



City of  
**Kelowna**

# DCC Program Update

August 22<sup>nd</sup>, 2022

# Agenda

- ▶ Overview
- ▶ DCC Program Updates
- ▶ Proposed Rates
- ▶ Next Steps

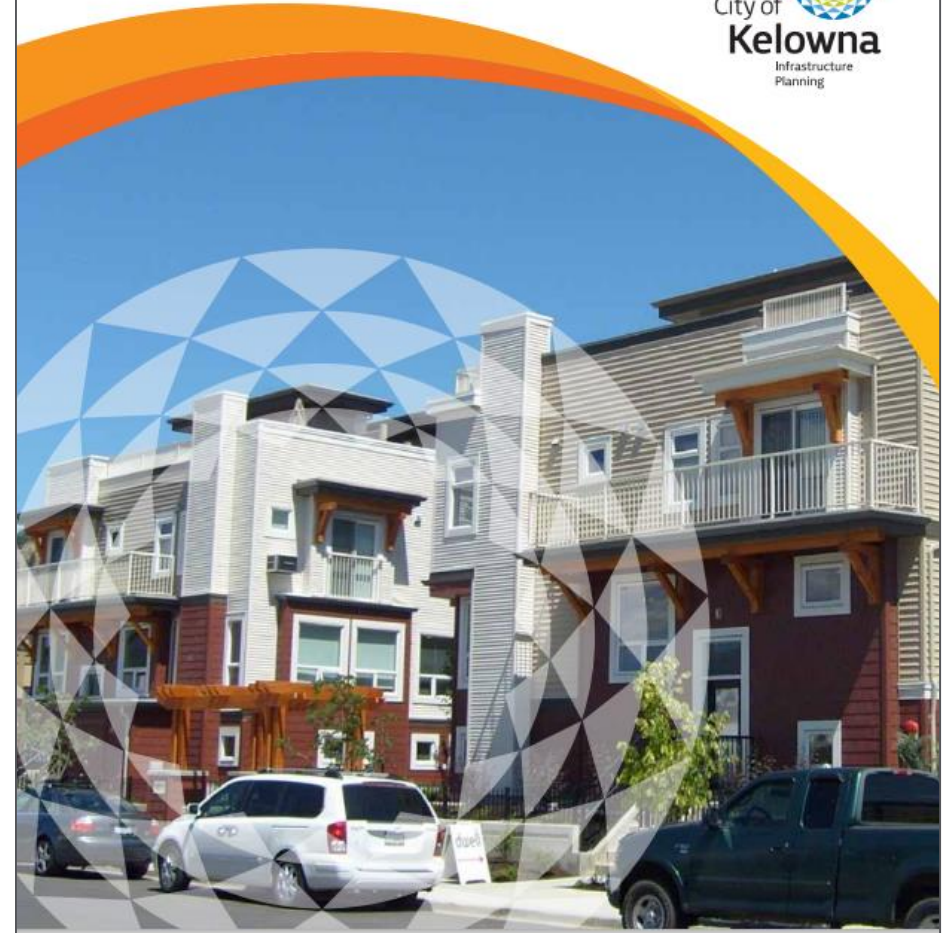


# DCC Program

- ▶ 20-Year Servicing Plan & Financing Strategy
- ▶ DCC Bylaw

20-Year Servicing Plan & Financing Strategy  
Development Cost Charge Rates

Effective June 13, 2011



CITY OF KELOWNA

2030 - 20 YEAR SERVICING PLAN  
AND FINANCING STRATEGY

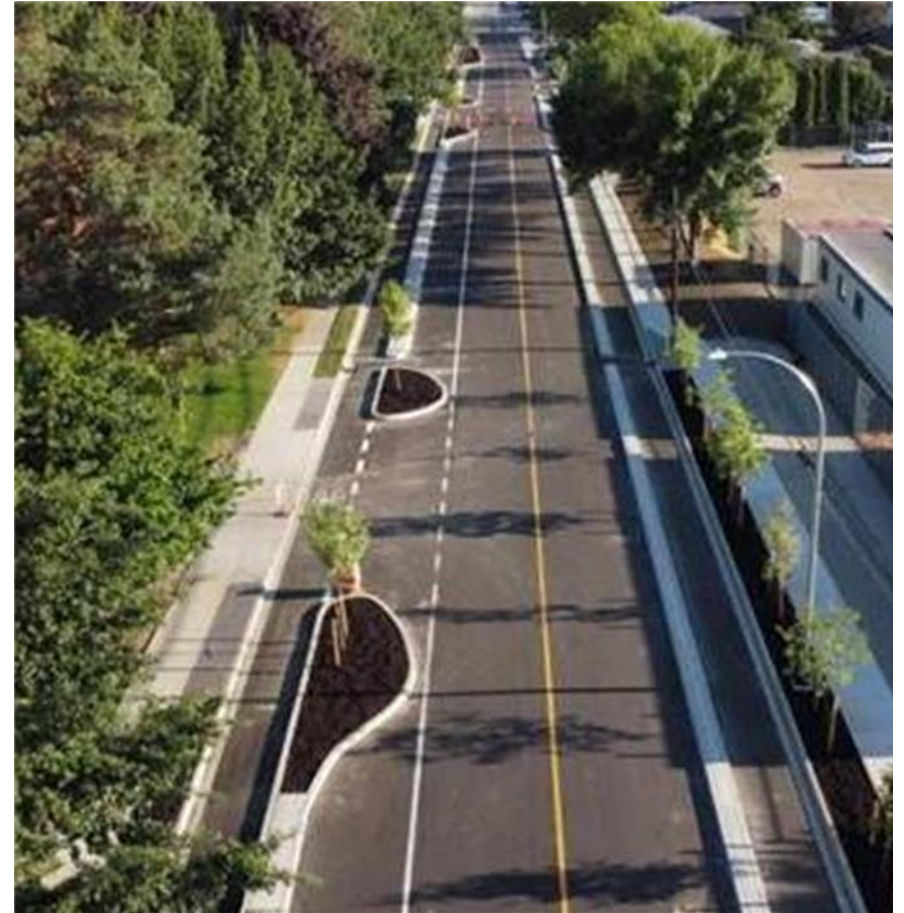
# What Are DCCs?

DCCs pay for the cost of expanding and upgrading the community's transportation, utility and park infrastructure to meet the needs and impacts of growth.

- ▶ DCCs are collected from developers at subdivision or building permit.
- ▶ DCCs are imposed by bylaw pursuant to the Local Government Act.
- ▶ DCCs facilitate development by providing a method to finance capital projects related to growth.
- ▶ Require approval from the Inspector of Municipalities.

# Eligible Infrastructure

- ▶ Transportation
- ▶ Sewage
- ▶ Water
- ▶ Drainage
- ▶ Parkland Acquisition & Improvement



# Ineligible Infrastructure

- ▶ Fire halls, police buildings,
- ▶ Recreation, cultural centers or libraries,
- ▶ City Hall, Works Yard,
- ▶ Arenas, sports field lighting, artificial turf, park buildings,
- ▶ Affordable housing,
- ▶ Childcare facilities,
- ▶ Operation & maintenance of City's infrastructure,
- ▶ New or upgraded works needed for the existing population.



# Why Update the DCC Program?

- ▶ Last DCC Program Update in 2019,
- ▶ Incorporate the impact of inflation on land & construction costs,
- ▶ Update the capital programs to reflect new 2040 OCP with 45,000 residents anticipated by 2040.
- ▶ Align transportation program with 2040 TMP,
- ▶ Update population data and how population & infrastructure demand is distributed across different development forms.

# DCC Update Objectives

- ▶ Infrastructure servicing plan & financial strategy to accommodate growth identified in 2040 OCP,
- ▶ Equitable approach that aligns with BC Best Practice Guide,
- ▶ Minimize rate increases,
- ▶ Simplify where possible and ensure transparency.





