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| Approval Date: | July 26, 2021 | Policy Number: | P-61-06-E |
| Motion: | MOTION-21-07-292 | | |
| Supersedes: | P-61-06-D | | |
| Title: | Off-Site Levy Policy | | |

Purpose

With the adoption of off-site levies in the Town of Peace River there is a need to establish policies concerning the collection of such funds. Policy P-61-06-E outlines the Town’s Off-Site levy policies and requirements to Town ratepayers, Town administration and Town Council.

Policy Statement

1. The Town of Peace River (hereinafter “the Town”) strives to remain consistent and transparent in its policies concerning the collection of off-site levies. Policy P-61-06-E provides detailed information concerning the Town policy with regard to Off-Site Levies.
2. Once an Off-site Levy Bylaw is adopted, the Municipal Government Act provides little guidance to aid in efficient implementation of the Bylaw. Accordingly, the Off-Site Policy is being adopted to enable clearer understanding of off-site levy administrative details and the manner in which various off-site levy activities will be managed in Peace River.
3. As shown in Table 1, the Town of Peace River has had an off-site levy in place since May 1978. The current bylaw is Bylaw No. 2099, which was adopted in July 2021.

Related Documents

4. Summary of Off-site Levy Bylaws

| Bylaw No. | Adopted on: |
|------------------|--|
| 4.1. Bylaw 1036 | May 8, 1978 |
| 4.2. Bylaw 1193 | December 29, 1982 |
| 4.3. Bylaw 1360 | July 11, 1988 |
| 4.4. Bylaw 1851 | November 23, 2009 |
| 4.5. Bylaw 1929 | June 10, 2013 <i>Amends Bylaw 1851</i> |
| 4.6. Bylaw 1952 | May 25, 2015 <i>Amends Bylaw 1851</i> |
| 4.7. Bylaw 2044 | May 13, 2019 |
| 4.8. Bylaw 2099 | July 26, 2021 |
5. Bylaw 2099, as amended, establishes an off-site levy to pay for all or part of the capital costs of each of the following:
 - 5.1. New or expanded facilities for the storage, transmission, treatment or supplying of water;

- 5.2. New or expanded facilities for the treatment, movement or disposal of sanitary sewage.
- 5.3. New or expanded roads required for or impacted by a Subdivision or Development; and
- 5.4. Land required for or in connection with any facilities described in 5.1 to 5.3 above.

Definitions

6. The following terms and acronyms apply to the interpretation of this policy.

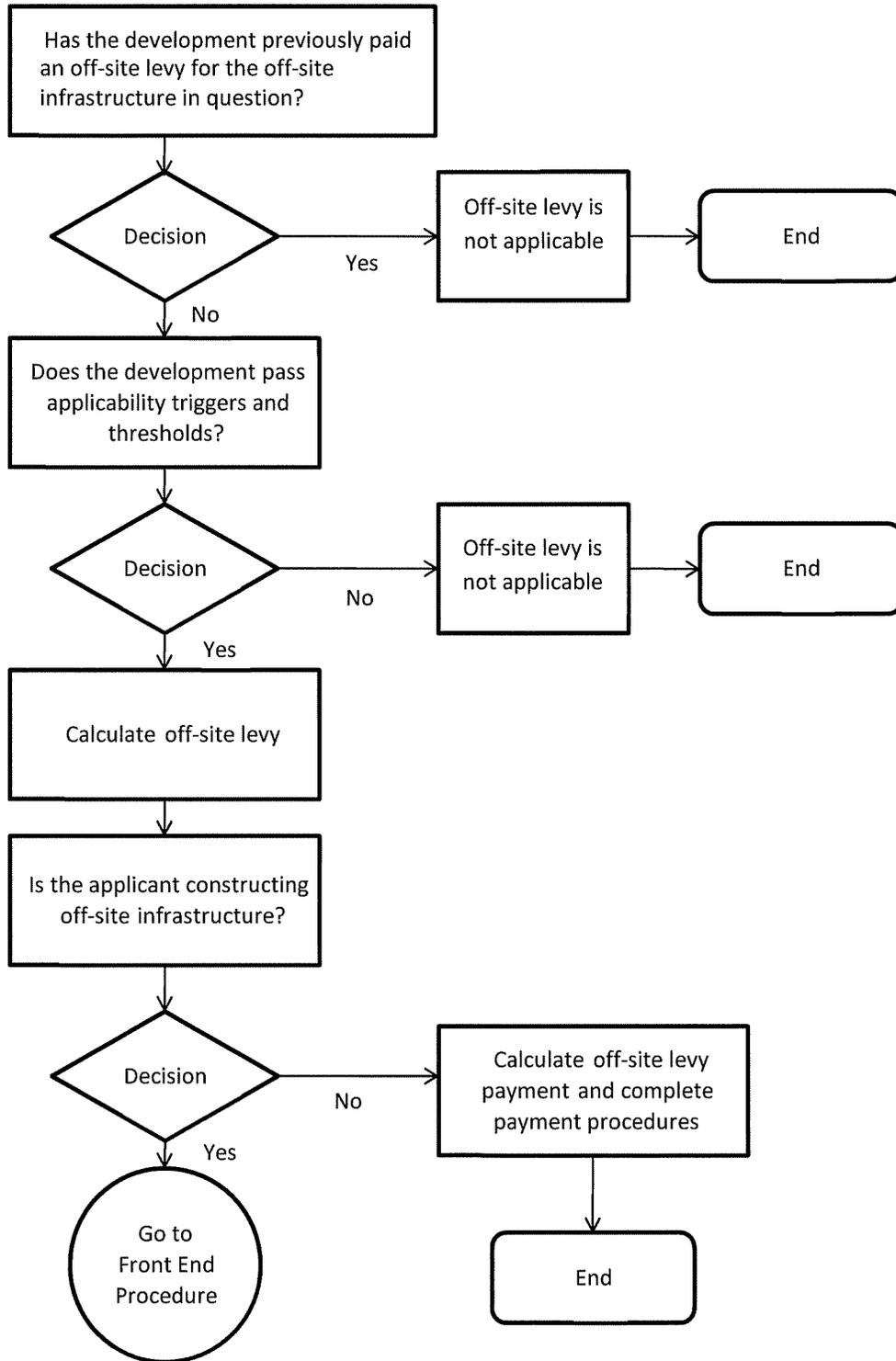
| Term | Description |
|--|--|
| 6.1. Off-site Levy Applicability | Conditions and thresholds that must be satisfied to trigger the imposition of an off-site levy by subdivision or development. |
| 6.2. Off-site Levy Offset | Front-end costs for off-site infrastructure incurred by the developer used to reduce the amount of off-site levies payable by the developer. Note: off-site levy offsets may only be granted if the off-site infrastructure and off-site levy are of the same category. |
| 6.3. Off-site Levy Deferral Agreement | An agreement executed between the developer and the municipality that permits the developer to pay off-site levies on an installment basis. |
| 6.4. Off-site Levy Down Payment | The amount of off-site levy that is due immediately upon the issuance of a subdivision approval or development permit. |
| 6.5. Off-site Levy Installment | The amount of off-site levies and applicable interest that are due annually |
| 6.6. Off-site Infrastructure | <p>The infrastructure required for:</p> <ul style="list-style-type: none"> a. new or expanded facilities for the storage, transmission, treatment or supplying of water; or b. new or expanded facilities for the treatment, movement or disposal of sanitary sewage; or c. new or expanded roads required for or impacted by a Subdivision or Development; or d. land required for, or in connection with, any facilities described in a. to c. above as determined in the Town of Peace River Off-site Levy Update and incorporated into the Bylaw No. 2099 as Schedule "D". |
| 6.7. "Qualified" Off-site Infrastructure | Developer front-ended off-site infrastructure that is outlined in the Off-site Levy Bylaw and listed as infrastructure to be constructed within the first 5 years of the Off-site Infrastructure Capital Plan. |

