May 5, 2026

Town of Okotoks

RE: Industry Feedback on OSL Update Developer Engagement Meeting, April 23, 2026

Overview

The Town of Okotoks met with the Okotoks development community on April 23, 2026, to present for the first time the draft proposed 2026 Off Site Levy rates. After review of the information provided, Industry has determined there are a number of components in the proposed OSL approach that may not be supportable under the MGA (appropriate allocation of benefit) or require further information for review. Not only do these issues have a direct impact on affordability and regional competitiveness, they provide the opportunity for savings to the Town to improve its funding and financing capacity.

It is our understanding that the Town will be providing the required financial modeling and methodology, in addition to the completed background Off Site Levy report in early May. Following receipt of that information, Industry may present additional questions or items for discussion and resolution.

Until these issues are resolved, Industry cannot support the OSL bylaw rates as currently proposed. In summary:

- Transportation (T-9): 338th Av design and costs beyond industry standard and actual infrastructure needed by growth;
- Water Storage (W-4, W8A & 8B, W-12): reservoir and associated projects oversized for the assessed growth horizon;
- Contingency: policy amounts overallocated;
- Oversize approach: insufficient information provided to date.
- Water Supply: fulsome background on regional water line costs

The below sections represent the unified position of the development community with respect to the outstanding issues and next steps/timing on the proposed Off Site Levy Bylaw.

Transportation (T-9: 338th Av Expansion)

The Transportation levy is primarily driven by project T-9 – the expansion of 338th Ave to a 4-lane (west of 48th St) and 6-lane (east of 48th St) standard to accommodate higher traffic volumes. The project costs ($66.5M based on 2025 detailed civil and landscape drawings and associated OPCs) are largely driven by Town-directed designs which are far above both industry standard and the actual infrastructure needed by growth. This is demonstrated by the following:

- **Road rights-of-way** exceed the City of Calgary equivalent. 338th Av proposed 4-lane arterial ROW is 40.0m (Calgary equivalent is 36.0m); 6-lane arterial ROW is 46.0m (Calgary equivalent is 43.0m). Both are due to exaggerated boulevard designs.
- **Surface, landscaping and storm drainage** costs are significantly higher than City of Calgary equivalent. For example, the 338th Av West OPC for this scope works out to $7,682/lm; the equivalent Calgary Development Agreement rate is $4,322/lm (338th Av is 77% higher). This overage is due to a number of factors such as oversized road ROWs (see above), decorative and upgraded surface treatments, enhanced landscaping and furnishings, redundant drainage infrastructure (bioswales and curb & gutter), etc. The level of service proposed for 338th Ave is not supported by growth requirements or industry standard.
- **Streetlighting** costs are likewise significantly higher than Calgary equivalent. For example, 338th Av West OPC streetlighting works out to $1,367/lm; Calgary equivalent DA rate is $598/lm (338 Av is 129% higher).

Because of the above issues, the Transportation levy as proposed may not be supportable under the MGA nor the upcoming Bill 28. In order to remedy these issues, the following adjustments are proposed to T-9's inclusion in the OSL bylaw:

- **Earthworks scope be removed** ($2.94M) – this is typically included in development costs and is more efficient in comprehensive site grading efforts (under the assumption that T-9 is to be developer financed).
- **Road ROWs be re-sized** to conform to City of Calgary standards: 36.0m 4-lane arterial; 43.0m 6-lane arterial (with possible localized expansion to 46.0m for dual lefts as required).
- **Estimated construction costs be revised** to conform to City of Calgary DA rates:
  - 2026 DA rate for 36m arterial: $4,322/lm for surface, landscaping and storm sewer for road drainage.
  - 2026 DA rate for dual carriageway arterial streetlighting: $598/lm.
  - Any design enhancements that are above a baseline service level required to support growth are a discretionary cost and therefore should be borne by the Town.
- **338th Av standard be reverted** to a 4-lane arterial for the entire corridor for the 25-year growth horizon per the 2020 Watt TMP. The volumes triggering a 6-lane cross section east of 48 Street appear to be based on a subjective analysis (Arcadis/IBI Nov 16, 2022 technical memo) instead of clearly conforming to the Town's growth strategy consistent with the rest of the OSL bylaw. It is anticipated that a 4-lane arterial will sufficiently service the growth horizon and anything in excess of this is not attributable to the proposed growth areas.

