

# Municipal Levies- A Developers Perspective

# Background

- Shelter is a basic necessity
- Serviced land is essential to shelter
- Cost of lot paid by homebuyer
- Increased costs = decreased affordability



# Levy Definition

“the enlistment or conscription of men for military service”

**“the imposition or collection of an assessment”**

# Synonyms

“Assessment, Duty, Imposition, Impost, Tax”

# Related Words

- direct tax, personal tax; capitation, custom(s), excise, hidden tax, income tax, poll tax, property tax, sales tax, single tax, sin tax, tariff, toll, tribute, value-added tax, withholding tax; supertax, surcharge, surtax; death tax, estate tax, inheritance tax; flat tax, proportional tax

# When should you use a Levy?

To help facilitate the development or redevelopment of land



# why the need to facilitate development?

- Lack of development
- Developers unwilling to develop in Municipality
- Expensive upfront infrastructure makes development economically unfeasible...ie. Sewer trunk, water transmission line, arterial road, lift station, reservoir, bridge, major intersection
- Redevelopment area requires a park or school site to encourage development

# Levy Principals



- Those who benefit should pay proportionately
- Off-site levies shall be used for Sanitary, storm-sewer, water and roads
- Redevelopment levies should be used for land for a park or land for school buildings, and/or land for new or expanded recreation facilities
- Off-site Levies should only include Capital facilities required for basic services to lands



# Levy Process

- Establish a need\*\*
- Conduct preliminary engineering
- Obtain cost estimate for infrastructure
- Determine benefiting area
- Calculate per hectare levy rate
- Prepare bylaw for council
- Three readings of bylaw
- Collect money at DP or DA stage
- Administer and update



