Okotoks Off-Site Levy Bylaw Update – Response to Industry Feedback

Opening

Thank you for your letter and for Industry's continued engagement throughout the Off-Site Levy Bylaw review process. The Town appreciates the constructive feedback provided and values the collaborative approach taken in working through the proposed adjustments and broader policy considerations associated with the new Off-Site Levy framework. Below are responses to Industry's feedback to enable further discussion and progress toward finalization.

338 Ave Expansion

Phasing and Right of Way

The 338 Ave corridor connects two major arterials in Okotoks (Northridge Drive and 32 Street) and two provincial highways (HWY 2 and HWY 2A). As traffic volumes increase due to local and regional growth, and major projects like the HWY 2/338 Ave interchange are constructed, 338 Ave is expected to transform into one of the Town's busiest roadways.

Industry has requested that the Town revert to the findings of Watt's 2020 Transportation Master Plan (TMP) as the basis for the 338 Ave Expansion project. The traffic forecasts in the 2020 TMP regarding anticipated upgrades to 338 Ave have been superseded by the 338 Ave Functional Study and Design (Arcadis). As part of this study, Arcadis created a corridor-specific model with inputs from previous statutory plans, master plans, regional studies, and long-term growth plans. Key growth assumptions have since changed:

- The 2020 TMP used a population growth projection of 668 people/year.
- The growth projections proposed in this OSL Bylaw update equates to a population increase of 1,549 people/year (19.03 ha residential and 9.55 ha employment).
- Okotoks has transitioned to a higher minimum density requirement in its MDP since the 2020 TMP (was previously 8 UPA and is now 12 UPA).

Using refined growth assumptions, Arcadis analyzed the capacity requirements over multiple time horizons including a 25-year growth horizon to 2045 (typical for transportation planning) and a long-range growth horizon to 2060. In the 2045 horizon, their analysis showed that 4 lanes will be required west of 48 Street, and 6 lanes will be required east of 48 Street. Under the 2060 horizon, there will be a need to widen the section west of 48 Street to 6 lanes. This study represents the most current and complete basis for this project.

Given that there is a potential need for widening to 6 lanes, it is prudent that the Town protect the necessary right of way. Failing to do so at this time would make such upgrades impracticable in the future once new development creates permanent boundary constraints. The 46m right of way required for Okotoks' 338 Ave 6-lane design is consistent with the City of Calgary's 46m right of way for a 6-lane arterial.

Okotoks acknowledges that the future interchange at HWY 2 and 338 Ave is a significant driver of the need for the 6-lane cross section within this 46m ROW. This project is being led by ATEC and does not have funds committed to its construction in the Province's budget. The Town is willing to give consideration to this uncertainty in this OSL Update.

PROPOSED ACTIONS:

- Okotoks agrees to defer the road widening from 4 to 6 lanes east of 48 Street for the purpose of this Off-Site Levy update.
- The 46m right of way is required to accommodate future widening along the entire corridor as per the supporting work. It is acknowledged the land requirements to widen from 4 to 6 lanes falls outside of the 25-year growth horizon west of 48 Street and has been deferred east of 48 Street as noted above. As such, the Town agrees to remove the cost of the land required for widening from 4 to 6 lanes from this OSL update. The timing of widening to 6 lanes and the associated land requirements will be reviewed in future studies (e.g.: TMP update) and adjusted in future OSL updates if/when required. Land acquisition for this additional right of way will be funded outside of the OSL program until such a time as it is required within the growth horizon of the Off-Site Levy bylaw.

<u>Design Standard</u>

Okotoks has developed its own road design standards for all types of roads, including 338 Ave based on the 338 Ave Functional Study and Design. This standard differs from the City of Calgary's, though there are many similarities. Okotoks offers the following context when comparing Okotoks' design standard against Calgary's:

- Active Modes
    - Calgary's arterial standards include provision for two 2.5m on-street bike lanes and two 2m separate sidewalks. An alternative cross section is available for an off-street pathway.
    - Okotoks gave consideration to the cost of an on-street bike lane similar to Calgary's standard when creating the design standard for 338 Ave.
    - Okotoks' design standard yields considerable cost savings relative to the Calgary standard with bike lanes for active modes (e.g.: 5m reduction of road structure for the bike line, asphalt pathway vs. concrete sidewalk).
- Stormwater Management and Landscaping
    - Calgary's standards follow conventional stormwater management design with curb, gutter, and a minor stormwater system.
    - Okotoks has a policy framework that mandates the use of low-impact design and green infrastructure (e.g.: Municipal Development Plan, Environmental Master Plan).
    - Okotoks' design standard utilizes a combination of conventional and low-impact design to support the corridor's minor stormwater system. Plant material is an essential component of this type of design and serves a critical functional purpose for stormwater management.
    - Both design standards use concrete in medians where its width is too narrow to reasonably accommodate landscaping.
    - The primary difference between Okotoks' and Calgary's median treatments is the type of ground cover in landscaped areas.
        - Both standards include trees.
        - Calgary's design standards primarily use sod.
        - Okotoks' design standard includes a combination of bark mulch, rock mulch, and plantings which serves both a stormwater management function and reduces high-risk maintenance activities.
    - Both Okotoks' and Calgary's boulevard standards are primarily sod but serve slightly different functions.
        - Calgary's standard is typically designed to drain the boulevard to the roadway where it is picked up by the minor storm system and

