

# Securing Employment Lands for the Benefit of the Region

---

CAO17-002

March 6, 2017



# Background

---

- In January of 2016 Council reconfirmed previous directions to staff to continue negotiations with the Township of Cavan Monaghan on a boundary adjustment.



# Background

---

- The City and Township of Cavan Monaghan (CM) have been, for several years, exploring opportunities to secure employment lands, capable of being serviced, for the betterment of the region.



# Background

---

- The Provincial Facilitator was **formally** appointed by the Minister in March 2015 at our request to assist the parties to develop a local solution leading to a restructuring proposal.
- On December 7, 2016 the negotiations reached a successful conclusion with the execution of a Memorandum of Understanding (MOU).



# Principles

- The 6 principles of the MOU articulated on page 3 of the staff report are foundational:
  - There is a shortage of Employment Land capable of being serviced – a collective solution is required.
  - Residential lands are integral to the resolution
  - Inclusion of the Airport recognizes City investment.
  - The annexed area is financially important to CM and County today.



# Principles

---

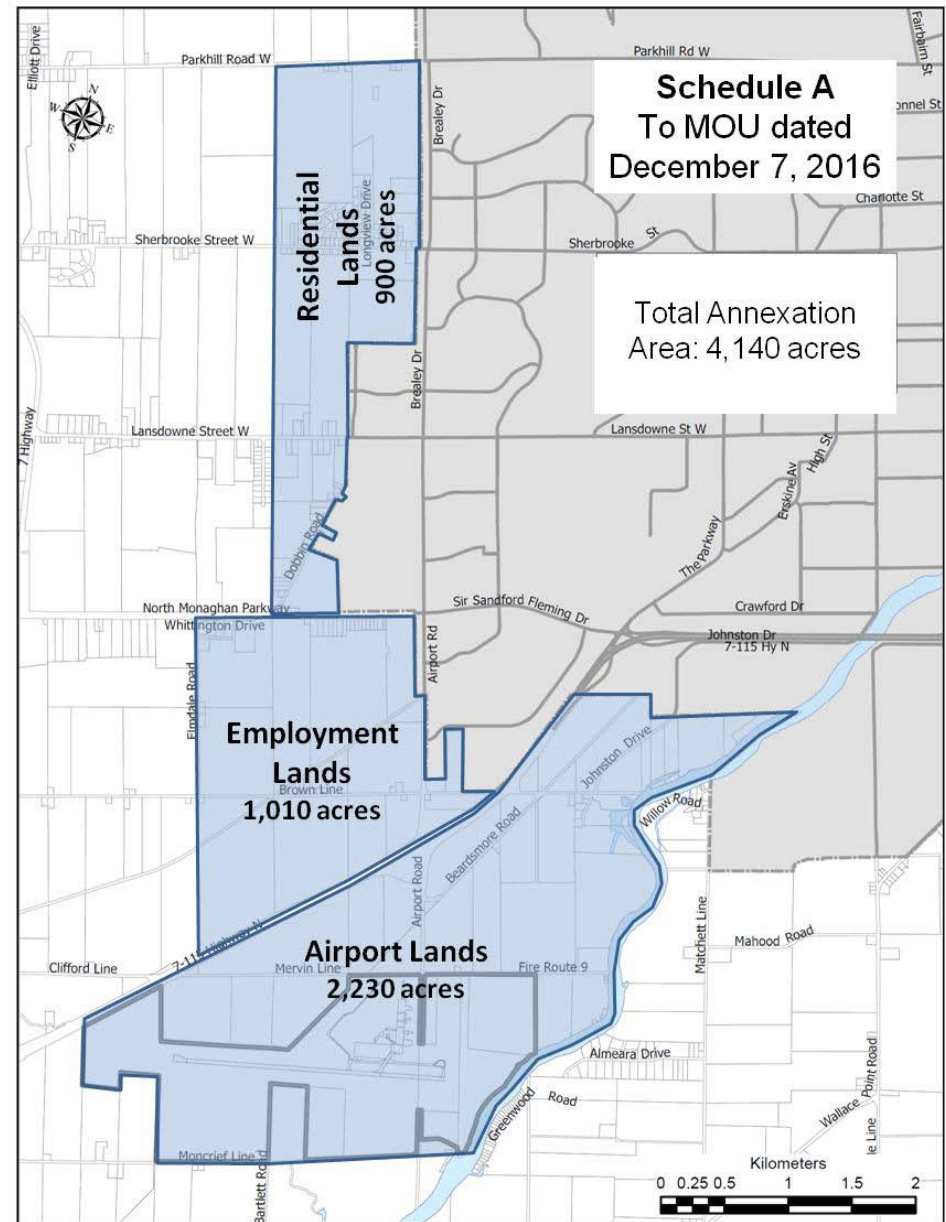
- Long-term economic incentives, commensurate with the economic loss is a reasonable expectation.
- Certainty is important. A 25 year financial commitment with a guaranteed annual amount will allow CM and County to fiscally plan for a future without the annexed lands. Certainty also means no further boundary discussions with CM for 25 years.





