

Rural Municipality of Mervin No. 499 DEVELOPMENT CHARGES & FEES STUDY

Final Report
February 19, 2025



SUMMARY OF FINDINGS AND RECOMMENDATIONS

The following is a summary highlighting crucial consultant recommendations and key findings from the Development Charges/Fees Study.

Part A - Development Application Fees

1. Current application fees (dating back to 2005 - 2013) cover between 0% and 80% of actual costs, depending on the type of application.
2. Cost recovery of 40% is recommended for Official Community Plan (OCP) / Zoning Bylaw (ZB) Text Amendments as these usually have a municipal-wide benefit. The current fee covers 32% of full costs.
3. There is currently one range of fees (\$100-\$800) for single-parcel and multi-parcel rezonings. Since these processes differ in complexity, it is recommended that separate fees should apply to each. Full cost recovery is recommended for both processes; however, moving to full cost recovery in one year will mean a large increase in fees. Therefore, it is recommended that the fee increases be 'phased in' over a period of five years.
4. Most application fees can move towards 100% cost recovery without creating large increases.
5. The development application fees are currently contained in the Zoning Bylaw. It is recommended that fees and charges be moved into a separate new 'Fees and Charges' bylaw. This will make it easier to adjust fees without needing to amend the zoning bylaw.

Development Application Fees				
Item	Current Fee	Proposed Fee	Rationale	Estimated Budget Impact
Development Permit (Permitted Use)	\$100	\$150	The current fee of \$100 covers 67% of the actual costs to process and issue Development Permits. An increase of \$50 will bring the fee to full cost recovery.	Average # of applications/yr: 84 x \$50 = \$4,200

Development Application Fees				
Item	Current Fee	Proposed Fee	Rationale	Estimated Budget Impact
Discretionary Use	\$200	\$250	Current fee of \$200 covers 80% of actual costs for Discretionary Use applications. Moving to \$250 will bring this process to full cost recovery including the SAMA fee.	Average # of applications/yr: 33. 33 x \$50 = \$1,650
Discretionary Use (Renewal)	\$150	\$200	Current fee of \$150 covers 80% of actual costs. Moving to \$200 will bring this process to full cost recovery.	Average # of application/yr: 50 50 x \$50 = \$2,500
OCP / ZB Text Amendment	\$400	\$500	Current fee of \$400 covers 32% of costs for these applications (\$1,247). A fee of \$500 is being recommended and is 40% of the cost to process these types of amendments.	Average # of applications/yr: 1 x \$100 = \$100
OCP / ZB Map Amendment (Single Parcel)	\$500	\$1,800	Current fee of \$500 covers 28% of the actual cost of processing these applications. A fee of \$1,800 would cover 100% of the costs for this service. It is recommended to increase this fee, which brings it in line with most municipalities for this service.	Average # of applications/yr: 1 1 x \$1,300 = \$1,300

Development Application Fees				
Item	Current Fee	Proposed Fee	Rationale	Estimated Budget Impact
OCP / ZB Map Amendment (Multiple Parcel)	\$500	\$2,750	Current Fee of \$500 covers 18% of the cost of this service. This review typically involves the review of comprehensive land use and servicing reports, which is more resource intensive. It is recommended that this fee be increased over 5 years to reach 100% cost recovery.	Average # of applications/yr: 1 Year 1 Budget Impact +\$700 Year 2 Budget Impact +\$350 Year 3 Budget Impact +\$350 Year 4 Budget Impact +\$350 Year 5 Budget Impact +\$500
Minor Variance	\$0	\$115	There is currently no fee to cover the costs of processing minor variance applications. A minor variance review benefits the owner of the property, not the R.M. broadly. A fee of \$115 per application is recommended to fully recover costs for this service.	Average # of applications/yr: 3 3 x \$115 = \$345
Zoning Compliance Letter	\$0	\$75	There is currently no fee for the issuance of a Zoning Compliance Letter. It is recommended to charge \$75 to fully recover costs associated with this service.	Currently, this service is not widely used. However, it is a service which is common in other municipalities and should remain.
Total estimated budget impact (2025):				+\$6,595

Process	Development Permit	Disc Use	Disc Use Renewal	OCP/ZB Text Amend	OCP/ZB Map Amend (Single)	OCP/ZB Map Amend (Multi)	Minor Variance	Zoning Compliance Letter
Current	\$100	\$200	\$150	\$400	\$500	\$500	\$0	\$0
Proposed	\$150	\$250	\$200	\$500	\$1,800	\$2,750	\$115	\$75
Current % Cost Recovery	67%	80%	80%	32%	28%	18%	0%	0%
Proposed % Cost Recovery	100%	100%	100%	40%	100%	100%*	100%	100%
Budget Impact	\$4,200	\$1,650	\$2,500	\$100	\$1,300	\$700	\$345	\$75

* Over five years.

