IP2021-1668
Attachment 2

2021 Citywide Growth Strategy Monitoring Report

2021 September

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Executive Summary

Purpose
This monitoring report provides Council and stakeholders with current growth-related information that includes citywide market conditions and an update on indicators, financials, and current activity for the three components of the Citywide Growth Strategy – new communities, established areas, and industrial areas. Another objective of the monitoring report is to provide transparency and accountability based on commitments (City and developer) arising from new community growth decisions in 2018, established area decisions in 2020, and industrial decisions in 2021. The information presented in this report will inform upcoming 2022 growth decisions for the 2023-2026 service plan and budget cycle, and also provides comments on how The City is progressing toward meeting the growth policies within the Municipal Development Plan, Part 5 City-wide Growth Strategy.

Content
This monitoring report includes an overall Calgary market snapshot, and updated information on growth and change for the industrial, new community, and established areas. This document complements the information in the Suburban Residential Growth Report 2021-2025 and Monthly Lot Supply Report. As a result of several factors and decisions, a municipal census has not been completed since 2019, and there are no plans to conduct a future municipal census. This means that some data is not available including Calgary's population, vacancies, vacancy rates, occupancy and other variables cannot be reported here as they typically would be. As was the case in 2020, building permit data was used to analyze and estimate growth across the city.

Period
The information in this report generally represents the period ending 2021 September. Any data sources that do not align with this period have been noted where applicable. Financial data is aligned with the One Calgary (2019-2022) service plans and budget cycle, beginning in 2019 January and including to the end of 2021 September.[1]

Conclusion
After a difficult 2020, a recovering economic environment has produced positive outcomes for industrial and residential development. Industrial is competitive nationally, and residential has shown the annual increase in new units since 2014. However, 64 per cent of applications for new units were in 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. There is currently between 15 and 20 years of serviced and funded land supply in new community areas. The diversity of housing choice and current supply of new housing have kept housing affordable in Calgary when compared to the national average and other major markets. The City should continue to make strategic policy and investment decisions that balance the targets of the *Municipal Development Plan* with the needs of Calgarians.

[1] The One Calgary 2019-2022 Service Plans and Budget can be found here: Details on the Growth budgets can be found as part of One Calgary 2019-2022 Service Plans and Budgets (C2018-1158), Attachment 9 "Supplemental Information", pages 19-20 (operating budgets) and 146-148 (capital budgets).

Calgary Market Snapshot

Summary

Strength in the housing market has been shown through the number of housing starts, value of building permits, and hectares of development agreements in the first nine months of 2021. These have increased notably over 2020 and returned to pre-pandemic levels. However, it is currently unknown if the housing market is compensating for the low levels of 2020, or if these volumes are sustainable into the future.

Housing starts in the City of Calgary and the Calgary Census Metropolitan Area have increased significantly so far in 2021 (Figure 1) with:

- 8,649 housing starts in the City of Calgary, an increase of 57 per cent when compared to 5,539 units over the same period of 2020; and
- 10,415 housing starts in the Calgary Metropolitan Area, up 61 per cent from the 6,461 units in the same period of 2020.

Building permit value is anticipated to reach $4.8 billion in 2021 which would be in line with the average of $4.6 billion for 2016 to 2019 (Figure 2), the year-to-date numbers for the City of Calgary include:

- a residential building permit value of $2.7 billion; and
- a non-residential building permit value of $1.7 billion.

Development agreements have also increased so far in 2021 with 312 hectares subject to Development Agreements (Figure 3). Comparisons to previous year's show that this is:

- an increase over the same period of 2019 (120 hectares) and 2020 (211 hectares); and
- similar number of hectares to the first nine months of 2017 (298 hectares) and 2018 (316 hectares).

In the past five years the number of hectares subject to development agreements has failed to reach the assumed 401-hectare average in the Off-site Levy Bylaw. This has resulted in a shortfall for some water infrastructure types.

According to the Canadian Real Estate Association, Calgary has one of the more affordable metropolitan housing markets in Canada. A continued supply of diverse housing types in both new communities and the established area has contributed to this affordability.

Figure 1: Housing Starts

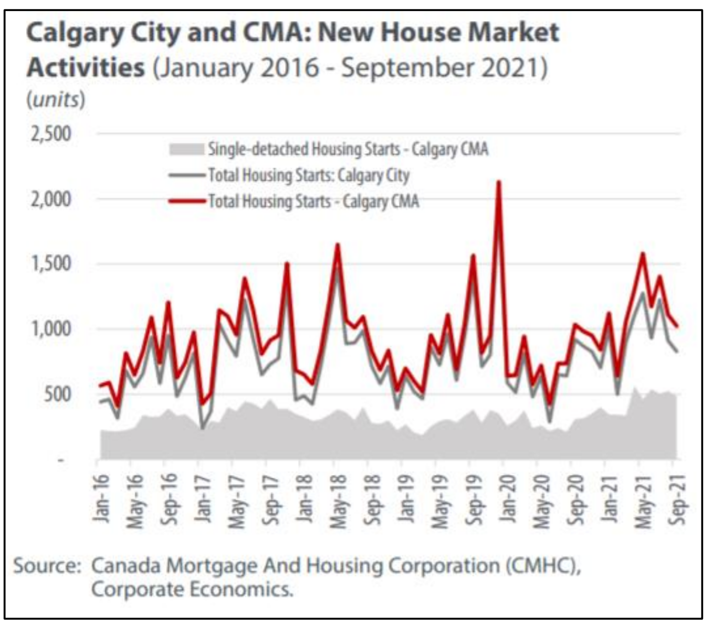
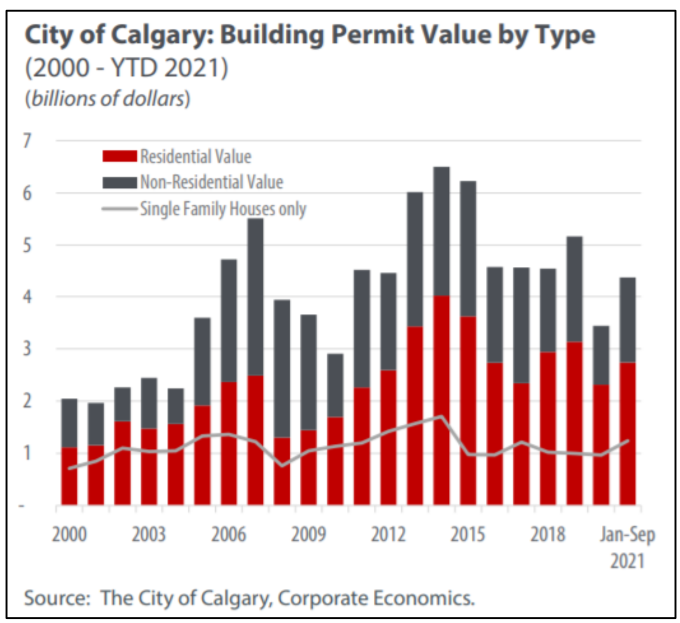


Figure 2: Building Permit Value



Contributing to the improvement of the housing market and additional signs of economic recovery from the challenges of the COVID-19 pandemic are:

- a forecasted gross domestic product of 4.2 per cent in 2021 (Figure 4);
- the price per barrel of oil increasing over the year and ending in September at $59.66 USD for Western Canada Select, and $71.65 USD for West Texas Intermediate (Figure 5); and
- Total employment increasing by 3.0 per cent and unemployment decreasing to 9.5 per cent.

Calgary's population estimate is 1,323,700 people as of 2021 April (Figure 6) with a forecasted increase of 1.3 per cent per year for 2022-2026 (Figure 6).

