New Community Growth Strategy 2020 Risk Assessment

With respect to the recommendation of the 2020 New Community Growth Strategy (NCGS) this attachment outlines associated risks with approval (no business cases are approved) and non-approval (some or all are approved) of the Administrative recommendation.

The risks of Council *not* approving the recommendation include:

<u>Cumulative impacts of additional new community growth approvals</u>

There is a significant risk that by not approving the recommendation, The City will be challenged to meet particular MDP/CTP targets and policies, including the balance of growth between developed and developing areas in Part 5. Continuing to open up additional developing areas when not necessary to meet market demand may have a negative impact on the opportunity for growth in the Calgary's developed areas. Adding additional new growth areas makes it increasingly more difficult for The City to provide more balanced transportation options. Providing transit service within a short walking distance to residents in new communities would require greater 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 density residential dwellings also makes it more difficult to achieve a greater residential land use mix across the city. In addition, spreading the growth further geographically during a slower growth period will result in a longer time frame to achieve complete communities.

Finally, additional new community growth approvals during a slower growth period increases overall risk to The City should developers not be able to complete or fulfil their obligations. During slow growth it is more difficult for developers to be successful if units are taking longer to absorb, this increases the developer's own financial risk. Increased financial risk for developers increases the potential risks for The City such as levy payments and infrastructure maintenance.

<u>Current impacts from slower growth</u>
Slower build out has been observed in some actively developing communities, 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 risks.

<u>Future capital and operating costs</u>
If more business cases are added to a sufficiently supplied market, an increase in future operating costs will be incurred, and revenues may not grow with costs. The City must provide certain services at the time they are required, regardless of the financial ability to do so. There may be increased costs due to service inefficiencies when a finite amount of demand is spread over a larger area, with a challenge of fully servicing communities that are slower to complete. Some of the business cases require additional capital infrastructure during a time when there is increased limitations on available capital for competing priorities across the corporation, partially as a result of increased funding uncertainty from other levels of government.

Lower than anticipated off-site 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 400 hectares per year, a temporary financial shortfall occurs. The only mechanism to absorb this shortfall is in utility rates, until the development happens. Further, the capital programs in Transportation and Community Services may be required to slow or delay project spending if levy revenues and reserves are lower than costs.

As is summarized in the monitoring report PFC2020-0962, Calgary is in a slower growth period, and land absorption in 2019 and 2020 has been significantly lower than 400 hectares. With the information currently available and the potential for this trend to continue, the already significant offsite levy shortfall will continue to grow and may create additional pressure on other infrastructure if there is not enough funds to pay for infrastructure when it is needed. It is already known that at least one business case proponent has decided to defer some levy payments.

The risks of Council approving the recommendation include:

Missed economic opportunities
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 this development is likely to compete for existing growth, rather than attracting net new growth.

Opportunity for efficiency of infrastructure
In five of the business cases, no additional City-funded capital infrastructure is required for the business case to move forward (Attachment 4). If there are no new business cases approved, it would defer the opportunity to increase the use and efficiency of existing infrastructure in these cases.