



ADDENDUM – June 8, 2020

To May 22, 2020 BILD Calgary Region Letter to Messrs. Duckworth & Dalgleish, City of Calgary

In response to the request from City of Calgary Administration for additional information:

Re: 2020 Off Site Levy Payment Program

We provide this communication in response to a June 8th, 2020 email request from Administration for additional information, in respect of Industry's request for an adapted 2020 Off-Site Levy Deferral Payment program.

As indicated since the onset of the COVID – 19 public health emergency, cash management is a critical issue for all businesses including Developer/Builder Industry members. As previously stated, the shared benefit of such a program will begin with maintaining employment for many of the 46,000 direct and indirect jobs that represent \$3.1 Billion in wages annually, as well as allowing redeployment of deferred levy payments to complete otherwise delayed Development Agreement obligations. The program would also demonstrate the City's commitment to supporting recovery through economic stability, employment and growth.

In terms of projecting and/or quantifying outcomes through the program, it is difficult for BILD and its members to do so given the unpredictability of the current crisis, and the reality that the path to recovery and timing for same is uncertain.

Many of our members find their economic environments are changing day to day and all the while, they are subject to the evolving investment protocols, shifting risk tolerance and monetary policies of financial institutions. An Off-Site Levy Deferral Payment program would be a key influencer in supporting institutional decisions to move forward with investment in the City of Calgary.

Notwithstanding the advocacy efforts of our National association with respect to federal programs, our membership has had limited ability to access these programs given cash flow cycles of real estate development. Simply put the vast majority of our membership is not eligible for Canada Emergency Wage Subsidy (CEWS) as it is currently constructed. The revenue recognition approach for Developer and Builder sales is the key reason for this and results in a mismatch between revenue recognition and cash inflow. Builders and Developers have a longer lead time (about 6 months) between assurance of a sale and the recognition of the revenue. Shorter time frame business models have seen an immediate impact to revenue and have been able to qualify for government support.

Other orders of government have, as yet, provided very little in terms of tangible support to our Industry. It is the Municipality that is in the best position in terms of its ability and capacity (OSL has a large balance – nearly \$300 million per the recent City of Calgary financial report) to assist during this difficult time. This program would be "resiliency insurance" for the City to support continued development and construction in keeping with the changing market conditions so that as many jobs as possible can be maintained at a minimum cost/risk to the City. To be clear, the adapted 2020 Off-Site Levy Deferral Payment program is a request for a deferral and not forgiveness, it should result in little or no cost to the City. Implementing levy deferral program will allow the Development Industry to provide flexibility to Builders in their payment schedules during a time when cash flow is strained as a result of the significant decrease in sales activities, thereby assisting Developers and Builders to protect as much economic activity/jobs as possible.