Attachment 2: Current Growth Strategy for New Community Development

This attachment outlines, at a high level, the current decision inputs for investments in new community development. Through each budget cycle, Administration considers the following when making servicing and investment recommendations to Council:

1. Policy direction of the Municipal Development Plan (MDP) and Calgary Transportation Plan (CTP);
2. Market capacity information; and
3. The City's fiscal capacity for growth (capital and operating).

This strategy has proven its ability to deliver new community infrastructure, services and growth in a way that has acknowledged the three considerations. Over the last few budget cycles, The City has funded growth in an average of two new Area Structure Plans (ASPs) per cycle, usually leading to three to six new communities. This has helped to maintain a three to five year serviced land supply, as directed in the MDP (Section 5.2.3). By managing the number of new communities and the serviced land supply, The City has efficiently managed the operating budget increases attributed to growth and sought to maximize the return on investment of infrastructure. However, Industry has voiced concern that The City's fiscal capacity, while managed prudently for the organization, may not be taking advantage of the full available market for new community growth

Policy: Direction for Growth
Strategic growth recommendations for new communities are based on the broad direction in the Municipal Development Plan under Part 5 – Framework for Growth and Change. In relation to new community growth, the following policies are directly related.

1. **Consult and work with the development and building industry to ensure mutual understanding and to support shared goals and objectives. [MDP, 5.2.1b]**

   The City and Industry representatives share knowledge about supply and demand forecasts, servicing requirements, readiness to proceed by developers, and policy/design considerations for new communities. While Industry and The City may have varying opinions about the different information, the information gathered is one of the many inputs into setting servicing and investment priorities.

2. **Endeavour to accommodate 33 per cent of the future population growth within the developed areas of the city by 2039; 50 per cent within 60-70 years. [MDP, 5.2.2d, 5.2.2c]**

   Administration attempts to strike a balance of servicing and investment priorities between the developed area and new communities to in order to continue towards this policy goal while fostering housing and location choice in new communities.

3. **Endeavour to maintain up to a 15 year planned land supply and to maintain 3-5 years of serviced suburban land. [MDP, 5.2.3a, 5.2.3b]**

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With the advent of developer funded Area Structure Plans (ASPs), the planned land supply moved well beyond 15 years, to approximately 29-31 years. Through the annual budget process The City has been successful in maintaining the three to five year serviced land target. This policy aims to support a healthy, competitive land market throughout the city. Current data on supply and demand is contained in Attachment 3.

4. **Municipal capital investment in infrastructure should be prioritized in the following manner:**
   a. Support intensification of Developed Areas of the city;
   b. Expedite the completion of communities in the Developing Area; and
   c. Support the development of future new communities. [MDP, 2009, 5.2.5b]

   This policy speaks to a balanced investment plan with a focus on aligning with the MDP's stated goals of a more compact development pattern.

Policy: Evolution in Implementation
The City has had a long standing policy from the Calgary Plan, carried forward to the MDP, to maintain a 15 year planned land supply. ASPs approved by Council have historically provided the signal to City departments that deliver infrastructure and to developers that The City has will move to invest in these lands for growth. Prior to 2012, ASPs have been The City's mechanism (or "gate") for making land available for development and proceeding further into the planning approvals process.

Since 2012 July, as the number of ASPs began to exceed The City's fiscal capacity for growth, ASPs were approved with Growth Management Overlays as a tool to flag that unresolved City funded servicing requirements existed. The ASPs were no longer necessarily aligned with the imminent provision of utilities servicing or transportation capacity. The stipulation was that prior to removal of the Overlay and land use approval, servicing issues must be resolved.

In 2013, new ASPs began to be funded by developers, and most requests to initiate ASPs have been accepted. This has led to continued growth in the planned land supply, while also improving the level of planning and infrastructure information available to make informed growth decisions. However, the greater number of approved ASPs has increased expectations generally that City investment will follow.

