



Information Brief

Meeting: May 15th 2023
Agenda Item: 5.1

Bare/ Vacant lots: servicing, development costs and utility fees

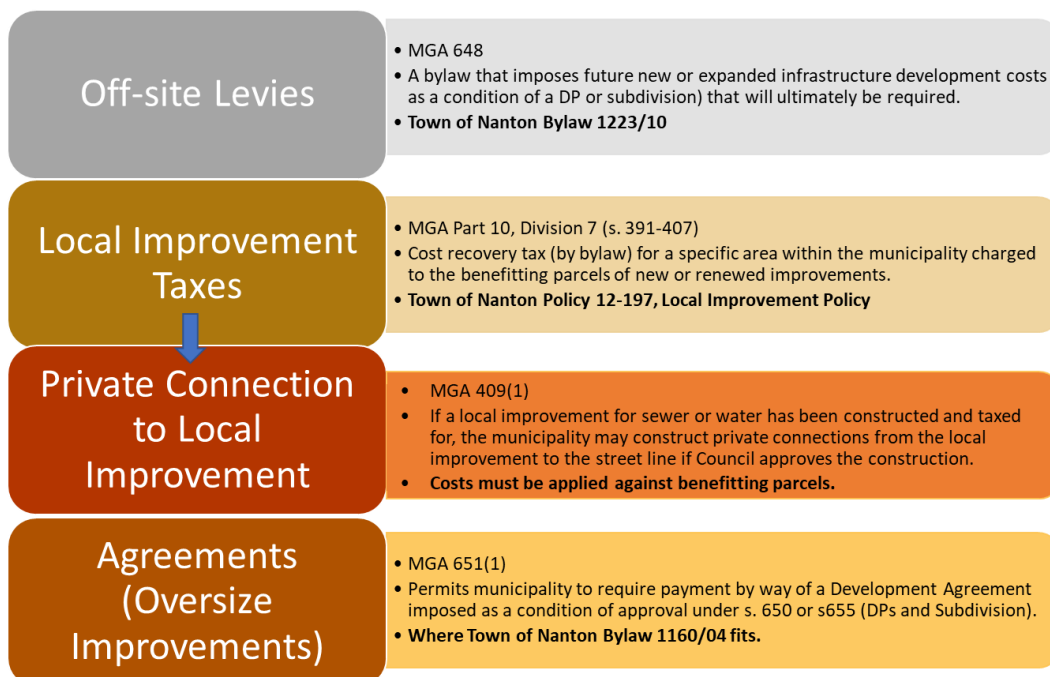
PURPOSE:

In some municipal jurisdictions, an “unconnected vacant lot” utility fee (sewer and/or water) is charged against property owners whose properties are undeveloped or bare, but capable of a standard service connection from adjacent mains. Administration is asking that Council consider and discuss such a move in the context of utility infrastructure maintenance/ repair and renewal costs. The Town does not currently charge such a fee.

Following previous discussions with Council, there was an interest in better understanding Bylaw 1160/04 in particular as it contains sizeable cost recovery charges to be levied in the event of certain lots in a part of Town being developed or subdivided and requiring access to water and sewer services.

BACKGROUND / IMPLICATIONS:

Capital Cost-Recovery Tools



All of the above approaches generate the same fiscal prudence vs. 'open for business' conflicts for elected officials to one extent or another. It is rare that a Council wants to pay for new, renewed or oversized infrastructure that supports new development and growth solely from the general taxpayer base, however.

Approach	The debate(s)
Off-Site Levies	<ul style="list-style-type: none"> • Developers see themselves as paying for future infrastructure that their own proposed development does not really need. • What revenue is to fund the reserves for future growth infrastructure if these levies are not charged?
Local Improvement Taxes	<ul style="list-style-type: none"> • Improvements taxes 'hide' the true level of taxation in the community or parts of it, can drive a lobby of grievance if similar work was funded differently in the past. • Who pays for improvements: benefitting parcels or general taxpayer?
Oversize/ Development Levy Agreements	<ul style="list-style-type: none"> • Developers can perceive the imposed cost recovery levy as a disincentive to moving forward with a project or subdivision, even if they understand why it's in place. • Developers may favour being the investor in the oversize infrastructure if they believe that demand to use it will be high and will transcend their own development. • Is it more important that the land be developed or that the cost is recovered? Is there a point at which a slate is wiped clean to incentivize development?
General comment	
<p>There is no single philosophically correct answer with respect the appropriate use of these tools. It depends on a Council's views on development and the role of the municipality, as well as competitive conditions in neighbouring communities and regions. They should all be actively considered for different situations and times.</p> <p>Developers who won't discuss Development Levy Agreements could be exposing a lack of confidence in their own business case as money can be made from 'latecomer' agreements in genuinely high demand locations.</p>	

