



# Funding Options

April 1<sup>st</sup>, 2019



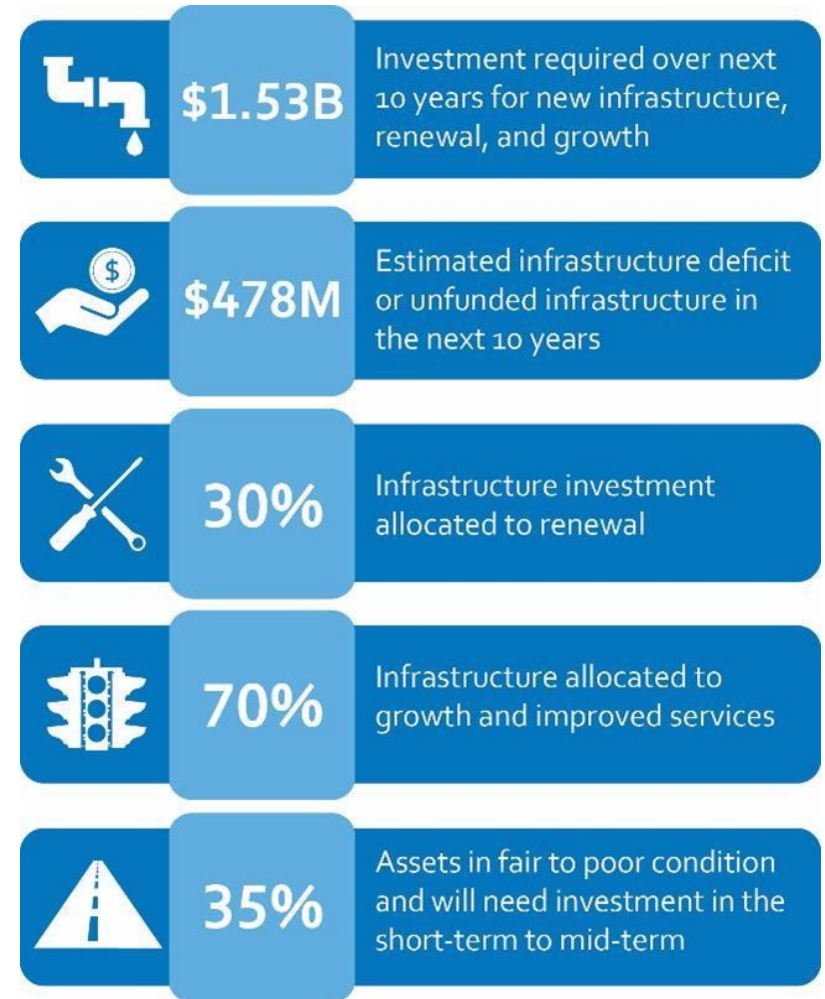
# Council Workshop Schedule

- ▶ Infrastructure Planning Process – March 11<sup>th</sup>
- ▶ Infrastructure Funding Strategies – April 1<sup>st</sup>
- ▶ 10-Year Capital Plan Update – April 8<sup>th</sup>



