March 2, 2023

Memorandum to: Ayza Anwar
Adi Developments (Masonry) Inc.

From: Daryl Keleher, Senior Director
Altus Group Economic Consulting

Subject: Response to Fiscal Impact Peer Review Comments
Our File: P-6727

Altus Group Economic Consulting was retained by Adi Developments to review the fiscal impacts of the development at 1120 Cooke Boulevard on the finances of the City of Burlington.

A fiscal impact study dated November 16, 2021 (the "Altus Report") was submitted to the City, with comments from the City's Peer Reviewer (Watson & Associates, or "Watson") provided in a memo dated August 2, 2022 ("Watson Peer Review").

The City provided comments to the applicant on February 6, 2023 regarding the need for an Addendum Letter responding to technical comments, providing discussion of an alternative scenario regarding accessing the site from Waterdown Road or driveway access for the whole site from Cooke Boulevard only.

The City's comments also sought to understand financial sustainability of the potential change in road/driveway access on the future condominium corporation. It is also noted that the project statistics have changed somewhat, with the updated development statistics incorporated into any updated tables presented in this memorandum. The current development statistics are summarized in Figure 1.

Figure 1 **Development Statistics, 1120 Cooke Boulevard, City of Burlington, Updated Statistics**

	Residential Units	PPU Factors	Population
	Units	*Persons per Unit*	*Persons*
Apartments			
Bachelor	5	1.28	6
1-Bedroom	360	1.28	462
1-Bedroom + Den	407	1.28	522
2-Bedroom	309	1.74	538
2-Bedroom + Den	85	1.74	148
3-Bedroom	-	1.74	-
Total	1,161		1,669
	GFA	FSW Factors	Employment
	Square Feet	*SF / Job*	*Jobs*
Retail	-	427	-

Source: Altus Group Economic Consulting

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RESPONSE TO TECHNICAL COMMENTS

Assessment Values / Property Tax Revenues;

- The Peer Reviewer correctly uses the residential tax rates for the urban area – we have updated our analysis for this;
- We also adopt for the purposes of this Addendum letter, the Peer Reviewer's suggestions regarding average assessment values and the deduction for existing vacant land assessment. The rough assumption for the assessment value for the bachelor units is $266,000 per unit, based on the relative size of the bachelor units to the 1-bedroom units in the subject development;
- The updated table is provided below, using the updated project statistics and updated assessment values based on the Peer Reviewer's input, though we would appreciate if the City provided the sample relied upon to confirm its veracity.
- In summary, the estimates of annual property tax revenues in the three estimates:
    - Altus November 2021: $1.68 million;
    - Watson August 2022: $1.35 million;
    - Altus Revised for Comments and Updated Plan: $1.36 million.

Figure 2 **Estimated Annual Property Tax Revenues, 1120 Cooke Boulevard, City of Burlington**

	Units	Assessment Value	Total Assessment Value
Apartments	*Units*	*$/Unit*	*Dollars*
Bachelor	5	266,574	1,332,868
1-Bedroom	360	307,030	110,530,800
1-Bedroom + Den	407	307,030	124,961,210
2-Bedroom	309	433,847	134,058,723
2-Bedroom + Den	85	433,847	36,876,995
Subtotal	1,166	349,709	407,760,596

	GFA	Assessment Value	Total Assessment Value
	Square Feet	*$ / SF*	*Dollars*
Retail	-	237	-

	Assessment Value	City Property Tax Rate (2019)	Property Tax Revenue
Tax Class	*Dollars*	*Percent*	*Dollars*
Residential	407,760,596	0.345455%	1,408,629
Total	407,760,596		1,408,629
less: Existing Vacant Land Assessment			44,113
Net Annual Property Tax Revenues			1,364,516

Source: Altus Group Economic Consulting based on concept plans provided by client and City of Burlington's 2019 Property Tax Rates

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Non-Tax Revenues

The original estimates from the Altus report and the Watson peer review are as follows:

- Altus November 2021: $73,797
- Watson August 2022: $154,770

According to the Peer Review document, the basis for the difference is the Watson inclusion of non-tax revenues related to governance and 'roads-paved' service areas.

