

The University of Manitoba

THE FISCAL IMPACT OF SECOND HOME
COMMUNITIES: A CONSIDERATION
IN LOCAL GOVERNMENT
DECISION-MAKING

by

Edward T. P. Romanowski

A thesis

submitted to the Faculty of Graduate Studies
in partial fulfillment of the requirements for the
degree of Master of City Planning

Department of City Planning

Winnipeg, Manitoba

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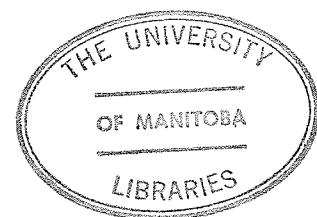
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ABSTRACT

This thesis examines the use of fiscal impact analysis as an evaluation tool in development planning for second home communities. It was examined through a case study of two subdivisions in the Local Government District (L.G.D.) of Alexander, Manitoba. The planning process and the information requirements to properly conduct fiscal impact analysis were also examined.

The L.G.D. of Alexander was selected because in the early 1970's it was one of the most active areas in Manitoba for creating new second home communities. Examination of the planning process in the L.G.D. found concern by the administration and Provincial planners for potential fiscal impact of second home community development. Some controls were implemented to reduce public cost for services. The case study costing method was used in the applications of fiscal impact analysis. Results indicate communities with excess service capacity to absorb second home community development will generate revenues greater than costs. Long term fiscal impact in the case study area will likely be positive even if some second home residents become permanent. Although fiscal impact of the case study subdivisions was positive, it was found that certain developments were better fiscally than others. Fiscal impact analysis was found useful in determining the types of development most beneficial to the entire community.

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From the time this project began in the Fall of 1976, several people provided invaluable assistance to the author. Professor Basil Rotoff spent countless hours acting as my Thesis Supervisor and principal reader. Professor Kent Gerecke, a most thought provoking instructor, was second reader. With very short notice, Professor Jack Romanowski was third reader.

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CHAPTER I

INTRODUCTION

An estimated 6.4 percent of all Canadian households owned second homes* in 1971.¹ With the rising cost of holidays in warmer climates, cottaging is increasing rapidly. This trend is expected to continue.² Growth in the popularity of this recreation activity causes increasing pressure for rural local government jurisdictions to allow for the development of second home communities. In 1971, over 75% of Canada's population resided in the 22 largest metropolitan centres. The highest rate of cottaging participation is amongst people living in these centres. Land demand for second home communities is restricted to a zone mainly within two or three hours driving time from these centres. Nearly seven percent of the households in these centres own vacation homes. This means cottaging is experienced by over two million Canadians.³

In comparison, 5.6 percent of all Manitoba households in 1971 owned second homes. Most of these households are concentrated in metropolitan Winnipeg where over half of the Province's one million people reside. In 1971, 7.4 percent of the Winnipeg households owned second homes. Manitoba had approximately 16,500 second homes in 1971. This number has been growing by approximately six percent per year.⁴

Purpose

The purpose of this study is to examine fiscal impact analysis (F.I.A.) as an evaluation tool in development planning for

* Second homes are also commonly referred to as vacation homes or cottages.

second home communities. It appears that local governments in rural Canada and more specific to this study, rural Manitoba, do not give enough consideration to the potential fiscal impact of second home communities. Fiscal impact is not considered during the establishment of a development plan and in processing of subdivision applications for second home communities.

This problem has two related subproblems. One is the planning process and the associated administrative functions under the authority of a development plan. The other problem is data and information requirements to properly undertake fiscal impact analysis.

Fiscal impact analysis is:

A projection of the direct, current, public costs and revenues associated with residential or nonresidential growth to the local jurisdictions(s) in which this growth is taking place.⁵

The term cost-revenue analysis is sometimes used interchangeably with F.I.A. The definition and process of F.I.A. will be discussed further in the study's methodology and review of literature.

The hypothesis to be tested is:

That local government and planning in rural Manitoba does not allow a thorough review of the potential fiscal impact of second home community developments.

The problems will be addressed and the hypothesis tested through a case study of a rural area in Manitoba experiencing rapid growth in the number of second home communities.

Selection of Case Study Areas

According to a study conducted in 1975 by the Municipal Planning Branch, the Local Government District of Alexander has been

one of the most active in creating new seasonal resort subdivisions during the years 1972 to 1974.⁶ The study also indicates that the Local Government District (L.G.D.) has considerable control over land development because most land divisions are Plans of Subdivision which require consent from the local council, land titles office and the Municipal Planning Board.

The L.G.D. has also been active in the planning process. It was one of the first rural areas to establish a District Planning Commission and its own Advisory Planning Committee. A General Development Scheme and Zoning By-law for the entire district was approved in 1979.

Access to information on council decisions, planning committee minutes, financial statements, land sales records, property assessments and taxation records was a major factor in choosing the L.G.D. of Alexander for this study (Map 1). The Resident Administrator, Richard Andries and his administrative staff provided access to all information needed for this study.

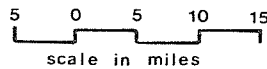
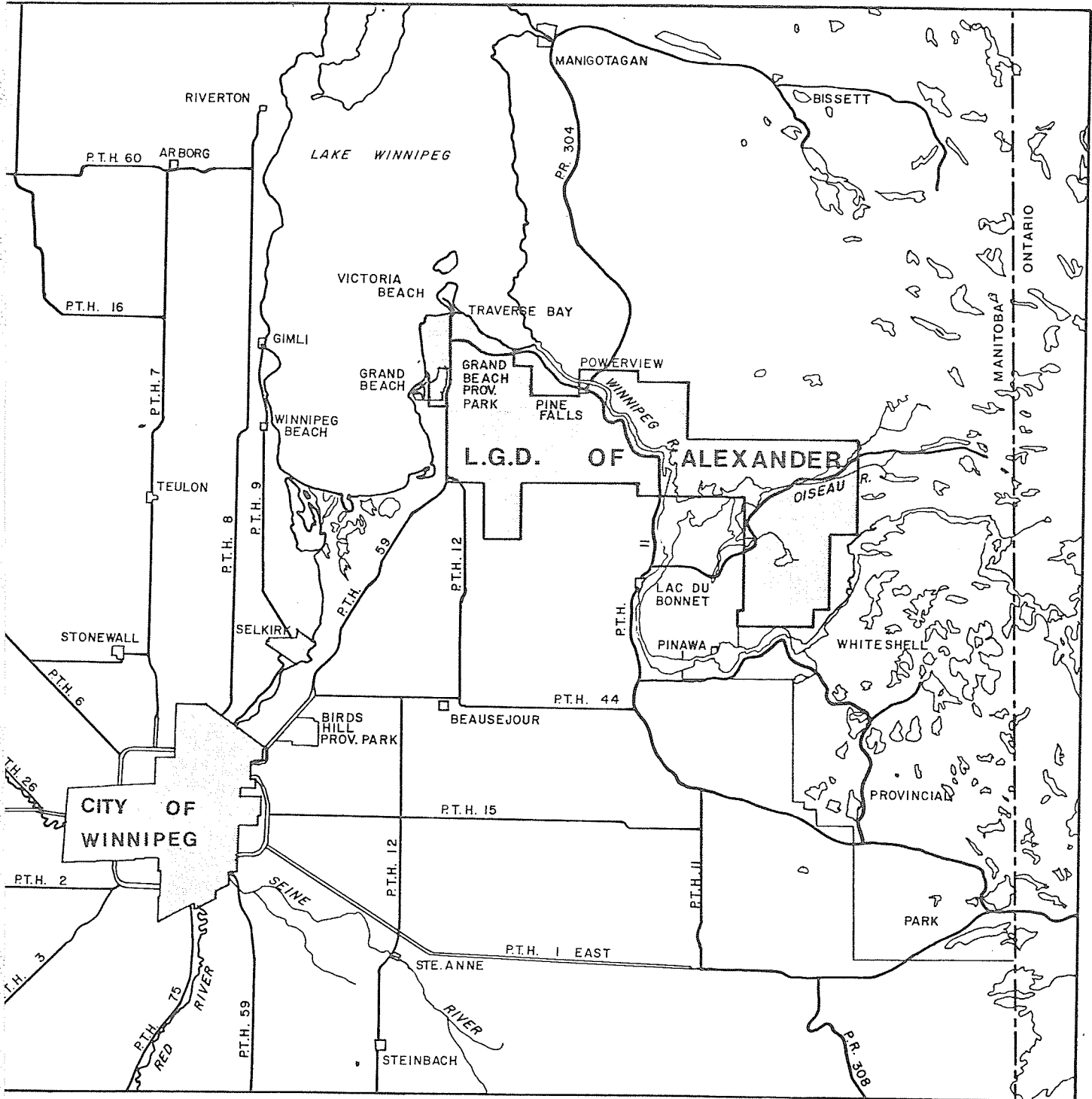
It was decided to use two subdivisions to analyze the effect of their development on the expenditures and revenues of the L.G.D. of Alexander. Based on the advice of the Resident Administrator and my own familiarity with the surrounding area, two subdivisions were chosen in the "Hillside Beach" area. The subdivisions are commonly referred to as "Hillside Point" and the "Leonard David Subdivision" (Maps 2 and 3).

Approach and Methodology

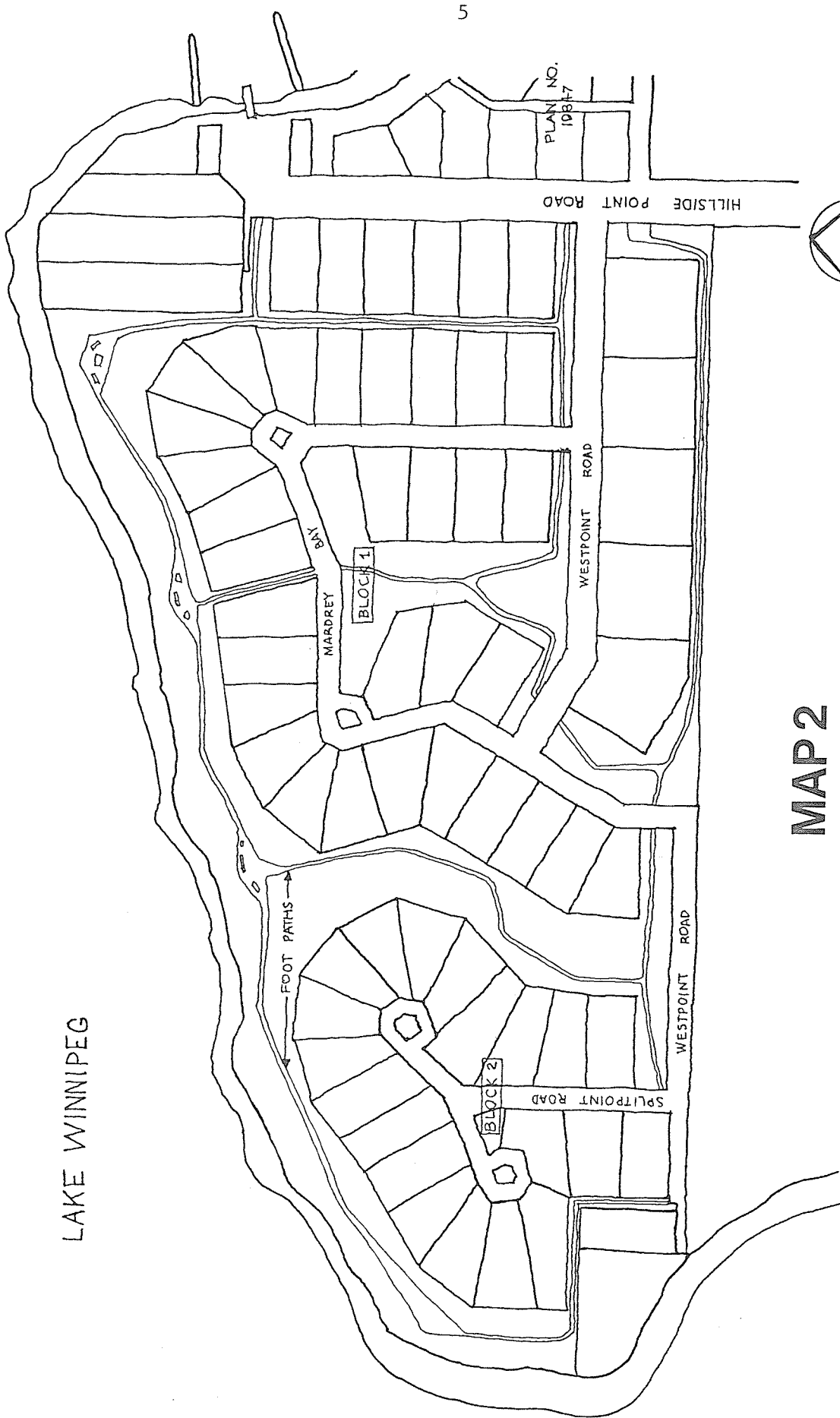
To study the problems an examination of the decision-making process of the Council and Planning Committees in the L.G.D. will be

MAP 1

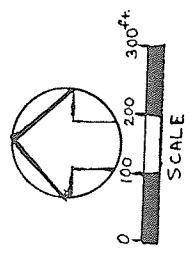
The Local Government District Of Alexander

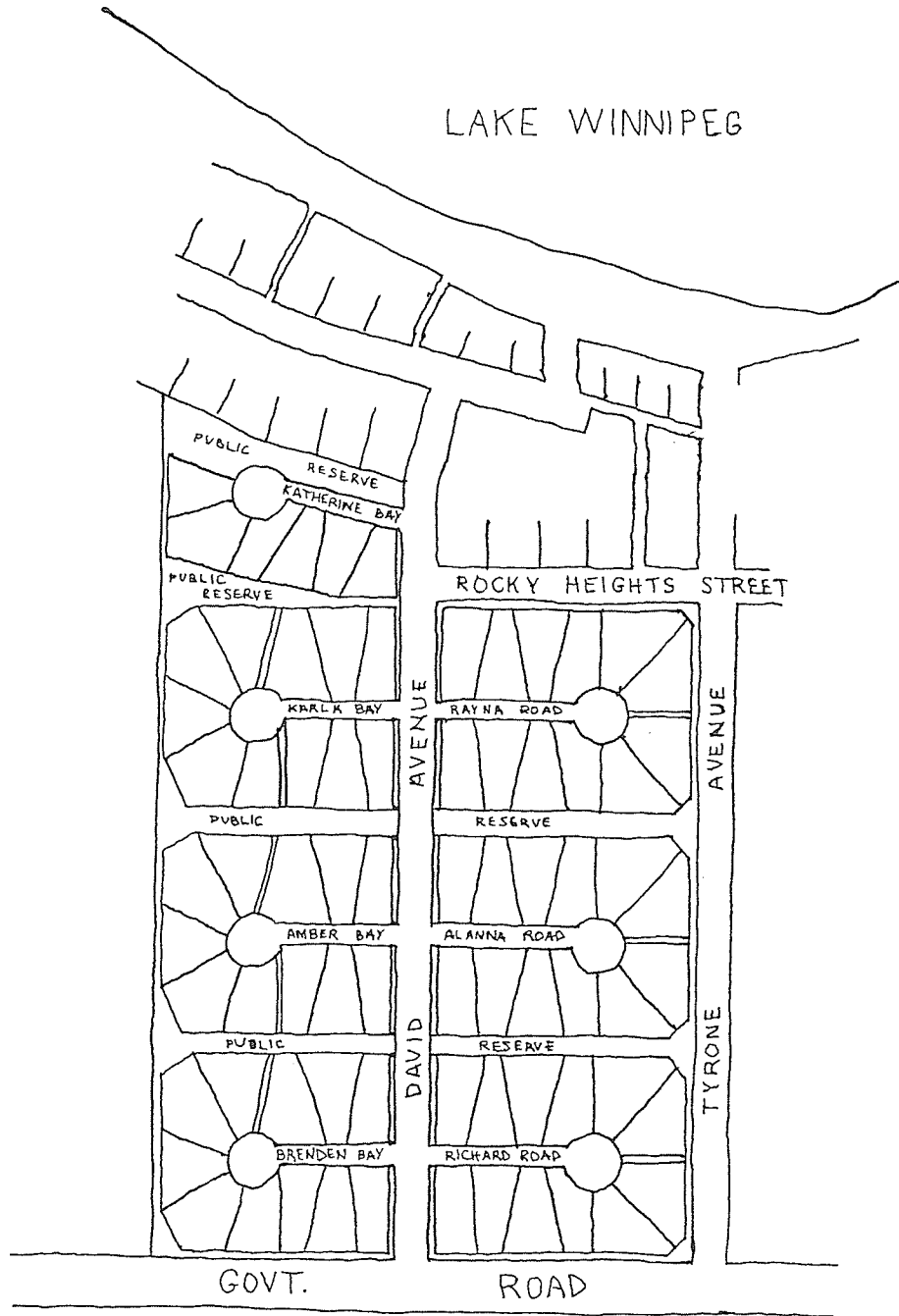


LAKE WINNIPEG



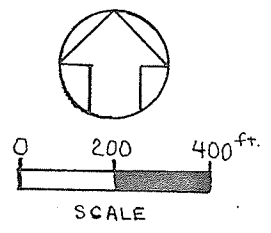
MAP 2 Hillside Point





MAP 3

Leonard David Subdivision



conducted. A fiscal impact analysis will be applied to the selected case-study subdivisions.

