

City of Kelowna
REPORT TO COUNCIL
Parks Development
Funding Strategy



URBAN
systems

304 – 1353 Ellis Street
Kelowna, BC V1Y 1Z9
Contact: Joel Short
E: jshort@urbansystems.ca
T: 250-762-2517 x 1202

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EXECUTIVE SUMMARY

The key objectives of the report are as follows:

- Identify the future funding requirements for parks development;
- Identify potential sources of funding to meet the needs for parks development;
- Prioritize funding sources for parks development;
- Set out a strategy and action steps to pursue funding sources for parks development.

A series of three-workshops were held with Council in October and November 2017:

- Workshop 1: Engaged Council in shaping the key public policy questions to be addressed in the City's overall approach to parkland acquisition and development moving forward;
- Workshop 2: Engaged Council in providing direction and Building an Evaluation and Priority Setting Tool;
- Workshop 3: Council participated in aligning financing tools with specific public policy objectives and funding needs associated with parkland acquisition and development.

The direction that Council have generally indicated through the workshops for each tool is as follows:

- **Press forward:**
 - Parks development DCCs
 - Infrastructure levy - General taxation
 - Shift from acquisition to development
 - Commercial/Industrial parks acquisition and development DCCs
- **Potentially move forward**, but need more information to consider & explore:
 - Linear parks acquisition DCCs
 - Parks-specific parcel taxation
- **Not sure yet – Consider and explore further:**
 - Reduce parks DCC taxation assist factor
 - Tourism taxation – Increase Airport dividend
 - Developer partnerships
 - Community partnerships
- **No additional effort - Maintain status quo:**
 - Tourism taxation – Hotel tax
 - Community amenity contributions
 - Requirement for developers to build parks in new residential developments
 - Sponsorships
 - Commercial lease, or sale of surplus land
 - Parks revenues
 - Grants

The revenue required for future parks development is as follows:

- Additional funding required for future parks development is approximately \$198 million over 20 years translates to about \$9.9 million per year required for parks development
- The current level of parks development funding is approximately \$3 million per year, but about half of that amount is required for renewal, leaving \$1.5 million per year for new and growth-related parks development.
- The difference between the funding target and the existing level of funding is approximately \$8.4 million per year.

Following the prioritisation given by Council, and a more detailed review of revenue potential from each source, the study groups the funding combinations into four options, and considers how those options move towards attaining the \$8.4 million goal:

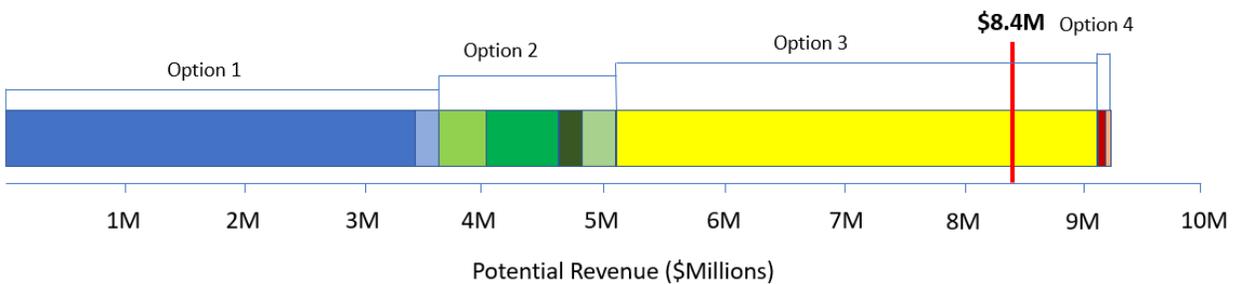
- **Option 1** includes Parks development DCCs and Commercial/Industrial parks acquisition and development DCCs.
- **Option 2.** Adds an Infrastructure levy on general taxation, (a portion of which would be attributed to parks development), a shift from parks acquisition to parks development, a reduction in the Parks DCC taxation assist and parks revenues.
- **Option 3** adds a Parks-specific parcel tax.
- **Option 4** adds the increase in the Airport dividend and Community partnerships.

The following table shows how these various options move the City towards the \$8.4 million goal.

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 |

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



The recommended option at this time is **Option 2**, which generates \$5.1 million. Although it does not reach the target of \$8.4 million, it draws upon all of the options where Council would like to press forwards. It also includes a reduction in the DCC taxation assist, which affords Council greater flexibility in the capital planning process. It also includes parks revenues to increase the diversity of the financial load. The potential future addition of Park-specific parcel taxation in Option 3 would attain the full target, and is still a possibility, however Council would need to consider how this tool would fit along with other City priorities and initiatives.

The report goes on to set out the details for each potential tool in the strategy for generating additional funds for parks development.

1.0 INTRODUCTION

This report sets out tools and strategies on how to pay for parks in the City of Kelowna. While it deals with a wide range of issues related to identifying revenues to pay for parks, the primary focus is on revenues to pay for the development of parks. The City generally has effective sources of revenue or techniques to secure land for parks, but it requires additional options to provide revenues for parks development. The focus of the report is also on capital items in terms of parks development rather than operations and maintenance of parks, which is outside the scope of this analysis. The key objectives of the report, then, are as follows:

- Identify the future funding requirements for parks development;
- Identify potential sources of funding to meet the needs for parks development;
- Prioritize funding sources for parks development;
- Set out a strategy and action steps to pursue funding sources for parks development.

In order to meet those key objectives, the report is organized into the following sections:

Background – this section describes the initial background to this project.

Council engagement process – this section describes the meetings that were held with Council to discuss issues and identify approaches.

Funding requirements and revenue potential – this section sets out the funding requirements and revenue potential generated from optional blends of approaches.

Overview of tools and strategy – this section set out a brief overview of the tools and the strategies used to generate revenues for parks.

Press forward – this section provides details on the tools where the City will press forward in pursuing. For each tool, there is a section that provides a description of the tool, identifies the revenue potential and parameters that influence the revenue, describes Council direction and discussion to date, identifies next steps, and sets out a draft Council resolution.

Potentially move forward – this section provides details on the tools where the City will potentially move forward but requires somewhat more information in order to consider and explore the tool further. For each tool, there is a section that provides a description of the tool, identifies the revenue potential and parameters that influence the revenue, describes Council direction and discussion to date, identifies next steps, and sets out a draft Council resolution.

Not sure yet – Consider and explore further - this section provides details on the tools where the City is not sure yet and requires more work to consider the tool further. These are items where immediate action is not anticipated, but work is required to explore the tool over the longer term. For each tool, there is a section that provides a description of the tool, identifies the revenue potential and parameters that influence the revenue, describes Council direction and discussion to date, identifies next steps, and sets out a draft Council resolution.

No additional effort - Maintain status quo - this section provides details on new tools Council did not want to pursue, and existing tools which should continue with the existing status quo, but with no increase in effort. For each tool the section will describe the tool and discuss why no additional effort is required.

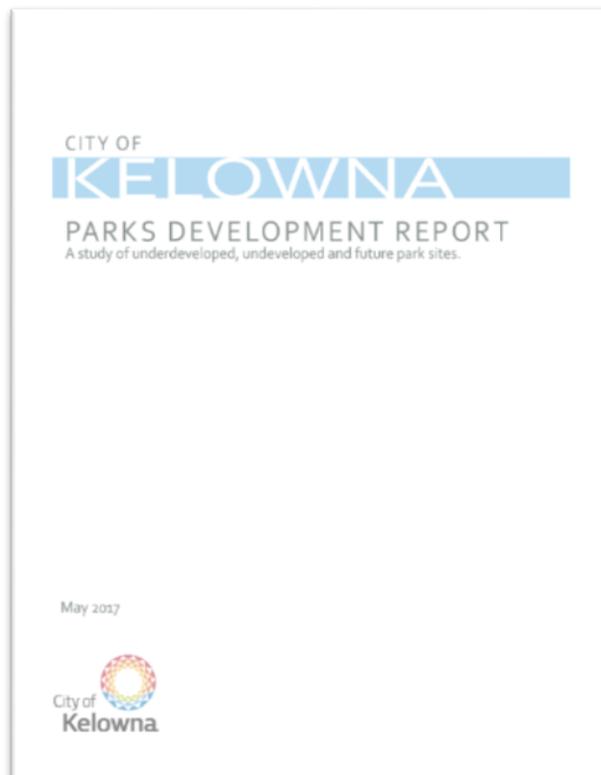
2.0 BACKGROUND

The City of Kelowna is committed to providing parkland for public enjoyment and well-being, creating sports amenities to promote active living, preserving natural open spaces for wild flora and fauna, and developing linear greenways that create strong pedestrian and cycling connections throughout the City.

In May 2017, City Council received the Parks Development Report – A study of underdeveloped, undeveloped and future park sites.

The report highlighted the importance of parks in Kelowna. It noted that the '2016 Visitor intercept survey' conducted by Tourism Kelowna found that our parks and natural amenities are the primary draw for many of the tourists that visit Kelowna. The survey indicated that 82% said that well maintained and high quality parks and beaches are important in their decision to choose Kelowna, and the activities they plan to participate in are, for the most part, integrated within our parks and trails. The Ipsos 2017 Citizen survey found that 'Good recreation facilities and opportunities' was identified as the top characteristic that makes a city a good place to live. Parks were identified as important or somewhat important by 98% of residents.

This report quantified the extent of under-developed, undeveloped and future parks across all park types against current and future municipal targets. The report also identified several potential funding sources in order to address this shortfall. The report notes that while the City acquires parkland in accordance with the Parkland Acquisition Guidelines, it has become apparent the rate of park development has not kept pace with the rate of parkland acquisition. This raises some fundamental questions of public policy, which naturally lead into discussions about potential strategies and appropriate financing tools to ensure the City's parkland acquisition and development keep pace with community desires and the City's ability to fund these initiatives. Council engaged in a series of three workshops to discuss these items in more detail and to provide direction that could be used in moving forward.



3.0 COUNCIL ENGAGEMENT PROCESS

The City retained Urban Systems to assist in a three-workshop series with Council (in October and November 2017):

- **2 October 2017 - Workshop 1:** Engaged Council in shaping the key public policy questions to be addressed in the City's overall approach to parkland acquisition and development moving forward;
- **16 October 2017 – Workshop 2:** Engaged Council in providing direction and Building an Evaluation and Priority Setting Tool;
- **6 November 2017 - Workshop 3:** Council participated in aligning financing tools with specific public policy objectives and funding needs associated with parkland acquisition and development.

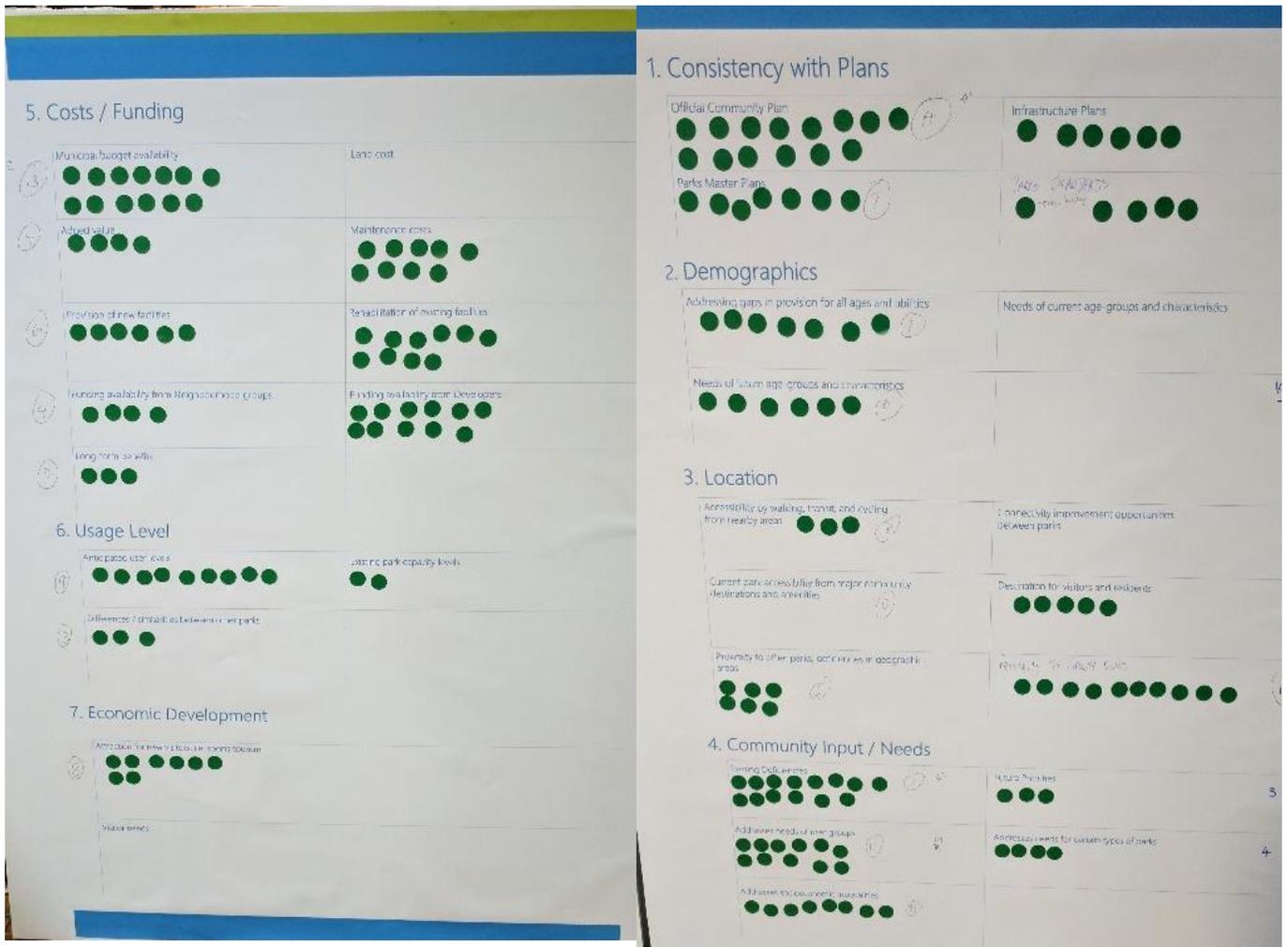
During the first workshop on October 2, 2017, Council members provided direction on broader policy issues related to parks such as the proportion of resources that go towards parks acquisition versus parks development, and considerations on the level of parks acquisition and development provided in the City. The presentation used to facilitate discussion with Council is set out in Appendix A.

