FURRY CREEK

FISCAL IMPACT ANALYSIS

VANNSTRUTH
CONSULTING GROUP

Furry Creek Fiscal Impact Analysis

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Prepared by:
VANN STRUTH CONSULTING GROUP INC.

For:
Fine Peace Furry Creek Development Holdings Limited

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1 OVERVIEW

This report summarizes an analysis of the projected impact of the proposed Fine Peace Canada development at Furry Creek on the property taxes of current Furry Creek homeowners.

The study is based on a detailed analysis of projected revenues and costs associated with the development of 886 new housing units, 120 resort units, commercial and community facilities, and the infrastructure required to support the development over an approximate 12-year period from 2022 to 2033.

The analysis focuses only on Squamish-Lillooet Regional District services, including all services that are local to Furry Creek, plus those that are sub-regional (such as Howe Sound East Fire Service) and region-wide. It does not include any projections for non-SLRD property taxes, such as school, hospital, or provincial rural tax.

SLRD tax revenue is projected based on current tax rates, while projected SLRD expenditures include both operating expenses and capital reserve contributions for the eventual replacement for all major capital assets.

The study results are shown as a “net fiscal impact” from the proposed development. The results can also be shown as the tax rate required to support the development and the bottom-line dollar impact on current Furry Creek homeowners.

The key assumptions for each section of the analysis are explained throughout the report. Assumptions that are common to the entire analysis include:

- No inflation. All future financial values are shown in 2020 dollars. This eliminates the complexity of projecting which specific values or expenses increase more than others.

- No mixing of revenues or costs with other developments outside Furry Creek. The analysis shows how each revenue and cost category changes based only on the new development at Furry Creek, unless otherwise noted in the detailed assumptions.

2 REVENUE IMPACTS

The projection of SLRD revenue from the proposed Furry Creek development is based on a 12-year development timeline, from 2022 to 2023. Key features of the development plan include:

- Construction of 886 new dwelling units, starting with further development at Oliver's Landing in 2022 and proceeding at an annual pace of approximately 80 units per year from 2023 to 2033. Full build-out is expected to include approximately 36 single-family or duplex homes, 730 market apartments and townhomes, and 120 non-market units (including 60 rental and 60 affordable ownership units). Market apartments and townhomes will range in value from $600,000 to $1.4 million, depending on location, unit size, and quality.

- Construction of 120 resort units, projected to start in 2025. These will have an average value of $300,000 and will be subject to the business (Class 6) property tax. An additional 15,000 square feet (1,400 square metres) of commercial space will be constructed in the new village centre.

- Total assessed value for all properties in Furry Creek is $281 million as of 2020. The value of already developed properties is assumed to remain constant, except for the vacant land that is gradually absorbed into the value of new units as development proceeds over time.

- A portion of the lands owned by Fine Peace will be left undeveloped, including:
    - 104 ha of park or public open space that will be gradually transferred to SLRD ownership as Furry Creek neighbourhoods are developed.
    - 30 ha of open space that will be a future study area, with its ultimate use to be determined.

The following table shows projected assessed values for each property class in Furry Creek and the corresponding SLRD tax revenue at current rates. As noted in the introduction, the analysis does not include the impact of inflation, so all values are in 2020 dollars. Examples of some of the incidental property classes include electrical, telephone, and railway infrastructure in the Utilities class, a gravel pit in the Light Industry class, and the existing golf course and marina in the Recreational class. All these miscellaneous properties are assumed to remain constant throughout the study period.

TABLE 1. PROJECTED ASSESSED VALUES AND TAX REVENUE, FURRY CREEK ($ 2020 MILLIONS)

	2020	2023	2026	2029	2032	2035
Class 1 – Residential	$273	$337	$537	$734	$880	$950
Class 2 – Utilities	$3	$3	$3	$3	$3	$3
Class 5 – Light Industry	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02
Class 6 – Business, Other	$1	$1	$22	$42	$42	$42
Class 8 – Recreational, Non-Profit	$4	$4	$4	$4	$4	$4
TOTAL ASSESSED VALUE	**$281**	**$345**	**$566**	**$783**	**$929**	**$999**
SLRD TAX REVENUE	**$0.7**	**$0.8**	**$1.4**	**$2.0**	**$2.3**	**$2.5**

3 COST IMPACTS

3.1 Annual Operating Costs

Operating cost projections are prepared for each of the nine regional services relevant to Furry Creek. The projection method for each one depends on how Furry Creek costs are calculated and how the Fine Peace development will influence future costs.

