

## **South Shepard ASP - Hopewell/Melcor Business Case for Growth Management Overlay Removal**

### **SOUTH SHEPARD- CELL A**

### **BUSINESS CASE FOR GROWTH MANAGEMENT OVERLAY REMOVAL- SUMMARY**

**April 2017**

#### **EXECUTIVE SUMMARY**

##### **1. “Low-hanging fruit”**

The major focus of Growth Management was to ensure financially sustainable new communities. Council has repeatedly referenced those new communities that can be developed most cost-effectively as “low-hanging fruit”. There is no better new growth location in the City of Calgary that can develop more cost-effectively and sustainably than South Shepard Cell A by Hopewell Residential and Melcor Developments. South Shepard Cell A is low-hanging fruit:

- a. Capital Cost Benefit – Cell A requires **no** City capital investment for storm, sanitary, water, transportation and fire servicing.
- b. Cash Flow Positive – South Shepard Cell A will cash flow positive relative to operating costs from year one (applying the City’s 2011 City-Funded Costs modeling).

##### **2. Enhanced Fire Protection with Sprinklering**

Hopewell and Melcor are committed to sprinklering all houses and buildings in South Shepard Cell A which increases fire protection to a level beyond a 7 minute response time for communities with non-sprinklered homes.

##### **3. Medical Emergency Servicing by CFD**

The existing MacKenzie Towne Fire Hall 30 provides emergency response within 10 minutes well within the Provincial target response time of 12 minutes, which this is a Provincially legislated and budgeted responsibility.

##### **4. Economic Stimulus**

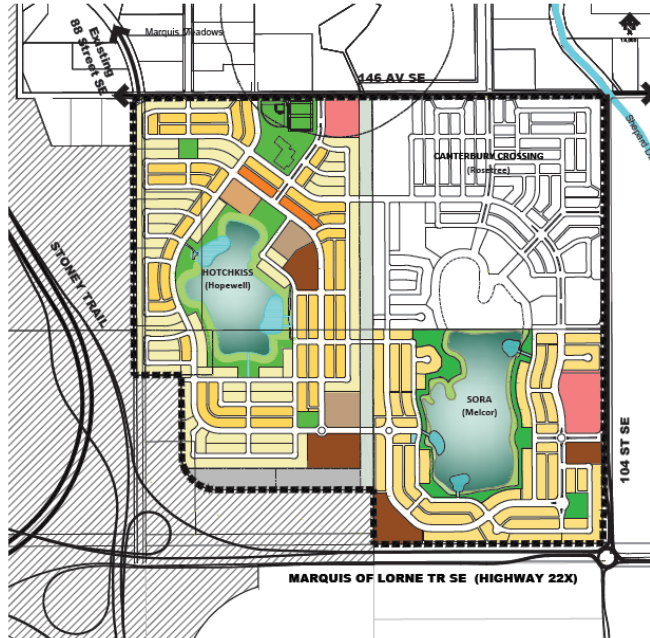
With approval by Council in early July, Hopewell will commence development in 2017.

#### **INTRODUCTION**

Hopewell and Melcor, as the lead developers in the South Shepard ASP have prepared this business case summary to support the removal of the Growth Management Overlay (GMO) and approval of Outline Plan and Land Use Applications for their lands.

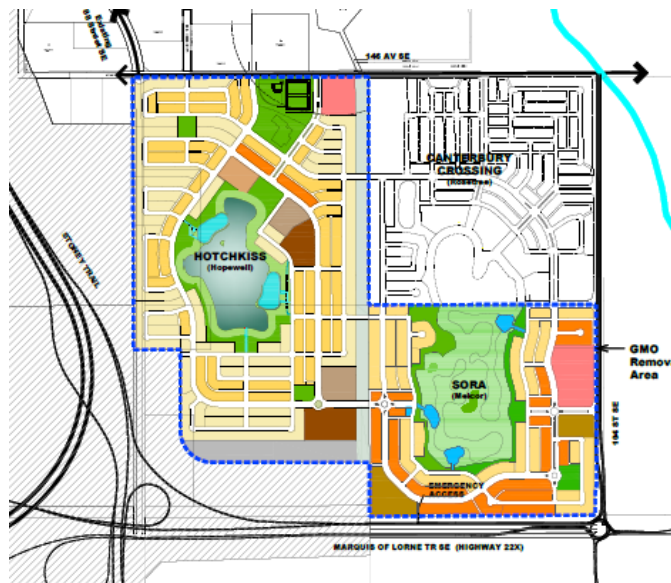
The South Shepard Area Structure Plan was approved by City of Calgary Council in May of 2013 and was one of two ASP’s that were directed by Council, the other being Belvedere ASP, which were identified as the next growth areas for the City and not a Developer Funded ASP. The north half of South Shepard has some servicing challenges and was therefore moved down the list when the Growth Management Sequencing List was completed, however the south portion (south of 146<sup>th</sup> Ave.) defined as Cell A has few servicing challenges, as outlined below. The Cell A lands in South Shepard meet the criteria to be considered for GMO removal as defined by the City/BILD Work Plan #2 initiative; Approved ASP, logical and contiguous servicing and minimum area of 100 acres.

