



CITY POLICY

POLICY NUMBER: C592

REFERENCE:

ADOPTED BY:

City Council
27 June 2017

SUPERSEDES:
New

PREPARED BY: Sustainable Development

DATE: May 11, 2017

TITLE: Industrial Infrastructure Cost Sharing Program

Policy Statement:

1. The Industrial Infrastructure Cost Sharing Program is designed to assist in financing large municipal infrastructure in industrial areas, and to ultimately encourage the servicing and development of industrial land which provides an increased tax assessment base, employment, and other economic spinoffs.
2. Front End Developers are entitled to recover their Overexpenditures from:
 - a) up to fifty percent (50%) of the yearly Incremental Tax Revenue that directly results from their construction of Cost Shareable Infrastructure; and
 - b) Development Levies collected within the Benefiting Area,following the terms of this Policy and the attached Procedure.
3. For any Incremental Tax Revenue that the City contributes to a Front End Developer in excess of twenty five percent (25%) of their Cost Shareable Infrastructure costs in the Benefiting Area, an equal amount will:
 - a) become the City's Overexpenditure;
 - b) be recovered by the City through Development Levies collected within the Benefiting Area; and
 - c) as those funds are recovered, be transferred into the City's general revenues.
4. Where the City contributes Incremental Tax Revenue towards Cost Shareable Infrastructure, the Development Levy for the Benefiting Area can be reduced by up to twenty five percent (25%) due to the City's contribution.
5. A Front End Developer is entitled to receive Incremental Tax Revenue towards their Overexpenditures until the earlier of:

This policy is subject to any specific provisions of the Municipal Government Act or other relevant legislation or Union Agreement.



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- a) recovery of their full Overexpenditures; or
- b) twenty five (25) years after execution of the Servicing Agreement, provided that they have recovered at least fifty percent (50%) of their total Overexpenditures.

If, after twenty five (25) years, the Front End Developer has not recovered at least fifty percent (50%) of their total Overexpenditures, then they will be entitled to continue receiving Incremental Tax Revenue until they have recovered fifty percent (50%).

- 6. Following implementation of the program, City Administration will prepare a report annually for the City's Executive Committee, providing an update on the status of the program.
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The purpose of this policy is to:

Provide a sustainable system for financing municipal infrastructure that is customized to the unique characteristics of industrial development in Edmonton.

Encourage economic development in industrial areas through financial incentives.

Improve the City's longer term economic sustainability through shorter term investments.

Address limitations of the Revolving Industrial Servicing Fund and other existing funding models.



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1 DEFINITIONS

- 1.1 Arterial Roadway Assessment(s) or ARA is the program administered by the City for the cost sharing between developers of arterial roadway Cost Shareable Infrastructure, as outlined in the City's standard Servicing Agreement and Bylaw 14380, Arterial Roads for Development, as amended.

Arterial Roadway Assessments can also refer to the charge per hectare (\$/ha) of land within a Benefiting Area towards the area's arterial roadway Cost Shareable Infrastructure.

- 1.2 Baseline Tax Revenue is:

- a) equal to the Municipal Property Taxes found on the municipal tax roll for the year in which the Servicing Agreement is executed. In cases where a Servicing Agreement is not required in respect of development on Dependent Lands, the Baseline Tax Revenue will be established for the year in which the development commences, as determined by the City;
- b) determined after all assessment complaints and appeals are fully determined and the assessment is finalized; and
- c) determined by the City Assessor.

- 1.3 Benefiting Area is a defined area of land that is determined by the City to benefit from a system of Cost Shareable Infrastructure. A Benefiting Area typically contains multiple land parcels which are owned by multiple different landowners.

- a) Benefiting Areas for arterial roadway Cost Shareable Infrastructure shall be determined in accordance with Bylaw 14380, Arterial Roads for Development, as amended.
- b) Benefiting Areas for storm and sanitary drainage systems shall be determined in accordance with the City's standard procedures for administering the PAC system and Servicing Agreements.

- 1.4 CCC is the Construction Completion Certificate as defined in the City's standard Servicing Agreement.

- 1.5 City is the City of Edmonton, a municipal corporation.



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- 1.6 City Assessor is the City Assessor or their delegate as defined under the Municipal Government Act R.S.A. 2000, c. M-26, as amended.
- 1.7 Cost Shareable Infrastructure is municipal drainage or arterial roadway infrastructure that is designed to provide service to a Benefiting Area, and which qualifies for cost recovery under the ARA or PAC cost sharing systems, as determined by the City in accordance with the Servicing Agreement. This can also include the cost of land required for this infrastructure, as outlined in the Servicing Agreement.
- 1.8 Dependent Lands are industrial lands that are developed after execution of the Front End Developer's Servicing Agreement, and which development, in the opinion of the City, could not have occurred without the Front End Developer's initial construction of Cost Shareable Infrastructure. Dependent Lands is further defined in Section 6.2(b).
- 1.9 Deputy City Manager is the Deputy City Manager of the City's Sustainable Development Department.
- 1.10 Development Lands are all of the Front End Developer's lands included under the Servicing Agreement, as determined by the City.
- 1.11 Development Levies (or Development Levy) are charges that are calculated and collected by the City, typically as a condition of subdivision approval or development permit, from owners and developers of lands within a Benefiting Area towards their share of the cost of Cost Shareable Infrastructure.
- Development Levies include, but are not limited to, ARA and PAC charges.
- 1.12 Development Levy Funding Maximum is defined in Section 4.2.
- 1.13 Front End Developer is a developer:
- a) who constructs and bears the initial cost of Cost Shareable Infrastructure required to service industrial land;
 - b) whose Cost Shareable Infrastructure construction cost within a Benefiting Area exceeds their proportionate share of the Development Levy, and therefore, entitles them to recover their Overexpenditures; and
 - c) who enters into a Servicing Agreement for industrial lands which contains provisions for recovery of their Overexpenditures.



