

Councillor Request Inquiry

40-2018

2018

Mayor Frank,

In response to your July 17, 2018 Information Request, please find attached a copy of the requested October 24, 2016 letter to Council from Mattamy Homes. Also attached is administration's response dated November 7, 2016 acknowledging receipt of the October 24, 2016 letter. The November 7, 2016 letter reiterates the County's position that the County will be staying the course with respect to our current levy practice however Council and administration will be reviewing our current practice regarding funding strategies.

Prior to the October 24, 2016 letter, Mattamy Homes submitted correspondence to the Mayor and Council on January 15, 2016 (attached). This letter requested that the County consider funding the estimated \$60 million shortfall from cash reserves.

While there have been dozens of planning and engineering meetings with the Cambrian developers since that time, these meetings have been primarily land development meetings which included a number of topics over and above levy funding. With that being said, when the topic of levy funding has been discussed, the message from administration has remained consistent with our November 7, 2016 letter.

The County's standard practice has been for the County to front-end leviable offsite infrastructure costs and recover through offsite levies as development occurs. These capital costs were typically less than 10M annually. While this strategy has worked for us in the past, given the significant dollars required to service the first stage of the Cambrian development (approx. \$90M), maintaining this funding strategy would result in the County utilizing the majority of its debt capacity on one development area. For this reason, the County's position to date on the Cambrian development has been that the developer must front end the offsite capital costs and recover from new development.

With respect to the County funding/financing North of Yellowhead infrastructure, some capital costs for North of Yellowhead were approved by Council through annual budget process in 2014 and 2015. However, on June 19, 2018, Council approved a 2014 and 2015 Capital Budget Amendment to cancel North of Yellowhead water, wastewater, roadway, and land infrastructure projects that have not started. These projects were initially approved in principle subject to securing developer funding (as developer funding was expected to be the primary source of funding for these projects). As these projects were approved several years ago, some of the original assumptions are no longer valid and the approved budget is no longer representative of the current land and infrastructure costs. When development interest arises in the future, infrastructure projects with updated cost estimates and defined funding sources will be presented for Council's consideration.



Strathcona County Mayor and Council
2001 Sherwood Drive
Sherwood Park, Alberta
Canada T8A 3W7

October 24, 2016

RE: Cambrian

Dear Mayor Roxanne Carr and Strathcona County Councillors,

We understand that at the October 25, 2016 Council Meeting Item 4.2 'Levy Funding Strategies' will address funding gaps that currently exist in the County to develop new residential and industrial lands. We hope this letter will provide clarity on Mattamy's position on this topic.

The North of Yellowhead lands which include the residential on the east side of Cloverbar Road and the industrial lands on the west side of Cloverbar Road require extensive infrastructure to initiate development. The County has provided the industry with an estimated day one cost of approximately \$90 Million, excluding financing. This amount may be lower given contractor price reductions but we do not have a recent price estimate.

The active developers in the basin (Rohit and Mattamy) have proposed for consideration and further discussion a potential scenario to contribute \$30 million (together) of pre-paid levy's towards the day one cost while still keeping our projects financially viable and competitive in the market place. Any further front ending contributions beyond this amount would result in the project becoming non-viable and we would not proceed. This scenario leaves a \$60 million day one funding gap.

Please note that a \$60M investment from the County will be fully repaid over time through offsite levies imposed on the developers in the North of Yellowhead basin. We anticipate that with the current pace of development that the investment will be fully repaid in 7-10 years.

As such, we request that the County consider funding the \$60M shortfall. In this way, there will be no additional interest burden and the levy rates can remain affordable for all parties to proceed. The benefits to the County for investing in this area are numerous but a few specific benefits are:

1. The additional supply of residential land that will be added to the market will keep the cost of housing affordable. A lack of new development land coupled with the high demand in the County will lead to escalating housing costs. By introducing new development the supply/demand equation can remain balanced resulting in market affordable housing costs. Competitive housing prices mean that Seniors on fixed incomes and first time buyers can remain in the County.
2. The infrastructure needed to support the residential lands will also bring on the industrial lands. With relatively affordable levy rates those industrial lands can be developed resulting in additional employment opportunities within the County. The industrial lands will also contribute significant industrial taxes to the County.

