



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 11.4.2
Halifax Regional Council
June 2, 2015

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY: Councillor Bill Karsten, Chair, Audit & Finance Standing Committee

DATE: May 22, 2015

SUBJECT: Capital Cost Contribution Study

ORIGIN

May 20, 2015 meeting of the Audit & Finance Standing Committee, Item No. 9.1.3

LEGISLATIVE AUTHORITY

Audit & Finance Standing Committee Terms of Reference section 3.8, which states "to review and make recommendations on proposals coming to Halifax Regional Council outside of the annual budget or tender process including but not limited to:

- New Programs or services not yet approved
- Programs or services that are being substantially altered
- Proposed changes in operating or budget items
- Committing of funds where there is insufficient approved budget, or,
- New or increased capital projects not included in the approved budget
- Increases in project budget due to cost sharing
- Creation or modification of reserves and withdrawals not approved in the approved budget

RECOMMENDATION

It is recommended by the Audit and Finance Standing Committee that Halifax Regional Council approve an increase to operating cost centre C320 — Planning in the amount of \$200,000.00 including net HST, and that this increased budget be funded from a repayable loan withdrawal from the Service Improvement Reserve (Q310) for the completion of the Capital Cost Contribution (CCC) study as outlined in the Financial Implications section of the staff report dated April 16, 2015.

BACKGROUND

A staff report dated April 16, 2015 pertaining to a Capital Cost Contribution Study was before the Audit & Finance Standing Committee for consideration at its meeting held on May 20, 2015.

For further information please refer to the staff report dated April 16, 2015.

DISCUSSION

The Audit & Finance Standing Committee reviewed the staff report dated April 16, 2015 at its meeting held on May 20, 2015 and forwarded the recommendation to Regional Council as outlined in this report.

FINANCIAL IMPLICATIONS

As outlined in the attached staff report dated April 16, 2015

COMMUNITY ENGAGEMENT

All meetings of the Audit & Finance Standing Committee are open to the public. The agenda and reports are provided online in advance of the meeting.

ENVIRONMENTAL IMPLICATIONS

Not applicable.

ALTERNATIVES

The Audit & Finance Standing Committee did not discuss alternatives.

ATTACHMENTS

1. Staff report dated April 16, 2015

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.

Report Prepared by: Liam MacSween, Legislative Assistant, 902.490.6521



P.O. Box 1749
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B3J 3A5 Canada

Attachment 1

Item No. 9.1.3
Audit & Finance Standing Committee
May 20, 2015

TO: Chair and Members of Audit & Finance Standing Committee
Original Signed

SUBMITTED BY: _____
Richard Butts, Chief Administrative Officer
Original Signed

Bob Bjerke, Director, Planning & Development

DATE: April 16, 2015

SUBJECT: Capital Cost Contribution Study

ORIGIN

On February 3, 2015, Regional Council directed 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.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Council approved on December 11, 2012 that all budget increases be referred to the Audit and Finance Standing Committee for review and recommendation prior to submission to Council.

Halifax Charter, section 93(1) - The Council shall make estimates of the sums that are required by the Municipality for the fiscal year; Halifax Charter, section 79(1) - Specifies areas that the Council may expend money required by the Municipality; Halifax Charter, section 35(2)(d)(i) - The CAO can only authorize budgeted expenditures within the amount determined by Council or by policy; Halifax Charter, section 120(6) - The Municipality may maintain other reserve funds for such purposes as the Council may determine; Halifax Regional Municipality policy on Changes to Cost Sharing for Capital Projects - Changes requiring Council approval; and the Halifax Regional Municipality Reserve Policy - No reserve funds will be expended without the CAO's recommendation and Council approval.

RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee recommend to Halifax Regional Council to approve an increase to operating cost centre C320 – Planning in the amount of \$200,000 including net HST, and that this increased budget be funded from a repayable loan withdrawal from the Service Improvement Reserve (Q310) for the completion of the Capital Cost Contribution (CCC) study as outlined in the Financial Implications section of this report.

BACKGROUND

Capital Cost Contributions (CCC's) are a one-time fee 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.

The amount of the charge is determined based on the level of benefit received by new development, and so CCC's are a form of user pay for future users. Capital Cost Contributions are not a tax levied on future users to cover deficiencies in existing infrastructure, and do not fund operating or maintenance costs of infrastructure or assets.

