City of Richmond

Report to Council

To:	Richmond City Council	**Date:**	November 20th, 2002
From:	Mayor Malcolm D. Brodie Chair, General Purposes Committee	**File:**	1070-04-01
Re:	**2002 Development Cost Charge Program and Rates**		

The General Purposes Committee, at its meeting held on November 18th, 2002, considered the attached report, and recommends as follows:

Committee Recommendation

None.

Mayor Malcolm D. Brodie, Chair
General Purposes Committee

Attach.

VARIANCE

Please note that staff recommended the following:

That staff bring forward a Development Cost Charges Imposition Bylaw to Council for introduction and first, second and third readings, (to give effect to the development cost charge rates outlined in the report dated November 12th, 2002, from the Manager, Special Projects, Finance & Corporate Services).

Staff Report

Origin

Introduction

Section 933 of the *Local Government Act* authorizes municipalities to levy development cost charges (DCCs) to recover the costs of **infrastructure servicing** and **parkland acquisition and development.** The attached report dated April 30, 2002 from the General Manager – Finance & Corporate Services describes in some detail the rationale and methodology for determining development cost charge rates, and provides the background for the following report.

Although addressed to the General Purposes Committee, the attached report was reviewed only by TAG at that time. Staff was subsequently instructed to solicit public feedback on the proposed new DCC rates in accordance with step 5 of the *Bylaw Adoption Process* laid out on pages 2-3 of the attached report. A public meeting was held in August and staff met with representatives of the development industry in September, 2002. Staff has completed a review (i.e. step 6) of the concerns of the public in general, and of the development industry in particular (a copy of the Urban Development Institute's response is attached). That review, and the resulting recommendations for new development cost charge rates, are the main subject of this report.

Analysis

Public Concerns

The concerns expressed by the development industry and the public in general, are summarized as follows:

1. Increase to residential DCCs (19.0%) is unacceptably high; even marginal increase in major industry DCCs 'might well tip the balance of development away from Richmond'

2. Parks DCC Program is too high, especially the increase to City Centre parks development (MOT lands should not be financed by DCCs)

3. Ensure that School site DCC projects are not included in Parks Acquisition program

4. Provision for affordable housing should be included in DCC charges or financed by another City charge

5. 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.

6. City should re-examine having uniform DCC for Lulu Island, especially regarding Southeast Richmond Industrial Area.

7. Review City levies in comparison with other regional municipalities

8. The cost of community-wide parks should be funded by City resources, not DCCs

9. Existing DCC Reserves should be deducted from DCC program in calculating new DCC rates

10. Current cost split benefit percentage is insufficient

11. Current assist factors are insufficient, and City should consider having different factors for different services

12. Large increases in DCCs should be phased in over 2 – 3 years

13. Following policies should be clearly stated:

    -City will continue to pay GVRD Sanitary DCC
    -DCC Credit allowances with respect to existing infrastructure

Staff Response and Recommended Action

1. *Increase to residential DCCs (19.0%) is unacceptably high; even marginal increase in major industry DCCs 'might well tip the balance of development away from Richmond'*

    The proposed increase to the residential DCCs, in particular, aroused considerable concern in the development industry. The proposed increases were much higher than for commercial/light industry and major industry development (see page 8 of the attached report). As a result, **staff reviewed** the planned infrastructure servicing and parks programs once again to determine whether any of the projects could be eliminated or reduced without seriously compromising the needs of the City. The results of that review are summarized as follows (see also Appendix 1 to this report):

DCC Capital Program	Proposed	Revised
Infrastructure Servicing	$334,961,000	$336,472,000
Parkland	$305,074,000	$278,386,000
Total	$640,035,000	$614,858,000

DCC Roads Program. The review produced a small increase to the DCC Roads Program in the Cambie area, as a result of new information, as follows:

Infrastructure	**Proposed**	**Revised**
Roads	$275,944,000	$277,455,000
Drainage	$30,747,000	$30,747,000
Water	$10,825,000	$10,825,000
Sanitary Sewer	$17,445,000	$17,445,000
Total	$334,961,000	$336,472,000

