

Memorandum

To	Marc Chapin
From	Gary Scandlan and Daryl Abbs
Date	October 10, 2023
Re:	Development Charges Policy Review and Recommendations – DRAFT

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1. Introduction

The City of Brandon currently imposes Development Charges (DCs) on new development to recover the capital costs associated with growth. The City has retained the consulting team of Watson & Associates Economists Ltd. (Watson) and Dillon Consulting Limited (Dillon) to undertake a DC Background Study, including a review of the City's capital project list, calculation model, and DC policies.

This memorandum provides Watson's review of the legislative framework, the City's current DC policies, a review of best practices across Canada, and recommended revisions/updates to the process for City staff and Council's consideration.

2. Legislative Framework

There are three main pieces of legislation which provide municipalities in Manitoba with the authority to impose DCs: the *Planning Act*, the *Municipal Act*, and the *Public Utilities Board Act*. These are all discussed in turn below:

Municipal Act

The *Municipal Act* sets out general provisions respecting municipal operations. With respect to capital charges, Section 232(2) provides for the following:

A council may:

Establish fees or other charges for services, activities or things provided or done by the municipality or for the use of property under the ownership, direction, management or control of the municipality



This would include capital charges for various services including water, wastewater, stormwater management, and transportation.

Sections 250(1), 250(2)(b) and (c), and 252 (1) and (2) of the Act address charges related to development in a municipality and generally provide for the following:

250(1): A municipality is a corporation and, subject to this Act, has the right and is subject to the liabilities of a corporation and may exercise its powers for municipal purposes

250(2) Without limiting the generality of subsection (1), a municipality may for municipal purposes do the following: ...

(b) construct, operate, repair, improve and maintain works and improvements;

(c) acquire, establish, maintain and operate services, facilities and utilities;

252(1) A municipality exercising powers in the nature of those referred to in clauses 250(2) (b) and (c) may set terms and conditions in respect of users, including:

Setting the rates or amounts of deposits, fees and other charges, and charging and collecting them...

252(2) A charge referred to in clause (1)(a) may be collected by the municipality in the same manner as a tax may be collected or enforced under this Act.

Generally, these sections of 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.

Planning Act

Section 143(1) of the *Planning Act* allows a council to set the levies to be paid by subdivision applicants to compensate the municipality for the capital costs as follows:

A council may, by by-law, set the levies to be paid by applicants to compensate the municipality for the capital costs specified in the by-law that may be incurred by the subdivision of land.

Section 143(2) states that a Council must establish a reserve fund to deposit levies that are paid:

A council must establish a reserve fund under the Municipal Act into which the levies are to be paid.



It is noted that Section 150 provides for the authority to require a developing landowner to enter into a development agreement and construct local works at the owner's expense. Within Brandon, the local service policy outlines the works that are the developer's responsibility to construct.

Public Utilities Board Act

The Public Utilities Board of Manitoba (PUB) is an administrative tribunal that has broad oversight and supervisory powers over public utilities. Section 82(1)(b) of the *Public Utilities Board Act* requires authorization from the Board to impose any rate or charge:

No owner of a public utility shall...

(b) without the written authorization of the board...make, impose, exact, or collect, any rate, toll, fare, or charge, or any schedule or rates, either individual or joint, for any product supplied or service rendered by it within the province

Section 64(2) provides that the board may disallow a charge that appears unjust or excessive:

...the board may...disallow or change, as it think reasonable, any such tolls or charges as, in its opinion, are excessive, unjust, or unreasonable or unjustly discriminate between different persons or different municipalities

Compared to other Provinces, there is limited legislative direction on the calculation and administration of DCs. The following section will provide an overview of the City's current DC policies, followed by a survey of best practices across Canada. Based on these best practices and a comparison to Brandon's policies, recommendations are provided at the end of this memo for consideration.

