

Prepared for
Halifax Regional Municipality

Consulting Services for
Final Report
Infrastructure Charges Study

Prepared by
SGE Acres Limited

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Executive Summary

SGE Acres Limited, in association with Enid Slack Consulting Inc. and Harry Kitchen, were retained by the Halifax Regional Municipality (HRM) to provide policy guidance on possible changes to municipal policy and regulations concerning infrastructure charges. An infrastructure charge (also known as a development charge) is a specific dollar value per lot or per hectare or acre that a municipality imposes on a developer to finance the **off-site capital costs associated with new development**. It is not a charge to finance ongoing maintenance or operational costs. The main purpose of infrastructure charges is to cover growth-related costs of new development. If there is a housing affordability issue, it must be dealt with in different ways.

The SGE Acres Team was instructed to make infrastructure charges policy guidance recommendations on:

- Best practices; including changes to the *Municipal Government Act (MGA)*, policy, methodology and by-laws;
- Integration of a broader base of infrastructure charges into HRM's financial planning and revenue strategy; and
- Transitional issues.

A focus of the study is an assessment of the feasibility of expanding HRM's Capital Cost Contribution (CCC) Program and how these infrastructure charges relate to the regulatory setting in other cities and housing affordability in the local setting.

The key findings of this study are listed below.

- The *MGA* contains two sections that specify how HRM can apply infrastructure charges: Section 81 deals with by-laws regarding the payment of charges for wastewater systems, stormwater systems, water systems, roads, major tree removal programs and underground electrical power distribution. Sections 274 to 276 enable infrastructure charges for water systems, wastewater facilities, stormwater systems, traffic signals and transit bus bays.
- HRM's Capital Cost Contribution (CCC) policy was adopted in 2002 using policies under Sections 274 to 276 of the *MGA* and is outlined in the report, *Infrastructure Charges Best Practices Guide, A Capital Cost Contribution Policy*. It has been applied on three master planning areas (Bedford South, Bedford West and Morris/Russell Lake).
- HRM uses part of the powers under Sections 274, 275 and 276 of the *MGA* for the application of infrastructure charges. Regional Wastewater Treatment Facilities have not been recovered to date and they can be added

to master planning areas under the *Act's* subdivision by-law provisions (Sections 274 to 276) or service specific by-law provisions (Section 81). Sewer services and community treatment plants are addressed by policy 8.2 in the Best Practices Guide for community facilities.

- HRM also currently uses part of the powers under Section 81 of the *MGA* for sewer redevelopment charges and local improvement charges such as sidewalks. However, these charges do not include the full scope of this section of the *Act*.
- Sections 81, and 274 to 276, provide for the introduction of infrastructure charges related to water, sanitary and storm services for both new development and redevelopment (infill) projects. Section 81 also allows for charges related to roads but not regional transportation infrastructure such as fast ferries. The application of charges for other services will require amendments to the *MGA* and must be growth-related and defensible.
- In 2006, Regional Council approved the Regional Municipal Planning Strategy (MPS). This document is the first regional plan for Halifax since the mid 1970s and will result in a different form of land use and development. The distribution of new growth under the Regional MPS will guide the application of infrastructure charges. This growth will be among a hierarchy of urban, suburban and rural centres. About one-quarter of the baseline growth will occur within the Regional Centre which is defined as Peninsular Halifax and Downtown Dartmouth within the Circumferential Highway. Outside of this core, 50% of the growth will be directed to suburban areas and 25% to rural areas.

Projected Housing Demand By Type and Sub-Region, 2001 – 2026				
Sub-Region	Single & Semis	Row	Apartments & Others	Total
Urban	3,428	1,715	9,911	15,054
Suburban	18,851	735	11,013	30,599
Rural	11,996	-	1,101	13,098
Total	34,275	2,450	22,025	58,750
Source: Table 1-2, HRM Regional MPS – Draft 2, November 2005.				

- The Regional MPS acknowledges that non-property taxation is important in the delivery of critical infrastructure with the resulting benefit of more efficient settlement patterns. A Finance Functional Plan will be prepared under the Regional MPS to address such matters as extending the CCC policy, establishing a 25-year debt plan and setting up a new framework for reserve funds.
- Infrastructure charges in HRM need to cover all types of development, including infill and subdivisions. The introduction of infrastructure charges can be justified under the benefits principle for financing local

development: growth should pay for itself and not be a burden on existing residents. Under this principle, charges are only justified to the extent that they recover the capital costs needed to service new growth. Infrastructure charges can also be evaluated with respect to their incidence (who bears the final burden), equity, efficiency, accountability and transparency, certainty and predictability, and administrative ease.

- Infrastructure charges are designed to cover the growth-related capital costs associated with new development or redevelopment. In theory, this means that any capital costs that are needed because of growth should be included in the charge. In reality, however, some costs are easier to assign to growth than others. Therefore, it is necessary to establish standards to ensure growth-related services are similar to existing services. For example, it is not difficult to determine the proportion of costs that are growth-related for “hard services” such as water, sewers and roads. There are some “grey areas,” however, with respect to what is growth-related. For example, the expansion of a municipally-owned museum is unlikely to be fully attributable to growth and determining the proportion that is attributable to growth may be difficult. When municipalities in Ontario were historically permitted to levy development charges for museums, city halls, etc., it was often these services that resulted in challenges by developers.
- Service standards are important. Examples of service standards used in other provinces include the average standard over the past 10 (or five) years, the highest standard achieved in the last 10 (or five) years, or the standard in the current year. Experience in other jurisdictions indicates that there are problems with using the highest level of service in the last 10 years. For many services, the highest level occurred in a year in which there was a major capital expansion. To the extent that facilities were built to accommodate future growth, the levels of service in that year may contain a significant amount of excess capacity.
- Charges are generally only imposed on the net capital costs to prevent charges on new development that have already been funded from other sources. To determine net capital costs on a service by service basis, an estimate of future grants, subsidies, and fees must be deducted from total capital costs.
- Infrastructure charges can be imposed on a uniform or area-wide basis. A uniform charge is one that averages all of the costs within a property category (urban, rural, residential, commercial, etc.) over all development. This is the approach widely used in Ontario. All developments are charged the same amount. When specific projects have higher costs that are unique to those projects, it is possible to have separate areas for charging purposes. Under area-wide charges, each development pays the costs imposed by that development rather than averaging the costs over the

municipality. This is the common approach used in Alberta and British Columbia.

- A further option is to create a “blended charge” that incorporates both a uniform region-wide charge for services where there are similar costs for all new developments in the region and area-specific charges where costs differ by area of the municipality.
- Under the CCC policy, HRM is using the area-wide approach but Section 81 of the *MGA* will allow the introduction of uniform charges or blended charges (a combination of area-wide and uniform charges).
- Although some form of development charge is levied in a number of provinces, they are most widely used in Ontario, British Columbia (BC) and Alberta. In comparison to these provinces, HRM’s use of charges is limited.

Comparison of Chargeable Services				
Charge Item	HRM	Ontario	Alberta	BC
Water Supply*	X	X	X	X
Waste & Storm Water Services	X	X	X	X
Highways & Roads	X	X	X	X
Electrical Power		X		
Fire Services		X		
Master Plans	X	X		
Libraries		X		
Recreation		X		
Works Yards		X		
Transit Facilities		X		
Parkland			X	X
Day Care Facilities**				X
Affordable Replacement Housing**				X
Transit Bus Bays	X			
Rolling Stock & Equipment		X		
Interest Costs	X	X	X	X***
*In HRM, supplier is the Halifax Regional Water Commission				
**Vancouver Only				
***Interim Debt Financing				

- A key question concerning the expansion of infrastructure charges from the current CCC policy, and very selective applications under Section 81 of the *MGA* is the impact on housing affordability and new housing tax burden. HRM has the highest tax regime on new housing in comparison to other major urban centres in Canada. This regime is not a result of HRM imposed charges but the Province of Nova Scotia’s 15% harmonized sales tax (HST) which was reduced to 14% on July 1, 2006. This tax structure

means that around \$19,300 of costs on an average new house in HRM in 2004 (\$263,665) is not a result of municipal charges and the GST. If the provincial sales tax on new housing in HRM were closer to the national average for major urban centres across Canada, then the provincial tax would be in the range of \$6,300.

- Relatively low municipal taxes in HRM mean that the average annual tax burden on an average house (MLS average) and representative of entry level new housing in HRM is similar to the national average for larger urban centres. However, the cost to purchase and mortgage finance (10% equity) an average new house over the 2002 to 2005 period requires household income in the range of \$61,630 to \$67,940 which is below the HRM average of \$71,763 for current homeowners (2001 Census) but above the average for all households. The result is capacity by some households to absorb additional infrastructure charges.
- Any increase in housing costs above net increases in household income will impact on affordability and require purchasers to pursue alternative cost reduction options such as extending the mortgage term, postponing housing finishing purchases or seeking equity from family or friends. Research conducted by HRM from Statistics Canada custom tabulations reveals that every \$1,000 (net) increase in housing costs will negatively impact on the purchase intentions of 450 households. This relationship between housing price increase and affordability suggests that HRM should focus new infrastructure charges on “hard” services that are needed for new growth.
- Growth in population necessitates capital expenditures in a wide range of municipal services. These services for HRM include:
 - Waste and Storm Water
 - Solid Waste
 - Roads/Regional Transportation Infrastructure
 - Transit
 - Police
 - Fire Services
 - Recreation
 - Libraries
 - Regional Parks
 - Municipal Buildings
 - Convention and Meeting Venues
 - Tourism Facilities
 - Cultural Facilities.
- A business case could be crafted by HRM for growth-related costs for all of these services based upon such factors as equity, efficiency, accountability and transparency, and certainty and predictability. **The**

difference between these areas is the extent to which the service is needed for growth to occur, legislative status (allowed or amendments required) under the *MGA*, the presence or absence of standards in HRM and hence the ability to identify and calculate a growth-related component. Ease of calculation also results in greater public acceptability and lower risk exposures (appeals).

- The following exhibit shows potential services on a continuum from what is essential for growth to occur to what is less essential and more discretionary. Group 1 contains high cost “hard” municipal services that are essential for growth, have established standards in HRM, are easy to calculate, and are permitted under the *MGA*. Group 2 contains other “hard” services that are also essential for growth, have established standards and are also easy to calculate but require amendments to the *MGA*. Within this group, regional transportation infrastructure includes roads (allowed under Section 81 of the *MGA*) as well as the growth-related part of other services such as a fast ferry. Similar to Group 1, services in this group are relatively high cost. Group 3 contains services that are somewhat less essential for growth to occur, have established standards, are lower cost and may be more difficult to calculate the growth-related component. Charges for these services would require amendments to the *MGA*. Group 4 contains services that are less essential for growth to occur and will require HRM to set standards prior to implementation. These services would also require *MGA* amendments. Group 5 contains a range of “soft” municipal services that are not essential for growth to occur and are discretionary. These services would require standards prior to implementation and it would be difficult to calculate the growth-related component. This group would require amendments to the *MGA* and experience in other provinces suggests these services can be very controversial and open to appeal if included in development charges.
- Based upon this ranking and the legislative framework of the *MGA*, it is recommended that HRM focus on the services in Groups 1 and 2, and possibly expand into Group 3. Group 4 could also be considered once service standards are prepared for all of HRM.

Range of Services for Infrastructure Charges				
Group 1 Essential “Hard” High Cost Services With Standards: Permitted Under MGA	Group 2 Essential “Hard” High Cost Services With Standards: Will Require MGA Amendments	Group 3 Less Essential Other Services With Standards: Will Require MGA Amendments	Group 4 Discretionary “Soft” Services That Require HRM Standards & MGA Amendments	Group 5 Discretionary “Soft” Services That Require HRM Standards, MGA Amendments & Are Difficult To Calculate
<ul style="list-style-type: none"> • Waste & Storm Water 	<ul style="list-style-type: none"> • Solid Waste • Regional Transportation Infrastructure • Transit 	<ul style="list-style-type: none"> • Police • Fire Services 	<ul style="list-style-type: none"> • Recreation • Libraries • Regional Parks 	<ul style="list-style-type: none"> • Municipal Buildings • Convention & Meeting Venues • Tourism Facilities • Cultural Facilities

- Under current powers in the *MGA*, and the framework established in the Regional MPS and its supporting Financing Plan and Revenue Strategy, HRM has the option to expand the current CCC policy to include sewage treatment or use Section 81 to craft new region-wide wastewater and stormwater by-laws. The preferred approach is to introduce region-wide by-laws that can have different charge rates for urban (including infill), suburban and rural areas that reflect excepted growth in the Regional Centre and other urban, suburban and rural settlement designations in the Regional MPS. The result will be a blended charge rate.
- A logical starting point for a new policy is the preparation of a new region-wide sewage treatment by-law that is applied to all new development (including infill) in HRM. This by-law would be in addition to the current CCC policy for master planning areas.
- With amendments to the *MGA*, HRM could prepare region-wide by-laws for solid waste (sanitary landfill), transit and regional transportation infrastructure that are directly linked to settlement designations in the Regional MPS. All of these major cost items must be designed and constructed to meet a growing population and employment base, and growth-related demand can be easily calculated. For example, growth-related demand for a new fast ferry service from Bedford to Downtown Halifax can include a growth-related cost component under a transit by-law that is applied to this new service’s catchment area.

