Category
Land Value Capture

Geography/ Location
AB, BC, MB, NB, NS, ON, QC

Municipality Size
All

Tier
Enabling

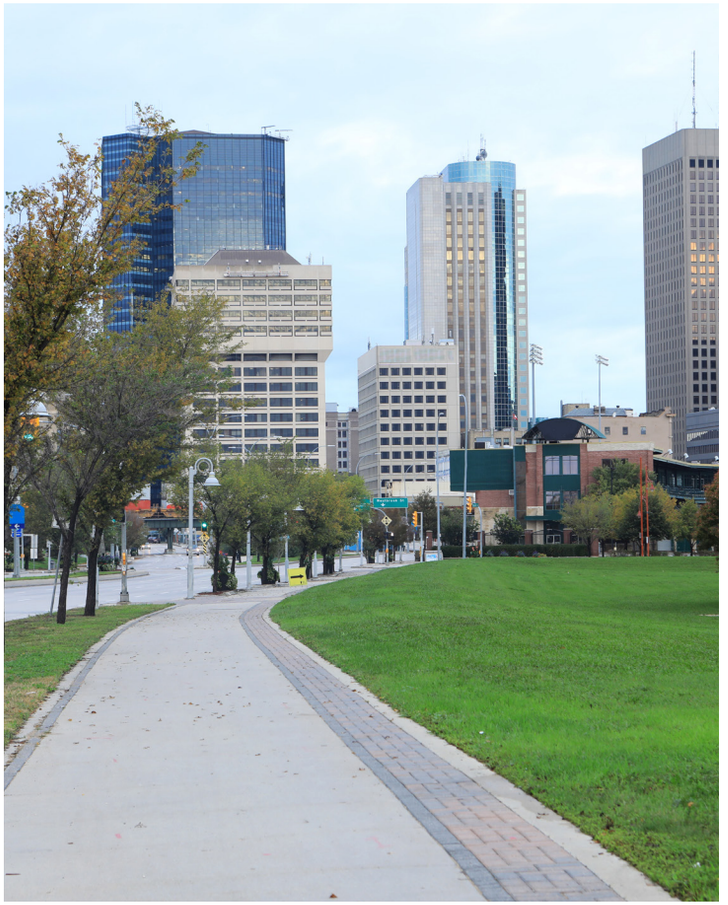
Constraints
None

Administrative Capacity Required
Medium

Fiscal Tool Brief: Local Improvement Charge (LIC)

Local Governments for Sustainability
Les gouvernements locaux pour le développement durable
CANADA

Local Improvement Charges help municipalities fund local infrastructure or sustainability upgrades upfront by recovering costs over time from the properties that directly benefit.



Local Improvement Charges (LICs), also encompassing what is often referred to as Special District Financing (SDF), are municipal financing mechanisms used to fund infrastructure or services that provide direct benefits to a defined group of properties. Unlike general property taxes that spread costs across evaluation units, LICs assign the cost of improvements to the property owners within a designated area who receive the primary benefit. Under the LIC financing mechanism, municipalities typically define a geographic benefit area and recover costs through charges or levies imposed on benefiting properties. These charges may fund one-time capital improvements (e.g., sewer upgrades, sidewalks) or, in SDF-like applications, ongoing services (e.g., transit, fire protection, or drainage services). In both cases, the

repayment obligation is tied to the property rather than the individual, enabling long-term, transferable financing. Therefore, it makes LIC financing a flexible and accessible tool for long-term infrastructure and sustainability investments. LICs ensure that the financial burden of the improvement is shared equitably among those who receive the direct benefits, while enabling municipalities to complete critical infrastructure projects immediately and spread the repayment costs over many years.

Traditionally, LICs have been applied to physical infrastructure such as sidewalks, streetlights, or sewer upgrades. However, recently, more municipalities have adapted the LIC model to support sustainability and clean-energy investments (e.g., energy efficiency upgrades, renewable energy, water conservation, resiliency). Since LICs allow flexible, long-term financing tied to property, it is well suited to support a broader range of local priorities, such as promoting water conservation, reducing pressure on energy infrastructure, and providing support for marginalized communities. By linking costs directly to beneficiaries, LICs/SDF ensure equitable cost allocation while enabling municipalities to proceed with infrastructure investments upfront and recover costs over time.