3. Current DC Policies

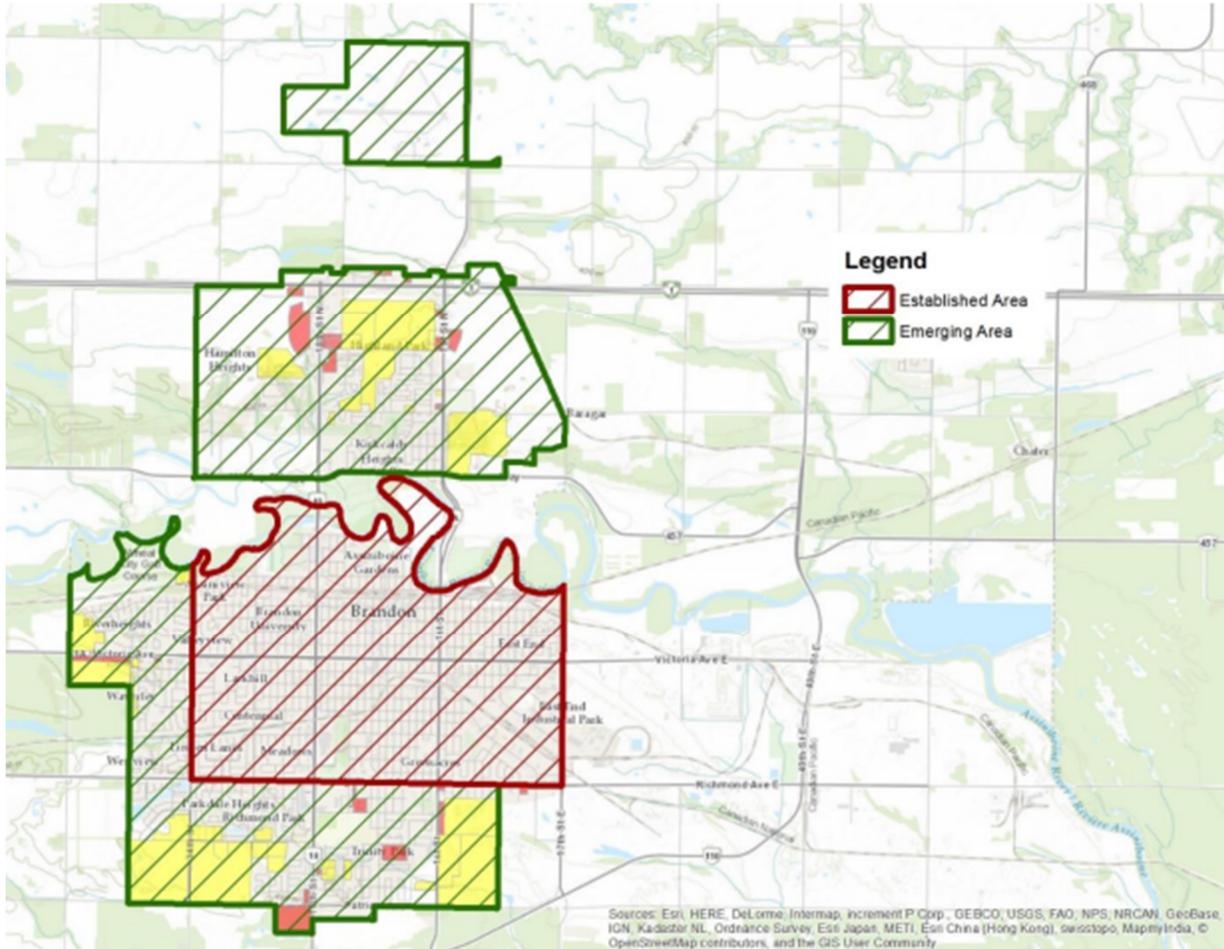
The following subsections provide a summary of the City's current DC policies with respect to indexing, exemptions, reserve funds, etc.

3.1 D.C. By-law Structure

The City of Brandon currently imposes D.C.s under By-law No. 7175. The City utilizes a uniform City-wide D.C. calculation for water and wastewater treatment and an area based D.C. for all linear infrastructure (e.g. water distribution, wastewater collection, and stormwater sewers). This area charge is differentiated between the Established Area and the Emerging Area, based on the map below:



Figure 3-1
City of Brandon
Map of D.C. Areas



3.2 Services Covered

The following services are covered under By-law No. 7175:

- Treatment:
 - Water
 - Wastewater
- Network Infrastructure:
 - Transportation
 - Water
 - Wastewater
 - Drainage



It is noted that DCs related to network infrastructure are only imposed within the Emerging Area, whereas treatment costs are imposed both within the Emerging Area and the Established Area.

