# Policy # AD 022

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| **POLICY NO:**<br>**POLICY TITLE:**<br>**DEPARTMENT:** | AD 022<br>OFF-SITE LEVY POLICY<br>ADMINISTRATION |
| **APPROVAL DATE:**<br>**REVISION DATE:**<br>**REVIEW DATE:** | 60-07-12 (July 24, 2012) |

**Policy Statement:**

The County of Vermilion River strives to remain consistent and transparent in its policies concerning the collection of Off-Site Levies. Policy AD 022 provides detailed information concerning County policy with regards to Off-Site Levies in the County of Vermilion River.

**Purpose:**

With the adoption of Off-Site Levies in the County of Vermilion River there is a need to define policies concerning the collection of such funds. Policy AD 022 outlines the County's Off-Site Levy policies and requirements to County ratepayers, County administration and County Council.

**Policy:**

Attached as Schedule 'A'

# SCHEDULE 'A'

## 1 DOCUMENT INFORMATION

### 1.1 Glossary

At the outset, it is critical to have a common understanding of the terminology. The following terms and acronyms have been used throughout the document.

| Term | Description |
|---|---|
| **Off-site Levy Exemption** | Conditions that must be satisfied in order to have to an off-site levy assessment waived on a subdivision or development permit application. |
| **Off-site Levy Offset** | Front-end infrastructure costs incurred by the developer used to reduce the amount of off-site levy assessment payable by the developer. |
| **Off-site Levy Deferral Agreement** | An agreement between the developer and municipality that permits the developer to pay off-site levies on an installment basis. |
| **Off-site Levy Down Payment** | The amount of off-site levy that is immediately due upon the issuance of a subdivision or development permit. |
| **Off-site Levy Installment** | The amount of off-site levy assessment that is due annually. |
| **"Qualified" Off-site Infrastructure** | Developer front-ended infrastructure that is outlined in the Off-site Levy Bylaw and contained within the "qualified" portion of the Capital Plan (next 5 years). |
| **"Non-Qualified" Off-site Infrastructure** | Developer front-ended infrastructure that is outlined in the Off-site Levy Bylaw and is contained within the "non-qualified" portion of the Capital Plan (beyond 5 years). |
| **Guaranteed Repayment Date** | The guaranteed repayment date on developer front-ended "qualified" infrastructure as established from the date of issue of the Construction Completion Certificate. |

| Term | Description |
| --- | --- |
| **Capital Plan** | Outlines off-site infrastructure approved for construction. Note, items approved for construction do not necessarily mean that they are funded. |
| **Annual Financial Plan** | Outlines future anticipated disbursement / retention of off-site levy reserve funds. The plan considers front-ending claims, development infrastructure staging, off-site levy reserve balances, future off-site levy receipts, municipal debt capacity etc. |
| **Construction Completion Certificate** | Issued by the municipality to signify that front-end off-site infrastructure has been constructed to standard. The certificate issue date can also commences the guaranteed repayment schedule. |
| **Final Acceptance Certificate** | Issued at the completion of a two-year warrantee period and when front-end infrastructure is free of defects and deficiencies. The Final Acceptance Certificate signals the release of hold back on front-ended construction repayment. |
| **Holdback** | The amount of funds held-back after issuance of the Construction Completion Certificate during the warranty period. Holdback may be released upon issue of the Final Acceptance Certificate (subject to availability of reserve funds). |

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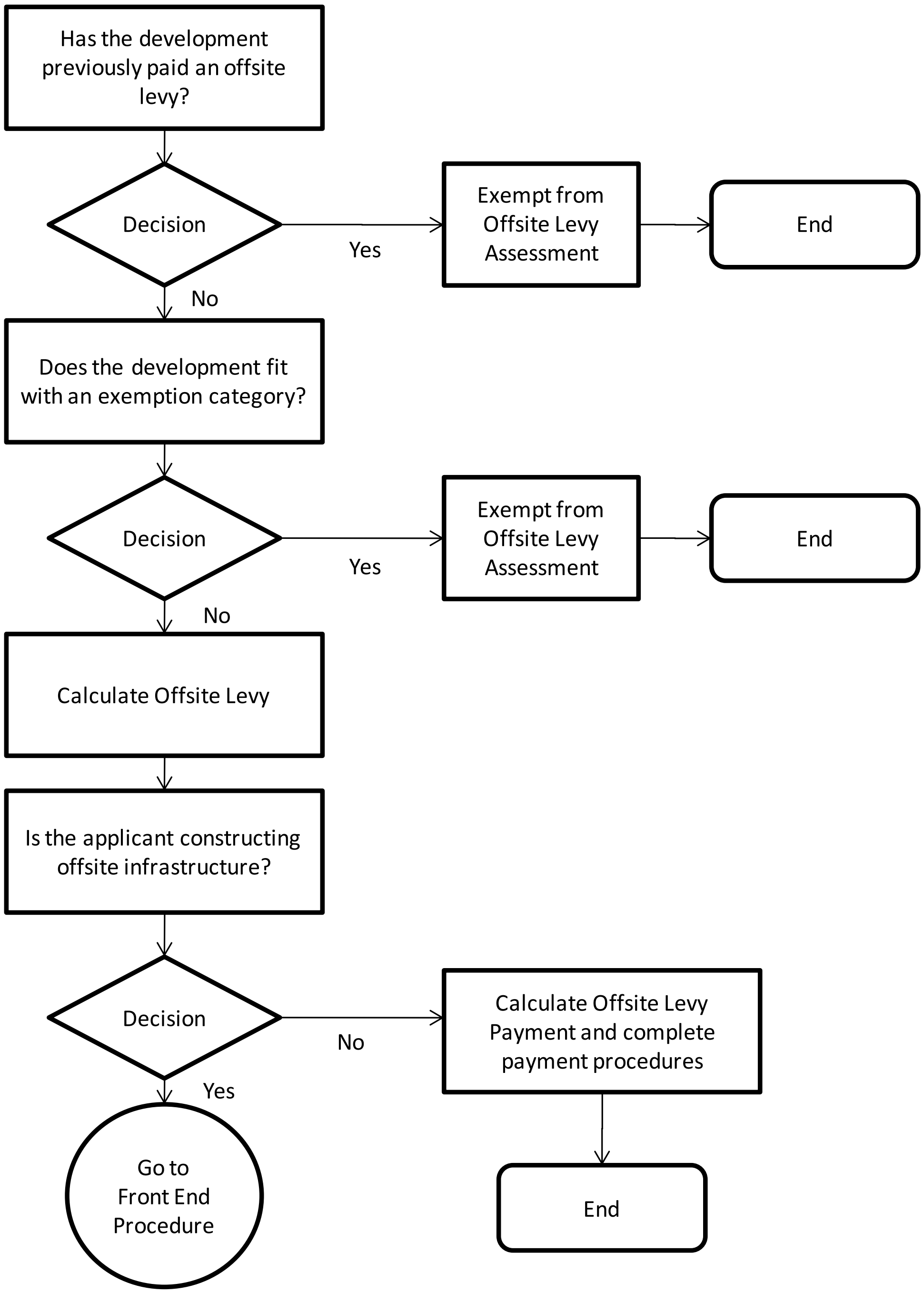
## 3 INTRODUCTION