DCC Parks Program. There where a number of revisions to the DCC Parks Program, most notably a reduction of $13.8 million for park development in the City Centre (MOT lands), inasmuch as a current plans for that property provide that a considerable part of the planned acquisition is to be developed for purposes other than parks. Additional changes include reductions in parks acquisition, and associated development, in the Thompson, City Centre, Cambie, and Fraser Port areas, as well as for the Trails Program (see also Appendix 2 to this report):

Parkland Program	**Proposed**	**Revised**
Parkland Acquisition	$214,022,000	$203,117,000
Parkland Development	$91,052,000	$75,269,000
Total	$305,074,000	$278,386,000

Major Industry DCC Rates. The other issue raised by the development industry in this section is the relatively high DCC rates for major industrial development. The proposed major industry DCC rates originally included a 7.3 percent increase (see page 8 of the attached report). Richmond's major industry DCCs are considerably higher than other municipalities in the Region (see Appendix 3 to this report). At the same time Richmond's commercial DCCs are comparatively low, and the proposed increase for commercial/light industry rates was only 2.9 percent. **Staff looked at ways of re-allocating** some of the burden of the DCC Program from major industry to commercial/light industry, and determined that a reasonable justification could be made for increasing the burden carried for the DCC Parks by commercial/light industry and decreasing the burden borne by major industry.

Revised DCC Rate Summary. The DCC rates produced as a result of the above actions are summarized in Appendix 4 to this report (i.e. column '*DCCs as revised*'), with major changes from the original proposed rates highlighted.

Note that the percentage increase shown for residential (8.7%) is for single family dwellings only. Residential development is charged DCCs at a rate which is dependent on density (see Appendix 5 to this report). In fact, there are a range of changes to the recommended residential DCC rates, as follows:

Residential type	**Density**	**Revised DCC rate**	**Pct**
Single family	Up to 7.5 du/ac	$14,233.36	8.7
Townhouse	16 du/ac	$12,566.07	9.2
LR Apartment	25 du/ac	$10,997.34	7.3
HR Apartment	50 du/ac or higher	$6,796.95	-4.1

2. *Parks DCC Program is too high, especially the increase to City Centre parks development (MOT lands should not be financed by DCCs)*

   See item 1.

3. *Ensure that School site DCC projects are not included in Parks Acquisition program*

   The recommended new DCC rates **do not include** a component for school site land acquisitions.

4. *Provision for affordable housing should be included in DCC charges or financed by another City charge*

   Current DCC legislation **does not allow** provision for affordable housing

5. *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.*

   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, 2002. 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**.

6. *City should re-examine having uniform DCC for Lulu Island, especially regarding Southeast Richmond Industrial Area.*

   This suggestion from the development industry arose from a concern that, with a uniform rate for Lulu Island, development in lower servicing cost areas would be supporting development in higher servicing cost areas (i.e. the Southeast Richmond Industrial Area). Staff did look at this suggestion and developed theoretical DCC rates for the Southeast Richmond Industrial Area (SRIA) as a separate DCC Area, split from the current Lulu Island DCC Area. The result was a major industry DCC of $90,000++/acre in the new SRIA (compared with about $64,500 using a uniform rate), with a corresponding reduction of less than $500/acre (a 0.8% 'saving') for major industry on the rest of Lulu Island. Inasmuch as the 'savings' would be minimal in the so-called lower servicing cost areas of Lulu Island, staff **does not recommend** that a separate DCC Area for the Southeast Richmond Industrial Area be created. This **suggestion has not been further considered** in developing the new DCC rates recommended in this report.

7. *Review City levies in comparison with other regional municipalities*

   Comparisons with other municipalities in the Region are attached as Appendix 3 to this report.

8. *The cost of community-wide parks should be funded by City resources, not DCCs*

   Staff **does not agree** with this opinion. New residents and development contribute to the need for community-wide parkspace just as much as for neighbourhood parks.

9. *Existing DCC Reserves should be deducted from DCC program in calculating new DCC rates*

   DCC Reserve balances at 2001 yearend **have been deducted** from the gross DCC Infrastructure Servicing and Parks Acquisition and Development Programs, before the new rates been calculated.

