

**Planning & Development Report to
SPC on Planning and Urban Development
2019 May 01**

**ISC: UNRESTRICTED
PUD2019-0305**

Update Report on the Main Streets Investment Program and the Established Area Growth and Change Strategy, PUD2019-0305

EXECUTIVE SUMMARY

This report provides a progress update on the second portion of the citywide growth strategy, focused on established area and the Main Streets Investment Program as well, next steps are indicated for 2019 in anticipation of a 2020 March report proposing outcomes and recommendations of phase 1 of this work. The 179 completed residential communities of Calgary, 24 Main Street areas and approximately 70 potential transit-oriented development (TOD) locations are being considered as the Established Area Growth and Change Strategy (the Strategy) progresses (Attachment 1). These programs are meant to intentionally support strategic growth in existing communities of the city, as part of the implementation of long term policy goals. A joint update report allows for a common discussion about investment in existing communities through these programs.

The Strategy is part of the Comprehensive and City-Wide Growth Strategy work, alongside new community and industrial areas growth strategy work. The Strategy is intended to advance the vision of the Municipal Development Plan and Calgary Transportation Plan (MDP/CTP). The purpose of this work is to identify areas and proposed investments that can enable growth and boost investor confidence, attract private investment to partner with public investments in communities, and deliver great communities for existing and future residents. This report will discuss the steps to develop and implement a strategy to achieve these outcomes. In developing this Strategy, and building on the New Community Growth Strategy 2018, the three factors to support decision making are (1) alignment with long term MDP/CTP policy, (2) meeting existing market demand, and (3) consideration of financial impacts. An additional consideration acknowledged in existing communities is the concept of redevelopment readiness. Growth within existing communities of the city supports efficient use of land and services and provides current and future residents with nearby amenity and employment opportunities.

Progress updates on the Strategy and Main Streets programs are summarized in this report and outlined in greater detail in Attachment 2. The City is currently supporting redevelopment through several funded initiatives and continues to have a critical role in supporting infrastructure networks and public environment assets in existing communities. Two phases of work are outlined in this report. This work anticipates Phase 1 recommendations by 2020 March, and further definition and timing of Phase 2 of the Strategy. This timing would allow consideration of identified opportunities during the 2020 November mid-cycle budget discussions.

Acknowledging the changing context of this work and limitations to City financial resources and timing impacts related to staff resources since direction was given in 2018 Q3-Q4, this report provides the opportunity for a comprehensive discussion about support for growth and provides time for the incorporation of this discussion into project work.

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ADMINISTRATION RECOMMENDATION:

That the SPC on Planning and Urban Development recommend that Council:

Direct Administration to report by 2020 March to Council, through the Priorities and Finance Committee, with Phase 1 work elements, as identified in this report, and refinement of plans and timing for Phase 2 work.

PREVIOUS COUNCIL DIRECTION / POLICY

A full listing of previous Council direction can be found in Attachment 3. Recent and key Council directions have been provided here.

Direction Related to the Strategy

On 2018 September 24, Council approved the following recommendation:

That the Priorities and Finance Committee recommend that Council direct Administration to undertake the Established Area Growth and Change work in accordance with the scope identified in Attachment 1 (PFC2018-0891).

Attachment 1 of report PFC2018-0891 indicated an update report be provided to Priorities and Finance Committee by 2019 May and is included as Attachment 3 of this report.

Direction related to the Main Streets Investment Program

During the One Calgary (2019-2022) service plan and budget discussions in November 2018, with respect to Report C2018-1158 in relation to the Main Streets Investment Program, Council directed Administration to:

1. Develop a Main Streets Investment Program to implement strategic investments in growth areas within the developed areas, including proposed investment scenarios, These growth areas include, but are not limited to:
 - a) The 24 corridors identified as urban and neighbourhood corridors (now called Main Streets) in the MDP;
 - b) New corridors as identified through Developed Area Guidebook-supported Local Area Planning exercises;
 - c) Transit Oriented Development sites; and,
 - d) Other key growth areas identified within the MDP or through DAG-supported Local Area Planning.
2. Develop appropriately scaled, sustainable, & long-term funding mechanisms, and alternative funding options, providing for capital and operating funding as required. These mechanisms may include, but are not limited to:
 - a) Dedicated tax support;
 - b) Dedicated tax room from other orders of government;
 - c) Localized tax uplift capture; and
 - d) If there are any capital cost savings available as infrastructure projects in the New Community Growth Strategy and Actively Developing Communities - funded through the dedicated property tax increase of 0.75% in 2019 and 1.4/0.4/0.4/0.4% (2019-2022), respectively - draw to completion, Council

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consider redirecting those funds to the Main Streets Capital Program. These potential capital cost savings would be monitored and identified at project completion.

3. Provide an update report to Council, through the SPC on Planning and Urban Development, no later than Q2 2019, and in conjunction with the established area growth and change strategy update report.

Direction Related to Local Area Planning

On 2019 March 18, with respect to Report PUD2019-0128 (Chinook Station Area Redevelopment Plan Update), Council approved that the SPC on Planning and Urban Development:

2. Refer to Administration the directions from prior report PUD2018-1178, as follows:
 - b) Direction 4 to the work taking place on the Established Areas Growth and Change Strategy, for which the next update report is planned for 2019 May. Direction 4 stemming from Report PUD2018-1178 refers to “developing a funding strategy for public realm and deep utility improvements, leveraging the work on the New Communities Growth Strategy.”

On 2016 March 7, Council approved a Motion Arising, as follows:

With respect to Report CPC2016-045 Council, direct City Administration, in conjunction with further work on the Off-Site Levy Bylaw, to report back to Council on appropriate methods to enable public realm enhancements with respect to the Banff Trail Area Redevelopment Plan and North Hill Area Redevelopment Plan. Administration combined this work with the Industry/City Work Plan - Established Area Initiative.

