



capital region board
regional action. global opportunity.



Remarks to Urban Development Institute- Edmonton Region

February 18, 2016

**Braemar Room
Royal Glenora Club**

**Mayor Nolan Crouse
Chair, Capital Region Board**

Since the Capital Region Board was formed in 2008 the region has grown by 225,000 people

225,000 in 8 years.

Good day, thank you for having me.

Thank you to my colleagues from the Board for being here.

Thank you UDI for this opportunity.

225,000 people is a lot in a short time.

But it means countless farms have been shut down, meaning less agricultural lands for food supply.

It means 50% of that population has to work somewhere to pay for the 100%.

And of course it means great development and business opportunities for you in this room. We need to keep it going.

I'll talk about 3 things:

1. A bit about the Board
2. Then the main topic of "How do we fund Regional infrastructure?"
3. And, finally some challenges that exist and that have pre-existed relative to the politics of paying for infrastructure.

First the Board, then money.

The Capital Region Board is:

- 24 municipalities
- Represented by 24 Mayors
- From Bruderheim to Wabamun
- Warburg to Legal
- Spruce Grove to Fort Saskatchewan
- Counties
- Cities
- Towns
- Villages
- The Specialized Municipality of Strathcona
- 200,000 Cattle
- 2,000,000 Chickens
- And 1,500 public transit vehicles
- The region is twice the size of PEI
- It's 2% of Alberta's land
- 30% of Alberta's population
- And 30% of the Province's GDP

The Board has 10 employees

Personally, I am elected by my 23 peers

Our priorities are primarily

1. Land Use including corridors and transportation
2. Housing
3. Public Transit
4. Geographic Information systems
5. And Economic Development is under review
6. And, we are updating the 1,000 page document called the Growth Plan that guides us that was hastily developed in 2009 and needs an update

We are committed to helping build unique communities, while of course working for the greater common good regionally.

It is of course important to plan in those categories that I mentioned; planning for business and population growth and to assist in bringing certainty for all of you in this room.

Some quick reasons to plan regionally:

- There are 4,344 farms in the region; those numbers are declining
- It is important to attract capital to the region
- Important to sell the region's quality of life
- It is also important because when someone in Warburg flushes their toilet, it ends up in the North Saskatchewan basin; indirectly affecting us all.
- It is important because of the sustainability and viability of municipalities and small villages especially.
- It's important because there is financial disparity of municipality compared to another.
- Important so that we can help each of you have certainty for your lands, your contracts, and the work you do.

I won't speak any longer about who or what we are.

So ... now, regional infrastructure and how it could be paid for differently.

This is a doozy!

Allow me to give some simple examples to whet your appetite:

1. Over sizing of water and sewer pipes; who pays for over sizing and how?
2. Interchanges; who pays, why and how?
3. Regional Smart Technologies; Fiber or Broadband. Who is responsible for that?
4. And....as we densify, who pays for the extra reserve land needed when more people live in a smaller footprint?

Today most projects are seen as either **sub regional** or under the jurisdiction of only one municipality.

But, as we see with LRT, it is not accepted by many as a regional project; it is seen by most as an Edmonton project.

The Henday on the other hand has always been seen as regional.

What about the new Arena? It is seen as regional by some but mostly seen as Edmonton's arena by others....follow the money.

Sub regional infrastructure supporting airport growth or infrastructure supporting the Industrial Heartland obviously benefits all of Alberta, but the burden of payment is not assumed by all of Alberta in those cases.

So now what?

Let's look at Governance.

Three approaches to the governance of metropolitan regions in North America have emerged over the last century.

An early response to overcoming fragmentation has been reshaping regions through annexations and amalgamations.

Annexations and amalgamations were more attractive when the economic energy of regions was concentrated in the core city.

But such concentration rarely occurs in North America today as regions become increasingly multi-centric.

Multi centric meaning: Spruce Grove, St. Albert, Leduc and Edmonton creates a multi centric region.

And some counties are powerhouses of development throughout North America, accelerating the multi-centric structure.

