P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 15.1.8
Halifax Regional Council
October 29, 2019

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed by
Jacques Dubé, Chief Administrative Officer

DATE: September 23, 2019

SUBJECT: **Amendments to Administrative Order Number 15, the License, Permits and Processing Fees Administrative Order for Planning and Development Fees**

ORIGIN

- 2015 – 2019 Planning and Development Strategic Plan deliverable to Rationalize Planning and Development Fees

- On August 2, 2016, the following motion of Regional Council regarding agenda item 14.1.2 was put and passed:

  "THAT Halifax Regional Council direct staff to undertake the second phase of the Fee Review based on the Guiding Principles (Appendix A of the staff report dated July 19, 2016) as the next phase in the fee review process and develop a Fee Policy for Council's consideration."

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter 2008, c. 39, s. 1

60 (1) The Council may make policies
(c) setting and amending the fees to be paid for
(i) licences issued pursuant to a by-law of the Municipality,
(ii) an inspection required or conducted pursuant to a by-law of the Municipality or an enactment,
(iii) permits, applications and approvals required to be obtained from the Municipality or an employee of the Municipality pursuant to a by-law of the Municipality or an enactment,

226 (1) The Council may, by policy, adopt amendments to
(b) the processing fees set out in a land-use by-law or in a subdivision by-law;

235 (4) A land-use by-law may
(n) prescribe the fees for an application to amend a land use by-law or for entering into a development agreement, site plan or variance.

Recommendation on next page

281 (3) A subdivision by-law may include
(e) the fee for the processing of applications for approval or repeal of a subdivision, including registration, recording and filing fees;

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Adopt the amendments to Administrative Order Number 15, the License, Permits and Processing Fees Administrative Order as set out in Attachment B of this report, including approving that all Planning & Development fees contained within Administrative Order 15 be increased in the same percentage as the annual increase to the Consumer Price Index for the Province of Nova Scotia, rounded up to the nearest $10, on an annual basis each April 1.

2. Adopt the Guiding Principles outlined in the Discussion section of this report on a go forward basis as the policy for all planning and development fees, as defined under the *HRM Charter*.

BACKGROUND

As application fees have not been updated or rationalized in numerous years, in 2015[1], as part of Planning and Development's Renewal program, staff started a two-phase review of development-related permit fees.

- **Phase One**: Establish Fee Guiding Principles and identify general observations with respect to existing fees.

- **Phase Two**: Establish a new fee structure and phase-in approach.

The review identified that there is no recurring process in place to ensure that fees and fee revenues are kept current. While expenditures incurred to support planning and development applications have increased annually (e.g. inflation), fees have remained the same, potentially resulting in a reduction in the proportional recovery of costs and an increased reliance on property taxes. Leading practices suggest a need for a detailed review of fees every 4 – 5 years and a mechanism in place to adjust the fees on an annual basis. Based on an analysis of underlying costs of service, Planning and Development (P&D) is not recovering sufficient revenues from fees, with an over reliance on property taxes to support services that have a direct beneficiary.

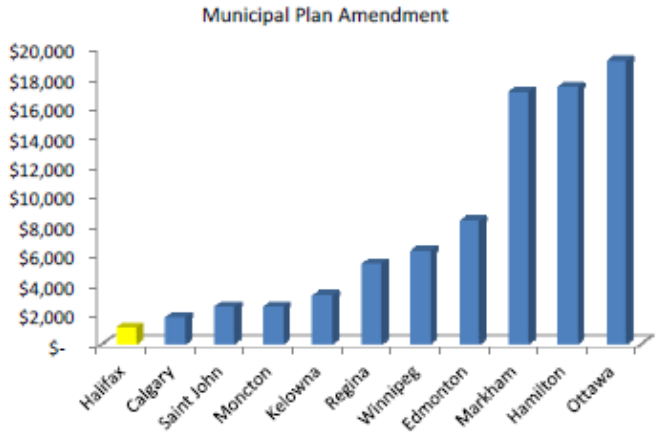
The key findings of the **Phase One** review regarding these fees were as follows:

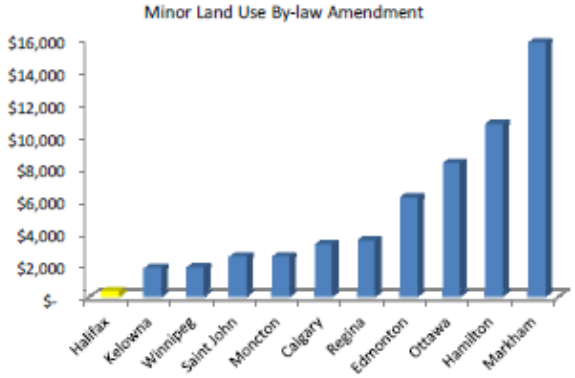
- Fee Structure Needs to Be Rationalized
- Existing Fees are Not Aligned to Resources Expended
- Revenues are Well Below the Direct Cost of Services
- Activity Based Costing—There is No Allocation of Corporate Costs to Fees
- Reserve Funds May be Required to Smooth the Impact of Changes in Activity Level
- Fees are outdated
- Low Fees Can Drive Speculation

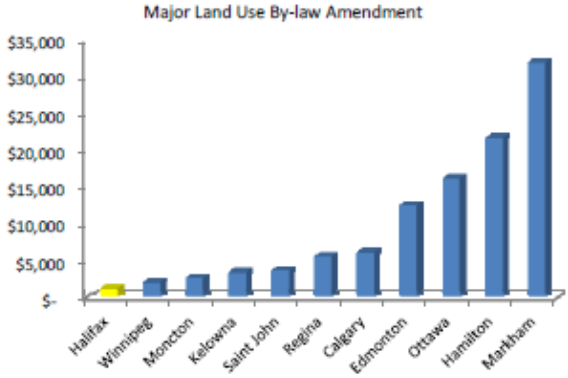
[1] See staff report online at http://legacycontent.halifax.ca/council/agendasc/documents/160802ca1412.pdf

- Fee Guiding Principles Are Needed
- HRM's Planning Application & Development Application Fees are below the average when compared against Canadian cities.

As is illustrated in the in the figures below, HRM's fees are very low in relation to the peer municipalities surveyed:







The **Phase Two** (Attachment C) review, which focused on the phase-in of a cost recovery approach, recommended the following:

- That HRM implement a 5-year phase-in strategy to update planning application fees in accordance with the Phase Two fee review that was undertaken in 2018. A 5-year phase-in will provide predictability in allowing the development industry time to adjust to the recommended fees. Also, as internal processes are under review, as well as the use of technology, improvements in this area over the phase-in period will allow for modifications to the fees, as required.

- That a new fee structure be implemented for planning applications from minor, intermediate and major to a separate fee for each of the services provided. The recommended fees also consider efficiencies that can be achieved through the combination of more than one process.

- That the fee structure for subdivision applications involving new streets be changed to include a base fee plus a per lot fee. This better reflects the minimum cost of service to process an application

(base fee) and recognizes the additional work required as the scale of the proposed development increases (per lot fee). This approach supports fairness and equity principals and is aligned with practices in other jurisdictions.

- That the planning pre-application processing fee be a mandatory requirement which may be applied toward processing fees of planning applications if HRM receives the planning application within 90 business days of completion of the pre-application file.

- That a separate Subdivision fee be established for infill projects.

- That fees be established for New Civic Numbering and Civic Addressing.

- That one set of sign fees be established for the entire Region, eliminating existing geographical fees and fees that use different bases for calculation (e.g. by size, by construction value). The sign fees will be based on the type of sign and underlying cost to undertake the review process.

- That HRM continue to review work processes and identify opportunities to streamline work processes with potential updates to future fees.

- That fees be adjusted annually to reflect increases in the cost of service and reviewed in detail every
  3-5 years.

- That activity tracking for all fees be undertaken to better align revenues for each application type and better understand activity levels within the broader application classification.

Other Charges
In addition to considering increases to applications fees, the Municipality is presently in the process of introducing other fees and charges which will impact the real estate development process. They are:

1) A new **Density Bonusing** framework within the Regional Centre to generate funds for public benefits, with an emphasis on affordable housing, in exchange for higher allowable development yields; and

2) **Regional Infrastructure Charges** levied on net-new development for growth-related capital costs. An upcoming report will provide a more in-depth analysis on an approach to collect Infrastructure Charges for transportation, transit, parks, playgrounds, trails, bicycle paths, swimming pools, ice arenas, recreation centres, fire departments, and public libraries, including a schedule for implementing the charges.

The work that was completed in Phase Two validated the premise that current fees were well under cost-recovery. Moving forward, staff opted to further analyze the recommended fee increases and impacts of approaching cost-recovery threshold on a variety of stakeholders as well as HRM at large. A consultant was hired to undertake a Sensitivity Analysis (study) to look at the broader context of associated costs in three areas:

1. Cumulative Impact of New Costs
   The changes being considered have been developed separately to achieve different administrative and policy goals of HRM. However, regardless of how these initiatives are structured or organized from the municipal perspective, they are all brought to bear on the same local real estate market and development industry. Accordingly, the study sought to examine the combined effects of these new costs to understand the total impacts and identify risks that may not be evident when considered separately.

2. Outcomes for Development Trends

Based on the impact of the new costs, the study considered what outcomes may be observed in HRM with regards to the pace, mix, location of new development, as well as the cost of development experienced by industry, and the potential for growth to be displaced to areas outside municipal boundaries.

3. Broader Matters of Concern
   In addition to questions about how these new costs might affect development trends, the study examined the risk of potential negative outcomes in terms of broader economic performance in the region. In addressing this, it also examined the role of the municipality in managing these factors when forming public policy, and the appropriate means by which they can be evaluated.

The cumulative result of all analyses is captured in the Discussion section below.

DISCUSSION

The purpose of this report is to recommend changes to AO-15 for planning and development fees, outline an analysis that considers the impact of the full system of relevant fees and charges being levied by the Municipality and establish guiding principles for future fee adjustments.

Changes to AO-15

The changes to AO-15 have been designed to not only reflect fairness and equity around cost-recovery and to ensure simplification for users but also to increase transparency and predictability for all relevant stakeholders.

Currently, Planning and Development applications are recovering less than half of the direct and indirect operating costs, and recovery is particularly low for planning applications. Planning application and Development application fees represent an overall median of only 13% of cost recovery. The recommended changes increase the median to 33%, moving the Municipality towards a modernized and equitable fee structure that ties fees to the costs of service and those who are directly benefitting from those services and decreases reliance on general tax revenue. To keep pace with inflation, a mechanism has also been added within the AO to adjust the fees based on the Consumer Price Index for Nova Scotia (average annual year over year increase) annually each April 1.

To be more user-friendly, the recommended changes also include ensuring all P&D related sections of AO-15 are as consistent as possible in how they are presented. The table format will allow users to identify easily the fees associated to the service, which by-law and section is related to the fee (if applicable) and descriptions have been simplified by using common language which both industry professionals and one-time customers or users will understand. The new layout also includes the refund policy for planning application and development application fees. This was not previously included in the AO and has not been clearly defined for users, so this change is aligning with transparency for both staff and customers.

Cumulative Impacts of Fees and Charges

The Sensitivity Analysis (Attachment D) prepared by the consultant concluded the following:

Application Fee Changes

- Fee changes currently proposed for implementation are minor, particularly in comparison to the breadth and magnitude of fee changes identified in the background report for achieving full process cost recovery.

- Further, the fact that the current application fees have not materially changed since 1999 means they have become less impactful over time, and the proposed changes are more a matter of bringing them back up to their initial level of impact.

- The speed, risk, and transparency of application processes are far more influential factors in affecting the cost of development.

Infrastructure Charges

- The proposed Infrastructure Charges are likely the most significant of the three new costs being considered by HRM.

- The impact of Infrastructure Charges was already examined in the Phase III report of that project, and based on those findings, several discounts were suggested to the maximum base charge.

- The charge amounts that are proposed for implementation are thus already reflective of concerns over the impact of the full base charge amounts and represent a cautious approach.

Density Bonusing

- The currently proposed implementation of Density Bonusing in the Regional Centre has been significantly discounted. In principle, the public benefit required should cost 12% of the bonus value created, compared to the 67% figure suggested in the original background study.

- However, the true cost to development is also a function of zoning changes that will be adopted alongside the Density Bonusing framework. Unlike the broadly uniform changes proposed for the other costs, this will be far more variable between locations and should be analysed further.

- The bonus rates, as proposed, are either roughly in-line with, or significantly lower than, the rate adopted in 2009 when density bonusing was introduced in the Downtown Halifax Secondary Plan Area. This existing program has been widely recognised as having a low bonus rate, and experience to date does not suggest it caused any negative outcomes.

Implementation

The background studies for both the Application Fee Review and Infrastructure Charges identified the importance of proper implementation of cost changes to mitigate potential negative impacts. How these changes are made is potentially as important as the magnitude of the changes themselves. Considering the variability and magnitude of changes in other factors that affect development (land costs, construction costs, capital markets) it is evident that the industry constantly grapples with a shifting context of impact factors, many of which are more significant than the magnitude of new costs being considered by HRM. Phasing-in changes to costs will be an important strategy for minimising negative impacts.

Broader Impacts

Based on the academic literature, there is little evidence to suggest that higher fees will have significantly detrimental effects on broader trends such as GDP, employment, and development rates. The experiences of cities such as Toronto and Vancouver, both of whom levy development charges, further support the notion that development fees are adjusted for in land values and have not slowed development or increased house prices. No examples could be found of municipalities that monitor these broader trends and use them as the basis for making detailed policy decisions around the funding of service delivery.

Overall

HRM should continue to plan for implementation, **having confidence that the sum total of new costs being considered are within reason and generally align with what has been implemented in other jurisdictions**. This high-level analysis suggests they present a low risk in terms of creating negative material outcomes in both the overall performance of the development industry, and broader trends in the region.

Guiding Principles for Fees

The fees contained in the proposed changes to AO-15 are based on the following Guiding Principles which are recommended for adoption to guide future fee adjustments:

Service Efficiencies

- Fees are more reflective of the efficient cost level of carrying out the service.
- Where inefficient practices are identified (either through a review of internal processes or in relation to peer municipalities), then consideration of the inefficiencies will be considered during costing and, where appropriate, measures will be implemented to remove inefficiencies.

Fairness and Equity

- Increases are based on closing the gap on cost recovery, where full cost of service includes direct and indirect costs, overhead and charges for the use of capital assets used to provide the service.
- While the fees more closely reflect the cost of administering the service, they are not being used for the purpose of general taxation or the raising of revenue.

Transparency

- The cost of providing services, the allocation methodology of costs and the pricing structure is now much more transparent.

Predictability

- The model being proposed allows much more clarity and stability in terms of application fees, which will assist the development industry in the planning of projects.
- Knowledge and certainty of fees allows applicants to make more informed decisions.

It should be noted that, while always a work in progress, P&D has already achieved improvements in Service Efficiencies and Predictability through the following two initiatives:

- *New Planning Application Circulation Process*
  Current Planning has developed and implemented a new process to ensure feedback on planning applications is provided to applicants by internal stakeholders in a more timely, clear, and professional manner resulting in shorter overall wait times.

- *New Low-Density Permit Review Process*
  A new process for more timely review of low complexity / high volume permit applications has been implemented to streamline that process for more “routine” work while simultaneously freeing up resources for additional focus on more complex, “larger” projects, resulting in quicker turn around times.

FINANCIAL IMPLICATIONS

Based on current volumes of different types of fees collected, HRM should expect an annual increase in revenue of approximately $1.28M. If approved, this would result in approximately $500K to $600K in incremental revenue for the remainder of the 19/20 fiscal year. At the time of the formation of the 19/20 Budget, staff had incorporated an assumption of $400K increase to revenues based on the anticipation of an increase to the fees. In addition, Council also approved an adjustment of $400K in increased revenue to fund some of the items on the Budget Adjustment List (BAL), resulting in a total increase of $800K. This assumed that the increase in fees would have happened earlier in the fiscal year. Revenue budgets will

be refined during the 20/21 operating budget process.

The above outlines primary financial implications associated with changes to AO-15. The incremental changes proposed to AO-15 are in keeping with commitments within the approved 19/20 Operating Budget and move the Municipality closer to a cost recovery model that is in line with both evidence-based decision-making and fiscal responsibility. The Guiding Principles will be built into all future changes proposed to fees that fall under the authority of Planning and Development.

The recommendations to implement base-line incremental changes in addition to the annual CPI increase reflect the need to close gap on fees that have not been substantively updated since 1999.

RISK CONSIDERATION

There are moderate risks associated with not moving ahead with the proposed changes to AO-15.

- Service Delivery:
  - The incremental changes proposed are associated with the capacity of the Business Unit to deliver and improve on current service levels.
- Financial:
  - An inability to adequately recover costs associated with planning and permits applications
  - The aforementioned fee increases were included in the 19/20 operating budget thus not proceeding would impact P&D's ability to meet budget targets.

COMMUNITY ENGAGEMENT

Initial engagement with industry stakeholders was carried out with various representative groups, such as the Development Liaison Group. HRM has discussed the background research and model with stakeholders such as UDI, who have provided feedback on proposed direction, particularly the service delivery should improve to match any fee increases. Planning and Development is actively engaged in numerous continuous improvement projects to realize these efficiencies, and the Permitting, Licensing and Compliance solution is targeted at assisting these efforts across the board.

It is recommended that HRM use forums such as the Development Liaison Group to more broadly socialize any changes that may result from Council's decision.

It is recommended that HRM engage a broader stakeholder consultation to develop the 5-year phase-in strategy.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications related to the report recommendations.

ALTERNATIVES

Halifax Regional Council may choose to refuse the proposed amendments to AO 15 and direct the CAO to seek alternative approaches to moving forward with rationalizing Planning and Development Fees.

ATTACHMENTS

Attachment A	AO-15 Redline Version of Amendments
Attachment B	AO-15 Amending Administrative Order
Attachment C	Phase Two P&D Fee Review Report, BMA Consulting (April 17, 2018)
Attachment D	Sensitivity Analysis, Turner-Drake Report
Attachment E	AO-15 P&D Fees Schedule A Comparison Chart: Current vs Recommended

---

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Margaret Pike, Manager, Business Services, Planning & Development, 902.476.4622

Attachment A – Redline Version of Amendments

HALIFAX REGIONAL MUNICIPALITY

ADMINISTRATIVE ORDER NUMBER 15

Respecting License Permit and Processing Fees

BE IT RESOLVED as an Administrative Order of the Council of the Halifax Regional Municipality as follows:

SHORT TITLE

1. The Administrative Order may be cited as Administrative Order Number 15, the License, Permits and Processing Fees Administrative Order.

LICENSE FEES ESTABLISHED

2. The fees for licenses issued pursuant to the By-laws mentioned in Schedule AA@ to this Administrative Order shall be as set forth therein.

Done and passed in Council this 30th day of March, 1999.

Walter Fitzgerald
Mayor

Vi Carmichael
Municipal Clerk

1. Notwithstanding the processing fees set forth in the various Municipal Planning Strategies, Land Use By-Laws and Subdivision By-Laws in force in Halifax Regional Municipality, ~~**including the Heritage By-Law,**~~ the following processing fees shall apply in the place and stead of the fees, including fees for the Heritage, Blasting, Civic Addressing, Sign, Lot Grading and Grade Alteration By-laws~~.~~

~~Major Applications (Type 1):~~

~~Entails applications including, but not limited to, municipal planning strategy amendments; comprehensive development districts; commercial, industrial or institutional re-zonings or development agreements involving a building with a footprint in excess of 930m2 (10 000 ft2)~~**~~;~~** ~~re-zonings or development agreements regarding multiple-unit dwellings (townhouses or apartment buildings)~~**~~;~~** ~~re-zonings or development agreements to facilitate the construction of new streets for single unit dwellings; any proposal involving large tracts of land (i.e. golf courses); and substantial amendments to any Type 1 project.~~

~~Processing fee~~ ~~**$1100.00 (non-refundable)**~~

~~In addition, the applicant shall be responsible for advertising costs, and the Municipality may require the deposit of an appropriate amount to cover such costs.~~

~~Intermediate Applications (Type 2):~~

~~Entails applications including, but not limited to, text changes to by-laws; commercial, industrial or institutional re-zonings or development agreements involving a building with a footprint less than 930m2 (10 000 ft2); heritage property development agreements; proposals involving a major lot modification; proposals involving decks, balconies or signs; proposals involving the creation of an additional dwelling unit in an existing building containing less than 5 units; alterations to non-conforming uses; demolition and de-registration of heritage properties; proposals for non-substantial amendments to any Type 1 project; and any amendment to any Type 2 project.~~

~~Processing fee~~ ~~**$330.00 (non-refundable)**~~

~~In addition, the applicant shall be responsible for advertising costs, and the Municipality may require the deposit of an appropriate amount to cover such costs.~~

~~Minor Applications (Type 3):~~

~~Entails applications including, but not limited to approval of telecommunications facilities; discharge of development agreements; and extensions to time deadlines~~

~~Processing fee~~ ~~**$330.00 (non-refundable)**~~

~~In addition, the applicant shall be responsible for advertising costs, and the Municipality may require the deposit of an appropriate amount to cover such costs.~~

Variances **$500.00 ($200 is non-refundable - if appealed remaining $300 is nonrefundable)**

Planning Pre-Applications

Entails applications to provide feedback on a planning application proposal based on preliminary information. The comments provided follow a technical review of the proposal based on planning policy and municipal and other applicable regulations. The Pre-Application process also aims to identify the submission requirements (i.e., drawings, studies, reports, outside agency feedback) for Major and Intermediate Planning Applications or Substantive Site Plan Applications in Downtown Halifax.

Processing fee **$330.00 (non-refundable)**

The Pre-Application processing fee may be applied toward processing fees for Major and Intermediate planning applications or Substantive Site Plan Applications in Downtown Halifax received within 90 business days of completion of the Pre-Application file.

Downtown Halifax Substantive Site Plan Applications

Entails applications pursuant to section 5(13) of the Land Use By-law for Downtown Halifax.

Processing fee **$770.00 (non-refundable)**

Development Permits:

Type of Use	Processing Fee
Multiple, Institutional, Commercial and Industrial (new or additions)	**$250.00**
Low Density New Residential(up to two units) and Enclosed Additions and MICI renovations and lease hold improvements	**$100.00**
Accessory Structures (including decks)	**$25.00**

Zoning Confirmation Letters Processing fee **$100.00**

~~**Minor Variances**~~

~~**By-law #**~~	~~**Short Title**~~	~~**Section**~~	~~**Fee**~~
~~**2.** By-law L-400~~	~~Lot Grading By-law~~	~~S.17~~	~~$75.00~~
~~**3.** By-law 23290~~	~~Grade Alteration Bylaw~~	~~S.6~~	~~$75.00~~
~~**4. By-law O-109**~~	~~Open Air Burning By-law~~ ~~Residential~~ ~~Commercial~~	 ~~s.10(1)~~	 ~~No Fee~~ ~~$50.00~~

1A. (1) The fees for sections 4A, 6A, 6B, 13A, 15A, 16A, and 21A shall be increased on April 1st of each calendar year by the average monthly increase to the All-Item Consumer Price Index for the Province of Nova Scotia for the period of time from January 1st to December 31st of the preceding calendar year, rounded up to the nearest $10~~, rounded up to the nearest $10~~.

(2) If there is no increase in the Consumer Price Index for the Province of Nova Scotia, there shall be no increase in the fees under subsection (1).

1B. When amendments are prepared by staff for Council's consideration that proposes changes to the fees under sections 4A, 6A, 6B, 13A, 15A, 16A, and 21A of this Administrative Order, the Guiding Principles in the staff report dated September 23, 2019 must be applied, in accordance with Council's direction of October 22, 2019.

4A.

Fees pursuant to By-law O-109T Respecting Open Air Burning		
Fee Description	**By-law Section**	**Fee**
Open Air Burning By-law - Residential - Commercial	 **10(1)**	 **No fee** **$50.00**

5. Repeal

~~The fees pursuant to By-law T-1000, the Taxi, Accessible Taxi and limousine By-law are as follows:~~

(a) ~~The annual fee for an owner's licence is $50.00, or for a partial term shall be the licence fee prorated on a monthly basis.~~

(b) ~~The owner's renewal fee is $50.00, or for a partial term shall be the licence fee prorated on a monthly basis.~~

(c) ~~The permanent driver's licence fee is $100.00 for a two year term or for a partial term shall be the licence fee prorated on a monthly basis.~~

(d) ~~The driver application fee is $50.00 which includes a 12 month license if the applicant successfully passes the testing requirements.~~

(e) ~~The fee to change or replace a destroyed, lost or stolen licence is $10.00.~~

(f) ~~The fee for a taxi, limousine, or accessible taxi bumper sticker is $1.00.~~

(g) ~~The fee for each semi annual Hotel Standard vehicle inspection is $17.50.~~

6. Repeal

~~By-law #~~	~~Short Title~~	~~Section~~	~~Fee~~
~~By-law E-200~~	~~Encroachment By-law~~	~~S. 5(2)~~	
~~Encroachment up to 1.5 square metres~~			~~$ 60.00~~
~~Encroachment from 1.5 to 2.5 square metres~~			~~$ 95.00~~
~~Encroachment over 2.5 square metres~~			~~$125.00~~

~~Encroachment Bylaw S. 6~~

(1) ~~Encroachment other than those described in paragraph 4(a)(iv) of Bylaw E-200 shall be subject to an annual rental fee in the amount of $1.00 per 0.1 square metres of such encroachment, with a minimum fee of $10.00.~~

(2) ~~Temporary Encroachments shall be subject to a daily rental fee for the temporary use of the street or a part thereof during construction at the following rate:~~

(a) ~~$0.30 per square metre for the travelled way;~~

(b) ~~$0.25 per square metre for the sidewalk between the curb and 2 metres back from the curb face; and~~

(c) ~~$0.15 per square metre for the balance of the sidewalk and to the street line or property line which shall be payable monthly in advance, with the first month=s payment due at the time the license is issued and subsequent payments being due one month from the time of the previous due date.~~

(3) ~~For the purpose of subsection (2), where the encroachment occupies any part of a metered parking space, it shall be deemed to occupy the total metered parking space and the daily rental fee shall apply to 16.7 square metres of travelled way.~~

6A.

Fee Description	Fee	Cancellations & Refunds
Municipal Strategy Amendments, Rezoning, Planning Applications		
Pre-Planning Application	**$500**	Cancellation of the pre public consultation will result in a 50% refund. No refunds will be issued post public consultation. Where public consultation does not apply, a cancellation within 30 calendar days will result in a full refund. No refunds will be issued after 30 calendar days.
Municipal Planning Strategy Amendment along with a Development Agreement	**$5,000**	
Land Use By-law Amendment	**$3,000**	
Municipal Planning Strategy Amendment along with a Land Use By-law Amendment	**$5,000**	
Land Use By-law Amendment along with a Development Agreement	**$4,000**	
Deregistration & Demolition of a Heritage Property	**$4,000**	
Development Agreement	**$3,000**	
Discharge of a Development Agreement (in whole or in part)	**$500**	Non-refundable
Amendments to Development Agreements unless all the amendments are listed as non-substantive in the development agreement*	**$4,000**	Non-refundable
Amendments to Development Agreements where all the amendments are listed as Non-Substantive*	**$3,000**	Non-refundable
Please note: *In addition to the above noted fees, the applicant shall be responsible for advertising costs, and the Municipality may require the deposit of an appropriate amount to cover such costs. These costs are refundable if not required.* ** Amendments defined within contract*		
Variances and Site Plans		
Variance	**$1,000**	$500 refundable if not appealed
Appeal of a Variance	**$1,000**	Non-refundable
Non-Substantive Site Plan Approval OR Level 1 (I) Site Plan Approval	**$500**	Non-refundable
Level 2 (II) Site Plan Approval	**$1,000**	Non-refundable
Downtown Substantive Site Plan Approval OR Level 3 (III) Site Plan Approval	**$2,000**	Non-refundable except for exempt properties.
Development Permit Fees		

Residential Development Permit Fee (includes: New Residential-up to 2 units, enclosed additions, Residential or Multi-use, Industrial, Commercial or Institutional (MICI) renovations, and lease hold improvements)	**$200**	Non-refundable
Commercial Development Permit Fee (includes: Multi-use, Industrial, Commercial or Institutional (MICI))	**$500**	Non-refundable
Basic Development Permit Fee (includes: Home Occupation, Occupancy Only and Accessory Structures such as Decks, Pools, Sheds, and Fence)	**$50**	Non-refundable
Zoning Confirmation Letters	**$150**	Non-refundable
Engineering Fees related to Development		
Engineering Review Fee for Non-Engineering Specific Permits (ie: Building & Development Permits)	**$200**	Non-refundable
Lot Grading	**$200**	Non-refundable
Grade Alteration	**$200**	Non-refundable
Top Soil Removal	**$200**	Non-refundable
For blasting less than 50 cubic metres of rock	**$100**	Non-refundable
All other blasting applications	**$600**	Non-refundable
Subdivisions		
Subdivision Concept Plan	**$600**	Non-refundable
Subdivision Tentative Plan	**$400**	Non-refundable
Subdivision Final Without Infrastructure	**$500**	Non-refundable
Subdivision Final Plan New Infrastructure	**$2,000**	Non-refundable
Repeal of a Final Plan of Subdivision	**$400**	Non-refundable
Amendment to a Final Plan of Subdivision	**$400**	Non-refundable
Civic Naming and Numbering		
Change Civic Number	**$~~3~~400**	Non-refundable
Change Civic Name[1]	**$2,000**	Non-refundable
Manufacture & Install Private Road Sign - ~~Blade~~ Sign & Sign post[2]	**$~~150~~200**	Non-refundable
Manufacture of a Private Road Sign	**$31**	Non-refundable
		1 This application fee assumes a consultative process
		~~2 This fee is under review~~

6B.

Fees pursuant to By-law T-1000, Respecting the Regulation of Taxis, Accessible Taxis and Limousine		
Fee Description	**By-law Section**	**Fee**
Owner's License Annual fee	Part 3 & Part 5	$50 (for partial term shall be the licence fee prorated monthly.)
Owner's Renewal fee	Part 3 & Part 5	$50 (for partial term shall be the licence fee prorated on a monthly basis.)
Permanent Taxi Driver's fee	Part 4 & Part 5	$100 for a two-year term (for partial term shall be the licence fee prorated on a monthly basis.)
Driver Application Fee	Part 4 & Part 5	$50 for 12-month license if the applicant successfully passes the testing requirements
Replacement of destroyed, lost or stolen license fee	Part 5	$10
Taxi, limousine, or accessible taxi bumper sticker fee		$1
Semi annual Hotel Standard vehicle inspection fee	Part 11	$17.50

6C.

Fees pursuant to By-law E-200, Respecting Encroachments Upon, Under, or Over A Street		
Fee Description	**By-law Section**	**Fee**
Encroachment up to 1.5 square metres	S. 5(2)	$ 60.00
Encroachment from 1.5 to 2.5 square metres	S. 5(2)	$ 95.00
Encroachment over 2.5 square metres	S. 5(2)	$125.00

Encroachment other than those described in paragraph 4(a)(iv) of Bylaw E-200 shall be subject to an annual rental fee	S.6	$1.00 per 0.1 square metres of such encroachment, with a minimum fee of $10.00.
Temporary Encroachments shall be subject to a daily rental fee for the temporary use of the street or a part thereof during construction at the following rate:	S.6	(a) $0.30 per square metre for the travelled way; (b) $0.25 per square metre for the sidewalk between the curb and 2 metres back from the curb face; and (c) $0.15 per square metre for the balance of the sidewalk and to the street line or property line which shall be payable monthly in advance, with the first month=s payment due at the time the license is issued and subsequent payments being due one month from the time of the previous due date. (d) where the encroachment occupies any part of a metered parking space, it shall be deemed to occupy the total metered parking space and the daily rental fee shall apply to 16.7 square metres of travelled way.

7.

