

New Community Growth Strategy: Investment Recommendations

PFC2018-0678

CITY OF CALGARY
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IN COUNCIL CHAMBER

JUN 28 2018

ITEM: *6.1 PFC2018-0678*
P. Hill
CITY CLERK'S DEPARTMENT

Priorities and Finance Committee

2018 June 28

ISC: Unrestricted

Presentation Outline

1. Introduction and Timeline
2. Strategic Growth Decision Making Process
3. Recommended Portfolio for One Calgary
 - Aligning with the Municipal Development Plan and the Calgary Transportation Plan
 - Meeting market demand
 - Financial revenue and cost considerations
4. Next Steps
5. Risks

Development provides benefit to our city

New community development benefits our city:

Economic benefits of community growth include:

- Attracting private investment
- Creating jobs
- Generating new property tax revenue

As we plan strategically for growth, we ask:

- How should Calgary grow?
- Where should Calgary grow?
- What is the required investment in growth that is right for our city?

The New Community Growth Journey

New Community Growth Strategy

- **2018 January (C2018-0122)**
 - *Council discussion on encouraging new community development and funding considerations*
- **2018 March (PFC2018-0200)**
 - *Council direction to increase funding allocation for new community growth in the One Calgary 2019-2022 service plan and budget, and direction to recommend 6-12 new communities*
- **2018 April/June (C2018-0489/C2018-0787)**
 - *Indicative utility and tax rates are approved by Council*
- **Today (PFC2018-0678)**
 - *Investment recommendations aligned with the above direction*

Indicative Tax Rates for 2019-2022

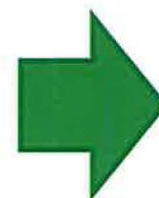
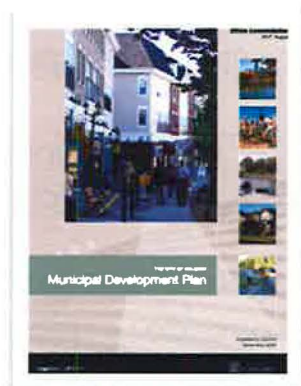
Proposed Rate Range per Year	2019	2020-2022
Indicative Tax Rate Range without inflation	1.3% to 1.6%	1.3% to 1.6% per year
Indicative Tax Rate Range inflation	0.8% to 1%	0.8% to 1% per year
WRS Financial Policy change	(1.3%) base impact in 2019	---
Total Proposed Indicative Tax Rate Range without Growth	0.8% to 1.3%	2.1% to 2.6% per year
Indicative Rate for Actively Developing Communities	1.4% base impact in 2019	0.4% per year
Indicative Rate for New Communities*	0.45% to 0.75% base impact in 2019	---
Total Proposed Indicative Tax Rate Range with Growth	2.65% to 3.45%	2.5% to 3.0% per year

A range was recommended in April 2018 to allow Administration time to further refine our analysis and assumptions to bring back to Council.

* This is contingent on today's growth decisions

A Strategic Decision Framework

Administration makes growth planning recommendations to Council considering three factors:



MDP/CTP Alignment

Market Demand

Financial Capacity

Criteria Communicated on April 30



MDP/CTP Alignment and Six Goals

- A prosperous economy
- Shaping a more compact urban form
- Creating great communities
- Urban design
- Connecting the city
- Greening the city

