Memorandum

To	Dave Heyworth, Director and Senior Advisor – Strategic Growth
From	Daryl Abbs, Watson & Associates Economists Ltd.
Date	June 9, 2025
Re:	Peer Review of Fiscal Impact Assessment for the White Church Urban Boundary Expansion Area

Fax ☐ Courier ☐ Mail ☐ Email ☒

1. Introduction

The City of Hamilton received an urban boundary expansion application to remove the White Church lands from the rural area and add the lands to the urban area. As part of the application requirements, a fiscal impact analysis (F.I.A.) is required to be undertaken. The applicant (Whitechurch Landowners Group Inc.) retained Urban Metrics to complete the F.I.A. The title of the report undertaken by Urban Metrics is "White Church Urban Boundary Expansion Area Fiscal Impact Assessment" (hereafter referred to as White Church F.I.A.). The purpose of this analysis was to identify the financial impacts to the City of Hamilton (City) as a result of expanding the urban boundary and developing and servicing these lands.

Watson & Associates Economists Ltd. (Watson) has been retained to conduct a peer review of this analysis. The F.I.A. report was reviewed to assess and test the validity of the assumptions utilized in preparing the analysis. The following memo report provides Watson's review and discussion with respect to the study prepared by Urban Metrics.

Note that the analysis presented herein is reflective of applicable legislation prior to the release of *Bill 17, Protect Ontario by Building Faster and Smarter Act, 2025*. Bill 17 was provided Royal Assent on June 5, 2025 and made amendments to the *Planning Act* as well as the *Development Charges Act*. With respect to changes to the *Development Charges Act,* it is not anticipated that the changes would impact the results of this peer review. Future potential changes noted by the Province with respect to standardization of Local Service Policies may impact the results, however, it is not likely that the changes will result in less pressure on property taxes and/or water and wastewater rates.

2. Fiscal Impact Overview

The purpose of undertaking an F.I.A. is to provide a municipality with the financial impact of development on the tax- and rate supported budgets. That is, will the anticipated development create upward pressure on tax rates and water/wastewater rates as a result of the net expenditures.

The approach utilized by Watson in undertaking F.I.A.s has been devised by the firm and has been used for over 42 years to evaluate financial impacts for municipalities across Canada, the Ontario Ministry of Municipal Affairs, the Ontario Land Corporation, Canada Mortgage and Housing Corporation (C.M.H.C.), and numerous developing landowners.

Essentially, the methodology involves an operating and capital cost analysis. The operating cost analysis involves calculating the City's tax and non-tax figures with the addition of the proposed development. The revenues and expenditures attributable to the development would be estimated on an incremental basis.

The capital cost analysis discusses the capital requirements and the associated funding sources. This analysis would include costs for all works required due to the development and include annual future replacement (lifecycle) costs attributable to the development.

Watson's full methodology is provided in Figure 2-1 below in schematic format. The review provided herein assesses whether Urban Metrics' analysis appropriately addresses the financial impacts of the development with reference/comparison to Watson's approach. At a high level, the following provides a summary of the components to the analysis:

1. **Development profile (dark blue boxes):** identification/estimation of the population, employment, housing units, and non-residential development to occur in the development area.

2. **Operating revenues (orange boxes):** as new residential and non-residential development occurs, additional property assessment will be added to the City. This property assessment is estimated and used to estimate the anticipated tax revenue to be generated by the newly developed properties. These additional revenues are denoted in the upper orange box of Figure 2-1. The lower box denotes the non-tax operating revenues that are provided from population and employment growth through fees, fares, fines, and other user fees.

3. **Capital Expenditures (purple box):** to ensure proper servicing for the new development area, capital needs are identified such as new roads, watermains, storm sewers, parks, community centres, etc. These capital needs can be separated as follows:

    - Local service costs that the developing landowner is directly responsible for funding and constructing;
    - Growth-related capital costs funded through D.C.s;
    - Non-growth-related capital costs funded by the City; and
    - Future replacement (lifecycle) costs funded by the City.

