

Report to Council



Date: May 2nd, 2016
File: 0245-20
To: City Manager
From: J. Shaw Manager, Infrastructure Planning Manager
Subject: Bylaw No. 11207 Amendment No.2 to Development Cost Charge Bylaw No.10515

Recommendation:

THAT Council receives, for information, the Report from the Infrastructure Planning Manager dated May 2, 2016, with respect to Bylaw No. 11207, Amendment No.2 to Development Cost Charge Bylaw No.10515;

AND THAT Bylaw No. 11207, Amendment No.2 to Development Cost Charge Bylaw No.10515 be forwarded for further reading consideration;

AND FURTHER THAT Council directs Staff to submit DCC Bylaw and supporting documentation to Inspector of Municipalities for their review and approval prior to fourth reading and adoption of Bylaw No. 11207, Amendment No. 2 to Development Cost Charge Bylaw No. 10515.

Purpose:

To inform Council about the outcome of the public open house.

Background:

The Development Cost Charge (DCC) Bylaw sets out the charges imposed on developers to offset some of the infrastructure expenditures incurred to service the needs of new development. DCCs are intended to facilitate development by providing a method to finance capital projects related to public roads, water, sanitary sewer, drainage and parkland. The current DCC Bylaw 10515 was adopted by Council June 13, 2011 in conjunction with the OCP review.

It has been five years since the last DCC update and this bylaw amendment is required to update construction and land costs to current market conditions so there is adequate funding to support infrastructure improvements that are needed to service growth in our community.

Council received information regarding the proposed DCC Bylaw at a March 7th, 2016 Council meeting. The projected DCC program costs and rate changes presented at that meeting are appended to this report. Council directed staff at the March 7th Council meeting to facilitate a public open house to get feedback on the proposed rate increases.

External Agency/Public Comments:

Public Open House

A public open house for the proposed DCC Bylaw amendment was facilitated at the Kelowna Public Library on Wednesday March 30th, 2016. Approximately 40 people attended and received the information provided. Staff were available at the Open House to answer questions. An exit survey was available and 5 were completed by attendees (Appendix B).

Three of the exit surveys expressed concern that not enough warning had been given regarding the proposed rate increase and recommended a grace period or phase approached to implementing the proposed changes.

Discussion

In response to these comments and other comments from the development industry collected over the last 4 months, Staff provide the following justification for proceeding with amendment of the Bylaw as planned.

- The Urban Development Institute (UDI) was notified of the proposed changes in December 2015. The earliest that Council can adopt the Bylaw is likely mid-June because it must be approved by the Ministry prior to final adoption by Council. The Ministry is indicating a 6-week review process. This represents a 6-month notification period.
- Subdivision and building permit applications that are complete prior to the date of bylaw adoptions are considered “in-stream” and are not subject to the new DCC rates for a period of one year from bylaw adoption. In other words, given the current scenario where the proposed DCC’s have increased from the existing charges, an in-stream application will be exempt from the increased DCC’s for one year from the date of adoption of the new bylaw provided the applications are complete and application fees have been paid.
- To improve the process for providing more certainty of the timing of future DCC updates, Staff are recommending that the DCC Bylaw be amended annually to reflect current land and construction costs. This frequency is recommended in the Development Cost Charge Best Practice Guide. Utilization of an indexing model for unit costs will be considered as part of several items to be reviewed as part of an upcoming shared DCC review involving City Staff and UDI.
- The last DCC update 5 years ago saw the developer funded portion of the program decrease by \$209 million (-30.9%) in part to help stimulate a stagnate housing market. These lower rates have continued for the last 5 years but given the increase in both construction and land costs a DCC rate increase is required now to fund the infrastructure required to support growth in the future.
- The increased rates are still comparable to like size communities in BC as shown in the figure below.

