Economic Impact Analysis of Major Development Projects in Peachland

FINAL REPORT

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and

URBAN FUTURES

Strategic Research to Manage Change

Prepared for:

District of Peachland

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Peachland is on the verge of significant change.

Over the last 15 years, the community's population grew by an average of less than 50 people annually. Based on current development plans, Peachland could grow by more than 500 people per year over the next 15 years.

The purpose of this study is to determine what this level of growth means for Peachland, looking especially closely at municipal finances. The community's property tax base will be growing substantially, but so will the need to provide services for all of the new residents. The study also considers the impact on Peachland's retail market, employment, and various social factors, including education, health care, policing and social cohesion. It does not evaluate the viability of any single project or compare the projects to each other. Rather, it examines the cumulative impacts.

Before getting to the results, it is important to acknowledge the difficulty in making accurate projections about what will happen next year, let alone 20 years into the future. The analysis therefore relies on many assumptions about how things will change, all of which have been carefully documented. The consulting team worked closely with District of Peachland staff and asked many questions of the project developers, especially of the two largest projects, Ponderosa and New Monaco. Other organizations in the region from the Regional District of Central Okanagan to Interior Health to the School District to neighbouring municipalities, as well as many others, were also consulted on specific issues.

In addition to Ponderosa and New Monaco, the study also includes future development in the downtown and in a series of smaller developments currently planned throughout the community. The study looks at two scenarios for growth over the next 20 years (from 2012 through 2031), both of which assume a significant rate of growth, ranging from 230 to 270 new housing units per year, on average. Of note, the projected growth includes a far higher rate of apartment development than has historically been the case in Peachland and in the region.

The description of the impacts to follow is based on this high level of growth as that leads to the greatest impacts in the next two decades. It is possible that Peachland's housing market will not be as strong as expected and that growth will be slower, in which case the impacts described here would take longer than 20 years to be realized. But most will be reached eventually.

MUNICIPAL FINANCES

Over the next 20 years, Peachland's municipal finances are expected to be roughly in balance between revenues and costs. But the financial picture would be far worse without the new growth.

This is because the most significant financial challenges facing Peachland in the next few years are not related to new growth. Most important is the transition to full life-cycle costing for municipal infrastructure and other assets (like buildings). This costing approach means that the District has to save more money each year so that when it is time to do maintenance or replace an asset, the required funds are already in place.

Peachland also needs to make some very large investments in new water infrastructure in the next few years, including a new water treatment plant. This is also required even without new growth. And Peachland officially surpassed the 5,000 population mark in the 2011 Census and is now responsible for much higher policing costs.

The reason that new growth makes the situation better is that these large new costs are relatively fixed. So adding more households and businesses to the local tax roll means that the fixed costs can be shared among more taxpayers.

Of course some new infrastructure is required to service the new developments, but the upfront costs are almost always paid for by the project developers. Peachland becomes responsible for maintaining and eventually replacing these new assets, but there are enough new taxpayers to more than cover these costs.

But even though new growth will bring financial benefits, the District will still be challenged to balance its budget each year. The analysis suggests an approximate balance between revenues and costs over the next 20 years, but that means that any unexpected negative conditions could lead to shortfalls. If growth is slower than expected, the extra revenue that is generated from development fees and permits will be less (and these revenues are a big help in improving the District's finances over the next 20 years). Higher-than-expected increases in municipal costs and downloading of more services to local government are other possible challenges that need to be managed on a continual basis.

COMMUNITY AMENITIES

The District has passed an Amenity Contributions Policy that requires developers to contribute a set amount of money for each new housing or commercial unit toward the construction of community amenities. These amenities include the primary school rehabilitation, a new Fire Hall, new civic offices, a waterfront enhancement project along Beach Avenue, an upgraded Community Centre and Museum, new trail development and a multi-purpose arena.

The analysis suggests that it will take more than 20 years before sufficient funds are accumulated to build all of these amenities, but few if any of them would be possible without the support of major new development projects (unless another substantial source of alternative funding could be found). The amenities also create a financial responsibility for the District as their long-term operation, maintenance and eventual replacement costs need to be accounted for.

RETAIL MARKET

Peachland is significantly underserved in terms of local retail. The estimated household spending of Peachland residents would support about 135,000 sq. ft. of retail floorspace, but there is currently only an estimated 72,000 sq. ft. in the community (and some of this is oriented toward serving highway travelers and other tourists).

The new developments will roughly triple the number of households in Peachland and will create demand for an additional 275,000 sq. ft. of retail floorspace. Only part of this demand will be met by new retail development in Ponderosa and New Monaco (about 145,000 sq. ft. is planned, including restaurants and other non-retail uses). So the major new developments will be creating a substantial amount of new spending that can be captured by retailers elsewhere in Peachland (such as the downtown) as well as those elsewhere in the region (Kelowna, West Kelowna, Penticton, etc.).

The new retail developments will expand the range of local shopping options, but rather than competing with existing Peachland retailers for a fixed local market, the size of the local market is expanding at an even faster rate and providing the opportunity for all Peachland retailers to grow.

EMPLOYMENT

As of the 2006 Census (most results from 2011 are not yet available), only 27% of employed Peachland residents had a regular place of work in Peachland. The rest either commuted to other communities or had a job (like construction) that had no fixed place of work. Even if every working Peachland resident wanted to work in Peachland, there would only be enough jobs for about 40% of them.

The major new developments in Peachland will generate substantial new employment opportunities. New commercial developments, including offices, retail space, hotels and the golf course, will support more than 1,900 jobs . As many as 500 to 550 new home-based jobs will be created, depending on the amount of population growth. Between 30 and 35 new jobs will be created in local government (including policing). And construction jobs, while not permanent, will be concentrated in Peachland for many years as the major developments are built. The peak construction employment will be 350 to 375 full-time equivalent jobs (projected to occur in 2016) while the average construction employment will be 165 to 175 FTE positions per year over the next 20 years.

By 2031 there will be a projected 2,500 to 2,600 new permanent jobs in Peachland, roughly quadrupling the current total of about 840 Peachland-based jobs (as of the 2006 Census). Exactly which industries and occupations will grow the most is difficult to tell, but the 800+ office-based jobs, in particular, have the potential to be higher-skill, higher-paying jobs than many of the current jobs in the community.

The projected rapid increase in Peachland's population will naturally include an increase in the number of school-age children. By 2031 there could be more than 1,300 school-age residents, an increase from the current estimate of less than 500.

What exactly this means for Peachland will be influenced by many factors, including enrollment numbers in other parts of the School District and which schools, if any, in proximity to Peachland have excess capacity. There are no plans for new schools through at least 2018 based on the findings of a recent School District analysis (which assumed a much lower level of growth in Peachland). If enrollment at Peachland Elementary School reaches capacity, which would be some years out under any scenario, the School District might consider expanding the existing school, building a second elementary school in Peachland, or busing some students to an under capacity elementary school in close proximity to Peachland, if there is one. The School District does not foresee sufficient demand coming from Peachland, even under the maximum impact scenario, to justify a middle school.

With respect to health services, Peachland has one walk-in medical clinic, a dental centre and a pharmacy. The closest community health centre is in West Kelowna and the closest hospitals are in Kelowna and Penticton. Interior Health has reviewed the population projections presented in this report and concluded that Peachland's secondary and tertiary medical care needs will continue to be met in the larger communities for the foreseeable future. Where there is most likely to be more services provided locally is in the areas of primary and community care.

There are a variety of factors that will influence how and when a community might attract more health care services, but it is anticipated that a larger population will draw new physicians and other health care professionals to set up practices over time. Regarding the potential development of a community health care centre in Peachland, it is a long-term possibility only and would come about only if local physicians would be interested in co-locating services within a single primary care site.

It is not really possible to make definitive statements about the impacts of the new development on social cohesion. Some people will like being part of a larger, growing community while others will prefer a smaller community changing at a slower pace. One thing that is worth noting is that Peachland has not been a static community. The 2006 Census indicated that the percentage of Peachland residents who had recently moved to the community from elsewhere was fairly typical for most BC communities. One of the planning challenges for the future will be to ensure that the new developments are integrated into the existing fabric of the community.

Crime data in recent years shows that Peachland has fewer Criminal Code offences and fewer calls for police service than other areas of the Kelowna Provincial Unit (which covers the unincorporated areas and small communities in the region). As the community grows, there will likely be some increase in criminal activity - construction sites, for example, are often a target for theft. A larger population is likely

to have a higher volume of crime simply due to the larger number of people, but there is no reason to expect that crime will increase on a per-capita basis or will become a significant social problem for Peachland simply as a result of growth and change.

The Okanagan region is a major tourism destination within British Columbia and many tourists already visit Peachland or pass through on the highway. Ponderosa and New Monaco will add to the community's appeal to tourists through the creation of new destinations (e.g., Ponderosa golf course, New Monaco urban village) and by substantially increasing the amount of tourist accommodation. This is positive from an economic development perspective, but from a social perspective there may be some residents who view the additional tourists less favourably since they bring additional vehicle traffic and may cause crowding in areas that Peachland residents also frequent, such as the waterfront. To some extent these impacts are already being felt and will continue as the Okanagan continues to grow and attract more residents and tourists. The major developments in Peachland are simply increasing the pace of tourism growth.

With respect to the long-term impact on residential housing prices in Peachland, the interaction of housing demand and supply in the growing Okanagan region suggest that prices are much more likely to go up than down. While the increase in housing supply will help to moderate prices, neither individual homeowners nor developers have an incentive to sell a lot of homes when prices are flat or falling. There is also no evidence from fast-growing regions elsewhere that rapid population growth leads to depressed housing prices. The most likely outcome is that housing prices will continue to rise, sometimes quickly and sometimes very slowly or not at all for a period of time, as housing demand and supply fluctuate over time in relation to each other.

CONCLUDING STATEMENT

The planned major developments in Peachland will generate many positive benefits for the community. From a municipal finance perspective, the future looks far better with the developments than without them. But District Council and staff will also face many challenges in the coming years, some related to managing and accommodating the rapid pace of growth and others related to pre-existing issues.

Some of the key implications and next steps include the following (in no particular order):

- **Develop strategies to mitigate short-term cost increases.** Over the next 20 years the General Fund will be roughly in balance, but the negative years are concentrated in the short-term and strategies will be required to deal with these short-term pressures.

- **Constrain growth in municipal expenditures.** The financial analysis assumed that municipal costs will increase only at the rate of inflation, even though costs have actually increased more rapidly in recent years. If the recent pattern of municipal cost increases continues, the financial projections in this study will not be achieved.

- **Support growth.** From a financial perspective it is clear that faster growth is better. Peachland has large costs for supporting new and existing infrastructure and assets, so new growth provides additional taxpayers to share these costs. In addition, revenue from development-related fees and permits will be an important part of total municipal revenue during the transition to a much larger and more diversified tax base.

- **Support expanded retail and other commercial development throughout Peachland, especially the downtown.** Supporting expanded commercial development through Peachland would capture more of the new household spending generated in the new developments, thereby enhancing the commercial tax base and improving the range of shopping and services available locally.

- **Do not become overly reliant on development-related revenue.** These revenues will be important in supporting the increased costs associated with managing development, as well as helping to bridge the transition to a larger and more diversified tax base. But they are temporary and the District should avoid excessive reliance on them over the long term.

- **Consider long-term implications of major investment and expenditure decisions.** This long-term perspective is important in, for example, considering the public amenities that would be funded by the Amenity Contributions Policy. Even if the up-front cost to the District for something like a multi-purpose arena is very modest, it will create very significant ongoing operation and maintenance costs.

- **Adopt an outward-looking perspective.** This is a more general point, but it is important to remember that Peachland is part of a growing metropolitan region and shares a common housing market, retail market, labour market and economy with the rest of the Central Okanagan and the communities to the south.

- **Avoid unnecessary manipulation of the housing market.** Decisions about the exact timing and amount of new development on a year-by-year basis are best made by developers responding to the housing market. No one can predict how the market will change but the strongest incentive to get the timing right lies with those putting their own capital at risk. There is very little downside risk for the District as almost all up-front costs of new development are borne by the developers.

1. INTRODUCTION

The purpose of this report is to help the District of Peachland and the community at large to understand the implications of several significant development projects that are planned for the community.

The analysis considers two growth scenarios and identifies possible outcomes with respect to population and housing growth, the retail market, employment, schools and other public services, and perhaps most important, the financial implications for the District of Peachland itself. New development brings with it new sources of revenue, but also new obligations to provide services and to operate and maintain new infrastructure.

The District commissioned this study to provide the information needed to help it make prudent decisions aimed at retaining and enhancing quality public services, a strong economy, and the sense of community that supports Peachland's exceptional Okanagan lifestyle, while also effectively managing the uncertainties of significant growth and change over a long period of time.

The District wishes to gratefully acknowledge the financial contribution of $5,000 from the Central Okanagan Economic Development Commission toward the completion of this study.

ASSUMPTIONS AND INTERPRETATION OF RESULTS

Much more information on specific assumptions will be provided throughout the report, but overall the approach is to create projections for many aspects of community development over the 20-year period from 2012 (Year 1) to 2031 (Year 20). Future events have been smoothed out in terms of timing, even through the reality will turn out to be much more variable on a year to year basis. There will be good years and bad years in the housing market, in the employment market, in the financial markets, and so on. Making projections about the future is inherently full of uncertainties so accurately predicting, for example, whether 2018 or 2021 will be a better year in the housing market is simply not possible with any degree of credibility.

The best way to interpret our results is to look at the cumulative impact over a multi-year period, or to see whether a particular variable is trending up or trending down in the future.

It is also **very important to emphasize** that despite the many assumptions and projections that are made in this report about how development might unfold in Peachland, none of the assumptions or conclusions should be interpreted as an obligation on the developers or the District of Peachland. The obligations of each party are established in legal agreements and nothing that is assumed or projected in this report takes precedence over these agreements. For example, the report makes many assumptions about the timing of development, but various unforeseen circumstances could cause the timing to differ from what is assumed.

STUDY PROCESS

The consulting team of Vann Struth Consulting Group Inc., Eric Vance & Associates and Urban Futures Inc. was retained by the District of Peachland in August 2011. An initial series of site visits and meetings with District staff, Regional District staff, either the developers or their representatives, and members of the business community were held in August and September 2011.

Urban Futures was responsible for preparing the detailed population and housing projections under two scenarios that are used to drive most of the rest of the analysis. That process was completed in October and November 2011 while a series of conference calls, phone interviews and email correspondence was ongoing between the consulting team, District staff, the development teams, and other key information sources (e.g., BC Assessment Authority, Central Okanagan School District, Regional District of Central Okanagan, Interior Health) to collect information and discuss assumptions.

All of the collected information was put into an analytical model and summarized in this report, delivered in draft form in January 2012. The final results will be presented to District Council and the public in March 2012.

2. BASELINE ANALYSIS (PEACHLAND TODAY)

The Baseline Analysis provides some background information on Peachland's current situation and growth trends through 2011. It is always important before proceeding to an analysis of future developments to understand the local context in which development will occur.

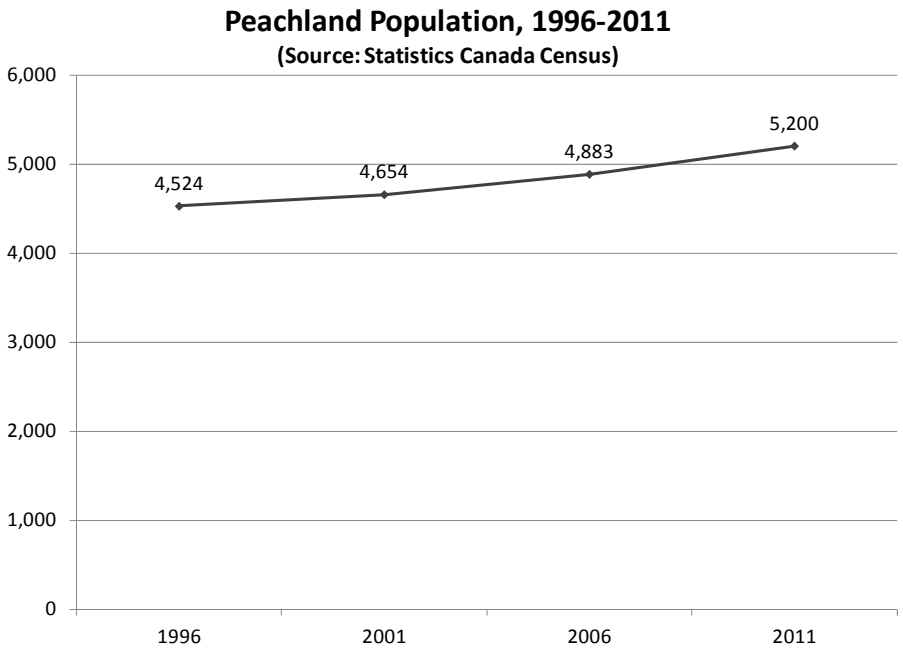
Additional background information on Peachland will be presented in subsequent sections of the report in connection with whichever topic is being covered. What follows is a general overview of Peachland.

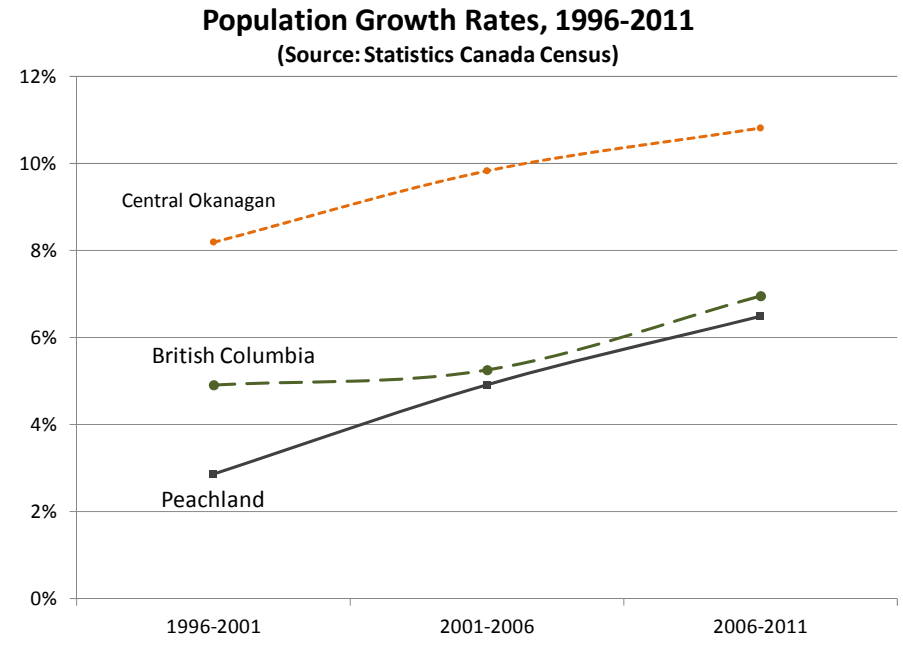
POPULATION

Peachland's population has been growing steadily over time, increasing by an average of about 45 people per year from 1996 to 2011.

The second chart below shows that the rate of growth has increased in each of the last three Census years, matching the pattern of increasing growth in both the Central Okanagan region and British Columbia overall.

Peachland has nearly matched the provincial growth rate in the last two Census periods, but has been growing at a slower rate than the region. The Central Okanagan is consistently one of the fastest-growing areas in BC and Peachland has captured only a modest share of this growth in the recent past.





Changes in the demographics of Peachland's population and labour force are important consequences of the major developments analyzed in this study. Table 1 shows a series of characteristics of both the population and labour force in Peachland compared to the Regional District of Central Okanagan and the entire province.

Peachland's population is substantially older than both the rest of the region and the province overall. As of the 2006 Census (data from the 2011 Census is not yet available), one-quarter of Peachland's population was senior citizens (age 65+) compared to only 15% provincially. This leads directly to Peachland's lower labour force participation rate.

The participation rate measures the percentage of residents over age 14 who are in the labour force, meaning they are either employed or actively seeking work. As will be discussed in greater depth later in the report, participation rates vary greatly by age as people over age 65 are not usually part of the labour force.

Table 1. Selected Population and Labour Market Statistics, 2006

	Peachland	Central Okanagan	British Columbia
Median Age	52	43	41
Population Age 65+	24.9%	19.0%	14.6%
International Immigrants in Population	17.2%	14.8%	27.5%
Labour Force Participation Rate	52.6%	64.0%	65.6%
Working Residents who are Home-based	12.8%	10.5%	9.0%
Population Age 25-64 with Post-Secondary Credentials	61.9%	60.8%	61.8%

Source: Statistic Canada Census

The table above also shows the percentage of employed residents who work at home. Nearly 13% of Peachland's employed residents were home-based in 2006, a higher rate than both the region and province.

Peachland's population in the prime working years of 25-64 has a nearly identical rate of post-secondary education credentials compared to the regional and provincial figures. Within the educational categories, relatively more Peachland residents have college diplomas and apprenticeship training and relatively fewer have university degrees (which is the exact same pattern observed in most smaller communities in the province).

Table 2 on the following page provides a detailed breakdown of employment for Peachland residents as of the 2006 Census.

The sectors employing the most Peachland residents were retail trade, construction, health care and social assistance, and accommodation and food services. The table also shows whether these jobs were located in Peachland (including at home), in another municipality, or at no fixed place of work.

Looking strictly at jobs with a fixed place of work in Peachland, the largest employers were accommodation and food services, followed by professional, scientific and technical services (more than half of which were home-based) and then health care and social assistance. Of the 840 jobs in Peachland, one-third of them (280 jobs) were home-based.

Of the remaining 520 jobs in Peachland (not home-based), 315 of them were held by Peachland residents. This means that only 27% of working Peachland residents had a fixed place of work in Peachland. The rest either commuted to other communities or had a job (like construction) with no fixed place of work.

The other 200 or so jobs based in Peachland were held by people who lived outside the community and commuted to Peachland for work.

Table 2. Employment by Industry and Place of Work in Peachland, 2006

NAICS[1] Sector	Employed Peachland Residents	No Fixed Place of Work	Jobs in Peachland (including Home-Based)	Net Commuting to Other Munis	Work at Home
11 Agriculture, forestry, fishing and hunting	65	10	40	15	40
21 Mining and oil and gas extraction	10	0	0	10	0
22 Utilities	25	0	0	25	0
23 Construction	225	95	35	95	20
31-33 Manufacturing	175	0	15	160	10
41 Wholesale trade	65	25	25	15	30
44-45 Retail trade	255	0	55	200	10
48-49 Transportation and warehousing	95	20	40	35	0
51 Information and cultural industries	65	20	15	30	10
52 Finance and insurance	95	0	20	75	0
53 Real estate and rental and leasing	45	0	10	35	10
54 Professional, scientific and technical services	145	10	115	20	65
55 Management of companies and enterprises	0	0	0	0	0
56 Administrative and support, waste management and remediation services	170	80	35	55	20
61 Educational services	100	10	25	65	0
62 Health care and social assistance	220	20	110	90	15
71 Arts, entertainment and recreation	55	10	45	0	0
72 Accommodation and food services	215	0	195	20	25
81 Other services (except public administration)	65	15	25	25	10
91 Public administration	65	0	25	40	15
Total	**2,155**	**320**	**840**	**995**	**280**
Distribution	100%	15%	39%	46%	13%

Source: Statistics Canada

[1] NAICS is the North American Industry Classification System. It is the standard system used by Statistics Canada (as well as their American and Mexican counterparts) to classify economic activity.

HOUSING CHARACTERISTICS

Table 3 shows a variety of characteristics of Peachland's housing stock as of the 2006 Census. Single-detached houses are the predominant housing form, accounting for more than three-quarters of all units, compared to only half provincially. The apartments developed as of 2006 were in smaller buildings (i.e. low rises).

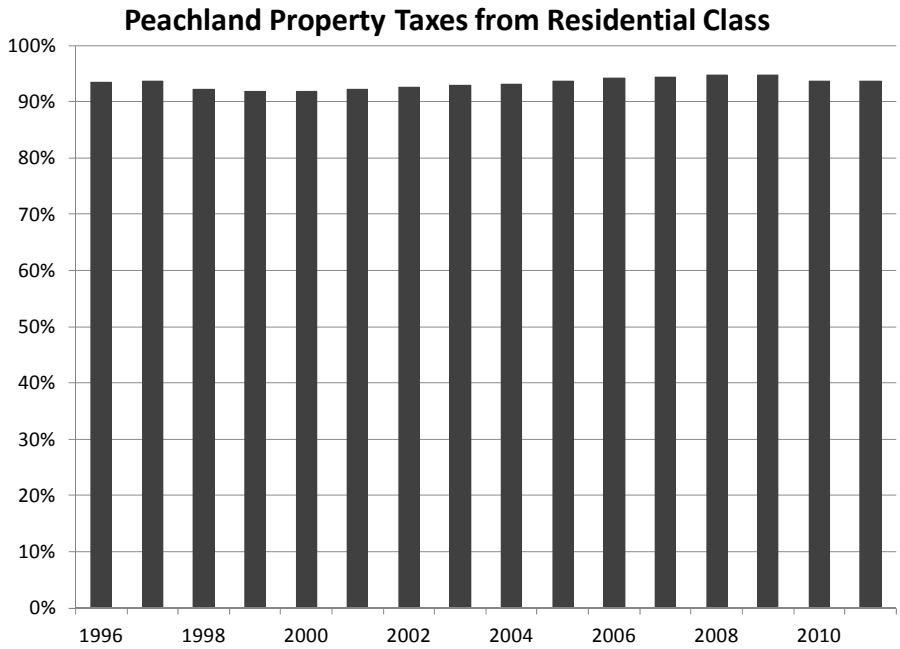
Home ownership was much more common in Peachland compared to both the region and BC. With respect to housing age, the strong growth rates in the Central Okanagan are reflected in it having a lower percentage of homes constructed before 1986. Peachland has also had relatively more new construction than the provincial average, but less than the rest of the Central Okanagan.

Table 3. Selected Housing Characteristics, 2006

Housing Characteristics	Peachland	Central Okanagan	British Columbia
Housing Form			
Single-detached house	77.2%	57.6%	49.2%
Semi-detached houses	1.9%	4.6%	3.1%
Row houses	1.9%	5.5%	6.9%
Apartments (duplex)	4.9%	7.0%	10.0%
Apartments (less than five storeys)	10.2%	18.4%	20.9%
Apartments (five or more storeys)	0.0%	1.2%	7.1%
Other dwellings	3.7%	5.7%	2.8%
Housing Ownership			
Owned dwellings	85%	77%	70%
Rented dwellings	15%	23%	30%
Housing Age			
Constructed before 1986	56%	51%	62%
Constructed between 1986 and 2006	44%	49%	38%

Source: Statistic Canada Census

Peachland's municipal tax base is heavily reliant on the residential property class, with more than 90% of tax revenue paid by the residential class since at least the mid 1990s.



Compared to other municipalities in the Central Okanagan (plus Summerland), Peachland is most reliant on the residential class. Only 5% of Peachland's municipal tax revenue comes from the business class and there is less than half of one percent in the light industry class. Larger centres typically derive a higher percentage of tax revenue from business classes, which is the case in most of the Central Okanagan. Kelowna, for example, receives only 70% of its municipal tax revenue from residences.

Table 4. Municipal Property Tax Revenue by Class, Selected Municipalities, 2011

Property Class	Peachland	Summerland	West Kelowna	Kelowna	Lake Country
Residential (Class 1)	94%	84%	84%	70%	86%
Major Industry (Class 4)	0%	0%	1%	0%	0%
Light Industry (Class 5)	0%	2%	3%	2%	2%
Business/Other (Class 6)	5%	13%	12%	27%	9%
Other	1%	1%	0%	1%	3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Government of BC

3. DESCRIPTION OF MAJOR DEVELOPMENT PROJECTS

The analysis in this report is focused on the implications of several major development projects that will unfold over the next 20+ year. This section provides a brief description and summary of the key characteristics of each project.

Throughout the report housing units are grouped into three categories:

- **Single Detached**, also referred to as single-family homes.
- **Other Ground Oriented (OGO)**, which is multi-family development where each unit has a separate entrance, such as townhouses or row houses.
- **Apartment**, which is multi-family development with a common entrance and shared hallways and lobbies.

The type of housing unit does not imply any particular type of housing tenure. Even though apartments may be more likely to be rental units, that is not necessarily the case.

3.1. PONDEROSA/PINCUSHION RIDGE

The Ponderosa/Pincushion Ridge project (often referred to simply as Ponderosa or Ponderosa-Pincushion) will contain a destination golf resort around the redeveloped Ponderosa Golf Course, along with a mixed-use urban village on a site at the base on Pincushion Mountain in Peachland.

