



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 be funded by a developer and become 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. This is known as the First-in problem because subsequent developers benefit from the same upgrade. Consequently, developers often opt out of multi-residential or commercial redevelopment in the Established Area given the increased cost of an upgrade or limit the size of the proposed development to not trigger an upgrade.

Through reimbursement of these First-in costs, the Established Area Linear Levy Pilot will not only incentivize housing developers to increase the supply of housing, which could lead to better affordability, but also increase servicing capacity for future subsequent developments that benefit from the same water or wastewater infrastructure. These infrastructure investments may also assist industry for anticipated upgrade requirements associated with [citywide rezoning](#) to ensure servicing levels are maintained and 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. Housing Accelerator Fund and utility rate funding sources will be used to pay for local water and wastewater pipe upgrades required by the addition of a new housing development during the pilot period. Funding commitments can be made to developers up to Sept 1, 2026.

What are local sized pipes that are eligible for levy funding?

Local sized water pipes are smaller than 500mm and local sized sanitary pipes are smaller than 600mm. Water pipes 500mm and larger or sanitary pipes 600mm and larger are funded through capital funding. Local pipes that are within these sizes where upgrades get required are typically the responsibility of developers to construct at their cost.

What kinds of projects are eligible for funding through this pilot?

Eligibility is on a first come first served basis per year based on available funding for that year. The purpose of this pilot is to fund upgrades that are triggered by growth. Typical servicing to service a parcel does not qualify as these extensions would be known upfront. An upgrade of a pipe may not be known and can impact the Pro-Forma of a project. Eligibility is based on:

- the parcel must have existing servicing
- the Applicant must be adding residential units in the Established Area
- the proposed growth must trigger a water or sanitary pipe upsizing/upgrade (storm extensions are handled in a separate initiative)

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

The City will reduce the financial risk associated with a housing developer being First-in to trigger a costly local water and/or wastewater upgrade in the Established Area when a development permit or subdivision application is submitted for



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approval. The first housing developer to trigger the need for a pipe upgrade to improve fire flow and/or wastewater capacity is responsible to construct and pay for the full cost of upgrade. The Established Area Linear Levy Pilot will help with this financial concern and reimburse a developer for costs up to \$1.0 million per development application at a maximum payback of \$2,100 per linear meter.

These upgrades ultimately benefit others and support subsequent development over a wider geographical area. There is currently no mechanism for a developer to receive payback from future developers when they construct one of these pipe upgrades even though future developers benefit. If multiple developers trigger the need for upgrades—whether simultaneously or sequentially—they will be responsible for negotiating how to cover any costs that exceed the \$1 million reimbursement threshold. The city will not be involved in these negotiations.

What is the process for the funding allocation?

Funding commitments are made on a first come, first serve basis. Reimbursement may not cover 100% of the upgrade cost. The remainder will remain the developer's obligation.

The submission process can be found online on the [Established Area Linear Levy Pilot \(calgary.ca\)](https://calgary.ca/established-area-linear-levy-pilot) website. An Applicant requests reimbursement through this pilot on the Reimbursement Request Form online under the 'What to Submit' Section. The Applicant provides information on the development application, the length and type of upgrade, and anticipated cost estimate and timing for construction. Once the form is submitted, the Applicant receives instructions on how to submit their detailed construction cost estimate.

An internal notice of submission gets received by Utilities Infrastructure Planning and Development Commitments. Utilities Infrastructure Planning reviews the request form, the cost estimate and construction drawings to determine eligibility. Applicants will receive a funding commitment letter from Utilities Infrastructure Planning when eligibility is confirmed. Applicants must receive confirmation with an eligibility commitment letter from Utilities Infrastructure Planning (UIP) before Sept. 1, 2026 and complete construction (CCC) by Sept. 1, 2027 to get reimbursement from this pilot. It is uncertain if there will be any opportunity after that date for pipe upgrade reimbursement support from any future program.

