

2020 Growth Strategy Monitoring Report

RECOMMENDATIONS:

That the Priorities and Finance Committee recommends that Council direct Administration to bring a Growth Strategy Monitoring Report to the Priorities and Finance Committee no later than 2022 January.

HIGHLIGHTS

- This monitoring report provides Council and stakeholders with current citywide growth-related information that can help inform growth decision-making, including:
 - Consideration of the New Community Growth Strategy (NCGS) 2020 review of 11 business cases (PFC2020-0963); and
 - Any budget adjustments to consider ahead of the Mid-Cycle One Calgary Service Plans and Budget deliberations in 2020 November.
- What does this mean to Calgarians? This means current information is provided to both Council and stakeholders to help guide decisions related to growth.
- Why does this matter? It matters for Calgarians because it provides increased transparency and accountability for decisions that affect how the city grows, and reports on progress made towards achieving a balanced Citywide Growth Strategy, including associated financial impacts.
- Key growth capacity information:
 - Overall, citywide growth is slower than forecasted in 2018.
 - It is estimated the actively developing areas absorbed 5,500 units from 2019 May-2020 April. The majority of the 14 new communities that were approved in 2018 have progressed forward and over \$100 million in private investment has occurred, however the number of units constructed is expected to be less than indicated in the 2018 business case submissions by the end of 2022.
 - It is estimated that the established areas absorbed 4,100 units from 2019 May-2020 April, this represents approximately 43 per cent of unit growth in the city.
 - \$600 million in assessed value was added in 2020 from industrial development. Much of the new construction across strategic industrial areas has been small or medium storage facilities with office or mezzanine components that are built on spec.
- Council directed Administration through report PFC2019-1062 to bring a 2020 Growth Strategy Monitoring Report to Council through Priorities and Finance Committee by no later than 2020 October.
- Strategic Alignment to Council's Citizen Priorities: A city of safe and inspiring neighbourhoods
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

Growth Monitoring

This is the second year of the Growth Strategy Monitoring Report, which is included as Attachment 2. New in this year's report is an update on the Industrial Area Growth Strategy and sector, as well as an update on the implementation of the Established Area Growth and Change Strategy (EAGCS) Phase 1 projects and indicators to be used to evaluate the impact of this investment.

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The monitoring report also seeks to demonstrate the extent of private capital investment within the Calgary housing market since 2018 to inform future discussions on growth investment decision-making such as the NCGS 2020 report (PFC2020-0963 also on this agenda). The information provided in Attachment 2 complements other reporting on growth, such as The City's [Suburban Residential Growth 2020-2024](#) document and Off-site Levy and City Centre 2019 Levy Report (PUD2020-0904).

This report generally covers the period of 2019 October to 2020 August. As a high-level summary, the housing market in 2019 was stronger than in 2018 and building permits and housing starts were in line with forecasts. Housing starts in 2019 were down four per cent compared to the previous five year average. 2020 has been significantly impacted by COVID-19, and overall economic activity has declined as reflected in the lower building permit construction value and housing starts. Current provincial economic forecasts project an 8.7 to 11.3 per cent decrease in GDP for 2020, with the economic recovery expecting to extend over the next two years, punctuated with a 4.5 to 7.9 per cent GDP increase in 2021 (sources: RBC, Conference Board of Canada).

Administration uses several metrics to understand the strength of the development sector of the economy. Below are some selected indicators:

- Building permit construction value in the city was \$4.55 billion in 2018, \$5.16 billion for 2019, and in 2020 is \$2.56 billion through September. The 2020 full year forecast from the beginning of the year is around \$4.7 billion. (source: The City of Calgary)
- Calgary Census Metropolitan Area (CMA) housing starts are down 16 per cent in 2020 compared to 2019 from January through August. The 2020 forecast from Fall 2019 is 10,100 to 11,900. (source: Canada Mortgage and Housing Corporation)
- In 2019, 147 hectares were executed through Development Agreements in the greenfield area, this is significantly lower than the 374 hectares in 2018. In 2020, as of October first, 212 hectares have been executed, an increase from 2019, and approximately 48 per cent have been from the 14 new communities approved in 2018. The City's 2020 forecast is 309 hectares.
- Approximately 64 per cent of the estimated citywide dwelling unit growth between 2019 and 2020 occurred in the Developing Areas as identified in Map 1 of the Municipal Development Plan.
- Calgary's share of regional growth has been stable, with 10,632 new housing starts in 2019, representing 89 per cent of the Calgary CMA. In 2020 YTD, about 85 per cent of the CMA's housing starts have occurred in Calgary. Over the last five years Calgary has averaged 83 per cent of the CMA's new housing starts.

