
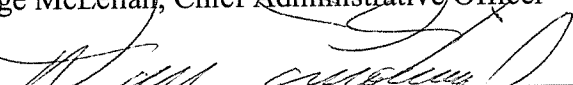


Halifax Regional Council
February 25, 2003

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


George McLellan, Chief Administrative Officer

Dan English, Deputy Chief Administrative Officer

DATE: February 20, 2003

SUBJECT: Capital Cost Contribution - Wentworth/Bedford South (Project 00558)

ORIGIN:

- On July 2, 2002, Regional Council approved a Capital Cost Contribution Policy to recover infrastructure charges in respect of the capital costs associated with new development.
- On July 9, 2002, Regional Council approved MPS amendments for the Wentworth/Bedford South master plan area which include policies to establish this as a Capital Cost Contribution area.
- On December 9, 2002, North West and Chebucto Community Councils approved a development agreement for Neighbourhoods A and C of the Wentworth/Bedford South master plan area.

RECOMMENDATIONS:

It is recommended that Halifax Regional Council:

- Give First Reading to the proposed Subdivision Bylaw amendments which apply to the former City of Halifax and Town of Bedford, as presented in Attachment 1, and Schedule a Public Hearing date for March 25, 2003.
- Adopt in principle the proposed amendments to Bylaw S-106, Respecting Sewer Charges, as presented in Attachment 2.
- Establish a Capital Cost Charge Reserve to meet the funding requirements for HRM's share of the Capital Infrastructure Costs for the Wentworth/Bedford South Charge Area, and that a formal business case be brought before Council in accordance with the Reserves Policy.

PLEASE RETAIN REPORT FOR PUBLIC HEARING

EXECUTIVE SUMMARY

This report addresses the Capital Cost Charges required before development within the Wentworth/Bedford South master plan area can proceed. The report:

- defines where the charge area is located;
- identifies the total infrastructure costs for this development;
- identifies the oversized infrastructure elements/costs in the development which will be funded by the Capital Cost Charge;
- illustrates how the charge was calculated;
- discusses risk management issues and how these have affected the proposed charge; and
- specifies HRM's share of the oversized infrastructure.

The report's recommendations:

- Propose amendments to the Halifax and Bedford subdivision bylaws in order to implement a Capital Cost Charge for this area. These amendments specify an average Capital Cost Charge for the area and the formula to calculate how much is payed at the time of subdivision. The formula and charge are based upon the proposed population of each lot. (e.g. a lot for a single family dwelling is charged substantially less than a lot for a 20 unit apartment building).
- Propose how HRM's share of the Capital Cost Charge for the oversized infrastructure will be funded. Initially, this will be done by allocating a recovery of cost already spent by HRM in the charge area to a newly established Capital Cost Charge Reserve Account. Staff will return to Council in the near future to propose further funding sources for this reserve.
- Propose amendments to the Sewer Redevelopment Bylaw so that this charge will be waived in a Capital Cost Charge area if money has already been collected through a Capital Cost Charge for oversized wastewater or stormwater infrastructure.

BACKGROUND

This report focuses on:

- the legislative mechanics required to implement the CCC policy; as well as
- the financial analysis and management practices required to implement the CCC policy.

Despite this focus we should not lose sight of the fact that Regional and Community Councils have approved a comprehensive community design for Wentworth/Bedford South and this has received broad-based support in the community. This design identifies key infrastructure components which are required in order for the master plan area to be successful while minimizing negative impacts upon existing communities. In fact, many of these infrastructure elements will benefit citizens in nearby existing communities as well as future developments in the area. It is for this reason that HRM pays a share of the oversized infrastructure costs and why a portion of these costs may be recovered from future developers.

DISCUSSION

Overview

Regional Council has approved a policy for Capital Cost Charges (CCC) and has approved the Wentworth/Bedford South Master Plan. The North West and Chebucto Community Councils approved a development agreement for the first two of six residential Neighborhoods. **Prior to this development proceeding, Regional Council has to set the Capital Cost Charge for the entire Master Plan Area.** This requires amendments to the Halifax and Bedford Subdivision Bylaws (see maps included with Attachments I and II for the Halifax and Bedford amendments respectively).

The Capital Cost Charge is used to fund oversized infrastructure such as collector roads, interchanges, and trunk sewers which are needed in the master plan area. Key objectives of the CCC Program are to:

- Provide adequate infrastructure, when it is needed by requiring the payment of the CCC prior to subdivision approval; and
- Ensure that the cost of infrastructure is borne by those who benefit from the infrastructure.

