BURLINGTON 2020 LAKESHORE INC.

FISCAL IMPACT STUDY – WATERFRONT REDEVELOPMENT OF 2020 LAKESHORE ROAD

FINAL REPORT

October 15, 2021

CONFIDENTIAL

QUALITY MANAGEMENT

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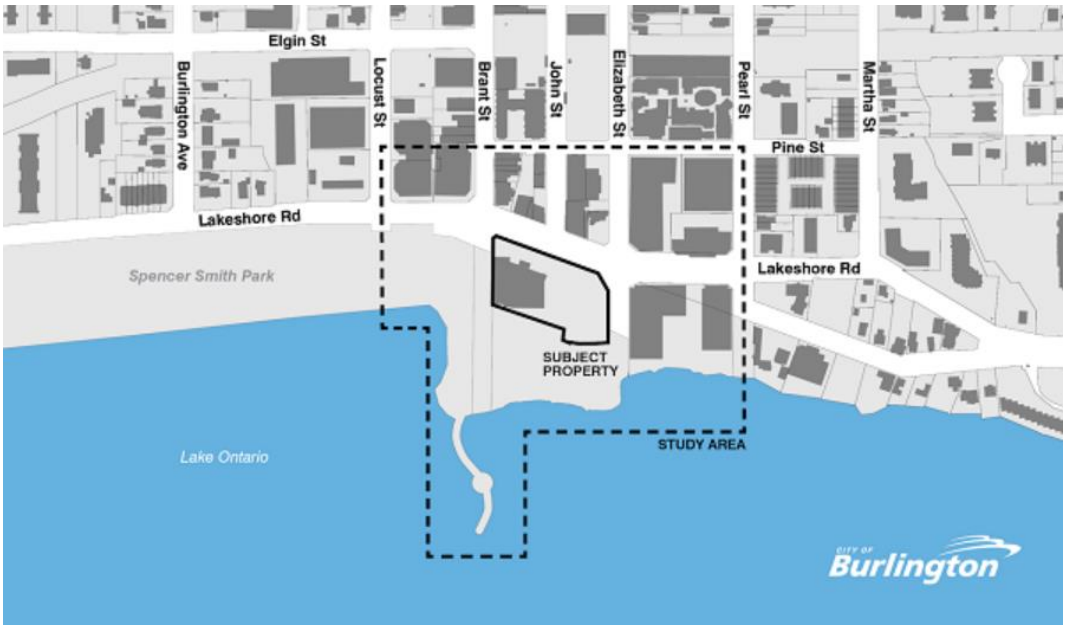
INTRODUCTION

WSP was commissioned by Burlington 2020 Lakeshore Inc. to prepare a fiscal impact study for a proposed mixed-used development in the City of Burlington. This fiscal impact study has been prepared to address the development concept prepared by Neuf Architects. This report is prepared in accordance with City of Burlington Official Plan Part II, section 12 and the associated Official Plan definition of "Financial Impact Analysis" and approved Terms of Reference (see Appendix 1).

PROPOSED DEVELOPMENT

The subject lands are located on Lakeshore Road and the foot of Brant Street, including the Waterfront Hotel (2020 Lakeshore). The proposed redevelopment of the waterfront site is located next to two of Burlington's most significant landmarks Spencer Smith Park and the Brant Street Pier. Figure 1 shows the location of the Burlington Waterfront proposed development.

Figure 1: Location of Subject Site



Source: City of Burlington

The gross floor area of the proposed development will consist of approximately 4,483m^2 of commercial space, 4,348m^2 of office space, 7,231m^2 of hotel space, 42,078m^2 of residential space and 1,071m^2 of indoor amenity space. The proposed mixed-use concept plan for the Burlington Waterfront project provides for the following unit mix:

Table 1: Unit Mix per Tower

Unit Mix	West Tower	East Tower
Studio	15	8
1BR	122	90
1BR + DEN	92	74
2BR	76	62
3BR	12	6
Total	**317**	**240**

Figure 2: Proposed Development Concept



Source: Neuf Architects

Based on the average household size estimates taken from the City of Burlington *Growth Analysis Study 2019*, approximately 941 persons are projected to live in the proposed Burlington Waterfront project. In addition to the 941 persons to be accommodated in the residential portions of the plan, approximately 240 employees will be accommodated in the non-residential components of the mixed-use plan as captured in the following Table 2.

