APPENDIX C

1.0 INTRODUCTION

This research paper provides a case studies on development charge structures for other comparable cities in Western Canada, examining differences in methodology for administering development charges and funding sources for growth-related infrastructure. When comparing municipalities there are a few considerations to note:

- **Differing Legislation** – Saskatchewan, Alberta, British Columbia, Manitoba and Ontario all have differing legislation respecting the calculation and imposition of development charges.

- **Differing Needs** – Cities have different infrastructure needs, different council priorities and varying financial realities, all of which contribute to how they fund growth-related infrastructure.

- **Terminology** – Broadly speaking, the term "development charge" may refer to one-time fees imposed by municipalities on land developers, home builders and institutions when they subdivide, develop, build or intensify on an area of land. Development charges are intended to offset the cost of increased municipal services and infrastructure required due to population growth and development.
    - The terms servicing agreement fee, off-site levy, development levy, all refer to types of development charges. They may be collected at different times or in different areas, but the fundamental principles for why they are collected are the same.

TABLE OF CONTENTS

2.0 DEVELOPMENT CHARGES IN SASKATOON

Long-term Infill/Established Growth Target: 50%
Historically, Saskatoon has applied servicing agreement fees to subdivisions in both greenfield and established areas. This applies most often to greenfield subdivisions as many infill developments do not require the subdivision of land. Currently, Saskatoon's servicing agreement fees include growth-related infrastructure projects from every category of infrastructure allowable under *The Planning and Development Act, 2007*, however, water and sewer projects only relate to linear infrastructure and not treatment plants, storage or conveyance (MNP Hemson 6).

The City of Saskatoon does not have a Development Levy Bylaw in place. As such, unless subdivision is involved, intensified development projects would not be subject to a charge.

In 2018, Saskatoon exempted charging servicing agreement fees for new subdivisions in their Downtown (City of Saskatoon 1-2). In 2019, City Council resolved to expand the servicing agreement fee exemption area to include established neighbourhoods (excluding U of S Lands) that fall under a multiple-unit residential, commercial or mixed-use zone. Per City Council's resolution, this exemption will remain in place until Saskatoon's audit of their development charge structure that is currently ongoing is completed (City of Saskatoon).

2.1 SERVICING AGREEMENT FEES – OFFSITE SERVICES

Offsite services refer to infrastructure that benefits a broader catchment area (e.g. city-wide) than direct services which typically benefit a specific subdivision or development only. Saskatoon has several different servicing agreement fees for a variety of infrastructure types. Servicing agreement fees for parks & recreation, trunk sewers, primary watermains and arterial roads are the only servicing agreement fee types that are charged in both greenfield and infill areas.

Servicing agreement fees for these broader offsite services are established and charged on a lot front metre basis which differs based on the proposed land-use (residential or non-residential) and zoning.

2.2 FUNDING SOURCES

An independent review of Saskatoon's processes regarding development charges was conducted by a consultant in 2019/2020 and undertook a comprehensive examination of the City's servicing agreement fee structure, calculation methodologies, policies & practices and assessed opportunities for improvements. The report contained several recommendations in which the City is currently preparing an Implementation Plan to explore further (City of Saskatoon).

As a part of this independent review, the consultant identified four funding sources for growth-related infrastructure:

- Servicing agreement fees applied to developments requiring subdivision;
- Land development surpluses;
- Provincial and Federal grants; and
- Property taxes and utility rates (MNP Hemson).

According to the 2019/2020 review of Saskatoon's development charge processes, a portion of financial returns from Saskatoon Land (Development Corporation) get reinvested in the community. From 2007 to 2019, over $123 million in net proceeds from Saskatoon Land were directed to the City's operating budgets and capital projects. In addition, the City works to apply the funds to growth-related infrastructure projects such as roads, trunk sewers, primary watermains, interchanges, lift stations and park development projects (MNP Hemson 15-16).

3.0 DEVELOPMENT CHARGES IN RED DEER

Long-term Infill/Established Growth Target: N/A
The City of Red Deer recently passed a new Off-Site Levy Bylaw that separated the city into 19 "basins" (city area), each with a unique per hectare rate based on several individual rates for transportation, water, sanitary and storm infrastructure.