Charges on land development and how they are levied will affect not only land and housing prices (and hence housing affordability), but also the demand for developed land, urban growth rates and development patterns, and ultimately, the viability of the development industry and general health of County of Vermilion River's economy. The County is adopting levies to pay for all or part of the infrastructure required in respect of lands to be subdivided or developed (i.e. transportation and storm water). This document outlines the administrative policies that County of Vermilion River will use to help guide when to assess levies to developers, when levy amounts are payable (deferrals), when and how front-end infrastructure construction will be assigned to developers, when and how developer front-end construction will be reimbursed.

## 4 ASSESSMENT / COLLECTION PROCESS OVERVIEW

The flow chart below outlines the various process steps and decisions that will be used to guide off-site levy assessment and collection.

Figure 1: Off-site Levy Assessment and Collection




### 4.1 Levy Assessment, Assessment Exemptions and Thresholds

The obligation to pay off-site levies occurs in two steps: (1) the levy is "incurred" upon application for a subdivision agreement or development permit, and (2) the levy is paid upon issuance of the subdivision or development permit or may be deferred to a future time of payment. This section of the Policy and Procedure document focuses on the principles and options that will guide the County in determining "when" the submission of an application for a subdivision agreement or development permit would result in a levy obligation being "incurred".

4.1.1 Legislated Exemption

The first criteria to be considered in determining if an application for a subdivision agreement or development permit is eligible or exempt from incurring an off-site levy obligation is outlined in legislation. County guiding policies are consistent with these legislative requirements.

Municipal Government Act, Section 648(4) states:

> *"An off-site levy imposed under this Part of the former Act may be collected once only in respect of land that is the subject of a development or subdivision."*

**Guiding Principle**

**If a parcel of land was previously developed or subdivided, and an off-site levy was paid in accordance with Section 648 of the Municipal Government Act on that entire parcel, then any new development or subdivision is exempt from any future assessment and payment of off-site levies.**

4.1.2 County Exemptions

Except for exemption conditions outlined in legislation, off-site levies would apply to all "development" or "subdivision" situations within the County of Vermilion River off-site levy development area unless such development or subdivision is explicitly exempted.

According to Section 616 of the Municipal Government Act (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.

According to Section 616 of the Municipal Government Act (ee) “Subdivision” means the division of a parcel of land by an instrument.

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 placement of any land instrument that divides land might be considered subdivision.

The broad application of these definitions to the assessment of off-site levies would result in obligations 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 assessment is clearly to pay for the construction of off-site infrastructure that supports the development. Clearly then, a subdivision or a development application that does not place any or little burden on off-site infrastructure might be considered exempt from off-site levy assessment and payment obligation.

**Guiding Principle**

**If a development or subdivision is, in the opinion of the County, likely not to place a burden on the water, and/or sanitary, and/or storm water off-site infrastructure then the development or subdivision may, subject to the approved administrative policies, be considered exempt from off-site levy assessment and payment obligation.**

Off-site levy **assessment exemptions** and **exemption thresholds**:

| Exemption / Exemption Threshold | Rationale |
|---|---|
| a) **Temporary Development / Land Uses** – Temporary land uses will be considered exempt so long as the use or structure proposed will not | If a use is truly temporary in nature the impact on off-site levy infrastructure will also be temporary and therefore complies with the |

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| be used beyond 1 year (can be extended upon reapplication) | guiding principle. The timeframe threshold ensures that a temporary use is not extended to permanent use. |
| b) **Replacement of a Structure** – Replacement of a structure with a new structure of the same size and use at the same site or lot when such replacement is substantially completed within 1 year of the demolition or destruction of the prior structure will be considered exempt. | This is intended to exempt residential rebuilding / commercial rebuilding in the event of a fire or similar catastrophic lost, etc. 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. |
| c) **Altering a Residential Structure** – Altering residential structures to 4-plex size will be considered exempt. | This is intended to exempt the various forms of residential alterations that may be applied for ranging from a room addition through to creation of a duplex. Alterations beyond a duplex would be considered a development that would result in greater demand on off-site infrastructure and therefore not exempt from off-site levies. |
| d) **Ancillary improvements** – includes but may not be limited to fences, walls, berms and signs. These miscellaneous improvements will be considered exempt. | This is intended to exempt various residential, commercial and industrial development applications that would not create any additional burden on off-site infrastructure. |
| e) **Division of Lands so that Further Subdivision Can Take Place** – includes situations where lands are subdivided into blocks that in turn would require further subdivision of individual lots or blocks, consistent with the MDP threshold. | This allows large tracks of lands to be assembled and divided among developers. The parcel size threshold is established to help guide application of this exemption. |

