



City of Richmond

Report to Council

*To Council - Mar 8, 2004*

To: Mayor and Council

Date: March 3, 2004

From: Graham Willis, Manager, Special Projects  
Finance & Corporate Services

File: 8060-20-7676

Re: **Development Cost Charge Imposition Bylaw No. 7676**

**Staff Recommendation**

That:

1. "Development Cost Charges Imposition Bylaw No. 7676" be introduced and given first, second, and third readings; and
2. The 'waiver', which waives the right of developers to a one-year grace period under provincial legislation for instream subdivision applications, **be continued.**

Graham Willis, Manager, Special Projects  
Finance & Corporate Services

FOR ORIGINATING DIVISION USE ONLY

CONCURRENCE OF GENERAL MANAGER

## Staff Report

### Origin

On March 1, 2004, the General Purposes Committee considered the attached report from the undersigned and **did not accept** the recommendation therein, pending a review of the following two issues:

- the application of the Consumer Price Index increase to the development cost charge rates increase previously scheduled for effect on April 1, 2004
- the continued use of the 'waiver' signed by developers to waive the legislated right to a one-year grace period on the introduction of new development cost charge rates, as well as other fees and requirements.

### Analysis

#### *CPI Increases*

In respect of Council's direction in December 2002, residential development cost charge rates were scheduled to be increased in accordance with the rates set out in Table 1 of the attached report. This increase was to be the 3<sup>rd</sup> and final step of a series of increases to DCCs begun in January 2003 with the adoption of Bylaw No. 7369.

In January 2002, the Finance Select Committee considered a report from the undersigned regarding the annual increase of development cost charge rates by a factor of Consumer Price Index increases (along with budget variances on completed DCC acquisitions and projects). The development industry had voiced concern about the large increases that were commonly necessary when DCC programs and rates were reviewed, ordinarily once every five years.

The undersigned reviewed the proposed procedure with the Local Government Department in the provincial government and received provincial approval to proceed. Inasmuch as a full-scale review of DCC programs and rates was then also underway, no further action to increase the DCC rates by CPI was taken at that time. With the new DCC rates adopted in 2003, the first CPI increases were scheduled for 2004.

In a separate process, the Long Term Financial Management team presented a strategy report to Council in September 2003 recommending that, as part of the annual budget process, **all user fees** be automatically increased by the CPI increase each year. That recommendation was endorsed by Council, and other fees were increased accordingly earlier this year. Even without the scheduled increases to residential DCCs (per Table 1), it was intended that DCC rates, as well, would be increased by the CPI increase early in 2004; the CPI increase to DCC rates was delayed until April 1 only to coincide with the residential increases already scheduled.

The Consumer Price Index has increased 2.0% in the past year (December 2002 to December 2003). Applying the CPI increase as well to the DCC rate increases already planned for April 1,

2004 would result in the DCC rates set out in Development Cost Charges Imposition Bylaw No. 7676.

As discussed in the attached report, substantial increases to the DCC rates have normally been necessary in the past when the rates and programs have been reviewed, usually once every five years. Increasing DCC rates based on increases in CPI each year would mitigate the need for those large increases, and when the major DCC Rate review was completed, it would be reasonable to expect that only a minor adjustment to the DCC rates would be necessary.

### *The 'Waiver'*

On November 18, 2002, the undersigned presented a report to the General Purposes Committee outlining the results of a comprehensive review of DCC programs and rates, along with a summary of concerns expressed by the Urban Development Industry regarding the proposed increases to DCC rates (with staff response to those concerns), including:

*“Grace period of 120 days should be allowed for new applications and one-year for instream applications to permit the development industry to adjust its cost projections for decision-making.”*

**Staff response.** Grace periods for new applications have not been permitted by City in past. In any event, the fact that the City was reviewing development charges, and the proposals for new DCC rates were made available to the public in August. With an anticipated effective date for the new rates of January 1, 2003, the development industry has already had considerable foreknowledge of the changes. Staff **does not recommend** a grace period for new applications.

