Calgary

AGENDA

PRIORITIES AND FINANCE COMMITTEE

February 22, 2018, 9:30 AM

IN THE COUNCIL CHAMBER

Members

Mayor N. Nenshi, Chair
Councillor S. Chu, Vice-Chair
Councillor D. Colley-Urquhart (CPS Chair)
Councillor S. Keating (T&T Chair)
Councillor J. Magliocca (PUD Chair)
Councillor W. Sutherland (UCS Chair)
Councillor E. Woolley (Audit Chair)

1. CALL TO ORDER

2. OPENING REMARKS

3. CONFIRMATION OF AGENDA

4. CONFIRMATION OF MINUTES

    4.1 Minutes of the Regular Meeting of the Priorities and Finance Committee, 2018 January 16

5. POSTPONED REPORTS
   (including related/supplemental reports)

   (None)

6. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

    6.1 2018 Supplementary Property Assessment and Tax Bylaws, PFC2018-0008

    6.2 New Community Growth Strategy, PFC2018-0200

7. ITEMS DIRECTLY TO COMMITTEE

    7.1 REFERRED REPORTS
    (None)

7.2 NOTICE(S) OF MOTION
(None)

8. URGENT BUSINESS

9. CONFIDENTIAL ITEMS

9.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES
(None)

9.2 URGENT BUSINESS

10. ADJOURNMENT

MINUTES

PRIORITIES AND FINANCE COMMITTEE

January 16, 2018, 9:30 AM
IN THE COUNCIL CHAMBER

PRESENT:	Mayor N. Nenshi, Chair Councillor S. Chu, Vice-Chair Councillor D. Colley-Urquhart (CPS Chair) Councillor S. Keating (T&T Chair) Councillor J. Magliocca (PUD Chair) Councillor W. Sutherland (UCS Chair) Councillor E. Woolley (Audit Chair) *Councillor J. Farkas *Councillor J. Gondek
ALSO PRESENT:	City Manager J. Fielding Chief Financial Officer E. Sawyer Acting City Clerk L. McDougall Legislative Assistant J. Lord Charest

1. CALL TO ORDER

Mayor Nenshi called the meeting to Order at 9:32 a.m.

2. OPENING REMARKS

Mayor Nenshi wished all present a happy New Year and welcomed everyone to the first meeting of the Priorities and Finance Committee for 2018.

3. CONFIRMATION OF AGENDA

Moved by Councillor Chu

That the Agenda for the 2018 January 16 Regular Meeting of the Priorities and Finance Committee, be confirmed.

MOTION CARRIED

4. <u>CONFIRMATION OF MINUTES</u>

4.1 Minutes of the Regular Meeting of the Priorities and Finance Committee, 2017 December 05

Moved by Councillor Chu

That the Minutes of the Priorities and Finance Committee held on 2017 December 05, be confirmed.

MOTION CARRIED

5. <u>POSTPONED REPORTS</u>

(None)

6. <u>ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES</u>

6.1 2018 Business Improvement Area Budgets and Enabling Bylaws, PFC2018-0013

Distribution with respect to Report PFC2018-0013:

- Revised page 11 of 26, Attachment 1.

Moved by Councillor Woolley

That with respect to Report PFC2018-0013, the following be approved, **after amendment**:

That the Priorities and Finance Committee recommends that:

1. Council approve the proposed 2018 Business Improvement Area (BIA) budgets (**Revised Attachment 1**) and authorize each BIA board to amend its respective budget by:

   (a) transferring amounts to or from a BIA board's reserves; and

   (b) transferring amounts between expenditures so long as the amount of the total expenditures is not increased;

2. Council Give three readings to the proposed 2018 BIA Tax Bylaw (Attachment 2);

3. Council Give three readings to the proposed 2018 BIA Tax Rates Bylaw (Attachment 3); and

4. This Report and attachments be forwarded to the 2018 January 22 Public Hearing of Council as a matter of Urgent Business.

MOTION CARRIED

6.2 ZBR Program Update – January 2018, PFC2018-0017

Distributions with respect to Report PFC2018-0017:

- A PowerPoint presentation, submitted by Administration, entitled "ZBR Program Update January 2018", dated 2018 January 16; and
- A colour copy of Attachment 6.

Moved by Councillor Sutherland

That with respect to Report PFC2018-0017, the following be approved:

That the Priorities and Finance Committee recommends that Council:

1. Receive for information:

   a. ZBR Program Dashboard (Attachment 1);

   b. Service Improvement Case Studies (Attachment 2);

   c. Parks ZBR – Implementation Update (Attachment 3);

   d. Calgary Building Services ZBR – Implementation Update (Attachment 4);

   e. Information Technology ZBR – Progress Report (Attachment 5); and

   f. Recreation ZBR – Progress Report (Attachment 6).

MOTION CARRIED

6.3 Downtown Parking Strategy Off-Site Improvements Fund, PFC2018-0004

Moved by Councillor Woolley

That with respect to Report PFC2018-0004, the following be approved:

That the Priorities and Finance Committee recommends that:

1. Council approve the creation of the Off-Site Transportation Improvements in Lieu of Parking Fund per the terms in the Attachment; and
2. This Report be directed to the 2018 February 20 Public Hearing of Council to be heard in conjunction with the proposed Land Use Bylaw and Land Use Planning Policy amendments.

MOTION CARRIED

Opposed: Councillor Chu and Councillor Gondek

6.4 2018 Business Tax Rate Bylaw, PFC2018-0012

Moved by Councillor Chu

That with respect to Report PFC2018-0012, the following be approved:

That the Priorities and Finance Committee recommends that:

1. Council give three readings to the proposed 2018 Business Tax Rate Bylaw setting the 2018 Business Tax Rate at 0.0161; and
2. This Report and Attachments be forwarded to the 2018 January 22 Public Hearing of Council as a matter of Urgent Business.

MOTION CARRIED

6.5 Status of Outstanding Motions and Directions, PFC2018-0016

Moved by Councillor Chu

That with respect to Report PFC2018-0016, the following be approved:

That the Priorities and Finance Committee receive this Report for information.

MOTION CARRIED

7. ITEMS DIRECTLY TO COMMITTEE

7.1 REFERRED REPORTS

(None)

7.2 NOTICE(S) OF MOTION

(None)

8. URGENT BUSINESS

(None)

9. CONFIDENTIAL ITEMS

Moved by Councillor Colley-Urquhart

That, subject to Section 197 of the *Municipal Government Act,* and Sections 23 and 24 of the *Freedom of Information and Protection of Privacy Act*, the Priorities and Finance Committee recess at 11:19 a.m. to reconvene in Closed Meeting, in the Council Lounge, in order to discuss confidential matters with respect to Report PFC2018-0010.

MOTION CARRIED

The Priorities and Finance Committee moved into Public Session at 11:23 a.m. with Mayor Nenshi in the Chair.

Moved by Councillor Colley-Urquhart

That the Priorities and Finance Committee rise and report.

MOTION CARRIED

9.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

9.1.1 Naming of a City Park, PFC2018-0010

That, subject to Section 197 of the *Municipal Government Act*, the following members of Administration were in attendance, in Closed Meeting: L. McDougall (Clerk), E. Sawyer (Advice), M. Reid (Advice), and S. Montuffar (Advice).

Moved by Councillor Chu

That with respect to Report PFC2018-0010, the following be approved, **after amendment**:

That the Priorities and Finance Committee recommends that Council:

1. Approve Administration Recommendation 1 contained in Report PFC2018-0010; and
2. **Direct that the Report and Attachments remain confidential pursuant to Sections 23 and 24** of the *Freedom of Information and Protection of Privacy Act* until Council rises and reports.

MOTION CARRIED

9.2 URGENT BUSINESS

(None)

10. ADJOURNMENT

Moved by Councillor Chu

That this meeting adjourn at 11:24 a.m.

MOTION CARRIED

THE FOLLOWING ITEMS HAVE BEEN FORWARDED TO THE 2018 JANUARY 22 REGULAR PUBLIC HEARING OF COUNCIL:

URGENT BUSINESS:

6.1 2018 Business Improvement Area Budgets and Enabling Bylaws, PFC2018-0013

6.4 2018 Business Tax Rate Bylaw, PFC2018-0012

THE FOLLOWING ITEMS HAVE BEEN FORWARDED TO THE 2018 JANUARY 29 REGULAR MEETING OF COUNCIL:

CONSENT:

6.2 ZBR Program Update - January 2018, PFC2018-0017

CONFIDENTIAL ITEMS, CONSENT AGENDA:

9.1.1 Naming of City Park, PFC2018-0010

THE FOLLOWING ITEM HAS BEEN FORWARDED TO THE 2018 FEBRUARY 20 REGULAR PUBLIC HEARING OF COUNCIL:

CONSENT:

6.3 Downtown Parking Strategy Off-Site Improvements Fund, PFC2018-0012

The next Regular Meeting of the Priorities and Finance Committee has been scheduled for 2018 February 06 at 9:30 a.m.

CONFIRMED ON 2018

CHAIR

ACTING CITY CLERK

2018 Supplementary Property Assessment and Tax Bylaws

EXECUTIVE SUMMARY

Council approval is required to authorize the 2018 Supplementary Property Assessment Bylaw and 2018 Supplementary Property Tax Bylaw.

ADMINISTRATION RECOMMENDATION:

1. That Council give three readings to the 2018 Supplementary Property Assessment Bylaw and 2018 Supplementary Property Tax Bylaw; and
2. That Report PFC2018-0008 be forwarded to the 2018 March 19 Regular Meeting of Council.

PREVIOUS COUNCIL DIRECTION / POLICY

Council has passed similar bylaws each year authorizing the preparation and taxation of supplementary property assessments, most recently through the 2017 Supplementary Property Assessment Bylaw 11M2017 and 2017 Supplementary Property Tax Bylaw 12M2017.

BACKGROUND

Property assessments are used as the basis for The City of Calgary's municipal and provincial property taxes and subject to the requirements and procedures set out in the *Municipal Government Act* (MGA) and related regulations.

<u>Supplementary Property Assessments</u>

Individual residential, non-residential and machinery and equipment property assessments are prepared by The City of Calgary's Municipal Assessor the year before the property tax is imposed and reflect the property's value as of July 01 and the characteristics and physical condition of the property on December 31 of year before the tax year.

During the tax year, under the direction of a Council Bylaw the Municipal Assessor prepares supplementary assessments for municipally assessed property where there is an increase in property value due to completed construction, or the occupation of an improvement made to a property, or a when a manufactured/mobile home is moved into Calgary after January 1. The value of a supplementary assessment is pro-rated to reflect the number of months during which the improvement is completed or occupied or, in the case of a manufactured home, is located in Calgary.

Prior to amendments to the MGA in force as of January 1, 2018, some components of heavy industrial properties were assessed at the municipal level. The revised MGA includes a new property class, Designated Industrial Property (DIP), which consolidates these with major plants, railway, linear property and facilities regulated by the Alberta Energy Regulator, the Alberta Utilities Commission, or the National Energy Board into a single class. Responsibility for annual DIP assessments will transition to the Provincial Assessor and will reflect the property's value and operational status on October 31 of year before the property tax is imposed.

Also, as of this year, a new provision in section 314.1 of the MGA allows the Provincial Assessor to prepare supplementary assessments for any new DIP property that becomes operational after October 31 of year before the tax year. The value of a DIP supplementary assessment will be pro-rated to reflect the number of months during which the property is operational.

2018 Supplementary Property Assessment and Tax Bylaws

Supplementary Assessment Bylaw

Section 313 of the MGA provides Council with the authority to pass a Supplementary Property Assessment Bylaw for municipally assessed property types and to direct the Municipal Assessor to prepare and issue supplementary property assessments. The Bylaw applies to the year in which it is passed and only if it is passed before May 01 of the same year.

The 2018 Supplementary Property Assessment Bylaw in Attachment 1 is similar to the Bylaws presented to Council in 2017 and in previous tax years with two exceptions. First, updates were made to reflect the 2018 dates. Second, revisions were made reflect recent administrative amendments to the MGA:

1) All references to the term “Assessor” have been replaced by the term “Municipal Assessor”, which is defined in section 2(b) of the Bylaw.
2) Section 7 of the Bylaw has been updated to reflect a new MGA section 316.1, which clarifies the content of supplementary assessment notices.
3) Section 4(1) of the Bylaw has been updated to reflect a wording change in MGA section 314(1) where the term “operational” has been use instead of “completed or begin to operate” as a requirement for preparing assessments for machinery and equipment.

Supplementary Tax Bylaw

If Council passes the Supplementary Property Assessment Bylaw, a Supplementary Property Tax Bylaw must also be passed in the same year under the authority of section 369 of the MGA.

A new provision within section 369 of the MGA provides Council with the option to pass a bylaw authorizing it to impose a supplementary tax for DIP property if it passes a bylaw authorizing it to impose a supplementary tax in respect of all other property in the municipality.

The attached 2018 Supplementary Property Tax Bylaw is similar to the Bylaw presented to Council in 2017 and in previous tax years with two exceptions. First, updates were made to reflect the 2018 dates. Second, changes were made to include supplementary taxation of DIP property as permitted in the new MGA sections 314.1, 359.3 and 369(2.01).

