What We Heard

Growth Management: Substantial Completion

ADVISE

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Urban Growth and Open Space

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Introduction: Project Overview

Since early 2021, Administration has been working to operationalize a policy direction from The City Plan that describes a need to substantially complete the developing area before authorizing the preparation of statutory plans for the future growth area.

Administration identified the need to provide additional information on the substantial completion initiative to our industry partners and to seek input on related topics prior to a scheduled update for the Urban Planning Committee on August 29, 2023.

Industry Engagement Approach

The City of Edmonton's public engagement spectrum defines the public's and stakeholders' level of influence in engagement processes. **The role of stakeholders during this phase of engagement was at the ADVISE level on the City of Edmonton's Public Engagement Spectrum.** The development industry was invited to share their feedback and perspectives. Visit edmonton.ca/publicengagement for more information on the City's public engagement process.

How We Engaged

An Industry Check-In Session was held on May 25, 2023 at Edmonton Tower. Administration invited representatives from development industry organizations to provide input on the approach to substantial completion. Since 2021, Administration has hosted eight sessions with industry representatives to discuss different aspects of growth management. Of the eight sessions, three were focused on substantial completion: December 2021 (virtual), April 2022 (virtual) and December 2022 (in person). The May 2023 session was held in response to feedback received from industry that they wished to be engaged further on the topic of substantial completion at a session dedicated to the topic.

An online survey was made available from May 25, 2023 until June 1, 2023 to allow key stakeholders to **ADVISE** the City on the same topic. The survey provided an opportunity to gather feedback from those who could not attend the in-person session and allowed industry representatives to provide more detailed responses. Four surveys were completed as well as three emails received from industry representatives and are incorporated into this report.

Who We Engaged

Development industry organizations were invited to attend the session and complete the survey. Organizations were also encouraged to invite some of their members to participate. Those in attendance at the industry check-in and/or who contributed via the online survey include:

- Anthem Properties
- Avillia Developments
- Cameron Communities
- Canadian Home Builders Association (CHBA)
- Cantiro Homes
- Infill Development in Edmonton Association (IDEA)
- JAYMAN Built
- MLC Group
- Urban Development Institute - Edmonton Metro

NAIOP (Edmonton's Commercial Real Estate Development Association) was also invited to attend the session and complete the survey.

What We Discussed

During the first half of the session, the project team presented an overview of the information shared in the advance materials provided to industry and answered related questions. Attendees prompted discussion on the following topics:

- Criteria and Methodology
- Potential Impacts of Substantial Completion
- Infrastructure
- Parcel Status and Development Timeframes
- Residential Density Categories
- Development Process Adjustments
- Phasing the Future Growth Area

The second half of the session, as well as the online survey, was structured around the following:

- *How do you think the City's approach to substantial completion could impact the affordability of new or resale housing in Edmonton?*
- *Should substantial completion include a metric related to remaining potential low density residential lot supply by district? Why or why not?*
- *Data on publicly/industry funded infrastructure such as transit service, fire halls and school sites will be provided to council as part of substantial completion reporting. Why should these metrics be tracked, rather than required? Other types of publicly funded infrastructure could also be reported on, including transportation infrastructure and major facilities. Which metrics are more or less relevant to report in the context of complete communities? Why?*
- *Does the proposed planning lead time include what is needed for the highest and best use of the future growth area?*

What We Heard

Criteria and Methodology

Industry members identified the need to manage, track, and stay informed about the progress of neighbourhood growth, available development capacities, infrastructure needs, priorities, and costs.

Attendees and survey respondents raised concerns regarding the data used to calculate the thresholds. Data transparency and clarity was requested to facilitate a review of inputs and calculations, particularly progress toward completion.

Industry noted that metrics and thresholds, including progress toward completion, should be validated with secondary analysis. One attendee suggested that industry representatives may be able to provide local context regarding likelihood of development of undeveloped parcels and that this could be part of substantial completion. A district level sensitivity analysis could help to identify potential barriers to reaching thresholds, for example where completion is perceived by industry but not reflected in the metrics. Annual adjustments to ensure data currency are needed. Industry indicated that some data sources lag behind real time progress toward completion.

