

Elfrida Community Area

Fiscal Impact Assessment

November 18, 2024

Parcel

PREPARED FOR:

Elfrida Community Builders Group Inc.

PREPARED BY:

Parcel Economics Inc.

250 University Avenue, #221, Toronto, Ontario, M5H 3E5

info@parceleconomics.com

416-869-8264

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Executive Summary

Parcel Economics Inc. ("Parcel") has been retained by Elfrida Community Builders Inc., which collectively own lands located in the Elfrida Community Area located in southeast Hamilton. The purpose of our retainer has been to prepare a Fiscal Impact Assessment for the Elfrida Community Area.

At this time, the Fiscal Impact Assessment is considered to be a high-level, preliminary estimate. The current concept plan that has been prepared for the Elfrida Community Area includes estimates of potential build-out population and employment. The number of units, unit mix and local infrastructure (parks, roads, stormwater, water and wastewater) and phasing will be refined through the secondary planning process for the Elfrida Community Area. At that time, a fulsome Fiscal Impact Assessment will be prepared for the community.

Based on our analysis, we have determined that the Elfrida Community Area will, on aggregate, have a positive fiscal impact on the City of Hamilton. The following summarizes the key findings of this Fiscal Impact Assessment.

- The Concept Plan for the Elfrida Community Area has the potential to accommodate 114,900 persons and 14,360 jobs at full build-out.
- As part of GRIDS 2, the City retained Watson to undertake the fiscal analysis of the various growth options to assist the City in identifying the preferred growth scenario to 2051. The general conclusions of the Technical Memo was that capital costs of the No Urban Boundary Expansion will be more significant than the Ambitious Density Scenario. Further, the No Urban Boundary Expansion Scenario is likely to have a negative impact on the property tax base, associated with higher land costs for parkland acquisition, as well as benefit to existing allocations associated with the replacement and deficiencies of existing infrastructure.
- Not all municipal infrastructure costs necessary for the Elfrida Community Area will be funded through development charges. Appendix E of the 2024 DC Study identifies that stormwater, as well as linear water and wastewater infrastructure within the Elfrida Community Area will be a direct developer responsibility. As this infrastructure will be a direct developer responsibility, the construction of this infrastructure will not impact the existing tax base, or the City's borrowing capacity.
- For development charge eligible projects, the 2024 DC Study and supporting studies include some growth-related capital infrastructure costs required to service growth in the Elfrida Community Area. This includes infrastructure costs in the service areas of Fire, Parks and Recreation and Library services. Nearly all of these

infrastructure costs are allocated to post period benefit, with none of the costs allocated to benefit to existing.

- Although nearly all of the development charge eligible capital costs for the Elfrida Community Area are identified as PPB and therefore not included in the calculation of development charges in the 2024 DC Study, we have calculated potential development charge revenue (on a per capita and per employee basis) using existing rates to provide an order of magnitude estimate of potential revenue that could be collected from development in the Elfrida Community Area. These development charges are estimated at \$1.71 billion in 2024 dollars. This development charge revenue exceeds the capital infrastructure costs identified for Elfrida, to date. Some of this potential development charge revenue can go towards funding growth-related infrastructure in other parts of the City.
- To estimate the net operating impact associated with the build-out of the Elfrida Community Lands based on the Concept Plan, Parcel has compared forecast municipal revenues that could be generated by the development against estimated operating costs that could be incurred by the City of Hamilton. Based on this analysis, the Elfrida Community Area is anticipated to have a net positive financial benefit to the City of Hamilton.
- The operating surplus provides the City with an opportunity to upgrade or replace existing facilities or infrastructure in other parts of the City without being a drain on municipal finances. This will allow the City to maintain a state of good infrastructure repair on a City-wide basis and go towards addressing the City's infrastructure deficit, that would otherwise exceed the current funding capacity.

1.0

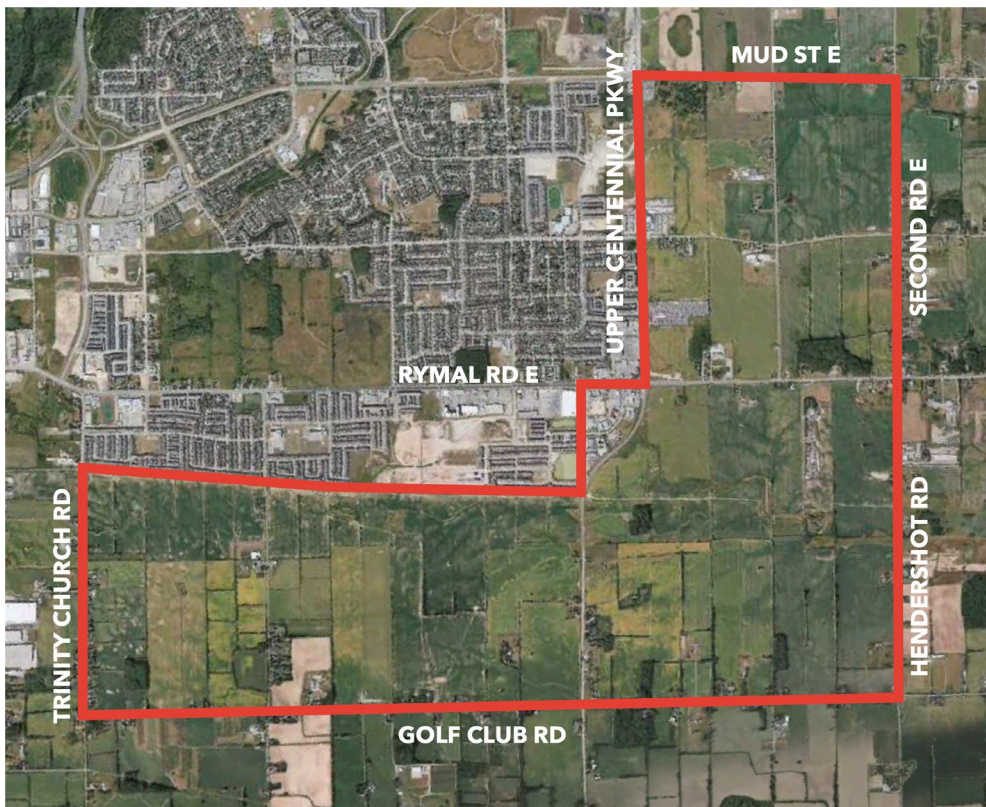
Introduction

1.1 Background

Parcel Economics Inc. ("Parcel") has been retained by Elfrida Community Builders Inc., which collectively own lands located in the Elfrida Community Area located in southeast Hamilton, as shown within the red boundary in Figure 1.1. The purpose of our retainer has been to prepare a Fiscal Impact Assessment for the Elfrida Community Area.

The Elfrida area was previously identified as a preferred area to accommodate population and employment growth in Hamilton to 2031. To support this growth, an Elfrida Growth Area Study ("EGAS") was initiated in 2016 to fulfil the requirements for a settlement area boundary expansion to occur and inform the completion of a Secondary Plan for the Elfrida area.

Figure 1.1
Elfrida Community Area Location



Source: Parcel based on Elfrida Growth Area Study - Interim Summary Report.

The Elfrida Community Builders Inc. are submitting an Official Plan Amendment application for a Settlement Area Boundary Expansion to include the Elfrida Community Area (as shown in Figure 1.1), which is the preferred location of a future transit oriented urban community to accommodate the City's future growth.

As will be discussed in this Fiscal Impact Assessment, the City has already dedicated resources to determine the development charge eligible infrastructure needs in the Elfrida Community Area. These infrastructure costs are largely summarized in *Development Charges Background Study, City of Hamilton, December 21, 2023* (the "2024 DC Study") prepared by Watson & Associates Economists Ltd. ("Watson") and supporting materials. These infrastructure costs include facilities for Fire Services, Parks and Recreation Services and Library Services. Estimated costs related to Roads infrastructure in the Elfrida Community Area are also included in supporting studies to the 2024 DC Study.

