



## COUNCIL REPORT

To: Mayor and Council

Date: October 6, 2020

From: Paul Gipps, CAO

Subject: **RDCO – East Trunk Development Cost Charges Update**

---

### **MOTIONS FOR CONSIDERATION**

Option 1 (Support):

**THAT** Council support the RDCO East Trunk DCC Bylaw amendments as part of future Regional Board consideration.

Option 2 (Support and recommend additional consideration):

**THAT** Council support the RDCO East Trunk DCC Bylaw amendments as part of future Regional Board consideration and recommend considering opportunities to address industry concerns.

### **STRATEGIC AREA(S) OF FOCUS**

Economic Growth and Prosperity (Strategic Plan Priorities 2020-2022)

### **BACKGROUND**

The updating of the East Trunk Sanitary Sewer and Westside Wastewater Treatment Plant Development Cost Charges Bylaws began in 2017. Over the past three years, the Westside Wastewater Treatment Service Select Stakeholder Committee has worked with their consultants and staff to review the DCC Bylaws to reflect new population forecasts, development densities, revised projects, and construction costs (Attachment 1).

The proposed DCC bylaw amendments reflect projects needed to accommodate growth; revised construction estimates; revised trunk sewer capacities; and projects needed to accommodate development for the next 20 years. The new rates have been determined by examining detailed information obtained from municipal growth projections, Official Community Plans, Zoning Bylaws, and in-stream development applications from each development area.

As part of the bylaw review, it was identified that the most significant changes are to the East Trunk DCC, which can be expected given the age of the bylaw (adopted in 2004). Changes to the Westside Treatment Plant DCC were less dramatic due to the bylaw amendments made in 2010. As of May 25, 2020 the Westside Wastewater Treatment

Plant DCC rate amendments have been adopted by the RDCO Regional Board and the East Trunk Sanitary Sewer amendments are anticipated to be brought forward for consideration shortly.

As part of the development of both DCC Bylaw amendments, extensive consultation and industry engagement have occurred including consultation with the general public, development industry, and member municipalities. As part of the engagement process, the RDCO presented to West Kelowna City Council on September 10<sup>th</sup>, 2019. The concepts of phasing the DCC correction and area-specific DCCs to reduce the rate shock of the fee correction were discussed at the presentation. UDI also provided a letter indicating concerns with the proposed increases and highlighted similar opportunities to change the DCC structure (Attachment 2). Following this meeting, additional information was presented regarding the financial impact of phasing or area-specific DCC rate corrections:

### *Area Specific DCCs*

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 on smaller and smaller projects. While it is a more accurate representation of the costs incurred to develop a specific area, it is more complex to manage.

Another important consideration is that the East Trunk Sanitary Sewer project already represents a sectoral approach as the DCCs are only applied to users who benefit from the service area (Figure 1).

