

Calgary



**New Community Growth Strategy
2018 – Further Review and Analysis
Directed through PFC2018-0678**

C2018-0900 (PFC2018-0678)

**Combined Meeting of
Council**

2018 July 30

ISC: Unrestricted





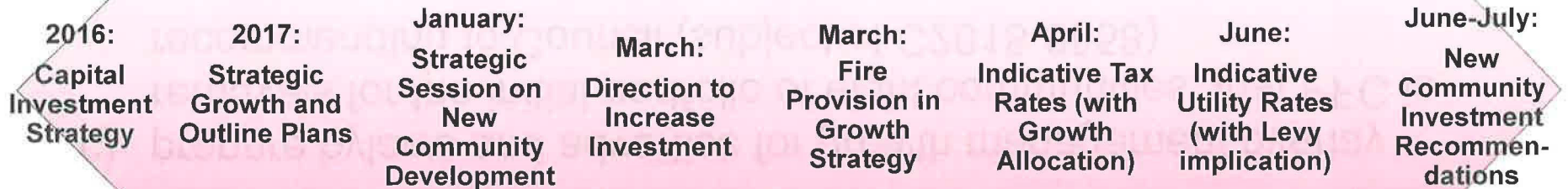
Presentation Outline

1. Introduction and Background
2. Cost Refinement and Consultation - 1(a)
3. Applying the New Community Growth Framework – 1(b)
4. Revised New Community Growth 2018 recommendations for One Calgary 2019-2022
5. Further Considerations for Council
6. Risk Analysis
7. Next Steps
8. Administration Recommendation



New Community Growth Strategy 2018

2018 events leading to July 30 Council decisions



- At Mid Cycle of Action Plan Council approved a number of strategic infrastructure investments in industrial, established and new community areas

- PFC2017-0480
- Council approved a change to policy to allow Outline Plan submissions ahead of Overlay removals

- C2018-0122
- Council discussed encouraging new community development and associated funding considerations.

- PFC2018-0200
- Council direction to increase funding allocation for new community growth in the One Calgary 2019-2022 service plan and budget.

- PUD2018-0173
- Council direction to include a practical strategy to incrementally achieve the long term city-wide fire/emergency response policy for new communities

- C2018-0489
- Indicative property tax rate to enable new community growth is set by Council.

- C2018-0787
- Indicative water utility rate to enable new community growth set by Council.
- Direction to amend off-site levy bylaw to incorporate utility infrastructure to support new communities.

- PFC2018-0678; C2018-0900
- Refine the budget impacts for all business cases
- Determine if any additional communities that meet the strategic alignment and market demand criteria, can be accommodated within the indicative tax rate range.



Purpose of this report

On June 28, PFC directed Administration to:

- 1 a) continue to work with proponents to refine operating and capital costs for all 16 communities
- b) determine if any communities, in addition to the eight recommended, align to the MDP/CTP, meet market demand criteria and fit within the indicative property tax and utility rates, and bring recommendations to Council
- c) prepare bylaws and advertise for growth management overlay removals for the initial portfolio of eight communities, that PFC is recommending to Council (subject of C2018-0858)



PFC Recommendation to Council

On June 28, PFC recommended that Council:

2. Approve, as part of One Calgary 2019-2022 four year service plan and budget:

- a property tax rate increase of up to 0.75% in 2019, and
- a water utility rate increase of up to 0.5% per year

And, confirm Council's intention to provide future years' capital and operating budgets for 2023+ to fund necessary infrastructure and services for these new communities.

