



A People Place, A Change of Pace
SHELBURNE
ONTARIO, CANADA

A BRIEF TO:

The Honourable Kinga Surma
Minister of Infrastructure

PRESENTED BY:

- Mayor Wade Mills, Town of Shelburne
- Deputy Mayor Shane Hall, Town of Shelburne
- Denyse Morrissey, CAO, Town of Shelburne
- Stephen Burnett, Municipal Engineer

August 22, 2023 AMO Conference:
Double Tree Hilton Hotel, Room 300
London, Ontario

SUPPORTING CONTINUED HOUSING DEVELOPMENT IN SHELBURNE: WATER POLLUTION CONTROL PLANT EXPANSION PROJECT AND AFFORDABILITY

Background

The Town of Shelburne is situated on Highway 89 and Highway 10, in Dufferin County. Our Town is currently home to approximately 9,400 residents and is 6.6 square km. We have a very high density of people per square km which is similar to many urban cities or GTA municipalities.

The Town of Shelburne is planning to accommodate additional residential growth to the year 2051 including over 2,000 new homes providing housing for approximately 5,500 people. This would bring the Town's 2051 population to over 15,000 as per the County of Dufferin's Municipal Comprehensive Review (MCR) to contribute to meeting the growth targets for the County in accordance with the Growth Plan for the Greater Golden Horseshoe.

The Town of Shelburne has completed a Wastewater Environmental Assessment and is in the process of completing the detailed design work for the planned Wastewater Pollution Control Plant (WPCP) upgrades. That work is expected to be completed by end of 2023 or early 2024. Council had originally approved the estimated \$2 million cost for this component of the project and on the basis that the eligible growth-related capital cost will be primarily funded by Development Charges.

In January 2023, Council directed staff to postpone the tendering and construction of the WPCP capital project expansion until a financial strategy is developed. In the absence of being able to fund the WPCP plant expansion to support future development, the plant would be repaired to only support existing homes and businesses.

Town's Development Principles

The Town of Shelburne development principle is that "growth pays for growth" and is not supportive of shifting the burden of the capital costs for growth-related infrastructure projects to the property tax base.

The Town's ability to implement these projects to accommodate growth and development, and its continued commitment to the principal of "growth pays for growth", are very reliant on Development Charges (DC) revenues. Without adequate DC's, critical capital projects will be delayed or may become cost-prohibitive altogether based on the Town's limited borrowing capacity and impacts to property taxation.

Town's 2023 Financial Snapshot

2023 Residential Assessment is 89% of the Towns 2023 Taxable Assessment

General 2023 Operating Budget	\$11,918,966
General 2023 Capital Budget	\$ 5,339,089
Water and Sewer 2023 Operating Budget	\$ 4,569,399
Water and Sewer 2023 Capital Budget	<u>\$ 7,984,646</u> (incl. 1.9mil for WPCP Design)

Total Annual Budgets Combined **\$29,812,100 Million**

Long Term Debt – 2023 Opening Balance - \$ 8,504,637 (annual payment obligation \$1,054,489)

In 2023 to date, the Town has experienced our highest ever rate of unpaid water bills as well as highest number of properties in tax arrears. The number of families that must rely on the food bank continues to increase, and in 2023 Council deemed food insecurity as a priority in allocating funding from the Town's grant program. We recognize that members of the community are severely struggling financially.

The Town is also facing a wide range of other growth-related capital pressures and specifically in parks and recreation infrastructure. We are in the process of finalizing the parks and recreation master plan. Capital costs are estimated at \$19 million plus. It was expected future DCs would have funded some of these costs. The Town would not be able to afford any capital improvements in this high priority service area and we may not qualify for many grants if the Town's borrowing capacity were wholly applied to the WCPC.