If a Council wants to be 'open for business' in terms of new development that requires major infrastructure and does not want to use the above tools for fear of "scaring off" investment, it may have to be prepared to fund reserves from general taxation to a much greater degree or borrow to take advantage of interested parties when they come along. A key question a Council should perhaps consider, particularly with respect to off-site levies and Development Levy Agreements, is:

"At how many years in do we evaluate if waiting for \$100,000 in adjusted cost recovery or offsite charges has potentially been exceeded by what could have been collected and placed in reserve for infrastructure [had certain properties been subdivided/ developed and taxed] in the meantime?"

Again, there's no correct answer here. It is an inverse of the same risks that developers themselves take. A lack of upfront costs or charges to the developer likely implies a greater level of municipal taxation being required after development on the general base. Yet too many up-front cost or charges could mean that taxation revenue has been foregone in favour of hard line levies or cost recovery mechanisms.

Northwest 100+ acres of Nanton

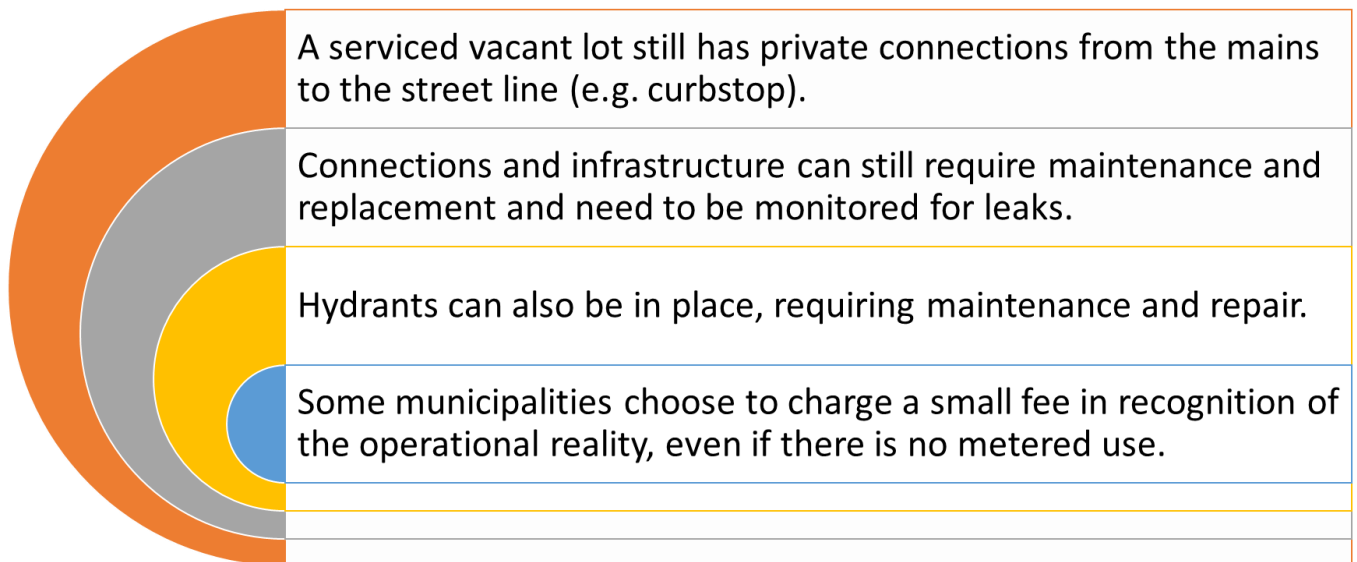
It is also important to note that Off-site levies will not help fund the necessary future infrastructure improvements in the unserved northwest part of town unless they are applied to other prior developments that take the Town to its theoretical capacity limits for water and sewer.

It is instead possible that either the Town or a private developer will in future fund the installation of oversized buried infrastructure, requiring Development Levy Agreements for new development in that northwest area. Grant aid for a purely residential area (in terms of a large sewer collector) is highly unlikely at present.

Vacant Lot User Fees

An “unconnected vacant lot” utility fee (sewer or water), when in place is only charged against property owners whose properties are undeveloped/bare, but capable of a standard service connection from adjacent mains. Some municipalities call it an “infrastructure renewal fee”, linking it directly to the buried infrastructure assets, on the principle that there’s a curb-stop there (or the potential for one) and a section of main that the municipality must maintain and renew. Some jurisdictions do charge \$20-30 per month to their rate payers with such properties (ranging in the region of \$250-450 per annum).

