

Report from Parks, Recreation and Culture Services, Business Planning and Strategic Services

Date of Report: August 20, 2019

Date of Meeting: September 16, 2019

Report Number: PRCS-B027-2019

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Subject: Parks Legacy Fund – Options for a Funding Model

Recommendation

That a 0.25% increase in the infrastructure levy in order to fund the Parks Legacy Fund be referred to the 2020 Operating Budget deliberations.

Summary

This report provides options for a funding model for the Parks Legacy Fund, which has been approved in principle by the Budget Standing Committee and Council. Staff recommend that the funding for the Parks Legacy fund come from the infrastructure levy. The goal of the Parks Legacy Fund is to maintain and sustain City parks through leveraging alternative sources of funding such as donations and legacy giving. The Fund will annually provide up to \$250,000 in matching funding towards community projects in City parks. The Parks Legacy Fund projects will not be completed at the expense of any other projects on the City's work plan or Parks Renewal Plan. The Parks Legacy Fund will help to alleviate the financial implications to the Parks Renewal Plan by leveraging City funds with matching community donations so that twice as much work can be completed.

Background

[At its meeting on July 4, 2019](#), the Budget Standing Committee passed the following motion, which was approved by Council on July 15, 2019:

“That funding for the 101 South Drive project come from the Civic Project Fund to a maximum of \$130,000; and

That this be subject to all pledged amounts or written agreements being received; and

That once the funding model is determined for the Parks Legacy Fund that the funds be returned to the Civic Project Fund; and

That the Parks Legacy Fund policy be approved, in principle; and

That staff report back with appropriate options for a funding model.”

Payment-in-lieu of Parkland Dedication Reserve Fund Expenditure Policy

The Payment-in-lieu of Parkland Dedication Reserve Fund Expenditure Policy was approved by Council on June 26, 2017 ([CCS-171-2017](#)). The purpose of the Policy is to identify the purposes for which funds in the Payment-in-lieu of Parkland Dedication Reserve Fund shall be used. The acquisition priorities defined in this Policy are informed by the Garden City Plan, Parks Policy Plan, and Recreation Facility and Programming Master Plan.

Eligible expenditures

Parkland dedication funds shall be reserved for acquisition of lands to achieve the following priorities, which are implemented on an opportunity basis:

1. Waterfront

Lands to complete gaps in the trail system along the Lake Ontario waterfront, increase public access to the waterfront and improve waterfront parkland.

2. Playing fields and recreation facilities

Lands for playing fields and recreation facilities to accommodate recreational demand defined within the Parks Policy Plan or the Recreation Facility and Programming Master Plan.

3. Trails and linkages

Lands to link, connect and extend the City's green space and cultural heritage landscapes and routes, and link together with other local municipal and upper-tier government or agency parkland, open space, natural and cultural heritage areas and corridors. Lands to establish, extend and link active transportation connections between the City's green space, the downtown, residential, employment, commercial and mixed use neighbourhoods, community facilities and other activity use areas.

4. Urbanized core area (downtown)

Lands to establish special urban parks to support the creation of parkettes, urban squares and plazas in urbanized core areas and at nodes. Lands to support streetscape improvements (beyond standard provisions of the City's standard road profiles and complete streets policies).

5. External agency parkland

Lands that are within the City's current park and recreation inventory, that are operated or managed by the City but owned by other agencies, upon being declared surplus by those agencies.

Past Use of the Parkland Dedication Reserve

The majority of the past uses of the Parkland Dedication Reserve Fund was prior to the implementation of the Payment-in-lieu of Parkland Dedication Reserve Fund

Expenditure Policy, which was approved in 2017. The Payment-in-lieu of Parkland Dedication Reserve Fund Expenditure Policy was developed to ensure funds will be available to acquire lands to meet City priorities in the future, as outlined above.

Over the 20 years prior to the development of the Policy, the expenditures from the Parkland Dedication Reserve can be classified as follows:

- 65% to purchases land for park and recreation purposes
- 29% to develop new parks
- 5% to renew playgrounds
- 1% other

The use of the Parkland Dedicate Reserve for non-land acquisition purposes was often not recommended by staff.