Current DCC legislation allows for a one-year grace period on instream applications. However, the City currently requires ‘waiver’ of that right to process applications. TAG has agreed that the requirement for the waiver **be eliminated.**”

The report carried a recommendation that a new DCC rates bylaw be brought forward to Council for review and adoption. That recommendation **was defeated.**

As discussed at the General Purposes Committee meeting of March 1, 2004, the one-year grace period in the Provincial legislation only applies to subdivision applications (not Building Permits). However, the City requires all subdivision applicants to sign a “waiver form” agreeing to comply with any new bylaws (including rates bylaws) that are adopted within one year of their application. In other words, every in-stream subdivision application agreed to waive their right to the one-year grace period for the payment of the new DCC rates.

Since the phased approach that was ultimately adopted by Council on November 25, 2002 in introducing the new residential DCC rates produced a similar effect to providing a one-year grace period for in-stream and new subdivision applications, the intention to eliminate the waiver form was not pursued further. This issue was not raised or discussed at the November 25, 2002 Council Meeting. Accordingly, the issue was dropped and waiver form has continued to be used for subdivision applications only.

The legislation allowing the one-year grace period for subdivision applications was presumably put in place to afford some protection to developers against large increases in fees and rates, and substantial changes in other subdivision requirements. Richmond's announced intention to increase all fees, including DCC rates, by the CPI increases every year should smooth out such rate increases, and therefore obviate the need for measures such as the one-year grace period, at least as applied to fees and rates. Once the annual CPI increases are introduced, it should be reasonable to expect that the development industry would be able to anticipate such increases, and plan accordingly.

### **Financial Impact**

At current levels of development (assuming annual DCC revenues of about \$10 to 12 million) adopting Bylaw No. 7676 would generate an additional \$400,000 to \$500,000 in DCC revenues per year.

### **Conclusions**

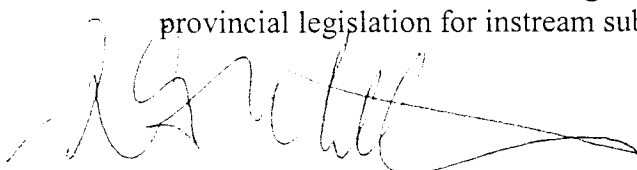
"Development Cost Charges Imposition Bylaw No. 7676" includes the final step of a three-step process to bring into effect new development cost charge rates, as was directed by Council in December 2002. Bylaw No. 7676 also provides for a 2 percent increase in all DCC rates, to correspond with the latest annual increase in the Consumer Price Index. Bylaw No. 7676 is intended to be effective April 1, 2004. Development Cost Charge bylaws **require the approval of the Inspector of Municipalities** prior to final adoption.

The phased approach to introducing the new DCC rates begun in January 2003 produced a similar effect to providing a one-year grace period for instream subdivision applications, and the staff plan to eliminate the waiver was abandoned. Introducing annual CPI increases to development cost charge rates should allow the development industry to better anticipate DCC rate adjustments, and incorporate such expected increases into subdivision plans, lessening considerably the need for the one-year grace period.

### **Recommendations**

I recommend that:

1. "Development Cost Charges Imposition Bylaw No. 7676" **be given first, second, and third readings.**
2. The 'waiver' which waives the right of developers to a one-year grace period under provincial legislation for instream subdivision applications **be continued.**



N. Graham Willis  
Manager, Special Projects



City of Richmond

**Report to Committee**

*To Council Mar 8, 2004*

*To General Purposes - March 1, 2004*

**To:** General Purposes Committee  
**From:** Graham Willis, Manager, Special Projects  
Finance & Corporate Services  
**Re:** **Development Cost Charge Imposition Bylaw No. 7676**

**Date:** February 20, 2004  
**File:** 8060-20 - 7676

**Staff Recommendation**

That staff be directed to:

1. Bring forward to Council "Development Cost Charges Imposition Bylaw No. 7676" for first, second, and third readings

Graham Willis, Manager, Special Projects  
Finance & Corporate Services

**FOR ORIGINATING DIVISION USE ONLY**  
**CONCURRENCE OF GENERAL MANAGER**

**Staff Report**

**Origin**

On January 13, 2003, Council adopted “Development Cost Charges Imposition Bylaw No. 7369, which gave effect to increases to DCC rates for commercial/light industry and major industry types of development, but not for residential. Bylaw No. 7369 was the first in a three-step process to bring in new DCC rates for all types of development. “Development Cost Charges Imposition Bylaw No. 7480” was the second step of that process, which provided for an initial DCC rate increase for residential development, was adopted for effect on April 1, 2003. The third step of the process, a further increase to residential rates, was planned for effect on April 1, 2004.

