

## GROWTH MANAGEMENT FRAMEWORK - DEVELOPMENT COST AND REVENUES

### RECOMMENDATION

That the August 23, 2022, Urban Planning and Economy report UPE01186, be received for information.

<b>Requested Council Action</b>	Information Only		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work as we work to achieve our strategic goals.	<b>Urban Places</b>		
<b>City Plan Values</b>	LIVE		
<b>City Plan Big City Move(s)</b>	A Rebuildable City	<b>Relationship to Council's Strategic Priorities</b>	15 Minute Districts / District Planning
<b>Corporate Business Plan</b>	Transforming for the Future		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• The City Plan</li> <li>• Growth Management Framework</li> <li>• District Planning</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>• UPE01029 Growth Management Framework Update - June 14, 2022</li> </ul>		

### Previous Council/Committee Action

At the March 14/16/22, 2022, City Council meeting the following motion passed:

That Administration provide a report that outlines - as part of the Growth Management Framework:

- Approaches that will make explicit the operational and capital expenses and revenue associated with different development types.
- Determine reporting mechanisms including risks and benefits of each, including but not limited to neighbourhood structure plan amendments at land use public hearing. And assess alignment with

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the City Plan.

### **Executive Summary**

- Compact development with a diverse mix of uses is more cost effective for the City and supports climate resilience and energy transition over the long term, as per The City Plan's Relative Financial Assessment and Greenhouse Gas Emissions and Energy Analysis.
- Shifting the growth pattern based on The City Plan requires deliberate choices and dedicated funding; the shift will become apparent toward the first population horizon to 1.25 million.
- Tools that shift growth are being developed as part of the Growth Management Framework, including exploring and reporting expenses and revenue associated with different development types.

### **REPORT**

The City Plan links Edmonton's growth and its long-term financial sustainability through the Growth Management Framework. Many services and capital programs have cost drivers based on distances or lengths such as roads, sidewalks, street lighting, mass transit and others. Factors such as density, urban design, geographic footprint and infrastructure design standards influence the City's overall expenditure obligations.

Well-designed, high-density development is often more financially viable for the City over the long term. Service and infrastructure delivery efficiencies and cost advantages are realized through higher-density land use, a mixed-use built form and a multimodal transportation system.

The City Plan identifies short-term and long-term growth priorities that need to be considered prudently against available revenue sources. Decisions must consider the City's responsibility to maintain and desire to improve services, facilities and infrastructure.

Trade-offs and prioritization are required to ensure that Edmonton's development pattern supports the values and City-building outcomes Edmontonians share for the city over the life of The City Plan. The City Plan implementation is on track with respect to redeveloping area residential growth. Net new dwelling units in the redeveloping area have exceeded the previous infill target of 25 per cent set under The Way We Grow, with a current three year average of 28 per cent, putting Edmonton on track to meet The City Plan infill target of 35 per cent by the time the city reaches a population of 1.25 million.

### **Growth Management as an Approach to Fiscal Sustainability**

So that Edmonton attracts and retains residents and non-residential investment, a growth management approach is required to support and activate growth to enable the best returns on public investment. Quality of life is critical to attract people and businesses and is generated by the creation of vibrant urban places, regional prosperity and climate resilience. To enable a high quality of life for Edmontonians, informed decision-making based on financial analysis is required to allow for long-range, deliberate city building to occur.

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Financial viability and city building are directly connected. The City Plan promotes efficient and compact city building, which will incrementally enhance the city's long-term fiscal efficiency.

Accurately determining the cost of growth is complex due to many inputs that change over time, including but not limited to:

- Land and construction costs
- Site conditions and development types
- Municipal standards and policies including fees and charges
- Market prices and rents
- Level of service expectations for municipal assets
- Costs for operation, maintenance, and renewal of existing infrastructure
- Revenue including tax levy, grants and user fees

The City, industry, other orders of government, not-for-profit entities and Edmontonians contribute to the cost of city building and benefit from its outcomes. More information is provided in Attachment 1.