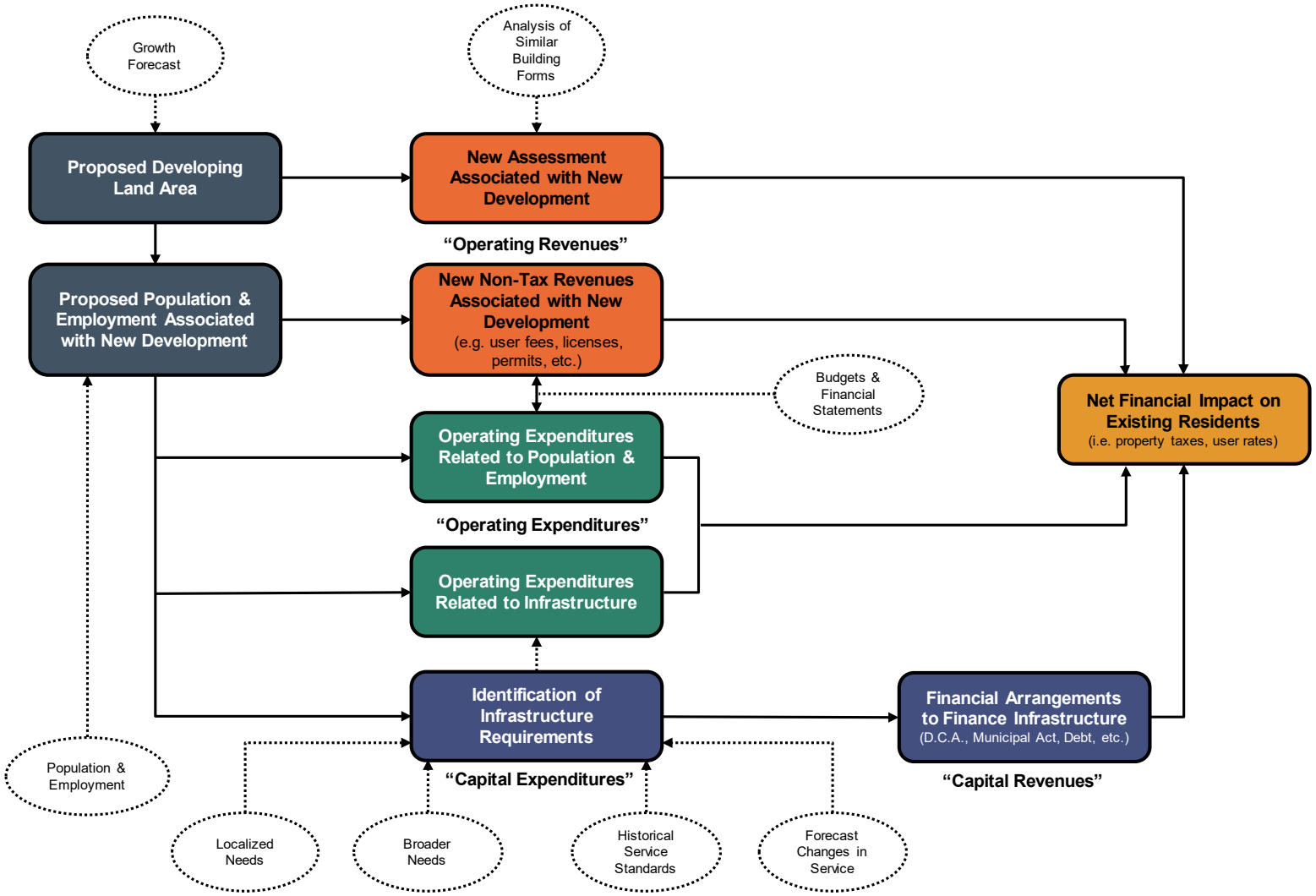
4. **Capital Revenues (teal box):** this section of the analysis describes how the capital needs identified will be financed by the City. This may include D.C.s, grants, developer contributions, and/or funding from reserves, taxes, and water/wastewater rates.

5. **Operating Expenditures (green boxes):** additional operating expenditures anticipated over time are generally assessed on two different bases: operating costs related to infrastructure and operating costs related to population/employment. The former identifies the specific operating costs to be incurred as additional infrastructure (e.g., roads, watermains, sanitary sewers, etc.) is constructed. The latter identifies program expenditures which are linked to population and employment growth.

6. **Net Financial Impact (yellow box):** combining all of the above provides for a net financial impact to the City's tax- and rate-supported budgets.

In general, Urban Metrics' analysis aligns with Watson's approach, however there are several areas where additional information is required to provide a more fulsome analysis. The F.I.A. does not include the full capital costs related to developing and servicing the area. Further, Urban Metrics' analysis does not adequately consider costs related to lifecycle replacement, which often has a significant impact on the net financial analysis and is inconsistent with Watson's approach. The suggested revisions/refinements provided in the subsequent section of this peer review seek to enhance the analysis and are provided for consideration.

