Summary of Financial, Planning and Policy Tools Under Consideration

Previous Work and Current Use of Financial Tools in The City of Calgary

Previous work on financial tools to support redevelopment and change in existing areas has been completed, most recently in two major studies:

- the Cost of Growth Study (2003 – 2006) (LPT2006-96); and
- the Framework for Growth and Change (2011-2015) (PUD2013-0357).

The latest Municipal Government Act revisions; the enactment of the City Charter Regulation; and the passage of the *City Charters Fiscal Framework Act*; have all refined and expanded the financial tools available to The City since the Framework for Growth and Change review. These three pieces of legislation identify a number of financial tools available to The City to collect money to support growth and capital investments and these are being considered as part of the financial tools analysis.

Unlike the communities covered by the New Community Growth Strategy, there is no comprehensive or predictable program of financial tools in place to fund redevelopment infrastructure in existing communities. In the new communities, development is supported on a consistent basis by financial tools such as off-site levies, oversize funds, contributions through subdivision conditions, and, recently, a dedicated allocation of property taxes for 2019-2022 to fund the City-share of certain required infrastructure as well as the directly incremental operating costs of opening up these new communities. These tools provide a level of certainty and lower the risk of developing in new communities.

In the existing communities, a few comparable financial tools exist in certain geographic locations (e.g. the Centre City Levy in the downtown, the Community Revitalization Levy in the Rivers District, land use bonusing programs in various communities), but most of the equivalent infrastructure projects rely on substantial and inconsistent point-in-time financial investments, frequently funded with the support of developer contributions (e.g. development permit conditions, land use bonusing) or general revenue sources (e.g. property taxes, utility rates). A working group of business and community members, Industry, and Administration are reviewing the available financial tools to develop a sustainable and consistent financial strategy that will create more certainty around funding infrastructure to support redevelopment and change in existing communities.

Background on Developing Financial Tools

<u>What Are Financial Tools?</u>

Financial tools can be categorized into two different categories: funding tools and financing tools. A funding tool identifies the source of funding (who ultimately pays), while a financing tool describes the timing of payment (how it is paid, or how to get the cash-in-hand to match the timing of investment).

<u>Who Pays?</u>

Broadly speaking, the funding sources available to The City can be sorted into four categories of who pays:

1. City-wide (all existing residents/businesses);
2. Neighbourhood/Community (residents/businesses in a specific area);

3. Individual project/user (new residents/developers or individual users); or
4. Third parties (e.g. other levels of government, donations).

Who Pays for What Infrastructure?

In developing a sustainable financial strategy for EAGCS, one consideration is matching who pays to who benefits from the investment. To identify who benefits, new infrastructure investments in existing areas must be broken down into constituent parts. For the purpose of this work program, infrastructure can be split between three categories of capital investments:

	Description
1. Operations, Maintenance, and Lifecycle	Existing communities are already served by existing infrastructure. The City, in most cases, has the responsibility for routine capital investments that support the continued operations, maintenance, and lifecycle of this existing infrastructure. Any capital investments that go towards serving the existing residents falls within this category. An example of an operations, maintenance, and lifecycle infrastructure investment would be fixing cracked sections of an existing sidewalk.
2. Growth	Redevelopment in existing communities usually requires infrastructure investments to increase capacity to accommodate the new residents. Frequently, these investments are related to increased capacity in capital networks (e.g. water, sanitary, storm infrastructure) or capital facilities (e.g. treatment plants, libraries, recreation centres). An example of a growth infrastructure investment would be widening an existing sidewalk.
3. Upgrades	As the city grows and densifies, changes and improvements to existing infrastructure are required to maintain and increase the quality of life for residents. These include investments in landscaping, pedestrian and streetscape improvements. An example of an upgrade infrastructure investment would be adding landscaping and banners to an existing sidewalk.

As is identified above, a single infrastructure project (e.g. a sidewalk capital project) could have pieces under each of the three infrastructure components (e.g. fixing existing cracked sections, widening the sidewalk, and adding landscaping and banners). Different funding sources (e.g. existing residents, neighbourhood/community, new residents/developers) may benefit from different infrastructure components. For example, the sidewalk capital project could be split as follows:

Table 1: Example of Infrastructure Matching: Hypothetical Sidewalk Capital Project

Infrastructure Investment	Infrastructure Component	Who Benefits?	Funding Source
Fixing existing cracked sidewalks	Operations, Maintenance, and Lifecycle	Existing Residents	City-wide
Widening the sidewalk to increase capacity	Growth	New Residents	Developer
Additional landscaping and banners	Upgrades	Neighbourhood	Community

Typically, a sidewalk capital project may proceed with all three infrastructure components at once in order to optimize construction efficiencies. However, funding for the capital project may be collected from the three different sources via three different funding tools, in order to ensure those who benefit from the investment are those who pay.

Possible Financial Tools Under Consideration

Building on previous work, a list of possible financial tools has been identified that may be viable in a Calgary context; a recommendation of financial tools that can be refined or implemented to support growth and change in existing communities will be included as part of the 2020 March recommendations. Although the list of tools is fairly short, each tool may have different ways of being applied to better support redevelopment and change. The following table identifies the possible tools, and different subsets of the tools, that are being considered as part of the Strategy analysis.

