

Administrations' Proposal for Annexation

The intent of this document is for the administrations of The City of Red Deer ("The City") and Red Deer County ("The County") to consider and document their individual preferences in preparation for annexation negotiations. If there is a difference of opinion, the administration will work together and attempt to resolve the disagreements.

Update:

There are no areas of disagreement. The information in this document will form the foundation of the Annexation Application's Report on Negotiations. The Report on Negotiations will need to be endorsed by The City and The County Councils before it can be submitted to the Land and Property Right Tribunal ("LPRT")

1 PROPOSED ANNEXATION AREA

1.1 CITY ADMINISTRATION PROPOSAL:

The City is proposing a modification to the area proposed for annexation that was included in the Notice of Intent to Annex. The northernmost boundary in the Notice of Intent to Annex was based on following the pre-existing boundary of the railway on the east side of Highway QEII that was previously established during the 2009 annexation.

The City has not yet started the landowner's and public consultation, though, early comments provided by the landowner had requested the entirety of their parcel be annexed into The City. The landowner had previously had the same land parcel split by the 2009 annexation and having a portion of the parcel in both municipalities has caused them difficulty.

The City is amendable to the landowner's request. The annexation of these areas can be accommodated while satisfying the annexation principles.

The adjusted proposed annexation includes all lands contained within

- That portion of the SW ¼ Sec 8; 39-27-W4M and including that portion of the CN Railway (Plan 2712 AK) located west of the Queen Elizabeth II Highway (Plan 2058 LZ); and
- That portion of the SE ¼ Sec 8; 39-27-W4M and including that portion of the CN Railway (Plan 2712 AK) adjacent to those lands already within the City of Red Deer; and
- That portion of the W ½ Sec 5; 39-27-W4M located west of the Queen Elizabeth II Highway (Plan 2058 LZ); and
- That portion of SE ¼ Sec 6; 39-27-W4M located south of and including Linnvalley Lane and Plan 112 3127 excluding the westernmost 120m of Plan 112 3127 and Lot P, Block 4, Plan 6222KS.

All portions of all intervening and adjacent roads and public utility rights-of-way including the interchange for Queen Elizabeth II Highway, Highway 11A, Range Road 274, and Range Road 275. Excepting there out all mines and minerals.

A copy of the adjusted proposed annexation is attached as Appendix A along with a list of all titled land proposed to be annexed.

Furthermore, The City proposes all reserve lands be transferred in alignment with IDP policy 3.4.3(1)(b)(V).

(V) Provide that The County shall consult with The City prior to the disposition of reserve lands within The City of Red Deer Growth Area. Upon issuance of an annexation order, The County shall transfer to The City all public reserve lands within the annexed area together with funds equal to the value of cash in lieu of reserves plus the proceeds of the disposition of any reserve lands within the annexed area received by The County after the date of the adoption of this Plan.

1.2 COUNTY ADMINISTRATION RESPONSE:

The County supports the modification to the annexation area as outlined in Section 1.1.

The County requests that the City of Red Deer maintain Range Road 274 access road immediately north of the City approximately 221.56 m in length, highlighted in red (attached photo). This small road crosses the CN Rail line to access three parcels of land west of Range Road 274. The County is willing to enter into an agreement with the City to make this arrangement possible which would be financially and practically beneficial for both municipalities.



1.3 CITY ADMINISTRATION RESPONSE:

The City supports the request to enter into an agreement for the City to maintain the requested area of Range Road 274. The City is committed to entering into an agreement within one year of the effective annexation date.

2 PROPOSED EFFECTIVE ANNEXATION DATE

2.1 CITY ADMINISTRATION PROPOSAL:

The City is proposing an effective annexation date of **September 1, 2023**. This proposed date aligns with the requirements set out in the Final Compensation Agreement of the *Red Deer County and City of Red Deer Intermunicipal Development Plan (IDP)*, as the City is anticipating the submission of the Report on Negotiations to occur before the end of 2022.

5.b) Each annexation subsequent to phase 1 shall have an effective date being the first day of September of the year following the calendar year in which the report on negotiations was filed with the Municipal Government Board.

