

CITY OF WEST KELOWNA DCC PROJECT - UPDATE

September 28, 2021



OVERVIEW

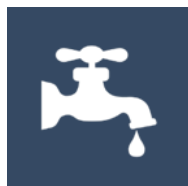
- Brief refresher on DCCs
- Work done to date
- Capital and Land Cost Increases
- Assist Factors
- Commercial and Industrial paying Parks DCCs
- Exemption below \$75,000 construction value
- DCC sectors
- DCC Waivers for Affordable housing
- Communications and Engagement
- Next steps

WHO PAYS DCCs?

- Applicants for **subdivision approval** to create single family development sites
- Applicants for **building permits** to construct multi-family, commercial, industrial, and institutional development



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WHAT CAN DCCs PAY FOR?

- Infrastructure
 - Transportation
 - Water
 - Sanitary sewer
 - Storm drainage
 - Parkland and limited park development

But...these **must** be related to development!



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BASIC DCC CALCULATION



Work conducted to date

- Reviewed current DCC project list – projects constructed, changed, or deleted, and projects still required.
- Reviewed infrastructure master plans and other plans to build infrastructure to serve growth
- Reviewed recent actual construction costs, material costs and tender prices
- Reviewed construction cost indices
- Prepared updated construction costs for DCC projects
- Meetings with working group to discuss projects and revised costs
- Reviewed OCP growth projections
- Prepared communications and engagement plan



COST INCREASES

- Roads Costs – about a 50% increase
- Sewer Costs – about a 145% increase
- Storm Drainage Costs – greater than 50% increase
- Water Costs – about a 62% increase
- Parks Costs – not yet determined, but land costs have increased significantly
- These costs may not translate directly into the same DCC increases, but will have a significant impact



COST INCREASES

- Sources of cost increases
 - Material costs - all areas, but particularly pipe and concrete
 - Labour costs
 - Changes in project scope once project is clarified
 - Land costs
- Information from recently constructed projects and recent tender prices, as well as construction cost indices



ASSIST FACTOR

- City must provide assistance to pay costs of off-site infrastructure required by development
- Extent of assist factor at Council's discretion
- Can vary by service (i.e., roads different than water)
- Cannot vary by area of community, or land use



EXAMPLE – Changing Assist Amounts

- Road upgrade project

	1% Assist	25% Assist	50% Assist
Project Cost	\$2,000,000	\$2,000,000	\$2,000,000
Percentage required for Growth	100%	100%	100%
Assist amount, paid by City (Taxpayers)	\$20,000	\$500,000	\$1,000,000
Paid By DCCs	\$1,980,000	\$1,500,000	\$1,000,000
Development Units	800	800	800
DCCs per unit	\$2475	\$1875	\$1250



ASSIST FACTORS

Comparisons of Assist factors

	Roads	Sewage	Drainage	Water	Parks
West Kelowna	1%	1%	1%	1%	25%
Kelowna	15%	1%	n/a	1%	8%
Peachland	1%	1%	1%	1%	1%
Penticton	5%	15%	3%	15%	5%
Lake Country	1%	1%	1%	1%	1%
Vernon	1%	1%	1%	1%	1%



ASSIST FACTORS

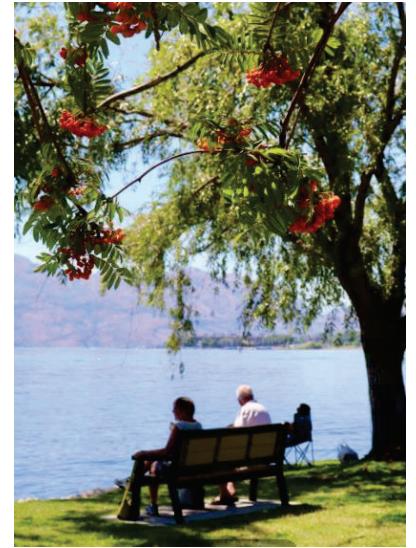
▪ Assist Factor

- Council decision - Provides an assist to new development
- Even though the project (or part of the project) benefits **new** development, the City and its **existing** taxpayers pay for it.
- Could be used to reduce or phase in the increases due to higher construction costs. For example:
 - 30% assist in year 1
 - 15% assist in year 2
 - 1% assist in year 3
- Council decision once we have draft DCC rates