Examples

LIC-type financing mechanisms have been commonly used among municipalities across Canada. In Ontario, this mechanism is enabled by the Ontario Ministry of Municipal Affairs and Housing and has been applied in Ontario for years.[3] Ottawa (ON) has implemented its local improvement regulations allowing communities and residents to initiate new municipal infrastructure or infrastructure upgrades. A Local Improvement project can include upgrading of the sanitary sewers, watermains, stormwater systems, sidewalks, and noise barriers. Property owners can use a petition-based procedure to request for a Local Improvement project, and the costs are split between the municipality and all property owners who are benefiting from a local improvement once it is approved. The municipality pays the upfront costs of the Local Improvement project and recovers the required funding from the benefiting property owners based on the selected payment option, and this repayment can be over multiple years.[4] Antigonish (NS) has implemented a "user pay" approach in their municipal service areas such as fire protection, road improvements, and water and sewer systems, making the local improvement projects possible in rural communities where service levels vary. A Local Improvement project can be the construction or upgrades of a municipal infrastructure, including water and storm water systems, and street improvements.[5] A Local Improvement project would require two-thirds of the property owners affected by this project to express support before it will be considered by the municipality. The charge can be calculated in different ways, including a uniform amount for each property, property use, property area, property frontage, assessed value, or a combination of two or more methods.[6] Wetaskiwin (AB) also uses local improvement charges to allow for construction projects that Council considers to be of greater benefit to a particular area of the municipality than to the whole municipality. The municipality assesses how a property owner will be charged for a local improvement from various factors, such as property type and property location.[7] SDF-type applications are also observed. For example, Winnipeg (MB) passed a bylaw and imposed frontage levies, which are charged separately and apart from other taxes on the property. The City has created two types of frontage levy rates, and the frontage levy is based on a property fronting on a street that contains a sewer main or water main.[8] The revenue collected is used for the upgrade, repair, replacement and maintenance of City streets and sidewalks.[9] Other examples of LIC adoption in Canada include Saanich (BC), Mahone Bay (NS), and Yarmouth (NS).

