



Report: COR-FSD-15-06

Region of Waterloo

Corporate Services

Financial Services and Development Financing

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: March 24, 2015 **File Code:** F27-50

Subject: 2014 Development Charge Transaction Report

Recommendation:

For Information

Summary:

This report presents the annual summary of development charge transactions as required by the Development Charges Act. A copy will be provided to the Ministry of Municipal Affairs and Housing and interested stakeholders.

Report:

Background

The “Development Charges Act,” 1997 (“The Act”), enables the Council of a municipality to, by by-law, impose development charges against land to pay for increased capital costs required because of increased needs for services arising from development of the area to which the by-law applies. The collection of development charges in the Region of Waterloo is governed by the Region’s Development Charge (RDC) By-law 14-046 which came into effect on August 1, 2014 (and previously under By-law 09-024).

Development charges are collected by the area municipalities on behalf of the Region at the time of issuance of a building permit. The funds are remitted to the Region on a monthly basis and allocated to reserve funds, which in turn are used to finance approved capital expansion projects in the following areas: Transportation, Airport, Water & Wastewater, Police, General Government (including Administration and Regional Growth Management Strategy), Operations/Facilities, Library, Transit, and

Paramedic Services. There is a statutory requirement for the Treasurer to submit to Council an annual statement of development charge transactions.

Development Charge Reserve Fund Balances

The Regional Development Charge Reserve Fund (RDC Fund) started the year with a (restated) balance of \$56.3 million. The 2014 opening balance was restated to reflect the issuance of RDC Debt for Kitchener & Waterloo Process Upgrade projects in 2013. The associated debt servicing costs will be funded from the Wastewater RDC reserve fund. Contributions to the RDC Fund from collections, community housing grants, interest and funded exemptions and discounts totaled \$60.8 million. Appropriations for capital projects and debt service totaled \$50.8 million resulting in a 2014 closing balance of \$66.3 million. The continuity of each specific reserve fund is detailed in Appendix A.

2014 Development Charge Collections

Development charge collections in 2014 totaled \$51.0 million, an increase of approximately 68% over 2013 collections of \$30.4 million. Of the total collections, \$37.8 million was attributable to residential development and \$13.2 million was for non-residential development (see Appendix B). The Region's current RDC By-law came into effect on August 1, 2014. In anticipation of an RDC rate increase, a significant number of building permit applications were received in the weeks leading up to the expiry of the former DC by-law on July 31, 2014. The total value of RDC collections and funded exemptions/discounts in July 2014 alone was almost \$19 million.

2014 Development Charge Capital Appropriations

In 2014, appropriations to finance growth-related capital projects and debt charges totaled \$50.8 million. Of this amount, \$5.3 million relates to debt servicing costs associated with Wastewater Services projects. See Appendix A for a breakdown of 2014 appropriations by service area and Appendix C for details by project.

Exemptions & Discounts

The Act requires that any shortfall in development charge revenue resulting from exemptions and discounts be funded from sources other than higher charges on other development. The following exemptions are provided in the RDC By-law:

- 1) Downtown core exemption: provided in any area municipality which enacts a similar exemption. Currently, full downtown core exemptions exist in Kitchener and Cambridge. All Regional downtown core exemptions will expire on February 28, 2019.

- 2) Remediated Brownfield Site: an RDC exemption is provided in the amount of the

eligible remediation costs to a maximum of the RDC payable.

- 3) Farming, community housing and public hospitals.
- 4) Since August 1, 2014 the Region has discounted the industrial RDC by 50%, in order to encourage new industrial development.

The total cost of development charge exemptions and discounts is financed from user rate reserve funds and property tax reserve funds/levies. Table 1 provides a summary of exemptions & discounts applied in 2014.

Table 1 - 2014 Exemptions & Discounts				
	Downtown Core Exemptions	Brownfield Exemptions	Industrial Discounts	Total
Residential	\$4,278,532	\$2,038,029	\$0	\$6,316,560
Non-Residential	600,964	27,849	381,000	1,009,813
Total	\$4,879,496	\$2,065,878	\$381,000	\$7,326,373

A total of \$5,052,946 of the exemption and discount costs was funded from property taxes (mostly through the Roads Capital Levy Reserve), and \$2,273,427 was funded from User Rate Reserve Funds.

