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COVID-19 UPDATES - For information and to subscribe to ongoing updates please visit our Township website COVID-19 page at https://www.cavanmonaghan.net/en/live-here/covid-19.aspx

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From: noreply@esolutionsgroup.ca <noreply@esolutionsgroup.ca>
Sent: Friday, November 26, 2021 11:35 AM
Subject: New Response Completed for Council Delegation Form

Hello,

Please note the following response to Council Delegation Form has been submitted at Friday November 26th 2021 11:33 AM with reference number 2021-11-26-010.

- **Date:**
  11/26/2021
- **Meeting Date:**
  12/6/2021

- **Subject:**
  Potential Discussions with the City of Peterborough re: Employment Lands
- **Name:**
  Tom Phillips
- **Address:**
  234 Hunter St W
- **City:**
  Peterborough
- **Province:**
  ON
- **Postal Code:**
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- **Phone Daytime:**
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  thomas.f.phillips.ph.d@gmail.com
- **Do you require any Accessibility Accommodation?**
  No
- **Name of group or person(s) being represented, if applicable:**
  Dr. Tom Phillips will present his findings in his paper - that Council has received - regarding concerns regarding employment lands, regionally.
- **Brief statement of issue or purpose of deputation:**
  With the City of Peterborough considering approval of a new Official Plan and the opportunity for discussions regarding employment lands availability with the Township of Cavan Monaghan, Dr. Phillips will provide his perspective on related issues as presented in his paper entitled "Beyond the Official Plan: Realizing Economic Growth" (November 2021).
- **Please include any documentation/presentation material that will be attached to your deputation.**
  1. Beyond the Official Plan - TPhillips - 12-11-21.docx [26.4 KB]

[This is an automated email notification -- please do not respond]

Beyond the Official Plan: Realizing Economic Growth

Thomas F. Phillips, Ph.D.
November12, 2021.

INTRODUCTION

With the City of Peterborough in the final stages of adopting its new Official Plan, a question is emerging as to whether this Plan will be theoretical or practical. That is, can satisfying the bureaucratic constraints set by the Province of Ontario really enable our community to realize the considerable demand for development that actually exists. The fact that the Official Plan must demonstrate a theoretical ability to satisfy Ontario's anticipated opportunities for growth for our community does not mean that this plan can be realized, in the short- or long-term.

In the preparation of the new Official Plan, Ontario insisted that the City of Peterborough within its existing, formal boundaries had more residential lands necessary to accommodate growth, and less employment lands than is necessary to meet the demands for business development. This presumption is particularly interesting given the realities of residential development in the city being far slower than the demand for it. In theory, there was enough land to meet the demand, however in reality, there were other obstacles to meeting the demand. Our current housing crisis is a testament to this.

Ontario requires that the Official Plan consider its future development within its existing boundaries. In effect, Ontario has built a virtual moat around the city. It is as though there is the known world, inside the moat, and the unknown, rest of the world, outside the moat. The City is obligated to plan for its future growth within the boundaries of the moat makes it impossible – in practical, not theoretical, terms - to meet the known and prospective demands for employment lands.

History tells us that the need to look across the moat to meet the demands for development is not new. The City and Cavan-Monaghan Township began discussing annexation more than two decades, and now there is discussion about other, privately owned properties, inside the moat, that could be available as employment, rather than, residential lands.

Property developers have anticipated the need for new residential and employment lands by preparing plans that can go ahead once the infrastructure is in place and they run the gauntlet of approvals. With residential lands usually being more financially lucrative than employment lands, private developers are, understandably, reluctant to change their business strategy to satisfy bureaucratically imposed restrictions. Unilaterally declaring lands now being employment lands when they have been thought of as residential, does not mean that they will become employment lands.

Considering the practical over the theoretical, even with the new Official Plan approved, the prospects for new residential and employment lands developments meeting current and realistically foreseeable demands in the short- and long-term are very slim. Real business development projects from outside the community and business expansion plans by businesses existing within the city will not be realized without daring to explore the world beyond the moat. The primary reason for exploring such opportunities is the inevitable lack of employment lands, regardless of the theoretical rationalization of the Official Plan. While it is an interesting exercise to re-balance the residential lands and employment lands inside the moat, the practical realities in the conflict between bureaucratic constraints and private interests will not lead to a solution that will realize the potential economic growth and prosperity, given the demand, in a timely manner. Current circumstances suggest that effective action is urgent.