Figure 3: Development Agreement Hectares

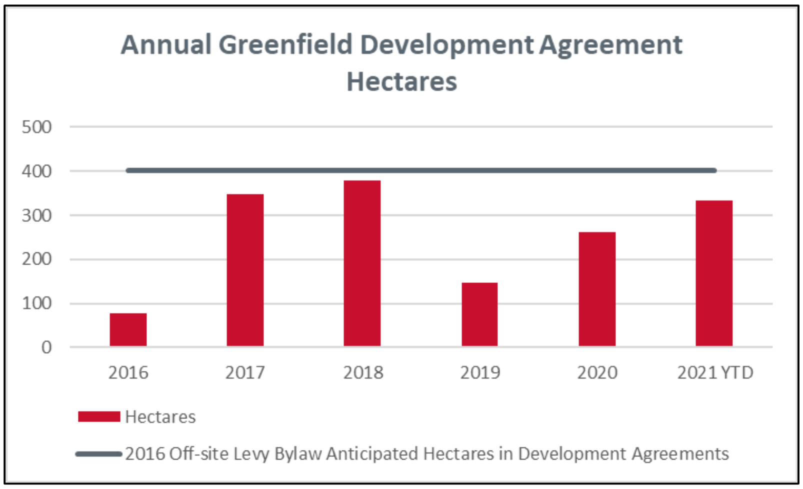


Figure 4: Real GDP Growth

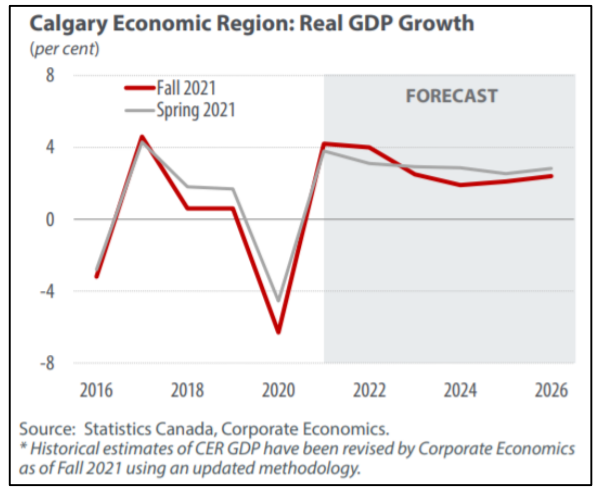
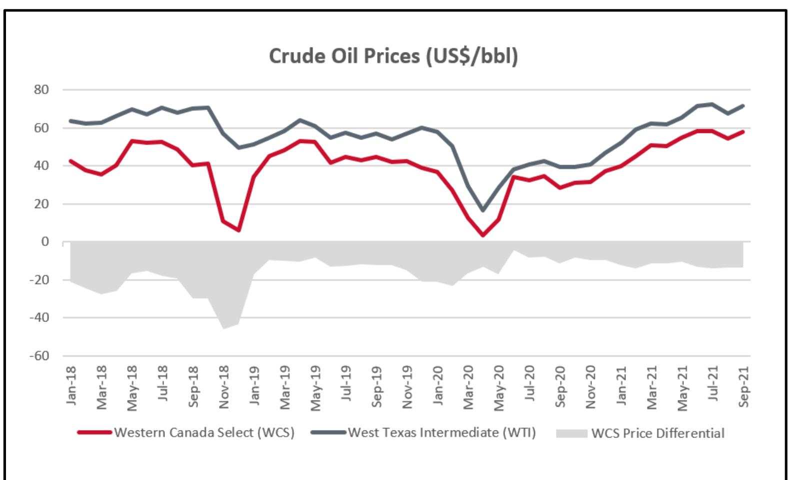
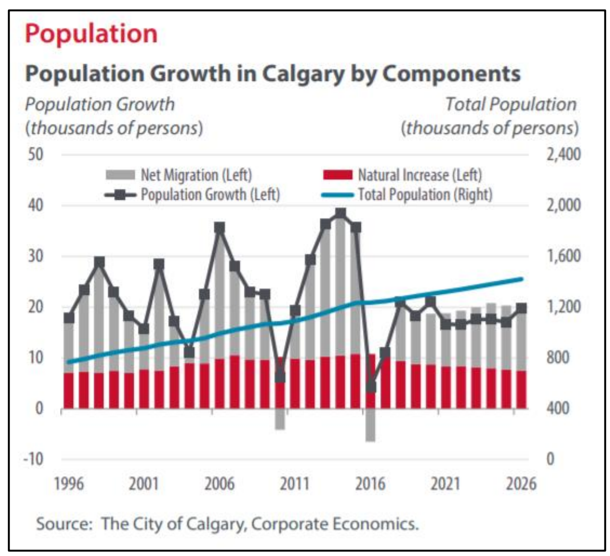


Figure 5: Crude Oil Prices



Source: The Province of Alberta

Figure 6: Population Growth



Industrial Areas

Introduction

In Calgary, industrial lands play a crucial role in supporting a prosperous economy. The industrial sector is an important source of jobs and is a critical contributor to Calgary's tax base. In the city there are nearly 7,000 hectares of industrial lands which represent approximately nine per cent of the total land area.

Calgary's strategic geographic location and its multimodal logistics network of air, rail, and highway transportation makes it a well-positioned inland port. Calgary is a goods-distribution hub for markets in Western Canada, the U.S. Pacific Northwest and beyond. Calgary has a large and growing labour force, offers high quality services and utilities, including transit, water and power networks, availability of vacant serviced industrial lands in multiple locations, with a range of parcel sizes and land use options, and a network of established and existing industrial businesses.

More information on the Industrial Strategy and the Industrial Action Plan can be found on the Citywide Growth Strategy: Industrial webpage.

Climate

Industrial properties in Calgary represent approximately 8 per cent of total citywide greenhouse gas emissions. While the potential for greenhouse gas reductions is large in absolute terms, it is small relative to other sectors. Utilizing vacant industrial lands within Calgary, rather than developing new lands at the city's edges, represents an opportunity to enable efficient and low-carbon transportation options while reducing consumption of natural assets that mitigate risks associated with climate change. Driving specific actions that will reduce emissions in industrial processes is generally beyond the scope of municipal jurisdiction; however, The City can act as an enabler to facilitate emissions reductions, particularly in building energy performance. For example, by improving energy performance standards in existing and new industrial facilities, cost neutral investments (i.e., those for which expenditures will be recovered through long-term energy savings) could reduce industrial emissions by 10 megatonnes by 2050 while reducing annual energy expenditures by $176 million. Through the Climate Resilience Strategy Mitigation Action Plan, The City has committed to developing a program to support large industrial energy users, and this work is currently in the exploratory phase.

Growth and Change

Overall industrial activity in Calgary has been resilient through the current economic downturn. Nationally Calgary's industrial sector is well positioned for growth, however at the regional level Calgary is competition from surrounding municipalities.

Colliers International reported that the average industrial vacancy rate for Calgary and the surrounding area decreased from 7.6 per cent in Q3 2020 to 4.7 per cent in Q3 2021. By submarket (Map 1), the vacancy rate in Central Calgary was 3.4 per cent, 4.6 per cent in Southeast Calgary, 6.0 per cent in Northeast Calgary, and 5.7 per cent in Balzac. The national average was 1.5 per cent and comparable cities vacancy rates include Edmonton at 5.5 per cent, Vancouver at 0.5 per cent, and the Greater Toronto Area at 0.4 per cent.

In the third quarter of 2021, the average rental rate in Calgary was $8.93 per square foot, which is comparable to the areas surrounding Calgary, which are $8.95 per square foot. At the same time, the Vancouver market experienced a record high rate of $15.50 per square foot while Greater Toronto Area recorded $11.73 per square foot.

It is notable that Calgary's vacancy rate and competitive rental rates are making the city an attractive market for industrial developers who are exiting Vancouver and the Greater Toronto Area due to record low vacancy rates and higher rental rates. Calgary can take strategic actions to accommodate developers who are relocating.

Calgary currently has 2,994 hectares of vacant land of which 886 hectares are owned by the City of Calgary and 2,108 hectares are privately owned. As of Q3 2021 Calgary had a total inventory of nearly 138 million square feet of industrial space, an increase of 8 million square feet by Q3 2020 split between the three subsectors (Figure 7). By having an available supply of development ready City owned land for sale, The City was able to quickly facilitate 3.6 million new square feet of industrial development in Calgary.

