OFF-SITE LEVY BYLAW

EXECUTIVE SUMMARY

The purpose of this report is to present the proposed off-site levy rates and community services charges for implementation on 2016 February 1. The off-site levy bylaw project began one year ago and included extensive industry and public engagement. The process is now complete and has resulted in a comprehensive set of recommendations and a commitment to continued collaboration with industry.

The component of the levies for water and wastewater treatment will be charged citywide, which includes charging this levy in the Established Areas; this is a new aspect of the levy regime. A density incentive program for high density development in the Established Areas is also proposed to ensure that the impact of charging off-site levies will not discourage this form of development.

In the Greenfield Areas, there will also be charges for water distribution, wastewater collection, drainage, transportation, and community services. The Greenfield rates have been calculated based on capturing 100% of the proportionate share of the costs attributable to new growth.

All calculations and methodologies are included in the background report which is a schedule of the proposed Bylaw (Attachment 1-Schedule C). This background report was prepared to ensure that the information is transparent, accountable, and well documented for future reference.

The proposed levy regime will contribute to the building of complete communities and achieving financial sustainability.

ADMINISTRATION RECOMMENDATION(S)

That Council Hold a Public Hearing on Bylaw 2M2016 and Council resolution, and:

1. Give three readings to Bylaw 2M2016 (Attachment 1);
2. Adopt by resolution, the Community Services Charges (Attachment 2); and
3. Direct Administration to implement the key deliverables of the 2016 work plan to address issues that arose through this process, as outlined in Attachment 3.
4. Direct Administration to create an Established Area Redevelopment Incentive Budget (EARIB) to offset reduced revenue resulting from the proposed density incentive program.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2011 May 16, Council gave three readings to the Off-site Levy Bylaw 34M2011. As detailed in LPT2011-35, there was an agreement between Industry and Administration to revisit the levy calculations by 2015 December 31.

On 2014 September 15, Council approved, at the Special Strategic Planning Meeting of Council, the five areas of focus as indicated in the "Leadership Strategic Plan: Contract with Council." One of the five areas of focus was the off-site levy bylaw project.

Council approved in principle, direction to the off-site levy bylaw process as discussed at the 2015 May 4 Strategic Planning Meeting, with respect to Report C2015-0436.

BACKGROUND

Calgary is a great city known worldwide for its quality of life and robust economy. As a result, it has continued to experience rapid growth. Despite the recent economic downturn, Calgary is forecasted to grow by 1.3 million people in the next 60 years. Growth provides numerous benefits including support for local businesses, arts and culture, community vibrancy, and the population threshold needed to support amenities such as transit.

With growth also comes a substantial requirement for investment in services and infrastructure. Developers fund the capital cost of the local infrastructure within new communities such as roads, sidewalks, parks and underground utilities. Growth also creates a need for additional or expanded infrastructure that is off-site from these communities such as water and wastewater systems, and major roads and interchanges. One of the tools used to help fund the capital cost of this infrastructure is to charge developers off-site levies.

The Municipal Government Act (MGA) authorizes municipalities to create off-site levies that can be imposed at the time of subdivision or development permit approval. According to this legislation, an off-site levy may be used to fund all or part of the capital cost of new or expanded infrastructure including:

- Facilities for the storage, transmission, treatment or supplying of water;
- Facilities for the movement, treatment or disposal of sanitary sewage;
- Storm sewer drainage facilities;
- Roads required for or impacted by a subdivision or development; and
- Land required for or in connection with these facilities.

Growth also creates the need for community services such as emergency response stations, police stations and recreation facilities. The MGA does not include the capital cost of these types of services in the list of eligible infrastructure for which off-site levies can be imposed. To address this, charges are calculated for these infrastructure needs and developers are encouraged to contribute to their cost. It was confirmed by development industry representatives during the process that these services are important in order to build complete communities.

Infrastructure costs resulting from growth represent a significant portion ($4.6 billion of $8.1 billion or 57 per cent) of The City's 2015-2019 capital budget. Off-site levies are one of the sources of funding used to fund infrastructure. Other funding sources include utility rates, property taxes and government grants. The off-site levy rates have been calculated to determine how much of the capital cost due to growth should be funded by the development industry. If the costs attributable to industry are not fully captured through the levies, then these costs need to be covered through the other sources of funding.

Bylaw 34M2011 was approved on 2011 May 16, which included off-site levies for water, wastewater, drainage and transportation infrastructure components. Council also approved, by resolution, charges for community services infrastructure. At that time, a commitment was made by Administration and endorsed by Council, that an updated off-site levy bylaw would be prepared in 2015.

