2020 Growth Strategy Monitoring Report

2019 October through 2020 August

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Executive Summary

Purpose
This monitoring report is the second version of annual report intended to provide Council and stakeholders with an overall update on, and assessment of, the ongoing integrated Citywide Growth Strategy. For the first time this year, the report includes content on established and industrial growth and change. The information in this report can help guide growth decisions or make course corrections ahead of the New Community Growth Strategy (NCGS) 2020 report PFC2020-0963 on the same agenda, and ahead of Mid Cycle Budget deliberations in November.

The objective of the monitoring report is to provide transparency and accountability based on commitments (City and developer) made initially through the NCGS 2018 decisions and through the One Calgary (2019-2022) Service Plans and Budget, and continuing into the other two growth strategies. It is also an objective to provide an indication of how The City is progressing towards meeting the growth policies within Part 5 of the Municipal Development Plan (MDP).

Content
The monitoring report includes an overall Calgary market snapshot, community development progress, market absorption, financial summary, and infrastructure and service details. 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. As a result of COVID-19 response measures, a census was not completed in 2020.

Period
The information generally represents the period from 2019 October to 2020 August. A number of data sources do not exactly align with this period, and this is noted where applicable. Financial data is aligned with the One Calgary (2019-2022) budget cycle, beginning in 2019 January and including to the end of 2020 August.[1] The information regarding development status of the new communities is based on their progress at the beginning of 2020 October.

Conclusion
The monitoring report highlights that Calgary's growth in 2019 was higher than in 2018 and occurred within the forecasted targets from the fall of 2018, down four per cent over the previous five year average. In 2020, growth has slowed considerably due to economic impacts of COVID-19. Land absorption in new community and industrial areas (defined as amount, in hectares, of City-developer Development Agreements executed) in 2020 has remained lower than anticipated but showing improvement over 2019 with approximately 212 hectares to the first of October.

The 14 new communities that were approved in 2018 have shown progress through The City's approvals continuum towards the goal of achieving first occupancies in 2021. However, only half of these new communities have executed a Development Agreement and therefore significantly less development is anticipated by the end of 2022 than was originally indicated in the 2018 business cases.

Data and analysis provided in the Residential section of this report outlines that there is sufficient capacity to accommodate the projected demand through this budget cycle and the 2023-2026 budget cycle.

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[1] 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

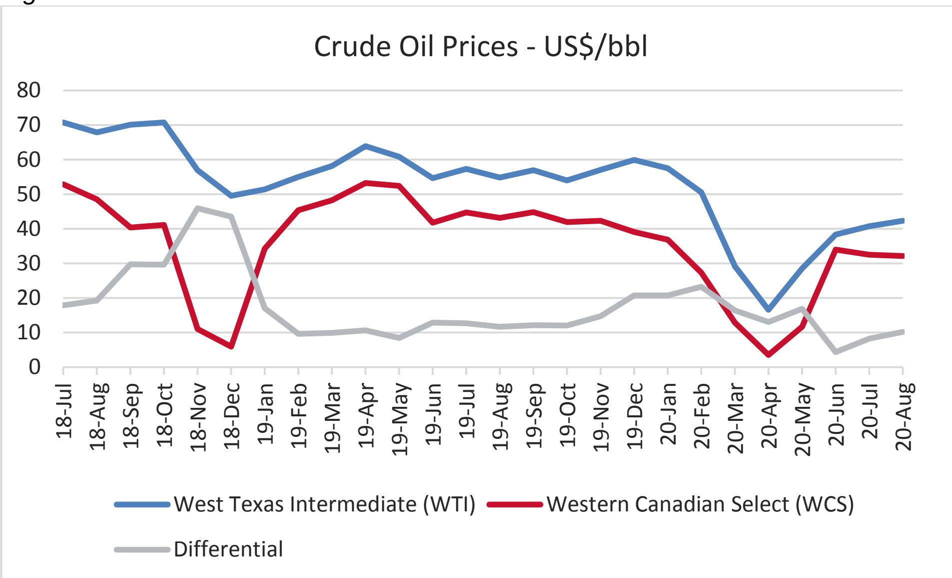
This section provides an overall snapshot of what has happened in the Calgary economy in 2019 and the first eight months of 2020 and is illustrated in Figures 1 through 5. Overall economic forecasts project an 8.7 to 11.3 per cent decrease in GDP for 2020 in Alberta, with the economic recovery expected to take place over the next two years. GDP increases in a range of 4.5 to 7.9 per cent are expected for 2021 (sources: RBC, Conference Board of Canada). The price per barrel of oil (West Texas Intermediate) has moved in a range of $16.55 to $59.88 USD since 2019 September, to settle at $42.34 in 2020 August. The price per barrel of Western Canadian Select has moved in a range of $3.50 to $42.32 USD since 2019 September, to settle at $32.11 in 2020 August. These ranges are based on monthly closing prices; oil prices in fact traded below $0 in April at the peak of COVID-19 economic uncertainty. The prime lending rate in 2020 has decreased by 1.5 percentage points to 2.45 per cent, the Bank of Canada’s policy interest rate was cut to 0.25 per cent due to the economic impacts of COVID-19. As result, mortage rates have recently fallen to record lows.

In 2019, the Calgary Census Metropolitan Area (CMA) housing starts were higher than in 2018 but down four per cent from the previous five year average. Building permit activity came in as forecasted from Fall 2018 and was slightly above the 10 year median average. Subsequently, 2020 has been significantly impacted by the COVID-19 pandemic; overall economic activity has decreased accordingly, the unemployment rate rose as high as 15 per cent in June and is currently at 14.2 per cent as of 2020 August. Building permit construction value is down 19 per cent over the first eight months this year compared to the same time period in 2019 and housing starts are down 20 per cent in Calgary over the first eight months this year compared to 2019.

Due to the COVID-19 pandemic, no Civic Census was taken in 2020, meaning that the 2019 data reported on in the 2019 monitoring report remains the more recent available cenus data. As a result, post pandemic data on Calgary’s population, vacancies, vacancy rates, occupancy and other variables was not available for this report.

In 2019, Development Agreements associated with 147 hectares were received in new community and new industrial areas. In 2020 to the first of October, 212 hectares have been received in new Development Agreements. Figure 6 highlights that since 2016, The City has not achieved the anticipated 401 hectares per year assumption employed in the Off-site Levy Bylaw. As a result, utility rates have been required to make up the respective shortfall each year to support capital investment in these areas. Based on information received from developers in 2020 April it is anticipated there will be a levy shortfall again in 2021 when the utility portion of off-site levies are due to be paid from this year’s agreements.

