

# Off-Site Levies - Update and White Paper

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## Recommendation

That the January 27, 2020, Urban Form and Corporate Strategic Development report CR\_7552, be received for information.

## Previous Council/Committee Action

At the January 23, 2018, City Council meeting, the following motion was passed:

That the *Municipal Government Act* enabling provisions and associated administrative implementation approach as outlined in Attachment 2 of the January 15, 2018, Communications and Engagement report CR\_5344, be approved.

## Executive Summary

The City is fulfilling its legislative requirements by consulting with stakeholders on the development of the off-site levy. After several months of planning an overall process and forming an internal steering committee, Administration initiated external stakeholder engagement in November 2018. Since then Administration and stakeholders have spent time:

- building understanding of the City's authority to advance an off-site levies bylaw,
- developing a terms of reference for stakeholder engagement, inclusive of the process and outcome guiding principles,
- reviewing a subset of growth-related infrastructure (fire stations, libraries, and police stations) for the purpose of exploring a number of technical and policy questions needing to be resolved in formulating a bylaw,
- collaborating on the development of the White Paper, and
- considering a phased approach to the adoption of a levy bylaw, whereby the scope of the bylaw is limited to greenfield areas and only for several types of infrastructure.

Following engagement with the public, Administration intends to advance a second update to Committee on the overall approach to a Phase 1 Levy Bylaw in Q2, 2020. Subject to Committee direction, Administration would then finalize a draft Phase 1 Bylaw for Council's consideration by the end of 2020.

### Report

#### Authority to Advance the Offsite Levies Bylaw

In February 2019, the Province of Alberta approved charter regulations that broadened the eligibility criteria for off-site levies and affordable housing. This report provides information on off-site levies and how they fit into development charges through an attached White Paper (Attachment 1) and updates Council on Administration's stakeholder engagement and project direction.

The White Paper provides an overview of how the City currently applies levies, the expanded opportunities for levies under recent changes to the Municipal Government Act and the City Charter, and a number of key policy questions and factors that merit consideration in an approach to a bylaw for off-site levies. The White Paper is intended to be factual and to inform the complexity of applying levies at a scale beyond which the City currently applies levies.

#### Guiding Principles

Extensive external stakeholder engagement has been a key component to the project and has produced the following process and outcome principles:

##### Process Principles

- Develop a collaborative approach that takes into account the opportunities, challenges and risks facing the City and all stakeholder groups.
- Understand the City is accountable for making any final decision, and a successful outcome cannot be achieved unless the input of stakeholders shapes and influences the final product.
- Ensure interactions between the City and stakeholders occur in an environment of open and transparent communication. The City recognizes these two elements build trust and are the foundation of an effective working relationship.

##### Outcome Principles

- Sustainability, fairness and equity are at the centre of the final outcome.
- Growth supports growth.
- Focus on evidence-based decision making with the understanding that some ambiguity is inevitable.
- Agree that the best possible outcomes account for both regional and local priorities and responsibilities.
- A number of policy questions are posed in the attached White Paper. Each question must be viewed through a lens of the above principles in addition to

legislative requirements to achieve mutually beneficial outcomes for the City and stakeholder contributing revenue for future infrastructure.

### **Technical and Policy Questions to Consider**

Creating new development cost charges requires consideration of many interrelated factors, each with policy implications. Factors include alignment of development charge collection with planning objectives, breadth of scope, impact on the market, approach to application, and ease of administration.

Some key considerations in determining an off-site levy are:

- How levies should be applied geographically - city wide or area specific,
- Determining which types of development levies should be applied to and how rates should be set for different developments,
- The scope of the infrastructure to which levies will be collected/applied,
- Whether levies should be collected for new infrastructure and the rehabilitation or expansion of existing infrastructure,
- What portion of the cost of growth infrastructure should be covered by levies - all of it, or some of it,
- How growth infrastructure should be funded/financed,
- What cost elements of new infrastructure should be included in a levy,
- How levies should be collected - at the subdivision stage, or at the development permitting stage, or both, and
- Given the complexity of their application, determining whether levies should be applied on a staged basis to understand how they operate and make subsequent adjustments.