WPCP Project Estimated Timelines

Design and Engineering	2023 (in process)
Project RFP issued	2024 (currently postponed)
Project construction	2024-2025
Plant expansion completed	early 2026

Long Term Estimated Debt Financing – WPCP Expansion

Estimated Costs	In Millions \$
Total WPCP Upgrade Cost	\$ 36.0 *
Less: Existing Reserves for WPCP	\$ (3.4)
Less: Available DC's for WPCP	\$ (2.7)
Balance to fund WPCP Expansion	\$ 29.9

Estimated annual debt payment for a \$30,000,000 million-dollar loan for 20 years at 4.79% (Infrastructure Ontario Aug 2/23 Rate) - \$2,334,277. This financial impact results in an annual repayment limit “overage” of \$1,857,866 using Town’s existing Debt Management Policy which is 40% of the Provinces’ ARL or 10% of the Town’s own source revenues.

*It is expected that due to continued inflationary pressures, the project cost will increase from this 2023 estimate.

Estimated DC Phase-In Shortfall– WPCP portion only

Estimated DC funding shortfall due to Bill 23 and 80% phase-in of DC’s is \$4 million to \$4.2 million. This figure does not include any other service area and is related to WPCP portion only.

Estimated DC Freeze Shortfall – WPCP portion only

The freezing of DC rates for applications already received, before the DC is updated to include the full WPCP cost, is estimated to be an additional shortfall of \$3 Million.

Estimated DC Shortfall for Exemptions - WPCP portion only

The very high level estimate of the DC shortfalls due to exemptions for affordable and attainable housing units is \$3.4 million.

Summary of estimated shortfalls for WPCP

Estimated DC Shortfall for WPCP	\$ 4.2 M	due to Bill 23
Existing DC Freeze	\$ 3.0 M	West Side developments
Estimated Exemption impact	\$ 3.4 M	Other Potential Applications
Total DC Shortfall	\$ 10.6 M	

Planned Housing Development – Reliant on WCPC Expansion

The following housing projects are planned but are dependent on the timing of implementation of the planned servicing capacity upgrades and cannot proceed until the required infrastructure capacity is available:

Housing Projects	# of Units
Emerald Crossing / Shelburne 89 Developments Ltd. (Fieldgate Homes) – Plan 7M-79 Block 215 (Future Medium/High Density/Mixed Use)	60
416, 428, 428 Main St. W. - NMJ Developments Inc. / Sahyog Investments Inc. & 2728476 Ontario Ltd. – Draft Plan of Subdivision – Shelburne West Secondary Plan Area	179
501-505 Main Street West – 1005024 Ontario Ltd. – Draft Plan of Subdivision – Shelburne West Secondary Plan Area	74 +50 future phase
124 Owen Sound Street – Owen Green Developments – Site Plan	44
Shelburne Meadows – Highway 89 & 4 th Line – 796413 Ontario Limited (Flato Developments) – Draft Plan of Subdivision – Shelburne West Secondary Plan Area	93 +463 future phases
434 Main Street West – Harpreet S. Goraya	38
Southbridge – New Retirement Home	128 beds
DiPoce Lands – East of 4 th Line - Shelburne West	250+
Intensification Potential within Built-up Area	513
Total Planned and Proposed Residential Units	1,764+ +128 beds

As listed in the chart, the homes that would be built include a mix of purpose-built apartments including seniors housing, townhomes in a variety of formats such as street townhouses, back-to-back and stacked townhouses, semi-detached and single detached dwellings, and could include other tenures such as condominium and/or land lease as well. The development is primarily at a stage to move forward quickly but contingent upon the WCPC expansion. It is expected this development could be completed rapidly and within 5 to 7 years. The Town would then reach the population projection of 15,000 much sooner than 2051.

The Town has also received various inquiries regarding access to Shelburne's water and wastewater services for residential development from companies who own lands in municipalities adjacent or close to the municipal boundary of Shelburne.

