

Planning & Development Report to
SPC on Planning and Urban Development
2020 September 02

ISC: UNRESTRICTED
PUD2020-0904

Off-site Levy and Centre City Levy 2019 Annual Report

EXECUTIVE SUMMARY

Annual reporting on the off-site levy (OSL) and centre city levy (CCL) provides clear and transparent information to stakeholders and ensures on-going accountability and oversight of the funds to deliver necessary infrastructure to enable growth and development in Calgary. Off-site levies and the off-site levy bylaw are governed by the Municipal Government Act (MGA) and City Charter, which require the publication of annual reports that provide details on the off-site levies' opening balances, funds collected, funds spent and the closing balances. In 2019, an internal audit was conducted to determine if the off-site levy's annual reporting process is effective and ensures complete, accurate, valid and transparent reporting on the collection and use of the OSL in timely and efficient manner that meets legislative requirements. Improvements to the annual report will be introduced in 2021 once the audit recommendations are implemented and in consultation with stakeholders. Administration is continuing work to improve the governance and oversight of the levy program, and annual reporting is an important component. The purpose of this report is to provide the annual updates on the off-site levy and centre city levy programs. To further improve transparency and accountability, Administration is for the first time reporting on both the off-site levy and the centre city levy to Committee and Council under one report.

ADMINISTRATION RECOMMENDATION:

That the Standing Policy Committee (SPC) on Planning and Urban Development (PUD) receive this report for the Corporate Record and forward to the 2020 September 14 Combined Meeting of Council.

PREVIOUS COUNCIL DIRECTION / POLICY

Off-site Levy

At the [2019 October 21 Combined Meeting of Council](#), with respect to PFC2019-1123, Council directed the following be adopted:

That council give three readings to the amending Charter Bylaw 2H2019.

Centre City Levy

At the [2019 November 18 Combined Meeting of Council](#), Council received the Centre City Levy 2018 Annual Report (PUD2019-1205) for the Corporate Record.

To see a full list of previous Council direction for the off-site and centre city bylaws please see Attachment 1.

BACKGROUND

The MGA authorizes municipalities to charge, through a bylaw, off-site levies that can be imposed at the time of subdivision or development permit approval. The bylaw allows the cost of infrastructure for growth to be shared between The City and developers, providing for financial certainty and reduced risk to The City and the development industry. The MGA also requires the publication of annual reports that provide full and open disclosure of all off-site levy payments received and used, with details on the type of infrastructure and costs within each benefitting area.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

The [off-site levy bylaw \(2M2016\)](#) and centre city levy bylaw (28M2009) funds paid by the development industry represent a significant funding stream to build growth infrastructure. The levies collected are used to pay for all or part of the eligible capital costs of new or expanded infrastructure and facilities, required land and any interest charges to finance the capital costs.

2019 Off-site Levy Updates

In 2019, a total of \$123.0 million (off-site levy collection of \$122.5 million and Established Area Density Incentive of \$0.5 million) was collected and \$176.8 million was spent on infrastructure projects through the off-site levy program. A Density Incentive Program was included in the off-site levy bylaw 2M2016 to help incentivize redevelopment by providing a capped levy amount when development reaches a density at or above 285 equivalent persons per hectare in the Established Area.

As of 2019 December 31, the off-site levy fund balance across all service lines was \$330.6 million. A large portion of off-site levy balance was allocated to ongoing and future infrastructure projects in the 2019-2022 budget cycle. The off-site levy annual report (Attachment 2) includes details on: Off-site levies collected and spent, hectares of land under development agreements per year, levy expenditures by service line, off-site levy financial summaries for each department that collects levy funds and appendices with project specific details.

