



Date: October 10, 2023

To: Mayor and Council

Author: John Norton, Chief Administrative Officer

RE: Southwest Water Service Area / West Side Collector Road

RECOMMENDED ACTION

1. That construction of the new transmission watermain for the southwest service area and west side collector road be **DELAYED** until such time as:
 - a. The Provincial Government clarifies that development charges will be collected for this project as planned prior to the passing of provincial Bill 23; and / or
 - b. Developers with developments dependent on this new transmission watermain agree to provide development charges up front through an agreement in writing satisfactory to the Town.

BACKGROUND

In 2017, Stantec Consulting was engaged by the Town to review water capacity in the southwest service area ("SWSA") of Kingsville. A map of the SWSA is attached in Appendix A.

Stantec's review concluded with three major observations:

- The SWSA, during peak hour flow conditions, may experience inadequate system pressures. Maintaining appropriate system pressure is important to preserving water quality.
- The SWSA lacks redundancy. Should a watermain break or service interruption occur on Road 2 West or McCain Sideroad, the entire SWSA would experience total pressure failure and be subject to potential contamination from groundwater ingress.
- The SWSA is considered to have insufficient unreserved water capacity to support any further development.

Further to Stantec's observations, the Town has plans for moving existing residential lands from the water tower pressure zone to the SWSA to improve system pressures in the core of Kingsville. However, this initiative is currently on hold due to lack of water capacity in the SWSA.

In order to address the aforementioned, Stantec recommended the installation of a new transmission watermain ("TWM") from the Union Water Supply System in Ruthven to the SWSA. To date, approximately half of the length of this new TWM has been installed as part of the ongoing Road 2 East reconstruction project. In order to complete the TWM, the installation of new watermain is still required in the following areas:

- Heading west on Road 2 West from Division Street North
- South through the proposed West Side Collector Road ("WSCR") corridor
- West along County Road 20 to McCain Sideroad

Approximately 3,000 new residential dwellings can be supported in the SWSA upon installation of the remaining watermain (from a water servicing perspective). Currently, there are several subdivision applications in various stages of approval within the SWSA.

Bill 23 and Development Charges

The TWM is included in Kingsville's Development Charges Background Study (2022) as a growth related project and is eligible to be 75% funded by collected development charges ("DC's"). However, the Town does not have enough collected DC's at this present time to fund this project. Further, the Town has a number of planned growth related projects all competing for the same pool of collected DC's. Debt financing would be required to make up the balance in order to proceed with TWM construction in the short term.

Further complicating funding matters is the *More Homes Built Faster Act, 2022 (Bill 23)*. This Bill significantly amends legislation affecting the ability for municipalities to collect DC's. Examples of some of the amendments include:

- Introducing new discounts based on a four-year phased basis and for purpose built rentals.
- Introducing new exemptions for affordable and attainable housing.
- Revising the eligible capital costs calculation, by removing housing services from eligible costs and extending the service level horizon to 15 years.

It is not immediately clear how Bill 23 will affect the amount of DC's the Town will be able to collect from the lands in the SWSA as it is not presently known how these lands will be developed.

The Economy

It is not clear how quickly these lands will develop as we are experiencing uncertainty in the housing market due to relatively high interest rates.

DISCUSSION

There are three options for Council to consider as a path forward.

Option #1 – Do Nothing

Council can choose to not proceed with any further watermain construction at this present time.

Advantages	Disadvantages
<ul style="list-style-type: none">• No funding required.	<ul style="list-style-type: none">• Potential for inadequate system pressure for existing users in the SWSA remains.
	<ul style="list-style-type: none">• Lack of system redundancy in SWSA remains.
	<ul style="list-style-type: none">• Development in SWSA remains on hold.
	<ul style="list-style-type: none">• Improvements to system pressure in Kingsville core on hold.
	<ul style="list-style-type: none">• May create legal conflict with local developers.
	<ul style="list-style-type: none">• Construction of the WSCR is on hold.

Option #2 – Proceed with Watermain Construction

Council can choose to proceed with completing construction of the remaining watermain only.

Advantages	Disadvantages
<ul style="list-style-type: none">• Improve system pressure for existing users in SWSA.	<ul style="list-style-type: none">• DC's and debt financing required to fund watermain construction.
<ul style="list-style-type: none">• Improve system redundancy in SWSA.	<ul style="list-style-type: none">• Construction of the WSCR is on hold.
<ul style="list-style-type: none">• Development in SWSA not restricted by water capacity.	
<ul style="list-style-type: none">• Improvements to system pressure in Kingsville core can proceed.	

Option #3 – Proceed with Watermain Construction, Land Acquisitions for WSCR, and Construction of the WSCR

A segment of the new TWM is to be installed through the proposed West Side Collector Road corridor. In addition to watermain construction, Council can choose to start acquiring the land required to accommodate future WSCR construction. It is ideal to start the acquisition process at least one full budget year prior to planned construction. Road construction can commence following land acquisitions.

Advantages	Disadvantages
<ul style="list-style-type: none">• Improve system pressure for existing users in SWSA.	<ul style="list-style-type: none">• DC's and debt financing required to fund watermain construction.
<ul style="list-style-type: none">• Improve system redundancy in SWSA.	<ul style="list-style-type: none">• DC's and debt financing required to fund land acquisitions.
<ul style="list-style-type: none">• Development in SWSA not restricted by water capacity.	<ul style="list-style-type: none">• DC's and debt financing required to fund WSCR construction.
<ul style="list-style-type: none">• Improvements to system pressure in Kingsville core can proceed.	
<ul style="list-style-type: none">• Proceeding with land acquisitions will advance future construction of the WSCR.	

FINANCIAL CONSIDERATIONS

There is significant financial risk to the Town if the Town borrows and then cannot pay back the debt through DC's, either because:

- Housing and other construction slows considerably due to high interest rates and a deteriorating economy, and / or;
- Bill 23 provides developers with exemptions from paying development charges to a significant extent. Unfortunately, the provincial government has not clarified over this past year the types and extent of housing which will be exempt from paying development charges.

Below is a summary of each option with respect to funding requirements:

Option #1

Miscellaneous funding will be required in 2024 in order to complete the ongoing WSCR Class EA.

Option #2

\$10.5 million dollars is estimated for completion of the TWM. This is a high level estimate and subject to the results of the Class EA, and further, detailed engineering design.

Option #3

Land acquisitions and construction of the TWM, WSCR, and associated infrastructure is estimated at \$20.5 million dollars. However, this estimate is very high level and subject to the results of the Class EA, detailed engineering design, and final land acquisition costs.

ENVIRONMENTAL CONSIDERATIONS

Kingsville is currently undertaking a Class EA with respect to the West Side Collector Road project. The Class EA will identify possible adverse effects of the proposed project on the environment, and further, identify sustainable solutions. The Ministry of the Environment, Conservation, and Parks is being consulted throughout the Class EA process.

CONSULTATIONS

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PREPARED BY:



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