



Fiscal Impact Analysis

Southeast Courtice Secondary Plan



Clarington

Fiscal Impact Analysis Report

Table of Contents

- Table of Contents 1
- Introduction 2
 - Municipality of Clarington 2
 - Southeast Courtice Secondary Plan 2
 - Purpose of this Analysis 3
- Residential Growth and the 2020 Development Charges Study 4
 - Historical Growth 4
- Analysis 5
 - Tax Levy Impact 5
 - Estimated Assessment Revenue 5
- Analysis Approach and Methodology 7
 - Operating Budget Assumptions 7
 - Capital Budget Assumptions 8
- Impact on Development Charges 10
- Conclusions 12

Fiscal Impact Analysis Report

Introduction

Municipality of Clarington

The Municipality of Clarington is a beautiful community that forms the eastern boundary of the Greater Toronto Area.

Clarington is one of eight municipalities located in the Region of Durham. With an estimated population of over 100,000 and growing, Clarington offers residents a blend of city living and rural charm.

Clarington is a geographically large municipality, covering an area of approximately 611 square kilometres consisting of four major urban centres and 13 hamlets.

Residents enjoy waterfront trails alongside Lake Ontario, Greenbelt protected farmlands and the natural beauty of the Oak Ridges Moraine.

Southeast Courtice Secondary Plan

Southeast Courtice represents a major expansion of 295 Ha of land within the Courtice community. The Secondary Plan area is anticipated to undergo significant growth and development, with a planned population of approximately 12,694 residents and 5,036 residential units, a total of 13 parks, eight neighbourhood parks and five parkettes. 10 Stormwater management facilities and three elementary schools.

The Southeast Courtice Secondary Plan is one of several secondary plans that have been authorized by Council following the adoption of the Clarington Official Plan in November of 2016. Planning and Development Services staff are currently working on 11 Secondary Plans and two subwatershed plans. Collectively, these projects represent just under 2,000 hectares of new or redeveloping land in Clarington

Providing a range of housing choices for a diversity of income levels and household sizes, including affordable housing.

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Purpose of this Analysis

Residential and commercial growth has a significant financial impact to the Municipality through both the initial investment in infrastructure as well as the annual costs of providing services to a growing community.

In an ideal situation the growth will pay for growth. Current fiscal tools such as development charges, parkland dedication and community benefits charges are available to ensure that growth pays for the capital needs that it requires. Until the most recent changes to the Development Charges Act, which were proclaimed in September 2020, development charges could not fully pay for the certain growth-related capital investments. With the changes in legislation, up to 100 per cent of an eligible service can now be funded by development charges subject to reductions for benefit to existing taxpayers; in essence, growth will pay for the capital costs of growth.

While there are tools in place to fund capital infrastructure that is required for growth, the ongoing cost of providing services are not covered by such charges. These services are borne by the Municipality’s taxable assessment; therefore, it is important to determine if the new assessment growth will be sufficient to pay for the ongoing operations which are associated with that growth.

This analysis is specific to the secondary plan area known as the Southeast Courtyce Secondary Plan. This analysis does not suggest that any of the secondary plans should be prioritized over another nor is it an economic development impact analysis on job creation.

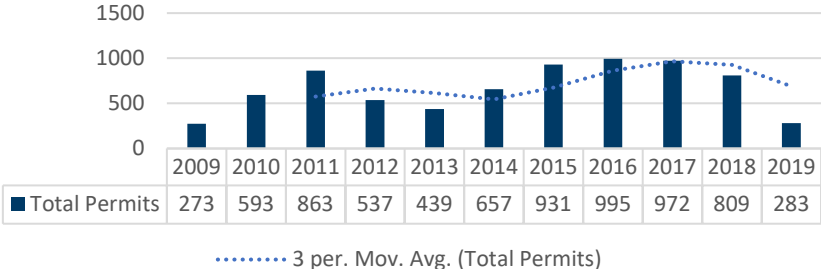
Residential Growth and the 2020 Development Charges Study

Historical Growth

The Municipality of Clarington’s Planning and Development Department prepares an annual Growth Trend Report which highlights the development growth within the Municipality each year and forecasts this growth for the near future. The following information is extracted from the 2019 Growth Trends Report¹.