Table 2: Population Projections, Burlington Waterfront Project

2020 Lakeshore Rd.		Assumption	Total Value
Residential		1.58 persons per unit [1]	880
		1.8 persons per unit [2]	1003
		Average	941
Employment	Commercial	1 job per 52 sq.m. [3]	86
		1 job per 46 sq.m. [4]	97
		Average	92
	Office	1 job per 46 sq.m. [4]	95

		1 job per 33 sq. m. [5]	132
		Average	113
		1 job per 205 sq.m.[6]	35
	Hotel	1 job per 205 sq.m.[6]	42 (Existing hotel employment rate)

Unit Count[7]	557
Commercial GFA (m^2)[7]	4,483
Hotel GFA (m^2)[7]	7,231
Office GFA (m^2)[7]	4,348

1 Assumption from City of Burlington Growth Analysis Study pg. 68

2 Assumption from Statistic Canada - Average household size for the census tract

3 Assumption from the City of Burlington Growth Analysis Study (2019), employee density for retail commercial

4 Assumption from the City of Burlington Growth Analysis Study (2019), city-wide average employee density

5 Assumption from the City of Burlington Growth Analysis Study (2019), employee density for non-retail commercial

6 Assumption based on the current hotel employment rate of the subject site

7 Site Statistics from the project architectural package

ONE-TIME REVENUES

DEVELOPMENT CHARGES

Based on the current development charge rates for the City, the Region and the local school boards, working assumptions regarding the unit mix and estimates of the non-residential space based on the proposed development plan, it is estimated that the City of Burlington would receive approximately $4.92 million in development charge revenues, Halton Region would receive $14.89 million, and the school boards would receive $5.36 million (see Table 3).

It should be noted that the DC revenue estimates presented in Table 3 are based on current DC rates (as of July 2021). However, as the development of the Burlington Waterfront project will not be completed within the timeframes of the various current DC by-laws, actual DC revenues may vary from those presented in this report.

Table 3: Estimated Development Charge Revenues, 2020 Lakeshore Road

	Development Charge Rates as of July 4, 2021			
	City	Region (Recovery Area)	Education	Total
Residential		*Dollars / Unit*		
Apartments Bachelor or 1 Bedroom	4,914.00	17,341.55	8,961.00	31,216.55
Apartments 2 or more Bedrooms	6,670.00	22,630.37	8,961.00	38,261.37
Non-Residential		*Dollars / Square Metre*		
Non-Retail	81.75	146.35	23.14	251.24
Retail	149.83	407.92	23.14	580.89

	Projected Development Charge Revenues			
	City	Region	Education	Total
Residential		*Dollars*		
Apartments				
Bachelor or 1 Bedroom	1,154,790	4,075,264	2,105,835	7,335,889
2 or more Bedrooms	2,147,740	7,286,979	2,885,442	12,320,161
Total Residential	3,302,530	11,362,243	4,991,277	19,656,050
Non-Residential				
Non-Retail	946,583	1,694,575	267,938	2,909,096
Retail	671,688	1,828,719	103,737	2,604,143
Total Non-Residential	1,618,271	3,523,294	371,675	5,513,240
Grand Total	4,920,801	14,885,537	5,362,952	25,169,290

BUILDING PERMITS

The City of Burlington building division issues permits for the construction of new developments which in turn is a source of revenue for the City. Building permits protect the interests of individuals and the community as the revision and approval of plans ensure that assets comply with the various building codes and zoning bylaws. The following Table 4 captures an estimate of the one-time building permits revenue to be collected by the City for the proposed development. It can be depicted that the City would receive approximately $1.39 million.

Table 4: Estimated Building Permits Revenues, 2020 Lakeshore Road

Type	Floor Area (m^2)	Rate ($/$m^2$)	Fee
Residential (West)	24,000	23.07	553,680.00
Residential (East)	18,078	23.07	417,059.46
Residential Indoor Amenity	1,070	23.07	24,684.90
Hotel	7,231	24.85	179,690.35
Office	4,348	24.85	108,047.80
Commercial	4,483	24.85	111,402.55
Total			**1,394,565.06**

Source: City of Burlington Building Permit By-Law 66-2019

FISCAL IMPACT STUDY APPROACH

The approach and methodology used for the fiscal impact analysis have been adapted from fiscal impact studies undertaken by C.N. Watson and Associates Ltd. for the City of Burlington which represents a robust framework known to the City regarding computing the net operating impact of the proposed development on the City's finances. The Watson analysis focuses primarily on potential impacts on the City's expenditures and revenues.

