

**Planning & Development Report to
Priorities and Finance Committee
2019 November 05**

**ISC: UNRESTRICTED
PFC2019-1062**

2019 Growth Strategy Monitoring Report

EXECUTIVE SUMMARY

This report responds to Council's direction from report PFC2018-0200 to bring a monitoring report on the implementation of the New Community Growth Strategy 2018 to the Priorities and Finance Committee no later than Q4 2019.

The first purpose of the report is to provide data and analysis on private development progress and City investment status from 2018 July to the end of 2019 September, where data is available, in the 27 actively developing communities and the 14 new communities approved by Council through the New Community Growth Strategy 2018 and associated One Calgary (2019-2022) approvals. A summary of this analysis is included as Attachment 1.

The second purpose is to provide the results of a debrief and lessons learned exercise on the New Community Growth Strategy 2018 framework that was conducted by Stack'd Consulting Inc. The final consultant report is included as Attachment 2. This debrief focused on process, data, and analysis, with a goal of improving the growth decision making process ahead of the next round of new community growth recommendations.

Finally, the third purpose is to bring forward an Administrative evaluation with regards to the next round of new community growth recommendations, currently directed by Council to return in 2020 March. This analysis is based on an assessment of the monitoring information, short-term market forecasts, and The City's current availability of resources, as well as feedback from the development industry and other stakeholders. Based on the results of this evaluation and discussions with BILD Calgary Region, Administration's recommendation is to accept business cases this Fall and to bring forward new community recommendations by 2020 November, prior to mid-cycle budget discussions. In consideration of unknown workload related to further operating cost discussions with stakeholders and unknown volume of business case submissions, Administration will make best efforts to complete this work by 2020 November, or no later than 2021 March.

It is envisioned that this report can be the first example of an annual report monitoring The City's progress towards a Comprehensive Citywide Growth Strategy. As work continues and completes on established and industrial areas, monitoring and reporting can be added for these areas as well. This monitoring report is intended to ensure transparency and accountability and provide both Council and stakeholders with current information for decision making.

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ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends that Council direct Administration to:

1. Bring a report with the next recommendations for new community growth and development approvals as outlined in Attachment 3 of this report to Council, through Priorities and Finance Committee, by 2020 November or no later than 2021 March, thereby deferring previous Council direction; and
2. Bring a 2020 Growth Strategy Monitoring Report, to Council, through Priorities and Finance Committee, by no later than 2020 October.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2018 July 30, Council approved a total of 11 business cases representing 14 new communities for the New Community Growth Strategy 2018. Eight communities were recommended for approval to the Priorities and Finance Committee through PFC2018-0678, and the Priorities and Finance Committee also recommended that associated Growth Management Overlay removals be brought forward to Council on 2018 July 30 for a public hearing. Overlay removals were accomplished through C2018-0585 *New Community Growth Strategy – Growth Management Overlay Removals Arising from PFC2018-0678*.

An additional six new communities were added on 2018 July 30 through Council direction on supplemental report C2018-0900 *New Community Growth Strategy 2018 – Further Review and Analysis Directed through PFC2018-0678*.

With respect to recommendation four in Report C2018-0900, the following be adopted, as amended:

That Council:

4. Direct Administration to bring the next recommendations for new community growth and development approvals by no later than 2020 March, and in coordination with the One Calgary 2019-2022 four year service plan and budget mid-cycle adjustment process.

On 2018 March 19, Council approved recommendations two and four in report PFC2018-0200 specifically related to the New Community Growth Strategy work:

2. Direct Administration to work collaboratively with industry on potential new capital and operating options including those outside current policy constraints to:
 - o Help share risk;
 - o Leverage private investment;
 - o Reduce City costs; and
 - o Other mutually beneficial outcomes.

And report back to Council through the Priorities and Finance Committee, as part of the next two-year cycle;

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4. 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.

Attachment 4 of this report contains the complete Council direction from reports C2018-0900 and PFC2018-0200.

BACKGROUND

In 2016 October, Administration extended an invitation to the development industry (Industry) to submit business cases in support of new community development in areas of the city that had a Growth Management Overlay (Overlay) in place in the Area Structure Plan. Twelve business cases proposing to initiate development in 16 new communities were subsequently received and reviewed. Proponents were asked to include information responding to criteria that outlined how their lands and development plans advanced the objectives of the Municipal Development Plan (MDP) and Calgary Transportation Plan (CTP), met market demand, and contributed to economic development in Calgary through property tax generation, private capital investment and job creation.

