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Memorandum

To/Attention: City of Chestermere Planning Staff

From: Elvin Karpovich, IBI Group

Cc: Jason Palacsko, Centron

Date: May 19, 2021

Subject: Impact of Reduction in Employment Lands, Clearwater Park

IBI Group has conducted a second review of designated employment lands within the City of Chestermere. Currently there are no parcels of land that are available for development, within the built part of the municipality.

Comparing MDP Employment Areas in Chestermere

The City's Municipal Development Plan (MDP) identifies three major areas for employment/industrial land development. Area 'A' is located in the north part of the community and is identified within the Waterbridge Master Area Structure Plan. Area 'B' is the portion of the Bayfield amendment to the Mountain View Park Conceptual Scheme, located east of the built part of the community. Area 'C' is located in the south part of the community adjacent to the Rocky View County hamlet of Janet.

The City's MDP emphasizes light industrial and business park uses with a focus on transportation-oriented uses. The lands within Clearwater Park that are designated for employment uses will still be able to accommodate these uses, with a range of larger lots proposed for the lands owned by Centron. The specific MDP policy for Employment Lands Area 'B' is:

Employment Lands Area B should accommodate business park and light industrial uses. To take advantage of the proximity to the Highway 1 and Chestermere Boulevard interchange, business parks and transportation-oriented uses should be given preference. Integration with the adjacent highway commercial and neighbouring jurisdictions should also be considered in the planning of development in Area B.

It is important to note that Areas 'A' and 'C' currently are not subject to a specific Area Structure Plan that would identify roads, infrastructure, and park space, so in order to compare MDP areas and changes to them, gross development areas should be used.

From the City's GIS Database, the three designated areas total approximately 568.6 ha. The proposed revision to Area B reduces the overall size of the area, by approximately 39% and the overall city-wide area (that remains undeveloped) by approximately 13%.

Table 1: Chestermere Employment Areas (Gross Developable Area)

| MDP Area | Existing (ha) | Proposed (ha) | Total Reduction (ha) | Percentage |
|--------------|---------------|---------------|----------------------|------------|
| A | 106.8 | 106.8 | 0 | 0% |
| B | 192.8 | 117.7 | -75.1 | -38.9% |
| C | 269.0 | 269.0 | 0 | 0% |
| Total | 568.6 | 493.5 | -75.1 | -13.2% |

Source: City of Chestermere Municipal Development Plan and Geographic Information System data

Clearwater Park Size Comparison to Similar Regional Industrial Areas

Despite the reduction in employment area, the Clearwater Park's employment lands represent a similar sized opportunity for industrial areas located within Northeast Calgary, Rocky View and Airdrie. The following table shows approximate gross development areas for selected industrial parks that have been under development since the passage of the Chestermere MDP. Other employment areas but have not been included as they require further planning approvals (either passage of Local Area Plans or Outline Plans/Land Use Amendments) or have not had full services installed.

Table 2: Selected Industrial Parks in Greater Calgary Area

| Industrial Park | Location | Approx. Gross Development Area | Status |
|--------------------------------|-------------------------|--------------------------------|----------------------|
| High Plains | Rocky View/ East Balzac | 390 ha (963 ac) | Under development |
| Nose Creek | Rocky View/East Balzac | 290 ha (719 ac) | Under development |
| Stonegate | NE Calgary | 290 ha (719 ac) | Under development |
| Wagon Wheel | Rocky View/East Balzac | 194 ha (480 ac) | Under development |
| Highland Park | Airdrie | 121 ha (300 ac) | Under development |
| Conrich (existing area) | Rocky View | 120 ha (296 ac) | Completed |
| Clearwater Park | Chestermere | 118 ha (290 ac) | In approvals process |
| Crosspointe | Rocky View/East Balzac | 65 ha (160 ac) | Under development |
| Interlink Logistics | Rocky View/East Balzac | 61 ha (150 ac) | Under development |

Source: Cushman Wakefield, Industrial Area Growth Strategy Consulting Report – City of Calgary, 2021

Cushman Wakefield have recently authored a Growth Strategy Report for the Industrial Sector in the City of Calgary, with some reference to the surrounding region. The report focuses on the industrial sector within Calgary but does provide some comparative data to the East Balzac area regarding development levies and requirements. The report also makes empirical observations regarding industrial development in the Calgary region:

- The main employment sectors driving industrial development include: Transportation and Warehousing; Wholesale Trade; and Manufacturing.
- The region is seeing demand for larger lots to accommodate larger buildings than a traditional industrial park.
- Annual land absorption within the Calgary region averages between 50 and 65 hectares of net developable land (2011-2019).
- Sites that have suitable access to major transportation corridors are preferable to industrial areas that do not.

