

**Policy SER-009-044 Offsite Development Levies for New Growth Areas (proposed)****Report Purpose**

To seek Council approval on proposed Policy SER-009-044, Offsite Development Levies for New Growth Areas, a policy outlining the financing, design, construction, funding and recovery of leviable infrastructure within new urban growth areas of Strathcona County.

**Recommendation**

THAT Policy SER-009-044, Offsite Development Levies for New Growth Areas, as set out in Enclosure 1 of the July 23, 2019 Planning and Development Services report, be approved.

**Our Prioritized Strategic Goals**

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

**Report**

Following the October 30, 2018 motion that administration prepare a policy for Council's consideration outlining the principles for offsite development levies, including five key objectives, administration has been working with the development industry and its engineering consultants to negotiate a levies framework in support of the motion and principle that growth and development pays for itself. Through the development of a working committee consisting of this same group, the proposed Policy SER-009-044, Offsite Development Levies for New Growth Areas was developed as set out in Enclosure 1.

The proposed Policy SER-009-044 specifically addresses financing, design, construction, funding and recovery of leviable infrastructure, while maintaining consideration of both developer timelines and Council priorities. The proposed policy is applicable to New Growth Areas only, defined as "Development Lands within the Urban Service Area of Strathcona County that do not have any significant Leviable Infrastructure in place to service the lands at the time of approval of this policy." The proposed policy is intended to capture the North of Yellowhead Area Concept Plan (ACP), the West of 21 Industrial ACP, and the Bremner ACP if adopted. All other existing levy basins within the Offsite Development Levies Bylaw will continue to follow our historical approach to levy financing and recovery and all other areas outside of the Urban Services area, including hamlets, would continue with negotiation to accommodate the specific needs of each area.

From the October 30, 2018 motion, Item 1 required that the developer, rather than the County, frontend, or finance the capital cost of new or expanded sanitary sewage facilities, water transmission mains, storm sewer drainage facilities and arterial roads. During the committee discussions, feasibility for developer financing of all infrastructure was identified as too challenging for the industry based on typical developer debt capacity for both leviable and non leviable infrastructure. A collaborative approach to financing leviable infrastructure was developed that reduces historical risks, does not impact municipal taxes, and maintains consideration of both Developer timelines and Council priorities. This approach requires developers to finance all arterial road and associated stormwater management infrastructure, and the County to finance all water and wastewater infrastructure.

Following this approach, the financial risk of debt repayment is reduced for the County in the event development stops or slows. By only financing utility projects, utility reserves may be available to cover any short-term financing payments, and general taxes will not be required as a source of funding. This approach is also less financially impactful to County

than to a developer, with overall utility servicing typically being around 15% to 40% of the total leviable project costs.

From the October 30, 2018 motion, Item 2 provided direction that the County will continue to fund water storage facilities through utility rates rather than recovering through offsite development levies. This is included in the proposed policy and in addition, water supply mains feeding water storage facilities are also proposed to be County funded, as water supply is integral to the operation of water storage facilities.

From the October 30, 2018 motion, Item 3 required that the working committee review and develop a suggested levy formula for Council's consideration for the potential implementation of soft cost infrastructure. The committee has recommended revisiting this at a later date due to the complexity and uncertainty of this new concept. Administration will continue to monitor other municipalities and revisit this topic later on in 2019.

Item 4 of the October 30, 2018 motion, requested accommodation for the County to maintain the Major Recreation Facility Contribution currently charged to residential development in accordance with the Fees and Charges Bylaw, which has been reflected in the proposed policy.

Item 5 of the October 30, 2018 motion confirmed Council support of the principle that leviable infrastructure will be designed and constructed primarily by the developer rather than by the County. The proposed policy identifies that construction responsibility of the leviable infrastructure will generally mirror the financing, i.e. developers will be required to design and construct arterial roads and associated stormwater management infrastructure, and the County will design and construct water and wastewater infrastructure. Flexibility is written into the procedures document attached to the proposed policy, allowing for blended financing with one party constructing all infrastructure streams at discretion of the County considering complexity of the project, impacts of public disruption, construction efficiencies, timing, clarity of warranties and potential for third party damage disputes.

The proposed policy continues to require that levies be collected for each infrastructure stream, on a per hectare basis as a condition of subdivision or development permit, whichever occurs first. All leviable infrastructure funding will continue to ultimately be paid for by developers, with the exception of water reservoirs and their supply lines.

The working committee has provided review and input into proposed Policy SER-009-044, Offsite Development Levies for New Growth Areas, with all participants in support of the principals for offsite development levies presented in Enclosure 1.

**Council and Committee History**

July 16, 2019	Administration provided information regarding the draft Policy SER-009-044, Offsite Development Levies for New Growth Areas to Priorities Committee
June 11, 2019	Council gave three readings to Bylaw 14-2019, the Offsite Development Levies Bylaw
October 30, 2018	<p>Council approved THAT administration prepare a policy for Council's consideration outlining the principles for offsite development levies, including:</p> <ol style="list-style-type: none"><li>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.</li><li>2. To help facilitate development, the County will continue to fund water storage facilities through utilities rates rather than recovering through offsite development levies.</li><li>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.</li><li>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.</li><li>5. That Council support the principle that offsite infrastructure will be designed and constructed primarily by the developer rather than by the County.</li></ol>

**Other Impacts**

**Policy:** GOV-002-021 Mandatory Review of Bylaws and Policies require that policies are reviewed on a three-year cycle.

**Legislative/Legal:** Municipalities are authorized to impose and collect offsite levies through the *Municipal Government Act (MGA)*, Division 6, Sections 648 – 649. Strathcona County implements its authority by establishing a bylaw which provides detailed development levy objectives. The bylaw is then applied to specific development through a Development Agreement. Pursuant to Section 648 (6) of the *MGA*, the bylaw must be advertised at least once a week for two consecutive weeks prior to second and third readings, and; The *Municipal Government Act* s.5 sets out that a municipality has the duties that are imposed on it by enactments and those that the municipality imposes on itself as a matter of policy.

**Interdepartmental:** Infrastructure and Planning Services and Financial and Strategic Management divisions

**Master Plan/Framework:** n/a

**Communication Plan**

Consultation occurred with the development industry including representation from the Rohit Group of Companies, Qualico Communities, Cameron Development Corporation and Mattamy Homes, and consulting engineer industry including Stantec, WSP and Select

Engineering. Legislative and Legal Services documents all policies and works with the various departments to ensure that the Municipal Policy Handbook is updated and that any webpage or external reference to the policy are updated appropriately.

**Enclosure**

- 1 Policy SER-009-044 Offsite Development Levies for New Growth Areas (proposed)