As part of GRIDS 2, the City retained Watson to undertake the fiscal analysis of the various growth options to assist the City in identifying the preferred growth scenario to 2051. A technical memo titled *GRIDS 2: Ambitious Density vs. No Urban Boundary Expansion - Fiscal Considerations* (the "Technical Memo") was prepared by Watson. Due to the preliminary nature of the scenarios being considered, the Technical Memo undertook a "qualitative assessment of the two growth scenarios", as costing estimates were not developed at that time. This provided for a high-level discussion of the financial implications of the two scenarios. The Technical Memo considered initial capital, as well as ongoing maintenance and replacement costs for:

- Water (transmission, storage, pumping and treatment)
- Wastewater (conveyance, pumping, combined sewer overflow and treatment)
- Stormwater (trunk sewers, creeks/streams, stormwater management facilities and low impact development best management practices)
- Transportation
- Transit
- Parks
- Recreation

The general conclusion of the Technical Memo, as it relates to infrastructure costs was that:

The infrastructure requirements to service an additional 236,000 residents and 132,000 employees will be substantial under both scenarios, however, based on the above discussion, it is likely that costs will be more significant under the No U.B.E. option. In general, it can be observed that costs are

significantly higher to provide new infrastructure in existing areas vs. greenfield areas. These additional costs will have major implications to provide water, wastewater, roads, and stormwater services.

Land costs required to develop parks and recreation facilities will be much more substantial in existing urban areas. Given the higher degree of intensification growth under No U.B.E., it is likely that these costs will be more significant. Based on the City's O.P. targets for parkland, it is unlikely that parkland needs will be fulfilled through parkland dedication. As a result, these higher land costs will be a direct impact onto the City's property tax base.

In addition to the higher costs associated with developing infrastructure in existing areas versus greenfield areas, the development of infrastructure within existing areas would also result in a benefit to existing ("BTE") allocation to address replacement and deficiencies in existing infrastructure. As it relates to the BTE allocation, the Technical Memo states:

In the City's 2019 D.C. background study a B.T.E. deduction between 10% to 50% was applied to water and wastewater projects that were driven by growth but were also likely to address issues in the existing system. This is in contrast to infrastructure that is primarily located in new growth areas where there would be limited non-growth components as part of the capital works.

As it relates to the BTE components of infrastructure costs, these costs cannot be funded through development charges. These costs have the potential to impact existing residents in the City through user rates and property taxes. The Technical Memo goes on to state:

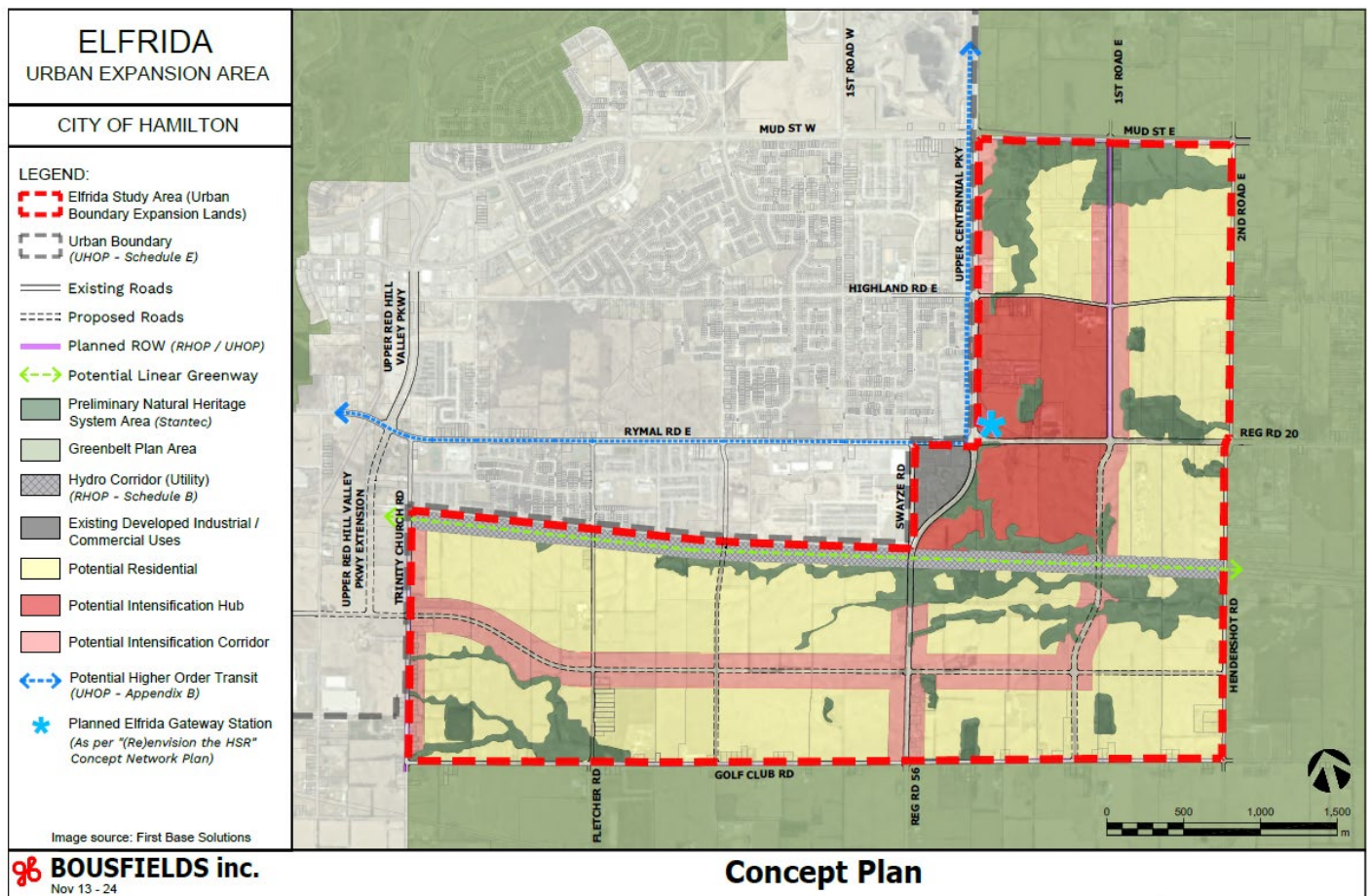
Where the timing of replacement of existing water and wastewater infrastructure is accelerated as a result of growth, there must be a recognition that there is a benefit to the existing community. When the infrastructure is replaced well in advance of its useful life, this will cause budgetary impacts earlier than initially planned and impact the City's existing residents.

Therefore, based on the qualitative assessment included in the Technical Memo, while both the Ambitious Density Scenario and No Urban Boundary will require substantial infrastructure costs to service growth, the costs associated with the No Urban Boundary scenario are likely to be more significant. Furthermore, due to a higher BTE allocation for infrastructure within the existing area, a greater proportion of these infrastructure costs will be financed by existing residents, which could have impacts on user rates and property taxes.

1.2 Proposed Concept Plan

As part of the Official Plan Amendment application for a Settlement Area Boundary Expansion, a Concept Plan has been prepared for the Elfrida Community Area, as shown in Figure 1.2. This Concept Plan could ultimately accommodate approximately 114,900 persons and 14,360 jobs at build-out, for a density of 135 persons and jobs per hectare. The number of units, unit mix and phasing within the Elfrida Community Area will be refined through the secondary planning process. Therefore, this Fiscal Impact Assessment has utilized the “per capita” approach based on the number of persons and jobs accommodated within the Elfrida Community Area at full build-out.

Figure 1.2
Elfrida Community Area -Concept Plan



Source: Bousfields Inc.

