Schedule F

Off-Site Levy Administration

1. **Purpose:**

In accordance with the Municipal Government Act (MGA), the City of Red Deer has created Off-Site Levies for water, sanitary sewer, storm sewer and transportation infrastructure by enacting an Off-Site Levy Bylaw. This administrative procedure will lay out how Off-Site Levies are calculated, reported and updated annually.

The following principles provide guidance for interpretation of the Bylaw and will form the basis for the procedures contained within this document:

1. Development will pay for development by means of an off-site levy.

2. The City will continue to front end off-site levy infrastructure as approved within the Capital budget.

3. Off-site levies will be collected at time of development or subdivision. Deferral of off-site levies will be considered on a case-by-case basis,

4. A multi-basin model based on the benefitting area of the infrastructure, will be used to ensure the rates are equitable to all developers based on the degree of benefit.

5. The off-site levy will be transparent.

6. The off-site levy model will be updated at minimum annually, or as required to address advanced progression of development. These updates shall reflect changes in the construction costs, necessity of infrastructure, interest rates, speed of development, new projects added to the model, new areas of development added to the model and any other factors that may affect the rate.

7. An annual report summarizing the contributions and expenditures to the off-site levy funds will be prepared.

8. Demonstrated private/public benefit being rationalized through City studies.

9. The City may consider allowing developers to front end on terms and conditions that are acceptable to the City.

10. Developers will be consulted annually.

(1) **Procedure(s):**

1. **Off-Site Levy Calculations**

1.1 Basins

The City of Red Deer has adopted a multi-basin approach to determine off-site levy rates. These basins are determined by service areas for each of the underground utilities (water, sanitary and storm) and delineated according to areas of benefit. Transportation is considered to benefit the entire City and as such is a consistent value across all basins.

1.2 Net Development Area

Net Development Area is determined by taking the Gross Development Area as defined in the bylaw and then making deductions based on the excluded areas defined in the MGA and the Bylaw. The excluded areas are:

- previously developed lands for which off-site levies have already been paid;
- road rights-of-way for expressways and arterial roadways as designated by the City;
- Environmental Reserves as defined in the Municipal Government Act;
- Oil and gas pipeline rights-of-way and facilities necessary for the operation of the pipeline; and
- Railway rights-of-way.

For development areas with detailed planning in place (such as area structure plans), actual net development area will be used. For development area without detailed plans, best estimates will be used to measure the developable area and areas of exclusion. As area structure plans are developed, net developable areas in the corresponding basins will be adjusted.

In addition, when right-of-way is acquired for arterial road projects that are contained within the model the developable areas will be adjusted. Adjustments for developable areas will be made on an annual basis.

1.2 Project Eligibility

The following principles shall be used when determining whether a project is to be considered in the off-site levy calculations:

- Transportation off-site infrastructure means an existing or proposed expressway, divided or undivided arterial roadway, including the land for right-of-way in accordance with approved cross sections in the City of Red Deer Engineering Design Guidelines.
- Water off-site infrastructure means an existing or proposed water main, generally having an

internal diameter of 350 mm or greater, complete with related pumping and storage facilities.
- Sanitary off-site infrastructure means an existing or proposed sanitary sewer generally having an internal diameter of 375 mm or greater, or having a depth of cover greater than 6.0 m, complete with related pumping and lift station facilities.
- Storm off-site infrastructure means an existing or proposed storm sewer, generally defined as having an internal diameter of 1,200 mm or greater, or having a depth of cover greater than 6.0 m.

In order to be considered for inclusion in the levy, projects must serve either multiple areas, multiple developers or a combination of both. Regardless of the general definitions provided above, projects only serving one developer -will not be considered in the off-site levy model calculation.

1.3 Project Costs

- Project costs will be calculated and updated when new information becomes available on an annual basis. Project costs can be determined with the following methods:
- A Estimates – typical high level estimates based on historical pricing for certain types of infrastructure. For example, an arterial roadway cost $5,000 per metre to construct.
- B Estimates – functional design level estimates with some known quantities and historical unit prices, however site details are not known and detailed design is not complete.
- C Estimates – estimates completed after detailed design and prior to tender
- D Estimates – cost of projects after tender.
- The City will use the estimate with the highest level of accuracy available at the time to calculate offsite levy costs in the model, and the type of estimates used for projects will be published in the project lists.

As projects proceed through various phases, the model will be updated to reflect the most current estimates as they become available. A and B estimates will be reviewed when updated unit prices become available, at minimum every three years.

1.4 Determining Off-Site Levy Developer Costs

Off-site levy costs attributable to the developer for each project are determined by the following method.