Vacant Lots and User Fees



Essentially, a 30 year old curb stop is still a depreciating asset whether or not it’s been connected to a building. Older serviced lots are sometimes prime candidates for leak detection activities.

sometimes taken that bare lands within serviced areas should be put under some pressure to develop as the land is 'premium' and infill of existing areas is in the public interest.

Potential definitions:

“unconnected vacant lot” means a separately assessed parcel of land with no buildings or structures erected thereon fronting on but not connected to an assumed part of the water system or the sewage system, or both, and which has “development potential”.

“infrastructure renewal fee” means a utility fee charged to an unconnected vacant lot for basic cost recovery on adjacent water or sewer system maintenance and renewal.

Such a fee structure would likely do the following:

- Further build or more fairly distribute water and sewer asset maintenance and renewal costs throughout Town;
- Reduce the need or perceived need, in smaller cases, for more complex improvement area type initiatives and processes to renew or replace infrastructure;
- Allow other charging mechanisms that may be seen as inhibiting development to be removed or reduced to facilitate more private development and subdivision on bare land (e.g. 27th Avenue development levies under bylaw 1160/04).

The financial impact of such a move would not likely be seismic but could arguably establish an important principle going forward around vacant and developable lots. Based on an initial scan with our assessor, there are 51 possible properties but not all of them may qualify. More likely is that there are about 35 properties that would be impacted with certainty. A \$50 bi-monthly fee (\$300 per annum) would generate an estimated \$10,000 in utilities revenue annually, plus or minus about \$3,000.

Commercial or industrial property owners who own multiple adjoining parcels, but essentially operate a single business from them can choose to legally consolidate their properties to avoid unnecessary multiple payments of such a fee.

Examples from elsewhere:

Town of Stavelly (AB): for water only, the Town of Stavelly has a \$20 monthly rate for inactive or vacant residential, vacant commercial accounts (\$240 per annum).

Village of Kaslo (BC): Sewer (vacant commercial lot with sewer available \$602 per annum; vacant commercial lot with water available \$61 per annum). Comes to \$55.25 per month.

Regional District of Okanagan Similkameen (Willowbrook Water System, BC): Vacant Lot fee of \$738 per annum. Comes to \$61.50 per month.

CONCLUSION:

This is not applied everywhere as a fee but is used by some jurisdictions for a variety of reasons. It does require a philosophical position that serviced/serviceable/developable lots should contribute to water and wastewater utilities on the basis that their value is partly driven by the existence of buried infrastructure that requires maintenance and repair (and their non-development may be negatively impacting development and

revenue growth elsewhere in the community). What is not in doubt is that Nanton’s water distribution and sewer collection infrastructure needs substantial and ongoing repair, maintenance and renewal. Whether or not someone ties in or subdivides, the infrastructure is there, accessible, and already depreciating. A lot or parcel that is not presently developable due to the absence of water and sewer mains would not be charged such fees. Administration is providing this information to have Council consider its potential or utility for the challenges the Town has around water and wastewater collection renewal annually. In that context, no specific recommendation is being provided.

Council could arguably consider the repeal of Bylaw 1160/04 in order to make the challenges of further subdivision and development in that impacted vicinity less costly in the face of much reduced remaining municipal lots in Westview and the levied infrastructure having been installed almost 20 years ago. However the bylaw in place is perfectly legitimate and can continue to be implemented.

NANTON STRATEGIC PLAN ALIGNMENT			
<input checked="" type="checkbox"/>	OPERATIONS	<input type="checkbox"/>	EMERGENCY SERVICES
<input checked="" type="checkbox"/>	PLANNING & DEVELOPMENT	<input checked="" type="checkbox"/>	COMMUNITY & ECONOMIC
<input type="checkbox"/>	GOVERNANCE & CORPORATE SERVICES	<input type="checkbox"/>	NOT APPLICABLE
PRIORITY OR ACTION: Although not a Strategic priority, this topic is worthy of discussion in the context of current and long term capital priorities in utilities.			

Prepared By: Neil Smith

Date: Updated May 11th 2023

APPROVED BY:

Date:

The signature is written in black ink over the Nanton logo. The logo features the word "NANTON" in a bold, stylized font, with "EST 1903" below it and a circular emblem containing a landscape scene.