Watson & Associates ECONOMISTS LTD.

Springwater Boundary Adjustment Fiscal Impact Analysis

Council Meeting
April 16, 2025

Introduction

- Watson & Associates Economists Ltd. Was retained to undertake a review of potential financial impacts of a boundary adjustment with the City of Barrie
- The analysis summarized herein is representative in nature and designed to provide an order of magnitude financial impact
- Subsequent analysis would be required to ascertain actual financial impact when specific lands have been identified
- Intent is to show what the financial impacts would be to the Township if the Township were to develop these lands

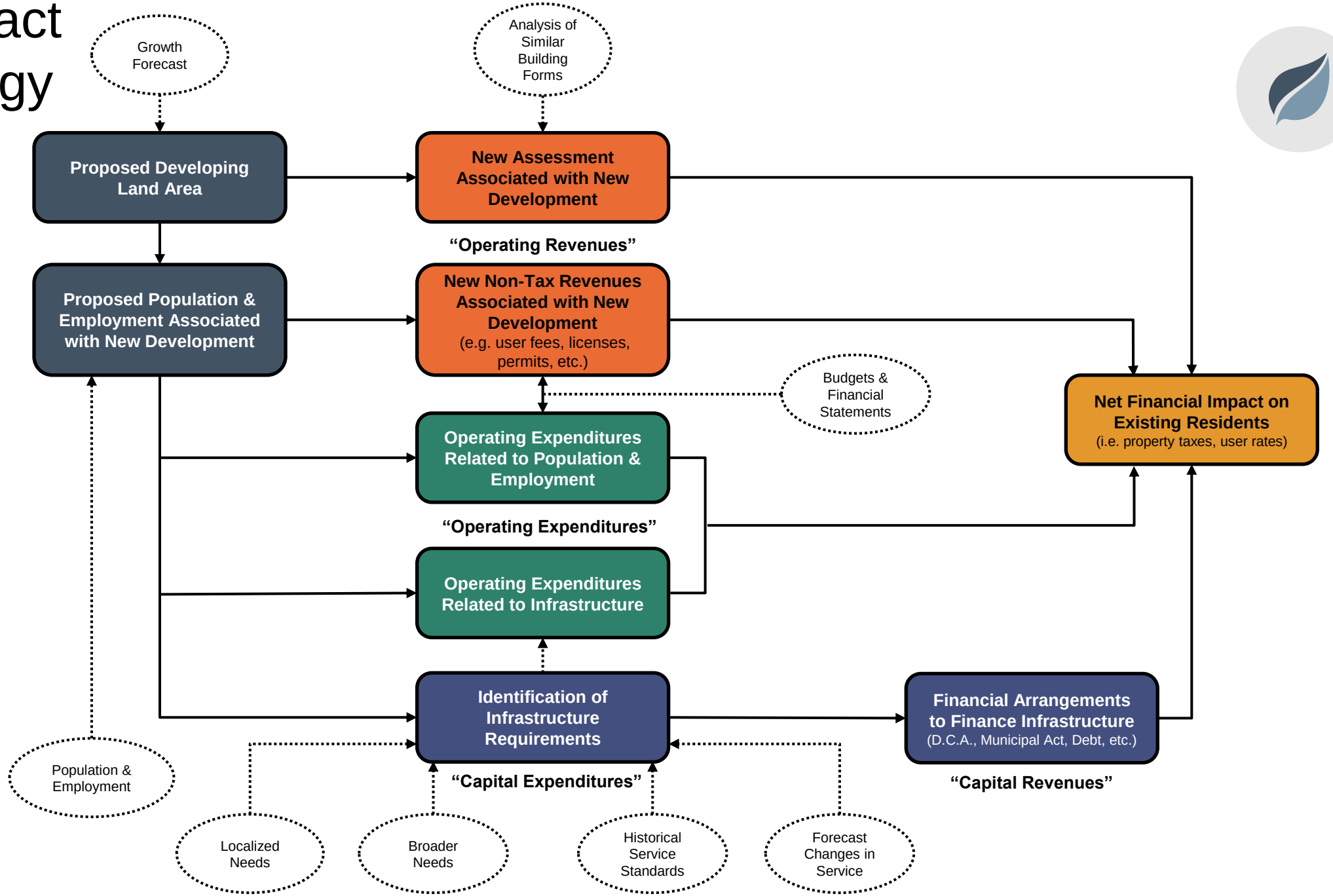
Agenda

- Methodology
- Scenarios
- Summary of Fiscal Impact Analysis
- Boundary Adjustment Agreements Peer Review
- Questions

Methodology

Springwater Boundary Adjustment Fiscal Impact Analysis

Fiscal Impact Methodology



Scenarios Analyzed

Springwater Boundary Adjustment Fiscal Impact Analysis

Scenarios Analyzed

- Potential lands identified were for the purposes of this financial analysis only and have not been specified by either party as lands subject to negotiation
- Analysis presents representative potential financial impacts that may be applied to other lands adjacent to municipal boundaries