| Term | Description |
|--|--|
| 6.8. "Non-Qualified" Off-site Infrastructure | Developer front-ended off-site infrastructure that is outlined in the Off-site Levy Bylaw and listed as infrastructure to be constructed beyond the first 5 years of the Off-site Infrastructure Capital Plan. |
| 6.9. Off-site Infrastructure Capital Plan | A plan approved by the Town that outlines off-site infrastructure that will be approved for construction—"qualified" off-site infrastructure. |
| 6.10. Annual Financial Plan | Outlines future anticipated disbursement or retention of off-site levy reserve funds. The plan considers items including development infrastructure staging, off-site levy reserve balances, future off-site levy receipts, the Town's debt capacity, and other similar matters. |
| 6.11. Construction Completion Certificate | Issued by the Town to signify that front-end off-site infrastructure has been constructed to the Town's standard. |
| 6.12. Final Acceptance Certificate | Issued by the Town at the completion of a two-year warranty period and when front-end off-site infrastructure is free of defects and deficiencies. The Final Acceptance Certificate signals the release of holdback on front-ended off-site infrastructure construction. |
| 6.13. Holdback | The cost of deficiencies of a "qualified" front-end off-site infrastructure. Holdback may be released upon issue of the Final Acceptance Certificate. |

Policy

Imposition/Collection Process Overview

7. The flow chart below outlines the various process steps and decisions that will be used to guide the imposition and collection of off-site levies.



Levy Imposition, Applicability and Thresholds

8. The obligation to pay an off-site levy occurs in two steps:

- 8.1. The Subdivision Authority imposes an off-site levy as a condition of subdivision, or the Development Authority imposes an off-site levy as a condition of development.
- 8.2. The off-site levy is paid before the subdivision application is approved or the development permit is issued. The payment of an off-site levy may be deferred to a future time in accordance with this policy.

8.3. Legislated Levy Applicability

The first criteria to be considered in determining if an off-site levy will be imposed as a condition of subdivision or development is outlined in legislation. Town guiding policies are consistent with these legislative requirements.

8.3.1. *Municipal Government Act, S. 648(4) states:*

An off-site levy imposed under this section or the former Act may be collected once for each purpose described in subsection (2) or (2.1), in respect of land that is the subject of a development or subdivision, if (a) the purpose of the off-site levy is authorized in the bylaw referred to in subsection (1), and (b) the collection of the off-site levy for the purpose authorized in the bylaw is specified in the agreement referred to in subsection (1).

8.3.2. *Municipal Government Act, S. 648(7) states:*

Where after March 1, 1978 and before January 1, 2004 a fee or other charge was imposed on a developer by a municipality pursuant to a development agreement entered into by the developer and the municipality for the purpose described in subsection (2)(c.1), that fee or charge is deemed (a) to have been imposed pursuant to a bylaw under this section, and (b) to have been validly imposed and collected effective from the date the fee or charge was imposed.

8.4. Guiding Principle

If a parcel of land was previously subdivided or developed, and an off-site levy for a certain off-site infrastructure (e.g., water) was paid in accordance with Section 648 of the Municipal Government Act on that entire parcel, then no further off-site levy for that off-site infrastructure will be imposed.

8.5. Applicability of Off-site Levies imposed by the Town

- 8.5.1. Except for conditions outlined in legislation, off-site levies apply to all subdivision approvals and development permits within the Town off-site levy development area unless such subdivision or development meets specific conditions, set out below, that indicate that off-site levies will not be imposed on the subdivision or development.
- 8.5.2. According to the *Municipal Government Act*, S. 616 (b) "Development" means (i) an excavation or stockpile and the creation of either of them, (ii) a building or an addition to or replacement of a building and construction or placing of any of them on, in over

or under land, (iii) a change of use of land or a building or an act done in relation to land or a building that results in or is likely to result in a change in the use of the land or building or (iv) a change in the intensity of use of land or a building or an act done in relation to land or a building that results in or is likely to result in a change in the intensity of use of the land or building.

- 8.5.3. According to the *Municipal Government Act*, S. 616 (b) (ee) “Subdivision” means the division of a parcel of land by an instrument.
- 8.5.4. As such, all improvements on a site, including buildings, other structures, parking and loading areas, landscaping, paving or graveling areas, devoting areas to exterior display, etc. might be considered development. Further the registration of any land instrument that divides land might be considered subdivision.
- 8.5.5. The broad application of this definition to the imposition of off-site levies would result in off-site levies being due where there may be no intent to develop or where the nature and size of the development would not warrant payment of an off-site levy. Whereas the intent of the off-site levy imposition is clearly to pay for the construction of off-site levy infrastructure that supports the development.
- 8.5.6. Where a subdivision or development application does not place any or little burden on off-site infrastructure, the off-site levy imposition and payment obligation may not be triggered at that time. This does not preclude the imposition and payment obligation at a future date, where the proposed subdivision or development does place additional burden on the municipal infrastructure.

