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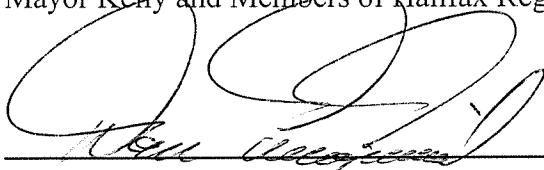
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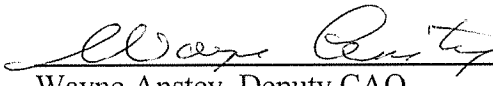
Halifax Regional Council
October 10, 2006
Committee of the Whole

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Wayne Anstey, Deputy CAO

DATE: October 5, 2006

SUBJECT: Capital Cost Contribution Policy

ORIGIN

- Request for Proposals for CCC Study issued November 18, 2005
- Committee of the Whole Presentation, Interim Study Findings, June 27, 2006

RECOMMENDATIONS

It is recommended that Regional Council:

1. Adopt the report entitled "Infrastructure Charges Study" prepared by SGE Acres Ltd., dated September 2006 as the basis for developing new policy and by-laws;
2. Instruct Staff to develop a capital cost charge for wastewater treatment facilities, to be collected at the Building Permit stage and applied to all developments requiring a new sewer connection; and
3. Ask the Union of Nova Scotia Municipalities to adopt the resolution appended as Attachment 1 to enable the application of capital cost charges for buses, ferries, transit facilities and solid waste facilities.

EXECUTIVE SUMMARY

Key Study Recommendations

- The consultant's report recommends that Council focus on "hard" services when considering expanding the CCC program, particularly wastewater treatment plants, regional transportation infrastructure, buses, ferries, transit facilities, and solid waste facilities.
- It is more difficult to calculate the "growth-related share" of the capital costs for "soft" services such as fire stations, police stations, recreation facilities, libraries and other civic buildings. Clear service level and design standards need to be developed for such facilities before charges can be considered. Charges for these facilities are more prone to uncertainty with regard to how the charge is calculated and consequently they give rise to more appeals and legal challenges. CCC's for these facilities require amendments to the MGA.

Implementation

- Capital cost charges for wastewater treatment facilities can be developed immediately.
- Capital cost charges for regional transportation infrastructure (e.g. regional collector roads and interchanges) require further analysis before they can be implemented, but do not require amendments to the MGA.
- Capital cost charges for transit infrastructure (e.g. buses, ferries and terminals) and solid waste facilities require further analysis as well as amendments to the MGA. It is recommended that Council ask the UNSM to support the required MGA amendments.
- A project team should be established to implement the recommendations of the consultant's study, as well as conduct infrastructure analysis on other areas designated as "Urban Settlement" in the Regional Plan.
- Project costs can be recovered through future capital cost charges, but bridge financing will be required from the Service Improvement Fund. A formal business case will be tabled with Council in the coming weeks.

Charges for Wastewater Treatment Facilities

- Charges can be collected under existing provisions of the MGA.
- The charge should be collected at the building permit stage from all new connections to the sewer. It is anticipated that a public hearing can be held in January 2007.
- Staff have begun the analysis required to establish the charge as well as consultation with the development industry.

BACKGROUND

Unlike many other Provinces, the Nova Scotia Municipal Government Act (MGA) only allows Capital Cost Charges (CCC's) for "oversizing" traditional municipal public works such as pipes and roads. Further, HRM's CCC Policy has not fully utilized the powers granted in the MGA for this type of infrastructure, most notably wastewater treatment facilities and the associated regional sewage collection system.

The Current CCC Policy was adopted in July 2002, and built upon a model already in place and tested by the Halifax Regional Water Commission. This approach deals primarily with oversizing new infrastructure that is within or alongside of a Master Plan Area such as interchanges, new trunk sewers, water transmission mains, water reservoirs, and collector streets that pass through a Master Plan Area. Capital Cost charges have been adopted for Bedford South, Russell Lake West, and Portland Hills and are currently being studied for Bedford West.

Oversized infrastructure that provides a broader, regional benefit because it serves many communities is not funded under the current policy framework. Examples of "regional" infrastructure are wastewater treatment plants and regional transportation facilities such as the Fairview overpass or the Burnside/Sackville connector.

One of the goals of the Regional Plan is to make more efficient use of infrastructure and provide more cost effective service delivery. Consequently the Regional Plan tries to accommodate more compact, transit friendly, mixed use communities that have central water and sewer services. The CCC policy supports this goal by identifying growth areas that require the least investment in infrastructure, as well as areas that have remaining infrastructure capacity that can be allocated to new growth.

DISCUSSION

Key Study Recommendations

The main recommendation from the consultant is that HRM should focus on "hard" services when considering expanding the CCC program, particularly wastewater treatment plants, regional transportation infrastructure, transit facilities (including buses, ferries and terminals) and solid waste facilities. Some of these require new legislation, but the growth related share can be reasonably calculated and understood. The exact wording of the amendments are included under a separate report entitled "Amendments to the MGA", dated September 27, 2006 (P.11, item XI).

It is more difficult to calculate the growth related share of vehicles and facilities associated with services such as fire, police, recreation, libraries and other civic buildings. As a result charges for these facilities are more prone to uncertainty with regard to how the charge is calculated and consequently they give rise to more appeals and legal challenges. In addition to requiring new MGA powers, service and design standards need to be better defined for all of these services before Council can consider capital cost charges. If Council wishes to make this a priority, this work could be carried out in the next business planning cycle.

Implementation

New charges for wastewater treatment facilities can be implemented relatively soon. Staff have begun this work, as well as consultation with industry. It is expected that a public hearing could be held in January 2007. Other charges will take longer either because additional analysis is required or an amendment to the MGA is needed.