# Infrastructure Challenge

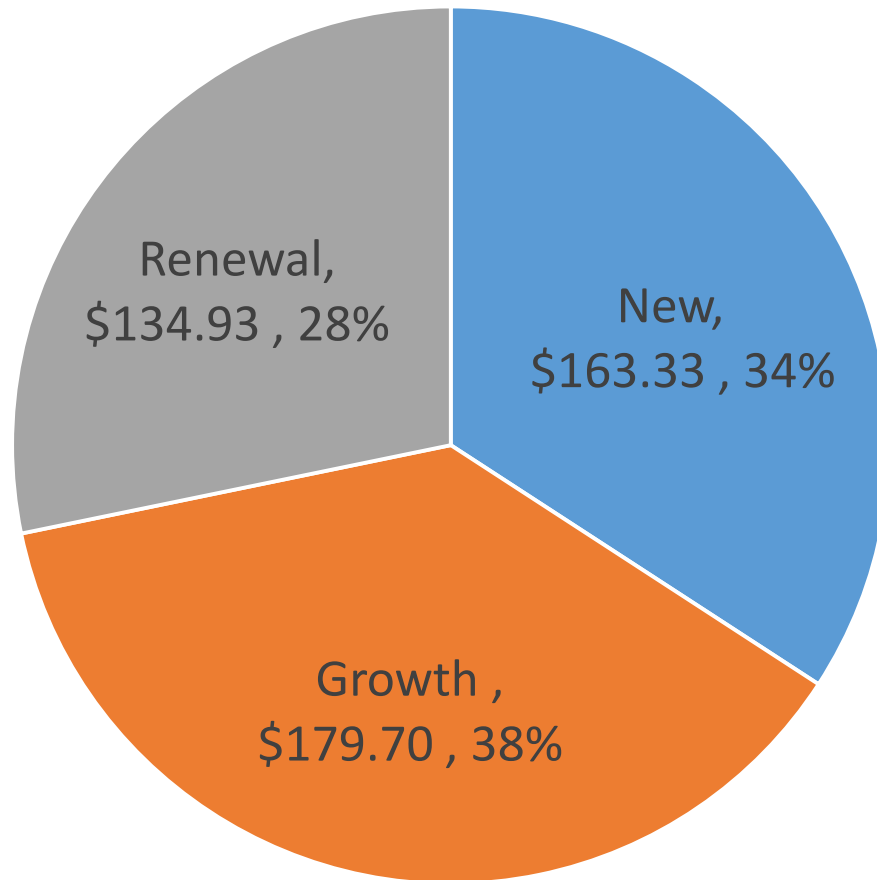
- ▶ Aging Infrastructure,
- ▶ Demand for more services,
- ▶ Growing community,
- ▶ Less funding for Infrastructure.



# Funding Options

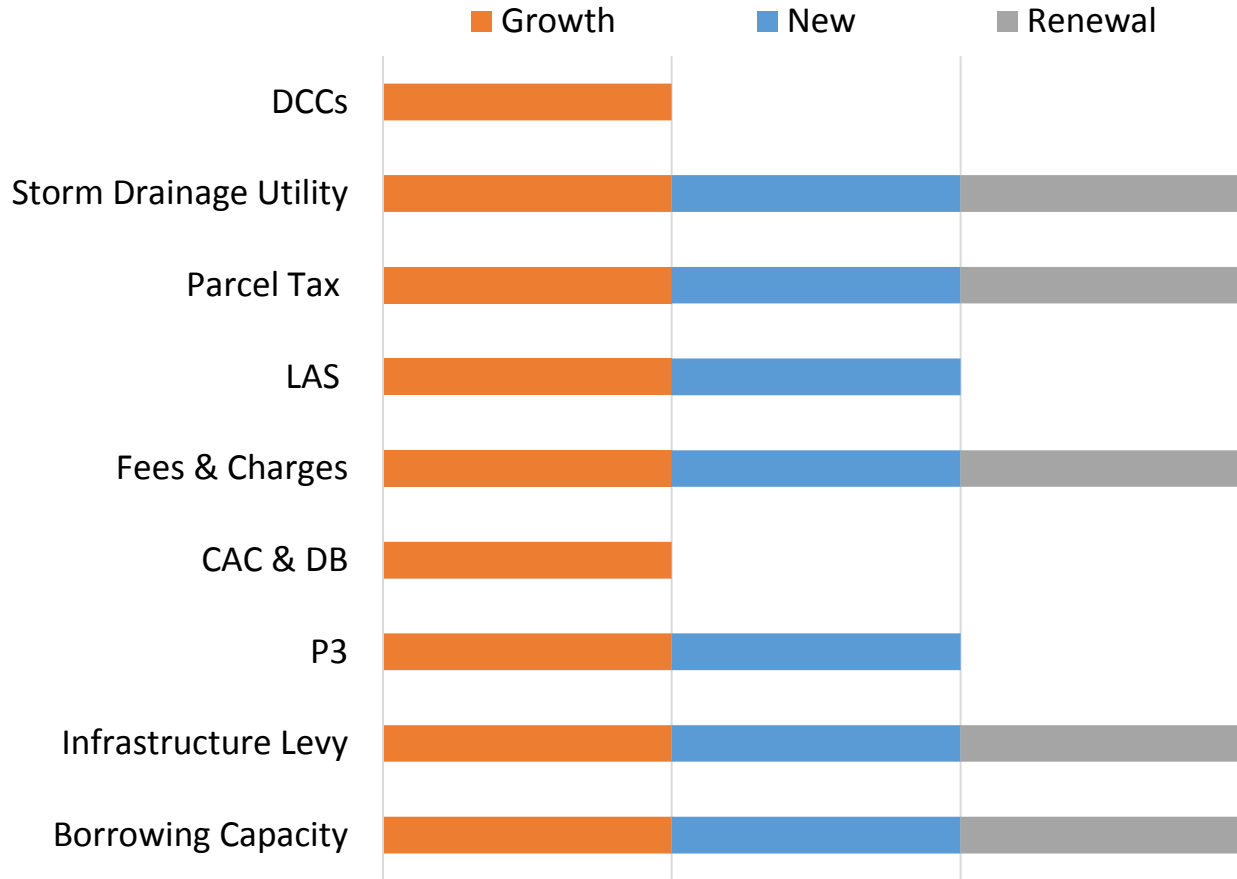
- ▶ Development Cost Charges (DCCs)
- ▶ Storm Drainage Utility
- ▶ Parcel Tax
- ▶ Local Area Service
- ▶ Fees and Charges
- ▶ Community Amenity Contributions (CACs)
- ▶ Density Bonusing (DB)
- ▶ Public Private Partnerships (P3)
- ▶ Infrastructure Levy
- ▶ Long-Term Borrowing

