



Mi\$\$ing Links:

Infrastructure Financing Tools & Smart Growth

April 29, 2015

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Smart Growth + Infrastructure Financing

Introduction

- Smart Growth is not solely the domain of urban planners
- We can create new infrastructure financing and funding combinations that both provide municipal funding autonomy and support smart growth outcomes
- The cost of ignoring the inherent smart growth implications of financing/funding tools might be very high

Roadmap

1. Smart Growth
2. Infrastructure Financing
3. Towards Integration



Source: <http://piayoungplanners.blogspot.ca/>

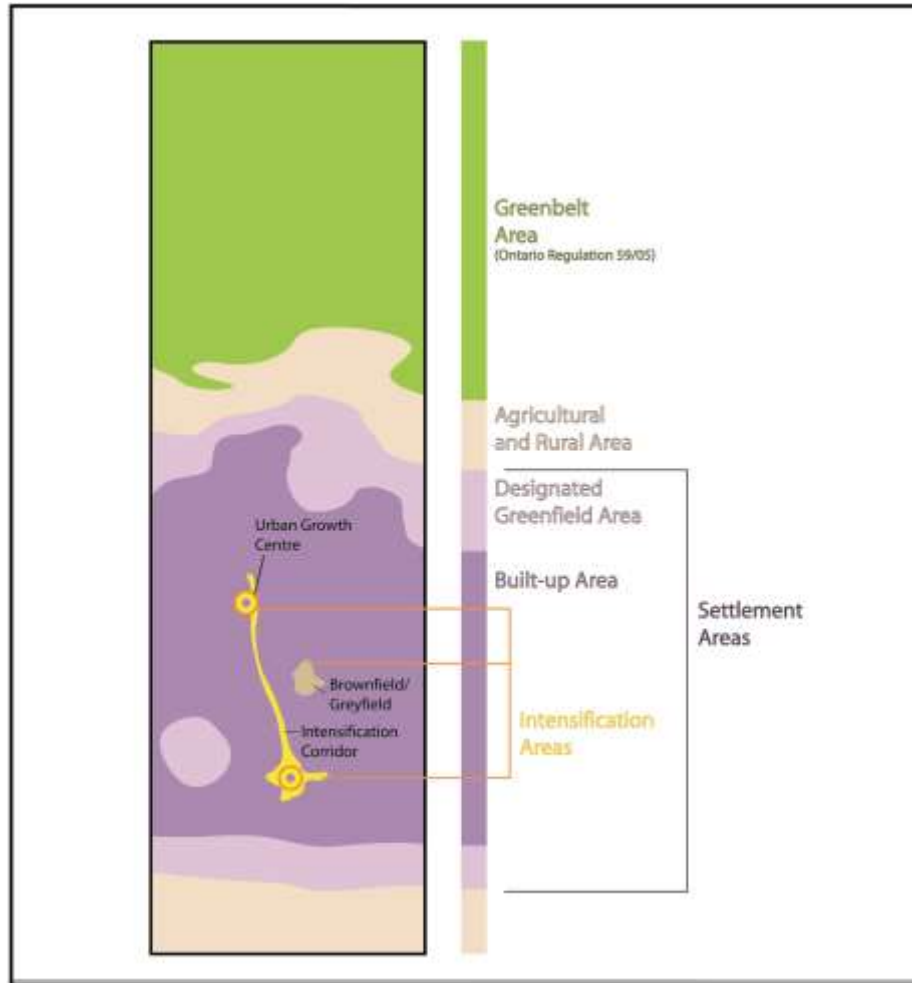
Smart Growth Priorities

Mix Land Uses
Take Advantage of Compact Building Design
Create a Range of Housing Opportunities and Choices
Create Walkable Neighborhoods
Foster Distinctive, Attractive Communities with a Strong Sense of Place
Preserve Open Space, Farmland, Natural Beauty, and Critical Environmental Areas
Strengthen and Direct Development Towards Existing Communities
Provide a Variety of Transportation Choices
Make Development Decisions Predictable, Fair, and Cost Effective
Encourage Community and Stakeholder Collaboration in Development Decisions

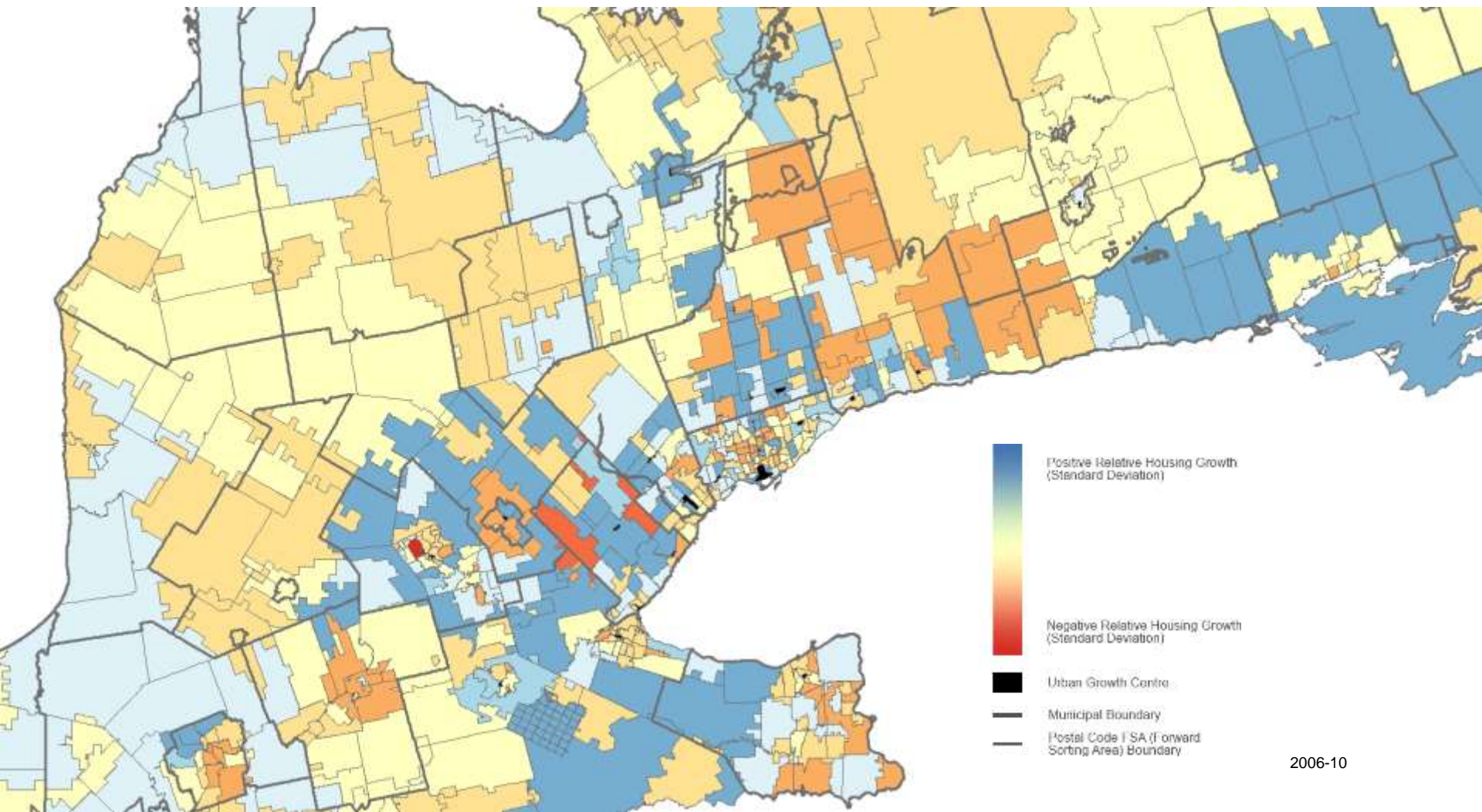
Source: United States Environmental Protection Agency



