

HRM's Capital Cost Contribution Program

HRM Tax Reform Committee
December 20, 2007

“Developers reap an economic benefit from their activities, and part of that benefit accrues from public infrastructure”

New Tools for New Times, A Sourcebook for the Financing, Funding and Delivery of Urban Infrastructure, Canada West Foundation, 2006



What is a Capital Cost Contribution ?

“An infrastructure Charge is a specific dollar value per lot or per acre that a municipality imposes on a developer to finance the off-site capital costs associated with new development.”

Infrastructure Charges Study, SGE Acres Ltd., 2006

What is a Capital Cost Contribution ?

CCC's Include:

- New Growth Related Capital Costs
- Construction, engineering, interest, land, surveying, professional studies

CCC's Do NOT include:

- Operations & Maintenance
- Replacement
- Rehabilitation/renewal
- Costs that result from past growth

Why are CCC's important to Tax Reform ?

Developer pays based on benefit received by new growth

HRM pays for existing residents – including “past” growth

“Benefit” based on use/consumption at Community Level or
Regional Level



Before CCC's.....

Developer Funded Local Infrastructure

Municipality Funded Regional Infrastructure

- Trunk sewers, arterial roads, treatment plants
- Provincial/Federal funding MAY apply
- No mechanism to recover costs from developers

Variance In Cost Sharing Programs

Early Financial Trends

Amalgamation – April 1, 1996

- 1996 - 1998 - Wage consistency, harmonizing by-laws & service standards
- Flat revenues, increasing non-discretionary expenditures, capital from debt increased

1997 – Bench Marking with other Municipalities

- Second highest reliance on property taxes
- Lowest reliance on provincial/federal transfers
- Highest reliance on debt to fund capital (82%) and low levels of reserves

1998 – Multi Year Financial Strategy Adopted – Integrated Servicing Study Carried Out

The HRM Program

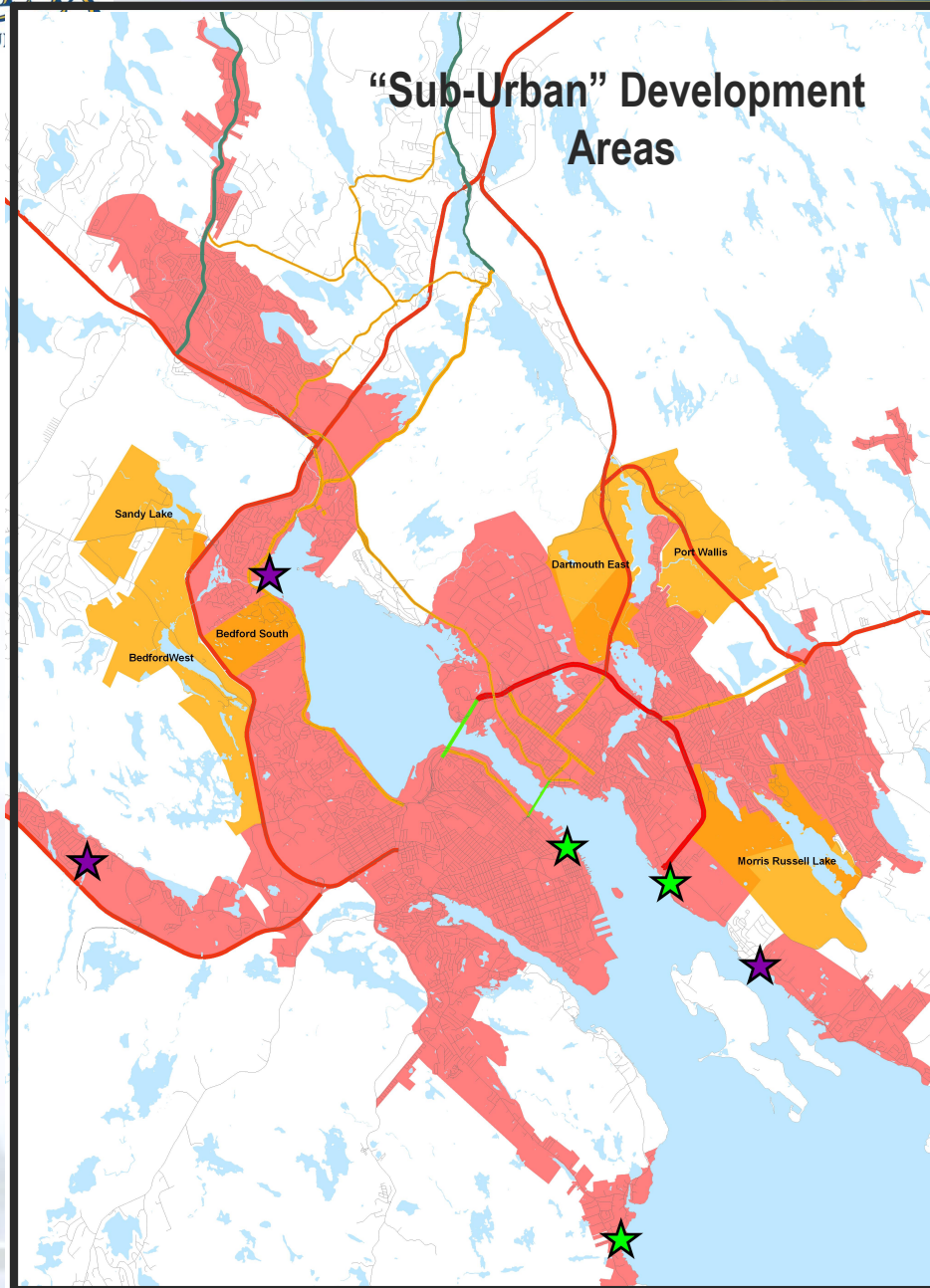
1999 – Municipal Government Act Amended To Allow Infrastructure Charges