By-law #	**Short Title**	**Section**	**Fee**
By-law P-800	Pesticide By-law	S. 7(2) Any other permits	$0.00 $0.00

8. ~~Fees –~~Repeal

1. ~~Halifax Regional Municipality shall collect a $2000o application fee, to change the~~

~~name of a private road, public street or highway listed on the Civic Address File, where the existing street name is not in contravention of the HRM Civic Addressing Policies (i.e. a personal preference), except where a street name change resolves a civic addressing problem.~~

2. ~~Halifax Regional Municipality shall collect a fee of $300 per property to change a civic number, when the existing number is not in contravention of the Civic Addressing Policies (i.e. a personal preference) and only where a whole new number is available, except where a civic number change resolves a civic addressing problem.~~

3. ~~Halifax Regional Municipality shall collect a fee of $1505 for the manufacture and installation of each Private Road sign and sign post as provided for in **Part 10** of the Civic Addressing By-law.~~

9. REPEALED

9A.

By-law #	Short Title	Section	Permit	Fee
P-1200	*On-Street Parking Permits By-law*			
		8(b)	Annual Resident Parking Permit	$30.00/year
		8(b)	Annual Carshare Vehicle Parking Permit	$30.00/year
		8(b)	Temporary Resident Parking Permit	$0.00
		8(b)	Annual Visitor Parking Permit	$30.00/year
		8(b)	Temporary Visitor Parking Permit	$5.00/day $20.00/14 days $40.00/30 days
		8(b)	Monthly Parking Permit: Zone 7, 8, 9 Zone 2, 5, 6, 10 Zone 1, 3, 4	 $45.00/month $35.00/month $30.00/month
		8(b)	Municipal Parking Permit	$0.00
		57	Municipal Parking Permit Replacement Permit	$0.00
		57	All other Replacement Permits	$10.00

10. Repeal

~~By-law #~~	~~Short Title~~	~~Section~~	~~Fee~~
~~By-law B-600~~	~~Blasting By-law~~	~~s. (18)~~	
		~~For Blasting less than 50 cubic metres of rock~~	~~$100.00~~
		~~All other applications~~	~~$600.00~~

11. Repealed

12.

By-law #	Short Title	Section	Fee
A. By-law P-500	Parking By-law	10	Within the former City of Dartmouth $1.00/hour
B. By-law P-500	Parking By-law	10	Within the former City of Halifax $1.50/hour

13. Repeal

~~By-law #~~	~~Short Title~~	~~Section~~	~~Fee~~
~~By-law C-501~~	~~Vending On Municipal Lands~~	~~4~~	
	~~Food Services vehicle~~		~~$915.00 annum~~
	~~Bicycle Wagon~~		~~$120.00 annum~~
	~~Stands~~		~~$230.00 annum~~
	~~Artisans/Craftspeople~~ ~~Spring Garden Road~~ ~~Waterfront~~	 ~~40 (3)~~ ~~40 (3)~~	 ~~$ 35.00 annum~~ ~~$250.00 annum~~
	~~Newspaper Boxes~~	~~42 (2)~~	~~$ 55.00 annum~~

13A.

Fees pursuant to By-law C-501, Respecting Vending on Municipal Lands

Fee Description	By-law Section	Fee
Food Services vehicle	4	$915.00 annum
Bicycle Wagon	20 (4)	$120.00 annum
Stands	4	$230.00 annum
Artisans/Craftspeople -Spring Garden Road -Waterfront	 40 (3) 40 (3)	 $ 35.00 annum $250.00 annum
Newspaper Boxes	42 (2)	$ 55.00 annum

14. Repealed

15. Repeal

~~By-law #~~	~~Short Title~~	~~Section~~	~~Fees~~
~~By-law S-801~~	~~By-law for Temporary Signs~~	~~5(3)(h)~~	
	~~Multiple Resident Signs~~		~~30.00 per license per 30 day Occasion~~
	~~Mobile Signs~~		~~$30.00 per license per 30 day occasion~~
	~~Box signs~~		~~$100.00 per license per year~~
	~~Banners~~		~~$60.00 per license per occasion~~
	~~Sandwich Boards~~		~~$80.00 per license per Year~~
	~~Inflatable Signs~~		~~$30.00 per license per 30 day occasion~~
	~~Community Event Sign~~		~~$20.00 per license~~
	~~Multi Special Event Signs~~		~~$30.00 per license per occasion~~

15A.

Fees pursuant to By-law S-801, Respecting Licensing of Temporary Signs		
Fee Description	**By-Law Section**	**Fees**
Multiple Resident Signs	5(3), 12(5)	30.00 per license per 30 day Occasion
Mobile Signs	5(3), 12(3)	$30.00 per license per 30 day occasion
Box signs	5(3), 12(4)	$100.00 per license per year
Banners	5(3), 12(2)	$60.00 per license per occasion
Sandwich Boards	5(3), 15(1)	$80.00 per license per Year
Inflatable Signs	5(3), 12(1)	$30.00 per license per 30 day occasion
Community Event Sign	5(3), 12(7), 15	$20.00 per license
Multi Special Event Signs	5(3), 12(8)	$30.00 per license per occasion

16. Repeal

~~**Permanent Sign Fees**~~	~~**Within Former City of Dartmouth**~~	~~**Fees**~~
	~~9.29 square metres or less~~	~~$ 40.00 per sign~~
	~~Over 9.29 square metres~~	~~$200.00 per sign~~
	~~Sign area is measured from the outermost area of the display surface and includes the entire display surface and any background~~	
	~~**Within Former City of Halifax**~~	
	~~Non-illuminated signs~~	~~$30.00 per sign~~
	~~Illuminated signs~~	~~$35.00 per sign~~
	~~Billboards~~	~~$60.00 per sign~~

16A.

Fees pursuant to Permanent Signs

Fee description	Fees
A Permanent Sign includes but is not limited to Projection, Roof, Ground, Billboard, Facia	$ 200 per sign

17.

Schedule of Engineering Fees – Local Improvement Charges	
Paving	5% of property owners share of total construction costs
Stand-alone curb	5% of property owners share of total construction costs
Sidewalk, Curb & Gutter	10% of property owners share of total construction costs

18.

By-law #	Short Title	Section	Fee
By-law N-300	Nuisance By-law	S.8(3)	$50.00

19.

By-law #	Short Title	Section	Fee
By-law S-300	Streets By-law	23 (2)	
		Activity	
		Laternal Connection – Main	$200.00
		Renew Lateral Connection – Main	$200.00
		Sewer Cap Off	$200.00
		Water Lateral Cap	$200.00
		Water Lateral Main to Prop	$200.00
		Extension to Sewer Main	$700.00
		Sewer Main Repair	$700.00
		New Watermain	$700.00
		Watermain Relining	$700.00
		Watermain Renewal	$700.00
		Culvert	$200.00
		Curb/Sidewalk Cut	$200.00
		Utility Pole Support Anchor(s)	$125.00
		Utility Pole Installation	$125.00

By-law #	Short Title	Section	Fee
		Replace Utility Pole	$125.00
		Oversize Move	$125.00

		Temporary Closure – Crane	$200.00
		Partial Closure – Crane	$200.00
		Partial Closure – Movie	$200.00
		Temporary Closure – Movie	$200.00
		Partial Closure – General	$200.00
		Temporary Closure – General	$200.00
		Overhead Power Lines	$125.00
		Overhead Telecom Lines	$125.00
		Monitor Well/Borehole	$125.00
		Rickshaws	$200.00
		Special Events	No Charge
		Overhead Banner	$125.00
		Lateral Connection- Pro Line	$200.00
		Renew Lateral Connection – Prop	$200.00
		Water Lateral Renewal	$200.00
		Buried Electrical Lateral	$200.00
		Buried Electrical Main	$200.00
		Buried Telecom Lateral	$200.00
		Buried Telecom Main	$200.00
		Newspaper Boxes	$125.00
		Refuse Container	$125.00
		Advertising Benches	$125.00
		Kiosk/Booths	$125.00
		Transit Shelter	$125.00
		Capital Project	$125.00
		Repairs to Street Surface	$125.00
		Repairs to sidewalk	$125.00
		Road Construction	$125.00
		Temp Workplace Adjacent to ROW	$125.00
		Temporary Workplace on ROW	$125.00
		Natural Gas Lateral	$200.00
		Natural Gas Main (<20m)	$200.00
		Natural Gas Main (21m < 500m)	$700.00
		Natural Gas Main (>500 m)	Staff Time
		24(1)(a)	$1000.00 Security Deposit
		24 (1)(b)	

		SID (Percentage of Pavement Reinstatement Cost)	
		8.5 – 10	30%
		7.0 – 8.5	25%
By-law #	**Short Title**	**Section**	**Fee**
		SID (Percentage of Pavement Reinstatement Cost)	
		6.0 – 7.0	20%
		4.0 – 6.0	15%
		0.0 – 4.0	5%
		24 (1)(c)	15% of total restoration Cost based on current unit prices
		25 (2)	$ 1000.00 Application Fee $20,000.00 Security Deposit
		25(6)	$65.00 per inspection
		28(h)(i) 28(h)(ii)	$2 million per occurrence $2 million per occurrence
		30(2)	$1000.00 Security Deposit

20.

By-law #	**Fee**
By-law S-500	
Solar Collector Permit	$150.00

21. Repeal

~~By-law #~~	~~Short Title~~	~~Details~~	~~Fee~~
~~By-law S-1000~~	~~*Sidewalk Café By-law*~~		
		~~Seasonal Sidewalk Cafe License Fee for unenclosed sidewalk café.~~	~~$250 per Seasonal Sidewalk Café~~
		~~Seasonal Sidewalk Café License fee for unenclosed sidewalk café where the tables and chairs are removed from the sidewalk each day by the closing time of the principle use property.~~	~~No fee~~
		~~Seasonal Sidewalk Café License Fee for enclosed sidewalk cafés smaller than 9.29 square meters.~~	~~$400 per Seasonal Sidewalk Café~~
		~~All other Seasonal Sidewalk Café License Fee.~~	~~$800 per Seasonal Sidewalk Café~~
		~~Annual Sidewalk Café License Fee.~~	~~$1,000 per Annual Sidewalk Café~~
		~~Parking Meter Removal and Reinstatement Fee.~~	~~$150 per meter per sidewalk café season~~
		~~Street Post Removal and Reinstatement Fee.~~	~~$150 per street post per sidewalk café season~~

21A.

Fees pursuant to By-law S-1000, Respecting the Regulation of Sidewalk Cafes		
Fee Description	**By-Law Section**	**Fees**
Seasonal Sidewalk Cafe License Fee for unenclosed sidewalk café.	13	$250 per Seasonal Sidewalk Café
Seasonal Sidewalk Café License fee for unenclosed sidewalk café where the tables and chairs are removed from the sidewalk each day by the closing time of the principle use property.		No fee
Seasonal Sidewalk Café License Fee for enclosed sidewalk cafés smaller than 9.29 square meters.	13	$400 per Seasonal Sidewalk Café

All other Seasonal Sidewalk Café License Fee.	13	$800 per Seasonal Sidewalk Café
Annual Sidewalk Café License Fee.	13	$1,000 per Annual Sidewalk Café
Parking Meter Removal and Reinstatement Fee.		$150 per meter per sidewalk café season
Street Post Removal and Reinstatement Fee.		$150 per street post per sidewalk café season

22.

By-law	**Short Title**	**Section**	**Fee**
A-600	*Advertising on Provincial Highways By-law*		
		9(1) Application for initial license	$200
		9(2) Application for license renewal	$50
By-law #	**Short Title**	**Details**	**Fee**
By-law M-200	*Residential Standards By-law*		
		Rooming House License Fee.	$100 per New License
		Rooming House License Renewal Fee.	$100 per License Renewal

23. Repeal

~~By-law~~	~~Fee Type~~	~~Section~~	~~Fee~~
~~Subdivision Application Fees~~	~~Concept Application Processing Fee~~	~~91(d)~~	~~$250~~
	~~Tentative Application Processing Fee~~	~~100(c)~~	~~$250~~
	~~Final Application Processing Fee~~	~~106(c), Subsection s (i) to (iv) incl.~~	~~for up to and including 10 lots, $250 total~~

			~~for 11 to 20 lots, $500 total;~~
			~~for 21 to 50 lots, $1000 total;~~
			~~for over 50 lots, $1500 total~~
	~~Repeal of a Subdivision Processing Fee~~	~~141(c)~~	~~$250~~
	~~Amended Final Plan of Subdivision Processing Fee~~	~~151(c)~~	~~$250~~

24.

By-law #	Short Title	Section	Details	Fee
B-400	Alarm By-law	3(2)	Alarm System Permit Fee	$0.00

25.

By-law #	Short Title	Section	Details	Fee
C-1000	Charges for Water Supply Improvement	5(h)	Application Fee	$150.00

Attachment B - Amending Administrative Order

HALIFAX REGIONAL MUNICIPALITY
ADMINISTRATIVE ORDER NUMBER 15
Respecting License, Permit And Processing Fees

BE IT RESOLVED as an Administrative Order of the Council of the Halifax Regional Municipality that Schedule A of Administrative Order 15, the License, Permits and Processing Fees Administrative Order, is further amended as follows:

1. Section 1 of Schedule A is amended by:

(a) striking out the words and comma ", including the Heritage By-Law, " after the word and comma "Municipality," and before the word and colon "fees";

(b) adding the words, period, and commas "including fees for the Heritage, Blasting, Civic Addressing, Sign, Lot Grading and Grade Alteration By-laws." after the word and comma "fees," and before the colon;

(c) striking out the colon after the newly added word and period "By-laws."; and

(d) striking out those parts of section 1 beginning with "Major Application (Type 1)" and ending at the end of section 1 but before section 2.

2. Adding sections 1A and 1B after section 1 and before section 2 as follows:

1A. (1) The fees for sections 4A, 6A, 6B, 13A, 15A, 16A, and 21A shall be increased on April 1st of each calendar year by the average monthly increase to the All-Item Consumer Price Index for the Province of Nova Scotia for the period of time from January 1st to December 31st of the preceding calendar year, rounded up to the nearest $10.

(2) If there is no increase in the Consumer Price Index for the Province of Nova Scotia, there shall be no increase in the fees under subsection (1).

1B. When amendments are prepared by staff for Council's consideration that proposes changes to the fees under sections 4A, 6A, 6B, 13A, 15A, 16A, and 21A of this Administrative Order, the Guiding Principles in the staff report dated September 23, 2019 must be applied, in accordance with Council's direction of October 22, 2019.

3. Sections 2, 3, 4, 5,6, 8, 10, 13, 15, 16, 21, and 23 of Schedule A are repealed.

4. Section 4A is added after the repealed section 4 and before the repealed section 5 as follows:

4A.

Fees pursuant to By-law O-109T Respecting Open Air Burning		
Fee Description	**By-law Section**	**Fee**

Open Air Burning By-law - Residential - Commercial	 **10(1)**	 **No fee** **$50.00**

5. Sections 6A, 6B, 6C are added to Schedule A after the repealed section 6 and before section 7 as follows:

6A.

Fee Description	Fee	Cancellations & Refunds
Municipal Strategy Amendments, Rezoning, Planning Applications		
Pre-Planning Application	**$500**	Cancellation of the pre public consultation will result in a 50% refund. No refunds will be issued post public consultation. Where public consultation does not apply, a cancellation within 30 calendar days will result in a full refund. No refunds will be issued after 30 calendar days.
Municipal Planning Strategy Amendment along with a Development Agreement	**$5,000**	
Land Use By-law Amendment	**$3,000**	
Municipal Planning Strategy Amendment along with a Land Use By-law Amendment	**$5,000**	
Land Use By-law Amendment along with a Development Agreement	**$4,000**	
Deregistration & Demolition of a Heritage Property	**$4,000**	
Development Agreement	**$3,000**	
Discharge of a Development Agreement (in whole or in part)	**$500**	Non-refundable
Amendments to Development Agreements unless all the amendments are listed as non-substantive in the development agreement*	**$4,000**	Non-refundable
Amendments to Development Agreements where all the amendments are listed as Non-Substantive*	**$3,000**	Non-refundable
Please note: *In addition to the above noted fees, the applicant shall be responsible for advertising costs, and the Municipality may require the deposit of a appropriate amount too cover such costs. These costs are refundable if not required.* ** Amendments defined within contract*		
Variances and Site Plans		
Variance	**$1,000**	$500 refundable if not appealed
Appeal of a Variance	**$1,000**	Non-refundable
Non-Substantive Site Plan Approval OR Level 1 (I) Site Plan Approval	**$500**	Non-refundable
Level 2 (II) Site Plan Approval	**$1,000**	Non-refundable

Downtown Substantive Site Plan Approval OR Level 3 (III) Site Plan Approval	**$2,000**	Non-refundable except for exempt properties.
Development Permit Fees		
Residential Development Permit Fee (includes: New Residential-up to 2 units, enclosed additions, Residential or Multi-use, Industrial, Commercial or Institutional (MICI) renovations, and lease hold improvements)	**$200**	Non-refundable
Commercial Development Permit Fee (includes: Multi-use, Industrial, Commercial or Institutional (MICI))	**$500**	Non-refundable
Basic Development Permit Fee (includes: Home Occupation, Occupancy Only and Accessory Structures such as Decks, Pools, Sheds, and Fence)	**$50**	Non-refundable
Zoning Confirmation Letters	**$150**	Non-refundable
Engineering Fees related to Development		
Engineering Review Fee for Non-Engineering Specific Permits (ie: Building & Development Permits)	**$200**	Non-refundable
Lot Grading	**$200**	Non-refundable
Grade Alteration	**$200**	Non-refundable
Top Soil Removal	**$200**	Non-refundable
For blasting less than 50 cubic metres of rock	**$100**	Non-refundable
All other blasting applications	**$600**	Non-refundable
Subdivisions		
Subdivision Concept Plan	**$600**	Non-refundable
Subdivision Tentative Plan	**$400**	Non-refundable
Subdivision Final Without Infrastructure	**$500**	Non-refundable
Subdivision Final Plan New Infrastructure	**$2,000**	Non-refundable
Repeal of a Final Plan of Subdivision	**$400**	Non-refundable
Amendment to a Final Plan of Subdivision	**$400**	Non-refundable
Civic Naming and Numbering		
Change Civic Number	**$400**	Non-refundable
Change Civic Name[1]	**$2,000**	Non-refundable
Manufacture & Install Private Road Sign - Blade & Sign post[2]	**$150**	Non-refundable

1 This application fee assumes a consultative process

2 This fee is under review

6B.

Fees pursuant to By-law T-1000, Respecting the Regulation of Taxis, Accessible Taxis and Limousine		
Fee Description	**By-law Section**	**Fee**
Owner's License Annual fee	Part 3 & Part 5	$50 (for partial term shall be the licence fee prorated monthly.)
Owner's Renewal fee	Part 3 & Part 5	$50 (for partial term shall be the licence fee prorated on a monthly basis.)
Permanent Taxi Driver's fee	Part 4 & Part 5	$100 for a two-year term (for partial term shall be the licence fee prorated on a monthly basis.)
Driver Application Fee	Part 4 & Part 5	$50 for 12-month license if the applicant successfully passes the testing requirements
Replacement of destroyed, lost or stolen license fee	Part 5	$10
Taxi, limousine, or accessible taxi bumper sticker fee		$1
Semi annual Hotel Standard vehicle inspection fee	Part 11	$17.50

6C.

Fees pursuant to By-law E-200, Respecting Encroachments Upon, Under, or Over A Street		
Fee Description	**By-law Section**	**Fee**
Encroachment up to 1.5 square metres	S. 5(2)	$ 60.00
Encroachment from 1.5 to 2.5 square metres	S. 5(2)	$ 95.00
Encroachment over 2.5 square metres	S. 5(2)	$125.00
Encroachment other than those described in paragraph 4(a)(iv) of Bylaw E-200 shall be subject to an annual rental fee	S.6	$1.00 per 0.1 square metres of such encroachment, with a minimum fee of $10.00.

Temporary Encroachments shall be subject to a daily rental fee for the temporary use of the street or a part thereof during construction at the following rate:	S.6	(a) $0.30 per square metre for the travelled way; (b) $0.25 per square metre for the sidewalk between the curb and 2 metres back from the curb face; and (c) $0.15 per square metre for the balance of the sidewalk and to the street line or property line which shall be payable monthly in advance, with the first month`s payment due at the time the license is issued and subsequent payments being due one month from the time of the previous due date. (d) where the encroachment occupies any part of a metered parking space, it shall be deemed to occupy the total metered parking space and the daily rental fee shall apply to 16.7 square metres of travelled way.

6. Section 13A is added to Schedule A after the repealed section 13 and before section 14 as follows:

13A.

Fees pursuant to By-law C-501, Respecting Vending on Municipal Lands		
Fee Description	**By-law Section**	**Fee**
Food Services vehicle	4	$915.00 annum
Bicycle Wagon	20 (4)	$120.00 annum
Stands	4	$230.00 annum
Artisans/Craftspeople -Spring Garden Road -Waterfront	 40 (3) 40 (3)	 $ 35.00 annum $250.00 annum
Newspaper Boxes	42 (2)	$ 55.00 annum

7. Section 15A is added to Schedule A after repealed section 15 and before section 16 as follows:

15A.

Fees pursuant to By-law S-801, Respecting Licensing of Temporary Signs		
Fee Description	**By-Law Section**	**Fees**
Multiple Resident Signs	5(3), 12(5)	30.00 per license per 30 day Occasion
Mobile Signs	5(3), 12(3)	$30.00 per license per 30 day occasion
Box signs	5(3), 12(4)	$100.00 per license per year
Banners	5(3), 12(2)	$60.00 per license per occasion
Sandwich Boards	5(3), 15(1)	$80.00 per license per Year
Inflatable Signs	5(3), 12(1)	$30.00 per license per 30 day occasion
Community Event Sign	5(3), 12(7), 15	$20.00 per license
Multi Special Event Signs	5(3), 12(8)	$30.00 per license per occasion

8. Section 16A is added to Schedule A after the repealed section 16 and before section 17 as follows:

16A.

Fees pursuant to Permanent Signs	
Fee description	**Fees**
A Permanent Sign includes but is not limited to Projection, Roof, Ground, Billboard, Facia	$ 200 per sign

9. Section 21A is added to Schedule A after the repealed section 21 and before section 22 as follows:

21A.

Fees pursuant to By-law S-1000, Respecting the Regulation of Sidewalk Cafes		
Fee Description	**By-Law Section**	**Fees**

Seasonal Sidewalk Cafe License Fee for unenclosed sidewalk café.	13	$250 per Seasonal Sidewalk Café
Seasonal Sidewalk Café License fee for unenclosed sidewalk café where the tables and chairs are removed from the sidewalk each day by the closing time of the principle use property.		No fee
Seasonal Sidewalk Café License Fee for enclosed sidewalk cafés smaller than 9.29 square meters.	13	$400 per Seasonal Sidewalk Café
All other Seasonal Sidewalk Café License Fee.	13	$800 per Seasonal Sidewalk Café
Annual Sidewalk Café License Fee.	13	$1,000 per Annual Sidewalk Café
Parking Meter Removal and Reinstatement Fee.		$150 per meter per sidewalk café season
Street Post Removal and Reinstatement Fee.		$150 per street post per sidewalk café season

10. The section numbers for the repealed sections 21, 23, 24, and for the section numbers for sections 20, 22, 24, 25 are bolded.

Done and passed this day of , 20 .

_____
Mayor

_____
Municipal Clerk

Attachment C– Planning & Development Fee Review - Phase 2 Report

Halifax Regional Municipality

Planning and Development Fee Review

DRAFT REPORT

April 17,2018

Completed by BMA Management Consulting Inc.

BMA
MANAGEMENT CONSULTING INC.

Table of Contents

Introduction

Introduction

In accordance with leading practices as set out by the Government Finance Officers Association (GFOA) which includes representation from Canada and the United States, municipalities should undertake a comprehensive review of their fees every 3-5 years to ensure that the existing fees continue to align with the underlying goals and objectives and reflect existing work processes and resource allocations. HRM's review of the Planning and Development fees has been undertaken in two phases:

- ***Phase One***: Establish Fee Guiding Principles and identify general observations with respect to existing fees.
- ***Phase Two***: Establish a new fee structure and phase-in approach.

Phase one established Guiding Principles for setting planning and development (P&D) fees and also identified key findings to be addressed during the next phase of the engagement. The purpose of developing Fee Guiding Principles was to provide a framework to ensure that HRM has a consistent approach for establishing fees for all P&D services. The adoption of the recommended Fee Guiding Principles facilitates consistent and transparent decision-making regarding fees; allows for better resource planning; and enhances HRM's ability to forecast fee revenues. The Guiding Principles are included in Appendix A and include the following:

Services Efficiencies

Fairness and Equity

Transparency

Predictability

The objectives a fee review should include ensuring that fees:

- *Support financial sustainability;*
- *Are fair and equitable;*
- *Recover the full cost of service;*
- *Take into consideration the cyclical effect of the construction and development industry through the development of sound reserve policies to mitigate risk;*
- *Consider future forecast planning and development activity;*
- *Are competitive and have been compared in a meaningful manner to "like municipalities" and explanations are provided where differences may occur; and*
- *Are compliant with all relevant legislative and regulatory requirements.*

The primary focus of this report is the review of development application fees undertaken by Current Planning. This includes fees in the areas of planning applications, variances, site plans, subdivisions, street naming development permits and signs. In total, the existing fees generated for these permits and applications is approximately $500,000. As will be shown in this report, the existing fees are considerably lower than the associated expenditures for providing these services.

Current Planning administers and implements policies, by-laws and regulations related to land use and property development. This division is responsible for planning applications, rural planning, subdivision approvals, development approvals and the civic addressing program.

Legislative Review

Legislative Review

The Halifax Regional Municipality Charter is the primary legislation under which the municipality operates. This Charter includes applicable legislation for planning and development fees. The following provides highlights in this regard (excerpts):

- **Section 188 - Powers to Make By-laws**—This section of the Charter includes powers to make by-laws. This section includes the ability for HRM to (section 2e) provide for a system of licences, permits or approvals, including any or all of approvals, including fees for licences, permits and approvals that may be in the nature of a reasonable tax for the activity authorized or for the purpose of raising revenue, which fees may be set or altered by policy. Further it prohibits any development, activity, industry, business until a licence, permit or approval is granted.

- **Sections 208—308**—These sections outline the **Planning and Development and Subdivision Sections of the Charter**. This includes provisions with respect to establishing fees for service as follows:

  - **226 (1) Certain amendments by policy—**The Council may, by policy, adopt amendments to (b) the processing fees set out in a land-use by-law or in a subdivision by-law.

  - **235—Content of land-use by-law** (4) A land-use by-law may (n) prescribe the fees for an application to amend a land use by-law or for entering into a development agreement, site plan or variance.

  - **281 Subdivision by-law** (1) A subdivision by-law applies to the whole of the Municipality, but the by-law may contain different requirements for different parts of the Municipality. (3) A subdivision by-law may include (e) the fee for the processing of applications for approval or repeal of a subdivision, including registration, recording and filing fees.

  - **293 Subdivision that adds or consolidates** (1) No plan of subdivision that adds or consolidates parcels or areas of land in different ownerships may be approved by a development officer until the development officer is provided with (a) executed deeds suitable for registering to effect the addition or consolidation; and (b) the fees for registering the deeds.

Existing Fees

Existing Planning and Development Fees

The following table provides a summary of the key Planning and Development fees that were reviewed in detail this phase of the project.

Service Name Fee Name & Description	Fee Amount	Unit
Major Planning Applications	$1100	Each
+ refundable Advertising Deposit	$1500	Each
Intermediate Planning Application	$330	Each
+ refundable Advertising Deposit	$1500	Each
Minor Planning Applications	$330	Each
+ refundable Advertising Deposit	$450	Each
Planning Application Pre-Applications	$330	Each
Variances	$500	Each
Downtown Halifax Substantive Site Plan Applications	$770	Each
Development Permits - Multiple, Institutional, Commercial & Industrial (MICI)	$250	Each
Development Permits – Low Density New residential and enclosed additions & MICI renos. and leasehold improvements	$100	Each
Development Permits – Accessory Structures (including decks) processing fees	$25	Each
Change in Civic Number	$300	Each
Change in Street Name	$2,000	Each
Repeal of a Final Plan of Subdivision	$250	Each
Amend Final Plan of Subdivision	$250	Each
Concept Subdivision Application Requirement	$250	Each
Tentative Subdivision Application Requirement	$250	Each
Final Subdivision Application Requirements	$250	Up to 10 lots
	$500	Up to 20 lots
	$1,000	Up to 50 lots
	$1,500	For over 50 lots

It should be noted that many of the fees have not been updated since 1999, during which time the cost of service has increased by at minimum, inflation. For example, from 1999 to 2018, the inflationary increase using CPI was approximately 45%.

Summary of General Findings in Phase One Report

General Findings - HRM P&D Fees—Phase One Report

There are a number of key findings and observations with respect to the Planning and Development existing fees and practices which were summarized in the Phase One Report. The following provides a review of the key findings and recommended changes to the future fees

- ***Finding #1: Fee Structure Needs to Be Rationalized***
- ***Finding # 2: Existing Fees are Not Aligned to Resources Expended***
- ***Finding #3: Revenues are Well Below the Direct Cost of Services***
- ***Finding #4: Activity Based Costing—There is No Allocation of Corporate Costs to Fees***
- ***Finding #5: Reserve Funds May be Required to Smooth the Impact of Changes in Activity Level***
- ***Finding #6: Outdated Fees***
- ***Finding #7: Low Fees Can Drive Speculation***
- ***Finding #8: Fee Guiding Principles Are Needed***

As a result of these findings, a detailed review was undertaken of the Planning and Development fees to address the above noted findings.

Most municipalities surveyed that provide planning and development permit and application processes have adopted a philosophy of having development pay the full cost of the service demands they create.

Not charging the full cost of development services places additional pressure on the general tax base although the applicant is the direct beneficiary of the service. From the applicant's perspective, this could result in excessive wait times and delays in receiving plan review comments and application approvals as staffing levels may not adjusted to reflect demand for service because of pressures on the general tax base.

As many fees have not been increased in over 19 years and the base of which the fees were originally established was not consistently based on full cost recovery, the increases to establish a full cost recovery model is significant. As such, a phase-in option has been provided where large increases are being required to achieve full cost recovery to help ensure that the market has an opportunity to adjust to the increases. This supports the Guiding Principle of Predictability.

HRM's current budgeting practice does not allocate corporate costs to Departments and as such, the full cost of service is not currently known. The calculation of fees should include Direct, Indirect and Corporate Overhead costs as a starting point in setting an appropriate fee. This provides the information necessary for Council to determine the taxpayer impact if the full cost of providing service is not recovered from fees. While this is a leading practice, given the fact that this is not the corporate practice, the fees contained in this report exclude corporate overhead costs.

In addition, not all functions in development services are related to application processes, but it reasonable to assume that developers that generate the need and anticipate the ability to profit from their efforts should also be expected to fund the cost of the services demands they generate. This has been taken into consideration in the calculation of the fees.

Fee Review Process

Fee Review Process

The fee review process included a number of steps including the following:

- ***Review Legislation and Regulatory Environment***—BMA reviewed the legislation and regulatory requirements in terms of the current processes to determine whether there are any issues with respect to compliance of existing fees. The legislative review assisted in the identification of areas/ opportunities to recover additional costs that are not currently included in the calculation of fees and charges and new user fees.

- ***Policy Review***— Phase One Report was presented to Council in 2016 which forms the basis for the fee calculations.

- ***Process Maps***—Developed process maps for each major application type to identify the tasks and activities to support application processing, inspections and plans reviews. Staff identified the "average" time required to complete each step in the process. Utilization of time estimates is a reasonable and defensible approach, especially since these estimates were developed by experienced staff members who understand service levels and processes unique to HRM.

- ***Fee Structure***—Reviewed existing fee structure and identified areas of concern from staff perspective and from leading practice research.

- ***Billable Hour Calculation***— To ensure that the fees recover the full cost of service, a billable hour estimate was determined, taking into consideration the annual days available (excluding vacation time, average sick time, training time) and also the available hours in the work day (excluding lunch, breaks and administration time). These are the actual hours employees are available for work.

