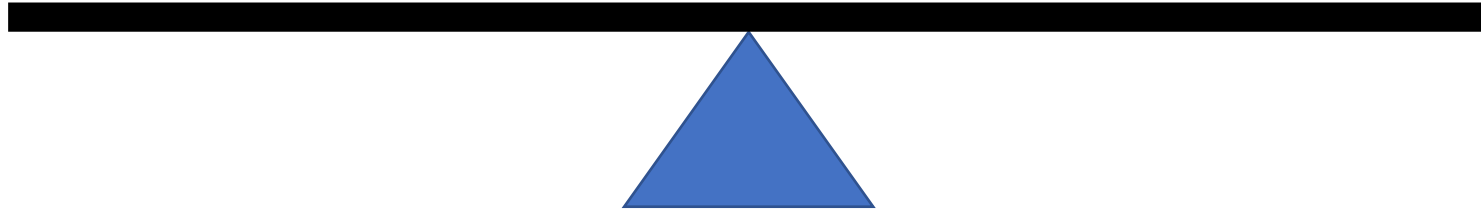


# The Balance Report

A Financial & Economic Impact Analysis  
of the Pine Beach Project



Finance Working Group  
*(Benoit Blais, Jacques Bourgeois, Trail Grubert)*

for

Sandy Beach Wetland Protection Group

(June 30, 2021)

# Report Outline

- Background Information
- Our Basic Approach
  - The going hypothesis
  - The alternative hypothesis
- Impact Analyses
  - Valuations Assessment
  - Tax Revenue
  - Operating Expenses
  - Uncontrollable Expenses
  - Abnormal Expenses
- Conclusions & Recommendations - for the Town to take action

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# About the authors and their mandate

- The team brings together experience and expertise in Finance, Engineering and an in-depth knowledge of the Town of Hudson.
- *Benoit Blais*
  - B.Com., MBA (Finance)
  - Over 30 years in the Banking Industry, ending as a Senior Director
  - Over 5 years as a financial consultant for a major QC consulting organization
  - Over 5 years as an Auditor
  - Residence in Hudson for 34 years
- *Jacques Bourgeois*
  - Ph.D. (Business Administration) and B.A.Sc. (Engineering)
  - Over 30 years in senior management and strategic & financial advising
  - Taught at McGill U. and Carleton U.
  - Past member of several Town committees (Finance, Infrastructure, Auditor Selection ...)
  - Residence in Hudson for 37 years
- *Trail Grubert*
  - B.Eng. (Engineering)
  - Town Engineer and Director of Public Works for the Town of Hudson
  - Past member of numerous Town committees
  - Over 40 years of experience in public work projects
  - Residence in Hudson for 73 years

## Our Mandate

Identify the Financial and Economic impacts on the Town of Hudson arising from the implementation of the “Pine Beach Project”. This would follow a non-partisan/unbiased approach and perspective. More specifically we would examine:

- Assumptions made that could have an impact on the Town
- Estimate potential capital expenses (CAPEX)
- Estimate the additional operation, maintenance and services costs (OPEX)
- Economic impacts analysis
  - Impact on valuations and taxes
  - Potential additional tax revenue

*“We volunteered our assistance to the ‘Sandy Beach Wetland Protection Group’. There are no strings attached. We only wish to put our century+ of combined experience (residence as well subject matter expertise) to the benefit of the Town.”*

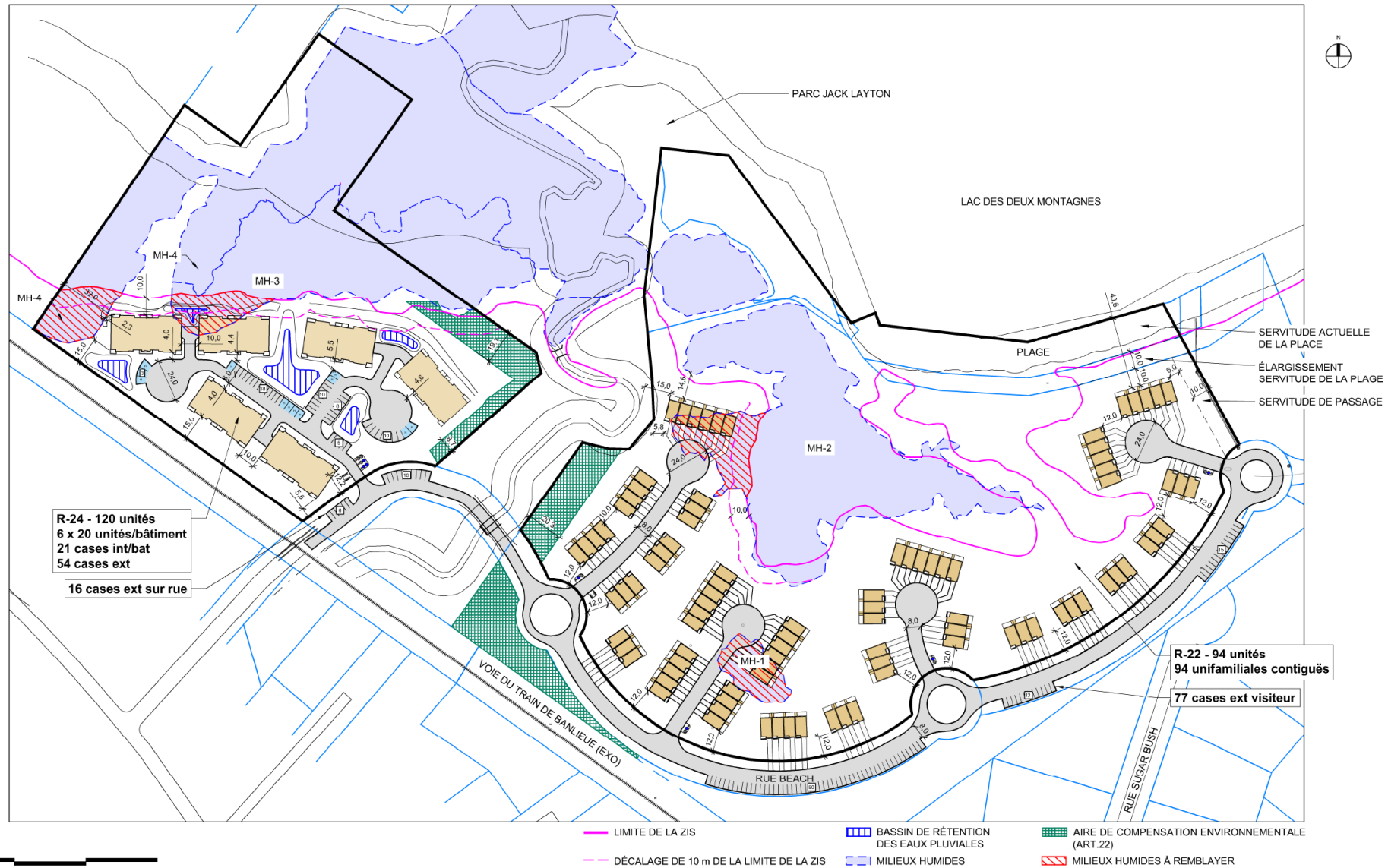
# Many sources were accessed for data and information

