

**Financial Review of TSMV's proposals for the Stewart Creek and Smith Creek Area Structure Plans**  
**Researched / Authored By Roderick de Leeuw**

**Introduction**

The purpose of this review is to demonstrate the financial unsustainability of the proposed TSMV ASPs for the Town of Canmore and its residents. The burden of this financial liability to the people of Canmore is shown through historic review of tax and utility increases from 2010-2020 despite the promises of fiscal benefit by the TSMV developer. I impress upon Council and Administration not to approve the TSMV ASPs in light of this review.

My experience with this subject matter is extensive. I have worked for TSMV in the late 1990s, held the positions of CFO and General Manager with the Town of Canmore for 11 years including the creation of key Town of Canmore Models (Offsite Levy, Utility Rate and Long Term Financial Planning Models). Recently, I have helped put together three Fiscal Impact studies for large scale ASPs within the Town of Canmore. As a financial professional, I chose to engage because in many cases, this type of ASP is approved because of the promises of financial sustainability for the community.

The Town of Canmore has been presented with two large scale Area Structure Plans (ASPs) that requests adding up to 14,500 people and 6,450 dwelling units plus 1,050,000 sq ft of commercial space, hotels and associated development over the next 28 years to our community. This is in addition to already approved ASPs for the area that are not fully developed yet.

**Inherent risks of an ASP of this size and complexity**

Development proposals that span 28 years have a very high degree of financial uncertainty. As we have experienced in the last year; global, national and community circumstances can change dramatically. This increases the inherent risk to approve such a large scale ASP. Approval of the two ASPs will begin the development process for TSMV to build 6,450+ units over the next 28 years and create an approved plan which limits our ability as a community to adjust to changing times and needs.

Risks include:

- With the development plan in place, the subject properties could be sold to a third party (as with East West Properties) -
- Property could be developed to maximum levels regardless of the unforeseen detrimental aspects to the greater community
- ASPs have no expiry date like Development or Building Permits, removing any future control if community circumstances change
- Town's self declared "Climate Emergency" or similar initiatives could alter what is acceptable development for our community in future but most control will have been lost.
- The development ranges provided in the ASPs are very large. The Town increases its risk by not knowing what will be developed. Dwelling unit figures with a minimum of 3,400 and maximum of 6,450 creates significant uncertainty. Historically, we have seen maximization of residential units

and virtually no commercial (non-residential) development creating a financial imbalance within our tax rates as the property tax burden then weighs more heavily on residential.

- The ASPs contain no performance based clauses or measure. As a result, the Town has been left with no bargaining power when conditions of development are not met. Instead, Town Council should require “conditions” of residential development that require the development of commercial assessment or community infrastructure prior to additional residential being granted. Once conditions are met, then residential development is allowed to proceed. This could be staged throughout the development horizon of the ASP.

### **Residential tax rates are not sustainable**

Since the mid-1990s successive TSMV ASPs have promised the “holy grail” to Councils – Commercial tax base. Except for the Stewart Creek Golf Course, a moderate sized hotel (Worldmark -112 rooms) and a small mixed use development (Mountaineer’s Village at Drygas Gate), little of the promised commercial assessment has been developed, leaving a significant and enduring financial burden on the existing residential tax base.

As per Nichol’s submitted Fiscal Impact Study, residential property assessment consumes more municipal services than the taxes levied on them.

#### 4.1 Assessment Base

A municipality’s assessment base reflects the real assets available for taxation, and the composition of a community’s assessment base can provide insight into the relative financial health of a municipal corporation. A comparatively larger proportion of non-residential assessment is generally preferred as this assessment class typically consumes fewer municipal services than the taxes levied against them - the opposite is true for residential properties. Accordingly, a municipality with a large ratio of non-residential to residential assessment is typically considered to be more financially robust as compared to those communities with relatively smaller non-residential bases.