Corporate Strategic Plan:

This report supports Focus Area 2, Growth Management and Prosperity, of the Corporate Strategic Plan and specifically strategic objective 2.2 to develop, optimize and maintain infrastructure to meet current and projected needs as development charges provide an important source of funding for infrastructure needed to accommodate planned growth.

Financial Implications:

Development charges are used to fund a portion of the cost of growth-related capital works. Existing RDC Fund balances along with future RDC revenues will be utilized to fund approved capital projects as set out in each year's 10 year capital program.

Other Department Consultations/Concurrence:

A copy of this report will be distributed to the development industry organizations that have been involved with the Region's development charge consultation process and in accordance with the Act to the Minister of Municipal Affairs and Housing.

Attachments:

Appendix A – Reserve Fund Transactions by Service Category

Appendix B – Summary of Reserve Fund Transactions

Appendix C – Development Charge Appropriations

Prepared By: Shane Fedy, Financial Analyst Transportation/RDC

Approved By: Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer



APPENDIX A

The Regional Municipality of Waterloo
Regional Development Charges

Reserve Fund Transactions by Service Category

Fiscal Year 2014	Transportation	Airport	Water & Wastewater*	Police	General Government	Operations	Library	Transit	Paramedic Services	Total Fund
Opening Balance* 01-Jan-14	37,521,009	-2,158,475	22,814,960	-374,374	-697,047	1,900,852	75,469	-2,552,580	-205,011	56,324,803
Contributions										
Collections	28,763,709	879,423	17,227,723	1,242,615	239,207	450,594	41,869	1,880,407	252,068	50,977,615
Community Housing Grants	27,380	640	14,335	1,339	191	450		1,880	230	46,445
Exemptions/Discounts	4,312,378	118,521	2,273,427	201,573	31,960	71,431		280,415	36,668	7,326,373
Interest Earned	996,458	-45,956	1,481,298	7,831	-15,655	55,961	1,791	-76,559	-2,275	2,402,894
	34,099,925	952,628	20,996,783	1,453,358	255,703	578,436	43,660	2,086,143	286,691	60,753,327
Appropriations										
Debt Service			5,265,652							5,265,652
Capital Projects	33,533,253	237,720	8,076,188	990,260	804,020	42,949	60,300	1,797,886	1,114	45,543,690
	33,533,253	237,720	13,341,840	990,260	804,020	42,949	60,300	1,797,886	1,114	50,809,342
Closing Balance 31-Dec-14	38,087,681	-1,443,567	30,469,903	88,724	-1,245,364	2,436,339	58,829	-2,264,323	80,566	66,268,788

* Water & Wastewater opening balance restated to reflect issuance of RDC Debt for Kitchener & Waterloo Process Upgrade projects.
Debt servicing costs to be funded from Regional Development Charges.

APPENDIX B

**The Regional Municipality of Waterloo
Regional Development Charges**

Summary of Reserve Fund Transactions

Fiscal Year 2014	Residential			Non-Residential			Total		
	Residential Collections	Exemptions/ Discounts	Total	Non-Residential Collections	Exemptions/ Discounts	Total	Total Collections	Exemptions / Discounts	Total
Opening Balance*									56,324,803
Collections:									
January	552,991	78,585	631,576	8,227	0	8,227	561,217	78,585	639,802
February	1,250,673	65,023	1,315,696	189,937	0	189,937	1,440,610	65,023	1,505,633
March	2,899,359	65,023	2,964,382	1,856,899	0	1,856,899	4,756,258	65,023	4,821,281
April	1,398,330	297,248	1,695,578	905,567	0	905,567	2,303,897	297,248	2,601,145
May	3,958,677	78,735	4,037,412	2,993,645	0	2,993,645	6,952,322	78,735	7,031,057
June	3,497,942	812,702	4,310,644	2,116,237	28,123	2,144,360	5,614,179	840,825	6,455,004
July	12,810,780	4,617,297	17,428,078	880,046	600,689	1,480,735	13,690,826	5,217,986	18,908,812
August	1,503,451	134,106	1,637,557	87,122	33,895	121,017	1,590,573	168,001	1,758,574
September	1,036,991	0	1,036,991	345,918	55,948	401,866	1,382,909	55,948	1,438,857
October	2,911,319	0	2,911,319	442,116	0	442,116	3,353,435	0	3,353,435
November	2,167,857	53,864	2,221,721	1,552,490	63,394	1,615,884	3,720,347	117,258	3,837,605
December	3,742,731	113,979	3,856,710	1,868,308	227,763	2,096,071	5,611,039	341,742	5,952,781
	37,731,102	6,316,562	44,047,665	13,246,511	1,009,812	14,256,323	50,977,614	7,326,374	58,303,988
Community Housing Grants			46,445						46,445
Interest Earned									2,402,894
	37,731,102	6,316,562	44,094,110	13,246,511	1,009,812	14,256,323	50,977,614	7,326,374	60,753,327
Appropriations									
Debt Service									5,265,652
Capital Projects									45,543,690
									50,809,342
Closing Balance									66,268,788
31-Dec-14									

