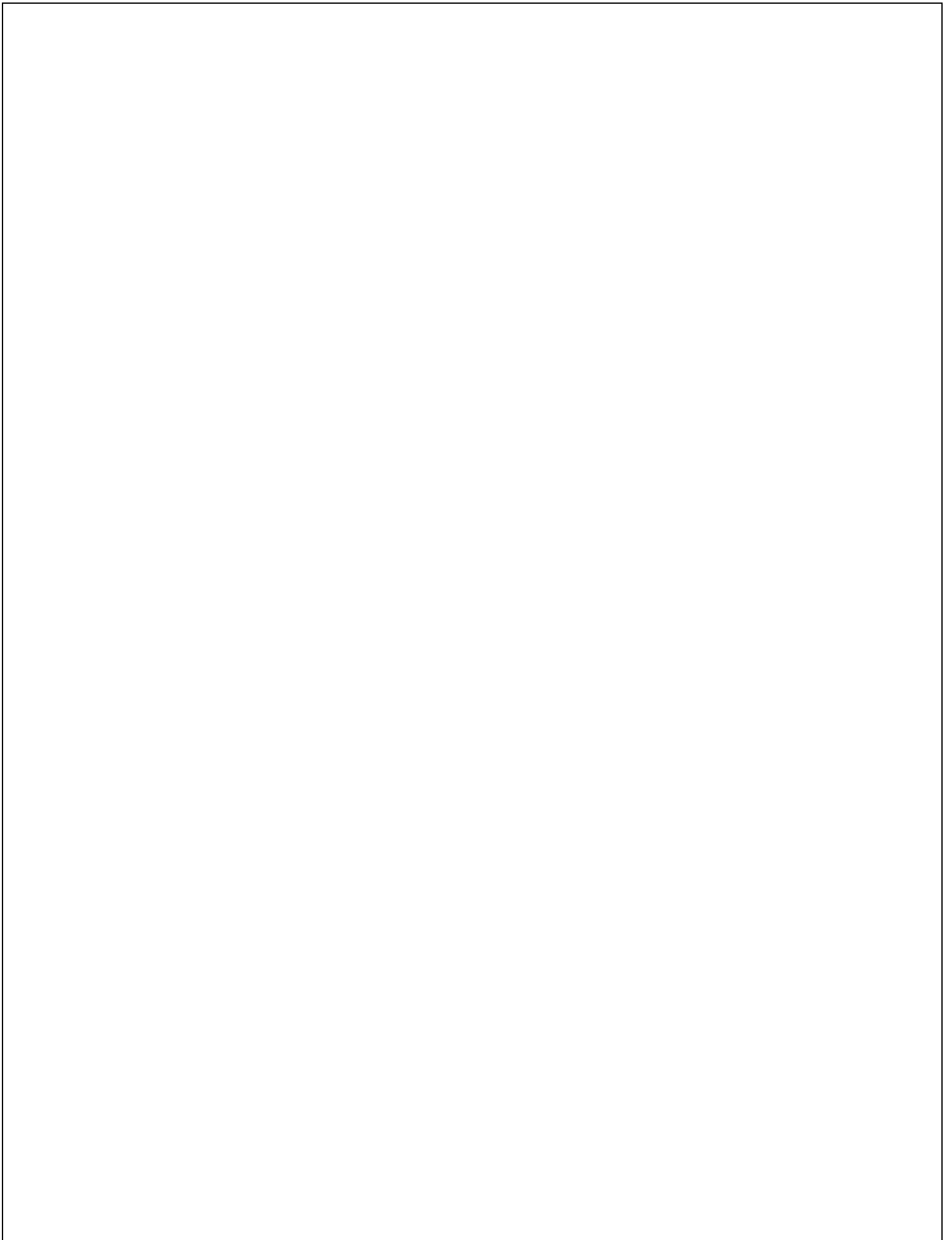# Municipal Affairs Development Symposium

Edmonton, Alberta
September 17, 2012

SUMMARY REPORT

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EXECUTIVE SUMMARY

On September 17, 2012, Alberta Municipal Affairs hosted a Development Symposium for representatives of urban and rural municipalities, Municipal Associations, and the Urban Development Institute. Participants identified and discussed perspectives of the challenges of funding new development in Alberta. Managing the costs of new development is a critical issue for municipalities, developers, builders, homeowners and the provincial government. A recent Alberta Court of Appeal Decision precipitated additional concerns. As a forum, the Development Symposium was intended to address and discuss these issues and develop recommendations.