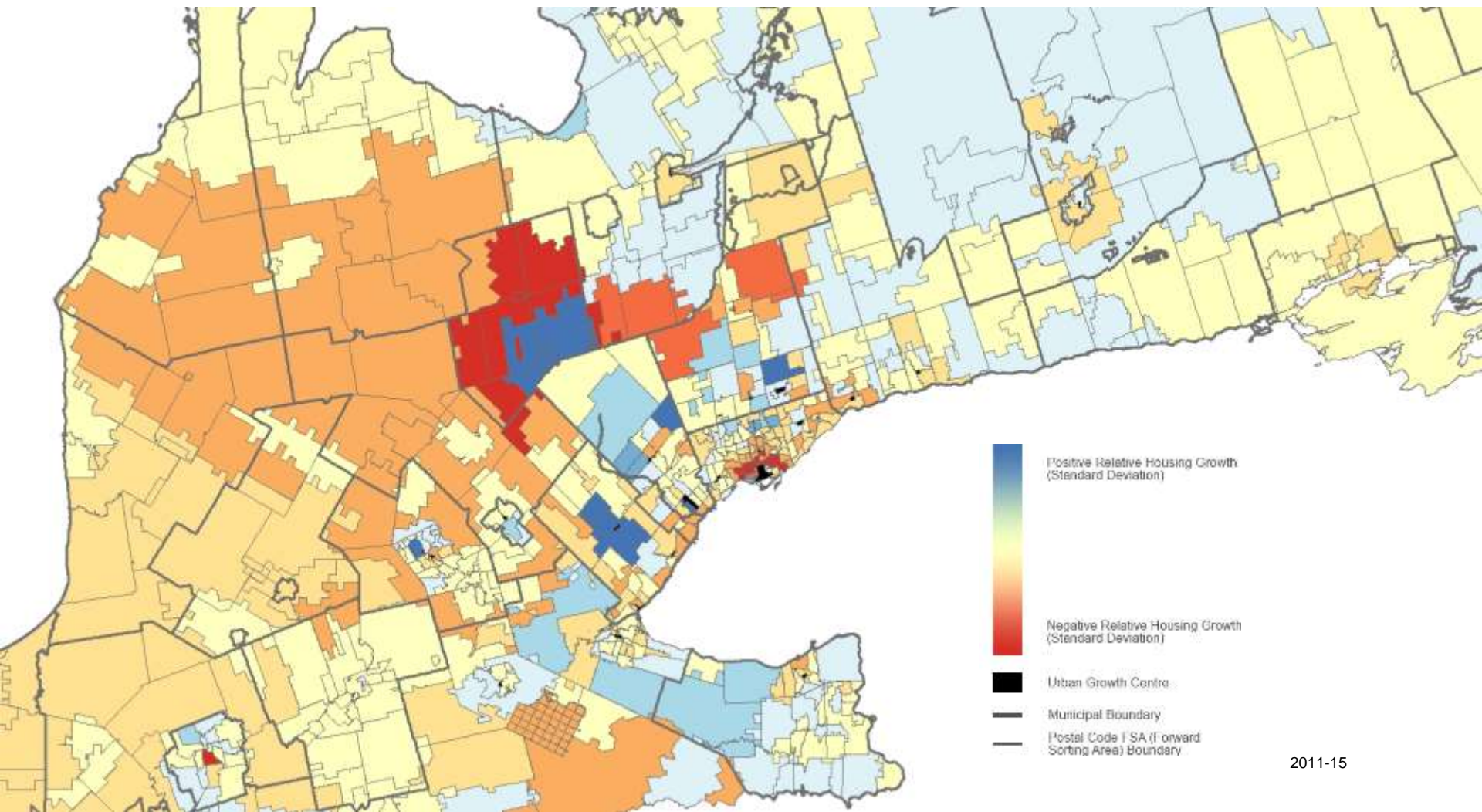
Source: Ontario Growth Secretariat, 2006



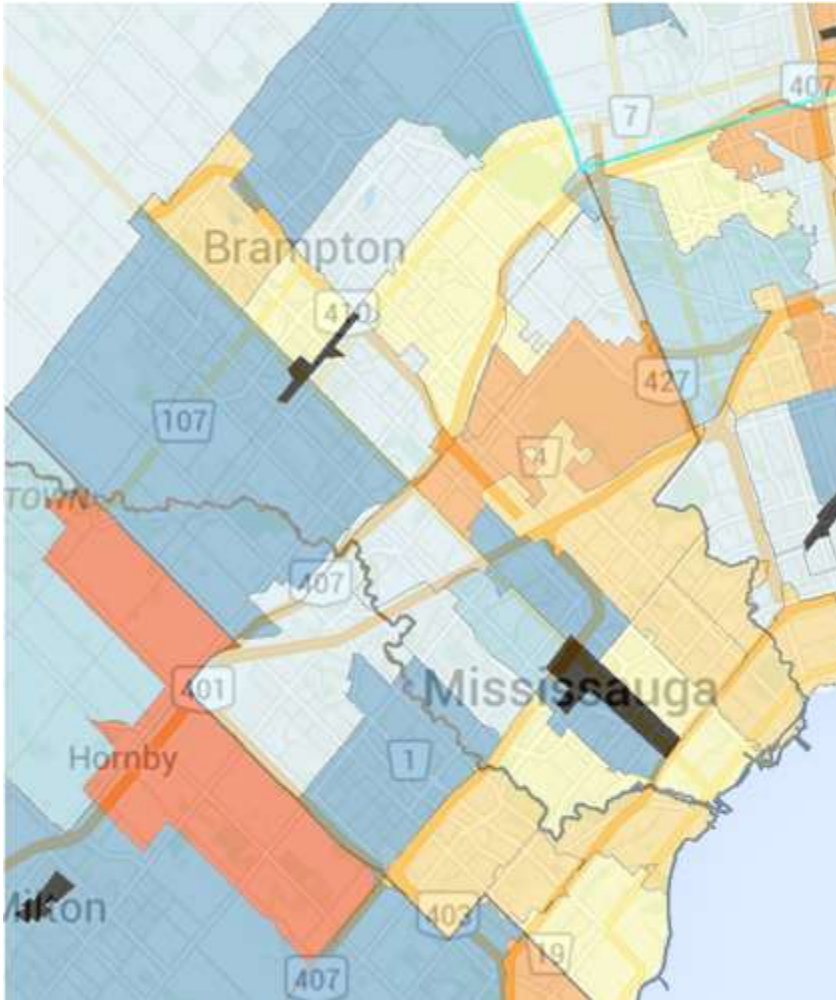
Source: Ontario Growth Secretariat, 2006