BACKGROUND

In 2016, the Industry/City work plan initiative set the foundation for a collaborative working relationship between the building and development industry (“Industry”) and Administration, and this work evolved into the Comprehensive and City-wide Growth Strategy, of which this Strategy is the second stage. This strategy covers 179 existing and recently completed communities within the City (see Map 1 in Attachment 1). The Main Streets Program started in 2014, focusing on supporting 24 urban corridors in existing communities through planning, investment, and innovative solutions to a variety of issues, including parking management, heritage conservation, enhancement of local business and flexibility for retail and commercial areas to draw more people to main streets. The related TOD implementation strategy was directed in 2017 (PUD2017-0471) to support the vision of transit-centred neighbourhoods being discussed through Green Line planning and has since evolved to consider a city-wide approach for all TOD locations. These strategies each aim to advance the long-term goals of the MDP and CTP by supporting growth in priority areas and enhancing the vibrancy of existing communities and business areas. Administration is working together to understand how each piece of work influences and complements the other so that objectives are coordinated and leverage one another, including recent local area planning in Chinook, Banff Trail and Capitol Hill. Further details on the background and progress of these interconnected initiatives can be found in Attachment 2.

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Supporting Redevelopment in Calgary through Policy Initiatives and Investment

The City has a critical role to play in supporting public realm and infrastructure networks within existing communities experiencing growth. The City supports investment in redevelopment typically through the four-year service planning and budget cycle, and through the local area planning process. The Main Streets Investment Program and the Strategy are focused on the implementation of long-term growth-related policy goals by becoming more intentional and strategic in investment considerations. The Investigation section of this report and Attachment 4 outline current initiatives that support redevelopment through the aligned use of planning and financial tools. This includes current growth investment approaches, exploration of a utility cost-sharing model, review of bonus density tools, city-initiated land use changes, and a multi-community approach to streamlining the policy environment.

The City currently uses tools like bonus density programs and the Centre City Levy to direct private growth-related investment to public realm and utility improvements in existing communities; these funding sources nearly always required matching City-sourced funds to complete a project budget. This is unlike new communities, where developers comprehensively plan and build both public realm elements and infrastructure networks within communities. Further, The City supports existing infrastructure through ongoing investments in repair, maintenance, and lifecycle improvements; in new communities, once the infrastructure is built and passes a maintenance period, the assets become publicly-owned and require partnerships and City-led investment to sustain. This makes The City an important leader in sustaining and revitalizing public assets in existing communities.

In 2017 and 2018, Council approved growth-related funding in both established area and Main Streets. This includes improvements to deep utilities, public realm, pedestrian corridors, pathways, and local parks. Discussions with stakeholders and Council during the One Calgary 2019-2022 service plans and budgets highlighted the desire for focused streetscape and pedestrian realm investment to help support commercial/multi-residential Main Street areas. The Strategy work will complement the Main Streets program by recommending strategic action to activate TOD and incremental growth in other parts of the established area. Specific local area plans like Chinook and Banff Trail will be considered in the Strategy development and, if prioritized, opportunities for the application of financial and planning tools to support investment can be brought forward as part of the Phase 1 March 2020 recommendations or the future Phase 2 program of work.

A Changing Context for this Work

Since Council direction was provided for the Strategy and the Main Streets Investment Program in 2018 Q3-Q4 the context of this work has shifted in some critical ways. Project scope and pace are likely to continue to be refined as more certainty on City financial capacity is known and staff recruitment is conducted. A phased program approach helps Administration define and work towards realistic outcomes in a somewhat uncertain financial context.

Current Financial Environment. The 2019 – 2022 One Calgary service plans and budget focused on delivering essential services and projects with limited financial resources. The property tax rate increases approved for the four years was mainly to support growth for actively developing and new communities and to support maintaining service levels and specific enhancements as directed by Council. With the current financial environment and a focus on

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efficiencies, it is expected that any funding and financing tools to support this strategy in 2019 – 2022 will be through reallocation of existing funding and resources or through efficiencies and effectiveness strategies.

Timing of this work: To fully resource this Strategy as outlined in the 2019 September scoping report, additional resources and skills are required. Given the importance of this work, existing funding has been reallocated with no impact to current levels of service. Recruitment activities were put on hold pending the outcome of the 2019 property tax rate finalization. This has resulted in a delay in resourcing the Strategy of up to 6 months. To mitigate the impact of this delay a two-phased approach is being used to deliver on the Strategy outcomes over time. This approach is being implemented to provide mid-cycle recommendations for Council's consideration while identifying future work that will be required to deliver a full Strategy for consideration as part of the 2023-2026 service plans and budget.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

This report provides high-level information about the redevelopment market in Calgary (section 1), outlines options for proceeding (section 2), the factors being considered in this strategic work (sections 3 through 6), including progress updates since direction was received in 2018 Q3-Q4 (in section 6). Section 7 outlines anticipated next steps of Phase 1 work through 2019 and into a March 2020 report, and also expectations for a future Phase 2 of this work program.

1. The Case for Redevelopment

The fundamental factors of the New Community Growth Strategy 2018 work (MDP and CTP alignment, market demand, and financial impact) set a context for making decisions that would enable the amount and location of growth. Further to these three factors, incorporating the concept of redevelopment readiness recognizes the key considerations to enhance vibrancy and activity in existing areas. These factors support a “why, when, where, what, and how” approach to the Strategy program and has informed the program principles and governance structure.

