

AREA-SPECIFIC DEVELOPMENT CHARGES BACKGROUND STUDY – ONTARIO PENINSULA FARM (OPF) LANDS



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EXECUTIVE SUMMARY

A. PURPOSE OF AREA-SPECIFIC DEVELOPMENT CHARGES (ASDC) STUDY

The following summarizes the findings of the Municipality of Kincardine's Area-Specific Development Charges (ASDC) Background Study for the Ontario Peninsula Farm (OPF) lands. The development charges identified in this study are related to infrastructure needs not currently identified in the Municipality's existing development charges levied under DC By-law 2016-080. As such, the charges presented herein are intended to represent charges that are in addition to the Municipality's existing development charges.

B. THE STUDY IS CONSISTENT WITH DEVELOPMENT CHARGES LEGISLATION

This study calculates area-specific development charges for the Municipality of Kincardine's OPF lands in compliance with the provisions of the *Development Charges Act, 1997* (DCA) and its associated regulation (Ontario Regulation 82/98) and the recently amended provisions of the legislation.

This report identifies the development-related capital costs attributable to development that is forecast to occur in the identified OPF lands. These costs are apportioned and calculated on a net developable land area basis which reflects the increase in the need for each service attributable to development occurring in the OPF lands.

The calculated charges are the maximum charges the Municipality may adopt. Lower charges may be approved; however, this will require a reduction in the capital plan, reduced service levels, or require financing from other sources, most likely property taxes and utility rates.

C. DEVELOPMENT FORECAST

A net developable land area forecast was prepared for the OPF lands and was informed based on information provided by the Municipality's engineering consultants as reviewed by staff. The total area of the OPF lands is 30.40 hectares (75.12 acres). After adjusting for non-developable land areas (e.g. road allowances, stormwater blocks, environmentally protected areas, etc.) the total net developable land area amounts to

13.80 hectares (34.10 acres). The net developable land area excludes the parcel related to the proposed Bruce Power facility.

The following provides a summary of the total land area, non-developable land area and net developable land area.

Description	Land Area
Total Land Area of Site	30.40 hectares (75.12 acres)
Less: Non-Developable Area	16.60 hectares (41.02 acres)
Total Net Developable Area	13.80 hectares (34.10 acres)

D. DEVELOPMENT RELATED-CAPITAL PROGRAM

The development-related capital program includes infrastructure costs relating to the increase in need for service arising from the future development of the OPF lands. Capital costs relating to roadwork, storm, sanitary sewer, watermains, geotechnical studies and other internal site costs have been included in the calculation.

In total, the capital program amounts to \$6.20 million, of which approximately \$3.57 million is brought forward to the development charges calculation. The difference relates to local service infrastructure required for the Bruce Power parcel and non-growth related shares.

The following is a summary of the development-related capital forecast for all services.

Area-Specific Costs 2018-Buildout		
Service	Gross Cost	DC Eligible
Storm Sewer	\$300,084	\$217,956
Sanitary Sewer (Includes Roadworks)	\$1,811,624	\$614,431
Watermains (Includes Roadworks & Geotechnical Studies)	\$2,187,299	\$834,788
Additional Internal Site Costs	\$1,900,120	\$1,900,120
Total	\$6,199,127	\$3,567,295

E. AREA-SPECIFIC DEVELOPMENT CHARGES CALCULATION

The calculated ASDC is based on a net developable land area and is applied uniformly to both residential and non-residential development. The table below sets out the identified area-specific rate calculation.

Service Area	Total Development-Related Cost	Net Developable Area	Cost per Net Developable Area
OPF Lands	\$3,567,295	13.8 hectare: or 34.1 acre	\$258,500 per net hectare; or \$104,611 per net acre

F. PROPOSED ASSETS ARE DEEMED TO BE FINANCIALLY SUSTAINABLE

In accordance with the *DCA*, a long-term capital and operating impact analysis as well as an asset management plan has been undertaken for the identified servicing works. In total, the net operating costs related to the proposed area-specific projects are estimated to be similar to other DC eligible services provided by the Municipality. Any increase in assessment growth driven by the forecast development will be able to offset any operating impacts and related long-term capital costs.

From an asset management perspective, the calculated lifecycle costs are considered financially sustainable as it is expected that the increased operating, maintenance and capital asset management requirements can be absorbed through the Municipality's tax and utility rates over time.

I INTRODUCTION AND BACKGROUND

A. BACKGROUND

The Municipality of Kincardine's Area-Specific Development Charges (ASDC) Background Study for the OPF lands is presented as part of a process to lead to the approval of a new ASDC By-law in compliance with the *Development Charges Act, 1997 (DCA)* and its associated *Ontario Regulation 82/98 (O. Reg. 82/98)*.