The tax rates imposed on supplementary assessments will be the same as the tax rates set out in the Property Tax Bylaw that is expected to be passed by Council later this spring.

An upcoming change to the MGA is the introduction of sections 325.1 and 369.1 through the City of Calgary Charter (the “Charter’”). These sections would enhance administrative efficiency as they allow Council to pass a Supplementary Assessment Bylaw and a Supplementary Property Tax Bylaw that can remain in place until they are repealed instead of passing one every year. This option has not been introduced in the attached Bylaws as the Charter is not yet in effect.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Supplementary property taxes for municipally assessed properties were included as a revenue source in Council’s *Action* Plan Mid-Cycle Adjustments. If Council chooses not to support the recommendation, this revenue will not be available.

2018 Supplementary Property Assessment and Tax Bylaws

Stakeholder Engagement, Research and Communication

The annual process for preparing the 2018 Supplementary Property Assessment and Supplementary Property Tax Bylaws report includes staff members from the Finance, Law and Assessment business units.

The Government of Alberta worked with owner/operators of DIP and other industrial properties in focussed consultations during their review of the MGA and its associated regulations.

The transition of responsibility to the Provincial Assessor will include communications at the provincial and municipal level.

Strategic Alignment

The recommendation is in alignment with the direction in *Action* Plan 2015-2018, the Mid-Cycle Adjustments and the 2018 Budget Adjustments.

Social, Environmental, Economic (External)

The Supplementary Property Assessment Bylaw and the Supplementary Property Tax Bylaw authorize The City to assess and tax properties within the current taxation year. Passing the bylaws is consistent with The City of Calgary's municipal tax direction in 2017 and prior years.

Financial Capacity

Current and Future Operating Budget:

Supplementary tax revenues are a source of funding for current and future operating fiscal plans. For 2018, the budget amount is $9.5 million in municipal supplementary property tax revenues.

Current and Future Capital Budget:

Supplementary tax revenues are a source of funding for current capital fiscal plans.

Risk Assessment

If Council does not pass the 2018 Supplementary Property Assessment and 2018 Supplementary Property Tax Bylaws, The City will not be able to prepare supplementary assessments and levy the supplementary property tax. This would reduce the revenue available for City of Calgary operations and, in turn, services to Calgarians.

REASON FOR RECOMMENDATIONS:

The 2018 Supplementary Property Assessment and 2018 Supplementary Property Tax Bylaws provide The City with the authority to prepare supplementary property assessments in order to levy 2018 supplementary property taxes. *Action* Plan 2015-2018, the Mid-Cycle Adjustments and the 2018 Budget Adjustments include and rely on the supplementary property tax as a municipal revenue source.

ATTACHMENT(S)

1. Attachment 1 – Proposed Wording for the 2018 Supplementary Property Assessment Bylaw
2. Attachment 2 – Proposed Wording for the 2018 Supplementary Property Tax Bylaw

PROPOSED WORDING FOR THE 2018 SUPPLEMENTARY PROPERTY ASSESSMENT BYLAW

WHEREAS section 313 of the *Municipal Government Act*, R.S.A. 2000, c.M-26 ("the Act") provides that the council of a municipality must pass a supplementary assessment bylaw to authorize the preparation of supplementary assessments in respect of improvements for the purpose of imposing a tax in the same year;

AND WHEREAS section 313 of the Act provides further that a supplementary assessment bylaw or any amendment to it applies to the year in which it is passed, only if it is passed before May 1 of that year;

AND WHEREAS The City of Calgary wishes to pass a supplementary assessment bylaw to provide for the preparation of supplementary assessments in respect of improvements for the taxation year 2018;

NOW THEREFORE THE COUNCIL OF THE CITY OF CALGARY ENACTS AS FOLLOWS:

1. This Bylaw may be cited as the "2018 Supplementary Property Assessment Bylaw".

2. In this Bylaw,

   (a) "Act" means the *Municipal Government Act*, R.S.A. 2000, c.M-26;

   (b) "Municipal Assessor" means the person appointed to the designated officer position of Municipal Assessor pursuant to section 284.2 of the Act and Bylaw 49M2007;

   (c) "City of Calgary" means The City of Calgary, a municipal corporation of the Province of Alberta and, where the context so requires, means the geographical area within the boundaries of the City of Calgary;

   (d) "Council" has the same meaning as in section 1 of the Act;

   (e) "Improvement" has the same meaning as in section 284 of the Act;

   (f) "Supplementary Assessment" means an assessment made pursuant to this Bylaw and Part 9, Division 4 of the Act.

3. Supplementary Assessments shall be prepared in 2018 for the purpose of imposing a tax in the same year under Part 10 of the Act.

4. Subject to the provisions of section 314 of the Act, the Municipal Assessor must prepare Supplementary Assessments:

   (1) for machinery and equipment used in manufacturing and processing, if those Improvements are operational in 2018;

(2) for all other Improvements, if they are completed in 2018, are occupied during all or any part of 2018, or are moved into the City of Calgary during 2018 and will not be taxed in the same year by another municipality; and

(3) in the same manner as the assessments are prepared under Part 9, Division 1 of the Act, but must pro-rate the Supplementary Assessments to reflect only the number of months during which the Improvement is completed, occupied, located in the City of Calgary or in operation, including the whole of the first month in which the Improvement was completed, was occupied, was moved into the City of Calgary or began to operate.

5. The Municipal Assessor may prepare a Supplementary Assessment for a designated manufactured home that is moved into the City of Calgary during the year in which it is to be taxed under Part 10 despite the fact that the designated manufactured home will be taxed in that year by another municipality.

6. A supplementary assessment roll shall be prepared in accordance with section 315 of the Act.

7. (1) A supplementary assessment notice shall be prepared in accordance with sections 316 and 316.1 of the Act for every assessed Improvement shown on the supplementary assessment roll.

(2) The supplementary assessment notices shall be sent in accordance with sections 316 and 316.1 of the Act to the assessed persons.

8. This Bylaw comes into force on the day it is passed.

PROPOSED WORDING FOR THE 2018 SUPPLEMENTARY PROPERTY TAX BYLAW

WHEREAS section 369 of the *Municipal Government Act*, R.S.A. 2000, c. M-26 provides that the council of a municipality must pass a supplementary property tax bylaw to authorize it to impose a supplementary property tax in respect of property for which supplementary assessments have been prepared;

AND WHEREAS Council has enacted Bylaw xxM2018 to authorize supplementary assessments to be prepared during 2018;

NOW THEREFORE THE COUNCIL OF THE CITY OF CALGARY ENACTS AS FOLLOWS:

1. This Bylaw may be cited as the "2018 Supplementary Property Tax Bylaw".

2. In this Bylaw,

   (a) "Act" means the *Municipal Government Act*, R.S.A. 2000, c. M-26;

   (b) "Bylaw xxM2018" refers to a bylaw of The City of Calgary to authorize the preparation of supplementary assessments in the City of Calgary during 2018;

   (c) "City of Calgary" means The City of Calgary, a municipal corporation of the Province of Alberta and, where the context so requires, means the geographical area within the boundaries of the City of Calgary;

   (d) "Council" has the same meaning as in section 1 of the Act;

   (e) "Supplementary Assessment" means an assessment made pursuant to Bylaw xxM2018 or section 314.1 of the Act.

3. A supplementary property tax shall apply to all taxable Supplementary Assessments which have been prepared in 2018 in accordance with Bylaw xxM2018 or section 314.1 of the Act.

4. Subject to the provisions of section 369 of the Act, the supplementary property tax rates for 2018 are the same as the property tax rates set by the 2018 Property Tax Bylaw and section 359.3 of the Act.

5. A supplementary property tax roll shall be prepared in accordance with section 369 of the Act.

6. (1) Supplementary property tax notices shall be prepared in accordance with section 369 of the Act for all taxable property shown on the supplementary property tax roll of The City of Calgary.

   (2) Supplementary property tax notices shall be sent in accordance with section 369 of the Act to the persons liable to pay the taxes.

7. This Bylaw comes into force on the day it is passed.

New Community Growth Strategy

EXECUTIVE SUMMARY

To facilitate strategic and efficient growth in new communities, developers and The City of Calgary (The City) work together to resolve matters related to infrastructure needs, timing and financial impact of proposed developments. A shared goal is to realize new communities that are financially sustainable, address market demand, and help achieve the goals of the Municipal Development Plan (MDP) and Calgary Transportation Plan (CTP).

The City has invested, and will continue to invest, in new community development through its capital and operating plans and budgets. At any given time, The City has many priorities and projects, and limited financial capacity. As a result, there are instances where developers are interested in initiating new communities, and The City has not funded the necessary capital and operating expenses to provide services. In these cases, a Growth Management Overlay is in place, indicating that required funding sources and amounts are yet to be secured. The primary questions being addressed through this work are: Does The City need to encourage more new community development? And if so, how should it be funded?

This work responds to the development industry's (Industry) requests associated with The City's strategic growth decision processes for new communities. Through the Industry/City Work Plan, Administration has been working closely with Industry to create a New Community Growth Strategy (Strategy) to clarify how development proposals with Growth Management Overlays will be evaluated, and what options may be available to resolve outstanding capital and operating funding issues.

This report addresses funding options for new community development where a Growth Management Overlay is in place. Administration evaluated four specific options for funding, considering fiscal sustainability, assumption of risk, service levels, market response, and cost drivers. In addition to considering new communities, there are currently 27 actively developing communities that continue to require various levels of funding for both capital and operating costs. Financial decisions for the 2019-2022 budget will need to balance investment between new communities and actively developing communities, as well as investments in established and industrial areas to ensure development overall is moving in the direction set out in the MDP/CTP.

This report responds to Council direction approved through the Strategic Growth and Outline Plan Applications in Developing Areas report (PFC2017-0480). This work is part of continuing efforts to improve The City's strategic growth decision processes. Future work through the Industry/City Work Plan will expand beyond new communities to address strategic growth in established areas and industrial areas.

ADMINISTRATION RECOMMENDATION:

Administration recommends that the Priorities and Finance Committee recommend that Council:

1. Direct Administration to report back to Council, through the Priorities and Finance Committee in Q2 2018 with strategic growth recommendations that increase the level of City commitment and investment in new communities, beginning with the 2019 – 2022 budget cycle, as identified in option 1(b) in this Report, and prioritize future growth areas outlined in Attachment 1, including financial implications for the 2019-2022 budget cycle, future budget cycles, and how any funding gaps for operating and capital would be funded using the property tax;
2. Direct Administration to bring a monitoring report on the implementation of the New Community Growth Strategy to the Priorities and Finance Committee no later than Q4 2019; and
3. Direct Administration to bring a report to Council, through the Priorities and Finance Committee, no later than Q3 2018, with findings and recommendations toward the development of an Established Areas Growth Strategy, including funding and timing considerations, that complements the New Community Growth Strategy.

PREVIOUS COUNCIL DIRECTION / POLICY

From 2012 to the present, Council approved the use of Growth Management Overlays (Overlay) in individual Area Structure Plans in order to manage growth related issues, including unfunded capital and operating costs and strategic alignment with Council priorities.

On 2016 January 11, as part of C2016-0023 Off-site Levy Bylaw report, Council directed Administration to "implement the key deliverables of the 2016 work plan to address issues that arose through this process". Issues that are addressed in this report include the funding and financing of capital and operating costs, and increasing clarity in the Overlay process.

On 2017 July 31, as part of PFC2017-0480 Strategic Growth and Outline Plan Applications in Developing Areas report, Council approved an amendment to the Municipal Development Plan (MDP) in Volume 2: Part 1, 4.3.1(d). This amendment changed the policy to allow for the submission of combined Land Use and Outline Plan (LU/OP) applications prior to removal of an Overlay.

Also on 2017 July 31, as part of PFC2017-0480 Strategic Growth and Outline Plan Applications in Developing Areas report, Council adopted the following recommendation:

3. Direct Administration to continue working with Industry on developing a process for strategic growth analysis and decisions, and bring an update report to the Priorities and Finance Committee no later than 2018 Q1.

New Community Growth Strategy

BACKGROUND

Policy and Budget Framework
The City has planned for and invested in new community development considering the following three factors: where and when should the city grow, what are the market factors that inform growth patterns, and can The City afford the capital infrastructure and operating costs.

The City sets policy for design and growth patterns, and approves funding arrangements for infrastructure and servicing. Design and growth patterns are implemented through Area Structure Plan (ASP) policy. ASPs are approved by Council to provide a policy foundation for development in greenfield growth areas within the city. While an ASP typically identifies required capital and operating costs necessary to bring full City services to the plan area, it does not commit The City to a timeframe to fund the infrastructure and services. The Overlay identifies growth related costs to ensure they are recognized and intentionally managed.

Once the policy framework is in place, and it is identified that there is a need for new community development, The City works to secure funding for required capital and operating investments. The approval of these funding arrangements has been the pre-requisite for Overlay removal. This has historically been achieved through Council approval of multi-year service plans and budgets, or through alternative developer driven funding arrangements such as Construction Finance Agreements.

Beginning in 2012, all ASPs have been approved with Overlays to indicate that the required capital and operating funding was not within approved City budgets. For all ASPs, capital infrastructure investments have historically been budgeted in a manner that reflects approved policy, Council priorities, and the Council directed target of 3-5 years of fully serviced suburban land supply (MDP, Section 5.2.3). Operating costs are included in the budget at the time development necessitates City services. A current map of actively developing communities and future investment areas is provided as Attachment 1. All future investment areas are in ASPs approved since 2012.