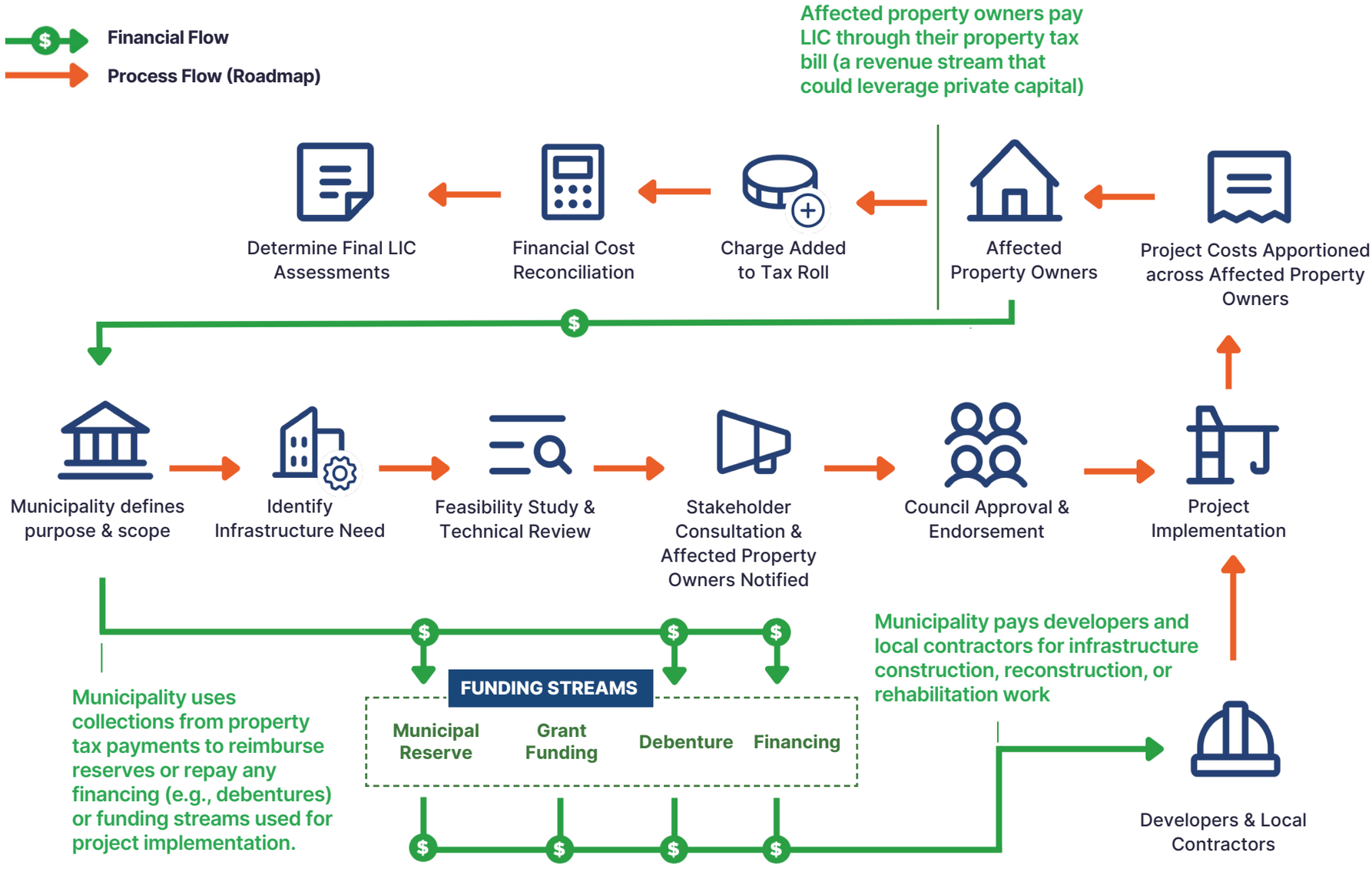


Figure 1. Visual representation of how Local Improvement Charges work

Relevance to Advancing Adaptation

LIC financing can play a significant role in advancing climate adaptation by enabling municipalities to fund and recover the costs of localized resilience projects, such as flood protection systems, stormwater management upgrades, green infrastructure installations, and urban heat mitigation measures. The Canadian Climate Institute has even explicitly identified local improvement charges as one of several tools that could fund place-based resilience infrastructure through "Resilience Districts", modelled on California's Climate Resilience Districts authorized in 2022.[10] The funds come directly from the property owners who benefit most from the interventions rather than relying solely on general tax revenues. This targeted funding mechanism allows local governments to prioritize and implement critical adaptation projects in high-risk or vulnerable areas without overburdening the broader tax base, thereby accelerating the pace of climate resilience efforts. By linking the cost of infrastructure improvements to the properties that experience increased protection, enhanced property values, or improved environmental services, LICs can create a more equitable and transparent approach to financing adaptation. Moreover, they can strengthen public support for climate initiatives by clearly demonstrating the connection between individual contributions and tangible local benefits. Over time, this approach can also improve municipal financial sustainability, as it diversifies revenue sources and reduces dependence on external funding or limited municipal budgets, allowing municipalities to plan and invest more strategically in long-term climate resilience.

Accessibility

LIC financing is broadly accessible across Canada wherever provincial legislation authorizes municipalities to designate specific capital projects as local improvements and to recover all or part of their cost through special charges imposed on directly benefiting properties. In Ontario, the Municipal Act provides the statutory foundation, and Ontario Regulation 586/06 supplies the detailed procedural framework: the municipality prepares an engineer's report, provides public notice, allows a petition and objection period, establishes a committee of revision to hear disputes, and imposes the charge as a special fee that ranks as a priority lien on the benefiting property recoverable on the same basis as property taxes.[11,12] In British Columbia, municipalities can recover the costs of specific capital improvements through the local area service framework under Division 5 of Part 7 of the Community Charter (ss. 210–216), which authorizes councils to impose local service taxes (including parcel taxes) on properties within a defined service area.[13] Equivalent authority exists for regional districts through Part 10 of the Local Government Act, governing service structure and establishing bylaws, together with s. 397 on fees and charges. In Alberta, the Municipal Government Act, Part 10, authorizes local improvement taxes on properties benefiting from specific improvements, following a bylaw and public notice process.[14] In Manitoba, the Municipal Act, Division 4, Part 10, provides for local improvement charges as a cost-recovery mechanism for improvements that directly benefit specific properties.[15] Nova Scotia's Municipal Government Act, and New Brunswick's Local Governance Act, contain analogous authority. In Québec, municipalities can apply a "special tax" or a local improvement tax under the *Loi sur les cités et villes*, art. 487.