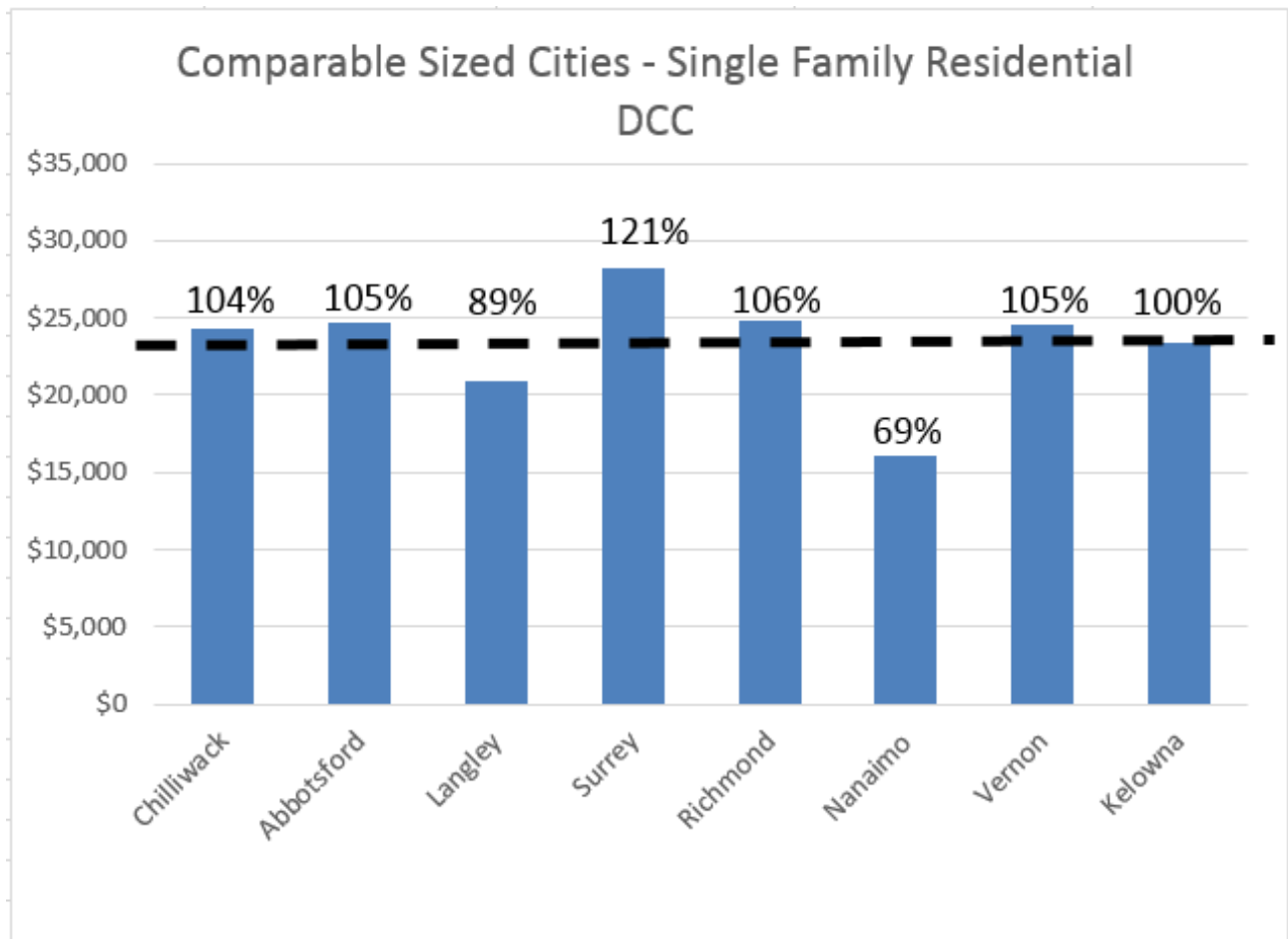


Figure 1. Single Family Residential Average DCC Rate based on updated DCC rates. Rates for the City of Vernon include DCC charges for Parks and Water from the Regional District of the North Okanagan.

Internal Circulation:

- Divisional Director, Infrastructure
- Divisional Director, Community Planning & Real Estate
- Divisional Director, Corporate & Protective Services
- Legislative Coordinator
- Director, Financial Services
- Community Engagement Consultant
- Financial Analyst, Infrastructure Planning

Legal/Statutory Authority:

The Development Cost Charge (DCC) Bylaw sets out the charges imposed for public roads, water, sanitary sewer, drainage and public park infrastructure when subdividing or constructing, altering or extending a building, pursuant the Local Government Act.