In 2014 October, in response to the significant growth experienced in Calgary, the Build Calgary team was created to fulfill the "Leadership Strategic Plan" contract with Council which was presented in 2014 September as follows:

1. Focus immediate and collective attention on planning and building a great city:
    - Corporate approach to strategic planning and investment
    - Integrate master plans with a growth management philosophy
    - Align capital investment with strategic infrastructure requirements
    - Build trust with all partners and together address future growth

2. Strengthen the Corporation's financial position:
    - Create an investment strategy to fund essential infrastructure and close the current infrastructure gap, emphasizing return on municipal investment
    - Secure provincial commitment through City Charter negotiations and MGA review
    - Generate greater investment capital for infrastructure financing and realign investment to current priorities

Due to significant growth and cost escalations over the past five years, the 2011 levy rates have fallen behind as far as collecting the proportionate share of the cost of off-site infrastructure attributable to new growth. As well, the impact on infrastructure from redevelopment projects had not been fully considered in previous off-site levy calculations. There has been an increase in redevelopment activity in the existing areas of the city in recent years. This supports The City's vision set out in the Municipal Development Plan (MDP) and Calgary Transportation Plan (CTP). At the same time, the impact of all growth on infrastructure costs should be considered when determining the funding strategies.

To meet the time commitment made in 2011, and to address the changing impacts on growth related costs, the Build Calgary team identified the preparation of a new off-site levy bylaw as one of its key initiatives. The process began in 2015 February and this report presents the resulting recommendations. The implementation phase and other related work will continue into 2016.

During the process it was identified, that Bylaw 41M2010 for the West Pine Creek Sanitary Trunk Off-site Levy Bylaw should be repealed. In 2010, Bylaw 41M2010 was approved by Council. The purpose of this bylaw was to cover the cost of the land purchase for the required sanitary trunk that would connect to the Pine Creek Wastewater Treatment Plant. Bylaw 41M2010 is no longer required as the West Pine Creek Sanitary Trunk off-site Levy Bylaw rates have been captured in the proposed bylaw. Having both bylaws would be redundant, so repealing this bylaw is proposed.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

To develop the proposed off-site levy bylaw, Administration built on previous approaches while expanding the focus on transparency, data analysis, diligent calculations, collaboration with a variety of stakeholders, and learning from best practices research.

The first step of the off-site levy process was to develop a framework to establish timelines and a work plan, and to ensure that a variety of alternatives would be analyzed. Internal and external committees were established to ensure cross-corporate collaboration and broad stakeholder engagement throughout the process.

The project framework included six phases:

1. Understand/Principles
2. Options Identification
3. Analysis and Assessment
4. Calculations
5. Final Consultation and Council Approval
6. Implementation