The history, related municipal accounts, Council and planning committee proceedings, property assessment and taxation will be reviewed to determine what consideration, if any, was given to the fiscal impact of development within the L.G.D. Secondly, a similar investigation will be undertaken for the two case study subdivisions. And third, a fiscal impact analysis of the two case study subdivisions using data and information available from the L.G.D., the Department of Municipal Affairs and other sources. The method of analysis will be identified in the review of literature.

Application of the fiscal impact analysis method will be based on available data and information. Any problems with existing data and information for this purpose will be identified. Whether or not the hypothesis of the study is proven, suggestions will be made to improve the data and information base necessary to use fiscal impact analysis as an evaluation tool in planning and decision-making.

Organization

The thesis is organized into six chapters. The next chapter will review the literature in regard to the inclusion of F.I.A. as an evaluation tool and the various accepted methods of F.I.A. Chapters three and four will present the results of the investigation into the L.G.D. and the case study subdivisions. The fifth chapter covers the application of F.I.A. to the case study subdivisions. Chapter six presents the summary and conclusions.

CHAPTER I - FOOTNOTES

¹ Statistics Canada, Perspective Canada II: Compendium of Social Statistics (Ottawa, 1977), p.154.

² American Society of Planning Officials et al, Subdividing Rural America: Impacts of Recreational Lot and Second Home Development, a report prepared for the Council on Environmental Quality; Office of Development Policy and Research, Department of Housing and Urban Development; and the Appalachian Regional Commission, (Washington, D.C., 1976), pp. 37-39. Although this report discusses the second home market in the United States, there is no reason to believe that the situation in Canada would be different since many of the market conditions are relatively similar.

³ Statistics Canada, Op. Cit. (Ottawa, 1977), p.154.

⁴ Ibid., p.153. The rate of growth was calculated by an extrapolation of data and information in Land Division in Manitoba published by the Municipal Planning Branch (Winnipeg, 1975).

⁵ Robert W. Burchell and David Listokin, The Fiscal Impact Handbook (New Brunswick, New Jersey: Center for Urban Policy Research, 1978), p.1.

⁶ Municipal Planning Branch, Land Division in Manitoba (Winnipeg, 1975), p.25 and pp.49-54.

CHAPTER II

FISCAL IMPACT ANALYSIS:

AN EVALUATION TOOL IN PLANNING

The purpose of this chapter is to review the literature regarding fiscal impact analysis (F.I.A.) as it applies to planning and local government decision making in the development of second home communities. The use of F.I.A. as an evaluative tool in planning will be reviewed. Recognized methods of F.I.A. will be discussed and the method applicable to this case study will be identified. Finally, applications of F.I.A. methods to second home communities will be reviewed.

Growth in Application

The general application of F.I.A. to determine whether developments will generate enough new taxes to pay for the added public services required did not become popular in the United States until the early 1970's. Until that time, local government planning authorities approved applications for new development or intense redevelopment with little, if any, consideration for potential fiscal impact.¹ In the United States during 1973 and early 1974, the number of fiscal impact analyses conducted exceeded all such analyses identified in the previous five year period.² Also, an increasing number of communities began using F.I.A. to evaluate alternative future growth policies. Some States adopted legislation requiring that fiscal effects be considered for certain kinds of development projects.

The applications of F.I.A. in the United States cover a broad

range of development or nondevelopment proposals from individual development permit applications to annexation proposals. They are conducted or sponsored by a variety of groups including proponents of new development, those opposed to development, non-profit organizations concerned with advancing the state of the art and the public sector with interest in maintaining fiscal solvency.³

The growth in application of F.I.A. during the early 70's can be attributed mainly to public concern for the steadily increasing cost of services reflected primarily through increased property taxes. The cost of services increased to reflect unchecked growth, especially in the larger metropolitan regions, and to maintain pace with inflation which frequently outstripped the rise in personal income of the property owners. Faced with a public becoming increasingly concerned about the lack of fiscal restraint, elected officials and administrative staff wanted to know the effect of development on the local government costs and revenues before a decision was made to accept or reject a development proposal. Therefore, the application of F.I.A. grew out of a time of rampant inflation and amidst cries for fiscal restraint.⁴ The fiscal crisis in New York and Proposition 13 may have given rise to its popularity in the United States.

In Canada, the application of F.I.A. is not as popular. Public concern over fiscal restraint, the effects of inflation and rapid growth of the larger urban centres has sparked increased application of F.I.A. in Canada. A 1979 telephone survey of civic planning administrations in 19 of Canada's largest urban centres found most indirectly consider potential fiscal impact of land development. Fiscal impacts of some services are considered, others are not.⁵

Generally, the application of F.I.A. by local jurisdictions in Canada is lagging behind its application in the United States. The Americans have been able to develop and test the application of F.I.A. methods. The experience of local jurisdictions in its application has allowed them to scrutinize its application more closely. Promoters of development are required to submit F.I.A. reports with development and plan proposals.⁶

A Planning Tool

Fiscal impact analysis is only one measure for evaluating the impact of land development. It measures one part of the impact on the local economy. Other major impacts on the local economy are employment and wealth which are each measured differently. The local economy is only one of five impact areas that is affected by land developments.⁷ The impact is measured on several elements of the environment in each of these impact areas. For example, impact analysis of land development on the natural environment measures impacts on elements such as air, water, noise and wildlife. Using the broadest sense of the term "environment", F.I.A. can be considered as one small component in environmental impact analysis. This concept of F.I.A. being an integral part of environmental impact analysis is supported by Rau and Wooten in the Environmental Impact Analysis Handbook.⁸

One of the major pitfalls in F.I.A. applications is its use as a surrogate for planning.⁹ It has been used to exclude certain land uses from planning areas when it should have been used only as a foundation or evaluation tool for development planning. In planning, it should be realized that every land use does not necessarily benefit the community fiscally. Although the revenues from some land uses may

not exceed the costs, it does not follow that land uses not as beneficial as others or impose a local liability can necessarily be excluded from development within a community.

If a F.I.A. indicates a development will produce a deficit in local government finances, there are several actions that can be considered. The most severe action is to reject the application outright. Muller outlines the following options that could be considered:

- The development may be accepted as is. One premise for following this option is the deficit will be offset by surpluses from other developments. Or it may be accepted on the basis that nonfiscal social benefits outweigh the fiscal deficits.
- The developer may be required to modify the proposal by changes in the housing mix or non-housing land uses. For example, if a study shows that three-bedroom apartments (in contrast to one-bedroom units) cause a deficit, he could reduce the number of such units. Alternatively, non-residential facilities can be added or expanded.
- A payment may be required from the developer to the community for units projected to cause a deficit. Such payments can be used to defray capital outlays linked to the development. For operating outlays likely to cause a deficit, services could be priced in the form of user charges which reflect the incremental cost of the service. This approach has been suggested as a means of discouraging growth in previously undeveloped urban fringe areas.
- The proposed development may be required to change its location to an area which has under-utilized public facilities to reduce capital outlays.
- The level of public services may be reduced to maintain the existing tax structure and rates.
- The local tax structure may be revised in a way that can turn public deficits from new development into a public surplus.¹⁰

Certainly, the position taken by the community through its planning authority depends on its policies regarding development and

objectives in creating the overall living environment.¹¹

Methods

Fiscal impact analysis is concerned primarily with measuring the direct impacts of land development. For example, it would not measure the impact on land values surrounding a proposed development. The financial effect is measured as if a development was completed and operated. It is being used as an evaluative tool to make a decision and not as a predictive tool to assist in the budgeting process. Tallying of costs and revenues is a significant part of F.I.A. Costs include operating expenses and capital outlays, directly incurred by the local government jurisdiction or paid to other public or private service agencies as a result of a specific development. All monies a local government jurisdiction receives from all sources as a result of the development comprises revenue.¹²

The Fiscal Impact Handbook identifies methods for estimating local costs and revenues due to land development.¹³ Actually, there are six different cost analysis methods that can be divided into two basic approaches; average costing and marginal costing.¹⁴ The method of calculating revenues is the same in all cases. Projection based on average costs per unit of service views the relationship between the cost of municipal services and growth as linear. Marginal costing views growth as having cyclical highs and lows in relation to the cost per unit of municipal services attributed to a particular development. At times, the marginal cost estimate will lag behind the average cost estimate. At other times the reverse will be true. In the long run the two approaches of calculating costs will yield similar estimates of development impact on costs.

The assumption behind the application of methods using average costing is that future costs are extensions of the current cost averages for provision of services. When the local government's service capacity exceeds or closely meets the existing population's service demands, average costing methods are most applicable. Marginal costing methods assume a substantial service change is required to meet the requirements of a development. The result of development is the local government must make significant additions to existing services.

Three of the fiscal impact methods - per capita multiplier, service standard and proportional valuation - use average costs and the others - case study, comparable city and employment anticipation - use marginal costing. Proportional valuation and employment anticipation methods are usually applied to nonresidential type land developments and do not have any application to this study.¹⁵

Per capita multiplier method was identified as the most commonly used and most versatile. This method "relies on average municipal costs per person, average school costs per pupil, and the number of persons or pupils generated by various housing types to project future municipal and school district cost."¹⁶

Case study method obtains through interviews with public officials, information about plans to maintain and expand municipal services. Reliability of this method depends on the ability of public officials to predict growth of municipal services of a specified size and location. There is question of the ability of public officials to make accurate projections in this method.¹⁷

Service standard method uses average costing for service

standards established for the particular community in question to project impact of population growth or decline on local municipal service and school costs and revenues. This method "relies on average employment levels and a relationship of annual capital-to-operating expenditures to estimate expected increment in local municipal and school district expenditures."¹⁸

The comparable city method is used to project marginal cost-revenue changes that can be attributed to development. This method "relies upon relationships between community size and growth rate and local expenditure levels to project the effect of population change on municipal and school district costs and revenues."¹⁹

The method for estimating revenues is the same no matter which costing method is used. The only variation is in the array of revenue sources that must be considered. Each revenue source considered in F.I.A. is estimated individually based on its purpose, geographic distribution and local fiscal emphasis. Revenues can be classified into two broad categories; intergovernmental transfers and local government source revenues.²⁰ Property tax is by far the most heavily used type of tax for local government.

Detailed procedures for the above methods for calculating cost and revenues in order to conduct a fiscal impact analysis are not shown here. It is the purpose of this study to apply F.I.A. to the case study area and not to discuss merits of detailed procedures used in the established methods. Burchell and Listoken, Muller and numerous other authors have discussed methods extensively.²¹

Muller discusses factors which limit the scope of fiscal impact studies.²² In most fiscal impact analyses, Muller found that

there was a lack of conceptual framework to undertake the analysis and interpret results. It is largely a failure on the part of local administration and decision makers to realize that F.I.A. is only one measure for evaluating impact of land development. Other problems that were identified are insufficient analyses of empirical data to reflect the local conditions and situation, shortages in the allocation of resources to conduct the analyses and sponsor bias introduced into study objectives and ultimately its findings. Burchell and Listokin cite these factors as reasons why they wrote The Fiscal Impact Handbook which contains procedural guidelines to conduct the analyses, resources required to conduct them, underlying assumptions of methods and the basis for interpretation.²³

Selection of Method for Application to Case Study Area

At first glance, the method that should be applied to the case study is difficult to choose because the characteristics of the development are not considered in typical applications of the methods. Examining the normal indicator of growth - population, it appears that the L.G.D. is not growing. From 1961 to 1971, the total population of the L.G.D. has declined from 2,096 to 1,780.²⁴ This reflects an average decline of 1.5 percent per annum. But the L.G.D. is experiencing enormous physical growth. During 1964 - 1974, 402 lots were created by registered plan of subdivision.²⁵ Of these lots, 364 were "seasonal resort" or cottage lots. Although the population of the L.G.D. has been declining, development of second home communities is increasing and thereby increasing the demand for services. Seasonal population increases attributed to second home community development is not reflected in the total population of the L.G.D.

The mix of two different types of population also creates a mix in demand for services.

The major underlying assumption of the per capita multiplier, service standard and comparable city methods of costing is that there is no mix in the demand for services.²⁶ Per capita multiplier method assumes average costs can be added proportionally according to the increase in the population. A unit of service is based on certain number of population when applying the service standard method and the comparable city method is based on the size of a community measured by population and population growth. These methods cannot be applied to the case study area since the assumptions and methodological basis do not apply to the situation.

Case study method is not based on a measure of community size and growth by population. This method obtains through interviews with public officials, immediate plans for services that are necessary to serve any new developments. Because this method can measure operating and capital growth that can be attributed to specific development, it is the most appropriate method for application in this study. Basic assumptions and procedures of the case study method will be presented in Chapter V.

Second Home Community Applications

In reviewing applications of F.I.A., few studies have been conducted for second home communities. The following is a review of those applications which have relevance to this study.

A case-study measuring economic impact of a second home community in the United States found many positive spin-off effects as a result of development.²⁷ Its examination of the impact on

expenditures of local government is lacking. In summary, it states:

A rigorous analysis of the demand for other public services (besides education) could not be made without additional research. However, from observations made during the course of the study, it appears that the private owners will make few, if any, significant demands on adjacent communities for additional public services during 1970-75. Projections cannot be made about the post-1975 period because the planning horizon revealed by owners was limited to a maximum of 5 to 7 years. Respondents' plans beyond that time frame were merely ideas.²⁸

With respect to the short-term impacts of the community on governments, the study did find that the development provided a big boost to the local tax base. In its projections to 1975, the findings of the study indicated tax revenues will far exceed local government expenditures for the development. Site improvements for the community began in 1964. Since then, 1,600 lots were sold and developed.

The case study method was applied in this study. Since it was primarily an economic impact study, the fiscal impact portion was dealt with superficially.

Retirement Communities by Katherine McMillan Heintz, discusses the occupancy of second home communities by the elderly.²⁹ Primarily, she identifies the demand for retirement communities and the socio-economic characteristics of their occupants. Secondly, she surveys fiscal and political impacts of a retirement community upon a typical municipal environment.

The study found retirement communities - restricted to persons 52 years of age or older - contribute substantial surplus revenues to their local governments and school districts. It further concludes:

The age-restricted condition, however, produces substantially higher revenues than the non-age-restricted context. The surplus of revenues to the municipality is further increased in some high amenity retirement communities which do not fully use per capita municipal sanitation and street expenditure appropriations. In addition, each of these retirement communities indirectly contributes substantial revenue to the community through its consumption of local goods, thereby supporting sizeable amounts of commercial space which are, in turn, taxable by the municipality.³⁰

It is interesting to note the communities primarily used for second homes had greater expenditures than retirement communities. This indicates second home communities which transform into retired communities because of an increasing number of retired permanent residents will not necessarily require greater expenditures of the municipality. The applicability of these findings to second home communities in Canada may be questioned because our seasonal conditions place greater demands on certain services.

The most extensive study of second home communities and their impact on the local economy, government, environment, and the consumer was conducted in 1976 by the American Society of Planning Officials with contributions from the Conservation Foundation, Urban Land Institute, Richard L. Ragatz and Associates.³¹ Subdividing Rural America provides a national (United States) overview of second home community and resort development, an examination of the environmental, social and economic impacts, and the identification of government means for regulating such development.

The report identifies three main types of "recreational land" development: unimproved recreational subdivisions, improved second home projects, and high-amenity resort communities. Discussion in the report is centered around the first two types of development. Unimproved recreational subdivisions are defined as "basically land

sales operations in which the developer typically subdivides property into one-fourth or one-half acre lots (often with little or no regard for their adequacy as actual home sites), installs access roads as necessary to market the property (frequently only graded dirt roads), and sells off the lots as fast as possible."³² Improved second home projects include some basic site improvements including recreation facilities and nearby natural amenities such as a lake or river. Extra care is taken by the developer to design an attractive site design and layout.

It was found the unimproved subdivisions were largely developed for speculative purposes. The improved second home subdivisions with basic site improvements encouraged the purchaser to build a cottage and use the land.

Observations of the impacts of second home subdivisions on the local community were made from 3,900 subdivisions in the U.S. identifying three trends in the use of recreational properties:

- 1) Research indicates that between one-third and one-half of all recreational lots are bought primarily as speculative investments.
- 2) Where second homes are constructed on recreational lots, most are occupied on a seasonal basis -- typically between one and three months per year.
- 3) There is a tendency for second homes to be converted to permanent use. Surveys indicate that as many as half intend to move into their second homes on a permanent basis at some point in the future. It was also found that some recreational lots are purchased initially for use as permanent home sites.³³

Social and economic characteristics of recreational property owners were also identified. Typically, owners are "middle-class families whose incomes and education are slightly higher than the

national average ". In the U.S., one family in 12 owns a piece of recreational property - either a vacant lot or a second home.³⁴

In Canada, one household in 16 owns a vacation home.³⁵

In summary, the fiscal impacts identified in the report are:

- 1) Net fiscal impacts on local governments are positive in the early life of most projects. The increases in tax revenues generated by development usually exceed the increased cost of providing public services during the initial years for several reasons.
- 2) Over time, negative fiscal impacts can result from recreational land development if public service demands or major capital expenditures necessitated by these projects outstrip the tax revenues they generate.
- 3) Communities have tried to reduce negative fiscal impacts by various methods.³⁶

The report recommends actions for local, state and federal governments to affect the impact of second home communities.

Recommendations for local governments regarding the fiscal impact are:

- 1) Local governments should take steps to ensure that basic site improvements are in place when they are needed by the residents at the time of initial development.
- 2) Local governments should take steps to ensure that recreational land development is an economic asset rather than a liability to their communities.³⁷

These recommendations could also be applied to the Canadian situation. Fiscal impact studies previous to this have missed the local characteristics, costs and revenues of specific projects. They have failed to identify specific regulatory activities a local government must undertake to control the impact or eliminate the negative impacts of second home community development.

