TORONTO

REPORT FOR ACTION

2020 Development Charge Reserve Fund Statement

Date: September 8, 2021
To: Executive Committee
From: Chief Financial Officer and Treasurer
Wards: All

SUMMARY

This report provides a statement of the Development Charge Reserve Funds for the year ended December 31, 2020, as required by the Development Charges Act, 1997 (DC Act). Development charges are deferred revenues for financial reporting purposes, and are recognized as income on the City's consolidated Statement of Operations and Accumulated Surplus as capital expenditures are incurred.

For the fiscal year ended December 31, 2020, development charges deferred revenues received $688.9 million in contributions, recognized $252.4 million into income based on capital and operating expenditures, and earned $19.9 million in interest based on Council's allocation policy. The final development charges deferred revenue balance at December 31, 2020 is $1.7 billion, and is included in the Deferred Revenue balance in the City's audited consolidated financial statements.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. Executive Committee receive this report for information.

FINANCIAL IMPACT

There are no current or known future year financial impacts arising from the recommendation in this report.

On an annual basis, the City sets aside development charge contributions in various funds established for each service category specified in Council bylaws, as well as allocates funding to eligible growth-related projects. In 2020, the City collected $688.9

million in development charge contributions (net of $12.5 million in refunds), and transferred $252.4 million on eligible projects from development charge reserve funds.

This report provides a summary of the balances and activity of these development charge reserve funds as of December 31, 2020, along with the details of the projects funded from development charges in 2020.

DECISION HISTORY

Section 43 of the DC Act requires the Chief Financial Officer and Treasurer to provide City Council with an annual financial statement relating to the development charge reserve funds. The Chief Financial Officer and Treasurer is also required to provide a copy of the statement to the Minister of Municipal Affairs and Housing upon request.

Following are the links to the 2019 and 2018 Development Charge Reserve Fund Statement reports:

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX16.11

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX8.12

COMMENTS

The DC Act allows Toronto City Council (Council) to pass bylaws that impose development charges on new residential and non-residential land development in the City, with certain exemptions, in order to partially pay for future capital projects such as transit, sanitary sewers and recreation centres resulting from population and employment growth in the City. The charges are generally paid at the time of building permit issuance and distributed to various development charge reserve funds based on the proportions set out in the bylaw.

Effective January 1, 2020, legislative changes to the Development Charges Act require development charges for rental, institutional and non-profit housing, as defined in Ontario Regulation 454/19, to be deferred until occupancy and afterwards, for the amounts to be paid in six annual instalments over five years (for rental and institutional development) or in 21 annual instalments over 20 years (for non-profit housing), beginning at occupancy, with interest. The changes do not have an accounting impact as this deferred revenue will continue to be recognized, but will delay the timing of when cash is ultimately received.

Council adopted the City's current development charges bylaw (No. 515-2018) on April 27, 2018. The new bylaw's requirements came into effect on May 1, 2018. The 2018 development charges bylaw imposes a uniform city-wide development charge on residential and non-residential (at grade) development with certain exemptions (e.g. industrial uses, housing pursuant to a municipal capital facilities agreement, colleges and universities). The new bylaw includes a new category for shelter services.

2020 marked the final year of the City's three-year phased implementation period of the new development charge rates. Annual indexing adjustments to development charge rates also started on November 1, 2019, in accordance with the change in the Statistics Canada Quarterly Capital Expenditure Price Statistics. More information, including links to relevant staff reports, can be found on the City's development charges website: [www.toronto.ca/devcharges.](http://www.toronto.ca/devcharges)

The statement of development charge reserve funds for the year ended December 31, 2020 contains two schedules (A and B), which are attached:

Schedule A identifies the city-wide reserve funds balance ($1,679.8 million) as at December 31, 2020, including loans payable back to these reserve funds, and details the reserve fund activity, by service category, of the City's bylaw. In 2020, the City received $688.9 million in development charge contributions, which were deposited into reserve fund accounts, and used $252.4 million to fund eligible growth-related projects. Schedule B provides a list of the projects that were funded from development charges in 2020.

For the year ended December 31, 2020, the City complied with the requirements of subsection 59.1 (1) of the Development Charges Act, 1997, in that it did not impose a charge related to a development, or a requirement to construct a service related to development, except as permitted by the Development Charges Act, 1997 or another Act.

In addition to approving draws as part of the annual operating budget process, Council also approves future draws from reserve funds in the 10 year capital budget plan. The last column in Schedule A shows $1.9 billion in 2021-2025 commitments against the development charge reserve funds as of the date of this statement.

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

ATTACHMENTS

Schedule A: City-wide Development Charge Reserve Funds
Schedule B: Details of Project Funding