Growth through redevelopment provides many city-wide benefits and is an important element of city building. This includes helping achieve the long-term goals of the MDP and CTP, such as developing a more compact urban form and great communities. Growth through redevelopment supports citizen priorities outlined in One Calgary business plans and budgets, including A Prosperous City, and A City of Safe & Inspiring Neighbourhoods, and supports the outcomes of the Climate Resiliency Strategy (Mitigation Action 5.6 of enabling TOD along LRT lines) and the focus areas of the Resilience Strategy (Economic, Infrastructure, and Environmental). Redevelopment supports the financial resilience of The City through increased property tax revenue from a more diversified assessment base. It also leverages existing assets and investments to their fullest potential. This type of city growth and redevelopment fosters local placemaking within the community and supports existing business and employment areas. A vibrant public realm draws market interest in housing, retail, and commercial, and related local amenities.

Enhancing activity and vibrancy in existing communities relies on population thresholds, market interest in housing and commercial spaces, and can result in economies of scale and enhanced

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network effects. Growth in existing communities supports city resilience in an environmental, financial, and social way.

2. Options for Proceeding

Administration has identified three options for enabling strategic growth in established communities through this work.

- 1) **Current approach:** As outlined in Attachment 4, The City is supporting redevelopment through policy initiatives, and through investment within the One Calgary four-year service plans and budget. Recently, Infrastructure Calgary and the One Calgary team have improved the cross-corporate alignment to capital prioritization that has included a growth component. The City is also improving how it coordinates capital projects so that construction that may serve multiple purposes can be done at the same time to minimize community and business disruption. In this way, incremental improvements to growth-related investment are being made. Council could continue to use the four-year service planning and budget cycle to identify and approve investments.
- 2) **Intentional, outcome driven, two-phase approach:** This work can be done in a phased approach, with short term recommendations (Phase 1, 2020 March) aligned with mid-cycle budget adjustment, and longer-term (Phase 2, 2020+) work of building a systematic and comprehensive approach to support city-wide growth that includes both Main Street corridors and TOD locations. This option is consistent with the framework of the Comprehensive City-Wide Growth Strategy work that includes new, established, and industrial communities, and their respective market influences. The New Community Growth Strategy, this Strategy, and the Main Streets Program advance the implementation of long term planning goals, by applying a growth-related lens to make investment recommendations in strategic, prioritized areas, reconsidering how funding and financing tools are used to support growth through redevelopment, and collaborating with communities and Industry to propose strategic planning and budget recommendations for Council's consideration. This system also considers how planning and policy tools can be applied to further support growth through redevelopment. This approach will take time to build and is therefore proposed in a phased approach. Two phases, as outlined in Sections 7.2 (Phase 1) and 7.3 (Phase 2), are recommended because of project timing to match the City's four-year service planning and budget process, a changing context for this work, and the desire to demonstrate progress.
- 3) **Main Streets focused approach:** direction for further work towards new ways of applying planning and financial tools in support of the previously approved Main Streets program as a primary focus to support redevelopment. This would focus Administration's efforts on the community corridors, rather than TOD locations or the other areas that experience incremental growth in communities. Given that the Main Streets program has been underway since 2014 and is in the project implementation stage for the highest priority main street upgrades, focused investment on this type of targeted redevelopment can help deliver planned upgrades. This type of growth accommodates mixed use and multi-residential land uses, in areas central to many existing communities. However, the focus is on development in proximity to the commercial/residential corridor and immediately adjacent blocks. This work does not consider the full spectrum of growth and change of the wider communities.

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Administration supports Option 2, which proposes an intentional, outcome driven approach to enable growth in these areas. There are active redevelopment areas that are currently experiencing growth and change and investors who are interested in supporting redevelopment. By either allowing the current approach to redevelopment to continue (Option 1) or focusing only on Main Streets corridors (Option 3), a large area of growth opportunity, private investment and community investment would be at risk of delay.

3. MDP and CTP Aligned Growth

Growth within existing communities supports efficient use of land and services and provides current and future residents with nearby amenity and employment opportunities. The 2018 MDP/CTP Monitoring Progress Report (PUD2018-0514) identified that since 2006, 27 per cent of the net new residential units (single detached, semi-detached and multi-residential) built in Calgary have been constructed in the residential communities within the formal MDP Developed Areas boundary. This represents an average increase of approximately 2,400 new units per year. Of this growth, with reference to the MDP Urban Structure Map, approximately one third has occurred in priority growth areas (activity centres, main streets, and inner city), one third has occurred in the Centre City, and one third has occurred throughout the rest of the Developed Areas. The MDP sets a target for 33 per cent of the cumulative population growth between 2006 and 2039 to occur in the Developed Areas, about 10 per cent of the cumulative population growth since 2006 has occurred here. A key goal of the Strategy and the Main Streets program is to set the stage for increased growth in these parts of the city while supporting community amenities, which would help narrow the gap on this target.

The City has been evolving approaches to supporting communities experiencing growth through redevelopment and the developers who are advancing redevelopment projects. Since 2014 the Main Streets program has advanced support for key corridors through community engagement, city-initiated land use changes, capital budget allocation, project design work, and is working towards construction beginning for some of the Main Street projects in 2020 (PUD2017-0241- Main Streets Initiative – Phase 3 Summary report and Implementation Plan). This is a new approach to support the goals of the MDP and CTP through the application of planning and financial tools for this specific purpose.

Planning tools are being used to support redevelopment and this Strategy will evaluate their effectiveness in collaboration with stakeholders. These include local area policy, the Land Use Bylaw, bonus density programs, city-initiated redesignations, the planning approvals process, and levels of community services.

The way in which The City strategically uses planning and policy tools to support redevelopment growth is also evolving. To support a streamlined policy environment, the new multi-community plan pilot project is using outcomes of the recent Community Representation Framework (CPS2018-1393) and are working towards a new generation of community policy (PUD2018-0011). At the same time, our long-term goals of the MDP, CTP, the Developed Areas Guidebook, and the Land Use Bylaw are being reconsidered to better align towards outcomes of the growth and change we desire through existing policy (PUD2018-0696). An evolution in thinking of how heritage assets are protected is also ongoing, with a focus on areas where redevelopment poses a challenge to long term viability of heritage assets (PFC2019-0223 City

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of Calgary Heritage Assets report). Attachment 5 provides a brief summary of related projects and their next milestones in 2019-2020.

