

DATE OF MEETING August 10, 2017

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SUBJECT DEVELOPMENT COST CHARGE BYLAW

OVERVIEW

Purpose of Report

To update the Finance and Audit Committee regarding the input received through the community engagement phase, to outline proposed amendments to the Development Cost Charge Bylaw based on that feedback and to seek direction with respect to the introduction of a new Development Cost Charge Bylaw.

Recommendation

That the Finance and Audit Committee recommend that Council direct Staff to:

1. Prepare and introduce a draft Development Cost Charge Bylaw based on the framework outlined in this report; and,
2. Review and provide a report for Council's consideration on potential incentives for downtown development; including, but not limited to, the expansion of the existing tax exemption programs.

BACKGROUND

The Finance and Audit Committee, at its meeting of 2017-MAR-23, received a Staff report and presentation regarding the Development Cost Charge (DCC) Bylaw review including a potential framework for the development of a new bylaw. At that meeting, the Committee recommended referral of the topic to the Public Works and Engineering Committee and Community Planning and Development Committee for their consideration, and directed Staff to initiate public engagement on the proposed development cost charge framework.

As part of this process and to assist in the public engagement, Staff prepared a DCC technical report (Attachment A) which outlines the role of DCCs, how they are calculated, the associated DCC projects, draft DCC rates and the substantive amendments proposed under this review.

As further outlined in the technical report, the substantive amendments under consideration included:

- Varied Roads DCCs Based on Location
- A New Approach to the Collection of Storm Water DCCs
- A New Category for Small Lot Development; and,
- Introduction of DCCs in Downtown

The appendices of the technical report also included a summary of each proposed DCC project including details on the estimated costing and the portion of those cost allocated to growth. Given the volume of this material, it is not attached to this report, but is available at:

<http://www.nanaimo.ca/EN/main/departments/Finance/development-cost-charge-review.html>

DISCUSSION

Community and Stakeholder Engagement - What We Heard

The proposed DCC review and associated framework was considered by the Public Works and Engineering Committee on 2017-JUN-14 and the Community Planning and Development Committee on 2017-JUN-20. In addition to a written report, the committees received Staff's presentation outlining the DCC review process, substantive amendments and draft DCC rates. At their respective meetings, both committees passed motions of support in principle for the proposed DCC framework.

Staff hosted a public open house at Beban Park on 2017-JUN-15 in order to provide the community the opportunity to learn more about the DCC review and to provide their feedback on the proposed framework. The open house, which was advertised through the newspaper and social media, drew approximately 25 members of the public. The public were invited to provide their comments via a feedback form at the meeting and on the City's website. A summary of those comments are attached to this report (Attachment B).

In addition to the public open house, two stakeholder sessions were hosted by Staff and a third by the Chamber of Commerce.

Through these engagement sessions, Staff heard concerns regarding two specific elements of the proposed DCC framework. These concerns are generally summarized as:

1. The proposed increase in commercial and industrial DCCs are too significant and will have a negative impact on development of these sectors; and,
2. The implementation of DCCs in the downtown will be seen as a disincentive to development in the core.

As of the time of the drafting of this report, three written submissions have been received. The submissions are attached (Attachment C).

Response to Community Engagement and Stakeholder Engagement

Commercial and Industrial Rates

The proposed increase in DCCs for commercial and industrial was partially the result of a revised cost allocation model for transportation related DCCs that is based on the model outlined in the Provincial Best Practices Guide. This approach uses vehicle trips generated by each category of use to distribute cost. While in Staff's opinion, the model results in an arguably more equitable distribution that allows the location of the use to be a factor, it did result in a

significant shifting of the cost of transportation related DCC projects from residential to commercial and industrial categories.

This model resulted in transportation DCCs for commercial increasing from \$24.80/m² to \$73.94/m² and industrial increasing from \$6.34/m² to \$26.41/m². These increases were a substantial contributor to the overall increase in the DCC charge for each category with the total rate for commercial increasing from \$70.06/m² to \$118.43/m² and for industrial from \$17.90/m² to \$38.05/m².

Based on the feedback received, Staff is recommending that the proposed roads distribution model be replaced with the model that has been used in the previous DCC reviews. By using the previous model, the transportation costs are no longer shifted as heavily onto commercial and industrial uses and the overall rates for these categories are reduced. Transportation DCCs for commercial will increase from \$24.80 /m² to \$33.31/m² and industrial rates from \$6.34/m² to \$8.49/m². The total charge for each category will increase from \$70.06/m² to \$77.80/m² for commercial and from \$17.90/m² to \$20.13/m² for industrial.

This reduction in commercial and industrial transportation rates will result in a further increase in residential rates. Transportation DCCs for single family lots will increase from the current rate of \$4266.19 to \$5824.08 per lot with the total City DCCs increasing from \$13,787.50 to \$15,347.07 per lot.

Likewise, multi family transportation DCCs will increase from the current rate of \$25.59/m² to \$35.09/m² with the total City DCCs increasing from \$82.70/m² to \$92.40/m².

As the previous cost allocation model is based on persons per unit it does not allow for cost to be allocated based on the location of the use and, as such, the same rate will apply across the community.

	Current Total City DCCs (2008)	Transportation DCCs (original framework)	Total DCCs (original framework)	Transportation DCCs (proposed)	Total City DCCs (proposed)
Commercial (per m ²)	\$70.06	\$73.94*	\$118.43*	\$33.31	\$77.80
Industrial (per m ²)	\$17.90	\$26.41	\$38.05	\$8.49	\$20.13
Single Family (per lot)	\$13,787.50	\$5175.64	\$14,698.63	\$5824.08	\$15,347.07
Multi-Family (per m ²)	\$82.70	\$13.20-\$36.97**	\$70.51-\$94.28**	\$35.09	\$92.40

*lower rates were proposed in the downtown core

**rates varied with location

A summary of the revised draft DCC rates are included as Attachment D.

