



## MEMORANDUM

**To:** Paul Davidson, Manager, Financial Planning / Deputy Treasurer  
**From:** Jaclyn Hall, Hemson  
**Date:** September 10, 2024  
**Re:** Bowmanville East Secondary Plan Fiscal Impact Analysis

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Hemson was retained to complete a high-level Fiscal Impact Analysis (FIA) for the Bowmanville East Secondary Plan Area on behalf of the Municipality of Clarington. This memorandum summarizes Hemson's evaluation of the capital costs, operating costs, and revenue sources associated with the Preliminary Land Budget and anticipated capital infrastructure needs.

As the current Land Budget is still preliminary and that a detailed assessment of the infrastructure needs required to service development have not been completed, the results should not be considered precise predictions of what will occur at build out of the Secondary Plan Area. Only costs and revenues incurred/anticipated to be collected by the Municipality of Clarington are included.

### A. KEY ASSUMPTIONS

Results of the analysis are high-level in nature and are designed to show the potential fiscal net impact of the anticipated development. 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:

- Municipality of Clarington actual expenditures and non-tax revenues for 2022 as identified in Financial Information Returns (FIRs) and budget documents. The use of the 2022 FIRs reflects current municipal expenditures;
- Current value assessments (CVAs) from the current assessment roll;
- A build out of all residential and non-residential development and supporting infrastructure in the Secondary Plan Area; and
- All values are provided in \$2024 unless otherwise stated.

## B. PRELIMINARY LAND BUDGET

The Preliminary Land Budget was prepared by SvN in May of 2024 and has been used for the purposes of the FIA. The total land area of the Secondary Plan amounts to 127.2 hectares (71.0 hectares in the Regional Centre and 56.1 hectares Outside of the Regional Centre). The net developable land area amounts to 78.1 hectares.

Tables 1 and 2 provide a summary of the anticipated population, dwelling units and employment growth based on the minimum densities anticipated for each land use designation. These figures have been used to inform the analysis for the purposes of the FIA.

**Table 1: Summary of Population, Employment and Dwelling Unit Growth**

MINIMUM GROWTH ESTIMATES	
Population Growth	12,213
Dwelling Unit Growth	6,617
Employment Growth	4,450

**Table 2: Unit Growth by Density Type**

TOTAL UNIT GROWTH	NUMBER OF UNITS
High Density	5,067
Medium Density	1,070
Low Density	480
<b>Total</b>	<b>6,617</b>

## C. CAPITAL COST ANALYSIS

The fiscal impact analysis examined 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 Municipality. The potential long-term lifecycle costs associated with the new infrastructure is also examined. A brief description of the various capital costs are provided below:

### i. Developer Funded Capital

This analysis estimates the amount of additional funding for replacement capital required as a result of the installation of capital by developers (also known as “local services”). Local services capital typically includes local roads, streetlights, and sidewalks, as well as any water, sanitary, and storm sewer infrastructure that is internal to a development.

For the purposes of this analysis local roads, including active transportation and sidewalks, are considered to be local services. Capital infrastructure along collector roads are considered to be external to future individual developments and eligible for funding through DCs. In addition, parkland provided by developers through section 42 of the *Planning Act* is considered to be local services capital.

## **ii. DC Funded Capital**

DC-eligible capital costs include collector roads and related infrastructure, parks, fire protection, recreation, and library services. All of the DC eligible costs identified for the Secondary Plan Area are required to meet the increase in servicing need for new development over the planning horizon to build out, therefore no benefit to existing (also known as DC ineligible) shares of projects have been identified.

## **iii. Asset Management Contributions**

Useful life assumptions for different asset types were used to estimate the Municipal long-term incremental increase in capital replacement contributions associated with the new DC-funded and local developer infrastructure. The analysis calculates the estimated annual provision which the Municipality will be required to contribute to these assets once the Secondary Plan Area is built out.

## **iv. Summary of Capital Costs**

Anticipated capital costs are summarized in Table 3 and total \$65.4 million to build out of the Secondary Plan Area. Anticipated capital costs have been informed by anticipated lengths of infrastructure (e.g. new local roads, active transportation, sidewalks, trails, new collector roads etc.) as provided by staff and based on costs informed from the Municipality's ongoing 2025 DC Background Study update and/or estimates from other municipalities as well as service level standards identified in the Municipality's current 2020 DC Background Study. The total capital cost of infrastructure related to the Secondary Plan Area is anticipated to be funded by local developer contributions (\$17.0 million or 27%) and development charges (\$47.1 million or 73%).