conveyed to downstream stormwater ponds.

- Okotoks' standard is designed convey these flows in overland grass swales to bioretention areas where these flows are retained and absorbed into the landscape.

- Surface Treatments and Furnishings
  - Okotoks' design standard includes seating nodes with upgraded surface treatments (decorative concrete, unit pavers) and decorative concrete at pedestrian crossings. Okotoks acknowledges that these elements do not serve a core functional need for the corridor.
- Street Lighting
  - Street lighting has been designed to a conceptual level. Street lighting in Okotoks is typically designed, owned, and operated by Fortis, so the design and cost estimate requires further refinement.
  - Pathway lighting is included in the conceptual street lighting design. Okotoks acknowledges that pathway lighting does not serve a core functional need of the corridor.

PROPOSED ACTIONS:

- Okotoks agrees to remove the seating nodes, upgraded surface treatments at pedestrian crossings, and pedestrian lighting.

<u>Estimated Cost</u>

Okotoks would like to ensure that Industry has a clear understanding of the proposed reimbursement mechanism for transportation oversize:

- Each developer adjacent to 338 Ave is obligated to construct half of the roadway as per the Town's design standard. Exact details regarding staging, transitions, intersections, etc. will be negotiated on a case-by-case basis.
- The base financial obligation of the adjacent developer is half of a collector as per City of Calgary DA rates. This acknowledges the cost of a major roadway that would have otherwise been required within the development area.
- The differential between the actual construction cost of the 338 Ave design and half of a City of Calgary collector as per DA rates is eligible for reimbursement as Transportation levies are collected.

- If costs are underestimated, the Transportation Levy rate will also be too low. This may result in a funding shortfall and extend reimbursement timelines.

Industry has referenced the City of Calgary DA rates for arterial roads as a representative cost basis for this project. Based on feedback from Industry, it is Okotoks' understanding that this rate is based on typical greenfield construction conditions and typically underestimates actual costs. The upgrading of 338 Ave is not a greenfield project, so the use of these rates creates risk that actual costs will exceed Calgary's DA rates.

Okotoks has advanced the design of this corridor to a detailed level and has developed a cost estimate using the best information available informed by the design, site investigations (e.g.: geotechnical, third-party utility information), and construction pricing from similar projects through its consultant (Arcadis). Okotoks believes this to be the most complete representation of project costs with comprehensive supporting work.

In consideration of the conceptual nature of the current street lighting design and the proposed deletion of pedestrian lighting, Okotoks is prepared to reduce the estimated cost of street lighting to align with the City of Calgary DA rate as requested.

Acknowledging that construction efficiencies that could be realized through comprehensive site grading efforts, Okotoks agrees to remove earthworks from inclusion in the levy and transfer the full earthworks cost to the boundary developer.

PROPOSED ACTIONS:

- Okotoks proposes to update the project cost based on the above changes.

Water Storage

Okotoks reaffirms that resiliency-based sizing is not included in the proposed 8 ML reservoir and has not impacted the sizing of the twin supply lines as stated in the 2026 CIMA clarification memo. The Regional Water Project is a single-feed system that is designed to enable long-term growth in Okotoks. In the event of an unplanned outage of this supplemental supply, Okotoks will need sufficient treated water storage to allow for diagnosis and repair. The existing system was designed to support only the existing population and is not expected to provide adequate storage under a failure scenario of growth-related infrastructure.

As such, it is anticipated that some degree of resiliency infrastructure will be required beyond provincial minimum guidelines to support the vulnerabilities of the Regional Water Project. The scope, sizing, and timing of any such resiliency-related infrastructure has not yet been determined. The Town will complete further analysis to define appropriate risk-informed standards. Any infrastructure driven by these requirements will not be proposed for inclusion in the Off-Site Levy Bylaw until this work is complete.

