Report to Council

Date:	June 17, 2019
File:	1840-01
To:	City Manager
From:	Robert Parlane, Parks & Buildings Planning Manager
Subject:	Parks development funding strategy
	Report Prepared by: Melanie Steppuhn, Park and Landscape Planner

Recommendation:

THAT Council receives for information, the report from the Parks & Buildings Planning Manager dated June 17, 2019 with respect to the Parks Development Funding Program;

AND THAT Council directs staff to proceed with engaging with the public and key stakeholders on the Parks Development Funding Program Report, identifying Model A – Full Implementation, as the preferred model, and report back to Council with a proposed bylaw for the Parks DCC;

AND THAT Council directs staff to return to Council with a policy to assign all revenues generated within the parks system to the General Parks Development Reserve;

AND FURTHER THAT Council directs staff to return to Council with an increase in parking fees at the Cook Road Boat Launch and Rotary Beach as set out in this report.

Purpose:

To provide Council with a more detailed analysis of proposed changes to parks development funding prior to proceeding with engagement with the public and key stakeholders.

Context

Parks and public spaces are the foundation of a dynamic, beautiful and livable City. More and more data is coming forward that links greenspace and beautiful spaces with health, wellbeing, quality of life, and even economic growth. A recent article in the Journal of Regional Science[1] has statistically correlated a positive relationship between beautiful and recreational spaces with economic growth indicators such as population growth, attracting a higher proportion of college-educated individuals, and increased strength of housing markets.

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[1] Carlino, G.A., Saiz, A. April, 2019. Beautiful city: Leisure amenities and urban growth, https://doi.org/10.1111/jors.12438

The success of the City's growth strategy being developed as part of the 2040 OCP process, which prioritizes redevelopment in our Urban Centres and Urban Core relies on the provision of animated parks, public spaces and amenities within those neighbourhoods. Without parks and amenities, new and existing residents will be less likely to consider moving to these neighbourhoods, and instead choose suburban neighborhoods or locations outside of the City. This would jeopardize the growth strategy implementation and its success.

As such, "prioritizing parks and public spaces in the core area" is identified as one of the big moves in the 2040 OCP process. This approach relies on the deliberate integration of urban parks where additional residential density is going to be directed to balance out neighborhood composition, and to offer a key critical amenity that enhances livability. The 2040 OCP growth strategy requires the onboarding of parks to implement the vision of Imagine Kelowna, and will:

- develop strategic direction for Kelowna's park system that will guide decision-making; and
- provide certainty to the public to invest in various housing forms in the Urban Core to achieve the City's growth strategy with a commitment to parks and public spaces for neighborhood livability.

Park development will further Council's Priorities. Specifically, it will speak to building Vibrant Neighbourhoods and Accessible Community Amenities, and Council's objective that 'recreation centres, parks and public spaces will need to keep pace with Kelowna's population growth and the evolving needs of its residents.

As Kelowna rests on this threshold of transition to urban development, the timing is like no other to make bold steps in creating a network of parks and public spaces that will frame, support, and beautify a livable City. Steps that will provide a legacy of a great City for generations to come.

Background

In May 2017, the Parks Development Report (Attachment 1) identified both the current, and projected future deficit in parks development. Kelowna currently does not pursue two major funding options available for acquisition and development, namely:

- Parkland acquisition of 5% land (or cash in lieu) at subdivision; and
- Park Development DCCs

From the provincial context, most municipalities, with only a few exceptions, have incorporated these funding tools as well as Park Acquisition DCCs, into their park development strategies. Recognizing this increasing deficit in parks development, the June 2018 Parks Development Funding Strategy (Attachment 2) identified several different funding options. Council recognized the financial impact should be shouldered by multiple sectors and shared between development, taxation, and user revenues. Staff were directed to prepare, consult and report back on the funding tools identified in Option 2 of that report:

- Linear Parks Acquisition DCC
- Parks Development DCC
- Reduction of the DCC taxation assist
- Commercial / Industrial parks DCC
- Shift from Acquisition to Development

- Infrastructure Levy
- Parks Revenues

Funding Tools

A summary of each tool, and combined options, follows below. Each tool is addressed in detail in the Parks Development Funding Program (Attachment 3).

Linear Parks Acquisition DCC

As part of the Park Development Funding Strategy, staff was directed to assess the impact of implementing a Linear Park Acquisition DCC. Currently, this relies entirely on taxation for funding. The implementation of a Linear Park Acquisition DCC would enable predictable expansion of linear parks based on growth, and significantly, this would permit capital to be reallocated to park development.