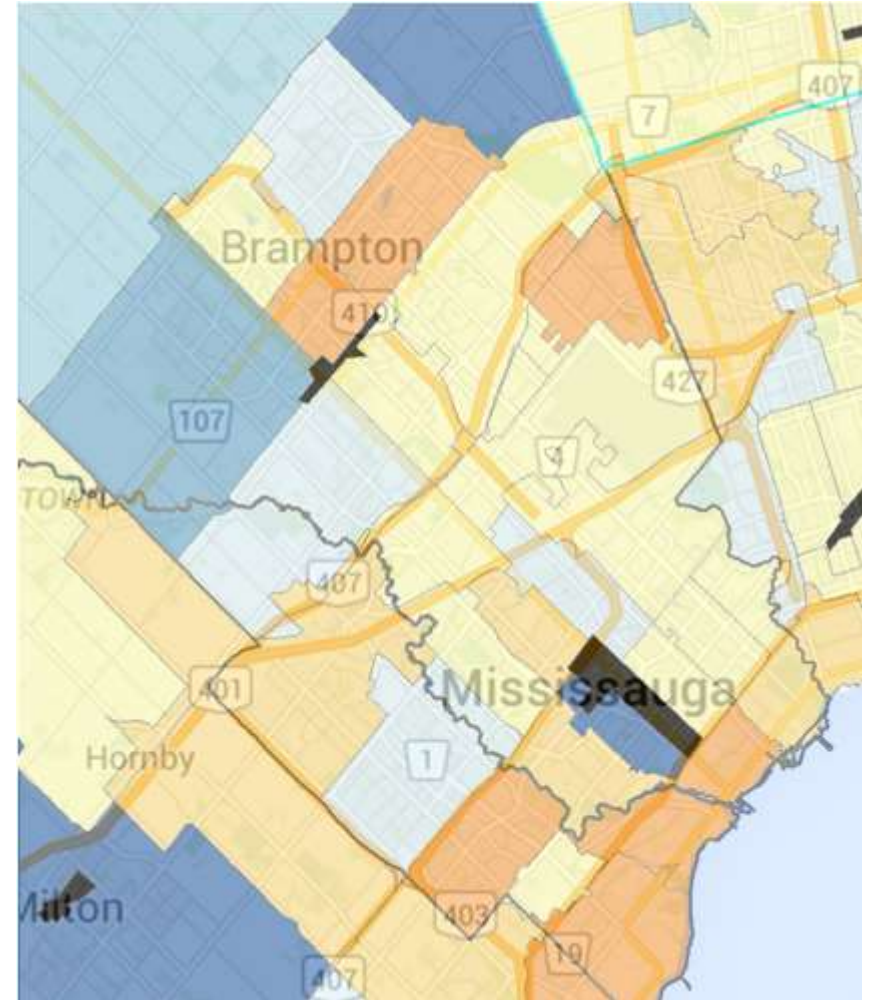
Source: Statistics Canada, Canada Post, Ontario Growth Secretariat 2006, ESRI, Authors' Calculations.



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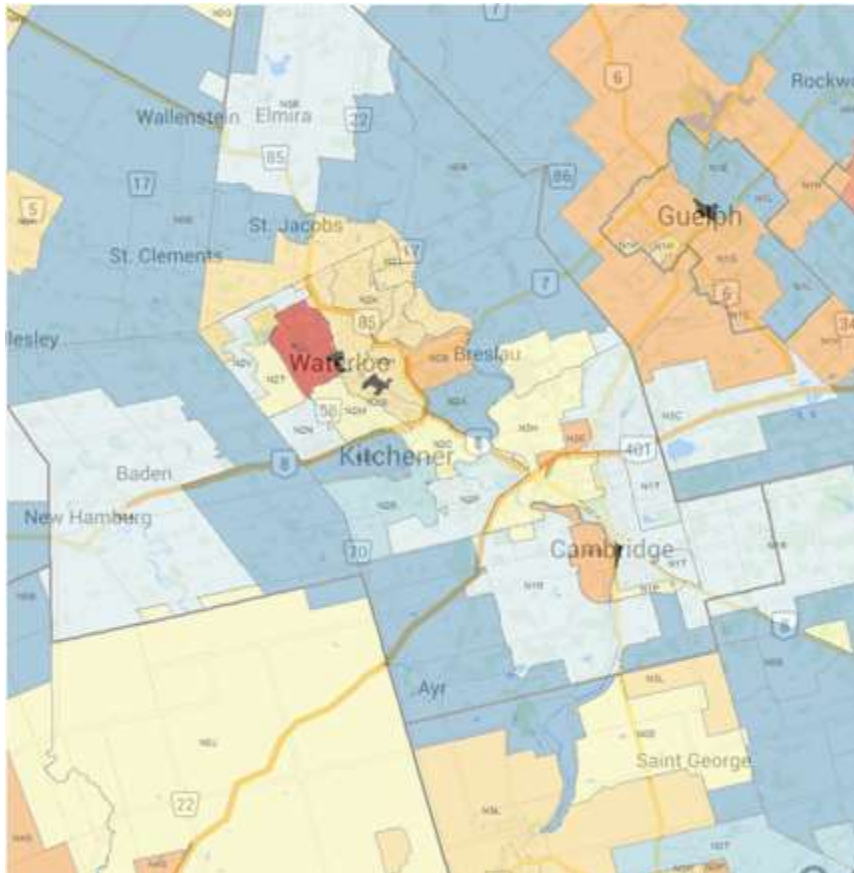
2006-10



