community and that allow a community to get started with the introduction of direct services in a community and are substantially lower than the costs of a complete community. Over time, additional costs that are regional and city wide in nature need to be covered by all communities in the city, to the extent that property tax covers operating costs. As these new communities build out, a cost model will need to be developed to accurately forecast the full cost attributed to any one community. Costs and revenues are in 2018 dollars and assume no inflation or tax increases.

As was identified in the New Community Growth Strategy report (PFC2018-0200), a new community will generate property tax revenue as it builds out. The total property tax affords all City services, including those directly in the community, regionally, and centralized. To understand what proportion of property tax is for services delivered directly in communities, Administration considered the costs associated with services delivered community by community and those services that are delivered on a regional basis. It has been determined that 30 per cent of tax revenue is attributable to provide service on a regional and centralized basis (e.g., 311 operators and libraries), meaning 70 per cent of revenue is attributable to individual community services (e.g., Calgary Transit).

It should be noted that the calculation of direct incremental costs is different and much lower from the calculation of community based costs. For example, it has been determined that Calgary Transit provides services community by community. Therefore, all Calgary Transit costs are included in the 70 per cent allocation. For direct, incremental costs purposes, however, only the costs of additional transit routes are considered, and not the balance of all costs within Calgary Transit, such as costs to support the bus storage and maintenance facilities and the fare processing centre. This means that the direct incremental costs are much less than the 70 per cent calculation.

The direct incremental impact of development in 2019 and 2020 is expected to be nominal. As the communities develop, operating costs increase with the introduction of new services such as transit and future fire stations.

Table 2: Estimated Operating Budget Impact for Recommended Communities[1]

Operating ($000s)	**One Calgary (2019-2022)** 2019	2020	2021	2022	**Total 2019-2022**
Direct Incremental Operating Cost	0	0	3,499	4,315	7,814
Community-based Revenue Share	0	0	2,568	3,816	6,384
Revenue (Shortfall)	**0**	**0**	**(932)**	**(498)**	**(1,430)**

Revenue and operating costs are dependent on the timing of development, but do not always proceed together. In years where operating expenses exceed revenues, portions

[1] All costs are estimates, in 2018 dollars, and do not include inflation or property tax increases. Operating estimates for the approved portfolio will be refined through the One Calgary (2019-2022) budget process.

New Community Growth Strategy: Investment Recommendations

As discussed in previous reports on new community growth, City operating commitments tend to accelerate in years four through eight after a new community is initiated.

Developed area/greenfield area population growth split
The increase in the level of City commitment and investment in new communities may contribute to greater population growth in Developing Areas as defined in the MDP, and a shift in market share towards the Developing Areas versus the Developed Area, which may work against the policy and growth objectives in Part 5 of the MDP. However, lower levels of investment in new communities without matching increases in redevelopment may contribute to private capital leaving the city, a loss of construction jobs, and a greater share of population locating outside The City's boundaries within the region.

To mitigate this risk, Administration will bring forward a scoping report in 2018 Q3 to Council that is expected to be the first of several reports addressing necessary inputs and desired goals for an Established Area Growth Strategy that would inspire growth in these areas and complement the New Community Growth Strategy. Furthermore, it is important that this Strategy include a funding focus to ensure that City investments are supporting established areas growth as well.

Timing of Growth Management Overlay removal
The business cases endorsed through this work will require City funding for capital and direct incremental operating costs to begin development. The mechanism to fund these investments is Council approval of The City's four year business plan and budget One Calgary (2019-2022). Growth Management Overlays exist in the Area Structure Plans to highlight where infrastructure and services are currently unfunded.

To mitigate the risk of Overlays being removed and land use being approved without Council approved funding for required investments, this report recommends bringing forward ASP amendments to remove Overlays as soon as possible following approval of the One Calgary budget to preserve Council flexibility for the budget approval purposes, and to link approval of funding to land use approval.

General risk of adding new communities to the recommended communities
Each business case was developed exclusive of the others, therefore, the absorption assumptions in one business case may not consider competition for absorption from other endorsed business case. The more business cases that are endorsed, the more competition that will exist for finite market share, raising the possibility of slower individual business case absorption pace. Also in this case, City operating costs may be initiated, but if expected absorption pace is not realized, operating deficits may occur. Finally, The City's capacity to manage the design, construction, delivery and staffing of capital and operating investments during the 2019-2022 period will become stretched with the addition of more communities and associated investments.