



THE CORPORATION OF THE CITY OF COURTENAY

STAFF REPORT

To: Council
From: Chief Administrative Officer
Subject: Development Cost Charges Bylaw No. 2840, 2016

File No.: 3150-34436
Date: February 1, 2016

PURPOSE:

The purpose of this report is for Council to consider the proposed revisions to the City's Development Cost Charges bylaw and for Council to consider "Development Cost Charges Bylaw No. 2840, 2016" proceed to first reading.

EXECUTIVE SUMMARY:

The current City of Courtenay Development Cost Charges Bylaw No. 2426 was approved in 2005. In spring 2015 the City initiated an interim update to the DCC bylaw based on additional property that became part of the City through various boundary extensions, updating the program projects lists and updating the project costs to current dollars.

Development Cost Charges (DCCs) are levied on new development to assist in financing the cost of upgrading or providing infrastructure services (road, water, sewer, and drainage) or acquiring and developing parkland needed to support new development. It is a development finance tool based on the principle of "Developer share, not Developer pay."

The DCCs Best Practices Guide identified the principles that a DCC program should be based on:

- Benefiter pay,
- Fairness and Equity,
- Certainty,
- Integration,
- Accountability, and
- Consultative input.

The technical process to update the DCCs rates has been completed as follows:

- Identify the program timeline,
- Identify the anticipated population growth rate,
- Identify infrastructure projects required to service that new growth,
- Allocate the benefit of that infrastructure to the new and existing population,
- Determine the municipal assist factor (Council policy decision), and
- Calculate DCC rates for each type of development.

In addition, the City consulted with the public, inclusive of the development community, in June 2015 regarding the proposed DCC rates. This included a Public Information Session on June 9, 2015 and request for written feedback from June 1 to July 3, 2015. Based on the feedback and additional analysis, the anticipated population growth rate was revised upward from 1 to 1.5% and the proposed DCC rates were amended accordingly. Subsequently, during the January 11th, 2016 Council meeting, Council directed that staff employ a 1% Assist Factor in preparing the final draft bylaw for Council consideration.

The proposed DCC rates for Bylaw No. 2840 are:

	Roads	Water	Storm Drainage	Sanitary Sewer	Parks	Total Development Cost Charges
Residential (Single Family)	\$2,770.23	\$456.08	\$1,427.30	\$1,445.01	\$972.55	\$7,071.17 Per unit
Multi-family Residential	\$15.57	\$3.22	\$10.08	\$4.34	\$6.87	\$40.07 Per sq metre total floor area
Commercial	\$36.48	\$1.19	\$3.71	\$6.50	n/a	\$47.88 Per sq metre total floor area
Institutional (Other)	\$36.48	\$1.61	\$5.04	\$6.50	n/a	\$47.88 Per sq metre total floor area
Congregate Care	\$7.78	\$7,625.05	\$23,862.45	\$2.17	n/a	\$16.60 Per sq metre total floor area
Industrial	\$29,760.23	\$456.08	\$1,427.30	\$1,445.01	n/a	\$85,814.14 Per hectare

The proposed rates are not significantly different than the current DCCs rates:

	2005 Bylaw Rates	Proposed 2016 Bylaw Rates	\$ Change in Rate	% Change in Rate
Residential (Single Family) Per unit	\$6,735.00	\$7,071.17	+\$336.17	+5%
Multi-family Residential Per sq metre total floor area	\$41.35	\$40.07	-\$1.28	-3%
Commercial/Institutional Per sq metre total floor area	\$62.52	\$47.88	-\$14.64	-23%
Industrial Per hectare	\$84,858.38	\$85,814.14	+\$955.76	+1%

In addition to the DCCs charged by the City of Courtenay, developers are also responsible for DCCs charged by the Comox Valley Regional District for water and sewer treatment.

In 2008 the Provincial Government enacted new legislation pertaining to Development Cost Charges. The legislative changes included the option for municipalities to partially or fully waive DCC's for the following classes of "eligible development":

- Not-for-profit rental housing, including supportive living housing;
- For-profit affordable rental housing;
- Subdivisions of small lots designed to result in low greenhouse gas emissions; and,
- Developments designed to result in a low environmental impact.