* Water & Wastewater opening balance restated to reflect issuance of RDC Debt for Kitchener & Waterloo Process Upgrade projects.
Debt servicing costs to be funded from Regional Development Charges.



APPENDIX C

Regional Municipality of Waterloo
2014 Development Charge Appropriations

Transportation Capital Projects

Project #	Description	Expenditures 2014	Total RDC	Other Sources & Roads Capital Levy Reserve Fund
07101	RR8(Weber)Victoria to Guelph St	20,030,864	17,026,235	3,004,630
05549	RR36(Franklin) Myers (RR43) to Hwy 401	7,490,053	7,490,053	0
07282	RR 70 (Ira Needles) Highview to Erb	3,719,804	3,679,904	39,900
05340	RR69 Manitou Dr Bleams to Fairway	1,286,233	1,093,298	192,935
05274	RR53(Fairway) Zeller to Fountain	899,799	899,799	0
07087	Road 56 River Road Extension King to Wilson	414,929	414,929	0
07303	RR17(Fountain St)Maplegrove to Kossuth	365,547	365,547	0
07122	RR58 (Fischer Hallman) Huron to Bleams	336,957	336,957	0
05337	RR8(King) Eagle Fountain Shantz Hill	336,541	286,060	50,481
07299	East Boundary Corridor Protection Study	257,274	257,274	0
05389	RR9(Erb) Caroline to Menno	256,874	218,343	38,531
07111	RR28(homer Watson) Doon to Conestoga College Blvd	168,711	168,711	0
07180	Pre and Post Construction-Expansion	152,348	152,348	0
09645	RR86 (Line 86) at Manser Rd (RR5)	129,395	129,395	0
07121	RR58(FischerHallman)Bleams to Activa	110,985	110,985	0
07259	RR57 (University) Erb to Keatsway	107,696	107,696	0
07192	S.Boundary Rd, Water to Franklin	105,616	105,616	0
07294	RR4(Ottawa St)Homer Watson to Alpine	101,768	101,768	0
05204	RR33(Townline) Avenue to Canamera Pkwy	118,140	100,444	17,695
05779	Waterloo Spur Trail	85,363	85,363	0
07257	RR22(Northfield Dr),Davenport to University	82,866	82,866	0
07074	Growth Related Transportation Study	81,238	81,238	0
07145	RR#56 (Bleams) at FischerHallman	67,244	67,244	0
07248	RR#17&26 Sawmill Rd at St. Charles St	54,447	54,447	0
05489	RR8(Weber)King to Milford	232,254	53,785	178,469
07302	Transportation & Transit Forecasting Model Development	52,893	52,893	0
07129	S.Boundary Rd, Franklin to Dundas	48,236	48,236	0
05752	RR6 (Highland)Eastforest Trail/Westheights to Trussler	47,762	47,762	0
05349	RR70(Ira Needles) Victoria to West Hill	37,283	37,283	0
07132	RR36(Franklin)Myers to Camb SE Boundary	22,099	22,099	0
05471	RR75(Spragues)Brant/Waterloo Brdy to Wrigley	96,092	21,230	74,862
07332	RR4 (Ottawa St) King St (RR15) to Charles St (RR64)	24,551	20,869	3,683
07185	RR24(Hespeler)at Queen/Beaverdale	17,535	17,535	0
05110	Victoria Street Edna to Bruce	14,345	14,345	0
09025	Growth Related Traffic Signal	12,581	12,581	0
09644	RR6 (Highland Rd) at West Ave	11,888	11,888	0
	Misc projects with RDC funding under \$10,000	59,926	45,798	14,128
	Project Funding Returned to DC Funds*	<289,568>	<289,568>	0
	2014 TRANSPORTATION PROJECTS	37,148,567	33,533,253	3,615,314