The total cost of infrastructure which is required by this development exceeds 40 million dollars.

- Of this amount, developers will pay approximately \$36 million (\$30 million for local roads and services and \$6.1 million for oversized infrastructure). These costs include engineering, contingencies, and escalation factors which consider the year in which the infrastructure will be built.
- HRM's share is \$4.7 million. This is for the oversized infrastructure that people who live outside of the master plan development will use. In other words this is the infrastructure demand which is not being created by new development within the master plan area.
- Approximately \$2.1 million of HRM's share may be recoverable from future developers outside of the charge area who may use some of the oversized infrastructure in this development. HRM's non-recoverable cost will therefore be between 2.6 - 4.7 million dollars. Under the former Cost Sharing Policy HRM's non-recoverable cost would have been \$9 million for the oversized infrastructure in this area.
- The average Capital Cost Contribution required from developers, including interest costs, is approximately \$10,900 per acre.
- HRM will recover approximately \$550,000 of previously spent funds from this charge area. These funds will be placed in a new Capital Cost Charge Reserve for this area and staff will return to Council with further recommendations for funding sources for the HRM share of oversized costs.

HRM currently levies a sewer redevelopment charge when a building is constructed to fund the upgrade and replacement of trunk sewers. Since the Capital Cost Contribution includes new and expanded trunk sewers required by the charge area, it would be an unfair burden on the cost of a new home to pay both the sewer redevelopment charge as well as a capital cost charge. As previously discussed with Council during adoption of the Capital Cost Charges policy, it is recommended that the sewer redevelopment charge be eliminated in a CCC area which has oversized wastewater and stormwater infrastructure (see Attachment III).

Infrastructure Components and Apportioned Costs

The CCC Policy provides a mechanism by which the costs associated with new oversized infrastructure can be recovered from subdividers (and other Stakeholders including HRM) who benefit from the infrastructure. The following table outlines the infrastructure and the sharing of the costs between HRM and the developers.

Infrastructure	Oversized Costs	Developers' Share	HRM's Share
New or expanded wastewater facilities	\$1,562,921	\$1,282,274	\$ 280,647
New or expanded stormwater systems	\$ 710,479	\$ 710,479	\$ 0
New or expanded streets	\$1,926,614	\$ 574,134	\$1,352,480
Upgrading intersections/interchange	\$6,440,645	\$3,453,852	\$2,986,793
New traffic signs and signals	\$ 150,627	\$ 75,314	\$ 75,313
New transit bus bays	None for this charge area	N/A	N/A
New or expanded water systems	Charged separately by HRWC	See note*	See note*
Total	\$10,791,286	\$6,096,052	\$4,695,234

* Note: HRM contributes 37% of costs for new water service extensions under the Halifax Regional Water Commission's Capital Cost Contribution policy as approved by the NS Utility and Review Board. This contribution is for oversizing of water pipes to meet fire protection requirements.

A charge for interest costs during construction is added to the above, (see Appendix C) in the amount of \$213,362.

As mentioned earlier the developers of this area are also investing an additional \$30 million for local roads, sidewalks, storm and sanitary sewer etc. Approximately \$2.1 million of HRM's share may be recoverable from future developers outside of the charge area who use some of the oversized infrastructure in this development. The most significant element which will likely be used by future developers is the new interchange.

Infrastructure Charge Calculation

The Capital Cost Charge for this area has been calculated to be \$10,893 per acre (See Attachment IV). The calculation of this charge incorporates the cost of the required oversized infrastructure, financial risks to the Municipality, timing of contributions, phasing of development, costs of financing the cash flows and any other considerations having a financial impact on the project. The cost includes \$487,670 financing costs at 6% interest for cash flow funding provided by HRM over the life of the project.

The charge for each single family home and each unit in a semi detached home or townhouse will therefore be approximately \$1,800. For each apartment building unit it will be approximately \$1,200.

Assessment of Risks

The Capital Cost Charge is the basis for recovery of costs as the project progresses. While the positive impacts of this have been noted, there are certain risks. The Primary Risk factors which were evaluated for this Charge Area and are managed within the CCC policy are described below.

