FA18-21

November 6, 2018

To: Members
Finance & Administration Committee

Re: Setting 2019 Greenfield Servicing Agreement Fee and Development Levy Rates

RECOMMENDATION

1. That the 2019 greenfield Servicing Agreement Fee and Development Levy rates be set at $442,000 per hectare for residential and commercial development and $147,333 per hectare for industrial-zoned development, itemized as follows and approved effective January 1, 2019:

Greenfield Development	Transportation	Water	Wastewater	Drainage	Parks/Rec	Admin
Residential & Commercial	$223,000	$107,200	$45,000	$0	$21,600	$45,200
Industrial-Zoned	$74,333	$35,733	$15,000	$0	$7,200	$15,067

2. That this report be forwarded to the November 26, 2018 City Council meeting for approval.

CONCLUSION

Servicing Agreement Fee (SAF) and Development Levy (DL) rates are set annually following the review and update of the SAF financial model and associated growth-related capital project lists, as described in the *Administration and Calculation of Servicing Agreement Fee and Development Levy Policy* (Policy). The impact of the update on the City of Regina's (City) cash flow and the greenfield SAF rates was minimal this year; therefore, it is recommended that the overall rates for 2018 be maintained for 2019.

BACKGROUND

The City uses SAFs and DLs to fund major infrastructure investments required for new growth and development, as per *The Planning and Development Act, 2007* (Act) and described in the Policy. This Policy was updated through a major review in December of 2015 (CR15-138) and in November of 2017 (CR17-121) to address industrial development, then again in June of 2018 (CR18-55) to define how fees would be applied to development within existing areas. SAFs and DLs are collected by the City from developers to pay for infrastructure projects that add capacity to service new growth.

SAF and DL rates are set annually to enable the most up-to-date information to be used in the calculations. This report facilitates the setting of the greenfield SAF and DL rates for 2019.

DISCUSSION

Growth provides benefits, such as supporting local businesses, creating population thresholds necessary to support arts and culture, promoting community vibrancy and fostering development of support services, such as efficient public transit.

Growth also requires a significant investment in services and infrastructure. It generates the need for expanded or new offsite infrastructure required to support new communities and employment areas, such as water and wastewater services. Developers are responsible for the capital requirements internal to new developments (e.g. roads, sidewalks, parks and underground infrastructure), while SAFs and DLs are used to fund major infrastructure that serves more than one area.

The City’s primary tools to fund these major infrastructure upgrades are SAFs in new subdivisions and DLs in areas where no new subdivision is occurring, but a change in intensity of land use is taking place generating an increase in demand for services. The Policy, guided by the Act and approved by City Council, guides the calculation of the fees.

For greenfield development, the overall SAF and DL rate is determined annually as part of the update to the SAF financial model. This includes updating growth projections (i.e. number of hectares remaining to be developed) and growth-related capital project lists. Capital Project Lists are based on studies and plans and are comprised of projects required to service growth to 300,000 people, as per *Design Regina: The Official Community Plan Bylaw No. 2013-48* (OCP). The regular review of these projects enables the SAF financial model to be based on the most up–to-date information available.

This year’s project review resulted in a minimal impact on the City’s cash flow and greenfield 2019 SAF and DL rate. Maintaining the overall 2019 SAF and DL rate at the 2018 amount with minor updates made to the costs by infrastructure type, was proposed to stakeholders in a memorandum (Appendix A) sent September 26, 2018. This memorandum included the updated project lists (Appendix A-1), the main changes in the lists from last year and the proposed SAF and DL rates for greenfield development.

Feedback from the Regina and Region Homebuilders’ Association (Appendix B) indicated support in general for the proposed rates with one option for consideration. Concerns were expressed about the addition of the $30,000,000 Future Wastewater Treatment Plant (WWTP) upgrade to the SAF financial model, given the current slow market, its impact on the residential construction industry and lack of connection to the Wastewater Master Plan. It was proposed that this project be removed from the SAF financial model until further review can be undertaken with the industry.

Future WWTP Project
Administration considered the feedback provided by the industry. The Future WWTP Upgrade Project was identified through this year's annual SAF project list review. The rationale for including it in the SAF financial model is that it is known that the upgrades most recently done at the future WWTP will provide service to a population of approximately 258,000. To meet infrastructure requirements for a 300,000 population as per the OCP, consideration of a future wastewater solution will be required. The current estimate for this future upgrade is $60M +/- 50 per cent, which means that the cost could be between $30,000,000 and $90,000,000. More detailed work is underway to refine this estimate and an update is expected in 2019.

In the meantime, as there is certainty that the current WWTP will not be sufficient to serve the OCP's 300,000 growth plan, the Future WWTP Upgrade Project was added to the SAF financial model as a placeholder using the low-end of the current cost estimate. As such, Administration maintains the recommendation to include this project within the SAF financial model to start the collection of funds to pay for this future upgrade.

It is recommended that the greenfield SAF and DL rates be maintained at $442,000 per hectare for residential and commercial development and $147,333 per hectare for industrially-zoned development, which, as per the Policy, is charged one-third of the rate of other greenfield development.

RECOMMENDATION IMPLICATIONS

Financial Implications

There are no direct costs associated with this recommendation. The City will continue to generate revenue through the collection of SAFs to fund the projects that are identified in the City's SAF financial model. The amount of revenue expected remains consistent with the anticipated expenditures over the life of the SAF financial model.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

Charging SAFs and DLs is guided by the Policy, which is consistent with the OCP. There are no policy or strategic implications.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

The approved greenfield SAF and DL rate for 2019 will be posted on Regina.ca/saf and communicated to the industry.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,

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Respectfully submitted,

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