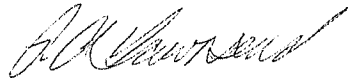


Community Planning & Economic Development Standing Committee
January 12, 2012

TO: Chair and Members of the Community Planning & Economic
Development Standing Committee

SUBMITTED BY:



Phillip Townsend, Director, Planning & Infrastructure

DATE: December 2, 2011

SUBJECT: Wastewater Oversizing for Future Development of Sandy Lake Lands

ORIGIN

In a report to Regional Plan Advisory Committee, dated June 10, 2010, staff advised that it will be recommending that the wastewater system through Bedford West be oversized to accommodate future development of the Sandy Lake lands and that further details of this proposal would be tabled with Council in a future staff report. This report was later received by Regional Council when three requests to initiate secondary planning were considered.

RECOMMENDATION

It is recommended that Halifax Regional Council agree in principle to fund the oversizing of wastewater infrastructure through Bedford West to service the future development of Sandy Lake, as discussed in this report, and direct staff to accommodate the oversizing of wastewater infrastructure in future draft budgets for council's consideration.

BACKGROUND

- Sandy Lake is one of six sites identified by the Regional Plan as a potential area for future suburban growth. The site, illustrated on Map 1, contains approximately 900 acres. The Regional Plan designates these lands “Urban Settlement” which signifies that the Municipality intends to allow for development with central water distribution and wastewater collection systems by 2026 (the life of the plan).
- No development can proceed until a watershed study is undertaken and a secondary planning strategy has been approved by Regional Council. In 2009, a request to initiate secondary planning had been made by Armco Capital Inc., the major land owner in the Sandy Lake area. On November 16, 2010, Regional Council approved a motion to defer initiating a watershed study for the Sandy Lake lands for two years.
- A servicing study (CBCL) recommended directing wastewater from the development in Sandy Lake to the wastewater treatment facility in Halifax as the Mill Cove treatment facility was unlikely to have the capacity to service this development. This proposal would require oversizing the trunk wastewater collection system (sanitary sewer mains and pumping stations) that are currently being designed to service Bedford West.
- In a report to Regional Plan Advisory Committee, dated June 10, 2010, staff estimated that the oversizing cost to range from \$2.3 million to \$4 million, depending on the methodology being used. These costs would be incurred over a 10-year period as the wastewater infrastructure for Bedford West is built out.
- In a report to Regional Council, dated May 12, 2009, staff advised that Halifax Water is currently developing a CCC for water and wastewater for the Bedford West Plan Area. The CCC, which is subject to approval of the NS Utility and Review Board (“the Review Board”), may have an implementation plan that requires Halifax Water to make some initial investment in the core infrastructure for Bedford West. As such, it is anticipated that Halifax Water would not have the financial capacity to further invest in Sandy Lake Lands' at this time. Alternatively, HRM or the developers would need to invest in the oversizing until development is commenced in Sandy Lake.”
- The Board of Directors for Halifax Water has approved a Halifax Water staff recommendation that the utility not finance the oversizing costs for the Sandy Lake lands as doing so would be contrary to its Capital Cost Contribution Policies pertaining to financial risk management. A report is expected to be tabled with the Review Board in the near future.

DISCUSSION

In the event that the wastewater infrastructure through Bedford West is not oversized to accommodate future development of the Sandy Lake lands, development of the Sandy Lake lands would not likely be viable for the foreseeable future as the pipes and pumping stations designed to service Bedford West would have to be excavated and replaced.

If the Sandy Lake lands are to remain a future growth area, it would therefore appear prudent to oversize wastewater infrastructure through Bedford West as it is built out (there will be no need to oversize water infrastructure through Bedford West as the Sandy Lake lands can be connected to the Pockwock transmission main without crossing through Bedford West). It is estimated that expenditures would be required over a 10 year period at a total estimated cost of \$3.1 million in future dollars. Further detail is provided under the budgetary implications section of this report.

Halifax Water has advised that it is not prepared to finance the oversizing costs for the Sandy Lake lands as these lands are outside the approved service area boundary and does not have an approved secondary plan. Financing oversizing costs would therefore be contrary to its Capital Cost Contribution Policies pertaining to financial risk management.

In secondary plans that have been approved for new growth areas, the Municipality has played an active role in financing required infrastructure through debt assumption with the cost then being recouped through collection of capital cost charges (CCCs) at the time subdivision approval is sought. In past projects, the CCCs for water and wastewater have been imposed under the Regional Subdivision By-Law but, in the future, may be recouped directly by Halifax Water. The Municipality would then be reimbursed for expenditures made.

This approach, recommended by staff, would allow the Municipality to take a leadership role in deciding on the timing and form of development over these lands.

An Alternative Area Rate

The Municipality has used area rates to finance capital projects where the benefits are localized and the beneficiaries can be identified. This approach could appear appealing for this project as the beneficiaries can readily be identified and the Municipality's financial risk would be reduced as financing costs could be begin to be recouped immediately and over a much shorter time period.