The findings from the aforementioned studies merely indicate that second home communities can cause local government expenditures

to exceed revenues. This general conclusion can also be applied to all other types of development.

Summary and Conclusions

With continued inflation and consequent strain on municipal budgets, elected officials and their administrations have become more aware of the impact of new development, major rezonings, annexations and alternative land use plans on local government expenditures and revenues. The application of F.I.A. became more popular in the early 70's. Some States adopted legislation requiring that fiscal effects be considered for certain kinds of development projects. The application of F.I.A. to development in Canada is lagging behind its application in the United States. The experience in the United States has allowed the development of established and tested methods.

As an evaluative tool in planning, F.I.A. can only be considered as one of the measures for evaluating the impact of land development. Users must be cautioned not to use F.I.A. as a surrogate for planning. Objectives of the community in accommodating a multiplicity of needs and people must be considered. Every land use does not necessarily benefit the community fiscally. Certain land uses which are not as beneficial as others or impose a local liability cannot be excluded from land use and development plans for a community. In reviewing development applications and land use plans, fiscal impact should be one of the many considerations. The budget and collection of additional revenues by the local government can then be adjusted to reflect the benefit or liability that will be produced.

There are six established methods for calculating costs as part of a F.I.A. Two of the methods are usually applied to

nonresidential type land development and do not have any application to this study. The per capital multiplier, service standard, comparable city and case study methods have been reviewed in terms of their application to this study. The case study method is chosen for application to this study because it is not based on a measure of community size and growth by population which is the methodological basis for application of the other three methods. Another advantage in using the case study method is that it measures the marginal costs associated with a particular development. The method for estimating revenues is the same no matter what costing method is used. Each revenue source is estimated individually based on its purpose, geographic distribution and local fiscal emphasis.

In reviewing the application of F.I.A. to second home communities, it was found that few studies have been conducted. Results of the studies reviewed were not substantive and conclusive. No Canadian studies were found although some of the concerns and findings of studies conducted in the United States could be applied to the Canadian situation. Generally, the fiscal impact of second home developments is positive. Increase in tax revenues generated by development usually exceeds the costs of providing public services.

CHAPTER II - FOOTNOTES

¹ Robert W. Burchell and David Listokin, The Fiscal Impact Handbook (New Brunswick, New Jersey: Center for Urban Policy Research, 1978), p.257.

² Thomas Muller, Fiscal Impacts of Land Development: A critique of Methods and Review of Issues (Washington, D.C.: The Urban Institute, 1975), p.1.

³ Burchell and Listokin summarized 136 studies and incorporated this information as background to much of the material presented in their book. Op. Cit. (New Brunswick, New Jersey, 1978).

⁴ Ibid., p.1.

⁵ Planning Department staff were contacted in Calgary, Edmonton, Halifax, Kitchener, London, Montreal, Ottawa, Hull, Quebec, Regina, St. John's, Saint John, Saskatoon, Sudbury, Thunder Bay, Vancouver, Victoria, Windsor and Winnipeg. An unstructured conversation took place between the author and a planner in each centre to establish in general terms the use of fiscal impact analysis within their geographical area of jurisdiction. Hard services like roads and utilities were often given consideration in terms of potential fiscal impact of a particular development by all administrations but many of the soft services like parks, social services and police and fire protection were not as often considered. Also, the tendency for administrations in all centres surveyed was to consider the fiscal impact of new development and not consider the fiscal impact of redevelopment.

⁶ Op. Cit. (New Brunswick, New Jersey, 1978), pp. 8-9.

⁷ Thomas Muller and Philip S. Schaenman, Measuring Impacts of Land Development: An Initial Approach (Washington, D.C.: The Urban Institute, 1974), p.15.

⁸ John G. Rau and David C. Wooten, Environmental Impact Analysis Handbook (New York: McGraw-Hill, Inc., 1980), pp. I-47 - I-48.

⁹ Muller, Op. Cit. (Washington, D.C., 1975), p.38.

¹⁰ Ibid., p.38.

¹¹ Ibid., pp. 38-39.

¹² Burchell and Listokin, Op. Cit. (New Brunswick, New Jersey, 1978), pp. 2-3.

¹³ Ibid., pp. 5-7.

¹⁴ Ibid., p.4.

15 Ibid., pp. 6-7.

16 Ibid., p.5.

17 Ibid., pp. 45-48.

18 Ibid., p.69.

19 Ibid., p.97.

20 Ibid., p.20.

21 Extensive bibliographies in The Fiscal Impact Handbook and Fiscal Impacts of Land Development list many books, articles and studies which discuss fiscal impact methods.

22 Muller, Op. Cit. (Washington, D.C., 1975), p.33.

23 Burchell and Listokin, Op. Cit. (New Brunswick, New Jersey, 1978), pp. 8-9.

24 Municipal Planning Branch, Alexander District Development Plan, Part One: Background Information (Winnipeg, 1974), p.4.

25 Ibid., p.32.

26 Burchell and Listokin, Op. Cit. (New Brunswick, New Jersey, 1978), pp. 27, 70 and 100.

27 Economic Research Service, U. S. Department of Agriculture, Economic Impact of Second-Home Communities: A Case Study of Lake Latonka, Philadelphia (Washington, D.C., 1970).

28 Ibid., p.47.

29 Katherine McMillan Heintz, Retirement Communities (New Brunswick, New Jersey: Center for Urban Policy Research, 1976), p.XIX.

30 Ibid., p.200.

31 Prepared for the Council on Environmental Quality; Office of Development Policy and Research, Department of Housing and Urban Development; and the Appalachian Regional Commission (Washington, D.C., 1976).

32 Ibid., pp. 3-4.

33 Ibid., p.5.

34 Ibid., p.6. There is no reason to believe the characteristics of owners and the ratio of owners to families in Manitoba is much different.

35 Statistics Canada, Op. Cit. (Ottawa, 1977), p.154.

36 American Society of Planning Officials et al, Op. Cit.
(Washington, D.C., 1976), pp. 8-9.

37 Ibid., pp. 13-15.

CHAPTER III

PLANNING AND FINANCE

IN THE LOCAL

GOVERNMENT DISTRICT OF ALEXANDER

The purpose of this chapter is to identify major planning activities related to the development of second home communities in the L.G.D. of Alexander. Emphasis is placed on the subdivision planning and approval process. An examination of revenues and expenditures since 1969 is included to draw a financial perspective to the provision of services to new development in the district.

Planning

In 1945, the Local Government District came into being through incorporation by the Province of Manitoba. A resident administrator was appointed by the Lieutenant Governor in Council as a salaried civil servant whose main responsibility was to collect taxes. Most administrative decisions are made by the resident administrator with major finance decisions made by the concerned provincial authority.

During the early '50's, a planning committee was formed in the L.G.D. of Alexander, with the assistance of the Director of Municipal Planning, Department of Municipal Affairs to advise the resident administrator in decisions on development in the District. The members of the planning committee were citizens of the District appointed by the resident administrator.

In 1969, the Alexander Advisory Committee was formed with five of its six members elected to each represent one of five divisions or wards in the District. The resident administrator was

the sixth member acting as chairman of the committee. Purpose of the committee was to advise the resident administrator on the governing of the District. By this time, many of the administrative powers had been transferred from the Province to the Local Government District. Today, the committee has evolved into a "council" which passes its decisions on to the resident administrator for implementation.

As one of the first actions of the Alexander Advisory Committee, a resolution was passed to form a District Planning Commission with adjoining municipalities to deal with common problems due to rapid development of second home communities in the District. Resolution No. 1/70 reads:

WHEREAS the problems of Town Planning for the Local Government District of Alexander are greatly varied and affect neighbouring municipalities as well as the planning of neighbouring municipalities affecting the Local Government District of Alexander;

AND WHEREAS the Alexander Advisory Committee are unable to cope with increasing problems of planning for the entire Local Government District of Alexander;

AND WHEREAS residents should be appointed to serve on District Planning Commissions to control the total planning of the Local Government District;

NOW THEREFORE BE IT RESOLVED THAT:

1. That the Local Government District enter into Planning Commissions with municipalities adjoining the boundaries and within the boundaries of the Local Government District of Alexander.¹

After inactivity during the '50's and '60's, due to lack of leadership and commitment by the District's administration, the planning committee was reactivated with its members appointed by the Alexander Advisory Committee. Purpose of the committee was to advise the Advisory Committee on proposed developments and planning in the District. In 1972, as a direct result of Resolution No. 1/70, the

planning committee was united with Village of Powerview (located within the boundaries of the District) to become the Alexander District Advisory Planning Commission.

It was in 1972 the Commission recognized need for a comprehensive development policy for the entire District including the Village of Powerview. As a result, services of the Municipal Planning Branch, Department of Municipal Affairs were employed to draft the Alexander District Development Plan.

The Development Plan was divided into two parts:

The first part entitled "Background Information: provides a synopsis of the current land-use and population trends in the Planning District. It also briefly discusses the existing and anticipated future problems and conflicts associated with land-use.

Part II, entitled "The Plan", and which will be completed includes:

1. The overall land use principles and objectives identified by the District Planning Commission.
2. The specific land-use objectives and principles necessary to achieve those objectives.
3. The use of the Development Plan and related planning tools in achieving the goals of the community.
4. Revising the Development Plan and future planning studies.²

Major point of information in Part One is the ownership and legal jurisdictions of land use within the area. Approximately 492 square miles of the 613 square-mile District are under the legal jurisdiction of various provincial departments and the L.G.D. of Alexander. Only 121 square miles is patented land.

In regard to the seasonal population of the District, the report reads:

An important factor in the population study which cannot be ignored is the numerous seasonal home dwellers whose permanent residence is outside the District, yet who spend a significant amount of time in the area. These people provide an ever-increasing contribution to both the local economy and tax base.³

The inventory of cottages in 1972 was 675.⁴ Assuming all second homes were full on a summer weekend with an average of 3.5 persons per second home, there would be an additional 2,350 persons over and above the resident population of 1,780, or an increase in excess of 130%.⁵ The seasonal population would definitely have an effect on the services that must be provided by the District. For example, increased police protection and maintenance of the waste disposal grounds must meet the demands of the number of people temporarily or permanently residing in the District.

Discussion of possible agricultural land-use problems in the first part of the Development Plan indicates that conflicts between agricultural use and seasonal home use are quite probable. "In addition to the nuisance factor associated with livestock odours drifting into nearby non-agricultural uses, a serious problem arises over land values, particularly in regard to assessment and taxation."⁶ Non-agricultural uses adjacent to agricultural uses have a tendency to increase the assessed value of the latter and possibly increase taxes to a level that makes the use uneconomical.

The impacts of scattered non-farm development are also given consideration in this part of the plan. Particularly, four areas are cited as susceptible to the impacts of second home communities. They are:

- 1) Services to property and residents.

- 2) Assessment and taxation.
- 3) Administration.
- 4) Inefficient use of land resources.

In discussing services to property and residents, it points out that services such as drainage, roads, street lighting, hydro and telephone are directly proportionate in cost to their length. "Studies show that in fringe areas, the average frontage per household is about 2 1/2 times that in developed urban centres."⁷

Further, it identifies the areas of expenditure that can be expected to increase given that a proportion of the second home residents become permanent residents:

- 1) New schools must be built, equipped and maintained;
- 2) Additional teachers must be hired;
- 3) Costs of school busing increases;
- 4) Miles of streets must be built and maintained;
- 5) A larger police force is required; and,
- 6) More buildings must be protected against fire.⁸

The exact proportion that will cause these additional services to be needed is not mentioned in the document.

The plan suggests that this increase in service costs is usually associated with a general increase in land values and taxation. It states, "if the Local Government District is concerned about protecting the farming industry, it will have to consider land use policies which stabilize land values close to the agricultural value level" so farmers are not taxed out of existence and indirectly forced to sell their land for development. It also warns that if second home development is allowed to occur haphazardly,

"the provision of services may become more costly and less efficient."⁹

In a section devoted to second homes, the report states unplanned or poorly planned second home developments can result in:

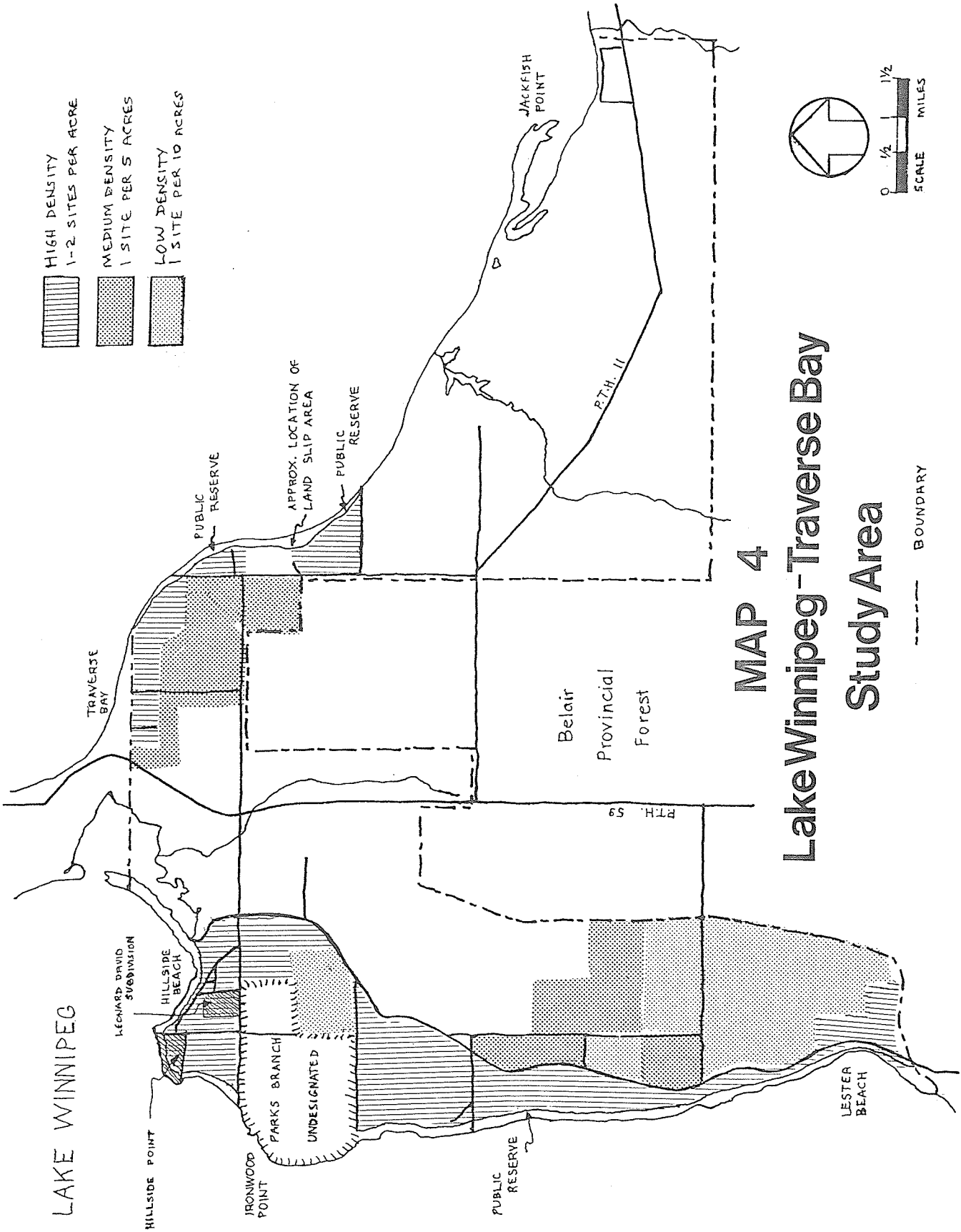
- 1) Overcrowding of beaches;
- 2) Deterioration of the local environment;
- 3) Excessive servicing costs;
- 4) Lack of public access to the shoreline; and,
- 5) Conflicts amongst various recreational activities.¹⁰

To further examine the impacts of second home development, special land-use studies were initiated for three areas:

- 1) Lake Winnipeg - Traverse Bay
- 2) Winnipeg River
- 3) Bird River

Located within the boundaries of the Lake Winnipeg - Traverse Bay study area, as shown on Map 4, are the case-study subdivisions of Leonard David and Rehold. The request for a comprehensive land-use study of the Lake Winnipeg - Traverse Bay area of the District came from the Alexander District Advisory Planning Commission to the Municipal Planning Branch in February, 1973.¹¹ The study was completed in October of 1974.

The study involved a resource inventory and analysis of the area and an analysis of site capability resulting in the development of several land-use concepts and a general development policy. The rationale for the development of land-use concepts was the factor of demand. Factors affecting the demand for second home development in the area are:



- 1) Proximity to Winnipeg (population of 550,000);
- 2) Good accessibility;
- 3) Use of adjacent provincial recreation facilities;
- 4) Number of existing cottages; and,
- 5) Rapid sale of previously established subdivisions.¹²

Concern was also expressed for the increasing year-round use of second homes. It is for this reason the formulation of alternative land-use concepts included a "year-round use theme".

Guidelines used for allocation of different development densities in the land-use concepts are:

- 1) Development should only be allowed to the degree soils, vegetation and surface moisture conditions are capable of supporting.
- 2) Development densities should be related to shorelands with high recreational capability.
- 3) Developments should be related to the local transportation network.
- 4) Development should retain qualities which attracted residents to the area.¹³

Other factors relating to public outdoor recreation, availability of public shoreline reserve, development possibilities of specific beach sites, open space requirements, commercial land, and a pedestrian trail system were included in the development of land-use alternatives.

