



CREATING COMPLETE, COMPACT AND ENERGY-EFFICIENT COMMUNITIES IN BC: HOW FISCAL TOOLS CAN BE AN OPPORTUNITY FOR LOCAL GOVERNMENTS

FRONT MATTER

- Sustainable Prosperity (SP) is a national research and policy network, based at the University of Ottawa. SP focuses on market-based approaches to build a stronger, greener, more competitive economy. It brings together business, policy and academic leaders together with expert researchers to create innovative policies and programs.
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ABSTRACT

Urban sprawl costs society greatly. Increased traffic congestion, carbon emissions, air pollution, and land degradation cost the economy tens of billions of dollars every year. For these and other reasons, 180 local governments in British Columbia and the Islands Trust have signed the B.C. Climate Action Charter, pledging, among other things, to work to create complete, compact, more energy-efficient communities. Many local governments across B.C. have adopted formal goals of boosting density and restraining sprawl within their Regional Growth Strategies, Regional Sustainability Strategies, and Official Community Plans.

This research paper is intended to assist the provincial and local governments of British Columbia (B.C.), citizens, civil society organizations and other stakeholders in expanding the conversation on the tools available for local governments to create complete, compact, and energy-efficient communities. Its focus is on fiscal tools to reduce sprawl, increase density, and support a reduction in car dependency, energy use, and greenhouse gas emissions. This paper examines those tools presently available to local governments, and those that could be available through changes in legislative powers.

Government decisions can reduce land use patterns that have negative impacts. Though not discussed in this report, urban planning and zoning are critical for reducing urban sprawl and increasing urban density. Fiscal tools are another, critical and complementary approach - they can align price signals with planning goals by making it more profitable for developers to focus on infill and revitalization in downtown locations instead of the more costly suburban areas.

Local governments in B.C. already have available a wide variety of fiscal tools to support their urban density goals. These include development cost charges, property taxes and exemptions, transportation and parking prices, and servicing fees. Local governments can also invest in sustainable transportation and services and amenities that make compact communities more attractive.

The province of British Columbia grants power to local governments through the *Community Charter*, the *Local Government Act* and the *Vancouver Charter*. Collaboration between the provincial government and local governments could identify and refine opportunities for amendments to provincial statutes, help local governments recover and reduce their financial costs and internalize what are currently externalized costs, and provide the correct pricing signals to support provincial and local goals for complete, compact, energy-efficient communities.

1. INTRODUCTION

The majority of the population of British Columbia (B.C.) lives in urban areas, and these areas are expanding. Eighty-seven per cent of British Columbians depend on services provided by municipalities that range from 250 people to 600,000 people.¹ Most people live in large metropolitan areas like Metro Vancouver and the Greater Victoria Region. These large cities are growing, and the areas outside of established urban centres—the suburbs—are growing the most. For example, from 2006 to 2011, the population of Vancouver increased by 4.4% while the populations in nearby suburbs of Surrey and Port Moody increased by 18.6% and 19.9% respectively.²

How these cities grow holds profound implications for the costs of providing municipal services, homeowner costs, the level of energy use and carbon emissions, and public health.³

The Costs of Sprawl

Households and businesses in low density or distant areas generally cost municipal governments more to service than those located in compact, complete communities. Municipalities face higher costs for building initial infrastructure, such as roads and water mains, and for ongoing services, such as fire and police protection, school buses, and solid waste pickup. In many municipalities, fees and charges for these services are based on the city-wide average cost of providing the services. In these cases, people living in higher density areas and near the city core overpay their share, ultimately subsidizing the development of new suburbs.⁴

The dependency on the automobile in these sprawling suburbs leads to more cars, more driving, and more traffic congestion. These costs directly impact the pocketbook and health of not only the suburban homeowner, but others as well. For example, the need to own one or more vehicles to access amenities, employment, schools, etc. in dispersed locations comes at an average direct household cost of \$10,000 per vehicle each year.⁵ Furthermore, Canadians who live outside the urban core spend on average three times longer commuting than their urban counterparts.⁶ This results in an increased probability of injury or death from traffic

1 Government of British Columbia Ministry of Community, Sport & Cultural Development, “Municipalities” www.cscd.gov.bc.ca/lgd/pathfinder-mun.htm

2 CTV News British Columbia, “Port Moody Leads the Way in Suburban Population Boom” (February 2012) <http://bc.ctvnews.ca/port-moody-leads-the-way-in-suburban-population-boom-1.765469>

3 For further information and discussion of the key themes touched upon in this introduction, and in this paper generally, see D. Thompson, “Suburban Sprawl: Exposing Hidden Costs, Identifying Innovations”. (Sustainable Prosperity, 2013). http://www.sustainableprosperity.ca/sites/default/files/publications/files/SP_SuburbanSprawl_Oct2013_opt.pdf

4 R. Jacobs and D. Curran “Local Government Tools for Addressing Sprawl: Jurisdiction” (Environmental Law Centre, University of Victoria, June 2014)

5 J. Cato, “The real cost of car ownership” (Globe and Mail, September 2, 2010), <http://www.theglobeandmail.com/globe-drive/news/the-real-cost-of-car-ownership/article1378882/>

6 Natural Resources Canada (2009) The Urban Archetypes Project, Community Case Study: The City of Calgary, <http://canmetenergy.nrcan.gc.ca/buildings-communities/communities/publications/2279>, and Statistics Canada (2007) Commuting Patterns and Places of Work of Canadians, 2006 Census, Catalogue Number 97-561-X, Statistics Canada, Ottawa, Canada, as cited by N. Keough, “Final Report to Canada Mortgage and Housing Corporation Project: Action Research on Transportation Housing Affordability” (June 2011), p. 4-5, available at <http://sustainablecalgary.org/wp-content/uploads/2012/06/AffordableLivingReport.pdf>

collisions, which kill 2,000 Canadians each year.⁷ More time behind the wheel also leads to an increase in chronic illness, obesity and diabetes from inactivity, and mental health concerns from driver stress and road rage.⁸ The physical and mental impacts of commuting diminish productivity at work, affecting employers.⁹ Businesses also face higher costs due to increased shipping expenses as a result of traffic congestion.

There are many hidden costs that neither the developers nor the dwellers of these sprawling neighbourhoods pay for. These “externalities” include noise, traffic congestion, and emissions associated with sprawl. These burden the economy, adding up a cost of more than \$27 billion a year at the national level.¹⁰ A recent study estimated the hidden costs of traffic congestion amount to between \$500 million and \$1.2 billion per year for the Metro Vancouver area alone.¹¹ Sprawl also results in land use degradation and habitat loss, energy and water waste, and air pollution and smog from automobiles. A 2008 study estimated that air pollution causes 306 premature deaths, 1,158 hospital admissions, and 8,763 emergency department visits in B.C. annually.¹² The road transportation sector also accounted for 24 percent of B.C.’s greenhouse gas emissions, the province’s largest emission sub-sector.¹³ These emissions contribute to climate change and increased risk from extreme weather events.¹⁴ The effects of extreme weather are already being felt across the province, and in the future these costs are expected to rise up to tens of billions per year.¹⁵

Externalities

An externality is a cost or benefit not included in the price of an exchange.¹⁶ Externalities can have either positive (benefit) or negative (cost) impacts.¹⁷ Pollution is an example of a negative externality, because it imposes a cost on other members of society even though a specific actor or actors cause the pollution. Market based or fiscal tools can help reduce negative externalities by realigning the costs and benefits in the economy to ensure that people pay the true costs of their actions.

7 Statistics Canada, “Motor vehicle accidents causing death, by sex and by age group,” www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/health112a-eng.htm

8 D. Thompson, “Suburban Sprawl: Exposing Hidden Costs, Identifying Innovations”. (Sustainable Prosperity, 2013). http://www.sustainableprosperity.ca/sites/default/files/publications/files/SP_SuburbanSprawl_Oct2013_opt.pdf p. 11.

