

Off-site Levy and Centre City Levy 2022 Annual Report

RECOMMENDATION(S):

That the Infrastructure and Planning Committee recommend 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 2022, providing full and open disclosure of all off-site levy (levy) collections and spends.
- *What does this mean to Calgarians?* Off-site levies are one financial tool that supports Calgary's ability to respond to the high rate of population and job growth, help maintain housing affordability, and overall social, environmental, and economic resilience of our city. Off-site levies are used to fund and recover costs associated with growth infrastructure required to enable development and complete communities as aligned with the Municipal Development Plan and Calgary Transportation Plan.
- *Why does it matter?* The Off-site Levy and Centre City Levy annual reports ensure on-going accountability and transparency of off-site levies as a funding source for public infrastructure that supports growth and development in Calgary. Along with other City funds, levy funding is maximized through The City's capital infrastructure prioritization process to advance projects supporting city growth opportunities.
- Annual reporting of off-site levies is a requirement of the Municipal Government Act (MGA). Ongoing reporting enables monitoring and transparency of levy account balances, a list of levy-funded capital infrastructure projects, and offers one source that comprehensively outlines The City's capacity to fund future growth-related capital investments.
- In 2022, \$165.9M in total levy funds (Off-site levy and Centre City Levy) were spent as part of The City's strategic \$1.1B capital expenditures. Levy funded 222 projects in the Established Area and Greenfield Area and three projects in the Centre City Area.
- \$137M in levy funds were collected from 273 developers in the Established and Greenfield Areas, and three developers in the Centre City Area.
- The pace of investment in 2022 demonstrates The City's ability to deploy funding to help complete communities, improve quality of life, and both, enable current growth and anticipate future growth.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The Off-site Levies Bylaw (2M2016) and Centre City Levy Bylaw (38M2009) govern a funding stream to build growth infrastructure. The levies collected under these bylaws can be used to pay for all or part of the capital cost of eligible infrastructure, including required land and associated financing costs. Off-site levies are collected for transportation, utilities, and community services infrastructure. The MGA governs the administration of the off-site levy funds and requires that funds must be used solely for the purpose authorized by the bylaw.

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2022 Off-site Levy Updates

In 2022, 273 developers in the Established and Greenfield Areas contributed to \$135.9M of levy collection: Off-site Levy collection of \$132.9M and \$3.0M transferred to the levy account as part of the Established Area Density Incentive Program. \$9.1M in investment income was received. \$164.7M was spent on 222 infrastructure projects.

As of 2022 December 31, the Off-site Levy fund balance across all infrastructure types was \$419.7M. Of this balance, \$357.8M has been committed to over 236 Council-approved growth infrastructure projects through previous, and current service plans and budgets. The remaining \$61.8M will be committed to future growth-related capital investments as identified through the Off-site levy bylaw. The balance of \$61.8M has many restrictions on how it can be spent, given the many different infrastructure types. Additional details can be found in the Off-site Levy Annual Report (Attachment 2). This balance has not been adjusted for the temporary deficit balance of \$132.6M that exists in Water mainly from linear and wastewater treatment infrastructure types. The shortfalls are temporarily mitigated by utility rate revenue and are expected to be recovered from future levy collection.

In addition to restrictions on how off-site levy funds can be spent, The City requires capital projects to be fully funded before Council approves capital amounts through the service plans and budgets process. The City uses various funding sources to pay for infrastructure, and may fund or finance the levy portion of costs from other funding sources until levies are collected. Timing of levy collection does not always align with when the infrastructure is required.

The following table shows a summary of the 2022 Off-site Levy balance:

Opening Balance, Off-site Levies as at January 1, 2022	\$439,361,721
Total Off-site Levies Collected	135,865,347
Investment Income Received	9,109,486
Off-site Levies Spent	(164,680,431)
Closing Balance, Off-site Levies as at December 31, 2022	\$419,656,123

Highlights of Expenditures on Off-site Levy Eligible Infrastructure Projects in 2022

Water projects (Attachment 2, Schedule B):

- Bonnybrook Wastewater Treatment Plant (\$15.1M spent in 2022)
- Seton Tunnel Phase 1 (\$0.4M spent in 2022)

Transportation projects (Attachment 2, Schedule A):

- Stoney Trail Improvements (\$30.1M spent in 2022)
- 144 Avenue NW at West Nose Creek (\$14.2M spent in 2022)
- Airport Trail NE Phase 2 (\$10.6M spent in 2022)

Community Services projects (Attachment 2, Schedule C):

- Vivo Expansion (\$9.2M spent in 2022)
- Varsity Multi-Service Centre (\$2.3M spent in 2022)
- Cornerstone Emergency Response Station (\$0.8M spent in 2022)

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In addition to approximately \$82.7M above, the remaining \$82.0M will be spent towards 13 Transportation projects, 197 Water projects, and four Community Services projects, details of which can be found in Schedules A-D of Attachment 2. Most of Water projects are debt financed, with interest and principal payments offset by future collection of levies; while Transportation and Community Services projects are typically cash funded by off-site levies.