During the second workshop on October 16, 2017, Council refined the direction in the first workshop and built an evaluation and priority setting matrix for parks expenditures, setting the stage for the third workshop.

More specifically, the following items were addressed during Workshop 2 on October 16th:

- Recapped direction provided during Workshop 1;
- Provided Council with some additional parks data requested during Workshop 1;
- Engaged Council in an exercise to build a tool for setting parks priorities, including:
 - Confirming the specific criteria that should be used in setting priorities; and
 - Placing a weighting, or level of importance, to each of the criteria.

**Figure 3.1
Parks Priorities Activity Results**



**Table 3.1
Parks Priorities Activity Results**

| Priorities | Number of Dots |
|--|-----------------------|
| 1. Consistency with Plans | |
| Official Community Plan | 14 |
| Infrastructure Plans | 6 |
| Parks Master Plans | 7 |
| Parks Standards | 5 |
| 2. Demographics | |
| Addressing gaps in provision for all ages and abilities | 7 |
| Needs of future age-groups and characteristics | 6 |
| Needs of current age-groups and characteristics | 0 |
| 3. Location | |
| Accessibility for walking, transit, and cycling from nearby areas | 3 |
| Connectivity improvement opportunities between parks | 0 |
| Current park accessibility from major community destinations and amenities | 0 |
| Destination for visitors and residents | 5 |
| Proximity to other parks, deficiencies in geographic areas | 6 |
| Proximity to growth nodes | 10 |
| 4. Community Input / Needs | |
| Existing deficiencies | 14 |
| Future priorities | 3 |
| Addresses needs of user groups | 11 |
| Addresses needs for certain types of parks | 4 |
| Addresses socioeconomic inequalities | 8 |
| 5. Costs / Funding | |
| Municipal budget availability | 13 |
| Land cost | 0 |
| Added value | 4 |
| Maintenance costs | 9 |
| Provision of new facilities | 6 |
| Rehabilitation of existing facilities | 10 |
| Funding availability from neighbourhood groups | 4 |
| Funding availability from developers | 11 |
| Long-term benefits | 3 |
| 6. Usage Level | |
| Anticipated user levels | 9 |
| Existing park capacity levels | 2 |
| Differences / similarities between other parks | 3 |
| 7. Economic Development | |
| Attraction for new visitors (i.e. sports tourism) | 8 |

The presentation used during Workshop 2 is set out in Appendix A.

The following items were addressed during Workshop 3 on November 6th:

- Summarized the direction from the previous two workshops;
- Reviewed specific funding options, identified based partly on work in the previous workshops;
- Discussed criteria for evaluating funding tools, based partly on the earlier workshops;
- Reviewed and evaluated each of the funding tools with the goal of determining the approach for each tool including:
 - Proceed - Tools that line up well with goals and direction. While more work is likely required, Council would like to proceed with further steps toward implementation;
 - Consider/Explore - Tools where it is not clear at this point and more work is required to explore;
 - No additional effort - Tools where no extra effort is put into exploring or building more revenue from these methods, but current practices will be maintained.

The results of Workshop 3 provided direction for the next steps in revising the City’s approach towards parks funding, and in developing a clear parks funding and financing strategy.

Figure 3.2
Results of Tool Approaches for Parks Funding Activity

| | Yes - Proceed | Not Sure - Consider/ Explore | No - No Additional Effort |
|--|------------------|------------------------------------|---------------------------------|
| DCCs – Parks Improvements | ✓ | | |
| DCCs - Linear Parks Acquisition | | X | |
| DCCs – Commercial Development | ✓ | | |
| Reduce DCC Assist | | X | |
| Parcel Taxation | | X | |
| General Taxation | ✓ | | |
| Shift Parks Acquisition Funds to Parks Development | (✓) | | XXXX |
| Tourism Taxation - Airport | | EXPLORE BOND OR DIVIDEND TO CITY | |
| Tourism Taxation - Hotels | | | ✓ |
| Community Amenity Contributions | | | ✓ |
| Sponsorship | | | ✓ |
| Developers build parks | | | ✓ |
| Commercial lease and sale of surplus land | | | ✓ |
| Developer Partnerships | | X | |
| Community Group Partnerships | | X | |
| Parks revenues | | | ✓ |

The presentation used to facilitate discussion during Workshop 3 is set out in Appendix A.

4.0 FUNDING REQUIREMENTS AND REVENUE POTENTIAL

4.1 Funding requirements

A number of parks in City are partially developed and funded, including:



Neighbourhood Parks



Community Parks



Recreation Parks



City-wide Parks



Linear Parks & Natural Areas

Source: City of Kelowna

The specific parks and the value of capital projects required to complete the parks are set out in Table 4.1. These costs are based on typical components required in the parks on a cost per hectare basis and do not include costs for major buildings. These cost also no not include annual operations and maintenance costs, as that is outside the scope of this exercise. These costs area based on general estimates and would need to be refined based on updated Capital Plans if more detailed analysis proceeds.

Table 4.1
Partially developed parks -
Additional funding either identified as P2 in the 10 year Capital plan or unfunded.

| Park Classification | Park Area (Ha) | Percent developed/funded | Area un/under developed (Ha) | Typical cost per hectare | Total Funding Required |
|-------------------------------------|----------------|--------------------------|------------------------------|--------------------------|------------------------|
| Neighbourhood | | | | | |
| Barlee Park | 0.37 | 20% | 0.296 | \$1,250,000 | \$370,000 |
| Ballou Park | 1.44 | 50% | 0.72 | \$1,250,000 | \$900,000 |
| Community | | | | | |
| Quilchena Park (washrooms) | 2.5 | 80% | 0.5 | \$750,000 | \$375,000 |
| Blair Pond Park (washrooms) | 2.5 | 80% | 0.5 | \$750,000 | \$375,000 |
| Ponds Community Park (sports field) | 7.6 | 90% | 0.76 | \$2,500,000 | \$1,900,000 |
| Recreation | | | | | |
| Glenmore Recreation | 11.48 | 35% | 7.462 | \$1,350,000 | \$10,073,700 |
| Mission Recreation | 46.55 | 90% | 4.655 | \$1,350,000 | \$6,284,250 |
| Parkinson Recreation | 19.49 | 40% | 11.694 | \$1,350,000 | \$15,786,900 |
| Rutland Recreation | 14.56 | 40% | 8.736 | \$1,350,000 | \$11,793,600 |
| City-wide | | | | | |
| Kerry Park | 0.7 | 30% | 0.49 | \$6,000,000 | \$2,940,000 |
| City Park | 13.2 | 70% | 3.96 | \$2,000,000 | \$7,920,000 |
| Sutherland Bay | 2 | 50% | 1 | \$4,000,000 | \$4,000,000 |
| Bennett Plaza | 0.06 | 0% | 0.06 | - | \$1,800,000 |
| Waterfront Park (renewal) | 8.5 | 75% | 2.125 | \$1,500,000 | \$3,187,500 |
| Rotary Beach Park | 1.4 | 75% | 0.35 | \$3,500,000 | \$1,225,000 |
| Bluebird Beach Park | 1.1 | 0% | 1.1 | \$2,000,000 | \$2,200,000 |
| Total | | | | | \$71,130,950 |

The City also has an amount of future parklands that have yet to be acquired but will need to be developed in each of the following categories:

- Neighborhood parks;
- Community parks;
- Recreation parks; and
- City wide parks.

The value of funding required does not include the parkland acquisition, since this is already addressed through parkland DCCs and other means. As noted earlier, these cost also no not include annual operations and maintenance costs. The value is only for capital components required in the parks based on typical costs per hectare, not including major buildings, required to develop these future parks, as set out in Table 4.2 below.

Table 4.2
Undeveloped and future parks

| Park Class | Park Area (Ha) | Percent developed/ funded | Area undeveloped (Ha) | Typical cost per hectare | Total Funding Required |
|-----------------------|----------------|---------------------------|-----------------------|--------------------------|------------------------|
| Neighbourhood | | | | | |
| Overall | 15 | 0% | 15 | \$1,250,000 | \$18,750,000 |
| Community | | | | | |
| Overall | 27 | 0% | 25 | \$2,500,000 | \$62,500,000 |
| Recreation | | | | | |
| Tutt Ranch Recreation | 16 | 0% | 16 | \$900,000 | \$14,400,000 |
| City-wide | | | | | |
| Overall | 12 | 0% | 12 | \$2,000,000 | \$24,000,000 |
| Total | | | | | \$119,650,000 |

Another category of parks requiring development are linear parks. The details of linear park lands still to be acquired and developed are set out in Table 4.3 below. Once again these are general estimates that would need to be refined if more detailed analysis proceeds.

Table 4.3
Linear Parks to be acquired

| Priority Linear Park | Park length (km) | % land acquired | Length acquired (km) | % land to be acquired | Length to be acquired (km) |
|------------------------|------------------|-----------------|----------------------|-----------------------|----------------------------|
| Waterfront walkway | 1 | 73% | 0.73 | 27% | 0.27 |
| Mill Creek Linear Park | 19 | 39% | 7.41 | 61% | 11.59 |
| Rail Trail | 20 | 95% | 19 | 5% | 1.0 |
| Bellevue Creek | 13 | 41% | 5.33 | 59% | 7.67 |
| Gopher Creek | 8.5 | 14% | 1.19 | 86% | 7.31 |
| Mission Creek | 16.5 | 90% | 14.85 | 10% | 1.65 |
| Total | 78 | | 48.51 | | 29.49 |

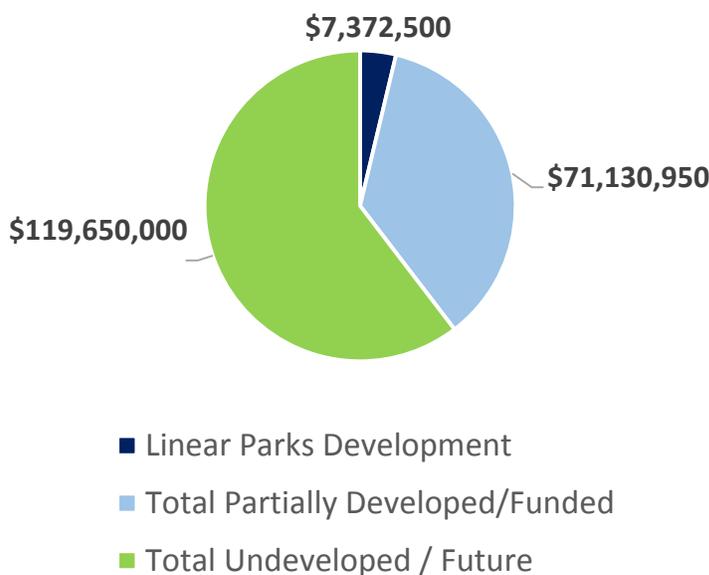
Linear Parks development costs can range from \$150,000 to \$350,000 per km. Using an average cost of \$250,000 per km for the 29.49 km results in development costs of about \$7.4 million.

The required funding over the next 20 years is summarized in the Table 4.4 and Figure 4.1 below.

Table 4.4
City of Kelowna – Park development

| Category | Amount |
|----------------------------------|----------------------|
| Total partially developed/funded | \$71,130,950 |
| Total undeveloped/future | \$119,650,000 |
| Linear parks development | \$7,372,500 |
| Total Unfunded | \$198,153,450 |

Figure 4.1 City of Kelowna – Future Park Development



The approximately \$198 million over 20 years translates to about \$9.9 million per year required for parks development.

4.2 Past funding levels

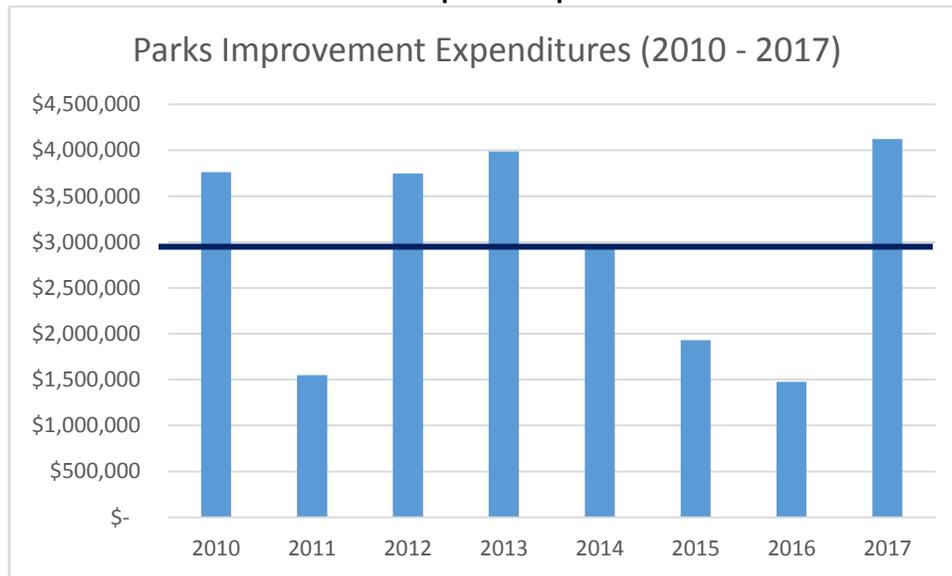
The level of past expenditures for parks development varies from year to year but can provide a general indication of the level of funding commitments currently made by the City through the budgeting process.

For this analysis, the figures shown from 2010 to 2017 only include parks development costs, and do not include parks acquisition or parks operations and maintenance. When looking at the figures from 2010 to 2017, the analysis shows that the amounts for 2010 are quite high, but that is because of a somewhat rare grant opportunity from stimulus funding in 2009 and 2010. In order to effectively compare the amount of funds the City regularly expends on parks development from funds other than unusual grants, we compiled the total expenditures without grants as set out in Table 4.5 below.