In addition, the undersigned presented a report for review by the Finance Select Committee in November 2001 on annual updates to DCC rates based on the Consumer Price Index. Concern had been expressed by the development industry about the substantial increases historically required when the DCC rates and programs were reviewed every five years. The methodology in that report was accepted by the provincial Local Government Department as a means of mitigating those large increases.

**Analysis**

In 2002, staff conducted a review of development charge rates levied by Richmond and, after discussion with the public and the Urban Development Institute, recommended to Committee an adjustment to the rates as summarized in the following tables:

<b><i>DCC Category</i></b>	<b><i>Current Bylaw 6769</i></b>	<b><i>DCCs as recommend</i></b>	<b><i>% change</i></b>
<b>Lulu Island</b>			
<b><i>Residential SFD/unit</i></b>	\$13,092.40	\$14,233.36	+8.7
<b><i>Commercial/Lt. Industry/sq.ft.</i></b>	\$2.36 plus drainage	\$2.93 plus drainage	+10.4
<b><i>Major Industry/acre</i></b>	\$65,721.83	\$64,711.80	-1.5

January 30, 2003

	<i>Current Bylaw 6769</i>	<i>DCCs as recommend</i>	<i>% change</i>
<b>Sea Island</b>			
<i>Commercial/Lt. Industry/sq.ft.</i>	\$1.06 plus drainage	<b>\$1.13</b> plus drainage	<b>-13.5</b>
<b>Mitchell/Twigg Island</b>			
<i>Major Industry/acre</i>	\$27,206.49	<b>\$12,726.70</b>	<b>-53.2</b>

Rather than adopt the new rates all at the same time, Council decided in December 2002 on a three-step process to bring in the new rates, as follows:

1. adopt the changes to commercial/light and major industry DCC rates as soon as possible – given effect by Bylaw No. 7369 on January 13, 2003
2. adopt ½ of the changes to residential DCC rates effective April 1, 2003 -- given effect by Bylaw No. 7480 effective April 1, 2003
3. adopt the second half of the changes to residential DCC rates effective April 1, 2004

The second stage of the changes to residential DCC rates would be as follows:

<i>DCC Category</i>	<i>Current Bylaw 7480</i>	<i>DCCs as 2<sup>nd</sup> stage</i>	<i>% change</i>
<b>Lulu Island</b>			
<i>Residential SFD/unit</i>	\$13,662.88	<b>\$14,233.37</b>	<b>+4.2</b>

Residential DCCs are levied on the basis of density. A list of the changes for each density is attached as Table 1.

The Consumer Price Index has increased 2.0% in the past year (December 2002 to December 2003). Applying the CPI increase as well to the DCC rate increases already planned for April 1, 2004 would result in the following increases:

<i>DCC Category</i>	<i>Current Bylaw 7480</i>	<i>DCCs as 2<sup>nd</sup> stage</i>	<i>% change</i>
<b>Lulu Island</b>			
<i>Residential SFD/unit</i>	\$13,662.88	\$14,518.03	+6.3

A list of the changes for each density, including an adjustment for CPI, is attached as Table 2.

It has been true that substantial increases to the DCC rates have commonly been necessary in the past when the rates and programs have been reviewed. A complete review of the DCC rates requires a corresponding review of long range development plans (in accordance with the Official Community Plan), along with a review of the infrastructure and parks capital programs necessary to accommodate those plans. Accordingly, a major DCC rate review is normally undertaken once every five years, after the adoption of a new OCP.

Applying an increase to DCC rates based on increases in CPI each year would mitigate the need for those large increases in rates every five years. It is quite conceivable that, when the major DCC Rate review was completed, only a minor adjustment to the DCC rates would be necessary, perhaps roughly equivalent to the CPI increase for that year.

