DRAFT REPORT

PREPARED BY HEMSON FOR THE MUNICIPALITY OF CLARINGTON

SOPER SPRINGS SECONDARY PLAN FISCAL IMPACT ANALYSIS

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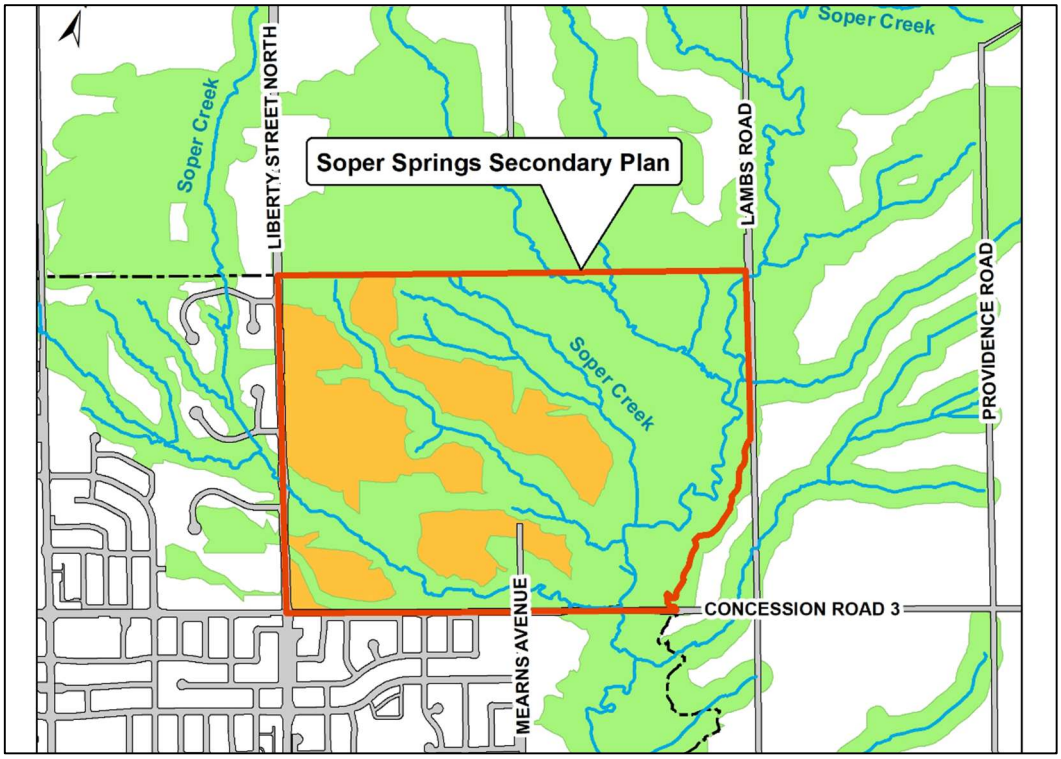
1. Introduction and Background

As part of the Soper Springs Secondary Plan presented by the Municipality of Clarington, Hemson Consulting Ltd. has been retained to complete a fiscal impact analysis. This report summarizes Hemson's evaluation of the capital costs, operating costs, and revenue sources associated with the secondary plan area.