# 10-Year Capital (2018-2027)



Total = \$478 million

# Funding Options Application



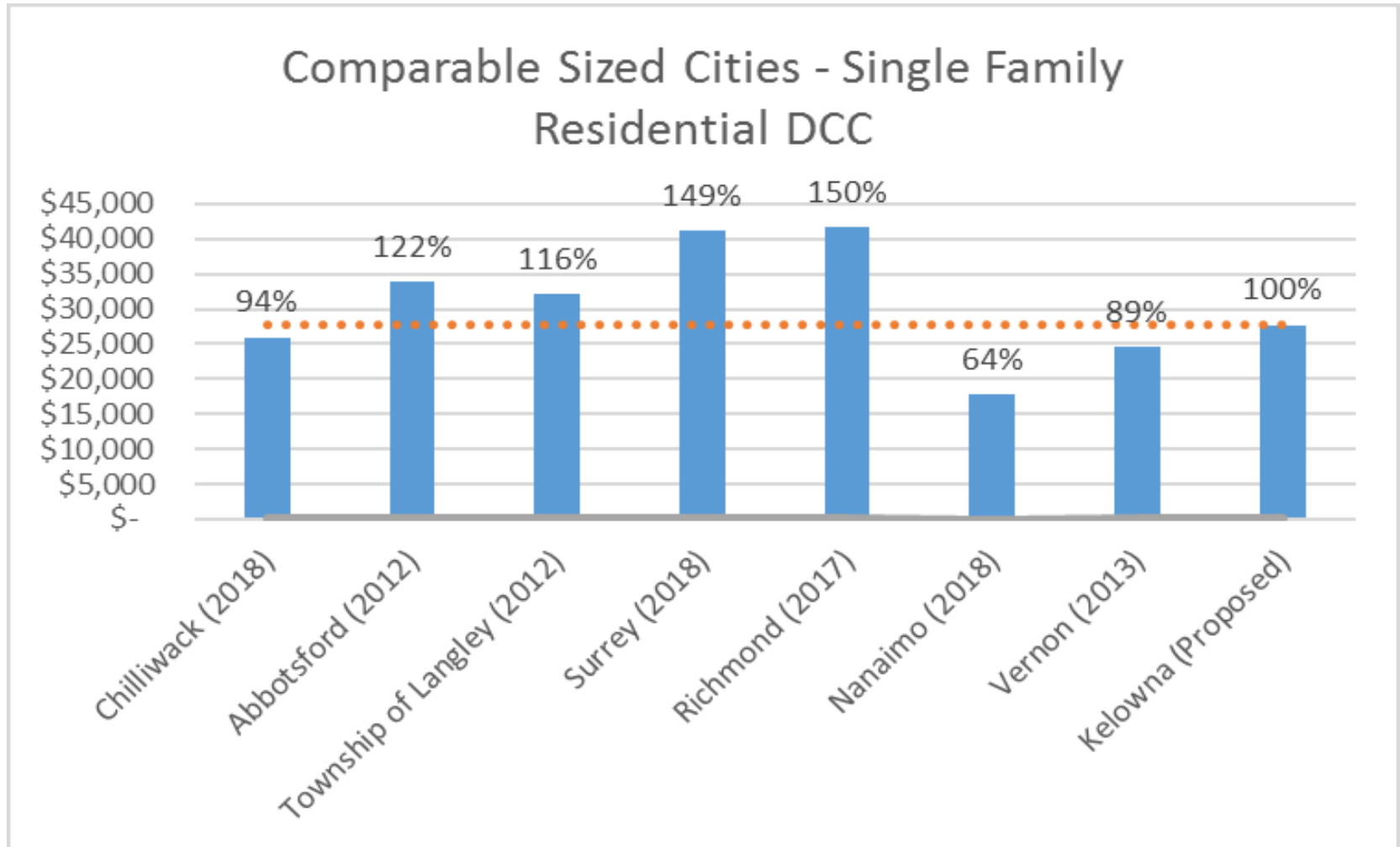
- ▶ Growth has the widest application
- ▶ Renewal has limited application