8.6. Guiding Principle

If a subdivision or development, as determined by the Town, is likely not to place an increased burden on the Town’s road, water, sanitary, or stormwater infrastructure, then the Town will not impose an off-site levy, subject to the approved policies.

Table 2 Off-site Levy Imposition and Applicability Thresholds

| Applicability Thresholds | Rationale |
|---|--|
| <p>8.7. Temporary Development / Land Uses shall not trigger an off-site levy so long as the use or structure proposed will not be used beyond a 1 year time frame.</p> | <p>If a use is temporary in nature the impact on off-site levy infrastructure will also be temporary and therefore complies with the guiding principle. The timeframe threshold ensures that a temporary use is not extended to a permanent use.</p> |
| <p>8.8. Replacement of a Structure with a new structure of the use at the same site or lot when such replacement is substantially completed within 3 years</p> | <p>The replacement structure would not use off-site infrastructure to any greater extent than the previous structure. The threshold timeframe is intended to ensure that replacement of the structure occurs in a timely fashion that</p> |

Applicability Thresholds**Rationale**

- | Applicability Thresholds | Rationale |
|--|---|
| of the demolition or destruction of the prior structure shall not trigger an off-site levy. | facilitates an assessment of the development's impact on off-site infrastructure. |
| 8.9. Altering an existing Residential Structure resulting in the development of up to two (2) dwelling units shall not trigger an off-site levy. This provision applies to situations including but not limited to the development of a secondary suite on a single family residential lot, the replacement of a single detached dwelling with a duplex, etc. | Developments that create more than two (2) dwelling units on a parcel of land are considered a development that would result in greater demand on off-site infrastructure and therefore require the payment of off-site levies. |
| 8.10. Accessory improvements with no occupancy shall not trigger the imposition of an off-site levy, including but not limited to accessory buildings and structures such as sheds, fences, walls, berms and signs. | These developments would not create any additional burden on off-site infrastructure. |
| 8.11. Non-residential Farm Buildings shall not trigger the imposition of an off-site levy. This applies to <i>bona fide</i> farming operations encompassing barns, silos and other accessory development for agricultural use. | This allows existing farms to modernize without facing the imposition of off-site levies and payments. |
| 8.12. Enlargement of Existing Industrial Buildings – Industrial buildings may be enlarged up to 25% of the existing building's floor size as of November 23, 2009, before offsite levies are imposed. Cumulative building enlargement in excess of 25% of the existing buildings floor size will result in the imposition of offsite levies. | The floor plate % threshold is easy to administer. A cumulative threshold has been created to ensure that multiple or staged building enlargements do not bypass the payment of offsite levies. The starting point of threshold is the date of acceptance of this policy. |

| Applicability Thresholds | Rationale |
|--|---|
| <p>8.13. Alteration of a Non-Residential Structure That Does Not Change the Use or Size of the Structure shall not trigger the imposition of an offsite levy.</p> | <p>This would allow existing developments to make office renovations etc. within the existing development floor plate. However, if a structure's floor plate size were increased, then offsite levies would be imposed. Further, if an alteration changed the use of the structure, then offsite levies would be imposed.</p> |
| <p>8.14. Demolition or Removal of a Building or Structure do not trigger the imposition of an off-site levy.</p> | <p>This allows existing property owners to demolish unwanted structures.</p> |
| <p>8.15. Subdivision of Large Parcels of Land do not trigger an off-site levy when a newly created parcel(s) or the remaining balance of a lot is greater than 1 hectare (2.47 acres). Notwithstanding the above, where the subdivision is a terminal subdivision for the purpose of a residential development, the Town may impose the levy on the portion of the lot determined to be developed, consistent with 8.20.</p> | <p>The minimum parcel size threshold is established to help guide the imposition of off-site levies. This threshold allows developers to develop land in an incremental manner.</p> <p>Where the proposed subdivision is intended to be the terminal (final) subdivision for a particular parcel, this applicability threshold would not apply.</p> |
| <p>8.16. Subdivision to Accommodate Existing Development that creates two or more parcels of land where previous development exists on one of the parcels shall not trigger the imposition of an off-site levy on the resulting developed parcel. This provision applies to situations including but not limited to: a developed farmstead separation, the subdivision of a lot with an existing building to create separate titles (e.g., duplexes), the subdivision of a wide residential parcel into 2 or more narrow lots, where the existing development is on one of the lots. However, an off-site levy shall be imposed on any newly created parcel of land with no existing development.</p> | <p>The lot with the existing development would not create any additional burden on off-site infrastructure. This would allow land owners to sell the developed site separately from the undeveloped balance of a parcel.</p> |

| Applicability Thresholds | Rationale |
|--|--|
| <p>8.17. Stripping, Filling, Excavation or Stockpile shall not trigger an off-site levy.</p> | <p>These developments would not create any additional ongoing burden on off-site infrastructure</p> |
| <p>8.18. A Change of Use of an existing building or site shall not trigger the imposition of an off-site levy, except where the development necessitates the upsizing of municipal infrastructure or on-site tie-ins to accommodate development.</p> | <p>A change of use does not necessarily create any additional burden on off-site infrastructure.</p> |
| <p>8.19. Subdivision or development, where the lot is not connected to the municipal water and/or sanitary sewage infrastructure shall not trigger the levy provided that the water and/or sanitary sewage infrastructure is not provided for in the Town's five year Council approved Capital Improvement Plan.</p> | <p>Where a subdivision or development is not connected to the Town's infrastructure, the subdivision or development will not create any additional burden on that type of off-site infrastructure.</p> |
| <p>8.20. Development of a residential use, including uses accessory to a residential use, on a large parcel, greater than 1 hectare (2.47 acres) where only a portion of the lot is proposed to be developed. The Town is able to determine whether the use is residential or accessory to a residential use, and the portion of the lot being developed. The portion of the lot determined to be developed to which the off-site levy shall apply shall not be less than 0.1 hectares (0.25. acres).</p> <p>An off-site levy may be imposed at the time of a future subdivision or development to that portion of the lot not developed.</p> | |

Off-Site Levy Deferment and Installment Payments

9. Once an off-site levy is imposed, the next decision is “When should the off-site levy be paid?” Off-site levy payments can have a material impact on a developer’s cash flow, particularly during start up or early stages of development. Off-site levy deferment would allow the developer to pay their off-site levy obligation over a period of time. Deferment of off-site levy payments has a direct and negative impact on off-site levy cash availability for construction of off-site levy infrastructure and repayment of off-site infrastructure front-ending obligations.