Part B - Development Charges

1. Using budget documents provided by the R.M. of Mervin (R.M.) and estimates of time for planning, engineering, and administration costs related to future growth, a total of \$1,416,000 of estimated off-site capital expenditures are planned to be undertaken for the year 2035 to accommodate growth and development within the R.M.
2. It is recommended that a development charge of **\$10,900.00 per lot** be adopted by the R.M. Council via bylaw.
3. It is recommended that the same development charge be adopted for both Residential and Non-Residential land uses.
4. The planning horizon is ten years, to the year 2035.
5. Off-site development charges are applied using a reasonable estimate of the number of proposed developed acres, and a cost estimate for off-site infrastructure needed to support development.
6. All Residential lots each have a similar impact on infrastructure. Maintaining a single per-lot residential development charge for off-site services is recommended.
7. Development charges are expected to be paid in full at the time of subdivision approval. However, Council may decide that the payment can be deferred to the lot sale stage to encourage future development and attract more developers.
8. In accordance with The Planning and Development Act Section 174(1), all development charges collected shall be placed into special reserves specific to the infrastructure for which the charges are collected. For example, an off-site levy reserve for Roads would be created and the proportion of development charges collected for Roads would be placed into an 'off-site roadway' reserve and used for future capital expenditures to expand, upgrade, or build new roads (located offsite) to accommodate new development.
9. It is recommended to continue the current practice of having one set of reserves for collection of development charges which can be accessed and used by all partnering communities within Mervin.
10. It is recommended that an annual increase using the Building Construction Price Index be built into the development charges to ensure development charges reflect costs into the future (currently 5.2%).
11. It is recommended that a regular review of development charges be undertaken every 3 years prior to budget approval to ensure that the charges are current and continue to reflect reasonable expectations and projections for capital expenditures for off-site services.

Based on the above, the table on the next page lists the recommendations and rationale for the proposed Development Charges. Development Charges are implemented for cost recovery purposes only. There is no operating budget impact.

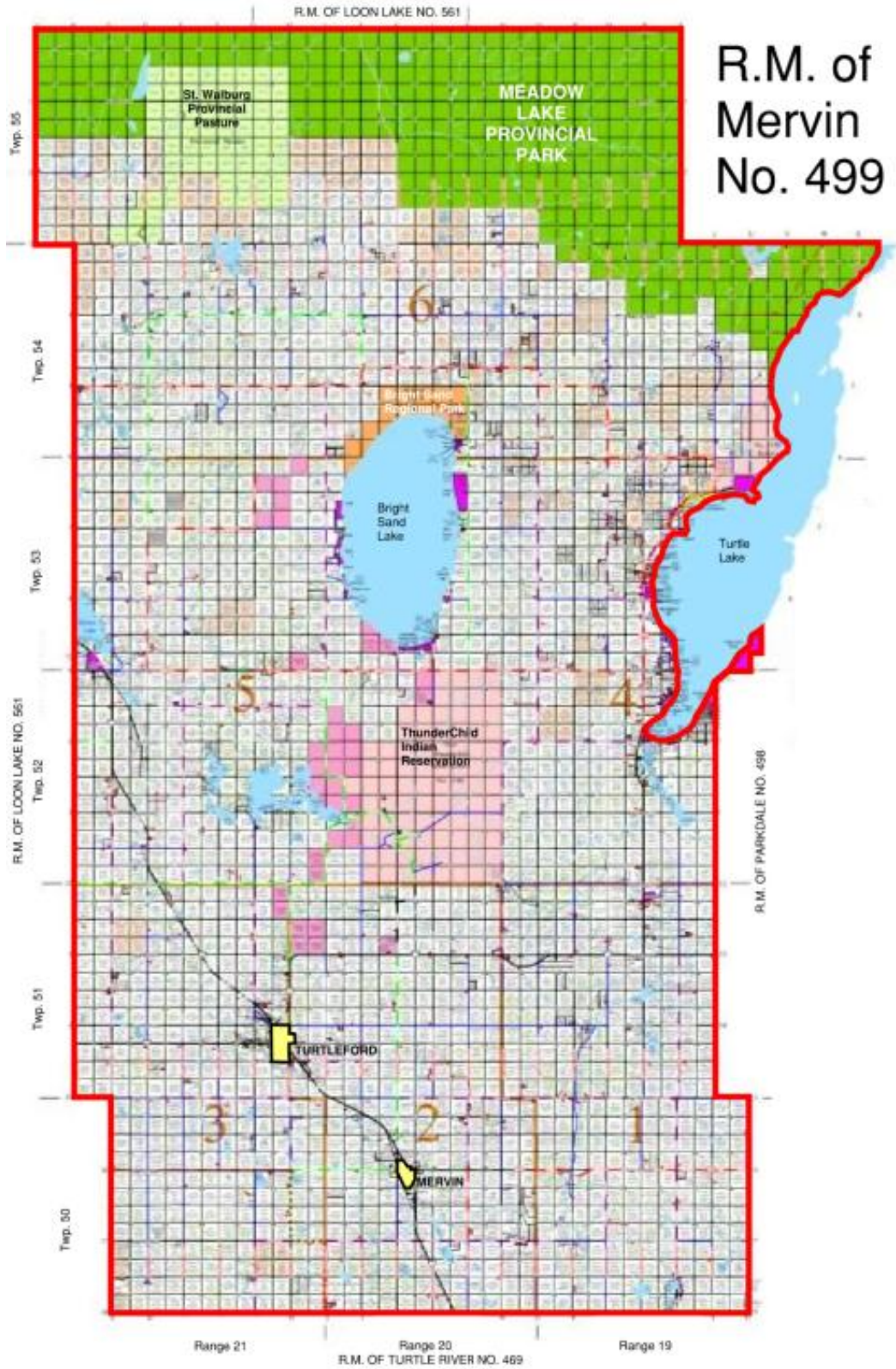
Development Charges		
ITEM	CONSULTANT RECOMMENDATION	RATIONALE
Capital Cost Figure for Development Charge Calculation (2024 – 2035)	\$1,470,000	Capital costs are established based on costs associated with growth and development and consistent with eligible categories prescribed in the <i>Planning and Development Act, 2007</i> . Capital improvements to infrastructure are identified in the R.M.’s Capital Plan documents and in records of actual infrastructure costs incurred. Capital cost calculation includes a 5.2% annual increase for inflation in construction costs
Projected Lot Development 2020 - 2035	130 residential lots	Projected lot development was estimated using a growth factor of 1.1% and compared to projected lot development provided by the R.M. Lot development is estimated to be 130 lots by 2035.
Proposed Residential Development Charges Application	Residential per lot charge Development Charge: \$10,900.00 / lot	A standard per-lot fee is proposed for residential multi-parcel subdivisions because all multi-parcel residential lots have a similar impact on infrastructure.
Proposed Non-Residential Development Charges Application	Non-Residential per lot charge Development Charge: \$10,900.00 / lot	A per lot fee using the same rate as the Residential charge is Recommended due to the low amount of non-residential development expected. Non-residential lots can be assumed to be part of the total lot count.
Payment Options	Payment in full upon Subdivision Approval.	Upon consultation with the Client, the option to defer payment until the sale of the lot may be offered as a way to encourage growth and incentivize development.
Specific Reserves	Establish specific reserves for development charges	To comply with the legislation, the R.M. will need to create reserve funds (if they haven’t already) specific to the infrastructure for which development charges are being collected.

