

Offsite Development Levies Principles**Report Purpose**

To provide information to Council to make a decision on developing a policy on offsite development levy principles.

Recommendation

THAT administration prepare a policy for Council's consideration by the end of the second quarter of 2019 that would provide principles for offsite development levies, including:

1. The developer, rather than the County, frontend (finance) the capital cost of new or expanded sanitary sewage facilities, new or expanded water transmission mains, new or expanded storm sewer drainage facilities, new or expanded arterial roads, and new or expanded water lines.
2. To help facilitate development, the County will continue to fund water storage facilities through utilities rates rather than recovering through offsite development levies.
3. That the Strathcona County Developer Committee establish a working committee to review and develop a suggested levy formula for Council's consideration of the potential implementation of soft cost infrastructure.
4. While working through the levy formula noted in the principle above, that the County maintain the Major Recreational Facility Contribution currently charged at the time of agreement in accordance with the Fees and Charges Bylaw.
5. That Council support the principle that offsite infrastructure will be designed and constructed primarily by the developer rather than by the County.

Our Prioritized Strategic Goals

Goal 1 - Build strong communities to support the diverse needs of residents

Goal 2 - Manage, invest and plan for sustainable municipal infrastructure

Report**Offsite Levies**

An offsite levy is a mechanism for municipalities to recover capital costs incurred for offsite infrastructure improvements needed to accommodate new development. Offsite levies transparently and equitably allocate offsite infrastructure capital costs to those that benefit. Strathcona County is in the process of updating its levy model, which is one of the reasons the offsite development levies principles must be confirmed.

As outlined in Alberta legislation, eligible offsite infrastructure includes new or expanded roads, water, sanitary, storm water infrastructure, and associated lands for each. In accordance with the *Municipal Government Act (MGA)*, offsite levies may only be collected once for lands subject to development or subdivision, and for only those items outlined by way of an Offsite Levies Bylaw.

The County updates its offsite levies annually to ensure each development bears an equal share of costs associated with the needs of a specified area or 'basin'. The *MGA* clearly outlines the requirements for offsite levy financial reporting and tracking the use of funds.

MGA Modernization

With the recent modernization of the *MGA*, the scope of offsite levies has been expanded so municipalities can use the funds to build community recreation facilities, fire halls, police stations and libraries. The intent is that Developers would contribute costs based on a proportionate benefit while municipalities would fund the remainder. Most municipalities are just starting to review what this new legislation will mean for growth.

A dispute resolution mechanism was also implemented specific to the newly expanded scope to deal with any disputes around offsite levies on the expanded infrastructure.

Provincial Transportation Systems

Prior to the 2017 *MGA* modernization, provincial legislation did not allow municipalities to levy for infrastructure connecting municipal roads to provincial highways, or improvements of those connections resulting from growth.

New developments may have significant impact on traffic management and planning, and may contribute to the need for new infrastructure, such as connections to highways or access roads. Alberta Transportation's cost-sharing policy covers the requirements for connections between municipal roads and provincial highways as a result of new developments; however, clarity was needed to ensure the policy is consistent with the provisions for offsite levies.

The *Modernized MGA* now enables offsite levies, by bylaw, to be charged for municipal road projects that connect to or improve the connection to provincial highways. The intent of this change was to give the authority to municipalities to charge offsite levies for road projects that connect to provincial highways and provide municipalities with an option to proportionally levy new development to help fund the cost of road connections.

There is still a great deal of discussion and clarification needed with the Province as well as discussion with the development industry before the County will be in a position to establish and implement this new levy should Council so choose.

Levy Principles

Discussions surrounding offsite levies have been ongoing by administration and Council for some time. In early 2017, conversations with Council along with the Sherwood Park Chamber of Commerce and the Cambrian developers were held to discuss opportunities and challenges related to funding new development. In early 2018, administration began discussions with the incoming Council on the principles of funding growth. Historically in Strathcona County, it has been encouraged that growth should pay for growth.

With the recent changes to the *MGA*, in addition to the need to revisit the County's offsite development levy model, administration is requesting direction from Council on reaffirming the County's offsite development levy principles.

County principles and decisions on growth and development determine our ability to build the community envisioned in the Council approved Strategic Plan. Once approved, these principles will be incorporated into the offsite development levy review which is planned to occur later in 2018 and early 2019. The Urban Development Institute will be involved in this review.

The levy principles will provide clarity for decision making and help form the structure for offsite levy practices which can have significant financial and growth/development implications. There are four key areas that require direction:

1. What infrastructure should be funded by development?

- The County's practice has typically been to charge levies for new or expanded sanitary sewage facilities, new or expanded storm sewer drainage facilities, new or expanded arterial roads (includes rail overpasses, creek crossings, etc.), and new or expanded water lines.
- The County's practice is to not fund water storage facilities (reservoirs) through offsite levies but rather through the utility rates.

2. How should the offsite infrastructure be financed? Who is taking on the financial risk of development by front ending costs?

- The County's practice has been to frontend (finance) offsite infrastructure projects and recover, through offsite levies, when development occurs.
- While this practice has worked in the past, the frontend dollars required were not nearly as significant as what we are experiencing today. Continuing to front-end offsite infrastructure will lead to less funding for other County projects such as transit, recreation facilities, roads, emergency services, police servicing, etc.
- The market ultimately dictates the pace of development. As a result, if the County chooses to finance offsite infrastructure and development slows or stops, there is a risk to the County that the levy dollars needed from new development to fund the committed debentures may not be available within the timelines needed to fund the debenture payments. Should this occur, the County will need to find alternate funding to fund the levy shortfall.

3. Should the County pursue a levy funding formula for newly introduced leviable infrastructure including fire stations, police stations, recreational facilities, and libraries as well as for provincial transportation systems?

- The County currently charges \$825 per residential unit as a Major Recreation Facility contribution (not a levy) which is applied to initial capital costs of major recreational facilities in the County.
- Administration will need to review and develop a levy formula for these soft costs through discussion and collaboration with the development industry.

4. Should offsite infrastructure continue to be designed and constructed by the County, or should developers be provided the opportunity to design and construct?

- The County, for the most part, has historically been responsible for the design and construction of offsite infrastructure in Strathcona County. In the region, it is typical for the developer to design and construct offsite infrastructure.
- When designing and constructing offsite infrastructure in other municipalities, all municipal improvements must be designed and constructed in accordance with applicable municipal design and construction standards. In addition, these municipal improvements are inspected throughout the process by the municipality.
- The development industry has requested that they be permitted to design and construct offsite infrastructure in Strathcona County.

Other Impacts**Policy:** n/a**Legislative/Legal:** The *MGA* provides that Council may, by bylaw, impose offsite development levies.**Interdepartmental:** n/a**Master Plan/Framework:** n/a**Enclosure**

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