- ***Historical Analysis***—Reviewed and documented historical planning and development activity and cost recovery performance. Analyzed trends in activity, revenues and expenditures. It should be noted that information was available at a high level on the number of total planning and development applications, information at the micro level for each of the classifications of planning development applications was not readily available. This posed a challenge in terms of forecasting future revenues in all cases. This is an area where BMA recommends additional information tracking to be undertaken.

- ***Budget Analysis—*** An analysis of revenues and expenditures from 2017-2019 budget years was undertaken to gain an appreciation of the extent to which existing fee revenues are recovering the underlying cost of service. As shown below, based on the existing fee schedule, HRM is only recovering 23% of the cost of Current Planning services from permit and application fees, with the remaining 77% being paid for through property taxes. The analysis, as mentioned previously excludes Corporate Overhead. In other municipalities surveyed Corporate Overhead accounts for approximately 20%-25% of total expenditures. As discussed in the Phase One Report, the ultimate development of lands provides a direct benefit to the applicant through increased property value derived from expanded land use permissions and greater marketability. The rationale for subsidizing existing development applications and the extent to which subsidization is currently provided through the tax levy is not transparent.

	2017/2018	2018/2019
Expenditures		
Salaries, Wages & Benefits	$ 1,807,600	$ 1,834,500
Other Operating Expenditures	$ 85,300	$ 90,200
Departmental Overhead Note 1	$ 232,827	$ 236,738
Total Direct Operating Expenditures	$ 2,125,727	$ 2,161,438
Revenues		
Subdivision Application	$ (75,000)	$ (83,000)
Zoning Fees	$ (88,000)	$ (88,000)
Signs & Encroachments	$ (27,000)	$ (27,000)
Minor Variance	$ (30,000)	$ (26,000)
Development Permits	$ (280,000)	$ (280,000)
Total Current Planning Revenue	$ (500,000)	$ (504,000)
Net Expenditures Funded from Property Taxes	$ 1,625,727	$ 1,657,438
% funded from Fees	24%	23%
% Funded from Property Taxes	76%	77%

Note 1: Departmental Overhead which is currently not allocated to business units has been included using the calculation on the next page.

- ***Departmental Overhead Budget Analysis***—Departmental overhead costs were allocated based on total departmental expenditures and were equal to 12.3% of the business unit expenditures. The following table reflects the total Department Operating Budget and the Departmental Cost Allocation Methodology.

		2018 Budget
Director Budget	$	908,300
Business Services Budget	$	1,317,800
Total Departmental to be Allocated	$	2,226,100
Total P&D Operating Budget	$	20,360,800
Total Excluding Dept OH	$	18,134,700
% Dept Cost Allocation		12.3%

- ***Financial Model***—Developed a financial model to calculate future fees based on process maps.

- ***Peer Jurisdictional Review and Leading Practice Research—***While fees/charges should be based on the underlying cost of service and this will vary from municipality to municipality, a fee benchmarking exercise was undertaken to consider the proposed and existing fee for service in HRM compared with other municipalities. Municipal benchmarking also identified policies and practices with respect to the fee structure used in each municipality to identify best practices. In some areas where the underlying processes differed significantly, benchmarking was not included in the report. For example, some municipalities combine the zoning review as part of the building permit process and fee calculation, where in others, there is a separate fee making direct comparison challenging. Overall, as will be shown in the comparative analysis, HRM's fees are amongst the lowest in the survey and in all cases, well below the survey averages.

Calculation of Planning and Development Fees

Planning Applications

As identified in Administrative Order 15, Planning applications were defined as follows:

Major Planning Applications (Type 1) include, but is not limited to, municipal planning strategy amendments; comprehensive development districts; commercial, industrial or institutional re-zonings or development agreements involving a building with a footprint in excess of 930m2 (10 000 ft2)*;* re-zonings or development agreements regarding multiple-unit dwellings (townhouses or apartment buildings)*;* re-zonings or development agreements to facilitate the construction of new streets for single unit dwellings; any proposal involving large tracts of land (i.e. golf courses); and substantial amendments to any Type 1 project.

Intermediate Applications (Type 2) include, but is not limited to, text changes to by-laws; commercial, industrial or institutional re-zonings or development agreements involving a building with a footprint less than 930m2 (10 000 ft2); heritage property development agreements; proposals involving a major lot modification; proposals involving decks, balconies or signs; proposals involving the creation of an additional dwelling unit in an existing building containing less than 5 units; alterations to non-conforming uses; demolition and de-registration of heritage properties; proposals for non-substantial amendments to any Type 1 project; and any amendment to any Type 2 project.

Minor Applications (Type 3) includes, but is not limited to approval of telecommunications facilities; discharge of development agreements; and extensions to time deadlines.

Planning Pre-Applications—Entails applications to provide feedback on a planning application proposal based on preliminary information. The comments provided follow a technical review of the proposal based on planning policy and municipal and other applicable regulations. The Pre-Application process also aims to identify the submission requirements (i.e., drawings, studies, reports, outside agency feedback) for Major and Intermediate Planning Applications or Substantive Site Plan Applications in Downtown Halifax.

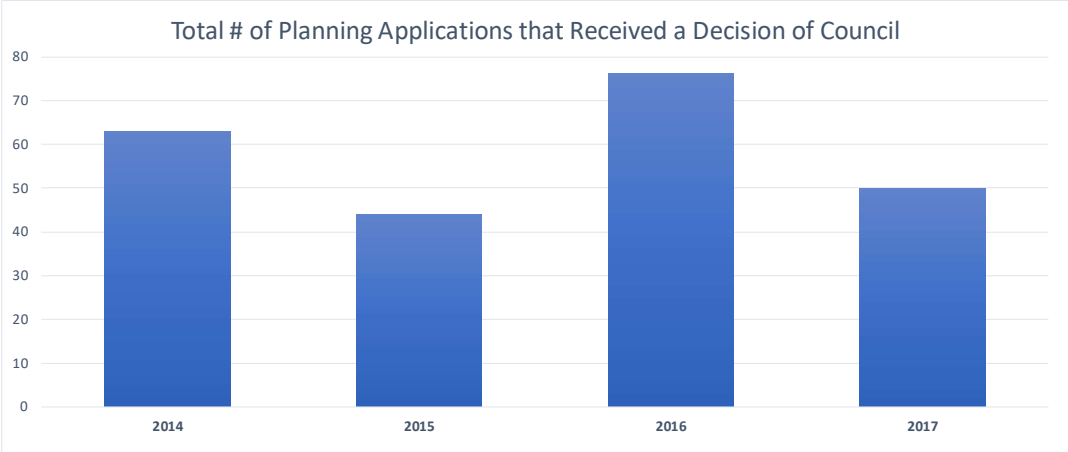
Existing Fee Structure —Planning Applications

The existing fee structure is as follows:

- Major planning application Type 1—$1,100 plus a refundable advertising deposit of $1,500
- Intermediate planning application Type 2—$330 plus a refundable advertising deposit of $1,500
- Minor planning application Type 3—$330 plus a refundable advertising deposit of $450
- Pre-Planning applications—pre-applications—$330

Activity Levels—Planning Applications

- Planning Applications: At the end of 2017, there were 157 Active Planning applications in various stages of the process. The applications are distributed throughout the municipality with the most within the Regional Centre (45%), followed by the Urban Communities (35%),and Rural Areas (19%).
- Most of the planning applications were enabled under the current planning policy and made up approximately 80% of all applications between 2014 to 2017. Planning applications that require a plan amendment represent approximately 20% of all applications, but the amount of time and resources is typically higher for such applications than those permitted under existing planning policy.
- The focus on this section of the report is on the planning applications that require a plan amendment. The following provides a summary of those applications that require Council approval.



Findings—Planning Applications

- Currently the fees are very low and not recovering the cost of service.
- Benchmarking indicates that these fees are very low.
- Processes include planning advisory committee meetings, public information meetings, preparation and execution of development agreements, public hearing presentations, preparation of reports, analysis and commenting by multiple staff in planning and engineering.
- There is significant time involved in processing planning applications that require Council approval. The table below represents the range of staff hours typically involved in various types of planning applications:

Planning Applications Requiring Council Approval	Low Hours	High Hours
Intake	10	10
Policy Review	16	17
Review Team	21	23
PIM	6	46
PAC	13	13
Staff report	76	76
Public Hearing	8	33
Closeout	29	29
Total	178	247

- The major, intermediate and minor existing fee structure does not represent the work involved and needs to be updated to reflect the types of applications that are regularly being undertaken by HRM.
- Based on an analysis of the processes for the major types of applications, there is a need to establish new fee categories which better reflect the underlying work that is required and to be more transparent to the applicant.

Full Direct Cost Recovery Fee Calculations—Planning Applications

- It is recommended that a new fee structure be established to reflect the different levels of effort for planning applications as follows:

	Existing Fee	Full Cost Recovery Fee
Municipal Strategy Amendments, Rezoning, Planning Applications		
Pre-Planning Application	$ 330	$ 1,050
Dev. Agreement (Incl. PAC)	$ 1,100	$ 16,500
M. Planning Strategy Amend. + Dev. Agreement (inc PAC)	$ 1,100	$ 17,560
Land Use By-law Amendment (incl PAC)	$ 330	$ 12,850
M. Planning Strategy Amend. + LUB (Incl. PAC)	$ 1,100	$ 13,910
Discharge Dev. Agreement or Non-Substantive Amendments to Major Applications	$ 330	$ 11,850

- It is recommended that the Pre-Application processing fee be a mandatory requirement for the above noted Planning Applications and may be applied toward the processing fees of the planning application if HRM receives the application within 90 business days of completion of the Pre-Application file.

- Based on the significant increase in fees based on full cost recovery principles, a phase-in strategy is recommended for these fees. A phase-in strategy will help the applicant plan for future development. This will also allow time for process improvements to be considered.

Variances and Site Plan Fee

A variance is permission to adjust requirements (such as lot coverage, size of yard or setbacks) beyond what the Land Use By-law allows.

Under the site plan approval process, development proposals within the Downtown Halifax Plan area must meet the land use and building envelope requirements of the LUB, as well as the requirements of the Bylaw's design manual. In accordance with the Substantive Site Plan Approval process, as set out in the Downtown Halifax Land Use By-law (LUB), the Development Officer is responsible for determining if a proposal meets the land use and built form requirements of the Downtown Halifax LUB.

Existing Fee Structure - Variances and Substantive Site Plans

- Currently, HRM charges a $200 non-refundable fee if there are no appeals and $500 if the variance is appealed.
- There is also a separate fee for Downtown Halifax Substantive Site Plan Application which is currently $770.

Activity Levels—Variances and Substantive Site Plans

- Over the past 5 years, there have been annually approximately 100 variance applications annually at the $200 non-refundable fee and 90 annually where the variance was appealed. On average, annual revenues are approximately $35,000 for variances based on historical trends.
- Over the past 5 years there have been, on average, 6 Substantive Site Plan Applications.

Findings—Variances and Substantive Site Plans

- The existing approach for variances of differentiating whether the application is appealed or not is appropriate as the processes differ.
- The existing variance and site plan fees are well below the process mapping calculations and are well below benchmark calculations.

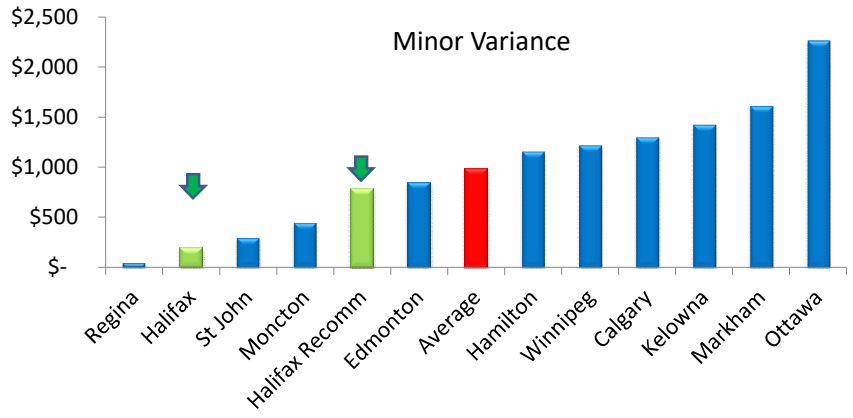
Full Direct Cost Fee Calculation—Variance

- The recommended fee for a variance if there is no appeal is $780, compared with the existing fee of $200 and the variance fee if there is an appeal is $1,940 compared with the current fee of $500.
- The recommended fee for Downtown Substantive Site Plan is $3,700 compared with the existing fee of $770.
- The following table summarizes the fees at full cost recovery:

	Existing Fee	Full Cost Recovery Fee
Variances and Site Plans - Minor Variances		
Variance	$ 200	$ 780
Variance if Appealed	$ 500	$ 1,940
Downtown Substantive Site Plan	$ 770	$ 4,170

Benchmarking—Minor Variance

- As shown in the graph, the existing fee is second lowest in the survey and the recommended fee is below the survey average.



Development Permits

Existing Fee Structure - Development Permits

A development permit ensures that the location, size and us of a building comply with HRM's zoning by -law. Development permits and approvals need to be obtained for new construction, renovations and changes on how the building is being used. Currently, HRM has three separate Development Permit Fees as follows:

- Multiple, Institutional, Commercial and Industrial (new or additions) **$250.00**
- Low Density New Residential (up to two units) and Enclosed Additions and MICI renovations and lease hold improvements **$100.00**
- Accessory Structures (including decks) **$25.00**

Activity Levels—Development Permits

- As identified in HRM's budget document, major development permits have a standard processing times of 15 business days and over the past four years the average processing time was 12 business days. During the same time period, the average processing time for minor permits has not meet standards of business standard of 5 days, with the average processing time of 9 business days as a result of vacancies and staff turnover.
- Total revenues associated with development permits has averaged $225,000 over the past 5 years.

Findings—Development Permits

- The current approach of differentiating between minor and major development permits is appropriate.
- As is the case in most municipalities surveyed, the permit for accessory structure is not recovering the full cost of service as there is a desire by municipalities to encourage compliance rather than focus on full cost recovery for these minor applications.

]

Full Direct Cost Recover Fee Calculations—Development Fees

- The recommended fee for a development permits is as follows:

	Existing Fee	Full Cost Recovery Fee
Development Permits - also Referred to as Small and Major Development Permits As-of-Rights		
Development Permit Low Density	$ 100	$ 480
Development Permit MICI	$ 250	$ 1,090
Development Permit - Accessory Structures (including Decks)	$ 25	$ 50

- Direct comparisons to the majority of municipalities is a challenge as the processes and the types of applications varies across the Country whereby some municipalities include the development permit in the building permit and others have separate fees. As well, the processes vary in terms of parallel or separate processes. There is also a difference in terms of what is involved in the development permit review processes.

Subdivision

Subdivisions cover a wide range of application types from swapping pieces of lots between neighbours to building a new road and creating twenty lots. Simply defined, a subdivision is the division of any area of land into two or more lots, and includes a re-subdivision which alters existing lot lines, or a consolidation of two or more parcels of land. Lot boundaries cannot be changed and new lots cannot be created without subdivision approval. Subdivision applications are managed through the Regional Subdivision By-law.

Existing Fee Structure—Subdivision

- There are two streams of Subdivision Applications; one for applications that do not include the construction of new roads and one for those that require the construction of new roads.

- ***No New Road Construction Application—***If a proposal does not include the construction of new roadways, the first step that is typically undertaken is to submit a **preliminary subdivision application**. Currently, there is no fee for service which is recommended as there is work involved in the review process. After a preliminary application and where no new roads or services are required, there is one more stage; final approval. The fee for this is $250 for applications with up to 10 lots.

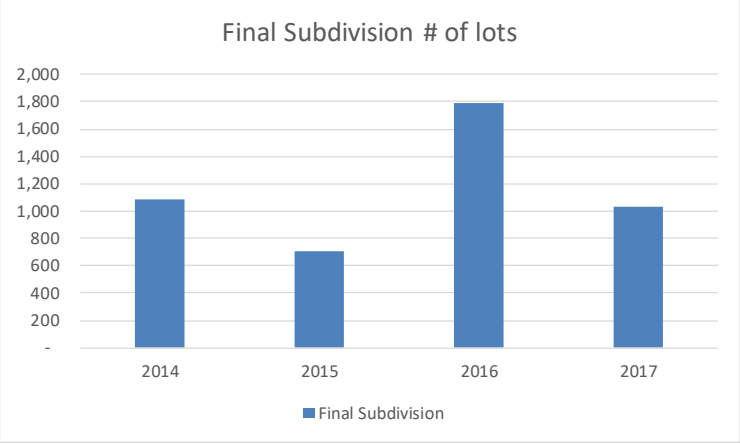
- Where new roads or municipal servicing systems are planned, the approval of an application for ***New Road Construction Subdivision Application*** follows a four stage process:

    - ***Concept Plan***—the current fee is $250. Where a project proposes the construction of new roads, the Subdivision By-law requires the provision of a Concept Plan for the full parcel(s) of land being developed.
    - ***Tentative Plan***—the current fee is $250. This stage is optional and typically applies only if the applicant is proposing new public streets or are installing municipal services. If new or extended roads or services are not part of the proposal, the applicant proceeds directly to the final approval stage. Servicing schematics (centreline plan and profiles) for the street system as well as the sanitary, storm & water systems, where applicable, are checked and, provided all design work is satisfactory, tentative approval is given.
    - ***Design Approval***—there is no specific fee but this is incorporated into the Tentative and Final Plan. At this stage, the detailed and fully engineered design proposals of the servicing systems and public roads are checked and approved by the HRM Development Engineering group and the Dept. of Transportation, where applicable. After approval, the applicant must enter into a construction agreement, which specifies the timing and method of construction of the public roads and the sewer, water, and storm drainage systems. This is outside of the review process included in this study.

- ***Final Approval—***The current fee is based on the number of lots as follows:
    - Up to 10 lots—$250
    - Up to 20 lots—$500
    - Up to 50 lots—$1,000
    - Over 50 lots—$1,500
- When construction of all roads and services is complete, to the satisfaction of the HRM Development Engineering group, roads are deeded and the operation of the services is transferred to HRM. Any required parkland contribution is also settled **prior** to final approval. The subdivision plans are signed by the Development Officer and recorded at the Registry of Deeds or Land Registration Office. **This is the only stage where lots are actually created or altered.** Only after the plan is recorded may deeds be finalized.

Activity Levels—Subdivisions

- In 2017, the Municipality processed 289 subdivision applications (concept, final, preliminary, and tentative). Over the last four years, on average, 50% of the subdivision applications are in the rural area, approximately 40% in Urban Communities, and 10% in Regional Centre.
- Over 4,600 lots have been approved over the past 4 years. This equates to an average of 1,154 lots approved each year. In 2016, almost 1,800 lots were approved which increases the four year average. The increase in 2016 was in part due to the approval of over 400 lots in Armco's Governor's Brook development in Spryfield.
- The amount of subdivision activity in each region has been relatively consistent with only minor fluctuations. The majority of the approved subdivision applications, on average, are in the urban communities (57.6%), followed by the Rural area at 38.3%, and the Regional Centre at only 4% of all approved subdivisions.



Findings—Subdivision

- There is a need to not only update the existing fees to reflect the actual cost of service, but to rationalize the types of fees charged, and the overall fee structure.

- There a some potential equity issues with Final Subdivision Application fees in that, for example, an applicant that plans to develop 10 lots is charged $250 compared with an applicant that plans to develop 11 lots who would be charged $500. The recommended fee structure for Final Subdivision Application establishes a base fee to reflect the minimum cost of processing an application and a per unit fee to ensure that the cost of any application, regardless of size, is recovered from the fees. A maximum fee has also been established. A base plus a per unit charge is charged in many of the peer municipalities including Kelowna, St. John, Regina, Edmonton, Markham, Hamilton and Calgary.

- Currently, there is no separate Subdivision Infill Application fee. The recommended fees differentiates between New Infrastructure and Infill to reflect the underlying cost of service.

- It should be noted that the calculation of Subdivision Application Fees reflects only the cost of service related to HRM staff and excludes costs associated with the reviews and comments undertaken by the Water Commission and other external agencies such as the NS Department of Transportation and the NS Department of Environment.

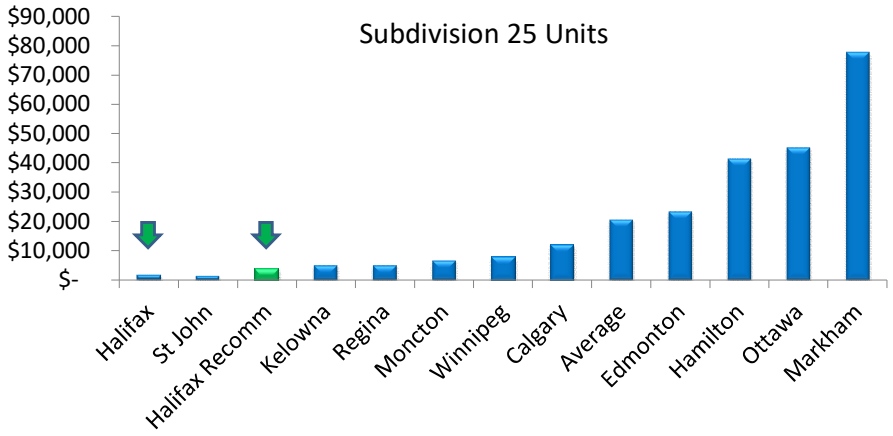
Full Direct Cost Recover Fee Calculations—Subdivision

	Existing Fee	Full Cost Recovery Fee
Subdivisions		
Subdivision Application Fees		
Subdivision Concept	$ 250	$ 1,850
Subdivision Tentative	$ 250	$ 960
Subdivision Final Infills	$ 250	$ 1,170
Subdivision Final New Infrastructure		
up to 10 lots	$ 250	
up to 20 lots	$ 500	
up to 50 lots	$ 1,000	
over 50 lots	$ 1,500	
Proposed Subdivision New Infrastructure		
Base Fee		$ 2,000
Per Unit Fee		$ 75
Max		$ 5,000
Repeal of a Final Plan of Subdivision	$ 250	$ 960
Amend Final Plan of Subdivision	$ 250	$ 960

- The separate fee for Subdivision Final Infill Application is $1,170 compared with $250 which is currently being charged.
- A phase-in strategy may be appropriate given the increases, however, the calculated fees are considerably lower than benchmark municipalities.

Benchmarking—Subdivision

- The existing Subdivision Application fees in HRM is the lowest in the survey of peer municipalities. The graph below assumes a subdivision fee for a 25 unit development.



Civic Number and Naming

Existing Fee Structure—Civic Number and Naming

- Currently HRM has a fee for a civic number change and a civic name change as follows:
  - Change Civic Number $300
  - Change Civic Name $2,000

Findings—Civic Number and Naming

- While there are fees for changing a civic number and name, there are no fees for establishing the initial naming and number. Process maps were developed the existing fee services as well as the creation of new civic names and numbers.

Full Direct Cost Recover Fee Calculations—Civic Number and Naming

- The following table reflects the recommended fees at full direct cost recovery levels:

	Existing Fee	Full Cost Recovery Fee
Civic Naming and Numbering		
New Civic Number	N/A	$ 160
Change Civic Number	$ 300	$ 500
New Civic Name	N/A	$ 390
Change Civic Name	$ 2,000	$ 1,870

- As shown above, two new fees are recommended for new civic naming and numbering.
- The Change in Civic Number application fee is calculated at $500 compared with the existing fee of $300.
- The Civic Name Change fee based on the calculation of costs is $1,870 compared with the existing fee of $2,000.

Signs

Existing Fee Structure—Signs

- Currently HRM has a number of different permanent sign fees depending on the location as follows:

Permanent Sign Fees	Existing Fees
Illuminated - Halifax	$ 35
Non-illuminated - Halifax	$ 30
Dartmouth if 9.29 meters or less	$ 40
Dartmouth if over 9.29 meters	$ 200
Former County only	$5.5/$1,000 of value with min of $25
Projection Signs	permit fee plus encroaching fee of $30

Findings—Signs

- There are equity issues with respect to the above noted fees as there are no differences in processes for permanent signs but there are differences in the fees and the fee structure.
- The use of a two-tiered fee for permanent signs, whether the sign is under or over 9.29 meters creates equity issues, with the lower fee at $40 and the fee for signs greater than 9.29 meters at $200.
- Cost per $1,000 value is difficult to validate for staff. Municipalities have generally moved to a standardized application fee.
- A fixed fee is more transparent as the processes do not vary, with the exception of projection signs that also include an encroachment fee and a ground sign that does not require an inspection.
- Process maps were developed for permanent signs, ground signs and projection signs with encroachments, which reflect existing fees that are lower than cost of service.

Full Direct Cost Recover Fee Calculations—Signs

	Existing Fee	Full Cost Recovery Fee
Sign Fees		
Projection Signs	See previous page as this differs by geographic	$ 460
Roof Signs		$ 70
Ground Signs		$ 140
Facia and Permanent Signs		$ 230

- While this would be a significant increase in the existing fees, they are aligned with the cost of service and also low in relation to most peer municipalities surveyed.

Benchmarking—Signs

- There is a wide range of approaches used by municipalities in establishing permanent sign fees but for the most part a flat fee has been implemented to support fairness and equity, transparency and ease of implementation.
- The following summarizes the respective sign fee structure:
    - Two-three tiered structure based on size—tends to be arbitrary and can lead to inequities. This is the practice in Burlington, Richmond, Hamilton whereby the fees are higher than in HRM
    - $/1000 construction—which is difficult to validate and is currently the practice in Edmonton and St. John with costs ranging from $8.50/$1000-$10.00/$1,000 construction, compared with $5.50/$1,000 in former County
    - Base fee + fee per m2—this takes into account the potential additional work for larger signs but can be difficult to quantify. This is the practice in Kelowna and Kitchener
    - Flat fee by sign type—this is the practice in Guelph and Calgary

Summary and Recommendations

Summary

HRM's Planning and Developments fees have not been updated or rationalized in numerous years. Based on an analysis of underlying costs of service, P&D is not recovering sufficient revenues from fees, with an over reliance on property taxes to support services that have a direct beneficiary. Fees are also very low in relation to peer municipalities surveyed. In addition, some applications are becoming more complex and require additional staff time to undertake a thorough plans review.

As fees have not been updated in many cases since 1999 and costs have inevitably increased to provide services, fee increases to reflect the full direct costs in many cases are significant. As such, a phase-in strategy is recommended to gradually move toward full cost recovery. A 5 year phase-in strategy is recommended for a number of the fees where the increases are significant. It is further recommended that over time, HRM improve processes of tracking activity levels by every type of application to better understand activity levels which will further support revenue validation and forecasting. Currently, in many cases information is tracked at a consolidated level and there are challenges aligning revenues with the underlying activity levels.

Recommendations

1. That HRM implement a 5 year phase-in strategy to update Current Planning fees in accordance with the fee review that was undertaken in 2018. A 5 year phase-in will provide the development industry time to adjust to the recommended fees. Also, as internal processes are under review, as well as the use of technology, improvements in this area over the phase-in period will allow for modifications to the fees, as required.

2. That a new fee structure be implemented for Planning applications from minor, intermediate and major to a separate fee for each of the services provided. The recommended fees also take into account efficiencies that can be achieved through the combination of more than one process.

3. That the fee structure for Subdivisions with new roads be changed to include a base fee plus a per unit fee. This better reflects the minimum cost of service to process an application (base fee) and recognizes the additional work required as the scale of the proposed development increases (per unit fee). This approach supports fairness and equity principals and is aligned with practices in other jurisdictions.

4. That the Pre-Application processing fee be a mandatory requirement for Planning Applications and may be applied toward processing fees of planning applications if HRM receives the planning application within 90 business days of completion of the Pre-Application file.

5. That a separate Subdivision fee be established for infill projects.

6. That fees be established for New Civic Numbering and Civic Addressing.

7. The one set of sign fees be established for the entire Region, eliminating existing geographical fees and fees that use different basis for calculation (e.g. by size, by construction value). The sign fees will be based on the type of sign and underlying cost to undertake the review process.

8. That HRM continue to review work process and identify opportunities to streamline work processes with potential updates to future fees.

9. That fees be inflated annually to reflect increases in the cost of service and reviewed in detail every 3-5 years.

10. That activity tracking for all fees be undertaken to better align revenues for each application type and better understand activity levels within the broader application classification.

Summary of Fees at Full Cost Recovery

The following table summarizes the calculated fees using the process maps, the 2018 Operating Budget, with Departmental Overhead included. As discussed, no Corporate Overhead has been included at this time as it is currently not the practice in HRM to include in Departmental Budgets.

	Existing Fee	2018 Full Cost Recovery Fee
Municipal Strategy Amendments, Rezoning, Planning Applications		
Pre-Planning Application	$ 330	$ 1,050
Dev. Agreement (Incl. PAC)	$ 1,100	$ 16,500
M. Planning Strategy Amend. + Dev. Agreement (inc PAC)	$ 1,100	$ 17,560
Land Use By-law Amendment (incl PAC)	$ 330	$ 12,850
M. Planning Strategy Amend. + LUB (Incl. PAC)	$ 1,100	$ 13,910
Intermeditate Planning	$ 330	$ 17,556
Discharge Dev. Agreement or Non-Substantive Amendments to Major Applications	$ 330	$ 11,850
Variances and Site Plans - Minor Variances		
Variance	$ 200	$ 780
Variance if Appealed	$ 500	$ 1,940
Downtown Substantive Site Plan	$ 770	$ 4,170
Development Permits - also Referred to as Small and Major Development Permits As-of-Rights		
Development Permit Low Density	$ 100	$ 480
Development Permit Low Density Engineering		$ 770
Development Permit MICI	$ 250	$ 1,090
Development Permit - Accessory Structures (including Decks)	$ 25	$ 50
Subdivisions		
Subdivision Application Fees		
Subdivision Concept	$ 250	$ 1,850
Subdivision Tentative	$ 250	$ 960
Subdivision Final Infills	$ 250	$ 1,170
Subdivision Final New Infrastructure		
up to 10 lots	$ 250	
up to 20 lots	$ 500	
up to 50 lots	$ 1,000	
over 50 lots	$ 1,500	
Proposed Subdivision New Infrastructure		
Base Fee		$ 2,000
Per Unit Fee		$ 75
Max		$ 5,000
Repeal of a Final Plan of Subdivision	$ 250	$ 960
Amend Final Plan of Subdivision	$ 250	$ 960

Summary of Fees at Full Cost Recovery Cont'd

	Existing Fee	2018 Full Cost Recovery Fee
Civic Naming and Numbering		
New Civic Number	N/A	$ 160
Change Civic Number	$ 300	$ 500
New Civic Name	N/A	$ 390
Change Civic Name	$ 2,000	$ 1,870
Sign Fees		
Projection Signs	See previous page as this differs by geographic	$ 460
Roof Signs		$ 70
Ground Signs		$ 140
Facia and Permanent Signs		$ 230

Appendix B provides a 5 year phase-in strategy to gradually implement fee increases. Note that the 5-year phase-in approach includes a 2% annual inflationary increase to ensure that the fees keep pace with anticipated increases in expenditures.

