

Strategy for a New Off-Site Levy Bylaw

RECOMMENDATION(S):

That the Priorities and Finance Committee recommends that Council direct Administration to use the principles in Attachment 2 as a strategic foundation for a new off-site levy bylaw.

HIGHLIGHTS

- Administration began its review of the off-site levy bylaw in early 2020 with the anticipation of bringing a new off-site levy bylaw to Council in 2021. Due to unforeseen work in 2020 that required more time than expected, the off-site levy bylaw will not be brought to Council in 2021. This report outlines how the work completed in 2020 has introduced opportunities to further explore a new approach to creating an improved off-site levy bylaw to build a better City, guided by the principles in Attachment 2. It also outlines some of the unanticipated challenges that were encountered throughout 2020 that affected resourcing and the timing of a new off-site levy bylaw.
- What does this mean to Calgarians? A new off-site levy bylaw means that The City will have a more sustainable funding source to ensure that investment in infrastructure required to support growth within Calgary can be made at the right time, in the right places, and in alignment with the Municipal Development Plan (MDP) and Calgary Transportation Plan (CTP) goals.
- Why does this matter? This helps to ensure Calgary is investing in the right infrastructure that implements the city-wide growth strategy, investors have confidence that The City is making sound growth-related infrastructure decisions, and that citizens, businesses and customers have access to facilities and services when they need them.
- Since 2017, The City has been collecting less in off-site levies than were forecasted. Other funding sources, such as provincial grants, have also been reduced. These additional funding sources were historically used to fund a portion of growth-related infrastructure and this has created new challenges that were not anticipated back in 2016.
- A new approach to the off-site levy bylaw will enable Calgary to more sustainably fund and invest in growth-related infrastructure that advances our city vision, and Calgary in the new economy; maintain Calgary's affordability in terms of taxes, housing, and utility rates; and continue to position Calgary as an attractive place to invest, live and do business.
- Council has provided direction to review and right-size capital infrastructure and related costs for growth-related infrastructure.
- Stakeholder consultation is an important and integral part of the process of developing a new off-site levy bylaw. Administration is committed to stakeholder consultation through this work including citizens, regional municipalities, and the land development industry (Industry).
- In the absence of a new off-site levy bylaw for 2021, the current 2016 off-site levy bylaw remains in effect and will continue until a new off-site levy bylaw is approved, with the standard annual inflationary adjustments applied.
- Strategic Alignment to Council's Citizen Priorities: A well-run city; A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

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DISCUSSION

The off-site levy bylaw is one funding and investment tool that enables growth and development to build a great Calgary, enabled through the Municipal Government Act (MGA). The off-site levies collected are used to fund growth-related infrastructure in Transportation, Water Resources and Community Services. In 2020, the off-site levies contributed \$181M to The City's \$2.1B capital budget.

Historically, the off-site levy bylaw has been updated every five years with the most recent bylaw being updated in 2016. In 2020 Administration initiated a review of its off-site levy methodologies and inputs with the intention of bringing forward a new proposed off-site levy bylaw in 2021 for Council approval. There were two primary areas of unforeseen work in 2020 that required more time than was anticipated, this will result in the off-site levy bylaw not being brought to Council in 2021. The areas of unforeseen work in 2020 were:

1. The need to rethink the off-site levy – Through the review process, stakeholder consultation, and an external consultant report that investigated other municipalities' current practices, Administration has identified opportunities that require additional exploration with the aim of improving the current off-site levy bylaw. Further, Council has provided direction to review and right-size capital infrastructure and related costs for growth-related infrastructure.

In 2020, the Off-site Levy Joint Governance Committee was created with the following vision and mission:

Vision: To collaboratively ensure that The City's off-site levy program, used by The City to support growth-related projects, is managed in a way that supports sustainable long-term growth for Calgary.

Mission: To collaboratively improve stewardship and governance of The City's off-site levy program, in alignment with the Off-Site Levy Principles, legislative rules and regulations, and through regular, structured, and transparent monitoring, reporting, and continuous improvement.

Through the work of this committee, The City and Industry stakeholders have agreed to the Off-Site Levy Principles as presented in Attachment 2. Principles from the 2016 off-site levy bylaw review remain relevant, while key updates include a more intentional focus on long-term sustainability, the ability to be nimble in response to changing environments (principle 1), and equitable sharing of risk between stakeholders (principle 2). These changes require more significant investigation and review than originally anticipated.

These principles will guide future work of exploring opportunities towards a new off-site levy bylaw that will endeavour to:

- a. Better align the off-site levy bylaw to the MDP/CTP goals; and
- b. Further advance The City and Industry shared common goal of Growth pays for Growth; that capital infrastructure costs needed to support new development pay for 100% of the attributable cost of the benefiting area through levies; and that we reduce the financial risk to tax and utility rate payers due to the nature of the current methodologies as the backstop for shortfalls.

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2. Building a common understanding and further investigating methodology and approach
– Throughout 2020 Administration has consulted with Industry stakeholders in a collaborative and consultative (principle 4) and transparent and accountable (principle 5) manner. As part of this work several requests for information and ideas around methodology and approach were submitted by BILD Calgary Region (BILD) and resulted in unforeseen work. It has taken more time than expected to create a foundational level of understanding among both internal and external stakeholders. Through this enhanced learning, working group meetings, and collaborative effort, The City is in a better position to move forward with exploring new approaches towards an improved off-site levy bylaw. This also supports The City's consultation requirement under the Municipal Government Act (MGA). The City has acknowledged these requests and has shared a proposed plan with BILD to address these inquiries and provide a path forward.