3.3 Local Service Policy

In addition to the services above, new development creates the need for new localized services (e.g., local streets, localized watermains/wastewater sewers, etc.). These localized works are related to a plan of subdivision and as such are required to be constructed by the developing landowner as a condition of development agreement or conditions of subdivision approval.

As part of the DC background study, a local service policy was developed to outline the guidelines as to what works are to be considered direct developer responsibility and what works are to be included in the DC calculation. Generally, works that are internal to a development or benefit a single development would be considered direct developer responsibility whereas works external to one development area that are required for growth would be included in the DC calculation. The local service policy outlines the hierarchy of cost recovery with respect to the following capital components:

- Collector roads;
- Traffic signals;
- Intersection improvements;
- Sidewalks;
- Bike routes/bike lanes/bike paths/multi-use trails/naturalized walkways;
- Noise abatement measures;
- Land acquisition;
- Storm water management;
- Water;
- Sanitary sewer; and
- Parkland development.

3.4 Timing of Collection

Established Area

Within the Established Area, DCs related to water and wastewater treatment are imposed and collected prior to the issuance of a building permit.

Emerging Area

Charges for 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*.

Charges for 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.

3.5 Determination of the Amount of the Charge

The following conventions are utilized to determine the charge:

- 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);

For D.C.s that are collected prior to Subdivision or Rezoning Application date (i.e. for network infrastructure within the Emerging Area), the charge is based on the net hectares of developable area, for both residential and non-residential. Net hectares exclude lands related to:

- Public or school reserves;
- Public streets;
- Private roads;
- Land for municipal services; and
- Land not suitable for building sites as defined in the *Planning Act*.

3.6 Redevelopment Allowance

If a development involves the demolition of and replacement of a building or structure on the same site, or the conversion from one principal use to another, the developer shall be allowed a credit equivalent to:

- the number of dwelling units demolished/converted multiplied by the applicable residential development charge in place at the time the development charge is payable; and/or
- the gross floor area of the building demolished/converted multiplied by the current non-residential development charge in place at the time the development charge is payable.



The demolition credit is allowed only if the land was improved by occupied structures and if the demolition permit related to the site was issued less than 60 months prior to the issuance of a building permit. The credit can, in no case, exceed the amount of development charges that would otherwise be payable.

3.7 Indexing

Rates are governed by the annual schedule of fees. 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.

3.8 Reserve Funds

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.

3.9 Exemptions

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.

4. Best Practices in Development Charges Policy Matters

Most Provinces across Canada have some form of legislation providing for recovery of capital costs associated with growth. The legislation varies between Provinces, as does the name of the revenue tool (e.g. Development Charges, Offsite Levies, Development Levies, etc.), however, the principle of recovering growth-related capital costs is consistent across Canada. In this section of the report, all charges will be referred to as Development Charges for consistency.

In reviewing best practices with respect to Development Charges, a survey of best practices across Canada was conducted. Given that the legislation in Manitoba is



limited with respect to guidance on DCs compared to other Provinces, policies and best practices all across Canada were reviewed to compare to Brandon. The municipalities surveyed are as follows:

Table 4-1
Canada-wide Survey
Municipalities Surveyed

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

4.1 By-law Updates and Indexing

With respect to by-law updates, Brandon does not have any specific requirements through legislation, however, the City seeks to review the calculated charges when significant changes in capital costs are identified. This is similar to the practices observed in Moncton and Vancouver.

Almost all of the municipalities surveyed have specified time frames for updating their Development Charge by-law calculations. Note, in between these reviews, the calculated charges are generally indexed to keep the charges increasing with inflation. Calgary, Edmonton, and Halifax update every 5 years by policy (not required through legislation). In Ontario, the legislative requirement to review the by-law calculations and undertake a study was previously 5 years, however, the Province recently changed the maximum life of a by-law to 10 years. The City of Regina recalculates the charges annually. This includes a review of the anticipated growth as well as the capital project list to determine the updated charges to impose. Saskatoon does not currently have a formal bylaw or policy, however, they are in the currently undertaking a process to compile their internal policies and procedures to create an official policy.



