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City of Brandon Development Charge Rate Study & By-law

Council Meeting
November 27, 2023

Agenda



1. Overview of Study Process
2. What are Development Charges?
3. Development Charge Policy
4. Growth Strategy and Forecast
5. Capital Needs to Accommodate Growth
6. City-wide vs. Area-specific Development Charges
7. Local Service Policy and Reserve Fund Policy
8. Next Steps



1. Overview of Study Process

City of Brandon Development Charge Rate
Study and By-law

Overview of Study Process

Objective of Study



- Provide a comprehensive review and recommendations for:
 - Existing DC policies (including recommendations on City-wide vs. area-specific)
 - Current Capital Project List **Focus of this Engagement Session**
 - Local service policy
 - Reserve Fund Management
- Develop a new D.C. model based on either a City-wide or area-specific approach

Overview of Study Process

Workplan



Phase	Tasks
1. DC Methodology Review	<ul style="list-style-type: none">• Review policies and compare against best practices• Prepare a memo outlining recommended changes
2. DC Capital Program Review	<ul style="list-style-type: none">• Review current project list and related background data• Meet with staff to review/confirm assumptions used in capital project list and update list• Draft a memo outlining the recommended changes
3. Council and Stakeholder Engagement #1	<ul style="list-style-type: none">• Present the preliminary recommendations to Council and stakeholders to receive feedback
4. City-wide vs. Area-specific DC Models	<ul style="list-style-type: none">• Development City-wide and Area-specific DC models
5. Council and Stakeholder Engagement #2	<ul style="list-style-type: none">• Present a comparison of the 2 approaches to receive feedback from Council and stakeholders
6. DC By-law and Reserve Fund Management Policy	<ul style="list-style-type: none">• Prepare a memo outlining recommended policy approaches for various aspects related to the use of DC funds
7. Reporting	<ul style="list-style-type: none">• Prepare a DC background study and draft by-law, setting out all of the calculations and policy matters



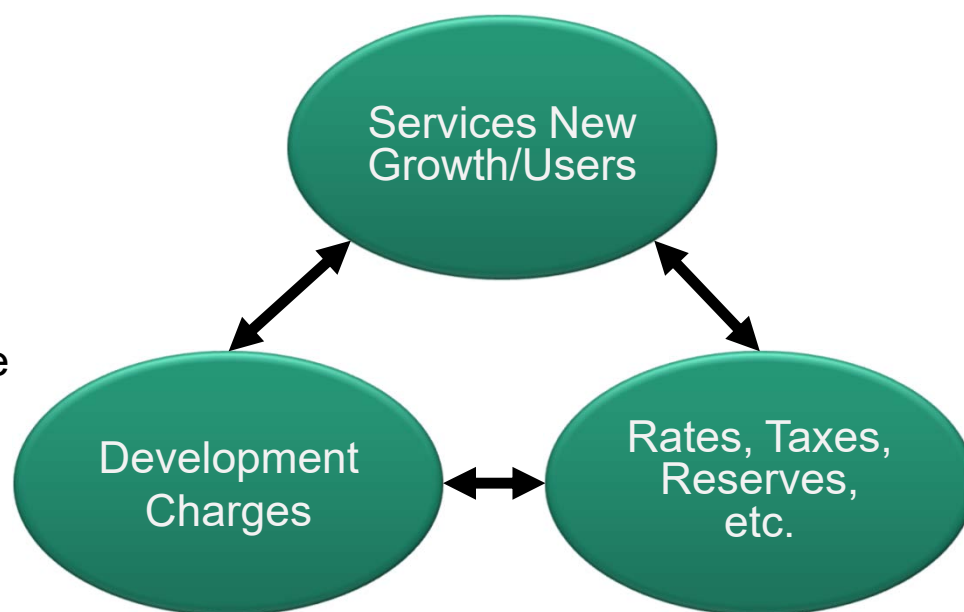
2. What Are Development Charges?

City of Brandon Development Charge Rate
Study and By-law

What are Development Charges?

Overview

- Development Charges are a revenue tool that municipalities across Canada utilize to ensure that “growth pays for growth” to the extent possible
- Charges seek to recover the capital costs associated with residential and non-residential development within the City
- Capital costs are in addition to what costs would be normally constructed as part of a subdivision (e.g. internal roads, sewers, watermains, sidewalks, etc.)
- Generally, the *Municipal Act* provide municipalities the authority to construct infrastructure and to impose rates on the development that requires such capital works to be constructed.



What are Development Charges?

Overview



- City Development Charges are imposed by by-law 7175
- Development Charges are collected from development and redevelopment at the time of agreement or building permit
- Revenues are deposited in reserve fund for each service for which the charge is imposed (i.e. drainage, transportation, water, wastewater)
- Development Charge reserve funds are then used to fund the growth-related portion of capital projects required to accommodate new development

What are Development Charges?