Map 1: Calgary Industrial Subsectors

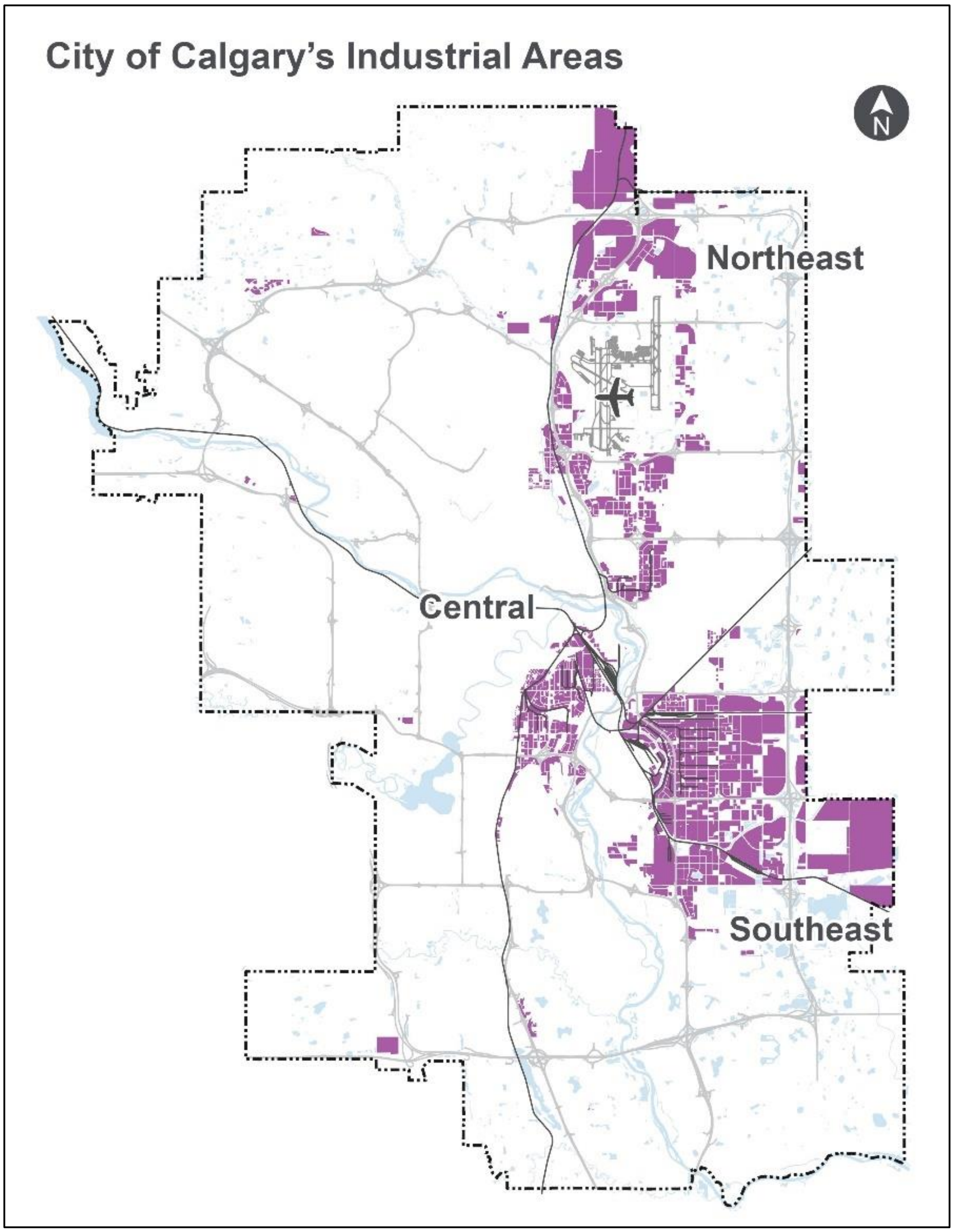
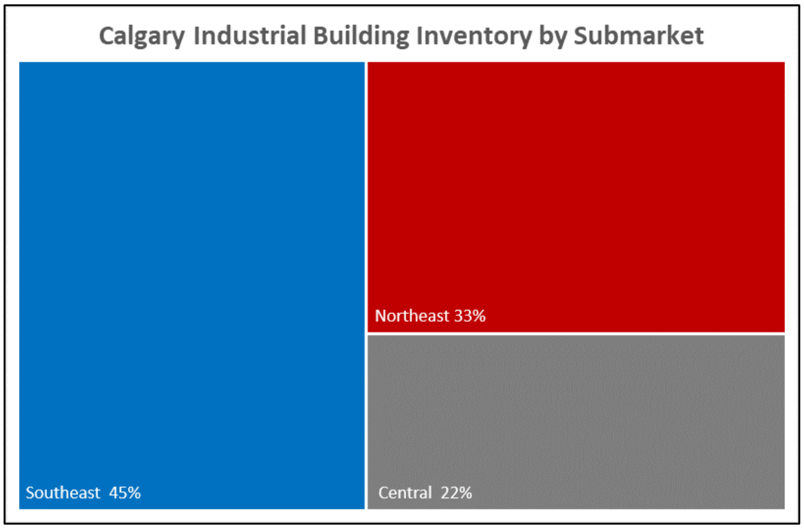


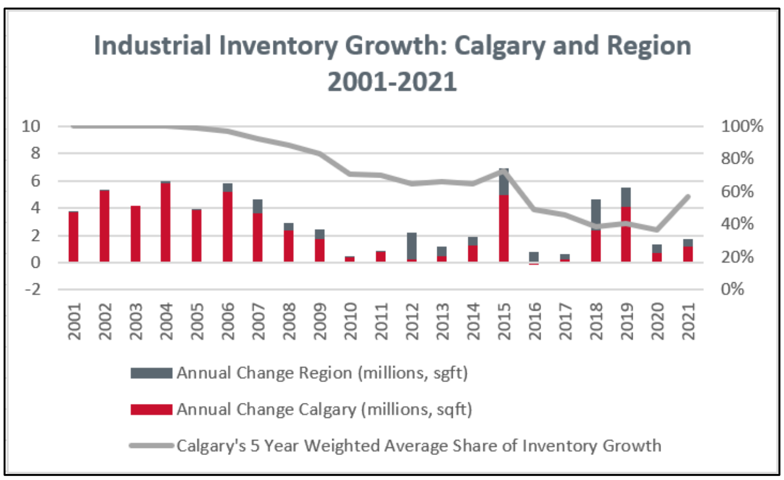
Figure 7: Calgary's Industrial Building Inventory by Submarket



Source: Colliers International

Over the past 15 years, the industrial market share of the municipalities surrounding Calgary has grown significantly (Figure 8). In Q3 2021, these municipalities had a total inventory of 15.5 million square feet of industrial space with 55 per cent of this space located in Balzac. It is forecasted that Balzac will surpass 10 million square feet in 2022. Calgary did see an increase in its five-year weighted average market share in 2021, rising from 37 per cent in 2020 to 57 per cent this year.

Figure 8: Industrial Growth Calgary and Region



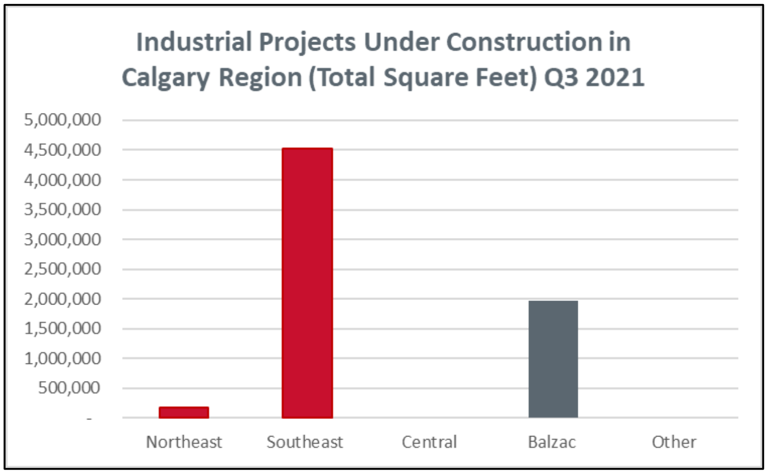
Source: Colliers International

Growth Capacity

Over the past decade, the industrial market across Calgary has averaged just over 2 million square feet of positive absorption and over 2 million square feet of new supply annually. Despite the economic downturn, absorption of industrial land has been positive over the last year (over 233,000 square feet) with 229,000 square feet of new land supply added since Q3 of 2020.

In the third quarter of 2021, Calgary and the surrounding municipalities saw a significant amount of inventory under construction. There was 6.7 million square feet of industrial projects underway in the Calgary region, with 4.7 million square feet within the city boundary, primarily in the Southeast, and 1.9 million square feet in the Balzac area (Figure 9).

Figure 9: Industrial Projects Under Construction in Calgary Region (Total Square Feet) Q3, 2021



Source: Colliers International

Financial Summary

The City is actively investing in infrastructure and servicing that supports development in industrial areas. City-led upgrades to utility infrastructure and transportation networks have been done or are being planned in the North, Southeast, Central, and Southwest sectors. Lands that are serviced with good transportation networks, and reliable utilities facilitate timely land development. The City also invests in sustainable mobility options such as Bus Rapid Transit, cycling and pedestrian infrastructure to support climate-conscious options in accessing industrial areas for users and employees. This infrastructure is funded through a combination of City funding and Off-Site Levy contributions by developers.

In the past year The City has invested approximately $186 million in capital transportation projects to support the industrial sector, with nearly $20 million in ongoing projects scheduled for completion in 2022. Improvements include road upgrades, interchanges and intersection upgrades, and pedestrian and cycling access to industrial areas. Major improvements are notable in the Northeast and Southeast sectors, with lesser upgrades occuring and planned in various other industrial areas. Additional improvements in industrial areas citywide have included numerous road repaving projects, sidewalk repairs, signal reconstructions, and small-scale street improvements to improve traffic operations.

North

The City has several transportation and utility infrastructure improvements underway in the North and Northeast that will directly support industrial land uses:

- Airport Trail Phase 2 improvements at 19th St NE and at Barlow Trail and extended Airport Trail from 36th St NE to 60th St NE;
- Improved safety and traffic operations along Barlow Tr NE between 4 Av NE and Sunridge Blvd NE;
- A new multi-use pathway along Meridian Rd NE (adjacent to Barlow Tr) running from Centre Av to 28 St NE, and new cycling routes and pedestrian improvements along 28 St SE and 19 Av SE; and
- 144 Av N Storm Trunk and Outfall in the Keystone area provides stormwater servicing. This trunk started construction in 2021 and is expected to be completed by 2024 at a cost of $20 million.