# Annexation

- **4,140 acre annexation:**
  - Residential – 900 ac.  
(210 environmentally constrained)
  - Employment – 1,010 ac.  
(358 env. constrained)
  - Airport – 2,230 ac.  
(1,320 env. constrained)
- **One phase:**  
(January 1, 2018)



# Compensation

---

- The MOU recommends a guaranteed payment in quarterly instalments to the CM and County, for 25 years.
- The Township's annual compensation is \$2.5M.
- The County's annual compensation is \$0.475M.





# Servicing Allocations

Access to City Services	Allocation	Conditions
<b>Employment Capacity Allocation</b> (Sysco and adjoining Industrial Lands)	<b>58 litres/sec</b> (90 acres light industrial)	No charge for allocation. CM bears capital costs in CM. User fees apply.
<b>General Servicing Allocation</b> (Deployed in Township's location of choice)	<b>40 litres/sec</b> (500 residential units)	CM pays water and sanitary sewer DC. CM bears capital costs in CM. User fees apply.



# Capital Contribution

- Depending on the timing and location of development in the City and the timing and **location** of development in CM which takes advantage of the servicing allocation there may be the need to construct services in the City to the Township boundary that would not benefit the City.
- Should this situation be encountered the cost to the City will be up to \$8M.



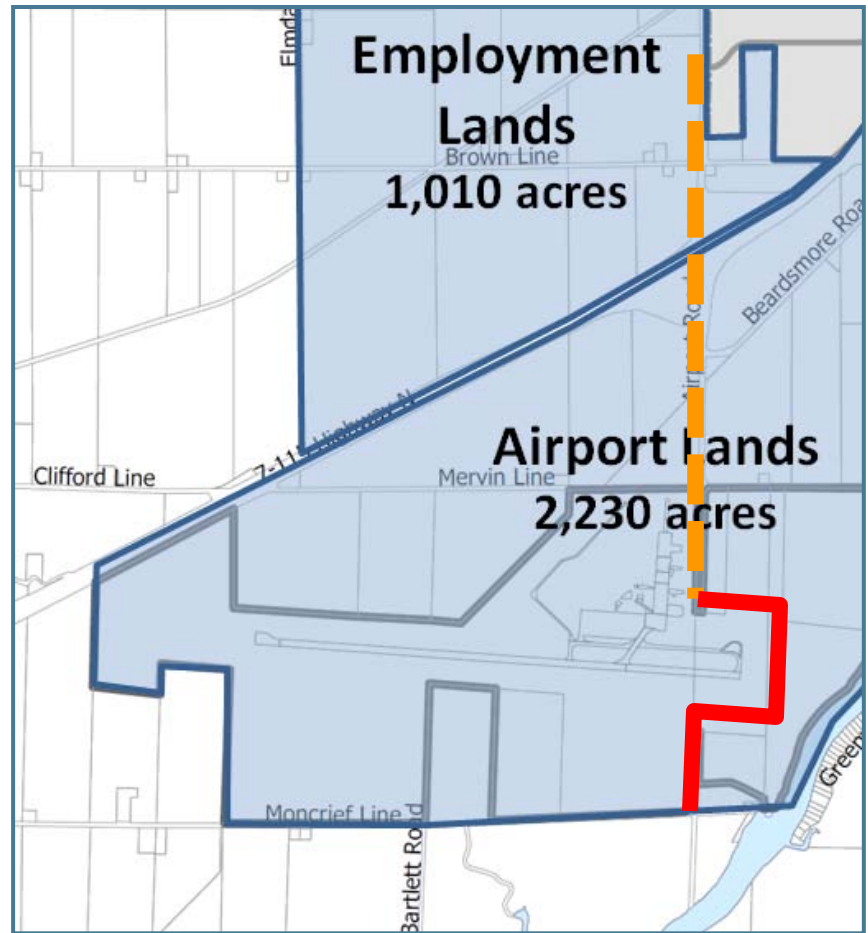
# Sysco Example

- If Sysco requires services, servicing (red) is required with a portion benefitting future City development.