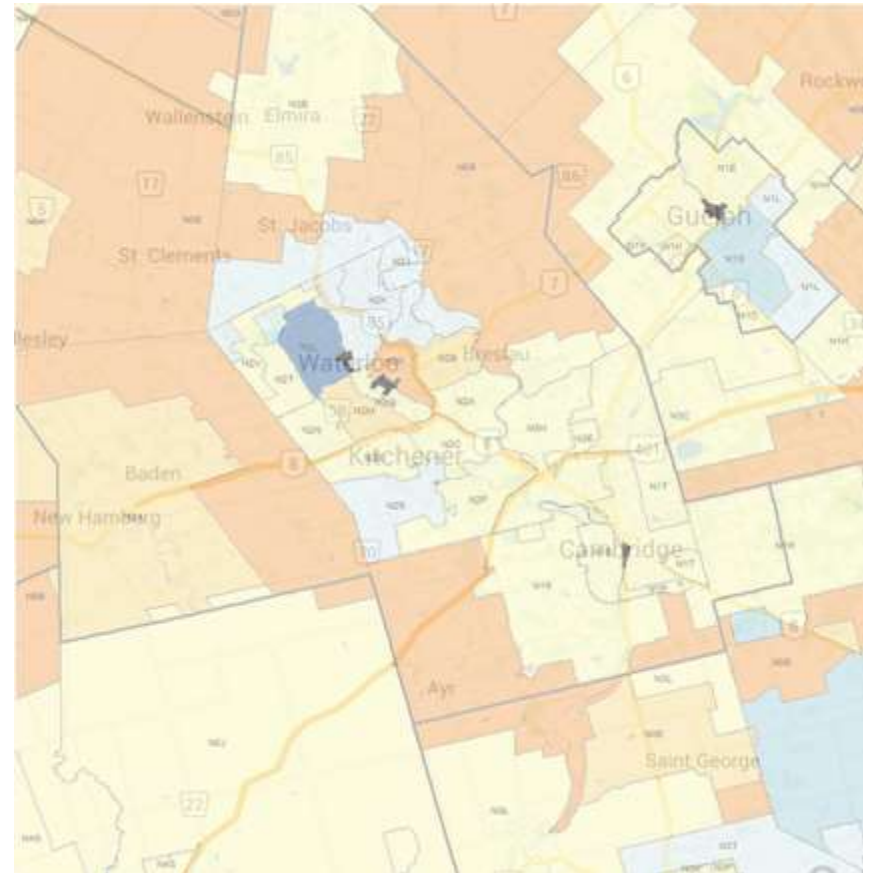
2011-15

Geography: Mississauga (zoom)

Source: Statistics Canada, Canada Post, Ontario Growth Secretariat 2006, ESRI, Authors' Calculations.



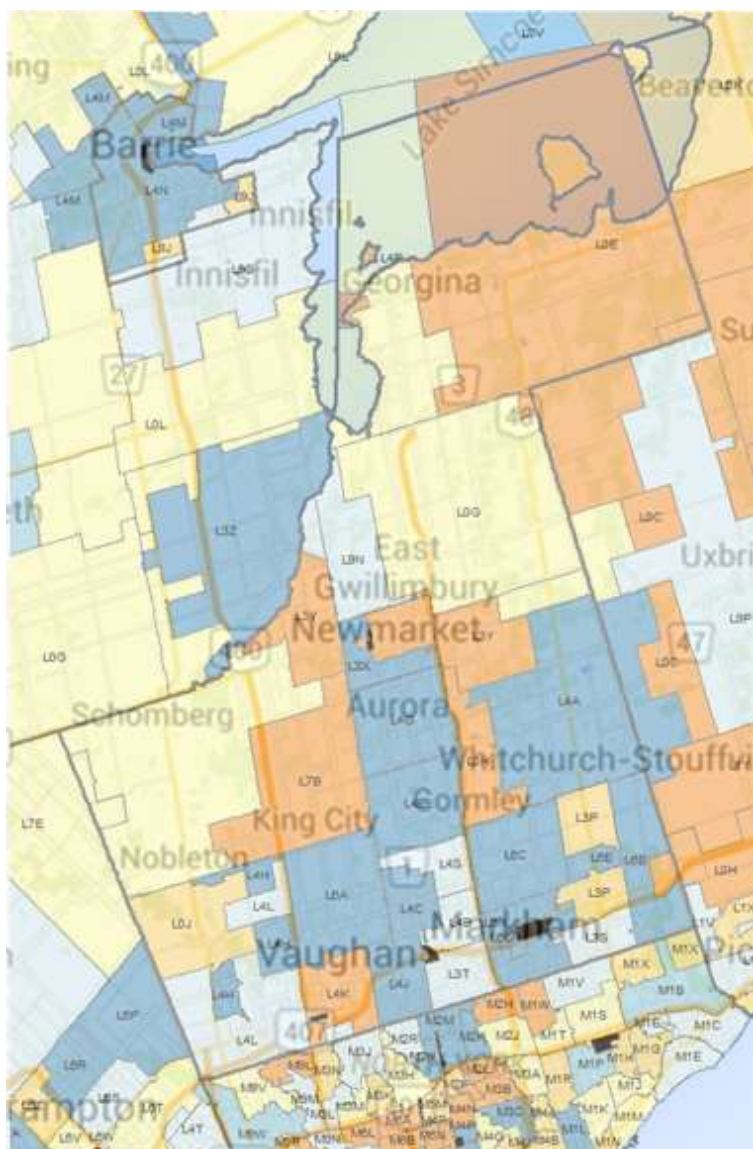
2006-10



2011-15

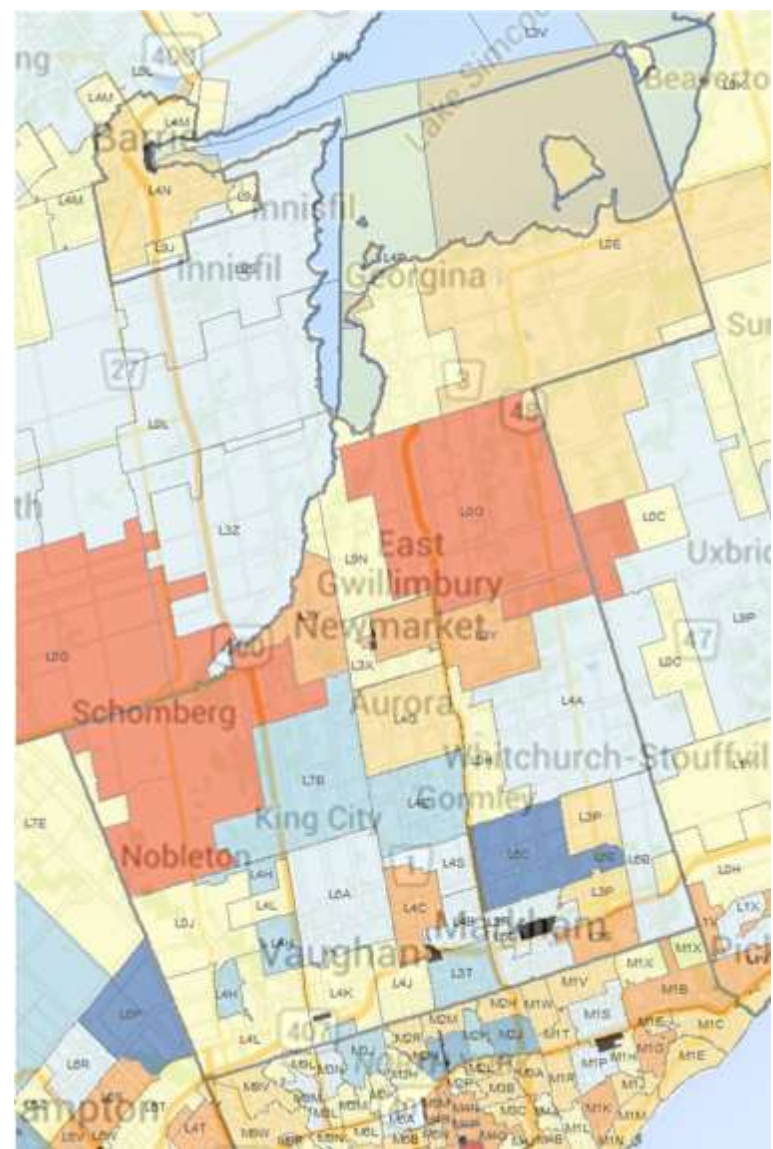
Geography: Waterloo Region

Source: Statistics Canada, Canada Post, Ontario Growth Secretariat 2006, ESRI, Authors' Calculations.