The proposed annexation date is unconventional based on the review of recent board orders. Since 2015 most board orders have had effective dates of January 1. Further, there are three cases where the municipalities requested a different date, but the predecessor of the LPRT (formerly MGB) had changed the effective date to Jan 1 (045/20, 035/19, 033/15). There are also four instances where the effective annexation date was changed from Jan 1 to a mid-year date. All of these instances were adjusted by the board to allow for adequate processing time (010/18, 050/17, 007/17, 057/17) following the board recommendation.

Nonetheless, nothing is preventing a request for an effective annexation for **September 1, 2023**, and therefore The City is proposing the requested effective annexation remain unchanged.

If it is not possible to obtain an Order in Council for the proposed effective date, The City proposes January 1, 2024, or alternately any other date deemed suitable by the LPRT. Ideally, The City would prefer the annexation not to be backdated as was done for the 2009 annexation.

The City proposes that all operational responsibilities for the lands within the annexation area become The City's responsibility on the effective annexation date. If the Order in Council for the annexation list a different effective annexation date the transfer of the operational responsibilities would also be subject to this change of date.

2.2 COUNTY ADMINISTRATION RESPONSE:

The County supports the City's requested effective annexation date remained unchanged of September 1, 2023.

3 PROPOSED COUNTY COMPENSATION

3.1 CITY ADMINISTRATION PROPOSAL:

The City is proposing that compensation to The County for this proposed annexation is in alignment with the IDP policies.

Policy 3.6.3(7) - Compensation for the Phase I Annexation area and the formula for all future annexations are attached hereto as Appendix "A", "FINAL ANNEXATION COMPENSATION AGREEMENT" in this Plan.

A copy of the Formula for Compensation from the Final Compensation Agreement in the IDP is attached in Appendix B. In alignment with these requirements, The City is proposing Schedule 1 for compensation to The County.

The annual payment schedule is based on the requirements of the IDP. The City is proposing a single payment of all owed compensation payable on July 31, 2024. The single transaction would reduce administrative costs for both municipalities.

Schedule 1: County Compensation for Annexation		
Year 1	\$ 3,900.41	Payable: July 31, 2024
Year 2	\$ 3,120.33	Payable: July 31, 2025
Year 3	\$ 2,340.25	Payable: July 31, 2026
Year 4	\$ 1,560.17	Payable: July 31, 2027
Year 5	\$ 780.08	Payable: July 31, 2028
Total over 5 years	\$ 11,701.24	

These values are based on The County’s assessments (2021) and the Provinces Designated Industrial Property Assessments and uses the County’s 2022 mill rates. A copy of the supporting data and calculations is attached in Appendix C.

The City also proposes any taxes owing to The County at the end of December 31, 2023, in respect of the annexed land and any assessable improvements to it are transferred to and become payable to The City together with any lawful penalties and costs levied in respect of those taxes, and The City upon collecting those taxes, penalties and costs must pay them to The County.

3.2 COUNTY ADMINISTRATION RESPONSE:

The County agrees with the City’s proposed compensation Schedule 1 as presented in Section 3.1 of this report.

Further, the County also agrees with the City’s proposed settlement to the County of any taxes owing at the end of December 31, 2023 as it applies to the proposed annexed lands and any other penalties and costs levied of those taxes as stated in Section 3.1 of this report.

4 PROPOSED LANDOWNER ASSESSMENT AND TAX TRANSITION PERIOD

4.1 CITY ADMINISTRATION PROPOSAL:

The proposed annexation area includes parcels of land that are both exempt and taxable. The majority of the taxable parcels are assessed as farmland with some smaller areas taxed as Designated Industrial Properties.

For the below-stated reasons, and to promote administrative efficiency, the City is proposing that no provisions for an assessment and tax transition period be included in the proposed annexation. This proposal would need to be confirmed during the landowner consultation process whether they will consent to forgo an assessment and tax transition period.