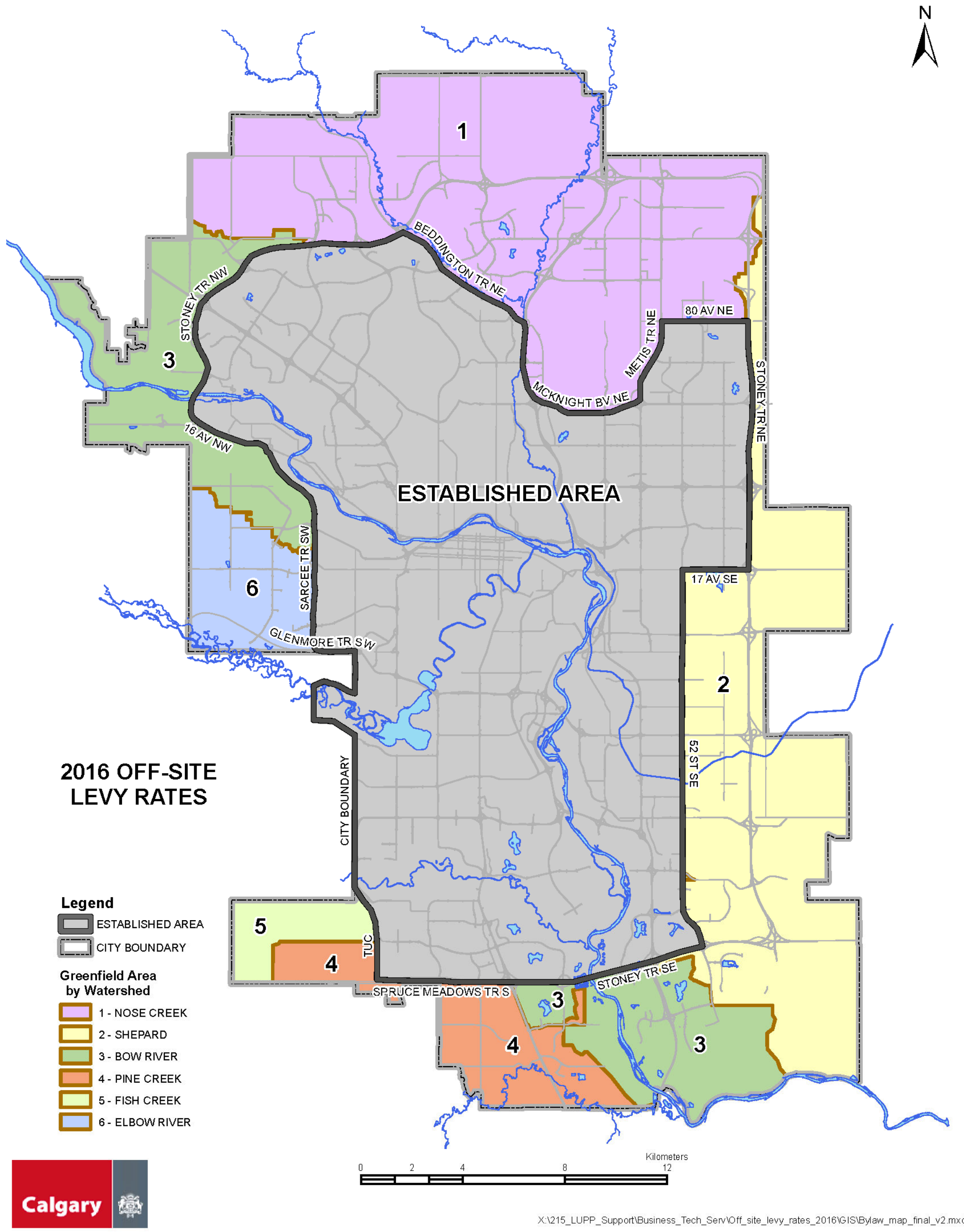
Additional details on the phases of the process are provided in the background report on pages 4 and 5 (Attachment 1-Schedule C).

A committee structure, including various working groups and teams, was also developed. The External Advisory Committee, made up of internal and external stakeholders, created guiding principles to provide direction to the process. Additional details on the guiding principles are provided in the background report on page 7 (Attachment 1-Schedule C). The principles are as follows:

- Guiding Legislation
- Certainty
- Policy Alignment
- Financial Sustainability
- Benefit Allocation
- Fairness and Equity
- Clarity and Transparency
- Accountability
- Collaboration
- Efficiency
- Competitiveness

The map below (Figure 1) shows where the proposed levies and charges would apply. The map is divided into the Established Area and six Greenfield Areas defined by watersheds.

OFF-SITE LEVY BYLAW



Calgary

Figure 1 2016 Proposed Off-site Levy Bylaw Map

Calculation Overview

The following highlights the key points of the calculation methodology for the proposed levies.

Generally, levies are calculated as follows:

1. Determine the projected population growth for a specific timeframe and the land area that will be absorbed by the population growth in that same timeframe.
2. Determine the infrastructure required to service that land area and estimate the infrastructure costs.
3. Determine the benefit allocation for each project attributable to the projected new population, the existing population and the regional population.
4. Determine the levy rate by dividing the estimated infrastructure costs attributable to the future growth by the total hectares required to serve the projected population.

The population forecasts were obtained from Corporate Economics and the distribution of this projected population was determined by the Geodemographics group. From these projections, each department reviewed their long range planning documents and determined what infrastructure would be needed to service this growth.

Project lists and costs estimates were then developed. These were thoroughly vetted with the working groups and a number of changes were made during the iterative review process. The type of infrastructure included in the levies is as follows:

a) Water Resources:
   - Water and wastewater treatment plants and upgrades
   - Water and wastewater linear infrastructure
   - Drainage (storm) infrastructure

b) Transportation:
   - Major roads
   - intersections
   - traffic signals
   - bridges

c) Community Services:
   - Emergency Response Stations
   - Recreations Facilities
   - Libraries
   - Transit buses
   - Police stations

The levy rates were calculated once the infrastructure requirements were finalized. Details of the calculations are shown in the background report (Attachment 1-Schedule C) including the methodology, population projections, and infrastructure lists.