Southeast

Southeast sector improvements have centered around improved transit, pedestrian, and cyclist networks:

- Improvements for the 52 St SE Bus Rapid Transit include bus priority travel at intersections and additional pedestrian and pathway improvements; and
- Major intersection upgrades in 2022 at Glenmore Trail and 68 St SE to improve safety, access, and circulation. The 68 St SE pathway is also being extended to improve walking and cycling access.

Central

Improvements in the Central sector include:

- The Inglewood Sanitary Trunk upgrade and the current expansion of the Bonnybrook Wastewater Treatment Plant; and
- Transportation completed a new multi-use pathway along 42 Av SE from Stanley Park to 12 St SE.

Next Steps

On 2021 March 22, Council directed Administration to take clear actions to support the industrial sector by approving an Industrial Action Plan as part of the Citywide Growth Strategy: Industrial (PUD2021-0150). This included a list of actions to be taken over 2021-2022. Advancing this Action Plan can help increase Calgary's competitiveness and enable the development of Calgary's industrial lands.

The Industrial Action Plan is organized under five areas where The City can have influence:

1. Development-enabling regulatory improvements;
2. Identifying infrastructure and servicing investments in industrial areas;
3. Reducing cost for the industrial sector;
4. Positioning public lands in support of the industrial sector; and
5. Creating an enabling business environment to retain existing business and attract new industrial investors.

Administration, together with external stakeholders, are advancing 12 actions across these categories. A progress update on the Action Plan will come to Council in February 2022.

Conclusion

Calgary's industrial sector has grown through the COVID-19 economic downturn as economic and societal trends have changed and continues to be an important source of quality jobs and tax base. Strong demand for large bay warehouse and distribution spaces is expected to continue for the foreseeable future due to increased e-commerce trends.

With Canada's other major industrial markets experiencing record low vacancy rates, Calgary is in an ideal position to entice major industrial investors who are looking to relocate. However, municipalities surrounding Calgary have notable tax advantages, more cost-effective land prices, and lower development charges. Over the past decade, an increasing amount of the region's industrial market has located in Rocky View County. Balzac has increased its availability rate from 12 per cent in 2020 Q3 to 16 per cent in 2021 Q3 and has 1.9 million square feet under construction compared to Calgary's North subsector which has 172,000 square feet under construction.

New Communities

Introduction

New communities are an important part of how Calgary grows, providing affordable and diverse housing choices for Calgarians on the city's edges. One of the key goals of the Citywide Growth Strategy: New Communities is to link infrastructure investment with land use and development approvals. This helps ensure that new community growth is financially sustainable and aligns with the vision set out in the *Municipal Development Plan*.

These efforts aim to ensure that The City can fully support and invest in these new communities, not just in the short-term, but also once they are completed and established. The City's approach to these new communities is to ensure that they are compact and complete, provide a wide range of housing choices, mobility options, and amenities and services for future residents. The business case evaluation process, to be conducted again in 2022 ahead of the 2023-2026 budget decisions, helps ensure that investments in new communities are strategic, while supporting a healthy and competitive land market, working within The City's financial capacity in the short and long term, and maximizing efficiency.

Climate

Development of lands at the urban edge consumes open spaces and natural assets, including agricultural lands, and thereby increases risks to the city from climate change. This is balanced against the social and economic benefits and opportunities that come with new community growth. New communities tend to be predominantly low-density housing forms which have higher per unit greenhouse gas emissions intensity compared to medium- and high-density forms, are more automobile-dependent due to their physical location, and relatively less viable transit service and active modes opportunities. Due to this, new communities should include transit and other active transportation modes so that they are a mobility option for residents. As new communities continue to be approved, it is important that design reflects changing standards and imperatives, and that new buildings aim to achieve net-zero emissions standards.

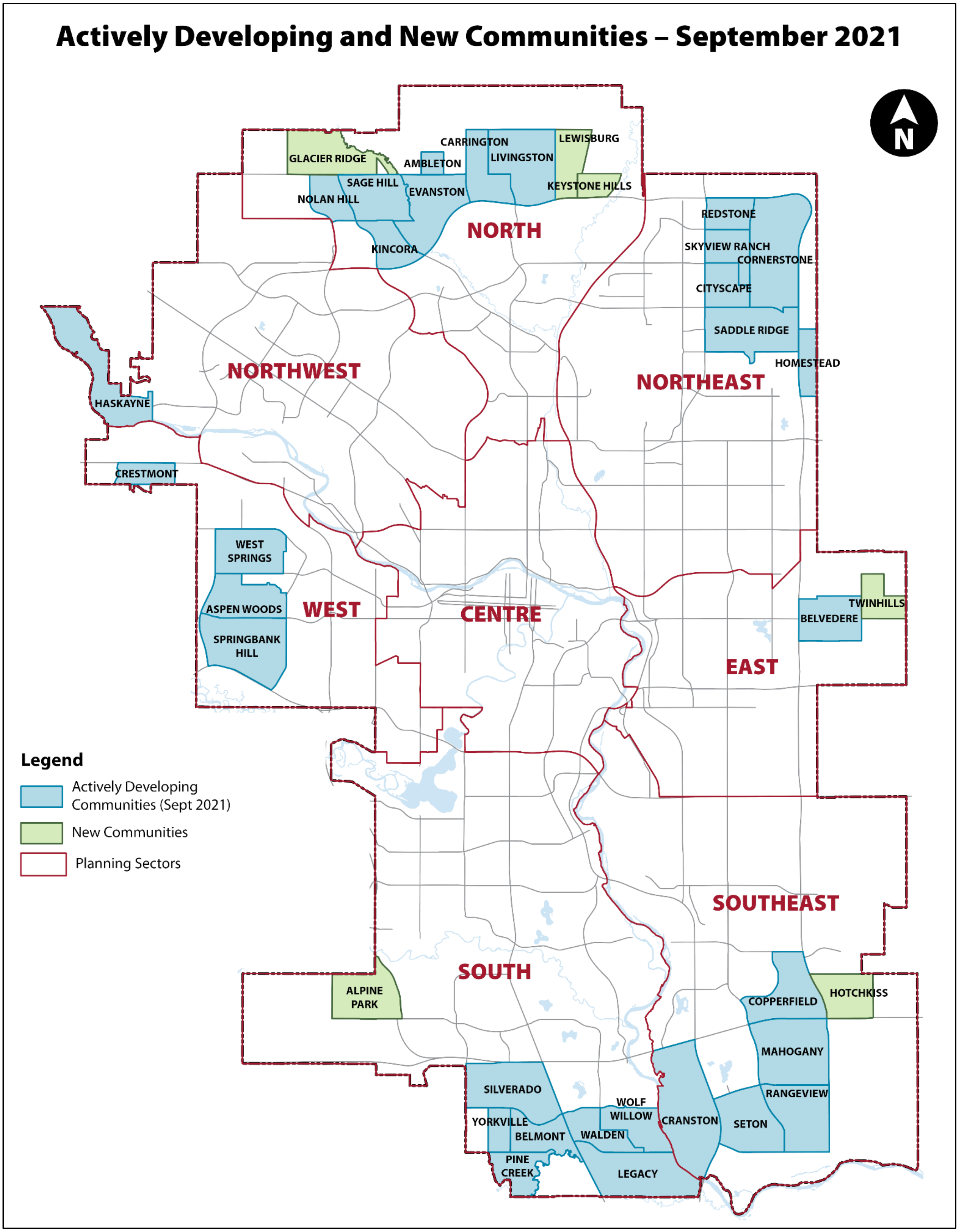
Growth and Change

Administration categorizes communities to indicate if they 1) have been planned (new community), 2) have occupied homes (actively developing), or 3) are substantially complete (established). As of 2021 September, there were six new communities and 31 actively developing communities (Map 2). In 2021, five communities (Ambleton, Belvedere, Haskayne, Homestead, and Rangeview) transitioned from new community to actively developing, meaning the first occupancy permit has been issued in the community. No actively developing communities were re-classified as established in 2021. Communities typically transition to the established area when they only have multi-residential unit capacity and less than 50 single or semi-detached homes still to be built in the community.

There were 6,079 new residential units applied for in these communities in the first nine months of 2021, a 70 per cent increase over the 3,584 units applied for in the same period of 2020. The bulk of new units have occurred in the North, Northeast, Southeast, and South sectors (Figure 10).