1 BACKGROUND

On September 3, 2024, the R.M. of Mervin (R.M.) contracted Wallace Insights to conduct a study into a comprehensive review of development application fees (planning fees) and development charges associated with the subdivision and development of land. The development application fees are charged to applicants for such things as discretionary uses, rezoning, etc.

PINTER and Associates was subcontracted to assist with the review of development costs and recommendations for development charges.

The R.M. is situated in the northwest area of Saskatchewan south of the Meadow Lake Provincial Park. The R.M. is large, comprising 1,957 km² of land, and surrounds the Town of Turtleford, the Village of Mervin, the Resort Village of Kivimaa-Moonlight Bay, and the Thunderchild First Nations Reserve. Within the R.M. boundaries are Bright Sand Lake and access to Turtle Lake, among other smaller bodies of water. The map below shows the boundary of the R.M.



The R.M. has grown in the past and is expected to continue to grow over the next 10 years. The R.M. requires a fair and transparent development charge to contribute to municipal costs for providing various off-site capital works to accommodate future growth and development. The off-site development charge is required to meet the legislation in The Planning and Development Act, 2017 (Act), and the policies contained in the R.M.'s Official Community Plan.

2 INTRODUCTION

There are two parts contained in this report. **Part A** is a review of the development application fees charged to process and review planning applications. **Part B** is a review of the Development Charges to determine a fair contribution from development towards new, expanded or enhanced off-site infrastructure to support future growth.

Part A - Development Application Fees

The R.M. of Mervin charges a fee for the review of various development applications which date back to 2013. This part of the fee review is intended to update the planning-related fees to bring the fees closer to full cost recovery. Various planning services (i.e., review, advertising, approvals, and issuance of various development applications) are required to comply with the provisions of The Planning and Development Act, 2007 (the Act). The full cost of these services may be recovered from development application fees, as noted below.

Section 51 (1) of the Act states:

Fees

51(1) Subject to subsection (2), a council may, in the zoning bylaw or by a separate fee bylaw, prescribe a schedule of fees to be charged for the application, review, advertising and issuance, as the case may be, of:

- a) a development permit;*
- b) a discretionary use;*
- c) a minor variance; and*
- d) an amendment to an official community plan or zoning bylaw.*

*(2) The fees pursuant to this section are **not to exceed the cost to the municipality of processing and advertising the application**, and of administering and regulating the development.*

(3) Before passing a fee bylaw, the council shall comply with the public participation requirements of Part X.

