

July 6, 2021

Memorandum to: James Krauter
City of Guelph

From: Daryl Keleher, Senior Director
Altus Group Economic Consulting

Subject: City of Guelph – Baker Street Redevelopment – Economic Benefits

Our File: P-6703

Altus Group Economic Consulting was retained by the City of Guelph to estimate the economic benefits that would be generated by development of the Baker Street municipal parking lot in the City of Guelph.

OVERVIEW OF DEVELOPMENT

The redevelopment of the Baker Street municipal parking lot is proposed to include a total of 371 residential dwelling units, including 355 apartment dwellings and 16 townhouse dwellings.

Overview of Proposed Baker Street Redevelopment, Residential Units and Non-Residential GFA, Population and Job Generation

<u>Residential Units</u>	<u>Dwelling Units</u>	<u>Estimated Persons per Unit</u>	<u>Estimated Population</u>
	<i>Units</i>	<i>Persons / Unit</i>	<i>Persons</i>
Rental Apartments	177	1.586	281
Condo Apartment - Studio & 1-Bedroom	89	1.322	118
Condo Apartment - 2+ Bedroom	89	1.849	165
Townhouses	16	2.455	39
Total Residential	371		602

<u>Non-Residential GFA</u>	<u>Gross Floor Area</u>	<u>Floor Space per Worker</u>	<u>Estimated Employment</u>
	<i>Square Feet</i>	<i>Sq. Ft. / Job</i>	<i>Jobs</i>
Retail	12,760	450	28
Library	88,000		n.a.
Total Non-Residential	100,760		28

Source: Altus Group Economic Consulting based on City of Guelph 2018 Development Charges Background Study

The development is also proposed to include 12,760 square feet of retail gross floor area, and 88,000 square feet for the relocated main library branch. It is estimated that based on average household sizes by dwelling type as forecast in the City's 2018 DC Background Study that the development would be able to accommodate an estimated 602 persons. The retail space is estimated to generate approximately 28 jobs. The library space is assumed to replace the employment from the existing branch nearby in Downtown Guelph.

CONSTRUCTION-RELATED ECONOMIC ACTIVITY

Using an economic input-output model, construction-related activity associated with the development scenario of the subject site would generate a variety of one-time short-term economic benefits in the economy, in terms of economic output, direct employment in the construction of the development, as well as derivative benefits for businesses that provide services and materials to the construction industry.

Construction-Related Employment

Based on modelling by Altus Group Economic Consulting, the development of the Baker Street site would generate employment directly in the construction of the development. The construction of the development is estimated to generate 517 person-years of employment directly, plus 276 person-years of indirect employment.

The construction-related employment would result in approximately \$61 million in earned labour income (direct and indirect), a significant portion of which would be earned by construction companies in the Guelph region. A significant proportion of these earnings would be spent in the local economy on day-to-day goods and services.

Gross Output and GDP

Economic activity relating to construction of the proposed development on the subject site can be measured from Gross Output or Gross Domestic Product (GDP):

- Gross Output represents a measure of economic activity in the production of new goods and services and includes intermediate and final outputs.¹

¹ For example, in the production of wood furniture, the purchase of wood from a sawmill for \$100 (the intermediate input) and the end-price of the finished furniture of \$400 (the final output) are added together to estimate Gross Output, or the value of all goods and services purchased throughout.

- Gross Domestic Product represents economic activity in the production of new goods and services and includes only final outputs.²

The construction of the development would generate \$160 million in Gross Output and \$78 million in GDP.

ONE-TIME REVENUES GENERATED

Development Charges

Figure 2 shows the development charge (DC) revenues that would be generated, based on the City's development charge rates in effect as of March 2021, assuming that 50% of the residential apartment units would be 2-bedroom or larger, and the other 50% would be 1-bedroom or bachelor units.

In total, the development will add \$6.9 million in DC revenues for the City to fund growth-related infrastructure (see Figure 2 on the following page). Notably, the DC revenues include \$1.49 million for indoor & outdoor recreation, \$1.36 million for water works, \$1.29 million for wastewater works, \$1.24 million for roads, and \$546,000 for transit.

Education Development Charges

Based on the EDC rates imposed by the Upper Grand District School Board (\$2,222 per residential unit) and the Wellington Catholic District School Board (\$619 per residential unit) will generate a total of approximately \$1,008,600 in EDC revenues that can be used to fund the acquisition of school sites necessary to accommodate pupils generated by new housing development.

