



**SUBJECT: Fiscal Impact Study**

**TO: Committee of the Whole - Workshop**

**FROM: Finance Department**

Report Number: F-13-17

Wards Affected: All

File Numbers: 401-01

Date to Committee: May 4, 2017

Date to Council: May 15, 2017

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**Recommendation:**

Receive and file finance department report F-13-17 providing the Fiscal Impact Study (FIS).

**Purpose:**

The city is undergoing an important transition and is facing a number of economic and demographic changes. The city as part of its mandate for the strategic plan has decided to City-build. The Fiscal Impact Study (FIS) will be a tool available to Council for decision making as we establish a blueprint for city-building and define how we grow and shape the physical, social, economic and cultural fabric of the city.

A City that Grows

- Promoting Economic Growth
- Intensification
  - 1.2.g Intensification is planned so that growth is financially sustainable and so new infrastructure needed to support growth is paid using all financial tools available to have development pay for growth infrastructure
    - The city will analyze the costs of all forms of development
- Focused Population Growth

An Engaging City

- Good Governance
- Community Building through Arts and Culture via Community Activities

## **Background and Discussion:**

The City retained the services of Watson & Associates to undertake a Fiscal Impact Study (FIS), attached as Appendix A. The FIS measures the net financial impacts of varying types of development within the city by measuring the incremental operating and capital costs and revenues associated with development on the city's net tax levy. As the city continues to study the implications of moving towards greater intensification of development within its existing built boundary, it is important to understand the effects of proposed development on the city's overall financial position.

## **Strategy/process**

The FIS was designed to consider the fiscal impacts in aggregate for the City over the projected growth horizon (to 2031), as well as study the impacts of smaller geographic zones within the city. After a series of meetings with the Planning and Building department and Burlington Economic Development Corporation (BEDC) the study established four geographic areas denoted as quadrants. In addition to the four quadrants staff identified development types and sub-types that would be reflective of the built form anticipated to occur over the forecast period. These are listed as follows;

### **Residential Development Types**

- Low Density
- Medium Density
- High Density

### **Non- Residential Development Types**

- Office
- Commercial/ Retail
- Industrial
- Mixed non-residential

After the quadrants and development types were finalized the following steps were taken;

- Sample properties for development types above were obtained for each quadrant to determine an average assessed market value to calculate expected incremental property tax revenues
- Occupancy estimates were developed for the sampled properties to calculate the per unit net operating costs. Non-tax revenues and operating expenditures for each service are based on the 2016 budget, with consideration for potential (dis)/economies of scale reflective of anticipated future levels
- Annual capital lifecycle requirements from the city's asset management plan and incremental capital assets were identified in the 2014 Development Charges study to determine long term capital related lifecycle requirements

- Revenue and expenditure estimates provide net annual operating impacts by development type and quadrant, which were aggregated based on anticipated development type mix within each location to provide the overall fiscal impacts of development.
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## **Financial Matters:**

Overall, the incremental amount of projected residential and non-residential growth up to 2031 will have a positive impact on the city's financial position. The following summarizes the key conclusions drawn from the Fiscal Impact Study.

- (+) In aggregate projected growth by development will offset costs of services and provide additional revenues to contribute to full life cycle funding of existing assets. This contribution is estimated at \$8.4 million annually.
  - (+) Largest tax revenues from future development come from quadrant 1 and quadrant 2
  - (+) With the exception of single detached dwelling with accessory units all other residential development types produce surplus tax revenues
  - (+/-) Only commercial/retail big box and industrial development types will produce surplus revenues
- (-) Long term capital requirements will exceed the additional surplus tax revenues produced through growth
- Annual net tax levy would need to increase by \$23 million in order to fund operating and asset life cycle costs, equating to an real annualized tax increase of 0.9% over the 2016 rate, assuming all other variables remain constant

## **Total Financial Impact**

External consultants Watson & Associates were retained to conduct a FIS for the City of Burlington. The budget for the study was \$50,000, funded through the Financial Management Service budget.

## **Source of Funding**

Not applicable.

## **Other Resource Impacts**

Not applicable.

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## **Connections:**

The FIS represents an important document for the City of Burlington within the spectrum of long term city plans that are aligned with the City of Burlington Strategic plan.

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### **Public Engagement Matters:**

The Fiscal Impact Study will be posted on the city's website.

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### **Conclusion:**

The attached Fiscal Impact Study completed by Watson & Associates has been brought forward for Council review, in order to understand the monetary impacts of future development within the City of Burlington. The fiscal impact study strictly provides the budget impact as a result of various types of development, it is important that future decisions regarding development are not made in isolation of other factors that are of equal importance that the Fiscal Impact Study does not consider. For instance, the social responsibility to provide access to affordable housing, the community benefit from providing green space, and parks and the aesthetic value of designing complete neighborhoods. Decision-making regarding land use decisions should be a balanced approach, and the fiscal impact study presented to Council today is one of many useful tools that can be utilized in the process.

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Respectfully submitted,

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### **Appendices:** (if none delete section)

- a. City of Burlington Fiscal Impact Study, Watson & Associates

### **Report Approval:**

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.