

## Off-site Levy and Centre City Levy 2020 Annual Report

### RECOMMENDATION(S):

That the Standing Policy Committee on Planning and Urban Development recommends that Council receive this report for the Corporate Record.

### RECOMMENDATION OF THE STANDING POLICY COMMITTEE ON PLANNING AND URBAN DEVELOPMENT, 2021 JULY 07:

That Council receive this report for the Corporate Record.

## HIGHLIGHTS

- This report provides updates on the Off-site Levy and Centre City Levy for the year 2020, to meet the Municipal Government Act (MGA) requirements of annual reporting, providing full and open disclosure of all Off-site Levy costs and payments.
- What does this mean to Calgarians? The levy Annual Reports provide information on levy costs and payments for the benefit of stakeholders. The reports ensure on-going accountability for the levy funds used to deliver infrastructure that supports growth and development in Calgary.
- Why does it matter? The Off-site and Centre City levies are an important source of funding among the City's various capital sources, particularly in times of reduced transfers from other orders of government.
  - a) In 2020, \$139M in levy funds were spent as part of The City's \$2.1B capital budget.
  - b) The City uses the Off-site Levy funding to deliver growth infrastructure that supports jobs and economic activity in Calgary.
- Administration has made changes to the 2020 Off-site Levy Annual Report in response to the new legislative requirements of Bill 48 (Red Tape Reduction Implementation Act) and the Off-Site Levy Annual Reporting Audit (AC2019-1241).
- Per PFC2020-1237, the historical investment income of \$56.3M that was earned but not allocated to the Community Services Levy (2006-2019 time period) and the Utilities' Levy (2004-2015 time period) accounts has been allocated to the associated levy accounts. The 2020 Off-site Levy and Centre City Levy Annual Report reflects these adjustments. Moving forward, all Off-site Levy and Centre City Levy accounts will have the formal direction on where to direct investment income.
- The City Auditor's Off-Site Levy Annual Reporting Audit recommendation, to further revise the present budget and spend layout for reader clarity, is due by 2021 December and will be addressed as part of the 2021 annual report.
- As a part of continuous improvement in annual reporting, a number of enhancements have been made to the 2020 Off-site Levy annual report.
- Strategic Alignment to Council's Citizen Priorities: A well-run city; A prosperous city  
Background and Previous Council Direction is included as Attachment 1.

## DISCUSSION

The Off-site Levies Bylaw (2M2016) and Centre City Levy Bylaw (38M2009) funds are a funding stream to build growth infrastructure. The levies collected from the development industry can be used to pay for all or part of the capital cost of new or expanded infrastructure and facilities

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including required land and associated financing interest costs (“capital projects”). The Off-site Levy is comprised of the transportation levy, water resources levy and community services (emergency response facilities, public library, recreation facilities, police and transit) levy. The Municipal Government Act governs the administration of the Off-site Levy funds. Funds must be used for the service line and infrastructure type for which they are collected, as outlined in the bylaw.

### **2020 Off-site Levy Updates**

In 2020, a total of \$111.7M (Off-site Levy collection of \$110.4M and Established Area Density Incentive of \$1.3M) was collected, and \$138.7M was spent on infrastructure projects through the Off-site Levy program. A Density Incentive Program was introduced into the Off-site Levies Bylaw 2M2016 to incentivize redevelopment.

As of 2020 December 31, the Off-site Levy fund balance across all service lines was \$380.4M. This balance does not include the deficit balance of \$87.7M that exists in Water Resources mainly from linear infrastructure and the Shepard watershed. The shortfalls are temporarily mitigated by utility rate revenue and are expected to be recovered from future levy collections. A large portion of the Off-site Levy balance is allocated to ongoing and future growth infrastructure projects in the 2019-2022 budget cycle. Additional details can be found in the Off-site Levy Annual Report (Attachment 2).