The EDC revenues include \$788,800 for the Upper Grand District School Board and \$219,700 for the Wellington Catholic District School Board.

Building Permit Fees

Based on the City's building permit fee rates as contained in Schedule A to by-law (2015)-19985, the development would generate approximately \$874,100, which provides funding for the operations of the City's building department.

² In the example of the production of wood furniture, would represent the "value added" to the raw wood, where the \$400 furniture was created from a \$100 input. Therefore, in this case, the GDP would be \$300 (or \$400 final value less \$100 intermediate input value) represents economic activity in the production of new goods and services and includes only final outputs

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Figure 2

Estimated Development Charge Revenues, Baker Street Redevelopment

	Residential Units			
	Apartments - Studio & 1- Bedroom	Apartments - 2+ Bedrooms	Tow nhouses	Retail
	Units			Square Feet
Proposed Development	178	178	16	12,760

DC Rates by Service	DC Rates			
	Apartments - Studio & 1- Bedroom	Apartments - 2+ Bedrooms	Tow nhouses	Retail
	Dollars per Unit			\$/ SF
Transit	1,159	1,622	2,154	1.41
Municipal Parking	489	685	909	0.60
Outdoor Recreation	1,416	1,980	2,629	0.20
Indoor Recreation	1,853	2,591	3,440	0.26
Library	408	571	757	0.05
Administration (Studies)	321	450	597	0.39
Provincial Offences Act	3	4	5	-
Health Services	99	139	184	0.03
Ambulance	47	66	87	0.05
Fire Protection	132	186	248	0.16
Police	279	390	519	0.32
Waste Diversion	208	293	388	0.11
Stormw ater	94	132	177	0.10
Wastew ater	2,747	3,844	5,103	3.13
Water	2,907	4,066	5,399	3.32
Roads and Related	2,635	3,686	4,894	3.02
Total	14,800	20,704	27,489	13.15

DC Revenues by Service	DC Revenues				
	Apartments - Studio & 1- Bedroom	Apartments - 2+ Bedrooms	Tow nhouses	Retail	Total
	Dollars				
Transit	205,723	287,905	34,464	17,992	546,083
Municipal Parking	86,798	121,588	14,544	7,656	230,585
Outdoor Recreation	251,340	351,450	42,064	2,552	647,406
Indoor Recreation	328,908	459,903	55,040	3,318	847,168
Library	72,420	101,353	12,112	638	186,523
Administration (Studies)	56,978	79,875	9,552	4,976	151,381
Provincial Offences Act	533	710	80	-	1,323
Health Services	17,573	24,673	2,944	383	45,572
Ambulance	8,343	11,715	1,392	638	22,088
Fire Protection	23,430	33,015	3,968	2,042	62,455
Police	49,523	69,225	8,304	4,083	131,135
Waste Diversion	36,920	52,008	6,208	1,404	96,539
Stormw ater	16,685	23,430	2,832	1,276	44,223
Wastew ater	487,593	682,310	81,648	39,939	1,291,489
Water	515,993	721,715	86,384	42,363	1,366,455
Roads and Related	467,713	654,265	78,304	38,535	1,238,817
Total	2,626,468	3,675,138	439,840	167,794	6,909,239

Source: City of Guelph DC rates effective March 2, 2021 to March 1, 2022

ON-GOING REVENUES AND BENEFITS

Annual Property Taxes

Figure 3 shows the property tax revenues that would be generated by each of the two development scenarios at full build-out. The residential assessment estimates are based on the average sales price for newly built apartments in the City of Guelph, with a downward adjustment made to account for the differences between sales prices and assessment values. The non-residential assessment estimates are based on a sample of assessment values for comparable developments in the City.

Based on our modelling, it is estimated that the development would generate \$95.8 million in assessment value and provide a total of \$1.13 million in annual property tax revenues, including approximately \$969,700 for the City, and \$165,200 for education.