DCCs in the downtown

At present, DCCs are not collected in the downtown core/Old City neighbourhood. This area generally includes lands between the Millstone River, Pine Street and the waterfront.

DCCs are not intended to be used as an incentive for development and instead are to be established based on the capital cost burden resulting from new development. Under the guiding principle of benefiter pays, infrastructure should be paid for by those who will use and benefit from the installation of such systems. The proposed capital projects included in this DCC review include projects in the downtown core and projects that development in the core will directly benefit from. As new development in the downtown core will directly benefit from DCC projects, and as development here will also contribute to the capital cost burden created by all new development, DCCs are being proposed to be included in the downtown core.

With respect to incentivizing development in the core, there are tools that are available for Council's consideration. At present, Council has tax exemption programs to encourage the residential conversion of heritage buildings and to incent the development of new/upgraded hotels in the community. Tax exemption programs generally apply to the net improvements on a site for the City portion of taxes and under provincial legislation can be available for up to 10 years. A tax exemption program for new development in the downtown core is possible. Similar programs have been established in other BC communities in order to incent one or more types of development in their city centres. In addition to tax exemptions, tools such as grants and the reduction of fees (building permit fees) are available to Council.

In Staff's opinion, the collection of DCCs are necessary in order to ensure that sufficient funds are available in order to construct the infrastructure required for development. However, Staff acknowledges the concerns raised regarding the impacts on the downtown and recommend that consideration be given to the development of an incentive program to encourage development in the core.

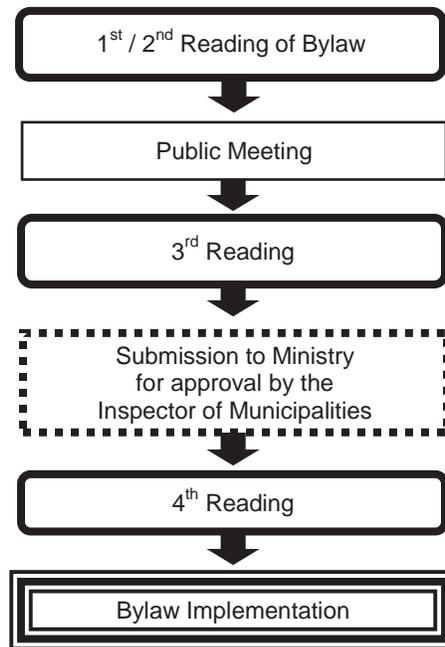
Grace Period / Instream Protection

In acknowledgement of the impact new DCC rates may have on the development industry, Staff are recommending that the DCC Bylaw include an implementation date or "grace period" of 2018-MAR-01. As such, any building permit applications received prior to this date will be eligible for the existing DCC rates provided the building permit is issued within one year of the date of application. Staff is of the opinion that this date gives sufficient time for any project in the planning stages to make application.

In addition to the "grace period", provincial legislation provides in-stream protection to any development permit or rezoning application that is active at the date of adoption of the bylaw, provided the associated building permit is issued within one year.

Next Steps

Based on the recommendations of the Finance and Audit Committee, Staff will proceed with the drafting and introduction of a new DCC Bylaw for Council's consideration. Although not a statutory requirement, Staff is recommending that the approval process include a public meeting prior to consideration of third reading. As noted below, DCC bylaws must receive provincial approval before they can be considered for adoption.



OPTIONS

1. That the Finance and Audit Committee recommend that Council direct Staff to:
 1. Prepare and introduce a draft Development Cost Charge Bylaw based on the framework outlined in this report; and,
 2. Review and provide a report for Council's consideration on potential incentives for downtown development; including, but not limited to, the expansion of the existing tax exemption programs.
2. That the Finance and Audit Committee provide an alternative direction.

SUMMARY POINTS

- The DCC Steering Committee has completed the work necessary to establish the framework for a new DCC Bylaw.
- Amendments to the proposed framework are being proposed based on the feedback received through the community and stakeholder engagement.
- If supported by the Finance and Audit Committee, a DCC Bylaw based on the revised framework will be prepared for Council's consideration.

ATTACHMENTS

Attachment A: Technical Report
Attachment B: Summary of Feedback Forms
Attachment C: Written Submissions
Attachment D: Draft Rates

Submitted by:



D. Duncan
Deputy Director, Financial Services

Concurrence by:



For / D. Lindsay
Director, Community Development

ATTACHMENT D

Proposed DCC Rates

Categories	Single Family Dwelling	Small Lot SFD	Multifamily Dwelling	Commercial/ Institutional	Industrial	Mobile Home	Camp Grounds
	<i>\$ per lot</i>	<i>\$ per lot</i>	<i>\$ per m²</i>	<i>\$ per m²</i>	<i>\$ per m²</i>	<i>\$ per unit</i>	<i>\$ per unit</i>
Sanitary Sewer	\$1,787.04	\$1,250.93	\$10.77	\$10.22	\$2.61	\$1,098.28	\$279.22
Drainage**	75.94	56.20	0.38	0.38	0.38	49.36	15.19
Water Distribution	306.34	214.44	1.85	1.75	0.45	188.27	47.87
Water Supply	5,619.55	3,933.69	33.86	32.14	8.20	3,453.68	878.06
Parks	1,734.12	1,213.89	10.45	-	-	1,065.76	270.96
Roads	5,824.08	4,076.86	35.09	33.31	8.49	3,579.38	922.15
Total	\$15,347.07	\$10,746.01	\$92.40	\$77.80	\$20.13	\$9,434.73	2,413.45

** Drainage DCCs will be charged per m² of lot coverage (m² of first floor).