Watson & Associates ECONOMISTS LTD.

North Caledonia Employment Lands Feasibility and Servicing Study

Phase 2: Financial Analysis and Business Plan

Council Meeting
October 29, 2024

In association with:

GM BluePlan ENGINEERING

wsp

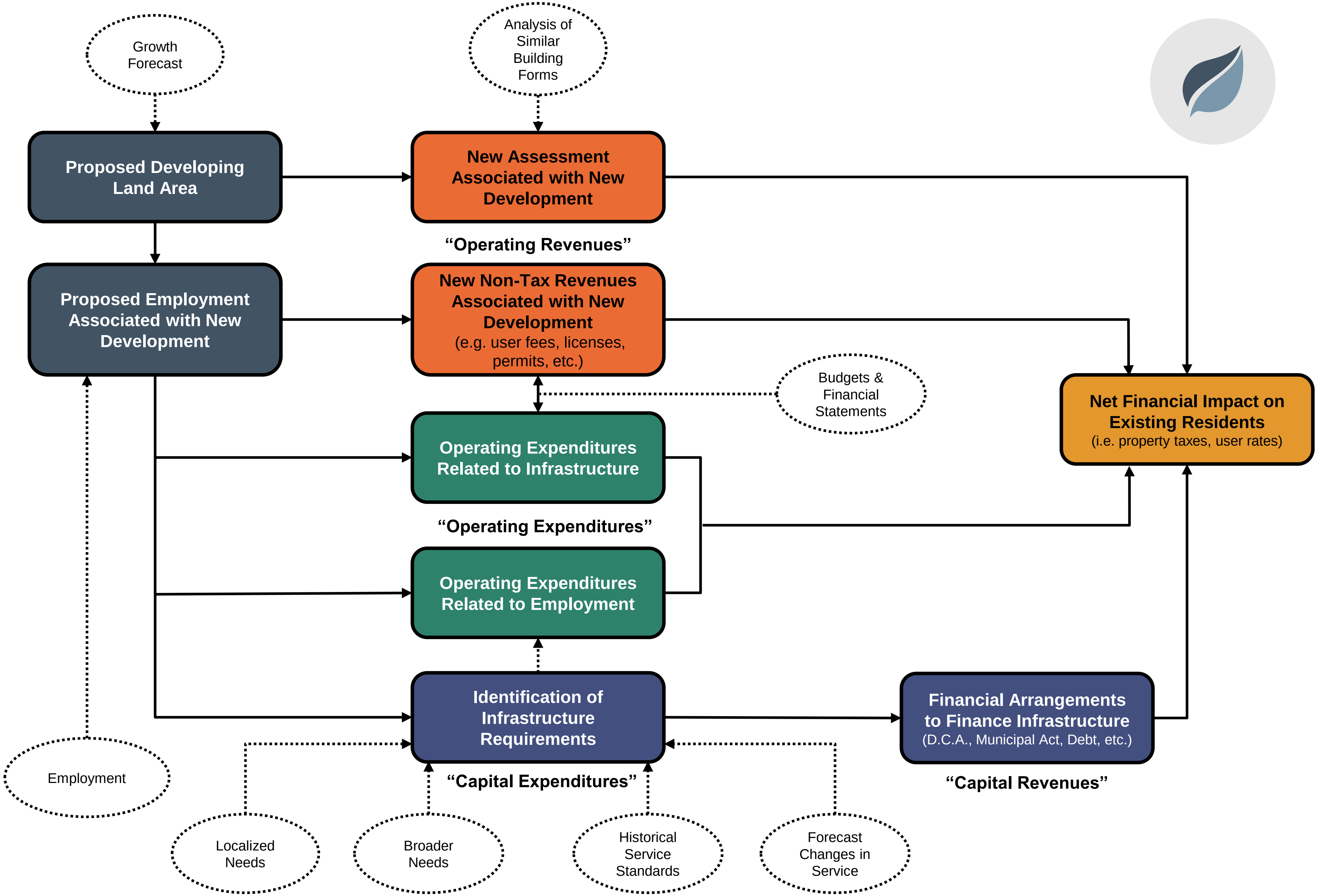
Agenda

- Introduction
- Overview of Analysis
- Preliminary Assessment of Scenarios
- Additional Scenarios Analyzed
- Considerations
- Best Practices Review
- Next Steps

