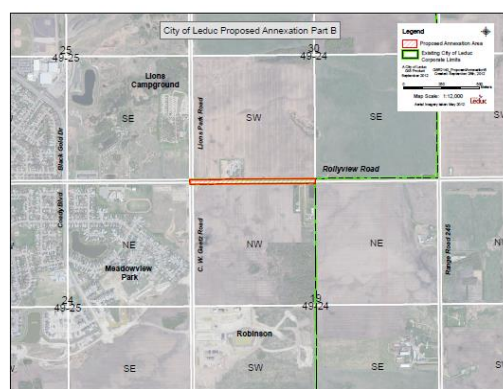
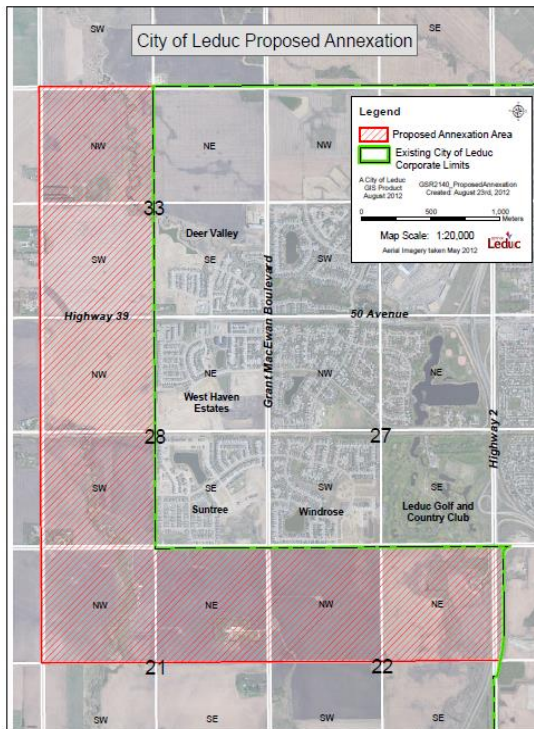




Annexation Negotiations Report / Annexation Application

Annexation 2014

Prepared for the Alberta Municipal Government Board Pursuant to Section 118 of the Municipal Government Act, RSA 2000 Chapter M-26



March 15, 2013

A COOPERATIVE VENTURE BETWEEN THE CITY OF LEDUC, LEDUC COUNTY, THE PUBLIC, LANDOWNERS, LOCAL AUTHORITIES, AGENCIES AND OTHER IMPACTED PARTIES

Transmittal Letter, Mayor, City of Leduc

Certification of Accuracy of Negotiations Report/Annexation Application as per Section 118 (2) of the Act.

City of Leduc/County of Leduc Signature as per Section 118 (2) of the Act.

Letter of Support, Leduc County

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EXECUTIVE SUMMARY

The City of Leduc is strategically located in the southern portion of Alberta's Capital Region adjacent to a number of significant economic and employment generators. The City has evolved from an agricultural service centre, through the dynamic era of the "Leduc No. 1 Oil Strike", through a role as a bedroom community to the City of Edmonton, to a dynamic service and retail centre providing diversified job and economic opportunities associated with a quality residential environment. Today seventy per cent of residents have their employment base in the City of Leduc and immediate surrounding area.

Within the past 30 years the City of Leduc has more than doubled, growing from 12,101 in 1981 to 25,438 in 2012. The most rapid growth has been in the last six years. This proposed annexation is based on a future estimated population of 47,000 to 54,000 over the next 30 years. This annexation is founded on a 30 year land supply as directed by the City of Leduc/Leduc County Intermunicipal Development Plan (IDP). As a result of the directives in the Intermunicipal Development Plan, this annexation is primarily focused on the inclusion of residential lands within the City of Leduc.

The proposed annexation area consists of two areas: a small area of Rollyview Road (Hwy 623) on the east side of the City for administrative purposes and eight quarter sections of land next to the southwest boundaries of the City targeted largely for residential purposes. The total area of the annexation is approximately 1330 acres (538 ha).

The annexation process has been based on a collaborative and cooperative venture with Leduc County starting with the adoption of the City of Leduc/Leduc County Intermunicipal Development Plan in early 2012. The City of Leduc with the support of Leduc County submit that the proposed annexation has complied with the requirements of the Act, the Provincial Land Use Policies, the Capital Region Growth Plan, the Municipal Government Board annexation principles, the County Municipal Development Plan and the City Municipal Development Plan. The proposed annexation is supported by the City's infrastructure, utility and recreation master plans.

The annexation consultation process involved written notification to landowners (surface and subsurface), local authorities, and agencies potentially impacted by the annexation. All parties were given the opportunity to respond in writing through an annexation response form. Two open houses and a non-statutory public hearing were held in November. Each of these events was advertised in the local papers. Both the City and County websites provided information on the proposed annexation. A progress report was issued in March providing interested parties with the opportunity to provide additional written comments to the municipalities and/or the Alberta Municipal Government Board. In addition, where possible; personal meetings, telephone conversations and email discussions were held with surface landowners, local authorities, agencies and the interested public.

All but one of the surface landowners in the annexation area responded to the annexation proposal. The majority of these surface landowners who responded supported the annexation and the conditions of annexation. A few of the supporting landowners raised some questions about the annexation which the City has addressed.

Overall, the response to the annexation and proposed conditions of annexation has been supportive. Only three subsurface landowners raised objection to the annexation and a few County residents from outside the annexation area raised concerns about the directions of growth established in the City of Leduc/Leduc County Intermunicipal Development Plan. The attached annexation report addresses any of the concerns raised by any and all parties.

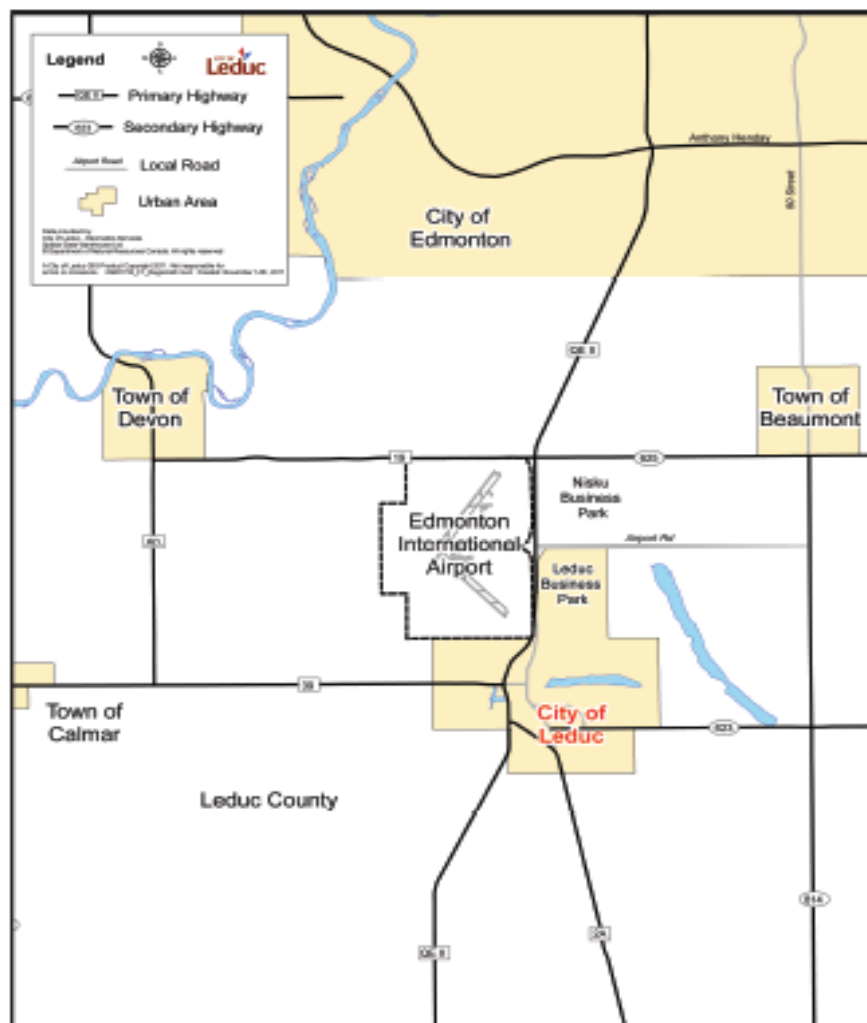
The City of Leduc/Leduc County Intermunicipal Development Plan sets out a number of intermunicipal initiatives. As recently as this November, the City and County have made application for a “Collaboration Program Grant” to Alberta Municipal Affairs to examine a variety of infrastructure and servicing initiatives. This annexation is just one of many tools being used to implement the directives in the IDP.

The City and County look forward to the speedy and effective processing of this annexation application by the Alberta Municipal Government Board.

1.0 INTRODUCTION/ORGANIZATION OF NEGOTIATIONS REPORT

The City of Leduc is strategically located in the southern portion of Alberta's Capital Region (see Map 1) adjacent to the Edmonton International Airport (EIA), Alberta's major traffic artery (QEII), the Nisku Industrial Park (a major employment base), a vast agricultural community to the west and south, as well as within 15 minutes of the southern boundary of the City of Edmonton and the Anthony Henday Highway System.

Map 1 – Location, City of Leduc



Within the past 30 years, the City of Leduc has more than doubled, growing from 12,191 in 1981 to 25,438 in 2012; an average annual growth rate of 3.5%.

In the last 11 years, the City grew from 15,032 to 25,438 or an annual growth rate of 6.3%. The most rapid growth has occurred in the past six years where the City grew from 16,967 to 25,438 or an annual growth rate of 8.3%. As a result of this growth rate, the City of Leduc with the support and cooperation of Leduc County, has decided to prepare an annexation application for eight quarter sections next to its boundary.

The proposed annexation is based on the assumption that the City of Leduc, over the next 30 years, will double again in population to approximately 52,000. The estimated future population range utilized for this annexation is 47,000 to 54,000. During this time period it is expected that the City will experience, as it has in the past, cyclical growth patterns with spikes and valleys in annual growth rates.

The proposed annexation of approximately 1330 acres (538 ha) is composed of two parts (see Map 2). A small area of Rollyview Road on the east side of the City is being added to the City for administrative purposes, whereas the balance of the annexation is to the southwest of the existing City boundaries and is targeted largely for residential development.

This “Negotiations/Annexation Report” has been prepared in accordance with Section 118 of the Municipal Government Act (MGA). The report demonstrates the need for the annexation, historical and future growth trends, the characteristics of the annexation area, compliance with the Municipal Government Act requirements, Provincial Land Use Policies, the Municipal Government Board Annexation Principles, the City of Leduc/Leduc County Intermunicipal Development Plan, the County Municipal Development Plan and the Capital Region Growth Plan. The report also documents the consultation process, feedback from landowners and the public, and impacted local authorities and agencies. A response to any concerns or issues raised is provided.

Included in the report is an analysis of the assessment and tax impact on landowners and the proposed mitigation to this impact, along with a fiscal impact on the initiating and receiving municipalities. The negotiations between the two municipalities is documented and recommended conditions for the annexation are included, including the proposed effective date of Jan. 1, 2014.

2.0 BACKGROUND, CITY OF LEDUC

The strategic location of the City of Leduc cannot be understood without first examining the context of Alberta's Capital Region. The Capital Region is a major gateway to northern Alberta and the Canadian North serving many industries such as oil and gas, mining, manufacturing, warehousing, distribution and intermodal transshipment. In addition to this traditional northern trade area, the Capital Region has expanded to serve international regions: US and Mexico markets, Asia and India markets. The Capital Region has truly become internationally focused.

The City of Leduc serves as a strategic hub for the southern portion of this region. The City of Leduc has grown from its roots as an agricultural service centre, through the dynamic era of "Leduc No.1" oil strike, through the role as a bedroom community, to a present day dynamic community providing a wide variety of services to the surrounding area.

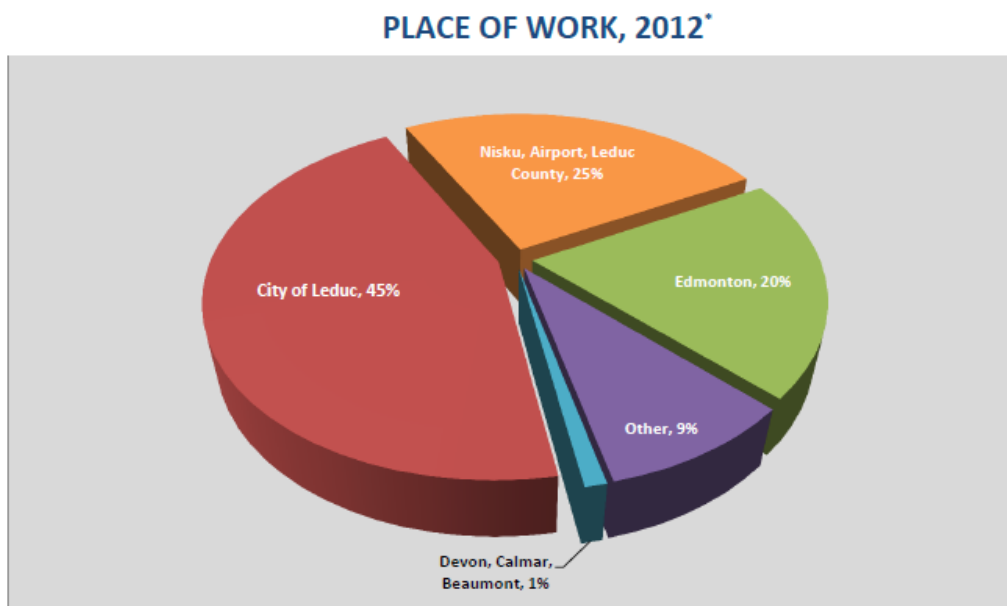
The City's Northern Industrial Park is adjacent to the Nisku Industrial Park (one of Canada's largest industrial parks). The Nisku Industrial Park employs more than 14,000 plus people and more than 3,000 companies of which 65% conduct business internationally.

In addition, the City of Leduc is adjacent to the Edmonton International Airport which generates 9,900 jobs (direct, indirect and induced). The Edmonton International Airport is going through a major expansion and as the airport grows, it will dramatically impact the growth of the City. Within the northern boundary of the City of Leduc, adjacent to the airport, are plans to develop complementary

airport related commercial and industrial development (see City of Leduc Aerotropolis Integrated Land Use Compatibility Plan A.17).

The role of the City of Leduc as an employment centre is evidenced in the most recent 2012 Census which illustrates that 70% of the residents have their employment base in the City of Leduc, the immediate surrounding area and the County.

Fig. 1

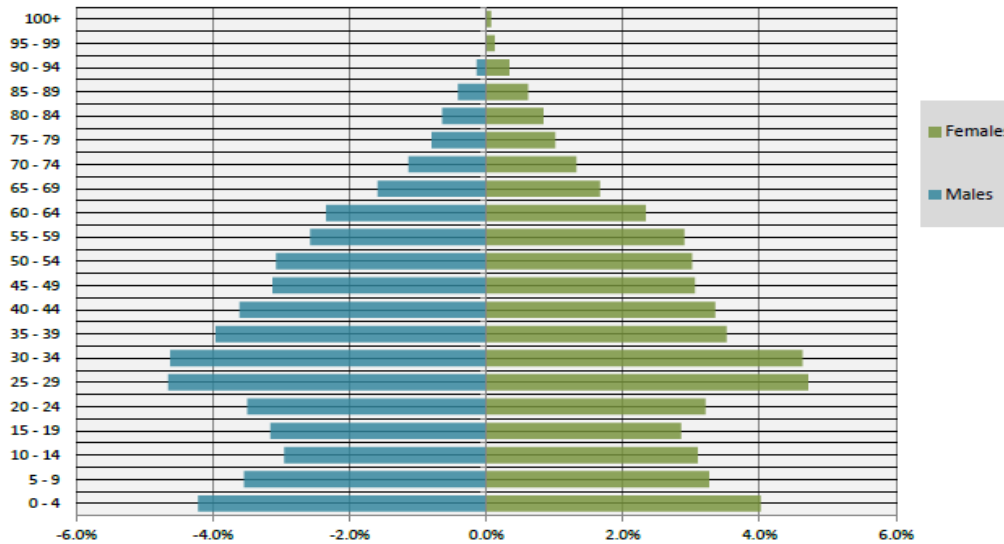


**Data is based on a 51% response rate.*

Over the years, the City of Leduc has become a younger community as a result of the City becoming a more attractive and economical choice for young families to locate. The age/sex pyramid below illustrates this youthful population.

Fig. 2

Population Distribution by Age and Gender, 2012



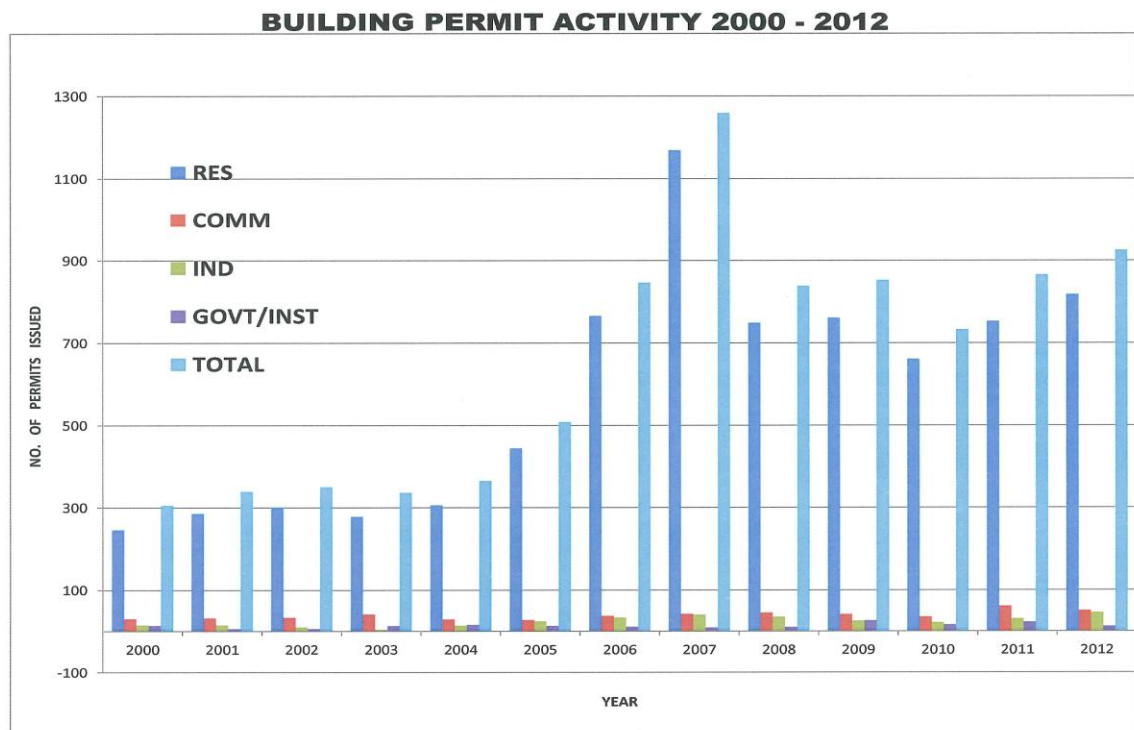
The attractiveness of the City of Leduc within Alberta’s Capital Region is further illustrated by rapid growth experienced between 2006 and 2012. The City of Leduc has become an attractive employment centre and place to live. In the last 30 years, the City of Leduc has doubled in population. From 2001 to 2012, the City has grown by 10,450 or a 70% increase in population.

Fig. 3 – Table of Historical Growth – City of Leduc

| Year | 1981(A) | 1986(A) | 1991(F) | 1996(F) | 2001(F) | 2006 (F) | 2011(F) | 2012 (L) |
|-----------------|--------------------|---------|---------|--------------------------|---------|----------|---------|----------|
| Population | 12,191 | 13,214 | 13,970 | 14,346 | 15,032 | 16,967 | 24,139 | 25,482 |
| Change | | 1,023 | 756 | 376 | 686 | 1,935 | 7,172 | 1,343 |
| % Change 5 yr | | 8.39% | 5.72% | 2.69% | 4.78% | 12.87% | 42.27% | 5.56% |
| Annual % Change | | 1.68% | 1.14% | 0.54% | 0.96% | 2.57% | 8.45% | 5.56% |
| (A) Source AMA | (F) Source Federal | | | (L) Source City of Leduc | | | | |

This population growth has resulted in significant growth in building permits and building permit values.

Fig. 4 – City of Leduc Historical Growth – Building Permits



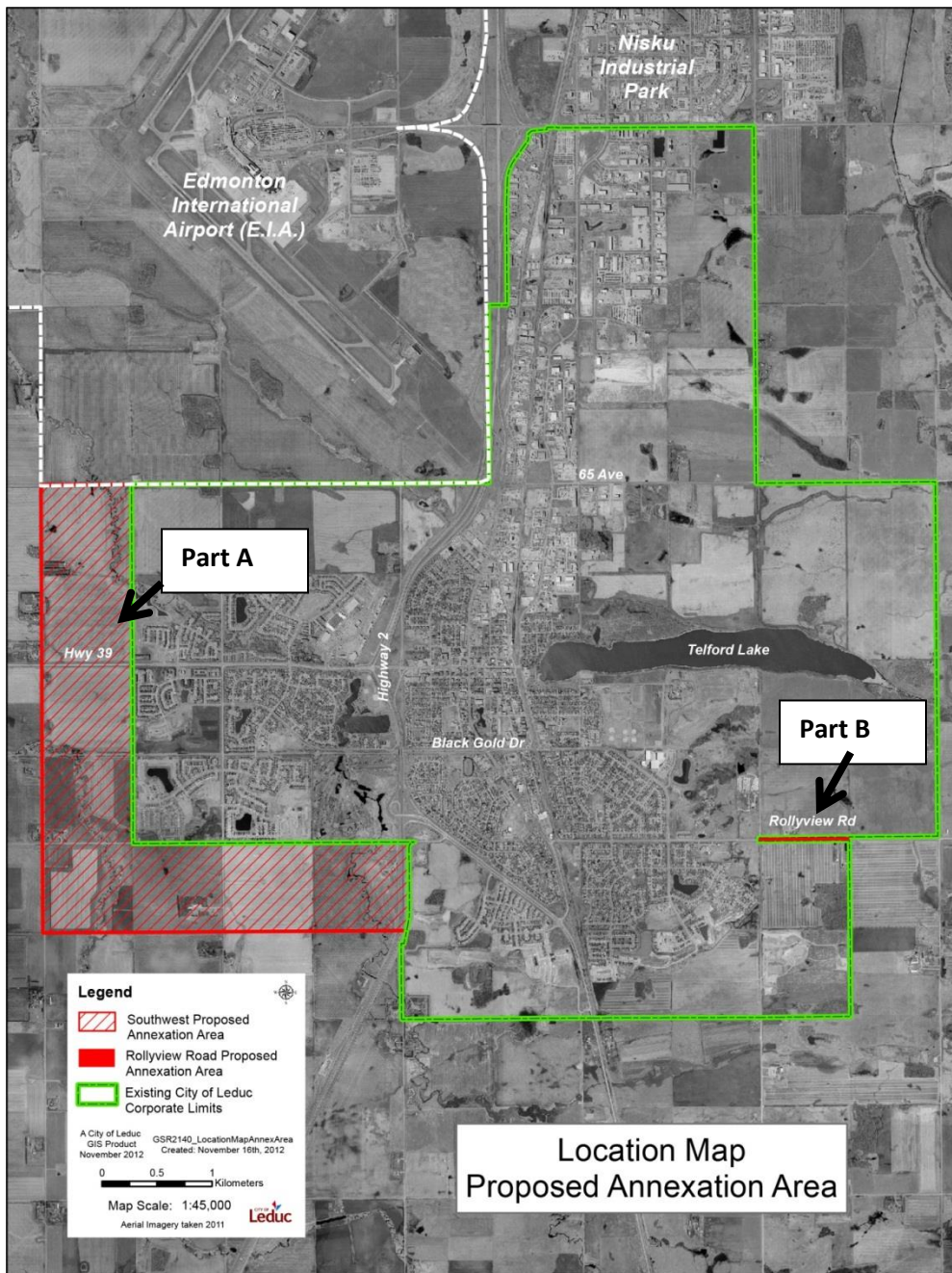
Within the last month (January 2013), the City of Leduc has received proposals for the subdivision of commercial/industrial lands. These applications will absorb approximately 93 hectares (230 acres) of land in the Leduc Industrial Park.

The result of this rapid growth led to the need to examine future growth strategies for the City of Leduc and Leduc County. Jointly, the municipalities engaged in the development of an Intermunicipal Development Plan (IDP) which was adopted in early 2012. The IDP provided annexation policy directives which are explored in more detail further in this Annexation/Negotiations Report. The IDP along with the rapid growth led to the examination of the need for additional lands to be added to the City of Leduc.

3.0 THE ANNEXATION AREA/DESCRIPTION

The proposed annexation consists of two parts: Part A - Southwest Annexation Area and Part B - Rollyview Road Annexation Area. A proposed description of the annexation boundary is contained in Appendix A.1.