Figure 2-1
City of Hamilton
Overview of Watsons F.I.A. Methodology



3. Draft Framework for Processing and Evaluating Urban Boundary Expansion Applications

The City of Hamilton has adopted a "no urban boundary expansion" growth strategy to the year 2051, however given recent legislative changes, new privately initiated urban boundary expansion applications can be submitted to the City for approval.

The City has developed a draft framework to assess any applications that are submitted for approval. As part of this framework, specific criteria have been established to assess the fiscal impact analysis. The assessment should, at a minimum, include the following components:

- **An assessment of the initial round of growth-related infrastructure**. An identification of the growth-related costs required to service the area is required.
- **Provisions for operating and replacement costs.** While the initial costs for infrastructure are paid for by developers, the ongoing operations and eventual replacement costs are assumed by the City. These costs should be estimated based on standard replacement costs and average useful lives of each asset.
- **Consideration of broader municipal fiscal implications** including opportunities to narrow the current infrastructure gap, effects on the allocation of servicing to priority areas within the City such as the Downtown and Major Transit Station Areas, maximize existing servicing capacity through conservation, efficiency and/or other innovative approaches.
- **Conclusions on the net fiscal impact**. Has the net impact considered the initial round of growth-related costs, provisions for operating and replacement costs, and more qualitative implications.

The following sections will review each component of the F.I.A. prepared by Urban Metrics. At the end of this memo report, the above criteria will be revisited to determine whether the assessment has addressed each component adequately.

4. Development Profile

4.1 Development Statistics

Based on the proposed concept plan for the White Church Urban Boundary Expansion Area (hereafter referred to as "White Church"), there are approximately 364 gross developable hectares within the development area. Of this amount, approximately 249 hectares (ha) would be developed as residential neighbourhoods with 7,629 estimated units (assumed to be developed as 80% single-detached homes (6,103 units), and 20% townhomes (1,526 units)).

The White Church F.I.A. includes an assumption of 3.5 persons per unit (P.P.U.) for a total estimated population of 26,703. The P.P.U. assumption may be overstating the

population associated with the development. The City's D.C. Background Study provides detailed growth assumptions, including P.P.U. data per unit type. The D.C. utilizes P.P.U. assumptions of 3.533 for single and semi-detached development and 2.637 for multiples (townhomes). Utilizing a P.P.U. assumption of 3.5 for all housing types may result in an overestimation of estimated population. Updating the analysis to align with the assumptions in the D.C. would result in a population estimate of approximately 25,586 people.

In addition to the residential development, the following land uses are proposed:

- Institutional: 7 hectares
- Parks/open space: 19 hectares
- Commercial: 17 hectares
- Stormwater management pond: 19 hectares
- Pipeline/trail network: 7 hectares
- Natural heritage system: 18 hectares
- Right of way: 29 hectares

The White Church F.I.A. does not outline any assumptions related to the additional employment or non-residential building space to be generated from this development. It is important to understand the assumptions utilized as these metrics impact the estimation of property tax revenue and operating costs per employee (discussed further in Section 7 and 8.2).

To summarize, Urban Metrics' assessment of the forecasted population is generalized by using a P.P.U. value of 3.5 for all units, which overstates the estimated population. The employment assumptions are not specified and as such, commentary cannot be provided on the validity of the assumptions utilized.

5. Capital Expenditures

5.1 Growth-Related (D.C. Costs)

Urban Metrics' analysis of capital needs identified capital infrastructure related to roads, water, wastewater, and stormwater. Given the significant population growth associated with this development (i.e. 4% increase in the City's overall population), all City services should be reviewed as part of this analysis in addition to roads, water, wastewater, and stormwater. This would include an assessment of the need for new police stations, fire stations, associated vehicles/equipment, operations centres, recreation facilities, etc.

Based on the average level of service provided over the past 15 years (as identified in the D.C. background study), Watson has undertaken a high-level analysis in Table 5-1 to estimate the potential capital costs associated with growth in the White Church area (i.e. based on a population increase of 25,586) for D.C.-eligible services other than

roads, water, wastewater, and stormwater. These figures represent the level of investment required for the City to maintain their historical average level of service.