City of Kelowna

# Development Cost Charges (DCCs)

- ▶ DCC used to recover costs from growth related infrastructure:
  - ▶ Transportation (Roads and Active Transportation),
  - ▶ Sanitary Sewers,
  - ▶ Water,
  - ▶ Drainage,
  - ▶ Parkland acquisition and improvement.
- ▶ City's DCC Program does not include
  - ▶ Park Improvement DCC,
  - ▶ Drainage DCC.
- ▶ DCC program could be expanded to in
  - ▶ Park Improvement DCC (in progress),
  - ▶ Drainage DCC
  - ▶ Reduction in Municipal Assist Factor for all DCC areas

# Development Cost Charges (DCCs)



City of Kelowna



# Development Cost Chagres

## Pros

- ▶ Growth pays for growth
- ▶ Consistent with benefiter pay principal
- ▶ DCC program in place

## Cons

- ▶ Increase in DCCs
- ▶ Dependent on rate of development
- ▶ May affect housing affordability

# Storm Drainage Utility

- ▶ A Storm Drainage Utility is similar to water and sewer utilities, which are self-funded
- ▶ A utility would utilize a user pay approach using a utility rate based on property characteristics
- ▶ Utility pays for capital and operating expense
- ▶ Currently Storm Drainage fees included in property taxes
- ▶ The utility would aim to fund all Priority 1 projects and Priority 2 projects estimated at \$32 million.

# Storm Drainage Utility

## Pros

- ▶ User pay approach provides greater fairness
- ▶ Transparent and sustainable
- ▶ Remove drainage costs from general taxation
- ▶ Incentive to reduce stormwater

## Cons

- ▶ Differing levels of service in City
- ▶ Implementing can be complex
- ▶ Public education needed
- ▶ New Utility may add cost to property owner

# Parcel Tax

- ▶ Taxes that can be levied based on the parcel, frontage, or area of a property rather than its assessed value
- ▶ Often applied to properties benefitting from a new service (i.e. sewer or water)
- ▶ Parcel taxes can be established for a specific area or they can be applied to the entire City
- ▶ Lake Country, Salmon Arm, Kimberley, Castlegar and Surrey have implemented parcel taxes for General Revenue items

# Parcel Tax

## Pros

- ▶ Stable revenue source not dependent on development
- ▶ Good method of cost recovery when used with LAS and consistent with benefiter pay principal

## Cons

- ▶ Community wide parcel tax perceived as 'just another tax' that may not be consistent with benefiter pay principal.

# Local Area Service

- ▶ A local area service (LAS) is a municipal service that is provided to a specific area within the community and that is to be paid for (in whole or in part) by a local service tax
- ▶ Assent of the property owners or electors within the proposed local service area is required
- ▶ Past LAS include:
  - ▶ Bernard Avenue LAS \$1.5 million
  - ▶ Lawrence Avenue Streetscape LAS \$430,000

# Local Area Service

## Pros

- ▶ Good mechanism for residents to receive and finance new or improved service
- ▶ Consistent with benefiter pay principal
- ▶ City has successfully implemented many LASs (i.e. Bernard Ave, Rutland sewer projects)

## Cons

- ▶ Difficult to get public assent without a grant to lower costs
- ▶ Few LASs for General Fund services (i.e. transportation and parks)
- ▶ Requires a lot of administration

