

New Community Growth Strategy Monitoring Report

2018 July through 2019 September

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Executive Summary

Purpose

This monitoring report is intended to provide a progress update on the status of growth and change in Calgary. It is anticipated that this report can become a template for a single, city-wide monitoring report for strategic growth that will eventually include established and industrial areas, as growth strategies are developed and implemented for these areas.

This first edition is specifically focused on growth related to City investments in the 27 actively developing communities and the 14 new communities approved through the New Community Growth Strategy 2018 (NCGS). The objective of the monitoring report is to provide transparency and accountability based on commitments (City and developer) made through the NCGS 2018 decisions and through the One Calgary (2019-2022) service plan and budget.

Content

The monitoring report includes an overall Calgary market snapshot, community development progress, market absorption, financial summary, and infrastructure and service details for the 27 actively developing communities and the new communities approved in 2018 July. The report also offers conclusions based on the data. The information within this document will help inform future discussions on growth investment decision-making and service introduction levels. The report complements the information in the The City's [Suburban Residential Growth](#) document.

Period

The information generally represents the period from 2018 July to 2019 September. A number of data sources do not exactly align with this period, and this is noted where necessary. For instance, 2019 census data¹ is current as of April 2019. Financial data is aligned with the One Calgary (2019-2022) budget cycle, beginning in 2019 January and including to the end of 2019 September.² No financial information has been gathered prior to 2019 January under the previous budget since it was not directly attributed to specific budget requests linked to new and actively developing community growth. Since financial data is only based on the first seven months of the One Calgary (2019-2022) budget, the financial information provided is generally limited. The information regarding development status of the new communities is based on their progress at the beginning of 2019 October.

Conclusion

The monitoring report has highlighted that Calgary is in a slower growth period with lower than average increases in population and housing units. Land absorption (defined as amount, in hectares, of City-developer development agreements) in 2019 has also been lower than anticipated at approximately 121 hectares to the end of September in the greenfield areas.

The 27 actively developing communities continue to grow and The City will continue to see associated revenues and costs as a result. The 14 new communities have shown progress through The City's approvals continuum towards the goal of achieving occupancy in 2021. Significant insight will come from the next year as development agreements are executed and construction begins in anticipation of 2021.

¹ Civic Census data and analysis can be found here: <http://www.calgary.ca/census>

² The One Calgary 2019-2022 Service Plans and Budget can be found here: <https://www.calgary.ca/cfod/finance/Pages/Plans-Budgets-and-Financial-Reports/Plans-and-Budget-2019-2022/Plans-and-Budget-2019-2022.aspx>. Details on the Growth budgets can be found as part of One Calgary 2019-2022 Service Plans and Budgets (C2018-1158), Attachment 9 "Supplemental Information", pages 19-20 (operating budgets) and 146-148 (capital budgets).

Calgary Market Snapshot

Summary

This section provides an overall snapshot of what has happened in the Calgary market since the approval of the New Community Growth Strategy in 2018 July. Calgary has remained in a period of slower economic growth since the time of the 2018 July decisions. The price per barrel of oil (West Texas Intermediate) has moved in a range of \$43 to \$75 USD, sitting \$13 below the 2018 July price of \$70 to settle at \$57 in 2019 September. The price per barrel of Western Canadian Select has moved in a range of \$6 to \$53 USD, sitting \$8 below the 2018 July price of \$53 to settle at \$45 in 2019 September. Since 2018 July, the prime lending rate has increased by 0.25 percentage points to 3.95 percent. This is still the case, though long term government bond yields have recently declined, then rebounded. Related, Federal mortgage rules also remain a challenge for the housing market in Calgary.

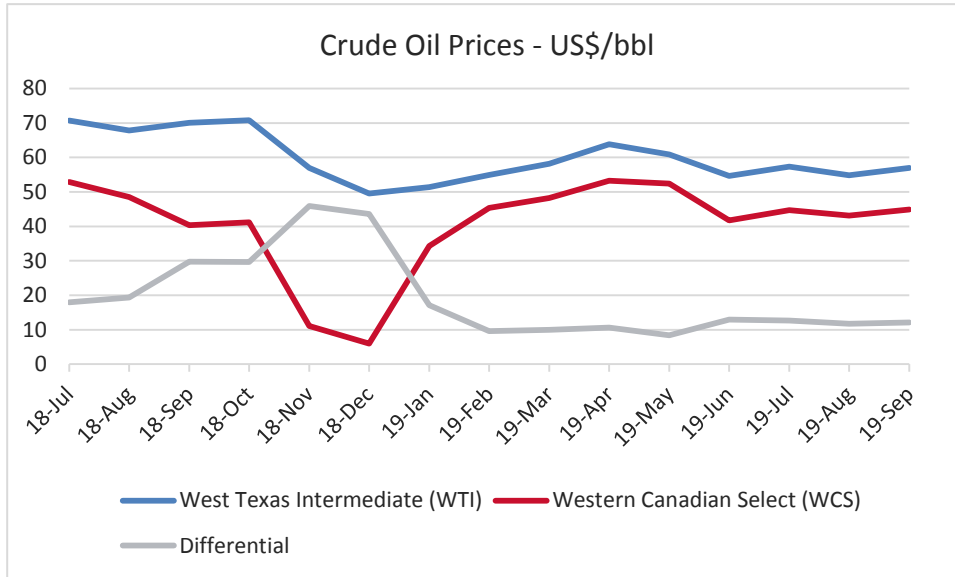
The housing market outlook has not substantially improved relative to when the growth decisions were made in 2018 July. While the unemployment rate in Calgary has moved downward in a positive way recently, forecasts for Alberta's economy are anticipating tepid growth overall (e.g., Alberta GDP forecasts from Conference Board, ATB and RBC anticipate -0.8 to +0.8 per cent for 2019, and +1.9 to +2.0 per cent for 2020). The City's Corporate Economics group anticipates GDP growth of +1.9 and +1.7 per cent for 2019 and 2020, respectively.

In 2018, development agreements associated with 375 hectares were received in greenfield areas. This number was very close to the anticipated 400 hectares per year assumption employed in the Off-site Levy Bylaw. However, for January to September 2019, this number has tracked lower, at approximately 121 hectares in greenfield areas year to date (116 hectares in new and actively developing communities).

Population growth for 2019, as forecasted by The City in 2019 Spring, was +24,000. The actual result for 2019, as released through the Census in 2019 September, was +18,367. Chiefly lower natural increase, but also lower net migration contributed to the smaller figure. In relation to the growth targets contained in the Municipal Development Plan (5.2.2), 82 percent of population growth occurred in the Developing Areas between 2018 and 2019.

