Issue Brief #2 – Benefits and Costs of Growth

Summary

This Issue Brief examines how unlocking new communities can deliver benefits across the City and how expenses incurred to support growth are paid for during the development phase as well as over the long term.

Key Questions

- What are the benefits and costs of new growth?
- What are existing financial tools to pay for growth?

What are the benefits and costs of new growth?

New development generates both revenues and costs that are experienced over the short, medium and long-term of the neighbourhood life-cycle. For a growing city like Edmonton, additional housing and employment areas are essential to meeting population growth and market demand. Enabling new communities also requires infrastructure and servicing investments – often well before a neighbourhood is fully built-out – which can involve significant upfront investment and risk for developers. Over time, however, new development generates ongoing municipal revenues, economic activity, and employment, helping to support the up-front costs associated with growth and contributing to the broader fiscal health of the City.

Growth contributes to the costs incurred for new infrastructure through a range of mechanisms, including:

- Developer-funded infrastructure;
- Off-site levies;
- Increased property assessment;
- Utility revenues;
- Employment and economic activity

Evaluating growth solely on the basis of its initial capital costs provides an incomplete picture of its overall value. A more comprehensive assessment considers the full infrastructure and neighbourhood life cycle. This includes upfront investment, ongoing maintenance and operating expenses, long-term municipal revenues, and the broader social and economic benefits generated by growth. In the summer of 2025, BILD Edmonton Metro worked with five leading engineering firms and the City of Edmonton to assess the benefits and costs of urban growth within the Urban Growth Case Study. The study provides a useful framework for understanding the fiscal and economic impacts of new development over time. The following are some of its key findings.

Growth Should Be Evaluated Over the Full Lifecycle	Infrastructure investments should be assessed based on their long-term costs and benefits, not only their initial construction costs.	A lifecycle approach considers: • Initial capital investment; • Long-term operations and maintenance; • Asset replacement costs; • Municipal revenues generated from new development; • Economic activity and employment created. This approach provides a more complete understanding of how growth creates long-term value for the community.
Growth Expands the Municipal Revenue Base	New residential, commercial, and industrial development increases Edmonton's municipal assessment base, generating additional property tax revenue over time.	Over time, additional assessment contributes revenue that supports: • Municipal services; • Infrastructure maintenance; • Community amenities; • Public programs and services. A growing tax base allows costs to be distributed among more residents and businesses, supporting long-term fiscal sustainability.
Infrastructure Timing Matters	A common misconception is that new growth immediately creates a financial burden. In reality, growth involves upfront private investment that spurs increasing public revenue benefits over time. New communities give more back to the general tax base more than they receive locally, for decades.	Effective growth planning requires: • Sequencing infrastructure investment; • Aligning servicing with market demand; • Avoiding premature or oversized infrastructure expansion; • Coordinating investment among municipalities, utilities, and developers. When growth is properly planned and timed, infrastructure investments can support long-term community value and efficient urban expansion that meets the needs of a growing population.

What are the existing financial tools to pay for growth?

Alberta municipalities already have a range of established financial tools available to help fund growth-related infrastructure, including developer-funded infrastructure, off-site levies, utility funding mechanisms, municipal capital programs, and infrastructure funding from other orders of government. These tools help ensure that the costs of growth are appropriately supported as development occurs, while maintaining housing affordability and providing certainty for investment.

Developer-Funded Infrastructure	Developers are responsible for constructing that majority of infrastructure required for new communities through servicing agreements and municipal requirements. These investments are ultimately paid by homeowners, renters and businesses, so the need to keep costs as affordable as possible for the end-users is imperative. Examples include: • Arterial, collector and local roads; • Sidewalks and trails; • Water and sanitary systems; • Stormwater facilities; • Land for Municipal and Environmental Reserve • Parks and landscaping; • Local infrastructure improvements. Once completed to municipal standards, typically after a period of two years, assets are transferred to the municipality for long-term ownership and maintenance.
Off-Site Levies	Off-site levies are one of Alberta's primary tools for recovering growth-related infrastructure costs. Under the **Municipal Government Act**, municipalities may collect off-site levies for eligible infrastructure required to support new development, including: • Transportation infrastructure; • Water systems; • Sanitary systems; • Stormwater infrastructure. The **Municipal Government Act** also provides provisions for municipalities to explore using off-site levies to contribute to the costs of new or expanded recreation facilities, fire hall, police stations, and libraries. A transparent and predictable levy system helps ensure growth contributes fairly to infrastructure costs while maintaining investment certainty and proportionality for benefitting parties.
Front-Ending Agreements	Front-ending agreements allow developers or private partners to advance infrastructure earlier than planned, with mechanisms established for future reimbursement. Benefits may include: • Faster housing delivery; • Improved infrastructure coordination. This reduces pressure on municipal capital budgets.

Municipal Capital Funding	Municipalities may fund infrastructure through: • Annual capital budgets; • Reserves; • Debt financing; • Long-term financial planning. Pay-As-You-Go or debt financing can help align infrastructure investment with the period when residents and businesses benefit from those assets.
Utility Funding Mechanisms	Utility providers such as EPCOR and ATCO use regulated funding models to finance infrastructure expansion. Growth-related investments for water, sewer, and stormwater related infrastructure may be supported through: • Customer rates; • Connection fees; • Cost recovery mechanisms; • Long-term capital planning. Coordination between utilities, municipalities, and industry is essential to ensuring efficient infrastructure delivery.
Provincial and Federal Funding Programs	External funding programs can support infrastructure that enables growth, including: • Transportation; • Recreation and community facilities • Housing-enabling infrastructure; • Water systems; • Climate resilience projects. Strategic use of external funding can reduce pressure on municipal taxpayers and accelerate infrastructure delivery.

Sources

- BILD Edmonton Metro. (2025). "Urban Growth Case Study."
- Canada Mortgage and Housing Corporation. (2026). "Fall 2026 Housing Supply Report."
- City of Edmonton. (2026). "The City Plan."
- Federation of Canadian Municipalities. (n.d.). "Municipal Infrastructure Resources."
- Government of Alberta. (2026). "Municipal Government Act."
- Government of Alberta. (2021). "Off-site Levies Regulation."