The Municipality of Kincardine is in the process of providing municipal servicing to facilitate the development of a new 12,000 square metre (129,000 square foot) office and training tower for Bruce Power located on the OPF lands. In addition to providing servicing to the new Bruce Power facility, the Municipality has also identified infrastructure costs required to service the surrounding lands. The Municipality wishes to implement ASDCs to fund development-related capital projects so that development may be serviced in a fiscally responsible manner.

B. KEY STEPS IN DETERMINING AREA-SPECIFIC DEVELOPMENT CHARGES FOR FUTURE DEVELOPMENT-RELATED PROJECTS

Section 10(1) of the *DCA*, sets out the requirement for a municipality to complete a Background Study prior to the passage of a DC By-law. Subsection 10(2) identifies what is to be included in the DC Background Study. These legislative requirements are shown in Figure 1 and are discussed below as well as in subsequent sections:

s.10(2)(a) – estimate the amount, type and location of development to which the development charge is to apply;

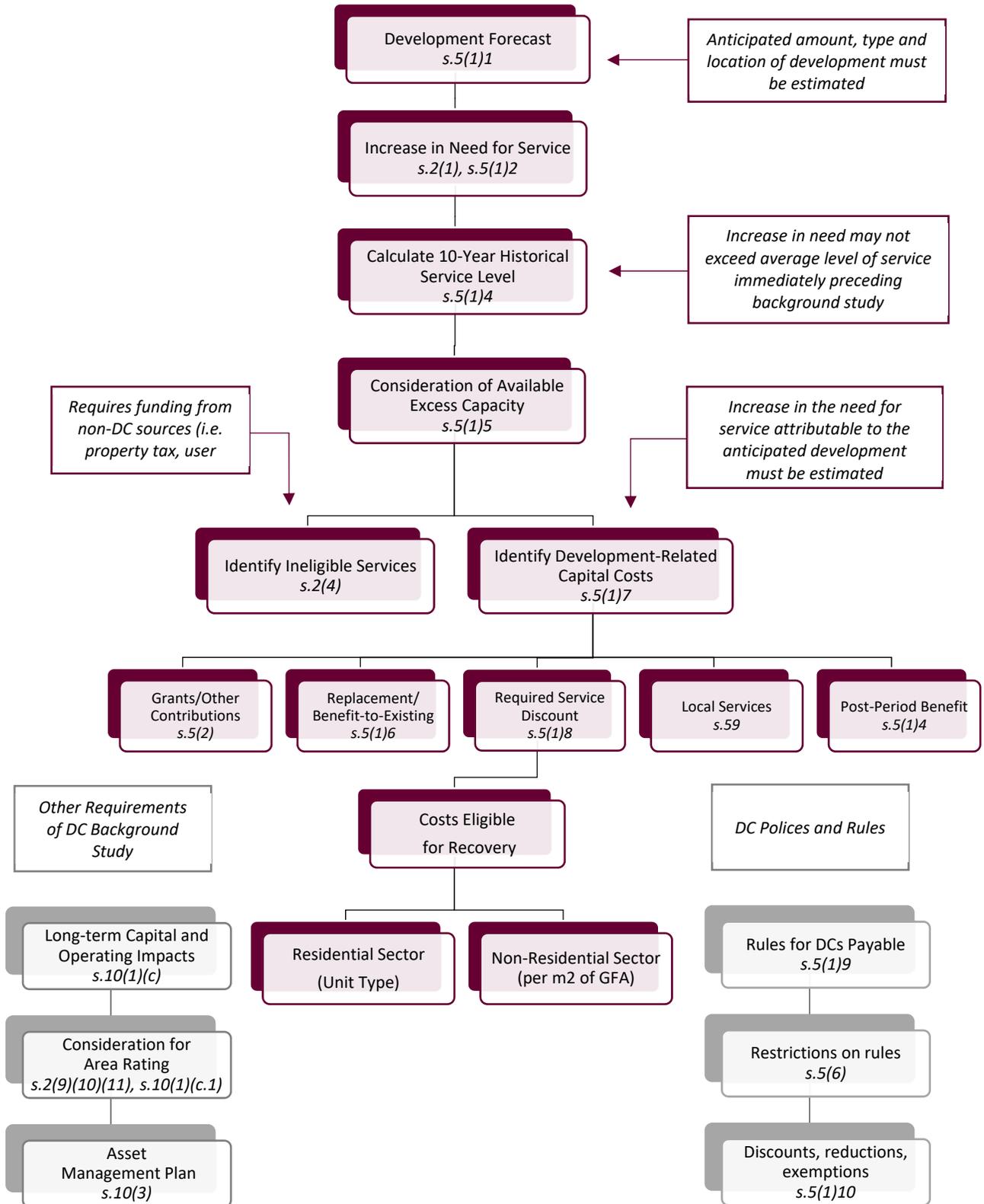
s.10(2)(b) – establish the eligible growth-related costs and services (as determined under paragraphs 2 to 8 of subsection 5(1) of the *DCA*) to which the development charge by-law would relate;

s.10(2)(c) – examine, for each service to which the development charge by-law relates, the long term capital and operating costs for the capital infrastructure required.

s.10(2)(c.1) – consideration for the use of more than one development charge by-law to reflect different needs for services in different areas.

s.10(2)(c.2)(3) – an asset management plan deals with all assets proposed to be funded under the development charges by-law that demonstrates that assets are financially sustainable over their full life cycle.