Growth in the housing stock in 2019 was +5,866 units, as released through the Census in 2019 September. This was the lowest annual growth since 2011.

Figure 1 - Crude Oil Prices



WTI Source: U.S. Energy Information Administration
WCS Source: Alberta Energy

Figure 2 - Calgary Population Growth

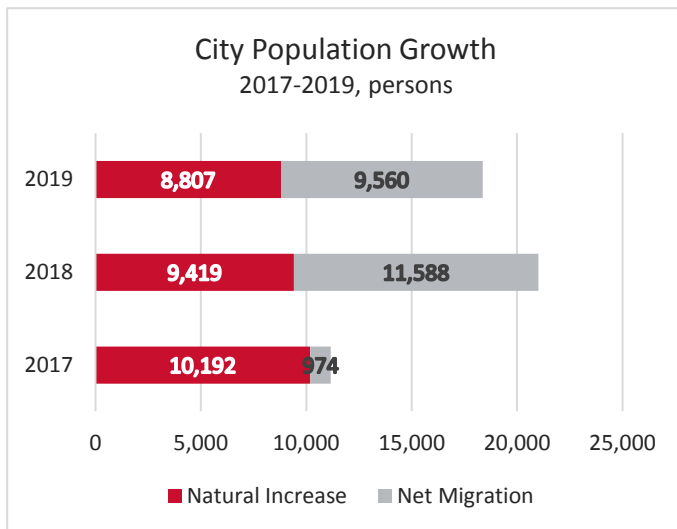


Figure 3 - Housing Starts

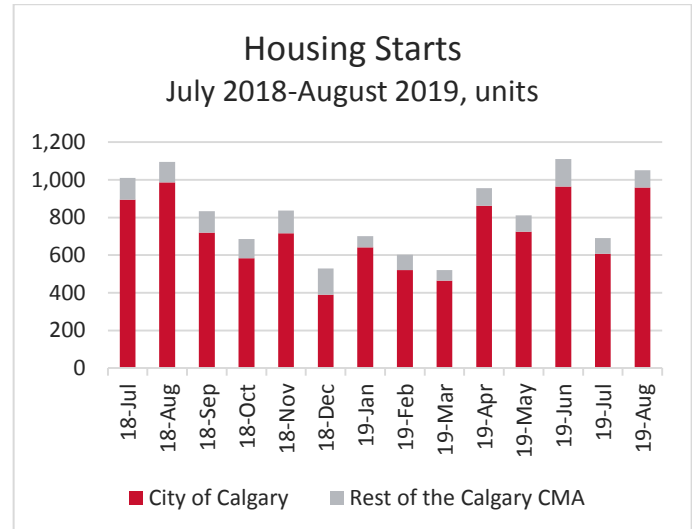


Figure 4 - Unemployment Rate

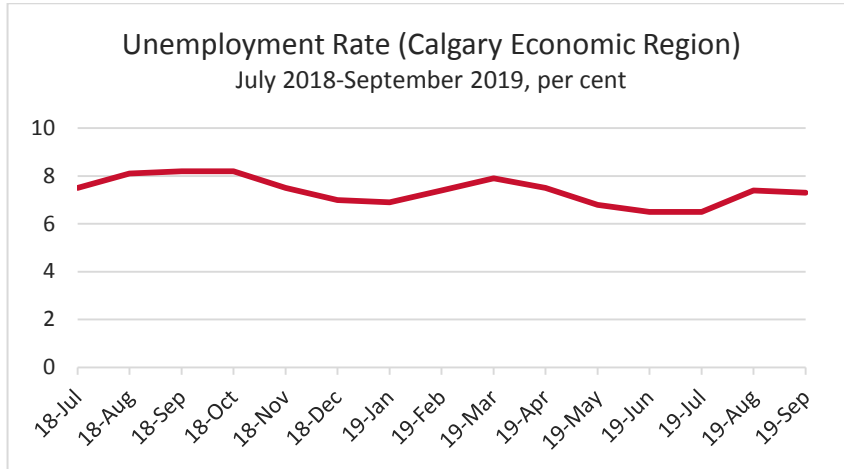
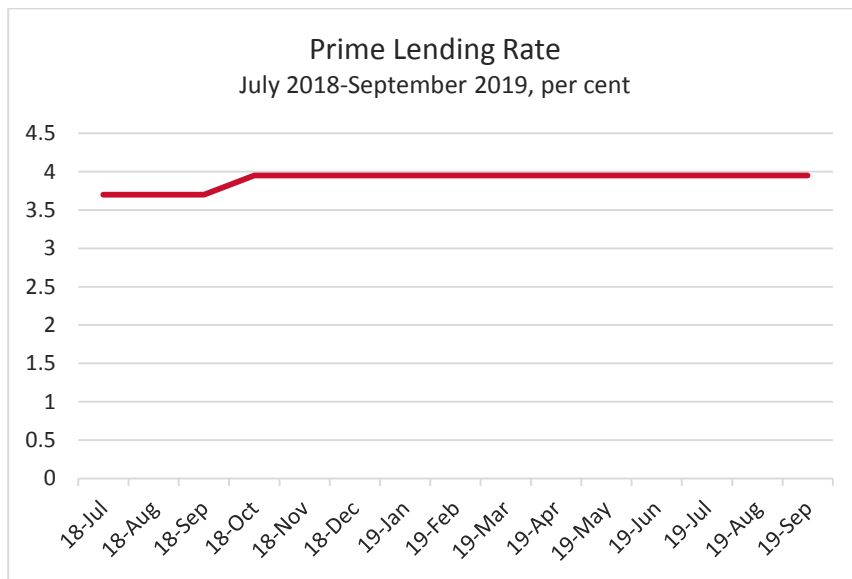