Symposium format included introductions, presentations, and group, constituent and plenary discussions. Participants identified key issue themes, discussed them in more detail and recommended next steps.

In answer to the question, *"What are the elements contributing to a future successful system for creating new communities?"*, participants identified:

- Clarity
- Municipal autonomy
- Transparency and accountability
- Certainty
- Equity
- Innovation
- Affordability
- Consultation process
- Clear review process

Additional areas of common understanding emerged, including;
- A need for effective communication amongst all parties on development needs and costs.
- Additional shared information on financing tools for municipalities, developers and buyers.
- Awareness of how and what costs are passed to homeowners and taxpayers
- Realization that the court is not the best place to resolve issues between developers and municipalities.
- That broad and continuing consultation is effective.

In the discussion on possible next steps participants agreed there is benefit in continuing to address these issues in a collaborative format. They request leadership from the province to achieve this and would like to understand the intent of the Government of Alberta.

INTRODUCTION

September 17, 2012. Alberta Municipal Affairs hosted a Development Symposium for representatives of urban and rural municipalities, Municipal Associations, the Urban Development Institute and other industry members. Participants identified and discussed perspectives of the challenges of funding new development in Alberta.

Purpose of the Report

This report provides an overview of the symposium proceedings, a summary of the areas of common ground and next steps identified and endorsed by the group.

Background

Managing the costs of new development is a critical issue for municipalities, developers, builders, homeowners and the provincial government. The Municipal Government Act (MGA) provides for the use of offsite levies and other development fees to enable negotiations between municipalities and developers. However, municipalities are increasingly concerned with how to fund additional services for their growing communities which are not specifically identified in the MGA. Developers are concerned that municipalities use development agreements to pay for services not historically charged to developers.

A recent Alberta Court of Appeal decision generated uncertainty and concern for both developers and municipalities about meeting the costs of development. Municipal Affairs staff worked with the Alberta Urban Municipalities Association (AUMA), the Alberta Association of Municipal Districts and Counties (AAMDC), and the Urban Development Institute (UDI) to host a Development Symposium as a forum to address and discuss these issues and draft recommendations.

Symposium Overview

The day-long symposium was attended by representatives from the Town of Okotoks, the City of Calgary, the City of Edmonton, UDI and other industry members, AUMA and AAMDC. Participants are listed in Appendix A.

Symposium Format:
- Welcome and symposium overview
- Opening remarks from the Deputy Minister of Municipal Affairs
- Introductions among the table participants; identification of hopes for the session
- Brief opening presentations from representatives of the six constituency groups
- Identification of key elements for a future possible revamped system for developing sustainable quality communities in the province, and highlighting the key themes
- Greetings from the Minister of Municipal Affairs
- Discussion and presentation from the constituent groups on the important aspects of these elements from their perspective
- Plenary discussion and recommendations on next steps
- Acknowledgements and adjourn

Organization and Scope of this Report

The remainder of this report includes a summary of the process, areas of common ground and next steps. The list of key issues and details of discussion on issues and perspectives are found in Appendices B and C respectively.

SUMMARY OF DEVELOPMENT SYMPOSIUM: OPENING PRESENTATIONS, ISSUES, PERSPECTIVES, AREAS OF COMMON GROUND AND NEXT STEPS.

What We Heard: Presentations

Opening Presentations

- Paul Whittaker, Deputy Minister of Alberta Municipal Affairs, extended greetings from the province and noted that this symposium and this issue are priorities for the Minister. Any changes to the *Municipal Government Act* (MGA) will require careful thought. The Department is starting to assess the Act and will be working on this over the next three years. As opportunities arise to identify changes, they will take advantage of them. This symposium is one of those opportunities.