As part of the continuous improvement in annual reporting, the below enhancements have been made to the 2020 Off-site Levy Annual Report:

- A high-level overview of how Off-site Levy rates are determined (Attachment 2, page 4)
- Off-site Levy balance reconciliation and committed spend amounts (approved budgets) by department (Attachment 2, page 6)
- Details of all Off-site Levies received and utilized for each type of infrastructure within each benefitting area (Attachment 2, page 12, 15-16, 17)
- Historical and forecasted suburban area growth maps (Attachment 2, page 20-21)
- Details of all internal and external developer contribution by infrastructure type and benefitting area (Attachment 2, page 56-66)

The following table shows a summary of the 2020 Off-site Levy balance:

<b>Adjusted Opening Balance, Off-site Levies as at January 1, 2020</b>	<b>332,944,220</b>
Total Off-site Levies Collected	111,688,150
Investment Income Received	18,876,919
Prior Year's Off-site Levies Investment Income Adjustments	55,602,440
Off-site Levies Spent	(138,698,251)
<b>Closing Balance, Off-site Levies as at December 31, 2020</b>	<b>380,413,478</b>

### **2020 Off-site Levy Funded Key Activities by Department**

Transportation priority growth projects delivered in 2020 (Attachment 2, Schedule A and D):

- Stoney Trail Improvements (\$12.6M spent in 2020)
- 88 Street SE Extension (\$9.5M spent in 2020)

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- Airport Trail N.E. Phase 2 (\$7.6M spent in 2020)
- University of Calgary Transit Oriented Development (\$6.7M spent in 2020)
- Crowchild Trail Improvements (\$4.7M spent in 2020)
- Southwest & West Ring Road Connections (\$2.9M spent in 2020)

Water Resources priority growth projects delivered in 2020 (Attachment 2, Schedule B):

- Bonnybrook Plant D Expansion (\$112M spent in 2020)
- Seton Tunnel Ph 1 (Rangeview Sanitary Trunk) & Rangeview Sanitary Trunk Laterals (Phase 1) (\$30M spent in 2020)
- Inglewood Sanitary Trunk (\$24M spent in 2020)
- Northridge Feedermain (\$9M spent in 2020)
- Haskayne Feedermain and Sanitary Trunk (\$6M spent in 2020)

Community Services priority growth projects delivered in 2020 (Attachment 2, Schedules C, E):

- East Macleod Fire Station (\$0.37M spending in 2020): Underground utilities and transformer
- Cornerstone Emergency Response Station (\$0.3M spent in 2020): Purchase of land for the future permanent Cornerstone Station
- Customer Service Centre (\$0.54M spending in 2020): New Arrest Processing Centre by Spy Hill Correctional Facility

### **2020 Centre City Levy Updates**

In general, the Centre City Levy program collects levies for infrastructure required for a specific development. The rates are calculated on a linear basis using the length of the parcel's frontage. In 2020, a total of \$0.1M was collected through the Centre City Levy program, and \$0.3M was spent on infrastructure projects in the Centre City Plan Area. As of 2020 December 31, the Centre City Levy fund balance across all service lines was \$8.3M. This balance will continue to be used for ongoing and future infrastructure projects in the Centre City Plan Area. Additional details can be found in the Centre City Levy Annual Report (Attachment 3).

The following table shows a summary of the 2020 Centre City Levy balance:

<b>Opening Balance, Centre City Levies as at January 1, 2020</b>	<b>7,454,952</b>
Total Centre City Levies Collected	103,620
Investment Income Received	347,796
Prior Year's Off-site Levies Investment Income Adjustments	690,374
Centre City Levies Spent	(284,682)
<b>Closing Balance, Centre City Levies as at December 31, 2020</b>	<b>\$8,312,060</b>

In 2020, Centre City Levy funds were used to support the following infrastructure programs (Attachment 3, Schedule A, B and C):

- Streetscape Improvements to 1 Street S.W. Corridor (\$32,626)
- Improvements to 4 Street S.W. Underpass (\$16,068): Prominent crosswalks, additional bike racks, increased street parking spaces and upgraded landscaping;
- Public realm improvements in the Beltline Park (\$234,830)

