

# Information Report

**Title:** Area Specific Development Charges

**Report Number:** Financial Services-2025-03

**Director:** Corporate Services

**Manager:** Manager.

**Meeting Date:**

Wednesday, March 12, 2025

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## Executive Summary:

At the February 26, 2025 Council meeting, a Public Meeting was held to discuss the Area Specific Development Charge (ASDC) Background Study prepared by Hemson Consulting Ltd., for growth-related infrastructure costs incurred on the 9/21 Business Park Lands.

An updated ASDC By-law is required in order to allow for cost recovery of the existing servicing works completed and paid for by the Municipality on these lands, as the current ASDC By-law expires on March 30, 2025.

As these lands are privately owned by developers and financial investments have already been made into these lands using public funds, it is important that the existing municipal residential taxpayers are ultimately not left bearing these costs.

## Context and Background Information:

The purpose of this staff report is intended to provide additional context for the financial discussions that were held at the February 26 Public Meeting on ASDC's at the Highway 9/21 Business Park.

In 2017, Council passed Resolution #11/15/17-08 that directed the following:

*THAT Council authorize staff to engage BM Ross and Associates to complete a Phasing Plan and cost estimates for servicing the Kincardine Business Park;*

*AND FURTHER THAT Council authorize staff to engage Hemson Consulting to assist in the development of project financing and cost recovery strategy for development lands per Report CAO 2017-16.*

The staff reports that led to the decision and commitment from Council to recover the upfront infrastructure costs from future development have been attached for information.

As of December 31, 2024, the Municipality has spent over \$4 million in public funds to invest in privately owned lands for the benefit of future developers. This investment has not only provided water, sewer and roads infrastructure to these lands, but has also directly increased the market value of the lands owned by private entities.

In order to front-end these costs and invest the \$4 million into this land, the following temporary funding sources were used by the Municipality in the interim:

Reserve funds	\$500,775
Bruce Telecom Dividend	\$227,650
OPG Low Level Waste Hosting Payment	\$425,026
ASDC's Collected to Date*	\$238,910
Other	\$8,528
Debentures (funded through taxes and water/sewer rates)	<u>\$2,626,000</u>
	<u>\$4,026,890</u>

*\*Under the current 9/21 ASDC By-law, \$238,910 has been collected in 2021 from a commercial business that has purchased land and paid the required development charge.*

During the public meeting, there were discussions and questions relating to the benefit that commercial development at this site has to the community at large, and whether cost sharing amongst the population within the whole municipality would be a reasonable funding methodology as an alternative to ASDCs.

Hearing this, staff would like to provide Council with information to better inform of the risks associated with not adopting the updated ASDC By-law at the upcoming March 26<sup>th</sup> Council meeting:

- This project was initiated with the commitment to fund growth-related infrastructure costs from future development. The interim investment made by the Municipality with taxpayer funds was intended to be short lived, and the passage of the existing ASDC By-Law 2020-048 is a clear indication of this intent and commitment. Without a new updated By-Law upon expiry of By-Law 2020-048 on March 30, 2025, there will be risk to the Municipality that development may occur without a cost-recovery mechanism in place resulting in lost revenues.
- The Municipality does not have sufficient reserve funds available to pay for new growth infrastructure. The Lifecycle Reserve Fund is intended to fund existing assets and infrastructure, and annual contributions to this fund continue to fall behind the recommendations within the 2022 Asset Management Plan Financial Strategy. While the 2025 budget does include a 3% tax rate increase to fund the AMP, it falls short of the recommended 6.8% annual tax levy increase. An AMP Update Report is provided to Council annually to provide information of the Municipality's infrastructure deficit and funding requirements.
- The recent Water Financial Plan and Water/Wastewater Rate Studies presented to Council in February 2025 did not include the consideration that the 9/21 Servicing Costs would be funded by ratepayers rather than development charges. Should Council decide not to approve an updated ASDC By-law, these additional costs would need to be included in the rate study and would ultimately result in higher water/wastewater rates for existing residential and business customers.

- There are additional costs remaining to be incurred on the 9/21 project of over \$1.5 million to complete the engineering infrastructure. These costs do not have an identified funding source at this time. Paying for this growth-related infrastructure through the Municipality's limited reserve funds is not a possible option without sacrificing other municipal projects, including the recently reported figures in the 2025 Bridge Master Plan which will require an investment of nearly \$20 million over the next 10 years.
- The Municipality has paid upfront servicing costs on privately owned development lands that remain to be recovered, for which Council has also previously committed to cost recovery from future development. This includes the following projects:
  - **OPF Business Park Lands:** The Municipality has over \$1.8 million that remains to be recovered on the OPF lands. An ASDC By-law was previously enacted to recover these costs, and while it has since expired, staff are working to bring back an updated ASDC By-Law to ensure cost recovery is achieved and public funds are replenished.
  - **Kincardine Ave Servicing:** The servicing costs of \$1.7 million for engineering and construction at this site have been incurred and thus far only \$30K has been collected from landowners to date. While cost recovery of \$900K is anticipated in the near future, ~ \$1.2 million will not be collected for at least 5+ years. An interim funding source has not yet been identified and therefore is funded from cash on hand (i.e. Contingency Reserve).

If cost recovery is also not achieved for these other developments, this adds an additional ~ \$3 million in costs that would also need to be absorbed by residents and businesses through taxation and/or utility rates.

### **Risk Considerations:**

This information is being highlighted to Council to advise of the importance of enacting an updated ASDC By-law for the 9/21 Business Park lands, as not doing so would set a precedent for how the Municipality pays for growth-related infrastructure costs.

If Council determines that a new funding model be established whereby business park/commercial servicing costs benefit the community as a whole and not just the developer directly, this puts at risk all other ongoing projects that have been front-ended by the Municipality to date (OPF, Kincardine Ave) and ultimately leaving taxpayers to fund these costs.

Further, ASDCs have already been collected at the 9/21 site under the existing active By-Law. In order to ensure there is fairness amongst developers, future developments should be subject to the same methodology of paying for growth-related infrastructure at that site.

### **Consultation Overview:**

The Director of Infrastructure & Development, CAO, and Hemson Consulting have been consulted for this report.

**Origin:**

Staff Report

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**Attachments:** CAO 2017-16 Kincardine Business Park Servicing;  
Treasury-2019-80 Financing of Kincardine Business Park Lands at  
Highway 9/21  
PWD 2018-15 Russell Street Tender

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