Table 5-1
Summary of Capital Cost Estimates Based on Average Level of Service (2023 dollars)

Service/Class of Service	Cost per Capita	Level of Investment Required
Public Works Facilities	$840.56	$21,506,686
Public Works Vehicles and Equipment	$242.15	$6,195,684
Total Public Works Services		**$27,702,370**
Fire Protection Services Facilities	$370.08	$9,468,919
Fire Protection Services Vehicles and Equipment	$176.77	$4,522,862
Fire Protection Services Small Equipment and Gear	$43.22	$1,105,833
Total Fire Protection Services		**$15,097,614**
Policing Services - Facilities	$694.60	$17,772,133
Policing Services - Vehicles	$41.71	$1,067,198
Policing Services - Small Equipment and Gear	$28.60	$731,764
Total Policing Services		**$19,571,095**
Parkland Development	$567.87	$14,529,601
Parkland Amenities	$629.45	$16,105,196
Parkland Amenities - Buildings	$15.20	$388,909
Parkland Trails	$29.99	$767,328
Parks Equipment	$0.33	$8,443
Recreation Facilities	$3,634.39	$92,990,012
Indoor Recreation Facilities - Buildings Within Parks	$114.74	$2,935,754
Recreation Equipment	$0.69	$17,654
Total Parks and Recreation Services		**$127,742,899**
Library Services - Facilities	$732.17	$18,733,404
Library Services - Collection Materials	$87.99	$2,251,324
Library Services - Vehicles	$3.28	$83,923
Total Library Services		**$21,068,651**
Ambulance Facilities	$90.41	$2,313,243
Ambulance Vehicles	$40.76	$1,042,891
Total Ambulance Services		**$3,356,134**
Long-Term Care Facilities	$577.53	$14,776,764
Total Long-Term Care Services		**$14,776,764**
Child Care and Early Years Programs - Facilities	$47.78	$1,222,506
Total Child Care and Early Years Programs		**$1,222,506**
POA Facilities	$43.07	$1,101,995
Total Provincial Offences Act Services		**$1,101,995**
Public Health - Facilities	$106.33	$2,720,574
Public Health - Vehicles and Equipment	$1.21	$30,959
Total Public Health Services		**$2,751,534**
Waste Diversion - Facilities	$465.14	$11,901,137
Waste Diversion - Vehicles and Equipment	$103.57	$2,649,957
Waste Diversion - Carts and Containers	$20.95	$536,030
Total Waste Diversion Services		**$15,087,123**
Total		**$249,478,683**

Based on the services identified above, in order to maintain the current levels of service for White Church, the City would require an investment of $249.48 million (2023 dollars) to accommodate the estimated population of 25,586. Cost estimates similar to the ones calculated above should be factored into the Urban Metrics analysis for all D.C.-eligible services.

Although these capital costs may be funded through D.C. revenues and would not have an impact on the City's budgets, the ongoing maintenance and eventual replacement of infrastructure at the end of its useful life is the City's financial responsibility. These costs need to be factored into the annual impact calculated as part of this analysis (discussed further in Section 5.2).

The following subsections provide commentary on how the Urban Metrics analysis has addressed roads, water, wastewater, and stormwater infrastructure as part of the F.I.A.

5.1.1 Roads and Related Capital Costs

The F.I.A. has identified the following with respect to on-site infrastructure related to roads:

- 47,700 m of local roads at a cost of $1,180 per metre
- 11,300 m of collector roads at a cost of $1,460 per metre
- 91,200 m of curbs at a cost of $220 per metre
- 68,600 m of sidewalks at a cost of $198 per metre

It is not indicated how these values were determined or where the unit costs were derived from. The City's 2023 D.C. study identified a cost of approximately $7,000 per metre for urban collector roads (including curbs), and a cost of approximately $1,400 per metre for sidewalks. It is noted in the F.I.A. that the infrastructure quantities and cost estimates are highly preliminary and may change significantly, however based on the values identified in the D.C., the unit costs utilized in the Urban Metrics F.I.A. would result in an underestimation of the costs required to accommodate development. The total capital cost identified for roads in the White Church F.I.A. is approximately $106.43 million. Utilizing the unit costs identified in the D.C. study results in a capital cost estimate of approximately $509.04 million. Note the costs from the D.C. study are in 2023 dollars. Inflating these costs to 2024 dollars would result in a total cost estimate of $530.55 million.

The analysis notes that the City has identified a potential need for an arterial roadway link between the Airport Employment Growth District and the Red Hill Business Park, which could also service the commercial areas of White Church. No capital costs were identified related to this road or incorporated into the analysis. Given the road would be classified as arterial, it is assumed that the road would benefit the entire City, and only a portion of the costs would be attributable to the White Church development.

5.1.2 Water Capital Costs

The F.I.A. has identified 47,700 metres of local watermains at a cost of $495 per metre and 16,980 metres of trunk watermains at a cost of $569 per metre.