The Municipality has seen significant growth since the 2009 recession leading to large development growth in the period 2014 to 2018. The total building permits for the period 2009 to 2019 shows significant growth in eight of the past ten years.

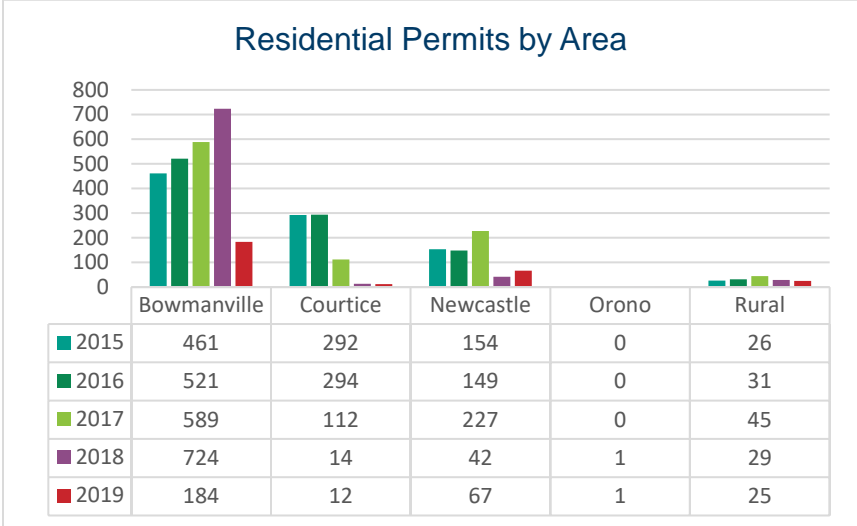
**Total Annual Permits
2009 to 2019**



Growth by Location

Historical growth over the past five years has predominantly been in Bowmanville, followed by Courtice and Newcastle.

Residential Permits by Area

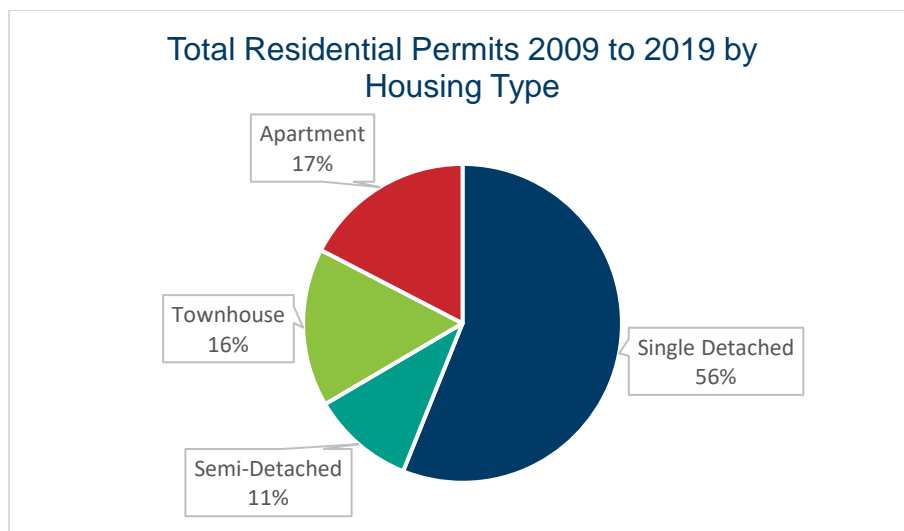


¹ Available on the Municipality of Clarington’s website https://www.clarington.net/en/do-business/resources/2019-Growth-Trends-Review-Report_FINAL.pdf

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Growth by Type of Residential Build

Further recent growth has centered around single detached buildings, followed by apartments, and townhouses.



