

Planning & Development Services Report to
Intergovernmental Affairs Committee
2024 June 20

ISC: UNRESTRICTED
IGA2024-0529

Exploration of Contingency Models to the Off-site Levy Bylaw for Funding Growth-Related Infrastructure

PURPOSE

The purpose of this report is to respond to Council direction to pursue a contingency model to the off-site levies for funding growth-related infrastructure if the Off-site Levies Bylaw is challenged.

PREVIOUS COUNCIL DIRECTION

On 2024 January 16, Council approved the 2024 Off-site Levies Bylaw (IP2023-1264, Bylaw 1H2024). At that same Council meeting, through IGA2023-1366, Council directed Administration to pursue an alternative model to the off-site levies:

“In consideration of the risk and uncertainty associated with proposed off-site levy charter legislation, and the imperative to provide essential services to a growing city, direct Administration to report back to the Intergovernmental Affairs Committee with an update in 2024 Q2 regarding:

- a. Pursuit of an alternative model to the Off-site Levies Program and Bylaw for community planning, infrastructure portfolio planning, funding, and financing of growth-related infrastructure, to:
 - i. Ensure cost, scale and design of infrastructure is financially sustainable and supports future growth, and
 - ii. Mirror the balance of financial risk with responsibility within the existing bylaw, and thus is covered by either the development industry or the Government of Alberta as opposed to passing the financial burden to the City of Calgary and existing taxpayers and utility rate payers.”

RECOMMENDATION:
That Intergovernmental Affairs Committee recommends Council receive this report for the Corporate Record.
RECOMMENDATION OF THE INTERGOVERNMENTAL AFFAIRS COMMITTEE, 2024 JUNE 20:
That Council receive this report for the Corporate Record.

CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

Acting General Manager Debra Hamilton concurs with this report. Pursuing a contingency funding model will identify options to mitigate financial risks to Calgarians, developers and The City, should the Off-site Levies Bylaw be challenged.

Exploration of Contingency Models to the Off-site Levy Bylaw for Funding Growth-Related Infrastructure

HIGHLIGHTS

- Administration has recently updated the methodology used in the Off-site Levies Bylaw. It is robust, transparent, effective and meets The City's legislative obligations.
- In response to the 2024 January 16 Council direction and because of the risk and uncertainty associated with changes to the City of Calgary Charter, Administration has developed a plan to explore a contingency funding model that could potentially be deployed to replace all or part of the off-site levies if the Off-site Levies Bylaw is challenged.
- Without a contingency option in place, a challenge to the bylaw could result in a pause on greenfield growth.
- Off-site levies are an effective and efficient means for sharing costs among developers, building infrastructure expediently in response to growth and ultimately helping to fund essential services like running water and timely fire response needed by every home and business. Any significant changes in the way The City funds infrastructure carries new risks and would take time to implement.
- Administration's development of a workplan for a contingency funding model that maintains The City's commitments to minimizing financial risks, and which supports sustainable funding for growth infrastructure, will help to ensure that The City does not shift the costs of growth towards taxpayers and utility rate payers.

DISCUSSION

Off-site levies are essential to funding growth-related infrastructure. In the absence of levies, the full cost of growth would be shifted to The City of Calgary, resulting either in increased taxes and utility rates, reduced service, an inability to fund growth-related projects or a combination of all three.

Administration's report "Growth Infrastructure Continuous Improvement Plan" (IP2024-0573) was on the 2024 June 12 Infrastructure and Planning Committee agenda. It included an action to investigate contingency options to fund new growth-related infrastructure. Report IP2024-0573 also addresses measures Administration is undertaking to ensure the cost, scale and design of infrastructure is financially sustainable and supports future growth.

Administration is currently developing a contingency funding plan to explore options that could potentially be deployed if the Off-Site Levies Bylaw is challenged. The underlying principle for this work is that any potential contingency options considered will not pass the financial burden to The City of Calgary, existing taxpayers or existing utility rate payers.

Administration proposes a three-phase Contingency Funding Workplan. The timeline Administration has proposed acknowledges that this is complex work that needs to be done thoughtfully.