What has The City accomplished to date?

The City has established a reimbursement process for Applicants using existing planning workflows and processes, such as the Indemnification Agreement and Oversize existing 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 details of 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?

Both mechanisms fund a required water or wastewater upgrade for a development permit or subdivision to proceed. Upgrades may be triggered when the available fire flow and/or wastewater capacity are insufficient for the additional proposed growth.

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 Housing Accelerator Funding rather than developer contributions. A development charge will not be collected from developers during this period for their development application submission. There is opportunity to get up to \$1.0 million of pipe upgrades funded per development permit or subdivision application over the three years of the pilot.

A future levy would be funded with developer contributions through a development charge dependent on the type of land use for the proposed development. The charges collected from Industry would be put into an investment pool with funding from The City's utility rates (50%/50%) to fund these types of upgrades when unexpectedly triggered by growth. Discussions on a potential Established Area Levy were discussed with Industry in 2021-2023, prior to this pilot.

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 not proceed due to the barrier of local water and/or wastewater upgrade costs.
2. Encourage subsequent housing developments with the barrier removed by eliminating the financial risk of a housing developer being First-in to trigger a costly local water and/or wastewater upgrade in the Established Area during the pilot period.
3. Determine if funding these types of pipe upgrades results in more building permits and advances growth rates.
4. Identify an appropriate size of investment pool needed to provide financial sustainability of a future long-term program, such as a future levy.
5. Develop, test, and implement reimbursement and repayment processes to reimburse Applicants during the pilot that would be suitable for a long-term support program.



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The City will monitor the pilot throughout the three-year period to determine success and 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, a Development Engineering Utility Specialist 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, Utilities Infrastructure Planning will determine whether a local-sized water or wastewater upgrade is required to service the anticipated development. Housing developers execute a legal Indemnification Agreement with the City to construct the required upgrade in The City's roadways. The Development Engineering Utility Generalist (through DART) conditions the release of the development upon approved infrastructure construction drawings and permission is granted by The City for the developer 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 a signed Indemnification Agreement between the developer and The City. Timing of this construction is under control of the developer.

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

- If a small-scale housing developer is unable to construct an upgrade, The City may be willing to construct the upgrade on their behalf given sufficient resource availability to design and construct the upgrade.
- For larger offsite water or wastewater upgrades, The City may choose to construct a main upgrade due to the increased complexity of the construction.

For large-scale projects, the City will provide an initial Class 5 cost estimate for design and construction to begin discussions between the Applicant and Utilities Infrastructure Planning. Once the scope is agreed upon, Utilities Delivery will issue a Class 2 or 3 estimate, with the Applicant required to prepay the full upfront cost. For smaller projects, discussions begin with a Class 2 or 3 estimate, with the same prepayment requirement for construction.

The Applicant can request reimbursement, up to \$1.0 million per development application and \$2,100 per linear meter of upgrade through the Reimbursement Request Online Form. Since there is no Indemnification Agreement in this case, a Reimbursement Letter Agreement is signed between the developer and The City. Payback will be calculated on the actual invoiced costs from Utilities Delivery. Utilities Delivery will be paid directly from HAF. Once the Applicant submits a Building Permit, construction on the pipe upgrade will start. Submission of a building permit by the applicant helps ensure that pipe upgrades are appropriately scaled to actual development needs, reducing the risk of the City over-committing to unnecessary infrastructure upgrades.

After construction completion (CCC), Development Commitments will pay back the Applicant based on the terms of the Reimbursement Letter Agreement and the actual invoiced costs. If the cost estimate was higher than the actual costs, the full cost estimate will be reimbursed. If the cost estimate was lower than the actual costs, the reimbursement will be the cost estimate less than the increased actual cost differential.

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 and reimbursement terms of the levy pilot 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 for a particular year 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. Future liability commitments may need to be made to Utilities Delivery for City construction in the event of resource constraints to ensure delivery of the upgrade.