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New Community Growth Strategy (Verbal Report) C2018-0122

Strategic Session of Council

2018 January 31

ISC: Unrestricted

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Central Question

Do we need to encourage more new community development?

Why or why not?

How should it be funded?

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Growth Policy Evolution

	Pre 2012	2012	2013	2014	2015	2016	2017	2018
	MDP/CTP are approved Next new communities signaled by the Area Structure Plans (ASPs) completed Approximately two new invested ASPs per budget cycle	Growth Management Overlay(GMO) introduced in three ASPs Ensured Council approved funding for infrastructure in place prior to land use approval	Developer Funded ASPs introduced Framework for Growth and Change	Two developer funded ASPs approved	Four developer funded ASPs approved	New Off-Site Levy bylaw approved Industry/City work plan direction to look at GMO funding & financing processes Two new ASPs initiated Investment Strategy	Outline Plan and Land Use Applications accepted prior to GMO removal in all ASPs	
Inflationary Property Tax Increase		**+5.1% residential + 8.9% non-res**	**+13% residential + 7.1% non-res**	**+4.8%**	**+4.5%**	**+3.5%**	**+2.9% residential +3.0% non-res (0.0% w/ one-time rebates)**	
Assessment Base Growth		**+1.7%**	**+1.7%**	**+1.4%**	**+3.2%**	**+1.5%**	**+1.7%**	

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How Decisions are Made Today

Administration makes growth planning recommendations to Council considering three factors:

Strategic Growth Policy

Market Factors

Financial Capacity

Changing Conditions

Lower physical growth in the assessment base (i.e. lower growth of property tax revenues)

Lower anticipated inflationary property tax increases

Debt constraints and reduced capital availability

Discussions between the Development Industry and Administration have highlighted the tension between cost constraints and desire for more new community growth activity.

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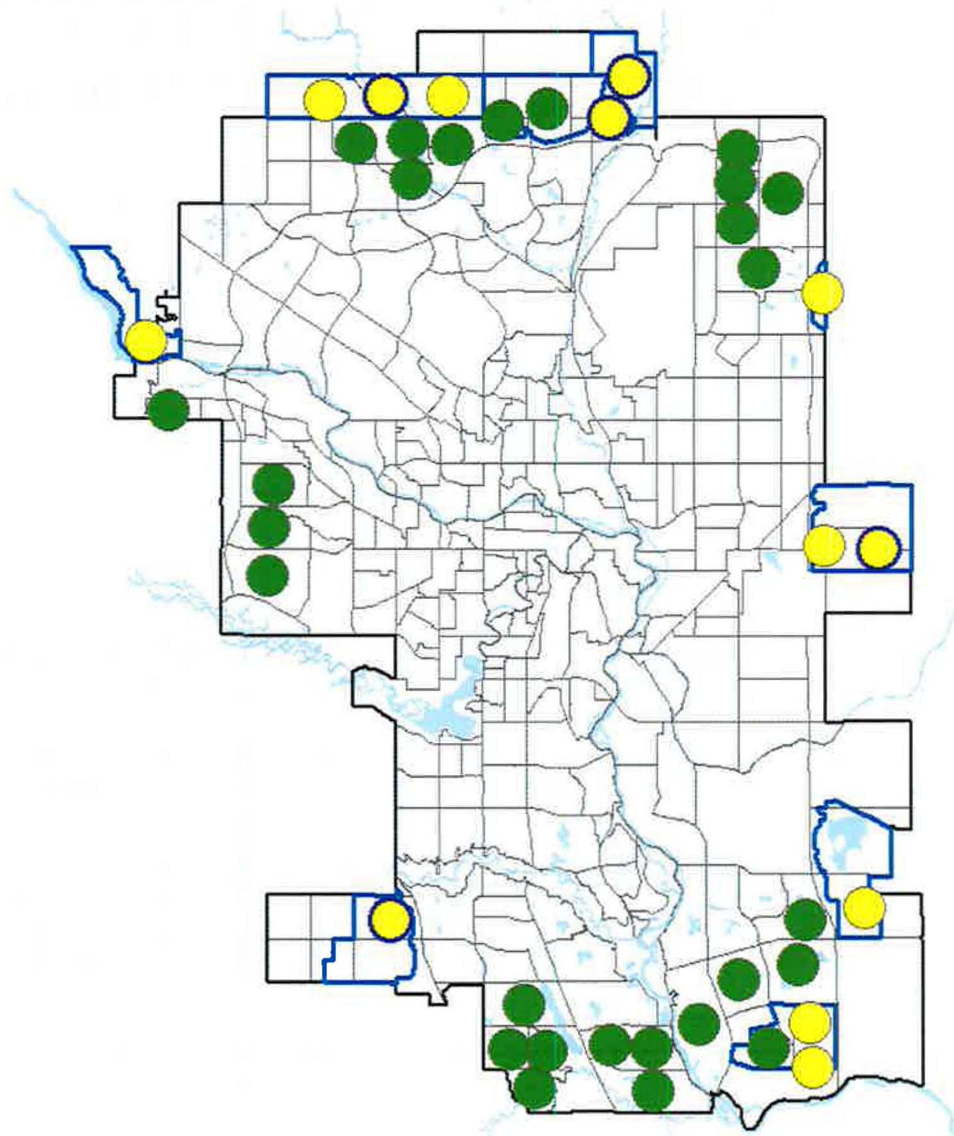
Current and Future New Communities