Geography: York Region

2006-10



2011-15

Source: Statistics Canada, Canada Post, Ontario Growth Secretariat 2006, ESRI, Authors' Calculations.

Caveats

1. We can still approach infrastructure *planning* in ways that more reliably make smart growth a priority
2. The link with infrastructure *financing* appears to be missing



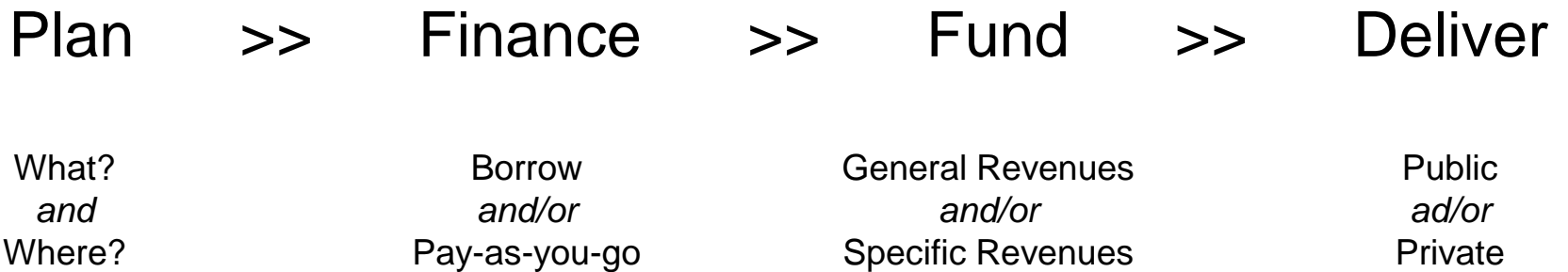
Source: sodahead.com

“The link between infrastructure financing and planning is one that is often overlooked...”

DR. RAY TOMALTY
Source: *SmartGrowthBC*, 2007

Plan >> Finance >> Fund >> Deliver

Adapted from Vander Ploeg, 2006



Adapted from Vander Ploeg, 2006

Plan

>>

Finance

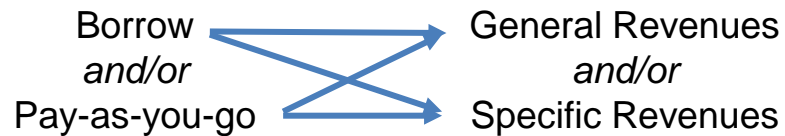
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Fund

>>

Deliver

What?
and
Where?



Public
ad/or
Private

Adapted from Vander Ploeg, 2006

Finance

Borrowing

Short-term Borrowing
Long-term Borrowing
Borrowing Against Anticipated Revenue

Pay-as-you-go

Transfers from Current Revenue
Special Assessments
Intergovernmental Grants
Tax Revenue Sharing
Reserve Funds
Operating/Capital Leases

> >

Fund

General Revenues (Tax)

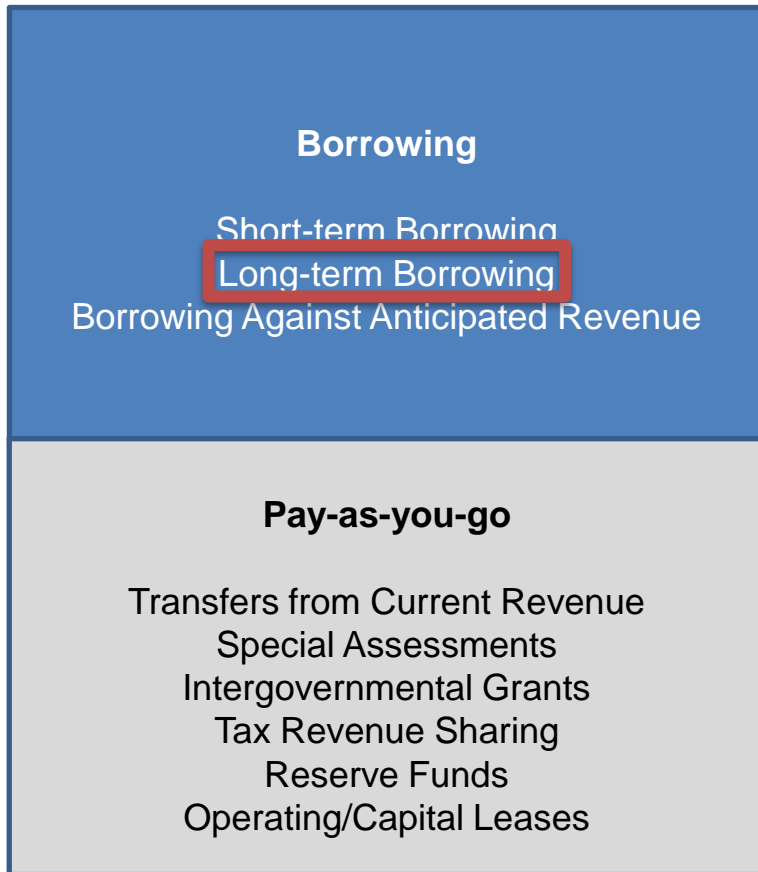
Property Tax
Intergovernmental Grants

Specific Revenues (User Fee or Tax)

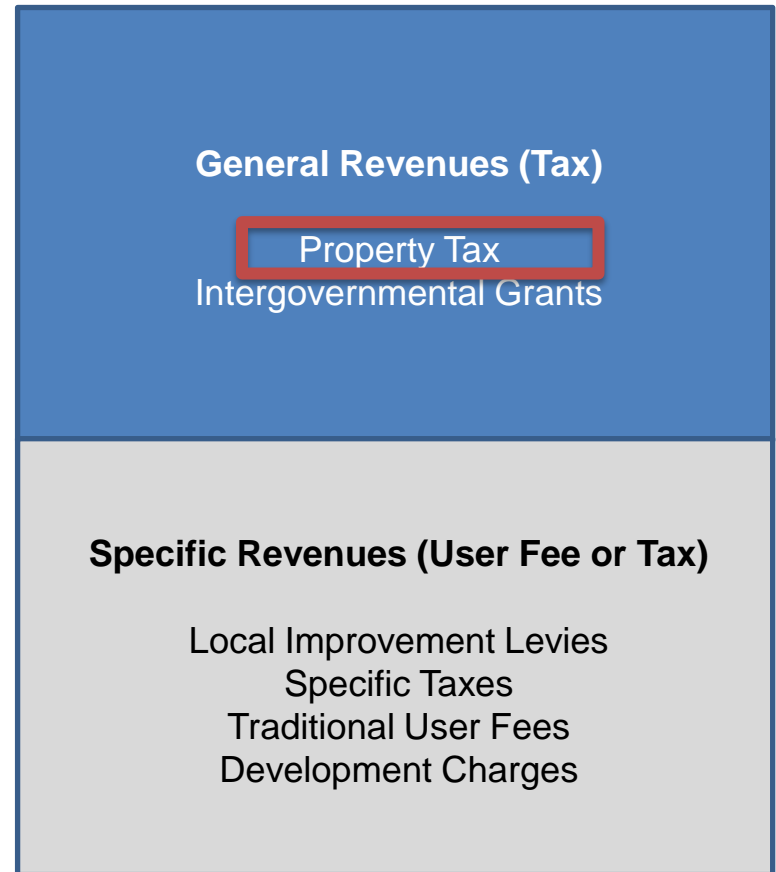
Local Improvement Levies
Specific Taxes
Traditional User Fees
Development Charges