Parks DCCs for Commercial and Industrial

- Many communities are charging Parks DCCs for Commercial and Industrial uses
- For example: City of Kelowna and Lake Country
- Commercial and Industrial uses can place demands on parks as employees, tourists, and business visitors use parks. Parks also provide a benefit by providing a more attractive community to do business
- **Recommendation:** Charge Parks DCCs for Commercial and Industrial uses



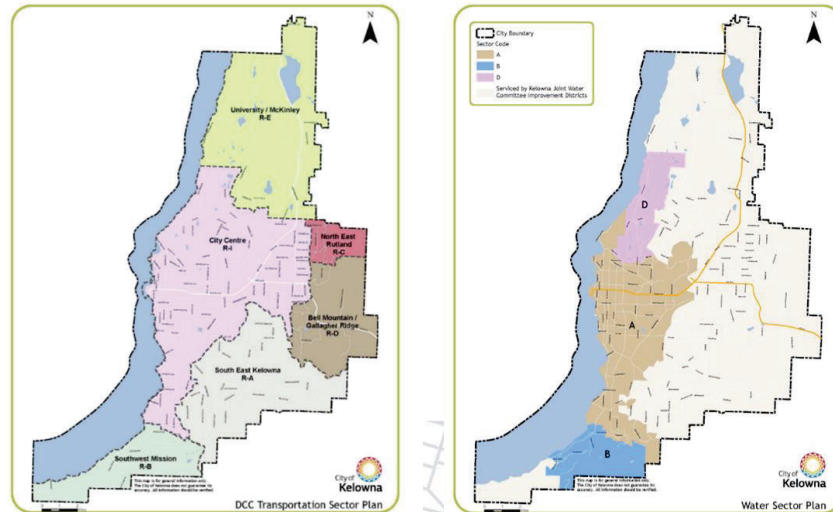
Exemption below \$75,000 construction value

- Currently the DCC bylaw provides an exemption for any construction value below \$75,000.
- With recent increases in construction costs, could consider increasing this amount to \$100,000



DCC Sectors

- DCCs calculated based on different areas
- Some communities have sectors, other communities have the same charge across entire Municipality
- Kelowna example



DCC Sectors

- Pros
 - Allows cost to be allocated to the areas that are causing the impacts on infrastructure
 - May result in lower costs for core or infill forms of development