- Based upon the research conducted in this report, it is recommended that:
 1. HRM should consider expanding the application of the current Capital Cost Contribution (CCC) charges to include:
 - sewer services,
 - solid waste,
 - transit and
 - regional transportation infrastructure.
 2. Any expanded application of the current Capital Cost Contribution Program should include all types of development, including infill development and subdivisions.
 3. The charges should be based upon clearly defined standards of service.
 4. Capital Cost Contribution charges should be reviewed every five years to ensure that they are meeting all of the growth-related capital requirements.
 5. Capital Cost Contribution charges should be placed in reserve funds. These funds should be dedicated to specific capital projects as set out in the calculation of the Capital Cost Contribution charges.
 6. Where growth-related capital costs vary by location, CCC's should be applied on a development by development basis. Where growth-related capital costs are the same across the region, a uniform region-wide rate should apply.
 7. Capital Cost Contribution charges should reflect variations in the costs of servicing different property types (single family dwellings, apartments, commercial and industrial properties).

1 Introduction

1.1 Scope of Work



SGE Acres Limited, in association with Enid Slack Consulting Inc. and Harry Kitchen, were retained in 2006 by the Halifax Regional Municipality (HRM) to provide policy guidance on possible changes to municipal policy and regulations concerning infrastructure charges.

An infrastructure charge (also known as a development cost charge, development levy and off-site levy) is a specific dollar value per lot or per hectare or acre that a municipality imposes on a developer to finance the **off-site capital costs¹ associated with new development**. It is not a charge to finance ongoing maintenance or operational costs. The main purpose of infrastructure charges is to cover growth-related costs of new development. If there is a housing affordability issue, it must be dealt with in different ways.

In some jurisdictions, the charge also applies to redevelopment. Historically in Canadian urban municipalities, charges have been levied to finance the so-called “hard” services such as water supply systems, sewage treatment plants, trunk mains and roads. Calculating growth-related charges for these services is relatively simple because the beneficiaries are easily identified. On occasion, development charges are used to finance the capital costs of libraries, city halls, museums, parks and recreational facilities that are required as a result of new growth. Unlike hard services, it is more difficult to identify the portion of costs related to these “soft” services that result from growth.

The SGE Acres Team was instructed to make infrastructure charges policy guidance recommendations on:

- Best practices; including changes to the *Municipal Government Act (MGA)*, policy, methodology and by-laws;
- Integration of a broader base of infrastructure charges into HRM’s financial planning and revenue strategy; and
- Transitional issues.

A focus of the study is an assessment of the feasibility of expanding HRM’s Capital Cost Contribution (CCC) Program and how these infrastructure charges relate to the regulatory setting in other cities and housing affordability in the local setting.

The study does not include an assessment of water as this service is provided by the Halifax Regional Water Commission and regulated by the Nova Scotia Utility and Review Board.

1.2 Report Organization

The report is presented in six sections. Section 1 outlines the regulatory regime for infrastructure charges in HRM. Section 2, Rationale For Infrastructure Charges, outlines how charges are justified while Section 3, Methodology For Calculating Charges, contains a step-by-step process for determining new infrastructure charges in HRM. Section 4, Development Charges In Ontario, BC and Alberta, is a case study of how charges are levied in three provinces with well established practices for the application and administration of infrastructure charges. Section 5, Comments On New Housing Tax Burden, includes a national comparison of government imposed costs on housing development in HRM to other urban areas. Section 6, Recommendations, contains policy guidance on how a broader base of growth-related infrastructure charges can be applied to new development.

1.3 Enabling Legislation

The *Municipal Government Act* contains two sections that clearly define how HRM can apply infrastructure charges: Section 81 deals with by-laws regarding the payment of charges and Sections 274 to 276 enable infrastructure charges.

HRM's Capital Cost Contribution (CCC) Policy was adopted in 2002 using policies under Sections 274 to 276 of the *MGA* and is outlined in the report, *Infrastructure Charges Best Practices Guide, A Capital Cost Contribution Policy*. This administrative policy is based upon a charge area approach that is also used by the Halifax Regional Water Commission which functions as a regulated utility under the jurisdiction of the Nova Scotia Utility and Review Board. Under HRM's approach, a master planning area must be designated for the application of infrastructure charges. Bedford South, Bedford West and Morris/Russell Lake (including Portland Hills) have master planning designations.

For a specific master planning area, a developer's cost is based upon demand created by the new development and HRM's cost is based upon demand created by existing development. A charge area under the CCC policy is defined on a project by project basis to calculate the off-site and growth-related costs associated with new development. The Best Practices Guide provides a methodology for determining the boundary.

1.3.1 Sections 274, 275 and 276 - Infrastructure Charges

These sections enable HRM to implement the current Capital Cost Contribution Charge (CCC) policy for master planning areas. These parts of the *Act* state that a Municipal Planning Strategy (MPS) may authorize the inclusion of infrastructure charges in a subdivision by-law that relate to the

capital costs (all or part) for new or expanded infrastructure for the future development of land that relate to:

- Water systems;
- Wastewater facilities;
- Stormwater systems;
- Streets; and
- Traffic signs and signals and transit bus bays (new only).

The subdivision by-law must define an infrastructure charge area and then specify the purpose of the levy and the method of calculation for each infrastructure charge. The charges can only be used for the purposes for which they are collected and can be set at different levels based upon the proposed land use, zoning, lot size and number of lots in the subdivision. HRM's costs for calculating the charges can include land, studies, engineering, surveying and legal fees. However, new infrastructure charges cannot be imposed on top of other infrastructure charge unless further subdivision of the land will result in additional costs to HRM.

These sections of the *MGA* also set out the administrative procedures for infrastructure charges agreements. HRM and the developer (applicant) may enter into an infrastructure charges agreement for on and off-site services that:

- Provides for the payment of charges in installments;
- Permits the developer to provide certain services and/or extend services in lieu of payment for all or part of the charge; and
- Provides for security to ensure that the infrastructure charges are paid when due.

The agreement is binding on the land that is subdivided and is registered pursuant to the *Land Registration Act*.

1.3.2 Section 81 - By-Law Regarding Payment of Charges

Under this section of the *MGA*, Regional Council can make by-laws imposing, fixing and defining the method of payment for charges related to HRM's portion of:

- Wastewater facilities and stormwater systems;
- Capital costs of water system installation;
- Streets; including curbs and gutters, sidewalks, culverts, bridges and retaining walls (including new construction, repair, maintenance and improvements);
- Major trees removal programs; and
- Capital costs of underground electrical power distribution systems.

HRM uses part of the powers under Section 81 of the *MGA* for sewer redevelopment charges and local improvement charges such as sidewalks.

Regional Council also has the power to define sewer system and wastewater facility loads by various building types and levy a one-time redevelopment charge to pay for additional works to accommodate the effluent from the buildings. In addition, Regional Council can impose a one-time oversized sewer and storm drainage charge that is payable when the property is serviced. The charges can be calculated by frontage, area, assessment or other methods set out in a by-law. The charges can also vary by type of development and differ by location in the Regional Municipality. The charges will be collected in the same manner as taxes and no property is exempt except property of Her Majesty in right of the Province of Nova Scotia.

No approval is required from the Nova Scotia Utility and Review Board for any charge imposed or fixed as a result of Sections 81, 274, 275 and 276 of the *Act*.

1.3.3 HRM's Use of Enabling Legislation

HRM uses part of the powers under Sections 81, 274, 275 and 276 for the application of infrastructure charges. Regional Wastewater Treatment Facilities have not been recovered to date and they can be added to master planning areas under the *Act's* subdivision by-law provisions (Sections 274 to 276) or service specific by-law provisions (Section 81). Sewer services and community treatment plants are addressed by policy 8.2 in the Best Practices Guide for community facilities.

Sections 81 and 274 to 276 provide for the introduction of infrastructure charges related to water, sanitary and storm services for both new development and redevelopment (infill) projects. The application of charges for other services will require amendments to the *MGA* and must be growth-related and defensible.

There is precedent for HRM applying the CCC methodology to an area rate for the MicMac Mall area of the Capital District to solve a localized traffic problem. HRM applied user pay principles and local improvement charges to have the owner of this regional shopping mall pay 75% of the improvement costs.

1.4 Other Charges On New Development

HRM was formed in 1996 with the amalgamation of the former Cities of Halifax and Dartmouth, Town of Bedford and Municipality of the County of Halifax. Each of these units had different approaches to calculating or collecting levies, fees and charges on new development. Some of these legacy charges were expanded from one of the former units to all of HRM

while other charges were abandoned and new charges were introduced. The result is an administrative structure that is evolving towards standardization for land dedication, development application and processing fees, building permit fees and infrastructure charges.

1.4.1 Land Dedication

A 10% land dedication is the norm for new land development in HRM.

1.4.2 Development Application and Processing Fees

The subdivision review fee under the subdivision by-law has a region-wide fee schedule for concept application, tentative application, amended application and repeal application (all \$250). The final application fee is:

- Up to 10 Lots: \$250
- Up to 20 Lots: \$500
- Up to 50 Lots: \$1,000
- Over 50 Lots: \$1,500.

1.4.3 Building Permit Fees and Redevelopment Charges

The former City of Halifax started applying a sewer redevelopment charge in the 1970s and it was expanded to all of HRM after amalgamation under Section 81 of the *MGA*. The charge is \$0.30 per square foot and this rate has not been increased since being applied by the City of Halifax. There is also an additional building permit fee of \$0.30 plus \$0.10 per square foot charge for basements and garages. Others include a plumbing permit fee (\$50 per unit for buildings of four or less units and \$25 per unit for buildings with five or more units), a grade alteration permit (\$75 for areas on central sewers), a water service lateral inspection fee (\$30 for the Halifax Regional Water Commission), a \$100 streets and services permit, a \$250 future services charge and a \$100 occupancy permit (if building is over one year old).

While outside the scope of this study, HRM should investigate the feasibility of setting up an administrative and regulatory structure for infrastructure renewal charges that is based on current costs and is easy-to-administer. The sewer redevelopment charge is based on costs in the 1970s and, applying the consumer price index, the charge should now be in the range of \$1.50 per square foot. The result is insufficient funding for sewer redevelopment and no sustainable funding for the renewal of roads, sanitary and storm (ditch and pipe) systems.ⁱⁱ

1.5 Regional Municipal Planning Strategy (MPS)



In 2006, Regional Council approved the Regional MPS. This document is the first regional plan for Halifax since the mid 1970s and will result in a different form of land use and development.

The Regional MPS assumes that the baseline population of HRM should increase by 84,000 over the period from 2001 to 2026. During the same period, this baseline is expected to result in an increase in the employed population of 38,000 which reflects an overall aging population and a decline in the labour force participation rate. In comparison to current conditions, the percentage of the population aged 65 years and over will more than double while average annual immigration will increase from 750 to 3,500.

The distribution of new growth will directly impact on HRM's approach to infrastructure charges. This growth will be between a hierarchy of urban, suburban and rural centres. About one-quarter of the baseline growth will occur within the Regional Centre (see Map 1) which is defined as Peninsular Halifax and Downtown Dartmouth within the Circumferential Highway. Outside of this core, 50% of the growth will be directed to suburban areas and 25% to rural areas. This distribution means that urban infill projects must be included in new growth-related charges.

Sub-Region	Single & Semis	Row	Apartments & Others	Total
Urban	3,428	1,715	9,911	15,054
Suburban	18,851	735	11,013	30,599
Rural	11,996	-	1,101	13,098
Total	34,275	2,450	22,025	58,750

Source: Table 1-2, HRM Regional MPS – Draft 2, November 2005.

Another important strategic consideration for an infrastructure charge is the Regional MPS conclusion that status quo conditions within 18 Community Planning Strategies are not a going-forward option as existing development patterns are not efficient and place too great a reliance on the automobile. Under the new plan, a transportation network will be developed that blends road construction and maintenance with transit and parking facilities, active transportation and alternative modes of movement. Infrastructure will also support the selected settlement pattern. Prior to the new plan, HRM designated three greenfield sites for new mixed use communities that are covered by CCC charges. They are Bedford South, Bedford West and Morris/Russell Lake.

There are five Urban Settlement Designation:

- Regional Centre
- Urban District Centres
- Suburban District Centres
- Urban Local Centres
- Suburban Local Centres.

The form of new development will be more compact with a greater emphasis on neighbourhoods within walking distance to commercial areas and transit facilities that could include new public parking facilities. The plan also contains Rural Settlement Designations that define the form of growth within the rural areas of HRM. There are three rural designations:

- Rural Commuter
- Rural Resource
- Agricultural.

The Rural Commuter designation encompasses communities within commuting distance of the Regional Centre which are significantly influenced by suburban-type residential development. The intent of this designation is to focus low to medium density uses within specific centres. Three classifications (Rural Commuter Centre, Rural Commuter District Centre and Rural Commuter Local Centre) are included in the new plan.

Infrastructure charges need to cover all types of development, including infill and subdivisions, and the distribution of growth under the Regional MPS provides a basis to frame a new policy. Exhibit 1.2 defines the settlement areas and comments on aspects of the new plan that will influence the application of infrastructure charges.