In considering the above, the reduction in Clearwater Park's employment land will not adversely affect its ability to attract potential clients in the first two employment sectors noted in the Cushman Wakefield report. Further, the location of the employment lands within Clearwater Park will allow for varied sizes of development lots and will have access to Highway 1 via Highway 791. Employment Lands Area 'B' remains the logical first step for Chestermere's entry into the regional industrial market, and the proposed reduction in land from the 2009 Bayfield Amendment will not adversely affect Clearwater Park's ability to respond to the above trends in industrial development.

Property Tax Comparison

The Cushman Wakefield report provides a comparison of regional property tax rates (p. 48) for both non-residential and residential properties. Section 6.2 of the Cushman Wakefield report notes the current mill rates for Chestermere to be 0.010963 for non-residential and 0.007667 for residential. The ratio of non-residential to residential mill rates is 1.43:1.00, which is the sixth highest out of the ten CMRB municipalities.

Despite this, development of a three-hectare parcel (a typically-sized employment area parcel proposed for Clearwater Park) is likely to generate more tax revenue as a residential parcel than an employment/non-residential parcel based on the following:

- The residential unit yield complies with the City standard of 8 units per acre
- Industrial lot coverage is 30%
- Industrial valuation calculated at \$143/ sq. ft. of building (Altus Investment Trends Survey 2020 Q3 – average Calgary industrial building value)
- Total Annual Property taxes are calculated at build-out and do not account for partial development or lot absorptions

Table 3: Property Tax Comparison Based on Current Chestermere Tax Rates

| 3-hectare (7.4 acre) development parcel | Non-Residential Development | Residential Development |
|---|---|--|
| Lot Yield | 1 lot | 59 residential units (based on 8 units per acre) |
| Coverage | 30% (9,000 sq. m or 96,875 sq. ft.) | n/a |
| Projected Valuation | \$13,853,125 (based on \$143 per sq. ft.) | 26,550,000 (based on \$450,000 x 59 residential units) |
| Mill Rate | 0.010963 | 0.007667 |
| Annual Property Tax at build-out | \$151,871 | \$203,558 |

Source: Cushman Wakefield, Industrial Area Growth Strategy Consulting Report – City of Calgary, 2021

Off Site Levy Rates Comparison

Given the strong performance of the industrial areas in Rocky View County/East Balzac, difference in calculations of off-site levies should be a significant discussion point for municipalities that are considering bringing industrial land on-stream. This applies to the City of Calgary, and The Cushman Wakefield report attempts to provide an ‘apples to apples’ comparison of off-site levy calculations however, Rocky View’s methodology in calculating levies for water, sanitary, and stormwater differ from the City of Calgary, and most likely, the City of Chestermere. Rocky View requires land to be dedicated in each development for stormwater and the developer provides and maintains the stormwater pond. For water and wastewater, the developer provides projected flows, which are applied to various levies and charges for Langdon and East Rocky View, totalling \$31,757 per cubic metre/ per day.

Cushman Wakefield, on page 53 of their report provide a comparative estimate of levies and charges based upon a series of assumptions to compare Calgary’s levy structure with those in East Balzac. Applying the current per hectare rate of Development Area 10 (Clearwater Park) in Chestermere, the off-site levy amount per hectare, would be competitive with the City of Calgary, put significantly greater than being levied in East Balzac. This may be a significant consideration in bring new employment land to market in Chestermere that will be in competition with land in East Balzac.

Table 4: Summary of Regional Off-Site Levy Rates

| Municipality or Development Area | Estimated Levy Amount (per ha) |
|----------------------------------|--------------------------------|
| Rocky View County – East Balzac | \$143,000 |
| Chestermere – Area 10 | \$230,627 |
| City of Calgary – Nose Creek | \$505,000 |

Sources: City of Chestermere 2019 Draft Off-Site Levy Bylaw;
Cushman Wakefield, Industrial Area Growth Strategy Consulting Report – City of Calgary, 2021

Summary of Observations

The proposed reduction in employment lands from the existing 2009 Bayfield Amendment to the proposed Clearwater Park ASP is not expected to result in a significant loss of revenue for the municipality. Chestermere’s challenge, like other suburban municipalities in the Calgary Region, will be to ensure these lands are brought to market in a matter that is competitive with other regional employment lands providers.