

Background

The purpose of this report is to provide Finance and Administration Committee with an update on Section 391 charges collected up to December 31, 2018. This report provides the total funds received and funds to be received in the future as development occurs and building permits are issued.

Summary of Capital Projects funded with Section 391 Charges

The City is authorized to charge Section 391 recovery charges in accordance with By-Law 2018-45. These charges were put in place before the City updated the Development Charges By-law, and were established to recover from the benefitting landowners the growth related capital costs paid by the City. The three projects are: South End Rock Tunnel, Watermain on Ste.Agnes/Montee Principale, and Water and Sewer capital costs on Kingsway East. These recovery charges will continue to be collected at the building permit stage, as new development occurs until total financing including interest is collected.

Below is a continuity schedule illustrating the Section 391 charges collected up to December 31, 2018, and remaining balances that will be collected when development occurs and building permits are issued.

South End Rock Tunnel:

On October 25th, 2006 City Council authorized By-Law 2006-300 and approved the collection of Section 391 Charges to recover \$4 million of growth related costs from benefitting landowners, over a 40 year period, plus interest.

Amount to be recovered from Benefitting Landowners in the South End	\$4,000,000
Add: Accumulated Interest to December 31, 2018	\$2,081,466
Less: Section 391 Charges Collected up to December 31, 2018	(\$1,170,594)
Balance to be recovered from Benefitting Landowners at the Building Permit Stage (2019 to 2046)	\$4,910,872

Council funded the \$4.0 million from the Capital Financing Reserve Fund – Wastewater, so annual contributions are contributed back to this reserve fund. During 2018, the City collected \$51,005 (\$75,842 in 2017).

January 1, 2017 to December 31, 2021 rates in accordance with By-Law 2018-45 are \$1,913 for a single residential home, \$1,148 for a multiple dwelling per unit and \$7.02 per square metre for commercial or industrial. These rates will increase every five year period to account for the time value of money and the accumulated interest. These charges are in addition to the City's Development Charges since this project was not included in the Development Charges Background Study and related by-law.

Lionel E. Lalonde Centre/St-Agnes/Montee Principale

On March 29th, 2006 City Council authorized By-Law 2006-27 and approved the collection of Section 391 Charges to recover \$105,000 of growth related watermain cost from benefitting landowners, over a 20 year period, plus interest.

Amount to be recovered from Benefitting Landowners on Ste.Agnes / Montee Principale	\$105,000
Add: Accumulated Interest to December 31, 2018	\$63,049
Less: Section 391 Charges Collected up to December 31, 2018	(\$0)
Balance to be recovered from Benefitting Landowners at the Building Permit Stage	\$168,049

Council funded the \$105,000 from the Capital Financing Reserve Fund – Water, so annual contributions are contributed back to this reserve fund.

In accordance with By-Law 2018-45 the rate is \$495 for a single residential home. This charge is in addition to the City's Development Charges since this project was not included in the Development Charges Background Study and related by-law.

Kingsway Industrial Park - Sewer and Water Enhancements:

On February 28th, 2007 City Council authorized a Section 391 recovery charge and approved by-law #2007-54F on March 7th, 2007, to recover \$3.8 million of growth related costs from benefitting landowners, over a 20 year period, plus interest.

Amount to be recovered from Benefitting Landowners on Kingsway (as of Dec 31, 2018)	\$2,165,237
Add: Accumulated Interest to December 31, 2018	\$1,099,216
Less: Section 391 Charges Collected up to December 31, 2018	(\$6,626)
Balance to be recovered from Benefitting Landowners at the Building Permit Stage (2019 to 2027)	\$3,257,827

It was estimated that \$3.8M of growth related capital costs will be incurred from 2007 to 2019. As of December 31, 2018, the City spent \$3,124,770 in which \$2,165,237 is to be recovered from Section 391 charges.

Council approved internal borrowing from the Capital fund, so annual contributions are contributed to reduce this debit balance. There were no Section 391 Charges collected from 2014 to 2018.

2018 rates in accordance with By-Law 2018-45 are \$4,687 for a single residential home, \$2,524 for a multiple dwelling per unit and \$16.49 per square metre for commercial or industrial. These rates were increased on January 1, 2018 (every five year period) to account for the time value of money and the

accumulated interest. These charges are in addition to the City's Development Charges since this project was not included in the Development Charges Background Study and related by-law.

Conclusion

In accordance with By-law 2018-45 (2018 Water and Wastewater Rates and Charges By-Law), staff will continue to recover these costs from the benefitting landowners and keep Council apprised of annual revenues received.