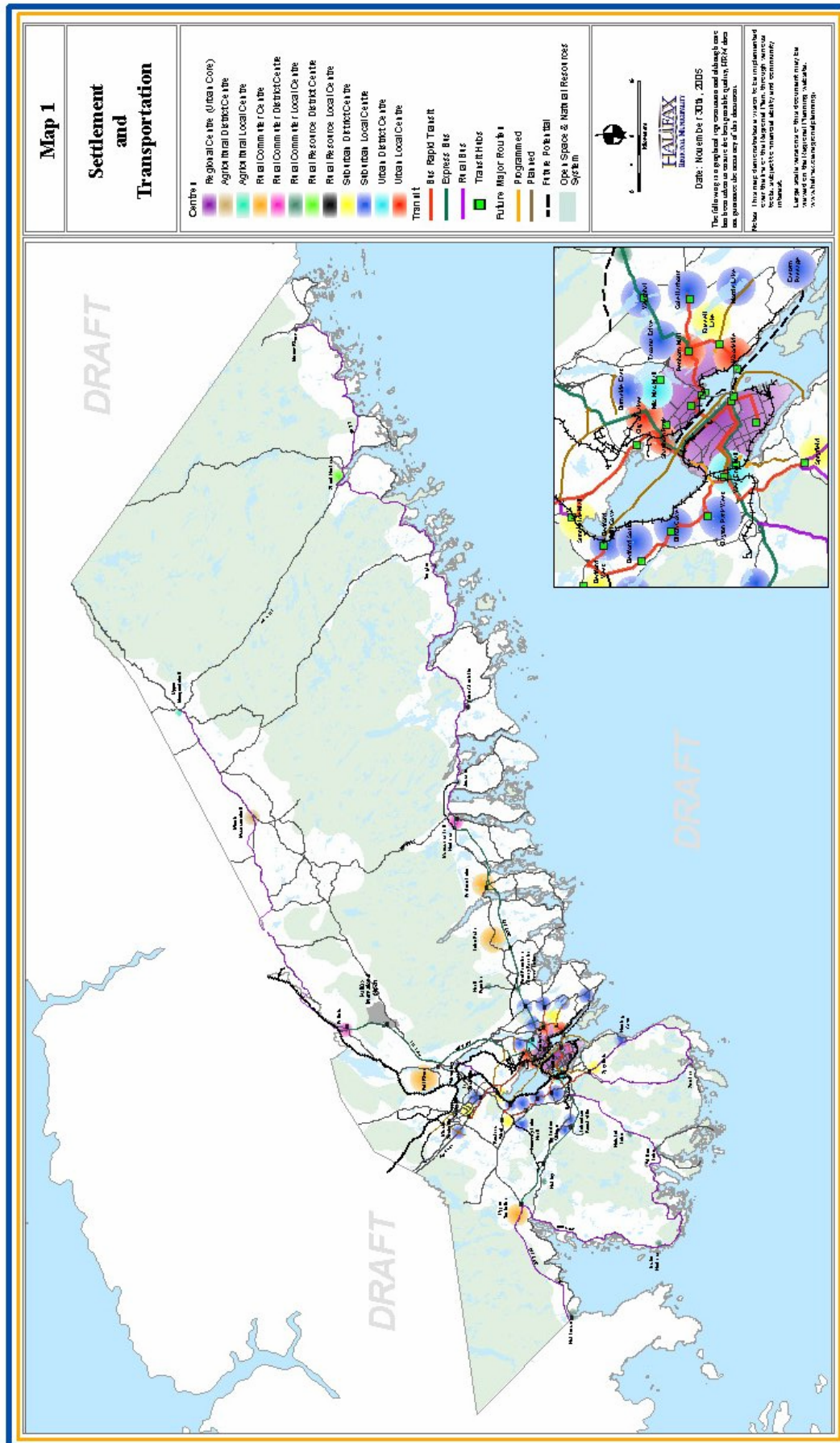


Exhibit 1.2		
The New Regional MPS Will Frame Infrastructure Charges		
Designation and Policy Statement(s)	Area (Geographic or Functional)	Comments
Regional Centre S-1 (a) – Urban Settlement Designation: Regional Centre	Peninsula Halifax, Downtown Dartmouth (Within Hwy. 111).	Economic Policy EC – 2 states that a Halifax Harbour Designation will be established and Policy EC-20 states that HRM shall participate in the planning assessment of the Shannon Park property while Policy EC-29 states that HRM shall initiate a detailed Secondary Planning Process for the Northwest Arm.
Urban District Centres S-1 (b) – Urban Settlement Designation: Urban District Centres	All lands in and around MicMac Mall and West End Regional Shopping Centre.	Higher order transit shall be provided to and from these centres, and throughout the Regional Centre. Parking will be part of this strategy.
Suburban District Centres S-1 (c) – Urban Settlement Designation: Suburban District Centres	Lands in and around Bedford Place Mall/Sunnyside, Sackville Acadia Centre, Bedford West (new) and Russell Lake (new).	Higher order transit will be provided from these centres to other centres and the Regional Centre. Surface park and ride or parking structures as well as street or side yard parking for pedestrian oriented retail will be provided.
Urban Local Centres S-1 (d) – Urban Settlement Designation: Urban Local Centres	Lands in and around the City of Lakes Business Park, Penhorn Mall, Morris Lake, Shannon Park and Woodside.	All day transit to connect to other centres and Regional Centre. Shared surface parking or parking structures for park and ride and commercial uses to be provided.
Suburban Local Centres S-1 (e) – Urban Settlement Designation: Suburban Local Centres	Lands in and around Bedford Mill Cove, Bedford South, Kearney Lake North, Birch Cove, Clayton Park West, Cole Harbour, Burnside East, Eastern Passage, Herring Cove, Lower Sackville, Middle Sackville, Morris Lake, Spryfield, Tacoma Drive and Westphal.	Designation of Beechville and Timberlea under review (determination of service area boundary for lands tributary to the Nine Mile River STP). All day transit to connect to other centres and Regional Centre. Surface park and ride or parking structures and street or side yard parking for pedestrian-oriented retail will be provided.
Community Planning Strategies For All Urban Settlement Designations S 2 – Future Detailed Planning	All designated centres.	Community Planning Strategies will be completed that will define specific boundaries, population targets and detailed design policies related to layout, permitted uses, development densities and implementation mechanisms. Economic Policy EC-35 states that residential development may be considered for certain lands east and north of the Burnside Business Park under Comprehensive Development District policies of the existing secondary planning strategy. Through the Business Parks Development Functional Plan, HRM will develop a list of infrastructure projects that may include the Sackville Expressway.
Urban Reserve Designation S-4 – Urban Reserve Designation	Lands abutting (outside) the Urban Settlement Designation which could be serviced in the future.	Policy seeks to ensure an adequate supply of serviced land beyond 25 years. Four areas have been identified: lands surrounding the Home for Coloured Children (Cole Harbour/Westphal), Anderson Lake, Governor Lake North (Timberlea) and Kidston Lake.
Rural Commuter Centres S-6 (a) – Rural Commuter Designation: Rural Commuter Centres	Lands within Fall River, Lake Echo, Porters Lake and Upper Tantallon.	Focus is on low density residential development with communal septic systems and possibly central water services. Policy S-11 shall establish a Comprehensive Development District (CDD) Zone under the Regional Land Use By-Law in Fall River, Lake Echo, Porters Lake and Tantallon to protect lands as a focal point for transit oriented design development.

		Park and ride, express bus to Regional Centre, shared parking for park and ride and commercial uses will be provided.
Rural Commuter District Centres S-6 (b) – Rural Commuter Designation: Rural Commuter District Centres	Lands within Enfield and Musquodoboit Harbour.	<p>Greater densities will be encouraged than in the surrounding area.</p> <p>Park and ride, express bus to Regional and other Centres, shared parking for park and ride and commercial uses will be provided.</p>
Rural Commuter Local Centres S-6 (c) – Rural Commuter Designation: Rural Commuter Local Centres	Lands within the communities of Hatchet Lake, Hubbards, Hubley, Sambro, Indian Harbour, Waverley, Whites Lake and North Preston.	<p>These centres shall be encouraged to develop as small service centres with the traditional village form. North Preston will continue to be serviced with central water and sewer systems. HRM shall consider servicing Hubbards with central water and sewer systems.</p> <p>Peak transit service to other centres and Regional Centre, shared parking for park and ride and commercial uses will be provided.</p>
Implementation and Project Scheduling IM-36 – Project Scheduling	HRM shall consider implementing the Regional MPS as either short-term (1-5 years), medium-term (6-10 years) and long-term (11 years or more).	Short-term transportation (capital) projects are listed to include the Bedford Ferry, Fairview Interchange Upgrade, Rotary/Chebucto Three-Lane and Bayers Road Six-Lane, Cole Harbour Arterial, Russell Lake Interchange and Mt. Hope Extension, Bedford South-Highway 102 Interchange and Bedford West-Hammonds Plains Road widening.

1.6 Revenue Strategy and Finance Functional Plan

Residential and commercial property taxes account for 72% of HRM's revenues (2005-06 Budget) while the major capital cost items are:

- Sewers \$103.2M (Includes the Harbour Cleanup Project)
- Roads and Streets \$17.4M
- Solid Waste \$12.6M
- Traffic Improvements \$10.6M

All of these "hard" services are experiencing a funding gap with the shortfall for wastewater systems estimated at \$20 million per year.ⁱⁱⁱ

The Regional MPS contains research that indicates growth-related services over the 25-year implementation period will be \$250 million less than the continuation of status quo conditions. These benefits will be distributed between HRM, other levels of government and property owners. Under the Regional MPS, there will be a different set of priorities as HRM prepares a Finance Functional Plan to address the issues concerning a revenue strategy and the financial impacts of implementation (Regional MPS Policy E-22). HRM will investigate broad fiscal policies and financing options that include:

- Extending the Capital Cost Contribution Program to transit infrastructure (including new transit lines);
- Establishing a 25-year debt plan;
- Establishing a reserve framework which provides for a rational structure for capital reserves, and is cost and growth sensitive;
- Investigating the linking of reserve allocations to changes in growth and other factors;
- Completing a State of the Physical Assets project;
- Setting up a Long-Term Asset Recapitalization Plan;
- Prioritizing the Capital Plan to include greater transit investment; and
- Allocating federal fuel transfers to transit.

The Regional MPS acknowledges that non-property taxation is important in the delivery of critical infrastructure with the resulting benefits of more efficient settlement patterns. The plan notes that sewer services are not regulated, like water, and are dependent on different charges and taxes that must be examined to encourage long-term sustainable growth.

2 Rationale For Capital Cost Contribution Charges

2.1 Introduction

Development charges are levied by local governments in B.C., Alberta, Saskatchewan, Ontario, and the Yukon and Northwest Territories. Ontario is the only province with separate development charges legislation; in other provinces, the authority for development charges is contained in municipal or planning legislation.

2.2 Framework for Evaluating Development Charges

Development charges can be justified under the benefits principle for financing local development: growth should pay for itself and not be a burden on existing residents. Under this principle, charges are only justified to the extent that they recover the capital costs needed to service new growth. Development charges can also be evaluated with respect to their incidence, equity, efficiency, accountability and transparency, certainty and predictability, and administrative ease. This framework should be applied to determine the introduction of new infrastructure charges in HRM.

2.2.1 Incidence



Incidence refers to who bears the final burden of the charge – the developer, the new home buyer or the pre-development landowner. Since the development charge is imposed only on new dwellings, its final resting place (burden) will depend on the demand and supply for dwellings in the local market. If the demand for housing is fairly insensitive to price increases, for example, the developer will likely pass the charge on to new home buyers. This tends to happen in buoyant housing markets. When housing markets are not buoyant, developers and builders are more likely to postpone development and construction activity until the housing market recovers and they are able to pass the charge on to new home buyers. Depending on the timing of the charge, the developer may also be able to pass the charge back to the pre-development landowner. Studies that have tried to determine the burden of the development charge over the long run have generally found that the buyers of new housing^{iv} and pre-development landowners (as opposed to developers) bear the burden of development charges.

Although development charges are levied on new construction, buyers of existing properties may also face higher prices. Because older homes are substitutes for new homes, the increase in prices for new homes will increase the demand for older homes and hence raise their selling price.

2.2.2 Equity (Including Transitional Issues)

Under the benefits-received principle in public finance, development charges are fair when it is easy to identify the beneficiaries of services from publicly-provided facilities; that is, when the cost of capital facilities servicing specific properties can be determined for each property and when all benefits from the service are confined to that property. Capital expenditures on water, sewers and local streets are examples of expenditures whose beneficiaries may be most easily identified. Other capital expenditures that are required for new growth that also qualify are fire and police protection, parks, museums, libraries, and recreational facilities.

In most municipalities where development charges have been enacted, determination of the actual charge has sometimes been controversial and hotly debated. Questions arise over the determination of the capital facilities to be included in the charge and the portion of those capital costs to be allocated to new properties. Although legislation states that capital facilities funded from development charges must be solely and strictly growth-related, there may be an incentive for municipalities to attempt to include as many facilities as possible and to calculate the charge, at least in part, according to what the market will bear. Indeed, in prosperous times and buoyant housing markets, municipalities may be able to set fairly sizeable development charges without serious protest. When times are less prosperous, however, and housing market activity is slow, the market is less willing to tolerate higher development charges.

Even if development charges adhere to the benefits-received principle, inequities may arise in the allocation of costs between current and future taxpayers. For example, suppose that a municipality levies property taxes or user fees on new properties to finance the repayment of capital expenditures for existing properties or to finance future capital expenditures (through annual capital levies added to the general property tax). If owners of new properties have to pay not only for their own facilities through development charges but also for the replacement of capital facilities for owners of existing properties through annual property tax payments, they will suffer an inequity vis-à-vis the owners of existing properties. Municipalities may avoid this inequity, however, by reducing their development charges to take into account future property tax payments by the new properties.