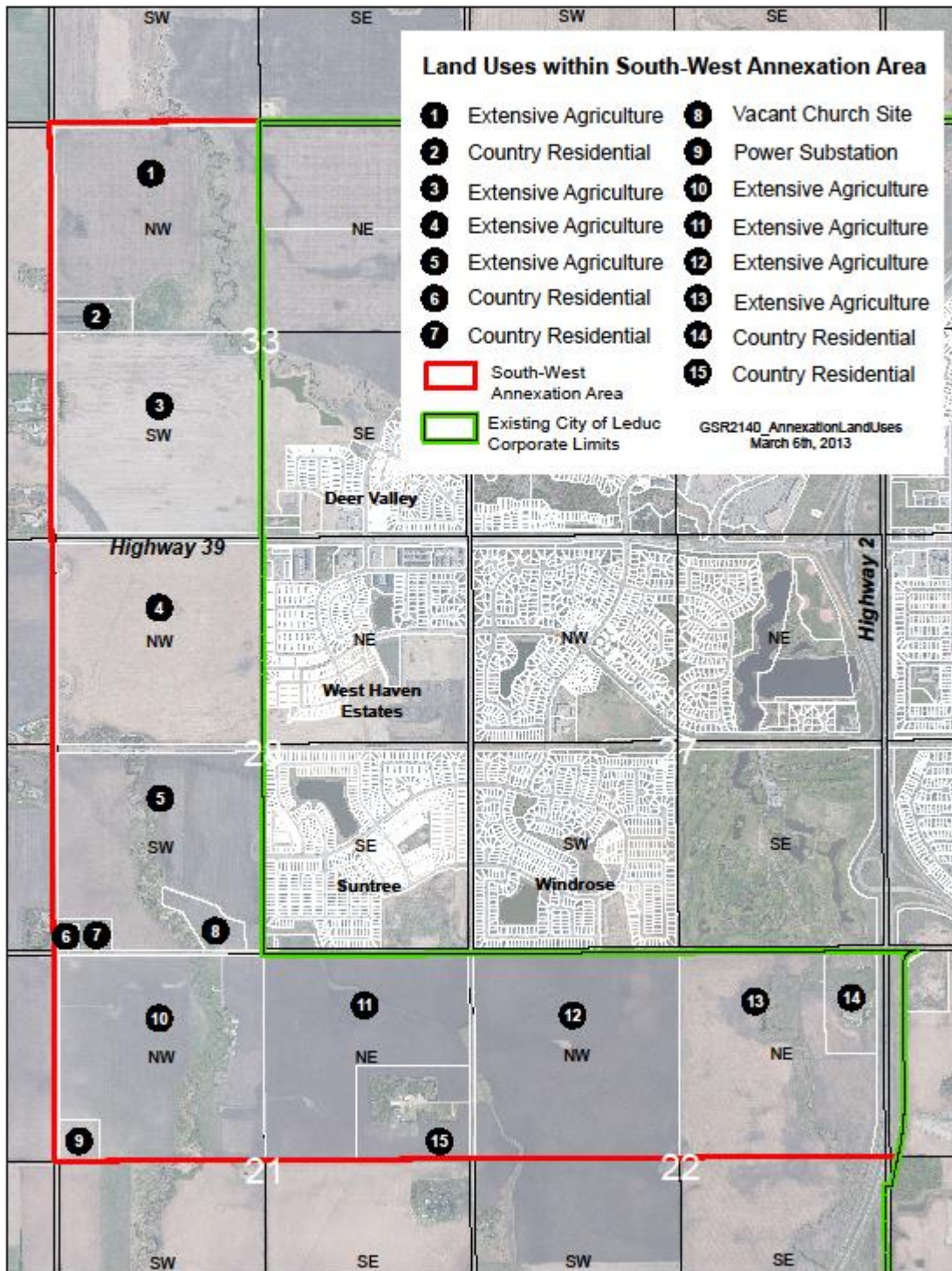
Map 2 – Annexation Areas



Part A - Southwest Annexation area consists of approximately 536 hectares (1,325 acres). The annexation area includes all intervening road allowances and the road allowance on the west side of the west half of 33 and 28-49-25-4, as well as the road allowance on the west side of the NW ¼ of 21-49-25-4.

Part B consists of 0.8 km (1/2 mile) of roadway on the east side of the City. This area consists of approximately 2.51 hectares (6.21 acres). The proposed southwest annexation area is relatively undeveloped and consists mostly of large land areas used for extensive agriculture. Five rural residential parcels of varied sizes, a vacant church site, and a power substation site in the southwest corner exist in the proposed annexation area. At the time of the initiation of the annexation, a vacant industrial parcel existed in the most southwest portion of the annexation area on which now is being built an AltaLink power substation.

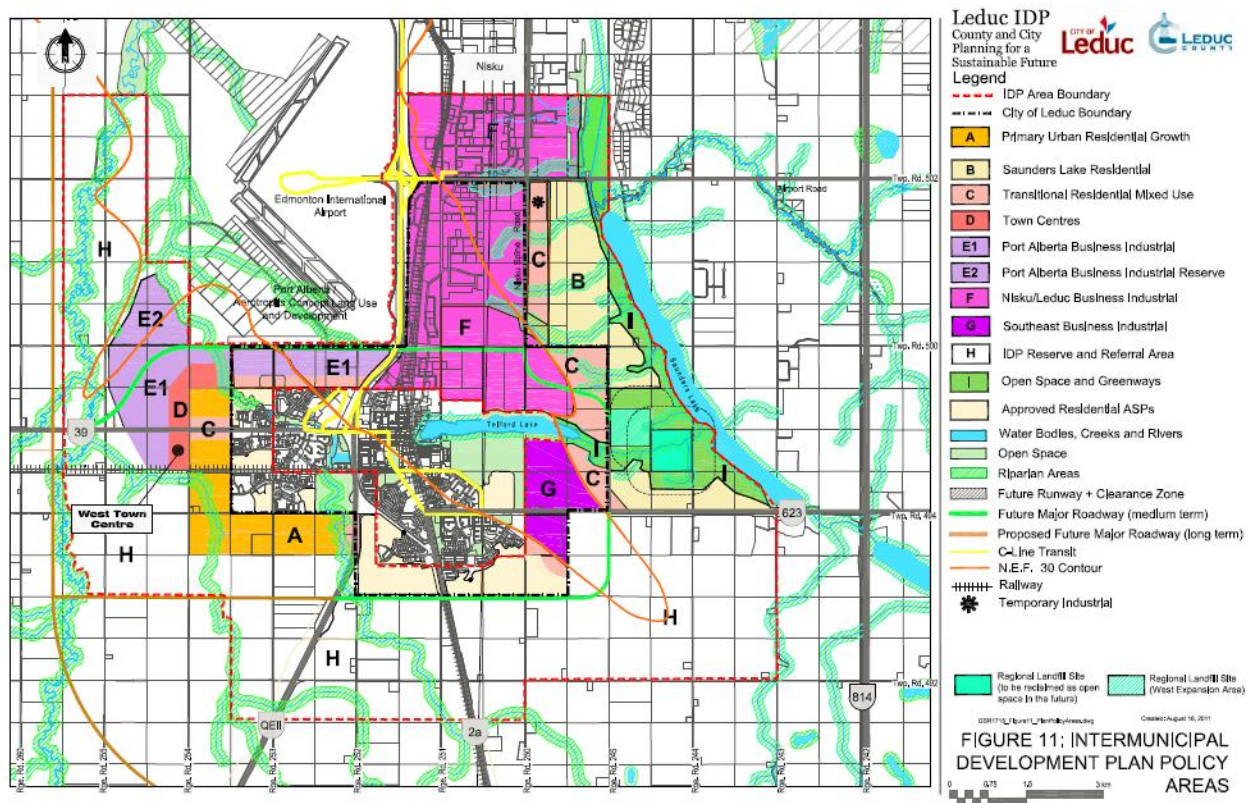
Map 3 - Existing Uses, Southwest Annexation Area



4.0 REASONS FOR THE ANNEXATION

After completing and adopting an Intermunicipal Development Plan (Appendix A.16), approved in 2012 by the Capital Region Board, the City and County of Leduc initiated a cooperative exercise to implement the IDP. One of the initiatives was the annexation of lands to the City of Leduc. Figure 11 from the City of Leduc/Leduc County IDP illustrates the projected future land uses in the joint plan area.

Map 4 – IDP Future Land Uses



The primary reason for the southwest annexation area is to incorporate the “Primary Urban Residential Growth Area” into the City of Leduc to meet the 30 year land supply requirement identified in the IDP. This provides for the logical extension of existing residential neighborhoods, infrastructure and community facilities on the western side of the City.

The most northerly quarter section (NW ¼ 33-49-25-4) is designated for commercial and industrial uses in the IDP and the City of Leduc Municipal Development Plan. Polciy 5.5.6 of the IDP anticipates that this area would be included within the City of Leduc. This parcel of land is being annexed to simplify the boundary by abutting the southern boundary of the Edmonton International Airport to capitalize on the strategic location adjacent to the Airport and the proposed major roadway (65 Ave), as well as to accommodate the extension of a major wastewater trunk line to the residential portion of the annexation area to the south. Since the major wastewater trunk line will pass through these lands, the inclusion of these benefiting lands will assist with the economical financing of the major trunk line. These lands will also provide an option for commercial and industrial land development generated by the expected future growth. In addition, these commercial/industrial lands will assist the City in being able to improve its fiscal sustainability and reduce the long-term financial impact of annexing largely a residential area.

In the last City of Leduc annexation in 1999 (Map 24 - Historical Annexation), a 0.8 km portion of Rollyview Road was left out of the annexation area due to the availability of additional capital roadway construction grants to the rural municipality. Construction has been completed and this 0.8 km of roadway is being proposed to be included in the annexation to simplify administration and jurisdiction over the roadway, as well as to simplify the boundaries on the eastern side of the City.

5.0 ANNEXATION ACTION PLAN

After the adoption of the IDP, the City and County Joint Planning Committee continued to meet to deal with matters of mutual interest. In July 2012, the joint committee directed the creation of an annexation action plan to guide the annexation process. The following chart summarizes the key activities undertaken.

Fig. 5 - Action Plan Summary

| Action | Approximate Timeline | Year |
|--|----------------------|------|
| 1. Initiation | July | 2012 |
| 2. Clarify MGB technical requirements | Aug./Sept. | 2012 |
| 3. Prepare Consultation Plans | Sept. | 2012 |
| 4. Document Annexation Support | Sept./Oct. | 2012 |
| 5. Servicing, Planning, Fiscal Impact Studies | Sept./Oct. | 2012 |
| 6. Consultation | Nov. | 2012 |
| 7. Document Compliance with Policies and Annexation Principles | Nov./Dec. | 2012 |
| 8. Prepare negotiation package/report | Nov./Dec. | 2012 |
| 9. Formal Negotiations | Dec. | 2012 |
| 10. File Annexation Application | Jan./Feb. | 2013 |

**Extended negotiations between the City and County resulted in the annexation application being filed at the end of March.*

6.0 ANNEXATION NOTICE

Section 116 of the Act requires that written notice be sent to the municipality from which the lands are being annexed, the Municipal Government Board, and any local authority which the initiating municipality thinks may be affected. The notice to Leduc County and the Municipal Government Board was dated Oct. 17, 2012 and posted on Oct. 19, 2012. The Municipal Government Board acknowledged notice of annexation on Oct. 31, 2012. The notice to the Board and Leduc County (Appendix A.2) consisted of a description of the lands to be annexed, general reasons for the annexation and the proposed consultation plans.

Notices to affected surface and subsurface landowners (Appendices A.3, A.4, A.5) were sent out between Oct. 19 and Oct. 31, 2012 and notices to adjacent landowners were sent out on Oct. 29, 2012. The notice to adjacent landowners was initiated by Leduc County (Appendix A.6). On Nov. 5, 2012, land ownership

changed on one of the properties in the annexation area (NW ¼ of 28-49-25-4) and notices were sent to these parties on Nov. 7, 2012 (Appendix A.7). The notices to the surface landowners in the annexation area included the proposed Assessment and Transition Clause. The notices to local authorities, agencies and utility companies were sent out on Oct. 24, 2012 with a small number going out a few days later. Notices to these bodies consisted of a notice letter, annexation area maps and a response form (Appendix A.8).

7.0 CONSULTATION PLAN

Section 116 (2) of the Act requires proposals for consulting with the public and meeting with the affected landowners. The City of Leduc/Leduc County annexation consisted of a number of events and activities to engage the public and impacted landowners. These events are listed and summarized below:

Fig. 6 - Consultation Events

| Activity | Date 2012 |
|--|---|
| 1. Joint news release by both Mayors initiating the annexation process (Appendix A.10) | Oct. 26 th |
| 2. Notice of annexation to 14 surface landowners (Appendix A.4) | Letter Dated Oct. 17 th Letter Posted Oct. 19 th |
| 3. Notice of annexation to 10 subsurface landowners (Appendix A.5) | Letter Dated Oct. 17 th Letter Posted Oct. 19 th |
| 4. Notice to 289 title owners in NE ¼ of 22-49-25-4 (Appendix A.4) | Letter Dated Oct. 24 th Letter Posted Oct. 31 st |
| 5. Notice to new landowner of NW ¼ of 28-49-25-4 - City of Leduc - Moussa Group (Appendix A.7) | Letter Dated Nov. 7 th Delivered Nov. 7 th Letter Dated Nov. 15 th Letter Posted Nov.16 th |
| 6. Notice to Adjacent Landowners (Appendix A.6) | Oct. 29 th |

Fig. 6 (continued)

| | |
|---|---|
| 7. Notice to Local Authorities/Agencies (Appendix A.9) | Oct. 24, 2012 |
| 8. Open House consisting of stationary presentation boards and a verbal presentation (Appendix A.13/A.14) | Nov. 8 th , 5pm to 9pm Nov. 15 th , 5pm to 9pm |
| 9. Individual Meetings with 9 of the surface landowners | Oct. 15 th to Nov. 29 th |
| 10. City/County Annexation Website (Appendix A.11) | Start date to end date |
| 11. Joint Non-Statutory Public Hearing (Appendix A.13, A.14) | Nov. 29 th , 7:00 pm |
| 12. Progress Report to Landowner & Interested Parties | March 7 th , 2013 |

7.1 Advertisement of Open Houses and Non-Statutory Public Hearing

Advertisement of the open houses and public hearing occurred in both the local papers: the Leduc Rep and Leduc-Wetaskiwin Pipestone Flyer, on numerous occasions (Appendix A.12).

Fig. 7 - Advertisements of Open Houses/Non-Statutory Public Hearing

| Date | Paper | Events Advertised |
|---------------|-----------------|---|
| Oct. 25, 2012 | Pipestone Flyer | Open House Nov. 8 and 15/Non-statutory Public Hearing Nov. 29 th |
| Oct. 26, 2012 | Leduc Rep | News article on proposed annexation |
| Nov. 1, 2012 | Pipestone Flyer | Open House Nov. 8 and 15/Non-statutory Public Hearing Nov. 29 th |
| Nov. 2, 2012 | Leduc Rep | Open House Nov. 8 and 15/Non-statutory Public Hearing Nov. 29 th |
| Nov. 16, 2012 | Leduc Rep | Non-statutory Public Hearing Nov. 29 th |
| Nov. 23, 2012 | Leduc Rep | Non-statutory Public Hearing Nov. 29 th |

The results of the open houses, joint non-statutory public hearing and individual meetings are documented in Section 15 and 16 of this Negotiations Report/Annexation Application.

After the negotiations between the County and City, a progress report was sent out to landowners and interested parties outlining the key elements of the annexation agreement and providing any party with the opportunity to provide additional written submissions (Appendix A.32).

8.0 COMPLIANCE WITH MUNICIPAL GOVERNMENT ACT REQUIREMENTS – ANNEXATION NOTICE/SECTION 617

8.1 Notices

Part 2, Division 6 of the Act provides the direction and requirements in preparing and filing an annexation application. As noted above in Section 7.0, all the required notices were sent in accordance with the requirements of the Act.

8.2 Section 617 of the Act

From time to time, the MGB has referred to 617 of the Act. Section 617 of the Municipal Government Act, R.S.A. 2000, c. M-26 (the “Act”) sets out the purpose of Part 17 (the Planning Part of the Act):

“617 - The purpose of this Part and the regulations and bylaws under this Part is to provide means whereby plans and related matters may be prepared and adopted:

- (a) to achieve the orderly, economical and beneficial development use of land and patterns of human settlement, and*
- (b) to maintain and improve the quality of the physical environment within which patterns of human settlement are situated in Alberta, without infringing on the rights of individuals for any public interest except to the extent that is necessary for the overall greater public interest.”*

Response: The City of Leduc submits that the proposed annexation achieves an orderly and economical expansion of existing land uses, services and patterns of human settlement. The inclusion of the primary urban residential growth area identified in the IDP is immediately adjacent to existing residential neighborhoods and services, thus facilitating a logical extension of the community. The inclusion of one quarter section adjacent to the south boundary of the Edmonton International Airport provides for the logical extension of industrial/commercial land uses compatible with the airport.

The annexation area consists primarily of relatively flat agricultural lands. The area contains a few minor creeks and ravines which are protected by the policies contained in the IDP and the City of Leduc MDP. The lands in the proposed annexation area is owned by a variety of interests which when combined with the lands available for development within the City, provides individuals with reasonable opportunities to develop their lands within a planning framework established by the IDP, the City MDP and future area structure plans. These planning documents will execute the important public interests of efficient services, transportation routes, parks and open space, and community facilities.

9.0 COMPLIANCE WITH PROVINCIAL LAND USE POLICIES

From time to time, the Alberta Municipal Government Board has referenced and reviewed a proposed annexation in relation to the “Provincial Land Use Policies (PLP).” In MGB 054/08, the Board focused on three policies, namely Section 2.0, 3.0 and section 4.0.

In addition to the above policies, “Policy 6.1 – Agriculture” is dealt with in this section of the report.

Section 2.0 - Public Engagement

In summary, Section 2.0 of the PLP directs that planning activities be carried out in a fair, open, considerate and equitable manner. The policy further states that municipalities are expected to allow meaningful participation in the planning process by residents, landowners, community groups, interest groups, municipal service providers and other stakeholders.

Response: The Leduc/Leduc County annexation process incorporated a variety of activities which allowed impacted landowners, the public, local authorities and agencies to be engaged, learn about the annexation and the impacts, and provide their views and opinions about the proposed annexation. In summary, the following activities were undertaken:

- Joint municipal news release at the initiation of the annexation process.
- Annexation notice to impacted landowners (surface and subsurface land owners) including relevant information on the annexation and the annexation process.
- City and County Annexation website including relevant information and opportunities to provide input.
- Two open houses including relevant handouts, information poster boards, information presentation with a question period, one-on-one explanations, and opportunity for written input.
- Annexation notification to relevant local authorities, agencies and utility companies with a convenient response form.
- Telephone calls and email conversations with impacted landowners providing relevant annexation information.
- Progress report at the end of City/County negotiations describing the key elements of the annexation agreement with opportunity to provide additional written submissions.

Section 3.0 - Intermunicipal Cooperation

In summary, Section 3.0 of the PLP fosters cooperation and coordination between neighboring municipalities. In particular, adjoining municipalities are encouraged to cooperate in the planning of future land uses in the vicinity of their adjoining boundaries in a manner that does not inhibit or preclude appropriate long-term land use. Accordingly, the municipalities are encouraged to jointly prepare and adopt intermunicipal development plans.

Response: The City of Leduc and Leduc County adopted an Intermunicipal Development Plan in 2012 (Appendix A.16). Leduc County Bylaw 30-11 was approved on January 24, 2012 while City of Leduc Bylaw 772-2011 was approved on November 28, 2011. The proposed annexation is founded on the directives contained in the Intermunicipal Development Plan. In addition, the annexation process was initiated as a joint venture and throughout the annexation process, Leduc County and the City of Leduc have cooperated on all aspects, activities and events in the annexation process.

Section 4.0 - Efficient Land Use Patterns

Section 4.0 fosters the establishment of land use patterns that make efficient use of land, infrastructure and public services. Further, it fosters the development of public facilities that promote resource conservation, enhances economic development activities, minimizes environmental impact, protects significant natural environments and contributes to the development of healthy, safe and viable communities.

Response: The proposed annexation is based on the policies directed by the Capital Region Growth Plan which directs through density policies the more efficient use of lands. The annexation area was calculated based on those required residential densities resulting in a reduction of the urban footprint. The policies within the supporting plans: City of Leduc/Leduc County Intermunicipal Development Plan, the City of Leduc Municipal Development Plan (adopted in April 2012), and the Aerotropolis Integrated Land Use Compatibility Plan (plan for lands adjacent to Edmonton International Airport - Appendix A.17); provide the land use policy directives to ensure the patterns of settlement in Leduc enhance

economic development activities, protect the natural features in the area and promote a healthy, safe and viable community.

Section 6.0 - Resource Conservation

Section 6.1 fosters the identification of areas within a municipality where agricultural activities should be a primary use and encourages the limitation of the fragmentation of agricultural lands and their premature conversion to other uses within the identified agricultural areas. Where possible, municipalities are encouraged to direct non-agricultural activities to areas which would not constrain agricultural activities.

Alberta Agriculture provided a response to the proposed annexation on November 19, 2012 (Appendix A.9). In that correspondence, the Department raised its concern about the loss of agricultural lands in the annexation area and the preference to see infilling of areas already identified as urban reserve or developing of areas on more marginal land quality. A few County residents outside the proposed annexation area also raised this concern.

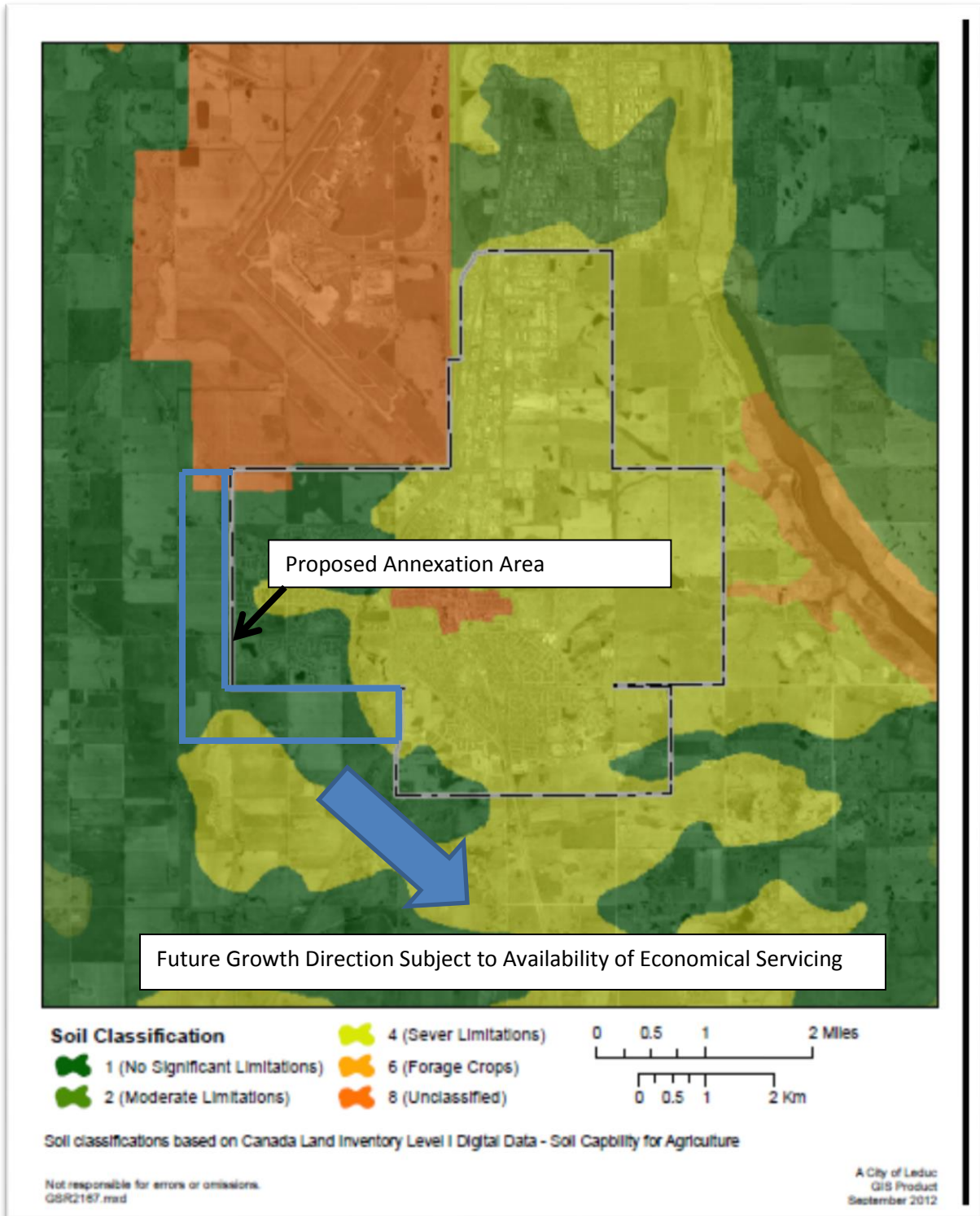
Response: The directions of growth for the City of Leduc was established in the City of Leduc/Leduc County IDP which received approval by the Capital Region Board. During the preparation and approval of this process, little or no concern was raised by Alberta Agriculture.

Notwithstanding, the City of Leduc and Leduc County are very aware of Section 6.1 in the Provincial Land Use Policies and did address the various directions of growth, the impacts on agricultural land and the ability to direct development to more marginal lands.

- During the initial stages of the annexation process, alternatives that included lands further west and southwest of the proposed annexation area were examined and rejected because of the quality of the agricultural lands (see Map 5).
- Growth of the City to the east on poorer agricultural lands is constrained by the existing landfill site and the fact that the lands

between the City and Saunders Lake is a designated growth option for the County (Saunders Lake Area Structure Plan).

Map 5 - Agriculture Land Quality



- Dependent on servicing availability, the City and County have agreed to examine future urban residential growth beyond this 30 year annexation to areas south of the City with poorer quality agricultural lands.
- After the adoption of the IDP, the City and County signed a memorandum of understanding (MOU) which addressed follow-up actions to the IDP. One of the items addressed was the directions of future growth after this annexation. Clause 16 in the MOU states:

*“16. The IDP Committee will monitor growth within Policy Area A in order to anticipate the need for **future IDP amendments that would plan for growth to the south and southeast of the City** beyond the 2044 time horizon of the Capital Region Growth Plan. In accordance with Section 6.3 of the IDP, the IDP Committee and the administrations of both municipalities will develop growth indicators to determine the proper time for such IDP amendments”.*

Policy 6.1.2 states:

“Municipalities are encouraged to limit the fragmentation of agricultural lands and their premature conversion to other uses, especially within the agricultural areas identified in accordance with policy #1.