Figure 1: Statutory Requirements of Development Charge Calculation and Study Process



C. ORGANIZATION OF STUDY

The remainder of this study sets out the information and analysis upon which the proposed area-specific development charges are based.

Section II designates the services for which the development charges are proposed and the areas within the Municipality to which the development charges will apply. It also briefly reviews the methodology that has been applied in this study.

Section III presents a summary of the forecast net developable land area that is expected to occur within OPF lands over the 2018 to buildout period.

Section IV summarizes the future development-related capital costs associated with the servicing needs of the OPF lands. This section also details the calculated ASDC on a per net hectare and net acre basis.

Section V provides an examination of the long-term capital and operating cost impacts for the infrastructure included in the ASDC calculation. It also addresses the asset management provisions required to maintain the development-related components of the capital projects included in the analysis.

Section VI provides a discussion of other issues and considerations including by-law administration, rules and policies.

II AREA-SPECIFIC APPROACH IS USED TO ALIGN DEVELOPMENT-RELATED COSTS AND BENEFITS

Several key steps are required when calculating any development charge. However, specific circumstances arise in each municipality that must be reflected in the calculation. Therefore, we have tailored our approach to the unique circumstances in the Municipality of Kincardine. The approach to the proposed ASDC is focused on providing a reasonable alignment of development-related costs with the development that necessitates them.

A. AREA-SPECIFIC DEVELOPMENT CHARGES HAVE BEEN CALCULATED

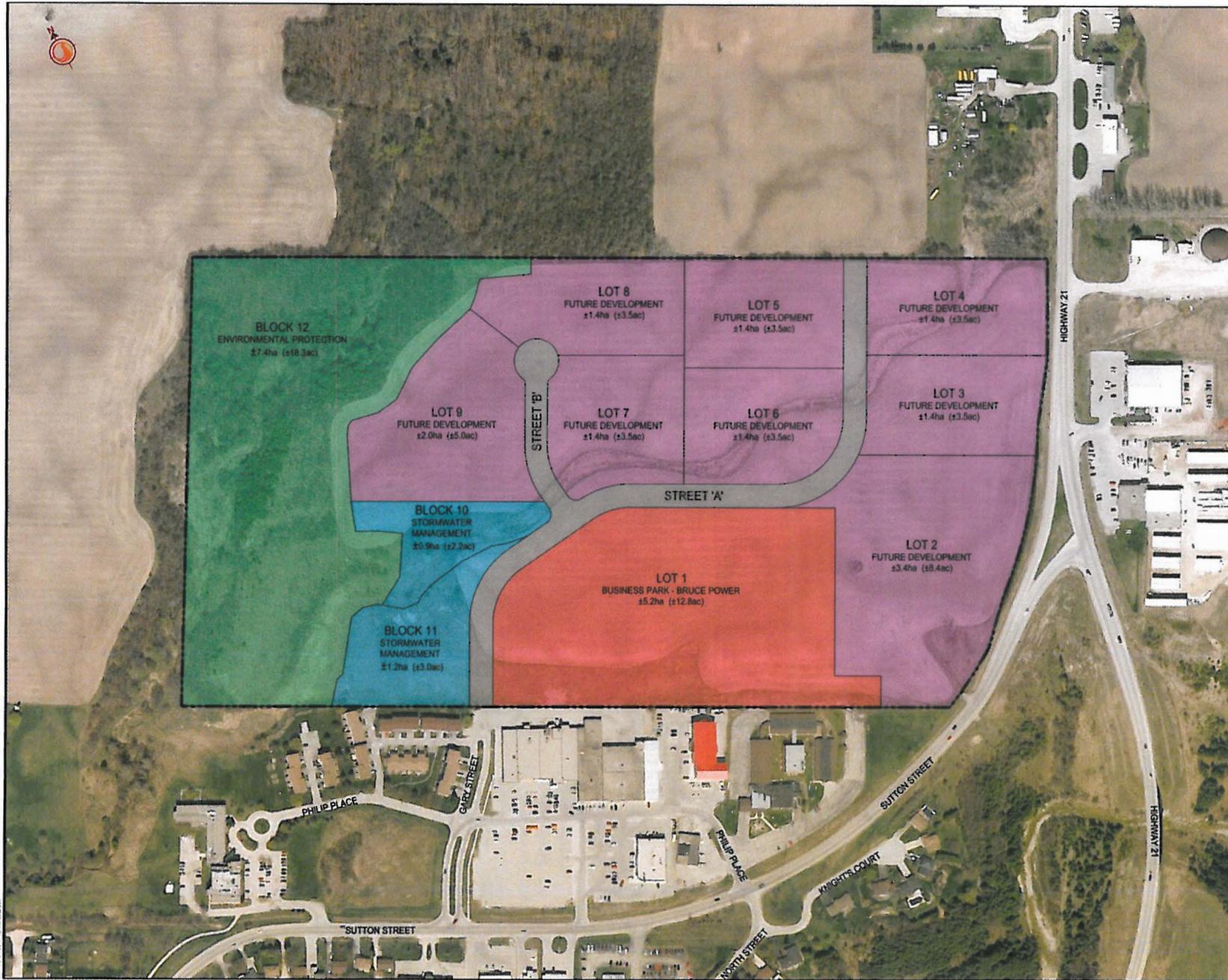
The *DCA* provides municipalities with flexibility to define services included in development charge by-laws, if other provisions of the *Act* and its associated regulations are met. The *DCA* also requires that the by-laws designate the areas within the Municipality for which the by-laws shall be imposed. The development charges may apply to all lands in the Municipality or to other designated development areas as specified in the by-laws.