The urban village will include a hotel, other short-term rental units (including golf cottages and vineyard units), some retail development (including a restaurant with wine tasting centre) and a variety of ground-oriented multi-family (townhouse) and apartment homes. The entire development will include more than 2,500 units, including more than 400 hotel and short-term rental units that are counted as a half-unit each to fit within the maximum 2,310 units. There are more than 2,000 units planned for permanent residential use.

The project is being developed by Treegroup Developments Corp. with New Town Planning Services Inc. as their development consultant. Representatives of both Treegroup and New Town have contributed their time toward gathering information and responding to questions from the consulting team. A more complete project description can be found in the Ponderosa/Pincushion Ridge Area Sector Plan, completed by New Town in May 2011, as well as the Phased Development Agreement and other documentation available through the District of Peachland's website.

3.2. NEW MONACO

The New Monaco project is envisioned as a commercial mixed-use village with a strong emphasis on sustainability principles. It will be located at the eastern edge of Peachland near the intersection of Highways 97 and 97C.

The project will include retail and office development as well as a 100-room hotel and about 2,500 housing units, plus 300 units of seniors housing.

Representatives of New Monaco and Colliers International Consulting met with the consulting team to explain the project and provided significant follow-up information in response to a variety of questions. The New Monaco Area Structure Plan, completed in January 2011, is available along with other project information on the District of Peachland's website.

3.3. DOWNTOWN REDEVELOPMENT

Development plans for Peachland's downtown are still largely in the conceptual stage and there are no specific, large-scale projects currently in the development process. A vision for the downtown was established several years ago through a charette process operated by the Design Centre for Sustainability at the University of British Columbia.

TNI The Network Inc. is a large employer in downtown Peachland and has acquired multiple properties, with the possible goal of consolidating operations. Again, no specific development plans are in place, but the company may be involved in whatever formal plans are eventually developed. The District of Peachland is also a major landowner and employer in the downtown and will be looking into building a new Fire Hall and more civic office space within the next decade.

Without specific development plans yet in place, it was determined that 400 apartment units would be a reasonable assumption for the level of new development downtown over the next 20 years.

3.4. OTHER SMALLER DEVELOPMENTS

In addition to the three large developments identified above, there are a series of smaller developments in Peachland that were analyzed in aggregate.

These developments are located throughout the community and include 98 hotel units (Aquavita and Trepanier), as well as more than 200 housing units at Island View Villas, Lakeview Subdivision, Trepanier Manor Corp., Ice Developments/View 180, Bob's Mercantile, Morrison Ridge and the Hangingstone Development.

4. POPULATION AND HOUSING MARKET ANALYSIS

The first step in analyzing the implications of the new developments was to determine the rate and type of housing built on a year-by-year basis and the implications of that development for population growth.

Urban Futures Inc. prepared a sub-report focusing specifically on these issues (contained in Appendix B). The overall approach is the development of a "Community Lifecycle Model". This approach takes into consideration the type of housing that is planned for Peachland, including single-family, other ground-oriented (such as townhouses and row housing) and apartment units, and the demographics of the people that have purchased these types of new units in the past in Peachland and the Central Okanagan. Once a picture forms of the types of new residents attracted to the community (including their age and sex), the regular demographic processes of aging, fertility and mortality are applied.

In other words, the types of units coming onto the market determine the number and type of people who will move to Peachland, and then these people will grow older, have children, and pass on in a relatively predictable pattern. To illustrate, the average number of new people moving into the new developments in Peachland is expected to be 2.67 for single-family homes, 2.30 for other ground-oriented units, and 1.62 for apartments.

Through discussions between the consulting team and District staff, an approach was agreed upon that involved the creation of two alternative development scenarios. **Scenario 1** is called the "Community-specific" scenario. It is based on current plans for the timing of development, as determined through consultation with the developers of each project and/or District staff. The developers were asked to outline their planned phasing of construction and occupation of each type of unit, recognizing that the actual phasing of development will depend on market conditions and other unanticipated factors.

In summary, the **Community-specific Scenario captures the current expectation for how development will proceed**. The results of the Urban Futures analysis are summarized in Table 5.

Table 5. Community-specific Scenario Summary (Excerpted from Urban Futures Report, Appendix B)

Total Occupiable Units, New Developments, Peachland					Scenario 1
	2012	2017	2022	2027	2031
Total (Cumulative) Permanently-occupied Private Dwellings	62	1,362	3,080	4,275	4,691
Single Detached	*7*	*164*	*265*	*315*	*329*
Other Ground Oriented	*18*	*333*	*766*	*1,104*	*1,224*
Apartment	*37*	*865*	*2,049*	*2,856*	*3,138*
Seniors' Housing	0	100	300	300	300
Non-permanently-occupied Private Dwellings	5	112	253	352	386
Hotel / Short-term Rental	8	186	421	585	642
Total (Cumulative) New Units, Peachland	75	1,760	4,055	5,512	6,019
Total Population, New Developments, Peachland					**Scenario 1**
	2012	2017	2022	2027	2031
Total (Cumulative) Population in Permanently-occupied Private Dwellings	120	2,600	5,755	7,868	8,485
0..4	*5*	*111*	*232*	*304*	*316*
5..12	*8*	*179*	*389*	*526*	*555*
13..19	*6*	*123*	*285*	*429*	*492*
20..34	*26*	*522*	*1,070*	*1,300*	*1,247*
35..49	*21*	*460*	*1,028*	*1,486*	*1,706*
50..64	*26*	*556*	*1,183*	*1,538*	*1,595*
65+	*27*	*648*	*1,567*	*2,285*	*2,574*
Permanent Population in Seniors' Housing	0	175	525	525	525
Potential Population in Non-permanently-occupied Private Dwellings	10	221	495	686	752
Potential Population in Hotel / Short-term Rental	18	391	885	1,228	1,348
Total Potential Peak Load Population	147	3,387	7,660	10,307	11,110

The table shows a snapshot of the expected development results at various points in time: after Year 1 (2012) and then proceeding in five-year intervals to Year 20 (2031). After 20 years there are projected to be just over 6,000 new units developed, including nearly 4,700 permanently-occupied private dwellings, 300 seniors housing units, nearly 400 private dwellings without permanent occupants (such as recreational or seasonal homes), and more than 600 hotel and short-term rental units.

The projected permanent population is about 9,000 new residents (including those living in seniors housing), with an additional 750 temporary residents (seasonal or recreational) and a peak hotel/rental population of more than 1,300.

Scenario 2 is called the "Functional Region" scenario. It recognizes that Peachland shares a similar demographic profile, provides similar lifestyle opportunities, and shares a common housing market with the rest of the Central Okanagan region as well as Summerland and Penticton. Future development in Peachland is therefore considered within the context of the entire market area.

Peachland developments are in competition with developments throughout the market area to capture their share of regional population growth (which is estimated by BC Stats to be nearly 72,000 people over the next 20 years). There is no way to accurately evaluate the relative merits of all developments in

the region, so it is simply assumed that Peachland's share of regional growth will be the same as its share of new housing supply.

For example, planned development in Peachland of just over 5,000 housing units for permanent occupation (only 4,700 of which will be built within the 20-year time frame of this study) make up about 17% of the total planned development in the region. This includes 5% of the planned development of single-family homes, 16% of the planned development in townhouses and row houses and 24% of the planned development of apartments. Peachland is assumed to capture exactly those percentages of future housing demand for each type of unit.

In summary, the **Functional Region Scenario assumes that Peachland's share of regional growth will be the same as its current share of planned housing development.**

A review of current development plans in the market area show a total of about 29,500 units intended for permanent occupation, including about 7,200 single-family homes, 8,000 in the other ground-oriented category and 14,300 apartments. This is a reasonable amount of planned development given expected population growth in the region (according to BC Stats). However, the planned mix of units does not match historic patterns of housing type preference. There are substantially more apartment units being planned than history would suggest there is demand for, and substantially fewer single-family homes being planned in both the region and in Peachland.

The results of the Functional Region Scenario are therefore identical to the Community-specific Scenario with respect to the development of all planned single-family and other ground-oriented units over the next 20 years. The difference is in the development of fewer apartment units. (Note these additional apartment units would eventually be absorbed by the market, just not within the 20-year time horizon used for this study). It is also possible that developers will change their mix of unit types over time in response to market demand.

The results of the Functional Region Scenario are summarized in Table 6.

Table 6. Functional Region Scenario Summary (Excerpted from Urban Futures Report, Appendix B)

Total Occupiable Units, New Developments, Peachland					Scenario 2
	2012	2017	2022	2027	2031
Total (Cumulative) New Private Housing Demand, Peachland Market Area	2,065	12,044	21,254	29,834	36,125
Single Detached	*1,021*	*6,027*	*10,586*	*14,600*	*17,329*
Other Ground Oriented	*522*	*2,975*	*5,122*	*7,116*	*8,604*
Apartment	*522*	*3,042*	*5,546*	*8,119*	*10,192*
Peachland's Share of Market Area Net Additional Private Housing Demand					
Single Detached	0.7%	2.7%	2.5%	2.2%	1.9%
Other Ground Oriented	3.5%	11.2%	15.0%	15.5%	14.2%
Apartment	24.0%	24.0%	24.0%	24.0%	24.0%
Total (Cumulative) Permanently-occupied Private Dwellings, Peachland	150	1,228	2,364	3,370	4,002
Single Detached	*7*	*164*	*265*	*315*	*329*
Other Ground Oriented	*18*	*333*	*766*	*1,104*	*1,224*
Apartment	*125*	*731*	*1,333*	*1,951*	*2,449*
Seniors' Housing	0	100	300	300	300
Non-permanently-occupied Private Dwellings	13	104	201	287	340
Hotel / Short-term Rental	8	186	421	585	642
Total (Cumulative) New Units, Peachland	**171**	**1,618**	**3,287**	**4,541**	**5,283**

Total Population, New Developments, Peachland					Scenario 2
	2012	2017	2022	2027	2031
Total (Cumulative) Population in Permanently-occupied Private Dwellings	**263**	**2,380**	**4,606**	**6,458**	**7,481**
0..4	*11*	*101*	*190*	*259*	*290*
5..12	*13*	*174*	*333*	*441*	*491*
13..19	*9*	*119*	*264*	*387*	*432*
20..34	*58*	*466*	*827*	*1,072*	*1,177*
35..49	*42*	*430*	*857*	*1,247*	*1,467*
50..64	*56*	*509*	*940*	*1,258*	*1,426*
65+	*72*	*582*	*1,194*	*1,794*	*2,198*
Permanent Population in Seniors' Housing	0	175	525	525	525
Potential Population in Non-permanently-occupied Private Dwellings	24	207	397	563	665
Potential Population in Hotel / Short-term Rental	18	391	885	1,228	1,348
Total Potential Peak Load Population	**305**	**3,152**	**6,413**	**8,774**	**10,019**

The first few lines of Table 6 show regional demand for each type of housing unit, based on projected population growth and historic patterns of housing demand for each unit type (which is heavily influenced by demographics as people prefer different types of housing at different stages in their lives). For people of all ages there has been an evolution over time toward greater demand for apartment and "other ground-oriented" units and lower demand for single detached homes. These trends are expected to continue and Urban Futures has accounted for them in the housing demand projections.

Even with these adjustments, the projected housing demand is for many more single detached homes than are currently being planned in the region and many fewer apartment units than are currently being planned. The projected demand for other ground-oriented units is roughly in balance with the planned number of units.

The Functional Region Scenario shows 4,000 units of housing developed for permanent occupation, which is about 700 fewer than the Community-specific Scenario. All of the difference is in apartment units and implies 1,000 fewer residents in Peachland after 20 years. All of the other aspects of development, including seniors housing, hotel and short-term rental units, and commercial development (not shown in these tables) is identical between the two scenarios.

The results of the population and housing development analysis are used as input into all of the other components of this economic impact analysis, including the analysis of municipal finances, the retail market and employment. Some of the specific outcomes are summarized in section 5.1.

Further details on the methodology and results can be found in Appendix B.

5. MUNICIPAL FINANCIAL ANALYSIS

This component of the project is a detailed analysis of how new development in Peachland will impact municipal finances over the next 20 years. It includes a step-by-step review of each major category of municipal revenues and expenditures in order to develop a forecasting formula. In some cases revenues and costs are expected to grow with population or with the number of new housing units while in other cases they will stay constant or change based on some other factor.

5.1. SUPPORTING ASSUMPTIONS

Before proceeding to the projections of specific municipal revenues and costs, there are a variety of background assumptions and calculations required. This material is used as the basis for the projections to follow and also shows some of the interesting outcomes of future development in Peachland.

Differences between the two projection scenarios are shown, although in some cases the background assumptions are the same for each scenario. (See section 4 for a discussion of the two scenarios).

The remainder of section 5.1 explains these background assumptions, followed by the specific financial results in section 5.2. Most of the results in this section are presented in graphical form - numerical results can be found in Appendix A.

OVERALL ASSUMPTIONS

All financial figures in this report are based on constant 2011 dollars. This means that the effects of future inflation are ignored under the assumption that all costs will change at the same rate over time. While this is unlikely to be completely true, there is no solid basis on which to suggest that some items (e.g., housing construction costs) will change at a different rate than other items (e.g., wage rates).

It is important to point out, however, that the history of municipal spending not just in Peachland but throughout British Columbia is for spending to often rise faster than inflation. This is due to factors like rising staff costs, rising fuel costs, additional costs out of local control (such as policing), and the addition of new costs and responsibilities due to either senior government downloading or demand from citizens.

A significant share of municipal spending is discretionary, responding to the perceived needs and priorities of the community as determined by municipal Council. The objective of the analysis in this report is therefore to determine if the municipal revenues generated by new development will be more or less than the costs that the municipality must incur as a result of this development. For example, the cost of services such as public safety (fire and police) and public utilities (water, sewer, etc.) will rise with growth and development. The District has little choice but to provide more service in these areas (although there is still some discretion over the amount and type of fire service, for example). On the

other hand, an item such as a major new recreation facility, while certainly a positive addition to the community, is not absolutely critical. The District has the choice as to whether or not it wants to spend the money building and operating such a facility.

It is also assumed that there is no interest income on Reserve accounts. This is a conservative assumption, but there is no guarantee that the limited interest income currently available would exceed inflation in construction costs.

Data for each of the major developments (Ponderosa and New Monaco), as well as the downtown and other smaller developments, has been pooled together. For example, the projection of growth in apartment units does not indicate where those apartments will be located. In most cases, this does not affect the projections, but there are a few cases where the individual developments have different impacts.

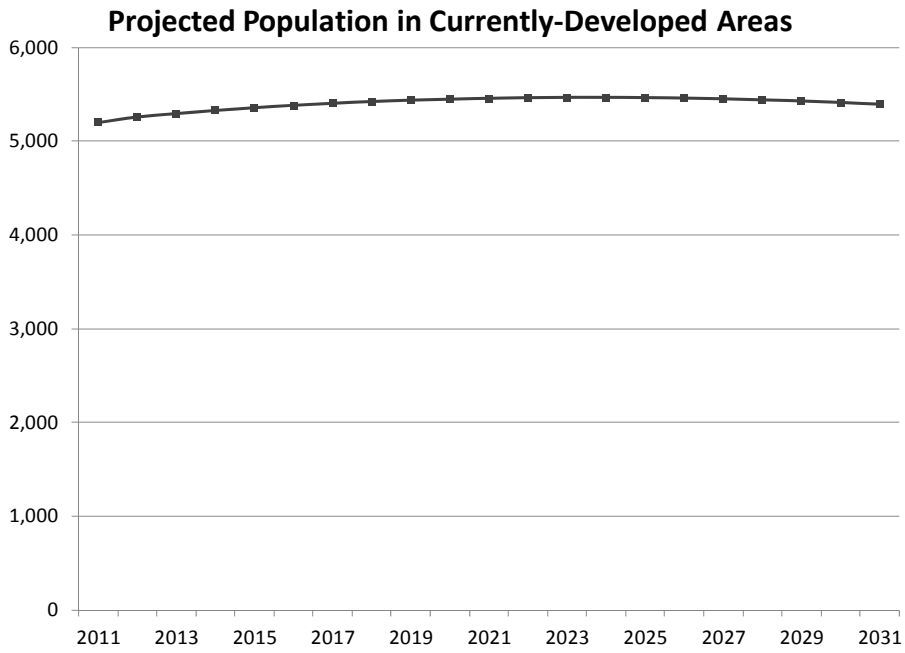
For example, the formula for calculating amenity contributions to the District is different for Ponderosa (as their contributions were established prior to the passing of the Amenity Bylaw). The total contributions are roughly equal, but they are calculated differently. As our housing projections do not show the location of where units are being developed in a given year, we must calculate a blended contribution rate that combines the Ponderosa and Amenity Bylaw formulas. The major developments also create different infrastructure requirements that are noted below, along with any other key differences between the major projects.

ASSUMED POPULATION IN CURRENTLY-DEVELOPED AREAS

The detailed population and housing projections in Section 4 are for the planned new developments in Peachland. In some cases, however, projecting future revenues and costs requires information on the *total* population of the community.

Population growth in the existing areas of Peachland was therefore estimated using a simpler version of the life-cycle model used to generate the projections in Section 4. It took into consideration the current size and age of Peachland's population (based on 2006 Census data on the age and gender of the population, BC Stats population estimates, and initial 2011 Census results), as well as age-specific birth and death rates and the observed pattern of migration by age into and out of Peachland and the Central Okanagan region (again using a combination of Census data and the BC Stats population model). This analysis is simpler than the Section 4 analysis because it does not take into account housing types. In other words, it assumes that demographic trends will continue within the current housing stock in Peachland, whereas the Section 4 analysis used housing form to help determine the type of new residents who would be attracted to Peachland.

The 2011 Census showed a population of 5,200 in Peachland,[2] which is growth of more than 300 people since the last Census in 2006. Even with no significant new development, the community's demographics and patterns of migration suggest that growth would continue until a peak of about 5,450 residents in 2023 before starting to decline.



These results are consistent with some infill and renewal of the housing stock in Peachland as older homes are renovated and replaced, but it assumes no major new developments occur apart from those analyzed in this study (listed in section 3).

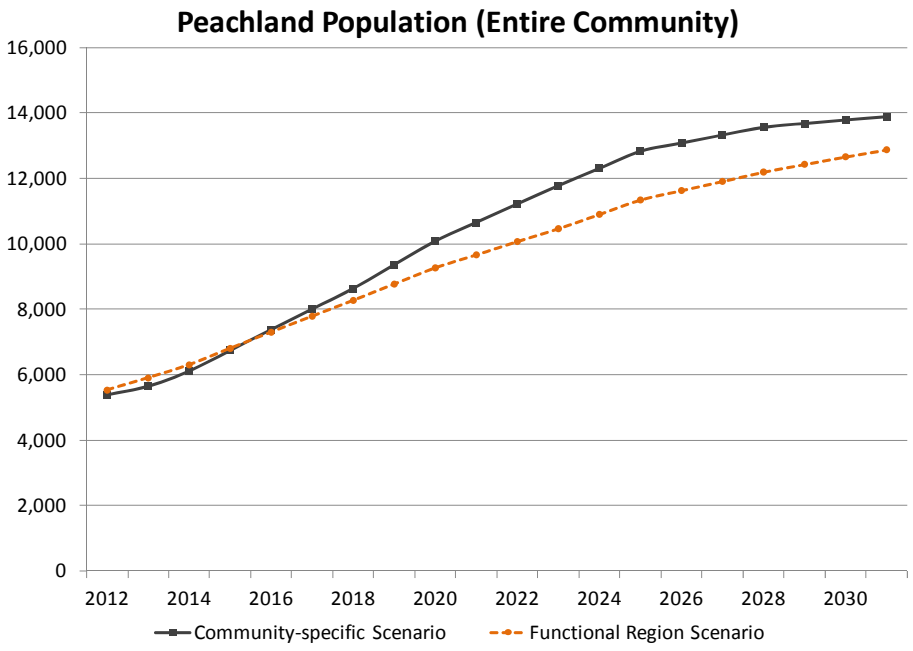
VACANT PARCELS ASSUMPTIONS

Calculation of parcel taxes requires an estimate of the number of vacant parcels. Based on the 2011 assessment roll, there are an estimated 246 vacant parcels in Peachland.

Some currently-vacant parcels will be developed as part of the major developments and gradual infill should occur elsewhere in the community. It is therefore assumed that the number of vacant parcels will decline by 3 per year throughout the 20-year window of analysis.

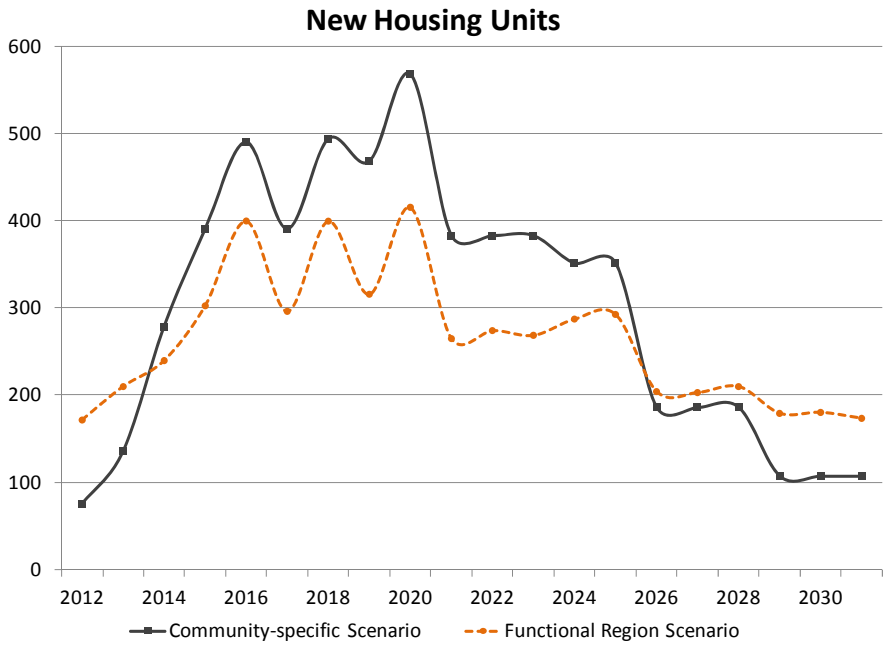
[2] The true population is slightly higher due to the "Census undercount", which is the number of people that are missed by the Census. It is likely, however, that Peachland's Census undercount is quite small due to the community's older population, predominance of single-family homes, and likely smaller transitory population (all of which suggest greater completion of the Census).

Peachland's total population is simply a combination of the projected population in currently-developed areas of the community and the projected new population under the two future development scenarios.



By 2031, the Community-specific Scenario (which follows the development timeline provided by the developers) suggests a total population of nearly 14,000. The Functional Region Scenario (which places Peachland's developments in the context of the regional housing market) suggests a total population of about 12,900. The difference between the two scenarios is really just a matter of timing - over a longer time horizon all projects will be fully developed and the two lines would converge as the second scenario "catches up" to the first scenario.

The number of new housing units per year is shown in the chart to the right. It shows that from about 2014 to 2025, the current developer timelines (represented by the Community-specific Scenario) are above Peachland's proportional share of the regional housing market (represented by the Functional Region Scenario).

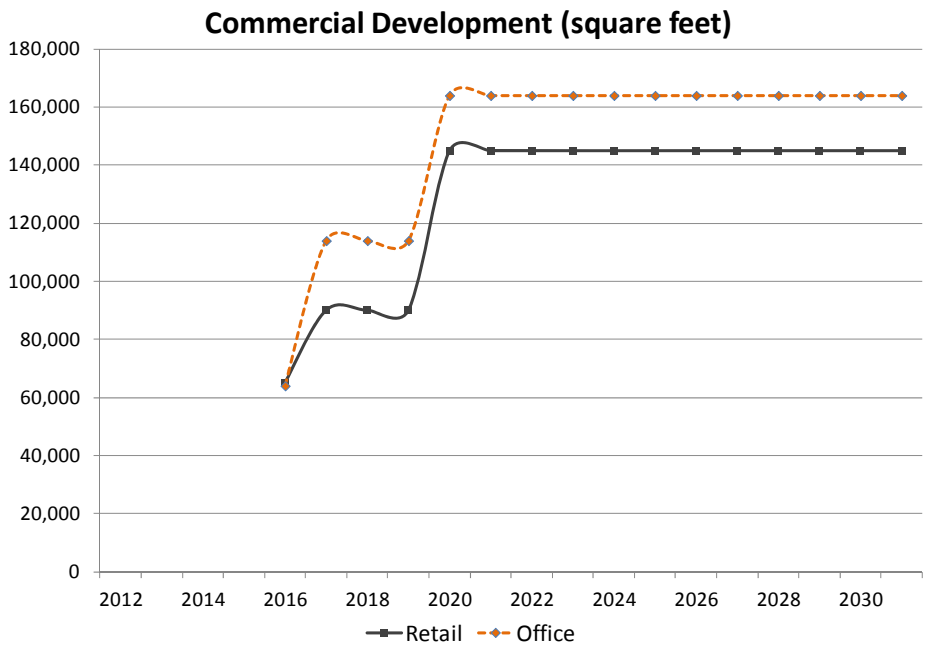


The number of units includes all housing types, plus hotel and short-term rental units, seniors housing and time shares. The bumpy pattern from about 2014

to 2021 is due to the assumed timing of seniors housing units being completed in 100-unit chunks every two years.

COMMERCIAL DEVELOPMENT ASSUMPTIONS

The projected development of retail and office space is the same for both scenarios. According to the developers, the timing is uncertain as it will depend on market conditions at the time, but by 2021 there are projected to be 164,000 square feet of new office space and 145,000 square feet of new retail space created in the two major developments combined.

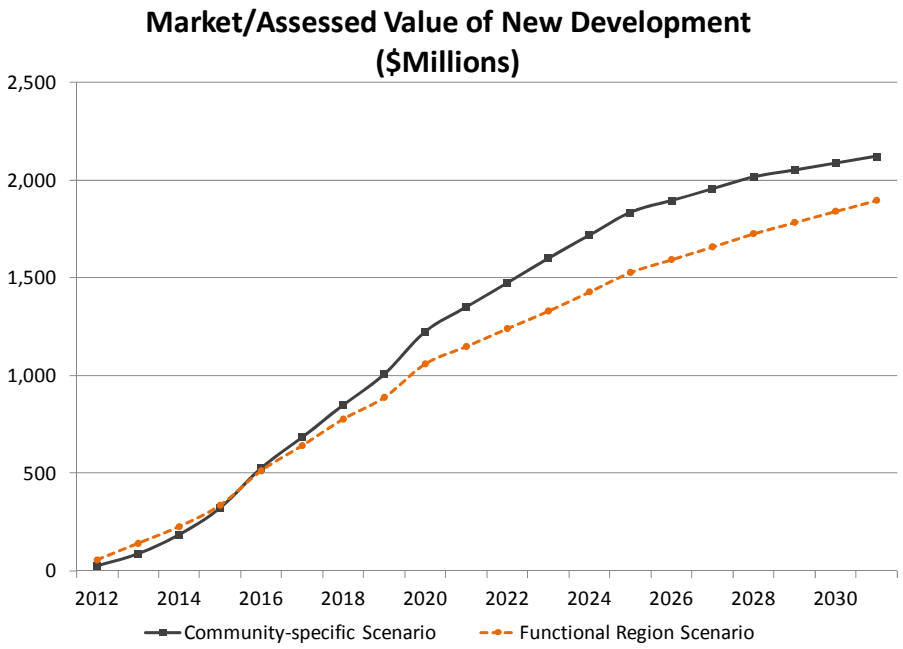


Some of the analysis, particularly calculation of parcel-based taxes and fees, requires an estimate of the number of retail and office units. This is highly speculative as, for example, office space could be divided into one or more very large tenants with tens of thousands of square feet of space, or it could be absorbed by a large number of small offices that are only a few thousand square feet (or less) each. Retail spaces would likely be larger on average, but again the number of stores that would be located in the new retail space is not yet known.

It was assumed that each office tenant has an average of 2,500 square feet of space and each retail tenant 5,000 square feet. This yields a total of 58 office-based units and 33 retail-based units at full build-out.

ASSUMED MARKET/ASSESSED VALUE OF NEW DEVELOPMENT

The developers were asked for their input on the market value (in today's dollars) of their various housing and commercial developments. Based on the input provided, a blended average of each type of unit was calculated and used to generate the figures in the chart. Under the Community-specific Scenario, there will be over $2 billion of new market value developed by 2031, which is equated to assessed value for the purpose of calculating property tax revenue.



The BC Assessment Authority normally determines the value of golf courses using the income method. Since the new Ponderosa golf course is still under development, the annual income that it might generate (and therefore its assessed value) is unknown. As a proxy, the roughly estimated assessed values of some other Okanagan golf courses were used.