Figure 5 – Canada Chartered Banks Prime Lending Rate



Definitional Note on the 14 New Communities

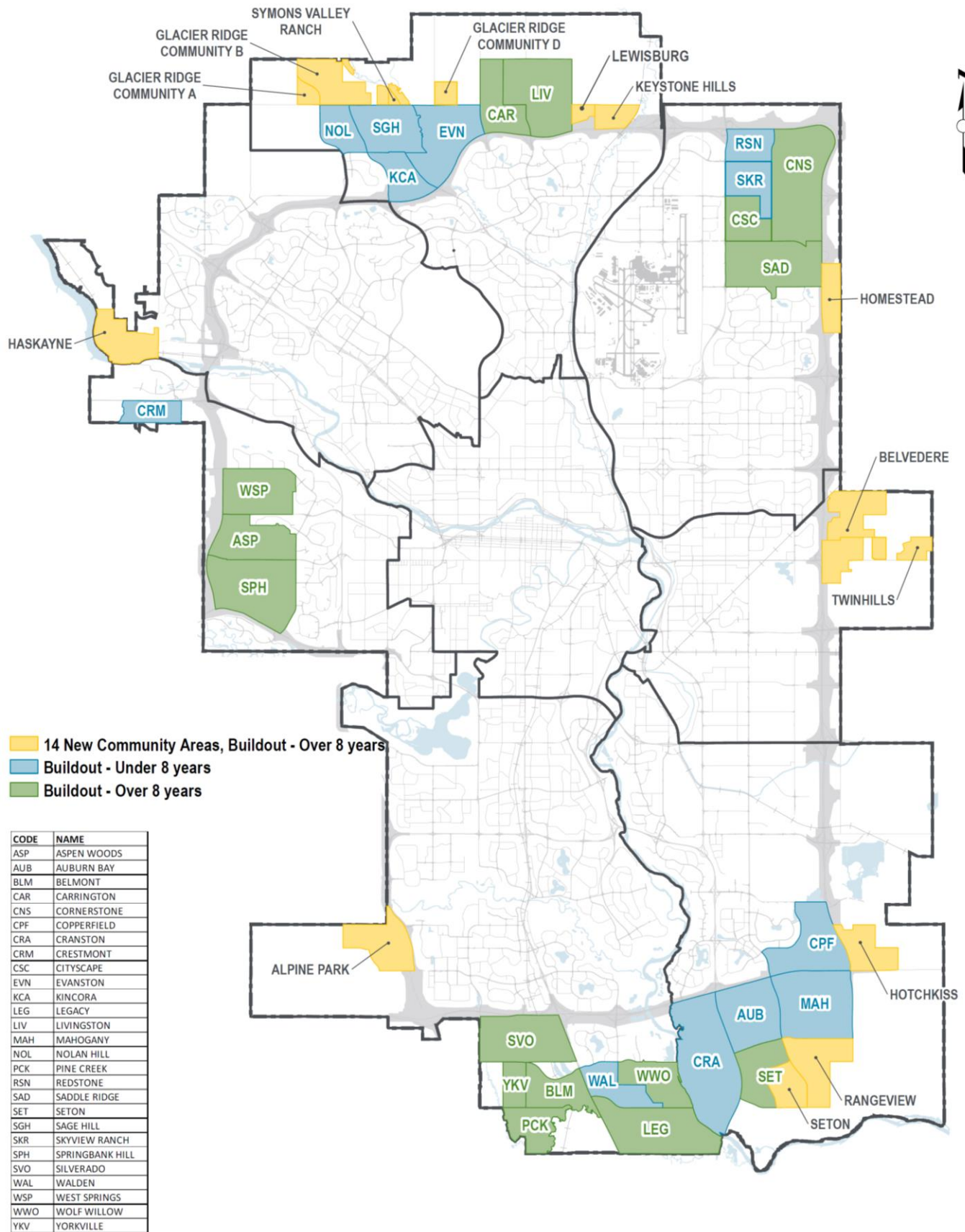
Through the New Community Growth Strategy 2018, eleven business cases proposing 14 new communities were approved by Council. These communities represented all, or a portion of, communities identified through the Area Structure Plan process. The new communities vary widely in size, and some will be the subject of future business cases to address completion of the communities. There is not a one-to-one ratio of business cases to new communities.

As is common in the planning process, the final community naming and determination of the community boundaries can and does change as development applications move through the planning continuum.

The following table shows how the 14 new communities have been refined since 2018 July. The map on the following page shows the most recent boundaries for the new and actively developing communities, and the legend indicates anticipated build out time.

NCGS 2018 Name (# of Communities)	2019 Community Name
Keystone Hills (2)	Lewisburg
	Keystone Hills
East Stoney	Homestead
Belvedere (West)	Belvedere
Belvedere (TwinHills)	TwinHills
South Shepard	Hotchkiss
Rangeview (2)	Seton
	Rangeview
Providence	Alpine Park
Haskayne	Haskayne (Rockland Park)
Glacier Ridge (Ronmor/Wenzel) (2)	Glacier Ridge A
	Glacier Ridge B
Glacier Ridge (Capexco)	Symons Valley Ranch
Glacier Ridge (Qualico)	Glacier Ridge D

Map of 27 Actively Developing and 14 New Communities



27 Actively Developing Communities

Summary

The 27 actively developing communities continue to build out and see gains in population growth compared to other parts of the city. Over the course of the One Calgary (2019-2022) service plan and budget, eight communities are expected to completed single and semi-detached dwelling unit development with only multi-residential development remaining in those communities. As these communities develop, operating costs of these communities increase as services are provided.

Market Absorption

Population in the 27 actively developing communities increased by +13,981 people in +5,451 units in 2019. The majority of population growth occurred in the Southeast and North planning sectors while the majority of the unit increase occurred in the North and Northeast planning sectors. The 27 actively developing communities saw a +3,418 single-residential and semi-detached unit increase compared to a +2,033 multi-residential unit increase, for a ratio of 63 per cent to 37 per cent.