In 2018, Council provided direction for a New Community Growth Strategy (NCGS) through a Strategic Session of Council in January (verbal report C2018-0122), through report PFC2018-0200, and with the setting of indicative rates in report C2018-0489. Foundational to the New Community Growth Strategy, Administration and Industry agreed on six principles that were developed together in the Fall of 2017 to guide this work, they are; 1) Collaborate, 2) Incorporate a market oriented perspective, 3) Advancing new development, 4) Establishing accountable processes, 5) Cumulative impact considerations on capital and operating costs, and 6) Shared risk.

As directed by Council, Administration undertook a review of the business cases received, and brought forward a recommendation of new communities for investment in the One Calgary (2019-2022) service plan and budget. Also as part of One Calgary and subsequent to the setting of indicative rates, Administration identified recommended investments for the 27 actively developing communities.

To fund the new communities approved through report C2018-0900 plus the 27 actively developing communities identified in report PFC2018-0200, dedicated funding sources were identified through the One Calgary (2019-2022) service plan and budget that included utility rates, off-site levies and dedicating a specific portion of the property tax rate increase for 2019-2022 for the 14 new communities and the 27 actively developing communities. The dedicated property tax rate is intended to fund The City's portion of capital and the direct incremental operating costs to serve these communities. Council approved a property tax rate increase of 0.75 per cent in 2019 for new communities and a tax rate increase of 1.4 per cent in 2019 and 0.4 per cent per year in 2020-2022 for actively developing communities. The Off-Site Levy Bylaw was updated to include necessary capital infrastructure to serve these new communities through report PFC2018-0973 on 2018 November 12.

At the time of Council's approval of the 14 new communities in 2018 July, a community was defined generally by the community boundaries approved within Area Structure Plans. Many of

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the approved business cases represented a portion of a new community, with additional development within the community expected to be brought forward later. Since that time, many of the business cases have moved forward in the development continuum and have received Council approval of new community boundaries and names. These new community boundaries and names no longer add up to 14, nor do the new community boundaries represent the same areas of business cases. For consistency, Administration continues to reference the 14 new communities as they were approved in 2018 July, as well as the new community name. A map of the 14 new communities, and a table of how naming has changed since, is included in Attachment 1.

The goal of preparing a monitoring report is to enhance transparency and accountability for both The City and Industry, and to ensure the process is continuously improving and responsive to change. Within report PFC2018-0678, Administration indicated that a monitoring report will assist in assessing the success of the current evaluation process and communicate recommended process changes. An internal and external review of the NCGS process was conducted by an independent third party. The review was intended to identify areas for improvement and the results are included in this report in Attachment 2.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The three purposes for this report are both separate and related. They are discussed individually below, with linkages highlighted where appropriate.

New Community Growth Strategy 2018 Monitoring

The objective of the monitoring report, included as Attachment 1, is to provide transparency and accountability based on The City's and developers' commitments made through the NCGS 2018 decisions and through the One Calgary (2019-2022) service plan and budget. Other objectives of the monitoring report are to demonstrate the investment of private capital within the Calgary market and inform future discussions on growth investment decision-making and the determination of service levels. The information provided in Attachment 1 complements other reporting on growth, such as The City's [Suburban Residential Growth](#) document and external reports on supply and demand.

Attachment 1 includes an overall Calgary market snapshot (page 2), community development progress through the application process, market absorption, financial summary, and infrastructure and service details for each of the 27 actively developing communities (page 7) and the 14 new communities (page 13) approved in 2018 July. The monitoring attachment also includes overall conclusions (page 15); the conclusions have also been included on page 8 in this report. The monitoring report in Attachment 1 can become a template for a single, citywide monitoring report for a Comprehensive Citywide Growth Strategy that will evolve to include established and industrial areas.

The information within Attachment 1 generally represents the period from the end of 2018 July to 2019 August. Financial data is aligned with the One Calgary (2019-2022) budget cycle beginning in 2019 January and including to the end of 2019 July. 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.

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The information regarding the status of the new communities is based on progress at the beginning of 2019 September.

Indications are for a below average year for construction as highlighted below in the Market Snapshot. As the 27 actively developing communities continue to build out, The City incurs new operating and capital costs associated with these communities, and sees revenue from tax assessments and off-site levies. The majority of developers in the 14 new communities are still anticipating first occupancies of new homes in 2021. The monitoring results indicate that progress is as expected for the 14 new communities, however, it is too early to know the full budget impacts and whether market absorption will occur as was expected at the time of the 2018 decisions.

