

June 5, 2023

VIA EMAIL (crystal.henwood@novascotia.ca)

Ms. Crystal Henwood, Regulatory Affairs Officer/Clerk of the Board
N.S. Utility and Review Board
3rd Floor, Summit Place, 1601 Lower Water Street
P. O. Box 1692, Postal Unit M
Halifax, NS B3J 3S3

Re: Regional Development Charge – Proposed Collection Timing

Dear Ms. Henwood:

Halifax Water is requesting that the Nova Scotia Utility and Review Board approve amendments to subsections 29(3), 29(8) and 30(3) and 30(8) of the Halifax Water Regulations, which would authorize Halifax Water to collect payment of Regional Development Charges (RDCs) prior to the request for wastewater service connection or water meter installation, respectively, as opposed to the current requirement to collect RDCs at the time of permit application. A redline version of the requested amendments is attached as Appendix A.

RDCs were initially approved by the Nova Scotia Utility and Review Board in 2014. The purpose of water and wastewater RDCs is to ensure infrastructure upgrades necessary to support growth are paid for by those initiating that growth – growth pays for growth. This supports Halifax Water’s cost-causer-pay philosophy.

In accordance with sections 29 and 30 of the Halifax Water Regulations, RDCs must be collected at the time the permit application is submitted to HALIFAX. This timing results in the developer financing the RDCs over the term of construction, which results in escalated costs being passed on to the future homeowners.

The Urban Development Institute of Nova Scotia requested Halifax Water consider deferral of payment of RDCs from the permit application date to the service activation date. Deferring the payment of RDCs to the service activation date will reduce the cost to the future homeowner and align with the request from a key stakeholder.

Deferring receipt of payment would decrease the interest earned on the RDC reserves. The RDCs are adjusted each year by the Consumer Price Index (CPI) and otherwise by the NSUARB. Even

with the adjustments and increases in the RDCs, overall interest earned will be lower if payment is deferred to service activation.

Deferring payment would require amendments to subsections 29(3), 29(8), 30(3) and 30(8) of the Halifax Water Regulations. The proposed amendments would be to eliminate the requirement to collect the charge at the time of a permit application and instead require the charge to be collected at the time of service activation.

In considering these amendments and deferral of payment to service activation, Halifax Water has determined:

- The water and wastewater RDCs are subject to CPI adjustment annually on April 1. The applicant may pay the applicable water and wastewater RDCs at any point prior to the request to install a water meter.
- For commercial/multi-unit buildings, a request for a temporary water meter installation would trigger the payment of the water and wastewater RDCs because the service would become active.
- For water permits contained within wastewater service only areas, the wastewater RDC would be paid at any point prior to the request for wastewater service connection inspection.
- For water permits that are an adjustment to an existing customer's service, for example, backyard suites, secondary suites, renovations, additions resulting in higher unit count, or additions resulting in additional commercial floor area, the RDCs would be assessed within the permit review, and due prior to water permit approval.
- The ability to defer payment currently, as per subsections 29(11) and 30(11) (defer 25% of the payment up to two (2) years for RDCs above \$100,000), may become unnecessary because the proposed amendment allows for greater flexibility for a broader set of customers. Halifax Water is not recommending any changes to subsections 29(11) and 30(11) at this time, but it will monitor whether any future recommendations for amendments are needed.

The recommended change is expected to be well received by the development community and reduce the costs to future homeowners. The recommendation to defer the collection time of the charges will have minimal impact to Halifax Water's rate base as the RDCs are designed to be self-funding.

If these proposed amendments are approved, Halifax Water will continue to work with HALIFAX to implement these changes such that there is minimal impact on developers and others paying RDCs via HALIFAX.

The amount of water and wastewater RDCs would remain the same with these amendments. The proposed delay in the timing of the collection of water and wastewater RDCs would be estimated at approximately six to twelve months for single unit dwellings and approximately two years for commercial/multi-unit buildings.