Park Development DCC

A Park Development DCC was prepared based on existing policy and current economic parameters, including:

- The Park Standard for servicing growth established by the 2030 OCP
- Current park construction rates, using recent tender prices
- Eligible park items in accordance with the Local Government Act

Key components of the program are:

- The parks program aims to meet the OCP Park Standard of delivering 2.2ha of park per each additional 1000 persons as the City grows.
- The 2030 Servicing Plan population growth over the next 10 years.
- Typical parks for each type: Neighbourhood, Community, Recreation and City-wide.

Note that because the program aims to meet the full area required to accommodate growth over the next 10 years, the benefit allocation is capped at 100%. That is, the entire program is attributable to growth. Due to the nature of parks, the program chose the number of projects that would approximate to, but not exceed, the required area to accommodate growth.

Reduction of the Park Taxation Assist

Kelowna's current Parks DCC from Taxation Assist is 8% plus approximately 3.4% in lieu of DCCs on secondary suites. Many BC municipalities have lower assist rates. A reduction of the Taxation Assist would allow funds to be available for park development which currently go to park acquisition. For example, a reduction of the Taxation Assist from 8% to 1% would free up almost $1,300,000 of taxation per annum that could go to other City priorities such as parks infrastructure renewal.

Through consultation, the Province informed staff that the Taxation Assist for park development must match the rate used for park acquisition, and to reduce it would require a change to the existing Parks Acquisition Bylaw. Having only recently completed a major update to the existing DCC program, such a change so soon would likely not be supported by the Province. The next update of the DCC program will be in 2021 following the adoption of the 2040 OCP. It is proposed the Taxation Assist be reviewed at that time.

Commercial, Industrial & Institutional Park Development Cost Charges

As part of the Park Development Funding Program, implementing Park DCCs for commercial, industrial and institutional land uses was investigated. As Kelowna grows as a regional centre for retail, employment, and tourism, it has become apparent that the employment and tourist populations, put additional demand on the park system that is not captured by residential uses alone. For the purposes of this assessment, both park acquisition and park development DCCs were assessed.

Note, following the same reasoning as for the Taxation Assist above, the inclusion of Commercial, Industrial and Institutional DCCs for Parks Acquisition would be delayed until the next update of the DCC program in 2021.

Shift from Acquisition to Development

Council directed staff to pursue options to redirect funding from parks acquisition to development, but with no reduction in the overall rate of parkland acquisition. One tool to this end is the reallocation of the planned Linear Park Acquisition budget that is currently funded from taxation to park development.

The reallocation of funds within the Capital Plan would allow a significant 'kick start' for the DCC Parks Development Program. This may, for example, include the completion of Rutland Centennial Park and Dehart Park early in the program.

Infrastructure Levy

The long-term distribution of the newly introduced Infrastructure Levy has yet to be confirmed by Council. In the absence of this, a 27% minimum allocation for park development has been assumed for this study in order meet the matching Municipal contribution. The success of the Development DCC Program is integrally linked to this additional funding.

Parks Revenues

The final component identified by Council to review are revenues generated within the park system. These include net revenues from:

- Parking in park properties
- Park concessions
- Rental properties in undeveloped park properties
- Cell tower and similar leases within parks

These have been calculated to generate approximately $500,000 per annum, after operating expenses are deducted (Attachment 4). The large majority of these are currently assigned to either a Parking Reserve or General Revenue. As previously identified by Council, redirecting these to parks development would share the financial impact of parks development with both development and taxation. Both Parks

Revenues and the Infrastructure Levy are key components in meeting the Municipal contribution obligations, and the successful implementation of the Development DCC Program.

A related, but distinct, use of parking revenues has also been identified for consideration by Council. Cook Road boat launch is currently incurring costs annually for dredging. The ramp is also damaged, and subject to the agreed long-term design solution, will require a major reconstruction. Other boat launches require similar maintenance. Parking fees at this location for truck and boat trailers are $5/24 hours, which is very low in comparison with other boat parking locations in the City. For example, similar fees at Prospera Place near Water St boat launch are $8/1 hour, $45/12 hours and $80/24 hours. The current rate of fees does little to generate revenue for the maintenance and ultimate replacement of the Cook Road boat ramp. Following the principle of 'user pays' for this City-wide park, staff are proposing an increase of fees specific to truck and boat/trailer parking for the summer season to $5/ 1 hour, $25/12 hours and $40/24 hours, and off-season rates general parking rates in line with those currently used at Boyce-Gyro Beach Park. The revenue generated be held in a Reserve specifically for the future maintenance and construction of boat facilities across the City. This will be brought back to Council with more details of the anticipated costs associated with the boat launch facilities, anticipated revenue generation, and subsequent rate reviews and indexing in order to meet the future needs.

Additionally, it is also proposed that parking fees be introduced to Rotary Beach, following the same rates as Boyce–Gyro Beach. These changes would be in keeping with the 'user pay' approach, and ensure parking is not misused.