Figure 1 - Crude Oil Prices



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

Figure 2 - Calgary Population Growth

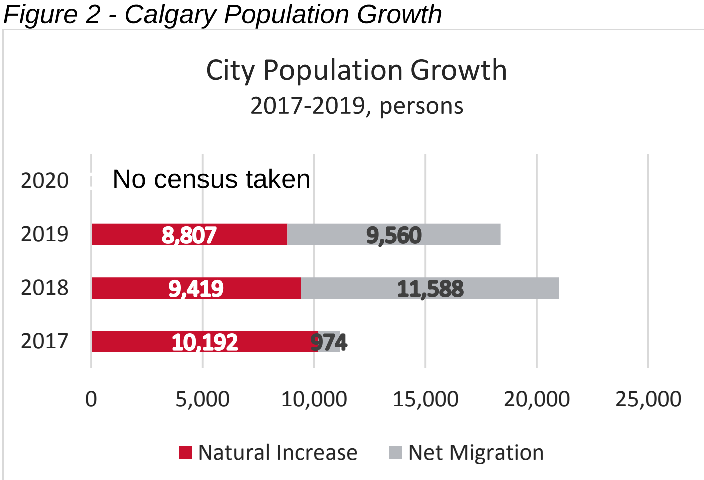


Figure 3 - Housing Starts

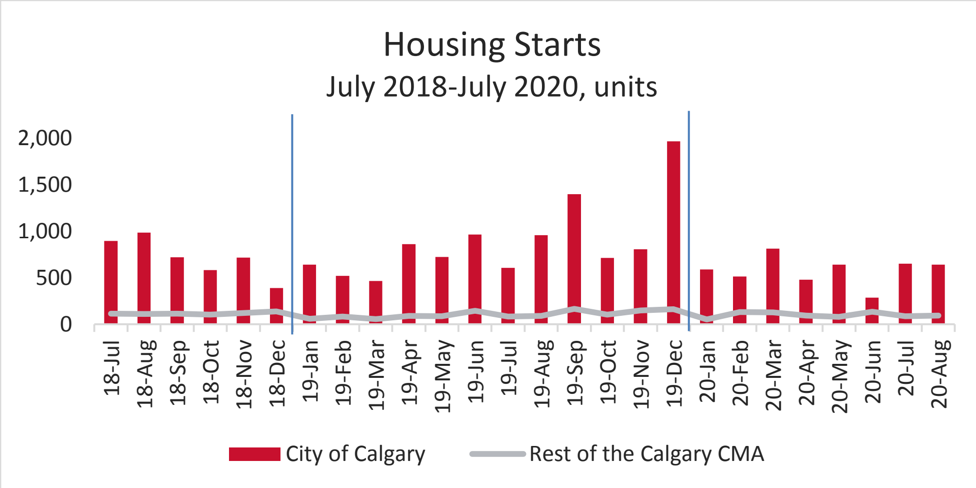


Figure 4 - Unemployment Rate

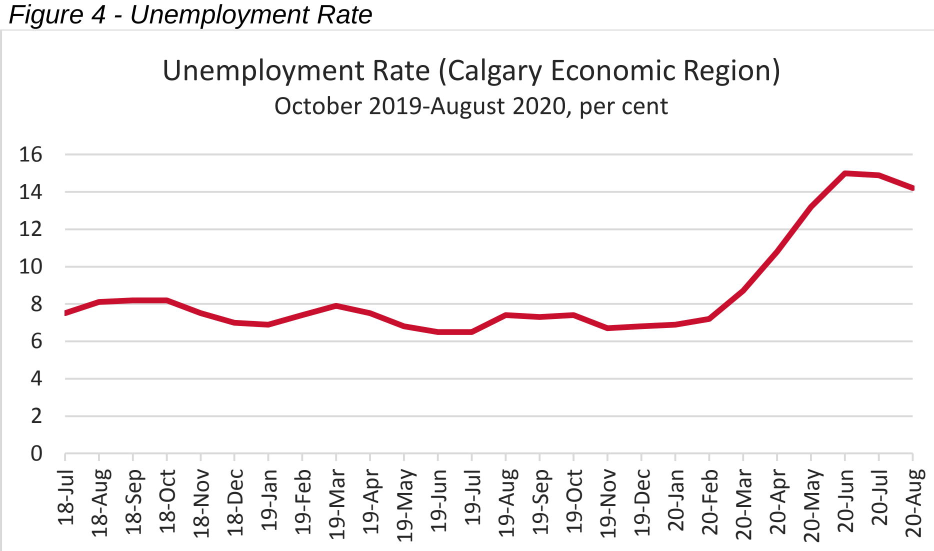


Figure 5 – Canada Chartered Banks Prime Lending Rate

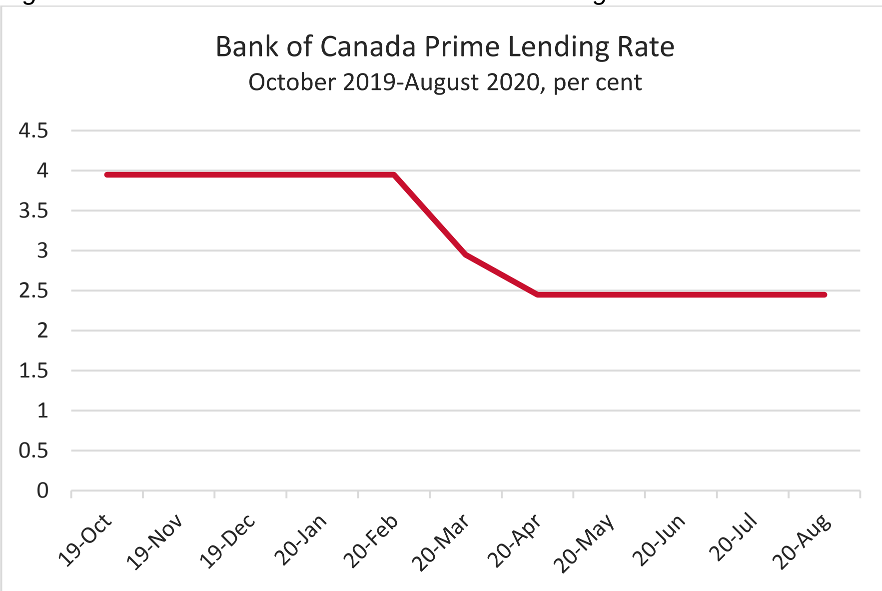
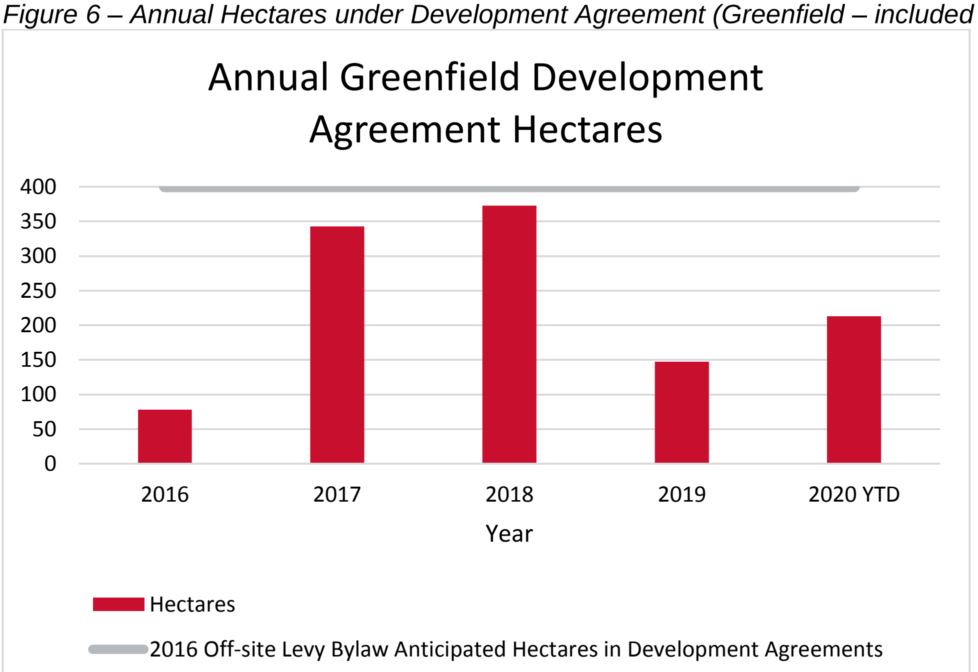


Figure 6 – Annual Hectares under Development Agreement (Greenfield – included new community and industrial)



Industrial Development

Summary

In Calgary, industrial lands play a crucial role in supporting a prosperous economy. In the city there is nearly 60 square kilometers of industrial lands which represent approximately 7.2 per cent of the total land area in the city.

The total assessed value of all industrial properties in Calgary stood at approximately $16.0 billion in 2019 and $16.6 billion in 2020. This represented 27 per cent of all non-residential properties, and six per cent of total properties in the city. Industrial properties contributed an estimated $285.7 million in property tax contribution in 2019 and $262.7 million in 2020 to help fund the delivery of services. 2020 saw a decrease in property taxes as a result of the property tax shift onto residential properties. Industrial lands accommodate approximately 200,000 jobs and contribute to Calgary's economic well-being.

Calgary's strategic geographic location and its multimodal logistics network of air, rail, and highway transportation makes it a well-positioned inland port. Calgary is a goods-distribution hub for markets in Western Canada, the U.S Pacific Northwest and beyond. To capitalize on this competitive advantage and attract various industry clusters in Calgary, well-timed growth-related investments in Calgary's industrial areas are crucial.

Market Absorption

Calgary's industrial real estate market experienced lower than normal activity in the first two quarters of 2020. The low activity can be primarily attributed to a subdued industrial real estate market that has seen negative impacts from the COVID-19 pandemic. The period of 2019 Q3 to 2020 Q2 saw approximately 1,450,650 square feet of new construction initiated on approximately 40 hectares (issued building permits) in Calgary's four industrial areas (Centre, Northeast, Northwest, and Southeast). Activity in the past year was heavily concentrated in the Northeast and Southeast industrial areas, with each of these areas receiving nearly 600,000 square feet of new construction. Figures 7 and 8 below show the timing and location of square feet of activity over the past year.

Figure 7: New Activity in All Industrial Areas: Square Feet of Construction Space

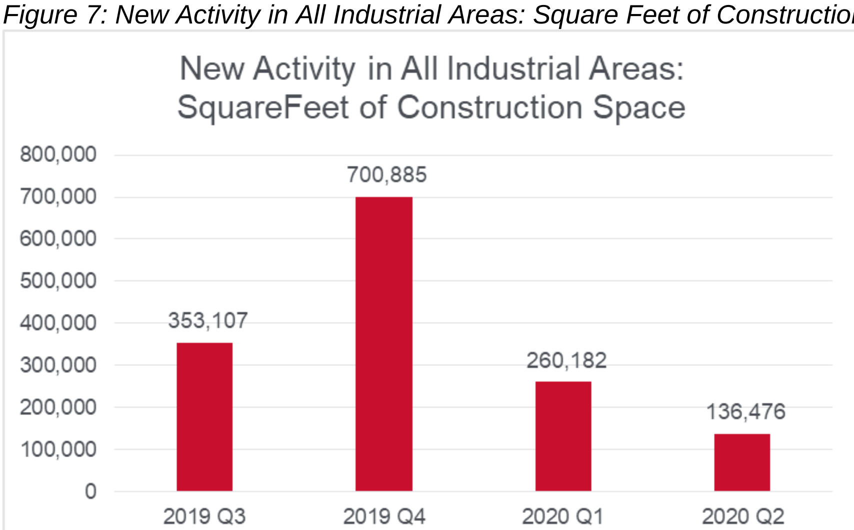
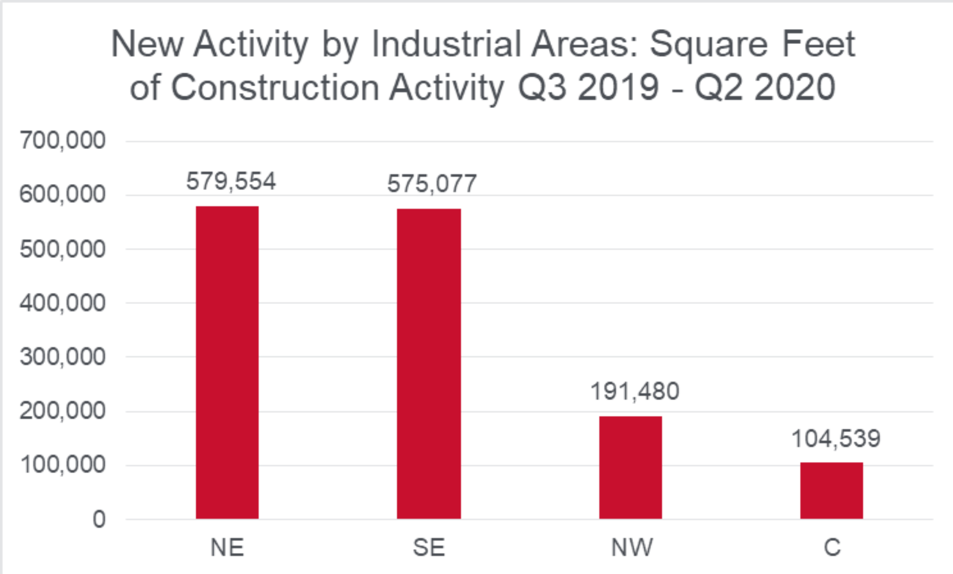