# Challenges & Big Moves



- ▶ Inflation since last update (2019)
  - ▶ >20% Construction
  - ▶ >40% Land
- ▶ New Storm Drainage DCC,
- ▶ Split Industrial category into Light and Heavy Industrial
- ▶ Secondary Suites and Carriage houses,
- ▶ Residential 5 category combined with Res 4,
- ▶ Parks Acquisition DCC for Commercial/Industrial,
- ▶ Shift to City wide DCC.

# Drainage DCC

## Existing Challenge:

- ▶ Program does not include Drainage DCC ,
- ▶ Urban core area planned for future development densification,
- ▶ Development increase runoff and demand on drainage system.

## Proposed Solution:

- ▶ Drainage DCC proposed to fund infrastructure along Mill Creek,
- ▶ DCC will be combined with DMAF grant & general revenue to fund project.



# Industrial DCC

## Existing Challenge:

- ▶ Kelowna Industrial DCC some of the lowest in province,
- ▶ Infrastructure demand based on land intensive industrial operations,
- ▶ Industrial type development shifting to 'light industrial'

## Proposed Solution:

- ▶ Split Industrial category in Light Industrial and Heavy Industrial,
- ▶ Heavy Industrial Category land intensive operations,
- ▶ Light Industrial calculated at 50% of Commercial DCC,
- ▶ Light/Heavy assessed based on Zoning Bylaw.



# Secondary Suites & Carriage Houses



## Existing Challenge:

- ▶ Secondary Suites & Carriage houses assessed \$2,500 flat rate DCC,
- ▶ Direct subsidy not permitted & flagged by Ministry,
- ▶ Does not accurately reflect infrastructure demand.

## Proposed Solution:

- ▶ Secondary suite not assessed DCC,
- ▶ Tax assist increased to match existing subsidy,
- ▶ Carriage houses assessed standalone DCC.

# Parks Acquisition DCC Commercial/Industrial

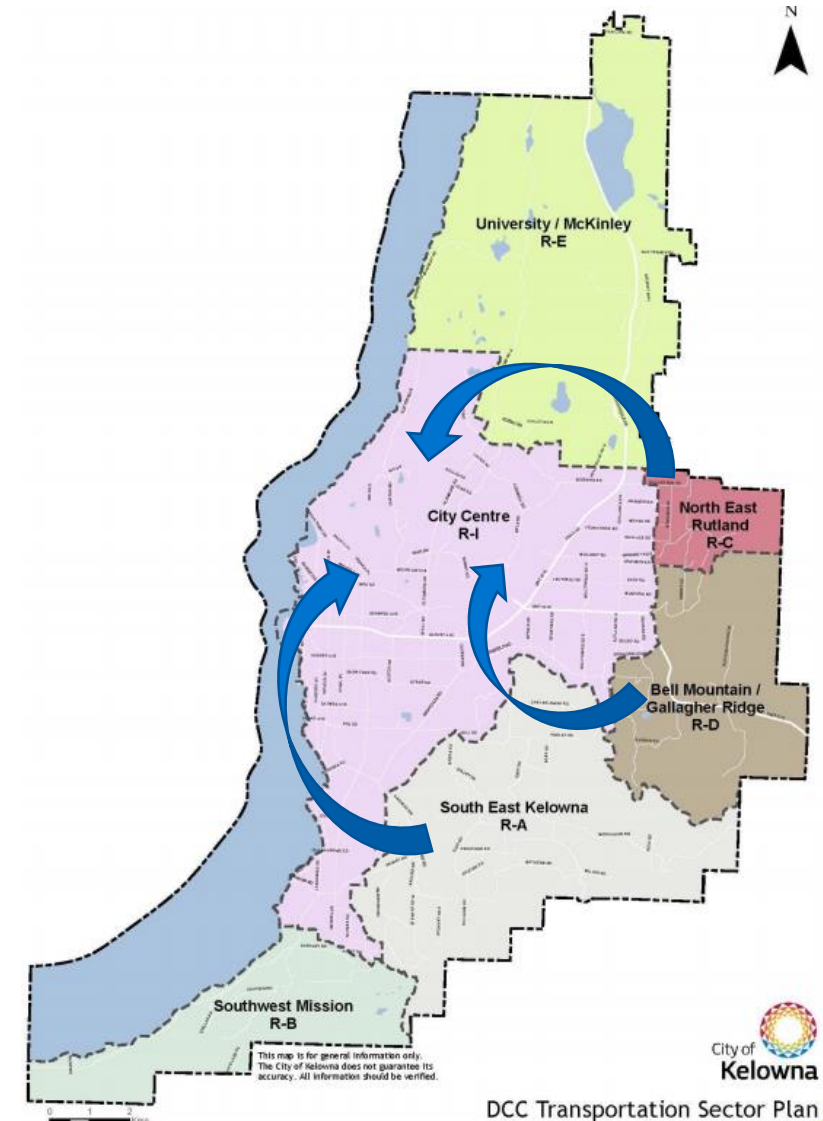
- ▶ Parks Development DCC added to DCC program in February 2020,
- ▶ Preferred scenario 'Model A – Full Implementation' included Commercial/Industrial Parks Acquisition DCC in Year 2.
- ▶ The has been added to the proposed DCC program.

