

REPORT FOR PUBLIC CONSULTATION

PREPARED BY HEMSON FOR MUNICIPALITY OF KINCARDINE



AREA-SPECIFIC DEVELOPMENT CHARGES BACKGROUND STUDY – GARY STREET

May 9, 2025



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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 Gary Street (formally the Ontario Peninsula Farm) lands. The development charges identified in this study update the Municipality's existing area-specific development charges levied under DC By-law 2019-048.

B. THE STUDY IS CONSISTENT WITH DEVELOPMENT CHARGES LEGISLATION

This study calculates area-specific development charges for the Municipality of Kincardine's Gary Street 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 Gary Street lands. The costs are apportioned and calculated on a net developable land area basis that reflect the increase in the need for service attributable to development occurring within the area.

The calculated charges are the maximum charges the Municipality may adopt. Although Council can approve lower charges, this requires a reduction in the capital plan, reduced service levels, or may 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 Gary Street lands and was informed based on information provided by the Municipality's engineering consultants and reviewed by staff. The total vacant land area of the Gary Street lands is 30.4 hectares (75.12 acres). After adjusting for non-developable land areas (e.g. road allowances, stormwater blocks, environmentally protected areas, etc.) and future developable lands that will not benefit from the proposed infrastructure improvements, the total net developable land area amounts to 11.8 hectares (29.16 acres).

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 (less existing sites)	30.4 ha (75.12 acres)
Less: Future Developable Lands	5.20 ha (12.85 acres)
Less: Non-Developable Area	13.4 ha (33.11 acres)
Total Net Developable Area	11.80 ha (29.16 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 Gary Street lands. Capital costs relating to the design and construction of roads and related, storm, water and wastewater infrastructure are included in the calculation.

In total, the capital program amounts to \$3.67 million, of which approximately \$903,200 is brought forward to the development charges calculation. The following is a summary of the development-related capital forecast for all services.

Area-Specific Costs 2025-Buildout	Gross Cost (\$000)	ASDC Eligible (\$000)
Capital Costs Incurred	\$3,824.5	\$1,054.5
Interest Costs	\$133.7	\$133.7
Revenues from Other Sources	(\$300)	(\$300)
Development-Related Studies	\$15	\$15
Total	\$3,673.2	\$903.2

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.

Total Development- Related Cost	Net Developable Area	Cost per Net Developable Area
\$903,227	11.80 ha 29.16 acres	\$76,545/ha \$30,977/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.

1. INTRODUCTION AND BACKGROUND

The Municipality of Kincardine's Area-Specific Development Charges (ASDC) Background Study for the Gary Street 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 has constructed services to facilitate the development of the Gary Street lands, which includes a new office and training tower for Bruce Power. The Municipality wishes to continue implementing an ASDCs to fund development-related capital projects so that development may be serviced in a fiscally responsible manner.

A. LEGISLATIVE CONTEXT

The study is prepared in accordance with the DCA and associated regulations, including the amendments that came into force most recently on November 28, 2022 as per *Bill 23: More Homes Built Faster Act, 2022*. Prior to the publishing of this Consolidated DC Study, *Bill 185: Cutting Red Tape to Build More Homes Act, 2024* came into force which reversed the 5-year mandatory phase-in of DCs enacted under Bill 23 and also provided exemptions for Affordable housing projects that meet the legislative requirements. Key legislative changes incorporated into this study include:

- Historical service level standards, for applicable services, have been extended from a 10 to 15-year planning period;
- DC by-laws now expire every 10 years instead of 5 years;
- The amount of interest paid on DC deferrals and freeze is capped at prime plus 1%;
- Costs associated with affordable housing services are now ineligible for recovery through DCs;
- Municipalities must spend or allocate 60% of available DC reserve funds per year for roads, water and wastewater services;
- Discounts for purpose-built rentals based on the number of bedrooms; and
- Exemptions for Affordable housing developments which meet the definitions under the DCA.

B. STAKEHOLDER CONSULTATION AND KEY DATES

In accordance with the DCA, a statutory public meeting will be held to solicit feedback on ASDC Study and associated By-law. Input received from the statutory public meeting will be considered prior to the passage of the ASDC By-law. The draft ASDC By-law is available under separate cover and will be made available publicly a minimum of two-weeks before the statutory public meeting.

A summary of legislative requirements and proposed dates are summarized below. The dates are subject to change as part of the ongoing ASDC Study process.