Figure 6 - Population Growth in Actively Developing Communities

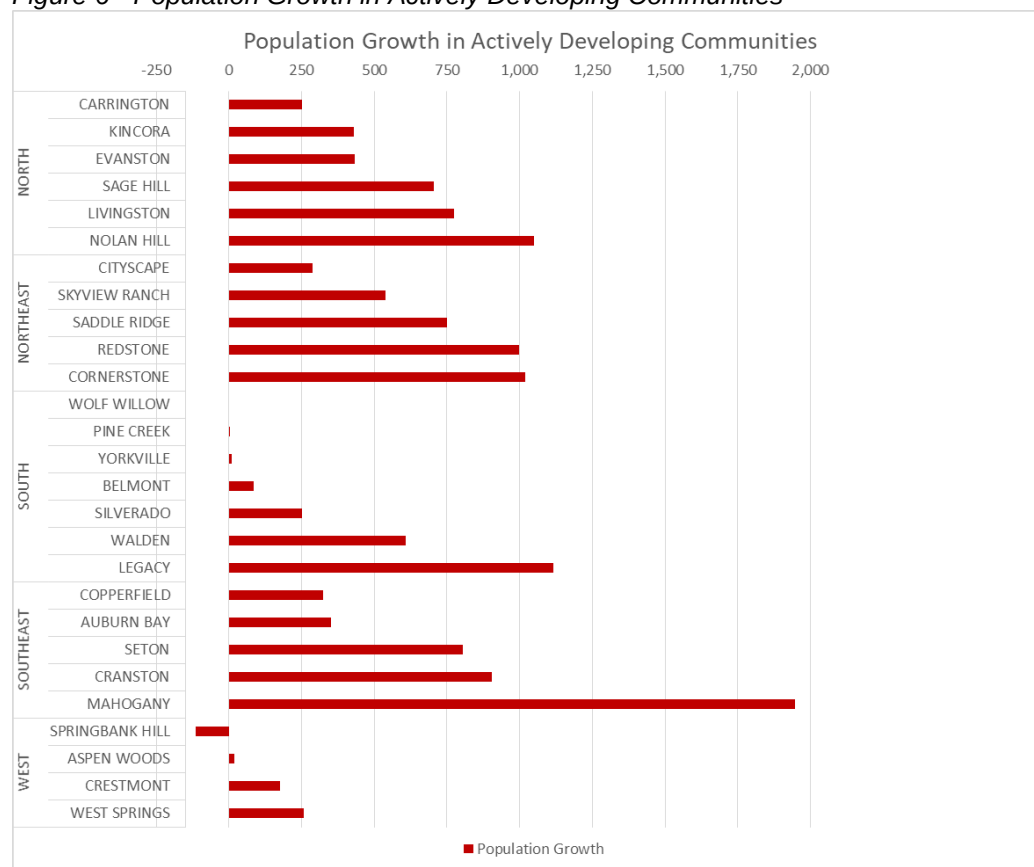


Figure 7 - Housing Unit Growth in Actively Developing Communities

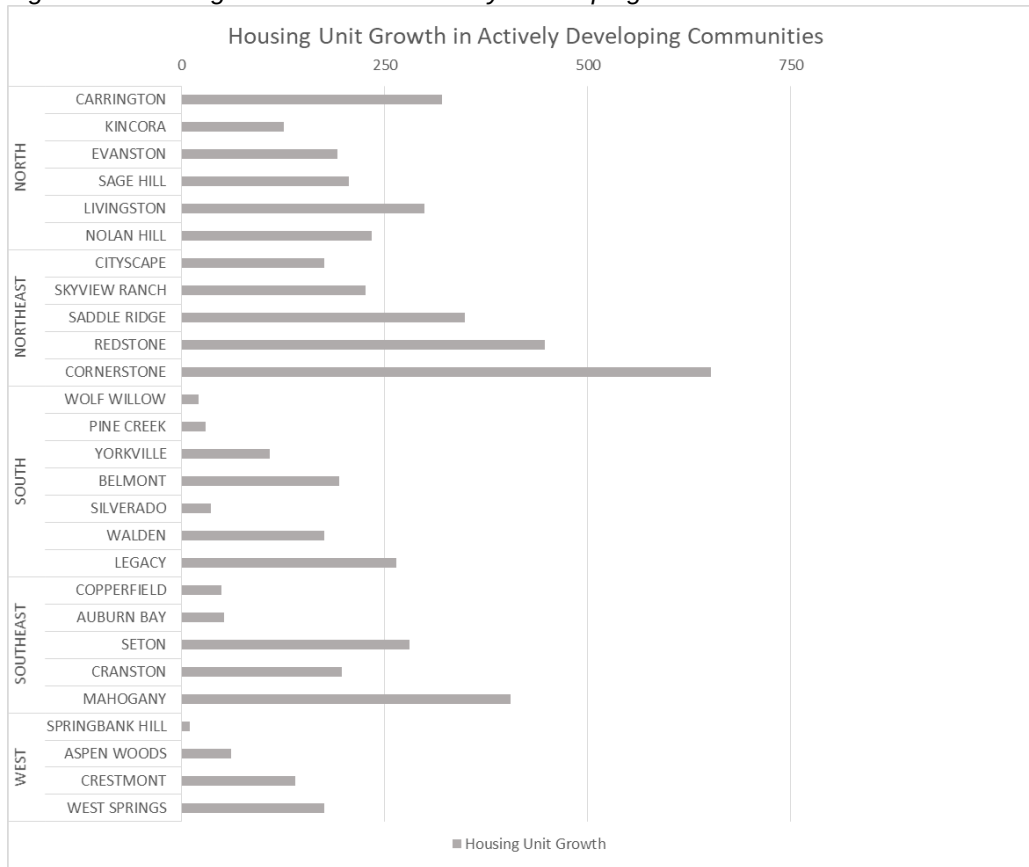
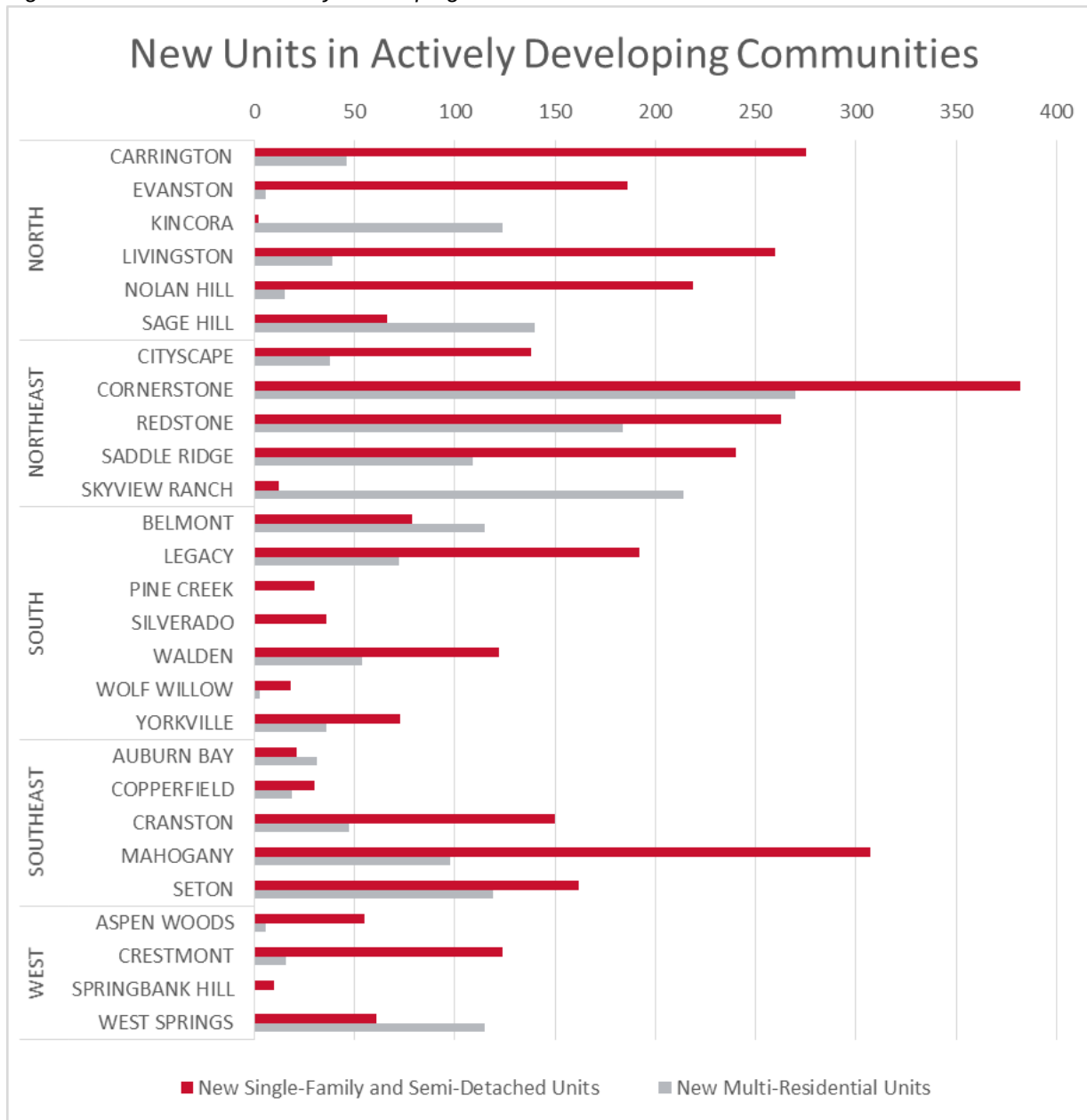