Figure 3

Property Tax Assessment, Baker Street Redevelopment, City of Guelph

		Redevelopment Statistics
Residential Units		<i>Units</i>
Rental Apartment		177
Apartment - Studio & 1-Bedroom		89
Apartment - 2+ Bedroom		89
Townhouses		16
Total Residential		371
Non-Residential GFA		<i>Square Feet</i>
Retail		12,760
Assessment Value		Assessment Value
	Assumption	
Residential	<i>\$/ Unit</i>	<i>Dollars</i>
Rental Apartment	150,000	26,550,000
Condo Apartment - Studio & 1-Bedroom	290,000	25,810,000
Condo Apartment - 2+ Bedroom	370,000	32,930,000
Townhouses	500,000	8,000,000
Total Residential		93,290,000
Non-Residential	<i>\$/ Square Foot</i>	
Retail	200	2,552,000
Total		95,842,000

Source: Altus Group Economic Consulting

Figure 4

Estimated Annual Property Tax Revenue, Baker Street Redevelopment, City of

Tax Class	2021 Property Tax Rates		
	City	Education	Total
		<i>Percent</i>	
Residential	0.9896%	0.1530%	1.1426%
Multi-Residential (new)	0.9896%	0.1530%	1.1426%
Commercial	1.8209%	0.8800%	2.7009%

Revenues by Sector	Property Tax Revenues		
	City	Education	Total
		<i>Dollars</i>	
Residential (condo apartments, town s)	660,465	102,112	762,577
Multi-Residential (rental apartments)	262,741	40,622	303,363
Non-Residential	46,469	22,458	68,926
Total	969,675	165,191	1,134,866

Source: Altus Group Economic Consulting

Permanent Jobs

Based on the Floor Space per Worker Factors (“FSW Factors”) from the City’s 2018 Development Charges Background Study (450 sq. ft. per job), it is estimated that the retail space would generate a total of 28 jobs.

The library space will also generate a substantial amount of jobs, however, roughly half of the space in the new library would replace the existing library. Therefore, it is expected that the new library would generate more jobs than the existing library location, however the exact amount is not known at this time.

Further, the residential buildings will require daily management and maintenance. Based on the benchmark of one (1) job per 75,000 square feet of residential space, it is estimated that an additional five (5) jobs would be generated from the day-to-day operation, security, maintenance, landscaping of the residential buildings within the development.

OTHER BENEFITS FOR DOWNTOWN GUELPH

Retail Spending by New Households and Workers

The residents of the dwelling units in the proposed development will help support local retail stores and businesses. Annual spending on goods and services by the new residents are estimated to be \$18.3 million per year (Figure 5).

We have estimated, based on the mix and type of retail businesses and services occupying buildings in the Downtown, and the breakdown of annual household spending by category, that roughly 23% of this spending can be anticipated to be spent at Downtown businesses, or \$4.2 million per year.

This estimate is based on expected high proportions of annual spending from residents in the residential scenario on food (from grocery stores and restaurants), household supplies, clothing, gasoline, health care, and tickets for sporting and performing arts events within Downtown Guelph.

Figure 5

Estimated Spending on Goods and Services by Future Households within Baker Street Redevelopment, City of Guelph

	<i>Dollars</i>
Total: Estimate of Average Household Spending, Ontario, 2019	97,385
Less: Shelter Costs	22,364
Less: Personal Taxes	17,911
Less: Insurance and Pension Contributions	5,346
Less: Gifts of Money	2,252
Less: Games of Chance (net)	193
Estimated Average Household Spending on Goods and Services, Ontario, 2019	49,319
	<i>Households</i>
Proposed Development	371
	<i>Dollars</i>
Estimated Annual Retail Spending by Households in Proposed Development	18,297,349

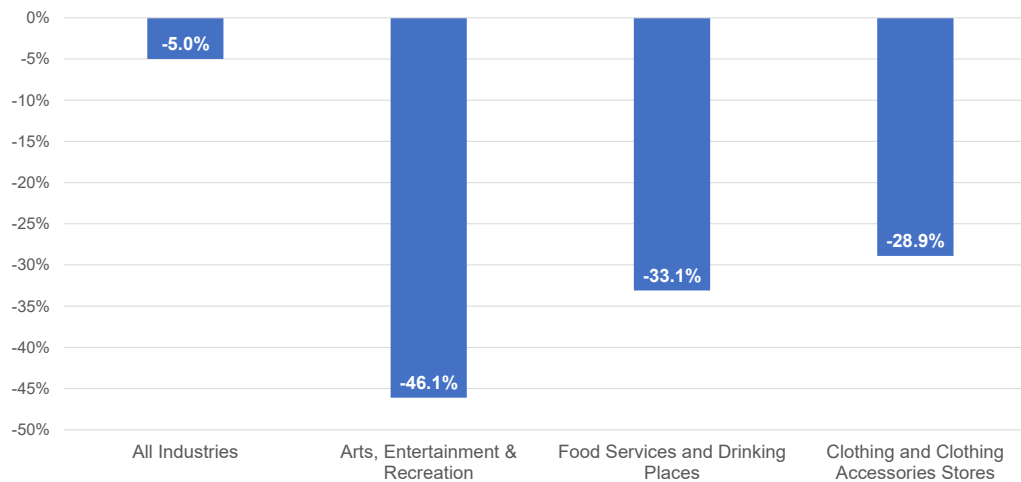
Note: Household Spending after deductions includes food, household operation, furnishings and equipment, clothing, transportation, health care, personal care, recreation, reading materials and other printed matter, education, tobacco products and alcoholic beverages, and miscellaneous expenditures
 Source: Statistics Canada, Survey of Household Spending (SHS)