**Table 1. Summary of Models for Parks Funding**

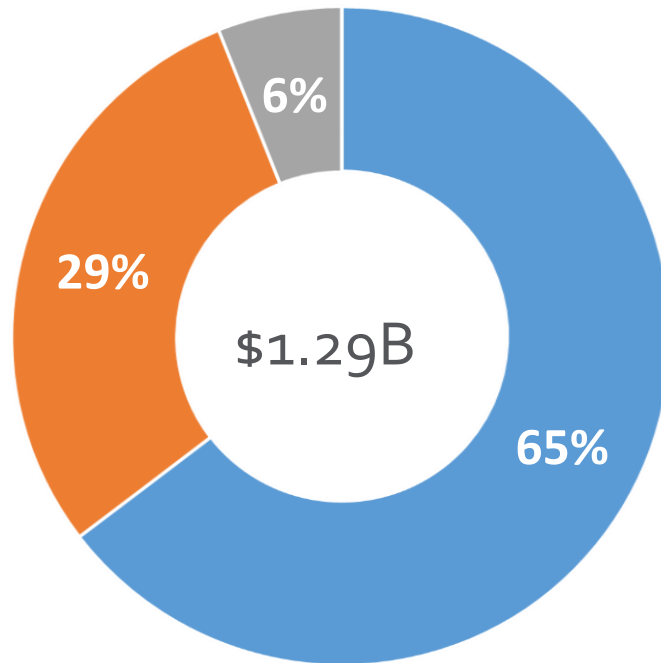
		Current Parks DCC	Model A - Full implementation	Model B - With 5% parkland dedication	Model C - Staggered implementation
<b>Parkland Acquisition</b>					
Existing DCCs	<i>Neighbourhood</i>	✓	✓	✗	✓
	<i>Community</i>	✓	✓	✓	✓
	<i>Recreation</i>	✓	✓	✓	✓
	<i>City-wide</i>	✓	✓	✓	✓
New Linear Parkland Acquisition DCCs			✓	✓	✓
New Commercial/Industrial Acquisition DCCs			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
<b>Parkland Development</b>					
New DCCs	<i>Neighbourhood</i>		✓	✓	Yr 1 ✓
	<i>Community</i>		✓	✓	Yr 1 ✓
	<i>Recreation</i>		✓	✓	Yr 2 ✓
	<i>Linear</i>		✓	✓	Yr 2 ✓
	<i>City-wide</i>		✓	✓	Yr 3 ✓
New Commercial/Industrial Development DCCs			✓	✓	✓
Reduce taxation assist to 1% + 3.4%					

# DCC Sectors

- ▶ Water, Wastewater, Drainage & Parks assesses on a 'city-wide' DCC.
- ▶ Transportation has three sectors because of unique infrastructure needs.



