

Region of Niagara

Guiding Principle Context to the Financing of Growth-Related Infrastructure Discussion Paper

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Development Charges Policy Framework

Objectives:

1. Establish Council's linkage between:
 - Growth Planning (Niagara 2031)
 - Growth Related Infrastructure (Master Plans for Transportation; Water/Wastewater)
 - Implementation (Development Approvals)
2. Establish Council's priorities for municipal investment from taxes and/or rates to support growth
3. Establish a multi-year financial plan to Objectives 1 and 2.

Basis for Development Charge Policy

- ❑ Consistent application of DC Policy
- ❑ Fair and equal treatment
- ❑ Defined process for DC. Calculations are simple, equitable, and flexible.
- ❑ Costs are defined, transparent and validated by stakeholders.
- ❑ Opportunity for fixed costs and fixed payments and cost allocations based on defined levels of service. A balance of certainty and flexibility.
- ❑ Dynamic: for future developments, land use changes, and provision of service.

10 Key Guiding Principles

To provide direction in determining the application of development charge contributions amongst stakeholders.

1. Policy requires a Growth Management Strategy, Master Infrastructure Plan, Construction Implementation Plan and Financial Plan for each “Charge Area” and for Region wide DC’s.
2. Apply the cost recovery system where infrastructure oversizing is involved - for both on site, and required off site infrastructure, such as W/WW treatment capacity, Highway interchanges, etc.
3. Whomever derives a direct servicing benefit pays.
4. Costs are attributed to the “cost causer”.
5. Municipal ability to participate financially is balanced through the annual and forecast capital expenditure budget.

Guiding Principles (con'd)

6. Region will provide a leadership role in facilitating developers in the provision of services to new development.
7. Policy involving clear cost definition to be fairly and consistently apportioned re developer contributions.
8. Policy will be consistently applied in all areas with a balance of fairness and flexibility exercises within the costing methodology and financing process.
9. The capital cost will be apportioned in a reasonable, fair and equitable manner.
10. To provide an appropriate balance between regulatory and incentive tools to achieve Region's objectives.

Policy Elements

1. **How are growth planning, infrastructure and development charges linked?**
 - 1.1 Growth management planning (Niagara 2031) sets the Urban Area Boundary where growth occurs. Growth management planning identifies key land use policy objectives where DC exemptions may be utilized within the Urban Area Boundary. For example:
 - Intensification
 - Brownfield redevelopment
 - Public land development
 - Employment land development
 - Greenfield development at enhanced densities

Policy Elements

1.2 Infrastructure master planning determines the necessary infrastructure to achieve the growth management plan through:

- Master Planning - Defines long-term infrastructure requirements within a defined area, a catchment area, or consolidated boundaries on other services
- Implementation Plan - Timetable & sequence of required infrastructure construction
- Financial Plan
 - Full cost of infrastructure, interest, future construction factors, cash flow, recording and tracking of revenue streams
 - Encourages integration and support via municipal planning strategies, subdivision and land use by-laws
 - Provides a mechanism to establish “charge areas”

Policy Elements

1.3 Master Plan Elements include:

CAPITAL

Oversized system infrastructure requirements in a defined area

COST

- ❑ Full “systems” costs and interest
- ❑ Considering the development time frame
- ❑ Construction sequence
- ❑ Local municipal coordination

DEVELOPMENT CHARGE/CONTRIBUTION:

- ❑ Prorate costs to the user/beneficiary
- ❑ Determined through a rational, transparent & understandable methodology
- ❑ Methodology appropriate to each master plan

Policy Elements

2. What is the rationale for who pays for infrastructure within the Urban Area Boundary?

- 2.1 All growth-related infrastructure within the Urban Boundary is to be paid for by development charges, except where the Region is required by statute or otherwise elects to phase-in, discount or exempt the DC for a particular type of development. In those cases the shortfall must be absorbed by taxes (for roads) or rates (for water and wastewater).
- 2.2 The funding gap produced by statutory DC exemptions is unavoidable. Policy with respect to any other DC “encouragement” is to be based upon an adequate business case which identifies sufficient benefits to the Region to justify the DC revenue loss.
- 2.3 Consideration will be given to the establishment of water and wastewater development charges that relate to each individual servicing area. These charges will reflect average servicing costs within those areas, with respect to capacity increases and the recovery of previous “post period capacity” oversizing investments.

Policy Elements (Cont'd)

3. What will the Region pay for and on what basis?

4. 3.1 The Region will pay the non-growth share of every growth-related project that proceeds. This includes benefit to existing development cost shares in the form of repairs, replacements and discretionary upgrades that provide no benefit to growth.
- 3.2 Servicing outside the urban boundary for urban uses will not be contemplated. Servicing outside the urban boundary for agricultural uses is under a separate review.
- 3.3 The Region will fund growth-related projects and costs from its DC reserve funds, to the extent permitted (and available in that budget year) by such funds and for those projects considered by Council to be Regional priorities. Regional debenture financing for growth is to be restricted to strategic investments.
- 3.4 Advancement of infrastructure construction in the financial plan will be done via front ending agreements to be repaid in the year the works are scheduled in the financial plan.

Policy Elements (Cont'd)

4. Do DCs represent a buy-in to the servicing system?

4.1 At present, uniform Region-wide DCs implicitly represent a form of buy-in to the Regional servicing system. The problem is that the flow of DC revenues is insufficient to permit development to proceed in all locations simultaneously at any given time.

4.2 The future intention is to link the DC quantum and payment more directly with particular water/wastewater works. This will provide developers with greater certainty with respect to available servicing capacity, based upon increased private sector responsibility for absorbing the servicing costs attributable to individual developments.

4.3 Since DCs are applicable to all growth related infrastructure, the DC provides a “system buy-in” for new development. Once the growth related infrastructure is installed, it becomes part of the ongoing utility system. The future replacement, operation and service related standards will be financially supported by the utility rate base. The DC provides a financially supportive process to extend systems for new growth areas, and are applicable only within the existing UAB.

Policy Elements (Cont'd)

5. How can a dynamic system be included in Development Charges?

5.1 Change of Land Use

Changes in intensity or system capacity use triggers a DC calculation

5.2 Extended Service Areas

New additions to area also subject to the same charges if there is no added infrastructure required (“phasing”)

5.3 Combining Service Areas

Triggers a recalculation of charges, effective on a go-forward basis, resulting from additional infra. of capacity increases

The Region's Proposed Role

- Establish the planning strategy for each area that links:
 - Growth Strategy - Niagara 2031
 - Infrastructure - Master Planning
 - Implementation - Development Approvals
- Set the bounds of the area considered for Development Charges (i.e. “Serviceable Area”) and phasing considerations.
- Prepare (and recover the cost of) the required growth strategy, master plan, implementation and financing plans.
- Coordinate local municipal priorities and developer participation in the determination of the systems, costs, cash flows/financing & construction plans.

Region's Proposed Role (con'd)

- ❑ Enable continued development through a bridged construction/finance system with a viable plan for repayment.
- ❑ Administer all plans throughout the development timetable.
- ❑ Collect and administer cost sharing.

Fundamental Questions to be Addressed

- ❑ To what extent should property taxes and user rates bear a portion of the burden?
- ❑ How much should be raised via uniform, Region-wide DCs vs. Area-specific DCs for water/wastewater?
- ❑ What land use objectives should the Region provide this form of financial encouragement for?
- ❑ What is the appropriate allocation of responsibility between the Region, local municipalities and the private sector for servicing growth related development?
- ❑ How should DC's and exemptions in relation to other tools (SNIP) be considered?