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| f) **Non-residential Farm Buildings** – agricultural / farming structures will be considered as exempt. This would include bona fide farming operations encompassing barns, silos and other ancillary development for agricultural use. | Exempting non-residential farm buildings would permit existing farms to modernize without facing off-site levy assessments and payments. |
| g) **Division of Agricultural Lands** – includes situations where a farm is subdivided consistent with the MDP threshold. An exemption is also permitted for the severance of 2 residential parcels of land from the agricultural lands for residential sites. | This would allow land owners to sell their farmland and create 2 residential sites on the divided lands. |
| h) **Enlargement of Existing Industrial Buildings** – Industrial buildings may be enlarged to a threshold of 25% of the existing building floor size before off-site levies are assessed. Cumulative building enlargement in excess of 25% building threshold size will result in the assessment of off-site levies. | The floor area % threshold is easy to administer. A cumulative threshold has been created to ensure that multiple / staged building enlargements do not bypass the payment of off-site levies. |
| i) **Intensified Land Development** – Non-building site development use (processing / production facilities, storage etc.) can be increased by a threshold of 25% before off-site levies are assessed. Cumulative increased site use in excess of the 25% use increase threshold will result in the assessment of off-site levies. | The site use % threshold is easy to administer. A cumulative threshold has been created to ensure that multiple / staged site developments do not bypass the payment of off-site levies. |
| j) **Alteration of a Non-Residential Structure That Does Not Change the Use or Size of the Structure** – This would permit any existing industrial or commercial structure to be modernized and be exempt from off-site levy | This would allow existing developments to make office renovations etc. within the existing development floor plate. However if a structures floor plate size were increased the exemption would be lost. Further, if an alteration changed |

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|---|---|
| assessment and payments provided that the improvement occurred within the existing floor plate size and the use of the structure did not change. | the use of the structure then the exemption would also be lost. |
| k) **Demolition or Removing of a Structure** – This would permit any existing property to remove existing structures while remaining exempt from off-site levy assessments. | This would allow existing property owners to demolish older structures in readying the property for future development. |

## 4.2 Levy Assessment Deferment and Installment Payments

Once an off-site levy is "incurred" the next decision is "When should the levy be paid?"

Off-site levy payment can have a material impact on developers' cash flow, particularly during start up or early stages of development. Off-site levy deferment allows the developer to pay their 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.

### 4.2.1 Eligibility for 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 and an equal right to payment deferment. 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 permit approval. Developments above the deferment threshold amount may "elect" to defer off-site levy payment over a period up to two years by entering into agreement (executing a Deferral Agreement) with the County for off-site levy deferred payment.

**Guiding Principle**

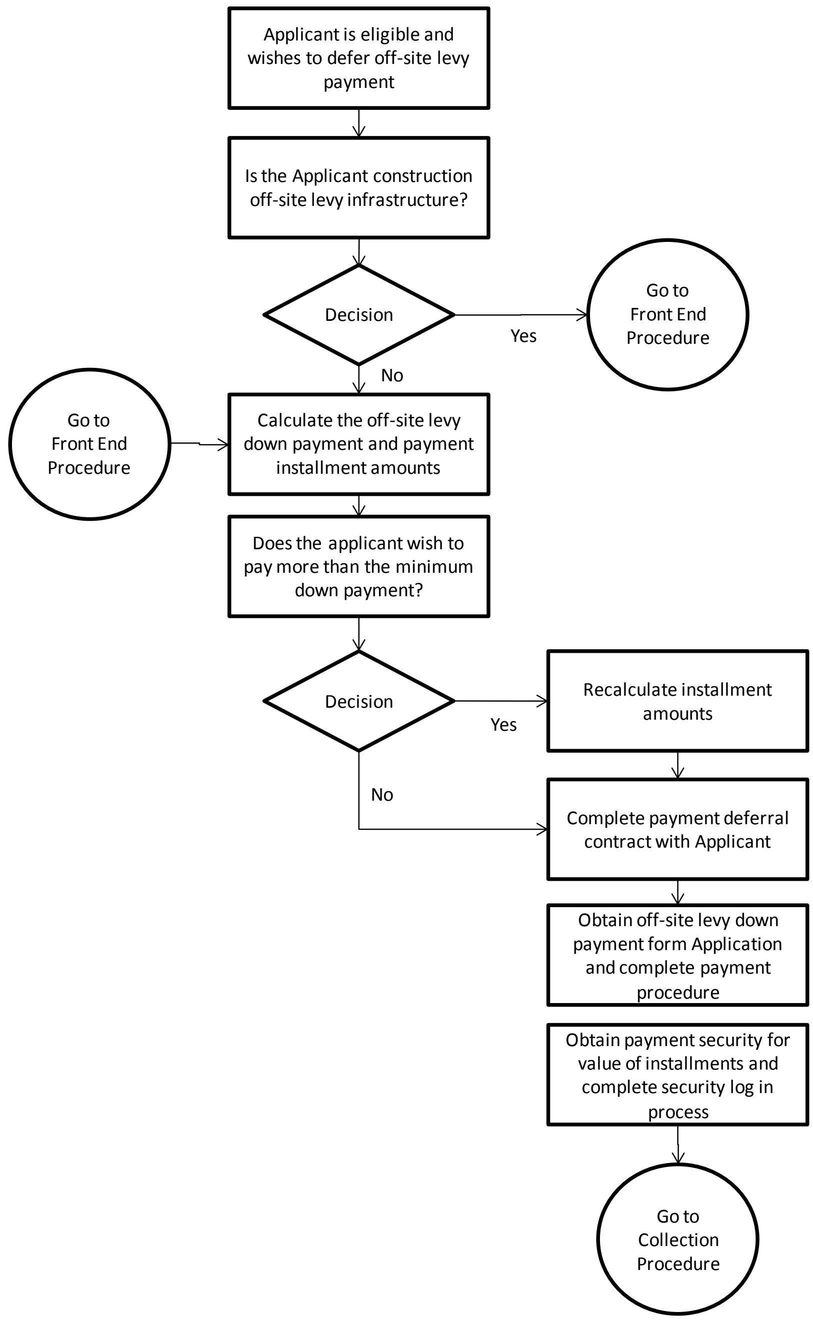
**A development or subdivision that is assessed cumulative off-site levies in excess of $300,000 may elect to defer off-site levy payments.**