- Minister Griffiths welcomed participants and reflected on the value of communities as a foundation for a healthy society. The Minister observed that all parties – the province, municipalities, and developers – are working toward the same ends and constructive collaboration is necessary to find the best solutions for better communities. The symposium is the first step in finding a collaborative solution.

Town of Okotoks – Mayor Bill Robertson

Mayor Robertson briefly described the Appeal Court decision that led to the symposium. Municipalities need to be able to collect funds to service communities, within a structure that is flexible and recognizes community needs. Okotoks has negotiated a new arrangement with developers. Appropriate principles for such agreements include, among other things: those who benefit from infrastructure should pay for it with costs apportioned fairly; there must be open and transparent dialogue, and certainty and clarity achieved through sustainable partnerships. In light of the recent court decision, municipalities are asking the province to change the MGA to enable building of complete communities.

City of Calgary – Alderman Gord Lowe

Referring participants to a handout, Alderman Lowe noted that the overriding principle related to this issue is that growth should pay for itself. Any framework needs to address two key challenges:

- municipal jurisdiction and infrastructure funding mechanisms do not align with the infrastructure needs generated by growth; and
- regulatory uncertainty further complicates infrastructure funding. In the short term potential changes are available including possible changes to the MGA. In the longer term, Alberta Municipal Affairs should lead a review of flexible funding mechanisms for municipalities to fund growth-related infrastructure, and stakeholders need to be engaged and a process and time frame established to conduct the review. Changes should be led by the GOA.

City of Edmonton – Councillor Ed Gibbons and City Manager Simon Farbrother

Most of Alberta is facing pressures due to rapid growth and there is a need for principles to be applied to any discussion to address these issues. We need to think broadly and creatively to find solutions to this complex issue. The province needs to provide clarity of direction in terms of what it is trying to achieve, and among other things, we need to:

- get clarity about what we are trying to do, while considering economic, social and environmental implications; and
- develop effective legislation to allow things to happen (more permissive rather than restrictive legislation).

Industry Representative – Bob Clark

With reference to the UDI handout, Mr. Clark described several aspects of the issue being discussed, noting that it is quite complex. UDI wants to see a transparent, accountable and responsible process that enables Alberta to stay competitive and provide vibrant communities for all Albertans. The key principle is that those who benefit from growth should pay for the infrastructure required to the degree in which they benefit. Responsibility for paying for infrastructure is a shared responsibility. He noted that the current process lacks transparency and accountability in some areas and suggested that alternative forms of financing should be considered.

AAMDC – Al Kemmere

The position of AAMDC has been that growth should pay for growth. The reality is that municipalities only have access to about 8% of the total tax dollar in Alberta, with the rest going to the provincial or federal government. The AAMDC wants to see an expanded scope of development levies to account for all service infrastructure such as fire halls, recreation facilities and libraries. They also understand that it is important that any levy be rationalized through well-documented and reliable information.

AUMA – Linda Sloan

A major concern of the AUMA is the amount of municipal debt as well as the significant municipal infrastructure deficit. Municipalities do receive grants from the province, but they pay back a substantial amount through the education levy. Ms Sloan put forward several of the AUMA's assumptions to test the extent of support for them. She also noted four principles that guide the AUMA, including that provisions should be available for municipalities through offsite levies to support the development of complete communities.

What We Heard: Participants' Hopes for this Symposium

During introductions at their table groups participants were asked to articulate their hopes for this symposium and summarize the responses for the rest of the group.

> *'When sustainability issues have been addressed and incorporated, we need to ensure that housing is still affordable.'*

> *'These issues need to be addressed, and we want to have clear direction on how to move forward'.*

> *'We would like to develop a high-level framework that can enable us to better understand the different perspectives and collectively find a better solution for the ultimate consumer – the homeowner.'*

> *'The current issues took awhile to develop and may not be resolved right away, but we need to look for new ideas and strategies to deal with them.'*

> *'There is a desire to understand the experiences and perspectives of others, and to address issues such as accounting for revenue, and who pays for new growth.'*

What We Heard: Areas of Common Ground

Key Issue Themes

Participants identified key elements for their vision of a revamped system for developing quality sustainable communities supported by developers, municipalities and the provincial government. Common themes clearly emerged.