Farmland:

- It is anticipated the annexation will be uncontested by the major landowner and they will consent to the annexation to facilitate the processing of the annexation.
- It is The City's understanding the landowner intends to rezone and subdivide their lands for commercial development at the earliest possible opportunity, which would cease any assessment and tax transition as is common practice for annexations in Alberta.
- There are no improvements on the farmland.
- The municipal portion of the tax rate for farmland in The City (0.0093338) is nearly identical to the tax rate in The County (0.009296). The difference in the annual tax for the farmland in the proposed annexation area is approximately +\$2.11.

Designated Industrial Properties:

- Assessments are completed and standardized by the province. Therefore, transition on assessments is not possible.
- The DIPs with Machinery and Equipment (M&E) assessments will receive a reduction as the City of Red Deer does not tax Machinery and Equipment. The annual reduction for the M&E in the proposed annexation area is estimated at -\$616.55
- The municipal portion of the mill rate between The City of Red Deer (0.0148079) and Red Deer County (0.0122965) is slightly higher and will result in an increase. The annual increase for the proposed annexation area is estimated at +\$564.61.
- The difference between the DIP tax rates is negligible, particularly when accounting for tax reductions from M&E. The annual estimated change is -\$51.93.

If the LPRT does not support no transition period, The City in alignment with Annexation Bulleting No. 1 – 2005 will instead request the following:

- 25-year (2024-2048) assessment and taxation transition period for the farmland in the proposed annexation area. During this period, the properties in the annexation area will be assessed as if they were still in the County and taxed using the lower of the two municipal tax rates for up to 25 years.

- 10-years (2024-2033) taxation transition period for the non-residential in the proposed annexation area. During this period, the properties in the annexation area will be taxed using the lower of the two municipal tax rates for up to 10 years.
- The assessment and tax transition period be terminated early if the land:
 - becomes a new parcel of land created as a result of subdivision or separation of title by registered plan of subdivision or by instrument or any other method that occurs at the request of, or on behalf of, the landowner, or
 - is redesignated at the request of, or on behalf of the landowner under the City of Red Deer Land Use Bylaw to another designation, or
 - is connected to city services, including but not limited to water and sanitary services.
- The assessment and tax transition period will cease to apply at the end of that taxation year in respect of that portion of the annexed land and the assessable improvements to it.
- When the assessment and tax transition period ceases to apply to a portion of the annexed land in a taxation year, that portion of the annexed land and the assessable improvements to it must be assessed and taxed for the purposes of property taxes in the following year in the same manner as other property of the same assessment class in The City of Red Deer is assessed and taxed.

The term of this proposed assessment and tax transition period aligns with past city annexations and is anticipated to extend well beyond the development timeframe for all lands within the proposed annexation. Furthermore, a 25-year period aligns with the average assessment and transition period provided for farmland for other municipal annexations in Alberta since 2016. It also exceeds the recommended 5-15 years proposed in Annexation Bulletin No. 1 – 2005 and the average transition period provided in other annexations from Red Deer County.

Table 1: Summary of Assessment and Tax Transition for Farmland		
	Board Orders since 2016	Annexations from Red Deer County
Longest Assessment and Tax Transition Period for Farmland	50 Years	25 Years
Shortest Assessment and Tax Transition Period for Farmland	13 Years	5 Years
Average Assessment and Tax Transition Period for Farmland	27.64 Years	15.67 Years

* A full list of the annexations for this Table is included in Appendix D.

4.2 COUNTY ADMINISTRATION RESPONSE:

No major concerns for this particular annexation. Having said that will this set precedent for all future larger area annexation as this involves farmland. For future annexations involving improved lands, the County would like to see an extended transition period.

5 PROPOSED LANDOWNER AND PUBLIC CONSULTATION

5.1 CITY ADMINISTRATION PROPOSAL:

The City intends to begin the landowner and public consultation following a general agreement between the municipalities, particularly on the proposed area and the proposed assessment and tax transition period. The ability to consult landowners is bound to these details.

The Landowner and public consultation will be in alignment with the plan outlined in the Notice of Intent to Annex. The opportunity for consultation will be provided to all landowners being annexed and also any member of the public.