Market Demand

- Citywide supply/communities
- Sector supply/communities
- Readiness

Financial Capacity

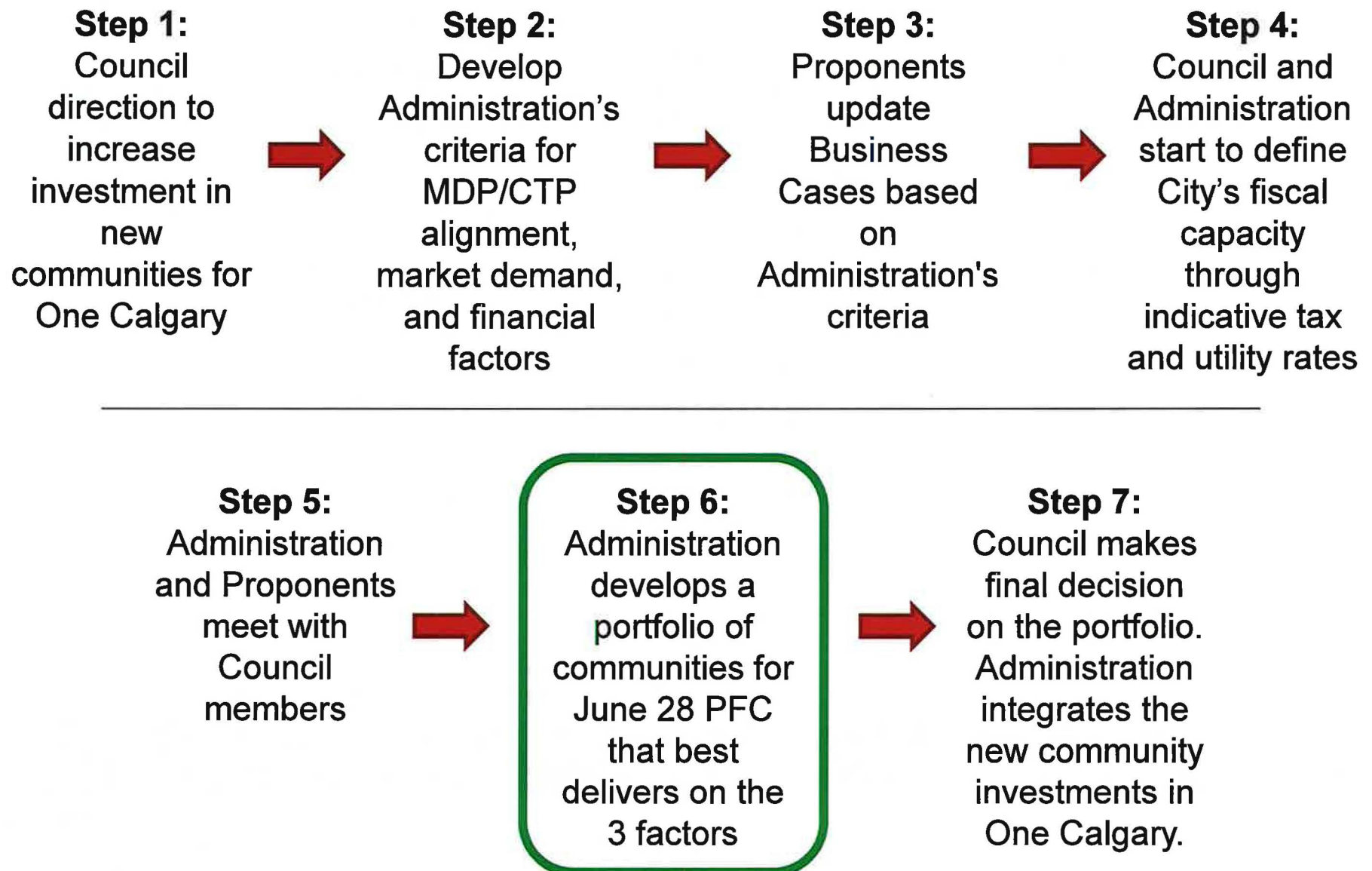
- Capital costs
- Operating costs
- Revenue projection
- Levies payable