Scenarios Analyzed

Residential Lands

- Primarily residential development
- Southwestern area of Township
- 1,250 acres

Non-residential Lands

- Non-residential development
- Southeastern area of Township abutting Hwy 400
- 1,250 acres

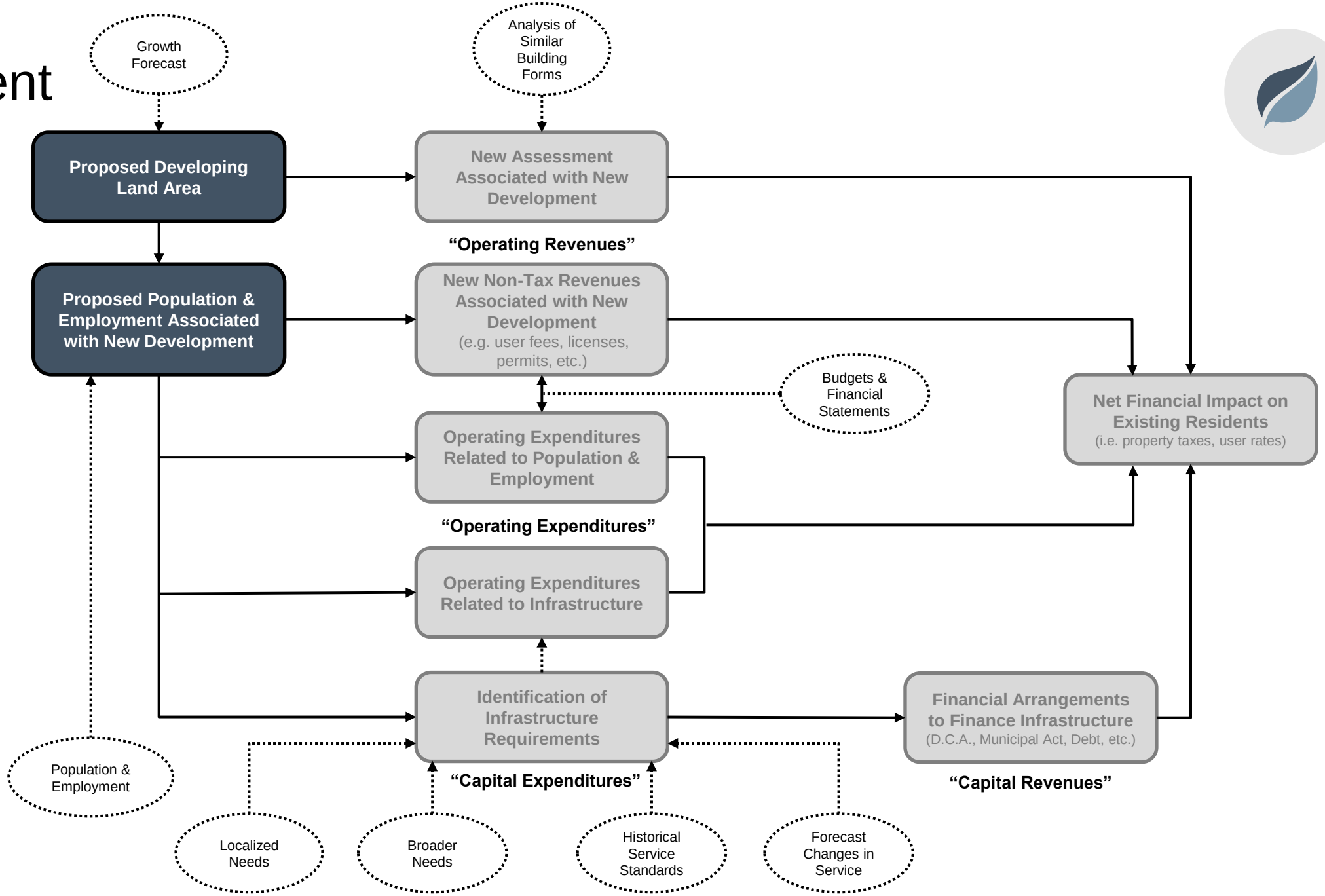
Scenarios Analyzed

Scenario 1	• Residential development in residential lands only
Scenario 2a	• Non-residential development in non-residential lands only • Assumed to build out as business park
Scenario 2b	• Non-residential development in non-residential lands only • Assumed to build out as one large non-residential development
Scenario 3a	• Development of residential and non-residential lands • Scenario 1 + Scenario 2a (business park)
Scenario 3b	• Development of residential and non-residential lands • Scenario 1 + Scenario 2b (one development)

Summary of Fiscal Impact Analysis

Springwater Boundary Adjustment Fiscal Impact Analysis

Potential Development



Potential Development – Residential

- 8 units per acre (similar to Midhurst)
- **Unit mix:** 75% low density, 25% medium density