***Commercial/Light Industry & Major Industry***

The full increase to commercial/light industry and major industry DCC rates resulting from the 2002 DCC Rate review was put in place with the adoption of Bylaw No. 7369 (subsequently Bylaw No. 7480) in January 2003. Applying an increase based on CPI increases would result in the following:

<i>DCC Category</i>	<i>Current Bylaw 7480</i>	<i>DCCs as recommend</i>	<i>% change</i>
<b>Lulu Island</b>			
<i>Commercial/Lt. Industry/sq.ft.</i>	\$2.93 plus drainage	\$2.99 plus drainage	+2.0
<i>Major Industry/acre</i>	\$64,711.80	\$66,006.03	+2.0



	<i>Current Bylaw 7480</i>	<i>DCCs as recommend</i>	<i>% change</i>
<b>Sea Island</b>			
<i>Commercial/Lt. Industry/sq.ft.</i>	\$1.13 plus drainage	<b>\$1.15</b> plus <b>drainage</b>	<b>+2.0</b>
<b>Mitchell/Twigg Island</b>			
<i>Major Industry/acre</i>	\$12,726.70	<b>\$12,981.23</b>	<b>+2.0</b>

**Financial Impact**

At current levels of development (assuming annual DCC revenues of about \$10 to 12 million) adopting Bylaw No. 7676 would generate an additional \$400,000 to \$500,000 in DCC revenues per year.

**Conclusions**

“Development Cost Charges Imposition Bylaw No. 7676” includes the final step of a three-step process to bring into effect new development cost charge rates, as was directed by Council in December 2002. Bylaw No. 7676 also provides for a 2 percent increase in all DCC rates, to correspond with the latest annual increase in the Consumer Price Index. Bylaw No. 7676 is intended to be effective April 1, 2004. Development Cost Charge bylaws **require the approval of the Inspector of Municipalities** prior to final adoption.

**Recommendations**

I recommend that staff be directed to:

1. Bring forward to Council “Development Cost Charges Imposition Bylaw No. 7676 ” for first, second, and third readings



N. Graham Willis  
Manager, Special Projects

**Table 1 – Residential DCC rate changes (April 1, 2004)**

DENSITY	BYLAW 7480	NEW RATES Without CPI	PCT.
0-7.49	\$13,662.88	\$14,233.37	4.18%
7.50-8.49	\$13,541.97	\$14,119.68	4.27%
8.50-9.49	\$13,318.84	\$13,902.72	4.38%
9.50-10.49	\$13,111.82	\$13,696.17	4.46%
10.50-11.49	\$12,916.50	\$13,497.17	4.50%
11.50-12.49	\$12,729.97	\$13,303.86	4.51%
12.50-13.49	\$12,550.20	\$13,114.91	4.50%
13.50-14.49	\$12,375.73	\$12,929.39	4.47%
14.50-15.49	\$12,205.51	\$12,746.62	4.43%
15.50-16.49	\$12,038.74	\$12,566.07	4.38%
16.50-17.49	\$11,874.81	\$12,387.36	4.32%
17.50-18.49	\$11,713.25	\$12,210.18	4.24%
18.50-19.49	\$11,553.67	\$12,034.29	4.16%
19.50-20.49	\$11,395.81	\$11,859.49	4.07%
20.50-21.49	\$11,239.39	\$11,685.63	3.97%
21.50-22.49	\$11,084.22	\$11,512.59	3.86%
22.50-23.49	\$10,930.15	\$11,340.25	3.75%
23.50-24.49	\$10,777.03	\$11,168.52	3.63%
24.50-25.49	\$10,624.75	\$10,997.34	3.51%
25.50-26.49	\$10,473.21	\$10,826.64	3.37%
26.50-27.49	\$10,322.34	\$10,656.36	3.24%
27.50-28.49	\$10,172.05	\$10,486.47	3.09%
28.50-29.49	\$10,022.30	\$10,316.92	2.94%
29.50-30.49	\$9,873.01	\$10,147.67	2.78%
30.50-31.49	\$9,724.16	\$9,978.71	2.62%
31.50-32.49	\$9,575.70	\$9,809.99	2.45%
32.50-33.49	\$9,427.59	\$9,641.51	2.27%
33.50-34.49	\$9,279.81	\$9,473.23	2.08%
34.50-35.49	\$9,132.32	\$9,305.14	1.89%
35.50-36.49	\$8,985.10	\$9,137.23	1.69%
36.50-37.49	\$8,838.13	\$8,969.48	1.49%
37.50-38.49	\$8,691.39	\$8,801.88	1.27%
38.50-39.49	\$8,544.85	\$8,634.41	1.05%
39.50-40.49	\$8,398.52	\$8,467.07	0.82%
40.50-41.49	\$8,252.38	\$8,299.85	0.58%
41.50-42.49	\$8,106.39	\$8,132.73	0.32%
42.50-43.49	\$7,960.56	\$7,965.72	0.06%
43.50-44.49	\$7,814.87	\$7,798.80	-0.21%
44.50-45.49	\$7,669.33	\$7,631.97	-0.49%
45.50-46.49	\$7,523.92	\$7,465.22	-0.78%
46.50-47.49	\$7,378.61	\$7,298.55	-1.09%
47.50-48.49	\$7,233.42	\$7,131.95	-1.40%
48.50-49.49	\$7,088.35	\$6,965.42	-1.73%
49.50-over	\$6,943.35	\$6,798.95	-2.08%

