

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 24, 2014**

Item 8, Report No. 8, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 24, 2014.

#### **8        COSTS OF DEVELOPMENT PILOT PROJECT - AUTHORIZATION TO ENTER INTO AGREEMENT WITH THE MUNICIPAL FINANCE OFFICERS ASSOCIATION OF ONTARIO**

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Director of Development Finance and Investments, dated June 16, 2014:

##### **Recommendation**

The Commissioner of Finance & City Treasurer and the Director of Development Finance and Investments in consultation with the Commissioner of Engineering & Public Works, Director of Development Engineering/Transportation and the Director of Legal Services recommend that:

1. That the City Clerk be authorized to execute a "Terms of Use between Municipalities and the MFOA" Agreement with content satisfactory to the Commissioner of Finance & City Treasurer and in a form satisfactory to the Commissioner of Legal & Administrative Services / City Solicitor.

##### **Contribution to Sustainability**

Long term sustainability entails planning for growth from both a financial and infrastructure perspective. Land use pattern decisions made now will have a long lasting effect on the operations of the City and the long term financial impacts of those operations. The inception of a tool such as a model to forecast the costs involved in varying types of land use is critical to ensuring the City's operations are sustainable economically, environmentally and from an infrastructure standpoint.

##### **Economic Impact**

There is no direct economic impact as a result of approving the recommendation in this report. The staff resources required for the City of Vaughan to be an active participant in the pilot project will be accommodated within the existing staffing capacity predominantly within the Finance, Planning and Engineering & Public Works Commissions.

The long term economic impact of being a partner in the pilot project may be beneficial to the City given the potentially valuable data that may be realized through the pilot and eventually the full release of the financial model to Ontario municipalities. A model that helps forecast the cost implications of development would provide the City with valuable insight and support in its land use and infrastructure planning decision making.

##### **Communications Plan**

Not applicable.

##### **Purpose**

The purpose of this report is to seek Council authorization to enter in to a "Terms of Use" agreement with the Municipal Finance Officers of Ontario (MFOA) to become an active participant in a pilot project to test a newly created "Costs of Development Model".

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#### **Background - Analysis and Options**

##### ***The City has identified a need to better analyze the long term financial impacts of land development***

Council has previously indicated to staff a desire to develop a better understanding of the financial impacts of various land development scenarios. Staff recognize that there is a great deal of merit in developing such a model as it could be a valuable resource and tool in both infrastructure and financial planning within the City. The cost and resources, however, to develop such a model could be broad and would require a high degree of expertise. Given that several municipalities in Ontario are facing the same types of issues, it would be more cost effective to pool resources in the creation of such a model. This was identified independently by the MFOA and the Ministry of Municipal Affairs and Housing (MMAH).

Early in 2014, staff were approached by the MFOA who in turn are collaborating with the MMAH, on being a potential partner in a pilot project on costs of development. MFOA, in conjunction with the consulting firm Watson and Associates Economics, has created an Excel based model that is intended to help inform decisions about the costs associated with different patterns of development in Ontario municipalities.

##### ***The model will forecast cost implications of varying land use patterns***

The model itself will require staff to input various known pieces of information such as data from Financial Information Returns (FIRs), Development Charge (DC) Background Studies and other engineering/planning assumptions/data known to the municipality. The model will provide scenario analysis of green field or intensification developments by comparing varying land use patterns (e.g. differing levels of density and multiple built forms). The model will address cost implications from both a capital and long term operating and maintenance perspective and provide valuable insight in to the financial effects of approving various development scenarios.

After completion of the pilot phase, it is MFOA and MMAH's intention to use the data and feedback generated to help calibrate and improve the model for eventual release to all Ontario municipalities to be used as a tool for development and infrastructure planning from a municipal cost perspective. No Vaughan specific data would be included in the final release of the model, but rather provincial averages would be incorporated as assumptions.

It is important to note that the exact outcome and usefulness of the model is not yet known given that the model is in its infancy. It is, however, worthwhile noting that while the model is not yet commonly used in Ontario, similar models do exist in other areas of Canada and the United States which currently act as common tool to many municipal governments in their development, infrastructure and financial planning.

