

2021 Citywide Growth Strategy Monitoring Report

RECOMMENDATION(S):

That the Infrastructure and Planning Committee recommends that Council direct Administration to bring a Citywide Growth Strategy Monitoring Report to the Infrastructure and Planning Committee no later than 2022 October.

HIGHLIGHTS

- This monitoring report provides Council and stakeholders with current citywide growth-related information that will help inform upcoming growth decisions for the 2023-2026 service plan and budget cycle. It is an important monitoring function of the Citywide Growth Strategy.
- What does this mean to Calgarians? The report aims to establish a common context and information base that stakeholders, Council, and Administration can use to discuss growth and change matters.
- Why does this matter? By providing these data and associated analysis, it increases transparency ahead of key Citywide Growth Strategy investment decisions, expected later this year as part of the 2023-2026 service plan and budget cycle.
- Key growth trends noted in this report for the period 2021 January to September:
 - Industrial and residential development both showed positive signs of recovery from economic challenges presented by the COVID-19 pandemic.
 - Industrial areas are performing well nationally but face competition regionally.
 - New applications for residential units increased 75 per cent over the same period of 2020.
- Current development trends will make the growth targets in Part 5 of the Municipal Development Plan difficult to achieve.
- In 2020 November, Council directed Administration through report PFC2020-0962 to bring a 2021 Growth Strategy Monitoring Report to Council through Priorities and Finance Committee no later than 2022 January.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The Growth Strategy Monitoring Report started as a tool to review the progress and status of the new communities approved in 2018, while also providing relevant market information. Since this time, it has grown to encompass the entire Citywide Growth Strategy which now includes industrial and established areas alongside new communities.

The Citywide Growth Strategy focuses on how to enable growth and development in Calgary. It seeks to retain investment and jobs in the city while achieving the policy objectives of the Municipal Development Plan and the Calgary Transportation Plan. The Citywide Growth Strategy Monitoring Report (Attachment 2), continues to provide market background for Calgary and growth and change data, financial information, and next steps for each component.

The citywide balance of growth has major implications for The City's climate mitigation, and adaption goals of the Climate Resilience Strategy. Deliberate balancing of growth and

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investments is crucial to reducing greenhouse gas emissions to net zero by 2050, and reducing risks associated with climate-related hazards.

The information provided in Attachment 2 complements other City reporting on growth such as The City's *Suburban Residential Growth* report and the *Calgary & Region Economic Outlook* publication.

This report generally covers the period up to 2021 September and uses various inputs to assess each area. Market indicators are optimistic for 2022 and both industrial and residential areas are showing positive signs for future development.

Market Indicators Summary

- According to the Canadian Housing and Mortgage Corporation, housing starts in Calgary are up 57 per cent over the same period of 2020 and Calgary has an 82 per cent share of housing starts in the Calgary Census Metropolitan Area
- Building permit values are anticipated to reach \$4.8 billion in 2021, which is in line with the average for 2016-2019
- There are 312 new hectares subject to Development Agreements so far in 2021, an increase over 2019 and 2020, and similar to the volumes for 2017 and 2018

Industrial Areas Growth Summary

- According to Colliers International, from Q3 2020 to Q3 2021 Calgary saw 233,000 square feet of positive industrial absorption, and 229,000 square feet of new supply. As of September 2021, there is 4.6 million square feet of industrial development underway.
- Calgary compares favourably nationally with a rental rate of \$8.93 per square foot against markets such as Vancouver (\$15.50) and Toronto (\$11.73). Calgary also boasts a healthy 4.7 per cent rental vacancy rate. Competition from regional municipalities continues based on cost differentials. An increase of 10 million square feet in the regional supply is expected in 2022.

Residential Summary

A Civic Census was not completed in 2020 or 2021, so population data, along with other contextual data such as occupancy, ownership and rental figures are not available for this report. In its place, building permit data was analyzed and summarized. The COVID-19 pandemic created challenges for the development industry in terms of the supply chain and material price inflation.

- The data has shown a significant recovery in the housing market in 2021 when compared to the same period of 2020. As of September 2021, applications have been submitted for 9,821 residential units, a 75 per cent increase over the applications for 5,628 units in the same period of 2020.
- According to the Canadian Real Estate Association, Calgary has one of the more affordable metropolitan housing markets in Canada. A supply of diverse housing types in both new and established communities has contributed to this affordability.

New Communities Growth Summary

- There were 6,097 new units applied for from January to September of 2021, an increase of 70 per cent from the 3,584 units applied for in the same period of 2020. Of these units, 3,576 are either single or semi-detached houses.

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- Of the 14 communities approved in 2018, six now have occupied units, one has applied for building permits, three are approaching show home construction, and four are still at the Outline Plan stage.
- Compared to budget, the operational and capital spending was very low. This will be a factor for the upcoming budget cycle as the rate of growth is behind expectations and may have ongoing budgetary requirements.