To the extent that existing properties benefit from facilities financed by previous property owners (through property taxes either deposited in reserves or incorporated into annual operating revenues), a move from property taxation to development charges on new properties implies that existing property owners will incur a windfall gain in the form of increased property values without a proportionate increase in property taxes. On the other hand, if existing property owners pay for services that benefit only new development, they may well be paying for a level of service for new

properties that is higher than the level of service that existed in the past. Clearly, a crucial issue is who should bear which costs. Costs that are truly growth-related and that clearly benefit new properties should be paid for by these properties. Furthermore, it is essential that the correct charge be determined; otherwise, windfall gains will ensue for some property owners while other property owners will be charged more than is fair or equitable.

2.2.3 Efficiency

An efficient development charge should include the full cost of an asset or facility required to service new growth. For municipal capital expenditures, this charge could consist of a capacity component, which covers the capital cost of constructing the facility, plus a location or distance/density charge, which reflects the capital cost of extending the service to particular properties or neighbourhoods. Ideally, a charge on an individual property or neighbourhood should be designed to capture the extra cost of the capital facility necessitated by that property or neighbourhood.

Efficiency dictates that, where the extra cost of providing services to different properties differs because of the location or type of property or the nature of the capital facility provided, the charge on each of these properties or neighbourhoods should differ. The general practice in many municipalities with a development charge, however, is to impose a uniform charge on all properties of a particular type (single residential, for example) regardless of the location of the property within the community or neighbourhood. Although this practice is administratively simple, it is inefficient: residential dwellings in low-density neighbourhoods are levied the same charge as residential dwellings in high-density neighbourhoods even though the marginal cost per property of infrastructure projects in low-density areas is higher than in high-density areas (more pipe, more asphalt, more cement, and so on, will be necessary to service the same property in a low-density neighbourhood). A uniform charge under these circumstances may lead to over-development of low-density housing and under-development of high-density housing relative to what is economically efficient.^v

Similarly, it is more expensive to provide some services to certain parts of a municipality than to other parts (it will be more expensive to provide some facilities in hilly areas versus flat areas or to provide these same facilities in different soil types, for example). A uniform charge on all properties in the same property category, regardless of geographic location, is allocatively inefficient because some properties will be overcharged while others will be undercharged. A more efficient pricing policy, in terms of securing correct prices for the provision of capital facilities, would allocate the costs of infrastructure, via the development charge, to new properties actually benefiting from these services. While it may be impractical to expect municipal officials to calculate the infrastructure cost for each new property

site, there is no reason why these costs could not be calculated for each new development area (or neighbourhood). In this way, development charges in each area would more closely approximate the true costs of providing infrastructure for that area. Where one charge applies across the entire community, development charges in the less expensive service areas subsidize properties in the more expensive service areas.

2.2.4 Accountability and Transparency

Accountability in municipal finance is best achieved when the tax or charge imposed on a property is used to pay for specific services used by that property. In this regard, development charges are highly accountable because of the close link between services used and charges paid. Similarly, transparency is enhanced when municipal charges are deposited in separate accounts with the (legislated) provision that the monies deposited in these accounts can only be spent on the services for which the charges are collected.

There is an accountability problem, however, to the extent that new homebuyers have already paid the development charge before they move into a municipality and can vote there. At that point, it is too late to vote for a change in the development charge policy.

2.2.5 Certainty and Predictability

Certainty and predictability are also important objectives of municipal finance. In the case of development charges, both the developers and the municipality need to know what charges are being levied and what services they will be used to finance. Developers should know how the charges are calculated, their level, and expected payment dates. Not only does this require a careful calculation, the charge should be stable and based on a carefully laid out municipal capital plan.

2.2.6 Administrative Ease

The charge needs to be fairly easy to administer for the municipality and it should not require a lot of time and resources on the municipality to calculate and collect the charge. The simpler are the rules and regulations for the charge, the easier it will be to administer.

3 Methodology For Calculating Charges

3.1 Introduction

This section sets out a methodology for calculating a development charge and identifies some of the issues that have arisen in other provinces with respect to various aspects of the charge. This methodology will need to be refined to specific growth-related service areas as it is applied by HRM.

3.2 Estimate Growth



The first step in calculating a development charge is to provide a forecast of housing units (for the residential charge) and square metres of non-residential building space (for the non-residential charge). To project the number of residential units, information is needed on the anticipated population growth rate, the housing stock composition, and occupancy rates (number of persons per unit) for different types of housing. The accuracy of the population projections is key to the development charge calculation because the projections determine the need for services and the levels of service are generally calculated on a per capita basis. The age structure of the population is also important. If the population is aging, for example, the previous standards for facilities such as baseball diamonds and tennis courts may no longer apply.

To project the number of square meters for non-residential building space, employment forecasts are used to estimate floor space per worker which is then converted into gross floor area for new development.

A decision has to be made on the planning time frame. In Ontario, as an example, the regulation permits a 10-year planning time frame for most services. For some services, such as water supply, sewers, transportation, and drainage, the time frames may be longer.

3.3 Determine Which Services Will be Covered by the Charge

Development charges are designed to cover the growth-related capital costs associated with new development or redevelopment. In theory, this means that any capital costs that are needed because of growth should be included in the charge. In reality, however, some costs are easier to assign to growth than others. For example, it is not difficult to determine the proportion of costs that are growth-related for hard services such as water, sewers and roads. There are some “grey areas,” however, with respect to what is growth-related. For example, the expansion of a municipally-owned museum is unlikely to be fully attributable to growth and determining the proportion that is attributable to growth may be difficult. When municipalities in Ontario were historically permitted to levy development charges for museums, city halls, etc., it was often these services that resulted in challenges by developers.

One can think in terms of a continuum of services ranging from those that are relatively easy to determine the growth-related portion to those that are fairly difficult (and will be harder to justify). At the easy end would be water and sewers. The next group would include roads, transit, recreational facilities, police, fire, public works, libraries, parks and waste management. At the most difficult end would be museums, city halls, art galleries, convention centres, and tourist facilities.

3.4 Estimate Total Capital Costs to Service Growth

For each service for which a charge is going to be levied, capital costs have to be forecast over a period of say 10 years (could be longer for water and sewers). In other provinces, these forecasts are based on approved capital budgets. Prior to the passage of the Development Charges Act in Ontario in 1989, few municipalities did 10-year capital forecasts. The passage of this legislation ensured that 10-year capital forecasts became standard in those municipalities that were interested in levying development charges.

The estimates of capital costs need to be quite detailed noting when in the planning period they will be required based on estimates of the future growth. Where possible, capital costs should be identified by specific areas of the municipality and by specific project (e.g. roads, traffic signs, etc.). The magnitude of the costs needs to be reasonable and defensible. Where land costs are involved, for example, land prices need to be realistic given current trends.

The next step is to determine the proportion of the estimated total capital cost that is growth-related. In most cases, the proportion is determined as the percentage of new population to the total population (existing and new) and/or by the percentage of new employment to total employment (existing and new). In HRM, The Regional MPS provides the basis for these calculations.

3.5 Service Standards

Municipalities should be prepared to provide evidence that the standards that they are establishing are realistic and that they are not trying to fund levels of service that are in excess of what they are currently providing. To determine what portion of the growth-related capital costs are eligible for the charge for each service, it is thus necessary to determine service standards.

Examples of service standards include the average standard over the past 10 (or 5) years, the highest standard achieved in the last 10 (or 5) years, or the standard in the current year. There are problems with using the highest level of service in the last 10 years, however. For many services, the highest level occurred in a year in which there was a major capital expansion. To the extent that facilities were built to accommodate future growth, the levels of service in that year contains a significant amount of excess capacity.

The standard is determined by a quantity measure such as the number of facilities per capita (e.g. one fire station for every 10,000 residents) or the number of square feet per capita for facilities for public works buildings. These quantity standards need to be converted into dollar figures per capita based on the current cost. The dollar value of the average standard may be calculated in one of two ways. Assume the 10-year period is 1996 to 2005 and the charge is to be calculated for fire halls. Furthermore, assume that one fire hall was built in 1998 and another fire hall was built in 2002. The standard might be calculated as average number of square metres of fire hall per 10,000 people over the past 10 years. The cost base of building a square metre could be calculated as the cost to build a square meter of fire hall in 2005 (the last year of the 10-year period because this is the base year for calculating future development charges). This cost would be multiplied by the service standard per 10,000 people to get a dollar value for each 10,000 people.

Second, and perhaps more easily defended, the cost may be calculated using the actual construction cost of the fire hall built in 1998 and applying a construction cost index or engineering cost index to it to get the 2005 cost base for the fire hall. Similarly, a construction cost index or engineering cost index could be applied to the actual cost of the fire hall built in 2002 to get its construction cost value in 2005 dollars. Once both values have been converted into 2005 dollars, this total could be divided by the square meters of these two fire halls combined to get a cost per square metre.

The dollars per capita are then multiplied by the growth in the population to determine the eligible costs for the charge. Suggested measures of average service level for selected services are shown in Exhibit 3.1 below. These measures are only examples; others measures could be used depending on the availability of information.

Exhibit 3.1			
Examples of Service Standards			
Service (A)	Cost per Unit (B)	Service Standard (C)	Eligible Cost per Capita (D) = (B)X(C)
Recreation	- \$ per sq. ft.	- Sq. ft. per capita	
- Buildings	- cost to develop	- Hectares per 1,000 people	
- Land	- cost per item	- amount of equipment per capita	
- Equipment			
Roads	- cost per kilometre by type of road	- kilometres per capita by type of road	
Water Supply	- cost per litre of water	- litres per capita and per employee	
	- cost per litre of water	- litres per capita and per employee	
Sewage Treatment			

3.6 Estimate Net Capital Costs by Service

Charges are generally only imposed on the net capital costs. To determine net capital costs on a service by service basis, an estimate of future grants, subsidies, and fees must be deducted from total capital costs. The rationale behind using net costs is to prevent charges on the new development that have already been funded from other sources, for example, provincial or federal grants.

3.7 Apportion Costs to Residential and Non-Residential Properties

Net capital costs are apportioned to various land uses as set out by the municipality. These land uses may include residential, institutional, commercial, industrial, or something else. To apportion growth-related costs between residential and non-residential developments, for example, a number of methods are used. In some cases, all costs are attributed to residential properties (e.g. shelters and housing). In other cases, 95 percent of costs are allocated to residential properties on the grounds that there is limited non-residential use (e.g. recreational facilities, libraries). Sometimes the apportionment to residential development is based on the growth in population as a proportion of the combined growth in population and employment. Another method is to apportion costs on the basis of residential versus non-residential assessment for property tax purposes.

Within each land use, such as the residential land use, charges can be calculated for different types of residential development based on occupancy rates and the total per capita cost. Exhibit 3.2 shows the appropriate charge for different types of residential development based on different occupancy rates and total per capita costs of \$1,000.

Exhibit 3.2
Example of Allocation by Type of Residential Unit (Based on \$1,000 Per Capita Cost)

	Singles and Semis	Townhouses	Apartments (1 bedroom)	Apartments (2 bedrooms)
Persons Per Unit	3.6	3.2	1.3	2.4
Capital Cost Charge	\$3,600	\$3,200	\$1,300	\$2,400

3.8 Decide on Area-Wide or Uniform Charges

A uniform charge is one that averages all of the costs, within a broad class, over all development. All developments are charged the same amount. When specific projects have higher costs that are unique to those projects, it is possible to have separate areas for charging purposes. Under area-wide charges, each development pays the costs imposed by that development rather than averaging the costs over the municipality. Under the CCC policy, HRM is using the area-wide approach.

Development charges can be a useful tool in encouraging efficient land use and infrastructure use. As noted earlier, however, to be efficient, charges have to be structured to reflect the true costs of providing public services. The costs of services may vary by area because the distance of each development from major facilities (e.g. a water treatment plant) may be different, there may be infrastructure cost savings for nodal or infill development because the infrastructure is already there, or service standards may be different in different developments. Standards may be established on an area-wide basis to reflect different levels of efficiency in terms of per household water use, waste generation, automobile use etc. Whatever the reason for the differential costs, efficient land use requires that developments that impose higher infrastructure costs on the city pay higher development charges than developments that impose lower costs.

Since the cost of services varies by the type and location of development, an efficient development charge would have to vary by the characteristics of the development. This means that the charge will likely be higher per unit for low-density developments than for high-density developments. Similarly, developments located close to existing services will likely pay less than those further away.

A further option would be to create a blended charge that incorporates both a uniform region-wide charge for services where there are similar costs for all new developments in the region and area-specific charges where costs differ by area of the municipality.

3.9 Determine What Portion of Costs to Recover Through Charges

It is important to calculate the total growth-related capital costs arising from development or redevelopment. The municipality can decide, however, to recover less than 100 percent of the eligible growth-related capital costs. It can also decide to exempt some parts of the municipality from the charge (e.g. the downtown core) or some property types (e.g. industrial properties) to encourage certain kinds of developments or developments in particular locations.

4 Development Charges In Ontario, BC and Alberta

4.1 Introduction

Although some form of development charge is levied in a number of provinces, they are most widely used in Ontario, BC, and Ontario. This section summarizes the characteristics of these charges in the three provinces.

4.2 Development Charges in Ontario

The history of development charges (or lot levies) in Ontario dates back to the 1950s when they were levied under the authority of the Planning Act. It was not until 1989, however, that the first Development Charges Act was passed.