The City will mail information to all adjacent residents to provide information on how they can participate in the proposed annexation consultation. This includes all landowner in the community of Linn Valley.

As is the standard of practice, all information collected from the consultation process will be included in the Annexation Application for the Land and Property Rights Tribunal's consideration.

5.2 COUNTY ADMINISTRATION RESPONSE:

The proposal for public consultation is acceptable.

6 INTERMUNICIPAL DEVELOPMENT PLAN REVIEW

6.1 CITY ADMINISTRATION PROPOSAL:

The City is committed to the continued participation in the ongoing review of the Intermunicipal Development Plan (IDP) and fully supports the adoption of a new IDP.

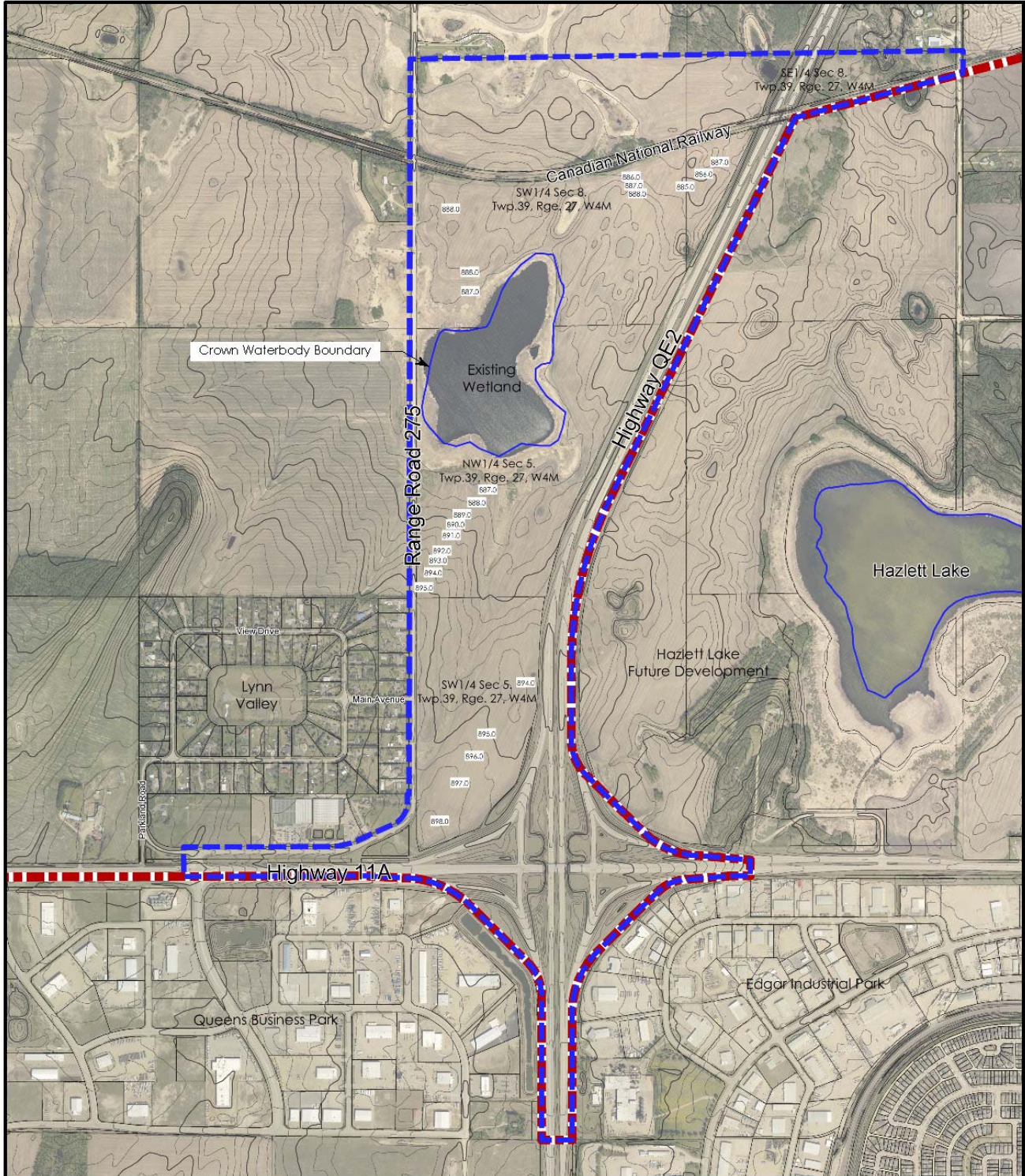
The City proposes that neither the Annexation will delay the adoption of a new IDP, nor will the IDP delay the annexation. The annexation will be processed under the current IDP, though should the new IDP be prepared and adopted in time it will have provisions supporting the proposed annexation and therefore the annexation can continue to occur under the provision of a new IDP.

