

Attachment 2: Parks Development Funding Program  
Public engagement summary – Spring / Summer 2019

Letters of Concern

August 26, 2019

City of Kelowna  
Robert Parlane  
Manager, Parks and Buildings Planning

**Re: CHBA CO's Position on Parks Development DCC**

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The Canadian Home Builders Association of the Central Okanagan (CHBA CO) would like to extend our appreciation to the City of Kelowna on its efforts to engage community stakeholders on the Parks Development DCC. We are providing our input on behalf of our 270+ members, many of whom will be directly impacted by the change.

Housing affordability is top of mind for many residents in the Okanagan, and is a core issue for our Association. We recognize the need for some fees and charges for development, but firmly believe this new fee is unreasonable and counter to our collective housing affordability goals. New homeowners already pay \$7,346 for a Parks Acquisition DCC. With the new \$7,180 Parks Development DCC, they will be paying over \$14,500 towards parks alone.

Our City has a problem with people struggling to get into the housing market in some form already. How are we expected to solve our housing crisis when we can't solve the problem of getting first-time home buyers into the market? In order to tackle this housing crisis, it starts with our first-time home buyers that will free up available rentals and the effects will trickle down the housing continuum.

A total proposed Parks DCC of \$14,5000 equates to a substantial 4% of the average price (\$362,700) for a new condo in Kelowna. Many of the people who are looking to enter the market (student's graduating, young couples starting a family, young working adults) simply cannot afford an additional \$14,500 when they're already struggling with even the basic down payment. City Council needs to decide ultimately what is more important for our community; tackling housing affordability or developing new parks?

The *Local Government Act* section 934 stipulates that local governments must consider whether the charges will deter development, and discourage the construction of reasonably priced housing or the provision of reasonably priced serviced land. We would like to remind staff that our housing market has been targeted by a number of government policies (Mortgage Stress Test, cost increase due to the BC Energy Step Code, Speculation & Vacancy Tax and Employer Health Tax) that have made it prohibitively harder to build and sell homes. Adding one more expensive fee simply worsens an already critical situation, and gives builders, developers and home buyers yet another reason to consider other neighbouring municipalities for their next project or home purchase.

One suggestion would be to offset the impacts of this new fee with a significant decrease to the Parks Acquisition DCC. This is already over-funded and could be evaluated in the future if its reserves are greatly impacted. Then, we can still meet the intent of funding our Parks Development fund, but without such a strong impact on new home buyers.

We also recommend a pause on any implementation until the next OCP has been adopted. The DCC Best Practices Guide states that “a strong relationship exists between the DCC bylaw and other municipal documents such as the OCP.” An updated OCP will also allow us to more accurately proceed with a proper projection of units and more accurate calculation of the DCC. In addition, this provides significant notice to industry that changes are coming, in tandem with appropriate grandfathering measures once formally implemented.

In summary, CHBA CO is firmly opposed to the introduction of the new Parks Development DCC on behalf of our organization and new home buyers in Kelowna. We simply cannot support anything that increases the cost of home ownership during this critical housing crisis.

Should you require further information, please do not hesitate to reach out.

Sincerely,

A handwritten signature in dark ink, appearing to read "C. deVeer", written in a cursive style.

Cassidy deVeer  
President, CHBA CO

July 12, 2019

City of Kelowna  
Robert Parlane  
Manager, Parks & Buildings Planning

## **Re: Park Development Funding Program**

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The Canadian Home Builders Association of the Central Okanagan (CHBA CO) would like to thank the City of Kelowna for their ongoing efforts to ensure a uniform and collaborative approach to the Park Development Funding Program that was presented to CHBA CO on June 25, 2019. It's vital to the future of Kelowna to involve all stakeholders throughout this process because it directly affects our housing market for generations to come.

CHBA CO is in full support of the letter submitted by the Urban Development Institute to City staff and council on July 12, 2019, entitled Parks Development DCC. Further to UDI's letter of opposition, feedback from the Canadian Home Builders' Association of the Central Okanagan is outlined below.

This proposed increase in DCC's will most certainly need to be passed along to the new home purchaser. According to OMREB, 62% of homes purchased within the Okanagan are by current Okanagan residents. To say that "the people moving here should be the ones responsible for paying for the growth" is incorrect as it would still be local residents footing most of the increased cost. Approximately 60 – 75% of new construction done in the Okanagan, is done for local residents.

With the additional costs that come with new homeownership, it's unreasonable to expect new homeowners to pay an extra \$7,180 for a Parks Development DCC, this in addition to the \$7,346 already being paid for a Parks Acquisition DCC. This is simply an extra cost with no added value to their home. The construction industry has been bombarded with many new rules and regulations (the speculation tax, BC Energy Step Code, and the general increased cost of construction) that the dream of owning a home for first time home buyers, has become unrealistic.

- 4 in 5 renters want to own a home
- 75% of Canadians view homeownership as a key to financial security<sup>1</sup>
- 50% of British Columbians think housing is the most important issue in the province<sup>2</sup>
- 95% of residents live in market-provided homes, that are owned or rented
- 80% of rental units that become available each year in Canada are from people becoming homeowners

According to Straddling the Gap, house prices in BC would have to drop by an average of \$452,000 by 2030 or yearly earnings need to increase to \$136,200 to become affordable for young people. More specific to Kelowna, the average house price would need to fall by \$239,000 or the yearly earnings would need to increase to \$100,000 – about double the current level.

