

MAPLE RIDGE INDUSTRIAL STAGE 6 REVOLVING INDUSTRIAL SERVICING FUND EXTENSION

RECOMMENDATION

That Executive Committee recommend to City Council:

That an exemption to City Policy C533A - Revolving Industrial Servicing Fund, to allow the Maple Ridge Owners group to complete an end-user development for Maple Ridge Industrial Stage 6, by October 31, 2026, and remain eligible for the Revolving Industrial Servicing Fund, be approved.

Requested Council Action	Decision Required		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	Regional Prosperity		
City Plan Values	THRIVE		
City Plan Big City Move(s)	A Community of Communities	Relationship to Council's Strategic Priorities	15-Minute Districts
Corporate Business Plan	Transforming for the Future		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> Policy C533A Revolving Industrial Servicing Fund 		
Related Council Discussions	<ul style="list-style-type: none"> CR_8138 Maple Ridge Stage 6 Revolving Industrial Servicing Fund Extension (Executive Committee November 9, 2020) 		

Executive Summary

- The Maple Ridge Owners group, consisting of three landowners, entered into a servicing agreement (SA50096, Maple Ridge Industrial Stage 6), with the City in April 2017 and applied for Revolving Industrial Servicing Fund for financial incentives.

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- The initial servicing agreement was intended to be completed by April 2020, and the completion date was extended (CR_8138, Maple Ridge Stage 6 Revolving Industrial Servicing Fund Extension, November 9, 2020, Executive Committee) at that time to October 2024.
- The servicing agreement required the Maple Ridge Owners group to complete the following in order to remain eligible for up to \$8 million in rebates from the City:
 - Develop 120 hectares of land in the Maple Ridge Industrial neighbourhood;
 - Construct significant off-site cost shareable infrastructure to service their land;
 - Complete end-use development (fully constructed buildings).
- Due to the continued economic challenges in the Edmonton region, it has not been economically feasible for the Maple Ridge Owners group to complete construction of buildings on their land in the required time and have requested an additional extension to October 31, 2026.
- Administration supports extending the deadline for the Maple Ridge Owners group to complete the construction of the buildings and remain eligible for a rebate through the Revolving Industrial Servicing Fund.

REPORT

Revolving Industrial Servicing Fund

City Policy C533A - Revolving Industrial Servicing Fund was created to provide financial incentive to developers for construction of cost shareable infrastructure such as arterial roads and sewer mains, and it allows a portion of rebates a developer carries to be paid back in a timely manner (up to \$4 million). The eligibility for a developer to take part in the program and receive a rebate is based on criteria as set out in this policy.

When the City provides a rebate payment to the developer as part of this program, the City also assumes the rebate that would otherwise be owed to the front-ending developer. As subsequent developments enter into servicing agreements with the City, through these agreements, the City collects payment when the development benefits from the cost shareable infrastructure the front-end developer constructed. This process allows the City to collect payments until the rebate assumed on behalf of the front-end developer is paid off.

In addition to assuming rebates on behalf of front-end developers, the Revolving Industrial Servicing Fund will recover rebates previously paid out by receiving an amount equal to 50 per cent of the total incremental tax revenue increase from the front-end developers development.

The Revolving Industrial Servicing Fund (City Policy C533A) is being phased out and is being replaced with the Industrial Infrastructure Cost Sharing Program (City Policy C592) to support industrial activity as an important sector of Edmonton's local economy.

Background

The Maple Ridge Owners group signed a servicing agreement, Maple Ridge Industrial Stage 6, a contract between the developer and the City in April 2017. This servicing agreement outlines the obligations of both parties including:

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- The requirement to construct infrastructure in accordance with the City's Design and Construction Standards; and
- The payment of assessments for infrastructure that the development benefits from.

An estimated \$23.3 million has been committed to be invested by the Maple Ridge Owners group, towards construction of cost shareable infrastructure (arterial roadways, sanitary sewers, storm sewers and a water main) for the development of approximately 120 hectares of industrial land.

An exemption to City Policy C533 was approved by City Council on September 18, 2013, to allow a fund rebate of up to \$8 million for a single servicing agreement entered into by multiple developers in the Maple Ridge Industrial neighbourhood. City Policy C533A set the rebate upper limit of \$4 million.

In October 2013, the City Manager approved an exemption to the City Procedure to allow the advancement of up to \$4 million of the fund rebate to the developers upon construction completion of cost shareable infrastructure, with the remaining rebate to be paid upon the completion of the buildings and other items.

The Maple Ridge Owners group received an exemption from City Council in 2020 to complete end-user development by October 31, 2024 (CR_8138, Maple Ridge Stage 6 Revolving Industrial Servicing Fund Extension, November 9, 2020, Executive Committee).

Current Status

To date the Maple Ridge Owners group has invested \$15.3 million in cost shareable infrastructure, including:

- 17 Street NW = \$2.24 million
- Storm Sewers = \$6.06 million
- Sanitary Sewers = \$5.50 million
- Water Main = \$1.35 million

Upon completion of the offsite sanitary trunk sewers, the Maple Ridge Owners group received \$4 million from the City in July 2019. After receiving the \$4 million rebate, the Maple Ridge Owners group have the following remaining rebates which will be paid through the Revolving Industrial Service Fund up to \$4 million and the remaining amount by subsequent industrial developers:

- Arterial Roadway Assessments = \$0
- Storm = \$3 million
- Sanitary = \$0
- Boundary Recoveries = \$2 million

While the Maple Ridge Owners group has constructed the cost shareable storm sewers, sanitary sewers and a portion of 17 Street, the buildings have not been completed due to the economic conditions in the Edmonton market.

Financial Benefits to the City

The total estimated initial taxable property assessment, which is the value of the unserviced land at the time the servicing agreement was executed, for this development was \$30.9 million. The total estimated post-development taxable property assessment, which is the value of the

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serviced land and completed buildings, at the time the servicing agreement was executed, for Maple Ridge Industrial Stage 6 was \$188.2 million. This agreement has the potential to generate an increase of \$157.3 million to the City's industrial tax base.

Using the Property Tax Estimator Tool for 2022:

- Pre development yearly tax revenue is estimated to be \$0.77 million;
- Post development yearly tax revenue is estimated to be \$4.7 million.

This represents a net increase of \$3.93 million per year of revenue for the City.

Budget/Financial Implications

The 2023-2026 operating budget currently includes the budget implication of this transaction and will be updated to reflect the requested extension as required.

Legal Implications

City Policy C533A was approved by City Council and therefore the same approval is also required to create this exemption to that Policy.

COMMUNITY INSIGHT

Public or industry engagement was not undertaken for this report, as a servicing agreement is a contract between a developer and the City. However, industry groups and developers have indicated how important the City's support is to help to drive industrial investment in Edmonton, and the additional flexibility provided through this extension is consistent with the City's intent to remove barriers to development.