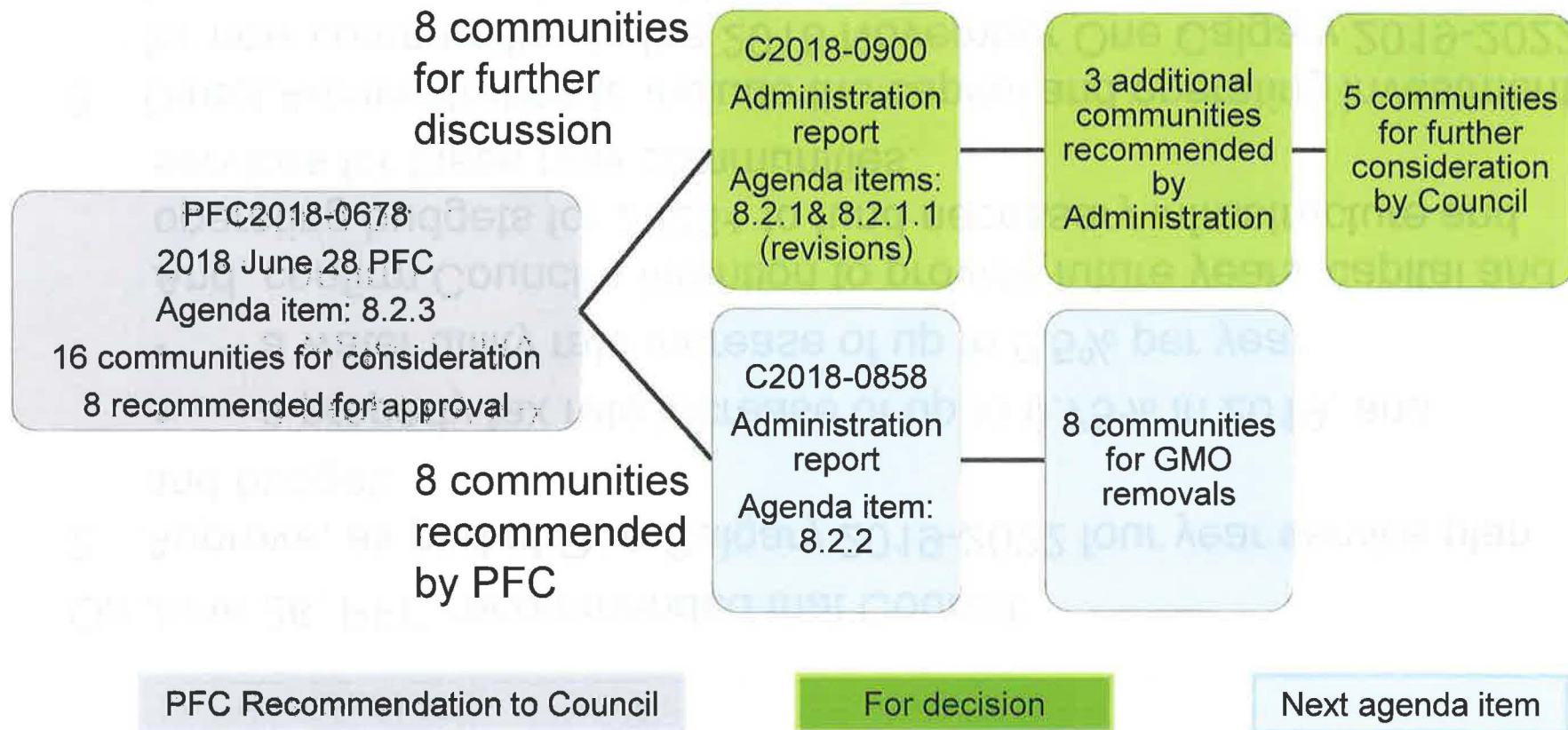
3. Direct Administration to include the capital and operating investments for new communities in the 2018 November One Calgary 2019-2022 four year service plan and budget, and continue to refine the 2023+ cost estimates and bring incremental budget requests to Council when needed

6. Direct Administration to bring the next recommendations for new communities by no later than 2020 March



New Community Growth Strategy 2018

2018 July 30 Council reports for consideration



Note: 8.2.4 not on today's Agenda, deferred to 2018 September 10 Council Public Hearing



Cost Refinement and Consultation – 1(a)

Costs assumptions were reviewed for all 16 communities with the proponents.

The results were compiled and published in Attachment 1 of C2018-0900.

Total Cost:

- Timing change (deferral from 2019-2022 to 2023+): (\$100 million)
- Change in infrastructure type: (\$23 million)
- Capital contingency removal: (\$84 million)
- Cost estimate change: \$6 million



Cost Refinement and Consultation – 1(a)

For the June 28 PFC Recommended Portfolio of eight communities, the following cost changes were made:

City-funded portion only (property tax impact):

- Capital cost changes: (\$3.5 million)
- Capital contingency removal: (\$9 million)
- Construction inflation: \$1.5 million

These changes resulted in the original property tax impact of **0.65%** for 2019-2022 to be reduced to **0.48%** for 2019-2022.