# Levy Project

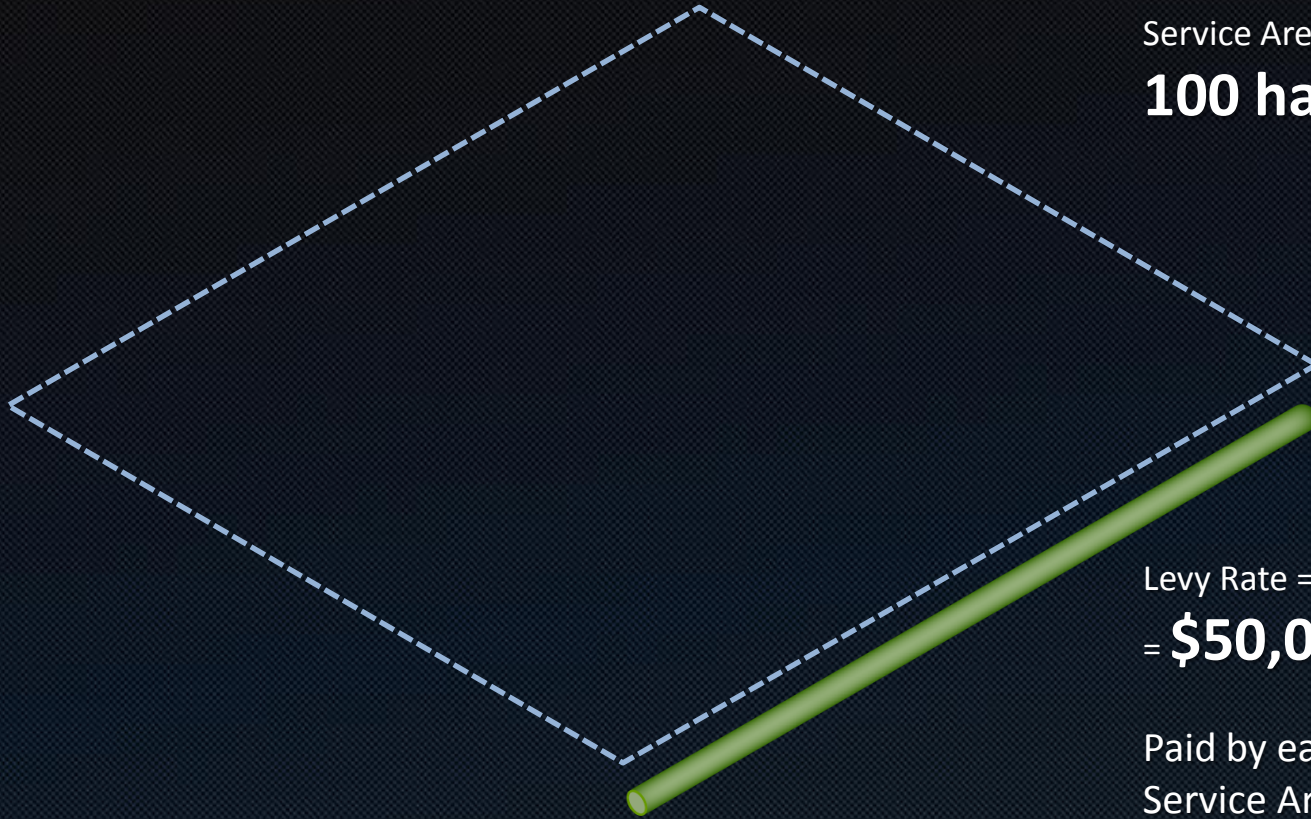




# LEVY METHOD

Municipality Investment in Trunk Sewer  
**\$5,000,000**

Service Area  
**100 ha**



Levy Rate =  $\$5,000,000/100 \text{ ha}$   
=  **$\$50,000/\text{ha}$**  +interest