Off-site levy deferment includes:

| Deferment Threshold | Rationale |
|---|---|
| a) **Off-site Levy Deferment Threshold** – The option to defer payment of levies would be extended to any subdivision or development application with off-site levies greater than $300,000. The maximum deferment period is 2 years. | 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. |

The following flow chart outlines the payment deferment process.

Figure 2: Off-site Levy Deferment




4.2.2 Repayment Period and Terms

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

| Guiding Principle |
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| **Developers that are eligible and elect to defer off-site levy payments must enter into agreement with the County (execute a Deferral Agreement). The Deferral Agreement with the County outlines the terms and conditions upon which off-site levy payments will be made. Non-qualified infrastructure is not eligible for deferral.** |

Off-site levy payment (installment) terms:

| Installment Terms | Rationale |
|---|---|
| a) **Initial Off-site Levy Down Payment** – A portion of the off-site levy assessment is payable as a condition of the subdivision or development permit being issued. The down payment must be 50% of the off-site levy assessment. The balance to be paid in installments. | 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. |
| b) **Installment Payments** – The balance owing would be paid within a maximum period of 2 years. The recommended repayment period is 2 years, as follows:<br>• 1st 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.<br>• 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. | The payment installment period is intended to provide a cash flow outlet to the developer. Deferral however does not lock in the amount to be paid by the developer. A developer would be required to adjust amounts due to the County as a result of any levy rate changes that occurred over the deferment period. |
| c) **Early Repayment** – Developers have the ability to pay off any off-site levy balances earlier | This will accommodate situations where a developer wishes to pay out all levy obligations. |

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| than the repayment date terms. | Early payment may be desired to avoid off-site levy rate increase adjustments. |

4.2.3 Repayment Indemnification

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 County in the case of non-payment of an installment the applicant will provide the County with indemnification that can be easily converted to cash by the County in the case of payment default by the developer.

**Guiding Principle**

**Developers that elect to defer off-site levy payments must provide the County with indemnification in the event of payment default.**

**Failure of the developer to pay an off-site levy installment will result in the indemnification held by the County to be exercised and applied against amounts owed by the developer.**

Off-site levy indemnification:

| Indemnification Terms | Rationale |
|---|---|
| a) **Irrevocable Letter of Credit** – An irrevocable letter of credit in the amount of the balance owing will be provided by the developer to the County. As installments are provided to the County a new letter of credit for the remaining balance owing will be provided. This balance will be adjusted to reflect any off-site levy rate changes that have occurred. | The irrevocable letter of credit provided through a bank or lending institution may be readily converted in the case of payment default. |

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

Off-site levy monies owed to the County on deferred payment schemes will be adjusted by off-site levy rate changes that occur prior to payment of levies. Off-site levy assessments are in effect “floating” and subject to adjustment as rates change. Deferral applicants are liable for increases in levy rates that occur after they elect to defer payment to the date that payment is actually made. Should the developer elect to pay an installment or any amount owing prior to a scheduled installment date the off-site levy assessment will be determined based upon the off-site levy rates in effect at the time of payment.