With the exception of neighbourhood parks, parks are used and enjoyed throughout the Okanagan by many different people, not just the community built around it. Sports teams travel in to play on our soccer fields and baseball diamonds. Tourists visit these parks to swim in our lake and sunbathe on our beaches, and Okanagan residents visit numerous parks around our city. It would be unfair to ask homeowners to pay an additional \$7,180 for this when so many other people will use these facilities. While other DCC components (road, water, sewer) are paid for by homeowners, tourists do not come to

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<sup>1</sup> Source: CHBA National Opinion Poll, April 2018

<sup>2</sup> Source: Insights West Poll, January 2018

the Okanagan to take advantage of these, they come to the Okanagan for our parks. Parks are a destination in the Okanagan Valley.

We recommend that the City of Kelowna explore alternative approaches to supplement the DCC so it does not further affect the cost of homeownership. This may include a Hotel Tax or an Airport Levy or any other means to collect from tourists, to help with the costs of these proposed DCC's, which in turn will help reduce the cost to homeowners.

In summary, CHBA CO is firmly opposed to the introduction of the new Parks Development DCC on behalf of our organization and new home buyers in Kelowna. We simply cannot support anything that raises the cost of homes at this time. Should you require further information, please do not hesitate to reach out.

Sincerely,



Cassidy deVeer  
President, CHBA CO



August 26, 2019

Mayor and Council  
City of Kelowna  
1435 Water Street  
Kelowna BC V1Y 1J4

**RE: Parks Development Funding Strategy**

We are writing this letter to you to first express our appreciation to administration for their willingness to explain the proposed park development DCC to us and secondly to express our concerns with what we see as an overarching issue which this new Parks Development Funding Strategy will exacerbate: the cumulative impact of rising taxes, levies, and fees that are adversely impacting efforts to establish more affordable market housing in the city.

On July 10 the Parks & Building Planning Department made a presentation on the draft changes being contemplated in funding strategies around DCCs. The Chamber of Commerce responded to this presentation on July 25 and was invited to two follow-up presentations by Parks staff. We reiterated our observations and suggestions at those meetings and while we received some clarification from administration there was no substantial change in position on increasing development cost charges to help pay for future parks development. We are not including our previous submission to administration with this letter but can provide if requested.

The City of Kelowna has taken some useful steps in the past year around the issue of affordable non-market housing, and we support those efforts. However, the proposed funding strategy with its increase in DCCs as well as a reduction in the assist factor (funds paid by existing taxpayers to cover their portion of the costs associated with new parks development) runs the risk of putting home ownership further out of reach for many young families.

The Chamber is concerned over the cumulative effect of increasing taxes at every level of government and its inevitable impact on affordable housing in Kelowna. While it may be comforting that the doubling of DCCs "only" adds one per cent on the price of an average home (valued at approx. \$700,000+) that is still an added fixed cost of over \$7,000. These charges may initially be paid for by the developer but as we stated to administration, those charges are always passed onto the eventual homeowner. House prices in Kelowna are

already high in comparison to other non-lower mainland communities and an added DCC will just put home ownership further out of reach for many young families, the very people we wish to attract.

Of course, the Kelowna Chamber appreciates the critical importance of parks in Kelowna and the positive impact they have on residents, visitors and our quality of life. We support the goal of establishing a sustainable and fair funding mechanism to enable both the acquisition and development of parks in our community. In fact, among the many alternatives we have suggested is placing a higher value on parks as compared to other DCC funded projects and undertaking a rationalization (reduction in the scope of other DCC funded projects) so that the new parks development DCC could be offset by a reduction in other DCCs of lower value to the community. This would result in a net zero impact on homeowners. It may not be achievable, but it would be a worthwhile exercise.

A hard look at population projections is also worth further examination as those projections are the foundation on which project scope (infrastructure needs) have been identified and quantified (costed) which is a requirement in rationalizing what the actual DCC should be in order to meet identified future needs. Given previous population projections that have been made, the reliability of forecasting models is at the very least questionable. This fact would give more credence of having a reasonable “assist factor” built in as it would link revenue to the actual population not projected population.

We would also make the observation that if growth projections are too high and lead to the identification of larger infrastructure projects than are actually needed, then ironically those charges (to bring in revenue through DCCs) can actually lead to higher housing costs which in turn can negatively impact the marketplace resulting in a decline in the very growth that was initially predicted. The question we would raise is what happens if you add infrastructure to handle another 30,000 people but that growth never actually materializes or in fact turns out to be far less than forecasted? You have then overbuilt, overcharged and have negatively impacted housing affordability and limited the very growth you are predicting.

We believe further reflection and discussion on options could be considered prior to moving ahead with the addition of another Development Cost Charge that will add even more to the cost of housing at a time when housing affordability is such a huge issue. This critical issue was flagged both in a recent study co-authored by Paul Kershaw, PhD, UBC School of Population & Public Health, entitled *Generation Squeeze* and was noted within the City of Kelowna’s recent 2019 Economic Scorecard that ranked Kelowna 11<sup>th</sup> out of 14 for housing affordability. As stated in the Economic Scorecard:

*The indicator gives an indication of a city’s ability to attract new residents as housing affordability is an especially important consideration when deciding where to live. Even communities with many job opportunities can struggle to attract new residents if housing is unaffordable.<sup>1</sup>*

<sup>1</sup> Kelowna Economic Scorecard 2019, page 14: Indicator Descriptions and Significance, Social Indicators: Housing Affordability. Kelowna received a “C” grade.

The City's own Healthy Housing Strategy (2018) says "*A healthy housing supply is fundamental to the economic and social well-being of a community.*" Residents must be able to access and afford that housing, however.

The proposed Parks funding strategy doubles the parks DCC charge on a new home, pushing accessibility even further out of reach. In isolation, having a funding strategy (DCC) to pay for the development of parks makes sense but the reality is you can't deal with this as a single issue. It must be viewed in the larger context of what the cumulative impact of this and other development cost charges (other fixed costs passed onto the consumer) will have on housing affordability.