While debates tend to treat residential and employment lands development separately, it is impossible to separate residential development from industrial development. With the majority of the City's municipal tax revenues coming from residential properties, revenues required to provide the necessary employment-lands infrastructure cannot be earned without residential expansion and the associated growth in the population and their local spending. With a fixed land mass inside the moat, assigning more land and employments lands and less as residential lands makes the financing of economic development even more precarious than it has been in the past. Even with the theoretical re-balancing of residential and employment lands, the realities of growth that are emerging in the post-COVID-19 economy suggest that existing demand cannot be realized even in the short term.

We are already at the point where too little of the residential lands are being developed and there are no employment lands to speak of. Industrial and commercial development are responses to increased demand from households and businesses for goods and services - in local and distant markets. The prospects of private-sector expansion are directly related to increases in demand. Our current circumstances suggest that there is sufficient demand for unprecedented growth. For it to be realized is the challenge.

There is general agreement that the city is facing a residential housing crisis. This has happened when, in theory, there was too much land designated for residential development. There is also general agreement that there is now, before the new Official Plan, too little land designated as employment lands. The new Official Plan seems to have met its bureaucratic obligation to meet mandated, theoretical requirements. The question now is: Is this a practical, realizable, plan? No, it is not!

This report is a summary of realities emerging in the post-COVID-19 Peterborough-area that are important in our potential economic growth. Also, there is an analysis offered regarding the opportunities that come with increasing demand for residential and employment lands that can either be seen as opportunities for economic growth, or opportunities lost, i.e., opportunity costs. Comments on realizing the benefits of economic opportunity beyond the adoption of new Official Plan will conclude this report.

REALITIES

As we slowly move into the post-COVID-19 era, it is becoming apparent that we are not moving back to the Peterborough community that existed pre-COVID-19. While many consider a 'return to normalcy' being a return to pre-COVID-19 circumstances, there is clear evidence that this will not be the case. Examples of the new realities from which new economic opportunities could arise can be found in recent population, labour force, housing, and prospective business development statistics.

Population

From Labour Market Survey data from 2001 to 2018, the rate of growth in Ontario's and the Peterborough Census Metropolitan Area's (CMA) population were:

Ontario	1.35% compounded annually
Peterborough CMA	0.87% compounded annually

Therefore, Ontario's annual rate of growth was 55% greater than the rate of population growth in the Peterborough CMA between 2001 and 2018.

Also, from Labour Market Survey data from October 2019 to October 2021 (i.e., the twenty-five months from just prior to the arrival of the pandemic to October 2021), the growth for Ontario's and the Peterborough CMA's were:

Ontario	1.1% compounded annually
Peterborough CMA	1.5% compounded annually

That is, the Peterborough CMA's rate of population growth was about 36% greater than Ontario's rate of population growth. The population of the Peterborough CMA since October 2021 has grown at an annual rate just less than double that of the 2001 to 2018 period.

Peterborough CMA's population has grown substantially over the COVID-19 period, and at a rate faster than the growth of Ontario's population.

From October 2019 to October 2021, the population grew by 3,300 people. Assuming about 80% of the people in the CMA living in the City of Peterborough, the city's population should have been expected to grow by about 2,600 people[1].

[1] The CMA includes the City but is larger than the City. Historically, about 80% of the CMA's population is in the City, and the City is the economic center of the CMA. However, growth in the CMA's population does not necessarily mean that the 80% live in the City and the 20% live in the rest of the CMA. With little residential development in the City, it is very likely that a larger proportion of CMA population increases live outside the City.

Labour Force

The October 2019 to October 2021 monthly Labour Force Survey data reveals significant changes in the Peterborough CMA labour force:

- In October 2021 there are 7,300 more people in the Labour Force (i.e., those employed and those actively seeking work) than in October 2019,
- There were 5,700 more people employed in October 2021 than in October 2019,
- Over the period, population grew by 3,300,
- From October 2019 to October 2021, Peterborough's Participation Rate (i.e., the size of the labour force as a percentage of the population) grew from 58.1% in October 2019 (7.5% lower than Ontario's labour force participation rate) to 61.5% in October 2021 (i.e., only 3.9% lower than the Ontario rate).