The CIMA clarification memo identified an 8 ML reservoir to support growth, noting that this volume is similar to the existing reservoirs in Okotoks (approximately 7 ML each for the three existing reservoirs). Earlier feasibility work for the South Okotoks Reservoir applied maximum day demand assumptions and included resiliency considerations, which resulted in significantly higher storage requirements (approximately 22 ML). Recognizing the need for a more robust and defensible basis for treated water storage standards that reflect operational risk, the clarification memo recommended that the initial 8 ML phase be aligned with Alberta Environment and Protected Areas (AEPA) guidelines and attributed to growth. Future reservoir sizing will need to account for minimum fire storage requirements within the higher pressure zones and recognize that additional storage within the distribution system benefits growth in all areas of Okotoks.

Given the concerns raised by Industry, Okotoks will initiate a review to refine reservoir sizing criteria, phasing, and timing to establish a clear and defensible Town standard. Until this work is completed, Okotoks proposes to maintain the existing 3.66 ML storage volume and associated benefit allocation currently reflected in the OSL Bylaw.

Further, Okotoks acknowledges the challenges of financing a project of this magnitude given the mechanics of cost recovery and Town-wide benefitting areas. In consideration of this, Okotoks is prepared to shift the financing obligations of the South Okotoks Reservoir Phase 1 (Project W-4A) to the Town.

PROPOSED ACTIONS:

- Okotoks will revert to a 3.66 ML reservoir as per the previous OSL Bylaw (based on the 2020 WMP) for the purpose of this update.
- Okotoks will complete additional analysis and preliminary design to refine the requirements for sizing, phasing, and timing for the reservoir and associated pump station. The results of this study will inform future updates to the OSL Bylaw.
- Okotoks will identify Project W-4A as a Town-financed project with timing to be refined based on additional study and competing capital priorities.

Regional Water

The Town has made background information on the Regional Water Project publicly available for a number of years. This includes PowerPoint materials outlining system constraints, project evolution, and current status, which are accessible at www.okotoks.ca/pipeline under the *Resources* tab. These materials provide historical context leading to the conceptual design of the Foothills Okotoks Regional Water Project (FORWP). In response to Industry's request for a more consolidated and transparent summary of project cost evolution, the following overview is provided.

The previous update to the Water Off-Site Levy was completed in 2020 and was based on concept-level design estimates intended to initiate the project. Following concept design, the Town advanced preliminary design and grant applications to further define scope and secure external funding.

In 2023, the Town issued design-build RFPs for the pipelines and pump stations to maintain delivery momentum within limited project budget approvals. Market response was limited and bid pricing significantly exceeded the total conceptual project budget. This divergence reflects the lower class of estimate used previously, characterized by limited design maturity, which the market subsequently priced through additional risk allowances, together with market escalation and post-COVID construction conditions, demonstrating that the original estimates were no longer representative of deliverable costs.

In collaboration with Industry, the Town then advanced detailed design to better define scope, reduce delivery risk, and requested updated project cost estimates. Based on this, the estimated project cost was updated to approximately $103 million, excluding land. The updated cost estimate created a material funding gap. At that time, the Town took the following steps to address this:

- Secured additional Provincial AMWWP funding, up to $30 million.
- Identified constraints related to municipal debt capacity and borrowing limits.
- Engaged Industry on potential front-end funding contributions, including a high-level request for up to $20 million, based on an assumed Town net cost of $40–$50 million and municipal borrowing of up to $30 million.

The Town reviewed alternative funding approaches and had dialogue with Industry participants to address this gap. Ultimately, Council approved a borrowing bylaw of up to $50 million, advanced the project with the clear good-faith understanding that the

OSL levy must be updated to reflect current project costs, and that Industry will be required to front-end other portions of growth-related infrastructure delivery.

In early 2025, the Town also explored options to accelerate pipeline delivery to provide earlier interim water delivery in response to Industry concerns with limited water allocation capacity. Based on further review and Industry feedback, the Town is advancing the following measures to respond to Industry concerns:

PROPOSED ACTIONS:

Transparency:

Gross project costs will be shared with Industry at a component level on a confidential basis. To protect the integrity of ongoing procurement (particularly the reservoir), this information will be redacted in public-facing documents until procurement is complete. The September 2025 estimate provided to Industry included $6 million in contingency, informed by engineering and market conditions.

The Town continues to follow a fully open and competitive public procurement process. Detailed procurement documents including Regional Water component design information, drawings, schedules of quantities, and specifications can be accessed at https://okotoks.bidsandtenders.ca/. Awarded projects can be found by selecting "awarded" from the drop-down menu.