# Fees and Charges

- ▶ City may impose fees and charges to help finance any service that they provide
- ▶ Fees must be established by bylaw and be clearly related to the cost of providing the service
- ▶ Commonly used for public facilities (i.e. skating rink and swimming pools) and utilities like sewer, water solid waste.
- ▶ Including a capital investment component to a user fee increase can provide funds for underfunded infrastructure projects and services
- ▶ Equitable as the users of the infrastructure pay directly for service received



# Fees and Charges

## Pros

- ▶ User pay approach provides greater fairness
- ▶ Transparent and sustainable
- ▶ May be used for wide range of services

## Cons

- ▶ 100% cost recovery not achievable for all services. Must consider social benefit
- ▶ Administratively demanding

# Community Amenity Contributions (CACs)

- ▶ CACs are amenity or financial contributions agreed to by the City and a developer as part of a rezoning process
- ▶ Amenities would include fire halls, police servicing buildings, cultural and civic building and affordable housing
- ▶ Provincial guide recommends policy should follow a clear and transparent process using the DCC best practice principles

# Community Amenity Contributions

## Pros

- ▶ CACs can be used to generate funds for a range of projects that can't be paid for by DCCs
- ▶ CACs can be administered in a transparent way similar to DCCs
- ▶ Widely used across B.C. communities

## Cons

- ▶ Local developers are opposed to CACs
- ▶ May impact the affordability of housing
- ▶ CACs are dependent on development,
- ▶ CAs only applicable for growth related infrastructure
- ▶ Current zoning in downtown and town centres may limit revenue potential from CACs

# Density Bonusing (DB)

- ▶ DB is an arrangement under which a local government allows a developer to exceed basic density levels in zoning bylaw in exchange for:
  - ▶ a specific public amenity that benefits the community or a financial contribution
  - ▶ a financial contribution to fund undeveloped infrastructure projects
- ▶ Density bonusing, which is voluntary for developers, is designed as a 'win-win' system
- ▶ Amenities may include: walkways, public plazas, street scaping, off-street parking, low-income housing

# Density Bonusing

## Pros

- ▶ Amenities provided and paid for by developers in exchange for increased building density
- ▶ Timing of amenity is independent from development
- ▶ Amenities include walkways, landscaping, off-street parking, public space.

## Cons

- ▶ Agreements may be complex to develop and administer
- ▶ The City may not have full control over the project or operation of facility

# Partnerships – P3s and General

- ▶ Partnerships are co-operative ventures in which local governments and private sector entities combine strengths and share risks and rewards, to develop local infrastructure and community facilities
- ▶ P3s are well suited to infrastructure projects that benefit a large number of people over wide areas, such as recreation centers, and arenas
- ▶ The City has entered into many general partnerships that are smaller scale (KU Soccer Dome, Public Pier, Surtees property)

# Partnerships

## Pros

- ▶ Enables the completion of projects that would otherwise be too costly or of lower priority if the City were to undertake alone
- ▶ P3s are a means of financing large scale projects and amortize costs over an extended period of time
- ▶ Private partners assume risks of project delivery and operation of facility

## Cons

- ▶ Agreements may be complex to develop and administer
- ▶ The City may not have full control over the project or operation of facility

# Estimate of Revenue Potential

<i>Funding Source</i>	<i>Low Range Revenue Potential (\$ million)</i>	<i>High Range Revenue Potential (\$ million)</i>
DCC Changes (Parks, Drainage, tax assist)	\$50	\$60
Storm Drainage Utility	\$15	\$35
City-wide Parcel Tax	\$28	\$56
Local Service Area	\$5	\$10
Increase in Fees and Charges	\$15	\$35
CACs and Density Bonusing	\$15	\$35
Partnerships	\$10	\$30
Infrastructure Levy*	\$50	\$50
Grant funding 10 Year Average**	\$30	\$30
<b>TOTAL</b>	<b>\$218</b>	<b>\$341</b>



# Recommendation

Review and prioritize the following options and that a plan be developed for their implementation.

- ▶ Parks Improvement DCC (Parks Development Funding already in progress)
- ▶ Storm Drainage DCC
- ▶ Storm Drainage Utility
- ▶ Fees and Charges Review
- ▶ Community Amenity Contribution & Density Bonusing
- ▶ Partnerships



*Questions?*

For more information, visit [kelowna.ca](http://kelowna.ca).