**Table 4.5
Parks development expenditures**

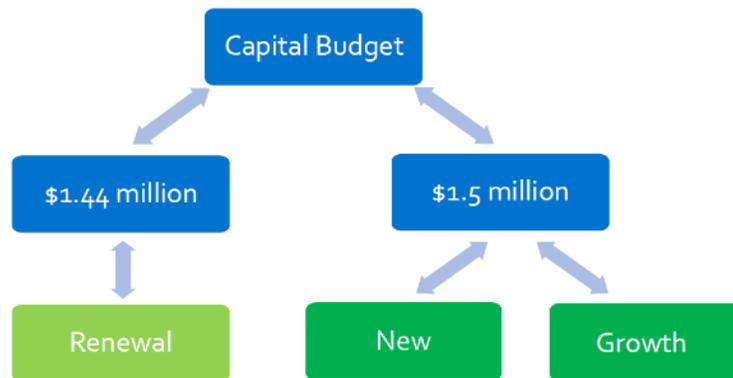
| Year | Expenditures (without Grants) |
|-------------------------|----------------------------------|
| 2010 | \$ 3,761,189 |
| 2011 | \$ 1,550,268 |
| 2012 | \$ 3,750,007 |
| 2013 | \$ 3,987,178 |
| 2014 | \$ 2,974,195 |
| 2015 | \$ 1,931,887 |
| 2016 | \$ 1,478,380 |
| 2017 | \$ 4,124,373 |
| Total 2010-2017 | \$ 23,557,476 |
| Average per year | \$ 2,944,684 |

**Figure 4.2
Parks development expenditures**



As an average over 8 years from 2010 to 2017, the City spends \$2.94 million per year, which we can round up to about \$3 million per year. There is quite a bit of variability in the expenditures ranging from a low of about \$1.48 million in 2016, to a high of about \$4.12 million in 2017 on parks development.

Figure 4.3. Parks development expenditures Breakdown



Another factor to consider is that approximately half of the \$3.0 million annual expenditures on parks development over the past years are on renewal of existing parks components and facilities and rather than the provision of new components or components to address growth. For example, the money is spent to replace an existing aging playground or fence rather than a new playground in a new undeveloped park. Expenditures on renewal will be a continuing requirement over the years. While it is recognized the renewal deficit is greater than this, renewal is not part of this study. Therefore, it is assumed this level of commitment is carried forward for renewal, leaving the remaining \$1.5 million of taxation for parks development.

If we consider the average of about \$1.5 million per year in expenditures in the past is available for new and growth related parks development and compare it to the \$9.9 million per year required for parks development over the next 20 years, then we require an additional \$8.4 million per year in revenues for parks development. As the City adds new parks development, it will require for more funds to replace and renew these facilities, but such an analysis is beyond the scope of this assignment. The full effect of the need to generate more funds to replace additional aging parks infrastructure will not be felt until the new parks infrastructure starts to get to the age where it needs to be replaced. From this point in the analysis, the report assumes that an additional \$8.4 million is required per year to fund required Parks development. As noted earlier in the report, operations and maintenance costs are outside the scope of this study, but an operations and maintenance budget will be required to address additional parks development, and will need to be considered by Council along with the capital costs.

Figure 4.4. Difference between existing and required expenditures on parks development



5.0 OVERVIEW OF TOOLS AND STRATEGY

5.1 Introduction

Based on the analysis of the various tools and discussions with Council, this report sets out the approach moving forward for each tool. This section provides a brief summary list of the direction that Council provided for each tool, with further details set out in sections that follow. The tools are grouped into these categories:

- **Press forward** – ('Yes – Proceed') - Tools that line up well with goals and direction. While more work is likely required, Council members indicated they would like to proceed with further steps toward implementation;
- **Potentially move forward**, but need more information to consider & explore – (Leaning to 'Yes proceed', but also 'Not sure – consider explore') – these tools line up well with goals and direction, but Council members were not quite sure about proceeding, and some further work is required before deciding to proceed towards implementation;
- **Consider and explore further** ('Not Sure – Consider & explore') - Tools where it is not clear at this point and more work is required to explore; and
- **No additional effort - Maintain status quo** ('No further effort') - New tools Council did not want to pursue, and existing tools which should continue with the existing status quo, but with no increase in effort necessary.

The direction that Council members have generally indicated through the workshops that they would like to take for each tool is as follows:

- **Press forward:**
 - Parks development DCCs
 - Infrastructure levy - General taxation
 - Shift from acquisition to development
 - Commercial/Industrial parks acquisition and development DCCs
- **Potentially move forward**, but need more information to consider & explore:
 - Linear parks acquisition DCCs
 - Parks-specific parcel taxation
- **Consider and explore further:**
 - Reduce parks DCC taxation assist factor
 - Tourism taxation – Increase Airport dividend
 - Developer partnerships
 - Community partnerships

- **No additional effort - Maintain status quo:**
 - Tourism taxation – Hotel tax
 - Community amenity contributions
 - Requirement for developers to build parks in new residential developments
 - Sponsorships
 - Commercial leases
 - Sale of surplus land
 - Parks revenues
 - Grants

The revenue potential for Parks revenues has been identified as greater than previously reported to Council. It has therefore been elevated to 'Not sure yet' to allow Council an opportunity to consider the revised revenue.

The revenue potential from each tool is set out in the next section. After this next section the report provides details for each tool including a description of the tool, the revenue potential and parameters that influence the revenue, Council direction and discussion to date, and next steps.

5.2 Revenue potential from various tools

The following sections set out some additional details for each tool, the revenue generation potential, and suggested strategy for moving forward with each tool. This section provides a brief overview of the revenue potential from each tool where the City would like to engage in some additional effort, and compares it with the revenue needs identified in section 4. To facilitate thinking about various combinations of approaches, this report sets out several options. Each subsequent option builds on the previous option:

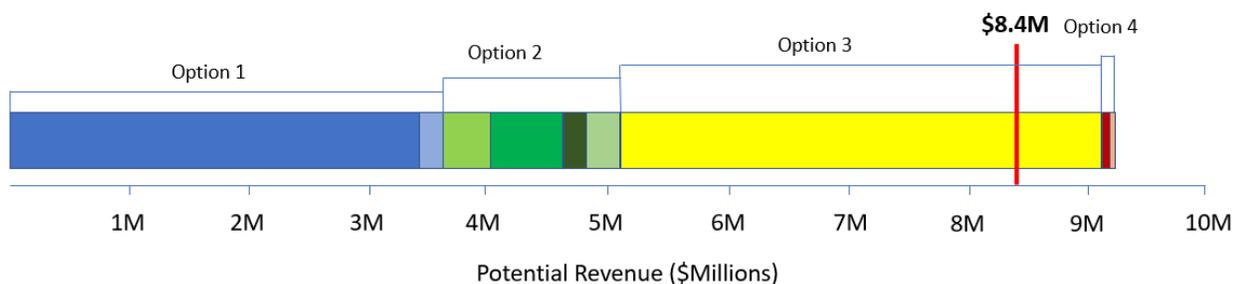
- **Option 1** includes Parks development DCCs and Commercial/Industrial parks acquisition and development DCCs. Council indicated we should proceed with work on these two tools.
- **Option 2.** Adds an Infrastructure levy on general taxation, a shift from parks acquisition to parks development in tandem with a Linear parks acquisition DCC, a reduction in the Parks DCC taxation assist and Parks revenues. Council indicated we should proceed with the first two tools. Option 2 includes a reduction in the DCC taxation assist, which avoids a disproportionate amount of taxation in the capital plan being tied to DCC funded projects only, and affords Council greater flexibility through the budget deliberations. It also includes parks revenues to increase the diversity of the financial load and link users to the development costs.
- **Option 3** adds a Parks-specific parcel taxation which falls into the category of Potentially move forward. The Parcel tax is only proposed for a five year duration.
- **Option 4** adds additional tools where Council was 'Not sure but wanted to consider and explore', and these include the increase in Airport dividend and Community partnerships.

As noted in section 4, about \$3 million is spent per year on Parks development and renewal and about \$1.5 million of that is spent on new or growth-related development. An additional \$8.4 million per year is the target for full parks development.

The following Table 5.1 shows how these various Options move the City towards that goal.

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 |



As the table illustrates, Options 1 and 2 do not attain the goal of identifying an additional \$8.4 million per year for parks development; although both options make significant progress towards that goal. Option 3 generates almost \$9.2 million and slightly exceeds the goal of generating an additional \$8.4 million. However the assumption is that the addition \$4 million per year through a parcel tax would only continue for a period of 5 years. Consequently, the goal is attained for a 5 year period, not the entire 20 year period. Option 4 also attains the goal, but as with option 3, only for the 5 year period while a parcel tax is assumed to be in place.

5.3 Limitations on funding sources

There are limitations on the potential sources for some of the required funds in the future. Specifically, only some of the projects would be eligible for consideration for recovery through a Parks development DCC. The specific items that are eligible are described in more detail in the section on Parks development DCCs below.

Of the \$198 million required over the next 20 years, the analysis estimates that about \$67 million is comprised of projects eligible for recovery through Development Cost Charges for parkland development in Neighbourhood, Community, Recreation, and City-wide parks. An additional \$7.3 million identified for development of linear parks are also likely eligible for cost recovery through DCCs. The remaining \$124 million would need to be generated through other means. This doesn't necessarily mean that \$67 million and \$7.3 million will come from development cost charges, but we know that no more than that amount could come from Parks Development DCCs.

Another limitation is the potential to shift funding from parkland acquisition to parkland development. Some sources such as funds in the Parkland Acquisition DCC reserve fund cannot be drawn out and spent on parks development. Similarly, funds in the Land Sales/Parkland Statutory reserve are generally limited to land acquisition rather than parkland development. The limitations on the use or creation of various funding sources have been considered in developing estimates of the potential revenues from each source.

6.0 PRESS FORWARD

6.1 Introduction

This section identifies tools that line up with the goals and direction – these fit well and Council will proceed with the direction. For each tool the subsection will do the following:

- Describe the tool
- Identify revenue potential and parameters that influence the revenue
- Describe Council direction and discussion to date
- Identify next steps – background work, consultation, engagement, timeline
- Draft staff recommendation in the form of Council resolution

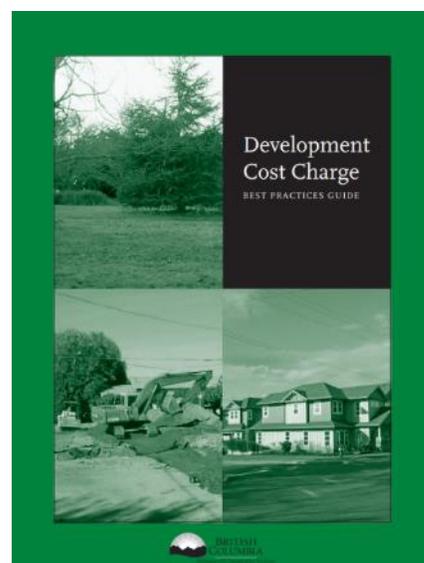
6.2 Parks Development DCCs

6.2.1 Tool description

The City currently only charges a DCC for Parkland acquisition. It does not charge a DCC for park development. Based on research conducted as part of the Park Development Report in May 2017, comparative cities including Abbotsford, Kamloops, Langley, Chilliwack and Richmond all include parks development in their DCCs. Surrey was the only comparative city that does not include parks development costs in their DCCs. The Surrey Parks Recreation and Culture Strategic Plan also recommends the use of a Parks Development DCC. In order to be consistent with most comparative communities and take advantage of a readily available cost recovery tool that many communities use, Kelowna can consider charging a Parks development DCC.

It is important to understand what a Parks development DCC can and cannot include in the capital project list. Parks development DCCs can pay for:

- Fencing
- Landscaping
- Drainage
- Irrigation
- Trails
- Restrooms
- Changing rooms
- Playground equipment



- Playing field equipment



Source: City of Kelowna

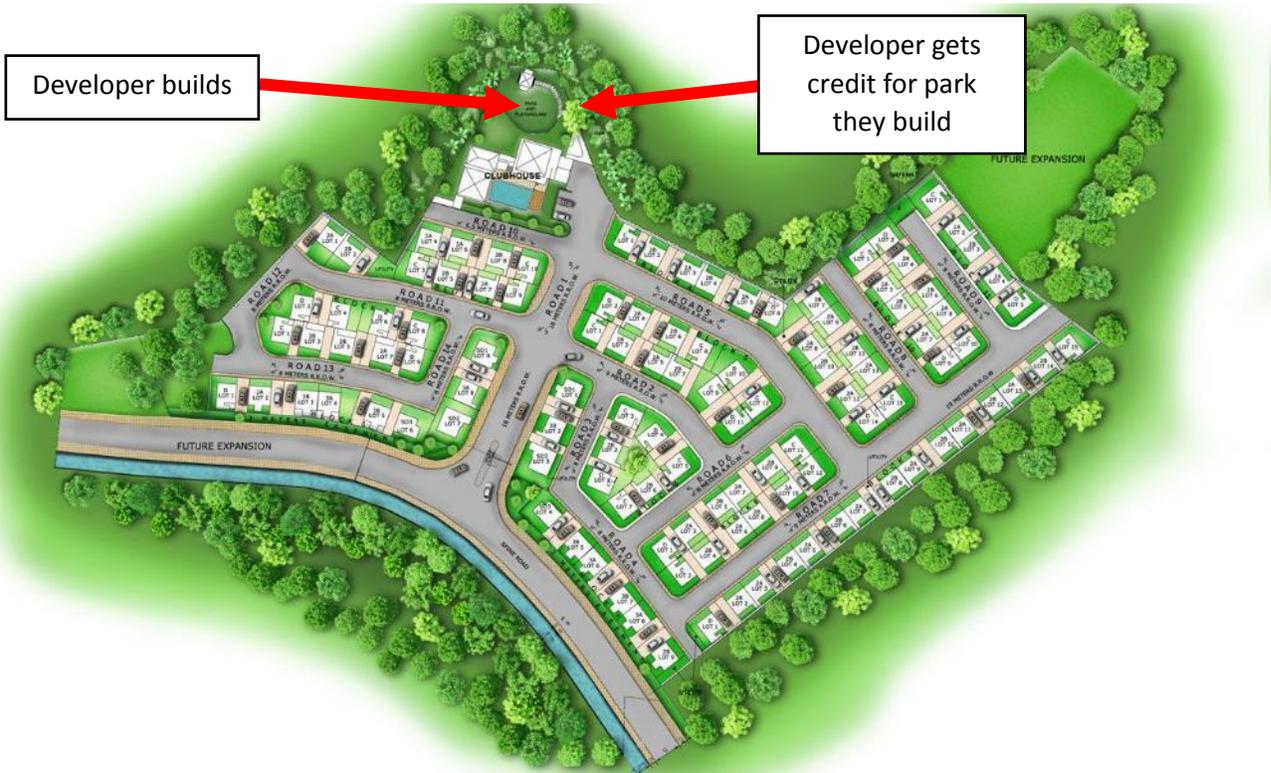
Landscaping includes leveling, grass and plants, but does not include parking lots or access roads.