January 30, 2003

**Table 2 – Residential DCC rate changes (April 1, 2004)**

DENSITY	BYLAW 7480	BYLAW 7676	PCT.
0-7.49	\$13,662.88	\$14,518.03	6.26%
7.50-8.49	\$13,541.97	\$14,402.08	6.35%
8.50-9.49	\$13,318.84	\$14,180.78	6.47%
9.50-10.49	\$13,111.82	\$13,970.09	6.55%
10.50-11.49	\$12,916.50	\$13,767.12	6.59%
11.50-12.49	\$12,729.97	\$13,569.94	6.60%
12.50-13.49	\$12,550.20	\$13,377.21	6.59%
13.50-14.49	\$12,375.73	\$13,187.98	6.56%
14.50-15.49	\$12,205.51	\$13,001.55	6.52%
15.50-16.49	\$12,038.74	\$12,817.39	6.47%
16.50-17.49	\$11,874.81	\$12,635.11	6.40%
17.50-18.49	\$11,713.25	\$12,454.38	6.33%
18.50-19.49	\$11,553.67	\$12,274.97	6.24%
19.50-20.49	\$11,395.81	\$12,096.68	6.15%
20.50-21.49	\$11,239.39	\$11,919.35	6.05%
21.50-22.49	\$11,084.22	\$11,742.84	5.94%
22.50-23.49	\$10,930.15	\$11,567.05	5.83%
23.50-24.49	\$10,777.03	\$11,391.89	5.71%
24.50-25.49	\$10,624.75	\$11,217.29	5.58%
25.50-26.49	\$10,473.21	\$11,043.17	5.44%
26.50-27.49	\$10,322.34	\$10,869.49	5.30%
27.50-28.49	\$10,172.05	\$10,696.20	5.15%
28.50-29.49	\$10,022.30	\$10,523.26	5.00%
29.50-30.49	\$9,873.01	\$10,350.63	4.84%
30.50-31.49	\$9,724.16	\$10,178.28	4.67%
31.50-32.49	\$9,575.70	\$10,006.19	4.50%
32.50-33.49	\$9,427.59	\$9,834.34	4.31%
33.50-34.49	\$9,279.81	\$9,662.69	4.13%
34.50-35.49	\$9,132.32	\$9,491.24	3.93%
35.50-36.49	\$8,985.10	\$9,319.97	3.73%
36.50-37.49	\$8,838.13	\$9,148.87	3.52%
37.50-38.49	\$8,691.39	\$8,977.91	3.30%
38.50-39.49	\$8,544.85	\$8,807.10	3.07%
39.50-40.49	\$8,398.52	\$8,636.41	2.83%
40.50-41.49	\$8,252.38	\$8,465.84	2.59%
41.50-42.49	\$8,106.39	\$8,295.39	2.33%
42.50-43.49	\$7,960.56	\$8,125.03	2.07%
43.50-44.49	\$7,814.87	\$7,954.78	1.79%
44.50-45.49	\$7,669.33	\$7,784.61	1.50%
45.50-46.49	\$7,523.92	\$7,614.52	1.20%
46.50-47.49	\$7,378.61	\$7,444.52	0.89%
47.50-48.49	\$7,233.42	\$7,274.59	0.57%
48.50-49.49	\$7,088.35	\$7,104.73	0.23%
49.50-over	\$6,943.35	\$6,934.93	-0.12%