Off-site Levy Rates

The resulting levy rates for water and wastewater treatment will be charged in all areas of the city (both Greenfield and Established). In addition to treatment, the Greenfield Area rates include components for water distribution, wastewater collection, drainage, transportation and community services charges components.

Treatment plants provide service to the entire city rather than to a specific area, therefore, growth occurring anywhere in the city impacts treatment facilities.

In order to fairly allocate treatment costs to all areas and types of growth, a different methodology was used to calculate the levy for water and wastewater treatment plants. Essentially, the cost to provide additional capacity for each additional person and job was determined. The rate for treatment will be applied on a per hectare basis in the Greenfield Areas to be consistent with all other Greenfield Levies, where the development is typically in the form of multi-lot subdivisions. For the Established Areas, where development is generally brought on in the form of individual development permits, the levy will be applied on an incremental per unit basis for residential development and on a gross floor area basis for non-residential development.

Established Area Rates

In the Established Areas, if a new development replaces development which existed on the site within the last 10 years, the levy will only be charged for the net impact of the new development.

According to the MGA, off-site levies can only be charged once for the same type of infrastructure on the same parcel of land. Levies were not paid by any development prior to 1963 since the legislation was not in place at that time. Detailed analysis shows that the majority of parcels of land currently undergoing redevelopment have not previously been charged the water and wastewater off-site levies, and would therefore be eligible for payment of these new charges.

From 2000 to 2010 Development Agreements did not include charges for water and wastewater. During this period, Council decided that funds typically collected for the water and wastewater components would be allocated to Transportation, and that utility rates would be used to fund the costs of water/wastewater infrastructure. Lands subject to agreements during this timeframe will not be subject to the new off-site levy charges.

The Established Areas rates for residential development are based on $2,161 per equivalent population (EP), and on the expected occupancy of each residential unit type. For commercial and institutional development in the Established Areas, the rate is based on the expected jobs per square meter of development which results in a rate of $36.62 per square meter of commercial floor area and $17.52 per square meter of industrial floor area.

Table 1 Off-site Levy Rates - Established Area

Levy Component	Residential ($/Unit)					Non-Residential ($/m^2 gross floor area)	
	Single	Semi /Duplex	Multi-Residential Grade-Oriented	Multi-Residential Non Grade-Oriented (2 Bedrooms or More)	Multi-Residential Non Grade-Oriented (1 Bedroom or Less)	Commercial Buildings	Industrial Buildings
Water Treatment	$1,137	$1,019	$706	$588	$470	**$36.62**	**$17.58**
Wastewater Treatment	$5,130	$4,599	$3,184	$2,654	$2,123		
Total	**$6,267**	**$5,619**	**$3,890**	**$3,242**	**$2,593**		

This new charge in Established Areas will not resolve concerns raised by inner city developers regarding the need for understanding what local infrastructure upgrades and/or expansions are needed to provide more certainty to redevelopment proposals. These local infrastructure needs are sometimes unknown in the early stages of planning, and can be cost prohibitive. Administration has been consulting with Established Area developers during this process to better understand these concerns, and will be undertaking a redevelopment strategy in 2016 as part of the work plan (Attachment 3) to explore solutions for addressing these and other concerns.

Concerns were also raised during the process by the inner city developers that imposing off-site levies in Established Areas for the treatment portion of the off-site levy was a new cost and could be a disincentive to high density redevelopment which would be counter to the policies in the MDP. Intensification in existing communities through redevelopment maximizes the use of existing infrastructure while often generating significant uplifts in the tax base. Some redevelopment projects have increased revenues by as much as 10 to 15 times the property taxes collected from the previous uses of the land.

In response to these concerns, a density incentive program was created to offset the cost of these new charges. Proposed developments that are at a density above 285 equivalent people per hectare will pay a maximum rate of 285 equivalent people per hectare. This is less than would be paid should the rate be calculated on the total number of development units or square metres for these high density developments. The cost of the impact on water and wastewater treatment beyond this density rate will be covered by property taxes in recognition of the uplift realized from this type of development. An Established Areas Redevelopment Incentive Budget (EARIB) is proposed to cover the costs of the Density Incentive Program. Funding for this budget will be provided by the property tax uplift arising from intensification in Established Areas. A number of meetings were held specifically with developers who specialise in redevelopment, including residential, mixed-use, commercial and industrial segments (details in Attachment 3 – Schedule C). This solution was based on the input from these developers.

