

# City of Edmonton Facilities Off-Site Levies Bylaw

## Recommendation

That Executive Committee recommend to City Council:

That Bylaw 19340 be given the appropriate readings.

## Purpose

The purpose of Bylaw 19340 is to allow for the collection of an off-site levy to construct new fire halls in the developing area of Edmonton. The Bylaw will allow the City to charge developers an off-site levy fee as a condition of subdivision.

## Readings

Bylaw 19340 is ready for three readings.

A majority vote of City Council on all three readings is required for passage.

If Council wishes to give three readings during a single meeting, then prior to moving third reading, Council must unanimously agree “That Bylaw 19340 be considered for third reading.”

## Advertising and Signing

This Bylaw was advertised in the Edmonton Journal on Tuesday, June 1, 2021 and Tuesday, June 8, 2021 fulfilling the statutory requirements of the *Municipal Government Act* (MGA) requirements.

## Position of Administration

Administration supports this Bylaw.

## Report Summary

The *Municipal Government Act* was updated in October 2017 and expanded municipal authority to collect off-site levies. This report outlines the Facilities Off-Site Levies - Bylaw 19340 (Attachment 1) to Council for approval and the Facilities Off-Site Levies Standard (Attachment 2) for information to support the City’s ability to build the

infrastructure and provide services that contribute to the safety of neighbourhoods. Once approved, the bylaw will allow the City to impose development charges as a condition of subdivision to pay for the construction of fire halls in developing areas.

Off-site levies help to support the City's financial viability by prioritizing capital spending ahead of operating, and increasing the use of cost distribution and sharing tools per the recommendations of Reimagine Financial Viability. The City Plan recognizes that the City's revenue will continue to include traditional revenue sources such as taxation and grants from other orders of government, but deployment of alternative and targeted financial tools is required. Adopting tools to finance the city's growth is an important component of the City Plan's Growth Management Framework - an integrated approach to apply policy, infrastructure planning, growth priorities and financing plans.

### **Report**

#### **Background**

The *Municipal Government Act* (MGA) was updated on October 26, 2017, expanding a municipality's authority to adopt an off-site levy bylaw to pay for the construction of facilities and infrastructure. The expanded categories include recreation facilities, fire halls, police stations, libraries and transportation infrastructure to connect to provincial highways. Following the update, Administration began development of an off-site levy bylaw and standard in January 2018.

The impact and complex nature of levies warranted periodic updates to Council, including January 27, 2020, Urban Form and Corporate Strategic Development report CR\_7552, Offsite Levies - Update and White Paper to Executive Committee, and December 1, 2020, Urban Form and Corporate Strategic Development report CR\_6853, Off-Site Levy - Stakeholder Engagement to Urban Planning Committee. The reports provided information on existing development charges, new opportunities for levies under the revised MGA and City Charter, potential trade-offs in decisions related to bylaw creation, and topics of discussion through the engagement process.

In developing the bylaw, Administration considered legislation, development charges the City already collects, and concurrent City initiatives that impact development. Application of levies will support the City's ongoing financial viability as Administration reimagines prioritizing capital ahead of operating, and takes on new approaches to cost distribution and sharing tools. The Facilities Off-site Levies Standard provides direction for the approach, principles, and management and administration of off-site levies to support the Facilities Off-Site Levies Bylaw.

### Approach and Methodology

Administration previously recommended a phased approach to the application of off-site levies. Phase 1 was to evaluate the collection of levies for the construction of fire stations, libraries, and police stations to support growth in the developing areas of the city. However, following further analyses and consultation with industry stakeholders, Administration recommends the application of levies for the construction of fire halls only, effective January 1, 2022. Fire halls are well suited for off-site levies in this first phase for the following reasons:

- The area benefiting from the fire hall, or the catchment area, can be well defined, which is an important legislative requirement.
- Communities served by the fire halls can rely on prompt emergency services that protect life, property and the environment, enabling the City to meet target response times.
- The costs of new housing construction outside a 10-minute fire response catchment have increased construction costs to meet safety codes compared to those within the fire response catchment, ranging from \$2,000 up to \$15,000 per dwelling
- Using off-site levies to pay for fire halls reduces pressure on City budgets, freeing up financial resources to allocate to other priorities or to reduce tax increases.

Future exploration of levies and other tools are included in the City's Growth Management approach. Through Growth Management, Administration will establish how municipal infrastructure and services are best provided and paid for in redeveloping areas. This work will be undertaken to align with The City Plan and will include extensive industry engagement. The Growth Management approach to allocating costs will also align with the approved Council Policy C624 Fiscal Policy for Revenue Generation (Attachment 3). Administration is also recommending that industrial areas be exempt from payment of off-site levies to promote the City's non-residential tax base. The share of cost for industrial areas, as well as for any land that has already been developed within a benefiting area, will be offset by municipal contributions.

Off-site levies will be imposed as a condition of subdivision approval and collected under the provisions of a Servicing Agreement.

### Off-Site Levy Calculations

An off-site levy is calculated by distributing the facility's cost over the entire assessable area within a catchment. The facility's cost includes the estimated or actual cost of design and construction of a facility in accordance with all safety codes and City policies. The facility's cost only considers the capital cost and does not include any operating or maintenance cost.