Analysis

Tax Levy Impact

The Municipality of Clarington had a 2020 municipal tax levy of approximately \$64,747,400. The key residential tax 2020 residential tax rate was 0.00393076.

Estimated Assessment Revenue

Based on full build out of 5,036 residential housing units proposed in the Southeast Courtice Secondary plan the estimated assessment revenue, in 2020 dollars, would be approximately \$7,159,346 based on the 2020 Municipal tax rate.

Types of units	Number of units	Median assessment per unit	2020 tax rates (municipal only)	Median assessment per unit	Total new assessment revenue
Low density					
Single detached	1414	\$497,000	0.00393076	\$1,954	\$2,763,014
Townhouse	354	331,000	0.00393076	1,301	460,039
Medium density					
Townhouse	1807	331,000	0.00393076	1,301	2,351,305
Condo	602	276,000	0.00393076	1,085	653,535
High density	859	276,000	0.00393076	1,085	931,454
Total	5036				\$7,159,346

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In determining the property tax revenue from the new assessment, the following assumptions were made:

- **Low Density Units** consist of 80 per cent single-family detached homes and 20 per cent townhouses or similar units.
- **Medium Density units** consist of 75 per cent townhouses (or similar units), 20 per cent two bedrooms condo units and 5 per cent one bedroom or bachelor units.
- **High Density Units** consist of condos, which are each assessed as individual units 60 per cent one bedroom or bachelor units and 40 per cent two or more bedrooms units.

While it is possible that the medium and high density units may qualify as multi-residential properties, which are assessed as a single property, it is a conservative approach to assume that these units are individually assessed as condos paying taxes at the residential rate.

Most of the commercial property will be part of mixed-use buildings, we have not attempted to estimate the assessment value of those commercial properties as insufficient information is available at this time to determine a reasonable estimate.

The following table outlines the estimated increase in taxation revenue based on buildout over a seven-year period.

Types of units	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Low density	\$0	\$644,611	\$1,289,221	\$1,933,832	\$2,578,442	\$3,223,053	\$3,223,053
Medium density	0	600,968	1,201,936	1,802,904	2,403,872	3,004,840	3,004,840
High density	0	-	186,291	372,582	558,872	745,163	931,454
Total	\$0	\$1,245,579	\$2,677,448	\$4,109,317	\$5,541,186	\$6,973,056	\$7,159,346

The following assumptions were used in determining the tax revenue growth over the seven-year period:

- **Year 1** - Zero revenue for all three types of housing units in the first year.
- **Year 2** - 20 per cent revenue recognized for low and medium density and zero revenue for high density residential.
- **Year 3** - 40 per cent revenue recognized for low and medium density and 20 per cent revenue for high density residential.

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- **Year 4** - 60 per cent revenue recognized for low and medium density and 40 per cent revenue for high density residential.
- **Year 5** - 80 per cent revenue recognized for low and medium density and 60 per cent revenue for high density residential.
- **Year 6** - 100 per cent revenue recognized for low and medium density and 80 per cent for high density residential.
- **Year 7** - 100 per cent revenue recognized for low and medium density and high density residential.
- Throughout the period, the increase in the market value of the assessment is offset by a corresponding decrease in the tax rate; in essence, we are calculating the incremental tax revenue specific to the unit growth.