It is not indicated how these values were determined or where the unit costs were derived from. The City's 2023 D.C. study identified a cost of approximately $650 per metre for 300mm watermains. It is noted in the F.I.A. that the infrastructure quantities and cost estimates are highly preliminary and may change significantly, however based on the values identified in the D.C., these values would undervalue the estimation of required capital works. The total capital cost identified for water infrastructure in the White Church F.I.A. is approximately $33.27 million. Utilizing the unit costs identified in the D.C. study results in a capital cost estimate of approximately $42.04 million ($43.82 million in 2024 dollars).

Further, the F.I.A. did not consider any capital costs related to water treatment needs. Given that the growth in population for this area would result in a 4% increase in the City's overall population, these capital needs should be identified.

5.1.3 Wastewater Capital Costs

The F.I.A. has identified the following with respect to wastewater capital needs:

- 47,700 metres of local sanitary sewers at a cost of $440 per metre
- 16,195 metres of trunk sanitary sewers at a cost of $564 per metre
- Two (2) lift stations at a cost of $2,550,000 each

The methodology utilized to determine the capital needs and the source of the unit costs was not noted in the report. The City's D.C. background study identified a cost of $1,422 per metre (2023 dollars) for 450mm sanitary sewer mains (note: the D.C. study does not include any costing related to lift stations). Based on the above, the unit costs utilized in the F.I.A. would underestimate the value of the required capital works. The total capital cost identified for wastewater linear infrastructure (i.e. excluding lift stations) in the White Church F.I.A. is $30.12 million. Utilizing the unit costs identified in the D.C. study results in a capital cost estimate of approximately $90.86 million for wastewater linear infrastructure (note: inflating these costs to 2024, to provide consistency with the White Church F.I.A., would result in total capital costs of $94.70 million).

Further, the F.I.A. did not identify any capital costs related to wastewater treatment needs. Given that the growth in population for this area would result in a 4% increase in the City's overall population, the capital needs for treatment should be considered as part of the analysis.

5.1.4 Stormwater Capital Costs

The analysis undertaken has identified 47,700 metres of local storm sewers at a cost of $550 per metre and 16,195 metres of trunk storm sewers at a cost of $613 per metre.

The analysis did not note how the infrastructure requirements were determined or the source of the unit costs. The City's D.C. background study identified a cost of approximately $969 per metre for local storm sewer mains, and $2,272 per metre for trunk sewer mains. It is noted in F.I.A. that the infrastructure quantities and cost estimates are highly preliminary and may change significantly, however based on the values identified in the D.C, these unit costs would result in an underestimation of the costs related to the required capital works. The total capital cost identified for stormwater in the White Church F.I.A. is $36.16 million. Utilizing the unit costs identified in the D.C. study results in a capital cost estimate of approximately $83.02 million for stormwater infrastructure (note: indexing these costs to 2024 dollars results in a capital cost estimate of $86.53 million).

5.2 Future Replacement (Lifecycle) Costs

Once an asset is constructed by the City and/or assumed by the City (e.g. works constructed by the developing landowner), the asset becomes a liability that the City must replace at the end of its useful life. In Watson's methodology, future replacement (lifecycle) costs would be captured as an annual amount that would be saved/invested for the ultimate replacement of the capital infrastructure constructed for a development area. These costs were not factored into the White Church F.I.A. as part of the annual impacts at build-out. Based on high-level capital cost estimates, it is recommended to include all lifecycle costs (i.e. D.C.-funded works and works constructed by the developing landowner) into the analysis, to fully understand the impacts of growth on the City's budgets.

The White Church F.I.A. recognized the need to replace the identified infrastructure (i.e. water, wastewater, stormwater, and roads on-site infrastructure) in the future, but in order to determine the annual impact on the budget, these costs should be annualized as a lifecycle replacement cost and factored into the fiscal impact analysis.