### **Prior Year's Investment Income Allocation**

Prior to amendment of the Off-site Levies Bylaw in 2019, the Community Services levies were voluntary charges, and unlike the Off-site Levies, the terms and conditions did not specify an

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attribution of investment income. A review of investment income was performed in 2020 and it was confirmed that investment income of \$56.3M (Off-site Levy \$55.6M / Centre City Levy \$0.7M) was earned but not allocated to the Community Services' levy accounts for both the Off-site Levy and Centre City Levy (2006-2019), and the Utility levy accounts (2004-2015) for the Off-site Levy. On 2020 November 2, Council approved the transfer of \$48.3M to the associated Off-site Levy/Centre City Levy accounts and \$8.0M to the associated Off-site Levy accounts due to an administrative oversight (Off-site Levy Update - C2020-1237). The year-end balances of the 2020 Off-site Levy and Centre City Levy include the investment income adjustments to the associated accounts. Moving forward, all Off-site Levy and Centre City Levy accounts have the formal direction on where to direct investment income.

### **Continuous Improvement and Monitoring**

Administration uses the Off-site Levy and Centre City Levy Annual Reports to inform ongoing monitoring and continuous improvement of the levy programs. In 2020, improvements have been made through the implementation of 10 of the 11 recommendations from the Off-site Levy Annual Reporting Audit (AC2019-1241). Annual reporting of balances, process and procedures and stakeholder consultation continues to inform ongoing improvement opportunities related to annual reporting and the future Off-site Levies Bylaw Review.

## **STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)**

Stakeholder dialogue/relations were undertaken

The attached annual reports were prepared with input from Finance, Law, Transportation, Water Resources, Community Services and Customer Service and Communications. Drafts of Attachments 2 and 3 were shared with industry members from BILD Calgary Region and NAIOP as part of the Off-site Levy Joint Governance Committee. The Off-site Levy and Centre City Levy annual reports are posted on [Calgary.ca/offsitelevy](https://calgary.ca/offsitelevy).

## **IMPLICATIONS**

### **Social, Environmental, Economic**

The Off-site Levy and Centre City Levy funds support the long-term economic growth of Calgary through growth infrastructure investment and job creation. The programs leverage private investment in redevelopment, while supporting intensification and population growth. Off-site levies support the resiliency of Calgary by responding to the needs of a diversifying population and facilitating access to services and amenities that enhance quality of life for Calgarians. Levy funded infrastructure also includes investments in active mobility options, and transit options to support Calgary's climate strategy promoting health and wellness of citizens.

### **Service and Financial Implications**

**No anticipated financial impact**

## **RISK**

There are no specific risks associated with receiving this report for information. However, development activities and real estate market trends are directly related to the future revenues for Off-site Levy and Centre City Levy programs. Broader considerations of risk include:

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- 1) City financial risk - Slower development than anticipated may result in lower annual levy collections. For the committed capital projects or growth infrastructure required in advance of development, funding from other sources or capital deferrals may be needed to cover any shortfall amounts. Shortfalls will continue to grow under the current Off-site Levy bylaw if development agreement hectare totals remain lower than expected.
- 2) Reduction in Provincial funding - Many of Calgary's growth capital projects have provincial funding contributions. In recent years, The City has experienced reductions in Provincial support and this reduction in funding increases The City's financial risk.

Administration will continue to monitor the local economy and development industry market trends. Service and funding requirements will be identified through the annual service plans and budget process to help mitigate these potential risks.

#### **ATTACHMENT(S)**

1. Previous Council Direction, Background
2. Off-site Levy 2020 Annual Report
3. Centre City Levy 2020 Annual Report
4. Centre City Plan Area

Department Circulation

<b>General Manager/Director</b>	<b>Department</b>	<b>Approve/Consult/Inform</b>
Stuart Dalglish	Planning & Development	Approve
Carla Male	Finance	Consult
Katie Black	Community Services	Consult
Doug Morgan	Transportation	Consult
Michael Thompson	Utilities & Environmental Protection	Consult
Jill Floen	Law	Consult