...A second governance approach consists of creating another order of government, like in Greater Toronto or Greater Vancouver areas where they have a 4th order of Government where regionally elected officials are put in place.

This is an alternative approach to governing regions, one which promises great flexibility and innovation and builds on the model of the free market.

Supposedly if the governments comprising a region are free of regulatory constraints, they will compete with one another to produce the best bundle of services for the households and businesses they serve.

And supposedly they will attempt do this in a manner that keeps costs and taxes as low as possible; check Toronto and Vancouver.

This supposed free market alternative is criticized for ignoring market failures, such as affordable housing, and for making it difficult for long range infrastructure development. Most people believe that “ bigger is not always better”

So.... Model 1, annex, amalgamate and get bigger.

Model 2, form another order of government.

Or....

The third model in North America is one of a collaborative model.

It assumes that if jurisdictions can find common ground based on shared values and vision, that their planning will have popular legitimacy.

Collaborative approaches to regionalism also extends participation beyond the public sector to include private and non-profit stakeholders, as well as the public itself. This is where UDI enters. This is where CRB enters.

So, these 3 models are again:

Structural, where power is central and concentrated.

Market, where power is distributed but through that 4th order of government.

And third, collaboration; where power is distributed, engagement is encouraged, making trust and reciprocal agreements central to its legitimacy.

Power is drawn from the aggregation of local governments. Power is held by joining in the collaboration.

So, this region is employing that 3rd model.

I personally believe as much as I am standing here that a powerfully collaborative region is a competitive advantage in world trade and business.

Some brief history to understand why the collaboration model is in play in the region.

First, there have been several milestones in the history of this region regarding planning. I'll simplify.

In 1956, a McNally report supported all-out annexations; bigger is better; some annexations followed

By 1961, Planning Commissions became popular.

Then in 1982, Edmonton moved to annex Sherwood Park, St. Albert and refinery row, and met with huge opposition.

Ten years later, in 1992 Steve West & Ralph Klein dismantled these planning bodies.

In an attempt to resurrect a regional plan, in 1999 a person by the name of Lou Hyndman in his report advocated for service delivery and collaborative partnerships for 25 municipalities. He even suggested regionalization of matters such as regional bylaw officers.

He gave his report to the Province but little happened as a result.

So...in 2007 Premier Stelmach ordered what was called a Radke report which triggered the formation of the CRB through forced collaboration, telling 25 of us to plan together.

Today we have come a long way but we have so far to go.

I see us in some ways as going slow today, so that some day we can go fast.

So that is some quick history.

This is where it gets more complicated.

The collaborative approach in both the Calgary and Capital regions has encountered major challenges.

Although the Province has implicitly followed a path of collaboration since 1999, for the most part, it has offered relatively soft support for that direction.

Much of the Province's ambivalence seems rooted in the challenges inherent in balancing rural and urban interests.

There is also a natural tension between the values associated with local autonomy and democratic decision making on the one hand; and values associated with rapid urbanization, on the other.

There is an opportunity now to achieve a more effective form of collaborative governance, one with a distinctively made-in-Alberta cast.

Today we are only tinkering around the edges and we could strengthen collaborative governance with the adoption of some innovative practices, but we have so far to go.

For example, how can we form collaborative partnerships to have fiber installed in new developments?

Or to have in place cross jurisdictional collaboration on matters of land planning; where there is the same land owner in 2 adjoining municipalities.

Some regions in Alberta have great revenue & cost sharing models.

Transportation & Utility Corridor planning, could and should be more collaborative; an area where Provincial leadership is desperately needed. Same could be said for pipeline corridors.

Just last week for example the Capital Region Board approved the first ever Transportation, Utility and Pipeline Corridor plan.

Then, there is over-sizing & right sizing of roads and underground servicing that needs a tremendous amount of vision, guts and collaboration.

Pipelines, TUC's and utility sizing all affect the private sector cost structure as well as the public sector.

....broad planning issues.....

How about some of these sacred cows:

A tendency to build single story schools while at the same time densifying and preserving Ag lands is important. It seems counter intuitive to permit a school to sprawl but the next block has high density.

And what's with new single story libraries?