- The financial data comes mostly from QC’s provincial government sources (MAMH)
  - Municipal Valuations: <https://www.mamh.gouv.qc.ca/evaluation-fonciere/donnees-statistiques/>
  - Annual Financial Reports: <https://www.mamh.gouv.qc.ca/finances-et-fiscalite/information-financiere/profil-financier-et-autres-publications/rapport-financier-des-organismes-municipaux/exercice-financier-2019/>
  - Detailed codified data for Hudson and the MRC (MAMH)
  - Most recent Hudson (Central) sales data: Centris Statistics by Municipality and Type of Property (Jan.-April, 2021)
  - Budgetary data (2020-2021) from Town’s website: <https://hudson.quebec/en/services/treasury/#tabs>
- Project specific data
  - The original “Agreement” between the Town and the Promoter (2017)
  - Promoter sponsored (& responsibility) costing of the required infrastructure (EXP Annexe 2014 to Agreement)
  - Latest available project design EMPERO (2020)
  - Construction benchmarks from various publicly available sources of data (e.g. The Gray Study, The Source Report, 2017 and several others)
  - Inflationary indices for Quebec: Statistics Canada <https://www.statcan.gc.ca/eng/subjects-start/prices-and-price-indexes/consumer-price-indexes>
  - Canada’s Annual Growth in GDP: World Bank, <https://www.macrotrends.net/countries/CAN/canada/gdp-growth-rate>
  - Past mayor of Westmount Peter Trent studies for similar municipalities, e.g. the impact of “Residential Development in Rosemère” (2021)
    - <https://www.youtube.com/watch?v=Eik8gelwbNg>
    - <https://static1.squarespace.com/static/5f491fbfae920b3aaf3824da/t/6054ede30f8b5c3c20b891d6/1616178659346/Letter-Peter-Trent-Residential-development-Rosemere.pdf>
- This project is labelled the “Pine Beach Project” (vs alternatively the Sandy Beach Project) because it is referred to as such in the original Agreement and on-going exchange of documents, between the Promoter and the Town.

# The Pine Beach Project is a subset of Muhlegg's original holdings

- Originally (1989) Mr. Muhlegg purchased a sizeable (23.13 hectares) portion of land in Quarry Point for \$4.25M
- The current status of these properties
  - Some have already been sold as individual lots
  - Or, currently being owned through two Muhlegg companies
    - NICANCO Holdings Inc.
    - 3511863 Canada Inc.
- The current Pine Beach Project does not include
  - 5 private properties (3.25 hectares)
  - East of the last roundabout on Royalview
- The latest available project description includes
  - 14.31 hectares (61.9% of the original area) north of Royalview, between the last roundabout on Royalview and the Jack Layton Park (see following Diagram)
  - 94 Townhouses
    - Grouped in 24 clusters
      - 13 clusters of 3 (39)
      - 4 clusters of 4 (16)
      - 3 clusters of 5 (15)
      - 4 clusters of 6 (24)
    - Interior parking (1) in each townhouse
      - Visitor parking (77) on Royalview
  - 120 Condo-apartments
    - Grouped in 6 buildings
      - 20 units/building
    - Interior parking for 21 units/building
      - Exterior parking for 54
      - Resident/Visitor parking (16) on Royalview
  - This represents some 600 additional residents

# The latest (2020) project description



# Our basic approach

- About 95% of Town’s revenue is directly tied to our residential real estate valuations.
  - Taxes are directly tied to the valuations of our homes.
    - Currently, we pay a rate of (0.7184 per 100\$ valuation) for our homes.
  - In addition, taxes (direct & indirect) are collected on different bases:
    - Water, Garbage and Sewage Treatment are direct levies
    - Fees for some Parks & Rec activities, Permits & Licenses, water hook-ups are examples of indirect levies
  - So it is quite reasonable to assume that, as we grow the aggregate of individual valuations, the Town’s Tax Revenue will also grow.
- The Town’s operating cost structure (**controllable**) is not directly tied to valuations.
  - To provide street lighting for a \$2M home is the same price as for a \$400K home – same for snow clearing and most of the Town’s provided services.
  - That is, these operating expenses are based on “usage/consumption” (vs valuation).
  - Thus, to serve an additional home increases the Town’s operating costs at the margin. It is not directly tied to the size of the home’s valuation.
  - Though the impact is not going to be as direct as that of the revenue impact, it will be felt across several Town departments and could add-up.
- Some Town expenses are relatively or totally **uncontrollable**.
  - Downloads from the MRC are passed down in the form of “Quotes-Parts” (QPs).
  - These QPs are used by the MRC to cover regional expenses such as mass transit, CMM, regional cultural & recreational activities and several other regional facets.
  - Other uncontrollable expenses include annual billings from the SQ for its policing services.
  - These uncontrollable expenses are levied also based on the Town’s Aggregate Valuations – not their consumption.
  - In addition, there can be expenses built-into the Agreement between the Promoter and the Town. These expenses (specifically tied to a project) would not normally be incurred by the Town. For instance, a normal project would not require the Town to pay for lifeguards, or additional sewage work, or road redos (not located on this project’s property). These are labelled in this report as extra-ordinary or “Additional Abnormal Expenses”.
- All of these revenue and cost considerations should be accounted for in examining the potential impact of such a project.
- All of the key measures (to follow) are estimated using a two-pronged approach ensuring a higher reliability and robustness in our estimates.
- Much of the ensuing analysis is formulated around and augmented from Mayor Peter Trent’s analysis of the impact of a residential development in Rosemère.