Paid by each development in  
Service Area

# LEVY METHOD

Municipality Investment in Trunk Sewer  
**\$4,600,000**

Service Area  
**100 ha**



Levy Rate =  $\$5,000,000 / 100 \text{ ha}$   
= **\$50,000/ha** +interest

Paid by each development in  
Service Area

# LEVY METHOD

Municipality Investment in Trunk Sewer  
**\$3,800,000**

Service Area  
**100 ha**



Levy Rate =  $\$5,000,000/100 \text{ ha}$   
= **\$50,000/ha** +interest

Paid by each development in  
Service Area

# LEVY METHOD

Municipality Investment in Trunk Sewer  
**\$3,200,000**

Service Area  
**100 ha**



Levy Rate =  $\$5,000,000 / 100 \text{ ha}$   
= **\$50,000/ha** +interest

Paid by each development in  
Service Area

# LEVY METHOD

Municipality Investment in Trunk Sewer  
**\$2,750,000**

Service Area  
**100 ha**



Levy Rate =  $\$5,000,000 / 100 \text{ ha}$   
= **\$50,000/ha** +interest

Paid by each development in  
Service Area



# LEVY METHOD

Municipality Investment in Trunk Sewer  
**\$2,100,000**

Service Area  
**100 ha**



Levy Rate =  $\$5,000,000/100 \text{ ha}$   
= **\$50,000/ha** +interest

Paid by each development in  
Service Area

# LEVY METHOD

Municipality Investment in Trunk Sewer  
**\$1,250,000**

Service Area  
**100 ha**



Levy Rate =  $\$5,000,000 / 100 \text{ ha}$   
= **\$50,000/ha** + interest

Paid by each development in  
Service Area

# LEVY METHOD

Municipality Investment in Trunk Sewer  
**\$700,000**

Service Area  
**100 ha**



Levy Rate =  $\$5,000,000/100 \text{ ha}$   
= **\$50,000/ha** +interest

Paid by each development in  
Service Area

# LEVY METHOD

Municipality Investment in Trunk Sewer  
**\$0**

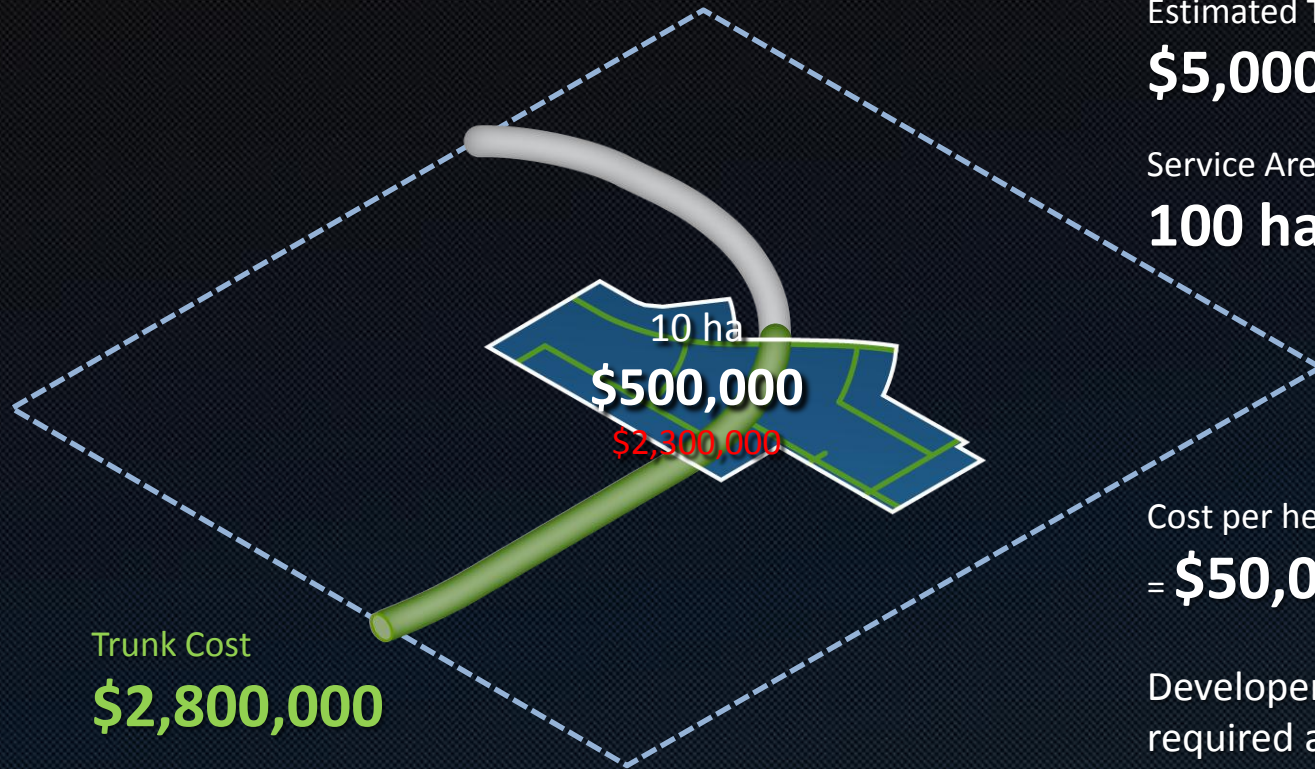
Service Area  
**100 ha**



Levy Rate =  $\$5,000,000/100 \text{ ha}$   
=  **$\$50,000/\text{ha}$**  +interest