In order to implement one or more of these potential incentives, Council must adopt a bylaw that establishes definitions for each class of “eligible development”, corresponding rates of reduction, and requirements that must be met in order to obtain a waiver. It is recommended that this bylaw is adopted separately from the current DCC Update bylaw under consideration.

The next steps in the DCC Bylaw process are:

- February 1, 2016: Council consideration of the bylaw for first reading
- February 2016: Additional consultation with development community
- February – March 2016: Council considers the bylaw for second and third reading
- March – April 2016: Ministry review and approval
- April 2016: Bylaw adoption – Press release to ensure developers are aware of new rates
- April 2016: New DCC rates take effect

CAO RECOMMENDATIONS:

That based on the February 1st staff report entitled “*Development Cost Charges Bylaw No. 2840, 2016*”, Council approve option 1 and that Bylaw No. 2840, 2016 proceeds to 1st reading.

Respectfully submitted,



David Allen, BES, CLGEM, SCLGM
Chief Administrative Officer

BACKGROUND:

The City of Courtenay current Development Cost Charges Bylaw was approved in 2005. In spring 2015, the City initiated an interim update to the DCC bylaw based on additional property that became part of the City through various boundary extensions.

Development Cost Charges (DCCs) are levied on new development to assist in financing the cost of upgrading or providing infrastructure services (road, water, sewer, and drainage) or acquiring and developing parkland needed to support new development. It is a development finance tool based on the principle of “developer share, not developer pay.”

The *Local Government Act* will only allow municipalities to collect DCCs on certain items. These are:

- Capital upgrades to infrastructure (water, sanitary sewer, storm sewer and transportation); and
- Park land acquisition and park development.

DCC are not permitted to be utilized for:

- Operation and maintenance;
- New or upgraded works needed for the existing population; and
- Various recreation, cultural and safety amenities.

Over the last year, the City's consultants have undertaken the technical process of updating the DCC rates. This has involved:

- Identifying program timeline
 - 20 years program of infrastructure projects
 - This timeline does not prevent municipalities from reviewing or amending the program prior to this
- Identifying the anticipated population growth rate
 - 1.5% annually based the Official Community Plan projections
- Identify infrastructure projects required to service that new growth
 - Based on revising the previous infrastructure project lists by identifying projects completed, partially completed and new projects identified in infrastructure master plans and local area plans
 - Update costs to 2015 prices based on Engineering News-Record annual construction costs
- Allocate the benefit of infrastructure projects to the new and existing population
 - Based on population growth and location and type of infrastructure
- Review the existing municipal assist factor
 - A 1% assist factor as per Council direction in January 2016 and
- Calculate DCC rates for each type of development.

As part of this process there have been two presentations to Council (February 10, 2015 and May 25, 2015) and two briefing notes to Council (November 12, 2015 and January 5, 2016).

The City of Courtenay's consultation process consisted of information on the City's website and a public open house. The public open house was held on June 9, 2015 to discuss the proposed Courtenay DCC rates and background information. The public open house was advertised in the local newspaper for one week. In addition, a meeting notification was sent to individuals, companies or organizations that are active in the development industry in Courtenay. Written feedback related to the open house presentation materials was accepted by the Engineering Division from June 1 to July 3, 2015.

The public information meeting was attended by approximately 40 people who reviewed information poster boards and talked to City staff and the consultants. Attendees included developers, professionals that work in the development industry, affordable housing providers and members of the general public. General comments from the attendees were:

- Proposed rate increase was too high;
- Assumption about growth rate was too low;
- Support for waivers for affordable housing; and,
- Questions about DCC projects and how the DCC system worked (i.e. which developers benefit).

Based on the feedback, the population growth rate was re-considered and revised upward from 1 to 1.5% based on recent growth rate and development information.

DISCUSSION:

The following modifications were made to the draft DCC Bylaw based on the consultants review and recommendations, feedback from the community and direction from Council:

Types of development

Residential (single-family detached) DCCs will be levied at subdivision based on the number of lots created or at Building Permit stage where the lot already exists and has not previously paid DCCs for all the dwelling unit to be constructed.