Over time, the policy framework of the ASPs in relation to the Overlay has evolved. The three generations of ASPs that span the last ten years are summarized in the chart below, and the current growth strategy used in making new community growth decisions is detailed in Attachment 2.

Generation	Key Attributes	Key Development Milestones
1	• Approved prior to 2012 • Initiated by The City, considering growth policy, City finances and land supply • ASP funded by The City • No Growth Management Overlays ○ Example: *West Macleod ASP*	• LU/OP applications can be submitted following the Council approval of the ASP • Development initiates after LU/OP approval
2	• Approved between 2012 and 2013 • Initiated by The City, considering growth policy, City finances and land supply • Number of ASPs began to grow faster than The City's ability to fund servicing • ASP funded by The City • Growth Management Overlays included where unfunded City servicing was required • Example: *Keystone Hills ASP*	• LU/OP applications can be submitted following Council approval of ASP • Overlay can be removed (and LU/OP can be approved) once the funding of City servicing is addressed to the satisfaction of Council • Development initiates after LU/OP approval
3	• Approved in 2013 to present day • ASP funded by Developers • Moved the consideration of City finances and land supply into budget development discussions • Allowed for greater ASP approvals as role of ASP shifted to provide improved information for budget decisions • Growth Management Overlays included where unfunded City servicing is required • Example: *Providence ASP*	• LU/OP applications can be submitted following Council approval of ASP. • Overlay can be removed (and LU/OP can be approved) once the funding of City servicing is addressed to the satisfaction of Council • Development initiates after LU/OP approval

The City continues to approve policy, review planning applications, and make significant investments in new communities. The City's capital and operating investments currently define the new community market: when Council approves public funding and financing for required City infrastructure and services, it allows developers to move along the approvals process and begin to invest private capital into new lands, ultimately leading to construction and occupancy of new units.

Industry/City Work Plan
Alongside the approval of the Off-site Levy Bylaw (C2016-0023), Council directed Administration to work with Industry on an Industry/City Work Plan to address identified initiatives that would help improve the context for development in Calgary. As part of this work plan, strategic initiatives were initiated for new communities, industrial areas, and established areas, and reporting has been brought to Council regularly. The New Community Growth Strategy initiative has been primarily focused on clarifying process and addressing capital and operating mitigation options and alternative funding and financing approaches for developers pursuing removal of Growth Management Overlays.

Between 2016 and 2018, Council approved the initial six developer funded ASPs, the new rate structure in the Off-site Levy Bylaw, and the initiation of the Industry/City Work Plan. Over that time, a consistent number of developers have been in close contact with Administration, seeking clarity on The City's processes and financial requirements for initiating new community development, both inside and outside of City budgets. Developers have been clear with Administration that there is interest in continuing to invest in new communities in Calgary, over and above what The City is financially able to support. Administration, in turn, has committed to reviewing when and where new community growth should occur and how new community growth should be funded.

Proposed Investment Strategy Discussion Areas
In 2016, Administration developed an investment strategy that identified areas for priority capital investment in greenfield communities, established areas and industrial areas. Through Infrastructure Calgary, these priorities were presented to Council on 2017 March 6 for in-principles funding approval (C2017-0214). In 2017, Council approved capital investment of $84.24 million in infrastructure and public amenity investment to support development in established areas and industrial areas as well as 212/Deerfoot interchange that supports greenfield development.

Business Case Invitation
In 2016 October, Administration extended an invitation to Industry to submit business cases in support of development in Overlay areas. Ten business cases were subsequently received. Developers were asked to include information outlining how their lands and development plans advance the objectives of the MDP and CTP, meet market demand, contribute to economic development in Calgary through property tax generation, private capital investment and job creation and their proposal to fund required infrastructure ahead of City budgets. Each developer submission receives an initial review, a second more detailed review and set of comments, and a response letter providing initial conclusions and outlining next steps.

Outline Plan Submissions Prior to Growth Management Overlay Removal
In parallel with the business case analysis work, BILD Calgary Region submitted a letter in 2017 March requesting that The City amend policy to allow Land Use/Outline Plan application prior to Overlay removal for all ASPs. Following an extensive review and further engagement, Administration brought forward an amendment to the MDP in Volume 2: Part 1, 4.3.1(d) to enact this change. Council approved the amendment during the 2017 July 31 Combined Meeting of Council. The Overlay still must be removed prior to Council approving land use. The following table displays the status of business cases and Land Use/Outline Plan applications received for areas with Overlays in place.

Area Structure Plan	# of Business Cases	# of Land Use/Outline Plans
Keystone Hills	1	3
Belvedere	1 City prepared 1 Developer prepared	2
South Shepard	1	2
Rangeview	1 City prepared	2
Haskayne	1	1
Providence	1	2
Glacier Ridge	3	3
Nose Creek	1	0
East Stoney	1	1
Total	**12**	**16**

Emergency Response Service Times in Relation to Urban Growth
In parallel with this work, at the 2017 July 31 Combined Meeting of Council, through a motion arising during the Strategic Growth and Funding in the South Shepard Area Structure Plan (PFC2017-0445) report, Council directed Administration to complete a review of the Calgary Fire Department's Service Level and Response Times Target policy, including as assessment of the impacts of residential sprinklers in growth areas, best practices, policies and performance objectives for fire response times in other Canadian municipalities and provide a comparison in relation to the National and Provincial Building Code standards to inform the Service Levels and Response Times Target policy review. Administration will report back to the 2018 March 5 meeting of the Standing Policy Committee on Planning and Urban Development. This report will consider options and risk mitigations that could enable growth in new communities beyond the seven-minute response time. The report will also consider the financial impacts of an interim service model including that interim servicing would commit The City to operating and capital budget requirements for Fire later in the build out timeframe of a new community when costs are closer in alignment to property tax generated in the new community.

The report on emergency response is an input to the overall new community growth strategy. As service delivery evolves, the growth strategy is intended to incorporate changes to policy or service standards for any service. The emergency response report does not change the focus of the new community growth strategy, which is to guide growth decisions that consider strategic policy alignment, market factors and prudent management of The City's finances.

Motivation for this Work
The goal of reviewing the Strategy is to develop a system that appropriately manages The City's risk and provides for the following outcomes: transparency and accountability of City investments, creating the conditions for The City to be nimble and able to react to shifts in market demand, supporting the local economy through job creation and private capital investment, improving Calgary's regional competitiveness, furthering Calgary's reputation as an investment market of choice, and supporting a healthy and profitable development industry.

The challenge for this work is to establish an improved strategic growth framework for new communities – one that works for developers seeking to invest in Calgary and in new communities, and that also works for The City, and its perpetual obligation to provide services in new communities.

It is acknowledged that new community development generates significant economic activity, from the planning stage through to construction. Development supports short term job creation through the construction phase and long-term job creation in commercial and light industrial developments in these areas. Private investors that have indicated a desire to invest in this type of development opportunity in Calgary may redirect their investment to other markets if it is not facilitated in Calgary.

Examining different approaches for new community growth that enable developers to advance their lands ahead of typical growth patterns will leverage private investment and support local economic recovery and future growth. Additionally, being proactive in investing in new community growth is expected to position The City to be ready for an upswing in housing demand and ensure that The City is prepared to meet the demand.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Administration considers strategic policy alignment, market forces and trends, and The City's fiscal capacity when making growth recommendations. The following sections describe some of the pertinent market and financial analysis completed during this work.

Market Forces
The City of Calgary monitors both capacity and demand for housing in the Calgary market. This monitoring supports The City in its efforts to ensure that capacity does not fall too low (and risk pushing housing prices up while reducing affordability), or become too high (and risk inefficiency in delivering City services and/or overinvestment in City infrastructure and push housing prices down). Furthermore, a balanced capacity scenario can increase competition and innovation, while encouraging communities to build out in order to support public and private amenities

There are 27 actively developing communities with serviced capacity for ~14,100 single residential and ~33,000 multi residential units. These communities are in various stages of the development cycle, from initial stages (e.g., Belmont, Yorkville) to nearing completion (e.g., Sherwood, Cranston). Based on current population forecasts, this represents a citywide serviced land supply of four to five years, meaning that at the estimated rate of population growth, there would be enough housing units in the city to accommodate housing needs for four to five years.

Considering both current capacity analysis and The City's own demand forecast, there is currently a balanced level of single residential capacity and choice among actively developing communities. However, there are a number of communities that will nearly complete their single residential build out within the next budget cycle (2019-2022). These completions will be partially offset by expected additional capacity in new communities in the Keystone Hills ASP, the West Macleod ASP, and the Cornerstone ASP, as well as any supply initiated through the next budget cycle.

The City will need to monitor both the supply and the number of actively developing communities to ensure that there remains sufficient choice and competition in the market. Furthermore, if demand trends are higher than the current City forecast, accelerating new capacity into the market may be required. Third party market forecasts, including one prepared by Altus Group for The City, anticipate a higher level of demand in the next ten years than The City's forecast. Finally, capacity levels for multi residential units remain well in surplus of expected demand. Attachment 3 provides analysis of capacity and demand in the Calgary market.

Direct Incremental Operating Costs
A great deal of research has been conducted by Administration on direct incremental operating costs to inform this work, both the amount of cost to be used in the analysis of new community growth as well as the timing of service introduction in a new community. For the purposes of this work, a direct incremental cost model is being used that identifies resourcing costs that result from an increase in City service activity. Once a new community starts to develop, these direct incremental costs will be incurred by The City and need to be included in operating budgets. Funding of these costs is through property taxes. Broadly, these costs are introduced as a community builds out, with different costs introduced at different points. Some costs are incurred at initiation (e.g., black cart) while others are introduced later on when there is a larger population (e.g., base transit). Most of the service introduction timing is linked to build out. Typically, a new community builds out with single residential housing introduced first followed by multi residential and non-residential. Build out rates gradually accelerate to 300-400 constructed units per year. A breakdown of each cost component along with the timing of service introduction and what is included in the cost assumptions is in Attachment 4.

A new community will generate property tax revenue as it builds out, and some level of credit against costs is warranted for this revenue. It is suggested that the credit consist of the proportion of property tax that provides service directly to the community calculated as the same proportion as all taxpayers, citywide. In order to understand what proportion of property tax to allocate, Administration considered the costs associated services delivered community by community and those services that are delivered on a regional basis. It has been determined that 30 per cent of tax revenue is attributable to provide service on a regional basis (e.g., 311 operators and libraries), meaning 70 per cent of revenue is attributable to individual community services (e.g., Calgary Transit).

It should be noted that the calculation of community based costs is different from the calculation of direct incremental costs. For example, it has been determined that Calgary Transit provides services community by community. Therefore, all Calgary Transit costs are included in the 70 per cent allocation. For direct, incremental costs purposes, however, only the costs of additional transit routes are considered, and not the balance of all costs within Calgary Transit, such as costs to support the bus storage and maintenance facilities and the fare processing centre. This means that the direct incremental costs are less than the 70 per cent calculation.

Capital Costs
Each community requires capital infrastructure to be developed at various points through the development timeframe. Interchanges, linear utility extensions and other investments are often required prior to a community being able to develop, while infrastructure like libraries and recreation centres are often delivered later in the community's development.

New Community Growth Strategy

Required City delivered infrastructure is funded, in part, through off-site levies paid by developers. Not all costs of off-site infrastructure are covered through levies as The City is required to fund a portion of this infrastructure. Funding sources for The City's portion include grants and utility rates. Debt is also a financing tool used to pay for capital infrastructure. Current guiding principles for the use of debt is that debt will be used if there is a specific and identifiable repayment source for interest and principle. In addition, there must be consideration given to The City's capital priorities, debt policies and debt servicing capacity to inform the level of investment and by which projects that can be made by The City using debt as a financing tool.

Capital costs typical of a new community can be an interchange (~$70M), linear utility extensions (~$10-$100M), and fire halls (~$15-$20M), as well as contributions to regional costs like wastewater treatment plant upgrades. These costs are largely covered by levies, however the portion benefitting the population outside of new communities is the responsibility of The City. This City portion can become a challenge to fund depending on availability of other funding sources.

Each developer constructs and pays for local infrastructure in a new community. This includes infrastructure like roads, parks, storm ponds and utilities. Upon completion, this infrastructure is turned over to The City to operate and maintain.

Overall Revenue
The City has a number of emerging issues in the financial outlook. Slower growth than experienced in the past is anticipated, combined with the on-going accommodation of past growth decisions, continued inflationary expenditure pressures and anticipated low property tax rate increases. Operating costs are funded through property taxes, user fees, utility rates and other lesser corporate revenue sources such as franchise fees. The current financial outlook predicts lower assessment base growth than in the past, as well as lower increases to future anticipated property tax rates have, in turn, lowered City revenues projections. Property taxes are the only available source of revenue that can be directly adjusted to balance increases in expenditures. Rates and user fees can be changed, but the revenue associated with them is dependent on demand.

The balancing of direct incremental operating costs, capital costs, and various revenue sources both now and over time is the key challenge underlying the stated goal of developing a growth strategy that fits within The City's fiscal capacity.