# DCC Program

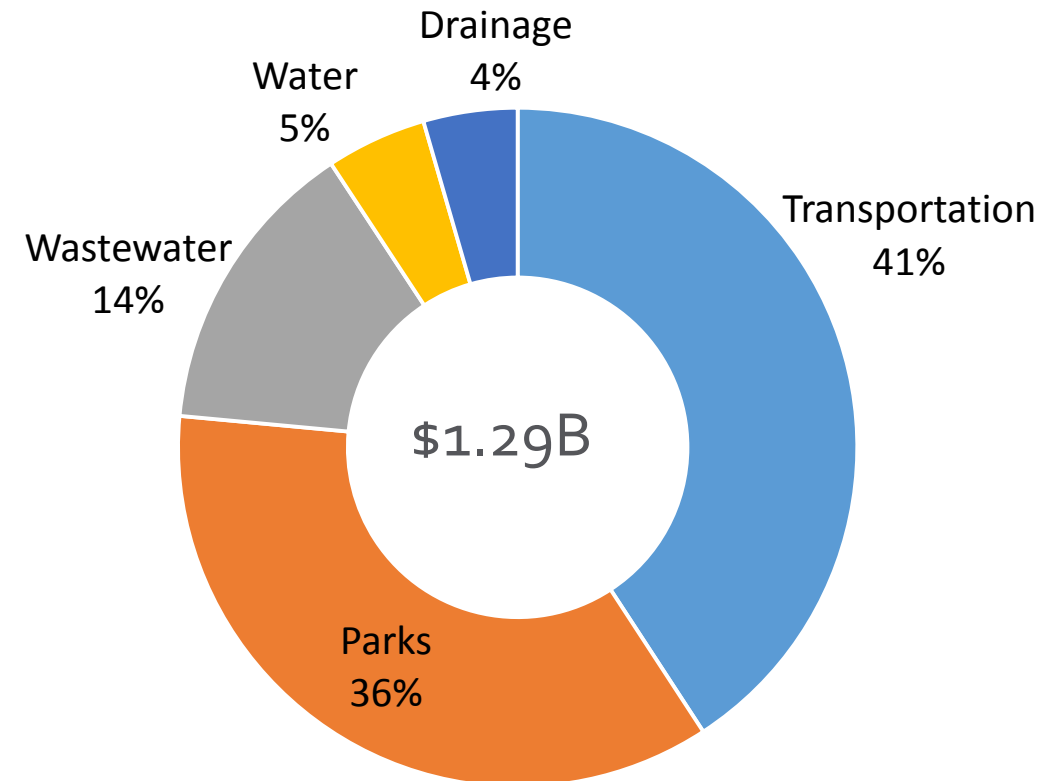


- DCC Recoverable
- Municipal Share
- Grant/Other

	Amount (\$ millions)
<b>Total Program</b>	<b>\$1,294</b>
DCC Recoverable	\$836
Municipal Share	\$380
Grant/Other	\$78

# DCC Services

	<b>Amount (\$ millions)</b>
<b>Total Program</b>	<b>\$1,294</b>
Transportation	\$528
Parks	\$462
Wastewater	\$184
Water	\$62
Drainage	\$58