A. GROWTH FORECASTS FOR BUILD-OUT OF SS

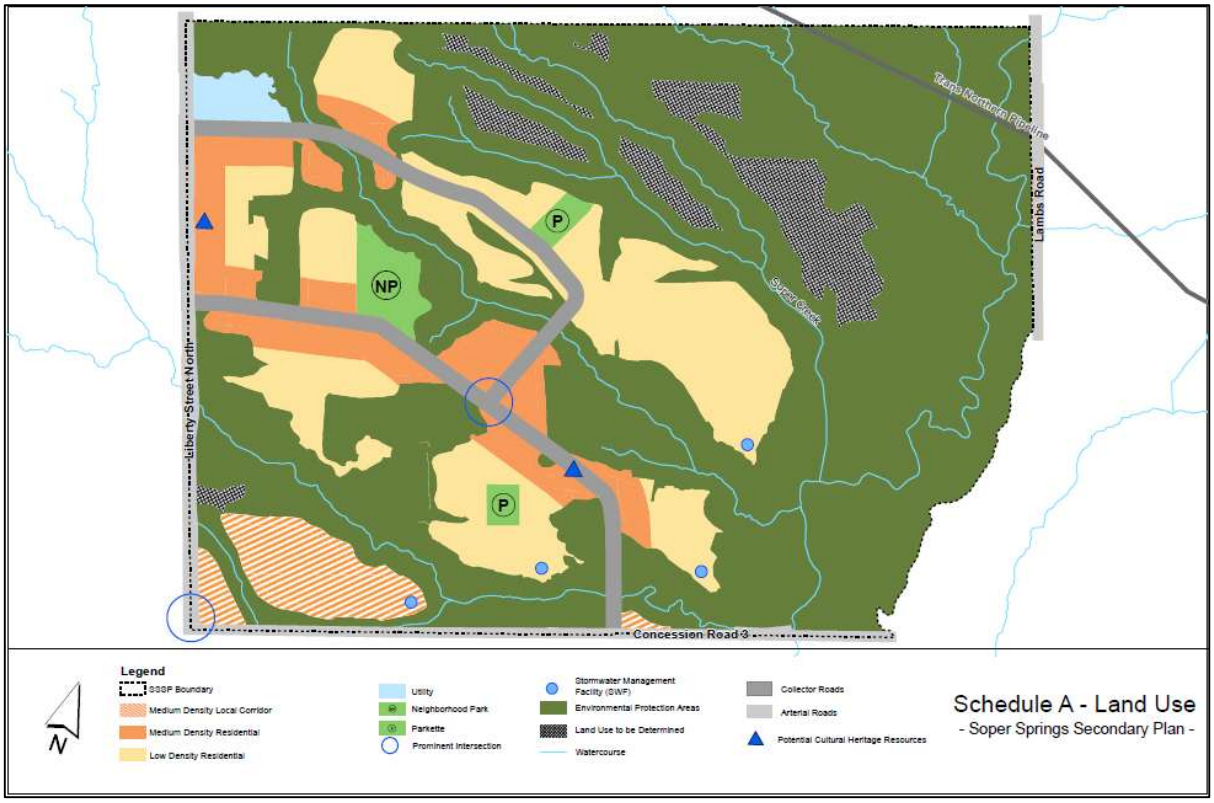
The Soper Springs Secondary Plan Area (SSSP Area) is 184-hectares in size, bounded by Liberty Street North to the west, Concession Road 3 to the south, and Lambs Road in the northeast (See Figure 1 and Figure 2). The focus of this analysis and of residential development in the SSSP Area is the 39.9-hectare central and western segment, which includes both low- and medium – density residential areas, as well as higher – density residential areas, bordering segments of Concession Road 3 on the SSSP Area's southern boundary. Also included in the 39.9-hectare development area is a neighbourhood park (1.5 ha), 2 parkettes (1.0 ha), 4 stormwater management facilities (4.4 ha), and a 1.2-hectare segment for the construction of a regional pumping station. The remaining SSSP Area contains primarily Environmental Protection Areas. An estimate of 1,279 units is estimated at full build-out of the SSSP Area; no non-residential development or employment is included in the SSSP Area. See Table 1 for a summary of the anticipated forecast development used in the fiscal impact analysis.

Figure 1. Map of SSSP Area



Source: Municipality of Clarington

Figure 2. SSSP Area Land Use Plan



Source: Municipality of Clarington

Densities across the SSSP Area are expected to range from approximately 24 units per hectare in Low Density development areas to 110 units per hectare in the Medium Density Local Corridor development area. As shown in Table 1, the SSSP Area is anticipated to add approximately 1,279 residential units to accommodate a population of approximately 3,256. The Low Density development area comprises a majority of the land in the 39.9-hectare total development area and is expected to hold the largest share of the SSSP Area's population, while the Medium Density development area will see the most significant addition of new residential units.