A Strategic Decision Framework - 1(b)

Administration applied the same strategic framework to PFC’s June 28 direction to determine if any communities, in addition to the eight PFC recommended on June 28, can be accommodated within the approved indicative tax rate range.



MDP/CTP Alignment

Market Demand

Financial Capacity



Revised Recommended Portfolio

ASP Area	Developer(s)	City Sector	# of Communities
Belvedere – West Belvedere	Tristar/ Truman/ Lansdowne/ Minto/ Others	East	1
Rangeview	Brookfield/ Genstar/ Section23/ Others	Southeast	2
Providence	Dream/Qualico	South	1
Haskayne	Brookfield/ Marquis	Northwest	1
Glacier Ridge	Ronmor/ Wenzel	North	2
Glacier Ridge – Symons Valley Ranch	Capexco Inc.	North	1*
<i>June 28 Recommended Portfolio</i>			Sub-total: 8
Keystone Hills – SE Keystone	Melcor/ Genstar/ Pacific	Northeast	2
East Stoney	Pacific	East	1
<i>July 30 Administration Recommendations for Additions</i>			Sub-total: 3
<i>July 30 Revised Recommended Portfolio</i>			Total: 11
Glacier Ridge	Qualico	North	1
Belvedere– Twin Hills	OpenGate	East	1
South Shepard	Hopewell/ Melcor	Southeast	1
Nose Creek	QuadReal	Northeast	2
<i>Further Considerations</i>			Sub-total: 5
<i>All Communities submitted through Business Cases (Recommended and Not Recommended)</i>			Total: 16