Report

Parks Legacy Fund Funding Options

The City has a limited number of funding sources to support new initiatives. Council was very clear in its direction to staff that the Parks Legacy Fund projects will not be at the expense of any other projects on the City's work plan or Parks Renewal Plan.

The following are the options staff considered to provide the matching funds for the Park Legacy Fund.

A. Increase in the Infrastructure Levy

As part of the 2016 budget process, Council approved an Infrastructure Levy to address infrastructure funding gaps. The City's infrastructure policy identifies eligible renewal and replacement projects to be funded by this levy. Park Legacy Fund Projects meet the intent of this policy. The infrastructure levy, when introduced, was set at 1% of the City's portion of the prior year tax levy. Earlier this year, Council approved an increase in the infrastructure levy of 0.50% to fund some of the City's contribution towards the new Canada Summer Games Park. An additional 0.25% increase in the infrastructure levy would create a regular recurring funding source for the Park Legacy Fund.

An increase of 0.25% would result in an estimated additional City funding amount of \$260,000 in 2020 for the Parks Legacy Fund. This would be sufficient to provide the recommended \$250,000 in annual funding for the Park Legacy Fund and ideally would create \$500,000 for annual parks funding when considering the community matching contributions

Using the 2019 tax information, the impact of increasing the infrastructure levy by 0.25% would have an annual impact on the median household of \$3.61.

B. Increase in the Capital Out of Revenue

The Capital Out of Revenue represents the portion of capital projects that are funded by the tax levy. Currently, projects that are financed by debt have a 10% down payment which is the capital out of revenue amount. The City's 2020 capital out of

revenue is \$1,751,000. In order to comply with Council's direction to ensure that the Park Legacy Fund projects do not impact other capital works or Parks Renewal Plan, the capital out of revenue amount would need to increase by \$250,000 to \$2,001,000 for 2020.

Using 2019 final tax rates, the impact of increasing the capital out of revenue by \$250,000 for the Park Legacy Fund in 2020 would have an annual impact on the median household of \$3.61.

C. Use of a portion of the Payment-in-Lieu of Parkland Dedication Reserve Fund

This option is not recommended by staff.

Cash-in-lieu of parkland dedication is a municipal authority under the Planning Act whereby new development is subject to a condition requiring a cash payment to the City to be held in a Reserve Fund, in lieu of actually dedicating land to the City for park purposes.

Firstly, the Reserve Fund may **only** be used for the following purposes as outlined in section 42(5) of the Planning Act:

- the acquisition of land to be used for park or other public recreation purposes
- the erection, improvement or repair of buildings for park and other recreational purposes
- the acquisition of machinery for park or other public recreational purposes

Secondly, the city's growth is limited to the city's existing Urban Area as defined in the Official Plan and as mandated by the Province through the Provincial Policy Statement, the Growth Plan, the Greenbelt Plan, the Niagara Escarpment Plan, and the Regional Official Plan. Growth in the city is almost exclusively infill and intensification of existing built up areas. As the built form changes from low density development to higher densities, it is critical to ensure that adequate parkland and open space is provided to maintain and improve the quality of neighbourhoods and communities for future residents.

The Reserve Fund is the City's identified funding source used to acquire parkland, at market value, in neighbourhoods that need it most. On June 26, 2017, a Payment-in-lieu of Parkland Dedication Reserve Fund Expenditure Policy for the Reserve Fund was approved by Council identifying that the funds shall be reserved for the acquisition of lands (further details of the expenditure policy provided later in the report).

Currently, the City's Parkland Reserve Fund has an uncommitted balance of \$1.921 million. This is a small balance compared to other municipalities in Ontario, and annual collections over the past four years have only averaged approximately \$300,000. It has become much more common to see home prices listed for more than \$750,000 in the city, particularly those near or on the waterfront. The rising costs of land over the past few years also means that the purchasing power of the

money the City has collected in the past has been reduced. When the limited collections, small balance and rising cost of land are considered, it's likely that the existing funds and future collections will not be sufficient for future land acquisition needs.