With respect to indexing of the charges in the by-laws, all municipalities surveyed include some form of indexing, with most utilizing the Statistics Canada Building Construction Price Index. All index annually, with only Regina indexing every two (2) years. Saskatoon reviews and updates their costs based on planned tenders. Increases in costs are verified against Statistics Canada Industry Price Indexes for the previous year. Steinbach provides for an automatic annual increase of 2.5% in the by-law.

The following table provides a summary of the above information.

Table 4-2
Canada-wide Survey
Summary of By-law Updates and Indexing

Canada-wide	Mandatory By-law Expiry/Review	Frequency of Update	Annual Indexing
Brandon, MB	No	Every 3 years	Manitoba Consumer Price Index
Steinbach, MB	No	None specified	Automatic annual increase in the rate by 2.5%
Regina, SK	No	Calculations - Annually Policy Review - Every 5 years	Inflationary adjustment (every 2 years)
Saskatoon, SK	No	Annually	
Calgary, AB	No	Every 5 years	StatsCan Construction price index for roads, Municipal Price Index for water, wastewater, and stormwater
Peel Region, ON	Yes	Minimum every 10 years*	StatsCan Construction price index
Niagara Region, ON	Yes	Minimum every 10 years*	StatsCan Construction price index
Toronto, ON	Yes	Minimum every 10 years*	StatsCan Construction price index
Ottawa, ON	Yes	Minimum every 10 years*	StatsCan Construction price index
Moncton, NB	No	Upon significant changes in capital costs	StatsCan Construction price index
Halifax, NS	No	Every 5 years	"all-in cost" debenture rate published by the Nova Scotia Municipal Finance Corporation
Edmonton, AB	No	Every 5 years	the lesser of the Edmonton Non-Residential Construction Price Index or the prime rate charged by the TD Bank in Edmonton plus 1 per cent.
Vancouver, BC	No	None specified	Annual inflationary adjustment report

*As of November 28, 2022, by-laws have a maximum life of 10 years. Was previously 5 years

4.2 Services Included in Development Charge Bylaws

The legislation in Manitoba does not specify the services for which DC's may be used, however the legislation across Canada varies. Brandon currently imposes charges on water, wastewater, drainage, and roads. The City of Steinbach imposes charges for these services as well but also collects for fire protection services. It appears that Sections 250(2) and 252(1) of Manitoba's *Municipal Act* provide for the legislative



authority to impose charges for any service/facility for which a municipality is responsible.

With respect to other jurisdictions, Regina imposes charges for water, wastewater, and roads, as well as parks and recreation services. Saskatoon imposes levies for trunk sewers, primary watermains, arterial roads and interchanges, as well as parks and recreation. In Ontario, municipalities are allowed to impose charges for 20 different municipal services. In Calgary, the City imposes charges for water, wastewater, drainage, roads, paramedics, recreation facilities, libraries, transit and police. However, Edmonton only charges for wastewater, drainage, roads, and fire. Moncton imposes charges for water, wastewater, drainage, and roads, but is also authorized to impose charges for trails and transit. Halifax imposes charges on water, wastewater, and roads. This information is summarized in the following table:

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**Table 4-3
Canada-wide Survey
Services Included in the Development Charge By-laws**

Canada-wide	Water	Wastewater	Drainage	Transportation/ Roads	Parkland Acquisition/ Parkland Development	Affordable Housing	Childcare	Emergency Response Stations/ Paramedics	Recreation Facilities	Libraries	Transit	Police	Long- term Care	Growth Studies	Waste Diversion	Fire
Brandon, MB	✓	✓	✓	✓												
Steinbach, MB	✓	✓	✓	✓												✓
Regina, SK	✓	✓		✓	✓				✓							
Saskatoon, SK	✓	✓		✓	✓				✓							
Calgary, AB	✓	✓	✓	✓				✓	✓	✓	✓	✓				
Peel Region, ON	✓	✓		✓				✓			✓	✓	✓	✓	✓	
Niagara Region, ON	✓	✓		✓				✓			✓	✓	✓	✓	✓	
Toronto, ON	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ottawa, ON	✓	✓	✓	✓	✓			✓	✓	✓	✓	✓		✓		✓
Moncton, NB	✓	✓	✓	✓												
Halifax, NS	✓	✓		✓												
Edmonton, AB		✓	✓	✓												✓
Vancouver, BC	✓	✓	✓	✓	✓	✓	✓									
Total	12	13	8	13	5	1	2	5	5	3	4	5	3	4	3	4

