

# The Financial Implications of Development Charges

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# I Think Everyone Agrees...

Growth is expensive...

The discussions for today are:

1. What is the forecasted cost?
2. How to pay for growth?

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# What is the Current Gap?

Over the next 30 years...

- The gross shortfall is projected to be \$153 million
- The net amount proposed to included in development charges is \$93 million\*

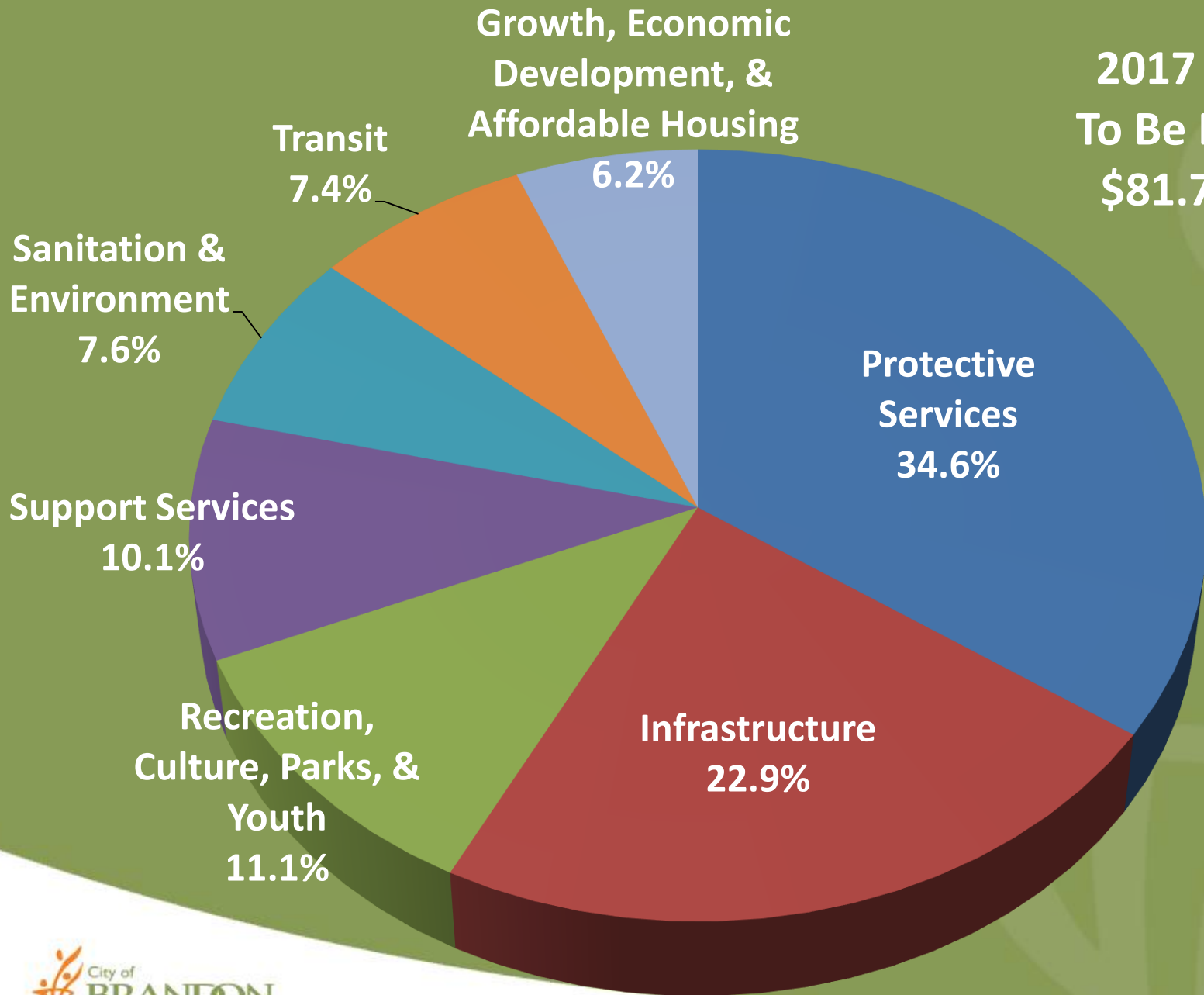
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\*does not include inflation or interest costs on debt

# Why don't taxes pay for growth?

- 2017 operating budget \$81.7 million.
- The primary purpose of the operating budget is to provide services, or else to perform maintenance on existing assets

# 2017 Services To Be Delivered \$81.7 Million



# Why don't taxes pay for growth?

- ...From the operating budget, typically 10-15% goes into reserves for future capital projects (2017 – 11.5%)
- The purpose of the capital budget is for:
  1. The replacement or betterment of existing assets.
  2. The purchase or construction of new assets
- However, very little of that is typically used for “growth”
- 2017 - \$1.6 million of \$49.2 million, or ~3%

# How to pay for growth?

1. Status quo (property taxes & off-sites thru development agreements)
2. City-wide “growth levy”
3. Local improvement charge
4. Development charges

# How to pay for growth?

1. Status Quo (property taxes & off-sites thru development agreements)

- \$93 million over next 30 years
- \$3.1 million / year
- 7.2% tax increase

Pros:

- Status quo
- No hit to development community

Cons:

- Should growth be subsidized by non-benefitting ratepayers??
- Tax rates uncompetitive??



# How to pay for growth?

How does a \$3.1 million increase in expense equal a ~7% tax increase??

\$3.1 million divided by an \$81.7 million operating budget is only a 3.8% increase in expense??

...But remember that property taxes only pay  $\frac{1}{2}$  the bill, the remainder comes from grants and fees.

Therefore \$3.1 million divided by a property tax base of ~\$43 million leads to a property tax increase of 7.2%

# Property Tax Impacts for Absorbing \$93 Million of "Growth" Costs



# How to pay for growth?

## 2. City-wide “growth levy”

### Pros:

- Cost shared by all
- Developers defer costs

### Cons:

- Should growth be subsidized by non-benefitting ratepayers?
- No mechanism to do this properly
- Limited accountability

# How to pay for growth?

## 3. “Local improvement charge”

### Pros:

- Spreads costs across the benefitting areas.

### Cons:

- Typically used for small – med scale improvement projects, not growth
- Complex!!

# How to pay for growth?

## 4. Developer charges:

- \$7,656 per low / med density, \$4,953 per high density
- \$4.30 per commercial sq. foot
- \$1.75 per industrial sq. foot

## Pros:

- City commitment to funding growth related infrastructure
- Open, transparent, & level playing field for all developers
- Mechanism for accountability

## Cons:

- Will this hinder growth?

# Who Pays?

	Developer / Purchaser of the Property	Benefiting Area	Current Tax Payers
1. Status Quo	\$	\$	\$\$
2. City-Wide Growth Levy	\$	\$	\$\$
3. Local Improvement Charge	\$\$	\$	\$
4. Developer Charges	\$\$	\$	\$

# Discussion