- “Costs incurred by...the sub-division and future development of land”
- Limits to “new or expanded” water, sewer, and roads

2002 - Current Policy Formally Adopted

Built on Water Commission Model

- Developers’ cost (CCC) based on demand created by new development
- HRM cost based on demand created by existing development



Variable Charge

- One Charge Per Charge Area
 - Funds Infrastructure Within Or Along Side Of A Charge Area

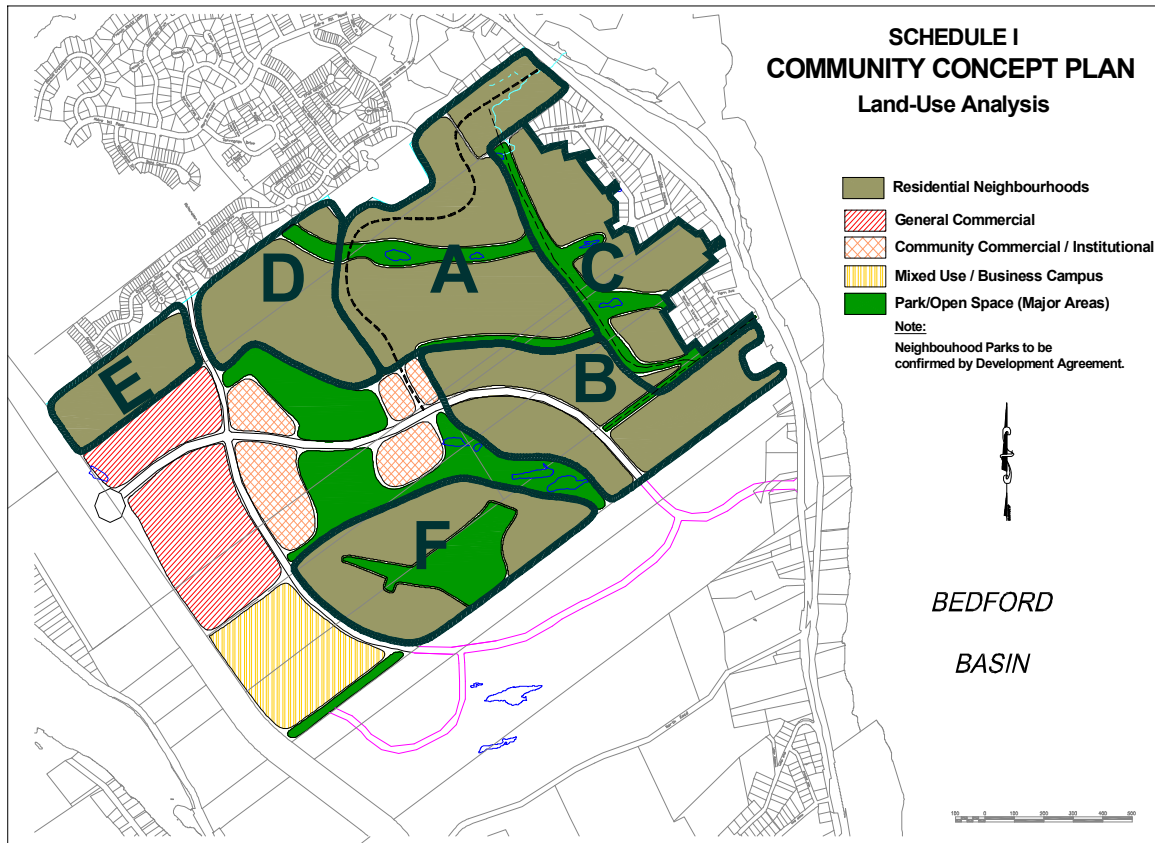
Comprehensive Community Planning

- Infrastructure, land use, financing plans
- Supports Efficient Design

Supports strategic investments for new growth

- favours areas with remaining capacity

Bedford South/Wentworth Estates



Roads & Sewer

Total	\$ 10.8M
HRM	\$ 4.7M
CCC	\$ 6.1M
	\$ 10,900/Ac

Water

CCC	\$ 5,000/Ac
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Typical Charges