9.1. Eligibility of Payment Deferment

Off-site Levy payment deferment criterion does not consider the financial capacity of developers— all developers are considered to have equivalent financial capacity. Off-site levy payment deferment criterion is focused on the amount of off-site levy that is to be paid by the developer. Developments below the off-site levy deferment threshold amount are required to pay off-site levy amounts as a condition of subdivision or development approval.

- 9.1.1. The Town retains the discretion to determine if it will enter into a Deferment Agreement with a developer. The Town may consider the developer’s development history with the Town or other municipalities or both, the Town’s recent working relationship with the developer, or any other relevant considerations.
- 9.1.2. The Town may defer off-site levy payment for developments in deferment threshold #1 over a period of up to 2 years or until the issuance of an Occupancy Permit, whichever is sooner, by entering into agreement (executing a Deferral Agreement) with the developer for off-site levy deferred payment.
- 9.1.3. The Town may defer off-site levy payment for developments above deferment threshold #2 over a period of up to 5 years by entering into an agreement (executing a Deferral Agreement) with the developer for off-site levy deferred payment.

9.2. Guiding Principle

The Town may defer the collection of off-site levy payments for a development or subdivision that is imposed cumulative off-site levies in excess of \$10,000 in accordance with this policy.

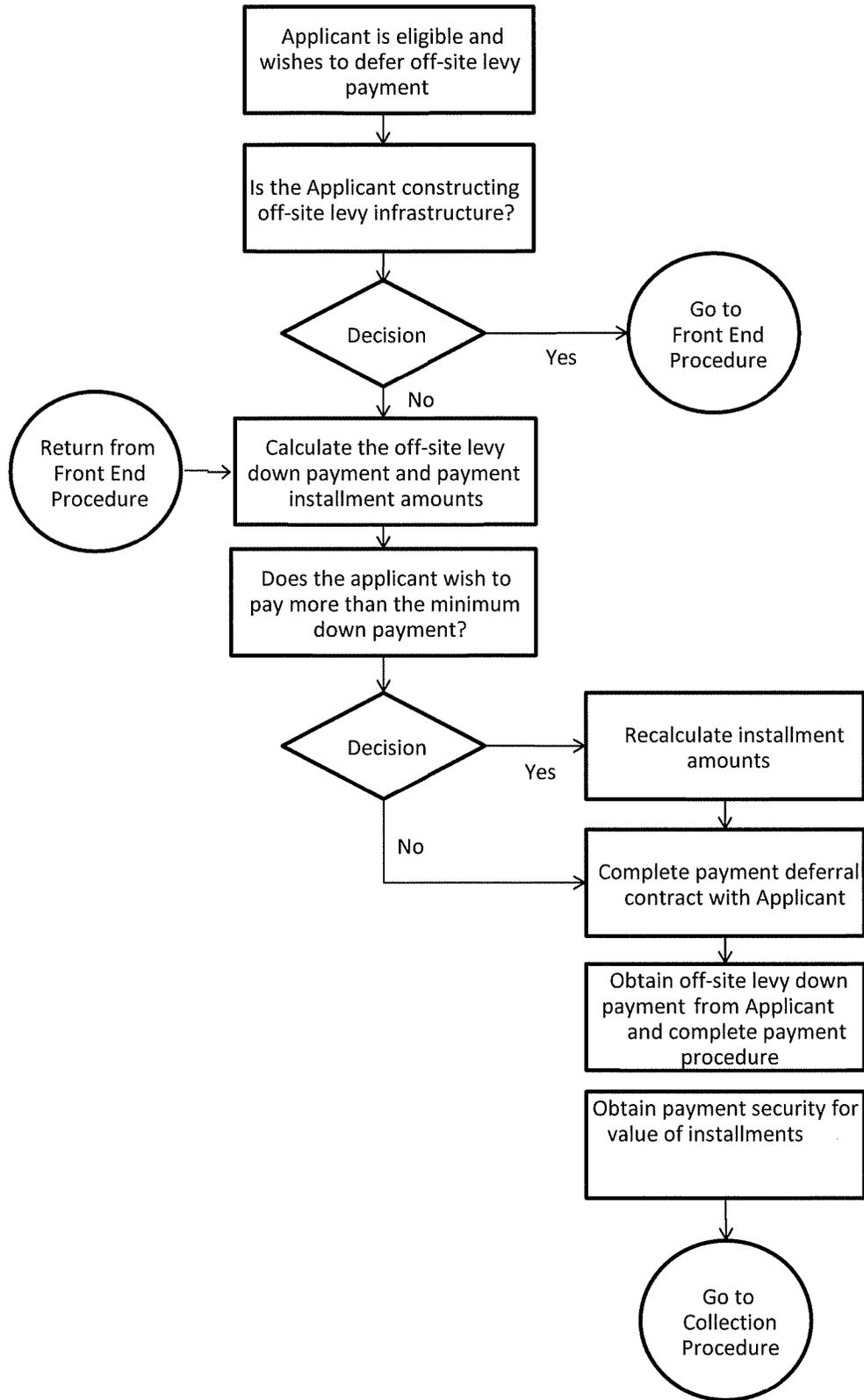
| Deferment Threshold | Rationale |
|--|---|
| <p>9.3. Off-site Levy Deferment Threshold #1– The option to defer payment of off-site levies may be extended to any subdivision or development application with cumulative off-site levies between \$10,000 and \$250,000.</p> <p>Once the off-site levy amount reaches the threshold, the deferral may apply to the entire amount (not only the amount in excess of \$10,000).</p> | <p>The dollar value threshold provides the developer with a clearly understood threshold for payment deferment. Off-site levies below the threshold are payable as a condition of approving a development or subdivision application.</p> |

9.4. **Off-site Levy Deferment Threshold #2 –**
The option to defer payment of levies may be extended to any subdivision application with cumulative off-site levies greater than \$250,000.

Once the levy amount reaches the threshold, the deferral may apply to the entire amount (not only the amount in excess of \$250,000).