Playground and playing field equipment includes playground structures such as swings and slides, but does not include:

- Dugouts and bleachers
- Field houses
- Tennis or basketball courts
- Baseball diamonds
- Artificial turf fields
- Picnic shelters
- Tracks
- Lighting systems

For each park type, the City identified the components that are eligible for recovery through DCCs and translated that into a percentage of the park development required. For example, about 85% of the development of a neighbourhood park is eligible for recovery through DCCs and only 28% of the components of recreation parks are eligible. The City also applied assist factors to identify the total amount of each park type that can be recovered through DCCs. These figures are set out in Table 6.1. In addition to the approximately \$66.6 million eligible as set out in Table 6.1, an additional \$6.5 million could be recovered for development of linear parks for a total of about \$73.1 million. This assumes that the need for more development of Linear parks is due to growth. Other figures would result if we assume that some portion of the costs to develop more Linear parks are required by existing residents.

If a Parks Development DCC is established, developers would receive a DCC credit if they construct Parks development works that are set out in the DCC program. This is potentially attractive to developers as a mechanism that would allow them to build the parks improvements in their subdivision without having to wait for the City to build it.



Source: Inteface.com

One consequence of advancing time and building the park before the City is ready is that the developer loses credit for the 8% taxation assist amount on the project. In considering a Parks development DCC, it is useful to consider how DCC credits may work for Parks development by developers. Developers would get credit for the lesser of:

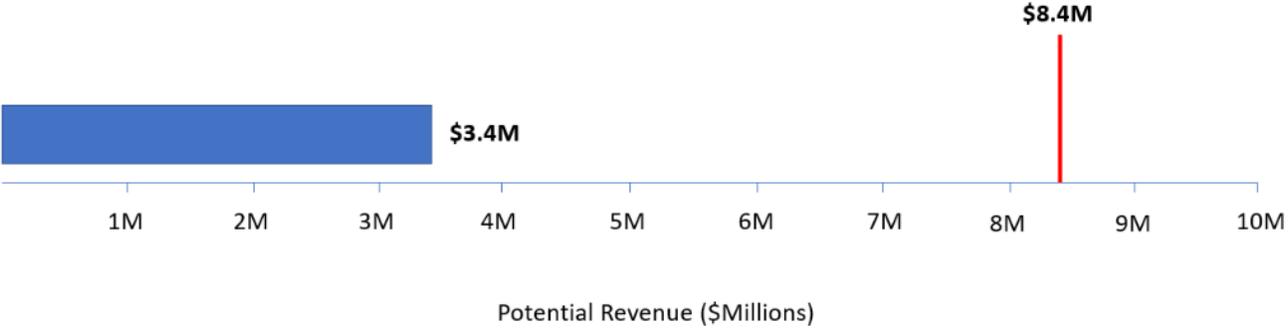
- The City cost estimate for the work in the DCC report;
- The actual cost of the work; or
- The Parks development DCC owed by the developer.

6.2.2 Revenue potential

One method to estimate revenue potential from a Parks development DCC is to identify a percentage increase in the existing Parks acquisition DCC. The Parks acquisition DCC revenues over the past 10 years have been a total of \$37.3 million. While this fluctuates significantly on a yearly basis from about \$800,000 to \$8,500,000, the average is about \$3,730,000 per year. The current Parks acquisition DCC is \$5795 per residential unit. If the City increased Parks DCCs by 20%, this increase would generate another \$1159, amounting to about \$746,000 per year in an average year. In a year like the last two with over \$7 million per year, this would result in an additional \$1.4 million per year.

Another approach is to choose a specific dollar amount of increase per equivalent unit. In terms of a dollar amount of increase per unit, an additional charge of \$2000 per unit is about a 35% increase. Such an increase would generate \$1.3 million in an average year and \$2.45 million in the last couple of years. If you wanted to generate another \$2000 per unit that would be $\$2000 \times 19950$ units over 20 years = \$39,900,000, or about \$2,000,000 per year.

Finally, the City could calculate the DCC required to generate enough to pay for a proportion of projects identified as eligible for cost recovery through DCCs. This total amount would be the \$66,601,000 noted in Table 6.1 below, plus \$6,562,000 for linear parks development (about 89% of the \$7,372,500 noted above, which would be approximately the amount remaining after applying the municipal assist factor), resulting in DCC eligible costs of approximately \$73,163,000 over 20 years. The 20-year servicing and financing strategy DCC report projects 19,950 residential units over this time period. While the new OCP will generate new growth figures that extend beyond 2030, the figures in the servicing and financing strategy over a 20-year period are useful for initial calculations. This amounts to: $\$73,163,000 / 19,950$ units = \$3,667 per unit. If we include commercial and Industrial equivalent units as paying the Parks development DCC, the number of equivalent units goes up by 1242 for commercial and 136 for Industrial for a total of 21,328 units if we use the same figures from the 20 year Servicing Plan. This amounts to: $\$73,163,000 / 21,328$ = \$3,430 per unit. Over a 20-year period, that amounts to about \$3.66 million per year, with about \$3.42 million from Residential DCCs and about \$0.21 million from Commercial DCCs and \$0.023 million from Industrial DCCs.



**Table 6.1
Eligible Parks development DCC items**

| Park Class | Park Area (Ha) | % developed/funded | Area un/under developed (Ha) | Typical cost per hectare | Total Funding Required | % eligible for development DCC | Benefit Allocation | Funded by development DCC (less 11% tax assist) | Total % funded by development DCC | Total \$ funded by development DCC | Total unfunded remaining |
|--|----------------|--------------------|------------------------------|--------------------------|------------------------|--------------------------------|--------------------|---|-----------------------------------|------------------------------------|--------------------------|
| Neighbourhood - Partially Dev. / Funded | | | | | | | | | | | |
| Barlee Park | 0.37 | 20% | 0.296 | \$1,250,000 | \$370,000 | 85% | 27% | 89% | 20% | \$75,574 | \$294,426 |
| Ballou Park | 1.44 | 50% | 0.72 | \$1,250,000 | \$900,000 | 85% | 27% | 89% | 20% | \$183,829 | \$716,171 |
| Neighbourhood - Undev. / Future | | | | | | | | | | | |
| Overall | 15 | 0% | 15 | \$1,250,000 | \$18,750,000 | 85% | 100% | 89% | 76% | \$14,184,375 | \$4,565,625 |
| Community - Partially Dev. / Funded | | | | | | | | | | | |
| Quilchena Park (washrooms) | 2.5 | 80% | 0.5 | \$750,000 | \$375,000 | 100% | 27% | 89% | 24% | \$90,112 | \$284,888 |
| Blair Pond Park (washrooms) | 2.5 | 80% | 0.5 | \$750,000 | \$375,000 | 100% | 27% | 89% | 24% | \$90,112 | \$284,888 |
| Ponds Community Park (sports field) | 7.6 | 90% | 0.76 | \$2,500,000 | \$1,900,000 | 100% | 27% | 89% | 24% | \$456,570 | \$1,443,430 |
| Community - Undev. / Future | | | | | | | | | | | |
| Overall | 27 | 0% | 25 | \$2,500,000 | \$62,500,000 | 65% | 100% | 89% | 58% | \$36,156,250 | \$26,343,750 |
| Recreation - Partially Dev. / Funded | | | | | | | | | | | |
| Glenmore Recreation | 11.48 | 35% | 7.462 | \$1,350,000 | \$10,073,700 | 28% | 27% | 89% | 7% | \$677,799 | \$9,395,901 |
| Mission Recreation | 46.55 | 90% | 4.655 | \$1,350,000 | \$6,284,250 | 28% | 27% | 89% | 7% | \$422,829 | \$5,861,421 |
| Parkinson Recreation | 19.49 | 40% | 11.694 | \$1,350,000 | \$15,786,900 | 28% | 27% | 89% | 7% | \$1,062,206 | \$14,724,694 |
| Rutland Recreation | 14.56 | 40% | 8.736 | \$1,350,000 | \$11,793,600 | 28% | 27% | 89% | 7% | \$793,520 | \$11,000,079 |
| Recreation - Undev. / Future | | | | | | | | | | | |
| Tutt Ranch Recreation | 16 | 0% | 16 | \$900,000 | \$14,400,000 | 28% | 100% | 89% | 25% | \$3,588,480 | \$10,811,520 |
| City-wide - Partially Dev. / Funded | | | | | | | | | | | |
| Kerry Park | 0.7 | 30% | 0.49 | \$6,000,000 | \$2,940,000 | 36% | 27% | 89% | 9% | \$254,333 | \$2,685,666 |
| City Park | 13.2 | 70% | 3.96 | \$2,000,000 | \$7,920,000 | 36% | 27% | 89% | 9% | \$685,143 | \$7,234,857 |
| Sutherland Bay | 2 | 50% | 1 | \$4,000,000 | \$4,000,000 | 36% | 0% | 89% | 0% | \$0.00 | \$4,000,000 |
| Bennett Plaza | 0.06 | 0% | 0.06 | \$30,000,000 | \$1,800,000 | 36% | 0% | 89% | 0% | \$0.00 | \$1,800,000 |
| Waterfront Park (renewal) | 8.5 | 75% | 2.125 | \$1,500,000 | \$3,187,500 | 36% | 0% | 89% | 0% | \$0.00 | \$3,187,500 |
| Rotary Beach Park | 1.4 | 75% | 0.35 | \$3,500,000 | \$1,225,000 | 36% | 0% | 89% | 0% | \$0.00 | \$1,225,000 |
| Bluebird Beach Park | 1.1 | 0% | 1.1 | \$2,000,000 | \$2,200,000 | 36% | 27% | 89% | 9% | \$190,318 | \$2,009,682 |
| City-wide - Undev. / Future | | | | | | | | | | | |
| Overall | 12 | 0% | 12 | \$2,000,000 | \$24,000,000 | 36% | 100% | 89% | 32% | \$7,689,600.00 | \$16,310,400 |
| Total | | | | | \$190,780,950 | | | | | \$66,601,053 | \$124,179,897 |

6.2.3 Council direction

Council provided direction to “Yes – proceed” with Parks development DCCs.

A number of factors or considerations discussed over the three workshops and these include:

- Ensuring that developers receive a DCC credit if they build parks DCC projects;
- Focussing on Neighbourhood and Community parks development, rather than Recreation and City-wide parks, since the type of development that is eligible fits better with Neighbourhood parks;
- Clearly identifying which parks development are included in the DCC program;
- Proceeding with establishing clear standards for parks development to ensure that both the City and developers have the same expectations for the level of development and the items eligible for DCC credits;
- Clarifying if the Parks development DCC will be in addition to the parks acquisition DCC or will the parks acquisition DCC decrease somewhat in order to create ‘room’ for the Parks development DCC; and
- Identifying how much tolerance exists for an overall upward movement in the combined Parks acquisition and development DCC, in return for the park development being undertaken in new growth areas.

6.2.4 Next steps

The next steps for proceeding with the implementation of Parks Development DCCs are as follows:

- Refine the potential rates and revenues:
 - Clarify Parks DCC Development project list – in terms of capital projects for specific parks and the eligible components within each park
 - Identify costs
 - Confirm population and development projections to be used for calculations
 - Calculate potential Parks development DCC rates
 - Calculate potential annual revenues based on the calculated rates.
- Identify if changes would occur to the Parks acquisition DCC. This will need to be done in concert with work on considering adding a Linear parks acquisition DCC.
- Clarify the proposed approach to parks DCC credits.
- Refine the existing standards for neighbourhood parks.
- Clarify the approach to partnerships for neighbourhood parks since this is inter-related with neighbourhood parks DCCs and DCC credits. Some developers like the current approach of parks partnerships and the City would need to be clear about how that may change in coordination with changes to the parks DCCs

- Consult with the public to obtain feedback on potential Parks development DCCs.
- Engage with UDI and other members of the development community to seek their thoughts on the concept and potential changes.
- Revise the approach based on input from the public, UDI and the development community.
- Engage with UDI and other members of the development community on the revised approach.
- Amend the DCC background report and the DCC bylaw to implement a Parks Development DCC.

6.2.5 Draft staff recommendation, in the form of a Council resolution

The following resolutions can be brought forth to Council for the provision of a Parks development DCC:

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.