1. Capital Cost Estimates

A standard engineering contingency of 15% (\$1,234,548) on the project and a 2.7% inflation factor (\$1,393,638) have been applied for a total contingency of \$2,628,186. These two measures create conservative cost estimates which will mitigate the risk of cost overruns. Nevertheless, the party responsible for constructing an infrastructure element is also responsible for managing cost overruns. The interchange is the only infrastructure component which will be constructed by HRM. Should costs exceed estimates the cost overruns will be borne by the developers. If actual costs exceed cost estimates on all other infrastructure elements these cost overruns will be borne by the developer.

2. Alternative Development Scenarios

Staff examined five scenarios to test the risks associated with project delays or changes in assumptions. Time delays in the build out of the development created only small fluctuations in the charge per acre. This indicates that time delays in build out of the master plan area create only a small risk exposure for HRM. The development build out times which were examined ranged from 13-25 years. A 7% interest rate during construction and a 6% financing rate over the life of the project were also used. The financing rate is in keeping with long term bond rates in Canada. Given the total area of development anticipated over the next 20 years and the projected population growth, a 15 year time frame is a reasonable period of time to develop this area.

In the event the development is delayed beyond the anticipated time line, cash inflows will be delayed and HRM will carry the outstanding costs already incurred. The table below illustrates two worst case scenarios. The first row shows the maximum amount of HRM's risk exposure at the point in the development where the highest negative cash flow exists. The second row of the table reflects the additional cost to HRM if following construction of the interchange in 2009, there is a complete work stoppage and HRM is required to repay the debt plus financing charges. Both of these scenarios include an analysis of risk exposure if there is no Provincial cost sharing for the interchange. It should be noted however that the Province has committed one-third cost sharing, with the remaining two-thirds split equally between HRM and the developers.

Worst Case Risk Exposure Scenarios

Scenario	15 yrs	18 yrs	18 yrs If There is No Provincial Cost Sharing for Interchange
<i>Risk Exposure:</i> Highest Point of Cost to HRM	\$3,284,056	\$3,296,997	\$3,859,843
<i>Risk Exposure:</i> If Project Stops in 2009 and Repayment of Completed Infrastructure Occurs Over 10 Years	\$4,367,794	\$4,385,006	\$5,133,591

Funding HRM's Share of Oversized Infrastructure

HRM's ability to fund our commitment to the project at key points is a risk faced by both HRM and the developers. The total HRM commitment to this project over its life is \$4,695,234. A Capital Cost Charge Reserve is proposed to reduce the risk. Staff recommends that we provide for HRM's share of the infrastructure costs in a planned approach and thereby, reduce the risk to the development. Staff will return to Council with a formal reserve business case and/or further recommendations for funding of HRM's share in the very near future.

A portion of HRM's share of the interchange costs can be recovered from future developments in the area. This amount will be based upon trips generated by new developments which utilize the new interchange. This amount is currently estimated to be \$2,090,000. It may be subject to change as future developments become more specific and Charge Areas and Charge Rates are established for them.

Royale Hemlocks and Bedford Highway Trunk Sewer

HRM invested funds towards oversized infrastructure in Royale Hemlocks subdivision and the Halifax Trunk Sewer in the Bedford Highway. This was done through the Cost Sharing policy. Council instructed staff to recover as much of this as possible from developers when the Capital Cost Charge policy was to implemented.

It has been determined that \$552,275 of HRM's investment benefits the Wentworth/Bedford South area. This money will therefore be recovered through the Wentworth/Bedford South Capital Cost Charge. This amount will form the first contribution to Capital Cost Charge Reserve.

Sewer Redevelopment Charge

It is proposed that the Sewer Redevelopment Bylaw be amended so that this charge is waived in a Capital Cost Charge area if money for oversized wastewater or stormwater sewers has already been paid through a Capital Cost Charge. The Sewer Redevelopment Charge is levied on all new buildings and additions in serviced areas. This one-time capital charge is required from new users of the sewer systems to assist in upgrading and replacing trunk sewer systems within developed areas.

The CCC Policy imposes a fair charge which is related to the direct impact of the new development upon infrastructure. New development is therefore paying for upgrades to existing sewer systems which are directly a result of their development. Imposing the Sewer

Redevelopment Charge in a CCC area which has already paid for their impact upon the sewer system would amount to double billing. Furthermore, the money collected for Sewer Redevelopment would be used to upgrade infrastructure elsewhere in the Region. Collecting both the Capital Cost Charge and Sewer Redevelopment Charge in a CCC area would be inconsistent with principle of “fairness” which underlies the CCC policy.