The Municipality of Kincardine currently levies development charges on a municipal-wide uniform basis. The Municipal-wide charges recover for development-related costs for services such as Cemetery, Parks and Recreation, Public Works and Municipal Fleet, Fire Services, Waste Management, General Government as well as engineered services of Roads and Related, Water and Wastewater. This study relates to area-specific charges that would apply to the OPF lands to recover for various infrastructure works including roads, storm, sanitary sewer and watermains. It is important to note that both the Municipal-wide development charges and the calculated area-specific development charges would apply to development on the OPF lands.

As the identified infrastructure requirements provide a localized benefit specific to a distinct geographic boundary, area-specific development charges are more appropriate than a Municipal-wide charge. This study and accompanying ASDC By-law, are intended to build upon the existing policies and practices identified in Kincardine's existing DC By-law 2016-080.

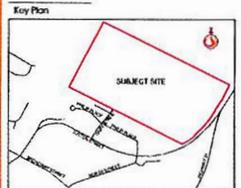
B. MAP OF AREA-SPECIFIC DEVELOPMENT CHARGES AREA

The following map provides an outline of the area to which the proposed ASDCs will apply.



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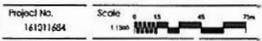
Legal Description:
 Part of lots 18 and 17
 Concession A
 Municipality of the County
 County of Bruce

- Legend
- BUSINESS PARK - BRUCE POWER
 - FUTURE DEVELOPMENT
 - STORMWATER MANAGEMENT
 - ENVIRONMENTAL PROTECTION
 - ROADS
- TOTAL LOT AREA = 130.6ha (325.1ac)

Revision	By	Check	Permitted
1	11/10/14	11/10/14	11/10/14

Permit/Seal

Client/Project
 ONTARIO PENINSULA FARMS
 KINCARDINE PROPERTY
 KINCARDINE, ON
 Title
 CONCEPTUAL DEVELOPMENT PLAN



Project No. 161011654
 Drawing No. CP-1
 Sheet 1 of 1
 Revision 0

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1. Developable Land Area Forecast

A land area based development charge is proposed for the purposes of calculating an ASDC for the OPF lands. As such, a land area forecast has been prepared with input from the Municipality and its engineering consultants to determine the total available developable land from 2018 to buildout.

For the purposes of the ASDC calculation, the total developable land area, net of areas such as road allowances, stormwater blocks, environmentally protected areas etc. is used for the purposes of the calculation.

2. Service Categories and Historical Service Levels, If Applicable

The *DCA* provides that the increase in the need for service attributable to anticipated development:

... must not include an increase that would result in the level of service exceeding the average level of that service provided in the municipality over the 10-year period immediately preceding the preparation of the background study...(s. 5. (1) 4.)

This provision of the *DCA* is typically applicable to general services and requires a detailed review of capital service levels for buildings, land, vehicles and related and facilities. For engineered services, such as water, wastewater, stormwater management and roads (including road-related works), historical service levels are less applicable as municipalities must build to minimum standards required by Provincial health and environmental requirements.

Given that the increase in need for service identified for the OPF lands relate to engineered services, the ASDC calculations are not subject to the same service level restrictions applied for general services, thus no funding level caps have been applied.

3. Development-Related Capital Program and DC Eligible Costs to be recovered through the ASDCs

The development-related capital program has been prepared by the Municipality's engineering consultants and reviewed by staff. The program identifies development-related projects and their gross and net costs, after allowing for capital grants, subsidies or other contributions as required by the *Act (DCA, s. 5. (2))*. The capital forecast provides another cornerstone upon which development charges are based. The *DCA* requires that the increase in the need for service attributable to the anticipated development may include an increase:

... only if the council of the municipality has indicated that it intends to ensure that such an increase in need will be met. (s. 5. (1) 3.)