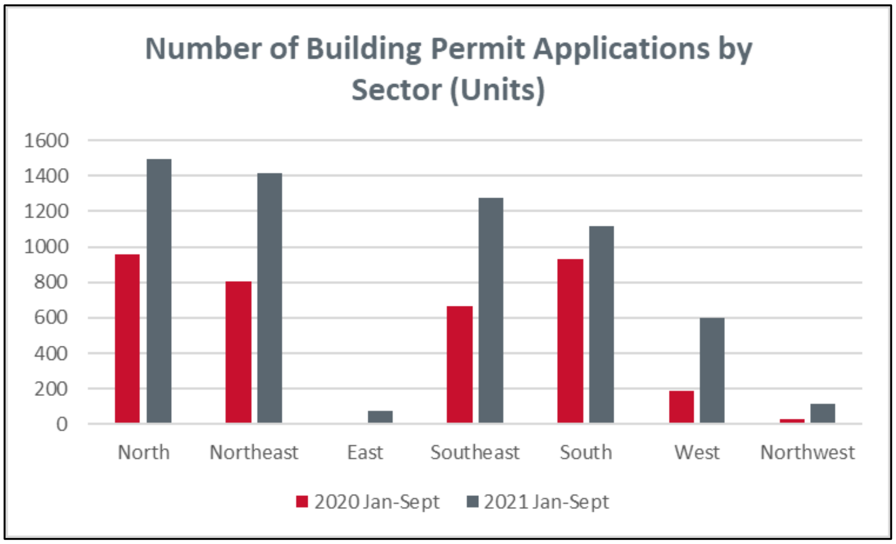
Growth Capacity

The projections for residential unit growth for 2021-2025 anticipate a similar trend with most units expected to be built in the North, Northeast, Southeast, and South sectors. These four sectors represent 89 per cent of the 18,850 single and semi-detached units and 90 per cent of the 13,500 multi-residential units that are forecasted to be built by 2025.



Map 2: Thirty-Six Actively Developing Communities and Six New Communities

Figure 10: Number of Building Permit Applications by Sector (Units)



The current serviced land supply shows the highest capacity for growth is in the Northeast, Southeast, and South sectors. For all sectors, the total supply of land that is currently serviced or funded to be serviced, represents between 15 and 20 years of growth capacity, depending on the pace that it occurs.

The following discussion provide a summary of growth, by sector and community. Table 1 summarizes the information across the sectors.

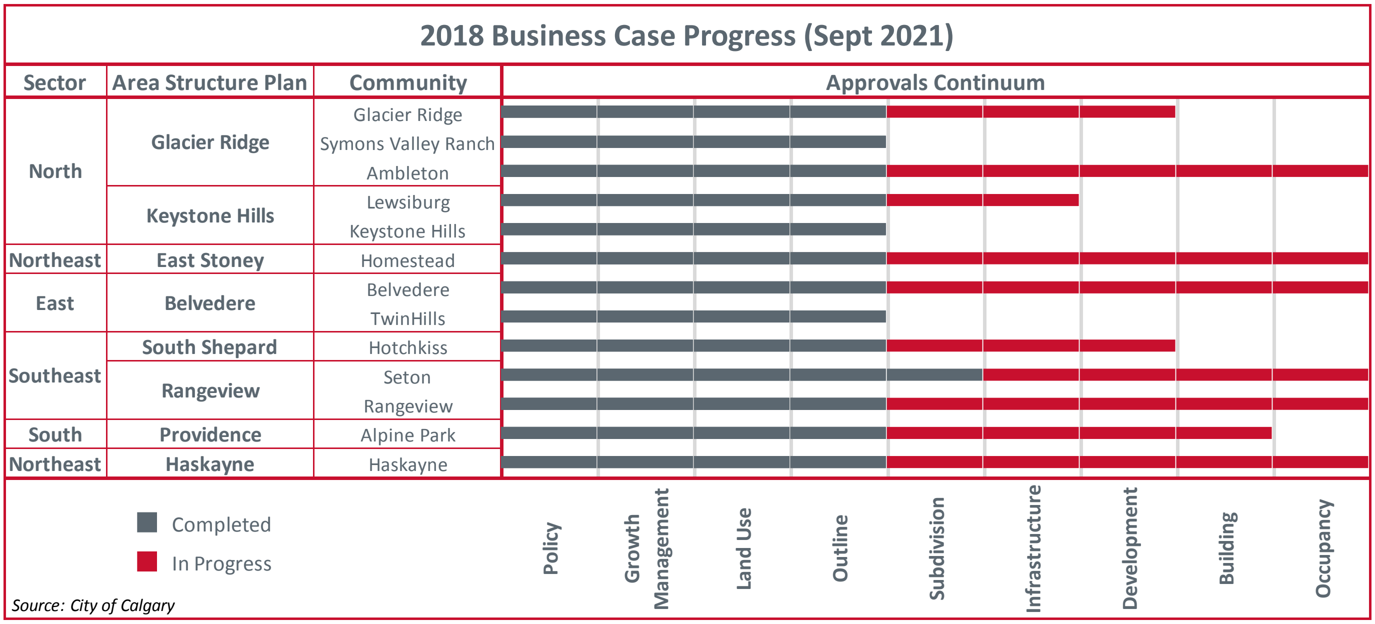
Table 1: Sector Breakdown of Growth in 2020-2021 and Projected Land Supply

Sector	Units Applied For in 2021 (to September)	Serviced and Funded Land Supply (Hectares)	Years of Serviced and Funded Land Supply
North	1,493	1,191	18 to 25
Northeast	1,415	612	9 to 14
East	75	202	8 to 9
Southeast	1,279	1,028	15 to 22
South	1,119	1,200	16 to 23
West	598	203	8 to 12
Northwest	118	106	19 to 27
Total	6,097	4,542	15 to 20

2018 Approved New Communities Development Progress Update

The 2018 communities continue to progress through the development continuum (Table 2) with Ambleton, Homestead, Belvedere, Seton, Rangeview, and Haskayne reaching first occupancies by September 2021. Symons Valley Ranch, Keystone Hills, and TwinHills have not progressed past the Outline Plan stage but it should be noted that Symons Valley Ranch is not expecting detached housing as part of the development. Approximately 431 new units have now been initiated through building permit applications in these areas. It is encouraging to see that many of the communities responded positively in 2021 after a challenging year in 2020; however, it is still unlikely that any of the business cases will meet the City build-out target of 250 units each by 2022, and will fall well short of the units projected in the business cases themselves. With the pace of development in these communities being slower than expected, infrastructure delivery and funding commitments within City budgets are likely to be extended. Until completed, these investments may have influence over The City's ability to fund and deliver additional new community infrastructure.

Table 2: Progress Update on Approved 2018 New Community Business Cases



Definition of Each Stage of the Approvals Continuum for Table 2:
Policy Stage: a Council approved Area Structure Plan provides high-level guidance for future land development.

Growth Management Stage: a Growth Management Overlay on the lands has been removed by Council, associated City-funded infrastructure has been budgeted, and the next stages of planning, servicing, and land development can move forward.

Land Use Stage: land use designations have been granted by Council, showing the future extent and use of lands across the community.

Outline Plan Stage: an outline plan has been approved by Calgary Planning Commission, showing the layout of the future community and details of engineering and land servicing.

Subdivision Stage: a subdivision application has been applied for in support of the outline plan.

Infrastructure Stage: the civil engineering design for the infrastructure has been approved, and therefore grading and construction of the essential on-site infrastructure can begin.

Development Stage: a development agreement has been executed for the lands.

Financial Summary

Administration tracks the 2019-2022 Council approved budgets allocated to new and actively developing communities to monitor the progress and use of the dedicated funding approved in 2018 in support of those 14 new communities.

Capital Budget

In 2020, the revised capital budget for the communities approved in 2018 was $93.0 million, with a spend of $65.9 million that year. Most of the investment was in Rangeview, followed by Glacier Ridge, Haskayne, and Alpine Park (Figure 11). In 2021 the capital budget for the new communities approved in 2018 was $106.4 million, of which $29.4 million was spent in the first nine months of the year. The bulk of the spending was again in Rangeview, followed by Alpine Park and Glacier Ridge (Figure 12). The gap in budget compared to expenditures is due to only showing nine months of spend, timing of public infrastructure to the pace of development, and unexpected project delays.