Budget Impacts
Infrastructure and servicing costs are introduced at various times of community development. To deliver services to the actively developing communities and future development areas, the following investment is required:

	Capital	Operating		
	Estimated one time investment	Estimated total remaining annual operating cost	2019-2022	2023+
27 Developing Communities	$700 million	$72 million	$28 million	$44 million
Future 13-15 Communities	$950 million	$66 million	$10 million	$56 million
Total	$1,650 million	$138 million	$38 million	$100 million

Further detail regarding capital investment requirements for currently developing communities and future investment areas can be found in Attachment 5.

Options

Weighing the considerations of market demand, The City's financial capacity, and providing clarity on process, four options were evaluated and are described below:

1. (a) **Maintain funding allocation in line with past budgets** for new community growth in the 2019-2022 Business Plan and Budget. Use current growth strategy decision making inputs (strategic alignment, meeting demand forecasts, and City financial capacity) to make recommendations. Identify for Council what investments best prepare The City for growth over the next ten years. Historically, this has meant two ASPs are brought on each budget cycle, resulting in four to six new communities starting in the next budget cycle.
    - *Operating Costs:* Funded through City budgets, allocated from standard funding sources (property taxes and user fees).
    - *Capital Costs:* Funded through City budgets, allocated from standard funding sources (off-site levies, grants and Pay as You Go).

1. (b) **Increase funding allocation** for new community growth. Use current growth strategy decision making inputs (strategic alignment, meeting demand forecasts, and City financial capacity) to make recommendations. Identify for Council what investments best prepare The City for growth over the next ten years with an added perspective to stimulate economic growth and attract additional private investment. This could result in three to four ASPs or six to twelve new communities starting in the next budget cycle.
    - *Operating Costs:* Funded through City budgets, allocated from standard funding sources (property taxes and user fees). Increased allocation and funding sources to be identified through future reporting, ahead of the 2018 November One Calgary budget.
    - *Capital Costs:* Funded through City budgets, allocated from standard funding sources (off-site levies, grants and Pay as You Go). Increased allocation and funding sources to be identified through future reporting, ahead of the November presentation of One Calgary.

2. **BILD Calgary Region Proposal.** As part of an agreement that allows any developer to proceed ahead of City budget timelines, BILD Calgary is proposing that costs will be funded in the following ways:

- *Operating Costs:* City costs funded through City budgets, allocated from standard funding sources (property taxes and user fees). Developer will make a payment to The City (revenue contribution) that offsets a portion of operating costs by paying an amount equal to the growth impact of identified City services, starting at initiation of a community and finishes at the point when The City introduces the service, or at a relative efficiency point to be determined by both parties. The developer continues to provide this payment until the point is reached, transferring some market and efficiency risk to the developer (see Attachment 6 for more information).
- *Capital Costs:* Funded through City budgets, allocated from standard funding sources (off-site levies, grants and Pay as You Go) (see Attachment 6 for more information). Introduce, or reintroduce:
  - Construction Financing Agreements, where required capital is built, financed by the developer, with The City agreeing to repay a developer in full at a set future time.
  - The ability to pay for infrastructure and be repaid as off-site levies are paid by other developers citywide
  - The ability to pay levies with infrastructure in lieu of cash
  - The ability for The City to provide a stronger recovery mechanism that allows developers who pay for infrastructure without recovery, to be able to recover from other benefitting landowners

3. **Cost Coverage Method.** Based on funding approved by Council, costs would be managed in the following ways:
   - *Operating Costs:* City portion funded through City budgets, allocated from standard funding sources (property taxes and user fees). Through an agreement with a developer, The City would identify the required operating costs to bring standard servicing to a new community. This amount would become fully funded from the following sources:
     - 70 per cent of property tax generated though development would be recognized to offset direct incremental costs
     - An Economic Benefit Credit would be established and funded by property tax to acknowledge economic uplift to the city from the advancement of the development
     - Any remaining cost gap would be the responsibility of the developer
   - *Capital Costs:* Funded through City budgets, allocated from standard funding sources (off-site levies, grants and Pay as You Go).

4. **Enact Special Taxes on Benefitting Areas to recover operating costs.** Use current growth strategy decision making inputs (strategic alignment, meeting demand forecasts, and City financial capacity) to make recommendations on new communities.
   - *Operating Costs:* Funded through City budgets, allocated from standard funding sources (property taxes and user fees). For growth areas outside of City budgets, any increased operating costs would be funded through a special tax assessed to homeowners in the benefitting area.
   - *Capital Costs:* Funded through City budgets, allocated from standard funding sources (off-site levies, grants and Pay as You Go).

The table below highlights advantages, disadvantages and recommendations for the above options:

Option	Advantages	Disadvantages	Conclusion
1(a) Maintain current new community investment levels	• Established method, track record of new community initiation • No additional property tax burden, managed within existing budgets • Control of growth decisions remains with Council • Cost certainty for City and developers	• Does not address Industry concerns around developer initiation of communities • Does not expand new community investment or seek the associated economic activity	• This option is not recommended. While it provides a balanced approach, this option does not sufficiently address industry concerns or the risk of capital flight
1(b) Increase new community investment levels	• Established method, track record of new community initiation • Expands new community investment and the associated economic activity • Control of growth decisions remains with Council • Control of investment amount remains with Council • Cost certainty for City and developers	• May not address Industry's concern around developer initiated communities • There will be a financial impact on capital and operating that may not be fully recovered through levies and property taxes • May result in increased property tax commitment, diversion of funding from other City priorities or delayed introduction of services to manage operating costs	• This option is recommended, as it retains much of the strategic growth control and financial oversight, while also accepting some risk and partnering with Industry
2. BILD Calgary Region Proposal	• Partners with Industry through revenue contribution to allow developer initiated communities, seeking the associated economic activity • Cost certainty for developers	• Council concedes some control of community initiation to developers • No cost certainty for City as developer contribution does not fully cover operating cost/revenue gap • Unknown property tax increase required to fund proposals as they are brought forward • Additional administrative burden • Debt impacts likely if Construction Finance Agreements and other tools are introduced	• This option is not recommended. While it provides a limited amount of additional revenue, it shifts control of growth to developers without fully transferring risks. Total cost acceptance by The City is unknown.

New Community Growth Strategy

Option	Advantages	Disadvantages	Conclusion
3. Cost Coverage Method	• Partners with Industry through shared cost contributions to allow additional communities, seeking the associated economic activity • As City contribution would be capped, The City has cost certainty and Council can decide on the communities in which to invest	• This option is not supported by Industry as it is thought to create two tiers for community initiation, (1) City funded and (2) City/developer funded • Modeled developer contributions are believed to be unaffordable to most developers • Would result in a property tax increase to fund City contributions	• This option is not recommended. While it demonstrates clearly how any additional costs would be funded, it is not supported by Industry and therefore cannot be implemented.
4. Special Taxes	• Allocates additional operating costs directly onto benefiting residents • No citywide property tax impact • No developer contributions	• A bylaw must be approved annually by Council, adding uncertainty • Limited application, only applicable for services specifically listed in the Municipal Government Act • Fairness concern as residents pay for the same services as others through regular and special tax • Additional administrative burden • Potential for market distortion	• This option is not recommended. The concerns around fairness, funding uncertainty and market distortion are significant.

Options Summary
Through this work, a considerable amount of effort involving Administration and Industry went into evaluating alternative funding options that would allow a developer to advance their lands ahead of City approved budgets and plans. In depth analysis and stakeholder engagement was conducted to evaluate costs, risks and various tools that may be available to The City and developers.

While the current approach (Option 1(a)) has served The City and Industry well, it is not without opportunity for improvement. This approach does not address Industry's desire to invest capital and develop new communities in Calgary and is not recommended.

Next, BILD Calgary Region brought forward a proposal (Option 2) that provides the full benefit of advancing development with limited operating cost coverage and without fully transferring the risks of market fluctuations and service costs to the developer. After careful consideration and analysis, Administration could not move forward with BILD's proposal as the residual financial risk is considered to be too great for The City to assume.

Concurrently, The City developed a cost coverage method (Option 3) that provided a credit for property tax generated in a new community and additionally acknowledged the economic benefit to the city of an increase in capital investment and job creation in the local economy. The method would require a developer to pay the remaining operating costs. This approach was not accepted by Industry as it was considered to be a two-tiered system and did not provide cost certainty to the developer.

Finally, the option of a Special Tax (Option 4) was evaluated. A Special Tax is not universally applicable under the Municipal Government Act and must be approved annually by Council. This option is not recommended. The concerns around fairness, funding uncertainty and market distortion are significant.

Since options 1(a), 2, 3 and 4 were not acceptable, Administration considered what approach could best address the objectives of supporting economic development, creating the conditions for The City to be nimble and able to react to shifts in market demand and addressing the Industry's interest in investing in new community development. Administration came back to the current approach of funding new community investment through City budgets and considered increasing the level of investment for the 2019-2022 budget cycle. Option 1(b) is recommended as it best meets the objectives and manages The City's risk.

Recommendation
1(b) Increase new community investment levels

Administration is recommending approval of a Strategy which maintains the current approach to new community investment and provides Council with an option to increase the level of investment to bring on additional communities, while considering financial implications for the 2019-2022 budget cycle, future budget cycles, and how any funding gaps for operating and capital costs would be funded using property tax. This option ensures that The City is ready to meet market demand in five to ten years and provides a contingency plan for the next four years should market conditions shift in the short term.

This approach meets the objectives of managing an appropriate level of risk for The City, creating the conditions for The City to be nimble and able to react to shifts in market demand, furthering Calgary's reputation as an investment market of choice and supporting a healthy and profitable development industry. If this recommended approach above is accepted by Council, Administration proposes to provide Council with recommendations for investment levels and areas in 2018 Q2, to be included in the 2019-2022 One Calgary service plans and budget.

New Community Growth Strategy

To implement the recommendation, a developer seeking to remove an Overlay and invest in new community development will do so by preparing a business case for analysis. It is recommended that all business cases be evaluated together, once every two years, so that Council has the opportunity to consider the cumulative impact of many communities potentially proceeding and the resulting impact on The City's investment capacity.

Currently, Administration makes major capital and operating recommendations through the four-year budget cycle, with another opportunity occurring at the two year, mid cycle point. Business cases that are selected to be funded in the budget can have their Overlays removed through an ASP amendment. Going forward, it is intended that strategic growth decisions be made on a predictable two-year cycle in alignment with budget decisions. Business cases not selected for budget inclusion can be reconsidered through the mid-cycle budget adjustment process. The mid-cycle next budget adjustment for 2019-2022 will occur in 2020 Q2. Timelines of this work and connection to the One Calgary timelines is outlined in Attachment 7.

It is further recommended that a monitoring report be completed no later than Q4 2019, and prior to the mid-cycle budget adjustment recommendations anticipated in 2020, so that stakeholder feedback can be gathered and changes and improvements to the Strategy can be considered and recommended, if necessary.

Additionally, it is recommended that a similar approach to growth funding for Established Areas be brought forward for Council's consideration. The Established Areas Growth Strategy will address strategic alignment to the Municipal Development Plan, market factors, financial benefits of redevelopment, a review of existing funding and financing tools and timing of investment levels.

Stakeholder Engagement, Research and Communication

Extensive engagement was carried out through the New Community Growth Strategy initiative of the Industry/City Work Plan. A group of Industry representatives and City staff met biweekly for over a year. Since 2017 August, a smaller group of BILD Calgary Region representatives met with City staff. It is expected that this engagement will continue past this report as the topics of determining the business case prioritization approach and continuing discussions on alternative funding and financing will required input from Industry.

Administration also met with Calgary Economic Development to understand economic benefit derived from advancing new communities and capital investment in Calgary. Additionally, a strategic session with the banking industry and commercial lenders was held to gain valuable insight into funding and financing capacities within the Calgary market.

Within Administration, City staff frequently updated the cross-corporate growth decision-making teams, including the Directors Integrated Growth Committee (DIGC) and the General Managers Strategic Growth Committee (GMSGC).

New Community Growth Strategy

Strategic Alignment

All new community development must be aligned with Municipal Development Plan and Calgary Transportation Plan policies, as well as relevant Area Structure Plans and other City standards.

In Part 5 of the Municipal Development Plan, there is language calling for The City to provide essential infrastructure when granting land use for new developments, as well, that "municipal capacity to finance growth shall be priority consideration in growth and change decisions including ... major land use applications". The recommendation remains aligned with this by continuing to link municipal finances to growth decisions, and by requiring that Council remove an Overlay prior to any land use approvals.
By exploring increased investment in new communities, the recommendation is also well aligned with City efforts aimed at retaining or increasing economic activity, and with the Municipal Development Plan goal of building a prosperous city. This has been a key message in annual reporting and annual budget deliberations. Supporting the economy, enabling businesses to invest, and keeping Calgarians working are key goals. At the same time, prudent management of City costs and debt is also critical.

Social, Environmental, Economic (External)

Social
There are no social impacts directly arising from this report.

Environmental
There are no environmental impacts directly arising from this report.

Economic (External)
Industry has indicated that the current policy and practice is deterring private investment in new communities. Therefore, the recommendations are anticipated to help retain or increase investment and result in greater investment of private capital in new communities and support job creation in Calgary.