Eliminating the Sewer Redevelopment Charge in CCC areas where money is being collected for new sewers will not have a negative impact upon the Sewer Redevelopment Account. Since 1998, revenues from the Sewer Redevelopment Charge have doubled due to increased development activity. The Sewer Redevelopment Charge could be eliminated in areas subject to a Capital Cost Charge and the current balance of the Sewer Redevelopment Account will augment any potential shortfall.

The Sewer Redevelopment Charge will be studied in more detail during the coming year both in terms of the method of calculating and the timing of the charge.

BUDGET IMPLICATIONS

Current Year

Council has approved money in the Capital Budget to fund studies related to capital cost contribution charge areas as well as for recoverable expenditures for new infrastructure. There are no other current year budget implications.

Multi-Year

Capital project amounts totaling \$3,902,418 will be required from 2003/04 until 2013/14 with the bulk of the commitment occurring in the year of the building of the interchange now planned for 2009/10.

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. The Municipality will establish infrastructure charges to be applied to land developers and also the share of expenditures which form a regional benefit and accrue to existing taxpayers. The Municipality will identify infrastructure investment and cost-sharing through its capital budgetary process.


ATTACHMENTS

Attachment I:	A Bylaw to Amend the City of Halifax Subdivision By-law
Attachment II:	A Bylaw to Amend the Town of Bedford Subdivision By-law
Attachment III:	A Bylaw to Amend Bylaw S-106, Respecting Sewer Charges
Attachment IV:	Capital Cost Charge Calculation

Additional copies of this report, and information on its status, can be obtained by contacting the office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report prepared by: Peter Dunnean, Manager, Development Engineering, 490-6252
Catherine Sanderson, Manager of Revenue 490-6470

Report approved by: 
Paul Dunphy, Director, Planning & Development Services


Dale MacLennan, Director, Financial Services

**ATTACHMENT I:
A BYLAW TO AMEND THE HALIFAX SUBDIVISION BYLAW**

The Halifax Subdivision Bylaw is hereby amended by adding the following as Schedule "A":

SCHEDULE "A": THE WENTWORTH CHARGE AREA

1. The area known as the Wentworth Charge Area is designated as a Charge Area in which an Infrastructure Charge is to be levied ("the Wentworth Charge Area").
2. The Wentworth Charge Area includes all undeveloped lands within the area generally bounded by the Bicentennial Highway (Highway No. 102) to the west, the boundary of the former Town of Bedford to the north, the Bedford Highway (Highway No. 1) to the east and Royale Hemlocks Subdivision to the south, being the boundaries more particularly illustrated on Figure A-1.
3. The Infrastructure Charge within the Wentworth Charge Area is levied to recover Capital Costs associated with new streets and street intersections, traffic signs and signals, stormwater systems and wastewater facilities required to service the Wentworth Charge Area.
4. (1) The Infrastructure Charge for the Wentworth Charge Area shall be \$10,893 per acre based on an average density of 20 persons per acre and is adjusted for the estimated density of land being subdivided in accordance with the following formula:

$$\text{Infrastructure Charge} = \$10,893/\text{per acre} \times \text{Gross Area} \times \frac{\text{Population Density}}{20 \text{ persons per acre}}$$

- (2) For the purposes of subsection (1):
 - (a) Gross Area means the area in acres within the external boundaries of the lands (including streets, walkways and park parcels) proposed for each phase of subdivision approval;
 - (b) Population Density means the Total Projected Population divided by the Gross Area; and
 - (c) the Total Projected Population within the Gross Area shall be calculated based on the following table:

Land Use	Projected Population
Single Unit, Two Unit or Town House Unit	3.35 persons/unit
Multiple Dwelling Unit Building	2.25 persons/unit
General Commercial Building	50 persons per acre, or part thereof, for each lot
Community Commercial, Community Facility, Institutional or Mixed Use/Business Campus	30 persons per acre, or part thereof, for each lot

THIS IS TO CERTIFY that the by-law of which this a true copy was duly passed by a majority vote of the whole of Halifax Regional Council at a duly called meeting of the Halifax Regional Municipality held on _____ A.D., 2003.

GIVEN under the hand of the Municipal Clerk under the corporate seal of the said Municipality this ____ day of _____ A.D., 2003.