Figure 8 - New Units in Actively Developing Communities

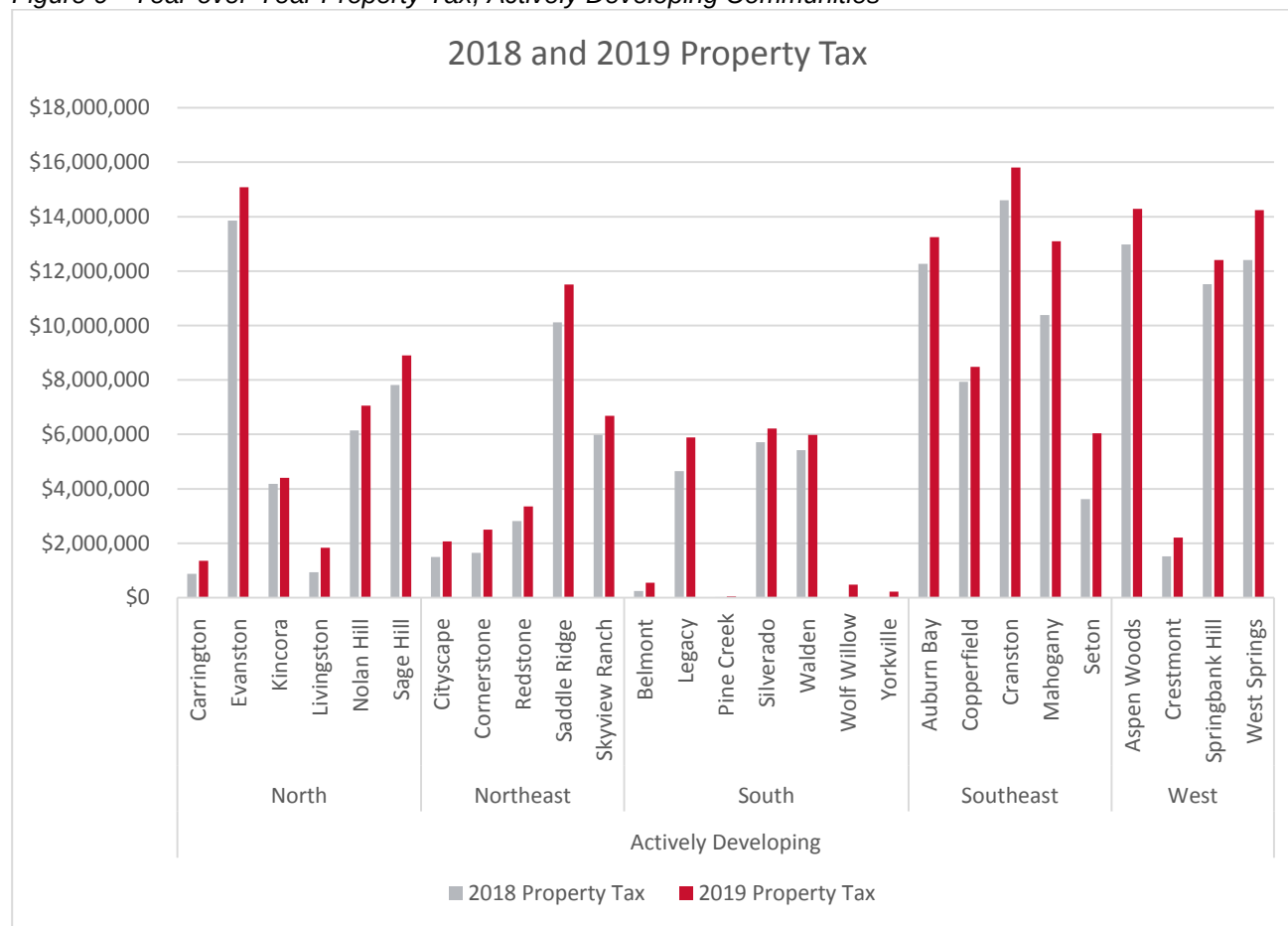


Financial Summary

Financial data associated with new and actively developing communities is aligned with the One Calgary (2019-2022) service plan and budget cycle beginning in 2019 January and including to the end of 2019 September. No financial information has been gathered for prior to 2019 January under the previous budget since it was not directly attributed to specific budget requests linked to new and actively developing community growth.

The following chart illustrates the increase in property taxes assessed between 2018 and 2019. The property tax increased by approximately \$25 million in 2019 in the 27 actively developing communities. It should be noted that it cannot be determined exactly how much of the property tax increased due to new unit growth (versus other forms of appreciation) at this time.