# Municipal Assist Factor

## Municipal Assist Factors (%)

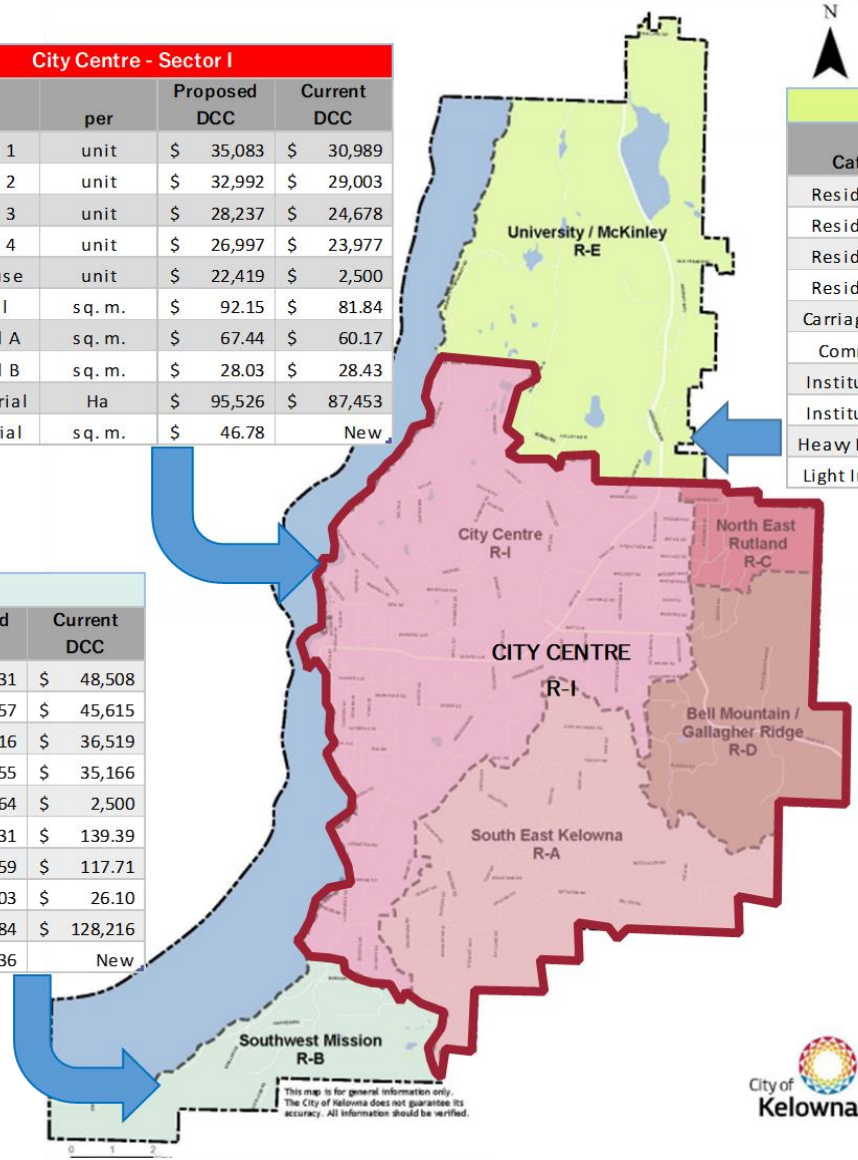
	Transportation	Water	Sewer	Drainage	Parks
<b>Base</b>	15%	1%	1%	1%	8%
<b>S. Suites</b>	1%	1%	1%	1%	3%
<b>Total</b>	<b>16%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>11%</b>

# Proposed DCC Rates

City Centre - Sector I			
Category	per	Proposed DCC	Current DCC
Residential 1	unit	\$ 35,083	\$ 30,989
Residential 2	unit	\$ 32,992	\$ 29,003
Residential 3	unit	\$ 28,237	\$ 24,678
Residential 4	unit	\$ 26,997	\$ 23,977
Carriage House	unit	\$ 22,419	\$ 2,500
Commercial	sq. m.	\$ 92.15	\$ 81.84
Institutional A	sq. m.	\$ 67.44	\$ 60.17
Institutional B	sq. m.	\$ 28.03	\$ 28.43
Heavy Industrial	Ha	\$ 95,526	\$ 87,453
Light Industrial	sq. m.	\$ 46.78	New

North of City Centre - Sector E			
Category	per	Proposed DCC	Current DCC
Residential 1	unit	\$ 41,800	\$ 33,147
Residential 2	unit	\$ 39,064	\$ 31,438
Residential 3	unit	\$ 32,750	\$ 26,410
Residential 4	unit	\$ 31,110	\$ 25,772
Carriage House	unit	\$ 24,960	\$ 2,500
Commercial	sq. m.	\$ 114.39	\$ 87.75
Institutional A	sq. m.	\$ 89.68	\$ 66.08
Institutional B	sq. m.	\$ 24.72	\$ 22.22
Heavy Industrial	Ha	\$ 109,047	\$ 86,097
Light Industrial	sq. m.	\$ 57.90	New