Exploration of Contingency Models to the Off-site Levy Bylaw for Funding Growth-Related Infrastructure

Table 1 Funding Contingency Project Plan

Deliverable	Scope of work	Timing
Phase 1: Investigate contingency funding tools		
Project charter, governance model	Develop project charter, confirm resources and governance.	2024 Q3
Workplan, project scope	Confirm project scope and alignment with corporate priorities while ensuring collaboration with internal parties.	2024 Q4
Project execution	Conduct research of contingent (developer and/or provincial) funding models. Assess them through the lens of the Council direction.	2024 Q4 – 2025 Q2
Phase 2: Assess implications of the contingent funding tools on the Off-site Levies Bylaw and The City's financial sustainability.		
Off-site Levies Bylaw impact assessment	Assess the impact of the contingent funding tools to the Off-site Levies Bylaw including benefits and risks to The City of switching to a different funding system if there is a challenge to the Off-Site Levies Bylaw.	2025 Q4 – to be determined
Phase 3: Ready for approval: contingency funding tools		
Implementation	Prepare for approval, including consideration for implementation, contingent funding tools, if required. Administration will continue to monitor the benefits and risks over time.	To be determined

Additional considerations for funding and financing growth infrastructure

The City collaborates with the provincial and federal governments on major infrastructure projects. Administration will continue to advocate for the Provincial Government and the Federal Government to fund growth-related infrastructure to help The City invest in creating and connecting communities. More information on The City's provincial and federal advocacy can be found here: www.calgary.ca/fundingthefuture.

The City is permitted to borrow funds to advance capital infrastructure. This debt borrowing (financing) requires assurance of a secure future funding source to ensure principal and interest payments can be made.

Exploration of Contingency Models to the Off-site Levy Bylaw for Funding Growth-Related Infrastructure

EXTERNAL ENGAGEMENT AND COMMUNICATION

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

Administration met with representatives of the Building Industry and Land Development Association (BILD), the Commercial Real Estate Development Association (NAIOP) and Calgary Inner City Builders Association (CICBA) to share its approach on addressing the Council direction. Administration received feedback on the approach, as well as suggestions on approaching the Provincial Government for funding. Industry representatives are supportive of the existence of levies as cost-sharing mechanisms and prefer the current system to one where developers fund and build infrastructure.

The main concerns shared by industry were that The City should continually reevaluate whether the cost, scale and design of infrastructure is financially sustainable and supports future growth. Report “*Growth Infrastructure Continuous Improvement Plan*” (IP2024-0573) addresses this.

IMPLICATIONS

Social

If The City is forced to adopt a contingency funding plan in place of the levies, or if the levy rates are adjusted such that they are too low and do not collect sufficient revenue to ensure adequately serviced communities, it may impact The City’s ability to ensure funding availability for recreation facilities, libraries, fire and police stations, clean drinking water, buses and pathways. This infrastructure is essential for safe and vibrant communities. They directly support the Quality-of-Life indicators and the Social Wellbeing Policy. Further, the funding and provision of capital infrastructure directly enables housing in new communities, which helps balance supply with demand and can improve affordability.

Environmental

If The City adopts an alternative funding contingency plan, or if the levy rates are adjusted too low, it may slow greenfield development. While there are downsides to this, it may have a positive environmental impact. Greenfield development replaces natural grassland and agricultural land, contributing to increased greenhouse gas emissions and reduced biodiversity. Increased growth in the greenfield increases the challenge for The City to enable more sustainable travel options and shorter trips between work, school and amenities. Administration mitigates these impacts by strategically planning and delivering infrastructure.

Economic

If The City adopts an alternative funding contingency plan, or if the levy rates are adjusted too low, it may impact The City’s ability to fund its priorities. Levy-funded infrastructure creates jobs and economic activity, both directly and through the enabled development.

Exploration of Contingency Models to the Off-site Levy Bylaw for Funding Growth-Related Infrastructure

Service and Financial Implications

No anticipated financial impact

There are no direct capital or operating costs associated with this report. However, if any person challenges the levy framework, there may be significant financial implications.

RISK

- **Legislative change:** The Provincial Government has introduced legislative changes that increase the risk that construction of growth-related infrastructure may be paused, thus negatively impacting growth. If the levies were to become unreliable tools in funding growth, this could have a major impact. In addition, the Provincial Government has introduced Bill 18, which could limit the availability of Federal Government grant funding to The City. Administration is managing these risks by starting work to explore an alternative model that mirrors the balance of risk in the existing bylaw, as directed by Council, as a contingency. However, any significant changes in the way The City funds infrastructure carries new risks and would take time to implement.
- **Fiscal gap:** Even if potential alternatives to the levy that Administration identifies mirror the balance of financial risk in the levy, there are still significant municipal contributions required to fund growth, as well as a growing fiscal gap between available funding and infrastructure needs. Growth creates a commitment to services and infrastructure indefinitely into the future, impacting The City's long-term financial sustainability.
- **Time:** A challenge to the bylaw may occur before Administration has developed a contingency option. In the interim, spending on growth infrastructure may be paused, with potentially significant implications for growth and for projects underway.

ATTACHMENTS

1. Background and Previous Council Direction
2. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Debra Hamilton	Planning and Development Services	Approve
Carla Male	Corporate Planning & Financial Services	Approve

Author: Jennifer Black, City and Regional Planning

City Clerks: A. Lennox / C. Doi