Item	Proposed Timeline*
Release ASDC Background Study to Public	May 9, 2025
Notice of Public Meeting (20 days before Public Meeting)	May 22, 2025
Release ASDC By-law to Public	May 28, 2025
Statutory Public Meeting	June 11, 2025
By-law Passage	July 9, 2025
Notice of By-law Passage	July 29, 2025
Appeal Period Ends	August 18, 2025

**Dates are tentative and subject to change*

C. KEY STEPS IN DETERMING 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;

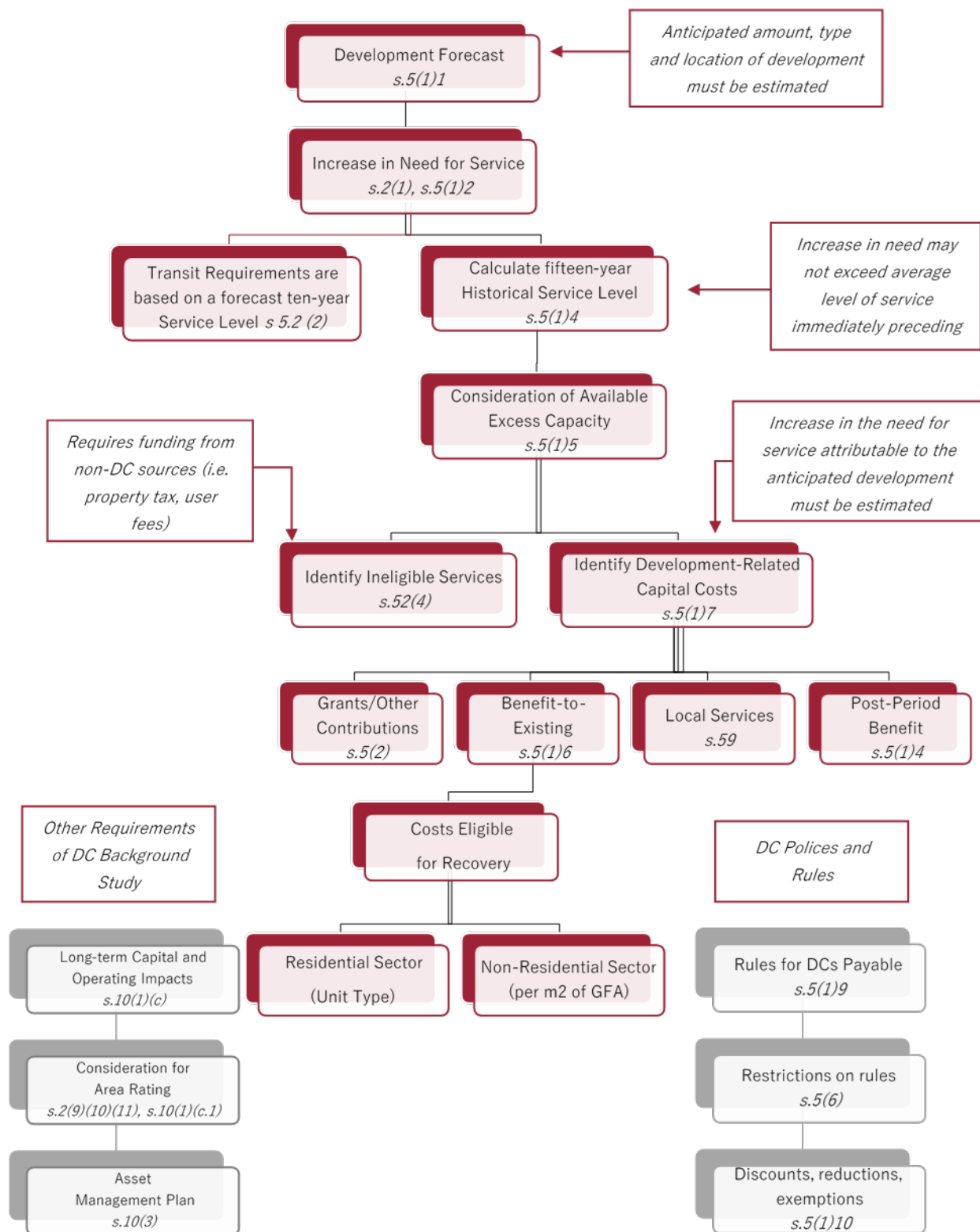
s.10(2)(b) – establish the eligible growth-related costs and services (as determined under *paragraphs* 2 to 8 of subsection 5(1) of the DCA) to which the development charge by-law would relate;

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



2. 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, Hemson has tailored the 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 has previously levied an area-specific development charge for the Gary Street lands to recover for various infrastructure works including roads, storm, water and wastewater. As the identified infrastructure requirements provide a localized benefit specific to a distinct geographic boundary, area-specific development charges continue to be more appropriate than a Municipal-wide charge.