# The going-hypothesis for the Pine Beach Project (and other projects)

**Additional  
Tax Revenue**

**> =**

**Additional  
Operating Expenses**

MONTREAL GAZETTE

Share

“Where will that water go?” she questioned.

During the meeting, Robert said he planned to limit cutting as much as possible, and would not be building in any areas officially designated as wetlands. An area of the woods would also remain undeveloped, he said, to act as a retention basin for rainwater.

Several citizens also pointed out that there is no public transit or many services within walking distance and the addition of what could be up to 200 cars traveling to and fro could strain pothole-ridden Main Rd.

Mayor Jamie Nicholls admitted Main Road is one of many Hudson roads in poor shape, but said the town needs the money from new developments like Willowbrook to be able to fund improvements.

“We have an infrastructure deficit all over the town,” he said.

Nicholls and Robert said no zoning changes are required for the project to proceed, however, the project is waiting on an approval from the Ministry of Environment before it can proceed to the next phase.

Ref.: Montreal Gazette, Briana Tomkinson, May 15, 2019

<https://montrealgazette.com/news/local-news/off-island-gazette/tomkinson-plans-underway-for-114-door-development-off-main-road>



# The alternative hypothesis – and the rational going forward

$$\text{Additional Tax Revenue} \stackrel{?}{>=} \left[ \text{Additional Controllable Operating Expenses} + \text{Un-Controllable Expenses} + \text{Additional Abnormal Expenses} \right]$$

*Increasing the Town's "Aggregate Valuations" should increase Tax Revenue*

*Increasing the users of Town Services and Infrastructure should increase at their marginal cost*

*Such Expenses as the SQ and "Quotes-Parts" (used to manage the MRC) are based on the Town's "Aggregate Valuations"*

*Expenses that would not be incrementally associated with any new additions to the Town, e.g. requirement for lifeguards & public washrooms at Sandy Beach*

# What are their component parts?

$$\text{Additional Tax Revenue} \stackrel{?}{>=} \left[ \text{Additional Controllable Operating Expenses} + \text{Un-Controllable Expenses} + \text{Additional Abnormal Expenses} \right]$$

*Identify the relationship between the “Tax Revenue” collected and the Town’s “Aggregate Valuations”*

*Identify those Operating Costs most likely to be at least 5 “somewhat” affected by adding more users:*

- *Public Security*
- *Public Roads*
- *Hygiène du milieu*
- *Urbanism & Eco. Dev’t*
- *Recreation & Culture*
  
- *Excluded: General Admin., existing Interest & Financing Costs*

*There is no control over such expenses, BUT we need to account for them and they do become part of our tax bill*

*There is little/no control over such expenses as they are part of the “Agreement” between the Promoter and the Town. They can affect both ongoing operating expenses and additional capital expenditures*

# Further refining the component parts – before their quantification

?  
> =

**Additional Tax Revenue**

*Assess the likely additional valuations from this project*

*Assess Tax collected / \$1M in additional valuation*

*Not incl'g Tax already levied on Long Term Debt*

$$\left[ \begin{array}{l} \text{Net Additional Operating Expenses} \\ + \\ \text{Un-Controllable Expenses} \\ + \\ \text{Additional Abnormal Expenses} \end{array} \right]$$

*Identify gross expenses for each of the 5 identified areas*

*Less:*

*Offsetting Revenues from direct taxes on areas like water, treatment, waste disposal, water hook-ups, Parks & Rec collections, Permits ...*

*Less:*

*Un-Controllable Expenses (already included in Financial Statements)*

=

*Net Additional Operating Expenses*

*Identify each Un-Controllable Expense in each of the 5 identified areas*

*What are these expenses on different bases:*

- Per dwelling*
- Per \$1M valuations*

*Identify potential additional operating expenses, e.g. :*

- Lifeguard salaries for each summer season*
- Maintenance of washrooms*
- Maintenance of 2 pumping stations*

*Include new capital expenditure requirements, e.g. :*

- Redo of Beach Rd.*
- Washroom facilities*
- New sanitary sewer between Beach & Cameron*

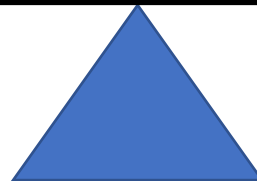
We move forward with our analysis – seeking an answer

$$\text{Additional Tax Revenue} \stackrel{?}{>=} \left[ \text{Net Additional Operating Expenses} + \text{Un-Controllable Expenses} + \text{Additional Abnormal Expenses} \right]$$

