

Addressing Fiscal Impacts of Greenfield Growth

Recommendation:

That the July 4, 2017, Sustainable Development report CR_3592, be received for information.

Report Summary

This report provides an update on the work of an Advisory Committee formed to address the cumulative fiscal impacts of greenfield growth.

Previous Council/Committee Action

At the April 5, 2016, City Council meeting, the following motion was passed:

That Administration establish a Working Group with industry representatives and planning experts to collaboratively address the cumulative fiscal impacts of greenfield growth, including, but not limited to:

1. A fresh look at the cost drivers for both land development industry and the City.
2. A more comprehensive approach to assessing the downstream impacts of new growth, particularly on the roadway network.
3. Options for any new, proposed or revised cost allocation tools.
4. Evaluation scenarios around the balance of residential and non-residential assessment bases.
5. Options for increased or reduced service levels.
6. Ongoing collaboration to provide input to forthcoming *Municipal Government Act* revisions related to these matters.

and report back to Committee at key milestones.

Report

The above motion stemmed from the March 22, 2016, Sustainable Development report CR_2705, Integrated Infrastructure Management Plan - Cumulative Impacts, which applied the City's Integrated Infrastructure Management Planning model to the Urban Growth Areas of Horse Hill, Decoteau and Riverside. The report described that at build-out, Urban Growth Areas (Horse Hill, Decoteau and Riverview) will require a developer infrastructure investment of approximately \$3.8 billion, as well as a capital investment by the City and/or Province of approximately \$1.4 billion. Additionally, the projected City cumulative shortfall over the 50 year analysis period for the build-out of these areas is anticipated to be in the order of \$1.4 billion.

In June 2016, the Fiscal Impacts of Greenfield Growth Advisory Committee, with a mandate to respond to the Council motion, was established and co-chaired by representatives from Administration and the Urban Development Institute. The Committee is comprised of representatives from Administration, the Urban Development Institute, the Canadian Home Builders' Association, the Building Owners and Managers Association, and the University of Alberta. Over the course of its operation, the Committee deliberated the City Council motion with the aim to identify possible approaches to, and make recommendations on, addressing the costs of growth.

The Advisory committee acknowledges that there is a limitation in the \$1.4 billion shortfall number, which is a result that depends on the assumptions used in the analysis prescribed in the Integrated Infrastructure Management Planning exercise. The committee concedes that the number does not comprehensively address all growth related costs and revenues, since the analysis is focused on the urban growth areas within the time period in which the analysis was performed. Furthermore, the number does not take into consideration a regional approach. It was acknowledged that such a comprehensive analysis would be difficult to undertake due to data limitations. The focus of the report is the questions in the motion and the potential financing mechanisms that can be leveraged to ensure that associated costs are shared equitably by those who benefit.

Progress of the Committee

Since June 2016, the Advisory Committee has met nine times. The Committee was supported by several technical sub-committees comprised of both Administration and external representatives.

The Advisory Committee's findings are as follows:

1. Responding to the motion involves:
 - a. A comprehensive description and understanding of the cost and revenue drivers for sustainable city growth.
 - b. Identification of possible approaches and potential recommended future steps to improve efficiency and effectiveness of infrastructure and service delivery for both the public and private sectors as Edmonton grows and changes.
2. The issues outlined in the motion are complex, multifaceted and interrelated.
3. There are significant data limitations, and there are various perspectives on the available data in addressing the motion.
4. The degree of mutual understanding between Administration and external stakeholders on the costs of growth has improved.
5. The progress to date has been foundational for ongoing work on the motion.
6. Given the resource and expertise limitations, it was not possible to achieve further progress within the timeframe.

Specific to the Council motion, the following summarizes progress to date:

- 1) ***A fresh look at the cost drivers for both land development industry and the City.*** Preliminary work was undertaken to discern the major costs borne by the City and the development industry throughout the lifecycle of the land development/operation process. To date, the Committee found the major costs borne primarily by the City relate to transit, major roads, and police service, while the highest costs borne by industry are associated with upfront infrastructure investments in drainage and minor roads. The City bears all operational and renewal costs for all public infrastructure, and invests some initial capital, while the Development Industry bears a portion of initial capital costs and is not responsible for any ongoing operations and maintenance. Cost drivers are different from costs; there are many factors that may cause a change in the cost of an activity. The Advisory Committee will continue to look further into cost drivers for both parties. This will entail further analysis.