The development-related capital program prepared for this study ensures that development charges are only imposed to help pay for projects that have been or are intended to be purchased or built in order to accommodate future anticipated

development. It is not sufficient in the calculation of development charges merely to have had the service in the past. There must also be a demonstrated commitment to continue to emplace facilities or infrastructure in the future. In this regard, *Ontario Regulation 82/98*, s. 3 states that:

For the purposes of paragraph 3 of subsection 5 (1) of the Act, the council of a municipality has indicated that it intends to ensure that an increase in the need for service will be met if the increase in service forms part of an Official Plan, capital forecast or similar expression of the intention of the council and the plan, forecast or similar expression of the intention of the council has been approved by the council.

For some projects in the development-related capital program, a portion of the project may confer benefits to existing residents. As required by the *DCA*, s. 5. (1) 6., these portions of projects and their associated net costs are the funding responsibility of the Municipality from non-development charges sources. The amount of municipal funding for such non-development shares of projects is also identified as part of the preparation of the development-related capital program.

Finally, the development-related net capital costs must be reduced by ten per cent for all services except roads and related services, protection services (*DCA*, s. 5. (1) 8.) and engineered services. As the ASDC study only deals with engineering related infrastructure, 100 per cent of the development-related costs are recoverable through development charges.

4. Attribution to Net Developable Land Area

Once the total gross capital project costs have been identified and all necessary reductions and adjustments have been made, the ASDC is calculated based on the net developable land area and expressed as a rate per net hectare (or net acre).

C. PUBLIC AND STAKEHOLDER CONSULTATION

In accordance with the *DCA*, a statutory public meeting will be held to solicit feedback on this study and associated the ASDC By-law. Input received from the statutory public meeting will be considered prior to the passage of the ASDC By-law.

III AREA-SPECIFIC DEVELOPMENT FORECAST

This section provides the basis for the total net developable land area forecasts used in calculating area-specific development charges on the OPF lands. The total developable land area was informed based on data provided by the Municipality's engineering consultants and through discussions with Municipal staff. This practice aligns with the provisions of the *DCA*, which require that development charges be determined with reference to *"the amount, type and location of development for which development charges can be imposed..."* (s.5.(1)1.). This section portrays a summary of the results of the total developable land area, net non-developable areas.

A. TOTAL NET DEVELOPABLE LAND AREA

Net developable land area is the total land area of a site excluding land that is already occupied and/or used for the purposes of roads allowances, stormwater blocks, environmentally sensitive areas etc. The total net developable land area has been determined for the purposes of calculating the total applicable ASDCs payable on a per net hectare basis.

Table 1 provides a summary of the total developable and net developable land areas. In total, the net developable land area of the OPF lands is 13.80 hectares or 34.10 acres.

Table 1
Summary of Net Developable Land Area

Description	Land Area
Total Land Area of Site	30.40 hectares (75.12 acres)
Less: Non-Developable Area	16.60 hectares (41.02 acres)
Total Net Developable Area	13.80 hectares (34.10 acres)

IV THE DEVELOPMENT-RELATED CAPITAL PROGRAM AND CALCULATED AREA-SPECIFIC DEVELOPMENT CHARGES

A. A DEVELOPMENT-RELATED CAPITAL FORECAST IS PROVIDED FOR COUNCIL'S APPROVAL

The *DCA* requires the Council of a municipality to express its intent to provide future capital facilities. As noted above in Section II, *Ontario Regulation 82/98*, s. 3 states that:

For the purposes of paragraph 3 of subsection 5 (1) of the Act, the council of a municipality has indicated that it intends to ensure that an increase in the need for service will be met if the increase in service forms part of an official plan, capital forecast or similar expression of the intention of the council and the plan, forecast or similar expression of the intention of the council has been approved by the council.

One of the recommendations contained in this study is for Council to adopt the development-related capital forecast related to the ASDC calculation. It is assumed that future capital budgets and forecasts will continue to bring forward the development-related projects contained herein, consistent with the growth occurring in the Municipality. It is acknowledged that changes to the forecast presented here may occur through the Municipality's normal capital budget process.

B. PROPOSED DEVELOPMENT-RELATED CAPITAL FORECAST

The following provides a detailed discussion of the analysis undertaken to establish the area-specific capital program for the OPF lands. The projects identified in the capital program are driven by the need to provide infrastructure to the proposed Bruce Power building as well as the surrounding lands that would allow for future growth.

The development-related capital program is based on cost estimates prepared by the Municipality's engineering consultant and further reviewed by staff.