Potential Impacts of Substantial Completion

One survey response stated that substantial completion is based on the principle that all land in a district can and will develop in a predictable, timely manner. Many factors prevent certain areas from developing, which will result in the thresholds not being achievable. Substantial completion will create lot shortages and higher prices for consumers. This respondent questioned the need to restrict planning and indicated that the earlier an area is planned, the better the opportunity to get it right. Another respondent said that a system without substantial completion metrics would be preferable. If that is not an option, then having fewer metrics reduces the risk of the market moving to other jurisdictions and ensures the system is as simple and understandable as possible.

Infrastructure

Industry asked whether servicing and engineering considerations were overlaid on substantial completion. Industry indicated that opportunities to size and build infrastructure efficiently in the developing area to meet the requirements of adjacent future growth area lands would be lost by not having a plan in place for the future growth area.

Parcel Status and Development Timeframes

Industry communicated concerns about the impact of landowners who choose not to develop land for long periods of time in an area that would otherwise be substantially complete, and how this situation could impact the price of land. Without a mechanism to force the development of land by this type of owner, industry is concerned that new developments will be delayed indefinitely because some landowners who currently have no interest in selling or redeveloping their land may try to benefit from potential increases in land values. Industry noted that land owned by non-participating landowners should be accounted for and deducted from substantial completion calculations. Industry suggested that they could provide anecdotal information about the status of undeveloped parcels of land that they are familiar with.

Residential Density Categories

Industry indicated that the established categories of low, medium and high residential densities are evolving and will continue to do so. Low density/ground oriented residential development is accommodating increased density through smaller lots, secondary suites and garden suites. Medium and high density sites in developing neighbourhoods can remain undeveloped for a long time due to the predominant demand for ground-oriented housing (housing with direct access to a street or public space) in the developing area (and less desirable location of higher density residential). Industry asked if it matters how neighbourhood density is achieved or that it is reached as per the Area Structure Plan and Neighbourhood Structure Plan.

Substantial completion should consider assumptions of phasing growth relative to industry experience, e.g. consumer preferences, Edmonton Metropolitan Region Board population projections, and industry neighbourhood development lifecycles (from the first to last house and progress on developer-led amenities).

Development Process Adjustments

Some industry representatives would like statutory planning of future growth areas to take place prior to the substantial completion of the developing area. Industry indicated that allowing statutory planning up to the Neighbourhood Structure Plan or rezoning stage while still restricting approval of new developments would limit downtime for developers and builders as well as allow for quicker adaptation to changing market conditions. Industry stated that there is little risk to creating plans well in advance of development. While plans can get dated, they are viewed and treated as living documents with amendment applications made as required.

Phasing the Future Growth Area

One survey indicated that we need a roadmap to get to rooftops. Some respondents felt that the focus on substantial completion without a broader strategy or context in place to plan for both residential and non-residential growth in the future growth area is short-sighted and misses the opportunity to successfully deliver The City Plan.

It was suggested that the southwest and southeast future growth areas be phased separately as they are different housing markets and are expected to develop at different times and at different rates. Some industry representatives recommended a quadrant based approach and/or that contiguous development be allowed. For example, development could connect to existing infrastructure at the edge of the developing area, rather than waiting for a servicing study that is required to plan future growth area infrastructure for a vast area. Industry prefers that once the southwest district is built out, then the adjacent future growth area should be opened.

Industry suggested that an additional Council authorization for Neighbourhood Structure Plans to proceed could be used as a “gate” after a servicing study is completed, so that there are additional mechanisms in place to ensure the phasing of growth. From industry’s perspective, this could be part of phasing the future growth area, so that all of the lands in an Area Structure Plan are not available for development at the same time. This would also phase the requirements for associated public investment.