Introduction

- Watson, WSP, and GM BluePlan have been retained to prepare an Employment Lands Feasibility and Servicing Study.
- This study aims to assist the County in being well positioned to accommodate a diverse range of employment growth over the coming decades.
- This study is being prepared in three (3) phases:
    - Phase 1: location analysis, market research and analysis, and functional servicing design;
    - Phase 2: financial analysis and business plan; and
    - Phase 3: property administration and management.
- This presentation provides an overview of the Phase 2 analysis.

Overview of Analysis



Preliminary Assessment

- An operating and capital cost analysis based on anticipated development of the study area was undertaken.
- Four development scenarios were analyzed to determine the financial feasibility of developing the employment lands:

  1. The Study area is privately developed and traditionally designed and operated;
  2. The County invests in conceptual planning, then sells plans to a developer;
  3. The County acts as the land developer in partnership with the private sector; and
  4. The County develops, acquires, services, and sells land parcels

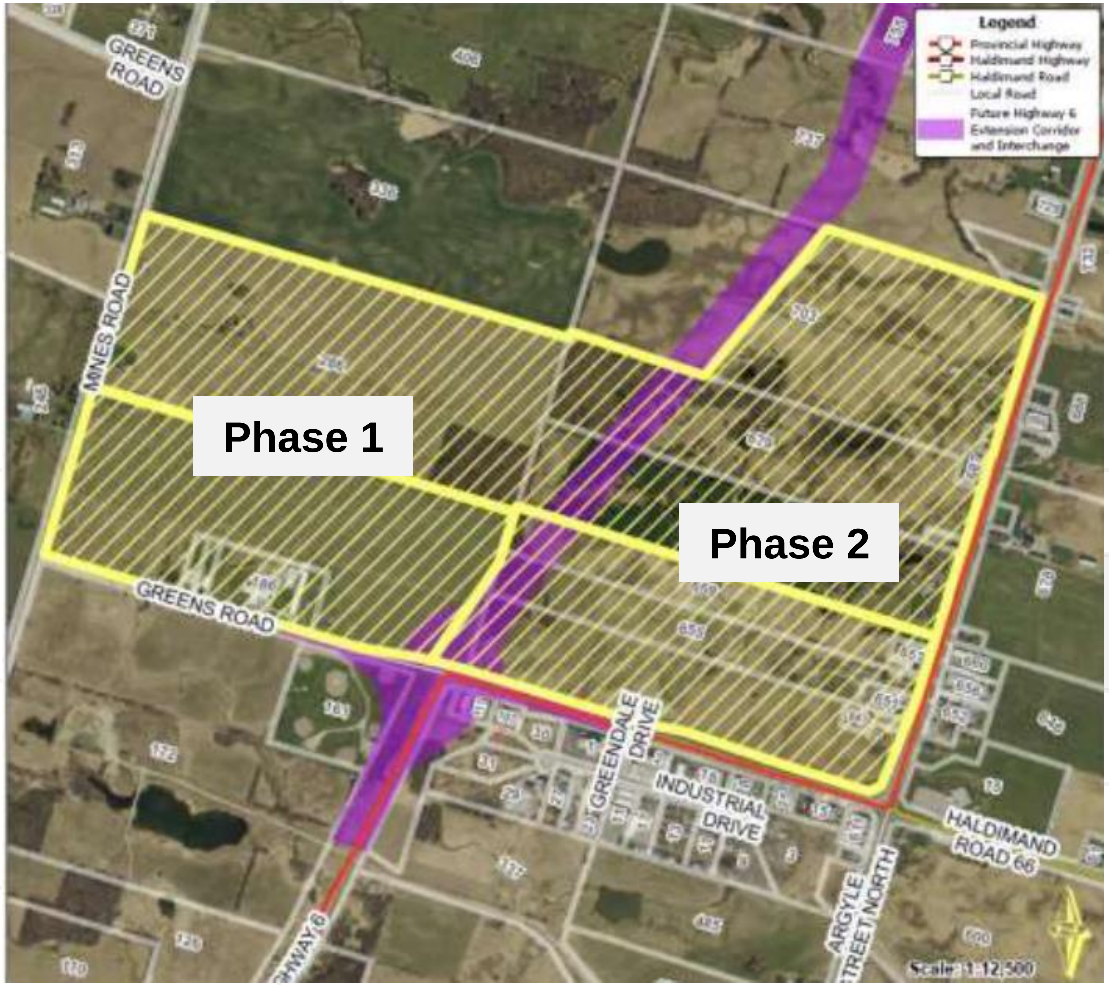
Development Forecast

Growth Forecast

Proposed Developing Land Area

Proposed Employment Associated with New Development

Employment

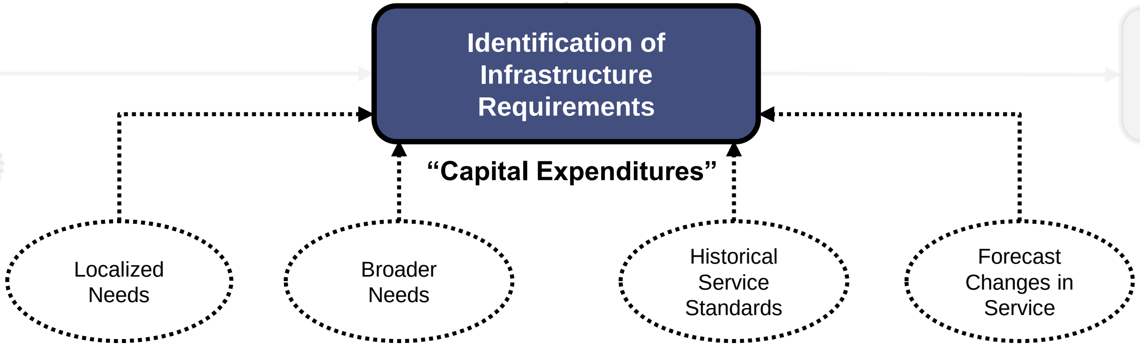


Net Financial Impact on Existing Residents
(i.e. property taxes, user rates)

Scenario	Land Area (gross hectares)	Total Jobs	Total Gross Floor Area (GFA) – sq.ft.
Industrial Development	121	1,772	2.65 million