Notes:

- Halifax, NS: Roads only special area charge - Dartmouth Cove
- Edmonton, AB: Currently only facilities included in charge is fire, however, City phasing in charges for all facilities
- Provided in the local municipal DCCs



4.3 Application of Charges – Area-specific vs. Municipal-wide

Similar to Brandon, the municipalities included in the survey have the ability to calculate and apply charges on a municipal-wide and/or area-specific basis. There is no consistent approach across Canada, as the infrastructure required to accommodate new development is identified differently in the various jurisdictions.

Service-specific Approach

Water and wastewater charges tend to be area-specific as municipalities may have urban areas which are serviced with water and/or wastewater and the benefitting area of the works may be clearly identified. Many other services provided (roads, parks & recreation facilities, etc.) are not restricted to one specific area and are often used by all residents.

Area-based Approach

Some municipalities may choose to identify specific areas of development and identify costs related to those areas only. This may be due to identification of key growth areas, or the desire to identify greenfield charges separately from infill charges. This may allow for varied discounts, exemptions or other policies Council may wish to impose in certain areas of their municipality.

The following table provides a summary of the how the comparator municipalities impose their charges:



Table 4-4
Canada-wide Survey
Application of Charges - Municipal-wide vs. Area-specific

Canada-wide	Municipal-wide Charges	Area-specific Charges
Brandon, MB		Established growth area (only treatment) Emerging growth area (treatment, water/wastewater linear infrastructure, roads and storm)
Steinbach, MB	All services	
Regina, SK		Greenfield vs. Infill charge areas Tower Crossing Area
Saskatoon, SK	All services except for Community Centres	Community Centres
Calgary, AB	Water/Wastewater Treatment	Greenfield Area (uniform water/wastewater linear, transportation, and community services) Greenfield Area (area-specific stormwater) Centre City Levy (all services)
Peel Region, ON	All other services	Water and wastewater based on serviced area Police based on service area (2 providers)
Niagara Region, ON	All other services	Water and wastewater based on serviced area
Toronto, ON	All services	
Ottawa, ON		4 charge areas for residential 2 charge areas for non-residential (1)
Moncton, NB		All services utilize localized area specific charges
Halifax, NS	Water and wastewater	Minor special area charge for roads
Edmonton, AB		All services provided
Vancouver, BC	All services provided	All services provided (2)

Notes:

- Ottawa: For Residential - Inside vs. Outside Greenbelt and rural serviced vs. rural unserved.
For Non-residential: serviced vs. unserved
- Vancouver: Additional charges apply to False Creek Flats and South East False Creek

4.4 Application of Charges – Residential vs. Non-residential Rate Categories

When surveying municipalities across Canada, the residential charge application used by Brandon (e.g. per hectare at subdivision stage and per dwelling unit at building permit stage) is unique to the City. The City of Steinbach imposes charges based on unit type, which is similar to the method utilized by approximately half of the municipalities surveyed outside of Toronto.

With respect to non-residential development, most municipalities impose their charges on a per floor area basis or based on the area of the parcel. This is consistent with the approach undertaken in Brandon.