Front Ending Agreements & Capital Charges

The Town would also review the use of front ending agreements as part of a funding strategy to offset or replace reduced DCs. However, as some of the units may be exempted if they qualify as "affordable" or "attainable" housing, if and when those exemptions and associated DC Act regulations come into play. This aspect of Bill 23 leaves a lot of uncertainty and the Town does not know how it will affect DC recoveries and front-ending agreements. For example, if the development community front-ends the WPCP project through early DC payments of \$20 million, and the front-ending agreement provides for DC credits, and 50% of the units in the development are DC exempt because they meet affordable/attainable criteria, there would only be \$10 million in DC credits available to be credited back to the development community. The Town could be left with a long-standing credit obligation leaving other growth-related wastewater projects unfunded or in a funding shortfall for projects such as trunk sanitary sewers, sanitary pumping stations and force mains, etc.

The Town will also review using capital surcharges, for the development of all applicable properties related for wastewater infrastructure costs to offset the loss of DCs. If neither front ending or capital charges financially viable options the expansion project could not proceed. Instead, the Town would need to develop a long-term financial funding strategy to only complete the WPCP upgrades, estimated to be \$15.7 Million (2023) which are required to support the existing population needs and very limited remaining development. In this case no expansion of any planned housing or development in the western part of the community or in other parts of the Town would proceed.

Land Tax Transfer

The purchase of homes also provides benefits to the Province in terms of land transfer tax revenues. A recent development in Shelburne or "Emerald Crossing" with detached homes and townhomes started at \$850,000 and were up to \$1.3 million, and many were re-listed for much higher prices.

Based on the average home price of \$750,000 in Shelburne the land transfer tax would be \$11,475 to the Province. Given first time home buyers are eligible for a rebate of up to \$4,000, the reduced transfer tax is then about \$7,475 per home.

While we have not estimated the purchasers would be eligible for the rebate, a conservative estimate of the future transfer tax revenue from sale of homes in Shelburne to the Province would be in the range of \$15 million taking into account first time home buyers where all were eligible for the full rebate or up to \$23 million if there were no first-time home buyer rebates.

Allocating the land transfer tax revenues to municipalities in whole or part and on an interim three-to-five-year term, would provide revenues to the municipalities specific to housing sales or developments in their communities to support infrastructure costs that are no longer being funded by DCs.

Provincial Audits

The Town also recognizes as outlined in the July 26, 2023 letter to AMO President Colin Best that:

- A firm has been retained to examine the finances of the City of Brampton, City of Mississauga, City of Toronto, Peel Region, Town of Caledon, and Town of Newmarket.
- Work will begin shortly, with the first phases of the audits expected to conclude around the end of 2023.
- The third-party audits will help provide a clear and shared understanding of the potential impacts of the changes to development-related fees and charges included in the More Homes Built Faster Act, 2022.
- Lessons learned from these audits will be valuable in informing future provincial policies and programs supporting long-term municipal financial sustainability and housing related infrastructure investments.

The ability for small towns in Ontario to also support new and diversified housing is significant. It would be beneficial to also evaluate the impact of lost DCs to small towns, like Shelburne, due to Bill 23. The audits are limited to much larger cities or towns. Small towns have much different financial resources, reserves, or debt capacity and expanding this audit to include a Small Town stream audit would contribute to the analysis to inform future provincial policies and programs.

Our Requests

The Town of Shelburne respectfully requests the Minister consider:

1. Reinstating Provincial and Federal Infrastructure Funds such as the Green Infrastructure Stream of Investing in Canada Infrastructure Program (ICIP) or the Clean Water and Wastewater Fund (CWWF) to begin accepting applications in early 2024 for water and wastewater infrastructure to support the Provinces' housing development targets and the significant funding (estimated at 30 million) required by the Town for a WCPC expansion.
2. Establishing an interim three-to-five-year program to allocate the land transfer tax collected by the Province, in whole or in part, back to municipalities to support water and waste water infrastructure.
3. Evaluating the impact of lost DCs on small towns due to Bill 23 by expanding the audits which are intended to inform future Provincial policies and programs, and which are currently limited to much larger cities or towns, to include a small town stream. Shelburne would offer to be included and the list could be created in consultation with AMO.