Additional Tax Revenue

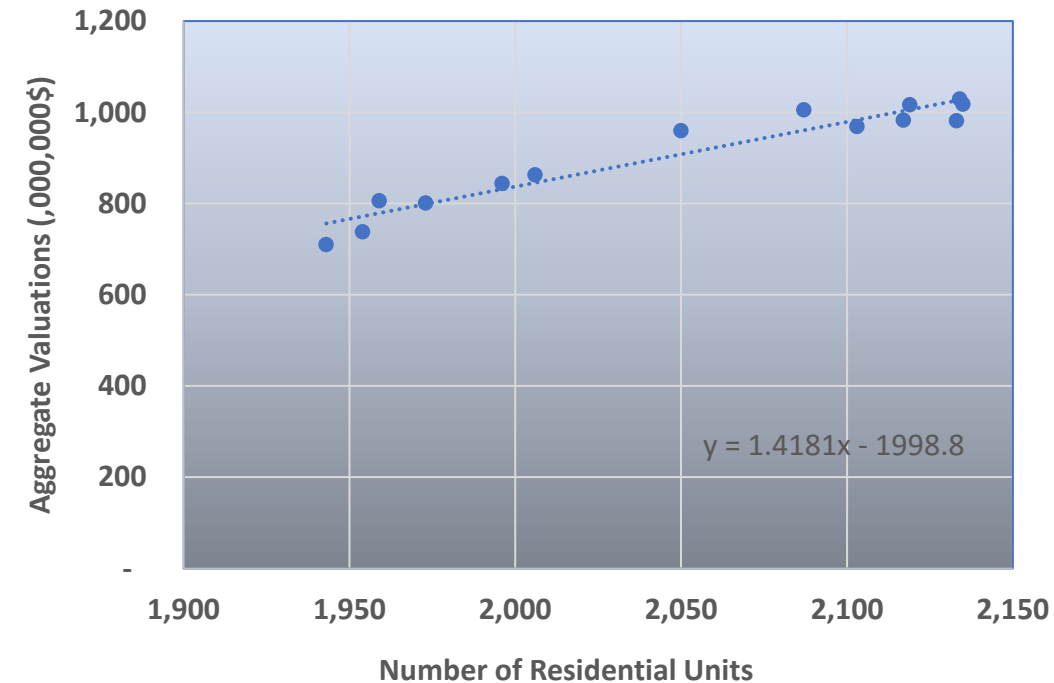


Additional Expenses



# The Town's "Aggregate Valuations" and their planned increase are significant

- The 2021 Aggregate Valuations (MAMH) for Hudson are over \$1B
  - Single Homes (2,040) are valued at \$996,233,700
  - Condo-apartments (94) are valued at \$33,221,300
  - Total Aggregate Valuations (2,134) are \$1,029,455,000
  - An average unit valuation is **\$482,406**
- Recent history (2008-2021)
  - The Aggregate Valuations of Hudson residential units have increased from \$710,041,788 to \$1,029,455,000
  - This represents an average annual increase of 3.0%/year
- This project is estimated to add over \$100M in valuations
  - An average unit's valuation for this project is conservatively estimated
    - **\$529,478** : Centris estimate for an average unit's valuation in Central Hudson (Jan-April, 2021)
    - **\$505,942** : Average of MAMH and Centris estimates
  - Over 214 units, this is an increase in aggregate valuations of **\$108,271,624**
  - This is an important 10.5% increase
    - Over the current Aggregate Valuations base, and
    - Versus Hudson's trend over the last 13 years (3.0%/yr)
    - Versus Canada's GDP (2008-2019) average growth rate of 1.65%/yr
    - Versus QC Inflation over a similar period (2009-2021) as 1.6%/yr
    - So we should expect a consequential impact



*Residential units grew (2008-2021) by 9.8%, while Aggregate Valuations grew by 4.5X (45.0%) this amount*

## References:

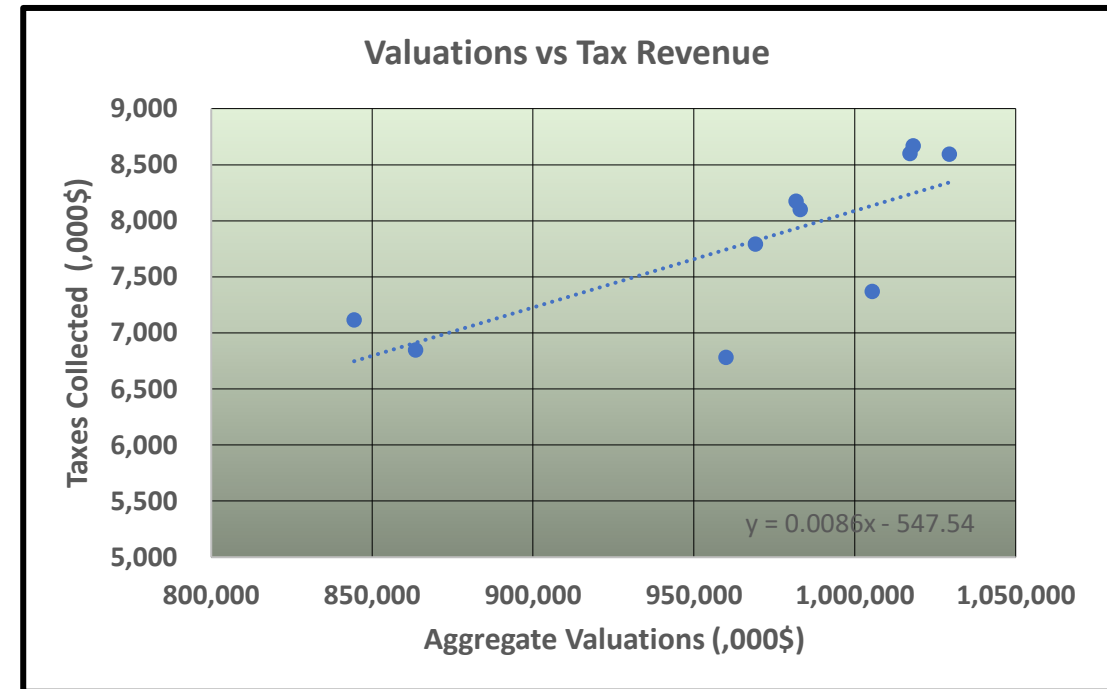
Valuations provided by Quebec's Ministry of Municipal Affairs (MAMH)  
<https://www.mamh.gouv.qc.ca/evaluation-fonciere/donnees-statistiques/>