Citywide Growth Strategy

For the first time, in 2020, all three components of the Citywide Growth Strategy are fully underway, including the NCGS, the EAGCS and the new Industrial Area Growth Strategy. In 2020 May, a reserve fund was established with \$30 million in one time funding for public realm investments, work continues on implementation of these investments. Phase 2 work is underway and will continue through 2021. Resources in 2020 have also been dedicated to the NCGS and the review of 11 business cases for new community development, with the

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recommendation included in report PFC2020-0963 and brought forward to this same committee meeting. Lastly, Administration has also begun scoping work for the Industrial Area Growth Strategy, with a report to Council anticipated for 2021 Q1.

Administration also continues to monitor growth investments necessary to facilitate approved new community growth in light of a changing economic and financial context. Financial data in Attachment 2 outlines that Council-approved reductions that have already been made to the operating budget for actively developing communities. Administration again recently reviewed operating and capital budgets commitments associated with these communities and will bring forward recommended adjustments to the 2020 November mid-cycle budget discussions.

Conclusions

Overall, the city's growth trends have felt the impact of COVID-19 and the decline in world oil prices, yet given the magnitude of these challenges, development has been resilient. Citywide housing starts are down 20 per cent from 2019 this year. Industrial land absorption is expected to be down 50 per cent in 2020 compared to the five year average of 50 hectares. Nine of the communities have moved into stripping and grading, Administration expected communities to be further along in the servicing installation at this point to achieve the anticipated build-out by 2022.

Growth Implications

1. Lower levels of growth moving forward will impact the amount of levies received and thus additional funding may be required to fund the utility infrastructure, and transportation and community services infrastructure may have to wait longer for full funding.
2. As a result of lower growth in 2019-2020, operating and capital budgets that facilitate new community growth can be reduced without hindering the current pace of the market.
3. Analysis provided in the Residential section of Attachment 2 of this report outlines that there is sufficient supply to accommodate the projected demand through this budget cycle and the 2023-2026 budget cycle; this ties into report PFC2020-0963 also on this agenda.
4. Given slower growth citywide and a financially constrained environment, there is greater importance on completing the Citywide Growth Strategy. There is evidence of private investment resulting from City investment in new communities, this should be expanded for established areas beyond the \$30 million investment fund, and initiated in industrial areas. These components are expected to integrate during the development of the 2023-2026 budget cycle.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

Administration discussed the purpose, timelines and overview of this monitoring report with Industry/City Working Groups, including the New Community working group, the Established Area Growth and Change Strategy Advisory Group, and the Developer Advisory Committee. To

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understand current timing expectation of applications and servicing in the 14 new communities, Administration contacted developers directly in Q1 2020.

IMPLICATIONS

Social

The information provided in this report will help Council to make informed citywide growth-related decisions on budget and services in alignment with Section 2.3 of the MDP, Creating Great Communities, that contribute to the health and well-being of communities and businesses.

Environmental

The information provided in this report will help Council to make informed citywide growth-related decisions in alignment with the MDP goal of a compact city, and also with MDP policy 5.2.5(b), which is to invest in municipal capital infrastructure to support intensification of the Developed Areas of the city as a first priority. Alignment with the MDP, as well as the Climate Resilience Strategy, will help achieve emissions reductions and cost savings from a sustainable growth pattern and associated service models.

Economic

The decisions made by Council on new community growth in 2018 July and established areas in 2020 May provided multiple new opportunities to leverage City investment for residential growth, capital retention, and job creation. However, lower GDP and high unemployment due to the COVID-19 pandemic has in part resulted in much lower than normal commercial and industrial growth. This in turn has led to slower residential growth within the Calgary Economic Region.

Service and Financial Implications

Analysis in support of this report indicates that it is unlikely the city will achieve the anticipated amount of commercial, industrial and residential development that was expected by the end of 2022 that was used as a basis in the One Calgary (2019-2022) service plan and budget creation. Proposed adjustments will be brought forward to Council through the regular mid-cycle budget process in 2020 November.

Other: Proposed adjustments to be brought forward in November

RISK

A risk assessment has been included in Attachment 3.

ATTACHMENT(S)

1. Previous Council Direction, Background
2. 2020 Growth Strategy Monitoring Report
3. Risk Assessment

Department Circulation

General Manager (Name)	Department	Approve/Consult/Inform (Pick-one)
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**Planning & Development Report to
Priorities and Finance Committee
2020 October 19**

**ISC: UNRESTRICTED
PFC2020-0962
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Stuart Dalglish	Planning & Development	Approve
Doug Morgan	Transportation	Approve
Katie Black	Community Services	Approve
Carla Male	Chief Financial Office	Approve
Chris Arthurs	Deputy City Manager's Office	Approve
Jill Floen	Law/City Solicitor	Approve
Dan Limacher	Utilities and Environmental Protection	Approve