Figure 9 - Year-over-Year Property Tax, Actively Developing Communities

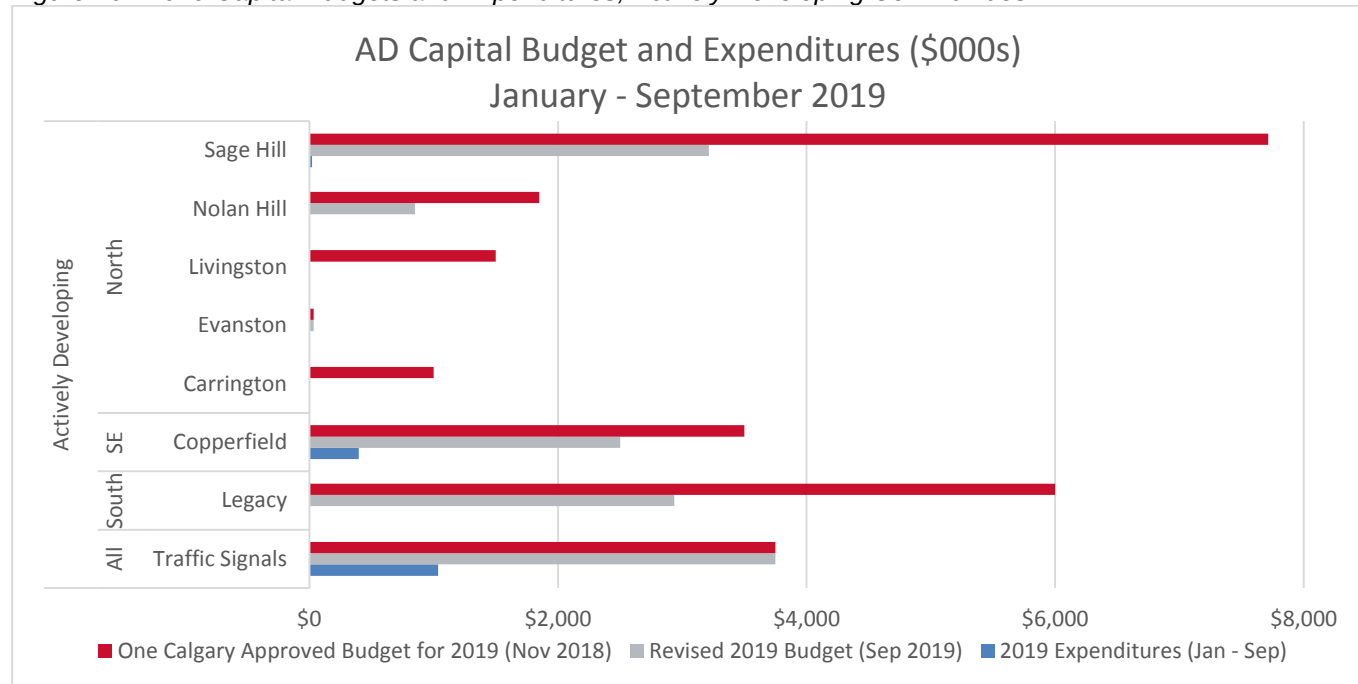


Infrastructure and Service Details

In the actively developing communities, capital expenditures are illustrated in Figure 10. The capital expenditures represented are for transportation infrastructure projects. There is no capital infrastructure for utilities directly associated with the actively developing communities. Communities that did not incur capital costs are not listed. In the first nine months of 2019 approximately \$1.5 million has been spent on capital infrastructure in the actively developing communities from a budget of approximately \$13.3 million. The 2019 capital budget was adjusted from the One Calgary budget in 2019 September, a portion of the 2019 budget

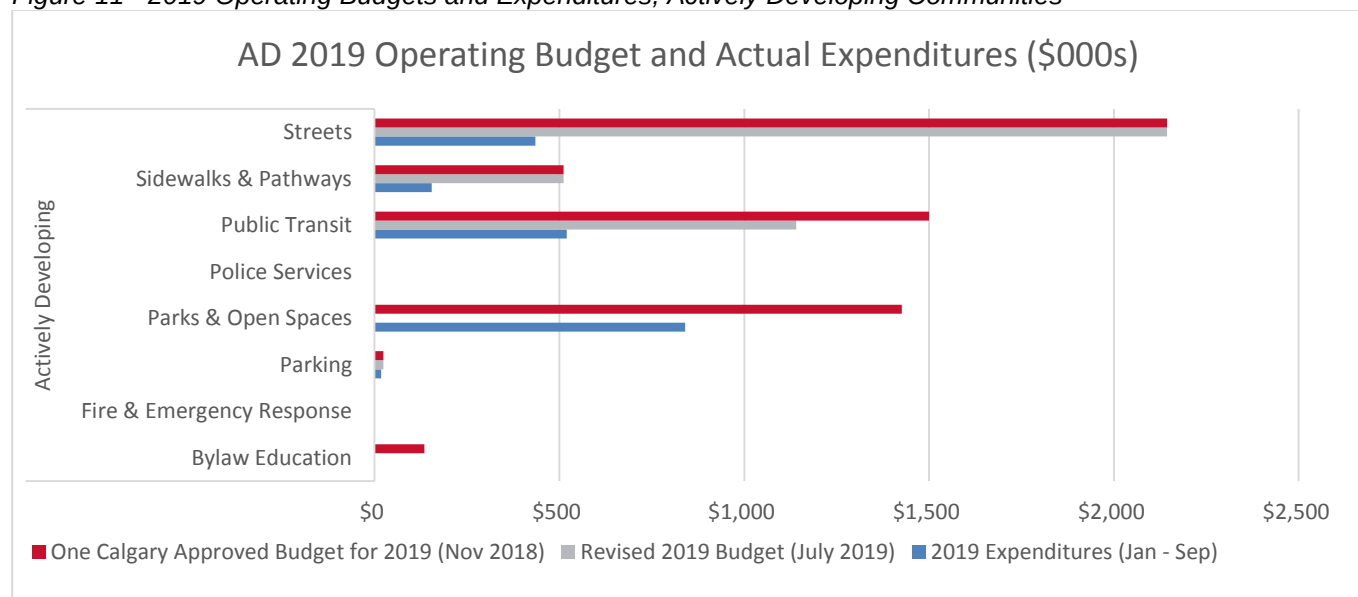
was redistributed to 2020 to 2022. Expenditures are expected to increase significantly in the latter half of the year as additional engineering design and construction begins for the identified infrastructure projects in the One Calgary budget. Figure 11 below illustrates the operating expenditures to date in relation to the One Calgary budget (2018 November) and revised budget (2019 July). The City has incurred an increase of approximately \$2.0 million in direct incremental operating costs out of a revised budget of \$3.8 million for the first nine months of 2019 for new roads maintenance, transit service, sidewalk and pathways maintenance and parks maintenance

Figure 10 - 2019 Capital Budgets and Expenditures, Actively Developing Communities



Note: Adjustments to the capital budget were made in 2019 September.