Paid by each development in  
Service Area

# DEVELOPER FUNDED METHOD



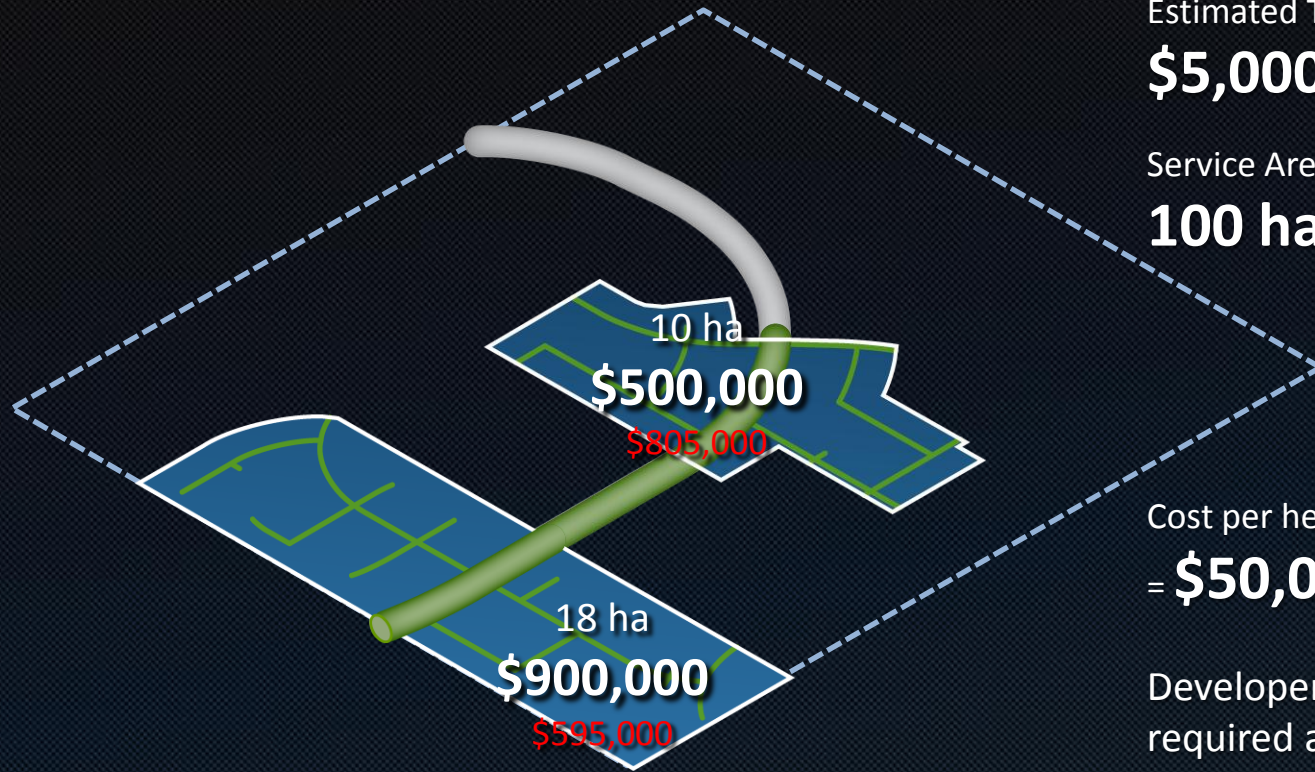
Estimated Trunk Sewer Cost  
**\$5,000,000**

Service Area  
**100 ha**

Cost per hectare =  $\$5,000,000 / 100 \text{ ha}$   
**= \$50,000/ha**

Developers construct Trunk as required and have Over Expenditures (OE) repaid by future development