For the purpose of this study, the Watson model has been updated to reflect 2019 financial information as contained in the City's *2019 Financial Information Return*. The cost allocation expenditures to the residential and non-residential sectors has been updated based on the 2019 population estimates from the City's Financial Information return and employment estimates found in the City of Burlington *2019 Growth Analysis Study*.

ASSESSMENT AND PROPERTY TAXES

ASSESSMENT ASSUMPTIONS

The residential assessment assumptions used for financial evaluation purposes are based on the City of Burlington 2019 property tax rates. An average assumed assessment value of $445,000 was used for apartment bachelors or 1 bedroom and $800,000 for apartments of 2 or more bedrooms (Source: MLS). The weighted average was then computed to return the total assessment value. With respect to the non-residential assessment assumptions, an assessed value of $350/sf was used for commercial and $159/sf for hotel (Source: MLS). The location of the proposed project provides a unique opportunity for the development of a compact, high quality and desirable mixed-use development by the waterfront. This will be reflected in relatively high assessment values for the apartments within the development.

The 2019 City of Burlington property tax rate for urban properties was used to forecast the annual residential property tax revenues that will be generated by the proposed development. Table 5 shows the calculation of residential property tax revenues generated by the proposed development. Based on a total residential assessment value of approximately $303.6 million, total annual property taxes for City purposes are projected to amount to

approximately $1.05 million per year. An additional $842,400 will be generated for the Region of Halton and $487,800 will be generated for education purposes.

Table 5: Project Residential Property Tax Revenues, 2020 Lakeshore Road

	Apartments
	Units
Residential Units	557
Estimated 2019 CVA	545,063
	Dollars
Total Assessment	303,600,000
2019 Tax Rates	*Percent*
City of Burlington	0.345642
Halton Region	0.277454
Education	0.160672
Total	0.783768
Estimated Tax Revenues	
City of Burlington	1,049,368
Halton Region	842,350
Education	487,802
Total	2,379,520

As seen in Table 6, the non-residential component of the proposed mixed-use plan will generate approximately $45.7 million of assessment value. Using the City`s 2019 tax rates for urban commercial properties, the non-residential component of the plan will generate approximately $344,600 for the City. An additional $276,600 will be generated for the Region of Halton, and $160,200 will be generated for education purposes.

Table 6: Project Non-Residential Property Tax Revenues, 2020 Lakeshore Road

	Office	Hotel	Retail	Total
		Square Metres		
Building Space	4,348	7,231	4,483	16,062
		Dollars per Square Metre		
Estimated 2019 Assessment Value	3,767	1,714	3,767	
		Dollars		
Total Assessment	16,380,526	12,392,078	16,889,121	45,661,725
2019 Tax Rates		*Percent*		
City of Burlington	0.754603	0.754603	0.754603	
Halton Region	0.605736	0.605736	0.605736	
Education	0.350779	0.350779	0.350779	
Total	1.711118	1.711118	1.711118	
Estimated Tax Revenues		*Dollars*		
City of Burlington	123,608	93,511	127,446	344,565
Halton Region	99,223	75,063	102,303	276,589
Education	57,459	43,469	59,244	160,172
Total	280,290	212,043	288,993	781,326

CURRENT REVENUES

NON-TAX REVENUES

Based on the City of Burlington *2019 Financial Information Return*, in 2019, the City received approximately $121.3 million in non-tax revenue. Following Watson`s approach in eliminating revenues that are not likely to increase with residential growth, the apportioning revenues to residential and non-residential development based on the 2019 ratio of population and employment for most revenue sources, it is estimated that the City's annual non-tax revenues can ultimately be expected to increase in the order of $249.48 per capita and per employee (see Table 7).

User fees and service charges are excluded from this analysis, as they are instead deducted from operating expenditures on a service-by-service basis.