Development in each basin pays for the infrastructure that will proportionally benefit that basin or have a shared benefit among multiple basins. Rates for basins are as low as $76,000, while other basins have rates as high as $308,000 for areas that are generally further from the river and water treatment plant (Hall).

Rates are applied based on the number of hectares in a subdivision plan, or development plan, in cases where no subdivision is involved.

Off-site levies must be paid by the owner or developer of any parcel of land within the City involving subdivision or development, where there is no record that off-site levies have been previously paid. For example:

a. Upon subdivision, if the parcel had been previously serviced, off-site levies will be required on all the new lots created, except the one new lot that was originally serviced. The original lot may be subject to a redevelopment levy.
b. Upon subdivision or redevelopment, where the parcel was not previously serviced, off-site levies must be paid on the entire development area.

3.1 FUNDING SOURCE

Projects within the City of Red Deer's Off-Site Levy Bylaw are either fully or partially funded through collected off-site levies from development or subdivision within a benefitting basin(s). For projects partially funded through off-site levies, the remaining portion is covered via tax-supported funding.

On occasion, there may be a third-party contribution towards certain projects. For instance, there is one off-site levy-funded project that is technically a provincial highway, so the Province of Alberta contributes funding accordingly.

4.0 DEVELOPMENT CHARGES IN CALGARY

Long-term Infill/Established Growth Target: 50%
The City of Calgary's Off-Site Levy Bylaw and Centre City Levy Bylaw are in place to fund growth-related infrastructure. The Off-Site Levy funds growth-related infrastructure that provides a broader benefit (e.g. arterial roads) and includes a greenfield and established area rate. The Centre City Levy program is a funding tool used to collect levies from developers to share in the funding of growth-related local infrastructure and community improvements within the Centre City Plan Area (City of Calgary).

4.1 OFF-SITE LEVY

There are two different types of levies included in Calgary's Off-Site Levy Bylaw, one that applies only to the greenfield area and one that applies only to the established area. Growth-related infrastructure types included in the Off-Site Levy Bylaw are as follows: water distribution & wastewater collection infrastructure, transportation and community or recreation infrastructure (transit, fire, police, recreational and library facilities).

For growth-related infrastructure projects, cost is allocated based on the benefit a project will provide to new growth (in greenfield or established areas), existing development and regional growth (e.g. Airdrie forcemain tie-in).

Levies in the greenfield area are charged on a per hectare basis for all development types and all infrastructure types. Levies in the established area are applied to only water and wastewater infrastructure, namely treatment plants. In established areas, the off-site levy payable is determined based on the type of development proposed and collected on a per unit basis for residential development and metres squared basis for commercial/industrial development.

4.2 CENTRE CITY LEVY

Calgary's Centre City Levy program is a funding mechanism to collect levies from developers to cost-share local growth-related infrastructure and public realm improvements required due to new growth within the Centre City Plan Area. New development is charged a rate on a linear basis using the length of the parcel's frontage for the calculation.

The levy is collected on development in the Centre City Plan Area that is later invested, often with other funding sources for infrastructure programs to support growth, quality of life and resiliency in the Centre City Plan Area. This could include funding to support local infrastructure projects and public realm improvements that are triggered by new development (City of Calgary 2-3).

4.3 FUNDING SOURCE (OFF-SITE LEVY)

Costs for off-site growth-related infrastructure with a broader benefit spanning multiple areas are funded by the City through off-site levies and other funding sources such as utility rates, property taxes and government grants (City of Calgary 24-25).

4.3.1 DENSITY INCENTIVE PROGRAM

A Density Incentive Program is included in Calgary's Off-Site Levy Bylaw and is intended to offset the cost of off-site levies for high-density development in established areas. Under the program, developments with a density above 285 equivalent people per hectare have their off-site levies capped at a rate equal to what a development of 285 equivalent people per hectare would pay. This is less than what would be paid should the rate be calculated based on the total number of units or square metres.

An Established Areas Redevelopment Incentive Budget covers the cost of the program, specifically subsidizing off-site levies for development with densities above 285 equivalent people per hectares. The program budget is funded through the property tax uplift arising from intensification within established areas (City of Calgary 1-4).