Analysis Approach and Methodology

Operating Budget Assumptions

Summary of consolidated operating revenue and expenditures

Total 2019 Population/Capita from Financial Information Return data (FIR) 102,110

Total proposed population for Southeast Courtice secondary plan (SEC) 12,694

Revenues	Total revenue (FIR 2019)	Revenue per capita	Total revenues for SEC by population
Revenue from other municipalities	\$57,560.00	\$0.56	\$7,156
User fees and service charges	10,713,416	104.92	1,331,901
Licences, permits, rents, etc.	2,877,438	28.18	357,726
Fines and penalties	1,983,362	19.42	246,573
Total revenues	\$15,631,776	\$153.09	\$1,943,356

Expenses	Total expenses after adjustments less amortization (FIR 2019)	Cost per capita	Total expenditures for SEC by population
General government	\$6,133,321	\$60.07	\$762,500
Protection services	17,843,504	174.75	2,218,320
Transportation services	19,792,217	193.83	2,460,585
Environmental services	2,265,699	22.19	281,674
Health services	380,466	3.73	47,300
Recreation and cultural services	22,461,194	219.97	2,792,395

Fiscal Impact Analysis Report

Expenses	Total expenses after adjustments less amortization (FIR 2019)	Cost per capita	Total expenditures for SEC by population
Planning and development	6,556,672	64.21	815,131
Total expenses	\$75,433,073	\$738.74	9,377,904

Annual net cost excluding assessment revenue	(\$7,434,548)
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As indicated above, assuming the current cost structure of providing services, there would be a need for approximately \$7.4 million to be raised from taxes. As previously identified, the estimated residential assessment revenue is approximately \$7.2 million leaving an unfunded cost of approximately \$0.2 million. It should be noted that several of the services currently provided by the Municipality have fixed costs that may not be impacted on a linear basis by this growth. While we have not included commercial assessment in our calculation, the unfunded cost would require commercial growth of \$35.1 million in assessment, which is not predicted in the Southeast Courtice Secondary Plan. Commercial assessment is not anticipated equally throughout the outstanding secondary plans, in areas with higher commercial assessment the incremental servicing costs would likely be lower than in higher residential areas and would offset the increased cost of growth in the residential areas.

There is, especially in 2020, great uncertainty in the cost structure of service provision into the future. The Municipality is heavily investing in technology over the coming several years which are anticipated to improve efficiency and reduce the cost of service provision. It is also noted that the assumptions use the Municipality’s median assessment as a baseline in determining the value of the units if the units are substantially higher or lower in assessment the impact will differ.

In conversation with Emergency and Fire Services, the cost provision of service is not directly linear and related to growth in population. The added costs would occur when a new fire station is built, and staffing is required. We have therefore kept the cost in the above calculation as the growth will contribute to the need for a new fire station in the future, but those costs may not be in build-out period for this secondary plan.

Capital Budget Assumptions

The 2020 Draft Development Charges Study and By-law have included known capital requirements for the secondary plans being contemplated to 2031. The Municipality does not collect development charges in an area specific way, with the exception of a



Fiscal Impact Analysis Report

proposal for storm water management in a discreet area in the 2020 draft development charges study, therefore funds collected are available for the use of any growth-related capital costs.

It is difficult to isolate the benefit of infrastructure to one specific area as road and park infrastructure in the Southeast Courtice Secondary Plan could also benefit the neighbouring growth outside of the secondary plan area (such as Southwest Courtice). The roads within the secondary plans are likely to benefit the growth in multiple areas, attributing the capital cost specific to the area to development charges raised in the area may be inappropriate as any asset could be used by any growth in the Municipality.

As the Municipality does not look after water and wastewater infrastructure, the largest component of growth-related capital is the road network. The following table highlights the estimated road network that would be required in the Southeast Courtice Secondary Plan area:

Street	Type	Number of lanes	Pavement width (metre)	Road length (metre)	Sidewalk length (metre)
Granville extension	Collector	2	10	1,000	2,000
Farmington extension	Collector	2	10	1,000	2,000
EW collector - south	Collector	2	10	1,000	2,000
Meadowglade extension	Arterial C	2	10	1,800	3,600
Sandringham extension	Collector	2	10	700	1,400
NS collector	Collector	2	10	1,800	3,600
Local roads		2	8.5	18,661	18,661
Total				25,961	33,261

Roads which are 10m wide or less are the responsibility of the developer to build, after assumption the Municipality maintains the roadway; therefore, the above road extensions are the responsibility of the developers.