- 2) ***A more comprehensive approach to assessing the downstream impacts of new growth, particularly on the roadway network.*** The Advisory Committee conducted a jurisdictional review of approaches to assess downstream financial impacts from roadway networks. The vast majority of North American cities, including Edmonton, use a Transportation Impact Assessment to assess the downstream development impacts of growth on transportation networks. The review includes a summary of the approaches by several other municipalities and a case study of Edmonton's Riverview area to illustrate how the downstream impacts of development are currently determined in Edmonton. This jurisdictional review indicates that there is no perfect approach to conduct these types of assessments and projections; they each have their limitations and challenges.

Regardless of approach, it is agreed that developers should fund road infrastructure that is deemed both reasonable by all parties concerned, and necessary to support the development over its lifecycle—and that an equitable, consistent and transparent methodology for arriving at developer contributions is essential. The committee will further summarize approaches to Transportation Impact Assessments as work progresses. In a similar fashion, the Advisory Committee will review the drainage and parks networks further.

- 3) ***Options for any new, proposed or revised cost allocation tools.*** The Advisory Committee explored both existing funding sources and potential revenue tools available to the City. Cost allocation tools can be regarded as the mechanisms by which capital costs are allocated across various stakeholders and beneficiaries of development. The committee noted the tools that are permitted under the current *Municipal Government Act* and that may be permitted as part of future amendments to *the Municipal Government Act*. Further work is required in this area to discern which tools will be effective in

the Edmonton context, and how best to apply them.

- 4) ***Evaluation scenarios around the balance of residential and non-residential assessment bases.*** The Committee examined Edmonton's position in the region relative to its tax assessment base, the potential to grow its non-residential assessment, and the potential and implications for shifting the tax burden between assessment classes. The Committee understood growing non-residential assessment is challenging, either within Edmonton alone, or relative to the Edmonton region. The committee concluded this area of discussion needs to be regional in scope and include the potential for cost and revenue sharing to better manage the costs and benefits of growth.
- 5) ***Options for increased or reduced service levels.*** This still needs to be explored. It is understood that service level increases or reductions are closely related to cost drivers and will need to be addressed simultaneously.
- 6) ***Ongoing collaboration to provide input to forthcoming Municipal Government Act revisions related to these matters.*** The next draft of *Municipal Government Act* regulations is expected to be released for public review and feedback in the summer of 2017. The Advisory Committee will monitor the evolving legislative environment, and will provide feedback as needed.

In working together to respond to the Council motion, the Advisory Committee's work emphasized that examining the costs of growth for three Urban Growth Areas (Horse Hill, Decoteau and Riverside) has limitations. Further, that a discussion on the costs of growth would be better informed by a city-wide perspective, to include the costs and revenues from all areas of the city to identify focus areas for potential changes. Administration affirms data to support a city-wide analysis does not exist at this time.

Next Steps

In the next phase of work the Advisory Committee proposes the following:

- Review its membership and resources to ensure the expertise and perspectives needed to continue this work are present.
- Examine in detail the cost drivers internal to the City and for the development industry.
- Research in detail the cost allocation options applicable to the City's enabling legislation.
- Research downstream financial impacts for drainage and parks.
- Examine development standards and propose revisions that can reduce costs.
- Examine cost allocation practices to ensure relative equity for all parties.
- Examine the regional dimension of infrastructure provision and cost.

The Advisory Committee recommends the City hire an external consultant to help

achieve the above-mentioned steps.

Policy

This report relates to the following policies in *The Way We Grow*; Edmonton's Municipal Development Plan, Bylaw 15100:

3.1.1 Manage future public obligations and growth opportunities through a long term growth coordination strategy.

3.1.1.2 Encourage a minimum of 25 percent of city-wide housing unit growth to locate in the Downtown and mature neighbourhoods and around LRT stations and transit centres where infrastructure capacity supports redevelopment.

3.1.1.3 Focus land development activity and the provision of civic infrastructure to ensure developing neighbourhoods are completed from the perspective of the number of homes built, an established population threshold reached, and the civic facilities and services provided.