1.3 Purpose

Parcel has been retained by Elfrida Community Builders Inc. to prepare a Fiscal Impact Assessment based on the Concept Plan for the Elfrida Community Area. The need for a Fiscal Impact Assessment was identified by the City of Hamilton in the *Draft Framework for Processing and Evaluating Urban Boundary Expansion Applications*,¹ where the Fiscal Impact Assessment is intended to address key questions related to:

*the costs of providing and maintaining infrastructure over time in any proposed expansion area, including long-term capital and operating costs to the municipal corporation.*²

As part of Appendix A1 to Report PED24109, it is recommended that Fiscal Impact Assessment prepared to support settlement area boundary expansions address four key topic areas, including:

1. An assessment of the initial round of growth-related infrastructure
2. Provisions for operating and replacement costs
3. Consideration of broader municipal fiscal implications
4. Conclusions on the net fiscal impact

This Fiscal Impact Assessment has been prepared, in part, to satisfy objectives of the *Draft Framework for Processing and Evaluating Urban Boundary Expansion Applications*, where possible, considering that certain assumptions related to the number of units, unit mix and local infrastructure (parks, roads, stormwater, water and wastewater) and phasing will be refined through the secondary planning process for the Elfrida Community Area.

1.4 Objectives & Approach

As part of the application for the Elfrida Community Area, the City has requested that a Fiscal Impact Assessment be prepared to evaluate the growth-related financial impact of the proposed development on the City's capital and operating budget.

When more detail is known about the infrastructure requirements for the concept plan, including the number of residential units by type, non-residential gross floor area, as well as infrastructure requirements (water, wastewater,

¹ Appendix "A" to Report PED24109.

² Appendix "A1" to Report PED24109.

stormwater, roads, etc.), a more detailed quantitative Fiscal Impact Assessment will be prepared. This more detailed Fiscal Impact Assessment will include estimates of the cost and timing of required municipal infrastructure necessary to support future development proposed as part of the Elfrida Community Area.

To determine the net fiscal impact on the City of Hamilton, the following one-time and ongoing revenues and costs have been calculated on a per capita basis, relying largely on the 2022 Financial Information Return ("FIR") filed by the City of Hamilton with the Ministry of Municipal Affairs and Housing ("MMAH").:

Revenue

- **Development Charges** (one-time)
- **Annual Property Taxes** (ongoing)
- **Other Non-Tax Revenues** (i.e., user fees, fines and other revenues) (ongoing)

Costs

- **Required Municipal Capital Projects** (one-time)
- **Operational Costs to Service New Development** (i.e. road maintenance, provision of emergency services, community recreation programming, etc.) (ongoing)
- **Incremental Operating Costs** (i.e. operating costs associated with new roads / stormwater and park infrastructure located within the Wildfield Village Secondary Plan) (ongoing)
- **Lifecycle Capital Costs** - lifecycle costs to replace the incremental capital assets that are directly related to the proposed development.

It should be noted that all estimated revenues and expenses are stated in 2024 dollars.

2.0

Capital Infrastructure Costs

As noted in the Technical Memo, accommodating growth within the Elfrida Community Area will require substantial infrastructure. A portion of these infrastructure costs will ultimately be funded through development charges, while the remaining costs are considered local services related to a plan of subdivision and will be funded directly by the benefiting landowner. At this time, a quantitative estimate of these local service costs is not known. Therefore, the focus of this section has been on infrastructure costs funded through development charges.

2.1 Local Infrastructure Costs

Not all municipal infrastructure costs necessary for the Elfrida Community Area will be funded through development charges. Appendix E of the 2024 DC Study includes a Local Service Policy, which outlines the types of infrastructure that would be a direct developer responsibility.

Within the Local Service Policy, the Elfrida Community Area is identified as being within Urban Area B. As it relates to local services in Urban Area B, the Local Service Policy states:

For development within Urban Area B, the following would be a direct developer responsibility:

- All costs required to service the development and/or to connect the development area with existing infrastructure, including without limitation all water, wastewater, stormwater, transit, transportation works (in accordance with the Complete Street definition), any utility relocation/conversion costs, and land acquisition costs to meet City standards will be a developer responsibility, unless otherwise provided herein.*
- In conjunction with the above bullet, the scope to service the development and/or connect the development area would be identified within approval authority accepted studies to support development areas.*
- For projects occurring within Urban Area A, with an oversizing component, that are required to service development within Urban Area B, the oversizing component is a direct developer responsibility.*
- Downstream and/or upstream water and wastewater infrastructure located within Urban Area A required to support development within Urban Area B would be a direct developer responsibility.*
- Section E.3 of the local service policy applies to development within Urban Area B.*

Based on the above, and to be clear, developments occurring within Urban Area B will be required to pay the City-wide development charges (D.C.s) for all services except for stormwater, water linear, and wastewater linear.

If the development within Urban Area B will be serviced with municipal water and/or wastewater, the water and/or wastewater treatment D.C. will apply. If the development within Urban Area B will not be serviced with municipal water or wastewater, the water or wastewater treatment D.C. will not apply, as set out in Table E-1. (emphasis added)

Figure 2.1

Development Charge Service Areas that Apply to Urban Area B

Service	Inside Urban Area A	Within Urban Area B – Connecting to Municipal Water/Wastewater*	Within Urban Area B – Not Connecting to Municipal Water/Wastewater
Services Related to a Highway	✓	✓	✓
Public Works	✓	✓	✓
Transit Services	✓	✓	✓
Fire Protection Services	✓	✓	✓
Policing Services	✓	✓	✓
Parks and Recreation	✓	✓	✓
Library Services	✓	✓	✓
Long-Term Care Services	✓	✓	✓
Child Care and Early Years Programs	✓	✓	✓
Provincial Offences Act Services including By-law Enforcement	✓	✓	✓
Public Health Services	✓	✓	✓
Ambulance	✓	✓	✓
Waste Diversion	✓	✓	✓
Wastewater Facilities	✓	✓	
Wastewater Linear Services	✓		
Water Supply and Treatment	✓	✓	
Water Linear Services	✓		
Stormwater Services	✓		

Source: 2024 DC Study.

Within the Elfrida Community Area, the local infrastructure for wastewater linear services, water linear services, stormwater services, as well as certain road infrastructure and parkland development that are a direct developer responsibility has not been determined at this time and will be refined through a secondary plan process.

The initial construction of this local infrastructure will not have a municipal fiscal impact, as it will be the responsibility of the landowners within the Elfrida Community Area. However, once this infrastructure is conveyed to the City, it will result in increased municipal costs associated with ongoing operation and replacement of infrastructure at the end of its useful life. To estimate the municipal fiscal impact associated with the operation and replacement of this infrastructure, later in this Fiscal Impact Assessment, we prepare a high-level per capita analysis. The purpose of this analysis is to provide a directional assessment of potential municipal fiscal impacts. During the secondary planning process, when local infrastructure is known, a more detailed assessment will be prepared.

2.2 Development Charge Eligible Costs

The 2024 DC Study and supporting studies include some growth-related capital infrastructure costs required to service growth in the Elfrida Community Area. This includes infrastructure costs in the service areas of Fire, Parks and Recreation and Library services. Development charge eligible infrastructure costs related to roads are summarized in the *Strategic Transportation Network Review*, December 15, 2023 prepared by Arcadis.

Fire Protection Services

The 2024 DC Study identifies two new fire stations as part of the City's 10-year capital program. One of these stations is proposed to be located in the *Elfrida / Upper Stoney Creek Growth Area*, with costs anticipated to be incurred between 2025-2028. This new fire station is estimated to cost approximately \$25 million, with \$16.5 million included as Post Period Benefit ("PPB") and no costs allocated to BTE. In addition to the construction of the new fire station, the capital program for Fire Services also includes vehicles and equipment required to operate the new station, at a cost of nearly \$3.8 million. These costs, as well as the allocation of costs to BTE, PPB and In-Period Growth are summarized in Figure 2.2.

As summarized in Figure 2.2, the entirety of the costs to build this new fire station will be funded by growth.