In the City of Courtenay, single family residential units are permitted to have secondary suites in accordance with the zoning bylaw. In order to account for this additional impact on the infrastructure, encourage alternative housing options and ease administration of the Bylaw, the proposed single family residential DCC unit rate contains the assumption that some of the new units will include a secondary suite. Therefore, there is no additional DCC levy solely for a secondary suite. This modification to the bylaw is carried through from the bylaw revision completed in 2014.

Some local governments choose to charge multi-family DCCs based on a square metre basis rather than per unit. According to the *DCC Best Practices Guide*, "DCCs on a floor space basis for residential development are encouraged by the development industry." Charging multi-family DCCs on a square metre basis is also supported for affordable housing as smaller units are charged a lower DCC rates. This approach also recognizes the range of multi-family units (duplexes to large apartment buildings), without requiring separate categories of use (i.e. duplexes, townhouses, apartments, etc). Therefore, it is recommended that the City of Courtenay charge multi-family residential DCCs on a per square metre basis.

Assist Factor

The province requires municipalities to assist the development community by including a Municipal Assist Factor that is equal or greater than 1% and consistent among land uses when determine DCC rates. Increasing the assist factor above 1% would reduce the proportional amount of DCCs a developer would pay and increase the portion that is required to be paid by the City funded through general taxation. The City's previous DCC Bylaw included a 5% assist factor. For this interim update, Council has resolved to include a 1% assist factor in considering the proposed bylaw and new DCC rates.

Proposed Rates

The following tables provide the proposed DCC rates and a comparison to the City's current DCCs rates. A comparison to neighbouring and similar communities is provided in Appendix A.

Proposed DCC Rates

	Transportation	Water	Storm Drainage	Sanitary Sewer	Parks	Total DCC	% Change in Rate from 2005
Residential (Single Family)	\$2,770.23	\$456.08	\$1,427.30	\$1,445.01	\$972.55	\$7,071.17 Per unit	+5%
Residential (Multi-family)	\$15.57	\$3.22	\$10.08	\$4.34	\$6.87	\$40.07 Per sq. m. floor area	-3%
Commercial/ Institutional (Other)	\$36.48	\$1.19	\$3.71	\$6.50	n/a	\$47.88 Per sq. m. floor area	-23%
Congregate Care	\$7.78	\$1.61	\$5.04	\$6.50	n/a	\$16.60 Per sq m. floor area	n/a (new category)
Industrial	\$29,760.23	\$7,625.05	\$23,862.45	\$2.17	n/a	\$85,814.14 Per ha.	+1%

Comparison of Existing 2005 & Proposed 2016 DCC Rates

CITY OF COURTENAY – 2016 DCC SUMMARY¹

Land Use	Unit	Transportation		Stormwater		Sanitary	
		Current	Proposed	Current	Proposed	Current	Proposed
Residential (Single Family)	Per Unit	\$3,769.00	\$2,770.23	\$1,071.00	\$1,427.30	\$764.00	\$1,445.01
Multi-Family Residential	Per sq metre total floor area	\$23.13	\$15.57	\$3.21	\$10.08	\$6.05	\$4.34
Commercial/ Institutional (Other)	Per sq metre total floor area	\$54.21	\$36.48	\$4.82	\$3.71	\$2.23	\$6.50
Industrial	Per hectare	\$44,215.53	\$29,760.23	\$18,211.65	\$23,862.45	\$14,314.80	\$24,556.41
Congregate Care	Per sq metre total floor area		\$7.78		\$5.04		\$2.17

Land Use	Unit	Water		Parks		Total	
		Current	Proposed	Current	Proposed	Current	Proposed
Residential (Single Family)	Per Unit	\$433.00	\$456.08	\$698.00	\$972.55	\$6,735.00	\$7,071.17
Multi-Family Residential	Per sq metre total floor area	\$3.43	\$3.22	\$5.53	\$6.87	\$41.35	\$40.07
Commercial/ Institutional	Per sq metre total floor area	\$1.26	\$1.19	n/a	n/a	\$62.52	\$47.88
Industrial	Per hectare	\$8,117.40	\$7,625.05	n/a	n/a	\$84,858.38	\$85,814.14
Congregate Care	Per sq metre total floor area		\$1.61		n/a		\$16.60

¹ Notes: Current DCC rates for multi-family residential are charged on a per unit basis. For comparison, these are converted to a per sq metre basis assuming a 100m² unit size. Current DCC rates for Industrial property are charged on a per acre basis. For comparison, these rates are converted to a per hectare basis.

