

Report to Council



Date: June 11, 2018
File: 1840-01
To: City Manager
From: Parks & Buildings Planning Manager
Subject: Parks development funding strategy

Report Prepared by: Melanie Steppuhn, Park and Landscape Planner

Recommendation:

THAT Council receives for information, the report from the Parks & Building Planning Manager dated June 11, 2018, with respect to Parks development funding;

AND THAT Council directs staff to prepare a draft Parks Development DCC, engage with the public and key stakeholders on the proposal, and report back to Council on how to proceed with implementing a Parks Development DCC;

AND THAT Council directs staff to investigate, through coordination with the 10 year capital plan, the impacts and benefits of creating a specific 'Infrastructure Levy' percentage on taxation to address general infrastructure deficits, and report back to Council;

AND THAT Council directs staff to confirm the potential taxation capital funding shift from Linear Parks acquisition funding, to parks development funding, in tandem with preparing a draft Linear Parks Acquisition DCC, engage with the public and key stakeholders on the proposal, and report back to Council;

AND THAT Council directs staff to prepare a draft Parks DCC for Commercial and Industrial zoned properties, engage with the public and key stakeholders on the proposal, and report back to Council on how to proceed with implementing a Commercial/Industrial Parks DCC;

AND THAT Council directs staff to research a range of options to reduce the parks DCC taxation assist, engage with the public and key stakeholders on the proposal, and report back to Council on the implementation of such a reduction;

AND FURTHER THAT Council directs staff to evaluate and assess impacts of transferring funds to existing parks and undeveloped park sites from parking, leases, property rentals, concessions, and other revenues, as defined in the attached report and report back to Council on implementation.

Purpose:

To provide Council with further details on the various funding options identified and prioritized by Council in previous workshops on this topic, and provide a recommendation for which options should proceed.

Background:

The City of Kelowna is committed to providing parkland for public enjoyment and well-being, access to waterfront, creating sports amenities to promote active living, preserving natural open space for wild flora and fauna, and developing linear greenways throughout the City. It has become apparent however that the pace of recent park development has not kept pace with the rate of acquisition, resulting in acquired parkland lying fallow for several years, or leased in the interim, while awaiting development funding.

Council Engagement Process

In May 2017, at Council's request, staff presented the Parks Development Report – A study of underdeveloped, undeveloped and future park sites (Attachment 1).

The City then retained Urban Systems to assist with three workshops:

October 2, 2017 - Workshop 1: Engaging Council in shaping the key public policy questions to be addressed in the City's overall approach to parkland acquisition and development moving forward;

October 16, 2017 – Workshop 2 : Building an evaluation and priority setting tool;

November 6, 2017 - Workshop 3: Having Council participate in aligning financing tools with specific public policy objectives and funding needs associated with parkland acquisition and development.

The options and priorities identified in these workshops have now been developed and quantified in the Parks Development Funding Strategy report, May 4 2018 (Attachment 2) prepared by Urban Systems.

Parks Development Funding Strategy Report

The May 2018 report first quantifies the funding needs for parks development previously identified. In order to ensure excessive requirements are avoided, this is based on City development standards for smaller parks and approved masterplans for our larger parks. In order to meet the shortfall with a twenty year window, this translates into an annual funding target of \$8.4 million.

The report then analyses the previously identified potential sources of funding in the priority order determined by Council. An estimate of funding potential is calculated for each source, and a strategy and action steps for implementation set out.

Options 1-4 identify different combinations of these sources, and the total funding resulting:

- *Option 1* only includes Parks development DCCs, and Commercial/Industrial acquisition & development DCCs. It achieves 43% of the target.
- *Option 2* also includes a 2% Infrastructure levy on general taxation, a shift in taxation funding from acquisition to development in conjunction with a Linear parks acquisition DCC, a reduction in the existing Parks development DCC taxation assist, and revenues generated from existing parks or undeveloped park land. This option achieves 61% of the \$8.4 million target.

- *Option 3* also includes a \$4 million parks-specific parcel tax for parks development over five years. This option exceeds the target for the first five years, but drops to 62% for the remaining fifteen years.
- Finally, *Option 4* also includes additional funding from an increased Airport dividend and more actively pursuing Community partnerships. Again, this option exceeds the target initially, then drops below the target after five years.

Table 5.1
Options for annual revenue potential from various tools

Tool	Option 1	Option 2	Option 3	Option 4
Press forward				
Parks development DCC	\$3,422,000	\$3,422,000	\$3,422,000	\$3,422,000
Infrastructure Levy on General taxation (2% tax for Infrastructure)		\$426,000	\$426,000	\$426,000
Shift from acquisition to development		\$644,000	\$644,000	\$644,000
Commercial/Industrial parks development DCC	\$236,000	\$236,000	\$236,000	\$236,000
Potentially move forward				
Linear parks acquisition DCCs (linked to 'Shift from acquisition to development' above)		Included	Included	Included
Parcel taxation (for 5 years)			\$4,000,000	\$4,000,000
Consider and explore further				
Reduce parks acquisition and development DCC taxation assist from 8% to 1% (plus 3.3%)		\$284,000	\$284,000	\$284,000
Increase in Airport dividend				\$51,000
Community partnerships				\$25,000
Parks revenues		\$163,000	\$163,000	\$163,000
Total	\$3,658,000	\$5,145,000	\$9,195,000	\$9,316,000

Each tool is considered in detail in the attached Parks Development Strategy Report. In many instances the potential revenue is identified as a range, and will be subject to consultation with the public and key stakeholders. For the purposes of equal comparison this table shows the maximum potential revenue for each tool.