DCC Sectors

Cons

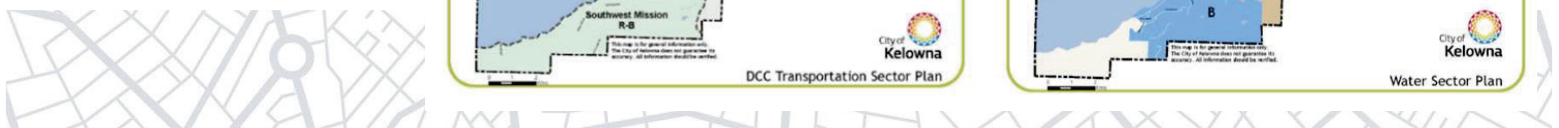
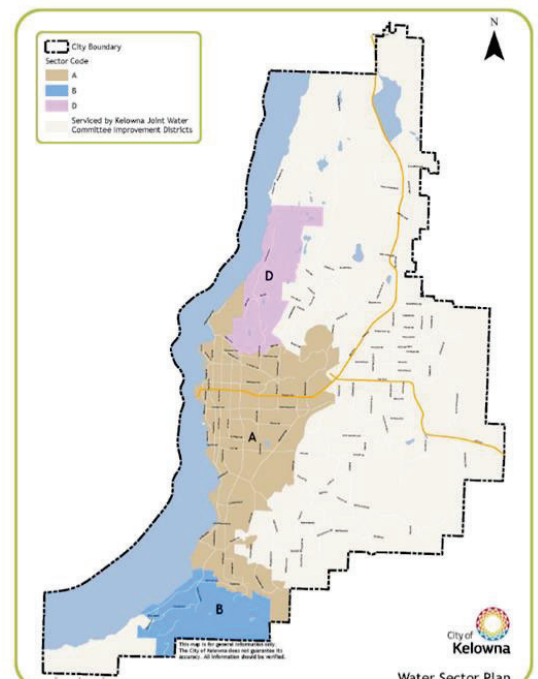
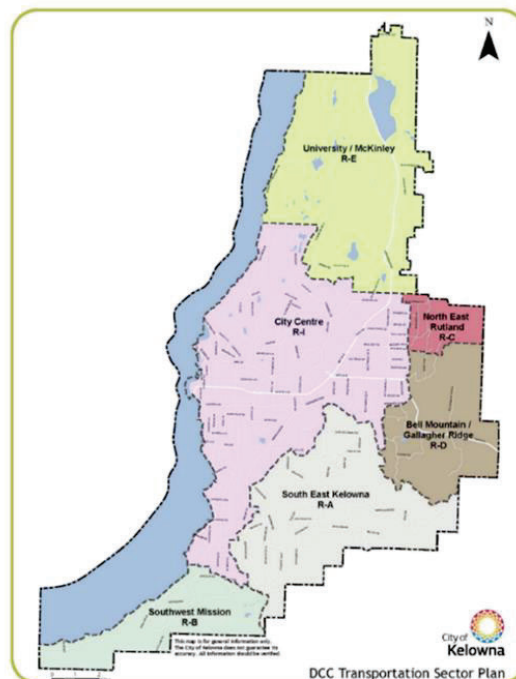
- Requires separate reserve funds for the sectors
- more little pots of money rather than one big pot of money
- Requires more detailed accounting
- Challenges with transition to sector approach
- Can be a challenge to define sector boundaries
- Can be a challenge to allocate costs to sectors



DCC Sectors

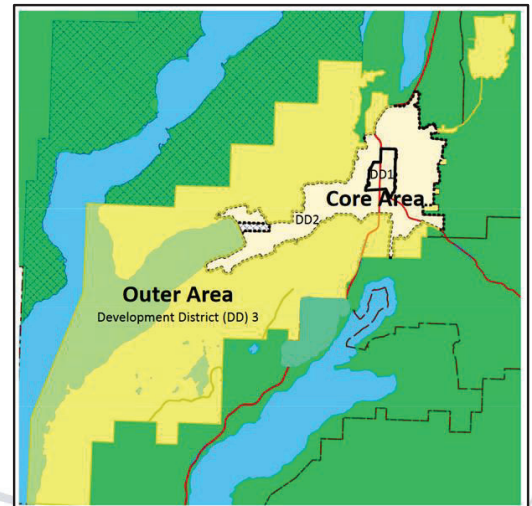
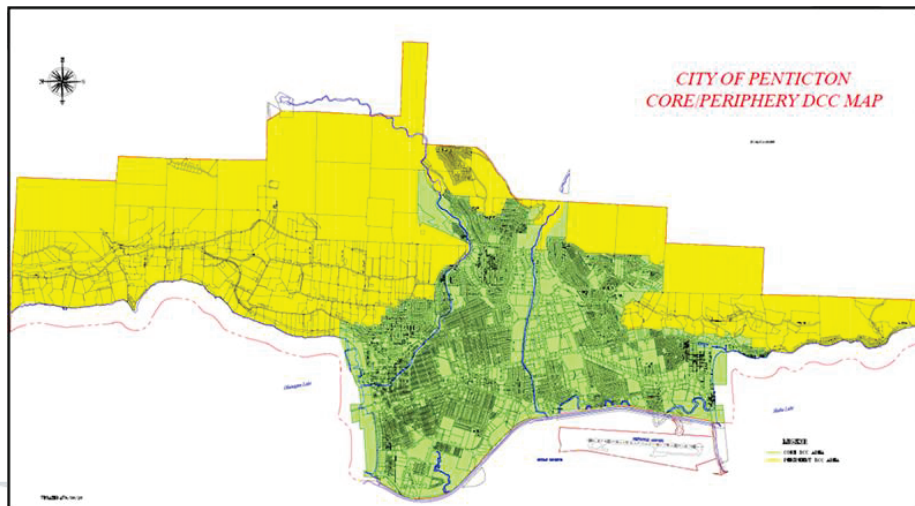
Cons

