



# Q&A for Established Area Linear Levy Pilot

## General

### How have communities and members of industry been engaged?

Since 2016, the Citywide Growth Strategy team has facilitated discussions around housing barriers and potential solutions through the Established Area Working Groups. These collaborative, multi-representative working groups include utility providers, community representatives, and the development industry. Many of the ideas that emerged from the working group discussions were put forward for action under this funding program, including the Established Area Linear Levy Pilot. With the public launch of the Housing Accelerator Fund (HAF) and the release of the Established Area Linear Levy Pilot Industry Bulletin on March 4, 2024, The City will continue to facilitate ongoing open engagement regarding the Established Area Linear Levy Pilot with community representatives and members of industry through the meetings of the Utility Working Group.

### How has the City funded this pilot?

The pilot is supported by City utility rates and other funding partners. In October 2023, The City signed a Contribution Agreement in partnership with CMHC to support Calgarians with an increase in housing supply. The City is using these funds to execute The [City of Calgary's Housing Accelerator Fund Action Plan](#), which includes seven initiatives and their associated milestones. The Established Area Linear Levy Pilot is captured under Initiative 5: Enabling housing growth in established areas.

### How will this kind of investment support housing development and the rezoning changes?

Investments made through the Established Area Linear Levy Pilot provide a financial support mechanism for infrastructure servicing costs that would otherwise pose a barrier to the immediate delivery of housing units. A larger building in select locations requires additional water flow used in fire suppression and higher densities require increased wastewater capacity. First-in housing developers are responsible for increasing capacity in the local pipes if fire flow and/or wastewater capacity are insufficient to support the proposed growth. Consequently, they often opt out of multi-residential or commercial redevelopment in the Established Area given the increased cost of an upgrade. Through reimbursement of these costs, the Established Area Linear Levy Pilot will not only incentivize housing developers to increase the supply and affordability of housing but also increase servicing capacity for subsequent developments that benefit from the same water or wastewater infrastructure. These investments help prepare industry for anticipated upgrade requirements associated with [citywide rezoning](#) and ensure servicing levels are safe for new and existing residents.

## Established Area Initiative

### What is the intent of the Established Area Linear Levy Pilot?

The intent of the Established Area Linear Levy Pilot is to incentivize the immediate production of housing in the Established Area by eliminating water and/or wastewater upgrade costs borne by "first-in" developers during the pilot period. Public funding sources will be used to pay for local water and wastewater pipe upgrades required by the addition of a new housing development.

### How does The City's Established Area Linear Levy Pilot benefit the First-In Problem in Calgary?

The City will eliminate the risk associated with a housing developer being "first" to trigger a costly local water and/or wastewater upgrade in the Established Area during the pilot period. While the "first" housing developer to trigger the need for additional fire flow and/or wastewater capacity is responsible for the full cost of upgrade(s), these upgrades ultimately support subsequent development in a much wider geographical area. The Established Area Linear Levy Pilot will pay for costs up to \$1.0 million per project for developers who are required to construct the water or wastewater upgrade. The City will reduce or eliminate risk for subsequent developments by supporting the construction of pipe upgrades within the Established Area during the pilot period.

### What has The City accomplished to date?

The City has established a reimbursement process for Applicants using existing planning workflows and processes. Following an industry bulletin shared on March 4, 2024, the Established Area Linear Levy Pilot has officially launched and is now accepting applications. More information about this process can be found under "Established Area Linear Levy Pilot" on the [Water Development Resources website](#).

### How does The City's Established Area Linear Levy Pilot differ from a future Water Linear Established Area Levy discussed between the City of Calgary and Industry in 2021 and 2022?

While both initiatives address a funding gap for local water and/or wastewater upgrade(s) triggered by new development, the Established Area Linear Levy Pilot will be financially supported by City utility rates and other funding partners rather than developer contributions. A development charge will not be collected from developers during this period. The investment pool to fund these types of upgrades will be supported from a combination of the Housing Accelerator Fund and utility rates. Both mechanisms fund a required water or wastewater upgrade for a development permit to proceed. Upgrades are triggered when the available fire flow and/or wastewater capacity are insufficient for the proposed growth. A



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future levy will be a development charge dependent on the type of land use for the proposed development. The charges collected will be put into an investment pool to fund these types of upgrades when unexpectedly triggered by growth.