There are **six regional services**[1] that are local to Furry Creek. For each of these, the projection involves identifying a key cost driver, which could be the length of dyke or watermain, the number of households, or the number of streetlights. Current costs are calculated per unit of the cost driver (per metre of watermain, per household). This per unit value is then used to estimate future costs as the cost driver grows (as more watermain and streetlights are constructed, as more households are added).

Economies of scale are also factored into the equation due to the fixed costs of existing services. This refers to staff and equipment that are already in place and staff time for traveling to Furry Creek and performing routine inspections and upkeep is already being funded (although the time required is likely greater). For example, the per-metre cost of maintaining water mains, estimated at $27 in 2020, is less than $27 for new water mains because it is more efficient to maintain *additional* water pipes than to establish a maintenance operation from scratch.

For the **Squamish Swimming Pool**, Furry Creek's share of costs increases over time as its share of total assessment in the combined Furry Creek and Britannia Beach area increases.

For **SLRD Services**, which covers all region-wide, Electoral Area, and specific Electoral D services (such as Emergency Services and Planning and the 911 service), there is a modest total cost increase for the SLRD to service additional households. Furry Creek's share of costs also increases as its share of total assessment in Area D rises over time.

For **Howe Sound East Fire Protection**, the increase in cost has multiple components covering both the main fire hall at Britannia Beach as well as the proposed Furry Creek Fire hall. As per the recently completed assessment by Dave Mitchell & Associates, the fire service requires increased staffing (volunteers), a higher level of training, increased responsibilities such as fire inspections and pre-fire planning for large structures, new gear for additional staff, and a new fire hall and firefighting vehicles for Furry Creek. The short-term ramp-up in staffing and equipment is delayed by one year, to 2022, compared to the Mitchell report, and one of the recommended Furry Creek vehicles (a Class 3 "pumper truck") is deferred to the end of the build-out period, to be funded by taxpayers through a 10-year loan at current Municipal Finance Authority rates,[2] or approximately $66,000 per year.

The analysis includes only costs that are associated with proposed development at Furry Creek. For example, the purchase of a new quint (ladder truck) for Britannia Beach is required regardless of whether the Fine Peace project goes ahead and is not included in these costs.

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[1] Dyking, Water, Sewer, Refuse, Street Lighting, Open Spaces

[2] The current rate for a 10-year loan is 1.67%.

In order to estimate future costs and revenues, it is necessary to separate the elements of the SLRD's 2020 budget that are "recurring," meaning that they expected to continue each year and may change in response to Furry Creek growth, versus "irregular" revenues or costs that cannot be expected to continue each year.

Table 2 below shows the SLRD's operating cost budget for each service area in 2020, as well as the "recurring" version of the 2020 budget that removes all one-time costs. The one-time costs are identified by observing which items are not sustained through the rest of the Five-Year Financial Plan. The remaining columns in the table show projected operating costs in three-year intervals from 2020 through 2035, based on the approach outlined on the previous page.

TABLE 2. PROJECTED OPERATING COSTS FOR FURRY CREEK SHARE OF SLRD SERVICES ($ 000)

	2020 BUDGET	2020 RECURRING	2023	2026	2029	2032	2035
FURRY CREEK DYKING	$59	$7	$14	$14	$14	$14	$14
FURRY CREEK WATER	$122	$122	$137	$147	$192	$227	$227
FURRY CREEK SEWER	$144	$144	$161	$165	$193	$220	$220
FURRY CREEK REFUSE	$87	$82	$82	$82	$97	$103	$122
FURRY CREEK ST LIGHTING	$15	$15	$20	$21	$33	$45	$45
FURRY CREEK OPEN SPACES	$79	$79	$97	$102	$147	$190	$190
SQUAMISH SWIM POOL	$41	$41	$50	$84	$116	$134	$142
SLRD SERVICES (CENTRAL & RURAL AREAS)	$64	$64	$72	$97	$123	$146	$152
HOWE SOUND E FIRE PROT	$118	$118	$235	$320	$381	$415	$442
TOTAL OPERATING COSTS	**$730**	**$673**	**$869**	**$1,033**	**$1,296**	**$1,493**	**$1,554**

3.2 Life-Cycle Capital Costs

The development of the Fine Peace project at Furry Creek will require a series of major capital investments in new infrastructure, community facilities, and equipment. These assets are purchased by the developer and ownership is transferred to the SLRD, which becomes responsible for maintaining and eventually replacing the asset at the end of its useful life.

