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MEMORANDUM

To: Laura Brannon, Town of New Tecumseth

From: Stefan Krzeczunowicz, Jaclyn Hall

Date: August 2, 2024

Re: Growth Management Study – Fiscal Impact Analysis (Part 1 of 2)

The Town of New Tecumseth is undertaking a Growth Management Study to explore options for urban expansion. The study will assess the feasibility and determine the most appropriate location for expansion to accommodate forecast population and employment growth to 2051. Ultimately, a Settlement Area Boundary Expansion, or SABE, will be presented to Town Council and Simcoe County Council for approval.

In January 2024, Town Council designated a broad area, known as the Focus Study Area, for evaluating potential SABE lands. Three SABE scenarios were developed and presented to Council and development industry stakeholders for feedback in February and March 2024, respectively. As part of the evaluation process, the Town retained Tatham Engineering to conduct a review of the infrastructure needs associated with each scenario. The findings of this review will be critical inputs into a Fiscal Impact Analysis of the preferred SABE area.

This memorandum summarizes the review findings and outlines the next steps in the Growth Management Study.

A. FISCAL IMPACT ANALYSIS RESPONDS TO PROVINCIAL AND MUNICIPAL PLANNING POLICY DIRECTION

The Growth Management Study and associated Fiscal Impact Analysis are being conducted in compliance with Ontario's statutory planning framework. Decisions regarding the location and configuration of the SABE must have regard to Provincial interests set out in section 2 of the *Planning Act*, be consistent with the *Provincial Policy Statement 2020*, and conform to *A Place to Grow. Growth Plan for the Greater Golden Horseshoe 2020* (Growth Plan).

The Provincial planning policy framework requires consideration of the financial well-being of the County and its area municipalities when making decisions about the SABE in New Tecumseth. Furthermore, municipalities are required to assess the infrastructure and public facility needs of the SABE area, as well as long-term financial viability, in determining the feasibility and location of the area. Land use planning decisions for the SABE must also be coordinated and integrated with long-term infrastructure and financial planning.

Key relevant sections of these policies include:

Statute/Policy	Relevant Section
Planning Act, 1990	▪ **Section 2(c):** municipalities shall have regard to the protection of the financial and economic well-being of the Province and its municipalities.
PPS, 2020	▪ **Section 1.1.1(a)** requires that healthy, liveable and safe communities be sustained by promoting efficient development and land use patterns which sustain the financial well-being of the Province and municipalities over the long term. ▪ **Section 1.1.3.8(b):** the expansion of a settlement area boundary may occur where it has been demonstrated that the infrastructure and public service facilities are financially viable over their life cycle. ▪ **Section 1.6:** planning for infrastructure and public service facilities shall be coordinated and integrated with land use planning and growth management so they are financially viable over their life cycle, which may be demonstrated through asset management planning.
Growth Plan, 2020	▪ **Section 2.2.8** requires that identified infrastructure and public service facilitates needed to service growth should be financially viable over the full life cycle of these assets. ▪ **Section 3.2.1** requires planning for new or expanded infrastructure occur in an integrated manner, including evaluations of long-range scenario-based land use planning and financial planning, and will be supported by relevant studies.

The policy framework emphasizes that financial well-being is achieved by creating settlement areas that are “complete communities”. These are characterized by a compact urban form, efficient and cost-effective infrastructure and services, transit-oriented development, and a diverse mix of land uses, including residential and employment uses.

The current Simcoe Official Plan reflects these principles by stressing the need to consider the financial impacts on planning decisions, particularly those involving the expansion of settlement area boundaries. Specifically:

- COPA 7 contains policies (3.2.28 and 3.2.29) that direct local municipalities planning a SABE to undertake a comprehensive planning process to identify the most appropriate location(s) for additional growth and development that best promotes fiscal responsibility.

- Additionally, to support the recommended location(s) for urban expansion, local municipalities must demonstrate that:

  - the infrastructure and public service facilities needed would be financially viable over the full life cycle of these assets; and
  - the proposed expansion would be informed by applicable water, wastewater, and stormwater master plans, or their equivalents.

In these respects, the County Official Plan mirrors Growth Plan policies on settlement area boundary expansions.