Use in Manitoba



- Winnipeg tried to implement Impact Fees, however, removed fees after court case. Winnipeg does impose other capital charges
- Other municipalities that impose capital/development charges:
 - East St Paul
 - Springfield
 - Tache (Lorette)
 - MacDonald
 - West St Paul
 - Headingley
 - Ritchot
 - Steinbach

Questions





3. Development Charges Policy

City of Brandon Development Charge Rate
Study and By-law

Development Charges Policy

Current Charges

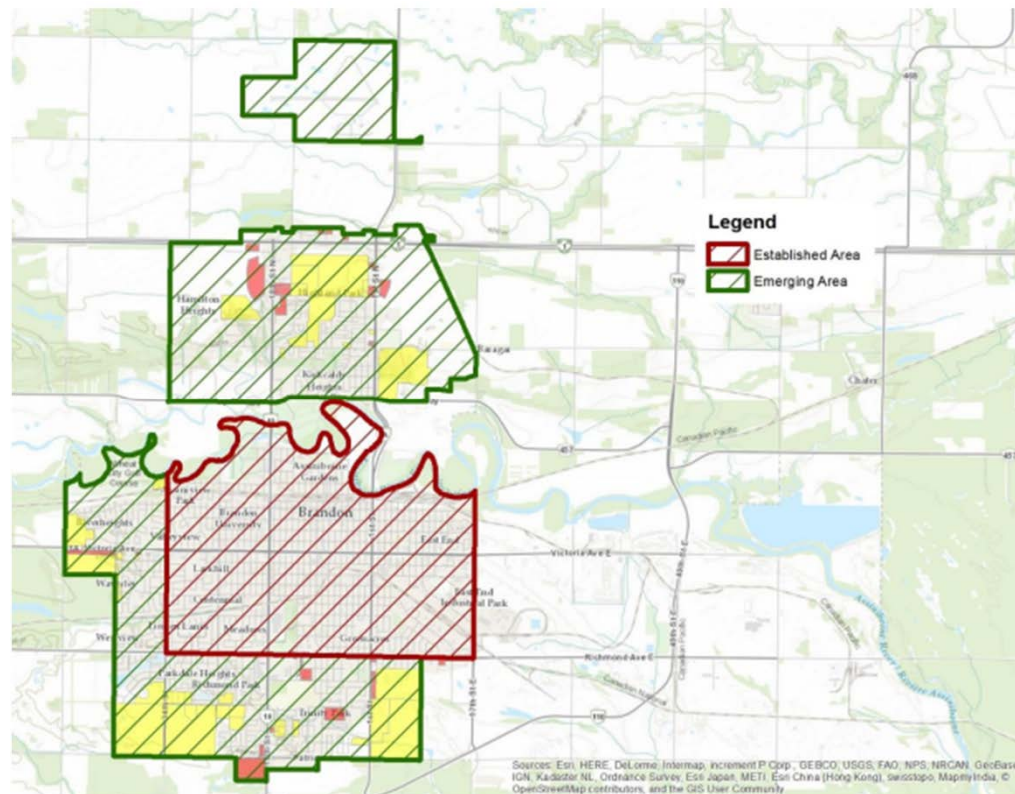


Prior to Subdivision or Rezoning

Service	Residential & Non-Residential (Per Net Hectare)
Emerging Growth Area	
Drainage	3,256
Transportation	22,971
Wastewater	35,433
Water	11,151
Total Emerging Growth Area DC	72,809

Prior to Building Permit

Service	Residential (per unit)		Non-Residential (per sq. ft.)
	Low Density	High Density	
Established Growth Area			
Wastewater Treatment	496	321	0.29
Water Treatment	388	251	0.22
Total Established Growth Area DC	884	571	0.51
Emerging Growth Area			
Wastewater Treatment	496	321	0.29
Water Treatment	388	251	0.22
Drainage	137	89	0.08
Transportation	973	630	0.55
Wastewater Network Infrastructure	1,501	971	0.86
Water Network Infrastructure	473	306	0.27
Total Emerging Growth Area DC	3,969	2,567	2.27



Development Charges Policy

Current Policy



Policy Item	Current Policy
By-law Structure	<ul style="list-style-type: none">• By-law No. 7175• Uniform City-wide DC for water and wastewater treatment• Area-based charge for all linear infrastructure (Established vs. Emerging)
Services Covered	<ul style="list-style-type: none">• Treatment:<ul style="list-style-type: none">• Water• Wastewater• Network Infrastructure:<ul style="list-style-type: none">• Transportation• Water• Wastewater• Drainage
Local Service Policy	<ul style="list-style-type: none">• Local Service Policy developed as part of 2017 Study.• Identifies the infrastructure required to be constructed by the developer vs. the infrastructure included in the DC calculations

