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MEMORANDUM

To: Kathy Suggitt and Laura Brannon, Town of New Tecumseth

From: Stefan Krzeczunowicz

Date: February 13, 2025

Re: Fiscal Impact Analysis of Recommended Settlement Area Boundary Expansion

This memorandum presents the findings of a Fiscal Impact Analysis (FIA) for the recommended Settlement Area Boundary Expansion (SABE) in the Town of New Tecumseth (the Recommended SABE). The FIA follows the release of Hemson Consulting's *Growth Management Study: Phase 3 Report. Preferred Settlement Area Boundary Expansion Options*, October 20, 2024 (the Hemson Report) and an updated report from Tatham Engineering, *Town of New Tecumseth Growth Scenario Analysis – Opinion of Probable Cost – Addendum 2*, February 12, 2024.

The purpose of this memorandum is to:

- compare the fiscal impact of the Recommended SABE to two alternative SABE options outlined in the Hemson Report: the Alliston/Beeton Option; and the Three Communities Option; and
- assess the long-term financial sustainability of the Town under the Recommended SABE.

A. UPFRONT ENGINEERING COSTS

During Phase 2 of the Town's Growth Management Strategy, three SABE scenarios were developed and presented to Council and industry stakeholders for feedback in February and March 2024. To support the evaluation process, the Town engaged Tatham Engineering to assess the infrastructure requirements for each scenario.

The Tatham Analysis identified the key off-site infrastructure required to support the transportation, water supply, and wastewater collection and treatment networks for the three SABE scenarios. Cost estimates were provided as Class D opinions of probable cost, with a 25% margin of error—sufficient to provide a rough order-of-magnitude and to assist with the scenario evaluation.

In October 2024, Tatham updated its analysis to include the off-site infrastructure needs of two new SABE options:

- **Option 1** – **Alliston/Beeton** – the majority of future SABE expansion lands are directed to the primary settlement area of Alliston.
- **Option 2** – **Three Communities** – SABE expansions lands are more evenly distributed among the Town's three settlement areas of Alliston, Beeton, and Tottenham.

It is important to note that the Tatham Analysis does not account for several infrastructure components, such as stormwater management outside road rights-of-way, grade separations for rail tracks in North Alliston, and infrastructure required for development within Nottawasaga Conservation Authority regulated areas.

Table 1 compares the infrastructure costs identified by Tatham for the original three SABE scenarios, the subsequent two SABE options, and the new Recommended SABE.

Table 1 – Capital Cost Estimates of SABE Infrastructure ($millions)

Location / Upgrade	Original Scenario 1	Original Scenario 2	Original Scenario 3	Alliston/ Beeton SABE Option	Three Communities SABE Option	Recommended SABE
North Alliston	137.2	125.9	125.9	111.1	111.1	108.4
East Alliston	21.6	18.9	0.0	40.8	0.0	14.3
Alliston Employment Area & South Alliston	64.3	67.0	64.3	55.7	55.7	73.0
West Beeton & Beeton MZO	45.0	46.8	46.8	43.9	43.9	26.9
East & South East Beeton	0.0	0.0	5.4	39.2	39.2	46.1
Brendan Holly WWTP Expansion	290.0	270.0	231.0	290.0	230.0	225.0
Collingwood WTP Expansion & Upgrade New Tecumseth Regional Pipeline	200.0	200.0	200.0	200.0	200.0	200.0
Tottenham – All Areas	0.0	46.4	79.4	0.0	69.5	80.2
Tottenham WWTP Upgrade	0.0	34.0	92.0	0.0	68.0	69.0
Total	**758.1**	**809.0**	**844.8**	**780.6**	**817.4**	**842.8**

Sources: Tatham Engineering, *Town of New Tecumseth Growth Scenario Analysis – Opinion of Probable Cost*, July 24, 2024, and *Addenda* (October 11, 2024 and February 12, 2025).

B. FISCAL IMPACT ANALYSIS

This section summarizes the analysis of the capital costs, operating costs, and revenue sources associated with the Recommended SABE. Given the main purpose of the analysis is to inform decisions about the location and configuration of the SABE, the results should not be considered precise predictions of what will occur at build out of the SABE Area. These results may be compared with similar results for the Alliston/Beeton and Three Communities SABE options set out in the Hemson Report.