Figure 2.2

Development Charge Eligible Costs for the Elfrida Growth Area

Category	Capital Project	Timing	Gross Capital Costs	Allocation of Capital Costs			Percentage Allocation of Capital Costs		
				Benefit to Existing	In-Period Growth (2023-2034)	Post Period Benefit (Post 2033)	Benefit to Existing	In-Period Growth (2023-2034)	Post Period Benefit (Post 2033)
New Station	New Station Elfrida/Upper Stoney Creek Growth Area	2025 - 2028	\$25,000,000	\$0	\$8,500,000	\$16,500,000	0%	34%	66%
Vehicles	Rural Pumper for Upper Stoney Creek Growth Area (New Station)	2025 - 2028	\$1,450,000	\$0	\$1,450,000	\$0	0%	100%	0%
Vehicles	Engine for Upper Stoney Creek Growth Area (New Station)	2025 - 2028	\$1,450,000	\$0	\$493,000	\$957,000	0%	34%	66%
Equipment	Air Compressor	2025 - 2028	\$3,900	\$0	\$1,300	\$2,600	0%	33%	67%
Equipment	Washer Extractor	2025 - 2028	\$15,000	\$0	\$5,100	\$9,900	0%	34%	66%
Equipment	Portable Radios, Chargers & Batteries	2025 - 2028	\$89,000	\$0	\$30,300	\$58,700	0%	34%	66%
Equipment	S.C.B.A.'s	2025 - 2028	\$49,000	\$0	\$16,700	\$32,300	0%	34%	66%
Equipment	Portable Pumps	2025 - 2028	\$19,500	\$0	\$6,600	\$12,900	0%	34%	66%
Equipment	Multi Gas Detectors	2025 - 2028	\$8,800	\$0	\$3,000	\$5,800	0%	34%	66%
Equipment	Defibrillators	2025 - 2028	\$7,000	\$0	\$2,400	\$4,600	0%	34%	66%
Equipment	Thermal Imaging Camera	2025 - 2028	\$16,300	\$0	\$5,500	\$10,800	0%	34%	66%
Equipment	Auto Extrication Equipment	2025 - 2028	\$31,000	\$0	\$10,500	\$20,500	0%	34%	66%
Equipment	Air Bags	2025 - 2028	\$14,700	\$0	\$5,000	\$9,700	0%	34%	66%
Equipment	Fire Hose	2025 - 2028	\$16,700	\$0	\$5,700	\$11,000	0%	34%	66%
Equipment	Bunker Gear	2025 - 2028	\$150,000	\$0	\$51,000	\$99,000	0%	34%	66%
Equipment	Station Exhaust System	2025 - 2028	\$65,700	\$0	\$22,300	\$43,400	0%	34%	66%
Equipment	Protective Gear and Uniform Clothing	2025 - 2028	\$168,000	\$0	\$57,100	\$110,900	0%	34%	66%
Equipment	Washer/Dryer & R42 Kit	2025 - 2028	\$45,000	\$0	\$45,000	\$0	0%	100%	0%
Equipment	Cascade System	2025 - 2028	\$160,300	\$0	\$160,300	\$0	0%	100%	0%
TOTAL			\$28,759,900	\$0	\$10,870,800	\$17,889,100	0%	38%	62%

Source: Parcel based on 2024 DC Study.

Parks and Recreation

Within the Parks and Recreation service area, the 2024 DC Study identifies the Elfrida Community Centre in the capital program, with costs to be incurred in 2041 after the 10-year period. This new community centre is estimated to cost approximately \$38.3 million, all of which is included as PPB.

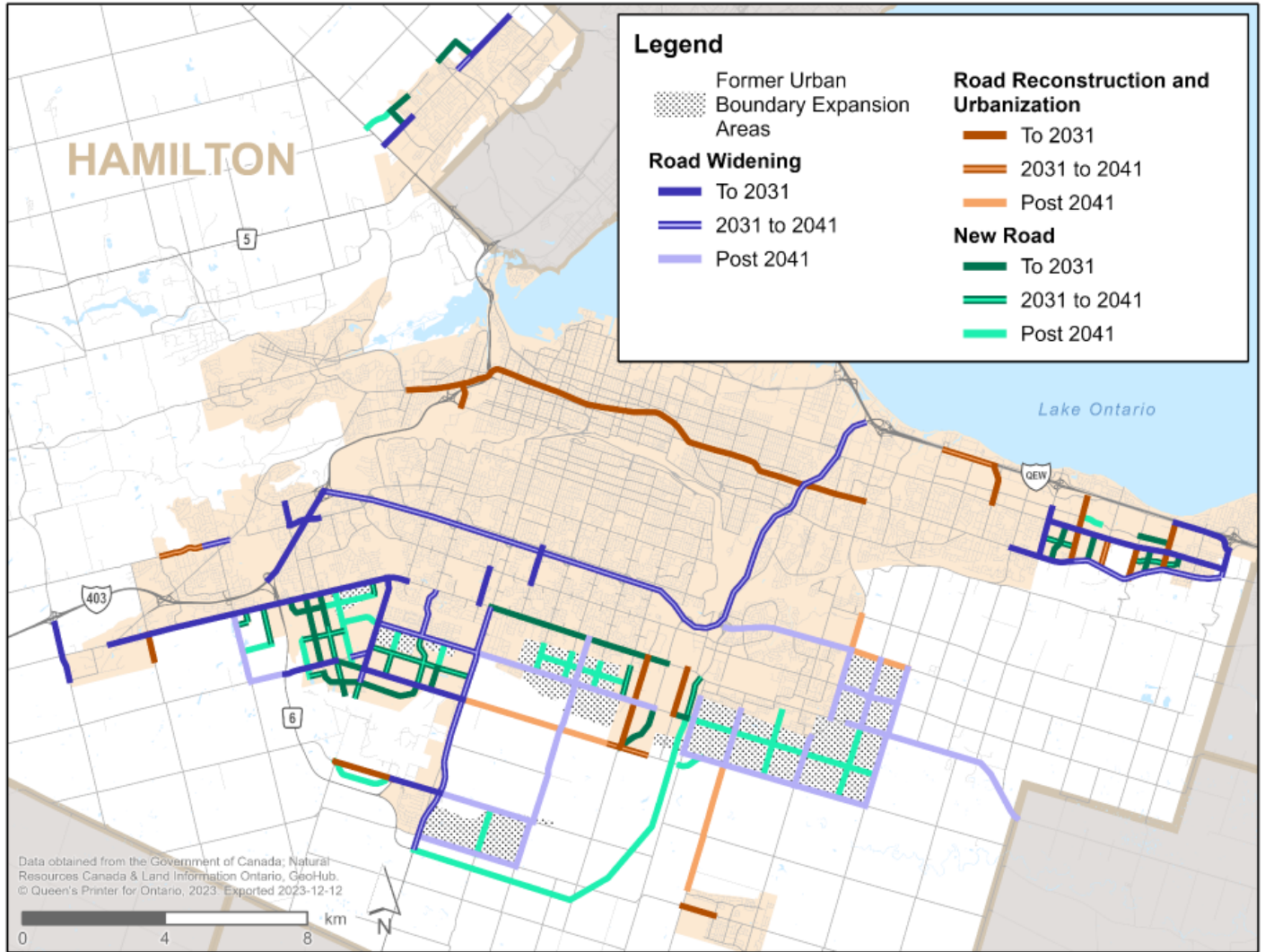
Library Services

The 2024 DC Study identifies a new 12,000 square foot library branch to be located in Elfrida. This project is included at the end of the City's 10-year capital program in 2032 and is estimated to cost \$11.94 million, the entirety of which is included as PPB.

Roads and Related

The *Strategic Transportation Network Review* completed by Arcadis identifies road widenings and new roads within the Elfrida Growth Area. The location of these road widenings and new roads are shown in Figure 2.3, with all projects assumed to be post 2041. As these projects are assumed to occur post 2041, they are not included in the capital program within the 2024 DC Study and are therefore not included in the calculation of the development charge.