Figure 11: 2020 Capital Budget and Expenditures for Communities Approved in 2018

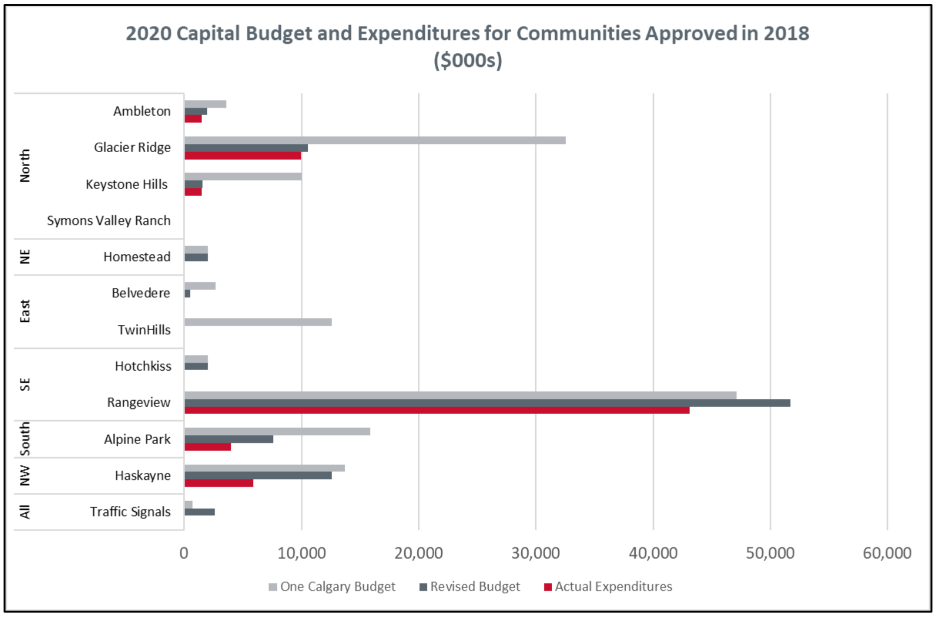
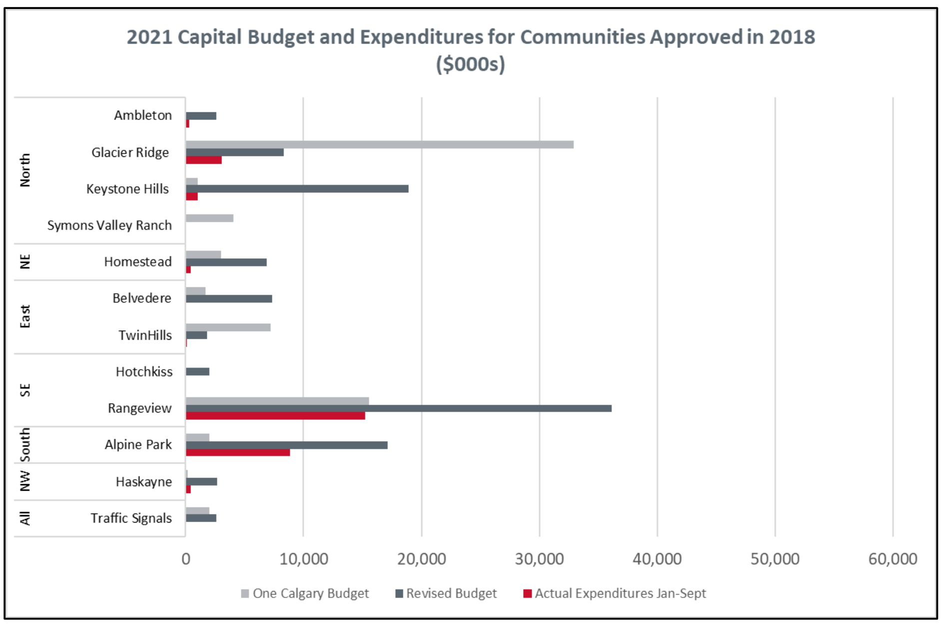


Figure 12: 2021 Capital Budget and Expenditures for Communities Approved in 2018



In 2020, the communities that were initiated prior to 2018 spent $29.8 million of the $47.2 million budgeted amount. The communities of Sage Hill, Legacy, and Copperfield had the most significant investment (Figure 13). The capital budget allocation in 2021 for communities initiated prior to 2018 is $45.0 million and has a total spend of $11.9 million as at September 30th, 2021 (Figure 14).

Figure 13: 2020 Capital Budget and Expenditures for Communities Initiated Prior to 2018

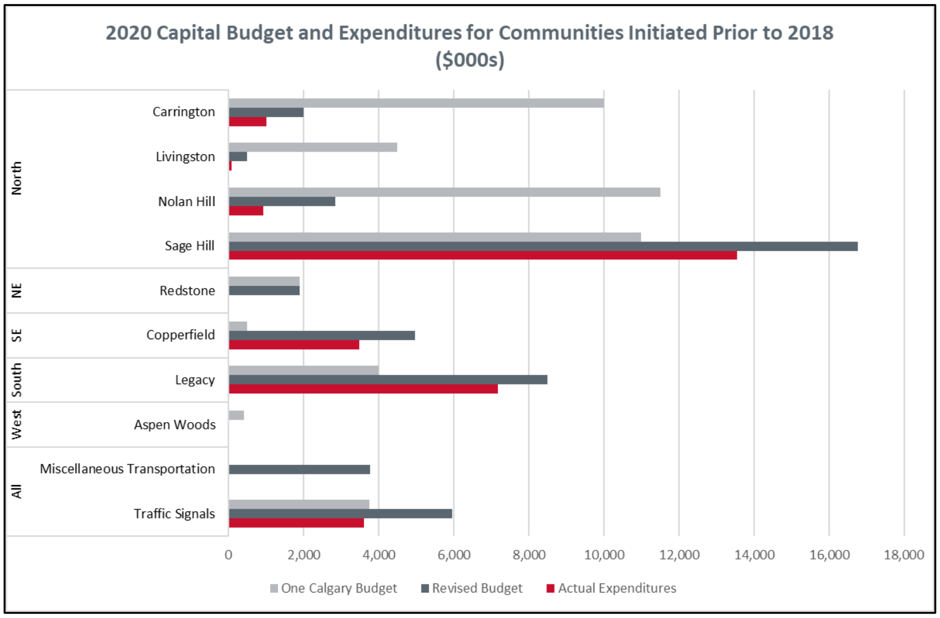
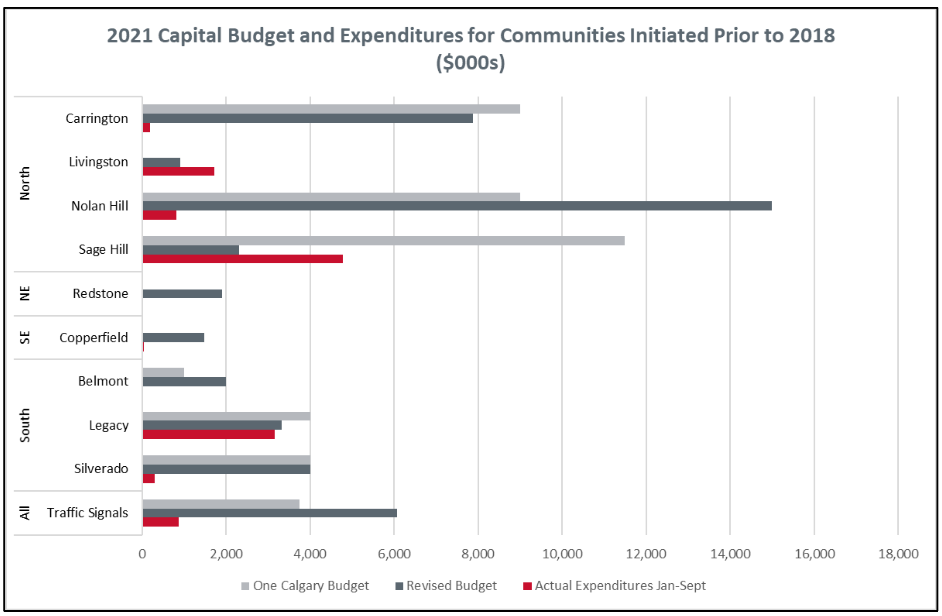


Figure 14: 2021 Capital Budget and Expenditures for Communities Initiated Prior to 2018



Operating Budget

New Communities require operating funds to support infrastructure and services for new residents. For the purposes of this report, the operating costs related to parks and open spaces, public transit, parking, sidewalks and pathways, streets, bylaw education, and fire and emergency response are considered. It is notable however, that the total operating costs of a community include many more services than those listed. As part of the 2019-2022 budget cycle Administration was able to calculate direct incremental operating costs needed to start a community, not the full operating costs incurred over the lifetime of the community. The slower pace of progress noted for the 14 new communities approved in 2018 impacts the timing and amounts of operating budget required to service new communities. As a result, Administration will be reviewing the pace of growth compared to the 2019-2022 budget allocations and the impacts this may have on the 2023-2026 budget cycle.

In 2020, for the new communities approved by previous Council in 2018, there was no operating budget or spend needed as no housing units were completed. In 2021 there was a $6.8 million operating budget allocation identified for fire and emergency response (not presented in the charts below), however none of this was spent in the first nine months of 2021 because the fire stations have yet to open and staff have not been hired.