Housing Type	Total Units	Persons per Unit	Total Population
Low Density	7,500	3.31	24,840
Medium Density	2,500	2.40	5,993
Total	**10,000**		**30,833**

Potential Development – Non-residential

Business Park

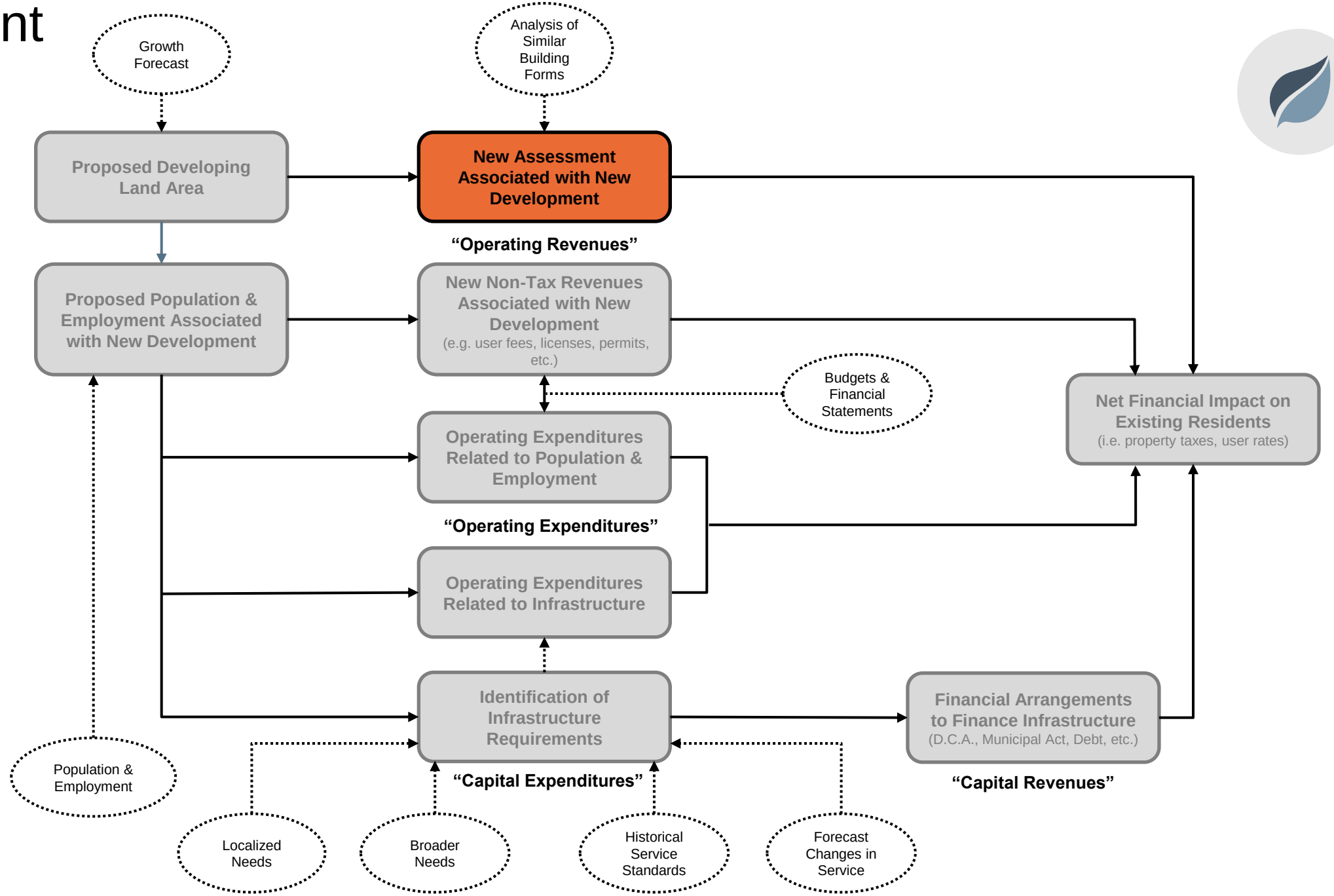
- 61% industrial, 39% commercial development mix, based on a review of other business parks in Ontario

Employment Type	Total Acres of Land Development	Lot Coverage	Sq.ft. of Gross Floor Area	Sq.ft. per Employee	Anticipated Employment
Commercial	482	30%	6,293,196	550	11,442
Industrial	768	25%	8,368,170	1,200	6,973
Total	**1,250**		**14,661,366**		**18,415**

One Large Development

- 10 employees per acre assumption
  - Based on Toyota plant in Cambridge
- Results in 12,500 new employees at this site

Assessment & Tax Revenue



Assessment & Tax Revenue - Residential

- Assessment per unit based on recently constructed development in Midhurst and Barrie

Property Tax Revenue Estimate	
Total Units	10,000
Assessment per Unit	$530,000
Total Assessment Generated	$5,300,000,000
Residential Tax Rate (Township) – 2024	0.437067%
Total Property Tax Revenue	**$23,164,551**

