

Upzoning on the Future Growth and Development of Edmonton's Uptown and Downtown

Recommendation

That the September 3, 2019, Urban Form and Corporate Strategic Development report CR_7041, be received for information.

Previous Council/Committee Action

At the March 12, 2019, City Council meeting, the following motion was passed:

That Administration engage with the Downtown and Oliver communities, as well as planning, development and real estate sectors, to provide a report and analysis of the consequences of upzoning on the future growth and development of Edmonton's Uptown and Downtown, including effects on property values, parks planning and housing diversity.

Executive Summary

An "upzoning" is a rezoning to allow for more development to occur than would be permitted under the existing zone. Plan amendments sometimes accompany upzonings when presented at a Public Hearing.

Upzonings can create expectations for development and speculatively raise land prices, which can in turn limit some forms of development. This mostly occurs where high density forms are not supported by policy (for example, land in the interior of the Oliver neighbourhood). However, in areas where high density development is expected (i.e., all of Downtown and along major corridors in Oliver), rezonings will not have much effect on land costs and the pattern of development. Upzonings are more disruptive when they diverge significantly from planning direction within Council-approved policy and plans.

City Council sets direction for the development of the Downtown and Oliver neighbourhoods through statutory plans. In the long run, rezoning and amendment decisions that maintain the intent of the statutory plans are most likely to support development that conforms with those plans.

Report

Over the past ten years, 26 Direct Control upzonings have been approved in the Downtown and Oliver neighbourhoods (see Table 1). Upzonings generally increase development opportunity for a site, including increased Floor Area Ratio (FAR) and residential unit density.

Table 1: Direct Control Provision Upzonings in Oliver and Downtown since 2010

Neighbourhood	Rezoning	Median FAR Increase	Gross Developable Area Added	Residential Units Added
Downtown	12	5.8	253,463, m ²	3,000
Oliver	14	5.0	165,677 m ²	2,200

In September, 2018, the Downtown Edmonton Community League and the Oliver Community League expressed concern about the impact of upzonings on the pattern of development in these neighbourhoods. Specifically, the Leagues cautioned that granting excessive development rights through upzoning for some sites would slow the redevelopment of underdeveloped sites and preempt lower density development that might otherwise occur.

Administration met with 16 individuals who plan, develop, or transact real estate in the Downtown and in Oliver to review the effects of upzonings on approaches to planning, built form diversity, property values, and project feasibility. Administration also met with four representatives of the Downtown and Oliver communities to discuss these same topics and the lived experience in these communities. There are a variety of perspectives between those interviewed with some prevailing themes summarized below.

The interviews were supplemented by a review of academic literature on land use and economics.

Effect of Upzoning on Actualizing Redevelopment

Upzoning is an indicator of intent to redevelop land in alignment with market factors, including obtaining an optimum return on an asset. However, it is only one step in a process to actually redevelop land, which is considered against the risks of doing so. Actually redeveloping land has the risk of managing the logistics of a larger scale project, securing funding or financing for a project, meeting market demand, and meeting financial expectations.

Another strong consideration in redevelopment is the inertia of continuing the existing use of a site that may generate a reasonable rate of return. For redevelopment to occur it should offer greater returns than the existing use to justify the risk and cost. This consideration was raised by a number of participants in interviews. A number of participants pointed out that a significant amount of vacant land is held long-term, with no motivated seller, as the land generates a steady revenue, including from surface parking. Operating a surface parking lot has low costs, and the lack of improvements on the site generally means that property taxes are considerably lower than those for developed land. The value proposition of surface parking lots creates a high threshold for development to meet in order to induce landowners to sell or develop.

For these reasons, redevelopment does not always immediately follow upzoning. Of the 26 upzonings via Direct Control Provisions approved in the Downtown and Oliver Neighbourhoods over the past nine years, nine have been redeveloped and four more have submitted development permit applications. Direct Control Provisions applied to upzone a site are fairly specific and may be based on the redevelopment vision of the proponent at the time of adoption. The longer a site upzoned via a Direct Control Provision remains undeveloped, the less likely it is to be redeveloped as the approved provision becomes more dated relative to contemporary design and market demand.

Effects of Upzoning on Property Values

Speculation also affects land prices. If a landowner believes that their land could be upzoned in the future, they may delay selling and hold out for a better price. In markets where there is more demand for new development than there are development rights available, or where new development rights are costly or risky to obtain, rezoning decisions have a large effect on the land market. In Edmonton, those interviewed identified that there is general confidence that obtaining additional development rights through rezoning is not risky. Thus, upzoning land has the potential to increase land values somewhat, but it does not have a major effect relative to other factors when rezonings are expected and predictable.

Effects of Upzoning on Housing Diversity

Housing diversity is understood as the presence of a variety of residential building types including houses, row houses, low, mid and high rise apartments. When upzonings occur, similar properties are less likely to redevelop for low density because of the expectation that high rise development could be permitted. Under these conditions, two to four storey development is unlikely as it will generate insufficient revenues to pay what sellers expect for their land. This means that upzonings may preempt some missing middle development in those parts of Oliver where the plan and current zones prescribe it by raising expectations for land values beyond what smaller projects can support.