4.2.1 History Of Development Charges In Ontario

Historically in Ontario, hard services such as water, sewers, and roads for new developments were installed and paid for by the municipality by issuing debentures, raising property taxes, and levying local improvement charges on benefiting properties. In the 1950s and 60s, rapid population growth in Ontario resulted in an increase in housing construction. During this period, the emphasis on financing infrastructure began to shift towards the private sector. The Planning Act, for example, stated that the Minister of Municipal Affairs could impose conditions on the approval of a plan of subdivision, including the provision of services. Since 1961, municipalities could require cash contributions from developers but only for water, sewers and roads. Developers were required to provide *on-site* municipal services (in their development) in return for municipal permission to undertake the development. Some developers were also required to make cash contributions to municipalities towards the growth-related costs for *off-site* services such as sewers and water trunk lines and plants. In other cases, developers were required to provide off-site services.

As part of the housing construction boom in the 1970s, municipalities became even more interested in lot levies. They increased the magnitude of the levies and the scope of services for which they could be collected. Not only were they charging for water, sewers, and roads but also for recreation and other soft services. By the 1980s, most Ontario municipalities that were experiencing rapid growth were levying lot levies to finance services in new developments. One of the issues at that time was whether the charge should reflect the capital costs necessitated by the particular development or whether the average cost of all developments in the municipality should be the basis of the charge.

Lot levies continued to expand but there were some serious ambiguities in their application. Levies could be made a condition of subdivision approval

under the Planning Act but there was no other governing legislation. Issues arose with respect to the calculation of the charge, the timing of payments, adjustments to the levy, and appeal procedures. These issues were resolved at the Ontario Municipal Board. Pressure was exerted on the provincial government by both municipalities and developers to provide a legal framework that would bring consistency and certainty to the application of lot levies. In December 1989, the Development Charges Act was passed.

Under the original Act in 1989, the services for which development charges could be levied were not specified. This meant that municipalities could and did charge for a wide range of hard services (water, sewers, roads, etc.) as well as soft services (city halls, recreational facilities, park development, museums, police and fire services, etc.). To ensure that municipalities were not “goldplating” services in new developments, they were required to base the charge on standards of service that were no higher than the standards which had existed in the municipality at some time in the previous 10 years.

Over the course of the next eight to nine years, developers complained about how the charges were being calculated and what they considered to be abuse by municipalities. Subsequent legislation was passed in 1997 which changed some of the provisions of the earlier Act. In particular, municipalities could no longer levy charges for any service and there was a 10 percent mandatory reduction in the development charge for some services (see below). The underlying rationale for eliminating the charges for some services was that they were not required for development to occur and were viewed as discretionary. The 10 percent reduction for other services reflects the concern that new residents should not be expected to pay for the entire cost of new facilities as well as contributing, through their property taxes, toward the cost of existing facilities and their renewal. The 10 percent of growth-related capital costs has to be funded from other general municipal revenue sources. The standard of service was changed from the highest level of service over the last 10 years to the average level of service over the past 10 years.

More recently, there have been new complaints over the development charge legislation concerning which services should be included and which should be discounted. The provincial government is currently considering another review of the legislation.

4.2.2 Growth-Related Capital Costs

The growth-related net capital cost is the portion of the net capital costs (net of grants and subsidies) that is "reasonably attributable to the need for such net capital cost that results or will result from development in all or a defined part of the municipality." Development charges can be levied to pay for the growth-related capital costs associated with new development or redevelopment. Capital costs include costs to:

- Acquire land or an interest in land, including a leasehold interest;

- Improve land;
- Acquire, lease, construct or improve buildings and structures;
- Acquire, construct or improve facilities including, rolling stock with an estimated useful life of seven years or more, furniture and equipment (other than computer equipment) and materials required for circulation, reference or information purposes by a library board;
- Undertake studies in connection with any of the above;
- Undertake the development charge background study; and
- Pay the interest on money borrowed to pay for the costs described above.

4.2.3 Services For Which Development Charges Can Be Levied

Development charges can be levied for the following services without any percentage reduction, as specified in the legislation:

- Water supply services, including distribution and treatment services
- Waste water services, including sewers and treatment services
- Storm water drainage and control services
- Services related to highways
- Electrical power services
- Police services
- Fire protection services.

For all other eligible services, a mandatory 10 percent reduction is required. Although these are not specified in the legislation, discounted services include:

- General government (e.g. master plans)
- Library services
- Recreation
- Public works (e.g. fleets, works yards)
- Transit.

Ineligible services, as specified in the legislation, include:

- Cultural or entertainment facilities, including museums, theatres, art galleries but not including public libraries
- Tourism facilities including convention centres
- Acquisition of land for parks
- Hospitals
- Waste management services
- Headquarters for the general administration of municipalities and local boards.

4.2.4 Timing Of Payment

A development charge is payable for a development upon a building permit being issued for the development unless the development charge by-law provides otherwise. A municipality may, in a development charge by-law, provide that a development charge for a development that requires approval of a plan of subdivision or a consent and for which a subdivision agreement or consent agreement is entered into, be payable when the parties enter the agreement.

4.2.5 Calculation Of The Charge

Under the Act, municipalities are required to pass a development charge by-law which sets out the determination of the charge that may be imposed. The following is the method that has to be used:

- Estimate the anticipated amount, type and location of development for which the charge can be imposed.
- Estimate, for each service, the increase in need for the service attributable to the anticipated development excluding the amount that would benefit existing development; the increase in need must not include an increase that would result in the level of service exceeding the average level provided by the municipality over the 10-year period preceding the by-law; the increase in need must be reduced by the municipality's excess capacity.
- Estimate the capital costs necessary to provide the increased services; capital costs must be reduced by the amount of capital grants, subsidies, and other contributions made to a municipality in respect of the capital costs.

Under these provisions, a municipality can levy residential, commercial, industrial, and institutional developments or it can exempt any of these uses or parts of the municipality from paying the charge. The municipality can levy one charge for each type of development across the municipality which reflects the average cost of growth in the municipality or it can levy different charges on different developments to reflect the marginal cost imposed by each development.

4.2.6 Approval and Appeals Process

Development charge by-laws have a duration of no more than five years and are subject to public consultation. Development charge by-laws may be appealed to the Ontario Municipal Board (OMB). While the charge is being appealed, however, developers are required to pay the levy and they can proceed with their development. If the OMB determines that the levy should be reduced, the municipality would be required to pay a refund to the developer for the difference plus interest.

4.2.7 Front-End Financing Arrangements

Prior to the passage of the Development Charges Act in Ontario, municipalities put a "best efforts" clause into subdivision agreements which stated that the municipality would make an effort to reimburse the developer who undertook front-end financing by recouping the costs from subsequent benefiting owners. In other words, where developers oversized facilities (such as a sewer system) beyond the capacity required for their own development, efforts were made to recoup those costs in the future from subsequent developments. These efforts were often unsuccessful, however.

Under the provisions of the Development Charges Act, municipalities can enter into agreements with owners who wish to accelerate development. The municipality can have those owners install water, sewers and roads or make a front-end payment to the municipality. As part of the agreement, the municipality agrees to require each benefiting owner to pay their portion of the front-end payment to the municipality or the providing owner. The agreement provides for the cost of the work to be borne by one or more parties to the agreement and provides for persons who, in the future, develop land within the area to pay an amount to reimburse some part of the costs of the work.

4.2.8 Reserve Funds and The Use Of Development Charges

Municipalities are required to establish a separate reserve fund for each service to which the development charge relates. The money in a reserve fund may be spent only for capital costs for which the development charge was collected.

4.3 Development Cost Charges in British Columbia

The history of development cost charges (DCCs) in BC began in 1958. Currently, DCCs are levied under sections 932 to 937 of the Local Government Act.

4.3.1 History of Development Cost Charges In BC



Prior to 1958, municipalities in BC were expected to provide off-site infrastructure services to all subdivisions using tax revenues and other sources of public funding. In 1958, amendments were made to the Municipal Act to address the growing inability of municipalities to finance growth-related capital costs. The amendments allowed the approving officer in each municipality to reject a subdivision plan if the cost to the municipality of providing off-site services was excessive. With these amendments, municipalities introduced excessive subdivision cost by-laws or impost fees to recover servicing costs for new developments. Court challenges in the early 1960s resulted in impost fees being invalid. This result meant that, if municipalities were unable to fund the infrastructure, development applications were rejected. In 1971, amendments to the Municipal Act gave local governments the power to enter into land use contracts with developers. These contracts became the vehicle for imposing impost fees on development within the specified contract area. The validity of these fees was upheld in the courts. In 1977, land use contract powers were eliminated and the current authority to levy DCCs was introduced.

The application of development cost charges in the 1980s led to many criticisms by developers. One of the main complaints was that there were no provincial criteria for levels of service to be provided by municipalities. In some municipalities, the proposed services had much higher standards than existing services or than existing or proposed services in other municipalities. The magnitude of charges in the 1980s varied considerably across municipalities, in large part reflecting different standards of service.

Another criticism of development cost charges was that the by-laws were enacted in the absence of an Official Plan (OP) to determine a servicing program. Where there is an Official Plan, there is some broad notion of the type of development that is going to take place. The OP would include population projections that can be used to generate estimates of the future demand for services. In the absence of a Plan, the need for servicing was unclear.

Developers were concerned that the levying of development cost charges did not require public input or any public scrutiny over the calculation of the charge. Developers were also concerned that they were required to dedicate up to 5 percent of the land being developed for open space and were still required to pay the open space component of the development cost charge. Finally, developers who paid for services in advance of the development

(front-end financing) were not recovering the costs from the developers of benefiting lands.

4.3.2 Growth-Related Capital Costs

Development cost charges are fees that are charged by municipalities and regional districts from new development to help pay the costs of off-site infrastructure that is needed to accommodate growth. DCCs are used to pay for infrastructure in new developments including infill developments. The development cost charge only applies where the development imposes new capital cost burdens on the local government. Capital costs include:

- Planning
- Engineering design
- Land acquisition
- Contract administration
- Contingencies
- Public consultation
- Right of way
- Interim debt financing (but not long-term debt financing)
- Construction
- Legal review.

4.3.3 Services For Which Development Cost Charges Can Be Levied

Local governments can charge DCCs to pay for the capital costs of:

- Roads, other than off-street parking
- Sewer trunks, treatment plants and related infrastructure
- Waterworks
- Drainage works
- Acquisition and development of parkland.

DCCs cannot be used for other types of services such as recreation, policing, fire and library that are affected by growth.

4.3.4 Timing Of Payment

The charge is payable at the time of subdivision approval in the cases where such approval is required. Where subdivision approval is not required, payment is required at the building permit approval stage. In the case of single-family residential developments, local governments typically collect the charge at the time of subdivision approval to avoid having to front-end infrastructure costs. For non-residential developments, however, municipalities generally collect the charge at the building permit stage because these developments are often based on built floor space. The total floor space is often difficult to determine at the subdivision approval stage.

4.3.5 Calculation Of The Charge

The development cost charge requires the following information to be collected:

- Types, location, and amounts of growth that are expected to occur over a specified future period of time (e.g. 5, 10 and 20 years).
- Infrastructure services required to accommodate the growth.
- Estimated cost of services.
- Portion of the total cost to be paid by the existing population who benefit from new infrastructure.
- Relative impact of each type of growth on the services.
- Degree to which the existing users assist growth in paying its share of the costs (the level chosen must be at least 1 percent).

By default, the DCC applies to all new developments in the municipality. A local government may choose, however, to divide the municipality into different DCC sectors and develop a separate DCC program for each one. It may even choose to have different sets of sectors for different types of works, e.g. three sectors for roads, five sectors for drainage, etc.

4.3.6 Approval Process

DCCs are implemented by by-law. The by-law that imposes a development cost charge has to be approved by the provincial Inspector of Municipalities. The Inspector reviews the by-law to ensure that the methodology used to calculate the charge is sound and complies with legislative requirements; that stakeholders have been consulted; and that the impact on the rates of development have been considered.

4.3.7 Front-End Financing Arrangements

The legislation states that where an owner has provided or paid for services outside of the boundaries being developed and where the costs are included in the DCC, the costs should be deducted from those DCCs that are applicable to those services. The Act also allows a local government to require an owner to provide excess or extended services beyond the owner's lands. The municipality will collect charges from subsequent property owners who connect or use the excess or extended services and reimburse the original owner. No charge may be made beyond 10 years from the date of the completion of the service.

4.3.8 Reserve Funds

Municipalities are required to deposit DCCs into a separate special DCC reserve fund established for each purpose for which it levies a charge. The funds collected (including interest) have to be used to pay for the capital projects in the DCC program. The exception is that interest earned on parkland DCCs may be used for parkland improvements, not directly or indirectly related to new development.

4.3.9 The Special Case Of Vancouver

Vancouver can charge "development cost levies" (DCL's) under the Vancouver Charter. Not only can it levy for sewage, water, drainage, highways and parks (as can other municipalities in BC), but it can also levy for the capital costs of establishing day care facilities in premises leased or owned, and acquiring property for day care facilities. The City of Vancouver can also levy for assisting in providing affordable replacement housing -- housing that will be necessary to accommodate those displaced by the development.^{vi} The DCL may be based on a rate per foot on the length of the longest boundary of the parcel, the number of units, the number of square feet permitted by the building permit or on any other basis determined by the Council.

4.4 Development Levies in Alberta



Municipalities in Alberta have the authority to charge redevelopment levies and off-site levies under Part 17, Division 6 of the Municipal Government Act. Until recently, these levies were only used by the larger cities. Recent growth in population and economic activity in many urbanized areas of the province, however, have generated an increase in the demand for municipal services and in particular, municipal infrastructure in all municipalities. This, in turn, has led to an increase in the number of municipalities (both large and small) that now rely on development and off-site levies to finance eligible growth-related capital infrastructure.