4. Market Factors

4.1 Redevelopment Market Trends

Through recent discussions with Industry representatives in Calgary, it is possible to characterize trends and influences of a successful redevelopment market. This market tends to be volatile and particularly subject to cycles related to the local economy and population trends. This volatility limits the ability to forecast trends to only about two to three years, which differs from a new community development model that is more predictable into the medium term. Market volatility also has an effect on form and related building materials. For example, in the current economy, concrete construction is less financially viable for high density condo-ownership projects, so a higher proportion of wood-framed condo projects are currently being pursued. The market is also sensitive to unit affordability. Notably, a shift in buyers' financial capacity has led to an increase of purpose-built rental construction. The rental apartment vacancy rate has decreased for the second year from 7.0 to 3.9 per cent, and the average rent has increased by 1.7 per cent over the past year.

Remaining competitive for buyers is critical to the success of the redevelopment market. Because new community development is evolving in accordance with long-term policy goals, is being built at higher densities, offers more affordable prices, and offers some services and amenities, this creates strong competition with residential and mixed-use redevelopment projects. Offering locations near desirable, existing local amenities is a key attractant for the redevelopment market, and there is a leadership role The City plays to build and sustain public amenities.

A key challenge facing redevelopment is a current perspective of a finite buyers' market due primarily to housing affordability. Given that growth through redevelopment is primarily achieved through high-rise, mid-rise and townhome multi-residential units, Administration has examined trends focused on these unit types within the 179 communities of the Strategy. It is acknowledged that substantial volumes of single and semi-detached dwellings are constructed in a redevelopment context within the Strategy area, but these unit types typically represent replacement or incremental growth only. There has been a net loss of 613 single residential units and a net gain of 1,912 semi-detached units in established communities since 2013, even as the total housing stock grew by over 12,000 units in established communities. While contributing to revitalization and investment, these unit types are less of a strategic focus to increase growth through redevelopment. Analysis from the Civic Census indicates that over the past ten years (2008 to 2018) the citywide market has absorbed, on average, a net increase of 3,800 multi-residential units per year. Approximately 55 per cent of this absorption, equalling 2,100 net new units per year, has occurred in established communities (Table 1, below).

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Table 1: Actual and Projected Unit Growth in the Strategy Area Relative to MDP Target

	Citywide Average Annual Multi-Residential Unit Absorption (units/year)	Share of Multi-Residential Units in Strategy Area (units/year)	Estimate of Annual Multi-Residential Units in Strategy Area to Reach 33% MDP 2039 Population Growth Target* (units/year)
Civic Census Actual (2008-2018)	3,800	2,100	~4,800
Projected Short Term Trend (2019-2023)**	3,500	1,900	

* The Next20 MDP/CTP initiative is expected to review this target.

** Based on data from The City's Corporate Economics and Geodemographics groups.

Although difficult to forecast due to assumptions made about demographics and housing choice in existing communities, future projections suggest that the next ten years may see a slow-down in absorption of redevelopment units. Citywide, a lower average yearly net increase of 3,500 multi-residential units (down from an average of 3,800) is forecasted, based on lower than average anticipated economic growth, elevated citywide supply of available multi-residential units, and unit type preference based on household formation.

Assuming no change in the share of growth going to existing communities, there may be a market for about 1,900 multi-residential units annually. A rough estimate of units needed to reach the 2039 MDP population growth target of 33 per cent indicates that demand closer to 4,800 units would be needed annually until 2039 in existing communities. The Next20 MDP and CTP work is reviewing this target as part of the refresh of this high-level policy. To support such an increase in unit absorption in the Strategy area, Administration will be pursuing strategic actions to support growth through redevelopment in areas showing strong redevelopment readiness, where City-led investment can be leveraged with private investments to achieve the goals of this Strategy.

4.2 Analysis of Leading Redevelopment Market Areas

The Strategy, Main Streets Program, and TOD implementation strategy are each considering prioritization approaches to focus the early steps of implementation. The Strategy and Main Streets are using the idea of redevelopment readiness, and the TOD implementation strategy is evaluating each TOD location from an inventory approach that also considers readiness. There is alignment and overlap in these prioritization approaches, which provides an opportunity to knit these three approaches together as this work progresses. This can comprehensively inform strategic recommendations on the application and implementation of financial and planning tools.

Using a data-based analysis, an evaluation of short term market potential within the 179 existing communities of the Strategy was completed to identify current active areas of redevelopment where City investment is likely to be met with short term interest from developers and

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businesses and have community support. This analysis was based on seven categories of market data, including development activity, recent policy, and other variables. This produced an index score for each community, which is mapped in Attachment 6. Administration anticipates focusing attention on the top quartile (top 25 per cent of communities) for the next stages of this work, particularly in the short term. This market information will inform the evaluation of the public realm and infrastructure needs and options for the application of financial and planning tools. It is one of many information layers that will support future recommendations.

While the top 25 per cent of communities translates to about 45 communities, Phase 1 recommendations of this Strategy are likely to be focused on a more limited set of growth areas within these communities, likely aligned to multi-community plan boundaries. This approach provides flexibility within that area to identify the best opportunities for growth-related strategic actions for both utility infrastructure and public environment amenities. This range of 45 communities also provides flexibility in the application of tools that may need larger or smaller geographic boundaries to support their appropriate level of application.

The Main Streets Program Implementation Plan has identified prioritized areas for first stage of construction in previous reporting (Attachment 1).