Based on the high-level capital cost estimated based on average levels of service identified in Table 5-1 above, the City would incur the following annual lifecycle costs by service (note: the useful life assumptions for roads, water, wastewater, and stormwater infrastructure have been updated to reflect the assumptions utilized in the D.C. Background Study to provide consistency with the City's current practices):

Table 5-4
Estimate of Annual Lifecycle Contributions

Service	Capital Cost	Useful Life (years)	Annual Contribution
Tax-Supported Services			
Public Works Facilities	$21,506,700	50	$684,400
Public Works Vehicles and Equipment	$6,195,700	10	$689,700
Fire Protection Services Facilities	$9,468,900	50	$301,300
Fire Protection Services Vehicles and Equipment	$4,522,900	20	$276,600
Fire Protection Services Small Equipment and Gear	$1,105,800	12	$104,600
Policing Services - Facilities	$17,772,100	50	$565,600
Policing Services - Vehicles	$1,067,200	10	$118,800
Policing Services - Small Equipment and Gear	$731,800	10	$81,500
Parkland Development	$14,529,600	25	$744,200
Parkland Amenities	$16,105,200	25	$824,900
Parkland Amenities - Buildings	$388,900	50	$12,400
Parkland Trails	$767,300	25	$39,300
Parks Equipment	$8,400	25	$400
Recreation Facilities	$92,990,000	50	$2,959,200
Indoor Recreation Facilities - Buildings Within Parks	$2,935,800	50	$93,400
Recreation Equipment	$17,700	25	$900
Library Services - Facilities	$18,733,400	50	$596,200
Library Services - Collection Materials	$2,251,300	7	$347,900
Library Services - Vehicles	$83,900	10	$9,300
Ambulance Facilities	$2,313,200	50	$73,600
Ambulance Vehicles	$1,042,900	7	$161,100
Long-Term Care Facilities	$14,776,800	50	$470,200
Child Care and Early Years Programs - Facilities	$1,222,500	50	$38,900
POA Facilities	$1,102,000	50	$35,100
Public Health - Facilities	$2,720,600	50	$86,600
Public Health - Vehicles and Equipment	$31,000	10	$3,500
Waste Diversion - Facilities	$11,901,100	50	$378,700

Service	Capital Cost	Useful Life (years)	Annual Contribution
Waste Diversion - Vehicles and Equipment	$2,650,000	10	$295,000
Waste Diversion - Carts and Containers	$536,000	7	$82,800
Roads	$509,040,000	50	$16,199,300
Total Tax Supported Services	**$758,518,700**		**$26,275,400**
Rate-Supported Services			
Water	$42,042,000	80	$1,057,800
Wastewater	$95,958,690	80	$2,414,400
Stormwater	$83,016,340	80	$5,560,900
Total Rate Supported Services	**$221,017,003**		**$5,560,900**
Total All Services	**$979,535,730**		**$31,836,300**

The high-level lifecycle calculation identifies annual lifecycle costs of $31.84 million per year for future asset replacements. It is recommended to include capital costs for all services, as well as include the lifecycle analysis as part of the annual fiscal impact.

6. One-Time Revenues

6.1 D.C. Revenues

The D.C. revenues for all services that the City collects for have been calculated and provided in Figure 5.1 of the White Church F.I.A. As noted above, only the capital costs related to roads, water, wastewater, and stormwater have been identified and factored into the analysis. Given that the revenues for all other services have been identified in the analysis, the associated capital costs should also be estimated to provide consistency in the analysis.

Based on a high-level review of D.C. revenues undertaken by Watson, the F.I.A. is underestimating D.C. revenues as the analysis does not include revenues for wastewater facilities. However, all other D.C. service revenue estimates are in line with Watson's calculations.

6.2 Building Permit Fees

The White Church F.I.A. identified revenues from building permit fees based on the City's 2024 rates. The F.I.A. identified approximately 1.9 million square metres of residential space and 42,000 square meters of non-residential space, for a total estimated revenue of $33.8 million. Building permit fees are structured to achieve full cost recovery of the costs associated with administering building permits. Appendix D

of the F.I.A. provides a summary of the operating expenditures for the City, however, the costs related to building permit and inspection services have been excluded from the calculations. Given that the revenues are being recognized in the analysis, the associated expenditures should also be included to provide consistency. Alternatively, the building permit fee revenue can be excluded, if the associated expenditures are to be excluded.

7. Operating Expenditures

Operating expenditures are based on the City's 2022 Financial Information Return data. Net operating expenditures for each service were allocated between residential and non-residential sectors based on existing population and employment. Note, Watson's approach in calculating net operating expenditures for each service excludes interest on long-term debt, grants, and amortization. It appears the calculations in the F.I.A. only excludes amortization for select services, however, this should be excluded from the calculations for all services. Operating costs have been divided between residential and non-residential based on an allocation of 71% residential/29% non-residential for all services. Based on existing population and employment in 2022, the residential allocation should be 74% and the non-residential allocation should be 26%. With respect to other services, Watson typically allocates expenditures between the residential and non-residential sectors as follows:

- Parks, recreation, cemeteries, museum, cultural services and library: 95% residential and 5% non-residential to reflect minor usage by the non-residential sector;
- Social housing and social and family services: 100% residential allocation; and
- Solid waste, waste diversion, public health, ambulance: 90% residential and 10% non-residential allocation.