Two land-use alternatives were developed based on the above factors and guidelines. One alternative is an extension of the existing situation with the continuation of shoreland development but backshores would be developed at low to very low densities because of the distance to high quality shoreland and poor site conditions.¹⁴ The other alternative allows for greater overall development and

population density by developing areas with a higher density of second homes.

Densities referred to in these concepts are relatively low when compared to existing densities. Most developments to date have a density of one to two units per acre. Much of the area in both alternatives is recommended for densities of one unit per acre down to one unit per ten acres. The development policy makes no consideration or adjustment for increased costs of providing services to these very low density areas.

Reaction of local interest groups, particularly the Lester Beach Cottagers Association, prompted the Alexander District Advisory Planning Commission to reject the alternative to develop an overall higher density of second homes and accept the alternative to develop shoreland at a lower density. The chosen alternative is incorporated into the General Development Plan for the entire District. General objectives and development policies for the Development Plan are attached in Appendix I.

The Development Plan, which was drafted for the Advisory Committee in December of 1975, devotes an entire section to the "Lake Winnipeg - Traverse Bay Sector Plan". The sector plan provides comprehensive guidelines for development in this specific area of the L.G.D. forming a part of the entire Development Plan. Individual attention to the area is justified because of the complex and increasing development pressures for approval of second home subdivisions in the area. This section of the Development Plan is attached in Appendix II.

In outlining the "Seasonal Home Subdivision Design

Considerations", the Development Plan makes particular references to density and design.¹⁵ It suggests the density of second homes per acre should be related to the capacity of the soils and drainage of particular areas. Three densities of development are suggested related to environmental capacities; high, medium and low densities of one to two units per acre, one unit per five acres and one unit per ten acres respectively. Design considerations should include public access to shorelines, recreational open space, minimum rights-of-way for servicing purposes, transportation services, drainage patterns and limitations for septic fields.¹⁶

The Development Plan was given first reading by the Advisory Committee for adoption by the Resident Administrator on December 9th, 1975. Three public meetings were then organized by the District for the purpose of explaining the intent and provisions of the Development Plan and answering any questions asked by those in attendance. A few questions were raised pertaining to the restriction on development that such a plan may create. The prevailing attitude among second home owners attending the meetings can be summarized as follows: having moved to an area to enjoy its natural beauty and rural atmosphere, they are anxious to keep it that way and close the door on further growth. Only minor revisions were requested at the meetings. The revisions were incorporated into the second draft of the Plan which was given second reading by the Advisory Committee on June 23rd, 1976.

Objections were raised against the second reading by local residents, second home owners and developers. The Development Plan and other pertinent documents were thereby submitted to the Municipal

Board for approval. A sitting of the Municipal Board to hear representations for or against the Plan was scheduled for February 22nd, 1977. After this sitting, The Development Plan came into effect on April 26, 1977 when the By-law adopting the Plan was given third reading by the Advisory Committee and passed by the Resident Administrator of the L.G.D. The General Zoning Plan for the District was developed and adopted shortly thereafter.

The General Zoning Plan provides for zoning to implement the Development Plan. The area in which the case study subdivisions are located is zoned into three districts as shown on Map 4.

The Seasonal Resort District (SR) permits the following uses:

- Commercial uses of a seasonal and/or recreational nature and providing a direct service to recreational uses.
- Trailer Parks
- Boat Rentals
- Docks and Wharfs
- Campsites
- Motels and Tourist Courts including rental cabins
- Summer Resort Lodge
- Marina
- Accessory buildings when incidental to any conditional use

Also, the minimum area of a site within any Seasonal Resort District as it pertains to cottages for seasonal one-family occupancy is 12,000 square feet.

A resolution passed by the Advisory Committee in February of

1974 contradicts the purpose of zoning land for seasonal resort or second home purposes. It states:

RESOLVED, That permanent residential development be accepted as a permitted usage within a subdivision zoned for Seasonal Resort purposes.¹⁷

This resolution provides that the L.G.D. is required to service Seasonal Resort Districts for the entire year. In essence, the Seasonal Resort Districts become areas for permanent residential development even though the areas may not be designed for year-round use and the long-term costs for servicing of such areas may prove to be in excess of its tax revenue.

In November of 1975, the L.G.D. of Alexander adopted the short form of the National Building Code to regulate the type of building materials and their installation in the construction, erection, placement, alteration, repair, renovation, demolition, relocation, removal, occupancy or change of occupancy of any building or addition to a building.¹⁸ The building code, together with the development plan and zoning, recognizes the need for the L.G.D. to control the development of properties to meet a minimum standard suitable to the community.

At the same time the National Building Code was adopted, a requirement for a building permit to be obtained before construction was also passed to control the quality of development and adherence to development plans.¹⁹

In an attempt to decrease the time to approve and register plans of subdivisions, the Advisory Committee resolved that an investigation should be made into the feasibility of forming regional planning districts. The resolution passed on March 4th, 1975 stated:

WHEREAS many Subdivision Developers are experiencing lengthy delays of up to two, three years and more, in obtaining all the necessary approvals from various government agencies, and the Municipal Board in order to register plans of subdivision;

AND WHEREAS these delays also create many problems for the respective Municipal Corporations;

AND WHEREAS these delays create inflation of land values:

NOW THEREFORE BE IT RESOLVED:

1. THAT the Province of Manitoba investigate the feasibility of Regional Planning Districts, and
2. THAT various government agencies input be available on a Regional Planning District basis, and
3. THAT a Regional Planning District Board be appointed, and empowered to approve subdivision development for registration.²⁰

This resolution demonstrated the foresight of the Advisory Committee and the Resident Administrator. On January 1st, 1976, the new Planning Act came into force calling for the formation of planning districts.²¹ Prior to the proclamation of the Act, the Committee passed a resolution to initiate proceedings with the Minister of Municipal Affairs and surrounding municipalities, villages and local government districts to form a Planning District under the new Planning Act providing that the financial and cost sharing arrangements are reasonable.²² The L.G.D. will form a planning district and a planning district board with neighbouring government units.

The Advisory Committee has passed numerous resolutions pertaining to the control of development in the District. In 1970, the District became one of the first rural jurisdictions to require all dwellings within a subdivision to construct a holding tank for sewage rather than allowing septic tanks and fields. This requirement is waived if the developer can prove that the soil carrying

capabilities are high enough to withstand the installation of disposal fields and that the land area used will not disrupt the ecology of a given area. In 1975, it was observed by the Provincial Public Health Inspector, D.J. Drysdale, that although the use of holding tanks has been requested by the L.G.D. and agreed to by developers, "there is no actual legal requirement for the first owner to install a holding tank, and sewage disposal fields are being installed in areas where they should not. In addition to this problem, it has been noted a few cottage owners have pumped the contents of their holding tanks onto the ground surface when these holding tanks should only be emptied by a septic pump-out vehicle."²³

Mr. Drysdale suggested controls to prevent this problem must be included in the development between the municipal corporation and the developer. He recommended that registered lot owners or leasees in each subdivision be required to furnish proof on an annual basis to the municipal corporation that the holding tank has been pumped out by and disposed of in an approved manner by a licensed septic pump-out service. For such reasons, it became the policy of the L.G.D. to enter into a development agreement with every developer before approving the plan of subdivision. In the long term, this minimized the possibility of the L.G.D. having to pay to upgrade services such as a sanitary sewer system.

In the L.G.D. of Alexander, the approving authority for plans of subdivision is the Advisory Committee with the Resident Administrator.²⁴ The Planning Commission only advises the Committee of approval or rejection once the application is reviewed. This makes the process more expedient because the Advisory Committee does not

have the time necessary to review subdivision applications. The L.G.D. of Alexander requires that a development agreement be entered into for every plan of subdivision.

Finance

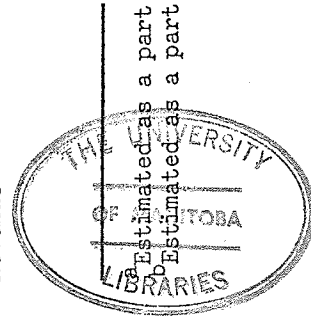
Revenues and expenditures of the L.G.D. have almost remained in equilibrium throughout the period 1969 - 1976.²⁵ The exceptions were in 1973 when there was an operating deficit of \$5,104 and in 1974 when the operating deficit was \$49,833. In both instances, reserve funds were used to reconcile the deficits.

Table I lists the source of revenue for the L.G.D. from 1969 to 1976. In 1965, the total revenue from all sources was \$156,246. With increases in revenue, year by year, the total became \$750,839. Property tax is the largest source of revenue, ranging from 33.7% (1974) to 56.0% (1976) of the annual total. The next largest sources of revenue are grants in lieu of taxes and conditional government transfers. Grants in lieu of taxes for government properties have increased in absolute dollars from \$40,678 in 1969 to \$195,740 in 1976, but have varied as a proportion of the total annual revenue from 19.0% to 27.4%. Conditional government grants have varied substantially from zero dollars in 1970 to \$262,216 in 1974.²⁶ The latter amount contributed 37.5% of the total revenue in that year. Conditions on grants from senior levels of government usually tie their use to the maintenance of roads, waterworks and sanitary disposal facilities. Unconditional government grants are usually made by the provincial government on a per capita basis. Consequently, the amount in absolute dollars from this source has not increased substantially over time, and therefore, has decreased relative to

TABLE I

Source of Revenues for the Local Government District of Alexander, 1969-1976

Source	Year															
	1969	1970	1971	1972	1973	1974	1975	1976	1969	1970	1971	1972	1973	1974	1975	1976
Property Tax	74,819	85,164	95,059	131,158	163,379	235,599	349,549	420,530	47.9	50.1	53.7	47.6	44.5	33.7	52.7	56.0
Business Tax	1,923	1,701	1,710	1,650	3,019	2,967	3,200 ^a	3,500 ^b	1.2	1.0	1.0	0.6	0.8	0.4	0.5	0.5
Grants in Lieu of Taxes	40,678	44,008	36,905	44,120	100,689	132,929	177,337	195,740	26.0	25.9	20.9	16.0	27.4	19.0	26.7	26.0
Unconditional Government Transfers	15,256	15,256	15,256	16,475	29,970	22,790	32,342	32,864	9.8	9.0	8.6	6.0	7.6	3.2	4.9	4.4
Conditional Government Transfers	215	—	4,100	56,934	56,871	262,216	21,478	23,260	0.1	—	2.3	20.7	15.5	37.5	3.2	3.1
Other	23,355	23,784	23,922	24,895	15,480	43,338	79,431	74,945	15.0	14.0	13.5	9.1	4.2	6.2	12.0	10.0
Total Revenue	156,246	169,913	176,952	275,232	367,608	699,839	663,337	750,839	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0



other sources from 9.8% of the total revenue in 1969 to only 4.4% of the total revenue in 1976. Other sources of revenue include tax sales, fees and fines. Relative to the other sources of revenue, they have varied from 4.2% to 15.0% of the total revenue.

Table II lists the property tax levies for the L.G.D. during the period 1969-1976. The 1969 tax levy for an average second home lot within the Lord Selkirk School Division boundary would include the general farm and residential levy of 10.7 mills, special school levy of 16.5 mills, general municipal levy of 9.0 mills and maybe a tax levy for lights of 2.0 mills for a total of 38.2 mills. The 1976 tax levy or mill rate for the same second home lot would be 110.4. Given, for example, an assessment of \$300 for the lot in 1969 and an assessment of \$420 in 1976, the taxes would be \$11.46 and \$46.37 respectively.²⁷

The absolute increase in the average mill rate for a second home property is 72.2 mills. But if we standardize the assessment base to the latter date, the 1969 mill rate would be down 22.9 from 38.2 and the relative increase would be 87.5 mills.

Distribution of L.G.D. expenditures during the period 1969-1976 is shown in Table III. Expenditure on education predominates all other expenditures over the entire period except in 1974 when other service expenditures surpassed it. Other services, transportation and general government expenses account for other large portions of the total annual expenditures. Planning and community development are the smallest expenditures in every year. Fiscal services, public health and welfare, and recreation and culture, account for the remaining portion of expenditures in each year.

TABLE II

Tax Levies for the Local Government District of Alexander, 1969-1976

Levy	Mills							
	1969	1970	1971	1972	1973	1974	1975	1976
School Levies:								
General Levy:								
Farm & Residential	10.7	9.8	8.3	8.2	2.7	3.0	3.0	3.9
Other	33.4	34.1	34.5	34.0	27.7	33.9	34.0	35.0
Special Levies:								
Lord Selkirk School	16.5	19.5	18.6	23.3	19.0	39.5	48.4	54.8
Division No. 11								
Agassiz School	13.1	16.9	15.2	19.7	18.9	32.0	43.4	55.1
Division No. 13								44
General Municipal Levies:								
General^a								
Weed Control District	9.0	10.0	15.0	25.4	26.3	29.0	46.0	46.7
Provincial Levies	-	-	-	-	-	-	0.7	0.8
Veterinary Clinic	-	-	-	-	-	2.0	2.0	2.0
District Levies -						0.6	0.6	0.5
Lights ^b :								
Business Tax Levy:	0.7 to 2.8	1.1 to 7.0	3.5 to 8.9	3.1 to 9.1	3.0 to 7.5	2.3 to 7.3	2.2 to 6.3	2.6 to 7.9
	10%	10%	10%	10%	10%	10%	10%	10%

^aIncludes Public Works, Administration, Welfare, Planning, Regional Development, etc.

^bThe mill rates vary according to districts and only if street lighting is provided.

TABLE III

Distribution of Expenditures for the Local Government District of Alexander, 1969-1976

Expenditure Category	Year															
	1969		1970		1971		1972		1973		1974		1975		1976	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
General Government	25,039	16.0	33,870	19.9	32,005	18.1	40,238	14.6	44,861	12.0	61,229	8.2	86,938	13.1	88,451	11.8
Transportation	10,122	6.5	20,592	12.1	28,341	16.0	57,996	21.1	92,291	24.8	105,260	14.0	118,209	17.8	164,031	21.9
Public Health and Welfare	11,622	7.4	11,096	6.5	10,696	6.0	10,851	3.9	20,191	5.4	18,001	2.4	20,170	3.0	15,647	2.1
Recreation and Culture	1,215	0.8	2,168	1.3	4,851	2.7	8,991	3.3	13,116	3.5	5,899	0.8	6,407	1.0	9,855	1.3
Planning and Community Development	381	0.3	5	0.0	647	0.4	4,792	1.7	1,810	0.5	2,620	0.3	2,640	0.4	1,642	0.2
Fiscal Services	14,135	9.1	2,329	1.4	972	0.6	14,001	5.1	21,544	5.8	62,738	8.4	39,118	5.9	25,777	3.4
Excluding Education	87,404	55.9	95,543	56.2	83,046	46.9	96,626	35.1	131,123	35.2	208,202	27.8	264,524	39.9	334,006	44.5
Other Services ^a	6,250	4.0	4,310	2.6	16,394	9.3	41,737	15.2	47,726	12.8	285,723	38.1	125,331	18.9	111,430	14.8
Total Expenditure	156,246	100.0	169,913	100.0	176,952	100.0	275,232	100.0	372,712	100.0	749,672	100.0	663,337	100.0	750,839	100.0

^aIncludes Environmental Health and Protection Services, Economic Development Services, Operating Surplus and Surplus Appropriations

Also included in the annual expenditures of the L.G.D. is a contribution to a reserve fund set aside for any unforeseen expenditures or operating deficits. In 1976, the reserve fund accumulated approximately \$40,000.

Summary and Conclusions

In an examination of major planning activities related to the development of second home communities in the L.G.D. of Alexander, a fiscal "consciousness" was found. This was evidenced by particular concern for fiscal impact and cost of development and ongoing maintenance expressed in the background and information prepared for the Alexander District Development Plan. The background paper warns that if second home development is allowed to occur haphazardly, "the provision of services may become more costly and less efficient."²⁸

Contrary to the consciousness expressed in the background paper, the Plan favoured land-use concepts with very low densities which are based primarily on physical capacity or environmental assessment criteria. The main physical limitation cited was the capacity for septic fields despite the tendency to require pump-out septic tanks in most new subdivisions. The development policy makes no consideration or adjustment for increased cost of providing services to low density areas.

A separate section of the Plan is devoted to the Lake Winnipeg- Traverse Bay area because of the complexity and increasing development pressures for the approval of second home subdivisions in the area. Low density development is recommended based on the capacity of the soils and drainage of particular areas. Tendency throughout the Plan is to be overly protective of the environment and

the least concerned about the fiscal solvency of development.

Despite the planning for separate and distinct "seasonal resort" districts, the Alexander Advisory Committee decided to service these districts on a year round basis because of year round use by some cottage owners. This decision was made without considering the effect on the fiscal situation of the L.G.D. of Alexander. Basically, a large amount of service is provided to a small number of cottagers who chose to use their properties in the "off season". Although the Committee passed a resolution to provide the services on a year round basis, the question remains whether or not the Committee has the power to withdraw or refuse services during certain times of the year.

Also contrary to the Plan, the Alexander Advisory Committee passed a resolution which requires all dwellings in a second home or seasonal resort subdivision to have a holding tank for sewage rather than septic tanks and field. Proof must be furnished by the dwelling owner that the tank has been pumped out at least once a year. The purpose of this policy is to minimize the possibility of the L.G.D. having to pay to upgrade services such as a sanitary sewer system at some time in the future. In effect, the policy undercuts the basis for the Plan which is the capacity of the soil and drainage in the District to support development. The concern for the long term fiscal situation of the District when adopting this policy can certainly be applauded. In order to protect the L.G.D. from having to pay for other costs associated with new development such as upgrading roads, developers are required to enter into an agreement for every plan of subdivision specifying the inclusion of many services by the

developer.

