Risks Analysis for Growth Applications

These risks concern new community Growth Application approvals in general.

Dispersion Risk

Investing to enable growth in many new communities simultaneously means that finite resources are diluted, infrastructure and service delivery may be inefficient, and individual communities may build at a slow pace. This can impact return on investment as revenues are generated at a slower pace, while operating costs are still required. Risk is lower during periods of high growth and is mitigated through a strategic approach to investment and monitoring.

Affordability Risk

If the supply of serviced land is insufficient relative to demand, housing prices can rise and affordability is eroded. The Growth Application process includes consideration of serviced land supply to inform servicing recommendations for new community development, aiming for a balance between too much and too little supply. That said, there are many factors that impact affordability beyond The City's provision of serviced land supply in new communities.

Financial Risk

Infrastructure investment is typically required in stages as communities build out. While some infrastructure may be required initially to enable development to start, there is also additional infrastructure that will be needed as the community completes. Approval of a Growth Application may include immediately triggered infrastructure that needs to be funded in the short term (i.e. at Mid-Cycle Adjustments) and a list of unfunded infrastructure that will be required in future budget cycles, when the community build out triggers are reached. The 2023-2026 budget includes $342M in growth enabling capital infrastructure investments, with a further $1.8B+ of unfunded investments in major utilities, fire and mobility infrastructure needed in future budget cycles to fully service previously approved communities. This excludes additional investments in LRT, recreation and utility upgrades triggered by cumulative growth such as treatment plants. The unfunded investments will be brought forward for budget consideration as the appropriate infrastructure triggers are met, which is dependent on the pace of growth.

This infrastructure is funded through a mix of funding sources, only a portion of which is from off-site levies. Availability of off-site levy funding and other funding sources impacts the timing of infrastructure investments and delivery. This carries a risk of increasing the infrastructure deficit which may lead to lower levels of service in approved communities. This can be mitigated through budget prioritization emphasizing community completion and alignment with the pace of growth, and current and anticipated revenues.

The New Community Incremental Operating Cost Model, used in application evaluation, is subject to continuous refinement and only reflects a portion of citywide operating costs over a 15-year timeframe. It is not intended to be a complete representation of a new community's lifetime operating cost impact to The City. Approval of new communities creates a commitment to services and infrastructure indefinitely into the future.

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Based on serviced land supply levels as of 2023 May and considering the unfunded infrastructure costs, adding additional investments required by this Growth Application within the 2023-2026 budget cycle could impact The City's capacity to support other capital priorities.

Expectation Risk

Multiple Growth Applications requiring investment are concurrently under review. If numerous Growth Applications and related investments are recommended for consideration in the Mid-Cycle Adjustments, expectations for funding and approval in the November budget deliberations may be created that cannot be met. Administration is working to mitigate this risk by proactively considering financial capacity and citywide needs (both growth-related and non-growth) before and after the Growth Application is brought forward to Infrastructure and Planning Committee.

Environmental and Climate Risk

New community development increases greenhouse gas emissions at a faster pace than established area development, which leads to increased climate risk by removing natural assets that enhance resilience and increasing the exposure of infrastructure assets to climate hazards. Opportunities to mitigate these risks are introduced in subsequent stages of the approvals continuum.

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