10. *Current cost split benefit percentage is insufficient*

    Works and acquisitions funded by DCCs are supposed to be related to new development, but it is apparent that the new projects will also benefit existing residents, businesses, etc. The cost split benefit is a measure of the estimated value of the work constructed and acquisitions made under the new DCC Program to existing residents. The percentages of the DCC Program allocated to existing residents must be funded by City resources. Current CSB percentages have been used for many years and have theoretical basis (see attached report page 6). Any increase in CSB percentages would increase the cost of the DCC program to the City. Staff **does not recommend** an increase to the cost split benefit percentages.

11. Current assist factors are insufficient, and City should consider having different factors for different services

The current assist factors are the minimum permitted by Ministry. The amount of the assist factor is intended as a measure of Council's motivation to contribute City resources to the cost of new development. Current assist factor percentages (see attached report page 6-7) have been used for many years. Any increase in CSB percentages would increase the cost of the DCC program to the City. Staff **does not recommend** an increase to the assist factor percentages.

12. Large increases in DCCs should be phased in over 2 – 3 years

Staff **agrees** with this suggestion. The proposed rates reviewed by the public included a 19.0 percent increase to residential DCCs. As discussed, staff has taken steps to reduce the recommended rates substantially and, with maximum increases amounting to less than inflation since 1997 (last update), this concern should be alleviated. Accordingly, staff **does not recommend** a phased approach to introducing the recommended DCC rates outlined in this report.

In addition, staff has established a procedure for annual updates to the DCC rates as necessary

13. Following policies should be clearly stated:

-City will continue to pay GVRD Sanitary DCC
-Credits with respect to existing infrastructure

Currently these issues, and others, are handled as a matter of administrative practice. The first practice was adopted by Council resolution in 1996 when the GVRD first introduced these fees. Staff **agrees** that City policy with respect to such issues should be clearly laid out in a policy manual, and such a manual **will be established** in 2003 to cover these and other items.

Summary

The primary concerns of the public and the development industry were:

1) that the proposed increase to proposed residential DCC rates were unacceptably high,
2) that major industry DCC rates should not be increased at this time,

3) that large increases in DCC rates should be phased in over 2-3 years

Staff action in response to these concerns have resulted in changes to the recommended DCC rates as follows:

DCC Category	*Current Bylaw 6769*	*DCCs to public*	*% change*	*DCCs as revised*	*% change*
Lulu Island					
Residential SFD/unit	$13,092.40	***$15,585.52***	*+19.0*	**$14,233.36**	**+8.7**
Commercial/Lt. Industry/sq.ft.	$2.36 plus drainage	***$2.69 plus drainage***	*+2.9*	**$2.93 plus drainage**	**+10.4**
Major Industry/acre	$65,721.83	***$70,545.46***	*+7.3*	**$64,711.80**	**-1.5**

	Current Bylaw 6769	*DCCs to public*	*% change*	*DCCs as revised*	*% change*
Sea Island					
Commercial/Lt. Industry/sq.ft.	$1.06 plus drainage	***$1.11 plus drainage***	*-14.6*	**$1.13 plus drainage**	**-13.5**
Mitchell/Twigg Island					
Major Industry/acre	$27,206.49	***$18,303.04***	*-32.7*	**$12,726.70**	**-53.2**

The actions taken by staff address the primary concerns expressed by the public and the development industry towards the proposed DCC rates distributed and discussed in August-September, 2002.

A draft of this report, complete with staff recommendations, was forwarded in early November to the Urban Development Institute for review. The UDI does not plan to submit a formal response to the report, but discussions with R. Bublick, Associate Director, indicate a general consensus that the City has made a considerable effort to accommodate the concerns of the development industry with respect to the new DCC rates. There is still a belief, however, on the part of some members, that the rate increases are sufficiently high to warrant phasing the changes over 2-3 years (item 12 above). Staff **does not recommend** a phased approach to introducing the new rates. The current rates have been in place since 1997, and the recommended increases amount to less than general price inflation since that time.

The above DCC rates would form the basis of a Development Cost Charges Imposition Bylaw brought forward for the consideration of Council, and 1st, 2nd, and 3rd readings, with a recommendation that the new rates be made effective on January 1, 2003, or as soon as possible thereafter. Note in this regard that DCC Rates bylaws require the approval of the Inspector of Municipalities prior to final reading.