(4) A council is exempt from obtaining the minister's approval of the fee bylaw.

(5) The municipal administrator shall file with the minister a certified copy of the fee bylaw within 15 days after the date that the bylaw is passed.

The intent of **Part A** of this report is to provide Council with the results of the planning application fee review. It is assumed that Council wishes to update the current fees and recover full costs for

processing applications. This section will provide data and evidence-based recommendations for updating the fees to reflect 2024 costs.

This application fee review includes the necessary background information to enable the formal adoption of a revised application fee schedule. With the fee schedule contained in a separate Fee Bylaw (rather than included within the Zoning Bylaw), the R.M. may approve changes to fees without Ministerial (Provincial) approval. As a bylaw, public advertisement of proposed changes is still required. As indicated in the statement from the Act (above), a Fee Bylaw, as prescribed by the Act, requires compliance with the public notification policies contained within the Act, including the need for advertisement, and hosting a public hearing, but does not require Ministerial approval. The Act enables Council to calculate planning-related fees on a cost recovery basis where the costs include those associated with processing, advertising, administering, and regulating development applications.

Table 1 below shows a comparison of Development Application Fees which are charged with selected municipalities.

Table 1: Development Application Fees of Comparable R.M.s

Municipality	Development Permit	Discretionary Use	Zoning/OCP Text Amendment	Rezoning Single Parcel	Rezoning Multi Parcel	Minor Variance
R.M. of Moose Jaw	\$100	\$150	\$500	\$500	\$500	N/A
R.M. of Corman Park	\$215	\$775	\$1,350	\$2,500	\$4,500	\$75
R.M. of Sherwood	\$180	\$450	\$550	\$550	\$900	\$140
R.M. of Edenwold	\$125	\$125	\$500	\$2,500	\$2,500	\$125
R.M. of Portage La Prairie	\$250	\$350	\$2,500	\$2,500	\$2,500	\$150
R.M. of Britannia	\$100	\$250	\$900	\$1,500	\$1,500	\$115
R.M. of Meota	\$150	\$350	\$480/\$800	\$550	\$550	\$125
R.M. of Mervin (proposed)	\$150	\$250	\$500	\$1,800	\$2,750	\$115

Part B - Development Charges

Part B is intended to examine the costs to the R.M. for providing off-site infrastructure, planning, engineering, and legal services to accommodate growth and development. The findings are based on a 10-year planning horizon.

Terminology

There are a few Terms used throughout this study which are important to know.

1. **Service Agreement Fees** – development charges associated with the subdivision of land. These are normally applied as a condition of approval of subdivisions.
2. **Development Levy** – these are development charges which are imposed when there is an intensification of land use on a site, without the subdivision of land.
3. **Development Charges** – a general Term to describe the rates charged for both Service Agreement Fees and Development Levies (if any).
4. **Off-site Infrastructure** – municipal infrastructure consisting of roadways, provision of water, treatment of sewage, drainage, parks, and recreation, etc., which serve to accommodate growth and development within the municipality but are not directly associated with any one development.
5. **Direct Services** – infrastructure associated directly with a particular development and mainly located on-site (i.e. within the subdivision).
6. **Allocation of Benefit** – a subsidy (reduction in charges) provided by the municipality in recognition that a proportion of existing residents may benefit from new or enhanced infrastructure.

Legislative authority

In Saskatchewan, The Planning and Development Act, 2007 (the Act) provides municipalities with the authority to recover costs of development through what are commonly referred to as development charges. Development charges are common. However, they are often misunderstood and there is considerable variation amongst municipalities in the calculation, application, and administration of development charges. This makes comparing development charges between municipalities very complicated.

This report is a review of the servicing agreement fees, which are charged as a condition of approval for new residential and non-residential subdivisions in the R.M. of Mervin.

Development charges are authorized by Sections 169 and 172 of the Act and cover the municipal costs of extending, upgrading, or building roads, sewer, water, and the provision of other infrastructure specified in the Act.

Section 169 in the Act states:

Development Levy Bylaw

169(1) If a council has adopted an official community plan that authorizes the use of development levies, the council may, by bylaw, establish development levies to recover the capital costs of services and facilities as prescribed in subsections (2) and (3).

(2) If a development does not involve the subdivision of land, a council may impose development levies for the purpose of recovering all or a part of the municipality's capital costs of providing, altering, expanding, or upgrading the following services and facilities associated, directly or indirectly, with a proposed development:

- (a) sewage, water or drainage works;
- (b) roadways and related infrastructure;
- (c) parks;
- (d) recreational facilities.

Section 172 states:

Servicing agreement

172(1) If there is a proposed subdivision of land, the municipality in which the subdivision is located may require a subdivision applicant to enter into a servicing agreement to provide services and facilities that directly or indirectly serve the subdivision.