However, there are several problems with this approach. In past practices, area rates for sewer or water services have been imposed once the services are available for the property owners to connect to. If imposed in advance, there would be increased expectations from Sandy Lake property owners to allow development to proceed as quickly as possible. This could result in premature development that could prolong recovery on investments already made in approved growth areas such as Bedford South and Bedford West.

For these reasons, staff is proposing the capital cost contribution approach.

Risks

Staff would acknowledge, however, that the CCC approach also poses risks that must be considered. In projects approved to date, subdivision approvals were sought shortly after infrastructure investments were made allowing the Municipality to begin recouping costs within a short timeframe.

In this instance, it is estimated that it will take at least 15 years before any subdivision approvals could be granted on the Sandy Lake lands and the Municipality could begin to recoup costs through its CCC. It would then take at least another 20 years for build out of this development. In all probability, this is an optimistic scenario, as the current supply of suburban land would appear ample.

Last year, when evaluating the three requests to initiating secondary planning (Highway 102 West Corridor, Port Wallis and Sandy Lake lands), staff undertook an inventory of available greenfield sites within the existing service area boundaries and compared this with market uptake as projected by an outside consultant (Altus). As of June 2010, it was estimated that the supply of suburban land available was sufficient to meet suburban requirements for 30 to 40 years, without any consideration given to the potential for redevelopment of existing areas¹.

Finally, there is a cost escalation risk. The estimates presented in the budget section of this report are preliminary and may vary when more detailed design work is undertaken. Expenditures will also be made over an estimated ten year timeframe which increases the possibility of inflationary costs. Inflationary costs, however, could be recouped through capital cost contribution charges imposed on the benefitting property owners.

BUDGET IMPLICATIONS

Based on the estimates provided in an engineering study, it is estimated that the total expected oversizing cost is \$2.6 million in 2011 dollars. Costs can be expected to escalate with final design and future inflationary pressure. The estimated cost, adjusted for anticipated inflation, over the next ten years is \$3.1 million broken down as follows²:

¹ Reference is made to pages 15 and 16 of the Supplementary Staff Report to RPAC, dated June 10, 2010 which was presented at the June 23, 2010 RPAC meeting.

² The inflation rate assumed was derived from a blended average of the Engineering News Review and Statistics Canada Halifax Non-Residential Construction indices which is consistent with the approach used for the Bedford West CCC infrastructure plan.

2012/13 -	\$148,844
2013/14 -	\$903,643
2014/15 -	\$669,676
2015/16 -	\$93,093
2016/17 -	\$484,735
2017/18 -	\$0
2018/19 -	\$37,507
2019/20 -	\$195,300
2021/22 -	\$98,024
<u>2022/23 -</u>	<u>\$510,410</u>
Total:	\$3,141,232

None of this amount is currently budgeted in the Capital Plan, and \$148,844 would need to be accommodated in the 2012/2013 budget and brought forward to council for approval during the annual budgeting process.

As the Municipality will not own the oversized system (rather Halifax Water will), it will be unable to issue debt to finance the construction. The Municipality will therefore have to finance the costs through operating funds it transfers to Halifax Water. Funds, including future inflation and interest costs, would be recouped through capital cost contribution charges imposed on the benefitting property owners at the time of subdivision approval.

The Regional Plan directs that charges are to be determined through the secondary planning process (policy SU-1). However, due to the timeframes involved the levy is unlikely to commence for another 15 years and the full amount may not be recouped for an additional 20 years after that. There is a risk that the developer may opt not to complete the subdivision and that all or a part of these funds will never be recouped and will have to be written off.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

The request to initiate secondary planning on the Sandy Lake land was discussed by RPAC at numerous meetings and the issue of financing oversized wastewater infrastructure as an issue that would have to be brought back before Regional Council was specifically identified in the staff report. These meetings were open to the public and, on several occasions, the Committee agreed to receive presentations from the proponents, non-government organization groups and members of the public.

ALTERNATIVES

Council could:

1. Fund the oversizing costs through the capital budget and later recoup the costs through capital cost contribution charges imposed under the Subdivision By-Law. This is the option recommended by staff.

It must be acknowledged that the Municipality would be exposed to additional financial risk due to the extended timeframe before funds could be recouped and uncertainty regarding market demands. However, this approach would enable the Municipality to play a lead role in ensuring that a designated future growth area can be developed in a manner that is viable for the property owners and consistent with municipal objectives.

2. Direct staff to prepare an area rate over the Sandy Lake lands with funds collected over the next 15 years or some other timeframe. The Municipality would assume financing in the initial years but would minimize its financing risk by guaranteed repayments within a reasonable timeframe.

There are several problems with this approach. In past practices, area rates for sewer or water services have been imposed once the services are available for the property owners to connect to. If imposed in advance, there would be increased expectations from Sandy Lake property owners to allow development to proceed as quickly as possible. This could result in premature development that could prolong recovery on investments already made in approved growth areas such as Bedford South and Bedford West.

3. Decide not to finance the oversizing costs and direct staff to amend the Regional Plan to remove the Sandy Lake lands as a future suburban growth centre. This option would be appropriate if it is determined that the Sandy Lake lands are not needed to meet future growth needs.

