City of Burlington

Fiscal Impact Study
Report Findings

May 4, 2017

Watson & Associates Economists Ltd

Introduction

- Fiscal Impact Study undertaken to assist in informing the financial implications of development, particularly as City development intensifies
- The purpose of the Study was to measure the aggregate fiscal impacts of forecast development over the 2017-2031 period, with consideration for:
  - Capital asset lifecycle funding requirements; and
  - Types and location of anticipated development

1

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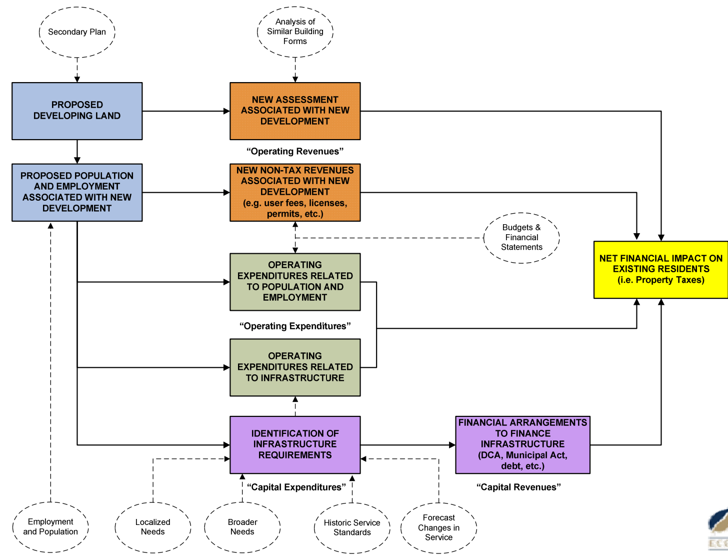
Fiscal Impact Study Methodology



2

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Approach

- Fiscal Impact Study (FIS) was designed to assess full lifecycle funding and development type. To this end the approach considered:
  - Annual capital-related lifecycle funding requirements derived from
    - The City's Asset Management Plan for existing assets; and
    - The incremental capital assets identified in the City's 2014 Development Charges Background Study (DCBS)
  - Disaggregation of development types within the City's 2014 DCBS
    - Reflect the predominant built form of anticipated development over the forecast period
    - Developed in consultation with City Planning and BED

3

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Approach

- The location of future development to accurately measure assessment value differences for property taxation forecasting purposes

4

Approach (Development Types)

Low Density
- Single/Semi-Detached
- With Accessory Units

Medium Density
- Street-Oriented, Stacked, Back-to-Back
- Low-Rise Apartments (<5 storey)

High Density
- Condominium
- Apartment

Office
- Commercial
- Institutional

Commercial/Retail
- Big Box
- Street-Oriented

Industrial

Mixed non-residential

5

Approach

- Each development type sampled by geographic area to calculate expected incremental property taxation revenues
- 2016 Budget net operating expenditures and capital funding requirements were assessed on a per capita/per employee basis by service
  - Incremental net operating expenditures adjusted for one-time costs, economies of scale/service level investments, and development type benefit
  - Full lifecycle capital funding requirements for existing and incremental capital assets

6

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Approach

- Net expenditures estimated for each development type based on underlying occupancy assumptions
- Comparing 2016 taxation revenue and net expenditure estimates provided fiscal impacts
  - Each development type
  - Aggregate development impacts on a City-wide basis
  - Overall City-wide property tax impacts to 2031 at full lifecycle funding