(2) Subdivision applicants shall not receive a certificate of approval from the approving authority if a servicing agreement is required by the municipality and has not been signed by the parties to the agreement.

The analysis of development charges also includes the possibility of establishing a new Development Levy Bylaw for developments that do not require subdivision but increase the demand for municipal services. **It is our opinion that the R.M. does not have enough of these types of developments (intensification) to warrant bringing in a development levy.**

Benefits

There are several benefits which accrue from this review; among the most important are:

- Developers provide a reasonable financial contribution upon subdivision approval towards capital costs of off-site infrastructure to accommodate growth, otherwise paid for by the municipality.
- It reduces pressure on the mill rate (property taxes) by requiring new development to pay for a fair share of the costs of growth.
- It requires a payment towards capital costs from those who benefit most from development.
- It creates a more equitable and fair system for allocating development costs.

This report and analysis will enable the R.M. to inform ratepayers and developers about the costs of development in the R.M. of Mervin and how those costs are recovered.

3 ANALYSIS

4.1 Eligible Versus Non-Eligible Costs

For the purposes of comparing how different jurisdictions apply development charges based on differences in provincial legislation, Table 2 below has been produced to illustrate the differences between provincial legislation. It is important to note that each of the eligible growth factors on the left side of the chart on the next page is subject to some level of interpretation as to what can and cannot be included within that category. Based on the principle of accountability and transparency, a municipality is required to ‘reasonably’ demonstrate that the rates are based on actual and projected costs and exercise transparency in how the costs are calculated.

It should be noted that the R.M. estimated the development costs in 2016 for three types of infrastructure:

- Lagoon System: \$4,200 per lot
- Internal Roadways: \$3,750 per lot
- Municipal Roadways: \$1,610 per lot

The important thing to note is that the costs included some maintenance and rehabilitation costs which are not eligible development charges under Provincial legislation.

Table 2: Eligible Off-site Levies for Western Canadian Provinces

Eligible Off-site Levies for Western Canadian Provinces				
Off-site Levies	British Columbia	Alberta	Saskatchewan	Manitoba
Water	✓	✓	✓	✓
Wastewater	✓	✓	✓	✓
Stormwater System	✓	✓	✓	✓
Roads	✓	✓	✓	✓
Parks	✓		✓	
Recreation		✓	✓	
Transit				
Police & Fire		✓		
Library		✓		
Other¹		✓ *Redevelopment levies imposed on land for park/ school buildings and/or new or expanded recreation facilities;	✓ *Planning, Administration, Engineering, Legal Fees may be included.	✓ *Waste removal, drainage, public, street lighting, sidewalks, traffic control, access and connections to existing services.

In Saskatchewan, the capital costs for the major elements of growth may be recovered from development charges. Development charges may therefore include costs for the construction of the infrastructure listed below and the associated planning, engineering, and legal services related to that construction including:

- water;
- wastewater;
- stormwater;
- roadways and related infrastructure;
- parks;
- recreational facilities; and
- administration.

Development charges for direct costs are not being considered in this analysis since development normally pays for all direct services to serve their developments in the R.M. Shallow utilities such as gas, electricity, and cable are not typically provided by municipalities but are paid for by developers as direct costs for a local area. Other costs, such as relocation of major utility infrastructure (e.g., natural gas stations, electrical sub-stations, transmission lines) are also typically paid for directly by developers.

4.2 Future Growth Consideration

Historically, over the last 40 years the R.M. experienced an average population growth rate of 1.9% each year, with significant growth occurring in 2021. The high growth scenario of 1.88% was projected using the last 40 years of census data for the RM. The medium growth scenario was projected using the last 35 years of census data for the RM, exclusion of 2021 data. The low growth scenario was created using the current average growth scenario for Canada. A Graph of the Population Projections based on the various growth scenarios is found below:

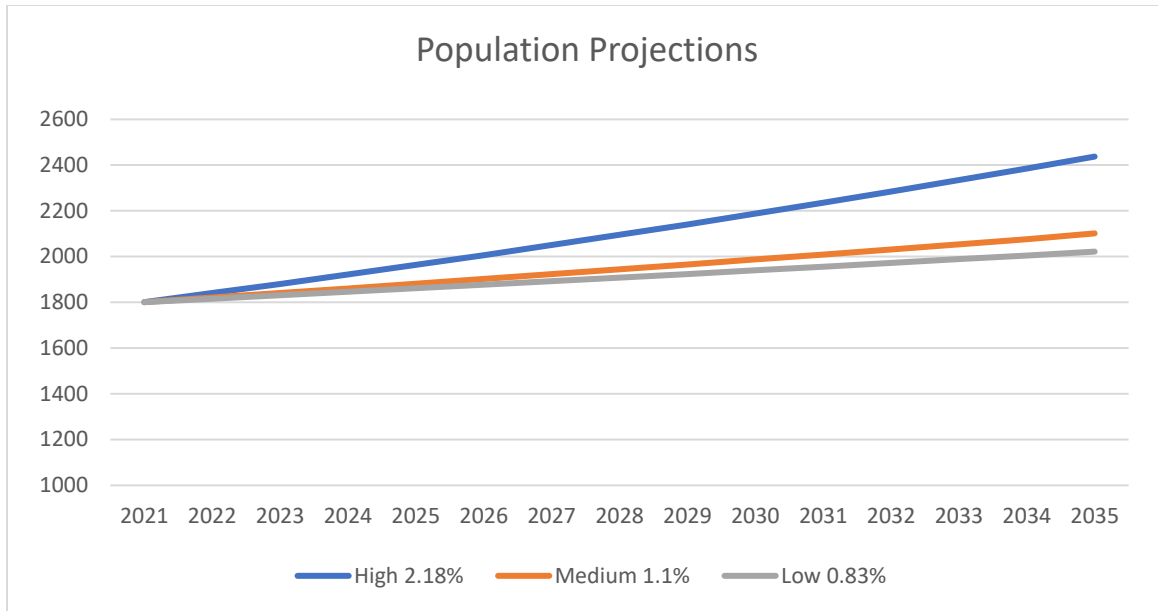


Figure 1 - Population Projections for the RM of Mervin

After consulting the Client, 1.1% was determined to be an accurate anticipated rate for future growth. Future growth projections were then developed for the R.M. of Mervin at 1.1% per year. Projections are as follows:

- 2026: 1,902 people
- 2031: 2010 people
- 2036: 2,123 people
- 2041: 2,242 people

In addition to residential growth, there is potential for non-residential developments to affect the community. These developments are infrequent and difficult to accurately predict. As a result, regular reviews of the development charges should be undertaken to ensure that the fees remain current.

It was found that the OCP and Capital Budget for the R.M. do not identify specific areas of growth and development for new lots within the 10-year assessment horizon. As stated above, consultation with the Client provided a 1.1% growth projection rate for this period.

Table 3 below shows anticipated land absorption and lot development over the next 10 years as a result of the projected growth:

Table 3: Anticipated Land Absorption and Lot Development (2025-2034)

Land Use	Number of New Lots	Note

AG to Residential	80	8 lots per year (estimated total new lots)
Lakeshore Residential	40	4 lakeshore lots per year
Non-Residential	10	Industrial/Commercial (1 new industrial/commercial lot per year)
Estimated Total New Lots	130	

4.3 Development Charge Calculations

This section describes the methodology and basis for conducting the review of the Development Charges for the R.M. It is important to understand what costs can be included in the development charges and what is not eligible. The following describes what is not eligible:

- Operation and Maintenance of existing infrastructure – e.g. road grading, resurfacing, topping, etc. all considered to be maintenance of existing infrastructure paid for by property taxes.
- Direct Servicing and Infrastructure – these are things that are contained within the boundaries of a development (subdivision) and are normally paid for by developers.

The following describes what is eligible (all are typically located off-site and paid for by the municipality, sometimes with assistance from government grants):

- Water – infrastructure for the treatment and distribution of water to serve future growth.
- Sewer – infrastructure for the collection, treatment, and disposal of wastewater.
- Stormwater – infrastructure for the capture, collection, and conveyance of stormwater.
- Roadways and Related Infrastructure – new roads, expanded or widened roadways for more capacity, or upgrading of roadways to serve more growth. It may also include related infrastructure such as signage, lighting, intersection improvements, fencing, etc.
- Parks – parks serving multiple subdivisions.
- Recreation Facilities – playgrounds serving multiple subdivisions, marinas, public beaches, covered picnic areas, pavilions, gazebos, BBQ areas, sportsfields, etc.

The following assumptions were made in the calculation of development charges and are discussed further in this section.

- Review of capital costs eligible under the legislation for both historical and future development charges.
- Capital costs based on available information from the R.M.’s capital plans, and studies related to growth and development.
- A reasonable land absorption estimate over the projection period has been determined based on the last 5 to 10 years of development.
- A charge differential between Residential and Non-Residential development is not desired. Residential and non-residential development will share the costs equally.
- Annual indexing assumes a 5.2% increase annually based on the Building Construction Index
- ‘Allocation of Benefit’ - set at 20-30% towards existing development

4.4 Capital Cost Forecast (2025 – 2035)

A development-related capital forecast has been prepared by the consulting team and R.M. staff members as part of the study. The forecast identifies development-related projects contained with the R.M. long term capital plans and expected off-site infrastructure expenditures to support growth and development.

Development charges are applied in consideration of factors including the projected land absorption and lot development over the planning period (2025-2035).