Market Snapshot

Administration uses several metrics to understand the strength of the economy, and specifically the new community housing market. Below are some indicators of Calgary's current market.

Table 1 – City of Calgary Building Permit Construction Value (source: City of Calgary)

	Jan 2018 through end Sept 2018	Jan 2019 through end Sept 2019	Per cent Change	2019 Forecast
Total citywide building permit construction value	\$3.4 billion	\$3.1 billion	down 9%	\$4.5 billion

Table 2 - Calgary Census Metropolitan Area (CMA) Housing Starts (source: Canada Mortgage and Housing Corporation – Housing Now and Housing Outlook publications)

	Jan 2018 through end of Sep 2018	Jan 2019 through end of Sep 2019	Per cent Change	2019 Forecast*
Calgary CMA Housing Starts	8,919	8,007	down 10%	11,300 to 12,600

*Housing Market Outlook, Fall 2018

Table 3 – Total Off-site Levy Area in Greenfield Development Agreements (source: City of Calgary)

	Jan 2018 through end of Sep 2018	Jan 2019 through end of Sep 2019	Per cent Change	Original 2019 Forecast
Total Off-site Levy area in Greenfield Development Agreements	310 hectares	121 hectares	down 61%	312 hectares

- In 2018, 374 hectares were executed through Development Agreements in the greenfield area. This number is consistent with the 400 hectares average in development agreements expected annually in the Offsite Levy Bylaw calculation.

Table 4 – 2019 Calgary Population (source: City of Calgary Civic Census)

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	April 2018 (A)	April 2019 (B)	<i>Difference between Censuses (A) – (B)</i>	2019 Spring Forecast (C)	<i>Variance from Spring Forecast (B) – (C)</i>
Total Population Growth	+21,007	+18,367	-2,640	+24,000	-5,633
Natural Increase	+9,419	+8,807	-612	+10,000	-5,193
Net Migration	+11,588	+9,560	-2,028	+14,000	-440

- Approximately 82 per cent of the citywide population growth between 2018 and 2019 occurred in the Developing Areas as identified in Map 1 of the Municipal Development Plan.

The market has been stable or is slightly weaker than in 2018 (as evidenced by the drop in building permits, housing starts, and development agreements), and economic forecasts are largely 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). Administration anticipates GDP growth of +1.9 and +1.7 per cent for 2019 and 2020, respectively.

Regionally, about 89 per cent of housing starts in 2019 YTD have occurred in Calgary. This is higher than in full year 2017 and 2018, when it was 82 per cent and 85 per cent, respectively.

Turning to land supply, in 2019 August The City's *Suburban Residential Growth* document reported on the current serviced land supply and the anticipated serviced land supply based on the approvals from 2018 July and subsequent planning approvals:

Table 5 – Supply Measures (source: City of Calgary; 2018 April)

Measures of Supply	Single/Semi Detached	Multi Residential
Currently Serviced (in 27 Actively Developing Communities)	15,952 (4 years)	35,271 (14 years)
Budgeted to be Serviced through One Calgary (in 27 Actively Developing Communities)	18,211 (4 years)	10,420 (4 years)
Budgeted to be Serviced through One Calgary (in 14 New Communities)	24,249 (6 years)	15,128 (6 years)
Total	58,412 (14 years)	60,819 (24 years)

Table 5 uses forecasted demand of 4,106 single/semi units per year and 2,492 multi units per year to calculate years of supply. If demand is lower than these thresholds, then years of supply will increase. If demand is higher, years of supply will decrease.

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This supply will be gradually introduced over the next two business cycles, and demand will continue, therefore these numbers represent gross supply. It is estimated that there will be 4.3 years of single/semi-detached serviced residential supply at the end of 2022 and 6.0 years of single/semi-detached serviced supply at the end of 2023-2026 once all 14 new communities become serviced.

City Investment in the 27 Actively Developing Communities

In the last year, the 27 actively developing communities grew by 5,451 units. Most of this growth occurred in the North, Northeast and Southeast Sectors of the city. As illustrated page 6 of Attachment 1, eight of the 27 communities will be considered substantially complete in the next three years, as single and semi-detached development will be nearly built out, with multi-residential sites expected to complete substantially later.