Table 7: City of Burlington, Non-Tax Revenue Impact

	Total Revenues	Growth Related New Revenue Provision				Per Capita	Per Employee	Total from Development
		Residential		Non-Residential				
Revenue Category	*$ (000)*	*Percent*	*$ (000)*	*Percent*	*$ (000)*	*$ / Capita*	*$ / Employee*	*Dollars*
Payment in Lieu of Taxes	3,361.92	68.6	2,304.74	31.4	1,057.18	12.99	12.99	15,582
Unconditional Grants	-	-	-	-	-	-	-	-
Conditional Grants	14,081.80	-	-	-	-	-	-	-
Revenue from Other Municipalities for Tangible Capital Assets	-	-	-	-	-	-	-	-
Revenue from Other Municipalities	17,309.14	-	-	-	-	-	-	-
Licenses, Permits, Rents, etc.	13,622.60	68.6	9,338.88	31.4	4,283.72	52.62	52.62	63,142
Fines and Penalties	14,729.25	68.6	10,097.53	31.4	4,631.71	56.89	56.89	68,272
Investment Income	5,922.02	68.6	4,059.80	31.4	1,862.22	22.87	22.87	27,449
Other Revenue	26,953.76	68.6	18,477.97	31.4	8,475.80	104.11	104.11	124,933
Total	95,980.48		44,278.91		20,310.62	249.48	249.48	299,379

2019 Population Estimate:[1]	177,483
2019 Employment Estimate:[2]	81,411
Projected Population, Burlington Waterfront:[3]	941
Projected Employment, Burlington Waterfront:	240

In total, the non-tax revenue impact of the 2020 Lakeshore Road redevelopment project will be approximately $299,380 annually.

[1] City of Burlington, 2019 Financial Information Return
[2] City of Burlington 2019 Development Charges Background Study
[3] City of Burlington, 2019 Growth Analysis Study

IMPLICATIONS FOR EXPENDITURES

Table 8 is an analysis of the City of Burlington's "revenue fund" expenditures from the 2019 *Financial Information Return*. The first column shows total revenue fund expenditures by category of service.

As in the Watson model, net long-term debt charges are removed from total expenditures. The debt charges are for "sunk" investments and are unaffected by growth. We have also deducted user fees and service charges from operating expenditures on a service-by-service basis. For example, while recreation programs have a cost to the City of $10.9 million per year, after deducting the $5.0 million users paid for recreation programs, the net operating expenditure to be made up through other revenue sources is $5.9 million.

The net expenditures were allocated based on residential or non-residential requirements per the Watson framework. The residential/non-residential allocation percentages are based on the split between 2019 population and employment based on estimates from the 2019 *Financial Information Return* and City of *Burlington 2019 Growth Analysis Study*.

Table 8: Summary of Net Operating Expenditures, City of Burlington, 2019

	Total Operating Expenses After Adjustments	Residential Share		Non-Residential Share	
General government		*Percent*	*Dollars (000)*	*Percent*	*Dollars (000)*
Governance	4,064.51	68.6	2,786.40	31.4	1,278.11
Corporate Management	8,977.51	68.6	6,154.47	31.4	2,823.04
Program Support	8,960.00	68.6	12,977.90	31.4	5,962.10
Total	32,022.02	68.6	21,938.77	31.4	10,063.26
Protection services					
Fire	34,094.09	68.6	23,372.97	31.4	10,721.12
Protective Inspection and control	2,509.82	68.6	1,720.59	31.4	789.23
Building permit and inspection services	3,018.31	68.6	2,069.18	31.4	949.13
Provincial Offences Act (POA)	11,285.72	68.6	7,736.85	31.4	3,548.87
Total	50,907.94	68.6	34,899.59	31.4	16,008.35
Transportation services					
Roads - Paved	39,419.27	68.6	27,023.61	31.4	12,395.66
Roads - Bridges and Culverts	1,052.39	68.6	721.46	31.4	330.93
Roads - Traffic Operations & Roadside	6,323.77	68.6	4,335.22	31.4	1,988.55
Winter Control - Except sidewalks, Parking Lots	3,859.72	68.6	2,646.00	31.4	1,213.72
Winter Control - Sidewalks, Parking Lots Only	719.80	68.6	493.45	31.4	226.35
Transit - Conventional	16,868.86	68.6	11,564.33	31.4	5,304.53
Transit - Disabled & special needs	1,840.46	68.6	1,261.71	31.4	578.74
Parking	1,933.61	68.6	1,325.58	31.4	608.04
Street lighting	1,142.91	68.6	783.51	31.4	359.40
Total	73,160.79	68.6	50,154.87	31.4	23,055.91
Environmental services					
Urban storm sewer system	5,590.02	68.6	3,832.20	31.4	1,757.82
Total	5,590.02	68.6	3,832.20	31.4	1,757.82
Health services					
Cemeteries	283.84	100.0	283.84	-	-
Total	283.84	100.0	283.84	-	-
Recreation and cultural services					
Parks	17,035.06	100.0	17,035.06	-	-
Recreation programs	5,895.64	100.0	5,895.64	-	-