CAPITAL REPLACEMENT AND INFRASTRUCTURE GROWTH ASSUMPTIONS

The District is in the process of finalizing its long-term asset management strategy. This included an engineering study by Urban Systems of the age, replacement value, and remaining life of the community's existing infrastructure, based on industry-standard life cycles for various types of infrastructure. However, based on the testing done so far on the actual condition of infrastructure (e.g., water and sewer pipes), it appears that the infrastructure is in significantly better condition than the engineering standards would suggest given its age. This means that the remaining life of the assets may be considerably longer than the timeframe shown in the engineering analysis.

The engineering analysis calculated the Average Annual Life Cycle Investment (AALCI) for each asset class. This is the amount of money that the District should be saving, on an annual basis, so that when infrastructure needs repair or replacement, sufficient funds are in place. However, the testing that shows the assets are in better condition than expected means that replacement is further in the future and therefore a smaller amount must be saved annually. District Council will be considering this information in 2012 and making the final determination of what the AALCI should be.

It is assumed for this report that the AALCI for existing assets will be set at half the rate suggested in the engineering analysis. This is justified through a combination of the assets having a longer remaining lifespan than engineering standards would suggest and the belief that at least some of the replacement cost can be recouped through grants from senior levels of government.

Total expenditures in this category are therefore based on:

- Half the AALCI established in the engineering analysis (which was based on engineering standards prior to testing of the infrastructure's actual condition).
- The additional annual savings required to replace the new infrastructure that is necessitated by the new developments, such as new roads and new water lines. The construction cost of all of this infrastructure is covered by the developers (including off-site upgrades that are required to service their projects), but the District becomes responsible for repairing and ultimately replacing this infrastructure. This means it should immediately be putting additional funds into reserves for this purpose.

The required investments have been identified by District staff, with input from the developers.

Table 7. Capital Replacement and Infrastructure Growth

Infrastructure Type	Current Annual Average Life Cycle Investment (AALCI)[3]	Investment by Developers	Assumed Life Cycle of New Infrastructure	New Life Cycle Replacement Cost (per year)
Water System[4]	$845,000	$14.5 million	100 years	$145,000
Sanitary Sewer System	$285,000	$3.8 million	100 years	$38,000
Storm Sewer System	$37,500	$3.95 million	100 years	$40,000
Roads (including highway interchanges)	$625,000	$21.6 million	50 years	$433,000
Building and Facilities	$100,000	$0	n/a	n/a
Fleet	$110,000	$0	n/a	n/a
Total	**$2 million**	**$43.9 million**	**-**	**$656,000**

In addition to the amounts shown above, the District will be required to purchase a new ladder truck and other equipment for the Fire Department. There is currently a fee-for-service agreement in place with the West Kelowna Fire Department to provide a ladder truck in situations where it is needed, but the imminent growth in apartment development will require the District to purchase its own truck.

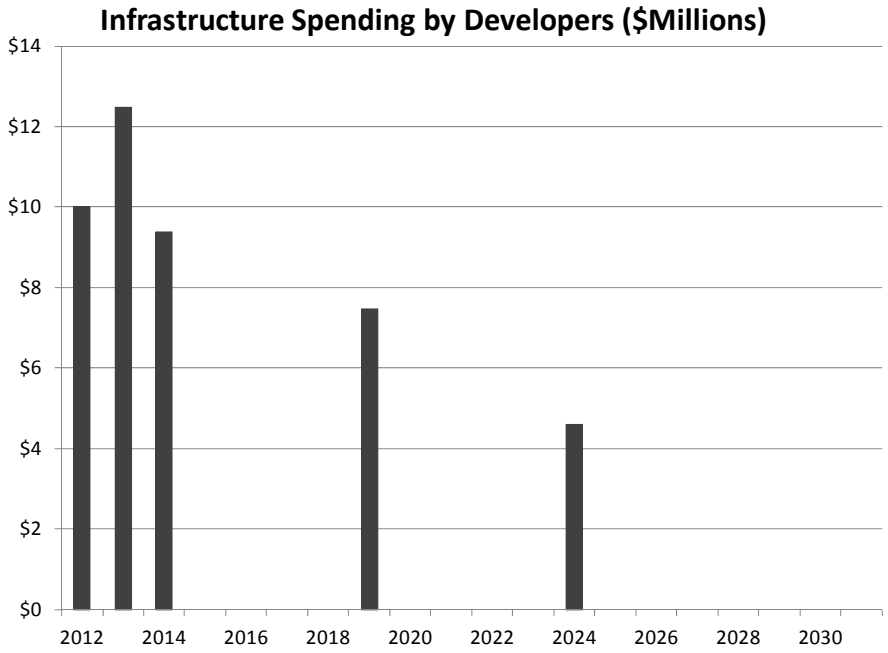
[3] The AALCI amounts shown in this table are half the amounts calculated in the 2011 Urban Systems engineering analysis completed for the District, for the reasons noted above the table.

[4] This table does not show the construction costs for some of the major water system investments that will be required within 5-10 years, most notably a water treatment plant (although its life cycle cost is incorporated into the water system AALCI). Many of these investments are required even without new development, although an updated Water Master Plan is currently being prepared that will clarify all of these details in the context of the major new developments.

According to a 2007 analysis[5], there are no regulations that identify a specific point when a ladder truck is required, but the insurance underwriter's requirement says that communities with five buildings higher than a certain threshold should have an "aerial apparatus". It is expected that New Monaco and Ponderosa will both have multiple apartments buildings exceeding the height threshold.

The estimated cost is $1 million for the ladder truck and $250,000 for other equipment, with each having a life cycle of 20 years. It is estimated that the ladder truck will be purchased when the number of new apartment units reaches 1,000 (which occurs in 2018 under the Community-specific Scenario and 2019 under the Functional Region Scenario). Annual operating and maintenance costs for these two items are estimated at $40,000.

The timing of the other major infrastructure investments will depend in part on how quickly development can proceed, but the same timeframe is assumed for both scenarios.



AMENITY CONTRIBUTION ASSUMPTIONS

The District has passed an Amenity Contributions Policy that establishes a formula whereby developers will contribute funds on a per-unit basis toward the construction of community amenities. A list of amenities with a total cost of about $17.8 million has been identified and a formula established that will see developers contribute 75% of the cost of construction. Of the remaining 25% of the cost, it is assumed that half will be covered by grants from senior levels of government and half by a combination of existing District Reserves and current revenues.

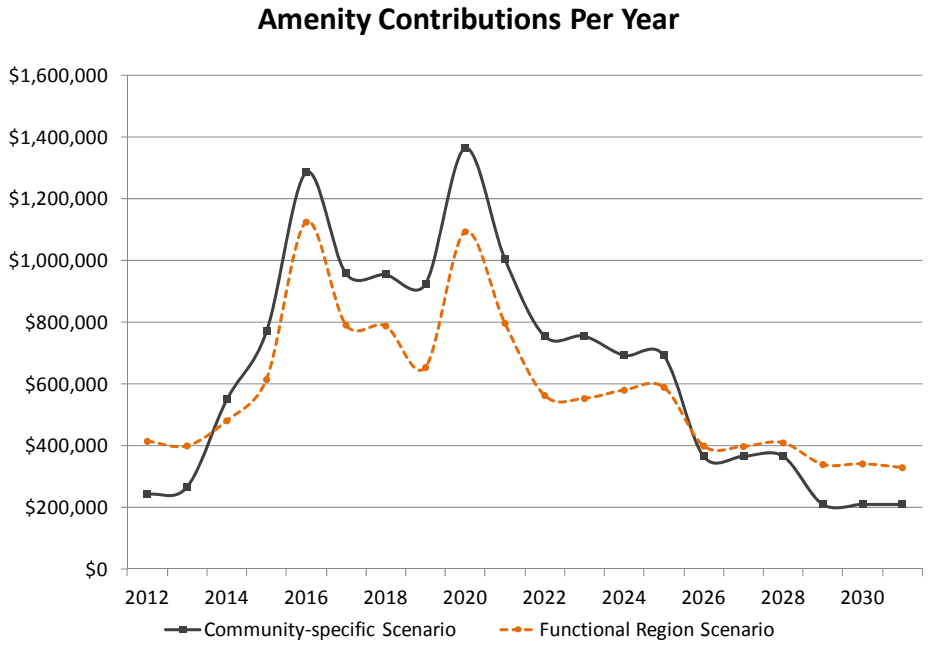
[5] John B Vokes Consulting Services (July 2007), *Assessment of the Peachland Fire and Rescue Service,* prepared for the District of Peachland.

Even though the District is responsible for only about 12.5% of the construction cost of each amenity, once they are built the District will become responsible for annual operations and maintenance costs as well as the life-cycle replacement cost.

Table 8. Amenities to be Covered by Amenity Contributions

Amenity	Construction Cost	District Share of Construction Costs[6]	Assumed Life Cycle of New Amenities	New Life-Cycle Replacement Cost (per year)
Primary School Rehabilitation	$600,000	$75,000	60 years	$10,000
Fire Hall	$3,000,000	$375,000	60 years	$50,000
Civic Offices	$2,500,000	$312,500	60 years	$42,000
Waterfront Enhancement - Beach Avenue: Phase I	$1,212,214	$151,527	75 years	$16,000
Waterfront Enhancement - Beach Avenue: Phase II	$1,830,328	$228,791	75 years	$24,000
Community Centre Upgrade	$1,500,000	$187,500	60 years	$25,000
Museum Upgrade	$50,000	$6,250	60 years	$1,000
Trail Development	$500,000	$62,500	0 years[7]	
Multi-Purpose Arena	$6,600,000	$825,000	60 years	$110,000
Total	**$17.8 million**	**$2.2 million**	-	**$278,000**

Amenity contribution payments from the developers occur at the subdivision or building permit stage, so for simplicity they are assumed to occur in the same year that units become occupied. Naturally the faster rate of development in the Community-specific Scenario leads to higher amenity contribution payments over the next decade. The Ponderosa developers have already paid $470,000 into an Amenity



[6] The District has some existing Reserve funds that can help cover their share of the construction cost, specifically $131,000 in a Municipal Building Reserve fund.

[7] It is assumed that, after construction, trail operations and maintenance, as well as future replacement costs, will be absorbed by a non-profit society.

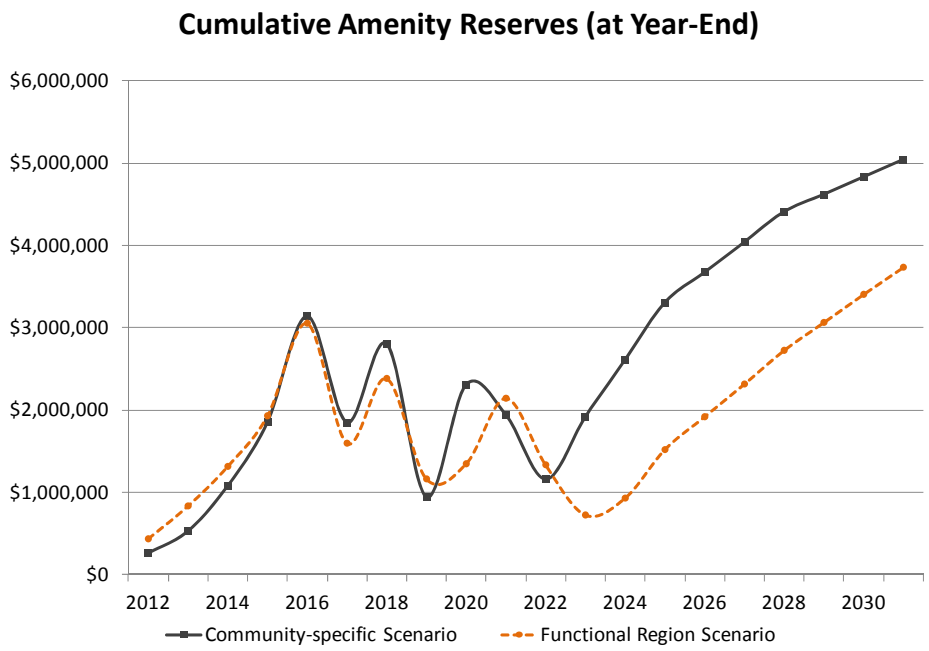
Reserve account as part of their development agreement.

The timing of amenity construction is dependent on having enough contributions to cover 75% of the construction cost. **The final decision on timing and amenity priorities resides with the current and future District Councils.** Table 9 therefore shows only an example of how the timing of amenity construction might proceed under the two development scenarios.

Table 9. Example of Possible Timing of Amenity Construction Based on Receipt of Sufficient Amenity Contributions

Amenity	Construction Timing under Community-specific Scenario	Construction Timing under Functional Region Scenario
Primary School Rehabilitation	2012	2012
Fire Hall	2017	2017
Civic Offices	2019	2019
Waterfront Enhancement - Beach Avenue: Phase I	2019	2020
Waterfront Enhancement - Beach Avenue: Phase II	2021	2022
Community Centre Upgrade	2022	2023
Museum Upgrade	2022	2023
Trail Development	2022	2024
Multi-Purpose Arena	2032	2037

In this example, the multi-purpose arena is the last priority and there will not be sufficient funds to construct it until beyond the regular 20-year timeframe of this analysis (which runs from 2012 to 2031).



The chart shows the cumulative reserves growing throughout the 2020s toward the $4.95 million in amenity reserves that are required to build the multi-purpose arena. As with all of these capital construction issues, it is always possible for the District to use borrowing and other methods to accelerate these timeframes, recognizing that each financing strategy creates different short and long-term consequences.

The year 2011 is not shown on the chart, but it would show $470,000 under both scenarios, dropping in 2012 after the primary school rehabilitation project.

OPERATION AND MAINTENANCE EXPENDITURE ASSUMPTIONS

All of the new infrastructure, capital assets and public amenities that will be constructed by either the developers or the District will increase the District's annual operations and maintenance expenditures.

These higher expenditures are included in the appropriate expenditure categories in Section 5.2, but are summarized in Table 10. Part of the increase is shown under "Operations" and part under "Administration" of either the General, Water or Sewer Fund. Costs are estimated based on a combination of a proportionate increase in the assets being maintained and estimates by District staff.

Table 10. Increased Annual Operation and Maintenance Expenditures after Construction

Asset	Increased Annual Cost
Water system	$190,000
Sanitary sewer system	$6,000
Storm sewer system	$6,000
Roads	$100,000
Primary School Rehabilitation	$7,500
Fire Hall	$22,000
Ladder fire truck	$30,000
Other new fire equipment	$10,000
Civic Offices	$36,000
Waterfront Enhancement - Beach Avenue: Phase I	$4,000
Waterfront Enhancement - Beach Avenue: Phase II	$4,000
Community Centre Upgrade	$46,000
Museum Upgrade	$0
Trail Development	$0
Multi-Purpose Arena	$500,000
Total	**$960,000**

ASSUMED CONSTRUCTION VALUE OF NEW DEVELOPMENT

The total value of construction activity is used to generate construction employment estimates, as well as some development-related revenue. It includes the value of all new residential and commercial development, plus the construction of new infrastructure and public amenities by either the developers or the District of Peachland.

Under the Community-specific Scenario total construction spending peaks at about $95 million in 2016.

The components of total construction spending are shown in Table 11. Note that no information was provided on golf course construction costs in 2012 and 2013 so it is not included. (The estimated cost of the golf clubhouse and other course buildings is included).

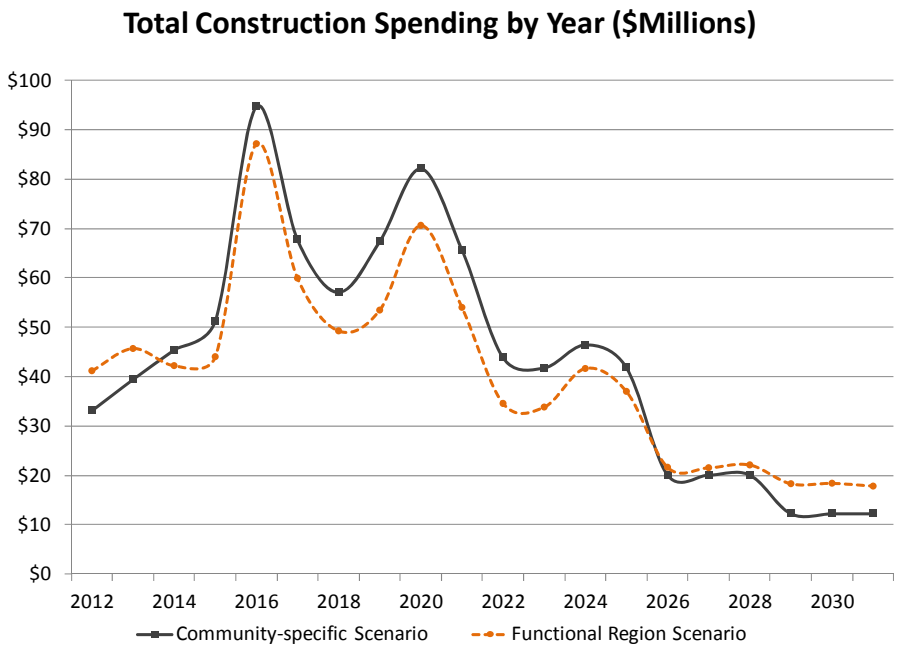


Table 11. Total Construction Spending by Type, 2012-2031

Construction Type	Community-specific Scenario	Functional Region Scenario
Private structures (Residential and Commercial)	$821 million	$760 million
New Capital and Infrastructure	$44 million	$44 million
New Public Amenities	$11 million	$11 million
Total	**$876 million**	**$815 million**

5.2. REVENUE AND COST PROJECTIONS

As noted earlier, all of the projections in this report are smoothed over time, ignoring the many peaks and valleys that are likely to occur in the economy and the housing market over the next 20 years. The results for a single year are therefore not as accurate as the combined results over a multi-year period. The District has the ability to smooth over temporary surpluses or shortages through the use of Reserve funds and borrowing.

The specific dollar values reported here are also not directly comparable to other documents, such as the District of Peachland Financial Plan. This report removes the effect of inflation and omits some categories of revenues and expenditures (such as transfers to and from reserve funds if they are assumed to be in balance over time).

This section of the report summarizes the projected financial results for the District's three operating funds: General, Water and Sewer. Results for some key components of each fund are also highlighted. Full results, and the detailed assumptions for each revenue and cost category, can be found in Appendix A.

GENERAL OPERATING FUND

Based on all of the assumptions listed in Section 5.1, the net impact on Peachland's General Operating Fund is shown in the chart to the right. Over the entire 20-year period, there is a very close balance between total projected revenues and total projected costs, with some peaks and valleys as new spending items and/or new revenue sources are introduced.

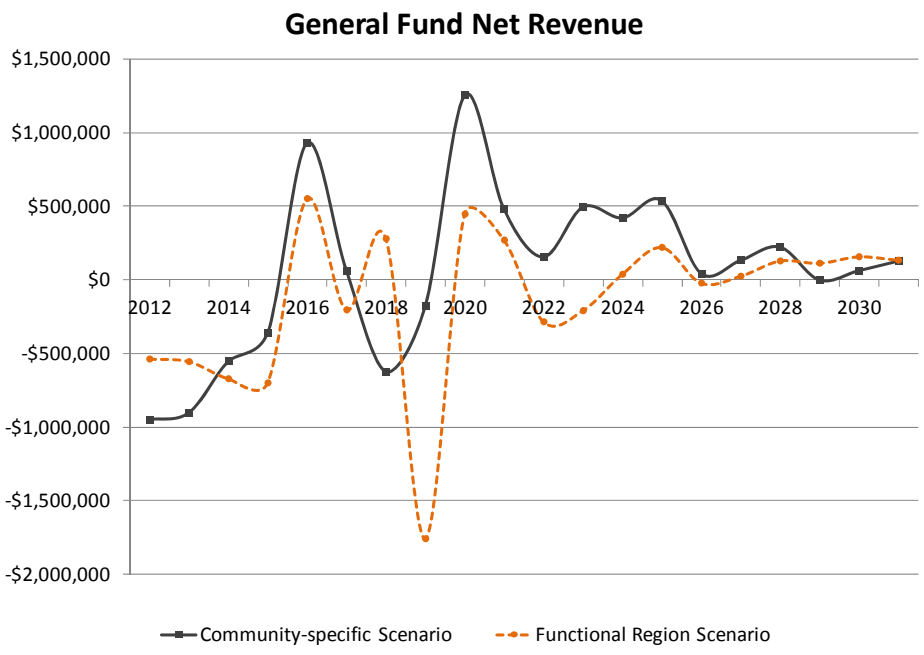


Table 12 on the next page shows that over the full 20-year horizon, there is a small net positive under the Community-specific Scenario (averaging $70,000 per year) and a small net negative under the Functional Region Scenario (averaging $130,000 per year). Under both scenarios the negative years are concentrated in the near future and the situation improves over time. Given the uncertainty of making such detailed

projections about the future, both of these results suggest that overall, Peachland's General Fund is roughly in balance over the next 20 years.

Table 12. Projected Net Revenue in Peachland General Operating Fund, 2012-2031

Time	Community-specific Scenario	Functional Region Scenario
2012-2016	-$1,835,000	-$1,910,000
2017-2021	$995,000	-$965,000
2022-2026	$1,650,000	-$255,000
2027-2031	$545,000	$560,000
Total 2012-2031	**$1,355,000**	**-$2,570,000**
Annual Average	$70,000	-$130,000

The projected negative revenue position of the District in the next few years is almost entirely related to pre-existing factors, not the major new developments planned for the community. In particular, the change to full life-cycle cost accounting for capital assets and the anticipated introduction of police services costs are substantial new expenses for the municipality. (See section 5.3 for further discussion of the factors that are separate from new development but will affect future municipal finances).

Looking several more years into the future, there is a significant dip in net revenue in 2018 (under the Community-specific Scenario) or 2019 (under the Functional Region Scenario). This is caused by the purchase of a new ladder truck and equipment for the Fire Department. In reality this cost can be spread over multiple years through borrowing or the use of Reserve funds, but it does represent a significant cost item for the District that is necessitated by new development. There are currently no provisions, such as a special Reserve fund, to accommodate this purchase. There is a Fire Department Equipment Replacement Reserve fund, but that is for the replacement of current equipment.

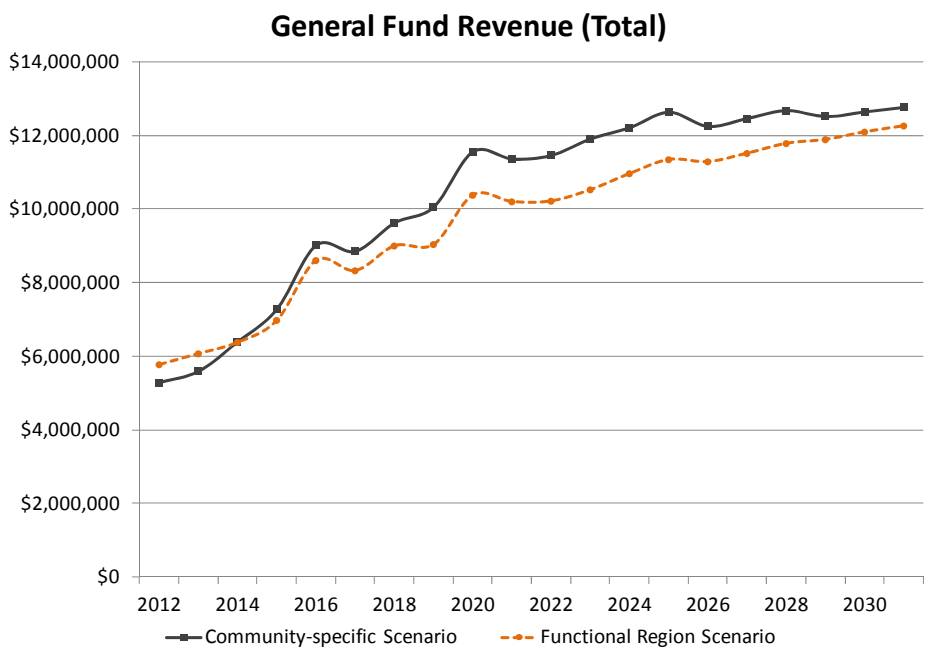
Over the longer term, the balanced net revenue position for the District suggests that the major new developments generate enough tax revenue to cover the increased servicing requirements, including the long-term operation, maintenance and replacement of new infrastructure and capital assets that are covered by the General Fund.

Growth in the community will also enable not only the construction of new amenities, including a major waterfront enhancement project, a new Fire Hall and civic offices, and an upgraded Community Centre, but also provide the population base to support these new amenities for the benefit of the entire community.

Some of the main revenue and cost items in the General Fund are highlighted below.

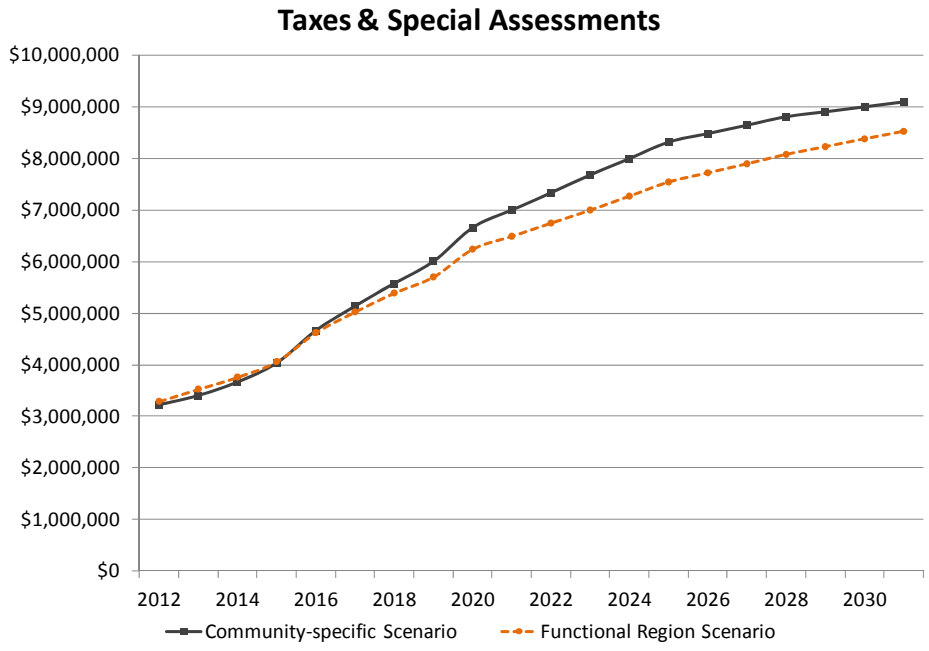
Total revenue in the general fund is projected to grow from just over $5 million in 2012 to more than $12 million per year. Under the Community-specific Scenario this would occur in 2024 but not until 2030 under the Functional Region Scenario.

The next couple of charts show the key components of General Fund revenue.



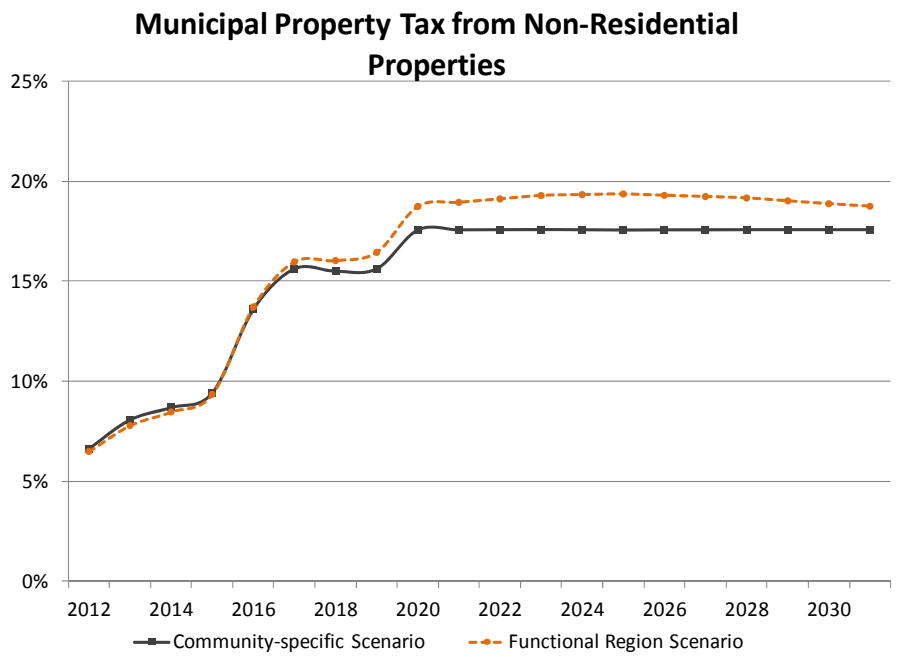
Property tax is the largest source of municipal revenue, projected to nearly triple over the next 20 years. Property taxes are calculated using the assessed values shown in Section 5.1 and 2011 tax rates.