*Community Activity Centre



Revised Recommended Portfolio



July 30 Administration recommendations for additions

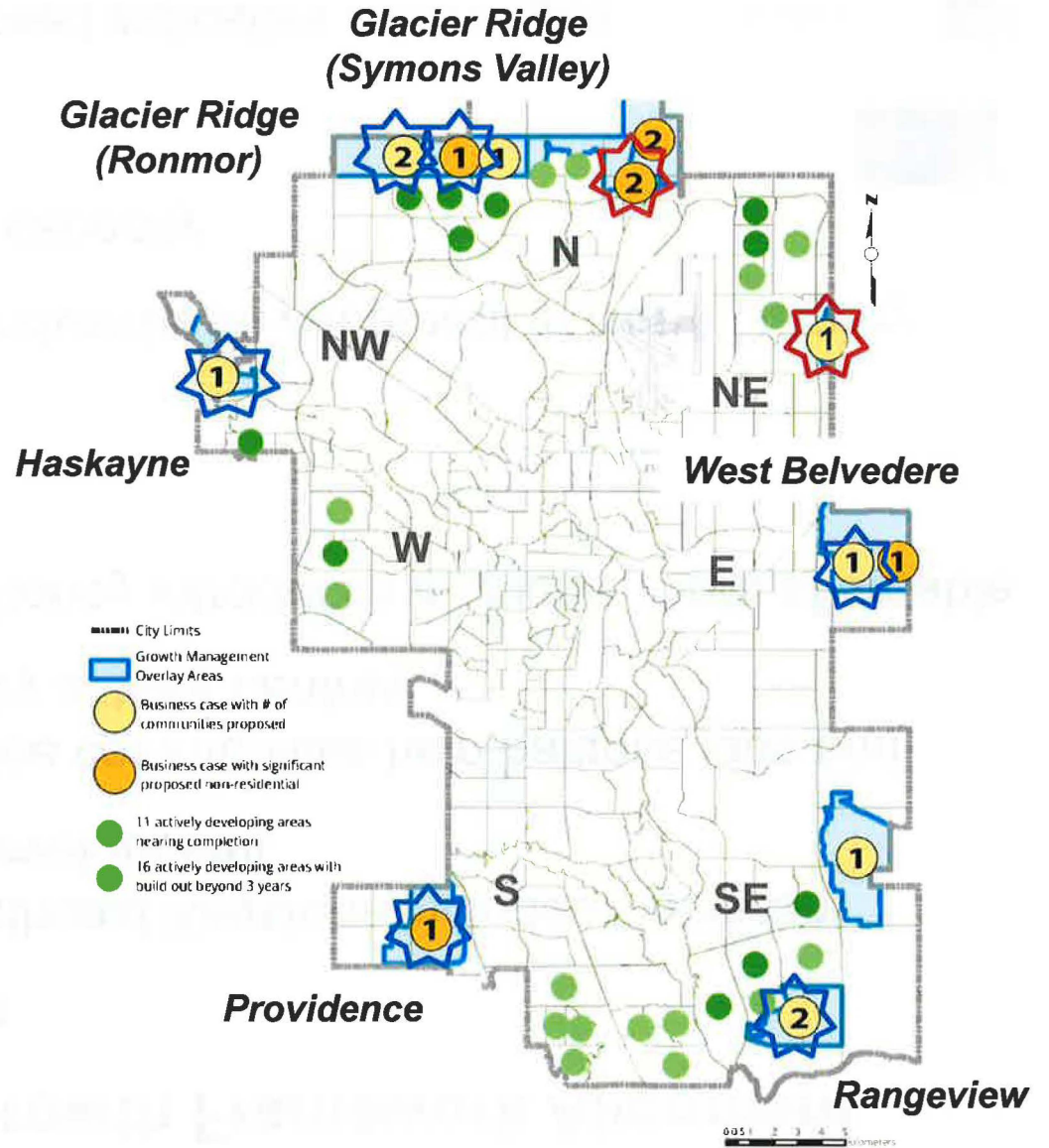
- **3 new communities**



June 28 PFC recommended portfolio

- **8 community areas**

- **Total: 11 community areas across the city**





Strategic Growth Framework Alignment

MDP/CTP Alignment Benefits

- **Prosperous Economy** Southeast Keystone includes significant commercial and industrial development
- **Connecting the City** All three communities help balance jobs and housing by leveraging nearby activity centres
- **Great Communities** East Stoney introduces a unique, more affordable housing offering

Market Demand Benefits

- Additional commercial and industrial development in North Calgary
- Northeast sector residential capacity

Financial Capacity/Benefits

- Stays within Council's approved indicative rate ranges
- Utilizes innovative transportation solution in East Stoney





Suburban single residential supply and demand projection summary

(Based on July 30 eleven community revised portfolio)

For Single/ Semi Detached Residential	2019-2022	2023-2026	2027+
Serviced Capacity – Start of Period	14,694	18,864	18,587
<i>Years of Serviced Supply – Start of Period</i>	<i>4.2 years</i>	<i>4.4 years</i>	<i>4.3 years</i>
Forecasted Demand – Entire Period	(13,901)	(17,120)	(17,000)
Additional Available Capacity from Actively Developing Communities	16,321	0	0
Serviced Capacity – Before New Community Growth Strategy 2018	17,114	1,744	1,587
Additional Available Capacity from New Community Growth Strategy 2018	1,750	16,843	<i>To be determined by 2020, 2022, 2024, 2026 NCGS</i>
Total Serviced Capacity – End of Period	18,864	18,587	<i>To be determined by future demand</i>
<i>Years of Serviced Supply – End of Period</i>	<i>4.4 years</i>	<i>4.3 years</i>	<i>To be determined by future demand</i>



Cost Estimates for Recommended Addition of Three Communities

(\$millions)	# of Communities	Direct Incremental Operating Costs ^{1,2}					Final Year of Build Out
		One Calgary (2019-2022)					
		2019	2020	2021	2022	As at 2022	
Direct Incremental Costs (3 New Communities)	3	\$0	\$0	\$0.03	\$0.04	\$0.07	\$6
Revenue Share		\$0	\$0	\$0	\$0	\$0	

(\$millions)	Capital Costs ¹				Total	One Calgary (2019-2022) Tax Impact
	One Calgary (2019-2022)		2023+			
	City Share	Developer Share	City Share	Developer Share		
Capital Costs (Revised Portfolio)	\$11	\$27	\$9	\$13	\$60	0.19%

¹All costs in 2018 dollars, construction inflation and operating contingency added at portfolio level

²Only includes direct incremental costs for the initiation of a new community. Does not include all the costs required for full build-out or ongoing operation of a community.