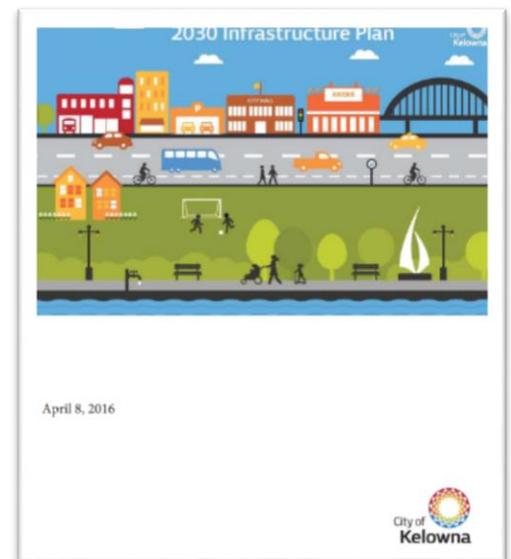
6.3 Infrastructure levy - General taxation

6.3.1 Tool description

An option is to apply an increase to general municipal property taxation, such as a 1% or 2% (or some other appropriate tax percentage) tax increase for Infrastructure: an Infrastructure levy. To use a portion of the increased tax revenue for parks development. This revenue is completely flexible, and could be used to pay for parks development that may not be eligible for inclusion in a Parks development DCC or other sources.

One related option discussed was to revisit the allocation of the total capital budget for all services – roads, water, sewer, buildings, parks etc. – to increase the proportion of the existing budget towards parks, which means somewhat less would be available for other services. This would not result in an increase in taxes, but rather a shift in how existing tax dollars are spent. While this possibility was discussed, Council did not have much appetite for the concept at the time, so it was not taken further. As a result, this section only focusses on the 1% or 2% tax increase for Infrastructure.

A certain percentage of the entire amount generated for Infrastructure could be allocated to parks projects. The 2030 Infrastructure Plan notes that from 2016 to 2030, about 16% of the total infrastructure plan projects are spent on Parks projects, so in calculating revenue potential this report assumes that 16% of the additional percentage for Infrastructure could go towards Parks development projects. However, this allocation may be reconsidered for this additional revenue.

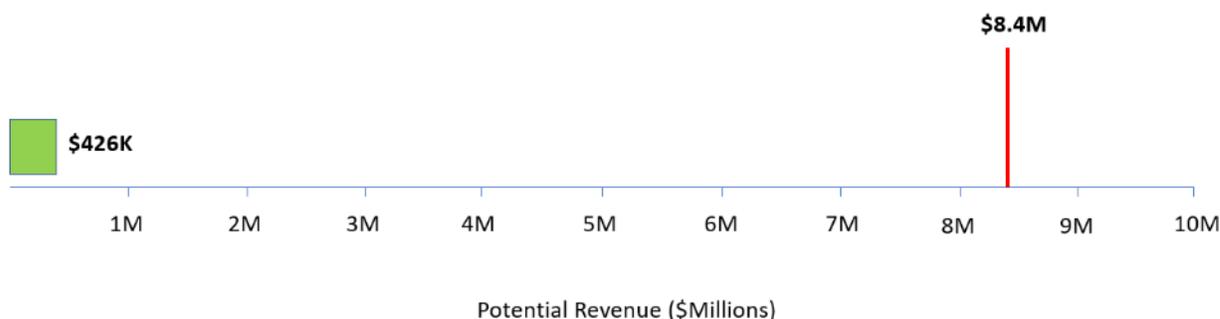


6.3.2 Revenue potential

The City's property value tax is projected to be about \$133 million in 2018 (as set out in the latest Financial Plan). Examples of percentage increases for infrastructure are:

- A 1% increase would result in about \$1.33 million and if for example, 16% of that went to parks development, that would result in about \$213,000 per year
- A 2% increase would result in about \$2.66 million and if for example, 16% of that went to parks development, that would result in \$426,000 per year

The amount of revenue for parks would be influenced by the actual percentage increase for infrastructure, and the allocation of the percentage increase towards parks development. While the 16% allocation to parks is based on projected proportions, in view of the significant deficit that needs to be addressed for parks development, it may be useful to consider increasing the 16% to a higher percentage when considering how to allocate the additional 1% or 2% for infrastructure.



6.3.3 Council direction and discussion

Council provided direction of “Yes proceed” to general taxation increases. Some council members felt it may be most effective as a specific percentage, such as 1% or 2% (or other percentage as necessary) towards infrastructure. Council members did not feel there would be an appetite for a specific percentage charge only for parks development, since there are other infrastructure priorities for the City's residents as along with parks. However, they did think that it may be feasible to present a bundle of infrastructure needs, with parks as a portion of that bundle. The idea of having a separate line item on tax notices such as “Infrastructure improvement funding” or “Infrastructure levy” and a dedicated fund was also discussed.

6.3.4 Next steps

The next steps for proceeding with the implementation of a general taxation increase are as follows:

- Clarify the specific parks development needs that could be addressed through the 1% or 2% Infrastructure levy, along with other infrastructure needs that would be part of the bundle

- Clarify the revenue potential and details. For example, does the 1% or 2% apply to all property classes or just residential? How does the 1% or 2% property value tax fit with a potential parcel tax for parks facilities?
- Clarify the impacts on various assessment classes and property values in the City.
- Establish draft timing for implementation.
- Engage with stakeholders to educate about the idea and seek input, perhaps as part of the City's regular engagement on the 2019 Financial Plan.
- Return to Council with results of the input.

6.3.5 Draft staff recommendation, in the form of a Council resolution

The following resolutions can be brought forth to Council for consideration related to general taxation:

Council directs staff to investigate, through coordination through 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.

6.4 Shift parks acquisition to parks development

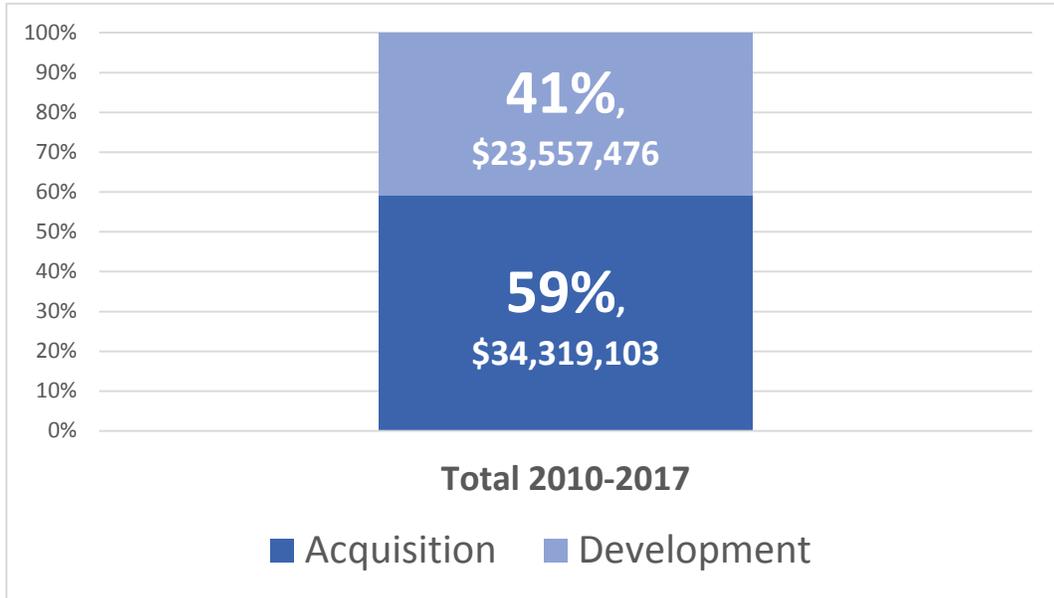
6.4.1 Tool description

The City could shift the expenditures within the current funding level for parks. The shift would be to spend more on parks development and less on parks acquisition, than in the past. This would help address the issue regarding the significant amount of existing parkland that is underdeveloped. For a period of time, the City could focus more funds on parks development and somewhat less on acquisition. This would not entail a wholesale shift, but a 'tilt' in the priorities. Parkland acquisition would still occur in order to ensure that the City invests in parkland to support its future.

6.4.2 Revenue potential

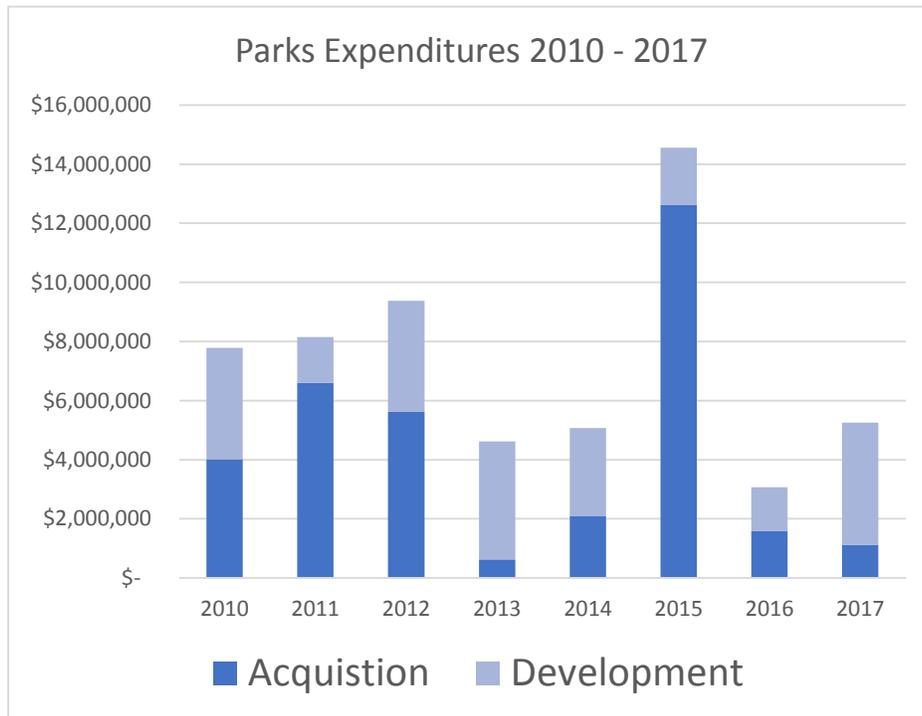
From 2010 to 2017 about 59% of parks expenditures have been on acquisition and 41% on development, as demonstrated in Table 6.1.

Figure 6.1
Parks expenditures (2010 – 2017)



The amounts vary significantly from year to year as illustrated in Table 6.2.

Table 6.2
Parks expenditures per year (2010 – 2017)



The average expenditures on parks acquisition per year over the 2010 to 2017 period were about \$4.29 million per year for acquisition and about \$2.94 million per year for development without

grants. The analysis shows that the amounts for 2010 are quite high, but that is because of a somewhat rare grant opportunity from stimulus funding in 2009 and 2010. In order to effectively compare the amount of funds the City regularly expends on parks development from funds other than unusual grants, we compiled the total expenditures without grants.

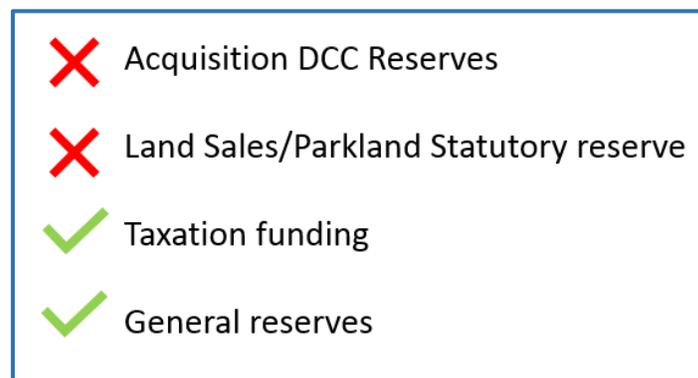
In seeking amounts that could be shifted from expenditures on acquisition to expenditures on development, we need to consider that some sources would not be available for a shift from acquisition to development and these include:

- Expenditures from Acquisition DCC reserves (\$18.35 million from 2010 to 2017) – these funds are specifically allocated for Parks acquisition.
-
- Expenditures from Land sales/Parkland statutory reserve (\$5.86 million from 2010 to 2017) – while these funds occasionally are used for development projects, they are primarily restricted to acquisition, and this analysis assumes that these funds will not be available for parks development.

The significant sources that could be shifted from expenditures on acquisition to expenditures on parks development include the following:

- Taxation sources – taxation funding and carryover taxation (\$5.11 million from 2010 to 2017)
- General reserves (\$1.87 million from 2010 to 2017)

Figure 6.1 – What can shift from acquisition to development?



These are essentially taxation sources and they added up to \$6.98 million from 2010 to 2017. About \$5.15 million of this money was spent on Natural and Linear parks acquisition. The remaining \$1.83 million was spent on Active parks acquisition, but this is likely composed of the 8% Parks DCC assist, and the 3.4% assist for secondary suites, required to accompany the amount spent from the Parkland acquisition DCC reserve fund.

The \$6.98 million translates to about \$872,000 per year. One option could be to shift all of those funds from acquisition to parks development to provide an additional \$872,000 per year for

development. This would leave \$872,000 less per year to acquire Natural and Linear parkland and to make up the assist amount to accompany parkland acquisition funds. This shift could be accomplished in a number of different ways:

- The City could reduce the Parks DCC assist. If the Parks acquisition DCC assist was reduced, that would free up additional funds for transfer from acquisition to development, since the money would not be required to pay the assist portion of parkland acquisition.
- This City could defer spending money from the Parks acquisition DCC Reserve Fund for a few years, this would reduce the need for the City to provide the matching 8% assist amount on acquisition in any specific year and free it up for expenditures on development.
- The City could stop acquiring Natural and Linear parkland for a number of years.
- The City could establish a Natural and Linear parkland DCC to generate a separate source of funds for acquiring Natural and Linear parks.

The third option has often been adopted in recent years. In 2016 and 2018 Natural and Linear park acquisition has been dropped to a P2 in favour of more pressing capital budget demands. Inevitably this has hindered the acquisition program for this type of park in recent years.

To address the combination of options set out in section 5, the amount assumed available to shift without the reduction in the DCC assist is the \$5.15 million spent on Natural and Linear parks, or about \$644,000 per year. The amount realized from a reduction in the assist amount is set out in section 8.2 and included in Option 4 in section 5.

It is important to note that from 2010 to 2017, \$28.8 million or an average of \$3.6 million per year was donated as parkland or provided as natural areas or linear parks. Frequently this is in the form of undevelopable hillside associated with a new subdivision. This is not a source of revenue, but rather a value ascribed to parkland donated or provided to the City. This is expected to continue, and the City would still be acquiring parkland through donation or through development, even if some funding is shifted away from acquisition. It is interesting to note that, over the same time, from 2010 to 2017, only about \$640,000 or an average of \$80,000 per year was donated or provided for park development.

