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August 26, 2024

Mayor Clark and Members of Council  
City of Medicine Hat  
580 First St SE  
Medicine Hat, Alberta T1A 8E6

Dear Mayor Clark and Members of Council:

RE: OFFSITE LEVY BYLAW

Since our last correspondence and presentation to Council in 2022, we had the opportunity to meet with City staff in December 2022 to discuss the next steps for the off-site levy consultations for 2023. Our understanding was that these meetings would convene in Q1 or Q2 of 2023, but were delayed until Q4 of 2023, commencing in November 2023 and follow-up meetings in January and February 2024. During this time there was also emailed correspondence.

Since that time, there have continued to be outstanding questions and concerns from the development community around the model and cost accounting used with the last round of meetings focused on information sharing, rather than consultation. Many of the concerns outlined in our letter of November 2022 are ongoing concerns. With the delay in consultations in 2022-2023 and with the recent bylaw delayed and before Council ahead of the 2025-2026 budget deliberations this fall, coupled with the timeline around various economic development and asset management plans in progress, we feel it would be appropriate to postpone this decision until after budget deliberations so that there can be further consultation to discuss outstanding questions, and the opportunity to better understand the long-term asset management plan, economic development strategy, budget, tax considerations and updated incentive plans to determine the best path forward.

We would also request that a task force, committee or roundtable be convened with engineers, consultants, developers, the Chamber, members of senior administration and members of City Council to discuss the offsite levies, the challenges and questions still outstanding and the model and methodology used. We appreciate the opportunity for a public hearing, but the outstanding questions are varied and too complex to be addressed in one public hearing or a 5-minute presentation to Council.

Through the MGA Off-Site Levy Amendments 2021 Implementation Fact Sheet, it states:

“Municipalities must make the following information publicly available:

- Any information or data the municipality relied upon and any assumptions the municipality made in calculating the levy, including, without limitation, any information, data or assumptions the municipality used in models to complete calculations. s.648.2(6)(a).
- The calculations that were performed in order to determine the amount of the levy. s.648.2(6)(b)”

There are still outstanding questions related to the information and data the municipality relied upon in completing the calculations and there have been questions about the level of transparency with the accounting provided.

There are also concerns that through the offsite levy manual, funds cannot be co-mingled across basins, but with the changes to some of the nodes, there is concern about how this is accounted for in the model and potential new future costs being applied to expanded nodes that were previously separate. If the OSL model provides for a further division, for example, by basins (nodes), the accounting must also reflect this division or change, and the same method should be applied to expanded nodes with information and cost accounting presented.

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We appreciate the consideration that the levies consider an existing benefitting portion to the municipality and recognize that there have been no new projects added to the model for this update with the amendment accounting for increased costs and inflation. However, there have been changes to the nodes and with the varying costs in the different nodes and concerns about potential future costs applied, there is a desire to re-evaluate the model, and nodes used at this time to avoid long-term negative implications. This is in consideration that these nodes have changed from the original Corvus model that stakeholders originally agreed to.

While we recognize the model is formula-based, many of the anticipated numbers or forecasts are based on future infrastructure required and the costs associated, so levies can end up being overpaid or underpaid based on the addition or removal of projects over time. For example, there are 25 projects of 63 projects that have 100% of the start date of expenditure pre-2022 dating back as far as 1996 with the remaining projects being forecast in the future.

When we conducted further research following the first reading of the bylaw earlier this year, we also identified errors in the weighted average of comparable municipal offsite levies presented to Council in the first reading that we feel should be addressed and corrected, along with additional information pertaining to the offsite levies of our neighbouring municipalities that Council should be aware of. We believe there should be a broader and comparable understanding of our competitive advantages moving forward, particularly as Council considers new strategies for the future.

In addition, when the municipal assist was removed, there was an understanding that there would be a more comprehensive incentive model presented. While we recognize the 2024 incentive strategy was an interim measure, we believe that offsite levies should be considered alongside incentive programs to better understand the benefits and costs to development overall. For example, when you look at the cost per hectare and divide that by 2.47 acres/hectare and consider an average family home is typically 1/5<sup>th</sup> of an acre, if you take the weighted average of \$111,785 on one hectare or \$45,257.08 per acre that increases a single-family home by \$9,051 per year. When you apply that same formula to node 13, which is the most expensive offsite node, the additional cost per single-family home lot on a 1/5<sup>th</sup> acre parcel is \$14,175.

