



Calgary



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2019 Growth Strategy Monitoring Report

PFC2019-1062

Priorities and Finance Committee

2019 November 5

ISC: Unrestricted






The report provides Council and our stakeholders with:

1. Monitoring data and analysis on the 27 actively developing communities and the 14 new communities (supported in the New Community Growth Strategy 2018)
2. Results of the debrief and lessons learned from the New Community Growth Strategy 2018
3. An Administrative recommendation for conducting the next round of new community growth evaluations, currently directed by Council to return in 2020 March



1. Monitoring Data and Analysis

Overall, the Calgary housing market is softening. This is not expected to change in the near term.

	Jan through Sep (2018)	Jan through Sep (2019)	Per cent change
Total citywide building permit construction value	\$3.4 billion	\$3.1 billion	 9%
Calgary CMA Housing Starts	8,919	8,007	 10%
City of Calgary Housing Starts	7,661	7,145	 7%
Regional share of Calgary CMA housing starts	85%	89%	 4%
Total off-site levy area in greenfield development agreements	310	121	 61%

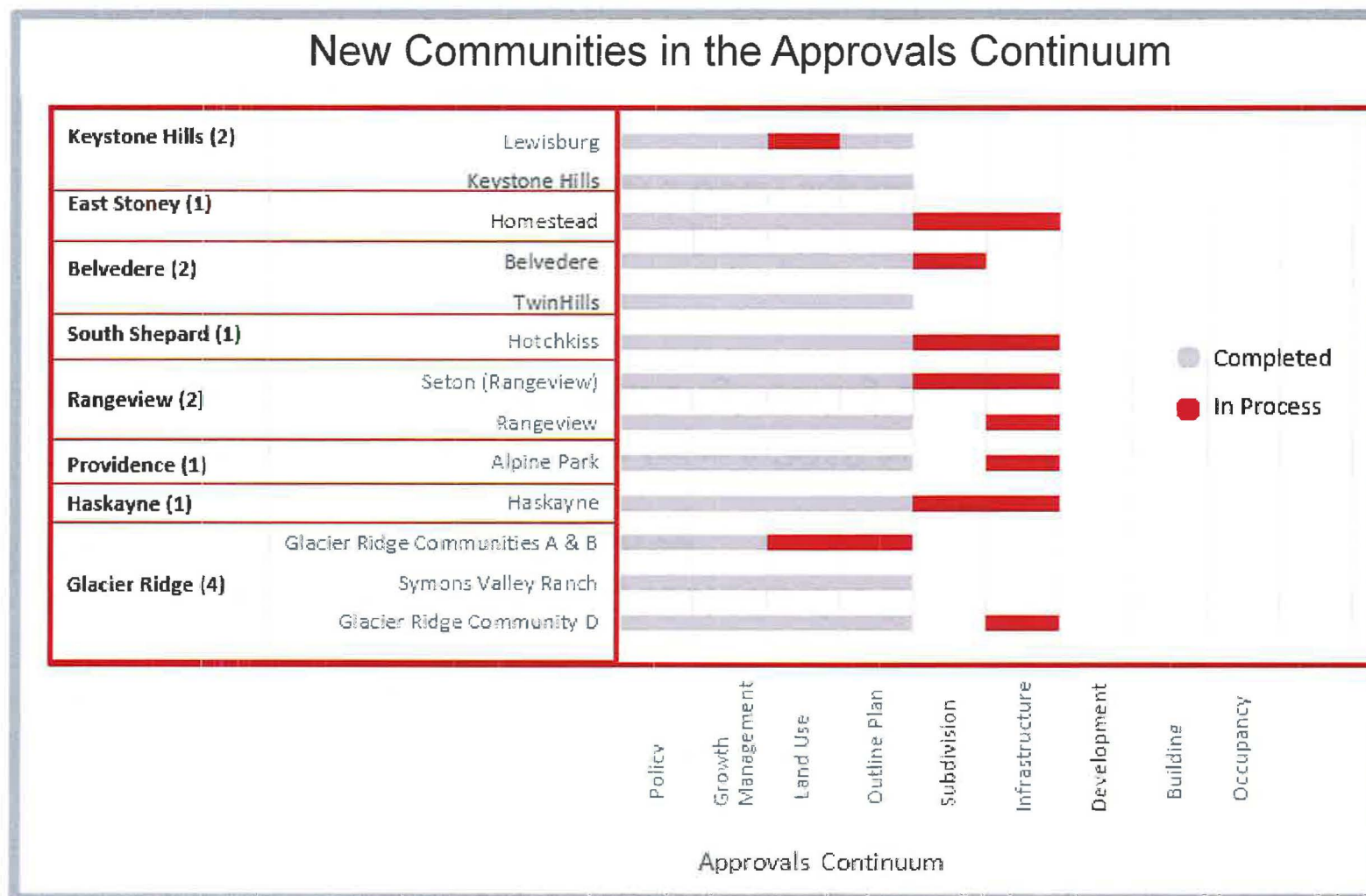
1. Monitoring Data and Analysis – 27 Actively Developing Communities