9 M. Campbell, K. Bassil, C. Morgan, M. Lalani, R. Macfarlane, and M. Bienfeld, “Air Pollution Burden of Illness from Traffic in Toronto – Problems and Solutions” (November 2007, Toronto Public Health), <http://www.toronto.ca/legdocs/mmis/2007/hl/bgrd/backgroundfile-8046.pdf>

10 Transport Canada, “Estimates of the Full Cost of Transportation in Canada” (Transport Canada, Aug. 2008), p. 15, <http://www.tc.gc.ca/media/documents/policy/report-final.pdf> (Note this is an archived report available through Statistics Canada)

11 Dachis, B, “Tackling Traffic: The Economic Cost of Congestion in Metro Vancouver” (2015) http://www.cdhowe.org/pdf/e-brief_206.pdf

12 Canadian Medical Association, “No Breathing Room: National Illness Costs of Air Pollution” (2008) http://www.healthyenvironmentforkids.ca/sites/healthyenvironmentforkids.ca/files/No_Breathing_Room.pdf

13 Government of British Columbia, “British Columbia Greenhouse Gas Inventory Report” (2012) <http://www2.gov.bc.ca/gov/DownloadAsset?assetId=19484040723540AA8CFFD28097BCAB3A&filename=pir-2012-full-report.pdf>, p. 12

14 L. Morello, “Climate Change Loads the Dice for More Extreme Weather” (July 11, 2012) www.scientificamerican.com/article.cfm?id=climate-change-increases-extreme-weather-events

15 National Round Table on the Environment and the Economy, “Paying the Price: The Economic Impacts of Climate Change for Canada,” <http://nrtee-trnee.ca/climate/climate-prosperity/the-economic-impacts-of-climate-change-for-canada/paying-the-price>

16 Eurostat. (2013a). *Environmental Taxes – A Statistical Guide 2013*. Retrieved from http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-GQ-13-005/EN/KS-GQ-13-005-EN.PDF

17 Ibid

There is market demand for urban sprawl, and a major driver of this is the lower housing prices found on the fringe of a city. In a 2014 survey, 82% of residents in the Greater Toronto Area reported that price influenced their choice of home location. In this same survey, 81% of residents said that if price weren't a factor, they would prefer a smaller residence with a walkable neighbourhood and good transit infrastructure.¹⁸

On the Lower Mainland of B.C., housing prices in outlying communities are far lower than prices in the City of Vancouver. Higher property prices in core areas of B.C. cities reflect the easy access to workplaces, shops, culture, nightlife and other amenities. For businesses, higher downtown prices reflect access to markets and workforces. But the low rent in suburban parks is a more important location factor for some types of businesses. Lower freight costs can also be found on the fringes of cities, where the traffic congestion typical of a city's core can be avoided.

Government policies have also contributed to these price differences. Many aspects of sprawling neighbourhoods are subsidized. For example, governments have built an infrastructure of free-to-use highways that distort the market by artificially reducing the prices of living, working, and commuting in low-density areas and areas distant from the urban core. The local, provincial, and federal governments spend nearly \$29 billion per year building and maintaining roads across Canada.¹⁹ But revenue from driving-related taxes, fees, licenses, and permits covers only \$15.5 billion of that cost,²⁰ while property taxes, income taxes and other general tax revenues subsidize the rest. Price structures for municipal fees and services, if based on city-wide average costs rather than the true cost by neighbourhood, are another subsidy.

Economic benefits of urban density

With greater urban density, fixed infrastructure costs are shared by more businesses and households, reducing costs on a per-unit basis. Firms have more potential workers to choose from, resulting in better employment fit and higher labour productivity. Job seekers have more employers to choose from, reducing unemployment. Urban density also improves the access of firms to suppliers and markets. And proximity of firms in related or complementary industries allows for knowledge spillovers, and productivity gains through specialization and outsourcing.

18 C. Burda, "2014 Home Location Preference Survey: Understanding where GTA Residents Prefer to Live and Commute" (2014), www.pembina.org/pub/2358

19 Transport Canada, "Transportation in Canada 2011, Appendix A - Statistical Addendum, Table G5: Transport Expenditure & Revenues by Mode and Levels of Government, 2002/03 -2011/12," www.tc.gc.ca/eng/policy/anre-menu-3037.htm

20 Transport Canada, "Transportation in Canada 2011, Appendix A - Statistical Addendum, Table G5: Transport Expenditure & Revenues by Mode and Levels of Government, 2002/03 -2011/12," www.tc.gc.ca/eng/policy/anre-menu-3037.htm. This finding of a massive annual subsidy to road users is confirmed by many other sources. For example, Vander Ploeg, "Delivering the Goods: Infrastructure and Alternative Revenue Sources for the City of Edmonton" (Canada West Foundation, June 2008), p. 31, <http://cwf.ca/publications-1/delivering-the-goods-infrastructure-and-alternative-revenue-sources-for-the-city-of-edmonton>; D. Maddison, D. Pearce et al., *Blueprint 5: The True Cost of Road Transport* (Earthscan, London, UK, 1996) at p. 194; Victoria Transport Policy Institute, "Transportation Cost and Benefit Analysis II – Roadway Costs, s. 5.6 Roadway Facility Costs," <http://www.vtppi.org/tca/tca0506.pdf>; Subsidy Scope, "Analysis Finds Shifting Trends in Highway Funding: User Fees Make Up Decreasing Share" (November 25, 2009), <http://subsidyscope.org/transportation/highways/funding/>

Supporting density goals with fiscal tools

Government policies and decisions can shape land-use patterns and reduce negative impacts. Tools such as urban planning and zoning are essential for reducing urban sprawl and increasing urban density. Fiscal tools play a critical role in complementing these planning tools by aligning price signals with planning goals. There are many fiscal tools that local governments can use to remove or reduce subsidies, correct price signals, and help them achieve their urban density goals by making urban living more financially attractive.

This research paper is intended to assist the provincial government of B.C., local B.C. governments, citizens, civil society organizations and other stakeholders expand a conversation on the tools available for local governments to create complete, compact, and energy-efficient communities. Its focus is on fiscal tools to reduce sprawl, increase density, and support a reduction in car dependency, energy use, and emissions. This paper will not be specifically addressing the use of zoning, urban growth boundaries, or the Agricultural Land Reserve (ALR), though these are also critical tools for reducing sprawl. This paper will examine the fiscal tools presently available to local governments, and those that could be available through amendments to the provincial legislation that grants local governments their powers.

Section 2 of this paper reviews local governments' fiscal powers. Section 3 introduces the main fiscal tools to reduce sprawl, to increase density, and to support a reduction in car dependency and energy use, and also suggests provincial legislative reforms that would provide greater flexibility and capacity to local governments to use fiscal approaches. Section 4 briefly summarizes key conclusions of the paper.

Fairness and Environmental Pricing Reform tools

Environmental Pricing Reform (EPR) is the process of adjusting market prices to include environmental costs and benefits.²¹ For example, pricing municipal water services by volume, rather than as a flat fee, reflects the value of clean water as well as the high costs of maintaining water and wastewater infrastructure. However, the use of EPR tools will inevitably mean that some members of society will be unfairly impacted. Some fiscal tools - on their own - will have a regressive impact, and negatively affect low-income earners. Others will have a progressive impact, i.e. will benefit those with lower incomes. EPR tools should be carefully designed to prevent or mitigate unfair impacts on lower-income residents.

In the case of regressive-impact tools, complementary progressive tools can sometimes offset the impact, or the revenues generated can be used to support transit, build truly affordable (well-located) housing, or support social services.²² What matters is not whether an individual element of a policy package is regressive, but whether the policy reform package *overall* is more regressive than the alternative.

21 Thompson, D., "The Power of Prices and the Failure of Markets", (The Edmonton Sustainability Papers, City of Edmonton, May 2010), http://www.edmonton.ca/city_government/documents/PDF/Discussion_Paper_17_Power_of_Prices_and_Failure_of_Markets.pdf

22 See D. Thompson, "Suburban Sprawl: Exposing Hidden Costs, Identifying Innovations" (Sustainable Prosperity, 2013), http://www.sustainableprosperity.ca/sites/default/files/publications/files/SP_SuburbanSprawl_Oct2013_opt.pdf p. 20-21. For a lengthier discussion of local government revenues and fairness, see D. Thompson, G. Flanagan, D. Gibson, L. Sinclair, A. Thompson, "Funding a better future: Progressive revenue sources for Canada's cities and towns" (CUPE, 2014) <http://cupe.ca/funding-better-future-progressive-revenue-sources-canadas-cities-and-towns>

2. THE POWERS OF LOCAL GOVERNMENTS IN B.C.

Types of local government in B.C.

Local government in B.C. is comprised of three types of government structures: municipalities, regional districts, and improvement districts.

There are 162 municipalities²³ in B.C. that provide services to the vast majority of British Columbians. They are described as the “cornerstone” of the local government system in the province.²⁴

Regional districts are large areas comprised of municipalities and non-municipal areas (known as electoral areas). There are 27 regional districts in B.C. Regional districts carry out three local government functions:²⁵

- Provide region-wide services such as regional parks and 911 service;
- Provide inter-municipal or sub-regional services such as some recreation facilities; and
- Act as the general local government for the electoral areas and provide local services such as waterworks and fire protection to incorporated communities within the electoral areas.