Parks Funding Models

Staff are recommending the full implementation of the funding tools as identified by Council and set out above. These include the implementation of Parks Acquisition DCCs for Commercial/Industrial/Institutional in the next major review of the DCC program, but do not include a reduction of the Taxation Assist which would be reviewed at that time. The changes proposed represent an increase of approximately 1% on the cost of the average single family residential home in Kelowna. Noting this is a large change to the DCC program, three alternate models have also been included to reduce the impact, stagger the implementation, or both:

Model A
- Full Implementation of the DCC Program, and other identified funding tools.

Model B
- Inclusion of 5% Parkland Dedication at Subdivision
- Exclusion of Neighbourhood Parks in the DCC Acquisition Program

Model C
- Staggered Implementation of the DCC Program over 3 years

Model D
- Inclusion of 5% Parkland Dedication at Subdivision
- Exclusion of Neighbourhood Parks in the DCC Acquisition Program
- Staggered Implementation of the DCC Program over 3 years

Table 1. Summary of Models for Parks Funding

		Current Parks DCC	Model A - Full implementation	Model B - With 5% parkland dedication	Model C - Staggered implementation	Model D - Staggered plus 5% dedication	2040 OCP DCC update (2021)
Parkland Acquisition							
Existing DCCs	*Neighbourhood*	✓	✓	✗	✓	✗	
	Community	✓	✓	✓	✓	✓	
	Recreation	✓	✓	✓	✓	✓	
	City-wide	✓	✓	✓	✓	✓	
New Linear Parkland Acquisition DCCs			✓	✓	✓	✓	
New Commercial/Industrial Acquisition DCCs			*Yr 2* ✓	*Yr 2* ✓	*Yr 2* ✓	*Yr 2* ✓	✓
5% Parkland dedication			✗	✓	✗	✓	
Reduce taxation assist to 1% + 3.4%							✓
Total Acquisition DCCs (per residential unit)		$7,142	$7,346	$5,455	$7,346	$5,455	$7,897
Parkland Development							
New DCCs	*Neighbourhood*		✓	✓	*Yr 1* ✓	*Yr 1* ✓	
	Community		✓	✓	*Yr 1* ✓	*Yr 1* ✓	
	Recreation		✓	✓	*Yr 2* ✓	*Yr 2* ✓	
	Linear		✓	✓	*Yr 2* ✓	*Yr 2* ✓	
	City-wide		✓	✓	*Yr 3* ✓	*Yr 3* ✓	
New Commercial/Industrial Development DCCs			✓	✓	✓	✓	
Reduce taxation assist to 1% + 3.4%							✓
Total Development DCCs (per residential unit)		$0	$7,180	$7,180	*Yr 1* $3,956 *Yr 2* $5,553 *Yr 3* $7,180	*Yr 1* $3,956 *Yr 2* $5,553 *Yr 3* $7,180	$7,748
Total Existing and New Parks DCCs (per unit)		**$7,142**	**$14,526**	**$12,635**	***Yr 1*** **$11,384** ***Yr 2*** **$12,899** ***Yr 3*** **$14,526**	***Yr 1*** **$9,411** ***Yr 2*** **$11,008** ***Yr 3*** **$12,635**	**$15,645**
Matching Revenue Sources							
Parks Program							
Total Parks DCC Revenues (per annum)		$7,717,645	$15,697,153	$13,653,739	$15,697,153	$13,653,739	$16,905,595
Ineligible Parks Costs (per annum)		*$0*	*$3,296,189*	*$3,296,189*	*$3,296,189*	*$3,296,189*	*$3,296,189*
Taxation assist (per annum)		*$993,015*	*$2,097,847*	*$1,834,297*	*$2,097,847*	*$1,834,297*	*$809,695*
Sub-total - Matching Municipal Contribution (per annu		$993,015	$5,394,036	$5,130,486	$5,394,036	$5,130,486	$4,105,884
Total Parks Program (per annum)		$8,710,660	$21,091,189	$18,784,225	$21,091,189	$18,784,225	$21,011,480
Municipal Revenues							
Taxation/Gas Tax (10-year capital plan) (per annum)		$994,528	$3,550,173	$3,550,173	$3,550,173	$3,550,173	$3,550,173
Infrastructure Levy (27%) (per annum)		$0	$1,404,000	$1,404,000	$1,404,000	$1,404,000	$1,404,000
Parkland Revenues (per annum)		$0	$453,500	$453,500	$453,500	$453,500	$453,500
Municipal revenues surplus (or deficit) (per annum)		**$1,512**	**$13,637**	**$277,187**	**$13,637**	**$277,187**	**$1,301,789**

Municipal Contribution

For the new Parks DCC to be implemented, the City must demonstrate how the Municipal Contribution is to be funded. The Municipal Contribution is attained through a combined funding approach. This assumes the allocation of an estimated 27% of the Infrastructure Levy, and the Net Parkland Revenues at current rates, and the taxation and gas tax funding identified for parks in the recent 10—Year Capital Plan presented to Council (June 10, 2019). Combined, these funds meet the Municipal Contribution for both the Taxation Assist as well as the ineligible costs.

