



## MEMO / NOTE DE SERVICE

To / Destinataire	Council Members	
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Subject / Objet	New Official Plan Growth Management Strategy – Financial Analysis Rationale	Date: May 26, 2020

At the May 19, 2020 joint Planning and Agriculture and Rural Affairs Committee, I committed to sharing my notes in a memo to Council on the financial implications on the various growth models presented in the [New Official Plan – Growth Management Strategy](#). This memo also addresses the directions given by Councillor Shawn Menard on May 19, 2020:

Direction – Provide those land areas to council that would best meet the criteria proposed by staff in the balanced scenario, before this is to be considered by City Council.

Direction – That a summary analysis of the infrastructure costs, including maintenance and operations, associated with expansion under the balanced scenario, be produced for and distributed to City Councillors before we vote on this matter.

This stage of the new Official Plan requires Council to make decisions about the future direction of growth. This step has to be completed before a reliable financial analysis and costing exercise can be undertaken and provided to Council. This is because decisions about transportation and other infrastructure that supports growth – with reliable cost estimates – are based on Council's decisions on how much the City will grow and where.

Specifically, as a best practice, the City of Ottawa's Official Plan process includes the financial analysis being provided after the Official Plan is adopted, as part of the Infrastructure Master Plan

(IMP) and the Transportation Master Plan (TMP) exercises, because reliable financial modelling is highly dependent on a great deal of technical and engineering analysis that is done for the recommended projects. The level of detail to deliver a reliable cost estimate requires time and can only begin once the total allocation to the built-up area and greenfield area is known.

That is why, when staff brought the work plan to the Official Plan to Committee in February 2019, undertaking such a preliminary analysis was not included. Staff did receive direction to modify the work plan to complete the project faster. I would simply observe, as well, that conducting conceptual financial modelling within this phase could not have been accomplished in the shortened time frame requested by Council.

To illustrate, at this point in the process, where Council has not yet made a decision on where and how much the City will be growing, undertaking even conceptual financial modelling would have been a substantial investment in time and resources which could not have been done in time to meet the Council approved timelines. Without considerably more time and resources invested, the resulting financial analysis would only yield highly conceptual and unreliable results. The work would involve, for example, producing three separate, very high level IMP and TMP scenarios for each of the options on growth that are before Committee and Council this month. Given the various factors that go into each TMP and IMP scenario, it would be impossible to state that the high-level results were in any way reliable or accurate given the time and cost constraints.

The December 11, 2019 [Preliminary Policy Directions](#) report did provide an overview of infrastructure capacity available for intensification and advised draft policies will be recommended in the new Official Plan to address servicing capacity for intensification areas. Based on the direction to provide an Official Plan in a shorter amount of time than usual, staff believe that this deadline can only be met if the work plan focusses on providing the details associated with one growth option. This is also consistent with past approaches to Official Plan reviews, where there was even more time within the work plan.

That said, the City does have information available related to a high-level analysis from prior City work on this issue, such as the 2013 Hemson report circulated to Council, and from other work done by other cities, such as has been done recently by the City of Edmonton. Again, without knowing what the allocation to the built-up area will be, any result from this exercise would be notional at best and highly qualified.

If staff included a highly conceptual financial analysis in the New Official Plan – Growth Management Strategy, it would include the following high-level analysis:

- Higher density housing will be more cost efficient on the cost of city services, capital investment and replacement costs, than low density housing.
- The more centrally located high density is the more cost efficient it is, particularly when it is tied to the rapid transit network.

Even though the 2013 Hemson report, circulated to all Council members, did not compare all possible alternatives (such as high density in central vs. suburban locations like Kanata Town Centre, or high density with nearby low density); and even though the gap has closed since 2013 due to significant changes in property taxation for high-density units; that report supports the points above.

That is why in OPA 150, the City adopted its approach to concentrate high density close to the centre and along the rapid transit corridors.

The risks to that cost efficiency are related to the available capacity within the hard and soft services in their ability to accommodate further intensification (what economists call the marginal cost). For example, you can add more population to a resource such as a recreation centre while there is unused capacity, but at some point the facility will not be able to absorb the additional capacity and cities have to invest to expand or replace the facility with a larger facility.

A risk to any financial projection is that any new infrastructure and facility upgrades would normally be partly financed by the growth, but if that growth does not materialize, the outstanding costs need to be financed from another source. This is a risk to all options.

There are significant qualifications on the broad themes above.

- In the early days of intensification in the City, we were able to easily pull in more density because there was excess capacity in our buried infrastructure, due in large part to the big gains in water efficiency we have achieved. The downward efficiency trend in unit demands continues. The opportunity to remove storm drainage from the sanitary collection system as part of redevelopment also continues to be an important factor.
- A relatively small number of distributed infill projects did not put much stress on the areas of the city that have combined sewers or limited stormwater infrastructure capacities in central areas.
- In central areas that already have high levels of imperviousness, intensification will, in many instances, have limited impacts on surface drainage systems, particularly given the opportunity to mitigate any impacts through on-site controls.
- The city is facing population decline in many areas due to demographic changes.

- Since we have been successful in intensification, we are now seeing evidence that the marginal increase in population is putting hard and soft infrastructure at or over capacity. We need to do more detailed engineering work in the IMP and other plans to confirm remaining capacity. This shows up as:
  - Some local collector sewers with capacity problems;
  - Underperforming surface drainage systems and periodic capacity issues in buried drainage systems;
  - Recreation facilities such as Plant Bath that are now at or over capacity;
  - Not enough park space for the growing population and a great deal of difficulty acquiring new park land.

Solving these problems is expensive, since construction in highly populated areas is much more expensive due to: traffic control costs, highly variable geotechnical conditions and soil quality management, working around other buried infrastructure, high costs for land acquisition or easements. Replacing buried infrastructure isn't always the optimal approach, and much more analysis is required in localized areas to find the most cost-effective solution.

We cannot recover all of these costs from new development in infill areas, since there are limitations in Provincial law, requiring the City to pay directly for all aspects that are lifecycle replacement, any improvements to level of service, and deducting from any development charges a factor for the benefit to existing residents.

Given all the above, providing the conceptual financial analysis in the New Official Plan – Growth Management Strategy report would not have changed staff's conclusions nor recommendations. More detailed financial analysis will happen as each of the subsequent master plans (e.g., TMP, IMP) come forward, as detailed community plans are prepared for each emerging area, and as the Development Charges and Community Benefits Charge by-laws are reviewed.

Original signed by  
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