In addition, Halifax Water currently utilizes the RDC reserve cash balance to manage cashflow and the timing of debt issuance. A delay in when cash is received could reduce the cash balance and require debt to be issued earlier. The impact of acquiring debt earlier would not be significant as it primarily affects the timing of debt interest and principal payments. For example, if new debt of \$20M at 2.25% were issued in the spring, Halifax Water would incur interest expense of approximately \$375K in the first fiscal year. However, if the debt were to be issued later in the fall, the costs in the first fiscal year would be approximately \$150K. At the end of the term of the debt, the debt issued in the spring would be paid off approximately six months sooner than the debt issued in the fall.

If these amendments are not approved, the development community would continue to fund the cost of financing the RDCs over the term of construction, which would result in higher costs being passed on to future homeowners.

Accordingly, we are requesting approval of the amendments noted in Appendix A, which will authorize Halifax Water to collect water and wastewater RDCs prior to the request for water meter installation or wastewater service connection inspection, as applicable.

If you have any questions with regard to this submission, please contact me.

Respectfully submitted,



Louis de Montbrun (Jun 5, 2023 13:59 ADT)

Louis de Montbrun, CPA, CA
Acting General Manager and CEO

Appendix A
Proposed Amendments to sections 29 and 30 of the Halifax Water Regulations

Regional Development Charge for Wastewater Infrastructure

29. (1) In this Section,

- (a) “Regional Development Charge” means a regional development charge for Regional Wastewater Infrastructure;
- (b) “Regional Wastewater Infrastructure” means core regional Wastewater treatment facilities and trunk sewer systems directly conveying Wastewater to, or between, such facilities, including
 - (i) existing Wastewater treatment facilities (WWTF) that provide a regional Service including the facilities generally known as the Halifax WWTF, Dartmouth WWTF, Herring Cove WWTF, Eastern Passage WWTF, Mill Cove WWTF, Beechville/Lakeside/Timberlea WWTF, and Aerotech WWTF,
 - (ii) trunk sewers and related appurtenances which directly convey Wastewater to regional treatment facilities,
 - (iii) trunk sewers and related appurtenances which divert Wastewater from one regional treatment facility to another due to environmental concerns, capacity constraints or operational efficiency, and
 - (iv) inflow and infiltration reduction and/or sewer separation projects for the purposes of gathering capacity within the wastewater system for the benefit of planned growth.but does not include infrastructure within or directly adjacent to approved or planned development areas which is required to directly support development within an approved or planned development area;
- c) “Infrastructure Master Plan” is the long-term infrastructure planning and engineering study that identifies the optimal regional water and wastewater infrastructure implementation plan for the Commission to service growth for 30 years.

- (2) A Regional Development Charge shall be established to ensure the cost impact to the Commission is neutral to the design, construction and financing during construction of capacity expansion to Regional Wastewater Infrastructure related to planned growth.
- (3) A Regional Development Charge applicable to new buildings that will be connected to a Wastewater System, as detailed in Table 4B, shall be paid to HRM as agent for the Commission prior to the request to the Commission for Wastewater Service Connection inspection.

Table 4B. Regional Development Charge - Wastewater

Type of Development	April 1, 2022 - March 31, 2023	April 1, 2023
SUD/TH ¹	\$ 5,710.01	\$ 6,126.84
MUD ²	\$ 3,835.08	\$ 4,115.04
ICI ³	\$ 28.18/sq. m.	\$ 30.24/sq. m.