Redevelopment levies apply when a development permit is issued to redevelop a portion of an area that is part of a redevelopment plan. The area to be redeveloped must include proposals for residential, industrial or commercial development. These charges typically cover on-site (the development plan area) as opposed to off-site services (outside the development plan area).

Off-site levies are imposed on land that is to be developed or subdivided.

4.4.1 Services For Which Redevelopment and Off-Site Levies Can Be Charged

Redevelopment levies may be imposed to provide:

- Land for a park or land for school buildings designed for the instruction or accommodation of students; and/or
- Land for new or expanded recreation facilities.

Off-site levies may be used only to pay for all or part of the capital cost of:

- New or expanded facilities for the storage, transmission, treatment or supplying of water;
- New or expanded facilities for the treatment, movement or disposal of sanitary sewage;
- New or expanded storm sewer drainage facilities;
- New or expanded roads required for or impacted by a subdivision or development; and
- Land required for or in connection with the above.

Redevelopment and off-site levies cannot be used for any other services such as police and fire protection.

4.4.2 Timing Of Payment

Provincial legislation is unclear concerning the timing of payments. This is set out in municipality's bylaw permitting off-site levies and redevelopment charges.

4.4.3 Calculation Of The Charge

A redevelopment levy may vary between one class of development and another in a development area. A by-law authorizing a redevelopment or off-site levy is required to include a description of the specific infrastructure facilities, a description of the benefiting areas, supporting technical data and analysis, and estimated costs and mechanisms for addressing cost increases over time. Calculation of the levy is to be determined in consultation with affected landowners and developers. There are no other guidelines in the legislation concerning how charges should be calculated.

Off-site levies only apply to development in new sub-divisions. Infilling does not qualify for off-site levies; instead, redevelopment charges are used to cover permissible costs associated with this development.

4.4.4 Approval Process

Municipalities are required by legislation to pass a by-law. Otherwise, no other approval process or appeal mechanism is specified. There is no legislated requirement that the by-law authorizing off-site levies be reviewed on a regular basis; for example, every five years as in Ontario. Municipalities are required, however, to submit to the province annual financial reports that include information on reserves for off-site levies and redevelopment charges.

4.4.5 Front-End Financing Arrangements

An agreement may be made which requires a developer to construct or pay all or a portion of an improvement with excess capacity (defined as capacity in excess of that required for the proposed development). The agreement may also provide for the reimbursement of the cost incurred together with interest at such time as land benefited by the excess capacity is developed.

4.4.6 Reserve Funds

The *Municipal Government Act* requires that all off-site levies be deposited in separate accounts and spent only on the infrastructure for which they were collected.

4.5 Magnitude of Charges In Selected Canadian Cities

In Ontario, the norm is to impose a uniform charge that includes local charges, regional charges and education. Examples of current charges for a single detached unit are:

Richmond Hill	\$29,109
Markham	\$27,776
Brampton	\$25,418
Oakville	\$23,833
Mississauga	\$21,096
Ottawa	\$18,081
London	\$12,915
Toronto	\$9,477.

In Alberta, the norm is to allocate development charges by unit size and type based upon a schedule of sub fees. The City of Edmonton is representative of this approach with permit fees combined with growth-related charges. The schedule ranges from \$1,960.25 for a new house with less than 1,050 square feet to \$3,500.17 for a unit over 3,500 square feet.

In British Columbia, development cost levys (DCLs) are typically applied in layers (area specific to city-wide). For the City of Vancouver, the current DCL rate schedule is shown in Exhibit 4.1. In addition to the rate schedule,

the City of Vancouver also collects a separate regional development cost charge on behalf of the Greater Vancouver Sewerage and Drainage District. For a single family house, this cost can range from \$944 to \$1,731.

**Exhibit 4.1
City of Vancouver – Development Cost Levy Schedule**

DCL Rates by Area

	RESIDENTIAL AT OR BELOW 1.2 FSR	RESIDENTIAL OVER 1.2 FSR, COMMERCIAL, AND MOST OTHER USES ¹	INDUSTRIAL ²	CHILD CARE	TEMPORARY BUILDINGS	SPECIFIC USES
City-Wide						
Vancouver DCL	\$18.84/m ² (\$1.75/ft. ²)	\$64.58/m ² (\$6.00/ft. ²)	\$25.83/m ² (\$2.40/ft. ²)	\$10.00/Building Permit	\$10.00/Building Permit	Parking garage: \$1.08/m ² (\$0.10/ft. ²) School: \$5.49/m ² (\$0.51/ft. ²)
Layered³						
False Creek Flats	n/a	\$32.29/m ² (\$3.00/ft. ²)		\$10.00/Building Permit	\$10.00/Building Permit	Parking garage: \$1.08/m ² (\$0.10/ft. ²) School: \$5.49/m ² (\$0.51/ft. ²) Works Yard: \$1.00/m ² (\$0.09/ft. ²)
Grandview-Boundary			\$21.53/m ² (\$2.00/ft. ²)			
Area-specific						
Downtown South		\$102.26/m ² (\$9.50/ft. ²)	No industrial capacity			
Burrard Slopes		\$53.82/m ² (\$5.00/ft. ²)	\$21.53/m ² (\$2.00/ft. ²)			
Arbutus Neighbourhood		\$43.06/m ² (\$4.00/ft. ²)	\$17.22/m ² (\$1.60/ft. ²)			
Dundas/Wall Area		\$20.45/m ² (\$1.90/ft. ²)				
Triangle West		\$100.75/m ² (\$9.36/ft. ²)	No industrial capacity	\$10.00/Building Permit	\$10.00/Building Permit	Parking garage: \$1.08/m ² (\$0.10/ft. ²)
Cedar Cottage MC-1/ Welwyn Street Area		\$34.98/m ² (\$3.25/ft. ²)	\$21.53/m ² (\$2.00/ft. ²)			
Oakridge/Langara	\$18.84/m ² (\$1.75/ft. ²)		No industrial capacity			Parking garage: \$1.08/m ² (\$0.10/ft. ²) School: \$5.49/m ² (\$0.51/ft. ²)

¹ All uses, except for those specifically-enumerated here, are subject to the Commercial-Residential DCL rate.
² Industrial is defined differently in the City-Wide, layered and area-specific areas -see bylaws for definitions.
³ In the layered areas, DCLs apply in addition to City-Wide DCLs.

5 Comments On New Housing Tax Burden

5.1 Introduction

Housing affordability is a function of such factors as market prices, household income and mortgage rates. Included in the price of housing are government imposed costs that include municipal charges, and federal and provincial taxes. Government imposed costs can either be absorbed by the developer as an expense or transferred to the purchaser. This section comments on the current tax burden in HRM, with comparisons to other urban areas of Canada, to provide insights on HRM's relative position.

5.2 Municipal Charges and Taxes

These charges can be defined as infrastructure charges, building permit fees, development application and processing fees and land dedication requirements (parkland dedications or cash-in-lieu). The norm across Canada is for developers to pay for the cost of services within a subdivision. There are exceptions, including Laval and Montreal, which follow a different approach that include the installation of services within a subdivision by the municipality.

The report, *Levies, Fees, Charges and Taxes On New Housing: 2002, January 2003*, prepared by Greg Lampert Economic Consultant Inc. for Canada Mortgage and Housing Corporation assessed municipal imposed costs and taxes on an average priced house in 29 urban housing markets in Canada. This research is more recent and comprehensive than the report, *Charges and Taxes on New Housing in the Halifax Regional Municipality, August 2001*, prepared by Greg Lampert, Economic Consultant Inc., for the Nova Scotia Home Builders' Association, Urban Development Institute and HRM.

Lampert concluded in the 2003 study that off-site infrastructure charges are the highest municipally imposed cost item on new housing. These costs can exceed \$20,000 per unit. The weighted average total municipal imposed cost for a typical single detached house (\$197,060) was \$12,400 in 2002 and the range was \$1,000 to \$27,000. For HRM, Lampert applied the CCC policy and assumed a charge under this policy of \$5,300 for a \$140,000 single detached house on a 30 foot lot. The result was total municipal imposed costs in HRM of \$7,640 or around 60% of the average for the municipalities in the research program. On a comparative national basis, the municipalities with the highest municipal charges (including infrastructure charges) are Vaughan (\$27,279), Surrey (\$25,268), Mississauga (\$24,305) and Ottawa (\$22,460). Eight municipalities had infrastructure charges in the \$5,000 to \$10,000 range. They are Halifax, Toronto, London, Saskatoon, Regina, Edmonton, Kelowna and Saanich. In addition, no infrastructure charges

were applied in St. John's, Charlottetown, Montreal, Laval, Longueuil, Gatineau and Quebec City. A comparative listing is included in Exhibit 5.2.

Municipal imposed charges also extend to rental units. The 2003 Lampert report assessed the impact of these charges on a typical apartment in the same urban areas and also applied the CCC policy to HRM by assuming a charge under this policy of \$1,500 for a \$66,000 rental unit. This cost is around 55% of the national survey average of \$2,690. The highest infrastructure charges were in Vaughan (\$12,179), Mississauga (\$9,781), Ottawa (\$9,565) and Surrey (\$8,194). Exhibit 5.3 contains the comparisons.

While HRM is below the average for infrastructure charges, this position changes when federal and provincial taxes are added. Before 1991, the federal government applied the Manufacturers Sales Tax. This limited tax was replaced in 1991 by the 7% Goods and Services Tax (GST) which was applied to all dwellings (with rebate provisions based upon selling price). Prior to the introduction of the GST, the provincial sales tax was applied to building materials on new housing. Since 1991, provincial tax treatment on new housing varies by province. Key features of the tax treatments by province are:

- Nova Scotia, New Brunswick and Newfoundland and Labrador – These provinces have fully harmonized their sales tax regime with the GST. The effective tax rate is 15% (7% GST plus 8% provincial tax). This rate was reduced to 14% on July 1, 2006. The result is the application of 15% in tax (less any new housing rebates). This is the highest tax regime on new housing in Canada. Nova Scotia has a first-time homeowner's rebate program, which is a partial rebate on the provincial portion of the HST. The rebate represents 1.5% of the purchase price to a maximum of \$1,500.
- Quebec – This province has a tax regime that involves a 7.5% Quebec Sales Tax (QST) on the GST. There are rebates for new dwellings selling for less than \$200,000 with the result being an effective QST of 5.0%.
- Prince Edward Island, Ontario, Manitoba, Saskatchewan and British Columbia – Provincial taxes in these provinces range from 7% in Saskatchewan (increased from 6% on April 1, 2004) to 10% in PEI. In all of these provinces except Manitoba, the tax applies to the building materials used in new housing construction while Manitoba includes both goods and labour for contracts related to plumbing, electrical and HVAC.
- Alberta and Territories – There is no provincial sales tax in Alberta or the territories.

When the HST is added to the cost of new housing construction, the cost of all taxes, charges, levies and fees as a percentage of the average single detached house or average rental apartment can be calculated. Exhibits 5.2

and 5.3 show that the weighted average for the 29 urban areas in the 2003 Lampert report is 13.6% for a single detached house and 12.5% for a modest rental apartment. HRM has the highest overall single detached house charge at 19.7% and the fifth highest for rental accommodation at 16.2%. These levels are a direct result of the inclusion of the provincial sales tax and not municipally imposed charges. While there have been changes in provincial sales tax rates since 2002, the findings of Lampert are still a reasonable indicator of HRM's comparative position to assess the introduction of new infrastructure charges.

On July 1, 2006, the GST rate was reduced from 7% to 6% as reflected in Exhibit 5.1. This reduction is applied across Canada so the relative position of HRM to other urban areas will not change while costs will be reduced accordingly (1%).

Exhibit 5.1 Provincial Sales Tax Rates				
Province	PST	GST/HST⁽³⁾	Combined	Combined (Pre July 1, 2002)
British Columbia ⁽⁵⁾	7.0%	6.0%	13.0%	14.0%
Alberta	Nil	6.0%	6.0%	7.0%
Saskatchewan ⁽²⁾	7.0%	6.0%	13.0%	14.0%
Manitoba	7.0%	6.0%	13.0%	14.6%
Ontario	8.0%	6.0%	14.0%	15.0%
Quebec ⁽¹⁾	7.5%	6.0%	13.95%	15.025%
New Brunswick ⁽⁴⁾	Nil	14.0%	14.0%	15.8%
Nova Scotia ⁽⁴⁾	Nil	14.0%	14.0%	15.0%
PEI ⁽¹⁾	10.0%	6.0%	16.6%	17.7%
Newfoundland & Labrador ⁽⁴⁾	Nil	14.0%	14.0%	15.0%
Yukon	Nil	6.0%	6.0%	7.0%
Northwest Territories	Nil	6.0%	6.0%	7.0%
Nunavut	Nil	6.0%	6.0%	7.0%
⁽¹⁾ Quebec and PEI apply their tax on the GST rate.				
⁽²⁾ Rate increase April 1, 2004.				
⁽³⁾ The GST rate decreased from 7% to 6% effective July 1st, 2006.				
⁽⁴⁾ The harmonizing provinces - HST tax rate of 15% instead of GST rate of 7%.				
⁽⁵⁾ BC rate reduced from 7.5% to 7% effective October 21, 2004.				
Source: Department of Finance.				