Table 4 shows that approximately \$3.0 million per annum in asset management contributions will be required for infrastructure related to servicing the needs of the Secondary Plan Area.

### **Table 3: Summary of Capital Costs by Service Category**

SERVICE	TOTAL COST (\$MILLIONS)	SOURCE
Stormwater	\$1.0 million	Staff estimates
Transportation Services	\$7.6 million	Draft Secondary Plan Infrastructure Details
General Services	\$55.5 million	Draft Secondary Plan and 2020 DC Background Study
<b>Total</b>	<b>\$65.1 million</b>	
<i>Local Services</i>	<i>\$17.0 million (27%)</i>	
<i>DC- Funded</i>	<i>\$47.1 million (73%)</i>	

**Table 4: Summary of Asset Management Contributions**

SERVICE	ANNUAL PROVISION BUILDOUT
Local Services	\$498,200
DC- Funded	\$2,500,400
<b>Total</b>	<b>\$2,998,600</b>

## D. OPERATING ANALYSIS

Tax-supported operating costs arising from the construction of new developer- and DC-funded capital, and the addition of households, people and jobs in the Bowmanville East Secondary Plan Area, were estimated based on data from the Municipality’s 2022 Financial Information Returns (FIR).

Table 5 summarizes the gross operating costs anticipated to be associated with development in the Secondary Plan Area. Cost drivers were applied to FIR operating cost data. Where appropriate, costs are driven by the planned infrastructure investments (e.g. Roads and Related, Parks), whereas many services are considered to be driven by only population growth, a combination of both 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, as such a factor of 75% and 50% were applied accordingly. The total additional annual operating cost associated with development of the Secondary Plan Area is calculated at \$10.8 million.

Table 5 also 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 revenues associated with the Secondary Plan at build-out are calculated at \$1.6 million.

The total net annual operating cost associated with the Secondary Plan Area is \$9.2 million. This translates to \$553 per capita and employee.

**Table 5: Operating Impact Summary**

	2022 FIR Total Operating Costs (Indexed to \$2024)	Quantity (Based on 2021 Census Year)	Unit of Measure	Operating Cost/ Unit of Measure	SP Quantity	SP Operating Costs	2022 FIR Total Grants, User Fees, and Service Charges (Indexed to \$2024)	Per capita	SP Revenue Calc	Net SP Operating Cost
General Government	\$7,981,759	131,350	Population + Employment (50%)	\$61	12,497	\$759,415	\$1,455,653	\$14	\$175,275	\$584,141
Fire	\$18,178,371	35,950	Households (75%)	\$506	4,963	\$2,509,589	\$536,153	\$5	\$64,558	\$2,445,031
Protective Inspection and Control	\$1,983,115	131,350	Population + Employment (75%)	\$15	12,497	\$188,681	\$75,156	\$1	\$9,050	\$179,632
Building Permit and Inspection Services	\$1,967,011	35,950	Households (75%)	\$55	4,963	\$271,553	\$145	\$0	\$17	\$271,535
Emergency Measures	\$375,313	131,350	Population + Employment (75%)	\$3	12,497	\$35,709	\$5,321	\$0	\$641	\$35,068
Roads and Related	\$33,553,294	131,350	Population + Employment (75%)	\$255	12,497	\$3,192,390	\$1,313,016	\$13	\$158,100	\$3,034,290
Transit	\$0	131,350	Population + Employment (75%)	\$0	12,497	\$0	\$0	\$0	\$0	\$0
Parking	\$684,430	131,350	Population + Employment (75%)	\$5	12,497	\$65,119	\$214,899	\$2	\$25,876	\$39,243
Storm - Urban	\$2,468,696	35,950	Households (75%)	\$69	4,963	\$340,812	\$42,022	\$0	\$5,060	\$335,752
Storm - Rural	\$837,426	35,950	Households (75%)	\$23	4,963	\$115,610	\$0	\$0	\$0	\$115,610
Erosion Control & Region services	\$376,711	<i>Assume no additional expense tied to development</i>					\$0			
Public Health	\$0	101,427	Population (75%)	\$0	9,160	\$0	\$0	\$0	\$0	\$0
Cemeteries	\$715,382	101,427	Population (75%)	\$7	9,160	\$64,604	\$314,162	\$3	\$37,828	\$26,776
Social Services	\$0	101,427	Population (75%)	\$0	9,160	\$0	\$0	\$0	\$0	\$0
Parks	\$5,990,139	101,427	Population (75%)	\$59	9,160	\$540,953	\$127,980	\$1	\$15,410	\$525,543
Recreation	\$19,955,475	101,427	Population (75%)	\$197	9,160	\$1,802,125	\$4,461,032	\$44	\$537,152	\$1,264,973
Libraries	\$4,188,401	101,427	Population (75%)	\$41	9,160	\$378,243	\$100,611	\$1	\$12,115	\$366,129
Museums & Cultural Services	\$1,012,880	101,427	Population (50%)	\$10	6,106	\$60,980	\$372,447	\$4	\$44,846	\$16,134
Planning and Development	\$6,820,457	131,350	Population + Employment (50%)	\$52	8,331	\$432,616	\$3,868,434	\$38	\$465,797	(\$33,181)
<b>Total</b>						<b>\$10,758,400</b>			<b>\$1,551,724</b>	<b>\$9,206,676</b>

