

**Fergus Golf Course (South
Parcel) Redevelopment
Fiscal Impact Study**

Independent Real Estate Intelligence

February 17, 2022



Fergus Golf Course (South Parcel) Redevelopment Fiscal Impact Study

Prepared for:

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EXECUTIVE SUMMARY

Altus Group Economic Consulting was retained by 883890 Ontario Limited c/o Fergus Development Inc. to examine the potential fiscal impacts of their proposed redevelopment project in the Township of Centre Wellington (the “Township”) on the finances of the Township.

The report analyses the fiscal impacts of the proposed redevelopment (the “Proposal”) which is situated on the southern parcel of the existing Fergus Golf Club (the “SE Site”) in Centre Wellington. The subject site is located south of County Road 19 and west of Third Line and is approximately 40 hectares in size.

The proposed redevelopment consists of 118 single detached homes and is expected to generate a variety of one-time revenues for the Township, including \$2.04 million in Development Charge (“DC”) revenues for general services (roads, fire, recreation, and etc.).

The majority of the infrastructure required by the proposed redevelopment will consist of private infrastructure such as roads, watermains and sanitary sewers, which will be installed by the developer, and maintained and funded thereafter by a common elements condominium, with no costs or responsibility accruing to the Township.

In addition to the one-time expenditures and revenues for infrastructure, the proposed redevelopment is expected to generate on-going revenues and costs for the Township:

- \$341,900 in annual property tax revenues;
- \$36,000 in annual non-tax revenues;
- \$166,990 in annual net operating expenditures; and
- \$52,700 in annual lifecycle expenditures for growth-related infrastructure needs Township-wide.

Combined, the annual revenues and costs the proposal redevelopment would generate a positive annual fiscal benefit for the Township, of approximately \$158,200 per year, or \$433 per capita.

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1 INTRODUCTION

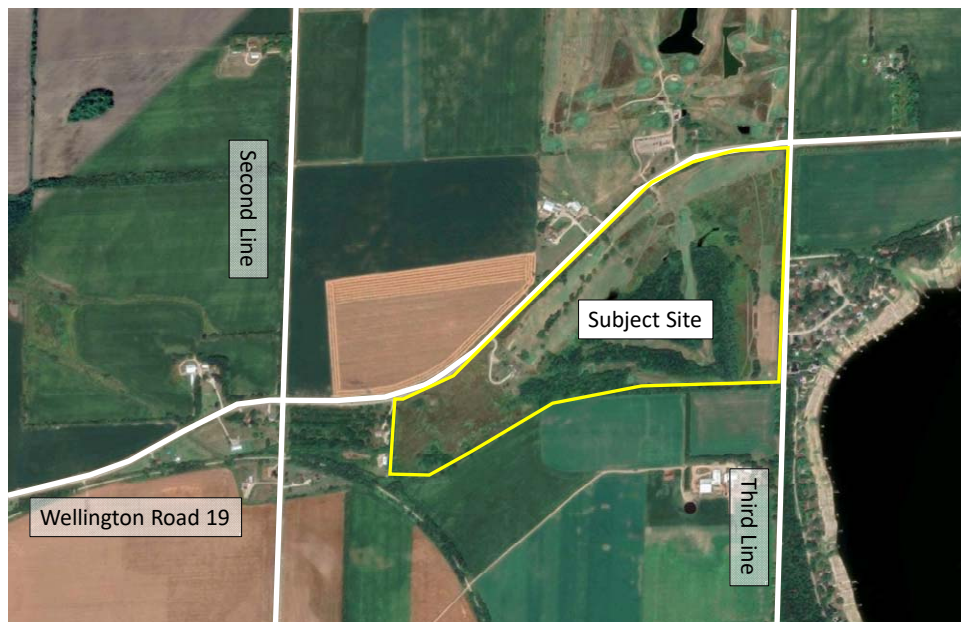
Altus Group Economic Consulting was retained by 883890 Ontario Limited c/o Fergus Development Inc. to examine the potential financial impacts of a proposed residential development on the finances of the Township of Centre Wellington (the “Township”).

1.1 BACKGROUND

Figure 1 shows the location of the subject site, which is in the Township of Centre Wellington, on the southern parcel of the existing Fergus Golf Club (on the opposite side of Wellington Road 19). The site is approximately 40 hectares in size.