Results of the analysis are high-level in nature and are designed to show the potential fiscal impact of each SABE Option on municipal budgets. The actual impact is influenced by many factors including the cost and timing of projects, as well as the timing of development. The analysis is based on:

- Town actual expenditures and non-tax revenues for 2023 as identified in Financial Information Returns (FIRs) and budget documents;
- current value assessments (CVAs) from the current assessment roll;
- build out of all residential and non-residential development and supporting infrastructure in SABE area by 2051.

All values are expressed in 2023 dollars unless otherwise stated.

The key development assumptions for the Recommended SABE remain consistent with the Hemson Report. The SABE area will accommodate about two-thirds of all population growth in the Town to 2051 as well as 40% of household growth. The remaining population and household growth will be accommodated either as intensification (40% of households) or on existing designated greenfield area (20% of households).

Under the Recommended SABE, new Community Area lands are allocated as follows: 57% in Alliston; 17% in Beeton; and 26% in Tottenham (see Table 2).

Table 2 – SABE Community Land Area (ha)

Settlement Area	Recommended SABE	
Alliston	258	57%
Beeton	79	17%
Tottenham	120	26%
Total	**457**	**100%**

Note. Totals may not add due to rounding.

The SABE area will also accommodate about 40% of new Community Area jobs and 60% of new jobs located in Employment Areas.

i. Cost Analysis

The fiscal impact analysis examines growth-related capital costs to be funded through direct developer contributions and development charges (DCs), as well as any non-growth shares of projects to be funded by the Town. The potential long-term lifecycle costs associated with the new infrastructure is also examined.

All capital costs will be paid for through a combination of development charge, local service, and property tax funding.

Anticipated capital costs for engineered services (Roads and Related, Water, Sanitary Sewer, Storm Sewer) provided by Tatham are summarized in Table 1. Other capital costs for General Services (Library, Fire, and Recreation) were estimated based on the existing service level, unit cost, and capital cost information available within the Town's 2022 DC Background Study, viz:

- **Library** – The current level of service for Library facilities was 0.43 sq.ft. per capita prior to construction of the new Alliston Library and 0.63 sq.ft. per capita after construction. Maintaining a level of service of 0.60 sq.ft. per capita through to 2051 would require additional 18,000 sq.ft. of facility space around 2035 at an estimated cost of $10.8 million.

- **Fire** – The level of service for Fire facilities was 0.54 sq.ft. per capita in 2021 and will increase to 0.87 sq.ft. per capita after the expansion of Station 3 (Tottenham) and construction of Station 4 (East Alliston). Maintaining a level of service of 0.75 sq.ft. per capita through to 2051 would require an additional 18,000 sq.ft. of facility space around 2034 at an estimated cost of $12.6 million.

- **Recreation** – The current level of service for Recreation facilities of 5.38 sq.ft. per capita will increase to 6.28 sq.ft. per capita after construction of the new Beeton Recreation Facility, Indoor Pool, Ice Pad, and Gymnasium/Fitness Centre. Maintaining a level of service of 6.00 sq.ft. per capita through to 2051 would require additional 133,000 sq.ft. of facility space (80,000 sq.ft. in 2036 and 53,000 sq.ft. in 2043) at an estimated cost of $79.8 million.

The General Service capital costs for the Recommended SABE are summarized in Table 3. These costs are equivalent to those for the Three Communities SABE and 20% higher than those for the Alliston/Beeton SABE, which benefits from cost efficiencies associated with servicing two urban communities instead of three.

Table 3 – General Service Capital Costs for Recommended SABE

General Service	Current LOS (sq.ft. per capita)	2051 Target LOS (sq.ft. per capita)	Additional Space Required (sq.ft.)	Timing	Cost (Recommended SABE)
Library	0.63	0.60	18,000	2035	$10,800,000
Fire	0.87	0.75	18,000	2034	$12,600,000
Recreation	5.38	6.00	133,000	2042	$79,800,000
Total			**169,000**		**$103,200,000**

LOS = Level of Service

To estimate the Town's incremental increase in capital replacement contributions, useful life assumptions were applied. Assumptions for long-term inflation (2.0%) and borrowing (3.5%) were also used. This information was used to estimate an annual replacement contribution that would be required by the end of 2051. As shown in Table 4, the anticipated annual replacement provisions for the Recommended SABE are:

- $2.8 million for General Services tax funded costs;
- $3.2 million for Engineering Linear Services tax funded costs; and
- $5.7 million for utility rate funded costs.