Singles:

\$ 3,000/Unit

Apartments:

\$ 1,800/Unit

2006 – CCC Program Review

Does Not Capture In-fill, Re-development, High Rise Development

Does Not Capture Regional Facilities

Infrastructure Charges Study (SGE Group Inc., September, 2006)

- Best Practises And Issues Faced In Other Canadian Municipalities
- Adopted By Council As Basis For Policy And By-laws

2006 – CCC Policy Directives

Development Pays its Share of Infrastructure

- “Blended Program” - Regional (Uniform) and Area Based
- Best use of development contributions

Wastewater Treatment, Regional Transportation

- Beyond The Scope Of Master Plan Studies

Transit, Solid Waste Facilities

- Required New Legislation

Wastewater Treatment Charge Adopted May, 2007

Full Consultation with
Development Industry

Single Family Residential

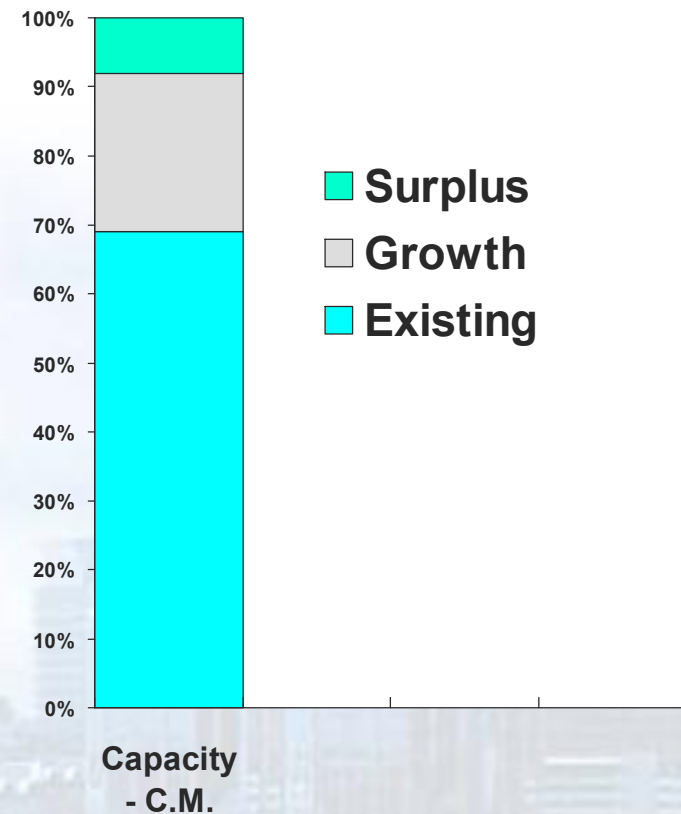
\$880 per unit

Multiple Unit Residential

\$590 per unit

Industrial/Commercial/Institutional

\$0.27 per square foot



Government Imposed Costs: Single Detached Home

Municipal Charges Total Government
Imposed Costs
(Percent of Purchase Price)

National Average	6.3 %	7.3%
HRM	5.4%	14.2%

Source: Levies, Fees, and Charges on New Housing: 2002, Greg Lampert Economic Consultant Inc. for CMHC, January, 2003

Government Imposed Costs: Modest Rental Apartment

	Municipal Charges	Total Government Imposed Costs
	(Percent of Development Cost)	
National Average	4.5 %	12.5%
HRM	3.7%	16.2%

Source: Levies, Fees, and Charges on New Housing: 2002, Greg Lampert Economic Consultant Inc. for CMHC, January, 2003

Lessons Learned

Transaction Costs Higher than Anticipated

Developing Staff Knowledge Base

Conduct Infrastructure Analysis Concurrent With Land Use
Policy

Land Assembling

- Developers seek least cost options

Inflation Adjustment Needed

Next Steps...

Adopt Regional Charges for Solid Waste

- 1st Quarter 08/09

Adopt Regional Charges for Transit and Transportation

- 3rd Quarter 08/09

Adopt Master Plan Area CCC For Bedford West

Assess other candidate master plan areas

The End