# DEVELOPER FUNDED METHOD



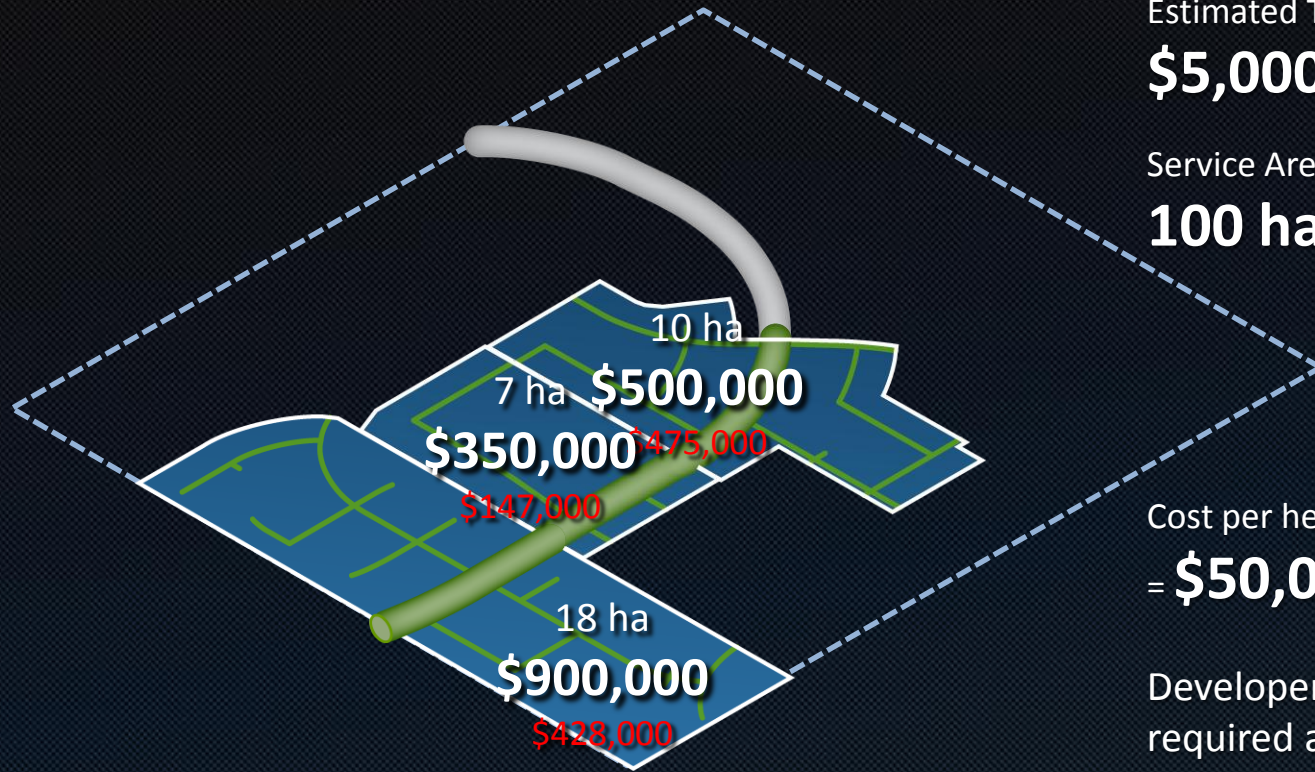
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# DEVELOPER FUNDED METHOD



