



Report to: General Committee

Meeting Date: October 22, 2024

SUBJECT: Award of Contract 174-S-24 Automated Zoning Compliance Software Solution
PREPARED BY: Stephanie Di Perna, Ext. 3940
Ned Sirry, Ext. 4885
Rosemarie Patano, Ext. 2990

RECOMMENDATION:

- 1) THAT the report entitled “Award of Contract 174-S-24 Automated Zoning Compliance Software Solution” be received; and,
- 2) THAT the contract 174-S-24 Automated Zoning Compliance Software Solution (One time - implementation and training costs) (Recurring - software licenses, ongoing support and maintenance cost for Year-1 pro-rated six months and Year 2) be awarded to Archistar in the amount of 821,285.63 inclusive of HST; and,
- 3) THAT a contingency in the amount of \$65,702.85 inclusive of HST be established to cover any additional project costs be approved, and that authorization be granted to approve expenditures of this contingency amount up to the specified limit in accordance with the Expenditure Control Policy; and,
- 4) THAT the capital costs in the amount of \$886,988.48 (821,285.63 + \$65,702.85) inclusive of HST be funded from capital project account 600-101-5399-24318, with an available budget of \$889,000.00 inclusive of HST; and,
- 5) THAT the remaining budget in the amount of \$2,011.52 be returned to the original funding source; and,
- 6) THAT the contract for software and license, ongoing support and maintenance costs for 8 years be awarded to Archistar in the amount of \$2,674,659.82 inclusive of HST (\$1,298,380.26 fee for 4 years + \$1,376,279.56 fees for the 4 renewal options) to be funded from 400-400-5361 with a net new operating annual budget of \$324,595.07 and subject to the adoption of the 2025 and future operating budgets in the negotiated annual amounts of:
 - Year 3 - \$ 324,595.07
 - Year 4 - \$ 324,595.07
 - Year 5 - \$ 324,595.07
 - Year 6 - \$ 324,594.05
 - Year 7 - \$ 344,069.89 *
 - Year 8 - \$ 344,069.89 *
 - Year 9 - \$ 344,069.89 *
 - Year 10 - \$ 344,069.89 *
 - Total - \$2,674,659.82

* Optional Year Renewal

- 7) THAT the annual operating costs starting in year 3 be transferred to Building Standards and Planning & Urban Design departments (to be shared 50/50) through indirect transfer and ultimately be funded by Building Fees and Development Fees.
- 8) THAT the Chief Administrative Officer and Commissioner, Corporate Services be authorized to approve the additional renewal years (Years 7 to 10) on behalf of the City (in its sole discretion), and execute any required documentation in a form satisfactory to the City Solicitor; and,
- 9) THAT the tendering process be waived in accordance Purchasing By-Law 2017-8, Part II, Section 11 Non Competitive Procurement, item 1 (g) which states “where it is in the City’s best interest not to solicit a competitive Bid;” and item (b) which states “where there is only one source of supply for the goods to be purchased”; and,
- 10) THAT Archistar be designated as the preferred vendor for the City’s Automated Zoning Compliance service needs at the sole discretion of the City for the term of this contract; and,
- 11) THAT the Chief Administrative Officer and Commissioner, Corporate Services be authorized to approve any new purchases related to this contract needed due to growth and/or future Automated Zoning Compliance upgrades due to change in technology or system integration with other applications related to the project during the term of this contract, subject to the Expenditure Control Policy and budget approval; and,
- 12) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

To seek Council approval to procure an automated zoning compliance software. The software is a public facing portal that provides zoning compliance in real time for the public and applicants. The secure section allows applicants to upload drawings to confirm zoning compliance of their proposal before they apply for a building permit.

This project forms part of the digital component of the Housing Accelerator initiative, funded by the Housing Accelerator Fund. The annual operating/licensing cost, which will be funded by a combination of service user fees and development/building reserves, ensures the sustainability of the software implementation.

BACKGROUND:

In February 2022, the Federal Budget announced \$4 billion in funding for the Housing Accelerator fund (HAF) with the goal of creating at least 100,000 more housing units.

In March 2023, the Canadian Mortgage and Housing Corporation (CMHC) launched the HAF program and application process. Local municipalities with over 10,000 people and delegated

approval authority for land use planning and development approvals were eligible for the urban stream of funding.

On June 14, 2023, Council directed staff to submit a Housing Accelerator Fund (HAF) application and on January 25, 2024, the City's HAF application approval was secured through the execution of a contribution agreement with the Canadian Mortgage and Housing Corporation (CMHC) for \$58.8 million in funding, with the goal of supporting the delivery of 1640 housing units.

On June 26, 2024, Council approved the City's initiatives, work plan and associated cost. The initiatives are based on short-term and long-term goals, which support key Actions included in the City's housing strategy, as follows:

1. Public Partnerships
2. Additional Residential Units (ARUs) and Incentives Program
3. Major Transit Station Areas (MTSAs) - Policy Update
4. Inclusionary Zoning (IZ) in MTSA's
5. Incentive Program for Affordable Housing
6. Enhance Markham's Electronic Development Application System
7. Parking and Transportation Demand Management (TDM) Standard Update.