The dollar value threshold provides the developer with a clearly understood threshold for payment deferment. Off-site levies below the threshold are payable as a condition of approving a development or subdivision application.

9.5. The following flow chart outlines the payment deferment process.



9.6. Repayment Period and Terms

The repayment period is akin to the terms established in a Credit Agreement whereby the lender (the Town) determines the term of the agreement and the creditor (developer) must meet the terms of the agreement. The developer has the ability to pay out amounts owing any time prior to the terms of the agreement.

9.7. Guiding Principle

Developers that are eligible to defer off-site levy payments must enter into an agreement with the Town (execute a Deferral Agreement). The Deferral Agreement with the Town outlines the terms and conditions upon which off-site levy payments will be made. The payment of off-site levies for non-qualified off-site infrastructure is not eligible for deferral.

Off-site levy payment (installment) terms:

| Installment Terms | Rationale |
|--|--|
| <p>9.8. Initial Off-site Levy Down Payment – A portion of the off-site levy amount is payable as a condition of the subdivision or development permit being issued. The down payment must be 25% of the off-site levy amount. The balance to be paid in installments.</p> | <p>The payment of a portion of the off-site levy ensures that some level of funding will immediately flow into the off-site levy reserves. i.e., where off-site levies of \$250,001 are owing, the developer would be required to pay an initial off-site levy amount of \$62,500.25 and where off-site levies of \$10,000 are owing, the developer would be required to pay an initial off-site levy amount of \$2,500.</p> |
| <p>9.9. Installment Payments for Deferral Threshold #1 – The balance owing is subject to appropriate security, as set out below, and would be paid in full within a maximum period of 2 years:</p> | |
| <p>9.9.1. 1st Year Anniversary Date – no action or payment is required.</p> | |
| <p>9.9.2. 2nd Year Anniversary Date – payment of the remaining balance. The balance owing will be adjusted to reflect the approved off-site levy rates as at the time of payment.</p> | |
| <p>9.10. Installment Payments for Deferral Threshold #2 – The balance owing is subject to appropriate security, as set out below, and would be paid within a maximum period of 5 years:</p> | <p>The payment installment period is intended to provide a cash flow outlet to the developer. A developer would be required to adjust amounts due to the Town as a result of any interest charges over the deferral period.</p> |

| Installment Terms | Rationale |
|--|--|
| 9.10.1. 1 st , 2 nd and 3 rd Year Anniversary Date – no action or payment is required. | |
| 9.10.2. 4th Year Anniversary Date – 50% of the balance owing will be paid. The balance owing is adjusted to reflect the approved off-site levy rates as at date of payment. | |
| 9.10.3. 5th Year Anniversary Date – payment of the remaining balance. The balance owing will be adjusted to reflect the approved off-site levy rates as at the time of payment | |
| 9.11. Early Repayment – Developers have the ability to pay off any off-site levy balances earlier than the repayment date terms. | This would accommodate situations where a developer wishes to pay out all levy obligations. Early payment may be desired to avoid off-site levy rate interest adjustments, and changes to off-site levy rates. |

Repayment Security

9.12. Off-site levies are required to be paid as a condition of issuing a subdivision or development permit. However, if eligible, the applicant may elect to pay the off-site levy in installments as outlined earlier. In order to secure the position of the Town in the case of non-payment of an installment or the levy, the applicant will provide the Town with security that can be easily converted to cash by the Town in the case of payment default by the developer.

9.13. Guiding Principle

Developers that elect to defer off-site levy payments must provide the Town with security to protect the Town in the event of payment default.

The Town, in its sole discretion, may choose to accept a Bond vs. a Letter of Credit.

Failure of the developer to pay an off-site levy installment will result in the security held by the Town to be exercised and applied against amounts owing by the developer.

Off-site levy Security:

| Security Terms | Rationale |
|--|--|
| 9.14. Irrevocable Unconditional Letter of Credit – An Irrevocable Unconditional Letter of Credit from a bank or other financial institution acceptable to the | The Irrevocable Unconditional Letter of Credit provided through a bank or lending institution is easy to obtain and may be readily converted in the case of payment default. |

Security Terms**Rationale**

Town in the amount of the balance owing will be provided by the developer to the Town. As installments are provided to the Town a new letter of credit for the remaining balance owing will be provided. This balance may be adjusted.

10. Increasing Amounts Due for Any Increase in Off-site Levy Rates

10.1. Off-site levy monies owed to the Town on deferred payment schemes will be adjusted by interest charges imposed on any deferred payment amount.

10.2. Guiding Principle

Developers that defer off-site levy payments will pay their off-site levy obligation based upon the off-site levy rate in effect at time of entering the agreement plus interest on any outstanding amounts.

Calculation of off-site levy payments:

Off-site Levy Adjustment Terms**Rationale**

10.3. **Off-site at Time of Payment** – Off-site levy balances owing are subject to adjustment for interest on outstanding amounts.

Off-site infrastructure is subject to changes for interest. This change will be considered in off-site levy rate changes.

No interest rate on deferred off-site levy balances shall be charged for the 365 days. Interest shall be applied to deferred off-site levy balances starting on day 366 until the balance is paid in full as allowed through the deferment program, at the interest rate identified in the Off-Site Levy bylaw.