Centris Statistics by Municipality and Type of Property, Jan.-April 2021

World Bank: <https://www.macrotrends.net/countries/CAN/canada/gdp-growth-rate>

# A two-pronged approach was used to assess the impact on Tax Revenue

- This project was estimated to add \$108,271,624 to the Town's Aggregate Valuations
- Based on the Residential Tax Rate
  - This rate is preset (2021) at 0.7184/100\$ valuation
  - This approach represents **\$777,823** in additional Tax Revenue for the Town
- Based on the increase in Aggregate Valuations
  - There is a clear relationship between Aggregate Valuations and the Tax Revenue
  - An estimated increase of \$108M in Aggregate Valuations
  - Historically such an increase yields **\$931,136** in additional Tax Revenue for the Town
- An average estimate from both methods is **\$854,480** in **"Additional Tax Revenue"**



*Supporting the strong link between Aggregate Valuations and Taxes Collected, each respectively grew (2012-2021) similarly by 21% and 22%*

# Welcome Taxes are a short term offset

- The Welcome Tax is a graduated taxing system
  - The more expensive the home the higher the tax rate.
  - The rate increases in five tranches. Each tranche is associated with a higher tax rate.
  - The lowest tranche (< \$52,800) is taxed at 0.5%.
  - While the highest tranche (> \$1M) is taxed at 2.5%.
- Contrary to the typical Town revenues, these are not recurring
  - They are a “one time” windfall gain for the Town.
  - Realized only on the sale of a home.
- The “Welcome Tax”, from a large scale undertaking like the Pine Beach Project, generates a significant amount of money for the Town
  - An estimated \$715,904 just from the sale of the Townhouses, and
  - An estimated \$544,320 from the sale of Condo-Apts.
  - A total windfall gain through the **Welcome Tax** of **\$1,260,224**
- Given that the project is planned in phases over a period of time, this revenue will also be offset by additional expenses

# The financial data for Town's services is complex – there is need to extricate the key influencing elements

- The official Financial Reports submitted to the province (MAMH) include 7 key financial charge centers
  - General Administration
  - Public Security (e.g. Police, Fire, Security)
  - Public Roads (e.g. Public Works, Infrastructure exp.)
  - Hygiène du milieu (e.g. Water sourcing, Water treatment, Waste handling)
  - Urbanism & Development (e.g. Urban planning, Economic development)
  - Recreation & Culture (e.g. Community Center, Cultural activities & fairs)
  - Current Interest & Financing Costs (e.g. interest costs on long term debt)
- Not all of these areas were assumed to be potentially subject to a marginal cost increase due to a contemplated increase in residences and population. For the purpose of this analysis, we exclude from the on-going cost analysis, the least likely to be associated with an increase in valuations or residences ...
  - General Administration and
  - Existing interest & current financing costs
  - In the last officially available (MAMH) Financial Reports (2018 & 2019), these represented 20.6% of the Total Charges to the Town
  - We label the remaining expenses as the “Total Operating Expenses”
- The remaining expenses (Total Operating Expenses)
  - Represent 79.4% of the Overall Operating Expenses
  - But, they also include related “offsetting revenues”
  - And also include direct “uncontrollable expenses”
  - These should be accounted for in order to arrive at the true controllable “Net Operating Expenses”



# Adjusting for the offsetting elements

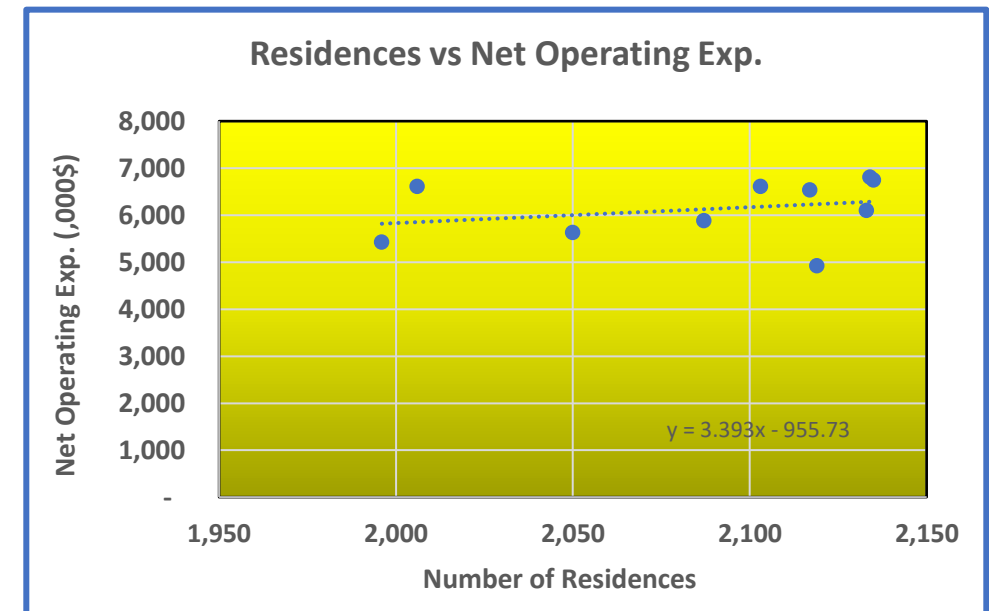
- “Offsetting Revenues” are collected directly and indirectly
  - Direct taxes on water sourcing, water treatment and waste disposal
    - In the last official Financial Reports (2018 & 2019), these represented
      - \$2,550,989 over the two years
      - 13.2% of the Total Revenues for the Town over these two years
      - 11.9% of the Operating Expenses (not incl’g General Admin. and Interest on L-T Debt)
  - Indirect collections through, e.g. Parks & Rec fees, Permits & Licenses, Water hook-ups
    - This level of detail is not available in the past Financial Reports, though available in the 2021 Budget
      - \$218,900 for 2021
      - 2.2% of the Total Revenues
      - 1.9% of the Operating Expenses
- The “Net Operating Expenses”
  - These are the expenses over which the Town generally has control
  - They highlight the “truly controllable” components of the Town’s expenses, and these residual Net Operating Expenses are those subject to the analysis on marginal cost increases
  - In summary, they are derived as:
    - Total Operating Expenses (not incl’g General Admin. & L-T Debt Charges)
    - Less: Offsetting Revenues (Direct & Indirect)
    - Less: Un-Controllable Expenses
    - Equal: Net Operating Expenses

