**Attachment 6: BILD Calgary Region Submission**

BILD CALGARY REGION

# OPERATING COSTS – BILD MODEL

## Why propose a BILD model?

1. To support the joint work of industry and Growth Strategies to create a framework where developers voluntarily advance areas for Growth Management Overlay (GMO) removal that are beyond the ability of the current City budget to cover;
2. To respond to City Administration's concerns that operating budgets could be impacted if new growth areas are advanced by developers and not the City;
3. To create at least one common approach for industry to mitigate incremental operating cost impacts to the City that industry could accept. This approach is not intended to limit any other options a developer may bring forward for City consideration.

## BILD Model - Principles

1. Economic growth and keeping investment dollars in the City is desired.
2. The model must work with the City's current 'single system' for taxation and service delivery. Specifically, property taxes pay for operating costs; any proposed mitigation of inefficiency should not create a separate or tiered system;
3. Balancing service delivery with property tax remains a City-wide issue, not community specific. The building and development industry will not disproportionately take on full operating costs on behalf of future residents, but will consider alternatives where proportionate tax dollars might be proffered to cover start-up inefficiencies.

## BILD Model - Assumptions

1. Population growth creates new taxes along with new service demands
2. City currently balances / manages growth costs as part of existing system
3. Dispersion of growth can create inefficiencies, particularly in the start-up phase of a community. Service delivery in the initial stages of new communities may be relatively inefficient, prior to reaching a critical mass or service delivery threshold;

## Basics of BILD model:

1. Area advanced by a developer pays a proportionate growth impact portion of the residential municipal tax for the number of units equivalent to the Initial Service Threshold required for the impacted service.*
2. This is paid from "day 1" of that new growth area, and continues to be paid by the developer until the number of residents equivalent to the Initial Service Threshold, is reached. The developer must agree to take on this market risk.
3. Revenue received is treated the same as other property tax revenue, and not specially held aside for that community; payment does not confer special entitlement on service delivery to the new community area

# OPERATING COSTS – BILD MODEL

***Example:** *If the provision of Transit service is 5% of the operating budget: (5%) x (residential tax rate on a median house) x (initial service level at 300 units) = incremental operating cost impact of Transit, for area advanced. The City receives this equivalent from 'day 1' of a new growth area, as if 300 occupied homes are living there and paying that portion of property taxes.*

## Model is applied where:

1. A developer wishes to advance lands for GMO removal in addition to City-selected areas of growth;
2. The advanced area complies with requirements for growth: is of a minimum area; is contiguous, and is logically serviceable;
3. City assessment of proposal identifies operating cost impacts exist due to the advancement of the area, and the accepted mitigation of that impact is via the BILD model (and City recommendation if approved);
4. The mitigation is voluntarily offered by the developer as part of the proposal to advance an area for GMO removal;
5. The developer is willing to take the market risk of getting to a 'critical mass' of units, equivalent to the initial service threshold.

## Why propose /apply this model?

1. It supports, and fits within, the City's current 'one-system' model;
2. Supports business investment based on the belief that size and growth of market can be determined by factors other than the City's funding capacity to support it;
3. Market timing and other factors create conditions where advancement of an area can be financially supported;
4. Understanding that the 'controlled variables' in the City's operating budget are property taxes, utility rates and user fees, and of those 3, the most practical lever to apply is property tax;
5. City does not currently collect operating cost data that is community or location-specific.

## Benefits of Model

1. Shared risk: build-out risk is allocated to developer, not City and incentivizes faster build-out;
2. Transparent, relatively simple to administer and calculate;
3. Addresses 'how long' the cost impact should be in place;
4. Control of property tax remains with City – a single-tier, single system approach remains intact;
5. The 'inefficiency factor' of starting new areas is removed in the future for all areas advanced by developers through this model;
6. The revenue generated by this model represents new, additional revenue to the City.

# CAPITAL COSTS – BILD / City Considerations

Below is a summary of options / questions asked by BILD on capital financing and funding alternatives. Joint discussion and exploration of these options was limited, as the City's existing system does not appear to allow for much room for innovation.

## CURRENT / EXISTING CONDITIONS

1. Capital investment to enable growth occurs in accordance with the City's current budget /action plan and 10 year capital budget
2. Accommodations have been made to allow for investments to be advanced, or pulled up via a construction finance agreement (CFA) mechanism
3. The CFA mechanism remains the preferred choice for developers to advance capital costs; however this tool is not consistently available

## SUGGESTED ALTERNATIVES FROM BILD *(Response from City):*

Developers may consider front ending capital infrastructure if the City:

- **Allows the use of CFAs**
  - *YES: if/when debt servicing levels can accommodate this mechanism;*
  - *NO: current and anticipated future debt servicing levels will not allow this to be used;*
  - *Maybe: if City admin/Council can consider this as "low-risk debt" and accommodate this differently within their envelope. Challenge may be in whether this impacts overall credit score, regardless of how debt is classed*
  - *Maybe: challenge remains on how to determine payback date – City to check on whether a trigger mechanism can be used instead of an absolute date*
- **Allows the levy stream to be used as a financing mechanism;**
  - *NO: counts as City liability as well as debt*
  - *NO: requires changes to the off-site levy bylaw*
- **Agrees to a developer to pay a levy with infrastructure, on a dollar-for-dollar basis with no overall loss of revenue to the City. Any levies owed over and above the cost of infrastructure would still be paid;**
  - *NO: City relies on liquidity of levy funding*
  - *NO: If infrastructure is beyond the 10 year time frame (water), then it has not been included in levies*
- **Agrees to apply a mechanism (such as GMO removal) to ensure a stronger recovery mechanism than the current 'endeavour to assist'**
  - *NO: if effort is to be voluntary, City cannot compel this*
  - *Maybe: City will check with legal and planning to see if options exist*
- *No for now, maybe later: may require consideration and changes at next round of Development Agreement/levy negotiations.*