Exhibit 5.2 Government Imposed Costs: Single Detached House: 2002

Municipality	Municipal Levies, Fees and Charges										Other Charges and Taxes				
	Price	Infrastructure Charges*	Land Dedications	Dev. Appl. Proc. Fees	Building Permit Fees	Total Municipal Charges	New Home Warranty Fees**	Registry Fees/Land Transfer Tax	Provincial Sales Tax	GST	TOTAL	Percent of Price			
St. John's	130,000		1,900	100	725	2,725	295	635	10,400	5,824	19,879	15.3%			
Charlottetown	125,000		400	7	372	779	295	594	5,404	5,600	12,672	10.1%			
Halifax	140,000	5,300	1,720	41	579	7,640	295	2,170	11,200	6,272	27,577	19.7%			
Moncton	120,000	100	290	25	767	1,182	295	355	9,600	5,376	16,808	14.0%			
Montreal	145,000		1,388		810	2,198	790	1,320	7,272	6,496	18,076	12.5%			
Laval	155,000		1,160	53	384	1,597	790	1,420	7,773	6,944	18,524	12.0%			
Longueuil	140,000		1,890	50	264	2,204	790	1,270	7,021	6,272	17,557	12.5%			
Gatineau	135,000		1,350	50	314	1,714	790	1,220	6,770	6,048	16,542	12.3%			
Quebec City	110,000		750	11	264	1,025	790	970	5,517	4,928	13,230	12.0%			
Toronto	285,000	5,543	4,363	274	2,458	12,638	540	2,820	5,867	12,768	34,633	12.2%			
Mississauga	260,000	18,650	3,880	136	1,639	24,305	540	2,445	5,256	11,648	44,194	17.0%			
Vaughan	275,000	21,657	3,555	301	1,766	27,279	540	2,670	5,519	12,320	48,327	17.6%			
London	160,000	9,067	747	84	850	10,748	432	1,395	4,454	7,168	24,197	15.1%			
Ottawa	230,000	19,473	1,476	230	1,281	22,460	486	2,095	5,565	10,304	40,910	17.8%			
Sudbury	150,000	2,893	855	219	1,014	4,981	432	1,295	4,234	6,720	17,661	11.8%			
Windsor	150,000	3,700	1,015	110	2,066	6,891	432	1,295	4,117	6,720	19,455	13.0%			
Winnipeg	145,000	2,961	883	302	728	4,874	225	910	4,251	6,496	16,756	11.6%			
Regina	135,000	6,601	1,090	164	500	8,355	318	171	2,922	6,048	17,813	13.2%			
Saskatoon	145,000	7,923	1,220	56	573	9,772	327	171	2,965	6,496	19,731	13.6%			
Calgary	175,000	3,959	2,964	413	1,021	8,356	235	72	7,840	7,840	16,503	9.4%			
Edmonton	165,000	5,987	2,121	548	1,250	9,907	220	69	7,392	7,392	17,588	10.7%			
Grand Prairie	130,000	2,560	2,044	253	939	5,795	190	62	5,824	5,824	11,871	9.1%			
Burnaby	395,000	3,439	6,521	39	1,750	11,749	525	5,955	5,425	22,175	45,829	11.6%			
Surrey	315,000	19,820	3,609	101	1,738	25,268	525	4,355	5,930	14,112	50,190	15.9%			
Kelowna	210,000	8,863	2,290	131	1,041	12,326	525	2,255	4,452	9,408	28,966	13.8%			
Prince George	160,000	3,412	1,067	184	686	5,349	625	1,655	4,072	7,168	18,969	11.8%			
Saanich	255,000	10,014	3,762	110	1,593	15,479	525	3,155	4,827	11,424	35,409	13.9%			
Whitehorse	150,000	2,500		25	613	3,138		155		6,720	10,013	6.7%			
Yellowknife	165,000	170		9	926	1,105		165		7,392	8,662	5.2%			
Weighted Average	197,060	8,435	2,527	266	1,211	12,439	392	1,344	3,696	8,856	26,727	13.6%			

*Infrastructure charge policies vary among the municipalities (see text for details); this creates difficulties in comparing the effects of these charges on total development costs.

**New home warranty coverage is mandatory only in Quebec, Ontario and B.C. Warranty fees for the other provinces are provided for illustrative purposes only.

Source: Levies, Fees and Charges on New Housing: 2002, January 2003, prepared by Greg Lampert Economic Consultant Inc. for CMHC.

Exhibit 5.3 Government Imposed Costs: Modest Rental Apartment: 2002

Municipality	Municipal Levies, Fees and Charges							Other Charges and Taxes			TOTAL	Percent of Price	
	Development Cost	Infrastructure Charges*	Land Dedications	Dev. Appl. Proc. Fees	Building Permit Fees	Provincial Sales Tax	GST	Development Cost	Infrastructure Charges*	Land Dedications			
St. John's	71,000		800	13	607	5,680	3,181	10,280				10,280	14.5%
Charlottetown	52,000		400		180	2,260	2,330	5,170				5,170	9.9%
Halifax	66,000	1,500	650		311	5,280	2,957	10,697				10,697	16.2%
Moncton	54,000	3	700	1	420	4,320	2,419	7,863				7,863	14.6%
Montreal	84,000		850		579	4,213	3,763	9,405				9,405	11.2%
Laval	82,000		750		289	4,112	3,674	8,825				8,825	10.8%
Longueuil	75,000		650		219	3,761	3,360	7,990				7,990	10.7%
Gatineau	78,000		700		269	3,912	3,494	8,375				8,375	10.7%
Quebec City	75,000		600		170	3,761	3,360	7,892				7,892	10.5%
Toronto	120,000	3,223	839	53	909	3,746	5,376	14,146				14,146	11.8%
Mississauga	105,000	9,781	3,700	57	708	3,331	4,704	22,280				22,280	21.2%
Vaughan	108,000	12,179	291	313	721	3,368	4,838	21,710				21,710	20.1%
London	92,500	4,933	453	33	299	2,934	4,144	12,796				12,796	13.8%
Ottawa	100,000	9,565	72	86	851	3,331	4,288	18,192				18,192	18.2%
Sudbury	97,000	1,823	309	30	887	3,343	4,346	10,737				10,737	11.1%
Windsor	94,500	2,000	425	25	961	3,138	4,234	10,783				10,783	11.4%
Winnipeg	83,500	428	366		629	2,805	3,580	7,808				7,808	9.4%
Regina	83,500	1,035	397		353	2,200	3,741	7,725				7,725	9.3%
Saskatoon	84,000	1,500	400	2	373	2,200	3,763	8,239				8,239	9.8%
Calgary	95,000	582	1,092	29	471		4,256	6,430				6,430	6.8%
Edmonton	90,000	1,407	759	79	599		4,032	6,875				6,875	7.6%
Vancouver	125,000	2,865		182	609	3,171	5,360	12,186				12,186	9.7%
Burnaby	120,000	1,912	2,870	225	749	3,171	5,145	14,074				14,074	11.7%
Surrey	100,000	8,194		98	707	2,814	4,480	16,292				16,292	16.3%
Saanich	98,500	4,333	580	12	888	2,942	4,413	13,096				13,096	13.3%
Weighted Average	89,340	2,690	743	49	550	3,192	3,970	11,195				11,195	12.5%

*Infrastructure charge policies vary among the municipalities (see text for details); this creates difficulties in comparing the effects of these charges on total development costs.

Source: Levies, Fees and Charges on New Housing: 2002, January 2003, prepared by Greg Lampert Economic Consultant Inc. for CMHC.

5.3 Housing Affordability

Research by Canada Mortgage and Housing Corporation concludes that almost 70% of Canadians in 2001 lived in acceptable housing^{vii}. This level is similar to conditions in 1991. CMHC also determined that low income remains the core of the problem for those seeking affordable housing and these households have to accumulate sufficient wealth that can be drawn upon to address their housing problems. When household income reaches \$40,000, CHMC concluded that core housing needs can be met. There is no evidence in the CMHC research to support the notion that a significant number of “asset rich-income poor” owners are swelling the ranks of the housing needy.

5.3.1 Shelter Cost To Income Ratio

The shelter cost to income ratio (STIR) is an indicator of housing affordability. CMHC defines acceptable housing as adequate and suitable if it can be obtained without spending more than 30% of before tax household income on shelter. Based upon household income and shelter costs in 2001, there were 137,480 households in the Halifax CMA. The average annual household income was \$58,899 and the average STIR was an acceptable 22%. This value is comprised of a 17% STIR for owner occupied households (average household income of \$71,763) and a 30% STIR for renter households (average income of \$36,593). Using 2001 Census data, there were 22,385 households (16.3%) that were unable to access acceptable housing. The average monthly shelter cost of this segment was \$614 or a 49% STIR because of relatively low household income (\$17,064). Values for the Halifax CMA are in general conformity with conditions for all CMAs in Canada where 14.7% of all households are unable to access acceptable housing with an overall average annual household income of \$18,556.

Over 15% of households in the Halifax CMA have an unacceptable STIR. Any increases in government imposed costs will directly impact this segment and reduce their ability to obtain acceptable rental or ownership housing. This relationship between affordability and acceptable housing applies to all urban areas of Canada.

In addition, any increase in housing costs above net increases in household income will impact upon affordability for a larger portion of households. This relationship will require some purchasers to pursue alternative cost reduction options such as extending the mortgage term, postponing household finishing purchases or seeking equity from family or friends. Research conducted by HRM from Statistics Canada custom tabulations reveals that every \$1,000 (net) increase in housing costs will negatively impact on the purchase intentions of 450 households. This relationship between housing price increases and affordability suggests that HRM should focus new infrastructure charges on “hard” services that are needed for growth.

5.3.2 Housing Indicators

From 1995 to 2005, over 27,700 housing starts occurred in the Halifax CMA. Of this total, single housing starts dominate. During the same period, the average housing price (MLS) increased by 70% from \$103,111 to \$187,862. Nationally, the average price increased by 57% from \$150,720 to \$227,210 over the same period.

In 1971, the home ownership rate in the Halifax CMA was 53.2% and this value increased to 61.7% by 2001. A purchaser of a typical house in HRM (average MLS price), and assuming a 10% equity portion, required household income to cover 25-year mortgage payments (25% of monthly household income) of between \$42,235 and \$48,855 from 2001 to 2005. This level of household income is below the average of \$58,899 for all households from the 2001 Census.

In recent years, the average cost of a new single family detached house in the Halifax market has averaged 40% above the average MLS price. In 2004 and 2005, the average new single detached housing price was \$233,915 and \$263,665 respectively. An average household income of between \$61,630 and \$67,940 was required to purchase a new single family detached house between 2002 and 2005 based on similar financing arrangements to the above example.

The level of household income is below the average household income of current homeowners (identified in the 2001 Census at \$71,763) but above the average of all households. This condition means that HRM should not seek to over-extend the application of new charges.

Exhibit 5.4
Halifax Census Metropolitan Area – Housing Indicators

	2002	2003	2004	2005
Total Housing Starts	3310	3066	2627	2451
Single Family Starts	1865	1483	1510	1216
MLS Average Residential Price (\$)	148,737	162,486	175,132	187,802
Average New House Price (\$)	220,255	229,105	233,915	263,665
Average 25-Year Mortgage Rate (July, 5-Year Term (%))	6.90	5.71	6.10	5.26
Annual Household Income Required (25%) For Mortgage Payments With 10% Down				
MLS Average (\$)	44,610	43,710	48,855	48,395
New House Average (\$)	66,060	61,630	65,255	67,940

Source: *Halifax Housing Market Outlook, Spring 2006*, Canada Mortgage and Housing Corporation.

Department of Finance, Bond Yields and Mortgage Rates.

Canadian Housing Observer 2005, Canada Mortgage and Housing Corporation.

5.3.3 Impact Of Government Charges On Housing Costs and Affordability

Market prices for housing and the application of government charges vary between urban areas. To compare these costs, the 2004 average MLS residential housing price in 16 metropolitan areas was used as a proxy of new entry level housing costs. It is assumed that government levies, fees, taxes and charges from the 2003 Lampert study are representative of conditions in 2004. In 2004, July was selected as a typical month to purchase a new house. At that time, data collected by the Department of Finance determined that the average mortgage rate for a 25-year mortgage with a five-year term was 6.10%.

Exhibit 5.5 presents the assessment of government charges on housing affordability in Halifax (average MLS price which is assumed to be the same as the entry level new housing price) and 15 other metropolitan areas. The average cost of government charges is \$34,500 in Halifax or above the average value of \$24,830 for the 16 areas in the sample. For an average new house in HRM, the cost would be \$48,300. In 2004, the cost of government charges represents \$222 in monthly mortgage costs (assuming debt financing) for a new entry level house purchaser in Halifax if all of these costs were debt financed. This cost increases to \$310 per month for an average new house. The Halifax value is above the survey sample average of \$160 per month but well below the values for Toronto (\$358) and Vancouver (\$380). Approximately 40% of the government charges in Halifax are a direct result of provincial sales tax. This tax structure means that \$13,800 of costs for an average entry level new house is not a result of municipal charges and the GST. This value increases to around \$19,300 for an average new house. If the provincial sales tax on an entry level new housing in HRM was closer to the national average as defined in the Lampert study, then the provincial tax would be \$4,555 (or \$6,300 for an average new house) for a total government charge of \$25,244 which is similar to the national average of \$24,830.