Development Charges Policy

Current Policy



Policy Item	Current Policy
Timing of Collection	<ul style="list-style-type: none">• Established Area<ul style="list-style-type: none">• DC for treatment are imposed and collected prior to building permit issuance• Emerging Area<ul style="list-style-type: none">• Network infrastructure (50% of the total network charge) are calculated and payable prior to the issuance of a certificate of approval for a subdivision (plan of subdivision or condominium) or prior to a rezoning receiving third reading under the Planning Act.• Water and wastewater treatment and the remaining 50% of the network infrastructure charge are calculated and payable prior to the issuance of a building permit.
Determination of Amount of the Charge	<ul style="list-style-type: none">• Costs allocated to residential uses are assigned to different types of residential units based on the average occupancy for each housing type constructed during the previous decade;• Costs allocated to non-residential uses are assigned based on the amount of square feet of gross floor area constructed;• Costs allocated to residential and non-residential uses are based on population versus employment growth over the buildout forecast period (i.e. 84% residential/16% non-residential); and• Costs based on per net hectare basis: Net hectares excludes public or school reserves, public streets, private roads, land for municipal services, and land not suitable for building sites as defined in the <i>Planning Act</i>.

Development Charges Policy

Current Policy



Policy Item	Current Policy
Redevelopment Allowance	<ul style="list-style-type: none"> For demolition and redevelopment within 60 months of demolition, a credit is provided based on the residential units and non-residential floor area replaced.
Indexing	<ul style="list-style-type: none"> Adjustments are applied annually in September of each year to come in effect January 1 of the upcoming year, in accordance with Statistics Canada's Consumer Price Index (Manitoba) year over year increase.
Reserve Funds	<ul style="list-style-type: none"> The City has established six (6) separate reserve funds by by-law for DC collections: Transportation, Drainage, Water Linear, Sewer Linear, Water Treatment, and Sewer Treatment. The City has a Development Charges Reserve Fund Management Policy (Policy No. 1091) which outlines the use and management of the DC reserve funds. Based on the guidance in the policy, DC reserves are used to fund growth infrastructure projects in accordance with the 10-year capital plan. Where a shortfall exists in the City's reserve funds, the City will fund projects with debt.
Exemptions	<ul style="list-style-type: none"> DCs do not apply to residential accessory buildings. In addition, the City does not charge DCs to industrial areas which fall outside of the Established and Emerging growth areas. It is noted that the Established Area of the City is not subject to the network infrastructure/linear portion of the charge.

Development Charges Policy

Best Practices Review



- Undertook best practices review of municipalities across Canada:

Province	Municipalities
British Columbia	<ul style="list-style-type: none">• Vancouver
Alberta	<ul style="list-style-type: none">• Calgary• Edmonton
Saskatchewan	<ul style="list-style-type: none">• Saskatoon• Regina
Manitoba	<ul style="list-style-type: none">• Steinbach
Ontario	<ul style="list-style-type: none">• Peel Region• Niagara Region• Toronto• Ottawa
New Brunswick	<ul style="list-style-type: none">• Moncton
Nova Scotia	<ul style="list-style-type: none">• Halifax

Development Charges Policy

Best Practices Review - Observations



- Most municipalities index their Development Charges annually. The source of the indexing information varies, however, use of the Statistics Canada Building Construction Price Index is the most common (this index tracks construction tender prices and should provide a reasonable estimate of inflationary impacts on capital projects).
- Area-specific charges may be used depending on local circumstances. There is no standardized approach that could apply to all municipalities, however, generally, water and wastewater can be imposed on the serviced areas of the municipalities with all other charges imposed on a municipal-wide basis.
- With respect to the basis for imposing the charges, best practices across Canada are shared between imposing the charge on a per unit basis or per property area basis for residential development and on a per area of building basis or per property area basis for non-residential development.
- Discretionary exemptions vary across Canada, however any exemptions from the charges should be funded through other sources (e.g. water/wastewater rates or taxes).

Development Charges Policy

Preliminary Recommendations



Policy Matter	Recommendation
Approach to the Calculations	
Transportation Costs for Established Area	Recommendation #1: In the calculations, include transportation projects required to accommodate growth and development in both the Established and Emerging Areas. As such, the calculated charge for transportation network infrastructure would apply to all areas where DCs are imposed.
Area-specific Development Charges	Recommendation #2: Undertake DC calculations for the Industrial Area based on the capital costs required to accommodate the anticipated development. Recommendation #3: Undertake the DC calculations on an area-specific basis for the Emerging Areas. The area-specific calculations may be delineated by the North, West, and South areas.
20-Year Forecast Period	Recommendation #4: Ensure the DC calculations are undertaken using a growth and development forecast that matches the City's capital forecast. The City noted that a 20-year capital forecast is reasonable, so the DC calculations should be undertaken using a 20-year growth and development forecast.
Growth Studies	Recommendation #5: The City should consider incorporating growth-related studies into the definition of capital costs to be recovered through development charges.
Debt Financing Costs	Recommendation #6: The City should consider incorporating debt financing costs into the DC calculations. This would require City staff input as to which projects may require debt financing.