Financial Capacity

Current and Future Operating Budget:

The extent to which Council chooses to approve new communities will have an operating budget impact. At budget time and as development proposals come forward to Council for Overlay removal and land use approval, consideration of the impacts to current and future operating budgets will be required. How any funding gaps for operating costs are to be funded using property tax will also require Council decisions.

Current and Future Capital Budget:

As with the operating budget, the extent to which Council chooses to approve new communities will have a capital budget impact. This is will include considerations for both capital expenditures and any associated debt and debt servicing capacity. How any funding gaps for capital costs are to be funded using property tax will also require Council decisions.

Risk Assessment

The topic of new community growth impacts many services and every City department. Considering the magnitude of investments and service delivery for citizens that live in new communities is critically important to the success of a Strategy. Risks related to financial impacts, policy outcomes and inaction are included below.

Capital spending for new communities often places additional burden on The City's debt capacity. The City is considering funding many major projects and initiatives, and the sum of these projects will put pressure on The City's debt capacity.

Investment in new communities may impact the efficiency of previous capital investment in communities that are currently developing, if market dilution is the result.

An increase in the number of new communities developing may lead to slower absorption rates and development timelines, resulting in inefficiency as operating budget gaps where services have been introduced and property tax revenue is not materializing to cover the costs of service.

There may be a desire to relax servicing standards to mobilize community building, which would bring a risk of The City having to improve the servicing at an unknown later date, or continue to accommodate a lower level of service.

The proposed changes are modelled on estimated values of The City's operating costs. With any model, there are baseline assumptions that are required, and these assumptions will be tested as the new system is implemented. Growth targets and the range of operating expenses may prove to be different from the modelled assumptions and can be tracked and adjusted over time.

With more investment in greenfield areas, The City may not be able to meet its long term Municipal Development Plan (MDP) targets for growth and intensification. Developers in established areas may raise concerns about implementation practices that do not align with approved policy.

The economic downturn has resulted in a decrease in investment and jobs in the residential construction industry. Increased investment will assist to support the construction industry through this downturn and mitigate further job loss. Taking no action may result in further job losses across the residential development and construction industry, and increase the potential that developers in the Calgary market may redirect investments to other markets. This in turn may change the market perception of the value of investing in the Calgary residential market.

REASON(S) FOR RECOMMENDATION(S):

Administration is recommending approval of a New Community Growth Strategy which maintains the current strategic approach to new community investment through City budget approval. This provides an increased level of investment to bring on additional communities in 2019-2022, identifies financial implications for the 2019-2022 budget cycle and future budget cycles, and how any funding gaps for operating and capital would be funded.

In Q2 2018, Administration will bring forward a report to Priorities and Finance Committee with strategic growth recommendations that increase the level of City commitment and investment in new communities, beginning with the 2019-2022 budget cycle.

This approach meets the objectives of managing an appropriate level of risk for The City, creating the conditions for The City to be nimble and able to react to shifts in market demand, furthering Calgary's reputation as an investment market of choice and supporting a healthy and profitable development industry.

It is also recommended that a monitoring report of this approach be completed no later than Q4 2019, prior to the mid-cycle budget adjustment recommendations anticipated in 2020, so that stakeholder feedback can be gathered and changes and improvements to the Strategy can be considered and recommended, if necessary.

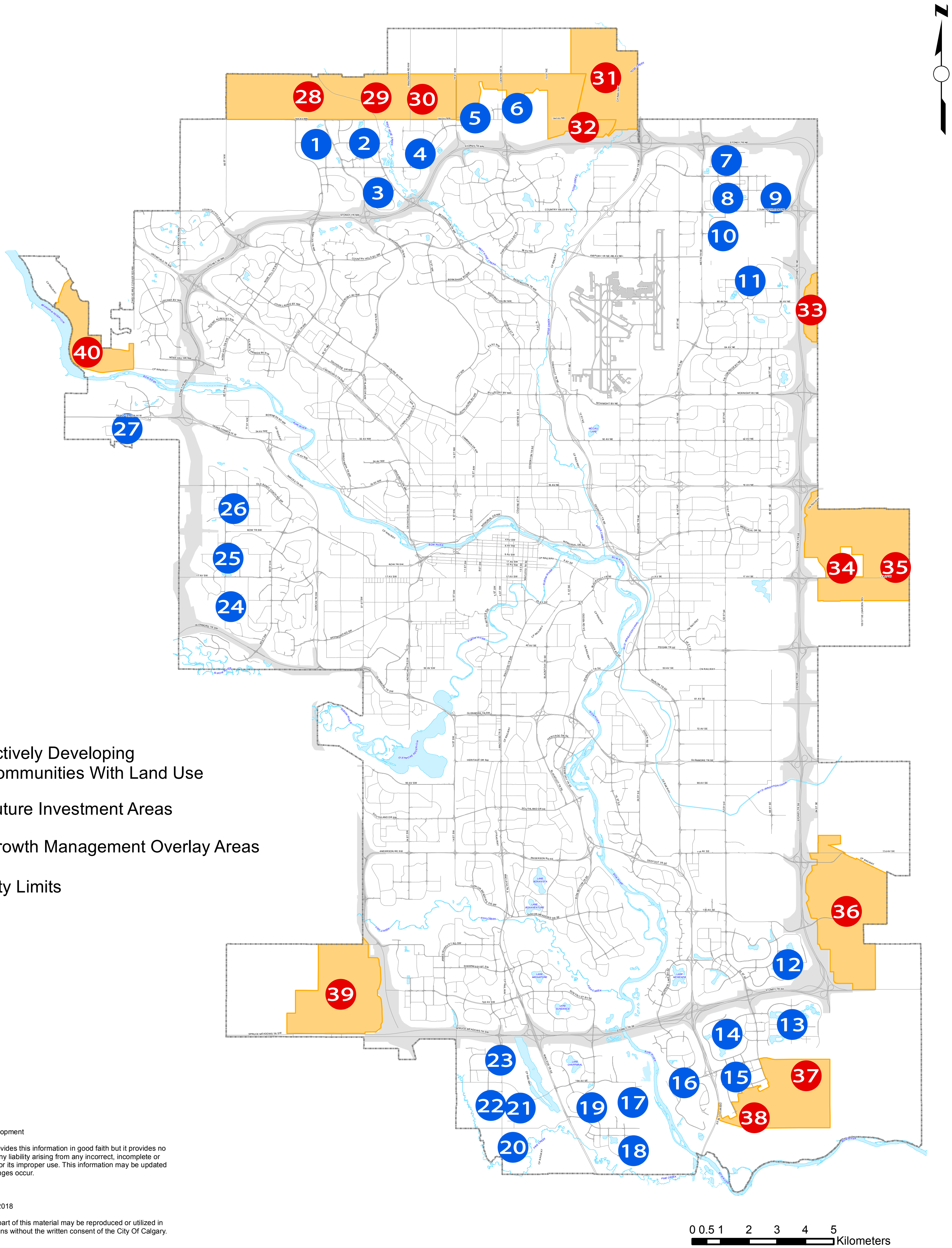
Finally, it is recommended that a report on the Established Areas Growth Strategy be developed that includes funding and timing considerations and that complements the New Community Growth Strategy. This work will identify funding tools available to support redevelopment and consider service costs in established areas and property tax uplift that is a result of redevelopment in these communities.

ATTACHMENT(S)

1. Attachment 1 – Actively Developing Communities with Land Use and Future Investment Areas
2. Attachment 2 – Current Growth Strategy for New Community Development
3. Attachment 3 – New Community Forecasted Demand and Current Capacity
4. Attachment 4 – Direct Incremental Operating Costs in New Communities
5. Attachment 5 – Historical and Unfunded Capital Costs
6. Attachment 6 – BILD Calgary Region Submission
7. Attachment 7 – New Community Growth Timelines

Item #6.2
PFC2018-0200
ATTACHMENT 1

Actively Developing Communities with Land Use and Future Investment Areas



- Actively Developing Communities With Land Use
- Future Investment Areas
- Growth Management Overlay Areas
- City Limits

Source: Planning Development

The City Of Calgary provides this information in good faith but it provides no warranty, nor accepts any liability arising from any incorrect, incomplete or misleading information or its improper use. This information may be updated on a daily basis as changes occur.

Created: February 15, 2018

ISC: Unrestricted

Actively Developing Communities with Land Use and Future Investment Areas

Actively Developing Communities with Land Use (mix of funded and unfunded)				
	Community	**TYPE**	**Existing Units**	**Full Build Out Units**
1	Nolan Hill	Residential /Commercial	2,095	3,368
2	Sage Hill	Residential/ Commercial/ Office	5,883	12,080
3	Kincora	Residential	2,214	4,429
4	Evanston	Residential/ Commercial	5,229	6,195
5	Carrington	Residential/ Commercial	83	5,738
6	Livingston	Residential/ Commercial/ Institutional	93	12,167
7	Redstone	Residential/ Commercial	1,132	3,873
8	Skyview Ranch	Residential/ Commercial	3,834	10,688
9	Cornerstone	Residential/ Commercial/ Office	296	10,885
10	Cityscape	Residential/ Commercial	741	4,770
11	Saddle Ridge	Residential/ Commercial/ Office/ Industrial	5,383	9,199
12	Copperfield	Residential/ Commercial	4,930	5,379
13	Mahogany	Residential/ Commercial	3,106	11,154
14	Auburn Bay	Residential/ Commercial	5,932	6,557
15	Seton	Residential/ Institutional/ Office	4	7,500
16	Cranston	Residential/ Commercial	6,750	8,578
17	Wolf Willow	Residential/ Commercial	-	3,518
18	Legacy	Residential/ Commercial	2,114	5,265
19	Walden	Residential/ Commercial	1,925	3,911
20	Pine Creek	Residential/ Commercial	-	3,661
21	Belmont	Residential/ Commercial	-	2,640
22	Yorkville	Residential/ Commercial	-	3,254
23	Silverado	Residential/ Commercial	2,515	8,556
24	Springbank Hill	Residential/ Commercial	3,334	5,651
25	Aspen Woods	Residential/ Commercial	2,983	3,867
26	West Springs	Residential/ Commercial/ Office	3,268	5,528
27	Crestmont	Residential/ Commercial	488	1,714
	TOTALS			**170,125**

Future Investments - Growth Management Overlay Areas			
	Business Case - ASP Areas	**TYPE**	**Projected res. units at full build out from Business Case Assumptions**
28	Glacier Ridge (Community A)	Residential/ Commercial	1,600
29	Glacier Ridge (Community B)	Residential/ Commercial	1,540
30	Glacier Ridge (Community D)	Residential	400
31	Nose Creek (Community A/B)	Industrial	3,000 – 3,600
32	Keystone (Community C/D)	Residential/ Commercial	1,228
33	East Stoney	Residential/ Commercial	1,700
34	Belvedere (Community D)	Residential	2,000
35	Belvedere (Community C)	Residential/ Commercial/ Office/ Industrial/ Institutional	3,544
36	South Shepard (Neighbourhood 7/8)	Residential/ Commercial	3,277
37	Rangeview (Community B)	Residential/ Commercial	9,500
38	Rangeview (Seton, Community A)	Residential/ Commercial	
39	Providence (Community A)	Residential/ Commercial/ Office/ Industrial	3,200
40	Haskayne	Residential/ Commercial	2,958
	TOTALS		**~33,947**

Attachment 2: Current Growth Strategy for New Community Development

This attachment outlines, at a high level, the current decision inputs for investments in new community development. Through each budget cycle, Administration considers the following when making servicing and investment recommendations to Council:

1. Policy direction of the Municipal Development Plan (MDP) and Calgary Transportation Plan (CTP);
2. Market capacity information; and
3. The City's fiscal capacity for growth (capital and operating).

This strategy has proven its ability to deliver new community infrastructure, services and growth in a way that has acknowledged the three considerations. Over the last few budget cycles, The City has funded growth in an average of two new Area Structure Plans (ASPs) per cycle, usually leading to three to six new communities. This has helped to maintain a three to five year serviced land supply, as directed in the MDP (Section 5.2.3). By managing the number of new communities and the serviced land supply, The City has efficiently managed the operating budget increases attributed to growth and sought to maximize the return on investment of infrastructure. However, Industry has voiced concern that The City's fiscal capacity, while managed prudently for the organization, may not be taking advantage of the full available market for new community growth

Policy: Direction for Growth
Strategic growth recommendations for new communities are based on the broad direction in the Municipal Development Plan under Part 5 – Framework for Growth and Change. In relation to new community growth, the following policies are directly related.

1. **Consult and work with the development and building industry to ensure mutual understanding and to support shared goals and objectives. [MDP, 5.2.1b]**

   The City and Industry representatives share knowledge about supply and demand forecasts, servicing requirements, readiness to proceed by developers, and policy/design considerations for new communities. While Industry and The City may have varying opinions about the different information, the information gathered is one of the many inputs into setting servicing and investment priorities.

2. **Endeavour to accommodate 33 per cent of the future population growth within the developed areas of the city by 2039; 50 per cent within 60-70 years. [MDP, 5.2.2d, 5.2.2c]**

   Administration attempts to strike a balance of servicing and investment priorities between the developed area and new communities to in order to continue towards this policy goal while fostering housing and location choice in new communities.