* Final receipt of third party funding - previous RDC funding returned to reserve

APPENDIX C

Regional Municipality of Waterloo
2014 Development Charge Appropriations

Water Capital Projects

Project #	Description	Expenditures 2014	Total RDC	Other Sources incl. Water Reserve Fund
04178	Weber St - Connection Kitchener to Waterloo	942,765	942,765	0
04024	Mannheim WTP RMP Supernatant	2,226,885	558,948	1,667,937
04083	New Watermains	440,337	440,337	0
04893	Facilities Upgrades	1,506,932	391,802	1,115,130
04168	Cambridge East WTP Upgrades	1,235,166	310,027	925,140
04125	Source Protection Technical Assessment	1,069,301	278,018	791,283
04070	Glasgow & Belmont (Wells K11/K13 Gage)	965,279	242,285	722,994
04082	Watermain Upgrades	798,610	207,639	590,971
04135	Well Optimization & Upgrades	709,305	184,419	524,885
04969	SCADA Communication Upgrade	696,888	181,191	515,697
04156	Kitchener Zone(s) 2/4 Distribution Upgrades	176,216	176,216	0
04007	Long Term Water Supply Strategy-5yr. Review	120,285	120,285	0
04940	Kitchener/Waterloo Zone 6 Reservoir	111,179	111,179	0
04864	Water Efficiency - ICI Programs	190,036	95,018	95,018
04159	Asset Management	347,079	90,241	256,839
04124	Source Protection Planning & Programming	275,535	71,639	203,896
04160	William St & K41/K42 Class EA	270,896	67,995	202,901
04112	Building Upgrades	261,396	67,963	193,433
04911	Regulatory Requirements Upgrades	254,995	66,299	188,696
04943	Water Efficiency-Outdoor Water Use	119,266	59,393	59,873
04170	Monitoring System Management	208,381	54,179	154,202
04151	Mannheim Chemical Storage Building	213,132	53,496	159,636
04086	Baden New Hamburg Loops	48,833	48,833	0
04165	Clean Water Act Implementation	185,773	48,301	137,472
04930	Assessment West Montrose System	183,048	45,945	137,103
04134	Maple Grove Area Water Supply System	45,056	45,056	0
04017	Greenbrook System Upgrades	164,165	41,206	122,960
04014	Integrated Urban System Groundwater Supply	40,418	40,418	0
04173	Conestoga Plains Systems Upgrades	153,362	38,494	114,868
04904	LTWS ASR Stages 1 + 2	35,318	35,318	0
04149	GW/SW Assessments	132,095	34,345	97,750
04152	MOE Tier 3 Water Stress Assessment	232,880	33,249	199,631
04157	Water Supply Operations Master Plan	123,364	32,075	91,290
04129	Toilet Replacement Program	62,232	31,116	31,116
04161	Kitchener Zone 4 Feeder Upgrades	21,302	21,302	0
04099	Greenbrock Long Term Assessment	78,732	20,470	58,262
04018	Middleton System Upgrades	67,303	16,893	50,410
04166	Water Efficiency Master Plan	16,522	16,522	0
04167	Turnbull PS Upgrades	63,768	16,006	47,762
04039	MCC Upgrades	48,318	12,563	35,756
04920	Strange St. Upgrades	48,260	12,113	36,147
04090	W&E Research & Development Project	33,424	10,540	22,884
	Misc Projects with RDC funding under \$10,000	69,715	18,249	51,466
	2014 Water Projects	14,993,753	5,390,347	9,603,406