##### ***Resourcing requirements are not expected to be overly time consuming***

Finance staff will be the lead on partnering with MFOA in collaboration with MMAH on the project. Planning and Engineering & Public Works staff were also consulted to assess staffing resources available to effectively participate in the pilot. It was acknowledged by staff from all Commissions that staff resources would be available towards the end of June and in to the summer, given the Council summer hiatus. This would mean that the pilot project would begin late in June and last through much of the summer, but would likely be concluded before September. In speaking with MFOA this is an acceptable timetable.

The high level requirements of staff's participation in the model can be summarized as follows:

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- Test the model: Test if the model works as expected and identify any errors that may be in the model. Feedback will be sought regarding the ease of use of the model, errors inherent in the model and assumptions and calculations that the City may disagree with.
- Undergo a peer review process: To ensure that the model results are in line with expectations and that calculations and assumptions in the model are realistic. Suggest improvements and/or additions to the model.
- Determine the models ease of use: Assess the ease of populating the model, running the model, extracting results, running different scenarios and comparing results.
- Assess how to put the model to best use: Determine how this model can be best utilized and what the City would wish to see in training materials related to the model.

It is expected that multiple staff from various Departments will be required to fulfill the obligations of the pilot project. A high level estimate of staff time (based on 1 staff member assigned from each Department) needed to complete project would be as follows:

Development Finance & Investments	4.50 Days
Policy Planning	2.50 Days
Financial Planning & Analytics	2.00 Days
Development Engineering	0.50 Day
Engineering Services	0.50 Day
Public Works	0.50 Day
Parks & Forestry	0.50 Day
Parks Development	0.25 Day
Financial Services	<u>0.25 Day</u>
Approximate Total	11.50 Days

In practice, it will likely not be one staff member assigned from each Department and therefore the resourcing will be spread out amongst several staff making it even easier to manage.

#### ***Being an earlier adopter of the model will be advantageous to the City of Vaughan***

By partnering as a pilot municipality with MFOA and MMAH City staff should gain valuable insight in to the model. It is anticipated that the model will be released widely around Ontario and Vaughan will be in a position where its staff will be acclimatized to the model and will already have the data sets inputted in to the model. The initial resources dedicated to this pilot, while minimal, should realize a return on this investment as the City will be seen as an early adopter of a potentially valuable decision making tool. It should also be noted that the City was one of only a very few municipalities (including a single tier and a regional municipality in high growth areas as well as one rural municipality) to be approached on partnering in the pilot program. This is an opportunity that could be a great benefit to the City going forward.

#### ***Staff will bring back a report to Council***

Upon completion of the pilot phase of the model, MFOA and MMAH intend on creating a Case Study based on the data received. The Case Study will likely not include specific identification of data from the pilot municipalities. It should be noted that almost all data used in the model is publicly available at any rate (e.g. Financial Information Returns and DC Background Studies). Under the "Terms of Use" agreement they will obtain the City's consent in the use of municipal specific data in their Case Study. Upon release of the Case Study, anticipated for early in 2015, staff will bring forth a report to Council in 2015, that will outline the findings of MFOA and MMAH and will hopefully be in a position to also report on an estimate time until the general release of the model for the City's unrestricted use in its land use, infrastructure and financial planning decision making processes.

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**Relationship to Vaughan Vision 2020/Strategic Plan**

The above recommendations are consistent with the City's goal of organization excellence, and more specifically, to ensure financial sustainability and management of growth.

**Regional Implications**

Not applicable

**Conclusion**

City staff would like to obtain authorization to enter in to an agreement of "Terms of Use" with the MFOA to participate as a partner in the piloting of a "Costs of Development" model. The model is intended to evaluate the cost implications of implementing varying land use patterns (e.g. densities/built forms). The model is in the pilot phase, however, it is anticipated that the model will eventually be available to the City for its use in land use planning decision making.

**Attachments**

N/A

**Report prepared by:**

Lloyd Noronha, Director of Development Finance & Investments, Ext. 8271