Table 1: Summary of SSSP Area Growth to Build-Out (Target)[1]

Land Use	Gross Area (ha)	Residential Units	Population	Persons Per Unit (PPU)
Low Density	16.8	398	1,441	3.14
Medium Density	11.9	529	1,287	2.43
Medium Density - Local Corridor	3.2	352	529	1.50
Additional Lands	8.0	-	-	-
Total	**39.9**	**1,279**	**3,256**	

[1] Forecast provided by Municipality of Clarington

B. KEY DATA AND ASSUMPTIONS

The results of the analysis are advanced in nature and are intended to illustrate the potential fiscal impact of new development on municipal budgets at full build-out of the SSSP Area, based on the projected development. Actual impacts will be influenced by several factors, including the cost and timing of infrastructure projects and the rate of development.

The analysis is based on the following key inputs:

- **Municipality of Clarington Financial Data:** actual expenditures and non-tax revenues for 2024, as reported in the Financial Information Returns (FIRs) and municipal budget documents, were used to establish current municipal expenditures per capita;
- **Current value assessments (CVAs):** derived from the current assessment roll to estimate future property tax revenues, using data from recently constructed (last ten years) units and buildings; and

- **Development assumptions:** derived from the SSSP Draft Preferred Land Use Plan to estimate future total costs and revenues.

Unless otherwise stated, all values are expressed in constant 2026 dollars.

This report is organized as follows:

Section 2 provides the analysis of the capital costs associated with the anticipated servicing needs of the SSSP Area to build-out. Developer-funded, DC-funded, and Municipality-funded costs are examined, as well as the long-term lifecycle costs associated with the new infrastructure.

Section 3 examines the additional annual operating costs arising from new infrastructure, as well as the associated population growth in the SSSP Area.

Section 4 provides a forecast of the assessment growth and Municipality property tax revenue potential of the SSSP Area at full build-out and compares this potential with Municipality-wide averages.

Section 5 summarizes the long-term annual tax-supported costs and revenues associated with the SSSP Area and provides concluding observations on the fiscal impact analysis.

2. Capital Cost Analysis

The fiscal impact analysis examines growth-related capital costs to be funded through direct developer contributions and development charges (DCs) on new development; no non-growth shares of the project to be funded by the Municipality have been identified. The potential long-term lifecycle costs associated with the new infrastructure is also examined. Given that the Soper Springs Secondary Plan is a primarily greenfield development and therefore will require net new infrastructure during the build-out, no existing infrastructure is being replaced or upgraded during development, and therefore none of the capital costs are allocated as replacement shares; all examined costs are fully development-related.

Anticipated capital costs to support growth within the SSSP Area are summarized in Table 2 and total $46.9 million to full build-out of the area. These capital costs will be paid for through a combination of development charges and local services, without the need of property tax funding.

The Average Annual Cost values shown on Table 2 are the amounts necessary to replace the assets at the end of useful life, providing monies to maintain assets in a state of good repair (SOGR). To estimate the Municipality's incremental increase in capital replacement contributions, useful life assumptions were applied. Assumptions for long-term inflation (2.0%) and borrowing (3.5%) were also used. The costs have been assigned against the development as part of this fiscal impact analysis.

Table 2. Capital Cost Summary

Asset Type	Gross Cost	Average Annual SOGR Cost	Source
Stormwater	$8,280,000	$78,821	Hemson DCBS
Transportation Services	$19,769,341	$313,968	Secondary Plan Infrastructure Details
Recreation & Parks Services	$3,045,065	$60,451	Hemson DCBS + Capital Provision
Indoor Recreation Services	$11,315,474	$224,635	Hemson DCBS + Capital Provision
Fire Protection Services	$1,632,285	$90,741	Hemson DCBS + Capital Provision
Public Works	$1,132,004	$54,406	Hemson DCBS + Capital Provision
Library Services	$1,745,699	$66,879	Hemson DCBS + Capital Provision
Total	**$46,919,868.45**	**$889,900**	

Note: DC Study costs have been indexed to $2026.

A. DEVELOPER FUNDED CAPITAL (LOCAL SERVICE CAPITAL)

This analysis estimates the amount of additional funding for the future lifecycle replacement capital cost (or state of good repair costs) required as a result of the installation of local services capital by developers. 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, any sanitary sewers, storm sewers and associated infrastructure along local roads are considered to be local services capital. In addition, parkland improvements provided by developers through Section 42 of the *Planning Act* is considered to be local services capital.