With current incentives being limited in focus, we have heard of several development opportunities leaving our community or residential homes not being built due to the cost of development and limitations to developers. This decline can be supported through the data and we believe there is a need for a more comprehensive approach if we are seeking growth for our community moving forward.

We would also request that through the roundtable conversations before the bylaw is considered for 2<sup>nd</sup> reading, that consideration also be given to the return on investment through development and growth. For example, if the City generates approximately \$4 million in taxes from a single commercial development area and uses the equation of a 1% tax increase for every \$800,000 in expense, that commercial development helps to offset 5% of the tax base in commercial tax revenue generated. Several proposals have come forward to Council recently that have also included the potential increase in tax revenue if a property is developed to a certain standard and we are simply requesting that these tax benefits be part of this decision. Since the developer pays for all onsite costs, and also contributes to projects outside of their development as a result of growth through offsite levies as a contribution to the cost of growth, it is reasonable to consider that the tax revenue they generate as a result of the overall growth of the community should also be considered in these decisions.

One of the other concerns raised has been around the value of City-owned land in certain nodes and the corresponding offsite levies compared to private developer land nodes with the city-owned land bringing down the weighted average of offsite levies overall, providing a more unbalanced view when the information is presented as an average cost. It is believed that offsite levies should be evaluated on each node and the implications and timely development and growth within those nodes that could potentially occur.

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We want to encourage growth and further development in the municipality and work towards any efforts to promote growth. We would also like to see full transparency on some of the questions that are still outstanding so that the development community can feel confident in the overall process and information being presented.

Therefore, the Southeast Alberta Chamber of Commerce would be speaking against the bylaw proceeding at this time and would request that the existing bylaw remain until the budget, asset management plans, economic development strategy and roundtable have occurred. As some of our previous concerns have not been addressed since 2022 and new concerns have been raised since that time, we request that City Council postpone 2<sup>nd</sup> reading until at least Q1 of 2025, after the budget has been passed and until such time that there is a better understanding of the asset management plans, economic development strategy and 2025 incentive plans and following a more comprehensive roundtable with the development community.

We would urge for a roundtable to take place with engineers, consultants, developers, the Chamber of Commerce, members of senior administration and members of City Council to:

1. **Build trust and transparency** by addressing outstanding questions and information presented by stakeholders, including any information, data, statutory plans, functional servicing reports, areas structure plans and other planning documents the municipality relied upon and any assumptions the municipality made in calculating the levy, including, without limitation, any information, data or assumptions the municipality used in models to complete calculations and a better understanding of projects, receipts and calculations that were performed to determine the amount of the levy.
2. Ensure that the bylaw also includes a clause where the **levy rates are agreed upon in the conditions of a subdivision approval** from the City for a period of one year with the option to apply for an extension of 12 months to fulfill any conditions and payment of offsite levies agreed upon to avoid fluctuations and ensure greater predictability and business planning for development.
3. Ensure that any future projects that may be considered as potential offsite projects are **not constructed before being added to the levy model** and that nodes are not changed before the appropriate consultation with stakeholders has been held. Projects, rates and nodes should only be added and adjusted after consultation with stakeholders has been conducted.
4. **Create incentives in consultation with industry groups and developers** that can be applied equitably and will be targeted to promote growth and land development.
5. Work to maintain offsite levies as one of the lowest in the province and **market the competitive advantage** to prospective businesses and developers.

Sincerely,



Steve Heid  
2023-2024 President  
Southeast Alberta Chamber of Commerce



Curtis Presber  
Chair  
Urban Development Industry

Cc: Ann Mitchell, City Manager  
Cc: Pat Bohan, Manager Director, Development and Infrastructure  
Cc: John Popoff, Manager of Planning and Development Services  
Cc: City Clerk, [clerk@medicinehat.ca](mailto:clerk@medicinehat.ca)

Enclosure: November 17, 2022, Letter to City Council Regarding Offsite Levies

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Sources:

- Offsite Levy implementation fact sheet: <https://open.alberta.ca/dataset/9012714b-1d3c-4046-997c-1afbde6975f1/resource/ee86a5c8-b100-437b-a1ea-089332576b7e/download/ma-municipal-government-act-off-site-levie-amendments-2021.pdf>
- OFF-SITE LEVIES REGULATION: [https://www.kings-printer.alberta.ca/1266.cfm?page=2017\\_187.cfm&leg\\_type=Regs&isbncIn=9780779824953&display=html](https://www.kings-printer.alberta.ca/1266.cfm?page=2017_187.cfm&leg_type=Regs&isbncIn=9780779824953&display=html)
- Offsite levy manual: [https://www.abmunis.ca/sites/default/files/off-site\\_levies\\_manual\\_final.pdf](https://www.abmunis.ca/sites/default/files/off-site_levies_manual_final.pdf)

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November 17, 2022

Mayor Clark and Members of Council  
City of Medicine Hat  
580 First St SE  
Medicine Hat, Alberta T1A 8E6

Dear Mayor Clark and Members of Council:

We had the opportunity to meet with City Staff regarding the offsite levy review on four occasions since August 2022 and have also submitted various questions via email. We also had the opportunity to review the proposed bylaw 4721 introduced at the November 7, 2022 Council meeting. In addition, we have reviewed the Municipal Government Act, the regulations and implementation fact sheet pertaining to offsite levies and the AUMA and RMA Guide to Offsite Levies.

In the [Offsite levy manual](#), provided by RMA and the AUMA, it states:

“The establishment of a defensible OSL regime requires supporting technical documentation and analysis, such as infrastructure master plans, engineering studies and OSL reports, including a cost-benefit analysis. Undertaking these studies can be costly and time-consuming. Although the cost of the studies that provide the foundation for an OSL regime may ultimately be recoverable through the OSL, the municipality must be able fund the studies initially. In addition to the costs of the up-front studies, the municipality must cover the costs of maintaining the OSL regime once it is in place. Maintenance of the regime includes accounting for the funds that are collected and expended. Each category of OSL must be accounted for separately and any interest that accrues to the fund can only be used for that same purpose (section 648(5), MGA). Depending on the complexity of the municipality’s OSL regime, the administrative costs and time associated with maintaining and administering the OSL regime may become a burden and cannot be offset against the OSL funds. These administrative costs are not directly linked to the capital costs associated with infrastructure or facilities, but rather are operational in nature. A further cost of an OSL regime that must be covered by the municipality is the cost of updating the levy rates and preparing the required annual reports. Because construction costs will vary over time, it is important that the levy rates be kept current. If OSL rates are not updated and verified on a regular basis, there is a risk that the funds collected will be inadequate to cover the actual cost of construction. If a municipality does not have the financial expertise to maintain the OSL regime or if it cannot afford to hire consultants to assist the administration with the operation of the OSL regime, the municipality would be wise to not implement an OSL regime.”

Through the MGA Off-site levy amendments 2021 Implementation Fact Sheet, it states:

“Municipalities must make the following information publicly available:

- Any information or data the municipality relied upon and any assumptions the municipality made in calculating the levy, including, without limitation, any information, data or assumptions the municipality used in models to complete calculations. s.648.2(6)(a).
- The calculations that were performed in order to determine the amount of the levy. s.648.2(6)(b)”

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The offsite levy manual states the following regarding Stakeholder Consultation:

- Consultation must begin at the earliest opportunity and must provide stakeholders with the ability to provide input on an ongoing basis. s.648.3(3).
- During consultation, a municipality must make publicly available any calculations the municipality has made and any information the municipality has relied upon including, without limitation, any assumptions and data the municipality has used in models to complete calculations. s.648.3(4)

The offsite levy manual does state that funds cannot be co-mingled across basins. Separate accounts are also to be maintained for each infrastructure or facility type for which an OSL is collected. If the OSL model provides for a further division, for example, by basins (nodes), the accounting must also reflect this division.

We noticed that since the last offsite levy bylaw was approved in 2013, several projects have been added to the new bylaw that were constructed and added to the model before the consultations took place. We also appreciate that various projects have also been removed, and the adjustments have resulted in lower overall offsite costs for several nodes.

With the information presented and through consultations and what we have reviewed, we still have outstanding questions and information that have not yet been addressed through stakeholder consultations and correspondence. Some questions remain about some projects, project accounting and the overall cost-benefit of the offsite levy model.

