

Planning & Development Report to
Priorities and Finance Committee
2018 November 06

ISC: UNRESTRICTED
PFC2018-1180
Revised

Actively Developing Communities in Keystone Hills Area Structure Plan – Growth Management Overlay Removal

EXECUTIVE SUMMARY

The purpose of this report is to amend the Keystone Hills Area Structure Plan to remove a portion of the Growth Management Overlay to allow for the continued development of the actively developing communities of Livingston and Carrington in the north central part of Calgary. Currently, the Keystone Hills Area Structure Plan contains a partial Growth Management Overlay, indicating additional capital and operating investments are required to facilitate development. A number of these required investments are expected to be included in the One Calgary 2019-2022 Service Plans and Budgets. The funding sources are anticipated to be off-site levies and the indicative tax rate for actively developing communities. Approval of these investments and the associated partial removal of the Growth Management Overlay would help facilitate further development in the Keystone Hills Area Structure Plan.

This report is being brought forward ahead of One Calgary 2019-2022 budget approvals in 2018 November in order to obtain direction to advertise the proposed bylaw for the first Public Hearing after budget approvals, which will save time and provide certainty for developers. The recommendation reflects the direction that Council gave with their approval of an indicative tax rate in 2018 April to support the required investments and funding sources through The City's budgeting process to continue the build out of Carrington and Livingston.

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ADMINISTRATION RECOMMENDATION:

The Priorities and Finance Committee recommends that Council:

1. Hold a public hearing on the proposed Bylaw amendment as outlined in Attachment 1; and
2. Give three readings of the proposed Bylaw amendment to the Keystone Hills Area Structure Plan in Attachment 1.

RECOMMENDATION OF THE SPC on PRIORITIES AND FINANCE, DATED 2018 NOVEMBER 06:

1. Direct this report (PFC2018-1180) to the December 10 Regular Public Hearing Meeting of Council to the Public Hearing portion of the Agenda to accommodate the required advertising;
2. Recommend that Council:
 - a. Hold a public hearing on the proposed bylaw amendment as outlined in Attachment 1; and
 - b. Give three readings of the proposed Bylaw **93P2018** amendment to the Keystone Hills Area Structure Plan in Attachment 1.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2018 September 11, Council approved an amendment to the Keystone Hills Area Structure Plan (ASP) to remove a portion of the Growth Management Overlay for the Southeast Keystone business case.

On 2018 July 23, Council approved an amendment to the conditions on the Growth Management Overlay map in the Keystone Hills Area Structure Plan to increase the transportation capacity.

On 2018 April 25, Council approved the 2019-2022 indicative tax rates as part of the One Calgary: Setting Indicative Rates for 2019-2022 report (C2018-0489). This included a 1.4 per cent base impact in 2019 and 0.4 per cent in 2020-2022 for actively developing communities.

BACKGROUND

The Keystone Hills Area Structure Plan (ASP), approved by Council in 2012, covers approximately 1,080 hectares of land located in the north part of the city, bounded by Stoney Trail N to the south, 14 Street NW to the west, 160 Avenue N to the north, and 15 Street NE to the east (Attachment 2). The future Green Line LRT is anticipated to extend along Centre Street N across Stoney Trail N to 160 Avenue N, with a station located at about 144 Avenue N and 160 Avenue N. The Keystone Hills ASP, at completion, is expected to accommodate approximately 60,000 residents and employ about 18,000 people in three complete communities and one industrial/employment area. The ASP also envisions a future Major

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Activity Centre and Urban Corridor at 144 Avenue N and Centre Street N and along Centre Street N, respectively.

There are currently 27 actively developing communities with land use approval in Calgary. These communities have obtained required approvals and have connections to City services and infrastructure and have commenced residential construction. In most cases the required utilities, transportation and fire investments have already been made and development is proceeding. Examples include Sage Hill and Cranston. In some cases, the communities are partially serviced with these investments, and further investment is required to support full build out.