Assessment & Tax Revenue – Non-Residential

Business Park

- Assessment per acre assumption based on a review of multiple business parks across Ontario

Property Tax Revenue Estimate	Industrial	Commercial
Total Area (acres)	768	482
Assessment per Acre	$1,020,000	$950,000
Total Assessment Generated	$783,795,524	$457,494,365
Tax Rate	0.521202%	0.534227%
Subtotal Property Tax Revenue	$4,085,158	$2,444,058
Total Property Tax Revenue		**$6,529,216**

One Large Development

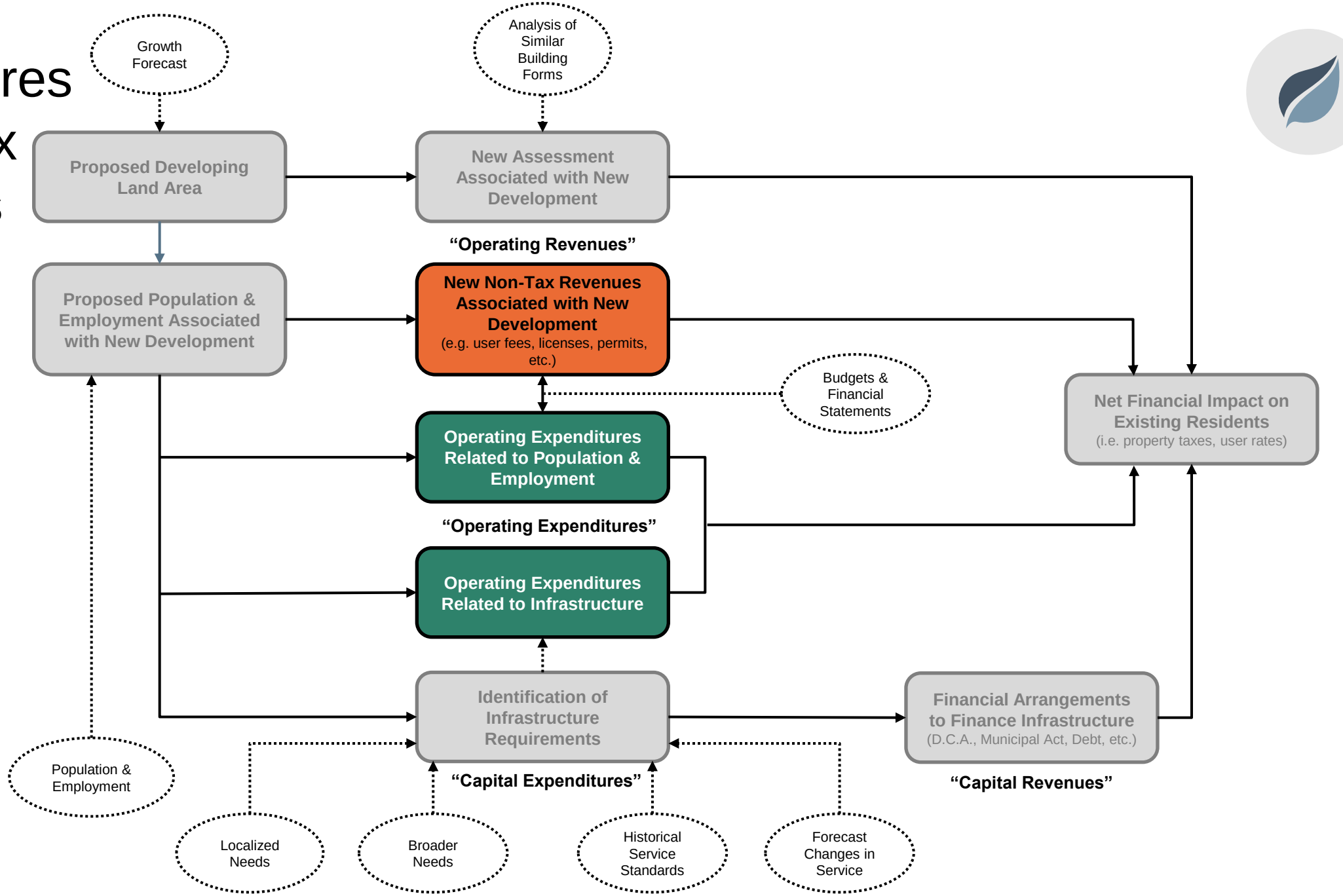
- Assessment per sq.ft. assumption based on Toyota Plan in Cambridge
- Consistent with values in other municipalities

Property Tax Revenue Estimate	
Total Site Area (acres)	1,250
Total Site Area (sq.ft.)	54,450,000
Lot Coverage	30%
Gross Floor Area (sq.ft.)	16,335,000
Assessment per sq.ft.	$53
Total Assessment Generated	$865,755,000
Industrial Tax Rate (Township) - 2024	0.521202%
Total Property Tax Revenue	**$4,512,332**