Based on the above, it is anticipated that the current $66.5M OPC value should be reduced to roughly $38.0M, resulting in an OSL "oversize" value of roughly $21.9M after benefit allocation and net the Developer base collector requirement.

This revised approach to T-9 will improve financial conditions for the Town as well as Industry; project cost savings will apply to the Town via benefit to existing. This will free up the Town to use limited capital funding for true growth-enabling infrastructure instead of the excessive designs currently inflating the T-9 project budget. The revised scope will still comfortably meet Town and growth needs, while allowing the savings to help fund other much needed infrastructure in Okotoks.

Water Storage (W-4, W-8A & 8B, W-12)

The Water Storage levy is driven primarily by the proposed South Okotoks reservoir (W-4), associated supply pump station (W-12) and twin supply lines (W-8A & 8B). Sizing of the reservoir and supporting projects has evolved through the Phase 1 Feasibility Study (2022), Phase 2 Feasibility Study (2025) and OSL Clarification Memo (2026).

The proposed W-4 reservoir size of 8,100m3 was originally intended as Phase 1 of the overall buildout scenario of a 22,000m3 reservoir, however, this sizing was based on the Town's desired resiliency sizing which is far in excess of standard AEPA reservoir sizing. The 2026 memo clarified that the proposed 8,100m3 reservoir, based on AEPA sizing, would be sufficient for the entire buildout of South Okotoks (and therefore attributable 100% to growth).

Based on this, **the 8,100m3 reservoir is vastly oversized for the current 25-year growth horizon** which means present 25-year growth is alternatively subsidizing infrastructure for future 50-year growth, or subsidizing the Town's benefit based on the resiliency-sizing approach. Neither is acceptable. The W-8 supply line projects are similarly oversized for the 25-year growth horizon, while the W-12 pump station project recognizes the Town benefit appropriately.

Based on the above, the Water Storage levy as proposed may not be supportable under the MGA. In order to remedy these issues, the following adjustments are proposed to the inclusion of W-4, W-8A & 8-B, and W-12 in the OSL bylaw:

- **Revise the benefit allocation** for W-4 (and similarly W-8A & 8-B, and W-12) to reflect that the 8,100m3 reservoir is Phase 1 of the Town's proposed 22,000m3 resiliency-sized reservoir. Growth should only pay for the applicable proportionate share of the 8,100m3 reservoir based on actual storage required for the 25-year growth horizon, based on AEPA sizing. This will mean a substantial percentage of W-4's benefit allocation goes to existing/Town instead of 100% to growth.
    - This approach is consistent with the benefit allocation of W-12 (based on unit counts for growth area out of total existing + growth units served).