The following table shows a summary of the 2019 off-site levy balance:

Opening Balance, Off-site Levies on 2019 January 01	\$375,078,817
Total Off-site Levies Collected	122,591,251
Established Area Density Incentive Program Transfer	480,684
Investment Income Received	9,233,253
Off-site Levies Spent	(176,755,404)
Closing Balance, Off-site Levies on December 31, 2019	\$330,628,601

2019 Off-site Levy Funded Key Activities by Department

Transportation delivered the following priority growth projects in 2019:

- SW & W Ring Road Connections (\$9.3 million spent in 2019)
- Airport Trail NE Phase 2 (\$6.6 million spent in 2019)
- Future Land (various Bus Rapid Transit, Banff Trail) (\$5.8 million spent in 2019)
- 212 Ave/Deerfoot Trail Ramps/Interchange (\$4.6 million spent in 2019)
- Development Infrastructure (\$1.9 million spent in 2019)
- Trans Canada Highway/Bowfort Rd Interchange (\$1.8 million spent in 2019)
- Stoney Trail Improvements (\$1.4 million spent in 2019)
- Crowchild Trail Improvements (\$1.0 million spent in 2019)

For more details on Transportation capital projects, see Attachment 2, Schedule A. For more details on Transit bus projects see Attachment 2, Schedule D.

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Water Resources delivered the following priority growth projects in 2019:

- Northridge Feedermain (\$28 million spent in 2019): Through development, the area of Keystone Hills continues to grow and there is a need to deliver water to homes and businesses in the area. The project used micro-tunnelling (connecting pipes underground rather than digging large trenches) to reduce traffic impacts when crossing Stoney Trail.
- Bonnybrook Plant D Expansion (\$124 million spent in 2019): The City is investing over \$1 billion to upgrade and expand the Bonnybrook Wastewater Treatment Plant to protect the environment, increase energy efficiency, and accommodate our city's future growth to the mid-2030s.

For more details on Water Resources capital projects, see Attachment 2, Schedule B.

Community Services delivered the following priority growth projects in 2019:

- East Macleod Fire Station (\$2.2 million spent in 2019): Purchase of land for the future permanent East Macleod Fire Station
- Varsity Multi-Service Station (\$0.8 million spent in 2019): \$0.8 million in levy funds were utilized for the Fire Station component of this multi-use project.
- Calgary Police Customer Service Centre (\$3.5 million spent in 2019): \$3.5 million was spent on the new Arrest Processing Centre by Spy Hill Correctional Facility.

For more details on Community Services capital projects, see Attachment 2, Schedule C, and E.

2019 Centre City Levy Updates

The centre city levy program collects levies for infrastructure that reflects requirements generally placed on a specific development. The rates are calculated on a linear basis using the length of the parcel's frontage. In 2019, a total of \$2.1 million was collected through the centre city levy program, and \$2.6 million was spent on infrastructure projects in the Centre City Plan Area. As of 2019 December 31, the centre city levy fund balance across all service lines was \$7.4 million. This balance will continue to be utilized for ongoing and future infrastructure projects in the Centre City Plan Area. The centre city levy annual report (Attachment 3) includes: Current centre city levy rates by infrastructure category, total centre city levies collected and spent, summary of centre city levies by department and business units, and appendices with project specific details.

The following table shows a summary of the 2019 centre city levy balance:

Opening Balance, Centre City Levies on January 1, 2019	\$7,799,087
Total Centre City Levies Collected	2,080,914
Investment Income Received	174,839
Centre City Levies Spent	(2,611,979)
Closing Balance, Centre City Levies on December 31, 2019	\$7,442,861

Centre city levy funds are used to support growth and complement several city initiatives and policies.

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In 2019, centre city levy funds were used to support the following infrastructure programs:

- Partial funding to purchase buses and community shuttles;
- 13 Avenue S water main upgrades;
- Public realm improvements on 17 Avenue S.W.;
- 8 Street S.W. master plan design and construction of pedestrian underpass enhancements;
- Improvements to 4 Street S.W. (underpass, prominent crosswalks, additional bike rack, increased street parking and new trees);
- Public realm improvements in West Eau Claire Park and in Beltline Park.

For more details on center city levy capital projects, see Attachment 3, Schedule A, B and C.