For SDF, the most explicit statutory framework is in Alberta, where the Municipal Government Act authorizes a menu of named special taxes imposed on properties within defined benefit areas.[16] Section 382(1) lists eleven eligible categories of special tax, including waterworks, sewer, fire protection area, recreational services, paving, drainage ditch, dust treatment, and roads/sewer/water maintenance taxes. Section 383(1) authorizes imposition only on property in the area of the municipality that will benefit from the specific service or purpose, and s. 384 requires the bylaw to state the specific service, describe the benefiting area, state the estimated cost, and set the tax rate basis (assessment, parcel, frontage, or area). Section 386 restricts use of revenue to the stated service or purpose and requires public advertisement of any use of excess revenue. A distinct petition right under s. 392(4) applies to local improvement taxes rather than special taxes, reflecting a structural separation in the Alberta MGA between ongoing benefit-based service taxes (ss. 382–387) and one-time capital improvement taxes (ss. 391–409). Alberta's special tax framework most directly approximates the SDF model. In Ontario, the Municipal Act does not establish a single unified SDF regime; municipalities construct functional equivalents by combining the general fee and charge authority under s. 391(1) with service-area scoping under other provisions.[17] Section 391(1) authorizes municipalities to impose fees or charges on persons for services or activities provided by the municipality, for costs payable for services provided by or on behalf of any other municipality or local board, and for use of municipal property; when combined with designation of a defined service area, it produces an outcome functionally similar to an SDF levy.

While enabling authority for LICs or SDFs exists broadly across Canada, practical accessibility is uneven: the notification, petition, dispute-resolution, and charge-registration steps required before levy impose administrative demands that smaller municipalities may find burdensome relative to the capital amounts involved, particularly where in-house planning and legal capacity is limited.

Feasibility

LICs and SDFs are generally feasible across Canada where municipalities have clear statutory authority to impose special levies. From an economic perspective, they allow the cost of infrastructure improvements (or resilience and/or energy upgrades) to be spread over long repayment periods, reducing the upfront burden on individual property-owners, and therefore, improving affordability. For example, the Ontario regulations allow amortization via bylaws so that annual payments may extend over the lifetime of the work.[18] In addition, they align with the so-called "benefit principle", which is the idea that those who directly receive the benefit of an improvement bear the cost.[19] This alignment can make these mechanisms more politically palatable than across-the-board tax increases. Moreover, there is existing policy and regulatory frameworks in provinces such as Ontario and Nova Scotia that permit them to be used for climate-related improvements,[20] meaning that when the enabling policies are in place, they can be a feasible financing tool for municipalities to increase resilience.

Risk

One key risk for LIC programs is that it concentrates costs on a defined group of beneficiaries, where disputes can emerge over district boundaries, benefit attribution, or proportionality of charges, particularly where infrastructure serves both local and broader system-wide functions. Municipal finance literature notes that these boundary and attribution challenges can expose municipalities to appeals, legal challenges, or delays if property owners contest inclusion or levy calculations. Another risk is administrative capacity. For example, designing, implementing, and managing a LIC program requires municipal staff time, legal review, bylaw drafting, notice to property-owners, petition or consent processes, collection and enforcement procedures. Municipalities with limited capacity or resources may struggle to handle this complexity. There is also a risk of limited uptake from the communities, since property-owners may hesitate to sign up if they worry about increases in their property tax or local improvement charges, or they may simply be unaware of how they benefit. In addition, there may be opposition due to the high cost of infrastructures, perceived inequity, or uneven benefit allocations, especially when benefits are indirect (e.g., flood-protection, heat-mitigation) and may accrue over time rather than immediately. Research highlights that while beneficiary pay models can improve fairness in theory, they can erode trust if residents do not clearly see the promised benefits.[23,24] Therefore, it is critical to apply effective communications planning to these efforts and to identify precisely which properties benefit and how much they should contribute.[25]