These observations suggest that Peterborough's labour force is growing faster than its population growth, and more importantly, there is a growing percentage of the population who are working age.

Housing

The pressures of economic growth are apparent in the market for residential housing. The data shows:

- The average selling price of a home in the City of Peterborough, in October 2021 was $659,041 - this is 25% higher than the average price in October 2020, and more than double the average selling price in price in October 2015,
- Listings in September 2021 were about 33% (one third) of the September 2020 level – i.e., fewer houses being put on the market.
- It is not uncommon for those selling real estate to have inventories of less than one month – again, few homes for sale,
- With the population growth since September 2019 to September 2020 being about 3,300 and applying the factor that 80% of the population of the CMA lives in the City, the City's population would be expected to increase by 2,640 in this period. However, during this period only 433 new dwellings were completed in the city. Given that the size of the average household in Peterborough is 2.3 people, 2,640 new arrivals would require 1,148 new dwellings. Therefore, there were 715 fewer new dwellings completed (i.e., housing, on average, 1,645 people) than was required to meet the increase in population,
- Over at least the last four years, more dwellings have been completed outside the city (i.e., outside the city but within the Peterborough CMA) than have been completed within the city. This is a clear indication that residential lands planning and employment lands planning cannot be effectively done without a regional (i.e., not with a provincially

imposed moat around the city) perspective being taken. The city cannot meet the residential and employment lands demands within its current, imposed, boundaries.

Prospects for Business Growth

In 2021, Peterborough and Kawarthas Economic Development (PKED) has reported that several businesses have been interested in locating in Peterborough. The total amount of employment lands that would be required to satisfy all their demands is 136 hectares (337 acres) – far more serviced land than exists, or can reasonably be made available, to businesses looking to settle in Peterborough.

In additional to businesses from outside the community looking to locate in Peterborough, there are many local businesses who would, if they could, expand. It is not unreasonable to suggest, there is, and will be in the new Official Plan, too little employment lands to satisfy the demand for local business expansion in the post-COVID-19 era.

All indications are that there is sufficient demand for businesses and employment growth, however, the land and infrastructure necessary for existing businesses to expand or having businesses new to the area locate here, is the primary threat to Peterborough's economic future.

Employment and Residential Lands – Opportunities versus Opportunity Costs

When there is demand and the demand is satisfied, there are economic benefits. When there are potential economic gains (i.e., when demand exists) but these gains are not realized, there are economic costs – opportunity costs.

In Peterborough, there is evidence of population growth, labour market expansion, demand for housing, and interest by existing and outside business considering locating here, there is sufficient demand for the area's economy to grow. The benefits of the increased demand cannot be realized without more development of residential, and more importantly, employment lands.

A simple example of the economic growth and potential revenue for the City of Peterborough from the development of 100 new homes each year over three years (in current dollars) offers insight into the tax revenue lost – i.e., the opportunity cost – from delays in construction.

- If development charges for residential units averaged $25,000 per unit, 100 residential units would, as they are being constructed, generate $2,500,000. If 300 unit were built over 3 years, the development charges revenue would be $7,500,000,
- With the average municipal (i.e., not including education) property tax per year being about $3,450, 100 new homes would generate $345,000 in property tax revenue. If a

residential development built 100 new units each year for three years, the amount to tax paid in the first year would be $345,000 in the first year. With 100 more units build in the second year – a total of 200 units in the second year - $690,000 in taxes would be paid, and in the third year, with 100 more units, totaling 300 units, would generate $1,035,000. Over the three years, this totals $2,070,000,

- Overall, 100 new homes per year over the first three years would generate about $9.6 million in tax revenue for the City. Conversely, in terms of opportunity cost, when the City does not undertake the development of 100 new homes per year for three years, it foregoes collecting $9.6 million in tax revenues.