Property tax is the main source of revenue for the L.G.D. In 1976, it was 56.0% of the District's total revenue and grants in lieu of taxes from the provincial and federal departments amount to another 26.0% of the total revenue. The L.G.D. has never operated a significant deficit budget. The district has reserve funds to reconcile any small operating deficits that may be incurred in any particular year.

During the period 1969 to 1976, total operating budget for the L.G.D. increased from \$156,246 to \$750,839. Average annual increase for expenditures during this period was 29.5%. During the same period, average annual increase for property taxes on second home properties was 27.1%. These increases certainly surpass the rate of inflation. Using the 1971 population of 1780 as a base, average per capita expenditures in the L.G.D. have increased from \$87.78 in 1969 to \$421.82.²⁹ Such a large increase cannot be attributed to the delivery of services to a population that is actually declining.

Certainly, a portion of this increase can be attributed to the seasonal population in second home communities. Fiscal impact of second home communities in the L.G.D. is the topic of Chapter V. Prior to conducting the fiscal impact analysis of the selected subdivisions for this case study, Chapter IV examines local government and planning agency considerations and decisions pertaining to the approval and planning of the case study subdivisions.

CHAPTER III - FOOTNOTES

¹ Dated at St. George, Manitoba on the 8th day of September, 1970.

² Municipal Planning Branch, Alexander District Development Plans, Part One: Background Information (Winnipeg, 1974), p.1.

³ Ibid., p.11.

⁴ Ibid., p.11.

⁵ Ibid., p.4.

⁶ Ibid., p.24.

⁷ Ibid., p.24.

⁸ Ibid., p.27.

⁹ Ibid., p.28.

¹⁰ Ibid., p.35.

¹¹ Municipal Planning Branch, Lake Winnipeg- Traverse Bay Land-Use Study (Winnipeg, 1975), p.2.

¹² Ibid., p.45.

¹³ Ibid., p.45.

¹⁴ Ibid., p.46.

¹⁵ Municipal Planning Branch, The Alexander District Development Plan (Winnipeg, 1977), pp.8-9.

¹⁶ The Local Government District of Alexander By-law No. 389.

¹⁷ The Local Government District of Alexander Resolution No. 180/74. Dated at St. George, Manitoba, the 15th day of February, 1974.

¹⁸ The Local Government District of Alexander By-law No. 384.

¹⁹ The Local Government District of Alexander By-law No. 383.

²⁰ The Local Government District of Alexander Resolution No. 397/75.

²¹ Sections 13 to 25 inclusive of the Planning Act being Chapter P80 of the Statutes of Manitoba.

22 The Local Government District of Alexander Resolution No. 584/75. Dated at St. George, Manitoba, the 21st day of November, 1975.

23 In a letter to Mr. Richard Andries, Resident Administrator, Local Government District of Alexander. Dated February 4th, 1975.

24 For a detailed outline of the subdivision process in Manitoba, refer to How to Subdivide in Manitoba, by the Municipal Planning Branch, (Winnipeg, 1975).

25 The fiscal year for the L.G.D. begins on the first of January and ends on the thirty-first of December.

26 Both provincial and federal grants.

27 A general reassessment increase of approximately 40% came in effect January 1st, 1973.

28 Municipal Planning Branch, Op. Cit., (Winnipeg, 1974), p.28.

29 The 1971 population is used as a base since annual population figures are not available. The declining trend in population from 1961 to 1971 is expected to continue to 1976. Therefore, the 1969 per capita expenditures are slightly above actual and the 1976 per capita expenditures are considerably lower than actual.

CHAPTER IV

DEVELOPMENT HISTORY OF THE CASE STUDY SUBDIVISIONS

The purpose of this chapter is to examine committee considerations and decisions, planning commission inputs, concerns of the provincial authorities, plans, by-laws and land ownership pertaining to the approval and planning of the case study subdivisions. This is done to establish the degree to which the various decision making bodies considered the fiscal impact of the subdivisions, if at all. The Leonard David Subdivision and Hillside Point Subdivision are examined separately.

Leonard David Subdivision

In 1964, Leonard David purchased a 41 acre parcel of land in the southwest quarter of Section 33, Township 19, Range 7 East of the Principal Meridian from Stanley Bergy, another local developer, for \$2,000. After holding the property for nearly six years, Mr. David, with some encouragement from the L.G.D. of Alexander, decided to develop a second home community. The L.G.D. encouraged Mr. David to develop so that there would be a contiguous development of subdivisions along the road from the main highway.

A letter to Craig Smith, Natural Resource Planner with the Municipal Planning Branch, from Richard Andries, the Resident Administrator of the L.G.D. of Alexander, requested that a unique development should be planned. It stated:

We are encouraging Mr. David to develop the balance of his land holdings in this area by method of one further plan of subdivision, instead of piecemeal development.

We have discussed the desirability of a tot-lot area and perhaps a small area for a park within the overall subdivision.

As this area is within the land development study (Lake Winnipeg- Traverse Bay sector), a model subdivision at this particular location would serve as a good example to other future developers in this area.

In co-operation with Mr. David, we are hereby requesting that you prepare a plan of subdivision for tentative approval by resolution from this office.¹

In response to the request for planning of the subdivision for Mr. David's land, Mr. Smith suggested the following in reference to a preliminary plan:

- 1) Lot sizes to be slightly less than 1/2 acre.
- 2) A system of parks (tot-lots) and public walkways will allow residents to gain access to the beaches with a minimum of walking on roadways.
- 3) Tyrone Avenue should be closed via by-law and retained as public reserve for a walkway.
- 4) The lanes into the cul-de-sacs should be 22 feet in width. Because of the roadways, it is felt that no further right-of-way is required or desirable.
- 5) Trapezoidal shaped lots will enable a resident to build his cottage at the wide portion of the lot for maximum privacy.
- 6) Tree cover should be retained throughout the open space areas.
- 7) Hydro line clearing must be kept to a minimum or the whole concept will be ruined.

The Advisory Committee and Leonard David were receptive to Mr. Smith's suggestions. On December 3rd, 1971, tentative approval was given by the Resident Administrator in concurrence with the Advisory Committee to a plan of subdivision.³

As the plan was developed, suggestions regarding sewage disposal, water supply, zoning, road right-of-way width and public reserves came from R.E. Stromberg, engineer in the Municipal Planning Branch.⁴ He suggested:

- 1) That lot sizes were too small to accommodate septic fields. Use of pump-out tanks is the only safe method of sewage disposal in the plan. A planning scheme should be used to restrict sewage disposal to pump-out tanks.
- 2) Portion of the subdivision should be zoned for commercial uses. A planning scheme could be used to bring about the commercial zoning.
- 3) There should be a right-of-way of 40 feet for the roadways instead of a 22 foot width. A wider right-of-way is necessary to accommodate hydro services and drainage ditches.
- 4) The idea of providing open space for children to play safely away from road traffic is a good one.

On May 18th of 1972, the L.G.D. entered into agreement with Leonard David for the allocation of lots for public reserve and the zoning of five lots for general commercial purposes.⁵ The public reserve lots were to be purchased by the L.G.D. for 75 percent of the selling price of second home lots at the time the corporation exercises its option to purchase any of the said lots. The four lots would cost the L.G.D. over \$6,000 if purchased in 1973. Zoning for commercial purposes was pending passage of a planning scheme to permit such a use in a Seasonal Resort District. A resolution of the Resident Administrator on June 6th, 1972, approved the suggestions of Mr. Stromberg as conditions for registration.

In order for the commercial zoning to be allowed in the Seasonal Resort District in which Leonard David's proposed subdivision

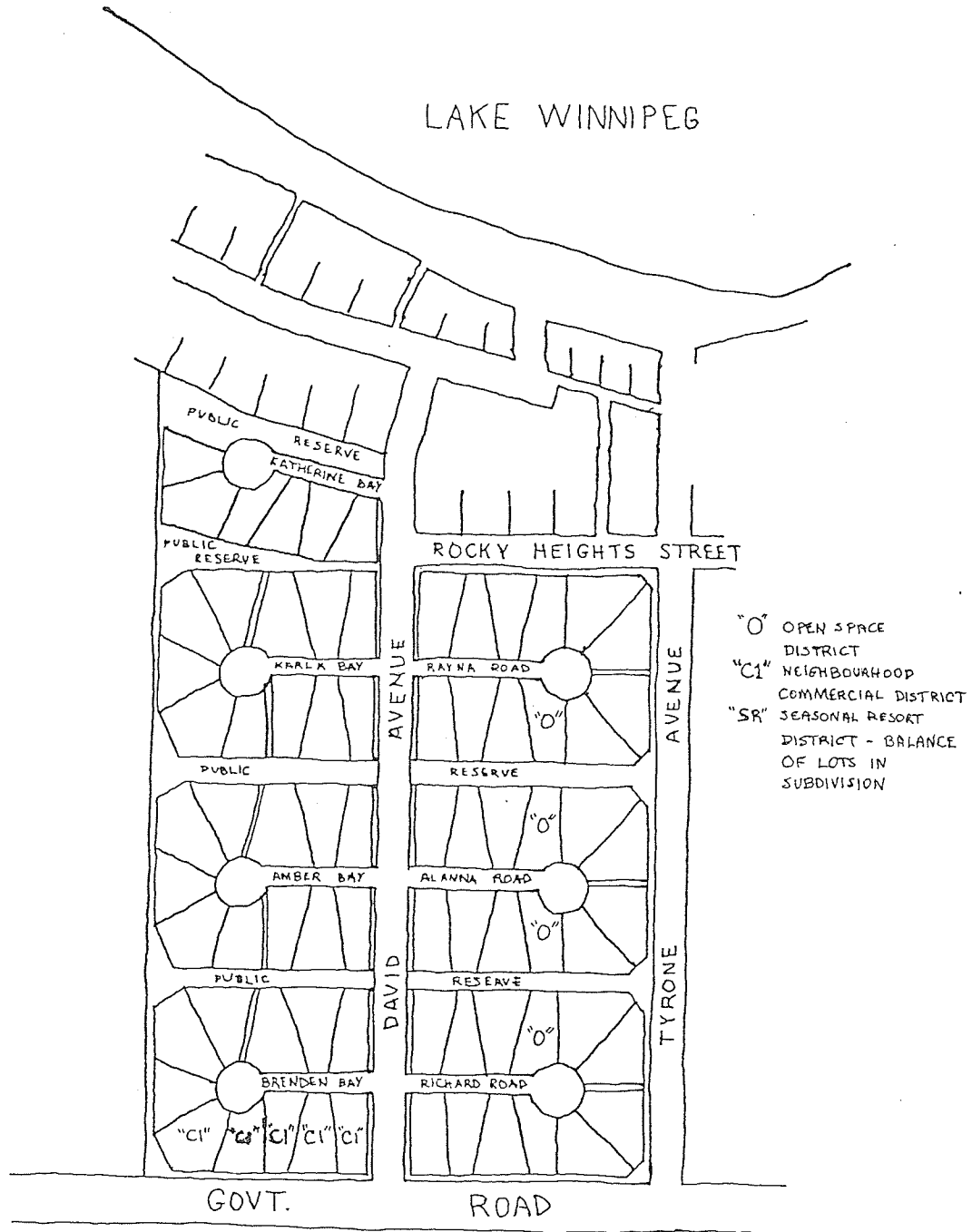
was located, a planning scheme passed by the Resident Administrator and approved by the Minister of Municipal Affairs was required. The L.G.D. requested the Municipal Planning Branch to prepare the Planning Scheme with a resolution by the Resident Administrator.⁶ By September of 1972, the Planning Scheme had been drawn up to zone five lots to "C1" Neighbourhood Commercial District as indicated on Map 5. The scheme also allowed for zoning of areas as "O" Open Space District. After approval by the Minister, third and final reading was given to the Planning Scheme on October 31st, 1972.

On November 10th of 1972, final approval was given to the plan of subdivision by the Municipal Board.⁷ The plan was registered by Leonard David in the Winnipeg Land Titles Office on the same date along with \$395 for filing and plan fees. The plan number is 11305.

Two years later, Leonard David requested the L.G.D. to accept a rezoning application that the five lots originally zoned Neighbourhood Commercial District be rezoned Seasonal Resort District. The rezoning was granted by By-law No. 374 in February of 1976.

During the development of the subdivision, the L.G.D. made amendments to its assessment practices to lessen the effect of taxing 71 lots which are fully assessed all at one time. Only when the roads were completed to blocks of lots was full assessment made on them for tax purposes. Otherwise, the undeveloped blocks were assessed at agricultural land use value. These amendments were made in favour of the developer to encourage a larger plan of subdivision rather than a series of piecemeal subdivisions.

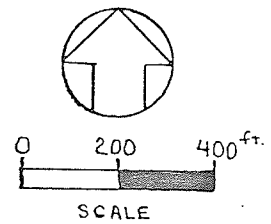
In 1973, the developer began to sell lots within the subdivision. During the first year of sales, 24 lots were sold for



"O" OPEN SPACE DISTRICT
 "C1" NEIGHBOURHOOD COMMERCIAL DISTRICT
 "SR" SEASONAL RESORT DISTRICT - BALANCE OF LOTS IN SUBDIVISION

MAP 5

Leonard David Subdivision Zoning



\$2,100 each. Another 40 lots were sold in 1974 for \$2,600 each. Only one lot was sold in 1975 for \$2,700. Four lots were sold in 1976 for \$2,800, for a total of 69 lots by March 1977.⁸ The two remaining lots were sold in 1977 for about \$3,000 each. Over the four years of sales, the total selling price of all lots in the subdivision was \$174,300.

Hillside Point

The ownership of the 61.6 acres of land which would eventually be developed by Rechold Limited is traced back to December 11th of 1946, when John Delves purchased the property for an undisclosed sum of money.⁹ In 1950, Delves sold half of his interest in the property to Kathleen Gagen. The property was then used as a farm and a permanent residence for both Delves and Gagen. In February of 1973, Delves and Gagen were approached by Ralph Brighty, a Credit Union Manager in Beausejour and Ernest Smith, partner in Smith Carter Partners Architects in Winnipeg, with an option to purchase 56.6 acres. Brighty and Smith agreed to purchase if the property could be developed. Otherwise, a consideration paid to Delves and Gagen to initiate the option could be retained as a payment in lieu of the property being sold to another party during the option period. On November 13th of 1973, the Resident Administrator gave tentative approval to the development through a plan of subdivision with the following conditions:

- 1) That all 62 lots are to be used for single family dwelling units and zoned for seasonal resort purposes.
- 2) That pumpout holding tanks are to be used in septic system installations unless otherwise authorized by the Public Health Inspector.

- 3) That each corner of each lot be pin-identified by survey after the Municipal Board provides tentative approval to this proposed subdivision.
- 4) That public wells be provided as recommended by the Public Health Inspector.¹⁰

Soon after tentative approval was given, Brighty and Smith exercised their option to purchase the land in the name, Rechold Limited, for the sum of \$58,000.

On January 29th of 1974, Fred Pritchard, a planner with the Municipal Planning Branch, wrote to the Municipal Board to recommend that the approval decision for the development should be deferred pending the completion of the Lake Winnipeg-Traverse Bay Land-Use Study. Completion date of the study was projected to be in the early summer of 1974. The study would include an examination of limitations for septic fields in the area of the proposed subdivision.

The Municipal Board responded to the developers in agreement with Mr. Pritchard that the decision to approve the development would be deferred until the area study is completed.

In favour of the development proceeding, the Advisory Committee of the L.G.D. passed a resolution criticizing the decision of the board.¹¹ The Committee felt the subdivision in question more than met the L.G.D.'s requirements upon the developer and that there was no positive assurance as to whether the Lake Winnipeg-Traverse Bay Land-Use Study would be finalized in the near future. It requested the Municipal Board to provide tentative approval to the plan of subdivision. Also, future plans of subdivision within the study area be given tentative approval by the Advisory Committee and Municipal Board until the Lake Winnipeg-Traverse Land Use Study is finalized.

Alexander District Advisory Planning Commission passed a similar resolution in agreement with the Advisory Committee. The reason for passing the resolution was the study completion date was originally December of 1973 and an extension would effectively freeze, temporarily withhold or delay the progress of continuous development in the area under study. Resolutions of the Committee and the Commission were sent directly to the Minister of Municipal Affairs in protest of the Municipal Board's decision to defer approval of the Hillside Point Subdivision.

In April of 1974, the Municipal Planning Branch agreed that the Hillside Point Plan of Subdivision should proceed to the Municipal Board for tentative approval. It was the opinion of the Branch that data collected for the area study indicated no significant environmental impact would be made on the area as a result of the development.

The developers then approached the L.G.D. with an outline of controls that would be imposed on every lot purchaser in the Hillside Point Subdivision developed by Rehold (Appendix III). The water system, sewage handling, siting of cottages, road approaches, driveway access, the quality and character of individual structures, construction period and cutting of trees would be controlled by written agreement between Rehold Limited and the lot purchaser. The agreement would not be registered against the land title.

On April 26th of 1974, the Municipal Planning Branch met with other concerned government agencies to discuss requirements for the development. Manitoba Hydro and the Manitoba Telephone System expressed their need for service easements. The only other concern

was for public parking and access to the beach. Except for these conditions to be met by the developer, the proposed plan of subdivision was recommended for approval to the Municipal Board. All government agencies considered the Hillside Point Subdivision to be an example of good design recommended by the Municipal Planning Branch.