SW Mission - Sector B			
Category	per	Proposed DCC	Current DCC
Residential 1	unit	\$ 50,531	\$ 48,508
Residential 2	unit	\$ 46,957	\$ 45,615
Residential 3	unit	\$ 38,616	\$ 36,519
Residential 4	unit	\$ 36,455	\$ 35,166
Carriage House	unit	\$ 28,264	\$ 2,500
Commercial	sq. m.	\$ 143.31	\$ 139.39
Institutional A	sq. m.	\$ 118.59	\$ 117.71
Institutional B	sq. m.	\$ 28.03	\$ 26.10
Heavy Industrial	Ha	\$ 133,684	\$ 128,216
Light Industrial	sq. m.	\$ 72.36	New



\* Most of Sector E not serviced by City water so charges assume no water DCC. Service provided by others.

This map is for general information only. The City of Kelowna does not guarantee its accuracy. All information should be verified.



# Stakeholder Engagement

- ▶ Met with UDI many times over the last two years,
- ▶ Also met with CHBA, UBCO and Okanagan College.
- ▶ Remaining concerns:
  - ▶ *Secondary Suites and how the subsidy is now shown as part of the municipal assist.*
  - ▶ *Historic accounting of the municipal assist amount & how it did not align with best practice.*
  - ▶ *The shift from sector based to city wide for water infrastructure is inequitable to Sector B development.*
  - ▶ *The DCC increase negatively affects housing affordability.*

# Housing affordability & DCCs

- ▶ Residential DCCs represent only a small (3–5%) of the purchase price.
- ▶ DCC facilitate housing supply by providing core infrastructure.
- ▶ DCCs as a percentage of housing price are equal to or less than what they were 10-years ago.

	2010	2022
<b>Single Family Home</b>		
Inner Core	4.30%	2.86%
Southwest Mission	5.03%	3.27%
North of Inner City	3.83%	2.43%
<b>Apartment (mid-high rise)</b>		
Inner Core	5.12%	5.07%
Southwest Mission	N/A	N/A
North of Inner City	5.60%	5.42%

# Proposed DCC increases are lower than DCC Updates in Other Jurisdictions

City	Year	Rate Adjustment
Metro Vancouver Sewerage	Proposed	+85%
Regional District of Nanaimo	Proposed	+39%
City of Coquitlam	Proposed	+33%
District of North Vancouver	2018	+40% to +80%
City of Markham	2022	+44%
District of Langley	2020	+80%
City of Toronto, ON	2018	+85%
	2022	+45%
City of Vancouver	2017	+25%
	2022	+25%

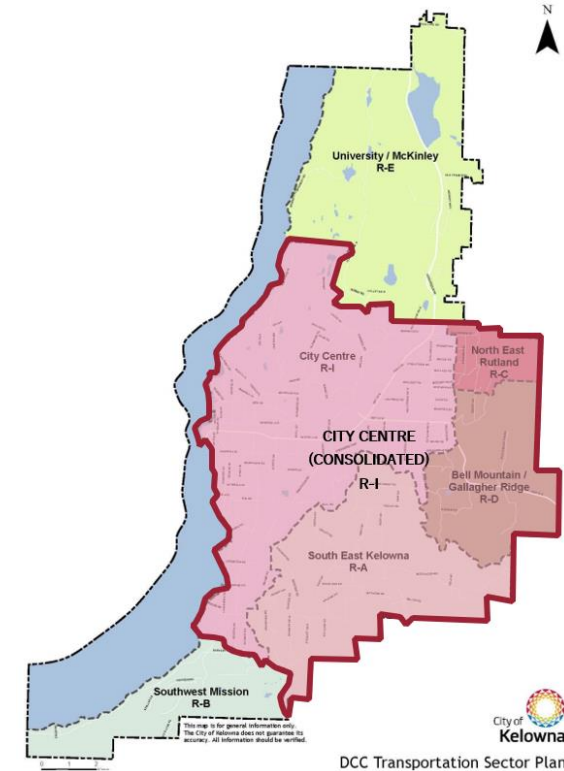
# DCC Rate Comparison: Residential 1 – Inner City