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1.14 GST is the Goods and Services Tax as assessed, charged and levied by the Government of Canada.

1.15 Incremental Tax Revenue is:

(a) the change in annual Municipal Property Taxes that the City receives from a given area of land;

(b) calculated by subtracting the Baseline Tax Revenue from the Municipal Property Taxes payable in subsequent taxation years; and

(c) calculated yearly by the City Assessor.

1.16 Municipal Property Taxes:

(a) includes all municipal property taxes collected by the City;

(b) excludes: education taxes, local improvement taxes, special taxes, and community revitalization levies, as defined in Municipal Government Act R.S.A. 2000, c. M-26, as amended; and

(c) are calculated by the City Assessor after all assessment complaints and appeals are fully determined and the assessment is finalized.

1.17 Overexpenditure(s) are:

a) amounts by which a developer's Cost Shareable Infrastructure construction cost within a particular Benefiting Area exceeds their proportionate share of all of the Cost Shareable Infrastructure in the Benefiting Area, and

b) amounts a developer would normally be entitled to recover in the future through the ARA or PAC programs administered by the City.

The final determination of a developer's Overexpenditures is at the sole discretion of the City, acting in accordance with standard procedure, the Servicing Agreement, and this policy.

1.18 Permanent Area Contribution(s) or PAC is the program administered by the City for the cost sharing between developers of large storm and sanitary drainage Cost Shareable Infrastructure, as outlined in the Servicing Agreement.



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Permanent Area Contributions can also refer to the charge per hectare (\$/ha) of land within a Benefiting Area towards a system of storm or sanitary drainage Cost Shareable Infrastructure.

1.19 Servicing Agreement(s) are agreements between the City and developers in respect of land development or servicing, and can contain, among other things:

- a) obligations for the developer to construct or pay for municipal infrastructure; and
- b) provisions for recovery of the developer's Overexpenditures.

1.20 Subsequent Developer is a developer who enters into a Servicing Agreement after the Front End Developer does, and who is required to pay Development Levies in respect of the Cost Shareable Infrastructure that was constructed by the Front End Developer.

1.21 Tax Funding Minimum is defined in Section 4.1.

2 CRITERIA AND ELIGIBILITY

2.1 Developer Criteria

In order to be considered a Front End Developer under this policy, the criteria outlined in Section 1.13 must be met.

2.2 Location Criteria

2.2.1 This policy applies to land within the corporate limits of the City of Edmonton that are zoned under the City's Land Use Bylaw as follows:

- a) IB - Industrial Business Zone;
- b) IL - Light Industrial Zone;
- c) IM - Medium Industrial Zone;
- d) IH - Heavy Industrial Zone;
- e) EIB - Ellerslie Industrial Business Zone;
- f) EIM - Ellerslie Medium Industrial Zone;
- g) EETB - Edmonton Energy and Technology Park Business Park Zone;
- h) EETC - Edmonton Energy and Technology Park Chemical Cluster Zone;
- i) EETL - Edmonton Energy and Technology Park Logistics Zone;
- j) EETM - Edmonton Energy and Technology Park Manufacturing Zone;
- k) Direct Control (DC) Zoning with industrial purposes; or



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- l) other comparable zoning, as determined by the City, with industrial or industrial/commercial uses.
- 2.2.2 This policy does not apply to any land located within a Community Revitalization Levy boundary.
- 2.2.3 In situations where industrial lands share a Benefiting Area with residential lands, the provisions of Section 4.4 will apply.
- 2.2.4 Some limited discretion may be exercised by the Deputy City Manager in extending program eligibility to commercial, institutional and non-industrial uses adjacent to industrial activity which are consistent with the intent of this policy.
- 2.3 Eligible Costs

The portions of a Front End Developer's construction costs that are eligible for recovery under this policy are limited to Overexpenditures for Cost Shareable Infrastructure.
- 2.4 Effective Date

This policy applies to Servicing Agreements that are executed after City Council approves the policy.