In answer to the question, "What are the elements contributing to a future successful system for creating new communities?" participants responded with:

- Clarity
- Municipal autonomy
- Transparency and accountability
- Certainty
- Equity
- Innovation
- Affordability
- Consultation process
- Clear review process

The details of the table discussion points on these themes are found in Appendix B.

Constituent Perspectives on Issue Themes

Participants worked in their constituent groups to further discuss and share perspectives on the above themes. Interests were identified; statements of clear positions were declared; clarifying discussion occurred. Some areas of common perspective and understanding were apparent. More would have likely emerged with additional discussion time.

On Transparency and Accountability:
- Need an effective process for good two way communication between municipalities and developers about planning and development needs and costs.

On Innovation:
- All parties can benefit from information, dialogue and understanding on financing tools for municipalities, developers and buyers.

On Affordability:
- Need to be aware of what costs are passed on and how they are passed along to homeowners and taxpayers.
- Clarification between 'wants' and 'needs'. There is a need to manage expectations for all parties.

On Certainty:
- Achieve a common understanding of 'complete communities'.

On Review Process:
- Court is not the best place to resolve issues. Is there a more effective process?

On Consultation Process:
- Broad and continuing consultation is effective.

Endorsed Next Steps

In a plenary discussion at the end of the session, participants discussed and arrived at the following suggested next steps:

- Produce the report within three weeks and highlight the areas of common ground.

- There is clear appetite among Symposium participants for moving these issues forward. Participants request leadership from the province to achieve this.

- Discussion ensued on the benefit of establishing a Steering Committee and Terms of Reference. The group indicated they first need to know the intent of the Government of Alberta.

SUMMARY COMMENTS FROM ALBERTA MUNICIPAL AFFAIRS

The province anticipates accommodation of growth and healthy communities. Symposium participants have shown commitment to see something happen in regard to the issues of costs. This is a good time to consider innovative ideas and approaches and look at different ways of doing things. The timing is good for this. A synopsis of this session will be produced within three weeks. There is commitment to continuing the discussion and search for collaborative solutions.

APPENDIX A: SYMPOSIUM PARTICIPANTS

Municipal Affairs
- Minister Doug Griffiths
- Paul Whittaker, Deputy Minister
- Bill Symonds, Director
- Terry Brown, Manager

City of Calgary
- Alderman Gord Lowe
- Stuart Dalgleish, Director, Development and Building Approvals
- Jill Floen, City of Calgary Law Department.

City of Edmonton
- Councillor Ed Gibbons
- Simon Farbrother, City Manager
- Jamie Johnson, Solicitor, Law Branch

Town of Okotoks
- Mayor William (Bill) Robertson
- Rick Quail, CAO

Alberta Association of Municipal Districts and Counties
- Al Kemmere; AAMDC Director, District 2
- Darren Reedy; AAMDC Policy Analyst
- Pat Vincent; CAO, Parkland County
- Rob Coon; County Manager, Rockyview County

Alberta Urban Municipalities Association
- Linda Sloan; AUMA President and Councillor City of Edmonton
- North Darling; AUMA Director Towns West and Deputy Mayor Peace River
- John McGowan; AUMA CEO
- Bill Barclay; Advisor

Urban Development Institute and Calgary Home Builders Association
- Bob Clark; Senior Vice-President, Calgary Land. Brookfield Residential
- Nicole Martel; Executive Director, UDI Alberta
- Doug Porozni; Vice-President of Development, Ronmor Developers Inc.
- Patrick Shaver; President, Avillia Developments Ltd.
- Sandra Young; Vice President & General Manager, Homes by Avi
- Dick Haldane; Fraser Milner Casgrain LLP
- Greg Christenson; President, Christenson Developments
- Russell Dauk; Vice-President, Communities & Land Development, Rohit Group of Companies
- Greg Lefebre; President & CEO, Apex

- Onufry Shinkewski; Vice-President, Alberta, Genstar Developments
- Jeremy Walker; President, Devco Developments

<u>Facilitators</u>
- Barbara McNeil
- Gwen Day

<u>Recorder</u>
- Kim Sanderson

APPENDIX B: IDENTIFYING KEY ISSUES

Assigned task:
Participants took a moment and reflected on the following question. They then had a conversation with the others at the table on their ideas. A scribe captured ideas on the sticky notes.

