

New Community Growth Strategy 2020

RECOMMENDATION(S):

Administration recommends that the Priorities and Finance Committee recommend that Council:

1. Receive this report for the Corporate Record; and
2. Invite 2020 business case proponents to submit business cases during the next New Community Growth Strategy process, to be aligned with the start of 2023-2026 service plan and budget cycle.

HIGHLIGHTS

- For the New Community Growth Strategy 2020, Administration received and evaluated 11 business cases for new community development, assessing how they align with the three guiding growth factors of Municipal Development Plan/Calgary Transportation Plan (MDP/CTP) Alignment, Market Demand, and Financial Impact. Administration determined that no business cases align with all three growth factors.
- What does this mean to Calgarians? This means additional new community lands are not needed to support development at this time.
- Why does this matter? It matters for Calgarians because they can know there is sufficient development capacity to meet Calgary's short and medium term new community needs, and that The City does not need to make future commitments today in order to meet the goals of the MDP/CTP, balance market demand, and manage economic and financial considerations.
- Strategic new community development is important for the economy and is a key part of a balanced growth strategy. Administration thanks the proponents of the 11 business cases for their interest in developing in Calgary.
- Council approved significant investment in 2018 for growth opportunities in new community areas, setting the stage for 10-20 years of shared developer and City commitments. The business cases submitted in 2020 represent primarily low to medium density residential development, similar to those proposed in 2018. Since then, there has been a market slowdown, and there is anticipated to be sufficient land for development for the next 8 to 12 years. These factors may also mean new and actively developing communities take longer to become complete communities.
- To achieve the MDP/CTP policy targets, new growth approvals in new community areas are not needed at this time, and are likely to have a negative impact on achieving a compact urban form, balanced growth, choice of sustainable mobility options, including the provision of transit, and greater choice of residential and mixed use development across the city.
- In addition to the business cases not aligning in aggregate with the MDP/CTP and Market Demand factors, some of the business cases did not meet the financial criteria (no capital costs to initiate, no operating costs until 2027) and would require further tax supported investment to move forward; this is counter to Council's direction.
- Council directed Administration to review business cases by 2020 May 29, with subsequent dialogue with proponents and a summary of approved and rejected cases to be forwarded to the 2020 October 13 Priorities and Finance Committee for review, discussion and recommendation.

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- 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

The New Community Growth Strategy (NCGS) is part of a group of interconnected planning initiatives which work within Next Generation Planning (Attachment 2) – seeking to meet the goals of the MDP/CTP and successfully plan for two million people. The NCGS is one of three growth strategies focused on enabling growth and development to help build a great Calgary.

The NCGS is the process by which business cases for new community growth are submitted to and evaluated by Administration, with decisions made by City Council. The first iteration in 2018 resulted in the approval of 14 new communities, and the required capital and operating investments were included in the One Calgary (2019-2022) service plan and budget. The NCGS 2020 evaluation began in 2019 December with direction provided by Council through report PFC2019-1062. A detailed outline of the NCGS 2020 process is included in Attachment 3. The NCGS 2020 process resulted in Administration reviewing 11 submitted business cases to open additional land in the following Area Structure Plans; Keystone Hills (1 business case), Belvedere (5), Rangeview (1), Ricardo Ranch (1), West View (1) and Glacier Ridge (2). A summary of each business case and location is included in Attachment 4. Administration used updated review criteria that is aligned with the three guiding factors The City considers in making growth decisions – Municipal Development Plan (MDP)/Calgary Transportation Plan (CTP) Alignment, Market Demand, and Financial Impact.

Below is a description of Administration's overall assessment. Individual business case analyses are included in Attachment 5.

MDP/CTP Alignment

To achieve MDP/CTP growth policies and targets, more new community areas are not needed at this time, and may have a negative impact on progress made towards achieving the MDP vision, including the NEXT20 MDP amendments contained in report PUD2020-1106. In alignment with the policies in section 5.2.5 of the MDP, growth opportunities should be prioritized through the Citywide Growth Strategy in order to boost economic activity and city building efforts in alignment with the MDP/CTP to support a prosperous, vibrant local economy. In particular, growth approvals resulting in additional capacity in new community areas may negatively impact the ability to achieving a compact, mixed use city offering greater mobility options to citizens. Investment in new communities was prioritized in 2018, it would now be beneficial to see investment prioritized in a manner that would help achieve balanced growth throughout the city.

The Climate Resilience Strategy would also be impacted by further expanding new community growth. Greenhouse gas emissions would increase as a result of limited mobility options available in these areas. Increased dependency on energy utilization over a larger area could move Calgary away from the low-carbon economy. Alignment with the goals and direction of the Strategy is consistent with the current MDP, as well as the NEXT20 MDP revision, which contains direction to include the recommendations of the Climate Resilience Strategy in corporate decision-making (including growth management decisions) to reduce the city's overall greenhouse gas emissions and adapt to climate change. Demonstrated action on climate

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change is also increasingly a consideration for businesses choosing where to locate and invest, especially when they have choice among cities.