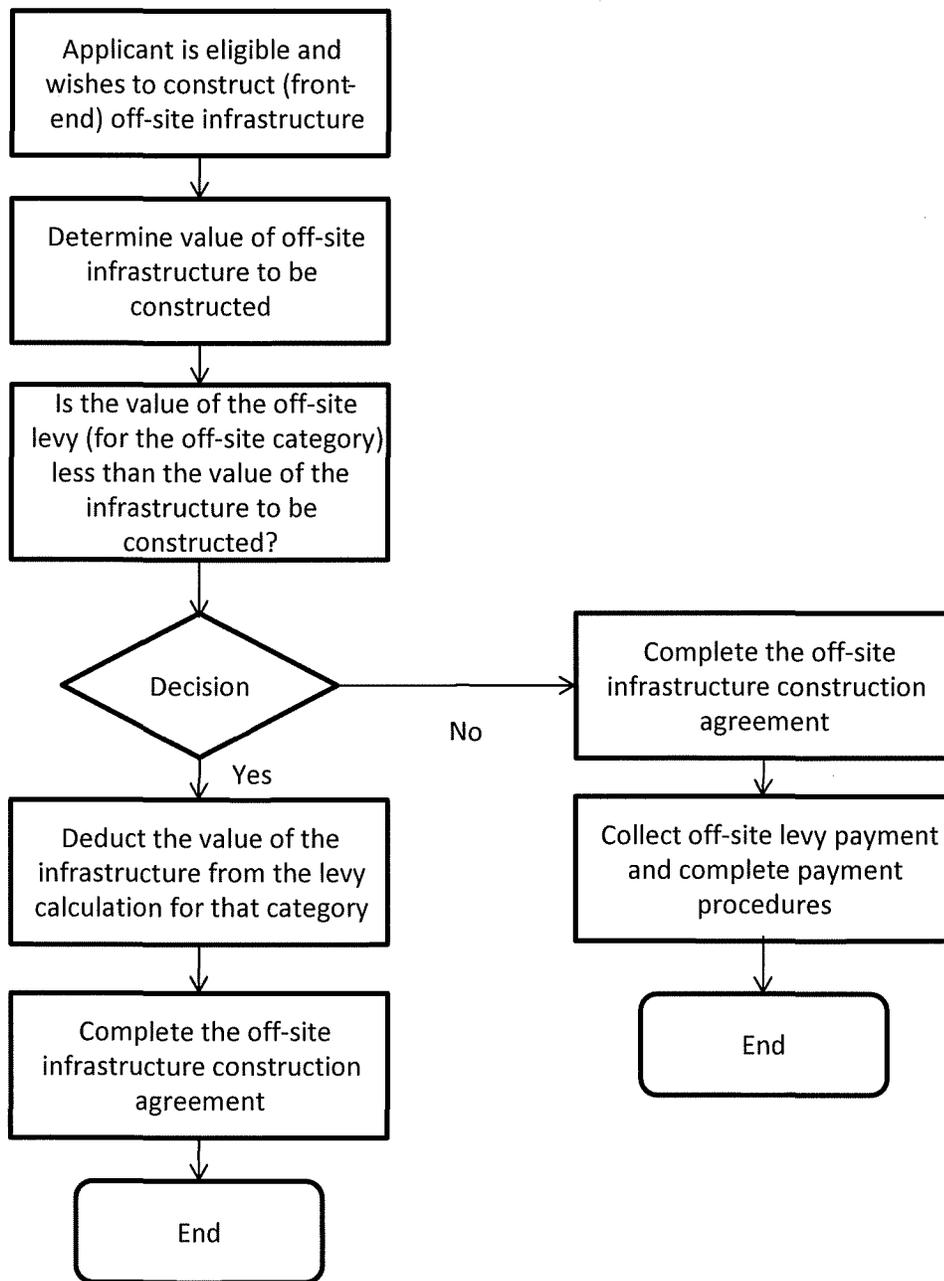
If off-site levy charges are deferred, the Town will waive interest charges for the first year as a mechanism to assist developers align the payment of off-site levies to transactions relating to the property.

After the first year, interest on deferred off-site levy balances will be charged.

Off-site Levy Infrastructure Front-Ending

11. The timing of off-site infrastructure is such that all off-site levy funds will not be in place prior to construction. In order to attract developers to front-end construction, incentives are provided including offsetting levies due by the value of off-site levy infrastructure constructed by the developer; and providing interest on front-ending balances owed to the developer.

12. The following flow chart outlines the infrastructure front-ending process.



Construction of “Qualified” Off-site Infrastructure

- 12.1. “Qualified” means that the Town has approved off-site infrastructure construction and entered into a contract (Front-end Construction Agreement) with the developer. The agreement will outline the standards and specifications of the off-site infrastructure to be constructed. The decision to approve the construction as “qualified” is based upon the off-site infrastructure being outlined within the Town’s Off-site Levy Bylaw and the infrastructure being required “by the Town” in the near immediate term. This later condition is denoted by the project being reflected in the Town’s Capital Plan.
- 12.2. There may be instances when a developer will want to construct off-site infrastructure to support their development; however, the Town may not require the infrastructure to be built at this time (“non-qualified infrastructure”). For example, a developer may wish to construct all four lanes of an arterial road when only two lanes are required. This issue raises the question of how the construction costs will be handled relative to offsetting levies due. The Town may permit the developer to offset the cost of off-site infrastructure constructed that may be constructed beyond the Town’s construction staging plan; however, repayment of the construction will not commence until the front-end construction is “qualified” for repayment i.e., being reflected in the Town’s Capital Plan.

12.3. Guiding Principles

Off-site infrastructure constructed by a developer will be constructed to the standards and specifications of the Town.

Developers are required to enter agreement with the Town on all off-site infrastructure constructed (qualified infrastructure).

“Qualified” off-site infrastructure is outlined within the Town’s Off-site Levy Bylaw and is contained within the next 5 years of the Town’s Capital Plan.

Developers that construct “qualified” off-site infrastructure may be permitted to offset off-site levies up to 80% of the cost of infrastructure being constructed (see offsetting off-site levies).

Qualified Infrastructure

- | | | |
|-------|---|--|
| 12.4. | Relationship to Off-site Levy Bylaw and Capital Plan | Is contained in the Town’s Off-site Levy Bylaw and the first 5 years of the Town’s Capital Plan. |
| 12.5. | Standards & Specifications | Constructed to the standards and specifications of the Town. |
| 12.6. | Front-end Agreement | Developers are required to enter into an agreement with the Town. |

- 12.7. **Offset Off-site Levies** Developers may offset up to 80% of the value of off-site levies being collected by the cost of construction. Offset may only be applied to levies in the same category as infrastructure being constructed.
- 12.8. **Interest on Unpaid Balance** Developers will receive interest on the outstanding principal balance of off-site infrastructure amounts due to the developer in accordance with this policy. The interest rate will be consistent with the interest rate as outlined in the current Off-site Levy Bylaw.

Offsetting Off-site Levies for Front-end Infrastructure Costs

12.9. Developers who front-end the construction of off-site levy infrastructure may apply up to 80% of the cost of this infrastructure against off-site levies due to the Town. If the developer is constructing off-site infrastructure or contributing land that will be used to site off-site levy infrastructure the Town will award the developer a credit up to 80% of the value of construction. However, the construction credit may only be applied against the same category of levy as the constructed front-end infrastructure. No construction credits may be applied to off-site levies owing that differ from the off-site levy infrastructure being constructed. For example, if a developer were front-ending the construction of road off-site infrastructure, then the off-site levy for roads can be offset by the value of front-ended road infrastructure. The value of construction cannot be offset against any other off-site levy.