1. Summary of Development-Related Capital Program Costs

As shown in Table 2, the 2018-buildout engineered services capital program totals \$6.20 million and includes for construction of roadwork, storm sewers, sanitary sewers, watermains and additional internal site costs (e.g. new street work, stormwater ponds, water and sewer works). Of the \$6.20 million, about 68 per cent, or \$4.20 million is deemed growth-related. A portion of the \$4.20 million (\$628,200) is directly

attributed to the proposed Bruce Power facility and is removed from the total DC eligible costs included in the ASDC calculation as this share of costs is intended to be funded from other non-DC sources. After this adjustment, the DC eligible amount brought forward to the calculation totals \$3.57 million.

The following provides a brief discussion of the identified infrastructure needs to service the OPF lands and the associated costs and allocations.

a. Storm Sewer

Storm sewer related infrastructure totals \$300,100 and is considered entirely growth-related. Of this total, 27 per cent (or \$82,100), is directly attributable to servicing the proposed Bruce Power facility and is removed from the ASDC calculation. As such, approximately \$218,000 is brought forward to the ASDC calculation after adjusting for the share of costs related to servicing Bruce Power.

b. Sanitary Sewer (Includes Roadworks)

The estimated cost of the sanitary sewer work totals \$1.81 million and includes for the upsizing of the existing sanitary sewer mains to service development on the OPF lands as well as any associated roadworks required to facilitate the work. Of this total, \$965,700 is considered to be the replacement and benefit to existing share and not considered for development charges recovery. The replacement and benefit to existing share of the sanitary sewer infrastructure and associated road allocation works was determined by identifying the component of the infrastructure that is not being oversized to facilitate development. Therefore, any rehabilitation, replacement and/or reconstruction to existing infrastructure on James Street, Mechanics, Sutton and Gary Street that does not increase capacity is included in the non-growth related share of works (i.e. not recovered from development charges). After this adjustment, approximately \$846,000 is considered the growth-related cost.

Of this total, approximately \$231,500 is considered directly attributable to servicing Bruce Power and this share is removed from the calculation. In total, \$614,400 is brought forward to the ASDC calculation.

c. Watermains (Includes Roadworks and Geotechnical Studies)

Watermain infrastructure includes costs related to the development of new linear infrastructure, associated roadworks and related geotechnical studies required to facilitate development.

In total, watermain related work amounts to \$2.19 million. Of this amount, \$1.04 million is considered to be the replacement and benefit to existing share (i.e. non-growth related) and not considered for development charges

recovery. Similar to the sanitary sewer infrastructure costs, the replacement and benefit to existing share of the watermain infrastructure and associated road allocation works was determined by identifying the component of the infrastructure that is not being oversized to facilitate development. The associated roadwork and geotechnical study costs have also been attributed based on these shares. Importantly, any rehabilitation and/or reconstruction to existing road segments are included in the non-growth related shares. After this adjustment, approximately \$1.10 million is considered the growth-related cost.

Of this total, about \$314,600 is attributed to Bruce Power and removed from the total eligible costs included in the ASDC calculation. The total DC eligible costs brought forward to the ASDC calculation amounts to \$834,800.

d. Additional Internal Site Costs

Additional internal site costs including new street work, stormwater ponds, water and sewer works total \$1.90 million. The cost of this infrastructure is fully related to new development; therefore, the total cost is brought forward to the ASDC calculation.