- **Ongoing Investments**
  - *Mix of funded and unfunded*
  - *27 actively developing new communities with land use*

- **Future Investment Areas**
  - *Unfunded*
  - *9 Area Structure Plans*
  - *13-15 future new communities (11 business cases) at this time*

Future new community with significant non-residential component

Area Structure Plan boundary



Currently Developing Communities

As of early 2018, there are 27 actively developing communities with land use approved:

- 8 communities have recently been initiated, or are expected within 1 year (e.g., Belmont, Carrington, Cornerstone)
- 10 communities will complete single residential build out within 3 years (e.g., Auburn Bay, Nolan Hill)

	New Community Current Supply (vacant, serviced lots)	New Community Demand (2018-2022 forecast)	Difference between supply and forecasted demand
Single Residential	14,500	16,700	(2,200)
Multi Residential	31,150	8,050	23,100
Total	45,650	24,750	20,900

Budget decisions in 2018 will bring on new supply in 2019-2022

Direct Operating Costs in Developing Communities

- Administration has been analyzing incremental operating costs incurred when a new community is initiated
- Approximately 30% of total operating costs are attributable to city wide service delivery
- Therefore, 70% of total operating costs are considered to be direct operating costs spent within the community (e.g., transit, emergency response, roads and parks maintenance)

$16M increase in tax supported operating costs
= 1% increase in property tax, city wide

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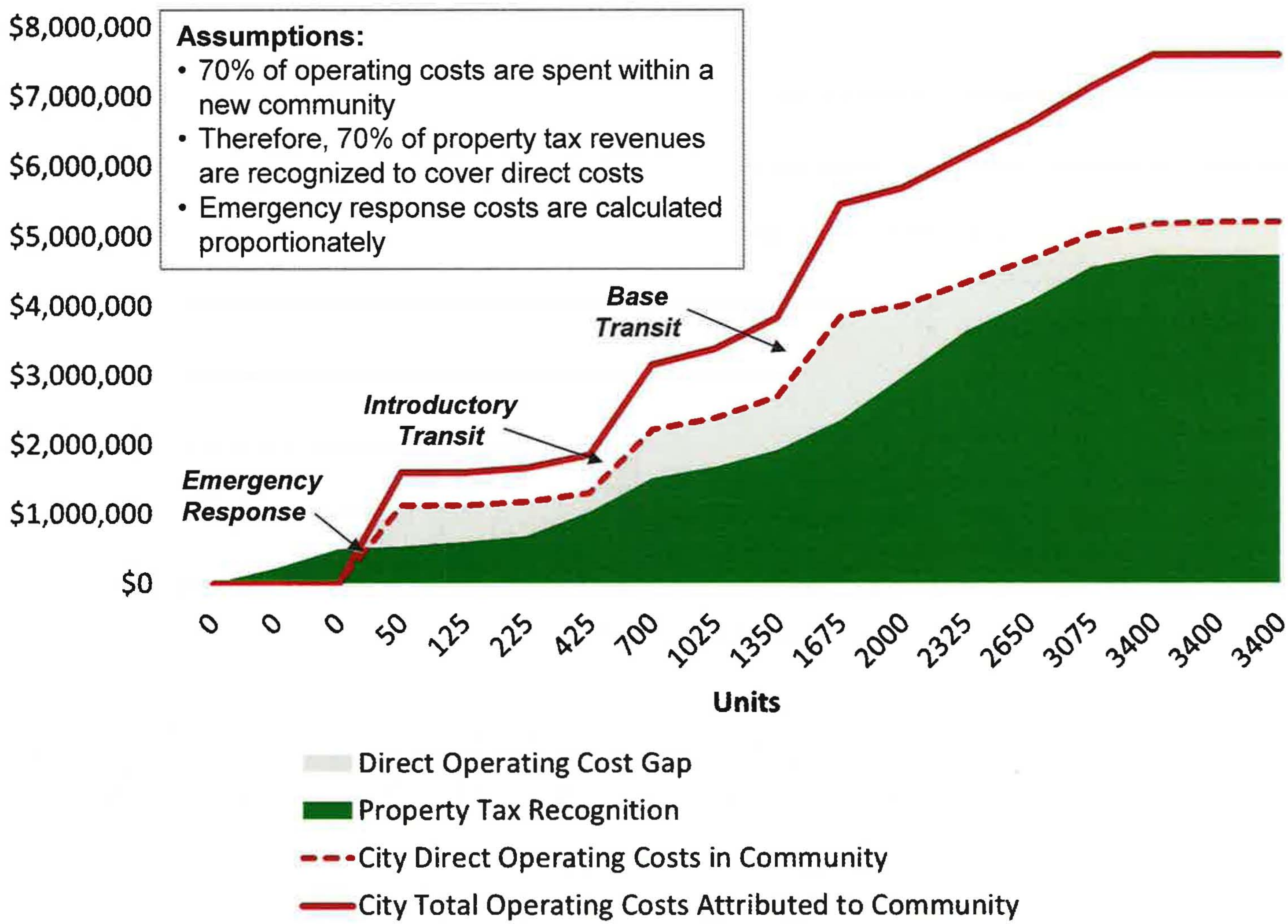
Direct Operating Costs in Developing Communities