## Kelowna Rates

Scenario	Current	Proposed	Increase
\$/unit	\$30,989	\$35,083	\$4,095 (13%)

## Comparator Rates

Municipality	\$/ Unit
Langley Township (2022)*	\$57,603
Coquitlam (2022 proposed)*	\$69,669
Surrey (2022)*	\$57,842
Richmond (2019)*	\$49,937
Vernon (2020)	\$20,168
Kamloops (2020)	\$12,275



# DCC Rate Comparison: Residential 4 – Inner City

## Kelowna Rates

Scenario	Current	Proposed	Increase
\$/unit	\$23,977	\$26,997	\$3,020 (13%)

## Comparator Rates

Municipality	\$/ Unit
Langley Township (2022)*	\$32,470
Surrey (2022)*	\$32,132
Coquitlam (2022 proposed)*	\$28,517
Richmond (2019)*	\$20,309
Vernon (2020)	\$10,656
Kamloops (2020)	\$5,022



# DCC Rate Comparison: Commercial – Inner City

## Kelowna Rates

Scenario	Current	Proposed	Increase
\$/Square meter	\$81.84	\$92.15	\$10.31 (12%)

## Comparator Rates

Municipality	\$/ Square meter
Richmond (2019)*	\$180.49
Langley Township (2022)*	\$164.05
Surrey (2022)*	\$160.45
Coquitlam (2022 proposed)*	\$117.86
Kamloops (2020)	\$72.05
Vernon (2020)	\$45.79





# DCC Rate Comparison: Light Industrial (new) - Inner City

## Kelowna Rates

Scenario	Current <sup>1</sup>	Proposed	Increase
\$/Square meter	\$25.72	\$46.78	\$21.06 (82%)

## Comparator Rates

Municipality	\$/ Square meter
Richmond (2019)*	\$134.20
Langley Township (2022)*	\$103.21
Kamloops (2020)	\$88.33
Surrey (2022)*	\$76.65
Coquitlam (2022 proposed)*	\$64.53
Vernon (2020)	\$44.78



# DCC Rate Comparison: Heavy Industrial - Inner City

## Kelowna Rates

Scenario	Current	Proposed	Increase
\$/Hectare	\$87,453	\$95,526	\$8,073 (9%)

## Comparator Rates

Municipality	\$/ Hectare
Langley Township (2022)*	\$361,252
Kamloops (2020)	\$309,168
Surrey (2022)*	\$268,267
Coquitlam (2022 proposed)*	\$225,852
Vernon (2020)	\$156,742
Richmond (2019)*	\$108,814



# Implementation

- ▶ DCC Bylaw (12420) sets out charges,
- ▶ DCC Reserve Reduction Bylaw (12419) necessary to drawdown existing reserve balances of consolidated sectors.



# In-Stream Protection

- ▶ New DCC rates will be effective at bylaw adoption,
- ▶ Legislation provides one-year grace period for in-stream applications\*
  - ▶ Building permit applications,
  - ▶ Subdivision applications.

*\* Applications must be complete & received prior to adoption of the new bylaw.*

# Borrowing

- ▶ Wastewater anaerobic Digester will require borrowing to front-end this large investment (\$78 million),
- ▶ Project planned for 2030 but still requires additional pre-design work,
- ▶ Ministry requires Council resolution for inclusion of interest on the amount borrowed in the DCC rate calculations,
- ▶ DCC Bylaw will be amended if the strategy of solids management changes.

# Final Thoughts

- ▶ DCC program services expected growth to 2040 & aligns with OCP, TMP and Zoning Bylaw,
- ▶ DCC update achieves a balanced approach with new development funding growth related infrastructure,
- ▶ Key cost drivers (land and construction) are beyond City's control,
- ▶ DCC increases were minimized, and
- ▶ DCC program is understandable, transparent & aligns with best practice.



*Questions?*

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