> *It's a lovely September afternoon in 2014. You're chatting with a colleague about the system in place for developing sustainable quality communities in this province. This revamped system is now established and is supported by developers, municipalities and the provincial government. What are the elements contributing to this successful system for creating new communities?*

The table groups presented their sense of the issues to the whole session. The full group sorted and summarized these issues into nine overall themes:

- Affordability
- Equity
- Innovation
- Certainty
- Transparency and accountability
- Municipal autonomy
- Clarity
- Consultation process
- Clear review process

Following are the details from the sticky notes presented by the various table groups.

Affordability
- Encourage Albertans to invest in Alberta.   - Public 'buy-in'. Inner city subsidizing new areas   - End product is market driven   - Competition   - Variety of housing choices   - Affordable housing. Purchase price. Tax price.   - End user is happy. Easier life for politician, provincial and municipal.   - Standards of development housing should be measured by more than cost and affordability; also be measured by sustainability

Equity
- Re-development   - Growth pays for growth   'Want versus need': Manage expectations   - Defined benefitting area   - Fair share   - Equitable management of risk   - Province assumes responsibility and costs for growth

Innovation
- Innovation and Flexibility   "P 3s". A model at provincial/municipal level for pilot projects. Support key public policy initiatives.   - Alternate financing   - Flexibility to meet changing needs   - Enabling partnerships between province/developers and municipalities.   - New tools for developers and municipalities

Certainty
- Better definition for a 'complete community'   - Flexibility: - Between municipalities   - Can't change direction midstream in prescribed area; same rules in same 'neighbourhoods'   - Certainty is important   - Expand some of the scope of offsite levies in MGA to enable complete communities   - Certainty: legislation to withstand court challenge and once charges are imposed   - Clarity and certainty of funding streams   - Certainty of costs   - A consistent source of all levels of senior government funding to municipalities for community infrastructure

Transparency and Accountability

- Transparency on where tax dollars go for public
- Transparency equals more certainty
- Two-way transparency
- Transparent process
- Accountability
- Equitable system
- System does not create winners and losers
- Successful new system is transparent and accountable
- A set (clear) process at a high level (principle based) to determine common expectations for agreed upon outcomes
- Transparency:
    - disclosure of spending; accountability
    - (Initial) calculation of development charges
    - Well defined rules
    - Fairness and equity between all parties

Municipal Autonomy

- Regional solutions
- Clear provincial interest/direction
- Municipalities need to have the political capacity to meet the demands of old and new neighbourhoods to ensure complete communities.

Clarity

- Address infrastructure deficit from future developments
- Taxpayers debt/tax will not increase
- Municipal debt is not increased
- Development should be measured by sustainability
- Keep it simple

Consultation Process

- Scope of sites/levies is expanded
- Clarity in legislation
- Happy with the solution: Province, Municipality, Developer/builder and end user
- Clarity of roles, responsibility and balance
- Broad and continuing consultation (with the right group)
- Contiguous, integrated balanced growth with capacity of all partners to bear all associated costs

Clear Review Process

- Address natural person powers
- Court not best place to resolve issues
- 'Oversight of the system.' Today it is the court
- Systematic planned review of rules/legislation to adapt to new conditions 10 years from now
- Enabling partnerships between province, developers, municipalities that uphold municipalities natural persons' power
- Regulations/legislation changed and withstands court challenges

APPENDIX C: CONSTITUENT GROUPS' FURTHER PERSPECTIVES ON KEY ISSUE THEMES

Participants worked in their constituent groups to further discuss and share perspectives on the themes of:

- Transparency and Accountability;
- Equity;
- Innovation;
- Affordability; and
- Clarity.

The questions and resulting clarification discussions are presented in italics.