The following table summarized the application of the charges across the municipal comparators:



**Table 4-5
Canada-wide Survey
Application of Charges – Residential vs. Non-residential**

Canada-wide	Residential						Non-residential			
	Per Lot	Per Unit (by type)	Per Unit (by density)	Per floor area of building	Per area of parcel	Other?	Per floor area of building	Per lot	Per area of parcel	Other?
Brandon, MB		√(4)			√(4)		√(4)		√(4)	
Steinbach, MB		√					√			
Regina, SK					√				√	
Saskatoon, SK						√(1)				
Calgary, AB		√(2)			√(2)	√(2)	√(2)		√(2)	
Peel Region, ON		√					√			
Niagara Region, ON		√					√			
Toronto, ON		√					√			
Ottawa, ON		√					√			
Moncton, NB					√(3)	√(3)			√(3)	√(3)
Halifax, NS		√					√			
Edmonton, AB					√(5)				√(5)	
Vancouver, BC				√(6)			√			
Total	0	6	0	1	4		7	0	4	1

Notes:

- 1 Saskatoon: Based on length of lot frontage
- 2 Calgary: Per area of parcel for greenfield (res and non-res), per unit for infill res, per floor area for infill non-res, and frontage for residential Centre City Levy
- 3 Moncton: Local Cost Sharing DC - based on frontage, Area DC based on zoning and area of properties
- 4 Brandon: Emerging Areas - per net area of parcel prior to subdivision agreement. Then per unit or floor area. For Established Areas - per unit or floor area
- 5 Edmonton: Charge per net area of parcel
- 6 Vancouver: residential charges vary by density



4.5 Discretionary Exemptions

Mandatory exemptions vary across Canadian jurisdictions depending on the provision provided in the legislation. Ontario has the most prescriptive legislation with a number of mandatory exemptions required. Most jurisdictions allow municipal Councils to identify discretionary exemptions from their charges, provided the exemptions are included in the by-laws. The Ontario municipalities surveyed provide a number of exemptions for various categories and classes of services. Other jurisdictions provide limited discretionary exemptions. The following table provides a summary of the exemptions provided in the by-laws of the comparator municipalities:

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**Table 4-6
Canada-wide Survey
Discretionary Exemptions**

Canada-wide	Discretionary Exemptions
Brandon, MB	Industrial development Residential accessory buildings
Steinbach, MB	None
Regina, SK	2/3 Reduction for Industrial Established Area
Saskatoon, SK	No formal policy
Calgary, AB	Environmental Reserve Skeletal Roads
Peel Region, ON*	Hospitals Colleges/universities Places of worship (limited to 25% of floor space) Agricultural societies Agriculture use, excluding cannabis growing/processing Mobile temporary sales trailers
Niagara Region, ON*	Discretionary exemptions are not provided through the DC by-law.
Toronto, ON*	Place of worship Public hospitals Non-profit hospice Temporary sales offices or pavilions Industrial uses Development creating an accessory use/structure not exceeding 10 sq.m. of gross floor area Dwelling rooms within a rooming house Temporary building or structure in place for less than 8 months
Ottawa, ON*	Development on contaminated lands (Community Improvement PLAN areas) Places of worship Cemeteries Agricultural uses Unserviced storage facilities with dirt floors Temporary units Seasonal buildings for the sale of gardening products Non-profit health care Childcare and long term care facilities Coach houses Non-residential accessory uses Garden suites
Moncton, NB	None
Halifax, NS	None
Edmonton, AB	None
Vancouver, BC	For-profit-affordable rental housing A (artist studio) - 100% For-profit-affordable rental housing B (artist studio which include more categories) - 86.24%

*Note: Ontario has a number of mandatory exemptions including municipal development, public/catholic schools, limited expansion of industrial buildings, non-profit housing, etc.



4.6 Observations on Best Practices

Based on the survey of policies and practices across Canada, the following provides a list of the observations arising from results:

- 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).

5. Policy Review and Recommendations

As noted, municipalities across Canada are increasingly faced with the challenge of funding the required infrastructure to accommodate growth and development, while keeping rates low. Development Charges are used by municipalities across Canada to allow growth to pay for growth, while reducing the impacts on taxes and utility rates.

Based on the above information, the following provides a number of recommended policy changes for City staff, Council, and development stakeholders' consideration. Note that the City may separate these recommendations into short, medium, and long-term recommendations due to impacts on the development community and/or City administration.