Vi Carmichael
Municipal Clerk

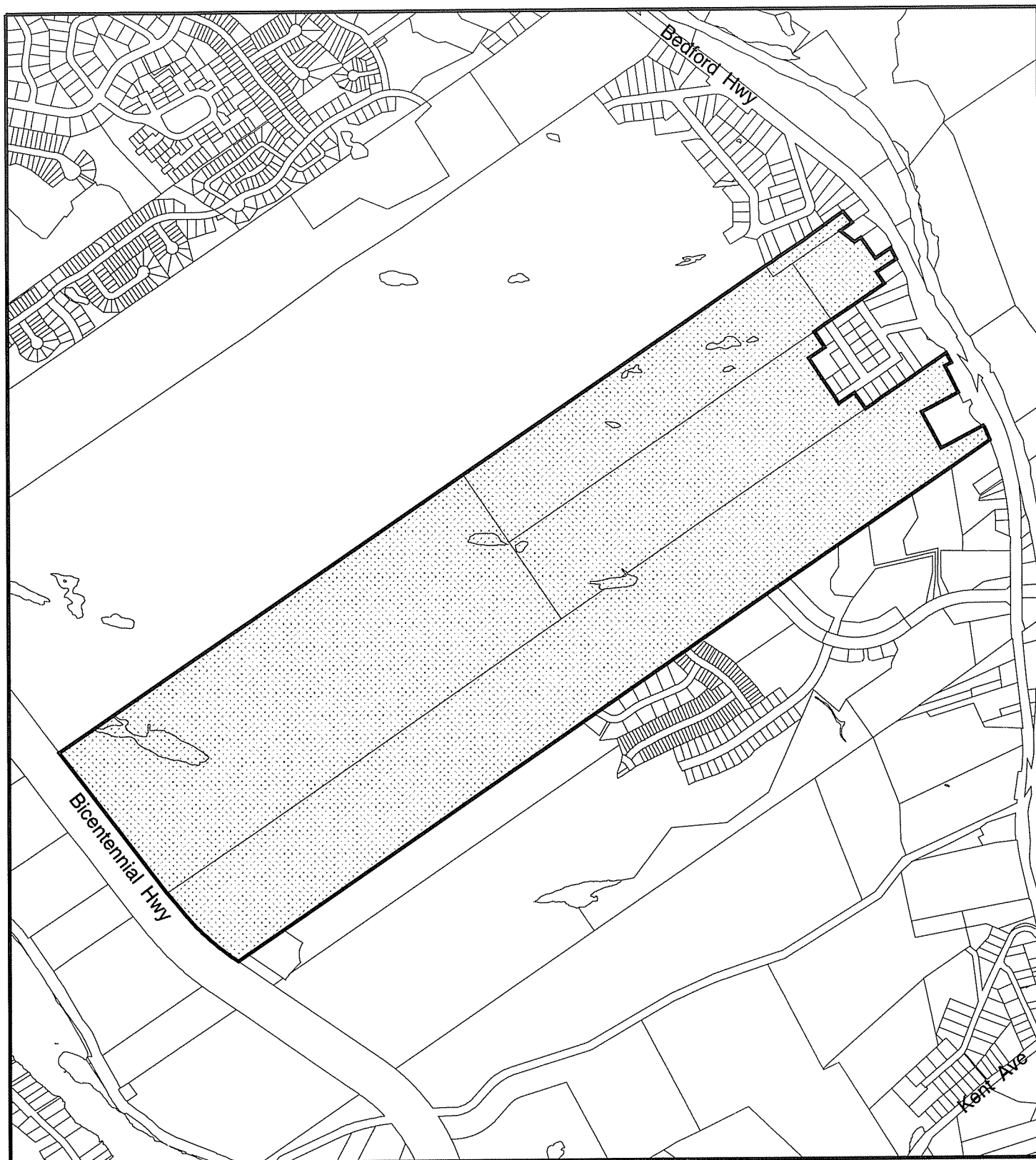



Figure A-1
Wentworth
Infrastructure Charge Area

 Lands subject to an
 Infrastructure Charge

HALIFAX
 REGIONAL MUNICIPALITY
 PLANNING AND
 DEVELOPMENT SERVICES

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



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**ATTACHMENT II:
A BYLAW TO AMEND THE BEDFORD SUBDIVISION BYLAW**

The Bedford Subdivision Bylaw is hereby amended by adding the following as Schedule “B”:

SCHEDULE “B”: THE BEDFORD SOUTH CHARGE AREA

1. The area known as the Bedford South Charge Area is designated as a Charge Area in which an Infrastructure Charge is to be levied (“the Bedford South Charge Area”).
2. The Bedford South Charge Area includes all undeveloped lands within the area generally bounded by the Bicentennial Highway (Highway No. 102) to the west, Crestview Subdivision to the north, the Bedford Highway (Highway No. 1) to the east and the boundary of the boundary of the former City of Halifax to the south, as more particularly illustrated on Figure B-2.
3. The Infrastructure Charge for the Bedford South Charge Area is levied to recover Capital Costs associated with new streets and street intersections, traffic signs and signals, stormwater systems and wastewater facilities required to service the Bedford South Charge Area.
4. (1) The Infrastructure Charge for the Bedford South Charge Area shall be \$10,893 per acre based on an average density of 20 persons per acre and is adjusted for the estimated density of land being subdivided in accordance with the following formula:

$$\text{Infrastructure Charge} = \$10,893/\text{per acre} \times \text{Gross Area} \times \frac{\text{Population Density}}{20 \text{ persons per acre}}$$

- (2) For the purposes of subsection (1):

- (a) Gross Area means the area in acres within the external boundaries of the lands (including streets, walkways and park parcels) proposed for each phase of subdivision approval;
- (b) Population Density means the Total Projected Population divided by the Gross Area; and
- (c) the Total Projected Population within the Gross Area shall be calculated based on the following table:

Land Use	Projected Population
Single Unit, Two Unit or Town House Unit	3.35 persons/unit
Multiple Dwelling Unit Building	2.25 persons/unit
General Commercial Building	50 persons per acre, or part thereof, for each lot
Community Commercial, Community Facility, Institutional or Mixed Use/Business Campus	30 persons per acre, or part thereof, for each lot

THIS IS TO CERTIFY that the by-law of which this a true copy was duly passed by a majority vote of the whole of Halifax Regional Council at a duly called meeting of the Halifax Regional Municipality held on _____ A.D., 2003.

GIVEN under the hand of the Municipal Clerk under the corporate seal of the said Municipality this ____ day of _____ A.D., 2003.

