

Offsite Development Levy Principles

Funding growth through offsite development levies

Presentation to Strathcona County Council

October 30, 2018

Offsite Development Levies

What is an offsite development levy?

- An offsite levy is a mechanism for municipalities to recover capital costs for offsite infrastructure improvements needed for new development.
- In accordance with the *Municipal Government Act*, eligible offsite infrastructure includes new or expanded roads, water, sanitary, storm water infrastructure, and associated lands for each.

Municipal Government Act Modernization

Expanded Scope – Soft Costs

- The scope has been expanded so municipalities can use the funds to build community recreation facilities, fire halls, police stations and libraries (soft costs).
- The intent is that Developers would contribute costs based on a proportionate benefit.
- 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.

Municipal Government Act Modernization

Provincial Transportation Systems

- 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 - developers would contribute costs based on a proportionate benefit.
- There is still a great deal of discussion and clarification needed with the Province and development industry.

Offsite Development Levy Principles

Why we need established principles:

- County principles and decisions on growth and development determine our ability to build the community envisioned in the Council-approved strategic plan.
- Community growth must be balanced with long-term financial sustainability.

Offsite Development Levy Principles

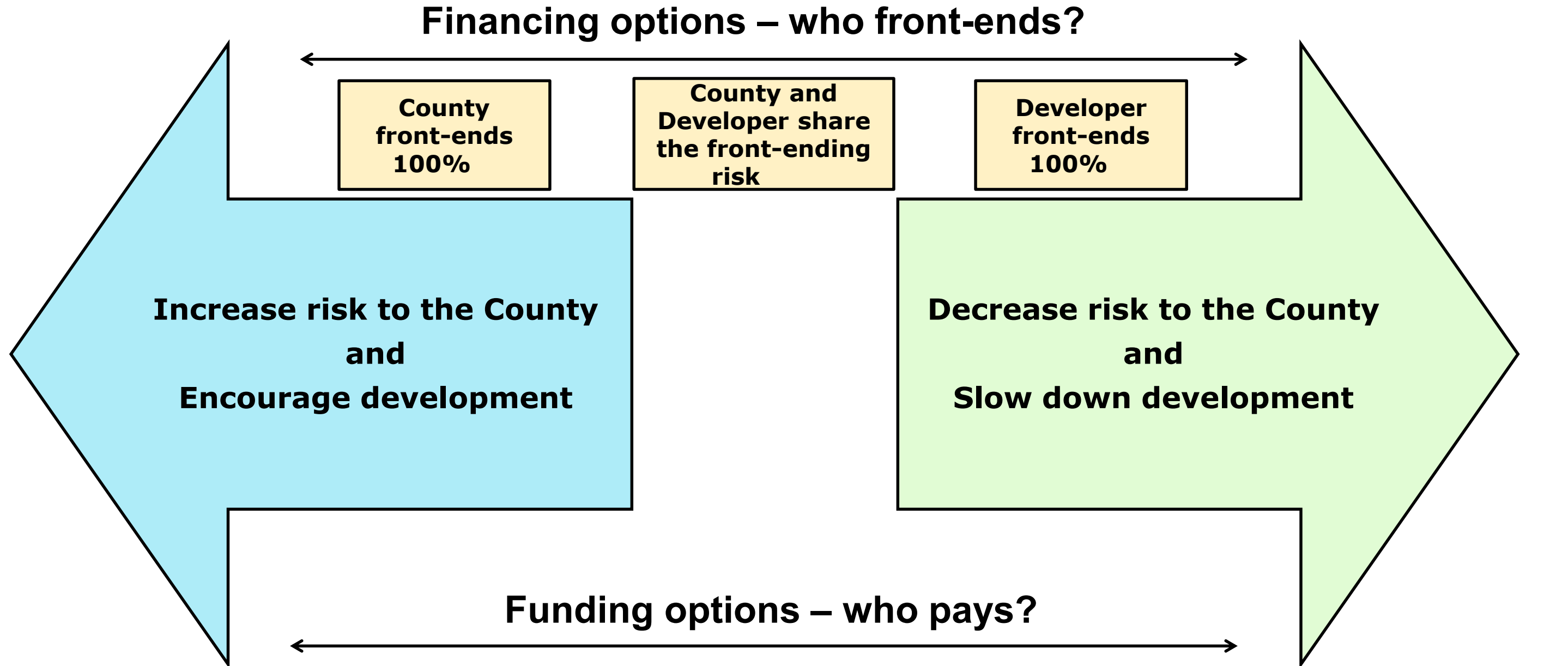
- What infrastructure should be funded by development?

Funding: Who is ultimately paying for the offsite infrastructure?

- How should the infrastructure be financed?

Financing: Who is taking on the financial risk of development (i.e. who is taking out debt or fronting the costs to construct offsite infrastructure)?

Funding and financing spectrum



What 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. This practice allows the County the ability to put funding aside to replace the asset in the future.

How should offsite infrastructure be financed?

- The County's practice has been to front-end (finance) offsite infrastructure projects and recover through offsite levies when development occurs.
- While this practice has worked in the past, the front-end 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, etc.

Should the County pursue a levy funding formula for soft costs?

- 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 Urban Development Institute.

Who should construct offsite infrastructure?

- The County historically constructs offsite infrastructure in Strathcona County.
- In the region, it is typical for the developer to design and construct offsite infrastructure.
- All municipal improvements must be designed and constructed in accordance with applicable municipal design and construction standards.
- 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.

Policy Principles

That the following principles be endorsed:

1. That 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 dollars which can be applied to other County capital projects benefitting the County as a whole (example - transit, recreation facilities, agriculture facilities, social programs, etc.)

Policy Principles

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 County establish a working committee to include representatives from the Urban Development Institute to review and develop a suggested levy formula for Council's consideration of the potential implementation of soft cost infrastructure.

Policy Principles

4. While working through the levy formula noted in the principle above, that the County maintain the Major Recreation 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.