**Guiding Principle**

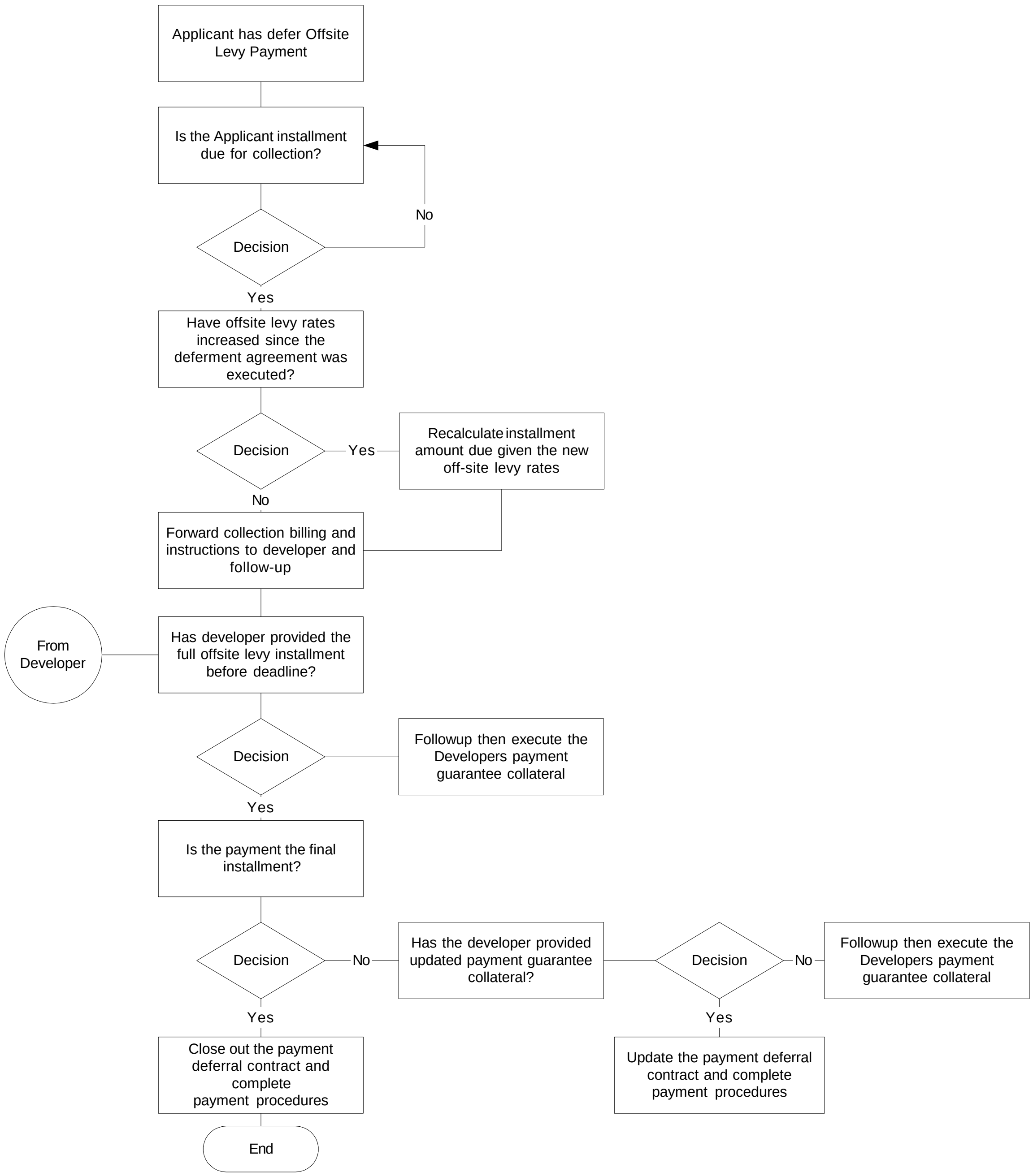
**Developers that elect to defer off-site levy payments will be assessed their off-site levy obligation based upon the off-site levy rate in effect at time of payment.**

Calculation of off-site levy payments:

| Assessment Adjustment Terms | Rationale |
|---|---|
| a) **Assessment at Time of Payment** – Off-site levy balances owing are “floating” and subject to adjustment for off-site levy rates in effect at the time of payment. | Off-site infrastructure is subject to changes for cost changes, interest rate changes etc. These changes will be considered in off-site levy rate changes annually. |

The following flow chart outlines the installment collection process.

Figure 3: Off-site Levy Collection

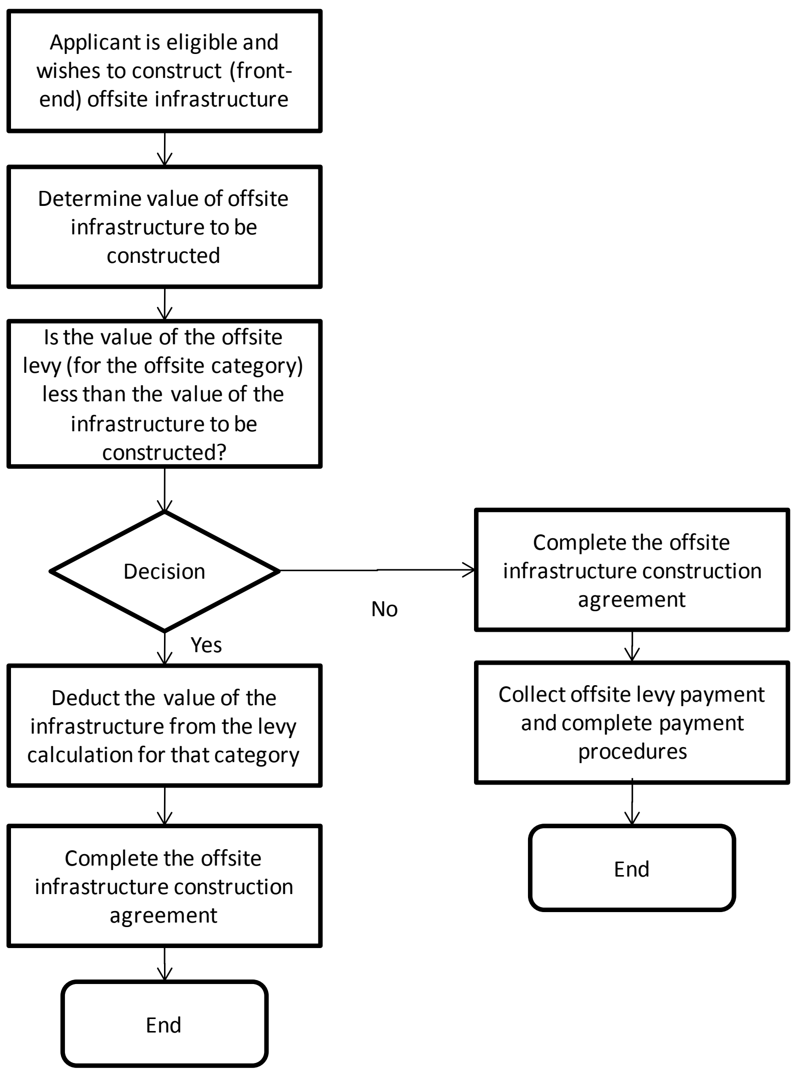


## 5 OFF-SITE LEVY INFRASTRUCTURE FRONT-ENDING

The timing of off-site infrastructure is such that all off-site levy funds will not be in place prior to construction. County of Vermilion River is interested in working with the development community. Therefore, in order to attract developers to front end construction, incentives will be provided including: offsetting levies due by the value of off-site levy infrastructure constructed by the developer, providing interest on front-ending balances owed to the developer.