3 SOURCES OF OVEREXPENDITURE RECOVERY

- 3.1 A Front End Developer is entitled to recover their Overexpenditures from the following sources:
 - a) Fifty percent (50%) of the Incremental Tax Revenue from the Development Lands, following the process outlined in Section 6.1;
 - b) Up to fifty percent (50%) of the Incremental Tax Revenue from Dependent Lands, following the process outlined in Section 6.2; and
 - c) Development Levies collected within the Benefiting Area, following the process outlined in Section 7.

Funds from these sources will be paid to the Front End Developer as funds become available, following the terms of this policy and the Servicing Agreement. The City will not be required to pay any amounts to a Front End Developer that it has not received or collected in the form of Development Levies or Municipal Property Taxes.



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4 FUNDING LIMITS

For each Overexpenditure that a Front End Developer is required to carry, the City will calculate and apply a *Tax Funding Minimum* and a *Development Levy Funding Maximum*, as outlined in Sections 4.1 and 4.2, respectively.

4.1 Tax Funding Minimum

- a) The Tax Funding Minimum is equal to twenty five percent (25%) of the cost of Cost Shareable Infrastructure that corresponds to the Overexpenditure.
- b) The total amount that a Front End Developer receives from the City through Incremental Tax Revenue towards an Overexpenditure must meet or exceed the Tax Funding Minimum.
- c) Any amounts that the City pays towards an Overexpenditure that exceed the Tax Funding Minimum will:
 - i) become the City's Overexpenditure, and accrue interest as outlined in the Servicing Agreement;
 - ii) be recovered by the City through Development Levies collected within the Benefiting Area, as outlined in Section 7; and
 - iii) as funds are recovered, be transferred into the City's general revenues.

For example:

Year 1

- Developer's Cost Shareable Infrastructure construction = \$1 million
- Tax Funding Minimum = \$1 million x 25% = \$250,000
- Developer's share of Development Levies = \$300,000
- Developer's Overexpenditure = \$ 1 million - \$300,000 = \$700,000

Years 2 - 5

- Development Levies collected towards Overexpenditure = \$200,000
- Incremental Tax Revenue paid towards Overexpenditure = \$500,000
- Developer's remaining Overexpenditure = \$700,000 - \$200,000 - \$500,000 = \$0 (fully recovered)
- City's Overexpenditure = \$500,000 - \$250,000 = \$250,000

Years 6+

- City recovers \$250,000 from Development Levies
- Funds go to general revenue as they are recovered



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4.2 Development Levy Funding Maximum

- a) The Development Levy Funding Maximum is equal to seventy five percent (75%) of the cost of Cost Shareable Infrastructure that corresponds to the Overexpenditure.
- b) The total amount that a Front End Developer receives from Development Levies towards an Overexpenditure, including their own contribution to the Development Levy, cannot exceed the Development Levy Funding Maximum. For example:

Year 1

- Developer's Cost Shareable Infrastructure construction = \$1 million
- Tax Funding Minimum = \$1 million x 25% = \$250,000
- Development Levy Funding Maximum = \$1 million x 75% = \$750,000
- Developer's Development Levy contribution = \$300,000
- Developer's Overexpenditure = \$1 million - \$300,000 = \$700,000
- Remaining Development Levy Funding Maximum = \$750,000 - \$300,000 = \$450,000

Year 2

- Development Levies collected towards Overexpenditure = \$500,000
- Development Levies paid to Developer = \$450,000 (remaining max. from Year 1)
- Extra Development Levies (\$50,000) will be used towards other Overexpenditures in the Benefiting Area
- Incremental Tax Revenue paid towards Overexpenditure = \$100,000
- Developer's remaining Overexpenditure = \$700,000 - \$450,000 - \$100,000
= \$150,000 (all to be recovered from future Incremental Tax Revenue)

- c) If a Front End Developer's Development Levy contribution for the Development Lands exceeds the Development Levy Funding Maximum, then they will be required to pay the excess amount to the City for use towards other Overexpenditures in the Benefiting Area. For example:

- Developer's Cost Shareable Infrastructure construction = \$1 million
- Development Levy Funding Maximum = \$1 million x 75% = \$750,000
- Developer's Development Levy contribution for Development Lands = \$800,000
- Developer is required to pay \$50,000 (\$800,000 - \$750,000)
- Developer's Overexpenditure = \$1 million - \$800,000 + \$50,000
= \$250,000 (all to be recovered from future Incremental Tax Revenue)

- d) The Development Levy Funding Maximum cannot exceed the value of the Overexpenditure at any point in time. When a Front End Developer has received more than the Tax Funding Minimum from Incremental Tax Revenue towards an Overexpenditure, the Development Levy Funding Maximum will then become equal to the Overexpenditure. For example:



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Year 1

- Developer's Cost Shareable Infrastructure construction = \$1 million
- Tax Funding Minimum = \$1 million x 25% = \$250,000
- Development Levy Funding Maximum = \$1 million x 75% = \$750,000
- Developer's Development Levy contribution = \$300,000
- Developer's Overexpenditure = \$1 million - \$300,000 = \$700,000
- Remaining Development Levy Funding Maximum = \$750,000 - \$300,000 = \$450,000

Years 2 to 5

- Development Levies collected towards Developer's Overexpenditure = \$0
- Incremental Tax Revenue paid towards Developer's Overexpenditure = \$400,000
- Remaining Overexpenditure = \$700,000 - \$400,000 = \$300,000
- Remaining Development Levy Funding Maximum = \$450,000 (from above) > \$300,000
- Therefore, remaining Development Levy Funding Maximum = \$300,000

- e) In cases where the City carries an Overexpenditure pursuant to Section 4.1, that Overexpenditure will be fully recovered through Development Levies, and therefore, the Tax Funding Minimum for that Overexpenditure will always equal zero (\$0), and the Development Levy Funding Maximum will always equal the Overexpenditure.