In conversation with the Director of Public Works it was estimated that a new plow is required for every 20km of roads, therefore two plows would be required for this area. There would be approximately 16km of capacity remaining on the second plow which could be available to meet the growth demand in neighbouring areas. The operating cost of road maintenance and winter maintenance are captured in the operating expense analysis above, the capital cost for two pieces of equipment are included in the 2020 draft DC By-law.

The sidewalks maintenance and clearing are included in the operating costs for the Municipality. Local roads will have a sidewalk on a single side, collector roads and arterial roads will have sidewalks on both sides of the road.

Fiscal Impact Analysis Report

The following other infrastructure projects are included in the Southeast Courtice Secondary Plan

Type	Length (metre)	Proposed number
Storm sewers	24,961	
Trails	6,950	
SWM facilities		10
Neighbourhood parks		8
Parkettes		5

Storm sewers are built by the developer and will be maintained by the Municipality. Trails are included in the DC study as well as equipment and services for the development of parks and parkettes. The annual maintenance of these assets is included in the operating cost calculations.

Impact on Development Charges

The estimated development charges, based on the identified assumptions, is approximately \$82 million over the next ten-year period. This is approximately 31 per cent of the \$267.5 million total identified growth-related needs of the Municipality in the 2020 Draft Development Charges Study. The Southeast Courtice Secondary Plan approximates 40 per cent of the growth in housing units during the study, therefore it does not appear that the development charges from this growth will be reflective of the unit growth overall; however as most of this growth is medium and higher density (which typically pays less for development charges) it may be reasonable when considered with the other secondary plans.

Fiscal Impact Analysis Report

Based on Municipal Development Charges assumptions (residential growth forecast)

Residential units	Number of units	Development charges	Total
Low Density	1,768	\$20,686.80	\$36,572,401
Medium Density	2,410	15,828.40	38,139,954
High Density	859	8,778.80	7,537,214
Total	5,036		\$82,249,569

Residential units	Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
Low Density	Low rise 80% single/20% townhomes	\$7,314,480	\$7,314,480	\$7,314,480	\$7,314,480	\$7,314,480
Medium Density	Mid rise 75% townhouses/stacked townhouses/20% 2 bedroom +/5% 1 bedroom	7,627,991	7,627,991	7,627,991	7,627,991	7,627,991
High Density	High rise 60% 1 bedroom/40% 2 bedroom +	1,507,443	1,507,443	1,507,443	1,507,443	1,507,443
Total		\$16,449,914	\$16,449,914	\$16,449,914	\$16,449,914	\$16,449,914

As a result of the growth revenues related to planning application fees and building permits will also be realized. These funds are restricted to be used for building and planning expenses related to the development and have not been included elsewhere in the analysis. It is estimated that these funds will include \$11.3 million in potential permit revenues and \$1.7 million in potential application revenues for this secondary plan area. These funds may only be used for the related planning and building inspection services.

Fiscal Impact Analysis Report

Conclusions

This report includes assumptions and estimates which are based on the best information we have available at the time of writing. The actual design of the Secondary Plan, the timing of the development, type of development, and service impact will all modify the actual results and are beyond the ability of the writer to determine with certainty.

While it appears that there will be a relatively minor shortfall in the annual revenue generated to contribute to operating costs, there are impacts of growth that accrue to the community. Economic growth from additional small businesses needed to service the population growth, business to business sales, and cultural diversity are all positive outcomes of this growth that do not impact the Municipality's bottom line as it does not directly attribute to property tax or user fee revenues.

The Municipality should continue to work with developers to finalize the Southeast Courtice Secondary Plan and consider revisiting the Development Charges Study before the five-year required review in order to ensure that all capital costs are properly included and recovered.