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

Figure 4: Off-site Levy Front-ending Process



## 5.1 Construction of “Qualified” and “Non-Qualified” Off-site Infrastructure

We have used the term “qualified” off-site infrastructure. “Qualified” means that the County has approved off-site infrastructure construction and entered into contract (Front-end Construction Agreement) with the developer. The agreement will outline the standards and specifications of the infrastructure to be constructed. The decision to approve the construction as “qualified” is based upon the off-site infrastructure being outlined within the County’s Off-site Levy Bylaw and the infrastructure being required by the County in the near immediate term. This later condition is denoted by the project being reflected in the next 5 years of the County’s Capital Plan.

There may be instances where a developer may wish to construct off-site infrastructure to support their development however the County may not require the infrastructure to be built at this time (“non-qualified”). For example, a developer may wish to construct all four lanes of an arterial road when only two lanes are required. The County will permit the developer to offset the cost of off-site infrastructure constructed that may be constructed beyond the County’s construction staging plan however repayment of the construction would not commence until the front-end construction becomes “qualified” for repayment i.e. being reflected in the next 5 years of the County’s Capital Plan.

**Guiding Principle**

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

**Developers are required to enter agreement with the County on all off-site infrastructure constructed (qualified or non-qualified infrastructure).**

**"Qualified" off-site infrastructure is outlined within County of Vermilion River's Off-site Levy Bylaw and is contained within the next 5 years of the County's Capital Plan.**

**"Non-qualified" off-site infrastructure is outlined with County of Vermilion River's Off-site levy but is not referenced within the next 5 years of the County's Capital Plan.**

**Developers that construct "Qualified" or "Non-qualified" off-site infrastructure are permitted to offset off-site levies up to the cost of infrastructure being constructed (see offsetting off-site levies).**

**Developers that construct "qualified" off-site infrastructure will be reimbursed infrastructure construction costs by a guaranteed repayment date and interest will accrue on unpaid balances.**

**Developers that construct "non-qualified" off-site infrastructure will not be reimbursed costs and will not receive interest on unpaid balances until such time as the infrastructure becomes "qualified" (i.e., contained in the next 5 years of the County's Capital Plan).**

| | Qualified Infrastructure | Non-qualified Infrastructure |
|---|---|---|
| **Relationship to Off-site Levy Bylaw and Capital Plan** | Is contained in the County's Off-site Levy Bylaw and the next 5 years of the County's Capital Plan. | Is contained in the County's Off-site Levy Bylaw but is not contained in the next 5 years of the County's Capital Plan. |
| **Standards & Specifications** | Constructed to the standards and specifications of the County. | Constructed to the standards and specifications of the County. |
| **Front-end Agreement** | Developers are required to enter agreement with the County. | Developers are required to enter agreement with the County |

| | Qualified Infrastructure | Non-qualified Infrastructure |
|---|---|---|
| **Offset Off-site Levies** | Developers may offset 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. | Developers may offset 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. |
| **Interest on Unpaid Balance** | Developers will receive interest on the balance of off-site infrastructure amounts due to the developer. | No Interest Payment Until Qualified – Developers will not receive interest on non-qualified infrastructure constructed. Interest will only accrue once the infrastructure is "qualified". |

## 5.2 Offsetting Off-site Levies for Front-end Infrastructure Costs

Developers who front end the construction of off-site levy infrastructure whether "qualified" or "non-qualified" may apply the cost of this infrastructure against off-site levies due to the County. If the developer is constructing off-site infrastructure or contributing land that will be used to site off-site levy infrastructure the County will award the developer a credit up to 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 stormwater off-site infrastructure, then the off-site levy assessment for stormwater can be offset by the value of front-ended stormwater infrastructure. The value of construction cannot be offset against any other off-site levy assessments.

| **<u>Guiding Principle</u>** |
|---|
| **Developers that front end the construction of off-site infrastructure may offset the off-site levy assessments on this category of off-site infrastructure up to the cost of infrastructure construction.**<br>**Front-end infrastructure costs may only be applied against the same off-site levy category as the infrastructure being front-ended.** |