Transparency & Accountability
AUMA
- Must be a two way street. Municipalities can't always access same kind of information from developers. Sometimes we get caught funding infrastructure for multi-density development even when lots of people don't live there; lots of condos on the market that didn't sell. We need to be communicating more often about planning, financing, etc. They heard development industry wants transparency re where levy monies go. If cities disclose where funds go, this is publicly available, but city doesn't know developer plans and how that might affect their budgeting.   *Comment – sometimes developers say levies are too high but developer doesn't have to justify why they think is too high. Just saying is too high because can't sell houses for that price, isn't there. Wanted to put this on the table. Rationalization doesn't always go both ways.*   *UDI: will know when price is too high if people don't buy. Don't have to audit books. Looking at profit and loss statements won't help. Says when overbuild are still paying taxes.*   *Calgary: doing exercise in growth planning. Is hearing need to manage extent and speed of new development against the MDP and ensuring have effective tools.*
AAMDC
- If we charge offset levies, municipalities need to be able to rationalize them – how reached that number, what are the priorities, etc. *(UDI request for clarification – are we talking about full accounting for costs?)*   *AAMDC that's maybe part of it, but we need the engineering studies, long term view, whole process in place.*
UDI
- Better defined benefitting areas and beneficiaries   - Define the infrastructure required   - Determine the cost of that infrastructure and report those costs

Transparency & Accountability
City of Edmonton

- Full disclosure of public dollars
- Who pays and who is responsible for what? If buying a house should know where money is going.
- Who benefits from what?
- Well-defined roles
- What are the expectations for different players?
- Carrying costs – are incurred whether pay up front or over time. Changes model.

  (question from UDI - Re transparency on property taxes – does city track where they go – e.g., how much to transit?)

  Edmonton: yes

UDI: in new area, disproportionate amount of taxes goes to services they might not use as much.

Edmonton: – this is part of building a city – which we are doing, not dozens of different neighbourhoods.

- Defined, clear roles for various parties
- Risk identification
- Oversight mechanism
- Community building is the purpose

Equity
AUMA
▪ Current legislation is not clear. Need tools to delineate costs of new facilities. Suggested components based on new areas, existing communities, developer(s) and province ▪ Consultation process is just one part in financing for municipalities. Government of Alberta (GOA) has identified many aspects – including city charters, MGA review and others.
AAMDC

▪ Should define at local level – set own priorities, e.g., what percentage should be in tax base, what in development fees.
 	
UDI question: – does this include defining principles?
 	
    AAMDC: this should be a local decision. Need to make sure have long term in mind.
 	
    UDI – would it be easier to have GOA document or provincial mandate spelled out or would leave up to politicians?
 	
    AAMDC: as county councillor, it's easier, but not necessarily better for the municipality. Some things should be structured so consistent. But he still is the local decision maker.

UDI
▪ Who should pay for old versus new? ▪ Cities versus regions ▪ Understand all the beneficiaries ▪ Existing taxpayer versus new homeowner re payment ▪ Commercial/ industrial versus residential and tax rates ▪ Owner versus rental – rental have higher bill rates in many municipalities. Across the board renters pay higher taxes than single family owners.
City of Edmonton
▪ New development pays for itself ▪ Rules apply to all – developers, municipalities and province

Innovation
AUMA
Can mean flexibility to respond to opportunities but can't lead to future liabilities being placed on municipalities. No partner should bear inordinate share of long-term cost.
AAMDC
- Need to know more about this. Don't know what we don't know. Would like to see more info on this.   - Would also like to see some good brownfield developments or new green initiatives. Can help both municipalities and developers.   *UDI: thinks industry associations would like to do this with creative and emerging ideas.*   *AAMDC: there are opportunities and venues e.g., FCM annual conference, AAMDC and AUMA conventions.*
UDI
- Alternate forms of financing – find most efficient way to pay for infrastructure   - Appropriate sharing of risk   - Recovery system for costs that are front ended that is predictable and consistent – need this for various parties including lenders   - Innovation in planning and design and engineering standards – watch standard creep from one place to another   *AAMDC: how much of this creep is due to provincial standards being downloaded? UDI: some is, but lot is municipally driven. Higher levies and barriers to entry prevent new players in the market, and these are needed to help industry stay competitive.*
City of Edmonton
- Flexibility within the system   - Reward innovation to incent creativity   - Broad powers to allow this to occur