6.4.3 Council direction and discussion

Council provided direction of “Yes proceed” for shifting from parks acquisition to parks development and emphasized that this is the most important change they would like to see made. It is important to shift the emphasis or ‘tilt’ from parks acquisition to development in order to allocate more funding to parks development and address the backlog of undeveloped or underdeveloped parks. Council wants more flexibility to allocate additional funds towards parks development and does not want to be locked in to only being able to spend certain funds on acquisition.

Consideration should be made toward spending more funds on parks development for the next few years, and then shifting back to spending money on acquisition as Council does not want to be short-sighted in terms of acquiring parkland over the long-term, but still would like to focus more on parks development in the short term. That being said, Council does not want to stop land acquisition, as they would like flexibility to acquire lands if opportunities arise.

6.4.4 Next steps

The next steps for proceeding with the implementation of a shift from parks acquisition to parks development are as follows:

- Return to Council with figures to obtain their input on the magnitude of shift they would like to see;
- Work in concert with establishing a Linear parks acquisition DCC in order to maintain acquisition funding for this park type
- Work in concert with other initiatives such as establishing a Parks Development DCC which will provide more flexibility in expenditure of DCC revenues;
- Seek input on this shift in direction at the next round of public input on the financial plan; and
- Establish guidelines for future budget allocation discussions in order to allow for more expenditures on Parks development.

6.4.5 Draft staff recommendation, in the form of a Council resolution

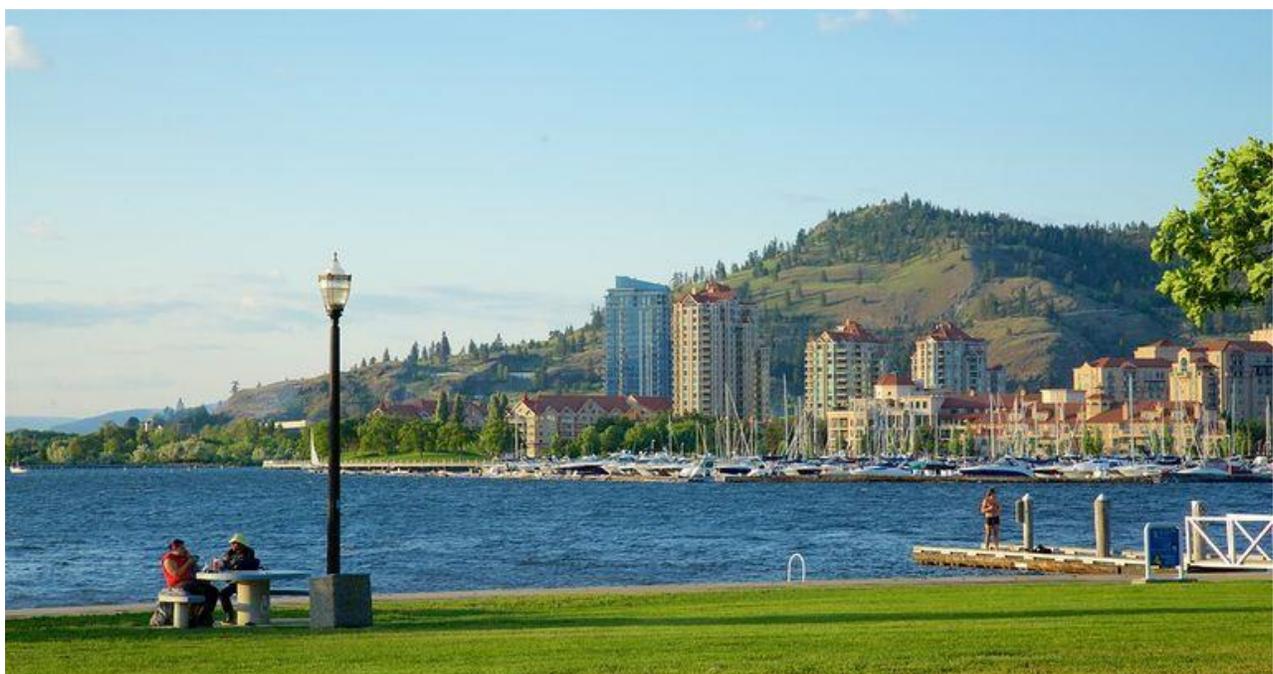
The following resolution can be brought forth to Council for the shift from parks acquisition to parks development:

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.

6.5 Commercial/Industrial parks acquisition & development DCCs

6.5.1 Tool description

Currently the City does not apply a Parks acquisition DCC charge to Commercial or Industrial developments. The City could apply a Parks DCC to these uses. Visitors who patronize commercial establishments have an impact on the demand for parks during their visit. Employees from outside the City also have an impact on parks during lunch and before or after work. These impacts are not captured by only having residential development pay for a Parks DCC. Similar to DCCs applied for other forms of infrastructure, the Parks DCC would be applied based on the square metres of new floor area of commercial development, and the hectares of Industrial development.



Source: City of Kelowna

There are two components of the Commercial/Industrial Parks DCC that could be considered:

- A Parks development DCC
- A Parks acquisition DCC

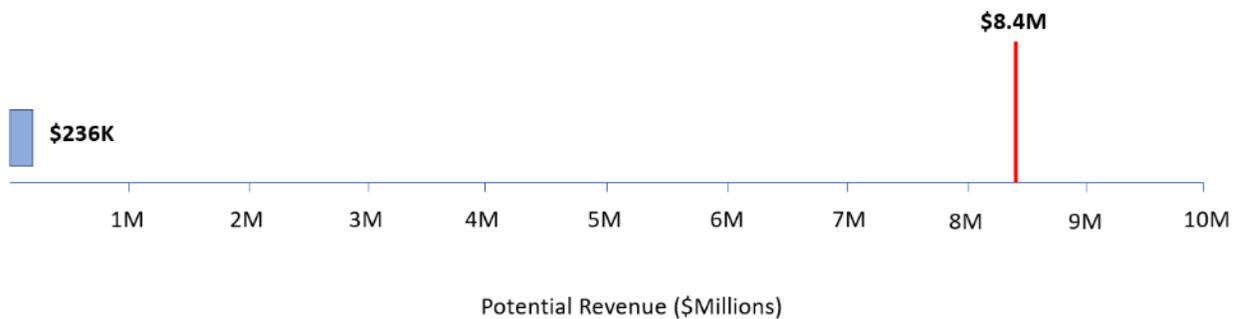
A Parkland development DCC that applies to commercial/industrial units would spread the parkland development costs over a larger number of equivalent units, meaning lower charges per unit for Residential DCCs, or considered another way, the commercial/industrial development would shoulder some of the burden and generate some of the revenue required.

The creation of a Parks acquisition DCC that applies to commercial/industrial developments would spread the Parks acquisition DCC amongst more development units, reducing the charges per residential unit. This could in turn free up room for a Parks development DCC on residential units.

Some consideration could be given to charging specific sectors of commercial uses, such as hotels or restaurants that specifically serve tourists, however this may be somewhat difficult to do and still meet the requirements of the Local Government Act or the Best Practices Guide. Further exploration would be required to identify potential options to charge specific commercial uses a different DCC rate or to only charge specific commercial uses, and this approach is not proposed at this time.

6.5.2 Revenue potential

A portion of a Parks development DCC could be paid for by commercial/industrial development. The 20-year Servicing Plan and Financing Strategy identifies 1242 equivalent units of commercial development, 136 equivalent units of industrial, and 19950 equivalent units of residential development, which means that 6.46% of units are projected to be commercial/industrial. If about \$3.66 million per year could be generated by all Parks development DCCs, 6.46% of that amount could be generated by commercial/industrial development which equates to about \$236,000 per year.



The \$3,430 per residential unit for a Parks Development DCC calculated earlier would translate to \$11.36 per square metre for commercial (the City DCC report equates 302 sq. m. of commercial to 1 residence) and \$8470 per hectare for industrial (the City DCC report equates .405 hectares of industrial to 1 residence). This compares to an existing overall DCC for Commercial uses (for roads, water and sewer) of about \$54.40 per square metre (in the Inner City area) and an Industrial DCC of \$65,354 per hectare (in the Inner City area).

If Commercial development paid the equivalent of \$5795 per year for a residence for a Parks acquisition DCC, and the 20-year Servicing Plan and Financing Strategy identifies 1242 equivalent units of commercial development, this translates to about \$7,197,000 over 20 years or \$360,000 per year. The amount of revenue would be influenced directly by the amount of commercial development per year. The 20-year Plan also identifies 136 equivalent units if industrial, which would translate into \$788,000 or about \$39,000 per year. The equivalent charge of \$5795 per unit would be \$19.19 per square metre of commercial development, and \$14,309 per hectare of Industrial development.

Another way to consider the impact is that if commercial and industrial development is added to the amount of units for the Parks acquisition DCC, the Residential acquisition DCC would decrease. As commercial and industrial units would make up another 6.46% of the units, the \$5795 Parks acquisition DCC could decrease by about 6.46% or \$374 per unit. This could free up some room for a Parks development DCC.

6.5.3 Council direction and discussion to date

Council provided direction of “Yes - Proceed” for applying a DCC to commercial and industrial uses. Many people come from outside the City of Kelowna to vacation here or work here and they have an impact on parks. This approach will assist in providing funds to pay for this impact. This will assist in providing additional DCC funds from mixed use buildings that have both residential and commercial uses.

6.5.4 Next steps

The next steps for proceeding with the implementation of a Commercial/Industrial DCC are as follows:

- Clarify the amount of potential Commercial/Industrial parks DCC that would be charged;
- Clarify the potential revenue from the Commercial/Industrial parks DCC;
- Clarify if the Commercial Parks DCC will be for both acquisition and development – likely if the Parks development DCC proceeds, it will be for both;
- Clarify if the DCC will be applied to only commercial development or to industrial development as well;
- Frame up the proposal for input;
- Consult with the public to obtain feedback on potential Parks development DCCs.
- Engage with UDI and other members of the development community, taking care to ensure that commercial and industrial developers and builders are specifically included to seek their thoughts on the concept and potential changes;
- Revise the approach based on input;
- Engage with the stakeholders on the revised approach; and
- Amend the DCC background report and the DCC bylaw to implement a parks DCC that applies to commercial and possibly industrial uses.

6.5.5 Draft staff recommendation, in the form of a Council resolution

The following resolutions can be brought forth to Council for the implementation of a Commercial and Industrial DCC:

Council directs staff to prepare a draft a 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

7.0 POTENTIALLY MOVE FORWARD, (BUT NEED MORE INFORMATION TO CONSIDER & EXPLORE)

7.1 Introduction

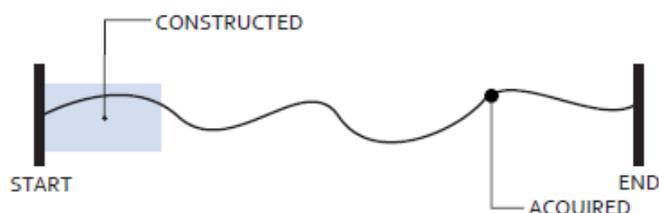
This section identifies tools that Council may consider for implementation in the future upon further exploration of benefits and constraints. These are tools where there is a definite interest in moving forward, but more work is required to understand impacts.

For each tool the subsection will do the following:

- Describe the tool
- Identify revenue potential and parameters that influence the revenue
- Describe Council direction and discussion to date
- Identify next steps – background work, bring back to Council for direction
- Draft staff recommendation – in the form of a Council resolution

7.2 Linear parks acquisition DCCs

7.2.1 Tool description



Currently the City does not include property acquisition for Linear parks in the calculation of Parks acquisition DCCs. In order to generate more revenue and to provide flexibility in using DCC revenues, the City could add Linear parks acquisition to the Parks DCC. In order to proceed, the City would need to add the hectares of linear parkland required per 1000 population to the DCC calculations. Currently the DCC bylaw sets out an amount of 2.2 hectares per 1000 population for acquisition. This figure would be increased to include linear parks.

Another approach would be to identify the linear kilometres required. The analysis set out in section 4 identifies that an additional 29.49 km of linear park needs to be acquired. At an estimated cost per km for acquisition of \$600,000 per km, that translates into a total acquisition cost of \$17,694,000.

One factor to consider is the proportion of future linear parks acquisition that should be allocated to Growth. This analysis assumes that the current population is served with linear parks, and that new linear parks are required to serve growth. Other assumptions, such as assuming that a portion of the new linear parks are required to serve the existing population would result in different potential DCC rates.



Source: City of Kelowna

7.2.2 Revenue potential

If \$17,694,000 is accumulated over 20 years for linear parks acquisition, that equates to \$884,700 per year. If these funds are collected from both residential and commercial development through DCCs, the DCC rate would be: $\$17,694,000 - 8\% \text{ assist} = \$16,278,480 / 21328 \text{ units} = \763 per unit .

A Linear parks acquisition DCCs in itself does not directly provide funding for Parks development, which is the focus of this report. However, it does allow a shift in taxation spending from acquisition to development, while maintaining the Linear parks acquisition program. Therefore, this tool has been linked to the shift from acquisition to development, as outlined in 6.4 above, for further consideration.

7.2.3 Council direction and discussion

Council direction was in between “Yes proceed” and “Not sure – consider/explore” for the implementation of a Linear parks acquisition DCC. Linear parks have functions that fit into different areas, which might influence funding sources since Linear parks are important for mobility and often fit into flood mitigation areas.

Further consideration is required to determine: how the potential increase in DCCs for Linear parks relates to potential increases due to the Parks development DCC; whether or not there will be room for a Linear parks acquisition DCC if the City proceeds with a Parks development DCC; and the overall impact on Parks DCCs. While Council is keen on seeing the development of parks, this tool would focus more on acquisition.

