

Industry Letter - BILD



May 29, 2023

The City of Calgary  
P.O. Box 2100, Station M  
Calgary, AB T2P 2M5

Attention: Members of the Infrastructure and Planning Committee

Ladies and Gentlemen:

Re: **Off-site Levy 2022 Annual Reports**

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On behalf of its members, BILD Calgary Region (BILD) writes to the Infrastructure and Planning Committee (IPC) to acknowledge the work of Administration in assembling the 2022 Off-Site Levy (OSL) Annual Reports. We also wish to express our thanks to the team from Administration for their efforts in assembling the reports as well as engaging with Industry regarding Industry's requests for clarification and further understanding of the many numbers and schedules included in the report.

BILD is also in receipt of a copy of NAIOP's letter to Stuart Dalglish dated May 26, 2023. In many respects, BILD agrees with NAIOP's letter and its suggestions for improvements to Off-site Levy Annual Reports. BILD also acknowledges that Administration has continued to improve and remains committed to further improvements in the Off-site Levy Annual Reports by incorporating changes to enhance the timeliness, reader clarity, understanding, and to promote greater transparency in the OSL reports. These changes are consistent with Council approved (PFC2021-0035) Principles for a New Offsite Levy Bylaw. (see: [Link](#))

IPC members and all other Council members may be aware Administration and Industry have been engaging on an update to the OSL Bylaw since January 2020. As part of the journey toward an updated Bylaw, Administration and Industry formed a Joint OSL Governance Committee with Terms of Reference (TOR). Consistent with the Principles, a key objective of the TOR is full transparency along with timely and accurate reporting of OSL balances to promote a clear common understanding and fully informed decision making for Council, Industry, and other impacted stakeholders.

Administration provided a draft copy of the 2022 Off-site Levy Annual Reports to BILD on Monday, May 1, 2023, and the opportunity to provide detailed feedback to Administration until May 11, 2023. With the necessary exchange of questions and responses, BILD received responses to its questions on Friday, May 26, 2023. At the time of this writing, we understand these reports are drafts and still being reviewed by Administration, as such there may be changes to the final published versions, but if any material changes are made BILD will be notified. From Industry's dialogue with Administration, as part of this year's report review, further changes will be undertaken for the 2023 Report.

### **Levy Balances in Water Infrastructure**

Between May 24<sup>th</sup> and 26<sup>th</sup>, 2023, Administration provided Industry with further clarifying information and dialogue on levy balances. One notable observation relates to Tables 5, 13 and 14. If Off-site Levy Estimated Future Collection, based on signed Development Agreements (DAs) as of December 31, 2022, (shown in Table 5) are taken into account, the Levy Balance amounts shown in Tables 13 and 14 would be as indicated below:

(1)	(2) Amounts from Tables 13 and 14	(3) Table 5: Amounts: Estimated Future Billings for Development Agreements ("DAs") signed as of Dec 31, 2022 from Table 5	(4) Updated 2022 Ending Balance as of Dec 31, 2022 Reflecting Estimated Future Billings (2) + (3)
<b>Infrastructure with Positive Balances:</b> Water Treatment Plant Storm water Drainage—Bow River Storm water Drainage—Elbow River Storm water Drainage—Fish Creek Storm water Drainage—Nose Creek Storm water Drainage—Pine Creek	\$34,104,159 \$11,388,981 \$2,940,022 \$1,164,895 \$25,265,318 \$3,675,028		
Total (Infrastructure w/ Positive Balances)	\$78,538,403		
<b>Infrastructure with Negative Balances:</b> Water Distribution Wastewater Collection Wastewater Treatment Plant Storm water Drainage—Shepard	\$(44,236,450) \$(42,928,866) \$(32,225,258) \$(13,203,193)		
Total (Infrastructure w/ Negative Balances)	\$(132,593,767)		
<b>Water, Wastewater &amp; Storm Net Total</b>	<b>\$(54,055,364)</b>	\$190,415,000	\$136,359,636

Table 5 includes an aggregate Water, Wastewater & Stormwater amount only not discrete Levy pool amounts (i.e., various storm drainage basin, Water Distribution, Wastewater Collection, etc.). Based on Tables 5, 13, and 14 in the annual report, if Off-site Levy estimated future collection, based on signed Development Agreements (DAs) as of December 31, 2022 (shown in Table 5) are taken into account, a different conclusion may be drawn about Levy infrastructure with Negative balances. BILD acknowledges there may be future levy expenditures which offset Future Billings for DAs signed as of December 31, 2022.

**BILD kindly requests** Administration continue to work with Industry to:

1. Improve reporting related to balances, anticipated future collections, and committed balances.
2. Provide an updated table based on forecast 2023 year-end balances and commitments to assist in the 2024 OSL Bylaw Review and Update.

### **2023-2026 City of Calgary Service Plans and Budgets**

IPC members may recall submissions by BILD regarding the November 2022 City budget approval. Industry members expressed concerns that they were unable to confirm whether projects, understood to be included in the OSL rate determination, were submitted for approval as part of The City's Capital 2023-2026 Service Plans and Budgets. Administration committed to provide BILD confirming details. Industry remains in discussion with Administration to confirm these details.