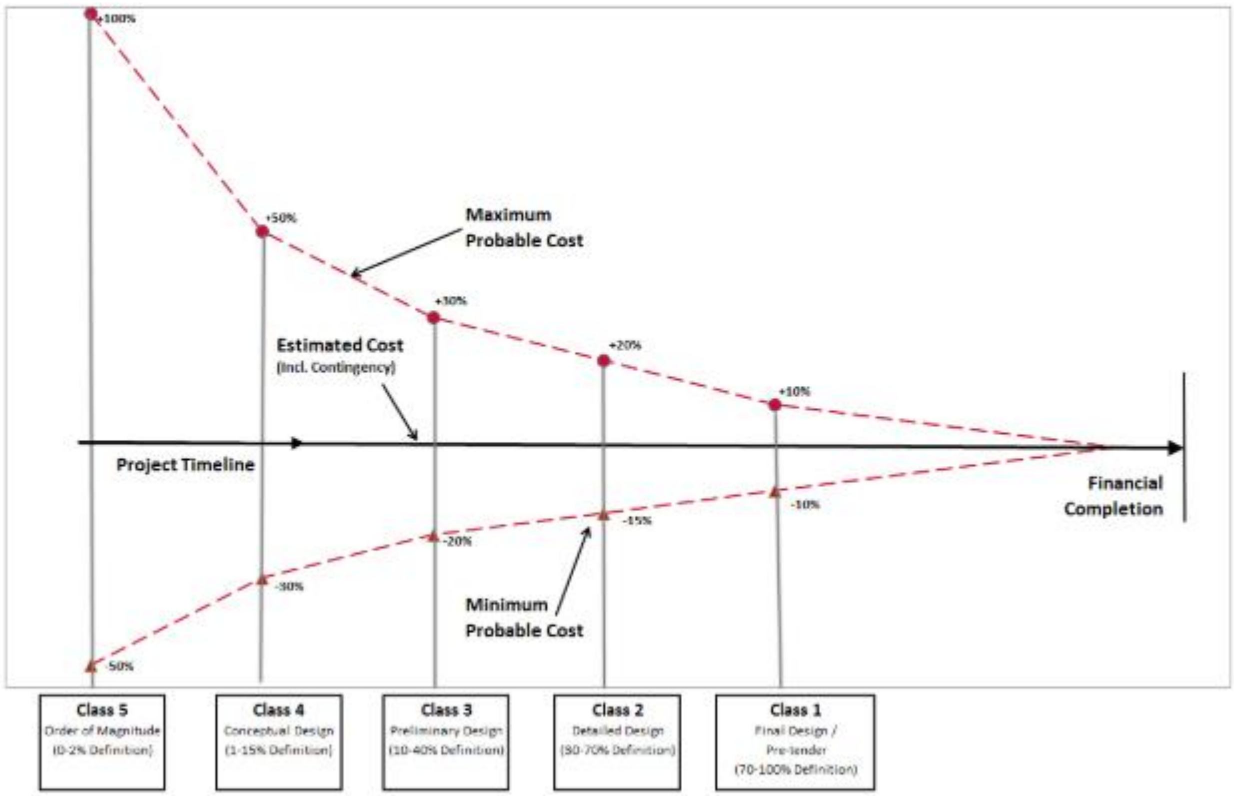
- Benefit allocations for W-8A and 8-B need to be similarly revised as the twin 450mm supply line sizing is based on the Town's desired 22,000m3 reservoir size.
- Alternatively, if the Town is foregoing resiliency-based sizing altogether, the benefitting area and corresponding levy for W-4 needs to be revised accordingly.

Contingency Approach

The Town's present contingency policy (see below) is to cover the maximum probable cost of all projects within the OSL bylaw. This will inevitably result in over-collection of levies and ultimately in growth subsidizing infrastructure not required for the applicable time horizon.

Project Stage	Contingency (%)
Conceptual	50
Preliminary Design	30
Detailed Design	15
Tendered	0

Cost estimates across different classes (i.e. Class 1-5 estimates) contain both a minimum probable cost as well as a maximum probable cost. The purpose of a contingency amount is not to always cover the maximum probable cost, as over the OSL lifecycle across multiple projects, actual costs will vary between the minimum and maximum (see below excerpt from the City of Calgary's Corporate Project Management Document). Contingency is likewise not to be a slush fund to make up for poor cost estimating that is consistently under actual costs.



