

Citywide Growth Strategy: Growth Management Overlay Review

RECOMMENDATION(S):

That the Priorities and Finance Committee recommends that Council direct Administration to continue to work with stakeholders to explore and implement business-friendly refinements to improve the 2022 New Community Growth Strategy Business Case review process, and consider more significant changes to the Growth Management Overlay mechanism, as outlined in Attachment 2.

HIGHLIGHTS

- The recommendations of this report provide a path to simplify and streamline The City's strategic growth practices for new communities by committing to business-friendly improvements in the short term and more substantive changes in the medium term, while continuing to align to a sustainable direction for new community growth that is closely linked to The City's service plan and budget process.
- What does this mean to Calgarians? This work will increase process clarity for new community development while sustaining The City's practices for strategically investing in growth, enabling the continued development of safe and inspiring neighbourhoods.
- Why does this matter? In a context of constrained resources and a challenging economy, it is critical for The City to continue to attract private investment while ensuring that growth decisions align with Council's economic, environmental, and social priorities.
- This report sets out a work program for improvements to the Growth Management Overlay (GMO) mechanism and the Citywide Growth Strategy: New Communities Business Case review process.
- It is critical to maintain the link between planning approvals, Council's vision for strategic growth, and the public investment decision making process; the Growth Management Overlay is currently the principal mechanism for maintaining these links.
- A proposed *Refine and Rethink* work program is set out (Attachment 2) that identifies shorter-term refinements to the 2022 Citywide Growth Strategy: New Communities Business Case review process to inform the 2023-2026 business plan and budget, and further opportunities to rethink the Growth Management Overlay mechanism.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

Background

On 2019 November 18, as part of a broader discussion that set parameters for the 2020 New Community Growth Strategy, Council directed Administration to explore the phasing out of the Growth Management Overlay mechanism, and report back with options in order to better reflect the current economic situation and to create policy that encourages a business-friendly environment for retaining private investment in Calgary's land development sector.

In 2012, the Growth Management Overlay mechanism was introduced to provide a stronger link between strategic planning, City capital and operating investment decisions, and new community development proposals. In 2018, the new community Business Case evaluation process was introduced to fully and transparently assess the revenues and costs of growth

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ahead of service plan and budget time (Financial Impact), alongside an assessment of Market Demand and Alignment to the Municipal Development Plan/Calgary Transportation Plan.

This process has now been used for a full service plan and budget cycle (2019-2022), with strategic growth recommendations made by Administration to Council in both 2018 and 2020. The next new community Business Case review is anticipated for 2022, to inform growth investment the 2023-2026 service plan and budget. A more detailed discussion of the history of the Growth Management Overlay mechanism and Business Case review can be found in Attachment 1.

Stakeholders, members of Council, and Administration have recognized there are challenges with current new community growth tools. However, the identification of different tools that enable Council decisions for funding necessary capital and operating investments to support growth within a multi-criteria framework while removing barriers faced by proponents, have proven elusive.

How best to incorporate business-friendly changes and explore the future use of the Growth Management Overlay?

The development of a multi-year service plan and budget typically starts early in the year before the service plan and budget takes effect. The upcoming 2022 Citywide Growth Strategy: New Communities Business Case review process is expected to be initiated as early as 2021 Q3 in order to inform strategic growth decisions in 2022, ahead of the approval of the 2023-2026 service plan and budget.

Both Administration and the New Community Working Group agree on the need to proceed, on time, with the 2022 Citywide Growth Strategy: New Communities Business Case review process, in order to take advantage of market opportunities and service plan and budget alignment.

Through Administration's internal and external review, a number of opportunities to improve the process were identified. Given the time constraint, Administration worked with the New Community Working Group to triage these opportunities into two categories – those that could be enabled in time for the 2022 evaluation, and those that should be considered after the 2022 Business Case evaluation has concluded.

Proposed Solution: a *Refine and Rethink* Approach

Administration is proposing a *Refine and Rethink* approach that outlines short and medium term phases to explore and implement business-friendly changes to the Growth Management Overlay mechanism and decision-making process, while allowing the next review to proceed on time. The details of this approach are presented in Attachment 2.

This approach enables the 2022 Citywide Growth Strategy: New Communities Business Case review process to proceed on time, while preparing for more substantive change once the evaluation is concluded. This review process is seen as in-scope for this work, as it is the practical means by which proposals for Growth Management Overlay removal and subsequent new community development are evaluated, and City investment decisions are incorporated into the service plans and budgets.

In the *Refine* stream, shorter term refinements will be implemented in time for the 2022 new community Business Case review process, and include a more collaborative, precise, and disaggregated approach to market factors (supply and demand), greater focus on the merits of

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individual Business Cases, clarification on how cumulative impacts will be assessed, and other process and communications improvements (see Attachment 2 for a full listing of proposed changes).