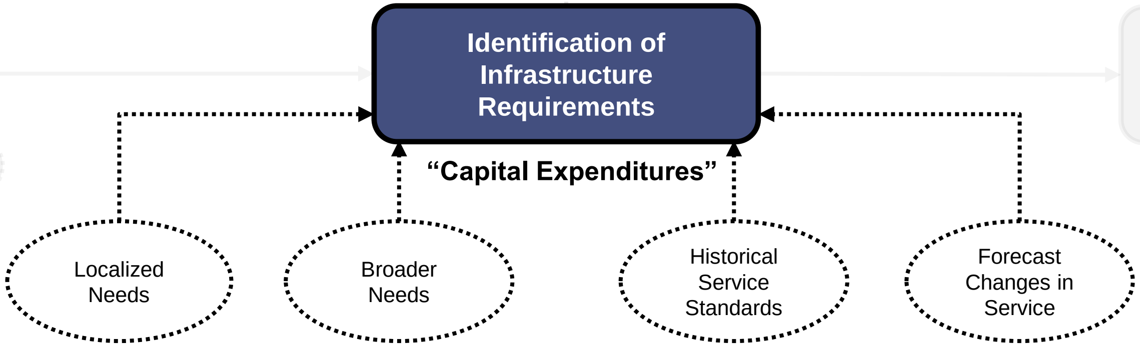
Total Capital Investment Required

Service	Total Capital Cost (2024 $)	Total D.C. Related Cost	Total D.C. Share for Study Area	Local Service Costs
External Water Infrastructure Projects	$10,981,500	$10,981,500	$6,932,569	$0
Internal Water Infrastructure Projects	20,763,000	-	-	20,763,000
External Wastewater Infrastructure Projects	91,792,000	91,792,000	31,490,113	-
Internal Wastewater Infrastructure Projects	21,455,000	-	-	21,455,000
Internal Stormwater Infrastructure Projects	32,220,000	-	-	32,220,000
External Roads Infrastructure Projects	16,114,000	-	-	16,114,000
Internal Roads Infrastructure Projects	14,335,000	-	-	14,335,000
Sub-Total External Infrastructure Project Costs	**$118,887,500**	**$102,773,500**	**$38,422,682**	**$16,114,000**
Sub-Total Internal Infrastructure Project Costs	**$88,773,000**	**$0**	**$0**	**$88,773,000**
Total Infrastructure Project Costs	**$207,660,500**	**$102,773,500**	**$38,422,682**	**$104,887,000**



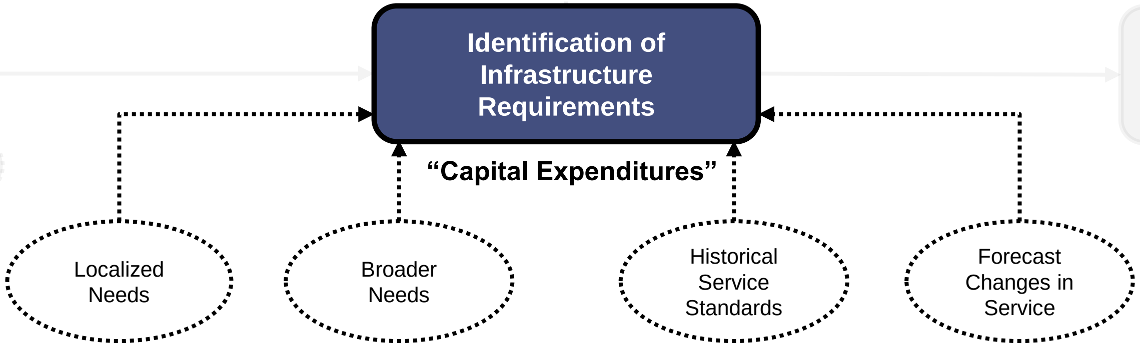
Direct Capital Investments Required to Service Development Area

Scenario	1	2	3	4
D.C.-Eligible Investment	$38 million	$38 million	$38 million	$38 million
Local Service Infrastructure (funded by County)	n/a	n/a	$105 million	$105 million
Planning Study Costs	n/a	$0.5 million	n/a	$0.5 million
Land Costs	n/a	n/a	n/a	$97 million
Total Capital Costs	**$38 million**	**$38.5 million**	**$143 million**	**$240.5 million**