In the actively developing communities that were initiated prior to 2018 the total operating expenditures in 2020 and 2021 were well below the revised budgets for those years (Figures 15 and 16). Both the 2020 and 2021 budgets for the actively developing communities were reduced by approximately $5.5 million. These reductions were sourced from a $1.9 million reduction across Parks, Public Transit, and Bylaw Education as a result of the Council directed tax supported $60 million budget reduction overall for the Corporation in 2019 and a $3.5 million reduction across Fire and Parks from the Council directed tax supported 1.5 per cent budget reduction overall for the Corporation in 2020. The operating expenditures in 2020 were $3.4 million of the revised budget of $8.1 million. In the first nine months of 2021, the actual expenditures were $5.3 million of the revised budget of $16.6 million. Public Transit has seen a reduction in operational expenditures due to delays in implementing additional service given demand levels. Streets along with sidewalks and pathways have required less operational work due to the pace of growth being slower than expected.

Figure 15: 2020 Total Operating Budget and Expenditures for Communities Initiated Prior to 2018

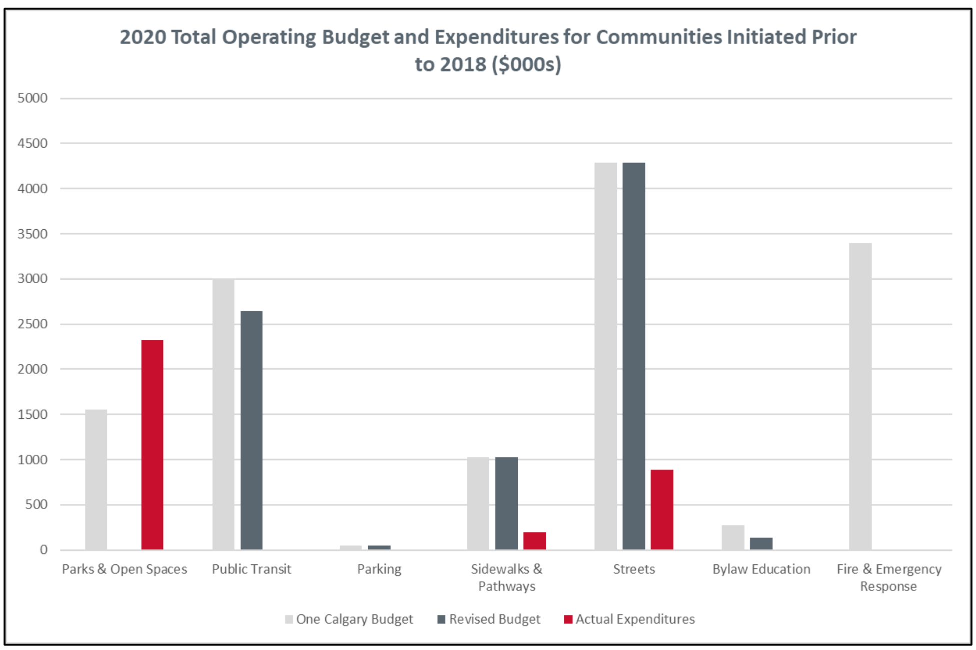
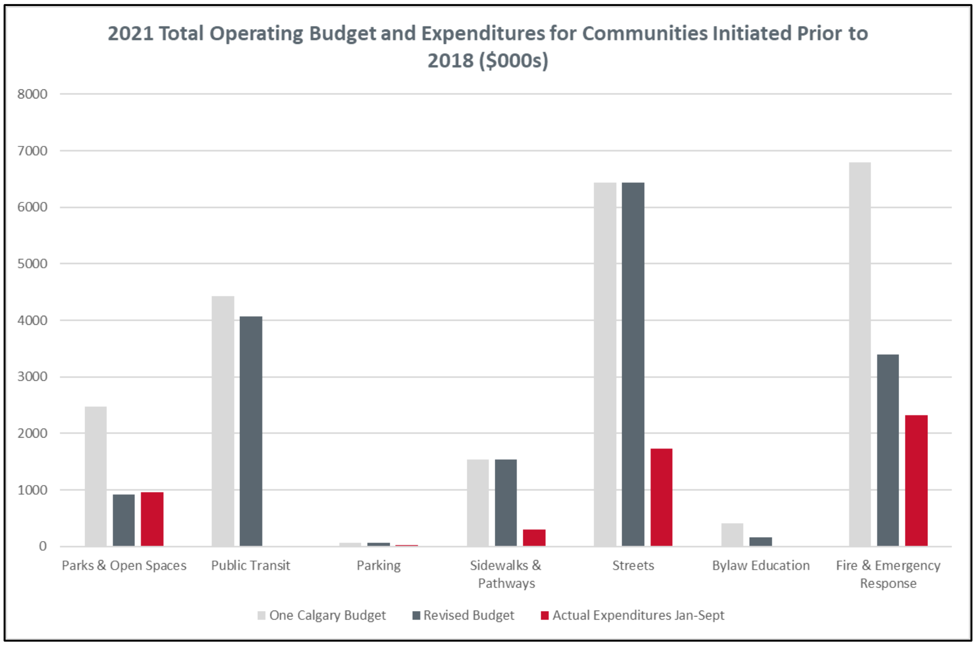


Figure 16: 2021 Total Operating Budget and Expenditures for Communities Initiated Prior to 2018



Next Steps

In 2022, Administration will review 20 business cases for new community development across seven different Area Structure Plans. Recommendations and budget implications will be brought forward to Council as part of the 2023-2026 service plans and budget decisions.

Conclusion

Competitive interest rates and increased sales of existing housing is increasing pressure for new housing stock in the actively developing and new communities. Building permit applications correspondingly increased in the first nine months of 2021. As the communities approved for development before and in 2018 progress, they can help meet this market demand. However, uncertainties related to the pandemic may continue to challenge construction and delivery for the development industry and The City.

Applications in new and actively developing communities accounted for 62 per cent of new units across Calgary so far in 2021. While the city is seeing a more compact form of development in these areas, it should be noted that the balanced growth targets identified in Part 5 of the *Municipal Development Plan* are becoming more difficult to achieve under current development trends. Measured and definitive steps will be needed to change this direction and enable a larger proportion of Calgary's future population to live within the balanced growth boundary identified on *Map 1: Urban Structure in the Municipal Development Plan*. This balanced growth boundary is the line by which progress toward achieving the 50/50 residential growth split is measured between now and 2076.

Established Areas

Introduction

The Citywide Growth Strategy: Established Area outlines how The City can support established communities experiencing growth and change due to redevelopment. As this occurs, it is important that public spaces and networks expand and adapt to meet the changing needs and desires of existing and new residents. Maintaining established area communities as desirable places to live and to do business helps achieve the growth goals and vision outlined in the *Municipal Development Plan*. This strategy is one of several City initiatives, along with Main Streets, the Transit Oriented Development (TOD) Strategy, and Local Area Planning that collectively aim to support compact, sustainable, and strategic growth in the established area through targeted investments and process improvements.

Calgary's established area includes approximately 180 communities and is home to about 80 per cent of Calgary's population. Within this area there are various ages and types of communities, ranging from those experiencing redevelopment and change, and those that have just recently been completed and are likely to be stable for several decades. This strategy focuses on identifying and supporting the communities that are experiencing growth and redevelopment to the greatest degree.

Climate

Much of the established area has higher exposure and vulnerability to climate-related hazards such as extreme heat, flooding, and severe storms. Vulnerability may be driven by strained social systems, degraded, or missing natural assets, and aging infrastructure that is not designed for current or future climate conditions.

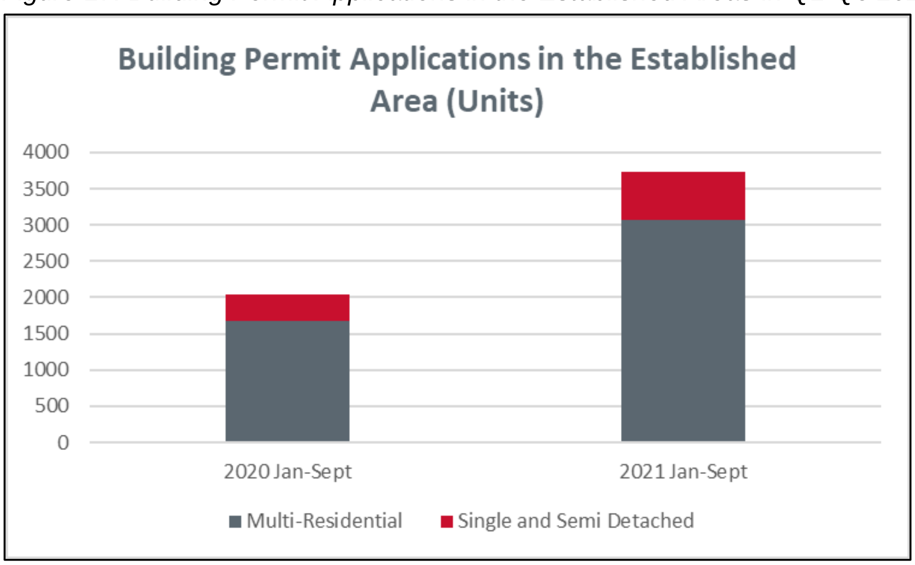
The Intergovernmental Panel on Climate Change has a goal to limit global warming to 1.5 degrees Celsius. To achieve this, sustainable intensification of land use will be required. Data shows that Calgary's emission reduction target will not be met through current city-building practices and patterns. To reduce emissions, The City can support densification, turn-over/retrofit of older building stock, and improvements to transit and active mobility infrastructure. Additionally, investments in the public realm can have co-benefits in support of climate adaptation such as stormwater management, urban heat island mitigation, local food production, and resilience against severe storms.