Figure 2.3
2024 DC Study Road Project Evaluation



Source: Strategic Transportation Network Review, December 15, 2023, Arcadis, Exhibit 2.2

Appendix E of the *Strategic Transportation Network Review* estimates the gross capital costs associated with the transportation projects within the Elfrida Community Area. As summarized in Figure 2.4, the costs amount to approximately \$303.4 million. This represents a cost of approximately \$2,525 per capita and per employee based on the build-out number of persons and usual place of work jobs anticipated within the Elfrida Community Area.

Figure 2.4

Summary of Roads and Related Capital Projects in the Elfrida Community Area

Roads and Related Capital Projects	Road Length (km)	Timing	Gross Capital Costs
Upper Centennial Parkway - Mud Street to Highway 20	2.00	Post 2041	\$22,580,042
Upper Centennial Parkway - Mud Street to Green Mountain Road	1.00	Post 2041	\$10,579,044
Regional Road 56 - Dalgiesh Trail to Golf Club Road	1.44	Post 2041	\$15,741,403
First Road East - Highway 20 to Mud Street	1.97	Post 2041	\$15,089,596
First Road East - Highway 20 to Golf Club Road	2.08	Post 2041	\$20,239,244
Arterial N-S - Bellagio Avenue to Golf Club Road	1.88	Post 2041	\$20,100,545
Dickenson Extension - Trinity Church to Golf Club Road	0.65	Post 2041	\$4,177,733
Twenty Road - Upper Red Hill Valley Parkway to Hendershot Road	5.60	Post 2041	\$59,897,756
Highway 20 - 500m east of Upper Centennial to Hendershot Road	1.17	Post 2041	\$11,653,263
Fletcher Road - 500m south of Rymal Road to Golf Club Road	1.60	Post 2041	\$12,245,236
Golf Club Road - Trinity Church Road to Hendershot Road	5.33	Post 2041	\$40,967,481
Hendershot Road - Highway 20 to Golf Club Road	2.09	Post 2041	\$16,011,393
Highland Road - Upper Centennial Parkway to Second Road East	1.67	Post 2041	\$12,799,081
Mud Street - Upper Centennial Parkway to Second Road East	1.67	Post 2041	\$13,833,585
Second Road East - Highway 20 to Mud Street	1.94	Post 2041	\$14,841,511
Trinity Church Road - Hydro Corridor (470m south of Rymal Road) to Golf Club Road	1.60	Post 2041	\$12,642,066
TOTAL			\$303,398,979

Source: Strategic Transportation Network Review, December 15, 2023, Arcadis, Appendix E.

Water and Wastewater

As noted in Section 2.1, the Local Service Policy identifies that linear water and wastewater services in Urban Area B, including the Elfrida Community Area, are a direct developer responsibility.

The capital program in the 2024 DC Study is informed by the *City of Hamilton 2023 Development Charges By-Law Study* prepared by GM BluePlan. This study does not identify development charge eligible water and wastewater infrastructure costs within the Elfrida Community Area. However, as noted in the Local Service Policy, development within the Elfrida Community Area will pay development charges for wastewater treatment facilities and water supply and treatment facilities.

Stormwater

Stormwater capital costs in the 2024 DC Study were informed by the *Stormwater Background Study*. Appendix G-1 identifies stormwater management facilities within the Elfrida Community Area. Similar to linear water and wastewater services, all stormwater infrastructure is a direct developer responsibility and will not be funded through development charges.

The Stormwater Background Study identifies stormwater infrastructure required within the Elfrida Community Area. As shown, these capital costs are estimated at approximately \$142.5 million.

Figure 2.5

Summary of Elfrida Development Charge Eligible Costs - Stormwater

Roads and Related Capital Projects	Gross Capital Costs
Elfrida Secondary Plan major roads crossings	\$6,604,000
Elfrida (Res)	\$13,674,298
Elfrida (Res)	\$2,306,181
Elfrida (Res)	\$6,511,570
Elfrida (Res)	\$7,732,490
Elfrida (Res)	\$2,387,576
Elfrida (Res)	\$15,953,348
Elfrida (Res)	\$18,313,792
Elfrida (Res)	\$15,193,664
Elfrida (Res)	\$7,162,727
Elfrida (Res)	\$14,189,797
Elfrida (Res)	\$4,178,258
Elfrida (Res)	\$11,096,801
Elfrida (Res)	\$2,730,519
Elfrida (Res)	\$3,174,391
Elfrida (Res)	\$5,290,651
Elfrida (Res)	\$3,174,391
Elfrida (Res)	\$2,821,681
TOTAL	\$142,496,135

Source: Parcel based on *Stormwater Background Study*, November 2023, WSP (E&I) Canada Inc. and Scheckenberger & Associates Ltd., Appendix G-1.

Summary of Development Charge Eligible Costs

As summarized above, the 2024 DC Study and some of the supporting studies include development charge eligible capital costs related to the development of the Elfrida Community Area. All of these capital costs are allocated to growth (either in-period growth or post period benefit). As none of the costs have been allocated to BTE, existing residents in Hamilton will not be required to fund the construction of these infrastructure projects.

As noted in *Review of Financing Options for Growth: GRIDS 2*, prepared by Watson, there are various funding options available to the City of Hamilton that are more challenging to implement in the built-up area where land ownership is more fragmented. These financing options include:

- Prepayment / Front-Ending Agreements
- Service Emplacement Agreements
- Accelerated Payment of Hard Service Development Charges at Subdivision / Consent Agreement Stage
- Local Service Policy Requirements
- Area-Specific Development Charges

Some of these financing options can assist in reducing the potential debt burden on the municipality. For example, the City is already using the Local Service Policy Requirements in Urban Area B, by requiring landowners to fund local infrastructure for wastewater linear services, water linear services, stormwater services.

2.3 Estimate of Development Charge Revenue

Although nearly all of the development charge eligible capital costs for the Elfrida Community Area are identified as PPB and therefore not included in the calculation of development charges in the 2024 DC Study, we have calculated potential development charge revenue (on a per capita and per employee basis) using existing rates to provide an order of magnitude estimate of potential revenue that could be collected from development in the Elfrida Community Area.

The 2024 DC Study includes capital costs for 14 service areas that would apply to development within the Elfrida Community Area. These service areas include:

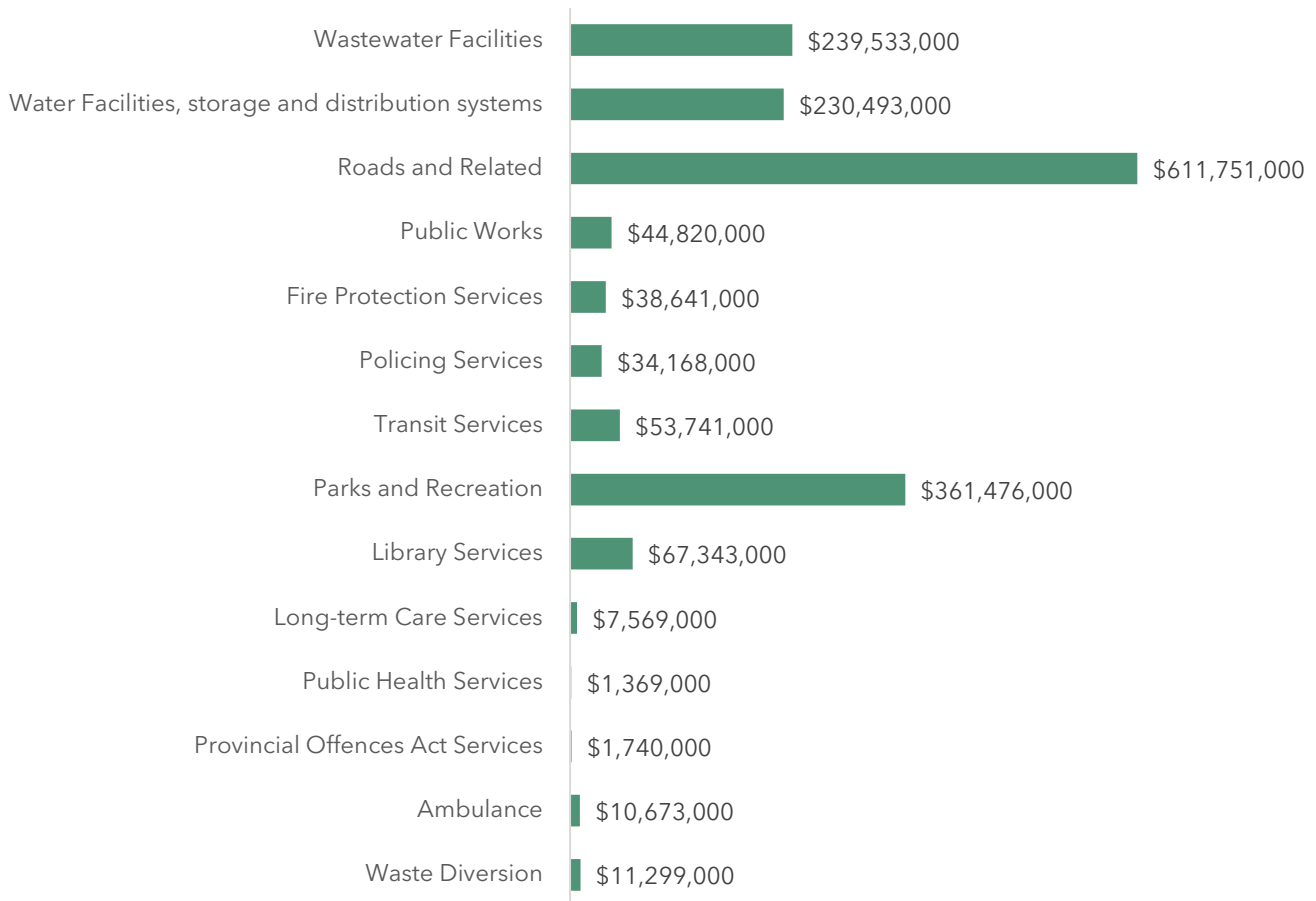
- Services Related to a Highway
- Public Works
- Transit Services
- Fire Protection Services
- Policing Services
- Parks and Recreation
- Library Services
- Long-term Care Services
- Provincial Offences Act Services
- Public Health Services
- Ambulance
- Waste Diversion
- Wastewater Facilities
- Water Services

We have calculated development charge revenue, on a per capita and per employee basis for the Elfrida Community Area to provide a general indication of potential development charges that could be collected. However, as noted previously, many of the development charge eligible infrastructure costs associated with the Elfrida Community Area are not included in the calculation of development charges, as they are beyond the forecast horizon and included as post period benefit. When the City of Hamilton next updates their development charges background study and these infrastructure costs are included in the forecast horizon, it will result in a more accurate comparison of development charge revenues to infrastructure costs.

As shown in Figure 2.6, total development charge revenue is estimated at \$1.71 billion, which assumes 114,900 persons are accommodated within the Elfrida Community Area, as well as 4,320 commercial jobs (excluding institutional, work from home and no fixed place of work). The distribution of this development charge revenue is summarized in Figure 2.6. As shown, the service areas that are anticipated to represent the largest share of development charge revenue are Roads and Related services and Parks and Recreation Services.

Figure 2.6

Estimated Development Charge Revenue, Elfrida Community Area



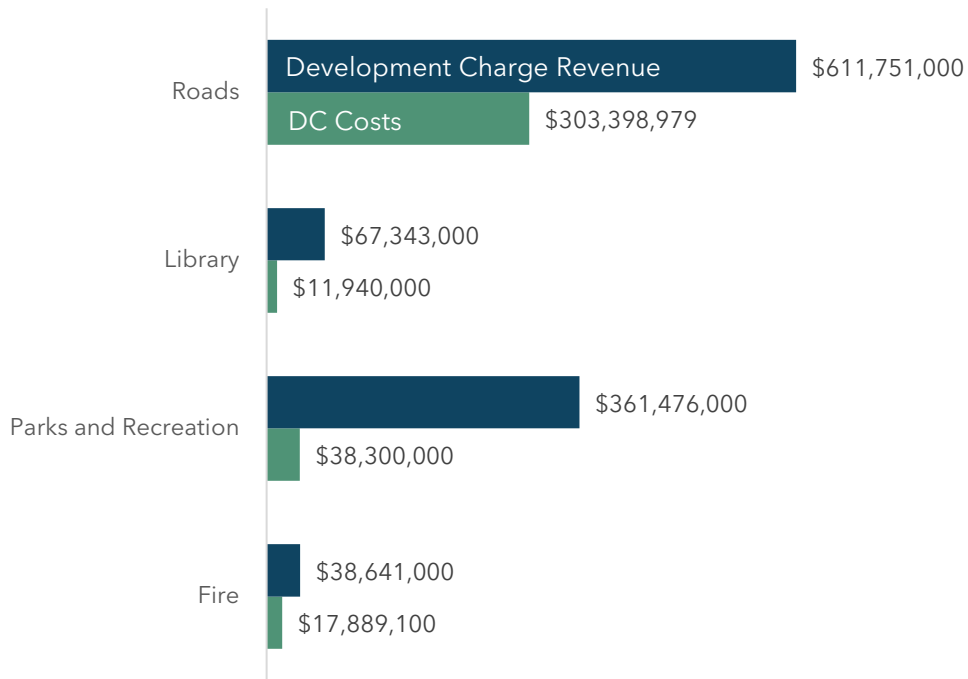
Note: Rounded to nearest \$1,000.

Source: Parcel.

In service areas where development charge eligible capital costs are included in the capital program, development charge revenue exceeds estimated capital costs, as shown in Figure 2.7. However, it is important to note that the capital projects related to Elfrida are not included in the calculation and when the development charges background study is updated in the future, additional capital costs will be included to service growth in the Elfrida Community Area.

Figure 2.7

Comparison of Development Charge Revenues and Costs, Elfrida Community Area



Source: Parcel.

3.0

Ongoing Operational Impacts

The Elfrida Community will generate ongoing operating revenue for the City of Hamilton, namely property taxes and other non-tax revenue sources such as user fees, fines, etc. The following section calculates revenues from each of these sources based on the anticipated residential and commercial development.

Further, this section provides a high-level estimate of the additional operating costs associated with the build-out of the Elfrida Community Area as currently contemplated. These ongoing revenues and costs are key in understanding the net operating impact of the Elfrida Community Area on the finances of the municipality.

3.1 Property Taxes

To provide a high-level estimate of property taxes associated with the build-out of the Elfrida Community Area, current assessed values and property taxes were based on recent comparable developments within Hamilton. As the number of units and unit mix are still being refined for the Elfrida Community Area, this high-level estimate of property taxes is based on per capita and per employee property tax revenue.

The estimated 2024 assessment values for the various residential uses that could be accommodated within the Elfrida Community Area are summarized in Figure 3.1. It is important to note that we have used comparable assessed values per unit for recently completed residential developments in Hamilton in the vicinity of Elfrida. However, the actual assessed value for buildings within the community area will be determined by MPAC upon completion of the various buildings.

Figure 3.1

Residential Average Assessed Values (2024) and Assessed Values Per Capita / Employee

Unit Type	Assessed Value	PPU¹	Assessed Value
Single-Detached	\$459,000 per unit	3.53	\$130,000 per capita
Row	\$309,000 per unit	2.64	\$117,000 per capita
Apartment	\$286,000 per unit	1.72	\$166,000 per capita
AVERAGE			\$138,000 per capita

¹ Total person per unit factor based on City of Hamilton Land Needs Assessment to 2051, Technical Working Paper - Summary of Results, March 2021, prepared by Lorus and Associates.

Source: Parcel, based on information from MLS and MPAC. Assessed values rounded to the nearest \$1,000.