1 SUD/TH – Single Unit

Dwelling/Townhouse/Row Houses 2 MUD –
Multiple Unit Dwelling

3 ICI – Industrial, Commercial or Institutional

- (4) The wastewater Regional Development Charge shall be indexed each year on April 1st, in accordance with the indexing set out in the Consumer Price Index for Halifax, as published by Statistics Canada for the immediately preceding month, when compared to the same month for the immediately preceding year.
- (5) For new buildings, building additions and renovations that are undertaken as the redevelopment of an existing serviced building, the Regional Development Charge applicable under subsection (3) shall be based on the net increase in residential units and/or square footage of floor space for non-residential construction, as applicable, but not including interior or underground parking.
- (6) When an un-serviced lot of land, occupied by a building, existed prior to July 14, 2014, the Regional Development Charge applicable under subsection (3) shall be payable to the Commission, when the building is connected to the Wastewater System.
- (7) A Regional Development Charge applicable to Industrial, Commercial or Institutional premises will be determined by applying the Charge in subsection (3) to the area of the building.
- (8) The Regional Development Charge set out in Table 4B shall be collected by HRM on behalf of the Commission prior to application to the Commission for Wastewater Service Connection inspection.
- (9) Funds collected under the Regional Development Charge pursuant to this section shall be placed in a reserve account and shall be used for providing capacity in Regional Wastewater Infrastructure as defined in the current Infrastructure Master Plan.
- (10) Subject to subsections (11) and (12) the Commission may consider and approve deferral of payment of a Regional Development Charge in its sole discretion where such Charge otherwise payable is \$100,000 or greater.
- (11) The deferral of payment referred to in subsection (10) may be, in the Commission's sole discretion, up to 25% of the Regional Development Charge otherwise payable under this Section, which deferral shall be placed as a lienable charge on the property, to be collected by HRM, pursuant to clause 33(2)(a) of the Halifax Regional Water Commission Act.

- (12) The regional level infrastructure to be supported by the Regional Development Charge is deemed to be for the benefit of the properties to be benefited.
- (13) The Regional Development Charge may be deferred for units considered within the Housing Affordability initiatives as defined by Halifax Regional Municipality. Deferrals may be considered for these units up to ten years. Interest will be charged after year two. Halifax Regional Municipality will place a lien on the Property to ensure payment of the Regional Development Charge.
- (14) Subject to subsections (15) and (16), the administration of the Regional Development Charge shall, every five years after, May 31, 2021, be reviewed by the Commission, including with reference to any changes to the Infrastructure Master Plan.
- (15) In the event changes to the inputs to the Infrastructure Master Plan, including growth projections, land use, consumption rates, inflow/infiltration assumptions, capital costs, financing costs, and benefit to existing Customers, result in changes to the infrastructure requirements identified in the Infrastructure Master Plan, including the timing of their implementation, the Regional Development Charge, will be reviewed by the Commission and adjusted, subject to Board approval, prior to a five year review described in subsection (14).
- (16) In the event the changes to infrastructure requirements described in subsection (15) result in an impact of 15%, either in the positive or the negative, to the Regional Development Charge, the Commission will change the Regional Development Charge, subject to Board approval, to reflect such impact in infrastructure requirements.

Regional Development Charge for Water Infrastructure

30. (1) In this Section,

- (a) "Regional Development Charge" means a regional development charge for Regional Water Infrastructure;
- (b) "Regional Water Infrastructure" means core regional water supply facilities and the water transmission systems directly conveying water from such facilities to the various distribution systems, including
 - (i) existing water supply facilities that provide a regional Service including the facilities generally known as the J.D. Kline water supply facility at Pockwock Lake and the Lake Major water supply facility at Lake Major,
 - (ii) water transmission mains and related appurtenances which directly convey water from regional treatment facilities to the distribution system,
 - (iii) water transmission mains and related appurtenances which divert water from one regional treatment facility supply area to another due to environmental concerns, capacity constraints or operational efficiency, and
 - (iv) demand reduction measures to provide capacity for growth and are a cost-effective alternative to new regional hard infrastructure are considered eligible.

but does not include infrastructure within or directly adjacent to approved or planned development areas which is required to directly support development within an approved or planned development area;

- (c) “Infrastructure Master Plan” is the long-term infrastructure planning and engineering study that identifies the optimal regional water and wastewater infrastructure implementation plan for the Commission to service growth for 30 years.
- (2) A Regional Development Charge shall be established to ensure the cost impact to the Commission is neutral to the design, construction and financing during construction of capacity expansion to Regional Water Infrastructure related to planned growth.
- (3) A Regional Development Charge applicable to new buildings that will be connected to a Water System, as detailed in Table 4C, shall be paid to HRM as agent for the Commission prior to water meter installation.