The automated zoning compliance software forms part of initiative six to enhance Markham's electronic development application system. The housing units associated with all seven initiatives are required to be delivered by the end of 2026.

The City of Markham has complex zoning by-laws, and the public has difficulty navigating zoning requirements causing delays in the approvals of development and building permit applications. Building Standards Department created a zoning review program to assist the public in confirming zoning compliance prior to major investments such as the sale of property, leasing of establishments and designing new developments. Aside from public zoning, inquiries there are several internal City departments that rely on zoning information. The Licensing department requires confirmation of zoning prior to the issuance of stationary business licenses. By-Law Enforcement is responsible for the enforcement of City zoning by-laws. Prior to the issuance of zoning orders and caution notices, the By-Law officer must confirm zoning with Building Standards zoning staff. Building Standards processes +/- 3,000 public facing and +/- 600 internal department zoning requests each year. External zoning services are partially funded by user fees. The balance of external services and all internal services are currently funded through building permit fees.

The number of zoning requests are projected to increase with the City's expected growth. The projected increase in service requests will affect permit processing times, which may frustrate the public and internal customers. To support future growth targets efficiently, a digital solution to these manual processes is required.

OPTIONS/ DISCUSSION:

The City of Burlington recently issued a Request for Information for gathering market information on service providers with an automated rule-based compliance software. RFI -

24-701 Call for Innovation issued on March 11, 2024 and closed on April 3, 2024. The RFI contained similar scope and deliverables to the City's own requirements. The City of Burlington received seven responses and interviewed three of the respondents. City of Markham staff were invited to attend the interviews held on May 16, 2024. Though the City of Burlington has not made any conclusive decision(s), City of Markham staff have identified that Archistar was the only respondent with a working and viable solution.

As part of this activity, investigations indicated no other potential system for consideration. ITS and key business unit stakeholders are confident that the City's business needs can be fully met with the Archistar tool, and have identified the following significant process and service delivery improvements:

- **Streamline Applicable Law Compliance**: Streamline and/or automate the evaluation of a set of plans for compliance with the City's Zoning By-law (Applicable Law). This process will identify potential conflicts and deficiencies related to City regulations, such as building heights, lot coverage, density, parking, landscape buffers, and building setbacks, thereby empowering stakeholders to play a crucial role in the city's development.
- **Increase Consistency of Reviews**: Improve the consistency of plan reviews and the relationships between the Zoning By-law, business rules and site conditions (e.g., corner lot).
- **Empower Applicants**: Applicants will be provided with real-time zoning guidance, ensuring they navigate the process effortlessly and submit applications that meet all requisite criteria, which will promote a more streamlined, and efficient process.
- **Empower Enforcement Staff**: Providing By-law Enforcement and Licensing Enforcement staff with real-time zoning compliance details in the field allows them to make compliance decisions on the spot and reduces impact on Building Standards zoning staff providing internal zoning interpretations.
- **Empower Land Owners and Business Owners**: Instant information related to permitted uses and zoning compliance allows landowners and business owners to make informed decisions on the activities they propose on the site.
- **Reduce wait-time and re-submissions**: Significantly reduce the time that applicants wait to receive their initial zoning compliance check for low-density applications, providing options for applicants to pre-assess their drawings prior to application submission, thereby relieving them of unnecessary stress and wait time.
- **Process Digital Files**: Provide a user-friendly and intuitive interface for the zoning compliance review of digital plans, focusing on vector-based PDF format, with options to leverage best practices across the industry.
- **Promote User Adoption**: Provide for functionalities and an interface that encourages easy adoption and ongoing use by both City staff and external applicants.

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- **Promote Ease of Understanding**: Allow any user (public, council, staff, etc.) to understand how the City's regulations, policies, and business rules apply to their proposed situation or project with an intuitive, accessible, and data-driven digital platform.
 - **Resource Redeployment**: By eliminating manual interventions in lower value tasks, the City's staff can be redeployed to areas where their expertise can be better utilized, leading to more value-added contributions and a higher degree of job satisfaction.
 - **Informed Decision-Making**: Harness the generated data to pinpoint common challenges, bottlenecks, and opportunities for system refinement. Empower decision-makers with data-backed insights for creating impactful policies and improvements.

Workshops were conducted with the City's business units to review the existing Zoning processes strengths and limitations at the City of Markham to identify business requirements that would enhance functionality to meet both current and future needs. The Archistar solution best meets these requirements with their base zoning module which can be used by the Public, Planning, Building, Licensing and By-Law Enforcement departments and one automated zoning plans checker to support low-density development. This module includes accessory dwelling units.