Appendix A—Guiding Principles

The following provides the ***recommended Guiding Principles*** for the establishment of future Planning and Development Fees:

Guiding Principle #1: Service Efficiencies
• Fees for service will be set to reflect the efficient cost level of carrying out the service. • If inefficient practices are identified (either through a review of internal processes or in relation to peer municipalities), then consideration of the inefficiencies will be taken into account during costing and, where appropriate, measures will be implemented to remove inefficiencies. This supports the need to gradually phase-in fee increases until inefficiencies have been eliminated and service standards are established, approved and implemented.
Guiding Principle #2: Fairness and Equity
• HRM will distribute the cost of providing the service by charging a fee to applicants who receive direct benefit. • Planning and development application fees will employ mechanisms that equitably distribute costs between the various types of planning and development applications to avoid cross subsidization. • HRM will not set the fees beyond 100% of the full cost of the service. Full cost of service will include direct and indirect costs, overhead and charges for the use of capital assets used to provide the service. • There will be a nexus between revenues from the imposition of a fee and the anticipated expenditure of administrating the service. The fee must reflect the cost of administering the service and should not be for the purpose of general taxation or the raising of revenue.
Guiding Principle #3: Transparency
• The cost of providing services, the allocation methodology of costs and the pricing structure will be transparent**.** Information will be provided on the rationale for funding from property taxes when applicable.
Guiding Principle #4: Predictability
• Stability of planning and development fees will assist the development industry in the planning of projects. • Knowledge and certainty of fees allows applicants to make more informed decisions. • Phase-in strategies may be employed to smooth impacts of fee changes over time. • Applicants will be provided information on service standards.

Appendix B—Recommended Phase-In Strategy

Appendix B—Phase-In Strategy

	Existing Fee	2019	2020	2021	2022	2023
Municipal Strategy Amendments, Rezoning, Planning Applications		5 Year Phase-in Plan				
Pre-Planning Application	$ 330	$ 500	$ 670	$ 840	$ 1,010	$ 1,180
Dev. Agreement (Incl. PAC)	$ 1,100	$ 4,520	$ 7,940	$ 11,360	$ 14,780	$ 18,200
M. Planning Strategy Amend. + Dev. Agreement (inc PAC)	$ 1,100	$ 4,760	$ 8,420	$ 12,080	$ 15,740	$ 19,400
Land Use By-law Amendment (incl PAC)	$ 330	$ 3,100	$ 5,870	$ 8,640	$ 11,410	$ 14,180
M. Planning Strategy Amend. + LUB (Incl. PAC)	$ 1,100	$ 3,950	$ 6,800	$ 9,650	$ 12,500	$ 15,350
Intermeditate Planning	$ 330	$ 4,140	$ 7,950	$ 11,760	$ 15,570	$ 19,380
Discharge Dev. Agreement or Non-Substantive Amendments to Major Applications	$ 330	$ 2,880	$ 5,430	$ 7,980	$ 10,530	$ 13,080
Variances and Site Plans - Minor Variances		5 Year Phase-in Plan				
Variance	$ 200	$ 330	$ 460	$ 590	$ 720	$ 850
Variance if Appealed	$ 500	$ 830	$ 1,160	$ 1,490	$ 1,820	$ 2,150
Downtown Substantive Site Plan	$ 770	$ 1,540	$ 2,310	$ 3,080	$ 3,850	$ 4,620
Development Permits - also Referred to as Small and Major Development Permits As-of-Rights		5 Year Phase-in Plan				
Development Permit Low Density	$ 100	$ 190	$ 280	$ 370	$ 460	$ 550
Development Permit Low Density Engineering		$ 170	$ 340	$ 510	$ 680	$ 850
Development Permit MICI	$ 250	$ 440	$ 630	$ 820	$ 1,010	$ 1,200
Development Permit - Accessory Structures (including Decks)	$ 25	$ 35	$ 45	$ 50	$ 55	$ 60

Appendix B—Phase-In Strategy Cont'd

	Existing Fee	2019	2020	2021	2022	2023
Subdivisions		5 Year Phase-in Plan				
Subdivision Application Fees						
Subdivision Concept	$ 250	$ 610	$ 970	$ 1,330	$ 1,690	$ 2,050
Subdivision Tentative	$ 250	$ 410	$ 570	$ 730	$ 890	$ 1,050
Subdivision Final Infills	$ 250	$ 460	$ 670	$ 880	$ 1,090	$ 1,300
Subdivision Final New Infrastructure						
up to 10 lots	$ 250	N/A	N/A	N/A	N/A	N/A
up to 20 lots	$ 500	N/A	N/A	N/A	N/A	N/A
up to 50 lots	$ 1,000	N/A	N/A	N/A	N/A	N/A
over 50 lots	$ 1,500	N/A	N/A	N/A	N/A	N/A
Proposed Subdivision New Infrastructure						
Base Fee		$ 500	$ 1,000	$ 1,500	$ 2,000	$ 2,210
Per Unit Fee		$ 20	$ 35	$ 55	$ 70	$ 80
Max		$ 5,000	$ 5,100	$ 5,200	$ 5,300	$ 5,410
Repeal of a Final Plan of Subdivision	$ 250	$ 410	$ 570	$ 730	$ 890	$ 1,050
Amend Final Plan of Subdivision	$ 250	$ 410	$ 570	$ 730	$ 890	$ 1,050

Appendix B—Phase-In Strategy Cont'd

	Existing Fee	2019	2020	2021	2022	2023
Civic Naming and Numbering		5 Year Phase-in Plan				
New Civic Number	N/A					
Change Civic Number	$ 300	$ 350	$ 400	$ 450	$ 500	$ 550
New Civic Name	N/A					
Change Civic Name	$ 2,000	$ 1,870	$ 1,910	$ 1,950	$ 1,990	$ 2,030
Sign Fees		5 Year Phase-in Plan				
Projection Signs		$ 460				
Roof Signs		$ 50	$ 55	$ 60	$ 65	$ 80
Ground Signs		$ 70	$ 90	$ 110	$ 130	$ 150
Facia and Permanent Signs		$ 70	$ 110	$ 150	$ 200	$ 250

Attachment D

EFFECT OF CHANGES ASSOCIATED WITH PERMIT FEES, INFRASTRUCTURE CHARGES, AND DENSITY BONUSING ON HRM

TURNER DRAKE & PARTNERS LTD.

Real Estate Counsellors, Brokers and Valuers
6182 North St. Halifax, N.S. B3K 1P5
Tel.: (902) 429-1811

St. John's N.L.
Tel. (709) 722-1811

Charlottetown, P.E.
Tel. (902) 368-1811

Saint John, N.B.
Tel. (506) 634-1811

Toronto, ON.
Tel. (416) 504-1811

Fax: 1-902-429-1891
Internet: www.turnerdrake.com
E-Mail: tdp@turnerdrake.com

ANALYSIS:
EFFECT OF CHANGES ASSOCIATED WITH PERMIT FEES, INFRASTRUCTURE CHARGES, AND DENSITY BONUSING ON HRM

PREPARED FOR

HALIFAX REGIONAL MUNICIPALITY

AS OF APRIL 17TH 2019

BY

TURNER DRAKE & PARTNERS LTD.

HEMSON CONSULTING LTD.

HALIFAX - NOVA SCOTIA

JOB REF. 1812356

TABLE OF CONTENTS

LIMITING CONDITIONS AND ASSUMPTIONS

(1) Estimations and projections cannot be construed as fact. No responsibility is assumed for their accuracy.

(2) Market conditions can, and do, change because of economic, social and political reasons. The demographic and economic indicators used in this report pertain only to the dates indicated and no responsibility is assumed for changes which may have occurred since that time.

(3) This report must be used in its entirety since parts taken out of context may be misleading. The report, or any parts thereof, may not be used for any purpose other than that for which it was undertaken and is furnished for the exclusive use of the client. **All liability to any party other than the client is hereby denied.**

(4) Information in this report furnished by others, where noted, is believed to be reliable, although no responsibility is assumed for its accuracy.

(5) This report provides demographic and economic data for geographic areas, value opinions, and estimates of construction and development costs. It further uses analysis and modelling to formulate educated predictions of future conditions under hypothetical actions. The purpose of this report is to inform public policy decisions. Nothing in this report, expressed or implied, can be taken as valuation advice, legal advice, or create a contractual relationship with any third party relying on this report.

INTRODUCTION

The Halifax Regional Municipality (HRM) is presently considering the three different actions which will introduce new or higher fees, charges, or other financial impacts to the real estate development process. They are:

- Increased planning and development application fees to recover the cost of application processing and fund increased staff resources
- Regional infrastructure charges levied on net-new development for growth-related capital costs
- A new density bonusing framework within the Regional Centre to generate funds for public benefits, with a particular emphasis on affordable housing, in exchange for higher allowable development yields (this excludes the Downtown Halifax Secondary Municipal Planning Strategy area, which has had a density bonusing program since 2009 and is not examined in this analysis)

While these three actions include both administrative changes (i.e. collecting new/different fees) as well as other policy changes (i.e. altering regulatory development limits), for consistency in this report they will be referred to collectively as “new costs”.

ISSUES INVESTIGATED

This report uses a combination of case studies, literature review, market data analysis, development modelling, and professional experience to qualitatively address the issue of how new costs might impact development trends in HRM. In particular, whether the proposed changes risk creating significant, undesirable outcomes for the Municipality that would give reason to consider delaying or further changing the new costs.

Cumulative Impact of New Costs

The considered changes have been developed separately to achieve different administrative and policy goals. However, regardless of how these initiatives are structured or organised from the municipal perspective, they are all brought to bear on the same local real estate market and development industry. Accordingly, this report seeks to examine the combined effects to these new costs in order to understand the total impacts, and identify risks that may not be evident when considered separately.

Outcomes for Development Trends

This report qualitatively addresses the question of what outcomes may be observed in the HRM with regards to the pace, mix, and location of new development, as well as the cost of development experienced by the industry, and the potential for growth to be displaced outside municipal boundaries.

Broader Matters of Concern

In addition to questions about how these new costs might affect development trends, this report also examines the risk of potential negative outcomes in terms of broader economic performance in the region. In addressing this, we also examine the role of the Municipality in managing these factors when forming public policy, and the appropriate means by which they can be evaluated.

CURRENT AND PROPOSED MUNICIPAL COSTS

This report considers effect of instituting the following changes to application fees, infrastructure charges, and density bonusing requirements. For more information on the process that led to their calculation, please refer to their respective background studies. We have included only the most pertinent background information here. A full list of costs reviewed as part of these three separate initiatives, including maximum calculated changes, and changes not currently considered for implementation, can be found in the appendix.

Application Fees

Among other objectives, the 2016-2018 Planning & Development (P&D) Fee Review sought to establish new fee amounts based on the actual cost to the Municipality of the resources required for their processing. The comprehensive suite of fees levied by P&D under Administrative Order 15were reviewed and recommendations we made on fee changes, and in some cases restructuring. The review also identified that basing fees on the full recovery of current municipal costs for application processing should be justified first by ensuring those processes are efficient; in other words, that the fees represent good value for money. Changes to the fees levied on building permit applications (by far the largest permit fee for most development projects) are not being considered at this time and are not in the scope of this report. Based on the calculated full recovery fees, the following changes have been brought forward for implementation:

Application Type	Existing Fee	Maximum Calculated Fee	Fee for Implementation	Change Over Existing
Municipal Strategy Amendments, Rezoning, Planning Applications				
Pre-Planning Application	$ 330.00	$ 1,230.00	**$ 500.00**	+ *$ 170.00*
Dev. Agreement (Incl. PAC)	$1,100.00	$20,140.00	**$ 4,520.00**	+ *$3,420.00*
M. Planning Strategy Amend. + Dev. Agreement (inc PAC)	$1,100.00	$21,210.00	**$ 4,760.00**	+ *$3,660.00*
Land Use By-law Amendment (incl PAC)	$ 330.00	$15,340.00	**$ 3,100.00**	+ *$2,770.00*
M. Planning Strategy Amend. + LUB (Incl. PAC)	$1,100.00	$16,410.00	**$ 3,950.00**	+ *$2,850.00*
Intermediate Planning	$ 330.00	$21,220.00	**$ 4,140.00**	+ *$3,810.00*
Discharge Dev. Agreement or Non-Substantive Amendments to Major Applications	$ 330.00	$14,640.00	**$ 2,880.00**	+ *$2,550.00*
Variances and Site Plans - Minor Variances				
Variance	$ 200.00	$ 920.00	**$ 330.00**	+ *$ 130.00*
Variance if Appealed	$ 500.00	$ 2,160.00	**$ 830.00**	+ *$ 330.00*
Downtown Substantive Site Plan	$ 770.00	$ 4,780.00	**$ 1,540.00**	+ *$ 770.00*
Development Permits - also Referred to as Small and Major Development Permits As-of-Rights				
Development Permit Low Density	$ 100.00	$ 550.00	**$ 190.00**	+ *$ 90.00*
Development Permit Low Density Engineering	N/A	$ 1,660.00	**$ 170.00**	*$ 0.00*
Development Permit MICI	$ 250.00	$ 1,250.00	**$ 440.00**	+ *$ 190.00*
Development Permit - Accessory Structures (including Decks)	$ 25.00	$ 60.00	**$ 35.00**	+ *$ 10.00*
Subdivisions				
Subdivision Concept	$ 250.00	$ 2,740.00	**$ 610.00**	+ *$ 360.00*
Subdivision Tentative	$ 250.00	$ 1,740.00	**$ 410.00**	+ *$ 160.00*
Subdivision Final Infills	$ 250.00	$ 1,370.00	**$ 460.00**	+ *$ 210.00*
Subdivision Final New Infrastructure				
up to 10 lots	$ 250.00	$ 0.00	N/A	- *$ 250.00*
up to 20 lots	$ 500.00	$ 0.00	*(Final Subdivision Application Fees Restructured, see below)*	- *$ 500.00*
up to 50 lots	$1,000.00	$ 0.00		- *$1,000.00*
over 50 lots	$1,500.00	$ 0.00		- *$1,500.00*
Proposed Subdivision New Infrastructure				
Base Fee	N/A	$ 3,860.00	**$ 500.00**	+ *$ 500.00*
Per Unit Fee	N/A	$ 83.00	**$ 20.00**	+ *$ 20.00*
Max	N/A	$ 5,520.00	**$ 5,000.00**	+ *$5,000.00*
Repeal of a Final Plan of Subdivision	$ 250.00	$ 1,740.00	**$ 410.00**	+ *$ 160.00*
Amend Final Plan of Subdivision	$ 250.00	$ 1,740.00	**$ 410.00**	+ *$ 160.00*

Application Type	Existing Fee	Maximum Calculated Fee	Fee for Implementation	Change Over Existing
Civic Naming and Numbering				
New Civic Number	$0.00	$ 0.00	**$ 0.00**	*$ 0.00*
Change Civic Number	$300.00	$ 930.00	**$ 350.00**	+ *$ 50.00*
New Civic Name	$0.00	$ 750.00	**$ 0.00**	+ *$ 0.00*
Change Civic Name	$2,000.00	$ 2,030.00	**$ 1,870.00**	- *$ 130.00*
Sign Fees				
Projection Signs	$0.00	$ 660.00	**$ 460.00**	+ *$ 460.00*
Roof Signs	$0.00	$ 80.00	**$ 50.00**	+ *$ 50.00*
Ground Signs	$0.00	$ 190.00	**$ 70.00**	+ *$ 70.00*
Facia and Permanent Signs	$0.00	$ 300.00	**$ 70.00**	+ *$ 70.00*

(Source: HRM & BMA Management Consulting)

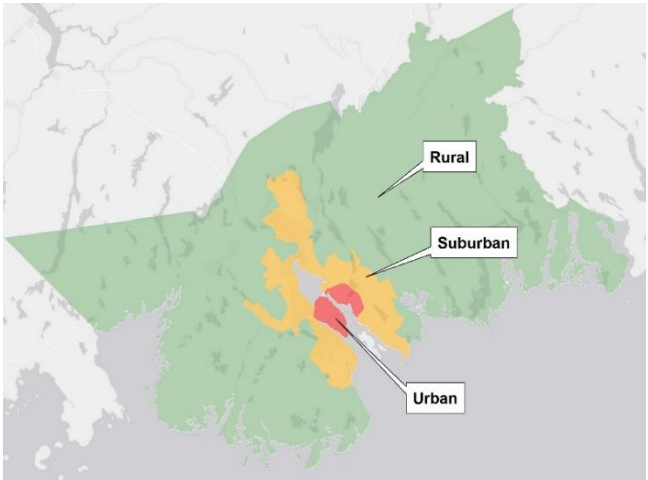
Infrastructure Charges (ICs)

The 2016-2018 Infrastructure Charges Implementation Study calculated a maximum recoverable charge amount based purely on the allocation of benefits and anticipated costs of growth. This was used as a starting point to which further modifications and discounts were applied to arrive at final suggested charges for implementation; these included a temporary introductory discount of -30%, applied during the first 5 years of the program as a cautionary approach to implementation.

For the most part, the suggested infrastructure charges (IC) represent an entirely new cost on development; with some caveats and clarifications. First, the current regional development charge for solid waste would be eliminated as costs funded by these fees were included in calculating new IC amounts. Second, master planned greenfield development areas that are subject to existing Capital Cost Contribution (CCC) programs would retain the current CCC charge in addition to the new regional Infrastructure Charge; CCC-funded capital projects were specifically excluded from calculating the new IC amounts to avoid double-charging. Whether CCCs for future greenfield development sites are rolled into the regional IC program is a decision the Municipality can make in the future, however doing so would require recalculation of the regional Infrastructure Charge amounts to ensure recovery of these capital costs. The charges proposed for implementation are:

Category		Amount
Urban	Single & Semi	**$3,622**
	Row & Other	**$3,354**
	Apartment	**$2,339**
Suburban	Single & Semi	**$6,166**
	Row & Other	**$5,369**
	Apartment	**$3,955**
Rural	Single & Semi	**$5,235**
	Row & Other	**$4,191**
	Apartment	**$3,737**
Commercial, Retail & Office		**$20.29/m²**
Industrial		**$ 7.66/m²**
Institutional		**$ 8.84/m²**

(Source: HRM & Turner Drake)



Charge Area Descriptions:

Urban – Regional Centre; peninsular Halifax and Dartmouth within the circumferential highway.
Suburban – Outside the Regional Centre, but within the service boundary.
Rural – Outside the service boundary, but within the rural commutershed.
No charge for areas beyond the commutershed due to lack of growth-related capital costs.

Density Bonusing

As part of a comprehensive overhaul of planning policy and regulation, the Centre Plan project proposes a new density bonusing system for selected areas of the Regional Centre. This framework is based on a pre-defined bonus rate approach, as established in the 2015 Density Bonusing Study, with input market values recently updated by Turner Drake's Valuation Division.

This represents an entirely new cost, and is calculated based on the estimated market value of land per unit of buildable floor space within 7 different Bonus Rate Districts. The calculation itself begins with the market value estimates, applies several adjustment factors, and is applicable only above a "post-bonus" threshold of development yield.

The calculation can be expressed as:

(Average Market Value of Land) x 0.6 = Bonus Rate
(Project Floor Area - 2,000m²) x 0.2 = Post Bonus Density
(Bonus Rate) x (Post Bonus Density) = Value of Required Public Benefit

For further illustration, an example calculation is provided below for the required pubic benefit that must be provided by a hypothetical 5,500m² building in South End, Halifax:

Bonus Rate (set by Land Use Bylaw) = $258/m²
Post Bonus Density = (5,500m² - 2,000m²) x 0.2 = 3,500m² x 0.2 = 700m²
Value of Required Public Benefit = $258 x 700m² = $180,600

While the public benefit value may be delivered in-kind within the project itself, it is anticipated that the majority of density bonusing agreements will result in the collection of cash payments to be directed towards support for affordable housing creation. Regardless of whether they are provided as cash, or in-kind, the cost impact to the project should effectively be the same.

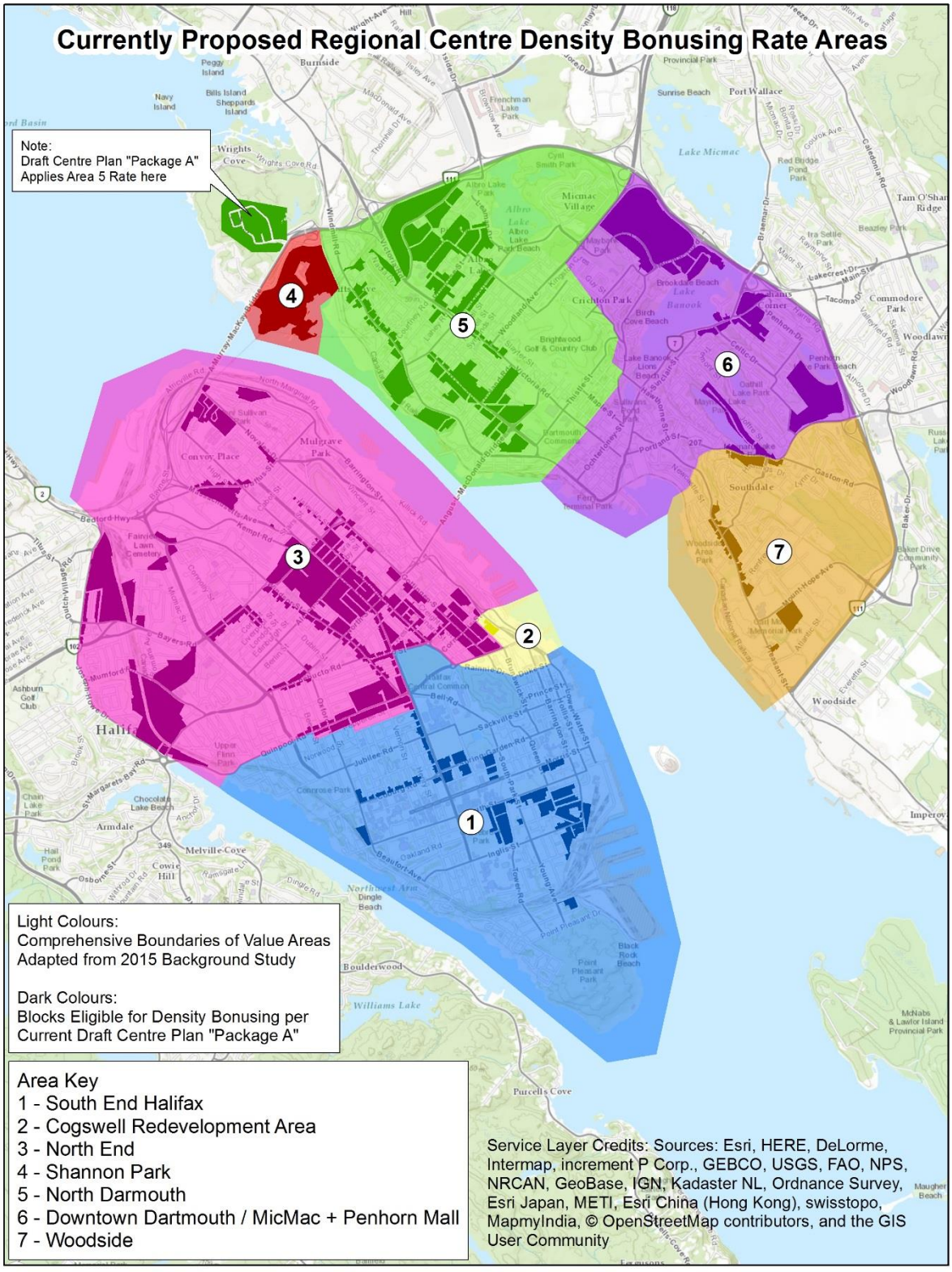
From the developer perspective, the calculation above can be simplified into a flat cost per unit of floor area built in excess of the first 2,000m². In the example calculation, the project was built with 3,500m² of post-bonus floor area, and had to pay a cost of $180,600 for that right, resulting in a unitised density bonusing rate of; $180,600 / 3,500m² = $51.60/m². This "effective cost" on development for each rate area is:

Bonusing District	Effective Cost of Bonus Density
South End Halifax	**$51.60/m²**
Cogswell redevelopment	**$51.60/m²**
North End Halifax	**$36.00/m²**
Shannon Park	**$26.40/m²**
North Dartmouth	**$16.80/m²**
Downtown Dartmouth/	**$28.80/m²**
Mic Mac + Penhorn Mall / Woodside	**$13.20/m²**

(Source: HRM with calculations by report author)

A map of the proposed rate districts can be found on the following page[1].

[1] While density bonusing rate areas are defined to cover the entirety of the Regional Centre, not all properties within these areas are eligible for the density bonusing system. Through the proposed Land Use Bylaw, the Centre Plan will identify specific properties, or groups of properties, which will participate in the density bonusing system. These are illustrated on the following map as the darker blocks within the coloured rate area boundaries.



(Source: HRM & Turner Drake)

COSTS IN CONTEXT

There are already a number of existing costs levied on development by the Municipality and other levels of government. Based on the findings of the background studies for the Application Fee Review and Infrastructure Charges, it is evident that HRM (including consideration of Halifax Water) generally levies lower total direct costs on new development than most peer municipalities in the country. However, due to the comparatively heavy application of provincial sales tax on new construction, the total burden of direct costs on new development from all levels of government tends to make HRM a high-cost jurisdiction in the Canadian context relative to the sale price of homes.

For example, CMHC conducted comparative studies of government-imposed costs on detached housing development for a large number of Canadian municipalities in 2002, 2006, and most recently 2009. Methods changed between study periods, which make it difficult to draw conclusions for the conditions in HRM over this time period, but within each study year the Municipality consistently showed above-average total cost burdens within each study year. This was the result of a combination of below-average municipal costs and significantly higher provincial costs. It is notable that in absolute dollar values Halifax tended to be at or below the national average for total Direct Costs, but because housing prices tended to be significantly lower than the national average, these costs represented a high relative burden.

CMHC Cost Survey		2002	2006	2009
Halifax	Median Absorbed House Price	$ 140,000	$ 240,000	$ 278,000
	Municipal Costs	$ 7,640	$ 6,753	$ 13,648
	Prov/Fed Costs	$ 19,937	$ 32,420	$ 31,608
	Total Direct Costs	$ 27,577	$ 39,173	$ 45,256
	Percent of Price	19.7%	16.3%	16.3%
Overall Weighted Average	Median Absorbed House Price	$ 197,000	$ 325,600	$ 443,000
	Municipal Costs	$ 12,439	$ 17,584	$ 21,970
	Prov/Fed Costs	$ 14,288	$ 23,600	$ 36,570
	Total Direct Costs	$ 26,727	$ 41,184	$ 58,540
	Percent of Price	13.6%	12.6%	13.2%

(Source: CMHC)

New Costs

Using the example of a single detached house in a new serviced subdivision, the table below provides an illustration of the current context of direct costs levied on new development, and an indication of the magnitude of change represented by the addition of the new costs considered in this report. In total, the new costs would increase the current direct cost burden of by $6,111, or slightly more than 7%. Note that density bonusing is not applicable in this case.

		Existing Costs	With New Costs
	Median New House Price	$ 445,000	$ 445,000
	Median Family Income	$ 86,820	$ 86,820
Municipal Costs	Total Costs	$ 31,600	$ 37,711
	% of Total Costs	38.1%	42.4%
	% of Median House Price	7.1%	8.5%
	% of Median Household Income	36.4%	43.4%
Prov/Fed Costs	Total Costs	$ 51,293	$ 51,293
	% of Total Costs	61.9%	57.6%
	% of Median House Price	11.5%	11.5%
	% of Median Household Income	59.1%	59.1%
Total	Total Costs	$ 82,893	$ 89,004
	% of Total Costs	100.0%	100.0%
	% of Median House Price	18.6%	20.0%
	% of Median Household Income	95.5%	102.5%

(Source: CMHC, Statistics Canada, Nova Scotia and Federal Governments, HRM & Turner Drake)

This comparison assumes a 2,200ft.² detached house on 5,000ft.² lot, and costs include:

- Regional charges for wastewater, water new laterals, solid waste, and Capital Cost Contribution fee (and Infrastructure Charge, less solid waste charge in 'New Costs' scenario)
- Parkland dedication equal to 10% of the assessed value of the building lot
- Apportioned share of increase in major planning application fee (in 'New Costs' scenario, application fee assumed to be capitalised into land values in 'Existing')
- Apportioned share of subdivision fees based on an assumed 51 parcel subdivision
- Building permit fee based on floor area
- Deed Transfer tax incurred when developer purchases raw land, when builder purchase lot from developer, and when homebuyer purchases from builder
- Property taxes based on raw land value for 10 years, building lot value for 2 years, and finished value for 6 months
- HST on sale price, with partial provincial rebate for first-time buyers and federal portion

Other Costs

The foregoing example relates only to direct costs, meaning fees, taxes, and charges that are levied directly on new development by various governments and other public agencies. In addition, the cost of real estate development is influenced by a number of indirect financial impacts that are driven by government decisions. These can be difficult to quantify as they are generally a hidden impact of non-financial decisions, and in many cases are a convoluted combination of indirect costs and benefits; the net impact may be impossible to discern.

Nevertheless, indirect costs are real and in some cases can potentially be more impactful than direct costs. During stakeholder consultation for the Infrastructure Charges Implementation Study, the Urban Development Institute of Nova Scotia identified a number of government-imposed costs. Many were direct and are illustrated in the previous example (e.g. deed transfer taxes on sale from developer to builder, property taxes during the development process, water utility fees), but they also outlined a number of indirect costs that should be kept in mind when considering the government impact on development economics. They can be summarised as:

- Review & Approval Process Delays and Risk
- Impairment of Market Function
- Non-Market Building Features
- Land Dedication/Protection
- Encroachment/Closure Fees
- Infrastructure Design Standards & Processes
- Timing of Cost Collection
- Property Tax Assessment Cap

These are discussed in further detail within the Infrastructure Charges background study which should be reviewed for a fulsome discussion of indirect costs. In summary, indirect costs are a legitimate facet of the public-sector's impact on private development, however their effective magnitude can be difficult to discern. In some cases it is possible that the net cost could be identified with some accuracy through a cost-benefit analysis; infrastructure design standards would be one such case. Others may not be as easily isolated; the true indirect cost of increased wetland setback distances only arises from the amount of land that is protected unnecessarily, and this threshold is fuzzy in definition, as well as different for every site. As a result, existing research on the magnitude of indirect costs is limited, rarely attempts to net-out indirect benefits, and relies heavily on methods that are fundamentally based on personal estimates rather than empirical evidence. Little research exists to independently test or quantify indirect costs.

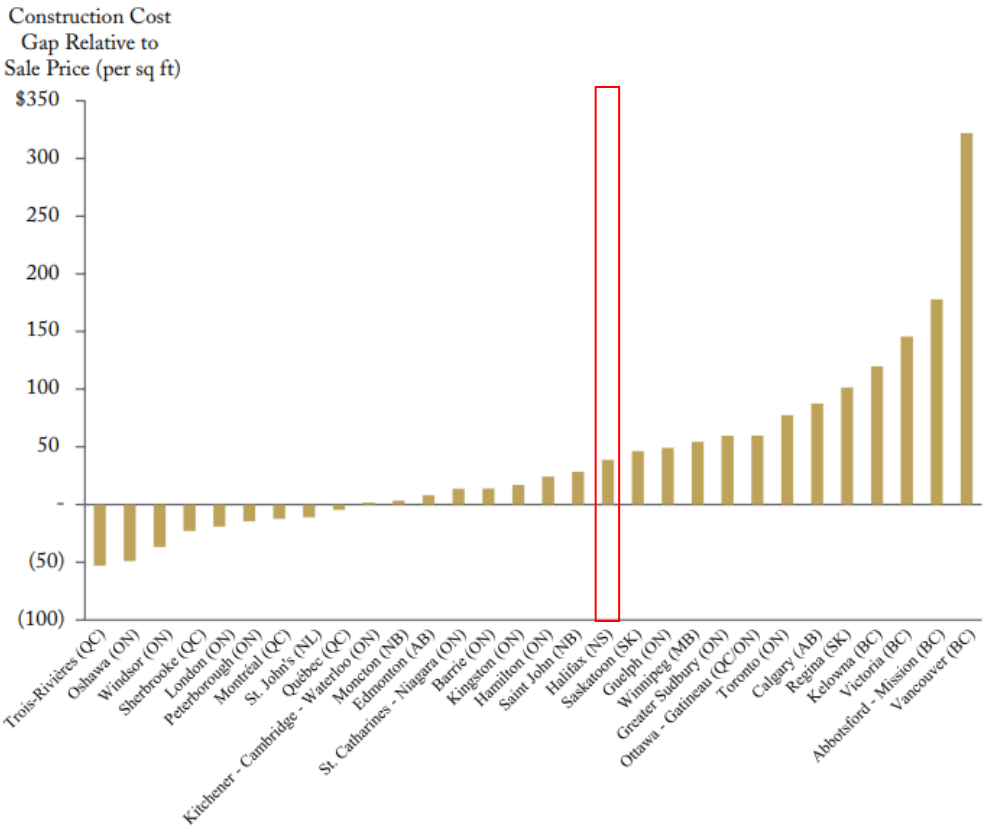
Given this lack of direct study, consideration of indirect costs should also rely on a principles-based analysis. From this regard, the most concerning indirect costs can be described as those that result in little identifiable benefit, to the developer or society at large. For example, unnecessarily long and risky planning approvals, whether due to inefficiencies at the staff level or an unjustifiably onerous approval process at the policy level, can severely affect development feasibility with little offsetting benefit to the community.