7.2.4 Next steps

The next steps for proceeding with the implementation of a linear parks acquisition DCC are as follows:

- Conduct background work to quantify more clearly the amounts of lands required, the potential revenue generated and the potential increase in Parks acquisition DCCs.
- Work in concert with a shift in taxation spending from acquisition to development as set out in 6.4 above.
- Consult with the public to obtain feedback on potential Linear parks acquisition DCCs.
- Engage with UDI and other members of the development community to seek their thoughts on the concept and potential changes.
- Revise the approach based on input from the public, UDI and the development community.
- Bring information back to Council for discussion, along with the broader context of other initiatives such as the Parks development DCC.

7.2.5 Draft staff recommendation, in the form of a Council resolution

This tool is proposed for consideration in parallel with the shift from acquisition to development as set out in 6.4 above, and therefore shares the same proposed resolution to Council for the further exploration of implementation of a Linear parks acquisition DCC:

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.

7.3 Parks-specific parcel taxation

7.3.1 Tool description

A parcel tax would create a portfolio of parks projects throughout the City. However, an alternative approval process or referendum may be required to implement this tool if borrowing is required. If no borrowing is necessary, a parcel tax increase could be implemented without the use of either.

7.3.2 Revenue potential

A representative portfolio of potential parks improvements that could be funded by a Parks-specific parcel tax throughout the City is set out below. It would be a diverse portfolio representative of the different areas of the City, and relevant to many different parks user groups:

| | |
|------------------------------------|----------------|
| City Park - Walkway renewal | \$3.0m |
| Glenmore Recreation Park - Phase 3 | \$3.9m |
| Rutland Centennial Park – Phase 3 | \$2.3m |
| South Pandosy Waterfront – Phase 1 | \$5.0m |
| Black Mountain Community Park | \$5.4m |
| Total | \$19.6m |

There are 56,000 tax rolls (51,000 residential). If the \$19.6 million is divided by the number of tax rolls, this equates to about \$350 per unit. This could be spread out to generate about \$70 per year over 5 years, about \$4,000,000 per year, or \$3,500,000 per year if just charged on residential parcels/rolls.



7.3.3 Council direction

Council direction was in between “Yes - proceed” and “Not sure – consider/explore” for creation of a parcel tax for parks improvement.

7.3.4 Next steps

The next steps for proceeding with a high increase to parcel taxation are as follows:

- Conduct background research; and
- Seek further direction from Council

7.3.5 Draft staff recommendation, in form of a Council resolution

The following resolution can be brought forth to Council for the further exploration of the implementation of a parcel tax for parks development:

Council directs staff to proceed with conducting research on the potential revenue generated from a Parks-specific parcel tax and to report back to Council on constraints and benefits associated with proceeding with such a parcel tax.

8.0 CONSIDER AND EXPLORE FURTHER

8.1 Introduction

This section identifies tools for which Council demonstrated uncertainty. Further consideration of the impacts and benefits of these tools is required before a decision can be made about proceeding. For each tool, the subsection will do the following:

- Describe the tool
- Identify revenue potential and parameters that influence the revenue
- Describe Council direction and discussion to date
- Identify next steps – background work, analysis
- Draft staff recommendation – in the form of a Council resolution

8.2 Reduce the Parks DCC assist

8.2.1 Tool description

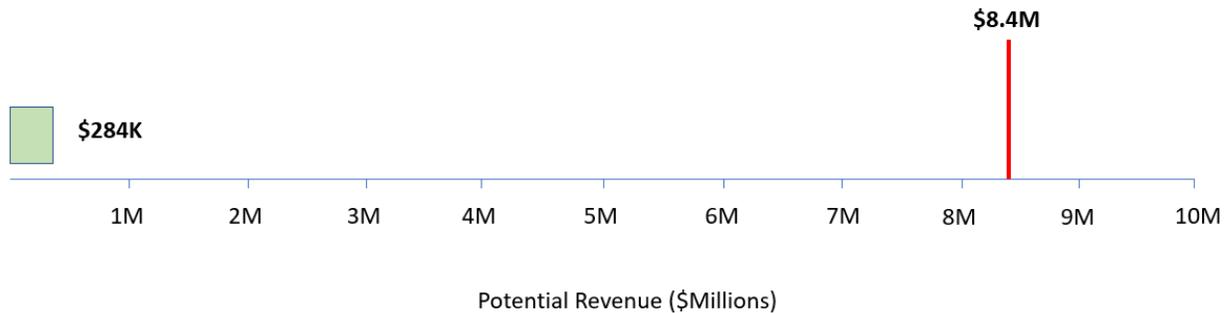
Currently the parks Acquisition DCC assist factor is 8%, plus an extra 3.4% assist for secondary suites. This tool would entail reducing the 8% assist to 1% assist. 1% assist is common in most communities. The Parks acquisition DCC would therefore increase to compensate for the 7% difference. –This amount is currently paid by general taxation revenues. This would free up room in the City budget as the 7% difference in assist would not be required to accompany the amounts withdrawn from the Parks Acquisition DCC reserve fund to purchase parkland. In other words, the amounts currently committed in the budget to pay the 7% assist could be spent on other things such as parks development.

Further, as identified in 6.2 above, DCCs can only be used on specific components of parks development. They may not be applicable design elements Council may wish to pursue, that are specific to Kelowna clientele or the Okanagan climate. A reduction in Parks DCC assist also avoids a larger portion of taxation in the capital budget being tied to DCC funded projects only, and therefore affords greater flexibility to Council during budget deliberations.

8.2.3 Revenue potential

A brief calculation of the revenue potential is based on reducing the basic assist from 8% to 1% on the existing Parks Acquisition DCC. The existing Parks Acquisition DCC has generated \$37.3M over 10 years, which results in \$3.73M per year on average. This \$3.73M represents 92% of revenue at 8% basic assist. If the figure is recalculated with a 1% assist rather than an 8% assist, this means 99% of revenue rather than 92%, and results in average annual revenues of \$4.014M or an additional \$283,800 per year. The \$283,800 would be provided by Parks Acquisition DCCs rather than by general revenues, which would free up the general revenue funds for Parks projects not funded by DCCs.

As an example of a potential increase in the Parks Acquisition DCC, the current \$5795 residential Parks Acquisition DCC has an 8% assist. If the assist were reduced to 1%, that DCC would increase to \$6236 per dwelling. This translates to a \$441 increase in Parks Acquisition DCCs per dwelling over the current Parks Acquisition DCC.



8.2.4 Council direction and discussion

Council indicated that they were willing to explore this approach further but would like to have more information regarding the implications. Some of the implications of decreasing the assist factor would include:

- The impact on the Parks acquisition DCC rate;
- How the change would be viewed by the development community as it would result in developers paying a higher portion of the parks cost since the City would no longer be providing the 8% assist; and
- Implications for other aspects of the City budget. For example, if the assist amount is reduced, then that may free up the component of the City budget that currently pays for the extra 7% in assist.

8.2.5 Next steps

While the figures above provide some of that information requested by Council, they are based on brief calculations. To provide better information, the City should conduct a more detailed DCC calculation modelling to identify the impact on Parks acquisition DCCs and the amount of revenue freed up for the City by reducing the assist amount from 8% to 1%.

In order to identify how the change would be viewed by the development community, the following steps are suggested:

- Consult with the public to obtain feedback on a potential reduction in the Parks DCC taxation assist.
- Meet with the development community to gain an understanding of their perspectives on a potential reduction in the assist amount, and resulting increase in Parks acquisition DCCs; and
- Combine such consultation with discussions on other suggested changes allowing the public and the development community to see the cumulative impacts of the suggested changes.

8.2.6 Recommendation

The following resolution can be brought forth to Council for the further exploration decreasing the municipal assist factor for DCCs:

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

8.3 Tourism taxation – Increase Airport dividend

8.3.1 Tool description

Visitors have an impact on parks and other infrastructure. Currently the Airport pays an annual 'dividend' to the City of Kelowna as a return on the investments the City has made that benefit the airport and air travellers. The concept would be to either increase the dividend amount paid to the City, or to set a separate levy paid by the airport. The charge would provide funds to pay for all forms of infrastructure impacted by tourism to the City such as transportation and water, not just parks.

8.3.2 Revenue potential

The estimated revenue from the Airport dividend for 2018 is \$1.28 million. While at this point no analysis has been conducted to determine how the amount would be calculated, a 25% increase would result in an additional \$320,000 per year for a range of infrastructure, of which a certain portion could be directed to parks development that benefits tourists who arrive by air. If 16% of that amount was directed to Parks, that would result in an additional about \$51,000 per year.



8.3.3 Council direction and discussion

Council suggested that the City could explore the concept of the Airport paying a tax or dividend to pay for broader infrastructure impacts, or to pay for the benefits of investments the City makes in infrastructure that benefits tourism. Council did not feel that it was appropriate to have a payment directed solely at Parks since visitors have an impact on a variety of different types of infrastructure. It would be important to emphasize that the funds generated would contribute to the full range of infrastructure.

8.3.4 Next steps

The next steps would be to develop more details for the concept together with Finance, the Airport and departments responsible for various forms of infrastructure, including parks. The details would identify the amount of the charge, how the charge would be administered, and where the funds generated by the charge would be directed.

8.3.5 Recommendation

The following resolution can be brought forth to Council for the further exploration of implementing a tourism tax for the airport:

Council directs staff to explore the concept of an increased Airport dividend specifically aimed at paying for a broad range of infrastructure that benefits the airport and air travellers, and to report back to Council on the benefits and implications of this tool.

8.4 Developer partnerships

8.4.1 Tool description

In the past, several developers have voluntarily partnered with the City for park development costs, typically up to 50%, as they recognize the benefit of completed parks when selling property lots (i.e. Kettle Valley). Conversely and more recently, several developers chose not to partner with the City for parks development, and when parks are identified in marketing material but not developed, this often reflects poorly on the City. Many of the successful developer partnerships in the past were achieved with the equivalent of a full-time staff position to pursue them. This capacity no longer exists currently, and developer partnerships have since reduced generally as a result.



Source: City of Kelowna

The use of voluntary developer partnerships is not equitable, and a heavy demand. Council has also expressed concern in the past that partnerships skew parks development priorities established by the City, by effectively queue jumping over developments in existing neighbourhoods, less affluent areas, or other City priority needs.

The concept is to consider making the parks partnership requirements firmer and more consistent with developers. This would ensure that every new development engages in a parks partnership and that new parks are associated with every new development.

On the other hand, if the City proceeds with a Parks development DCC, it could replace developer partnerships with a more equitably distributed and managed system. The developer partnership approach to getting parks built would likely diminish in importance, and the City would not need to make the parks partnership requirements firmer and more consistent. Partnership opportunities would be discussed and resolved as they arose. Nevertheless, this section considers the impacts of a more consistent parks partnership requirement.

8.4.2 Revenue potential

To get an idea of the possible revenue potential, the amounts generated through partnerships with developers over the past 3 years are as follows:

- \$150,000 at a 50/50 partnership over the last couple of years
- \$75,000 per year in revenues
- That amount would translate to about \$225,000 over 3 years

If all developments are required to participate in parks partnerships, rather than just the portions that are currently volunteering to partner, the result may be a doubling or even tripling revenue through this form of partnership. Doubling would result in \$150,000 per year and tripling would result in \$225,000 per year. In making projections, that analysis will assume that the revenue from developer partnerships for parks development will double to generate another about \$75,000 per year.

Since the combination of funding in Option 4 includes a Parks development DCC, the analysis does not include this \$75,000. As noted above, if the Parks development DCC proceeds, the City would not need to make the parks partnership requirements firmer and more consistent, and the \$75,000 would not be a consistent source of revenue.

8.4.3 Council direction and discussion

Council felt that the concept of requiring developers to partner with parks was worth exploring further, but it would need to be explored within the context of the other tools that are being considered. For example, the potential for a Parks development DCC that could pay for parks development should be considered in conjunction with developer partnerships to ensure the two work together and are not resulting in the perception of double charging. Council thought that the City should engage with the development community to identify their thoughts on the concept.

8.4.4 Next steps

The next steps are to frame up the concept more clearly and then to meet with the development community to gauge their thoughts on the concept.

8.4.5 Recommendation

The following resolution can be brought forth to Council for further exploration of developer partnerships:

Council directs staff to further explore the concept of ensuring that all developments participate in parks partnerships, which includes seeking input from the public and affected stakeholders, and to report back to Council on the associated benefits and implications of these partnerships.

8.6 Community partnerships

8.6.1 Tool description

There is potential to partner with community groups for the provision of parks and parks facilities. Opportunities may exist with the following community groups:

- Sports organizations - Certain sports facilities (i.e. temporary inflatable structures to achieve year round use) can offer an opportunity for an organization to provide an amenity that might not otherwise be realized. The organization typically requests land from the City while it covers capital, operating and maintenance costs. In return, the organization provides a portion of time available for public use. As a generalisation, recently such partnerships have been more frequently directed towards buildings (club houses, temporary inflatable structures) than pitches and courts.
- Not-for-profit organizations - Service groups and cultural organizations can offer possibilities for one-off partnerships and can often access grant and other funding sources the City does not have access to. Typically, these are assessed on a one-off basis to ensure the organization's goals are in line with those of the City (i.e. Laurel Packinghouse Courtyard).
- Neighbourhood groups - A common model in other provinces, partnership with a neighbourhood group faces many challenges. A Local Area Service (LAS) plan, often used for utility upgrades, is a very administratively clumsy tool for the relatively small amounts required for a neighbourhood park development. A voluntary partnership with a neighbourhood group, however (i.e. Lost Creek Park), lacks the structure to ensure all neighbours contribute equitably.