The Fiscal Impact Analysis will also be guided by the Council-endorsed SABE criteria, which have been applied to determine the SABE scenarios. Key criteria are those that require that the SABE lands:

- have sufficient identified capacity to be serviced with full municipal water and wastewater within the Growth Plan horizon to 2051; and

- have facilities and infrastructure that are financially viable over the full life cycle of these assets.

B. FISCAL IMPACT ANALYSIS OF SABE SCENARIOS

This section sets out the general approach for the Fiscal Impact Analysis and summarizes the infrastructure needs and associated capital costs of the SABE scenarios. Three SABE scenarios have been analysed:

- **Scenario 1** – concentrates 98% of all SABE growth to 2051 in Alliston, with Community Area (residential) urban expansion to the north and east and Employment Area expansion to the south. A minor expansion in Beeton would accommodate Simcoe Manor and related expansion to the east of the current settlement boundary.

- **Scenario 2** – allocates 85% of all SABE growth to 2051 in Alliston, with less Community Area expansion in the north and east compared to Scenario 1, and additional Community Areas in south Alliston, west Beeton, and north and east Tottenham. The Employment Area expansion is consistent with Scenario 1.

- **Scenario 3** – accommodates 61% of all SABE growth to 2051 in Alliston, all on new urban lands to the north. The remaining growth would be on new Community Area lands in west Beeton, east Beeton, and Tottenham. The Employment Area expansion is consistent with Scenarios 1 and 2.

i. Fiscal Impact Analysis Structure

Provincial policies and plans do not prescribe a specific methodology for the Fiscal Impact Analysis. The main purpose is to analyse the financial impact of the SABE at a high level, focussing on property tax revenues arising from assessment growth and the mix of land uses in the SABE area(s) as well as the Town infrastructure and public service facility costs necessary to meet servicing needs. More detailed financial analysis will be required for decisions about individual development proposals, capital funding arrangements, and local infrastructure needs for any new urban lands that are approved.

The Fiscal Impact Analysis is structured into two parts:

- **Part 1** – **Capital Cost Evaluation of SABE Scenarios** – Identifies major engineering infrastructure (roads, water, and wastewater) required to meeting the servicing needs of new development in the Focus Study Area. Infrastructure projects and their associated costs are detailed to evaluate the merits of the different SABE scenarios. This cost analysis is set out in the Tatham Engineering report, *Town of New Tecumseth Growth Scenario Analysis – Opinion of Probable Cost*, July 24, 2024 (Tatham Analysis). It is important to note that the Tatham Analysis provides a high-level, order-of-magnitude assessment of infrastructure needs, prioritizing the configuration of a Preferred SABE to make the efficient use of infrastructure and avoid overly expensive capital expenditures.

- **Part 2** – **Fiscal Impact Analysis of Preferred SABE** – Analyses the fiscal impact of developing the Preferred SABE scenario. It will review all expenditures and revenues arising from development of the Preferred SABE, including both capital and operating costs for all services (engineering and soft services), and the revenues generated from the new development (including property taxes, user fees, and other revenues). The focus is on identifying the long-term financial impact to the Town from building out the Preferred SABE lands.

This memorandum summarizes the findings of Part 1, as set out in the Tatham Analysis.

ii. Summary of Capital Cost Evaluation of SABE Scenarios

The Tatham Analysis establishes the key off-site infrastructure required to support the necessary transportation, water supply, and wastewater collection and treatment networks for the three SABE scenarios. Cost estimates are described as Class D opinions of probable cost and with a 25% margin of error, sufficient to provide a rough order-of-magnitude and to assist with the scenario evaluation. A summary of the cost estimates is provided in Table 2.