### **Phased Approach to Implementation**

With the collaboration of stakeholders, Administration is pursuing a phased approach to the development of a new off-site levies bylaw. The approach would advance Phase I: an initial levy bylaw. During Phase I, Administration would complete a long term analysis and broader approach for understanding the gap in funding for necessary municipal investments. The scope of the initial bylaw would be limited to fire stations, libraries, and police stations required in greenfield areas of the city.

The phased approach is based on the understanding by Administration and stakeholders that:

- a comprehensive system of levies is complicated and time consuming to develop,
- the costs and the benefitting areas for the initial infrastructure scope is understood and readily applicable,

- the type of infrastructure included balances life safety requirements and quality of life needs,
- the scale and impact of the bylaw can be more readily accommodated than a bylaw at a larger scale and with a larger financial impact to stakeholders and to the market,
- the City would gain the support of industry stakeholders,
- the bylaw would apply to greenfield areas where the majority of Edmonton's growth occurs and where significant cost and service pressures exist,
- the bylaw would not apply to core, mature and established residential areas, where less benefit is gained in the short term and more analysis is required, nor to industrial areas where a levy might otherwise discourage growth to occur, and the City would begin collecting revenues as soon as possible.

Once a Phase I bylaw is adopted, the City and stakeholders will monitor its performance and make adjustments as necessary. Administration will make annual adjustments to the levy rate based on refinements to cost estimates and cost indexing. Additional charges would not be introduced until the impacts to the City and stakeholders are understood.

### **Emerging City Plan Direction and Potential Longer Term Approach**

Adoption of the City Plan will provide direction for the longer term approach. Although complicated to implement, many Canadian cities have holistically incorporated development charges like off-site levies into their planning, servicing, and financing frameworks typically called growth management frameworks. Incorporating all three aspects allows cities to better manage growth to meet a municipality's policy goals. Treating development charges in this manner impacts the methodology of their application and catalyzes an approach that can support the city's long term sustainability. Additional detail is included in Attachment 2.

### **Public Consultation**

Administration has not yet engaged the general public on the formulation of an off-site levies bylaw. Upon determining the basic parameters of a bylaw, Administration will begin a broader consultation phase with the public. Given the complexity of developing a bylaw, Administration believes it would be best to present a tentative approach to an off-site levies bylaw for the public to consider and provide input on. Administration would in part utilize the content of the White Paper to outline the considerations in developing an approach and respond to public input as appropriate.

### Next Steps

Administration and stakeholders will continue work to establish the methodology used to calculate levy rates. This includes modeling rates and testing the application of rates through scenarios to understand the cost impact of a potential bylaw on stakeholders and the potential revenue generation for the City to support growth infrastructure. This work would support the establishment of a financial model to forecast off-site levy revenues and expenditures. Ongoing, the model would help identify levy revenue projections for new facilities and the need to apply additional sources of funding.

Following engagement with the public, Administration intends to advance a second update to Committee on the overall approach to a Phase 1 Levy Bylaw in Q2, 2020. Subject to Committee direction, Administration would then finalize a draft Phase 1 Bylaw for Council’s consideration by the end of 2020.

### Corporate Outcomes and Performance Management

<b>Corporate Outcome(s): Conditions of Success</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>
The City of Edmonton has sustainable and accessible infrastructure	Number of new greenfield communities that have access to municipal infrastructure according to defined business area benchmarks.	N/A	TBD 2020
The City of Edmonton has a resilient financial position	City’s capacity to sustain services required by growth, based on business area benchmarks.	N/A	TBD 2020

### Attachments

1. Off-Site Levies/Development Charges - White Paper
2. Long Term Approach to Off-Site Levies

### Others Reviewing this Report

- M. Persson, Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- G. Cebryk, Deputy City Manager, City Operations
- J. Meliefste, Acting Deputy City Manager, Integrated Infrastructure Services
- R. Smyth, Deputy City Manager, Citizen Services
- B. Andriachuk, City Solicitor