Off-site Levy Bylaw Review, Audit implementation and Off-site Levy Payment Relief Program

There is a significant focus on off-site levies in the 2020 Calgary Growth Strategies workplan and a cross-corporate commitment to continue to improve the off-site levy bylaw. This year (2020), Administration initiated a review of the off-site levy and centre city levy programs with the focus to fully implement the recommendations from the Off-Site Levy Annual Reporting Audit (AC2019-1241) in next year's annual report. Administration also recently developed and implemented the off-site levy payment relief program in response to the COVID-19 pandemic (C2020-0775). It is expected that the off-site levy bylaw review will be brought to Council through the Priorities and Finance Committee in 2021 Q1.

Stakeholder Engagement, Research and Communication

The attached annual reports were prepared with the assistance of Finance, Transportation, Water Resources and Community Services. Drafts of Attachments 2 and 3 were provided to and reviewed by industry members from BILD and NAIOP as part of the Off-site Levy Bylaw Review Governance Committee (see letters of support in Attachment 6). The Off-Site Levy and Centre City Levy annual reports will be posted on Calgary.ca/offsitelevy.

Through the internal Audit that was presented to the Audit Committee on 2019 October, it was determined that the reporting process for the Off-site Levy Bylaw (also applicable to the Centre City Levy Bylaw) could be more effective and efficient. City and Industry are committing significant time and resources to address the Audit findings and are committed to ongoing improvements in line with the recommendations.

Strategic Alignment

The levy funds facilitate development and enable city growth and competitiveness by aligning funds with required infrastructure projects to support subdivision and development. The off-site levy aligns with: The Municipal Development Plan, Centre City Plan (including the Downtown Strategy), Calgary Transportation Plan (including the Regional Transportation Plans), Water Infrastructure Investment Plan, Community Services Plan, Next Generation Planning Program, Infrastructure Calgary Plan, and city-wide growth strategy work (New Community, Established Areas, and Industrial Strategies).

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Social, Environmental, Economic (External)

The off-site levy and centre city levy funds support long-term economic growth of Calgary through infrastructure investment and job creation. At the same time, the program leverages private investment in redevelopment, while supporting intensification and population growth in Calgary. The program also supports the attraction and resiliency of Calgary by responding to the needs of a diversifying and growing workforce and population; and, facilitates access to services such as recreational and library amenities that enhance quality of life for Calgarians. Part of levy funded infrastructure includes active mobility options, transit options to support Calgary's climate strategy promoting health and wellness of citizens.

Financial Capacity

Current and Future Operating Budget:

There are no current or future operating budget impacts as a result of the recommendation.

Current and Future Capital Budget:

There are no current or future capital budget impacts as a result of the recommendation. Off-site levy and centre city levy program balances are allocated to capital investments in this budget cycle and beyond.

Risk Assessment

This report provides information on program details from the previous year (2019) therefore, there are no specific risks associated with receiving this report for the Corporate Record.

The recent economic downturn caused by the COVID-19 pandemic and world oil and gas markets has had significant impacts on the local economy, and the development industry. Slower development is expected for the next couple of years and will result in lower annual collections. For the committed capital projects, funding from other sources or capital deferrals may be required to closely match timing of investment and development activity. Administration will continue to monitor these trends and identify service and funding requirements through the annual service plan and budget process. For further details on Risk Assessment, see Attachment 5.

REASON(S) FOR RECOMMENDATION(S):

This report provides annual updates of the levies collected and spent through the Off-site Levy and Centre City Levy programs in 2019. Annual reporting is aligned with the MGA and demonstrates on-going accountability and transparency of fund management.

ATTACHMENT(S)

1. Attachment 1 – Previous Council Direction - PUD 2020-0904
2. Attachment 2 – Off-site Levy 2019 Annual Report - PUD 2020-0904
3. Attachment 3 – Centre City Levy 2019 Annual Report - PUD 2020-0904
4. Attachment 4 – Centre City Plan Area - PUD 2020-0904
5. Attachment 5 – Risk Assessment - PUD 2020-0904
6. Attachment 6 – Letters of Support - PUD 2020-0904