4.3 Adjustment to Funding Limits

When an Overexpenditure gets adjusted in accordance with the Servicing Agreement and Section 8, the Tax Funding Minimum and the Development Levy Funding Maximum will be adjusted accordingly. For example:

Year 1 – Construction Starts

- Developer's estimated Cost Shareable Infrastructure construction = \$1 million
- Initial Tax Funding Minimum = \$ 1 million x 25% = \$250,000
- Initial Development Levy Funding Maximum = \$ 1 million x 75% = \$750,000

Year 2 – Construction Completed

- Developer's actual Cost Shareable Infrastructure construction = \$1.2 million
- Adjusted Tax Funding Minimum = \$1.2 million x 25% = \$300,000
- Adjusted Development Levy Funding Maximum = \$1.2 million x 75% = \$900,000

4.4 Residential Lands

For Benefiting Areas that contain industrial lands and, in the City's opinion, a substantial amount of residential lands that have yet to pay the Development Levy:

- a) the Tax Funding Minimum will always equal zero (\$0); and



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b) the Development Levy Funding Maximum will always equal the Overexpenditure.

In other words, any amounts that the City contributes through Incremental Tax Revenue to a Front End Developer's Overexpenditure will be fully recovered by the City in the future through Development Levies, and as funds are recovered, will be transferred into the City's general revenues.

5 DEVELOPMENT LEVY RATES

5.1 Rate Reduction

As a result of the City's funding contribution through Incremental Tax Revenue towards the Cost Shareable Infrastructure in a Benefiting Area, as outlined in Sections 4.1 and 6, the Development Levy for the Benefiting Area can be reduced by up to twenty five percent (25%) following the processes outlined in this Section 5.

5.2 Full Rate Reduction (25%)

In Benefiting Areas where:

- a) no Cost Shareable Infrastructure has been constructed, or has been obligated to be constructed under Servicing Agreements;
- b) some Cost Shareable Infrastructure has been constructed, but the parties who constructed the infrastructure have already recovered their full Overexpenditures in respect of the infrastructure; or
- c) no party is carrying an Overexpenditure under an existing Servicing Agreement that provides that the Overexpenditure is to be fully recovered through the Development Levy;

the Development Levy rate will be reduced by twenty five percent (25%). For example:

Benefiting Area

- Total estimated future Cost Shareable Infrastructure cost = \$5 million
- Existing Overexpenditures = \$0
- Total assessable land area = 50 ha
- Original Development Levy rate = \$5 million / 50 ha = \$100,000/ha
- Reduced Development Levy Rate = (\$5 million x [100% - 25%]) / 50 ha = \$75,000/ha



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5.3 Partial Rate Reduction (<25%)

In Benefiting Areas where at least one party is carrying an Overexpenditure under an existing Servicing Agreement (prior to implementation of this policy) that provides that the Overexpenditure is to be fully recovered through Development Levies:

- a) the party is not entitled to recover any portion of that Overexpenditure from Incremental Tax Revenue; and
- b) the reduced Development Levy rate must account for recovery of one hundred percent (100%) of that party's Overexpenditure. For example:

Benefiting Area

- Total estimated future Cost Shareable Infrastructure cost = \$4 million
- Existing Overexpenditures = \$1 million
- Total remaining assessable land area = 50 ha
- Original Development Levy rate = (\$4 million + \$1 million) / 50 ha = \$100,000/ha
- Reduced Development Levy Rate
= (\$4 million x [100% - 25%] + \$1 million x 100%) / 50 ha = \$80,000/ha

5.4 Development Levies Ineligible for Reduction

- a) For Benefiting Areas that contains industrial lands and, in the City's opinion, a substantial amount of residential lands that have yet to pay the Development Levy, as outlined in Section 4.4, the Development Levy rate will not be reduced.
- b) Where a Development Levy has been created to fund infrastructure that is not intended to be constructed by Front End Developers, that Development Levy rate will not be reduced. This may include, but not be limited to, the following:
 - i) a Development Levy that will fund work that the City, or a contractor hired by the City, will complete under a capital program; and
 - ii) the Expansion Assessment and the Sanitary Sewer Trunk Charge, as outlined in Bylaw 16200, Drainage Bylaw, as amended.
- c) The City will ultimately have sole discretion over which Development Levy rates can and cannot be reduced.