Vi Carmichael
Municipal Clerk

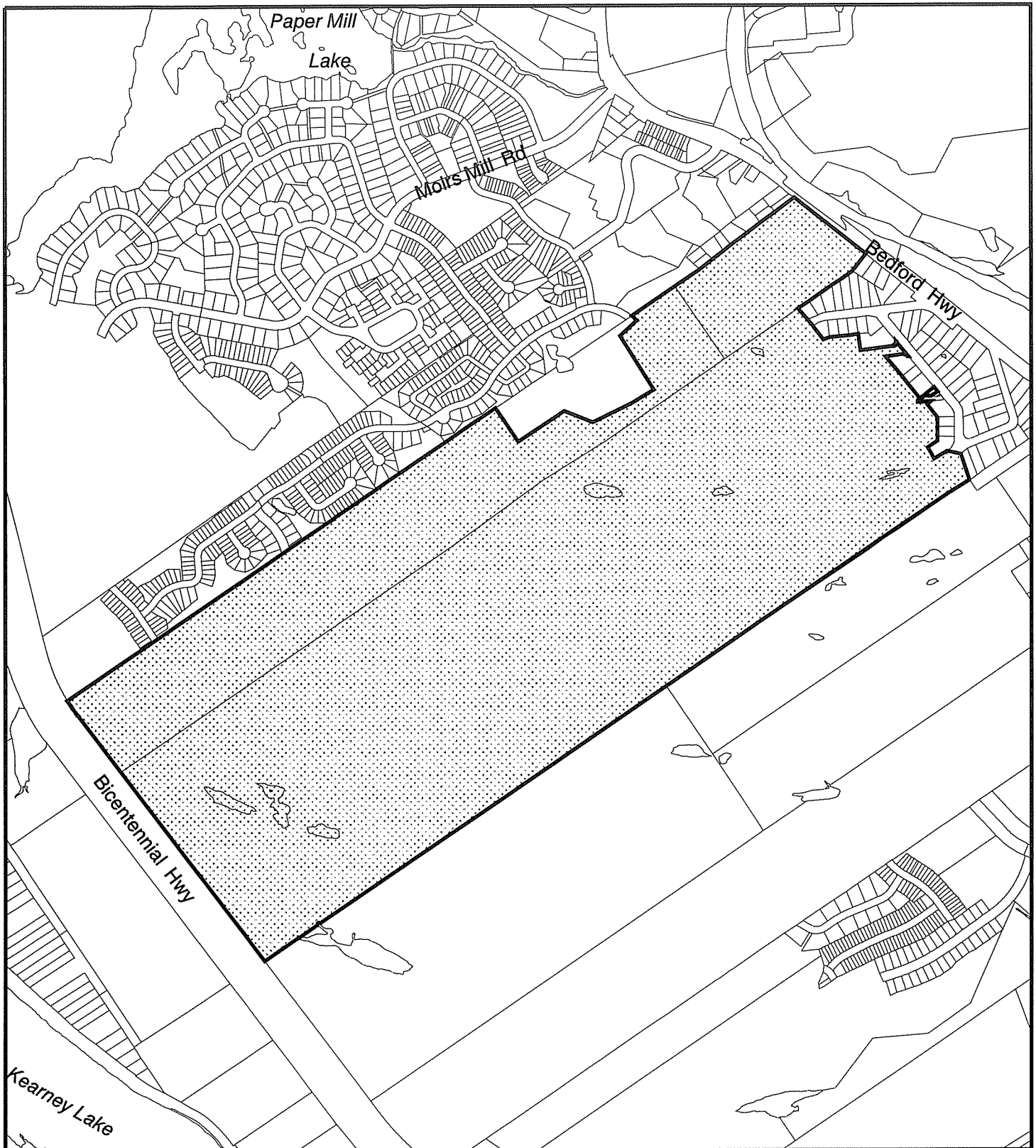




Figure B-2
Bedford South
Infrastructure Charge Area

 Lands subject to an
 Infrastructure Charge

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 DEVELOPMENT SERVICES

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



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Attachment III**HALIFAX REGIONAL MUNICIPALITY****BYLAW NUMBER S-106****RESPECTING SEWER CHARGES**

BE IT ENACTED by the Council for the Halifax Regional Municipality that By-Law S-100, the Sewer Charges Bylaw, is hereby amended as follows:

1. The said Bylaw is amended by adding the following definition:

“Infrastructure Charge” means a charge levied as a condition of subdivision approval pursuant to a by-law adopted under the authority of Section 274 of the *Municipal Government Act*.

2. Section 11 of said Bylaw S-100 is amended by adding immediately following subsection (5) the following subsection:

(6) Notwithstanding subsection (1), the payment of a sewer redevelopment charge shall not apply to buildings or building additions which are located on a parcel of land which was subject to an Infrastructure Charge containing a component related to new or expanded wastewater facilities or stormwater systems.

MAYOR

MUNICIPAL CLERK

I, Vi Carmichael, Municipal Clerk of the Halifax Regional Municipality, hereby certify that the above-noted by-law was passed at a meeting of the Halifax Regional Council held on

Vi Carmichael, Municipal Clerk

ATTACHMENT IV

Wentworth Estates Capital Cost Contribution Calculation

	San & Storm	Traffic	Total
A. Total Cost of Upsized infrastructure	\$2,273,399	\$8,517,887	\$10,791,286
TOTAL	\$2,273,399	\$8,517,887	\$10,791,286
B. Interest based on avg 1 yr construction 7%	\$69,746	\$143,615	\$213,362
C. Total Cost of Infrastructure Installed	\$2,343,146	\$8,661,502	\$11,004,648
D 1) Portion that Benefits HRM	\$280,647	\$4,414,587	\$4,695,234
SubTotal	\$2,062,499	\$4,246,915	\$6,309,414
E. Interest Charge	\$0	\$487,670	\$487,670
F. Net cost to developers	\$2,062,499	\$4,734,585	\$6,797,084
G. Gross area of land (acres)	624.0		
H. Area of land not developable	0.0		
I. Area of developable land	624.0	624.0	
J. Development Charge per acre			\$10,893
K. Total Density based on 20 ppa	12,480		
L. Avg Density	20.0		

Financing Model

* HRM has already invested \$792,816 in oversized Sewer and Streets for Royale Hemlocks; \$552,275 of that will be recovered from this charge area and will form the initial contribution to the reserve fund