Improvement districts are generally located in rural areas and often provide one or two specific services such as water, fire protection, street lighting, drainage, garbage collection and parks. They do not provide general governance or land use planning that municipalities and regional districts provide.²⁶

Local government powers in B.C.

Most B.C. local government powers are found in two statutes: the *Community Charter*²⁷ and the *Local Government Act*.²⁸ The Community Charter provides core municipal powers, while the Local Government Act addresses regional districts and certain other important local government authorities such as planning and land use. The *Vancouver Charter*²⁹ provides special powers for the City of Vancouver, and a few other statutes provide powers in other specific locales.

23 Municipalities include cities, towns, districts and villages ranging from under 250 people to over 600,000, and in size from 60 hectares to 155,000 hectares (Government of British Columbia Ministry of Community, Sport & Cultural Development, “Municipalities” www.cscd.gov.bc.ca/lgd/pathfinder-mun.htm)

24 Government of British Columbia Ministry of Community, Sport & Cultural Development, “Municipalities” www.cscd.gov.bc.ca/lgd/pathfinder-mun.htm

25 This list is provided at Government of British Columbia Ministry of Community, Sport & Cultural Development, “Regional Districts” www.cscd.gov.bc.ca/lgd/pathfinder-rd.htm

26 See Government of British Columbia Ministry of Community, Sport & Cultural Development, “Improvement Districts” <http://www.cscd.gov.bc.ca/lgd/pathfinder-id.htm>

27 Community Charter [SBC 2003] C. 26 www.bclaws.ca/civix/document/id/complete/statreg/03026_00

28 *Local Government Act* [RSBC 1996] c. 323, [www.bclaws.ca/civix/document/LOC/complete/statreg/--L--/Local Government Act/00Act/96323_30.xml#section933.1](http://www.bclaws.ca/civix/document/LOC/complete/statreg/--L--/Local%20Government%20Act/00Act/96323_30.xml#section933.1)

29 [SBC 1953], Chapter 55, http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/vanch_00

Revenue raising powers for municipalities come under Part 7 of the *Community Charter*, and include property taxation (the main source of municipal revenues) as well as other revenue from: water rates, business license fees, parking tickets, development cost charges, grants from senior levels of government, building permits, the rental of recreation facilities, borrowing, and interest earned on investments.³⁰ Regional district revenue raising powers under the Local Government Act include property taxation (again, the main source), user fees, grants and investment income.³¹

Historically, provincial legislation across Canada tended to narrowly constrain the powers of local governments, including their revenue-raising powers. However, this tendency has been relaxed somewhat in more recent years, with many provinces providing broader powers to local government generally, and to larger cities specifically. For a summary listing of local government legislation in B.C., see Appendix 1.³²

The courts have also taken a broad view of municipal powers. For instance, the Supreme Court of Canada has held that a municipal authority can act for municipal purposes, which include not only those expressly stated in the statute, but also those compatible with the purpose and objects of the enabling statute.³³ This includes bylaws passed for revenue-raising purposes.

Using existing mandates to create complete, compact, energy-efficient communities

In the province, 180 local governments and the Islands Trust³⁴ have signed the B.C. Climate Action Charter³⁵, pledging, among other things, to work to create complete, compact, more energy efficient communities. Many local governments across B.C. – as is the case across Canada³⁶ – have adopted goals of boosting density and restraining sprawl within their Regional Growth Strategies, Regional Sustainability Strategies, and Official Community Plans. For example:

- The City of Nanaimo’s Official Community Plan states its first two goals are to: “Manage urban growth by focusing urban development within a defined Urban Containment Boundary” and to “Build a more sustainable community by creating urban nodes and corridors that support higher densities and a wider range of amenities and services than found in the surrounding residential neighbourhoods.”³⁷
- The Capital Regional District’s Regional Growth Strategy proposes five complementary measures that aim

30 Ministry of Community and Rural Development, “Municipal Finance” http://www.cscd.gov.bc.ca/lgd/municipality/municipal_finance.htm

31 Ministry of Community and Rural Development, “Regional District Finance” www.cscd.gov.bc.ca/lgd/regional/regional_district_finance.htm

32 E.g. Islands Trust Act, Mountain Resort Associations Act, Resort Municipality of Whistler Act. For a discussion of local government law more generally, see Reece Harding, “An Introduction to British Columbia Local Government Law Basic Principles” www.lgma.ca/assets/Programs~and~Events/MATI~Programs/MATI~Foundations/2012~Presentations/REECE%20HARDING%20-%20Introduction%20to%20BC%20Local%20Government%20Law.pdf

33 *Shell Canada Products Ltd. v. Vancouver (City)* [1994] 1 SCR 231 <https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/1108/index.do>. See also discussion at R. Jacobs and D. Curran, “Local Government Fiscal Tools for Addressing Sprawl: Jurisdiction” (Sustainable Prosperity, 2014), pp. 7-8

34 The Islands Trust is a unique federation of local governments serving islands between the B.C. mainland and southern Vancouver Island.

35 The B.C. Climate Action Charter is an agreement between the Province and the Union of B.C. Municipalities to commit to address climate change and reduce greenhouse gas emissions. The Charter is available at: http://www.cscd.gov.bc.ca/lgd/library/BC_CLIMATE_ACTION_CHARTER.pdf

36 D. Thompson, “Suburban Sprawl: Exposing Hidden Costs, Identifying Innovations” (Sustainable Prosperity, 2013). http://www.sustainableprosperity.ca/sites/default/files/publications/files/SP_SuburbanSprawl_Oct2013_opt.pdf

37 City of Nanaimo, “Official Community Plan 2008,” <http://www.nanaimo.ca/assets/Departments/Community~Planning/Official~Community~Plan~~~10~Year~Review/OfficialCommunityPlan2008.pdf>

to increase the capacity of urban areas: "... I. Establish a strong mixed-use Metropolitan Core in downtown Victoria; II. Accommodate a minimum of 15% of the region's cumulative new dwelling units to 2026 within the City of Victoria, to reinforce the Metropolitan Core; III. Focus new growth primarily in eight Major Centres revitalized as walkable, transit-focused complete communities with a dense mix of businesses, housing, services and public open space; and V. Locate a minimum of 90% of the region's cumulative new dwelling units to 2026 within the Regional Urban Containment and Servicing Area."³⁸

- Saanich's Official Community Plan addresses growth management by pledging to support and implement the eight strategic initiatives of the Regional Growth Strategy, namely: "Keep urban settlement compact; Protect the integrity of rural communities; Protect regional green and blue space; Manage natural resources and the environment sustainably; Build complete communities; Improve housing affordability; Increase transportation choice; and Strengthen the regional economy."³⁹
- The District of North Vancouver's Official Community Plan states their policy will: "Accommodate growth and development within the existing built area and maintain the District's Urban Containment Boundary."⁴⁰
- The City of Kelowna's Official Community Plan aims to: "Continue to structure DCCs [development cost charges] so as to encourage centrally located, denser forms of housing to be built in areas that are highly livable and well serviced with green infrastructure (parks and trees), sidewalks, bicycle lanes and transit... Support the development of complete communities with a minimum intensity of approximately 35 - 40 people and/or jobs per hectare to support basic transit service."⁴¹

To help achieve these goals, local governments can send economic signals to support the growth of dense, vibrant communities. For example, road subsidies can be reduced, and the savings can be invested in transit. Utility pricing structures can be reformed to reflect the lower costs of servicing established areas thereby reducing the costs of those areas vis-a-vis new suburban developments.

Local governments have no independent constitutional authority: their powers are both granted and constrained by provincial legislation. Local governments in B.C. already have some very useful tools to increase density. However, provincial legislative reform would further enable local governments to adjust prices to help achieve their density goals. Section 3 below outlines five fiscal tools that local governments can employ to reduce sprawl and create complete, compact, energy-efficient communities.

38 Capital Regional District, "Regional Growth Strategy for the Capital Regional District August 2003," <https://www.crd.bc.ca/docs/default-source/regional-planning-pdf/RGS/regional-growth-strategy-bylaw.pdf?sfvrsn=0>

39 Saanich, "Official Community Plan 2008," <http://www.saanich.ca/living/community/ocp/index.html?ref=shortURL>

40 The District of North Vancouver, "Our Official Community Plan for a Sustainable Future" (2011), <https://www.dnv.org/property-and-development/our-official-community-plan-ocp>

41 City of Kelowna, "Official Community Plan 2030," <http://www.kelowna.ca/cm/page357.aspx>

3. FIVE FISCAL TOOLS TO REDUCE SPRAWL AND CREATE COMPLETE, COMPACT, ENERGY-EFFICIENT COMMUNITIES

This section reviews five main types of local government fiscal tools, including:

- Development cost charges
- Property taxes
- Transportation pricing
- Parking pricing
- Services and fees

Each review looks at how each type of local government can use the tool to reduce sprawl and support complete, compact, energy-efficient communities. The reviews also identify opportunities for B.C. legislative reform to provide greater scope to local governments to use pricing approaches to implement these goals.