Figure 11 - 2019 Operating Budgets and Expenditures, Actively Developing Communities



Service Summary

Parks and Open Spaces

Over the monitoring period, approximately 19 hectares of Environmental Reserve (ER) and Municipal Reserve (MR) land was assumed by The City and approximately 34 hectares of parks space was constructed. The full operating costs associated with these lands will be the responsibility of The City by the end of the budget cycle. While operating costs have been incurred to date in 2019, as part of the budget revisions in 2019 July, the parks budget associated with the growth of the 27 actively developing communities was relinquished and operating costs will be absorbed in the overall citywide maintenance budget.

Streets

Over the monitoring timeframe, The City assumed the full operating costs of approximately 86 lane kilometres of streets. Of the 86 lane kilometres, approximately 60 lane kilometres were assumed in 2019 and therefore directly connected to the operating spending under the Streets service line in the financial section. Approximately 76 lane kilometres of streets were constructed within the actively developing communities over the monitoring time period and received construction completion certificates. The full operating costs associated with these streets will be assumed by The City within this budget cycle. As illustrated in Figure 3, the actual operating expenditures to date are greater than the budgeted amount. The budgeted amount was not based on the predicted operating costs from new growth in the 27 actively developing communities.

Public Transit

Transit added the equivalent of 3 new bus routes in the actively developing communities and increased service in five other communities through the reallocation of service hours across the city. There is no transit service in six of the 27 communities to date due to the communities' early stage of development.

14 New Communities

Summary

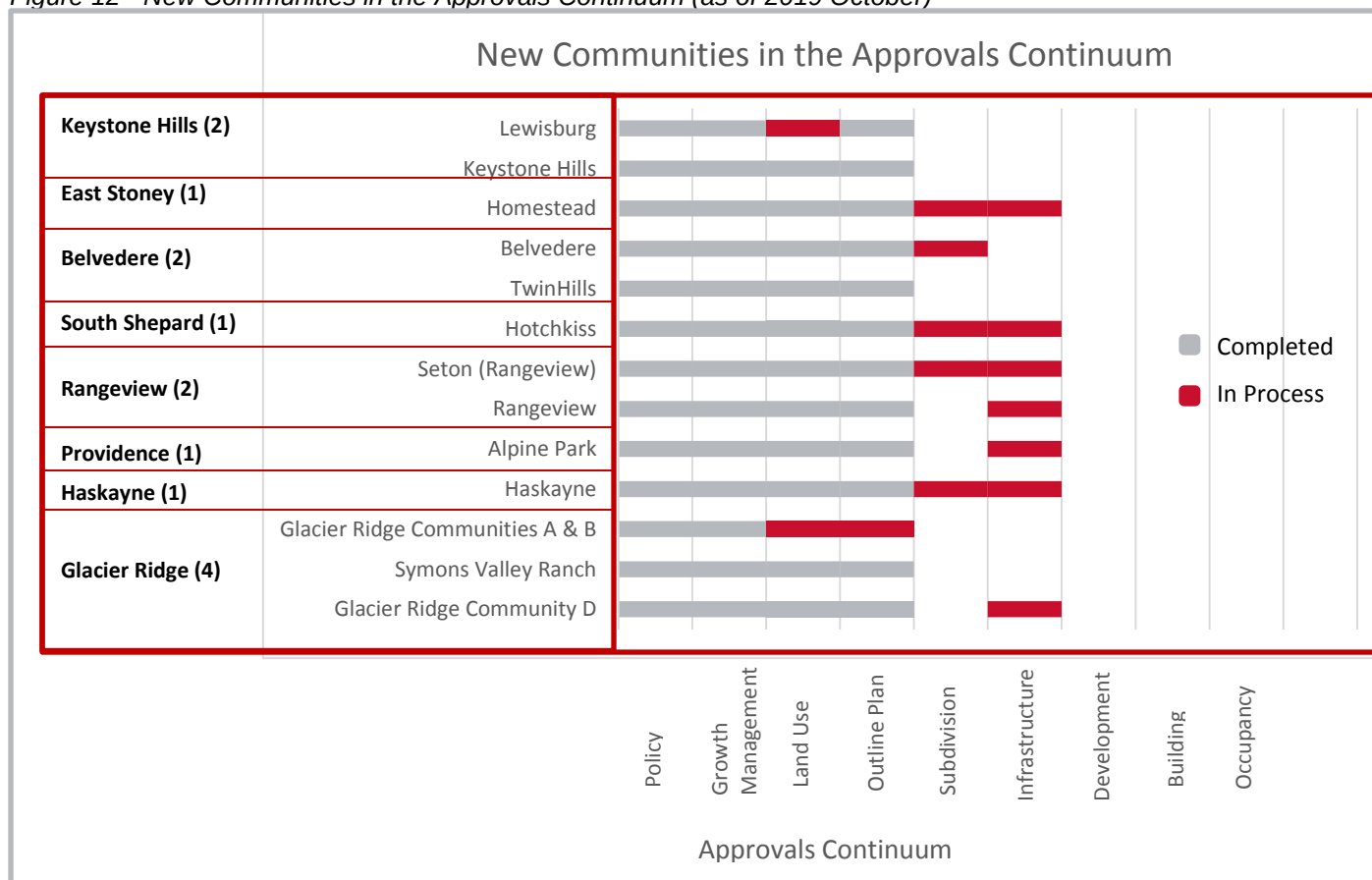
All new communities have been progressing through the development approvals continuum. Within the new communities approved in 2018 July, 19 Land Use and Outline Plan applications have been submitted. Of the 19 applications, 12 have received land use approval and the majority of these have proceeded to the next stages of the development continuum as shown in Figure 12 below.

Market Absorption

In 2018 July, Administration expected first occupancies in all new communities by 2021. Despite differing levels of progress since 2018 July, it is feasible that this can occur.

Figure 12 demonstrates progress made by each new community in the approvals continuum, based on the furthest advanced development proposal in that community. If a stage in the continuum is indicated as “in process”, this means an application has been submitted, but the approval has not yet concluded.