5.1 Approach to the Calculations

In review of the City's current approach to the DC calculations, the following areas of consideration are further discussed below:

- Inclusion of transportations costs in the Established Area;
 - Use of area-specific DCs for the Industrial Area and separate Emerging Areas;
 - Use of a 20-year forecast period for calculation purposes; and
 - Incorporating debt financing costs into the calculation.
-



5.1.1 Transportation Costs for Established Area

Currently transportation network costs are only imposed in the Emerging Area, however, transportation projects provide benefit to the City as a whole. As growth in the City increases, there are increased vehicle trips anticipated on City roads. Many people may work in one area of the City and live in another, or work in another municipality altogether. As such, the increased vehicle trips on roads in the Emerging Areas may be arising from growth and development in the Established Area. In other municipalities across Canada, transportation projects are generally viewed as increasing traffic capacity in the system as a whole.

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.

5.1.2 Area-specific Development Charges

The City's current DC by-law provides for two area-specific charges; one for the Established Area and one for the Emerging Areas. There are capital needs required for the Industrial Area of the City, however no DCs are imposed in this area. The City should consider the calculation of a DC for the Industrial Area based on the requirement for capital infrastructure. Furthermore, the City has noted that a significant amount of growth-related infrastructure is required for the Southern Emerging Area but not the North and West sections of the Emerging Area. As such, the City may consider exploring area-specific DCs to ensure that the capital costs are borne by the developments requiring them.

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.

5.1.3 20-Year Forecast Period

DC calculations are undertaken based on the premise that growth should pay for growth. As such, once the growth and development have been identified (e.g. amount, type, and location), the capital needs required to accommodate that growth are also identified. The DC calculations are then undertaken by taking the required capital costs and dividing them by the growth and development that will benefit. The current calculations are based on a capital forecast that identifies capital needs for designated lands in the Development Plan, which are projected to accommodate 35 to 40 years of growth.



Identifying capital needs that far into the future is challenging, and as such DC calculations may be understated.

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.

5.1.4 Inclusion of Growth Studies In DC Calculations

As part of planning for growth, studies such as water, wastewater, land drainage, and transportation master plans are required to determine the infrastructure necessary to accommodate growth and development in the City.

Recommendation #5: The City should consider incorporating growth-related studies into the definition of capital costs to be recovered through development charges.

5.1.5 Debt Financing Costs

The City is facing financial challenges with respect to funding large growth-related capital expenditures. The growth-related expenditures may require debt financing to allow the City to undertake the work and spread the costs over a longer time horizon. The interest costs related to any debt issuances should be considered part of the overall cost of the project and therefore be included in the DC calculations. This would assist in recovering the full growth-related cost of the projects.

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.

5.2 Application of the DC By-law

Based on the policy review, best practices, and discussions with City staff, the following provides for a review of recommended changes to the application of the DC By-law.

5.2.1 Timing of the Charge

The City's DC by-law identifies the timing for which a DC is charged. For network infrastructure (i.e. water, wastewater, drainage, and transportation) 50% of the charge is calculated and payable on a per hectare basis at the time of development agreement. The remaining 50% of the network charge and 100% of the treatment charge is calculated and payable upon issuance of a building permit on a per unit (residential) or per sq.ft. (non-residential) basis.

Through a review of best practices, there are varied approaches municipalities take across Canada, however, for many jurisdictions the timing of the charge is dependent



on local circumstances. Imposing the DC at the time of building permit does provide for delayed recovery of DCs relative to the time of development agreement, however, this approach may provide more accurate charges, as the type of development is known.

Furthermore, imposing charges on an area basis may be less equitable than imposing charges on a per unit or per sq.ft. basis. Growth-related capital needs for water, wastewater, and drainage services are generally based on a per capita demand. When imposing the DC on a per hectare basis, 10 acres of high-density development pay the same charge as 10 acres of low density development, however, there may be greater demand for services on the high-density property. When imposing the charges based on the type and number of units, the DCs are calculated on a per capita basis then equated to the various housing types according to the assumed persons per unit.

Recommendation #7: Consider imposing all DCs on a per unit and per sq.ft. basis at the time of building permit.

5.2.2 Indexing

The City's DC by-law currently provides for indexing of the DCs. This aligns with best practices, however, the index utilized is the Manitoba Consumer Price Index. This index tracks a number of prices including the following:

- food,
- shelter,
- household furnishings and equipment,
- clothing, transportation,
- health and personal care,
- recreation, education, and reading,
- alcoholic beverages, tobacco, and cannabis,
- energy, goods, and services.