3.1

Development cost charges, capital tax levies, and Community Amenity Contributions

Development cost charges (DCCs) are fees collected by a local government to compensate for some – but not all – of the costs of new developments to those governments. DCCs are paid by developers and to some extent, depending on market factors, may be passed on to the future occupants of the new developments.

The costs that DCCs can cover in B.C. are generally restricted to the capital costs of providing a new development with water, sewage, stormwater drainage, roads, and parkland.⁴² DCCs cannot be used to cover the future operational, maintenance, or refurbishment costs of infrastructure for new developments—these are funded through other municipal revenue, such as property taxes. DCCs, if structured correctly, can encourage the growth of compact communities and the revitalization and redevelopment of areas closer to the city centre.

A flat-rate DCC, without regard to location or density, can result in subsidies to the development of new outlying areas that require the construction of new infrastructure. In contrast, developments in established areas can often use existing infrastructure, reducing capital costs to the local government. Establishing lower DCC rates for central or denser areas reflects those different costs and encourages infill redevelopment (development

42 Section 933, *Local Government Act* [RSBC 1996] c. 323, www.bclaws.ca/civix/document/LOC/complete/statreg/--L--/LocalGovernmentAct/00_Act/96323_30.xml#section933.1. See also Coriolis Consulting Corp., “Do Development Charges Encourage Smart Growth and High Performance Building Design? An Evaluation of Development Cost Charges Practices in British Columbia” (Prepared for West Coast Environmental Law, 2003). p. 2; Ray Tomalty, “Innovative Infrastructure Financing Mechanisms for Smart Growth” (December 2007) Infrastructure Canada at note 8. Online: SmartGrowthBC: <http://www.smartgrowth.bc.ca/Portals/0/Downloads/sgbc--infrastructure--report--web.pdf>

requiring little or no new water/sewage/drainage/road work).⁴³ DCCs can be structured to be lower for denser developments, where density makes the provision of transit services more feasible.

Municipalities

Local governments have the power to set development charge rates and vary them based on geographic area, density, land use zoning, intended use of the development, and the size of development.⁴⁴

Furthermore, the *Local Government Act*⁴⁵ allows local governments to waive or reduce DCCs for “(c) a subdivision of small lots that is designed to result in low greenhouse gas emissions; [or] (d) a development that is designed to result in a low environmental impact.” This flexibility in structuring DCCs enables local governments to encourage greener, denser development.

Creative examples: using DCCs to encourage complete, compact, energy-efficient development

Many local B.C. governments have already adopted DCCs that encourage denser development:⁴⁶

- Penticton’s DCC bylaw has lower overall rates for developments in the core area, as compared to development in periphery areas.⁴⁷
- Sooke provides a DCC reduction for denser developments in its Town Centre Revitalization Zone.⁴⁸
- Prince George has significantly lower DCCs for downtown development, as compared to the rest of the city.⁴⁹
- Nanaimo’s downtown core (“Old City Neighbourhood”) is exempt from DCCs.⁵⁰
- Powell River provides a 50% reduction in DCCs for infill development and LEED gold/platinum, or green building categories are exempt from DCCs.⁵¹

43 Coriolis Consulting Corp., “Do Development Charges Encourage Smart Growth and High Performance Building Design? An Evaluation of Development Cost Charges Practices in British Columbia” (Prepared for West Coast Environmental Law, 2003). p. 3

44 R. Jacobs and D. Curran “Local Government Fiscal Tools for Addressing Sprawl: Jurisdiction” (Environmental Law Centre, University of Victoria, June 2014) p. 18 and sources therein.

45 Section 933.1, *Local Government Act* [RSBC 1996] c. 323, www.bclaws.ca/civix/document/LOC/complete/statreg/--L--/LocalGovernmentAct/00_Act/96323_30.xml#section933.1. See also Coriolis Consulting Corp., “Do Development Charges Encourage Smart Growth and High Performance Building Design? An Evaluation of Development Cost Charges Practices in British Columbia” (Prepared for West Coast Environmental Law, 2003). p. 2; Ray Tomalty, “Innovative Infrastructure Financing Mechanisms for Smart Growth” (December 2007) Infrastructure Canada at note 8. Online: SmartGrowthBC: <http://www.smartgrowth.bc.ca/Portals/0/Downloads/sgbc--infrastructure--report--web.pdf>

46 See Fraser Basin Council, “B.C. Climate Change Toolkit: Development Cost Charges” <http://www.toolkit.bc.ca/tool/development-cost-charges>.

47 The Corporation of the City of Penticton Development Cost Charges Bylaw No. 2007-79 www.penticton.ca/assets/City~Hall/Bylaws/Land~Use/Development%20Cost%20Charge%20Bylaw%202007-79.pdf

48 District of Sooke Bylaw No. 408 www.sooke.ca/wp-content/uploads/bylaws/408-Town-Centre-Revitalization.pdf.pdf

49 Prince George Economic Development, “Downtown Prospectus” http://www.investprincegeorge.ca/wp-content/uploads/2015/10/IPG_2015-Downtown-Prospectus-Updates-City-Update.pdf

50 City of Nanaimo, “Development cost charges (DCCs)effective 2009 March-11”,<https://www.nanaimo.ca/assets/Departments/Building~Inspection/Publications~and~Forms/DccTableWithMapMarch09.pdf>.

51 City of Powell River, “Development Cost Charges Consolidated Bylaw 2230, 2009” <https://powellriver.civicweb.net/document/1405/Development%20Cost%20Charges%202230%20.pdf?handle=3F0617B2BF93445B917CCB88EB72B6A1>.

Regional Districts

With regard to DCCs, regional districts have the same jurisdiction as municipalities under the *Local Government Act*.

City of Vancouver

The City of Vancouver has a power similar to development cost charges, in the form of Development Cost Levies (DCLs).

The City of Vancouver faces a distinct geographical situation: it is hemmed in on all sides by ocean or other municipalities, and thus has a limited ability to influence development in undeveloped or “greenfield” lands. However, the City can help reduce regional sprawl and increase its own tax base by using its DCLs to encourage infill development within its borders.

The City of Vancouver also uses Community Amenity Contributions (CACs) as a type of density bonusing⁵² for developments that are being rezoned. The developer receives a higher-density allocation in return for a cash or in-kind contribution of a local community amenity. Section 565.1 of the *Vancouver Charter* governs the use of CACs, though they are presently applied on a case-by-case basis. These contributions boost the vitality of denser communities by adding amenities such as park space, transportation services or community centres.⁵³

Legislative Reform Opportunities

DCCs can only be used to cover one-time capital costs; they cannot be used to cover the refurbishment costs of those capital investments. Ongoing operational, maintenance, and refurbishment costs are generally picked up by taxpayers through property taxes, and occasionally through special levies for capital reinvestment. Current research by municipalities across Canada shows that these long-term costs are substantial and rise dramatically a few decades after construction when refurbishment is required – creating significant financial liabilities.⁵⁴ Amending the *Local Government Act* to allow local governments to set DCCs that cover some or all of the long-term costs related to infrastructure refurbishment would reduce this financial liability, and reduce the sprawl subsidy.

Additionally, the *Local Government Act* could be amended to extend the range of costs that DCCs may cover. For example, in Ontario, development charges may cover police and fire stations, transit, and electrical facilities, and in the United States they may cover facilities for parking, recycling, and solid waste collection.⁵⁵

The *Local Government Act* could also be amended to provide that DCCs only be charged on the basis of buildable area (square footage of lot or building) regardless of the number of units provided, with consideration

52 See A. Moore “Trading Density for Benefits: Toronto and Vancouver Compared”, an IMFG Paper on Municipal Finance and Governance, No. 13, 2013, http://munkschool.utoronto.ca/imfg/uploads/220/imfg_no_13_moorer3_online_final.pdf

53 City of Vancouver, “Community Amenity Contributions” Urban Planning, Zoning, and Development (2014), online: <https://vancouver.ca/home-property-development/community-amenity-contributions.aspx>

54 See D. Thompson, “Suburban Sprawl: Exposing Hidden Costs, Identifying Innovations”. (Sustainable Prosperity, 2013) at pages 5-6; and City of Quesnel, “Capital Reinvestment Program sets course for future development”, http://www.quesnel.ca/DocumentBank/PublicWorks/07.06.01_CRP_one_pager.pdf

55 Ray Tomalty, “Innovative Infrastructure Financing Mechanisms for Smart Growth” (December 2007, SmartGrowthBC) at p.8 www.smartgrowth.bc.ca/Portals/0/Downloads/sgbc--infrastructure--report--web.pdf

for any community amenity contribution if this has been made.⁵⁶ This would provide an incentive for denser development.