With that in mind, we also recognize that City staff had a requirement to have this bylaw introduced and passed before the end of 2022. We acknowledge the efforts of City Staff in their willingness to consult and engage with stakeholders. There has been much more information shared and greater transparency provided in this consultation process than in previous consultations. With the time and effort spent with stakeholders, we also know that staff were required to expedite the process so the bylaw could be introduced to Council.

We want to encourage growth and further development in the municipality and work towards any efforts to promote growth. We would also like to see full transparency on some of the questions that are still outstanding, so that the development community can feel confident in the overall process and information being presented.

Therefore the Medicine Hat & District Chamber of Commerce and the Urban Development Industry would be able to support the bylaw moving forward as long as it's also recommended to:

1. Continue to follow up on the questions and information presented by stakeholders as a means to **build trust and transparency**, including any information, data, statutory plans, functional servicing reports, areas structure plans and other planning documents the municipality relied upon and any assumptions the municipality made in calculating the levy, including, without limitation, any information, data or assumptions the municipality used in models to complete calculations and a better understanding of projects, receipts and calculations that were performed to determine the amount of the levy.
2. Amend subsection 9(a) of the proposed bylaw to read as follows: The City shall review the levy projects and the levy rates **annually in consultation with stakeholders**.
3. Ensure that the bylaw also includes a clause where the **levy rates are agreed upon in the conditions of a subdivision approval** from the City for a period of one year with the option to

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apply for an extension of 12 months to fulfill any conditions and payment of offsite levies agreed upon to avoid fluctuations and ensure greater predictability and business planning for development.

4. Ensure that any projects that may be considered as potential offsite projects are **not constructed before being added to the levy model** and before the appropriate consultation with stakeholders has been held. Projects and rates should only be added and adjusted after consultation with stakeholders.
5. Ensure any **consultations begin at the earliest opportunity**, providing stakeholders with the ability to provide input on an ongoing basis. s.648.3(3).
6. **Create incentives in consultation with industry groups and developers** that can be applied equitably and will be targeted to promote growth and land development.
7. Work to maintain **continuity in the offsite levy model and consultations** conducted through staff retention and continuity of the staff representatives engaged in constructing the model and in the consultation processes.
8. Work to maintain offsite levies as one of the lowest in the province and **market the competitive advantage** to prospective businesses and developers.

Sincerely,

Scott Lehr  
2021-2022 President  
Medicine Hat & District Chamber of Commerce

Curtis Presber  
Chair  
Urban Development Industry

Cc: Glenn Feltham, Interim City Manager  
Cc: Rochelle Pancoast, Managing Director, Strategic Management and Analysis  
Cc: Amanda Brinda, City Planner & Director of Development Services  
Cc: Randi Buchner, Superintendent of Engineering, Planning & Development Services

Sources:

- City of Medicine Hat Offsite Levy Bylaw Amendment p.352-464  
[https://docs.medicinehat.ca/OnBaseAgendaOnline/Documents/ViewDocument/REGULAR\\_MEDICINE\\_HAT\\_CITY\\_COUNCIL\\_5106\\_Agenda\\_Packet\\_11\\_7\\_2022\\_6\\_30\\_00\\_PM.pdf?meetingId=5106&documentType=AgendaPacket&itemId=0&publishId=0&isSection=false](https://docs.medicinehat.ca/OnBaseAgendaOnline/Documents/ViewDocument/REGULAR_MEDICINE_HAT_CITY_COUNCIL_5106_Agenda_Packet_11_7_2022_6_30_00_PM.pdf?meetingId=5106&documentType=AgendaPacket&itemId=0&publishId=0&isSection=false)
- Offsite Levy implementation fact sheet: <https://open.alberta.ca/dataset/9012714b-1d3c-4046-997c-1afbde6975f1/resource/ee86a5c8-b100-437b-a1ea-089332576b7e/download/ma-municipal-government-act-off-site-levie-amendments-2021.pdf>
- OFF-SITE LEVIES REGULATION: [https://www.kings-printer.alberta.ca/1266.cfm?page=2017\\_187.cfm&leg\\_type=Regs&isbncIn=9780779824953&display=html](https://www.kings-printer.alberta.ca/1266.cfm?page=2017_187.cfm&leg_type=Regs&isbncIn=9780779824953&display=html)
- Offsite levy manual: [https://www.abmunis.ca/sites/default/files/off-site\\_levies\\_manual\\_final.pdf](https://www.abmunis.ca/sites/default/files/off-site_levies_manual_final.pdf)