7

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Development Forecast

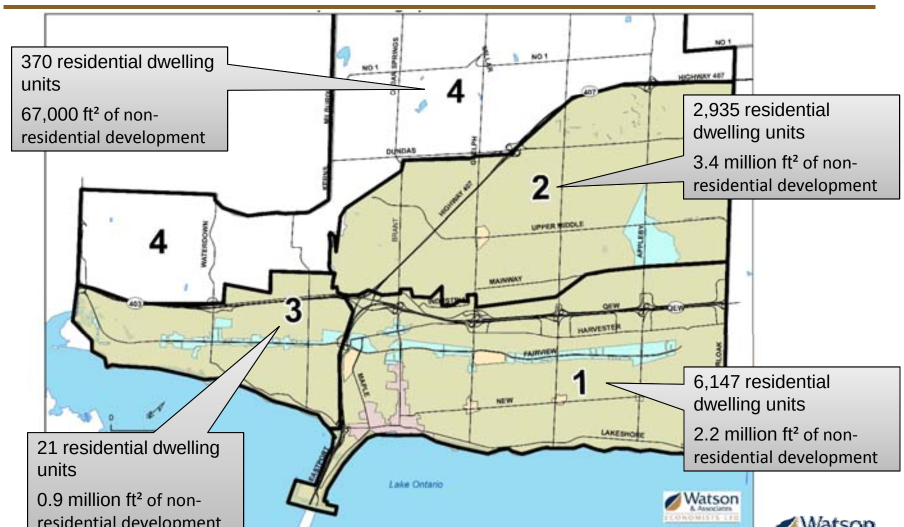
- Consistent with the City's 2014 Development Charge Background Study and the 2011 Halton Region Best Planning Estimates

Type of Unit	Estimated P.P.U.	2017-2031 Additional Units
Low Density		
Single/Semi-Detached	3.2	615
With Accessory Units	4.3	154
Medium Density		
Street Oriented, Stacked, Back-to-Back	2.3	1,214
Low-Rise Apartments	1.5	1,498
High Density		
Condominium	1.5	4,494
Apartment	1.5	1,498
Total Units		**9,473**
Net Population Increase		**9,376**

Type of Development	Estimated Sq.Ft./ Emp.	2017-2031 Additional Sq.Ft.
Office		
Commercial	325	379,373
Institutional	325	73,125
Commercial/Retail		
Big box	783	946,916
Street Oriented	419	550,408
Industrial	800	4,219,280
Mixed Non-Residential Growth	563	401,194
Total Sq.Ft of Development		**6,570,295**
Employment Growth		**9,902**

8

Development Forecast



9

Net Operating Expenditures

- Operating expenditures less non-tax revenues (e.g. user fees)

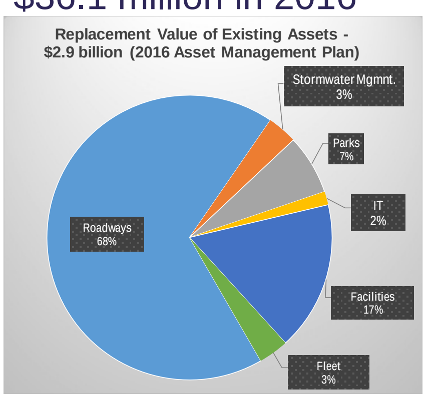
	2016	2017-2031
Per Capita	$466	$386
Per Retail Employee	$405	$379
Per Non-retail Employee	$375	$349

- Lower per capita/employee costs on increment reflective of adjustments for one-time costs, economies of scale/service level investments

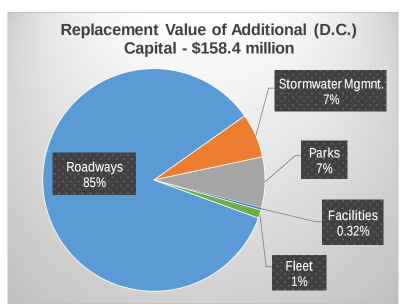
10

Lifecycle Capital Funding

- City’s AMP provides for an average annual lifecycle funding of $67.5 million, compared with $36.1 million in 2016



Annual Lifecycle Contribution - $67.5 million or 2.3% of asset replacement value.