Affordability
AUMA
This counterbalances sustainability. Affordable housing is a provincial responsibility. Definition must contain components that address old, new and debt-related projects. Tax rate is also part of affordability. We see development leading to increases in infrastructure deficits, etc. that will lead to long-term costs. Affordability includes taxes on year-to-year basis. Cost of a house doesn't include cost of an emergency response system. All of these things need to be considered in sustainability but don't all get covered by affordability. AUMA interest is building complete communities.   *UDI: sustainability requires you to look at the economics. Disagrees to say these are counterproductive. They need to be tied together. Feels this is changing definitions of both. Needs further clarification.* *GOA: maybe UDI and AUMA are defining affordability in different ways.*
AAMDC
Development pays for development and market will eventually drive what the levies are. But need to know that bare land is affordable. Also can't forget tax costs. This is there every year, need to find balance, can't pass all onto taxpayer.   *UDI: need proper terminology – municipalities focus on taxes, developers on house costs, but utilities are increasing too; e.g., if put in cheap windows, are you really saving on a life cycle basis? Also admin costs on utility bills.*
UDI
- Competition   - Overall lowest net cost should be the target   *Discussion here about option of paying for infrastructure such as sewer pipe through a bond that could be paid off at lower interest than a mortgage but still paid by homeowner. Developer would be paid out through the bond. This is really about financing – is financing a way to manage affordability? UDI would like ideas such as this to be on the table for discussion to try and find more efficient ways. But UDI needs to think about how to address things like fire halls, recreation, etc. AUMA: not looking to change role UDI plays in development and doesn't want to see role of municipalities eroded.* *For further discussion – how is the utility governed and managed?*   - Life cycle costs must include initial capital cost and associated interest   - Utilities (private) should not receive infrastructure for free. For example, in US some utilities pay to be in a subdivision   - Have to define complete communities – highlight is who benefits and to what degree; e.g., recreation centres.
City of Edmonton
- Appropriate location decisions for systems, e.g., transit   - Life cycle costing   - Wants versus needs – there is only one player   - Base expectations

Clarity
AAMDC

- Need shared understanding of community expectations. Build process from all different levels. Need to be very clear about powers – what can you charge levies on, etc.
- Need clear consistent process so if development moves to another municipality, process is clear and defined, so no guessing

City of Calgary

The City of Calgary took a slightly different approach and provided their perspectives on the issues as the following:

Can't really isolate these issues; they all fit together and are based on growth related infrastructure; equity is key. Local economy is very important to differentiate among municipalities.

Overarching principles

Affordability: Balance municipal debt, have affordable end product
Clarity: Everyone needs to understand,
Certainty: Need parameters around ultimate charges created and limit legal challenges

City of Calgary developed three questions.
1. What infrastructure is required for complete communities?
   - Local autonomy
   - Certainty – need flexible parameters around which funding mechanisms can be created

UDI: What level of responsibility do municipalities have to greater public if they decide to change direction of growth – e.g., become high end community? Should province have the right to limit this?

Calgary: Comes back to MGA – to extent municipality has a vision, this is appropriate for elected officials to do through MDP, for example. Province could have a role. How can we set parameters that are flexible but provide some assurances to developers and others?

2. Who pays for the infrastructure and to what extent?
- Equity is very important here. For example different between Greenfield and inner city

- Transparency and accountability are key, for example, public hearings as venue for decisions. Can link budget implications. Need a document to tie all this together.
- Clarity = certainty.

UDI: why is different in Greenfield versus inner city?

Calgary: looking at aspects of this. Different challenges associated with infrastructure needs in different types of communities but developers want to be treated same in both cases. To what extent do inner city communities pay for Greenfield development? Issues re bike lanes, sustainable transportation, to what extent do Greenfield communities pay for this? Speaks to need for flexibility.

UDI: shouldn't development pay for development no matter where it is?

Calgary: way is currently worded is not helpful. Principle may be a good one, but devil is in the details. Flag this for future discussion.

UDI: if have new service, could just put it on the tax base no matter where it is.

3. Implementation process
- What tools do we use to finance? – short-term versus long-term solutions. Need to look at all the tools
- Innovation
    - o Flexibility
    - o Transparency/accountability
    - o Need clear process re how charges are set and implemented
    - o Certainty