Exhibit 5.5
Impact Of Government Charges On Housing Costs and Affordability - 2004

Metropolitan Area	2004 Average MLS Residential Price (Assumed Entry Level New House Price In HRM)	Total Assumed Government Levies, Fees, Taxes & Charges: %	Total Assumed Government Levies, Fees, Taxes & Charges: \$ (Rounded)	Monthly Mortgage Financing Costs of Government Imposed Costs
St. John's	\$132,993	15.3%	\$20,345	\$131
Halifax	\$175,132	19.7%	\$34,500	\$222
Quebec City	\$129,149	12.0%	\$15,500	\$99
Montreal	\$194,692	12.5%	\$24,335	\$157
Gatineau	\$150,264	12.3%	\$18,500	\$120
Ottawa	\$128,152	17.8%	\$22,810	\$146
Toronto	\$315,266	17.6%	\$55,490	\$358
London	\$167,344	15.1%	\$25,270	\$163
Windsor	\$159,597	13.0%	\$20,750	\$134
Sudbury	\$112,404	11.8%	\$13,265	\$85
Winnipeg	\$121,925	11.6%	\$14,145	\$91
Regina	\$111,869	13.2%	\$14,765	\$95
Saskatoon	\$132,549	13.6%	\$18,025	\$115
Calgary	\$222,860	9.4%	\$20,950	\$135
Edmonton	\$179,610	10.7%	\$19,220	\$124
Vancouver	\$373,877	15.9%	\$59,450	\$380
Average	\$175,480	13.8%	\$24,830	\$160

Source: *Canadian Housing Observer 2005*, Canada Mortgage and Housing Corporation.

Levies, Fees, Charges and Taxes On New Housing: 2002, January 2003, prepared by Greg Lampert Economic Consultant Inc. for Canada Mortgage and Housing Corporation.

Department of Finance, Bond Yields and Mortgage Rates (July 2004, 25-Year Mortgage with 5-Year Term = 6.10%).

Toronto example is based upon Vaughan.

Vancouver example is based upon Surrey.

5.4 Municipal Taxes

Since 1997, the City of Edmonton has conducted a national survey of property taxes and utility charges for an average house (single detached) in major cities to assess the relative tax burden. The representative housing unit used for the survey is a 25 to 30 year old single detached, three bedroom bungalow with a double car garage and a finished full basement. The dwelling has a main floor area of 1,200 square feet on a 6,000 square foot lot in an average city neighbourhood. A total of 24 urban municipalities respond to the survey and HRM is one of the participants. ^{viii}

An effective indicator of tax burden is the combined residential property taxes and utility charges. Of the units participating in the 2005 Edmonton survey, HRM had the third lowest property taxes (\$3,346) while Toronto was the highest at \$5,214. If one assumes that average property and utility charges in the Edmonton survey are representative of costs for average new housing in the participating units, then a clear picture emerges of government imposed charges and annual municipal taxes and utility charges.

Exhibit 5.6 shows the typical annual charges for an average house that was financed in July 2004. What emerges is a different profile of the annual costs of government imposed development charges, municipal property taxes and utility charges. HRM is below the survey sample average (\$3,887) for property taxes and utility charges with a per dwelling burden of \$3,346.

Exhibit 5.6				
Total Annual Tax Burden For An Average House – 2004				
Metropolitan Area	2004 Average MLS Residential Price (Assumed Entry Level New House Price In HRM)	Annual Mortgage Financing Costs of Government Imposed Costs	Average Property Taxes & Utility Charges	Total Annual Cost
St. John's	\$132,993	\$1,572	\$2,967	\$4,539
Halifax	\$175,132	\$2,664	\$3,346	\$6,010
Quebec City	\$129,149	\$1,188	\$3,808	\$4,996
Montreal	\$194,692	\$1,884	\$3,640	\$5,524
Gatineau	\$150,264	\$1,440	NA	NA
Ottawa	\$128,152	\$1,752	\$4,974	\$6,726
Toronto	\$315,266	\$4,296	\$5,214	\$9,510
London	\$167,344	\$1,956	\$4,194	\$6,150
Windsor	\$159,597	\$1,608	NA	NA
Sudbury	\$112,404	\$1,020	NA	NA
Winnipeg	\$121,925	\$1,092	\$3,640	\$4,732
Regina	\$111,869	\$1,140	\$3,640	\$4,780
Saskatoon	\$132,549	\$1,380	\$4,055	\$5,435
Calgary	\$222,860	\$1,620	\$3,752	\$5,372
Edmonton	\$179,610	\$1,488	\$3,808	\$5,296
Vancouver	\$373,877	\$4,560	\$3,491	\$8,051
Average	\$175,480	\$1,920	\$3,887	\$5,932

Source: *Canadian Housing Observer 2005*, Canada Mortgage and Housing Corporation.
Levies, Fees, Charges and Taxes On New Housing: 2002, January 2003, prepared by Greg Lampert Economic Consultant Inc. for Canada Mortgage and Housing Corporation.
 Department of Finance, Bond Yields and Mortgage Rates (July 2004, 25-Year Mortgage with 5-Year Term = 6.10%).
2005 Residential Property Taxes & Utility Charges Survey, City of Edmonton Planning and Development, November 2005.
 Toronto example is based upon Vaughan.
 Vancouver example is based upon Surrey
 Quebec City example is based upon Quebec City for development charges and Laval for average property tax and utility charges.

5.5 Summary

Any comparisons of government imposed development charges and taxes on new development should be approached with caution. The enabling legislation, service standards and municipal operating procedures result in very different levies, fees, charges and taxes between and within provinces. The research conducted in this section shows that HRM has relatively low charges for new development while housing costs are similar to the national average for metropolitan areas. Within the HRM market, there is a segment of the population that is unable to access affordable housing and every \$1,000 net increase in housing costs will negatively impact on the purchase intentions of 450 households. The relative size of this population is similar to other CMAs in Canada and the key factor contributing to this group's inability to secure acceptable housing is household income.

The key factor contributing to proportionally high government imposed costs on new housing in HRM is the harmonized sales tax (HST) that was introduced in Nova Scotia, New Brunswick and Newfoundland and Labrador in 1991. This rate was set at 15% in 1991 and reduced to 14% in July 2006. No other province or territory charges as high a rate and Alberta has no provincial sales tax. If the provincial tax regime in Nova Scotia was charging a rate similar to the national average, then the impact of government charges on housing costs would be closer to the national average. Even with the higher costs of the HST, the total annual costs of the tax burden to a home owner in HRM are in line with the average for representative metropolitan areas across Canada. HRM achieves this position because of relatively low property taxes.

The main purpose of development charges is to cover growth-related costs of new development. If there is a housing affordability issue as a result of the introduction of new charges in HRM, it must be dealt with in different ways.

6 Recommendations

6.1 Introduction



In 2006, HRM was using part of the powers under Sections 81, 274, 275 and 276 of the *MGA* for the application of infrastructure charges. Regional Wastewater Treatment Facilities have not been recovered to date while they could be added to master planning areas under the *Act's* subdivision by-law provisions (Sections 274 to 276) or service specific by-law provisions (Section 81).

Enabling sections of the *MGA* also provide for the introduction of infrastructure charges related to water, roads, sanitary and storm services for both new development and redevelopment (infill) projects. The application of charges for other services will require amendments to the *MGA* and must be growth-related and receive support from Service Nova Scotia and Municipal Relations.

6.2 Evaluation of New Charges

Growth in population necessitates capital expenditures in a wide range of municipal services. These services for HRM include:

- Waste and Storm Water
- Solid Waste
- Roads/Regional Transportation Infrastructure
- Transit
- Police
- Fire Services
- Recreation
- Libraries
- Regional Parks
- Municipal Buildings
- Convention and Meeting Venues
- Tourism Facilities
- Cultural Facilities.

A business case could be crafted by HRM for growth-related costs for all of these services based upon such factors as equity, efficiency, accountability and transparency, and certainty and predictability. **The difference between these areas is the extent to which the service is needed for growth, legislative status (allowed or amendments required) under the MGA, the presence or absence of standards in HRM and hence the ability to identify and calculate a growth-related component.** Ease of calculation also results in greater public acceptability and lower risk exposures (appeals).

The following exhibit shows potential services on a continuum from what is essential for growth to occur to what is less essential and more discretionary. Group 1 contains high cost “hard” municipal services that are essential for growth, have established standards in HRM, are easy to calculate, and are permitted under the MGA. Group 2 contains other “hard” services that are also essential for growth, have established standards and are also easy to calculate but require amendments to the MGA. Within this group, regional transportation infrastructure includes roads (allowed under Section 81 of the MGA) as well as the growth-related part of other services such as a fast ferry. Similar to Group 1, services in this group are relatively high cost. Group 3 contains services that are somewhat less essential for growth to occur, have established standards, are lower cost and may be more difficult to calculate the growth-related component. Charges for these services would require amendments to the MGA. Group 4 contains services that are less essential for growth to occur and will require HRM to set standards prior to implementation. These services would also require MGA amendments. Group 5 contains a range of “soft” municipal services that are not essential for growth to occur and are discretionary. These services would require standards prior to implementation and it would be difficult to calculate the growth-related component. This group would require amendments to the MGA and experience in other provinces suggests these services can be very controversial and open to appeal if included in development charges.

Based upon this ranking and the legislative framework of the MGA, it is recommended that HRM focus on the services in Groups 1 and 2, and possibly expand into Group 3. Group 4 could also be considered once service standards are prepared for all of HRM.

Exhibit 6.1 Range of Services for Infrastructure Charges				
Group 1 Essential “Hard” High Cost Services With Standards: Permitted Under <i>MGA</i>	Group 2 Essential “Hard” High Cost Services With Standards: Will Require <i>MGA</i> Amendments	Group 3 Less Essential Other Services With Standards: Will Require <i>MGA</i> Amendments	Group 4 Discretionary “Soft” Services That Require HRM Standards & <i>MGA</i> Amendments	Group 5 Discretionary “Soft” Services That Require HRM Standards, <i>MGA</i> Amendments & Are Difficult To Calculate
<ul style="list-style-type: none"> • Waste & Storm Water 	<ul style="list-style-type: none"> • Solid Waste • Regional Transportation Infrastructure • Transit 	<ul style="list-style-type: none"> • Police • Fire Services 	<ul style="list-style-type: none"> • Recreation • Libraries • Regional Parks 	<ul style="list-style-type: none"> • Municipal Buildings • Convention & Meeting Venues • Tourism Facilities • Cultural Facilities

6.3 Recommendations

Under current powers in the *MGA*, and the framework established in the Regional MPS and its supporting Financing Plan and Revenue Strategy, HRM has the option to add Regional Wastewater Treatment Facilities under the current CCC policy or to use Section 81 to craft new region-wide wastewater and stormwater by-laws. The preferred approach is to introduce region-wide by-laws that can have different charge rates for urban (including infill), suburban and rural areas that reflect expected growth in the Regional Centre and other urban, suburban and rural settlement designations in the Regional MPS. The result will be a blended charge rate.

A logical starting point for a new policy is the preparation of a new region-wide sewage treatment by-law that is applied to all new development (including infill) in HRM. This by-law would be in addition to the current CCC policy for master planning areas.

With amendments to the *MGA*, HRM could prepare region-wide by-laws for solid waste (sanitary landfill), transit and regional transportation infrastructure that are directly linked to settlement designations in the Regional MPS. All of these major cost items must be designed and constructed to meet a growing population and employment base, and growth-related demand can be easily calculated. For example, growth-related demand for a new fast ferry service from Bedford to Downtown Halifax can include a growth-related cost component under a transit by-law that is applied to this new service’s catchment area.

Based upon the research conducted in this report, it is recommended that:

1. HRM should consider expanding the application of the current Capital Cost Contribution (CCC) charges to include:
 - sewer services,
 - solid waste,
 - transit and
 - regional transportation infrastructure.
2. Any expanded application of the current Capital Cost Contribution Program should include all types of development, including infill development and subdivisions.
3. The charges should be based upon clearly defined standards of service.
4. Capital Cost Contribution charges should be reviewed every five years to ensure that they are meeting all of the growth-related capital requirements.
5. Capital Cost Contribution charges should be placed in reserve funds. These funds should be dedicated to specific capital projects as set out in the calculation of the Capital Cost Contribution charges.
6. Where growth-related capital costs vary by location, CCC's should be applied on a development by development basis. Where growth-related capital costs are the same across the region, a uniform region-wide rate should apply.
7. Capital Cost Contribution charges should reflect variations in the costs of servicing different property types (single family dwellings, apartments, commercial and industrial properties).

Endnote

ⁱ On-site services such as local roads, sidewalks, street lighting, sewers, and water are the responsibility of the developer in most municipalities (included in subdivision approval plans).

ⁱⁱ Staff presentation to Regional Council, April 2006.

ⁱⁱⁱ Staff presentation to Regional Council, April 2006.

^{iv} Enid Slack, *Development Charges in Canadian Municipalities: An Analysis* (Toronto: Intergovernmental Committee on Urban and Regional Research, 1994); and T.P. Snyder and M.A. Stegman, *Paying for Growth Using Development Fees to Finance Infrastructure* (Washington, D.C.: Urban Land Institute, 1986).

^v Enid Slack, "Municipal Finance and The Pattern of Urban Growth", *Commentary* (Toronto: C.D. Howe Institute, February 2002).

^{vi} The Resort Municipality of Whistler Act provides the authority to collect DCCs for employee housing in that municipality.

^{vii} Figure 68, Housing Conditions Overview, Canada, 1991 to 2001, *Canadian Housing Observer 2005*, Canada Mortgage and Housing Corporation.

^{viii} Municipalities that are included in Exhibit 5.5 and did not participate in the Edmonton survey are Gatineau and Windsor.