Annual Lifecycle Contribution - $3.2 million or 2% of asset replacement value (excludes local services)

11

Fiscal Impacts – City-Wide
(2016$)

Source	2016		2016 (at full lifecycle)		2017-2031 Increment		2031	
	City-wide	Urban Only	City-wide	Urban Only	City-wide	Urban Only	City-wide	Urban Only
Total Operating Expenditures	147,306,671	16,714,782	147,306,671	16,714,782	8,052,760	1,713,725	155,359,431	18,428,507
Total Non-Tax Revenues	48,636,263	5,368,700	48,636,263	5,368,700	2,126,743	570,908	50,763,006	5,939,608
Capital[1]	28,367,227	7,735,624	53,033,892	14,462,120	3,154,881	-	56,188,773	14,462,120
Tax Levy Requirement	**127,037,635**	**19,081,706**	**151,704,299**	**25,808,202**	**9,080,899**	**1,142,817**	**160,785,198**	**26,951,019**
Weighted Assessment	39,612,027,027	38,237,429,087	39,612,027,027	38,237,429,087	5,075,982,561	4,692,257,263	44,688,009,588	42,929,686,351
RT Tax Rate	**0.320705%**	**0.049903%**	**0.382975%**	**0.067495%**	**0.178899%**	**0.024355%**	**0.359795%**	**0.062779%**
Total RT Tax Rate in Urban Service Area	**0.370608%**		**0.450470%**		**0.203255%**		**0.422574%**	
Real Annual Tax Rate Increase			**1.3%**				**0.9%**	

[1] For 2016 (at full lifecycle) and 2031, capital funding was attributed between city-wide and urban only based on the 2016 budget.

12

Fiscal Impacts – City-Wide

- Incremental amount of projected growth will have a positive fiscal impact on the City's financial position
  - surplus taxation revenues of approximately $8.4 million at 2016 tax rates
- To fund the increase in demands at full lifecycle levels, the annual net levy would have to increase by approximately $23 million (in 2016$)
  - real annual tax rate increases of approximately 0.9% annually to address future funding levels with assessment growth

13

Fiscal Impacts – Development Types (2016$)

Residential Development Type	Net Deficit (Surplus) - per unit	Non-Residential Development Type	Net Deficit (Surplus) - per employee
Low Density		Office	
Single/Semi-Detached	$ (393.39)	Commercial	$ 79.46
With Accessory Units	$ 176.35	Institutional	$ 435.67
Medium Density		Commercial/Retail	
Street Oriented, Stacked, Back-to-Back	$ (67.87)	Big box	$ (163.18)
Low-Rise Apartments	$ (87.53)	Street Oriented	$ 95.22
High Density		Industrial	$ (254.09)
Condominium	$ (391.53)		
Apartment	$ (234.53)	Mixed Non-Residential Growth	$ 162.67

14

Fiscal Impacts – Development Types

- At current tax rates:
  - all residential development types would produce surplus tax, with the exception of low density developments with accessory units
  - Commercial/retail big box and industrial developments would produce surplus tax revenues
  - Office, commercial/retail street oriented and mixed non-residential developments tax revenues would not sufficiently recover full costs of service

15

Fiscal Impacts – Development Types

- On a land area basis:
  - Single/Semi Detached and High Rise development types would generate similar surplus revenue per dwelling unit (i.e. $390/unit), comparatively High Rise development would generate greater surplus revenues per acre due to higher density of development
  - Similar trends exist for Big Box Retail and Industrial development types, although the comparatively higher surplus revenue for Industrial offsets the increase in land density for Big Box Retail

16

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Fiscal Impacts – Conclusions

- In aggregate, the fiscal impacts of the anticipated development to 2031 are favourable to the City's financial position
- While positive, the amount of development is small in comparison to the current development, as such the positive financial contributions would not fully mitigate the need for increases in tax rates to address full lifecycle funding requirements over the long-term

17

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Fiscal Impacts – Conclusions

- Development type fiscal impact assessments provide general indication and guidance for development preferences, however these conclusions should not be used in place of site specific development assessments and should be considered as one factor in the context of broader municipal policies

18

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