Note this shows only the municipal portion of property tax.

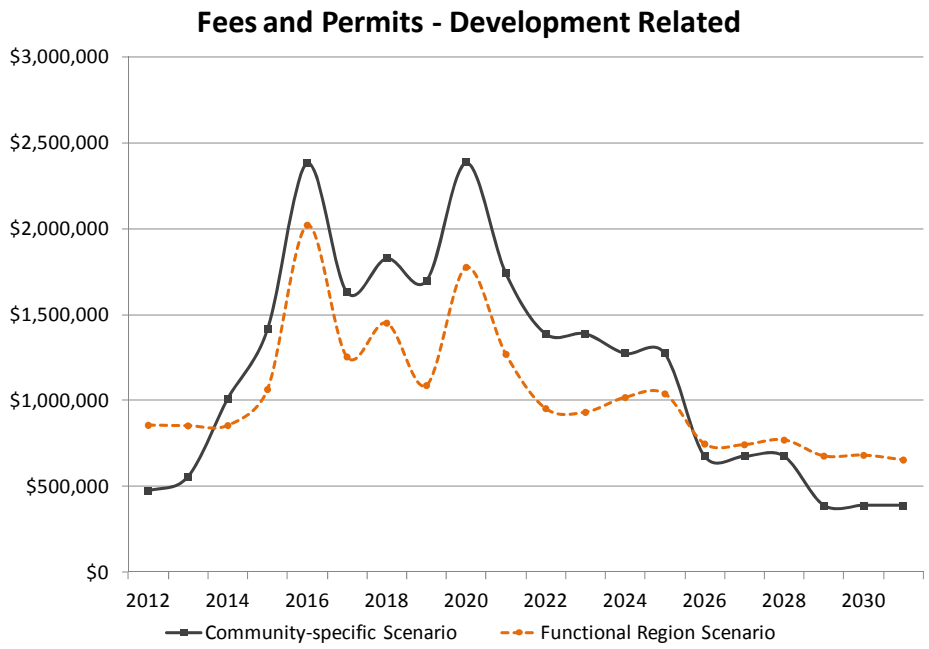


Compared to neighbouring municipalities (Summerland, West Kelowna, Kelowna and Lake Country), Peachland has consistently been the most reliant on the residential property class for municipal tax revenue. The residential share of Peachland's municipal taxes has been in the range of 93-95% for the last decade (see Table 4 on page 8 for a detailed comparison).

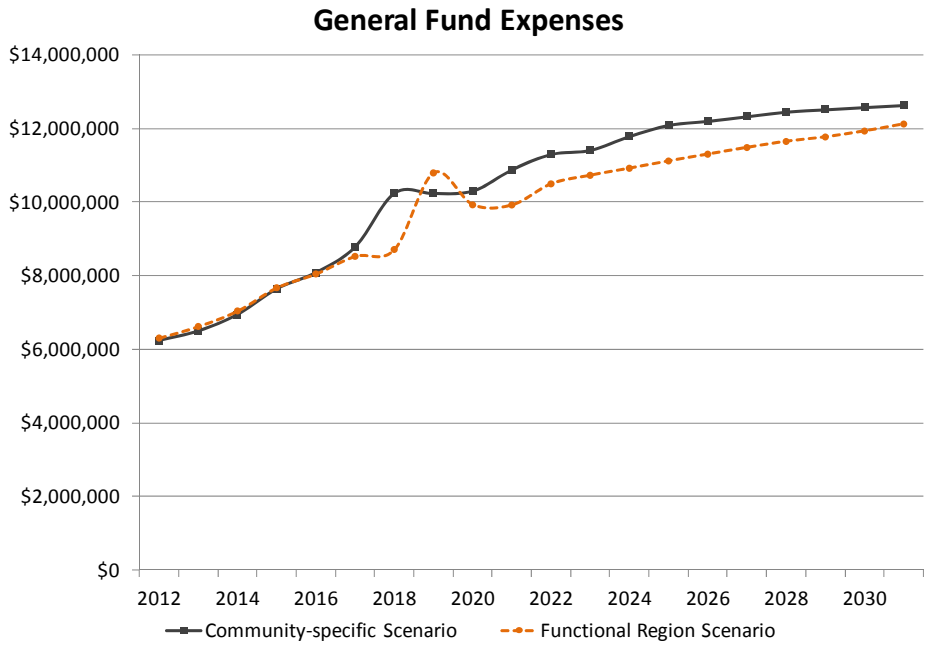
The chart to the right shows how the non-residential share of Peachland's municipal property taxes is projected to increase from 6% in 2011 to as high as 19% under the Functional Region Scenario.



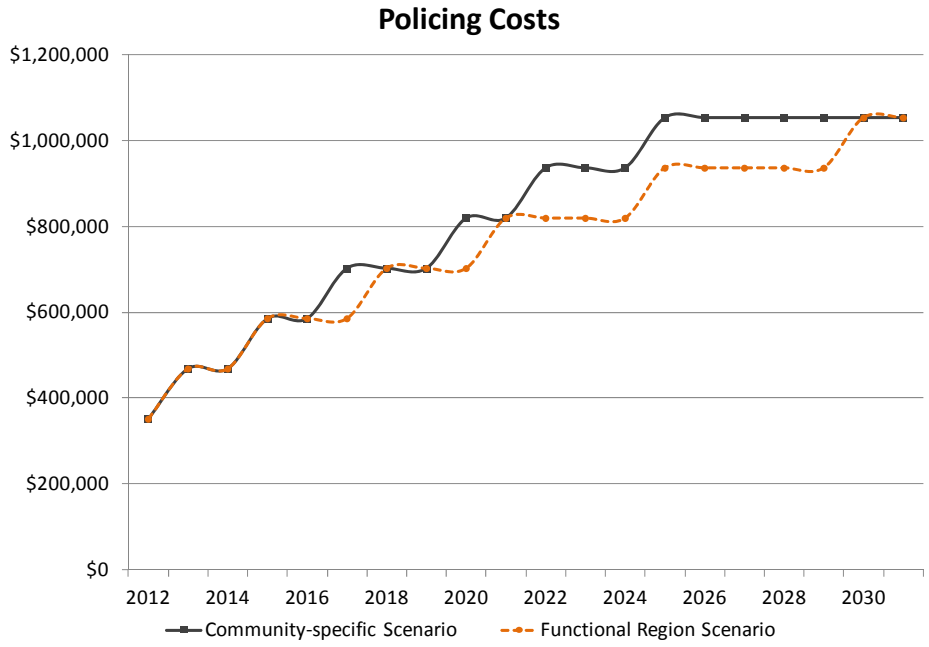
Fees from development-related permits, including building permits and inspections, rezoning permits, development permits, variance permits and other related fees will increase substantially along with the pace of development.



Total expenses in the General Fund show a steady increase from about $6 million in 2012 to around $12 million by 2031. They are slightly higher under the Community-specific Scenario, reflecting the higher cost of servicing a larger population and more annual development activity.

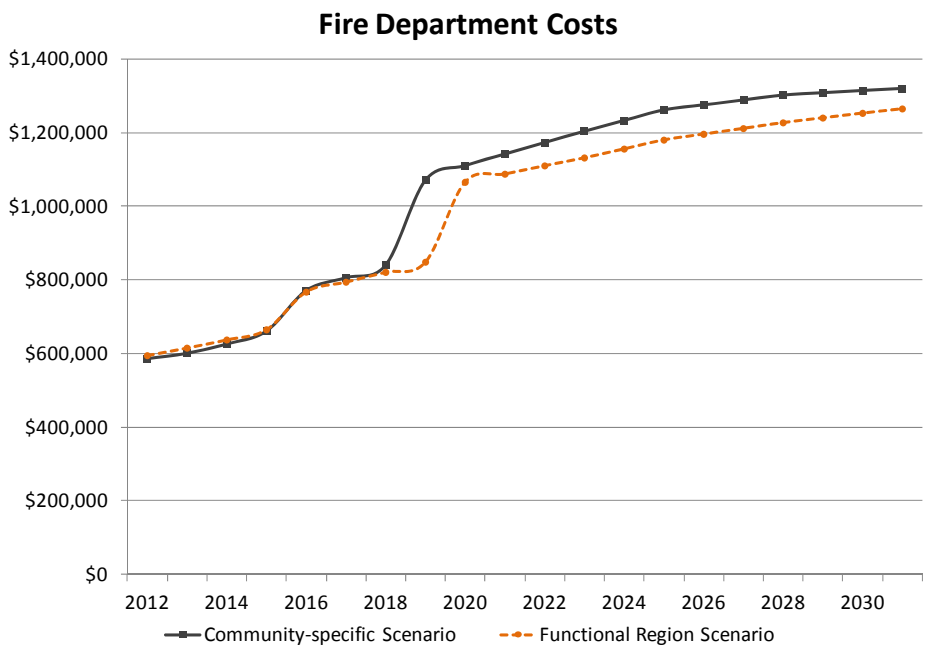


With the release of the 2011 Census population figures, Peachland has exceeded 5,000 residents for the first time. This means it will now be responsible for a significant share of policing costs. There is a Policing Reserve account of nearly $750,000 that will help to mitigate the immediate increase in costs, as well as longer-term increases as population grows and the required number of officers also increases (together with office requirements and administrative support).



The formula for determining policing costs is complicated and is based on the number of criminal offenses recorded in a detachment area (Peachland is serviced by the West Kelowna detachment). For simplicity it has been converted into a population-based formula for this report. It is assumed that from a starting point of 4 officers for 5,000 people, an additional officer (with associated administrative and office costs) is added for each additional 1,500 residents.

Fire department costs are also assumed to increase with population as additional homes and vehicle traffic will lead to more calls for service. Several additional permanent staff members will be required as the community grows - one extra position is assumed for when the population passes 7,000 and another two positions when a ladder truck is purchased. The ladder truck and associated equipment also create new annual operating and maintenance costs.



WATER OPERATING FUND

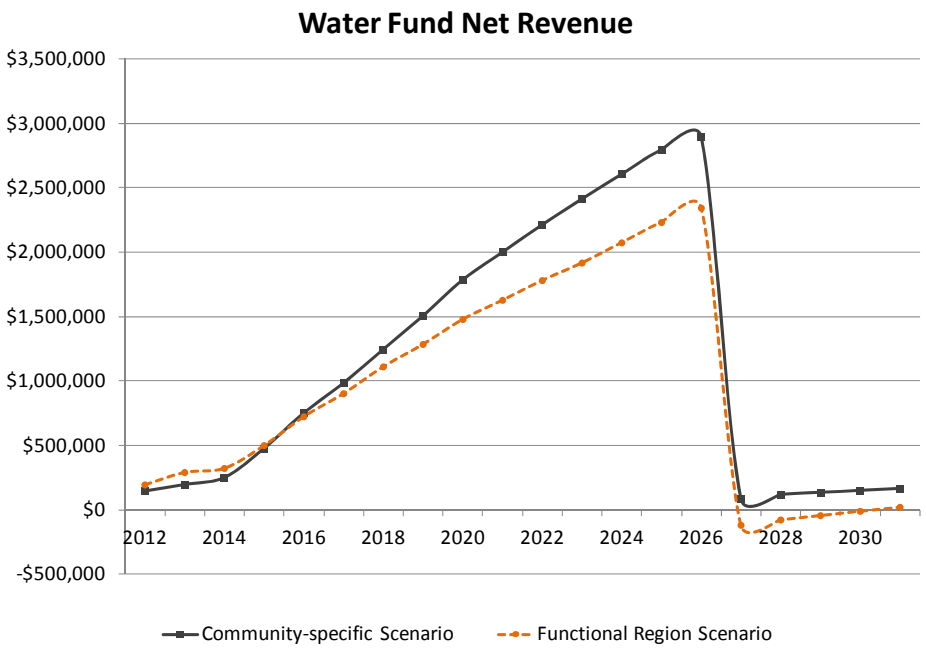
Revenue and cost projections for the Water Operating Fund are somewhat uncertain due to the current updating of the District's Water Master Plan. The current Plan was completed several years ago[8] with assumptions about future development that was significantly less than what is currently planned. The Water Master Plan is therefore being updated for completion at the expense of the developers for completion in mid 2012.

What is known from the existing Plan is that Peachland has significant capital requirements within the next 5-10 years, mainly for a new water treatment plant, regardless of any proposed population increase. A new parcel tax has been instituted in the last several years that is being raised each year with the goal of providing some of the funds for this $17 million plant, with the expectation that some construction costs will be covered by senior government grants and others by borrowing.

The faster-than-expected growth in the community is therefore creating new parcels that will contribute to the construction costs at a faster rate than would otherwise be the case. This is one of the benefits of new growth - it either allows parcel tax revenue to be accumulated more quickly, meaning that infrastructure improvements are affordable sooner and the parcel tax can be retired earlier, or it allows parcel tax rates to be lowered as there are more properties to share the burden. What is currently unclear until the completion of the updated Water Master Plan is what, if any, additional capital requirements will be created by the much larger population living in the community in the next 20 years.

[8] Urban Systems (April 2007), *District of Peachland Water Master Plan.*

Based on what is currently known about the water situation, the projected net revenue position of the Water Fund is shown in the chart to the right. The large and growing surpluses are the result of the Water Capital Improvement parcel tax discussed above - it was $270 in 2011 and is projected to increase to $350 per parcel within a couple of years, and then run through 2026. These annual surpluses will be saved in a Reserve account to be put toward the water treatment plant and other system improvements (which means the fund will show a balanced budget each year as additional parcel tax revenue is balanced off against higher transfers to Reserves). It is possible that the updated Water Master Plan will change either the amount or duration of this parcel tax.

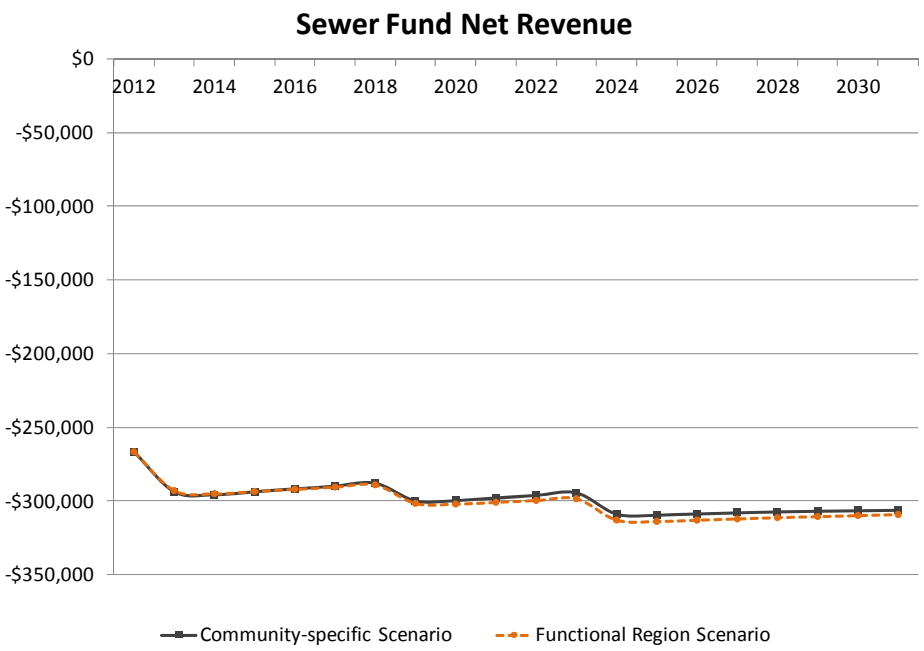


SEWER OPERATING FUND

Input from developers and District staff suggest that relatively few changes will be required for the District sewer system over the next 20 years, other than some moderate system expansions to connect new developments (paid for by the developers).

One possible exception is that an engineering analysis is required to determine whether the force main that transports sewage to the regional treatment facility will need to be twinned. It is possible that the planned amount of growth would exceed current capacity, in which case this potentially significant expenditure would also be covered by the developers. Some additional life-cycle costs to maintain and replace the new line would be created for the District, but given the estimated 100-year lifespan of the line, the new annual cost would not be significant.

Annual operating costs for the sewer system are determined by the Regional District, which bills the District of Peachland and the costs are passed on to property owners. Projections about the Sewer Fund are therefore a bit more uncertain because some of the costs and revenues are out of Peachland's direct control. Peachland does own the sewer infrastructure within its boundaries and is responsible for replacing it.



This largely explains the negative revenue position in the chart to the right, which is caused by the introduction of full life-cycle accounting for sewer infrastructure. This will require annual contributions to Reserve accounts higher than has been the case in the past. In reality, the Sewer Fund will be balanced each year going forward but only by raising additional revenue to cover the higher life-cycle costs.

This is a pre-existing issue for Peachland and is not created by new development. Depending on how the higher reserve contributions are paid for, it may be the case that additional households and businesses in the community will help share the payment burden and lower the cost incurred by existing households and businesses.

5.3. CONSIDERING THE "NO-GROWTH" ALTERNATIVE

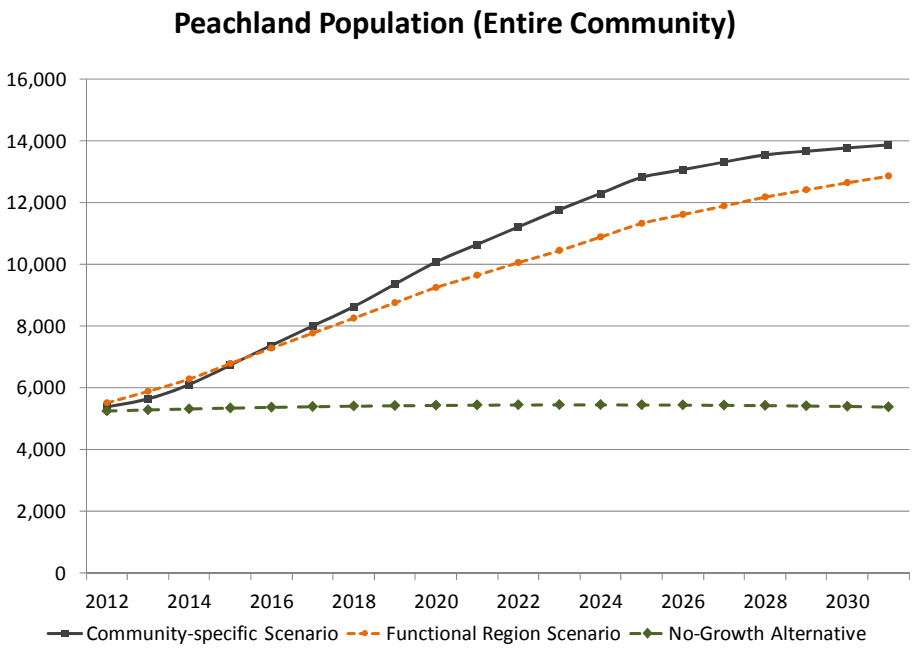
The discussion so far in this report has focused on two growth scenarios for Peachland and the different impacts that are projected under each scenario.

But prior to making any final conclusions on the impact of the major developments planned for the community, it is useful to step back and consider the impacts of growth relative to an alternate future with no growth.

Even though a "no-growth" future is not a realistic possibility because some projects have already been approved and started construction, comparing a "no-growth" alternative to the two growth scenarios helps to highlight the key impacts of growth. Note that the"no-growth" alternative was not analyzed to nearly the same degree as the two growth scenarios, so some of the growth scenario assumptions may not be completely appropriate with no growth. However, the focus is on the broad differences rather than any specific results.

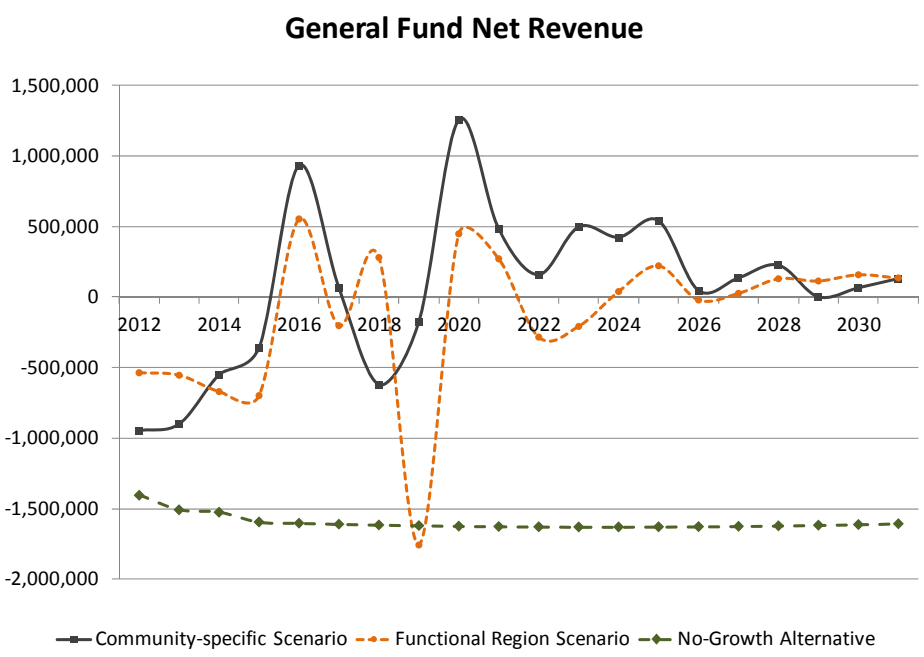
POPULATION AND HOUSING

The "no-growth" alternative simply assumes that all of the major developments currently planned in Peachland (listed in section 3) do not proceed past the end of 2011. Some smaller redevelopment and infill development would occur in the currently-developed areas of Peachland (as discussed on page 17), so the population would rise slightly over the next decade.



By 2031 Peachland's population is about 5,400 under the "no-growth" alternative compared to 13,000-14,000 under the two growth scenarios. The number of housing units will be similarly flat.

Peachland's municipal finances look significantly different under a "no-growth" future. Using the same assumptions that were used to analyze the Community-specific Scenario and the Functional Region Scenario, the "no-growth" alternative shows a persistent negative revenue position of more than $1.5 million per year.



Viewed in this context, either of the growth scenarios is a significant improvement and without substantial growth, the District's future financial challenges will be much more severe.

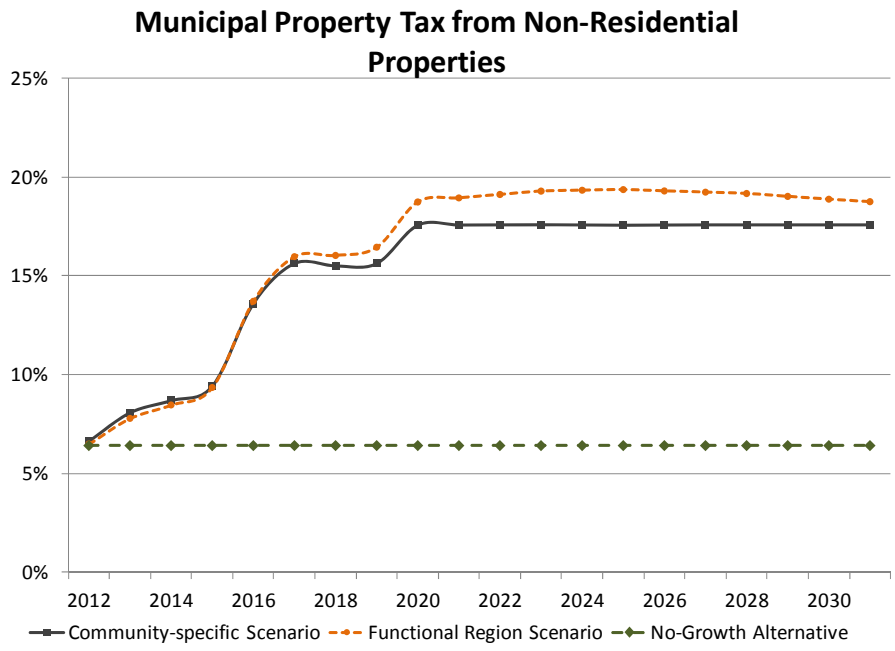
Over the 20-year study period, the General Fund has a cumulative deficit of $32 million, an average of about $1.6 million per year. By comparison, the Functional Region Scenario has a cumulative deficit of $2.5 million. The major factors that account for this difference of nearly $30 million include:

- Total revenue (over the 20 years) is lower by nearly $100 million (using current dollars, current tax rates, etc.).
  - Property tax revenue is lower by $62.5 million, about one-quarter of which is from non-residential properties.
  - Development-related fees and permits revenue is lower by $20.7 million.
  - General sales and services (such as solid waste fees) are lower by $12.9 million.
  - Transfers from the provincial government are *higher* by $2.1 million due to the smaller population.
- Total expenditures are lower by $70.6 million due to having a much smaller community to service. But the lower expenditures are not nearly low enough to offset the missing revenue of nearly $100 million identified above. The difference between these two figures explains the persistent negative revenue position for the General Fund under the "no-growth" alternative. Some of the specific expenditure differences between "no-growth" and the Functional Region scenario include:
  - Administration and Finance Department expenditures are lower by $16.2 million.

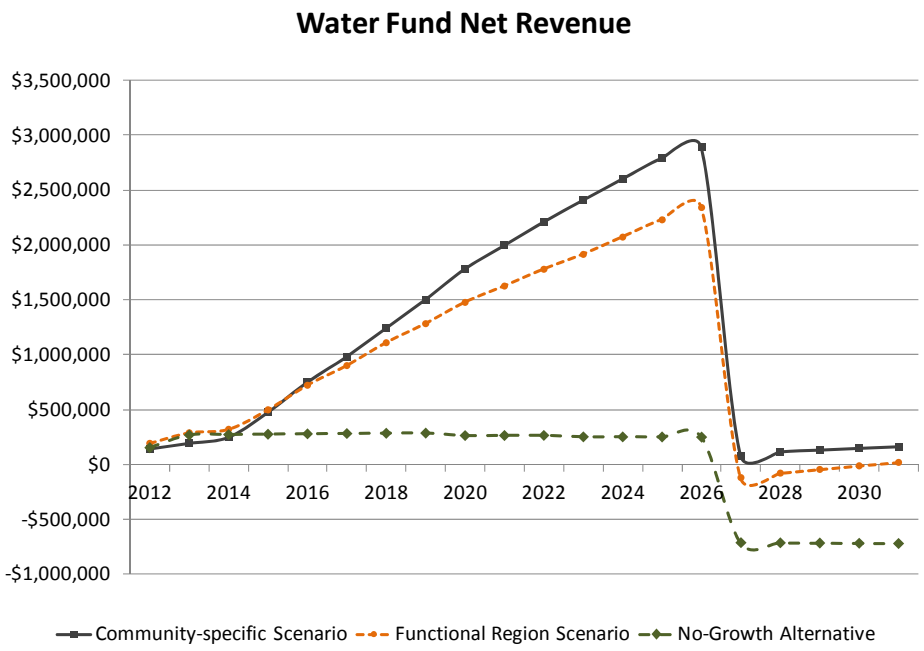
- Environmental Health Services costs are lower by $11.2 million (as there are far fewer homes requiring garbage collection).
- Transfer to Reserve funds are lower by $9.7 million (as there is less new infrastructure requiring life-cycle operation and replacement).
- Fire and Rescue costs are lower by $8.1 million.
- Recreational Department costs are lower by $6.3 million
- Policing costs are lower by $5.4 million (net of income from the Policing Reserve).
- Development Services Department costs are lower by $4.9 million
- Contributions to capital projects are lower by $2.4 million as fewer new community amenities are constructed.

There are various ways the District can deal with short-term financial difficulties, such as deferring some expenditures, temporarily lowering reserve contributions for life-cycle operations and maintenance, borrowing funds, and using existing reserve accounts. However, a persistent negative financial position such as that indicated under the "no-growth" alternative creates much more significant challenges and may require significant property tax increases or reductions in services in order to balance the municipal budget.

The share of municipal property tax coming from non-residential properties would remain around 6% in this scenario (as shown to the right).