Development Charges Policy

Preliminary Recommendations



Policy Matter	Recommendation
Application of the DC By-law	
Timing of the Charge	Recommendation #7: Consider imposing all DCs on a per unit and per sq.ft. basis at the time of building permit.
Indexing	Recommendation #8: The City should consider using the Statistics Canada Building Construction Price Index to index their charges between by-law reviews.
Discount of the Overall Charge	Recommendation #9: The City may consider providing a reduction in the fully calculated charge if it is deemed to be too high. Any proposed reduction in the charges should be estimated by City administration and presented to Council for their consideration.

Development Charges Policy

Preliminary Recommendations



Policy Matter	Recommendation
General Policy Matters	
DC Debt Management Policy	Recommendation #10: City staff create a DC Debt Management Policy which provides parameters for the issuance of growth-related debt and manages the transition from utility rate/tax funding to DC funding (e.g. use of existing reserves as interim financing, with interest).
Frequency of Review	Recommendation #11: The City undertake annual internal reviews of the calculation and undertake detailed calculation updates every 5 years. During annual reviews, if significant increases in capital costs are observed, a detailed update the DC calculations may be undertaken prior to the 5-year period.
Inclusion of Other Services	Recommendation #12: Consider including additional services to the DC calculations and by-law in the future (long-term recommendation).
Clarifications in the Local Service Policy	Recommendation #13: Consider updating the Local Service Policy. Through discussions with staff, an updated version of the Local Service Policy has been prepared and is included as Appendix A to this memo.

Questions





4. Growth Strategy and Forecast

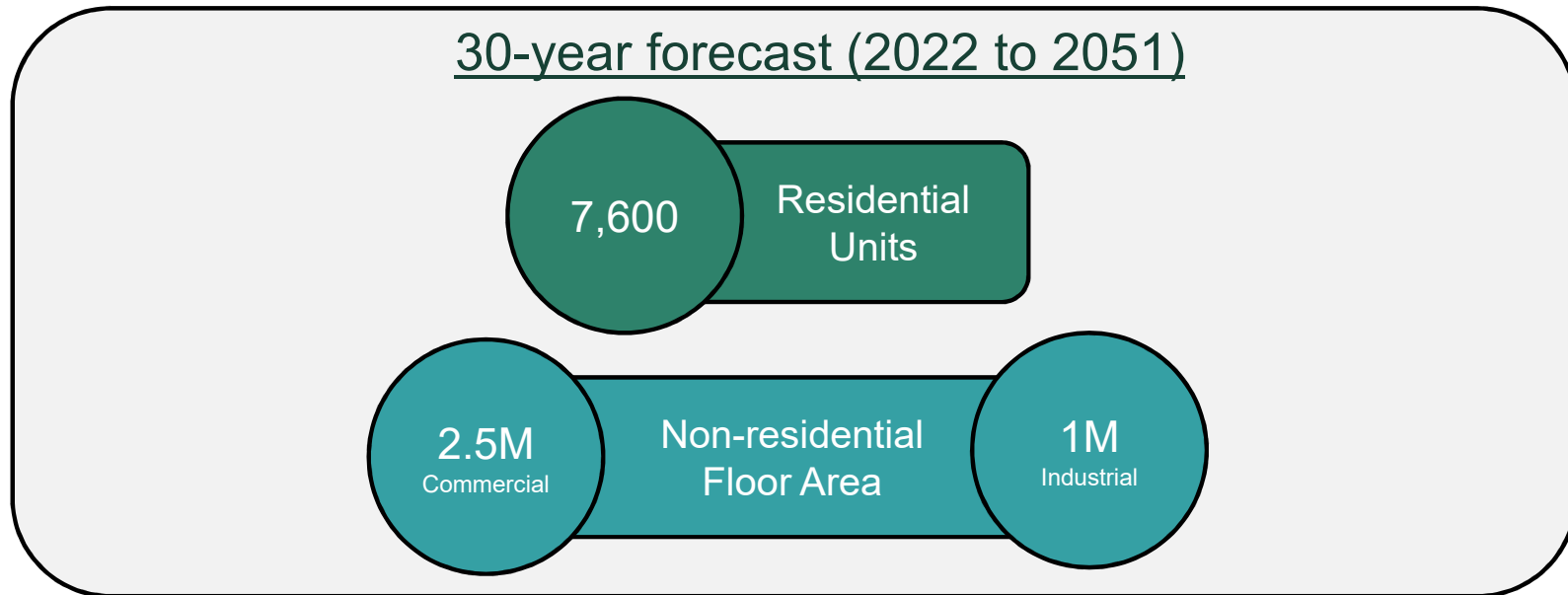
City of Brandon Development Charge Rate Study and By-law