4.3 Housing Supply & Need

Longer term analysis supporting Phase 2 of the Strategy is anticipated to include a perspective on housing supply, affordability, and housing need in existing communities. Additionally, any gaps in housing types, affordability, and location will help inform future strategic approaches to support all ages, stages, and wages in existing communities. The City may be able to use both financial and planning tools to not only leverage existing market energy, but also drive market interest in areas, housing types, and levels of affordability that haven't yet experienced organic redevelopment.

5. Redevelopment Readiness – The Context of Existing Communities

It is important to recognize that each community has a unique history of development and redevelopment, and new development is introduced into an environment where people are living and working. Building on work that supported early Main Streets Program discussions, the definition of Redevelopment Readiness is being used by the Strategy working groups. This is an evaluation that reflects the readiness of an area to receive change, and includes current and future land use, occurrence of under-density developments, areas of approved post-MDP age local area policy, areas of market attractiveness, community lifecycle, community readiness to receive redevelopment, and the level of knowledge about the local infrastructure context.

6. Financial Impact

6.1 Demonstrating Progress in the Application of Financial Tools

From a strategic financial perspective, The City is evolving its approach to funding and financing growth-related investments, as evidenced by initiatives undertaken since the 2011-2015 Framework for Growth and Change work, the 2017 corporate budget recast process that

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supported targeted established area investment, the New Communities Growth Strategy 2018 (C2018-0900), and the One Calgary (2019-2022) service plans and budgets process (C2018-1158). Further evolution of planning and execution to support existing communities is anticipated for the mid-cycle budget adjustment process to support multi-use civic facilities that provide a variety of services in growing communities (USC2018-0525).

On a more technical level, City-led evolution in the application of financial tools includes:

- the comprehensive 2016 Off-site Levy Bylaw review (C2016-0023), including the introduction of the density incentive program for higher density redevelopment;
- incorporating a review of the Centre City Levy into the five-year review of the Off-site Levy Bylaw (scheduled to be completed for 2021); and
- modifications to how some security deposits on development projects can be made, through the use of developer surety bonds.

6.2 Research and Review of Financial Tools

Administration has researched various studies and reports on municipal financial tools prepared by provincial governments, municipalities and consultants. Administration has connected with twelve utility departments across Canada to better understand how utility upgrades to support redevelopment are planned and funded, especially the division of funding responsibility between the municipality and the development industry. Further, Administration has connected with the City of Edmonton about their Neighbourhood Renewal Property Tax Levy. Administration has also begun a review of existing bonus density tools to evaluate their history in supporting public realm investment in applicable communities (Attachment 7).

Part of the Strategy is a review of financial tools available to support redevelopment and change in existing communities. This review has identified that all possible funding sources are either (a) currently in-use by The City in some form, or (b) have been used or considered by The City in the past as a financial tool and were not supported in the Calgary context. The goal of the current work program is to consider the financial tools available and identify how they may be used in new or improved ways to increase certainty and to sustainably support redevelopment. Details on previous work, the current work program, and tools under consideration is included in Attachment 7.

6.3 Progress Update on the Strategy and Main Streets Investment Program

This section provides a brief overview of the progress of these programs, and more detailed information is included in Attachment 2. Since 2018 September, the Strategy has established a cross-stakeholder working framework to provide advice and detailed work towards the deliverables and outcomes of this work. Regular review of the program scope has been important, as well as understanding and communicating the relationship between various initiatives that support growth through redevelopment. The work has moved from a phase of confirming the challenges, to the evaluation of options, and is anticipated to soon be applying tools and testing scenarios.

During 2018 November budget deliberations Council directed Administration to develop a Main Street Investment Program. Recognizing the projects within the Main Streets Program are one of many priority projects that will require funding within the scope of supporting redevelopment,

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Administration recommends that the Main Street Program be included for future consideration within the Strategy.

The Main Streets Program is currently activating a \$60M budget dedication through the advanced planning and design of priority locations (Table 1 in Attachment 2). Coordination with Water Resources is helping identify utility upgrades required to support growth in these corridors and to consider project timing in coordination with Roads' resurfacing and lifecycle work. The design and planning work will account for a smaller portion of the spending at the front end while the majority of the \$60M budget will be spent during the construction phases for these projects.

7. Next Steps

In order to identify areas and proposed investments that can enable growth and boost investor confidence, attract private investment to partner with public investments in communities, and deliver great communities for existing and future residents, a phased approach to work is identified. This section outlines current, Phase 1 and Phase 2 steps leading to the creation of a systematic and repeatable approach to enable growth and change in existing communities. Administration is proposing a phased approach to this work, to build towards a Comprehensive, and City-wide Growth Strategy leading into comprehensive recommendations for the next budget cycle (2023-2026) (Attachment 9). The steps to move towards this goal includes:

- By 2020 March, deliver Phase 1 recommendations, as outlined below, reflective of short term redevelopment readiness and in alignment with mid-cycle budget considerations;
- Following 2020 March, continue to build and implement financial and planning tools that support the strategic growth areas;
- Incorporate measures of success related to this Strategy into the annual growth monitoring report;
- Through 2019-2020+, align related initiatives to the Strategy, such as Next20 MDP and CTP review, Off-site Levy Bylaw review, and Stormwater Strategy; and
- By March 2022, identify city-wide strategic recommendations that align with the 2023-2026 business plan and budget cycle, that support new community, established area, and industrial area growth and change.

7.1 Anticipated Next Steps for 2019 Leading to March 2020

The first part of 2019 was used by the Strategy working groups to align their understanding of the challenges to redevelopment, identify market areas and refine the scope and outcomes that are achievable by 2020 March. Administration and stakeholder working groups are now in a phase of developing and evaluating options and are expected to move into a phase of formulating options by end of 2019 Q2.