In alignment with the marketplace research conducted, Staff are seeking an award through a preferred supplier arrangement with Archistar, with the following two key supporting rationale:

1. Maximize the robust capabilities of Archistar Platform Applications:

- The Archistar platform has several modules that allow end users to
 - understand planning/building codes;
 - determine highest and best use of land;
 - create 3D designs using generative building design technology; and,
 - automatically check compliance against building designs.
- The foundation of the Archistar platform is an industry unique solution that combines an interactive GIS component with digitized planning/building codes to correctly identify which rules or criteria apply to specific parcels of land;
- The system can accept any GIS feature that the City uses and standardize and only display the relevant rules by building types allowed;
- The rule engine is unique and allows rules to be displayed conditionally according to building type and property characteristics, allowing the use of formulas and conditional statements to handle the most complex planning and building codes;

2. Leader in the Market:

- The use of the Archistar platform will revolutionize the development process, allowing staff and the public to:
 - gain information quickly;

- examine development options efficiently; and,
 - reduce the strain on staff resources.
- Archistar is widely used throughout Australia, the USA and recently partnered with the City of Vancouver and the City of Surrey.
 - In ongoing conversations with other municipalities, a significant finding is that a number of the municipalities are exploring the Archistar platform as a cost-effective option. These synergies will allow the City to take advantage of information and best practices sharing with respect to implementation risks, decisions, integration points and will facilitate a smoother transition.

Through negotiations, staff achieved 10% (\$384,212 inclusive of tax) cost reduction as allowed under the Purchasing By-Law, while still maintaining the same level of project deliverables.

The following is the negotiated savings:

	One time - implementation and training costs and Recurring - software licenses, ongoing support and maintenance (Year-1 pro-rated 6-months and Year-2) \$	Software licenses, ongoing support and maintenance Years 3 – 6 \$	Software licenses, ongoing support and maintenance Years 7 – 10 \$	Total \$
Original Fee	862,641	1,405,115	1,612,402	3,880,158
Negotiated Fee	<u>821,286</u>	<u>1,298,380</u>	<u>1,376,280</u>	<u>3,495,946</u>
Award savings	41,355	106,735	236,122	384,212
% Reduction	5 %	8 %	15%	10%

CONCLUSION:

The proposed Archistar solution will allow for a more robust management of zoning inquiries and synergies across departments. This will ultimately provide the required flexibility to meet the City’s changing needs (including the ability to support growth). This award will enable the City to deliver a fully integrated, extendable and scalable enterprise system to achieve this outcome.

FINANCIAL CONSIDERATIONS

The cost of award includes 2 components:

- one-time costs for acquisition of software licenses, implementation, training, and Year-1 pro-rated 6-month and Year-2 of support and maintenance
- recurring operating costs for licenses, software and ongoing support and maintenance for 4 years, with an option to renew the contract for additional 4 years

Capital Costs

The one-time cost for the acquisition, implementation and Year-1 Pro-Rated 6-Months and Year-2 support is \$821,286 inclusive of HST impact. These costs will be funded from

project 24318, GL account 600-101-5399-24318 with an available component budget of \$889,000.00 and is funded by the Housing Accelerator Fund.

Project	Amount (\$)	
Budget Available for this Award	889,000.00	(A)
One-Time Acquisition, Implementation and Year-1 Pro-Rated 6-month and Year-2 Support Cost	821,285.63	(B)
Contingency (8%)	65,702.85	(C)*
Total Capital Costs	886,988.48	(D) = (A) - (B)-(C)
Surplus Budget to be Returned to Source	2,011.52	(E) = (A)-(D)

*An 8% contingency in the amount of \$65,702.85 inclusive of HST impact will be established to cover any additional project costs be approved and that authorization be granted to approve expenditures of this contingency amount up to the specified limit in accordance with the Expenditure Control Policy.

Operating Costs

The award includes annual software and license services for the remaining 8 years, with year 3 to commence in 2026 as net new operating expense. GL account 400-400-5361, Services Agreements-Computer Software will require an annual net increase of \$324,595.07. The cost will be transferred to Building Standards and Planning & Urban Design departments (to be shared 50/50) through indirect transfer and ultimately be funded by Building Fees and Development Fees. There is thus no net impact to tax operating budget.

Year of Term	Maintenance Costs	
	Annual (\$)	Total Over Term (\$)
Year 3 to 6	324,595.07	1,298,380.26 (F)
Year 7 to 10	344,069.89	<u>1,376,279.56</u> (G)
Maintenance Costs over the Term		2,674, 659.82 (H) = (F) + (G)

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Goal	Examples – How the Solution can Help Achieve the Goal
Exceptional Services by Exceptional People	The system will facilitate better integration with existing applications for a more consistent approach and response to citizen zoning requests and inquiries.
Engaged, Diverse & Thriving City	The software will allow a more robust management of zoning inquiries and synergies across departments to respond to said requests.

BUSINESS UNITS CONSULTED AND AFFECTED:

Building Standards, Planning and Urban Design, Engineering, Licensing and By-Law Enforcement

RECOMMENDED BY:

Sumon Acharjee
Chief Information Officer

Trinela Cane
Commissioner, Corporate Services

Arvin Prasad
Commissioner, Development Services

ATTACHMENTS:

None