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# DEVELOPER FUNDED METHOD



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**\$5,000,000**

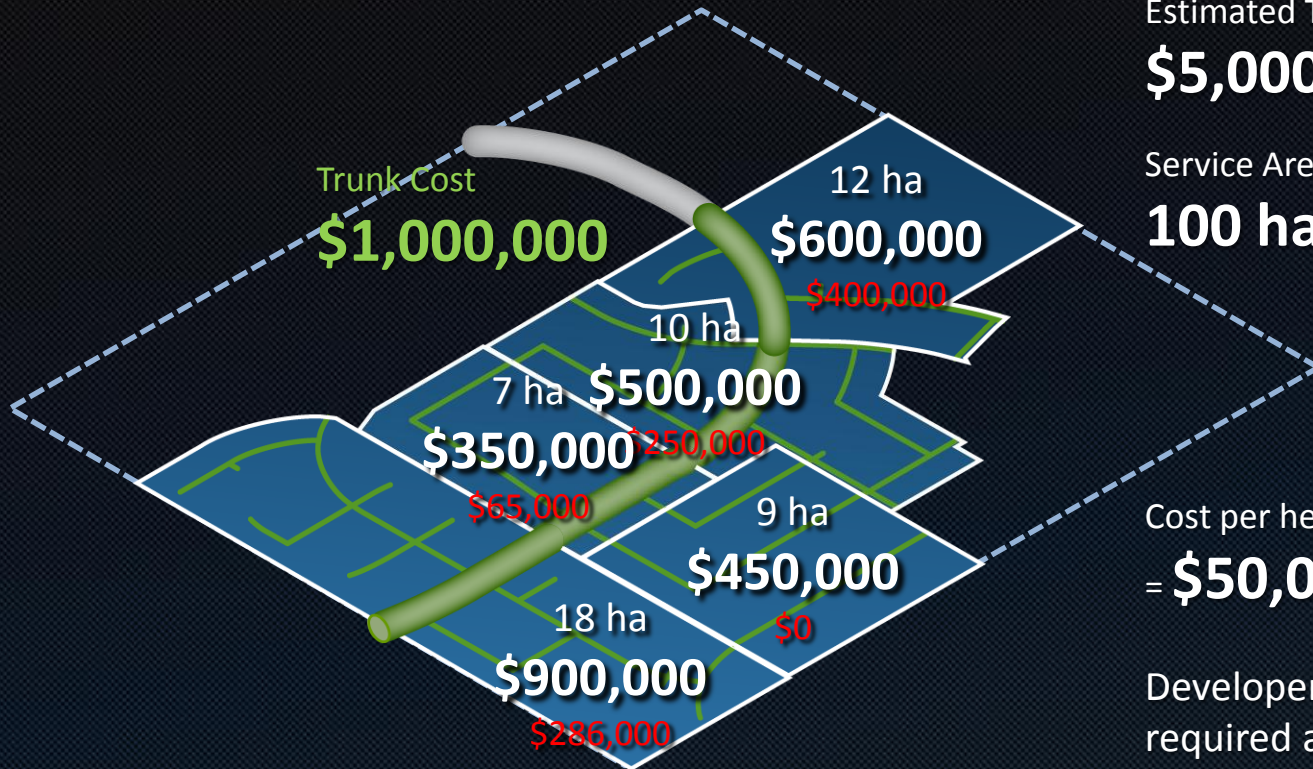
Service Area  
**100 ha**

Cost per hectare =  $\$5,000,000 / 100 \text{ ha}$   
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Developers construct Trunk as required and have Over Expenditures (OE) repaid by future development



# DEVELOPER FUNDED METHOD



Estimated Trunk Sewer Cost  
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Service Area  
**100 ha**

Cost per hectare =  $\$5,000,000 / 100 \text{ ha}$   
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# DEVELOPER FUNDED METHOD



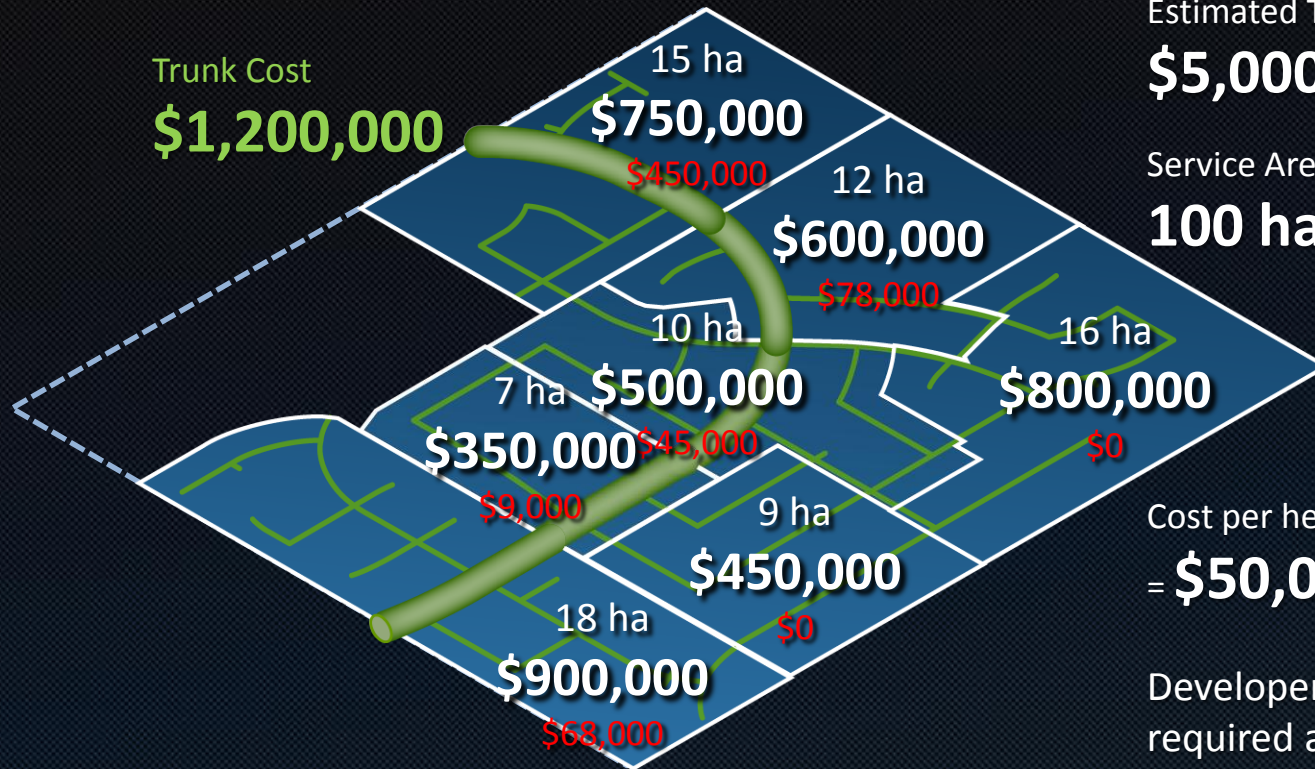
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# Off-site Levy Issues