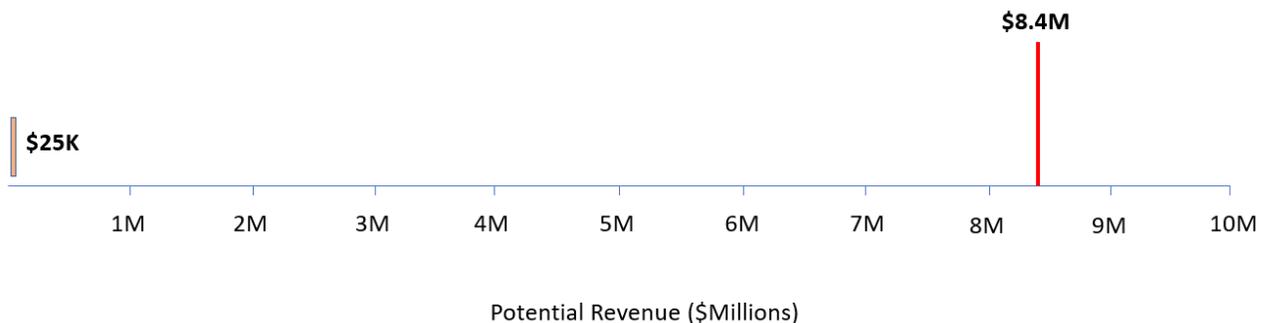


Source: City of Kelowna

Some of the examples noted above are for buildings, which are outside the scope of this report, but there may be potential for items such as playground structure the could be considered within the scope of this assignment.

8.6.2 Revenue potential

As an indicator of the revenue potential, the Lost Creek Park in Wilden resulted in \$125,000 in revenue raised by diligent and dedicated neighbourhood group over several years but consumed an extensive amount of their time and staff time in order to do so. There will be limited amounts of revenue potential associated with this source and may only be applicable in specific situations. Therefore, as an estimate this report will indicate that approximately \$25,000 per year can be generated through Community partnerships.



8.6.3 Council direction and discussion

Council felt that this was likely an option to continue to retain at the City, and that it would likely be considered on a case-by-case basis. As with Developer partnerships, concern has been expressed that this model facilitates queue jumping over higher City priorities. Somewhat more exploration could be undertaken to clarify the opportunities and affirm policies for when Community partnerships are appropriate.

8.6.4 Next Steps

The next steps are to review existing policies and framework for community contributions and then engage Council in discussions to determine if the policy direction should be revised.

8.6.5 Recommendation

The following resolution can be brought forth to Council for the exploration of community partnership opportunities:

Council directs staff to review and refine existing policies and establish a framework for community contributions to parks facilities.

8.7 Parks revenues

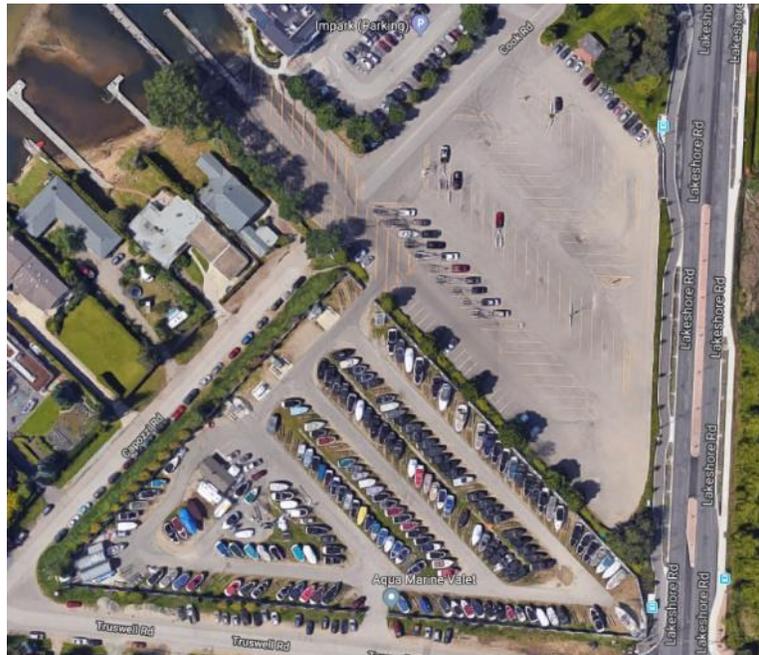
8.7.1 Tool description

Parks revenues include a series of revenue sources directly from Parks including:

- Parking revenue;
- Property rentals;
- Leases;
- Concession and equipment rentals; and
- Recreation user fees.

8.7.2 Revenue potential

It should be highlighted, this tool does not generate new revenue for the City, (unless fees and rates are increased). These revenues currently go to either General revenue, or specific reserves. However, this tool does generate a stronger and more tangible link between expenditures and revenues generated within the same cost centre. This can serve to clearly justify user fees to the broader public (such as boat parking fees adjacent to a boat launch), as well as enforce the link to lost rental revenue potential when planning new park development.



Source: Google, Map data

In terms of parking revenue, the City Park and Waterfront Park Parking Lots currently contribute approximately \$50,000 per year to the Parks acquisition & development reserve. This amount is useful, and the City will continue to use these revenues. There is also the potential to generate additional revenues from boat parking, particularly at Cook Road. Substantial repairs to the boat launch are anticipated in the near future, and this is an opportunity to make a direct link between expenditure and user fees. Similarly, other parking fees generated at our popular waterfront parks particularly, can be used to support development within the City-wide park type.

After operating costs for administration, maintenance, property tax, etc. there is net revenue after expenses from rental of the parks residential properties. Additional funds are generated from other parks properties awaiting development (many of these are along our linear corridors). This would provide an important source of revenue, and could fund of linear park development each year.

The City also currently receives funding for cell tower leases located on parkland. Again this small but steady stream of revenue could be used to fund improvements in associated areas (eg. Knox Mountain trail improvements), and to make the direct correlation in the public perception between the compromise of having a cell tower and the associated trail benefits.

The City currently generates revenues from concessions in parks such as food trucks. The primary purpose of these enterprises is to add animation and vibrancy to our parks system, and

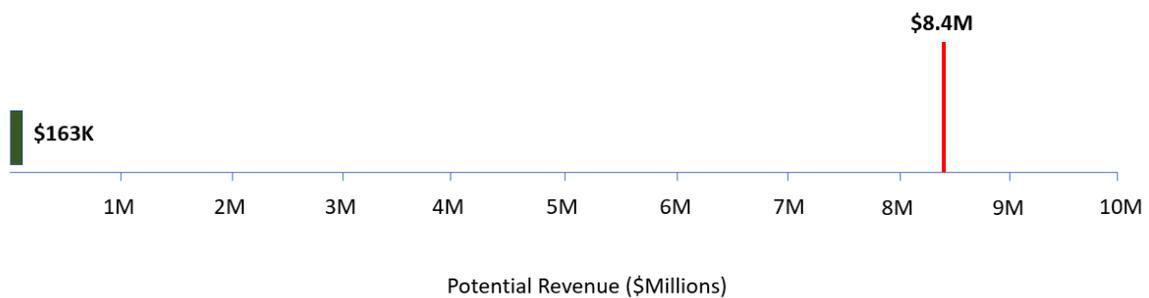
rates are therefore negotiated with this purpose in mind. Again a clear link can be made between resident park users and tourists with the expenditures associated with our City-wide parks

There is very limited potential to generate significant additional revenues from recreation user fees such as:

- User fees for sports fields and courts;
- Revenue from event user fees in parks; and
- Equipment rentals for parks, sports fields and courts.

User fees are used to fund the operating costs to support such programs. Surplus revenues (if any) from the above sources are already contributed to the relevant reserves including the Sports fields reserve and Parks acquisition and development reserve. Changes may impact user groups if fees and rental rates are increased, with only very modest increases in revenues. The City will continue with the current approach for these sources of revenue.

More work is required to establish the potential increase in parks revenues that could go towards Park development. Pending further investigation at Council's direction, this analysis assumes a conservative \$163,000 of revenues is dedicated towards Parks development annually.



8.7.3 Council direction and discussion

Staff had advised Council during the workshops there was only limited revenues available, and Council therefore directed we should maintain the status quo. It has since become apparent the potential revenue is greater, and it has therefore been elevated to 'Consider and explore further' on the Potential annual revenue matrix, in order to allow Council to review the new figures.

8.7.4 Next steps

The next steps are to consider these potential sources in more detail and identify the magnitude of revenue potential. The City may also wish to establish policies that guide the use of funds from these sources to ensure they are directed towards parks development projects.

8.7.5 Recommendation

The following resolution can be brought forth to Council for the exploration of Parks revenues:

Council directs staff to transfer funds in the forthcoming 2019 Provisional Budget and ongoing thereafter, for 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.

9.0 NO ADDITIONAL EFFORT - MAINTAIN STATUS QUO

9.1 Introduction

This section provides details on new tools Council directed to not pursue, as well as existing tools which should continue with the current status quo, but with no increase in effort or special focus. Each subsection below will complete the following:

- Describe the tool.
- Discuss why no additional effort is required.

9.2 Tourism taxation – Hotel tax

9.2.1 Describe tool

Hotel tax is currently levied on accommodation costs paid by visitors to Kelowna. A proportion of the hotel tax could be dedicated to park acquisition and development. Either the Hotel tax is increased to generate a new revenue source for park development, or its distribution is reassessed to allocate a portion of revenues to parks development, with decreases to funds for other tourism services.

9.2.3 Why no further effort is required

In previous discussions on the Parks Development Report on May 2017, Council indicated that an increase to the Hotel Tax to generate funds for parks development was not appropriate at this time. The City recently increased the Hotel Tax from 2% to 3% in early 2017 and an additional increase so soon is not supported. Further, a reallocation of the Hotel Tax for Parks development is not supported since the Hotel Tax and the recent increase are required to fund Tourism Kelowna. Council continued to confirm this direction during the Parks funding workshops in Fall 2017. No further effort is required to investigate the potential to increase or reallocate the Hotel Tax at this time.

9.3 Community Amenity Contributions

9.3.1 Tool description

Community Amenity Contributions (CACs) are negotiated amenity contributions agreed to by the applicant/developer and local government as part of a rezoning process initiated by the applicant/developer. They can be implemented through density bonusing provisions set out in the zoning bylaw, or paid upon rezoning based on extra density. Some communities establish a specific charge per square metre of additional floor space or per additional unit permitted through rezoning, other communities require negotiation on a case-by-case basis.

9.3.2 Why no further effort is required

While they can generate revenues in specific situations, they can be difficult to administer equitably and consume staff time. Both Council and staff indicated concerns with the idea of establishing Community Amenity Contributions in Kelowna. Observations were made of other communities that have expressed concerns with the CAC program and process. CACs would likely generate concerns in the development community and also place additional pressure on limited staff resources to undertake negotiations on CACs equitably. No further effort is required to investigate CACs directed at parks development.

9.4 Requirement for developers to build parks in new residential developments

9.4.1 Tool description

This tool would require developers to construct and develop parks as part of greenfield subdivision and construction in growth areas. While the authority to require developers to provide parkland at the time of development is clear, and the authority to require developers to pay DCCs for park development is also clear, the authority to require developers to construct and develop parks is less clear. More work would be required to clarify the authority. Certainly there is an opportunity to negotiate with developers for them to build the parks components, and this is currently being done under a partnership model, and could be done under the Parks development DCC model, but more work would be required to determine how to specifically require developers to build parks in a manner similar to how developers are required to build water and sewer lines within their developments.

9.4.2 Why no further effort is required

No further effort will be expended on this approach partly because of the uncertain authority to implement the tool and partly because the City plans to put more effort into creating a consistent partnership model of working with developers to partner on parks within their greenfield developments. Furthermore, if the city proceeds with a Parks Development DCC, this would provide a more equitable approach to the provision of fully developed parks regardless of development size, boundary or location, rather than attempting to make each new subdivision provide a fully developed park.

9.5 Sponsorships

9.5.1 Tool description

Many communities seek out funding through corporate sponsorship at parks, particularly sports fields through naming rights or signage advertising businesses or organizations, and benefits through positive association with the facility. The City of Kelowna has prepared guidelines to move forward with a five-year Corporate sponsorship and advertising pilot program. The program will welcome corporate sponsorship and advertising from qualified businesses and organizations that

align with the City's values, priorities and asset audiences. One of the components of the strategy is to seek sponsorships associated with various parks and recreation facilities.

9.5.2 Why no further effort is required

Since the following document has been prepared: "City of Kelowna Corporate Sponsorship and Advertising - Program Guidelines", which sets out a comprehensive approach to sponsorship, no further effort is required in this area. The document sets out a 5-year program, and the approach can be evaluated after 5 years. While this tool fits into the category of "no further effort required" this does not mean that no efforts are being made in this area, it only means that no additional investments beyond what the City is already making will be required on the sponsorship front. A plan is in place and it is moving forward well, so no more analysis or investigation is required at this time.

9.6 Commercial lease

9.6.1 Tool description

The City can generate revenues for parks development through commercial lease. This would include commercial lease of portions of parkland such as land on the perimeter of parks for food and beverage businesses. Commercial lease on parkland has been a contentious issue in the past. Each case is carefully considered, and a clear public benefit identified.

9.6.2 Why no further effort is required

Again, while this tool fits into the category of "no further effort required" this does not mean that no efforts are being made in this area, merely no additional efforts beyond what the City is already making doing are necessary.

9.6 Commercial Lease or sale of surplus land

9.6.1 Tool description

The City can generate revenues from the sale of surplus land, such as the recent sale of land adjacent to Boyce-Gyro Beach Park to allow for reconfiguration of the lands to accommodate parking for the park. However this was unusual, in many instances the original acquisition method of park property would dictate that any revenues generated from the sale can only be used for the acquisition of more property.

9.6.2 Why no further effort is required

No further effort is directed to the area of surplus land because the funds for the sale of surplus lands are already allocated for the acquisition of parkland under the current policy. The potential for parks development revenue is relatively low, however specific cases will be brought to Council should they arise.

9.7 Grants

9.7.1 Tool description

Grants from Federal or Provincial sources, or charitable organisations, offer potential funding for park development or amenity improvements. However, grants for general park development have been less forthcoming in recent years or have been for small values that cease to be cost effective to apply for and administer.

9.7.2 Why no further effort is required

Additional effort will not necessarily yield results if there are no grant programs to pursue at the moment. No additional effort beyond what is currently dedicated will be expended in pursuit of grants. The City will continue to evaluate grant opportunities as they arise and pursue them if they make sense.

Appendix A –
Council Meeting Materials