Table 4: R.M. Long Term Capital Plans, Breakdown of Development Cost Charges adjusted for Inflation

Development Charge Summary	2025 - 2034	Option B with Recreation at \$0	Option C with Sewage at 0\$
Road Construction & Drainage Works	\$869,300	\$869,300	\$869,300
Sewage Works	\$357,900	\$357,900	None
Water Works	None	None	None
Recreation and Recreation Facilities	\$132,200.	None	\$132,200
Engineering, Planning, Legal Fees	\$56,300	\$56,300	\$56,300
TOTAL	\$1,470,000	\$1,284,500	\$1,057,800

Estimated Annual Inflation (2025 – 2035)	5.2%	5.2%	5.2%
Anticipated Land Absorption Lot Development	130 lots	130 lots	130 lots
Cost Recovery Rate (Allocation of Benefit)	20-30%	20-30%	20-30%
Residential and Non-Residential Charge / lot	\$10,900.00	\$9,900.00	\$8,200.00

Using information provided by the R.M., PINTER reviewed trends and produced projections for future works to be undertaken by the R.M. for the next 10 years, including associated costs and anticipated inflation rates. Table 4 below provides the categories and anticipated future costs for the R.M. A more detailed breakdown is provided in Appendix A – Development Charge Summary.

4.5 Annual Indexing of Development Charges

The R.M. of Mervin has the option of adding automatic annual increases to the development charges based on an expected increase in construction costs as indicated by the Building Construction Price Index (BCPI). In Saskatchewan costs of construction have risen significantly since 2017, driven by factors such as labour shortages, increased material costs, and higher interest rates. The annual average increase in building construction costs for both residential and non-residential structures has varied, but a consistent rise of approximately 9.8% (residential) and 6.1% (non-residential) has been observed between 2017 and 2023.

Because these rates are drastically higher than the overall trend of the previous 40 years, an anticipated increase of 5.2% was used for all capital cost forecasting, including building construction costs. Regular review is advised to monitor costs over time and adjust development charges as needed. The R.M. may choose not to add an automatic annual increase and instead review the development charges at a chosen interval.

4.6 Establishing Capital Reserve Fund

Development charges that are collected need to be applied to specific projects identified within a capital plan. To comply with the legislation, the R.M. is required to create reserve funds specific to the infrastructure for which development charges are being collected. This may be a general 'Restricted Reserve'. It is important that it can be demonstrated that development charges collected have been applied to the capital costs of infrastructure and not applied to the general revenue of the R.M.

4.7 Development Charge Payment

It is recommended for the R.M. to require 100% payment of development charges upon Servicing Agreement approval. However, the option of payment being due upon the sale of each lot is available to be written into the Servicing Agreement as an incentive to encourage lot development within the R.M. The Client suggested this was of interest and would like to explore implementing this payment option in the Servicing Agreement.

4.8 Allocation of Benefit

'Allocation of Benefit' is applied by some municipalities to recognize that there can be a benefit to a proportion of existing ratepayers when new infrastructure is built or upgraded, resulting from growth. It could be a new roadway, improved or widened roadway, better drainage, more provision for water, etc.

The Allocation of Benefit is a principle that is applied to development charges without a standard formula. The most common practice is to apply a specified reduction of development costs (by %) based on an estimated value, which can be reasonably justified as having benefits for current ratepayers (in the Municipality) and thus paid for through taxes. For example, if a new roadway was estimated to cost \$1 million dollars, and it was estimated that 25% of the expected traffic was from existing ratepayers, then the estimated total development charge would be reduced by 25%. The reduced amount of development charge would be covered from the mill rate (existing ratepayers who benefit from the new infrastructure).

The Allocation of Benefit principle is not applied everywhere and can be quite problematic to estimate specifically how much benefit to apply to each type of infrastructure. The decision to apply an 'Allocation of Benefit' is a policy choice for the R.M.

Table 5: RM Long-Term Capital Plans with Allocation of Benefit Adjustment

Category	Project Description (2025 – 2034)	Unit Price	Allocation of Benefit Reduction	Total Cost Recovered by Development Charges	Total Cost Recovered by Mil Rate or Government Grants
Roads	Erecting Road Signs	\$10,000.00	70%	\$3,000.00	\$19,526.49
	Upgrading 2 km of roads per year	\$150,000.00	70%	\$45,000.00	\$571,316.96
	Paving 0.5 km of roads	\$150,000.00	70%	\$45,000.00	\$278,419.57
Recreation	(2) Boat Launches	\$30,000.00	80%	\$6,000.00	\$15,541.33
	Playgrounds	\$100,000.00	80%	\$20,000.00	\$24,495.87
	Hamlet Gazebo	\$20,000.00	80%	\$4,000.00	\$4,000.00
	Hamlet Public Bathrooms	\$50,000.00	80%	\$10,000.00	\$12,884.83
	Hamlet Beach Expansion	\$300,000.00	80%	\$60,000.00	\$60,000.00
Parks	2 parks	\$30,000.00	80%	\$6,000.00	\$15,196.04
Water	None	\$0.00		\$0.00	\$0.00

Wastewater	Lagoon Expansion	\$973,975.00	70%	\$292,192.50	\$357,875.55
Drainage	included in paving	\$0.00		\$0.00	\$0.00
Sewage	included in wastewater cost	\$0.00		\$0.00	\$0.00
Administrative	Engineering Plan, and legal	\$55,000.00	70%	\$16,500.00	\$43,012.59
	Review	\$3,500.00	70%	\$1,050.00	\$13,330.73
TOTAL				\$507,692.50	\$1,415,599.97

Council. It is our understanding that the R.M. would like to apply an Allocation of Benefit of between 20% for park and recreational facilities and 30% for all other infrastructure. The consulting team agrees with this Allocation of Benefit. It should be noted that this policy choice can be reviewed at any time in the future.