Within these communities, The City has incurred an increase of approximately \$2 million in direct incremental operating costs as of 2019 September 30 from a budget of \$3.8 million for new roads maintenance, transit service, sidewalk and pathways maintenance and parks maintenance. As part of the 2019 July base operating budget reductions (C2019-0901) Council approved a \$1.9 million reduction from an original budget of \$5.7 million for Actively Developing Communities. The budget reductions in 2019 July were made to the Parks & Open Spaces, Public Transit and Bylaw Education service lines, meaning that the remainder of the citywide operating budget for these three service lines need to absorb any direct incremental operating costs in these communities, effectively lowering the service level provided across the city.

Table 6 – 2019 Base Operating Budget Reductions Actively Developing Communities (\$000s)

Service	One Calgary 2019 Original Budget	2019 July Operating Budget Reduction	2019 Adjusted Operating Budget
Parks & Open Spaces	1,426	(1,426)	0
Public Transit	1,500	(359)	1,141
Parking	24	0	24
Sidewalks & Pathways	511	0	511
Streets	2,144	0	2,144
Bylaw Education	135	(135)	0
Total	5,740	(1,920)	3,820

In the 27 actively developing communities, the 2019 property tax increased by approximately \$25 million over the 2018 property tax. 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. It is also recognized that the costs incurred in these communities only represents the direct incremental costs whereas the property tax revenue would be allocated to cover all property tax supported costs.

Both The City and developers are continuing to invest in capital infrastructure to provide necessary servicing in these communities. In 2019 from January to the end of September, The

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City has spent approximately \$1.5 million from a budget of approximately \$13.3 million for 2019. The \$1.5 million has been spent on transportation capital infrastructure in these communities, primarily on traffic signals and work related to the 130 Avenue SE missing links. Administration continues engineering design work on projects related to the 27 actively developing communities.

City Investment in the 14 New Communities

Within the 14 new communities approved last July, 19 Land Use and Outline Plan applications have been submitted. Of the 19 applications, 12 have received land use approval as of 2019 September 30. There are still some small Overlay removed areas where no applications have been submitted. As part of the 2018 business case review process, Administration projected that occupancy would begin in 2021 in all new communities. Based on the progress of different applications at this time, Administration is unable to determine with certainty how likely occupancy in 2021 would be for each developer in each community. To date, no development agreements have been executed however, almost all of the developers have indicated that their business plans for occupancy are on track as outlined in the business cases.

Since no occupancy was projected in 2019, no direct incremental operating costs for the 14 new communities were budgeted, and none have occurred.

As of 2019 September 30, capital infrastructure expenditures of approximately \$24 million from a 2019 budget of approximately \$48 million have occurred for utility construction and 88 Street SE engineering design in the Rangeview area to service the communities of Seton and Rangeview, and for utility construction in the Glacier Ridge area to service communities north of 144 Avenue North. Administration continues to work on engineering design of infrastructure projects to align with developers' projected timing.

Conclusion

The 27 actively developing communities continue to build out and The City continues to see revenues and costs associated with these communities. Planning reviews continue in the 14 new communities, and first occupancies are still anticipated in most communities by 2021. Administration continues to design and prepare for construction of the capital infrastructure projects identified in the One Calgary (2019-2022) service plan and budget. This is evidence that developers are investing in the early stages of community development and The City is delivering on its committed investments.

An overall conclusion arising from these monitoring results is that it remains very early on in the development cycle, especially for the 14 new communities. It is likely premature to make definitive statements about the impacts of the 2018 new community growth decisions (C2018-0900). In 2018, actively developing communities built at a rate somewhat slower than historical levels (5,451 units against the ten-year average of 6,021). No new development has yet occurred in any of the new communities, however none was anticipated by this point as it takes time for developers to secure approvals and coordinate construction.

With no evidence to suggest that development and absorption is occurring ahead of schedule, these results would indicate that current growth capacity and dispersion is more than sufficient to meet market demand. Supply levels should easily stay within the three to five years of

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serviced suburban land target established in policy 5.2.3b of the Municipal Development Plan. If serviced supply approved through the NCGS 2018 is initiated expeditiously, Administration concludes that Council's 2018 July 30 New Community Growth Strategy (C2018-0900) approvals will sufficiently address market supply for this (2019-2022) and the next business cycle (2023-2026) and retain private investment for Calgary.