Scalability

LIC-type financing mechanisms have significant potential for scalability, both because they generate a dedicated revenue stream enable attracting private leverage and because they can pair with PACE-style frameworks (Property Assessed Clean Energy) to allow broad replication across the municipality (or both, as in the case of the City of Ottawa using private leverage to scale its Better Homes Ottawa Loan Program. Since LICs can be structured to apply to both large-scale municipal infrastructure (e.g., stormwater system upgrades, flood-protection, or green infrastructure) and to individual property-level projects (e.g., home energy retrofits or solar installations), they can be scaled in various contexts. For example, in Ontario, regulatory amendments have explicitly expanded the permissible scope of LICs to include energy efficiency works or renewable energy works.[26] With sufficient legislative support and administrative standardisation, municipalities across different sizes could adopt LIC models and aggregate many small investments to achieve meaningful climate-adaptation or resilience goals. In addition, they can scale more effectively in larger or fast-growing municipalities, where development and reinvestment generate a steady pipeline of eligible projects. In some cases, special districts may cross municipal boundaries, allowing municipalities to address shared regional infrastructure or adaptation needs that extend beyond a single jurisdiction.[27] Lastly, scalability is constrained where benefits are diffuse or system-wide, as these mechanisms rely on clearly attributable benefits and targeted funding. However, the scalability still depends on various factors including local capacity, program design, infrastructure costs, transparency, and the uptake of the communities.

Evaluation Matrix

Scoring: High = +1 | Medium = 0 | Low = –1

Criterion	Rating	Score	Key Evidence	Assessment
Effectiveness & Performance	High	+1	Direct funding of localized infrastructure via property charges	LICs strongly target site-specific adaptation projects with a clear beneficiary-pay model.
Economic Efficiency	Medium	0	Established administrative model but requires project-specific setup	LICs involve moderate setup requirements, but provide efficient cost recovery once implemented.
Equity & Fairness	Medium	0	Costs borne by benefiting property owners	Costs align with benefits, but affordability concerns may arise for low-income property owners.
Political Acceptability	High	+1	Petition-based approval and clear benefit linkage	Participatory approval and visible benefit linkage support strong public legitimacy.
Feasibility (Admin/Legal)	High	+1	Enabled in multiple provinces; widely used in Canada	LICs have clear legislative authority and established municipal use across several provinces.
Coherence (Portfolio Fit)	High	+1	Fits within property tax and land value capture systems	LICs integrate well with existing property tax systems and complement infrastructure financing tools.

Best Use Context

LICs are most effective for targeted, place-based adaptation projects in built-up areas where benefits can be clearly allocated. They are particularly suitable for municipalities seeking to retrofit infrastructure without relying on general taxation.

Context Factor	Relevance	Notes
Municipal Size	Medium	Applicable broadly, but larger municipalities have stronger administrative capacity.
Administrative Capacity Required	Medium	Requires bylaw design, billing systems, and project coordination.
Development Pressure	Low	Not dependent on growth; applicable to existing built areas.
Climate Risk Targeting	High	Highly effective for localized risks such as flooding and stormwater.
Fiscal Flexibility Required	Medium	Requires upfront municipal financing with cost recovery over time.

Recommended Citation

Tóth, A., Ma, K., Meaney, M., Jackson, E., Tremblay-Racicot, F., Couture, J., Duguay, V., Henstra, D., Thistlethwaite, J., Ewart, T., & Stein, N. (2026). *Local Improvement Charges*. In *Catalogue of Fiscal Tools to Advance Adaptation*. In collaboration with the *Centre de recherche sur la gouvernance of the École nationale d'administration publique*. ICLEI Canada. icleicanada.org/project/fiscal-tools-catalogue/

References

1. Clean Air Partnership. (2016). *LIC Financing FAQ*. https://www.cleanairpartnership.org/wp-content/uploads/2016/08/FAQ.pdf

2. City of Ottawa. (2025). *Local Improvements*. https://ottawa.ca/en/planning-development-and-construction/residential-property-regulations/all-about-your-property/local-improvements

3. Municipality of The County of Antigonish. (2021). *What Are Local Improvements & Local Improvement Charges?*. https://antigonishcounty.ca/wp-content/uploads/2021/02/Local-Improvement-FAQs.pdf

4. Municipality of The County of Antigonish. (2021). *What Are Local Improvements & Local Improvement Charges?*. https://antigonishcounty.ca/wp-content/uploads/2021/02/Local-Improvement-FAQs.pdf

5. City of Wetaskiwin. (2019). *Local Improvements*. https://www.wetaskiwin.ca/DocumentCenter/View/3472/Brochure_LI_April-2019_Final

6. City of Winnipeg. (2025). *Frontage Levies*. https://assessment.winnipeg.ca/AsmtTax/English/Property/FrontLevies.stm

7. City of Winnipeg. (2025). *Frequently Asked Questions*. https://assessment.winnipeg.ca/Asmttax/English/SelfService/answerguide.stm#105

