REPORT

Council

Meeting Date: 2025-05-26

FROM: Finance Department

DATE: May 13, 2025

SUBJECT: **2024 Development Charges, Cash in Lieu of Parkland, Bonus Zoning and Community Benefits Charge Reserve Fund Statements**

LOCATION:
WARD: Town-wide

RECOMMENDATION:

1. That the staff report dated May 13, 2025, entitled *2024 Development Charges, Cash in Lieu of Parkland, Bonus Zoning and Community Benefits Charge Reserve Fund Statements* from the Finance department, be made available on the town website and upon request, to the Ministry of Municipal Affairs and Housing.

KEY FACTS:

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

- The development charges, cash in lieu of parkland, bonus zoning and community benefits charge reserve funds are obligatory reserve funds that may only be used for capital costs set out in the *Development Charges Act, 1997* (DCA) and its regulations, and for specified costs set out in the *Planning Act*.
- To comply with 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, bonus zoning and community benefits charges.
- These statements must contain prescribed information with respect to the sources and uses of the funds received from developers and be 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 2024 development charges, cash in lieu of parkland, bonus zoning and community benefits charge reserve fund statements to Council and provide information on financial transactions which occurred during the year in relation to these reserve funds.

Development Charges

Development charges (DCs) are collected under the authority of the DCA and the town's DC by-law to pay for increased land and infrastructure needs of the community driven by growth. DCs are typically collected at the time of building permit issuance on a per unit basis for residential dwellings 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.

Cash in Lieu of Parkland

Cash in lieu of parkland is collected and utilized in accordance with the *Planning Act*, and the town's Parkland Dedication by-law, 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.

Parkland 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.

Bonus Zoning and Community Benefits Charge

The former section 37 bonusing under the *Planning Act* 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 there 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. As a result of legislative changes, section 37 has transitioned from bonusing to the community benefits charge (CBC). The town can continue to receive bonusing payments related to zoning by-laws that included bonusing provisions prior to the adoption of the CBC by-law.

The town collects CBCs on developments that are five or more storeys with 10 or more residential units. The approved CBC strategy includes capital projects for municipal parking, public art and cultural and entertainment space, allowing the town to fund growth-related capital costs of facilities and services that are not being collected for under development charges or parkland dedication.

COMMENT/OPTIONS:

Development Charges

DC reserve fund balances increased in 2024 by $37.4 million from an opening balance of $247.9 million to a closing balance of $285.3 million. 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, 2024. It should be noted that transfers from DC reserve funds to finance capital works can only be made once spending has occurred, in accordance with PSAB principles. When outstanding commitments from approved projects are taken into account, the uncommitted balance at year-end was $146.4 million.

While some DC services are in a negative position, the overall DC reserve fund balance at the end of 2024 is positive. Fluctuations in reserve fund balances by service are expected, as capital projects required due to growth are usually expensive, generally large in scale, and complex in nature (for example, building new community centres and parks or widening roadways). As such, they typically span multiple years and provide significant additional capacity to services. The following sections provide further details on DC activity for the year.

Collections

In 2024, $60.2 million in DCs were collected from 1,924 new residential units and 41,489 square metres of non-residential growth in the town. DC rates changed twice in 2024, as follows:

- Annual Indexing: The town indexes its DC rates annually on April 1st in accordance with the year over year change in the non-residential construction price index for Toronto, which resulted in an increase of 5.5 per cent on April 1, 2024.

- Removal of the DC phase-in: Upon the passage of Bill 23 on November 28, 2022, municipalities that passed by-laws after January 1, 2022 were required to phase in new development charge rates. The town was in year two of the phase in and rates were applied with a 15 per cent discount based on the legislation. Bill 185, which received royal assent on June 6, 2024, removed this phase in requirement, enabling the town to charge full DC rates prescribed in Development Charge By-law 2022-068. This has since reduced the impact of DC revenue losses due to the phased-in rates; however, the application of the DC rate freeze for planning applications will still result in phased-in rates which will continue to impact future DC revenue collections. Prior to this change, $8.7 million revenue had been lost due to the development charge rate phase-in.

Not all developments pay DCs at current rates. Bill 108 introduced a rate freeze, which requires DC rates to be frozen at the time of an associated planning application as opposed to being charged current rates. As of the end of 2024, the town has collected $18.3 million less in revenue due to the rate freeze. These legislative changes have resulted in lower than expected DC revenue and may have an impact on the timing of capital projects. The town has been tracking the revenue loss and continues to advocate that the province keep the town whole for the reduced revenue due to these legislative changes.

Also introduced through Bill 108 was a payment deferral for certain types of development. Developments that meet the definition of rental housing and institutional housing are able to defer the payment of development charges to occupancy rather than building permit issuance. These development types may pay in six annual instalment payments over five years, starting at occupancy. There were no new developments eligible for installment payments in 2024 and the balance in outstanding deferred DCs decreased from $7.3 million to $7.2 million.