Continuous monitoring will help both Industry and The City to be sensitive to market shifts and collaboratively work together to achieve the NCGS 2018 goals identified last summer, as well as to identify as early as possible if demand increases and supply levels begin to fall.

Administration recommends Council receive the monitoring results provided in this report for information.

New Community Growth Strategy 2018 Debrief

This report also includes an assessment of the current evaluation process, undertaken in 2019 in a spirit of continuous process improvement. To help provide an independent third party perspective, Administration retained Stack'd Consulting Inc. to conduct an internal and external debrief on the NCGS 2018 to help improve the growth decision-making process. The report completed by Stack'd is included as Attachment 2 of this report.

The engagement focused on three key areas:

1. Process (e.g., timelines, clarity, transparency and communication);
2. Data and analysis (e.g., feedback on data assumptions); and
3. Evaluation Criteria (e.g., criteria based on Municipal Development Plan/Calgary Transportation Plan alignment, market demand, and financial impacts).

The debrief focused on process and did not include an assessment of the growth decisions that were recommended by Administration or made by Council. A comparison to how growth decisions are made in other jurisdictions was also not in scope.

Engagement

To obtain the feedback on the process, members of City Council, as well as representatives from Industry and Administration who were part of the process were all engaged to ensure feedback was collected from a variety of sources and perspectives. Attachment 2 outlines a list of stakeholders who participated via a number of different methods of engagement.

Recommendation Summary

The consultants' top priority recommendations are outlined below and contained in Attachment 2 of this report:

1. Establish overarching priorities for the portfolio across related initiatives (e.g. Established Area Growth, Industrial Growth) to help address competing priorities and coordinate efforts and resources across the full range of growth opportunities;
2. Retain the three evaluation criteria 'pillars' as Guiding Principles and set specific priorities related to each pillar (MDP, Market Demand, City Financials) for a given business-cycle;

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3. Design a Business Case Template to directly reflect business cycle priorities and help ensure alignment of business case submission information with evaluation criteria;
4. Establish and publish a master data set at the start of the process that reflects the supporting data and assumptions required by the business case economic and market projections to help reduce rework, debate, and inconsistency and improve transparency;
5. Clearly define the NCGS process, how it fits within the broader set of corporate processes and growth initiatives, and publish expectations to stakeholders in advance of initiating the business case review process; and,
6. Ensure transparent, frequent, and open communication across all stakeholders regarding all elements of the NCGS initiative.

Conclusion

Administration supports the recommendations put forward in the report from Stack'd Consulting. Administration will continue to work collaboratively with Industry through the Industry/City Work Plan New Community Working Group to implement the recommendations contained within the Stack'd report. This work will be reported on through the Industry/City workplan, which provides an annual report to Council through the SPC on Planning and Urban Development.

Administration recommends Council receive the New Community Growth Strategy 2018 Debrief update provided in this section of the report for information.

Seeking Direction for New Community Growth Strategy 2020

Council Direction

In 2018 July, Council directed Administration to bring the next recommendations for new community growth and development approvals by no later than 2020 March, and in coordination with the One Calgary (2019-2022) service plan and budget mid-cycle adjustment process. The rationale behind this direction at the time was that the review of new community growth opportunities every two years would provide the following benefits:

1. Allows for ongoing and predictable decision-making timing for Council and the development industry;
2. Aligns with the City budget cycle timing in order that growth opportunities be considered cumulatively at the same time, and also alongside other City budget priorities; and
3. Allows a biannual check of market demand conditions, and an opportunity for action should additional investment be necessary to create capacity in the market.

Current Context

When the New Community Growth Strategy work started, the concept of a repeatable two-year process, aligned with The City's budget cycle, was considered important to Industry and Administration in order to provide flexibility and nimbleness to meet market demand, and also to consider the financial capacity of The City at budget time.

Since the NCGS 2018 decision in 2018 July, the context for decisions has changed:

1. The housing market has slowed since last July, as indicated in the monitoring section above and in Attachment 1.
2. Housing forecasting is not as optimistic as it was at the time of the 2018 July decision.