Administration will monitor the trends as these new levy rates are applied, to track any changes to redevelopment patterns, and to identify how many parcels were ineligible to be charged this levy.

Greenfield Rates

The Greenfield Areas will be charged a levy rate for the components eligible in the MGA and also a community services charge.

The proposed rates in the Greenfield Areas range from $422,073 to $464,777 with an average of $443,425. The range is due to the cost of the infrastructure in the various watersheds. These new rates reflect an increase over 2015 rates of between $122,269 and $135,381 per hectare. Details, that include the current 2015 and proposed 2016 rates, are shown in Table 2.

Table 2 Off-site Levy Rates and Community Services Charge – Greenfield Areas

Off-site Levy Greenfield Rates			**2015 Rate ($/ha)**			**2016 Rate ($/ha)**
Transportation Total			**$130,289**			**$136,789**
Water Resources Total	**$75,315**	**to**	**$131,131**	**$206,434**	**to**	**$249,138**
Water and Wastewater Linear			$38,006			$76,774
Water and Wastewater Treatment			$36,967			$129,660
Drainage by Watershed						
1 Nose Creek Watershed			$10,315			$11,325
2 Shepard Watershed			$56,158			$42,704
3 Bow River Watershed			$3,980			$6,983
4 Pine Creek Watershed			$3,939			$16,812
5 Fish Creek Watershed			$634			$0
6 Elbow River Watershed			$342			$0
Off-site Levy Total Rate	**$205,604**	**to**	**$261,420**	**$343,223**	**to**	**$385,927**
Community Services Charge			**2015 Charge**			**2016 Charge**
Emergency Reponses Facilities			$22,275			$19,545
Calgary Public Library (Libraries)			$6,389			$5,971
Calgary Police Service (District Stations)			$8,633			$7,648
Recreation Facilities			$37,985			$41,679
Calgary Transit (Buses)			$5,806			$4,007
Community Services Total Charge			**$81,088**			**$78,850**
Total Off-site Levy Greenfield Rate and Community Service Charge	**$286,692**	**to**	**$342,508**	**$422,073**	**to**	**$464,777**

The Greenfield Areas are shown on Figure 1, where they are defined by watersheds, the city boundary and the Established Area. These areas were determined as part of the calculation methodology and the boundaries were further refined for the bylaw map.

Implementation Plan

The new rates are proposed to take effect on 2016 February 01.

The off-site levy rate components in the Established Area will only apply to new development permit applications received on or after 2016 February 01, provided levies have not previously been paid. The rate will be phased in over two years (2016 to 2018). Development permit applications received in 2016 and approved prior to 2017 January 01 will be required to pay a levy amount that is 33% of the total. Application approvals in 2017 will be charged a levy rate of 66% of the total. In 2018, the full amount (100%) of the levy rate will be applied to development permit approvals.

These phased in amounts will be applied after the credit for previous development has been accounted for and the density incentive adjustments have been made. The amount of the levies owing will be set at the time of development permit approval and will be paid at the time of Development Completion Permit (DCP). This implementation plan will allow for developers to take into consideration these new charges in development decisions and will also allow for market land values to adjust to this change affecting the cost of development.

For the Greenfield Areas, the off-site levy rates and community service charges will come into effect on 2016 February 01. Subdivision applications that are approved prior to this date, and have an executed Interim Indemnity Agreement by 2016 February 15, will be subject to the 2015 rate.

To offset the impacts resulting from the increase in the Greenfield levy rates, the timing of payment will be changed to allow for a longer period of time over which to pay the levies. The levy rate is set at the time of subdivision approval. Currently the levies are paid as building permits are issued and must be paid in full by the end of the following year. On average, developers currently have about 18 months to pay the levies in full. A new payment schedule will be implemented with four specific payment dates that will extend the timing of full payment to three years. The payment plan will begin with 0% owing when the Interim Indemnity Agreement is signed, and then 30%, 30%, and 40% in the following years, on the anniversary date of the signing of the agreement.

Concerns were raised that increases in the new rates could impact house prices since these costs can be passed on to homebuyers, potentially affecting affordability. Housing affordability is influenced by many factors such as supply and demand, construction and land prices, economic conditions, and interest rates. The increase in the rates equates to about 1% of the cost of a new home. As of October 2015, according to CMHC, the median price of a new single detached home in Calgary is $660,000.

The timing of payment schedule proposed reduces the impact of the rate increase by reducing developer carrying costs and tying the payment of levies closer to the time of home occupancy.