12.10. Guiding Principle

Developers that front-end the construction of off-site infrastructure may offset the off-site levy up to 80% of the cost of infrastructure construction.

The remaining off-site levy is subject to the Developer providing appropriate security to the Town.

Front-end infrastructure costs may only be applied against the same off-site levy category as the infrastructure being front-ended.

Calculation of off-site front-end amounts and levy credits for front-ended off-site levy infrastructure:

| Front-end Construction Amount / Offset Credits | Rationale |
|--|--|
| 12.11. Offset Based Upon Town Estimate / Adjust for Actual – The developer will be entitled to offset up to 80% the estimated cost of construction determined by the Town. The remaining off-site levy is subject to appropriate security being provided to the Town. | The developer may not have any information beyond that gathered by the Town on the potential cost of the infrastructure being constructed. The use of Town estimates provides a readily available estimate of cost. The adjustment based upon actual construction cost is required to finalize amounts that may be due to each party. The notification of change orders will keep the Town apprised of cost changes. |
| 12.12. When the infrastructure is ultimately constructed, the actual cost of construction, approved by the Town, will be applied to adjust any off-site | |

levies still owing. The developer must advise the Town of any change orders that impact the cost of the approved infrastructure prior to payment of final off-site levy installment.

12.13. **Offset Based Upon Professional Estimate / Adjust for Actual** – The offset credit will be based a construction estimate provided by the developer and accepted by the Town. The developer estimate must be certified by an Architect or Professional Engineer or based on a fixed price bid from a contractor and approved by the Town Engineer.

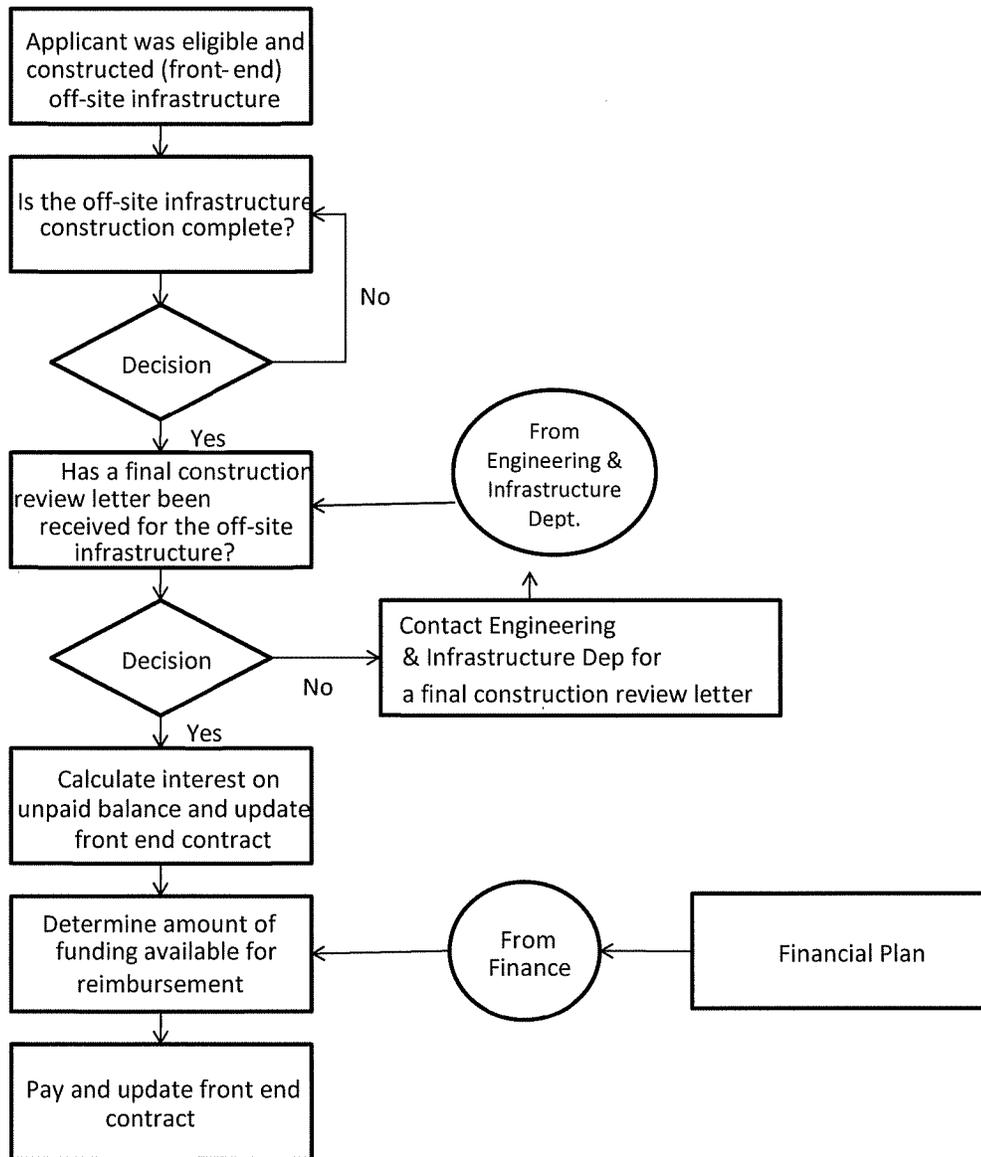
Obtaining external pricing ensures that all parties understand the potential cost of the project. Final actual construction cost is required to finalize amounts that may be due to the developer or the Town. The notification and approval of change orders will keep the Town and developer apprised of the cost changes and potential impact on outstanding levies.

12.14. When the infrastructure is ultimately constructed the actual cost of construction, approved by the Town, may be applied to adjust any off-site levies still owing.

12.15. The developer must advise the Town of any change orders that impact the cost of the approved off-site infrastructure and the change order must be approved in writing by the Town prior to the work being conducted to be eligible for reimbursement or off-site levy offset.