## E. REVENUE ANALYSIS

### i. Assessment

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 Clarington since 2014 that are of similar quality and size to those that are likely to be constructed in Secondary Plan Area. Similarly, the non-residential assessment forecasts were based on values per square metre of gross floor area of recently constructed buildings in Clarington. The CVAs used in the analysis are as follows:

- Low Density Residential Units           \$500,000 per unit
- Medium Density Residential Units       \$350,000 per unit
- High Density Residential Units          \$300,000 per unit
- Local Commercial Buildings            \$3,200 per square metre

The property tax revenue forecasts at build out of the Secondary Plan Area were developed by applying the current Municipal tax rates for the applicable land classes to the projected assessments.

As shown in Table 6, the total CVA of new buildings within the Secondary Plan Area is forecasted at \$12.9 million.

**Table 6: Summary of Anticipated Revenues**

Unit Type	Value per Unit or per GFA	Measure	Forecast Units / Square Metres	Forecast Assessment Value	Clarington Tax Rate	Annual Tax Revenue
Low Density	\$ 500,000	per unit	480	\$ 240,070,000	0.004432560	\$ 1,064,125
Medium Density	\$ 350,000	per unit	1,070	\$ 374,419,500	0.004432560	\$ 1,659,637
High Density	\$ 300,000	per unit	5,067	\$ 1,520,237,250	0.004875820	\$ 7,412,403
Non-Residential	\$ 3,200	per square metre	134,363	\$ 429,961,600	0.006427210	\$ 2,763,453
<b>Total</b>						<b>\$ 12,899,618</b>

## F. CONCLUSIONS

Overall, development of the Secondary Plan Area will result in a marginal net financial positive impact to the Municipality. After accounting for anticipated assessment revenues and asset management and net operating expenditures, the development will result in a \$41 per person and employment revenue surplus.

<b>Revenue or Expenses</b>	<b>Total Amount</b>	<b>\$/Person &amp; Employee</b>
<b>Revenue</b>		
Assessment	\$ 12,899,618	\$ 774
<b><i>Sub-Total Revenue</i></b>	<b><i>\$ 12,899,618</i></b>	<b><i>\$ 774</i></b>
<b>Expenses</b>		
Developer Constructed Assets - AMP Contribution	\$ 498,177	\$ 30
DC Funded Assets - AMP Contribution	\$ 2,500,418	\$ 150
Municipal-Funded Assets - AMP Contribution	\$ -	\$ -
Net Operating Impacts	\$ 9,206,676	\$ 553
<b><i>Sub-Total Expenses</i></b>	<b><i>\$ 12,205,271</i></b>	<b><i>\$ 733</i></b>
<i>Net Difference (\$)</i>	<i>\$ 694,347</i>	<i>\$ 41</i>
<i>Net Difference (%)</i>	<i>5%</i>	<i>5%</i>