1. The total project cost is calculated by adding the cost of completed work, debenture interest and the estimated cost of work yet to be completed.
2. Reduced project costs are determined by subtracting the sum of special grants or other contributions from the total project cost.
3. The developer costs are then determined by their percentage share of the reduced project cost.
4. The remaining project costs will be either the municipality's, other interested parties' share (for instance an adjacent municipality) or a combination of both.

Special grants are project specific grants received through application. Allocation grants (for example LGFF) should not be used for levy projects. Other contributions are contributions from third parties. A common example would be a railway contributing to a railway overpass.

The developer share percentage is determined by the amount of the project that is attributable to growth and will be determined by study (for example servicing studies or infrastructure modelling) with technical data to support. The percentage attributable to the developer is the amount of demand placed on the supporting infrastructure to serve the development.

Once the Off-Site Levy Developer Cost is established, levies collected are subtracted and the adjusted developer cost for each project is determined.

1.5 Rate Calculation

1. An offsite levy rate before project staging is calculated by dividing the Adjusted Developer Cost by the net developable area.
2. An adjusted rate is then calculated taking into account the amount of reserve balance, the amount of levies anticipated to be collected in the next 25 years, the costs of projects to be completed in the next 25 years and the amount of interest paid or debt payments from prior projects.
3. The total rate calculation per basin is calculated by taking the total of all projects allocated to a basin and dividing by the total area of the benefitting basins.

2. Model Administration

The model is intended to be dynamic, but also realistic. The current model is based on development within a 25 year period. Setting a realistic estimate of development occurring in this period is critical to staging infrastructure to support this development. Setting a realistic estimate will mean that the City's entire growth area will not be completed within this 25 year period. This will require diligent annual review, with new projects and new development areas added to the model.

2.1 Development Areas

At minimum, the City will consult annually with the development community to review the pace of development and adjust development area staging accordingly. This will adjust the amount of development staging in the 25 year period either adding, removing or maintaining the developable area in the model.

2.2 Project Staging

Concurrent with the development area review, the City will also review project staging with the development community to adjust the timing of infrastructure projects to be reflective of the needs of the development area staging. This review will help to inform the following:

- Infrastructure projects that are required to be included in the following year's Capital Budget.
- Infrastructure projects that need to be adjusted in the following year's 10 year Capital Plan. This could include bringing projects into the 10 year plan, moving projects out of the 10 year Capital plan or adjust the year of current projects within the 10 year Capital plan.
- Moving projects into, or outside of the 25 year period in the model.

In order to accurately reflect current development situations and provide a dynamic model the City will maintain a list of projects and development areas within the 25 year period and a list of projects and development areas outside of the 25 year period. While the model is currently structured to anticipate the complete development area within the City limits this will change over time typically through annexation. While most of the projects support this growth area there are some that will either not be required to support this growth area, or will not benefit this growth area until after the 25 year period of the model.

The list of projects and development areas within the 25 year period will form the basis for the calculation of the off-site levy and will be contained within the off-site levy bylaw. Project timing will be reviewed annually with the development community.

2.3 Off-Site Levy Developer Costs and Oversizing

The off-site levy rate calculation will reflect the cost of projects that have a benefit to developers within the 25 year development period. This is done by using the oversizing function in the off-site levy model.

In order to be comprehensive, easily adjustable and transparent the off-site levy model contains all projects required for full build out of the City's current growth boundaries within the current City limit. In order to ensure that only costs of projects that benefit growth within the 25 year period, the oversizing function will be used on any project that is staged outside of the 25 year period.

Oversizing assumes that a project occurring outside of the 25 year period does not have any current benefit to developers. The percentage of the project cost outside of the 25 year period is reduced accordingly. For example, if a project is within the 25 year period 100% of the project value (or cost) would be considered attributable to current growth and therefore included in the model. If the project is outside of the 25 year period, then 100% of the project value is considered attributable to future growth and is not included in the model.

Projects in Appendix C of this bylaw have two categories of developer share shown. Developer share beyond 25 years are projects where the oversizing function has been used and are not included in the rate calculation. The developer share column in the table reflects projects that are included in the rate calculation.

When it is determined that a project is required to support current growth within the 25 year period the oversizing function will be removed. This will be reviewed on an annual basis with developers and if required included in any annual rate adjustments.

2.4 Development outside 25 Years

When a development that is not currently in the model and off-site levy rate calculation requires infrastructure to be completed, a rate adjustment will be required. This will include adjusting project staging and development area staging to bring projects and developable areas into the model, requiring an additional rate calculation.

