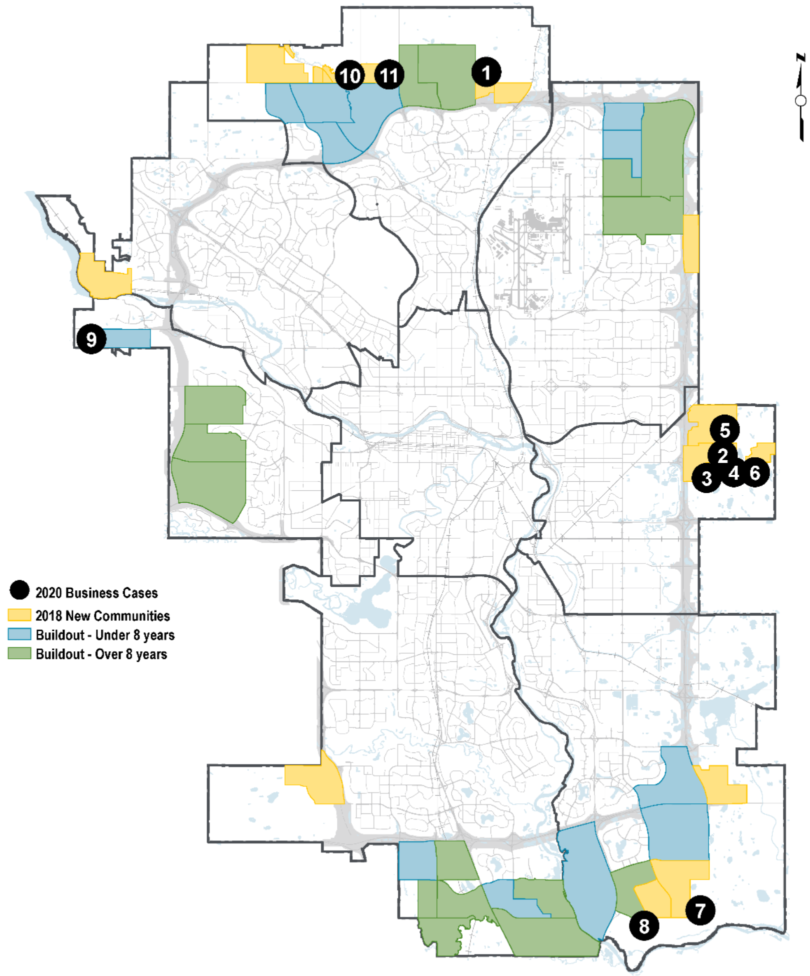
New Community Growth Strategy 2020 Business Case Analysis

This attachment provides an overview of the New Community Growth Strategy (NCGS) 2020 evaluation completed by Administration for the 11 business cases. Table 1 below indicates the number each business case is on the map.

Table 1 – Name of business cases

Business Cases (Area Structure Plan – Proponent)
1. Keystone Hills – Genesis
2. Belvedere – Grewal
3. Belvedere – Huhn
4. Belvedere – Trico Parcel A
5. Belvedere – Trico Parcel B
6. Belvedere – Truman
7. Rangeview – WestCreek
8. Ricardo Ranch – Brookfield, Genesis, Soutzo
9. West View – Qualico
10. Glacier Ridge – Qaulico/Dream
11. Glacier Ridge – Brookfield Cabana



Map 1 – General location of the 11 business cases.

Administration has recommended that no business cases be approved at this time. This is a comprehensive recommendation, made after considering all 23 criteria that each business case responded to, and also the cumulative impact on the broad growth factors of MDP/CTP Alignment, Market Demand, and Financial Impact. As shown below, individually many business cases were found to meet many of the criteria or growth factors – but in the cumulative analysis and in the context of the New Community Growth Strategy 2018 approvals, at this time additional new community approvals could not be supported.

Figure 1 summarizes Administration's review of each of the business cases, in accordance with five broad evaluation dimensions within the three growth factors. More description of the evaluation follows, and Attachment 6 contains a Market Data Analysis that supports this evaluation. Attachment 7 provides a Risk Assessment related to the strategy. The information in this attachment provides transparency on how Administration arrived at its recommendation.

Figure 1 – Summary of business cases evaluation against the three growth factors

	Growth Factor					
	MDP/CTP Alignment	Market Demand		Financial Impact		
Business Case	MDP/CTP Alignment	Citywide Market Demand	Sector Market Demand	Operating Costs	Capital Costs	Economic Impact
1. Keystone Hills	■	●	●	■	■	
2. Grewal	■	●	●	■	●	
3. Huhn	■	●	●	■	●	
4. Trico Parcel A	■	●	●	■	●	
5. Trico Parcel B	■	●	●	■	●	
6. Truman	■	●	●	■	●	See discussion below
7. Rangeview	■	●	●	■	■	
8. Ricardo Ranch	■	●	●	■	■	
9. Qualico – West View	■	●	■	■	●	
10. Qualico/Dream	■	●	●	■	■	
11. Brookfield Cabana	■	●	●	■	■	