2018

2019-2020



Strategic Growth Decision Making Process

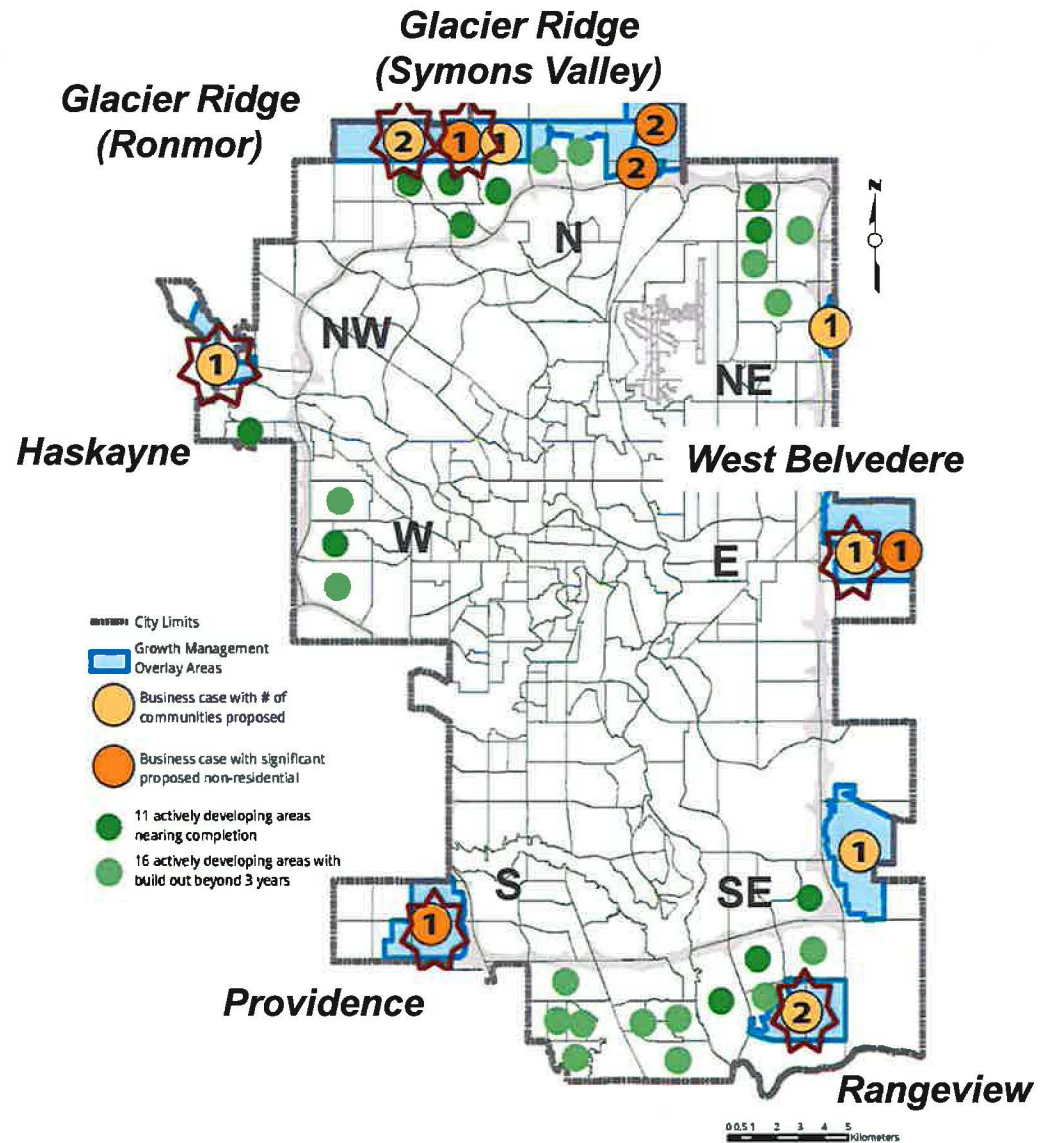


Communities for consideration

Business cases	ASP Area	Developer(s)	City Sector	# of Communities
1	Keystone Hills – SE Keystone	Melcor/ Genstar/ Pacific	Northeast	2
2	Nose Creek	QuadReal	Northeast	2
3	East Stoney	Pacific	East	1
4	Belvedere – West Belvedere	Tristar/ Truman/ Lansdowne/ Minto/ Others	East	1
5	Belvedere– Twin Hills	OpenGate	East	1
6	South Shepard	Hopewell/ Melcor	Southeast	1
7	Rangeview	Brookfield/ Genstar/ Section23/ Others	Southeast	2
8	Providence	Dream/Qualico	South	1
9	Haskayne	Brookfield/ Marquis	Northwest	1
10	Glacier Ridge	Ronmor/ Wenzel	North	2
11	Glacier Ridge – Symons Valley Ranch	Capexco Inc.	North	1*
12	Glacier Ridge	Qualico	North	1
	 included in portfolio			Total: 16

Recommended Portfolio for One Calgary

- **7 new communities in 5 suburban market/planning sectors**
- **1 Community Activity Centre (Symons Valley Ranch)**





Recommended Portfolio for One Calgary

MDP/CTP Strategic Benefits

- **Prosperous Economy** All bring significant private investment through a mix of uses. Two include significant commercial/ retail/ light industrial.
- **Compact City** All recommended are contiguous. All meet intensity expectations. Several introduce Community Activity Centres.
- **Great Communities** Agricultural linkages built into two design concepts. Three leverage adjacent existing activity centres, providing access to daily needs.
- **Good Urban Design** Unique urban design concepts are introduced
- **Connecting the City** Three are adjacent to future Primary Transit Network connections
- **Greening the City** Two introduce interfaces with natural areas



