by the Official Plan and the Province. It will also serve to assist the City through the difficult economic outlook for 2020 and the expected longer-term recovery period.

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## Report

### Details

The DCA requires the treasurer of a municipality to publicly provide an annual financial statement of all DC activity. The statement must include an opening and closing balance for all DC reserve funds and a summary of all transactions to and from the reserve funds throughout the year. In addition, Ontario Regulation 82/98 requires a funding schedule for all capital projects that received DC funding. Please refer to Attachment-1 2019 Development Charge Reserve Funds Statement and Attachment-2 2019 Development Charge Project Financing Statement for the detailed legislated reporting.

In addition to meeting the legislated requirements, this report also provides the opportunity to highlight information relating to the City’s DC collection and expenditure activity throughout the year. As DCs play an important role in the achievement of the capital strategy, it is critical that the activity in and out of the DC reserve funds is monitored and reported on a regular basis.

**Year-end Balance**

The accumulated closing balance of all 16 reserve funds is \$23.4 million after all prior year unspent commitments have been applied. The balance is \$21.6 million more than the year-end balance at the end of 2018. The increase is attributable to a 47 per cent increase in collections and an 11 per cent decrease in prior year unspent commitments.

**Revenue**

The City experienced a significant increase in both residential and non-residential development in 2019, particularly in the month before the new DC By-law came into force which increased the rates 17.35 per cent for residential and 23.95 per cent for non-residential. The City collected DCs for 1,027 new residential dwelling units in 2019, of which, 81 per cent were apartments and stacked townhouses. An additional 200 accessory apartments were added to existing residences, bringing the total number of new units up to 1,227 and the allocation of new residential development to 84 per cent high density, 3 per cent medium density and 13 per cent low density. Table 1 shows the comparison between the DC Background Study planned mix versus actual results in 2019. The planned mix is for the entire planning horizon, not each individual year. A continued significant deviation similar to 2019 may lead to overall funding issues. Not matching the mix of residential units identified in the DC Background Study and the City’s planning documents will result in collections being different than planned, which may lead to funding challenges of the growth-related capital budget.

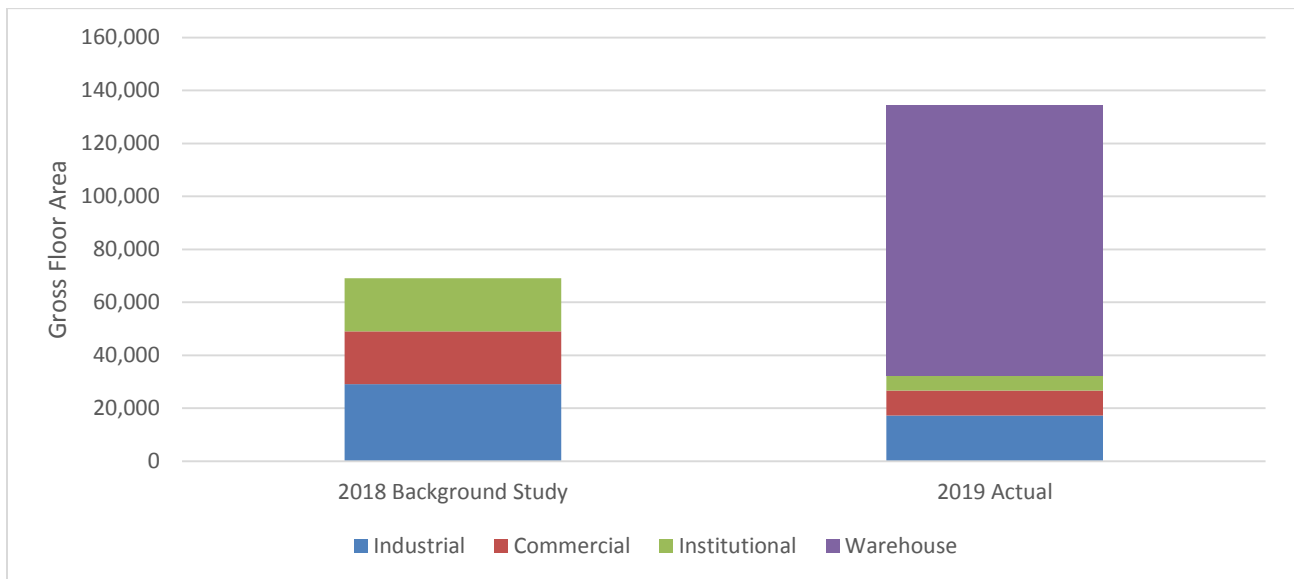
Table 1: Residential Growth Allocation

<b>Residential Density</b>	<b>Background Study Mix</b>	<b>2019 Mix (including accessory apartments)</b>
Low	18%	13%
Medium	41%	3%
High	41%	84%

The 2018 DC Background Study anticipated 69 thousand square meters of industrial, commercial and institutional space would added each year and result in 1,047 new jobs per year, over the next 10 years in order to meet the provincially mandated growth targets. In 2019, 135 thousand square meters of non-residential space was added, however 76 per cent of the added non-residential space related to warehousing and storage space. Table 2 shows the comparison between the DC Background Study planned mix versus actual results in 2019. The consequence of this result is that the level of employment generated from warehousing is not as high as the employment generated from industrial, commercial or institutional

developments, and therefore, the City may struggle to meet the employment targets in the future.