Adapted from Vander Ploeg, 2006

Option A

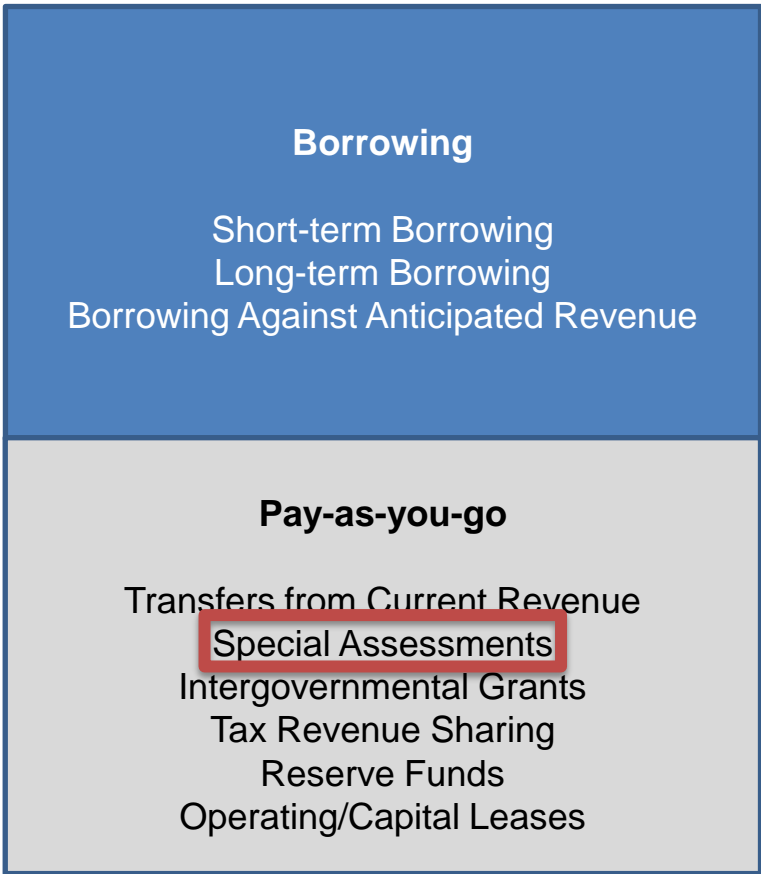


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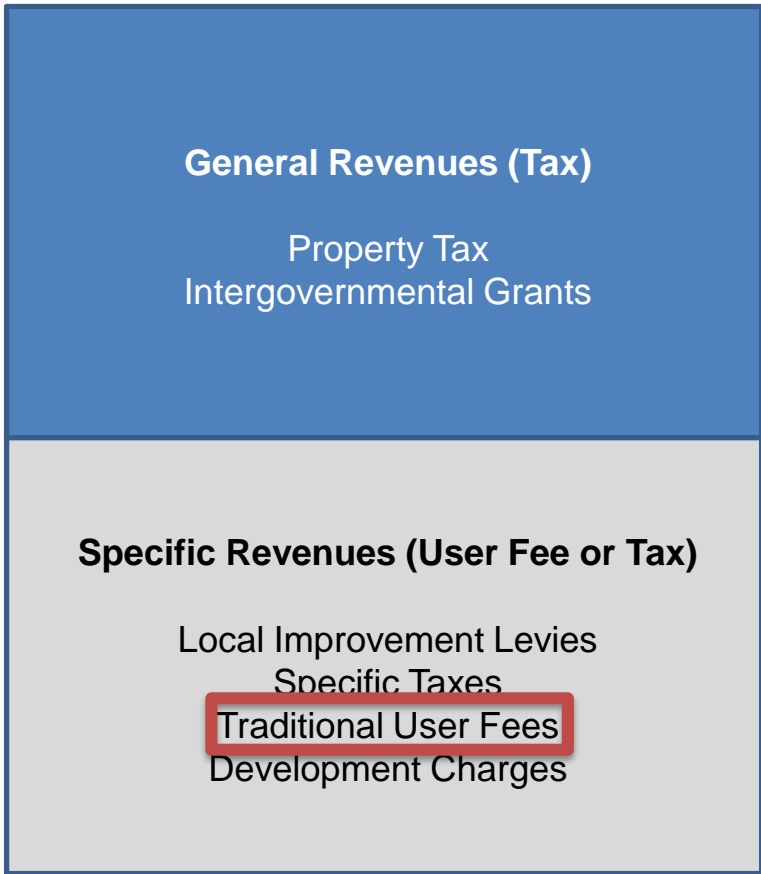


