

Financial Tools to Fund Growth-Related Investments in the Established Area

RECOMMENDATION:

That the Infrastructure and Planning Committee recommend that Council receive this report for the Corporate Record.

RECOMMENDATION OF THE INFRASTRUCTURE AND PLANNING COMMITTEE, 2023 MAY 10:

That Council receive this report for the Corporate Record.

HIGHLIGHTS

- This report summarizes the investigation to-date into financial tools that support established area public space and infrastructure improvements in a sustainable and meaningful way. It is a response to a Motion Arising (CPC2023-0023) that directed Administration to review the existing density bonusing approach and outline alternative approaches to funding community amenities and infrastructure, and to Council's request for additional information on the North Hill Communities property tax uplift pilot.
- **What does this mean to Calgarians?** Public space improvements support growing established area communities and attract new Calgarians to live and work in existing neighbourhoods. Ongoing funding is being provided by Council, developers and communities for improvements. Targeted, effective use of a range of financial tools and strategies can help create the consistency, certainty and equity needed to enhance communities as they grow and change.
- **Why does this matter?** Nearly \$200M in growth-related public space and infrastructure investments have been made by Council since 2018, as they are important to enabling and supporting growth consistent with the goals of the Municipal Development Plan. Building capacity in public spaces and infrastructure networks, so they can accommodate more people and activity, helps ensure communities remain vibrant and desirable places to live as they grow and change.
- The City, developers and communities have each advocated for and contributed to established area investment. As more Local Area Plans are created that prepare communities for strategic growth, these city builders will continue to work together as communities evolve towards the vision of the Plans.
- Administration has reviewed bonus density and property tax uplift to evaluate their performance and effectiveness. Bonus density has been found to be ineffective in areas outside the Greater Downtown. The examination of other tools, such as the Community Amenity Contribution, will be undertaken to complement investment in the established area with contributions from all partners. Property tax uplift is not recommended as a financial tool, but it can be one factor that helps justify investment of tax dollars to enable redevelopment. Property tax uplift will be considered to inform annual investment levels, though it does not, on its own, reflect the value of redevelopment to Calgary.
- The next phase of investigation will identify investment needs and develop the rationale to use The City's budget process as the main source for funding. A first step was the approval of an Annual Investment Program for 2023-2026 as a more reliable funding source. However, only a portion of the requested value for 2023-2026 was funded.
- Background and Previous Council Direction is included as Attachment 1.

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DISCUSSION

The Established Area Growth and Change Strategy is the component of The Citywide Growth Strategy that supports and encourages growth in existing Calgary neighbourhoods. Its mandate is to prioritize and plan investments and seek solutions to redevelopment barriers. Included in this work is the exploration of financial tools and strategies that can sustainably fund public space and infrastructure improvements.

Council has provided \$199M towards growth-related investments in established communities since 2018, which increases the vibrancy of communities experiencing growth now, and helps prepare communities that are expected to experience growth as envisioned in Local Area Plans. The City's contribution is complemented by those from developers and community members. This collaborative approach leverages funds across these city builders and is key to support growing and changing communities.

Overview of Financial Tools & Approaches Explored To-Date

For The City to achieve its strategic growth goals outlined in the Municipal Development Plan, and deliver on commitments made through the Local Area Planning process, reliable and meaningful funding of established area investment is needed. Since 2018, Administration has been actively investigating financial tools to provide reliable funding to support established area growth. The product of this work is likely to be a set of financial tools and strategies, rather than a single solution.

Phase 1 of the Established Area Growth and Change Strategy explored a number of financial tools and approaches. A property tax uplift pilot project was initiated and the exploration of an Established Area Linear Utility Levy for local-sized water and sanitary infrastructure upgrades (PFC2020-0381) continued.

An evaluation of The City's bonus density program continued through Phase 2 of the Established Area Growth and Change Strategy. This work explored the benefits, trade-offs, and technical challenges of applying bonus density, and included a performance evaluation. Through this evaluation, it was found that bonus density programs in areas outside of the Greater Downtown did not perform as well as those located within the Greater Downtown due in-part to the limited opportunities for bonus density. For more information on the evaluation of bonus density programs, refer to Attachment 2.

A two-year property tax uplift pilot was also completed in the North Hill Communities Local Area Plan area. At the conclusion of this work, the property tax uplift mechanism was not recommended for continued use explicitly as a tool for several reasons including the mechanism not being compatible with the citywide approach to the budget process. Instead, an Annual Investment Program was recommended by Administration as a more efficient way for The City to reliably fund growth investment throughout the established area. For more information on the property tax uplift pilot, refer to Attachment 3.