Direct Operating Cost	Amount Per Year	Cost Driver	Per Unit
Emergency Response	$3,400,000	Flat rate, operating costs of fire hall for 10,000 units	$340
Transit	$750,000 (introductory service)	Flat rate, introduced at ~675 units	$varies
	$1,750,000 (base service)	Flat rate, introduced at ~1650 units	$varies
Police	$160,000	One officer per 500 units	$320
Roads	$3,000	Per lane KM (year 1 of City responsibility)	$99
	$9,500	Per lane KM (after year 1 of City responsibility)	$313
Parks	$17,500	Per hectare (assumption of 10% of developable hectares)	$88
Black cart	$58	Per unit	$58
Green cart	$30	Per unit	$30
Community Standards	$120,000	Flat rate, introduced at 3500 units	$34
Neighbourhoods	$25,000	Flat rate, introduced at community completion	$7

New Revenue in Developing Communities

- Based on the operating cost acknowledgement, the same ratio is applied to property tax revenue.
- Approximately 30% of property tax revenue is attributable to city wide service delivery and therefore 70% of property tax revenue can be attributed to direct operating costs in a community.
- Other revenue sources include user fees, franchise fees, utility rates

Direct Operating Costs during build-out



Capital and Operating Funding and Challenges

Cost	Funding Sources	Challenges
Capital *(i.e. utility pipes, interchanges, fire halls, etc.)*	• Off-site levies • Grants from other levels of government • Utility rates • Property taxes	• Levies do not cover City portion of cost • Uncertainty with grants • Downward pressure on utility rates and property taxes • Operating cost of capital
Operating *(i.e. roads maintenance, firefighters, bus drivers, parks maintenance, etc.)*	• Property taxes • User fees • Utility rates • Franchise fees	• Downward pressure on property taxes, user fees, utility rates and franchise fees • Ongoing obligation • Subject to inflation

City Cost Obligations

- Total capital and operating cost obligations in Calgary's current and future new communities
- Capital costs identified through business plans and budgets, developer business cases and business unit assumptions
- Operating costs identified through modeling of business unit assumptions

	Capital	Operating		
	Capital (One-time)	Total remaining annual operating cost	2019-2022	2023+
27 Developing Communities	$700M	$72M	$28M	$44M
13-15 Future Communities	$950M	$66M	$10M	$56M
Total	**$1,650M**	**$138M**	**$38M**	**$100M**

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Why Address New Community Growth Now?

- **Received Council direction**
  - Evolution of growth policy since 2012
  - Industry/City Workplan
- **Calgary's changed economic circumstances, yielding**
  - Lower population growth
  - Lower inflationary tax rate increases
  - Reduced capital availability
- **Development Industry business interest and advocacy**
  - Developers submitted growth management overlay business cases
  - Developers submitted outline plan and land use applications

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Understanding Industry and City Interests

Industry Perspective

- The City should be willing to take on shared risk in order to partner with developers
- Growth should follow market needs/trends and Developer/City financial capacity

City Perspective

- City should continue to grow based on 3 main criteria (strategic growth, market factors and financial capacity)
- New growth needs to be fully funded, either through tax increases, debt, or other sources

With lower property tax funding due to assessment base growth and inflationary increases, the system is no longer able to "work itself out".

Plans for Next Steps and Budget Timing

	2018 Q1 February	Q1 March	Q2 April	Q2 May	Q2 June	Q3 July	Q3 Aug	Q3 Sept.	Q4 Oct.	Q4 Nov.	Q4 Dec.	2020
Growth Strategy	February: Growth strategy report to PFC	March: Fire service in new communities report to PUD March: South Shepard growth management overlay & land use referral reports		May: Medical response service model report to IGA	June: New community growth planning recommendations on 10 business cases and Council decisions							Next new community growth planning recommendations : future investment areas
One Calgary			April: 2019-2022 Indicative rates					September: 2019-2022 Service plans		November: 2019-2022 Service plans / budget decisions		2019-2022 Mid-cycle adjustments

Recommendation

Administration recommends that Council receive this verbal report for information.