The White Church F.I.A. excluded salaries, wages, and employee benefits for fire services as the development is occurring in an area with volunteer fire services. Given the development is proposed to increase the City's population by approximately 4%, the assumption that the development area will be serviced by a volunteer fire department should be confirmed with staff.

Once the operating expenditures have been allocated to the residential and non-residential sectors, the estimated growth impact was applied to each service. The net growth-related operating expenditures were then divided by anticipated growth in population and employment to provide a per capita and per employee expenditure amount. These amounts were then applied to the growth anticipated in White Church to determine the total incremental operating expenditures related to the development. This approach is consistent with Watson's methodology.

Operating costs for roads, sidewalks, water distribution/transmission, wastewater collection/conveyance, and stormwater were estimated based on the average cost per unit of infrastructure (e.g. meter of roads or sewers) as per the 2022 F.I.R. This

assumption is consistent with Watson's general approach, however, a detailed breakdown of how these costs were calculated is needed to test the validity of the assumptions.

8. Operating Revenues

8.1 Non-Tax Operating Revenues

The White Church F.I.A. incorporated other non-tax revenues into the analysis including water and wastewater rate revenue, and revenues from user fees, fines, charges, penalties, etc.

8.1.1 Water and Wastewater Rate Revenue

The White Church F.I.A. has identified $7.8 million in annual water and wastewater rate revenues, once the development has reached full buildout. This calculation is based on applying the 2024 water and wastewater rates to an average water usage of 360 litres per day per resident or employee.

Peak water demand assumptions of 360 litres per capita per day were identified in the Functional Servicing Report prepared by SCS Consulting Group Ltd. Peak water demand is typically utilized for estimating servicing needs, however this metric is not representative of a customer's typical usage. The City of Hamilton's website identifies that the typical annual household water usage is approximately 200 cubic meters per year. The assumption of 360 litres per day per resident is equivalent to approximately 464 cubic meters per year per household, which is more than double the typical usage, as identified by the City. Utilizing the 360 litres per capita per day assumption to calculate water and wastewater rate revenues results in an overestimation of revenues and should be updated to reflect typical usage patterns in the City.

8.1.2 User Fees, Fines, Charges, and Penalty Revenue

The non-tax revenue analysis recognizes revenues from user fees, fines, charges, penalties, etc. The analysis is presented in a similar format to the expenditures and utilizes the 2022 F.I.R. This is consistent with the methodology utilized by Watson. It is noted that the revenue allocations between residential and non-residential are 71% residential/29% non-residential for most services. Note, based on the discussion in Section 7 on operating expenditures, these allocations should be adjusted to reflect the population and employment ratio in 2022 (i.e. to be consistent with the 2022 F.I.R. numbers).

8.2 Property Assessment and Tax Revenue

Incremental assessment growth and the associated property tax revenues have been forecasted based on nearby comparable units. Although it is appropriate to base the

forecast on comparable units, these units should be recently constructed to provide for an accurate representation of property assessment values. Watson undertook a review of the assessment values per unit based on a sample of MPAC property data in comparable areas in the City. The average assessment value found from a sample of recent development areas in Hamilton was approximately $595,000 for low density developments, and $443,000 for medium density developments. These averages have been developed based on a sample of approximately 2,000 properties.[1]

The assessment values utilized in the White Church F.I.A. are based on a sample size of 5 properties for each development type. It is recommended to utilize a larger sample size to limit skewing of the data due to outliers.

The F.I.A. report notes that some of the units in the sample utilized were older developments, therefore an upward adjustment of 15% was applied. The report should document the rationale or basis for utilizing 15% as the adjustment factor.

The adjustment to the sample resulted in values of $465,000 for low-density units, and $393,900 for medium density units. Overall, the assessed values used in the analysis were lower than those determined through Watson's review, therefore the analysis is conservative in estimating residential property tax revenues.

The F.I.A. includes the City of Hamilton's property tax rates for 2024, however does not specify which area rates were utilized, or if property taxes for education were omitted from the analysis. Under Watson's methodology, property tax revenues collected for education are excluded as these revenues are collected by the City on behalf of the school boards.