The Growth Management Framework is the mechanism that Administration is developing to understand and manage the costs of growth and the associated revenue generated. This begins with advancing tools and tactics that achieve growth management goals throughout the development pattern areas and reflect learnings from city-building partners including various City business areas, the development industry and EPCOR engagement.

Growth Management has been used to inform the proposed 2023-26 budget. Implementation of the program would begin in 2023 and contribute to Edmonton's transformation by increasing housing choice and gradually shifting more growth to the redeveloping area. Initial actions include offering dedicated incentives, making targeted infrastructure investments in priority areas, and measuring progress toward substantial completion of the developing area.

Administration is developing a Redevelopment Market Index that will use leading indicators to demonstrate where and when significant redevelopment is likely to occur in the near future as measured by dwelling unit growth. This information will assist with aligning public and private investment. The index may also be used to validate The City Plan's anticipated growth goals.

District plans and the concept of 15 minute districts create opportunities to plan infrastructure in an integrated way based on district geography. An emerging growth management-led initiative will focus on planning and prioritizing new City-owned infrastructure at the district level. The approach will consider levels of services, the role of infrastructure in supporting priority growth areas and will take a city-wide view of how the districts interface with one another.

In collaboration with city-building partners, Administration is advancing tools and tactics to facilitate this long term shift in the city's growth pattern. The shift is anticipated to result in more new housing in the redeveloping area that will contribute to tax uplift (not create new housing demand) and gradually increase the tax base through redevelopment.

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### **Fiscal Impact Analyses**

Fiscal impact analyses project the net cash flow to the public sector resulting from residential and non-residential development. These projections can inform planning, budget and finance matters. Results can support policy discussions and decisions, such as the benefits of denser development in priority areas and methods for incentivizing these types of development.

The Relative Financial Assessment is a form of fiscal impact analysis (used to assess The City Plan Concept), which outlines the short and long-term financial effects of land use policy, practices and new development. A more compact urban form will reduce some capital growth requirements for new road infrastructure, fire stations, recreation facilities and libraries. While some of these efficiencies will be offset by higher costs for transit service and public realm improvements, a more compact urban form is expected to improve Edmonton's net financial position. The City Plan Concept can potentially result in approximately eight per cent cost savings in service and infrastructure delivery over the life of the Plan as compared to costs that would be incurred through historic low-density growth patterns.

To date, assessment of costs and revenues associated with development in Edmonton have focused on large developing areas and long-term plans. Supporting the previous Municipal Development Plan, the City used Integrated Infrastructure Management Plans (IIMP), a City tool that compiled the anticipated initial and ongoing costs and revenues associated with the development of Area Structure Plans and Neighbourhood Structure Plans for the previous Municipal Development Plan's three Urban Growth Areas. An example is provided in Attachment 2, Decoteau Area Structure Plan Integrated Infrastructure Management Planning. The analyses did not isolate the revenues and costs associated with different residential or non-residential types at the site level, but rather provided a composite understanding of fiscal impacts of development of new neighbourhoods. Completing an analysis of the relative fiscal impact of different development types is possible, but will only provide a rough estimate based on generalized costs and revenues across the city.

### **Growth Management Reporting**

Growth Management requires an understanding of costs and revenues to monitor and measure progress. For example, capital investment by district is a strategic measure associated with the Rebuildable City Big City Move. Examples of current reporting include the annual growth monitoring products, which include the approved net new dwellings in redeveloping and developing areas, redeveloping area infill, and lot absorption and supply reports. Reporting of development costs and revenues associated with the previous Municipal Development Plan included Integrated Infrastructure Management Plans for new Neighbourhood Structure Plans at public hearing. In the future, reporting mechanisms will be developed as part of growth management to provide macro level development costs and revenues as progress is made toward substantial completion of the developing area.