The table below examines seven properties within the Town of Canmore. The average residential municipal taxes have increased by 58 -74% over the last 10 years (2010-2020), while commercial taxes have increased between 4.9 - 48%. These levels of residential tax increase are not sustainable and are historically unsustainable. The average inflation over this same period in Alberta has been 1.67%. (Inflation Calculator – Alberta)

**Table #1: Town of Canmore – 2010 to 2020 Tax Comparisons**

Municipal Taxes Only	2010 – 2020 10 year % Change	Simple % Increase per Year	Annualized % Increase per Year
<b>Residential:</b>			
Townhouse	60.5%	6.0%	4.8%
Medium Single Family	74.2%	7.4%	5.7%
High End Single Family	58.3%	5.8%	4.7%
<b>Commercial:</b>			
Restaurant	4.9%	0.5%	0.5%
Gas Station	14.7%	1.5%	1.4%
Grocery Store	18.4%	1.8%	1.7%
Hotel	48.1%	4.8%	4.0%

Some Commercial taxes have remained at sustainable levels but there are critical questions as to why **some business taxes have remained almost unchanged for a decade while residential taxes have increased up to 75% over the same time.**

**Utility Rates are Not Sustainable**

The Town’s utility rates also support the unsustainability of Town of Canmore revenue streams as residential rates have increased by 88%, while commercial rates have increase by up to 121% over the last 10 years. This level of rate increase is not sustainable. Development does not appear to be making Town of Canmore Utilities more sustainable but far less so.

**Table #2: Town of Canmore – 2010 to 2020 utility bill comparisons**

	2010 – 2020 10 year % Change	Simple % Increase per Year	Annualized % Increase per Year
Residential Home	87.7%	8.8%	6.5%
Medium scale Business	124.0%	12.4%	8.4%
Large scale Business	116.2%	11.6%	8.0%

The compounded increases in Table 2 above show ranges between of 6.5 and 8.4% per annum. **These are historically unsustainable rates (a doubling of rates every 9 years)** and putting further pressure on them because of more development will result in an unrealistic financial burden for ratepayers.

## Commercial development critical to Fiscal Sustainability

Development of commercial tax base is critical to shifting the enduring and disproportionate residential tax and utility burden back to a sustainable level.

The Proposals suggest that TSMV will develop 1,050,000 sq ft of Commercial space in these two ASPs. This figure is **more than all of the commercial square feet currently existing** within the Town of Canmore based on the Town's 2015 Commercial Needs Study. Based on a variety of factors, including actual need, market demand, assessed values, this appears almost impossible to achieve. The Town should carefully consider if this is realistic given the non-permanent nature of much of our current and future population to support this commercial development.

Within its Summary, Nichol's Fiscal Impact Study points out two critical points. The fiscal impact on the Town from the ASPs build-out will likely be negative unless:

1. The proposed commercial square footage is built out in full
2. The assessed value of all the proposed commercial space is at least as high as the estimated used in the Fiscal Impact Study.

From Section 6, Summary of the Fiscal Impact Analysis:

These results are generally the product of the Project design, specifically the amount of commercial development vis-à-vis residential. Any material reduction in non-residential land-use would likely alter the fiscal impact to be neutral or nominally negative on the Town.

Additionally, the assumed values for non-residential elements of the Project are fundamental in producing the positive fiscal impact. The estimated assessed value for hotels and general commercial space underpin the favourable contribution of non-residential growth to the community. Note that additional analysis which evaluates

Furthermore, given the track record of almost no commercial development to date and the market forces when doubling the existing commercial development in Town, it appears that the Fiscal Impact is more likely to be significantly negative, forcing an ever greater burden on the existing Residential tax base.

## Summary

The proposed ASPs present a significant potential risk to the Town of Canmore's future fiscal sustainability. Without the development of commercial assessments contained within the ASPs, the Town is likely to continue its trend of unsustainable residential tax increases. These tax increases place additional pressure on the residents of our community. Much has been said about maintaining our social fabric: taxes, utility rates, along with the price of real estate, make our community unaffordable for more and more of our existing and future residents. Given the uncertainty within the ASPs, it appears unwise to approve these ASPs and put Canmore's future in such a precarious position.

I would urge Council to reject these ASPs and seek a resolution with TSMV that will not burden the future generation of our community. We cannot double our population and have any hope of maintaining and enhancing our “quality of life”.

Respectfully submitted:

Roderick de Leeuw