3. **Endeavour to maintain up to a 15 year planned land supply and to maintain 3-5 years of serviced suburban land. [MDP, 5.2.3a, 5.2.3b]**

Attachment 2: Current Growth Strategy for New Community Development

With the advent of developer funded Area Structure Plans (ASPs), the planned land supply moved well beyond 15 years, to approximately 29-31 years. Through the annual budget process The City has been successful in maintaining the three to five year serviced land target. This policy aims to support a healthy, competitive land market throughout the city. Current data on supply and demand is contained in Attachment 3.

4. **Municipal capital investment in infrastructure should be prioritized in the following manner:**
    a. Support intensification of Developed Areas of the city;
    b. Expedite the completion of communities in the Developing Area; and
    c. Support the development of future new communities. [MDP, 2009, 5.2.5b]

This policy speaks to a balanced investment plan with a focus on aligning with the MDP's stated goals of a more compact development pattern.

Policy: Evolution in Implementation
The City has had a long standing policy from the Calgary Plan, carried forward to the MDP, to maintain a 15 year planned land supply. ASPs approved by Council have historically provided the signal to City departments that deliver infrastructure and to developers that The City has will move to invest in these lands for growth. Prior to 2012, ASPs have been The City's mechanism (or "gate") for making land available for development and proceeding further into the planning approvals process.

Since 2012 July, as the number of ASPs began to exceed The City's fiscal capacity for growth, ASPs were approved with Growth Management Overlays as a tool to flag that unresolved City funded servicing requirements existed. The ASPs were no longer necessarily aligned with the imminent provision of utilities servicing or transportation capacity. The stipulation was that prior to removal of the Overlay and land use approval, servicing issues must be resolved.

In 2013, new ASPs began to be funded by developers, and most requests to initiate ASPs have been accepted. This has led to continued growth in the planned land supply, while also improving the level of planning and infrastructure information available to make informed growth decisions. However, the greater number of approved ASPs has increased expectations generally that City investment will follow.

The three generations of ASPs are summarized in the table below:

Attachment 2: Current Growth Strategy for New Community Development

Generation	Key Attributes	Key Development Milestones

1	• Approved prior to 2012
	• ASP funded by The City
	• Initiated by The City, considering growth policy, City finances and land supply
	• No Growth Management Overlays
	• Examples:
	  ○ *Northeast Community 'A' ASP*
	  ○ *Symons Valley Community Plan*
	  ○ *West Macleod ASP*
		• LU/OP applications can be submitted following Council approval of the ASP
		• No Overlay removal
		• Development initiates after LU/OP approval

2	• Approved between 2012 and 2013
	• ASP funded by The City
	• Initiated by The City, considering growth policy, City finances and land supply
	• Number of ASPs began to grow faster than The City's ability to fund servicing
	• Growth Management Overlays included where unfunded City servicing was required
	• Examples:
	  ○ *Keystone Hills ASP*
	  ○ *Belvedere ASP*
	  ○ *South Shepard ASP*
		• LU/OP applications can be submitted following Council approval of ASP
		• Overlay can be removed (and LU/OP can be approved) once the funding of City servicing is addressed to the satisfaction of Council
		• Development initiates after LU/OP approval

3	• Approved in 2013 to present day
	• ASP funded by Developers
	• Moved the consideration of City finances and land supply into budget discussions
	• Allowed for greater ASP approvals as role of ASP shifted to provide improved information for budget decisions, without commitment on funding
	• Growth Management Overlays included where unfunded City servicing was required
	• Examples:
	  ○ *Rangeview ASP*
	  ○ *Cornerstone ASP*
	  ○ *Haskayne ASP*
	  ○ *Providence ASP*
	  ○ *Glacier Ridge ASP*
	  ○ *Nose Creek ASP*
	  ○ *East Stoney ASP*
		• LU/OP applications can be submitted following Council approval of ASP.
		• Overlay can be removed (and LU/OP can be approved) once the funding of City servicing is addressed to the satisfaction of Council
		• Development initiates after LU/OP approval

Market Capacity

The three to five year serviced land supply target provides Council with a way to measure the planning and infrastructure investment required to support growth in new communities while avoiding premature commitment and expenditure of City funds.

Attachment 2: Current Growth Strategy for New Community Development

In determining the level of required servicing investments, Administration projects the population growth expected within the city, and specifically for new communities, over the next budget. The City strives to maintain serviced land supply in multiple market sectors in the city at once to help facilitate housing choice among location and price ranges, and spur competition and innovation among developers.

Fiscal Capacity

Based on The City's priorities for growth and capacity to fund required costs, The City includes the necessary capital projects in the budget cycle and the 10 year capital plans to allow the continued development in existing communities and to open some new communities over the course of the budget cycle. Administration has the ability to make changes to the capital plans should market forces change or City priorities change. In 2016 October, The City invited Industry to submit business cases in support of removing Overlays. The City will be prioritizing the business cases that will become one of the inputs in the capital planning decisions incorporated into the OneCalgary 2019-2022 budget.

Consideration of Land Use and Outline Plan approval has been subject to funding approval of the corresponding infrastructure and services. Historically this has been done through the City budget. As communities start to develop and services are provided, operating costs are included in The City's operating budget annually.

In the past, if a Land Use and Outline Plan does not align with the corresponding infrastructure's inclusion in the capital budget, a developer may have approached The City about entering into a Construction Finance Agreement (CFA) to advance City funded infrastructure ahead of schedule. The City considers the timing of repayment, the infrastructure to be included, and the level of debt to be incurred prior to deciding on accepting an agreement to repay. CFAs, also known as front-ending agreements, allow the developer to finance and build the required infrastructure ahead of City budget inclusion, with The City agreeing to repay the developer at a point in the future. The borrowing bylaw must define the repayment to a predetermined date, the repayment date is usually aligned with infrastructure schedule in the capital plans. This commitment, however, triggers a City debt obligation and requires the passing of a borrowing bylaw by Council.

In the current framework, The City collects off-site levies from developers to help fund the required capital projects that are attributed to growth. At the subdivision stage or development permit stage developers enter into a subdivision and development agreement at which time the off-site levy charges are applied in accordance with Bylaw 2M2016. The levies collected are allocated towards the following types of infrastructure required to service growth:

a) Utilities (water/wastewater treatment plans and linear infrastructure, stormwater infrastructure)
b) Transportation (e.g, major roads, interchanges, bridges)
c) Community Services (e.g., Fire stations, recreations facilities, libraries, transit buses, police stations)

The levies account for a portion of the required funding necessary to open up a new community, with The City's remaining portion funded through the combination of capital grants, property taxes, user fees, and debt financing.

Attachment 2: Current Growth Strategy for New Community Development

Given all of this, the following factors are considered in determining The City's fiscal capacity for growth:

- Current and forecasted growth levels
- Expected funding levels from other levels of governments
- Revenue forecasts (e.g., property taxes, utility rates, off-site levies payable)
- Assessment Base growth forecast
- Capital Deposit and Reserve levels (e.g., Off-site Levy Fund)
- Debt levels and debt servicing costs
- Influence of major City priorities with a fiscal impact

Attachment 3: New Community Forecasted Demand and Current Capacity

The City of Calgary monitors both capacity and demand for housing in the Calgary market. This monitoring supports The City in its efforts to ensure that capacity does not fall too low (and risk pushing housing prices up while reducing affordability), or become too high (and risk inefficiency in delivering City services and/or overinvestment in City infrastructure). Furthermore, a balanced capacity scenario can increase competition and innovation, while encouraging communities to build out in order to support public and private amenities.

As part of this work on strategic growth in new communities, this attachment explores three things: (1) expected demand for growth in new communities in the short term, as based on The City's forecasts from Corporate Economics and Geodemographics, (2) expected demand in the short term based on work completed by Altus Group, and (3) a summary of capacity currently available in new communities.

Taken together, this attachment presents the forecasted demand picture (using City and third party references) and the available capacity picture to draw the conclusion that current conditions are balanced, but The City should maintain or increase investment through the 2019-2022 budget cycle, as communities continue to finish building out their single residential components. If growth begins to trend higher than The City's current forecasting, and greater dispersion and competition is desired, there will be pressure to accelerate capacity increases.

1. Expected Short Term Demand Analysis from City of Calgary Forecasting

The demand for housing in Calgary's new communities has historically been related to citywide population growth, though there are exceptions in some years. From 2010-2017, 62% of new housing citywide was absorbed in new communities. In years of low population growth, as much as 80% of housing demand has been absorbed in new communities. See Figure 1 for how citywide population growth is related to housing demand citywide and in new communities.

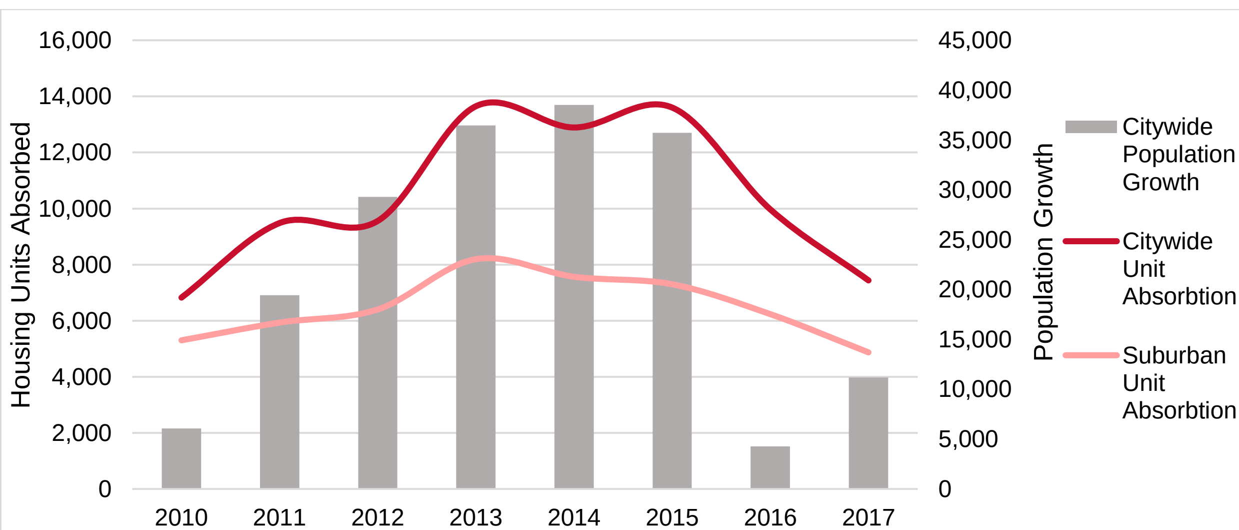


Figure 1: Population Growth and New Community Housing Demand

Attachment 3: New Community Forecasted Demand and Current Capacity

From 2010 to 2017, 51,801 total units were built in new communities. The demand for new units, defined through Building Permit data, ranged from 8,190 in 2013 to 4,875 in 2017 and averaged 6,475 over the time period. Based on the current Fall 2017 forecast from The City's Corporate Economics division, a relatively muted level of population growth is expected over the next five years. This population growth forecast is expected to result in lower housing demand in the short term, as a larger share of this demand may be absorbed in new communities.

The City forecast estimates a demand for 32,000 housing starts citywide from 2018-2022. Based on the historical trends, The City's Geodemographics division estimates that the demand for total housing units in new communities over this time period will be 24,750. See Figure 2 for how this forecasted housing demand compares to historical demand.

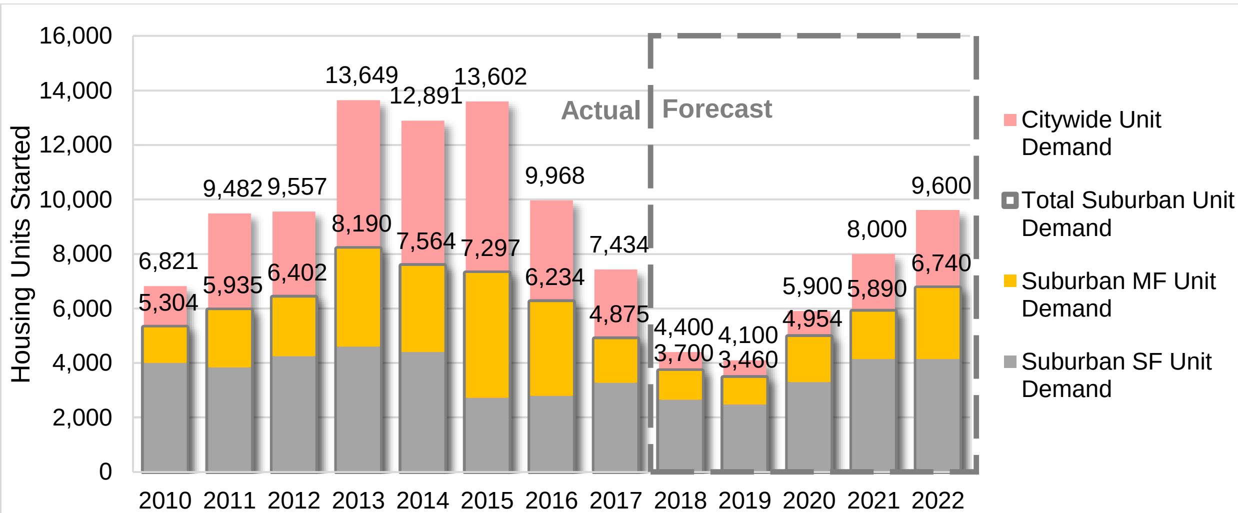


Figure 2: Citywide and New Community Housing Demand

Conclusion: *The City of Calgary expects 32,000 housing starts during 2018-2022. Of these, 24,750 (76%) are expected to occur in new communities. Of the 24,750, 16,700 (67%) are anticipated to be single/semi residential and 8,050 (33%) are anticipated to be multi-residential.*

2. Expected Short Term Demand Analysis from Altus Group

Forecasted demand does have a meaningful impact on The City's growth strategy. Stronger (or weaker) than anticipated demand sends a signal to The City that more (or less) land should be opened for development. The City relies on forecasts as infrastructure and servicing investments take time to deliver. In addition to the forecast provided by Corporate Economics, Altus Group Ltd. were retained by The City to prepare a forecast for new occupied dwellings over the short to medium term. This was done to incorporate a third party perspective into the new community growth strategy work by adding another forecasting opinion to inform the demand conversation as The City grapples with supply questions.