These costs are slightly higher than those calculated for the Alliston/Beeton SABE option and very similar to those for the Three Communities SABE option.

Table 4 – Summary of Annual Replacement Contributions for Growth-Related Capital

	Year	Useful Life	Year of First Replacement	Replacement Cost (Inflated)	Annual Provision (Current)
Engineering Linear Infrastructure (Tax Funded)					
Recommended SABE	2026	60	2086	$648,864,370	$3,190,169
Engineering Vertical Infrastructure (Utility Rate Funded)					
Recommended SABE	2026	100	2126	$4,873,647,315	$5,650,000
General Services (Tax Funded)					
Recommended SABE	2034-2043	50	2084-2093	$384,256,013	$2,834,105

Tax funded operating costs arising from the construction of new developer and DC funded capital, and the addition of households, people and jobs in the SABE areas, were estimated based on data from the Town's Financial Information Returns (FIR). Operating costs for utility-supported water and sewer services were estimated based on 2023 operating budgets.

Table 5 summarizes the gross tax funded operating costs anticipated to be associated with development in the SABE area. Cost drivers were applied to FIR/budget operating cost data. Where appropriate, costs are driven by the planned infrastructure investments, whereas many services are considered to be driven by population growth, population and employment growth, or household growth. For certain services such as Recreation, Libraries, General Government, and Planning and Development, incremental cost savings are common and factors of 75% and 50% were applied accordingly. The total additional annual operating cost associated with development of the Recommended SABE is $14.6 million (i.e. the same cost impact as the Alliston/Beeton and Three Communities SABE options).

Table 5 – Anticipated Additional Tax Funded Operating Costs Based on 2023 FIR

Service	2023 FIR Operating Costs	2023 Quantity	Unit of Measure	Operating Cost per unit	SABE Growth	SABE Operating Costs
General Government	$1,246,825	70,279	Pop + Emp (50%)	$17.74	13,640	$241,988
Fire	$4,427,252	18,000	HH (75%)	$245.96	5,188	$1,275,971
Police	$7,005,288	70,279	Pop + Emp (75%)	$99.68	20,460	$2,039,417
Protective Inspection	$1,306,920	70,279	Pop + Emp (75%)	$18.60	20,460	$380,478
Conservation Authority	$488,448	18,000	HH (75%)	$27.14	5,188	$140,775
Building & Inspections	$411,013	18,000	HH (75%)	$22.83	5,188	$118,457
Emergency Measures	$ -	70,279	Pop + Emp (75%)	$ -	20,460	$ -
Roads and Related	$13,871,754	70,279	Pop + Emp (75%)	$197.38	20,460	$4,038,420
Transit	$34,128	70,279	Pop + Emp (75%)	$0.49	20,460	$9,936
Parking	$115,856	70,279	Pop + Emp (75%)	$1.65	20,460	$33,729
Storm - Urban	$1,592,042	18,000	HH (75%)	$88.45	5,188	$458,840
Storm - Rural	$ -	18,000	HH (75%)	$ -	5,188	$ -
Parks	$3,645,984	49,079	Population (75%)	$74.29	16,646	$1,236,618
Recreation	$8,377,813	49,079	Population (75%)	$170.70	16,646	$2,841,524
Libraries	$2,706,029	49,079	Population (75%)	$55.14	16,646	$917,811
Museums & Culture	$526,720	49,079	Population (50%)	$10.73	16,646	$178,649
Planning/Development	$3,301,348	70,279	Pop + Emp (50%)	$46.97	13,640	$640,737
Total	**$49,057,420**					**$14,553,349**

Notes: Current unit costs are based on 2023 FIR operating expenditures, Census population (49,079 including undercount) and households (18,000), and DC Study employment (22,200).