Waivers

In 2008 the Provincial Government enacted new legislation pertaining to Development Cost Charges. The legislative changes included the option for municipalities to partially or fully waive DCCs for the following classes of “eligible development”:

- Not-for-profit rental housing, including supportive living housing;
- For-profit affordable rental housing;
- Subdivisions of small lots designed to result in low greenhouse gas emissions; and,
- Developments designed to result in a low environmental impact.

In order to implement one or more of these potential incentives, Council must adopt a bylaw that establishes definitions for each class of “eligible development”, corresponding rates of reduction, and establish requirements to be met by the development in order to obtain the waiver. Council may choose to consider a DCC waiver bylaw, following the adoption of the DCC bylaw.

Next Steps

The next steps in the DCC Bylaw process are:

- February 1, 2016: Council consideration of the bylaw for first reading
- February 2016: Additional consultation with development community
- February – March 2016: Council considers the bylaw for second and third reading
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FINANCIAL IMPLICATIONS:

The DCC program is funded by both developers and the municipal government. Therefore, the City of Courtenay is responsible to fund a portion of the program. The basic DCC financial model is that the total program costs are calculated and the portion related to existing development is removed as well as the portion related to the Municipal Assist Factor. The remaining costs are recoverable through the DCC program.

The following table is a summary of DCC related costs projected to the year 2035.

Proposed DCC Recoverable Costs and City Responsibility

Service	Municipal Costs	DCC Recoverable Program Costs	Total Capital Costs
Transportation	\$30,116,803	\$12,432,529	\$42,549,331
Water	\$2,727,977	\$1,935,441	\$4,663,418
Sanitary Sewer	\$5,041,549	\$5,210,741	\$10,252,290
Storm Drainage	\$5,940,813	\$4,956,767	\$10,897,580
Park and Open Space	\$5,544,430	\$3,029,673	\$8,574,103

DCCs must be kept in a separate statutory reserve fund. A local government may only spend DCC monies, and the interest earned on them, for the category of projects for which they were originally collected. For example, DCCs collected for sewer may only be spent on new sewer infrastructure included in the DCC program.

ADMINISTRATIVE IMPLICATIONS:

This project is a 2015 department operational strategic priority and part of staff's Work Plan. Staff has spent approximately 50 hours to date implementing this project.

STRATEGIC PLAN REFERENCE:

The DCC Bylaw revision project is identified as an Engineering Department operational priority in Council's 2015 Strategic Priorities.

OFFICIAL COMMUNITY PLAN REFERENCE:

The City has a Development Cost Charge Bylaw which requires new development to contribute to the costs of upgrading services or the construction of new services which are largely a result of new growth.

Policy

1. The City will review the Development Cost Charge Bylaw on a regular basis to ensure charges are kept up-to-date and that the bylaw reflects the need to upgrade and add new municipal infrastructure.

REGIONAL GROWTH STRATEGY REFERENCE:

GOAL 5: INFRASTRUCTURE

Provide affordable, effective and efficient services and infrastructure that conserves land, water and energy resources.

Sewer

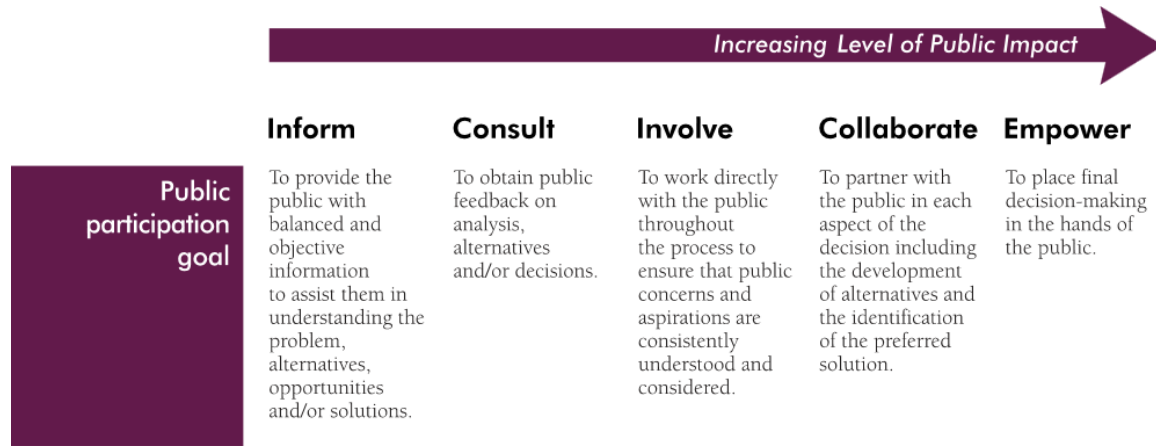
5D-2 New development will replace and/or upgrade aging sewer infrastructure or provide cash-in-lieu contributions for such upgrades through Development Cost Charges or similar financial contributions.