Overall Costs

Though not specifically analysed, indirect costs would be captured as part of studies that have attempted to examine the total effect of government intervention in housing development. For example, the C.D. Howe Institute recently analysed Canadian CMAs by comparing unitised average market prices for detached homes with their corresponding unitised cost of construction. Based on previous work of Edward Glaesar, among other urban economists, the report authors take the "gap" between the sale price of housing and their actual cost of construction (including a flat percentage assumption for land prices) to be attributable to government interventions in the function of the development industry, and the regulation of land uses.

The table below taken from their report shows the findings for Halifax in relation to the other CMAs studied. Ranked as 12 out of 30 in terms of this gap, Halifax finds itself above the median, but is by no means an outlier.

Figure 1: Cost of Barriers to Building Single-Detached Homes in Canadian CMAs, 2007–16



Note: All prices are in 2016 constant dollars. Aggregate prices and costs are weighted by the number of permits in each CMA per quarter.

Source: Authors' calculations from RPS, CMHC, and Statistics Canada data.

(Source: C.D. Howe Institute, emphasis by author)

This approach is useful because it analyses conditions at a very high level, and therefore should capture the effect of both direct and indirect costs associated with development itself, as well as larger market interventions such as the regulation of overall development supply. As explained in following sections of this report, the outcomes that can be expected from the new costs being considered by HRM are a product of how they influence the overall balance of supply relative to demand in the market.

BACKGROUND

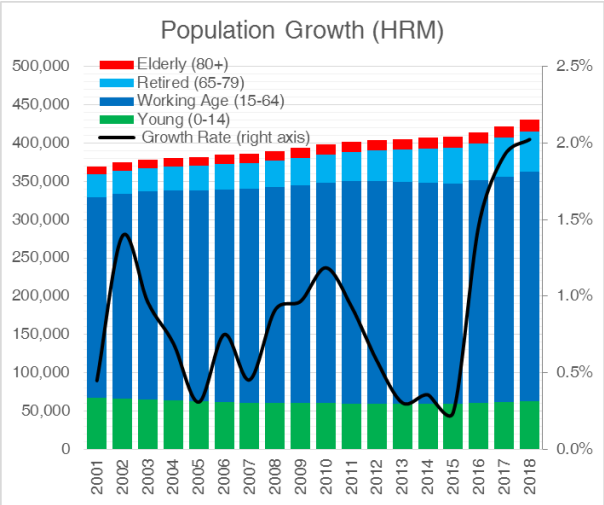
MARKET CONTEXT

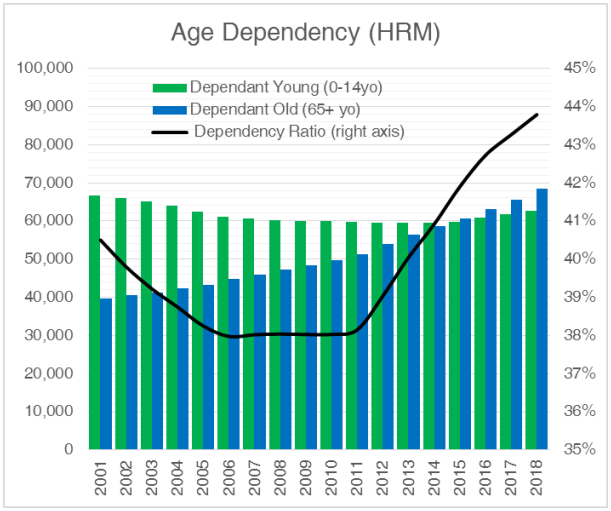
The outcomes created by new costs on development are influenced by the context of the market within which that development is occurring. Real estate markets are underpinned fundamentally by trends in demographics, economics, and credit availability. Within the real estate market itself, these broader forces, along with evolving consumer preferences, are translated into changes in supply and demand, which drive price movement and new construction activity. This section is an updated summary of the Study Area Context section of the Infrastructure Charges Phase III report. That report may be reviewed additional insights.

Demographics

HRM has maintained a consistent, if low, population growth rate over the last several decades, typically increasing by 0.6%-0.9% per year. Starting in 2016, this pattern changed. Growth rates roughly doubled their historic pace due to a combination of increases in international immigration, in-migration from other provinces, as well as an increase in non-permanent residents (e.g. foreign students and work visas).

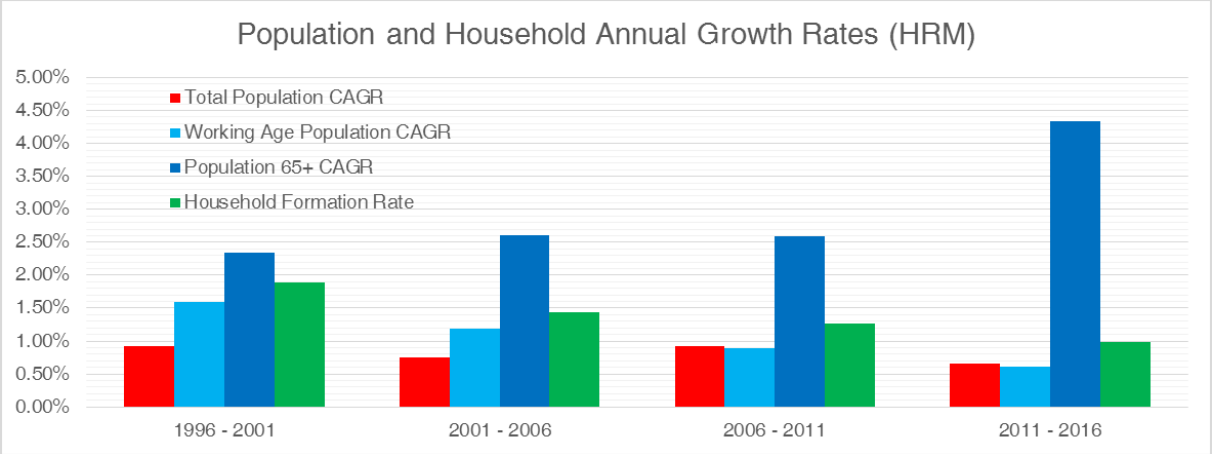
While this has been an encouraging reversal of some factors that have driven population aging in recent years, the aging trend is still very much continuing. The age-dependency ratio – the proportion of dependant (too old or too young to participate in the workforce) population to independent (working age of 15-64) population – was declining until 2006 as millennials increasingly entered the workforce while their parents were still in late-career years. This ratio was static for several years at around 38% before mounting a reversal in 2012, when the first of the "official" Baby Boomer generation reached the retirement age of 65. The ratio is now back at levels observed in the late 1990s, however this time it is a result of a larger older population rather than younger. The recent change in growth trends has slowed the increase in dependency ratio, and also reversed the decline in young dependents. However this is unlikely to affect to overall aging of the population given the size of the Boomer generation.





(Source: Statistics Canada Annual Demographic Estimates)

Accordingly, compound annual growth rate (CAGR) in this older dependant group has accelerated significantly as of the most recent census. While retirees have their own real estate needs, they are typically smaller in magnitude and thus have a negative impact on aggregate market demand. Rates in household formation and working age population growth are important demographic drivers for aggregate real estate demand, and these have been in steady decline for the past 20 years; younger generations are failing to fully take the place of the older. Again, though recent trends are a promising opportunity to counterbalance the prevailing demographic headwinds, the volatile nature and short history of these changes temper our expectations for their influence on the long term outlook. Even at these elevated levels, they are more likely to mitigate, rather than overcome, the negative demand pressures created by the aging Boomer cohort.

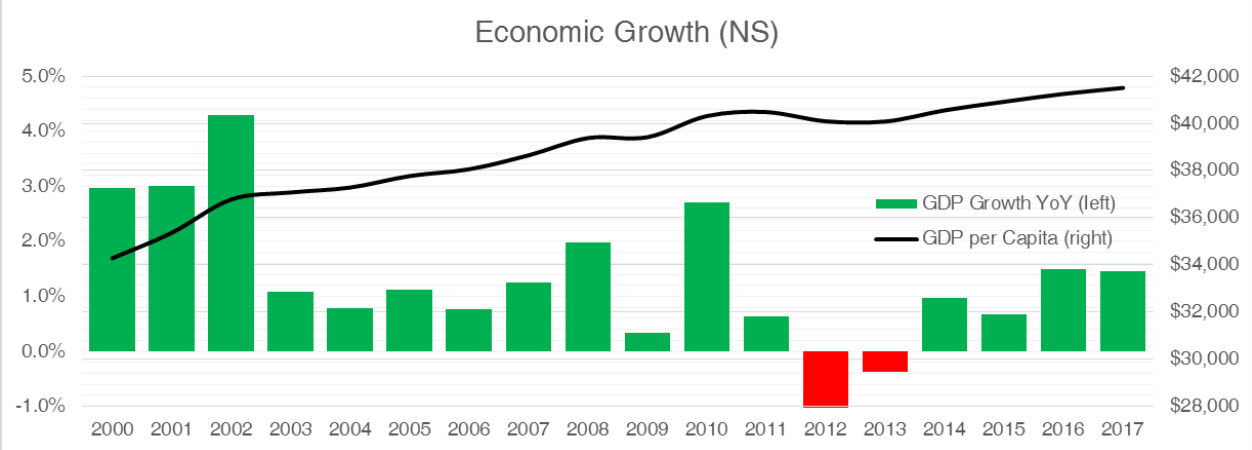


(Source: Statistics Canada Census of Population)

Economics

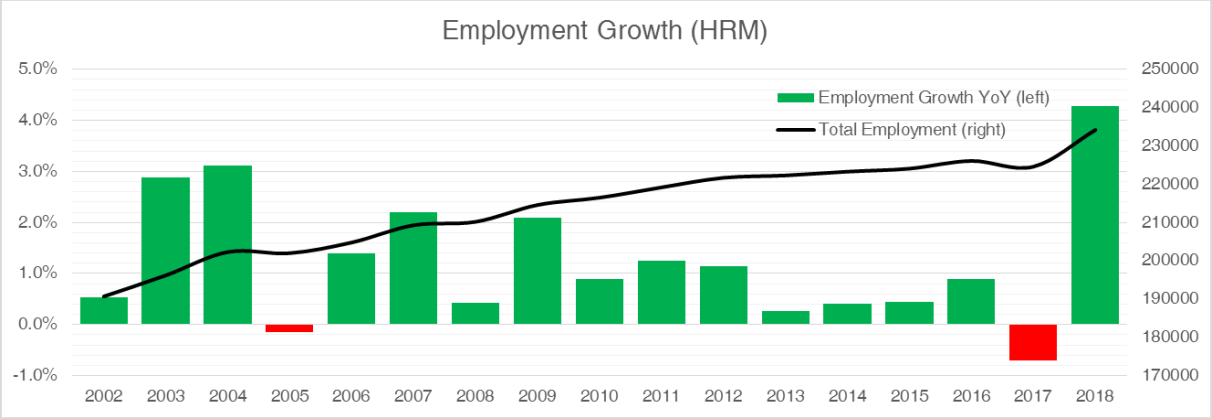
Provincial GDP figures are used here due to better data availability. Accurate measures of regional GDP are difficult to obtain, especially for long time periods with consistent calculation methods that enable valid comparisons. Previous investigations by Statistics Canada suggest that as a proportion of provincial figures, HRM outputs over half of total provincial GDP and this proportion has been relatively stable. Given recent population trends in HRM relative to the province, it is possible that this relationship may have diverged somewhat. However, overall provincial trends can be expected to generally mirror those in the Municipality, and are suitable for the purposes of this report.

GDP is the most fundamental economic metric, and since the early 2000s annual growth has been low. Particularly since 2011, a nascent recovery following the 2009 recession instead faltered and economic performance since has been weak. That said, the last two years for which data is available have shown a slight increase in growth rates. More current and HRM-specific data, such as population and job growth numbers, suggest that, if anything, GDP growth was stronger in HRM than observed in the Province overall.



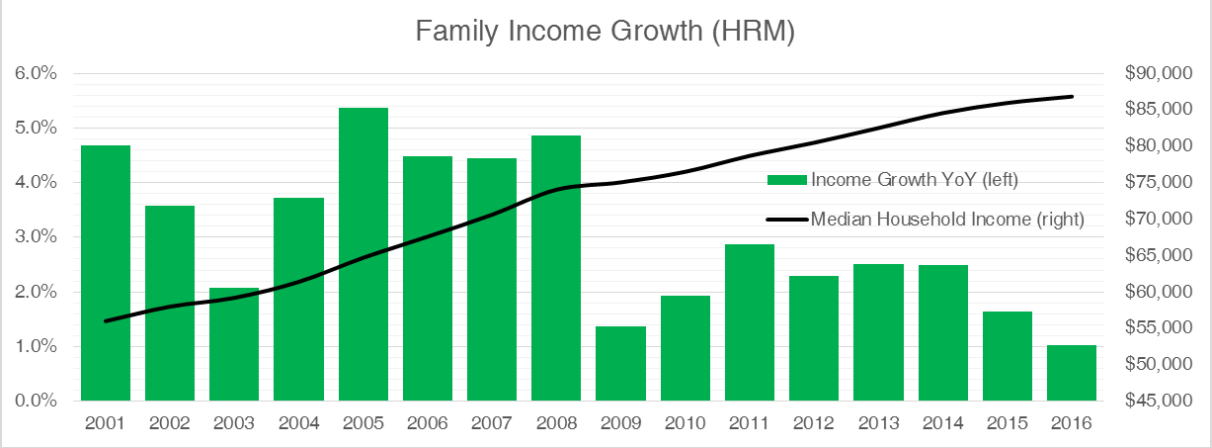
(Source: Statistics Canada Provincial and Territorial Gross Domestic Product by Income and by Expenditure Accounts. Expenditure-based, chained 2012 dollars.)

HRM has a diverse economy which has steadily increased total employment, but the rate of employment growth had exhibited a declining trend since the early 2000s, and was particularly low in recent years. However, 2018 figures suggest a significant spike in job creation, making it the first year to exceed pre-recession levels.



(Source: Statistics Canada Labour Force Survey)

Similarly, family income growth has been low since the recession. However, given the lag in data availability, and considering the job creation numbers for 2018, we suspect that the most recent years have been stronger. Regardless of the pace of income growth, it is important to highlight that family income is high in HRM, with a median value of roughly $87,000. This exceeds many larger Census Metropolitan Areas in Canada including Vancouver, Toronto, Montreal, and Winnipeg. This tends to hold true among more specific types of family structures within the overall figures, and is particularly notable in this report given the differences in housing costs for many of these comparison cities.



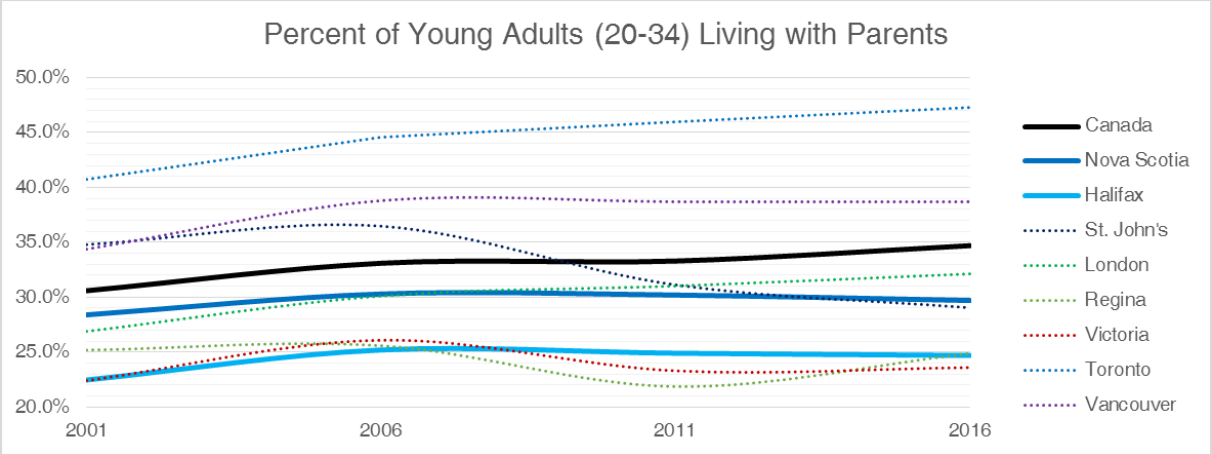
(Source: Statistics Canada Annual Income Estimates for Census Families and Individuals)

Comparison of Family Income (2016)

		Canada	**Halifax**	Moncton	Montréal	Toronto	St. Catharines - Niagara	London	Winnipeg	Vancouver
Median total income of:	all families	$ 82,110	**$ 86,820**	$ 77,260	$ 79,180	$ 80,310	$ 75,530	$ 81,800	$ 83,330	$ 82,510
	couple families	$ 89,610	**$ 95,760**	$ 84,430	$ 86,160	$ 88,170	$ 82,760	$ 90,130	$ 91,010	$ 88,000
	lone-parent families	$ 45,220	**$ 43,760**	$ 40,220	$ 47,470	$ 47,480	$ 43,420	$ 44,700	$ 44,720	$ 47,990
	persons not in families	$ 28,590	**$ 30,400**	$ 27,260	$ 26,630	$ 26,830	$ 27,850	$ 29,370	$ 29,750	$ 28,510

(Source: Statistics Canada Annual Income Estimates for Census Families and Individuals)

As a result, HRM has performed well on the “failure to launch” metric of young adults living at home. The proportion of young adults’ forming their own independent households is taken as a measure of economic opportunity and housing affordability at the early career stages. While the country overall has seen an increase in this metric, HRM has been flat for the past decade at a level well below national averages, and in particular, high cost cities such as Toronto. This is in part due to outmigration of population at the younger ages of this range. However, overall this indicates an accessible housing market relative to entry level incomes, meaning demand is not becoming pent-up “in the parents basement”.



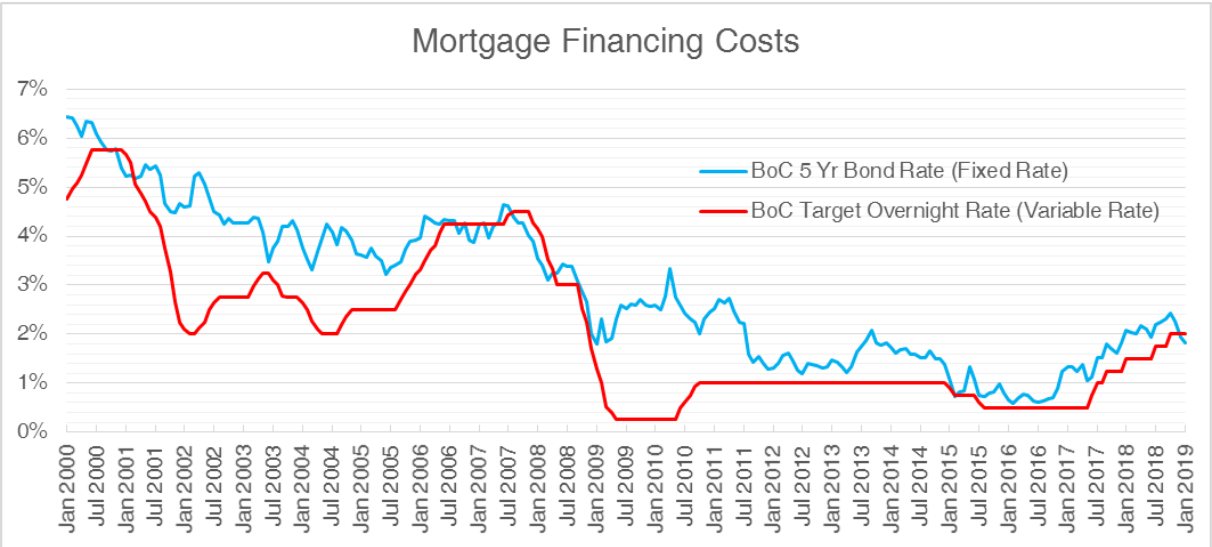
(Source: Statistics Canada Census of Population)

Finance

As a highly leveraged asset, demand for real estate is influenced significantly by changes in the availability of credit. Changes in interest rates, the availability of mortgage insurance, as well as maximum amortizations, minimum down payments, and qualifying criteria all affect the number of potential buyers and their purchasing power serving to amplify or mute the impact of underlying demographic and economic dynamics.

The cost of financing in the wake of the 2008 recession has been a significant driver in the demand and price of real estate. Residential mortgage rates are set by lenders based on either the bond market (for fixed rate mortgages) or the Bank of Canada overnight lending rate (for variable rate mortgages). As the recession drove market demand for safe investment (bonds) and prompted stimulative monetary policy, rates on both benchmarks were driven to historic low levels. As a consequence, mortgage carrying costs decreased, increasing buyer purchasing power, and thus prices. These trends also affect activity in the commercial market as investor demand for revenue-producing real estate assets increases when yields on other competing investment vehicles decrease. With lower development financing costs, new construction in the commercial sector is also stimulated.

These “unnaturally” low interest rates have persisted for some time, but the current and forecasted trend is now one of increasing rates. Both the US Federal Reserve and Bank of Canada have made upward moves in their overnight rates, while the bond market has also seen a general trend of increasing yields. Though tepid, a continuation of this trend will reduce purchasing power and put pressure on current price levels in the ownership market, as well as temper activity in the commercial market (including residential rental apartments).

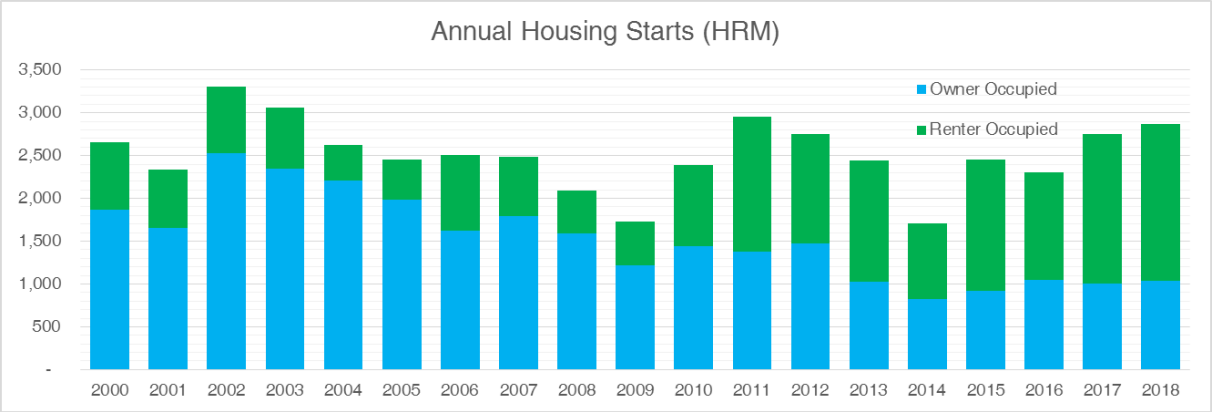


(Source: Bank of Canada)

INDUSTRY CONTEXT

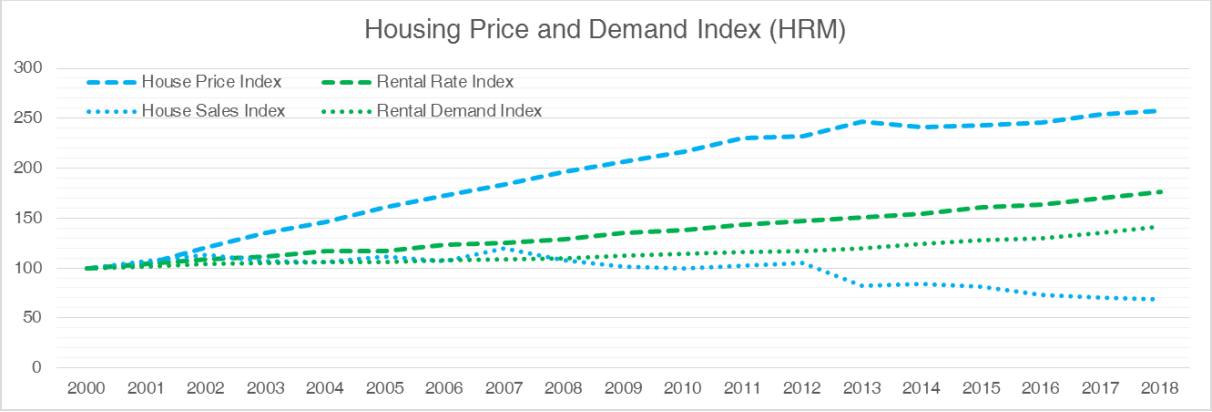
Development Activity

The pace of residential development has been fairly steady overall, with the 10 and 20 year moving averages for housing starts being nearly identical, and equal to roughly 2,500 units per year. The most notable shift within this overall stable development pace is a significant reorientation towards rental-tenured housing, a deviation from an industry that had previously been focused on the owner-occupied market. While housing construction has increased within the past two years, it is still relatively close to the long-term average considering that the pace of population growth has significantly exceeded historic trends. To date, the additional demand from this growth has been taken up by existing slack in the rental market, pushing vacancy rates to their lowest point in decades.



(Source: CMHC)

Traditionally, a tenure shift towards rental housing is the product of escalating prices in the ownership market which drive pressure to rentals as more people are “priced out”. However, in this case the trend has largely been the opposite, with stagnating prices in the ownership market, and declining demand against an available supply. Meanwhile the rental market has been most active at its higher price segments, indicating a consumer preference for higher-end rental units over ownership, though the overall rate of growth in rent has been slow and steady.



(Source: CMHC, MLS, Turner Drake)

Prices in the ownership market have only recently started to show increases over their 2013 levels, while rental increases overall have generally tracked 3% annually, though with the current low vacancy rates in the market, this may start to accelerate.

Nature of Real Estate Development

The stable overall pace of development and price trends do not give an accurate impression of the conditions experienced by parties within the real estate development industry. Though housing is a universal necessity, it is not a commodity that can be mass-produced at a stable profit margin per unit. Instead it is provided by a competitive field of firms and individuals that are engaged in an entrepreneurial battle to find and develop individual areas of land in a fluid and challenging environment.

Developers tend to find general areas or project types that they develop expertise in over time, but each project is ultimately unique by virtue of its location, site characteristics, and time of development. The process of developing each site is constantly challenged by shifts in the many factors integral to a new development project. Increasing competition, planning policy, engineering standards, building code requirements, capital market conditions, political conditions, consumer trends, material costs, labour availability, and land values all affect the activity of the development industry, and often on a scale that is equal or greater than the magnitude of new costs being presently considered by HRM.

For example, based on a review of external data, Turner Drake's own valuation experience, conversations with developers, contractors, and costing consultants, consider the following: in the last 3 years the market demand for apartments on the Peninsula has increased by 60%, the cost of urban development land has increased by 50% since 2012, interest rates have almost tripled in three years, and construction costs have experienced strong escalation in the past two years on local labour shortages (the rate of completions in the urban core is up roughly 300%) and US tariffs on steel and aluminum that have increase some material costs by over 30%. Most of these changes have occurred in less time than it typically takes for a single project to progress from site acquisition to final sale/lease-up. Longer term trends can be even more dramatic as the supply chains for materials and capital become increasingly globalised and subject to economic cycles that bear a diminishing relationship to the local context in which developers operate.

In this regard, the history of costs driven by local government are something of an outlier. Major changes to direct-costs on development tend to come infrequently:

2002 – Capital Cost Contribution Policy adopted and implemented in all subsequent master planned suburban growth areas
2009 – Density Bonusing instituted in Downtown Halifax (Bonus Rate Implemented: $40/m^2)
2013 – Halifax Water replaces existing fees with Regional Development Charge (Net Increase: ~300%)

HRM Administrative Order 15, which defines the permit application fees considered in this report, has not been changed since its adoption in 1999.

Bylaw F-200, which defines building permit fees (by far the most expensive of all permit fees, and not presently considered for further adjustments), has not been changed since 1997.

This does not mean the Municipality can be cavalier in adding new costs, the perspective should be to the contrary. Given that so much of what affects the industry is beyond local control, where the Municipality has the opportunity, it should seek to implement changes in a way that helps those within the industry anticipate and plan for ways to accommodate them within their active project pipeline.

What it does highlight, however, is the comparatively small scale of risk associated with the introduction of new costs in terms of potential negative impacts to broad trends in the pace and price of new development. New costs may affect individual projects, but demographic and economic trends, coupled with capital market conditions, drive broad outcomes for the industry.

LOCAL GOVERNMENT PERSPECTIVE

Revenue Raising Abilities of Municipalities

In reviewing the impact of development fees, the perspectives of local governments is important to consider. Municipal governments are required to provide for a range of services including the core services of water, wastewater, stormwater management, transportation (roads, transit and ferries, in the case of Halifax), protection services (police, fire and paramedics) as well as general services including libraries, parks, recreation, and the general administration of the municipality. As new development occurs, municipalities are required to increase servicing capacity, largely by expanding infrastructure, to meet the increase needs arising from development.

Most local governments across Canada have the authority, under Provincial legislation, to impose fees against development to pay for a share of the initial round of capital costs associated with meeting the needs of development. The operating costs, and the cost of maintaining assets in a state of good repair, is largely funded from property taxes and utility rates. Municipalities have limited revenue raising tools and as such the utilization of development fees and charges assist municipalities in maintaining long-term fiscal sustainability.

Current and Proposed Financing Frameworks for Growth-Related Infrastructure in Halifax

The table below provides an overview of how growth-related infrastructure is funded and proposed to be funded in the Municipality. Currently, the Municipality utilizes infrastructure charges in a limited capacity for services such as Solid Waste and Water and Wastewater, and area based Capital Cost Contributions (CCCs) for the recovery of localized costs within new greenfield developments. The background study regarding infrastructure charges identified various funding sources for capital infrastructure, including the broader implementation and use of infrastructure charges on a municipal-wide basis. It was, and continues to be, the position of the Municipality that revenue sources for growth-related infrastructure will continue to expand and review as the Municipality grows. For example, the 2015 Density Bonusing Study recommended the use of density bonusing to fund transit related infrastructure. The Municipality is also proposing to use upper level government funding for library, fire, solid waste, and park and recreation related infrastructure and may explore other revenue sources to fund transit infrastructure.

Service	Municipal -wide ICs	Density Bonusing	Land Dedication	Property Taxation [2]	Utility Fees	Upper Levels of Government[3]	Other P3s, TIFs etc.
Library	✓	✓		✓		✓	
Fire Services	✓			✓		✓	
Solid Waste	✓			✓		✓	
Parks & Recreation	✓	✓	✓	✓		✓	
Mobility Services - Transit	✓	✓		✓		✓	✓
Mobility Services - Roads & Related	✓			✓		✓	
Water and Wastewater (1)	✓				✓	✓	

1) Water and sewer services are currently the responsibility of Halifax Water and is outside of the study scope.
2) Tax funding shortfalls resulting from exemptions, discounts and below maximum rates
3) Upper level government grants include grants, subsidies and transfers, including gas tax

✓ Proposed funding
✓ Existing Funding

IMPACTS VERSUS OUTCOMES

From the municipal point of view, it is important to differentiate between the *impacts* associated with new costs, and the *outcomes* that may be expected as a result their implementation. Impacts can be thought of as the force exerted by a particular factor on the overall process or system. Outcomes can be thought of as the cumulative effect of all impacts acting on a system (in this case the development industry and real estate market) that result in a single, real-life result.

