



Town of Markham

Growth Management Strategy **Overview and Approach to Financial Analysis and** **Fiscal Planning**

Development Services Committee
January 20, 2009

Background

- “Undertake a fiscal impact analysis of the growth options and develop a financial strategy to implement the preferred option.” is included as item #6 under the Growth Management Action Plan (Building Markham’s Future Together)
- The 2009 proposed Capital Budget includes a request for \$75,000 to retain a consultant to do this work
- An RFP will be prepared for release early in 2009, taking into consideration Council comments from this workshop



Purpose of Financial Analysis and Fiscal Planning

- To review the financial impact to the Town of different intensification levels
- To understand what services will be most impacted by different intensification levels
- To consider the financial risk to the Town of the different intensification levels
- To recommend, based on financial impact and risk, a preferred option
- To develop a financial implementation strategy for a preferred option

Background Information – Region of York

- The Region of York issued an RFP in September 2007 for an “Assessment of the Fiscal and Economic Implications of the Regional Growth Management Strategy”
- The contract was awarded to Watson & Associates Economists Ltd.
- An Overview of the Assessment of the Fiscal and Economic Implications of the Regional Growth Management Strategy Scenarios was presented to Regional Council on Thursday May 15, 2008

Background Information Cont'd

- The Region's Overview considered 4 different scenarios:
 - 30% Intensification
 - 40% Intensification
 - 50% Intensification
 - No Boundary Expansion
- The scenarios differed in terms of residential unit mix and total additional households, but the total population and employment growth was the same
- Both the fiscal impact and economic impact were considered

Preliminary Observations – Region of York*

- There are some fiscal and economic benefits in selecting the highest amount of intensification (50% and No Boundary Expansion Region-wide), but there are also market risks and uncertainties
- The potential fiscal benefits include small property tax benefits for the Region, both capital and operating, and development charge related
- Capital infrastructure cost differences (between options) expected to result in small variations in the Region's DC rates
- Potential economic benefits include attraction of a more diversified labour force
- Risks relate to potential mismatch between residential unit supply and demand, such that the sought after density (and assessment-related revenue) growth is not achieved
- Based on the preliminary observations, the Regional Council passed a resolution to “proceed to refine the minimum 40% intensification Scenario as the preferred growth scenario to be used as the basis for the Region's Growth Plan to 2031” (the Region subsequently assigned 52% intensification rate to Markham, and lower rates in the north).



Financial Implications and Conclusions – Region of York*

Financial Implications

- The preliminary analysis indicates some reduction in capital and on-going costs due to higher intensification targets

Conclusions

- Each incremental shift of population towards more intensified development creates a marginal positive impact between each scenario.
- Generally, the higher intensification scenarios are more efficient; however, the market feasibility of increased apartment production in the higher intensification options is considered uncertain and risky in the context of the GTA market.

Town of Markham Services

- Town of Markham services potentially impacted by different intensification level:
 - Parks – increased utilization at higher density but lack of additional parkland in intensified areas compared to greenfield development
 - Waste management costs per capita (based on reduced service provision to high density)
 - Local water and sewer pipes – cost of retrofit versus greenfield
 - Fire services – less distance to travel with increased intensification, but greater volume of calls and cost of different equipment – potential challenge of expanding existing facilities with limited land
 - Operating and capital costs associated with local roads (e.g. lower cost of winter roads maintenance per capita)
 - Affect of intensification on recreation facilities and libraries – providing expansions of existing community centres/libraries with potential cost of structured parking
 - Risk of housing needs not being met as supply of new ground oriented housing constrained

An aerial photograph of a modern architectural complex. A large, circular, multi-story building with a prominent circular tower is situated on a vast, green lawn. The building features a mix of white and grey facades and large glass windows. To the right of the main building, there are several smaller structures, including a cylindrical tower and a rectangular building. The lawn is surrounded by a low wall and a path. In the background, there are more buildings and a parking lot. The word "Discussion" is overlaid in orange text on the lawn.

Discussion

Next Steps

- Issue RFP in 1st quarter 2009 for a fiscal impact analysis of the growth options
 - Include 55% intensification as the minimum intensification option (Planning staff preferred scenario – slightly higher than Region's 52% assignment to Markham)
 - Include sensitivity analysis of alternate intensification levels
 - Include economic impacts and risks at alternate intensification levels
 - Include analysis of risks to cash flow required for potential debt at alternate intensification levels.