Clarification of Project Upsizing

The project includes additional capacity to accommodate potential future regional connections (e.g.: Nanton and Cargill), which was required to support eligibility for provincial grant funding. [redacted]

[redacted]

Contingency

Industry's interpretation of the City of Calgary's Cost Estimating Guideline does not directly translate to mechanics and financial risks that must be considered within the Off-Site Levy program. Project costs that are underrepresented due to low contingency amounts can lead to significant levy under-collections which can create cashflow challenges for the front-ending parties and instability of Off-Site Levy Rates. With this in mind, the Town proposes a number of changes to contingency amounts to balance these risks with Industry's requests as outlined below.

Oversize Projects

Okotoks supports the elimination of contingency for sanitary oversize projects due to use of Calgary DA rates as requested by Industry.

Industry-Financed Projects

For projects that are financed, designed and constructed by Industry, Okotoks is willing to utilize information provided by Industry to inform contingency amounts. Since this will form part of the Off-Site Levy Bylaw, supporting technical work will be required. This information will be made publicly available as part of the Off-Site Levy Bylaw consultation process to ensure broad support from stakeholders.

Town-Financed Projects

The nature of the projects identified for Town financing and delivery generally have greater complexity and uncertainty than greenfield construction projects (e.g.: upgrades to specialized wastewater treatment infrastructure in an operating facility, road or utility upgrades within an existing corridor, upgrades to an existing recreation centre while managing normal operations). These uncertainties cannot be entirely resolved through more advanced designs, so contingency must be accounted for accordingly.

Okotoks is proposing to use a range of contingency amounts for projects that are financed and delivered by Okotoks. These amounts will consider project stage, complexity, and risks. The project lists will be updated based generally on the following:

	Contingency (%)	
Project Stage	**Low**	**High**
Conceptual	35%	50%
Functional	25%	35%
Preliminary Design	15%	25%
Detailed Design	10%	15%

Design Acceleration

The Town is making every effort within its financial and resourcing capacity to advance designs for Off-Site Levy projects in a prioritized manner. As those designs advance, cost estimates will become more refined and contingency will decrease. Okotoks is supportive of Industry's offer of partnership to fund the designs of these projects to help eliminate uncertainty and reduce contingency amounts. With that said, these types of projects must be closely coordinated with the Town and will have resourcing implications that the Town cannot absorb within its current staff capacity and operating budgets. Please provide additional details regarding this, including:

- Which projects is Industry proposing to advance design for? When?
- How will Industry collectively determine which projects should be prioritized?
- How is Industry proposing to support the Town's resourcing needs?

Oversize Approach

A key corporate priority for the Town is to establish a long-term financial health framework so the Town can meet community needs now and in the future with more stable and predictable decisions. Two core pieces of this are debt and funding of growth infrastructure, both of which are directly tied to the OSL program. The Town does not have the financial capacity to continue to finance all growth infrastructure. Okotoks must make a shift to a "shared-risk" funding and financing model with Industry.

Okotoks has been attempting to co-create this system with Industry since OSL update discussions commenced approximately 18 months ago. Okotoks' intent was to build this system in partnership with Industry based on a foundation mutually agreeable principles and business mechanics. Over this time, we have collectively explored a range of different options, including the continued use of endeavours to assist, adopting systems from other jurisdictions, and removing the Town entirely from certain funding and financing roles. Industry's feedback affirmed that endeavours to assist do not provide the needed certainty of cost recovery for the required infrastructure investments. With no "off the shelf" solutions or comprehensive alternatives proposed by Industry, this has left the Town to create a system that we believe best serves all parties given the unique context in Okotoks.

Timing and Next Steps

Okotoks appreciates Industry's willingness to work collaboratively toward resolution of the provided feedback. In consideration of this commitment, the feedback provided in this letter, and Industry's intention to prioritize the work necessary to finalize the update, Okotoks has deferred bylaw adoption. The revised timing for adoption will be determined based on demonstrable progress toward finalization of this OSL Bylaw update. Okotoks remains confident that this work can be completed expeditiously.

Based on the feedback received to date and the changes proposed in this letter, Okotoks will update the supporting work and provide comprehensive information for review by Industry. Okotoks will schedule a meeting to discuss Industry's feedback, Okotoks' response, and the updated supporting information as soon as possible.

Closing

The Town appreciates Industry's partnership and constructive feedback. The comments provided will assist in refining the bylaw and supporting materials to ensure the framework remains transparent, equitable, and aligned with our mutual long-term growth objectives and infrastructure needs. The Town looks forward to continuing discussions with Industry as the remaining bylaw details and background information are finalized, and to working collaboratively toward adoption of an updated OSL bylaw that supports sustainable growth and investment within the community.

Sincerely,

[redacted]

James Cameron
Engineering Manager
Town of Okotoks