Figure 1

Context Map of Subject Sites



Source: Altus Economic Consulting

1.2 PROPOSED REDEVELOPMENT

The proposed redevelopment consists of 118 single detached homes within a plan of condominium. It is estimated, based on persons per unit (PPU) factors from the Township’s 2020 Development Charges Background Study, that the proposed redevelopment would accommodate 365 persons.

Figure 2

Concept Plan, Fergus Golf Course – South Parcel



Source: Altus Group Economic Consulting

2 CAPITAL REVENUES & EXPENDITURES

This section outlines the capital expenditures required to service the proposed redevelopment, and the sources of funding for the works, and the associated impact on the Township's budget.

2.1 ESTIMATES OF DC REVENUES

2.1.1 Municipal-Wide Services DC Revenues

The Township of Centre Wellington imposes a municipal-wide development charge ("DC") for all services excluding water and wastewater services. Figure 3 shows the DC revenues that would be generated by the proposed redevelopment for the Township.

In total, under the Township's current DC rates (as of April 2021), the proposed redevelopment would generate approximately \$2 million in DC revenues, including \$1.1 million for roads, \$569,822 for library services, \$205,674 for fire protection services, and \$88,382 for parks and recreation services.

Figure 3

Municipal-Wide Services, DC Revenue Estimates, Proposed Development, Township of Centre Wellington

Units	118
	Singles and Semis
<u>DC Rates by Service</u>	<u>Dollars / Unit</u>
Roads	9,466
Public Works	1,743
Fire Protection	749
Indoor and Outdoor Recreation	4,829
Administration	502
Total	17,289
<u>Revenues by Service</u>	<u>Dollars</u>
Services Related to a Highway	1,116,988
Fire Protection Services	205,674
Parks & Recreation Services	88,382
Library Services	569,822
Administration	59,236
Total	2,040,102

Source: Altus Group Economic Consulting based on Township of Centre Wellington Development Charge Rates effective April, 2021

2.2 CAPITAL INFRASTRUCTURE REQUIREMENTS

2.2.1 Water / Wastewater

It is proposed that the proposed redevelopment would be serviced by private communal water and wastewater infrastructure and would not be serviced with municipal services.

2.2.2 Storm Water Management

The proposed redevelopment would require a stormwater management facility that would be 1.27-hectares in size.

The local service policies for storm water management in the Township's 2020 DC Study, indicate that the capital costs for the internal sewers and the storm water management pond will be the responsibility of the developer, or where the works would benefit other nearby landowners, subject to potential cost sharing agreements among developers. The local service policy states:

9.1 Quality and Quantity Works, direct developer responsibility through local service provisions (s.59 of D.C.A.).

9.2 Over sizing of stormwater management works for development external to developments will be subject to negotiations and cost sharing agreements between affected landowners.

Once completed, funding responsibility for operation, maintenance and lifecycle costs for the storm water management pond and storm sewer works will be the responsibility of the common elements condominium.

2.2.3 Roads

According to plans provided by the client, the proposed redevelopment would require 7.2 lane-km of internal roads. Based on the Township's local service guidelines, the private internal roads would be a direct developer responsibility and funded by the developer. The roads will be maintained by a common elements condominium which will fund all operating, maintenance and lifecycle costs associated with internal roads.

3 ONGOING REVENUES AND COSTS

This section provides an overview of the methodology for determining the net annual fiscal impact of development.

3.1 REVENUES

3.1.1 Property Tax Revenues

The assessment values are based on expected sales prices for the housing units, based on Altus Data Solutions data on actively marketed housing units in the Township of Centre Wellington.

The expected sales price for the units in the development were adjusted downward by 50% to reflect the difference between sales prices and assessment values used for the purposes of property taxation, based on the average assessment value for housing units in the Township (approximately \$306,000) in 2019 (based on the Township's FIR) as compared to average resale prices in the broader Guelph region as of mid-2019 (\$600,000).