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 Gary Street lands. A map of the Gary Street lands is included in Section 3.

i. Developable Land Area Forecast

A land area-based development charge is proposed for the purposes of calculating an ASDC for the Gary Street 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 2025 to buildout.

For the purposes of the ASDC calculation, the total developable land area, net of developed areas, land areas such as road allowances, stormwater blocks, environmentally protected etc., lands which have already developed and paid DCs, as well as future developable lands not contemplated in this Study, is used for the purposes of the calculation.

ii. 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 Gary Street 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.

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

The development-related capital program relates to costs incurred for infrastructure needed to service the Gary Street lands. 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.

iv. 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).

v. 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.

3. 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 Gary Street 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 Gary Street lands is 11.80 hectares or 29.16 acres.

Table 1 – Summary of Net Developable Land Area

Description	Land Area
Total Land Area of Site (less existing sites)	30.4 ha (75.12 acres)
Less: Future Developable Lands	5.20 ha (12.85 acres)
Less: Non-Developable Area	13.4 ha (33.11 acres)
Total Net Developable Area	11.80 ha (29.16 acres)

B. MAP OF AREA-SPECIFIC DEVELOPMENT CHARGES AREA

Figure 2 provides an outline of the area to which the proposed ASDCs will apply. As noted above, existing properties and properties related to future development are not included in the calculation and are therefore not required to pay the calculated ASDC rate.

BLOCK 12
ENVIRONMENTAL PROTECTION
27.4ha (67.9ac)

LOT 8
FUTURE DEVELOPMENT
±1.4ha (±3.5ac)

LOT 5
FUTURE DEVELOPMENT
±1.4ha (±3.5ac)

LOT 4
FUTURE DEVELOPMENT
±1.4ha (±3.5ac)

LOT 3
FUTURE DEVELOPMENT
±1.4ha (±3.5ac)

LOT 2
FUTURE DEVELOPMENT
±3.4ha (±8.4ac)

LOT 1
BUSINESS PARK - BRUCE POWER
±5.2ha (±12.8ac)

LOT 6
FUTURE DEVELOPMENT
±1.4ha (±3.5ac)

LOT 7
FUTURE DEVELOPMENT
±1.4ha (±3.5ac)

LOT 9
FUTURE DEVELOPMENT
±2.0ha (±5.0ac)

BLOCK 10
STORMWATER MANAGEMENT
55.9ha (138.2ac)

BLOCK 11
STORMWATER MANAGEMENT
21.2ha (±5.3ac)

STREET A

STREET B

HIGHWAY 21

HIGHWAY 16

DUTTON STREET

WINDY COAST

PINE PLACE

CREEK STREET

LEGEND

- BUSINESS PARK - BRUCE POWER
- FUTURE DEVELOPMENT
- STORMWATER MANAGEMENT
- ENVIRONMENTAL PROTECTION
- Roads

TOTAL LOT AREA = 155.0ha (375.0ac)

Client/Project:
ONDARO PENINSULA FARMS

ENCLOSURE PROPERTY

ENCLOSURE CH

CONCEPTUAL DEVELOPMENT PLAN

Project No:
14151484

Scale:
1:100

Sheet:
CP-1

Revision:
1 of 1

Date:
10/1/2014

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4. 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 Gary Street 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 incurred to provide appropriate servicing to the areas and includes interest costs.

i. **Summary of Development-Related Capital Program Costs**

As shown in Table 2, the 2025-buildout engineered services capital program totals \$3.67 million and includes for design work, construction of roadwork, storm, water and wastewater related infrastructure, interest costs, revenues from other sources and the cost of undertaking the ASDC Study. Of the \$3.67 million, about 75%, or \$2.77 million, is deemed as non-growth related and is intended to be funded through other non-DC sources. After this adjustment, the DC eligible amount brought forward to the calculation totals \$903,200.

The following provides a brief discussion of the identified infrastructure needs to service the Gary Street lands.