3.2

Property taxes, parcel taxes, and revitalization tax exemptions

Property taxes are the most important source of revenue for municipalities in B.C., and can provide flexible pricing incentives to address urban form.

Property taxes are generally calculated by multiplying the assessed value of a property by the applicable tax rate. The local government calculates the tax rate based on its revenue needs for the year, and rates can vary based on property classes.⁵⁷

Parcel taxes are similar to property taxes, but are specific to a service currently provided or that may be provided in the future (such as connection to a sewer system). A parcel is any area of land that does not include a highway, e.g. a house and lot. Unlike property taxes, parcel taxes are not calculated based on property value. Parcel taxes are set as a single amount for each parcel, or are based on the area or frontage of the parcel.⁵⁸

Both property taxes and parcel taxes can be levied in specific areas of a municipality to support local services (like water services or sidewalks) in those areas. Such taxes are termed local service taxes.⁵⁹

Municipalities

Municipalities can levy property taxes and parcel taxes under s.197 and s.200 of the *Community Charter*, respectively. This power can be used to cover costs of providing services to new developments not fully covered by development cost charges (see Development Cost Charges section).

Municipalities can use parcel taxes for specific services rather than funding these services through property tax revenue. As parcel taxes are based on frontage or area, they can be used in order to provide an incentive to build with a higher density per hectare.

Another land tax tool available to municipalities is a Revitalization Tax Exemption (RTE). RTEs exempt property from municipal property value taxes and are applied to property taxes only (not on parcel taxes). They can be used to achieve a wide range of environmental, social and economic objectives.⁶⁰ RTEs are created

56 James Taylor Chair in Landscape & Liveable Environments, Technical Bulletin No. 10, May 2001 “The Effects of Developer Cost Charges on Sustainable Growth in the Greater Vancouver Regional District”

57 There are nine possible classes that can be used: B.C. Assessment, “Classification of Property” www.bcassessment.ca/public/Fact%20Sheets/Classification%20of%20Property.aspx

58 Government of British Columbia Ministry of Community, Sport & Cultural Development, “Parcel Tax” http://www.cscd.gov.bc.ca/lgd/finance/parcel_tax.htm

59 Government of British Columbia Ministry of Community, Sport & Cultural Development, “Local Area Services” http://www.cscd.gov.bc.ca/lgd/finance/local_area_services.htm

60 B.C. Ministry of Community Services, “Revitalization Tax Exemptions A Primer on the Provisions in the Community Charter” (January 2008) www.cscd.gov.bc.ca/lgd/gov_structure/library/community_charter_revital_tax_exemptions.pdf

by adopting a revitalization program with a defined objective (such as an environmental, social or economic revitalization goal) and entering into an agreement with property owners under such programs. For example, a municipality can offer RTEs for brownfield or greyfield redevelopment, residential densification, to keep a particular business in the downtown area, or to boost sustainable transportation choices (e.g. buildings that provide residents with bicycles or car sharing memberships).⁶¹

The programs can exempt land or “improvements” (buildings on the land). There is no requirement that there be an increase in the value resulting from construction or improvement.⁶² By exempting buildings, municipalities can essentially adopt a specific form of land value taxation. Land value taxation is often noted as encouraging development of vacant and underutilized lots, as it avoids taxing improvements.⁶³ This can help to revitalize older areas. However, standard land value taxation can also provide an incentive to build subdivisions on farmland. Therefore, RTEs can be tailored to focus on established urban areas where the municipality wishes to encourage greater density.

Other forms of implementation of RTEs are possible. The revitalization tax exemptions power is very flexible⁶⁴ and allows municipalities to provide incentives for denser and more urban development in a number of ways (see text box).

Using revitalization tax exemptions to encourage density

Many B.C. municipalities have RTEs that encourage density in communities and thereby reduce sprawl.⁶⁵ For example:

- Chilliwack provides an RTE to encourage downtown residential and business development.⁶⁶
- Trail’s RTE reduces property taxes by 100% for eligible residential, commercial and mixed use developments and institutional buildings.⁶⁷
- Williams Lake has an RTE to encourage commercial and multi-family residential rental properties, and mixed commercial-residential properties.⁶⁸
- Salmon Arm and Parksville have RTEs to promote downtown revitalization.⁶⁹
- Kelowna’s RTE is used to encourage mixed-use downtown development.⁷⁰

61 B.C. Ministry of Community Services, “Revitalization Tax Exemptions A Primer on the Provisions in the Community Charter” (January 2008) www.cscd.gov.bc.ca/lgd/gov_structure/library/community_charter_revital_tax_exemptions.pdf

62 B.C. Ministry of Community Services, “Amendments to Municipal Financial Plans and Revitalization Tax Exemptions Circular No. 07:14 ARCS File#: 195-20” www.cscd.gov.bc.ca/lgd/infra/financial_circulars/cir0714.htm

63 See D. Thompson, “Suburban Sprawl: Exposing Hidden Costs, Identifying Innovations”. (Sustainable Prosperity, 2013). p. 15.

64 In addition to the revitalization exemption power, there are also statutory and permissive exemptions.

65 See B.C. Climate Change Toolkit, “Getting the Max from Exempting the Tax” <http://www.toolkit.bc.ca/getting-max-exempting-tax>

66 Chilliwack, “Downtown Revitalization Tax Exemption” <https://www.chilliwack.com/main/page.cfm?id=1037>

67 Trail, “Downtown Revitalization Tax Exemption Program” www.trail.ca/en/work/downtown-revitalization-tax-exemption-program.asp

68 City Of Williams Lake, Bylaw No. 2077 [https://williamslake.civicweb.net/document/65070/Revitalization%20Tax%20Exemption%20Program%20\(Downtown\)%20Bylaw%20No.%202077,%202008.pdf?handle=DA45EBFB4D7847338FF22073F745B478](https://williamslake.civicweb.net/document/65070/Revitalization%20Tax%20Exemption%20Program%20(Downtown)%20Bylaw%20No.%202077,%202008.pdf?handle=DA45EBFB4D7847338FF22073F745B478)

69 Salmon Arm, “Revitalization Tax Exemption Program” www.salmonarm.ca/index.aspx?NID=219. City of Parksville “Downtown Policies” www.city.parksville.bc.ca/cms.asp?wpID=265

70 City of Kelowna, “Urban Centre Revitalization” www.kelowna.ca/CM/page894.aspx

Regional Districts

The regional district annually prepares a requisition in an amount that will cover the costs of its services. Municipalities collect the required taxes within their boundaries, and the Surveyor of Taxes collects the taxes in areas outside of municipalities – both then provide the funds to the regional district.⁷¹

By ensuring that subdivisions in new greenfield areas cover the full costs of their services – and not relying on other taxpayers to subsidize them – regional districts can improve their own balance sheets and reduce the financial incentives to urban sprawl.

City of Vancouver

The City of Vancouver has the authority to collect property taxes and parcel taxes, and provide RTEs under s. 396E of the *Vancouver Charter* (see above discussions).

Legislative Reform Opportunities

Reforming property tax classes

B.C.'s legislative framework could be amended to specify classes of property according to their individual densities under the *Assessment Act*. Amendments could also enable local governments to establish their own density-based classes of property under the *Community Charter*, the *Vancouver Charter*, and the *Local Government Act*. This would enable local governments to generally reduce tax rates on higher density residential properties.

Broadening the exemption power

The RTE power, while a very useful tool as noted above, could be streamlined by making the exemption effective without requiring agreements with property owners in zones where the local government has identified a need for higher density or infill development, e.g. core areas and areas well-served by existing transit programs.

In addition, the same exemption powers could be provided for regional districts as municipalities. The exemption power could also be expanded to include parcel taxes.

3.3

Transportation pricing

Transportation mode is intimately tied to urban form. The existence of free-to-use subsidized highways, bridges, ring-roads, tunnels and other vehicle infrastructure encourages developers to build new subdivisions in farmland and natural areas outside of city centres. As noted earlier, fuel taxes, registration fees and other road-related charges do not come close to covering the financial costs of providing roads, let alone externalized costs such as air pollution and traffic congestion.