To estimate the Municipality's incremental increase in capital replacement contributions, useful life assumptions were applied. Assumptions for long-term inflation (2.0%) and borrowing (3.5%) were also used.

This information was used to estimate an annual replacement contribution that would be required by the end of each asset's useful life. As shown in Table 3, the anticipated replacement costs are estimated at approximately $273,600 per year, which translates to $84.03 per capita when allocated across the SSSP Area's development forecast.

Table 3. Summary of Replacement Costs and Annual Tax-Supported Replacement Contribution for Local Services Capital

Asset Type	Replacement Cost	Useful Life	Annual Provision	Per Capita
Municipal Stormwater	$49,209,142	90 Years	$78,821	$24.21
Municipal Transportation Services	$33,013,847	50 Years	$194,797	$59.83
Total	**$82,222,989**		**$273,617**	**$84.03**

B. DC-FUNDED CAPITAL

For the purposes of this analysis, DC-eligible capital costs include collector and arterial roads and related infrastructure to be developed in the SSSP Area. DC-eligible general services capital costs have also been estimated based on service levels set out in the Municipality's 2025 DC Background Study.

Table 4 compares the total anticipated DC-eligible costs with anticipated revenues associated with the build-out of the SSSP Area under the recently updated (2026) DC rates imposed by the Municipality. Overall, DC revenues exceed DC costs by approximately $15.3 million.

This notional DC revenue "surplus" is primarily associated with the Municipal Road infrastructure. As Roads and Related Infrastructure account for 59% of current Municipal DC rates, it is the primary source of revenue from DCs in the SSSP Area during it's build-out. It is important to stress that development of the subject lands will generate additional road activity which will necessitate improvements to roads across the Municipality; these needs are reflected in Clarington's DC Background Study.

Table 4. DC-Eligible Costs and Revenues Under Current (2026) DC Rates

DC Service Category	Total Cost	DC Revenues Under Current Rates	Net Revenue
Library Service	$1,745,699	$1,458,652	($287,047)
Emergency & Fire Services	$1,632,285	$793,721	($838,563)
Parks & Indoor Recreation	$14,360,540	$14,383,785	$23,246
General Government	$0	$479,416	$479,416
Land Acquisition	$0	$53,080	$53,080
Public Works: Services Related to a Highway	$8,635,780	$24,536,169	$15,900,389
Total	**$26,374,304**	**$41,704,823**	**$15,330,519**

The difference may also be due to the categorization of costs as local vs. DC-eligible services in the analysis (it is noted that municipalities are granted some flexibility in the determination of local services).

The development-related infrastructure needs for general services are based on the level of service standards and capital program costs set out in the DC Background Study.

DC revenue calculations incorporate the inability of the Municipality to impose DCs for social housing and public health as of November 28, 2022. The calculations also do not account for DC revenue losses arising from Bill 23, the *More Homes Built Faster Act* changes: rental housing discounts, exemptions for affordable housing, attainable housing, non-profit housing, and inclusionary zoning, changes to historical service level calculations, fixed interest rates on frozen DCs, and potential ineligibility of certain capital costs (e.g. land acquisition). Any such revenue loss is assumed to be minor or indeterminable for the SSSP Area at the present time.

i. Lifecycle Costs

Once again, useful life assumptions were used to estimate the Municipal long-term incremental increase in capital replacement contributions associated with the new DC-funded infrastructure. As shown in Table 5, at full build-out these replacement costs are estimated at approximately $616,300 per year, which translates to $189.27 per capita when allocated across the SSSP Area development forecast.