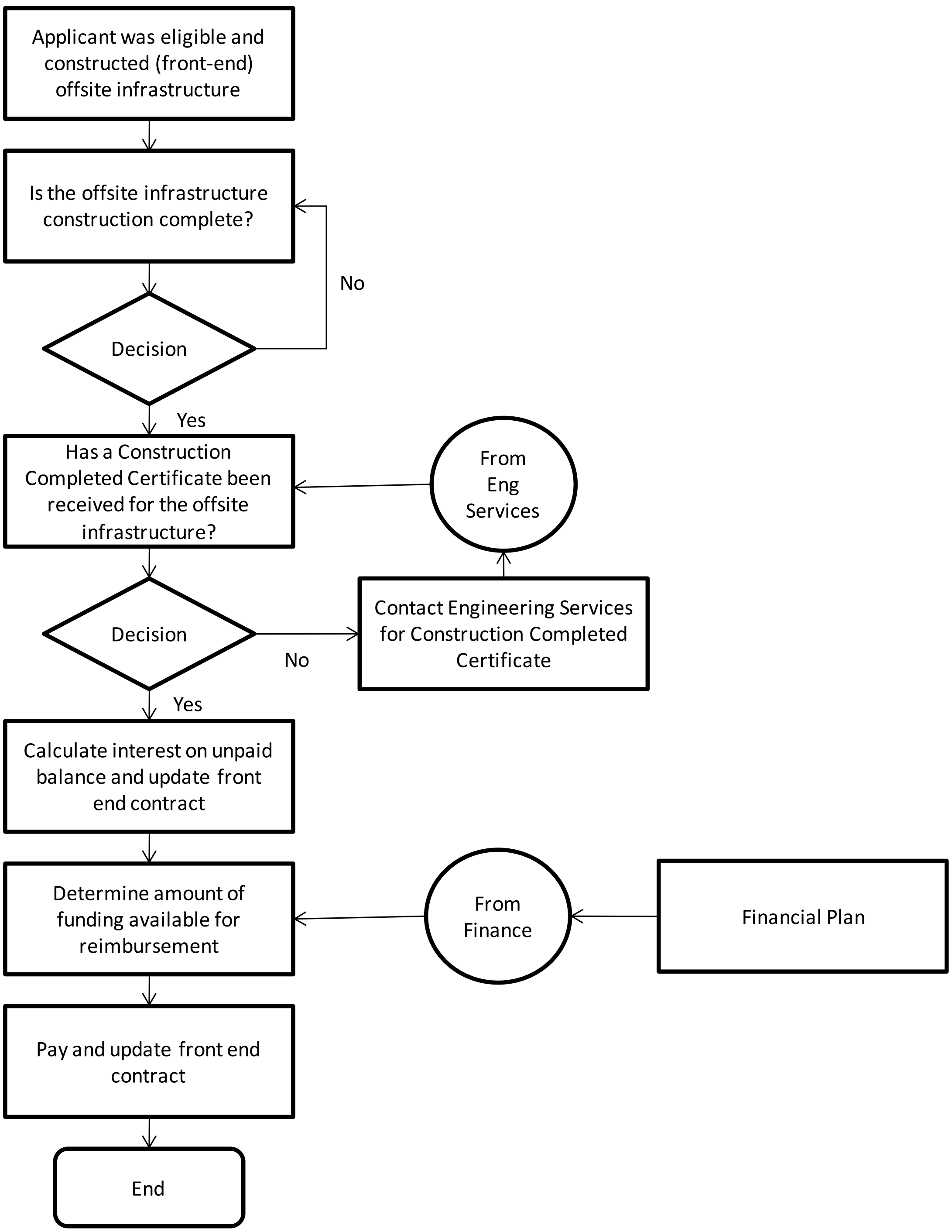
Calculation of off-site front end amounts and levy credits for front-ended off-site levy infrastructure:

| Front-end Construction Amount / Offset Credits | Rationale |
|---|---|
| **Offset Based Upon Professional Estimate / Adjusted for Actual** – The offset credit will be based upon the County approved construction estimates. The developer will provide this estimate. The developer estimate must be certified by a professional architect or engineer or based on a fixed price bid from a contractor. When the infrastructure is ultimately constructed the actual cost of construction, approved by the County, will be applied to adjust any off-site levies still owing.<br>The developer must advise the County of any change orders that impact the cost of the approved infrastructure and the change order must be approved in writing by the County to be eligible for reimbursement or levy assessment offset. | Obtaining external pricing ensures that all parties understand the potential cost of the project.<br>Final actual construction cost is required to finalize amounts that may be due to the developer and / or the County.<br>The notification and approval of change orders will keep the County and developer apprised of the cost changes and potential impact on levy assessments outstanding. |

# 6 INFRASTRUCTURE FRONT END CLAIM REIMBURSEMENT

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

Figure 5: Front-ending Claim Reimbursement Process



### 6.1 Construction Inspection and Acceptance

Developers who are front-ending the construction of off-site levy infrastructure will construct infrastructure to the standards and specifications demanded by the County. In this regard the process used to inspect and accept other development infrastructure will be used for off-site infrastructure construction. The County will inspect constructed infrastructure and issue a Construction Completion Certificate when the infrastructure is completed. This certificate will “start the clock” on the timing of guaranteed repayment on “qualified” off-site infrastructure. The developer will be responsible for correcting any deficiencies in off-site infrastructure construction. Front-end off-site infrastructure will be subject to a warrantee period as outlined in the County Municipal Servicing Standards. To ensure that the developer corrects deficiencies in front-end infrastructure, cost reimbursement will be subject to hold back. The County will issue a Final Acceptance Certificate when all deficiencies have been remedied and the warrantee period has expired. The Final Acceptance Certificate will trigger the release of front-end infrastructure reimbursement hold back (subject to the availability of funds in the offsite levy reserve).