Growth Strategy

Overview



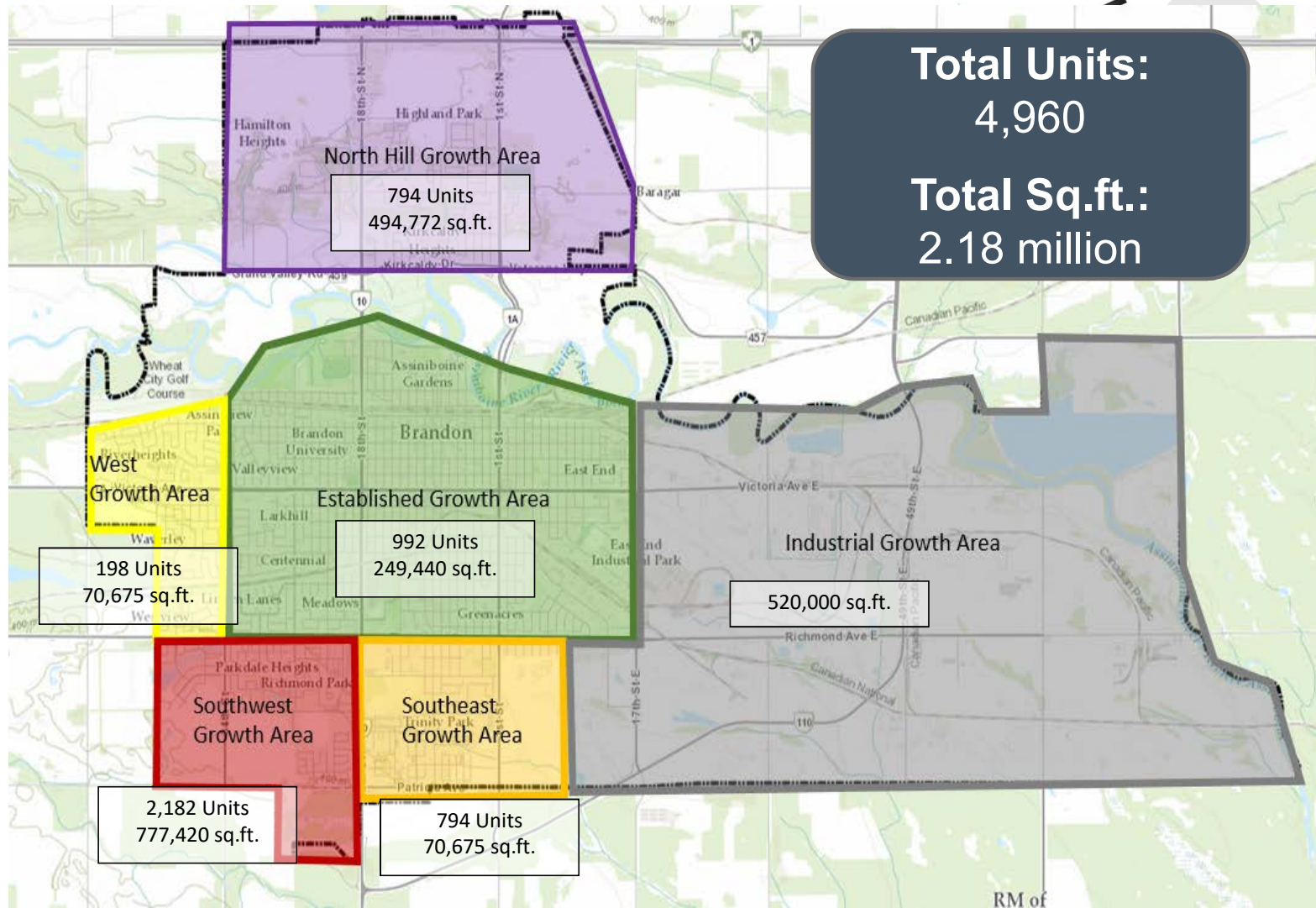
- The City has prepared a Growth Strategy which identifies growth and development anticipated to 2051



- The growth strategy information was used to inform the 20-year growth forecast time horizon used in the DC study calculations (next slide)

Growth Strategy

20-year
Forecast for
Development
Charge
Calculations





5. Capital Needs to Accommodate Growth

City of Brandon Development Charge Rate
Study and By-law

Capital Needs to Accommodate Growth

List Identified in 2017 Study and By-law



Service	Gross Capital Cost	Less: Benefit to Existing Development	Less: Other Deductions	Net Growth-related Capital Cost
Drainage	\$9,480,000	\$7,284,000	\$0	\$2,196,000
Transportation (Road Building)	\$31,101,802	\$7,767,438	\$9,421,120	\$13,913,245
Transportation (Intersections)	\$4,320,000	\$1,140,000	\$1,599,000	\$1,581,000
Water – Linear	\$10,060,000	\$2,538,500	\$0	\$7,521,500
Wastewater - Linear	\$37,141,125	\$1,887,000	\$11,353,600	\$23,900,525
Water – Treatment	\$60,000,000	\$16,000,000	\$40,000,000	\$4,000,000
Wastewater - Treatment	\$79,000,000	\$16,690,625	\$57,200,000	\$5,109,375
Total	\$231,102,927	\$53,307,563	\$119,573,720	\$58,221,645