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The South Shepard Cell A lands require no City capital costs to develop, while contributing significant levy revenue to pay for infrastructure in other parts of the City. The proposal for fire coverage as outlined within this report will allow these lands to develop very efficiently from an operating cost perspective and property taxes collected will offset costs in other areas in the City.

The portion of Cell A for which we are requesting GMO removal is 385 gross acres or 155 gross hectares, (237 ac owned by Hopewell and 148 ac owned by Melcor.) It is expected that when Cell A begins to develop, the remaining lands within Cell A (160 ac by Kutryk/Rosetree) will be purchased by a bona fide developer and will proceed in a timely and continuous manner. Provided they meet the same proposal for Fire coverage as noted below, the GMO on these lands should be removed as all other infrastructure has been sized to accommodate their lands. A plan indicating the GMO removal area is shown below.



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The City Growth Management work analysed the Cell A lands as part of the entire South Shepard ASP. Since the northern portion of the ASP requires capital infrastructure the South Shepard ASP was not included in the current City Capital Plan. However, with Cell A's proposed servicing strategy, it is a 'low hanging fruit' area to efficiently develop and helps stimulate the economy without costs to existing taxpayers.

The challenges referenced for the remainder of the South Shepard ASP lands north of 146<sup>th</sup> Ave. include the presence of Marquis Meadows acreage subdivision, a closed landfill that restricts land use and Ralph Klein Park. Additionally, the future requirement for the 130<sup>th</sup> Ave interchange and a costly regional sanitary servicing solution. No such challenges and costs are faced by the Cell A lands.

### **TIMELINE**

Hopewell has resolved all planning related issues through the Outline Plan and Land Use Re-designation process with the exception of fire coverage. Fire coverage resolution is the only outstanding item relative to the removal of the Growth Management Overlay. Melcor is close behind with their Outline Plan application and has been working closely with Hopewell to coordinate infrastructure servicing for both lands. Hopewell has submitted engineering drawings for its first phase at the developer's risk for review by the City. Should Hopewell and Melcor's proposal to address Fire coverage be accepted and land use achieved by the July 3<sup>rd</sup> Council meeting, Hopewell can begin construction in 2017 with show homes opening in 2018, including making significant private investment in infrastructure required for the first phase.

### **CAPITAL COSTS**

The status of leading infrastructure is summarized below, as has been verified by each department through the Outline Plan process:

Storm- Ties into the Mahogany Storm Trunk, previously funded by the City through levies. Developer funded connections. **No City capital required.**

Sanitary- Ties into the Mahogany Lift Station, previously funded by the City through levies. Developer funded connections. **No City capital required.**

Water- Ties into the East MacKenzie Feedermain, previously funded by the City through levies. Developer funded connections. **No City capital required.**

Transportation- Serviced by a dual lane roundabout at Hwy 22X and 104 St., shoulder widening of 84<sup>th</sup> Street and a dual left turn at 84<sup>th</sup> St and 114 Ave. All developer funded infrastructure. **No City capital required.**

Fire- Cell A is within a 10 minute, but outside a seven minute response time from existing fire halls. There is a future Emergency Response Station located in the north portion of the ASP area. As the Community Services Charge in the Offsite Levy Bylaw is based on a 30 year horizon and no specific future station locations are outlined in the Offsite Levy Bylaw, it is assumed the South Shepard Fire Station is within the Offsite Levy Rates.

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### FIRE PROPOSAL

Senior level Planning and Development staff indicate there is no new Fire operating budget available to support new growth areas. As the Cell A developer group cannot support the operating costs for a temporary fire station within our business model, we are proposing a staged solution as indicated below.

