HALIFAX

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Item No. 11.1.4
Halifax Regional Council
January 27, 2015

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original signed by

Richard Butts, Chief Administrative Officer

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Mike Labrecque, Deputy Chief Administrative Officer

DATE: December 23, 2014

SUBJECT: **Capital Cost Contributions**

ORIGIN

On July 22, 2014 Regional Council approved adopting Regional Capital Cost Contributions for transportation and transit services, collected prior to issuing a building permit region wide; from all greenfield development that occurs in the commutershed, more particularly described as the Regional Transportation Rate Boundary; and, directed staff to consult with the development industry prior to completing a background study that would form the basis for the proposed charges.

LEGISLATIVE AUTHORITY

Section 104(1) of the HRM Charter permits Regional Council to make By-laws imposing, fixing and providing methods of payment for charges for transit facilities and streets.

Section 104(1) of the HRM Charter permits Regional Council to make By-laws imposing, fixing and providing methods of payment for charges for parks, playgrounds, trails, bicycle paths, swimming pools, ice arenas, recreation centres, fire departments, and public libraries.[1]

Sections 284, 285 and 286 of the HRM Charter permit Regional Council to collect infrastructure charges for streets, traffic signals and transit facilities to recover the capital costs that arise from the subdivision and future development of land.

RECOMMENDATION

It is recommended that Halifax Regional Council direct staff to develop an approach to collect development charges for transportation, transit, parks, playgrounds, trails, bicycle paths, swimming pools, ice arenas, recreation centres, fire departments, and public libraries, including a schedule for implementing the charges.

[1] Bill 50 providing for these charges received Royal Assent on November 20, 2014.

BACKGROUND

Capital Cost Contributions (CCC's) are paid by developers to cover the growth related share of infrastructure that is needed to support development, and are justified under the principle that growth should pay for itself and not be a burden on existing residents. Capital Cost Contributions fund the capital cost of providing infrastructure and do not fund operating or maintenance. They are also referred to as Development Charges, Infrastructure Charges, or offsite levies.

CCC's can be collected from either a specific area, or can be collected across an entire region, and can be collected for various types of services as set out in the HRM Charter. The charge can vary by location or type of development, and Council may collect less than the growth related share permitted by the Charter.

Currently area based charges have been adopted for the detailed plan areas of Wentworth Estates, Bedford South, Bedford West, Russell Lake West, and Portland Hills and help fund infrastructure that is within or alongside of the plan areas, and which is needed in whole or in part to support the planned growth.

Region wide Capital Cost Contributions are used to recover the growth related share of infrastructure that is more regional in nature. Region wide CCC's for Regional Sewer and Solid Waste Services have previously been adopted by Council. In 2007, the Regional Sewer Charge became the jurisdiction of Halifax Water, and was preplaced with the wastewater Regional Development Charge in 2013

In July, 2014 Council agreed on an approach for new charges for transit and transportation services and directed staff to consult with the development industry. It was estimated that the new charges would collect $3.5 million in annual revenue, based on past growth trends, and this represents a new source of revenue for the Municipality to carry out capital projects.

DISCUSSION

When Council adopted the approach for transit and transportation charges, these were the only two remaining services for which CCC's could be collected under the Halifax Regional Municipality Charter.

Subsequently, on November 20, 2014 the Province passed an amendment to the Charter which enabled the Municipality to adopt Capital Cost Contributions for a broader range of services that includes parks, playgrounds, trails, bicycle paths, swimming pools, ice arenas, recreation centres, fire departments, and public libraries.

Staff is unable to predict whether adopting a charge for transit and transportation services at this time will restrict Councils' ability to adopt additional charges, particularly in the short term. In addition to a downturn in development activity, the development industry in Nova Scotia is more susceptible to short term impacts of new fees and charges because there is no rebate of Provincial sales tax on new housing in Nova Scotia. Other Provinces that have empowered municipalities to collect development charges (CCC's) provide some relief from the Provincial sales tax.

An examination of all potential charges, including where and how they should be collected, for which services, and how they can be implemented, would allow Council to consider all possible CCC's and decide where to direct CCC revenue depending on Council's priorities.

Discussions with the development industry have focused on the state of the housing industry, and staff is in agreement with the housing start data recently published by the NS Homebuilders Association and which is based on CMHC market information. Between 2005 and 2012 single unit housing starts have averaged just over 1,000 units per year. Single unit starts began to decline in 2013 and only 530 single starts are forecast for 2014.[2] A similar trend is emerging for apartments (rentals and condominiums), with

[2] CMHC Fall 2014 Housing Market Outlook for Halifax CMA

800 units forecast to be started in 2015 which is less than half of 2011 levels. A slow recovery for all residential development is expected to begin in 2016.

If the recommended course of action is selected, a thorough examination of all charges will be undertaken, including a schedule for implementing fees over time. This process would take approximately 1 year to complete, and has the added benefit of providing greater certainty as well as ample lead time for the development industry to make better informed decisions.

FINANCIAL IMPLICATIONS

If the recommendation is approved, collection of revenue from new Capital Cost Contributions will be delayed. Previous reports to Council indicated that $3.5 million per year could be collected from developers in the form of CCC's in respect of transit and transportation services.

The actual amount that would have been collected in 2015 would be less than $3.5 million due to decreased housing starts and the fact that new charges are typically implemented over time. For example, if new CCC's are implemented over a three year period, and development activity continues at the predicted pace, approximately $700,000 could have been collected in 2015. No projects that have been identified in the Capital Budget and/or Capital Plan are funded with the additional CCC revenue.

A capital cost contribution cannot be collected retro-actively from development. However, the growth related portion of expenditures made prior to adopting a CCC can be included in future CCC's if it can be demonstrated that future development will benefit.

COMMUNITY ENGAGEMENT

There is no community engagement at the assessment stage.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications identified.

ALTERNATIVES

1. Council could agree to move forward with adopting development charges for transit and transportation services. This alternative is not recommended for the reasons outlined in the report.

ATTACHMENTS

None

A copy of this report can be obtained online at http://www.halifax.ca/council/agendasc/cagenda.php then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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