The study "Straddling the Gap" released by Generation Squeeze Lab in June 2019 makes the truth glaringly clear:

- *In Kelowna, average home prices would need to fall \$239,000 or about half the current value; or, typical full-time earnings would need to double to \$100,000/year to close the affordability gap.*
- *How long does an average young person have to save just to accumulate a down payment on a home? In 1979: five years. Today in Kelowna: 13 years, nine more than 1979.<sup>2</sup>*

We also appreciate that Local Government isn't the only entity contributing to the increase in housing costs but given its control over land use (supply) and fixed costs (development fees, cost charges, taxes, etc.), it plays a significant role.

In closing, aside from asking the City to take our input under advisement, we would like to encourage the City to provide leadership in this area by hosting a *Housing Summit* that would bring government, the development sector, academia, and various stakeholders such as the Chamber, the Homebuilders Association, and UDI together to discuss ways to improve the City of Kelowna's ranking on the affordability index. We would also encourage Council to consider establishing competitive benchmarks that are publicly reported annually that compare the City's combined revenue streams: taxes, fees and development charges (DCCs) on a per capita basis, against other Valley cities and peer communities in BC. Kelowna must remain competitive on both taxes and DCCs. We appreciate on both those measurements Kelowna has traditionally fared well but given the escalating housing crisis greater focus on this area is likely warranted.

We again greatly appreciate the opportunity to engage with administration on this challenging issue and remain committed to representing the interests of our close to 1200 members who represent in excess of 25,000 employees many of whom work, live and play in the City of Kelowna.

Sincerely yours,



Nikki Csek, President  
Kelowna Chamber of Commerce

cc: Robert Parlane, Parks & Buildings Planning

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<sup>2</sup> *Straddling the Gap*, Kershaw & Sutton, June 2019, page 12





July 24, 2019

City of Kelowna  
1435 Water Street  
Kelowna BC V1Y 1J4

Robert Parlane  
Manager, Parks & Buildings Planning  
Via email: rparlane@kelowna.ca

**RE: Parks Development Funding Strategy – Presentation July 10, 2019 from Parks & Building Planning to Kelowna Chamber of Commerce**

Robert,

Thank you for inviting the Kelowna Chamber of Commerce to your presentation on the above-named strategy. We appreciate the critical importance of parks in Kelowna and the positive impact they have on residents, visitors and our quality of life. We support the goal of establishing a sustainable and fair funding mechanism to enable both the acquisition and development of parks in our community.

Prior to passing on our comments, we do wish to note the significant challenge we faced in providing you a well thought out response in the limited time we have been provided to respond. We understand that the presentation that we received summarized more than six months of research and analysis. We certainly would have preferred to have been engaged in this process much earlier. The many development companies we represent would no doubt have added far greater insight than we are able to provide with only a couple of weeks to absorb, digest, and analyze the proposed new funding model for parks development (the addition of a new development cost charge).

Our initial reaction, having sat through a two-hour presentation, is that more time is needed for us, and others in the development community, to more fully understand the consequences of the suggested direction and potentially suggest alternative approaches.

The Kelowna Chamber of Commerce acts as a single powerful voice for our 1200 members and their 25,000 plus employees to promote local business interests. The Chamber's Policy Advisory Committee, chaired by a Board Director, actions issues of key importance to members, including taxation, transportation, cannabis legislation, and employment and housing.

We understand you want to take this to Council the first of September, so we provide both specific and general comments in hopes that they assist in administration's reflection on the current proposal. We would be keen to re-engage with the City and other stakeholders such as UDI and CHBA Central Okanagan if the City adjusts its time frame for decision making to allow for a more fruitful discussion with the development community.

We believe further reflection and discussion on options could be considered prior to charging ahead with the addition of another Development Cost Charge that will add even more to the cost of housing at a time when housing affordability is such a huge issue. This critical issue was flagged both in a recent study co-authored by Paul Kershaw, PhD, UBC School of Population & Public Health, entitled *Generation Squeeze* and noted within the City of Kelowna's recent 2019 Economic Scorecard that ranked Kelowna 11<sup>th</sup> out of 14 for housing affordability. As stated in the Economic Scorecard:

*The indicator gives an indication of a city's ability to attract new residents as housing affordability is an especially important consideration when deciding where to live. Even communities with many job opportunities can struggle to attract new residents if housing is unaffordable.<sup>1</sup>*

We need to collectively address the broader issue of housing affordability if we hope to attract young professionals and families to move here to help to fill the growing labour shortage that will accelerate as more and more baby boomers move into retirement. Local Government isn't the only entity contributing to the increase in housing costs but given its control over land use (supply) and fixed costs (development fees, cost charges, etc.), it plays a significant role. We appreciate that DCCs are only one of many fixed costs that contribute to higher housing prices and that market forces play a role, but we do believe the City can play a major role in limiting its impact on housing costs. We also believe the City can assist in bringing stakeholders together to start peeling back the layers of the fixed costs that are systemic in the development of housing. With leadership from the City on both fronts, there is a real prospect of slowing the continual increase in housing prices, *i.e.*, moving Kelowna higher up the affordability index.

Prior to providing comments on the presentation we received, we also feel it is necessary to stress that our comments are primarily focused not on the value of parks but rather on the financing model being considered to address an infrastructure deficit in Kelowna. We appreciate the value that a vibrant parks system brings to a city, and recognize that city parks and open spaces improve our physical and psychological health, strengthen our communities, and make our cities and neighborhoods more attractive places to live and work.

We have separated our comments into three areas: General Observations (for your information); Points Requiring Greater Discussion (areas where we believe further discussion is required); and Recommendations (specific directions we are requesting you consider as you move forward with this initiative).