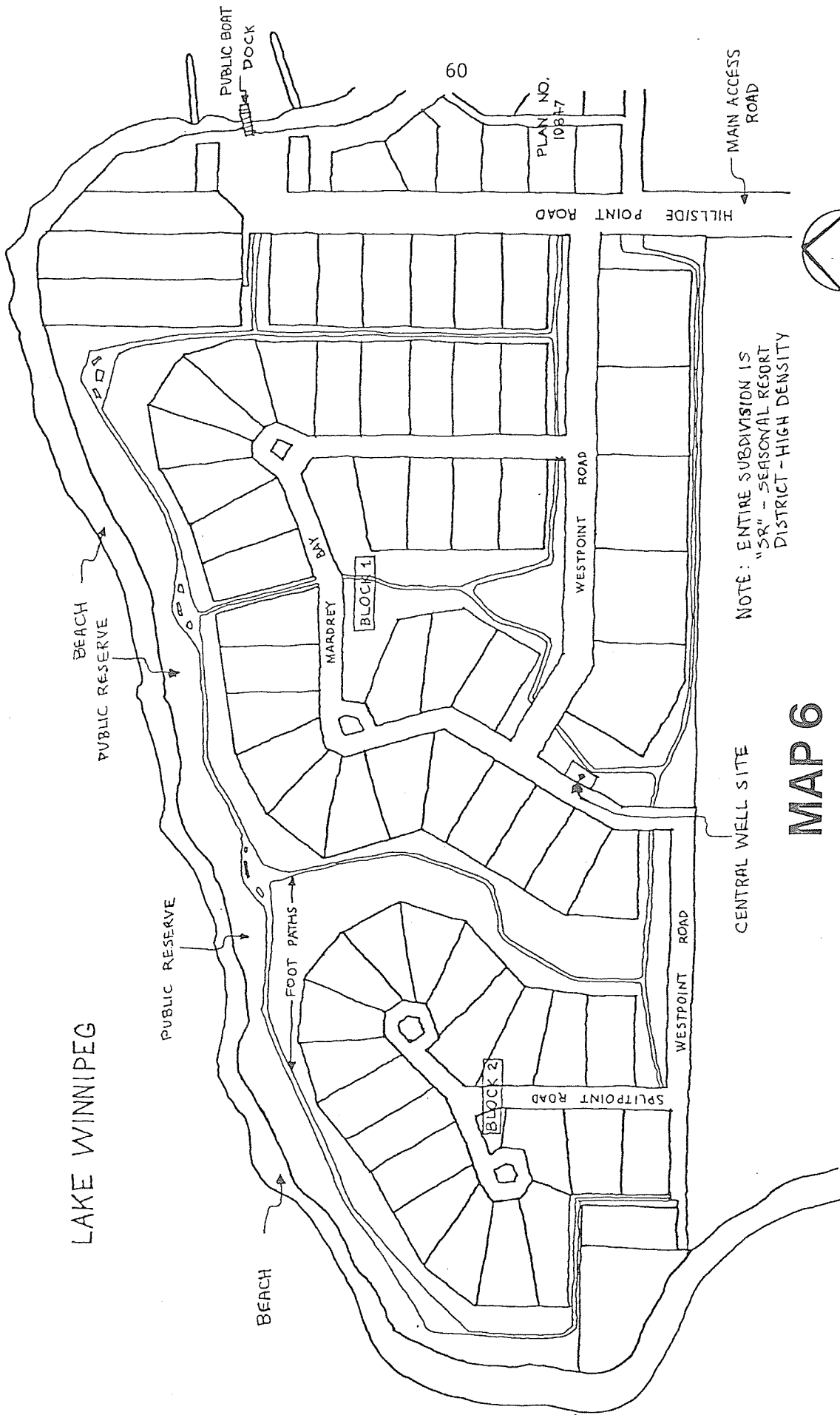
In response to the Public Health Officer's questions at the outset of the development proposal, the Environmental Protection Branch forwarded the following comments to the Municipal Planning Branch on May 3, 1974:

- 1) Sewage disposal by individual holding tanks is adequate. An agreement between the developer and the L.G.D. of Alexander (Development Agreement) should be reached for the disposal of holding tank wastes into its waste disposal ground.
- 2) Quality of the well water supply meets the required standards of the Environmental Protection Branch.
- 3) Garbage disposal by the individual to the waste disposal ground is adequate.

As indicated on Map 6, the plan of subdivision proposed to include a public boat docking facility. In May, the developer requested public access to the facility be constructed at cost to the L.G.D. On May 14th, the Advisory Committee resolved that the L.G.D. would pay for the construction of such an access. Eventual cost to the L.G.D. was \$1,000.

After the developer agreed to the conditions outlined by Manitoba Hydro, Manitoba Telephone System, Municipal Planning and Environmental Protection Branch, the Municipal Board gave final approval for the subdivision to be registered.¹² Filing and plan fees to be paid by the developer totalled \$355. Rehold registered the plan of subdivision on June 6th of 1975.¹³

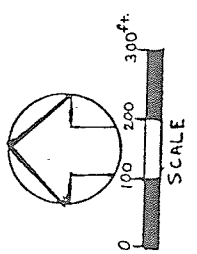
LAKE WINNIPEG



NOTE: ENTIRE SUBDIVISION IS "SR" - SEASONAL RESORT DISTRICT - HIGH DENSITY

MAP 6

Hillside Point Zoning and Services



Revision of the plan did occur after registration which discounted the conditions of the Municipal Planning Branch with respect to beach access and parking. The original plan as proposed by the developer was accepted with the conditions of the other government agencies still attached.

Although the plan was registered, certain requirements still had to be met by the developer in order for the L.G.D. to approve the development. One of the requirements was to post a performance bond so the L.G.D. would not be liable for completion of the road and drainage requirements. In this case, the total cost for these works was estimated to be \$6,000, the same amount as the performance bond. The other requirement was to enter into a Development Agreement respecting the construction and installation of roads, municipal services and buildings, dedication of open space, indemnification of the L.G.D., default by the developer, location of a well site, costs of improving and maintaining a site for waste disposal and garbage disposal within the L.G.D., period of construction after transfer of title to purchaser, and the registration of the Development Agreement as a caveat against the land title of each lot.

The first requirement was met with the posting of the performance bond by Rechold Limited on September 10th, 1974. The bond was returned and cancelled by the L.G.D. after the roads and drainage construction were completed to their satisfaction. The L.G.D. entered into a Development Agreement with Rechold Limited on April 18th, 1975 with an amendment made on April 21st, 1975 (see Appendix IV).

Particular points of interest in the agreement are:

- 1) Drilling of a well for potable water that will be

able to supply all lots within the subdivision at cost to the developer. The system would run by every front property line in the development. Cost of connecting to the line would be absorbed by the lot owner.

- 2) All electrical and telephone services would be constructed by the developer.
- 3) The developer is responsible for the construction of footpaths and recreation facilities required by the L.G.D. of Alexander.
- 4) An agreement between the developer and purchasers of lots will be made to ensure that construction of a seasonal residential dwelling to a stage suitable for human habitation will occur within 24 months of the transfer of the land title to the purchaser.
- 5) The developer will be liable for all claims for damages arising from the installation of all municipal services referred to in the agreement until their construction is accepted by the L.G.D. of Alexander.
- 6) Any breach of the agreement by the developer will constitute non-performance. The remedy will require the application of the performance bond to the completion of municipal services in the subdivision.
- 7) Construction of any building and its siting on a lot within the subdivision will require the approval of the L.G.D.

- 8) Installation of pump-out holding tanks shall be the responsibility of the lot owner. The lot owner will be required to furnish annual proof that the tank was pumped out by licensed regular septic disposal service.
- 9) The developer will contribute \$500 to the L.G.D. of Alexander for costs incurred by the L.G.D. for improvement, upgrading and/or maintenance of waste disposal and garbage disposal grounds.

After the requirements were met, construction and inspection of the municipal services were required before the responsibility for maintenance of the subdivision was turned over to the L.G.D. There was one problem identified during the inspection. It was found that the well for the water supply to the entire subdivision was drilled in an area designated as an open space area. In order that the L.G.D. of Alexander would not be responsible for the maintenance of the well, an agreement was signed to lease the parcel of land on which the well was constructed to the L.G.D. and all future maintenance costs would be paid by the developer.

Summary and Conclusions

The Leonard David and Hillside Point subdivisions are both unique and innovative second home communities in Manitoba. The Leonard David subdivision was planned to be a model for future developments in the L.G.D. of Alexander. Its trapezoid shaped lots of one-third acre in size provided for maximum privacy of cottagers, given the density of development. Reserve lots and walkways were planned to provide convenient access to the lakefront from all parts

of the subdivision. The 56.6 acre Hillside Point subdivision boasts large natural wooded areas and walkways with running water provided to each lot and design control over cottages constructed in the subdivision.

In November of 1972, the Leonard David subdivision was approved by the Municipal Board. Seventy-one of 76 lots were zoned for cottage use and the other five lots were zoned for neighbourhood commercial businesses. Pump-out holding tanks for sewage disposal and provision of space for tot-lots were the two major features of the subdivision. This reduced the potential capital outlays of the L.G.D. for services to the subdivision. In the review of the subdivision by authorities of the L.G.D. and Province, the negative fiscal impacts of the development were not considered. Parkland and walkways were established with no concern for the costs of maintenance and construction of recreation facilities, roadways, expanding disposal grounds, the cost of maintaining (including snow removal) the roadways and the cost of police and fire protection services.

During the review of the Hillside Point subdivision, approval authorities were much more concerned with the cost of providing services to this new development. The L.G.D. of Alexander required the developer to enter into a development agreement and under the terms of the agreement to post a performance bond so that the L.G.D. would not be liable for completion of the road and drainage networks in the subdivision; to construct all footpaths and recreation facilities; to pay \$500 to the L.G.D. for the improvement, upgrading or maintenance of waste and garbage disposal grounds; and maintenance of the public wells and water system in the subdivision. The L.G.D.

agreed to pay the developer \$1,000 to build an access road to the developer built public boat docking facility.

Generally, the review and approval authorities concerned themselves primarily with the environmental impacts of the developments. The concern for fiscal impact and the subsequent provisions to alleviate or minimize negative fiscal impacts was greater for the Hillside Point subdivision than the Leonard David subdivision. The cost of other important services such as police and fire protection, maintenance of recreation facilities, and snow removal were not considered. The fiscal impact of these decisions during the approval and planning of the case study subdivisions is the subject of Chapter V in this study.

CHAPTER IV - FOOTNOTES

- 1 Dated August 5th, 1971.
- 2 In a memorandum to Richard Andries, dated September 16th, 1971.
- 3 The Local Government District of Alexander Resolution No. 17/71. Dated at St. George, Manitoba, the 3rd day of December, 1971.
- 4 In a memorandum to Mr. John Acthim, Secretary of the Municipal Board. Dated May 15th, 1972.
- 5 The Local Government District of Alexander Resolution 28/72. Dated at St. George, Manitoba, the 6th day of June, 1972.
- 6 The Local Government District of Alexander Resolution 32/72. Dated at St. George, Manitoba, the 5th day of July, 1972.
- 7 Order of the Municipal Board No. P55/72. Dated at Winnipeg, Manitoba, the 10th day of November, 1972.
- 8 The sale prices of these lots was determined from records in the L.G.D. office in St. George and newspaper listings in 1975 and 1976.
- 9 The property is located in the NE1/2 of 32-19-7E in the L.G.D. of Alexander. Ownership information was taken from the L.G.D.'s Combined Assessment Roll and Tax Roll on record in their office in St. George, Manitoba.
- 10 Local Government District of Alexander Resolution 65/73. Dated at St. George, Manitoba, the 13th day of November, 1973.
- 11 Local Government District of Alexander Resolution No. 158/74. Dated at St. George, Manitoba, the 12th day of February, 1974.
- 12 Order of the Municipal Board No. P38/75. Dated at Winnipeg, Manitoba, the 5th day of June, 1975.
- 13 The plan number is 12,353.

CHAPTER V

FISCAL IMPACT OF

THE CASE STUDY SUBDIVISIONS

The application of fiscal impact analysis to the case study subdivisions will be presented in this chapter. The costing method to be used, assumptions and procedures for application of the method will be discussed followed by individual analysis of each case study subdivision.

Case Study Method

As discussed in Chapter II, the Case Study Method of costing public services was chosen for application in this study. In brief, the Case Study Method uses interviews with public officials to determine excess and deficient public service capacities needed to accommodate the existing population at current public service levels. The excess or deficient service capacities are subtracted from or added to estimates of the public service demands due to development. The result is the need for additional public services required by development but adjusted for excess and deficient public service capacities. Costs for the additional public services are also estimated by the public officials.

Revenues are estimated by adding increases in all sources resulting from development. The revenue changes are then compared with the estimated costs due to development. The resulting surplus or deficit represents the best estimate of the development's impact on expenditures for all public services.

Assumptions

Burchell and Listokin outline four basic assumptions to the application of the Case Study Method. They are:

- 1) That communities differ in the degree to which they exhibit excess or deficient service capacity which significantly affects the level of local service extensions.
- 2) That marginal changes in providing municipal and school district services, as a reaction to excess or deficient service capacity, are the most accurate indications of future local servicing costs.
- 3) That current local service levels represent the criteria against which local excess and deficient capacity are calculated.
- 4) That local public officials, intimately familiar with the service delivery capacity of their administration, provide the most accurate gauge of future expenditure extensions.¹

In the application of this method to the case study subdivisions, the assumptions are partially substantiated by the situation in the L.G.D. of Alexander. The small number of public officials in the district provides easier access to information necessary to carry out the analysis. In many instances, the services provided to the small number of people residing in the L.G.D. are undersized or adequate because of the large seasonal influx of people

and the large capital outlays and operating expenditures required to construct and maintain certain services.

Procedures

The first step in applying the case study method was to contact "key" officials to inform them of the study's objectives and solicit their support. In the L.G.D., it was simply a matter of contacting the Resident Administrator who is in charge of budgeting and administration for all services. Since only a handful of permanent staff report to the Resident Administrator, he was quite knowledgeable about all matters concerning the L.G.D. The Resident Administrator allowed access to all records and files concerning the case study subdivisions. Mr. W. Regehr, Superintendent of Lord Selkirk School Division, was contacted to ascertain the impact on education services.

The second procedure was to categorize all service functions to ensure that information and data is collected in a comprehensive, time efficient manner. The categories also had to relate to the size and significance of services in the L.G.D. The general categories were the same expenditure categories used in preparation of the L.G.D.'s budget and financial statements. The categories were:

- 1) General Government
- 2) Transportation
- 3) Public Health and Welfare
- 4) Recreation and Culture
- 5) Planning and Community Development
- 6) Fiscal Services (excluding education)

- 7) Education
- 8) Other Services

The categories of transportation and other services were disaggregated into several subcategories (road construction, fire, police, etc.) because of the large proportion of expenditures that each category commands and the potential fiscal impact of the case study subdivisions especially in these categories.

The next step was to determine which services had excess or deficient capacity to serve the case-study subdivisions when they were developed. The Resident Administrator and his staff were questioned on the capacity of services in each service category. To assist them in answering, they were provided with statistics on the size of the subdivisions, information on existing services and development in the area of the subdivisions, and a detailed list of services provided by the L.G.D. It was pointed out by the Resident Administrator that the L.G.D. has not previously conducted a thorough review of the capacity of its services.

Determination of the service deficiencies caused by development of the subdivisions was the next step. Cost estimates for these deficiencies were also included in this step. This information was provided by the Resident Administrator and his staff and checked by a review of expenditure records and budgets.

Estimating revenues from the subdivisions was the next step. Assessment values from nearby developed subdivisions were used to estimate the total assessment value of each case study subdivision. Total assessment value and the 1976 tax levies were then used to estimate property tax revenues. Government transfers were estimated

according to grant criteria. Revenues from other sources such as fees, fines and tax sales were estimated from the average proportion of the property tax revenues it was in the past five years. This method of estimating revenue from other sources was used because records were not kept to allow a more accurate figures to be obtained specifically for second home communities.

The final step was to determine the cost-revenue impact by comparing costs to revenues and interpreting the result.

The procedures can be summarized as follows:

<u>Step</u>	<u>Procedure</u>
1	Contact "key" officials.
2	Categorize service functions.
3	Determine excess or deficient capacity of services.
4	Determine service deficiencies attributed to the subdivisions and estimate costs.
5	Estimate revenues from the subdivisions.
6	Determine cost-revenue impact and interpret the result.

Total time to complete all procedures for each subdivision was approximately 35 hours.

Application - Leonard David Subdivision

Table IV shows the estimated annual public cost attributed to the Leonard David Subdivision. Amounts are expressed in 1976 dollars and based on full development of 71 lots for second home use. Cost of administration, tax collection and other services are included in the general government expenditures category accounting for the largest portion of the total annual cost. The total amount is surprisingly low. This reflects the large excess capacity of many existing services such as police, fire and public health services. The cost of purchasing four reserve lots from the developer for use as tot lots is accounted for in the contingency amount. There is no education cost because the student population will not increase.

Annual public revenue from the Leonard David Subdivision is shown in Table V. The total assessment for land and buildings based on full development of 71 lots is \$85,200; an average assessment of \$1,200 per lot. The total mill rate is 108.7. The \$1,000 from other sources was estimated by the Resident Administrator for licenses and permits, fines and other fees. No revenue is expected from government transfers since they are granted on a population basis. Seasonal residents are not included in the L.G.D.'s population.