Since 2018, Council's investment of \$199M has supported the Main Streets program, the Established Area Growth and Change Strategy and the Transit-Oriented Development program. These programs identify priority investments in infrastructure and the public realm in areas that are currently growing or expected to grow in the near term. Additionally, Council allocated \$20M

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to support the implementation of Local Area Plan policy, as well as investments being made in the established area through other capital programs, such as Public Space Project Development and Parks Public Space Delivery. While this investment is significant, the full value of the 2023-2026 budget ask was not funded. With numerous Local Area Plans underway through 2023-2024, continued funding will be important to support the realization of those plans.

Further details on the Phase 2 work, including information on the Annual Investment Program applied to the Established Area Growth and Change Strategy, can be found through three reports delivered to Council since 2020 (PFC2020-1245, IP2022-0545, and EC2022-1147), as listed in Attachment 1.

Next Steps in Exploring Financial Tools and Approaches

Work completed in phases 1 and 2 of the Established Area Growth and Change Strategy revealed the complexities of investigating financial tools, particularly when considering the ways in which external funding sources should complement City-led investment. While meaningful investment is important to promoting a growth pattern that supports The City in achieving its social, economic and climate resiliency goals, it is necessary to work within the legislative authority of the Municipal Government Act that outlines how municipalities can collect fees. It is also necessary to mitigate unintended consequences, such as discouraging growth through increased development costs and impacting housing affordability. Administration's approach to investigating financial tools threads together the growth investment needs of established communities, the legislative context, the business imperatives of builders and developers, as well as the capacity of communities to provide in-kind contributions.

Through 2023 and 2024, as part of Phase 3, Administration will continue to collaboratively explore financial tools and approaches to activate contributions to complement City-led investment. With a property-tax-supported tool now in place through The City's budget (Annual Investment Program), this next phase of work will focus on collecting data to demonstrate the importance of continued investment in growing established areas, including:

- **Developing a public space inventory:** identifying and quantifying the growth-investment needs in growing communities.
- **Building an investment rationale:** demonstrating the value of continued and meaningful investment into the established communities.
- **Exploring alternative investment tools:** investigating alternative financial tools, such as a Community Amenity Contribution, to activate developer contributions to nearby off-site infrastructure and amenities. This would complement City-led investments. Community Amenity Contribution is a financial tool used in The City of Edmonton, and elsewhere, that provides cash contributions by property developers when Council grants significant increases in development scale through land use redesignation.

Administration will continue to provide updates to Council on the progress of these tools, either through future Citywide Growth Strategy reports or independently, as appropriate.

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EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken | <input checked="" type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input type="checkbox"/> Public communication or engagement was not required |

The Established Area Advisory Group, which provides strategic advice and recommendations to Administration on the established area growth portfolio, supports the key messages of this report. External Advisory Group membership includes representation from communities (including the Federation of Calgary Communities), businesses (through Business Improvement Areas), and the development industry (including BILD-Calgary Region and Calgary Inner City Builders Association).

IMPLICATIONS

Social

Increasing the capacity of public spaces and infrastructure networks helps ensure communities remain vibrant and desirable places to live as populations grow and change. These investments can have indirect positive impacts on equity, culture and prevention, as outlined in the Social Wellbeing Policy. When done effectively, public space investments can bring diverse populations together and improve mobility options in these communities.

Environmental

This work fosters an efficient, compact urban form in alignment with the goals of the Municipal Development Plan and Climate Resilience Strategy to move Calgary towards a low-carbon economy.

Economic

Consistency and certainty on funding of public space and infrastructure improvements supports and encourages redevelopment in established communities, which is an important economic driver for Calgary.

Service and Financial Implications

No service and financial implications arise from this specific report. However, the implementation of the described tools, and the identification, prioritization and delivery of investments do have financial implications. Future budget asks will be outlined in reports and budget discussions in support of ongoing and predictable growth funding for established areas.

RISK

No risks arise from this specific report. There is a broader risk that if a balanced, effective suite of funding tools is not available, identified improvements would not be funded and delivered which would challenge the ability to realize the goal of enabling established area growth and a compact urban form.

**Planning and Development Services Report to
Infrastructure and Planning Committee
2023 May 10**

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ATTACHMENTS

1. Background and Previous Council Direction
2. Bonus Density Evaluation Results and Next Steps
3. Property Tax Uplift Pilot Evaluation and Conclusions
4. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Stuart Dalgleish	Planning & Development Services	Approve
Carla Male	Corporate Planning & Financial Services	Consult