Risk Analysis for Growth Applications

This attachments summarizes the risks associated with approving, or not approving, Growth Applications. Application-specific risks are highlighted, when necessary, in the cover report.

Risks of Not Approving Growth Applications

Erosion of Affordability

If supply (via City investment into 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 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.

Business Confidence Risk

Growth Applications face a higher approvals risk than many other application types along the approvals continuum, largely due to the required financial commitment on the part of The City. This may challenge developer willingness to invest. This risk is mitigated by ensuring relevant development and servicing information is made available such that developers have access to the information needed to inform their decisions to submit Growth Applications.

Risks of Approving Growth Applications

Dispersion

Investing in many new communities simultaneously means that resources are spread across a wider area, which can result in inefficient infrastructure and service delivery. Limited demand across a wider area also means communities will be slower to build out, and slower to become complete communities that can support public and private amenities. This also impacts return on investment as revenues may not keep up with cost initiation. Risk is lower during periods of high growth and is mitigated through a strategic, balanced approach to investment and monitoring.

Long Term Investment Commitment

Approving a Growth Application begins a long term commitment to the capital and operating investments necessary to bring all City services to new residents and businesses. While initial operating costs are typically low (as populations are small and infrastructure is new), and triggered capital costs can be low or even zero if the area depends on previously made investments to initiate development, it is important to prepare for significant operating and capital costs in the medium and long term as the area builds out.

Infrastructure investments still need to be made to complete servicing in previously approved new communities until they have reached full build out. The amount, which includes interchanges, Bus Rapid Transit, utility network upgrades and other City investments, is currently estimated at $1.3 billion. The unfunded investments will be brought forward for budget consideration as the appropriate 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.

Expectation Risk

Multiple Growth Applications requiring investment are concurrently under review. If numerous Growth Applications and related investments are recommended for consideration, 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 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.

Relatedly, the recommendation on a Growth Application does not constitute an approval or endorsement with respect to an Outline Plan and/or Land Use Amendment. Administration does not make a determination on the suitability of proposed land uses for a site through the Growth Application process.

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.