



Governance & Services Committee

TO: Governance and Services Committee

FROM: David Komaïke
Director of Engineering Services

DATE: October 1, 2019

SUBJECT: Development Cost Charge Review Update

Purpose: To update the Committee on the results of the consultation process associated with the proposed Development Cost Charge Bylaw amendments for the East Trunk Sanitary Sewer and Westside Waste Water Treatment Plant.

Executive Summary:

Over the past two years, the Westside Regional Wastewater Treatment Plant Select Stakeholder Committee has worked with their consultants and administration to update the DCC Bylaws to reflect new populations forecasts, development densities, revised projects and construction costs.

An important component of the DCC Bylaw amendment process is consultation with the various stakeholder groups; such as the development community, the general public, local government staff, Councils, & Boards, as well as Provincial government agencies that may be affected by the proposed changes.

At this time, staff wish to bring forward a summary of concerns and comments received to date from the various stakeholders prior to the wording in the bylaws being finalized and brought forward for Stakeholder Committee and Board consideration.

RECOMMENDATION:

THAT Governance & Services Committee receives, for information, the Development Cost Charge Bylaw update.

Respectfully Submitted:

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David Komaïke
Director of Engineering Services

Approved for Committee's Consideration

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Brian Reardon, CAO

Implications of Recommendation:

Financial: Ensure Asset, Service and Financial Sustainability

Policy: Ensure Responsible Growth and Development

Guiding Principles:

In the early 1990's, in response to complaints from the development community, the province established guiding principles for the development and implementation of DCCs bylaws. The DCC Best Practices Guide provides a foundation for the establishment of DCC's across the province and tries to ensure equity between developments and respect for the development process. The principles include:

- **Integration:** The DCC must fit into an overall growth strategy.
- **Benefiter Pays:** Those who need it should pay for it.
- **Fairness and Equity:** Between existing and new users; between various land uses.
- **Accountability:** Simple to administer, understand and accessible.
- **Certainty:** Sound planning of projects and certainty of rates.
- **Consultative:** Input for the public and development community.

Engagement:

Staff undertook an engagement process with internal and external stakeholders and the public to provide information and garner feedback on the proposed changes to the DCCs.

The engagement process included:

- A detailed review/amendment based upon comments received from planning, development and engineering departments
- Ongoing work with the Waste Water Treatment Plant Stakeholder Committee
- Presentations to the District of Peachland and City of West Kelowna Councils
- External stakeholder notification including the business and development community with opportunities for meetings and to attend an open house
- A digital open house to mirror information and feedback opportunities for those that couldn't attend face to face
- Supporting advertising, media and social media to further advise stakeholders and the public of engagement activities
- The period for feedback was open until September 27.

For a full description of the engagement activities, find attached the Engagement Summary.

Comments and Concerns Received:

The following is a summary of the comments received at the Open House held on September 11th at the Holiday Inn in West Kelowna. The number of attendees was relatively small but the comments are representative of the wide ranging opinions regarding the proposed DCC Bylaws.

What aspects of the proposed DCCs do you support?

1. It is needed for future growth. Passing on the cost the infrastructure cost to development is essential.
2. Development should pay their fair share.
3. I support the “fair and equitable” assignment of cost to growth as well as existing community beneficiaries.
4. Wastewater Treatment DCC
5. Infrastructure upgrades are obviously necessary.

What aspects of the proposed DCCs do you feel need changed?

1. The vision of West Kelowna, Peachland, WFN – where they’ll be in 10 years.
2. Consider phasing in DCC increases to sustain CWK’s competitive edge.
3. None.
4. The 1% assist factor from RDCO is an issue. Requiring these infrastructure upgrades to be funded entirely by new development is unfair to younger or newer residents, and essentially minimizes existing residents’ property tax increases at a high and unethical social cost.
5. The upgrades in the Casa Loma area of the collection system should be a separate DCC for that catchment area only.

Other comments you wish to add?

1. Foresight like this is essential.
2. Money collected should be kept in DCC fund for proposed project.
3. I believe it is not the intent of the Local Government Act to require a municipal assist factor to have the requirement limited to 1%, the lowest legal fulfillment of the law, is not like the “fair and equitable” – “benefiter pay” assist factor. Simply, the CORD is cheating growth predjudjustly (?prejudicially?).
4. Seems reasonable.
5. Concerned by the significant increases which can have a negative impact on the viability of development projects. We encourage the RDCO to explore a stepped approach to phase in DCC increases to mitigate the impact of the large increases all at once.