Proper asset management policy requires annual contributions to Capital Reserves in proportion to the depreciation of each asset over time. An asset with an expected useful life of 50 years, for example, should have capital reserve contributions equal to one-fiftieth of its replacement value each year.

This approach has been followed for each of the major capital assets associated with the Fine Peace project. Replacement value has been estimated by the project's engineering consultant, Creus Engineering, and expected useful life is based on the SLRD's tangible capital assets policy. The timing of construction or purchase of each asset is triggered by the needs of each neighbourhood within Furry Creek as the phased development proceeds over time. For example, areas with steeper hills require more water pump stations.

Table 3 shows the projected capital reserve contributions to support new Furry Creek assets. As with the previous table, the results are shown in three-year intervals from 2020 to 2035.

TABLE 3. PROJECTED CAPITAL RESERVE CONTRIBUTIONS FOR NEW FURRY CREEK ASSETS ($ 000)

	2020	2023	2026	2029	2032	2035
Fire Protection Assets (Furry Creek Share Only)	$0	$67	$91	$105	$111	$130
Other Assets	$0	$50	$114	$225	$354	$354
CAPITAL RESERVE CONTRIBUTIONS	**$0**	**$117**	**$206**	**$330**	**$464**	**$483**

3.3 Other Budget Elements

The projected operating costs in section 3.1 and the projected life-cycle capital costs for new assets in section 3.2 need to be combined with several other budget elements to provide a complete projection of the Fine Peace development's net fiscal impact.

Several of these items are included in the analysis as one-time items for 2020 and are not factored into the projections. Regardless, they need to be shown in Table 4 to explain the current level of property taxation in Furry Creek. Note these additional items are included only for the six services that are exclusive to Furry Creek.

- **Fixed Asset Purchases –** The 2020 budget includes a variety of small asset purchases totaling $38,000 for the Water, Sewer, and Street Lighting services. Asset purchases are typically funded by withdrawing funds from reserve accounts, or by spending grant funds or other irregular revenues. They will continue to occur in the future but are not predictable and are usually not funded by property taxes. For this reason, they are shown in Table 4 as part of the 2020 budget but are not part of the projections in future years.

  The Howe Sound East Fire Protection Service also has a variety of fixed asset purchases (or financing costs for asset purchases) in its budget for 2020 and a $1.2 million asset purchase is in the Financial Plan for 2021 for a new fire truck. Fire service costs were analyzed separately, given their complexity, and the results included in the fire service cost projections in Table 2.

- **Capital Reserve Contributions for Existing Assets –** Total contributions to reserve accounts for the local Furry Creek services totaled $86,000 in 2020. These contributions continue in the future, according to the Five-Year Financial Plan, but at a lower level. The reason appears to be that some of the irregular revenues in 2020, such as surpluses from previous years, are dedicated to capital reserve contributions. It is entirely possible that some future irregular revenues (such as surpluses or grants) will also be spent on additional capital reserve contributions, but this is not predictable. After removing all irregular revenues and costs, only $28,000 is available for annual capital reserve contributions at the current level of property taxation.

TABLE 4. ALL PROJECTED COSTS FOR FURRY CREEK SHARE OF SLRD SERVICES ($ 000)

	2020 BUDGET	2020 RECURRING	2023	2026	2029	2032	2035
TOTAL OPERATING COSTS (from TABLE 2)	$730	$673	$869	$1,033	$1,296	$1,493	$1,554
CAPITAL RESERVE CONTRIBUTIONS FOR NEW ASSETS (from TABLE 3)	$0	$0	$117	$206	$330	$464	$483
FIXED ASSET PURCHASES	$38	$0	$0	$0	$0	$0	$0
CAPITAL RESERVE CONTRIBUTIONS FOR EXISTING ASSETS	$86	$28	$28	$28	$28	$28	$28
TOTAL COSTS	$854	$701	$1,014	$1,267	$1,655	$1,986	$2,066

- **Non-Tax Revenue –** Total non-tax revenue in 2020 is budgeted at $164,000. This includes surpluses from previous years, transfers from reserve accounts, private sector contributions, GILT (grants in lieu of taxes) from other governments or utility providers, and investment income. Most of these revenue sources are not sustained for the rest of the Five-Year Financial Plan, suggesting they are irregular revenues and should not be included in the financial projections.