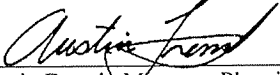
However, this decision would, in all probability, preclude any possibility of developing these lands as the sewer mains through Bedford West would have to be excavated and replaced with larger mains. This would not likely be economically viable until the pipes need replacement in an estimated timeframe of 50 to 100 years.

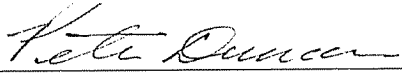
ATTACHMENTS


Map 1: Sandy Lake Lands

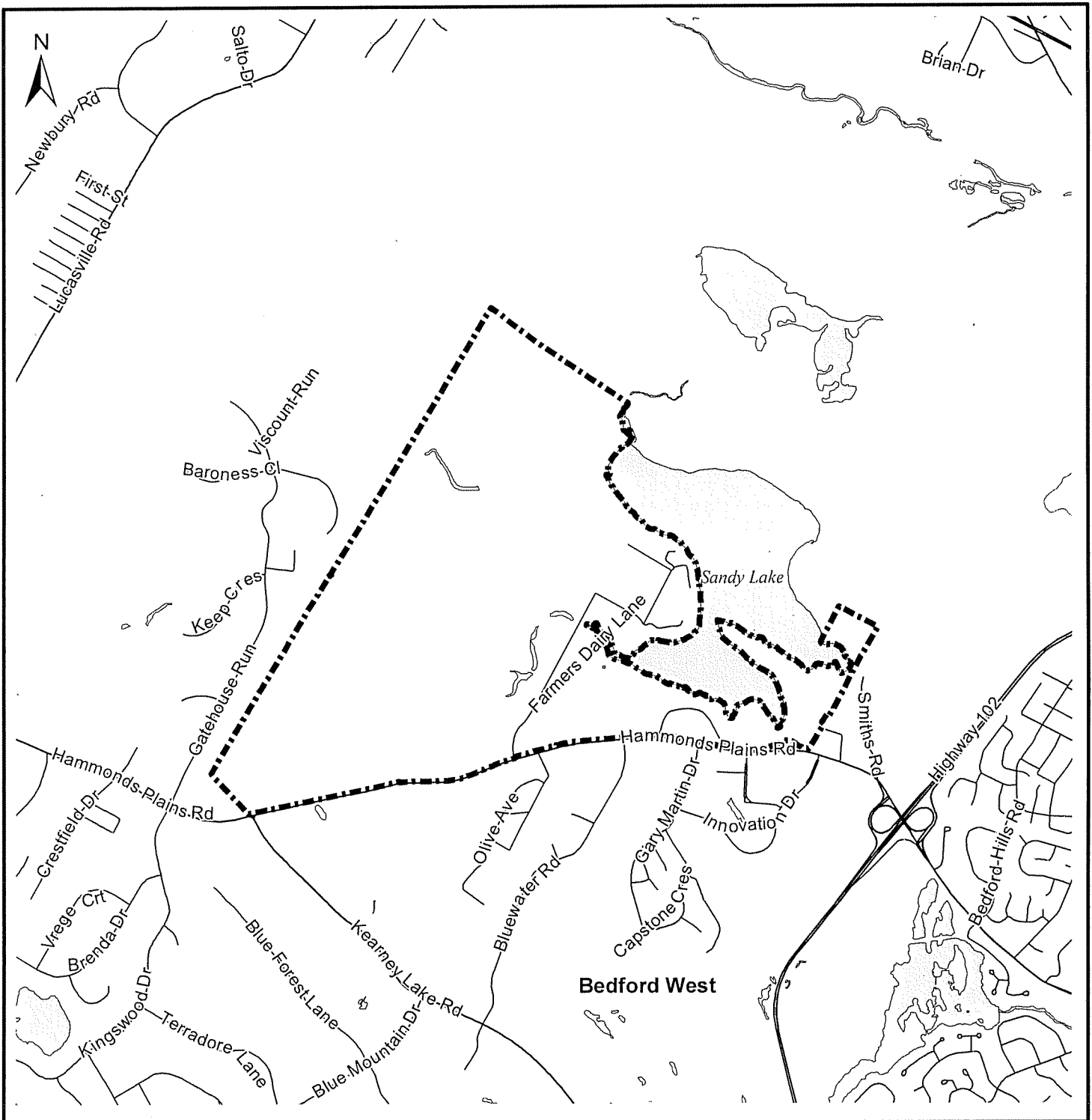
A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/cc.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Map 1:

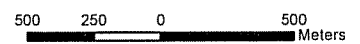
Sandy Lake



CBCL Study Area Boundary for Sandy Lake

HALIFAX
REGIONAL MUNICIPALITY

PLANNING AND INFRASTRUCTURE
REGIONAL AND COMMUNITY PLANNING



Bedford and Beaver Bank/Hammonds Plains/Upper Sackville Plan Areas

HRM does not guarantee the accuracy of any representation on this plan.