Or why are 2 School Boards demanding more land than they need when those School Boards if collaborating, could do things differently. Why cannot a school library and a public library be one and the same?

How about the sacred cow that is some 100 years old, is that a TUC is for cars and trucks and not for Park & Rides. Changing that has not met with warmth by the Province.

The Province does not have a Public Transit Policy and it shows.

Or restrictions along Highway 2 right from Morinville to Leduc because it's a Provincial Highway. Restrictions that pre-date public transit is not the future. It's the past.

For both the Private Sector & the Public Sector, it's about the numbers. Doing all that we want with less expense, keeping public taxes modest & private sector profit margins acceptable.

For example; developers are required to provide over 40 reports throughout the development process in the region.

Reports, such as:

- Environmental Assessments
- Noise attenuation reports
- Wetlands assessments
- Historical & Archeological Reports
- Ecological Analyses
- Amphibian Crossings Assessments
- Wildlife Crossing Reports
- Agricultural Studies

- Storm-water Studies
- Drainage Analyses
- Hydraulic Analyses
- Geotechnical Reports
- Biophysical Assessments
- Neighbourhood Design Reports
- Transportation Impact Analysis
- Fish Studies
- Park Impacts
- Walkability Studies

Most of that cost is passed on to the home owner, or to the new Commercial or industrial sites. We have to find ways to mitigate these rising costs.

Now, I'm going to broaden your horizon to cause you to think even further, then as I said I will close with Politics.

Now, let me be clear, the CRB has not talked about these things, I include them because it causes conversation and thinking.

I'm asking us to think and talk bigger and more diverse. I was asked to speak about paying for infrastructure, so, here goes some models that are being employed elsewhere.

And, how do we take a culture and a tax regime in Alberta and superimpose on it models from elsewhere? This is not easy.

But some examples that causes you to think, but not talked about at the CRB at our early stage of maturity.

For example, in the US, there is considerable experience in grant programs that reward collaboration. One is the Surface Transportation Efficiency Act that allows for projects of a regional planning group to proceed.

This Act was designed to break down silos promoting multi-modal thinking and encourage broad participation at the regional level.

That approach is not always successful, but the regions where it succeeds offer lessons to this region on how to balance the mandatory and the collaboration.

So...an Act that requires collaboration; much like the CRB, but could be stronger province wide and with incentives funded by the Province, common in the US.

And yet in Alberta, incentives are small.

Here is one that is does not include money for collaboration.

Collaboration based on the principle of everyone taking a fair share; a good example is found in “ the fair share allocation agreement” in New York of NIMBY’s, called LULU’s.

This is interesting; NIMBY’s and LULU’s.

In New York City some infill projects are assigned points, with the most objectionable projects receiving the highest number of points.

Every few years a list of all projects is provided to each neighbourhood in the city. Each neighbourhood must take its fair share so that no neighbourhood has all the tough projects. All projects of infill proceed by point systems.

Imagine if the next LULU up was the one that was the least desirable by NIMBY. In other words the project with the most opposition had to be brought forward first, and moving down the list.

Or collaboration models that bring willing buyers and sellers together. These models, called Transfer of Rights programs are used in some US regions.

So, where urbanized areas are near or surround valuable agricultural land, land owners may be willing to sell the development rights of their property while continuing to enjoy the productive use and ownership of their land for agricultural purpose for up to 50 years. Like a futures market on land.

Let me clear, locally there are already numerous examples of collaborative models that should be celebrated.

- Solid waste commissions

- Housing Foundations
- Wastewater Commissions
- IDP's
- CRB initiatives

But, it can go further.

In a region in Germany it took a regional transit pass credit card to galvanize 17 municipalities to go from 17 separate Transit systems to one mega system. A regional credit card, driven by transit users to form a 17-member organization.

In Chicago, an Infrastructure Bank has been created, public sector money together with Private Capital; creating a bank rather than a bond issuance, with a good return on investment so Chicago can raise cash for their infrastructure.

Then there are special taxing authorities for regions - for capital only.