⁷¹ Government of British Columbia Ministry of Community, Sport & Cultural Development, “Regional District Finance” www.cscd.gov.bc.ca/lgd/regional/regional_district_finance.htm

If motor vehicle subsidies (both direct and indirect) were reduced or eliminated, the financial incentive to build in new, greenfield areas would also be reduced. Fuel pricing, for instance, has been shown to encourage development of denser residential housing and can help reduce sprawl.⁷²

The savings from reduced subsidies could then be invested in sustainable forms of transportation. Well-planned active and public transportation infrastructure could service higher density areas effectively, providing an incentive for residents and businesses to locate in such areas, thus further reducing the pressure to develop greenfields. However, rapid transit systems that are extended into suburban areas can help promote sprawl rather than discourage it.

Road tolls, fuel taxes, licence and vehicle registration fees can be shaped to help shift some motor vehicle trips toward less carbon-intensive modes of transportation and they can also help to fund these modes of transportation. However, these pricing mechanisms are generally determined and collected by the provincial and federal government. The power of local governments to influence urban form using transportation pricing is relatively limited.

Municipalities

Municipalities can use existing revenue streams (e.g. property taxes and transfers from higher levels of government) to help fund sustainable transportation including elements of transit infrastructure such as bus shelters, active transportation infrastructure such as improved sidewalks and bike trails, or car-sharing services.⁷³ They can also use such funds to help leverage sustainable transportation funding from provincial and federal governments.⁷⁴

Regional Districts

Transit can often best be provided at a regional scale, especially where inter-urban trips are common, e.g. Greater Victoria and Greater Vancouver. In the Greater Vancouver area, the South Coast Transportation Authority (Translink) provides transit and key roads. Translink's main tools for raising revenue are transit fares, fuel taxes, and property taxes.⁷⁵ Translink has outlined priority areas for raising funds, which include: a vehicle registration fee, regional sales tax, regional carbon tax, land value capture (such as development charges for areas whose value is improved by transit access), and road pricing.⁷⁶ There have been several funding debates in the region over the years. A 2015 proposal to raise funds through a regional sales tax was defeated by referendum.⁷⁷ The long-term mix of Translink revenue sources will have an influence on transit ridership, motor vehicle usage, and urban form.

72 D. Thompson, "Suburban Sprawl: Exposing Hidden Costs, Identifying Innovations" (Sustainable Prosperity, 2013), http://www.sustainableprosperity.ca/sites/default/files/publications/files/SP_SuburbanSprawl_Oct2013_opt.pdf p. 16

73 T. Litman, "Carsharing: Vehicle Rental Services That Substitute for Private Vehicle Ownership" (VTPI, February 22, 2012), www.vtpi.org/tm/tm7.htm

74 See also "Funding and Governance" (B.C. Transit), <http://bcstransit.com/~/about/funding-and-governance>

75 "RTS Backgrounder #10: Transportation Funding" (Translink) http://www.translink.ca/~media/Documents/plans_and_projects/regional_transportation_strategy/Backgrounders/Transportation_Funding_Backgrounder.ashx. See also Government of British Columbia, "Tax Rates on Fuels: Motor Fuel Tax Act and Carbon Tax Act" (October 2012), www.sbr.gov.bc.ca/documents_library/bulletins/mft-ct_005.pdf

76 TransLink, "Transportation Funding. RTS Backgrounder # 10." Retrieved from: http://www.translink.ca/~media/Documents/plans_and_projects/regional_transportation_strategy/Backgrounders/Transportation_Funding_Backgrounder.ashx

77 The 2015 Metro Vancouver Transportation and Transit Plebiscite proposed a new Metro Vancouver Congestion Improvement Tax to be applied as a 0.5% sales tax on the majority of goods and services subject to the Provincial Sales Tax and sold or delivered in the region.

City of Vancouver

Vancouver is a part of Metro Vancouver's TransLink transportation network and the Greater Vancouver Regional District, and can work within those bodies to address urban densification, as well as carry out its own activities and generate its own revenues as other municipalities do (see above).

Legislative Reform Opportunities

Canada is the only G8 country without a long-term national transit funding strategy, and the B.C. provincial government could take a leadership position in working with other provinces and the federal government to develop such a strategy and appropriate funding.⁷⁸

Currently, B.C. local governments (including the Greater Vancouver Region) receive a portion of the federal gas tax under a gas tax agreement.⁷⁹ Dedicated regional fuel taxes levied in Greater Vancouver and Greater Victoria regions are passed on to their transit authorities.⁸⁰ TransLink and the Victoria Area's B.C. Transit Authority receive levels of 17 cents and 3.5 cents per litre respectively.⁸¹ However, gas taxes in B.C., as in Canada generally, remain among the lowest in the OECD. Both the gas taxes and the distribution to municipal and regional governments and transportation authorities could be increased. Doing so would encourage development in central areas and areas near public transit services.

Road-use pricing is another tool to encourage the development of denser communities.⁸² Tolling particular roads can discourage commuting from outside the city core. Area tolls can reduce congestion and encourage use of transit. Congestion pricing is a form of toll that is adjusted in real time to be higher when roads are congested. The implementation of high occupancy toll lanes requires low occupancy vehicles to pay to use a high occupancy lane; the funds collected from the tolls then generate local government income. A third revenue tool, known as distance-based pricing, is an annual payment used to charge motorists for how much they actually drive. Granting local governments the power to use such tools would require amendments to legislation, including subsection 194(5) of the *Community Charter*.⁸³

The revenues from these three tools could be used for transit and active transportation development, which would have a positive feedback effect on encouraging denser urban development.

78 C. Burda, "RBC-Pembina Home Location Study, Understanding where Greater Toronto Area residents prefer to live" (July 2012), www.pembina.org/pub/2358

79 Renewed Gas Tax Agreement. Retrieved from: <http://www.ubcm.ca/EN/main/funding/renewed-gas-tax-agreement.html>; Gas Tax Fund Allocation Table. Retrieved from: <http://www.infrastructure.gc.ca/prog/gtf-fte-tab-eng.html>; Introducing the Renewed Federal Gas Tax Agreement in British Columbia. Retrieved from: <http://www.ubcm.ca/assets/Funding~Programs/Renewed~Gas~Tax~Agreement/Main~Page/Web-Questions-and-Answers.pdf>; Agreement on the Transfer of Federal Gas Tax Revenues Under the New Deal for Cities and Communities 2005-2015. Retrieved from: <http://www.ubcm.ca/assets/Library/MOUs~and~Protocols/2005/Gas%20Tax%20Agreement.pdf>; Administrative Agreement on the Federal Gas Tax Fund in British Columbia. Retrieved from: <http://www.ubcm.ca/assets/Funding~Programs/Renewed~Gas~Tax~Agreement/Main~Page/Web-Questions-and-Answers.pdf>

80 B.C. Ministry of Finance. Tax Rates on Fuels. 1999 (revised 2014). Ministry of Finance Tax Bulletin MFT-CT 005. Retrieved from: http://www.sbr.gov.bc.ca/documents_library/bulletins/mft-ct_005.pdf

81 B.C. Ministry of Finance. Tax Rates on Fuels. 1999 (revised 2014). Ministry of Finance Tax Bulletin MFT-CT 005. Retrieved from: http://www.sbr.gov.bc.ca/documents_library/bulletins/mft-ct_005.pdf

82 H. Kitchen and R. Lindsey, "Financing Roads and Public Transit in the Greater Toronto and Hamilton Area" (RCCAO, January 2013), www.rccao.com/news/files/RCCAO_JAN2013_REPORT_LOWRES.pdf, p. 43.

83 R. Jacobs and D. Curran, "Local Government Fiscal Tools for Addressing Sprawl: Jurisdiction" (Environmental Law Centre, University of Victoria, June 2014), p 39.

3.4

Parking pricing

In many B.C. municipalities parking is provided for free. While drivers may be exempt from paying a financial charge for parking, parking services are not free of cost. The true costs of parking include the construction, maintenance, and repair of parking spaces, as well as the opportunity costs associated with dedicating a space of land to parking rather than using it for a different purpose.⁸⁴

Municipalities that provide free parking pass on those costs to residents who pay higher property taxes, or receive a reduced level of programs or other services. Businesses that provide free parking pass on costs to their customers through higher prices of goods and services, or to employees through reduced wages, or both. Such subsidies to parking encourage more motor vehicle driving, along with its associated emissions, collisions and other costs discussed previously.