Response:

- The City of Leduc/Leduc County IDP did not identify the annexation area as an area where the primary land use is agriculture. The IDP considered all the constraints to growth including the significant servicing constraints, the impact of the 30 NEF contour and determined that the primary use in this portion of the County would be urban growth.
- The residential densities targeted for the annexation area are between 25 to 30 dwelling units per net hectare, resulting in the urban footprint being reduced by 30% compared to the development currently within the City. This results in a significant amount of lands west of the proposed annexation area conserved for agricultural purposes. These densities are in compliance with the Capital Region Board Growth Plan directives.

- Even though agricultural lands will be annexed into the City, these lands will continue to be cultivated until subdivision construction begins. History of development in the City has shown that premature conversion of the agricultural lands does not occur. The development industry keeps the lands in a cultivated state until the subdivision construction phase begins (Appendix A.18).
- In many cases within the City, even after subdivision construction has occurred and the topsoil has been removed, the soil is transported to other sites and reused.
- The City has a policy in its Municipal Development Plan (A.19) that addresses and discourages the premature loss of agricultural lands:

“4B The City shall achieve the orderly, economic and beneficial development and use of land by:

1. Preserving agricultural land and protecting agricultural operations that are compatible with urban uses until such agricultural land is required for urban development.”

- After the annexation, the City and County may further consider innovative ways to reutilize any of the agricultural top soil removed as a result of urban development.

The Provincial Land Use Policy 6.1.3 also states:

“Where possible, municipalities are encouraged to direct non-agricultural development to areas where such development will not constrain agricultural activities.” (City’s emphasis)

Response:

- The growth of the City of Leduc is impacted by a number of factors such as: the QEII Highway, the railway, and significantly impacted by the Edmonton International Airport. The 30 NEF contour directs residential growth to the west and south (Map 7).

- The key word in the policy is ***“where possible”***. The poorer agricultural lands around the City of Leduc are located south of the City. The waste water treatment facilities for the City exists north of the City within the City of Edmonton. Currently, there is no wastewater capacity within the trunk lines within the built-up area of the City east of QEII to service lands directly south of the City.
- The only way to get a wastewater trunk collection system to the poorer agricultural lands immediately to the south of the City is to either go around the west side of the City or the east side of the City. Engineering reports have indicated that the most cost-effective and feasible route for the wastewater trunk line is to develop in the west first eventually bringing trunk lines south.
- Annexing lands immediately south of the City and bringing the wastewater trunk line down the east side of the City without any financial contributions from benefiting lands would be cost prohibitive.

Considering all the factors impacting future growth, the City and County have made considerable efforts to balance the needs of urban growth and the preservation of agricultural lands. The City of Leduc has sacrificed adding additional lands to the west which would have provided an even more cost-effective and efficient cost recovery for the wastewater trunk line.

10.0 COMPLIANCE WITH MUNICIPAL GOVERNMENT BOARD ANNEXATION PRINCIPLES

The MGB has adopted fifteen annexation principles to assist, guide and evaluate various annexation proposals. These principles were originally utilized by the MGB for the first time in the St. Albert annexation and contained in MGB Order 123/06. Since that time, the MGB has published these principles on their website and provides the principles to initiating municipalities to prepare their annexation application in accordance with these principles. Section 10.0 of this “Negotiations Report/Annexation Application” addresses all of these 15 principles.

10.1 Intermunicipal Cooperation

“1. Annexations that provide for intermunicipal cooperation will be given considerable weight. Cooperative intermunicipal policies in an intermunicipal development plan will be given careful consideration, weight and support so long as they do not conflict with Provincial policies or interests.”

Response: As previously stated, the City and Leduc County adopted an Intermunicipal Development Plan in 2012 (City Bylaw 772-2011 and County Bylaw 30-11) which includes an area of land approximately 1 ½ to 2 miles around the City (Map 4). The IDP provides for urban and rural growth directions and related policies; intermunicipal cooperation in economic development initiatives; residential, commercial and industrial land use strategies; community and institutional land use policies; policies to protect the environment and open space; transportation and municipal servicing policies; the Airport Vicinity Protection Area; the Capital Region Board Policies; future utility and transportation corridors and policy directives related to annexation.

Throughout the IDP there are policies and directives relating to a variety of intermunicipal initiatives ranging from land use planning, joint servicing, and joint economic development initiatives. For a significant number of years, the City and County have jointly provided significant financial and resource support to the Nisku Leduc Economic Development Authority. The IDP contains policy directives related to annexation which are examined in more detail later in this report.

After the development of the IDP, the City and County signed a memorandum of understanding (MOU) which outlined further joint initiatives as follow-up actions to the IDP adoption.

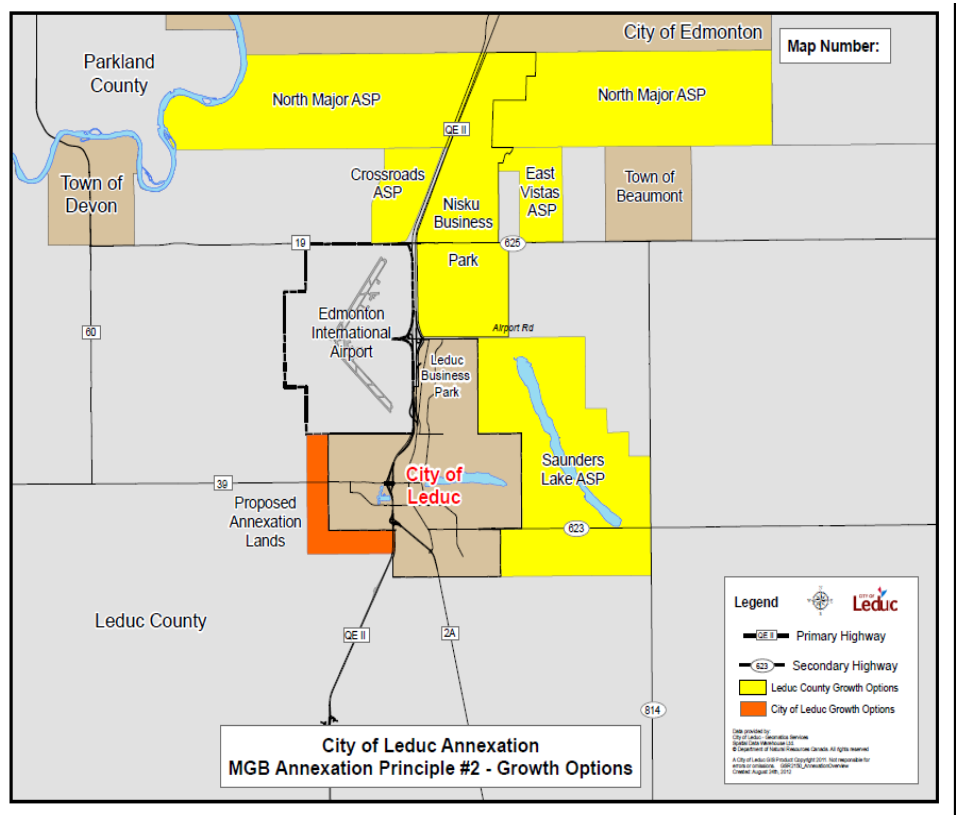
As recently as November 2012, the City and County of Leduc submitted a joint application for a Collaboration Grant to Alberta Municipal Affairs to investigate the integration of the City and County transportation and utility master plans. This initiative will identify strategic projects, savings, funding models and funding sources to jointly accommodate growth.

10.2 Accommodating Urban and Rural Growth

“2. Accommodation of growth by all municipalities (urban or rural) must be accomplished without encumbering the initiating municipality and the responding municipality’s ability to achieve rational growth directions, cost-effective utilization of resources, fiscal accountability and the attainment of the purposes of a municipality described in the Act.”

Response: The proposed annexation area in the southwest protects the growth options for the City and protects the County’s growth options to the north and east of the City as can be seen in Map 6. As a result, each municipality is able to provide cost-effective infrastructure and servicing, continue to grow a healthy tax base and provide services to its residents and businesses as required pursuant to the Municipal Government Act.

Map 6 – City/County Growth Options



10.3 Protecting Local Autonomy

“3. An annexation or annexation conditions should not infringe on the local autonomy given to municipalities in the Act unless provisions of the Act have been breached or the public interest and individual rights have been unnecessarily impacted.”

Response: As identified in section 10.2 each municipality, the City of Leduc and Leduc County, have protected their future growth areas allowing each municipality to exercise autonomy on future development. Since the annexation largely consists of agricultural lands and a minimal amount of roadways, there is no significant fiscal impact which would jeopardize the local autonomy of either municipality. As well, the conditions of annexation are limited to a single assessment and tax transition clause and a straight forward compensation clause. There are no other proposed conditions of annexation that infringe on the local autonomy of either municipality. No conditions of annexation infringe on any individual rights held under the Act or any other Act.

10.4 Growth Support for Annexation

“4. An annexation must be supported by growth projections, availability of lands within current boundaries, consideration of reasonable development densities, accommodation of a variety of land uses and reasonable growth options within each municipality (initiating and responding municipality).”

Response:

The following summarizes the annexation planning report (future population estimates and land needs) prepared by Pario Plan for the City of Leduc and Leduc County (Appendix A.20). An examination of the historical growth of the City of Leduc reveals that the City has doubled in population over the past 30 years with rapid growth occurring in the past decade.

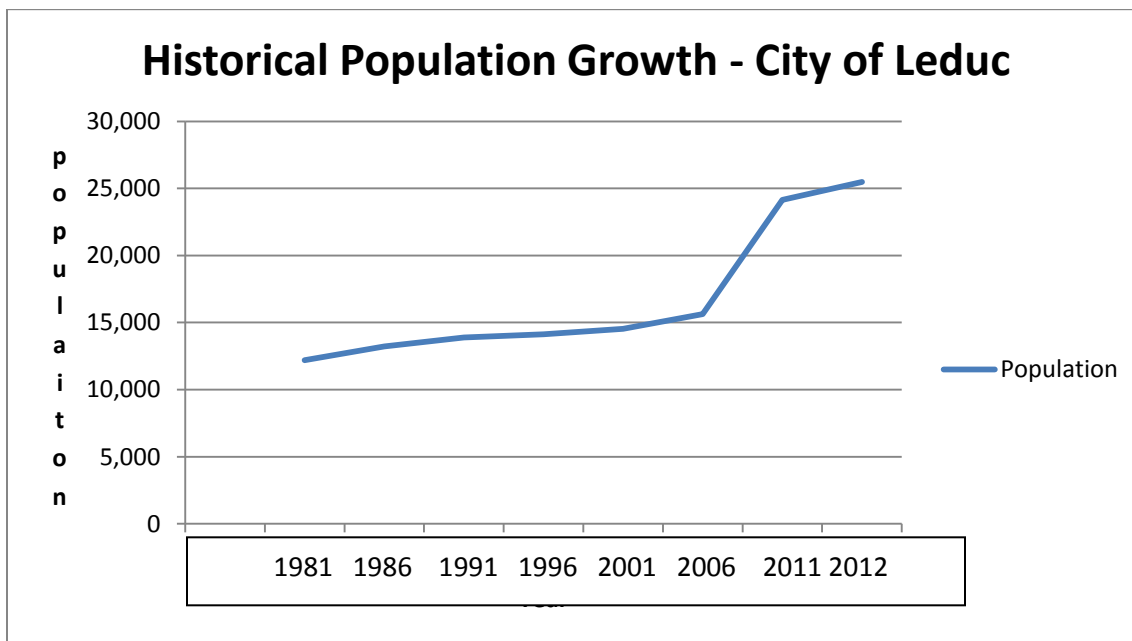
Fig. 3 - Historical Growth Table

| Year | 1981(A) | 1986(A) | 1991(F) | 1996(F) | 2001(F) | 2006 (F) | 2011(F) | 2012 (L) |
|-----------------|---------|---------|---------|---------|---------|----------|---------|----------|
| Population | 12,191 | 13,214 | 13,970 | 14,346 | 15,032 | 16,967 | 24,139 | 25,482 |
| Change | | 1,023 | 756 | 376 | 686 | 1,935 | 7,172 | 1,343 |
| % Change 5 yr | | 8.39% | 5.72% | 2.69% | 4.78% | 12.87% | 42.27% | 5.56% |
| Annual % Change | | 1.68% | 1.14% | 0.54% | 0.96% | 2.57% | 8.45% | 5.56% |

(A) Source AMA (F) Source Federal (L) Source City of Leduc

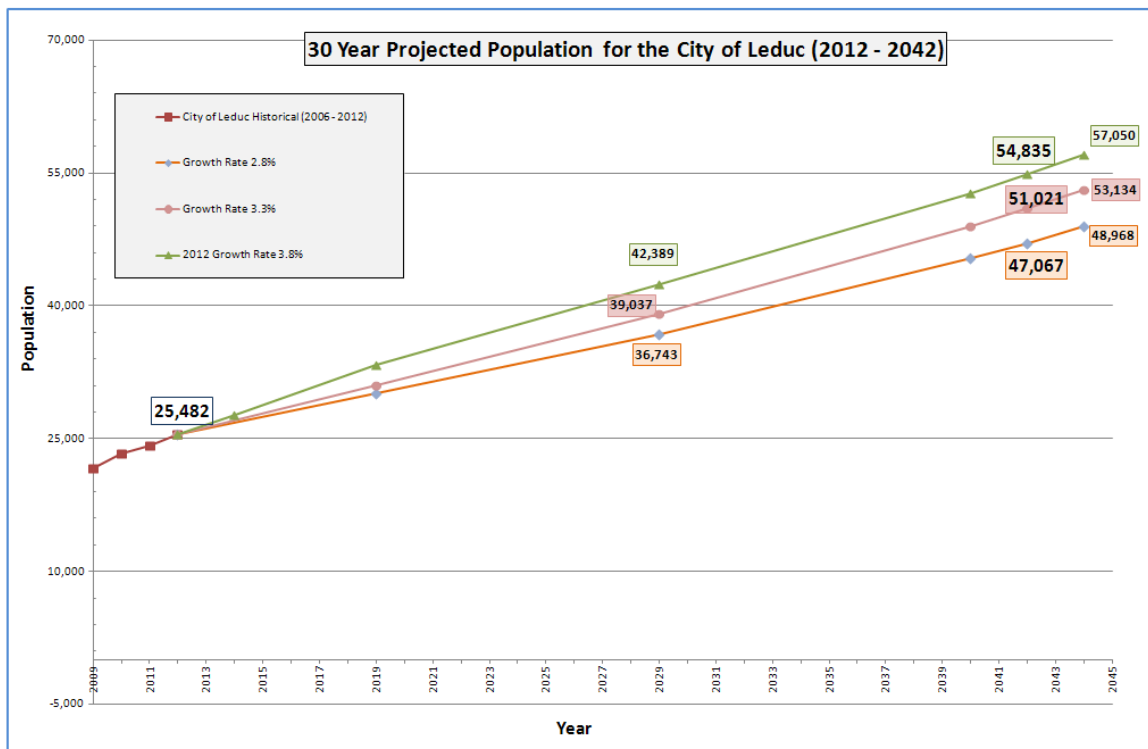
Between 2001 and 2012, the City of Leduc grew by 70% or approximately 10,540 people.

Fig. 8 - Historical Growth Graph



The IDP directs that the annexation be based on an approximate 30 year land supply (see IDP policy 6.6.4 “Primary Criteria of Annexation”). Thus, the population projections have been developed based on a 30 year time horizon and the annexation is founded on the provision of a 30 year land supply.

Fig. 9 – Future Population Estimates



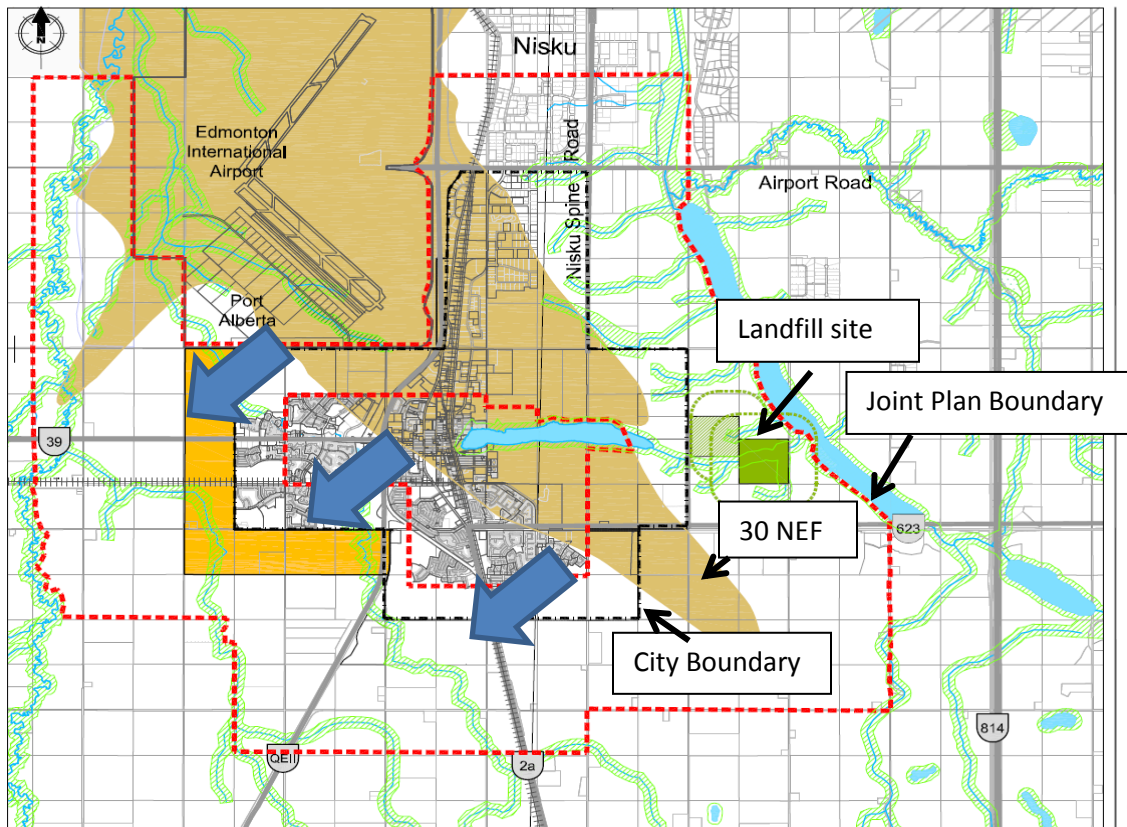
The annexation is based on the examination of land capacities in the City and the growth needs outside the City based on a 30 year land supply with an approximate future population range of 47,000 to 55,000. This population range incorporates the population estimates utilized in the 2012 City of Leduc MDP. The MDP received the approval of the Capital Region Board in 2012.

10.4.1 Residential Land Capacity in City and Future Land Needs

The IDP directs (see policy 6.6.2-2 and 6.6.4 Primary Criterion of Annexation) that the annexation be based on a 30 year land supply excluding any lands which are already fully serviced. Considering that the IDP directs most of the proposed annexed lands for “Primary Urban Residential Growth”, the following analysis is focused on the residential land needs analysis. The 30 Noise Exposure Forecast

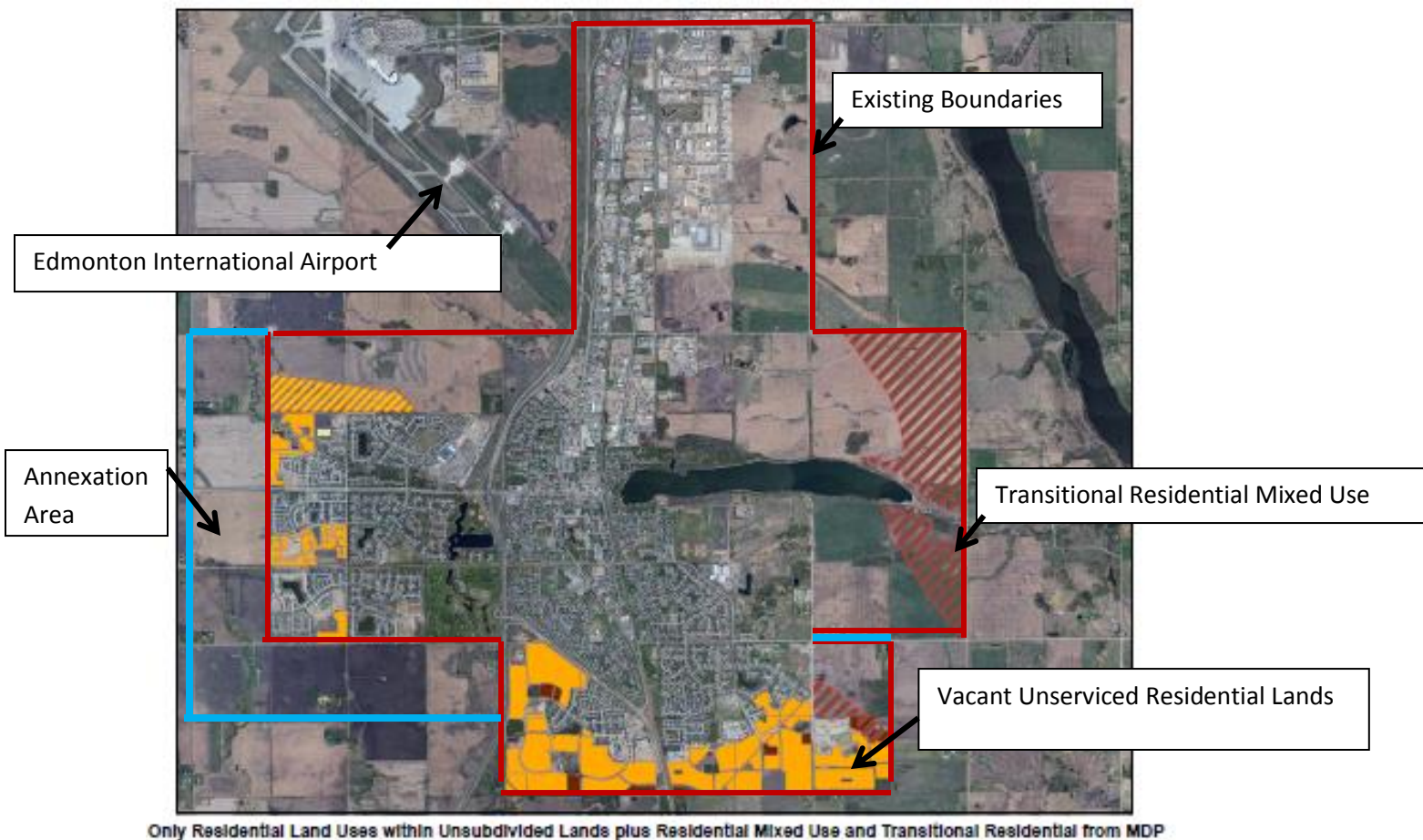
(NEF) poses a major constraint to residential development within the City of Leduc and directs residential growth to the south and west.

Map 7 – NEF Constraints



Although there is a small area on the east side of the 30 NEF within the City boundaries designated as Transitional Residential Mixed Use in the IDP and MDP, this area is not expected to contribute to the residential capacity of the City until the end of the 30 year time horizon because of limited access to servicing including water trunk lines, lack of a major transportation link and most importantly, access to a wastewater trunk line. This area is isolated and does not contribute to a logical extension of existing residential neighborhoods, thus the concentration of future residential growth to the southwest.

Map 8 - Existing Residential Capacity Within the City



The residential densities in the City of Leduc have been steadily increasing over time from original planned densities of approximately 15 dwelling units per net hectare to the current average of 20 to 21 dwelling units per net hectare.

The available supply of residential lands is calculated based on the policy in the IDP which states, *“Land for which full municipal servicing has been installed is not part of a 30 year land supply”*. As a result, approximately 240 net hectares are reasonably available for residential purposes and are reasonably able to be serviced within the City. Most of these lands are already contained in approved Area Structure Plans. Based on the planned densities of 20 to 21 dwelling units per net hectare, the residential capacity within these lands is approximately 13,100 people bringing the total capacity in the City with the existing population of 25,482 to 38,486.

Thus, additional residential lands are needed to reach the projected population range of 47,000 to 55,000. As can be seen in Map 8, a number of residential neighborhoods have or are reaching their capacity and as a result, reasonable options for new growth are required.