5.0 DEVELOPMENT CHARGES IN EDMONTON

Long-term Infill/Established Growth Target: 50%

Edmonton is somewhat unique in how it charges levies to cover infrastructure and costs related to growth. Rather than applying a single development charge covering multiple infrastructure types, Edmonton uses a combination of "charges" to cover different classes of growth-related infrastructure.

5.1 FACILITIES OFF-SITE LEVY BYLAW

In June 2021, Edmonton adopted a new Facilities Off-Site Levies Bylaw, which currently includes projects that involve the construction of fire halls in new development areas. Each development within a specified catchment area outlined in the bylaw pays a proportionate share of the costs of a new fire hall for that area based on the area of the land included in a subdivision or development proposal (City of Edmonton).

The cost of the new facilities is jointly shared between the City and new development. The cost to construct the 12 fire halls listed in the bylaw is roughly $185 million. It is estimated that the City will recover 40 to 45 per cent of these costs via collected off-site levies as the communities that the fire halls will serve are built out. The leftover $110 million share of costs will be covered by the City through other sources such as grants, tax levy on a pay-as-you-go basis, or through tax-supported debt (City of Edmonton).

5.2 ARTERIAL ROADWAY ASSESSMENTS

Arterial Roadway Assessments (ARA) are charged during subdivision or at the time of a development permit to cover major arterial road infrastructure needed to support growth. Edmonton's ARA Bylaw stipulates that the cost for several arterial roads is to be cost-shared by development in various catchment areas. New development or subdivision within a catchment area defined in the ARA Bylaw is subject to the applicable per hectare ARA rate for that catchment area. Catchment areas are adjacent to Edmonton's major freeway that circles the city. Mainly, these areas are located outside of the circle freeway in newer greenfield areas, however, there are some catchment areas located inside of the freeway. No catchment areas are within, or near the downtown core area.

5.3 PERMANENT AREA CONTRIBUTIONS

Permanent Area Contributions (PAC) are payments for storm and sanitary trunk sewers, stormwater management facilities and other cost-sharable drainage improvements within predefined drainage basins (city areas). A PAC is charged on a per hectare basis to new development or subdivision within a defined basin. The PAC system has two types of cost-sharing:

- **On-site cost-sharing** – the sharing of costs for trunk sewers installed within a drainage basin.
- **Off-site cost-sharing** – the sharing of costs for intercepting sewers built outside the boundaries of an on-site cost-sharing basin.

On-site cost-sharing projects are more localized to a specific basin, where off-site cost-sharing projects can span several basins (Agrawal 19-20).

5.4. SANITARY SERVICING STRATEGY FUND

In 1999, Edmonton established a Sanitary Sewer Servicing Fund (SSSF) intended to fund future sewer trunk projects large than 1,050 millimetres in diameter and serving areas greater than 1,400 hectares. The City collects revenue for this fund ahead of making expenditures through three pooled funding sources, which are detailed below.

5.4.1 SANITARY UTILITY CONTRIBUTION

This is a yearly fee contributed by the sanitary utility owner (EPCOR). The current yearly contribution is set at $1.3 million per year (City of Edmonton).

5.4.2 EXPANSION ASSESSMENT CHARGE

This is a per hectare charge applied to new subdivisions and development located in areas planned to be serviced by existing or future major sanitary trunks. This charge only applies to three catchment areas located along the periphery of the city (greenfield area). Each of these catchment areas has a distinct charge based on the infrastructure required for that area. These include: North Edmonton Sanitary Trunk, South Edmonton Sanitary Sewer and West Edmonton Sanitary Sewer (City of Edmonton).

5.4.3 SANITARY SEWER TRUNK CHARGE

This charge is levied on new development and redevelopments that increase the intensity of land use on properties that abut an EPCOR Water Service or city right-of-way in which there is a sanitary or combined sewer. All money collected is deposited into the Sanitary Servicing Strategy Fund.

5.5 FUNDING SOURCE

Fee Type:	Funding Sources:
Facilities Off-site Levy	Levies collected from developers and contributions from City funding sources.
Arterial Roadway Assessments (ARA)	Collected ARAs from development within a corresponding catchment area.
Sanitary Sewer Servicing Fund	Developers contribute through the Expansion Area and Sanitary Sewer Trunk charges. EPCOR contributes $1.7 million as the utility owner. Regional contributions are also made.
Permanent Area Contributions	Developers of property within a benefitting area of the city.

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