Aiding Economic Sectors Hurt by Pandemic

Many of the sectors that will most directly benefit from additional residents and associated economic activity in the Downtown, such as the arts and entertainment sectors, food and drinking places, and retail stores are the same sectors hit hardest by the economic fallout from the health measures taken to contain the Covid-19 pandemic.

Figure 6 shows the decline in GDP for select industries – while Ontario-wide economic activity fell by 5% in 2020 (versus 2019), many of the sectors occupying commercial space in the Downtown were hit significantly harder - the arts and entertainment sector saw activity fall by over 46%, while the food services sector (restaurants) saw a decline of 33%. Clothing stores saw a decline of nearly 29%.

Figure 6 Change in Gross Domestic Product by Industry, Ontario, 2019 to 2020



Source: Statistics Canada, Table 36-10-0402-02

Boosting Transit Ridership

The proposed development, by adding significant amounts of net new population to Downtown Guelph can help add potential new transit ridership to the City’s transit system through its proximity to the Guelph Central Station

Monthly transit ridership in the City fell by over 60% from 568,000 riders pre-pandemic to 226,380 riders post-pandemic (as of November 2020).³ Adding more residents within close proximity to all of the City’s transit routes can help provide a boost to transit ridership, better utilizing the City’s investments in transit services, and adding transit fare revenues to help fund the City’s ongoing operating costs.

Additionally, the development can also benefit the ridership on the GO transit system, with additional prospective riders in proximity to Guelph GO station, which will help boost ridership using the GO station and contribute towards the success of the proposed two-way, all-day service expansion along the Kitchener GO line.

³ <https://www.guelphtoday.com/local-news/faced-with-plunging-ridership-council-considering-changes-to-guelph-transit-2869596>

Improving Utilization of Wilson Street Parkade

The closure of the Baker Street parking lot to make way for the proposed redevelopment can help redirect vehicles seeking parking to the recently constructed Wilson Street Parkade. The Baker Street project can therefore help better leverage the City's investments in that facility.

Contributing to Achievement of Downtown Urban Growth Centre Density Targets

Under the Growth Plan for the Greater Golden Horseshoe, the City has recommended a minimum density target of 200 persons and jobs per hectare in the Downtown Guelph Urban Growth Centre by 2051.

As of 2006, the Downtown Guelph UGC had a density of 96 persons and jobs per hectare and based on the minimum density target (200 persons and jobs per hectare by 2051) and land area of the Downtown UGC (120 hectares), the Downtown will need to add approximately 11,000 additional people and 1,800 additional jobs.⁴ The proposed development can significantly contribute to the achievement of the minimum density target in the Downtown by adding approximately 600 new residents and 28 new jobs, which represents nearly 5% of the additional persons and jobs required to achieve the minimum density target in the Downtown Guelph UGC.

SUMMARY

Figure 7 summarizes the economic benefits from the development of the Baker Street site in Downtown Guelph.

⁴ City of Guelph, Shaping Guelph – Housing Analysis and Strategy, (February 19, 2021)

Figure 7

**Summary of Estimated Economic and Fiscal Benefits,
Baker Street Redevelopment, City of Guelph**
ONE-TIME BENEFITS

Development Charges	\$	6,909,239
Education Development Charges	\$	1,008,555
Building Permit Revenues	\$	874,089

Construction Employment		<i>Person-Years</i>
Direct		517
Indirect		276
Total		793

Construction Labour Income	\$	61,317,000
Gross Domestic Product (GDP)	\$	77,699,000

ON-GOING BENEFITS

Property Tax Assessment	\$	95,842,000
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Annual Property Tax Revenues		
City	\$	969,675
Education	\$	165,191
Total	\$	1,134,866

Permanent Jobs		<i>Jobs</i>
Retail		28
Library		TBD
Residential Maintenance		5

Annual Retail Spending	\$	18,297,349
Estimated Spending, Downtown	\$	4,208,390

 Source: Altus Group Economic Consulting