8. City of Winnipeg. (2025). *Frontage Levies*. https://assessment.winnipeg.ca/AsmtTax/English/Property/FrontLevies.stm

9. Government of Ontario. (2001). Local Improvement Charges - Priority Lien Status. O Reg 586/06. https://www.canlii.org/en/on/laws/regu/o-reg-586-06/

10. Government of Ontario. (2001). Municipal Act, 2001, S.O. 2001, c. 25. https://www.ontario.ca/laws/statute/01m25

11. Government of British Columbia. (2003). *Community Charter, SBC 2003, c 26*. https://www.canlii.org/en/bc/laws/stat/sbc-2003-c-26/latest/sbc-2003-c-26.html

12. Government of British Columbia. (2015). Local Government Act, RSBC 2015, c 1. https://www.canlii.org/en/bc/laws/stat/rsbc-2015-c-1/latest/rsbc-2015-c-1.html

References

[15.] Government of Manitoba, (1996). Municipal Act, CCSM c M225. https://www.canlii.org/en/mb/laws/stat/ccsm-c-m225/

[16.] Government of Alberta. (2000). Municipal Government Act, RSA 2000, c M-26. https://www.canlii.org/en/ab/laws/stat/rsa-2000-c-m-26/

[17.] Government of Ontario. (2001). Municipal Act, 2001, S.O. 2001, c. 25. https://www.ontario.ca/laws/statute/01m25

[18.] Government of Ontario. (2001). Municipal Act, 2001, S.O. 2001, c. 25. https://www.ontario.ca/laws/regulation/060586

[19.] Akapelwa, K., & Mwange, A. (2023). *Theories, principles, opportunities and challenges of local government financing: A Comprehensive review of literature. International Journal of Multidisciplinary Research and Growth Evaluation, 4(5), 774–781.* https://doi.org/10.54660/.ijmrge.2023.4.5.774-781

[20.] Property Assessed Clean Energy (PACE) Financing. https://database.efficiencycanada.org/policy/enabling-policy/property-assessed-clean-energy-pace-financing

[21.] Wood Bull LLP. (n.d.). *Financing of Municipal Infrastructure to Support Development: An Historical Perspective.* https://www.woodbull.ca/docs/default-source/publications/financing-municipal-infrastructure-to-support-development-an-historical-perspective.pdf?sfvrsn=c5fba9a3_0

[22.] Federation of Canadian Municipalities [FCM]. (2003). *Alternative Funding Mechanisms.* https://data.fcm.ca/documents/reports/Infraguide/Alternative_Funding_Mechanisms_EN.pdf

[23.] Wukich, C. (2024). *Pros and Cons of Special Districts. An Ohioan's Guide to State & Local Government.* https://pressbooks.ulib.csuohio.edu/statelocalgov/chapter/17-3-pros-and-cons-of-special-districts/

[24.] Astbury, T. (2024). 5 *Advantages & Disadvantages of Special Districts.* https://www.escribemeetings.com/blog/advantages-of-special-districts/

[25.] CBC News. (2025). *'I'm hoping for a miracle': Breslau, Ont., neighbours on hook for $14K per household for decade-old sewer work.* https://www.cbc.ca/news/canada/kitchener-waterloo/woolwich-breslau-residents-to-pay-14000-bill-for-sewer-work-done-a-decade-ago-9.6977712

[26.] Government of Ontario. (2001). Municipal Act, 2001, S.O. 2001, c. 25. https://www.ontario.ca/laws/regulation/060586

[27.] Wood Bull LLP. (n.d.). *Financing of Municipal Infrastructure to Support Development: An Historical Perspective.* https://www.woodbull.ca/docs/default-source/publications/financing-municipal-infrastructure-to-support-development-an-historical-perspective.pdf?sfvrsn=c5fba9a3_0

Find More Fiscal Tool Briefs Online

This brief is part of a larger catalogue. The Catalogue of Fiscal Tools to Advance Adaptation examines how municipalities can use and optimize existing fiscal tools to support climate adaptation and climate-resilient infrastructure. Each brief included in this catalogue explores a specific tool, assesses its strengths and limitations through a common analytical framework, and highlights examples of how it has been applied in practice.

Learn more and download additional briefs online at [ICLEICanada.org/project/fiscal-tools-catalogue/.](ICLEICanada.org/project/fiscal-tools-catalogue/)