The Council-approved scope of this work (Attachment 3) signaled that by 2019 November Administration will be in a position to identify short term growth areas for business case development, evaluation criteria, updates on financial and planning tools, market information, and program progress. Administration is considering how best to provide Council members with this update in 2019 Q4 - 2020 Q1. This information would also be communicated more broadly, recognizing the level of stakeholder interest in the work and outcomes of this Strategy.

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Following this communication Administration proposes to prepare formal recommendations to Council for 2020 March through the Priorities and Finance Committee.

For the Main Streets Program, as part of the 2019 steps towards implementation, the following milestones have been identified for 2019-2020. These reflect the time and process required between budget allocation and construction of approximately two years to undertake design work, align with departments, and finalize procurement before construction may begin.

- Complete the streetscape master plan phases for 33rd/34th Avenues SW (Marda Loop), 17th Av SW (37th St SW to Crowchild Tr SW), 37th Street SW, 1st Av NE (Bridgeland), Bowness Rd NW (Montgomery), Center St N (south of 16th Av) and 16th Av NW (Bowness)
- Begin the detailed design for 33rd/34th Avenues SW (Marda Loop), 17th Av SW (37th St SW to Crowchild Tr SW), 37th Street SW, 1st Av NE (Bridgeland), Bowness Rd NW (Montgomery), Center St N (south of 16th Av)
- Pending construction drawing and technical analysis construction may begin on portions of 17th Av SW (37th St SW to Crowchild Tr SW), 37th Street SW, 1st Av NE, Bowness Rd NW (Montgomery)
- Water Resources is planning to complete the infrastructure analysis for 33rd/34th Avenues SW (Marda Loop), 1st Av NE, Bowness Rd NW (Montgomery) in 2019.
- Complete land use redesignations for 33rd/34th Av SW (Marda Loop), Center St N, Edmonton Trail, 4th St NW, 10th Avenue SW, 14th St SW (Bow River to 17th Av SW).

7.2 Phase 1 Deliverables (for 2020 March)

The 2020 March report is anticipated to include a number of components related to identifying target growth areas, the types of financial and planning tools that could support that growth, and the next steps in moving towards implementation. More specifically, the report is anticipated to:

- Identify growth areas with a higher likelihood to experience short-term redevelopment with a focus on the top quartile of communities in the Strategy area, which were identified through a collaborative analysis as having higher market potential (Attachment 6);
- Develop business case proposals that include public investment opportunities that complements anticipated growth and change and private sector investment;
- Identify funding, financing, and planning tools that could be deployed to support each proposed growth area; and
- Make recommendations for 2020 November mid-cycle budget consideration and actions to support implementation.

Due to the significant investment that was planned for the 2019 – 2022 One Calgary service plans and budget, Phase 1 will likely be limited to funding options from the following sources:

- Recommendations for reallocation of funds dedicated through the One Calgary service plans and budget, by redirecting previously committed capital to these prioritized investments. Opportunities to leverage the Main Streets implementation work will be explored.

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- Use of budget savings achieved in 2019 and 2020 from the dedicated property tax increase of 0.75 per cent in 2019 and 1.4/0.4/0.4/0.4 per cent (2019 – 2022) respectively, (where possible); or
- Funds collected through a new Council approved property tax or utility rate increase.

The direction on funding strategies for the local area planning efforts in Chinook, Banff Trail and Capitol Hill will be incorporated into the work on leading market indicators, and these communities will be evaluated within the comprehensive strategy area. If prioritized, recommendations for action in these areas may be brought forward as part of Phase 1.

As an indication of next steps, this report is also anticipated to:

- recommend a reporting framework for Main Streets, and a monitoring program and timeline for the Strategy;
- provide further indications and timing around Phase 2 work to create a longer, more sustainable strategic approach to supporting growth, change and quality of life in existing communities; and
- indicate future opportunities for alignment and integration of project outcomes with related initiatives.

Following Council direction in 2020 March, Administration will work to incorporate any recommendations with budget implications into the mid-cycle budget considerations in 2020 November. Alignment with other recommendations of budget implications for possible growth-related investment in existing communities will be important. This would include programs such as the Downtown Strategy, Green Line City Shaping, TOD implementation strategy, Main Streets and the Integrated Civic Facility Planning Program.

7.3 Setting up Phase 2 (2020+)

As outlined above, Phase 1 may include recommendations for the continued evaluation and/or implementation of tools that require more time to build. This sets up Phase 2 that is expected to consider the application of financial, policy, and planning tools that can support growth through redevelopment in a more sustainable way. These tools may include short, medium, and longer-term application that will support the implementation of a robust, sustainable strategy. Phase 2 project work will also need to be aligned with the results of related projects that are currently underway, such as the Stormwater Strategy, the Next20 review of the MDP and CTP, and the evolution of the Developed Areas Guidebook and Land Use Bylaw.

Specifically, Phase 2 is anticipated to include:

- Work towards the creation of a systematic approach to city-wide strategic growth investments, as outlined below;
- Further the development of financial and planning tools that are not possible to recommend for implementation by 2020 March;
- Future annual monitoring on the portfolio of growth related investments and actions; and
- Identify timelines for delivering budget recommendations for 2023-2026 as part of a Comprehensive, City-wide Growth Strategy.

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As part of creating a systematic approach, Administration anticipates bringing forward business case driven, city-wide growth investment recommendations on a two-year cycle and in coordination with The City's service plans and budget process. These would consider short, medium, and longer-term growth areas and degrees of community change. It is anticipated that monitoring of the market trends will continue through these cycles to support a nimble strategy that can shift to reflect market changes. These biennial recommendations are anticipated to include possible growth investments to support new and actively developing communities, redeveloping communities and industrial areas.

Stakeholder Engagement

Administration communicated the intent and key messages for this report to working group stakeholders during its preparation. A letter was received from the Federation of Calgary Communities (Attachment 8).

