

Subject: Development Charges Subsidy Program**APPROVALS:****Annette Antoniak**_____
Director_____
Chief Administrative Officer**Recommended Motion:**

THAT the following subsidies and development charges incentives be approved effective immediately to December 31, 2020:

- a. One hundred percent (100%) subsidy for the offsite levy for non-residential development within Downtown, Fort McMurray (as depicted on Map 1, Attachment 1);
- b. Sixty percent (60%) subsidy for the offsite levy for all non-residential development in the other offsite levy benefitting areas (as depicted on Map 2, Attachment 2);
- c. Sixty percent (60%) subsidy to be applied on the charges used to calculate developer charges for all non-residential development in the rural areas (as identified in the rural Area Structure Plans); and

THAT the shortfall in revenue resulting from these subsidies be funded by General Revenues.

Summary:

As a response to Council's resolution of December 14, 2010, the Municipality introduced a series of development incentive programs, all of which expired on December 31, 2018.

Administration is proposing to re-establish the development incentive programs to demonstrate the support from Council to encourage Downtown revitalization, and to recognize the challenges facing developers throughout the Municipality.

The development incentive programs are proposed to be interim measures until December 31, 2020. During this period, research is to be carried out to develop a full suite of development incentive measures to be presented to Council for consideration. This will include a full review and analysis of the implications of the proposed

amendments to the *Municipal Government Act* introduced by Bill 7, announced by the Government of Alberta in June, 2019.

Background:

Development Charges

Within the Municipality, development charges are a generic term used to describe:

- Offsite levies; and
- Developer charges or contributions.

A development charge is defined as the cost assessed by the Municipality against land developers for their proportionate share of the cost of municipal infrastructure, constructed by the Municipality.

Offsite Levies

The *Municipal Government Act* (Section 648) allows the Municipality to impose offsite levies to recover capital costs incurred for infrastructure improvements for new development or growth and requires the Council to create a bylaw to establish and collect the levy within those areas that benefit from the infrastructure.

The Municipality's current Offsite Levy Bylaw (Bylaw No. 15/027) was approved by Council on January 12, 2016. This repealed all previous offsite levy bylaws and set new rates for residential and non-residential developments in the benefiting areas, which includes the Lower Town site/Waterways area. The offsite levy benefitting areas are shown on Map 2, in Attachment 2.

Developer Charges/Contributions

The *Municipal Government Act* (Sections 650, 651 and 655) allows the Municipality to assess developer charges/contributions or enter into a development agreement and assess a development for its proportionate share of the costs of municipal infrastructure and facilities. A development agreement may be required as a condition of issuing a development permit. The developer charges/contributions apply in areas not covered by offsite levies.

The Municipality's development charges were updated in November 2012 and apply to those areas within the Urban Service Area that are outside of the offsite levy benefitting areas, and the rural Area Structure Plan areas. The exception is the Hamlet of Fort McKay where no development charges are imposed.

Application of Offsite Levy and Developer Charges

In November 2010, the Municipality conducted a telephone survey of several cities and municipalities throughout Canada to determine what incentive programs were being

offered to promote development in their areas. This survey was requested by Council to implement the objectives and policies of the Lower Townsite Area Redevelopment Plan (May 2009). Reducing offsite levies was seen as a useful tool in removing property development barriers and encouraging development in the downtown area.

The findings of the survey were presented to Council on December 14, 2010 with the recommendation, that the *“development charges be reduced by sixty percent (60%) for new developments in the Lower Townsite Redevelopment Area if applications are received or approved in 2011”* which was unanimously supported by Council.

Council twice extended the Lower Townsite incentive program, which expired on December 31, 2016. It should be noted that after 2012, the sixty percent (60%) reduction applied to development within the area identified in the City Centre Area Redevelopment Plan (Bylaw No. 12/003), which includes the Lower Townsite area and the Waterways community, as shown on Map 1, Attachment 1.

In 2015, Council approved the reduction in developer charges in the rural areas by sixty percent (60%) for a trial period expiring on December 31, 2016.

On June 28, 2016, Council approved to subsidize the offsite levy, for all non-residential development, within the entire Municipality by sixty percent (60%) until December 31, 2018.

All development incentive programs expired on December 31, 2018.

Implications of the Development Incentive Program

The purpose of the original Council resolution in December 2010, was to encourage and support the development of the Lower Townsite and Waterways areas. By way of example, over the program’s eight-year period, 15 developments benefited from the sixty percent (60%) reduction in offsite levies. The approximate value of these levies totaled \$7.4 million, of which \$4.5 million was subsidized by the Municipality. While the Municipality has borne the major part of the infrastructure costs, there are longer term benefits from the property taxes paid by these developments.

These figures are based on the information from the E-permitting system that provide the value of the development charges (offsite levies and developer charges/contributions) for the year when the permit was submitted. As payment may be made in installments or deferred, the figures will not equate with the actual development charges collected on a yearly basis.

While the reduction in the development charges represents sizable savings for the development industry, other incentives are being explored by Administration that may stimulate further investment. These will be discussed with stakeholders during the Downtown Area Redevelopment Plan process to determine which ones will be most effective.

Budget/Financial Implications:

The Offsite Levy Bylaw (15/027) states:

Subsidies

10. a. *The Council may by resolution direct that the Municipality subsidize the payment of any levy imposed under this Bylaw, from one or more funding sources identified in the resolution, in any amount up to and including the whole amount of the levy.*

- b. *If the Council has passed a resolution under subsection 10 (a), then the amount of the subsidy must be reviewed by the Chief Administrative Officer every other year in conjunction with a review of levy projects and levy rates under subsection 9 (a), and the Council may at that time pass a resolution to rescind the previous resolution and impose a different level of subsidy, if any, which resolution may be passed by simple majority.*

There is no immediate budget impact if the resolution is passed to reduce the amount of the offsite levy paid by developers for non-residential development. The Municipality utilizes other funding sources, until such time as offsite levies are received. Upon receipt, the Municipality replaces the funding with the offsite levies. However, from a longer-term budget perspective, the subsidy will decrease municipal funding available for other projects.

Rationale for Recommendation:

Administration recognizes the need to encourage development throughout the region, particularly given the economic climate. Re-establishing the sixty percent (60%) reduction in areas outside of the downtown and Waterways allows on-going and planned developments to continue to benefit, while making downtown and Waterways more attractive by offering a one hundred percent (100%) reduction.

Strategic Priorities:

Downtown Revitalization
Regional Economic Development

Attachments:

- 1. Downtown Fort McMurray**
- 2. Off Site Levy Benefitting Areas**