# Examples of incremental Operating Expenses due to this project

- Below are examples of expenses which would only increase at the margin
  - Even though directly associated with this project
  - They are considered “normal” for each additional home in the area
  - The amounts described below are actually captured through the broader categories (e.g. Public Works)
    - This reduces the impact of some potential accounting practices of moving expenses from one category to another
    - Is more accurate for the broader categories
    - Does not mislead the overall picture
  - Given that these costs (below) are “average” costs, the “marginal” cost used in this report will be lower.
  - Though, these cost below serve to illustrate the relative significance of some costs
- Road Maintenance
  - The Town budget allocates \$1,066,600 (ref. code: 2-320)
  - The Town has approximately 70 Km of roads, this project is 1 Km
  - That is \$15,237/Km
- Snow Clearing & Sand
  - The Town budget allocates \$1,087,600 (ref. code: 2-330)
  - That is \$15,533/Km
- Street Lighting
  - The Town budget allocates \$65,500 (ref. code: 2-340)
  - There are an estimated 225 lights in Hudson and 15 for this project
  - That is approx. \$4,367 for this project
- Water Production (urban network)
  - The Town budget allocates \$298,400 (ref. code: 2-412-00)
  - Serving approximately 4,500 in Hudson’s urban network and 600 for this project
  - That is approx. \$39,787 for this project
- Sewage Treatment Center (RBS)
  - The Town budget allocates \$342,200 (ref. code: 2-414-00)
  - Serving approximately 4,500 in Hudson’s urban network and 600 for this project
  - That is approx. \$45,627 for this project

# An estimate of the Net Operating Exp. is provided again using a two-pronged approach

- Based on the Aggregate Valuations of the Town
  - The latest Aggregated Valuations
    - From MAMH for 2021
    - This totalled \$1,029,455,000
  - The latest Net Operating Exp.
    - derived from the Town’s Budget 2021
    - Totalled \$6,810,970
    - This represents 0.662% of Aggregate Valuations
  - Given the Additional Valuations from this project
    - Earlier estimated at \$108,271,624
    - We can expect a Net Operating Exp. of 0.662% this amount
    - This provides us with a first estimate of these expenses as **\$716,335**
- Based on the Additional Residences
  - The total of new residences
    - MAMH reports for 2021, 2,134 units
    - Project related additions are reported as 214
  - A relationship exists between the number of residences and Net Operating Exp.
  - This relationship suggests an addition in Net Operating Expenses of **\$726,102**
- An average estimate from both methods is **\$721,219** in **“Additional Net Operating Expenses” – Controllable Expenses**

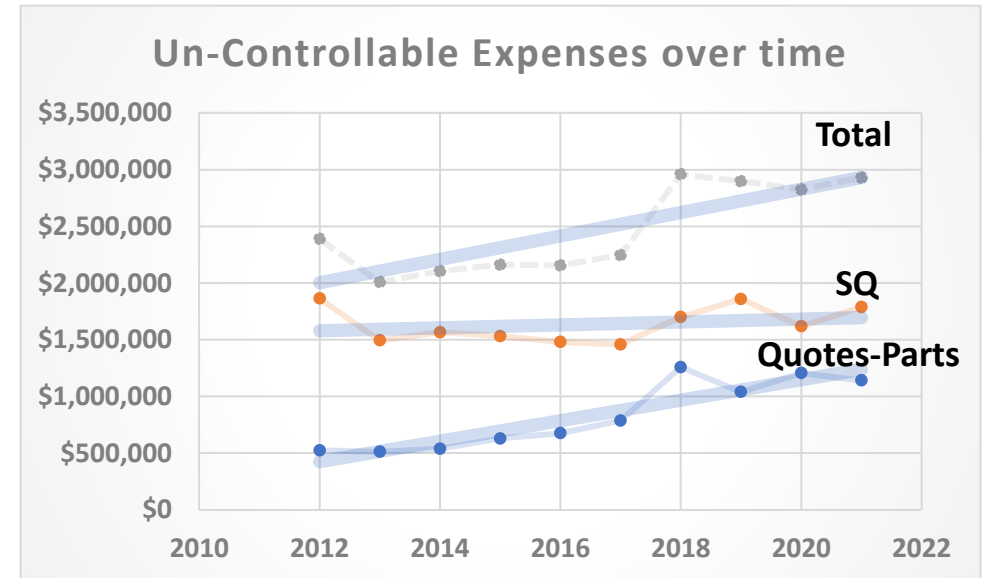


*Residential units grew (2012-2021) by 7%, while Net Operating Exp. grew by 26%*

Note: The period covered was not 2008-2012, because Financial Reports were not submitted by the Town for those other years, i.e. prior 2012

# Un-Controllable Exp. are also estimated using a two-pronged approach

- Direct “Un-Controllable Expenses”
  - These are expenses over which the Town has no control (e.g. “Quotes-Parts” and SQ policing)
  - They were excluded from the controllable Net Operating Expenses
  - They are now being accounted for separately because of their “uncontrollableness”
  - We identify and isolate these “truly un-controllable” components of the Town’s expenses
  - Data availability
    - Prior to 2012, these data were not available because the Town had not submitted their Financial Reports
    - SQ policing data is available for the whole period (2012-2021)
    - Quotes-Parts data is not available for 2020-2021, though it was forecasted from the existing data
- Based on Aggregate Valuations
  - The Aggregate Valuations for this project are estimated at \$108,271,624
  - Aggregate Valuations (2021) for the Town are \$1,029,455,000
  - Total Un-Controllable Exp. (2021) are \$2,928,730
  - Thus, by the rule of three, the expected Un-Controllable Exp. associated to this project are **\$308,025**
- Based on Additional Residences
  - The total of new residences
    - MAMH reports for 2021, 2,134 units
    - Project related additions are reported as 214
  - Given the Total Un-Controllable Exp. (see above), this reflects an expense of \$1,372/residence
  - This suggests an addition in Un-Controllable Expenses of **\$293,696**
- An average estimate from both methods is **\$300,861** in “Additional Un-Controllable Expenses”