Cost Estimates for Recommended Revised Portfolio of Eleven Communities

(\$millions)	# of Communities	Direct Incremental Operating Costs ^{1,2}					Final Year of Build Out
		One Calgary (2019-2022)					
		2019	2020	2021	2022	As at 2022	
Direct Incremental Costs (Revised Portfolio)	11	\$0	\$0	\$4	\$1	\$5	\$62
Revenue Share		\$0	\$0	\$3	\$1	\$4	\$73
Operating Gain (Shortfall)		\$0	\$0	(\$1)	\$0	(\$1)	\$11

(\$millions)	Capital Costs ¹					One Calgary (2019-2022) Tax Impact
	One Calgary (2019-2022)		2023+		Total	
	City Share	Developer Share	City Share	Developer Share		
Capital Costs (Revised Portfolio)	\$46	\$185	\$68	\$213	\$512	0.67%

¹All costs in 2018 dollars, construction inflation and operating contingency added at portfolio level

²Only includes direct incremental costs for the initiation of a new community. Does not include all the costs required for full build-out or ongoing operation of a community.



2019-2022 Tax Rate Implication Estimates for Recommended Revised Portfolio of Eleven Communities

Recommended Communities	# of Communities	Tax Rate Impact
June 28 PFC recommended portfolio	8	0.48%
July 30 Administration recommendations for additions (responding to June 28 PFC direction)	3	0.19%*
Subtotal	11	0.67%

- Revised portfolio of eleven communities remains under the Council approved Water Utility indicative rate of up to 0.5%.
- *This property tax rate impact assumes a proportional cost share with developers using off-site levies; therefore, the proposed overpass at 80th AV NE, over Stoney Trail requires a proposed amendment to the 2016 Off-site Levy Bylaw (2M2016) to include this infrastructure.



Further Considerations

Property Tax Scenario published in C2018-0900	# of Communities	Tax Rate Impact
Glacier Ridge (Qualico)	1	0.01%
South Shepard (Hopewell/Melcor)	1	0.13%
Belvedere (OpenGate)	1	0.33% ¹
Nose Creek (QuadReal)	2	0.41%
Total	5	0.88%

Scenario with Belvedere transportation assumption incorporated	# of Communities	Tax Rate Impact
Glacier Ridge (Qualico)	1	0.01%
South Shepard (Hopewell/Melcor)	1	0.13%
Belvedere (OpenGate)	1	0.01% ²
Nose Creek (QuadReal)	2	0.41%
Total	5	0.56%

¹A revised proposal was submitted by the proponent on 2018 July 23. This rate is based on the 2018 May submission.

² This rate is based on the revised proposal submitted by the proponent for Belvedere (OpenGate) on 2018 July 23.



Risk Analysis

Factors	June 28 PFC recommended portfolio (8 communities)	July 30 Administration recommendation (additional 3 communities) All risks in previous column plus	Further considerations (5 communities) All risks in previous column plus
MDP/CTP Alignment	<ul style="list-style-type: none"> Risk of not meeting developed / developing areas growth split in MDP 	<ul style="list-style-type: none"> Success of employment/commercial development will require significant development in nearby residential communities Small residential areas may be challenged to provide local services and complete communities 	<ul style="list-style-type: none"> Enhanced risk of not meeting developed / developing areas growth split in MDP Challenges for connectivity and contiguous growth in some areas Providing complete communities will take longer
Market Demand	<ul style="list-style-type: none"> Continues to add multi-residential capacity to a market that is currently oversupplied 	<ul style="list-style-type: none"> Increasing number of communities may result in dispersed absorption Potential for oversupply in single/semi residential market in addition to multi residential 	<ul style="list-style-type: none"> Further oversupply in single/semi, multi residential, suburban office, and industrial
Financial Capacity	<ul style="list-style-type: none"> Off-site levies cash flow risk if City builds infrastructure, but levies do not materialize in a timely manner Potential to increase debt 	<ul style="list-style-type: none"> Additional operating cost pressure in 2023+ Assumption of no additional revenue in 2019-2022 Less efficient servicing due to increased costs, possibly without tax base to cover costs Pressure to begin City services in several communities at once 	<ul style="list-style-type: none"> Enhanced risk on additional operating costs with no additional revenue Capacity constraints of City to deliver capital and services by 2022; managing associated developer expectations Availability of off-site levies as an immediate funding source