- approval of the off-site levy for compliance with regulations by provincial watch dog before by-law becomes enforceable;
- improvement must be contemplated in an ASP or other capital program;
- construction of the improvements cannot be interminably delayed;
- the improvements for which off-site levies are assessed (particularly roads) requires better definition;
- how the benefit is to be assessed among various beneficiaries must be better regulated;

# Off-site levy Issues

- an appeal mechanism must be provided;
- cost calculations
- interest should specifically be included as part of the capital cost;
- greater accountability, and better reporting on collection and use of funds is required; and
- imposition of off-site levies one-time only needs review.
- Regular updates
- What is leviable

# How to solve the Problems

- Municipalities, Provincial Gov't and the Development Community must work together
- Amendments to the MGA to clarify and define the gray areas, and
- More efficient Design standards
- Innovative ways to finance infrastructure
- Remember the goal and purpose of the levy  
**“facilitate and encourage development or redevelopment”**

# Exploring Options

- 2009 Gasoline Sale – Edmonton
  - 1,287,231,000 litres
  - 1 cent per litre is \$12.87 million
- 2009 Diesel Sales – Edmonton
  - 858,447,000 litres
  - 1 cent per litre is \$8.58 million



# Thank you

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# Can they really do that?

## Section 648 – Off-Site Levy

RSA 2000 cM-26 s648;2003 c43 s3

...

(2) An off-site levy may be used only to pay for all or part of the capital cost of any or all of the following:

- (a) new or expanded facilities for the storage, transmission, treatment or supplying of water;
- (b) new or expanded facilities for the treatment, movement or disposal of sanitary sewage;
- (c) new or expanded storm sewer drainage facilities;
- (c.1) new or expanded roads required for or impacted by a subdivision or development;

...

(4) An off-site levy imposed...may be collected only once in respect of land that is the subject of a development or a subdivision.

(5) An off-site levy ...

- (a) must be accounted for separately from other levies collected under this section,
- (b) must be used only for the specific purpose...for which it is collected...

...

## Section 649 – Levy Bylaws

1995 c24 s95

A bylaw that authorizes a redevelopment levy or an off-site levy must set out the object of each levy and indicate how the amount of the levy was determined.

## Regulation AR 48/2004

# Principles and criteria specifically

3(1) In determining the levy costs, the municipality is to retain the flexibility to negotiate the levy in good faith and in a manner that recognizes the unique or special circumstances of the municipality.

...

(3) There is a shared responsibility between the municipality and developers for addressing and defining existing and future infrastructure requirements and all beneficiaries of development are to be given the opportunity to participate in the cost of providing and installing infrastructure in the municipality on an equitable basis related to the degree of benefit.

...

(5) There is to be a correlation between the levy and the impacts of new development.

...

(10) Calculation of the levy is to be determined in consultation with affected landowners and developers.