CITIZEN/PUBLIC ENGAGEMENT:

The City of Courtenay's consultation process consisted of information on the City's website and a public open house. The public open house attended by over 40 people was held on June 9, 2015 to discuss the proposed Courtenay DCC rates and background information. Written feedback related to the open house presentation materials was accepted by the Engineering Division from June 1 to July 3, 2015.

Staff has consulted the community based on the IAP2 Spectrum of Public Participation:

http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum_vertical.pdf



OPTIONS:

- Option 1 That Development Cost Charges Bylaw No. 2840, 2016 proceed to 1st Reading.
- Option 2 That Council directs staff to conduct further modifications to the proposed DCC rates for Council's consideration at a subsequent meeting.
- Option 3 That Council directs staff to not proceed with revising the DCC Bylaw.

Prepared by:

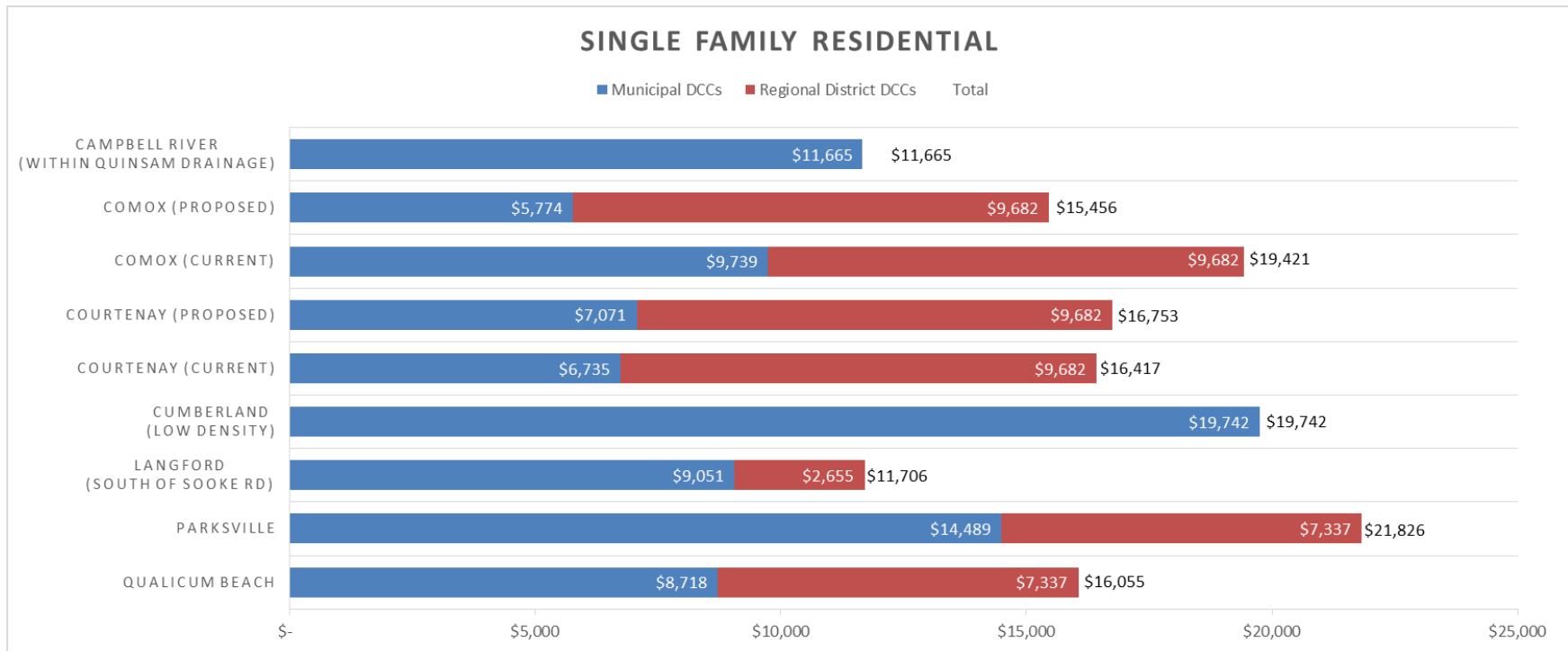
Lesley Hatch, P.Eng.
Director of Engineering Services