Table 5. Summary of Replacement Costs and Annual Tax-Supported Replacement Contribution for DC-Funded Capital

Asset Type	Replacement Cost	Useful Life	Annual Provision	Per Capita
Transportation Services	$20,197,074	50 Years	$119,172	$36.60
Recreation & Parks Services	$8,196,062	50 Years	$60,451	$18.57
Indoor Recreation Services	$30,456,595	50 Years	$224,635	$68.99
Library Services	$4,109,552	10 - 50 Years	$66,879	$20.54
Public Works	$2,142,936	15 - 50 Years	$54,406	$16.71
Fire Protection Services	$3,326,838	10 - 50 Years	$90,741	$27.87
Total	**$68,429,056**		**$616,283**	**$189.27**

3. Operating Cost Analysis

Tax-supported operating costs arising from the construction of new developer- and DC-funded capital, and the addition of households and people in the SSSP Area, were estimated based on data from the Municipality and Region's 2024 FIR, SSSP Draft Land Budget and projected development minimums. Utility-supported Water and Wastewater services are not included in this analysis.

Table 6 summarizes the gross operating costs anticipated to be associated with development in the SSSP Area. Cost drivers were applied to FIR operating cost data net of any amortization and interest on long-term debt. 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 population growth or household growth. For all services, incremental cost savings are common and factors of 50% and 75% were applied accordingly. The total additional annual operating cost associated with development of the SSSP Area is calculated at approximately $2.2 million.

Table 7 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 in the SSSP Area. Annual non-tax revenues associated with the SSSP Area at build-out are calculated at approximately $468,400.

The total net annual operating cost associated with the SSSP Area is approximately $1.74 million. This translates to about $534.06 per capita in the SSSP Area.

Table 6. Anticipated Additional Operating Costs Based on 2024 Financial Information Return

Service	Operating Cost / Unit	Unit of Measure & Factor	SSSP Area Quantity	SSSP Area Total Operating Cost
General Government	$35.65	Population (50%)	3,256	$116,066
Fire	$399.89	Households (75%)	1,279	$511,456
Protective Inspection and Control	$11.71	Population (75%)	3,256	$38,140
Building Permit and Inspection Services	$60.68	Households (75%)	1,279	$77,613
Emergency Measures	$0.11	Population (75%)	3,256	$344
Roads and Related	$142.57	Population (75%)	3,256	$464,204
Parking	$4.68	Population (75%)	3,256	$15,237
Storm - Urban	$17.83	Households (75%)	1,279	$22,807
Storm - Rural	$34.11	Households (75%)	1,279	$43,627
Other (Port Granby)	$0.00	Households (75%)	1,279	$0
Erosion Control & Region Services	$1.37	Households (75%)	1,279	$1,746
Cemeteries	$8.17	Population (75%)	3,256	$26,585
Social Services	$0.00	Population (75%)	3,256	$0
Parks	$53.86	Population (75%)	3,256	$175,368
Recreation	$144.96	Population (75%)	3,256	$471,977
Libraries	$36.62	Population (75%)	3,256	$119,234
Museums & Cultural Services	$5.20	Population (50%)	3,256	$16,930
Planning and Development	$32.56	Population (50%)	3,256	$106,000
Total				**$2,207,334**

Notes: Unit costs based on 2024 FIR operating expenditures, Census estimates of population (109,379), Households (38,265), and 2025 DC Background Study estimate of employment (33,376)

Table 7. Anticipated Grant, User Fees, and Service Charges and Resulting Net Operating Costs

Service	Municipal Non-Tax Revenues Per Unit	Unit of Measure	SSSP Area Total Non-Tax Revenues	SSSP Area Total Net Operating Costs	Per Capita
General Government	$5.40	Population (3,256)	$17,570	$98,496	$30.25
Fire	$11.66	Households (1,279)	$14,916	$496,540	$152.50
Protective Inspection and Control	$0.46	Population (3,256)	$1,489	$36,652	$11.26
Building Permit and Inspection Services	$0.15	Households (1,279)	$193	$77,421	$23.78
Emergency Measures	$0.00	Population (3,256)	$0	$344	$0.11
Roads and Related	$31.63	Population (3,256)	$102,987	$361,217	$110.94
Parking	$1.44	Population (3,256)	$4,702	$10,535	$3.24
Storm - Urban	$2.15	Households (1,279)	$2,753	$20,054	$6.16
Storm - Rural	$0.00	Households (1,279)	$0	$43,627	$13.40
Other (Port Granby)	$0.00	Households (1,279)	$0	$0	$0.00
Erosion Control & Region Services	$0.00	Households (1,279)	$0	$1,746	$0.54
Cemeteries	$3.16	Population (3,256)	$10,296	$16,289	$5.00
Social Services	$0.00	Population (3,256)	$0	$0	$0.00
Parks	$6.14	Population (3,256)	$19,992	$155,376	$47.72
Recreation	$64.86	Population (3,256)	$211,197	$260,780	$80.09
Libraries	$1.64	Population (3,256)	$5,339	$113,894	$34.98
Museums & Cultural Services	$1.63	Population (3,256)	$5,299	$11,631	$3.57
Planning and Development	$22.02	Population (3,256)	$71,691	$34,309	$10.54
Total			**$468,424**	**$1,738,910**	**$534.06**

