



September 29, 2014

200, CITY HALL  
1 SIR WINSTON CHURCHILL SQUARE NW  
EDMONTON, AB T5J 2R7

**RE: Cost of Engineering Drawing Delays in The City of Edmonton**

Dear Councilor Nickel:

At the August 19<sup>th</sup> Executive Committee (Item 7.5, Engineering Drawing Review Process), I spoke about service standards in the City of Edmonton's approvals systems. Simply put, the approvals system should be able to harness and enable higher levels of economic performance and growth but, in its current state, it cannot. At the meeting, you challenged us to quantify the cost implications of approval uncertainty and delays, and I'm pleased today to share the results of our research.

The attached report demonstrates development intentions for residential lot supply at the beginning of the year, versus what we expect will be achieved. Strong economic fundamentals, high absorption, and the need to bolster low lot inventory fueled development intentions this year. Our detailed analysis concluded that an estimated **1869** single family, semi-detached and row houses were not serviced this year due to lack of approvals, resulting in **\$ 954,905,211** of housing stock delayed. If these houses had been built, **\$1,623,338,858** of GDP would have been gained, and **4985** direct jobs created, resulting in **\$ 7,651,560** of new municipal property taxes. These numbers do not include commercial and industrial development which is similarly delayed. This level of deferred activity demonstrates why developers and contracting companies are frustrated with approval delays, and why it's even more important to have a demonstrably better performance in 2015.

I hope you and your council colleagues find this report beneficial. As always please feel free to speak to myself or the UDI-ER office with any questions or observations. I look forward to continuing to work with you, council and administration on this important priority.

Sincerely,

Jordan Davis  
Chair, Urban Development Institute-Edmonton Region

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cc.

Mayor Don Iveson  
City Councillors  
Mavis Nathoo, Office of the City Clerk

Gary Klassen, Sustainable Development  
Scott Mackie, Current Planning  
John Rose, Chief Economist



Urban Development Institute  
EDMONTON REGION  
*Building communities together*

# The Cost of Engineering Drawing Delays in The City of Edmonton

The City of Edmonton has grown by over 60,000 people in the past two years according to the recent municipal census. The pressure on housing is forcing real estate prices and sales volumes up and shortening the time it takes to sell a home, according to the REALTORS® Association of Edmonton.

The total value of residential real estate sales through the Edmonton Multiple Listing Service (MLS®) System has increased almost 14% compared to the same time last year. The sales-to-listing ratio was 67%. New arrivals to Edmonton have pushed the number of homes sold so far this year up from 13,377 to 14,858; an 11% increase. Average days on market was 49 days in August compared to 53 last year<sup>1</sup>. ***New home move-ins (absorption) in the Edmonton CMA is also up 12% from this time last year<sup>2</sup>.*** In addition rental rates increased 5.5% last year as rental vacancy fell to 1.4 %<sup>3</sup>.

Engineering drawing delays decrease the available inventory in Edmonton, raising prices and rents, losing taxes, hurting the local economy and pushing growth out into the region.

## 1869

Estimated number of lots not serviced this year due to lack of approvals<sup>4</sup> Represent lots that developers intended to service at the start of the year, but could not, due to lack of approvals.

## \$ 954,905,211

Value of housing stock delayed because of approvals<sup>5</sup> (new single, duplex and row housing). If these houses had been built, \$1,623,338,858 of GDP would have been gained<sup>6</sup>

## 4985

Direct jobs not created<sup>6</sup>

## \$ 7,651,560

Property taxes potentially lost<sup>7</sup>

## 72%

Percentage of housing starts in Edmonton as a share of the region. This could potentially decrease if Edmonton cannot provide adequate housing choice<sup>8</sup>

1 REALTORS® Association of Edmonton

2 CMHC, Housing Now – August 2014

3 CMHC, Rental Market Report

4 Builder intentions on development (carryover inventory and planned servicing) as of start of the year minus forecast of inventory and actual servicing at the end of the year. Edmonton Housing and Research Corporation (EHRC) September 2014 estimate

5 Assuming CMHC's YTD average absorbed single-detached price in Edmonton of \$555,733. Est. Semi-detached 375,000; Row 350,000.

6 Statistics Canada, Canadian Input-Output Model June 2009.

7 City of Edmonton, Property Tax Calculator 2014

8 City of Edmonton, Growth Monitoring Report





# The Cost of Engineering Drawing Delays in The City of Edmonton

## What has been done so far?

Interim Construction Agreements (ICAs), and Modified Servicing Agreements are good examples of UDI and administration working together.

- ▶ But putting more risk on developers in order to temporarily speed up construction, only defers the underlying issues.

### Transferring Resources

- ▶ This is a short term solution, however it will only delay other approvals further down the line and lead to additional hardship if letters of credit are not released because of inspection delays.

## What else can be done?

Move quickly on a full third party review of the engineering drawing review and approval process.

- ▶ This is crucial for the long term adaptability of the system as Edmonton continues to grow. Ideas for consideration include a singular point of contact and review agency which would check complete engineering drawings.

### Continuous Improvement

- ▶ Allow for ICAs, and Modified Servicing Agreements to continue into 2015, as well as continuously looking at resource improvements and efficiencies to deal with strong expected growth in 2015.

## Edmonton and Region Vacant Lot Inventory Projected to End of Year