Carrington and Livingston in the Keystone Hills ASP are two examples of this second case of actively developing communities. These two communities began development in 2015. Five outline plans with associated land use amendments have been approved by Calgary Planning Commission and Council respectively to date. That includes Livingston stages 1a, 1b and 2a (Brookfield), as well as two Carrington stages (Mattamy, Genstar and H3 Developments). The approved land uses in the area are anticipated to allow for approximately 6,900 units. Development continues to be approved in the communities of Livingston and Carrington. According to the 2018 Civic Census, the population of Carrington is 321 occupying 97 dwellings and the population of Livingston is 704 occupying 245 dwellings. To support the existing development, developers have invested in local infrastructure such as utilities, roads and parks. The City has also invested in water, sanitary, and storm utilities, and the Stoney Trail/14 Street NW interchange ramps.

Council's adoption of the Keystone Hills ASP in 2012 July, Bylaw 15P2012, included a Growth Management Overlay (Overlay) which extended over the entire Keystone Hills Plan Area.

At the 2015 July 27 Regular meeting of Council, Council decided to facilitate advancement of infrastructure ahead of planned capital budget expenditures in the Keystone Hills area through the approval of several borrowing bylaws, budget adjustments and Construction Financing Agreements (C2015-0526). Under these Construction Finance Agreements, water, sanitary and storm servicing investments were initiated in East and West Keystone Hills. Council was then able to approve Bylaw 7P2015 which lifted the Growth Management Overlay from a portion of the Keystone Hills ASP area and allowed for the development and construction within the newly created communities of Carrington and Livingston. The Growth Management Overlay Removal Area was approved subject to the following three conditions at the time:

1. *"The required transportation upgrades are not funded at this time. A 1400 single-family equivalent unit capacity constraint is in place for the entire Keystone Hills ASP."*
2. *"The required fire station is not funded at this time. Portions of the Growth Management Overlay Removal Area are beyond the Alberta Building Code 10-minute fire response area therefore development will be limited."*
3. *"If the 144th Ave NW road alignment is revised, the Growth Management Overlay Removal Area boundary adjacent to 144th Ave NW will match the revised alignment."*

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The Growth Management Overlay in the ASP has been amended twice since. First, in 2018 July through Bylaw 50P2018, the transportation capacity was increased to 3,300 single-residential equivalent units because the area developers agreed to construct additional infrastructure at their cost. At the same time, conditions 2 and 3 were removed since they had been previously satisfied. Second, in 2018 September through Bylaw 68P2018, the Growth Management Overlay Map was amended to remove the Growth Management Overlay for the Southeast Keystone Business Case area as a result of the New Community Growth Strategy 2018 approvals in 2018 July (report C2018-0900). The current Growth Management Overlay Map can be found in Attachment 3.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The remaining City funded infrastructure for transportation and fire required for the communities of Carrington and Livingston is expected to be included in the One Calgary 2019-2022 budget cycle. As a result, the developers submitted a request to remove the Overlay to align with the anticipated One Calgary 2019-2022 Service Plans and Budgets.

Administration reviewed the request against the three factors used as a basis for making growth related planning recommendations, most recently applied through the New Community Growth Strategy 2018. These factors are Municipal Development Plan/Calgary Transportation Plan (MDP/CTP) Alignment, Market Forces, and City Financial Capacity.

MDP/CTP Alignment

Over the next couple of years, Carrington and Livingston will be the only actively developing communities in the middle of build-out in the North sector. Other actively developing communities in the North sector are in the last phases of development and the new communities approved in the New Community Growth Strategy 2018, in Glacier Ridge and SE Keystone, will take time to obtain approvals and service the land.