Capital Needs to Accommodate Growth

Updated Capital Needs - DRAFT



Service	Gross Capital Cost	Less: Benefit to Existing Development	Less: Other Deductions	Net Growth-related Capital Cost
Drainage	\$68,156,589	\$38,970,703	\$9,569,293	\$19,616,593
Transportation (Road Building)	\$41,904,812	\$11,699,498	\$4,722,434	\$25,482,881
Transportation (Intersections)	\$7,779,134	\$1,011,265	\$1,514,000	\$5,253,868
Water – Linear	\$19,642,002	\$8,858,981	\$55,000	\$10,728,021
Wastewater - Linear	\$80,899,869	\$9,489,549	\$41,007,869	\$30,402,451
Water – Treatment	\$276,870,960	\$97,608,140	\$115,739,065	\$63,523,755
Wastewater - Treatment	\$121,703,912	\$17,113,326	\$58,700,000	\$45,890,587
Total	\$616,957,279	\$184,751,462	\$231,307,661	\$200,898,156

Capital Needs to Accommodate Growth

Comparison of Net-growth-related Costs - DRAFT



Service	2017 DC Study (2017\$)	2023 DC Study (2023\$)
Drainage	\$2,196,000	\$19,616,593
Transportation (Road Building)	\$13,913,245	\$25,482,881
Transportation (Intersections)	\$1,581,000	\$5,253,868
Water – Linear	\$7,521,500	\$10,728,021
Wastewater - Linear	\$23,900,525	\$30,402,451
Water – Treatment	\$4,000,000	\$63,523,755
Wastewater - Treatment	\$5,109,375	\$45,890,587
Total	\$58,221,645	\$200,898,156

Draft Development Charge Rates



City-wide DC

Service	Low Density Rate (per unit)	High Density Rate (per unit)	Non-residential Rate (per sq.ft.)
Water Treatment	12,194	9,010	3.77
Wastewater Treatment	8,809	6,509	2.73
Water Linear	2,059	1,522	0.64
Wastewater Linear	5,836	4,312	1.81
Transportation Intersections	1,009	745	0.31
Transportation Roads	4,892	3,615	1.51
Drainage	3,766	2,783	1.17
Total	38,564	28,496	11.94

Draft Development Charge Rates

Low-density Rate (per unit)



Low Density Rate Comparison

Service	Current Rate	Calculated Rate
Water Treatment	776	12,194
Wastewater Treatment	992	8,809
Water Linear	946	2,059
Wastewater Linear	3,002	5,836
Transportation Intersections	1,947	1,009
Transportation Roads		4,892
Drainage	275	3,766
Total	7,938	38,564

Draft Development Charge Rates

High-density Rate (per unit)



High Density Rate Comparison

Service	Current Rate	Calculated Rate
Water Treatment	502	9,010
Wastewater Treatment	641	6,509
Water Linear	611	1,522
Wastewater Linear	1,942	4,312
Transportation Intersections	1,260	745
Transportation Roads		3,615
Drainage	179	2,783
Total	5,135	28,496

Draft Development Charge Rates

Non-residential Rate (per sq.ft.)



Non-residential Rate Comparison

Service	Current Rate	Calculated Rate
Water Treatment	0.44	3.77
Wastewater Treatment	0.58	2.73
Water Linear	0.54	0.64
Wastewater Linear	1.72	1.81
Transportation Intersections	1.10	0.31
Transportation Roads		1.51
Drainage	0.16	1.17
Total	4.54	11.94