*Obviously the growth in Un-Controllable Expenses is mostly attributable to the QPs trend*

# Additional Direct Abnormal Expenses



- Additional Direct Abnormal Expenses

- These are not normally incurred in most projects.
- These should be directly attributed to this project. They are not part of “normal” Town operations and expenditures.
- Some are characterized as an increase in OPEX (Operating Expenditures) and others as CAPEX (Capital Expenditures).
- Highlights of some of these expenditures are as follows:

OPEX/yr.	
• Sandy Beach Lifeguards on duty (June-Sept.) (as per Agreement articles 9.4, 9.5)	\$46,200
• Required maintenance of 2 additional pumping stations (as per Agreement article 9.1)	\$12,300
• Public washrooms (e.g. cleaning & maintenance)	\$7,300
• As a result of CAPEX (assumed over 20 years)	
▪ Amortization Expense	\$23,575
▪ Interest Expense (@ 2.6%/yr)	\$12,259
<b>TOTAL</b>	<b>\$101,634</b>

CAPEX	
• Required facilities & equipment for Lifeguards at Sandy Beach	\$5,000
• Physically delineating Sandy Beach servitudes (as per Agreement article 9.7)	\$5,000
• Public washrooms (building 20’X20’) (as per Agreement article 9.6)	\$80,000
• Rebuild of Beach Rd. (assuming not a total redo, which have historically been 4-5X the cost)	\$41,502
• Town requests for Authorizations e.g. CPR, MRC, MDDELCC (as per Agreement Annex F, p.7, #12)	\$5,000
• New Sanitary sewer system <sup>1</sup> , Beach to Cameron along Main, hooking-up at Beach for servicing project using 2014 prices <sup>2</sup>	\$335,000
<b>TOTAL</b>	<b>\$471,502</b>

Thus, **Additional Abnormal Expenses** total an expected **\$101,634** annually.

<sup>1</sup> ) SEAO Tender call #AO-2021-4-TP, April 12, 2021

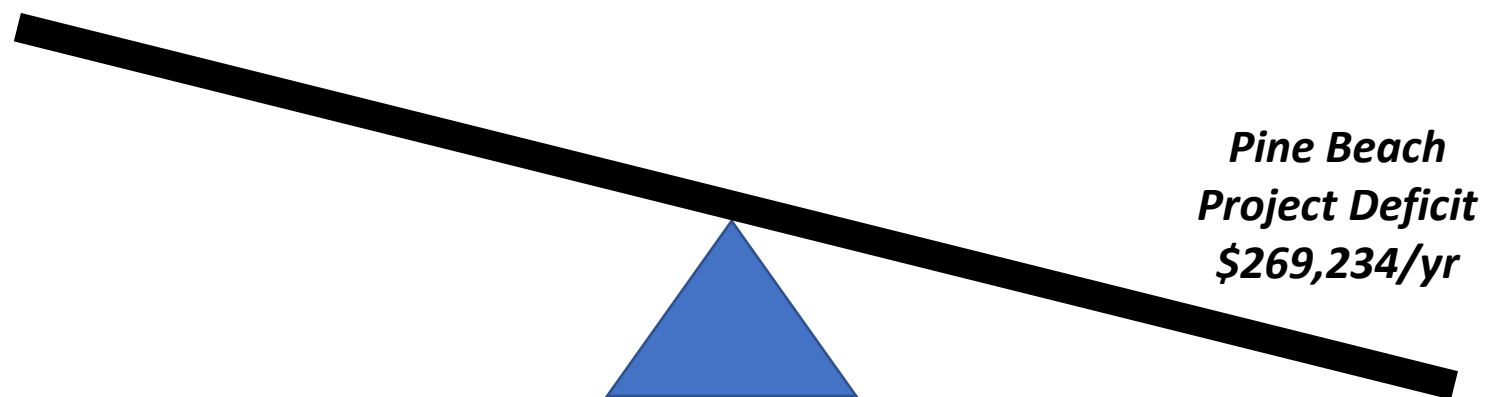
<sup>2</sup> ) Depending on the inflationary measure employed, it can represent an 11% to 28% increase from 2014 to 2021

# Most of the assumptions made are likely to under-report the associated expenses

- Most of the key assumptions made include the following ...
- The latest available Agreement between the Town and the Promoter is that of in 2017.
- Roads
  - Road reworks are assumed to be basically “repaves” rather than complete “rebuids”. Rebuilds have historically been 4-5X the cost of a repave.
  - Royalview
    - From the CPR tracks to the end of Royalview is 1 Km long.
    - The five secondary roads (off of Royalview) are not the Town's responsibility.
    - The Promoter’s planned 93 parking spaces on Royalview are not managed or maintained (e.g. signage, snow clearing) by the Town.
  - The latest Pine Beach drawings and project outline are by Empero (2020).
  - It is unsafe (fire & security) to only have a single road out of a development of 214 residential units accommodating some 600 residents.
- Water & Sewage
  - The current supply and distribution system can handle the additional demand, even though recent studies have found:
    - Precipitation has been inconsistent and unreliable.
    - Peak usage has been Increasing.
    - Our only supply (obviously not unlimited) for most of Hudson is the Viviry aquafer. It is used at 58% (not including additional users from e.g. Pine Beach, Willowbrook and the planned project in Vaudreuil-Dorion just west of the Viviry South of Hwy 342 drawing on the same aquafer).
    - The Woodland Treatment plant is operating at ~ 80% (not incl’g the addition of the above projects).
  - Sewage may also have its challenges
    - The recently proposed enlargement of the sewer pipe between Beach and Cameron is to serve the added volume from the 214 residential units.
    - The current treatment center (RBS) is also assumed to be able to handle the additional volume.
- Operating costs
  - The likely impact (e.g. facilities, teachers) on schools (primary, middle and secondary) was not included.
  - General Administration and costs related to the existing long term debt financing are not included.
  - The lighting and services “within” this project is planned to be buried. Any lighting that the Town adds is not assumed buried (nor required in the Agreement).
  - The population of Central Hudson was assumed at 4,500. This is likely an over-estimate resulting in lower unit costs.
  - The Town’s budgetary estimates for 2020, 2021 are reliable.