This new approach to the payment schedule also achieves an internal process improvement since the levies will no longer be collected on individual building permits but rather according to a pre-determined payment schedule.

Changes Resulting from the Alternatives Analysis

Administration conducted extensive research on best practices in other municipalities which contributed ideas to the alternatives analysis. Various alternatives were explored resulting in new and innovative approaches to the calculations. Industry stakeholders were consulted on all options and their input was used to help determine the recommendations.

Catchments

Throughout this process, moving to a catchment based system (area specific charges) was considered. A significant amount of time was spent analyzing what infrastructure is suitable for catchment based calculations. Catchments are generally used when one type of infrastructure can clearly be defined as serving only one area, and when the costs of that type of infrastructure vary greatly from one community to another, due to factors such as differing topography. Currently drainage infrastructure levies are calculated on a catchment basis since it meets these criteria. No additional types of infrastructure are being recommended to move to catchments since they did not meet the criteria. Both industry and City representatives agreed with this approach, although agree that further study is needed.

Transportation

The changes made to the transportation component of the levy include determining what infrastructure should be included and the benefit allocation. Based on the work with industry, non-residential traffic signals were added to the levy rates. Specific projects were identified for pedestrian bridges and bus rapid transit. These two changes provide more certainty to developers. Also, during the methodology review it was determined that trips originating from the surrounding municipalities should not be included in the levy calculations since these trips are considered a regional benefit. These revisions more accurately represent the benefit allocation of growth infrastructure costs. Without these revisions, the rates would have increased by approximately 20%, however, with these revisions the rate is increasing by 5%.

Community Services

The revisions to the Community Services components resulted in an overall reduction in the charges from 2011. This is due to the projection and costing improvements on how the charges were calculated, what is included and how the funds will be spent. The methodology was refined to use projected population and then the cost of the infrastructure was determined based on where the population is projected to locate in the next 30-years in the Greenfield Areas. From this clearly defined method, the infrastructure costs were allocated to the Greenfield Area. The cost estimates were compared to actual project costs and were reviewed by Administration and the industry and refined as necessary. The result was improved accuracy on the cost of the infrastructure to support Greenfield growth, which resulted in a slight reduction from the current rate.

Water Resources
Two significant changes to the calculation of off-site levies for treatment plants were made through this process. Changes to the calculation methodology and amortization term both result in improved allocation of the benefit to new growth. The new calculation methodology is based on a cost per person. This approach ensures that the levy will be applied on an equitable basis related to the degree of benefit to both the Greenfield and Established Areas, even though they develop differently. The amortization period for new treatment plant infrastructure was changed from twenty-five years to ten years, to better allocate costs to the benefiting growth areas that will use the infrastructure capacity. By using the shorter amortization period it resulted in a lower levy rate than if the longer timeframe had been used in the calculations.

The changes made to the Water Resources methodology are significant. These changes will contribute to the ability of the Water Resources business unit to decrease debt and continue to achieve financial targets by 2018. The increase in forecasted revenue from off-site levies in 2019 to 2022 could have an offsetting effect on utility rates in the 2019-2022 budget cycle.

If the proposed rates are approved, the Greenfield Area water and wastewater levy charges will increase by roughly 2.75 times compared to the 2015 rate. This increase is because the infrastructure allocated to growth within the ten year Water Infrastructure Investment Plan (WIIP) increased from $650 million to $1.5 billion, an increase of 2.3 times. Treatment plant upgrades are the primary driver of the increases to this investment plan, because higher growth rates accelerated major investments in treatment plant capacity. Additionally, the proposed rates reflect the proportionate share of growth related costs whereas in 2011, Council approved a 50% reduction in the off-site levy component for water and wastewater infrastructure to lower the overall levy rate.

Timeframe of the New Off-site Levy Rates and Community Services Charges

Amendments to the off-site levy bylaw and community service charges may be required from time to time to keep the calculations current. For example, adjusting the numbers may be necessary to account for the receipt of unanticipated specific grants, or to support changes required to facilitate developer funding arrangements, or to correct errors that may be identified. The overall methodology will not be reviewed for five years to provide certainty to the industry. Required amendments will be brought forward to Council for consideration following a public hearing at an appropriate time.