Questions





6. City-wide vs. Area-specific DCs

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Study and By-law

City-wide vs. Area-specific Development Charges

Overview



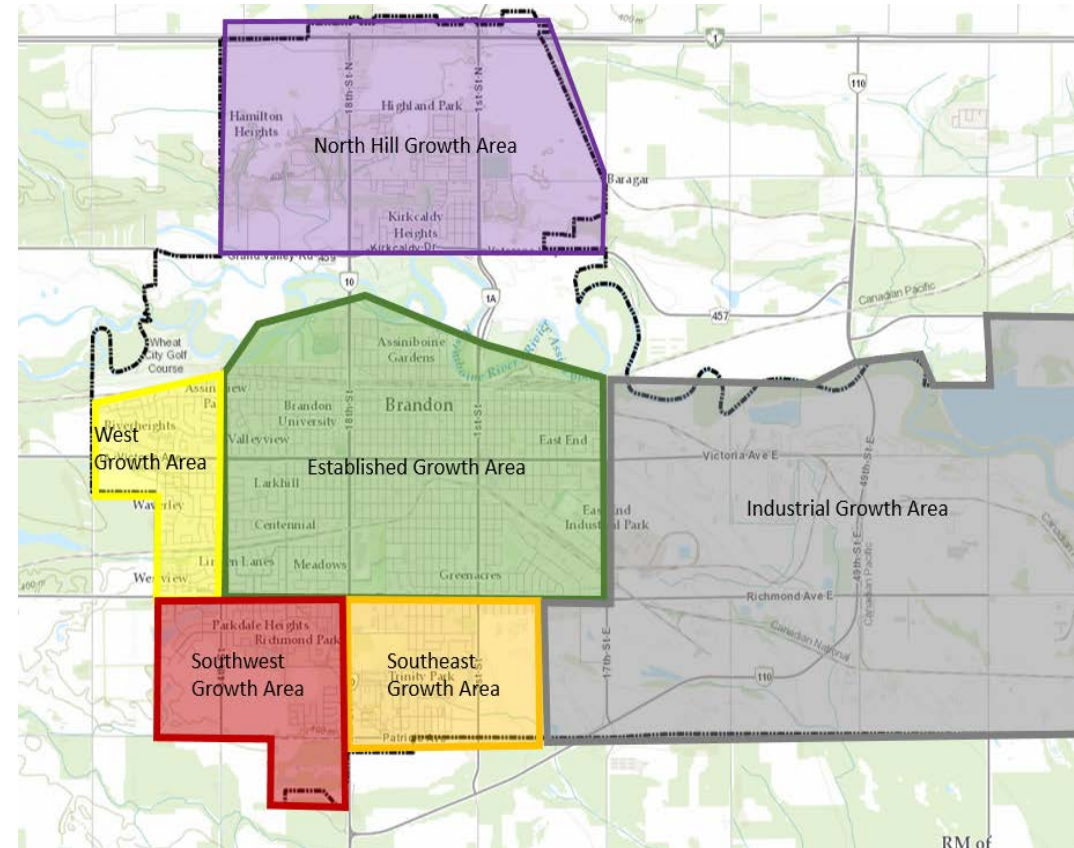
- As part of this study process, will be exploring Area-specific Development Charges (ASDCs)
- The infrastructure costs required in a particular area would be recovered from that development area only
- This approach:
 - Tends to increase the charges for developing areas
 - Reduce cashflow flexibility
 - Restrict City infrastructure investment to particular areas

City-wide vs. Area-specific Development Charges

Application for Brandon and Potential Impacts



- For the City, ASDCs may be established for the following emerging areas:
 - North
 - South
 - West
 - Industrial
- Certain services benefit all development, as such would be better suited for City-wide DCs. These include:
 - Water and Wastewater Treatment
 - Roads

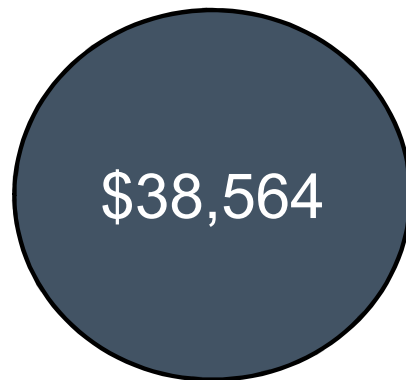


City-wide vs. Area-specific Development Charges

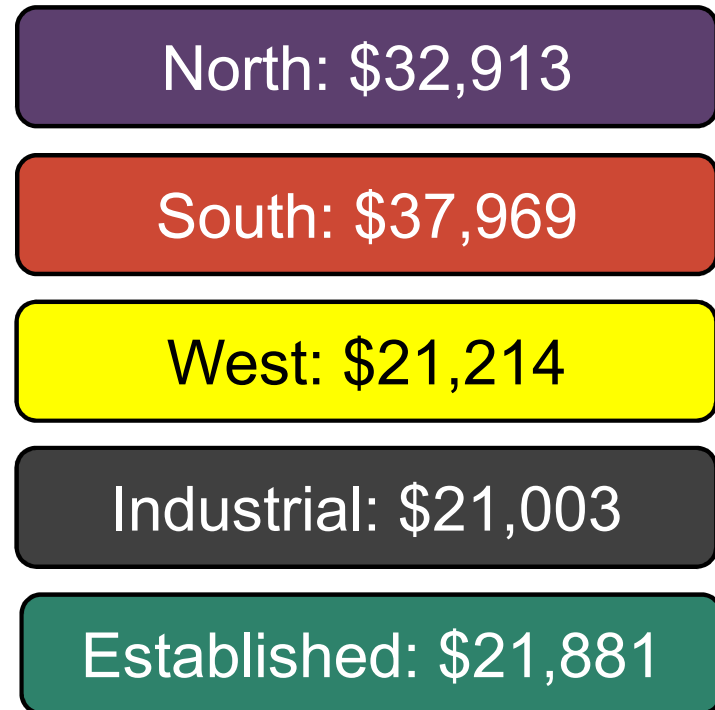
Application for Brandon and Potential Impacts – Low Density