Figure 12 - New Communities in the Approvals Continuum (as of 2019 October)



Definitions:

Infrastructure: underlying system of works upon which development is built (e.g. roads, water and sewer lines)

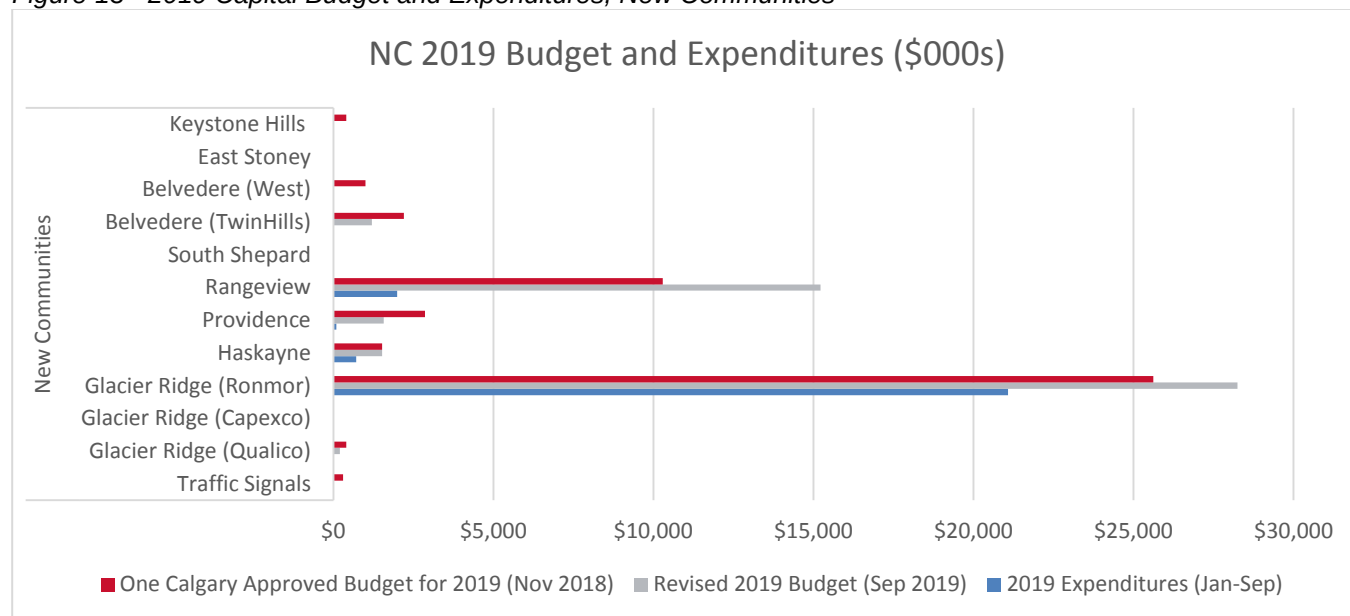
Development: the process and end product of physical construction

Financial Summary

As none of the 14 new communities have reached the development stage, no operating costs were incurred between 2019 January and 2019 July; similarly, there is no approved budget for operating costs in these communities in 2019.

Figure 13 shows capital expenditures that have occurred in preparation of servicing the new communities. In the first nine months of 2019 approximately \$23.9 million has been spent on capital infrastructure in the new communities from a budget of approximately \$48.0 million. The largest capital expenditures in Rangeview and Glacier Ridge (Ronmor) are a result of construction having started on utilities. Some engineering design work has also started for other utility projects and for some transportation projects in other communities.

Figure 13 - 2019 Capital Budget and Expenditures, New Communities



Infrastructure and Service Details

Engineering and design work has begun to some degree in all new communities in preparation of aligning the timing of infrastructure with development. To help with the delivery of some projects Administration will be entering into Construction Agreements with some developers to allow developers to construct the infrastructure according to their timing. As a result, these developers will be responsible for this timing. Administration is expected to enter into a construction agreement with developers for Southeast Keystone (Keystone Hills and Lewisburg), Belvedere (TwinHills), Haskayne (Rockland Park) and potentially Providence (Alpine Park).

Conclusion

The monitoring information indicates growth is slower than projected in Calgary currently than at this time last year. Population growth, while reasonably strong, was softer than forecasted last July. Unit growth has weakened. As well, after a strong 2018, land absorption as reflected through development agreements has been noticeably weaker in 2019.

All 14 new communities have demonstrated progress on the planning approvals required to move forward into development, particularly on land use approvals. It will be necessary to closely monitor progress now that development will move into physical construction and the execution of development agreements, both steps in the development process that require considerable capital investment on the part of the developer. This will determine to what extent the new communities can reach the target of occupancy by 2021.

Considering these data points, it is helpful to reexamine the expected serviced capacity approved in 2018 July against current forecasts:

For Single/Semi Detached Residential	2019-2022	2023-2026
Serviced Capacity - Start of Period	14,080	17,881
Forecasted Demand - Entire Period	(16,160)	(16,672)
Additional Available Capacity from Actively Developing Communities	18,211	0
Serviced Capacity - Before New Community Growth Strategy	16,131	1,209
Additional Available Capacity from New Community Growth Strategy	1,750	22,499
Total Serviced Capacity - End of Period	17,881	23,708
Estimated Years of Supply Balance – End of Period	4.3	5.7
For Multi Residential	2019-2022	2023-2026
Serviced Capacity - Start of Period	32,659	32,919
Forecasted Demand - Entire Period	(10,160)	(8,875)
Additional Available Capacity from Actively Developing Communities	10,420	0
Serviced Capacity - Before New Community Growth Strategy	32,919	24,044
Additional Available Capacity from New Community Growth Strategy	0	15,128
Total Serviced Capacity - End of Period	32,919	39,172
Estimated Years of Supply Balance – End of Period	14.8	17.7

Note: Actively developing community capacity is projected to become available during the 2019-2022 budget cycle, while the NCGS capacity is projected to become available largely through the 2023-2026 budget cycle

Based upon this, the supply of land remains sufficient to accommodate the projected demand through this budget cycle and the 2023-2026 budget cycle. Furthermore, dispersion of supply is healthy, with current serviced capacity in six of seven new community planning sectors, and additional available capacity expected to increase via approved new communities in the Northwest, North, Northeast, East, Southeast, and South sectors.

As the monitoring report becomes a repeatable exercise moving forward, greater detail will be incorporated as reporting measures improve and additional data becomes available.