Figure 4

Estimated Annual Property Tax Revenues, Township of Centre Wellington

Unit by Type	Units	Assessment Value / Unit	Total Assessment	
		\$ / Unit	Dollars	
Single Detached	118	900,000	106,200,000	
Tax Rates and Revenue				
	Tow nship	County	Education	Total
	<i>Percent</i>			
Tax Rate	0.321969%	0.617506%	0.161000%	1.100475%
	<i>Dollars</i>			
Tax Revenue	341,931	655,791	170,982	1,168,704

Source: Altus Group Economic Consulting based on Altus Data Solutions data, Tow nship of Centre Wellington 2019 property tax rates

As Figure 4 shows, using the Township's 2019 tax rates (used so as to be consistent with the most current operating cost data from the Township's 2019 *Financial Information Return*), the total amount of annual property tax revenue generated by the proposed redevelopment would be \$1.17 million, including approximately \$341,900 annually for the Township and \$655,970 for the County.

3.1.2 Non-Tax Revenues

In addition to the property tax revenues generated annually by the proposed redevelopment, the units and residents will also generate a variety of annual non-tax revenues for the Township. These non-tax revenues include Township fees for items such as licenses, permits (excluding building permits), fines and donations, etc.

After making provisions for non-tax revenues that would increase along with residential growth, and the proportion that residential development would contribute to an increase in those revenues, we have estimated that the proposed redevelopment would add approximately \$98.61 per capita to the Township's annual non-tax revenues, or a total of \$36,000 annually.

The calculations of non-tax revenues are shown in Appendix A.

3.2 EXPENDITURES

3.2.1 Net Operating Expenditures

The additional operating costs that will result from residential and non-residential uses for services such as recreation, cultural services, and fire protection are calculated using the following five steps:

1. Obtain the operating expenditures of the Township in 2019, from Schedule 40 of the Township's 2019 *Financial Information Return*;
2. Expenditures for each service relating to long-term debt interest, amortization, and any user fee and service charge revenues associated with each service are deducted to reach net operating expenditures;
3. Deductions are also made for grants that are provided by the federal government, provincial government and other municipalities to fund County administered services, such as social assistance, child care, and public housing.
4. To estimate the degree to which the net operating expenditures will increase in step with growth, a "growth-related factor" is applied to the net operating expenditures, to reach net growth-related operating expenditures. In most cases, the need for services will generate a nearly proportional increase in operating costs, with a small allowance made for efficiencies and economies of scale. Other

services will grow at a much slower pace than population growth, such as government, and planning department costs.

5. Other services such as roads or stormwater management facilities, that will not require any additional works in the Township (as services would be provided and maintained through a common element condominium) will not have any direct impact, but small provisions are included to reflect general wear and tear that additional population may impose on the broader Township road network.
6. A share of the net growth-related operating expenditures is allocated to residential growth, by applying residential/non-residential factors to each service based on typical usage and/or the prevailing residential/non-residential split in the Township. The result of this calculation is known as the net residential growth-related operating expenditures.

In total, we have estimated that the Proposal would represent an additional annual operating cost to the Township of approximately of \$457.39 *per capita*. The detailed calculations are presented in Appendix A.

The average operating and lifecycle costs relating to roads, water, and wastewater are excluded from this part of the analysis, as the works required for the redevelopment will be owned and maintained by the common element condominium, with no funding responsibility for the Township.

3.2.2 Indirect Lifecycle Costs

The Township's 2020 DC study included numerous proposed capital works that benefit growth areas across the Township, including the subject site once developed. Future growth such as that of the proposed redevelopment is contributing to the need for these works, and the associated annual lifecycle expenditures need to be factored into the estimation of net annual fiscal impact of development.

Based on the works included in the capital project lists in the Township's DC Study, after deducting elements such as Post Period Benefit costs¹ and DC reserve fund balances (or adding DC reserve fund deficits onto net costs, deducting DC reserve fund surpluses from net costs), applying the appropriate useful life periods and associated sinking fund factors for each classification of capital work, and calculating the share of Township-wide development within the proposed redevelopment, the annual lifecycle costs for the proposed redevelopment are calculated.