Recommended Portfolio for One Calgary

Market Factor Benefits: Addressing Single Residential

For Single/ Semi Detached Residential	2018	2019-2022	2023-2026
Serviced Capacity – Start of Period	14,880	14,694	18,864
Forecasted Demand – Entire Period	(3,282)	(13,901)	(17,120)
Additional Available Capacity from Actively Developing Communities	3,096	16,321	0
Serviced Capacity – Before New Community Growth Strategy	14,694	17,114	1,744
Additional Available Capacity from New Community Growth Strategy	0	1,750	14,829
Total Serviced Capacity – End of Period	14,694	18,864	16,573
<i>Years of Supply – End of Period</i>	<i>4.2 years</i>	<i>5.2 years</i>	<i>4.7 years</i>

Recommended Portfolio for One Calgary

Market Factor Benefits

- Current and future supply in the 27 active communities provides ~33,500 single/semi units (2018-2026), sufficient to continue to meet Council's policy of 3-5 years supply until the end of 2022
- Builds on existing single/semi supply in actively developing communities through additional capacity of ~16,500 units
- Opens two new suburban market sectors (East, Northwest) to improve consumer choice
- Supports growth in two fast growing suburban market sectors (North, Southeast)
- Introduces a diversity of housing choices as proposed through the business cases
- Supports a healthy, competitive land market throughout the city [MDP, 5.2.3 (a),(b)]





Estimated Impact on Property Tax and Utility Rates

Base Property Tax Increase (2019): **0.65%***

Water Service Utility Rate Increase: **0.3% annually***

One Calgary
2019-2022 Service Plans and Budgets

*Estimates are based on Class 5 costs. All to be refined through the One Calgary (2019-2022) budget process.

Estimated Operating Impact

One Calgary

2019-2022 Service Plans and Budgets

(\$ millions)*	2021	2022
Direct Incremental Operating Costs	\$3.5	\$4.3
<ul style="list-style-type: none"> • Police • Roads • Parks maintenance • Fire service • Waste & recycling services • Transit (new service) 		
Community Based Revenue Share	\$2.6	\$3.8
Operating Revenue (Shortfall)	(\$0.9)	(\$0.5)

*Estimates are based on Class 5 costs. All to be refined through the One Calgary (2019-2022) budget process.

Estimated Capital Investments

One Calgary

2019-2022 Service Plans and Budgets

(\$ millions) Budget Cycle	Total Capital Investment*	Funding Source	
Total	\$470		
One Calgary 2019-2022	\$312	Off-Site Levies: \$242	
		City Share: \$70	Property Tax: \$32
			Utility Rate: \$38
2023+	\$158	Off-Site Levies: \$130	
		City Share: \$28	Property Tax: \$28
			Utility Rate: TBD

*Estimates are based on Class 5 costs. All to be refined through the One Calgary (2019-2022) budget process.

Estimated Off-Site Levies

(\$millions)	Off-Site Levy Collections for the portfolio	Capital Costs for the portfolio* (Funded by OSL)
Water Linear	\$58	\$112
Sanitary Linear	\$80	\$69
Storm Linear	\$24	\$31
Transportation	\$225	\$70
Fire Stations	\$33	\$90
Treatment Plants	\$233	Regional
Other Community Services**	\$97	Regional
Total	\$750	\$370

*Estimates are based on Class 5 costs. All to be refined through the One Calgary (2019-2022) budget process.

