

The Case for Annexation

Introduction

The City of Edmonton has experienced significant growth since it was incorporated in 1904. From a small community of 5,000 people on the north side of the North Saskatchewan River, Edmonton has grown to a city of close to 840,000 people. The City's population has increased by almost 300,000 since the City last undertook an annexation in 1982.

According to the most recent Federal Census, Edmonton's metropolitan population increased by 12.1% from 2006 to 2011, the second highest percentage increase in population growth among Canada's 33 metropolitan areas. The Capital Region's growth over this period was more than double the National average.

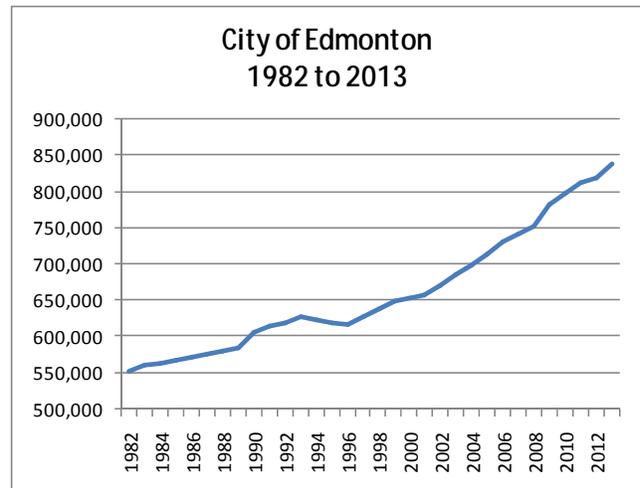
Strong economic fundamentals have contributed to the Edmonton Region's population growth.

This is especially true in recent years – with GDP growth of 4.1% in 2010, 6.3% in 2011 (highest in Canada), 4.4% in 2012 (highest in Canada) and 4.6% in 2013 (4th highest in Canada). The Conference Board of Canada is anticipating continued strong economic growth for the Edmonton Region – forecasting an increase in GDP of 3.4% in 2014 (3rd highest in Canada), 3.2% in 2015, 3.0% in 2016 and 2.9% in 2017.

The City of Edmonton is quickly running out of room to accommodate anticipated growth. This is especially true for industrial lands but is also true for residential developments. Timelines in Edmonton for new developing areas to properly account for such activities as land acquisition, securing necessary levels of financing, the preparation of the necessary planning documents (Area Structure Plans/Neighbourhood Area Structure Plans/etc.) and the provision of deep infrastructure can extend anywhere from five up to ten years - exacerbating the City's need to annex lands over the next couple of years.

Planning for the long-term growth requirements to accommodate future population and employment needs is necessary to ensure the vibrancy and fiscal sustainability of both the City and the Region. Expansion of the City of Edmonton's boundaries is important for a number of reasons:

- **Strong Central City** – the position of Edmonton as a strong central city is critical for the City of Edmonton as well as the Region as a whole. The provision of a number of services such as cultural amenities, recreational services, a functional transportation network and the ability to provide an efficient and well coordinated public transit system are enhanced by a strong and fiscally healthy core city.
- **Infrastructure Efficiency** – the ability to efficiently service the amount of growth occurring in the Edmonton Region requires that the requisite infrastructure for the developments be planned and built in a manner to take advantage of economies of scale. For larger municipalities the servicing of infrastructure cannot be designed in an economical fashion to accommodate incremental growth – but rather long term horizons are required.



- **Compact Development** – the City of Edmonton is proposing residential density levels in the proposed annexation areas that exceed those recommended by the Capital Regional Board and those being realized by neighbouring municipalities. The development of the lands in the proposed annexation areas under the jurisdiction of the City of Edmonton will result in a more compact development than would otherwise occur if developed under other municipal jurisdictions.
- **Competitive land market** – a sufficient supply of land is required to keep the development industry competitive. Land shortages or the inability to supply enough developed land to meet demand can have significant impacts on land costs and ultimately on housing affordability. The City of Edmonton’s proposed annexations will ensure that the region has sufficient lands required to maintain a competitive market.
- **Economic development** – The industrial and commercial development that is expected to occur in the proposed annexation area will attract people which will have spill-over effects to the region as a whole. This activity will not only provide stimulus to the City of Edmonton but to the surrounding municipalities.

Development Constraints

Edmonton is quickly bumping into constraints with respect to opportunities for new developing areas. In general the City of Edmonton’s growth aspirations and the constraints impacting the direction where and how it can grow can be summarized as follows. Edmonton is not interested in:

- growing via amalgamation;
- areas under the control of other levels of government such as CFB Namao or the Enoch Reserve;
- areas that are dominated by features such as wetlands that make it difficult to facilitate development and provide services;
- annexing existing industrial developments that could adversely impact another municipality’s fiscal sustainability;
- existing country residential that is more intensely developed as is exceedingly difficult to redevelop into a more urbanized form; and
- areas that contain dense networks of oil and gas wells and pipelines which have associated risks and setbacks.