Housing Affordability

Industry representatives indicated the substantial completion policy will constrain housing supply and impact affordability. One industry representative requested that Administration conduct a jurisdiction scan of places applying a similar approach to understand what impacts there have been on affordability.

A survey response stated that if housing demand cannot be met by supply, scarcity will result and home prices will increase. If demand for ground-oriented housing is not met in one area of the city, development of that type of housing will shift outside of the city and reduce Edmonton's overall growth relative to the metropolitan context. Industry's experience is that buyers are not willing to move between sub-markets and that location of employment and opportunities to work from home impact consumer location choice/preference.

It was noted that The City Plan target of maintaining no more than 35% of household income being spent on the combination of housing and transportation costs should factor into this conversation.

Concerns were raised that delaying the ability to build in the future growth area will increase the price of the remaining vacant land in the developing area. An email response stated the policy puts increased pressure on the more desirable areas and constrains first time homebuyers due to reduced supply and higher prices. Furthermore, they advised that we should be ready to welcome new homeowners without affecting affordability.

One attendee noted that there was not a national focus on housing affordability during the preparation of The City Plan and the substantial completion policy direction. They believe that if The City Plan was written in today's context, the substantial completion policy would likely not have been included.

Industry asked if CMHC's Housing Accelerator Fund is relevant to expediting completion.

Low Density Residential Lot Supply

Industry is interested in finding creative ways to densify low density residential (LDR) areas by including secondary suites and garden suites. A question was raised whether secondary and garden suites will be monitored as part of substantial completion. Attendees indicated that land absorbed and hectares remaining were two of their primary business metrics. Industry suggested the need to include a City override when completion is close to being achieved to avoid having to wait for the last few dwellings to be built to reach the thresholds. There was consensus among industry representatives that remaining low density residential lot supply is worth tracking in order to avoid skewing threshold calculations due to multifamily site inactivity.

Tracked Metrics

Industry indicated that the tracked metrics could be a report card for the City, but could unintentionally lead to the City giving up on infrastructure commitments, asking developers to pay for them or enable rethinking standards. One industry member indicated that the metrics will drive whether results are viewed as a problem or an opportunity. Some felt that progress on the required metrics for substantial completion should be tracked separately from public service infrastructure and service allocation as those elements do not follow the residential pace of development, though their status will influence the City's decision making, prioritization, and response.

An email response indicated that all publicly funded infrastructure should be tracked. One survey response indicated that public infrastructure investments are not indicators of whether or not growth should continue. Another stated that housing supply and needs are completely unrelated to whether or not the City has provided services to a district. Tracking would highlight where the City is not meeting its obligations to the district.

There was no clear consensus from industry regarding which, if any, additional metrics should be included in the substantial completion policy. One survey response indicated that leading, rather than lagging, indicators should be measured given the sequential nature of land development (low density residential, then medium density, then commercial land uses, then public facilities and amenities). Leading indicators could include data that is representative of current demographic and land use trends.

Planning Lead Time

Industry representatives indicated that a 10 year planning lead time is preferred to the previously proposed 5 to 7 years for planning and development of the future growth area. The 10 year lead time could accommodate a high level servicing study for the future growth area to coordinate between Area Structure Plans and with the developing area. EPCOR would be involved, but there was no consensus regarding which party (City or industry) should complete the study. Industry indicated that we may already be behind as new neighbourhoods take time to build momentum. Another asked what if growth is faster than expected.

An email response stated that it is essential to start the planning of future growth areas now, indicating that pre-planning does not contravene 2.3.2.3 of The City Plan. Pre-planning is needed to be proactive and to ensure that land use, servicing, and network plans are well thought out; pre-planning is not intended to result in having shovels in the ground as soon as possible. Industry believes that as much lead time as possible is needed to accomplish this.

What Happens Next

The information gathered from industry through the online survey and check-in will inform the Council report on Substantial Completion that is expected to be published on August 17, 2023 and the associated check-in with the Urban Planning Committee on August 29, 2023.