We have then divided the assessed values for the various unit types by a person per unit (“PPU”) factor to determine assessed values per capita for the various unit types. The average across the various unit types is an assessed value of \$138,000 per capita. We have applied the residential property tax rate to this per capita assessed value to determine the amount of property tax attributable to 115,800 persons accommodated in the Elfrida Community Area at full build-out.

Based on this per capita methodology, new residents in the Elfrida Community Area could generate approximately **\$161.8 million per year in property tax revenue for the City of Hamilton**, excluding property taxes paid to local school boards.

Parcel has estimated the annual property tax revenue that would be payable to the City of Hamilton in each year for non-residential development in the Elfrida Community Area. Of the 14,480 jobs in Elfrida, 4,320 of these jobs are estimated to be population-related employment and would be located in buildings that pay property taxes to the City. The remaining jobs are assumed to be institutional jobs, work from home employment and employment with no fixed place of work. As all or a portion of these jobs would either not be located in a physical building (e.g. contractors, traveling sales persons, etc.) or be located in a building that does not pay property taxes (e.g. schools), we have not calculated property taxes associated with these jobs.

For comparable commercial developments in Hamilton, the average assessed value was \$2,845 per square metre. Based on a commercial employment density of 37 square metres per employee, the assessed value of commercial space occupied by each employee has been estimated at \$105,265 per employee. Applying the city portion of the commercial property tax rate results in property taxes of \$2,420 per employee. **This results in annual property tax revenue of \$10.5 million for employment in the Elfrida Community Area.**

Combined, the population and jobs located in the Elfrida Community Area are estimated to generate \$172.2 million in property tax revenue annually for the City at full build-out.

3.2 Non-Property Tax Revenues

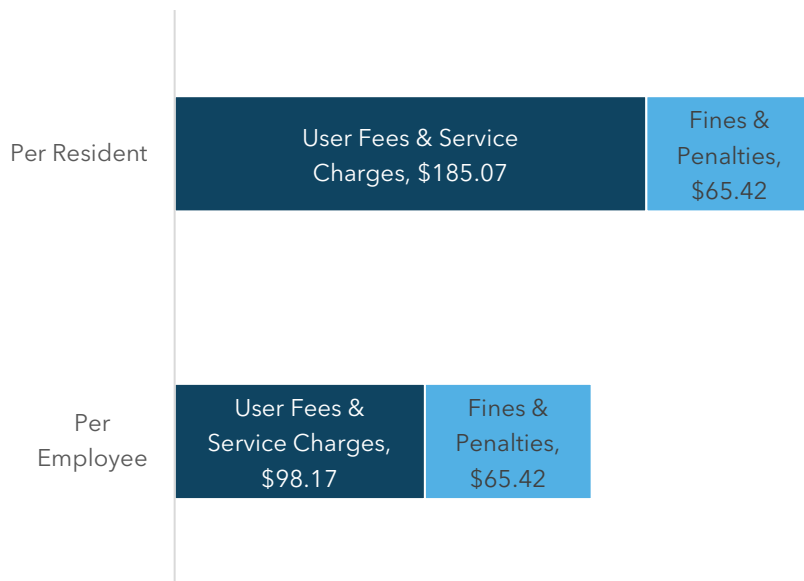
In addition to property taxes, municipalities can generate revenue from several other sources. These non-tax revenues include user fees, fines, charges, penalties, etc. To estimate potential non-tax revenues accruing to the City, Parcel has relied on the most recent 2022 FIR.

These non-tax revenues are summarized by category (i.e., payments in lieu of taxes, grants, fines, penalties, etc.). To calculate growth-related non-tax revenue, Parcel has then made assumptions for the portion of non-tax revenue that could increase in proportion to proposed residential and commercial growth.

For user fees and service charges, charges have been examined by service area. For general government, protection, transportation, and recreation/culture, we have assumed that new residents and jobs in the proposed development will generate the same user fees per capita and per employee as existing residents and jobs in the City of Hamilton. For environmental services, we have only included user fees related to solid waste disposal and waste diversion. Water and wastewater fees have been calculated separately.

Figure 3.2 shows that the annual non-tax revenue has been estimated at approximately \$250 per resident in 2024 dollars. We have also assumed that non-tax revenue per employee at approximately \$163 per resident in 2024 dollars. **Based on the number of persons and jobs accommodated within the Elfrida Community Area, these non-tax revenues are estimated to amount to \$31.1 million per year.**

Figure 3.2
 Estimated Annual Non-Tax Revenue per Resident & Employee



Source: Parcel based on the City of Hamilton 2022 Financial Information Return. Inflated to 2024.

We have separately calculated water and wastewater user fees, as only a portion of residents and jobs are on full municipal services in the city. Using the same per capita approach, water and wastewater user fees are estimated at \$358 per capita and \$197 per employee. Based on the number of residents in the Elfrida Community Area, as well as the number of employees that would be subject to water and wastewater user rates, these service areas are anticipated to generate \$42.0 million in water and wastewater user fees.

3.3 Municipal Operating Costs

To estimate ongoing operational costs that could be incurred by the City due to the development of the Elfrida Community Area, we have estimated total costs affiliated with municipal-wide operation, which have been estimated on a per resident and per employee basis.

The approach we have utilized to estimate municipal-wide operating costs has relied upon the operating expenditures taken from Schedule 40 in the FIR. Operating expenses listed in Schedule 40 are grouped by expenses identified below:

- **Salaries, Wages and Employee Benefits** - includes expenses incurred for full-time, part-time and temporary salaries and wages including regular, overtime, shift premiums and other remuneration to employees.
- **Interest on Long-Term Debt** - interest incurred on long-term liabilities and for leased tangible capital assets.
- **Materials** - includes materials purchased by a municipality for its own uses and/or disposal or resale. This also includes expenses for insurance, travel, reimbursement of mileage, photocopying and materials purchased by the municipality which are subsequently provide to a third party.
- **Contracted Services** - includes expenses incurred when a municipality is responsible for providing a service(s) and contracts out service delivery. This could include services contracted out to a private contractor, another municipality or another level of government.
- **Rents and Financial Expenses** - includes rents and financial expenses paid to external parties, including expenses for rental of buildings, land, machinery, equipment and engineering structures.
- **External Transfers** - this category includes transfers to charitable organizations, conservation authorities, individuals (i.e., social assistance) and unconsolidated local boards. Amounts billed by the Province for social housing are also reported under this category.
- **Amortization** - includes the annual amortization expenses for tangible capital assets.

For this analysis, we have deducted interest on long-term debt and conditional grants from total expenditures to arrive at net operating expenditures. Debt charges have been removed because these charges are for "sunk" investments and are unaffected by growth. The City also received approximately \$424.7 million in grants from other levels of government in 2022, with 95% related to health services, social and family services and social housing.

These grants were subtracted from municipal operating costs to determine the net impact on operating costs for the municipality.

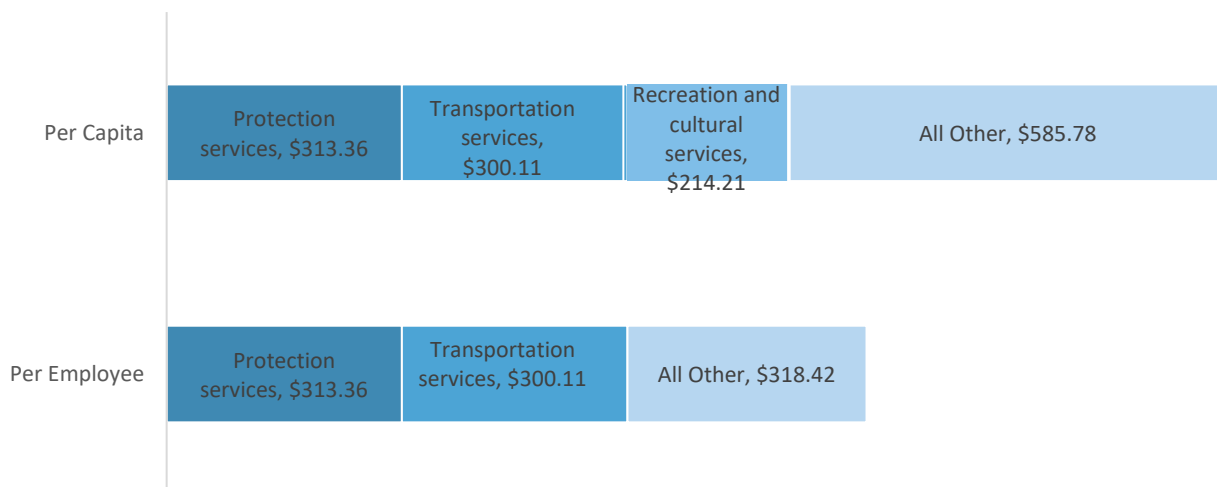
These adjusted operating expenditures have than been allocated between residential and non-residential sectors based on existing population and employment and our understanding of the services areas.