As currently situated, the City is nestled within a number of existing or planned developments and communities in all directions. These include the following:

- to the east Strathcona County with its industrial developments, Sherwood Park and the planned communities of Bremner and Colchester;
- to the northeast the City of Fort Saskatchewan;
- to the north the Edmonton Garrison and Namao and country residential developments in Sturgeon County;
- to the northwest the City of St. Albert;
- to the west Enoch Reserve, the City of Spruce Grove and Parkland County with its country residential developments and Acheson Industrial Park; and
- to the south the City of Leduc, Nisku Industrial Park located in Leduc County and the Town of Beaumont.

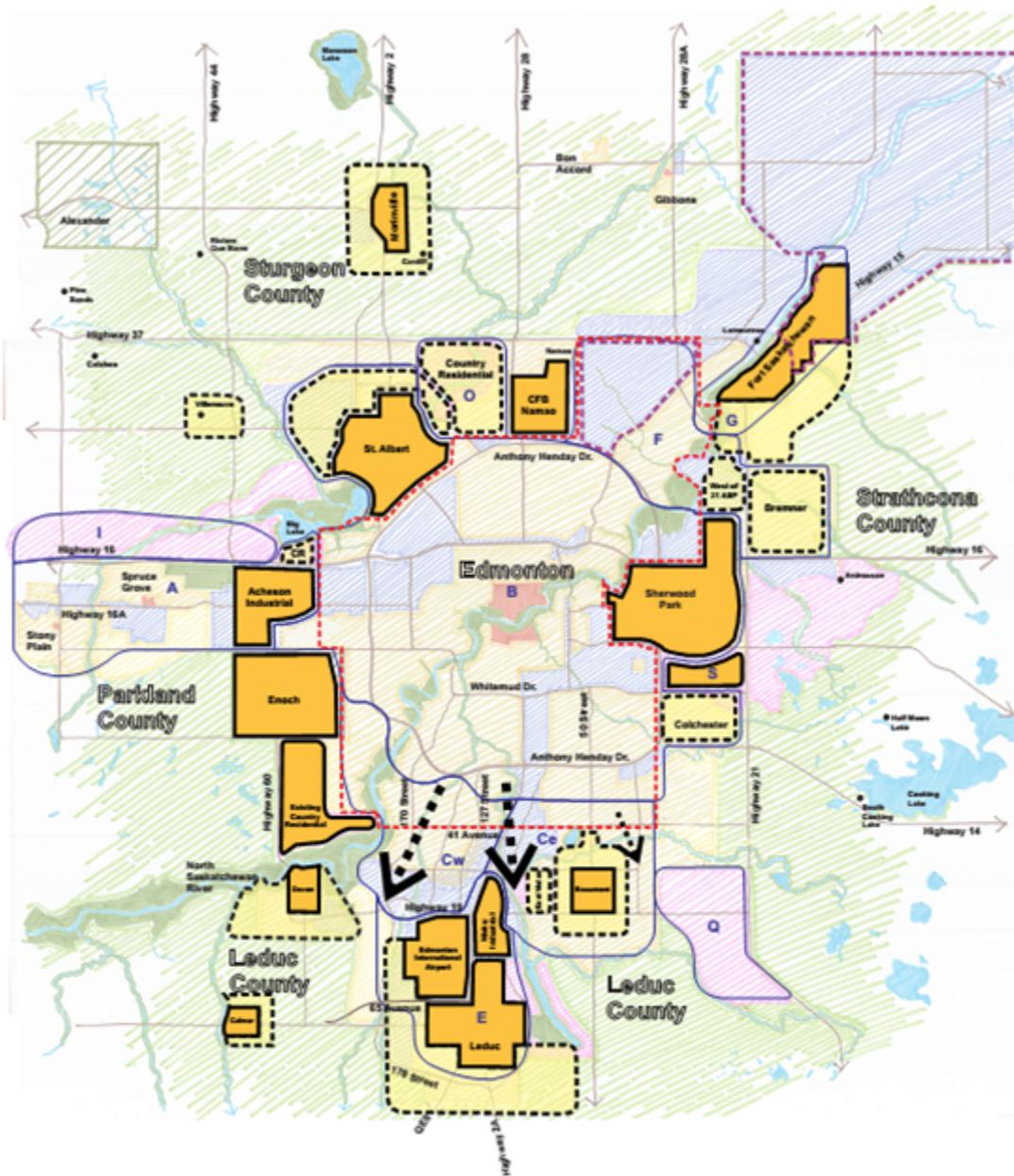
Throughout its current period of growth the City of Edmonton has been able to maintain a balance of industrial and residential land that:

- Makes available employment opportunities within its boundaries providing a work – live – play balance; and
- Keeps taxes in balance between industrial and commercial properties and residential properties. Edmonton's assessment base is currently comprised of 27% from non-residential sources and 73% from residential. This compares to Fort Saskatchewan at 45%, Calgary at 27%, Strathcona County at 47% and Leduc County at 64% from non-residential sources.

