



Offsite Levy Bylaw 25-2021 Developer Feedback

As part of the 2023 update to the City of Lloydminster's (City) Offsite Levy Bylaw, City Administration issued an invitation to all developers with a focus on developers who have worked with the City in the past, as well as to any other interested parties that would like to be involved in the review of the proposed update to the Offsite Levy Bylaw. Invitations were advertised in the local newspaper as well as through targeted email invitation to select developers.

The meeting was held on July 27, 2023. Information associated with the Offsite Levy Bylaw update, including a review of the current Bylaw, Policy, and Offsite Levy Model were presented at the meeting and subsequently sent to all parties afterwards for review. Comments from the development community were to be issued to City Administration by August 18, 2023, to allow adequate time for review. Feedback was received from two (2) developers and is summarized below:

1. The size of a trunk main included in the Offsite Levy Background Report incorrectly lists the diameter for the Sanitary Sewer System project SAN-4.
 - a. The size, i.e., the internal diameter, has been adjusted within the description presented within the Offsite Levy Background Report. No change required for the project cost and no effect on the anticipated Offsite Levy Rates.
2. What is the status of the offsite levy's balances. When I look at the report it uses numbers as if it's a clean slate and we are starting today at zero balances.
 - a. The reserve balances as indicated on page 29 of the Offsite Levy Background Report are accurate as of December 31, 2022. Note that as part of meeting the Alberta Municipal Government Act (MGA) with respect to Offsite Levies, the City will be preparing and presenting to Council an annual report associated with the status of the Offsite Levy reserves and the projects that utilized any allocation of the monies contained therein.
3. The methodology of how we calculate offsite levies is changing and want to ensure that everyone understands the impact of the change. The report has added roads and PULs to the calculation:
 - a. I believe the methodology we use today represents a cleaner calculation and is a better representation of the impact on the infrastructure. It is the lot that needs the roads, sewer systems, and water.
 - b. When you have an existing lot that requires offsite to be paid it is apples to apples of a new lot getting generated. See question 11 below.
 - c. We are responsible for constructing our own storm ponds from a capital cost, and now the report wants levies charged to the PUL on top of that.

The change in how the value of the Offsite Levies are being calculated in the proposed Offsite Levy Bylaw was derived from a review of common practices in other jurisdictions with the decision being made by Administration to adjust the calculation method to align with industry standards in order to bring consistency to our practices and those of other municipalities. The Offsite Levy Rate has taken into account this adjustment in calculation method

4. Construction of storm retention ponds that will take water from other neighborhoods:
 - a. Are funds available in the "endeavor to assist" to compensate for the oversize of the ponds? Land consumption, offsites, and construction costs?

"Endeavor to Assist" is outlined within the Offsite Levy Policy 610-07 adopted on May 23, 2023, as follows:

9. Offsite Levy Infrastructure Front Ending & Endeavour to Assist

- 9.1. At the discretion of the City Manager, the City will review proposals made by the Developer to engage in front ending the cost of infrastructure associated with any development.
- 9.2. The City encourages any Developer to review the particulars of a Subdivision or Development with the City to determine what front ending arrangement, if applicable, may be agreed upon.

This is a newly added provision and as such will take specific discussion(s) and understanding of the complexities from all parties. This may include entering into a separate agreement.

5. The updated report indicates a higher inflation rate and cost of capital, this is a tough one to predict so it's a best guess.
 - a. The concern with inflation is valid from both the City and Developer perspectives. With the commitment to update the Offsite Levy Bylaw and Offsite Levy Model more frequently (approximately every 2-5 years) the interest rate and inflationary rate will be adjusted more frequently, which should balance any major fluctuations.
6. In the Policy, specifically 4.5, Developers new to the City can apply to be considered Tier 1. It appears that it would not be difficult to achieve this request.
 - a. Not sure development agreements in other communities are relevant when you are protecting Lloyd.
 - i. The decision to allow other developers to possibly be considered as a Tier 1 developer is at the discretion of the City Manager as outlined within the Offsite Levy Policy 610-07. At a minimum, the developer will have to prove that they have successfully completed developments in other communities and have met all of the associated requirements.
7. Section 5 of Policy 610-07 is a concern when your competitor is the city. This could be misunderstood.
 - a. Section 5 indicates what would be considered as "City Exempt Land". Exemption requests will require specific information and proof that they meet the criteria as outlined within the Offsite Levy Policy 610-07.
8. Section 8 of Policy 610-07, Is bonding still an acceptable form of security. This also adds to the strength of the developer who has the capability to get a Bond.
 - a. While not utilized by the majority of developers, bonding has been acceptable in the past as security. The City does not see this ability changing going forward.
9. The addition of the ability to have "new growth pays" for city facilities is very concerning.
 - a. Currently, the inclusion of any costs regarding facilities are not included within this version of the proposed Offsite Levy Bylaw. At some point as part of a future update and once specific reports that outline the need for these facilities are in place, discussions will be conducted with the development community associated with the possibility of including these items within the Offsite Levy Rate. The reports addressing facilities will be required (similar to the Master Plans associated with water and sanitary sewers) to address the future need(s) as well as timing and what benefit the facility is required for existing and future growth.
10. In review of the list of capital projects, I do have concerns about needs vs. wants, and I think we are missing a couple of needs but are showing more wants. Do we have the ability to review?
 - a. The list of projects contained within the proposed Offsite Levy Bylaw are outlined in the latest versions of the City's Master Plans (Water, Sanitary, Storm, Transportation). Some of the projects listed in the Master Plans were not included within the Offsite Levy Bylaw update. These projects were excluded based on two factors, one being time (the levy only considers projects that are within a 20-year period) and two being based on the diameter of the main. Only projects with pipes diameters greater than 400mm for watermains, 375mm for sanitary sewer mains, and 1200mm for

storm sewer mains were included (this rule was carried over from the current Offsite Levy Bylaw). When new Master Plans are adopted, an update of the projects included within the Offsite Levy Model and their impact on the Offsite Levy Rates will be completed.

11. Through a review of a future development, we can see that offsite per lot will see an increase of 110% - that is a hard number to absorb in today's marketplace.

As outlined in question 3 above, the method to calculate the amount of Offsite Levies to be paid has changed. This change was made to align the City with standard practices that other municipalities are utilizing. As per the question posed, the change in rate is not just a \$45,396/hectare increase, but closer to doubling the current Offsite Levy Rate. For example, in review of five (5) past developments, the Offsite Levies averaged to an increase of approximately 99% or \$111,383/hectare when comparing to the current Offsite Levy Bylaw.

a. in a market when your competitor has at a minimum 3-5 years worth of product, and doesn't pay property tax on that product. I know this is not an offsite item, but it does limit the opportunity to compete.