Deferrals may result in cash flow pressures which could increase the need for debt financing, and the rate freeze adds risk that collection rates do not keep pace with growth-related costs and needs. To cover the costs associated with the deferral of DC payments and the DC rate freeze, the town has the ability to charge interest in accordance with the DCA and the town’s DC interest policy and procedure. A base interest rate is set four times annually, based on the average prime rate of Canada’s five largest banks, and municipalities are permitted to charge a maximum of the base interest rate plus one per cent. The town’s policy is to apply the maximum interest rate for rate freeze and installment permits. In 2024, $2.6 million of rate freeze interest was collected and $0.2 million in interest related to outstanding deferrals has accrued.

The town’s DC by-law 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 DCs. Credits may then be applied towards DCs as they become due (i.e. building permit issuance or in accordance with the terms of the applicable development agreement). For the year 2024, the town does not have any outstanding DC credits of this nature.

Demolition credits exist when a demolition permit is issued for a building or structure on a site. This credit can be applied towards future DCs owing on the same site, provided a permit for the new construction is issued within five years of the issuance date of the demolition permit. Demolition credits of $13,798 were recognized in 2024.

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. In 2024, $10.7 million in investment and interest income was allocated to DC reserve funds.

Financing Activity

In 2024, DCs provided for $33.8 million in capital funding to growth projects and $2.4 million in debt financing recoveries. Financing activity from DC reserve funds is detailed in Appendix B by capital project. In addition, this appendix provides information on other sources of funding utilized for each project. Operating costs reflected in this appendix that received DC funding are solely for the repayment of principal and interest on debt issued to fund capital projects. The debt financing recovery relates to the Sixteen Mile Community Centre and Library. Those projects requiring financing outside of the budget process were funded in accordance with Council approved financing policies.

As required by Bill 23, municipalities are required to spend or allocate at least 60 per cent of the monies in water, wastewater and services related to a highway reserve funds at the beginning of the year. As a lower tier municipality, the town collects DCs for services related to a highway. The town has allocated in excess of 60 per cent of the reserve fund for services related to a highway to eligible projects. The 2024 ending balance in services related to a highway is $266.1 million, and $425.8 million is allocated to capital projects through 2025 and prior year approved commitments and the 2026-2034 capital forecast.

Bill 109, the *More Homes for Everyone Act, 2022* introduced the annual requirement of municipalities to review each service for which a DC is collected, and state whether the municipality expects to incur the amount of capital costs that were estimated, in the relevant DC background study, to be incurred during the term of the DC by-law. If the amount of capital costs are no longer expected over the term of the by-law, an explanation is required.

The town's DC by-law came into force in July 2022. While the original term was five years, legislative changes have extended this to ten years, with an expiration date of July 2032. The town may complete a new DC by-law sooner than this, and is planning to do so, to incorporate new service area master plans and growth forecasts.

At this time, the town expects to incur the full amount of capital costs for all services over the term of the DC by-law, with the exception of services related to a highway. Through the development of the 2025-2034 capital forecast, there was a significant shift in the timing of major transportation related projects to later years. This is mainly due to the expected slower pace of growth in the Midtown growth area in the short-term, resulting in delayed timing for required capital projects. A number of projects also require project coordination and funding support from the provincial government, which has yet to occur. While all anticipated costs identified for services related to a highway are still expected to be incurred, the timing is now expected to be beyond the term of the DC by-law. The capital forecast is updated annually, and changes to the pace of growth and coordination with the provincial government could occur and accelerate the anticipated costs during the term of the DC by-law to the levels originally anticipated. Further information is included in Appendix C.

Exemptions

The DCA and town's DC by-law provide for mandatory and discretionary exemptions from DCs, including but not limited to, municipally-owned lands, certain agricultural structures, hospitals, areas of worship, additional dwelling units, expansions less than 50 per cent of the size of existing industrial buildings, etc. The following table details exemptions as well as demolition/conversion credits applied to development or redevelopment in 2024. DC exemptions are funded by capital reserve, and funding is carried in separate DC exemption reserves by service, with transfers to fund capital works shown in Appendix B.

EXEMPTIONS				
Category	Authority	Sq. Metres	# of units	Value ($)
Municipal/Provincial/School Board	DCA, 1997	118	14	$691,525
Industrial expansion	DCA, 1997	1,813		$256,052
Additional dwelling units	DCA, 1997		173	$3,344,770
Area of worship	By-law	165		$26,861
Total Exemptions		**2,097**	**187**	**$4,319,209**
School Board - Temporary Structures	DCA, 1997	1,556		$247,581
Demolition Credits	By-law	100		$13,798
Total Exemptions and Credits		**3,753**	**187**	**$4,580,588**

Bill 23 included additional statutory exemptions and discounts that the town must provide, including discounts for rental housing development and exemptions for non-profit housing units, inclusionary zoning units and third residential units. The town did not have any discounts or exemptions for these types in 2024.

Bill 23 also introduced exemptions for affordable and attainable residential units. Exemptions for affordable units came into force on June 1, 2024. The MMAH publishes an annual bulletin that sets out average purchase prices, market rents and income based thresholds to dictate what is considered affordable housing. Development charges shall be exempt from these units, provided the unit continues to meet the affordable or attainable criteria for a 25 year period. These units will also be exempt from parkland or community benefit charge requirements. The town has not had any affordable housing exemptions to date. Regulations for attainable housing remain pending.