Process Transparency
Early in the process, transparency was identified as being the most important principle to meet, which was reinforced at the stakeholder workshops. Transparency was achieved by soliciting meaningful and informed input from industry members, interested stakeholders and members of the public. Three workshops were held, a public hearing was arranged (2016 January 11), and a number of members of the industry participated on the working committees. All information, calculations and methodologies were openly shared and discussed, and were developed in consultation with the working committees. The information was provided to the industry representatives, to distribute to their broader memberships. The presentations and summary of input from the stakeholder workshops was made available on Calgary.ca. A number of changes

were made as a result of the valuable input. The background report was prepared to improve transparency by providing details on the calculation methodology.

Transparency has also been improved over the past year through the preparation of the 2011 to 2013 Off-site Levy Report, provided to industry in 2015 May. The 2014 report has been completed and is ready for circulation. These reports outline the levies collected during that time period and how they were used. Administration is committed to annual reporting to industry on the collection of levies and how they have been spent. One of the results of preparing these reports has been an increased internal understanding of the importance of this required accountability, resulting in the identification of levy tracking improvements that are being implemented. Should any discrepancies arise that indicate the allocation of unspent monies from previous years was not appropriately accounted for in the new calculations, Administration will prepare a proposed bylaw amendment for Council, to ensure the change is reflected.

To ensure the opportunity for broad consultation, a new step in this process was also to hold a non-statutory public hearing to provide an additional opportunity for the public and industry to be involved in order to ensure opportunity for broad consultation. Holding a public hearing on the off-site levy bylaw also aligns engagement efforts with the spirit and intent of the legislation.

Related Issues

Throughout the off-site levy bylaw process, a number of issues that are not part of off-site levy calculations, but are related to certainty and the cost of growth, were discussed with industry stakeholders. They expressed their interest in continuing to work collaboratively with Administration to explore the best solutions to these issues.

In response to these discussions, a work plan for 2016 was created with input from industry. Senior Administration has made a commitment to this plan (Attachment 3).

These initiatives would include but are not limited to:

1. Establish an Industry/City Collaboration Committee
2. Phasing Growth/Land Supply Strategy
3. Established Area Strategy (redevelopment)
4. Funding Growth Strategy
5. Process Improvements
6. Industrial/Commercial Strategy

Conclusions

In conclusion, the proposed off-site levy rates and community services charges are based on a sound and transparent methodology that was subject to rigorous review and scrutiny by industry members. The calculations included a thorough investigation of growth projections, infrastructure projects and cost estimates, and using new methodologies identified through best practices research. The process included broad stakeholder engagement and a number of changes were made as a result of the input received. Internal administrative process improvements related to the collection of and reporting on off-site levies, were identified and will be implemented.

The new rates will result in capturing 100% or the proportionate share of costs attributable to growth in the Greenfield Areas. If this share is not captured through off-site levies an alternative funding source such as utility rates or property taxes would need to be used. Charging off-site levies (for the treatment component) will be implemented in Established Areas. The industry is continuing to support the community services charges.

The collaborative approach with industry throughout this process increased trust and set the stage for ongoing work that will continue to provide additional certainty and cost effectiveness in regards to growth related issues for both the industry and The City.

These new levy rates and community services charges will contribute to achieving complete communities and financial sustainability.

Stakeholder Engagement, Research and Communication

To ensure that broad stakeholder engagement was achieved and met the goal of Build Calgary to "work with partners to create a transparent approach," a comprehensive communication and engagement strategy was developed. The plan included an engagement process, a committee structure and outlined specific tactics for each audience to help meet the communications goals.

There were five committees that met at various times throughout the year. Each committee had a specific role and membership that included both internal and external stakeholders:

- Internal Working Group: **32 meetings** since January 29
- External Advisory Group: **12 meetings** since March 11
- Sub-committee Group: **20 meetings** since May 5
- Established Area Group: **12 meetings** since June 11

To reach the broader community, the engagement process included three workshops held on April 30, June 24 and October 15. There were a number of attendees at each of these workshops including representatives from:

- Administration (subject matter experts)
- The Engage! business unit
- Development and construction industry (residential and industrial/commercial)
- Homebuilders
- Financial institutions
- Community associations
- Affordable housing groups
- Real estate organizations

Each of the workshops included round table discussions to ensure the process was open and transparent. Attendees had the opportunity to ask questions, provide input into the process and to be kept up to date on timelines. Surveys were circulated at the conclusion of each workshop and The City of Calgary received very positive reviews on the workshops; over 88% of respondents provided positive feedback. The information collected at the three workshops (which is outlined in the "What We Heard Report") was used to inform the final off-site levy bylaw and community services charges. These summaries, and the presentations from the workshops, are posted on Calgary.ca at this link http://www.calgary.ca/CS/build-calgary/Pages/Build-Calgary---Updates.aspx.