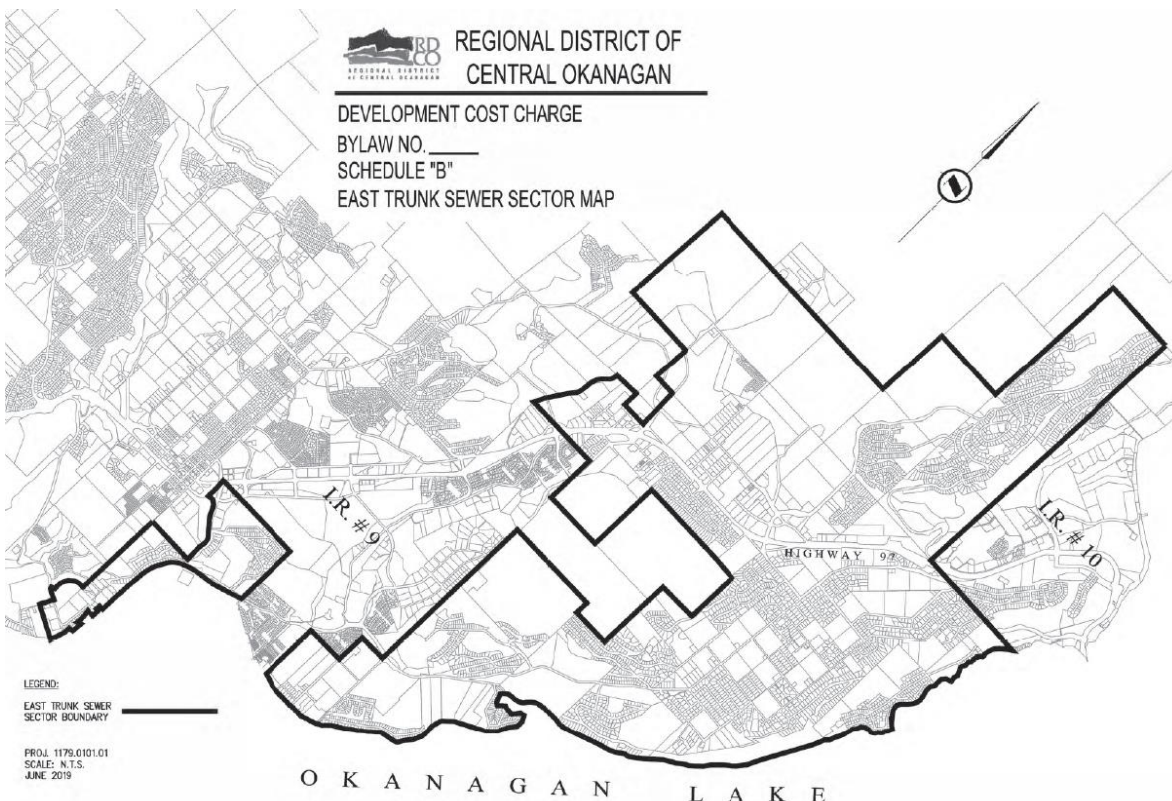


Figure 1. East Trunk Sewer Sector Map

This approach is not supported by the DCC guiding principles and the proposed methodology is much simpler to administer and understand. This approach is also in keeping with current practices by member municipalities when applying other DCCs.

*Phasing*

The concept of phasing the proposed DCC correction over multiple years to reduce the immediate increase was also reviewed as part of the bylaw review. The scenario most closely examined was completing the phasing over two years with a 50% net increase each year. Ultimately, a phased approach has been identified as not being supported by the guiding principles included within the DCC Best Practices Guide, creating funding shortfall (Figure 2), and potentially creating a large wave of development being pushed to avoid rate changes.

**Funding shortfall are the responsibility of the service area:**

Action	Estimated Cost
Increased Assist Factors:	Each 1% increase in the assist factor will cost the service area members \$131,000
Phasing of the Bylaw	Each year of phasing will cost approximately \$200,000
Construction Funding Shortfalls	The DCC Reserve is currently underfunded and financing costs will cost between \$100-150,000 per year
Implementation Delay	Each year the Bylaw remains unchanged costs \$410,000

Figure 2. Funding Shortfall Figure

It is important to highlight that through the ongoing consideration of the DCC amendments over the past three years, the development industry has seen a delay in the proposed fee increases. If the phasing option was brought forward as an alternative to the proposed DCC fee structure, the Regional Board and the member municipalities would need to determine how the funding shortfall would be alleviated and who would ultimately be responsible for the increase.

**DISCUSSION**

The RDCO Board will consider the proposed DCC Bylaw amendments regarding the East Trunk Main at an upcoming meeting. As part of the Board consideration, a stakeholder vote including Council representatives from the City of West Kelowna and Westbank First Nation will be required.

Based on the previous discussion regarding the DCC rate correction and the significance of the proposed changes, the options presented in this report are intended to provide West Kelowna Council representatives an opportunity to provide consensus at the upcoming Regional Board Meeting. Key considerations as part of the motions presented for consideration include:

- The proposed DCC rates have not been updated in 16 years, and no longer represent the true cost of infrastructure or necessary improvement to accommodate growth;
- The DCC rate changes have been considered in consultation with industry for three years, providing significant notice in addition to the statutory grace period for active applications;
- Any consideration for an alternative DCC rate process (phasing, or area-specific DCCs) would create a funding shortfall, impose operational challenges for implementation, and delay the implementation of the DCC rate correction; and
- The proposed DCC rate corrections are based on BC's DCC Best Practices Guide and are consistent with member municipalities.

Additional background information regarding the proposed amendments and alternative DCC structure scenarios has been included in Attachment 3. Comparative research for area municipalities has also been included as Attachment 4.

### **FINANCIAL IMPLICATIONS**

The proposed DCC rate corrections would be applied to new projects and existing projects under the *LGA* would have one year before the updated DCC rates apply. If consideration for the bylaw amendments is delayed, the increasing costs associated with the 16 year old rates will continue to create an additional financial burden. The existing insufficient rates can delay infrastructure projects, postpone developments due to lack of capacity, shift costs to existing tax payers, and create a reliance on grants.

### **CONCLUSION**

The proposed DCC rate correction is required to meet the growing infrastructure needs of the Westside. The existing DCC rates are outdated and the amendments are intended to correct this deficiency. The Westside Wastewater Treatment Service Select Stakeholder Committee has identified the need to review the DCCs on an ongoing basis every five years to avoid the significant rate change in the future.

### **REVIEWED BY**

Mark Koch, Director of Development Services

Allen Fillion, Director of Engineering/Public Works

Powerpoint: Yes  No

### **Attachments:**

1. East Trunk DCC Review, prepared by Urban Systems, May 2019
2. UDI Comments, dated September 20, 2019
3. East Trunk DCC Stakeholder Review Presentation, presented September 18, 2020
4. Comparative DCC Analysis - 2020 Review