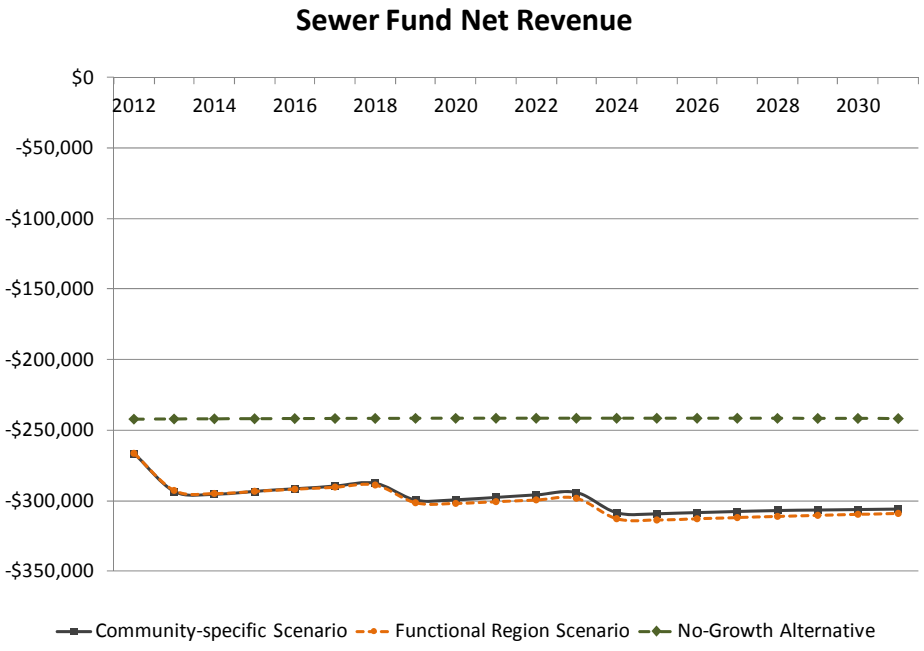


Water Fund revenues are primarily based on user fees so a constant number of households will lead to a constant amount of revenue under the "no-growth" alternative. As noted above, the excess revenue generated over the next 15 years will be used for major capital improvements (as per the District's Water Use Plan).



The rapid growth in housing units under the growth scenarios will generate revenue at a much higher rate, which allows either improvements to be constructed faster (in which case the temporary Capital Improvement parcel tax can be retired earlier) or the amount of the parcel tax to be reduced on a per-unit basis as there are more new housing units to share the burden. (The District's Water Use Plan is being updated to account for the major new developments so the amount of the parcel tax and the required capital improvements could change upon the Plan's completion in the latter half of 2012).

There is little difference with the Sewer Fund under the "no-growth" alternative. The negative revenue position is a bit better with no growth because there is no new infrastructure developed that the District of Peachland is responsible for servicing.



As noted in the discussion of the Sewer Fund at the end of Section 5.2, projecting the Fund's financial position is challenging because the largest cost and revenue items are controlled by the Regional District.. The projected negative position in the Sewer Fund is due primarily to the introduction of life-cycle costing.

Over the next 20 years there are many community amenities and expanded or upgraded infrastructure that are expected to be funded through amenity contributions or direct investments by developers. None of these things would be possible under a "no-growth" alternative without the District finding alternative ways to pay for them:

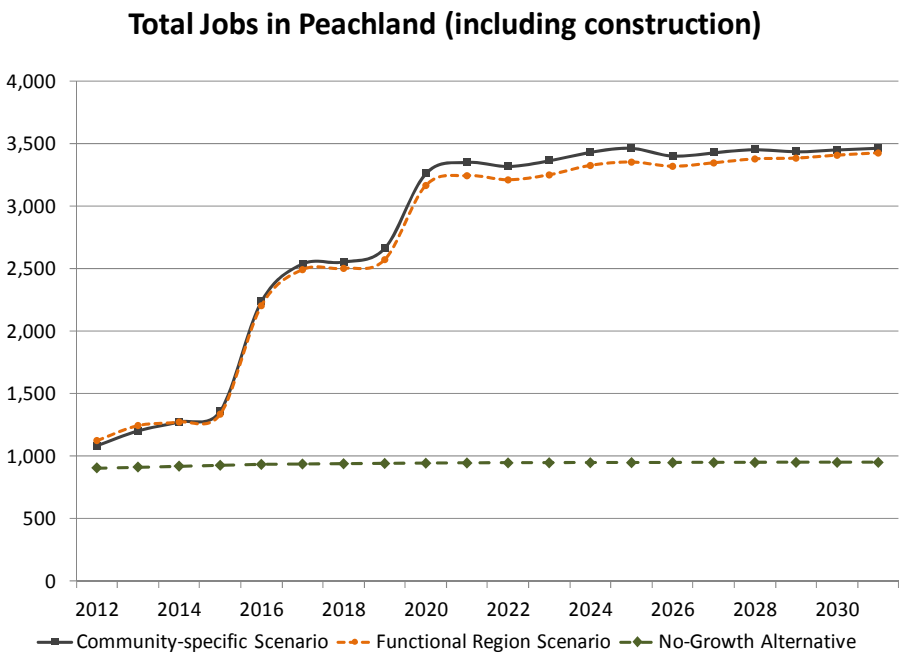
- New Fire Hall
- New civic offices
- Waterfront enhancement projects on Beach Avenue
- Updated community centre
- Upgraded museum
- Trail development
- Multi-purpose arena
- Water system upgrades, new highway interchanges and other infrastructure improvements that will benefit existing residents as well as new developments

The list above does not include the amenity value of the new developments themselves, including a new destination golf course, new shopping opportunities, and a revitalized downtown (brought about by the development of substantial new downtown housing).

A possible second elementary school, which would not necessarily be required even under the growth scenarios (see Section 8.1), would certainly not be required under a "no-growth" alternative. In fact, the number of school-age children residing in Peachland would decline by about one-third over the next 20 years.

A possible community health centre, which is also only a long-term possibility under the growth scenarios (see Section 8.2), would not be required.

The number of jobs in Peachland would be static at just under 1,000. This is about 2,500 fewer jobs than would exist by 2031 under the growth scenarios (these projections are explained in Section 7).



5.4. MUNICIPAL FINANCE CONCLUSIONS

In conclusion, Peachland's municipal finances are projected to be substantially better as a result of the major developments as opposed to a theoretical "no-growth" alternative. However, challenges will remain.

The General Fund is shown to be roughly in balance between revenues and costs over the next 20 years, with a small net positive under the Community-specific Scenario and a small net negative under the Functional Region Scenario. Under both scenarios the District's financial situation is most challenging in the next few years, but the situation will improve over time. This is due in large part to the need to accommodate the life cycle costs of existing infrastructure and other capital assets (e.g., buildings, vehicle fleet). As the community grows, there are more households and businesses to help share the cost of supporting these assets.

For the Water Fund, revenue generated under the Water Capital Improvement parcel tax will be significantly higher than originally anticipated due to the rapid growth of housing units. This creates a possible opportunity to either accelerate the timeline for needed improvements or to reduce the level of the parcel tax because the financing burden will be shared by more properties. This assumes, however, that the rapid growth will not create new water system requirements that were not envisioned in the current Water Use Plan (completed in 2007). It showed that major capital investments are required in the near future, particularly a water treatment plant, even without new development. The Water Use Plan is being updated in 2012 to determine if additional infrastructure or other steps are required to accommodate growth, meaning that a final determination of the impact of growth on the Water Fund is only possible when the updated plan is complete in the latter half of 2012.

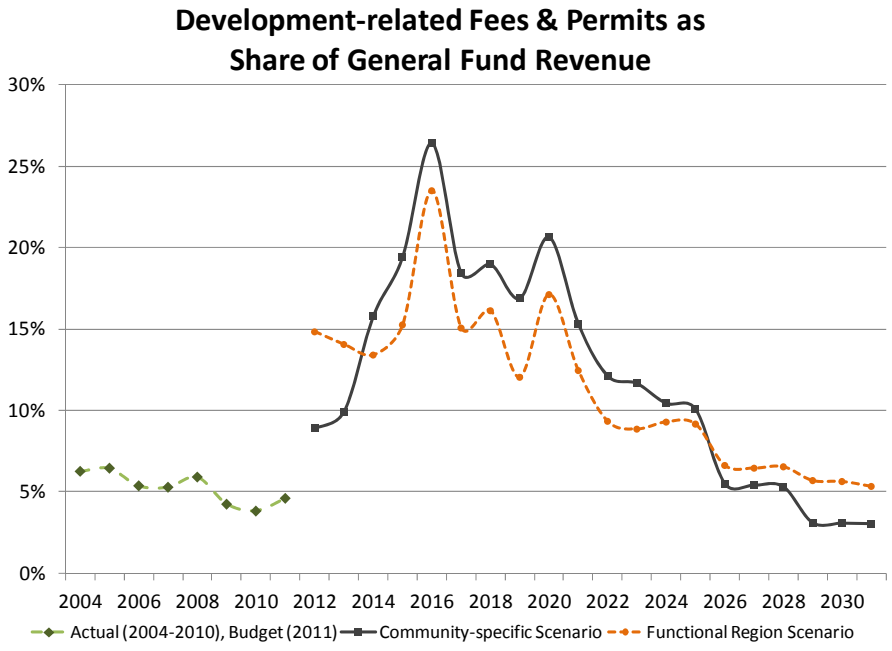
The Sewer Fund is projected to have a negative revenue position, caused by the need to accommodate the life cycle replacement costs of existing sewer infrastructure. There is no significant difference between the growth scenarios and the "no-growth" alternative because it is assumed that Regional District costs for operating the system will grow at the same rate of population. The largest uncertainty is whether new development will require twinning of the sewer line leading to the regional treatment facility. This item would be paid for by developers and given the lifespan of these types of assets, the annual life cycle cost incurred by the District would not be significant.

All new infrastructure that is required by the developments will be paid for by the developers and the analysis suggests that sufficient property tax and other revenue will be generated to cover the higher operation and maintenance costs as well as the life cycle replacement of these assets over the long term. The District's financial picture is projected to improve as population and commercial development grows over time, suggesting that new residents and businesses will pay their own way and will help to share the fixed cost of existing infrastructure as well as the new amenities that will be made possible.

It must be emphasized once again that projecting the future is always an imprecise exercise and increasingly so the further one goes into the future. The balanced financial picture for Peachland through the 2020s suggests that relatively minor changes to the assumptions or market conditions over the next decade could lead to different results. Higher inflation in municipal costs (including construction costs) relative to revenues is one possible way that the positive outcome could turn negative. One response could be to raise property tax rates, but that would be a decision of the Council of the day.

Another aspect of the financial results that should be highlighted is the extent to which the District is benefitting from development-related revenue from fees and permits. The administration of new development clearly creates new costs for municipal staff and other services, but the amount of revenue generated appears to substantially exceed these municipal costs.

Revenue from development-related fees and permits has been in the range of 4-6% of total General Fund Revenue from 2004 to 2011. Looking into the future, development-related revenue is projected to reach a peak of 23-26% of total revenue, depending on the scenario.



Regardless of the scenario, development-related revenue will be at an elevated level as a share of the total in every year from 2012 through 2025. Given the close balance between total revenues and costs over the next 20 years, these development revenues are a critical element of the District's financial health.

Finally, the "no-growth" alternative for Peachland is significantly worse from most perspectives than either of the growth scenarios. It must be emphasized that this is not always the case. It is entirely possible for new developments to create a net negative impact on a municipality's finances. Perhaps the best stereotypical example is the development of a primarily residential suburban subdivision that generates relatively little new property tax revenue, but creates substantial new servicing costs as all infrastructure must be extended to the new area. Such a development can appear financially viable in the short term as income from development-related fees and permits provides an initial boost to revenues, but once the developments are finished the revenues fall off to a level below what is required to service the new development.

This is NOT the scenario that is projected for Peachland. While it is true that development-related revenue will rise dramatically while the major new developments are being constructed, the long-term revenue and cost projections are reasonably in balance so that once development revenues fall away, the municipality is still in reasonable financial shape (and far better financial shape than if the growth had never happened).

6. RETAIL MARKET ANALYSIS

The addition of as many as 9,000 new full-time residents to Peachland over the next 20 years would generate significantly more household income and, in turn, boost spending power in the community. This will benefit existing Peachland retailers, as well as draw new retailers into the community, which would benefit residents by offering more shopping opportunities locally.

The Ponderosa and New Monaco developers have both recognized this opportunity and have included commercial uses in their plans, including retail. One of the questions this raises in what the impact might be on Peachland's downtown area, where a number of the local retailers are located and where the District is supporting revitalization initiatives.

This section of the report examines the retail environment in Peachland and how it may be impacted by a large amount of new development.

EXISTING RETAIL SECTOR

Peachland is significantly underserved in terms of local retail. There are currently about 2,300 full-time households in the community, with estimated retail spending potential of $51.75 million annually (based on annual household incomes).

Analysis of BC Assessment Authority data indicates that there are roughly 72,000 sq. ft. of retail floorspace in Peachland, yet a typical retail market analysis such as that presented in Table 13 suggests that the local area should be able to support about 135,000 sq. ft. of retail floorspace given current household incomes and retail spending patterns. To arrive at this figure, the following data and assumptions have been used:

- The estimated $51.75 million in annual retail spending potential of Peachland's residents was divided up amongst the various categories of retail. The estimated share that each retail category receives is based on industry averages for the typical household. Supermarkets receive a higher share (17.1%) of retail spending than, for example, clothing stores (4.3%) because the typical household spends much more in a year on food than it does on clothing.

- Each category of retail has different annual sales requirements, as measured by floorspace, in order to be profitable. Supermarkets, for example, require an average of $500 of sales per sq. ft. of floorspace each year because they are a high volume, low margin business in a very competitive business sector. Again, it must be emphasized that these sales figures per sq. ft. of floorspace are averages only and can vary widely, depending on the particular business.

- Applying the average annual sales per sq. ft. of floorspace in a retail category against the total annual spending by Peachland households in that category yields an estimate of the total

amount of floorspace that might be supported in that retail category. That floorspace could be divided up amongst a number of smaller retailers or a few larger ones, depending on the retail category and the local competitive environment. Moreover, it does not mean that all the floorspace has to be, or will be, located right in Peachland, but rather within the general market area where Peachland residents do most of their retail shopping, which is broader than just Peachland itself.

Table 13. Retail Expenditure Potential of Existing Peachland Households

	Share of Expenditures		Floorspace	
Retail Categories (1)	Share (2)	Annual ($000s)	Annual Sales Requirement (3) ($/sq. ft.)	Total (sq. ft.)
Supermarkets	17.1%	8,850	500	17,700
Convenience & specialty food stores	1.8%	932	350	2,660
Beer, wine & liquor stores	5.1%	2,639	600	4,400
Pharmacies & personal care stores	5.7%	2,950	550	5,365
General merchandise stores	10.9%	5,640	300	18,800
Clothing stores	4.3%	2,225	350	6,360
Shoe, clothing accessories & jewellery stores	1.3%	673	550	1,225
Home centres & hardware stores	5.3%	2,743	275	9,975
Home electronics & appliance stores	3.6%	1,863	750	2,485
Furniture stores	2.3%	1,190	275	4,330
Home furnishings stores	1.8%	932	300	3,110
Specialized building materials & garden stores	1.6%	828	225	3,680
Sporting goods, hobby, music & book stores	3.3%	1,708	300	5,695
Computer & software stores	0.4%	207	500	415
Miscellaneous store retailers	2.9%	1,500	350	4,285
New car dealers	17.6%	9,108	250	36,430
Used & recreational motor vehicle & parts dealers	3.8%	1,967	250	7,870
Gasoline stations	11.2%	5,795	n/a on sq. ft. basis	-
Total	**100.0%**	**$51,750**	**-**	**134,785**

Note: Assumes an average annual household after-tax disposable income of $45,000 and a ratio of retail expenditures to disposable income of 50% ($22,500).

Sources: Statistics Canada and adaptation of certain data from Colliers International, *Commercial Demand and Concept Study, New Monaco Lands*, prepared for New Monaco Enterprise Corp., September 2008 (1, 2 & 3).

Additional floorspace on top of the figure of 135,000 sq. ft. is warranted for food and beverage services (restaurants, pubs, etc.) and service commercial uses such as professional offices (doctors, dentists, lawyers, realtors, etc.).

In some retail categories, such as supermarkets, convenience & specialty food stores, and beer, wine & liquor stores, the Peachland market is overall well served locally. However, in other categories, such as

home electronics & appliance stores, furniture stores, and general merchandise stores, Peachland is underserved locally.

The relatively limited amount of local shopping is due to significant retail spending leakage out of Peachland to West Kelowna, Kelowna and the Westbank First Nation (WFN) to the north and, to a lesser degree, Penticton to the south where there are both the land bases and populations to support major commercial centres. The pattern of leakage has changed over time with the rapid growth of larger-format retail development in the WFN lands, which at least provide more shopping opportunities closer to home for Peachland residents. The closer proximity of new development also creates more competition for Peachland retailers who may have had a significant convenience advantage relative to Kelowna but much less so relative to the WFN.

Leakage reduces the amount of commercial floorspace that can be supported locally and is reflected in the type of businesses that have chosen to locate in Peachland. Most are small locally owned and operated businesses that rely on Peachland residents and seasonal tourism as their primary market. Their ability to tap into the broader regional market is limited, except for those that benefit from highway drive-through traffic.

Even in an improved local retail environment, it would not be reasonable to expect that all the needs of Peachland residents would be met locally. There would still be spending leakage outside the community on "big ticket" items such as new motor vehicles and major household appliances since these kinds of retailers rely on high volume central locations in major markets. The situation would be different if Peachland was a small town located some distance from a major centre, but that is not the case here - it is part of the Kelowna metropolitan area. In any event, Peachland does not have the land base to support larger format commercial enterprises.

Because Peachland's population has been growing relatively slowly and because of the large fluctuations in business that come with a seasonal tourism market, it is not anticipated under the base case that the retail picture in Peachland will significantly change in the foreseeable future. There will be some growth, but it will be modest, and there will continue to be considerable spending leakage out of the community.

There will be commercial redevelopment in the downtown area over time, but much of it will be the replacement of old commercial floorspace with new commercial floorspace, even with more residents and retail spending in Peachland. New commercial buildings may bring new retailers to downtown, but it will be largely through the displacement of some existing retailers (especially those that cannot afford the higher rents that new commercial floorspace will require). So, the net effect on Peachland in terms of additional commercial floorspace downtown is expected to be relatively modest.

If major commercial expansion was desired downtown by the District, it would have to occur by designating more land on the fringes of the downtown area from residential to commercial or mixed commercial and residential use. Whether this is desirable or not is something that Peachland may want

to consider at some point, but it is not recommended in the shorter-term. The primary focus downtown should continue to be on the redevelopment of the existing properties designated for commercial use. Allowing more land for commercial use in the short-term could dilute this potential.

IMPACT OF NEW DEVELOPMENT ON RETAIL SECTOR

Both of the proposed major new developments have plans to include commercial development, as follows:

Ponderosa

- Hotel, with restaurant - 208 units
- Golf course and clubhouse
- Retail - 40,000 sq. ft
- Office - 14,000 sq. ft

New Monaco

- Retail - 105,000 sq. ft.[9]
- Office - 150,000 sq. ft.
- Hotel - 100 rooms

As with the residential analysis, the purpose of this retail market analysis is not to evaluate the market viability of the proposed commercial components of the developments but rather to assess their impact on the community under the assumption that they are built.

NEW DEMAND

Under the maximum impact case, there will be about 4,700 new permanently occupied dwelling units (i.e., households) in Peachland by 2031. Assuming that these new households have the same average annual disposable incomes and retail spending patterns as existing Peachland households, there would be an estimated $105 million in annual retail spending potential added to the Peachland economy. As shown in Table 14, this would warrant about 275,000 sq. ft. of retail floorspace to satisfy demand.

Adding this new retail demand to the existing demand (Table 13) suggests that Peachland could have $157.5 million of annual retail spending potential from permanently occupied households by 2031. This would warrant about 411,000 sq. ft. of retail floorspace in all categories, plus additional floorspace for other types of commercial uses.

[9] Note that while the New Monaco Area Structure Plan, January 25, 2011 refers to this 105,000 sq. ft of floorspace as retail, this should be interpreted in a broader context to include not just what is traditionally defined as retail uses (per Table 13 and Table 14) but also food & beverage services (e.g., restaurants), and other types of commercial businesses. The commercial floorspace planned at Ponderosa is also expected to have a broad range of uses, of which retail will be one component.

Table 14. Retail Expenditure Potential of New Peachland Households

Retail Categories (1)	Share of Expenditures: Share (2)	Share of Expenditures: Annual ($000s)	Floorspace: Annual Sales Requirement (3) ($/sq. ft.)	Floorspace: Total (sq. ft.)
Supermarkets	17.1%	$18,083	$500	36,165
Convenience & specialty food stores	1.8%	1,904	350	5,440
Beer, wine & liquor stores	5.1%	5,393	600	8,990
Pharmacies & personal care stores	5.7%	6,028	550	10,960
General merchandise stores	10.9%	11,527	300	38,425
Clothing stores	4.3%	4,547	350	12,990
Shoe, clothing accessories & jewellery stores	1.3%	1,375	550	2,500
Home centres & hardware stores	5.3%	5,605	275	20,380
Home electronics & appliance stores	3.6%	3,807	750	5,075
Furniture stores	2.3%	2,433	275	8,850
Home furnishings stores	1.8%	1,904	300	6,345
Specialized building materials & garden stores	1.6%	1,692	225	7,520
Sporting goods, hobby, music & book stores	3.3%	3,490	300	11,635
Computer & software stores	0.4%	423	500	845
Miscellaneous store retailers	2.9%	3,067	350	8,760
New car dealers	17.6%	18,612	250	74,450
Used & recreational motor vehicle & parts dealers	3.8%	4,019	250	16,075
Gasoline stations	11.2%	11,844	n/a on sq. ft. basis	-
Total	**100.0%**	**$105,750**	**-**	**275,405**

Note: Assumes an average annual household after-tax disposable income of $45,000 and a ratio of retail expenditures to disposable income of 50% ($22,500).
Sources: Statistics Canada and adaptation of certain data from Colliers International, *Commercial Demand and Concept Study, New Monaco Lands*, prepared for New Monaco Enterprise Corp., September 2008 (1, 2 & 3).

Between the retail spending generated by existing Peachland households and the retail spending generated by the projected new households, there is demand for about 410,000 sq. ft. of retail floorspace. But, the estimated current amount retail floorspace in Peachland (72,000 sq. ft.) and the planned new retail floorspace in the Ponderosa and New Monaco developments (145,000 sq. ft.) will together provide only 217,000 sq. ft. So, there is still a shortfall of 193,000 sq. ft., if all the local demand were to be met locally.

However, there will continue to be considerable leakage out of the local market to the larger commercial centres of West Kelowna, Kelowna and Penticton. But, even if the share of leakage remained at its current level, there would still be more retail spending dollars staying in the community in absolute number terms. Moreover, the seasonal (part-time) residents living in these new developments and the increased tourism in Peachland from the golf course, two hotels and other

amenities in the two major developments will generate even more retail spending and support for local businesses.

Exact numbers aside, the bigger question is what it means for where and how this new money is spent within the Peachland market. Certainly a share of the retail spending will occur within the commercial areas planned for Ponderosa and New Monaco. That is appropriate since there should be some level of daily convenience shopping available to residents of the two developments within walking distance, as well as for hotel guests and other visitors. And, it is expected that some residents from other parts of Peachland will also be drawn to these new commercial areas because of proximity to their neighbourhoods or because of specific businesses.

However, it is not anticipated, nor planned, that all of the retail spending by residents of the two developments will occur on site. This was noted by Colliers International in its commercial market analysis for New Monaco, where it states, "...not all of the retail demand generated by the New Monaco development should be served within the development itself, thereby ensuring a continual flow of spending to existing commercial businesses such as those already operating in Peachland and Westbank." (p. 20)

As some of the retail spending flows out of these new developments, downtown retailers will be among the beneficiaries, especially given planned improvements to Highway 97 that will make it easier for residents on the north side of the highway to cross over into downtown and because of the unique type of waterfront shopping experience that downtown offers. In short, most downtown businesses should gain from having a larger Peachland population, even if it brings some new competing commercial development with it.

Given the limited land base in Peachland that is suited to commercial development, the District will have to carefully consider what kinds of commercial uses will best meet the needs of its residents in the long-term and designate and zone the land accordingly.

7. EMPLOYMENT ANALYSIS

This section of the report focuses on the employment impacts of the major new developments in Peachland. These impacts are generated in multiple ways, including by the creation of new commercial space (office, retail and hotel), the re-development of the Ponderosa golf course, the value of construction activity over an extended period of time, increased demand for local public services, more homes accommodating more home-based employment, and the additional economic activity simply by having more people living in the community and region.

The analysis is based primarily on the increased *supply* of employment-supporting properties. That implies that all of these new properties (especially the commercial developments) are fully utilized. New office buildings, retail spaces and hotels will be competing for tenants and customers with other new and existing properties in the region. While a full competitive analysis of commercial developments in Peachland is beyond the scope of this study, there are some positive indicators.

REGIONAL GROWTH PROSPECTS

According to BC Stats population projections, the Central Okanagan Regional District is expected to grow by 67,000 people from 2011 to 2031, an average of more than 3,000 per year. This is the third-fastest rate of growth of any BC region.

Apart from any other consideration, simply adding more people creates more jobs. People demand food, shelter, entertainment, transportation, and a huge variety of services, including public services. Based on an analysis done for Ponderosa[10], an estimated 0.44 jobs are created for each new resident in the Central Okanagan region. Projected population growth in Peachland of about 8,700 residents (under the Community-specific Scenario) would therefore support about 3,800 new jobs in the region

Of course many of those jobs would not be located in Peachland as new residents would make at least some of their purchases in other parts of the region, as was discussed in section 6. Similarly the 67,000 new residents in the region will support more than 29,000 new population-serving jobs, and that figure excludes population growth in Summerland, Penticton and the rest of the Okanagan-Similkameen region. Some of those residents are potential customers for Peachland businesses as well.

Employment projections from BC Stats for the Okanagan College region show that population-serving jobs are expected to be the main source of new employment in the 2010 to 2015 period. These include health and social assistance, retail trade, finance/insurance/real estate, and government. Tourism-related accommodation and food services also rank highly.

[10] Daedalus Investments Incorporation (March 2009), analysis for Treegroup Developments Corp.

(Note the Central Okanagan region contains half of the total jobs in the college region, which also includes the Okanagan-Similkameen and North Okanagan region and most of the Columbia-Shuswap region as far east as Revelstoke).

Table 15. Projected Employment Growth by Leading Industry, Okanagan College Region, 2010-2015

Time	Estimated 2010 Jobs	Estimated 2015 Jobs	Estimated Job Growth
Management, Administration, Other Support Services	5,040	7,740	2,700
Health & Social Assistance	22,660	25,240	2,580
Accommodation and Food Services	13,600	15,080	1,480
Retail Trade	26,820	28,200	1,380
Finance, Insurance, Real Estate	11,240	12,030	790
Government	7,270	7,880	610
Wholesale Trade	4,830	5,360	530
Other Services-Producing Industries	51,460	52,560	1,100
Goods-Producing Industries	45,890	46,790	900
Total	**188,810**	**200,880**	**12,070**

Source: BC Stats

While by no means a definitive analysis, the growth prospects for the region are supportive of the population and tourist-serving commercial development planned for Peachland. The office development at New Monaco will not necessarily be aimed at a population-serving market, but could attempt to capitalize on other growing Okanagan industries, such as health care and technology.

COMMERCIAL EMPLOYMENT

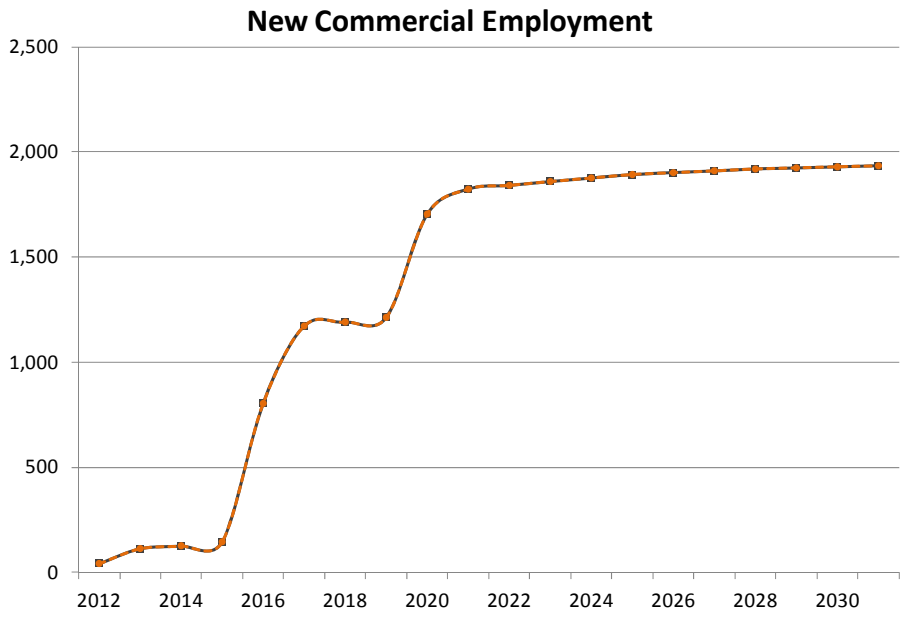
There are several categories of commercial development that were analyzed for their employment impact. Based on a variety of research sources and previous studies done in British Columbia and elsewhere, there are standard ratios for the amount of floor space per job for retail, office and hotel developments. Of course there can be significant variation within these categories, but at this early stage in the developments these standard ratios are appropriate. The amount and timing of commercial development is assumed to be the same under both scenarios.