<u>Annual Statement</u>

Appendices C and D provide 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 the MMAH.

<u>Cash in lieu of Parkland, Bonus Zoning and Community Benefits Charge</u>

To comply with provisions of the *Planning Act*, the 2024 annual statement of the cash in lieu of parkland, bonus zoning and community benefit charge 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,
  (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.

Appendix E details 2024 activity in these reserve funds in compliance with the reporting requirements of the *Planning Act*.

<u>Cash in lieu of Parkland</u>

Cash in lieu of parkland is collected in accordance with the *Planning Act* and the town's Parkland Dedication by-law. Funds received are deposited to the segregated reserve fund for parkland purposes and interest applied in accordance with town's approved reserves/reserve funds procedure. Eligible disbursements from the fund are in accordance with the provisions of legislation, town policy, and approved budgets.

The town revised and updated the parkland by-law following the changes passed through Bill 23, including the creation of a parks plan in order to use alternative parkland dedication rates. After consultation with school boards and other public bodies, revised parkland by-law 2024-034 was passed April 8, 2024. This new by-law sets the acquisition of land, or payment in lieu of land, as permitted by the *Planning Act*, including the alternative rate for higher density development. The alternative rate is 1 hectare of land to be dedicated for each 600 net residential units proposed, or 1 hectare per 1000 units for payment in lieu of land dedication. The *Parks Plan 2031* provides a vision for the future development and maintenance of parks within Oakville, including the use of the alternative parkland rate. Bill 23 made changes to the *Planning Act* that restricts the amount of conveyed land for parks purposes (or payment in lieu) at 10 per cent of the land or value of the land where the land proposed for development is five hectares or less, and 15 per cent of the land or value where the property is more than five hectares.

These legislative changes from Bill 23 impact how parkland dedication is collected, resulting in lower than expected parkland revenue. By the end of 2024, $10.6 million in revenue had been lost due to the change in the alternative rate and the 10 per cent cap on land area or value. The town has been tracking the revenue loss and continues to advocate that the province keep the town whole for the reduced revenue from these changes to parkland dedication.

The parkland reserve fund balance increased in 2024 by $3.9 million from an opening balance of $90.3 million to a closing balance of $94.2 million. In 2024, $3.1 million was collected in cash in lieu and $3.6 million in interest was earned. A total of $2.7 million was transferred to finance capital works and there were no major land purchases for the year.

Bill 23 included the requirement that annually municipalities are required to spend or allocate at least 60 per cent of the monies in reserve funds for parkland dedication at the beginning of the year. The town has allocated in excess of 60 per cent of the parkland dedication reserve fund to eligible projects as required by the legislation. The 2024 ending balance in the reserve fund is $94.2 million, and $134.2 million is allocated to capital projects through 2025 and prior year approved commitments and the 2026-2034 capital forecast.

<u>Bonus Zoning and Community Benefits Charge</u>

Bonus zoning and community benefits charge reserve fund balances increased in 2024 by $2.4 million from an opening balance of $7.3 million to a closing balance of $9.7 million.

For 2024, $2.1 million was collected in bonus zoning payments and $260,680 in interest was earned. $307,788 was transferred to capital, to fund work at Memorial Park in Uptown Core. There will continue to be bonus zoning payments over the coming years associated with zoning by-laws that included bonusing provisions prior to the passage of the CBC by-law. These funds will be used for the public benefits provided for in associated bonusing agreements.

The following chart shows the bonus zoning funds that are available to provide public benefits in certain areas of the town based on each bonusing agreement:

Area	**Bonus Zoning Funds Available Dec 31, 2024**
Kerr Village	3,810,870
Uptown Core	1,177,189
North Oakville East	3,070,445
	8,058,504

For 2024, $298,000 in community benefit charges were collected and $60,073 in interest earned. $33,767 was transferred to fund capital projects.

In accordance with the *Planning Act*, municipalities are required to spend or allocate at least 60 per cent of the monies in reserve funds for community benefits charges.

The town is achieving the requirement of allocating at least 60 per cent of the community benefits charge reserve fund to eligible projects as required by the legislation. The 2024 ending balance in the reserve fund is $1.6 million, and $0.9 million is allocated to capital projects through 2025 and prior year approved commitments and the 2026-2034 capital forecast. Further, it is expected that CBC funding will be allocated to the Downtown Cultural Hub Centennial Square project, as identified in the CBC strategy.

CONSIDERATIONS:

(A) PUBLIC

DCs provide a non-tax source of revenue to finance growth-related municipal land and 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, bonus zoning and community benefit charge 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 land and infrastructure. Funding received through the provisions of the *Planning Act* provide additional non-tax levy revenue streams to finance growth-related land and infrastructure needs.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

N/A

(D) CORPORATE STRATEGIC GOALS

This report addresses the corporate strategic goal(s) to:
Be accountable in everything we do
Be fiscally sustainable

(E) CLIMATE CHANGE/ACTION

N/A

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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