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6 RECOVERY FROM INCREMENTAL TAX REVENUE

6.1 Development Lands

A Front End Developer is entitled to receive fifty percent (50%) of the Incremental Tax Revenue from the Development Lands towards their Overexpenditures, starting in the following tax year after a CCC is issued for the applicable Cost Shareable Infrastructure, and ending in accordance with Section 5 of the City Policy. For example:

Year 1

- Development Lands' Baseline Tax Revenue = \$20,000
- Servicing Agreement is executed
- Developer's Overexpenditures = \$700,000

Year 2

- Construction completed, CCC issued January 15
- Development Lands' Municipal Property Taxes = \$80,000
- Incremental Tax Revenue = \$80,000 - \$20,000 = \$60,000
- Incremental Tax Revenue paid towards Overexpenditures = \$0 (CCC was issued this year)
- Development Levies collected towards Overexpenditure = \$0
- Developer's remaining Overexpenditures = \$700,000

Year 3

- Development Lands' Municipal Property Taxes = \$180,000
- Incremental Tax Revenue = \$180,000 - \$20,000 = \$160,000
- Incremental Tax Revenue paid towards Overexpenditures = \$160,000 x 50% = \$80,000
- Development Levies collected towards Overexpenditure = \$0
- Developer's remaining Overexpenditures = \$700,000 - \$80,000 = \$620,000

6.2 Dependent Lands

a) Following the procedures outlined in this Section 6.2, a Front End Developer is entitled to receive up to fifty percent (50%) of the Incremental Tax Revenue from Dependent Lands towards their Overexpenditure:

i) starting in the following tax year after all of the following have occurred:

- A. issuance of a CCC for the applicable Cost Shareable Infrastructure;
- B. development of the Dependent Lands has commenced, as determined by the City; and



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- C. if applicable, a Servicing Agreement has been executed for the Dependent Lands;
 - ii) ending in accordance with Section 5 of the City Policy; and
 - iii) only when it is determined by the City that the development on the lands directly depends on the Cost Shareable Infrastructure that corresponds to the Front End Developer's Overexpenditure, as outlined in Section 6.2(b) below.
- b) In order for lands to be considered Dependent Lands, the lands must be developed after execution of the Front End Developer's Servicing Agreement, and the development, in the opinion of the City, must not have been possible without the Front End Developer's initial construction of Cost Shareable Infrastructure. In other words, it must be demonstrated that the subsequent development (and the associated Incremental Tax Revenue) would not have been able to occur if the Front End Developer had not first installed the Cost Shareable Infrastructure.

The City will consider the following when making this determination:

- i) Whether or not the subsequent development is tying into the cost shareable sanitary or storm drainage system that that the Front End Developer has constructed, and therefore, would have been required to construct all or a portion of that system, had the Front End Developer not constructed it first;
- ii) Whether or not the subsequent development would have been required to construct all or a portion of the cost shareable arterial road system, had the Front End Developer not constructed it first; and
- iii) Location, traffic generation, and the size, scale, and type of development occurring.

Front End Developers are responsible for identifying subsequent developments that they believe should qualify as Dependent Lands, and the City will evaluate and decide which lands qualify. What qualifies as Dependent Lands will be at the sole discretion of the City.

- c) In the event that Dependent Lands are determined to be dependent on multiple Cost Shareable Infrastructure systems that have been constructed by multiple Front End Developers who are each carrying Overexpenditures, then the fifty percent (50%) portion of the Incremental Tax Revenue from those Dependent



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Lands will be distributed proportionately amongst all Front End Developers based on the value of each Overexpenditure at that time. The total Incremental Tax Revenue from any Dependent Lands being used to repay any Overexpenditures shall not exceed fifty percent (50%). For example:

Year 1

- Front End Developer "A" existing Overexpenditure = \$700,000
- Front End Developer "B" existing Overexpenditure = \$500,000
- Dependent Lands begin development, and is dependent on both Front End Developers
- Dependent Lands Baseline Tax Revenue = \$20,000

Year 2

- Dependent Lands' Municipal Property Taxes = \$140,000
- Incremental Tax Revenue from Dependent Lands = \$140,000 - \$20,000 = \$120,000
- Total Incremental Tax Revenue paid towards both Overexpenditures = \$120,000 x 50% = \$60,000
- Payment to Developer "A" = \$60,000 x ($\frac{\$700,000}{[\$700,000+\$500,000]}$) = \$35,000
- Payment to Developer "B" = \$60,000 x ($\frac{\$500,000}{[\$700,000+\$500,000]}$) = \$25,000

d) In the event that:

- i) a Front End Developer recovers their full Overexpenditures prior to twenty five (25) years after execution of their Servicing Agreement; and
- ii) the Development Lands qualify as Dependent Lands, in accordance with Section 6.2(b), with respect to a previous Front End Developer who is still carrying an Overexpenditure,

then the previous Front End Developer will be entitled to receive up to fifty percent (50%) of the Incremental Tax Revenue from those lands, following the procedures for Development Lands in this Section 6.2. For Example:

Year 1

- Development "A" proceeds
- Developer "A" Overexpenditure = \$700,000

Year 2

- 50% Incremental Tax Revenue from Development "A" (to Developer "A") = \$30,000
- Developer "A" remaining Overexpenditure = \$700,000 - \$30,000 = \$670,000
- Development "B" proceeds
- Constructs Cost Shareable Infrastructure, but is also dependent on Developer "A"'s Cost Shareable Infrastructure
- Developer "B" Overexpenditure = \$50,000



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Year 3

- 50% Incremental Tax Revenue from Development "A" (to Developer "A") = \$30,000
- Developer "A" remaining Overexpenditure = \$670,000 - \$30,000 = \$640,000

- 50% Incremental Tax Revenue from Development "B" (to Developer "B") = \$50,000
- Developer "B" remaining Overexpenditure = \$50,000 - \$50,000 = \$0 (fully recovered)

Year 4

- 50% Incremental Tax Revenue from Development "A" (to Developer "A") = \$30,000
- 50% Incremental Tax Revenue from Development "B" (to Developer "A") = \$50,000
- Developer "A" remaining Overexpenditure = \$640,000 - \$30,000 - \$50,000 = \$560,000

6.3 Ineligible Lands

- a) A Front End Developer is not entitled to receive Incremental Tax Revenue from any lands other than the Development Lands or Dependent Lands.
- b) A Front End Developer is not entitled to receive Incremental Tax Revenue from lands that are considered the Development Lands of another Front End Developer, except in accordance with Section 6.2(d).
- c) A Front End Developer is not entitled to receive Incremental Tax Revenue from development that occurred prior to execution of the Front End Developer's Servicing Agreement, regardless of whether the development may ultimately make use of, or depend on, the Cost Shareable Infrastructure constructed by the Front End Developer.
- d) Incremental Tax Revenue from a given area of land will not be paid to a front End Developer towards their Overexpenditures unless there is a net positive change to the Municipal Property Taxes resulting from development or servicing of the lands, as compared to the Baseline Tax Revenue. A net positive change to the Municipal Property Taxes will be confirmed by the City when any and all assessment complaints and appeals are fully determined and the property assessment is finalized.

6.4 Total Yearly Amount to a Front End Developer

- a) Each year, following the procedures in Section 6.1 for the Development Lands and Section 6.2 for Dependent Lands, the City will calculate a total amount that is to be paid from Incremental Tax Revenue towards a Front End Developer's Overexpenditures under the Servicing Agreement. For example:



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- 50% Incremental Tax Revenue from Development Lands = \$30,000
 - 50% Incremental Tax Revenue from Dependent Lands "A" = \$50,000
 - 50% Incremental Tax Revenue from Dependent Lands "B" = \$120,000
 - Total Incremental Tax Revenue to Developer this year
= \$30,000 + \$50,000 + \$120,000 = \$200,000
- b) Once the total amount of Incremental Tax Revenue that a Front End Developer is entitled to receive for a given year is calculated, that amount will be distributed proportionately towards all Overexpenditures that the Front End Developer is carrying under the Servicing Agreement, based on the value of each Overexpenditure at that time. For example:
- Total Incremental Tax Revenue to Developer this year = \$200,000
 - Developer's current total Overexpenditures = \$1,000,000
Broken down as:
 - \$500,000 arterial roadway Overexpenditure (50% of total)
 - \$300,000 sanitary drainage Overexpenditure (30% of total)
 - \$150,000 storm drainage Overexpenditure Benefiting Area #1 (15% of total)
 - \$50,000 storm drainage Overexpenditure Benefiting Area #2 (5% of total)
 - Distribution of \$200,000 Incremental tax Revenue:
 - \$200,000 x 50% = \$100,000 to arterial roadway Overexpenditure
 - \$200,000 x 30% = \$60,000 to sanitary drainage Overexpenditure
 - \$200,000 x 15% = \$30,000 to storm drainage Overexpenditure Benefiting Area #1
 - \$200,000 x 5% = \$10,000 to storm drainage Overexpenditure Benefiting Area #2

6.5 Annual Payment

- a) The City will pay the total amount of Incremental Tax Revenue that a Front End Developer is entitled to receive for a given year in a lump sum, after all applicable assessment complaints and appeals are fully determined, and after all Municipal Property Taxes have been paid for the Development Lands and any Dependent Lands. The City will pay these funds by no later than February 1st in the year following the year for which the Municipal Property Taxes were paid.
- b) Any and all annual payments to a Front End Developer from Incremental Tax Revenue will not be paid until the City has reviewed and confirmed that all that taxes imposed pursuant to part 10 of the Municipal Government Act, R.S.A. c. M-26 as amended, have been paid for the Development Lands, and any property located within the City of Edmonton that is owned by the Front End Developer.

6.6 GST

Any payments going to a Front End Developer from Incremental Tax Revenue will be



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calculated net of GST. For any payments that the City provides towards a developer's Overexpenditure from Incremental Tax Revenue, GST will be provided from the City's corporate GST account, and recovered by the City from the Government of Canada. Incremental Tax Revenue will not be used to pay GST on any funds going back to a developer.