Table 16. Employment Ratios and Estimates for Commercial Developments, 2012-2031

Development Type	Ratio[11]	Developed Area	Employment Estimate
Retail	250 square feet per job	145,000 sq. ft	580
Office	200 square feet per job	164,000 sq. ft.	820
Hotel	1 job per room	406 rooms	406
Short-term rental / Time share units[12]	1 job per 4 units	250 units	65
Golf course	65 jobs in total	1 course	65
Total	-	-	**1,936 jobs**

The approximate timing of the growth in commercial employment is shown in the chart to the right. The spikes in employment will occur when major new developments are completed, such as office buildings or hotels.

As noted above, nearly 2,000 new jobs are expected for Peachland as a result of these developments.



HOME-BASED EMPLOYMENT

In addition to job opportunities in new commercial space, some of Peachland's new residents will choose to work from home. Data from the 2006 Census indicates that Peachland already has a higher percentage of home-based workers than the provincial average and the rest of the Central Okanagan region (see Table 1 on page 4).

[11] Note these ratios may be a mix of full-time and part-time jobs. The majority of the estimated 65 jobs at the golf course, for example, will be seasonal.

[12] The employment impact of short-term rentals and time share units is assumed to be one-fourth the impact of hotel units because they still require administrative support, cleaning and other services, but not on a daily basis. There is also not the same degree of common lobby space and amenities as in a hotel.

This is largely a function of age as older workers are much more likely to be home-based than younger workers, as shown in Table 17.

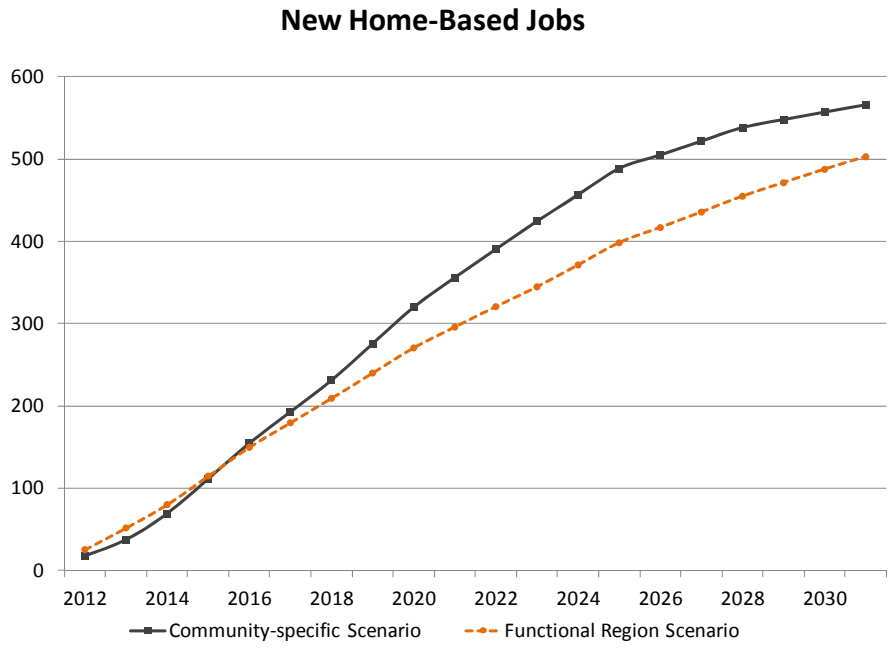
Table 17. Home-based Jobs by Age Group, RD of Central Okanagan, 2006

Age Group	Worked at Home (Percentage of those Employed)
15 to 24 years	2.9%
25 to 34 years	7.4%
35 to 44 years	11.0%
45 to 54 years	11.2%
55 to 64 years	14.2%
65 to 74 years	34.6%
75 years and over	58.9%
Total	**10.5%**

Source: Statistics Canada Census

Using a combination of the age-specific home-based employment rates shown above and the population projections under each development scenario, the projected number of new home-based jobs in Peachland will reach about 565 by 2031 under the Community-specific Scenario and around 500 in the slower-growth Functional Growth Scenario.

There are currently an estimated 295 home-based workers in Peachland.

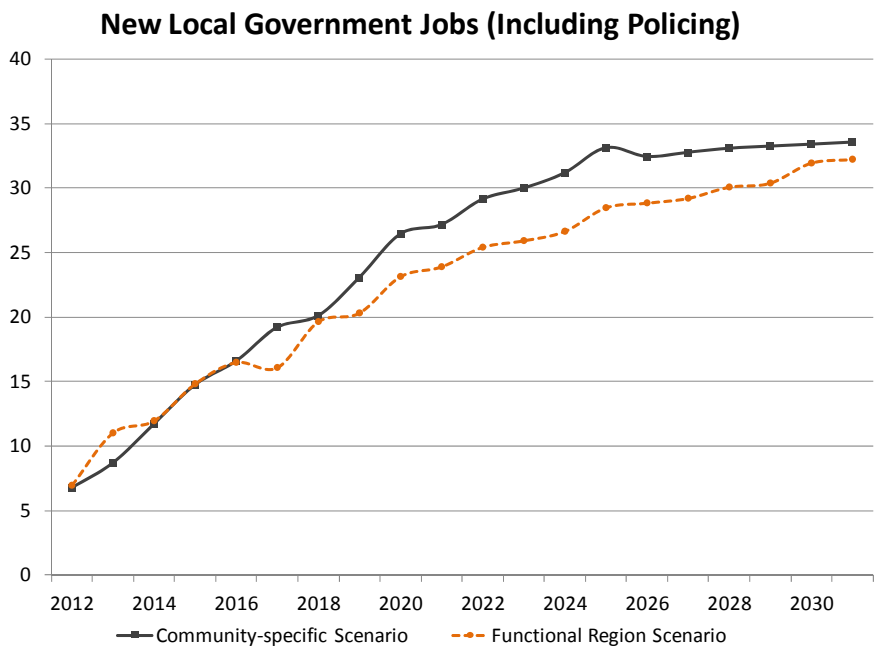


LOCAL GOVERNMENT EMPLOYMENT

Growth in Peachland will create the need for more local government employees both to administer the new developments and to provide services to the growing population. The detailed assumptions for each category of the municipal budget (see Appendix A) includes specific formulas for increased employment in Policing, Fire and Rescue Services, and the Development Services Department. Other

new employees will be needed throughout the organization, including Administration, Community Services, Public Works and more.

Current spending in these other areas (i.e., not including Policing, Fire and Rescue, and Development Services) is approximately $4.25 million, which is about $158,000 per full-time equivalent (FTE) employee. As municipal expenditures increase into the future additional employees will be required, but there will be economies of scale in the need for additional workers. For example, a doubling of the municipal budget does not mean that the number of senior managers also doubles - there is only one Chief Administrative Officer, one Director of Finance, etc. no matter how large the municipal budget.



For simplicity, it is assumed that as municipal spending in these areas increases that a new employee is added for each additional $315,000 in spending (double the current spending per employee).

The combined increase in local public sector employment, including Policing, Fire and Rescue, and Development Services, is projected to be 32-34 jobs over the next 20 years. These are full-time equivalent positions so a larger number of people will be employed when considering part-time and seasonal positions.

CONSTRUCTION EMPLOYMENT

The results of an economic impact analysis are usually separated into the permanent, ongoing effects and the temporary, short-term effects during the construction or development phase. The same approach is used here, but with so much construction activity happening in Peachland over an extended period of time, many construction jobs will essentially be "permanently" located in the community.

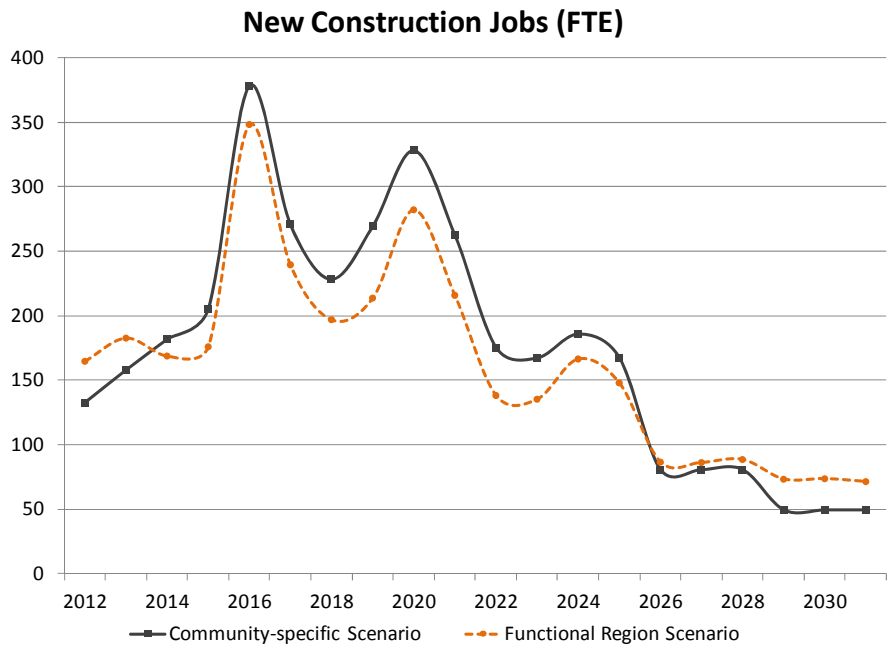
These construction jobs provide significant additional opportunities for Peachland residents to work in their home community (if they work in construction or related activities). All of the additional workers that are in Peachland on a regular basis will be making purchases in local shops and restaurants, while construction companies (and other contractors) may purchase some supplies in the community. While

most supplies will likely be purchased elsewhere in the region (at least initially, as there are believed to be relatively few suppliers currently operating in Peachland), the sustained level of construction activity will create new business opportunities that entrepreneurs may attempt to capitalize on from a Peachland location.

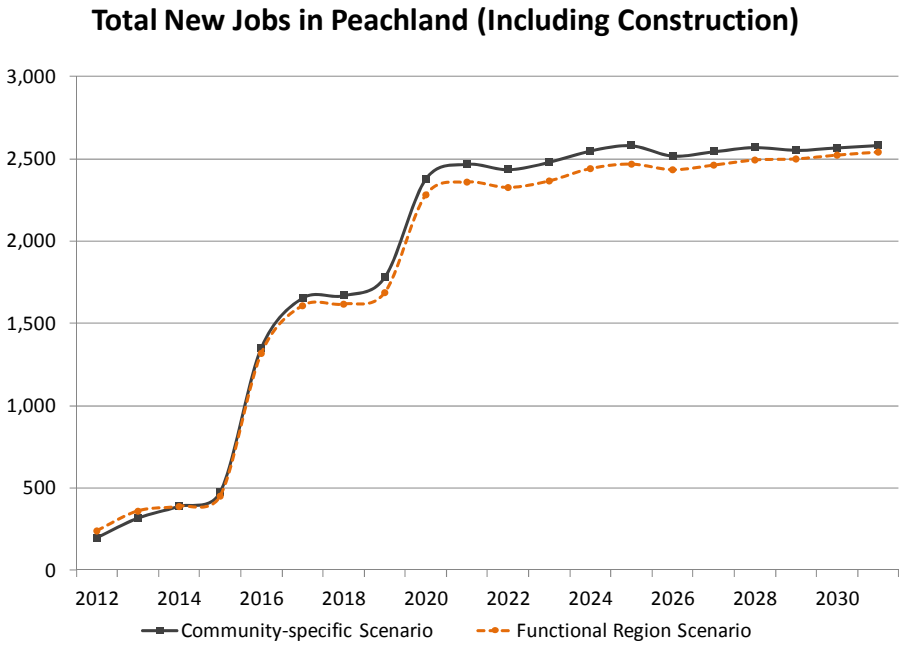
Several different approaches were tested in order to estimate construction employment, but the most straightforward method, while also being reasonably conservative, is to base it on estimated labour income.

Of the total amount of construction spending, an estimated half is for materials and the other half paid to workers in wages and benefits (this is a standard assumption used in cost estimating for many types of residential construction projects). Average weekly wages for a construction worker in BC in 2011 were just over $1,000. Adding an estimated 20% in benefits gives $1,200 per week in costs per worker, or roughly $62,500 per year.

Total labour payments to construction workers in each year are then divided by the average pay per worker to provide an estimate of the number of full-time equivalent construction jobs. The amount of construction employment peaks at an estimated 375 person-years in 2016 (under the Community-specific Scenario) but nevertheless provides more than 100 person-years every year for about a 15-year period.



Adding everything together gives a total impact of more than 2,500 permanent, new jobs in Peachland by the end of the 20-year build-out period(under the Community-specific Scenario).



The large spikes in employment are related to the completion of the large commercial developments so most of the new jobs will be created in the next 10 years. Home-based jobs will continue to increase with population growth, but the number of construction jobs dwindles over time so that total employment is relatively flat after about 2020.

Adding in pre-existing employment leaves a total of about 3,400 jobs with a fixed place of work in Peachland by 2031. An additional 165 to 175 construction jobs, on average, will be created annually by the new development over the next 20 years.

Table 18. Projected Employment with Fixed Place of Work in Peachland, 2031

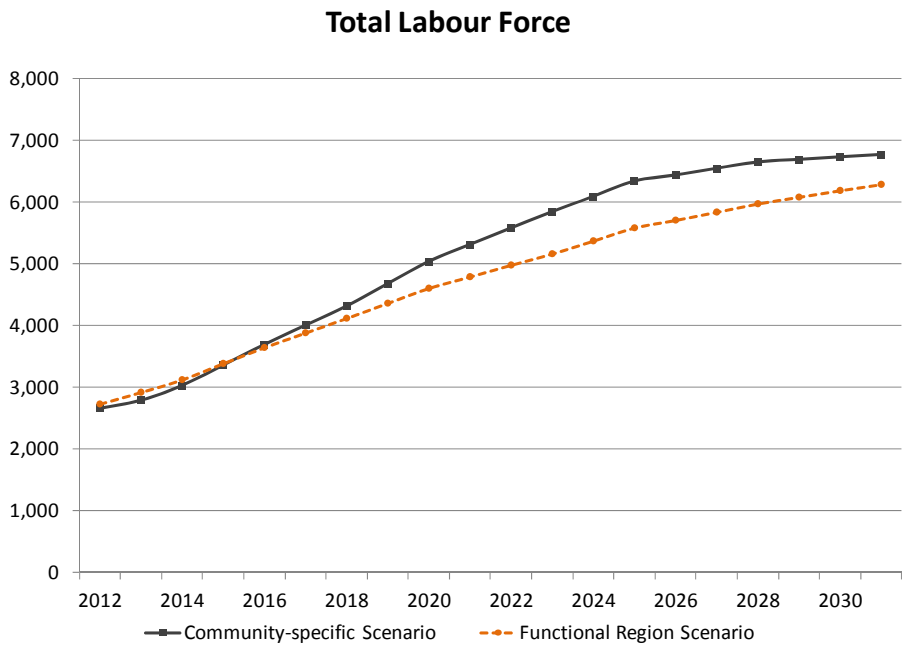
Category	Number of Jobs, Community-specific Scenario	Number of Jobs, Functional Region Scenario
New Commercial Jobs	1,935	1,935
New Home-based Jobs	565	505
New Local Government Jobs (including Policing)	40	35
Existing Home-based Jobs (2011 estimate)	295	295
Existing Jobs, not Home-based (2011 estimate)	595	595
Total Jobs with Fixed Place of Work in Peachland	**3,425**	**3,360**
New Construction Jobs, 2012-2031	3,500 person-years	3,250 person-years
Average New Construction Jobs per Year, 2012-2031	175	165

PEACHLAND LABOUR FORCE

The employment projections outlined above clearly represent significant job growth for the community, but they should be put in the context of overall growth. Of particular interest is the relationship between total jobs and the resident labour force

As discussed in the Baseline Analysis (section 2), Peachland's older age profile causes its labour force participation rate to be significantly lower than the provincial average (53% as of the 2006 Census compared to 66% provincially).

Using BC Stats projections of labour force participation rates by age for the Thompson-Okanagan region, combined with the Peachland population projections created for this study, the projected labour force in Peachland is shown to the right. (To clarify, the labour force includes people who are either employed or actively seeking work).



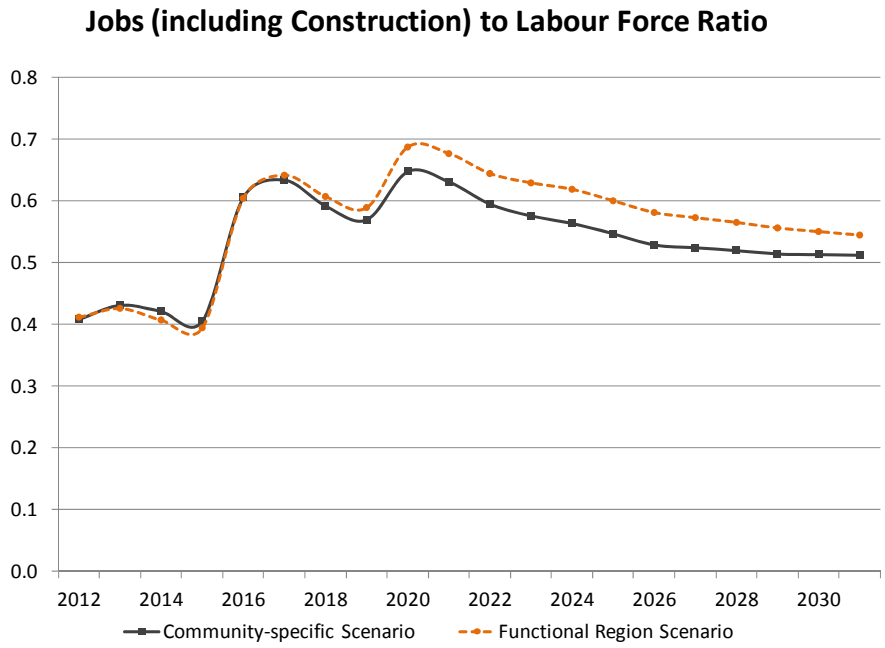
The projections show about 6,750 Peachland residents in the labour force under the Community-specific Scenario and 6,300 people under the Functional Region Scenario.

JOBS TO LABOUR FORCE RATIO AND NET COMMUTING

It is not reasonable to expect that residents of any community within a metropolitan area (like the Central Okanagan) will all work in their home community. However, having more jobs in the local community gives people greater opportunity to work closer to home. This has a variety of "complete community" benefits, such as reducing pollution from lengthy commutes, having more time for family and personal interests rather than spending time traveling, and having a higher daytime population to support strong retail and service industries.

As of the 2006 Census, Peachland's ratio of jobs to resident labour force was 0.37, meaning that for 100 Peachland residents in the labour force, only 37 worked in Peachland. As the chart indicates, another 44% worked in a different community and 5% were unemployed, while 14% had no fixed place of work. Those latter individuals work in industries like construction and transportation and may spend all or most of their time in Peachland as well, but not at a single place of work.

The ratio of Peachland-based jobs to the resident labour force will evolve over time as development occurs in the community. Including the construction jobs created by new development (which are technically not *fixed* in Peachland), the ratio of jobs to labour force increases from about 0.40 in 2012 to the 0.65 to 0.70 range by 2020, depending on the scenario. By that point most of the major commercial developments are assumed to be operating. Then continued residential growth through the 2020s will push the ratio back down to the 0.50 to 0.55 range.



8. SOCIAL IMPACTS ANALYSIS

8.1. SCHOOLS

Peachland Elementary School serves grades K - 6 in the community, with older students bussed to Glenrosa Middle School (grades 7-9) and Mount Boucherie High School (grades 10-12) in West Kelowna. A key question that has been raised in the community is whether or not the new developments would generate sufficient school-age children to require new schools in Peachland.

The Central Okanagan School District undertook a comprehensive analysis of enrollment trends and school capacities for the entire district, including Peachland, as part of its last *Eligible School Sites Proposal* (May 2010). At that time, it was projected that there would be an estimated 600 new single and multi-family housing units built in Peachland over the 10-year period of 2008 - 2018.

The school-age children associated with this new housing, coupled with demographic change amongst the existing Peachland population, was estimated to boost enrollment and operating capacity utilization at Peachland Elementary School from 172 students (68% capacity) in 2008 to 234 students (92% capacity) in 2018.

The *Eligible School Sites Proposal* concluded that Glenrosa Middle School would be at 120% of capacity and that Mount Boucherie High School would be at 87% of capacity. Both of these schools serve large catchment areas and the new school-age children generated by Peachland would account for only a modest share of the enrollment increases.

The projected number of students generated by Peachland would therefore not be sufficient under this scenario to justify any new school construction in Peachland.

The School District's analysis was undertaken before the Ponderosa and New Monaco development proposals and did not take into account these two projects specifically. Also, the *Eligible School Sites Proposal* has a ten-year projection timeframe and the latest version of the analysis only goes out as far as 2018.

The demographic projections prepared for this impact study estimate that, under the maximum impact scenario, there could be more than 1,300 school-age residents in Peachland by 2031.[13] This includes an estimated 910 students in the new developments and about 400 students living in currently-developed areas of Peachland. The estimated impact on the three school levels would be as follows:

[13] There is often a small discount factor applied to projected public school enrollments to account for students who are attending private or special schools, who are home-schooled or who have dropped out of school. However, this analysis assumes that all school-age residents are enrolled in the public school system to show what the maximum impact might be on the system.

- Elementary School (K-6): 710 students (485 in new developments, 225 elsewhere)
- Middle School (7-9): 315 students (215 in new developments, 100 elsewhere)
- High School (10-12): 295 students (210 in new developments, 85 elsewhere)

There are many factors that will influence how the School District may respond to the increased enrollments generated by Peachland. It will depend in part on changes in enrollment numbers in other parts of the district and which schools, if any, in proximity to Peachland have excess capacity. One thing is certain - the School District will only receive permission from the Province to acquire new school sites and build new schools when the demand is clearly demonstrated as imminent. This is particularly the case in a school district such as the Central Okanagan where there are schools operating well under capacity and some that have been closed due to low enrollments. So, where and when new schools may be built in the district is entirely speculative beyond what may happen in the next few years. Central Okanagan School District officials have indicated that, with respect to Peachland, there are no plans for new schools through to at least 2018 based on the findings of the *Eligible School Sites Proposal*. If enrollment at Peachland Elementary School reaches capacity, which would be some years out under any scenario, the School District may consider three options:

- Expand the existing school.
- Build a second elementary school in Peachland.
- Bus some students to an under capacity elementary school in close proximity to Peachland, if there is one.

If a second elementary school is required at some point in Peachland, the District and School District will have to jointly determine the most appropriate location. BC Ministry of Education standards require 3.7 acres for an elementary school site based on a design capacity of 200 students, which is the minimum school size. As the design capacity increases, so does the required size of the site. The School District does not foresee sufficient demand coming from Peachland, even under the maximum impact scenario, to justify a middle school in Peachland.

8.2. HEALTH SERVICES

Peachland has one walk-in medical clinic, a dental centre and a pharmacy. The closest community health centre is in West Kelowna (offering services such as caregiver support, community nursing, home support and rehabilitation) and the closest hospitals are in Kelowna and Penticton.

The level of local health care services is small for a community of 5,000 people, but because of Peachland's close proximity to more populated centres, most health care services are located elsewhere.

Interior Health has reviewed the population projections presented in this report and concluded that Peachland's secondary and tertiary medical care needs will continue to be met in the larger communities for the foreseeable future. Where there is most likely to be more services provided locally is in the areas of primary and community care.

There are a variety of factors that will influence how and when a community might attract more health care services, but it is anticipated that a larger population of the scale projected for Peachland will draw a number of new physicians and other health care professionals to set up practices over time.

Some of these health care professionals may choose to locate in either the Ponderosa or New Monaco developments since both have office space planned and others may choose to locate downtown or along the highway corridor.

With respect to the potential development of a community health care centre in Peachland, Interior Health encourages physicians to work within an integrated model of primary care in partnership with other health care providers. If the projected population in this report is realized, Interior Health may explore, with local and potentially new physicians, if there is interest in co-locating services within a single primary care site. However, Interior Health's initial approach would be to ascertain if the local physicians, in developing their new practices, would be willing to create space that would allow Interior Health staff to be co-located. So, while a community health care centre may come to Peachland at some point, it is likely to be in the longer term.

8.3. SOCIAL COHESION

The addition of as many as 8,700 new permanent residents to Peachland over the next 20 years will bring major changes to the community, as is evident from the projected demographic, economic and municipal service impacts. On the more qualitative side are concerns sometimes expressed by residents of a community about the effects of a large influx of new residents on social cohesion.

One measure of social cohesion is population mobility (i.e., turnover). The theory is that communities that have lower rates of mobility are more socially cohesive than communities where there is a high rate of mobility, with residents moving in and out on a more frequent basis, leading to less feeling of being part of the community. The flip side of this theory is that communities with low population mobility are not necessarily socially cohesive either and do not benefit from the fresh perspectives and experiences that new residents can bring.

The theory aside, it is interesting to note that Peachland's mobility from 2001 to 2006 was just about the same for BC as a whole and higher than for the Central Okanagan Regional District as a whole, as shown in Table 19. Only 54% of Peachland's residents were still living at the same address in 2006 that they were in 2001. A further 14% had moved from one address to another within Peachland and the remaining 32% had moved to Peachland from somewhere else. The mobility rate may have been less

from 2006 to 2011 (the Census results won't be known until later in 2012) due to less residential development in Peachland, but what the available data shows is that Peachland is a relatively typical community when it comes to population mobility and possibly social cohesion. So, it has already felt the effects of the type of change that comes with new development, although the pace of this change will be greater in the future.

Table 19. Population Mobility, 2001-2006

Characteristics	Peachland	Central Okanagan	British Columbia
Lived at the same address 5 years ago	54%	53%	49%
Lived within the same province or territory 5 years ago; but changed addresses within the same municipality	14%	23%	26%
Lived within the same province or territory 5 years ago; but changed addresses from another municipality within the same province or territory	20%	14%	14%
Lived in a different province or territory 5 years ago	11%	4%	8%
Lived in a different country 5 years ago	1%	5%	2%

Source: Statistics Canada Census

One of the planning challenges for Peachland will be to ensure that the residents of the two planned major new neighbourhoods - Ponderosa and New Monaco - integrate into the broader community rather than interacting socially only within their own neighbourhoods.

Peachland's downtown area, public parks, waterfront, elementary school and community centre all provide opportunities for new residents to interact outside their neighbourhoods. And, many of the amenities within the new neighbourhoods will be available for all residents of Peachland, as well as outside visitors. The solution to ensuring integration is therefore programming and promoting the community's amenities to appeal to a broad cross-section of residents.

8.4. POLICING

As was discussed in section 5.2, Peachland will have to pay a significant share of the cost of the policing that it receives starting in 2012.

Table 20 shows that Peachland has low “calls for service” and Criminal Code offence rates compared to the Kelowna Provincial Unit[14] overall. Peachland’s share of population was 21-22% in the last couple of years whereas its share of total calls for service was 16-18% and its share of Criminal Code offences was 15-16%.

[14] The Kelowna Provincial Unit is responsible for policing in unincorporated areas of the region, plus smaller municipalities in the region with populations under 5,000.

Table 20. Peachland Calls for Service and Criminal Code Offences, 2009 - 2010

Area	Year	Calls for Service		Criminal Code Offences		Share of Population
		No.	%	No.	%	
Peachland	2009	794	18%	226	16%	22%
	2010	790	16%	198	15%	21%
Rest of Kelowna Provincial Unit	2009	3,685	82%	1,224	84%	78%
	2010	4,027	84%	1,155	85%	79%
Total	2009	4,479	100%	1,450	100%	100%
	2010	4,817	100%	1,353	100%	100%

Source: Police Services Division, Policing and Security Programs Branch, Ministry of Public Safety and Solicitor General, December 2011

These relatively low rates are due to a combination of factors, including the older demographics of Peachland residents and the community being predominantly residential.

As Peachland continues to develop, it is reasonable to expect that there will be some increase in activity requiring police involvement. For example, construction sites are often a target for thieves seeking construction materials, tools and equipment and other items that can be easily converted to cash. The solution is to ensure good security of construction sites and that would presumably be part of normal business practices for the major developers in Peachland. More commercial development sometimes also leads to more criminal activity, such as shoplifting and burglaries.