Table 6 summarizes the anticipated non-tax revenues and resulting net operating costs. These non-tax revenues include grants, user fees, and service charges as per the FIR. It is assumed that these revenues will remain consistent on a per-capita basis. Annual non-tax revenues associated with the SABE area at build-out are calculated at $2.9 million (i.e. the same cost impact as the Alliston/Beeton and Three Communities SABE options).

Table 6 – Grant, User Fees, & Service Charges & Resulting Net Operating Costs

Service	2023 Grants, User Fees, & Service Charges	Non-Tax Revenues Per Capita	SABE Non-Tax Revenues	Net SABE Operating Costs
General Government	$2,693,657	$54.88	$1,218,153	$(976,164)
Fire	$88,177	$1.80	$39,876	$1,236,095
Police	$137,730	$2.81	$62,286	$1,977,131
Protective Inspection	$213,984	$4.36	$96,770	$283,708
Conservation Authority	$-	$-	$-	$140,775
Building & Inspections	$-	$-	$-	$118,457
Emergency Measures	$-	$-	$-	$-
Roads and Related	$162,565	$3.31	$73,517	$3,964,903
Transit	$-	$-	$-	$9,936
Parking	$-	$-	$-	$33,729
Storm - Urban	$15,260	$0.31	$6,901	$451,939
Storm - Rural	$-	$-	$-	$-
Parks	$479,074	$9.76	$216,652	$1,019,966
Recreation	$2,360,398	$48.09	$1,067,443	$1,774,081
Libraries	$88,206	$1.80	$39,889	$877,921
Museums & Culture	$29,535	$0.60	$13,357	$165,292
Planning/Development	$105,048	$2.14	$47,506	$593,232
Total	**$6,373,634**		**$2,882,349**	**$11,671,000**

The total net annual operating cost associated with the SABE area is $11.7 million.

Table 7 summarizes the anticipated additional operating costs for utility rate funded services. Additional operating costs are based on 2023 net operating expenditures per capita and employment, discounted by 40% to reflect efficiencies with adding marginal costs to existing systems. The total additional annual utility rate funded operating cost associated with development of the SABE area under all three options is $3.7 million (i.e. the same cost impact as the Alliston/Beeton and Three Communities SABE options).

Table 7 – Additional Rate Funded Operating Costs Based on 2023 Budget

Service	Current Net Operating Costs	SABE Pop and Emp Growth	Net Cost Increase	Less Efficiency Discount (40%)
Water	$130.69 per pop and emp	28,000	$3,659,363	$2,195,618
Wastewater	$86.56 per pop and emp	28,000	$2,423,727	$1,454,236
Total			**$6,083,090**	**$3,649,854**

ii. Revenue Analysis

A major source of new revenue generated by new development in the SABE area will be property taxes. To estimate future property taxes forecasts of new residential and non-residential assessment were prepared.

Assessed values for residential units were determined with reference to the current value assessment (CVA) of homes constructed in Alliston, Beeton, and Tottenham since 2014 that are of similar quality and size to those that are likely to be constructed in SABE area. Similarly, the non-residential assessment forecasts were based on values per square metre of gross floor area of recently constructed buildings in New Tecumseth.

The residential CVAs used in the analysis are set out in Table 8.

Table 8 – Summary of Residential Assessment Assumptions

Location	Average	Median	Minimum	Maximum
Alliston Wards 1-4				
Singles/semis	$ 483,000	**$ 470,000**	$ 342,000	$ 1,292,000
Rows	$ 360,000	**$ 356,000**	$ 317,000	$ 458,000
Apartments	$ 375,000	**$ 341,000**	$ 214,000	$ 548,000
Beeton Ward 6				
Singles/semis	$ 483,000	**$ 466,000**	$ 357,000	$ 748,000
Rows	$ 360,000	**$ 356,000**	$ 317,000	$ 458,000
Apartments	$ 290,000	**$ 291,000**	$ 230,000	$ 378,000
Tottenham Ward 8				
Singles/semis	$ 514,000	**$ 506,000**	$ 340,000	$ 761,000
Rows	$ 357,000	**$ 354,000**	$ 324,000	$ 399,000
Apartments	$ 312,000	**$ 306,000**	$ 234,000	$ 419,000
All Wards				
Singles and Semis	$ 486,000	**$ 480,000**	$ 58,000	$ 2,861,000
Rows	$ 352,000	**$ 352,000**	$ 242,000	$ 1,410,000
Apartments	$ 349,000	**$ 311,000**	$ 214,000	$ 548,000

Source: MPAC Special Run of New Unit CVA 2014-2023.