As we have excluded "Roads-Paved" costs from our estimate of incremental operating costs (as well as and associated deduction for user fees and service charges we have therefore not made in that calculation either), we will maintain our estimate, which in any event is lower than Watson's estimate and therefore more conservative.

Incremental Operating Costs

The original estimates from the Altus report and the Watson peer review are as follows:

- Altus November 2021: $1.04 million or $631.65 per capita
- Watson August 2022: $874,047 or $527.87 per capita;

The fiscal impact analysis of operating costs as follows based on the comments received:

- Using Total Expenses Before Adjustments rather than after adjustments;
- Incorporating deduction for "External Transfers";
- Added deductions for "Other Municipal Recoveries";

If the above adjustments are made, but the Growth Factors from the Altus Report are maintained, the estimated annual operating costs would be $517 per capita.

If the Watson Growth Factors were incorporated into the model with the other above-noted changes, the estimated annual operating costs would be $472 per capita.

While we recognize the Peer Reviewer's opinion on the more significant adjustments to the Growth Factors (particularly for Transit and Parks), to be conservative, we will utilize an approach that incorporates all of the changes to the above-noted deductions but maintains our original Growth Factors, which ends up with a higher cost per capita, in any event ($517 versus $472).

Actual Operating Costs

Figure 7 from the Altus Report estimated the annual operating costs of the road works would result in $4,044 in annual operating costs to the City. For reference, the Peer Reviewer estimated these costs as being $4,074 per year.

Given the proximity of the Watson estimate to ours, we will maintain our original estimate.

Indirect Lifecycle Costs

The original estimates from the Altus report and the Watson peer review are as follows:

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- Altus November 2021: $277,064;
- Altus Revised Based on Updated Plan: $278,842;
- Watson August 2022: $556,118

Beyond the differences in assessment assumptions, which we have adopted for the purposes of this addendum letter (particularly subject to the receipt of the background sample data), this element is the key point of difference between the Watson and Altus estimates.

Given the cumulative impact of the above changes agreed-to, if we adopted the Watson approach to estimating Indirect Lifecycle Costs, the estimated fiscal impact would be positive, though small, at $14,700 per year, or $9 per capita.

Figure 3

Estimate of Net Annual Fiscal Impact, 1120 Cooke Boulevard, City of Burlington

Persons	1,669
Jobs	-
Total Persons and Jobs	1,669

	Residential		Non-Residential		Total	
	Dollars	Dollars per Capita	Dollars	Dollars per Capita	Dollars	Dollars per Capita
Property Taxes	1,364,516	817.57	n.a.	n.a.	1,364,516	817.57
Non-Tax Revenues	74,453	44.61	n.a.	n.a.	74,453	44.61
Total Revenues	1,438,970	862.17	n.a.	n.a.	1,438,970	862.17
Net Operating Expenditures	863,557	517.41	n.a.	n.a.	863,557	517.41
Operating Expenditures - Tax Supported	4,030	2.41	n.a.	n.a.	4,030	2.41
Lifecycle Costs - Transportation	579	0.35	n.a.	n.a.	579	0.35
Indirect Lifecycle Costs - Tax Supported	556,118	333.20	n.a.	n.a.	556,118	333.20
Total Expenditures	1,424,284	853.38	n.a.	n.a.	1,424,284	853.38
Net Fiscal Surplus / (Deficit)	14,686	8.80	n.a.	n.a.	14,686	8.80

Source: Altus Group Economic Consulting

If we maintained the Altus approach (but based on the updated plan) to estimating Indirect Lifecycle Costs, the estimated fiscal impact would be positive at $292,000 per year, or $175 per capita.