A larger population is likely to have a higher volume of crime simply due to the larger number of people, but there is no reason to expect that crime will increase on a per-capita basis or will become a significant social problem for Peachland simply as a result of growth and change.

8.5. TOURISM

The Okanagan region is a major tourism destination within British Columbia and many tourists already visit Peachland or pass through on the highway. Ponderosa and New Monaco will add to the community's appeal to tourists through the creation of new destinations (e.g., Ponderosa golf course, New Monaco urban village) and by substantially increasing the amount of tourist accommodation. Having more tourists staying in Peachland will encourage them to seek out other attractions in the community, including downtown.

From an economic development perspective, more visitors are a positive as they bring additional spending into the community. From a social perspective, however, some residents may view the additional tourists less favourably since they bring additional vehicle traffic and may cause crowding in areas that Peachland residents also frequent, such as the waterfront.

To some extent these impacts are already being felt and will continue as the Okanagan continues to grow and attract more residents and tourists. The major developments in Peachland are simply increasing the pace of tourism growth.

8.6. IMPACT ON RESIDENTIAL PROPERTY VALUES

Forecasting the level of housing prices over a period of 20 years is not possible with any degree of credibility, but some general insights can be offered based on the historic functioning of the housing market both in the Okanagan and elsewhere.

First, the housing market is subject to laws of supply and demand. If it is assumed that people will continue to find the Okanagan a desirable place to live and the regional population continues to grow, housing prices would increase rapidly without continual development of new housing supply. In fact, the region's demographics, with an older population that features many smaller households (i.e., couples without children or single adults), the number of households will be increasing even faster than the number of people.

Peachland is part of an Okanagan-wide housing market and its housing prices will be roughly in balance with similar homes elsewhere in the region. Viewed in this context, new housing developments such as the ones proposed for Peachland will help keep housing prices lower than they otherwise would be.

A second point is that housing prices are usually what economists call "sticky downward." This means that if housing prices change, they are much more likely to increase. They are "sticky" when forces are pushing them down. This is a completely understandable phenomenon when looking at the suppliers of housing.

- Individual homeowners are reluctant to accept lower prices for their homes. Whereas they have no problem immediately accepting a higher-than-expected price, their reaction to a lower-than-expected price is often to delay and hope a better offer comes along. If satisfactory offers are not available, homes will be pulled off the market or maintain a high asking price that effectively pulls them off the market, meaning that housing supply goes down.

- Housing developers want to sell new properties for as much as possible. If they find the market is not willing to pay what they want, or what is financially viable for their project, they may pull some properties off the market or simply slow down the number of new properties being offered for sale. This also pushes the supply of housing down.

When both individual homeowners and property developers are taking steps to reduce housing supply, prices are unlikely to fall significantly. In this situation, assuming constant demand, housing prices will be higher than they otherwise would be.

So the housing market has two opposing forces. The first point above said that increasing the supply of housing helps to keep prices low. The second point suggests that decreasing the supply of housing helps to keep prices high. These two factors interact, along with many other considerations, as part of the regular ongoing functioning of the housing market.

In Peachland's case, the new developers have no incentive to flood the market with new housing that will push prices down. They are also offering a variety of more affordable multi-family units (not to mention the units that are expressly intended to be "affordable housing"). The experience of other rapidly-growing communities in BC (such as Greater Vancouver) provides no evidence that fast growth leads to depressed housing prices.

Over the long term, the most likely outcome is that housing prices will continue to rise, sometimes quickly and sometimes very slowly or not at all for a period of time, as housing demand and supply fluctuate over time in relation to each other.

9. CLOSING STATEMENT

The planned major developments in Peachland will generate many positive benefits for the community. From a municipal finance perspective, the future looks far better with the developments than without them. But District Council and staff will also face many challenges in the coming years, some related to managing and accommodating the rapid pace of growth and others related to pre-existing issues.

Some of the key implications and next steps are summarized below. This closing statement contains a series of important implications and considerations from the study that should help to inform future decision-making. They are listed in no particular order.

- **Develop strategies to mitigate short-term cost increases.** The analysis suggests that over the next 20 years the General Fund will be roughly in balance. But the negative years are concentrated in the short-term so strategies will be required to deal with these short-term pressures and avoid excessively high tax increases and other unpopular measures.

- **Constrain growth in municipal expenditures.** The financial analysis assumed that municipal costs will increase only at the rate of inflation. Costs have actually increased more rapidly in recent years, even during a period of very modest population growth. There are reasons for these increased costs, but if the recent pattern of municipal cost increases continues, the financial projections in this study will not be achieved. This will be especially important if growth is slower than anticipated in the scenarios in this report (which is entirely possible). In that case the short-term financial challenges will be prolonged as it is not until more growth is achieved that the financial projections improve.

- **Support growth.** The District may face pressure to slow the rate of growth. While Council will need to weigh many factors in its decision-making, from a financial perspective it is clear that faster growth is better. Peachland has large costs for supporting new and existing infrastructure and assets, so new growth provides additional taxpayers to share these costs. In addition, revenue from development-related fees and permits will be an important part of total municipal revenue during the transition to a much larger and more diversified tax base.

- **Support expanded retail and other commercial development throughout Peachland, especially the downtown.** The retail market analysis suggests that new household spending will support significantly more retail floorspace than will be constructed in the new developments. This excess spending will therefore flow to other locations in Peachland or to other communities. Supporting expanded commercial development through Peachland would capture more of this spending, thereby enhancing the commercial tax base and improving the range of shopping and services available locally.

- **Do not become overly reliant on development-related revenue.** The analysis suggests that development-related fees and permits could reach as much as 25% of Peachland's General Fund revenue at the peak of development, up from a recent average of 4-6% per year. These revenues will be important in supporting the increased costs associated with managing development, as well as helping smooth the transition to a larger and more diversified tax base. But these revenues are temporary and the District should avoid excessive reliance on them over the long term.

- **Consider long-term implications of major investment and expenditure decisions.** The fact that Peachland undertook this study indicates the interest of Council and staff in considering long-term implications, but this long-term perspective should be maintained in all major decisions as circumstances change in the future. Adopting life-cycle costing for public assets will help as it reinforces the long-term financial implications of building a new public facility, for example. This long-term perspective is important in considering the public amenities that would be funded by the Amenity Contributions Policy. Even if the up-front cost to the District for something like a multi-purpose arena is very modest, it will create very significant ongoing operation and maintenance costs.

- **Adopt an outward-looking perspective.** This is a more general point, but it is important to remember that Peachland is part of a growing metropolitan region and shares a common housing market, retail market, labour market and economy with the rest of the Central Okanagan and the communities to the south.

- **Avoid unnecessary manipulation of the housing market.** Once the appropriate development approvals and agreements are in place, decisions about the exact timing and amount of new development on a year-by-year basis are best made by developers responding to the housing market. No one can predict how the market will change but the strongest incentive to get the timing right lies with those putting their own capital at risk. If they get it wrong, there is very little downside risk for the District as almost all up-front costs of new development are borne by the developers.

APPENDIX A: DETAILED ASSUMPTIONS FOR MUNICIPAL FINANCIAL ANALYSIS

This appendix provides the detailed assumptions used to produce the municipal financial analysis in Section 5. Starting on the next page, there is an explanation of the method used to project each of the major revenue and cost categories, along with Year 1, Year 11 and Year 20 results for both scenarios.

In general, a conservative approach is taken to the creation of the projection formulas. For example, when projecting a revenue category that will grow on a per capita basis, the actual per capita revenue in 2010 is used unless it was higher than the previous several years. In that case, an average of the per capita revenue over the previous 2-3 years is used to ensure that the projections aren't based on an abnormally high one-year performance. Similarly for cost projections either the most recent year or the average of the last 2-3 years is used, whichever is higher.

For categories where the situation has evolved over time (as determined through discussions with District staff) the budgeted figures for 2011 and beyond might be used for future projections, or a completely different formula is created.

Table 21. Detailed Financial Assumptions and Selected Results, General Operating Fund

Category	Assumption	Community-specific Scenario			Functional Region Scenario		
		Year 1 (2012)	Year 11 (2022)	Year 20 (2031)	Year 1 (2012)	Year 11 (2022)	Year 20 (2031)
Revenue							
TAXES & SPECIAL ASSESSMENTS	Calculated using current tax rates and projected future property values.	$3,219,078	$7,334,485	$9,090,075	$3,291,641	$6,746,302	$8,523,760
CONCESSIONS & FRANCHISES	About $26 per capita (per 2011 budget)	$139,146	$290,169	$359,072	$142,852	$260,439	$333,088
FIRE DEPARTMENT REVENUE	Flat at $33,510 per year.	$33,510	$33,510	$33,510	$33,510	$33,510	$33,510
SALES OF SERVICES: GENERAL	$212 per ground-oriented unit for solid waste fees, plus about $4 per capita for other fees (based on 2011 budget)	$564,995	$1,434,879	$1,863,148	$585,997	$1,266,861	$1,702,739
RECREATION DEPARTMENT	About $12 per capita (based on 2011 budget).	$66,515	$138,708	$171,646	$68,287	$124,497	$159,225
COST RECOVERIES	About $1 per capita (based on 2011 budget).	$4,183	$8,724	$10,795	$4,295	$7,830	$10,014
SERVICES TO OTHER GOVERNMENTS	Set at 0.17% of total school tax and police levy revenue (based on 2010 calculations).	$4,688	$11,784	$14,677	$4,796	$10,921	$13,851
FEES AND PERMITS - DEVELOPMENT RELATED	Estimated by District staff at $4000 per unit for housing units (including seniors housing), based on $3,000 per unit for building permits & inspections and $1,000 as share per unit for rezoning, development permits, variance permits and other development-related fees. Commercial building permit/inspection fees are based on 1.2% of construction value, plus an estimated 0.4% of value for other development-related fees.	$471,122	$1,387,928	$388,015	$855,274	$952,502	$653,051
FEES AND PERMITS - OTHER	About $8 per capita (based on 2011 budget).	$42,497	$88,621	$109,665	$43,629	$79,541	$101,729
RENTALS	Flat at $107,828 per year (per Financial Plan)	$107,828	$107,828	$107,828	$107,828	$107,828	$107,828
RETURN ON INVESTMENTS	About $11 per capita (per Financial Plan)	$60,161	$125,457	$155,249	$61,764	$112,603	$144,014
PENALTIES & INTEREST ON TAXES	About $11 per capita (per Financial Plan)	$60,161	$125,457	$155,249	$61,764	$112,603	$144,014
OTHER REVENUE	About $0.48 per capita (per Financial Plan)	$2,607	$5,436	$6,727	$2,676	$4,879	$6,241

Category	Assumption	Community-specific Scenario			Functional Region Scenario		
		Year 1 (2012)	Year 11 (2022)	Year 20 (2031)	Year 1 (2012)	Year 11 (2022)	Year 20 (2031)
UNCONDITIONAL TRANSFERS: PROVINCIAL GOVERNMENT	Starts at $495,131 in 2011 (as per budget) and declines by $25 for each additional person (as per provincial formula).	$491,914	$345,994	$279,418	$488,333	$374,719	$304,525
CONDITIONAL TRANSFERS: FEDERAL GOVERNMENT	Flat at $3,500 per year (per Financial Plan).	$3,500	$3,500	$3,500	$3,500	$3,500	$3,500
CONDITIONAL TRANSFERS: PROVINCIAL GOVERNMENT	Flat at $1,525 per year (per Financial Plan).	$1,525	$1,525	$1,525	$1,525	$1,525	$1,525
CONDITIONAL TRANSFERS: REGIONAL DISTRICT	Flat at $12,000 per year (per Financial Plan).	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000
TRANSFERS FROM PRIOR YEAR'S SURPLUS	Assume $0 going forward. In reality the District has the discretion to shift funds between years to balance the budget each year.	$0	$0	$0	$0	$0	$0
TRANSFER FROM RESERVE FUNDS	Assume $0 going forward as any transfers are balanced by corresponding spending and/or are addressed elsewhere in the analysis.	$0	$0	$0	$0	$0	$0
Total Revenue		**$5,285,430**	**$11,456,005**	**$12,762,098**	**$5,769,670**	**$10,212,061**	**$12,254,612**
Costs							
LEGISLATION DEPARTMENT	Flat at about $130,000 per year (per Financial Plan)	$130,049	$130,049	$130,049	$130,049	$130,049	$130,049
ADMINISTRATION AND FINANCE DEPARTMENT	About $193 per capita (per Financial Plan)	$1,040,451	$2,169,712	$2,684,933	$1,068,164	$1,947,411	$2,490,635
COMMUNITY PROMOTIONS DEPARTMENT	Flat at about $211,000 per year (per Financial Plan)	$211,343	$211,343	$211,343	$211,343	$211,343	$211,343

Category	Assumption	Community-specific Scenario			Functional Region Scenario		
		Year 1 (2012)	Year 11 (2022)	Year 20 (2031)	Year 1 (2012)	Year 11 (2022)	Year 20 (2031)
FIRE DEPARTMENT	Assume that current costs of about $580,000 per year includes a fixed component (50%) of $290,000 and a per capita component (50%) of $55 per resident. Costs also increase when additional permanent staff is added: one position added at 7,000 population (for an estimated $75,000, including benefits and office expenses) and two positions added when the ladder truck is purchased (for an estimated $150,000). The ladder truck and associated new equipment also create new annual operating and maintenance costs of $40,000 per year.	$586,196	$1,172,888	$1,319,658	$594,090	$1,109,561	$1,264,309
POLICING	Starting at 4 officers in 2012, increased by 1 officer for each 1,500 increase in population (with corresponding increase in office expenses and adminstrative staff support, totaling about $117,000 per officer).	$350,753	$935,340	$1,052,258	$350,753	$818,423	$1,052,258
Income from Police Costs Reserve Account[15]	This is income from the Policing Reserve to mitigate police cost increases as population moves past 5,000 and continues to grow. It is set at 10% of the Reserve account on a declining balance basis in the next 3 years, and thereafter contributes part of the increase when a new officer is added.	($74,573)	($77,945)	$0	($74,573)	($38,973)	$0
RECREATION DEPARTMENT	About $75 per capita (per Financial Plan)	$405,891	$846,427	$1,047,420	$416,702	$759,706	$971,623

[15] This item will technically be shown as Revenue under Transfer from Reserve Funds, but is shown here as a negative next to the Policing costs that it is intended to offset.

Category	Assumption	Community-specific Scenario			Functional Region Scenario		
		Year 1 (2012)	Year 11 (2022)	Year 20 (2031)	Year 1 (2012)	Year 11 (2022)	Year 20 (2031)
DEVELOPMENT SERVICES DEPARTMENT	Estimated cost increases provided by District staff. Additional planning staff will be required once 1200 units are in development, plus additional building inspection, bylaw enforcement and clerical staff required as development activity and community population grows.	$450,623	$834,045	$758,091	$450,623	$740,091	$758,091
PUBLIC WORKS ADMINISTRATION DIVISION	Starting point of about $281,000 (based on 2010), plus proportional increase matching the increase in road maintenance.	$280,563	$318,980	$322,648	$280,563	$318,980	$322,648
FACILITIES DIVISION	Starting point of about $380,000 per year (based on 2010 actual) plus estimated increase for new facilities as they constructed.	$380,211	$446,179	$492,150	$380,211	$446,179	$492,150
TRANSPORTATION SERVICES DIVISION	Starting point of about $401,000 per year (based on 2010 actual), plus proportional increase of 5% for Ponderosa roads and 10% for New Monaco roads once constructed.	$401,486	$456,461	$461,709	$401,486	$456,461	$461,709
ENVIRONMENTAL HEALTH SERVICES DIV.	Set equal to 90% of the amount of solid waste fees, leaving 10% as surplus revenue. This is about $191 per housing unit.	$486,789	$1,246,125	$1,620,818	$505,113	$1,099,546	$1,480,504
CEMETERY DIVISION	Flat at $28,400 per year. There is currently 50-100 year capacity and increasing trend toward cremation, so no additional costs are anticipated.	$28,400	$28,400	$28,400	$28,400	$28,400	$28,400
PARKS DIVISION	Flat at $323,191 per year (based on Financial Plan), plus $3000 per year for trails on Ponderosa, plus maintenance increase for Waterfront Enhancement/Beach Avenue project once constructed.	$326,191	$334,191	$334,191	$326,191	$330,191	$334,191
RECOVERABLE WORK DIVISION	$9 per capita (based on 2008-2010 average)	$50,987	$106,326	$131,574	$52,345	$95,432	$122,053
FISCAL SERVICES	About $39 per capita (per Financial Plan)	$209,733	$437,369	$541,226	$215,319	$392,557	$502,060

Category	Assumption	Community-specific Scenario			Functional Region Scenario		
		Year 1 (2012)	Year 11 (2022)	Year 20 (2031)	Year 1 (2012)	Year 11 (2022)	Year 20 (2031)
TRANSFERS TO RESERVE FUNDS	Based on life-cycle analysis of capital assets (including new infrastructure and amenities as they are constructed).	$894,905	$1,447,972	$1,497,972	$894,905	$1,422,139	$1,497,972
CONTRIBUTIONS TO CAPITAL PROJECTS	Includes the District's contribution to construction of new amenities. Otherwise set at $0 under the assumption that transfers to reserve funds fully cover the life-cycle operation, maintenance and replacement of assets.	$75,000	$256,250	$0	$75,000	$228,791	$0
Total Costs		**$6,228,409**	**$10,821,831**	**$12,009,389**	**$6,292,201**	**$10,081,334**	**$11,550,291**
Net (Revenue less Costs)		**($942,979)**	**$634,174**	**$752,709**	**($522,531)**	**$130,728**	**$704,321**

Table 22. Detailed Financial Assumptions and Selected Results, Water Operating Fund

Category	Assumption	Community-specific Scenario			Functional Region Scenario		
		Year 1 (2012)	Year 11 (2022)	Year 20 (2031)	Year 1 (2012)	Year 11 (2022)	Year 20 (2031)
Revenue							
USER FEES	About $141 per capita (per 2011 budget)	$759,550	$1,583,934	$1,960,055	$779,781	$1,421,650	$1,818,214
PARCEL TAXES	Water System 3 Intake parcel tax held constant at $23,833 per year until expiration after 2019. Water System 2 supply line parcel tax held constant at $12,985 per year until expiration after 2022. Water Capital Improvement parcel tax assumed to increase to $310 per housing unit in 2012 and then $350 per unit for the years 2013-2026, as per Water Master Plan. These amounts should decline as the rate of development exceeds the assumptions in the Water Master Plan, which is currently being updated.	$915,142	$2,419,534	$0	$944,914	$2,150,653	$0
OTHER REVENUE	About $2 per capita (per Financial Plan)	$10,945	$22,825	$28,245	$11,237	$20,486	$26,201
Total Revenue		**$1,685,638**	**$4,026,292**	**$1,988,300**	**$1,735,932**	**$3,592,789**	**$1,844,415**
Costs							
ADMINISTRATION	Starting point of about $227,000 per year (per Financial Plan) plus proportional increase for new infrastructure as it is constructed.	$227,472	$297,408	$299,977	$227,472	$297,408	$299,977
OPERATIONS	Starting point of about $362,000 per year (per Financial Plan) plus proportional increase for new infrastructure as it is constructed.	$361,905	$473,174	$477,261	$361,905	$473,174	$477,261
FISCAL SERVICES	Flat at about $59,000 per year (per Financial Plan). Assumed because these are area-specific parcel taxes, there is no impact from growth in other areas.	$58,762	$58,762	$58,762	$58,762	$58,762	$58,762
TRANSFERS TO OWN RESERVES/FUNDS	Based on life-cycle analysis of capital assets (including new Ponderosa/New Monaco infrastructure as it is constructed).	$895,500	$985,413	$990,494	$895,500	$985,413	$990,494
Total Costs		**$1,543,638**	**$1,814,757**	**$1,826,494**	**$1,543,638**	**$1,814,757**	**$1,826,494**
Net (Revenue less Costs)		**$141,999**	**$2,211,536**	**$161,806**	**$192,294**	**$1,778,032**	**$17,921**

Table 23. Detailed Financial Assumptions and Selected Results, Sewer Operating Fund

Category	Assumption	Community-specific Scenario			Functional Region Scenario		
		Year 1 (2012)	Year 11 (2022)	Year 20 (2031)	Year 1 (2012)	Year 11 (2022)	Year 20 (2031)
Revenue							
USER FEES	About $83 per capita (per 2011 budget)	$447,791	$933,805	$1,155,547	$459,718	$838,131	$1,071,924
PARCEL TAXES	Held constant at about $331,000 as area-specific parcel taxes will adjust over time to raise the required funds.	$331,160	$331,160	$331,160	$331,160	$331,160	$331,160
OTHER REVENUE	Flat at $25,000 per year (per Financial Plan).	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
CONDITIONAL TRANSFERS	Flat at $223,906 per year (per Financial Plan).	$223,906	$223,906	$223,906	$223,906	$223,906	$223,906
TRANSFERS FROM OWN RESERVES AND SURPLUS	$0 going forward	$0	$0	$0	$0	$0	$0
Total Revenue	About $83 per capita (per 2011 budget)	**$1,027,857**	**$1,513,871**	**$1,735,613**	**$1,039,784**	**$1,418,197**	**$1,651,990**
Costs							
ADMINISTRATION	Starting point of about $31,000 per year (per Financial Plan) plus proportional increase for new infrastructure as it is constructed.	$31,263	$39,504	$41,368	$31,263	$39,504	$41,368
OPERATIONS	Starting point of about $6,000 per year (per Financial Plan) plus proportional increase for new infrastructure as it is constructed.	$6,435	$8,132	$8,515	$6,435	$8,132	$8,515
RECOVERIES	About $7 per capita (based on 2008-2010 average)	$35,108	$73,213	$90,598	$36,043	$65,712	$84,042
FISCAL SERVICES	Flat at about $478,000 per year (per Financial Plan).	$478,065	$478,065	$478,065	$478,065	$478,065	$478,065
TRANSFERS TO OWN RESERVES/FUNDS	Based on life-cycle analysis of capital assets (including new Ponderosa/New Monaco infrastructure as it is constructed).	$347,500	$384,400	$400,238	$347,500	$384,400	$400,238
REGIONAL DISTRICT TRANSFERS	About $74 per capita (per 2011 budget)	$396,372	$826,578	$1,022,857	$406,930	$741,890	$948,837
Total Costs	Starting point of about $31,000 per year (per Financial Plan) plus proportional increase for new infrastructure as it is constructed.	**$1,294,744**	**$1,809,892**	**$2,041,641**	**$1,306,236**	**$1,717,703**	**$1,961,065**
Net (Revenue less Costs)		**($266,886)**	**($296,021)**	**($306,029)**	**($266,452)**	**($299,506)**	**($309,075)**

APPENDIX B: URBAN FUTURES REPORT ON POPULATION AND HOUSING PROJECTIONS

Urban Futures report attached after this page.

Modelling the Demographic Impacts of Potential Residential Development in the District of Peachland

Prepared for:

November 2011

URBAN FUTURES
Strategic Research to Manage Change

Table of Contents

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I Overview

As part of a broader economic impact assessment pertaining to new residential developments in the District of Peachland, Urban Futures has been retained by the District to model the demographic impacts of these new developments.

The projections of the future permanent resident population in proposed developments in Peachland included in this report have been based on a *Community Lifecycle Model* approach. This approach considers the magnitude, mix, and timing of net new residential development in the District, the age specific patterns of housing occupancy for different dwelling types, and the demographic processes of aging, fertility and mortality. The development projects collectively considered in this report include: Ponderosa-Pincushion; New Monaco; potential redevelopment of the downtown; and a number of smaller-scale residential and mixed-use projects comprising no fewer than 20 dwelling units each.

The potential demographic implications of these new developments in Peachland are considered under two scenarios: a C*ommunity-specific* scenario and a *Functional Region* scenario. Under the *Community-specific* scenario, information obtained directly from project developers, local business owners, and District of Peachland staff regarding the scale, mix, and timing of new residential development in Peachland was taken at face value with respect to modelling its demographic impacts. Under the *Functional Region* scenario, the potential timing and scale of these new developments was considered against the landscape of all proposed residential developments in the Peachland market area[1]. Peachland's share of proposed future housing supply in the market area was then considered against potential future housing occupancy demand for the market area.

The purpose of this technical report is to document the modelling framework and data used in the development of these two scenarios. The report has been divided into two major sections: Section II outlines the methodological approach and data used in the modelling process while Section III describes the detailed assumptions and output from the two scenarios.

As a final comment, it is important to note that statements about the future inherently carry with them an element of uncertainty, whether they pertain to future patterns of development, lifecycle patterns of housing occupancy, or broader demographic trends. No projection will ever be precisely correct. It is therefore vital to acknowledge that the purpose of developing these types of projections is to give insight into the factors that will inevitably bring about community change, how these changes could manifest themselves in the community's demography, and the potential impacts these changes could have on the timing, scale, and scope of community services.

[1] For purposes of this research, Peachland's market area was identified through consideration of the degree of interconnectivity between Peachland its surrounding communities as indicated by (among other things): place of work data from the 2006 Census; driving distances; and proximity to a major urban centre (Kelowna). Given these criteria, Peachland's market area comprises Lake Country, Kelowna, Penticton, Summerland, West Kelowna, and Westbank First Nation lands, in addition to Peachland itself.

II The Community Lifecycle Modelling Framework

General Methodological Approach

When modelling demographic changes associated with new residential developments, an assessment of the community's population would logically commence in the year in which the first dwelling units are occupied. The base population would therefore be defined by the demographic characteristics (such as age and sex) of the people moving into the newly-constructed dwelling units in the first year of development.

Once new units are occupied they become part of the existing housing stock in the development, which in turn becomes the base housing stock for the next annual iteration of new construction and occupancy. Similarly, the residents moving into newly-constructed units in the first year of occupancy become the base population for the next annual iteration of housing occupancy.

In moving beyond year one, the demographic processes of aging, fertility, and mortality of the base population of residents are accounted for. As an example, the age specific propensity of a female giving birth to a child in a year can be applied to the resident female population in the new developments to determine the total number of children that would be born into these households in that year. Similarly, age and sex specific mortality rates can be used to determine the potential number of deaths that would be expected given the demography of the resident population. The model considers these natural increase factors (aging, natality and mortality) as well as development (construction of new units) iteratively on an annual basis through to completion or build-out of the residential development projects.

These dimensions of change constitute a community lifecycle approach to modelling population change for new residential developments as determined by the following two broad factors:

1) *the addition of new dwelling units by structure type and the demographic characteristics of their occupants; and*
2) *the demographic processes of aging, births and deaths associated with the population residing in the community.*

Each of the modelling components is briefly detailed below.

New Dwelling Units

Estimates of the magnitude, nature, and timing of proposed residential development represent the baseline data elements in the modelling process. While the model is flexible enough to consider any potential scale, mix, and timing of residential development, for this research two specific development scenarios were considered. The *Community-specific* scenario considered the magnitude, composition, and timing of future development in Peachland, as per current major development proposals in the District. The *Functional Region* scenario considered these developments within the context of all other proposed developments in the market area *(or Peachland's potential share of future market area housing supply)* and potential future housing demand in the market area.

Under both scenarios permanent occupancy is anticipated to commence in 2012. For the *Community-specific* scenario, a total of 5,052 dwellings units would be added to Peachland through to build-out (a 30-year time horizon) for all proposed developments in the District. For the *Functional Region* scenario, this scale of development was used to determine Peachland's future share of residential development

by explicitly recognizing other development proposals throughout Peachland's broader market area. That being said, for modelling purposes, and in order to compare the development and demographic differences between the two scenarios over a medium-term time horizon, a 20-year timeframe was considered. Over this 20-year period 4,691 permanently-occupied units would be added under the *Community-specific* scenario, while 4,002 permanently-occupied units would be added under the *Functional Region* scenario.

While the majority of future residential supply is expected to be occupied on a permanent basis, a portion would reasonably be occupied on a temporary basis as seasonal dwellings, or purchased for short-term occupancy purposes. According to the most recent Census, 7.4 percent of all private dwellings in the Central Okanagan Regional District and 7.6 percent in Peachland were not occupied on a permanent basis in 2006. Where necessary, dwelling data were adjusted to account for seasonal and non-permanent occupancy based on the regional average of 7.4 percent as per the 2006 Census. Proposed units were grouped into three broad structure types based on common Census classifications: *single detached*; *other ground oriented* (townhomes, row houses, and other attached, non-apartment dwelling units); and *apartments* (in both high- and low-rise buildings). In addition to the residential components, hotel and seniors housing units were included where they were part of the development proposal.