This is a critical distinction to make, as evaluations of individual impacts are often understood as outcomes by policy makers, stakeholders, and the public at large, which can lead to making significantly inflated predictions as to how events may unfold. New costs on development have an impact; they will exert a certain influence on the overall process of real estate development. These can be investigated, but are of limited use from the municipal perspective.

It is a much different challenge to anticipate the singular outcome that will be observed as a result of the impact of new costs. First, they are only one of many impacts that act on the operation of the development industry and real estate market, some of which are independent (e.g. national monetary policy, global commodity prices), but many others that are interdependent and reactive to the change (e.g. investor confidence, project design, local consumer behaviour, municipal planning policy). Further, there are also countervailing impacts that may not be immediately apparent (e.g. in absence of infrastructure charges, capital projects are instead funded by property taxes, which creates its own impacts). Finally, the speed at which impacts are created also affects the outcome; a rapid, unexpected change can produce a more negative outcome than the same change enacted over a timeline that allows the overall system to adjust in a controlled manner.

In evaluating the decision to add new costs, the intent of the Municipality should be to avoid undesirable outcomes, not necessarily undesirable impacts.

EFFECT OF COSTS

DEVELOPMENT & REAL ESTATE MARKETS

Real estate economics provides a theoretical basis for understanding the mechanics of development within the real estate market, and how new costs fit into the picture. In functioning competitive markets, prices are what balance the quantum of supply and demand. Given sufficient competition, no individual in the market is able to exert influence on real estate prices; competitors on the supply side will attract buyers with lower priced offerings, and competitors on the demand side will outbid them for the product. Thus prices are the result of the balance between total supply and demand.

Accordingly, developers and builders are “price-takers”; they have to work within the limits of market prices, undertaking development only when prices support their activities. The ability to unilaterally “pass forward” added costs directly to the consumer is limited by the ability of consumers to find suitable, lower-priced options elsewhere in the market. Thus, the principle mechanism by which government imposed costs affects the broader market is a function of how they impact the feasibility of various developments, and how those changes in feasibility expand or reduce supply.

Development Feasibility
Reduced to its simplest terms, the feasibility of new real estate development is dependent on the relationship between three factors; the acquisition cost of land on which the building will be sited, the development and construction cost (including minimum profits) required to bring the building into existence, and the market value of the finished project. There is an enormous number of moving parts within each of these broad categories, but it is nevertheless a suitable framework for understanding how municipal actions affect project feasibility, and by extension, the overall behaviour of the development industry.

Application Fees
These represent a simple increase to the development cost associated with a project. Taking the market value of the finished project as fixed by the market, if developers now have to allocate a larger proportion of a potential project budget to cover this cost, they will either have to find opportunities to reduce other costs, or ultimately have less capital available to acquire a development site which could result in fewer project opportunities.

Infrastructure Charges
These function in a similar manner to application fees. Their most immediate impact is to increase the cost of development, as they represent a new fee in the process that must be accommodated by the project budget in the same way.

However, because the funds raised are used to provide capital infrastructure required by new development, they also have been shown to create benefits in the longer term as they improve the delivery and quality of municipal services. This can both increase the market value of the finished project (if improved service delivery and reduced property taxes is valued by customers) and reduce other costs (if it reduces risk and delay in delivery of required infrastructure, or funds infrastructure that expands the total supply of land for development). Generally, these benefits are too indirect to be felt within the context of a specific project budget, and they are not considered in this report when feasibility impacts are modelled for specific project scenarios.

Density Bonusing
Density bonusing is the most complex of the three costs examined because it simultaneously introduces both direct costs and benefits, and is being introduced at the same time as a number of other changes to land development rights within the Centre Plan that affect development feasibility.

In principle, the “bonus density” provided to a project will increase the development yield of the site, and thus the total market value of the finished project in comparison to the “pre-bonus” development rights. This is a direct benefit for the developer, which they can readily acquire by providing a predefined value of public benefits to the Municipality through the approval process. The value of the required public benefits – effectively the developers purchase price for the bonus density – is intentionally structured to be less than the value of the bonus density itself and thus preserve the profit motive for private-sector participation. Thus, in principle, a properly designed density bonusing framework should represent nothing but a net-positive impact to development feasibility.

In practice, however, there is the matter of how the density bonusing framework compares to market conditions under the current planning regime. Where HRM is introducing this alongside comprehensive policy and zoning reform, there could be instances where the current market value of project sites are based on an expectation of development that exceeds the incoming "pre-bonus" density levels, and perhaps even the full "post-bonus" density. In these cases, the added value of the bonus density has already been effectively captured by current land values. In other words, the bonus density may not actually be a "bonus" to the project budget, and providing public benefit will be more like a direct development cost that must be accommodated in the project budget.

Market Supply

As developers and builders are price-takers, they have to find projects that are feasible based on broad trends in market prices, site-specific development yield, development and construction costs, and a land acquisition budget that is large enough to secure a project opportunity through voluntary market transactions.

As development costs rise, whether though government actions or other cost factors that affect the industry, market competition limits the ability to pass the impact forward to end purchasers. This tends to put downward pressure on the price of development land, which can offset the impact and maintain feasibility.

However, this effect is not without limitations. For example, real estate prices tend to be "sticky" due to seller's psychology. Unless competition is strong and holding costs are sufficiently high, it is common for downward pressure on land values to result in prolonged stagnation of values rather than absolute decline (i.e. land values do not drop, instead they stagnate or appreciate more slowly and thus negative land value adjustments unfold over time while maintaining nominal values). Additionally, the value of the current use of the property, particularly in urban redevelopment areas, will set a natural price floor. Purchase prices for new development sites will always have to exceed the value of the present use.

If rising costs cannot be passed forward, or accommodated in current project budgets through design changes, projects will tend to be cancelled or put on hold. If increased costs reduce the budget for site acquisition to the point that land cannot be secured, fewer projects will be initiated. The combined effect will be a reduction in the supply of new development brought to market. As the market reacts to this lower supply level, prices are forced upwards. This establishes a new, higher market price at a point that development becomes feasible again, and new projects are built to rebalance demand with supply.

EVALUATING THE RISK OF NEW COSTS

Quantitative Methods

Tools such as Economic Impact Analyses (EIAs) are commonly used to quantitatively evaluate both direct and indirect impacts of public policy decisions, and there are several examples of applying these methods to changes to government imposed costs on real estate development. Their basic methodology relies on input-output tables developed by government agencies that describe how an increase in activity within an industry sector creates activity in others; a new construction project leads to increased spending within building materials supply and primary resource industries, a portion of the resulting worker wages result in new consumer spending, etc. These calculated multipliers allow the analyst to quantify the direct, indirect, and induced impacts (commonly referred to as "spinoff" effects) of an external "shock" such as a decrease in construction activity. EIAs are a legitimate economic and policy analysis tool for use in understanding the structure of the economy, or comparing a number of mutually exclusive policy options to identify *relative* differences in their impacts, and make the optimal choice.

Often, however, they are used to analyse a single policy action in isolation and communicate the impacts to non-technical decision makers. Their use in this way is usually improper. The results are typically described in terms of dollars and employment (Full Time Equivalent jobs). As most laypeople have an existing conception of what these units mean, the analyses often implies conclusions that are beyond what the EIA truly describes. As a result, these types of studies will typically give the impression that through the magnifying effect of spinoff impacts, relatively innocuous shocks can snowball to produce substantially larger negative or positive consequences in terms of lost wages, jobs, and GDP, and crucially, that these will be the actual *outcomes* observed as a result of the change.

This impression is problematic as it ignores a number of shortcomings associated with EIAs that preclude them from generating a forecast of actual outcomes. In brief, they are not able to consider the opportunity costs associated with a policy change; typically analyse only a narrow aspect of the cost or benefit of a change – but not the net result; do not accurately model factors like diminishing returns or displacement effects; and ultimately do not measure the social welfare or economic efficiency of a choice (see Cordato 2017 for a cogent summary of the problems with typical EIA usage).

There is a further challenge in using EIAs as a tool explore the questions that are the focus of this report. The impact quantified by their results is entirely dependent on what initial "shock" is to be analysed, and these are typically identified a priori. As explored in the following report section, there is no clear consensus in the academic literature as to how new costs of the scale being considered by HRM could be expected to impact the cost or quantity of real estate development. Thus, aside from the shortcomings of EIAs themselves, it would be difficult to have confidence that the analysis is being applied to the correct "shock" in the first place.

Qualitative Approach

This is a case where a less than ideal quantitative analysis may be worse than no analysis at all as it can be significantly misleading. Given the challenges associated with quantitatively analysing the outcomes that may be expected from the new costs being considered by HRM, this report seeks primarily to discuss the issues and draw conclusions using a qualitative approach.

This includes a review of existing research on various government costs, case studies from Canadian municipalities that have also conducted analyses of similar issues, as well as examples of other municipalities that have implemented similar cost changes, and the formulation of idealised financial models to spot-check various development scenarios and gain insight into the possible effect of new costs using HRM-relevant input assumptions.

Further, in recognition of the lack of quantitative analysis, this report also focuses on the notion that implementation, monitoring, and a generally cautious approach can be a risk management strategy for the Municipality in lieu of highly accurate quantitative analysis.

LITERATURE REVIEW

Academic researchers have examined how development fees influence several key variables, including job growth, house prices, lot and land prices, building permits, housing starts, and housing completions. Of the available literature reviewed, most of the historical research has been focused on case studies from the United States that examine the impact of infrastructure charges. These charges are typically much larger than other types of fees such as planning application fees and density bonuses, and so have been examined in depth throughout the literature. However, the effects of infrastructure charges are generally the same as other types of fees because in all cases the fees are an increased burden on developers and land owners. While this literature scan focuses on infrastructure charges, the evidence is more widely applicable to all types of development fees. The majority of available literature is focused in Florida, where 67 counties each have different planning regimes, offering different forms (or no form) of charges. This diversity in planning regimes creates a natural control group for researchers. In contrast, very few Canadian studies have been carried out; a 1992 study looking at the prices of vacant lots in GTA suburbs determined that lot prices increased as a result of charge increases (Skaburskis and Qadeer, 1992).

General Findings from the Literature

The literature indicates that many opposing factors are at work when development fees are introduced or raised. For instance, charges are a sign of commitment from the government that they intend to build infrastructure according to a plan, signalling that they commit to building the projects contained in the technical calculation of the charge. This commitment reduces risk and uncertainty for developers and potential residents, ensuring that their new developments will be serviced by sufficient service levels and infrastructure. It also ensures that a steady supply of serviced land will be made available to developers in the future. Researchers also point to the positive effect infrastructure charges have on the business climate, as the government is essentially guaranteeing capital projects and reducing the risk that growth will be stranded without sufficient roads or transit investments.

Another positive effect of infrastructure charges cited in the literature is the effect it has on the expectations of new residents. Charges can make a place more attractive to live, thereby increasing housing demand and housing prices, because new residents will expect their future millage rates (property taxes) to be kept relatively low. This is because the infrastructure funded by charges will, presumably, not be funded by higher tax rates. Residents may also anticipate that their service levels will be higher in the future, perhaps imagining better transit, roads and libraries, and so housing demand increases in response to these expectations. Some researchers have drawn upon these positive effects when showing that infrastructure charges have led to job growth (e.g. Nelson and Moody, 2003; Jeong and Feoick, 2006).

The effect of charges on development activity is not definitively positive or negative. Some researchers reason that they drive up the price of home construction and development, which reduces housing supply as measured by building permits and housing starts (Skidmore and Peddle, 2006). This then drives up the price of houses, as developers pass their cost onto homebuyers.

However, other studies posit that development fees also hasten the development approval process, and help keep developers from being delayed by regulatory knots and bureaucratic hurdles. Some researchers found no statistically significant relationship between charges and development activity, and posit that the positive and negative effects of pricier construction and faster development cancel each other out (e.g. Campbell and Alm, 2006; Mayer and Somerville, 2000). One study found that non-water/sewer charges increased housing completions in Florida; the researchers theorized that consumer demand rose in anticipation of low millage rates and housing supply rose because project approval costs fell (Burge and Ihlanfeldt, 2006).

One study looked at whether charges have an effect on the exclusivity of a city or area (Lawhon, 2015). The reasoning is that fees drive up the price of housing, making housing less accessible to lower income people and minorities. However, this study found that the introduction of infrastructure charges had no impact on the median income level or on the number of rental units per nonwhite residents.

It is Difficult to Measure the Outcomes of Changes in Development Fees

There is a limited number of case study data on how – or even if – development fees impact growth, GDP, and development activity outside the academic literature. Because government-imposed costs are just one input of development decisions, often the imposition of charges is not enough to significantly impact development activity in an area. For instance, construction costs, the real estate market, local planning regulations, and labour costs all exert influence on a developer's decision to build.

Sometimes the highest charges crop up in cities with the fastest pace of growth, causing a chicken-or-egg situation: did these cities impose high development fees after the growth began, and found that high costs didn't decrease development activity? Or did these cities attract ample development despite the high fees – or even because the fees signalled to developers the city's intent to accommodate the infrastructure needs of new development?

Land Value Is an Important Indicator

When new costs are imposed, land is typically the only variable costs experienced by developers. Construction costs and the price of building a new structure are unaffected – other than the added burden of the charges, a developer sees no change in raw material and labour costs. Land values tend to fall because developers expect to gain less profit for each acre of land purchased. Land owners will respond to the change in land value by holding on to their land longer, waiting for future price increases before they decide to sell.

However, land development is highly complex and involves many economic players: land owners, land speculators, developers, builders, suppliers, and end purchasers. Over the long-term, upfront costs such as permit fees and infrastructure charges are adjusted for in the land value, while the health of the local economy is the most important indicator that determines land demand and price. As a result, development fees do not have a significant impact on land supply, land demand, or new house prices.

BENCHMARK ANALYSIS OF MEASURES

The literature identifies several measures that can quantify the impact of development fees such as infrastructure charges and application fees. However, one can assume that the strengths and weakness of each variable below will be the same regardless of the type of fee imposed. The table below identifies the measures and provides an overview of the strengths and weaknesses of each variable. There is no perfect measure. The key weakness of measuring the impact of new costs is that many other factors influence each measure. Indeed, for some measures, the overall impact of new costs may well be negligible.

The indicators below have drawbacks when measuring the impact of new costs in a municipality. It is difficult to isolate the impact on any of the measures, because they are just one of several factors that impact house prices, development costs, and land prices. There is no consensus on whether or not government-imposed costs even affect any of the variables above; developers often argue that costs (specifically infrastructure charges) are a key factor in development decisions, while the academic literature has found both positive and negative impacts.

Summary of Government Fee Measures		
Measure (Variable)	**Strengths**	**Weaknesses**
Job Growth	• A commonly used metric that is easily measured • Ample and accessible data on job growth • Holds social and political importance as a measure • Academic literature has found a statistically significant relationship between government fees and job growth	• Strongly influenced by other factors such as GDP, trade, investment, demographics and the business cycle • Difficult to measure the size and significance of the impact of government fees on job growth • Limited measure of economic development (does not explain job quality, job stability, wage growth, or other factors)
Lot Prices	• Land economics posits a clear linkage between higher infrastructure charges and lower lot/land prices • Lot and land price is easily measured and data is accessible	• Lot prices are also influenced by interest rates, construction costs, municipal growth rates and regulation • Heavily influenced by future price expectations, which are hard to measure and track • Very difficult, if not impossible, to isolate the impact of changes in development fees on lot prices from the impact of changes in the local economy and borrowing rates

Summary of Government Fee Measures		
Measure (Variable)	**Strengths**	**Weaknesses**
Exclusivity (Income Levels, Diversity, Rental Availability, Affordability)	• Can measure the impact of fees on housing affordability, which is a key social and political measure • Some measures of exclusivity are easily accessible and reliable (e.g. Statistics Canada data on income)	• Government policies and programs that affect poverty, diversity, and housing affordability are more likely to impact exclusivity than development fees • Some measures of exclusivity can be difficult to measure
Rate of Development (Housing Starts and Completions, Building Permits)	• Building permit data is collected by municipalities • Building starts and completions data is measured by CMHC and publicly available • Can determine the extent to which development fees have supply-side effects on developers • Data could show how development fees affect developer timing decisions by showing pre-fee spikes and post-fee troughs	• Distribution of the burden of fees among developers, homebuyers, and land owners is still unclear • Timing delays, interest rates, construction costs and level of regulation also influence development decisions • Some academic studies have found no statistically significant relationship between fees and development activity
Housing Market (House Sales, House Prices)	• Some house sale and price data is widely collected and available • Can determine the extent to which development fees have demand-side effects on consumers' purchase decisions • Data could show how fees affect homebuyer timing decisions by showing pre-fee spikes or post-fee troughs	• Unclear how aware consumers are of development fees • The extent to which fees are passed along to consumers is still unclear • Interest rates, market conditions, local economies, and other factors likely influence home-buying decisions to a greater degree than fees • Development fees can make up a relatively small share of total house prices, especially when sales taxes, land transfer taxes, and other fees are tallied

CASE STUDY ANALYSIS

IMPACT OF DEVELOPMENT FEES

Case studies from two Canadian cities are examined below; their experiences suggest that development fees have not had a significant negative impact on development activity, land prices, or house costs in high-growth, high-cost cities. Though these two cities are not directly comparable with Halifax – being much larger in population and having different real estate and development markets – they are some of the few municipalities that have conducted an in-depth analysis on how infrastructure charges (i.e. development charges) impact their housing markets and rates of development.

Vancouver, British Columbia

In 2014 the City of Vancouver commissioned a report to analyze how community amenity contributions (CACs) affect house prices. CACs are in-kind or cash contributions provided by developers that are granted development rights through rezoning. The report found that the new units in projects that paid CACs sold for similar prices as those that didn't. The report concluded that CACs do not negatively impact the rate or supply of development, and noted that rising house prices were a result of market factors—not CACs. In conclusion, the report noted that CACs increase the City's capacity for new development rather than restrain it, because CACs pay for amenities that otherwise would have been funded by property taxes.

In 2017 the City of Vancouver contracted a firm to conduct an analysis to examine the impact of raising Vancouver's development levies (another name for development charges). The analysis looked at 22 hypothetical case studies in order to determine whether redevelopments would be financially viable after an increase in development levy rates. It looked at construction costs, sale prices and lease rates, density bonuses, development levies, planning fees, soft costs, professional fees, profit margins, and other factors in order to determine the maximum supportable development levy rate. Their findings showed that every apartment/mixed-use case and most townhouse/duplex cases could support a higher levy, while most office and industrial cases would require higher densities to support higher levies.

Toronto, Ontario

The City of Toronto commissioned an analysis of the proposed development charges rates in 2018 to determine how increased charges would affect land values. Though the study did find that the increased charges would decrease land values on average by $14 per square foot, they concluded that in most scenarios this could be absorbed in the land value without affecting a development's financial viability. In particular, the study found that low-rise apartments, stacked towns, laneway suites, and developments in downtown and high-growth areas would be unaffected by rate increases. In lower-growth areas where increased charges could drive down land values enough to inhibit new supply, the report noted that planned transit investments should positively impact these low-growth markets in the long-run by increasing consumer demand.

These sorts of findings are not new; both the 2013 and 2018 Toronto Development Charges Background Studies contained economic impact sections that found little evidence for a strong market reaction to increased development charges. Both studies found that an increase in residential development charges had limited to no effect on the rate of housing construction, especially in a strong housing market such as Toronto's. On the non-residential side, increases in development charges were found to be more likely to impact the industrial sector, but retail sectors were not overly sensitive to rate increases.

Toronto also commissioned a study in 2004 that determined that most of the burden of increased charges is borne by the owners of developable land. In addition, the study found that developers are constrained in the extent to which they can raise prices to recover the cost of charges due to competition from the existing housing stock and floor space. Echoing some of the findings in the academic literature, this study calculated that every City resident would save over $130 on property taxes and user charges in the long-run as a result of higher development charges.

EXAMPLES OF OTHER DEVELOPMENT FEE INCREASES

In addition to the Vancouver and Toronto case studies, examples of development fee rate increase in the municipalities of Winnipeg, Regina, Calgary and York Region were investigated. The following provides a general summary of the experience in these jurisdictions based on available information on municipal websites and grey literature. While the following examples do not provide as in-depth of an examination of as the Vancouver and Toronto case studies, it does suggest that development fee increases of significant magnitude are relatively common and that the pace of development (i.e. housing starts) remain relatively unaffected following the increase of development fees. In particular, experience in the Regina and Calgary suggests that the development industry responds favourably to open and transparent communication on development fee increases.

Winnipeg, Manitoba

Winnipeg imposed infrastructure impact fees (i.e. infrastructure charges) with the passage of a 2016 Impact Fee By-law, which came into effect in May 2017. Each year the fee increases at the rate of construction inflation of the previous year; the fees increased by 5% in January 2018, which is the maximum annual increase, and increased by another 3.5% in January 2019. Fees have so far only been partially phased in, only applying to residential development in ten suburban areas. The per-square metre rate of $59.48 has added approximately $12,800 to the cost of a new 2,000 square foot home in those areas. The recently imposed infrastructure impact fees have been contested and appealed by the development industry. Despite the appeal, the City is continuing to collect infrastructure impact fees; however, any revenue collected in relation to these fees cannot be spent until the appeal is resolved.

Residential development activity in the City as a whole has not been significantly affected since the imposition of the fees, according to building permit and building activity data. City of Winnipeg building permit data on the number and dollar value of residential and non-residential building permits in 2018 shows little evidence of a slowdown when compared to previous years. According to CMHC, there were 5,023 housing starts in 2017 compared with 4,866 in 2018, attributable to a dip in single and semi-detached homes. CMHC's 2017 Housing Market Outlook for Winnipeg noted that the spike in housing starts in 2017 was a result of builders pulling permits in advance of the enactment of impact fees. In particular, CMHC forecasted that this spike would result in less construction activity in 2018 followed by growth in 2019. Impact fee revenues have been robust and show that development activity has not collapsed; in fact, collected impact fee revenues were higher than forecast in 2017 and 2018, exceeding initial projections by $3.5 million.

Regina, Saskatchewan

Regina imposes Servicing Agreement Fees (SAFs) on greenfield development in outlying areas of the City. The SAFs are charged on a per hectare basis, totalling $442,000 per hectare for residential and commercial development and $147,333 for industrial development. These fees cover the cost of transportation, water, wastewater, parks and recreation, and administrative infrastructure expenses. Beginning October 2019, the City will start charging intensification levies on infill development that increases density within Regina's intensification boundary. The City determined that infill development levies were needed to fund growth-related infrastructure upgrades in existing areas. The levies will apply to intensification activities such as developing vacant lots, converting buildings to higher intensity uses, and increasing the number of units in a residential building. The rates will total $110 per square foot for office/commercial/institutional development, $50 per square foot for industrial development, $10,300 for a single-detached dwelling, and varying amounts for other type of residential unit types.

The imposition of new charges in Regina has so far been smooth. The City held extensive stakeholder consultations throughout 2018, creating three working groups and facilitated feedback sessions with the development community. As a result, development lobby groups such as the Regina & Region Home Builders' Association have supported the City's decision to impose new levies. In a letter to City Council, the Association noted that the consultation process was excellent and emphasized that the development community felt heard and listened to. The Association appreciates that the new levy treats developers and homebuyers in greenfield areas and infill areas equitably, and ensures that homebuyers in greenfield areas are not subsidizing the infrastructure needed for new intensification projects. However, some residents have expressed concern that new levies will slow the pace of development in the City, and worry that the levies will hinder Regina's target to have 30% of new population growth occur in established neighbourhoods. It stands to be seen how the levies will impact future development.

Calgary, Alberta

Calgary imposes off-site levies that fund off-site infrastructure such as water and wastewater, recreation centres, roads, police and fire stations, and libraries. In 2016 a new bylaw increased the greenfield off-site levy rates significantly, from a minimum of $287,000 per hectare in 2015 to $422,000 per hectare in 2016. The 2019 rates range from $454,200 to $499,800 per hectare depending on the defined benefitting area. In 2016, Calgary began imposing water and wastewater off-site levies on development in the established areas of the City, which were phased in over two years. The levies now range from $2,900 for a small apartment to $6,900 for a single detached unit. Commercial and industrial development in established areas are charged per-square metre rates of $40 and $19, respectively. The City gained buy-in from the development industry on the new levies by engaging in an in-depth and prolonged consultation period, which included workshops, technical working committees, and numerous Council presentations. Letters in support of the levies were submitted by the Canadian Home Builders' Association – Calgary Region and the Calgary Commercial Real Estate Development Association.

It is difficult to quantify the impact of charges on Calgary's development activity, as the region has been experiencing economic turmoil due to an oil and gas price downturn. There has been anecdotal evidence that development in the City is recovering from the worst of the downturn. For instance, City Council approved 14 new suburban communities in 2018 that aim to add more than 18,000 single-family homes and 9,000 multi-family units in greenfield areas. A CBC news investigation found that there were 88 condominium construction sites across the City in mid-2018, including 65 sites (totalling 3,829 units) within the established areas. In contrast, CMHC's 2018 Housing Market Assessment warned that Calgary was at risk of overbuilding the new housing supply, as unsold inventories have been growing since 2014.

York Region, Ontario

York Region increased its development charges in 2017 and then again in 2018 in order to fund roads-related infrastructure. For a single-detached house, the development charge increased from $42,600 to $48,100 in 2017, then increased to $57,500 with the 2018 by-law amendment. When these Regional rate increases are viewed in conjunction with lower-tier municipal development charges, several York Region municipalities have the highest combined development charges in the Greater Toronto Area (GTA), exceeding over $100,000 per single-detached unit in some instances. House prices are also relatively high, particularly in the southern municipalities that border the City of Toronto, which is a result of the competitive GTA housing market and consumer demand to live near York Region's transit, employment, and cultural hubs. However, house sales and prices have been levelling off or falling recently throughout the GTA with the introduction of stricter mortgage rules and higher interest rates.

Nonetheless, the Region's 2018 Mid-Year Development Activity Summary found that there was strong development activity in the first part of 2018 and expected to see continued growth in the second half of the year. Development, particularly in ground-related housing, is booming in York Region due to a confluence of factors, including the ample availability of serviced land, population growth, and the growing number of employment centres across the Region. According to CMHC, York Region saw 7,270 housing starts in 2018, far outpacing Halton Region and Peel Region; starts included nearly 2,400 new single and semi-detached houses and almost 1,700 rows. Despite the new higher charges, it does not appear as though the high cost of housing and development in York Region has had a significant impact on either housing demand or supply.

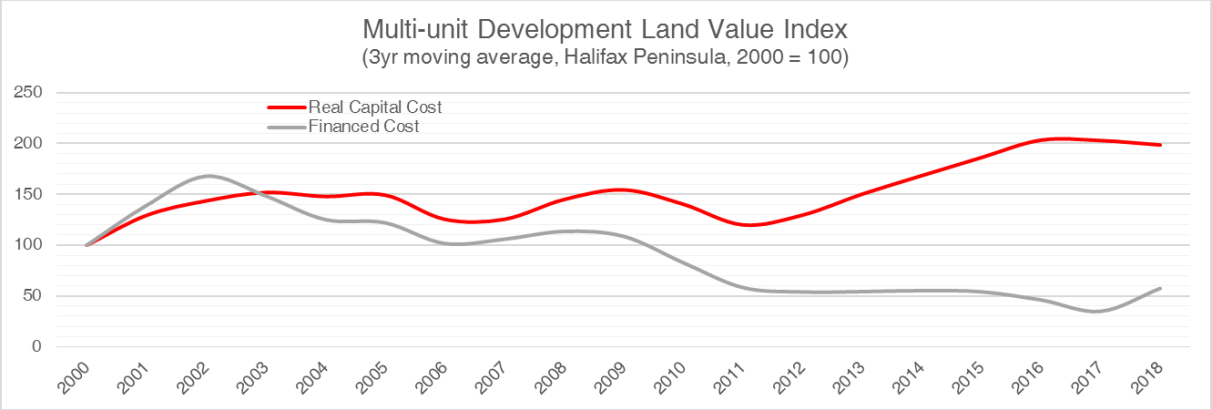
PRO FORMA ANALYSIS

The impact of new costs on municipal development outcomes is a function of its influence on the balance of supply and demand. This is, in part, the result of how the new costs impact site-specific development economics, and the degree to which developers and builders can to modify their project metrics and successfully maintain the overall supply of new development.

Land Values can Capitalise Development Cost Effects

Land values are central to the understanding of how new costs result in changes to overall development feasibility. As they are variable within the urban development context, they have the ability to adjust to either offset a negative cost change (such as increased municipal fees) as well as consume a positive cost change (such as a reduction in interest rates). They tend to capture or release "residual value" in a project in order to maintain feasibility. This is not merely a theoretical economic framework, it is behaviour demonstrated by market data.

The chart below shows indexed trends in the market value of urban development land per buildable residential unit, based on actual sales data for the Halifax Peninsula. These values are shown based on inflation adjusted capital cost (the sticker price of the purchase), as well as the financed cost (the mortgage interest on the purchase price at prevailing interest rates).



(Source: Bank of Canada, Turner Drake)

Of interest is the mirrored pattern observed from 2011 onward. As financing rates collapsed following the 2009 recession, the effective carrying cost of development land was significantly reduced. As this coincided with an increase in demand for housing in the urban core, competition between developers to secure new development sites resulted in an up-bidding of land prices. Thus, a significant cost savings opportunity in the form of diminished financing costs was capitalised into land values in the years following the shock. More recently, as interest rates have begun to rise again, there is also evidence of this cost increase being capitalised, resulting in a stabilisation and slight decline of capital values.

Land values adjust to negate windfall gains; because financing rates are roughly 1/3rd of their pre-recession level, developers today have to pay roughly $20,000 more per unit for development land in the core. Similarly, land values can also decrease in a rising cost environment where the need to maintain project feasibility places downward pressure. These results unfold over time and are the result of aggregate market activity, they are not necessarily obvious on a case-by-case basis

The impact of cost changes on project feasibility is ultimately a question of whether the resulting residual land value maintains a price point sufficiently high enough to allow developers to secure new project sites and maintain the overall supply of new housing.

MODELLING APPROACH

Using a land residual value approach, we have explored the sensitivity of various residential development scenarios using simplified pro forma budgets to illustrate the magnitude of change created by the introduction of new costs, and compare the residual land value with current market conditions to understand probable impacts for development feasibility. These have been developed using reasonable rules of thumb and Halifax-specific market figures where available/required. As such, they are a basic project analysis that provides a context for the effects of adding new costs. The objective of this analysis is not necessarily to determine with certainty where the point of project feasibility lies, though some insights may be gained in this regard. Instead, it is to compare the magnitude of change relative to base-case scenarios draw some broad conclusions from the findings.

For situations where density bonusing is applicable, we have modelled the land use bylaw and new cost impacts separately, and then combined. Given the simultaneous implementation of these changes, there is a need to disentangle the density bonusing effects from the broader impacts of the Centre Plan with respect to the shifting of development yields relative to current market expectations.

SCENARIO DESCRIPTIONS & RESULTS

The subdivision scenarios are modelled on an industry structure that includes separate pre-development land owners, master land developers that purchase the raw land, subdivide lots and install local roads and services, and home builders who purchase building lots and construct homes which are then sold to the market. In this model, revenues come from the proceeds of sales at each of these steps. In contrast, the apartment scenarios reflect an industry structure where a single developer acquires a site, designs, builds, and operates the rental property over the long term. The developer revenues in this instance are taken as the capitalised value of the income generated by the building (i.e. the market value of the complete, fully leased building).