- Growth of +13,981 people in +5,451 units in 2019, generating property tax, utility rates and off-site levy payments
- The City has spent ~\$1.5 million on capital infrastructure from an adjusted budget of approximately \$13.3 million for January – September
- The City has incurred ~\$2.0 million in direct incremental operating costs, out of an adjusted budget of \$3.8 million for January – September
- 116 hectares of development agreements in January – September (5 greenfield hectares elsewhere)

1. Monitoring Data and Analysis – 14 New Communities

- Of 19 planning applications received, 12 have received land use approval as of 2019 September 30
- No direct incremental operating costs for the 14 new communities were budgeted, and none have occurred
- The City has spent ~\$24 million from a 2019 budget of approximately \$48 million for utility construction and engineering design during January – September
- Most developers indicate first occupancies are expected for 2021. To date no development agreements have been signed.
- Development agreements are expected in 2020
- Remains very early in the development cycle to make definitive statements about the growth impacts of the 2018 decisions

1. Monitoring Data and Analysis – 14 New Communities



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

2. New Community Growth Strategy 2018 Debrief

To further continuous improvement, Administration retained a third party consultant to conduct a debrief of the New Community Growth Strategy 2018

- Engagement with Council, Industry and City staff focused on three areas:
 - Process
 - Data and analysis
 - Evaluation Criteria
- Administration generally supports the recommendations put forward by Stack'd Consulting
- Administration will work with Industry through the Industry/City Work Plan New Community Working Group to implement the recommendations
- Progress will be reported through the Industry/City workplan

3. New Community Growth Strategy 2020 – What's Changed?

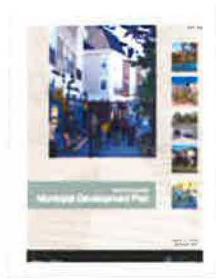
Since the NCGS decisions were made in 2018 July:

- Tax supported operating reductions to 2019 in the One Calgary service plan and budget have been approved, and reduction scenarios are being prepared for 2020-2022. Reductions included \$2M to actively developing.
- 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
- NCGS 2018 is expected to introduce growth capacity for over 42,000 single/semis and 25,000 multi-residential units. Current annual single/semi unit absorption is projected at 4,100, multi unit at 2,500.
- The City Planning and Policy Priorities work plan (PUD2019-0253), identified the work of the Established Area Growth and Change Strategy and the scoping work of the Industrial Growth Strategy as priorities

3. New Community Growth Strategy 2020 – Current Context

And acknowledging that:

- The City is an active investor in new community growth
- The City and developers have agreed in principle to share in the risks and benefits of growth
- As part of Calgary's Comeback, The City continues to be open for business
- It is important to the development industry that the consistency and repeatability of the NCGS process be respected
- That all growth planning be based on the three factors from 2018:



MDP/CTP Alignment



Market Demand



Financial Impacts

3. New Community Growth Strategy 2020 – Recommendation for a Focused Approach

As described in Attachment 3, Administration proposes to shift the timeline from 2020 March to 2020 November, and adjust certain criteria to focus City resources on business cases with the best chance of realizing development:

A. City Capital Costs

- A supported business case shall not trigger new City designated capital costs to initiate and support development

B. City Operating Costs

- A supported business case shall not trigger an additional tax rate increase to fund operating costs in the current One Calgary (2019-2022) budget or the next budget (2023-2026) cycle
- Evaluation will evolve from a direct incremental operating cost model to a full operating cost model

C. Contiguous and Logically Serviceable

- A supported business case shall be contiguous and adjacent to approved urban land uses

3. New Community Growth Strategy 2020 – Recommendation for a Focused Approach

[Attachment 3 Criteria Application, continued]

D. Demonstrating private investment and improving near term market competition

- A supported business case shall have a Land Use and Outline Plan application submitted by 2020 October to demonstrate a commitment and ability to develop as soon as possible

Off-Ramps

If a business case does not meet all of the above criteria, the business case will be placed on an “off-ramp” and not proceed further into the review process

Administration will then only bring forward a full analysis of the business cases that meet the above four criteria to Council, and that are recommended for approval.

3. New Community Growth Strategy 2020 – Feedback from Industry Members

- **BILD Calgary Region:**
 - Has indicated general agreement with criteria (A) and (C) for this round of business case review, including the use of off-ramps for these criteria
 - Has communicated that criterion (B) requiring no new operating costs prior to 2027 is not reasonable. Administration and BILD have agreed to continue to discuss operating cost accounting models and potential mitigation mechanisms.
 - Does not support criterion (D) requiring a Land Use and Outline Plan application submission prior to 2020 October.
 - Recommends all business cases meeting (A) and (C) be fully reviewed and considered in the Administration recommendation, and presented to Council for final decision

3. Recommendation: Benefits and Risks

Benefits

- Continues the process that led to last year's milestone investment for growth, leveraging \$339M of City investment into \$27B of future private investment
- Demonstrates that Calgary is open for business, ready for economic opportunity, and is aligned with The City's business friendly approach
- Role of annual monitoring report provides flexibility and an opportunity to review and respond to changing market dynamics

Risks

- Lower, dispersed growth carries capital and operating risks for The City
- New approvals trigger future capital and operating cost obligations
- Established Area Growth and Change Strategy and the as-yet-to-be started Industrial Growth Strategy have not proceeded to Council

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.



Questions?