Summary of Property Tax Generated

Property Tax Classes		Scenario 1: Residential Development Only	Scenario 2a: Non-Residential Development Only *Business Park Development*	Scenario 2b: Non-Residential Development Only *One Large Development*	Scenario 3a: Residential & Non-Residential Development *Business Park Development*	Scenario 3b: Residential & Non-Residential Development *One Large Development*
1. Property Tax						
Residential Growth						
Residential Assessment (RT)		*5,300,000,000*	-	-	*5,300,000,000*	*5,300,000,000*
Property Tax Revenue	**0.4371%**	23,164,551	-	-	23,164,551	23,164,551
Total Residential Property Tax Revenue		23,164,551	-	-	23,164,551	23,164,551
Non-residential Growth						
Commercial Assessment (CT)		-	*457,494,365*	-	*457,494,365*	-
Property Tax Revenue	**0.5342%**	-	2,444,058	-	2,444,058	-
Total Commercial Property Tax Revenue		-	2,444,058	-	2,444,058	-
Non-residential Growth						
Industrial Assessment (IT)		-	*783,795,524*	*865,755,000*	*783,795,524*	*865,755,000*
Property Tax Revenue	**0.5212%**	-	4,085,158	4,512,332	4,085,158	4,512,332
Total Industrial Property Tax Revenue		-	4,085,158	4,512,332	4,085,158	4,512,332
Less Existing Property Tax Revenue		44,906	57,476	57,476	102,383	102,383
TOTAL PROPERTY TAX REVENUE		**23,119,645**	**6,471,740**	**4,454,856**	**29,591,384**	**27,574,500**
ACRES OF POTENTIAL DEVELOPMENT		**1,250**	**1,250**	**1,250**	**2,500**	**2,500**
TOTAL PROPERTY TAX REVENUE PER ACRE (rounded)		**18,500**	**5,200**	**3,600**	**11,800**	**11,000**

