Comments to Executive Policy Committee
2016 Preliminary Budget
Tuesday, March 15, 2016, 9:00 a.m.
City Hall, 510 Main Street

Mr. Mayor & Councillors,

Good morning. I'm Alan Borger, President of Ladco.

I am here today to offer some thoughts about the $250K ear-marked to study Smart Growth (SG).

You know, we've been down this road before with Waverley West (WW) and with By-Law #6400 and my advice - "just say no".

You already have several good people "in house", you don't need any help.

But if you really must, please don't bring someone in from afar with no knowledge about the local market or the Development Agreement Parameters.

And if your consultant is simply going to build a chart breaking down impost fees per acre, without making any adjustments, my Assistant can make a dozen phone calls for you. Don't laugh, that is essentially what they did for Mayor Katz.

I suppose that underlying all of this are the "numbers".

Last week Brent Bellamy "weighed in" on Waverley West. Frankly he doesn't have his facts straight and he's mixing apples & oranges.

Mr. Bellamy starts with the $70M in what he calls the "initial report", deducts $30M for a school, deducts another $30M (or so) for a recreation center, gets down to virtually nothing, and then implies that WW is not sustainable because it's still responsible for $580M for Kenaston & Waverley.

A little history. ND Lea did the "initial" report – not the City.

Then, the City copied ND Lea with one big difference – the City assumed the homes would not keep pace with inflation.

Ordinarily common sense would suffice, but in 2015 Deloitte LLP reviewed the reports (a "peer review" or perhaps a "meta study") and noted (inter alia):

> "The City's assumption that assessment values will decline over the long term in aging communities is counter to what the historical trends suggest".

Specifically, from 1980-2013, CPI increased by 2.9%, but homes by 3.9% p.a.. This is not news to any homeowner...

Without doubt, the best information we have is the 2013 report by MMM who went back, with several years of actual data, and updated ND Lea's work. MMM concluded the City's cashflow would increase to **$892M** for a net present value (NPV) of **$247.3M**.

Why?: I. absorption was faster, density greater and assessment higher than expected, and 2. the Feds/Province contributed $33.2M to extend Kenaston.

To be clear, this included all of the operating and capital costs - police, fire, recreation centers, transit, administration and the infrastructure – including renewal over 80 years. (And they applied a conservative assumption - that housing would keep pace with inflation.)

But they did not include schools or regional water & waste because: 1. the School Divisions have their own taxes, funding and costs, and 2. water & waste is a separate, ratepayer supported utility.

So when Mr. Bellamy starts with the City's $70M number, he is not giving you the best information available.

And when he deducts $30M for the school, he's mixing apples & oranges. Obviously Pembina Trails has its own NPV because our residents also pay school taxes.

And when he deducts at least that much for the recreational campus, he's double counting - MMM carried $39.4M.

And when Mr. Bellamy suggests that after all of this, there's nothing left, but the City still has to spend, he says, $580M to widen Kenaston and build the underpasses for Waverley, he's not painting an accurate picture.

First, even if we deduct the actual cost of Kenaston including the cost overruns, and even if we deduct all of Kenaston - ie. not the just 50% the City agreed was fair (in other words, if the rest of the City pays nothing for all 6 lanes through WW) the City still has **$230M** of NPV for downstream work.

Second, all of the City uses Route 90 which will (eventually) link up with HW #75 (ie. our main trading partner).

Third, a number of the older subdivisions - from Richmond West to Linden Woods and everything in between - will (also) benefit directly from these upgrades, and each of these subdivisions is already contributing its own NPV - probably in the range of $80-100K/ac (more if we throw in Kenaston & McGillivray).

So even if Mr. Bellamy's figure is correct, it sounds to me like the various suburbs in the south-west are already contributing more than their fair share.

But while we are talking about "fairness" I would be remiss if I didn't point out that our residents have paid for a separated sewer system, but are also asked to pay "their share" of up to ~$4.1B to separate the combined sewers in the older parts of town.

Obviously that is a separate issue, but if our critics can mix apples & oranges, (then) I suppose it's fair game.

And finally, when Mr. Bellamy states that it's low density and driven not by the long term strategic goals, but whatever is the easiest and most profitable for developers, he's taking a cheap shot and is completely disregarding Our Winnipeg and the process that we actually followed.

Funny thing, neither WW nor any of our subdivisions qualify **as** "sprawl" – at least not as defined by the European Environmental Agency (please see the attached definition from our submission to EPC).

WW: 1. is orderly, contiguous, planned growth, 2. built around regional water & waste and transportation, 3. in response to strong, proven demand, 4. when there was no supply left in south Winnipeg, 5. that followed a long planning process, and 6. that is highly profitable for the City.

In addition, we are at 5.6 upa - not bad for so-called "sprawl".

In any event our industry welcomes an honest discussion, but this is a job for specialists. Two thoughts: First, over the years we have been blessed in this City to have smart people - in industry and at the City – on both sides of the table. And second, the starting point must be the Parameters.

One last thought. Although I am a lawyer, most of my education was focused on finance. If we have made any mistakes please show us. We'd be delighted to hear about it, but this is math, not religion.

So that's it for now. If you go down the SG road, I don't believe you will drive development up and create an urban utopia. Instead I fear you will drive prices up, and development out, creating real urban sprawl.

Thank you,

Alan Borger
Ladco Company Limited

Sprawl Defined

In our presentation to EPC in support of the amendment to Plan Wpg for Waverley West we pointed out that the European Environmental Agency defined "urban sprawl" as:

"The physical pattern of **low density** expansion of large urban areas, under market conditions into the surrounding agricultural areas. Sprawl lies in advance of the principal lines of urban growth and implies **little planning control of land subdivision. Development is patchy, scattered and strung out, with a tendency to discontinuity because it leapfrogs over some areas leaving agricultural enclaves.**

Urban sprawl must be considered in a space and time context. It is not simply how much land is being developed, but how fast it is being developed relative to projected population growth. **Growth in itself is not urban sprawl**" (the emphasis is ours).

Accordingly, Waverley West does NOT qualify as sprawl because:

1. it is NOT unplanned, "leapfrog" development,

2. it did NOT require the premature extension of trunk services,

3. it is NOT low density development,

4. the rate of development was consistent with demand (ie. population and changing demographics (ie. the average family unit), and

5. there were NO environmental issues.

Nor do the other subdivisions in the City qualify as urban sprawl: maybe the "McMansions" built on large lots in the exurban areas in the U.S., and perhaps some of the developments in the Capital Region might qualify as "sprawl", but that clearly is NOT the case here in Winnipeg!