- Often sector boundaries differ for different services



DCC Sectors

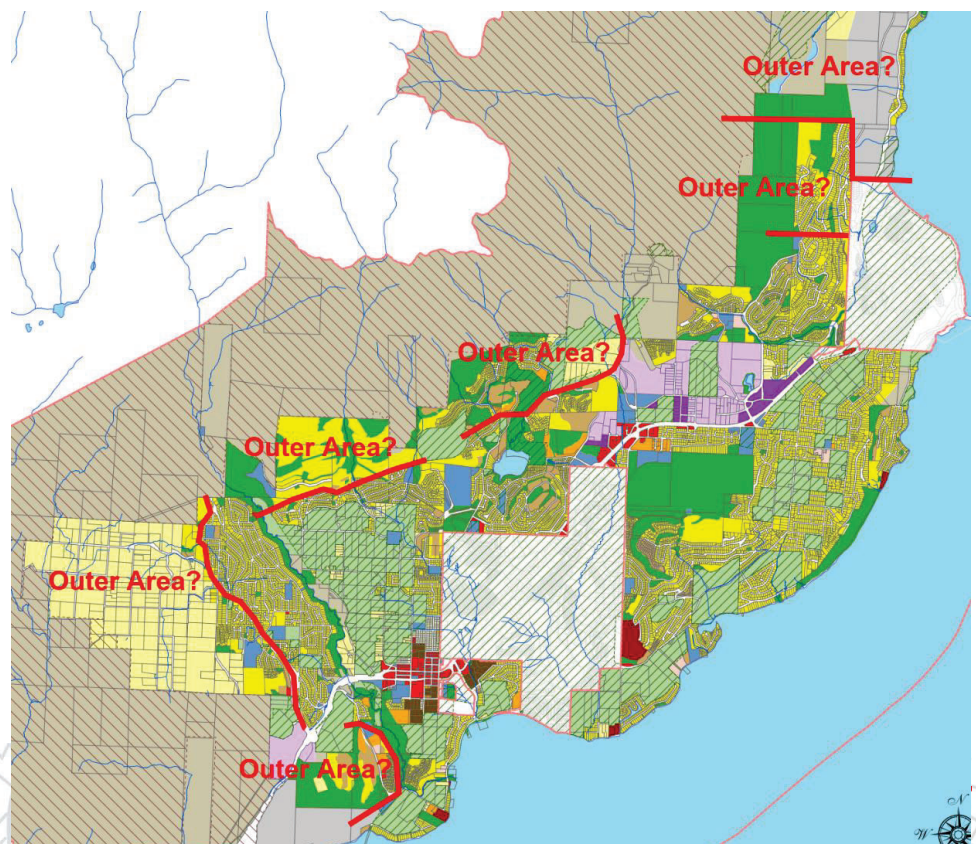
- Could address by having Core and outer areas like Penticton or Vernon



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DCC Sectors

- How to define core and outer in West Kelowna?