From an individual business case viewpoint, all 11 business cases meet Area Structure Plan policies and therefore individually meet specific MDP/CTP Alignment criteria in Attachment 3.

Market Demand

The 11 business cases were reviewed against citywide market demand and sectoral market demand. A market demand analysis is included in Attachment 6. Significant growth capacity was introduced through the 2018 new community business cases and the new housing market has since slowed. 2019 Calgary Census Metropolitan Area (CMA) housing starts were four per cent below the five year average, and 2020 housing starts are down 16 per cent from 2019 year to date. The City has currently funded single/semi-detached dwelling unit capacity to the year 2032 and multi-residential dwelling unit capacity to the year 2038 based on anticipated demand.

The 14 new communities approved in 2018 will be able to provide sufficient and dispersed housing choice to the market through the 2023-2026 budget cycle.

When the housing market is considered by geographic sectors, only one business case would provide additional serviced capacity to address demand, however that same business case doesn't meet the financial criteria. Administration acknowledges that some of the 11 business cases would increase choice and competition of developers and builders in different geographic sectors of the market, however the market is already generally well supplied and competitive.

Financial Impacts

Impacts were considered both from an enabling growth and economic impact perspective, as well as a City budget perspective. In terms of economic impact, because of the existing capacity for growth and the similarity of proposed development to previously approved development, it is Administration's position that new development is likely to compete for the same market activity, rather than attract new market activity. There would be no net new benefit to the overall economy. It is acknowledged that some business cases would leverage previous investment at little or no cost, however these business cases may cannibalize the market as a whole.

In terms of the City budget, five business cases were determined to meet the entrance criteria of no operating costs prior to 2027, and no capital costs to initiate development. Others would require capital infrastructure investment in order for development to proceed (details are provided in Attachment 5). If business case approvals occur but the current pace of growth stays the same or slows, after 2027 there would be no net new increase in revenue to absorb increased operating costs that would begin to arise in these areas. Administration also considered infrastructure funding source risks, including cash flow impacts from the offsite levy payment deferral program and the impact to levy revenues associated with the current pace of development. At least one proponent has so far made the decision to take advantage of the levy deferral program.

Conclusion and Next Steps

Administration has assessed that none of the business cases meet the criteria under all three factors, and recommends that no business cases be supported at this time. There is significant growth potential leading to shorter term return on investment via Phases 1 and 2 of the

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Established Area Growth and Change Strategy, and from the emerging Industrial Area Growth Strategy. As these growth strategies converge with the New Community Growth Strategy ahead of the 2023-2026 service plan and budget cycle, it presents an excellent opportunity for proponents to submit business cases to be considered as part of an integrated Citywide Growth Strategy at the beginning of a 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

At the beginning of the 2020 process, Administration consulted with the NCGS Working Group (consisting of industry members and BILD Calgary Region) in the preparation of the business case directions and evaluation criteria. During the business case review process Administration communicated with the business case proponents as detailed in Attachment 3. Administration also provided background information on the process and review timelines on The City's public website and through social media to help inform the public and on how the public can participate in this Priorities and Finance Committee meeting.

IMPLICATIONS

Social

The recommendation in this report supports continued focus on developing a balanced, citywide growth strategy. Balanced growth promotes a more liveable and people friendly environment where existing and new amenities are offered to citizens close by to where they live and work.

Environmental

Administration's recommendation considered the Climate Resilience Strategy and the potential for Green House Gas (GHG) emission reductions in growth decisions. Expanding new community growth areas at this time would negatively impact GHG emissions as a result of limited mobility options that would be available in those areas.

Economic

Administration has considered the economic impacts of the additional business cases and concluded that there is a limited return on investment given the amount of growth potential already in place. Administration wants to realize a return on investment and see accelerated build out from currently approved new communities before introducing more and expects a greater short term return on investment in the established areas and through the Industrial Areas Growth Strategy.

Service and Financial Implications

Administration's recommendation has no impacts to services or budgets. Should Administration's recommendation not be accepted and some or all business cases approved, there may be capital and operating impacts.

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No anticipated financial impact

RISK

There are significant risks associated with approving additional new community growth capacity during a period of slower economic growth. During these times, spreading a stable or shrinking market over more communities can have a negative effect on service efficiencies and related costs. While a risk also exists that developers will not be able to pursue development plans and may seek opportunities outside of Calgary, this is just one of several strategic growth considerations, and significant capacity to facilitate development continues to exist.

A risk assessment of approving and not approving the recommendations in this report has been included in Attachment 7.

ATTACHMENT(S)

1. Previous Council Direction, Background
2. Planning Calgary Now and for the Next Generation
3. Outline of the 2020 Process and Industry Stakeholder Consultation
4. Business Case Summaries
5. New Community Growth Strategy 2020 Business Case Analysis
6. New Community Growth Strategy 2020 Market Demand Analysis
7. New Community Growth Strategy 2020 Risk Assessment
8. **Public Submissions**

Department Circulation

General Manager (Name)	Department	Approve/Consult/Inform (Pick-one)
Stuart Dalgleish	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