**Community Service Charges are directed by Council resolution

Recommended Portfolio: Economic Impact

Total Private Investment:	\$18 - 20 billion
Total Construction Jobs:	70,000 - 80,000 jobs
Total Permanent Jobs:	12,000 – 15,000 jobs

Recommended Portfolio for One Calgary

Financial Capacity/Benefits

- Public investment in capital and operating is anticipated to leverage private investment in land development
- Creates/retains thousands of temporary construction jobs, supports hundreds of future permanent jobs
- Represents a financially prudent recommendation for both 2019-2022 and 2023 and beyond as it meets both the MDP/CTP and market factors
- Recommended portfolio stays within Council approved indicative tax rate range of 0.45 to 0.75 per cent
- Recommended portfolio stays within Council approved indicative utility rate range of 0.0 – 0.5 per cent

A Strategic Decision Framework

The portfolio of eight community areas meets all three components of the strategic growth framework



Next Steps

For all business case proponents

- Administration will meet with all proponents to discuss next steps and options for planning applications and the two year evaluation cycle

For Administration and Council

- Administration to include capital and operating associated with approved new communities in the One Calgary 2019-2022 service plan and budget in 2018 November
- Coordinate with Infrastructure Calgary on timing and deliverability of infrastructure
- Begin work on integrating utilities infrastructure into the Off-site Levy Bylaw amendment
- Complete work on associated Growth Management Overlays

If no new communities are approved	If the recommended portfolio is approved	If more than the recommended portfolio is approved <i>(All risks in previous column plus)</i>
<ul style="list-style-type: none"> Potential loss of private investment (capital flight) 	<ul style="list-style-type: none"> Cash flow risk if development does not proceed as expected (as highlighted by UEP on June 18); potential to increase debt 	<ul style="list-style-type: none"> Debt limit and opportunity costs of capital
<ul style="list-style-type: none"> No investment in 27 Actively Developing areas <u>and</u> no new growth may result in under supply of single residential product by 2022 	<ul style="list-style-type: none"> Increasing the number of communities may result in dispersed absorption and less efficient servicing due to increased costs, possibly without tax base to cover costs 	<ul style="list-style-type: none"> Over supply in single and multi residential and non-residential
<ul style="list-style-type: none"> Investment only in 27 Actively Developing areas may result in under supply of single residential by 2026 	<ul style="list-style-type: none"> Risk of not meeting developed and developing areas growth split in MDP 	<ul style="list-style-type: none"> Capacity constraints of City to deliver capital and services
<ul style="list-style-type: none"> May impact housing affordability 	<ul style="list-style-type: none"> Continues to add multi residential capacity to a market that is currently oversupplies 	
<ul style="list-style-type: none"> Would not open East and NW sectors, limiting customer choice 		

Administration Recommendation:

That the Priorities and Finance Committee:

1. Recommends that Council, for the eight new community and community activity centre areas identified in Attachment 1 (PFC2018-0678):
 - a) approve these areas for growth, contingent on Council's
 - i. approval, in 2018 November as part of One Calgary 2019-2022 four year service plan and budget, of the specific capital and direct incremental operating budgets necessary to support these areas, based on Council approved indicative property tax and utility rate ranges; and
 - ii. removal of Growth Management Overlays for each area; and
 - b) confirm Council's intention to provide, through 2023 and future years' capital and operating budgets, the necessary public infrastructure and services to serve and support these areas.

Administration Recommendation:

That the Priorities and Finance Committee:

2. Recommends that Council, for the eight new community and community activity centre areas identified in Attachment 1 (PFC2018-0678), direct Administration to:
 - a) include the estimated capital and direct incremental operating investments identified in Attachment 1 (PFC2018-0678), including any changes to the estimates, in 2018 November as part of One Calgary 2019-2022 four year service plan and budget, subject to the required operating and capital funding being in place;
 - b) prepare bylaws for proposed Area Structure Plan amendments to remove Growth Management Overlays, and bring these amendments to Council as soon as feasible following Council's approval of One Calgary 2019-2022 four year service plan and budget; and
 - c) continue to refine the 2023 and future years' capital and operating budget estimates identified in Attachment 1 (PFC2018-0678), and when needed bring incremental additional budget requests to Council for the necessary public infrastructure and services to serve and support these areas.

Administration Recommendation:

That the Priorities and Finance Committee:

3. Directs that this Report proceed to the 2018 July 30 meeting of Council.
4. Recommends that Council direct Administration to bring the next recommendations for new community growth and development approvals by no later than 2020 March, and in coordination with the One Calgary 2019-2022 four year service plan and budget mid-cycle adjustment process.

Proposed Outcomes From Today's Meeting

Priorities and Finance Committee's conclusions and recommendations on:

1. New community growth area recommendations to Council.
2. City funding commitments for new community growth areas:
 - a) 2019-2022
 - b) 2023 and future years
3. Every two years' cycle for future years' growth decisions