There are other potential gains, or conversely, opportunity costs, to consider:

- There are about 700 full-time jobs in building 100 new homes – directly involved in construction and all of the jobs in associated work (design, supplies, etc.) – representing incomes of over $35 million per year for workers. Should construction be delayed or not undertaken, jobs and the associated incomes, would not be realized,
- With residential development being associated with business growth – 80% of taxes being residential; 20% industrial/commercial - the $2,070,000 in additional residential taxes would, on average, generate $414,000 in additional industrial/commercial tax revenue over the three years.

And there are lost business development opportunities:

- Based on the Peterborough and the Kawarthas Economic Development data regarding requests for business development space and the land required for that space, in 2021, totals 136 hectares (337 acres) and the associated space needs are approximately 2 million square feet. The City's 'non-residential development charges' – that apply in such cases – are $127.64 per square foot. Therefore, if only one-quarter of the requested space were built (i.e., assuming there is sufficient land to build it on) the non-residential development charges revenue would be approximately $65 million; if half could be developed, the charges would total about $130 million.

In the discussion, above regarding insufficient housing for the actual population growth over the COVID-19 period, there were 715 too few dwellings in the city, just to deal with population growth. Based on the analysis above, assuming that this demand had been met over the past three years, the City would have collected, in residential development charges, and residential and industrial/commercial municipal taxes, $23.8 million. And, if one-quarter of the existing requests for business development lands were realized $65 million in non-residential development charges would have been earned by the City. With these demands not realized, the opportunity cost to just the City itself is about $89 million over the last three years. This does not include the economic benefits – e.g., jobs, incomes – that were not realized.

Concluding Comments

The City of Peterborough's process for adopting its new Official Plan and submitting it for Provincial approval is almost complete. While it likely meets the theoretical requirements, it is not at all clear that it is realizable. The realities of demand for Peterborough-area residential and industrial/commercial development suggest that we have entered an era of unprecedented opportunities for growth that, without looking beyond the new Official Plan, will not be converted into actual economic growth. Missed opportunity is an opportunity cost. This is not simply because of bureaucratic allocations of residential and employments lands; it also involves potential delays related to public/private, public/public negotiations regarding land use and putting the necessary infrastructure in place, all while catching up on unfulfilled demand when demand is likely to continue to grow. The new Official Plan will most certainly not be able to get us ahead of the growing wave of demand. To do that will require looking beyond the constraints of the Official Plan as soon as, or even before, it is adopted.

With the acceptance that the theoretical nature of the Plan cannot realize the growth potential that our region is facing given fortuitous, unpreceded demand, the direction taken after the Plan is adopted and approved is the practical question that must be addressed, and soon. There are three possible directions that could be taken:

1. Remain true to the theoretical constraints of the new Official Plan,
2. Accept the Official Plan and engage in negotiations that focus on meeting the actual/existing and prospective opportunities for development and, therefore, economic growth through:
    a. public/private negotiations between the City and private landowners within the Plan's boundaries, and outside these boundaries for land use,
    b. public/public negotiations between the City and adjacent townships (e.g., reviving the Cavan Monaghan opportunity),
3. Formalize a regional, political body – e.g., amalgamation – that would enable regional decisions to be made regarding land use and economic development (i.e., more aligned with the mandate of the Peterborough and the Kawarthas Economic Development).

Given the realities and the inevitable growth in the opportunity costs of unrealizable economic development and remaining true to the theoretical constraints of the new Official Plan will fail. Public/private and public/public negotiations will, at best, be an *ad hoc*, stopgap, short-term solution. Only a formalized, concerted, regional approach to the opportunities for economic development can address growing opportunity costs and begin the long process of realizing the region's economic potential.

Thomas F. Phillips, Ph.D., is an economist and Adjunct Professor in the Business Administration and the Masters in Sustainability Studies at Trent University, in Peterborough Ontario, Canada. Dr. Phillips' research is focused on economic growth, particularly in how social institutions can adapt to create transformational change in economies, local to international. He has done several studies related to the economic impacts of public, and private, organizational initiatives. In Peterborough, his hometown, Dr. Phillips currently sits on the boards of the YMCA of Central East Ontario and the Community Foundation of Greater Peterborough. His involvement in the community has also included serving on the boards of Trent University, the Art Gallery of Peterborough, Peterborough and the Kawarthas Economic Development (formerly the Great Peterborough Economic Development Corporation), the Innovation Cluster, the Peterborough Police Service, and the Workforce Development Board.