The proposed Growth Management Overlay removal is in alignment with the policies of the MDP and the Keystone Hills ASP. Specifically, the Overlay removal area aligns with policy 5.1(1a) of the ASP which states the Overlay should only be removed when it is determined that issues regarding the coordination of municipally-financed infrastructure and services with the rate of growth have suitably been resolved. The Overlay removal also aligns with policy 2.1.4a of the MDP, which speaks to the optimization of existing infrastructure and services. Finally, there is alignment with MDP policy 5.2.5b(ii), which calls for The City to expedite the completion of communities in Planning Greenfield Areas ahead of supporting the development of Future Greenfield Areas. With the anticipated investments in One Calgary 2019-2022 Service Plans and Budgets, the coordination of municipally-financed infrastructure and services with the rate of growth has been resolved and further optimization of existing utility and transportation infrastructure and services will be achieved to support these actively developing communities.

Market Forces

Should the investments be approved and the Overlay subsequently removed, growth capacity for an additional 3,782 single/semi residential units and 2,005 multi-residential units would become available. This builds upon the current capacity of 3,226 single/semi residential units

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and 8,365 multi-residential units in the North planning sector. The additional market capacity was included in the New Community Growth Strategy 2018 anticipating the inclusion of the investments in the One Calgary budget and is therefore not over and above what Council already contemplated through the New Community Growth Strategy 2018. If the Overlay is not able to be removed, there is a risk that Carrington will have to pause midway through the development program. The development capacity added through this amendment helps the return on investment for capital investments previously made and the necessary investments required in One Calgary 2019-2022 Service Plans and Budgets.

Financial Capacity

For the proposed Overlay removal area, all projected direct capital and operating costs for One Calgary will be funded through the indicative tax rate that was identified as part of the One Calgary: Setting Indicative Rates for 2019-2022 report (C2018-0489) that went forward on 2018 April 25. This included a 1.4 per cent base impact in 2019 and 0.4 per cent in 2020-2022 for Actively Developing Communities to be used for capital and operating costs.

Additional development in Carrington and Livingston is expected to provide approximately \$54.4 million in off-site levies calculated at proposed 2019 rates. The off-site levies provided would be used for utilities, transportation infrastructure, and community services within the greenfield area.

Furthermore, new development in the Overlay removal area will generate property taxes for The City, depending on market strength and the distribution of growth.

Infrastructure Summary

Below is a summary of anticipated investments in One Calgary 2019-2022 Service Plans and Budgets that would facilitate additional development in Keystone Hills:

Transportation Infrastructure

Additional development within the Overlay removal area above the current 3,300 unit capacity limit will require a transportation infrastructure investment of \$55 million in the One Calgary 2019-2022 budget, broken down as follows:

1. Construction of the interchange at Stoney Trail/14 Street NW – Estimated at \$30 million. This interchange is expected to be completed in 2022.
2. Upgrade of the interchange at Stoney Trail/Centre Street N – Estimated at \$20 million. This interchange is expected to be completed in 2022.
3. Ramps connecting Stoney Trail westbound to 11 Street northbound, and 11 Street southbound to Stoney Trail westbound – Estimated at \$5 million. These ramps are an initial phase of the full interchange at Stoney Trail/11 Street NE and expected to be completed in 2021.

All the transportation infrastructure projects are subject to approval by Alberta Transportation and the completion dates may vary as a result. Conditions of approval will be

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applied to individual subdivision applications, requiring the necessary transportation network improvements to service further development within the proposed transportation capacity increase.

The ultimate transportation improvements in the area will be funded through a combination of off-site levies and City funding. These improvements are included within the current Off-Site Levy Bylaw and a breakdown of funding is included in Attachment 4.

Fire Infrastructure and Servicing

A temporary fire hall and associated staffing is anticipated to be required in 2020 at an estimated cost of \$2 million for capital costs and \$3.4 million annually for operating costs. This would provide fire service for the Keystone Hills ASP until the permanent infrastructure is in place at a future date. Operating resources are expected to transfer to the permanent at this time as well.