Local governments can use pricing tools to cover the cost of providing parking while also addressing their goals related to encouraging more compact urban form, revitalizing downtown areas, and moving toward more sustainable transportation.

Municipalities

Municipalities provide parking on streets and in municipal lots. By charging for municipal parking, parking revenues can reduce property taxes and other fees, or contribute to programs and services that municipalities provide to citizens.

Municipal parking rates should consider the rates at private lots. Any differences between the two will influence decisions on where drivers park, and for how long. If municipal lots charge too much above the market rate, motorists will drive to private parking lots, and encourage this form of land use. Of course, the market is not perfect; prices vary significantly even in downtown locations,⁸⁵ and so there may be room for municipalities to be on the high side of the average market price.

84 D. Shoup, *The High Cost of Free Parking* (Chicago: Planners Press, 2005). See also D. Shoup, "The High Cost of Free Parking" reprinted from *Journal of Planning, Education and Research*, vol. 17, pp. 3–20, University of California Transportation Centre, UCTC No. 351, <http://www.uctc.net/research/papers/351.pdf>

85 Huffington Post, "Vancouver parking map reveals secret deals and pricey spots" www.huffingtonpost.ca/2014/03/13/vancouver-parking-map-rev_n_4959118.html

Meaningful pricing comparisons

Residents and businesses must be aware of price signals before they can respond to them, and understand the cost of one alternative as compared to another. If residents and businesses are given enough information about new prices for different parking options, the cost differences may have more success in shifting behaviour.

For example, Kelowna adopted a city parking rate policy that sets parking rates at least 10% higher than equivalent transit costs.⁸⁶ This policy incentivizes a reduction in car dependency and encourages transit ridership. Results show this policy was successful, and parking demand was reduced after its implementation.⁸⁷

If parking is free at suburban shopping malls, then charging high rates for parking downtown may encourage shoppers to abandon downtown retail areas. The existence of free parking in suburban shopping malls drains downtown vitality and restricts the ability of municipalities to price parking in other areas. A solution may be in setting parking prices regionally.

Regional Districts

Regional districts have powers to tax parking. In the Vancouver region, a 21% parking tax is collected by TransLink. The parking tax is paid on the sale of a “parking right” (the right to park for any length of time) anywhere in the Translink service region, which includes Vancouver and a number of nearby municipalities.⁸⁸

The regional parking tax internalizes some of the costs of providing transportation in the region. However, because it is structured as a tax on payments for parking (sale of a parking right), it fails to address free parking, and exacerbates the parking price differential between downtown areas and suburban malls that don’t charge for parking.

City of Vancouver

See the above discussion of parking taxation in the greater Vancouver region.

Legislative Reform Opportunities

Local governments could be provided greater powers to charge for parking in suburban areas. A parking space charge applied to all parking spaces would help level the playing field for downtown businesses, boosting the vitality of the urban core. Such a system could be made even more effective by having higher rates for parking spaces that are currently unpriced. This would encourage business owners to charge motorists for parking, helping to shift more trips toward car sharing, public transit and active transportation options.

Implementation of such a system is now far easier than it was even a decade ago, as technologies have developed to facilitate payment through electronic kiosks and mobile phones.

86 City of Kelowna, “Kelowna’s Parking Management Strategy” www.kelowna.ca/CityPage/Docs/PDFs/Communications/2014_Parking_GuidingPrinciples.pdf

87 Fraser Basin Council, “Transportation Demand Management: A Small and Mid-Size Communities Toolkit” www.toolkit.bc.ca/sites/default/files/FBC_TDM_toolkit_web-1.pdf

88 TransLink, “Parking Tax: About the Parking Tax” www.translink.ca/en/About-Us/Taxes/Parking-Tax/About-the-Parking-Tax.aspx

3.5

Services and fees

Local governments provide a variety of services to residents such as water, electricity, and sewage and garbage collection. Those governments seeking to restrain sprawl can ensure services provided to central areas are high quality, in order to keep those areas attractive to businesses and residents.

Low-density developments in greenfield areas have higher operational costs than do compact neighbourhoods. For example, it can take more fuel and labour time to collect garbage and recyclables. Likewise, the pumping cost for water provision and sewage removal is higher the further the water or sewage must travel.

A flat service fee that does not take into account density or distance from the city core or existing infrastructure provides an indirect subsidy to sprawl. Local governments should instead charge fees that reflect the full cost of providing the services. This can reduce indirect subsidies to greenfield development, and encourage re-development and revitalization of central areas with existing infrastructure.

Using fee structures to increase density

Instead of a flat fee, the City of Terrace charges \$0.65 per foot of water main.⁸⁹ This fee helps to encourage denser development as the longer the water main, the higher its cost.

Municipalities

Under s. 194 of the *Community Charter*, municipalities set the pricing structure for services. The fee can be based on a number of factors and can include discounts. Municipalities can, for example, charge for services based on the distance they need to pump water or sewage (see text box).

Regional District Tools

Regional districts can use fees (or property or parcel taxes) to recover the costs of services they provide under s. 803 of the *Local Government Act*. As with municipalities, full cost recovery that reflects costs of service provision will help to level the playing field and avoid indirectly subsidizing new, sprawling greenfield developments.

City of Vancouver Tools

The *Vancouver Charter* contains specific details respecting provision and charges for water (s.300), energy (s. 300.1), and sewers and drains (s. 302). Again, the main problem with the majority of new low-density developments is in the Vancouver Region, rather than in the City of Vancouver proper. Nevertheless, higher density development within the municipality's borders is encouraged by making fees reflect the costs of providing services.

⁸⁹ City of Terrace, "Terrace Water Frontage Tax Bylaw #1573-1997," www.terrace.ca/documents/bylaws-general/Water-Frontage-Tax-Bylaw-1573-Consolidated-to-1857.pdf

Legislative Reform Opportunities

Local governments could be required to charge for services based on the costs of providing the services, rather than on flat rates. Exceptions could be provided where the local government demonstrates that the administrative costs of so doing would be excessive.

4. CONCLUSIONS

Local governments across B.C. have adopted goals of creating denser and more vibrant communities, and restraining sprawl. An important element to achieving these goals will be to adjust the financial signals that have often encouraged low-density development, at the expense of compact, complete, energy-efficient neighbourhood development.

Local governments already have a variety of fiscal tools available to send the right financial signals (Table 1). They can adjust development cost charges, property taxes and exemptions, transportation and parking prices, and servicing fees. They can also invest in sustainable transportation and services and amenities that make compact communities complete and attractive.

Local governments could also be granted greater powers to use fiscal tools to help achieve their urban form goals. A dialogue between the B.C. government and local governments could help to identify and refine the existing opportunities for local government action and for provincial legislative reform that will provide local governments added flexibility and capacity. Amendments to provincial statutes could help local governments recover and reduce their financial costs and internalize currently externalized costs, while providing the market with appropriate pricing signals that make it more attractive to revitalize established areas and retain natural spaces and farmland. A number of recommendations for such reforms are provided in Table 1.

Of course none of these tools represents a silver bullet. However, by using a range of such tools,⁹⁰ local governments can reinforce planning and zoning goals by making it more profitable for developers to focus on infill and revitalization, and less expensive for residents and businesses to choose to locate in those areas. In doing so, local governments will need to be sensitive to issues of fairness, and ensure that reform packages are progressive in their overall impact.

90 D. Thompson, "Suburban Sprawl: Exposing Hidden Costs, Identifying Innovations" (Sustainable Prosperity, 2013), http://www.sustainableprosperity.ca/sites/default/files/publications/files/SP_SuburbanSprawl_Oct2013_opt.pdf p. 21-22.