In the absence of CCC's, growth related capital costs are funded by increasing taxes, reducing services, reducing asset recapitalization, and/or reducing the number of growth related projects.

Capital Cost Contributions (also referred to as Infrastructure Charges) 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 Halifax Regional Municipality Charter ("the Charter"). Capital Cost Contributions are a development - based charge, and are either collected prior to approval of subdivision or prior to issuance of a building permit.

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. Additionally, region wide CCC's for Regional Sewer and Solid Waste Services have been adopted by Council. In 2007, the Regional Sewer Charge became the jurisdiction of Halifax Water, and was replaced 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. 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 Charter.

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. Subsequently in January, 2015 Council directed staff to develop an approach to collect Infrastructure Charges that considers all services that qualify for CCC's.

DISCUSSION

The purpose of this study is to develop an approach to collecting infrastructure charges, and describe the impact of collecting charges for the entire range of services that are enabled by the Charter.

In 2006, Regional Council adopted a framework under which to evaluate infrastructure charges. This study will begin with a review of that framework for relevancy, and then carry out an examination of CCC's including the following specific tasks:

- Develop a methodology and calculate the amount of Capital Cost Contributions;
- Provide an examination of who bears the final burden of the proposed charges: the developer, new home-buyer, or pre-developer landowner;
- Provide an examination of equity issues that arise, including assignment of benefit, inter-generational, and transitional issues that may result from the fact that previous capital is paid from existing taxes and/or rates;
- Consider the extent to which the charges should account for the full capital costs, including marginal costs related to location, land use, and density;

- Provide an examination of accountability, transparency, certainty, predictability, and administrative ease;
- Examine market impacts of new charges, the ability of different kinds of development to absorb new charges in both the long term and short term, and recommend a schedule for implementation;
- Examine the impact on the pace or location of growth as a result of a new charge, and whether the charges can be expected to be a disincentive to development in certain areas;
- Examine whether the Municipality should collect less than the maximum amount allowed, considering the cumulative impact of other government imposed costs such as levies from other utilities, changing design standards, and Provincial Sales Tax.

The study which is the subject of this report (business case) is the next step in adopting new charges pursuant to the Charter as amended in November 2014.

It is important to note that other Provinces that collect Infrastructure Charges have specific legislation detailing how to calculate a charge. In contrast the Municipality has been given broad power to collect charges, without detailed methodology or framework.

As a result, significant effort is required to determine how to calculate a charge, where to collect a charge, when to collect a charge, and what forms of development should be subject to a charge. The estimated cost of the study is \$200,000 and this cost can be recovered by future infrastructure charges.

If the funding is approved, a consultant will be retained in accordance with the Procurement Policy.

FINANCIAL IMPLICATIONS

Service Improvement Reserve, Q310

Projected available balance at March 31, 2016	\$1,292,293
Proposed withdrawal per Recommendation	<u>\$(200,000)</u>
Revised Projected net available balance, March 31, 2016	\$1,092,293

The \$200,000 from the Reserve will be recovered from future infrastructure charges. This withdrawal from the reserve is a repayable loan. The business unit and finance will coordinate the reimbursement to this reserve during fiscal 2016/17 for the full principle amount plus interest for a total repayment of \$201,139.32.

COMMUNITY ENGAGEMENT

Community engagement for the study, which is the subject of this report, will consist primarily of focused consultations with several sectors, including the development industry and business community.

Broader community engagement will be carried out during the formal by-law adoption process, if Council decides to adopt additional infrastructure charges.

ENVIRONMENTAL IMPLICATIONS

No Environmental Implications identified.

ALTERNATIVES

1. Audit and Finance Standing Committee can choose not to approve the reserve withdrawal.
2. Audit and Finance Standing Committee can choose to approve a portion of the reserve withdrawal.
3. Audit and Finance Standing Committee could recommend and approve an alternative funding source for all or a portion of the requested amount.

ATTACHMENTS

None

A copy of this report can be obtained online at <http://www.halifax.ca/boardscom/SCfinance/index.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.

Report Prepared by: Peter Duncan, P.Eng./Planning & Development Services, 902.490.5449

Original Signed

Report Approved by:

Bob Bjerke, Director and Chief Planner, Planning & Development, 902.490.1627

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Financial Approval by:

Greg Keefe, Director of Finance & ICT/CFO, 902.490.6308