That approach was used to raise money in Colorado to build their Baseball stadium – Coors Field and their Football stadium where the Broncos Play - pooling money from several counties through a tax levy.

Regional special tax districts in the US are common and called Tax Incremental Finance Districts. These are like a Business Revitalization Zone or neighbourhood levies you see in Alberta.

A clearly defined objective, but those being taxed vote on as a special project.

Something similar was attempted last year in BC in the lower mainland for public transit. While the plebiscite failed, it was an attempt at this.

And in Florida, an interesting idea where a County or a City can raise gas taxes at election time only, up to 10 cents per gallon and you campaign on how many cents you will raise gas prices and for what projects.

You think Donald Trump is entertainment, imagine 32 candidates running in that Ward in Edmonton having to tell us how many cents per liter they were proposing to raise gas prices and how they were going to spend it on their election promises. That would be entertainment just itself, but Florida has used that approach.

Or there are examples of sub regions who may form a Special Improvement District, tax everyone in that sub region and build infrastructure.

We actually have that today for senior's lodges – requisition authorities, but thoughts of expanding could be entertained. Many have been advocating this for years to allow housing foundations to be able to borrow against their equity to add more housing, but it has not been yet supported by the Province.

Or...in one region I looked at, 50% of all new non-residential tax revenue went into one pot, the other 50% stayed with the home municipality and the other 50% was used to pay for new regional infrastructure. This was seen as positive because it did not cause any new taxes.

Older development was grandfathered to the original municipality.

Downtown Minneapolis had a formula of a similar program triggered when Minneapolis and St. Paul were competing for non- residential development.

New non-res taxes were pooled and used for the greater good of the region.

North Glen and Spartan Colorado. For the longest time, these municipalities were competing for a large developer to make a decision, but an off-ramp needed to be built, so these 2 shared the cost and then the tax revenue, after long bickering.

You see, when the watering hole gets smaller, the animals start looking at each other differently.

The tax structures in Alberta also favours greenfield development.

For example in Alberta, some properties inside urban boundaries can actually remain at farm tax rates for decades when indeed it truly should become infill.

Vacant infill-ripe properties could be charged at incremental tax rates compared to farm, encouraging infill development, unless you have a farm land policy that precludes that.

If a municipality were able to tax land at its value, whether the property is developed or not, the owner is unlikely to hold land for speculative purposes because doing so is relatively expensive.

A site-value tax would bring undeveloped land in urban areas into development; more opportunities for some in this room.

On the other hand, a site-value tax may increase the difficulty of preserving open space and farmland because, all things being equal, it speeds up development on urban fringes.

By the way, the property tax system generally favors single-family residential property. In some provinces, the assessment process favors property by assessing it at a lower percentage of market value compared to other property types. In some jurisdictions outside Alberta, only a fraction of residential assessment is taxable. In some jurisdictions, not in Alberta, the tax rate is lower on single-family residential properties, a tax policy that could encourage more singles and not as many multi's. For some in this room that may or may not be a better approach.

Ladies and gentlemen, I am not up here trying to find ways to tax us all more. My intent is to help us with the conversation about how do we pay for regional infrastructure. And it lays in the fact that there is more creativity needed by all orders of government, by the School Boards, by the private sector. It is difficult but we have no choice.

I would also say this, that layering of tax 1, tax 2, and tax 3 on top of study 5 and study 6 on top of delay 8 and delay 9 is not acceptable. That layering or cumulative affect must be held in check.

There is much more that I could cover, but the culture that has developed in Alberta is one of collaboration. So in this Capital region I have no doubt it will continue to be a collaborative culture; preferably with some incentives by the Province in the years ahead.

But...who pays?

I think it will be a blend with more options – more arrows in the quiver I believe.

As I said, I think the Province has to come to the table with some incentives.

And the Federal government needs to provide the housing and transportation money like they keep saying they will.

Unfortunately the new home or business owner will simply be paying more for all these demands, making multis more and more commonplace by the way.

But together we need to keep the pressures on each other to mitigate the layering of cost and taxes.

Perhaps even the development industry will have to collaborate more on their plans; joint planning, joint servicing, joint engineering; with each other and with municipalities; more than today.