Operating Expenditures & Non-Tax Revenues

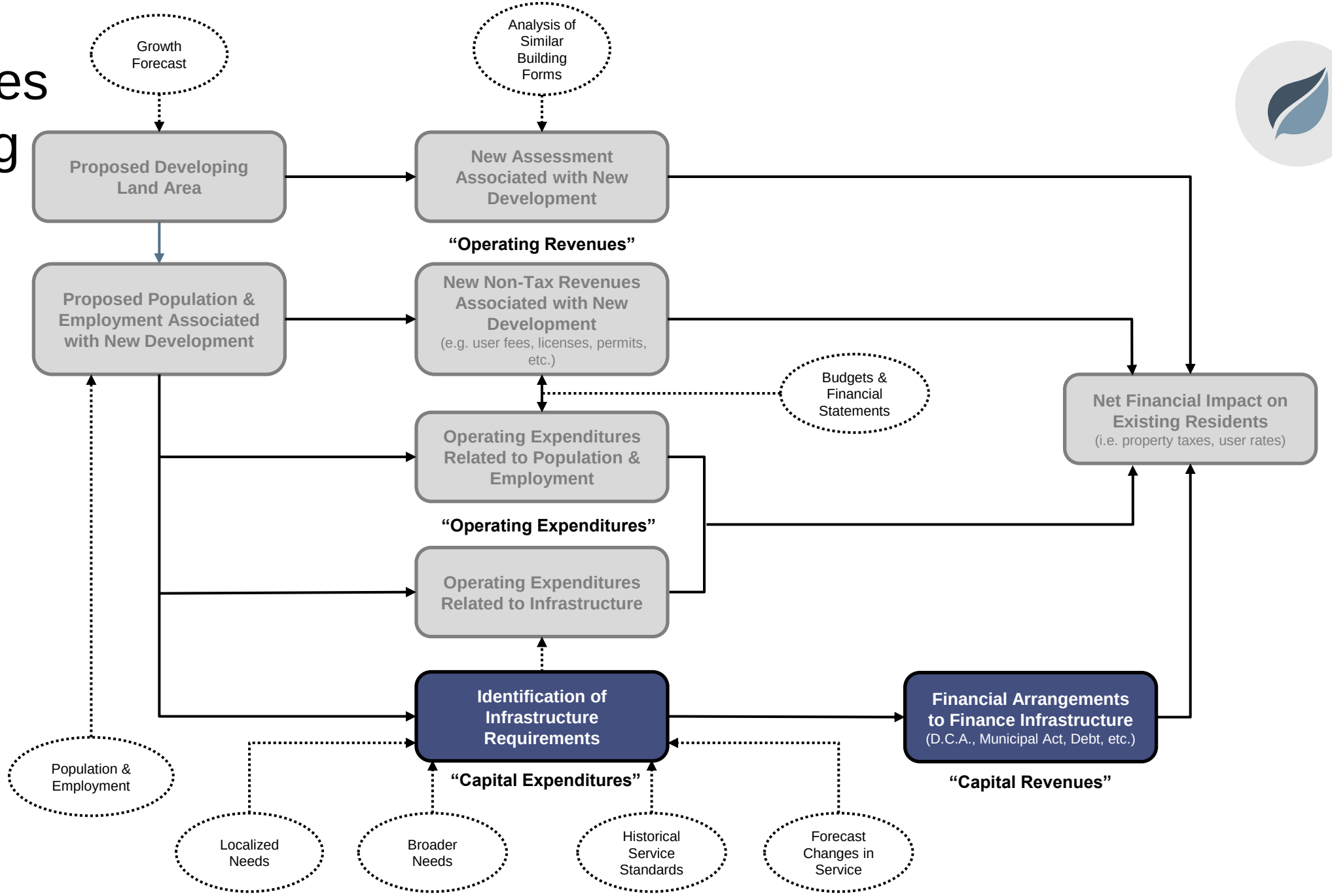


Operating Expenditures & Non-Tax Revenues

- Based on Financial Information Return Data
- Per capita and per employee amounts for expenditures and non-tax revenues were developed
- Per capita and per employee amounts were applied to incremental growth in population/employment

Scenarios	Tax-Supported Services		Rate-Supported Services	
	Expenditures (2024$)	Non-tax Revenues (2024$)	Expenditures (2024$)	Non-tax Revenues (2024$)
Scenario 1: Residential Development Only	$25,447,150	$6,530,997	$4,574,881	$6,641,381
Scenario 2: Non-Residential Development Only				
Scenario 2a: Business Park Development	$13,415,396	$3,402,623	$2,732,391	$3,966,627
Scenario 2b: One Large Developmet	$9,106,297	$2,309,682	$1,854,732	$2,692,524
Scenario 3: Residential + Non-Residential Development				
Scenario 3a: Non-Res - Business Park Development	$38,862,546	$9,933,620	$7,307,272	$10,608,008
Scenario 3b: Non-Res - One Large Development	$34,553,447	$8,840,679	$6,429,613	$9,333,905

Capital Expenditures & Financing



Capital Expenditures & Financing

- Capital costs are based on high-level estimates based on applying unit costs to the development areas
- All costs are assumed to be funded through D.C.s or local developing landowner

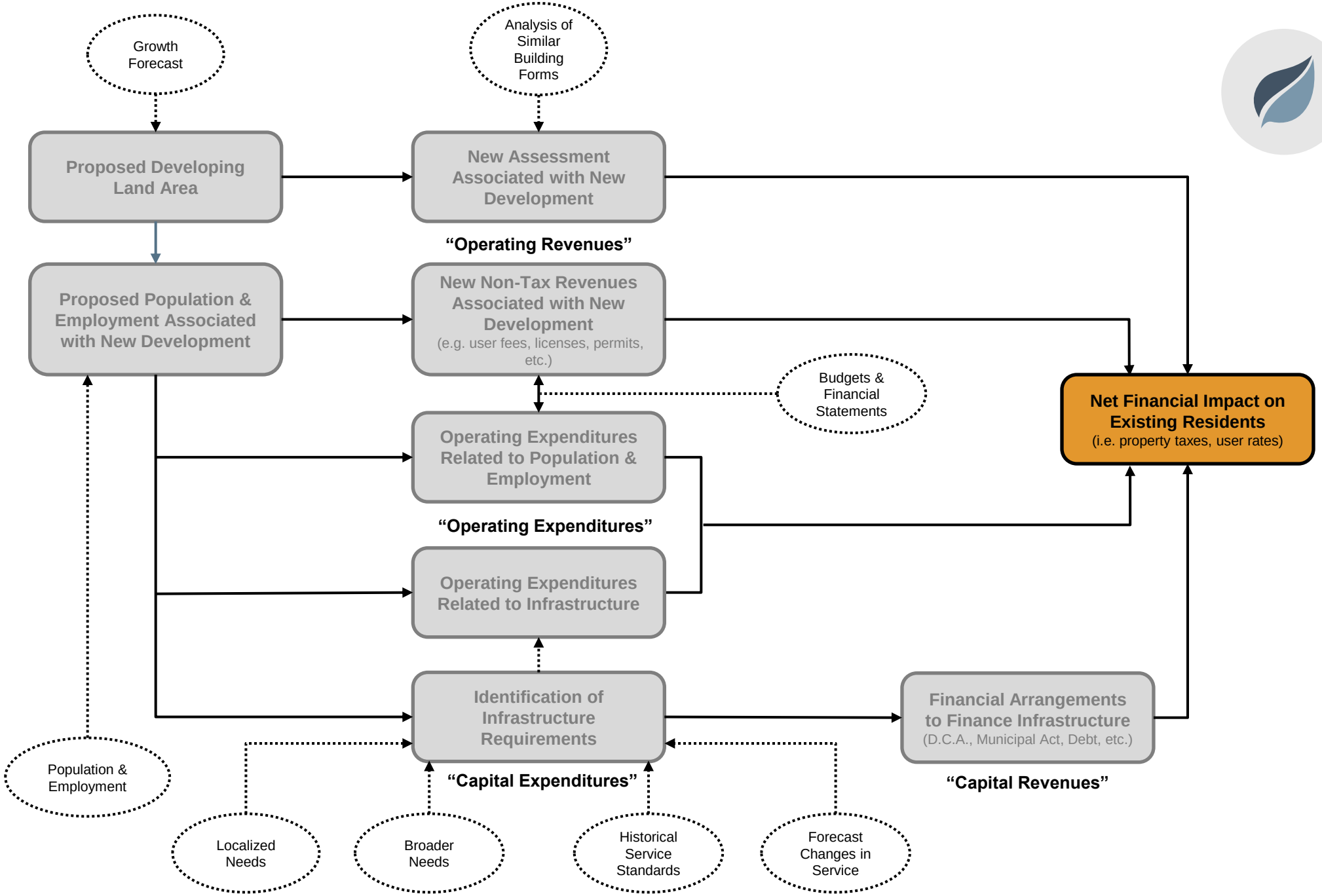
Summary of Capital Needs Estimates	2024$				
	Scenario 1: Residential Development Only	Scenario 2a: Non-Residential Development Only Business Park Development	Scenario 2b: Non-Residential Development Only One Large Development	Scenario 3a: Residential & Non-Residential Development Business Park Development	Scenario 3b: Residential & Non-Residential Development One Large Development
Tax-Supported Services					
Roads	$271,400,000	$26,900,000	$0	$298,300,000	$271,400,000
Rate-Supported Services					
Water Treatment	$94,600,000	$56,500,000	$38,400,000	$151,200,000	$133,000,000
Watermains	$36,900,000	$10,500,000	$4,700,000	$47,400,000	$41,600,000
Wastewater Treatment	$120,800,000	$72,200,000	$49,000,000	$193,000,000	$169,800,000
Sanitary Sewers	$89,700,000	$11,500,000	$5,200,000	$101,200,000	$94,900,000