Established Area investment is a key component to achieving the balanced growth target in Part 5 of the *Municipal Development Plan*. If these targets are achieved, The City could avoid 12 megatonnes of emissions by 2050, save $20 billion in avoided infrastructure costs, and reduce energy bills of Calgarians by $91 million annually.

Growth and Change

To understand recent growth in the established area, the number and type of building permits were examined. There has been a significant increase in applications for new residential units with 3,724 so far in 2021 compared to 2,042 units over the same period of 2020 (Figure 17). Of the units applied for in the first nine months of 2021, 656 were single and semi-detached and 3,068 were multi-residential.

Figure 17: Building Permit Applications in the Established Areas in Q1-Q3 2020 and 2021 (Units)



Single and semi-detached development was primarily located near the downtown in 2021, as communities around the downtown continue to redevelop. In some central communities, large sites such as golf courses are infilling with both detached and multi-residential development (e.g., Harvest Hills). New multi-residential units are also occurring close to and in the downtown but are also dispersed across the established area as developments such as Medicine Hill and University District continue to progress.

In 2021, 36 per cent of citywide new residential units were constructed within the balanced growth boundary as identified on Map 1 of the *Municipal Development Plan*. Increased unit growth in these areas help move Calgary towards the growth targets in Section 5.2.2 (c) of the *Municipal Development Plan*.

Growth Capacity

It was estimated that there would be 2,830 new multi-residential units in the established area in 2021. So far there have been applications for 3,068 multi-residential units in 2021, which is above expectations. Development patterns are not expected to align directly to yearly averages, and 2021 could be compensating for reduced activity in 2020. The annual amount of new multi-residential units in the established areas is not unlimited, is directly connected to market demand and absorption, and is increasingly considered by Administration when evaluating the viability of future projects. There were 2,236 units applied for in the balanced growth boundary to date in 2021, representing 36 per cent of total units in Calgary. Of those units, 77 per cent were multi-residential. Multi-residential units are typically smaller in size than detached housing, which could adversely affect the ability to achieve a 50 per cent population split with areas outside the balanced growth boundary in alignment with the policies of *Part 5 of the Municipal Development Plan*.

Financial Summary

In 2020, Phase 1 of the Citywide Growth Strategy: Established Area employed a collaborative and data driven approach to identify which areas were experiencing growth and redevelopment to the greatest extent. The previous Council approved the Established Area Investment Fund with an initial $30 million of funding for the purpose of short-term upgrades in the public realm in these areas to help offset the pressures of growth and improve quality of life. In late 2020, an additional $21.6 million plus investment income ($0.7 million) was directed to this fund in accordance with the terms and conditions to support ongoing investments. The intention is to match market momentum with investment in growing areas intentionally and directly. These upgrades would support both existing and future residents and businesses. In Phase 1, stakeholders identified the types of upgrades that would be meaningful to communities, and these projects were matched with City funding to be delivered in 2021-2022.

Status of 2021-2022 Phase 1 Investment

The $30 million investment in Phase 1 is funding 15 public realm projects across 17 communities. These projects include a wide range of public realm upgrades including completing missing sidewalk and pathway connections, traffic calming, pedestrian safety improvements, and enhancing park and community recreation amenities. Examples include the Balmoral Circus projects in Mount Pleasant, and the Sunalta Hub in Sunalta. These projects were identified in late 2019 and 2020 with detailed design and engagement work with communities occurring throughout 2021. Most projects are expected to be constructed in 2022 and 2023. At the time of writing this report, 98 per cent of the original $30 million Phase 1 fund investment has been allocated to projects and is anticipated to be spent by end 2023.

Further information on the Phase 1 projects including project timelines and preliminary designs can be found on the Established Area Growth and Change Strategy webpage.

An additional $5.5 million has been directed towards utility upgrades in support of growth within the first Main Street improvement areas, specifically in the 17th Ave SW and Marda Loop areas.

Administration is preparing a request for the next set of investments in the 2023-2026 budget for areas that are growing and changing. Identification of these growth areas is underway and will be followed by the identification of potential projects that align with the goals of the overall strategy. This exercise will gather input from communities and stakeholder groups within the growth areas, as well as infrastructure departments within Administration. It is anticipated that a Phase 2 report on this Strategy will be delivered to Council mid-2022 and will identify these upgrades to utilize the $22.3 million balance in the Established Area Investment Fund that has not yet been allocated, along with a budget request to be considered in the next budget cycle.

Collaborative Investment in the Established Area

In addition to the funding from the Citywide Growth Strategy: Established Area, there are many other city-builders who are investing in the established area:

1. The City, which invests in growing and changing areas in the established area through its service plans and budget process, , including $60 million specifically for Main Streets corridor upgrades in 2019-2022, and the Established Area Investment Fund outlined above, along with additional investment in lifecycle, maintenance, and services;
2. Developers and builders via redevelopment and infill construction, related upgrades, levy contributions to off-site treatment plants, exchanges for protecting heritage assets, and financial contributions through bonus density programs to invest in the local area;
3. Businesses, who invest portions of business taxes and local parking revenue in the local Business Improvement Areas; and
4. Communities, who contribute through fundraising, access to grant programs and in-kind efforts.

Next Steps

Development of Financial Tools for Established Area Investment

Through several collaborative, multi-stakeholder working groups, the Citywide Growth Strategy: Established Area is developing financial tools to activate timely investment in support of growth and redevelopment. In alignment with the notion that city-building and investment is done by The City, developers, businesses and communities, the work has identified financial tools that help activate this multi-stakeholder investment. Results of this work will be brought to Council in mid-2022, along with recommendations for tool implementation for the 2023-2026 budget cycle.

Since the last report of 2020 December 1 (PFC2020-1245), which focused on the development of financial tools, Administration has been exploring or developing several investment tools. This includes a 2-year Pilot Tax Uplift Tool that would reinvest taxes into a growing area, a linear utility off-site levy that would reduce financial risks for redevelopment projects, a contribution program for higher density projects to contribute to the local community, and grant programs or user fees that might be readily available to business areas and communities.

Specific to the Tax Uplift Pilot tool, The City has developed an approach to calculate the amount of uplift that results from redevelopment within a given area, over a given period of time. This approach calculates the increase in the municipal portion of taxes resulting from redevelopment sites. Administration continues to evaluate the benefits and disadvantages as well as the costs of this approach, how this mechanism for reinvestment could work within the existing City budget process. Recommendations on this are anticipated within the Phase 2 report mid-2022.

Specific to developer contributions, the idea of a linear utility off-site levy is being explored with industry stakeholders within the Off-Site Levy Bylaw Review project, with recommendations anticipated as a conclusion of that initiative later in 2022. Secondly, Administration is reviewing the current bonus density mechanism and considering if an alternative contribution model may be more effective in realizing industry contributions to local improvements. The intention is to create a predictable mechanism for developer contributions to partner with City investment in redeveloping areas. Members of the working groups are looking at a Community Amenity Contribution tool that is used by other municipalities, including Edmonton and Vancouver; however, Calgary-specific parameters likely need to be developed.

Conclusion

Without a municipal census from either 2020 or 2021, building permits were used to capture an understanding of population growth within the established area. Sustainable intensification through growth in the established area will be a required part of Calgary's climate strategy. The number of new residential units in the established area increased considerably from 2020 to 2021. New units tend to be located near the downtown, although multi-residential units are more evenly dispersed across the established area due to large parcel opportunities for redevelopment (e.g. golf course infill). New residential units in the established area are primarily multi-residential; however, due to a smaller unit size, population increases may not follow the same distribution of new units.

To prepare for timely and meaningful investment in growing communities within the 2023-2026 service plan and budget cycle, Administration is collaborating with other city-building stakeholders to explore financial tools to identify and activate investment. This reflects that a coordinated effort including Established Area Investment, Transit Oriented Development (TOD) Strategy, Main Street initiatives, and policies like Local Area Plans, and the Guide for Local Area Planning will be required to realize a compact urban form in the future city, as laid out by Part 5 of the *Municipal Development Plan*.