**Guiding Principle**

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

Infrastructure inspection and acceptance conditions are outlined below:

| Inspection / Acceptance Terms | Rationale |
|---|---|
| a) **Inspection, Correction of Deficiencies, Acceptance** – Developer constructed infrastructure will be built to County standards and specification.<br>At completion, infrastructure will be subject to County inspection. The developer will remedy construction deficiencies.<br>A Construction Completion Certificate will be issued by the County to signify that infrastructure conforms to County standards. | The developer is accountable for the infrastructure constructed. The inspection process will ensure that standards have been met and that deficiencies are noted and subject to future correction by the developer. The Construction Completion Certificate “starts” the guaranteed repayment schedule. |

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| b) **Hold Back on Deficiencies, Issuance of Final Acceptance Certificate** – The County will withhold an amount (ranging from 25% of the cost of construction to the estimated value of rectifying noted deficiencies) of the cost of front-end off-site infrastructure repayment amounts to expedite correction of deficiencies (subject to the availability of funds in the offsite levy reserve).<br>After construction deficiencies are completed in accordance with the County Engineering Design Standards a final acceptance inspection will be undertaken, a Final Acceptance Certificate will be issued and holdback on reimbursement may be released (subject to the availability of funds in the offsite levy reserve). | To ensure that a developer corrects any off-site infrastructure deficiencies a hold back amount will be established.<br>The issue of a Final Acceptance Certificate by the County will be used to signal release of holdback on payment to the developer. |

### 6.2 Interest on Unpaid Balance

Developers who construct “qualified” off-site infrastructure, where the cost of construction exceeds off-site levies payable, will earn interest on balances due to them. Interest will accrue from the point of the issuance of the Construction Completion Certificate, and will be posted to the developers account annually and upon final repayment of the construction cost by the County. Interest accrued on unpaid balances owed to the developer will be earned at the borrowing rates periodically agreed to by the County in the “County Banking Agreement”. The “County Banking Agreement” represents the interest cost to the County if it were to borrow money to front-end construction of the off-site infrastructure.

> **Guiding Principle**
> **Balances due to developers as a result of front-ending the construction of “qualified” off-site infrastructure will earn interest at the nominal cost of capital to the County as would be received in a loan through the County’s Banking Agreement.**

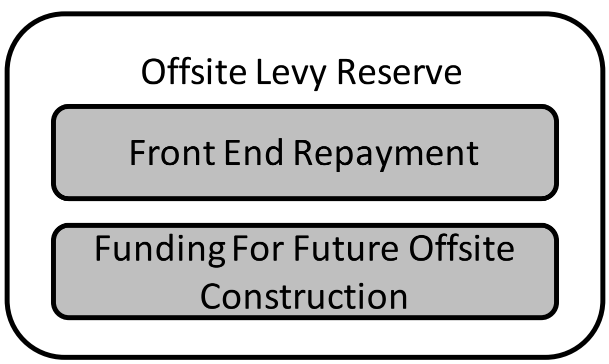
Interest earned on outstanding balance due to the developer for construction of “qualified” off-site infrastructure:

| Inspection / Acceptance Terms | Rationale |
|---|---|
| a) **Interest on Outstanding Balance at County Cost of Capital** – Developer constructed off-site infrastructure will earn interest on any outstanding balance at the interest rate the County would receive if it were to borrow money under the terms and conditions of the "County Banking Agreement". Interest will be credited to developer accounts annually and at time of final payment to the developer. | Developers who construct "qualified" infrastructure will receive credit for the working capital invested in constructing front-ending off-site infrastructure.<br>The MGA indicates that parties that front end infrastructure construction will be entitled to interest on their investment. |

### 6.3 Front Ending Repayments

The County will decide annually the amount of off-site levy reserves that are to be used / retained for drawn down of outstanding front-end balances (less holdbacks) and future construction. The following illustration outlines how off-site levy reserves will be apportioned.

Figure 6: Apportioning Off-site Levy Reserve For Payment




The County will develop a plan annually describing how it intends to distribute off-site levy reserve funds. The plan will consider future off-site front-ending, future staging of off-site infrastructure, the balance in off-site levy reserves, the balance of outstanding qualified front-end obligations, the County's borrowing capacity, interest rates, development trends etc. This information will be used to create the County's Capital Plan as well as a Finance Plan that outlines anticipated levy receipts, expenditures and the allocation of expenditures between repayments, front end debt draw down, monies drawn by the

County to construct off-site infrastructure and amounts retained in the reserve to finance future disbursements including future construction, repayments etc.

**Guiding Principle**

**The County will develop annually a financial plan describing how off-site levy funds will be disbursed.**

Repayment prioritization:

| Reserve Use | Rationale |
|---|---|
| a) **Use for Funding Payouts, Construction of New Off-site Infrastructure or Draw Down of Off-site Infrastructure Debts** – Off-site levy funds will be drawn down as may be required to meet front-end payments (less holdbacks). Off-site reserve funds may also be used / retained for future infrastructure projects or draw down of "qualified" front-end obligations at the discretion of the County. | Repayment of developer payouts may be given the same priority as funding of new infrastructure or draw down of front-end debts. |

### 6.4 Payments on Developer Front End Debts

Any off-site levy reserve funds that are assigned to the draw-down of obligations related to "qualified" front-end construction will be distributed to front-ending parties (County and / or private developers) in an equitable fashion. Equity will be achieved by prorating repayment funds across the outstanding balance of all amounts owed.

**Guiding Principle**

**Funds drawn from the off-site levy reserve to pay down "qualified" front end obligations will be prorated across all outstanding loan balances.**

**When an amount owed on "qualified" front-ending obligation is less than $25,000, the amount due will be paid out in its entirety.**

The following outlines the administrative processes that will be used when reserve payments are allocated to the repay / draw down of "qualified" front-end obligations.

| Repayment of "Qualified" Debts | Rationale |
|---|---|
| a) **Payments on Amounts will be Prorated on All Balances Due** – The County will determine the amount of funding to be applied to the pay down of front ending obligations for "qualified" balances. Such funding will be prorated across all debts. | The County will determine the amount of off-site levy reserve funding to be applied against debt draw-downs.<br>This amount will be distributed equally to all debts, County and private developer alike. |
| b) **Payments on Amounts Below $25,000 will be paid out** – When the balance of a "qualified" front-end obligation falls below $25,000, the balance will be paid out in its entirety. | Small outstanding balances will be paid out to reduce the administrative efforts associated with these amounts. |