The pro forma budgets greatly simplify the expense and revenue inputs. This approach makes the following assumptions:

- Hard Costs are based on a per ft.² floor estimate and include all construction and site work. These are further modified to include contingency and escalation factors that account for underground parking where applicable. Where underground parking is not provided, building areas are adjusted to account for a basement level.
- Soft Costs are a flat percentage of the hard cost budget, and are inclusive of all development expenses including any existing direct government costs, as well as marketing and financing costs.
- In the apartment building scenarios, soft costs are maintained at the pre-Centre Plan levels. This is a conservative assumption as it does not reflect the anticipated benefits associated with improved approval processes under the Centre Plan.
- Apartment projects require a 10% profit margin (difference between total revenues and expenses) to meet financial feasibility. Subdivision projects require lower margins for builders (5%) and higher margins for developers (30% for serviced and 20% for unserviced) to account for differences in risk and timelines.
- New costs are included net of the difference of any existing costs that they replace (which are retained within soft cost assumptions).
- Subdivision raw land requirements are escalated from the lot area to account for roads and other undevelopable/saleable lands (+100% for serviced, +10% for unserviced)

Results are summarised below, full pro forma results are included in the appendix.

North End Growth Centre High Rise

This scenario model is based on an existing high rise apartment building that was recently developed under a Site Specific Plan Amendment and Development Agreement process. Under the Centre Plan, FAR limits have been increased to allow an additional 5,250m² of density compared to what was approved previously.

The net new costs added to the pro forma scenario consist of:

Increase in Applicable Planning Application Fees	$	440
Infrastructure Charges @ Urban Apartment Rate on 236 units	$	493,408
Density Bonusing @ $36.00 on 24,250m²	$	873,000
Total	**$**	**1,366,848**

Results

- Total new costs represented a 1.9% increase in the base-case development cost. Density bonusing requirements represented the majority of new costs.
- Costs alone would require a ~$5,700 (27%) reduction in land price per unit to be fully neutral to development feasibility.
- Additional density under the Centre Plan added significantly to project feasibility.
- Including both costs and zoning changes results in a net improvement to feasibility, increasing the maximum possible land value by 15%.

North End Corridor Mid-Rise

This scenario model is based on a proposed mid-rise apartment building located in proposed corridor area of the peninsula North End. It was brought forward in advance of the Centre Plan under a Site Specific Plan Amendment and Development Agreement process, but has not been approved. Under the Centre Plan, the estimated FAR based on built form requirements is lower than the density requested in the application, principally as a result of lowered building heights. This results in a reduction in building floor space of 532m² of density.

The net new costs added to the pro forma scenario consist of:

Increase in Applicable Planning Application Fees	$	440
Infrastructure Charges @ Urban Apartment Rate on 35 units	$	73,175
Density Bonusing @ $36.00 on 128m²	$	4,608
Total	**$**	**78,223**

Results

- Total new costs represented a 1.4% increase in the base-case development cost. Infrastructure charges represented the majority of new costs.
- Costs alone would require a ~$2,600 (8%) reduction in land price per unit to be fully neutral to development feasibility.
- The reduction in achievable density under the Centre Plan is significantly more impactful to project feasibility, requiring a 66% decrease in land price.
- Including both costs and zoning changes results in a dramatic reduction in maximum land values of 74%, new costs represent only 1/10th of this effect.

Suburban (Serviced) Subdivision

This scenario model is an archetype based on the Bedford West area. It consists of a small lot subdivision of 51 detached homes, which proceeds through a phased Development Agreement process involving Capital Cost Contributions, and requiring primary and secondary municipal services.

The net new costs added to the pro forma scenario consist of:

Increase in Planning & Subdivision Application Fees	$	4,200
Infrastructure Charges @ Suburban Detached Rate on 51 units	$	301,803
Density Bonusing (not applicable)	$	0
Total	**$**	**306,003**

Results

- Total new costs represented a 1.2% increase in the base-case total development cost. Infrastructure charges represented the majority of new costs.
- This requires a ~$50,000 (26%) reduction in the maximum price of raw land per hectare to be fully neutral to development feasibility.

Rural (Unserviced) Subdivision
This scenario model is an archetype based on development activity in the Beaver Bank area. It consists of large lot subdivision of 25 detached homes, which proceeds through as-of-right subdivision applications, and utilises on-site services.

The net new costs added to the pro forma scenario consist of:

Increase in Planning & Subdivision Application Fees	$	360
Infrastructure Charges @ Suburban Detached Rate on 25 units	$	124,668
Density Bonusing (not applicable)	$	0
Total	**$**	**125,028**

Results

- Total new costs represented a 1.2% increase in the base-case total development cost. Infrastructure charges represented the majority of new costs.
- This requires a ~$5,500 (26%) reduction in the maximum price of raw land per hectare to be fully neutral to development feasibility.

INSIGHTS FROM MODELLING

- In all cases, the new costs represented a small proportionate increase to the overall cost base of the project.

- With the exception of very large apartment buildings, infrastructure charges will likely represent the largest single new cost factor, by far. The IC amounts being considered for implementation are much smaller than the maximum calculated charges examined in the Phase III report of the IC background study. The discussion and findings of that report (including adjustments other than land values) are applicable to the combined total of the three new costs examined here.

- Subdivision development land values tend to show high sensitivity to the new costs. However, raw land for new subdivisions also tends to have few competing uses, and selling to a developer at a lower price will often remain the best option available to current landowners. Rural subdivision contexts in particular will have a greater ability to offset the impact via lower land values as there is a larger supply of raw land. Suburban subdivision contexts may experience less capacity as HRM's suburban expansion is more tightly controlled and limited to a few places at a time, giving pre-development land owners greater bargaining power.

- Large urban development will be more likely to retain feasibility, and in many cases may experience an increase in feasibility as a result of increased development potential. Even if no additional density is provided under the Centre Plan, large projects will likely stand a good chance of maintaining feasibility with lower land values because the sheer scale of the project will make it likely that a lower land price will still represent an attractive bid. The modelled 27% reduction would roughly equate to resetting development land values back to 2014/2015 price levels.

- Compared to the large scale projects, midrise corridor buildings will be the far more challenging under the Centre Plan. These are predominantly located in areas that have existing residential uses with good potential to be a higher valued use. Though the new costs do not help, the basic development regulations and limits on intensity of development will be the deciding factor as to whether a project is feasible; it is likely to be a rare occurrence where the imposition of the new costs would tip the balance. The ability of developers to buy existing properties in corridors to assemble sites for these projects will be inconsistent, and very location-specific.

- In areas of the regional centre where development interest already exists, density bonusing likely starts at a low threshold relative to what the market is already anticipating. Thus, it is unlikely that any real "bonus" will be experienced by these properties except in the instances of very high development intensity. However, the value of public benefit required by the program is low, and therefore its cost impact is limited. The substance of the Centre Plan itself, by way of the changes in built form, land use, and approval process, will in most cases dictate whether development projects are feasible or not.

DISCUSSION

EFFECT ON DEVELOPMENT TRENDS

The literature and case studies suggest that these new costs are unlikely to result in changes to the overall pace of development, as well as the "leakage" of development to outside areas where the new costs are not applied.

There is stronger potential for new costs to result in shifts within local development trends in terms of the location, mix, and tenure of projects that are delivered. This is the product of how costs vary across a municipality with respect to the location and type of development they are applied to. All else being equal, the focus should shift more towards development that experiences comparatively lower burdens of direct costs; typically higher density development forms which have lower unitised capital infrastructure requirements.

However, all else is not equal. Considering the modest level of the new costs, as well as degree of variation within them, it is likely that whatever influence they may exert will generally be overwhelmed by broader market forces and the overall municipal approach to land use regulation.

Housing Affordability

The outcome of new costs for affordability of housing is a particular area of concern from the municipal perspective.

Most studies that examine the price effect of new development costs (typically focussed on infrastructure charges) find housing prices tend to rise following the imposition of these costs, though the relationship is more complicated than a direct pass-forward of costs from developers to end buyers and renters, escalated by profit margins and taxes along the way. Studies that attempt to analyse market segments within the overall result often find that the price impact varies by home size and quality, with larger impacts focussed on higher-end homes, while smaller and lower quality housing may demonstrate no or low price escalation (Mathur et. al., 2004, Burge and Ihlanfeldt, 2006).

These results are consistent with the price-taker view of developers and builders in that the ability to pass forward costs to the end market is limited by the willingness of the market to pay. This means that competition within the market, and the balance of market power dictates the degree to which cost changes are incident on land values or market prices. Again, this comes back to the broader matter of supply and demand within the market; what alternatives do consumers have to choose from, and what options do landowners have other than to sell properties to developers at prices that maintain development feasibility?

Further complicating the picture, increased prices as a result of new costs can be indicative of a benefit recognised by end users. Again, in studies on infrastructure charges, there is often a relationship observed between the price increase in housing, and the property tax savings that result from the use of these alternative revenue sources. In other words, home values capitalise some portion of indirect benefits, such as higher quality public infrastructure and lower tax rates; the latter being an option for turning the expense from a liability to an asset. This can only happen if the demand-side of the market is willing to pay more because they value the outcomes generated by the new costs.

Ultimately, while it can be expected that new costs will result in some increase in housing prices in HRM, the overall magnitude of the impact Is likely to be small, and over time development land prices will likely adjust to offset the portion of cost increases which are not driven by the benefits received by households for which they are willing to pay. Overall, municipal control of housing supply via land use policy and regulation, as well as macro factors like population and job growth which dictate demand, will broadly determine whether HRM maintains an affordable housing market.

MONITORING THE IMPACT FEES

Intuitively, it may seem that a decision regarding whether to introduce or increase costs on development can be based on an analysis which identifies a critical threshold. Below this cost threshold, impacts are tolerable and conditions in the industry are stable, and above, the Municipality can expect negative outcomes which overcome the benefit of increased costs. In other words, a matter of determining the 'right' number to implement.

However, given the true complexity of the system these cost changes are introduced into, it must be recognised that beyond being difficult to identify this threshold, such a threshold likely does not exist; the introduction of the costs themselves alters the basis for the analysis. Prudently implementing new costs on development to avoid unintended negative outcomes for housing supply, job creation, and other broad municipal policy goals is not an exercise in identifying the boundary between “right” and ”wrong” cost levels. It is not so much a math problem as a management challenge.

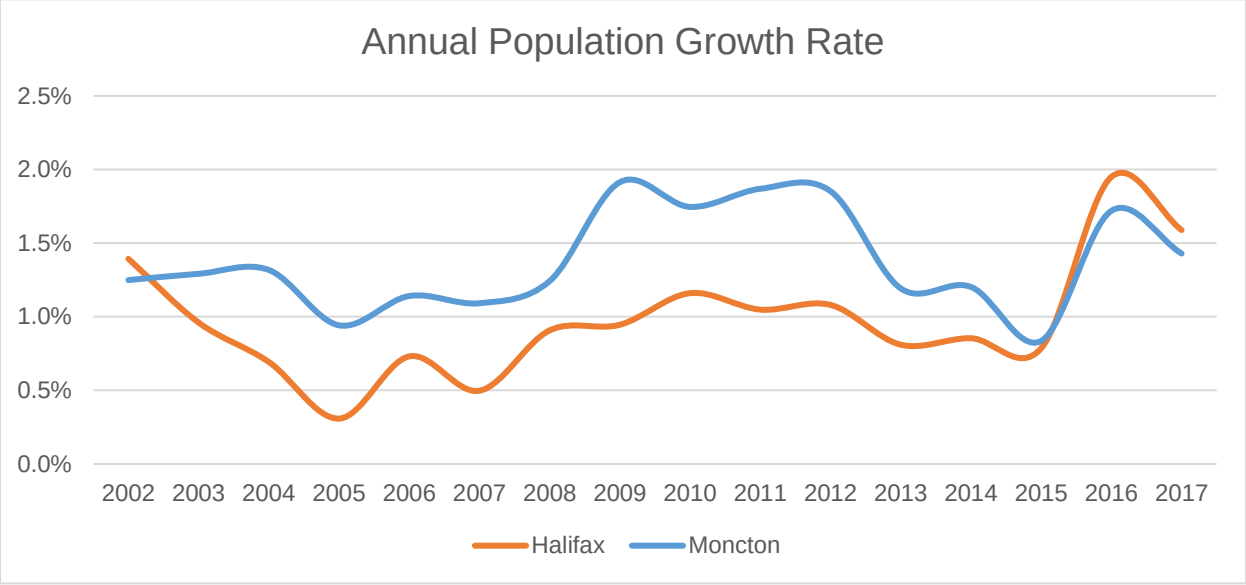
Understanding and accepting the limited ability to model and predict the outcomes created by introducing comparatively small cost impacts, a rational approach would be to supplement a broad analysis of the reasonableness of the changes (i.e. confirm that the municipality is not treading into truly untested waters that bears detailed analysis) with an ongoing effort to monitor development trends following implementation to evaluate what, if any, outcome was created.

Recognising the limited ability to discern the outcome of implementing new costs within the system itself, it would be prudent to gauge the impact in HRM against a comparator municipality that does not introduce fees to help identify broadly negative outcomes that may warrant an examination of the municipality’s cost structure.

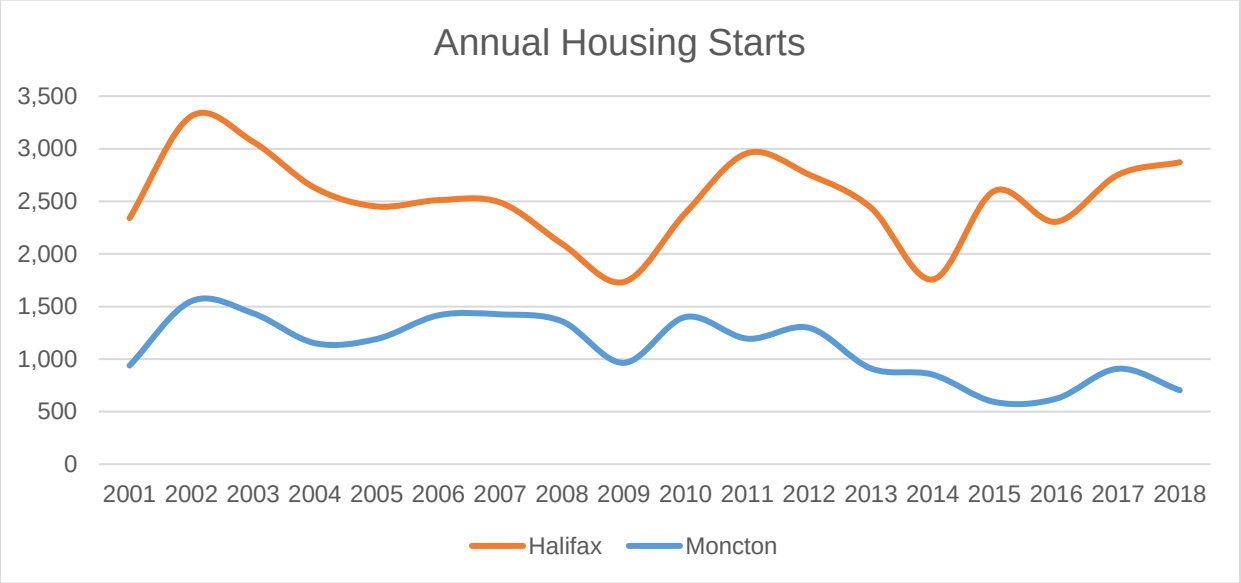
In order to measure the impact, HRM could consider comparing itself against Moncton, New Brunswick. The following analysis shows that Moncton has a roughly comparable rate of development, housing price, and population change as HRM. Both cities are mid-sized regional centers located in Atlantic Provinces, and both have seen gentle population growth, strong house price growth, and have followed the same trends with respect to housing starts and completions over the past fifteen years. Moncton could, in essence, serve as a “control group”. If HRM implements new costs and sees changes in its level of development, house prices, or land values, it could compare those variables against what is happening in Moncton, where no shock occurred.

Comparison of Historical Indicators

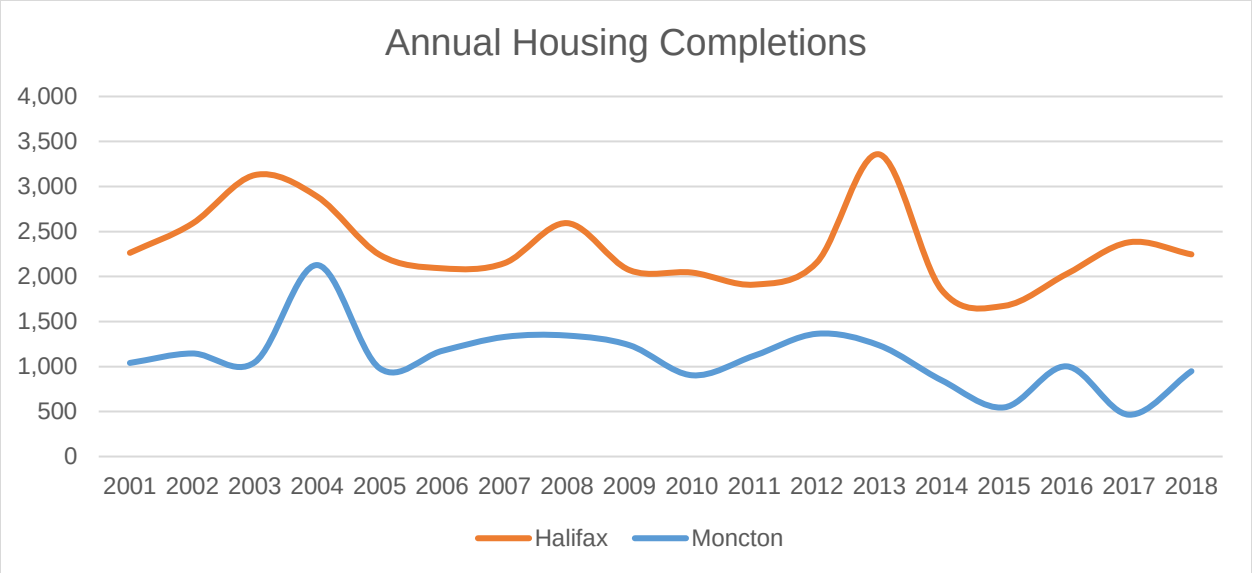
According to Statistics Canada population data, Moncton and HRM have seen roughly similar population growth rates over the past fifteen years: slowing growth in the early 2000s, higher population growth between 2005 and 2009, and sharply spiking growth rates in 2016.



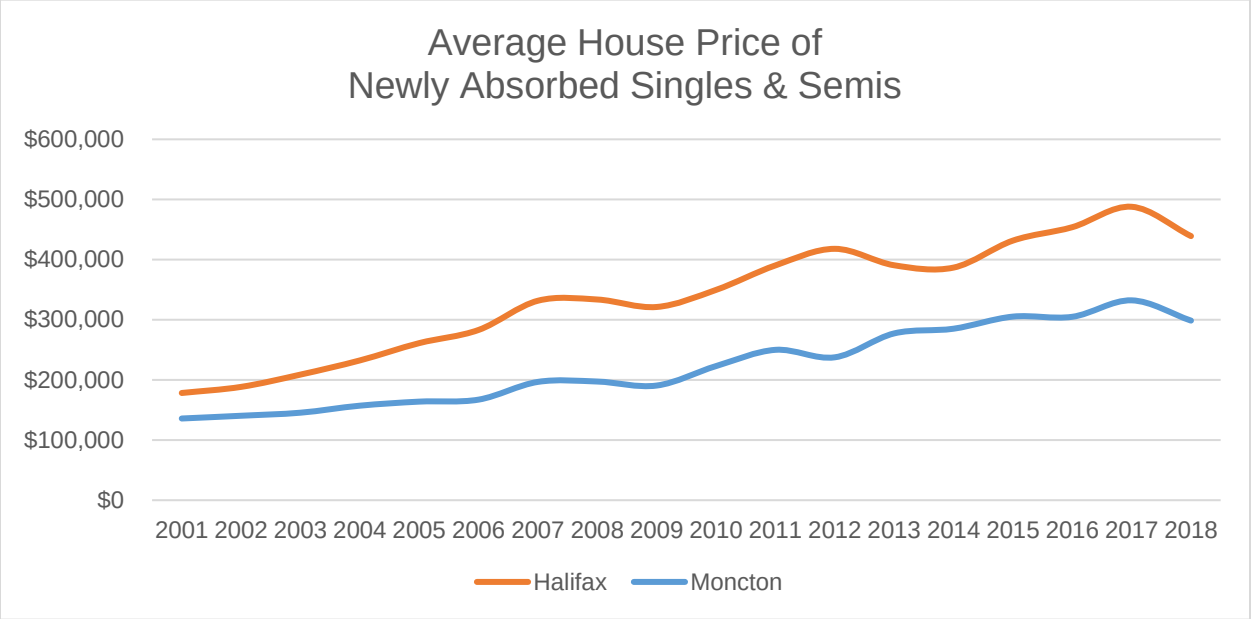
Since 2001, HRM and Moncton have seen similar patterns in housing starts and completions according to CMHC data. Though Moncton has a lower absolute level in housing starts, both municipalities experienced recessionary dips in 2009, post-recession recoveries, and prolonged slow-downs during the 2011 to 2014 period. Only recently have their paths diverged, with strong housing start growth in HRM while Moncton has yet to see significant growth.



Similar patterns can be found in the housing completion data. Moncton and HRM building activity appear to spike and fall in unison, evidence that their levels of development may be influenced by similar regional factors.



Lastly, newly absorbed single and semi-detached house prices in Moncton and HRM follow a similar trend. Although Halifax has seen slightly higher average annual price growth of 5.4% versus Moncton's 4.7%, the graph below shows that both municipalities have seen roughly similar patterns of growth between 2001 and 2017. Both municipalities experienced price dips in 2009 and 2018.



Other Potential Indicators

Another potential indicator that could be used as a benchmark is lot prices. Tracking the price of land in both municipalities may indicate if increased development fees have a significant effect on development by lowering the price of land in Halifax. Such data is not widely available; however, this information can be supplied by private firms that track and catalogue lot and land price data.

Comparison of Existing Fees

Potentially using Moncton as a comparative benchmark should be done with an understanding of the current government-imposed costs, and the differences between. Moncton does not levy connection charges or infrastructure charges, but does impose similar building permit and development permit fees as HRM. Because Moncton does not levy infrastructure charges, it would be a good comparator. Because HRM and Moncton share a regional economy and track closely in many indicators, one of the only major differences between them is the existence of infrastructure charges. If market indicators in HRM show significant shocks to development rates or house prices where Moncton does not, it could be an indication of the impact of infrastructure charges.

Fee	Halifax	Moncton
Building Permit	$5.50 per $1,000 of the total estimated cost of the proposed work $25 minimum fee	$7.00 per $1,000 of the total estimated cost of the proposed work $25 minimum fee
Demolition Permit	$50	$25
Development Permit	$100 to $250	$35 to $100
Occupancy Permit	$100	
Planning Application Fees	Major: $1,100 Intermediate: $330 Minor: $330	
Plumbing Fees	$25 to $50	$50 plus $30 for each fixture to be installed
Regional Development Charges – Wastewater	Residential: $2,740.84 to $4,080.80 Non-residential: $2.24/sq.ft.	
Regional Development Charges – Water	Residential: $122.83 to $182.88 per unit Non-residential: $0.99/sq.ft.	

Fee	Halifax	Moncton
Rezoning Application		$2,750 plus a $1,000 deposit
Site Plan Applications	$770, only in Downtown Halifax for substantive applications	
Solid Waste Charge	Residential: $248.29 per unit Non-residential: $0.18/sq.ft.	
Subdivision Chlorination Fee		$600
Subdivision Inspection Fee		$600
Subdivision Fees	Application Fee: $250 to $1,500 depending on number of lots	Application Fee: $350 to $500 Subdivision Agreement: $1,000 Lot Fee: $250 per parcel
Variances	$500, of which $300 is refundable	
Zoning Confirmation Letter	$100	$125

(Sources: Halifax Regional Municipality, Construction Permits: Making an Application and Fees, August 2016; Halifax Regional Municipality, Administrative Order 15 Respecting License, Permit and Processing Fees, ss. 1 and 23; City of Moncton, By-Law Z-302 Relating to the Subdivision of Lands in the City of Moncton, s.7; City of Moncton, By-Law Z-213 Zoning Bylaw, ss. 10(1), 15(1), and 17(1); City of Moncton, 2017 Subdivision Development Procedures, Standards and Guidelines, January 2, 2017.)

CONCLUSIONS

Magnitude of New Costs

Application Fee Changes

- In our opinion, the fee changes currently proposed for implementation are vanishingly small in comparison to the total cost base of a typical development project. They are also minor in comparison to the magnitude of fee changes identified in the background report for achieving full process cost recovery, so there should not be a concern from the developer's perspective that this action is placing the burden of perceived municipal inefficiencies on new development. If fees were to be increased closer to their "full recovery" level, it would be important to demonstrate that those municipal cost bases are reasonable.

- The fact that the current application fees have been static since 1999 means they have actually become less impactful over time. The first 47% of rate increase over existing would actually just correct for inflation, bringing the new fees back up to their initial level.

- The speed, risk, and transparency of application processes are far more influential factors in affecting the cost of development. Given the fluidity of the development context, and the cyclical nature of the industry, the ability to anticipate and control project timing is extremely important for success. In our experience, developers are often more than willing to pay additional fees if they recognize the cost as delivering value in the form of predictability or expediency. It is often cheaper from a project budget perspective to pay upfront for offsite capital upgrades, for example, rather than wait for public utilities to undertake projects at their own discretion, as the timing and pace may not work for the needs of the development project. Similarly, costs such as density bonusing may be well accepted if their implementation comes as part of reforms which significantly reduce the length and variability of municipal development processes.

Infrastructure Charges

- The proposed Infrastructure Charges are likely to be the most significant of the three new costs being considered by HRM for the majority of future development projects. Only in the case of large urban redevelopment projects is this cost likely to be exceeded by density bonusing requirements.

- The impact of Infrastructure Charges was already examined in the Phase III report of the Infrastructure Charges Implementation Study, based on a significantly higher "maximum calculated" charge amount. Based on those findings, a number of discounts were suggested to the maximum base charge.

- The charge amounts that are proposed for implementation thus are already reflective of concerns over the impact of the full base charge amounts and represent a cautious approach.

Density Bonusing

- The currently proposed implementation of density bonusing in the Regional Centre has been significantly discounted. Based on the calculation method developed by HRM for the draft Centre Plan, the public benefit required should only cost 12% of the bonus value created, compared to the 67% figure suggested in the original background study.

- However, the true cost to development is also a function of zoning changes that will be adopted alongside the density bonusing framework. Unlike the broadly uniform changes proposed for the other costs, this will be far more variable between locations. In this regard, the impact of the density bonus "cost" is much smaller than the impact of the zoning changes that accompany it, and thus negative impacts are really a matter of how the Centre Plan itself allocates and reallocates development potential relative to the status quo. This will diminish after the near-term transition to the new development paradigm created by the Centre Plan itself.

- The effective cost of the bonus rates proposed are either roughly in-line with, or significantly lower than, the rate adopted in 2009 when density bonusing was introduced in the Downtown Halifax Secondary Plan Area. This existing program has been widely recognised as having a low bonus rate, and experience to date does not suggest it caused any negative outcomes. We note that this program also had a much higher threshold of development yield before density bonusing requirements kicked in.

Combined Total Cost

- With the exception of large urban projects, the combined total of the new costs will only be marginally higher than the cost of infrastructure charges alone, and together represent a small proportion of a project's total cost base. This combined cost is comfortably within the range of typical fees levied on development by similar municipalities across Canada.

Outcomes of New Costs

With respect to the broad economic health of the Halifax Region in terms of jobs, earnings, GDP, and the overall pace of development, we believe the new costs being considered by HRM do not pose a risk of negative outcomes. HRM has a strong and diversified economy, generally high levels of family income, and much more affordable housing market conditions compared to many jurisdictions across the country which have implemented similar or larger costs on development.

The experiences of these jurisdiction, as well as the findings of academic study on government imposed costs, suggest that little, if any, negative outcomes at the broad, macro-level will be created by the new costs as they are comparatively modest and will become largely capitalised into lower development land values over time. At the macro level, the overall demand for real estate development as a product of economic and demographic growth, and the Municipality's direct control over supply via land use regulation are what will decide outcomes.

Similarly, we believe the influence of the new costs will be low with regards to how they might influence patterns of development within the local context, shifting location, type, and tenure. We anticipate that the new costs will principally result in new revenue to the Municipality, with little discernable impact on trends within the local development industry.

Sensitive Cases

Smaller urban projects that have more direct price competition with existing housing for land will by nature be more sensitive to the imposition of new costs. The Municipality should monitor development trends for midrise housing throughout the Centre Plan after its adoption to see where and how these typologies are delivered by the industry, and if in the quantity desired. If development is falling short of expectations, however, this will likely be due to the built form regulations themselves rather than the new costs.

In addition to the market-rate development projects that are more sensitive to new costs, HRM should keep in mind the fact that some real estate development is not undertaken by the industry, and will likely be more sensitive to new costs for both economic, as well as emotional reasons. In particular, "invisible density" type projects, such as accessory dwelling units, in-law suites, etc., are often undertaken with a less sophisticated understanding of development economics, or for other reasons such as familial need. In these cases, the imposition of the new costs, Infrastructure Charges in particular, may have a disproportionate impact as they are more likely to affect private household finances rather than development project pro formas.

Finally, non-market projects, such as social/affordable housing or heritage conservation, generally rely already on some manner of subsidy and are thus 100% sensitive to any new costs. The Municipality should continue to consider instances such as these for exemptions to all manner of municipal costs if doing so is aligned with social or cultural policy goals.

Implementation & Maintenance

The background studies for both the Application Fee Review and Infrastructure Charges identified the importance of proper implementation of cost changes to mitigate potential negative impacts. How these changes are made is potentially as important as the magnitude of the changes themselves.

Considering the variability and magnitude of changes in other factors that affect development (land costs, construction costs, capital markets, etc.), it is evident that the industry constantly grapples with a shifting context of impact factors, many of which are more significant than the magnitude of new costs being considered by HRM. Phasing-in changes to costs, and clearly communicating this process will be a valuable strategy for minimising negative impacts.

In addition to the first implementation, the general approach to reviewing and adjusting municipal costs on development can be designed to assist the development industry. The more that fee reviews become a regular, transparent, and incremental course of business, as opposed to larger changes implemented decades apart, the better the industry will be able to adapt and plan for them over the course of their projects.

Overall

This report is intended to provide a further level of due diligence in evaluating whether the implementation of proposed new costs risk creating significant, undesirable outcomes for the Municipality that would give reason to consider delaying or further changing the new costs themselves.

While it is recognised that they have an impact, the sum total of new costs being considered are within reason and generally align with what has been implemented in other jurisdictions. They present a low risk in terms of creating negative material outcomes in both the overall performance of the development industry, and broader trends in the region.

Given the ultimate uncertainty in predicting the outcomes these new costs may produce, a further risk-management strategy for the Municipality would be to implement these changes over time, and critically, monitor trends after their implementation. This will allow the Municipality to determine whether reality is unfolding as expected, and if not, deal with issues proactively.

CERTIFICATION

Re: Analysis of Effect of Changes Associated with Permit Fees, Infrastructure Charges, and Density Bonusing on HRM

I certify that, to the best of my knowledge and belief:

the statements of fact contained in this report are true and correct;

the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions;

I have no present or prospective material interest in the topics that are the subject of this report, and no personal interest with respect to the parties involved;

I have no bias with respect to the topics that are the subject of this report or to the parties involved with this assignment;

my engagement in this assignment was not contingent upon developing or reporting predetermined results;

my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined outcome that favours the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report;

my analyses, opinions, and conclusions were developed in compliance with the standards and ethics of the professional bodies of which I am a member;

no significant professional assistance to the person signing this report was provided by anyone except: Lee Weatherby, Jackie Hall, and Jenny Wedesky.