Annual Replacement (Lifecycle) Costs

- New capital assets constructed will be assumed by the Township
- The Township is responsible for future costs to repair and replace the infrastructure
- These asset management or lifecycle costs have been assessed as part of the fiscal impact as annual lifecycle costs:

Summary of Annual Lifecycle (Replacement) Costs	2024$				
	Scenario 1: Residential Development Only	Scenario 2a: Non-Residential Development Only Business Park Development	Scenario 2b: Non-Residential Development Only One Large Development	Scenario 3a: Residential & Non-Residential Development Business Park Development	Scenario 3b: Residential & Non-Residential Development One Large Development
Tax-Supported Services					
Roads	$8,636,800	$856,000	$0	$9,492,900	$8,636,800
Total Tax-Supported	**$8,636,800**	**$856,000**	**$0**	**$9,492,900**	**$8,636,800**
Rate-Supported Services					
Water Treatment	$2,380,200	$1,421,600	$966,200	$3,804,300	$3,346,400
Watermains	$856,100	$243,600	$109,100	$1,099,800	$965,200
Wastewater Treatment	$3,039,400	$1,816,600	$1,232,900	$4,856,000	$4,272,300
Sanitary Sewers	$2,081,300	$266,800	$120,700	$2,348,100	$2,202,000
Total Rate-Supported	**$8,357,000**	**$3,748,600**	**$2,428,900**	**$12,108,200**	**$10,785,900**

Net Fiscal Impact



Net Fiscal Impact – Tax-Supported Services

Summary of Fiscal Impact	2024$				
	Scenario 1: Residential Development Only	Scenario 2a: Non-Residential Development Only Business Park Development	Scenario 2b: Non-Residential Development Only One Large Development	Scenario 3a: Residential & Non-Residential Development Business Park Development	Scenario 3b: Residential & Non-Residential Development One Large Development
1. Revenues					
1.1 Property Tax					
Residential Growth	23,164,551	0	0	23,164,551	23,164,551
Non-residential Growth	0	6,529,216	4,512,332	6,529,216	4,512,332
Less Existing Property Tax	44,906	57,476	57,476	102,383	102,383
Total Property Tax Revenue	**23,119,645**	**6,471,740**	**4,454,856**	**29,591,384**	**27,574,500**
1.2 Non-Tax					
Residential Growth	6,530,997	0	0	6,530,997	6,530,997
Non-residential Growth	0	3,402,623	2,309,682	3,402,623	2,309,682
Total Non-Tax Revenue	**6,530,997**	**3,402,623**	**2,309,682**	**9,933,620**	**8,840,679**
1.3 Total Revenue					
Residential Growth	29,695,548	0	0	29,695,548	29,695,548
Non-residential Growth	0	9,931,839	6,822,014	9,931,839	6,822,014
Less Existing Property Tax	44,906	57,476	57,476	102,383	102,383
Total Revenue	**29,650,641**	**9,874,363**	**6,764,538**	**39,525,005**	**36,415,179**
2. Expenditures					
2.1 Operating					
Residential Growth	25,447,150	0	0	25,447,150	25,447,150
Non-residential Growth	0	13,415,396	9,106,297	13,415,396	9,106,297
Total Operating Expenditures	25,447,150	13,415,396	9,106,297	38,862,546	34,553,447
2.2 Lifecycle					
Total Lifecycle Expenditures	8,636,800	856,000	0	9,492,900	8,636,800
Total Expenditures	**34,083,950**	**14,271,396**	**9,106,297**	**48,355,446**	**43,190,247**
3. Surplus (Deficit)	**(4,433,309)**	**(4,397,033)**	**(2,341,759)**	**(8,830,441)**	**(6,775,067)**
Acres	**1,250**	**1,250**	**1,250**	**2,500**	**2,500**
Surplus (Deficit) per Acre (rounded)	**(3,500)**	**(3,500)**	**(1,900)**	**(3,500)**	**(2,700)**