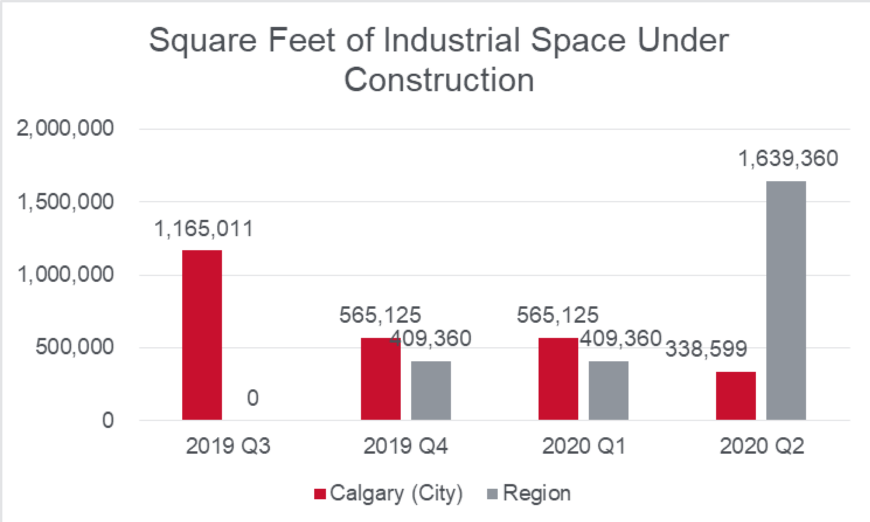
Figure 8: New Activity by Industrial Area: Square Feet of Construction Activity Q3 2019 - Q2 2020



The past four quarters of industrial activity has been categorized by small and medium-scale development. Specifically, the majority of new construction across Calgary's industrial areas has been small or medium storage facilities with office or mezzanine components. These products are primarily built on spec, and are designed to be leased and fitted to multiple tenants after construction is completed. The average size of individual construction projects in this time period was 28,000 square feet, with individual bays designed to cater to small businesses needing 5,000-10,000 square feet. Notable exceptions include a limited number of larger-scale warehousing, logistics, and processing centre products initiated in areas such as Great Plains (SE) and Stoney 2 (NE) that offer larger bays off approximately 50,000 or 100,000 square feet in size. It is important to note, however, that in the first half of 2020, no new issued individual building permit was larger than 40,000 square feet.

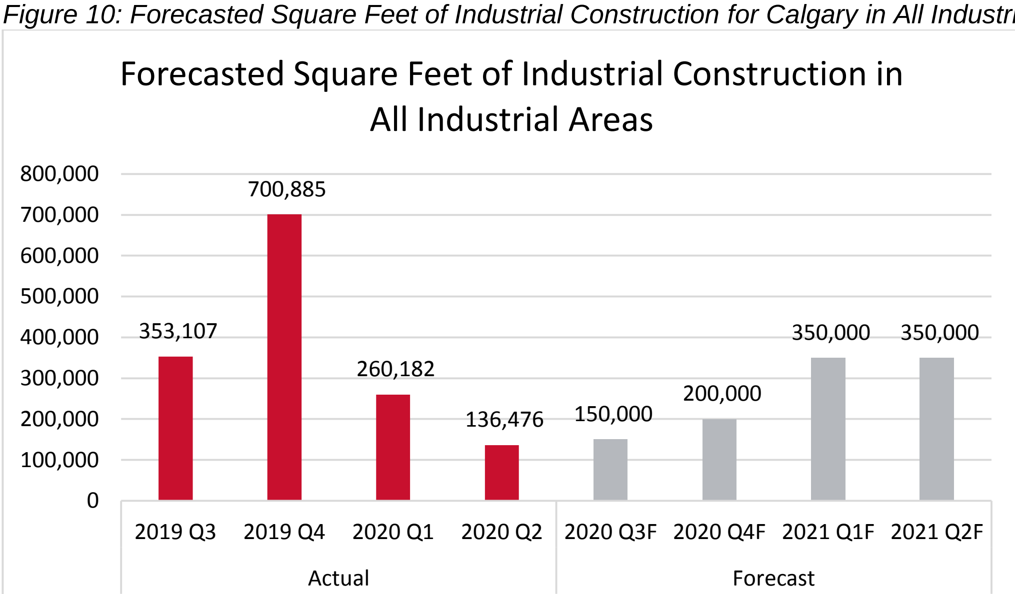
Market reports from third parties, such as CBRE Limited, help to understand industrial real estate activity occurring in the Calgary region outside of the city boundary. As illustrated in Figure 9, from Q3 2019 to Q2 2020 more industrial growth occurred within The City than within the region. The City had 2,633,860 square feet of industrial development compared to 2,458,080 square feet of industrial development in the region. Only two separate industrial projects in the region were listed as actively under construction by CBRE in the second quarter of 2020. These two projects accounted for over 1,630,000 square feet of new construction and absorbed over 37 hectares of land. Both projects are located in the High Plains Business Park in Balzac, with one being over 1,230,000 square feet of design-build space for the new Lowe's distribution centre.

Figure 9: City versus Regional Industrial Activity



<u>Forecasted Absorption</u>
CBRE believes, that due to the rise of online shopping during the COVID-19 pandemic and the desire of suppliers and producers to mitigate risks of logistics disruptions, there will be an increase in domestic inventory held and higher demands for local production facilities. These two emerging trends will likely continue to drive down demand of certain types and sizes of industrial development inside Calgary's boundaries, likely keeping activity levels low for the next year. Figure 10 shows an estimate of Calgary's industrial activity for the next year.

Figure 10: Forecasted Square Feet of Industrial Construction for Calgary in All Industrial Areas



Source: CBRE Limited

Financial Summary

In 2020, the total assessed value of all industrial lands in Calgary was $16.6 billion which represents 27 per cent of all non-residential lands. The industrial areas contribute to the City's economy with up to $262.7 million in annual property tax in 2020. Industrial lands accommodate approximately 200,000 jobs and contribute to the city's economic well-being by driving GDP and employment, which in turn helps to drive residential growth.

Infrastructure and Service Details

Transportation

The City has initiated several major road construction infrastructure projects in the northeast and southeast that will directly support the industrial sector of Calgary. In the northeast this includes the Airport Trail Extension between 36 Street and 60 Street NE to be substantially completed in 2020; new interchanges at 19 Street E and Barlow Trail NE to be completed in 2022; and southbound Stoney Trail to westbound Airport Trail NE Ramp to be completed in 2020. These projects along Airport Trail will complete the connection between Deerfoot Trail to Stoney Trail. The estimated project costs for these listed north projects are approximately $153M.

In the southeast, construction on 130 Avenue SE twinning between 52 Street and McIvor Boulevard is ongoing and completion is expected in 2020 Fall. The expected project costs are approximately $5.5M. In 2019 and 2020, numerous main roads in the industrial areas were paved as part of the City of Calgary's annual paving program. This work involved the repair or replacement of concrete sidewalks, wheelchair ramps, and curbs and gutters and the repair and replacement of ashalt roadway.

Conclusion

In the Calgary region, in the second quarter of 2020, the industrial vacancy rate sits at 7.8 per cent and the industrial market saw almost 500,000 square feet of net occupancy growth. The subdued level of industrial activity can be primarily traced to the effects of the COVID-19 pandemic. The impacts to the employment, financial, and real estate markets brought by COVID-19 will likely continue to affect Calgary's industrial market for the next year or longer. CBRE reports in its 2020 Q2 Industrial Marketview report, that small and medium-scale industrial tenants (generally small local businesses) have been disproportionately negatively impacted by the COVID-19 pandemic. The majority of industrial units being becoming vacant since the start of the pandemic are of these type and size.

As of the end of Q4 2019, there was a supply of approximately 1,154 hectares of planned land, and 957 hectares of planned and serviced land within Calgary's strategic industrial areas. Due to the extreme uncertainty around the pandemic, an estimated 747,000 square feet of construction and 26 hectares of land is expected to be absorbed in the 2020 calendar year. A prolonged period of this absorption rate would provide an estimated supply of approximately 37 years of planned and serviced land. However, absorption is expected to return to average levels of 1.7 million square feet and 50 hectares of land per year in 2021, providing an estimated supply of approximately 19 years of planned and serviced land.

For more than 50 years, The City's development arm (Real Estate & Development Services, formerly the Office of Land Servicing and Housing) has played an important role providing certainty in the availability of serviced industrial land, complementing the economically cyclical investment of private industry. The principles behind Council's decision to ensure a steady supply of serviced industrial land are detailed in the 2013-2022 Industrial Land Strategy. The strategy is due to be updated as part of RE&DS Corporate Land Strategy program.

The City has stewardship of 2,044 acres of planned and serviced land within Calgary's strategic industrial areas. Most of which is in the southeast in Dufferin North, Point Trotter, Great Plains, Starfield and Shepard.