Altus prepared four forecast scenarios for The City; in this attachment discussion is limited to two of them – the "Altus Best", which is Altus' preferred scenario for occupied housing demand over the short term, and the "Affordable Product Mix" scenario, prepared for a specific purpose which will be discussed later in the document.

Attachment 3: New Community Forecasted Demand and Current Capacity

In this attachment, it should be noted that The City estimate in the comparison is the number of new housing units expected (completion of foundation), the Altus estimate is the net change in occupied housing units. Therefore, the output of the Altus forecast will differ from that of The City forecast in that it views demand as the number of units available for occupancy needed at a point in time rather than the number of units that need to be started at a point in time to accommodate future demand.

In terms of comparison to The City forecast, the “Altus Best” scenario is used. The demand anticipated in this forecast is higher than the City forecast over the 2016-2020 period, and lower over the 2021-2025 period (Figure 3):

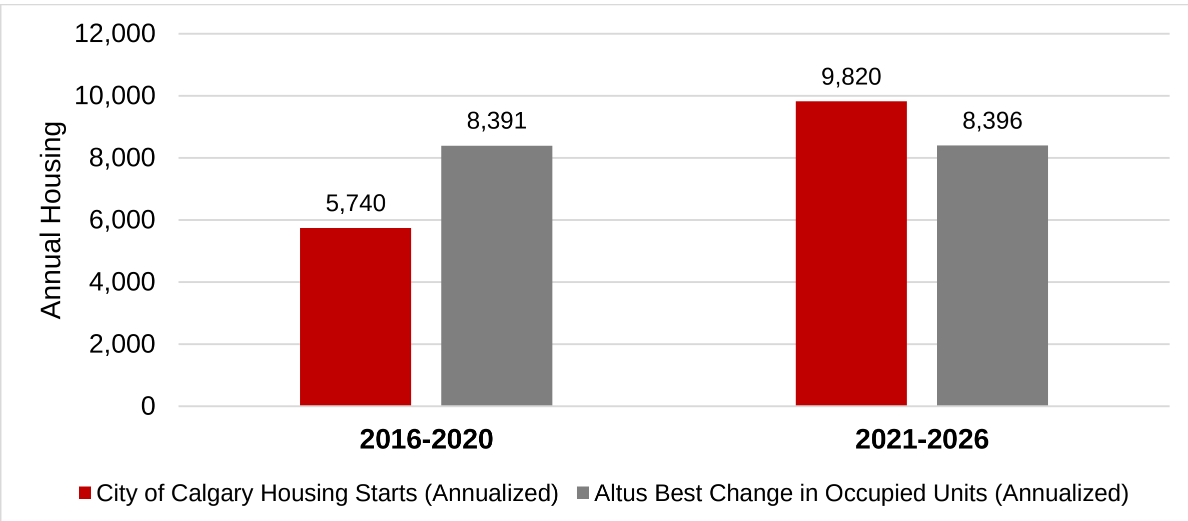


Figure 3: Comparison of Altus Best and City of Calgary Housing Forecasts

The Altus Best forecast is based on a strengthening employment growth outlook, which then leads to a stronger in-migration expectation, which leads to higher housing growth. Specifically, the Altus Best forecast expects growth in the ages 20-34 cohorts over the next 10 years, while Corporate Economics expects modest losses.

From the perspective of Corporate Economics, a similar level of employment growth is forecasted, however their forecast places greater weight on an assumption that there is still slack in the Calgary employment market (with a current unemployment rate of 8%) that will affect population and housing forecasts.

Both forecasts use a cohort component model for forecasting changes in the population. Changes in the population profile are then used to estimate the total number of housing units, and what type of units, will be demanded in the future. While Altus employs a five-year model to forecast future population, Corporate Economics employs a one-year model. With access to detailed population, migration, fertility, and survival rates from The City of Calgary and the Province of Alberta, Corporate Economics is able to employ this one-year cohort component model.

Attachment 3: New Community Forecasted Demand and Current Capacity

Conclusion: *The City and the Altus Group housing forecasts differ in the short term (2016-2020), with the Altus Group forecast expecting higher housing growth. The two models are based on different assumptions and different methodologies.*

Furthermore, Altus group was also asked to prepare a scenario that was based on a question that has frequently arisen during meetings with the development industry – whether or not, if The City were to allow initiation of new communities beyond its current pace, increased absorption and growth would be the result. Altus modeled this question as if The City were successful in “bringing a certain quantity of affordable ownership single family units to markets … defined as price points that are 13% or $65,000 below prevailing market price”.

Altus Group’s analysis predicts, should the quantity of below market housing be brought to market, that demand of 1,450 additional occupied dwellings per year from 2016-2021 could be the result (Figure 4). This “released demand” is likely to come from younger adults who may more quickly choose to leave the family home and from those who rent moving into ownership.

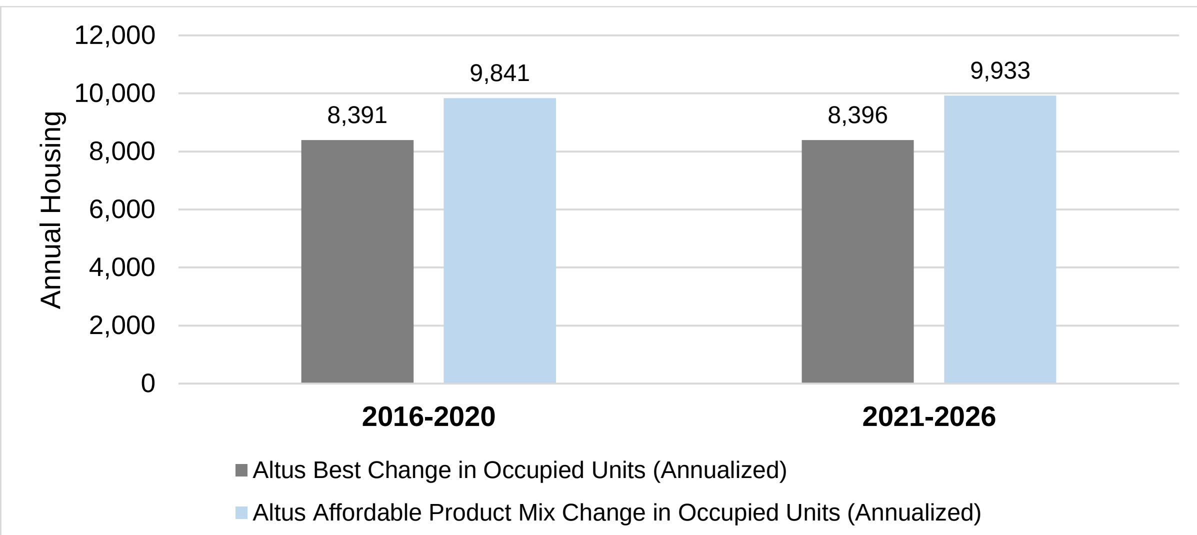


Figure 4: Comparison of Altus Best and Altus Affordable Product Mix Housing Forecasts

Bottom Line: *Altus’ Affordable Product Mix scenario does expect a modest increase in new occupied units, should The City be successful in introducing a certain amount of below market price (-13%) single residential housing to the market. However, this conclusion requires that the housing be introduced at the lower price, which is subject to numerous market factors (e.g. mortgage policy, interest rates, etc.) that are beyond the control of The City. It also may not be aligned with other City policy goals, such as established area growth targets and new community intensity targets.*

Attachment 3: New Community Forecasted Demand and Current Capacity

3. Summary of Available Capacity in New Communities

For a map of actively developing communities, please see Attachment 1.

The City's strategic growth work often involves discussion on current capacity to accommodate growth. Geodemographics prepares monthly and annual reporting on available capacity in new communities. Excerpts from those reports are included below to provide insight into current capacity levels.

Table 1 below displays current capacity, as of December 2017, across Calgary's 27 actively developing communities with land use approval. These units are part of an approved Outline Plan, and they have initial City services (water, sanitary, storm, transportation, emergency response). They may be unsubdivided or subdivided, as making a subdivision application is at the developer's discretion.

SECTOR	CID	COMMUNITY	SINGLE/SEMI RESIDENTIAL CAPACITY (UNITS)	MULTI RESIDENTIAL CAPACITY (UNITS)	TOTAL RESIDENTIAL CAPACITY (UNITS)
NORTH	1	Nolan Hill	158	903	1,061
	2	Sage Hill	310	5,536	5,846
	3	Sherwood	37	239	276
	4	Kincora	0	1,919	1,919
	5	Evanston	478	331	809
	6	Carrington	508	0	508
	7	Livingston	271	0	271
		Total North	**1,761**	**8,922**	**10,683**
NORTHEAST	8	Cityscape	929	1,961	2,890
	9	Saddle Ridge	1,835	1,974	3,809
	10	Skyview Ranch	16	6,321	6,337
	10	Redstone	685	1,818	2,503
	12	Cornerstone	736	997	1,733
		Total Northeast	**4,201**	**13,071**	**17,272**
EAST		-	-	-	-
SOUTHEAST	13	Copperfield	266	183	449
	14	Cranston	805	906	1,711
	15	Mahogany	2,932	3,935	6,867
	16	Seton	232	2,006	2,238
	17	Auburn Bay	91	438	529
		Total Southeast	**4,326**	**7,468**	**11,794**
SOUTH	18	Walden	913	926	1,839
	19	Legacy	1,876	947	2,823
	20	Silverado	75	0	75
	21	Belmont	0	0	0
	22	Yorkville	0	0	0
		Total South	**2,857**	**1,873**	**4,730**
WEST	23	Aspen Woods	333	293	626
	24	Crestmont	238	278	516
	25	West Springs	228	1,103	1,331
	26	Springbank Hill	149	0	149
		Total West	**948**	**1,674**	**2,622**
NORTHWEST		-	-	-	-
TOTAL		**27 communities**	**14,093**	**33,008**	**47,101**

Table 1: Serviced and Subdivided/Unsubdivided Capacity in New Communities

Attachment 3: New Community Forecasted Demand and Current Capacity

A number of observations can be made about these capacity numbers:

- Four of seven new community sectors have capacity for at least 1,500 single/semi residential and 1,500 multi residential units
- Nine communities have capacity for at least 500 single/semi residential units
- 14 communities have capacity for at least 900 multi residential units
- 47 per cent of single/semi residential capacity is located in Saddle Ridge, Mahogany, and Legacy

However, there is information known about future servicing that helps add context to these numbers:

- Eight communities (Carrington, Livingston, Cornerstone, Belmont, Yorkville, Seton, Wolf Willow and Silverado) are in initial stages of development. So, despite having low capacity at this point, recent City servicing investments are expected to increase capacity in these communities in the short term.
- Ten communities (Nolan Hill, Sage Hill, Kincora, Evanston, Copperfield, Auburn Bay, Skyview Ranch, Cranston, Walden, Crestmont) have the potential to complete single/semi residential build out within 3 years.
- It is difficult to gauge the capacity statistics for the communities of Aspen Woods, West Springs, and Springbank Hill, as absorption trends are different in the West Sector, meaning current capacity is likely to last longer than it would in other sectors.

Capital and operating investments for new communities made through the 2019-2022 budget plan will add additional development capacity beyond what is displayed above.

Tables 2 and 3 show the number of additional housing units forecasted to be required in new communities for 2018-2022. It is important to note that the result of demand shown in the final column of the tables does not consider any additional servicing investments. Any investments approved would increase unit capacity in certain communities, and therefore would change the result of forecasted unit demand.