Adapted from Vander Ploeg, 2006

Option B

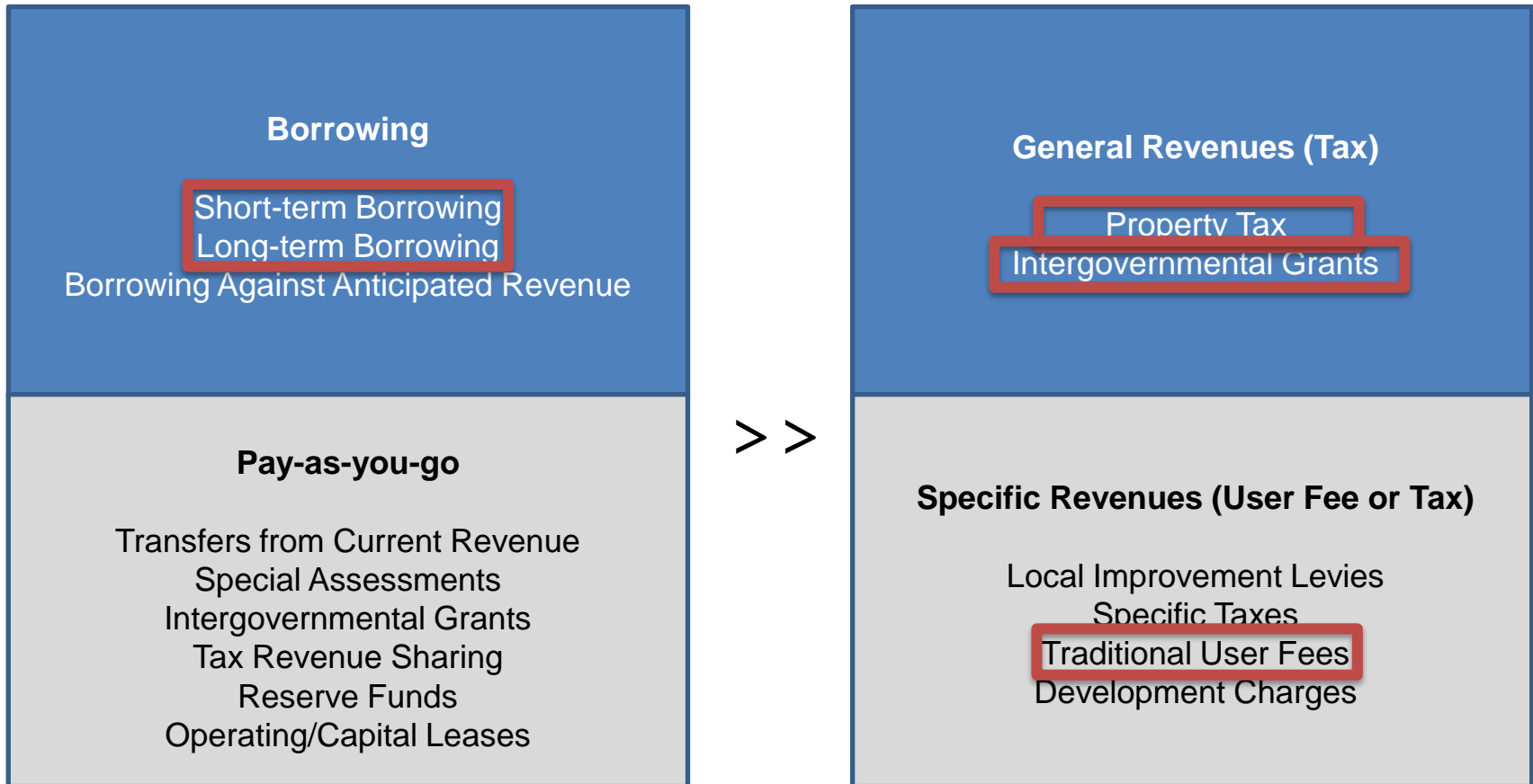


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Adapted from Vander Ploeg, 2006

Option C



Adapted from Vander Ploeg, 2006

Option A = \$100 million
Option B = \$100 million
Option C = \$100 million

- Option A = \$100 million – all who pay property tax
- Option B = \$100 million – all users
- Option C = \$100 million – Ontario taxpayers + users

A Smart Growth Lens

An examination of various financing tools, categorized accordingly by Dr. Ray Tomalty (Tomalty, 2007):

- Tools that inherently encourage smart growth by virtue of how revenue is raised
 - Linking charges to use
 - Reducing fiscal disparities between parcels of an urban region
 - Taxing inefficient land uses
- Tools that encourage smart growth by virtue of the way in which the revenue is spent
 - Requires coordination between land use planning and infrastructure decisions

Inherently Smart-Growth Promoting

Gradient Development Charges
Tax Increment Financing*
Fuel Taxes
Marginal Cost User Fees
Land Value Taxation

Smart Growth is Spending-Dependent

Average Cost User Fees
Standard Development Charges
Vehicle Registration Surcharges
Intergovernmental Grants
Property Taxes / General Revenues

Adapted from Tomalty, 2007

Finance

Borrowing

Short-term Borrowing
Long-term Borrowing
Borrowing Against Anticipated Revenue

Pay-as-you-go

Transfers from Current Revenue
Special Assessments
Intergovernmental Grants
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> >

Fund

General Revenues (Tax)

Property Tax
Intergovernmental Grants

Specific Revenues (User Fee or Tax)

Local Improvement Levies
Specific Taxes
Traditional User Fees
Development Charges

Adapted from Vander Ploeg, 2006

Ontario (O.Reg 403/02)

Borrow



25% of certain annual revenues or receipts, less most ongoing annual long-term debt service costs

Ontario (O.Reg 289/11)

Borrow



25% of certain annual
revenues or receipts,
less most ongoing
annual long-term debt
service costs
+
80% of DCs (York
Region Only)

Ontario (O.Reg 403/02)

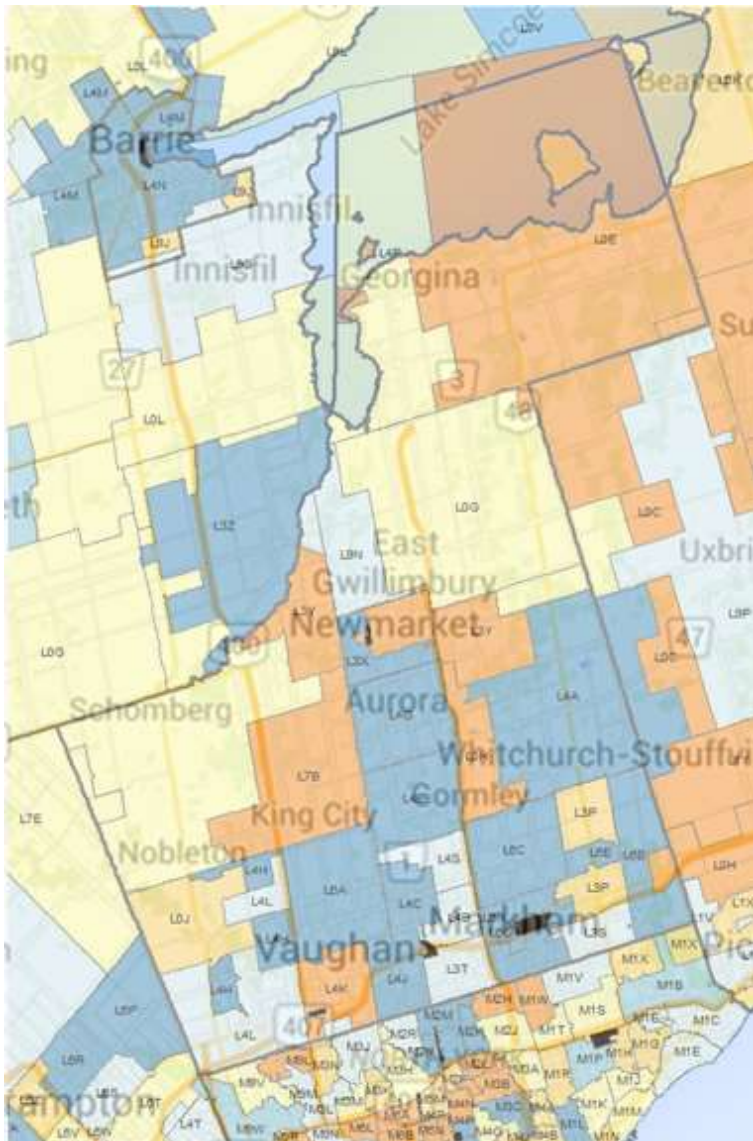
25% of revenues...

- i. as grants from the Government of Ontario or Canada or from another municipality,
- ii. as proceeds from the sale of real property,
- iii. as a contribution or transfer from a reserve fund or reserve,
- iv. under agreement with the Government of Ontario, for the purpose of repaying the principal and interest of long-term debt or meeting financial obligations of the municipality,
- v. from another municipality or a school board for the repayment of the principal and interest of long-term debt of the municipality borrowed for the exclusive purposes of the other municipality or school board,
- vi. as revenues from electrical, telephone and gas service...