This is funded through a combination of off-site levies and a portion of the indicative property tax for actively developing communities of 1.4 per cent in 2019 and 0.4 per cent per year in 2020-2022.

Utility Infrastructure

Current infrastructure for water, storm, and sanitary servicing is anticipated to be sufficient for the Overlay removal area. No additional capital infrastructure is required to provide water, storm and sanitary servicing to the Overlay removal area.

Rationale for the Recommendation

The proposed Overlay removal area aligns with strategic growth policies in the MDP and CTP, is responsive to market forces in the north part of the city and is supportable within The City's financial capacity. In addition to benefitting the Overlay removal area, the investments noted above are required for existing development in the actively developing communities of Carrington, Livingston and Evanston, and will benefit new communities in Glacier Ridge and Southeast Keystone, approved through the New Community Growth Strategy 2018.

This report is moving forward to the Priorities and Finance Committee ahead of One Calgary 2019-2022 proposed budget deliberations to facilitate advertising and allow for the ASP amendment to be heard by Council at the first Public Hearing following budget deliberations.

Should Council not approve the investments outlined in Attachment 4 and associated funding sources through the One Calgary approvals, there would be insufficient Council approvals in place for Administration to recommend that the Overlay could be removed, as the required infrastructure is necessary to allow the continued logical development of this area of the city and maintain level of service expectations.

Remaining Growth Management Overlay area in the Keystone Hills ASP

No analysis has been completed or business cases submitted for development in the remaining Overlay area, generally described as north of 144 Avenue NE and east of 6 St NE to the plan boundary. As defined in the New Community Growth Strategy 2018 report (C2018-0900) that

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went forward on 2018 July 30, land owners on the east side of the ASP with an Overlay remaining in place may submit a business case for new community growth and development approvals in coordination with the One Calgary 2019-2022 Service Plans and Budgets Mid-Cycle adjustment process. Based on information at this time, the northeast corner of the ASP will require the 144 Avenue NE sanitary trunk extension to service development and this infrastructure has not been included in the One Calgary 2019-2022 budget or the Off-site Levy Bylaw, and therefore there is no funding source for this infrastructure.

The business case process employed through the New Community Growth Strategy 2018 emphasized that MDP/CTP Alignment and Market Forces are important considerations in addition to the requirements for capital and operating investments; this is expected to be the case at the Mid Cycle review as well.

Stakeholder Engagement, Research and Communication

Administration has worked collaboratively with the developers and their consultants to identify the required infrastructure and servicing, and to understand the benefitting area of the infrastructure and servicing, in order to support additional development in the Keystone Hills ASP.

Administration reached out to the developers east of 6 Street NE and north of 144 Avenue NE where the Growth Management Overlay will remain. Administration explained the next round of new community investment would be considered in coordination with the One Calgary Mid-Cycle adjustment process in 2020. The developers in this area did not indicate any immediate plans to begin construction in this area.

Strategic Alignment

The recommendations in this report align with current expectations for the One Calgary 2019-2022 Service Plans and Budgets that is to be presented to Council in 2018 November. The Overlay removal aligns with Section 5.2.5 of the Municipal Development Plan (MDP) by considering the municipal capacity to finance growth and infrastructure in consideration of growth and change decisions. Allowing continued development in Livingston and Carrington also helps achieve the MDP goal of a prosperous economy through continued economic activity and job creation associated with new development.

Social, Environmental, Economic (External)

Social

The continuation of development in Carrington and Livingston will provide additional population to support the existing and planned amenities within the community and in the broader area of the city, including existing libraries and recreation centres, the future Green Line LRT line, the Keystone Hills Urban Corridor, Major Activity Centre and multiple school sites. The developer has noted that the Neighbourhood Activity Centre in the southwest part of the Overlay removal area will be able to succeed much more quickly with development continuing into this area.

Environmental

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Site-specific environmental considerations are part of outline plan and land use amendment application reviews.