Infrastructure Front-end Claim Reimbursement

13. The following flowchart outlines the reimbursement of front-ending claims process.



Construction Inspection and Acceptance

14. Developers who are front-ending the construction of off-site levy infrastructure will construct off-site infrastructure to the standards and specifications demanded by the Town. In this regard the process used to review and accept other development infrastructure will be used for off-site infrastructure construction. The Town will review constructed infrastructure and issue a final construction review letter when the off-site infrastructure is completed, which will identify any outstanding deficiencies. The developer will be responsible for correcting any deficiencies in off-site infrastructure construction. Front-end off-site infrastructure will be subject to a two-year warranty period. The Town will issue a Final Acceptance Certificate when all deficiencies have been remedied and the two-year warranty period has expired. The Final Acceptance Certificate will trigger the release of front-end infrastructure reimbursement holdback (subject to funds being available in the off-site levy reserve).

14.1. Guiding Principle

Developers will be responsible to construct off-site infrastructure to the standards and specifications of the Town.

14.2. Infrastructure inspection and acceptance conditions are outlined below:

| Inspection / Acceptance Terms | Rationale |
|---|---|
| 14.3. Inspection, Correction of Deficiencies, Acceptance – Developer constructed infrastructure will be built to Town standards and specification. At completion, infrastructure will be subject to Town review. The developer will remedy construction deficiencies. A final construction review letter will be issued by the Town to signify that infrastructure conforms to Town standards. | The developer is accountable for the infrastructure constructed. The review process will ensure that standards have been met and that deficiencies are noted and subject to future correction by the developer. |
| 14.4. Holdback on Deficiencies, Issuance of Final Acceptance Certificate – The Town will withhold the cost of deficiencies of the cost of front-end off-site infrastructure repayment amounts to expedite correction of deficiencies. Two years after construction and after construction deficiencies are completed a final acceptance inspection will be undertaken, a Final Acceptance Certificate (FAC) will be issued and holdback on reimbursement will be released (subject to funds being available in the off-site levy reserve). If the developer does not correct the | To ensure that a developer corrects any off-site infrastructure deficiencies a holdback amount will be established. The issue of a Final Acceptance Certificate (FAC) by the Town will be used to signal release of holdback on payment to the developer. Any outstanding deficiencies will be corrected using the remaining holdback amount. |

outstanding deficiencies the remaining holdback amount will be used by the Town to correct the deficiencies.

Interest on Unpaid Balance

15. Developers who construct “qualified” off-site infrastructure, where the cost of construction exceeds off-site levies payable, should earn interest on balances due to them, while recognizing that if the amount of interest is not limited, the increased costs may prohibit later development. Interest will accrue from the point of the issuance of the final construction review letter for a period of 3 years, and will be posted to the developers account annually and upon final repayment of the construction cost by the Town. Interest accrued on unpaid principal owed to the developer should match the off-site levy reserve earning rate reflected in the off-site levy model for that specific year.

15.1. Guiding Principle

Balances due to developers as a result of front-ending the construction of “qualified” off-site infrastructure will earn interest on the principal amount at the rate specified in the Bylaw, which is in alignment with the off-site levy reserve earning rate reflected in the off-site levy model for that specific year.

| Interest earned on outstanding balance due to the developer for construction of “qualified” off-site infrastructure: Inspection / Acceptance Terms | Rationale |
|--|---|
| <p>15.2. Interest on Outstanding Balance at Reserve Rate – Developer constructed off-site infrastructure will earn interest on any outstanding principal balance at the off-site levy reserve earning rate for that specific year. Interest will be credited to developer accounts annually for 3 years and at time of final payment to the developer. Interest is payable on the principal only and is not compounded.</p> | <p>Developers who construct “qualified” infrastructure will receive credit for the working capital invested in constructing front-ending off-site infrastructure. The MGA indicates that parties that front-end infrastructure construction will be entitled to interest on their investment for the time period referenced in 9.1.a.</p> |

Payments on Developer Front-end Debts

16. Any off-site levy reserve funds that are assigned to the draw-down of obligations related to “qualified” front-end off-site infrastructure construction will be distributed to front-ending parties (including the Town and private developers) in an equitable fashion. Equity will be achieved by prorating repayment funds across the outstanding balance of all amounts owed. If there are no off-site levy reserve funds, the Town is not required to make any payments.

16.1. Guiding Principle

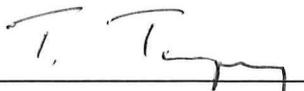
Funds drawn from the off-site levy reserve to pay down “qualified” front-end obligations will be prorated across all outstanding developer front-ended costs balances.

When a developer is owed less than \$25,000 on “qualified” front-ending, subject to there being sufficient money in the off-site levy reserve, the Town will pay the entire amount before it pays other developers in accordance with the prorating formula.

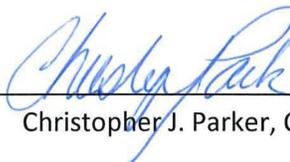
Where two or more developers are owed less than \$25,000 on “qualified” front-ending, subject to there being sufficient money in the off-site levy reserve, the Town will pay the entire amount to each developer in turn on the basis of a first-in, first-out principle, as funds are available.

16.2. The following outlines the administrative processes that will be used when reserve payments are allocated to the repayment of “qualified” front-end off-site infrastructure costs.

| Repayment of Costs for “Qualified” Off-site Infrastructure | Rationale |
|---|--|
| <p>16.3. Payments will be Prorated on All Balances Due – The Town will determine the amount of funds that will be applied annually from off-site levy reserves to pay out developers for their costs of constructing “qualified” off-site infrastructure. The available funds will be prorated across the outstanding balances of all costs for “qualified” off-site infrastructure.</p> | <p>The Town will determine the amount of off-site levy reserve funding to be applied against the costs incurred for the construction of off-site infrastructure.</p> <p>This amount will be distributed on a <i>pro rata</i> basis to all costs, whether incurred by the Town or private developers.</p> |
| <p>16.4. Payments on Amounts Below \$25,000 will be Prioritized – When the balance of a “qualified” front-end off-site infrastructure cost falls below \$25,000, subject to there being sufficient money in the off-site levy reserve, the balance will be paid out as funds allow.</p> | <p>Subject to there being sufficient money in the off-site levy reserve, small outstanding balances will be paid out to reduce the administrative efforts associated with these amounts.</p> |



Thomas Tarpey, Mayor



Christopher J. Parker, CAO