After allocating adjusted operating expenditures between the residential and non-residential sectors, we have estimated the degree to which adjusted operating expenditures will change with additional growth, by applying a **“growth-related”** factor. In some cases, this growth-related factor recognizes that there would be nearly proportionate increases in operating costs relative to the operating expenditures being incurred by the City to provide services to existing residents and employees, with a small allowance made for efficiencies and economies of scale. There are some services, such as general government, planning and development and solid waste collection where costs will likely grow at a slower pace than population or employment growth, as there are greater opportunities for economies of scale.

Figure 3.3 below summarizes operational costs per capita and employee based on the City’s FIR and growth-related factors summarized above. **These operational costs are estimated at \$175.8 million for residents and employees in the Elfrida Community Area at full build-out.**

Figure 3.3

Estimated Annual Net Operating Expenditures per Resident & Employee (2024)



Source: Parcel based on the City of Hamilton Financial Information Return, 2022. Inflated to 2024.

As part of the ongoing Secondary Plan process, and as more detailed plans are established for the Elfrida Community Lands, these costs should be updated to provide a more detailed assessment of:

- **Incremental Operating Costs** - The annual operating costs associated with new roads and parks infrastructure that are required on-site to service development.
- **Lifecycle Capital Replacement Costs** - Lifecycle replacement costs for the on-site incremental capital assets that are directly related to the proposed development.

In addition to these operating costs, we have separately calculated operating costs for water and wastewater services. The FIR identifies an average expense to revenue ratio from 2022 of approximately 72%. We have utilized this combined average expense to revenue ratio in determining potential costs associated with the Elfrida Community Area. Although this results in an annual surplus, an annual surplus is beneficial to ensuring funding is available to non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments.

3.4 Net Municipal Operating Impact

To estimate the net operating impact associated with the build-out of the Elfrida Community Lands based on the Concept Plan, Parcel has compared forecast municipal revenues that could be generated by the development against estimated operating costs that could be incurred by the City of Hamilton. We note that these costs and revenues reflect the information and concept plan available to date. All costs and revenues should be updated as more detail becomes available through the secondary plan process.

Figure 3.4 shows that the Elfrida Community Area is anticipated to have a **net positive financial benefit** to the City of Hamilton. This is largely related to significant development planned, including a range of residential units that the City can expect to accrue throughout the planning and development of this community.

The operating surplus identified in Figure 3.4 provides the City with an opportunity to upgrade or replace existing facilities or infrastructure in other parts of the City without being a drain on municipal finances. This will allow the City to maintain a state of good infrastructure repair on a City-wide basis and go towards addressing the City's infrastructure deficit, that would otherwise exceed the current funding capacity.

Figure 3.4

Net Municipal Fiscal Impact**Operating Revenue**

Property Tax	\$172,242,000
Non-Tax	\$31,129,000
Total Operating Revenue	\$203,371,000

Operating Costs \$175,779,000

Net Difference \$27,592,000

Percentage 14%

Water and Wastewater

Revenue	\$42,036,000
Expenses	\$29,770,000
Net Difference	\$12,266,000

Source: Parcel.

4.0

Response to Topic Areas

The following section reiterates the five key topic areas identified for the Housing Assessment Report in Appendix "A1" to Report PED24109 and how these key topics are addressed by Parcel in this Housing Assessment Report.

1. Assessment of Initial Round of Growth-Related Infrastructure

including requirements such as storm, water and wastewater and transportation (roads and or transit) which are assumed to be largely paid for by developers through capital revenues generated from such sources as Development Charges and Building Permit fees.

Parcel Response

The 2024 DC Study and supporting studies include some growth-related capital infrastructure costs required to service growth in the Elfrida Community Area. This includes infrastructure costs in the service areas of Fire, Parks and Recreation and Library services. Development charge eligible infrastructure costs related to roads are summarized in the *Strategic Transportation Network Review*, December 15, 2023 prepared by Arcadis.

Based on current development charge rates, total development charge revenue associated with the Elfrida Community Area is estimated at \$1.71 billion, which assumes 114,900 persons are accommodated within the Elfrida Community Area, as well as 4,320 commercial jobs (excluding institutional, work from home and no fixed place of work).

Not all municipal infrastructure costs necessary for the Elfrida Community Area will be funded through development charges. Appendix E of the 2024 DC Study includes a Local Service Policy, which outlines the types of infrastructure that would be a direct developer responsibility.

Within the Elfrida Community Area, the local infrastructure for wastewater linear services, water linear services, stormwater services, as well as certain road infrastructure and parkland development that are a direct developer responsibility has not been determined at this time and will be refined through a secondary plan process.

The initial construction of this local infrastructure will not have a municipal fiscal impact, as it will be the responsibility of the landowners within the Elfrida Community Area. However, once this infrastructure is conveyed to the City, it will result in increased municipal costs associated with ongoing operation and replacement of infrastructure at the end of its useful life.

2. Provisions for Operating and Replacement Costs

While the initial round of growth-related infrastructure is paid for by developers, the cost of operation and eventual replacement of infrastructure must be funded through taxes, utility rates of other sources such as grants. Annual operations and replacement cost provisions should be considered based on

standard replacement costs and useful life anticipated for each category of asset. It is recommended that the applicant be required to provide a comprehensive assessment of long-term operating and replacement costs for all components of the needed servicing infrastructure, which can range from 30 to over 100 years depending on the specific element under consideration. Guidance can be taken from available Census information on average expected useful life by asset class (pipes, pump stations, force mains, etc.) and the expectation should be that this information be adjusted to reflect the specific expansion

Parcel Response

Within the Elfrida Community Area, the local infrastructure for wastewater linear services, water linear services, stormwater services, as well as certain road infrastructure and parkland development have not been determined at this time and will be refined through a secondary plan process. When these infrastructure requirements are known, a detailed quantitative assessment that accounts for long-term operation and replacement costs can be conducted

For the purpose of this Fiscal Impact Assessment, a high-level, per capita methodology has been utilized to determine these operating costs. Further, as shown in Figure 3.4, there is anticipated to be a net fiscal surplus that can go towards reserves to fund the replacement costs of all infrastructure located within the Elfrida Community Area.

3. 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 MTSAs, options to maximize existing servicing capacity through conservation, efficiency and/or other innovative approaches, as the case may be.

Parcel Response

The operating surplus identified in Figure 3.4 provides the City with an opportunity to upgrade or replace existing facilities or infrastructure in other parts of the City without being a drain on municipal finances. This will allow the City to maintain a state of good infrastructure repair on a City-wide basis and go towards addressing the City's infrastructure deficit, that would otherwise exceed the current funding capacity.

4. Conclusions on Net Fiscal Impact

the proposed expansion, including the initial round of growth-related infrastructure and provisions for operating and replacement costs, ecological value, and more qualitative strategic implications.

Parcel Response

As summarized in Figure 3.4, the full build-out of the Elfrida Community Area is anticipated to result in a net operating surplus.



Parcel

info@parceleconomics.com

416-869-8264

250 University Avenue, #221, Toronto, Ontario, M5H 3E5