Populating the Newly-Constructed Dwelling Units

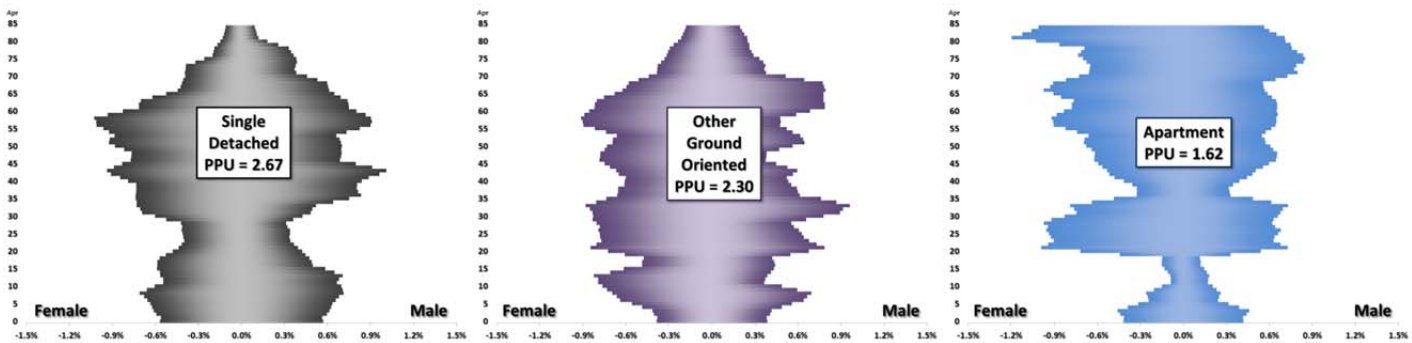
Data from the 2006 Census were used to populate the new dwelling units added over the development timeframe. These data were obtained from a custom tabulation of population by age, sex, structure type of dwelling, and period of construction for all mover households in the District of Peachland and in the broader Central Okanagan Regional District.

From these data, the model utilized two demographic elements to populate new dwelling units. The first was the total number of persons per dwelling unit (PPU) for each of the three above defined structure types for the District of Peachland. These data were further refined to consider differences in household sizes for those moving into recent construction (built between 2001 and 2006) and those moving into older dwellings. The Census data show that, for the District of Peachland, the average number of persons per unit for households moving into newly-constructed single detached dwellings was 2.67; other ground oriented dwellings, 2.30; and into apartments, 1.62.

The second dimension of the Census data used in the modeling process was the age and sex characteristics of mover households into new units. Due to relatively small sample sizes associated with the mover profile data for Peachland, age and sex specific data for the larger Central Okanagan Regional District were used in conjunction with Peachland-specific data to develop estimated mover profiles for each structure type by single years of age and sex (Figure 1).

Household Mover Age Profiles, Peachland

Figure 1

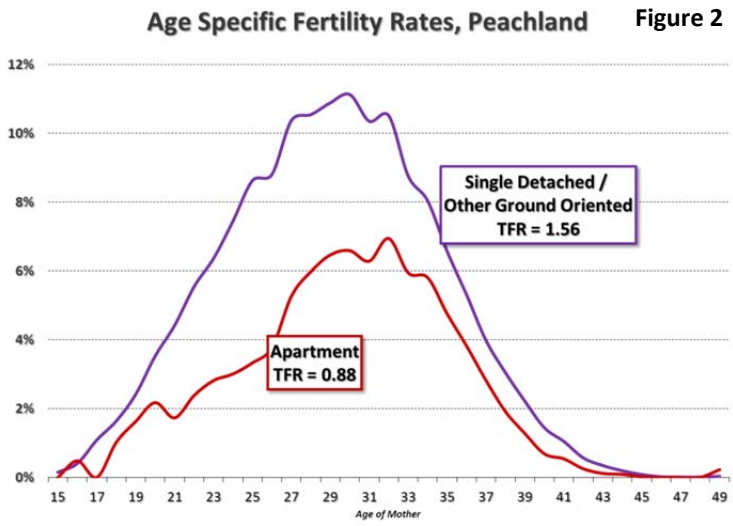


Age Specific Fertility Rates

BC Vital Statistics maintains annual estimates of births by age of mother for communities across British Columbia. While data describing the type of dwelling a family resided in when a child was born do not exist, one would expect fertility data to demonstrate clear differences when considered for families living in apartments versus those in single detached housing. While no direct data are available on this unique dimension of fertility, it is possible to approximate the age specific pattern of fertility for structure types by considering birth data for communities that have a relatively uniform composition of housing types. For example, while females living in the City of Vancouver had a total fertility rate (TFR) of 1.07 in 2010 (representing the average number of kids a woman would be expected to have over her lifetime), the Vancouver - City Centre community, which is overwhelmingly apartment units, had a TFR of only 0.65.

Given the diversity of new dwelling units proposed for Peachland, two distinct age specific patterns of fertility were developed, one for ground oriented dwellings (which includes single detached homes as well as row houses and townhouses) and one for apartments. With 80 percent of the dwelling stock in ground oriented formats in the Central Okanagan, age specific fertility data for the Central Okanagan Local Health Area (LHA) were used as a proxy for fertility patterns of women living in ground oriented dwellings in Peachland (Figure 2).

Figure 2



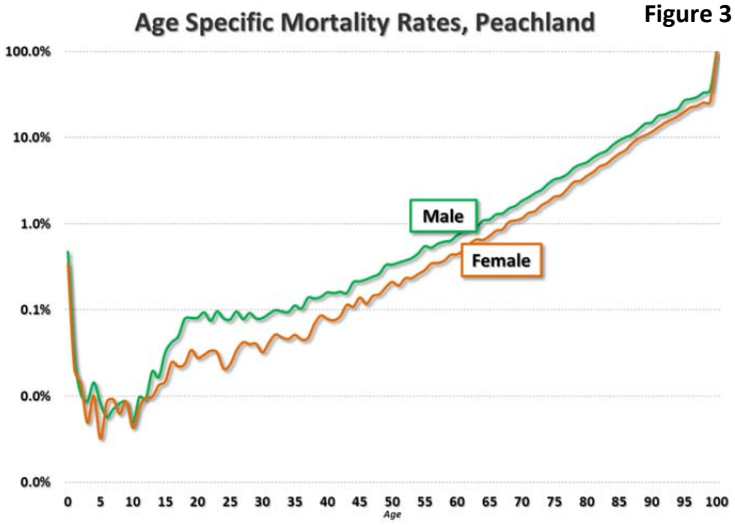
To develop a fertility profile for those living in apartment units, the ratio between age specific fertility rates in Vancouver - City Centre and the City of Vancouver as a whole were used in conjunction with age specific fertility in the Central Okanagan to estimate fertility rates for women living in apartments. This particular approach results in a pattern of fertility that captures the unique characteristics of households in apartments (younger mothers and fewer children than in ground oriented accommodation), and the overall pattern of fertility observed in the Central Okanagan LHA.

Age specific fertility rates were trended over the projection period to reflect the patterns of change projected for the province of BC as a whole. While the total fertility rate is not projected to increase significantly provincially (or nationally) in the coming years, trends towards postponement of family formation are expected to continue, with increases for the 30 plus age groups being offset by continued declines in the under 30 population.

Age and Sex Specific Mortality Rates

The final data element required for the model was age and sex specific mortality rates. As patterns of mortality tend to be relatively uniform across communities and regions in BC (and throughout Canada), the most recent age and sex specific mortality data for BC and the Central Okanagan LHA were used to generate age and sex specific mortality rates (Figure 3). Age specific mortality data were trended downwards over the projection period to reflect the continued improvements in life expectancy projected for the province and its regions in the coming decades.

Figure 3



III Projection Scenarios

Community-specific Scenario

The *Community-specific* development scenario was created through direct consultation with local developers, business owners, and District of Peachland staff. Based on information obtained from these parties on the expected pace, scale, and composition of proposed residential development in Peachland, a development timeline was created that was then used as an input into the *Community Lifecycle Model* described above. This, along with the Census data, permitted modelling of the potential population impacts of these new residential developments over a 20-year period, which is consistent with the timeframe of development proposed for the District's major residential and mixed-use projects. The inputs and outputs associated with the *Community-specific* scenario are shown in Table 1. In addition to estimates of the future permanent resident population by age, estimates of the number of seasonal and hotel units (and their associated peak-load populations) have been included, as well as estimates of seniors' housing (and the associated population aged 65-plus residing in them on a permanent basis).

Table 1

Total Occupiable Units, New Developments, Peachland					Scenario 1
	2012	2017	2022	2027	2031
Total (Cumulative) Permanently-occupied Private Dwellings	62	1,362	3,080	4,275	4,691
Single Detached	*7*	*164*	*265*	*315*	*329*
Other Ground Oriented	*18*	*333*	*766*	*1,104*	*1,224*
Apartment	*37*	*865*	*2,049*	*2,856*	*3,138*
Seniors' Housing	0	100	300	300	300
Non-permanently-occupied Private Dwellings	5	112	253	352	386
Hotel / Short-term Rental	8	186	421	585	642
Total (Cumulative) New Units, Peachland	**75**	**1,760**	**4,055**	**5,512**	**6,019**
Total Population, New Developments, Peachland					**Scenario 1**
	2012	**2017**	**2022**	**2027**	**2031**
Total (Cumulative) Population in Permanently-occupied Private Dwellings	**120**	**2,600**	**5,755**	**7,868**	**8,485**
0..4	*5*	*111*	*232*	*304*	*316*
5..12	*8*	*179*	*389*	*526*	*555*
13..19	*6*	*123*	*285*	*429*	*492*
20..34	*26*	*522*	*1,070*	*1,300*	*1,247*
35..49	*21*	*460*	*1,028*	*1,486*	*1,706*
50..64	*26*	*556*	*1,183*	*1,538*	*1,595*
65+	*27*	*648*	*1,567*	*2,285*	*2,574*
Permanent Population in Seniors' Housing	0	175	525	525	525
Potential Population in Non-permanently-occupied Private Dwellings	10	221	495	686	752
Potential Population in Hotel / Short-term Rental	18	391	885	1,228	1,348
Total Potential Peak Load Population	**147**	**3,387**	**7,660**	**10,307**	**11,110**

Major Findings:

- *A total of 4,691 dwelling units (329 single detached, 1,224 other ground oriented, and 3,138 apartment) would be occupied on a permanent basis as part of these developments by 2031, with an additional 386 units occupied on a temporary or seasonal basis.*
- *Seniors' housing would comprise 300 units, with hotel and short-term rental accounting for an additional 642 units.*
- *Total population in the permanently-occupied private dwelling stock would reach 8,485 residents by 2031.*
- *The permanent population in the seniors' component of the proposed development would reach 525 residents (assuming 1.75 seniors per dwelling unit).*
- *On a permanent basis these two components of the proposed developments would comprise 9,010 residents by 2031.*
- *With respect to total potential peak load population, an additional 752 residents could be accommodated in the non-permanent (temporary and seasonal) component of the dwelling stock (assuming an average of 1.95 persons per dwelling unit[2]), with an additional 1,348 people in the hotel and short-term rental stock (assuming an average of 2.10 persons per room[3]).*
- *The total potential peak load population in these developments would therefore reach 11,110 people by 2031.*

[2] 2006 Census persons per unit estimate, Peachland Census subdivision.

[3] Canada Travel Survey: 2010, Average party size for US leisure travelers to Canada.

Functional Region Scenario

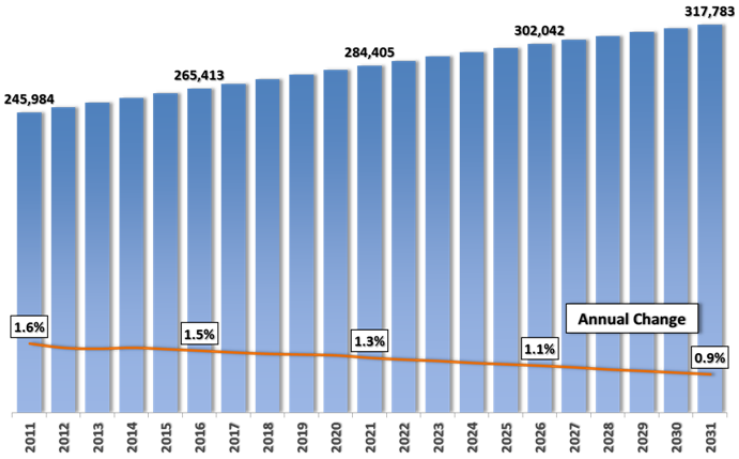
The purpose of the *Functional Region* scenario was to recognize both competing residential supply throughout the broader market area, and the magnitude of future housing occupancy demand expected for the market area given growth and change of the market area's future population. The goal of this scenario is therefore to quantify the future scale of potential housing demand within the market area as a whole and place the proposed residential developments in Peachland within the context of future supply from other proposed developments within the market area.

Based on consultation with the Central Okanagan Regional District, the City of Penticton, the District Municipality of Summerland and individual developers, plans exist for an estimated 31,841 residential dwellings to be built as part of major developments within Peachland's market area over the next two decades. Based on available project information, 7,772 units are expected to be seen in single detached formats, 8,603 in row house or townhouse formats (other ground oriented), and 15,466 in apartments. As with the Peachland specific developments, the majority of these large projects are expected to be completed within the next two decades.

From a modelling perspective, the *Functional Region* scenario was developed in a step-down manner, beginning with consideration of the future demand for housing that would be associated with a growing and changing resident population throughout Peachland's market area. The first step was therefore to consider how the market area's future population could be expected to change in the coming years. To do this, BC Stats' most recent P.E.O.P.L.E. 36 population projections were used to develop the future scale of population growth and change for the Peachland market area[4].

Figure 4

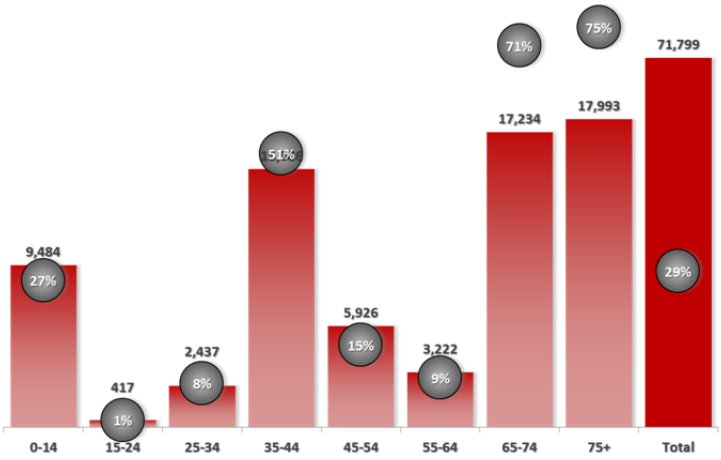
Total Population, Peachland Market Area



Over the next 20 years, BC Stats projects the Peachland market area to grow from 245,984 permanent residents in 2011 to 317,783 by 2031, a 71,799-person, or 29 percent, increase (Figure 4). Over this two-decade period the annual rate of population growth in Peachland's market area would slowly decline, from 1.6 percent in 2011, to 1.3 percent in 2021, and to under one percent by the end of the projection period.

Figure 5

2011-2031 Population Change, Peachland Market Area



More importantly, from the perspective of estimating future housing demand, is how the market area's population is projected to

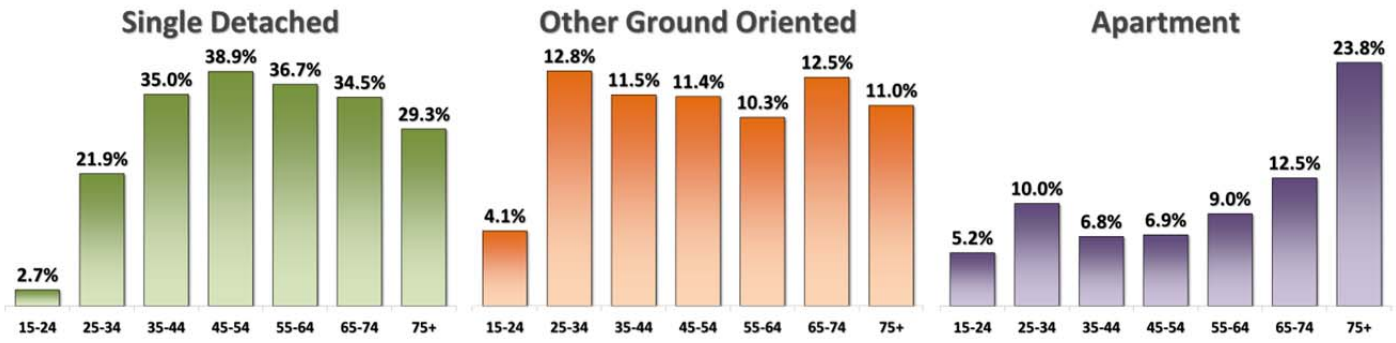
[4] An aggregate of the Central Okanagan Regional District, Penticton Local Health Area, and Summerland Local Health Area make up the Peachland Market area.

change in terms of its underlying demography. Figure 5 shows that while the market area's total population is projected to grow by 29 percent over the coming two decades, growth will occur unevenly across age groups: each of the 35 to 44, 64 to 74, and 75-plus age groups are projected to grow faster than the market area average, while all other age groups would experience slower-than-average growth.

In the context of housing market activity, the relevance of the market area's changing age composition becomes more evident when the age specific, or lifecycle, pattern of maintaining a home is considered (Figure 6)[5]. When these age-specific patterns are applied to future population growth on an age specific basis, estimates of future housing occupancy demand can be made.

It is important to note the distinct lifecycle pattern to household maintainer rates for each of the three structure types. For households living in single detached dwellings, rates are relatively low in the youngest age groups, but rise significantly through the family-formation and mid- to late-career stages of the lifecycle, before declining through the older age groups. Other ground oriented dwellings such as row homes or duplexes show higher rates in the younger age groups, fall slightly through the mid- to late-career and family rearing stages, before rising slightly in the oldest age groups.

Household Maintainer Rates, Peachland Market Area **Figure 6**



Apartments, to a large extent, represent important housing options for new graduates and labour force entrants, as well as for older residents whose children may have moved out, or who no longer want the maintenance associated with ground oriented homes. This is reflected by the relatively high apartment maintainer rates in the post-graduation and labour force entry stage of the lifecycle (ages 25 to 34), as well as in the older age groups (75-plus).

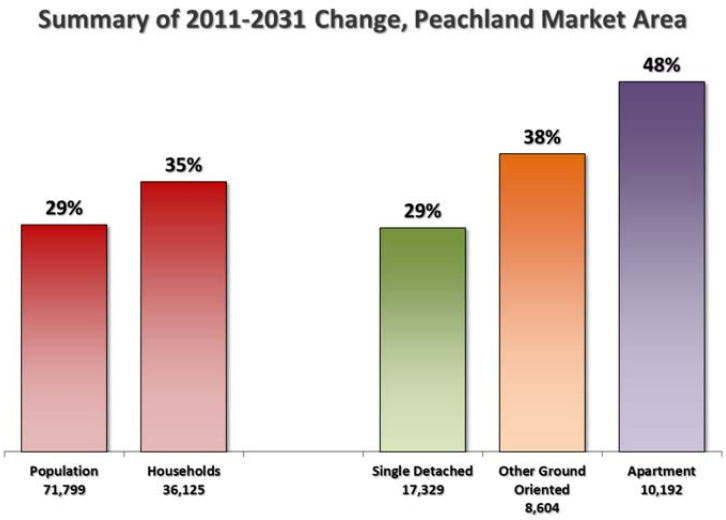
While changing significantly by age, maintainer rates have also changed over time. For most jurisdictions in British Columbia a general trend towards increasing maintainer rates for other ground oriented and apartment units has been seen at the expense of single detached accommodation, where maintainer rates have been falling. For example, Census data for the Central Okanagan Regional District show that between 1996 and 2006, maintainer rates for households in other ground oriented dwellings increased from 9.5 percent to 11.1 percent (a 1.6 percentage point increase), while apartment rates rose from 8.7 percent to 9.6 percent (a 0.9 percentage point increase). Maintainer rates for households

[5] Household maintainer rates are calculated using Census data that describe the percentage of people in an age group that identify themselves as being the one who is primarily responsible for their household's finances. Since there can only be a single household maintainer per household, it is possible to utilize household maintainer rates for various structure types in conjunction with estimates of population by age to determine the number of dwelling units (again, on the basis of a dwelling's structure type) that would be demanded by a given population at a given point in time.

in single detached dwellings, on the other hand, declined, falling from 30.5 percent to 28.2 percent (2.3 percentage points).

Combining BC Stats' projection of population by age with these trends in age and structure type specific household maintainer rates results in a projection of 36,125 net additional dwelling units being demanded by permanent residents within the Peachland market area over a 20-year period beginning in 2011 (Figure 7). Again, given trends in structure type specific maintainer rates, net additional demand for single detached dwellings over this period would be 17,329 units (a 29 percent increase), for other ground oriented 8,604 units (a 38 percent increase), and for apartments 10,192 units (a 48 percent increase).

Figure 7



Having established the magnitude and composition of future housing demand in Peachland's market area over the coming two decades, the next step in the modelling process under the *Functional Region* framework was to consider the scale and nature of future residential supply from projects anticipated to reach build-out in the market area within the coming two decades. To do this, data on current and potential residential developments in Peachland's market area were obtained from the Central Okanagan Regional District (for its municipalities, plus Westbank First Nation lands, but excluding Peachland), the District of Summerland, and the City of Penticton. The proposed developments from the Community Specific Scenario were used for the District of Peachland.

As indicated above, development proposals for 31,841 residential dwellings were found as part of major developments for the market area over the next two decades, 7,772 units in single detached formats, 8,603 in row house or townhouse formats, and 15,466 in apartments. Given the objective to compare proposed supply to potential occupancy demand, these units were also adjusted downwards to account for units occupied only on a temporary basis, resulting in a total of 29,474 residential units added to the market area over the next two decades: 7,196 single detached, 7,964 other ground oriented and 14,314 apartments (Table 2).

In considering differences between proposed supply and potential demand at the market area level, total residential supply from current development proposals of 29,474 units corresponds relatively well to potential demand of 35,554 units by 2031 if smaller developments that are not part of major projects are considered (note that five percent of future units proposed for Peachland would be realized in smaller developments). While a general correspondence between supply and demand is seen for *all* dwelling units, significant differences emerge when considered on a structure type specific basis. The future supply of 7,196 single detached units market-wide falls considerably below the 17,329 units that would potentially be demanded given projected population growth in the market area. While the future supply of other ground oriented units of 7,946 corresponds relatively well to future potential demand of 8,604 units, the proposed number of apartment units falls well in excess of potential demand. With 14,314 units proposed market area-wide and potential demand of 10,192 units given population growth, proposed supply would exceed potential demand by more than 4,000 units.

Given the scale of all developments proposed throughout the market area, the currently proposed residential development in Peachland would represent 17.1 percent of total future market area supply over the next two decades. On a structure type basis, Peachland's proposed developments would represent 4.7 percent of all single detached development in the market area, 16 percent of all development of other ground oriented dwellings, and 24 percent of all apartment units (Table 2).

Table 2

***Functional Region* Scenario, 2012-2031 Change**

	Potential Supply of New Units for Permanent Occupancy, Market Area	Peachland's Share of Potential Supply of New Units	Net Additional Demand, Market Area	Potential Net Additional Demand, Peachland	Potential Net Additional Supply, Peachland	Market-driven Potential Supply, Peachland
Single Detached	7,196	4.7%	17,329	811	329	329
Other Ground Oriented	7,964	16.0%	8,604	1,378	1,224	1,224
Apartment	14,314	24.0%	10,192	2,449	3,138	2,449
Total	**29,474**		**36,125**	**4,638**	**4,691**	**4,002**

Within the context of future market-area housing demand, the District of Peachland's future share of proposed residential development supply can be applied to future market area demand to determine the scale of potential future development in Peachland. This would determine potential future occupancy demand for the District of Peachland recognizing the landscape of future development proposals throughout the market area and market-area wide future demand. Applying Peachland's share of future residential supply by structure type to the demand projections yields potential for 811 net additional single detached dwellings in Peachland between 2012 and 2031, 1,378 other ground oriented units, and 2,449 apartments.

As at the market area level, while there is a general correspondence between proposed supply of new units in Peachland and potential demand, differences are evident when considered at the structure type level. For example, with potential net additional demand in Peachland of 811 single detached units, the proposed supply of 329 over the next 20 years would fall below potential demand. A closer correspondence is seen for other ground oriented units, with the potential demand for 1,378 units in Peachland exceeding the 1,224 units of supply that could become available over the next two decades. Again, as at the market area level, a situation where the potential supply of apartment units in Peachland exceeds the potential demand is seen: proposed supply of 3,138 apartment units is well above potential demand for 2,449 units over the next 20 years. To put this into context, the difference of 689 apartment units would represent approximately eleven mid-rise apartment buildings (assuming ten storeys and six units per floor) in the District of Peachland over the next 20 years.

Based on the developments in Peachland achieving their proposed number of units where sufficient demand exists (329 single detached and 1,244 other ground oriented), and the number of apartment units that could be achieved given market demand (2,449 rather than the 3,138 proposed), this development schedule can be input into in the *Community Lifecycle Model* to illustrate the demographic impacts of this *Functional Region* scenario (Table 3). As with the previous scenario, estimates of the number of seasonal and hotel units are considered along with the proposed number of seniors units to arrive at a total potential peak load population associated with this level of development.

Table 3

Total Occupiable Units, New Developments, Peachland					Scenario 2
	2012	2017	2022	2027	2031
Total (Cumulative) New Private Housing Demand, Peachland Market Area	2,065	12,044	21,254	29,834	36,125
Single Detached	*1,021*	*6,027*	*10,586*	*14,600*	*17,329*
Other Ground Oriented	*522*	*2,975*	*5,122*	*7,116*	*8,604*
Apartment	*522*	*3,042*	*5,546*	*8,119*	*10,192*
Peachland's Share of Market Area Net Additional Private Housing Demand					
Single Detached	0.7%	2.7%	2.5%	2.2%	1.9%
Other Ground Oriented	3.5%	11.2%	15.0%	15.5%	14.2%
Apartment	24.0%	24.0%	24.0%	24.0%	24.0%
Total (Cumulative) Permanently-occupied Private Dwellings, Peachland	150	1,228	2,364	3,370	4,002
Single Detached	*7*	*164*	*265*	*315*	*329*
Other Ground Oriented	*18*	*333*	*766*	*1,104*	*1,224*
Apartment	*125*	*731*	*1,333*	*1,951*	*2,449*
Seniors' Housing	0	100	300	300	300
Non-permanently-occupied Private Dwellings	13	104	201	287	340
Hotel / Short-term Rental	8	186	421	585	642
Total (Cumulative) New Units, Peachland	**171**	**1,618**	**3,287**	**4,541**	**5,283**

Total Population, New Developments, Peachland					Scenario 2
	2012	2017	2022	2027	2031
Total (Cumulative) Population in Permanently-occupied Private Dwellings	**263**	**2,380**	**4,606**	**6,458**	**7,481**
0..4	*11*	*101*	*190*	*259*	*290*
5..12	*13*	*174*	*333*	*441*	*491*
13..19	*9*	*119*	*264*	*387*	*432*
20..34	*58*	*466*	*827*	*1,072*	*1,177*
35..49	*42*	*430*	*857*	*1,247*	*1,467*
50..64	*56*	*509*	*940*	*1,258*	*1,426*
65+	*72*	*582*	*1,194*	*1,794*	*2,198*
Permanent Population in Seniors' Housing	0	175	525	525	525
Potential Population in Non-permanently-occupied Private Dwellings	24	207	397	563	665
Potential Population in Hotel / Short-term Rental	18	391	885	1,228	1,348
Total Potential Peak Load Population	**305**	**3,152**	**6,413**	**8,774**	**10,019**

Major Findings:

- *Based on developments in Peachland achieving 329 single detached units, 1,244 other ground oriented (as per development proposals) and 2,449 apartment units (as per market-area demand) that would be occupied on a permanent basis, a total permanent resident population of 7,481 residents would be reached by 2031.*
- *The permanent population in the seniors' component of the proposed development would reach 525 residents by 2031 (assuming 1.75 seniors per dwelling unit).*
- *On a permanent basis these two components of the proposed developments would reach 8,006 residents by buildout (1,004 fewer than under the Community-specific scenario).*
- *Considering peak load population would potentially add an additional 665 residents in the non-permanent component of the dwelling stock (assuming 340 units and an average of 1.95 persons per dwelling unit), with an additional 1,348 people in the hotel and short-term rental stock (assuming an average of 2.10 persons per room).*
- *Under the Functional Region scenario, total potential peak load population would therefore reach 10,019 people by 2031, 1,091 fewer than under the Community-specific scenario.*