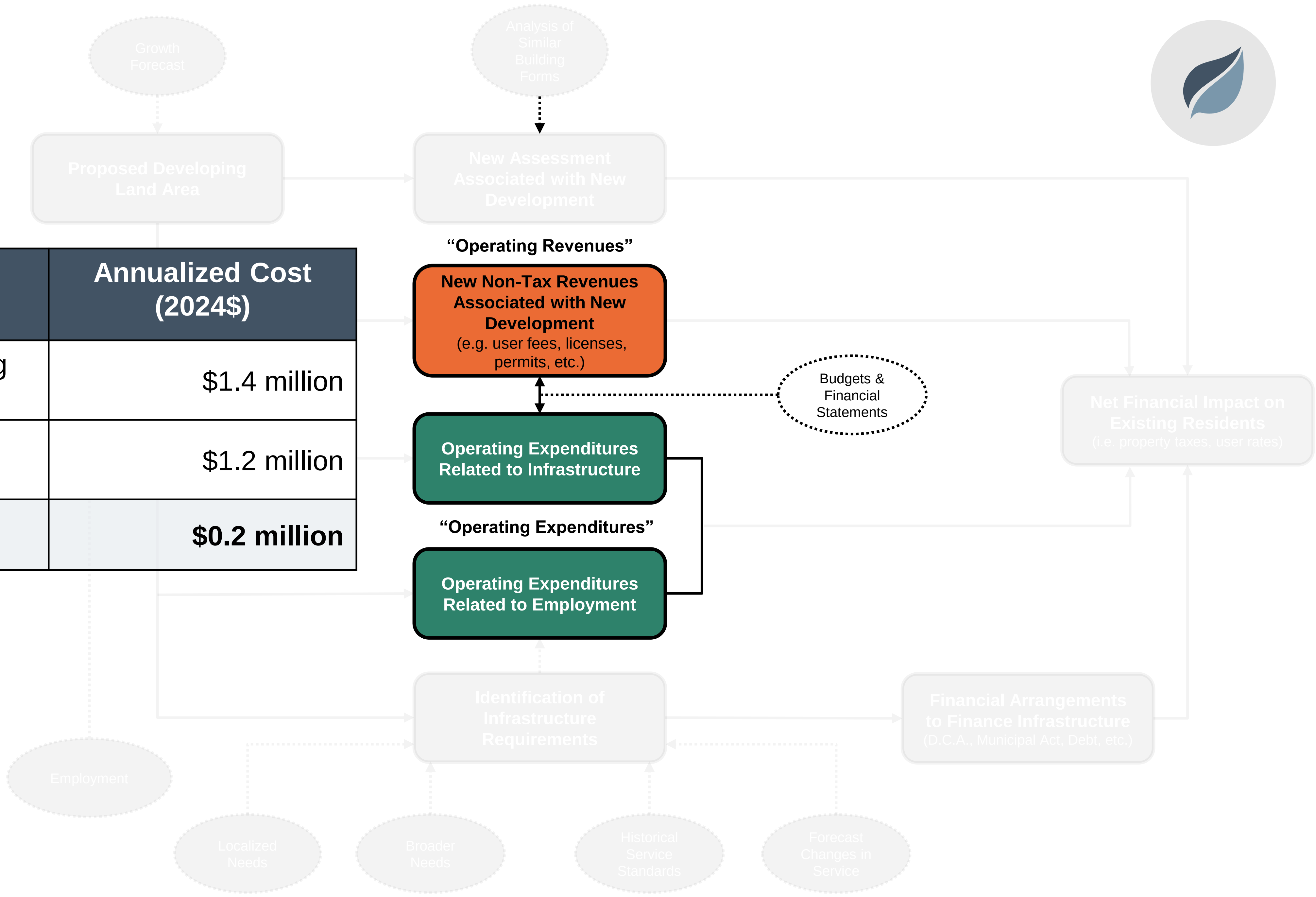
Annual Lifecycle Costs

Lifecycle Cost	Annualized Cost (2024$)
Direct Lifecycle Costs	$1.6 million
Indirect Lifecycle Costs	$0.4 million
Total	**$2.0 million**



Operating Costs

Category	Annualized Cost (2024$)
Incremental Operating Expenditures	$1.4 million
Incremental Non-Tax Revenues	$1.2 million
Net Expenditures	**$0.2 million**



