



ADMINISTRATIVE REPORT

Topic: 2018 Off-Site Levy Rates and Annual Report
Adoption of Updated Schedules “C” through “G” under Bylaw No. 2015-07

Introduction:

The Annual Report summarizes the off-site levy rates updated for the 2018 construction season, and subsequent bylaw schedule amendments to reflect the change in rates due to the current market conditions. Additionally, the required growth projects have been updated to provide essential services for development and growth with their respective area allocations for each of the infrastructure categories (water, sanitary, storm and transportation).

Facts (Background

LEGISLATIVE HISTORY

Municipalities are authorized to impose and collect off-site levies through the *Municipal Government Act* (MGA), Division 6, Sections 648 - 649. Parkland County executes its authority by establishing a bylaw which provides detailed development levy objectives. Off-Site Levy Bylaw 2015-07 was enacted on April 28, 2015. The bylaw is then applied to a specific development through a Development Agreement. The provisions of the bylaw require that updated Schedules "C" through "G" be approved by Council resolution on an annual basis.

COUNCIL DIRECTION

Council Policy C-PD05 Off-Site Infrastructure Levies was adopted on April 9, 2013.

Administrative Procedures C-PD05-P1 Off-Site Levy Assessment and Collection was adopted April 9, 2013.

BACKGROUND and DISCUSSION

The imposition of off-site levies is a mechanism by which a municipality may collect all or some of the capital dollars needed to construct new infrastructure required to support growth. The *Municipal Government Act* (“MGA”) defines categories of permissible off-site levies:

- New or expanded facilities for the storage, transmission, treatment or supply of water;
- New or expanded facilities for the treatment, movement or disposal of sanitary sewage;
- New or expanded storm sewer drainage facilities;
- New or expanded roads required for or impacted by a subdivision or development; and
- Land required for or in connecting with any of the above described facilities.

In addition to the above categories, the recent changes to the MGA enable municipalities to charge off-site levies for recreation, fire, police, and library facilities. The Parkland County Off-Site Levy Model has been expanded to allow for the collection of off-site levies for the above referenced facilities (if so desired in the future). Bylaw 2015-07 would require to be amended and Administration would require time to prepare supporting studies should the County wish to consider collecting off-site levies for those facilities.

Parkland County first established its Off-Site Levy Bylaw in 2007 for water, sanitary and storm; transportation was established in 2010. These previous bylaws were consolidated into a single bylaw in 2015. In accordance with the approved 2015 Bylaw, Off-Site Levy Rates are to be reviewed and adjusted on an annual basis to reflect estimated construction costs, updated interest or carrying costs, and amount of remaining developable land. The Off-Site Levy projects and corresponding benefitting parties specified within the bylaw itself must be reviewed and amended by Council no less than every three years, or sooner if required. This is to ensure that the bylaw itself remains up-to-date and in sync with the master plans and policies that guide it.

Off-site levies are not intended to stay static; they are based upon assumptions and the best available data of the day. Planning assumptions, cost estimates, etc. can change each year. Accordingly, the MGA requires that off-site levy rates be updated with the most available information on a regular basis. Should information change, it will be reflected in a future update, and rates adjusted accordingly.

The County uses the CORVUS off-site levy model to manage rates. This model is in use in several Alberta municipalities. The model uses a "full cost" methodology where by the infrastructure costs, inflation, construction staging, development staging, financial costs and reserve interest earning and charging impacts are all used to determine rates that allocate all costs to developers on an equitable basis, based on degree of benefit. With the CORVUS model in place, the County is in a position to quickly and efficiently update offsite levy rates each year upon completion of year-end finance activities.

Analysis:

Off-Site Levy Update

During the annual update of the off-site levy program, the unit rates for projected infrastructure are updated to best reflect the changes in the current market. The model projects the infrastructure requirements based on the anticipated development.

Development Staging was amended consistent with the Acheson Industrial, Big Lake, and Fifth Meridian Area Structure Plans. Overall, the amount of land projected to develop within the next 25 years was increased by 14% to reflect projected market conditions and development plans within each of the benefitting areas by Developers.

New water, sewer and transportation infrastructure projects were added within the model to cover expanding areas of Acheson. The unit rates are in line with the current developer/county built unit rates prevalent within both Parkland County and the Capital Region. Next year's update (2019) will provide an opportunity to reflect on the 2018 construction season and update unit rates respectively.