Figure 5 Calculation of Annual Lifecycle Costs, Township of Centre Wellington, 2020 DC Study Capital Program

	Average Useful Life	Lifecycle Cost Factor				
	Years					
Facilities	50	0.011823				
Services Related to a Highway - Roads	40	0.016556				
Services Related to a Highway - Bridges	90	0.004046				
Parkland Development	25	0.03122				
Vehicles	10	0.091327				
Small Equipment & Gear	12	0.07456				
Estimated Annual Lifecycle Costs - 2020 DC Study Capital Program						
	Gross Cost	Less: DC RF	Lifecycle	Revised		
	Less BTE	Less: PPB	Adjustment	Net Costs	Cost Factor	Lifecycle Costs
Roads						
Roads	120,566,909	18,215,500	-	102,351,409	0.01656	1,694,530
Public Works, Vehicles & Equipment						
Water Services	2,815,209	-	-	2,815,209	0.01875	52,793
Wastewater Services	566,611	-	-	566,611	0.04625	26,208
Stormwater Management Services	1,030,608	-	-	1,030,608	0.01699	17,505
Services Related to a Highway	2,110,292	-	-	2,110,292	0.05502	116,110
Parks and Recreation Services	1,606,142	-	-	1,606,142	0.01182	18,989
Fire Protection Services						
Facilities, vehicles, equipment and gear	6,455,022	-	-	6,455,022	0.03585	231,415
Parks and Recreation Services						
Recreation Facilities, Parkland development	13,022,567	-	-	13,022,567	0.02208	287,573
Growth Studies						
Water Services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Wastewater Services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Stormwater Management Services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Services Related to a Highway	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Parks and Recreation Services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fire Protection Services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	148,173,360	18,215,500	-	129,957,860		2,445,124

Note: Approach differs from the Township's 2020 DC Study, and incorporates deductions for PPB costs, DC Reserve Fund Balances and applies the lifecycle cost factors in Appendix C of the DC Study

Source: Altus Group Economic Consulting based on Township of Centre Wellington 2020 DC Study

For tax-supported works, an annual contribution is required by the Township of \$2.45 million for works required by growth in tax-supported

¹ Post Period Benefit allocations are deducted as the later step in the calculation seeks to find the subject development's share of 10 or 20-year residential forecasts. As the amount of 'post-period' growth is not known, the same calculation would not be possible against an indeterminate denominator for 'total growth' in the Township.

services (roads, public works, fire protection, parks and recreation and growth studies). These costs are allocated between Township-wide growth in the residential and non-residential sectors based on residential cost allocation from the Township's 2020 DC Study. The residential sector's share of these costs is estimated to be \$1.98 million. Of this, based on the proportion of the Township-wide residential population growth within the proposed redevelopment, the subject redevelopment's share of these annual costs would be \$52,700.

Figure 6

Estimated Indirect Lifecycle Costs, Township of Centre Wellington

	Annual Lifecycle Contribution	Forecast Period	Residential Share	Residential Share of ALC	Development Share of Township-wide Population Growth	Proportionate Share of Annual Lifecycle Costs for Subject Development
	<i>Dollars</i>				<i>Percent</i>	<i>Dollars</i>
Tax-Supported						
Roads & Related	1,694,530	22 years (2020-41)	79.0%	1,338,679	2.3%	31,208
Public Works, Vehicles & Equip.	231,606	22 years (2020-41)	79.0%	182,969	2.3%	4,265
Fire Protection Services	231,415	22 years (2020-41)	79.0%	182,818	3.8%	6,919
Parks and Recreation Services	287,573	10 years (2020-30)	95.0%	273,195	3.8%	10,340
Growth Studies	n.a.	10 years (2020-30)	66.0%	n.a.	3.8%	n.a.
Total Tax-Supported	2,445,124			1,977,660		52,733
		Population				
Subject Development		365				
10-Year Growth		9,646				
Subject Development as % of 10-Year Growth		3.8%				
20-Year Growth		15,661				
Subject Development as % of 20-Year Growth		2.3%				
Source:	Altus Group Economic Consulting based on Township of Centre Wellington 2020 DC Study					

4 CONCLUSIONS – FISCAL IMPACT

4.1 FINDINGS AND CONCLUSIONS

Figure 7 shows the calculation of the net annual fiscal impact of the proposed redevelopment.

The subject proposal is estimated to generate a positive fiscal impact for the Township of approximately \$158,200 per year, which equates to approximately \$433 *per capita*, per year.