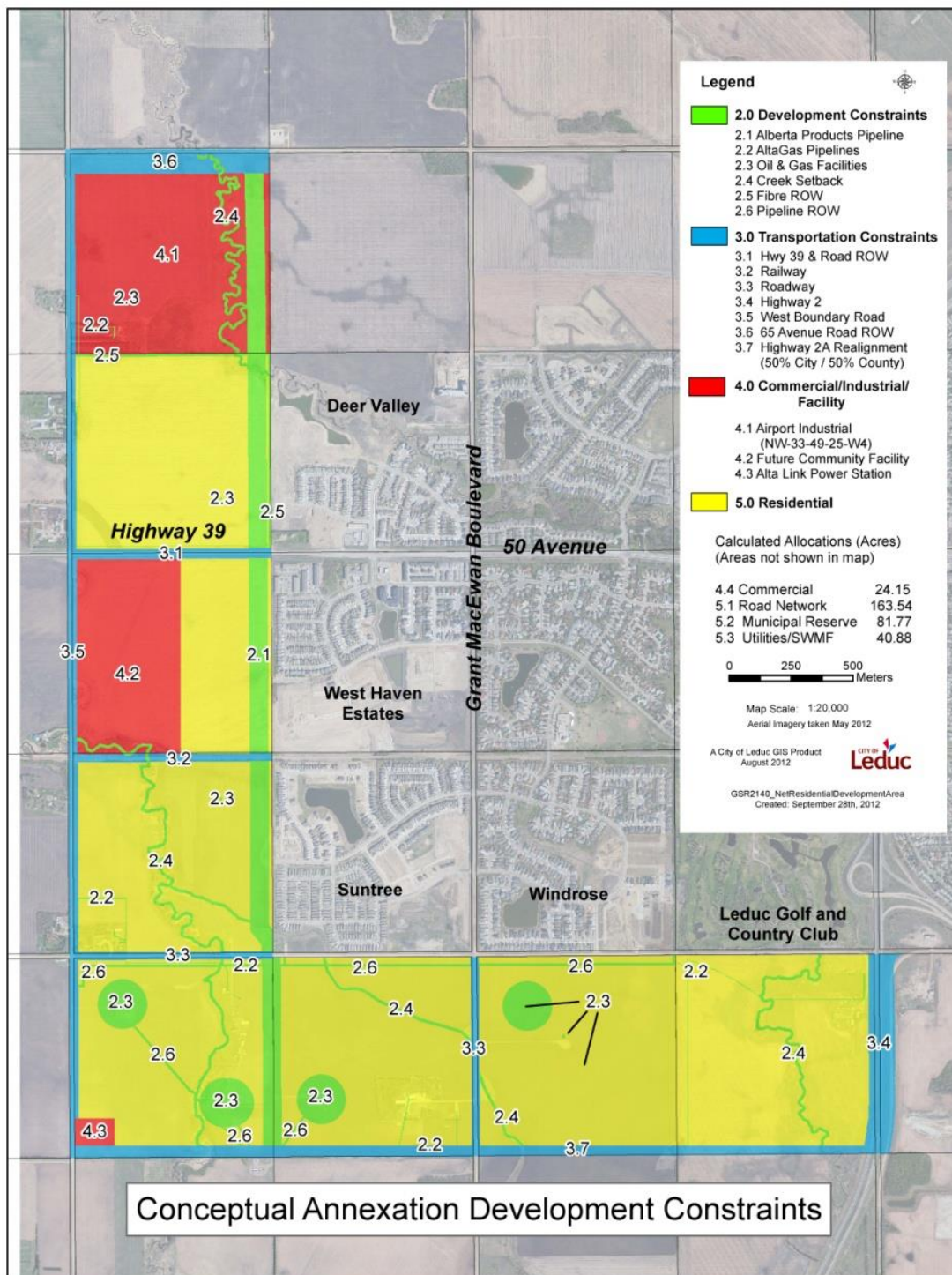
10.4.2 Residential Capacity in Proposed Annexation Lands

A full examination of the development constraints was undertaken of the proposed annexation area to determine the residential land needs outside the City. Firstly, any lands designated for alternative major uses were identified. In this case, the NW ¼ of 33-49-25-4 was identified in the IDP for industrial and commercial uses, 80 acres of the NW ¼ of 28-49-25-4 has been purchased by the City for community facilities (e.g. firehall) and a reasonable proportion of the lands (13 ha.) have been considered for commercial uses to serve the proposed annexation area.

In addition, buffers from man-made constraints such as roadways, railways, oil and gas facilities, and pipelines have been accounted for. As well, land has been allocated to buffer the natural features (e.g. streams) in the annexation areas. The result is approximately 200 hectares of net residential lands are available in the proposed annexation area (see Map 9).

The residential capacity of these lands has been calculated at the density targets required by the Capital Region Growth Plan of 25 - 30 dwelling units per net hectare. These residential densities in fact, reduce the urban footprint by fifteen to thirty percent.

Map 9 – Southwest Annexation Area Residential Capacity



The gross area of the proposed Southwest annexation area is approximately 1325 acres (536 ha). After elimination of non-residential land uses, buffers from

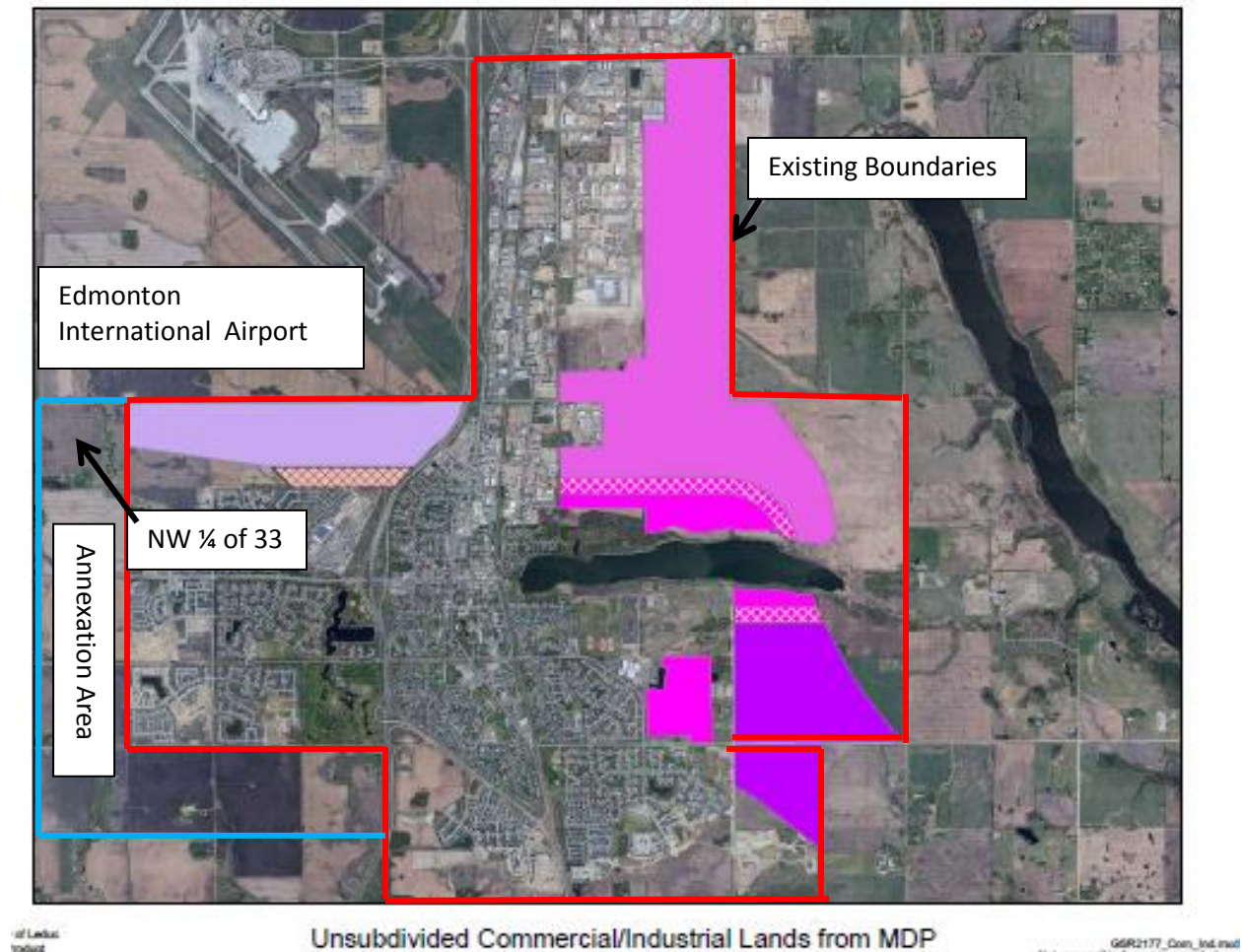
natural (creeks) and man-made features (pipelines, abandoned wells, etc.), the net lands available for residential development is approximately 200 hectares. Based on the CRGP required densities of 25 to 30 dwelling units per net hectare and an average of 2.6 persons per household, the residential capacity of the Southwest Annexation Area is approximately 13,000 to 15,500 people.

The residential capacity within the City and the Southwest Annexation Area results in a population capacity estimated in the range of 51,500 to 54,000; within the target range of the 30 year projected population of 47,000 to 55,000.

10.4.3 Commercial/Industrial Land Needs

An examination of the available unserviced commercial/industrial land needs was undertaken. Map 8 illustrates the available unserviced commercial/industrial lands currently within the City.

Map 10 – Commercial/Industrial Land Capacity Within City



Assuming all the servicing constraints in various parts of the City can be overcome as assumed in the current City of Leduc /Leduc County IDP, this annexation is not focused on the addition of commercial/industrial lands.

The annexation application has been submitted in conformity with the City of Leduc/Leduc County IDP. The supply of commercial and industrial lands within the City of Leduc will need to be monitored carefully in light of the servicing

limitations to industrial lands south of Telford Lake, the dependence of the Aerotropolis Lands within the City of Leduc on the building of the QEII/65 Ave. interchange, and the recent demands for industrial lands, as well as the goal of the City to increase its non-residential tax base from approximately 25% to 40% over time.

In January of 2013, the City experienced a greater than normal demand for industrial lands. Proposals of nearly 230 acres of industrial/commercial subdivisions have been filed with the City for areas within the Leduc Industrial Park.

Currently, the QEII/65 Ave. interchange is not on the provincial government capital plan. If the QEII/65 Ave. interchange is further delayed due to restraints in provincial spending, the Aerotropolis Lands within the City could only see fifteen percent or less of the lands developed due to the transportation constraints in the area. As a result, the City of Leduc/Leduc County Joint Planning Committee will need to monitor the demand and supply for commercial/industrial lands in the City, the progress of commercial/industrial subdivisions in the Leduc Industrial Park, and other events which may impact the ability of the City to retain a 30 year land supply of commercial/industrial land supply and the goal to achieve a higher non-residential tax base (current non-residential tax base is approximately 25% and the target goal in the City MDP is 40%).

Notwithstanding the above, there will be a need for some commercial land in the annexation area as estimated by Pario Plan (Appendix A.20). The total projected commercial land demand is in the neighborhood of 17 hectares of which 13 hectares have been allocated to the southwest annexation area as neighborhood commercial and highway-related commercial development.

10.4.4 NW ¼ of 33-49-25-4

The NW ¼ of 33-49-25-4 has been included in the annexation area to simplify the proposed boundary and extend the annexation area to the south boundary of the Edmonton International Airport. As well, this parcel has been included because it will be bounded on the north by the extension of 65 Ave, a major regional

roadway. In addition, the major wastewater trunk line to serve the Southwest Annexation area will traverse this property. It is prudent that these benefiting lands be included within the annexation area. These lands will also provide an option for a portion of the total projected retail commercial/industrial land needs associated with the expected future population growth. In addition, these lands contribute to the long-term fiscal sustainability of the City and reduce the long-term fiscal impact of an annexation largely based on residential development.

10.5 Logical Extension of Growth

“5. An annexation must achieve a logical extension of growth patterns, transportation and infrastructure for the affected municipalities.”

10.5.1 Extension of Existing Residential Neighborhoods

As was identified by Fig. 11 in the City of Leduc/Leduc County Intermunicipal Development Plan (see Map 4 on page 19 of this report), the proposed southwest annexation area is a logical extension of the City’s residential neighborhoods in the southwest sector of the community. The annexation of the 0.8 km of roadway on the eastern side of the City is a logical extension of the roadway system in the City.

10.5.2 Municipal Water and Sewer Treatment Facilities

The City of Leduc obtains its sewer treatment from the Alberta Capital Regional Wastewater Commission (ACRWC). The Commission is a model of regional cooperation providing wastewater transmission and treatment services to 13 municipalities in the Alberta Capital Region, including the City of Leduc. This system conveys wastewater to the Capital Region Wastewater Treatment Plant from member municipalities in the west, north and east sections of the region. It also conveys wastewater from the south members (City and County of Leduc, and the Town of Beaumont) into the City of Edmonton system for treatment. In

exchange, the ACRWC plant takes wastewater from Clareview in northeast Edmonton and from the Clover Bar Industrial Area for treatment.

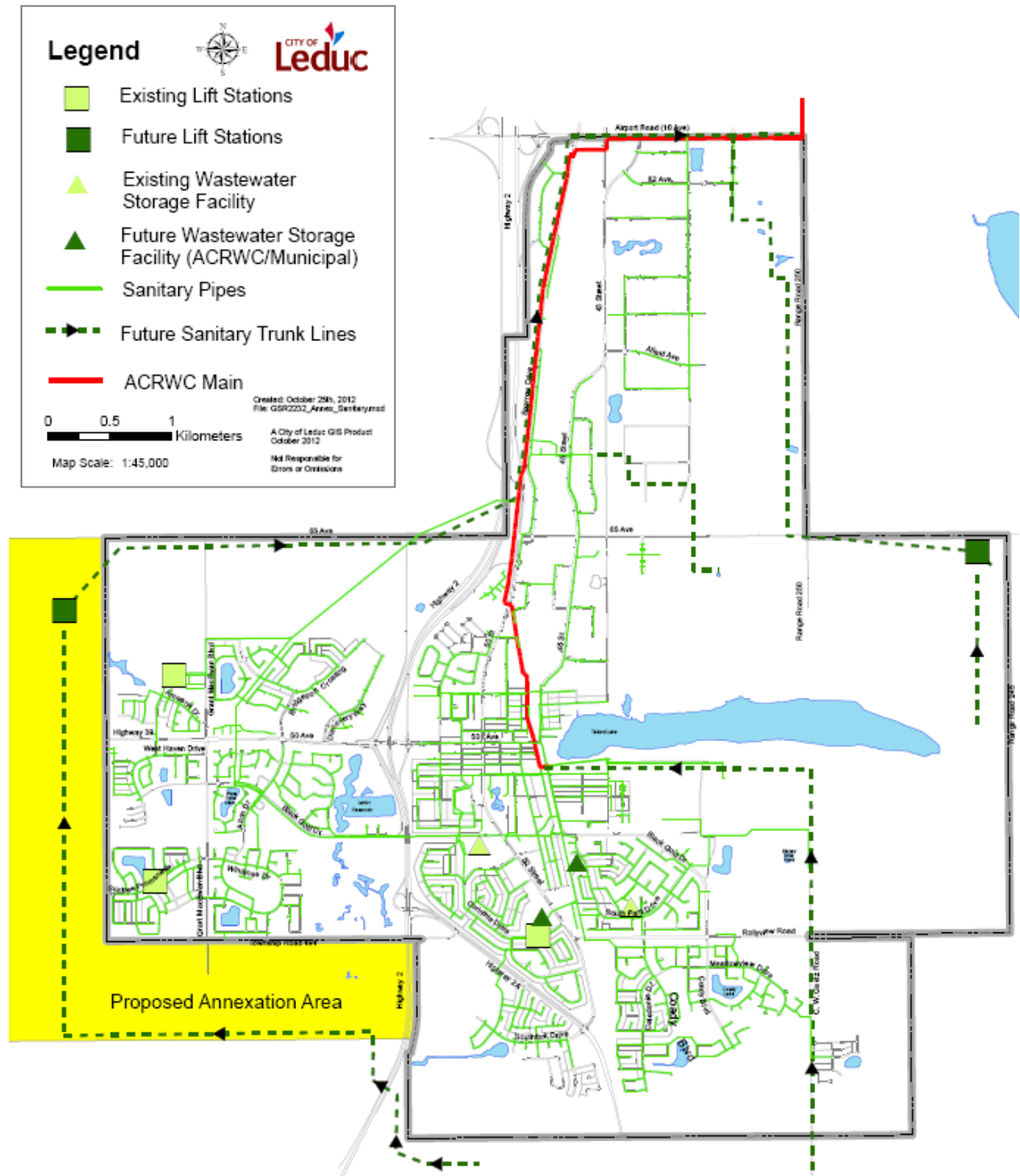
The City of Leduc also receives its water from a regional services commission. The Capital Region Southwest Services Commission (CRSWSC) water infrastructure serves the potable water needs of the City of Leduc, Camrose County, Leduc County (including the Hamlet of New Sarepta), Town of Beaumont, Town of Calmar, and Village of Hay Lakes. EPCOR supplies the CRSWSC from two major water treatment plants: E.L. Smith and Rossdale. Both are located in the City of Edmonton which source water from the North Saskatchewan River.

10.5.3 Wastewater Collection System

Part of the proposed annexation area can be serviced by the capacity within the existing wastewater trunk line within the west side of the City, thus the advantage of this area being annexed to the City. The remainder of the proposed annexation area will be serviced by the extension of a wastewater trunk line originating in the northwest sector of the City. The extension of this line to the south into the proposed annexation area provides the additional capacity to serve the proposed annexation area. The extension of this line south will also assist the City to direct its growth to the poorer agricultural lands beyond the 30 year land supply.

The annexation area will require a new sanitary trunk tied into the Capital Region Wastewater Commission System. The costs of the construction of this trunk will be paid for through offsite levies contributed at time of development from land within the annexation area. The structure of this levy will need to be determined prior to any development agreements being signed in the new annexation area.

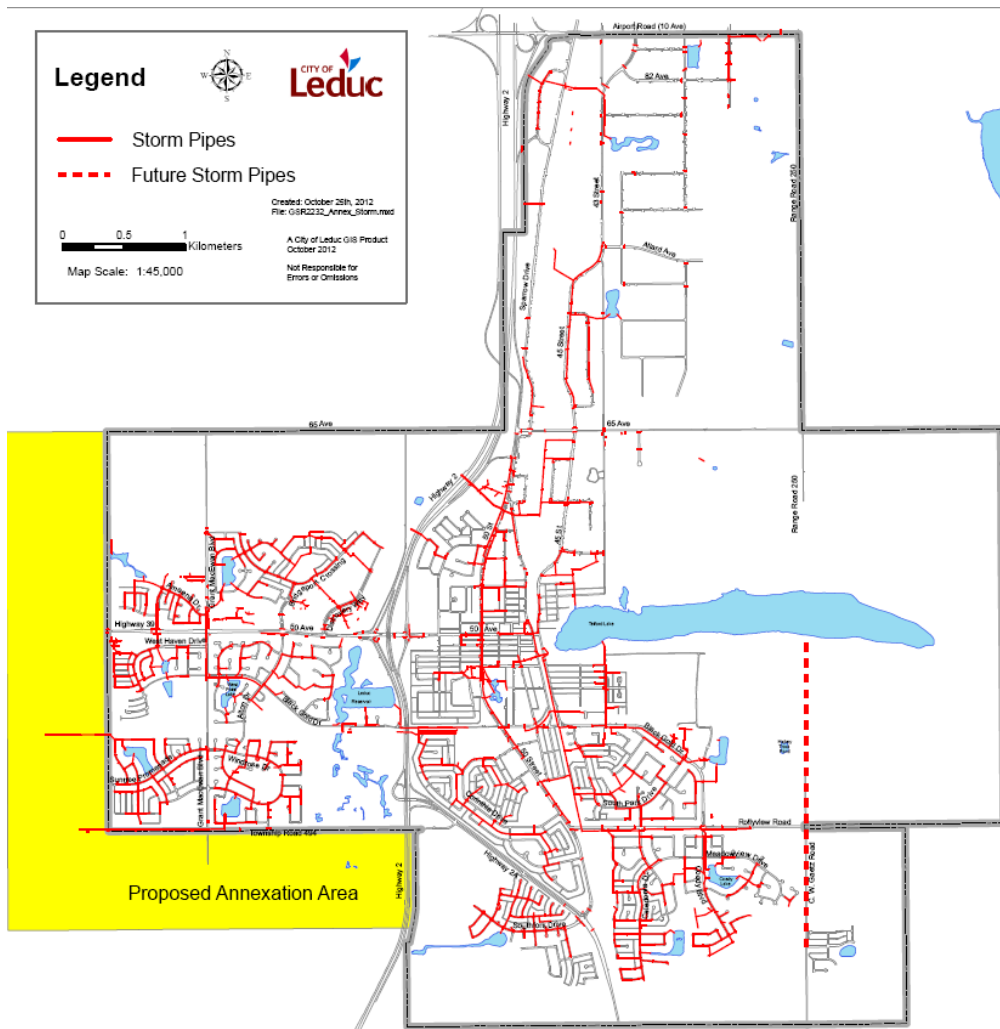
Map 11 - Wastewater Collection System



10.5.4 Storm Water Collection

The existing areas within the City are serviced by a system of storm water ponds. This same system of storm water management will be extended into the annexation area. Any discharge into any existing water bodies will be at the agreed to predevelopment condition rates. It will be up to developers to determine the most appropriate way of transporting the controlled stormwater discharge from their stormwater ponds to adjacent drainage channels or creeks. All approvals through Alberta Environment, Fish and Wildlife, navigable waters, and any other approvals required will be the responsibility of the developer. All costs associated with the infrastructure will be the responsibility of the developers.

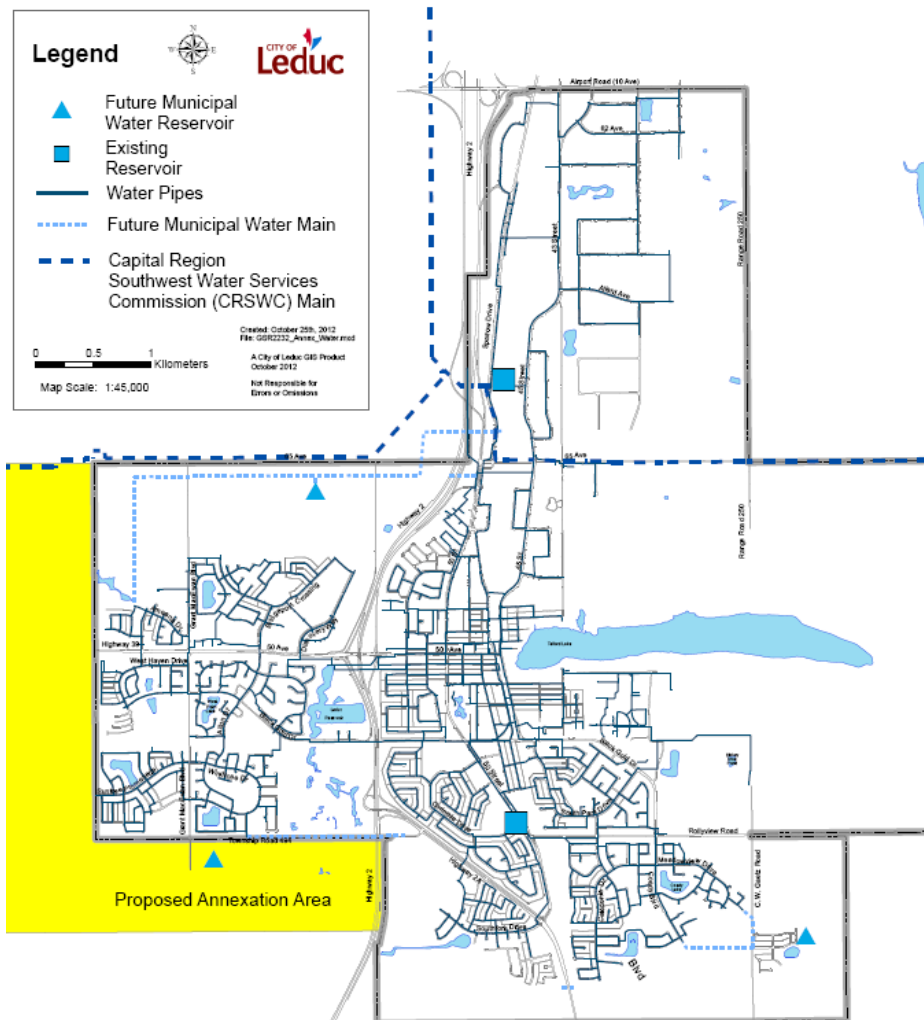
Map 12 - Storm Water Collection



10.5.5 Water Distribution

The water distribution system to serve the future annexation area will be an extension of the internal trunk system within each quarter section. These water trunk lines will be supplemented with an additional water reservoir in the proposed annexation area and within the City. The addition of the annexation areas will necessitate construction of a new reservoir in the west area of the City in approximately 10 to 15 years. The costs of the construction of this reservoir will be paid for through offsite levies contributed at time of development from land within the annexation area. The structure of this levy will need to be determined prior to any development agreements being signed in the new annexation area.

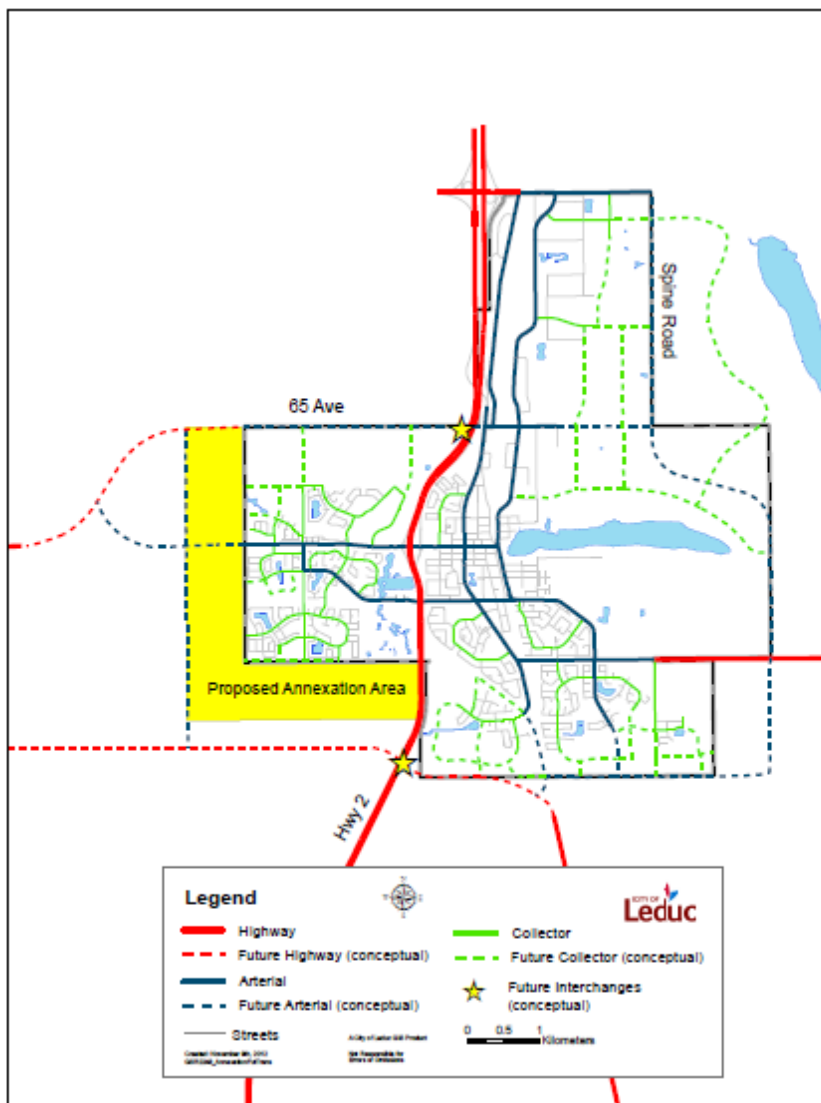
Map 13 - Water Distribution System



10.5.6 Transportation System

Traffic generated in the proposed annexation area in the short-term will be accommodated by the recent upgrades to Hwy 39 within the City. The existing north/south arterial of Grant MacEwan Boulevard will provide short-term access to the proposed annexation area. In the longer-term planning period, another north/south arterial on the western boundary of the proposed annexation area will provide additional access to the area.