Despite the pandemic, demand for space for large industrial users continues. The major leases signed in the second quarter of 2020 include an e-commerce company taking 302,206 square feet and another 1.2 million square feet Lowe's Canada building in Balzac. This is the second largest industrial building in the region. These leases indicate that large multi-national organizations are still finding advantages in Calgary's strategic geographic location as a distribution hub.

Residential Growth

Summary

In the Calgary CMA there was 11,909 housing starts in 2019, this was close to the previous five year average of 12,382 starts. Calgary' share of that growth was 89 per cent. Since the 2019 census, it is estimated Calgary grew by 9,700 units to April 2020 when a 2020 census would have normally been completed. 43 per cent of that growth occurred in the established areas. The City's Growth Strategy considers how best to help meet the goals of the Municipal Development Plan (MDP) in support of growing residential and commercial development in these communities, while aiming for an effective balance across the community types and locations.

The City's approach for determining the right time and location to support and invest in growth is evaluating decisions through the lens of MDP/CTP alignment, market opportunities and financial impacts to The City and the economy. New communities require new supporting infrastructure that is provided through investment from both private and public sources. Once occupied, these new communities are generally stable for a period of decades and require operating dollars to fund the services provided by The City.

After time a community will experience demographic change, housing redevelopment, and aging of the supporting infrastructure. Where population growth or growth-related demographic change occurs in parallel with redevelopment and aging infrastructure, the opportunity for growth-related investment is presented. This creates an opportunity for both private and public investment in maintenance and/or upgrades of community infrastructure.

Indicators for monitoring lifecycle stage include:

- Development activity;
- Housing stock change;
- Policy status;
- Amenities;
- Housing prices;
- Demographics;
- Community Lifecycle; and
- Trends in ownership and rental.

While growth-related investment in new communities is generally straightforward, and the results of which are clearly measureable in number of new units and area of non-residential space, growth-related investment in established areas is less so. Investment in existing infrastructure often serves dual purposes including maintenance/lifecycle, and this can blur the purpose of a growth-related upgrade. Some investment may serve the dual purpose of improving infrastructure based on growth that has already materialized, and in preparing for more anticipated growth.

The return on established area investment is also less clear in that upgrades may indeed result in new residential units and commercial space, but also increase the quality of life in areas and may alleviate infrastructure challenges related to the pressures of local or regional growth. These elements are more qualitative to identify and evaluate. Therefore, growth-related investment in established areas may include a replacement or an enhancement of an asset that already exists, or new supporting infrastructure to increase capacity of the current system. As the Established Area Growth and Change Strategy (EAGCS) moves forward with the implementation of Phase 1 investment, reporting will included both quantitative and qualitative indicators, including:

- Citizen satisfaction/quality of life surveys;
- Access to infrastructure that supports mobility choices;
- Sense of safety of pedestrians; safety-related data;
- New units and non-residential floor space; density of communities;
- Market activity and how closely it matches anticipated trends;
- The value of local business licenses for retail/commercial uses;
- Infrastructure buildout and timing; new services brought online;
    - New or upgraded park space and pathways, and increased connectedness of mobility choices;
    - New or upgraded utility and road/pedestrian infrastructure;
    - New or upgraded emergency services infrastructure;
    - The value of delivered growth-related projects;
- Availability of local services/service levels;
- Increase/shift in use of upgraded public realm; and
- Changes in property taxes collected and spent on growth-related investment and servicing; change in property value in proximity to improved public realm/services.

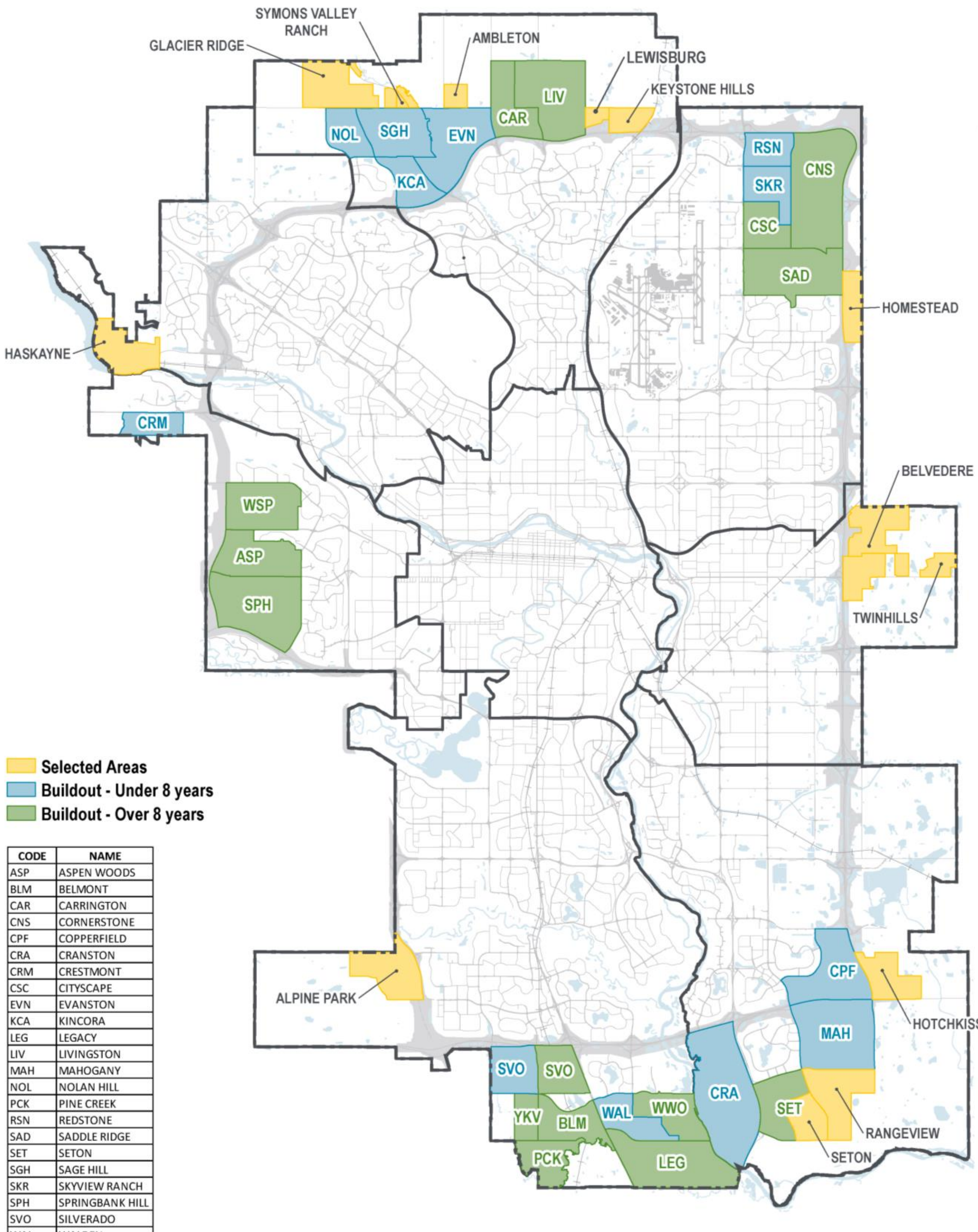
Definitional Note on the 14 New Communities

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. For the 2020 New Community Growth Strategy evaluation, Administration has shifted to speaking in terms of business cases, as opposed to communities.

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
Glacier Ridge (Ronmor/Wenzel) (2)	Glacier Ridge
Glacier Ridge (Capexco)	Symons Valley Ranch
Glacier Ridge (Qualico)	Ambleton

Map of Actively Developing and 14 New Communities



CODE	NAME
ASP	ASPEN WOODS
BLM	BELMONT
CAR	CARRINGTON
CNS	CORNERSTONE
CPF	COPPERFIELD
CRA	CRANSTON
CRM	CRESTMONT
CSC	CITYSCAPE
EVN	EVANSTON
KCA	KINCORA
LEG	LEGACY
LIV	LIVINGSTON
MAH	MAHOGANY
NOL	NOLAN HILL
PCK	PINE CREEK
RSN	REDSTONE
SAD	SADDLE RIDGE
SET	SETON
SGH	SAGE HILL
SKR	SKYVIEW RANCH
SPH	SPRINGBANK HILL
SVO	SILVERADO
WAL	WALDEN
WSP	WEST SPRINGS
WWO	WOLF WILLOW
YKV	YORKVILLE

Residential Growth and Change

This year, COVID-19 related impacts led to the cancellation of the municipal census, meaning that population and new dwelling units have been estimated across the city using building permit starts and information.

Calgary's current population forecast for 2024 is for a population of 1,380,700, accounting for 77 per cent of the region's total population. This would be an addition of 95,000 people. Over the last five years (2015 to 2019), Calgary absorbed 78 per cent of the region's total population growth.