6.2 COUNTY ADMINISTRATION RESPONSE:

The County is also committed to continue its participation with the ongoing IDP review which among other things must provide additional direction for all future annexations (ie. phasing and location).

Appendix A

PROPOSED ANNEXATION AREA - AMENDED



Hazlett West Lands
Revised Annexation Area

- Legend**
- - - - - Proposed Annexation Boundary (Area = 215.77 ha)
- Revised Based on Landowner Comments
 - - - - - Existing City Boundary



April 2022
Scale 1:15,000

TITLED LANDS PROPOSED FOR ANNEXATION

Table 2: Titled Lands Proposed for Annexation
<p>Owner(s): HAZLETT FARM LTD. Title Number: 7F213</p> <p>Short Legal: 4;27;39;8;SW, Area (Ha): 61.629</p> <p>Short Legal: 4;27;39;8;SE Area (Ha): 54.88</p>
<p>Owner(s): HAZLETT FARM LTD. Title Number: 202 025 268 +5</p> <p>Short Legal: 4;27;39;5;NW Area (Ha): 27.752</p> <p>Short Legal: 4;27;39;5;SW Area (Ha): 24.201</p>
<p>Owner(s): CANADIAN NATIONAL RAILWAY COMPANY. Title Number: 792 279 956 Railway Plan: 2712AK</p> <p>Short Legal: 2712AK;RLY;39 Area (Ha): 5.0</p> <p>Description: Portion of plan intervening proposed annexation area.</p>

NON-TITLED LANDS – ROAD ALLOWANCES AND RIGHTS OF WAY – PROPOSED FOR ANNEXATION

All portions of all intervening and adjacent roads and public utility rights-of-way including the interchange for Queen Elizabeth II Highway, Highway 11A, Range Road 274, and Range Road 275. Excepting there out all mines and minerals.

Appendix B

Excerpt from the Final Annexation Compensation Agreement (Appendix A) from the IDP

Formula for Compensation on Future Annexation

5. The parties agree that the formula to govern compensation payable by The City to The County on all future annexations under the IDP, excluding Phase 1, shall be as follows:

- a) The City will pay to The County sums based on the municipal portion of tax revenues that would have been collected by The County in the full calendar year preceding the effective year of annexation, subject to declining amounts as follows:
 - i) 100% of such tax will be paid by The City by July 31 of the year following the date the Annexation Order is effective;
 - ii) 80% of such tax will be paid by The City by July 31 of the second year following the date the Annexation Order is effective;
 - iii) 60% of such tax will be paid by The City by July 31 of the third year following the date the Annexation Order is effective;
 - iv) 40% of such tax will be paid by The City by July 31 of the fourth year following the date the Annexation Order is effective; and
 - v) 20% of such tax will be paid by The City by July 31 of the fifth year following the date the Annexation Order is effective;
- b) Each annexation subsequent to Phase 1 shall have an effective date being the first day of September of the year following the calendar year in which the report on negotiations was filed with the Municipal Government Board.
- c) The County shall retain all taxes payable in the year that the annexation order becomes effective. Any taxes that are still owing on the effective date of annexation in respect of the annexed land are transferred to and become payable to the City of Red Deer together with any lawful penalties and costs levied in respect of those taxes and the City of Red Deer upon collecting those taxes, penalties and costs must pay them to Red Deer County.
- d) The County agrees to maintain all roads and provide fire fighting services in the annexation area until May 1 of the year following the date the annexation order is effective.
- e) The County will provide all necessary assessment and tax rates necessary for calculation, and will provide all necessary or additional records required by The City.
- f) No additional or other compensation of any nature or kind will be payable by The City to The County with respect to future annexations.