Attachments

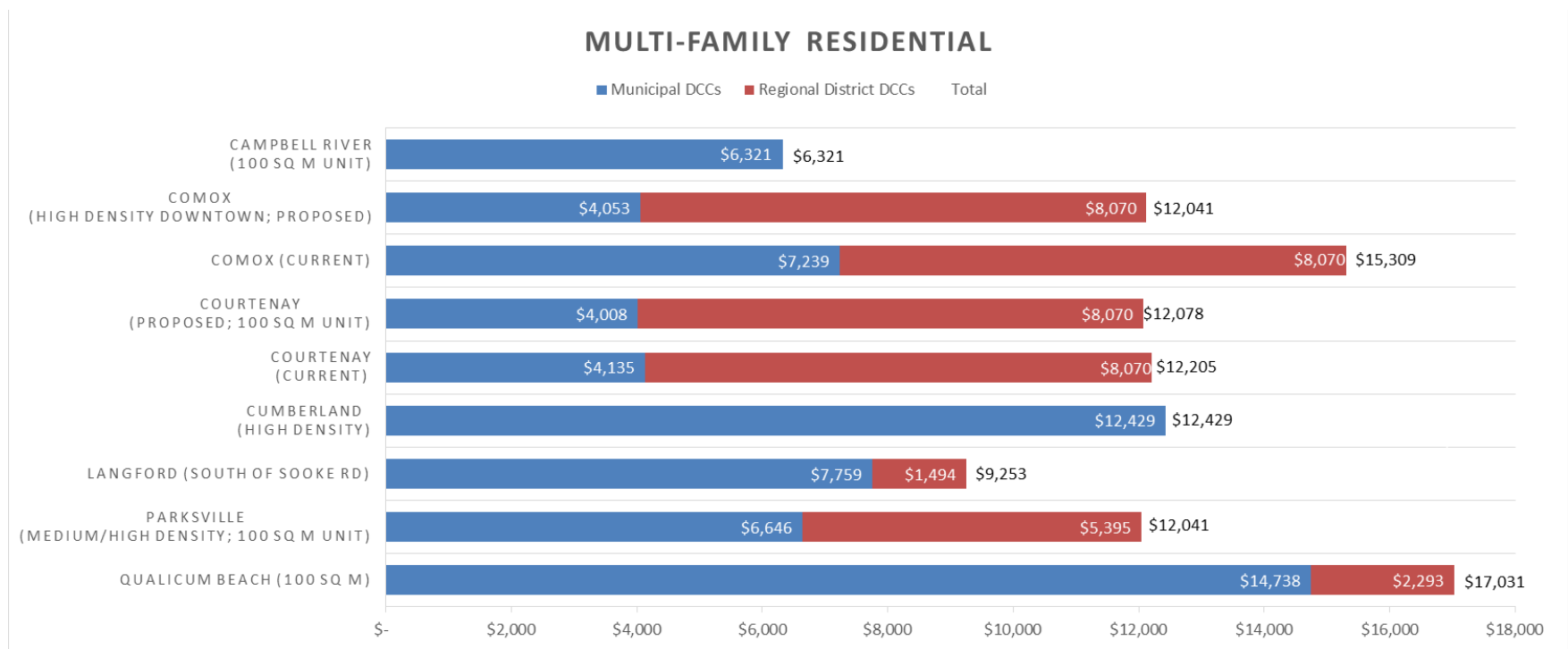
1. *Appendix A – Comparison of Rates with other Communities*