Table 4C. Regional Development Charge - Water

Type of Development	April 1, 2022 - March 31, 2023	April 1, 2023
SUD/TH ¹	\$ 1,791.07	\$ 1,921.82
MUD ²	\$ 1,202.95	\$ 1,290.77
ICI ³	\$ 8.84/sq. m.	\$ 9.49/sq. m.

1 SUD/TH – Single Unit Dwelling/Townhouse/Row Houses
 2 MUD – Multiple Unit Dwelling
 3 ICI – Industrial, Commercial or Institutional

- (4) The water Regional Development Charge shall be indexed each year on April 1st, in accordance with the indexing set out in the Consumer Price Index for Halifax, as published by Statistics Canada for the immediately preceding month, when compared to the same month for the immediately preceding year.
- (5) For new buildings, building additions and renovations that are undertaken as the redevelopment of an existing serviced building, the Regional Development Charge applicable under subsection (3) shall be based on the net increase in residential units and/or square foot of floor space for non-residential construction, as applicable, but not including interior or underground parking.
- (6) When an un-serviced lot of land, occupied by a building, existed prior to July 14, 2014, the Regional Development Charge applicable under subsection (3) shall be payable to the Commission, when the building is connected to the Water System.
- (7) A Regional Development Charge applicable to Industrial, Commercial or Institutional premises will be determined by applying the Charge in subsection (3) to the area of the building.

- (8) The Charge set out in Table 4C will be collected by HRM on behalf of the Commission prior to water meter installation.
- (9) Funds collected under the Regional Development Charge pursuant to this section shall be placed in a reserve account and shall be used for providing capacity in Regional Water Infrastructure as defined in the current Infrastructure Master Plan.
- (10) Subject to subsections (11) and (12) the Commission may consider and approve deferral of payment of a Regional Development Charge in its sole discretion where such Charge otherwise payable is \$100,000 or greater.
- (11) The deferral of payment referred to in subsection (10) may be, in the Commission's sole discretion, up to 25% of the Regional Development Charge otherwise payable under this Section, which deferral shall be placed as a lienable charge on the property, to be collected by HRM pursuant to clause 33(2)(a) of the Halifax Regional Water Commission Act.
- (12) The regional level infrastructure to be supported by the Regional Development Charge is deemed to be for the benefit of the properties to be liened.
- (13) The Regional Development Charge may be deferred for units considered within the Housing Affordability initiatives as defined by Halifax Regional Municipality. Deferrals may be considered for these units up to ten years. Interest will be charged after year two. Halifax Regional Municipality will place a lien on the Property to ensure payment of the Regional Development Charge.
- (14) Subject to subsections (15) and (16), the administration of the Regional Development Charge for water shall, every five years after May 31, 2021, be reviewed by the Commission, including with reference to any changes to the Infrastructure Master Plan.
- (15) In the event changes to the inputs to the Infrastructure Master Plan, including growth projections, land use, consumption rates, inflow/infiltration assumptions, capital costs, financing costs, and benefit to existing Customers, result in changes to the infrastructure requirements identified in the Infrastructure Master Plan, including the timing of their implementation, the Regional Development Charge, will be reviewed by the Commission and adjusted, subject to Board approval, prior to a five year review described in subsection (14).
- (16) In the event the changes to infrastructure requirements described in subsection (15) result in an impact of 15%, either in the positive or the negative, to the Regional Development Charge, the Commission will change the Regional Development Charge, subject to Board approval, to reflect such impact in infrastructure requirements.