City-wide Calculated Rate



Area-specific Rates





7. Local Service Policy and Reserve Fund Policy

City of Brandon Development Charge Rate
Study and By-law

Local Service Policy



- As part of study process, Watson, Dillon, and Staff are reviewing the current Local Service Policy
- Recommended changes to the policy will be provided in Subsequent Engagement Session
- Potential refinements include:
 - Clarification of developer responsibility vs. Development Charge responsibility
 - Refinements to definitions
 - Etc.

Reserve Fund Policy



- Watson and Finance Staff will review the City's current approach to management of the DC reserve funds
- Based on best practices across Canada and sound financial principles, provide a memorandum of recommendations on how development charges are to be administered and reserve funds managed. The memorandum will address:
 - Front-ending of infrastructure by industry, transitional periods, rate indexing, rate review requirements, number of reserves, borrowing requirements, reporting requirements, etc.
- Recommended changes to the policy will be provided in a subsequent engagement session

Questions



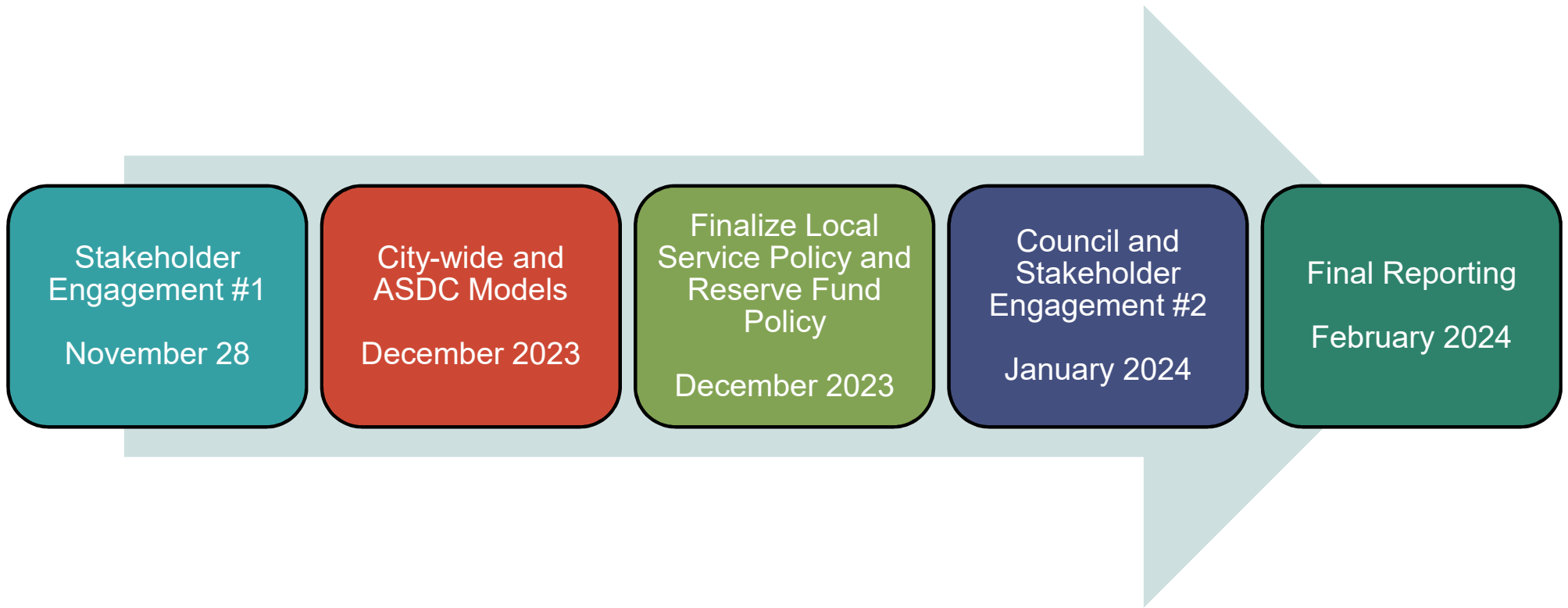


8. Next Steps

City of Brandon Development Charge Rate
Study and By-law

Next Steps

Study Process



Next Steps

For Council

- Consideration of the calculated charges
- Consideration of policies
 - Exemptions from the charges
 - Timing of Collection of the charges
 - 100% at Building Permit vs.
 - 50% at Agreement and 50% at Building Permit
 - City-wide vs. Area-specific DCs
 - Charges for Transportation Network in the Established Area



Questions