■ Business case aligns with the criteria

● Business case is not in alignment with the criteria

Factor Review:

Municipal Development Plan/Calgary Transportation Plan Alignment

Administration considered the cumulative impact of approving some or all of business cases on the MDP/CTP policies and targets. It is through this consideration that it was determined the 11 business cases as a group would have a significant impact on achieving the growth policies and targets in the MDP. Administration considered Policies 5.2.5 (a) and (b) of the MDP that call for making growth decisions that a) consider the municipal capacity to finance growth and b) advise on the prioritization of investment in infrastructure. Given the current economic context, continuing to approve new community growth business cases at this time could reduce budget flexibility for the future during a slow growth period. In alignment with Policy 5.2.2(e) of the MDP, City planning and investment decisions must support the policy and growth directions of the MDP and CTP. Absent the concern of aligning with the minimum land supply policies in 5.2.3 (a) and (b), it is the opinion of Administration that approving new business cases is no longer in alignment with the policy and growth directions of the MDP and CTP and will impact some growth targets to a greater degree.

The City will be challenged to meet the developed/developing area growth split and by continuing to open up additional new growth areas. From a city building perspective, it will makes it more difficult for The City to offer mobility options. Providing transit service within a short walking distance to residents in new communities would require more financial investment and many communities are challenged by their distance to the Primary Transit Network. Active modes like walking and cycling can be difficult to use practically in new communities. The addition of more low and medium density residential dwellings also makes it more difficult to achieve a greater residential land use mix across the city. In addition spreading the growth across a larger geographic area during a slower growth period will result in a longer time frame to achieve complete communities.

Cumulative impacts to other policies were also considered such as the Climate Resilience Strategy. Action 6.2 in the Strategy directs The City to integrate Green House Gas (GHG) reduction potential into growth management decisions. In the future, there may be more robust measures in new communities to help mitigate against GHG emissions, however currently the primary form of transportation in new communities is automobile use, which is the primary contributor to GHG emissions in The City. Adding additional new growth areas will have an impact on GHG emissions.

From an individual business case perspective, all the business cases aligned with the policies of their respective Area Structure Plan such people and jobs per hectare and land use policies and thus with the Municipal Development Plan/Calgary Transportation Plan (MDP/CTP) criteria as individual business cases.

Market Demand (Citywide)

The Market Demand factor is used to assess the balance of supply and demand in the new community market, and use the findings to inform the decision to initiate more new community development. Undersupply can erode choice and affordability, while oversupply can lead to slower build out of communities and inefficiencies for The City. Capacity for growth is also addressed in the current MDP (5.2.3(b)) and the NEXT20 revisions, with a stated target of 3-5 years of serviced land to accommodate growth.

Looking out to the 2023-2026 budget cycle, in new and actively developing communities, the serviced land capacity (including current serviced land, and funded to be serviced land arising from the 2018 NCGS approvals) for single/semi-detached units is expected to be 22,116 units, while the projected market demand is 15,422 units. By the end of this cycle, in 2026, there is expected to be a serviced land supply of 6 years remaining, before consideration of the 11 new business cases. The serviced and funded capacity provided through the 2018 investment in new communities goes beyond this target and indicates a healthy position for The City to accommodate additional growth.

Additionally, if the slower than average growth that has occurred since 2018, and is projected over the next few years, continues, it could raise the risk of slower community build out and servicing inefficiencies as growth is distributed over a greater number of communities. In 2018, Council approved investments benefitting 27 actively developing and 14 new communities. Auburn Bay is expected to complete and move into the developed area this year, meaning that these 41 communities will become 40. Depending on developer plans, Administration expects 2-3 new communities to emerge from the 11 business cases, meaning that Calgary would have the largest number of new communities since 1999.

Given the above, Administration sees significant existing growth capacity, geographic choice, consumer choice, and potential for competition in the new community market.

<u>Market Demand (Sector)</u>
With the exception of the West Sector, the serviced land capacity provided by the 14 new communities that were approved in 2018 is also sufficient to meet the anticipated market demand by the end of 2026. In the West Sector at the end of 2026, the projected market demand of 640 single/semi-detached units is greater than the serviced land capacity of 625 units. By the end of 2026 this indicates there is not enough serviced capacity in the West Sector to meet anticipated demand. Therefore the West View – Qualico business case would provide additional serviced land to address projected market demand in several years. Detailed market analysis is included in Attachment 6.

<u>Financial Impact (Operating Costs)</u>
The operating cost model that was used during the New Community Growth Strategy (NCGS) 2018 was again used for the NCGS 2020 review as directed by Council. This model only considers direct incremental costs associated with new communities (e.g. Fire and Emergency Services, Transit, Parks Maintenance, Roads Maintenance) and does not represent all costs that will be incurred (e.g., Neighbourhood Services, City Administration, Planning). In the model, these costs are off-set by a proportional amount of the tax revenue expected in the community, this creates a positive or negative variance identified as an operating cost gap if negative. Property tax increases would be required to fill the gap. The output of the model is based on the business case's build out scenario and thus the actual costs and revenues will largely be determined by build out timing. Generally speaking a slower buildout will result in additional costs to The City as a result of less revenue to off-set the direct incremental costs.