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3. The City's financial context has changed. To help address the shift in the non-residential tax base, Administration brought forward \$60 million in permanent tax supported operating reductions to the first year of the One Calgary (2019-2022) service plan and budget through report C2019-0901.
4. Administration is currently preparing 2020 budget reduction options for 2020, the second year of One Calgary (2019-2022).
5. On 2019 October 24, the Government of Alberta released their 2019-2020 budget and there are both impacts to operating and capital for The City. The impacts to the capital budget as a result of reductions will be reviewed and reprioritized by Administration.
6. In 2019 February, Council approved the City Planning and Policy Priorities work plan (PUD2019-0253), which identified the ongoing work of the Established Area Growth and Change Strategy and the scoping work of the Industrial Growth Strategy as priorities

Based on all the factors and reasons identified above, and in consultation with stakeholders, Administration believes it is prudent to reconsider the 2020 March timing that is indicated in the current Council direction.

NCGS 2020 Process

Administration began discussions about potential options for conducting the NCGS 2020 mid-cycle evaluation with industry members and other stakeholders in 2019 August. Administration, BILD Calgary Region, and other stakeholders discussed various viewpoints and concerns:

- City financial impacts to current and future capital and operating budgets, and resulting impacts to property tax, utility, and off-site levy rates;
- Market supply compared to forecasted demand over the next five years;
- Status of the Established Area Growth and Change Strategy and the as yet to be started Industrial Growth Strategy priorities in the City Planning and Policy service work plan;
- Potential economic opportunities;
- Messaging and optics with industry and investors that Calgary is open for business; and
- Managing expectations, consistency, and repeatability of the NCGS process established in 2018.

Following discussions with different stakeholders and consideration of the points identified above, Administration is recommending that business cases may be accepted from now to 2020 March 1, followed by conducting a 2020 NCGS evaluation with an extended timeline to bring forward recommendations not later than 2020 November. BILD Calgary Region is in agreement to extend the timeline to 2020 November as indicated in their letter included as Attachment 5. This extended timeline allows Administration to meet the current Industry expectation for a repeatable, consistent process that demonstrates that The City is open for business. The deferral to November helps recognize prioritization of the Established Area Growth and Change Strategy and the Industrial Growth Strategy.

In order to focus the 2020 New Community Growth Strategy review, Administration will adjust the application of certain criteria and use off-ramps for those business cases that do not meet these criteria. This approach is intended to accomplish four things:

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1. Recognize the principle of shared risk that Industry and Administration agreed to as part of the New Community Growth Strategy 2018 work,
2. Address City financial constraints related to capital and operating funding availability,
3. Address City resourcing constraints related to work plan priorities, and
4. Continue to drive toward a Comprehensive Citywide Growth Strategy that includes new communities, established areas and industrial areas for 2022 March.

There are four adjustments to the application of the evaluation criteria for 2020; they include (a) City capital costs, (b) City operating costs, (c) Contiguous and logically serviceable land and (d) Demonstration of private investment and improving near term market competition. Details of these application adjustments are outlined in Attachment 3.

Administration is also recommending that an off-ramp approach be used, so that if a business case does not meet all of the criteria mentioned above, the business case will be placed on an off-ramp and not proceed further into the review process. Proponents would then be notified.

Administration will then only bring forward a full analysis of the business cases that meet these criteria to Council. A Growth Management Overlay, for business cases approved by Council, will then be removed in conjunction with the land use redesignation (when ready) after budget approval. By using off-ramps and focusing on business cases that align to the criteria outlined above, Administration is best positioned to meet the 2020 November timeline and continue prioritizing Established Area and Industrial Area growth strategy work. Changes to this approach would most likely result in changes to the 2020 November timeline to adequately resource an expanded scope of work. In consideration of unknown workload related to further operating cost discussions with stakeholders and unknown volume of business case submissions, Administration will make best efforts to complete this work by 2020 November, or no later than 2021 March. Established Area Growth and Change Phase 1 recommendations are currently on track to come to Council, through Priorities and Finance Committee, in 2020 March and it is Administration's intention to prepare a scoping report for the Industrial Growth Strategy by Q4 2020, subject to on-going work and corporate resource capacity.

The annual monitoring of growth in Calgary provides information and introduces flexibility into the process. Should results from the 2020 monitoring report for new communities indicate a shifting market or other deviations from the current context stated above, business cases would already have been submitted and evaluated and therefore recommendations may be informed by these monitoring results.

BILD Calgary Region Feedback

Feedback received from BILD Calgary Region has indicated general agreement with items (a) and (c) above for this round of business case review, including the use of off ramps for these criteria.