APPENDIX A

COMPARISON OF RATES (Including applicable Regional District DCC)

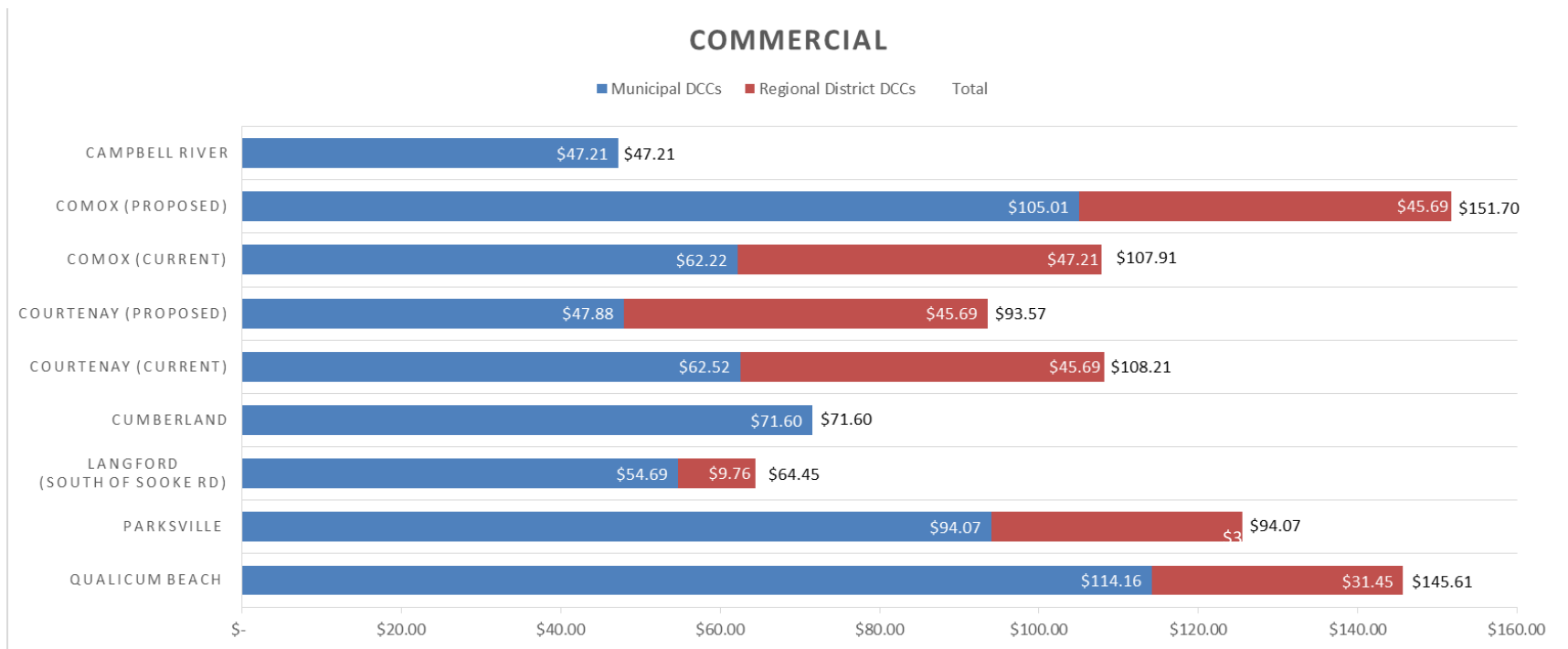


Note: Town of Comox is currently updated their DCC bylaw. This comparison reflects the Town’s current and proposed DCC rates.



Note: Town of Comox is currently updated their DCC bylaw. This comparison reflects the Town’s current and proposed DCC rates.

A majority of municipalities charge multi-family residential DCC rates on a per unit basis. For this comparison, residential units are assumed to be 100 sq m to enable the comparison.



Note: Town of Comox is currently updated their DCC bylaw. This comparison reflects the Town’s current and proposed DCC rates.