<sup>1</sup> Kelowna Economic Scorecard 2019, page 14: Indicator Descriptions and Significance, Social Indicators: Housing Affordability. Kelowna received a "C" grade.

## GENERAL OBSERVATIONS

- 1. Statistics presented: Kelowna vs other BC municipalities** - Only a few other cities were used as comparators. Those cities did not appear to have matching parks acquisition targets. Does this skew Kelowna's performance lower than it likely is when compared to other cities of comparable size? More time, greater clarity, and better comparators are needed.
- 2. The parks funding strategy as proposed will significantly increase the total cost of DCCs per household leading to further pressure on housing affordability** - Housing affordability is a crisis in the province. The City's own Healthy Housing Strategy (2018) says "A healthy housing supply is fundamental to the economic and social well-being of a community." Residents must be able to access and afford that housing, however. The proposed Parks funding strategy doubles the parks DCC charge on a new home, pushing accessibility even further out of reach. In isolation, having a funding strategy (DCC) to pay for the development of parks makes sense but the reality is you can't deal with this as a single issue as it must be viewed in the larger context of what the cumulative impact of this and other development cost charges (other fixed costs passed onto the consumer) will have on housing affordability.

The study "Straddling the Gap" released by Generation Squeeze Lab in June 2019 makes the truth glaringly clear:

- In Kelowna, average home prices would need to fall \$239,000 or about half the current value; or, typical full-time earnings would need to double to \$100,000/year to close the affordability gap.*
- How long does an average young person have to save just to accumulate a down payment on a home? In 1979: five years. Today in Kelowna: 13 years, nine more than 1979.<sup>2</sup>*

- 3. Doubling of DCCs since 2007** - While the City of Kelowna has traditionally been extremely competitive with the DCCs it applied on new developments, with the proposed \$7,000 increase (per household), DCCs will have doubled (in Mission) since 2007 according to Chamber developer members working in the area.

| Year | DCCs paid           | Parks portion of DCCs                           |
|------|---------------------|---|
| 2005 | \$19,502            | \$2,147 (Acquisition)                           |
| 2007 | \$24,148            | \$2,957 (Acquisition)                           |
| 2019 | \$41,125            | \$7,142 (Acquisition)                           |
| 2019 | \$48,125 – proposed | \$14,142 – proposed (Acquisition & Development) |

<sup>2</sup> *Straddling the Gap*, Kershaw & Sutton, June 2019, page 12

The table on the previous page suggests that a reasonable question to ask is – are the funds collected through DCCs being used to buy properties in a timely manner before market increases cause costs to balloon. This may or may not be the case but with limited time to review I hope you can appreciate why we raise the question.

## POINTS REQUIRING FURTHER DISCUSSION

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We have noted the following points that we believe require greater exploration *before* the recommendations are made to Council:

1. **Finding the right balance between who pays and who benefits** - There is a reasonable argument to be made that an increase in the infrastructure levy should be considered prior to introducing a new DCC. By adding to the general tax levy (or keeping a reasonable assist factor), current taxpayers would then be paying for the development of parks that they are benefiting from. We also recognize and appreciate that having a parks development DCC would extract funds from non-housing developments such as commercial/industrial developments thereby indirectly receiving funds from those outside the city (those who come into Kelowna for commerce) who may also be enjoying the benefits of our parks without directly contributing to their acquisition and development. Further examination might actually show a balance between funding approaches is the best approach. Developing multiple funding scenarios would be helpful in analyzing this further.

It is worth noting that taxing the general public instead of relying solely on the proposed DCC will also place more accountability at the City level for making decisions that are supported by the electorate that they represent. A direct feedback loop would be created wherein, if taxpayers felt too much funding was being directed to parks, they could express that directly to Council. One way to determine the public appetite to pay more is to ask them. Similarly, a direct democracy approach such as a referendum or plebiscite that seeks public support for increased spending on park development is also a reasonable way to allow citizens to determine the type of community they wish to have. Voters of course never, ever make a mistake when they go to the polls although it is also true that they must live with the consequences of their decisions.

2. **Consider the land dedication option as a mechanism of hedging against future land increases** (*i.e.*, lock in land using DCC credits at today's prices).
3. **Explore alternative funding mechanisms** – We also believe some discussion on the following is warranted:
  - a. Establish a longer phase-in period for any change to DCCs.
  - b. Explore funding options with a variable assist factor for neighbourhood parks.
  - c. Reallocate use of gas tax funds to parks development (current and future).
  - d. Consider using the revenue the City achieved through the Terasen (now Fortis) LILO Agreement & Utility sale that occurred years ago. Perhaps establish an investment trust with the \$25+ million the City received through those financial transactions.

- e. Re-evaluate and reduce other DCCs and scope of projects they are expected to pay for, to allow “room” for the proposed Parks Development DCC.
  - f. Review mechanisms that would allow for the collection of fees (user fees) from out of town users, *i.e.*, tourists and sports teams, etc. who utilize parks much of the year.
4. **Examine the cumulative impact on the cost of housing** - As a result of a 100% increase in DCCs, the provincial speculation tax, proposed step code changes, increased mortgage stress tests, and increased construction costs, we continue down a path that is leading to higher house prices and an increasing affordability gap. Although we understand [from some responses to questions we asked at the presentation] that Parks & Buildings Planning Staff does not see its role as positioning the impact of the proposed DCC increase in the context of affordability factors, it would be helpful if staff showed Mayor and Council the extent to which ‘piling on’ higher DCCs would add to other recent changes that make housing less affordable.
5. **Quantify the impact of new residents buying homes outside Kelowna city limits** – As a free society people can choose to live wherever they desire. If the perception is that housing is more affordable outside of city limits, we will continue to see a shift to periphery development that could have a negative impact on the City of Kelowna through ex-urban users of the transportation network, parks, parking garages, and other amenities while paying zero taxes or usage fees – or DCCs. This in turn places greater demands on the City’s transportation infrastructure, and may well undermine the City’s transportation planning.