Net Fiscal Impact – Rate-Supported Services

Summary of Fiscal Impact	2024$				
	Scenario 1: Residential Development Only	Scenario 2a: Non-Residential Development Only Business Park Development	Scenario 2b: Non-Residential Development Only One Large Development	Scenario 3a: Residential & Non-Residential Development Business Park Development	Scenario 3b: Residential & Non-Residential Development One Large Development
1. Revenues					
1.1 Operating Revenue					
Residential Growth	6,641,381	0	0	6,641,381	6,641,381
Non-Residential Growth	0	3,966,627	2,692,524	3,966,627	2,692,524
Total Revenue	**6,641,381**	**3,966,627**	**2,692,524**	**10,608,008**	**9,333,905**
2. Expenditures					
2.1 Operating					
Residential Growth	4,574,881	0	0	4,574,881	4,574,881
Non-Residential Growth	0	2,732,391	1,854,732	2,732,391	1,854,732
Total Operating Expenditures	4,574,881	2,732,391	1,854,732	7,307,272	6,429,613
2.2 Lifecycle					
Total Lifecycle Expenditures	8,357,000	3,748,600	2,428,900	12,108,200	10,785,900
Total Expenditures	**12,931,881**	**6,480,991**	**4,283,632**	**19,415,472**	**17,215,513**
3. Surplus (Deficit)	**(6,290,500)**	**(2,514,364)**	**(1,591,107)**	**(8,807,464)**	**(7,881,608)**
Acres	**1,250**	**1,250**	**1,250**	**2,500**	**2,500**
Surplus (Deficit) per Acre (rounded)	**(5,000)**	**(2,000)**	**(1,300)**	**(3,500)**	**(3,200)**

Observations

- Development under any of the scenarios would result in an overall cost to the Township
- Development of employment lands tends to generate a positive financial impact on tax-supported budgets, typically due to industrial tax ratios
  - Township's industrial tax ratio: 1.19
  - Average industrial tax ratio in Ontario: 2.18*
- Lower tax ratio results in a negative net financial impact related to the non-residential lands

*2024 Municipal Study by BMA Management Consulting

Caveats to the Analysis

- Lands are not currently within Township's settlement boundaries
  - No detailed information available on development potential or capital costs to service lands
  - High-level estimates were utilized for this analysis
- Once specific lands have been identified for negotiation purposes, a fulsome review of development potential and associated capital costs would be required

Per Acre Impacts

Development	Potential Per Acre Tax Revenues
Residential Lands	$18,500
Non-Residential Lands	$3,600-$5,200
Residential + Non-Residential	$11,000-$12,000

Development	Potential Per Acre Net Financial Impact
Tax-Supported Services	-$1,900 to -$3,500
Rate-Supported Services	-$1,300 to -$5,000

Boundary Adjustment Agreements Peer Review

Springwater Boundary Adjustment Fiscal Impact Analysis

Common Themes

One-time Financial Compensation

- Reflects investment by the municipality for which lands will be annexed.
- Can be for assets such as roads, water, wastewater, etc.
- Or debentures related to assets to be transferred

Annual Financial Compensation

- Developed properties: lost tax revenue – payment may continue for a period of time or be phased out
- **Undeveloped non-residential lands: payment typically reflects a % share of the increased tax revenue by the municipality to receive the lands**
- **Undeveloped residential lands: typically based on agreed to per-unit amount**

Non-Financial Compensation

- Can be provided for water and wastewater capacity
- Can be provided as “access” to the capacity
- The municipality where lands were annexed will pay a capital “buy-in” fee for the capacity

Other Terms

- Other terms may be included based on local landscape
- E.g. Peterborough agreed not to annex any further lands from Cavan Monaghan until at least 2041
- May also include mutual aid for fire services or transfer of obligations related to transferred assets

Tax Increases for Annexed Lands

- Where lands are annexed and property taxes increase due to higher tax rates, increase is typically phased in over 5-10 years

Questions