2022 Centre City Levy Updates

The Center City Levy is part of the investments towards Greater Downtown Plan (C2021-0524) to encourage private investment and build a strong core to grow our economy, create jobs and fund the city services we rely on every day.

In 2022, three developers contributed towards collection of \$0.9M through the Centre City Levy program. \$1.2M of Center City Levy was spent towards three infrastructure projects as part of the Greater Downtown Plan growth-related investments. Levies funded upgrades to watermains infrastructure in the Downtown and Beltline areas and improvements to 5th Street S.W. underpass.

As of 2022 December 31, the Centre City Levy fund balance across all service lines was \$8.6M. This balance will continue to be used for ongoing and future infrastructure projects in the Centre City Plan Area: \$0.5M is committed to one Transit and two Transportation projects while the remaining balance will be used towards future Transportation, Water and Community Services projects. Additional details can be found in the Centre City Levy Annual Report (Attachment 3).

The following table shows a summary of the 2022 Centre City Levy balance:

Opening Balance, Centre City Levies as at January 1, 2022	\$8,723,013
Total Centre City Levies Collected	930,898
Investment Income Received	165,944
Centre City Levies Spent	(1,224,963)
Closing Balance, Centre City Levies as at December 31, 2022	\$8,594,892

Highlights of Expenditures on Centre City Levy Eligible Infrastructure Projects in 2022

In 2022, Centre City Levy funded the following infrastructure programs (Attachment 3, Schedule A, B and C):

- Upgrades of watermains in the Downtown and Beltline areas (\$1.2M spent in 2022)
- Improvements to 5th Street S.W. Underpass (\$0.1M was spent in 2022)

Monitoring and Continuous Improvement

Administration uses the Off-site Levy and Centre City Levy Annual Reports for ongoing monitoring. As a standard practice, we seek to continuously improve our processes, practices, and stewardship of off-site levies. Annual reporting of balances, refinements to process and procedures, and stakeholder consultation continues to inform improvement opportunities related to annual reporting and the future Calgary Off-site Levies Bylaw Review. Administration acknowledges the opportunity to further simplify the Annual Reports through a holistic review; these improvements are planned to be explored, through consultation with interested parties, after the new Off-site Levy Bylaw is complete.

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Notable improvements for 2022, to improve reader clarity and transparency of reporting include: re-introducing grant funding reporting and improved narrative, revision to off-site levy funding allocation for Water and Wastewater infrastructure types reflected through balances in Schedule C (Attachment 2), and an interactive map showing the location of the infrastructure with each project's financial information will be published and publicly available in The City's map gallery.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | | | |
|-------------------------------------|---|--------------------------|---|
| <input type="checkbox"/> | Public engagement was undertaken | <input type="checkbox"/> | Public communication or engagement was not required |
| <input checked="" type="checkbox"/> | Public/interested parties were informed | | |
| <input checked="" type="checkbox"/> | Dialogue with interested parties was undertaken | | |

The attached annual reports were prepared with input from Community Services, Corporate Planning & Financial Services, Infrastructure Services, Law, Operational Services, and Customer Services and Communication. Drafts of Attachments 2 and 3 were shared with industry members from Building Industry and Land Development Association (BILD) Calgary Region, Commercial Real Estate Development Association (NAIOP) as part of the Off-site Levy Joint Governance Committee, and Calgary Inner City Builders Association (CICBA). Annual reports are posted on [Calgary.ca/offsitelevy](https://calgary.ca/offsitelevy) for public reference and full transparency.

IMPLICATIONS

Social

Off-site levies support the resiliency of Calgary by responding to the infrastructure needs to create an inclusive city for a diverse population and by facilitating access to services and amenities that enhance quality of life for Calgarians.

Environmental

Levy funded infrastructure also includes investments in active mobility options, and transit options in support of Calgary's Climate Strategy – Pathway to 2050, thereby promoting health and wellness of citizens.

Economic

Off-site levies are one financial tool that supports Calgary's ability to respond to the high rate of population and job growth, help maintain housing affordability, and overall social, environmental, and economic resilience of our city.

Service and Financial Implications

No anticipated financial impact

RISK

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

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- 1) **City financial risk** - Increased pace of development in the last couple years may result in higher future annual levy collections, helping to reduce current shortfalls. The shortfall may continue to persist if debt-financed capital investments needed to support Growth Applications outpace off-site levy collections received through Development Agreements. Dispersed development may also increase future capital needs that outpace levy collections.
- 2) **Reduction in Provincial funding** - Many of Calgary's growth capital projects are not fully funded by off-site levies. In recent years, The City has experienced reductions in Provincial (grant funding) support, as one source to fully fund infrastructure projects, and this reduction increases The City's financial risk.

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

ATTACHMENT(S)

1. Background and Previous Council Direction
2. Off-site Levy 2022 Annual Report
3. Centre City Levy 2022 Annual Report
4. Industry letter NAIOP
5. Industry letter BILD
6. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Stuart Dalgleish	Planning & Development Services	Approve
Carla Male	Corporate Planning & Financial Services	Approve
Katie Black	Community Services	Consult
Doug Morgan	Operational Services	Consult
Michael Thompson	Infrastructure Services	Inform
Jill Floen	Law	Consult