Figure 7

Estimate of Net Annual Fiscal Impact, Township of Centre Wellington

Units	118	
Persons	365	
	Township of Centre Wellington	
	Dollars	Dollars per Capita
Revenues		
Property Taxes	341,931	936.56
Non-Tax Revenues	36,002	98.61
Total Revenues	377,933	1,035.17
Expenditures		
Net Operating Expenditures	166,991	457.39
Lifecycle Costs - Transportation Infrastructure	-	-
Operating Expenditures - Tax Supported	-	-
Indirect Lifecycle Costs - Tax Supported	52,733	144.44
Total Expenditures	219,723	601.83
Net Fiscal Surplus / (Deficit)	158,210	433.34

Source: Altus Group Economic Consulting

4.2 SENSITIVITY ANALYSIS

Based on the modelling undertaken, the assumed assessment value of the units in the proposed redevelopment used in this analysis (\$900,000) could be 46% lower than estimated and still generate a positive annual fiscal surplus for the Township.

Alternatively, if the Net Operating Expenditures were up to 94% higher than estimated, the proposed redevelopment would still generate a positive annual fiscal surplus for the Township.

5 ECONOMIC BENEFITS

The proposed redevelopment, beyond the estimated annual fiscal impact to the Township, would generate significant economic benefits, including the following:

- Approximately \$3.03 million in development charge revenues, including:
 - \$2.04 million for the Township;
 - \$652,400 for the County; and
 - \$335,200 for the Public and Catholic school boards for the acquisition of school sites;
- Approximately \$106 million in assessment value that will generate approximately \$1.17 million in annual property tax revenues, including:
 - \$341,900 for the Township per year;
 - \$655,800 for the County annually; and
 - \$171,000 for education per year.
- \$503,900 in building permit revenues for the Township to fund ongoing costs associated with building review;
- 703 person-years of employment in the construction of the proposed residential units and private servicing infrastructure;
- Impact of \$65 million in Gross Domestic Product (GDP); and
- Approximately \$8 million in annual spending by residents of the proposed redevelopment on goods and services, a significant proportion of which can be expected to be spent at local stores, businesses and service providers.