DCC Sectors - Project types

- Looked for projects that only serve outer areas
- Water – only a couple of projects
- Roads – parts of several projects
- Drainage – a few potential projects
- Sewer – none
- Parks – none



DCC Sectors – Recommendation

- Cons of having sectors outweigh the pros
- Do not implement a sector based approach
- Retain the existing City-Wide approach
- Reconsider in future updates if more outer / sprawl types of projects are identified
- Other tools available to ensure outer / sprawl development pays their costs of growth



DCC Waivers for Affordable Rental Housing

Local Government Act

- a local government may waive or reduce a development cost charge for an eligible development.
 - (a) not-for-profit rental housing, including supportive living housing
 - (b) for-profit affordable rental housing



DCC Waivers for Affordable Rental Housing

A range of approaches used in the Valley

- No reduction
- DCC waived for specific types that meet definition
- Considered on a case by case basis



DCC Waivers for Affordable Rental Housing

Replacing the Shortfall

- Bear in mind that if DCCs are waived, **the shortfall needs to be addressed**
- DCC amounts waived for affordable or not-for-profit rental housing should be **replenished by taxes or other sources**.
- This likely means that taxpayers are footing the bill for the DCC shortfall, and **it is not simply an amount that is forgone by the City**.
- A more transparent approach might be to **provide an outright grant** (likely paid by taxpayers) to the housing group that they can give to the City **to pay DCCs**.
- That is essentially what happens when the DCC reserve fund is replenished by taxpayer funds to make up for shortfall from the DCCs waived.



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DCC Waivers for Affordable or Rental Housing

- Recently there has been a trend to consider each on **a case by case basis** due to many different situations that may arise.
- Writing definitions and exemptions permanently into the bylaw can create issues – some developments qualifying where Council might not want to see DCCs Waived
- Even if no reduction in bylaw, can still consider on a case by case basis



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DCC Waivers for Affordable or Rental Housing

Recommendation:

- Consider waiving DCCs for affordable or nonprofit rental housing on **a case by case basis**



Next Steps and Engagement

Key focus areas for external engagement:

- The **development community** – UDI, Home builders, others
- West Kelowna **Residents** – thoughts on paying for growth
- The **Ministry** – DCC bylaw required their approval
- **Adjacent jurisdictions** – to keep them informed
- Coordination with OCP and Transportation Master Plan engagement



Next Steps and Engagement

Development community

- Review with UDI Liaison Committee
- Virtual Stakeholder Workshop with Development Community – UDI, Home Builders - October / November
- Ongoing dialogue



Next Steps and Engagement

West Kelowna Residents

- West Kelowna Website Content - September
- Public Service Announcement (DCC Engagement Begins)
- Update issued to e-News subscribers – October
- Cross promotion opportunities during OCP and Transportation Master Plan engagement



Next Steps and Engagement

West Kelowna Residents

- Prepare questionnaire - focus on asking about paying for growth
- Supporting social media posts (get involved, complete the questionnaire)
- e-News DCC update to subscribers to review the Draft DCCs
- Social Media Post (Review the Draft DCCs)



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Next Steps and Engagement

The Ministry and Adjacent Jurisdictions

- 1st Draft to Ministry for initial Review,
- Send Drafts to RDCO, WFN and Peachland for information
- Send final bylaw to RDCO, WFN and Peachland for information
- Send final Bylaw to Ministry for Approval



Ministry of
Municipal Affairs

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Next Steps and Engagement

Council

- Review First draft of DCC rates in October, before going to Development Community and Residents
- After engagement on the first draft will come back to Council with the input - November
- Identify changes and then move on to final DCC bylaw



BYLAW APPROVAL PROCESS

- DCC projects need to be set out in the City's Financial Plan
- DCC bylaw requires approval of Inspector of Municipalities
- Ministry of Municipal Affairs staff review bylaw prior to forwarding to inspector.
- Typical process:
 - Three readings by Council
 - Referral to Ministry/ Inspector
 - Approval by Inspector
 - Fourth reading/ Adoption by Council



A background map of a city street grid, rendered in light gray lines on a white background. A large, solid red rectangle is centered on the map, partially obscuring the street grid. The text "THANK YOU" is written in white, bold, uppercase letters within the red rectangle.

THANK YOU