Property Assessment

Analysis of Similar Building Forms

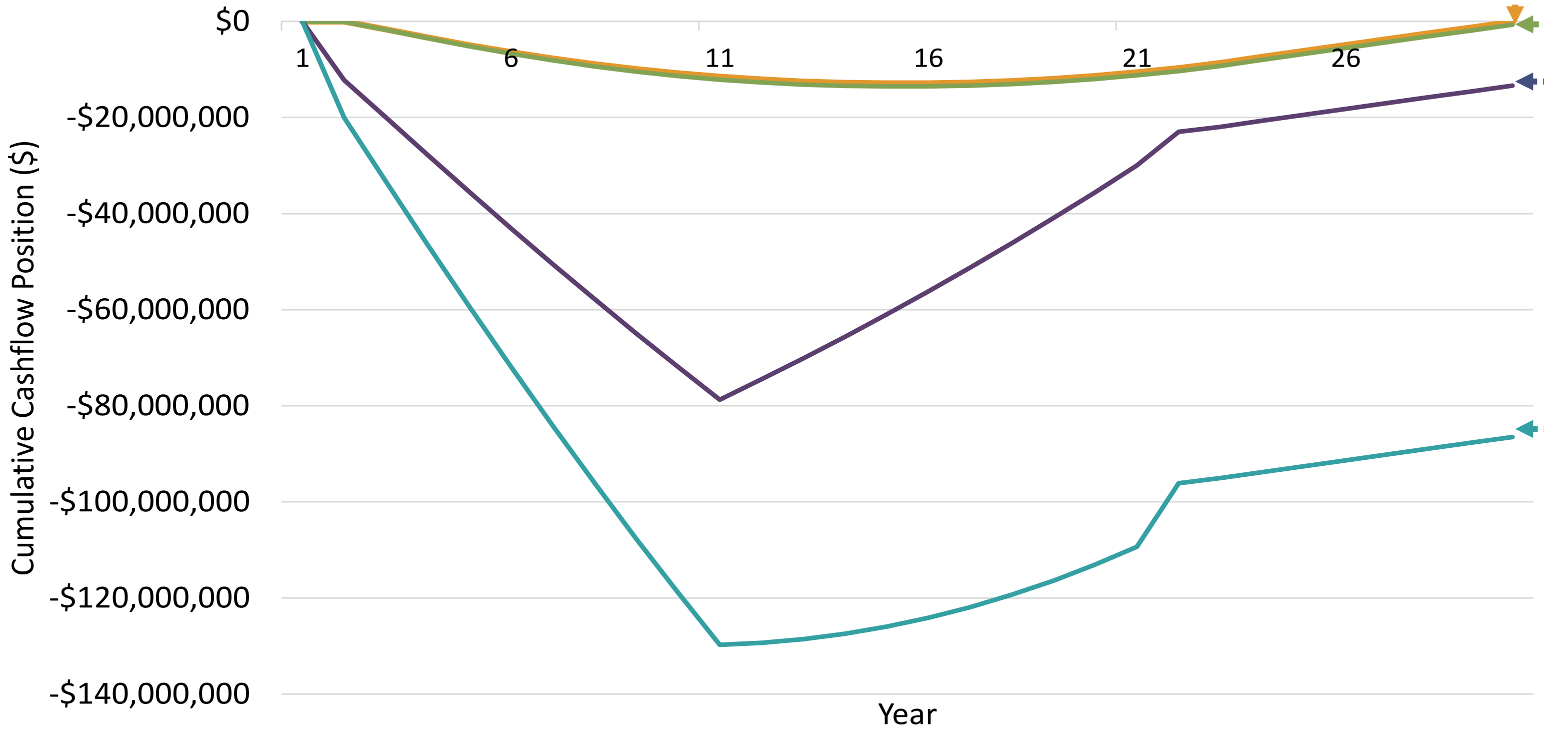
New Assessment Associated with New Development

Description	Average Assessment per sq.ft.	Est. GFA at Buildout	Assessed Value	Incremental Property Taxes (based on 2024 tax rates)
Industrial Development	$57	2.65 million	$152 million	$3.65 million

Cumulative Cashflow Analysis

- To show overall impacts, detailed cashflow analysis was undertaken over a 30-year time horizon
- Infrastructure investment assumed to occur prior to development
- Development anticipated to occur over 10-year and 20-year time periods (analysis herein shows 20-year development)
- Analysis presents a summary of the net impact on the County’s cashflow on a cumulative basis

Cumulative Cashflow Position



Scenario 1: privately planned and developed
net position at year 30: -$90,000

Scenario 2: County planned with private development
net position at year 30: -$700,000

Scenario 3: County develops with private partnership
net position at year 30: -$13.4 million

Scenario 4: County plans, develops, and sells lands
net position at year 30: -$86.5 million

Return on Investment and Potential Issues with Scenarios

- Significant initial investment/large lifecycle expenditures
  - Capital needs (including D.C.-related investments) range from $38 million to $241 million
  - Significant capital costs will impose a financial burden given requirement to cashflow any debt payments and annual lifecycle costs
- Debt capacity constraints
  - Significant debt financing required under all four scenarios. May exceed provincially imposed debt limit cap of 25% of own revenues
- Market uncertainty assumes growth all occurs within 20 years
  - Further risk for County to cashflow the works over longer than anticipated timeframe

