

Risk Assessment

Current impacts from slower growth

A slower growth period increases overall risk to The City should developers not be able to complete or fulfill their obligations. During slow growth it is more difficult for developers to be successful if new units are taking longer to be absorbed, this increases the developer's own financial risk. Increased financial risk for developers increases the potential risks for The City such as the volume of levy payments and infrastructure maintenance.

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 401 hectares per year, a 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 2), Calgary is in a slower growth period, and land absorption in 2019 and 2020 year to date, has been significantly lower than 401 hectares coming in at 147 hectares and 175 hectares respectively. With the information currently available and the potential for this trend to continue, the already significant offsite levy shortfall may continue to grow.

Capital and operating budgets

There is increased competition for capital infrastructure dollars across the organization, as a result of downward pressure on revenue sources and increased funding uncertainty from other levels of government. There is also continued demand to reduce capital and operating budgets even as the city continues to experience growth. Both of these factors may result in the reduction of the capital and operating budgets for established communities, industrial areas, the 27 actively developing communities, the 14 new communities, and any further new communities contemplated.