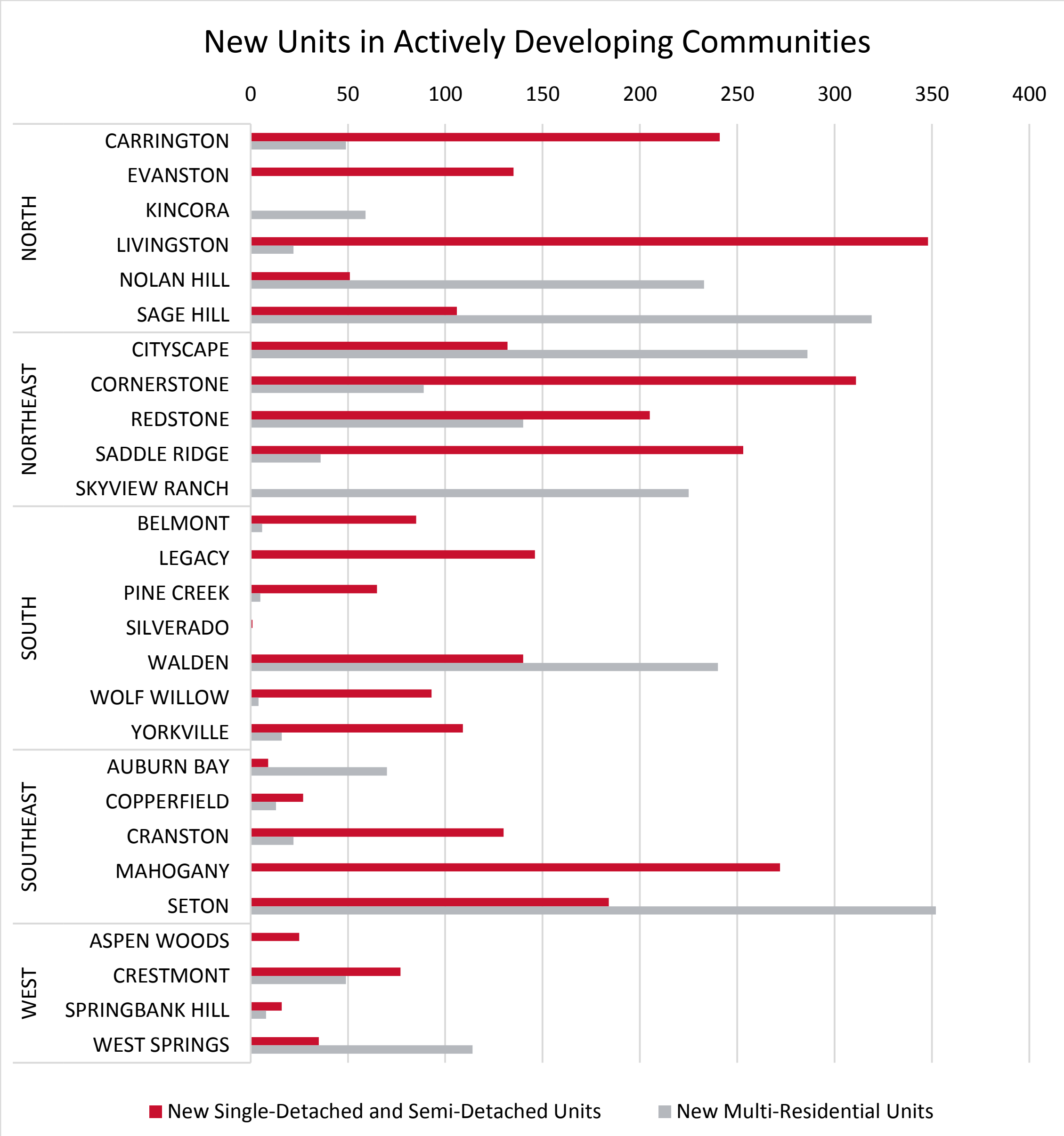
In 2019, residential construction value was $3.14 billion, which is above the 10 year median of $2.65 billion. In 2020 through the first eight months the residential construction value is $1.45 billion compared to the 10 year median of $1.70 billion over the same time period.

The actively developing communities continue to build out and see gains in population growth compared to other parts of the city. This year marked the completion of Auburn Bay with only multi-residential parcels remaining for development. The majority of new community development occurred in the North and Northeast planning sectors. Figure 12 illustrates that the actively developing communities saw an estimated +3,200 single-detached and semi-detached unit increase and an estimated +2,300 multi-residential unit increase. The estimated 5,500 units are comparable to the 5,451 units in the actively developing communities as indicated in the 2019 census. A snapshot below illustrating the forecasted 2020 unit growth for the first eight months compared to the actual unit growth, determined by applied building permits, during the same period of 2020 indicates a significant decline in development.

Figure - 2020 total suburban forecasted unit growth compared to actual units applied in building permits (January – August)

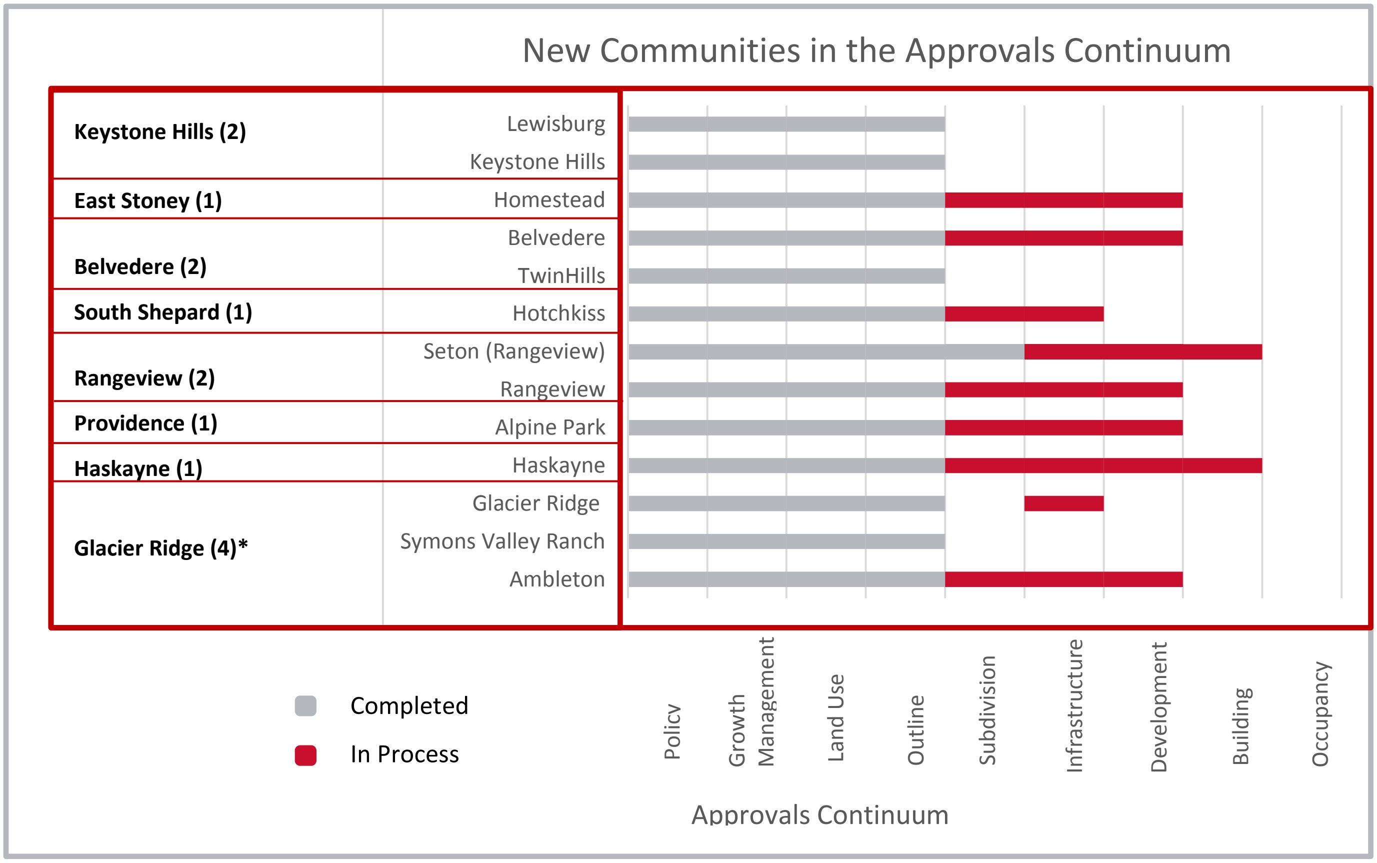
Sector	**2020 (January - August)**		
	Forecasted Growth (units)	Actual Growth (BP units)	Gap (+/- %)
North	837	664	-21%
Northeast	740	584	-21%
Southeast	565	482	-15%
South	931	774	-17%
West	130	129	-1%
Total	3,203	2,633	-18%

Figure 11 – Estimated 2020 New Units in Actively Developing Communities Using Building Permit Data



For the 14 new communites approved in 2018, Figure 13 demonstrates progress made by each new 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 that stage has not yet concluded. Most of the new communities have continued to progress through the development approvals continuum. All new communities have received some land use approvals. Seven of the new communities have executed a Development Agreement and two have received building permits for housing construction. First occupancies for all communities, with the exception of Keystone Hills, Symons Valley and TwinHills, was to be expected in 2021. At the time of this report, it may still be possible that at least a few units have been occupied by the end of 2021 in 12 of the new communities. However, at this time it is almost certain that the majority of the 14 new communities will not meet The City’s anticipated build-out of 250 units in each community by the end of 2022 nor the 2018 business case’s anticipated build-outs that were much higher than 250 units.