Water Infrastructure

- Engineering Services completed the updated Acheson & Big Lake Water Area Water Servicing Study in September of 2016; this report replaced the previous study undertaken in 2011. The number of water projects within the model increased by eight (8) from last year to a total of thirty-two (32). The total costs of all projects in the model increased from \$128.95 million to \$136.16 million. Updated cost estimates are based on 2017 estimates and include engineering costs and contingencies.

Storm Infrastructure

- The number of storm projects within the model decreased by three (3) from last year to a total of thirty-five (35). The total cost of the projects decreased by \$3.06 million from \$46.18 million to \$43.12 million. Updated cost estimates are based on 2017 estimates and include engineering costs and contingencies.

Sanitary Infrastructure

- The number of off-site sanitary projects within the model increased by twenty-eight (28) to forty-six (46) with the total costs of the projects increasing by \$28.84 million from \$28.48 million to \$57.32 million. Updated cost estimates are based on 2017 estimates and include engineering costs and contingencies.

Transportation Infrastructure

- The number of off-site transportation projects within the model increased by sixteen (16) from last year to a total of fifty-one (51) over last year. The total costs of the projects increasing by \$36.85 million from \$132.31 million to \$169.17 million.

- Of note, Engineering Services will be completing further comprehensive traffic studies for the Acheson area in 2018 that will be utilized in next year's update.

Annual Report

The annual off-site levy update provides a detailed account of the functionality of the off-site levy program over the previous year, and comparative tables outlining all changes to each project, growth and projected collection reserve throughout the long term management of the off-site levy program.

The report provides a detailed account for the identified off-site levy infrastructure constructed during the previous calendar year, as well as the actualized constructed costs of the existing built off-site levy environment. The estimated construction costs for each infrastructure identified within the program is accounted for, as well as the amounts of collected off-site levies that were collected and held by the County.

In addition, the report also provides a set of recommendations aimed at the improving the overall management of the County's off-site levies program, particularly regarding financial documentation and tracking of off-site levy accounts and balances. The Off-Site Levy Committee will be working to implement these recommendations over the second half of 2018.

Stakeholder Communications or Engagement

- Administration hosted an information session with the Development Industry on May 10, 2018. This included a formal presentation providing interested stakeholders a chance to understand the Off-Site Levy update and provide comments.
- The development community was generally supportive of the revised projects and rate changes. The comments collected provide important insight into the long term management of the County's Off-Site Levy program.

Implications of Recommendation(s)

a) Financial:

- The financial implications to Parkland County and the Off-Site Levy Bylaw are complex and included in the Annual Report.
- The Off-Site Levy Rates have rates have declined from a weighted average of \$110,107 per net hectare to \$82,492 per net hectare. There are two (2) primary reasons for this decline. First, infrastructure costs allocated to development within the 25-year review period have declined 21% from \$218 million to \$175 million. Second, forecast land development with the 25-year review period has increased 14% from 1587 hectares to 1816 hectares. The rationale for these changes have been included in the Annual Report.

b) Legal/Risk:

- The development or master planning documentation utilized within the Bylaw update underwent substantial consultation with the development industry and the public.

c) Program or Service:

- None at this time

d) Organizational

- As part of the 2017 budget, a new position within the Planning & Development Services department was established to coordinate and deal with increased administration of the County's Off-Site Levy Program.

Strategic Connections

- a) **Strategic Plan:** This aligns with the Long-Term Strategic Plan (2040 and Beyond) Complete Communities Guiding Principle 1.2 – “We are a region of connected communities, through infrastructure, transit, recreation facilities, trails, and technology”.

- b) Economic:** Off-Site levies aid in maintaining a fair and competitive tax structure, while continuing to invest in community infrastructure such as roads, utilities and facilities. Off-Site levies are reviewed and calculated on an annual basis by the Off-Site Levy Review Committee. The off-site levy calculations have been coordinated and reconciled with the County's Capital Plan and financial ledgers.
- c) Social:** Properly funded infrastructure provides for the social well-being of all residents.
- d) Environmental:** Properly funded infrastructure provides for enhanced environmental sustainability.
- e) Financial Impact:** Parkland County will collect off-site levies from developers that subdivide or develop within the benefitting areas in order to ensure the collection of these funds are transferred to the front end contributors that are constructing or upgrading off-site infrastructure.

Conclusion/Summary:

Administration supports the Annual Report and proposed Water, Sanitary Sewer, Stormwater and Transportation Off-Site Levy Projects & Estimated Costs and Off-Site Levy Rate Changes as presented.

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