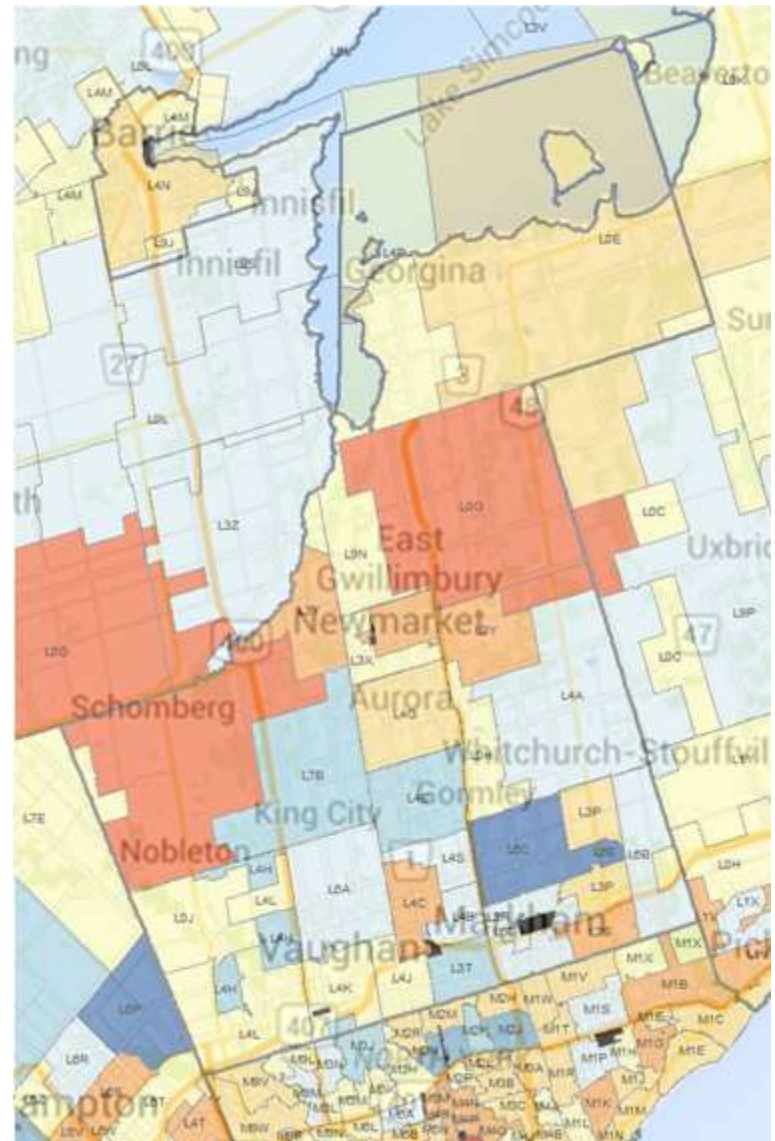
General

+ York

Development Charge Revenue (3 year average)



2006-10



2011-15

Geography: York Region

Source: Statistics Canada, Canada Post, ESRI, Authors' Calculations.

Three Observations

1. Smart Growth is not the exclusive domain of urban planners
2. New tools for smart growth that preserve municipal funding autonomy for infrastructure
3. New opportunities for the development of unique funding tools emerge

Inherently Smart-Growth Promoting

Gradient Development Charges
Tax Increment Financing*
Fuel Taxes
Marginal Cost User Fees
Land Value Taxation

Smart Growth is Spending-Dependent

Average Cost User Fees
Standard Development Charges
Vehicle Registration Surcharges
Intergovernmental Grants
Property Taxes / General Revenues

Adapted from Tomalty, 2007

Where Do We Go From Here?

Plan >> Finance >> Fund >> Deliver

Adapted from Vander Ploeg, 2006

Plan + Finance + Fund + Deliver

Smart Growth

Inherently Smart-Growth Promoting

Gradient Development Charges
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Smart Growth is Spending-Dependent

Average Cost User Fees
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Adapted from Tomalty, 2007

Adapting Existing Tools

- **Change Development Charges legislation**
 - Permit or enforce density- or sector-gradient DCs
 - Potential progress being made by the Ontario Government's *Bill 6* (March 2015)
- **Change Discretionary Grant Criteria**
 - Require smart growth compliance or growth considerations as part of long-term asset planning
- **Change ARL (Annual Repayment Limit)**
 - Promote use of smart-growth promoting funding mechanisms by permitting municipalities to borrow against revenue generated through these tools



Inherently Smart-Growth Promoting

Gradient Development Charges
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Adapted from Tomalty, 2007

Creating New Tools

- **Pay-as-you-go**
 - Provide municipalities with additional taxation tools, particularly for special assessments
- **“Smart Growth Bonds”**
 - Revenue-backed bonds for municipalities
 - Projects must be smart growth-enhancing or compliant **and** tied to an inherently smart-growth promoting funding source
 - Provide provincial credit enhancement to promote investment
 - Exempt from provincial taxes to reduce cost of borrowing for municipalities

Conclusions

- The way we pay for infrastructure can have wide-ranging applications
- There may be ways to re-orient the way we think about the infrastructure financing, funding & delivery process as a whole
- Potential opportunities exist to use this process to support smart growth outcomes
- At the very least, we should ensure that we are not inadvertently undercutting our smart growth efforts through funding and financing tools



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Appendix A

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Statistics Canada. Population and dwelling counts, for Canada and forward sortation areas as reported by the respondents, 2011 Census. 17 Apr. 2015. Raw data. <http://www12.statcan.gc.ca/census-recensement/2011/dp-pd/hlt-fst/pd-pl/Table-Tableau.cfm?LANG=Eng&T=1201&S=22&O=A>, Ottawa.

Statistics Canada. Population and dwelling counts, for Canada and forward sortation areas as reported by the respondents, 2006 Census. 1 June 2010. Raw data. <https://www12.statcan.gc.ca/census-recensement/2006/dp-pd/hlt/97-550/Index.cfm?TPL=P1C&Page=RETR&LANG=Eng&T=1201&S=0&O=A>, Ottawa.

Relevant Legislation

Places to Grow Act, 2005, S.O. 2005, c. 13 (<http://www.ontario.ca/laws/statute/05p13?search=places+to+grow+act>)

O. Reg. 416/05: GROWTH PLAN AREAS

(<http://www.ontario.ca/laws/regulation/050416?search=places+to+grow+act>)

Municipal Act, 2001, S.O. 2001, c. 25 (<http://www.ontario.ca/laws/statute/01m25?search=Municipal+Act%2C+S.O.>)

O. Reg. 403/02: DEBT AND FINANCIAL OBLIGATION LIMITS

(<http://www.ontario.ca/laws/regulation/020403?search=Municipal+Act%2C+S.O.>)

City of Toronto Act, 2006, S.O. 2006, c. 11, Sched. A

(<https://www.ontario.ca/laws/statute/06c11?search=city+of+toronto+act+s.o.>)

Tax Increment Financing Act, 2006, S.O. 2006, c. 33 , Sched. Z.7

(<http://www.ontario.ca/laws/statute/06t33?search=tax+increment+financing>)

No regulations currently exist