We also wish to concur with several of the suggestions put forward by UDI including:

- a. Establish rate for DCCs based on square footage instead of per unit as is the case in Kamloops.
- b. Reaffirm DCCs to only be used to fund future needs resulting from growth and not to pay to catch up on the current deficit.
- c. Greater scrutiny and clarity are needed on the calculation and cost analysis that was conducted in order to establish the rate for the proposed Parks Development DCC.
- d. A developer’s dedication of active linear parks or nature areas that serve as a neighbourhood trail system should result in the application of a parks DCC credit.

## RECOMMENDATIONS

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1. Delay implementation of the proposed Parks DCC until further discussion can occur with the development community and alternative funding options (blended approaches) can be better analyzed. We ask that you add a consultation period equivalent to the time your Parks Department utilized in creating the report and consider taking your recommendations to Council in December.

2. Create direct (and dedicated) revenue streams for parks development funding. As an example, all funds generated from parking, parks rentals and concessions sales at civic parks should go to a dedicated reserve for parks development rather than into general revenue.
3. Revisit capital plans so as to prioritize what is realistically attainable (affordable) given the massive infrastructure deficit the City faces and reduce the scope of low priority projects such that DCC reductions could occur allowing for “room” for a new Parks DCC with no net (or minimal) increase in total DCCs.
4. Retain a reasonable “assist factor” for the proposed parks DCC.
5. Reconsider the use of parkland dedication in the subdivision bylaw as a means to acquire parks (allowing for a shift of revenue to development as opposed to both acquisition and development). The City could consider the land dedication option as a mechanism of hedging against future land cost increases.
6. Provide leadership on addressing the need for more affordable market-based housing by bringing the development community together with all levels of government to jointly develop strategies aimed at slowing the rapid increases in the cost of housing (attainable housing).

We thank you again for the opportunity to respond to your proposal and presentation and we stand ready to re-engage with you on this issue and the larger, and perhaps more important issue of housing affordability.

Sincerely yours,



Nikki Csek, President  
Kelowna Chamber of Commerce

cc: Policy Advisory Committee of the Kelowna Chamber



**URBAN DEVELOPMENT INSTITUTE- OKANAGAN CHAPTER**

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August 26, 2019

City of Kelowna  
1435 Water Street  
Kelowna, BC, V1Y 1J4

**Attention: Robert Parlane**

**Subject: UDI's Position on Parks Development DCC**

UDI Okanagan has appreciated being one of the core stakeholders that the City of Kelowna has consulted with as it works to develop a Parks Development DCC.

After several rounds of feedback and consultation with the City as well as the other stakeholders, we cannot endorse the City of Kelowna's Parks Development DCC at this time. The three core reasons for our opposition to this program are listed below:

- **Affordability** – This adds a significant cost burden on new home purchasers in a time when there is an issue with housing affordability. The industry has already been facing increasing cost pressures from a number of different places such as the Speculation and Vacancy Tax, the mortgage stress tests, the Step Code, and others. Adding further costs simply increases the likelihood of projects being put on hold or cancelled until the market is able to bare the increased cost. The addition of this DCC has a ranging effect depending on the housing product being considered. While staff maintain that it may only be 1% of an average single family home, it is significantly more on an entry level condominium unit. Furthermore, as a flat rate DCC, the impact compared to total DCC's is also much greater on urban types of housing that would otherwise benefit from the "density gradient" approach to other DCC's.
- **Equity** – All new homes to date have contributed to the acquisition of parkland with the expectation that the City would fund the development through broad community wide tools such as taxation, grants or levies. With the proposed DCC, only new housing will pay the full cost of new park development while it still pays into community wide programs such as taxation and levies. If there were no deficit, then this program may be more equitable. As it stands, the only equitable way forward would be to continue funding park development through general measures.
- **Deficit** – Without a clear plan to tackle the existing parks deficit, it can never be a fair process using a DCC approach. City Council is contemplating adding this charge when there is an acknowledged deficit of 50% of all existing parkland that is either not developed or underdeveloped. Industry has no confidence that this program will do anything to advance park

development that is more in step with where the funds are collected. Rather, the funds will go to improve many existing parks and the deficit in many areas will continue.

If this City decides to move forward with this despite the objections of UDI and other stakeholders, we suggest that at the very least the City hold off adopting this new Parks DCC until the new Official Community Plan (OCP) has been adopted. The reason for this is that the numbers for the Parks Development DCC would be significantly different than they are today if the Parks Development DCC were to be based on the new OCP versus the existing one.

Sincerely,

**URBAN DEVELOPMENT INSTITUTE OKANAGAN CHAPTER**

A handwritten signature in blue ink, appearing to read 'R. Threlfall', is positioned above the typed name.

Per: Rich Threlfall, Chair of UDI Okanagan





**URBAN DEVELOPMENT INSTITUTE- OKANAGAN CHAPTER**

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July 12, 2019

City of Kelowna  
1435 Water Street  
Kelowna, BC, V1Y 1J4

**Attention: Robert Parlane**

**Subject: Parks Development DCC**

Thank you for meeting with representatives of UDI Okanagan on June 25, 2019 to receive an update on the City of Kelowna's proposed Parks Development Funding Strategy.


- We are pleased to see that staff agrees that the calculation for the Parks Development DCC should only be based on costs associated with new growth, and not to pay for the existing shortfall.
- When we first met with the City approximately a year ago to discuss this proposed Parks Development DCC, the cost was projected to be roughly \$3,000. Now, it has increased to approximately \$7,000. We would like the opportunity to more deeply examine the numbers behind this significant cost increase to see if it is reasonable before it is adopted by Council. For this reason, we ask that City staff not expedite moving this through Council and instead work with UDI and other stakeholders to dig deeper into the numbers so that we can be in a better position to either endorse or not endorse this new cost.