Comments received during Council presentations included:

1. Can the increase in DCC's be phased over several years? What would be the impact of any proposed phasing?
2. What mechanisms are in place to ensure that the new DCC Bylaws remain current and up-to-date in the future to ensure we keep pace with cost increases and avoid large increases in the future?

Comments received from the Urban Development Institute include:

1. Concerned by the significant 420 percent DCC increase on the East Trunk as well as the 32 percent increase in the Sanitary Treatment DCC. Large, unexpected increases like this can have a negative impact of the viability of development projects within the impacted municipalities.
2. A more equitable way of assessing DCCs would be on an area basis. i.e. The Casa Loma System Upgrade costs should be a separate DCC for that catchment area.
3. We would also encourage the RDCO to explore a stepped approach to phase in DCC increases to mitigate the impact of such a large increase all at once.

Comments received from the Ministry of Municipal Affairs:

1. The Ministry suggested that section 4.2 of our draft bylaws, which deal with exemptions for Not for Profit Rental Housing, should be placed in a separate bylaw under Section 563 of the LGA. This way if the RD wants to change that section or add other types of eligible forms of development to the bylaw, it would not require Ministry approval.

Administration comments:

While most of the comments received are of a general nature, there are two which could significantly impact the bylaws and how there are applied:

1. Phasing of cost increases; and
2. The creation of Specified Areas rather than Region wide bylaws.

1. Phase Cost Increases

The phasing of the bylaw could be accomplished over a number of years however this would create a funding shortfall in the DCC program. The Stakeholder Committee and member municipalities would need to determine how would this funding shortfall be alleviated and who ultimately would pay the added cost.

The impact of any proposed phasing of the DCC bylaws are difficult to determine as the extra number of dwelling units and commercial structures is unknown until after it occurs. For the sake of comparison, the "order of magnitude" costs if the East Trunk DCC was phased in over a 3-year period, have been summarized as follows:

East Trunk DCC – 3 Year Phasing – Cost Impacts					
Equivalent Dwellings per Year	Current DCC	Year 1 DCC Paid	Year 2 DCC Paid	Year 3 DCC Paid	Total Funding Shortfall
	\$564	\$1160	\$1757	\$2353	
300	\$169,200	\$348,100	\$527,000	\$705,900	\$536,700
500	\$282,000	\$580,167	\$878,333	\$1,176,500	\$894,500
1000	\$564,000	\$1,160,333	\$1,756,667	\$2,353,000	\$1,789,000

The funding shortfall represents the DCCs lost during the phase in of the cost increases over the 3-year period. This is the amount that the member municipalities would need to raise by alternative means to ensure that projects included in the DCC program are fully funded.

This approach is not supported by the Guiding Principles where the Benefiter Pays for costs needed to support growth and development. The phasing may also create a huge “glut” of dwelling units being pushed into the development pipeline in an effort to avoid the changes to the DCC.

2. Specified DCC Areas

The use of Specified Areas in the calculation of DCCs is an option that was considered during the initial development of the draft bylaw, but was rejected. The use of specified areas creates a more complex bylaw where the impact of development and growth is focused into smaller and smaller projects. While it is a more accurate representation of the actual costs incurred to develop a specific area, it is more complex to administer and manage.

The impact of moving to Specific Areas has not been analysed but the net effect on the development community would be zero. Some developments, would experience a reduction in the East Trunk DCC while other would see an increase.

The development community specifically targeted the Blackmun Bay Village Development proposed for the Casa Loma area as an example where the specific area DCC program could be applied. The BBV development will impact the planned upgrades for the Casa Loma and to a much lesser extent, the East Trunk lift stations. In addition to the planned upgrade for the Casa Loma lift station, the forcemain will have to be upgraded in size from 300mm to 400mm. The estimated cost of the improvements is \$3.6M for the lift station and \$2.85M for the forcemain.

This approach is not supported by the DCC Guiding Principles as moving to specific areas would add considerable complexity to the bylaw and make it more difficult to apply. The proposed methodology is simple to administer and easy to understand. This approach is also in keeping with current practices by member municipalities when applying other DCC levies.....One rate common throughout all areas.

Alternate Recommendation:

THAT the Governance and Services Committee receives, for information, the Development Cost Charge Bylaw update;

AND THAT staff be requested to amend the proposed DCC bylaws to reflect the concerns expressed through the consultation process;

AND FURTHER THAT the proposed DCC Bylaws be referred to the Westside Wastewater Stakeholder Committee prior to being advanced to the Board.

Attachment(s): UDI Letter
DCC Consultation Summary