The three generations of ASPs are summarized in the table below:

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Generation	Key Attributes	Key Development Milestones

1	• Approved prior to 2012
	• ASP funded by The City
	• Initiated by The City, considering growth policy, City finances and land supply
	• No Growth Management Overlays
	• Examples:
	  ○ *Northeast Community 'A' ASP*
	  ○ *Symons Valley Community Plan*
	  ○ *West Macleod ASP*
		• LU/OP applications can be submitted following Council approval of the ASP
		• No Overlay removal
		• Development initiates after LU/OP approval

2	• Approved between 2012 and 2013
	• ASP funded by The City
	• Initiated by The City, considering growth policy, City finances and land supply
	• Number of ASPs began to grow faster than The City's ability to fund servicing
	• Growth Management Overlays included where unfunded City servicing was required
	• Examples:
	  ○ *Keystone Hills ASP*
	  ○ *Belvedere ASP*
	  ○ *South Shepard ASP*
		• LU/OP applications can be submitted following Council approval of ASP
		• Overlay can be removed (and LU/OP can be approved) once the funding of City servicing is addressed to the satisfaction of Council
		• Development initiates after LU/OP approval

3	• Approved in 2013 to present day
	• ASP funded by Developers
	• Moved the consideration of City finances and land supply into budget discussions
	• Allowed for greater ASP approvals as role of ASP shifted to provide improved information for budget decisions, without commitment on funding
	• Growth Management Overlays included where unfunded City servicing was required
	• Examples:
	  ○ *Rangeview ASP*
	  ○ *Cornerstone ASP*
	  ○ *Haskayne ASP*
	  ○ *Providence ASP*
	  ○ *Glacier Ridge ASP*
	  ○ *Nose Creek ASP*
	  ○ *East Stoney ASP*
		• LU/OP applications can be submitted following Council approval of ASP.
		• Overlay can be removed (and LU/OP can be approved) once the funding of City servicing is addressed to the satisfaction of Council
		• Development initiates after LU/OP approval

Market Capacity

The three to five year serviced land supply target provides Council with a way to measure the planning and infrastructure investment required to support growth in new communities while avoiding premature commitment and expenditure of City funds.

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In determining the level of required servicing investments, Administration projects the population growth expected within the city, and specifically for new communities, over the next budget. The City strives to maintain serviced land supply in multiple market sectors in the city at once to help facilitate housing choice among location and price ranges, and spur competition and innovation among developers.

Fiscal Capacity
Based on The City's priorities for growth and capacity to fund required costs, The City includes the necessary capital projects in the budget cycle and the 10 year capital plans to allow the continued development in existing communities and to open some new communities over the course of the budget cycle. Administration has the ability to make changes to the capital plans should market forces change or City priorities change. In 2016 October, The City invited Industry to submit business cases in support of removing Overlays. The City will be prioritizing the business cases that will become one of the inputs in the capital planning decisions incorporated into the OneCalgary 2019-2022 budget.

Consideration of Land Use and Outline Plan approval has been subject to funding approval of the corresponding infrastructure and services. Historically this has been done through the City budget. As communities start to develop and services are provided, operating costs are included in The City's operating budget annually.

In the past, if a Land Use and Outline Plan does not align with the corresponding infrastructure's inclusion in the capital budget, a developer may have approached The City about entering into a Construction Finance Agreement (CFA) to advance City funded infrastructure ahead of schedule. The City considers the timing of repayment, the infrastructure to be included, and the level of debt to be incurred prior to deciding on accepting an agreement to repay. CFAs, also known as front-ending agreements, allow the developer to finance and build the required infrastructure ahead of City budget inclusion, with The City agreeing to repay the developer at a point in the future. The borrowing bylaw must define the repayment to a predetermined date, the repayment date is usually aligned with infrastructure schedule in the capital plans. This commitment, however, triggers a City debt obligation and requires the passing of a borrowing bylaw by Council.

In the current framework, The City collects off-site levies from developers to help fund the required capital projects that are attributed to growth. At the subdivision stage or development permit stage developers enter into a subdivision and development agreement at which time the off-site levy charges are applied in accordance with Bylaw 2M2016. The levies collected are allocated towards the following types of infrastructure required to service growth:

a) Utilities (water/wastewater treatment plans and linear infrastructure, stormwater infrastructure)
b) Transportation (e.g, major roads, interchanges, bridges)
c) Community Services (e.g., Fire stations, recreations facilities, libraries, transit buses, police stations)

The levies account for a portion of the required funding necessary to open up a new community, with The City's remaining portion funded through the combination of capital grants, property taxes, user fees, and debt financing.

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Given all of this, the following factors are considered in determining The City's fiscal capacity for growth:

- Current and forecasted growth levels
- Expected funding levels from other levels of governments
- Revenue forecasts (e.g., property taxes, utility rates, off-site levies payable)
- Assessment Base growth forecast
- Capital Deposit and Reserve levels (e.g., Off-site Levy Fund)
- Debt levels and debt servicing costs
- Influence of major City priorities with a fiscal impact