17th April 2019
Date

[redacted]

NEIL R. LOVITT, MCIP CPT

APPENDICES

FULL LIST OF COSTS

Cost Type	Existing Cost	Maximum Calculated Cost	Cost Suggested for Implementation	Change Over Existing
Municipal Strategy Amendments, Rezoning, Planning Applications				
Pre-Planning Application	$330.00	$1,230.00	$500.00	$170.00
Dev. Agreement (Incl. PAC)	$1,100.00	$20,140.00	$4,520.00	$3,420.00
M. Planning Strategy Amend. + Dev. Agreement (inc PAC)	$1,100.00	$21,210.00	$4,760.00	$3,660.00
Land Use By-law Amendment (incl PAC)	$330.00	$15,340.00	$3,100.00	$2,770.00
M. Planning Strategy Amend. + LUB (Incl. PAC)	$1,100.00	$16,410.00	$3,950.00	$2,850.00
Intermeditate Planning	$330.00	$21,220.00	$4,140.00	$3,810.00
Discharge Dev. Agreement or Non-Substantive Amendments to Major Applications	$330.00	$14,640.00	$2,880.00	$2,550.00
Variances and Site Plans - Minor Variances				
Variance	$200.00	$920.00	$330.00	$130.00
Variance if Appealed	$500.00	$2,160.00	$830.00	$330.00
Downtown Substantive Site Plan	$770.00	$4,780.00	$1,540.00	$770.00
Development Permits - also Referred to as Small and Major Development Permits As-of-Rights				
Development Permit Low Density	$100.00	$550.00	$190.00	$90.00
Development Permit Low Density Engineering	N/A	$1,660.00	$170.00	$170.00
Development Permit MICI	$250.00	$1,250.00	$440.00	$190.00
Development Permit - Accessory Structures (including Decks)	$25.00	$60.00	$35.00	$10.00
Subdivisions				
Subdivision Concept	$250.00	$2,740.00	$610.00	$360.00
Subdivision Tentative	$250.00	$1,740.00	$410.00	$160.00
Subdivision Final Infills	$250.00	$1,370.00	$460.00	$210.00
Subdivision Final New Infrastructure				
up to 10 lots	$250.00	$0.00	$0.00	-$250.00
up to 20 lots	$500.00	$0.00	$0.00	-$500.00
up to 50 lots	$1,000.00	$0.00	$0.00	-$1,000.00
over 50 lots	$1,500.00	$0.00	$0.00	-$1,500.00
Proposed Subdivision New Infrastructure				
Base Fee	N/A	$3,860.00	$500.00	$500.00
Per Unit Fee	N/A	$83.00	$20.00	$20.00
Max	N/A	$5,520.00	$5,000.00	$5,000.00
Repeal of a Final Plan of Subdivision	$250.00	$1,740.00	$410.00	$160.00
Amend Final Plan of Subdivision	$250.00	$1,740.00	$410.00	$160.00
Civic Naming and Numbering				
New Civic Number	$0.00	$0.00	$0.00	$0.00
Change Civic Number	$300.00	$930.00	$350.00	$50.00
New Civic Name	$0.00	$750.00	$0.00	$0.00
Change Civic Name	$2,000.00	$2,030.00	$1,870.00	-$130.00
Sign Fees				
Projection Signs	$0.00	$660.00	$460.00	$460.00
Roof Signs	$0.00	$80.00	$50.00	$50.00
Ground Signs	$0.00	$190.00	$70.00	$70.00
Facia and Permanent Signs	$0.00	$300.00	$70.00	$70.00
Regional Infrastructure Charges (per unit, or as labeled)				
Urban Single & Semi	N/A	$6,388.00	$3,622.00	$3,622.00
Urban Row & Other	N/A	$5,915.00	$3,354.00	$3,354.00
Urban Apartment	N/A	$4,126.00	$2,339.00	$2,339.00
Suburban Single & Semi	N/A	$10,717.00	$6,166.00	$6,166.00
Suburban Row & Other	N/A	$9,331.00	$5,369.00	$5,369.00
Suburban Apartment	N/A	$6,874.00	$3,955.00	$3,955.00
Rural Single & Semi	N/A	$9,712.00	$5,235.00	$5,235.00
Rural Row & Other	N/A	$7,775.00	$4,191.00	$4,191.00
Rural Apartment	N/A	$6,934.00	$3,737.00	$3,737.00
Commercial, Retail, & Office (per m^2)	N/A	$32.20	$20.29	$20.29
Industrial (per m^2)	N/A	$12.16	$7.66	$7.66
Institutional (per m^2)	N/A	$14.03	$8.84	$8.84
Regional Solid Waste - Residential	$248.29	$0.00	$0.00	-$248.29
Regional Solid Waste - ICI (per m^2)	$1.94	$0.00	$0.00	-$1.94
Density Bonusing				
Cash or in-kind value per m^2 of floor space in excess of the first 2,000m^2 in Bonus Rate District:				
South End Halifax	N/A	$258.00	$51.60	$51.60
Cogswell Redevelopment Area	N/A	$258.00	$51.60	$51.60
North End Halifax	N/A	$180.00	$36.00	$36.00
Shannon Park	N/A	$132.00	$26.40	$26.40
North Dartmouth	N/A	$84.00	$16.80	$16.80
Downtown Dartmouth / Mic Mac + Penhorn Mall	N/A	$144.00	$28.80	$28.80
Woodside	N/A	$66.00	$13.20	$13.20

PRO FORMA MODELS

North End Growth Centre High Rise

Before

Site Area	m²		3,500
FAR			6.0
Building Area	m²		21,000
Coverage			65%
Footprint	m²		2,275
Efficiency			90%
Typical Unit Size	m²		100
Number of Units			189
Typical Unit Rent (monthly)		$	2,200
U/G Parking			Yes

Revenue

Gross Potential Income			$	4,989,600
Less Vacancy and Collection	@	3.00%	-$	149,688
Less Expenses	@	35.00%	-$	1,746,360
Net Operating Income			$	3,093,552
Market Capitalization Rate	@	5.00%		
Economic Value			**$**	**61,871,040**

Expenses

Hard Costs	@	$ 175.00	$	43,513,108
Soft Costs	@	20%	$	8,702,622
Minimum Return on Cost	@	10%	$	5,640,796
Total Development Cost			**$**	**56,230,244**

Maximum Viable Land Price		**$**	**4,014,514**
	per m² land	$	1,147
	per unit	$	21,241

After (Zoning Only)

Site Area	m²		3,500
FAR			7.5
Building Area	m²		26,250
Coverage			65%
Footprint	m²		2,275
Efficiency			90%
Typical Unit Size	m²		100
Number of Units			236
Typical Unit Rent (monthly)		$	2,200
U/G Parking			Yes

Revenue

Gross Potential Income			$	6,230,400
Less Vacancy and Collection	@	3.00%	-$	186,912
Less Expenses	@	35.00%	-$	2,180,640
Net Operating Income			$	3,862,848
Market Capitalization Rate	@	5.00%		
Economic Value			**$**	**77,256,960**

Expenses

Hard Costs	@	$ 175.00	$	54,391,385
Soft Costs	per Before		$	8,702,622
Minimum Return on Cost	@	10%	$	7,027,019
Total Development Cost			**$**	**70,229,941**

Maximum Viable Land Price		**$**	**7,135,935**
	per m² land	$	2,039
	per unit	$	30,237

After (Costs Only)

Site Area	m²		3,500
FAR			6.0
Building Area	m²		21,000
Coverage			65%
Footprint	m²		2,275
Efficiency			90%
Typical Unit Size	m²		100
Number of Units			189
Typical Unit Rent (monthly)		$	2,200
U/G Parking			Yes

Revenue

Gross Potential Income			$	4,989,600
Less Vacancy and Collection	@	3.00%	-$	149,688
Less Expenses	@	35.00%	-$	1,746,360
Net Operating Income			$	3,093,552
Market Capitalization Rate	@	5.00%		
Economic Value			**$**	**61,871,040**

Expenses

Hard Costs	@	$ 175.00	$	43,513,108
Soft Costs	per Before		$	8,702,622
Fee Increase			$	440
Infrastructure Charge	@	$ 2,091	$	395,144
Density Bonusing	@	$ 36.00	$	684,000
Minimum Return on Cost	@	10%	$	5,633,069
Total Development Cost			**$**	**56,237,971**

Maximum Viable Land Price		**$**	**2,942,657**
	per m² land	$	841
	per unit	$	15,570

After (Zoning + Costs)

Site Area	m²		3,500
FAR			7.5
Building Area	m²		26,250
Coverage			65%
Footprint	m²		2,275
Efficiency			90%
Typical Unit Size	m²		100
Number of Units			236
Typical Unit Rent (monthly)		$	2,200
U/G Parking			Yes

Revenue

Gross Potential Income			$	6,230,400
Less Vacancy and Collection	@	3.00%	-$	186,912
Less Expenses	@	35.00%	-$	2,180,640
Net Operating Income			$	3,862,848
Market Capitalization Rate	@	5.00%		
Economic Value			**$**	**77,256,960**

Expenses

Hard Costs	@	$ 175.00	$	54,391,385
Soft Costs	per Before		$	8,702,622
Fee Increase			$	440
Infrastructure Charge	@	$ 2,091	$	493,408
Density Bonusing	@	$ 36.00	$	873,000
Minimum Return on Cost	@	10%	$	7,035,425
Total Development Cost			**$**	**70,221,535**

Maximum Viable Land Price		**$**	**5,760,681**
	per m² land	$	1,646
	per unit	$	24,410

North End Corridor Mid-Rise

Before

Site Area	m²	760
FAR		3.5
Building Area	m²	2,660
Coverage		85%
Footprint	m²	646
Efficiency		85%
Typical Unit Size	m²	51
Number of Units		44
Typical Unit Rent (monthly)		$ 1,600
U/G Parking		

Revenue

Gross Potential Income			$ 844,800
Less Vacancy and Collection	@	3.00%	-$ 25,344
Less Expenses	@	35.00%	-$ 295,680
Net Operating Income			$ 523,776
Market Capitalization Rate	@	5.50%	
Economic Value			**$ 9,523,200**

Expenses

Hard Costs	@	$ 155.00	$ 6,067,326
Soft Costs	@	20%	$ 1,213,465
Minimum Return on Cost	@	10%	$ 869,259
Total Development Cost			**$ 8,653,941**

Maximum Viable Land Price		**$ 1,373,150**
	per m² land	$ 1,807
	per unit	$ 31,208

After (Zoning Only)

Site Area	m²	760
FAR		2.8
Building Area	m²	2,128
Coverage		100%
Footprint	m²	760
Efficiency		85%
Typical Unit Size	m²	51
Number of Units		35
Typical Unit Rent (monthly)		$ 1,600
U/G Parking		

Revenue

Gross Potential Income			$ 672,000
Less Vacancy and Collection	@	3.00%	-$ 20,160
Less Expenses	@	35.00%	-$ 235,200
Net Operating Income			$ 416,640
Market Capitalization Rate	@	5.50%	
Economic Value			**$ 7,575,273**

Expenses

Hard Costs	@	$ 155.00	$ 5,300,193
Soft Costs	per Before		$ 1,213,465
Minimum Return on Cost	@	10%	$ 688,573
Total Development Cost			**$ 6,886,699**

Maximum Viable Land Price		**$ 373,042**
	per m² land	$ 491
	per unit	$ 10,658

After (Costs Only)

Site Area	m²	760
FAR		3.5
Building Area	m²	2,660
Coverage		85%
Footprint	m²	646
Efficiency		85%
Typical Unit Size	m²	51
Number of Units		44
Typical Unit Rent (monthly)		$ 1,600
U/G Parking		-

Revenue

Gross Potential Income			$ 844,800
Less Vacancy and Collection	@	3.00%	-$ 25,344
Less Expenses	@	35.00%	-$ 295,680
Net Operating Income			$ 523,776
Market Capitalization Rate	@	5.50%	
Economic Value			**$ 9,523,200**

Expenses

Hard Costs	@	$ 155.00	$ 6,067,326
Soft Costs	per Before		$ 1,213,465
Fee Increase			$ 440
Infrastructure Charge	@	$ 2,091	$ 91,991
Density Bonusing	@	$ 36.00	$ 23,760
Minimum Return on Cost	@	10%	$ 868,134
Total Development Cost			**$ 8,655,066**

Maximum Viable Land Price		**$ 1,258,084**
	per m² land	$ 1,655
	per unit	$ 28,593

After (Zoning + Costs)

Site Area	m²	760
FAR		2.8
Building Area	m²	2,128
Coverage		100%
Footprint	m²	760
Efficiency		85%
Typical Unit Size	m²	51
Number of Units		35
Typical Unit Rent (monthly)		$ 1,600
U/G Parking		-

Revenue

Gross Potential Income			$ 672,000
Less Vacancy and Collection	@	3.00%	-$ 20,160
Less Expenses	@	35.00%	-$ 235,200
Net Operating Income			$ 416,640
Market Capitalization Rate	@	5.50%	
Economic Value			**$ 7,575,273**

Expenses

Hard Costs	@	$ 155.00	$ 5,300,193
Soft Costs	per Before		$ 1,213,465
Fee Increase			$ 440
Infrastructure Charge	@	$ 2,091	$ 73,175
Density Bonusing	@	$ 36.00	$ 4,608
Minimum Return on Cost	@	10%	$ 694,279
Total Development Cost			**$ 6,880,993**

Maximum Viable Land Price		**$ 289,113**
	per m² land	$ 380
	per unit	$ 8,260

Serviced Subdivision

Before

Building Lot Frontage	m		11.58
Lot Area	m²		465
Required Developed Land	ha		2.37
Required Raw Land	ha		4.74
Lot Yield	lots		51
Road Length	m		295.4
House Size	m² (LAG)		241.5
House Price		$	485,000

Builder Revenue

Total Home Sales			**$**	**24,735,000**

Builder Expense

Hard Costs (per ft² building)	@	$ 114.00	$	15,869,072
Soft Costs	@	15%	$	2,380,361
Minimum Return on Cost	@	5%	$	1,179,855
Maximum Lot Acquisition Cost		total	$	5,305,713
		per lot	*$*	*104,034*
Total Building Cost			**$**	**23,555,145**

Developer Revenue

Total Lot Sales			**$**	**5,305,713**

Developer Expense

Hard Costs (per lot)	@	$ 33,000	$	1,767,150
Soft Costs	@	80%	$	1,413,720
Minimum Return on Cost	@	30%	$	1,226,942
Total Development Cost			**$**	**4,078,772**

Maximum Viable Raw Land Price		**$**	**897,902**
	per ha	$	189,431
	per ac	$	76,660

After

Building Lot Frontage	m		11.58
Lot Area	m²		465
Required Developed Land	ha		2.37
Required Raw Land	ha		4.74
Lot Yield	lots		51
Road Length	m		295.4
House Size	m² (LAG)		241.5
House Price		$	485,000

Builder Revenue

Total Home Sales			**$**	**24,735,000**

Builder Expense

Hard Costs (per ft² building)	@	$ 114.00	$	15,869,072
Soft Costs	@	15%	$	2,380,361
Fee Increase			$	-
Infrastructure Charge		$ 5,918	$	301,803
Minimum Return on Cost	@	5%	$	1,181,111
Maximum Lot Acquisition Cost		total	$	5,002,653
		per lot	*$*	*98,091*
Total Building Cost			**$**	**23,553,889**

Developer Revenue

Total Lot Sales			**$**	**5,002,653**

Developer Expense

Hard Costs (per lot)	@	$ 33,000	$	1,767,150
Soft Costs	@	80%	$	1,413,720
Fee Increase			$	4,200
Infrastructure Charge		$ -	$	-
Minimum Return on Cost	@	30%	$	1,156,277
Total Development Cost			**$**	**3,846,376**

Maximum Viable Raw Land Price		**$**	**661,306**
	per ha	$	139,516
	per ac	$	56,460

Unserviced Subdivision

Before

Building Lot Frontage	m		50.00
Lot Area	ha		0.69
Required Developed Land	ha		17.25
Required Raw Land	ha		18.29
Lot Yield	lots		25
Road Length	m		625.0
House Size	m² (LAG)		200.0
House Price		$	420,000

Builder Revenue

Total Home Sales	**$**	**10,500,000**

Builder Expense

Hard Costs (per ft² building)	@	$ 130.00	$	7,346,369
Soft Costs	@	10%	$	734,637
Minimum Return on Cost	@	5%	$	501,729
Maximum Lot Acquisition Cost		total	$	1,917,265
		per lot	*$*	*76,691*
Total Building Cost			**$**	**9,998,271**

Developer Revenue

Total Lot Sales	**$**	**1,917,265**

Developer Expense

Hard Costs (per lot)	@	$ 37,000	$	971,250
Soft Costs	@	30%	$	291,375
Minimum Return on Cost	@	20%	$	320,604
Total Development Cost			**$**	**1,596,661**

Maximum Viable Raw Land Price		**$**	**334,036**
	per ha	$	18,268
	per ac	$	7,393

After

Building Lot Frontage	m		50.00
Lot Area	ha		0.69
Required Developed Land	ha		17.25
Required Raw Land	ha		18.29
Lot Yield	lots		25
Road Length	m		625.0
House Size	m² (LAG)		200.0
House Price		$	420,000

Builder Revenue

Total Home Sales	**$**	**10,500,000**

Builder Expense

Hard Costs (per ft² building)	@	$ 130.00	$	7,346,369
Soft Costs	@	10%	$	734,637
Fee Increase			$	-
Infrastructure Charge		$ 4,987	$	124,668
Minimum Return on Cost	@	5%	$	500,130
Maximum Lot Acquisition Cost		total	$	1,794,196
		per lot	*$*	*71,768*
Total Building Cost			**$**	**9,999,870**

Developer Revenue

Total Lot Sales	**$**	**1,794,196**

Developer Expense

Hard Costs (per lot)	@	$ 37,000	$	971,250
Soft Costs	@	30%	$	291,375
Fee Increase			$	360
Infrastructure Charge		$ -	$	-
Minimum Return on Cost	@	20%	$	299,061
Total Development Cost			**$**	**1,495,135**

Maximum Viable Raw Land Price		**$**	**232,150**
	per ha	$	12,696
	per ac	$	5,138

REFERENCE LIST

Burge, "The Capitalization Effects of Development Impact Fees: Commerical and Residential Land Values," *Lincoln Institute of Land Policy*, 2012.

Burge and Ihlanfeldt, "Impact Fees and Single-Family Home Construction," *Journal of Urban Economics*, Vol. 60, 2006.

Campbell and Alm, "Are Impact Fees a Deterrent to Development," *National Tax Association Annual Meeting Proceedings*, 2006.

Canada Mortgage and Housing Corporation, *Government-imposed Charges on New Housing in Canada*, January 2009

Canada Mortgage and Housing Corporation, *Government-imposed Charges on New Housing in Canada (2009)*, January 2010

Canada Mortgage and Housing Corporation, Housing Market Information Portal, accessed February 10, 2019.

Canada Mortgage and Housing Corporation, *Housing Market Assessment: Calgary CMA*, Second Quarter 2018.

Canada Mortgage and Housing Corporation, *Housing Market Outlook: Winnipeg CMA*, Fall 2017.

Canada Mortgage and Housing Corporation, *Levies, Fees, Charges and Taxes on New Housing: 2002*, January 2003

C.D. Howe Institute, *Through the Roof: The High Cost of Barriers to Building New Housing in Canadian Municipalities,* Commentary No. 513, May 2018

City of Moncton, By-Law Z-302 Relating to the Subdivision of Lands in the City of Moncton, s.7.

City of Moncton, By-Law Z-213 Zoning Bylaw, ss. 10(1), 15(1), and 17(1).

City of Moncton, 2017 Subdivision Development Procedures, Standards and Guidelines, January 2, 2017.

City of Regina, June 25, 2018 City Council Meeting, Communication CP18-3: Regina & Region Home Builders' Association: Policy Amendment to Charge for Intensification.

City of Toronto Executive Committee Report EX33.3, "Development Charges By-Law Review – Results of Additional Consultation," April 3, 2018, pp. 8-10.

City of Vancouver, *CAC Policy and Housing Affordability: Review for the City of Vancouver*, Coriolis Consulting Corp., June 2014.

City of Vancouver, *City of Vancouver City-wide DCL Rate Update: Evaluation of Potential Impacts on Urban Development*, Coriolis Consulting Corp., June 5, 2017.

City of Winnipeg, Winnipeg Building Permit Summary, November 15, 2018.

Cordato, Roy, "Economic Impact Studies: The Missing Ingredient is Economics", *John Locke Foundation Spotlight: 489,* March 2017.

Dechene, "Weed, Sprawl and Kids," *Prairie Dog Magazine*, July 2018.

Halifax Regional Municipality, Construction Permits: Making an Application and Fees, August 2016.

Halifax Regional Municipality, Administrative Order 15 Respecting License, Permit and Processing Fees, ss. 1 and 23

Hemson Consulting, *City of Toronto 2013 Development Charges Background Study*, June 17, 2013.

Hemson Consulting, *City of Toronto 2018 Development Charges Background Study*, August 9, 2018

Huntingford, "Cost of suburban growth is not a tax increase but an investment," *Calgary Herald*, November 28, 2018.

Jeong and Feiock, "Impact Fees, Growth Management, and Development," *Urban Affairs Review*, Vol. 41, No. 6, July 2006, pp. 749-768.

Lawhon, "Overcoming Potential Exclusivity Associated with Impact Fees: Loveland, Colorado's 30-Year Experience in Development Impact Fees," Journal of Architectural and Planning Research, Autumn 2015.

Mathur, S., Waddell, P., & Blanco, H. (2004). The Effect of Impact Fees on the Price of New Single-family Housing. Urban Studies, 41(7), 1303–1312.

Mayer and Somerville, "Land Use Regulation and New Construction," *Regional and Urban Economics*, 2000.

Nelson and Moody, "Paying for Prosperity: Impact Fees and Job Growth," *Brookings Institution Center on Urban and Metropolitan Policy*, June 2003.

Nowlan, "Economic Effects of the Calculated 2004 City of Toronto Development Charges," *August Trust Research Partnership*, May 2004.

Santin,"Revenue from impact fees rose to $12.4 million in 2018," *Winnipeg Free Press*, February 7, 2019.

Skaburskis and Qadeer, "An Empirical Estimation of the Price Effects of Development Impact Fees," Urban Studies, Vol. 29, No. 5, 1992.

Skidmore and Peddle, "Do Development Impact Fees Reduce the Rate of Residential Development," *Growth and Change*, Vol. 29, Issue 4, 2006.

Statistics Canada, Table 17-10-0078-01 (Annual demographic estimates by census metropolitan area), retrieved February 24, 2019.

White, "Why a whopping 6,500 condo units are being built in Calgary right now," *CBC News*, May 13, 2018.

White-Crummey, "City council ponders levies for infill development," *Regina Leader-Post*, June 13, 2018.

LITERATURE REVIEW OVERVIEW

Citation	Dep. Var.	Empirical Test	Jurisdiction and Timeframe	Finding
Jeong and Feiock, "Impact Fees, Growth Management, and Development," *Urban Affairs Review*, Vol. 41, No. 6, July 2006, pp. 749-768.	Job growth	Pooled time series cross-section analysis to estimate the economic consequences of impact fees.	66 Florida counties, 1991-2001	Job growth (2-year time lag) found to be positive after the adoption of impact fees. Statistically significant finding. Reasoning: fees help bind governments to their committed projects, reducing risk and uncertainty. Help guarantee capital projects, improving business climate, and make new development more acceptable to the public.
Nelson and Moody, "Paying for Prosperity: Impact Fees and Job Growth," *Brookings Institution Center on Urban and Metropolitan Policy*, June 2003.	Job growth	Panel data (cross-sectional and time-series) to estimate the number of new jobs based on impact fees per building permit	67 counties in Florida, 1993-1999	New jobs (two-year lag) found to be statistically significantly positively influenced by impact fee per building permit. Holds with several controls. Reasoning: impact fees spent on infrastructure can help boost job growth by meeting demands of growth. Impact fees imply planned growth, providing predictability for developers.
Skaburskis and Qadeer, "An Empirical Estimation of the Price Effects of Development Impact Fees," *Urban Studies*, Vol. 29, No. 5, 1992. [JSTOR]	Lot prices	Estimating the impact development charges had on sale prices of vacant lots	Vacant lots in Mississauga, Brampton, and Pickering; 1977-1986	Lot prices increase when impact fees increase by an amount roughly 20% greater than the fee, though result differs by location. Reasoning: increase in impact fees expected to delay development and increase lot prices by changing future land conversion costs.
Burge, "The Capitalization Effects of Development Impact Fees: Commerical and Residential Land Values," *Lincoln Institute of Land Policy*, 2012. [JSTOR]	Land prices	Panel data set of undeveloped land sale prices and county-level commercial and residential fees	61 counties in Florida, 1992-2009.	Residential impact fees drive higher sale prices in urban areas; not stat. significant. Commercial impact fees drive lower prices across urban and rural, stat. significant. Reasoning: fees create infrastructure, and lower residents' expectations of future millage rates. Lower the value of commercial land.
Lawhon, "Overcoming Potential Exclusivity Associated with Impact Fees: Loveland, Colorado's 30-Year Experience in fees Development Impact Fees," *Journal of Architectural and Planning Research*, Autumn 2015. [JSTOR]	Exclusivity	Analysis of covariance looking at demographic data to determine if impact fees make communities more exclusive (e.g. race and rental housing)	Four communities in Colorado, 1960-2010	Impact fee policy in one community did not make it more exclusive compared with 3 sample communities, measured by number of rental units per nonwhite residents and annual median family income. (Not statistical significantly different) Reasoning: impact fees appear not to make housing so unaffordable that communities become more exclusive
Campbell and Alm, "Are Impact Fees a Deterrent to Development," *National Tax Association Annual Meeting Proceedings*, 2006. [JSTOR]	Single Family Housing Permits	Fixed-effect panel data model to determine if impact fees result in more single-family building permits. Lagged impact fee variable.	34 Florida counties, 1990-2003.	No statistically significant relationship. Reasoning: Could cancel out: raise price of construction, lowering supply and increasing prices. But also hasten development approval process, and increase demand through anticipation of lower property tax rates and better services.

Citation	Dep. Var.	Empirical Test	Jurisdiction and Timeframe	Finding
Mayer and Somerville, "Land Use Regulation and New Construction," *Regional and Urban Economics*, 2000.	Housing starts	Regression analysis using housing start data (or building permit data)	44 US metropolitan areas, 1985-1996	No statistically significant relationship between starts and impact fees. Reasoning: increase construction costs, lowering starts, but not as influential as regulatory hurdles and delays.
Skidmore and Peddle, "Do Development Impact Fees Reduce the Rate of Residential Development," *Growth and Change*, Vol. 29, Issue 4, 2006. [PAYWALLED]	Building permits	Two-way fixed effects model regressing new single-family homes on presence of impact fees	29 cities in DuPage County Illinois, 1977-1992	Impact fees are associated with a more than 25% reduction in building permits.
Burge and Ihlanfeldt, "Impact Fees and Single-Family Home Construction," *Journal of Urban Economics*, Vol. 60, 2006.	Housing completions	Random trend model using panel data set that includes impact fees and housing completions	41 Florida counties, 1993-2003	Non-water/sewer impact fees increase the number of completions of all sized homes within inner suburban areas, and medium/large homes in outer suburban areas. Reasoning: reduce supply by increasing developer costs, but increase supply by reducing project approval costs and increase demand by reducing homebuyers' expected future property tax liabilities.
Evans-Cowley and Lawhon, "The Effects of Impact Fees on the Price of Housing and Land: a Literature Review," *Journal of Planning Literature*, 2003.	N/A	Literature Review	N/A	Review suggests that impact fees inflate house prices when no housing substitutes exist, but the effect on land prices are less clear. Fees could be pushed onto land purchasers, resulting in higher prices, but fees also imply that infrastructure investments will be timely and certain, increasing the supply of serviceable land (and thus reducing prices)

Attachment E - Fee Schedules

Fee Rationalization Report - Year 1 Fee Change Recommendations

AO-15 P&D Fees Schedule A : Current vs Recommended as % of Cost Recovery

Fee Description	Current Fee	% of Full Cost Recovery	Recommended New Fee	% of Full Cost Recovery	Cancellations & Refunds
Municipal Strategy Amendments, Rezoning, Planning Applications					
Pre-Planning Application	$330	30%	**$500**	**45%**	Cancellation of the pre public consultation will result in a 50% refund. No refunds will be issued post public consultation. Where public consultation does not apply, a cancellation within 30 calendar days will result in a full refund. No refunds will be issued after 30 calendar days.
Municipal Planning Strategy Amendment along with a Development Agreement	$1,100	6%	**$5,000**	**26%**	
Land Use By-law Amendment	$330	2%	**$3,000**	**22%**	
Municipal Planning Strategy Amendment along with a Land Use By-law Amendment	$1,100	7%	**$5,000**	**34%**	
Land Use By-law Amendment along with a Development Agreement	$1,100	6%	**$4,000**	**21%**	
Deregistration & Demolition of a Heritage Property	$330	2%	**$4,000**	**21%**	
Development Agreement	$1,100	6%	**$3,000**	**16%**	
Discharge of a Development Agreement (in whole or in part)	$330	2%	**$500**	**22%**	Non-refundable
Amendments to Development Agreements unless all the amendments are listed as non-substantive in the development agreement*	$1,100	6%	**$4,000**	**21%**	Non-refundable
Non-Substantive Amendments to Development Agreements*	$330	2%	**$3,000**	**23%**	Non-refundable
Please note: *In addition to the above noted fees, the applicant shall be responsible for advertising costs, and the Municipality may require the deposit of a appropriate amount too cover such costs. These costs are refundable if not required.* ***** *Amendments defined within contract*					
Variances and Site Plans					
Variance	$200	24%	**$1,000**	**60%**	$500 refundable if not appealed
Appeal of a Variance	$500	26%	**$1,000**	**51%**	Non-refundable
Non-Substantive Site Plan Approval OR Level 1 (I) Site Plan Approval	$330	40%	**$500**	**60%**	Non-refundable
Level 2 (II) Site Plan Approval	n/a	n/a	**$1,000**	**43%**	Non-refundable
Downtown Substantive Site Plan Approval OR Level 3 (III) Site Plan Approval	$770	18%	**$2,000**	**46%**	Non-refundable except for exempt properties.
Development Permit Fees					
Residential Development Permit Fee (includes: New Residential-up to 2 units, enclosed additions, Residential or Multi-use, Industrial, Commercial or Institutional (MICI) renovations , and lease hold improvements)	$100	20%	**$200**	**40%**	Non-refundable
Commercial Development Permit Fee (includes: Multi-use, Industrial, Commercial or Institutional (MICI))	$250	22%	**$500**	**44%**	Non-refundable
Basic Development Permit Fee (includes: Home Occupation, Occupancy Only and Accessory Structures such as Decks, Pools, Sheds, and Fence)	$25	50%	**$50**	**100%**	Non-refundable

Zoning Confirmation Letters	$100	20%	**$150**	**30%**	Non-refundable
Engineering Fees related to Development					
Engineering Review Fee for Non-Engineering Specific Permits (ie: Building & Development Permits)	n/a	n/a	**$200**	**13%**	Non-refundable
Lot Grading	$75	5%	**$200**	**13%**	Non-refundable
Grade Alteration	$75	5%	**$200**	**13%**	Non-refundable
Top Soil Removal	$5	0%	**$200**	**13%**	Non-refundable
Subdivisions					
Subdivision Concept Plan	$250	10%	**$600**	**24%**	Non-refundable
Subdivision Tentative Plan	$250	16%	**$400**	**25%**	Non-refundable
Subdivision Final Without Infrastructure	$250	20%	**$500**	**40%**	Non-refundable
Subdivision Final Plan New Infrastructure[1]	$250 - $1500	7% - 43%	**$2,000**	**57%**	Non-refundable
Repeal of a Final Plan of Subdivision	$250	16%	**$400**	**25%**	Non-refundable
Amendment to a Final Plan of Subdivision	$250	16%	**$400**	**25%**	Non-refundable
Civic Naming and Numbering					
Change Civic Number	$300	36%	**$400**	**48%**	Non-refundable

1 Current model is lot based fee, recommended model is flat fee