The net picture – this project is conservatively going to add ~\$270K/yr to the Town’s expenses

Additional Tax Revenue	> =	[	Net Additional Operating Expenses	+	Un-Controllable Expenses	+	Additional Abnormal Expenses	]
\$854,480	<del>&gt; =</del>		\$721,219	+	\$300,861	+	\$101,634	
			% of Add'l Tax Rev.: 84%		35%		12%	
			% of Add'l Expenses: 64%		27%		9%	



# Conclusions & Recommendations - for the Town to take action

- The “Loi sur les cités et villes” clearly states that for major projects (> 12 months) for Towns:
  - A plan for the project must be devised (divided into annual phases).
  - Each phase should outline
    - its objective
    - the associated expenditures (for both OPEX and CAPEX)
    - mode of financing these expenses
  - To the knowledge of this working group, there is no such report publicly available from the Town.
  - This report can constitute a significant input to such reporting.
- At the completion of this project, the 93 parking spaces on Royalview will revert to the Town. These parking spaces were originally planned for the residents and their guests. This raises different issues. One is of their maintenance (e.g. signage and snow clearing) which has not been addressed. Where does one think the daily visitors to Sandy Beach will park? Will a priority system be enforced? Extra security for this enforcement? The Town needs to address this issue which will only grow in time.
- There is an important need to provide another point of entry/exit to this project. For reasons of safety (fire, security, traffic density at St-Thomas school), this is critical. Different alternatives are available. Though, the most readily/easily done, inexpensive and accessible would be through Sugarbush. All alternatives will present a meaningful political challenge, and some will also have attached some very significant economic challenges (e.g. railroad crossings). NIMBYsm will also play an important role.
- There has been no impact study of the additional population (some 600) and vehicles (at least 250), from this project alone, on the local school system nor on Central Hudson’s available parking spaces.
- There are an estimated 800 residences on the Town’s sewage system. This project alone would supply 27% additional residences and accordingly volume. It is not at all obvious that the current treatment center (RBS) can handle this extra volume.
- Aggregate valuations are going to significantly increase, impacting the Town’s Tax Revenues – approaching \$900K.



# Conclusions & Recommendations - for the Town to take action (cont'd)

- It is a truly incomplete picture to believe that the Tax Revenue will offset any new Operating Expenses, as the evidence demonstrated.
- Net Operating Exp. (controllable) have been annually increasing at a much higher rate than the Un-Controllable Exp. (and by far inflation)
 

— Controllable Exp.	Un-Controllable Exp.	
4.2%	2.9%	← Average Annual % Increase (2012-2021)
- Analyses of such projects importantly need to isolate those expense elements that are controllable vs non-controllable.
  - Most of the controllable elements are affected by “usage/consumption” – not valuation/real estate values
    - E.g. roads, garbage, recycling, water, parks & rec. ....
  - Most of the un-controllable elements are affected by “valuations” – not usage/consumption
    - E.g. Downloads for QPs and SQ
- This project profile is quite different from the Town’s typical allocation.
  - This project’s Net Operating Expenses are 84% of the estimated Tax Revenue, for the Town it’s 51% (as per Budget 2021).
  - This project’s Uncontrollable Expenses are 35% of the estimated Tax Revenue, for the Town it’s 22% (as per Budget 2021).
  - This project’s Abnormal Expenses are 12% of the estimated Tax Revenue, for the Town this is unaccounted, since they must have a balanced budget.
  - The reason, for this project’s total adding to more than 100% is that it results in a deficit.
  - Thus, the Pine Beach Project ...
    - Disproportionately and negatively affects Net Operating Expenses
    - Disproportionately and negatively affects Un-Controllable Expenses
    - Introduces unforeseen and unaccounted Abnormal Expenses
- Mayor Peter Trent’s studies have also found very similar conclusions to ours.
  - <https://www.youtube.com/watch?v=Eik8gelwbNg>
  - <https://static1.squarespace.com/static/5f491fbfae920b3aaf3824da/t/6054ede30f8b5c3c20b891d6/1616178659346/Letter-Peter-Trent-Residential-development-Rosemere.pdf>
- The Town needs to do a “much” better job at negotiating new projects and Promoter “Agreements”, carefully isolating the above component parts and being fully aware of their potential impacts.

## Conclusions & Recommendations - for the Town to take action (cont'd)

- As in any project, estimates could be off – though, it is hardly comprehensible how one could make-up for such a difference. We operated with only publicly available data (the Town obviously has more detailed info). It deserves to be reiterated that our estimates are very conservative (e.g. excluding General Admin & Financing costs) and the reality being, that the situation is likely much worse.
- The Welcome Tax only creates some temporary relief. After 4 to 5 years, the net benefit will be more than offset by the additional ongoing annual costs.
- A conclusion reached is a contemplated increase in homes of 10%. Accordingly, Town expenses also increase. But they are expected to rise by a net amount of 2% over current budgeted amounts – this is a good example of how a new development has an “impact at the margin”. This project has an impact and leaves an important question unanswered ...
- What is the going-forward plan for the Town in addressing the upcoming deficit?
  - Will the Town address the expected offset by ...
    - Reducing controllable expenses and/or
    - Increasing taxes and/or
    - Direct levies
  - It's a tall order to address and amend.