Legal/Statutory Procedural Requirements:

The *Local Government Act* requires the Inspector of Municipalities to approve local government DCC bylaws. The following process, which is recommend by *DCC Best Practices Guide*, is being followed by staff for amending the DCC Bylaw.

- Staff calculate the DCC rates and amend DCC Bylaw for Council review,
- First reading of proposed DCC Bylaw by Council (March 7th, 2016),
- Public Information Meeting Kelowna Public Library (March 30th, 2016),
- Second and Third Reading of DCC Bylaw by Council (May 2, 2016),
- Submission of DCC Bylaw and Supporting Documentation to Ministry of Community Services (May),
- Statutory approval from Inspector of Municipalities (TBD),
- Fourth Reading and adoption of DCC Bylaw by Council (June),
- Bylaw implementation

Existing Policy:

Development Cost Charge Bylaw 10515

Financial/Budgetary Considerations:

The City's 10-Year Capital Plan will be updated to reflect the revised project costs once the DCC Bylaw has been adopted by Council.

DCCs contribute to the initial capital cost of growth-related infrastructure, along with taxpayer contributions that account for the benefit of the new infrastructure to the existing community. The subsequent operation, maintenance, capital renewal and the eventual replacement of all infrastructures accrues to general taxation or utility rates.

Personnel Implications:

There are no personnel implications related to this proposed DCC Update.

Considerations not applicable to this report:

Communications Comments:

Alternate Recommendation:

Submitted by: J. Shaw, Manager, Infrastructure Planning

Approved for inclusion: A. Newcombe, Divisional Director, Infrastructure

cc:

Divisional Director, Community Planning & Real Estate

Divisional Director, Corporate & Protective Services

Legislative Coordinator

Director, Financial Services

Community Engagement Consultant

Financial Analyst, Infrastructure Planning

Appendix – A

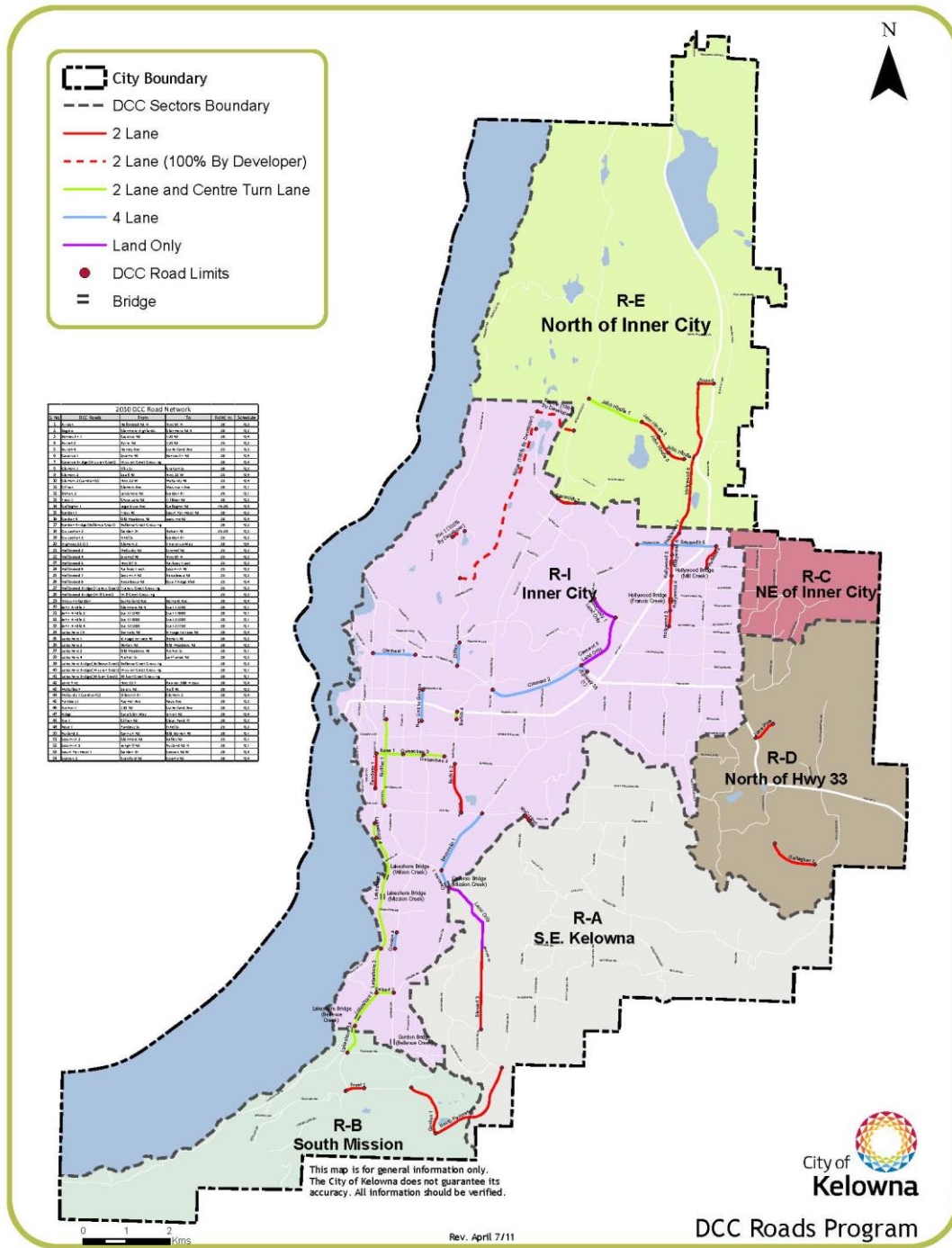
Summary of DCC Program Costs and DCC Rates