Economic (External)

Further development within the Keystone Hills ASP allows the area developers to continue to invest in the residential and non-residential development. This, in turn, will help grow the tax base and help maintain the pace of private investment while leveraging City capital investment in this area.

Financial Capacity

Current and Future Operating Budget:

Operating costs associated with existing development in the communities of Carrington and Livingston has been included in the current operating budget. The projected directly incremental operating costs of \$5.6 million for additional development in Carrington and Livingston during 2019-2022 have been included in the One Calgary 2019-2022 Service Plans and Budgets. This would be offset by \$3.5 million of projected incremental tax revenue attributed to direct costs of the additional development, and the costs are also projected to have a wider benefit beyond the additional development. As development continues and the local infrastructure is assumed by The City, and as additional services come on line, increases to future operating budgets will be required.

Current and Future Capital Budget:

There is no impact to the current capital budget as a result of this report. The required capital investments of \$57 million to continue development in Carrington and Livingston have been included in the One Calgary 2019-2022 Service Plans and Budgets. These investments will be funded by The City and off-site levies. As development continues in the Keystone Hills ASP, future capital investment will be required by The City beyond 2022 of approximately \$40 million to support the build out of the Keystone Hills ASP. This additional infrastructure will also support additional development beyond the Keystone Hills ASP.

Risk Assessment

Timing of Growth Management Overlay removal and One Calgary approvals

As stated earlier in this report, this report is proceeding to the Priorities and Finance Committee ahead of One Calgary 2019-2022 proposed budget deliberations to allow for the ASP amendment to be heard by Council at the first Public Hearing following One Calgary budget deliberations. This means the Priorities and Finance Committee will be receiving this report ahead of One Calgary approvals, but Council will make the final decision on this report after One Calgary approvals.

Should Council not approve, or vary significantly, the investments outlined in Attachment 4 and associated funding sources through the One Calgary approvals, there would be insufficient Council approvals in place for Administration to recommend that the Overlay could be removed. Administration would instead recommend that Council file and abandon the bylaw, thereby leaving the Overlay in place for now. The required infrastructure is necessary to allow the continued logical development of this area of the city and maintain level of service expectations.

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Therefore, three readings of the proposed Overlay removal (ASP amendment) on 2018 December 10 will in part hinge upon Council's decisions at budget time.

Timing of development and infrastructure completion

Although infrastructure is expected to be funded and constructed during 2019-2022, the timing between infrastructure completion and subdivision completion may not align. This risk can be mitigated at the subdivision approval stage using application conditions or acceptance of a temporary lower level of service until infrastructure is completed and operational.

Delayed return on investment related to growth pace and dispersion

With the approval of the New Community Growth Strategy 2018 report (C2018-0900) that went forward on 2018 July 30, the addition of new communities to the North sector and citywide will increase the dispersion of growth and may slow development in Carrington and Livingston. Therefore, capital and operating investments may be required in more areas, while no additional tax revenue would potentially be received. This could create the potential for a slower than anticipated return on investment, cash flow shortfall to cover principal and interest charges, and potentially increased or inefficient operating costs.

REASON(S) FOR RECOMMENDATION(S):

Administration supports the proposed amendment to the Keystone Hills Area Structure Plan as the continued investment in infrastructure is expected to be included in the One Calgary 2019-2022 Service Plans and Budgets, and the proposed amendment is supported by an evaluation of MDP/CTP Alignment, Market Factors, and City Financial Capacity. The recommended amendment to the Keystone Hills ASP will allow for continued development of The City's actively developing communities.

ATTACHMENT(S)

1. Attachment 1 – Proposed **Bylaw 93P2018** Amendment to the Keystone Hills Area Structure Plan
2. Attachment 2 – Keystone Hills Area Structure Plan Location
3. Attachment 3 – Current Keystone Hills Growth Management Overlay Map
4. Attachment 4 – Capital and Operating Costs Expected to be Included in One Calgary 2019-2022