For 2020, all business cases had to demonstrate no gap in expected operating cost prior to 2027, as Council directed that no property tax increases could be required to fund this gap. All the business cases have met the operating cost criteria. This means that if the proponent`s indicated build out timeline occurs as presented, tax revenue generated would be sufficient to cover the costs captured in the model, for the period 2021-2026 only. At this time, the model does not accommodate City costs beyond incremental, and does not accommodate the possibility that new units could be attracted from other communities, impacting efficiencies elsewhere.

Financial Impact (Capital Costs)
The capital cost criteria for the NCGS 2020 review was that no City-funded capital costs were required for a business case to begin development.

Six of the business cases were not able to demonstrate that they met this criteria. There are five business cases within the Belvedere area (#2-6) on the east side of Calgary that require additional City-funded capital costs, including investment in transportation and greater certainty for utility infrastructure. Transportation investment is required to provide additional connections that allow the transportation network to function and address the needs of the community. If these investments are not secured now, there is a future financial risk to The City that development would outpace the infrastructure necessary to support growth in the area. The transportation investments required include the Memorial Drive/Stoney Trail overpass, upgrades to the intersection at 116 Street NE/Trans Canada Highway and upgrades to the 17 Avenue SW/Stoney Trail interchange. In addition to these intersection upgrades, Memorial Drive and 116 Street NE would have to be constructed to urban streets to facilitate the connections. To determine the approximate costs of this additional infrastructure would require further work. The 116 Street NE/Trans Canada Highway intersection is not within the city limits and would require collaboration with the Province to complete this work.

Utility infrastructure for stormwater, water service, and sanitary are also required. As part of the 2018 approvals, many of the utilities associated with the 14 new communities are to be constructed by the developers through construction agreements with The City. Water and sanitary service is dependent on the TwinHills development moving forward, which was approved in 2018. This infrastructure is to be completed through a construction agreement with the TwinHills developer, Open Gate, and the timing of construction will be up to Open Gate. Currently a construction agreement has not been executed between The City and Open Gate.

In the east Belvedere area, where most of the new business cases are located, there is no permanent storm water solution. All the business cases in Belvedere are proposing interim solutions to address the stormwater servicing. If developers are not able to maintain the interim stormwater infrastructure, The City will be required to step in and address the maintenance of infrastructure that is not part of The City's overall capital infrastructure plan. This creates financial risk to The City because the infrastructure is not intended to be permanent in nature.

In the West View business case, proposed interim storm and sanitary pipe connections are proposed. Sanitary servicing would connect to an existing sanitary pipe in Crestmont. Ultimate servicing for the West View area is to be via a Trans Canada sanitary trunk extension, Administration's position is the ultimate solution should be used to service any development in the West View area. For stormwater infrastructure the business case is proposing an interim stormwater solution. The ultimate stormwater servicing solution will require a downstream stormwater trunk that discharges below the second raw water intake in the Bow River. Similar to the Belvedere stormwater, Administration does not accept an interim stormwater solution due to the increased risks associated with potential future maintenance issues.

Financial Impact (Economic)
It is important to also consider the impact on the broader economy arising from these business cases, and from new community development in aggregate. All business case developments will create jobs, result in private investment, pay off-site levies, result in development that contributes taxes and utility revenues in the future. Due to current slower economic growth combined with current market capacity in new and actively developing communities,

Administration struggles to see how development in the 11 new business cases will attract new growth to the city, rather than competing for market share among other communities.

Four of the developers participating in the NCGS 2020 process did not participate in 2018 and do not currently have active land holdings within Calgary. If approved in 2020, and these developers move forward with their first phase of development, this may create economic activity in the short term – though still within the context of whether they generate new growth, or compete for existing growth.

Conclusion:

After reviewing all of the business cases, none of the individual business cases were found to sufficiently address the three fundamental factors considered in making a growth recommendation: MDP/CTP Alignment, Market Demand, and Financial Impact. While individual cases met design and land use policies from the MDP and relevant ASPs, the cumulative impact was felt to impact alignment with city growth policies in Part 5. None of the business cases meet the overall Market Demand criteria, and six of the 11 business cases did not demonstrate, to Administration`s satisfaction, that they would meet the no capital cost criteria.

The biannual opportunity to review business cases is a key feature of the New Community Growth Strategy. Additionally, the annual Growth Strategy Monitoring Report provides another opportunity to assess the state of new communities in the context of the three growth factors. The next opportunity for proponents to submit business cases for new community growth is just over a year away, and should the circumstances change, new community business cases can be evaluated under a new context.