Figure 12 - New Communities in the Approvals Continuum (as of 2020 September)



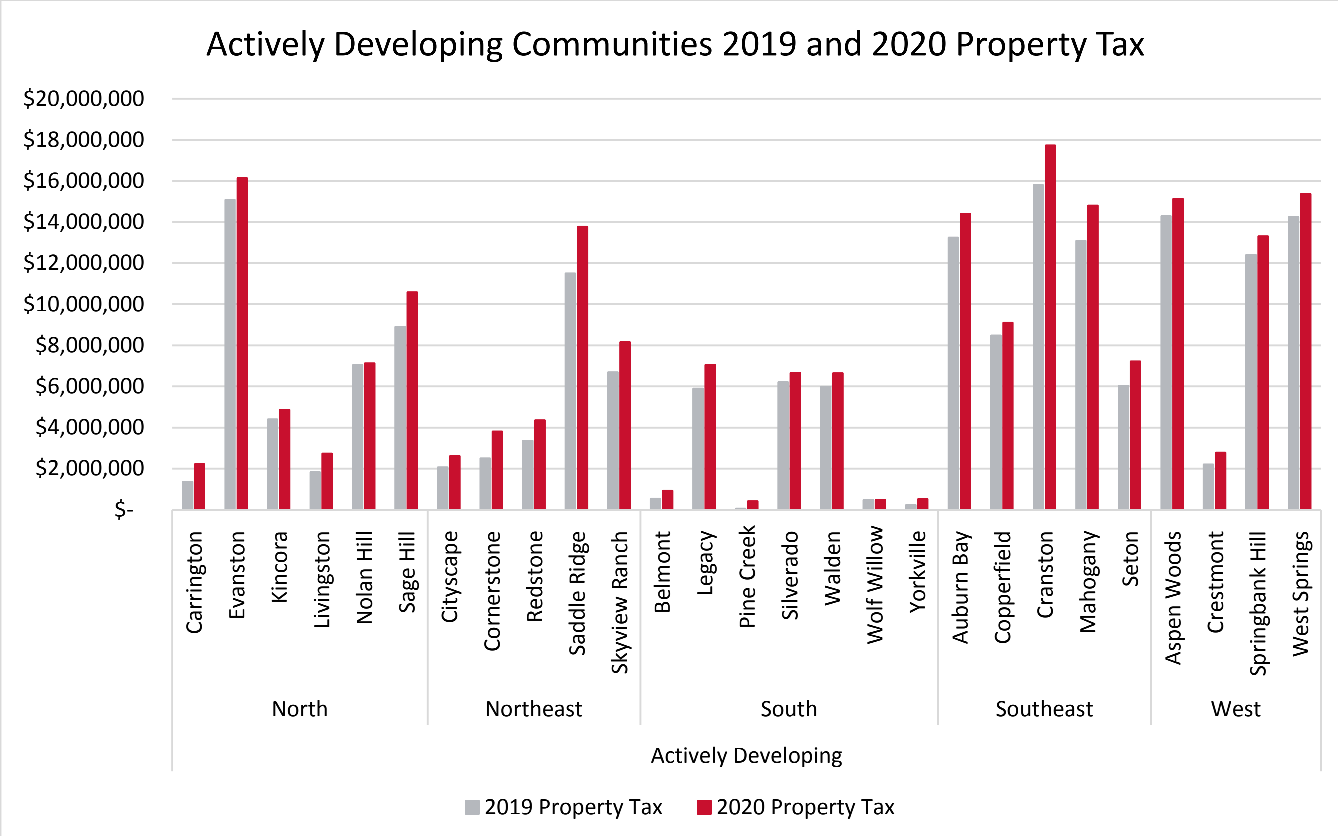
Definitions:
Infrastructure: Once the civil engineering design for the infrastructure has been approved, grading & construction of the essential on-site infrastructure can begin.
Development: The execution of a development agreement.
**The new community of Glacier Ridge represents two communities from 2018.*

The infrastructure process generally takes 9-12 months to complete with building construction taking about 6-9 months once servicing is in place. Administration expected the majority of the new communities to have completed the subdivision process and be further along in the servicing process.

Financial Summary

The following chart illustrates the increase in property taxes assessed from 2019-2020 from land development in the actively developing communities. Since 2019 the property tax has increased by approximately $25 million in the actively developing communities. In the 14 new communities the 2020 property tax is approximately $0.89 million total. 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) in the actively developing communities, however most of the new property tax growth is a result of new unit growth and new commercial growth.

Figure 13 - Year-over-Year Property Tax, Actively Developing Communities



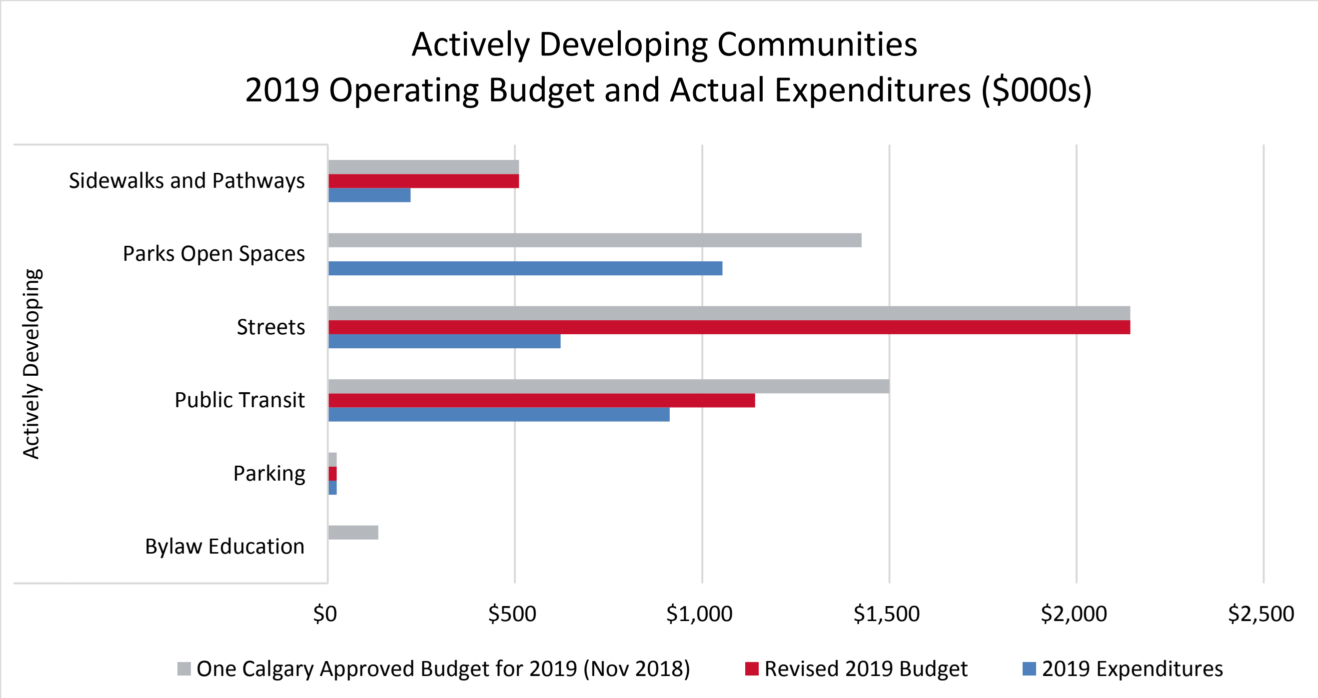
Infrastructure and Service Details

Details of infrastructure servicing and budget expenditures are provided here by year, for 2019 and 2020.

2019

In 2019 there was no budget for the Established Area Growth and Change Strategy (EAGCS). For the actively developing communities, Figure 15 below illustrates the direct incremental operating expenditures in 2019 in relation to the original One Calgary budget (2018 November) and 2019 revised budget. The direct incremental costs represent a portion of the total costs captured to provide services to the residents of these communities, the total costs are much higher. The City incurred an increase of approximately $2.8 million in direct incremental operating costs out of a revised budget of $3.8 million in 2019 for new roads maintenance, transit service, sidewalk and pathways maintenance and parks maintenance in actively developing communities. In the case of parks, additional parks maintenance expenditures in relation to the actively developing communities has been absorbed into the department's overall budget. In 2019 there was no infrastructure turned over to The City and no housing development from the 14 new communities and therefore no operating costs.

Figure 14 - 2019 Operating Budget and Actual Expenditures, Actively Developing Communities



In the actively developing communities, capital expenditures for 2019 are illustrated in Figure 16. All of the capital expenditures represented are for transportation infrastructure projects. Figure 16 illustrates only communities where capital expenditure was to occur in 2019. In 2019 approximately $5.7 million was spent on capital infrastructure in the actively developing communities from a revised 2019 budget of approximately $20.1 million. The low spending rate in 2019 is a result of projects not yet moving into the construction phase where the significant spending occurs for each project.

Figure 15 - 2019 Capital Budget and Actual Expenditures, Actively Developing Communities