Map 14 - Transportation Network



The development of 65 Ave. and the 65 Ave. interchange is integral to the accommodation of traffic on the QE II, accommodating regional traffic along Highway 39 and accommodating traffic generated from the west of the City to and from the Leduc North Industrial Area and Nisku Industrial Park. This major roadway system has been recognized as part of the regional transportation network established by the Capital Region Board. In the long-range future, the relocation of the Highway 2A interchange and the inclusion of a major roadway south of the annexation area will provide additional access to the proposed annexation area.

10.6 Cost-Effective, Efficient and Coordinated Services

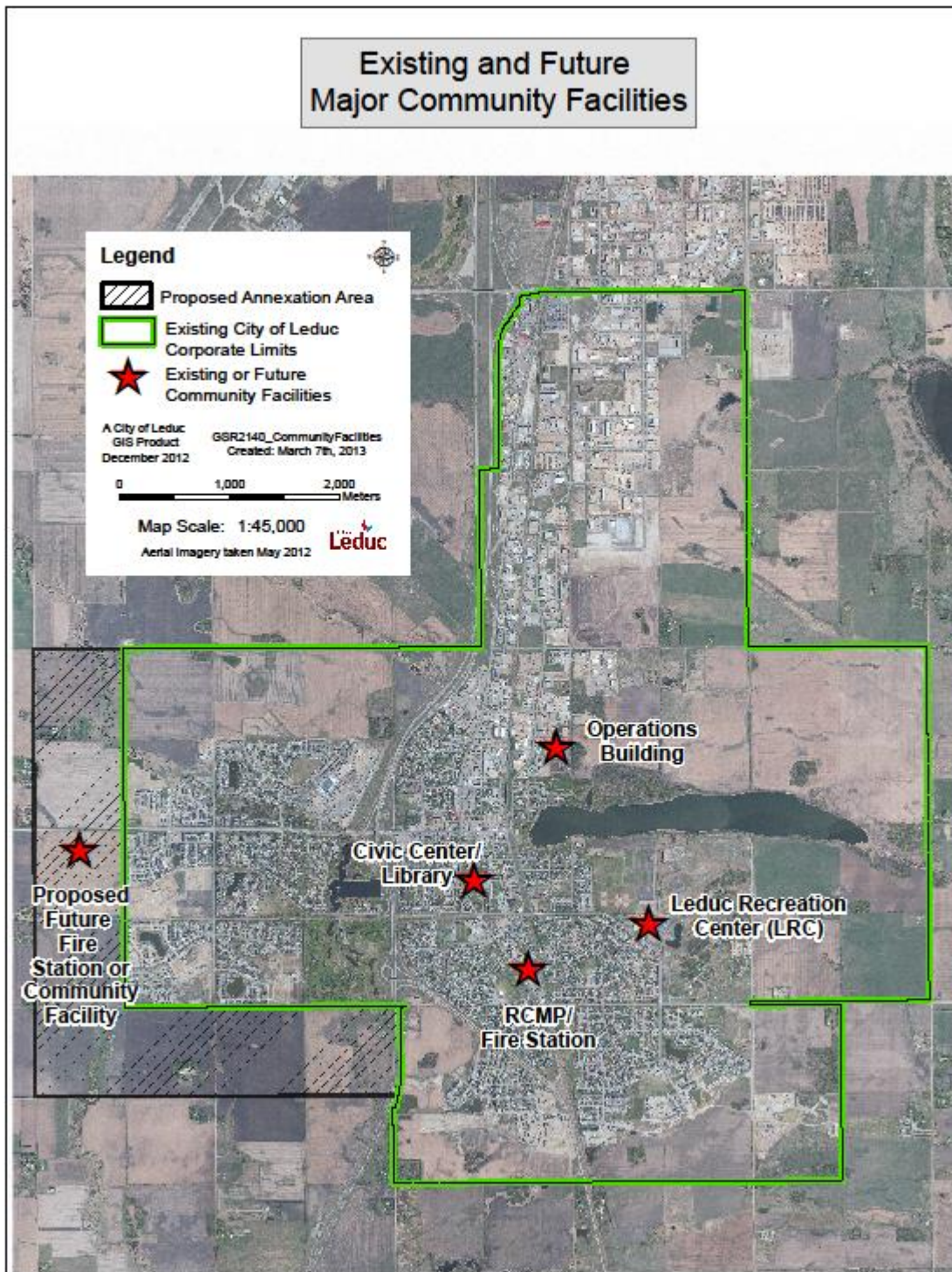
“6. Each annexation must illustrate a cost-effective, efficient and coordinated approach to the administration of services.”

The City of Leduc has examined the provision of road maintenance services (gravel and bridge maintenance, snow plowing), weed inspections, animal control and other municipal services, and are currently incorporating those associated costs into the City’s budget planning process. Garbage collection services will evolve as urbanization of the area occurs.

Residents in the annexation area currently have access to recreation facilities and programs in the City and will have access to expanded recreation/community facilities planned for the west side of the community, some of which will be centered on the recently purchased land by the City (NW ¼ of 28-49-25-4) in the annexation area.

The inclusion of a second fire station in the community in the proposed annexed lands (NW ¼ of 28-49-25-4) will provide the existing community and the proposed annexation area with improved fire response times.

Map 15 - Existing and Future Major Community Facilities



The transition of soft services as provided by the County Family and Community Support Services (FCSS) is expected to be a smooth transition. Existing residents within the proposed annexation area will be able to access the expanded services provided by the City's FCSS department. The addition of residential lands within the City also increases the opportunities and options for land for the local housing authority to provide low-income and seniors housing.

In summary, the City of Leduc is in an excellent position to provide a full range of municipal services to the proposed annexation area in a cost-effective manner.

10.7 Protection of Environmental Features

“Annexations that demonstrate sensitivity and respect for key environmental and natural features will be regarded as meeting provincial land use policies.”

Response:

The majority of the proposed annexation area is relatively flat agricultural lands sloping gently to the west. Within the area are a few minor creeks and creek beds. The most prominent creek in the proposed annexation area is Deer Valley Creek in the most northerly quarter of the proposed annexation area. The analysis of the annexation area constraints identified these features and anticipated each of these natural features would be protected by appropriate buffers. Environmental policies within the City of Leduc/Leduc County Intermunicipal Development Plan (Policy 4.6) and the City of Leduc Municipal Development Plan direct the development of buffers (Policy 2F). The specific setbacks will be determined at the time of the preparation of Area Structure Plans for each area.

10.8 Supporting Plans

“8. Coordination and cost-effective use of resources will be demonstrated when annexations are aligned with and supported by intermunicipal development plans, municipal development plans, economic development plans, transportation and utility servicing plans and other related infrastructure plans.”

Response:

10.8.1 City of Leduc/Leduc County Intermunicipal Development Plan

As mentioned earlier in this Annexation Negotiations/Application Report, the City of Leduc/Leduc County Intermunicipal Development Plan (IDP) provides key support and direction to the annexation of the proposed lands. The IDP directs the future land use for seven of the eight quarters in the annexation area to be for “Primary Urban Residential Growth”. The most northerly quarter in the proposed annexation area is designated for commercial and industrial growth.

Section 6.6.4 in the IDP sets out the key policies that direct this annexation (see Appendix A.16 for a complete set of policies). The key policy in the plan directs an annexation based on a 30 year land supply, excluding lands which have already been serviced. The proposed annexation is based on this key directive. This annexation also incorporates the other thirteen directives in the plan: compliance with the MGB principles, consistency with approved plans, provision of a long-term supply of land for growth, meets the criteria that a 30 year land supply is not available within the existing City boundaries, meeting the density requirements of the Capital Region Growth Plan, avoiding premature development, providing for logical extensions of growth, efficient and logical extension of services, cost-effective delivery of municipal services, protection of the natural environment, appropriate municipal compensation, reasonable assessment and tax transitions for landowners, adherence to the Municipal Government Act, and appropriate public consultation.

10.8.2 City of Leduc Municipal Development Plan

The City of Leduc Municipal Development Plan includes policies which are directly related to annexation and to the management of those lands after annexation.

- Policy 4A.3 “promoting non-residential development to create employment, with the goal of achieving an assessment ratio of 40% non-residential development to 60% residential development.”

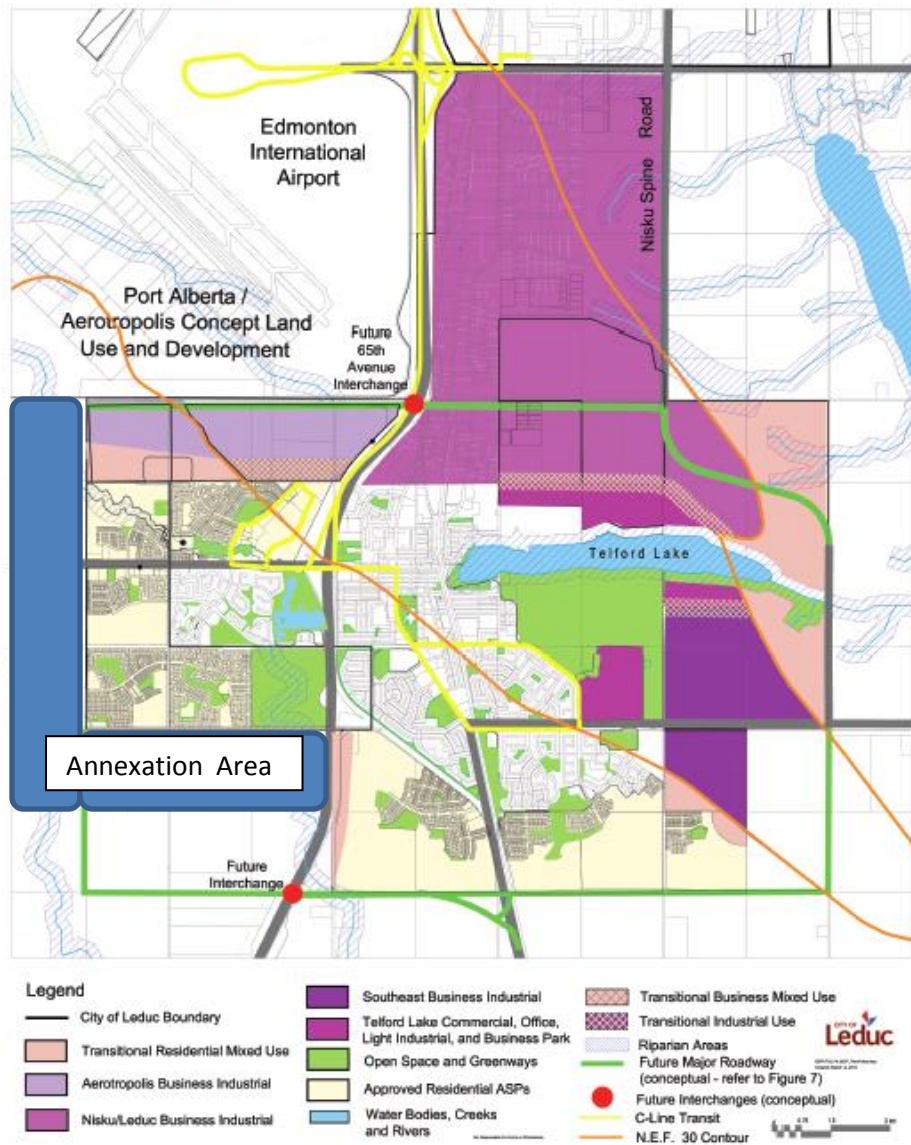
Currently, the City’s non-residential assessment base is approximately 25%. Although there is a significant amount of lands designated in the MDP for commercial/industrial lands within the current City limits, some of these areas are subject to a variety of servicing constraints. This annexation assumes these constraints can be overcome in a reasonable time period. Over the next five to eight years, careful monitoring of the ability to overcome these constraints, the changing demand/supply of commercial lands, and the status of the non-residential tax base will be required by the City and County to determine if the assumption related to this annexation is sustained.

- Policy 4A.4 ***“ensuring a 30 year supply of land within the City boundaries in priority growth areas that can be serviced efficiently and developed contiguously, so that 40% of the land base can be developed for non-residential land uses and 60% of the urban land base can be developed for residential uses.”***

The City has achieved this target of approximately 40% non-residential lands to 60% residential lands based within the current City limits. As this annexation is primarily focused on residential lands, it is significantly dependent on the development of the designated commercial/industrial lands within the existing City limits. After this annexation, careful monitoring will be required to determine if the constraints associated with some of the commercial/industrial lands in the City can be overcome. The following map illustrates the logical extension of the annexation area in relation to City of Leduc MDP policy areas.

Map 16 - Proposed Annexation Area in Relation to MDP Plan Policy Areas

FIGURE 4: Municipal Development Plan Policy Areas



10.8.3 Parks, Open Space and Trails Master Plan

The recently adopted Parks, Open Space and Trails Master Plan (POST) provides support to the annexation by reinforcing policies related to the protection of natural areas and open space within the community. These policies would extend to the annexation area on the effective date of the annexation. The POST Master Plan confirms the extension of the excellent system of “Multiways” (pedestrian and bike pathways) into the annexation area. Also planned for the annexation area is a major community park, “West Integrated Park Site” which is included in the proposed 10 year Capital Plan.

Map 17 – Concept Master Plan For Recreation Lands in Annexation Area



10.8.4 Community Facilities Master Plan

The updated City of Leduc Community Facilities Master Plan was adopted by City Council on Feb. 25, 2013. Included within the 2013 budget was a commitment to a west-end satellite fire station to be located in the annexation area. Design of the fire station will take place in 2013, tendering and commencement of

construction is planned for 2014 with opening of the facility to take place by mid-2015.

10.8.5 Transportation Master Plan/Sanitary Servicing Strategy

The update to the Transportation Master Plan is to be completed in 2013 and includes proposed roadway networks to service the annexation area as illustrated in Map 14. The master plan for the Sanitary Servicing Strategy includes the concepts illustrated in Maps 11 to 13. The strategy will determine the exact location and size of the major wastewater trunk line in the annexation area and the precise extent development can be serviced in the annexation from the existing wastewater trunk line in the western portion of the City.

10.9 Financial Impact

“9. Annexation Proposals must fully consider the financial impact on the initiating and responding municipality.”

The analysis of the fiscal condition of the City of Leduc and Leduc County reveal both municipalities to be in a solid fiscal condition, with an average to strong assessment base, average tax rates and reasonable debt levels when compared to other municipalities (Appendix A.21).

The assessment and tax revenue generated from the proposed annexation is relatively small compared to the total assessment and tax revenue base of each municipality. In the case of the County, the assessment and property tax revenue generated in the proposed annexation area represents approximately 0.07% and 0.05% of the total assessment and tax revenue of the County respectively. Similarly, the assessment and tax revenue generated from the proposed annexation area to the total assessment and tax revenue of the City is relatively small at 0.12% and 0.10% (Appendix A.21).

Both municipalities will have higher costs related to the annexation in the first year after annexation due to some minor one-time costs and then the costs of annexation will decrease over time. In the case of the County, its financial position will be impacted negatively by 0.06% in the initial year and by 0.03% in subsequent years. As the assessment and tax base of the County continues to grow, this impact will diminish even further (Appendix A.21).

In the case of the City, the impacts are slightly higher with an estimated impact in the first year of 0.26% diminishing to 0.17% in subsequent years. Also, as the assessment and tax base grows in the City, this impact will further diminish.

Fig. 10 – Annexation Impact

Annexation Area Relative to Leduc County

| | Leduc County | Annexation Area | Percent of Total |
|------------------------------|-----------------|-----------------|------------------|
| Population ¹ | 13,541 | 15 | 0.11% |
| Dwelling Units ² | 6,018 | 6 | 0.10% |
| Roadways (km) ² | 2,220.7 | 8.1 | 0.37% |
| Area (hectares) ² | 267,346 | 536 | 0.20% |
| Assessment ³ | \$6,147,000,000 | \$4,393,780 | 0.07% |
| Tax Revenue ³ | \$53,562,710 | \$25,482 | 0.05% |

1. 2011 census data

2. 2010 municipal Statistic Return

3. 2012 Property Tax Rate Bylaw

Annexation Area Relative to the City of Leduc

| | City of Leduc | Annexation Area | Percent of Total |
|------------------------------|-----------------|-----------------|------------------|
| Population ¹ | 25,482 | 15 | 0.06% |
| Dwelling Units ² | 9,523 | 6 | 0.06% |
| Roadways (km) ² | 188.7 | 8.1 | 4.30% |
| Area (hectares) ² | 3,769 | 536 | 14.22% |
| Assessment ³ | \$4,016,062,480 | \$4,640,054 | 0.12% |
| Tax Revenue ³ | \$39,404,751 | \$37,536 | 0.10% |

1. 2011 census data
2. 2010 municipal Statistic Return
3. 2012 Property Tax Rate Bylaw

Since the annexation area is primarily focused on residential development, the long-term fiscal sustainability of the annexation area is dependent upon the City being able to develop commercial/industrial lands currently designated in the IDP and MDP for commercial/industrial development. In isolation, the annexation area in the long-term would have an estimated negative fiscal impact on the City in the order of \$2.9 million per year. The development of an additional 140 to 160 net hectares of commercial/industrial lands would be required to offset the costs associated with the proposed annexation (page 23, Appendix A.21).

Currently within the City boundaries and the annexation area, there is sufficient lands designated to accommodate this non-residential growth provided that the various constraints to development can be overcome. The City will need to carefully monitor its supply of developable non-residential lands and its ability to eliminate the constraints on some of the lands.

10.10 Inter-Agency Consultation

Section 116 of the Act requires that the initiating municipality notify any local authorities who the municipality thinks might be impacted by the annexation. MGB principle 10 requires consideration of the impacts on local agencies. The proposed notice of annexation, a request for comments and a comment form were sent to 42 local authorities, agencies, utility companies, as well as oil and gas companies with interests in the area. The notification was sent out to the agencies on Oct. 29th and 30th (Appendix A.8, A.9). The following chart briefly summarizes the responses from those agencies that responded.

Fig. 11 - Summary of Agency Responses

| Agency | Summary Response |
|--|--|
| Leduc & District Waste Management Authority | Measures being undertaken to extend life of landfill site to accommodate growth. |
| AltaGas | Well positioned to serve the annexed lands. |
| City of Leduc FCSS | Minor increase in clients, expanded service levels available. |
| City of Leduc Fire Department | Plans underway for new fire station to serve annexed lands. |
| Shaw Cablesystems Ltd | Expanded facilities will be made available to serve area. |
| Energy Resources Conservation Board | No Position. Existing or abandoned wells may exist in the area. |
| St. Thomas Roman Catholic School Division # 38 | Have plans to accommodate growth. |
| Leduc RCMP | No concerns. |
| Capital Region Board | No Position. |
| Alberta Environment and Sustainable Resources | Ensure that appropriate environmental practices are used on the annexed lands, protecting any environmentally sensitive lands. |
| Capital Region Water Services Commission | No objections; has capacity to serve area. |
| Alberta Health Services | No objections; AHS developing a comprehensive long-term plan. |
| NAV Canada | Residential development outside the 25 NEF. Development must respect the height limitations. |
| Alberta Agriculture | Raised concerns about the loss of agricultural lands. |
| Alberta Capital Region Wastewater Commission | Does not object to the proposed annexation. |
| Central Global Resources ULC | Does not object to the annexation; identified two abandoned wells and the ERCB setback directives. |
| Alberta Transportation | Requested City for date to take care and control of Hwy 39 and Hwy 623 in the proposed annexation area. |
| Edmonton International Airports | Does not oppose annexation; suggested appropriate planning techniques for lands adjacent to airports. |
| Alberta Culture | Raised no objections; directed the City to Historic Resource Listing for future planning of the area. |
| Black Gold Regional School Division | BGRS identified the need for a new high school site and four kindergarten to grade 9 school sites for a total area of land of approximately 68 acres or 27.5 ha. |
| Fortis Alberta | No objections. No facility relocations needed. |
| TELUS | No objections. Will need easements on each quarter for facilities |

Response:

10.10.1 (a) Alberta Agriculture

The concerns raised by Alberta Agriculture with respect to the loss of agricultural lands is addressed in Section 9 of this report dealing with Section 6 of the Provincial Land Use Policies and in the responses to the issues raised at the Open Houses and Public Hearing.

10.10.2 (b) Energy Resources Conservation Board (ERCB)/Central Global Resources ULC

Central Global Resources identified a few abandoned wells and referenced the directives from the ERCB. During the annexation process, a few oil and gas facilities (see Appendix A.28 for list of abandoned wells) were identified in the annexation area and consideration was made for the appropriate buffers from these facilities (Map 9). In addition, at the time of the preparation of the Area Structure Plans, the directives and setbacks required by the ERCB will be implemented.

10.10.3 (c) Alberta Culture

Alberta Culture directed the City to the listing of known “Historic Resources”. An examination of the listing revealed no provincially recognized historic resources in the annexation area. Notwithstanding the lack of provincially recognized sites in the area, the City of Leduc does have a local program of creating an inventory of historic resources. As Area Structure Plans are prepared for the area, further evaluation will take place regarding the existence of any historic resources and the actions to be taken in cooperation with private landowners.

10.10.4 (d) NAV Canada & Transport Canada Height Limitations

After clarification that the proposed land use in the quarter section adjacent to the airport was designated for industrial and commercial use, NAV Canada raised no further concerns regarding the impact of noise as the proposed residential areas are outside the 25 NEF contours.

NAV Canada also clarified the height restrictions utilized under their regulations (TP308) on development in the annexation area. NAV Canada has indicated that the maximum height elevation in the west annexation without causing any impacts on any instrument procedures is 2540 feet ASL. The highest ground elevation in the annexation is located in the quarter section furthest from the airport, the NE 1/4 of 22-49-25-4. The highest elevation in this area is 2406.5 feet, leaving a maximum elevation of 133.5 feet for any object. The lowest ground elevation is immediately adjacent to the airport at 2327 feet, leaving a maximum height elevation of 213 feet. In addition, the southwest annexation area is not directly beneath the southwest-northeast runway and the Rollyview annexation area does not involve any building development on the roadway.

Transport Canada also implements zoning caveats which control building height in areas aligned with the runway approaches. The proposed southwest annexation area is not aligned under either of the existing or future runways.

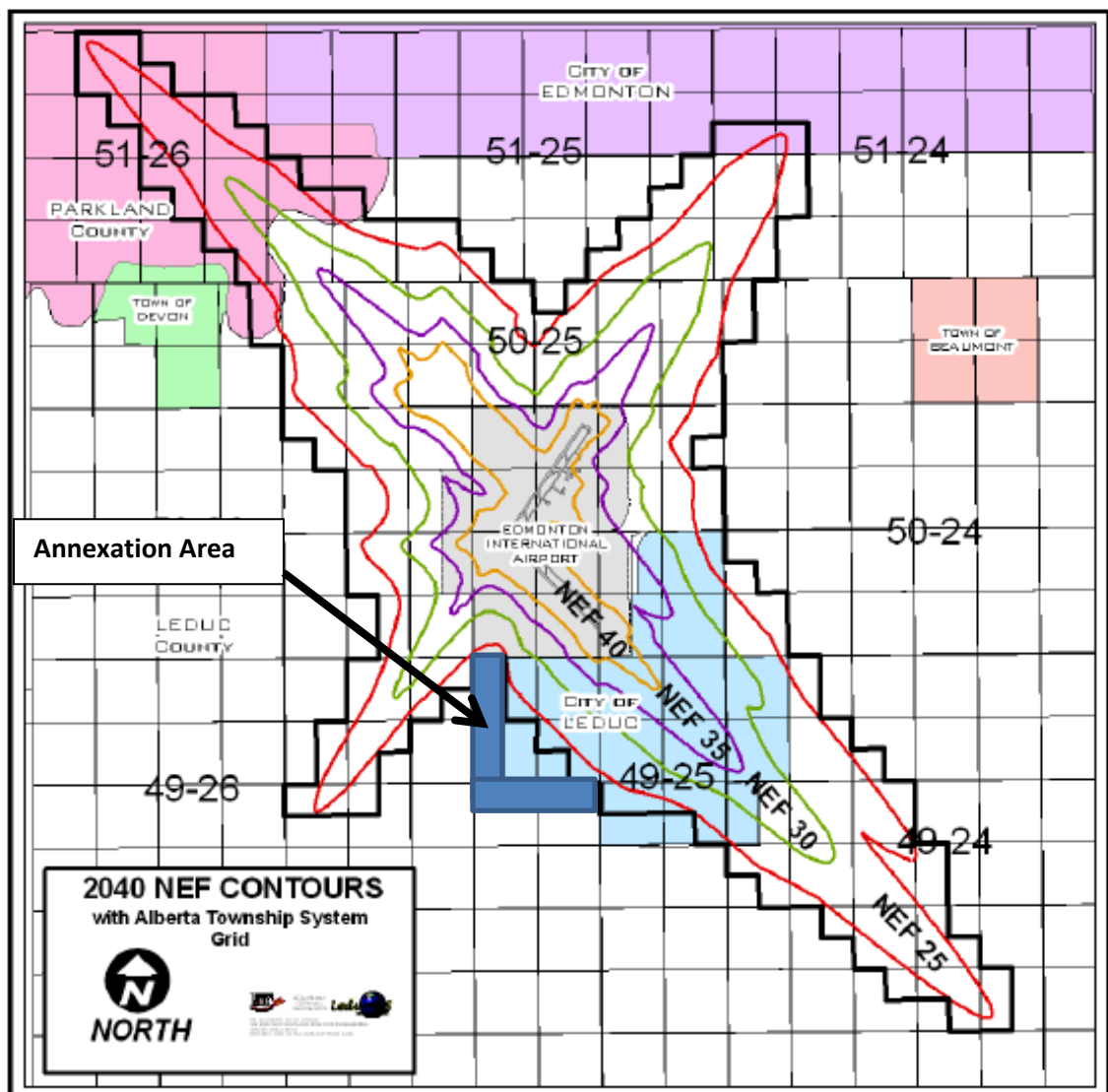
Notwithstanding, all properties impacted by a federal zoning caveat will be required to meet any federal height restrictions and land use controls regarding bird attraction and other aviation related restrictions.