In the future, as other funding sources such as park revenues have potential to increase, the reliance on the Infrastructure Levy could reduce and these funds could be attributed to other City projects.

Maintenance Costs

Staff notes that the funding strategy outlined does not address ongoing operating and maintenance costs for new parks. These costs would come forward through the regular annual budget process as the parks are developed.

Alternate Recommendation:

THAT Council receives for information, the report from the Parks & Buildings Planning Manager dated June 17, 2019 with respect to the Parks Development Funding Program;

AND THAT Council directs staff to proceed with engaging with the public and key stakeholders on the Parks Development Funding Program Report, identifying Model C – Staggered Implementation, as the preferred model, and report back to Council with a proposed bylaw for the Parks DCC;

AND THAT Council directs staff to engage with the public and key stakeholders regarding the implementation of a 5% Parkland Dedication at Subdivision requirement, to be included along with the list of potential funding tools per Option 2 of the Parks Development Funding Strategy Report (June 11, 2018);

AND THAT Council directs staff to return to Council with a policy to assign revenues generated within the parks system to the General Parks Development Reserve;

AND FURTHER THAT Council directs staff to return to Council with an increase in parking fees at the Cook Road Boat Launch and Rotary Beach as set out in this report.

Internal Circulation:
Joe Creron, Deputy City Manager
Genelle Davidson, Divisional Director, Financial Services
Alan Newcombe, Divisional Director, Infrastructure
Jim Gabriel, Divisional Director, Active Living & Culture
Carla Weaden, Divisional Director, Corporate Strategic Services
Derek Edstrom, Divisional Director, Partnerships & Investments

Existing Policy:
Imagine Kelowna called to create great public spaces, grow vibrant urban centres, preserve Okanagan Lake as a shared resource, and build healthy neighbourhoods for all.

Council Priorities 2019-2022 identified measures to transform this vision into action. Specifically, relevant to this report:

- Vibrant neighbourhoods, by creating animated parks and public spaces
- Vibrant neighbourhoods, through developing accessible and multi-purpose amenities.
- Economic resiliency, through the reduction of the infrastructure deficit.

The accompanying Corporate Priorities also identify:

- Financial management, through the increase of non-tax revenues.

Personnel Implications:
With increased park development, there would be an increasing demand on staff time for public consultation, planning and delivery, and hence additional resources will be needed and funded through the Capital program. A future budget request will be brought to Council for these staff resources.

External Agency/Public Comments:
Initial comments were received from the Urban Design Institute (UDI) in Oct 2018 (Attachment 5). These comments have been considered and included in the preparation of this report, and each item will be addressed at the forthcoming UDI meeting on June 25, 2019.

Considerations not applicable to this report:
Legal/Statutory Authority
Legal/Statutory Procedural Requirements
Financial/Budgetary Considerations
Communications Comments

Submitted by: R Parlane, Parks & Buildings Planning Manager

Approved for inclusion: D. Edstrom, Divisional Director, Partnerships & Investments

Attachments: Attachment 1: Parks Development Report, May 2017
Attachment 2: Parks Development Funding Strategy, June 2018
Attachment 3: Parks Development Funding Program, June 2019
Attachment 4: Parks Revenues
Attachment 5: UDI letter (Oct 4, 2018)

cc: Joe Creron, Deputy City Manager
Genelle Davidson, Divisional Director Financial Services
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Jim Gabriel, Divisional Director Active Living & Culture
Carla Weaden, Divisional Director, Corporate Strategic Services
Derek Edstrom, Divisional Director Partnerships & Investments
Ian Wilson, Infrastructure Operations Department Manager
Blair Stewart, Parks Services Manager
George King, Financial Planning Manager
Melanie Antunes, Budget Supervisor
Joel Shaw, Infrastructure Engineering Manager
Chris Gregson, Financial Analyst
Karla Norman, Financial Analyst
Brian Beach, Infrastructure Delivery Dept Manager
Andrew Gibbs, Senior Project Manager

Doug Nicholas, Sport & Event Services Manager
Kari O'Rourke, Community Communications Manager
Robert Fine, Director, Business and Entrepreneurial Development
Sandra Kochan, Partnership Manager
Johannes Saufferer, Real Estate Department Manager
Mike Olson, Property Management Manager
Dave Duncan, Parking Services Manager