Table 2: Possible Financial Tools to Support Growth and Change

<table>
<tr><th>Funding Tools</th><th>Financing Tools</th></tr>
<tr>
<td>Property Taxes

Allocation of Existing Property Taxes to:

Specific Projects or Programs; or
Specific Areas (Property Tax Uplift)

Property Tax Rate Increase
Community Revitalization Levies

User Fees

Utility Rates
Recreation fees

Levies

Off-site Levy
Community Services Charges
Centre City Levy

Development Conditions

Bonus Density Programs
Cash-in-Lieu
Developer Contributions
Developer Cost-Share
Oversized Infrastructure Program

Other Taxes

Business Improvement Area Tax
Local Improvement Tax
Special Tax

Funding from Other Levels of Government
Sponsorship</td>
<td>Cash to Capital (match capital outlay to funding stream)
Financial Reserves (a method to collect and hold funding sources until capital outlay)
Debt

Self-Sufficient/Self-Supported debt
Construction Financing Agreements

First-In/Endeavours to Assist
Public Private Partnerships (P3s)</td>
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As an example, Property Tax Uplift (an allocation of existing Property Taxes to a Specific Area) is one of the tools being considered. This tool is actually a subset of the Property Tax tool: it is a way of compartmentalizing and allocating the property taxes collected by The City. Tax Uplift identifies the incremental increases in property taxes that result from redevelopment and change, and allocates all or a portion of that increase back into the community it was collected from. One risk in this approach is that any directly incremental operating costs of redevelopment may need to be funded from some other sustainable funding source. This tool is similar to the Community Revitalization Levy in use in the Rivers District, but it only considers The City share of the property taxes, not the Provincial share. Currently, The City identifies the projected increase in property tax revenue resulting from redevelopment and growth as part of the annual general tax revenue in the budget; the total taxes projected (including growth) are then allocated City-wide through the annual budget process, generally to fund ongoing services. Applying the Tax Uplift tool would separate out a portion of the growth property taxes historically included in the general revenue and against the cost of providing services, and then allocate it back for community-specific projects instead of city-wide ones. Instead of being a new tool, it is an example of a subset of an existing tool that could be used in a new way to better support redevelopment and growth.

Combining the Components to Identify the Appropriate Tools

Ultimately, the funding sources, infrastructure components, and financial tools all tie together to identify a long-term sustainable capital financial strategy to facilitate the capital investments necessary to support redevelopment and change. Of course, every capital investment has associated operating costs; these need to be determined. At this point, the Strategy team is working through the details of which financial tools support which components of which capital infrastructure investments that are necessary to support growth, and then running test scenarios and sensitivity analysis to consider factors such as timing, service level standards, and who bears the risk. Recommendations on possible financials tools to support possible capital investments will be included in recommendations to Council in 2020 March.

Planning and Policy Tools that can Support Redevelopment

Redevelopment is supported through a variety of planning and policy tools. This includes the high level MDP/CTP policy goals for half of the city’s cumulative growth to be in existing areas by 2076. MDP goals highlight the desire for a more compact city and other transportation and urban design objectives that are supported by redevelopment. Local area plans that have been prepared or revised since implementing the MDP also align with these growth goals and support the redevelopment projects of related scale and location. Calgary’s Land Use Bylaw contains regulations that support various types of incremental growth, including a contextual process and permitted uses to reduce process barriers to supporting redevelopment. City-initiated land use changes have been implemented recently to advance the state of readiness of strategic parcels for redevelopment.

Once private investment advances a project, The City uses a recently updated application processing system to evaluate the application efficiently. Continuous improvements are a current focus of Administration. In order to help activate public realm investment through the planning process, bonus density programs exist in some existing communities to encourage developers to include public amenities within their development projects or protect heritage assets through density exchanges. Design phases of capital projects help determine the details of community upgrades through community engagement, and the Community Representation Framework is helping to identify the range of community voices who can be involved in this type of discussions.

The City can also support redevelopment through the levels of service expectations for community amenities such as parks and open space, recreation, protective services, utility servicing, and transportation. Striving to provide these levels of service can inform investment priorities in existing communities.

Research Supporting the Application of Financial and Planning Tools

Administration has researched various studies and reports published by provincial governments, municipalities, and prepared by consultants for municipalities on municipal financial tools; these include reports from Airdrie, Edmonton, the Region of Peel, Saskatoon, Surrey, Toronto, Vancouver, and Winnipeg; Alberta, and Saskatchewan. Additionally, Administration received a summary by the University of Calgary of case studies of the application of tools by other jurisdictions, which focused on Tax Increment Financing, Development Cost Levies, and Land Value Capture. Examples of jurisdictions that have applied these tools included Edmonton, Ottawa, Vancouver, Winnipeg, Atlanta, Los Angeles, Washington D.C., and London, U.K. Some research into strategic growth funding in New Zealand and Australia has also been explored.

Administration has connected with twelve utility departments across Canada to better understand how utility upgrades to support redevelopment are planned and funded, especially the division of funding responsibility between the municipality and the development industry. These included Victoria, Surrey, Coquitlam, Metro Vancouver, Grande Prairie, Edmonton, Red Deer, Medicine Hat, Saskatoon, Winnipeg, Toronto, and the Region of Peel.

Overall, the majority of communities surveyed about utility growth funding do implement a development charge or levy to help support regional system upgrades; local upgrades often are the responsibility of developers to varying degrees. Many of the servicing challenges faced by Calgary (e.g. securing sustainable funding, upgrading old infrastructure, responding to growth pressures and evaluating upgrade timing) are shared across municipalities and The City can learn from the experiences and models used by other jurisdictions. It is also important to consider the overarching legislation in different jurisdictions, compared to Alberta, to know what may be applied in the Calgary context.

Further, Administration has connected with the City of Edmonton about their Neighbourhood Renewal Property Tax Levy, used by them in recent years. The Neighbourhood Renewal Property Tax Levy is a special tax of 1.5 per cent that has previously been applied annually across the City of Edmonton in addition to their regular property taxes, and is primarily dedicated to renewing neighbourhood street, sidewalk and street light infrastructure near the end of its lifecycle. Priority is mostly determined through a condition-based assessment of the infrastructure.