In addition to these two primary areas of unforeseen work the unique challenges presented by the COVID-19 pandemic have resulted in delays to key data inputs into the off-site levy formulation along with updates to input models that may now be considered outdated.

Stakeholder consultation is instrumental to building a new off-site levy bylaw that aligns with the agreed to principles for a new off-site levy (Attachment 2) and the guiding legislation of the MGA and City of Calgary Charter Regulation. There is acknowledgement among Administration and Industry that further exploration of these new concepts will likely require significant updates to the existing off-site levy bylaw and additional time to complete further investigation.

Administration anticipates bringing a new off-site levy bylaw to Council no earlier than 2022 with plans to provide progress updates in 2021 as part of regular growth reporting, budget reporting, and/or separately as needed. As part of those updates Administration will be in a better position to advise as to a more specific time we anticipate a new bylaw being proposed to Council.

In the absence of having a new off-site levy bylaw in place for 2021 the current 2016 off-site levy bylaw remains in effect and continues until a new off-site levy bylaw is approved, with the standard annual inflationary adjustments applied.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Stakeholder or customer dialogue/relations were undertaken

A cross-corporate team of representatives from Planning & Development, Law, Finance, Communications, Water Resources, Community Services and Transportation, has been consulting with stakeholders to evaluate the current off-site levy bylaw and determine a strategy for a new bylaw. Administration has worked closely with members of the development and building industry to receive feedback. This has included contributing to a consultant-led current state assessment report, jointly developing principles of a new off-site levy through the Off-Site Levy Joint Governance Committee, and ongoing consultation in joint working group meetings. Administration remains committed to consulting with a broad group of key stakeholders through the development of a new off-site levy bylaw, and carefully considering and balancing the needs of The City, citizens, businesses and Industry.

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IMPLICATIONS

Social

The methodology and approach to develop a new off-site levy bylaw provide a foundation of equity for citizens, businesses and customers to ensure that funding for growth-related infrastructure required to support city service delivery will be available as Calgary grows, that the cost of growth-related infrastructure will be shared proportionate to benefit, and that stakeholders impacted by the off-site levy are consulted through the process.

Environmental

The approach to a new off-site levy bylaw will review what infrastructure is included, considering active and shared modes of transportation, such as pedestrian and cycling infrastructure and public transit. Funding growth-related infrastructure that better aligns with the MDP/CTP supports Calgary's strategies to mitigate environmental and climate risks.

Economic

Off-site levies are one source of funding for growth-related infrastructure investment. A new approach to the off-site levy bylaw will enable Calgary to more sustainably fund and invest in growth-related infrastructure that advances our city vision, and Calgary in the new economy; maintain Calgary affordability in terms of taxes, housing, and utility rates; and continue to position Calgary as an attractive place to invest, live and do business.

Service and Financial Implications

There is no impact to operating or capital budgets as a result of this report.

RISK

Key risks related to developing a new off-site levy bylaw include:

- City Financial Risk – Since 2016 the Water Resources portion of the off-site levy program has experienced a temporary shortfall mainly due to the anticipated off-site levy payments being significantly lower than forecasts as a result of a slower pace of growth/development agreement land totals. This temporary shortfall amount will continue to grow under the current off-site levy bylaw if development agreement totals remain low. Additionally, once infrastructure is completed, services are provided to citizens and funded through fees and property tax. Infrastructure decisions must consider the financial capacity of The City to more sustainably and affordably provide those services.
- Economic and Population Forecasts – The COVID-19 pandemic and global oil and gas markets have significantly impacted Calgary's local economy. In recent years the number of residents moving to Calgary has reduced significantly since the high in 2015. It is anticipated that the COVID-19 pandemic will further add downward pressure and therefore growth levels are anticipated to remain low when compared to historical values.
- Infrastructure Investment and Timing – The timing of growth infrastructure and costs are an important factor in determining off-site levy rates. There is a risk that continuing with the 2016 off-site levy infrastructure lists will cause premature investment in infrastructure that is not required due to the slowdown in population

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growth and/or impacts to infrastructure that has already been planned. The timing of investments also has a potential impact on service levels.

- Resourcing Implications of Bill 48 the Red Tape Reduction Implementation Act – New provincial legislation and its implications for the development of the new off-site levy are not fully understood at this time, but there is a risk it could have impacts to The City's resources if additional work is required to meet any new requirements.
- Calgary Regional partners – The regional growth planning work is underway through the Calgary Metropolitan Region Board (CMRB). This work, as well as specific patterns of development in Rocky View County, may impact the off-site levies depending on how growth strategies align and how shared infrastructure will be paid for among benefiting parties.

ATTACHMENT(S)

1. Background and Previous Council Direction
2. Principles for a new off-site levy

Department Circulation

General Manager	Department	Approve/Consult/Inform
Stuart Dalgleish	Planning & Development	Approve
Carla Male	Finance	Consult
Katie Black	Community Services	Consult
Doug Morgan	Transportation	Consult
Dan Limacher	Utilities & Environmental Protection	Consult
Jill Floen	Law	Consult