In the *Rethink* stream, further medium-term shifts to potential alternatives to the Growth Management Overlay will be considered, with an emphasis on greater flexibility for areas that do not require City-funded capital investment, in response to stakeholder input and consideration of links with the service plan and budget and funding process. These options will be explored in a context that continues to link growth decision making within the Citywide Growth Strategy and service plan and budget preparation, while ensuring Alignment with policy (Municipal Development Plan/Calgary Transportation Plan), Market Demand, and Financial Impact considerations.

In terms of accountability, Administration will continue to convene the New Community Working Group to guide this work, and will continue to meet throughout the next Business Case review process. In this way, *Refine* and *Rethink* may overlap in timing. Further, Administration will bring updates as required to Council, including through the annual Growth Monitoring Report process.

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

Administration continues to collaborate with Industry partners through the New Community Working Group. Together, this work is identifying and developing business-friendly near-term *Refine* opportunities for exploration and implementation for the 2022 Citywide Growth Strategy: New Communities Business Case review process. During and following the 2022 business case process, ongoing stakeholder dialogue regarding the subsequent *Rethink* considerations (involving more fundamental change to the Growth Management Overlay) will be required. Attachment 3 includes a What We Heard Report on the conversations conducted with the New Community Working Group. The Growth Management Overlay and Business Case review process have generated concern from the New Community Working Group, who are eager to proceed with land development and, generally speaking, see the review as an encumbrance.

IMPLICATIONS

Social

New communities are an important contributor for maintaining housing affordability in Calgary. Ensuring a competitive offering of new communities is important to supporting diverse socioeconomic groups in the city. Strategic review of new community proposals linked to The City's business plan and service plan and budget process is important to realizing community completeness and ensuring that these areas offer citizens equitable access to City services.

New communities are a significant part of Calgary's attractiveness to newcomers from within Canada and beyond. Ensuring housing choice in vibrant, liveable new communities may therefore be important to maximizing Calgary's diversity advantage.

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Environmental

As The City increases focus on reducing its carbon footprint and enhancing environmental resilience, the Growth Management Overlay mechanism and Citywide Growth Strategy: New Communities Business Case process allow for the Calgary Climate Resilience Strategy to be considered when strategic planning and City investment decisions are made.

Economic

Calgary's new and actively developing communities continue to attract the vast majority of the city's residential growth. This work directly supports growth by improving the business friendliness of the current business case review process. The proposed approach also sets the stage for future consideration of more wholesale improvements that would improve the connection between planning approvals and strategic City investment decisions, while reducing time and resource demands. By improving the process for informing City investment decisions, this work helps to advance the Place pillar of Calgary Economic Development's "Calgary in the New Economy" strategy.

Service and Financial Implications

No anticipated financial impact

This report has no impacts on capital or operating budgets. However, new community growth decisions do impact both capital and operating service plans and budgets. The process by which these financial decisions are made is informed by the tools and processes discussed in this report.

RISK

There are risks to phasing out the Growth Management Overlay with respect to the upcoming 2022 Citywide Growth Strategy: New Communities Business Case review process and the development of the 2023-2026 service plan and budget. These include:

- Uncertainty for Administration and proponents entering the business case review process;
- Absence of a defined process for aligning strategic City growth investment decisions with a holistic view of proponent intentions and the development approvals process; and
- Resource constraints relating to the delivery and implementation of the overall Citywide Growth Strategy.

The *Refine and Rethink* approach outlined in Attachment 2 largely mitigates the risks identified above, however includes its own risks:

- Greater emphasis on the merits of individual business cases and more scope for proponent representation may create challenges for considering the aggregate impacts of multiple proposals and non-capital cost criteria;
- The number of items to address in the lead up to the 2022 round of new community Business Cases may prove challenging to resource for exploration and implementation;

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- Stronger collaboration with stakeholders on assessing market factors may highlight divergences in understanding supply levels and demand forecasts among all stakeholders; and
- Increased focus or reliance on capital costs relative to other factors (policy alignment, market demand, and operating costs) will challenge Administration's ability to provide recommendations balanced across the full range of criteria in line with the Citywide Growth Strategy.

ATTACHMENT(S)

1. Attachment 1 - Background and Previous Council Direction
2. Attachment 2 - Refine and Rethink Work Program
3. Attachment 3 - What We Heard Report
4. Attachment 4 - Stakeholder Letters

Department Circulation

| General Manager/Director | Department | Approve/Consult/Inform |
|--------------------------|--------------------------|------------------------|
| S Dagleish | Planning and Development | Approve |
| D Morgan | Transportation | Approve |