2030 Major Services - Funding Sources (\$ Millions) - 2016 Update								
Major Service	Gov't Funded	Developer Funded		City Funded		2030 OCP		
	Grant	Developer Construct	DCC's	Taxation	Utility User Rates	2016 Totals	2011 Totals	% Change from 2016 - 2011
Arterial Roads	37.9	63.3	209.1	151.1		461.4	400.3	15.3
Water Distribution		6.0	24.7		29.4	60.0	59.1	1.6
Wastewater Trunks		6.9	25.8		8.4	41.1	37.9	8.2
Wastewater Treatment			65.4		20.3	85.7	86.1	(0.5)
Parkland Acquisition	5.4		116.5	14.5		136.4	125.5	8.7
2016 Totals	43.3	76.0	441.5	165.6	58.1	784.7	709.0	10.7
2011 Totals	32.0	61.2	406.4	149.8	59.6	709.0		
% Change from 2016 - 2011	35.4	24.2	8.7	10.5	(2.6)	10.7		

Table 1 – Proposed compared to current DCC program costs and funding by service.

PROPOSED 2016 VERSUS 2011 DCC RATES (\$'s per Residential 1 Unit)						
	S.E. Kelowna	South Mission	NE of Inner City	North of Hwy 33	North of Inner City	Inner City
<u>Arterial Roads</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>I</u>
2011 Update	7,878	21,540	14,292	11,072	10,666	7,530
2016 Update	9,243	26,118	15,513	13,321	11,000	8,338
\$ Difference	1,365	4,578	1,220	2,249	333	807
% Change	17.3	21.3	8.5	20.3	3.1	10.7
<u>Parkland Acquisition</u>						
	<u>A</u>					
2011 Update	5,300					
2016 Update	5,795					
\$ Difference	495					
% Change	9.3					
<u>Wastewater Treatment</u>						
	<u>A</u>					
2011 Update	3,723					
2016 Update	3,645					
\$ Difference	(78)					
% Change	(2.1)					
<u>Wastewater Trunks</u>						
	<u>A</u>	<u>B</u>				
2011 Update	1,294	1,903				
2016 Update	1,541	1,379				
\$ Difference	247	(524)				
% Change	19.1	(27.5)				
<u>Water Distribution</u>						
	<u>A</u>	<u>B</u>	<u>D</u>			
2011 Update	998	679	3,552			
2016 Update	1,282	833	3,584			
\$ Difference	284	154	32			
% Change	28.5	22.7	0.9			
<u>Total All Services</u>						
	<u>S.E. Kelowna</u>	<u>South Mission</u>	<u>N.E. of Inner City</u>	<u>N. Highway 33</u>	<u>North of Inner City</u>	<u>City Centre</u>
2011 Update	13,178	33,145	24,609	21,389	20,983	18,845
2016 Update	15,038	37,769	26,494	24,302	21,981	20,601
\$ Difference	1,860	4,625	1,885	2,913	997	1,756
% Change	14.1	14.0	7.7	13.6	4.8	9.3