4. REVENUE ANALYSIS

This section describes the analysis of the future assessment, property tax revenues, and development charge revenues in the SSSP Area.

A. ASSESSMENT

The major source of new revenue generated by new development in the SSSP Area will be annual property taxes. 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 between 2014 - 2024 that are of similar quality and size to those that are likely to be constructed in SSSP Area. The CVAs used for analysis are assumed to be slightly higher per unit than those assumed in previous fiscal impact analysis studies conducted for the Municipality of Clarington to reflect the comparatively lower density of units in the SSSP Area. This indicates that each unit will occupy more land and therefore be of higher relative value. Three categories of CVAs are used to calculate residential property tax revenues: Low Density Residential. Medium Density Residential, and High Density Residential (corresponding to all Medium Density Local Corridor units in the SSSP Area).

The CVAs used in the analysis are as follows:

Low Density Residential Units	$520,000 per unit
Medium Density Residential Units	$390,000 per unit
High Density Residential Units	$260,000 per unit

B. MUNICIPAL PROPERTY TAX REVENUE

The property tax revenue forecasts at build-out of the SSSP Area were developed by applying the current 2026 Municipal tax rates for the applicable land classes to the projected assessments.

As shown in Table 8, the total CVA of new buildings within the SSSP Area is forecast at approximately $504.8 million, primarily associated with Low Density Residential Development ($206.7 million) and Medium Density Residential Development ($206.5 million). After applying the Municipality's 2026 tax rates to each property class, total annual

Municipal property tax revenue is calculated at approximately $2.5 million, or an average of $766.33 per person in the area (see Table 9).

Table 8. Summary of Annual Municipal Tax Revenues at Build-Out

Land Use	Forecast	Assessment (2026)	Total Assessment	Municipal Tax Rate (2026)	Annual Municipal Tax Revenue	Per Unit
Residential	***Units***	***Per Unit***				
Low Density	398	$520,000	$206,740,417	0.00485458	$1,003,638	$2,524.38
Medium Density	529	$390,000	$206,480,781	0.00485458	$1,002,377	$1,893
High Density	352	$260,000	$91,613,770	0.00534004	$489,221	$1,388
Total	**1,279**		**$504,834,968**		**$2,495,237**	

Generally, development of the SSSP Area is anticipated to generate higher taxation revenues per capita than the most recent (2024) Municipality-wide averages (see Table 9). This reflects the higher assessed values of newer homes, which are typically larger and constructed with more modern materials and amenities.

Table 9. Municipal Property Tax Revenue Comparison with Municipality Average

	SSSP Area		Municipal Average (2024)	
	Annual Revenue	**Per Capita**	**Annual Revenue**	**Per Capita**
Residential	$2,495,237	$766.33	$65,623,144.00	$603.37

C. DEVELOPMENT CHARGE REVENUE

Table 10 summarizes the development charge revenue that would be generated up to full build-out of the SSSP Area, using current 2026 development charge rates.

The development charge revenue calculations assume 70% of High Density Residential development in the Medium Density Local Corridor will be in two-bedroom or larger apartments with the remaining 30% of developed units being one-bedroom or smaller apartments. The applied calculations also account for the inability of the Municipality to impose DCs for social housing and public health.

