

Maple Ridge 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 Stage 6, by October 31, 2024, and remain eligible for the Revolving Industrial Servicing Fund, be approved.

Executive Summary

The Maple Ridge Owners group, which consists of three landowners, entered into a servicing agreement (Maple Ridge Stage 6) with the City in April 2017 to develop approximately 120 hectares of land in the Maple Ridge Industrial neighbourhood. The servicing agreement required the Maple Ridge Owners group to construct significant off-site cost shareable infrastructure in order to service their land. Off-site cost shareable infrastructure is infrastructure located within City road right of way constructed with excess capacity to service adjacent developments. In addition to the construction of off-site, cost shareable infrastructure, the Maple Ridge Owners group were required to complete an end-user development, which are the fully constructed buildings on serviced land, by April 2020 in order to be eligible for up to \$8 million in rebates from the City.

Due to the economic challenges the Edmonton region is experiencing, it has not been economically feasible for the Maple Ridge Owners group to complete construction of buildings on their lands in the required time and has requested an extension.

Administration supports extending the deadline for the Maple Ridge Owners group to complete the construction of buildings and remain eligible for a rebate through the Revolving Industrial Servicing Fund.

Report

Revolving Industrial Servicing Fund

The Revolving Industrial Servicing Fund, City Policy C533A, was designed to provide certainty to developers overseeing the construction of cost shareable infrastructure by

ensuring that a portion of the rebates a developer carries, up to a maximum of \$4 million, is paid back in a timely manner.

To take part in the program and be eligible for a rebate, developers must (among other things):

- construct cost shareable infrastructure; and
- erect new buildings within three years of the servicing agreement execution date.

If the developer does not meet these criteria, the project is no longer eligible for a rebate. If more than half of the proposed buildings are complete within those three years, the City may grant a one year rebate eligibility extension. This one year extension is to allow for construction of the remaining buildings.

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 other developments are constructed, the City enters into servicing agreements with those other developers. Through these agreements the City collects payment when the development benefits from the cost shareable infrastructure. This process enables the City to collect payments until the rebate assumed on behalf of the front-ending developer is paid off.

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

In June 2017, the Revolving Industrial Servicing Fund was replaced by the Industrial Infrastructure Cost Sharing program to incentivize industrial land development.

Background

In April 2017, the Maple Ridge Owners group signed a servicing agreement (Maple Ridge Stage 6), which is a contract between a developer and the City that requires the developer to construct infrastructure in accordance with the City's Design and Construction Standards and outlines the obligations of both parties, with the City to develop the lands in Maple Ridge Industrial.

To service their lands, the Maple Ridge Owners group committed to investing an estimated \$24.1 million towards the construction of cost shareable infrastructure such as arterial roadways, sanitary sewers, storm sewers and a water main. The outcome of the \$24.1 million investment in infrastructure will be the development of approximately

120 hectares of industrial land, and will help to open up the Maple Ridge Industrial neighbourhood for further development.

In addition to the \$24.1 million invested by the Maple Ridge Owners group for the construction of cost shareable infrastructure, the Maple Ridge Owners group paid an additional \$2.27 million in drainage assessments for infrastructure that their development will benefit from.

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. Both City Policy C533 and its later replacement 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 servicing agreement for Maple Ridge Stage 6 requires the cost shareable infrastructure and all the required buildings to be constructed by April 2020.

Current Status

To date the Maple Ridge Owners group has invested \$15.2 million for the construction of cost shareable infrastructure, which includes:

- 17 Street - \$2.24 million
- Storm Sewers - \$6.06 million
- Sanitary Sewers - \$5.50 million
- Water main - \$1.35 million

After completion of the remainder of 17 Street, which is expected to cost \$8.17 million to complete, the Maple Ridge Owners group will have invested \$23.3 million in cost shareable infrastructure. \$24.1 million was the initial estimated cost and \$23.3 is the updated cost, which reflects incurred costs and remaining costs.

Upon completion of the offsite sanitary trunk sewers, the Maple Ridge Owners group received \$4 million from the City in July of 2019. After receiving \$4 million dollars from the City, the Maple Ridge Owners group have the following remaining rebates:

- Arterial Roadway Assessments - \$0
- Storm - \$2.6 million
- Sanitary - \$0
- Boundary Recoveries - \$0.73 million

While the Maple Ridge Owners group has constructed the cost shareable storm sewers, sanitary sewers and a portion of 17 Street, with the remainder to be completed in 2022, 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 estimated valuation of the unserviced land at the time the servicing agreement is executed, for this development was \$30.9 million. Once all buildings are constructed, the total estimated post development taxable property assessment, which is the value of the serviced land and completed buildings, for this development will be \$188.2 million, which is an increase of \$157.3 million to the City's industrial tax base.

Applying the Property Tax Estimator Tool on the City of Edmonton's website for 2020, the predevelopment yearly tax revenue generated by this land is estimated to be \$0.7 million and upon completion of this development, the yearly tax revenue yielded from this development is estimated to be \$4.2 million, which represents a net increase of \$3.5 million per year in revenue for the City.

Financial Status of the Revolving Industrial Servicing Fund

With the Revolving Industrial Servicing Fund being superseded by the Industrial Infrastructure Cost Share Program, the Revolving Industrial Servicing Fund no longer accepts new projects. As a result of no new projects being admitted into the Revolving Industrial Servicing Fund program, and given that \$8 million was initially put aside for the Maple Ridge Stage 6 development, the Revolving Industrial Servicing Fund has the capacity to accommodate this request.

Public Engagement

Public engagement was not undertaken for this report, as a servicing agreement is a contract between a developer and the City.

Corporate Outcomes and Performance Management

Corporate Outcome: The City of Edmonton has a resilient financial position			
Outcome	Measure	Result	Target
Edmonton has a growing non-residential tax base	Non-residential real growth	0 lots with buildings completed	10 lots with building completed

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Economic	If the economic climate continues to remain in a depressed state it will affect the developers ability to develop buildings	3	1	3 - Low	An amendment to the Maple Ridge Stage 6 servicing agreement will relieve the City of the obligation to provide payment to the Maple Ridge Owners group if the buildings are not completed by October of 2024	None

Others Reviewing this Report

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- B. Andriachuk, City Solicitor