Established Area Growth Summary

- There were 3,724 new units applied for in the first nine months of 2021, an 82 per cent increase compared to the 2,042 units applied for in the same period of 2020.
- Established area development in Calgary continues to favour the greater downtown and adjacent communities with 1,546, or 42 per cent, of new units occurring in these areas.
- New units also came from large redevelopment areas like Medicine Hill, University District, and the Harvest Hills redevelopment.

Municipal Development Plan/Calgary Transportation Plan Alignment

Calgary is seeing a more compact form of development in the new communities, however, the balanced growth targets identified in *Part 5 of the Municipal Development Plan* will remain difficult to achieve. The Balanced Growth Boundary is identified on *Map 1: Urban Structure in the Municipal Development Plan* and is the target area for 50 per cent of Calgary's population growth for the next 50-60 years. 2,236 units, or 36 per cent of new units, were applied for within the balanced growth boundary so far in 2021, and of those, 1,725 units came from multi-residential development. Multi-residential units typically have fewer people per household so 36 per cent of new units are likely to equate to an even smaller share of actual population growth. The balanced growth target is important because it reflects a number of desirable city-building goals, including a compact urban form that reduces the urban footprint, a city connected by active modes in order to reduce travel time and greenhouse gas emissions, and a city where vibrant communities offer places to live, work and recreate.

Conclusion

After a difficult 2020, a recovering economic environment has fostered positive outcomes for industrial and residential development. Industrial is competitive nationally, and residential has shown the largest annual increase in new units since 2014. However, 64 per cent of applications for new units were for areas outside the balanced growth boundary. While the final population impacts remain to be seen, this development pattern will make the targets in *Part 5 of the Municipal Development Plan* difficult to achieve. Calgary continues to grow every year and having a Citywide Growth Strategy helps to ensure that this growth is socially, environmentally, and economically thoughtful.

Preparing for Citywide Growth Strategy Investment Decision-Making as part of the 2023-2026 Service Plan and Budget Cycle

The data and analysis contained in this report is intended to inform stakeholders ahead of decision-making for the 2023-2026 service plan and budget cycle. For the first time, the Citywide Growth Strategy is prioritizing under a unified approach to growth that balances citywide needs with the needs of new community, established areas, and industrial areas. In making these recommendations, Administration employs a data driven approach that is informed by stakeholder engagement through several working groups. Knowing where the

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market has been, and where it is expected to go, helps to inform the Market Demand factor as part of the overall strategy.

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 discussed the purpose, timelines, and overview of this report with multi-stakeholder Working Groups, including the New Community Working Group, the Established Area Growth and Change Strategy Advisory and Working Groups, and the Industrial Strategy Working Group.

IMPLICATIONS

Social

The focus of this report is primarily on growth; however, it also provides insight into the type of housing that is under development in Calgary. This will help to inform investment recommendations related to equity and social wellbeing as part of the Citywide Growth Strategy. This report will also help Council to make budget and servicing decisions in alignment with Section 2.3 of the Municipal Development Plan, Creating Great Communities.

Environmental

The information provided in this report will help Council to make informed citywide growth decisions in alignment with the Municipal Development Plan goal of a compact city; and also with Municipal Development Plan policy 5.2.5(b), which is to prioritize municipal capital infrastructure to support intensification of the Developed Areas. Alignment with the Municipal Development Plan, as well as the Climate Resilience Strategy, will help achieve emissions reductions.

Economic

The housing market and Gross Domestic Product have rebounded to pre-pandemic levels in 2021 as the economy recovered and housing demand increased. This momentum and the changing trends due to the COVID-19 pandemic should drive job growth, investor confidence, and economic opportunity.

Service and Financial Implications

No anticipated financial impact

Analysis in support of this report indicates that it is unlikely the city will achieve the anticipated amount of commercial, industrial, and residential development that was used as a basis in the One Calgary (2019-2022) service plan and budget creation. Capital and operating spending is well below the revised budgeted amounts for 2019-2021. Administration expects to bring data-

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based investment recommendations to Council late in 2022 to help support the development of the 2023-2026 service plans and budgets.

RISKS

There are several risks associated with this report:

1. **Variable Rates of Growth** - While growth levels for 2021 are expected to rise back to pre-pandemic levels, there is uncertainty for the years ahead as new COVID-19 variants may continue to evolve and labour and supply chain issues may remain in the housing and construction industries. Additionally, with regional neighbours showing strong industrial growth, Calgary's ability to capture a growing market may be impacted if Calgary remains less financially competitive.
2. **Capital and Operating Budgets** - There is increased demand for capital infrastructure dollars across the organization, because of downward pressure on revenue sources and increased funding uncertainty from other levels of government. There is also pressure to reduce capital and operating budgets even as the city continues to experience growth. Both factors may result in the reduction of the capital and operating budgets for growth areas.

ATTACHMENT(S)

1. Attachment 1 – Background and Previous Council Direction
2. Attachment 2 – 2021 Citywide Growth Strategy Monitoring Report

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Stuart Dalglish	Planning and Development	Approve
Carla Male	Chief Financial Office	Consult