MUNICIPALITY OF KINKARDINE
DEVELOPMENT-RELATED CAPITAL PROGRAM
ONTARIO PENISULA FARM (OPF) LANDS
2018 to BUILDOUT

Project Description	Gross Project Cost	Grants/ Subsidies/Other Recoveries	Net Municipal Cost	Non-Growth Costs		Total Growth-Related Costs	Other Non-DC Eligible Costs (1)		Total ASDC Eligible 2018-Buildout
				%	\$		%	\$	
1.0 ONTARIO PENISULA FARM (OPF) LANDS									
1.1 Storm Sewer									
1.1.1 South Street	\$ 1,770	\$ -	\$ 1,770	0%	\$ -	\$ 1,770	27%	\$ 484	\$ 1,286
1.1.2 James Street	\$ 93,873	\$ -	\$ 93,873	0%	\$ -	\$ 93,873	27%	\$ 25,692	\$ 68,182
1.1.3 Mechanics	\$ 103,785	\$ -	\$ 103,785	0%	\$ -	\$ 103,785	27%	\$ 28,404	\$ 75,381
1.1.4 Sutton	\$ 41,573	\$ -	\$ 41,573	0%	\$ -	\$ 41,573	27%	\$ 11,378	\$ 30,195
1.1.5 Gary Street	\$ 59,082	\$ -	\$ 59,082	0%	\$ -	\$ 59,082	27%	\$ 16,170	\$ 42,912
Subtotal Storm Sewer	\$ 300,084	\$ -	\$ 300,084		\$ -	\$ 300,084		\$ 82,128	\$ 217,956
1.2 Sanitary Sewer (Inclds Roadworks)									
1.2.1 South Street	\$ -	\$ -	\$ -	0%	\$ -	\$ -	27%	\$ -	\$ -
1.2.2 James Street	\$ 292,767	\$ -	\$ 292,767	65%	\$ 188,845	\$ 103,922	27%	\$ 28,442	\$ 75,480
1.2.3 Mechanics	\$ 480,864	\$ -	\$ 480,864	61%	\$ 292,204	\$ 188,660	27%	\$ 51,633	\$ 137,027
1.2.4 Sutton	\$ 697,597	\$ -	\$ 697,597	40%	\$ 282,155	\$ 415,442	27%	\$ 113,700	\$ 301,742
1.2.5 Gary Street	\$ 340,396	\$ -	\$ 340,396	59%	\$ 202,464	\$ 137,932	27%	\$ 37,750	\$ 100,182
Subtotal Sanitary Sewer (Inclds Roadworks)	\$ 1,811,624	\$ -	\$ 1,811,624		\$ 965,668	\$ 845,956		\$ 231,525	\$ 614,431
1.3 Watermains (Inclds Roadworks & Geotechnical Studies)									
1.3.1 South Street	\$ 56,414	\$ -	\$ 56,414	43%	\$ 24,113	\$ 32,301	27%	\$ 8,840	\$ 23,461
1.3.2 James Street	\$ 466,158	\$ -	\$ 466,158	60%	\$ 279,561	\$ 186,597	27%	\$ 51,069	\$ 135,528
1.3.3 Mechanics	\$ 408,373	\$ -	\$ 408,373	58%	\$ 237,503	\$ 170,870	27%	\$ 46,765	\$ 124,106
1.3.4 Sutton	\$ 924,538	\$ -	\$ 924,538	33%	\$ 308,779	\$ 615,759	27%	\$ 168,523	\$ 447,235
1.3.5 Gary Street	\$ 331,816	\$ -	\$ 331,816	57%	\$ 187,997	\$ 143,819	27%	\$ 39,361	\$ 104,458
Subtotal Watermains (Inclds Roadworks & Geotechnical Studies)	\$ 2,187,299	\$ -	\$ 2,187,299		\$ 1,037,953	\$ 1,149,346		\$ 314,558	\$ 834,788
1.4 Additional Internal Site Costs									
1.4.1 Includes new street work, stormwater ponds, water and sewer works	\$ 1,900,120	\$ -	\$ 1,900,120	0%	\$ -	\$ 1,900,120	0%	\$ -	\$ 1,900,120
Subtotal Additional Internal Site Costs	\$ 1,900,120	\$ -	\$ 1,900,120		\$ -	\$ 1,900,120		\$ -	\$ 1,900,120
TOTAL ONTARIO PENISULA FARM (OPF) LANDS	\$ 6,199,127	\$ -	\$ 6,199,127		\$ 2,003,621	\$ 4,195,506		\$ 628,211	\$ 3,567,295

(1) Costs attributable to the Bruce Power lands

Development Charge Calculation	
Total Development Related Cost	\$3,567,295
Total Net Developable Land Area (Hectare)	13.80
\$/ Net Developable Hectare	\$258,500
Total Net Developable Land Area (Acres)	34.10
\$/ Net Developable Acre	\$104,611

A. AREA-SPECIFIC DEVELOPMENT CHARGES CALCULATION

As shown in Table 3, the total DC eligible share of \$3.57 million is attributed to the net developable land area of the OPF lands. This amount, when divided by the total net developable land area of 13.80 hectares (34.10 acres) results in an area-specific development charge of \$258,500 per net hectare (\$104,611 per net acre).

Table 3
Summary of Calculated ASDC

Service Area	Total Development-Related Cost	Net Developable Area	Cost per Net Developable Area
OPF Lands	\$3,567,295	13.80 hectare: or 34.10 acre	\$258,500 per net hectare; or \$104,611 per net acre

V LONG-TERM CAPITAL, OPERATING COSTS AND ASSET MANAGEMENT PROVISIONS

This section provides a brief examination of the long-term capital and operating costs for the area-specific capital facilities and infrastructure to be included in the ASDC by-law. This section also considers the required annual asset management provisions associated with emplacing the infrastructure.

The *DCA* now requires that municipalities complete an Asset Management Plan before passing a development charges by-law. A key function of the Asset Management Plan is to demonstrate that all assets proposed to be funded under the development charges by-law are financially sustainable over their full life cycle. The *DCA* also requires that a background study estimate the future operating cost implications of the development-related capital program contained in the study.

A. LONG-TERM CAPITAL AND OPERATING IMPACTS

As required by section 10(2)(c) of the *DCA*, the long-term capital and operating costs for capital infrastructure must be examined. In total, the net operating costs related to the proposed area-specific projects are estimated to be similar to other DC eligible services provided by the Municipality. Any increase in assessment growth driven by the forecast development will be able to offset any operating impacts and related long-term capital costs.