Recreation Facilities - Golf, Marina, Ski	580.01	100.0	580.01	-	-
Recreation Facilities - Other	12,248.47	100.0	12,248.47	-	-
Libraries	12,692.05	100.0	12,692.05	-	-
Museums	13.45	100.0	13.45	-	-
Cultural Services	5,363.95	100.0	5,363.95	-	-
Total	53,828.63	100.0	53,828.63	-	-
Planning and development					
Planning and zoning	4,528.63	68.6	3,104.57	31.4	1,424.06
Commercial and Industrial	1,633.24	68.6	1,119.66	31.4	513.58
Total	6,161.87	68.6	4,224.23	31.4	1,937.64
Total	221,935.10		169,162.12		52,772.98

The result is a net operating expenditure of $221.9 million, of which approximately $169.2 million is attributable to residential development, and $52.8 million is attributable to non-residential development.

Table 9 summarizes the basis for forecasting the incremental expenditures for each service over the long term. These allocations provide for several different assumptions regarding impacts of development on service delivery, including services where the Watson framework and study found there would be no additional growth-related operating expenditures for certain items (i.e. fire protection).

Table 9: Net Operating Expenditure Impact Per Capita

City of Burlington Population Estimate (2013)	177,483
City of Burlington Employment Estimate (2013):	81,411
Projected Population - Development:	941
Projected Employment - Development:	240

	Residential Share		Non-Residential Share		Potential Impact	Per Capita Impact	Per Employee Impact	Incremental Costs for Project
General government	*Percent*	*Dollars (000)*	*Percent*	*Dollars (000)*		*$ / Capita*	*$ / Employee*	*Dollars*
Governance	68.6	2,786.40	31.4	1,278.11	50%	7.85	7.85	9,419.71
Corporate Management	68.6	6,154.47	31.4	2,823.04	50%	17.34	17.34	20,805.84
Program Support	68.6	12,997.90	31.4	5,962.10	50%	36.62	36.62	43,940.77
Total	68.6	21,938.77	31.4	10,063.26		61.81	61.81	74,166.32
Protection services								
Fire	68.6	23,372.97	31.4	10,721.12	0%	-	-	-
Protective Inspection and control	68.6	1,720.59	31.4	789.23	100%	9.69	9.69	11,633.28
Building permit and inspection services	68.6	2,069.18	31.4	949.13	100%	11.66	11.66	13,990.19
Provincial Offences Act (POA)	68.6	7,736.85	31.4	3,548.87	100%	43.59	43.59	52,310.47
Total	68.6	34,899.59	31.4	16,008.35		64.94	64.94	77,933.94
Transportation services								
Roads - Paved	68.6	27,023.61	31.4	12,395.66	10%	15.23	15.23	18,271.23
Roads – Bridges and Culverts	68.6	721.46	31.4	330.93	10%	0.41	0.41	487.79
Roads – Traffic Operations & Roadside	68.6	4,335.22	31.4	1,988.55	10%	2.44	2.44	2,931.13
Winter Control – Except Sidewalks, Parking Lots	68.6	2,646.00	31.4	1,213.72	90%	13.42	13.42	16,101.17
Winter Control – Sidewalks, Parking Lots Only	68.6	493.45	31.4	226.35	90%	2.50	2.50	3,002.70
Transit – Conventional	68.6	11,564.33	31.4	5,304.53	100%	65.16	65.16	78,188.89
Transit – Disabled & special needs	68.6	1,261.71	31.4	578.74	100%	7.11	7.11	8,530.71
Parking	68.6	1,325.58	31.4	608.04	90%	6.72	6.72	8,066.24
Street lighting	68.6	783.51	31.4	359.40	90%	3.97	3.97	4,767.75
Total	68.6	50,154.87	31.4	23,005.91		116.96	116.96	140,347.63
Environmental services								
Urban storm sewer system	68.6	3,832.20	31.4	1,757.82	100%	21.59	21.59	25,910.29
Total	68.6	3,832.20	31.4	1,757.82		21.59	21.59	25,910.29
Health services								
Cemeteries	100.0	283.84	-	-	0%	-	-	-
Total	100.0	283.84	-	-		-	-	-
Recreation and cultural services								
Parks	100.0	17,035.06	-	-	90%	59.22	59.22	71,063.32
Recreation programs	100.0	5,895.64	-	-	90%	20.50	20.50	24,594.21
Recreation Facilities - Golf,Marina, Ski	100.0	580.01	-	-	90%	2.02	2.02	2,419.55
Recreation Facilities - Other	100.0	12,248.47	-	-	90%	42.58	42.58	51,095.60
Libraries	100.0	12,692.05	-	-	90%	44.12	44.12	52,946.05
Museums	100.0	13.45	-	-	90%	0.05	0.05	56.12
Cultural Services	100.0	5,363.95	-	-	90%	18.65	18.65	22,376.20
Total	100.0	53,828.63	-	-		187.13	187.13	224,551.05

