

## **Established Area Growth and Change Strategy Phase 2 Update on Financial Tools and Strategies**

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### **RECOMMENDATION:**

That the Priorities and Finance Committee recommend that Council receive this report for the Corporate Record.

### **HIGHLIGHTS**

- This report provides Administration's update on Financial Tools and Strategies for the Established Area and is being provided in response to Council's direction for Administration to provide an update in 2020 Q4 (PFC2020-0381).
- What does this mean to Calgarians? Funding tools and financial strategies will help create consistency, certainty and equity for the funding of established area improvements and enable redevelopment and change in established communities. This will require infrastructure upgrades and public realm improvements to support communities and main streets in being vibrant, desirable places as growth occurs.
- Why does this matter? Supporting growth in the established area of Calgary requires sustainable funding sources to meet the goals and objectives of the Municipal Development Plan.
- This report provides an update on established area public realm investment projects and utility upgrades.
- Priority funding tools such as property tax, density bonusing, and a local sized pipe levy have been identified for further review and exploration with the goal of establishing sustainable funding sources for public realm investment and growth-related infrastructure.
- The work outlined in this report is being carried out as part the Established Area Growth and Change Strategy (EAGCS) and will be integrated into the City-wide Growth Strategy Report in 2022. Timelines are provided in this report.
- A working group of internal and external stakeholders has been established to explore and develop the financial tools and strategies discussed in this report.
- Strategic alignment to Council's Citizen Priorities: A well-run city
- Background and Previous Council Direction is included in Attachment 1.

### **DISCUSSION**

#### Background on EAGCS

The Established Area Growth and Change Strategy was directed by Council in 2018 September (PFC2018-0891), and is part of a group of interconnected planning initiatives that work within Next Generation Planning (Attachment 2) – seeking to meet the goals of the MDP/CTP and successfully plan for two million people. It is the second of the three-part comprehensive city-wide growth strategy that began with the New Community Growth Strategy and includes the Industrial Area Growth Strategy.

The EAGCS is tasked with providing strategic funding recommendations and developing sustainable and consistent financial strategies that will help create more certainty around

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funding necessary infrastructure and public realm improvements to enable and support redeveloping communities. The following is an update on the progress of the tools and strategies that have been prioritized through discussions with stakeholders and directed by Council as part of Phase 2 of the EAGCS.

### One Calgary 2019-2022 Investment in Established Areas

The One Calgary 2019-2022 budget included funding for capital investment in established areas for capital maintenance, capacity upgrades and services, under the service lines of Facility Management, Arts & Culture, Parks & Open Space, Land Development & Sales, Economic Development & Tourism, Public Transit, Streets, Water Treatment & Supply.

There was also \$60 million approved for capital investment in the Main Streets Program (Streets; Sidewalks and Pathways service lines). This work is underway with the first three Main Streets under construction. There is an additional \$301 million of unfunded Main Streets projects that are planned for future years.

In support of anticipated growth, strategic upgrades for water and sanitary utilities along 17th Avenue SW and 33rd Avenue SW were allocated utility funding of \$5.4M and will be delivered as components of the overall construction of the Main Streets program.

### *EAGCS – \$30M of Phase 1 Public Realm Projects*

In 2020 May, through Phase 1 of the EAGCS, Administration, in consultation with stakeholders, identified five multi-community growth areas where it was anticipated that the redevelopment market interest would remain high for the next 1-3 years. Capital projects that would enhance the public realm in these areas and offset growth-related pressures were identified. Council approved a capital budget for \$30 million in 2021 and 2022, funded by the newly created Established Area Investment Fund. The one-time funding will require an on-going replenishment source. In advance of the next budget cycle, a task of the work outlined in this report is to determine a financial strategy to replenish the fund. A list of the EAGCS public realm projects is provided in Attachment 3.

On 2020 February 3, Council approved a minimum of 1% of the favourable budget variance from investment income within Corporate Programs annually until 2026, to be used for the EAGCS (PFC2020-0131). This is the only tool that is currently approved to replenish the Established Area Investment Fund. Administration is considering the most appropriate use of these funds as part of a sustainable funding strategy for the established area.

### Progress on the Development of Financial Tools and Strategies

On-going and sustainable funding sources are required for necessary investment in growth related infrastructure and public realm improvements in the established area. Priority funding tools have been identified and while it is early in the process, work is underway on how to best implement these tools. Developing a suite of financial tools and strategies for long term sustainable funding is important to the success of meeting the goals of the EAGCS and the MDP. Developing a variety of tools will ensure that the right tools are available to deliver on various objectives. Depending on the current context including market conditions, rate of growth and redevelopment readiness, the right tools

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can be used at the time to achieve the desired goals and allow The City to be more nimble.