  After removing the irregular items, the amount of revenue that is consistently repeated going forward is $12,000 per year, comprised mostly of investment income. This modest level of recurring non-tax revenue explains why the capital reserve contributions for existing assets (see Table 4) that can be supported by the current level of taxation drops from $86,000 in 2020 to $28,000 per year going forward.

TABLE 5. PROJECTED NON-TAX REVENUE FOR FURRY CREEK SHARE OF SLRD SERVICES ($ 000)

	2020 BUDGET	2020 RECURRING	2023	2026	2029	2032	2035
NON-TAX REVENUE	$164	$12	$12	$12	$12	$12	$12

The bottom line from Tables 4 and 5 is that $12,000 per year in non-tax revenue is available to help cover regional service costs. These costs include an ongoing $28,000 per year in capital reserve contributions for existing assets.

Combining these two factors means the property tax needs to cover $16,000 per year in addition to annual operating costs and capital reserve contributions for new assets.

4 SUMMARY

4.1 Net Fiscal Impacts

The net fiscal impact of the Fine Peace project at Furry Creek is summarized in Table 6 below by incorporating each revenue and cost element covered earlier in the report.

TABLE 6. PROJECTED NET FISCAL IMPACT WITH STRAIGHT-LINE CAPITAL CONTRIBUTIONS ($ 000)

	TAX REVENUE (EXISTING RATES)	NON-TAX REVENUE	TOTAL REVENUE	OPERATING COSTS	TO CAPITAL RESERVES (FOR NEW ASSETS)	TO CAPITAL RESERVES (FOR EXISTING ASSETS)	TOTAL COSTS	NET FISCAL IMPACT	CUMULATIVE FISCAL IMPACT
2021	$690	$12	**$701**	$673	$0	$28	**$701**	**$0**	$0
2022	$740	$12	**$751**	$805	$67	$28	**$900**	**($149)**	($149)
2023	$839	$12	**$851**	$869	$117	$28	**$1,014**	**($163)**	($312)
2024	$965	$12	**$977**	$905	$125	$28	**$1,059**	**($82)**	($395)
2025	$1,254	$12	**$1,265**	$974	$186	$28	**$1,188**	**$77**	($318)
2026	$1,427	$12	**$1,439**	$1,033	$206	$28	**$1,267**	**$172**	($145)
2027	$1,726	$12	**$1,737**	$1,143	$276	$28	**$1,448**	**$290**	$144
2028	$1,900	$12	**$1,911**	$1,185	$280	$28	**$1,494**	**$418**	$562
2029	$2,002	$12	**$2,014**	$1,296	$330	$28	**$1,655**	**$359**	$921
2030	$2,104	$12	**$2,116**	$1,389	$437	$28	**$1,854**	**$262**	$1,183
2031	$2,256	$12	**$2,268**	$1,420	$440	$28	**$1,889**	**$379**	$1,562
2032	$2,342	$12	**$2,353**	$1,493	$464	$28	**$1,986**	**$367**	$1,929
2033	$2,507	$12	**$2,519**	$1,554	$483	$28	**$2,066**	**$452**	$2,382
2034	$2,507	$12	**$2,519**	$1,554	$483	$28	**$2,066**	**$452**	$2,834
2035	$2,507	$12	**$2,519**	$1,554	$483	$28	**$2,066**	**$452**	$3,286

The table starts in 2021, prior to the start of new development. With the assumption of no inflation, all revenues and costs remain in balance.

The net fiscal impact of the project is negative for the next three years, driven by the immediate escalation of fire service costs. These include capital reserve contributions associated with $4.6 million in new capital assets (Furry Creek fire hall and associated equipment, ladder truck and service vehicles, and new firefighter gear). Operating costs for the fire service also escalate quickly given the increase in staffing and the need for additional training and expansions to fire service responsibilities. At the same time, relatively little new construction will have been completed that would generate new property taxes.

The net negative impact continues through 2024, but the gap between revenues and costs in 2023 and 2024 is primarily due to the immediate imposition of capital reserve contributions for the fire equipment mentioned above, as well as expanded water and sewer infrastructure and various other new capital assets like sidewalks and trails.

While the straight-line contribution of capital reserves is a prudent policy, it is discretionary and the **SLRD could easily smooth the fiscal balance by deferring these capital reserve contributions for a few years until significant annual surpluses occur,** starting in approximately 2026.