To ensure Council, industry and the general public were informed, updates were presented at Council Strategic Sessions that occurred on January 16, April 6, May 4, June 22 and September 21. These provided Council with an opportunity to be updated on progress and to provide input. There were also numerous meetings with Members of Council, to answer questions and provide further information as required.

Further details on the process, engagement and community strategy are detailed in the background report (Attachment 1-Schedule C).

Strategic Alignment

The recommendations will contribute to the strategic alignment of the Build Calgary's corporate goals and The City's long-term vision through the imagineCALGARY plan. The project and resulting recommendations were influenced by information on key trends and emerging issues anticipated in the Action Plan 2015 - 2018 budget and in the Council approved departmental long-term plans, specifically the MDP and the CTP. The City's financial projections and funding opportunities and constraints were also taken into account including:

- Incorporating longer-term financial focus through multi-year business plans and budgets, and understanding long-term revenues and costs.
- Strategically managing debt and reserves to support municipal growth and infrastructure requirements.
- Diversifying funding sources for greater municipal control and flexibility to address growing needs.

Social, Environmental, Economic (External)

The off-site levy rates and community services charge will help facilitate investment in the community by contributing to the cost of infrastructure that supports physical and social wellbeing, safety and personal development. The off-site levies will also help to support the economy through the investment in transportation and utilities required to serve the industrial, commercial and institutional sectors.

Financial Capacity

Current and Future Operating Budget:

Off-site levies may only be used to fund capital expenditures; therefore there will be no impact on the property tax rate or operating budget.

Current and Future Capital Budget:

If the proposed new off-site levies and community services charges are implemented, approximately $50 million in additional revenue could be generated annually from Greenfield Areas development. The actual amount will depend on growth trends.

Imposing the water and wastewater treatment levy in Established Areas is anticipated to generate approximately $5 million to $8 million annually after netting out the density incentive program. The Established Areas Redevelopment Incentive Budget (EARIB) will fund approximately $3 million to $4 million annually to offset the revenue shortfall arsing from the density incentive program. Since the Established Area charge is new, it is somewhat challenging to accurately forecast the revenue from this new aspect of the levy regime until it has been in place for a few years to track the trends.

The increase in forecasted revenue from off-site levies in 2019 to 2022 could have an offsetting effect on utility rates in the 2019-2022 budget cycle.

The proposed changes will increase funding support for infrastructure that is necessary to service growth. It also ensures that new development will contribute its proportionate cost share of the infrastructure on which levies are imposed. The higher levy rate will increase capital funding over the long-term, which will provide capital dollars for additional projects and help close the infrastructure funding gap. This will contribute to achieving the goal of financial sustainability.

Adjustments will be made to allocate the increased off-site levy funding to capital projects as part of the 2016 budget adjustment process.

Risk Assessment

There are a number of risks if the proposed levy rates and community services charges are not approved. The industry would not be funding their proportionate share of infrastructure costs attributable to growth. This would result in increasing utility rates or property taxes, or utilizing other sources of revenue to fund the gap resulting in delay or deferral of other municipal priorities.

The Community Services charges are not enabled through legislation and are therefore adopted by Council Resolution and are voluntary in nature. If developers chose not to pay, there is a risk that sufficient funding will not be available to provide community infrastructure needed to service growth. Administration will continue to seek changes to the Municipal Government Act and creation of a Charter for The City of Calgary to enable broader authority for municipalities to create and impose off-site levies to contribute to the funding of infrastructure necessary for the construction of complete communities.

There is potential financial risk if growth patterns and/or costs change significantly and the methodology for calculations is not revisited for five years. This risk will be mitigated by monitoring changing trends. To manage potential shortfalls resulting from changing growth patterns, Water Resources will use internal borrowing from The Corporation rather than relying on utility rate revenue to pay for growth related debt servicing.

REASON(S) FOR RECOMMENDATION(S):

To seek approval of the proposed off-site levy bylaw, and the resolution supporting the community services charges that will be paid through the development or subdivision process.

To establish new off-site levy rates that will contribute to the long term financial sustainability of The City that capture the proportionate share of the capital cost of infrastructure attributable to new growth.

To establish an Established Area Redevelopment Incentive Budget (EARIB) to offset reduced revenues from the density incentive program.

ATTACHMENT(S)

1. Off-site Levy Bylaw 2M2016 (includes Background Report – Schedule C)
2. Community Services Charges
3. 2016 Work Plan
4. Letters Received