### What are the pilot's objectives?

The City has five objectives for the Established Area Linear Levy Pilot:

1. Incentivize the immediate production of housing that would be otherwise suppressed by local water and/or wastewater upgrade costs.
2. Encourage subsequent housing developments by eliminating the financial risk of a housing developer being "first" to trigger a costly local water and/or wastewater upgrade in the Established Area during the pilot period.
3. Determine the impact of funding upgrades on advancing growth rates.
4. Identify an appropriate size of investment pool and funding source(s) from data generated by the pilot to ensure increased growth rates and the financial sustainability of a future long-term program.
5. Develop, test, and implement reimbursement and repayment processes suitable for a long-term program.

The City will monitor the pilot's success throughout the three-year period to determine the next steps for this initiative.

### How does The City decide an upgrade is needed?

The City determines the need for a local water and/or wastewater upgrade through the [development review process](#). Upon review of a development permit application, an Engineering Utility Generalist will identify the need for a Required Fire Flow (RFF) analysis and/or Sanitary Servicing Study (SSS) to evaluate the servicing needs of the development. Upon receipt and review of the RFF/SSS, the City will determine whether a local-sized water or wastewater upgrade is required with the anticipated intensification. Housing developers execute a legal (indemnification) agreement with the City to deliver the required upgrade. The Engineering Utility Generalist conditions the release of the development upon approved infrastructure construction drawings and permission granted by the City to construct the upgrade.

### How does The City decide who constructs the linear upgrade?

Typically, Applicants are responsible for constructing any water/wastewater main upgrades triggered by their development application. These obligations are specified prior to construction through an indemnification agreement signed with the City of Calgary.

The City may deliver the linear upgrade under the following circumstances:

If a small-scale housing developer is unable to construct an upgrade, The City may construct the upgrade on their behalf given sufficient resource availability. If there are sufficient resources, The City provides a cost estimate for the work to be done by The City and the housing developer is required to prepay the full upfront cost for the construction being done on their behalf. The Applicant can request reimbursement after construction up to \$1.0 million per project.

For larger offsite water or wastewater upgrades, The City may choose to construct the main upgrade due to the increased complexity of the construction. The City provides a cost estimate for the work to be done by The City and the Applicant is required to prepay the full upfront cost for the construction being done on their behalf. The Applicant can request reimbursement through the pilot up to a maximum of \$1.0 million reimbursed per development application.

### How will The City monitor and communicate the performance of the pilot?

The City is accountable for ongoing progress updates and data reports submitted to the Canada Mortgage and Housing Corporation (CMHC) as per the terms of the Housing Accelerator Fund Agreement. In addition, The City provides a variety of tools and resources to monitor short and long-term growth trends in Calgary. These include the [Growth Monitoring Report](#) and the City of Calgary's [Development Map](#) as well as internal applications that track both current and historical development application submissions. The City will leverage these resources to evaluate the impact of funded upgrades on immediate and subsequent upstream development and determine whether investment in an upgrade leads to additional development/building permits with the cost barrier removed. Performance and progress updates will also be shared through the Citywide Growth Strategy's Utility Working Group.

### How will funds be sustained and monitored?

Program parameters will be re-evaluated on an ongoing basis to ensure funds are sufficiently leveraged. For example, funding limits of the reimbursement may need to be re-evaluated in the event it becomes apparent that housing developers prefer to scale their developments down in lieu of delivering an infrastructure upgrade. The intent of the pilot is to encourage as much housing as possible.

The investment pool will be closely monitored on an annual basis to ensure sustainable commitments on a first-come, first-served basis. Utilities Infrastructure Planning will submit additional funding requests or delay reimbursements to subsequent years should the investment pool become depleted. In the absence of additional funds, the City will announce that funding is no longer available for a particular year and put a hold on further commitments.