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Figure 4

Estimate of Net Annual Fiscal Impact, 1120 Cooke Boulevard, City of Burlington

Persons	1,669
Jobs	-
Total Persons and Jobs	1,669

	Residential		Non-Residential		Total	
	Dollars	Dollars per Capita	Dollars	Dollars per Capita	Dollars	Dollars per Capita
Property Taxes	1,364,516	817.57	n.a.	n.a.	1,364,516	817.57
Non-Tax Revenues	74,453	44.61	n.a.	n.a.	74,453	44.61
Total Revenues	1,438,970	862.17	n.a.	n.a.	1,438,970	862.17
Net Operating Expenditures	863,557	517.41	n.a.	n.a.	863,557	517.41
Operating Expenditures - Tax Supported	4,030	2.41	n.a.	n.a.	4,030	2.41
Lifecycle Costs - Transportation	579	0.35	n.a.	n.a.	579	0.35
Indirect Lifecycle Costs - Tax Supported	278,842	167.07	n.a.	n.a.	278,842	167.07
Total Expenditures	1,147,008	687.24	n.a.	n.a.	1,147,008	687.24
Net Fiscal Surplus / (Deficit)	291,962	174.93	n.a.	n.a.	291,962	174.93

Source: Altus Group Economic Consulting

CONCLUSIONS RE: ESTIMATED FISCAL IMPACT

Based on the comments provided by the Peer Reviewer and opting for the more conservative option in other cases, the revised fiscal impact as compared to the November 2021 report remain positive, though reduced.

DISCUSSION OF IMPACTS OF ALTERNATE SCENARIOS REGARDING WATERDOWN ROAD ACCESS

The Altus Report stated the following:

> *In total, there would be 0.21 lane-kms of new roads associated with the development of the subject site. The on-going operating, maintenance and lifecycle costs of these roads is considered within the calculation of the fiscal impacts from the proposed development.*

Figure 7 from the Altus Report estimated the annual operating costs of the road works would result in $4,044 in annual operating costs to the City. For reference, the Peer Reviewer estimated these costs as being $4,074 per year.

Figure 8 from the Altus Report estimated the annual lifecycle costs of the road works would result in $581 in annual lifecycle costs to the City. For reference, the Peer Reviewer estimated these costs as being $1,188 per year.

Therefore, in total, the proposed Waterdown Road access would result in the City incurring $4,625 in costs per year. For reference, the combined costs for these works as calculated by the Peer Reviewer amounted to $5,262 per year.

The below review of impacts to City finances of changes to the proposed approach to Waterdown Road are reviewed below, based on the above estimated costs.

Impact to City Finances of Removing Waterdown Road Access and Replacing with Driveway Access from Cooke Blvd.

If the works to Waterdown Road are not utilized and direct driveway access from Cooke Boulevard were utilized instead, the City would not incur any additional costs, and would therefore save the earlier identified $4,625 per year.

Removing these costs from the analysis presented in our Altus Report would increase the overall fiscal surplus from development from $429,893 to $434,518.

In the revised versions of our analysis that incorporates the comments received from the City's peer reviewer, and the difference in approach on the Indirect Lifecycle costs, the revised fiscal impacts would change as follows:

- Revised with Altus Approach to Indirect Lifecycle Costs: increase fiscal impact from $292,000 (or $175 per capita) to $296,600 or $178 per capita;
- Revised with Watson Approach to Indirect Lifecycle Costs: increase fiscal impact from $14,700 (or $9 per capita) to $19,300 or $12 per capita.

Impact to Financial Sustainability of Future Condominium Corporation

Without knowing the full picture regarding the day-to-day expenses or management of a prospective condominium corporation, we are not able to assess the full feasibility or financial prospects for a condominium corporation that will manage the subject property once completed.

Without knowing the cost of the additional driveway works that would be required from the potentially reconfigured access, under the assumption that the costs that would have been incurred by the City each year for the proposed Waterdown access ($4,625 per year), we are able to compare the incremental costs that might be incurred by the condominium corporation.

If the responsibility for funding the $4,625 per year for operating and lifecycle costs accrued to the condominium corporation, across the 1,139 units, this would equate to annual costs of $4.06 per residential unit per year, or $0.34 per unit per month. Therefore, the revised approach to accessing the site would have minimal impacts on the financial feasibility of the condominium corporation.

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