Risks Analysis for Growth Applications

This attachment summarizes Administration identified risks and mitigations associated with approving, or not approving, new community Growth Applications.

Risks of Not Approving Growth Applications

Impact on Housing Availability and Prices

If land supply (via City investment into servicing) is insufficient to meet demand, housing prices can rise as availability declines. The Growth Application process considers serviced land supply to inform recommendations for new community development, aiming to avoid both increased prices that can arise from too little supply and the various risks described below that can arise from too much supply. However, many factors impact prices beyond serviced land supply in new communities. This risk cannot be mitigated by The City alone.

Business Confidence Risk

City investment makes new communities possible. This also means City investment priorities and timelines are one of several factors outside of a developer's control that affect their ability to plan and build. Developers and industry groups consistently advocate for predictable decisions around growth funding and capital infrastructure certainty in order to reduce development costs and delays, as well as increase confidence in deploying investment capital. The City mitigates this risk by clearly outlining Growth Application evaluation criteria, sharing servicing information with applicants, and keeping communications open with applicants and industry working groups.

Risks of Approving Growth Applications

Dispersion of Demand

Investing in many new communities simultaneously means that demand and construction activity are spread across a wider area. This can result in increased costs, underutilized infrastructure, inefficient City services and delayed return on investment for both The City and developers. It also places more strain on City capital delivery teams and contractor capacity. The City works to mitigate this risk by maintaining appropriate levels of new community land supply and initiating services simultaneous with demand.

With 40 new communities in various stages of development, Calgary has significant new community capacity. With seven to ten years of serviced land supply, Calgary sits at double the three-to-five-year land supply target in Section 5.2.3 of the Municipal Development Plan (MDP).

Financial Importance of Strategic Growth

The MDP encourages balanced growth between new and established areas, acknowledging that both are critical while seeking to minimize long-term costs to The City and Calgarians. The 2020 MDP/Calgary Transportation Plan (CTP) update projected that achieving balanced growth would result in societal savings of $16.8 billion in capital costs over the next 60 years and annual operating cost savings of $260 million by 2070. Over the past five years, 69 per cent of new homes were built in new communities, with 31 per cent in established areas. Based on this trend, Calgary is not on track to realize the above savings.

Long-Term Investment Commitment

Approving a Growth Application begins a long-term commitment to the capital, operating and lifecycle investments needed to support the infrastructure and services new community residents

ISC:UNRESTRICTED

and businesses rely on. While off-site levies fund most of the infrastructure in new communities, they only fund a portion of long-term infrastructure needs and do not cover operating or lifecycle costs. The City must prepare for significant tax- and fee-supported operating and capital costs as these areas build out and mature. The City must also prioritize and trade-off investments in growth against all other City investments, including infrastructure maintenance and lifecycling.

At present, The City has already committed over $1.7 billion in as-yet unfunded infrastructure investments to support new community build out. This represents remaining unfunded servicing infrastructure but does not include other infrastructure required to fully build out communities such as libraries, recreation centres and lagging mobility infrastructure. It does not account for the significant long-term investments required to cover future lifecycle costs.

The New Community Incremental Operating Cost Model has helped inform better decisions on growth by comparing projected operating costs against property tax generation. However, the Model only reflects a portion of citywide operating costs over a 15-year timeframe. It is not a complete representation of a new community's lifetime operating cost.

Funding Expectation Risk

When Growth Applications investments are directed by Council "to be considered" in the budget prioritization process, developer expectations for funding approval increase. However, given multiple current Growth Applications and the existence of other City funding needs, Administration cannot guarantee all Growth Applications will ultimately be recommended for funding.

Administration works to mitigate this risk by considering financial capacity and citywide investment needs both before and after Infrastructure and Planning Committee. However, evolving Council priorities, the emergence of new investment needs and other as-yet unknown financial considerations mean this risk cannot be fully outlined until the budget is developed.

Application Approval Expectation Risk

While Growth Application approval supports advancement to further development stages, it is not endorsement of any other applications such as outline plans, land use or development permits.

Macroeconomic Risk

Canada faces various risks from tariffs, geopolitical uncertainty and shifting policy on immigration. This may impact new community growth through cost inflation, supply chain effects, materials availability, consumer confidence, interest rates and pace of growth. Approving capital and operating investments via Growth Applications commits The City to these costs without certainty of revenues. This risk is mitigated by monitoring supply and demand shifts, as well as by shifting capital delivery to more closely align with development pace where possible.

Environmental Risk

New communities have become more compact and their buildings more energy efficient. However, new communities typically still see higher emissions, increased environmental risks and greater loss of natural assets compared to redevelopment. A major driver of this is the higher reliance on motor vehicle travel in new communities. Mitigation opportunities are introduced later in the development process, in alignment with MDP, CTP and Area Structure Plan policies. A continued focus on compact development, the timely provision of transit service and investment in other viable sustainable travel options are essential to offsetting emissions.

ISC:UNRESTRICTED