# Fraserville Example

- Due to accelerated Airport growth, upgrades to the water and sewer services from the City to Airport are anticipated (orange).
- If CM elects to service Fraserville, servicing (red) is required with no future benefit to City development.



# Phase In of Tax Increases

---

- Generally, most tax classes will experience an increase when moving from CM to the City.
- The increase between the City and Cavan Monaghan taxes will be phased in at 10% per year so that the full tax burden is paid in year 10.





# Phase In of Tax Increases

- Example: CM tax bill before annexation is \$3,000 rising to \$3,900 after annexation. The \$900 increase escalates by \$90 per year for 10 years.
- Property owners will still be subject to any City annual tax increases.





# Financial Implications

---

- This is a long-term growth management solution and requires a long-term assessment of the Budget and Financial Implications.
- The compensation to Cavan Monaghan and County runs for 25 years. This “cost” is then compared to a reasonable growth forecast over the same 25 years to understand the net benefits.



# Financial Implications

## 25 Year Financial Forecast Summary:

Total Compensation Costs to CM and County	\$74.4 M
Total Capital & Operating Costs	\$55.0 M*
Total Tax Revenues	\$211.4 M
<b>Net Revenue Stream</b>	<b>\$82.0 M</b>

- Due to growth, by year 25 the forecast of annual net revenue is \$13.5 M jumping to \$16.0 M in the post-compensation years (beyond year 25).

\* Servicing to current residential properties or future major reconstruction of existing roads is not included.



# Next Steps

- While the MOU has been reached by the negotiating teams, the MOU requires the endorsement of all 3 councils and the approval of a formal Restructuring Proposal (pursuant to Section 173(1) of the **Municipal Act, 2001**), in a form suitable to the Province, to give effect to the settlement.



# Next Steps

---

- Before Council decides on a Restructuring Proposal, public notice and the holding of a Public Meeting pursuant to Section 173(3) of the **Municipal Act, 2001** is required.
- First Nations Consultations.



# Next Steps

---

- The preparation of legal agreements.
- Council Approval of the Restructuring Proposal, including passing of By-laws.



# Recommendations

- That Report CAO17-002 and the Memorandum of Understanding (MOU) dated December 7, 2016, attached to this report as Exhibit A, be received for information;
- That a Public Meeting be held pursuant to Section 173(3) of the **Municipal Act, 2001**, in order to receive public comments on the MOU and the Draft Restructuring Proposal; and
- That in preparation for the Public Meeting, staff be directed to prepare a Draft Restructuring Proposal.





# A Restructuring Proposal

- A “Restructuring Proposal” is the language used in the **Municipal Act, 2001** to describe a local agreement that leads to the establishment of a new municipal boundary, once approved by the Province.
- A Restructuring Proposal typically has parallel agreements that address matters of compensation between the parties.



# Compensation Summary

Annual Compensation	Township	County
Tax Replacement	\$815,000	\$325,000
Transferred Assets	\$165,000	\$150,000
Employment Land Participation	\$420,000	NA
Annexation Payment	\$300,000	NA
Incentive Payment	\$800,000	NA
<b>Annual Financial Total</b>	<b>\$2,500,000</b>	<b>\$475,000</b>



# Compensation Summary

Annual Compensation	Rationale
Tax Replacement	Replaces existing taxes and revenues plus lost opportunity.
Transferred Assets	Purchase of public assets over 25 yrs.
Employment Land Participation	20% of est. tax revenues from Employment lands growth over 25 yrs.
Annexation Payment	A share of revenue from new growth on Residential Lands.
Incentive Payment	Required to meet CM compensation expectation of \$2.5M per year.