Additional Scenarios Analyzed

Scenario 1

The Study area is privately developed and traditionally designed and operated

- **Scenario 1a:** the Study Area would receive partial municipal servicing (water only) as an interim solution;
  - Would partially address lifecycle costs for wastewater
- **Scenario 1b:** the Study Area would be developed with one large development for each phase; and
  - Would address lifecycle costs for internal infrastructure
- **Scenario 1c:** the Study Area would be developed as an industrial condominium
  - Would address lifecycle costs for internal infrastructure

Summary of Alternative Scenarios

Factor	Scenario 1: Privately Planned and Developed	Scenario 1a: Partially Serviced with Water	Scenario 1b: One Large Development (in each phase)	Scenario 1c: Industrial Condominium Model
Anticipated GFA (sq.ft.)	2.65 million	2.65 million	2.65 million	2.65 million
Anticipated Employment	1,772	1,772	1,772	1,772
Total Capital Costs (County investment)	$38.4 million	$6.9 million	$38.4 million	$38.4 million
Annualized Lifecycle Costs	$2.0 million	$1.2 million	$0.4 million	$0.4 million
Net Operating Expenditures	$0.2 million	$0.2 million	$0.2 million	$0.2 million
Incremental Property Assessment	$3.65 million	$3.65 million	$3.65 million	$3.65 million

Summary of Breakeven Analysis

Scenario 1: Privately Planned and Developed
Breakeven year: > 30 years

Scenario 1a: Partially Serviced with Water
Breakeven year: Year 23

Scenario 1b: One Large Development (in each phase)
Breakeven year: Year 5

Scenario 1c: Industrial Condominium Model
Breakeven year: Year 6

Further Considerations

- All scenarios assume development is classified as industrial for D.C. and property tax purposes.
- County would need a strong commitment from developing landowner that study area will be built out in timeframe agreed upon prior to investment.
  - Front-end financing may be required
- Development would potentially be feasible if the County acts as the land developer if there was significant grant funding from the Province, however this may not be applicable as much of the cost is Local Service
- Debt Capacity constraints given other capital needs in County (asset management requirements, Caledonia WWTP, water supply expansion, etc.

Best Practices Review Overview

- Watson conducted interviews with two Ontario municipalities: the City of Kingston and the Municipality of Middlesex Centre.
- Discussions focused on the challenges these municipalities face in employment land development.
- Key insights were gathered to address barriers and identify potential solutions for developing employment lands.

City of Kingston

- High infrastructure costs and poor return on investment have delayed the development of Kingston's northern business park.

- Reduced provincial and federal funding has forced Kingston to rely more on reserves and debt for employment land development.

- The City is considering redesignating portions of Employment Area lands for commercial use

- The City is waiting for nearby residential development to extend services before proceeding with its northern business park.

Municipality of Middlesex Centre

- Middlesex Centre plans to develop a 162-hectare Employment Area along Highway 402, projected to cost $46.5 million.

- Progress has stalled due to high servicing costs, as the Municipality does not own the land and lacks the funds to extend municipal services.

- The Municipality is exploring options for communal wastewater solutions.

- The Municipality is engaging AMO for potential grant funding, including leveraging the Canada Community-Building Fund for infrastructure that could support employment lands.

- Middlesex Centre is engaging the Province to attract large-scale operations, particularly in the EV supply chain.

Best Practices Summary of Findings

- Ontario municipalities are facing financial barriers in employment land development due to high infrastructure costs and limited funding.

- Diminished provincial and federal grants have pushed municipalities to rely on reserves, debt, and development charges.

- Ontario municipalities may need flexible land-use options and adaptable servicing to meet financial constraints.

- By conducting this study, Haldimand County is proactively assessing these constraints, to determine a realistic road map moving forward.

Next Steps

Receive Council Endorsement to Proceed to Public Consultation

Public Consultation
Q4 2024 – Q1 2025

Initiate Phase 3
Q1 2025

Discussion