The resulting fiscal impact on the L.G.D. is quite positive. Revenue is 15.8 times expenditures to service the subdivision.

TABLE IV

ANNUAL PUBLIC COST - LEONARD DAVID SUBDIVISION

<u>Expenditure Category</u>	<u>Operating Cost^a</u>
General Government	\$250
Transportation	
- Road Construction	200
- Snow and Ice Removal	100
- Street Lighting	-
- Traffic Services	-
Public Health and Welfare	-
Recreation and Culture	-
Planning and Community Development	-
Fiscal Services	-
Education	-
Other Services	-
- Garbage and Waster Collection	-
- Police	-
- Fire	-
Contingency ^b	50
TOTAL ANNUAL PUBLIC COST	<u>\$600</u>

^a Machinery and equipment normally financed by debentures and grants are included as current budget items.

^b A ten percent contingency is included to account for costs not considered by the Resident Administrator and his staff.

TABLE V

ANNUAL PUBLIC REVENUE - LEONARD DAVID SUBDIVISION

<u>Source</u>	<u>Revenue</u>
Property Tax	\$9,250
Government Transfers	-
Other	250
	<hr/>
TOTAL ANNUAL PUBLIC REVENUE	\$9,500

Application - Hillside Point

The estimated annual public cost attributed to Hillside Point is shown in Table VI. General government cost is less than the cost for Leonard David Subdivision because there are fewer lots. Transportation costs are greater because there is 2,400 more feet of frontage road in Hillside Point. The \$1,000 expended by the L.G.D. to upgrade the access road to the public boat dock is included in the contingency amount.

Annual public revenue (Table VII) is greater than the revenue for Leonard David Subdivision because the assessed value of each lot fully developed averages \$1,600. The greater assessment is due to larger lots and larger buildings planned for construction on them. The total assessment for land and buildings based on full development of 62 lots is \$99,200. The total mill rate is also 108.7. Again, revenue from other sources was estimated by the Resident Administrator.

The fiscal impact favours the L.G.D. considerably. Revenue is 16.7 times expenditures to service the subdivision.

Summary and Conclusions

Fiscal impact analyses for the case study subdivisions indicate that a very positive fiscal impact is created by the development of second home communities in the L.G.D. of Alexander. It appears annual revenues are approximately 16 times annual costs to service subdivisions.

The applications were not time consuming since very few interview sessions were required to obtain available information. Cost estimates were made by the Resident Administrator and his staff

TABLE VI

ANNUAL PUBLIC COST - HILLSIDE POINT

<u>Expenditure Category</u>	<u>Operating Cost^a</u>
General Government	\$200
Transportation	
- Road Construction	250
- Snow and Ice Removal	150
- Street Lighting	-
- Traffic Services	-
Public Health and Welfare	-
Recreation and Culture	-
Planning and Community Development	-
Fiscal Services	-
Education	-
Other Services	-
- Garbage and Waste Collection	-
- Police	-
- Fire	-
Contingency ^b	<u>60</u>
TOTAL ANNUAL PUBLIC COST	\$660

^a Machinery and equipment normally financed by debentures and grants are included as current budget items.

^b A ten percent contingency is included to account for costs not considered by the Resident Administrator and his staff.

TABLE VII

ANNUAL PUBLIC REVENUE - HILLSIDE POINT

<u>Source</u>	<u>Revenue</u>
Property Tax	\$10,800
Government Transfers	-
Other	200
	<hr/>
TOTAL ANNUAL PUBLIC REVENUE	\$11,000

because accurate records of costs for specific subdivisions were not kept. Time required to conduct each application was quite reasonable, only 35 hours.

Total annual costs for services to the subdivisions were low and revenues high. Demand for public services by cottage owners appear to be low. Education costs are non-existent for the case study subdivisions. Due to low traffic, roads require few repairs and less maintenance. In the L.G.D., many services have excess capacity. Therefore, no additional cost for these services can be attributed to the case study subdivisions. If an average costing method was used, the costs would be somewhat higher.

The applications of F.I.A. to the case study subdivisions were fiscally positive for the L.G.D. of Alexander. The Case Study Method was simple to conduct and not time consuming. The results from this method are only as reliable as the ability of the Resident Administrator and his staff to estimate additional services required and associated costs and revenues.

CHAPTER V - FOOTNOTES

¹ Robert W. Burchell and David Listokin, Fiscal Impact Handbook (New Brunswick, New Jersey: Center for Urban Policy Research, 1978), pp. 47-48.

CHAPTER VI

FISCAL IMPACT ANALYSIS:

PROCESS AND APPLICATION

The study findings are summarized and concluded in this chapter. The hypothesis and subproblems are discussed in relation to the study findings. Study deficiencies are also identified.

The purpose of this study was to examine fiscal impact analysis (F.I.A.) as an evaluation tool in development planning for second home communities. The stated problem that was addressed is that fiscal impact is not considered during the establishment of a development plan and in processing of subdivision applications for second home communities. The study found that in the case study area, fiscal impact of development was given consideration but not in a manner which considered actual costs or long-range fiscal implications of approving specific subdivisions for development. In a background report to the Alexander District Development Plan, an unsubstantiated argument that second home communities created negative fiscal impacts was put forward. The application of F.I.A. to the case study subdivisions found positive fiscal impacts from second home communities. Since the L.G.D. was led to believe that negative fiscal impacts result, some precautions to minimize fiscal impact were instituted. These included a requirement for developers to enter into agreements with the L.G.D. to ensure the provision of most services from the time of initial development in each subdivision.

Results of the case study F.I.A. applications indicate that second home communities developed in areas having existing services with excess capacity to absorb development will generate revenues

exceeding costs. Similar results were obtained in other studies cited in Chapter II. Most second home communities contribute substantial surplus revenues to local governments. Other studies also found that public service demands or major capital expenditures could outstrip revenues they generate at some time in the future.

Most likely, the long term fiscal impact of the Leonard David Subdivision and Hillside Point would likely be positive even if some second homes become permanent residents. These permanent residents would be retired persons who place few demands on services. The main impact would be on health and protection services. Fortunately, health services are not financed by local government. Cost of protection services would easily be absorbed within the large excess revenues generated by the developments. Year round snow cleaning of roads is presently provided. This service would have to be upgraded along with more road maintenance if there were more permanent residents. Again, existing excess revenues would likely absorb the cost of these services. Families would not likely become permanent residents in these subdivisions because there are few employment opportunities in the area. Therefore, no increase in cost for education would result.

On the west shore of Lake Winnipeg, some second home communities have been experiencing problems of rapidly increasing costs to service existing development. These communities have much higher densities, more permanent residents and a greater demand for urban type services than the case study subdivisions. It would appear that these factors influence the long term fiscal solvency of development. The fiscal impact of communities with the above

mentioned characteristics could be a subject for further study.

The study also addressed two subproblems. They were:

- 1) the planning process and the associated administrative functions under the authority of a development plan; and
- 2) data and information requirements to properly undertake fiscal impact analysis.

The consideration for fiscal impact of development during the planning process and associated administrative functions was examined. The L.G.D. and Provincial authorities were most concerned with the impact of development on the physical environment such as soil conditions and vegetation. One objective stated in the Alexander District Development Plan was "to promote orderly and efficient development of recreation lands." Although fiscal impact of development was considered in the Plan, the impact on the physical environment was a more important factor in designating areas for development.

Reliability and accuracy of the information and cost estimates used in the analyses can be questioned since there were no logs or cost account records for each service function in a subdivision. An assumption in the application of the case study method is that local public officials can provide the most accurate estimates for service requirements and associated costs to service new developments. Other costing methods such as per capita multiplier or service standard could not be applied. Therefore, results could not be checked for accuracy in estimating costs. If seasonal population was included in the census of population, then other costing methods

could be applied.

The hypothesis tested in this study was:

That local government and planning in rural Manitoba does not allow a thorough review of the potential fiscal impact of second home community developments.

The testing of the hypothesis through a case study of a rural area in Manitoba experiencing rapid growth in the number of second home communities does not allow a definitive conclusion to be made. The L.G.D. of Alexander did consider fiscal impact of second home community development but this was based on the belief that the impact would always be negative. The fiscal impact of each case study subdivision was considered to some extent by the L.G.D. because it ensured that basic site improvements and services were provided by the developer.

The application of F.I.A. to second home communities to determine their inclusion or exclusion for development is not justified. Use as a planning tool to minimize the overall impact of development is a more appropriate use. Where potential fiscal impact is negative, zoning for development according to fiscal impact might be considered. The results of F.I.A. applications can also be used in financial planning for services to new development. Potential positive or negative fiscal impacts would be useful information to local governments when negotiating development agreements. Certainly, F.I.A. is an important evaluation tool for planning to ensure the fiscal solvency of developments in the future.

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APPENDIX I

THE ALEXANDER DISTRICT DEVELOPMENT PLAN
GENERAL OBJECTIVES AND POLICIES

GENERAL OBJECTIVES AND POLICIES

To link the general developmental difficulties outlined in the background information reports to the specific policies recommended in this Plan, the following list of overall objectives has been prepared:

1.1 General Objectives

The primary planning objectives of the Planning District are to provide for development of District resources in such a manner as to ensure a high quality environment now and in the future. More specifically, the objectives of this development plan are as follows:

- (1) To encourage further urban growth to occur in existing communities and settlements which are already providing a range of urban services so as to maintain the existing settlement pattern and preserve community lifestyles.
- (2) To prevent scattered and haphazard urban development, and ribbon development along waterways and highways.
- (3) To maintain and protect the most productive rural and agricultural areas.
- (4) To promote orderly and efficient development of recreational lands.
- (5) To segregate conflicting land uses in the best possible manner.

1.2 General Development Policies

Future land development shall take place in accordance with the following general policies:

- (1) Land use decisions shall consider the major needs of the people in the area.
- (2) Land use development shall occur so that the services which the community requires are provided in an orderly and rational manner.
- (3) Land should be used in accordance with the land capability to accommodate that use.
- (4) Land use planning shall ensure that the

carrying capacity of the natural resources is not exceeded and that any proposed development makes the most efficient use of these resources.

- (5) Land use planning shall discourage practices which tend to create soil erosion or pollution of water, air or soil.
- (6) Land use planning shall minimize the impact of natural hazards such as flooding and shoreline erosion on people and land.

APPENDIX II

SECTION III OF THE ALEXANDER DISTRICT
DEVELOPMENT PLAN - LAKE WINNIPEG-
TRAVERSE BAY SECTOR PLAN

SECTION III - LAKE WINNIPEG-TRAVERSE BAY SECTOR PLAN

3.1 INTRODUCTION

The Lake Winnipeg-Traverse Bay area has been identified in this overall policy statement as an area which, due to a complexity of development pressures, requires comprehensive study to enable specific concerns and objectives to be established to complement the general nature of the overall policy statements as they apply to this area.

A comprehensive background study was undertaken for the Lake Winnipeg-Traverse Bay Area. This study provided a basis for the formulation of the Lake Winnipeg-Traverse Bay Sector Plan which establishes more detailed and specific development policy for this area, thus complementing the previously established policies of the entire Alexander Planning District.

3.2 KEY PLANNING OBJECTIVE

The key planning objective of the Lake Winnipeg-Traverse Bay Sector Plan is to regulate and guide seasonal development to ensure an optimum balance between the capability of the natural and recreational resources and the demand for such resources. This would ensure the dual purpose of maintaining a high quality environment and providing an adequate supply of land for recreational development.

3.3 LAND USE AREAS

3.3.1 RECREATIONAL AREAS

Within the Lake Winnipeg-Traverse Bay area, background studies have identified areas which show varying degrees of development potential. The capability or potential for recreational development has been translated into density-related designations which are shown on the map entitled The Lake Winnipeg-Traverse Bay Sector Plan attached hereto as Appendix "C" of The Alexander District Development Plan. The following is a description of each development designation.

3.3.2 HIGH DENSITY

The areas designated for high density recreational development encompass those areas which are presently intensively developed as well as those areas which exhibit a high degree for potential development. In consideration of cottage as seasonal home development, the basic development criteria will be a minimum site area ranging from 20,000 square feet to 12,000 square feet of a maximum development density of 1 to 2 sites per acre as determined by the following criteria:

- (1) Maximum density of 2 units per acre and a minimum site area of 12,000 square feet.

Areas to be subdivided at the above density shall have well drained medium textured soils and dense mixed wood vegetation. The area shall have very good access to a nearby shoreline public reserve capable of withstanding intensive use.

Sewage disposal should consist of a holding tank or a fully serviced municipal lagoon system if the development will be used year-round.

- (2) Maximum density of 1.5 units per acre and a minimum site area of 15,000 square feet.

Areas to be subdivided at the above density are those areas having dominantly well drained to imperfectly drained soils with a coarse to medium texture, upon mixed wood, aspen or white spruce stands. The area shall have good access to a nearby shoreline public reserve capable of withstanding intensive use.

Sewage disposal should consist of a holding tank, a septic field where conditions permit or if the development is to be used year-round, a fully serviced municipal lagoon system. Where holding tanks or similar sewage disposal systems are used and at the discretion of the Responsible Authority, a minimum site area of 12,000 square feet may be used; however, the overall density of the development shall remain as stated.

- (3) Maximum density of 1 unit per acre and a minimum site area of 20,000 square feet.

Areas to be subdivided at the above density are those areas that possess some rock outcrop or imperfectly drained soils of coarse, medium or fine texture and having mixed wood aspen, white spruce or jackpine stands. The area shall have fair access to a public shoreline reserve within reasonable walking distance which could support the anticipated use created by such development.

Sewage disposal could consist of a holding tank, an outdoor privy or a "flush-omatic" for a seasonal use or a fully serviced lagoon for a year-round usage.

Where holding tanks or similar sewage disposal systems are used and at the discretion of the Responsible Authority, a minimum site area of 12,000 square feet may be used; however, the overall density shall remain as stated. This situation could occur where topographic conditions favour small clusters of building sites.

The density of recreational developments of a commercial nature shall be considered in terms of the total population expected to use a given site and relative to the equivalent population expected if the area were to be developed for seasonal homes in accordance with the preceding criteria.

3.3.3 MEDIUM DENSITY

Some areas, although located adjacent to existing or high potential development areas, were designated medium density due to moderate to severe limitations on development. Such limitations might include poor drainage or soil conditions, sensitive vegetative cover, extreme distance to beach or water facilities and lack of public shoreline reserve capable of supporting intensive development. The large site will provide for more on site or land related recreation rather than water oriented as with more dense developments. There is also the effect of preserving the natural appearance of the area. The basic development criteria will be a minimum lot size of 40,000 square feet with a maximum development density of 1 unit per 5 acres.

Permanent dwellings will also be allowed in these areas subject to the following conditions:

- (a) That the site has access to an existing all-weather road;
- (b) That there is an adequate supply of potable water available; and,
- (c) That the natural environment will not suffer significant deterioration through the installation and operation of a septic field or comparable waste disposal system.

3.3.4 LOW DENSITY

The areas designated low density are a result of severe limitations to development or poor locational factors as described in Section 3.3.3. The basic development criteria for seasonal homes will be a minimum site area of 40,000 square feet with a maximum development density of 1 unit per 10 acres.

Permanent dwellings will also be allowed in these areas subject to the conditions as outlined in Section 3.3.3.

3.3.5 NATURAL ENVIRONMENT AREAS

Areas designated as natural environment areas extend over those rural lands where a low capability exists for development and except for some limited form of development, such areas will be maintained in their natural state. Many of these areas are owned by the Crown.

3.3.6 PUBLIC ACCESS SYSTEM

An important aspect of recreational development is the provision of adequate public access to recreational activities. In the Lake Winnipeg-Traverse Bay area it is the shoreline area that is the major focus. To ensure that the shoreline remains accessible to the public it will be the policy of the Responsible Authority to:

- (1) require sufficient areas along the shoreline to be dedicated to the Responsible Authority when the subdivision of land takes place (see Section 2.2.1(2)(k));
- (2) require that sufficient pedestrian access to the shoreline area be provided to allow for public access by non-lake front owners and to ensure adequate access for further backshore development;
- (3) to acquire shoreline access as it becomes available in areas where development has already occurred.

To further augment the recreational facilities of the Lake Winnipeg-Traverse Bay area the Responsible Authority shall establish a trail system to accommodate both motorized and non-motorized forms of transportation. The main spine of this system will be the abandoned railway right of way as shown on Appendix "C". Connecting links between public shoreline reserves, development areas and the abandoned railway right of way shall be established where possible as part of development agreements to ensure a continuous public access system.

3.3.7 TRANSPORTATION SYSTEM

In addition to Provincial Trunk Highway No. 59 which falls under the jurisdiction of the Highway Traffic and Motor Transport Board (see Section 2.4.2.(1)), the Responsible Authority may designate certain roads as primary collectors and secondary collectors for the purpose of controlling access and adjacent development. These roads have been

indicated on Appendix "C".

Source: Municipal Planning Branch, The Alexander District
Development Plan (Winnipeg, 1975), pp. 20-24.

APPENDIX III

CONDITIONS OF SALE BETWEEN RECHOLD LTD.

AND LOT PURCHASER

HILLSIDE POINTA Controlled Lake Shoreland Subdivision

HILLSIDE POINT has been planned with the aim of preserving the beauty and natural environment of the subdivision area.

The latest in land planning principles and techniques have been employed in the development of HILLSIDE POINT. Extensive studies were made of the land levels or contours of the property and of the natural vegetation and land forms and roads. Road systems have been carefully related to these aspects, being planned to efficiently serve the individual lots and to prevent annoying through traffic throughout the development.