Through the discussions, BILD Calgary's position on item (b) is that requiring no new operating costs for the remainder of the One Calgary (2019-2022) service plan and budget is reasonable, but prior to 2027 is not, as many things may change before that time and Council may choose to increase taxes to support operating costs in the future. BILD Calgary's position is also that using an off ramp for operating costs is not appropriate. BILD Calgary has also requested additional

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information about how operating costs would be assessed during this round. Administration will be undertaking a review on how the full operating costs of a business case is determined, and discussing this with Industry. Alternatives may also exist to mitigate operating cost impacts such that no tax increase is required. BILD Calgary and Administration have agreed to continue to meet and identify and evaluate alternative mechanisms that may allow business cases to move forward while not triggering City funding.

BILD Calgary also does not agree with item (d) requiring Land Use and Outline Plan application prior to 2020 October. BILD Calgary has asked Administration to remove this requirement for the following reasons, (1) it is a change from the 2018 process, (2) business case proponents will need to move quickly into preparing an application in order to submit within one year, and (3) a Land Use and Outline Plan application represents significant investment and assumption of risk on the part of the proponent to compile an application without certainty from the business case process. BILD Calgary's positions are expanded upon in Attachment 5.

Conclusion

After careful consideration of feedback received from stakeholders, the conclusions of the monitoring results and the prioritization of growth strategy work in a resource-limited environment, Administration believes the NCGS 2020 process identified as outlined in Attachment 3 appropriately balances the concerns of Industry, the fiscal and resource constraints faced by The City, as well as the pressure on property tax and utility rate payers. Focusing available resources on these strategies will help reach the goal of a Comprehensive Citywide Growth Strategy that includes new communities, established areas and industrial areas for 2022 March.

Work on continuous process improvement for the NCGS (beginning with implementation of the Stack'd recommendations) will be undertaken to ensure the best possible process for business case analysis. Ongoing monitoring will provide information for Administration and Industry to evaluate any shifts requiring attention prior to 2022.

Stakeholder Engagement, Research and Communication

Stakeholders were involved in discussions on the three components of this report:

- **Monitoring Report** Administration discussed the purpose of the monitoring report and timelines with the Industry/City New Community Working Group to provide a general overview of what would be included in the monitoring report. Administration continued these discussions periodically with the working group into September. Administration also contacted developers in all 14 new communities to receive a general update on current timing of applications and servicing.
- **NCGS 2018 Debrief** In addition to the engagement conducted during the NCGS 2018 debrief, Administration brought forward the recommendations included in the Stack'd Consulting Inc. to the Industry/City New Communities Working Group. Administration will work together with the Working Group to implement refinements to the growth strategy process and evaluation ahead of conducting the next review.

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- **NCGS 2020 Evaluation Options** Administration also brought forward options for the NCGS 2020 for discussion with the Developer Advisory Committee in August and September 2019. Discussions with individual land owners with prospective business cases, BILD Calgary Region, and some members of Council were also held. As a result of this feedback, Administration and BILD Calgary met several more times in October to try and reach agreement that would address outstanding concerns. These meetings fostered a shared understanding, and Administration and BILD Calgary were able to reach agreement on several issues. A letter from BILD Calgary Region is included as Attachment 5. A letter from NAIOP Commercial Real Estate Development Association was also received and is included as Attachment 6.

Strategic Alignment

The report aligns with the One Calgary Council directive of *A Well-Run City* by being focused on resilience and continuous improvement. There is also alignment with the One Calgary Council directive of *A City of Safe and Inspiring Neighbourhoods* which identifies that growth of the city needs to be managed in a way that achieves the best possible social, environmental and economic outcomes within financial capacities.

The information and recommendations provided in the monitoring report will help The City meet the policies contained in Sections 2.1.4 and 5.2.5 of the Municipal Development Plan by providing the information required to make planning and capital investment decisions within a corporate strategic framework and to avoid premature investment in municipal infrastructure and by prioritizing the intensification of Developed Areas.

Social, Environmental, Economic (External)

Social, Environmental

The recommendations in this report will allow Administration to balance attention to the established communities and industrial components of the comprehensive citywide growth strategy and thereby enables balanced consideration of social and environmental considerations across the city.

Economic (External)

The decisions made by Council on new community growth in 2018 July were well received by Industry and have provided multiple new opportunities for growth, capital retention, and job creation. However, this new supply, when coupled with an expectation of slower growth in the housing sector, raises questions of whether additional investment in and attention to new community growth will continue to yield returns. The recommendations in the report support those developers who have already invested in the servicing of their land and those developers who are about to invest in the new community areas already approved.