7 RECOVERY FROM DEVELOPMENT LEVIES

7.1 Timing for Collection

The City will collect Development Levies from Subsequent Developers in the Benefiting Area towards the Front End Developer's Overexpenditure, in the circumstances outlined in the Servicing Agreement.

7.2 Payment Amounts

The Development Levy payment amount required from each Subsequent Developer will be the greater of:

- a) $Payment (\$) = (Assessable\ Area \times Rate) - Construction\ Cost$

where:

Assessable Area = the assessable area of the Subsequent Developer's subdivision or development, as determined by the City (*ha*)

Rate = the Development Levy rate ($\$/ha$)

Construction Cost = the Subsequent Developer's Cost Shareable Infrastructure construction cost (\$);

or

- b) their share of existing Overexpenditures that were created prior to implementation of this policy, as outlined in Section 7.6.

7.3 Distribution

Development Levies that are collected within the Benefiting Area will be distributed proportionately to the parties carrying Overexpenditures, which may include the City, based on the value of each Overexpenditure's Development Levy Funding Maximum



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at that time, as calculated in Section 4.2. For example:

Year 1 – Front End Development “A” proceeds

- Developer “A” Cost Shareable Infrastructure construction = \$1 million
- Tax Funding Minimum “A” = \$1 million x 25% = \$250,000
- Development Levy Funding Maximum “A” = \$1 million x 75% = \$750,000
- Developer “A” Development Levy contribution = \$300,000
- Developer “A” Overexpenditure = \$1 million - \$300,000 = \$700,000
- Remaining Development Levy Funding Maximum “A” = \$750,000 - \$300,000 = \$450,000

Years 2 to 5 – No new development

- Development Levies collected towards Developer “A” Overexpenditure = \$0
- Incremental Tax Revenue paid towards Developer “A” Overexpenditure = \$400,000
- Developer “A” remaining Overexpenditure = \$700,000 - \$400,000 = \$300,000
- City’s Overexpenditure = \$400,000 - \$250,000 = \$150,000

Year 6 – Front End Development “B” proceeds

- Developer “B” Cost Shareable Infrastructure construction = \$800,000
- Tax Funding Minimum “B” = \$800,000 x 25% = \$200,000
- Development Levy Funding Maximum “B” = \$800,000 x 75% = \$600,000
- Developer “B” Development Levy contribution = \$200,000
- Developer “B” Overexpenditure = \$800,000 - \$200,000 = \$600,000
- Remaining Development Levy Funding Maximum “B” = \$600,000 - \$200,000 = \$400,000

- Incremental Tax Revenue paid towards Developer “A” Overexpenditure = \$50,000
- Developer “A” remaining Overexpenditure = \$300,000 - \$50,000 = \$250,000
- City’s Overexpenditure = \$150,000 + \$50,000 = \$200,000

- Remaining Development Levy Funding Maximum “A” = \$250,000 (29.4% of total)
 - City’s remaining Development Levy Funding Maximum = \$200,000 (23.5% of total)
 - Remaining Development Levy Funding Maximum “B” = \$400,000 (47.1% of total)
- Total = 100%

Year 7 – Subsequent Development “C” Proceeds

- Developer “C” Cost Shareable Infrastructure construction = \$0
- Developer “C” Development Levy payment = \$200,000
- Distribution of \$200,000:
 - \$200,000 x 29.4% = \$58,800 to Developer “A”
 - \$200,000 x 23.5% = \$47,000 to the City
 - \$200,000 x 47.1% = \$94,200 to Developer “B”

7.4 City’s Discretion

The City has, at its sole discretion, the right to defer the payment of all or a portion of Development Levies from certain lands within the Benefiting Area in situations



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including, but not limited to:

- a) if, in the City's opinion, the development permit or subdivision for the subject lands will not directly result in an increase in development;
- b) if, in the City's opinion, the Cost Shareable Infrastructure is not necessary to serve the development or subdivision occurring on the subject lands;
- c) if, in the City's opinion, the development or subdivision occurring on the subject lands has no substantial impact on the Cost Shareable Infrastructure arterial road or drainage systems;
- d) development permits for the sake of renovations or changes in use, or block shell subdivisions or lot line adjustments.

When the payment of Development Levies is deferred, the Development Levies will become payable at the time of a future subdivision or development permit for the subject lands.

7.5 Release of Funds

A Front End Developer's share of Development Levies collected by the City will be released to them following the process outlined in the Servicing Agreement.