The assessable area of each facility is the gross developable area within its catchment boundaries, less land dedicated to municipal reserves, public parks, schools, stormwater management facilities, public utilities, arterial roads, and cemeteries. Edmonton Fire Rescue Services determined the catchment area of each facility (fire hall) based on industry standard practice.

### **Stakeholder and Public Engagement**

The MGA and City Charter Regulation require municipalities to consult in good faith with stakeholders, defining stakeholders as *any person that will be required to pay the levy when the bylaw is passed, or any other person the municipality considers to be affected*. In response, Administration developed a comprehensive engagement plan with two committee streams:

1. Steering Committee composed of internal stakeholders with subject matter expertise providing integrated strategic advice on the initiative
2. External Stakeholder Committee with representatives from:
  - Urban Development Institute - Edmonton Region (UDI-ER),
  - National Association for Industrial and Office Parks (NAIOP), commercial real estate development association,
  - Infill Development in Edmonton Association (IDEA)
  - Canadian Home Builders Association-Edmonton Region (CHBA-ER)
  - Building Industry and Land Development (BILD)

Engagement efforts with external stakeholders were focused on the *Advise* level of engagement of the City's public engagement spectrum which provided stakeholders the opportunity to provide feedback and share perspectives with the City, to inform the development of the bylaw and standard.

A set of roundtable consultations were conducted beginning in 2019 by a third party facilitator with external stakeholders which focused on key discussion topics. The City shared detailed analysis and sought input on methodology. There were a number of elements where Administration and industry stakeholder representatives' opinions diverged. However, discussions were robust and Administration provided supporting rationale, data, and analysis. While industry groups were closely engaged, there is disagreement on some costs that are seen as providing city-wide benefit, such as green building standards, public art, and one fire truck per station.

Bylaw 19430 reflects a legislative power allowing municipalities to recover capital costs from developers for the construction of fire halls and therefore does not directly impact the public. As a result, no public engagement was undertaken in developing the bylaw. However, the bylaw has been advertised as per the requirements of the MGA and a dedicated web page has been created on the City's website to provide general information on off-site levies and the Bylaw to the public.

### Next Steps

If approved, the Bylaw will come into effect on January 1, 2022. Administration will continue a number of activities in advance of this date including:

- Collaboration with industry in the development of the governance model
- Creating a cash-flow model to support implementation of the bylaw for revenue and expenditure tracking and analysis
- Developing and updating processes to collect the off-site levies

### Legal Implications

The *Municipal Government Act* authorizes the imposition and collection of an off-site levy for this purpose so long as it is done by bylaw and advertised in accordance with that Act.

The Facilities Off-Site Levies Bylaw as proposed will operate in accordance with the requirements of the *Off-Site Levies Regulation* (AR 187/2017) which outlines specific requirements based on the type of facility. These requirements include:

- Consultation in good faith with stakeholders
- A bylaw that considers the description of the facilities and each benefitting area
- Reference to supporting studies and analysis
- Periodic review of the calculations of the levy
- A correlation between the levy and the benefits to new development, and
- Consideration of needs, anticipated benefits and growth.

### Financial Implications

Edmonton's Facilities Off-Site Levies Bylaw provides an opportunity to apply new tools to finance the construction of fire halls. This will reduce the burden on other funding sources including the general tax levy and the City's dependence on provincial grants to construct these facilities, although the City will share in the cost of facilities for communities that are partially developed prior to implementation.

The cost to construct the 12 fire halls listed in Schedule B of Bylaw 19340 is approximately \$185 million (2021 dollars). The City will recover about 40-45 percent of these costs through off-site levies at full build-out of these communities, once all of the lands are developed. The remaining share of costs, estimated at approximately 55-60 percent or about \$110 million, will require funding through other sources such as grants, tax levy on a pay-as-you-go basis, or through tax-supported debt. The City must also cover any operating and maintenance costs once the capital construction is completed.

**Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): Make transformational impacts in our community</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>
The City of Edmonton's resilient financial position enables both current and long-term service delivery and growth.	City asset sustainability index (actual expenditure on capital infrastructure compared to required expenditure).	1.06 (2018)	1
The City of Edmonton has sustainable and accessible infrastructure.	Percentage of Edmontonians with access to infrastructure and amenities that improve their quality of life.	75 percent (2019)	N/A

**Risk Assessment**

<b>Risk Element</b>	<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Score (with current mitigations)</b>	<b>Current Mitigations</b>	<b>Potential Future Mitigations</b>
Financial	Bylaw is not approved and the City bears the full cost of construction of fire halls or seeks to fund the capital costs through other sources. Potentially results in delay to construction of fire halls.	4 - Likely	3 - Major	12 - Medium	Capital costs are funded through existing available funding sources.	Capital costs are funded through newly identified provincial grants, debt financing or tax levy, or through capital budget reductions elsewhere.

**Attachments**

1. Attachment 1 - City of Edmonton Facilities Offsite Levies Bylaw 19340
2. Attachment 2 - Facilities Off-site Levies Standard
3. Attachment 3 - Fiscal Policy for Revenue Generation C624

**Others Reviewing this Report**

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- R. Smyth, Deputy City Manager, Citizen Services
- C. Owen, Deputy City Manager, Communications and Engagement
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services

- K. Fallis-Howell, Acting City Solicitor