Planning and development								
Planning and zoning	68.6	3,104.57	31.4	1,424.06	30%	5.25	5.25	6,297.19
Commercial and Industrial	68.6	1,119.66	31.4	513.58	30%	1.89	1.89	2,271.07
Total	68.6	4,224.23	31.4	1,937.64		7.14	7.14	8,568.27
Total		169,162.12		52,772.98		459.56	459.56	551,477.50

The operating expenditures generated by the redevelopment of 2020 Lakeshore Road is estimated to add approximately $459.56 per person to the City of Burlington's annual operating expenditures. The total incremental operating costs for the estimated 941 residents and 240 employees of the proposed Burlington Waterfront development amount to approximately $551,480 per year.

As previously outlined, the one-time development charges and building permits totalling approximately $6.31 million, which represents a source of funds for the City, has an approximate 8.8x multiple in relation to the yearly estimated operating expenditures to be incurred on the City's finances. Thus, from a financial standpoint, if all DC and building permit charges are to be utilized to offset future operating costs, the DC charges would cover approximately 8.8 years of costs while in conjunction generating a net annual surplus as captured in the following section.

CAPITAL EXPENDITURES

The Watson fiscal impact model included an allowance for capital financing from current revenues equal to 30% of incremental operating expenditures. For the redevelopment of 2020 Lakeshore Road, this allowance would add approximately $165,450 to annual expenditures, bringing the total impact on the City of Burlington's expenditures to approximately $716,920.

NET OPERATING IMPACT

COMPARISON OF REVENUES AND EXPENDITURES

The projections for both expenditures and revenues are summarized and combined in the below Table 10. The additional property taxes and non-tax revenues (approximately $1,693,312) are projected to exceed the additional annual expenditures the City will incur as a result of the development (approximately $716,921) by approximately $976,391 per year.

Table 10: City of Burlington, Annual Operating Fund Surplus Potential for 2020 Lakeshore Road

	Total Revenues / Expenditures
Incremental Revenues	*Dollars*
Taxation Revenues	1,393,933
Non-Tax Revenues	299,379
Total Revenues	1,693,312
Incremental Expenditures	
Operating Costs	551,477
Capital Costs (30% of Operating)	165,443
Total Costs	716,921
Surplus / (Deficit)	976,391

The significant annual surplus to the City is driven by the addition of significant amounts of new property tax revenues through the new residential units, while capitalizing on rich valuations in the area and a strong real estate market outlook with robust fundamentals, without needing to construct significant amounts of new infrastructure.

APPENDIX 1

TERMS OF REFERENCE

The terms of reference were agreed upon in conjunction with the City of Burlington and their respective Department of Finance on July 27,2021. The following elements to be contained in the scope of work were agreed upon between the parties pertaining to the Fiscal Impact Study:

1. Description and summary of the development proposal;
2. Fiscal Impact Study approach (methodology), reference documents, assumptions and databases used (particularly FIR data, C.N. Watson's analysis approach and framework and Watson 2019 DC Charges report);
3. An estimation of One-Time Revenues (DC charges) including to what extent will the development charges to be paid by the development cover the capital cost of providing services to the development;
4. An estimation of Other Fees and Charges (building permit fees);
5. Property taxes from the development and assessment assumptions;
6. An assessment of current revenues (non-tax revenues) to be projected from the development;
7. An assessment of the implication for expenditure and the incremental costs for the development (based on Financial Information Return data – income statement and balance sheet);
8. An assessment of the Net Operating Impact (comparison of revenues and expenditures and the associated surplus/deficit on the City of Burlington's finances from the development);
9. Study results and conclusions.