Sector	Capacity of Serviced Single/semi Residential Units with Approved Land Use	Forecasted Demand for Single/semi Residential Units	Difference
North	1,761	4,100	(2,339)
Northeast	4,201	3,870	331
East	0	170	(170)
Southeast	4,326	4,710	(384)
South	2,857	3,050	(193)
West	948	800	148
Northwest	0	0	0
	14,093	**16,700**	**(2,607)**

Table 2: Capacity and Forecasted Demand for Single Residential by Market Sector, 2018-2022

Attachment 3: New Community Forecasted Demand and Current Capacity

Sector	Capacity of Serviced Multi Residential Units with Approved Land Use	Forecasted Demand for Multi Residential Units	Difference
North	8,922	2,190	6,732
Northeast	13,071	1,850	11,221
East	0	0	0
Southeast	7,468	2,200	5,268
South	1,873	1,470	403
West	1,674	340	1,334
Northwest	0	0	0
	33,008	**8,050**	**24,958**

Table 3: Capacity and Forecasted Demand for Multi Residential by Market Sector, 2018-2022

Conclusion: *There is currently a balanced level of single/semi residential capacity and choice among actively developing communities. However, there are a number of communities that may complete their single/semi residential build out within the next budget cycle (2019-2022). These completions will be partially offset by expected additional capacity in new communities in the Keystone Hills ASP, the West Macleod ASP, and the Cornerstone ASP, as well as any capacity initiated through the next budget cycle. The City will need to monitor both the capacity and the number of actively developing communities to ensure that there remains sufficient choice and competition in the market. Finally, capacity levels for multi residential units remain well in surplus of expected demand.*

The above is likely true if growth trends towards The City's forecasted levels. If growth begins to trend toward to the higher levels forecasted by Altus, communities will complete their single/semi residential capacity more quickly, increasing the need to initiate capacity in order to maintain a balanced market.

Attachment 4: Direct Incremental Operating Costs in New Communities

This attachment outlines the review process on information gathered with respect to the Direct Incremental Operating Costs in New Communities. A summary table of these costs is presented on the following page.

Through this process, meetings were held with subject matter experts throughout the Administration on the Direct Incremental Operating Costs applicable to new communities specific to each business unit.

These meetings took place in the first quarter of 2018 to ensure the timeliness of information. In many cases, the cost structure had been closely reviewed as part of this same initiative in 2017, and confirmed once again in 2018.

Items confirmed with each business unit were:

- When service is typically, or has historically been introduced
- Cost per year
- Cost driver (e.g., flat fee, per household unit cost, per lane kilometer, per hectare, time)
- Confirmation of when calculation was last reviewed
- Description of what is included in the cost
- Methodology of calculation

Senior administrators are in agreement with the cost estimates as well as the cost driver identified and the description of what is included in the service provided.

In certain cases, specifically Fire and Transit, the direct incremental operating cost is heavily dependent on geographical conditions surrounding the business proposal. The Fire Station in the attached document is assuming a “base” fire station versus a station with additional service capabilities. This is largely dependent on what nearby Fire Stations are equipped with, and if supplement equipment/staff is or is not required to adequately support the larger area.

For Transit, the estimate for introductory-level service (peak-periods only) is based on the average direct incremental operating costs from previous service introductions, which have typically ranged between $500K and $1.0M. Costs and service introduction timing are dependent on the geographic nature of the community, level of service, and whether a completely new route would be required or if an existing adjacent route can be extended to accommodate a new community. Ultimately, funding is required for incremental operating costs before transit service can be introduced or expanded in a new community.

Attachment 4: Direct Incremental Operating Costs in New Communities

	Service	Introduction	Avg Cost per Year	Cost Driver	Description
1	Fire	For lands beyond seven-minute service	$3,400,000	Per Station	• Interim fire service costs • Single engine with 20 staff, protective equipment, duty gear, engine operating costs, facility and operations maintenance.
2a	Roads	1st Year after Final Acceptance Certificate	$2,750	Per km	• Street lighting, signage, minimal clearing during Year 1
2b	Roads	2nd Year after Final Acceptance Certificate	$9,500	Per lane km	• Street lighting, signage, street cleaning, snow removal and potholes
3a	Introductory Transit	At 670 Units	$750,000	Per route	• Peak-period bus service (average of range) • Range is $500K - $1M depending on geographical conditions, level of service, and ability to extend existing routes • Data are based on long-term historical average • Funding prerequisite before service can be introduced
3b	Base Transit	At 2150 Units	$1,750,000	Per route	• Full day bus service • Cost represents the average within the typical range of $1.25M-2.5M, depending on geographical conditions and level of service • Data are based on long-term historical average • Funding prerequisite before service can be expanded
4	Parks	After Final Acceptance Certificate	$17,500	Per municipal reserve hectare	• Includes horticultural, irrigation, amenities, pathways and urban forestry.
5	Waste & Recycling	At occupancy	$88	Per Single/Semi Residential Occupied Dwelling Unit	• Black Cart and Green Cart service
6	Police	At 500 Units	$160,000	Per Officer, per 500 units	• Citywide average of one officer for 500 households to maintain current level of City wide service *[Continued on next page]*

Attachment 4: Direct Incremental Operating Costs in New Communities

	Service	Introduction	Avg Cost per Year	Cost Driver	Description
7a	Community Standards	At initiation	$135,000	Per Officer, per 3500 Units	• One officer per 3500 households • Includes Salary, Equipment, Vehicle Maintenance and Operating Cost
7b	Calgary Neighbour-hoods	As required	$25,000	Per Community Association	• Commences upon the establishment of Community Association (Neighborhood Partnership Coordinator); Neighborhood Programming for running recreation programs in new community

Attachment 5: Historical and Unfunded Capital Costs

New communities require major capital investment by developers and The City. As The City prepares capital plans and budgets, the allocation of capital costs attributed to growth between initiating new communities and continued capital investment to complete existing communities needs to be balanced. This attachment provides an outline of historical and unfunded (future) capital costs for new community development.

Capital infrastructure is delivered at various times during community development. Initial infrastructure is required for the first occupied dwelling while some infrastructure is required to provide a complete array of services to the community and is often delivered later in the development timeframe.

Examples of early infrastructure that is The City's responsibility include utility pipes, treatment plants, interchanges, bridge crossings, and fire halls.

Examples of infrastructure that is introduced later in a community include libraries, transit, recreation centres, and operational work depots.

Capital infrastructure is funded from a variety of sources outlined in the chart below. Challenges exist with each funding source. The addition of more capital costs increases the risk of not finding enough sources to fund the additional costs.

Cost	Funding Sources	Challenges
Capital (e.g., utility pipes, interchanges, fire halls, etc.)	• Off-site levies • Grants from other levels of government • Utility rates • Property taxes • Debt	• Levies do not cover City portion of cost • Uncertainty with grants • Downward pressure on utility rates and property taxes • Operating cost of capital • Debt servicing costs

During Action Plan 2015-2018, the capital costs city-wide have been around $1.5B per year. These capital costs are allocated across the corporation based on identified priorities. Table 1 below outlines the approximate historical capital expenditures for the 27 actively developing communities and future investment areas. These costs include infrastructure introduced early and late in community development and are attributed over many years to provide the necessary services for citizens. (See Attachment 1 for a map of actively developing communities and future investment areas.)

Infrastructure	Actively Developing Communities (Previously Spent)
Fire	$90,300,000
Other	$1,083,800,000
Transportation	$871,035,937
Utility Servicing	$785,000,000
Total	**$2,830,135,937**

Table 1: Historical Capital Costs

Attachment 5: Historical and Unfunded Capital Costs

Table 2 below outlines the approximate future capital expenditures to complete development in the actively developing communities and in the 13-15 communities in future investment areas. In addition to the costs in Table 2 will be costs required to support all eventual services. These later costs will occur over decades and are thus not represented in Table 2. These costs have been identified through business plans and budgets, developer business cases and business unit assumptions.

Future Capital for 27 Actively Developing Communities	Capital Costs for 13-15 Communities in Future Investment Areas	Total
$700,000,000	$950,000,000	$1,650,000,000

Table 2: Future Capital Costs

The City will continue to invest in capital infrastructure in new communities, however if capital availability is reduced, The City will be further challenged to prioritize the allocation of capital investment.

Attachment 6: BILD Calgary Region Submission

BILD CALGARY REGION

OPERATING COSTS – BILD MODEL

Why propose a BILD model?

1. To support the joint work of industry and Growth Strategies to create a framework where developers voluntarily advance areas for Growth Management Overlay (GMO) removal that are beyond the ability of the current City budget to cover;
2. To respond to City Administration's concerns that operating budgets could be impacted if new growth areas are advanced by developers and not the City;
3. To create at least one common approach for industry to mitigate incremental operating cost impacts to the City that industry could accept. This approach is not intended to limit any other options a developer may bring forward for City consideration.

BILD Model - Principles

1. Economic growth and keeping investment dollars in the City is desired.
2. The model must work with the City's current 'single system' for taxation and service delivery. Specifically, property taxes pay for operating costs; any proposed mitigation of inefficiency should not create a separate or tiered system;
3. Balancing service delivery with property tax remains a City-wide issue, not community specific. The building and development industry will not disproportionately take on full operating costs on behalf of future residents, but will consider alternatives where proportionate tax dollars might be proffered to cover start-up inefficiencies.

BILD Model - Assumptions

1. Population growth creates new taxes along with new service demands
2. City currently balances / manages growth costs as part of existing system
3. Dispersion of growth can create inefficiencies, particularly in the start-up phase of a community. Service delivery in the initial stages of new communities may be relatively inefficient, prior to reaching a critical mass or service delivery threshold;

Basics of BILD model:

1. Area advanced by a developer pays a proportionate growth impact portion of the residential municipal tax for the number of units equivalent to the Initial Service Threshold required for the impacted service.*
2. This is paid from "day 1" of that new growth area, and continues to be paid by the developer until the number of residents equivalent to the Initial Service Threshold, is reached. The developer must agree to take on this market risk.
3. Revenue received is treated the same as other property tax revenue, and not specially held aside for that community; payment does not confer special entitlement on service delivery to the new community area

BILD CALGARY REGION

OPERATING COSTS – BILD MODEL

***Example:** *If the provision of Transit service is 5% of the operating budget: (5%) x (residential tax rate on a median house) x (initial service level at 300 units) = incremental operating cost impact of Transit, for area advanced. The City receives this equivalent from 'day 1' of a new growth area, as if 300 occupied homes are living there and paying that portion of property taxes.*

Model is applied where:

1. A developer wishes to advance lands for GMO removal in addition to City-selected areas of growth;
2. The advanced area complies with requirements for growth: is of a minimum area; is contiguous, and is logically serviceable;
3. City assessment of proposal identifies operating cost impacts exist due to the advancement of the area, and the accepted mitigation of that impact is via the BILD model (and City recommendation if approved);
4. The mitigation is voluntarily offered by the developer as part of the proposal to advance an area for GMO removal;
5. The developer is willing to take the market risk of getting to a 'critical mass' of units, equivalent to the initial service threshold.

Why propose /apply this model?

1. It supports, and fits within, the City's current 'one-system' model;
2. Supports business investment based on the belief that size and growth of market can be determined by factors other than the City's funding capacity to support it;
3. Market timing and other factors create conditions where advancement of an area can be financially supported;
4. Understanding that the 'controlled variables' in the City's operating budget are property taxes, utility rates and user fees, and of those 3, the most practical lever to apply is property tax;
5. City does not currently collect operating cost data that is community or location-specific.

Benefits of Model

1. Shared risk: build-out risk is allocated to developer, not City and incentivizes faster build-out;
2. Transparent, relatively simple to administer and calculate;
3. Addresses 'how long' the cost impact should be in place;
4. Control of property tax remains with City – a single-tier, single system approach remains intact;
5. The 'inefficiency factor' of starting new areas is removed in the future for all areas advanced by developers through this model;
6. The revenue generated by this model represents new, additional revenue to the City.

BILD
CALGARY REGION

CAPITAL COSTS – BILD / City Considerations

Below is a summary of options / questions asked by BILD on capital financing and funding alternatives. Joint discussion and exploration of these options was limited, as the City's existing system does not appear to allow for much room for innovation.

CURRENT / EXISTING CONDITIONS

1. Capital investment to enable growth occurs in accordance with the City's current budget /action plan and 10 year capital budget
2. Accommodations have been made to allow for investments to be advanced, or pulled up via a construction finance agreement (CFA) mechanism
3. The CFA mechanism remains the preferred choice for developers to advance capital costs; however this tool is not consistently available

SUGGESTED ALTERNATIVES FROM BILD *(Response from City):*

Developers may consider front ending capital infrastructure if the City:

- **Allows the use of CFAs**
  - *YES: if/when debt servicing levels can accommodate this mechanism;*
  - *NO: current and anticipated future debt servicing levels will not allow this to be used;*
  - *Maybe: if City admin/Council can consider this as "low-risk debt" and accommodate this differently within their envelope. Challenge may be in whether this impacts overall credit score, regardless of how debt is classed*
  - *Maybe: challenge remains on how to determine payback date – City to check on whether a trigger mechanism can be used instead of an absolute date*
- **Allows the levy stream to be used as a financing mechanism;**
  - *NO: counts as City liability as well as debt*
  - *NO: requires changes to the off-site levy bylaw*
- **Agrees to a developer to pay a levy with infrastructure, on a dollar-for-dollar basis with no overall loss of revenue to the City. Any levies owed over and above the cost of infrastructure would still be paid;**
  - *NO: City relies on liquidity of levy funding*
  - *NO: If infrastructure is beyond the 10 year time frame (water), then it has not been included in levies*
- **Agrees to apply a mechanism (such as GMO removal) to ensure a stronger recovery mechanism than the current 'endeavour to assist'**
  - *NO: if effort is to be voluntary, City cannot compel this*
  - *Maybe: City will check with legal and planning to see if options exist*
- *No for now, maybe later: may require consideration and changes at next round of Development Agreement/levy negotiations.*

Attachment 7: New Community Growth Timelines