This will allow for rates to be updated and reflect changes in the pace of development in the City. Ideally, projects and development areas are brought into the model on an annual basis resulting from consultation with the development community. In certain circumstances, where the need to adjust the rate is more immediate these adjustments can be made on an as needed basis.

At any time, model adjustments can be made and potential rates identified for developers wanting to make informed business decisions on potential future development areas in the City. These rates would not be binding on the City or the developer as they would not be formally changed in the bylaw, rather are provided for illustrative purposes.

2.5 Interest Rates

Interest rates are updated annually using the following information:

- For borrowing interest owed, the interest rate uses the loads to local authorities 25 year borrowing rate.
- For interest earned, the most interest rates published by the City of Red Deer Finance Department.
- For construction price index, the most recent consumer price index data for construction related activities.

3. **Off-Site Levy Annual Review Process**

3.1 Financial Updates

Each year, between January and March the following financial updates will be made to the model:

- Addition of off-site levy receipts collected and adjustment of development area
- Addition of work completed to data
- Reconciliation of reserve balances

The Financial update will be completed in conjunction with the City's normal year end financial procedures.

3.2 Meeting with Developers

Once financial updates are completed a meeting will be held with the development community to review the following:

- Land development completed in the previous year
- Review of the existing development staging assumptions
- Review of additional development areas added to the model
- Review of projects added to the model
- Review of capital project timing and requirements

The meeting is also an opportunity for the City to get feedback from developers on the infrastructure required to support growth in the City. This could include suggested improvement to infrastructure plans or requested reviews for the type of facility utilized to support growth.

This meeting should occur after financial updates have been made and before Capital budget preparation begins, sometime between March and June.

3.4 Coordination with Budget and Capital Plan

Once projects have been reviewed with developers any updates to budget, or the capital plan should be included in annual budget considerations. This will ensure alignment with development timing and provide confidence for developers that projects are being considered in the capital plan to support growth.

3.34 Off-Site Levy Rate Updates

Once feedback is received from the developers and any projects required in the upcoming budget or capital plan have been considered, a new off-site levy rate can be calculated. Bylaw updates should be done annually regardless of how significant the rate change may be. This will ensure that anyone required to pay a levy is doing so with the most accurate cost. A rate that is not updated annually may over charge an individual in a given year. Conversely, if projects are not added to the model annually developers may be under charged. This is not an issue for developers who pay levies on multiple developments over multiple years. Since the levies collected reduce the developer's cost in the model, they will be reflected in future rate updates.

For one off developers, or for some individual properties where levies remain uncollected if the rate is not updated annually, they could be paying a rate higher than necessary. If they don't develop other properties in the model, they would not see these savings passed on through future updates. This will also provide the annual report required to be presented to Council. The off-site levy bylaw should be taken to Council for first reading no later than the second meeting in January of each year. This will ensure that rates are updated early in the year to provide developers with the most accurate rate to provide the current year development agreements.

4. **Off-Site Levy Collection**

Off-site levies will be collected at subdivision or at development permit. Off-site levies will only be collected once and for each infrastructure type.

4.1 Off-Site Levy Deferral

Off-site levies may be deferred where infrastructure is not in place and not required to support a proposed development. When a decision to defer a levy is to be made, the following will be considered:

- Is the development benefitting from off-site levy infrastructure either in place or to be constructed in the 25 year period in the model?
- Is the development able to connect to existing infrastructure?
- Does the current off-site levy rate reflect the infrastructure projects required in the development basin to support this development.
- Is the proposed development intensifying the use that will require off-site infrastructure to be completed in the near future?

For example, consider a development in a basin where they are only able to connect to water infrastructure. In this case, only water levies would be collected with storm, sanitary and transportation levies deferred until these services connect to the development.

If the proposed development does not trigger the need for additional infrastructure improvements now, or in the future and the levy rate is currently zero, then the levy would be considered to be collected. In the example above, while there is no connection to transportation if there are no transportation projects required in the 25 year period then the transportation levy would be considered collected.

If the proposed development does not immediately trigger the need for transportation improvements, but transportation infrastructure will be required outside of the 25 year period and added to the model in the future when required then the transportation levy would be deferred. The levy would be collected when the project is added and a revised rate is calculated.

Off-site levy deferrals should be done to minimize the cost to current development while balancing that with the need to provide off-site infrastructure in the future. Decisions to defer must also consider the ability to collect levies in the future, as re-development may not occur for some time until another opportunity presents itself.

Ideally, off-site levy deferrals will be done by agreement and registered on title to ensure that future landowners are aware of the outstanding requirements.