

Letter from BILD Calgary Region, March 10, 2017 (Revised May 3, 2017)



Date: Friday, March 10, 2017

To: Matthew Sheldrake

cc: Kathy Davies-Murphy, Kathy Dietrich, Stuart Dalglish

From: Guy Huntingford

Re: BILD Calgary Region –

Request: Direction for Developing Areas funding and GMO removal process

Matthew,

As requested, please find a summary of the discussion on March 2nd between BILD Calgary Region (Guy Huntingford), yourself, Kathy Davies-Murphy, Kathy Dietrich and GM Dalglish.

Overview:

The City and Industry, through the Work Plan, have been crafting a process to remove GMO's and finding funding mechanisms for advancing non-budgeted developing areas (Greenfield), for approximately 1 year.

The premise of this work is based on common understanding that the City and Industry both support an initiative that can advance additional growth beyond what the City can support through its current budget.

Further investments have been made towards this initiative by way of business cases that have been submitted to the City. Expectations are that these cases will be used as working method to establish a path for supporting additional areas of growth in the City.

Growing concern on those business cases emphasize the need to resolve the following items:

1. Clarity on determining alternative capital funding mechanisms
2. Clarity on addressing City's concern on operating cost impacts and cumulative impacts
3. Clarity on process and timing on both points above, as well as business case response

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Industry has a suggested solution to address the various concerns related to the points above. Both the suggested solution as well as further detail on the concerns summarized above, follow in the body of this letter.

Background

The Industry's proposal to remove GMO's was presented to GMSGC in the fall of last year. At that time, it was decided that the process was workable, but the removal of the GMO should be moved 'up' in the timeline (prior to proceeding to outline plan/land use) which would provide more certainty to Developers and City personnel working on the Developers application. It was also suggested that the final approval for the GMO removal process could not be granted until funding mechanism(s) were identified.

Work plan groups 2 and 4 were amalgamated and work on the funding mechanisms for capital and operating continued. After more than 3 months Industry became concerned that we had explored numerous directions and options and we had not reached any conclusions that would allow Growth Strategies management to present any type of capital and/or operating funding proposal to GMSGC, as an alternate to City budget funding.

The City invited developers to submit business cases in an effort to gain more detailed understanding on value and opportunities available. Due to a number of changes in the City's other funding priorities and demands, it became apparent to Industry that it was unlikely that any developer would receive an approval on their business case submission and get 'into the ground' in 2018, given the current path and meeting schedule.

As a result of this real concern BILD CR requested a meeting with GM Dalglish and the Growth Strategies team to discuss this situation and suggest a solution.

Meeting Summary:

I opened the meeting with a brief review of Industries concerns/issues. I explained to GM Dalglish that following the last funding meeting, we (Industry) had decided it was time to bring forward our concerns.

I explained that The Industry is frustrated that we are this far into our funding discussions and we have concerns on 3 main fronts...

1. Process and Timing:

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- a) A number of developer members that have worked with Administration to submit business cases and are growing increasingly concerned about the purpose and outcome of these cases;
- b) We don't see a path to any approvals on these business cases in the near term and that means a loss of another construction season.
- c) There is no clear criteria for evaluating which Business Cases, received before March 3rd, can proceed.
- d) There is no clear definition of 'cumulative effect', or direction on how the 'cumulative effect' of 'x'.number of new areas will be evaluated and calculated.
- e) There is no clear criteria how a Business Case, once Growth strategies has received and decided to evaluate it will move forward in the process.
- f) Industry believes that Business Cases will get 'stuck' as none of the business units asked to do the initial 'sanity check' (to remove the GMO) will actually provide an approval as they feel Outline/Plan (O/P) level detail is required for a decision.

2. Capital Funding Alternatives

- a) What exactly is the City expecting from developers in terms of funding commitments?
- b) There is no clear direction on any of the capital funding options that have been explored except for CFA's which are on indefinite hold as of October 28th of last year.
- c) If CFA's, PAC's and Gifting are all deemed offside or illegal, how does a developer fund?
- d) Developers are concerned that providing 'gifting' for required infrastructure simply to move forward in the process means they will be excluded from any City funding that might become available in the future before their development is allowed to proceed.

3. Operating Costs Concerns

- a) There is no clear direction or timing on resolving operating costs concerns, or how they will be calculated. Industry has presented a proposal which at its core is a 'topping up' of property taxes to offset relative incremental operating inefficiencies.

I stated to Stuart that we understood that a lot has happened to the City with respect to their financial position since we started this work. We understand the three big issues that are causing them 'pause' in making any financial decisions (Greenline, Calgary NeXT, and Olympics).

I also stated that we understand that the GM's decided to move the GMO removal 'up' in the process to provide certainty for both the developers and the City and the intent was to get a sanity check to allow the GMO removal to happen. This was a good idea and should work as expected. However, the reality is this isn't happening as no one has defined the level of detail

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for the sanity check and business units want Outline Plan level detail to complete their sanity check. This has created a stalemate.

Suggested solution:

The solution that I proposed assume that there is agreement on the following principles.

- *The City is prepared to allow one or more developer funded Greenfield areas (approved ASP's with contiguous or logical servicing and more than 100 acres) to proceed.*
- *Opening more areas with limited risk to the City helps create choice and affordability for the new home buyer.*
- *As the areas in question are not part of the City's budget, developers are required to find solutions for capital and operating funding.*
- *Developers that are ready to proceed and have submitted Business cases that meet the City's requirements want to be 'in the ground' in 2018 to meet financial obligations and pro-forma expectations.*

To solve the process issue related to the dilemma' described above, Industry suggests ...

- The City should consider moving the GMO removal back to its original place in the process.
- Allow all business cases received by March 3rd and deemed acceptable by the City for review to proceed to Outline Plan/Land Use processing immediately.
 - o This would allow for business cases to move into Outline/Plan work, buy time to solve capital and operating funding solutions, provide more certainty, due to outline plan level detail that business units' desire.
Further, it would not preclude developers from gifting infrastructure if they wanted to at any time, but would allow others to understand the financial position of the City before committing to a funding option that may or may not require gifting.

GM Dalglish closing remarks:

- He agreed that the changes in the City financial position was a problem, that was literally a real-time concern and required 'pausing' for infrastructure spending.
- He agreed that decisions around this subject need to be made ASAP.

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- He stated that Developer gifting would NOT preclude a development from being considered for City funding in a future budget.
- He asked that our issues and proposal get on the agenda for the next DIGC and GMSGC meetings where they would provide direction and get approvals for next steps.