If the Cash-in-lieu of parkland dedication reserve fund was to be used, the impact would be a limitation on the availability of funds to be used for the acquisition of parkland, which would result in either lost opportunities to acquire parkland, or having to access other funding sources, including but not limited to debt.

Staff are aware of several imminent necessary land acquisition priorities in the short term planning horizon. As such, it is critical that the Reserve Fund should continue to be used in accordance with the Council approved Payment-in-lieu of Parkland Dedication Reserve Fund Expenditure Policy and not be made available for the Parks Legacy Fund.

Impact of Bill 108 and Related Regulations

Bill 108, an amendment to the provincial Planning Act, introduces a new Community Benefit Charge (CBC) as a possible condition of new development. The CBC **may** have some potential in the future to provide financial support to a Parks Legacy Fund but that option is not yet available to the City. Although Bill 108 has been granted final approval, there are regulations currently under review by the province that need to be approved prior to the implementation of Bill 108, including the study and implementation of a CBC by the City.

The CBC revises the former Planning Act Section 37 permissions whereby a municipality could grant approvals for developments with increased density and height, from that permitted as of right in the zoning by-law and/or Official Plan, in exchange for certain community benefits. These community benefit charges **may** have potential to fund / partially fund the City's Park Legacy Fund at some point in the future but they are not available at this point in time.

Until such time as Bill 108 regulations are finalized, and a full review of the CBC permissions and implementation mechanisms are fully understood, it would be premature to rely on CBCs to fund a Park Legacy Fund.

Financial Implications

Increase in the Infrastructure Levy

Staff have reviewed the various funding options for the Park Legacy Fund. Staff recommend that the infrastructure levy be increased by 0.25% in 2020 to provide the matching funding for the Park Legacy Fund. An increase of 0.25% of the infrastructure levy would generate an additional \$260,000.

The estimated annual impact on the median household of increasing the infrastructure levy by 0.25% for 2020 would be \$3.61.

Any unused Park Legacy Fund matching funds at the end of the year will remain in the infrastructure levy reserve and will be earmarked for park renewal projects.

Use of a portion of the Payment-in-Lieu of Parkland Dedication Reserve Fund

This option is not recommended by staff as the approach contravenes the City's Payment-in-lieu of Parkland Dedication Reserve Fund Expenditure Policy, approved by Council in 2017. Furthermore, using the Parkland Dedication Reserve Fund for purposes other than its intended use will significantly impact the City's ability to respond to imminent land acquisition priorities that do align with the Payment-in-lieu of Parkland Dedication Reserve Fund Expenditure Policy and are necessary to meet Strategic Plan, Official Plan and growth related quality of life goals.

However, should Council recommend that a portion of the Payment-in-Lieu of Parkland Dedication Reserve Fund be utilized, staff would advise it be as a one-time start-up grant of \$250,000 in 2020 and funding for the Parks Legacy Fund for fiscal years 2021 and later be from a 0.25% increase in the infrastructure levy.

Relationship to Strategic Plan

The approval of this report will support the following Social Sustainability Pillar Goals:

1. Strive for the highest quality of life for all citizens.
2. Connect people, places and neighbourhoods.
3. Provide excellent customer service and communication with citizens.

As well as the following Economic Sustainability Pillar Goals:

1. Attract public and private investment, support local businesses and provide excellent customer service to demonstrate we are open for business.
2. Develop partnerships to enhance the economic vitality of the community.

Conclusion

This report provides options for a funding model for the Parks Legacy Fund, which has been approved in principle by the Budget Standing Committee and Council. Staff recommend that the funding for the Parks Legacy fund come from the infrastructure levy. This Parks Legacy Fund offers an option on how to attract additional third-party funding for City parks through matching City funding and leveraging donations and legacy giving while adhering to the Parks Renewal Plan and the prioritization of the City's parks and playground assets. The Parks Legacy Fund will provide not only matching funds but also the opportunity for the community to work together towards a common goal.

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