Financial Capacity

Current and Future Operating Budget:

There is no impact to the current operating budget as a result of this report. If changes are required to operating budgets, these changes will be brought forward through the regular budget process.

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Current and Future Capital Budget:

There is no impact to the current capital budget as a result of this report. If changes are required to capital budgets, these changes will be brought forward through the regular budget adjustment process. Any changes to the cost of off-site levy eligible capital infrastructure and changes to the infrastructure requirements will also be incorporated into the scheduled Off-site Levy Bylaw update in 2021.

Risk Assessment

The risks of Council not approving the recommendation include:

Resource challenges

As Administration continues to balance Council priorities while considering constrained resources, business planning challenges within Administration may have the potential to impact the timing and financial flexibility of the Established Area and Industrial Area growth strategies. These growth strategies rely on expertise from across the Corporation.

There is a risk given City resources and an increasingly financially constrained environment that Administration may not be able to meet Industry's expectations around the growth process and timing of deliverables. In consideration of unknown workload related to further operating cost discussions with stakeholders and unknown volume of business case submissions, Administration will make best efforts to complete the new community work by 2020 November, or no later than 2021 March.

The risks associated with slow growth and approving additional new communities include:

Current impacts from slower growth

Slower build out has been observed in some actively developing areas, which has resulted in unintended consequences. For instance, the water utility has seen some water quality issues in two actively developing communities as a result of less water demand from slower build out and a delay in developer infrastructure. Additional flushing of the water main is being done to maintain acceptable water quality within the water main. This flushing has resulted in additional costs to the developer and has operational impacts to the water utility. Similar water quality concerns may be realized as new communities come on line with a slower build out. Administration continues to work with impacted developers to monitor and manage the risks.

Lower than anticipated offsite levy revenues

In the water utility, offsite levy revenues are intended to fund the developer's share of the utility costs attributable to new growth. In periods where actual development, or the projected pace of future development, is lower than 400 hectares per year, a temporary financial shortfall occurs. The only mechanism to absorb this shortfall is in utility rates, until the development happens.

As is summarized in the monitoring report (Attachment 1), Calgary is in a slower growth period, and land absorption in 2019 has been significantly lower than 400 hectares. With the information currently available and the potential for this trend to continue, the already significant offsite levy shortfall will continue to grow. To accommodate this, the rate increase for 2020 in

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the Wastewater Collection and Treatment service line will need to be increased from what was approved in One Calgary (2019-2022).

Future capital and operating costs

Although not directly tied to this report, if more new communities are added to a sufficiently supplied market, an increase in future operating costs may be incurred to serve those areas. This would add further operating cost obligations and risk and property tax pressure to future budget cycles, coupled with uncertainty related to revenue increases through property tax from increased residential units. Inefficiencies in City services can result if numerous communities are building slowly, and services continue to be introduced.

There is also increased competition for capital infrastructure dollars across the corporation, as a result of increased funding uncertainty from other levels of government.

REASON(S) FOR RECOMMENDATION(S):

Administration acknowledges the positive impact that the 2018 July New Community Growth Strategy approvals have had on retaining capital, creating jobs, and facilitating a healthy, diverse supply of housing choices in new community areas.

The monitoring results indicate a slower growth environment is anticipated to continue and the supply in the market remains balanced.

Administration also acknowledges the feedback received from stakeholders highlights the importance of demonstrating that Calgary is open for business, and to meet industry expectations for a repeatable and consistent process.

Administration and stakeholders are aware of the pressure on The City's staff and financial resourcing, and the prioritization of the Established Area and Industrial Area strategy work.

Annual monitoring will provide information on market shifts and trends and will inform timing decisions on bringing forward future new community recommendations if warranted.

In consideration of all factors, Administration recommends conducting a NCGS review in 2020 as outlined in Attachment 3 of this report and bringing forward any recommendations for new communities if warranted, by 2020 November or no later than 2021 March, pending workload related to on-going operating cost approaches and unknown volume of business case submissions.

ATTACHMENT(S)

1. Attachment 1 – Monitoring Report
2. Attachment 2 – New Community Growth Strategy Debrief Report
3. Attachment 3 – Criteria Application Adjustments for the 2020 New Community Growth Strategy Review
4. Attachment 4 – Council Direction from Reports C2018-0900 and PFC2018-0200
5. Attachment 5 – BILD Calgary Region Letter
6. Attachment 6 – NAIOP Letter
7. Attachment 7 - Public Submissions