Figure 2. Proposed DCC rate per single family residential by sector and service.



Total All Services	<u>S.E. Kelowna</u>	<u>South Mission</u>	<u>N.E. of Inner City</u>	<u>N. Highway 33</u>	<u>North of Inner City</u>	<u>City Centre</u>
2011 Update	13,178	33,145	24,609	21,389	20,983	18,845
2016 Update	15,038	37,769	26,494	24,302	21,981	20,601
\$ Difference	1,860	4,625	1,885	2,913	997	1,756
% change	14.1	14.0	7.7	13.6	4.8	9.3

Figure 3. Combined DCC cost for all City services (i.e. Arterial Roads, Parkland Acquisition, Water Distribution, Wastewater Distribution and Treatment by sector. DCC base on single family residential.

Appendix – B

DCC Open House Feedback



2016 DCC Update Exit Survey

Please provide your comments on the proposed DCC Update:

There was not enough warning provided to the development community of this DCC increase. Some companies may have projects in the works but are not able to submit enough materials to fall under the 12 month legislative protection period. This could seriously jeopardize some projects that are now in the works with financing in place. Please provide some type of grace period (ie: 180 days) to allow developers to adjust to this change.

Name and Address:

Jennifer Dixon - UDI Okanagan

2016 DCC Update Exit Survey

Please provide your comments on the proposed DCC Update:

- ① NOT ENOUGH WARNING GIVEN BEFORE DCC INCREASE ANNOUNCED, PROJECTS TAKE LONG LEAD TIMES TO REACH INVESTMENT DECISIONS TO COMMENCE AND THE LEAD TIME GIVEN SIMPLY NOT SUFFICIENT.
- ② SUGGEST A 6 MONTH IMPLEMENTATION PERIOD FOR PROJECTS IN STREAM OR 12 MONTHS FROM D.P.
- ③ INCREASED DCC'S DO NOT ASSIST IN MAKING HOUSING AFFORDABLE.

Name and Address:

PETER BRENNEMAN - VICTOR PROJECTS LTD / SANDHILL DR

2016 DCC Update Exit Survey

Please provide your comments on the proposed DCC Update:

- ① Not enough information provided re: minor vs. major DCC Review methodology
- ② Some further analysis on SW mission DCC rates vs. all other sectors.
- ③ Why have shared benefit arterial road allocations changed under minor review?
- ④ Do best practices allow for update for significant projects completed if unit rates (actual registered deducted from 2010) taken into consideration?

Name and Address:

Melody Santos, 1628 Kloppenburg Road

2016 DCC Update Exit Survey

Please provide your comments on the proposed DCC Update:

IS we are serious about being a city that supports active transportation, we should not be building any roads without sidewalks (minimum) & bike lines/^{multuse} pathways (ideal). We are having to go into old neighborhoods and add these because we have an active transportation infrastructure debt. Let's not add to that debt. DCC should cover these costs, otherwise, maybe we should be developing in that area.

Name and Address:

Jocelyn Keloana (downtown area)
Smith

2016 DCC Update Exit Survey

Please provide your comments on the proposed DCC Update:

Has there been thought given or provisions for DCC credits for rental apartments or affordable housing units?

Have you considered phasing in the DCC charges to allow the industry and market to react slowly and avoid sudden increases to rental and housing costs?
In some cases 10-14% increases is a huge burden to undertake as a developer who based a proforma on current rates, considering the DCC increases were just mentioned late last year.

Name and Address:

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Kelowna BC