The actual lakefront lots have been planned in modified clusters in order to gain as much lake frontage for as many lots as possible. Government planning authorities demand that public reserve land be dedicated to "the Crown in right of the Municipality" in order to adequately protect the general public interest and use of our precious lake shorelands. The planning of HILLSIDE POINT has carried through the Government requirements adequately providing public reserve - not only along the shoreline but in the form of open space and parkland within and throughout the total development. Footpaths are planned which interconnect all public reserves or parks allowing pleasant, quiet walks throughout the development.

A water system will be provided allowing all lots to gain direct water connection.

Sewage will be handled by individual holding tanks for each cottage or dwelling and a sewage pump-out service will be available to all property owners.

Power will be available at the property line of each lot.

REQUIREMENTS AND CONTROLS ON SALE OF LOTS

In order to carry through the objectives and principles of the planning of HILLSIDE POINT, it is important to control such things as siting of cottages as they relate to one another and to the overall development; road approaches to the individual lots and also the building form, quality and character of the individual structure to be built.

RechoId Ltd., the developer, will then require agreement on

such of these aspects from the purchaser of a lot in the subdivision.

Requirements are as follows:

1. Before cutting any trees, building any driveway access, staking out house or cottage or placing a building shack on the lot, a purchaser must submit a site plan showing the intended driveway location, and the location of the dwelling on the lot, and the location of any other out-house or building intended.

If it is intended to fence the property this should also be indicated on the drawing.

2. Sketch drawings of plans and exterior elevations of the structure to be built on the lot must be submitted for approval. Materials and colour of exterior walls, trim and roof should be indicated on these drawings.
3. Plans are to be submitted to Rehold Ltd., no later than six months after purchase. Within one year of date of purchase of lot construction of cottage or dwelling must be started.
4. In the event of transfer of land or resale of land, these requirements and controls must be transferred to and agreed upon by the new owner. Rehold Ltd., must be advised if property is transferred from the original purchaser.

It is the intention of Rehold Ltd., through its Architectural advisers and Planning Consultants, to professionally advise on and approve the kind of structure to be built, its location on the property, drives or walk approaches, etc.

In addition to the requirements controls by Rehold Ltd., the Municipal Building Bylaws must be adhered to. A copy of the pertinent clauses of this Bylaw is attached.

APPENDIX IV

SEASONAL RESIDENTIAL DEVELOPMENT
AGREEMENT BETWEEN THE LOCAL
GOVERNMENT DISTRICT
OF ALEXANDER AND
RECHOLD LTD.

SEASONAL RESIDENTIAL DEVELOPMENT AGREEMENT

THIS AGREEMENT made in duplicate this 21st day of April A.D. 1975.

BETWEEN:

THE LOCAL GOVERNMENT DISTRICT OF ALEXANDER
(hereinafter called the "Local Government District")
OF THE FIRST PART,

- and -

RECHOLD LTD.
(hereinafter called the "Developer")
OF THE SECOND PART.

WHEREAS the Developer is entitled to be the owner of certain lands located within the Local Government District of Alexander as described in Schedule "A" hereto and outlined in red on the plan attached as Schedule "B" hereto, which lands are described herein as the "planned area";

AND WHEREAS the Developer proposes to develop the said lands for seasonal recreational residential purposes;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises, and the mutual covenants herein contained and for other good and valuable consideration (the receipt and sufficiency whereof is hereby acknowledged by all of the parties hereto), the parties hereto covenant and agree as follows:

1. For the purpose of this agreement the following definitions shall apply:

ENGINEER: shall mean the engineer appointed by the Local Government District as their consulting engineer for the purposes of this agreement.

PLANNED AREA: shall mean the lands described in Schedule "A"

hereto and outlined in red on the plan attached as Schedule "B" hereto.

STREET OR STREETS: includes all highways, roads, lanes, avenues, thoroughfares and ways of a public nature, and also includes sidewalks, parks, public squares and other public places unless the contrary is stated.

2. The agreement between the parties shall consist of the following:

- (a) This agreement consisting of 10 pages;
- (b) Schedule "A" - Legal description of the "planned area";
- (c) The proposed overall plan of the "planned area" as shown on Schedule "B" hereto;
- (d) The proposed plan of streets, lanes, walkways and public reserve dedication;
- (e) All other Schedules hereto;
- (f) Any variations in, additions to, or deletions from this agreement or the plans and specifications, profiles and drawings which the parties hereto may agree upon from time to time and which shall be confirmed by both parties in writing, all of which shall be binding upon the parties hereto as fully and to the same extent as those incorporated herein.

3. INSTALLATION OF MUNICIPAL SERVICES

A. The Developer covenants and agrees to construct, install and complete in good and workmanlike manner within the "planned area", in accordance with the plans and specifications supplied by the engineer and at the Developer's expense:

(i) Such wells as may be required to supply each and every lot within the subdivision with a supply of potable water in accordance with the requirements of the Environmental Protection Branch, Department of Mines, Resources and Environmental Management, Province of Manitoba and the Local Government District of Alexander.

(ii) (a) Gravel surface roadways on all

streets within the subdivision, having widths, a base coarse and sub-base coarse as the Local Government District may require.

(b) The Developer shall rough grade with cuts and fills, the ground surface of all streets to finished elevation before excavation for any finished surface.

(c) The Developer is required to adequately maintain, including gravelling and oiling, any access road into the subdivision until the last significant construction of municipal services as herein provided has been completed, at which time the Local Government District assumes ownership and responsibility for maintenance thereof.

(iii) Land drainage ditches which the Local Government District may consider necessary to adequately drain the subdivision and adjacent area, including surface drainage.

(iv) Culverts meeting the specifications of the Local Government District to provide access to each lot within the subdivision.

B. The Developer covenants and agrees that it will undertake such further and other capital expenditures as the Local Government District may require, pertaining to the development, as detailed in Schedule "C" hereof.

C. The Developer covenants and agrees that it will undertake to have a Manitoba Land Surveyor pin identify the corners of each and every lot within the subdivision.

D. The Developer shall at no expense to the Local Government District arrange for the installation of all electrical and telephone services, to the satisfaction of the Local Government District, and the Developer undertakes and agrees to be responsible for the re-location of any hydro poles, lines, cables, or other appurtenances of the Manitoba Hydro or Manitoba Telephone System or any other service or utility which it may be necessary to re-locate as the result of the within agreement.

E. The Developer covenants and agrees, at no expense to the Local Government District, to construct such foot paths and other recreational facilities upon the public domain, in the sub-

division, as shall be required by the Local Government District, as detailed in Schedule "C" hereof. Upon completion of construction of the public domain, the Local Government District shall assume responsibility for the maintenance of the services and enforcement of the controls in the public domain as set out in Schedule "C".

F. All municipal services referred to in this agreement and which the Developer is required to install pursuant to the terms hereof shall become the property of the Local Government District of the Provincial Crown or Manitoba Hydro, or Manitoba Telephone System, as the case may be, without any costs to the aforementioned parties, upon certification by the engineer that such work has been properly installed and completed.

G. The Developer covenants to be responsible for all costs incurred by the Local Government District, and without limiting the generality of the foregoing, including land acquisition costs, surveying, appraisal, engineering, planning and legal costs relating to the preparation and performance of the terms of the agreement as necessitated or arising in any manner whatsoever as a result of this agreement.

H. The Developer undertakes and agrees not to make any application to rezone any of the property included in the "planned area" without the express approval and consent of the Local Government District first had and obtained.

I. The Developer undertakes and agrees and covenants with the Local Government District on its behalf and on behalf of its successors to provide the Local Government District with a 100% performance bond or irrevocable letter of credit from a chartered bank in Canada, covering labour, material and maintenance in favour of the Local Government District in a form satisfactory to the Resident Administrator and the Municipal solicitor in an amount required by the Resident Administrator of the Local Government District for the purposes of compliance with the provisions of this agreement. Such performance bond if applicable shall be issued by a recognized Insurance Company licensed to carry on business in the Province of Manitoba.

J. The Developer covenants and agrees that upon the sale of any part of the lands within the "planned area" (being less than the "planned

area"), he shall require each prospective purchaser to have completed, within a period of 24 months from the date upon which title is obtained by the purchaser, the construction of a seasonal residential dwelling to a stage suitable for human habitation.

4. It is understood and agreed that a Local Improvement District shall be created consisting of all the lots in the "planned area", and each subsequent owner or owners may be required to covenant and agree that upon the cessation of the Developer's obligations to prepare and maintain the services referred to above, that the maintenance thereof shall be undertaken by the Local Government District at the sole expense of the owners of the lots within the "planned area".

5. INDEMNIFICATION

The Developer undertakes and agrees to indemnify and save harmless the Local Government District from and against all claims for damages arising from the installation of all municipal services referred to in this agreement during the course of the construction thereof and until the construction has been accepted by the Local Government District in accordance with the provisions of this agreement, together with all costs, charges and expenses arising by reason of, or in connection with, such claims which may arise as a result of the performance of the terms of the within agreement. It is further understood and agreed between the parties hereto that upon the Local Government District entering into this agreement, it shall not be liable in any manner whatsoever to the Developer, dealing with any aspect of a proposed development.

6. ARBITRATION

A. In the event that a dispute arises between the parties hereto as to any aspect of this agreement, then such dispute shall be referred to a single arbitrator, if the parties can mutually agree upon one, otherwise to three arbitrators, one to be appointed by the Developer and the third to be chosen by the first two arbitrators; and

B. In the event that the first two arbitrators fail to agree upon a third then either party may apply to a judge of the Court of Queen's Bench to appoint a third arbitrator, who shall act as a chairman of such arbitration.

7. OPEN SPACE DEDICATION

The Developer covenants and agrees to dedicate or transfer to the Local Government District without cost, for public purposes (other than highways) and to vest title in

the name of the Local Government District at the time of registration of the subdivision, the lands shown coloured green on Schedule "B" hereto.

8. WELL SITE

The parties hereto agree that the Developer shall convey to the Local Government District or its nominee the lands outlined in green on the plan attached as Schedule "B" hereto, and the Local Government District agrees to lease the subject lands back to the Developer on terms mutually agreeable to both parties.

9. DEFAULT BY THE DEVELOPER

If the Developer should default under any provision of this agreement, The Local Government District shall give the Developer notice of the particulars of such default, so alleged, by registered mail with an acknowledgement of receipt attached, addressed to the last known address of the Developer, and such notice shall be deemed to have been given and received by the Developer on the date shown on the acknowledgement of receipt card so returned.

If within 30 days after the giving of such notice the Developer fails to rectify such default as contained in the notice, to the satisfaction of the Local Government District, then the Local Government District shall be entitled to specific performance to rectify such breach or default, or alternatively shall be entitled to seek an injunction to restrain such breach, or to enforce any terms or condition of this agreement or shall be entitled to seek a declaration of terminating this agreement for non-performance, or any and all such remedies (which remedies are hereby acknowledged as being cumulative and not alternative), provided further that if the agreement is so terminated, by virtue of the Developer's default, the parties hereto agree that the Local Government District shall not be liable for any loss or damage that may be suffered by the Developer as a result of such termination, and the parties hereto further covenant and agree that the Local Government District in any such event, shall not be liable for any loss or damage suffered by another person, firm or corporation by virtue of such termination and the Developer does hereby for himself and his successors and assigns indemnify and save harmless the Local Government District, and its successors and assigns, from any claims or demands from any person, firm or corporation which may suffer loss or damage by reason of the termination of this agreement because of the Developer's failure or default as aforesaid.

11. BUILDING RESTRICTION

It is further understood and agreed between the parties hereto that the following building restriction shall apply within the "planned area":

1. No building shall be erected on the lands other than one seasonal dwelling house, said dwelling house to be used for single family dwelling requirements only.
2. Not more than one driveway shall be constructed for each dwelling unit and the driveway shall not have more than one access to and from an abutting street and such access shall not be to and from more than one street within the "planned area".
3. No building or erection of any kind shall be erected on the land unless the plans, specifications and locations thereof as indicated by a site plan including the distances from the front, side and rear limit shall have first been submitted to and approved by the Local Government District to its building inspection, no such building or other erection shall be constructed or placed on lands otherwise than in conformity with such plans, specifications and site plans. It is further understood and agreed that the Local Government District of Alexander is in the process of passing a building permit by-law, and that upon its passing all builders and owners within the subdivision will be bound by the contents of such by-law.
4. No motor vehicles other than private passenger motor vehicles shall be parked upon the lands unless concealed in a wholly enclosed garage.
5. No excavation shall be made on the lands except for the purpose of building on the same or for the improvement of gardens and grounds, thereof.
6. No building waste or other materials of any kind shall be dumped or stored on the land except for clean earth, sand or gravel for the purpose of leveling in connection with the erection of a building thereof or the immediate improvement of the grounds.
7. No animals other than household pets normally permitted in private homes in urban residential areas shall be kept upon the lands.

8. No mobile home or other similar trailers shall be allowed to be placed on the lots within the "planned area" for the purposes of family dwelling.

9. Within the "planned area" there shall be no open burning of garbage.

10. Each and every owner or lessee of lots within the "planned area" shall be responsible for the installation and maintenance of a fibre glass or concrete septic holding tank upon his lands, for the purpose of retaining raw sewage. Such sewage retaining devices shall be subject to the approval and inspection of the Local Government District, and it shall be incumbent upon each individual lot owner or lessee to furnish annual proof to the satisfaction of the Local Government District, that a regular septic disposal service is being engaged to ensure the orderly collection and disposal of the sewage collected in the holding tanks.

11. The burden and benefit of these restrictions and covenants shall run with the lands and shall be annexed to and run with each and every part of the land, and all subsequent purchasers may be required to enter agreements with the Local Government District affirming their willingness to be bound by the restrictive covenants herein contained.

12. This agreement shall not be assignable by the Developer without the consent of the Local Government District first had and obtained in writing; which consent is not to be unreasonably withheld.

13. Any party to this agreement may waive the performance of any provisions required to be performed for its benefit by the other party, provided that waiver shall be in writing, and provided further that any such waivers shall extend to only the particular breach so waived or performances so excused, and shall in no way be deemed to be a continuing waiver of such provisions or other terms or provisions of this agreement.

14. The headings of the paragraphs contained in this agreement are hereby stated to be inserted for convenience only, and shall in no way define, limit or restrict or describe the scope or intent of this agreement nor affect in any way whatsoever its terms and provisions.

15. This agreement shall enure to the benefit of and be binding upon the parties hereto, their respective

successors and assigns, provided that no assignment of any part thereof shall be made except with the written approval of the Local Government District.

IN WITNESS WHEREOF the party of the first part caused its corporate seal to be hereunto affixed, attested by the hands of its proper officers in that behalf on the day and year first above mentioned;

AND IN WITNESS WHEREOF the party of the second part has hereunto fixed his hand and seal the day and year first above mentioned;

THE LOCAL GOVERNMENT DISTRICT OF ALEXANDER

Original Signed By
Per: Richard A. Andries
Resident Administrator

RECHOLD LTD.

Original Signed By
Per: Ernest J. Smith
President

Schedule "C" referred to in an agreement made between the Local Government District of Alexander and Rechold Ltd. and dated the 21st day of April A.D. 1975.

1. A tree planting program in open space and buffer areas as may be detailed by the Local Government District of Alexander.
2. All paths and walkways within the "planned area" to be cleared and/or constructed under the direction of the Local Government District of Alexander.
3. All building materials and matter of any nature and kind other than vegetation and rock in their natural state are to be removed from the open space areas and public reserves in accordance with the directions of the Local Government District of Alexander.
4. The Developers undertake and agree to contribute the sum of \$500.00 to the Local Government District of Alexander as a contribution to the costs incurred by the Local Government District of Alexander for the improvement, upgrading and/or maintenance of waste disposal and garbage disposal within the Local Government District of Alexander.

AMENDMENT TO SEASONAL RESIDENTIAL DEVELOPMENT AGREEMENT

DATED THE 21st DAY OF APRIL A.D. 1975

THIS AMENDING AGREEMENT made in duplicate this
21st day of April A.D. 1975.

WITNESSETH that for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged the parties agree that the Seasonal Residential Development Agreement made in duplicate between the Local Government District of Alexander (referred to therein as the Local Government District of the First Part) and Rechold Ltd. (referred to as the Developer of the Second Part) and dated the 21st day of April A.D. 1975 is hereby amended as follows:

1. Paragraph 3(j) of page 5 of the agreement dated April 21st, 1975, is deleted and replaced by a new paragraph number 3(j) which reads as follows:

The Developer covenants and agrees that upon the sale of any part of the lands within the "planned area" (being less than the "planned area"), he shall require each prospective purchaser to have completed (within a period of 24 months from the date upon which title is obtained by the purchaser), the construction of a seasonal residential dwelling to a state suitable for human habitation.

2. Paragraph 11(3) is amended by the addition of the words "and owners" immediately following the words "its passing all builders" on line 2 of page 8 of the agreement dated April 21st, 1975.

IN WITNESS WHEREOF the party of the first part has caused its corporate seal to be hereunto affixed, attested by the hands of its proper officers in that behalf.

IN WITNESS WHEREOF the party of the second part
has hereunto affixed his hand and seal.

THE LOCAL GOVERNMENT DISTRICT OF ALEXANDER

Per: Original Signed by
Richard A. Andries
Resident Administrator

RECHOLD LTD.

Per: Original Signed By
Ernest J. Smith
President

Per: Original Signed By
Ralph M. Brighty
Secretary