Appendix A
Detailed Tables

Figure A-1

Estimate of Net Operating Expenditures, Township of Centre Wellington									
Expenditures	Less: Interest on Long Term Debt	Less: User Fees and Service Charges	Less: Amortization	Net Expenditures	Growth Related			Residential Growth Related Net Operating Expenditures	
					%	Net Operating Expenditures	Residential Share		
General Government									
Governance	242,693	-	-	-	242,693	75%	182,020	78%	142,039
Corporate Management	2,718,465	-	-	269,097	2,449,368	75%	1,837,026	78%	1,433,527
Program Support	-	-	-	-	-	75%	-	78%	-
Subtotal	2,961,158	-	158,438	269,097	2,692,061		2,019,046		1,575,567
Protection Services									
Fire	2,287,433	-	16,088	319,968	1,951,377	95%	1,853,808	78%	1,446,623
Conservation authority	291,250	-	-	-	291,250	100%	291,250	78%	227,278
Protective Inspection and Control	338,085	-	2,571	5,568	329,946	95%	313,449	78%	244,600
Building Permit and Inspection Service	1,014,653	-	6,876	18,977	988,800	95%	939,360	78%	733,032
Subtotal	3,931,421	-	25,535	344,513	3,561,373		3,397,867		2,651,533
Transportation Services									
Roads - Paved	4,243,165	15,895	-	3,520,789	706,481	25%	176,620	78%	137,826
Roads - Unpaved	2,417,437	-	-	364,564	2,052,873	25%	513,218	78%	400,491
Roads - Bridges and Culverts	1,049,532	-	-	736,230	313,302	25%	78,326	78%	61,121
Roads - Traffic Operations & Roadside	1,192,702	-	-	88,478	1,104,224	25%	276,056	78%	215,421
Winter Control - Except Sidewalks, Parking Lots	1,874,033	-	65,505	-	1,808,528	95%	1,718,102	78%	1,340,724
Winter Control - Sidewalks, Parking Lots Only	162,456	-	-	-	162,456	95%	154,333	78%	120,434
Transit - Disabled & special needs	16,539	-	-	-	16,539	95%	15,712	78%	12,261
Parking	281,049	-	-	-	281,049	95%	266,997	78%	208,551
Subtotal	11,236,913	15,895	65,505	4,710,061	6,445,452		3,199,363		2,496,630
Environmental Services									
Urban Storm Sewer System	74,837	-	-	38,406	36,431	95%	34,609	78%	27,008
Subtotal	74,837	-	-	38,406	36,431		34,609		27,008
Health Services									
Cemeteries	164,147	-	144,991	12,338	6,818	95%	6,477	100%	6,477
Physician Recruitment	34,649	-	-	-	34,649	95%	32,917	100%	32,917
Subtotal	198,796	-	144,991	12,338	41,467		39,394		39,394
Social and family services									
General assistance	209,486	-	-	-	209,486	95%	199,012	100%	199,012
Assistance to aged persons	620,195	-	233,018	46,674	340,503	95%	323,478	100%	323,478
Subtotal	829,681	-	233,018	46,674	549,989		522,490		522,490
Recreation and Cultural Services									
Parks	1,172,451	-	39,181	374,864	758,406	95%	720,486	100%	720,486
Recreation Programs	205,490	-	110,692	-	94,798	95%	90,058	100%	90,058
Recreation Facilities - All Other	5,157,098	150,952	734,522	449,289	3,822,335	95%	3,631,218	100%	3,631,218
Cultural services	978,653	-	50,810	25,349	902,494	95%	857,369	100%	857,369
Subtotal	7,513,692	150,952	935,205	849,502	5,578,033		5,299,131		5,299,131
Planning and Development									
Planning and Zoning	715,893	-	230,880	-	485,013	75%	363,760	78%	283,861
Commercial and Industrial	626,616	-	-	7,395	619,221	75%	464,416	0%	-
Tile drainage/shoreline assistance	2,098	2,098	2,098	-	(2,098)	75%	(1,574)	78%	(1,228)
Subtotal	1,342,509	2,098	232,978	7,395	1,102,136		826,602		282,633
Total	28,089,007	168,945	1,795,670	6,277,986	20,006,942		15,338,502		12,894,384
									Population Estimate
									28,191
									\$/Capita - Growth Related Net Operating Expenditures
									457.39

Source: Altus Group Economic Consulting based on 2019 Financial Information Returns for Township of Centre Wellington

Figure A- 2 Estimate of Non-Tax Revenues, Township of Centre Wellington

	Non-Tax Revenues	Less: Building Permit Revenues	Net Non-Tax Revenues	Grow th Related	Grow th Related Non- Tax Revenues	Res. Share	Residential Grow th Related Non- Tax Revenues
		<i>Dollars</i>		<i>Percent</i>	<i>Dollars</i>	<i>Percent</i>	<i>Dollars</i>
<u>Licenses, Permits, Rents, etc.</u>							
Licenses and Permits	1,285,203	642,602 ¹	642,602	95%	610,471	78%	476,383
Rents, Concessions, etc.	1,319,619	-	1,319,619	0%	-	78%	-
Subtotal	2,604,822	642,602	1,962,221		610,471		476,383
<u>Fines and Penalties</u>							
Other Fines	3,095	-	3,095	95%	2,940	78%	2,294
Penalties and Interest on Taxes	347,809	-	347,809	95%	330,419	78%	257,843
Subtotal	350,904	-	350,904		333,359		260,137
<u>Other Revenue</u>							
Investment Income	1,650,147	-	1,650,147	0%	-	78%	-
Gaming and Casino Revenues	2,740,529	-	2,740,529	95%	2,603,503	78%	2,031,649
Donations	15,891	-	15,891	95%	15,096	78%	11,781
Subtotal	4,406,567	-	4,406,567		2,618,599		2,043,429
Total	7,362,293	642,602	6,719,692		3,562,429		2,779,949
							<i>Persons</i>
							28,191
							<i>\$/ Capita</i>
							98.61
					Population Estimate		
							\$/ Capita or Employee - Growth Related Non Tax Revenues

¹ Assumed that 50% of Licenses and Permit fees are from building permits

Source: Altus Group Economic Consulting based on Township of Centre Wellington, 2019 Financial Information Returns