Table 1: Pricing tools for compact, complete, energy-efficient urban form

Pricing tool	Existing powers	Possibilities for reform
Development Cost Charges	<p>Waive or increase DCC rates by density or location:</p> <ul style="list-style-type: none"> • For developments in suburban areas; • For developments designed to result in low environmental impact. <p>Charge DCCs on the basis of buildable area (square footage) regardless of number of units.</p>	<p>Amend <i>Local Government Act</i> to:</p> <ul style="list-style-type: none"> • Allow DCCs to cover the long-term costs related to infrastructure refurbishment; • Extend the range of costs that DCCs can cover.
Property Taxes and Parcel Taxes	<p>Use parcel taxes (based on frontage or area) for specific services, rather than property taxes (based on market assessment).</p> <p>Set Property tax rates at levels reflecting the actual costs of services by neighbourhood.</p> <p>Use Revitalization Tax Exemptions for downtown revitalization, brownfield or greyfield redevelopment, residential densification, or sustainable transportation objectives, e.g. by exempting value of buildings.</p>	<p>Amend the <i>Assessment Act</i> to specify property densities.</p> <p>Enable Local governments to establish their own density-based classes of tax rates.</p> <p>Provide regional districts with revitalization tax exemption powers.</p>
Transportation pricing	<p>Use existing revenue streams to fund active and public transportation infrastructure.</p> <p>Set regional fuel taxes at levels which can support active and public transportation investment needs.</p>	<p>Amend the <i>Community Charter</i> to allow local governments to use road pricing such as road tolls, area tolls, congestion pricing, and distance-based pricing.)</p>
Parking pricing	<p>Charge wisely for on-street and municipal lot parking.</p> <p>Introduce Parking Site Taxes for non-residential parking.</p>	<p>Expand local government powers to charge for parking (especially unpriced parking) in suburban areas.</p>
Services and fees	<p>Charge for services such as water and wastewater by the foot of water or wastewater main.</p>	<p>Require services charges to take into account actual cost of providing services to specific neighbourhoods, with exceptions where the administrative costs of doing so would be too excessive.</p>

APPENDIX 1: LOCAL GOVERNMENT LEGISLATION

The Ministry of Community and Rural Development has published the following list of statutes and their descriptions:⁹¹

[Capital Region Water Supply and Sooke Hills Protection Act](#)

The Act provides for the repeal of the Greater Victoria Water District Act and its replacement with an act that provides for the operation of water supply and water distribution services by the Capital Regional District. The Act also provides for the establishment of a regional water supply commission and establishes the Sooke Hills Wilderness Regional Park as a part of the regional parks system

[Community Charter](#)

The Act provides all municipalities with a framework for their “core” areas of authority, including broad powers; taxation; financial management; procedures; and bylaw enforcement. The Act covers municipal-provincial relations, with principles, consultation requirements and dispute resolution processes. It also provides for fundamental municipal powers such as corporate powers, service powers and regulatory powers; specific powers in relation to additional areas; and specific restrictions on those powers. To balance the broad powers provided, the Act contains accountability and public participation provisions, such as electors approval processes, annual municipal reporting and ethical conduct rules for elected officials. Certain provisions of the Act also apply to regional districts, the City of Vancouver and other local bodies, such as the Islands Trust.

[Cultus Lake Park Act \[The\] \(SBC 1932, c.63\)](#)

A private Act that provides for the creation, structure, powers and responsibilities of the Cultus Lake Park Board for the regulation, management, maintenance and improvement of Cultus Lake Park.

[Greater Vancouver Sewerage and Drainage District Act](#)

The Act provides for the creation, structure and operation of a greater board with responsibility for providing sewerage, drainage and solid waste services in the Lower Mainland.

[Greater Vancouver Water District Act \(SBC 1924, c.22\)](#)

The Act provides for the continuation, structure and operation of a greater board with responsibility for providing water services in the Lower Mainland.

[Islands Trust Act](#)

The Act provides for the continuation, structure and operation of the Islands Trust for the Gulf Islands. It sets out the objective of the Trust and the main powers and responsibilities of the Trust bodies (Trust Council, Local Trust Committees, Executive Committee and the Trust Fund Board).

[Land Title Act \[s. 219, except subsections \(3\) \(c\), \(11\) \(b\) and \(10\), insofar as it relates to the portfolio of the minister\]](#)

This section gives property owners the authority to make agreements in favour of other bodies, including local governments, to put restrictions on the use and development of the owners’ property. The Act also describes the types of terms that can be included in these agreements and details about enforceability. The remainder of the Act is the responsibility of the Ministry of Agriculture and Lands.

91 Ministry of Community and Rural Development, “Legislation Overview” www.cscd.gov.bc.ca/lqd/policy_research/legislation_overview.htm

[Local Government Act \[except ss. 916-919 and 692-693\]](#)

The Act is the primary legislation for regional districts and improvement districts, setting out the framework for governance and structure, as well as the main powers and responsibilities. Certain municipal provisions remain in effect for matters not covered by the Community Charter. As well, the Act covers important authorities for both municipalities and regional districts, such as statutory requirements for elections, and planning and land use powers. The Act also includes key provincial powers such as authority for the B.C. Building Code and the office of the Inspector of Municipalities. Sections 916 to 919 (relating to farms) are the responsibility of the Ministry of Agriculture and Lands. Sections 692-693 (relating to the B.C. Building Code) are the responsibility of the Minister of Forests and Range.

[Local Government Grants Act](#)

The Act establishes the statutory funding framework for provincial government support to local governments by providing authority to make conditional and unconditional grants to local governments and related organizations.

[Local Government \(Green Communities\) Statutes Amendment Act, \(Bill 27\) 2008](#)

The legislative amendments made in the Act encourage local governments to think, plan and build green. Specifically, it supports the development of compact communities with affordable housing and lower greenhouse gas emissions by providing local governments with the flexibility to reduce emissions, to conserve energy and to make communities more socially and environmentally sustainable in ways that make the most sense for their communities.

[Local Services Act](#)

The Act provides the basis for land use regulation by the province in Dease Lake (outside of a regional district) and for the default subdivision rules for areas with no local subdivision servicing bylaws.

[Manufactured Home Tax Act](#)

The Act provides that subject to specified exceptions, manufactured homes are “improvements” to be assessed and taxed in the name of the owner of land on which the home is located.

[Ministry of Municipal Affairs Act](#)

Although this specific named Ministry no longer exists, the Act establishes a ministry responsible to be a medium of communication between municipalities and the Lieutenant Governor in Council and to perform other duties and functions it is given by the Lieutenant Governor in Council.

[Municipal Aid Act](#)

The Act authorizes the provincial government to pay local governments annual grants in lieu of property taxes on defined provincial land.

[Municipal Finance Authority Act](#)

The Act provides for the creation, structure and operation of the Municipal Finance Authority of British Columbia, and sets out its powers and responsibilities in providing financing for regional districts, their member municipalities and other defined public institutions.

[Municipalities Enabling and Validating Act\(s\)](#)

The Act, act No. 2 and No. 3 are a compilation of special amendments providing specified local governments with additional authority or validating their procedural errors, in effect from 1958 onwards.

[Nanaimo and South West Water Supply Act](#)

The Act establishes the City of Nanaimo as responsible for providing the water service that the Greater Nanaimo Water District supplied before its dissolution. The Act transfers the assets and liabilities to the City of Nanaimo, and provides for representation of the community of South West Extension on the body responsible for advising the city on the water service.

[New Westminster Redevelopment Act, 1989 \(SBC 1989, c.34\)](#)

This private act grants the city of New Westminster development authority in addition to and different from that of other municipalities to facilitate redevelopment of a specified part of the city.

[Ports Property Tax Act \[s. 5 only\]](#)

The Act supports British Columbia's port facilities by setting a cap for municipal tax rates in relation to designated port properties and enables a tax rate cap to be set by regulation for new investment in improvements. The ministry is responsible for section 5, which authorizes payments to compensate municipalities affected by the tax rate restriction. The Ministry of Finance is responsible for the majority of the Act.

[Resort Associations Act](#)

The Act assists in the development, maintenance and operation of resorts promotion in B.C. by providing for the designation of Resort Areas. The Act enables the incorporation of Resort Associations for the promotion of Resort Areas and creates special local governance options for such areas.

[Resort Municipality of Whistler Act](#)

The Act provides for the creation of the Resort Municipality of Whistler and sets out the powers and responsibilities of the municipality, in addition to what is provided in the Local Government Act and the Community Charter. The Act also provides for the creation, structure and operation of the Whistler Resort Association.

[Sechelt Indian Government District Enabling Act \[s. 4 only\]](#)

The Act is companion legislation to the Federal Sechelt Indian Band Self-Government Act and provides for provincial recognition of the Sechelt Indian Government District. The ministry is responsible for section 4, which makes the district eligible for municipal benefits. The rest of the Act is the responsibility of the Ministry of Aboriginal Relations and Reconciliation.

[University Endowment Land Act \[except for ss. 2\(1\)\(a\) & \(d\) & 3\(b\)\]](#)

The Act provides for the provincial government's authority and responsibility for local government matters on the University Endowment Lands which are adjacent to the University of B.C. The remainder of the Act is the responsibility of the Ministry of Agriculture and Lands.

[Vancouver Charter](#)

The Vancouver Charter provides for the continuation, structure and operation of the City of Vancouver and sets out its main powers and responsibilities, including elections, public works, real property taxation, and land use planning."

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