Concluding the New Community Growth Strategy 2018

- 2018 July 30: growth management overlay removals for eight June 28 PFC recommended communities
- 2018 September 10: growth management overlay removals for Council July 30 additional community inclusions
- 2018 November: off-site levy bylaw amendments to provide for infrastructure funding gap
- 2018 November: confirm operating and capital budgets, and funding in One Calgary (2019-2022) Service Plan and Budget in 2018 November (follows through on June 28 PFC recommendations 2 (a) and (b), and 3(a))
- 2019 Q4: New Community Growth Strategy 2018 monitoring report
- 2022 November: Inclusion of required 2023-2026 operating and capital budgets (follows through on 2018 June 28 PFC recommendations 2(c) and 3(b))



Next Steps

Improving New Community Growth Strategy

- 2018 Q3 – 2019 Q1: Debrief and third party review of New Community Growth Strategy 2018 process
- 2018 November: One Calgary resourcing request for broader growth strategy work
- 2019 Q4: New Community Growth Strategy 2018 Monitoring Report, including recommended improvements to process
- 2020 March: Identify any new capital and operating options including those outside current policy constraints

New Community Growth Strategy 2020

- 2018 December – process dates and timing communicated to development industry
- 2020 March – Council decisions ahead of One Calgary mid-cycle review (follows through on June 28 PFC recommendation 6)
- 2018 Q3 – 2020: Alignment of New Community Growth Strategy 2018 with the Established Areas Growth and Change Strategy



Purpose of this report

On June 28, PFC directed Administration to:

- 1 a) continue to work with proponents to refine operating and capital costs for all 16 communities
 - *Administration worked with proponents to understand concerns, completed analysis and refined operating and capital costs and timing of service introduction.*
- b) determine if any communities, in addition to the eight recommended, align to the MDP/CTP, meet market demand criteria and fit within the indicative property tax and utility rates, and bring recommendations to Council
 - *Administration evaluated remaining communities using the New Community Growth Strategic framework and is recommending three additional communities for 2019-2022.*

Administration is also recommending that Council file recommendations 2, 3 and 6 (PFC2018-0678) so that this report (C2018-0900) contains the full Council directions for the New Community Growth Strategy 2018.



Administration Recommendation:

Administration recommends that Council:

1. For the eleven communities identified in Attachment 4 (C2018-0900):
 - a) approve, as part of One Calgary 2019-2022 four year service plan and budget, a property tax rate increase of up to 0.75% in 2019 to fund the capital and direct incremental operating budgets necessary to support development of these communities;
 - b) approve, as part of One Calgary 2019-2022 four year service plan and budget, a water utility rate increase of up to 0.5% per year to fund the specific capital budget necessary to support development of these communities; and
 - c) confirm its intention to provide, through 2023 and future years' capital and operating budgets, the necessary public infrastructure and services to serve and support these communities.

Administration Recommendation:

2. For the eleven communities identified in Attachment 4 (C2018-0900), direct Administration to:
 - a) Include the estimated capital and direct incremental operating investments, 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) Continue to refine the 2023 and future years' capital and operating budget estimates, and when needed, bring incremental additional budget requests to Council for the necessary public infrastructure and services to serve and support these communities;
 - c) Prepare bylaws and advertise for proposed Area Structure Plan amendments to remove Growth Management Overlays for East Stoney and Southeast Keystone business case areas, for a public hearing of Council, and bring these amendments directly to the 2018 September 10 Combined Meeting of Council for a public hearing;



Administration Recommendation:

- d) Direct Administration, in consultation with stakeholders, to incorporate the proportionate share of the cost of off-site transportation infrastructure and any additional off-site utilities infrastructure attributable to new growth that provides servicing to new communities into the off-site levy rates, through a proposed amendment to the Off-site Levy Bylaw 2M2016, and report back to the Priorities and Finance Committee by no later than 2018 Q4.
3. 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.
4. File Recommendations 2, 3 and 6 of PFC2018-0678.



July 30 Outcomes Sought

Council decisions regarding:

C2018-0900:

1. Further growth areas, in addition to the eight recommended by June 28 PFC.
2. City operating and capital 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

C2018-0858:

4. Growth management overlay removals for the eight communities and community areas recommended by June 28 PFC.