Timely implementation of additional capital cost charges requires the establishment of a dedicated interdisciplinary work team. This will ensure that staff can focus on this far reaching strategic work without being involved in daily operational tasks which will delay this work. Funding of this project is discussed in more detail in the Budget Implications section of this report.

In addition to developing charges for new categories of infrastructure, a project team could administer the current CCC Policy in a more proactive manner. Currently, Master Plans in priority growth areas cannot be completed in a timely fashion. The work required for each study area is time consuming and staff have been working on several simultaneously in addition to their daily operational duties.

There are lost opportunities to implement charges in other areas which are not being studied because development is proceeding in advance of initiating studies. Areas that currently require analysis include:

- The Port Wallace/Dartmouth East master plan area;
- the area to be serviced by the proposed Beaverbank Bypass;
- lands adjacent Sandy Lake that are designated as Urban Settlement; and
- the Highway 102 west corridor adjacent to Blue Mountain - Birch Cove lakes Regional Park that is also designated as Urban Settlement.

Charges for Wastewater Treatment Facilities

Wastewater treatment facilities are built larger than what is needed at present. This “oversized” wastewater treatment capacity will be used by new growth. Since a portion of the Municipality’s capital cost for constructing these plants benefits new development, a proportionate share of the cost can be allocated to new development.

Council has two options for collecting a charge for the capital cost of wastewater treatment facilities from new development:

- An Infrastructure Charge can be collected at the time of Subdivision Approval for serviced development, and cannot be collected from a lot that existed prior to introducing the charge; or
- A charge can be collected when a building connects to a sewer, regardless of whether or not any land is subdivided.

Many apartment/condo buildings and other forms of “infill” development often do not require a subdivision of land, but nevertheless they do use treatment plant capacity. A charge that can be collected at the Building Permit stage will therefore collect more revenue than a charge that is only collected when a subdivision approval is required. Applying a charge to both “infill” and “greenfield” development is also more equitable as it ensures that all forms of development pay their proportional share of the treatment plant capacity they will use.

A capital cost charge for wastewater treatment facilities would recover the cost of the “oversized” wastewater treatment capacity that will be used by new growth. It should be noted that such a charge is for a different purpose than, the Sewer Redevelopment Charge which is used for rehabilitation and renewal of the existing sewer system. The Sewer Redevelopment Charge has been the subject of past discussions, and additional study and recommendations will follow.

BUDGET IMPLICATIONS

It is anticipated that a project team will require bridge financing from the Service Improvement Reserve for 18 months. The project costs can be included in the Capital Cost Charge and are therefore recoverable. New charges which rely on existing provisions of the MGA can be developed and implemented throughout the next 12 - 18 months. Staff will return to Council to recommend a reserve withdrawal, pending evaluation and approval of the business case.

Charges that require new legislation as well as ongoing analyses may continue for the next 3 - 5 years. A sustainable funding model will be investigated beyond 18 months. The costs of this work can also be included in future Capital Cost Charges and is therefore also recoverable.

A capital cost charge for regional wastewater treatment infrastructure will help address funding shortfalls in this area. The project team will develop revenue estimates for wastewater treatment and for the regional transportation, transit, and solid waste facilities.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

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

ALTERNATIVES

1. Council could adopt the consultant’s report, prioritize the development of a regional wastewater treatment charge and ask the Province for additional MGA powers related to transit and solid waste. This is the recommended course of action.
2. Council could choose not to adopt the consultant’s report, or to prioritize development of a regional wastewater treatment charge or to request additional MGA powers related to transit and solid waste. This course of action is not recommended for the reasons outlined in the report.

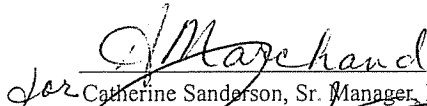
3. Council could choose to request additional MGA powers related to “soft” services. This course of action is not recommended for the reasons outlined in the staff report. If however Council chooses this course, it is recommended that staff focus on implementing new CCC’s on “hard” services until such time as the MGA is amended. If the MGA is amended to include “soft” services additional background work may have to be done to define service and design standards.

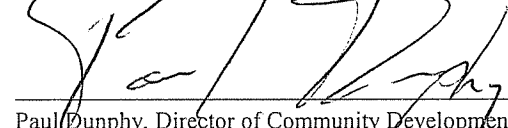
ATTACHMENTS

Attachment 1 - UNSM Resolution Requesting Amendments to the MGA to Enable Expanded Capital Cost Contributions for Transit and Solid Waste Facilities

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

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Approved by: 
Paul Dunphy, Director of Community Development

ATTACHMENT 1

**UNSM Resolution Requesting Amendments to the MGA
to Enable Expanded Capital Cost Contributions for Transit and Solid Waste**

WHEREAS the Municipal Government Act (MGA) enables capital costs charges to be levied against new development for water systems, sewer systems, roads, intersections, traffic signs and signals and new transit bus bays;

AND WHEREAS this creates an inequity toward the construction of roads when current trends indicate the need for better land use design focussed on compact mixed-use communities that are walkable and better serviced by transit, bicycle lanes and pedestrian facilities;

AND WHEREAS municipalities require capital funding to meet the demands of new developments that require transit services;

AND WHEREAS the Province of Nova Scotia has released a Solid Waste Resource Management Strategy that strives to minimize the cost of managing solid waste;

AND WHEREAS municipalities require capital funding to meet the demands of new developments that use solid waste disposal facilities;

THEREFORE BE IT RESOLVED that the UNSM requests the Province of Nova Scotia to amend the MGA to enable the application of capital cost charges for buses, ferries, transit facilities and solid waste facilities required as a result of new development.