Joint servicing agreements can be complex, but they may become more necessary into the years ahead.

So.....while I did not give clear direction, I believe we will see more models going forward and we should all look forward to seeing more options.

If the collaboration model is not deepened we may not like the answer others give us.

Now, to close with pure politics at the municipal level.

Municipal Councils have come under tremendous property tax pressures as downloading reigns supreme from the Federal and Provincial Governments onto municipalities.

And when it comes to pure politics, significant scrutiny over our discussions exist today, more so than any other time in history.

The requirements for decisions to be made openly in public means, for example, no borrowing decisions are made behind closed doors.

I'm not suggesting that change, I am pointing out that the politics of something like borrowing is done in public with not much private time to discuss it. While it may be right to borrow, anti-borrowing groups can rally and scare the decision makers.

Honestly, Councils don't have private time to think through what they are doing because of such an open process.

And the Freedom of Information legislation means less ad hoc exchange of ideas.

This may not seem like a big deal to the private sector, but to those of us in the public eye, it is a big deal.

For example, I am careful with my emails today, not allowing me to “think” via running an email past someone as much as I used to in my previous life. I used to toss an idea by email to someone, less so today, because taken out of context can be a political nightmare.

Speeches today are recorded and archived and politicians are then blamed for breaking promises made after circumstances change. Few speeches recorded 20 years ago but today, YouTube or web streaming means people can be scared to be creative or voice a unique opinion.

Assumption of risk scares off the uninformed and easily scares the newly elected official; spooked by an expert or a special interest group.

Therefore some politicians believe “don’t move, don’t get hurt” is the best decision.

Even the Federal Government, with such an infrastructure deficit in Canada has not released all the funds authorized by Parliament in the past 5 years; scared of political fallout.

Related to borrowing, last month in Brad Ferguson’s Edmonton Chamber speech he called borrowing the “heroin for politicians” .

He says we are addicted to borrowing.

So....should governments borrow to do front ending? Is that the heroin he speaks of?

You see, scary public hearings and risk adverse tendencies can prevail. So.....Brad Ferguson is advocating that politicians should not borrow during these times, scaring off another politician or two in the process.

Let’s look at borrowing. Likely all municipalities could borrow today, at remarkably low interest rates; yet the fear of an uprising by opposing forces is real.

Politics are also influenced by small groups. NIMBY groups can mobilize in an hour today, compared to taking weeks it would historically take in the past. In St. Albert we

can get 100 people out for an issue after publishing an agenda on a Friday for a Monday meeting.

Twitter; you can be scared by the backlash a tweet or some get scared by the headlines and tweets others write about you.

Blogs; legitimate or otherwise spook the politicians those who are not comfortable in their own political skin.

And the affect it can have on you is real. Look at the setting of levies and who sets them.

This is perhaps the highest stakes dollar matter for any elected official. The levy bylaw that is the least understood by the 2,000 elected officials in Alberta and yet we are all empowered to make cerebral and complex decisions affecting all of us. And I argue, at times making unread and uninformed decisions with simply a yes or no vote.

Maybe it is time for levy ombudsman or a levy auditor in Alberta so the politicians do not fail you.

Regardless of where you turn, there is a new way, a new item clouding the politician's view of clear decision making.

So, pure politics too, plays into how we pay for infrastructure needed. I have given some history of the CRB.

I have given some history of this region being a highly collaborative culture.

I have shared that some of the sacred cows of the Province; School Boards, municipalities and Private Sector sacred cows need to be challenged.

I have shared ideas in North America and Europe to get us thinking about models elsewhere.

I have shared that politicians at the municipal level today face pressures from many stakeholders and many of those pressures are in conflict with each other; conflicts such as the public values of social housing competing with private sector values of maximizing profitability.

UDI members, we all understand the significance of the development industry in this region.

Paying for infrastructure in the years ahead is going to take new and creative views; learning what works elsewhere and superimposing those successes in this collaborative region.

And somehow doing this without superimposing new layers of cost.

Thank you for having me – I am honoured to have been asked.

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