Strategy Engagement

Engagement with stakeholders started in 2016 through the Established Areas Working Group. Since then Administration has been collaborating with Industry members to explore the opportunities and address the challenges of redevelopment. Redevelopment and growth in existing communities affects more than just developers, the stakeholders of the Strategy were expanded to include business and community interests. A range of stakeholders are supporting four working groups and an Advisory Group, to build strategic recommendations through 2019. These groups meet frequently, often weekly to advance this work.

Engagement in 2019 will primarily occur through the four working groups of the Strategy, given that they are multi-stakeholder in composition, and allow for a deeper understanding of the challenges of creating strategic recommendations. Acknowledging that there is likely widespread interest in this work, where feasible, engagement will be coordinated with related initiatives, and existing meetings of interested stakeholders. External communications will formalize leading up to the strategy becoming more defined into 2019 Q4.

Main Streets Engagement

The Main Street Program began its engagement with the 24 Main Street Areas which consisted of approximately 68 residential communities in November 2014. There were five public engagement opportunities for each main street area. This resulted in 1,335 hours of discussion and 4,112 comments provided by over 2,200 Calgarians at events and online. Additionally, there were 20+ meeting with community associations, business organizations and other groups.

In 2017-2018 10 of the 24 communities have either been re-engaged or are currently undergoing public engagement sessions on the planning (land use redesignation) component of the Main Streets Program. The Main Streets team has held public engagement events, or is in the process of holding events, for seven of the 24 Main Street areas on the investment and public realm component. See Table 1 in Attachment 2 for further details on engagement for land use redesignations and design initiatives.

As part of the various streetscape master plan engagements underway and the 2018 One Calgary budget deliberations the Advocates Into Main Streets (AIMS) group formed. This is a

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group of community associations, business improvement areas, established area developers, and planning and design professionals that are working towards better neighborhoods and streets.

Strategic Alignment

The work of the Main Streets Investment Program and the Strategy supports moving Calgary towards outcomes identified in Sections 2.2, 3.5, and 5.2.4 of the Municipal Development Plan. Section 2.2 guides a city-wide approach to shaping a more compact urban form; Section 3.5 contains policies specifically about the Developed Residential Areas; and Section 5.2.4 and Volume 2, Part 3: The Developed Areas Guidebook supports the intensification of the Developed Areas. The Calgary Transportation Plan supports the delivery of the MDP through policies that encourage transportation investment in response to intensification of areas and the creation of transportation choice.

These programs are fundamental to supporting these policy outcomes for great communities across a range of projects underway within the City Planning and Policy, Sidewalks and Pathways, and Streets service lines (Attachment 5). By more clearly linking funding and finance tools with local and citywide planning policies, the implementation of goals related to local growth, redevelopment, and quality of life for existing and future residents and businesses can be advanced. In addition, the anticipated outcomes of the Strategy support all six 2019 priority areas for City Planning and Policy (PUD2019-0253). Although these initiatives have very different timelines for completion, they are preparing or are already prepared to incorporate the outcomes of the Strategy and Main Streets Investment Program to help expedite implementation.

Coordination and alignment of outcomes with other corporate initiatives is also underway. This includes Water Resources Redevelopment Strategy and Stormwater Strategy, Facility Management's Corporate Facility Portfolio Plan, the Resilience Strategy, Climate Resilience Strategy, Affordable Housing Strategy, and City Shaping.

Social, Environmental, Economic (External)

Social

Facilitating growth in established communities supports the vibrancy and diversity of existing communities by sustaining public infrastructure and amenities to support a changing demographic and a range of housing density that includes mid-density options. Investment in infrastructure supports housing variety and affordability that increases the opportunities for populations that are diverse both demographically and economically. Supporting the redevelopment and growth of communities can positively impact social inclusion, enhance accessibility standards and aging in community options for current and future residents.

Environmental

This work supports the goals of Calgary's Municipal Development Plan to foster a compact urban form. This limits the environmental footprint of the city by creating a more efficient use of land and infrastructure services. A more compact population supports infrastructure that provides mobility choices and the policies supporting transportation modes like walking, cycling,

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and transit within the Calgary Transportation Plan. Investment in amenities such as open space and the urban tree canopy helps sustain healthy spaces for citizens to connect to the environment. Considerations for an urban stormwater design approach helps manage water quality and quantity objectives and requirements.

Economic (External)

Bolstering Calgary's economic resilience is a key goal of the comprehensive, citywide growth strategy. Demonstrating that Calgary is open for business through the Strategy and Main Streets Investment Program will help to boost investor confidence and attract and retain private capital investment in Calgary. Investment in existing communities supports the development industry's ability to identify development opportunities that cater to market needs and provide a return on City investment through increasing the assessment base, economic development and other benefits like job creation. Investing in existing infrastructure supports prudent asset management and may create operating cost efficiencies for The City. Housing affordability can increase with the provision of greater housing options and supply. Certain financial tools may be able to create more financial certainty in redevelopment projects.

Financial Capacity

Current and Future Operating Budget:

There are no operating budget impacts as a result of this report. Future reports on either the Strategy or the Main Streets Investment Program are anticipated to bring recommendations for possible investments and the implementation of financial and planning tools that may have operating cost impacts, some of which may not be fully identified through Phase 1 of the Strategy. Project timing is expected to align with the mid-cycle budget adjustment.

Current and Future Capital Budget:

There are no capital budget impacts as a result of this report. Future reports on either the Strategy or the Main Streets Investment Program are anticipated to include recommendations for possible investments and the implementation of financial and planning tools that may have capital budget impacts. Project timing is expected to align with the mid-cycle budget adjustment.

Risk Assessment

There are risks associated with not intentionally and actively supporting policy or investments to enable growth and change in established communities and Main Street Areas. These include (1) reaching MDP and CTP goals, (2) meeting market demand, (3) boosting investor confidence, and (4) providing amenities and services to support great communities.