4.2 Net Fiscal Impacts with Alternative Capital Reserves Schedule

Table 7 contains the same information as Table 6, except for an alternative schedule of capital reserve contributions for new assets:

- In the first few years of the project, reserve contributions are held at $0. The accumulation of deferred contributions is shown in the right-hand column.
- In 2025, the reserve contributions are partly made, for a total of $100,000 (the full amount is $186,000, as per Table 6).
- Starting in 2026, there is sufficient tax revenue generated by the project to cover the full amount of reserve contributions for that year, and to start paying back the deferred contributions. Extra contributions continue in 2027 and 2028 until the deferred contributions are fully paid, while still maintaining a positive net fiscal impact of at least $150,000 per year.

TABLE 7. PROJECTED NET FISCAL IMPACT WITH ALTERNATIVE CAPITAL CONTRIBUTIONS ($ 000)

	TOTAL REVENUE	OPERATING COSTS	TO CAPITAL RESERVES (FOR NEW ASSETS)	TO CAPITAL RESERVES (FOR EXISTING ASSETS)	TOTAL COSTS	NET FISCAL IMPACT	CUMULATIVE FISCAL IMPACT	DEFERRED CAPITAL CONTRIBUTIONS (CUMULATIVE)
2021	$701	$673	$0	$28	$701	$0	$0	$0
2022	$751	$805	$0	$28	$833	($82)	($82)	$67
2023	$851	$869	$0	$28	$897	($46)	($128)	$184
2024	$977	$905	$0	$28	$934	$43	($85)	$309
2025	$1,265	$974	$100	$28	$1,102	$163	$78	$395
2026	$1,439	$1,033	$225	$28	$1,286	$153	$230	$376
2027	$1,737	$1,143	$400	$28	$1,572	$166	$396	$252
2028	$1,911	$1,185	$532	$28	$1,745	$166	$562	$0
2029	$2,014	$1,296	$330	$28	$1,655	$359	$921	$0
2030	$2,116	$1,389	$437	$28	$1,854	$262	$1,183	$0
2031	$2,268	$1,420	$440	$28	$1,889	$379	$1,562	$0
2032	$2,353	$1,493	$464	$28	$1,986	$367	$1,929	$0
2033	$2,519	$1,554	$483	$28	$2,066	$452	$2,382	$0
2034	$2,519	$1,554	$483	$28	$2,066	$452	$2,834	$0
2035	$2,519	$1,554	$483	$28	$2,066	$452	$3,286	$0

Even with the revised schedule of capital reserve contributions, there is a small negative fiscal impact in 2022 and 2023, driven primarily by the immediate escalation of fire service costs. This is within the range of normal year to year budget fluctuations and could be addressed by the SLRD through a variety of approaches that do not include raising Furry Creek property taxes, particularly with the large annual fiscal surpluses expected within a few years. Some of these approaches may include accessing surplus reserves, short-term borrowing, or deferring certain costs (for example, the full escalation of fire service activity may not be realistic within this short timeframe).

4.3 Impact on Furry Creek Property Taxes

All the analysis outlined in this report is based on Furry Creek tax rates remaining unchanged. Other than a short-term challenge caused by rapidly escalating fire service costs, the proposed Fine Peace development at Furry Creek can be completed without requiring any increase in current property tax rates.

Sufficient tax revenue will be generated at current rates to ensure that all existing services are expanded to cover new infrastructure and to service new households and commercial properties. The projections suggest there will be a positive fiscal impact of more than $400,000 per year (in current dollars). This additional revenue could be used in a variety of ways:

- Reducing property taxes.
- Allowing for new or expanded regional services without requiring a corresponding tax increase.
- Allowing the SLRD to increase its contributions to capital reserves to fill the "infrastructure funding gap" that appears to exist for current fixed assets. The SLRD is currently undertaking an asset management strategy to provide more clarity on this issue, but if the SLRD is like many local and regional governments in Canada, there are currently insufficient capital reserves to cover the life-cycle cost of maintaining and replacing capital assets.

  Furthermore, the analysis in section 3.3 of this report suggests that current tax rates for Furry Creek support a very modest level of capital reserve contributions that is unlikely to be sufficient to meet long-term capital replacement obligations. Not only does the Fine Peace project generate sufficient revenue to fully meet its own life-cycle cost responsibilities, but some of the excess revenue can be used to meet the existing deficit for other capital assets.

Future property taxes in Furry Creek will be influenced by a variety of factors, including cost inflation and possible additional services that are requested by property owners. **The analysis in this study isolates the impact of the Fine Peace Canada development and concludes it has a neutral or positive financial impact on current Furry Creek homeowners.**