Given the above, we respectfully request that the County commit to advancing the necessary funds to begin development in the North of Yellowhead basin.

Please feel free to contact me should you wish to discuss further.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Rumer', is shown on a light blue background.

Jason Rumer
Vice-President, Land Development
Mattamy Homes Edmonton

cc. Rob Coon, Chief Commissioner
Kevin Glebe, Associate Commissioner
Stacy Fedechko, Director

November 7, 2016

Mattamy Homes Limited
Edmonton Division
9231 – 28 Avenue,
Edmonton, Alberta
T6N 1N1
ATTENTION: Jason Rumer

Rohit Group of Companies
Suite 101, 550 91st Street SW
Edmonton, AB
T6X 0V1
ATTENTION: Russell Dauk

RE: Cambrian Crossing Infrastructure Funding

Thank you for taking the time to meet with County administration October 7, 2016 to discuss infrastructure funding for the Cambrian lands. As you know, the County has been working through various levy funding strategies and scenarios with respect to leviable infrastructure in the North of Yellowhead basin.

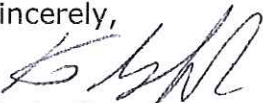
As reconfirmed in your subsequent letter to Council dated October 24, 2016, Rohit and Mattamy have proposed for consideration and further discussion, a potential scenario to contribute \$30 million (together) of **pre-paid levy's** towards the day one costs and have requested that the County consider funding the \$60M shortfall. The rationale you provided to support this scenario was that there would be no additional interest burden and the levy rates can remain affordable for all parties to proceed.

We appreciate your feedback to date regarding levy funding however after thorough analysis and careful consideration, Strathcona County has determined that its levy funding strategy will stay the course of our current levy practice. We acknowledge that our current practice includes adding debenture interest into the levy costs, which in turn increases the levy rate, however to ensure we maintain an acceptable level of financial risk to our residents, this practice will continue to be our chosen funding strategy.

Council and administration will be reviewing our current practice and investigating alternate approaches in the future based on fiscal considerations both now and into the future. In addition, we will be discussing possible impacts of new Municipal Government Act with respect to levy funding options for our municipality.

Any changes to our strategic direction on funding growth will take time to assess to best determine the strategy for our community in the long run. In the meantime, we will continue to operate as business as usual with respect to infrastructure funding and will be processing applications accordingly.

Sincerely,



Kevin Glebe

Associate Commission, Infrastructure and Planning Services

cc: Rob Coon, Chief Commissioner
Greg Yeomans, Chief Financial Officer
Stacy Fedechko, Director, Planning and Development Services

2001 Sherwood Drive
Sherwood Park, Alberta T8A 3W7

780-464-8111
www.strathcona.ca



Strathcona County Mayor and Council
2001 Sherwood Drive
Sherwood Park, Alberta
Canada T8A 3W7

January 15, 2016

RE: Cambrian

Dear Mayor Roxanne Carr and Strathcona County Councillors,

From our understanding with working with the administration we understand that two items will be brought to your attention at the January 19, 2016 Council Meeting.

We ask for your support for both the Mattamy Cross-Section and to consider advancing infrastructure in the County.

Mattamy Cross-Section

Mattamy submitted our Variance Request Application to modify the current Strathcona County approved Cross-Section in April 2014. Our fifth submission took place in April 2015.

The primary difference between the Mattamy proposed cross-section and the current standard is that the deep utilities are under the asphalt surface, compared to the current cross-section where only the storm trunk is under the road and the water and sewer trunks are in the boulevard.