The Edmonton International Airport Zoning Regulations – C.R.C., c.81, enabled by the Aeronautics Act, limits maximum obstacle height on the west half of 33-49-24-W4 and the NW ¼ of 28-49-24-W4. The zoning regulation limits the maximum height to 45 meters (approximately 147 ft.) above the airport's reference point of 712.3 meters above sea level. The maximum overall height that a building or object can have is 757.3 meters (712.3 + 45) no matter what the ground elevation is at that particular location on these parcels of land.

Map 18 – Southwest Annexation Area in Relation to AVPA NEF Contours

Schedule 2

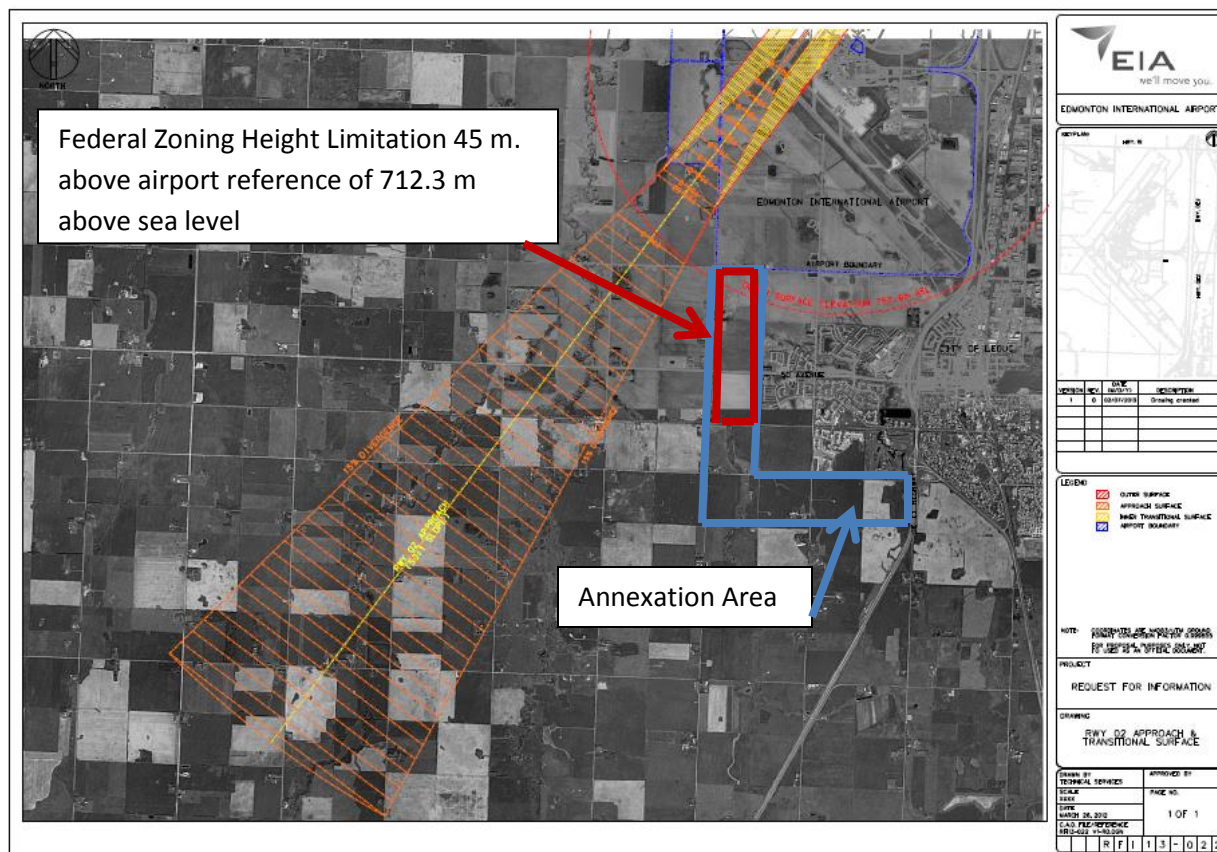
Map showing lands in the Edmonton International Airport Vicinity Protection Area



10.10.5 (d) Edmonton International Airports (EIA)

Edmonton International Airports (EIA) did not oppose the annexation and did recognize that the proposed annexation area is outside the Airport Vicinity Protection Area (AVPA). The EIA did provide a map (MAP 18-A) illustrating the height limitations administered under their regulations (TP312) which illustrates that only a minor portion of the most northerly quarter in the annexation area is impacted by the outer surface elevation of 2485 feet (757.6m). The lowest elevation in the annexation area (2,327 feet) is within this quarter section leaving a tolerance of 158 feet for any objects. The remainder of the annexation area is not impacted by any height limitations under the EIA’s regulations, however three of the most northly quarters in the annexation area are impacted by the Federal Zoning height limitations.

Map 18-A EIA Height Limitations / Federal Zoning Height Limitations



EIA suggested that future planning for the annexation area should consider notification of possible aircraft noise, consider the use of noise abatement techniques and be cognizant of the Federal Zoning Regulations (CRC, C.81) which imposes height limitations and regulates uses and activities which attract birds.

As stated in the correspondence from EIA, the City of Leduc's Aerotropolis Integrated Land Use Compatibility Plan considers and implements many of the suggested techniques for land uses adjacent to the airport. Policy 4.9.2 of "The City of Leduc/Leduc County IDP" directs that decisions with respect to planning documents and development decisions comply with the AVPA and Edmonton International Airport Zoning Regulations. As well, the City of Leduc MDP Policy 4A-5 addresses the use of best practices for land uses adjacent to the airport.

10.10.6 Alberta Transportation (AT)

Alberta Transportation requested a date from the City as to when they wished to take care and control of Hwy 39 and Hwy 623 within the proposed annexation area. AT also indicated they would retain control and care of the QE II as it is classified as a freeway and freeways remain within provincial control.

The City of Leduc determined from AT that Hwy 39 and Hwy 623 in the proposed annexation area are in good condition and the City would be prepared to take care and control of the subject roadways on the proposed effective date of the annexation: Jan. 1, 2014.

10.10.7 Black Gold Regional Schools

Black Gold Regional Schools identified the need for a high school site and four kindergarten to grade 9 school sites based on the estimated population horizons associated with the annexation for a total area of 68 acres (27.5 ha).

The determination of the annexation area land needs allocated approximately 82 acres (33 ha) for municipal and school reserve needs. In addition to these lands,

the City of Leduc has purchased 80 acres of land for recreation and institutional purposes in the annexation area. The exact location and manner of allocation will be determined during the development of the area structure plans for the annexation area. Currently, discussions are being initiated with a number of landowners in the annexation area to establish terms of reference for the required area structure plans.

10.10.8 TELUS

The annexation area is currently served as rural; any change to an urban density will require the upgrade of Telus feeder facilities back to the Telus Central Office. Hardened duct structure and feeder facilities will then have to be extended on the major roads into the annexation area. Once this is completed, the new subdivisions can then be serviced via the normal process.

TELUS will require a minimum of two 5m x 5m easements per quarter section to terminate the feeder facilities required to service the annexation area.

Response:

The accommodation of the requirements of the Telus feeder lines and easements will be accommodated as part of the preparation of the Area Structure Plans for the area and in the normal subdivision process.

10.11 Assessment and Tax Impact on Landowners in the Annexation Area

“11. Annexation proposals that develop reasonable solutions to impacts on property owners and citizens with certainty and specific time horizons will be given careful consideration and weight.”

Response:

An analysis of the assessment and tax impact on landowners in the annexation area based on 2012 tax rates and no assessment and tax mitigation revealed the following:

- Farmland would experience a tax decrease of 39%.
- Farm buildings would experience a 100% tax increase.
- Farm residences would experience a 55% to 75% tax increase.
- Non-farm residences would experience a 54% increase.
- The one industrial property would experience a 75% increase.

In order to mitigate the impact on landowners in the annexation area, the City and County have agreed to a fifteen year assessment and tax transition. The transition would be lost for a portion of the lands that are subdivided, redistricted or connected to municipal water and sewer at the initiative of the landowner (Appendix A.15). At the end of the fifteen year period, the City has the authority to request an extension to this time period should conditions warrant it.

10.12 Effective Public Consultation

“12. Annexation proposals must be based on effective public consultation both prior to and during any annexation hearing or proceedings.”

Response:

In summary, the public consultation process for this proposed annexation was comprehensive and included the following activities:

- News release and news story on the proposed annexation.

- Written notification to surface landowners including description of the area, reasons for the annexation, newsletter on annexation, assessment and tax transition clause and a convenient response form.
- Written notification to subsurface landowners including description of the area, reasons for the annexation, newsletter on annexation, and a convenient response form.
- Written notifications to nearly 46 agencies, local authorities, utility companies and easement holders, etc.
- Annexation websites in the City and County.
- Six advertisements of the open houses and non-statutory public hearing.
- Two open houses (Nov. 8th and Nov. 15, 2012).
- One non-statutory public hearing (Nov. 29, 2012).
- Individual one-on-one meetings with most landowners.
- Email and telephone conversations with interested parties.

10.13 Revenue Sharing

“13. Revenue sharing may be warranted when the annexation proposal involves existing and future special properties that generate substantive and unique costs to the impacted municipality(s) as part of the annexation or as an alternative to annexation.”

Response:

As stated earlier in this report, the annexation area consists of mostly agricultural lands. In the view of the City, the area does not contain any significant revenue generating properties nor will there exist any significant future special properties in the annexation area which would generate servicing costs to both municipalities that would justify any revenue sharing.

As well, IDP policy 6.6.4-11 directs annexation compensation to the County to be in the form of consideration for lost revenue over a specified period of time.

11. Assessment and Compensation – *Annexation proposals shall include information on whether assessment conditions for private lands within the proposed annexation territory are to be considered. Annexation proposals shall also include information on any compensation that the annexing municipality may agree to pay to the annexed municipality for lost tax revenue over a certain period of time.*

10.14 Annexation Not a Tax Initiative

“14. Annexation proposals must not simply be a tax initiative. Each annexation proposal must have consideration of the full scope of costs and revenues related to the affected municipalities. The financial status of the initiating or responding municipality(s) cannot be affected to such an extent that one or the other is unable to reasonably achieve the purposes of a municipality as outlined in section 3 of the Act. The financial impact should be reasonable and be able to be mitigated through reasonable conditions of annexation.”

Compensation:

As stated earlier, the immediate tax impact on both municipalities is minimal. The provision of compensation to the County in the form of a one-time payment will mitigate the minor loss of property tax revenues generated in the annexation area.

The annexation compensation amount of two hundred and twenty thousand dollars is a negotiated agreed-to amount between the City of Leduc and Leduc County. The estimate of the lost tax revenue in the annexation area and the transition for lost property tax revenue was one of a multiple of considerations used as a guide for compensation negotiations. This compensation amount was determined during direct negotiations between the City and County. In the view of the City and County, the compensation amount meets the test of being fair and reasonable within the context of Policy 6.6.4-11 of the IDP and will not have any detrimental fiscal impact on either municipality. The City of Leduc’s preference

was to have the compensation amount paid in a one-time lump sum payment and the County agreed. The compensation amount of two hundred and twenty thousand is less than one percent of the 2012 municipal taxes for each municipality. The compensation amount is approximately 0.6% of the 2012 County's property taxes of \$36.8 million and 0.77% of the 2012 City property taxes of \$28.4 million. Examined over a five year period, the compensation amount is only 0.12% and 0.15% of the 2012 municipal taxes of each municipality. As has occurred in many other annexations, the MGB has respected the agreed-to negotiations of two knowledgeable municipalities acting in the best interests of their taxpayers.

10.15 Conditions Certain, Enforceable and Time Specific

"15. Conditions of annexation must be certain, unambiguous, enforceable and be time specific.

The proposed boundaries of the annexation are well defined and include specific direction as to which roadways are to be included (Appendix A.1). A specific time period of 15 years is provided for the assessment and tax transition for landowners in the annexation area. As well, clearly defined triggering events as to when the transition would no longer apply are included. Specific amounts and a specific time period are provided for compensation to Leduc County.

The annexation is also based on the policies in the City of Leduc Municipal Development Plan which was approved by the Capital Region Board in December 2011. The Municipal Development Plan was based on future population estimates which are consistent with those used in this annexation proposal.

Although the Capital Region Board declined to take a position on the proposed annexation (Appendix A.9), the City and County submit that their resolutions to support the proposed annexation are in conformance with the Capital Region Growth Plan. The Capital Region Growth Plan also established residential density targets for new residential areas. The residential land needs in the proposed southwest annexation area has been developed utilizing the targeted residential densities of 25 to 30 dwelling units per net hectare.

12.0 COMPLIANCE WITH CITY OF LEDUC/LEDUC COUNTY IDP

As stated earlier in this report, the proposed annexation has been directed by the annexation policies 6.6.4 in the City of Leduc/Leduc County IDP (Appendix A.16) and Fig. 11 within the IDP (see Map 8, page 18 in this report). The policies indicate that an annexation may be triggered by the fact that there is not a 30 year supply of residential lands within the City. The annexation analysis has shown that the City of Leduc does not have within its current boundaries a 30 year supply of residential lands. Secondly, the annexation is based on the directive of a 30 year land supply based on the definition within the IDP. In addition, the need for additional residential lands outside the current boundaries has been based on the targeted densities set by the Capital Region Growth Plan. The following table outlines in summary format the conformance of the annexation with the other annexation policies in the IDP.

Fig.12 - Compliance with City of Leduc/Leduc IDP

| Policy | Response |
|---|--|
| Principle of Collaboration | City and County have worked extremely close in the development of this annexation proposal. |
| Primary Criterion – 30 year land supply | 30 year land supply used as the basis for this annexation proposal. |
| Address MGB Principles | All MGB principles addressed. |

| | |
|-------------------------------------|--|
| Support of Approved Plans | IDP, MDP, Transportation Plan, Infrastructure Plan, Recreation and Open Space Plan and Community Facilities Plan support the annexation. |
| Efficiency | The proposed annexation is based on a 30 year land supply. |
| Population 30 year land Supply | 30 year population estimate used as the basis for the annexation. |
| CRB density targets met | CRB density targets of 25 – 30 dwelling units per net acre utilized in calculating the land needs in the proposed annexation area. |
| Avoid premature development | Lands in the annexation area are primarily agricultural; development will occur as an extension of existing development. |
| Logical extension of growth | The southwest annexation area is an extension of the neighborhoods in the western part of the City. The Rollyview Road annexation area is an extension of the City road system in the east. |
| Logical extension of infrastructure | Infrastructure plans have illustrated that the proposed annexation areas are the most logical extension of wastewater collection, water distribution, storm water collection and roadway development. |
| Administration of Services | Services can be provided to the annexation area by the City in a cost-effective, efficient and coordinated manner. |
| Protection of Natural Environment | Buffers and protection of natural features were built into the development constraints for the southwest annexation area. The IDP and MDP contain policies to protect the natural environment. The development of Area Structure Plans for the proposed annexation area will further define the setbacks from the natural features in the annexation area. |

| | |
|-----------------------------|---|
| Assessment and Compensation | The annexation conditions have provided for a 15 year assessment and tax transition for surface landowners in the annexation area. Compensation to the County is based on lost tax revenue as required by the IDP. |
| Annexation Process | All the procedures set out in the Act have been followed during the preparation of the proposed annexation. |
| Public Consultation | An exhaustive and comprehensive landowner and public engagement process was completed. |

13.0 CONFORMANCE WITH COUNTY MUNICIPAL DEVELOPMENT PLAN

The County Municipal Development Plan addresses a number of intermunicipal policy directives. The proposed annexation addresses each of these policy directives.

“13. Intermunicipal Relations

The policies in this section are intended to maintain consultative processes in order to prevent jurisdictional land use conflicts and to facilitate coordinated planning with adjacent municipalities.

Response:

This proposed annexation has been a joint venture since the initiation of the annexation exercise. This process has been founded on a consultative process throughout the various steps of the annexation. Furthermore, the annexation is in conformance with the City of Leduc/Leduc County Intermunicipal Development Plan which is a coordinating planning document developed through an extensive consultative process.

13.1 Planning Objectives

“13.1.1 To achieve harmonious and compatible land use patterns with adjacent municipalities.”

Response:

The proposed land uses (“Primary Urban Residential Growth, Port Alberta Business Industrial, Town Centre) in the annexation area are based on the directives set in Fig. 11 of the City of Leduc/Leduc County IDP. At the time of the adoption of the IDP, these land uses were determined to be compatible with the adjacent agricultural land uses in the County.

“13.1.2 To establish joint planning and referral mechanisms for the resolution of interjurisdictional issues and conflicts through cooperative efforts.

Response:

The City and County have developed referral mechanisms for the review of statutory plans, subdivisions and development applications which may impact either jurisdiction.

The two key policies within the County Municipal Development Plan which address the annexation of lands to urban centres are examined below:

“13.2.5 The County recognizes that an urban municipality may wish to annex land from the County where growth of that urban municipality warrants it. The County may accept the annexation of land by an urban municipality if an annexation agreement can be amicably achieved to address any impact on the County.”

Response:

13.2 General Impact

The proposed annexation area only results in the County transferring 0.2% of its land area. The proposed annexation preserves the County’s growth options and will have little if no impact on the County’s growth areas. The ultimate development of 65 Ave. and 65 Ave. interchange will reduce the traffic congestion along Hwy 39 and provide for additional route options for those County residents travelling through the City from the west or east. Development of 65 Ave/65 Ave. interchange also assists the County by providing access to development lands on the south side of the Airport in the County.

Since storm drainage is limited to predevelopment conditions and is managed by storm ponds and storm trunk lines within the City, little impact is expected on adjacent County lands.

The land uses in the annexation area are largely extensive agriculture. A one-time lump-sum payment has been negotiated and agreed to by both Municipalities to compensate the County of lost tax revenue. Policy 6.6.4 – 11 of the IDP directs that compensation be considered for the impact of lost tax revenue.

Evidence of the achievement of an amicable annexation exists in all the documents prepared for the annexation as these documents illustrate that the annexation is a “joint initiative”. During the initiation of the annexation process, the directive from the joint City/County planning committee was to pursue the annexation as an amicable joint initiative.

13.3 Agricultural Lands

During the course of the consultation process, a few participants and Alberta Agriculture raised the concern about the annexation area consuming high quality agricultural lands. In addition, the County MDP contains a policy to direct annexations for urban municipalities to lower capability agricultural lands wherever reasonably available.

“13.2.6 As a general policy, the County discourages the annexation of high capability agricultural land by an urban municipality where suitable alternative lands containing low capability agricultural land are reasonably available.”

Response: The issue of City growth onto agricultural lands is exhaustively covered in the prior discussion of Policy 6 of the Provincial Land Use Policies (Section 9.0 of this report) and is not repeated in this context.

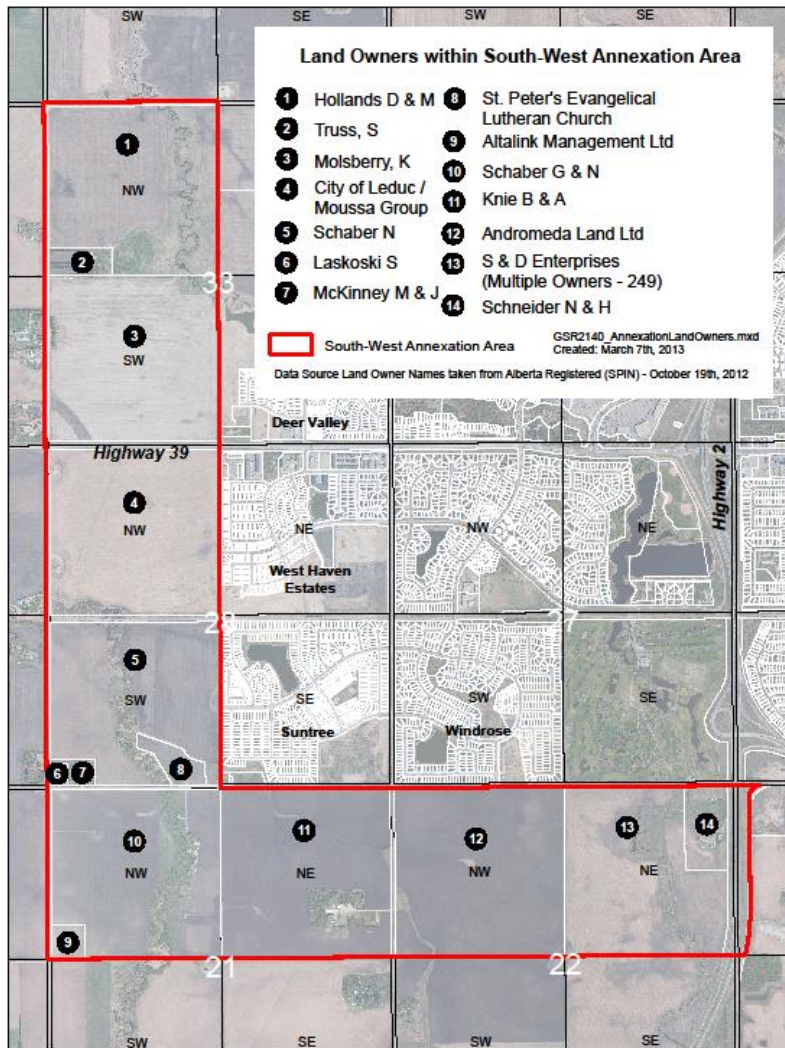
14.0 LANDOWNER POSITIONS

14.1 Surface Landowner Response to Proposed Annexation

Landowners in the proposed annexation area were either sent or given a notice of annexation with an information package and the proposed transition provisions for

the assessment and tax conditions. The annexation area consists of 14 landowners of which one landowner is a consortium of 289 titleholders. The consortium of landowners will be addressed separately because of the undivided interests held by the owners.

Map 20 - Surface Landowners in Southwest Annexation Area



Assessment and Tax Transition Clause

The annexation notice contained a copy of a proposed 15 year assessment and tax transition which included triggering events that would end the transition for a portion of the parcel which was subdivided, rezoned, or connected to municipal water and sewer at the initiative of the landowner. The following outlines the position of the surface landowners and the response of the City and County.

Summary of Surface Landowners Responses – City/County Response

The following provides a summary of the comments received from landowners. Detailed responses are included in Appendix A.22.