As \$3.60 million of the \$6.20 million is considered to be funded from development charges, the Municipality is required to fund the remaining \$2.60 million from non-DC sources. These non-DC sources are commonly funded by way of property taxes for non-linear infrastructure (water/wastewater) and utility rates for water and wastewater supported projects. Of the \$2.00 million, \$1.00 million can be attributed to general water and wastewater repair and replacement activities.

Table 4 provides a summary of the Municipality's projected water and wastewater reserve funds. As per Council resolution 06/20/18-03¹, the available reserve fund balances will be used to offset a portion of the costs associated with the \$1.00 million in non-growth related linear water and wastewater works.

¹ A copy of Council resolution can be found at the following link http://www.kincardine.net/public_docs/events/06%2020%2018%20minutes%20reg1.pdf

Table 4
User Fee Funded Projects

	Water	Wastewater ¹
Projected Funds as of Dec 31 2018	\$8,224,770	\$7,740,000
<i>Less: Share of non-growth project</i>	<i>\$525,896</i>	<i>\$512,463</i>
Remaining Balance	\$7,698,874	\$7,227,537

(1) Ending wastewater balance accounts for the projected funds to be borrowed for Connaught Park (\$1.3M)

The remaining \$1.60 million in costs associated with the road reconstruction works improvements are proposed to be funded from non-DC revenue sources. As outlined in Council resolution 06/20/18-03, the Municipality will use revenues from the OPG Low-Level Waste Hosting Amending Agreement to fund this portion of the infrastructure. As of June 2018, the Municipality had already received approximately \$1.24 million in funding from the OPG with an additional \$409,500 anticipated to be received before the end of the calendar year. In total, the transfer will amount to \$1.65 million which is sufficient enough to fund the identified \$1.60 million in non-DC eligible costs.

The \$3.60 million in DC eligible costs will be funded through internal borrowing from the Water and Sewer DC reserve fund. The reserves will be repaid from DCs as the OPF lands are developed.

B. ASSET MANAGEMENT CONSIDERATIONS FOR NEW INFRASTRUCTURE

Based on an analysis of the proposed infrastructure requirements associated with servicing the OPF lands, as shown in Table 5, the calculated annual provision amounts to approximately \$80,000.

This figure represents the amount of funding which should be contributed on an annual basis to replace the infrastructure at the end of its useful life. Of this amount, 44 per cent relates to the replacement of water and sanitary sewer infrastructure.

Table 5
Calculated Annual Provision

Tax Supported Assets	
Road Replacement	\$24,254
Storm Sewer	\$19,558
<i>Sub-total Tax Supported Assets</i>	<i>\$43,812</i>
Utility Rate Supported Assets	
Water	\$15,916
Sanitary Sewer	\$18,352
<i>Sub-total Utility Rate Supported Assets</i>	<i>\$34,267</i>
Total Annual Provision	\$78,079

The Municipality has historically done a good job of contributing funds on an annual basis for the future repair and replacement of infrastructure (both tax and rate supported). In order to ensure that these assets are financially sustainable, the Municipality should continue this practice into the future.

Table 6 below provides a summary of available discretionary reserve funds. The Lifecycle Reserve is intended to fund the replacement of existing infrastructure. Funds from the other discretionary reserves may be used to offset a portion of the costs.

Table 6
Summary of Discretionary / General Reserves

Reserve Fund	Projected Funds as of December 31st 2018
Lifecycle	\$2,093,000
Tax Mitigation	\$558,000
Ward 1 Industrial	\$490,000
Total Discretionary/ General Reserve Funds	\$3,141,000

C. THE PROGRAM IS DEEMED FINANCIALLY SUSTAINABLE

The calculated lifecycle costs are considered financially sustainable as it is expected that the increased operating, maintenance and capital asset management requirements can be absorbed through the Municipality's tax and utility rates over time.

VI OTHER ISSUES AND CONSIDERATIONS

A. DEVELOPMENT CHARGES ADMINISTRATION

No significant changes are recommended to the Municipality's current policies and practices regarding development charge administration. In this regard:

- It is recommended that practices regarding collection of development charges and by-law administration continue to the extent possible.
- As required under the *DCA*, the Municipality should codify any rules regarding application of the by-laws and exemptions within the development charges by-laws proposed for adoption.
- It is recommended that Council adopt the development-related capital program included in this background study, subject to annual review through the Municipality's normal capital budget process.
- It is recommended that no exemptions, other than those required in the *DCA* and existing Municipality-wide DC by-law, be formally adopted in the amending DC by-law.
- The Municipality should look to update and incorporate the resulting ASDCs into the next update of the Municipality-wide DC By-law.