Current projections, however, show that growth in this manner cannot continue within the City of Edmonton's current boundaries. Demand for industrial land will continue on the south side of Edmonton but without annexation, it will be satisfied by industrial developments that located in other municipalities. This will distort the balance between industrial and residential land and negatively affect the fiscal sustainability of Edmonton – the home for much of the work force that will power that industrial growth.

The map presented on the following page shows the constraints that limit growth opportunities for the City of Edmonton and demonstrate that the City's primary direction for the development of both industrial and residential lands lie primarily to the south.

Geographic Constraints on Edmonton's Growth



City of Edmonton Intermunicipal Fringe Area:
Edmonton Constraints and Regional Aspirations

LEGEND

- Constraints
- Aspirations
- Potential Growth
- City of Edmonton Boundary
- CRB - Priority Growth Areas
- Alberta's Industrial Heartland
- Major transportation routes
- Water Bodies



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Growth Projections

Recent development and growth trends have shown that the City of Edmonton has accounted for slightly more than 71% of the housing units constructed in the Edmonton Region. The City of Edmonton

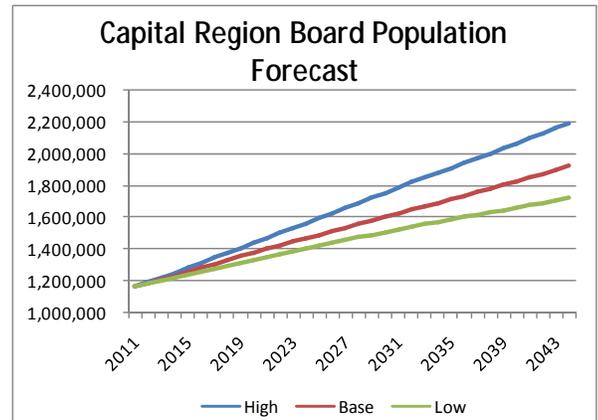
	2011	2012	2013	Total	Percent
Low Density					
Edmonton	3,080	3,517	3,981	10,578	63.6%
Region	1,937	2,141	1,989	6,067	36.4%
Total	5,017	5,658	5,970	16,645	100.0%
Medium & High Density					
Edmonton	3,055	5,971	6,653	15,679	77.6%
Region	1,260	1,208	2,066	4,534	22.4%
Total	4,315	7,179	8,719	20,213	100.0%
Total					
Edmonton	6,135	9,488	10,634	26,257	71.2%
Region	3,197	3,349	4,055	10,601	28.8%
Total	9,332	12,837	14,689	36,858	100.0%

has recently captured in the order of 64% of the low density development in the Region and slightly less than 78% of the medium and high density development. It has been estimated that with this development the City of Edmonton has accommodated in the order of 70% of the population growth.

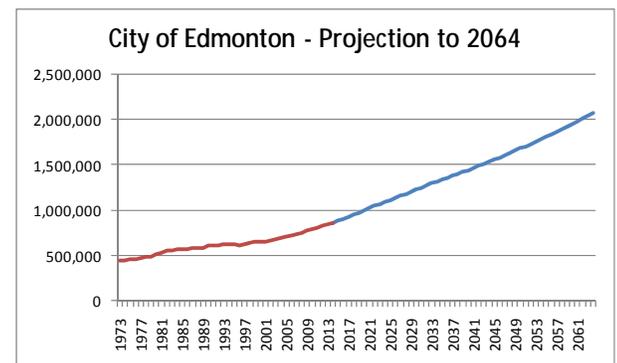
The projections being utilized to support the proposed annexations are based on

the forecasts prepared by the Capital Regional Board (CRB). The CRB recently updated its population forecasts for the Region, providing low, base and high forecasts – with the low scenario forecasting the Region growing from just under 1.2 million people in 2011 to just over 1.7 million in 2044, with the Base Scenario the Region growing to just over 1.9 million and with the High Scenario the Region growing to just under 2.2 million people. For planning purposes, the CRB’s high scenario was utilized to ensure that there are sufficient lands to accommodate potential population growth. In addition, it has been assumed that the City of Edmonton will account for 70% of the Region’s population growth. The ability of the City to accommodate 70% of the Region’s population growth is seen to be reasonable for a number of reasons:

- The City currently accounts for roughly 70% of the Region’s population
- The City has recently accounted for 71% of the housing units constructed in the Region
- With annexation, a greater percentage of the growth associated with two of the Priority Growth Areas identified by the CRB will accrue to the City
- To maintain a fiscal balance, the City needs to continue to be a strong central figure in the Region.



