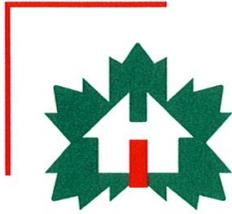


Regina & Region
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October 12, 2018

Kim Sare
City of Regina

Re: City of Regina Greenfield Servicing Agreement Fee and Development Levy Rates

Dear Kim,

I appreciate you reaching out and providing a little extra time for us to provide comments on the Greenfield Servicing Agreement Fee and Development Levy Rates.

Our industry understands very well the impact that regulatory changes and budgetary decisions have on the costs to of infrastructure. We understand the City of Regina made a choice several years ago that 'Growth pays for Growth' and the entire SAF model is based upon that principle. In the past we have often supported rate increases providing that there was a commitment to service and transparency.

At the same time, this has been a very challenging year for the residential construction industry. As you are aware permits are down significantly and well below the 5 and 10 year averages and the amount of requests to service land has shrunk immensely. There is significant downward pressure on the housing industry in Regina from all three levels of government. Increased regulatory demands, mixed with changes in the PST and most impactful the new mortgage rules and mortgage stress tests are removing an increasing proportion of Regina citizens and new comers from home ownership and locking them into the rental market. This has much longer term social economic impacts.

The damage of current economics of residential construction is acting like an anchor on our overall economy. We estimate, since 2015 our industry has quietly lay off over 1,600 people in the Greater Regina Area, which would be equivalent to closing down two EVRAZ Steel plants. If EVRAZ Steel were to suggest closing down their existing plant, one would wonder how far the City of Regina would go to create incentives to encourage EVRAZ Steel to reverse such a decision.

With such a soft market for residential construction, we are asking for all levels of government to freeze any increases in fees that they are passing on until we experience a return to the 5- or 10-year average of activity.

Initially, we felt some relief to discover in your letter that the 2019 SAF rate would not change, so our request to freeze rates was not necessary. Upon further reflection, we recognized an additional \$30,000,000 in upgrades were added to the Wastewater Treatment system. Our challenge is, there has been no release of the Wastewater Master Plan. It is our recollection that the City of Regina committed to at least have a draft of the Wastewater Master Plan one year after the new levy system was adopted.

We are looking forward to the review of the Project List being brought forward in 2019. Since many of the projects in the SAF model were costed during the peak of the economic boom, we feel strongly the SAF model should reflect the significant decrease in civic infrastructure construction cost.

Finally, the City of Regina and stakeholders like our Association should have a clear and transparent process to make changes to the SAF model. This should include circulating the changes with supporting material and providing opportunity to meet collaboratively to review.

Our recommendation at this time is to pull the \$30,000,000 of upgrades out of the SAF Wastewater project list, until the rationale and transparency of that project in the SAF model can be addressed. This would not only be a fair approach to the principles of the SAF model, but in these very difficult times for the Residential Construction sector it would provide some minimal relief to our sector. Removing the \$30,000,000 of Wastewater upgrades from the SAF model until the larger project review in 2019 is one of those rare moments the City of Regina has to actually lower the rate in 2019. This is a great opportunity for the City of Regina to demonstrate it is listening to industry and because of the timing of our current market would have minimal impact on the SAF Reserve.

We appreciate your consideration in this matter.

Thank You,



Stu Niebergall
President & CEO