During the circulation period we received numerous technical and financial questions from Administration regarding possible increased risk and cost to the County by accepting the revised cross-section. Questions such as potential watermain breaks, higher long term maintenance costs, safety and ride-quality were raised.

Mattamy, in conjunction with our engineering consultants, addressed the concerns raised by Administration. Our team demonstrated that the cost of repairs and replacement in the proposed cross-section is equivalent to the current approved cross-section, at no additional short or long term risk. Letters in support have been provided by local engineering, geotechnical and contracting firms. The same contractor that currently completes the repairs and snow removal in the County is supportive of the proposal.

The proposed cross-section has been the accepted standard for development in the majority of municipalities across North America. With the exception of two municipalities in the greater Capital Region all others have adopted this style of design many years ago, due to its reliability and ease of repair.

For Mattamy, this revised cross-section is important as it allows us to offer a very unique product in this community. Mattamy's WideLot home design creates a highly attractive community design and streetscapes. The main feature of

this new design and associated zoning is that the home architecture is adjusted to be wider and shallower, while still maintain typical rear yard setbacks. The footprint of the homes are brought closer to the street. These adjustments create a more interactive streetscape that is far less garage dominant. With the utilities in the boulevard this is simply not possible.

We look forward to your support of Mattamy's proposed cross-section.

Offsite Infrastructure

The North of Yellowhead lands which include the residential on the east side of Cloverbar Road and the industrial lands on the west side of Cloverbar Road require extensive infrastructure to initiate development. The County has provided the industry with an estimated day one cost of approximately \$90 Million, excluding financing.

The active developers in the basin (Rohit and Mattamy) have proposed for consideration and further discussion a potential scenario to contribute \$30 million (together) of pre-paid levy's towards the day one cost while still keeping our projects financially viable and competitive in the market place. This scenario leaves a \$60 million day one funding gap. The County has put forward a solution whereby the County will finance the \$60M cost which will be repaid through levies from the basin, however, given the large amount of financing the interest costs lead to levy rates that are unaffordable.

Please note that the \$60M investment from the County will be fully repaid over time through offsite levies imposed on the developers in the North of Yellowhead basin. We anticipate that with the current pace of development that the investment will be fully repaid in 7-10 years.

As such, we request that the County consider funding the \$60M shortfall from cash reserves. In this way, there will be no additional interest burden and the levy rates can remain affordable for the land all parties to proceed. The benefits to the County for investing in this area are numerous but a few specific benefits are:

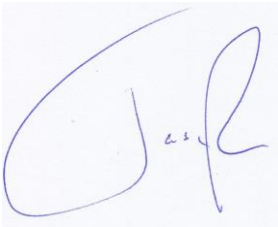
1. The additional supply of residential and industrial land that will be added to the market will keep the cost of housing affordable. A lack of new development land coupled with the high demand in the County will lead to escalating housing costs. Examples of the high cost of housing can already been seen in the County where an entry level duplex is now priced \$20,000 more than the City of Edmonton. By introducing new development the supply/demand equation can remain balanced resulting in affordable housing costs.
2. The Cambrian lands will contain two school sites. We understand that the County has received funding for a new school but no viable school sites are available within the existing Urban Boundary. With the development of the Cambrian residential lands at least one school site will become available.
3. The infrastructure needed to support the residential lands will also bring on the industrial lands. With relatively affordable levy rates those industrial lands can be developed resulting in additional employment opportunities within the County. The industrial lands will also contribute significant industrial taxes to the County.

We respectfully request that the County commit to advancing the necessary funds to begin development in the North of Yellowhead basin.

Please feel free to contact us at any time should you wish to discuss further.

We look forward to your support.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Rumer', is positioned above the typed name.

Jason Rumer
Vice-President, Land Development
Mattamy Homes Edmonton

cc. Rob Coon, Chief Commissioner
Kevin Glebe, Associate Commissioner, Infrastructure Planning Services Division