

**Development Levy Review Project**  
**Change Order**  
**August 28, 2019**

## **Background**

In March 2019, the City of Saskatoon's Standing Policy Committee on Finance gave approval for an independent review of the City's development levies to be performed. The review is to address eight objectives:

1. Determine whether the City's current approach and principles for funding growth-related infrastructure accomplish overall program objectives.
2. Compare the City's approach to that used by other municipalities, innovative approaches, and industry best practice.
3. Determine how development levies are being calculated and whether the calculations are in accordance with an established methodology, formula, or process.
4. Confirm that the amounts collected are being used for the purposes intended and are consistent with actual historic costs.
5. Assess the City's long-term sufficiency analysis.
6. Review the City's process for implementing new levies.
7. Evaluate whether stakeholder information needs are being met.
8. Evaluate the City's options regarding financial mechanisms to fund community amenities in infill neighborhoods

MNP LLP (MNP) and Hemson Consulting (Hemson) were selected to work in collaboration with City staff to implement a project to achieve these objectives. During the initial stages of the project, MNP and Hemson facilitated a project kick-off meeting with industry representatives. Participants included representatives from the large developer community and the infill development community. The kick-off meeting provided an overview of the project and gathered input from industry on their perceptions of the development levy system, the implications for the development industry and the City's growth plan, plus their specific ideas for improvement.

There were some specific observations that emerged through these sessions that MNP and Hemson have discussed with the City:

- Industry participants demonstrated that they do not have a clear understanding on how the current development levy system works. This includes how development levies are calculated, the core assumptions and the mechanics of calculations.
- As a result, industry participants have a lack of confidence in the current development levy system.

## **Preliminary Findings from MNP and Hemson**

The City and industry stakeholders would both benefit from greater transparency, openness and understanding on how the current system works. This would also include discussions together on how the system can be improved to better achieve shared objectives between the City and industry including the principle growth pays for growth, housing affordability, a balance of supply and demand and more. Industry participants have strongly expressed interest in being more actively involved in the project as it evolves and continues. They were very clear that they did not want to be in position where final results were presented to them as a stakeholder group at the end of the project. They would like to be engaged in a meaningful way to provide input and build understanding.

## **Additional Work Plan Components**

Based on the original project scope and preliminary findings, MNP and Hemson are recommending the addition of an Industry Workshop Session that would cover the following topics:

1. A clear and straightforward explanation of how development levies are calculated;
2. An overview of the project approach and findings to date in all component areas;
3. A facilitated discussion to identify specific options and ideas to improve the development levy system and approach with the goal of achieving understanding, support and buy-in.

It is anticipated that the workshop will include representatives from 10 to 12 organizations in total. There would be a morning and afternoon session with separate audiences. One session would be specific to the large developers and one session for infill developers.

## **Outcomes and Value Add for the City**

It has become clear to date that a significant part of this project needs to focus on improving communication and trust. By adding the Industry Workshop Session, we are hoping to achieve the following outcomes that will add value for the City:

- Increased understanding by industry for how development levies are calculated which should result in less concerns being expressed to Council and administration.
- Increased appreciation for how the system operates in terms of how growth pays for growth and affordability. This would allow industry firms to better budget, allocate and explain how the levy system works to consumers when appropriate.
- Shared ownership for the future direction of the development levy system and a common commitment to looking forward to building a competitive and sustainable housing market.

## **Adjustment to Contract Terms**

This change order has implications to the original project contract in terms of budget and timelines:

- Amends the total professional fees for the contract from \$138,928 to \$148,928 to recognize incremental costs of \$10,000 plus taxes which includes the following:
  - Workshop planning and preparation: \$4,000 (16 to 20 hours)
  - Workshop facilitation for MNP and Hemson: \$4,000 (16 to 20 hours)
  - Compilation of workshop outcomes: \$2,000 (8 to 10 hours)
  - Meetings would be held at the MNP Saskatoon office in order to avoid any costs for the meeting location.
- Amend the project end date from September 30 to October 18, 2019.
- All other terms and conditions in the original contract remain.