APPENDIX C

Regional Municipality of Waterloo
2014 Development Charge Appropriations

Wastewater Capital Projects

Project #	Description	Expenditures 2014	Total RDC	Other Sources & Wastewater Reserve Fund
08255	Preston Biosolids Upgrades	2,851,094	621,539	2,229,556
08302	East Side Final PS & Force Main	348,460	348,460	0
08309	Rural Infrastructure Upgrades	796,856	328,305	468,551
08308	Cambridge Infrastructure Upgrades	1,187,599	296,900	890,699
08317	Baden/New Hamburg Expansion	293,203	293,203	0
08279	SCADA System	457,998	120,454	337,545
08307	Kitchener & Waterloo Infrastructure Upgrades	420,099	105,445	314,654
04864	ICI Education Development	190,036	95,018	95,018
08281	River Sampling Program	354,968	93,357	261,611
08750	Rural Water Quality Program	250,000	65,750	184,250
04943	Outdoor Water Use By Law Dev	119,266	59,393	59,873
08305	Wastewater Treatment Upgrades	180,693	47,522	133,171
08288	Other Studies	171,708	45,159	126,549
08318	Assimilative Capacity Studies	40,092	40,092	0
08270	Biosolids Masterplan Update	118,927	31,278	87,650
04129	Toilet Replacement Program	62,232	31,116	31,116
08242	Hespeler Expansion	20,713	20,713	0
08310	Sewage PSs Infrastructure Upgrades	61,413	16,152	45,261
04090	W E Testing and Research	33,424	10,540	22,884
	Misc Projects with RDC funding under \$10,000	56,897	15,449	41,448
2014 WASTEWATER PROJECTS		8,015,678	2,685,842	5,329,836

APPENDIX C

**The Regional Municipality of Waterloo
2014 Development Charge Appropriations**

General Government Capital Projects				
Project #	Description	Expenditures 2014	Total RDC	Other Financing
60005	RDC By Law Review	110,715	99,644	11,071
22021	Watershed Growth Studies	35,973	32,376	3,597
22007	Regional Smart Growth Initiative	750,866	672,000	78,866
		897,554	804,020	93,534

Airport Capital Projects				
Project #	Description	Expenditures 2014	Total RDC	Other Financing
03564	Randell Drain Stormwater Upgrade	110,879	67,412	43,467
03544	Sanitary Forcemain Servicing	75,331	33,899	41,432
03574	Security Upgrades	93,346	42,006	51,340
03547	Airport Business Plan Update	104,893	94,403	10,490
		384,449	237,720	146,729

Police Capital Projects				
Project #	Description	Expenditures 2014	Total RDC	Other Financing
50000	Police vehicles - growth	143,500	143,500	
50019	ISU - Recover Excess Capacity		266,351	
50022	North Division Expansion - Recover Excess		71,407	
50022	North Division Expansion	29,771	11,908	17,863
50042	Expansion of Headquarters (ERU) garage	994,187	497,094	497,093
		1,167,458	990,260	514,956

Paramedic Services Capital Projects				
Project #	Description	Expenditures 2014	Total RDC	Other Financing
82016	EMS Station - Kitchener Downtown	617,368	1,114	616,254
		617,368	1,114	616,254

Library Capital Projects				
Project #	Description	Expenditures 2014	Total RDC	Other Financing
20002	Library holdings acquisitions	67,000	60,300	6,700
		67,000	60,300	6,700

Transit Capital Projects				
Project #	Description	Expenditures 2014	Total RDC	Other Financing
66029	Passenger Station Development	1,060,882	193,081	867,801
66059	Card Fare Payment Technology	307,510	55,967	251,543
66062	Strasburg Garage Expansion	7,790,100	1,417,798	6,372,302
66071	Transit Technology	720,000	131,040	588,960
		9,878,492	1,797,886	8,080,606

Operations/Facilities Capital Projects				
Project #	Description	Expenditures 2014	Total RDC	Other Financing
90109	Waterloo Regional Voice Radio System Upgrades	237,681	36,603	201,078
90076	Kitchener Transit Terminal Security Upgrade	40,420	6,346	34,074
		278,101	42,949	235,152