A detailed PowerPoint presentation was included as part of this meeting, which addressed many of the concerns noted in the June 16, 2018 letter from UDI stating concerns surrounding the proposed Parks Development DCC. As a follow-up to our meeting, we have the following additional comments, which we have incorporated into the notes of each City presentation slide for efficiency of discussion.



We would welcome the opportunity to meet again with the City to discuss further.

**URBAN DEVELOPMENT INSTITUTE OKANAGAN CHAPTER**

Per: Rich Threlfall, Chair of UDI Okanagan



## UDI comments

UDIOkanagan is not fundamentally opposed to the creation of a new Parks Development DCC, however, it is not fair to have the cost of past park development funding shortfalls added to the cost of new homes. We understand that the DCC guideline indicates that DCCs should not be used to make up past deficiencies in parkland. Instead, any new Parks Development DCC should only pay for the cost of park development as a result of new growth. As such, we recommend that the City explore alternative funding sources to make up for years of park development funding shortfalls.


- Concur. The current Parks Development Program has been designed to match growth.

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UDI does not agree with the Parks Development Program allocation of proposed park development. The projects identified and used to calculate the proposed DCC rate appear to be earmarked to develop parks that have been identified as existing deficiencies. The DCC program should not be used to make up past deficiencies. The concept of setting a development target to match acquisition rates is logical and supportable, but those funds cannot be used to retro-fit the existing deficits.

As a recent comparable example, a significant public consultation process had to be undertaken to simply approve the re-prioritization of the South Perimeter Road, notwithstanding that this road had already been identified as a growth-related DCC road. Utilizing a different approach to parks development does not seem justifiable. The City of Kelowna should not be using DCC development money (tied to acquisition) on existing deficiencies.

The concept should be not only to match acquisition rates, but to actually match the development dollars to the acquired project on a park-by-park basis. The principle should be that as growth-related park acquisitions are undertaken, the collected parks development DCC pooled funds are utilized immediately to fund the development of the matching acquisition. Otherwise, we are only deferring the same deficit in park development to future years.




## UDI comments

UDI requests that the City explore what the Parks Development DCC would be if only parks development needed for new growth was included.

- Concur. The Parks Development Program has been designed to only match the same acquisition parameters for new growth: 2.2 Ha/1000.

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While UDI is in agreement that a 'matching rate' of acquisition to development is logical, the development DCC funds collected cannot be utilized to fund existing parks shortfalls. Following this approach will only defer the infrastructure shortfall indefinitely on stream carried forward to more expensive periods.




## UDI comments

UDI requests rationale supporting the proposed 100% allocation of 'future' community, recreation, and city-wide park development to new growth. Is it reasonable to suggest that there will be no benefit to the existing population with the development of these future park sites (particularly the city-wide and recreation park sites)?

- Concur. Some existing residents will benefit from new parks, just as new residents will benefit from existing parks.
- We can define the rate of park development we need to keep up with population growth.
- This proposal to match the development rate to the acquisition rate is the simplest, and most equitable.

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It is reasonable to assume that neighbourhood and community parks should be allocated 100% to growth, but city-wide and recreation parks and linear parks should have an existing benefit allocation. If new and existing residents are assumed to use the city-wide parks on a equal basis, the split of benefit should be pro-rata based on population.



UDI comments

UDI  
Unit Development Index

City of Kelowna

Would higher density housing units be subject to the same Park Development DCC rates as single family?

- Both would have the same standard unit rate.

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A per square foot rate on DCCs all levied at the building stage is a suggestion that UDI would like to again propose to the City. Kamloops has moved to a per square foot approach to all DCCs.

Since this additional cost will ultimately be borne by the home buyer, the City is encouraged to reconsider implementing a phased approach given the other issues buyers are faced with such as cost increases related to Step Code, construction price escalation, etc. as well as tightened mortgage rules and other issues.



## UDI comments

UDI suggests that the City explore extending the time horizon beyond 20 years for catch up on past park development funding shortfalls.

- The current Parks Development Plan does not include any catch up.

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Robert discussed during this slide presentation that “Should Council subsequently increase the development rate to include catch up, the Benefit Allocation would increase proportionately and there would be no change in the value of the Parks DCC.”

From UDI's perspective, this is what should be applied with the specific projects being funded (the 120 pages of master planned parks etc. used to calculate the DCC charges). A significant number of the projects are not growth related and therefore it is incorrect to allocate 100% of the development of existing shortfalls simply because they fall within a category of 2.2Ha allocation.

If specific park development is not tied to a specific \*new\* acquisition, then development of said park cannot be considered a growth-related development project.





## UDI comments



UDI would like to have further conversations with the City around the current standard of 2.2 hectares of park space, as well as how this compares to other similar municipalities.

- Kelowna has one of the lowest standards for park space amongst comparable cities in the Province.

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UDI would like to have further clarification with the City around the current standard of 2.2 hectares of park space.

Does the 2.2 hectares of park space pertain to the standards we want to acquire as we grow, or does it reflect the existing standards, which we are trying to maintain? Or, is there a bit of "catch up" involved that will get us to a future standard after a certain amount of growth? When comparing to other cities, are we comparing only to their bylaw acquisition standards, or existing standards as well? Perhaps the acquisition standards of comparative cities are high due to years of under-acquiring which have resulted in aggressive standards to catch up retroactively? What exactly are we comparing?



## UDI comments



UDI recommends that the City explore options for utilizing a portion of the current Parks Land Acquisition DCC for parks development until such time as the shortfall is made up.