The calculations do not account for DC revenue loss arising from the following changes arising from the *More Homes Built Faster Act 2022*: rental housing discounts, exemptions for affordable housing, attainable housing, non-profit housing, and inclusionary zoning, changes to historical service level calculations, fixed interest rates on frozen DCs, and potential ineligibility of certain capital costs (e.g. land acquisition). Any such revenue loss is assumed to be minor or indeterminable for the SSSP Area at the present time.

Table 10. Development Charge Revenue Generated in SSSP Area (Current Rates)

	Residential			
Service	**Low Density**	**Medium Density**	**Medium Density - Local Corridor**	**Total**
Municipal DCs				
Library Service	$587,620	$642,738	$228,294	$1,458,652
Emergency & Fire Services	$320,050	$349,429	$124,242	$793,721
Parks & Indoor Recreation	$5,795,888	$6,336,313	$2,251,585	$14,383,785
Operations	$0	$0	$0	$0
General Government	$193,223	$211,246	$74,947	$479,416
Land Acquisition	$21,469	$23,295	$8,316	$53,080
Services Related to a Highway	$9,886,963	$10,808,475	$3,840,731	$24,536,169
Total SSSP Area DC Revenue	**$16,805,213**	**$18,371,495**	**$6,528,115**	**$41,704,823**

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5. SUMMARY OF FISCAL IMPACT

Table 11 provides an overall summary of the estimated fiscal impacts associated with the full build-out of the SSSP Area. Revenues are projected at $766 per capita annually, while expenditures are estimated at $807, resulting in an annual deficit of approximately $41 per capita, or a -5.4% difference. This result indicates that the SSSP development will likely be fiscally neutral to slightly negative - additional revenues (largely property taxes and development charges) should generally cover the additional municipal costs generated by the development,

Table 11. Overall Findings

Revenue or Expenses	Total Amount	$/Person
Revenue		
Property Taxes (Assessment growth)	$ 2,495,237	$ 766
Sub-Total Revenue	***$ 2,495,237***	***$ 766***
Expenses		
Developer Constructed Assets - AMP Contribution	$ 273,617	$ 84
DC Funded Assets - AMP Contribution	$ 616,283	$ 189
Municipal-Funded Assets - AMP Contribution	$ -	$ -
Net Operating Impacts	$ 1,738,910	$ 534
Sub-Total Expenses	***$ 2,628,811***	***$ 807***
Net Difference ($)	*$ (133,574)*	*$ (41)*
Net Difference (%)	*-5.4%*	*-5.4%*

Before reviewing the key implications, it is important to reiterate that the main purpose of the analysis is to inform decisions regarding the Soper Springs Secondary Plan as it relates to the SSSP Area. The fiscal impact analysis results should not be viewed as precise forecasts of what will occur at full build-out of the SSSP Area.

The results point to incremental operating cost efficiencies within the SSSP Area. Due to economies of scale arising from the high density and localized nature of development, the cost to service new residents is expected to be lower on a per capita basis than the cost to service existing populations. As well, the relatively high assessed values of new residential units in the SSSP Area are expected to generate higher property taxes per capita than existing development in the Municipality. Overall, the SSSP Area is anticipated to be fiscally sustainable over the long-term.

That said, several areas of caution must be noted:

- First, the analysis assumes full municipal funding of new infrastructure lifecycle costs. In reality, contributions toward lifecycle funding for existing infrastructure may not currently meet 100% of calculated needs. Moreover, infrastructure renewal requirements are expected to grow as existing infrastructure ages and is adapted to address climate change.

- Second, the fiscal projections of development charge revenue assume the use of the Municipality's recently-passed development charge rates, but do not account for the anticipated passage of new DC by-laws during the build-out period. Therefore, the total SSSP Area DC revenue is likely to exceed estimates when new rates are inevitably implemented. In addition, any future legislative changes that restrict the ability to levy development charges could materially affect the financial outlook set out in this report negatively.

- Finally, the fiscal impact analysis evaluates the fiscal impact at full build-out of the SSSP Area. However, costs associated with financing SSSP Area infrastructure—such as debt costs incurred to cover servicing expenditures prior to development—are not included in the analysis.