The index most commonly used across the municipalities surveyed is the Statistics Canada Building Construction Price Index. This index tracks tender prices of construction projects which would more closely align to increases in DC capital project costs. Where Statistics Canada does not provide an index specific to a municipality, the municipality uses the information of the municipality closest in proximity.

The following table provides for a comparison of the annual average percentage changes in each index:



Table 5-1
Comparison of Indices

Index	2018	2019	2020	2021	2022
Consumer Price Index (Manitoba)	2.5%	2.2%	0.5%	3.3%	7.8%
Construction Price Index (Winnipeg)	2.8%	2.4%	0.8%	6.2%	8.6%

Recommendation #8: The City should consider using the Statistics Canada Building Construction Price Index to index their charges between by-law reviews.

5.2.3 Discount of Overall Charge

The intent of the DC calculation exercise is to calculate the cost of growth-related infrastructure. Once the full cost of growth is determined, City staff and Council must weigh the impacts of imposing the fully calculated charge on development in the City. Given local circumstances, economic development challenges, incentive approaches, etc., if the fully calculated rate is deemed to be too high, then a reduction in the rate may be identified. This reduction may be funded with non-DC sources (e.g. existing reserves, taxes, or utility rates) which will provide Council and the public full transparency on the impact to the tax/rate payers of reducing the DC.

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.

5.3 General Policy Matters

The following provides for some recommended changes with respect to general policy matters.

5.3.1 DC Debt Management Policy

DCs are a new revenue tool for the City. When DCs were initially implemented in December 2018, the starting balance of the reserve funds was \$0. As such, the City needs a policy to assist with the transition from utility rate and tax funding to this new revenue tool. To assist in managing the transition, the City may consider the creation of a debt management policy for growth-related infrastructure. This policy may include parameters regarding the quantum of debt issuances, the proportionate share of growth vs. non-growth debt, as well as the use of existing utility rate and tax reserves to interim



finance growth-related projects. These reserves may be paid back over time (with interest) from the DC reserve funds.

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).

5.3.2 Frequency of Review

The City's DC by-law includes a section that states the rates shall be reviewed every three (3) years. However, this does not require that a detailed review of the calculations be undertaken. As per the best practices survey in Section 4, most municipalities utilize a fixed time period between reviews. This is generally 5 years, however, Ontario recently changed the legislation to require detailed reviews a minimum of every 10 years.

The City currently tracks their growth forecast and prepares the capital budget on an annual basis. To keep capital costs up to date, the City may consider including a set time period for review as it is observed there is currently a large gap in the project costs from what was originally anticipated in the DC calculations.

As such, it is recommended that the City undertake annual internal reviews of the calculation and undertakes detailed calculation updates every 5 years.

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.

5.3.3 Inclusion of Other Services

The City currently collects DCs for water, wastewater, drainage, and transportation services. As previously noted, the legislation in Manitoba is not prescriptive and is open-ended with respect to the services for which a DC may be imposed. As such, other municipalities recover growth-related costs for other services (e.g. Steinbach includes costs for fire services). As such the City may consider including additional services in the future. This may be considered a long-term goal.

Recommendation #12: Consider including additional services to the DC calculations and by-law in the future (long-term recommendation).

5.3.4 Clarifications in the Local Service Policy

Through the initial implementation of development charges, a Local Service Policy was created. The purpose of this policy is to clearly identify which capital works would be



the responsibility of the developer vs. which capital works would be included in the DC study and by-law for recovery. There have been instances where the Local Service Policy may not be clear. For example, where a water or wastewater main runs through a property, the current policy identifies that the developer will be responsible for the costs within the subdivision for works up to a certain diameter of pipe (300mm for water and 350mm for wastewater). However, the policy does not state how the oversizing of a main through a property is to be addressed.

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.

5.4 Summary of Recommendations

The following provides a summary of the recommendations identified in Sections 5.1 through 5.3 above:

Table 5-5
Summary of 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.
Application of the DC By-law	



Policy Matter	Recommendation
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.
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.



Appendix A

Revised Draft Local Service Policy



Insert Revised Local Service Policy once completed