**BILD kindly requests** Administration continue to:

1. Consult on and provide a full reconciliation of Council approved future expenditures for off-site levy capital infrastructure.

### **2016-2022 Development Agreements Signed and Levy Balance Variances**

Table 6, of the 2022 OSL Annual Report, shows the annual Hectares (Ha's) of Development Agreements signed for each year. In the table shown below, we have extended Table 6 to include all years since 2016. We have also computed the average Ha's over the period of 2016 to 2022, inclusive.

#### Development Agreements Signed from 2016 to 2022

Type of Development	2016	2017	2018	2019	2020	2021	2022	Total	AVG/ Year	Fcst	Var
Residential (ha)	109	359	349	182	268	378	517	2162	309	269	40
Commercial (ha)	12	0	8	4	5	1	16	46	7	7	0
Industrial(ha)	0	0	34	0	0	0	0	34	5	125	-120
<b>Total</b>	<b>121</b>	<b>359</b>	<b>391</b>	<b>186</b>	<b>273</b>	<b>379</b>	<b>533</b>	<b>2242</b>	<b>320</b>	<b>401</b>	<b>-81</b>

Type of Development	2016	2017	2018	2019	2020	2021	2022	Total	AVG/ Year
Greenfield	80	343	372	147	262	369	502	2075	296
Established Area	41	16	19	39	11	10	31	167	24
<b>Total</b>	<b>121</b>	<b>359</b>	<b>391</b>	<b>186</b>	<b>273</b>	<b>379</b>	<b>533</b>	<b>2242</b>	<b>320</b>

The current OSL Bylaw, initially approved by Council in late 2015 and updated in 2018 when it was adjusted to consider GMO removals approved, is based on OSL revenues forecast which includes an average of 276 Ha's of Residential and Commercial DAs and an average of 125 Ha's of Industrial DAs per year. The numbers above show the current average annual Residential/Commercial DA Ha's exceeding 276 Ha's and well on track to exceed 276 Ha's over the 9-year period (2016-2024) in the current OSL Bylaw.

Conversely, Industrial Ha's of DAs have not reached anywhere near 125 Ha's per year. This is due to a number of factors but primarily due to the fact industrial development is not cost competitive with adjacent municipalities. The lack of competitiveness was recognized in 2016 with the initiation of the Industrial Strategy working group and confirmed by the February 2021 Cushman & Wakefield report commissioned by The City.

**BILD kindly requests**, in alignment with NAIOP's recommended actions, Administration continue to provide improved understanding and reporting of:

1. Year over year variances for multi-year projects, including measurement against initial project budgets.
2. Levy infrastructure balances, including how they are impacted by variances resulting from excesses or shortfalls in the various categories of DAs signed (e.g., Residential, Commercial, Industrial, Greenfield, Established Area).

## **Housing Affordability**

Levies form a meaningful portion of the cost of a house and as such impact affordability for new home purchasers. Calgary enjoys better relative affordability when compared to other major metropolitan areas in Canada. However, as shown in RBC's Housing Trends and Affordability March 2023 update (see: [RBC link](#)), RBC's aggregate measure of Calgary affordability, ownership costs as a percentage of median household income has risen to 43.2% and now exceeds its long-term average of 38.8%. While Calgary's number compares favourably with many other communities shown in the RBC report, most notably it is significantly greater than regional competitors, Edmonton, Regina, Saskatoon and Winnipeg. The Canadian Mortgage and Housing Corporation (CMHC) notes, "... housing is considered 'affordable' if it costs less than 30% of a household's before-tax income" (see: [CMHC link](#)).

A clear and common understanding of OSL reporting is required for the new OSL Bylaw update as well as for decisions by Industry and Council which enable fully informed, constructive decision making and investment. Those decisions are impactful on land supply, lot supply, housing supply and, importantly, house prices and affordability for Calgarians.

Industry recognizes and applauds Administration's initiative in the ambitious timeline set for the review and Industry acceptance of the 2022 OSL Annual Reports. Industry accepts the 2022 OSL Annual Reports for information. There are remaining important matters which require clarification. We understand Administration is prepared to work with Industry to address these matters as noted above, prior to finalizing engagement with Industry on the 2024 OSL Bylaw Update, and we have accepted that commitment.

Once again, BILD and its members thank Administration for their efforts on the 2022 OSL Annual Reports. We look forward to collaborating with Administration on continuous improvement of the OSL Annual Reports and the finalization of the 2024 Bylaw Review both of which will assist decision making in support of housing affordability in Calgary.

Should you have any questions, please contact the undersigned.

Yours truly,



Brian R. Hahn  
CEO, BILD Calgary Region

Cc: City of Calgary Council Members  
Stuart Dalgleish, GM Planning and Urban Development  
Josh White, Director, Calgary Approvals Coordination Planning & Development  
Les Tochor, Treasurer  
Marcus Berzins, Manager, Growth Funding & Investment Planning & Development  
Cathy An, Finance Manager  
BILDCCR Board of Directors  
BILDCCR OSL Steering Committee