Map 21 – Surface Landowner Responses

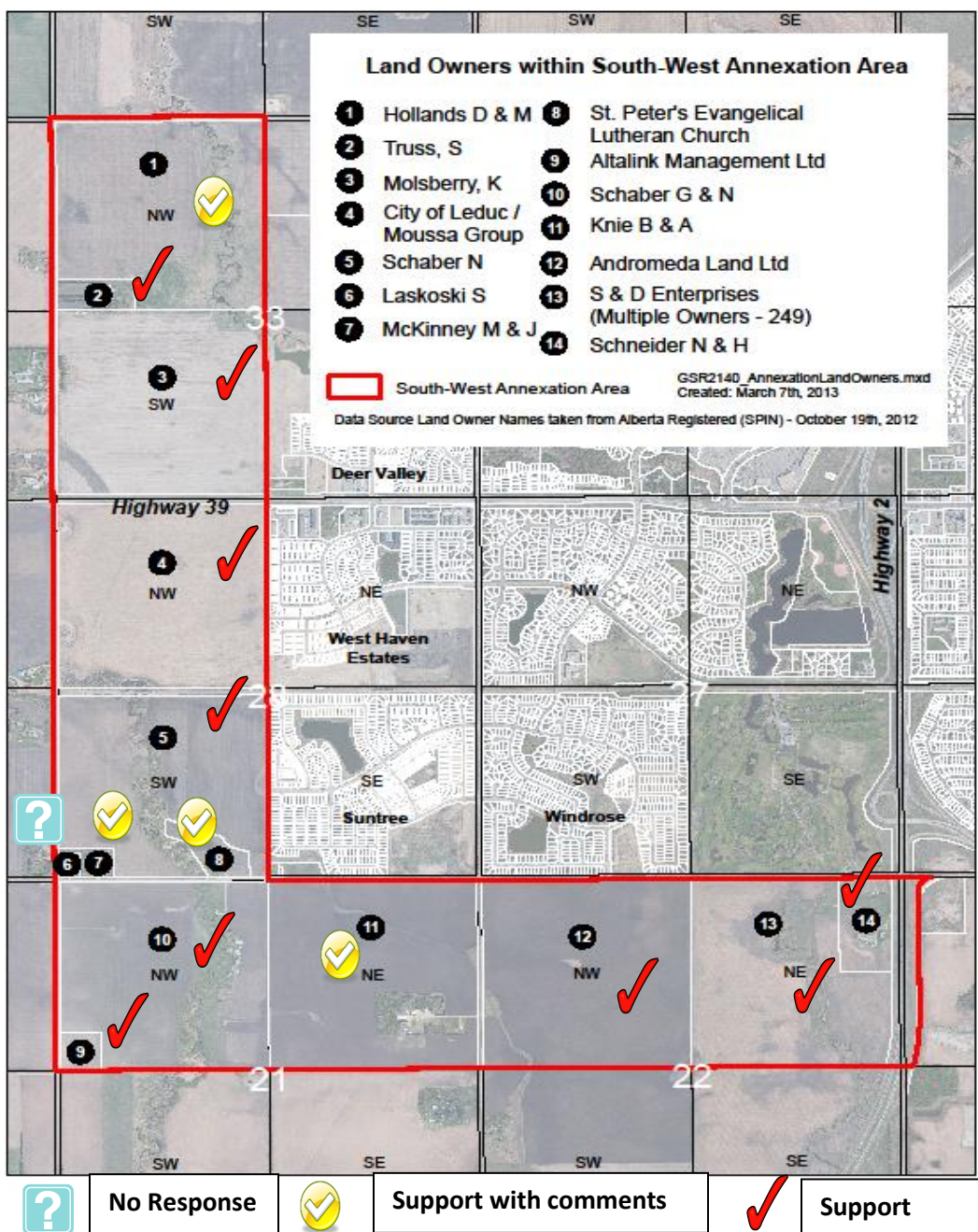


Fig. 13 - Surface Landowner Position – City/County Response

| Surface Landowner | Position |
|------------------------------------|--|
| #1 D. Holland | <i>Agrees to lands being annexed, subject to property tax of Leduc County until development agreement is signed.</i> |
| City/County Response | <i>15 year assessment and tax transition clause provides reasonable transition. Triggering events would not occur until a portion of the property is subdivided, rezoned or connected to water and sewer. It is expected that some of the subject lands would experience some development prior to the end of the 15 years. If warranted, the City has the authority to request an extension.</i> |
| #2 S. Truss | <i>Agrees to lands being annexed, agrees to assessment and tax condition. No conditions, issues or concerns raised.</i> |
| City/County Response | <i>No Response Required</i> |
| #3 K. Molsberry | <i>Agrees to lands being annexed, agrees to assessment and tax condition. No conditions, issues or concerns raised.</i> |
| City/County Response | <i>No Response Required</i> |
| #4 City of Leduc & Ziad Properties | <i>Agrees to lands being annexed, agrees to assessment and tax conditions.</i> |
| City/County Response | <i>No Response Required</i> |
| #5 N. Schaber | <i>Agrees to lands being annexed, agrees to assessment and tax conditions. Purchaser, Melcor has agreed to annexation.</i> |
| City/County Response | <i>No Response Required</i> |
| #6 S. Laskoski | <i>No Response</i> |
| #7 M&J McKinney | <i>Supports annexation with reservations. Would like assessment and tax transition extended to 20 years. Concerned about losing the assessment and tax transition if private water well can no longer be used.</i> |
| City/County Response | <i>15 year transition is reasonable for the size of annexation and the relative impact. As required by the MGB, there are no unique or special circumstances to this annexation that would warrant an extension to 20 years. If warranted at a later date, the City can apply to have the timeline extended.</i> <i>The transition would only be lost if connection is required to both water <u>and</u> sewer. No change would happen for 15 years if the property had to connect to just municipal water.</i> |
| #8 St. Peter's Church | <i>Agrees to lands being annexed, agrees to assessment and tax conditions. Has expectation that future development on the church site will have municipal water and sewer hookups, fire protection, garbage collection, two driveways, and continued flow of surface drainage in the adjacent creek.</i> |

| | |
|---------------------------------------|---|
| City/County Response | Fire protection will be enhanced in the area with the addition of a second fire hall in the annexation area. As urbanization of the area evolves, services will be extended to the property. |
| #9 Alta Link Management | Agrees to lands being annexed, agrees to assessment and tax conditions. |
| City/County Response | No Response Required |
| #10 G&N Schaber | Agrees to lands being annexed, agrees to assessment and tax conditions. |
| City/County Response | No Response Required |
| #11 B&A Knie | Agrees to lands being annexed, agrees to assessment and tax conditions as long as new buildings would not void tax transition. |
| City/County Response | As long as new buildings do not create a subdivision, require rezoning of land or hook up to municipal water and sewer at the initiative of the landowner, transition clause will remain. |
| #12 Andromeda Land Ltd. | Agrees to lands being annexed, agrees to assessment and tax conditions. |
| City/County Response | No Response Required |
| #13 S&D International Development Ltd | Agrees to lands being annexed, agrees to assessment and tax conditions. |
| City/County Response | No Response Required |
| #14 N&H Schneider | Agrees to lands being annexed, agrees to assessment and tax conditions. |
| City/County Response | No Response Required |

14.2 S&D International Development Ltd.

S&D International syndicates properties to individual landowners in undivided units. Each landowner receives a land title registered in their own name for their respective undivided interest from the Government of Alberta Land Titles Office. As a result, the City of Leduc notified 289 title owners with undivided interests in the portion of the NW ¼ OF 22-49-25-4 held by S&D owners in order to comply with Section 116 of the Act. The City utilized the addresses on the available land title documents.

Of the 289 notices sent out, a total of 15 letters were returned for wrong addresses. As of December 18, 2012, sixteen individual landowner annexation response forms had been returned with agreement to have the lands included within the annexation and agreement to the assessment and tax conditions. Included in the

list of sixteen landowners is a response form signed by the principle of S&D International. A list of the landowners is attached in Appendix A.4. Appendix A.23 includes the authority provided to S&D, the “Direction and Power of Attorney” for the operation of the subject lands.

14.3 Subsurface Landowner Response to Proposed Annexation

Annexation notices were sent to the ten subsurface landowners on Oct. 19, 2012. Five of the subsurface landowner notices were returned and marked “return to sender”. Only four of the subsurface landowners responded. One responded in support of the annexation indicating that any oil and gas activity on the property has been suspended. The remaining three responded with concerns about the annexation and objected to the annexation. The subsurface landowner submissions are contained in Appendix A.24.

Map 22 - Subsurface Landowner Responses

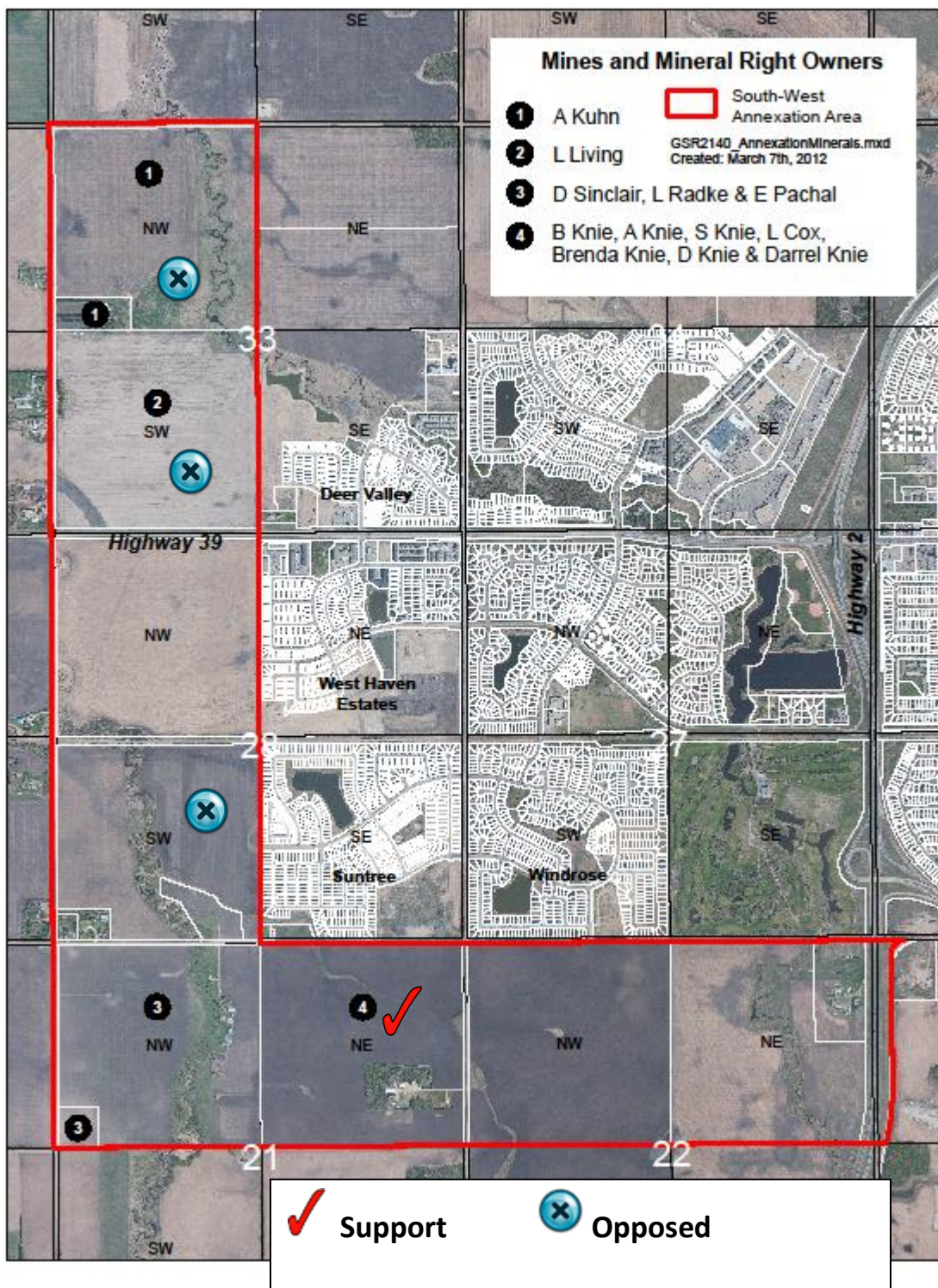


Fig. 14 - Subsurface Landowner Responses

| Subsurface Landowner | Response |
|----------------------------------|--|
| Alma Kuhn / NW ¼ 33-49-25-4 | Submits that her mineral rights will be impacted negatively. Suggests that exploration companies will not lease the mineral rights if buildings are nearby. Will suffer a loss of income and therefore is requesting compensation. |
| Lyla Living / SE ¼ 33-49-25-4 | Annexation will impact mineral rights. Already has been impacted as unable to lease mineral rights since the City was too close. The City should buy the mineral rights or provide compensation. |
| Doris Sinclair / NW ¼ 21-49-25-4 | Objects to the annexation. Annexation will likely affect the possibility of further mining of oil and gas in the area. |
| B&A Knie / NE ¼ 21-49-25-4 | Supports the annexation. Oil and gas activities on the property have ceased. |

Subsurface Landowner Position:

The subsurface landowners positions can be summarized as follows: Annexation will likely affect the possibility to further mine oil and gas in the annexation area. If the land is going to be built-on, the development will affect the ability to extract oil and gas. Recently, one subsurface landowner indicated that they were unable to lease the land because the City was too close. One subsurface landowner suggests that the City should buy the leases or compensate the subsurface leaseholder.

Response:

Section 11, Part 6 of the Oil and Gas Conservation Act provides the authority to refuse or approve permits and approve licences with or without conditions to extract oil and gas minerals with the Energy Resources Conservation Board (ERCB), a provincial authority.

Pursuant to section 619 of the Municipal Government Act, a municipality must approve a licence, approval, or permit granted by the ERCB. The annexation of lands from one municipality to another does not change the authority of the ERCB.

A local municipality like the City of Leduc does not have the ability to refuse, approve or approve with conditions, any request for the extraction of a mineral resource. Therefore, it is the view of the City of Leduc that it cannot draw liability for a decision of the ERCB, nor is it responsible to pay compensation to a party who has had a decision made by the ERCB, or from a decision of an oil and gas company who decides not to exercise the purchase of a lease.

Section 127 of the Municipal Government Act only authorizes the payment of compensation from one municipality to another in the context of an annexation.

“Section 127, an order to annex land to a municipality may:

- (a) Require a **municipal authority to pay compensation to another municipal authority** in an amount set out in the order or to be determined by means specified in the order including arbitration under the Arbitration Act.”*

(City of Leduc emphasizes)

The issue of the impact of annexation on subsurface landowners was extensively argued and dealt with in the 2009 Red Deer annexation.

Mineral Rights

“Issues with respect to mineral rights were raised by several landowners, both at the hearing and through prior written submissions. The MGB notes that subsurface mineral rights are regulated by the Energy Resources Conservation Board (ERCB). As such, mineral rights are not directly affected by a change in municipal jurisdiction. Further, the MGB notes that land use intensification can occur regardless of whether the lands in question are located in a rural or urban municipality. The owners of the mines and mineral rights, as well as the surface landowners, have an opportunity to make their concerns known prior to the issuing of a subdivision, and/or development permit as well as amendments to any statutory plan.

Section 127(a) of the Act outlines that an order to annex land to a municipal authority may “require a municipal authority to pay compensation to another municipal authority...” Because the Act clearly refers to compensation within the context of a transfer between two municipalities, the MGB finds that it does not have jurisdiction to consider whether compensation should be awarded to an

*individual, as suggested by Mr. Blyth.”**

*P. 33 Municipal Government Board Order 083/09 City of Red Deer Annexation

This same issue was dealt with in the Town of High River annexation as recently as 2011, MGB 060/11 on page 18.

“[49] Through the advice of the Town’s lawyers, it was determined that compensation to subsurface mineral rights owners as a result of annexation would be inappropriate. The lawyers indicated that in accordance with recent decisions of the Board, subsurface mineral rights which are regulated by the Energy Resources Conservation Board (ERCB) are not directly affected by a change in municipal jurisdiction. Furthermore, it would be contrary to the provisions of the Act to provide compensation to mineral rights owners. S. 127(a) of the Act contemplates that municipal authorities may be required to enter into compensation arrangements with other municipalities as a result of an annexation; however, this section does not refer to individuals entering into compensation arrangements. Therefore, it is implied that compensation for individuals as a result of an annexation is not contemplated by the Act. For these reasons, the Annexation Agreement does not include compensation for the owners of subsurface mineral rights in the proposed annexation area. “

Advances in drilling technology (directional drilling) have resulted in oil and gas extraction in a variety of **urban** and rural locations. Oil and gas drilling activity has occurred in or near the Town of Devon, the City of Edmonton, and Black Diamond; just to name a few urban centres. These are only a few examples that illustrate oil and gas activity occurs within urban and rural areas. Oil and gas drilling has taken place in many urban centres including most recently the City of Calgary and the City of Lethbridge. As determined in the Red Deer and High River annexation, a change in municipal jurisdiction does not change the regulatory scheme in which mineral extraction (oil and gas drilling) can occur.

15.0 RESULTS OF THE OPEN HOUSES - NOV. 8 AND 15, 2012

The following summarizes the issues raised and the responses provided to those issues raised at the two open houses:

15.1 Attendance

A total of 17 people (not including City and County staff) attended the open house on Nov. 8, 2012 at the Denham Inn Best Western between 5:00 to 9:00 pm.

The majority of those attending were from the Leduc County with a few residents from the City of Leduc also attending. Two landowners from the annexation area were in attendance. A few people outside the City and County also attended.

A total of 10 people (not including City and County staff) attended the open house on Nov. 15, 2012 at the Denham Inn Best Western between 5:00 to 9:00 pm.

The majority of those attending were from the Leduc County with one resident from the City of Leduc and one resident from the City of Edmonton.

Appendix A.13 contains a few photographs of the activity at the open houses.

15.2 Handouts at Open House

Handouts at the open house included: a brochure on the annexation, maps of the annexation area, PowerPoint highlights of assessment and tax impact, MGB annexation principles, and the proposed assessment and tax transition clause. Also, copies of the City of Leduc/Leduc County Intermunicipal Development Plan and the City of Leduc Municipal Development Plan were available to those that attended. Resource persons from the City and County included: the County Manager, County Planner, City Director of Planning and Development, City Engineer and the City Director of Public Services.

15.3 Format of Open Houses

Five display stations dealing with the annexation legislative framework, population forecasts and land needs, infrastructure servicing, financial impacts and municipal services were located throughout the meeting room. Relevant annexation

information was available on poster boards and on computer stations.

Participants were free to view the poster boards and the information at each computer station as well as ask questions of the resource people at each station. Participants viewed the stations between 5:00 pm and 6:30 pm.

At 6:30 pm, a short presentation (PowerPoint) was made to those in attendance explaining the following:

1. annexation process,
2. the key supporting planning documents,
3. the population projections, land capacity within the City, and projected land needs,
4. the factors affecting growth directions in the City were explored along with a review of the infrastructure plans supporting the annexation,
5. the fiscal impact on the two municipalities was reviewed,
6. the assessment and tax impact was explained including the proposed assessment and tax transition clause of 15 years,
7. the overall benefits of annexation to both municipalities were explained.

In addition, additional one-on-one time was spent with the two landowners who attended the open house and who had not yet completed their landowner response form.

15.4 Annexation Open House Summary – Nov. 8, 2012

The following summarizes the issues raised at the open house and the response of the City and County:

- After viewing the City's historical growth, a few participants observed how incredibly fast the City has grown in the past decade.

Response: The annexation team reviewed the historical growth trends and the methods used to estimate the 30 year future population. It was explained that since the annexation was based on a 30 year land supply, the long-term historical 30 year trend was used for the projection and not just the rate of growth in the past decade. As well, the population projection used was the one on which the City's 2012 Municipal Development Plan was based. The

City's Municipal Development Plan received approval from the Capital Region Board.

- Participants asked questions about the annexation process; how the process worked and the costs related to annexation.

Response: During the presentation, the annexation team explained all the steps in the annexation process, the required notices, the studies that were required to support the annexation, the requirement to submit an annexation application to the Alberta Municipal Government Board and the role of the Board. It was explained that the proposed effective date for the annexation is Jan. 1, 2014.

- Questions were raised with regard to the 30 NEF from the Edmonton International Airport.

Response: During the presentation, it was explained how significant an impact the 30 NEF has on the development of the City of Leduc. With the changes to the 30 NEF and the airport protection area that have occurred over time, the City of Leduc has had to modify its approach to future land uses in the area as residential development is not permitted under the 30 NEF. The 30 NEF in essence, forces residential development for the City to the southwest.

- A resident on the east side of the City of Leduc referred to a past annexation agreement between the City and County in 1999 which indicated that the City would not pursue further annexation until it reached a population of 40,000.

Response: The annexation team acknowledged this past agreement. It was pointed out that the agreement was subject to any changes to provincial or federal legislation which may impact the growth of the City. In this case, the Edmonton Airport Protection Area and the 30 NEF have changed since this time and this required a re-examination of the annexation parameters. As well, since that time the City and County have developed an Intermunicipal Development Plan which set out new parameters for annexation which both municipalities concluded were in their best interests.

- An east side resident of Leduc asked when the proposed major arterial (Spine Road) on the east side of the City would be upgraded.

Response: Spine Road is located within the County and originates at the southern boundary of the City of Edmonton. The first priority within the short-term planning period is to upgrade the portion of Spine Road from Edmonton to the Nisku Industrial Park. Spine Road on the eastern side of the City of Leduc would be upgraded in the longer-term planning horizon.

- Participants inquired if the City was looking at annexing lands further to the West on better agricultural lands.

Response: It was pointed out that a few annexation alternatives were examined that included additional lands to the west; however, it was determined that at this time it was best to pursue only a limited area to the west and encourage growth of the City to the south in the direction of the poorer agricultural lands. This does not mean future councils might in the long-term re-examine this strategy based on a new set of circumstances.

- A few participants inquired as to when the City would be growing further south onto the poorer agricultural lands where the cost of land would be considerably cheaper.

Response: The City and County acknowledge that the poorer agricultural lands are located to the south of the City. However, infrastructure capacity specifically wastewater sewer capacity, is limited through the existing city infrastructure and thus, the City cannot grow immediately to the south. In order to reach the southern areas, the City must develop an expensive sewer wastewater trunk line around the eastern or western part of the City. At this point in time, the development of the western trunk line is the most economical and feasible. As well, it would maximize the amount of lands contributing to the cost of the trunk line.

- Participants raised concerns about the current and future traffic congestion on Highway 39 to Calmar, along 50th Ave. and the entrance to QE II.

Response: 50TH Avenue in the west end of the City has recently been upgraded with additional turning lanes. The additional traffic generated by the annexation area will be accommodated by the development of 65th Ave. along the southern boundary of the airport. This major roadway will divert traffic off of Highway 39 within the City. An additional north-south arterial road in the annexation area will connect with 65th Ave. and also in the long-term with the 2A Bypass.

- A resident was of the view that diverting traffic onto a future 65 Ave. arterial would not benefit the City of Leduc.

Response: 65TH Ave. will be developed within the City limits along the south boundary of the airport providing much needed traffic relieve to Hwy 39 within the City. As well, the development of 65th Ave. will facilitate the development of complementary commercial and industrial development to the airport.

- Participants asked questions about the infrastructure required to serve the annexation area.

Response: The City Engineer provided an exhaustive review of the proposed water system, sanitary sewer system, storm drainage system and the transportation network proposed to serve the annexation area. The City Engineer pointed out that some of the annexation area to the southwest could be served through the sanitary trunk system on the west side of the City.

- Participants asked if the sanitary sewer trunk required to service the annexation area would be oversized to service future growth beyond the existing annexation area.

Response: The City Engineer indicated that the design studies would examine oversizing the line in the context of the ability to feasibly finance the line in the context of the 30 year time horizon.

- Participants asked what type of community facilities were being planned for the lands purchased by the City in the annexation area on the NW ¼ of 28-49-25-4.

Response: With the support of the County, the City and a development consortium have purchased the NW ¼ OF 28-49-25-4. Part of the lands will be developed for community facilities such as a fire hall, future high school site, athletic fields and other related recreation facilities. A variety of residential development will occur at this site as well.

- A resident in the annexation area asked if their fire insurance would decrease if they were to be located in the City. A few residents observed that the proposed fire hall on the NW ¼ of 28-49-25-4 should be located further south or closer to the Nisku Industrial Park.

Response: The addition of a fire hall on the western part of the City will reduce the fire response times for property owners on the west side of the City. City and County businesses and residents will benefit from this strategic location. In the future, this fire hall site will have strategic access to 65 Ave. and will be able to serve the airport, Nisku, the western part of the City and the western part of the County near the City.

- A resident was of the view that a proposed high school site on the NW ¼ OF 28-29-25-4 was the wrong location.

Response: The City was of the view that a recreation, school and athletic complex much like the Millwoods complex in South Edmonton would best serve the overall City and growing residential area in the west.

- A resident complimented the City on the number of kilometers of multi-way that existed in the City and the excellent maintenance of the multi-way path system.

Response: The City has a policy of developing walkways and bike trails throughout the City. This positive initiative will be carried on throughout the proposed annexation area.

15.5 Annexation Open House Summary – Nov. 15, 2012

Comments Received Directly and Indirectly Related to the Annexation

- As animals use the creeks for highways, how far will houses be built from the creeks?

Response: Depending on the nature of the creek, the setback may vary. Generally, the setbacks may be in the neighborhood of 20 metres depending on the depth of the creek. Similar setbacks to those used in the existing built-up area of the City can be expected. As the detailed plans (area structure plans) are prepared, the detailed setbacks will be determined in accordance with the environmental policies set out in the City of Leduc/Leduc County Intermunicipal Development Plan and the City of Leduc Municipal Development Plan and any Alberta Environment Guidelines.

- What buildings in the annexation area will be saved as heritage buildings?

Response: There are a few historic buildings in the annexation area dating back to the early 1900's. Currently, the City of Leduc is conducting a historical building survey and developing an inventory of historic buildings. This survey will be extended to the annexation area. The City is working cooperatively with private landowners to voluntarily preserve historic buildings. When the historic building is within the ownership of a private landowner it is within that person's control. This situation does not change whether the lands remain in the County or are annexed to the City.

- How long will it take to build the 65 Ave. overpass, at what cost, and is it economical to build just to accommodate the population within the annexation area?

Response: The planning for an overpass has been in discussion with the province for nearly 20 years and has been a major priority for the City of Leduc and region for some time. 65 Ave. and the 65 Ave. interchange will be designed to ensure the free-flow of traffic on the QE II, facilitate through traffic from and to Highway 39, facilitate the cross-traffic from Nisku Industrial Park and City of Leduc North Industrial Park to the east and west, in addition to providing access to the City and the new annexation area in the medium to long-term planning horizon. 65th Ave. is an integral part of the long-term Capital Region transportation network.

Even with the recent improvements (\$6.3 million) to Highway 39 within the City of Leduc, it is expected that this route will reach capacity in the short to medium-term planning horizon, thus the need to plan for the 65 Ave. overpass to meet future regional and City transportation demands.

The Alberta Government has placed the development of the functional design for the 65th Ave. interchange into its 2013 budget process. The capital costs for the interchange are not within the provinces current 3 year capital budget. The ultimate costs of the 65th Ave. interchange is not known at this time; however, it is expected that the interchange would be built in phases with the first phase estimated to be in the ten to twenty millions. The Alberta Government sets the budget priorities for these types of major road projects.

Most importantly, 65th Ave. and the 65th Ave. interchange have been identified as a major and integral part of the Capital Region road network which also includes the extension of 170 Street (Terwillegar Drive). The 65th Ave. road system has been identified in the City of Leduc/Leduc County IDP and the City's IDP and transportation plans as a major needed future roadway.

- What is the alignment for a future bullet train through Leduc going to be?

Response: Originally, plans anticipated the bullet train right-of-way to travel along the QE II just past the reservoir on the west side of the City. However, this route does not seem practical and the bullet train right-of-way, if ever built, would likely be located west of the airport.

- A participant inquired why the County would allow the City to grow onto the best quality agricultural soil (No. 1 soils).

Response: As pointed out in the previous open house, there were a few annexation alternatives that examined including additional lands to the west. However, it was determined that at this time it was best to pursue only a limited area to the west and encourage growth of the City to the south in the direction of the poorer agricultural lands. Leduc County insisted that no additional lands are examined further west on the best agricultural soils.

In order to grow in the direction of the poorer agricultural soils, the City must first extend its major infrastructure (wastewater trunk line) around the west side of the City to facilitate the logical expansion of existing residential areas.

- What is the projected building time-line within the annexation area?

Response: The proposed effective date for the annexation is Jan. 1, 2014. Area Structure Plans will need to be prepared for the area which generally takes about a year to prepare and adopt. The City is currently initiating discussions with landowners to start the detailed planning process. The City has placed a high priority on getting the much needed fire hall on the west side of the City within the next two years. The fire hall will be designed in 2013 with expected construction to start in 2014.

As there is some servicing capacity within the wastewater trunk line on the west side of the City, it can be expected that housing developments will begin within the short-term planning period (5 years).