7.6 Existing Overexpenditures

A Subsequent Developer in the Benefiting Area will not be required to share in previous developer's existing Overexpenditures (created prior to implementation of this policy) by paying more than the amount calculated in Section 7.2(a), unless the City is legally obligated to require so under the previous developer's Servicing Agreement. If this occurs:

- a) the payment amount required from the Subsequent Developer will be calculated in accordance with the previous developer's Servicing Agreement;
- b) the Development Levy payment made by the Subsequent Developer will go to the previous developer, and no funds will go to the Front End Developer;
- c) the Subsequent Developer will be entitled to recover an Overexpenditure in the amount by which their payment exceeds the calculation in Section 7.2(a);
- d) the Subsequent Developer will be entitled to recover their Overexpenditure from the following sources:



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- i) fifty percent (50%) of the Incremental Tax Revenue from the lands included in their Servicing Agreement, starting in the following tax year after the Servicing Agreement is executed, and following the process outlined in Section 6; and
- ii) Development Levies from other Subsequent Developers in the Benefiting Area, following the processes outlined in this Section 7.
- e) the Tax Funding Minimum for the Subsequent Developer's Overexpenditure will equal zero (\$0);
- f) the Development Levy Funding Maximum will be equal to the Overexpenditure;
- g) any amounts that the City contributes through Incremental Tax Revenue will be fully recovered by the City in the future through Development Levies, and as funds are recovered, will be transferred into the City's general revenues; and
- h) the Development Levy rate must account for recovery of one hundred percent (100%) of the Overexpenditure, following the process in Section 5.3(b).

8 ADJUSTMENT OF OVEREXPENDITURES

- 8.1 When a Front End Developer's Overexpenditure gets adjusted in accordance with the Servicing Agreement to reflect the actual construction cost of the Cost Shareable Infrastructure, the portion of the cost increase (or decrease) that is to be funded through the Development Levy shall be distributed and shared amongst:
- a) any remaining assessable lands in the Benefiting Area that have yet to contribute to the Development Levy;
 - b) the Development Lands; and
 - c) any other lands within the Benefiting Area for which the Front End Developer has already contributed to the Development Levy, under a Servicing Agreement which was executed after the Servicing Agreement that contained the original Overexpenditure.

In other words, the City will calculate what the Development Levy contributions would have been for any lands that were developed by the Front End Developer, had the actual construction costs been known for the Cost Shareable Infrastructure when the Front End Developer made those Development Levy contributions. These



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theoretical Development Levy contributions will be used to recalculate the Front End Developer's remaining Overexpenditure.

For example:

Benefiting Area

- Total estimated Cost Shareable Infrastructure cost = \$5 million
- Total assessable land area = 50 ha
- Original Development Levy rate = \$5 million / 50 ha = \$100,000/ha
- Reduced Development Levy Rate = (\$5 million x [100% - 25%]) / 50 ha = \$75,000/ha

Year 1 – Front End Development “A” proceeds

- Development “A” Cost Shareable Infrastructure construction = \$5 million
- Development Lands “A” area = 10 ha
- Development “A” Development Levy contribution = \$75,000/ha x 10 ha = \$750,000
- Development “A” Overexpenditure = \$5 million - \$750,000 = \$4.25 million
- Remaining assessable lands in Benefiting Area = 50 ha - 10 ha = 40 ha

Year 2 – Subsequent Development “B” proceeds (different developer)

- Development “B” area = 15 ha
- Development “B” Development Levy contribution = \$75,000/ha x 15 ha = \$1,125,000
- Development “A” remaining Overexpenditure = \$4.25 million - \$1,125,000 = \$3,125,000
- Remaining assessable lands in Benefiting Area = 40 ha - 15 ha = 25 ha

Year 3 – Subsequent Development “C” proceeds (same developer as Development “A”)

- Development “C” area = 5 ha
- Development “C” Development Levy contribution = \$75,000/ha x 5 ha = \$375,000
- Development “A” remaining Overexpenditure = \$3,125,000 - \$375,000 = \$2.75 million
- Remaining assessable lands in Benefiting Area = 25 ha - 5 ha = 20 ha

Year 4 – Cost Adjustment

- Development “A” construction completed
- Development “A” actual Cost Shareable Infrastructure construction = \$6 million (\$1 million increase)
- Cost increase to be shared amongst:
 - Remaining assessable lands = 20 ha
 - Development Lands “A” = 10 ha
 - Development “C” = 5 ha
 - Total = 35 ha
- Original reduced Development Levy rate = \$75,000/ha
- Addition to Development Levy due to cost increase = (\$1 million x [100% - 25%]) / 35 ha = \$21,429/ha
- New Development Levy Rate = \$75,000/ha + \$21,429/ha = \$96,429/ha

- Adjusted Development “A” Development Levy contribution = \$96,429/ha x 10 ha = \$964,290
- Development “B” Development Levy contribution (cannot be adjusted) = \$1,125,000
- Adjusted Development “C” Development Levy contribution = \$96,429/ha x 5 ha = \$482,145



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- Adjusted Development "A" remaining Overexpenditure =
 - \$ 6 million (actual Cost Shareable Infrastructure cost)
 - \$ 964,290 (adjusted Development "A" Development Levy contribution)
 - \$ 1,125,000 (Development "B" Development Levy contribution)
 - \$ 482,145 (adjusted Development "C" Development Levy contribution)
 - = \$ 3,428,565

9 OTHER

- 9.1 This policy will be administered by the City's Sustainable Development Department through Servicing Agreements.
- 9.2 The Deputy City Manager may make minor exceptions to the program.
- 9.3 This policy requires that total Incremental Tax Revenue being paid to developers be identified through the budget process.