Participants expressed that in the Downtown and along major corridors in Oliver, building forms were expected to be more intensive and require concrete construction. In these cases, land represents a relatively minor project cost because the construction costs are so high. These larger project costs need to be spread among a greater number of units. Developers therefore seek the maximum scale possible within the constraints of market demand. Practically speaking, this is why new residential buildings between six and twenty storeys are so rare.

Effects of Upzoning on Parks

Parks planning is typically done at the district or neighbourhood scale through an area planning exercise or a standalone community needs assessment. The expected population of a neighbourhood is one factor in planning for park space and amenities, although there is no fixed standard for park space per person applied in older neighbourhoods. Over time, upzonings and plan amendments may increase the expected population of the neighbourhood beyond what was foreseen when preparing the area plan, and additional planning for parks and neighbourhood amenities may be warranted.

The provision of parks and open space in dense urban environments is not as straightforward as in a new neighbourhood context. In greenfield areas, subdivisions generate municipal reserve land that can be used for parks, whereas infill areas rarely see new municipal reserve contributions. The City therefore may seek partnerships with private industry and other institutions to help provide some amenities through development agreements and community amenity contributions.

Where planning and rezoning decisions have increased expected returns for land, space for parks will be more expensive to acquire, diminishing the City's ability to provide parks in urban areas. The City pursues alternatives to compensate for this challenge through the enhancement of existing space.

Effects of Upzoning on Utility Planning

Upzonings, whether actualized or not, also impact the utility network. When reviewing rezoning proposals, Administration and EPCOR determine utility capacity based on the development permitted by nearby zones rather than the actual amount of development. Therefore, upzonings claim a certain capacity in the utility network, which increases the likelihood that subsequent rezonings will require infrastructure upgrades.

Planning Approach to Controlling Patterns of Development

Council has the power to control patterns of development through planning and zoning decisions. By approving a land use plan, Council commits to development concept for

a specific area. Council may choose to adhere to plans to achieve its long term vision for a desirable urban environment, but this would require refusing applications to amend plans and rezone, even when proposals have merit. Alternatively, Council may choose to support upzonings and plan amendments to encourage development activity. However, this approach will erode the ability of plans to direct the pattern of development over time.

Upzonings are more disruptive when they diverge significantly from planning direction within approved policy and plans. For example, the Grandin City rezoning at 111 Street and 100 Avenue was the largest increase in density ever approved in the Oliver neighbourhood. This upzoning occurred on a small site located mid-block in the interior of the neighbourhood despite specific policy language in the Area Redevelopment Plan, the Residential Infill Guidelines and the Zoning Bylaw all identifying this site as suitable for low and mid rise development. This significant upzoning departure from policy and regulation will affect the expectations of landowners and developers more than other Oliver upzonings located along Jasper Avenue on larger sites where policy directs towers.

Participants from the development industry held differing opinions on what level of land use control and regulation would be optimal to achieve urban redevelopment in Edmonton. Some participants felt that Council should support all proposed projects and act mostly as a booster for development in the core. Others felt that better outcomes would be achieved if Council helped set expectations for development through some sort of planning framework, as long as this framework reflected market needs and provided flexibility. Community members interviewed strongly favoured a planned approach that directed different building types to different sites.

Currently, the framework used by the City of Edmonton is Area Redevelopment Plans supported by guidelines and planning policies. A number of participants offered that many of the principles contained in the existing plans are still valid, but that the plans themselves do not reflect current realities for development. Many participants were skeptical that these plans could be kept up to date over time.

Through the City Plan, Administration is considering approaches to planning that would balance the need for shared expectations for development patterns and the need for flexibility to adjust to new opportunities and challenges. This work will inform future decisions about how to update and maintain plans for the core and elsewhere in the city.

Corporate Outcomes and Performance Management

Corporate Outcome: Conditions of Success			
Outcome(s)	Measure(s)	Result(s)	Target(s)
<p>Effective and efficient service delivery: The City is compliant with legislated requirements</p> <p>The City has and amends statutory plans and the land use bylaw in accordance with the MGA.</p>	Rezoning since 2010	<p>Rezonings in Oliver Neighbourhood: 33 Direct Control upzonings: 14</p> <p>Capital City Downtown Plan rezonings: 18 Direct Control upzonings: 12</p>	Not applicable
	Plan amendments	<p>Oliver Area Redevelopment Plan amendments since 1997: 48 Capital City Downtown Plan amendments since 2010: 10</p>	Not applicable

Others Reviewing This Report

- C. Owen, Deputy City Manager, Communications and Engagement
- B. Andriachuk, City Solicitor
- A. Laughlin, Acting Deputy City Manager, Financial and Corporate Services
- R. Smyth, Deputy City Manager, Citizen Services