- The Parks Development Plan is not seeking to make up the shortfall.

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The City states that the parks development DCC is not seeking to make up the shortfall, but the funding calculations are determined based on detailed costs analysis of developing/improving existing (already-acquired) park deficiencies.






## UDI comments

UDI suggests that the proposed Parks DCC be allocated on a sector basis so that it is consistent with the other components of the overall DCC program.



- Most parks serve user groups from across the City.
- We see no benefit, and unnecessary complexity from using a sector based system.

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At our meeting, we touched on a philosophical difference of opinion that is worth repeating. Since parks are such a community good, the reality is that neighbourhood parks are the only type of parks where the benefit is truly only associated with a physical area. For this reason, we believe that it would be more equitable to only have neighbourhood parks as a DCC component and have the rest of the parks development cost go into a levy or general taxation.



## UDI comments

If a developer provides natural open space land that serves as a public amenity (nature trails), the developer should receive credit for this. It should be considered in the City's parks requirements of 2.2 ha/1,000 people. Please confirm if this would be the case with this new Parks DCC.

- Distinction needs to be maintained between the Active Park and natural areas.
- No change is proposed to the current dedication of natural spaces.

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The City states that no change is proposed to the current dedication of natural spaces. However, the parks department is consulted as part of the subdivision approval and DP process, and often the DP and PLR requirements state that the developer must dedicate and construct park trail systems (complete with the fire mitigation works). If these trail systems are a requirement by the parks department, they should be subject to a DCC credit. If they are not considered a valid component of the City Parks system, then they should not be a requirement for development.



## UDI comments

**UDI**  
Urban Development Institute

City of  
**Kelowna**


The DCC projects should have associated triggers based on growth projections that would prioritize and indicate when projects are developed. This will generate consistency and tie parks development projects to where the development is actually occurring.

- The program is designed as a City-wide program.
- Priority determined by:
  - Growth nodes identified in 2030 OCP
  - Alignment with Ten Year Capital Plan
  - Identified as Park in 2030 OCP



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The City is encouraged to track where the park funds are collected versus where the funds are spent. One suggestion would be to track core area and non-core areas.

We still have concerns with the disconnect between parks acquisition and parks development. Essentially, the people that will ultimately be paying this new Parks Development DCC will not necessarily be the ones to get the benefit of the parks in their neighbourhood. The parks will be built but they could be built in a completely different area of town from where the development occurred, which would result in people having to pay more money but not getting any benefit for it in their neighbourhood. This does not seem equitable.



## UDI comments

Would the City be able to provide some mapping of where the 15 hectares of neighbourhood parks attributed to new growth are expected to be located, along with the 27 hectares of community parks?

- Mapping is provided for the proposed Parks Development Program for the next ten years.
- Current work on the 2040 OCP will determine long-term locations, but is not available currently.

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If the acquisition and development are truly growth-related, being implemented on new growth starting in 2020, the development should only be applied to the newly acquired parks post-2020 (which would presumably be fully funded to be immediately developed with the utilization of development DCC funds that pool until that specific park acquisition - targeted by growth - is triggered).

On both the acquisition and development end, the City-wide and Recreation targets do not appear to be realistic; there are not identified areas of land that are available to be acquired to achieve the stated goals.

Is the City able to identify the \*new acquisitions\* proposed for community, and city-wide parks? These would be lands that are not currently owned and designated as park land by the City of Kelowna. If these cannot be shown to be viable, perhaps the 2.2 Ha acquisition DCC (and corresponding development DCC) needs to be re-visited.



## UDI comments




If those lands mentioned in the point above already exist in the form of dedicated park land that has not yet been developed, it should be added to the category of existing development deficiency in table 4.1 and should not be expected to be covered by future growth through a DCC.

- The Parks Development program is designed to match the acquisition rate.
- The Benefit Allocation is determined on this rate as a whole, not on a park by park basis.

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There is no issue from UDI 's perspective in matching a development DCC to an acquisition rate, however those funds earmarked to develop future acquisitions cannot be re-purposed to fund existing deficits.



If there is a difference in interpretation, UDI recommends receiving guidance from the Ministry to confirm the correct application of the provincial legislation before further endorsements are presented to Council.



## UDI comments

UDI recommends that the City provide revised unit rates on growth projections to get a more accurate unit rate DCC figure. Those used for the presentation to Council were based on the last capital plan and it would be more meaningful to look at the numbers with the same projections being used for the upcoming Official Community Plan (OCP).

- The DCC figure is based on the current growth figures in the existing 20 Year Servicing Plan and Financing Strategy.
- These will be revised following the adoption of the 2040 OCP.

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Parks Acquisition: \$7,346/unit  
Total Parks DCC: \$14,526/unit


Parks Development: \$7,180/unit

In the latest OCP preferred growth scenario endorsed by Council, the housing split will result in 29,825 new housing units by 2040. Based on the proposed DCC rates above, this will equate to over **\$433 Million dollars collected in DCCs**.

This figure seems excessive. In their 2018 Report to Council, the Urban Systems report identified a \$198 million 20 year required funding, which included \$71M of existing development deficit. Even if we assume the \$120M of undeveloped Future parks identified in the report had zero existing benefit and 100% eligibility for costs towards development, this still leaves an excess \$300M in the combined parks DCC fund. (not including the \$18M surplus currently sitting in the Parks DCC acquisition fund).

Based on high level analysis, it seems the DCC rates are inappropriately high in the short term, and will (should) be lowered in consideration of the units projected under the 2040 OCP update. In the meantime, Kelowna is introducing a new, artificially high, DCC at a time when the housing market is already softening.





## UDI comments

As briefly mentioned at our meeting, any increase in DCC costs will be passed on to the end user. Increasing upfront costs simply results in increased purchase costs and therefore reduces affordability for those that need it the most.

