Other Tools to Capture Value from New Development

Community Revitalization Levy (CRL)

- The CRL allows municipalities to borrow against future property tax revenues to finance infrastructure required to spur new development in a specific area, typically over a 20-year period.
- Capital improvements in CRL areas are undertaken before the tax uplift is generated. As redevelopment occurs, the tax uplifts generated are dedicated to service the debt on the up-front capital investments.
- Three CRLs are in place in Edmonton: the Quarters, Belvedere and Capital City Downtown.
- Provincial approval is required to establish CRLs, and none have been approved since 2014. Effective July 4, 2022, Alberta municipalities can submit applications for funding under the revamped Community Revitalization Levy Program, but only if the total assessment covered under existing CRLs is under 3 per cent. In Edmonton, CRLs presently cover 3.4 per cent of the City's assessment base as of the time of creation.

Redevelopment Levies

- A redevelopment levy can be imposed at the development permit stage. Funds collected under a redevelopment levy can only be used to acquire land for parks, school buildings, or a new or expanded recreation facility, and only in circumstances where the land and the levy are both included in an Area Redevelopment Plan that contains proposals for residential, commercial or industrial development. The Central McDougall/Queen Mary Park Area Redevelopment Plan is the only example of this in Edmonton. Because this charge is collected at the time of permit, the City must front-end investments and be reimbursed over time.
- This tool reduces the strain on the tax levy by allocating certain City capital costs to redevelopment activities. However, it also increases the costs of redevelopment in the Plan Area, and could have the unintended effect of disincentivizing redevelopment activity. Redevelopment levies could support funding for the land referred to in the previous bullet point and could be further explored should that be the focus of the desired community amenity.
- A challenge with using redevelopment levies in redeveloping areas is that most areas will not experience enough development activity to generate revenues in a timely manner, limiting the types of community amenities

pursued under this model. Certainty around the amount and timing of development is less known in the redevelopment context.

Off-Site Levies

- The Off-Site Levy Regulation requires that, in calculating the levy, the City define the benefiting area of the infrastructure/facility and its estimated cost, along with other requirements.
- Off-site levies can be applied to land that is to be developed or subdivided and may be used to pay for new or expanded infrastructure and associated land for community recreation facilities, fire halls, police station facilities, libraries and transportation infrastructure.
- The Off-Site Levy Bylaw for fire halls approved in 2021 applies to the developing area (excluding industrial areas).
- Like redevelopment levies, this tool reduces strain on the tax levy by allocating certain capital costs to development activities. However, these tools increase the costs of redevelopment in the Plan Area, and could have the unintended effect of disincentivizing redevelopment activity. Because this charge is collected at the time of permit or subdivision, the City would likely need to front-end investments and be reimbursed over time.
- A challenge with using off-site levies in redeveloping areas is that most areas will not experience enough localized redevelopment activity to generate sufficient revenues in a timely manner, limiting the types of community amenities pursued under this model. Certainty around the amount and timing of development is less known in the redevelopment context, making it difficult to collect levies for facilities.

Local Improvement Tax

- Local Improvement Taxes are imposed on property owners within a defined benefitting area. A local improvement can be any infrastructure project that City Council considers to be of greater benefit to an area of the city than to the whole city.
- This tool allows the City to finance a community amenity using debt, then recover those costs through a local improvement tax on properties within the defined area. Local improvements can be proposed by City Council, or a group of property owners can petition City Council for a local improvement.
- A Local Improvement Tax is unlikely to raise sufficient funds for community amenities and cannot proceed if petitioned against by a sufficient number of property owners.

- This tool is a low-risk option but also has a low likelihood of successful implementation.

Allocating Tax Revenue from Redevelopment

- In areas where the City makes mass transit investments, City Council could allocate the increased tax revenue generated in that area to fund community amenities. It is important to note that tax uplift is only generated from real growth, which is typically the result of new construction, rather than changes in the market value of existing properties. This latter form of assessment change does not generate any tax revenue.
- This approach directs the uplift in tax revenues resulting from new construction around mass transit investments to the areas they were generated from. It also requires trade-offs, and possible budget reductions elsewhere, as real tax revenue growth is already accounted for within the budget and would need to be diverted to a specific capital investment.
- Based on current mill rates, $1 million of new property tax revenue would require more than $147 million of assessment growth from new residential development. Similarly, $1 million of new property tax revenue would require almost $49 million of assessment growth from new non-residential redevelopment.
- The City of Calgary is undertaking a property tax uplift pilot project. Its purpose is to learn if and how property tax uplift may support sustained growth-related investment in the public realm and local infrastructure. The City of Calgary has worked with stakeholders to develop a methodology to calculate study area property tax uplift and evaluate its effectiveness as a tool to fund public space improvements in established communities that experience growth and change.

Dedicated Tax Levy

- Funds could be secured through a dedicated portion of the annual tax levy, similar to the Neighborhood Renewal Program, Alley Renewal Program and LRT . This would allow focused spending on community amenities in redeveloping areas. A process to prioritize capital projects within the redeveloping area would be required to align with anticipated growth in The City Plan.
- This tool is a dedicated tax increase with the purpose of making investments in priority areas, with a long term goal that the investment results in higher density development that will support City Plan goals.

- This tool is being used in Calgary for public space improvement projects within their established area and in Toronto for priority transit and housing capital projects.