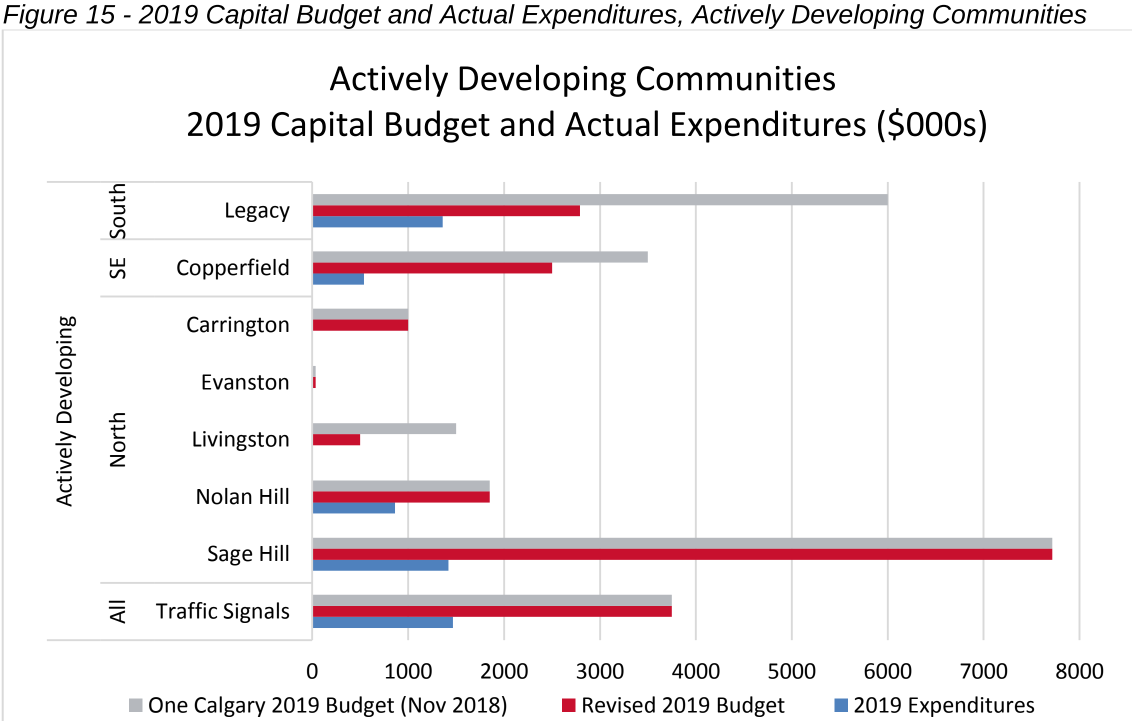
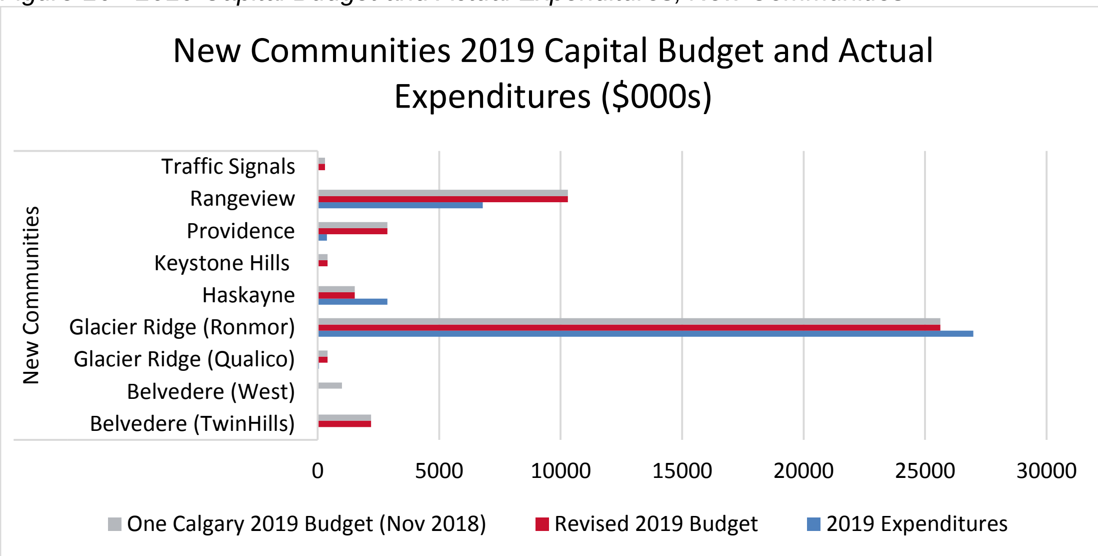


Figure 17 illustrates the capital expenditures in 2019 for the 14 new communities. In 2019 approximately $37.1 million was spent from a revised 2019 budget of approximately $43.6 million. Most of the capital expenditures were for utility infrastructure in Rangeview, Glacier Ridge and Haskayne. Engineering design work has also started for other utility projects in other communities and for some transportation infrastructure in Rangeview.

Figure 16 - 2019 Capital Budget and Actual Expenditures, New Communities



<u>2020</u>

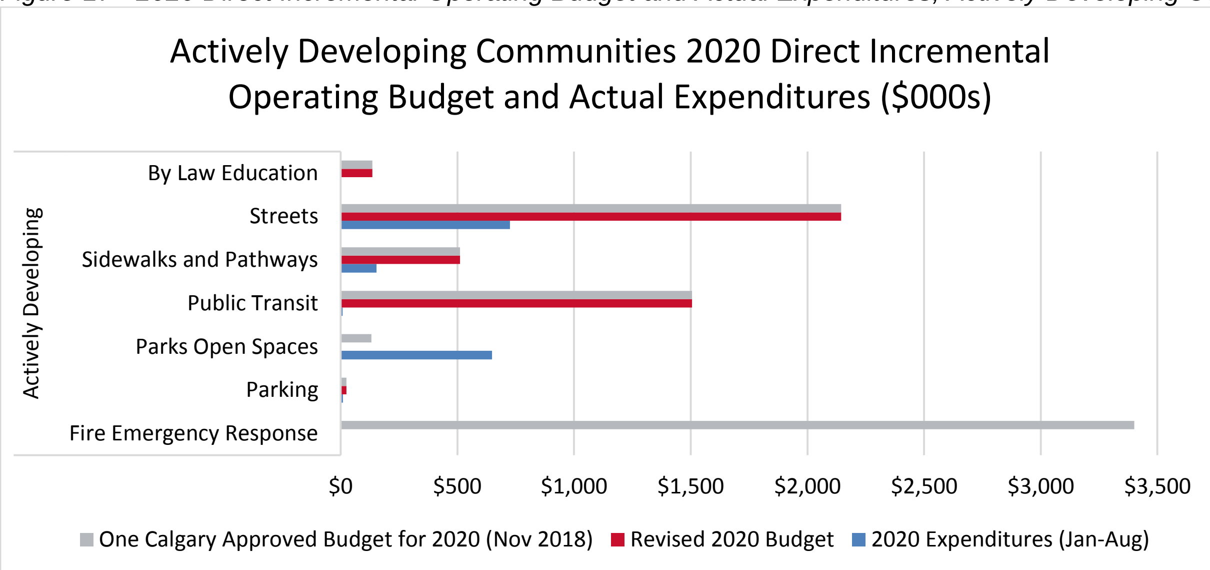
In the established area, Phase 1 growth-related investments in water and sanitary utilities were identified in two areas for strategic proactive upgrades to leverage prioritized Main Streets, support redevelopment, minimize community disruption and realize efficiencies.

The strategic investments in utilities along 17 Avenue SW and 33 Avenue SW will be delivered as components of the overall construction of the Main Streets streetscape designs. Construction for the 17 Avenue SW main street is now underway (started summer 2020) and is expected to be complete in 2022; sanitary and water upgrades are included in this scope of work. For 33 Avenue SW (Marda Loop), the funding for the water and sanitary upgrades has been allocated, with an expected construction in 2022. The upgrades in both areas will support the anticipated intensification on and around the main streets.

In May 2020, Phase 1 of the Established Area Growth and Change Strategy (EAGCS) identified five multi-community growth areas where it was anticipated that the redevelopment market interest would remain for the next 1-3 years. These areas generally ringed the downtown and represented an opportunity to support the ongoing strategy to support Calgary's downtown. Projects that could enhance the public realm and utility capacity within these areas were identified. Council approved a capital program request for $11.7 million in 2021 and $18.3 million in 2022, funded by the newly-created Established Area Investment Fund. This approval directed the delivery of public realm projects within the EAGCS Phase 1 Growth Areas including traffic calming and pedestrian safety improvements, park and recreation upgrades, pathway connectivity, sidewalk & streetscape improvements, and one-time public space programming. Public realm capital projects are currently being transitioned into the delivery phase and as of 2020 Q3, project teams have begun detailed planning and design work. Next steps include engagement with the local community and organizing the construction. The projects remain on track for construction in 2021 and 2022.

Figure 18 below illustrates the actively developing communities direct incremental operating expenditures in 2020 to the end of August in relation to the original One Calgary budget (2018 November) and 2020 revised budget. The City has incurred an increase of approximately $1.5 million in direct incremental operating costs out of a revised budget of $4.3 million in 2020 for new roads maintenance, sidewalk and pathways maintenance and parks maintenance. As shown in Figure 18, the parks and fire services budgets were previously deferred from 2020. In the case of parks, additional parks maintenance expenditures in relation to the actively developing communities has been absorbed into the department's overall budget. In 2020 there was no development expected from the 14 new communities and thereore no City direct incremental operating costs.

Figure 17 - 2020 Direct Incremental Operating Budget and Actual Expenditures, Actively Developing Communities



In the actively developing communities, capital expenditures for 2020 to the end of August are illustrated in Figure 19. All of the capital expenditures represented are for transportation infrastructure projects. Figure 19 illustrates only communities where capital expenditure was to occur in 2020. In 2020 approximately $11.5 million has been spent on capital infrastructure in the actively developing communities from a revised 2020 budget of approximately $41.6 million. The majority of the expenditures to the end of August have been for the 14 Street NW/Stoney Trail interchange, traffic signals and 210 Avenue SE construction. Again the low spending rate is a result of many projects not yet moving into the construction phase when the significant spending occurs for each project.