Appendix C

**Table 3:
Red Deer County 2021 Assessment records
for properties in the proposed annexation area**

Redacted – Confidential Tax Information

**Table 4:
Designated Industrial Properties Assessments for Annexation Area**

Redacted – Confidential Tax Information

**Table 5:
Red Deer County
2022 TAX RATES**

	Farmland	Machinery & Equipment	Designated Industrial Property
General Municipal	7.9460	10.9465	10.9465
Education Property Tax	2.6285	0.0000	3.8809
Protective Services Levy	0.7000	0.7000	0.7000
Community Services Levy	0.6500	0.6500	0.6500
Seniors Housing Levy	0.0194	0.0194	0.0194
Designated Industrial Property Requisition Levy	0.0000	0.0766	0.0766
Policing Special Levy	0.1782	0.1782	0.1782
Mill Rate*	12.1221	12.5707	16.4516
Municipal Portion of the Mill Rate (Excludes provincial levies)	9.2960	12.2965	12.2965

**Table 6:
2022 Property Taxes
Proposed Annexation Area**

	Farmland	Machinery & Equipment	Designated Industrial Property
Total Taxable Assessment	\$ 55,870.00	\$ 50,140.00	\$ 224,820.00
Municipal Portion of mill rate (Red Deer County)	9.296	12.2965	12.2965
Eligible for Compensation	\$ 519.37	\$ 616.55	\$ 2,764.50
Total County Taxes Eligible for Compensation (2022)	\$ 3,900.41		

Appendix D

**Table 7: Farmland Assessment and Tax Transition Period
All Board Orders 2016-2021**

Annexed To	Annexed From	Board Order Number	Year	Farmland Transition Period (Years)
Lloydminster, City of	Vermilion River, County of	LPRT2021/0768	2021	30
St. Albert, City of	Sturgeon County	058/21	2021	44
High River, Town of	Foothills County	045/20	2020	13
Black Diamond, Town of	Foothills County	045/19	2019	24
Fort Saskatchewan, City of	Strathcona County	042/19	2019	20
Whitecourt, Town of	Woodland County	035/19	2019	15
Viking, Town of	Beaver County	010/18	2018	15
Bon Accord, Town of	Sturgeon County	049/17	2017	50
Bruderheim, Town of	Lamont County	3.17	2017	50
Coaldale, Town of	Lethbridge, County of	050/17	2017	23
Millet, Town of	Wetaskiwin No.10, County of	038/17	2017	10
Okotoks, Town of	Foothills, MD of	007/17	2017	28
Penhold, Town of	Red Deer County	057/17	2017	15
Beaumont, Town of	Leduc County	012/16	2016	50
Average:				27.64

**Table 8: Farmland Assessment and Tax Transition Period
All Annexations from Red Deer County**

Annexed To	Annexed From	Board Order Number	Year	Farmland Transition Period (Years)
Penhold, Town of	Red Deer County	057/17	2017	15
Sylvan Lake, Town of	Red Deer County	048/15	2015	10
Red Deer, City of	Red Deer County	083/09	2009	25
Bowden, Town of	Red Deer County	058/08	2008	16
Penhold, Town of	Red Deer County	054/08	2008	5
Innisfail, Town of	Red Deer County	063/08	2008	10
Red Deer, City of	Red Deer County	119/07	2007	10
Red Deer, City of	Red Deer County	011/06 + 432/2004	2006	25
Red Deer, City of	Red Deer County	058/04	2004	25
Innisfail, Town of	Red Deer County	057/02	2002	N/A
Innisfail, Town of	Red Deer County	110/01	2001	N/A
Average:				15.67