Table 2 – Capital Cost Estimates of SABE Infrastructure

Location / Upgrade	Scenario 1 ($millions)	Scenario 2 ($millions)	Scenario 3 ($millions)
North Alliston	$137.2	$125.9	$125.9
East Alliston	$21.6	$18.9	$0.0
Alliston Employment Area & South Alliston	$64.3	$67.0	$64.3
West Beeton & Beeton MZO	$45.0	$46.8	$46.8
South East Beeton	$0.0	$0.0	$5.4
Brendan Holly WWTP Expansion	$290.0	$270.0	$231.0
Collingwood WTP Expansion & Upgrade New Tecumseth Regional Pipeline	$200.0	$200.0	$200.0
North Tottenham	$0.0	$18.5	$28.2
East Tottenham	$0.0	$27.9	$51.2
Tottenham WWTP Upgrade	$0.0	$34.0	$92.0
Total	**$758.1**	**$809.0**	**$844.8**

Source: Tatham Engineering, *Town of New Tecumseth Growth Scenario Analysis – Opinion of Probable Cost*, July 24, 2024.

Based on the information set out in Table 2, the following conclusions can be made:

- **Scenario 1 (98% Alliston)** triggers the lowest infrastructure costs. **Scenario 2 (85% Alliston)** has costs approximately 7% higher than Scenario 1, while **Scenario 3 (61% Alliston)** has the highest cost, about 11% higher than Scenario 1. Considering the 25% margin of error, these differences are less pronounced than they may initially seem.

- The two largest capital works under all scenarios are the Brendan Holly Wastewater Treatment Plant Expansion and the Collingwood Water Treatment Plant Expansion and New Tecumseth Regional Water Pipeline Upgrade. The need for these projects is mainly driven by future development in Alliston. Their costs range from a high of 65% of total SABE infrastructure costs under Scenario 1 to a low of 51% under Scenario 3.

- The additional infrastructure costs under Scenarios 2 and 3 are largely due to vertical and linear works needed to facilitate development in the SABE areas around Tottenham, including upgrades of $34.0 million and $92.0 million to the Tottenham Wastewater Treatment Plant, respectively.

- The proportion of total costs attributed to linear infrastructure varies from a low of 35% under Scenario 1 to a high of 38% under Scenario 2. Consequently, the majority of infrastructure costs are associated with vertical infrastructure, which tends to be less affected by the location and configuration of development within the SABE.

Finally, it is noted that among the infrastructure not considered by the Tatham Analysis are stormwater management requirements outside road rights-of-way, grade separation requirements associated with the rail tracks in north Alliston, and any infrastructure that might be required to allow development within NVCA regulated areas.

iii. Funding and Financing the SABE Infrastructure

The Tatham Analysis is limited to the capital cost to construct new off-site roads, water, and wastewater infrastructure within each SABE scenario. The second part of the Fiscal Impact Analysis will expand the scope to address the full lifecycle costs associated with new off-site and on-site infrastructure in the Preferred SABE, including public service facilities and amenities such as libraries, indoor recreation facilities, and parks and open space, as well as associated operating cost impacts.

It is assumed that a significant portion of the initial capital cost of constructing the new off-site infrastructure identified in the Tatham Analysis will be funded from development charges. As only infrastructure costs required to service growth related to the SABE were considered in the analysis, the costs are fully eligible for development charge funding and do not require an adjustment for Benefit to Existing (BTE) or shares of projects that will provide a Post-Period Benefit (PPB) beyond the 2051 planning horizon. The Fiscal Impact Analysis will accordingly assess the impacts on development charge rates in the Town.

Other long-term asset management requirements, as well as operating costs, will require property tax or utility rate funding. As such, the Fiscal Impact Analysis will also examine long-term tax and rate impacts by balancing these costs with property tax/rate revenue generated by new development in the SABE.

Finally, many of the initial capital investments in the SABE will be needed in advance of growth actually occurring. These expenditures could lead to the Town having to set aside money in reserves well in advance and/or borrow in order to finance them. Moreover, the pre-emplacement of “growth-related” facilities and infrastructure brings with it financial risk in circumstances where the actual amount of growth is less assured. The Financial Impact Analysis will discuss these risks and the various options for mitigating them.

C. NEXT STEPS

Hemson and Town staff are preparing a draft Preferred SABE scenario which will be presented to Council and development industry stakeholders in Fall 2024 for review and comment. Engagement with the general public is also expected to occur at the same time.

Once the draft Preferred SABE has been consulted on, a final Preferred SABE will be brought forward for consideration and adoption by Town Council.