Figure 18 - 2020 Capital Budget and Actual Expenditures, Actively Developing Communities

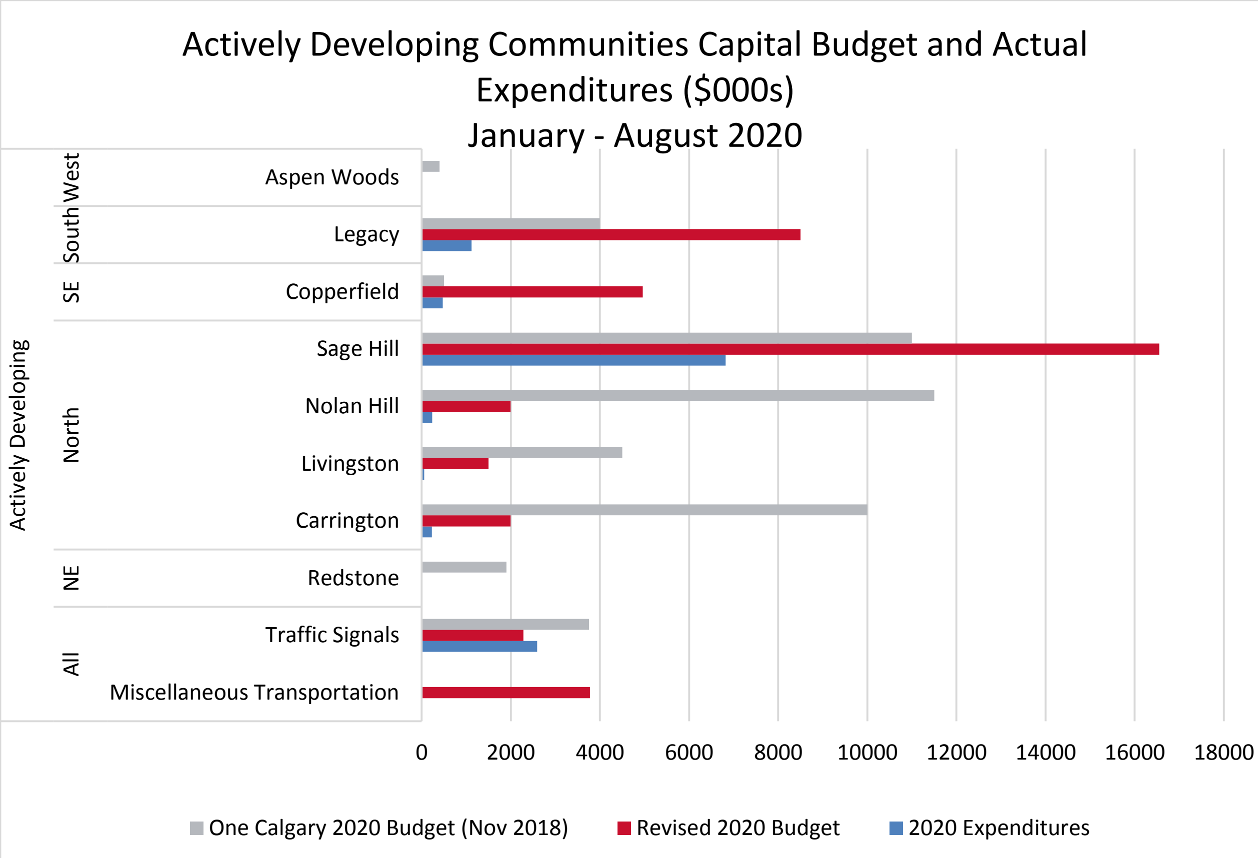
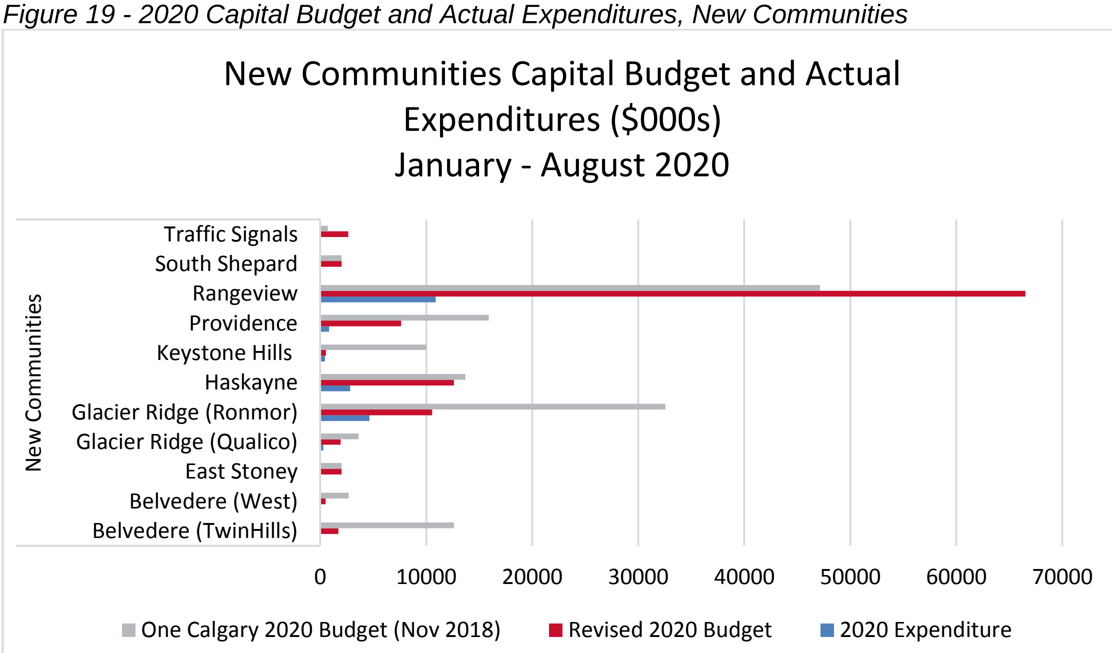


Figure 20 illustrates the capital expenditures in 2020 to the end of August for the 14 new communities. In 2020, expenditures of approximately $19.9 million from a revised 2020 budget of approximately $108.6 million have been incurred to the end of August. Most of the capital expenditures continue to be for utility infrastructure in Rangeview, Glacier Ridge and Haskayne.

Figure 19 - 2020 Capital Budget and Actual Expenditures, New Communities



Conclusion

The residential information indicates estimated unit growth for 2020, using building permit data, that occurred during the census time frame of May 2019-April 2020 is about the same as unit growth that was reported in the 2019 census that covers the same time frame. Since the beginning of the COVID-19 pandemic, growth has significantly slowed. The actively developing communities continue to absorb approximately 64 per cent of Calgary`s estimated unit growth. All 14 new communities that were approved in 2018 have received some land use approvals. Seven of these new communities have executed a Development Agreement and two have received building permits for housing construction. It will be important to monitor how many continue to move forward this year and execute a Development Agreement. The execution of Development Agreements signal the developer is moving forward with considerable capital investment, and gives a good indication if occupancy can be expected in 2021. Since some of the developments are not moving forward as quickly as expected, Administration is reviewing the anticipated capital and direct incremental operating costs for 2021 and will bring adjustments forward to the 2020 mid-cycle budget adjustments. These adjustments will reflect lower spending in 2021 partly as a result of slower growth and partly as a result of budget adjustments to off-set projected shortfalls.

Considering the growth that has occurred over the past year, an update is provided below on the serviced capacity and the anticipated demand. The supply of land remains sufficient to accommodate the projected demand through this budget cycle and the 2023-2026 budget cycle. The dispersion of supply is also healthy, with additional available capacity expected from the 14 new communities over the next year and a half.

For Single/Semi Detached Residential	**2019-2022**	**2023-2026**
Current Serviced Capacity - Start of Period	14,607	18,320
Forecasted Demand - Entire Period	(12,283)	(15,422)
Additional Available Serviced Capacity from Actively Developing Communities	14,246	0
Additional Available Serviced Capacity from New Community Growth Strategy 2018	1,750	19,217
Total Serviced Capacity - End of Period	18,320	22,116
Estimated Years of Supply Balance – End of Period	5	6
For Multi Residential	**2019-2022**	**2023-2026**
Current Serviced Capacity - Start of Period	33,909	32,789
Forecasted Demand - Entire Period	(8,645)	(12,001)
Additional Available Serviced Capacity from Actively Developing Communities	7,525	0
Additional Available Serviced Capacity from New Community Growth Strategy 2018	0	15,941
Total Serviced Capacity - End of Period	32,789	36,728
Estimated Years of Supply Balance – End of Period	11	12

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

Conclusion

The monitoring information indicates growth has been significantly impacted in 2020 due to the COVID-19 pandemic and may take 1-2 years to recover. Prior to COVID-19, growth in Calgary in 2019 had improved over 2018 but was slightly lower than the previous five year average indicating what may be expected as a new normal.

The impacts to the employment, financial, and real estate markets brought by COVID-19 will likely continue to affect Calgary's industrial market for the next year or longer. Maintaining adequate supply of industrial lands throughout Calgary plays a direct role in local economic development and diversifying the municipal tax base. Administration is currently in the process of developing the Industrial Area Growth Strategy, which is the third component of the Citywide Growth Strategy. The scoping report is expected to go Council in 2021 Q1 and actions of Phase 1 of the strategy are expected to be completed in 2022 as part of the Citywide Growth Strategy.

For new communities, the ability to anticipate trends is somewhat longer (5-10 years) than with redevelopment (1-3 years). Calgary's redevelopment market is subject to many influential factors that create market volatility. Identifying City investment that can align with short-term market trends/private investment means a nimble approach to budget decisions and regular updates to a market trend assessment. Growth is expected to remain steady in established areas with 16,000 new units forecasted, and an 30,000 housing units are estimated for new community areas.

Data and analysis provided in the Residential section of this report outlines that there is sufficient supply to accommodate the projected demand through this budget cycle and the 2023-2026 budget cycle. The dispersion of supply is also healthy, with additional available capacity expected from the 14 new communities over the next 18 months. This will result in a the total serviced land supply of eight to 12 years.

Moving forward, the manner in which The City supports city-building and growth is evolving through a coordinated approach to aligning planning policy, growth and investment. Initiated in 2019, the Next Generation Planning System will improve the way we plan Calgary's future. This systematic approach that incorporates strategies for new communites, established areas, and industrial areas, will help us implement and realize the Municipal Development Plan, which provides the foundation and framework for how we plan our city for citizens who live here now and citizens who will call Calgary home in the future.

Administration will continue to monitor the existing investments in One Calgary to support growth across the city and will bring forward budget adjustments and recommendations to remain financially nimble to support growth in alignment with the MDP. Looking forward to the 2023-2026 budget cycle, through an integrated Citywide Growth Strategy approach, Administration will identify investments across the city that support balanced growth in alignment with the MDP.