Option 2

Recognizing Council's expressed desire to distribute the funding load across several bases, and not burden just one sector, staff are recommending Option 2 be pursued. This option shares the load between the development community and general taxation, with additional support from parks generated revenues.

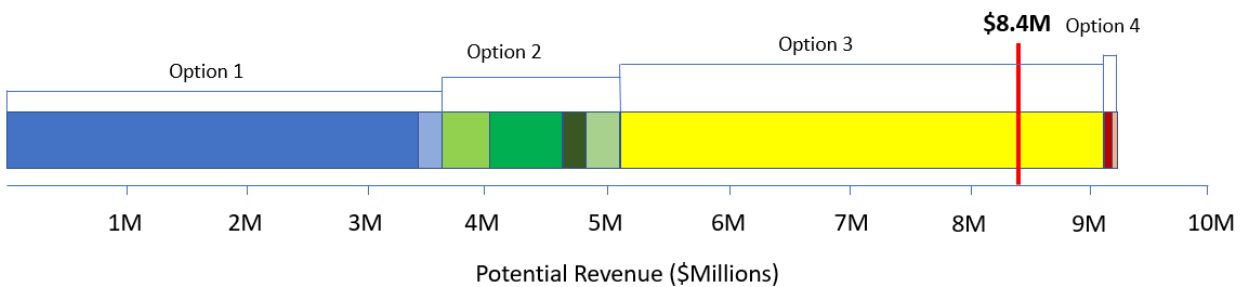
This option is based on the four tools identified by Council as their highest priority. A reduction in taxation assist is also added in order to avoid a disproportionate amount of taxation in the capital plan being tied to DCC funded projects only, and affords Council greater flexibility during budget

deliberations. Finally as described above, parks revenues are added to increase the diversity of funding sources.

A diversified portfolio of park development projects across the City might be appealing and achieve community support for a parks-specific Parcel tax. However, this option is a short-term, one-off solution, and more significantly, disregards the shortfalls in other sectors of the Infrastructure capital portfolio. Furthermore, the 10 year Capital Plan identifies funding shortfalls for infrastructure investment in other service areas (ie Transportation, Buildings and Information Services) that could be in conflict with a Parcel tax for taxation dollars. Therefore, the Parcel tax was not recommended by staff.

While a 2% infrastructure levy on general taxation achieves less financial benefit specifically for parks development, it has the benefit of addressing some of other Infrastructure shortfalls. Therefore this is included as a staff recommendation for investigation and coordination through the 10 year Capital Plan process. It should be noted that the 2% infrastructure levy is only an assumption at this point. The funding source(s) for the unfunded infrastructure in the 10-Year Capital Plan, including the asset renewal shortfall, have not been determined and will be the focus of further analysis over the coming months.

The graph below shows how each option relates to attaining the goal of generating an additional \$8.4 million.



Option 2 achieves 61% of the funding target, thereby theoretically spreading the same park development over a 35 year period.

Internal circulation:

- Divisional Director, Infrastructure
- Divisional Director, Community Planning & Strategic Investments
- Divisional Director, Financial Services
- Divisional Director, Active Living & Culture
- Airport Director
- Director Strategic Investments
- Community Planning Department Manager
- Policy & planning Department Manager
- Infrastructure Delivery Department Manager
- Infrastructure Engineering Manager
- Property Management Manager
- Community Engagement Manager

Financial/Budgetary considerations:

Staff are recommending the analysis of the transfer of direct revenues generated, after operational costs are deducted, within existing parks and undeveloped park sites from parking, leases, property rentals, concessions, and other revenues to the R079 - Parks Acquisition & Development General Reserve.

Considerations not applicable to this report:

Personnel implications:

Existing Policy:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

External Agency/Public Comments:

Communications Comments:

Alternate Recommendation:

Submitted by: R. Parlane, Manager, Parks and Buildings Planning

Approved for inclusion:



Alan Newcombe, Infrastructure Divisional Director

Attachments:

Attachment 1 – Parks Development Report, May 2017

Attachment 2 – Parks Development Funding Strategy report, May 2018

Attachment 3 – Parkland Acquisition and Development workshop presentations, October 2017

Attachment 4 – Parks Development Funding Strategy presentation, June 2018

cc: Airport Director

City Clerk

Divisional Director, Active Living & Culture

Divisional Director, Community Planning & Strategic Investments

Divisional Director, Corporate Strategic Services

Divisional Director, Financial Services

Divisional Director, Infrastructure

Director Strategic Investments