It is noted that the analysis assumes that none of the new units would meet the definitions of "affordable residential units" or "attainable residential units" under the *Development Charges Act* and thereby qualify for DC exemptions. Also, it is assumed that none of the units would meet the definition of "rental housing development" under the same legislation and thereby qualify for DC discounts.

The following non-residential CVA assumptions were utilized:

- $700 per sq.m. of new commercial and institutional gross floor area in Community Areas; and
- $1,100 per sq.m. of new industrial gross floor area in Employment Areas.

The analysis does not account for tax revenue reductions arising from the redevelopment of land in the SABE area on the assumption that any such reductions would be minor.

The property tax revenue forecasts at build out of the SABE area were developed by applying the current (2024) Town tax rates for the applicable land classes to the projected assessments.

As shown in Table 9, the total annual Town property tax revenue at build out is calculated at $23.8 million under the Recommended SABE. This compares to $23.4 million and $23.8 million in additional tax revenue under the Alliston/Beeton and Three Communities SABE options respectively.

Table 9 – Summary of Tax Revenues at Build Out – Recommended SABE

Land Use	Forecast	Total Assessment	2051 Tax Revenue
Residential	*Units*		
Singles/Semis	6,571	$3,303,217,106	$19,753,906
Rows	346	$129,088,347	
Apartments	-	$ -	
Non-Residential	*m^2*		
Community Area	129,518	$90,662,250	$983,334
Employment Area	261,146	$287,260,050	$3,073,595
Total			**$23,810,835**

Utility rate revenues are based on applying current water and wastewater rates to the development forecast for the SABE on the basis of:

- Annual residential consumption of 200 m^3 per new household for water and wastewater services.
- Non-residential consumption equivalent of 80% of total billed flows, with consumption split 50/50 between the two categories of block users.

iii. Property Tax Impacts

The tax revenue under current tax rates would be sufficient to cover additional costs under the Recommended SABE. Total additional annual tax funded costs amount to $17.7 million at build out in 2051. This compares with total additional tax revenues of $23.8 million at build out.

iv. Utility Rate Impacts

In contrast, utility rate revenue under current rates would be insufficient to cover additional costs under the Recommended SABE, although the difference between costs and revenues are marginal. Total additional annual utility funded costs associated with this option amount to $9.3 million at build out of the SABE in 2051. This compares with total additional rate revenues of $9.4 million at build out under current tax rates.

C. FISCAL IMPACT ANALYSIS CONCLUSIONS

As with the Alliston/Beeton and Three Communities SABE options, the development of the Recommended SABE is projected to provide a net fiscal benefit to the Town by 2051. While additional utility rate revenues generated under current rates would be slightly lower than what it required to fully fund additional utility service costs, additional tax revenues generated in the SABE at build out will more than offset the associated tax-funded costs.

Although the Alliston/Beeton Option generates a greater fiscal benefit than the Three Communities Option or Recommended SABE, the differences between the three SABE options are marginal.

Key points to note are:

- Due to uncertainties regarding the potential impacts of the Honda plants, development charge rate impacts have not been calculated. However, development charges across the Town, including within the SABE, may be expected to increase under any of the SABE options.
- While development of the SABE may help the Town manage existing fiscal pressures over the long-term, including current and future debt obligations as well as asset management commitments, it is unlikely to fully resolve these pressures.
- Finally, the FIA evaluates the fiscal impact of the SABE options at full build out of the SABE areas. However, costs associated with financing SABE infrastructure—such debt costs incurred to cover servicing expenditures prior to development—are not included in the analysis. Further analysis on such costs, including mitigating strategies such front-end financing arrangements with developers, may be required.