### **Benefits**

Growth Management reporting will show progress on The City Plan implementation and offer an opportunity for Council to make adjustments if indicators show Edmonton is not on track to meet

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The City Plan goals. Costs and revenues associated with new development will be tracked to support decision making. Reporting could illustrate the cost to maintain service levels with the cost of delivering service to new locations, which is currently part of the budget process. Both developing and redeveloping area growth would need to be included in the reporting.

### **Risks**

Reporting could attribute outcomes to levers of change that may have been caused by other factors. Mitigation will include ongoing monitoring and analysis of changes in City policy, incentives, and investments alongside external factors such as market and global influences. Administration will endeavour to isolate the impact of public policy and investment decisions that achieve the desired or intended results or had lower than expected private investment or other returns, in part through use of the existing Metropolitan Region Spatial Economic and Transportation model (MRSET) .

### **Economic Considerations**

As the development authority, the City enables housing supply and diversity while industry partners respond to market demand. The average new dwelling in developing areas is less expensive than a new dwelling of the same size in redeveloping areas, due to higher land value and a more fulsome availability of amenities, services and infrastructure in redeveloping areas. For many households, the developing area is their preference. The City Plan references continued support for developing area growth. This market segment is a key driver of attracting and retaining people in Edmonton.

In some cases, new developments at the city's boundaries increase City service and maintenance costs beyond revenue generated over the long term (when compared to development at a similar density and scale in the redeveloping area). Non-residential development is an associated development type that provides more revenues to the City than it requires in service and maintenance costs.

### **Budget/Financial Implications**

Administration will bring forward an unfunded service package for The City Plan and Growth Management Framework resource needs as part of the 2023-2026 budget for City Council's consideration.

## **COMMUNITY INSIGHT**

Development costs and revenues were referenced during the second phase of the Growth Management Framework's engagement sessions with the development industry, but were not formally discussed. Follow-up conversation with representatives of the Urban Development Institute - Edmonton Region (UDI-ER), Canadian Home Builders' Association (CHBA) and Infill Development in Edmonton Association (IDEA) included the following insights:

- Statutory plans are the proper scale to consider developable areas. Density targets are also at this scale.

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- Market demand is an important factor, particularly given The City Plan Economic, Demographic and Market Study found ground-oriented housing is the dominant preference for buyers for the foreseeable future, especially in developing areas of the city.
- If there is not enough non-residential investment to balance the costs of the City based on what citizens want and need, extra efforts should be made to incent and attract that type of development to Edmonton to enhance overall success
- Consider quantifying the increased cost of certain services by location and units of measurement, that could support decision making on land development applications
- Report on development costs and revenues to show industry's contributions
- Support both infill and greenfield development and avoid competition between them
- Public hearing reports could be more holistic, including project outcomes and benefits
- Construction cost fluctuations make it challenging to determine costs in advance

Two examples of direction from Edmontonians during The City Plan's engagement on this topic were:

- Find ways to cost-effectively provide a range of services that keep up with new growth.
- Allow more flexibility for businesses through zoning, entrepreneurial thinking and true cost/benefit analysis of land use decisions.

## **GBA+**

A research plan will be prepared as part of the Growth Management Framework, in collaboration with ongoing work supporting District Planning, the River Valley Planning Modernization and Breathe, Edmonton's Green Network Strategy to better understand growth and development impacts on Edmontonians. The purpose of the research plan is to:

- Understand who may be excluded as initiatives are implemented
- Understand what aspects of the work may impact those excluded
- Understand what other community groups are doing to address inequities resulting from similar initiatives
- Develop finding statements and equity measures based on research
- Identify GBA+ related linkages and opportunities to collaborate between projects

An initial research tool is the Social Vulnerability Index, partially funded by the City, which overlays indicators that impact health, living conditions and quality of life to identify neighbourhoods of high, medium and low vulnerability. Further work will determine the value of understanding the baseline vulnerability within Priority Growth Areas, and monitoring significant changes as growth occurs.

## **ATTACHMENTS**

1. City-Building Partner Funding by Infrastructure and Amenity Type - for Developing Areas

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### 2. Integrated Infrastructure Management Planning - Decoteau Area Structure Plan (ASP)