The following funding tools have been identified as priorities for investigation. Progress and details on each are provided in Attachment 4.

- City budget - property taxes, including property tax uplift pilot
- City budget - Redirecting capital budget savings
- Developer contribution - Funding local-sized water and sanitary pipe upgrades
- Developer contribution - Bonus density

Considering Calgary's current economy, the initial feedback from the stakeholder group is that financial tools that do not add to the cost of development are preferred. Stakeholders have indicated that increased development costs may impact project viability and result in a developer choosing not to move forward with a project.

To move toward the goals of the MDP of increased density and redevelopment in established areas, it is necessary to consider the prioritized use of property tax to fund investments in The City's four-year budget. This is likely to be one of Administration's primary strategies for established areas leading to investment recommendations for the 2023-2026 budget cycle. This strategy will need to consider other City priorities including on-going service delivery, maintenance, asset replacement and upgrades.

### EAGCS Phase 2 Work Program Timeline

Much of the work of Phase 2 will occur through 2021 and will include the further development of financial tools and strategies that have been outlined above and prioritized by the Comprehensive Investment Tools (CIT) working group. In addition, parallel working groups will identify priority growth areas for investment recommendations for the next budget cycle (2023-2026) and identify public realm and utility investments within these areas that are well-timed with the anticipated short-term growth and redevelopment. This work will be done as part of the Next Generation Planning System and in conjunction with Main Streets, the Transit Oriented Development (TOD) Strategy, and the multi-community Local Area Plans that are underway. Administration will integrate this into a City-wide Growth Strategy report in 2022, prior to the next budget cycle going to Council. The growth strategy factors of Municipal Development Plan and Calgary Transportation Plan Alignment, Market Demand, Financial Impact will be applied, with the additional consideration of Redevelopment Readiness.

## **STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)**

- Stakeholder dialogue/relations were undertaken

The financial discussions in Phase 2 of the EAGCS are supported by a Comprehensive Investment Tools (CIT) Working Group. This 21-member working group is comprised of members from the Community, Business Improvement Areas, Development Industry and Administration, and provides input directly to the EAGCS Advisory Group. The working group is mandated to comprehensively explore and develop financial tools and strategies and consider funding sources to support investment. Feedback has been provided by representatives of the development and building industry through a letter, included in Attachment 5.

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### IMPLICATIONS

#### Social

The EAGCS initiative supports decision making for policies, strategies, and service plans and budgets that can reflect three of the five principles of The Social Wellbeing Policy: equity, culture and prevention.

#### Environmental

This work fosters vibrant existing communities in support of an efficient, compact urban form, a goal of the MDP and Climate Resilience Strategy, moving Calgary towards a low-carbon economy.

#### Economic

Consistency and certainty on funding of infrastructure and public realm will help to encourage redevelopment in established communities. Meaningful investment of the identified \$30 million in areas with opportunities for growth will help encourage economic diversification, job creation and resilience. As the \$30 million was one-time funding, identifying sustainable tools to replenish these funds is critical for supporting established area communities that are experiencing change.

#### Service and Financial Implications

##### No anticipated financial impact

There are no financial impacts as a result of this report.

##### Opportunity cost of pursuing the recommendation

None – receive for information.

### RISK

1. **Financial Risk** – The tools being explored may not produce the level of funding necessary to replenish the investment fund. Tax uplift would otherwise go into general tax revenue and fund tax supported City services. Redirecting uplift funds to support infrastructure limits the flexibility in how this revenue can be used. Financial viability of bonus density in low to mid-density communities is uncertain and can be expensive to administer. It is expected that there will be less capital funding available in the near term. There are competing priorities for property tax as a funding source.
2. **Growth Risk** – Ineffective growth planning can impact The City's capacity to deliver and provide infrastructure required for growth occurring in the Established Area. Impacts of a slowed pace of growth and downturn may cause the tools to be less effective.
3. **Infrastructure Risk** – Infrastructure upgrades are required to keep pace with growth and redevelopment within the Established Area. Cost of redevelopment can become unfeasible due to the cost to developers for upgrades.

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Priorities and Finance Committee  
2020 December 1**

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PFC2020-1245  
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**ATTACHMENT(S)**

1. Previous Council Direction, Background
2. Planning Calgary Now and for the Next Generation
3. EAGCS Phase 1 Public Realm Projects
4. Progress on the Development of Financial Tools and Strategies
5. Industry Letter

Department Circulation

General Manager	Department	Approve/Consult/Inform
Stuart Dalglish	Planning & Development	Approve
Carla Male	Chief Financial Officer	Inform
Jill Floen	City Solicitor-General Counsel	Inform