3.1.1.5 Develop a new neighbourhood completion target influenced by the budget allocated to completing approved neighbourhoods and the budget allocated to initiating new neighbourhoods.

3.2.1 Plan to accommodate 1,000,000 to 1,200,000 residents by 2040.

3.2.1.1 Ensure a combination of single family and multi-family housing development potential is available for the next 30 years.

3.2.1.2 Ensure there is sufficient land available to sustain economic opportunities.

3.2.1.3 Achieve a balance between residential, industrial, commercial, institutional, natural and recreational land uses in the city through land development policies and decisions.

3.2.2 Ensure the City of Edmonton has sufficient land and funds dedicated for City facilities, services and operations to meet the needs of communities and citizens.

3.2.2.1 Ensure the planning and funding of municipal facilities and services to support our growing population are financially sustainable.

3.2.2.6 Ensure the planning, funding and design of municipal facilities and services demonstrate and support sustainable practice and principles.

Public Engagement

The Advisory Committee's work is not yet at the point of broader consultation. The deliberations were limited to major representative stakeholders named in the motion. Administration selected a group that was small enough that the process was not hindered, yet with representation of stakeholders who have the knowledge and influence to answer to Council and communicate as needed. In Phase II, there will be need to expand the consultation process to include other affected parties.

Budget/Financial Implications

To complete the next phase of work, the Advisory Committee agrees that it needs the assistance of a consultant to provide technical support on matters pertaining to the cost of growth, potential modelling to test different policy and financing scenarios, examination of the implications of level of service reduction or augmentation, and recommended engagement approaches for a broader consultative process. Administration will bring forward an unfunded service package for Council's consideration as part of the Fall 2017 Supplemental Operating Budget Adjustment for up to \$350,000 in order to complete this work. This work will result in Administration bringing forward a report in the fourth quarter of 2018 to Committee.

Metrics, Targets and Outcomes

Metrics	Targets	Outcomes
<ul style="list-style-type: none"> Percentage of new dwelling units in core and mature neighbourhoods in 2016: 24.5 percent. Percentage of new dwelling units in developing and established neighbourhoods in 2016: 75.5 percent. Infrastructure density (City's population divided by the total kilometers of infrastructure) in 2016: 53.3. 	<ul style="list-style-type: none"> <i>The Way We Grow</i> Municipal Development Plan identifies a minimum of 25 percent of city-wide housing unit growth to locate in the Downtown and mature neighbourhoods, and around LRT stations and transit centres. Increase over previous year. 	<ul style="list-style-type: none"> The City achieves residential densification. Neighbourhoods have a range of housing choices. Edmonton is an environmentally sustainable and resilient city.
<ul style="list-style-type: none"> Travel time and reliability for goods and services 	<ul style="list-style-type: none"> 50 per cent of the time result <11:00 minutes by 	<ul style="list-style-type: none"> The City of Edmonton has Sustainable and

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<p>movement (time in minutes: seconds to drive 10 km route) in 2015: 50 percent of the time (9:33 minutes), 85 percent of the time (12.03 minutes). 2016 information is not available.</p>	<p>2018 85 percent of the time result <14:00 minutes by 2018.</p>	<p>Accessible Infrastructure.</p> <ul style="list-style-type: none"> • Goods and services move efficiently.
<ul style="list-style-type: none"> • Community greenhouse gas emissions in 2016: 16,868,261 Tonnes of carbon dioxide equivalents. • Ecological footprint in 2016: 8.29 hectares per capita. • City asset sustainability (a ratio of the actual capital infrastructure renewal expenditure divided by the required capital infrastructure renewal expenditure) in 2016: 0.91. 	<ul style="list-style-type: none"> • Downward trend by 2018. • Maintain or decrease by 2018. • 1.0 by 2018. 	<ul style="list-style-type: none"> • Edmonton is an environmentally sustainable and resilient city. • The City of Edmonton has a resilient financial position.

Attachment

1. Fiscal Impacts of Greenfield Growth Advisory Committee Report

Others Reviewing this Report

- T. Burge, Deputy City Manager and Chief Financial Officer, Financial and Corporate Services
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- R. Smyth, Deputy City Manager, Citizen Services
- C. Campbell, Deputy City Manager, Communications and Engagement
- D. Jones, Deputy City Manager, City Operations