4.9 Successful Grant Applications

The R.M. may be successful in applying for grants that offset the cost of growth and off-site development-related capital construction. Where this occurs, the off-site infrastructure costs may be reduced by the value of grants and contributions based on the extent that they are used to fund growth-related costs.

Where conditional grants are secured by the R.M. for specific projects, the project cost should be reduced by the amount of the grant.

4.10 Development Charge Exemptions

There are several situations defined within the Act where a development or subdivision is considered exempt from development charges or where it is appropriate to provide a development charge credit to a proponent.

The following situations describe these circumstances:

1. A site that has previously been assessed a development charge, and the proposed new development will not lead to any significant increase in the intensity of development (i.e., development charges can only be charged once on an existing site).
2. Where land is intended to be developed for a not-for-profit or community service use including but not limited to churches or other places of worship (Council has authority to waive any development charges by policy or for specific circumstances).
3. The R.M. Council may wish to incentivize certain forms of development by exempting the applicable charges in part or in whole. Such exemptions would be established by Council policy and funded within the broader public tax structure.

4 POLICY CONSIDERATIONS AND OPTIONS

5.1 Principles for Applying Development Charges

This policy is intended for the recovering of costs incurred by the municipality to support growth and development through development charges. In general, when a municipality creates a framework for development charges, they should be applied based on these five principles:

- **Benefit** – who mainly benefits from the cost?
- **Equity / Fairness** – are the rates applied fairly?
- **Accountability / Transparency** – are the rates based on actual cost and how are the costs calculated? Do the stakeholders understand how the levies are calculated?
- **Ease of Administration** – can the costs be administered easily and with minimal staff?
- **Revenue Reliability / Security** – does the rate cover the costs over the long run and are they stable?

Most municipalities recognize that there are some benefits which accrue to all ratepayers and stakeholders when a municipality grows. However, this benefit may not be as widely accepted in lake and resort communities. Municipal-wide benefits of growth can include:

- more jobs;
- broader tax base;
- more diversity;
- more residential choices;
- more leisure options; and,
- increased ability to attract more growth.

The application of the principles of benefit, equity and fairness are matters of public policy leading to decisions on how much subsidy to offer new development. Affordability and cost competitiveness come up as common reasons for not putting all costs for off-site development on new development. Some municipalities keep off-site charges low to encourage new growth and development as an economic development incentive. However, placing too much of the costs on the mill rate can erode overall affordability within a municipality by putting upward pressure on property taxes affecting all ratepayers. In the case of an R.M. which is primarily accommodating the construction and development of resort and recreational properties, it may be hard to identify tangible benefits to more growth which accrue to the wider community. Therefore, there is some justification for putting all allocated development costs on new development.

5.2 Sources of Funding Growth

There are essentially four sources of funding to fund the development of off-site infrastructure which supports growth and development:

1. Mill Rate (Property Taxes)
2. Government Grants
3. Development Charges
 - a. Service Agreement Fees
 - b. Development Levy
4. Surcharges on Utility Bills

Common questions about the funding of growth have usually been:

- How is growth paid for?
- Is the current funding model sustainable?
- What other funding options are available?

It is important for Council to note that there is no single methodology that is applied universally across the province to determine development charges and cost recovery. The charges only need to comply with *The Planning and Development Act, 2007*. There is also no standard way to determine the 'Allocation of Benefit' to the larger community and how that impacts development charges. **Establishing development charges is a matter of policy choice for a municipality based on balancing cost recovery with encouraging growth and development as part of meeting strategic outcomes desired by the R.M.**

Development charges may be assessed and administered based on:

- Uniform charges applied to all land use classifications across the R.M.
- Land use specific charges applied uniformly across the R.M.
- Site specific charges applied uniformly across all land use classifications within the R.M.
- Site and land use specific charges.

When considering the method of assessment and administration for development charges it is important to consider the capacity within the Administration to oversee the implementation.

5 NEXT STEPS

The next step in the process assumes that the R.M. Council adopts the recommendations from this report and wishes to adopt a new Development Charge Bylaw. The R.M. Administrator will prepare the necessary bylaw, advertise the bylaw, and adopt the bylaw through a public hearing in accordance with *The Planning and Development Act, 2007*.