Hopewell and Melcor have confirmed that all of Cell A is currently within the 10 minute response time, as legislated by the Province of Alberta, from Station 30 in MacKenzie Towne (as verified by an independent consultant.) As per the minutes from the City council meeting January 9, 2008 (CPS2008-003), there are multiple references to City-wide fire response time targets and service level benchmarks. It is our understanding that these are long term goals for the Fire department to achieve and not necessarily a firm requirement for all new development. There is no indication that the first houses in a new community must be within a seven minute fire response time.

However, in recognition that the City of Calgary desires to be a leader in enhanced community safety standards and an international fire service leader, Hopewell and Melcor are prepared to mandate residential sprinklers in all homes within the community of Hotchkiss. It is widely reported in many studies conducted across North America that sprinklering homes is by far the safest measure to reduce fire losses, reduce flame spread from the room of origin and statistically reduce the amount of fire related injuries and deaths. There is indisputable evidence/confirmation from numerous recognized experts that sprinklering is twice as effective in terms of limiting property damage and risk to human safety "in half the time". In other words, the "7 minute response target" is more than met, in terms of fire protection resultant from sprinklering. Both developers will support a condition of approval added to their Outline Plan applications to require residential sprinklers in all homes within their lands.

When the population in Hotchkiss is such that the property taxes collected by the City of Calgary can generally support the operating cost of a Fire station at the City's sole determination, a temporary fire hall can be built on a reserved lot by the Developers within Hotchkiss when an operating budget is approved by Council. Therefore safety is not compromised in the absence of a fire hall and the City can achieve its long term goal of a seven minute response time in the future.

### REVENUE

Details of the capital costs and levies collected by the Cell A lands is identified below, which is supported by the private investment in infrastructure by the developers.

Item	Capital Cost	Levy Collected
Transportation	\$0	\$25,305,965
Water and Wastewater Linear	\$0	\$14,203,190
Water and Wastewater Treatment	\$0	\$23,987,100
Storm Drainage	\$0	\$7,900,240
Community Services Charge	\$0	\$14,587,250
Fees	N/A	\$753,320
<b>Total</b>	<b>\$0</b>	<b>\$86,737,065</b>

Note: Based on 185 net developable hectares for all of Cell A that is supported by developer funded infrastructure

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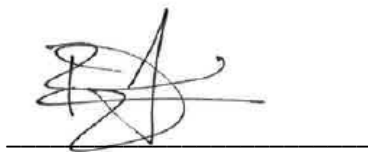
The Acreage Assessments collected from Cell A provide a substantial capital infrastructure funding surplus to the City. These lands, when developed will contribute approximately \$9.7 million per year in municipal property taxes for all of Cell A. In the absence of a South Shepard Fire station in the early years of development, these lands are operating costs cash flow positive to the City of Calgary

Hopewell is projecting to invest approximately \$36.3 million and Melcor \$18.0M in 2017/18 plus approximately \$7.3M in show homes, prior to show homes opening and providing real inventory to the market. The result of this private investment will be 613 direct and indirect jobs created in Alberta and 870 jobs when induced jobs are included.

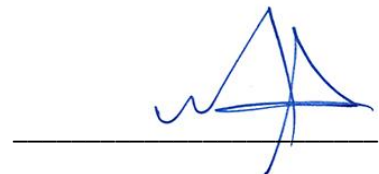
### **CONCLUSION**

Hopewell and Melcor's Cell A lands within the South Shepard ASP under this proposal are a model example of efficient growth for the City of Calgary. Having no City capital budget required to develop these lands and having a sprinklering solution to fire that is as safe as a new fire station, without the ongoing requirement for funding, these lands are logical 'low hanging fruit' for development. If approved, these lands will provide cost effective growth, generate surplus levy revenue to support other capital investments in growth infrastructure and develop with relatively efficient ongoing operating costs offset by incremental property taxes, all while providing an equivalent or better level of fire safety as the City's own target response times.

It is critical for Hopewell's development plans in 2017 that this proposal, in addition to the land use re-designation is heard and voted on by Council on or before July 3<sup>rd</sup>. If approved, Hopewell can make the necessary investments in this project in 2017 to open show homes in 2018 that will stimulate the economy and create important jobs in the City of Calgary.



Hopewell Residential Management LP  
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