The City of Edmonton’s population is projected out to 2064, utilizing the CRB’s High Scenario to 2044 and then assuming a 1.5% annual growth rate from 2044 to 2064. As can be seen in the accompanying figure, Edmonton’s population is forecast to increase from approximately 845,000 in 2013 to 2,070,000 in 2064 – an increase of approximately 144% over the estimated 2013 population. These population projections assume an average annual growth rate of 1.8% over the 50 year projection time period.



Supply

City of Edmonton

The estimated current developable land supplies as of December 31, 2013 within the City of Edmonton include the ability to accommodate the following amounts of housing:

- Southwest – low density residential of 21,400 units, medium density residential of 6,200 units of row housing and 24,900 units of walk-up apartment units, and high density residential of 9,700 units
- Southeast – low density residential of 34,300 units, medium density residential of 4,400 units of row housing and 17,600 units of walk-up apartment units, and high density residential of 1,600 units
- North and West of the River – low density residential of 55,200 units, medium density residential of 7,100 units of row housing and 13,000 units of walk-up apartment units, and high density residential of 4,800 units

It has also been assumed that infill development will increase from accommodating its current level which is approximately 14% to 25% over the next ten years.

The City of Edmonton has the following amount of industrial land inventory:

- South – 530 hectares
- Northwest – 675 hectares
- Northeast – 275 hectares

In addition, the City of Edmonton is currently developing a parcel of land in the northeast as an energy and technology park. The Edmonton Energy and Technology Park is approximately 2,270 hectares and is expected to be available for development in four to five years time.

Proposed Annexation Areas

The land use breakdown for the proposed annexation areas based on a high-level future land use concept is presented in the table below. The areas presented are in gross hectares.

	Southwest (hectares)	Southeast (hectares)	Total (hectares)
Residential	4,200	2,100	6,300
Business Employment/Industrial	3,750	1,175	4,925
Edmonton International Airport	3,000		3,000
Country Residential		100	100
Natural Areas, water bodies, etc.	1,100	250	1,350
Total	12,050	3,625	15,675

Land Supply Timelines

A number of assumptions were utilized in projecting land demand for the City of Edmonton. A selection of these assumptions includes the following:

- That demand for housing will shift away from single family residential and towards medium density and higher density housing forms. The projected shift is as follows:
 - Low density – single family residential – from 60% to 50%
 - Medium density – row housing – from 8% to 10%
 - Medium density – walk-up apartments – from 25% to 30%; and
 - High density – from 7% to 10%
- That development in the City south of the North Saskatchewan River will increase from its current level of 57% to 65% over the next ten years as the capacity to accommodate development north and west of the River diminishes.
- It has been assumed that density levels for new developing areas will be as follows
 - Low Density: 25 units per net hectare
 - Medium Density – Row Housing: 45 units per net hectare
 - Medium Density – Apartment: 90 units per net hectare
 - High Density: 225 units per net hectare
 - Average Density: 34.4 units per net hectare
- It has been assumed that industrial land will continue to be absorbed at a rate of 200 gross hectares per year, increasing with population growth. This is likely an underestimation of the demand as current uptake within the City is currently being impacted by supply restrictions to the extent that prospective businesses are unable to find land with specific features of topography, access, servicing, and size to meet their specific needs. As a result, they are forced to consider lands outside of the City’s boundaries, distorting the balance between Edmonton’s industrial and residential developments.

The following table provides the approximate timing of when various supplies of land will be exhausted. The demand for residential land has been determined by taking into consideration four different housing forms – low density residential, row housing, walk-up apartments and high density high-rise residential – and their respective densities.

	Low Density Residential	Medium Density Residential (Row Housing)	Medium Density Residential (Walk-Up Apartment)	High Density Residential	Industrial	Edmonton Energy & Technology Park
Current City: Southwest	2026	2056	2060	2053	N/A	N/A
Current City: Southeast	2031	2053	2057	2029	2019	N/A
Current City: North of the River	2045	2062	2041	2044	2034	2037
Annexation Lands: Southwest	2048	2072	2065	2060	2045	N/A
Annexation Lands: Southeast	2045	2069	2063	2058	2045	N/A

With industrial land almost exhausted in south Edmonton (2019) and the supply of residential land – especially that suitable for low density housing forms – poised to be exhausted by between 2026 and 2031, the need for annexation is clear. Even with the proposed annexations, it has been estimated that the City of Edmonton will exhaust their industrial land supply by 2045 and their low density residential land supply by 2048.