- What type of residential development will be occurring in the annexation area?

Response: The City will be required to achieve densities set by the Capital Region Board for the annexation area. The densities must be in the neighborhood of 25 to 30 dwelling units per net hectare, compared to the current densities of 20 to 21 dwelling units per net hectare. As a result, the types of housing in the area may be similar to the mix in Southfork with a mixture of smaller lots, duplex and row housing, as well as apartment and condo-style developments.

- What is the cost to install the sewer system for the annexation area compared to an area directly south of the City? As well, can parts of the annexation area be serviced through the existing wastewater trunk on the west side of the City? How will the wastewater trunk lines for the annexation area be financed?

Response: The City Engineer indicated that the costs of the wastewater trunk will be in the neighborhood of six to nine million dollars to serve the annexation area and that it would be much more costly to serve the area south of the City.

An advantage of the proposed annexation area over an area south of the City is that part of the annexation area can be serviced through the existing wastewater trunk on the west side of the City. There is no capacity through the east side of the City to service an area to the south of the City at this time.

The wastewater trunk line will be financed through the normal development process using offsite levies and developer agreements. The developers of the annexed lands will pay for the servicing at each stage of development.

16.0 SUMMARY OF NON-STATUTORY ANNEXATION JOINT PUBLIC HEARING – NOV. 29, 2012

The City and County held a non-statutory annexation joint public hearing on November 29, 2012. The hearing was attended by all from the City and County Council's with the exception of one City Alderman who was unable to attend. The minutes of the public hearing are contained in Appendix A.14.

A total of fifteen people attended the public hearing (not including City and County staff). An agenda package including: dates of advertisement of the open houses, dates of annexation notices, PowerPoint presentation from the open houses, concerns of mines and mineral landowners and responses to those concerns, summary of local authority and agency responses to Nov. 22, 2012; draft annexation assessment and tax transition clause, and a typical 5 year municipal compensation package. The agenda package was made available to all those who attended.

The Mayor of Leduc chaired the hearing. A short presentation was made by City and County staff. The Chair called for presentations from surface landowners, subsurface landowners, city residents, participants outside the City and County, and from any local authorities or agencies. There were no presentations from any persons in these categories.

Four submissions were made from County residents outside the annexation area:

- Impact of Pipeline on Annexation Area: A County resident who resides adjacent to the western boundary of the annexation area raised concerns about the Alberta Products Pipeline which runs from the Edmonton International Airport south through the eastern edge of the annexation area.

Response: The annexation team indicated that no housing developments would be built within the setback requirements of the right-of-way of the pipeline. The setback requirement as reported by the company is 100 feet from the right of way.

The calculation of the net developable lands in the annexation area had already considered the impact of these setbacks on the developable lands. As

well, similar situations of pipelines running through residential areas exist in other parts of the City of Leduc and in many other communities.

- Agricultural Land Quality/City Growth Directions: Two other County residents owning property south of the City raised concerns about the annexation of high quality agricultural soils on the west side of the City. The County residents suggested that the City should be growing and annexing lands on the lower quality agricultural lands to the south of the City.

Response: The annexation is following the directions of urban growth determined in the City of Leduc/Leduc County IDP. The issue of growth directions was fully debated and decided at that time. The City and County gave full consideration of the high quality of agricultural lands contained in the annexation area and weighed that consideration against the ability to service the lands to the west versus the lands to the south.

One of the constraints to growth directly south of the City is the lack of capacity in the wastewater trunk lines within the eastern part of the City at this time to service growth directly south. Currently, there is capacity in the wastewater trunk in the western sector of the City to serve approximately an additional 1,000 dwelling units within the annexation area.

In order to accommodate growth south of the City, the most economical provision of the wastewater trunk line is to service expansion south via a wastewater trunk line on the west side of the City running through the annexation area as proposed. When servicing extends throughout the south west annexation area, growth directly south of the City will become more feasible.

As well, growth to the south has limited transportation access and is dependent on the long-range development of Spine Road on the east side of the City and an additional railway crossing to get to Highway 2A.

The City and County did evaluate an option to include additional high-quality agricultural lands to the west and south and rejected this option due to the desire to preserve these agricultural lands.

It is also submitted by the City and County that agricultural lands are not immediately lost due to annexation. Cultivation of these agricultural lands continues until the lands are needed for each phase of subdivision and in a number of cases, the topsoil is removed and reused on other properties.

The amount of agricultural lands being lost to eventual urban development is significantly reduced as a result of the annexed lands being required to be developed at residential densities of 25 to 30 dwelling units per net hectare by the Capital Region Growth Plan compared to the average of 21 dwelling units per net hectare in the existing planned residential areas of the City. The result is a reduction of the urban footprint and reduction in consumption of agricultural lands by approximately 30%.

- Transportation Related Concerns: A few of the questions at the public hearing related to traffic congestion along Hwy 39 within the City, the construction of 65 Ave. and the costs of the proposed interchange of 65 Ave. and the QE II, as well as the potential for a proposed interchange for Highway 2A.

Response: *In the short-term planning period, traffic will increase along Hwy 39 within the City. Within the past year, the City has undertaken major improvements (\$6.3 million) to Hwy 39 by adding additional turning lanes. This will alleviate some of the traffic congestion in the short-term. In the long-term, the development of 65 Ave. and the 65 Ave/QE II interchange will divert traffic off of Hwy 39. According to Alberta Transportation, functional designs will commence in 2013 for the interchange.*

65 Ave. and the 65 Ave/QE II interchange have been recognized as a major part of the future regional transportation network. This interchange and roadway will be cost-shared with Alberta Transportation. As well, developer contributions will be made to the construction of 65 Ave. 65 Ave. and the interchange will not only serve the transportation needs of the annexation area, but also serves as a major transportation route for traffic to and from the west and east to the Leduc Industrial Area and Nisku Industrial Park. As well, the interchange will ensure the free-flow of traffic on the QE II.

17.0 SUMMARY OF WRITTEN SUBMISSIONS

Three written submissions (one in support of the annexation and two raising concerns about the proposed annexation) were received (Appendix A.25, A.26). The letter of support is from a local developer who has an interest in furthering the development and growth of the City of Leduc.

The two letters of concern were from a resident within the City and a resident in the County outside the annexation area. These concerns were addressed at the open houses and the public hearing.

In summary, the County resident south of the City was of the view that the City should be growing to the south on poorer agricultural lands where the land is cheaper. He was of the view that 65 ave. was of little benefit to the City and that the proposed 65 Ave. interchange was too expensive.

Response: *As previously discussed in the response to the open houses and public hearing, there is infrastructure constraints at this time for the City to grow to the south. As well, the City/County IDP identified the next phase of urban growth in the southwest. 65Ave. and the 65 Ave. interchange have been addressed as a major component of the future transportation network in the Capital Region.*

In summary, the City resident (resides on the east side of the City) raised concerns about a past annexation agreement prohibiting annexation until the City reached a population of 40,000, the lack of development of Spine Road, the concern over the gravel road in front of their property and the lack of development potential on the east side of the City. The resident's property is located on the eastern side of the City and has access via a County road. She is concerned that little or no development has occurred on the eastern side of the City.

Response: *These matters were addressed in the responses at the open house which the resident attended. The annexation agreement referred to by the resident is outdated and the impact of the revised NEF contour changed the*

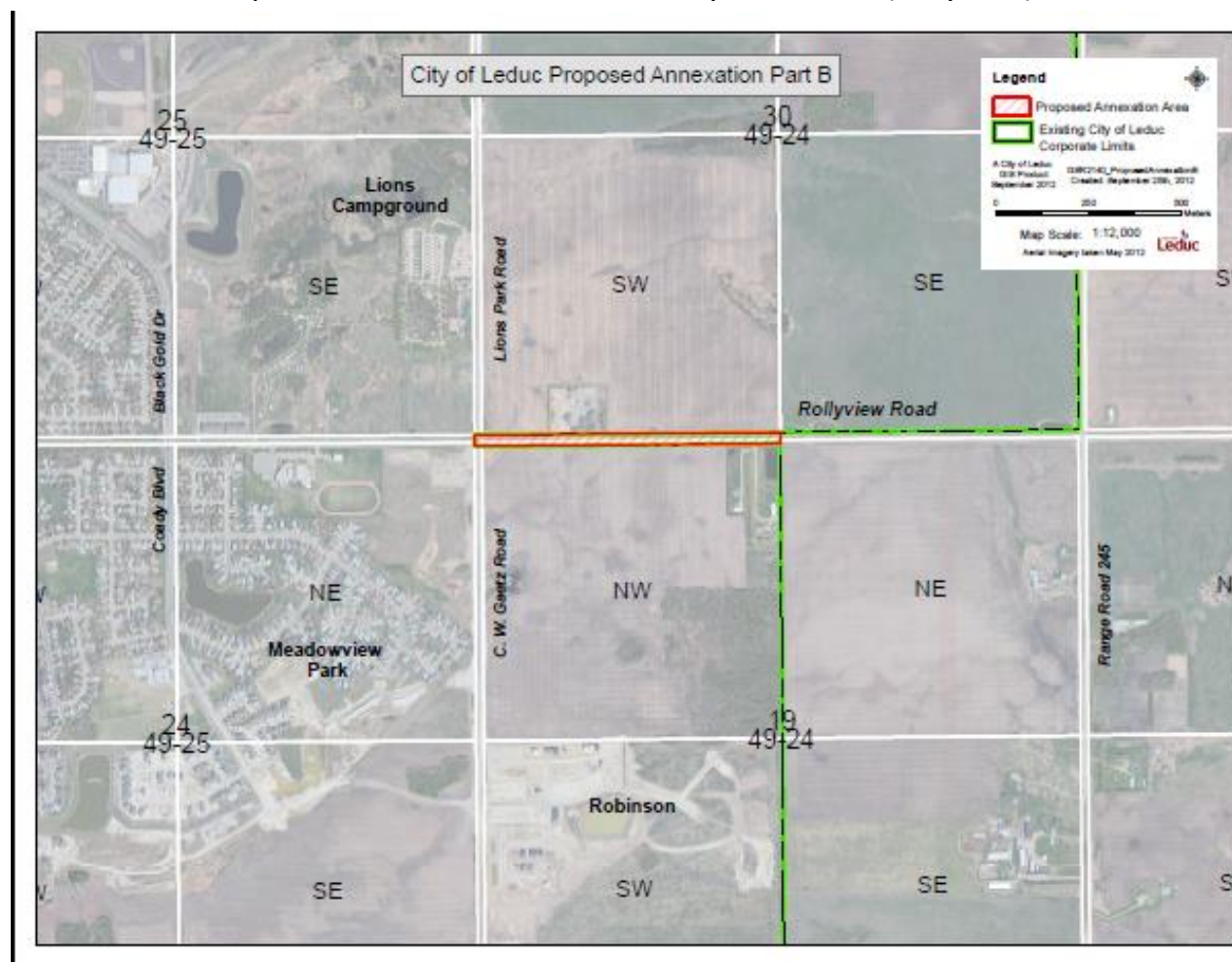
patterns of growth within the City. A new agreement (the City of Leduc/Leduc County IDP) has directed City growth to the southwest. The gravel road (Spine Road) referred to by the resident is within the County. The County's current priority is to upgrade Spine Road between Edmonton and the Nisku Industrial Park. Upgrading of Spine Road further south of the City will occur in the longer-term planning period. Notwithstanding that the Spine Road is within the County, the City has voluntarily provided dust control in front of the resident's property on an annual basis. As identified earlier, residential development in the southeast side of the City is impacted by the 30 NEF noise forecast and servicing limitations (lack of wastewater trunk line capacity).

After the Council meetings of March 11th and 12th authorizing the filing of the annexation application, impacted landowners and parties were given until March 25, 2013 to have any additional written submissions included with the annexation application (Appendix A.32).

18.0 PART B - ANNEXATION ROLLYVIEW ROAD (HWY 623)

At the time of the last City of Leduc annexation in 1999, 0.8 km (1/2 mile) of Rollyview Road (Hwy 623) was left out of the annexation. At that time, additional capital road grants were available to the rural municipality and it was decided at that time that this portion of Hwy 623 would be left out of the City boundaries until a future annexation. As a result, this 0.8 km of roadway remains in Leduc County sandwiched between City boundaries on the north and south.

Map 23 – Annexation Part B – Rollyview Road (Hwy 623)



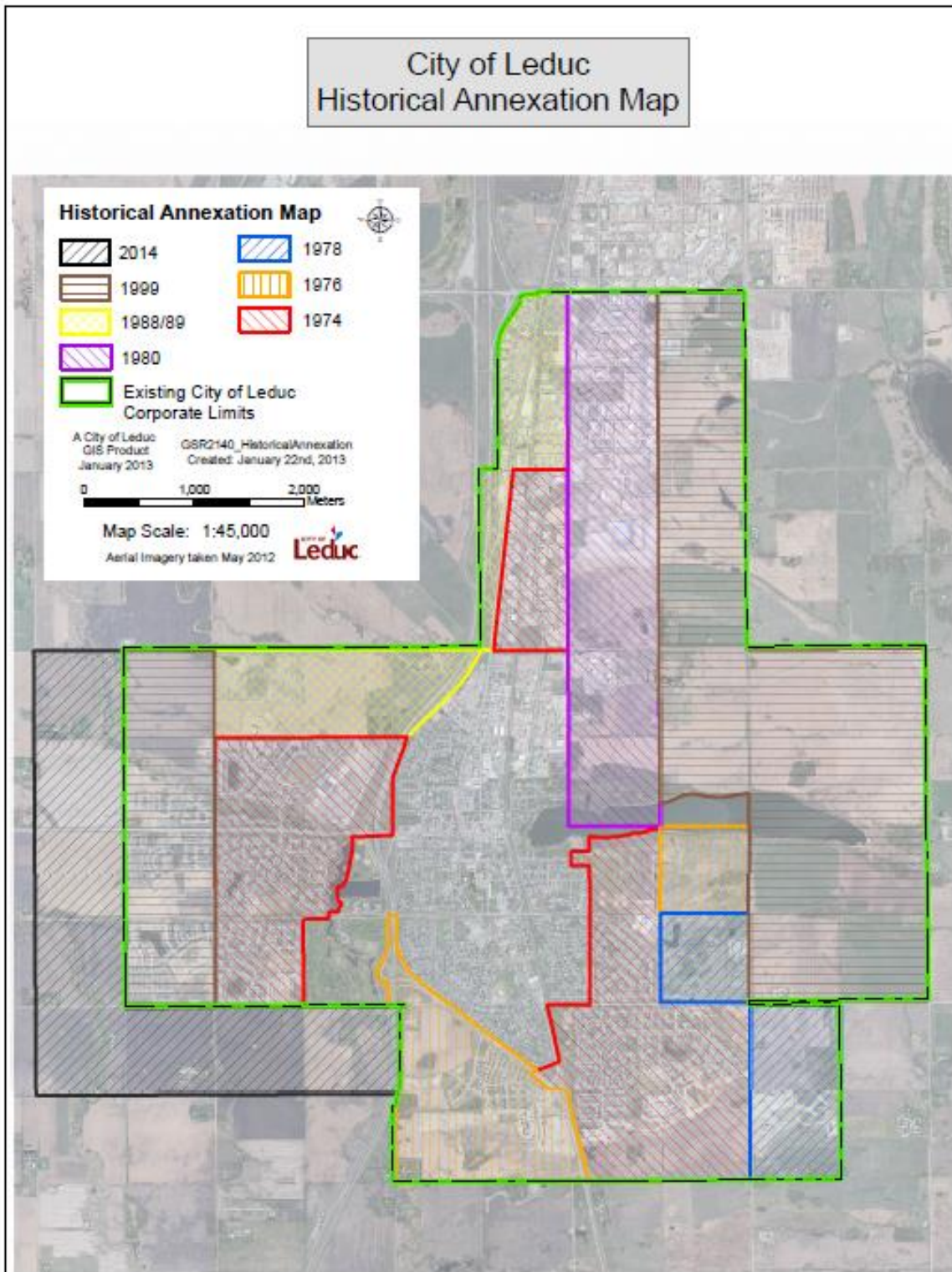
For some time now, Alberta Transportation has been encouraging the City of Leduc to take over care and control of this portion of highway. There are many benefits to the City to have this section of highway included within the City including the following: a significant tangible asset is gained, municipal service crossing can be expedited, and the City can have full control over speed limit and access points. There is no change or impact on any emergency services with the inclusion of the roadway within the City.

The subject roadway will add only 1.6 km of land roadway (2 lanes x 0.8 km) to the City's current inventory of 350 km. The addition will be less than 0.5% of the existing inventory. This will have a minimal impact on operational costs. Reports from Alberta Transportation indicate that this portion of highway is in reasonable good condition and there are no expected capital reconstruction costs in the short to medium planning time horizon.

The addition of this portion of roadway will simplify the boundaries of the City of Leduc and reduce any public confusion as to which municipality the roadway is within.

The County of Leduc supports the addition of this roadway to the City of Leduc. There were no objections to the inclusion of this roadway in the annexation at the open houses, the non-statutory public hearing, nor was there any objections filed in writing.

Map 24 - Proposed Annexation in Relation to Historical Annexations



19.0 DIRECT NEGOTIATIONS

Discussions regarding annexation criteria took place between the City of Leduc and Leduc County during the preparation of the City of Leduc/Leduc County IDP in 2011. After the adoption of the IDP in June 2012, the Joint Planning Committee began focused discussion on the annexation process and in October 2012, the Joint Planning Committee discussed the proposed annexation area, the consultation process, and general matters of interest to both parties. After the public consultation process, the Joint Planning Committee began more in-depth discussions on the conditions of annexation on December 7, 2012. Discussions resumed on January 17, 2013. After January 17, 2013, the Mayors of both municipalities continued to meet to refine and resolve the compensation proposals. On February 25, 2013 the Mayors of both municipalities were able to come to an agreement on a proposed compensation amount to be considered by both municipal councils at their respective Council meetings.

Policy 6.6.4 – 11 of the City of Leduc/Leduc County IDP provided the guidance for the agreement on compensation, assessment and tax transition. The policy states:

“Annexation proposals shall include information on whether assessment conditions on private lands within the proposed annexation territory are to be considered. Annexation proposals shall also include information on any compensation that the annexing municipality may agree to pay to the annexed municipality for lost tax revenue over a certain period of time.”

The following outlines the matters agreed to and the matters requested to be included in the annexation order.

19.1 Matters Agreed To (To be Included in Annexation Order)

- Annexation Area** 1. That the lands described in Appendix A.1 and shown on the Maps in Appendix 2 be separated from Leduc County and annexed to the City of Leduc.
- Effective Date** The City of Leduc and Leduc County request the effective date of the annexation to be January 1, 2014.
- Tax Arrears** 2. That any taxes owing to Leduc County at the end of December 2013 in respect to the annexed land, be transferred and becomes payable to the City of Leduc with any lawful penalties and costs levied as if in Leduc County; and upon the City of Leduc collecting those taxes, penalties and costs owing, the City of Leduc must pay them to Leduc County.
- Assessment 2014** 3. The assessor of the City of Leduc must assess, for the purposes of taxation in 2015 and subsequent years, the annexed land and the assessable improvements to it.
- Assessment Tax Transition** 4. For taxation purposes in 2014 and subsequent years, up to and including 2028, the annexed land and assessable improvements to it:
- (a) must be assessed by the City of Leduc on the same basis as if they had remained in Leduc County, and
 - (b) must be taxed by the City of Leduc in respect of each assessment class that applies to the annexed land and assessable improvements to it using the lower of the tax rate established in the City of Leduc or Leduc County.
5. Where in any taxation year, a portion of the annexed land:

- (a) becomes a new parcel created as a result of subdivision or by instrument or any other method that occurs at the request of, or on behalf of the landowner,
- (b) is redesignated at the request of, or on behalf of the landowner, under the City of Leduc Land Use Bylaw to another designation, or
- (c) is connected to municipal water and sewer at the request of, or on behalf of the landowner.

Section 4 ceases to apply at the end of the taxation year in respect of that portion of the annexed land and the assessable improvements to it.

**County
Compensation**

- 6. The City of Leduc shall pay to Leduc County a one-time lump-sum compensation amount of \$220,000.
 - a. The City shall pay the County the compensation amount no later than July 1, 2014.

19.2 Matters Agreed to by the City of Leduc and Leduc County as a Follow-up to Annexation (Not to be included in Annexation Order)

The City of Leduc and Leduc County agree to the following as matters of follow-up actions to the annexation:

**Timing of Future
Annexations**

The City and County will provide an annual land supply report to the Joint City/County Planning Committee to monitor land supply and events which may impact supply.

These reports should include monitoring of growth rates, significant rapid growth, revised growth projections, landownership changes which limit land development options and housing choice, significant problems with servicing lands within the City, significant economic or fiscal events, requests by

adjacent lands and development to require City services, significant changes in the positive progress of intermunicipal cooperation, federal, regional and/or provincial legislative changes which would impact the development of land within the City, and other like events.

As a general guide, an annexation proposal to secure a 30 year land supply may not be initiated until the existing supply of developable land (as defined in the City of Leduc/Leduc County IDP) has been reduced to approximately 15 years based on these annual land supply reports or a revised time period as supported by the annual supply reports and events.

Future Annexations in Accordance with IDP and MOU

“IDP Committee will monitor growth within Policy Area A in order to anticipate the need for future IDP amendments that would plan for growth to the south and southeast of the City, beyond the 2044 time horizon of The Capital Region Growth Plan. In accordance with Section 6.3 of the IDP, the IDP Committee and the administrations of both municipalities will develop growth indicators to determine the proper time for such IDP amendments”.

65 Ave/65 Ave. Interchange

“Within the understanding that 65 Ave. remains in the care and control of the City of Leduc and final decisions regarding 65 Ave. remain with the City, the City will engage the County in a collaborative design exercise with Alberta Transportation and other affected parties (Edmonton International Airport, adjacent property owners, etc.) to ensure that the improvements to 65 Ave/65 Ave. interchange will maximize benefits to each municipality and ensure the effective and efficient flow of traffic within reasonable cost-effective transportation planning solutions. The key design principles for this route are as follows:

- a) to provide for the safe and efficient flow of traffic balanced with the ability to provide reasonable cost-effective solutions for access to adjacent lands to maximize development opportunities for both the City and County.*
- b) to endeavor to have those lands benefiting from 65 Ave/65 Ave. interchange contribute to the costs of this strategic traffic route.*

Follow-Up Action Plan

- a. The City and County agree to develop an action plan no later than Dec. 1, 2013 for the transfer of all relevant records, documents, bylaws, resolutions, planning decisions, decisions in progress and any other like relevant documents

or materials in order to ensure the effective date of January 1, 2014 can be implemented.

**County Bylaws
and Resolutions**

- b. As per section 135 (d) of the Act, any County Bylaws or resolutions which apply to the annexed area will continue to apply until such time they are repealed by the City and new bylaws and resolutions are instituted by the City.

**Section 135
Provisions**

- c. With the exception of the specific requests outlined in “Matters Agreed To” both municipalities acknowledge the requirements of section 135 and the respective duties and responsibilities imposed on each municipality.

20.0 MATTERS NOT AGREED TO

There are no matters to report that have not been agreed to.

21.0 DISPUTE RESOLUTION/RESULTS

There is no requirement for any dispute resolution.

22.0 PROPOSED EFFECTIVE DATE OF ANNEXATION

Both the City of Leduc and Leduc County respectfully request that the effective date of the annexation be January 1, 2014. Both municipalities believe that the change of administration for the annexed lands is most convenient and logical at the beginning of the year. Depending on the date of annexation order, each municipality should have reasonable time to prepare for the transfer utilizing a date of January 1, 2014.

23.0 PROPOSED BOUNDARY DESCRIPTION

Included in Appendix A.1 is a proposed description of the lands to be annexed based on Map 2. The City of Leduc and Leduc County are prepared to work with the Alberta Municipal Government Board and Legislative Counsel to ensure that the description is appropriate and correctly describes the lands and roadways to be included.

24.0 CITY AUTHORIZATION/COUNTY CONSENT AND SUPPORT

Prior to the Council decisions of March 11th and March 12th, County staff reviewed and provided additional input to the “Negotiations Report/Annexation Application”. These comments were incorporated into the report. On March 11th, 2013 the City of Leduc authorized the completion, signing and filing of the “Negotiations Report/Annexation Application” with the Alberta Municipal Government Board (Appendix A.29).

On March 12, 2013, Leduc County authorized the completion, signing, support and filing of the “Negotiations Report/Annexation Application” (Appendix A.29). Thereafter, the Mayors of both municipalities, on the instructions of their respective Councils, signed the report. The signed report was officially sent to the County and the key local authorities.

25.0 CONCLUSION

The proposed City of Leduc annexation is a modest annexation of approximately 1330 acres (538 ha.) focused largely on accommodating a 30 year residential land supply for the City. The annexation has been based on a collaborative and cooperative venture with Leduc County.

The annexation consultation process was comprehensive and provided anyone interested in the annexation to be engaged and provide input, comments and

suggestions. With the exception of one landowner who did not reply to opportunities for comment, the annexation and the proposed conditions of annexation related to assessment and tax transition for landowners is supported by the surface landowners.

As the extraction of minerals such as oil and gas is governed by separate legislation and a separate regulatory body, the regulatory scheme does not change when the lands come within the municipal jurisdiction of the City of Leduc. Oil and gas activity has and still does occur within urban boundaries, thus the objections and concerns raised by a few subsurface landowners should be weighed accordingly.

The few objections raised by residents outside the annexation area in the County are largely related to the growth directions previously established in the City of Leduc/Leduc County Intermunicipal Development Plan (IDP). These growth directions were fully debated and examined at the time of the preparation of the IDP. This annexation confirms the numerous growth constraints experienced by the City of Leduc and implements the southwest direction for residential growth.

The proposed annexation meets the requirements of the Act, the Provincial Land Use Policies, the Capital Region Growth Plan, and the annexation principles referred to by the Alberta Municipal Government Board. The proposed annexation meets the directives set out in the City of Leduc/Leduc County IDP and is supported by local plans and policies.