- **Capital Costs Incurred** – includes roads, storm, water and sanitary infrastructure and capital projects. Financing costs related to this work are also included in the calculation.
- **Interest Costs** - in total the Municipality has borrowed \$1.05 million related to DC eligible infrastructure costs incurred to date. The interest costs associated with the borrowed funds of \$133,700 are eligible for recovery by ASDCs and therefore included in the rate calculation.
- **Revenues from Other Sources** – includes \$300,000 in collection in lieu of DCs.
- **Studies** – relates to the cost of undertaking this ASDC Background Study.

TABLE 2

**MUNICIPALITY OF KINKARDINE
DEVELOPMENT-RELATED CAPITAL PROGRAM
GARY STREET ASDC (1)
2025 to BUILDOUT**

Project Description	Gross Project Cost	Grants/ Subsidies/Other Recoveries	Net Municipal Cost	BTE & Ineligible Shares (2)		Total ASDC Eligible 2025-Buildout
				%	\$	
1.0 GARY STREET ASDC (1)						
1.1 Capital Costs Incurred						
1.1.1 Storm Sewer, Sanitary Sewer, Watermains etc.	\$ 3,824,453	\$ -	\$ 3,824,453	72%	\$ 2,769,953	\$ 1,054,500
Subtotal Capital Costs Incurred	\$ 3,824,453	\$ -	\$ 3,824,453		\$ 2,769,953	\$ 1,054,500
1.2 Interest Costs						
1.2.1 Interest Costs on DC Eligible Shares	\$ 133,727	\$ -	\$ 133,727	0%	\$ -	\$ 133,727
Subtotal Interest Costs	\$ 133,727	\$ -	\$ 133,727		\$ -	\$ 133,727
1.3 Revenues from Other Sources						
1.3.1 Collections In Lieu of DCs	\$ (300,000)	\$ -	\$ (300,000)	0%	\$ -	\$ (300,000)
Subtotal Revenues from Other Sources	\$ (300,000)	\$ -	\$ (300,000)		\$ -	\$ (300,000)
1.4 Development-Related Study						
1.4.1 ASDC Background Study Update	\$ 15,000	\$ -	\$ 15,000	0%	\$ -	\$ 15,000
Subtotal Development-Related Study	\$ 15,000	\$ -	\$ 15,000		\$ -	\$ 15,000
TOTAL GARY STREET ASDC (1)	\$ 3,673,180	\$ -	\$ 3,673,180		\$ 2,769,953	\$ 903,227

(1) Formally known as the Ontario Peninsula Farm (OPF) Lands

(2) Includes benefit to existing shares and costs attributable to the Bruce Power lands

Development Charge Calculation	
Total Development Related Cost	\$903,227
Total Net Developable Land Area (Hectare)	11.80
\$/ Net Developable Hectare	\$76,545
Total Net Developable Land Area (Acres)	29.16
\$/ Net Developable Acre	\$30,977

C. AREA-SPECIFIC DEVELOPMENT CHARGES CALCULATION

As shown in Table 3, the total DC eligible share of \$903,200 is attributed to the net developable land area of the Gary Street lands. This amount, when divided by the total net developable land area of 11.80 hectares (29.16 acres) results in an area-specific development charge of \$76,545 per net hectare (\$30,977 per net acre).

Table 3 – Summary of Calculated ASDC

Total Development-Related Cost	Net Developable Area	Cost per Net Developable Area
\$903,227	11.80 ha 29.16 acres	\$76,545/ha \$30,977/acre

D. COMPARISON OF CURRENT VERSUS CALCULATED RATES

Table 4 provides a summary of the ASDC rate imposed under By-law 2019-048 (indexed to January 1, 2025) and the calculated ASDC rate. As shown, the proposed ADSC rate is approximately 80% lower from what was calculated under the previous By-law. This is a function of adjusted capital costs to reflect actual costs incurred and a reduction of lands that have been developed.

	\$/Ha	\$/Acre
Current ASDC Rate - Jan 1, 2025	\$ 380,947	\$ 154,164
Calculated ASDC	\$ 76,545	\$ 30,977
<i>Difference (\$)</i>	<i>(\$304,402)</i>	<i>(\$123,187)</i>
<i>Difference (%)</i>	<i>-80%</i>	<i>-80%</i>

5. 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.

B. ASSET MANAGEMENT CONSIDERATIONS & THE PROGRAM IS DEEMED FINANCIALLY SUSTAINABLE

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). As the infrastructure for the Gary Street lands has already been constructed, the annual lifecycle contributions for these assets have already been accounted for as part of the Municipality's ongoing asset management practices and are therefore 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.

6. 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 ASDC By-law.