For non-residential development, the average assessed value of $3,724 per square metre appears reasonable, however, similar to the analysis undertaken for residential property tax revenues, the report is not clear as to whether education tax revenues were excluded.

Note, although the tax revenue may have been understated, the peer review of the Land Needs report notes that the greenfield density may be overstated. This would have a negative impact on the tax revenue received by the City.

9. Net Financial Impact

The annual net financial impact is provided at buildout for the proposed development, however, the figures noted in the report (i.e. $5.4 million surplus per year at full build-out), do not incorporate lifecycle costs. Although Figure 6.7 provides for an inclusion of

[1] Sites reviewed are areas with recent low and medium density development (2020 to 2025). These include South Waterdown, Meadowlands, Mount Hope, Upper Stoney Creek, and North Glanbrook. Recent developments provide the closest comparisons for assessment purposes.

the lifecycle costs over the longer term, these costs should be annualized for inclusion in the net annual impact. Further, as noted above, the full lifecycle costs related to all services has not been incorporated into the analysis. Based on Watson's high-level calculations provided in the memo herein, the additional annualized costs that should be added to the analysis (e.g. annual lifecycle replacement costs of $31.84 million) would change the positive annual net operating position of $5.4 million to a net fiscal deficit position. This would result in upward pressure on the City's tax rates.

10. Conclusions

10.1 Assessment of Response to Draft Framework for Processing and Evaluating Urban Boundary Expansion Applications

10.1.1 Assessment of Initial Round of Growth-Related Infrastructure

The White Church F.I.A. identified growth-related capital needs related to roads, waster, wastewater, and stormwater but does not identify any other growth-related capital works to service the development area. For the purposes of the F.I.A., a high-level estimate should be calculated for each service to determine the initial costs related to this development.

Further, the F.I.A. identified unit costs for roads, water, wastewater, and stormwater, however, these appear to be underestimating the total costs when compared to unit costs utilized in the City's 2023 D.C. Background Study. These costs should be updated to reflect the City of Hamilton's most recent unit costing information.

10.1.2 Provisions for Operating and Replacement Costs

This component of the evaluation includes an assessment of whether annual operations and replacement cost provisions have been considered as part of the fiscal impact analysis. The framework goes on to state that the applicant can estimate the long-term operating and replacement costs based on average expected useful life by asset class.

Although the analysis provides for estimated infrastructure replacement costs in the future, these costs have not been annualized and incorporated into the net fiscal impact. Further, estimates for lifecycle costs related to services other than roads, water, wastewater, and stormwater should be incorporated into the analysis. Based on the estimates provided in Section 5.2 of this report, incorporating these annualized costs into the fiscal impact would result in a negative annual position, given the magnitude of the works required to service this development area.

10.1.3 Consideration of Broader Municipal Fiscal Implications

The White Church F.I.A. notes that the cumulative surplus generated by the development of this area can be utilized to fund the replacement costs of the

infrastructure needed to support the development, however, as noted above, the inclusion of lifecycle costs into the analysis would result in a net annual deficit position.

10.1.4 Conclusions on Net Fiscal Impact

Further to the above commentary, it is not anticipated that the development of the White Church area would result in a net operating surplus. The analysis should be revisited to incorporate the full annualized lifecycle costs to determine the fiscal impact of development.

10.2 General Conclusions

The overall approach utilized in Urban Metrics' F.I.A. to estimate the annual fiscal impact at buildout requires additional information, but is generally reasonable, given that the following areas have been considered:

- Development profile
- Assessment growth and tax revenue
- Non-tax revenues
- Incremental operating expenditures
- Capital expenditures

Although the general approach is reasonable and, in some cases, consistent with Watson's methodology, there are a number of assumptions that should be revisited, which would have varying impacts on the annual financial impact to the City:

- Updates to P.P.U. assumptions to reflect the unit mix proposed for the development area;
- Inclusion of capital costs for all services, including the costs for parks and recreation services, library services, fire services, etc.;
- Updates to unit costing utilized for roads, water, wastewater, and stormwater to reflect City of Hamilton's unit cost information;
- Inclusion of lifecycle (replacement) costs for all infrastructure to be constructed by the City in addition to works to be assumed from the developer;
- Removal of building permit fee revenues, given that expenditures have not been factored into the analysis;
- Consideration of whether fire protection services would remain volunteer based for the development area; and
- Aligning per capita usage assumptions with typical usage patterns to calculate water and wastewater rate revenue.

We trust that this memo provides you with the information that you require. We would be pleased to discuss this information further if required.