- Evidence suggests, DCC increases seldom a true flow through cost. Housing prices will continue to be determined by the market.
- Those at the lower end of the market typically have the least amount of private outdoor space, and therefore have the most to gain from an enhanced parks program.

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Since this additional cost will ultimately be borne by the home buyer, the City is encouraged to reconsider implementing a phased approach given the other issues buyers are faced with such as cost increases related to Step Code, construction price escalation, etc. as well as tightened mortgage rules and other issues.

While it is true that housing costs are determined by the market, if there is no potential for developer profit (or too much threat of developer risk), preferred housing projects simply won't move forward. When the pent up market demand for the product is sufficient such that it ultimately drives up the market pricing, then Kelowna will see projects moving forward (at an unaffordable price).

Policy makers will continue to struggle to manage the issue of affordable housing without stronger consideration towards the economic principles of supply and demand.

## Eligible / Ineligible Elements



### Eligible Elements

- Grading and drainage
- Grading
- Planting grass
- Shrubs and Trees
- Irrigation
- Playgrounds
- Washrooms / Changerooms
- Plazas
- Pathways and Trails
- Site Furniture (e.g. benches)

### Ineligible Elements

- Parking Lots
- Access Roads
- Artificial Turf
- Buildings
- Structures (e.g. Picnic Shelters, Gazebos)
- Dugouts
- Bleachers
- Field Houses
- Sport Courts
- Baseball Diamonds
- Tracks
- Lighting
- Boardwalks

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It appears the City included a few items that are not specifically allowed under the Local Government Act, or at least as noted in the DCC guidance material. Items such as grading, plazas and site furniture do not appear to be allowed yet the City lists those as eligible elements. We recommend that the City revisit this and adhere to the DCC guidance material.





**URBAN DEVELOPMENT INSTITUTE- OKANAGAN CHAPTER**

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July 16, 2018

City of Kelowna  
1435 Water Street  
Kelowna, BC V1Y 1J4

**Attention: Joel Shaw**

**Subject: Parks Development DCC**

The Urban Development Institute (UDI) is a national association (with international affiliations) of the development industry and its related professions. The corporate members of the UDI - Okanagan Chapter represent hundreds of individuals involved in all facets of land development and planning, including: developers, property managers, financial lenders, lawyers, engineers, planners, architects, appraisers, real estate professionals, local governments and government agencies.

As a Partner in Community Building, the UDI Okanagan Chapter is committed to working with communities and governments to create and achieve the vision of balanced, well-planned, sustainable and affordable communities.

Thank you for inviting representatives of UDI Okanagan to meet with the City of Kelowna to discuss the City's proposed changes to the Development Cost Charge (DCC) program and the addition of new funding sources for park development, including a new Parks DCC. In addition to the many points raised at the meeting, we have had further consultation with our members and have the following additional comments and questions.

- UDI Okanagan is not fundamentally opposed to the creation of a new Parks Development DCC, however, it is not fair to have the cost of past park development funding shortfalls added to the cost of new homes. We understand that the DCC guideline indicates that DCCs should not be used to make up past deficiencies in parkland. Instead, any new Parks Development DCC should only pay for the cost of park development as a result of new growth. As such, we recommend that the City explore alternative funding sources to make up for years of park development funding shortfalls.
- UDI requests that the City explore what the Parks Development DCC would be if only parks development needed for new growth was included.
- UDI requests rationale supporting the proposed 100% allocation of 'future' community, recreation, and city-wide park development to new growth. Is it reasonable to suggest that there

will be no benefit to the existing population with the development of these future park sites (particularly the city-wide and recreation park sites)?

- Would higher density housing units be subject to the same Park Development DCC rates as single family?
- UDI suggests that the City explore extending the time horizon beyond 20 years for catch up on past park development funding shortfalls.
- UDI would like to have further conversations with the City around the current standard of 2.2 hectares of park space, as well as how this compares to other similar municipalities.
- UDI recommends that the City explore options for utilizing a portion of the current Parks Land Acquisition DCC for parks development until such time as the shortfall is made up.
- If a developer provides natural open space land that serves as a public amenity (nature trails), the developer should receive credit for this. It should be considered in the City's parks requirements of 2.2 ha/1,000 people. Please confirm if this would be the case with this new Parks DCC.
- UDI suggests that the proposed Parks DCC be allocated on a sector basis so that it is consistent with the other components of the overall DCC program.
- The DCC projects should have associated triggers based on growth projections that would prioritize and indicate when projects are developed. This will generate consistency and tie parks development projects to where the development is actually occurring.
- Would the City be able to provide some mapping of where the 15 hectares of neighbourhood parks attributed to new growth are expected to be located, along with the 27 hectares of community parks?
- If those lands mentioned in the point above already exist in the form of dedicated park land that has not yet been developed, it should be added to the category of existing development deficiency in table 4.1 and should not be expected to be covered by future growth through a DCC.
- UDI recommends that the City provide revised unit rates on growth projections to get a more accurate unit rate DCC figure. Those used for the presentation to Council were based on the last capital plan and it would be more meaningful to look at the numbers with the same projections being used for the upcoming Official Community Plan (OCP).

As briefly mentioned at our meeting, any increase in DCC costs will be passed on to the end user. Increasing upfront costs simply results in increased purchase costs and therefore reduces affordability for those that need it the most.

We would be happy to meet with the City of Kelowna again over the summer for further conversation and clarification related to the above points and questions. Please suggest a few dates that would be convenient for you to meet and we will work on arranging the meeting.

Sincerely,

**URBAN DEVELOPMENT INSTITUTE OKANAGAN CHAPTER**

Per: Kevin Edgecombe, Chair of UDI Okanagan