Reaching the MDP and CTP goals

Based on the current number of annual units being absorbed in the Developed Area defined in the MDP, the ability for the city to reach the long-term growth goals in the MDP/CTP of 50/50 split of new growth to developed and developing areas is at risk. To make progress on this goal, an intentional approach to supporting growth in these areas is necessary.

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Meeting Market Demand

By not finding additional partnering opportunities to enable growth in communities to meet market demand, this could result in housing affordability pressures as continued demand for these areas will drive housing and rental prices up. The Strategy will factor in market demand for the forecasted number of low density and multi residential units as well as forecasted location demand using multiple variables to consider market areas with high potential to experience growth.

Boosting Investor Confidence

In the short term, limited or uncertain support for growth and investment in established communities and Main Streets may weaken investor confidence and risk the flight of private capital to other markets where development is better supported and enabled.

Supporting Great Communities

The risk of not investing in established communities to support growth has the potential to lead to sub-standard services and amenities for current and future residents who have already experienced or will experience growth in their communities. If the Main Streets Program were not to receive support, ongoing development permits in the main street areas would not have a guideline to inform their utility requirements or public realm reconstruction and approval timelines may be negatively impacted due to uncertainty. Residents in growing communities could experience service level and infrastructure deficits.

There are common challenges of the Strategy and Main Street Investment Program work, such as (1) unpredictable return on investment, (2) resourcing of the work and implementation, (3) clarity over integration of this work with related initiatives, (4) managing the scope and expectations of these programs, and (5) ensuring alignment in a shifting policy environment.

Unpredictability of Return on Investment

A high degree of market volatility in the redevelopment sector, which is heavily influenced by economic and population trends, creates unpredictable return on investment through realization of the local redevelopment market. The local and global economy can impact the redevelopment market sector. This work acknowledges a shared risk approach between the citizens of Calgary, businesses, The City, and Industry.

Resourcing the Strategy and its Implementation

Risks of not adequately resourcing the City financial or staff resources aspects of this work can result in a slower timeframe to realize strategic investment recommendations and their implementation. The 2019-2022 One Calgary service plans and budget is fully allocated, and there are likely to be limited funding sources available to support new investments at 2020 mid-cycle budget adjustments. Financing tools and funding sources will be considered, as available and applicable.

Recruitment of staff resources needed to prepare, advance, and implement this work were put on hold pending the 2019 property tax rate finalization in April of this year. This delay has had an impact on this Strategy of up to 6 months, and results in delays to other related components of the Comprehensive and City-Wide Growth Strategy and potentially to other initiatives outlined

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in the City Planning and Policy Service 2019 work plan. To mitigate this delay, a two-phase approach to the Strategy work has been developed.

Providing Clear Connections with Related Initiatives

Several initiatives are underway that support a variety of outcomes supporting redevelopment and long-term policy goals. The relationship of these programs with each other and related initiatives is important to define and communicate. With a variety of stakeholder conversations supporting these programs, it will be important to ensure good communication and mitigate volunteer burn out.

Managing the Scope and Expectations

Supporting redevelopment in an effort to drive towards the long-term goals of the MDP and CTP requires multi-pronged approaches that consider the role of a variety of stakeholders in achieving these goals. This project often elicits creative thinking about solutions to a range of challenges to realizing redevelopment. While there is much that can be done, this program is focused on early, achievable steps on a short timeframe to facilitate Council's consideration during 2020 November mid-cycle budget adjustments. With the participation and interest of many stakeholders, keeping a limited and achievable scope to this first phase of work is important. Growth-related funding may require complementary operations and maintenance funding to complete a project and therefore linking stakeholder funding sources to benefit of investment will be important.

Ensuring Alignment in a Shifting Legislation and Policy Environment

While this strategic work is outlined to be in two phases, it will be important to sustain alignment with related initiatives and legislation as they too evolve. This will help facilitate mutual strategic outcomes. Some of these City initiatives represent substantial shifts in planning foundation and goals and working with a variety of project timelines will require attention. Although working towards a variety of timelines, this strategy should leverage outcomes of other City initiatives. The legislative environment in Alberta has also been changing in recent years, and there may be further changes that this work will be required to adhere to.

REASON(S) FOR RECOMMENDATION(S):

This report provides a progress update on the Strategy and Main Streets Investment Program work since direction was given in 2018 Q3-Q4. These programs have much outlined for accomplishment through 2019 leading into recommendations for Committee in 2020 March (Phase 1). With three options to consider, this report recommends an intentional and outcome driven, two-phase approach to the Strategy. This includes short (2020 March) and longer term (2020+) deliverables that work towards a systematic and Comprehensive City-wide Growth Strategy. This report provides the opportunity for the project team to check expectations and anticipated outcomes with Committee and Council and allows for a comprehensive discussion about the merits of supporting redevelopment through intentional investment and the strategic application of financial and planning tools.

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ATTACHMENT(S)

- Attachment 1 – Comprehensive City-Wide Growth Strategy Working Map, Main Streets Implementation Plan, and Potential TOD Locations
- Attachment 2 – Background and Progress Update for the Strategy and Main Streets Investment Program
- Attachment 3 – Previous Council Direction and Scope on Established Area Growth and Change Strategy and Main Streets Investment Program
- Attachment 4 – Summary of Recent and Current Initiatives to Develop Tools that Support Redevelopment
- Attachment 5 – Related Initiatives
- Attachment 6 – Strategic Information Layers: Leading Redevelopment Market Potential
- Attachment 7 – Summary of Financial, Planning and Policy Tools Under Consideration
- Attachment 8 – Stakeholder Letter
- Attachment 9 – Established Area Growth and Change Strategy Phased Project Timeline