Table 2: Non-residential Gross Floor Area



### Expenditures

In 2019, the City invested \$21.3 million in infrastructure required to accommodate growth. The most significant spending was on the following projects:

Table 3: 2019 DC Spending

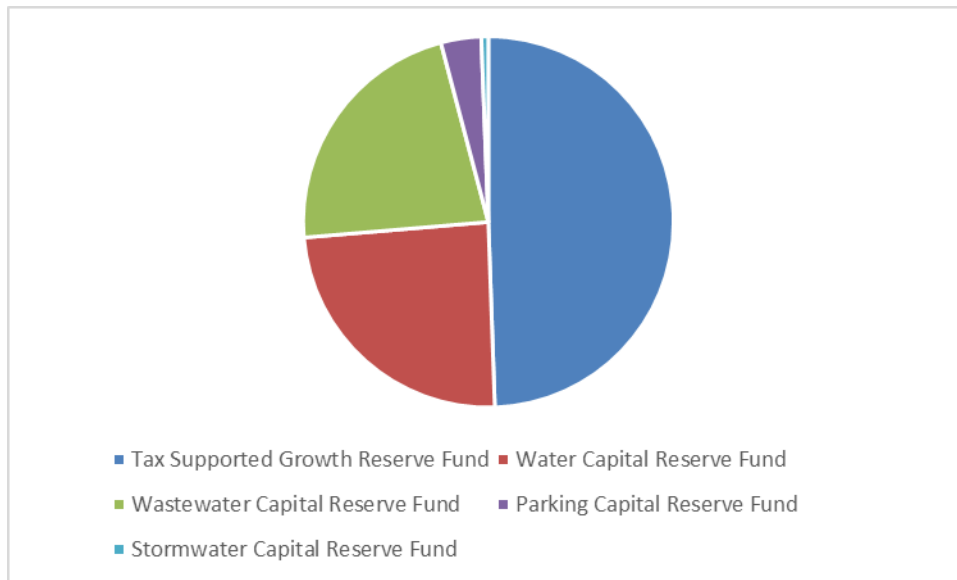
Project	Total spending 2019	Funding from DCs 2019
Wilson Street Parkade (PG0078)	\$16,217,378	\$5,371,772
Police Headquarters (PS0033)	\$9,523,175	\$2,348,841
Niska Bridge (PN0046)	\$2,494,189	\$1,497,743
Paisley Feedermain (PN0268)	\$5,762,760	\$4,259,730
York Trunk (PN0257)	\$2,784,028	\$1,447,380

### Exemptions

The Development Charge Exemption Policy By-law (2013-19537) requires the City to contribute an amount equal to the loss of DC revenues attributable to DC exemptions back to the DC Reserve Funds each year. This lost DC revenue is funded from tax and non-tax supported sources. In 2019, the City experienced \$5.1 million in DC exemptions relating to; the addition of accessory apartments to existing residential units, 50 per cent industrial expansion, university purposes,

places of worship, and other levels of government. Table 4 DC Exemption Funding, illustrates how the cost of exemptions were funded.

Table 4: DC Exemption Funding



## Debt

The DCA permits the use of external debt to manage the cash flow of the DC reserve funds. Often, growth-related infrastructure is required prior to the construction of a development, thereby resulting in a gap between when DCs are needed and when DCs are collected. As illustrated in Table 5, the City issued \$11.5 million of debt in 2019 to offset the funding of these expenditures prior to collection of the relevant DC revenues. Interest costs of this debt will be funded from the relevant DC reserve fund and has been incorporated into the DC rates established through the DC Study. The debt was required for the second installment of Police Headquarters and the growth portion of the Wilson Street Parkade.

Table 5: 2019 DC Debt Issued

Year Approved	Project	Approved Debt Funding	2016 Debt Issued	2019 Debt Issued
2012 and 2014	Police Headquarters (PS0033)	\$14,800,200	\$7,800,000	\$7,000,200
2016	Wilson Street Parkade (PG0078)	\$4,500,000		\$4,500,000
		<b>\$19,300,200</b>	<b>\$7,800,000</b>	<b>\$11,500,200</b>

The total DC debt outstanding as at December 31, 2019 is \$36.3 million and the total cost of servicing that debt in 2019 was \$552 thousand. A summary of the outstanding debt and related year of debenture maturity is included in Table 6.

Table 6: DC Debt Outstanding

<b>Project</b>	<b>December 31, 2019 Outstanding Balance</b>	<b>Debt Maturity</b>
Public Health Facilities	\$2,607,752	2026
Hanlon Expressway Interchange	\$15,135,475	2029
Police Headquarters	\$14,078,783	2029 and 2039
Wilson Street Parkade	\$4,500,000	2039
<b>Total</b>	<b>\$36,322,010</b>	

### **Financial Implications**

The condition of the DC reserve funds has improved over 2018 due to an exceptionally strong year for DC collections for both residential and non-residential development. The improved position of the DC reserve funds will positively impact the City's ability to fund the projects identified in the capital forecast and achieve the growth targets prescribed by the Official Plan and the Province. It will also serve to assist the City through the difficult economic outlook for 2020 and the expected longer-term recovery period.

### **Consultations**

Todd Salter, General Manager Planning and Building Services

### **Strategic Plan Alignment**

Reporting annually on the status and activity of the City's DC reserve funds supports the Strategic Plan's Working Together for our Future pillar through maintaining a fiscally responsible local government.

### **Attachments**

Attachment-1: 2019 Development Charge Reserve Fund Statement

Attachment-2: 2019 Development Charge Project Financing Statement

### **Departmental Approval**

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