It is observed there are a number of cost estimates informing the proposed OSL rates that do not align with the Town's stated policy above. This notwithstanding, it is the Town's obligation to: a) provide an appropriate contingency policy within the OSL bylaw, and b) conform all cost estimates to this policy. The current proposed OSL rates reflect an over-collection approach which will inevitably result in unfair cost allocation to the new homebuyer. In order to remedy these issues, the following adjustments are proposed to the Town's OSL contingency approach:

- **Revise the contingency amounts** by estimate class to reflect the maximum/minimum expected ranges per City of Calgary guidance document. This means contingency should reflect the difference between the maximum and minimum probable cost for any given estimate. Based on the Town's classification, this would mean the following:
    - Conceptual (Class 4): 50% contingency revised to 20% (+50% max; -30% min)
    - Preliminary Design (Class 3): 30% contingency revised to 10% (+30 max; -20% min)
    - Detailed Design (Class 2): 15% contingency revised to 5% (+20% max; -15% min)
    - Tendered (Class 1): 0% contingency remains as-is
- **Remove all contingency for partial "oversize" projects** (i.e. sanitary collection, water distribution), similar to City of Calgary DFISF oversize approach. Oversize recoveries and collections should be based on standardized rates since these projects are delivered by industry as part of broader servicing programs which contain their respective measure of risk.

- **Allow industry to fund designs to reduce contingency**. This should especially apply to 100% oversize projects (i.e. Water Storage). If financing of projects is being shifted to an industry obligation, it is reasonable that industry should be able to control the timing and delivery of design, cost estimating, and resulting contingency.

This revised contingency approach will improve financial conditions for the Town as well as Industry. By mitigating over-collection of contingency, projected funding and financing requirements of the Town will be reduced. This will allow the Town to better project its financing capacity and be prepared to deliver growth enabling infrastructure.

Oversize Approach

The new oversize approach, as recently presented by the Town, requires significantly more review than has been possible to date based on limited information. A detailed proposal with respect to payback timing, eligibility, application and approval approach, all remains to be seen from the Town despite repeated requests for the same.

Specifically, **Industry requires modeling and projections of the anticipated oversize lifecycle** – spend, collections and recoveries in order to understand the financing obligations being asked of industry by the Town. Moving forward with an oversizing approach without sufficient line of sight on the mechanics is not an acceptable OSL bylaw process.

OSL Process Timing and Next Steps

It is recognized that the above proposed changes in approach and additional information review (Transportation, Water Storage, Contingency, Oversize) will take a substantial period of time. This will inevitably mean the proposed May 25 Council date for adoption of the OSL bylaw is not achievable.

Industry recognizes the need to provide a go-forward approach to allow 2026 development/SSAs to proceed, that likewise does not handicap OSL collections requirements. With this in mind, the following approach is proposed:

A. Proceed with Town-Industry collaboration on the above adjustments and information review as proposed;
B. 2025 SSAs to proceed under the OSL bylaw currently in effect;
C. **All 2026 SSAs will consider the new OSL bylaw in effect as of January 2026.** 2026 SSAs to include a special clause that levy amounts payable will be reconciled once the new OSL bylaw is updated.

D. Council date for OSL bylaw adoption to be proposed for late 2026 pending Town-Industry collaboration on the remaining issues.

The above approach will mitigate time pressures faced by current development plans, while supporting the development of an OSL bylaw that is mutually endorsed by Town Administration and Industry.

Water Supply

Costs for the regional pipeline have increased significantly between the previous OSL bylaw and present day, resulting in a significant increase to the proposed levy. Although there have been periodic project updates, available information is sparse and unconsolidated. Likewise, there are Developers new to Okotoks who have not been included in the full history of the project's cost evolution. The recent cost summary memo (March 11, 2026) provides a helpful summary but lacks: a) historical accounting of the changes from the previous OSL bylaw amount, and b) breakdown of costs by component and transparent engineering & contingency costs. Industry requires a transparent, complete and consolidated review of the currently proposed water supply project costs.

Closing

Despite the issues noted above, the proposed adjustments provide a clear path towards an OSL bylaw that appropriately supports growth, benefits the Town's funding and financing ability, and creates the conditions for a competitive and desirable community. Industry looks forward to receiving the full details of the proposed Off Site Levy bylaw information and background materials, formalizing a meeting schedule to discuss the issues identified, and partnering with the Town on the finalization and adoption of the new OSL bylaw.

Please feel free to contact the undersigned for discussion on any of the above.

Sincerely,

[redacted]

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Senior VP

Hopewell Residential

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