Financial Impact

New development cost charge rates are required to provide the funds necessary for anticipated growth, in accordance with the current *Official Community Plan.*

Conclusions

Section 933 of the *Local Government Act* authorizes municipalities to levy development cost charges to recover the costs of:

> -**infrastructure servicing,** i.e. providing roads, drainage, water, and sanitary sewer systems, and
> -**parkland acquisition and development,**

related directly or indirectly to the developments to be assessed.

Staff has recently completed a thorough review of the Development Cost Charge Bylaw and have recommended new DCC rates in consideration of:

> -the **development plan** expressed in the *Official Community Plan,* and
> -the **infrastructure and parkland** necessary to adequately service the expected new development.
> -concerns expressed by the public in general, and the development industry in particular.

Staff believes that the development cost charge rates shown in this report will produce the revenue necessary to fund the development expected during the 2002 to 2021 timeframe.

Recommendations

I recommend that staff be directed to:

1) Bring forward a Development Cost Charges Imposition Bylaw to Council for 1^{st}, 2^{nd}, and 3^{rd} readings to give effect to the development cost charge rates outlined in this report.

N. Graham Willis
Manager, Special Projects

APPENDIX 1 – Infrastructure Servicing Program
Revised – post public meetings

Area	*Roads*	*Drainage*	*Water*	*Sanitary*	*Total*
Sea Island	700,000				**700,000**
Thompson	13,622,000				**13,622,000**
Seafair	1,822,000				**1,822,000**
Steveston	7,534,000				**7,534,000**
Blundell	2,526,000		142,000		**2,668,000**
Broadmoor	4,056,000	2,200,000			**6,256,000**
Gilmore	5,480,000	1,496,000			**6,976,000**
Shellmont	1,471,000	470,000			**1,941,000**
McLennan	34,940,000		1,021,000	339,000	**36,300,000**
Town Centre	64,899,000		2,491,000	194,000	**67,584,000**
Cambie	18,356,000	1,665,000	1,581,000		**21,601,000**
Bridgeport	27,818,000		1,200,000		**29,018,000**
East Richmond	62,496,000	12,607,000	3,393,000		**78,496,000**
Hamilton	1,687,000				**1,687,000**
Mitchell/ Twigg	1,448,000		997,000		**2,445,000**
General	28,600,000	12,309,000		16,913,000	**57,822,000**
TOTAL	**277,455,000**	**30,747,000**	**10,825,000**	**17,445,000**	**336,472,000**

*shaded areas denote amounts changed after public meetings

APPENDIX 2 – Parkland Acquisition and Development Program
Revised – post public meetings

Area #	Area Name	Land costs	Development cost	Total costs
1	Sea Island	198,000	13,000	211,000
2	Thompson	1,043,000	196,000	1,239,000
3	Seafair	1,082,000	48,000	1,130,000
4	Steveston	4,261,000	157,000	4,418,000
5	Blundell	5,360,000	247,000	5,607,000
6	Broadmoor	7,956,000	544,000	8,500,000
7	Gilmore	3,180,000	3,500,000	6,680,000
8	Shellmont	1,573,000	141,000	1,714,000
9	McLennan			-
10	Town Centre	53,707,000	16,549,000	70,256,000
11	Cambie	9,713,000	619,000	10,332,000
12	Bridgeport	7,639,000	1,110,000	8,749,000
13	Fraser Lands (E Richmond)	5,559,000	5,895,000	11,454,000
14	Hamilton			-
	General	84,000,000	9,240,000	93,240,000
	Natural Areas	8,109,000	-	8,109,000
	Trails	9,737,000	1,381,000	11,118,000
	Other Properties			-
	Existing Trails - New Development		12,048,000	12,048,000
	Existing Parks- New Development	-	23,581,000	23,581,000
	TOTAL COSTS:	203,117,000	75,269,000	278,386,000

*shaded areas denote amounts changed after public meetings

APPENDIX 3 – Comparison Development Cost Charges (Lulu Island)
Revised – post public meetings

DCC	*Richmond-Lulu Island*	*Delta*	*Delta-equiv*	*Surrey*	*Surrey-equiv*	*Langley Dist*	*Langley-Equiv*	*Coquitlam*	*Coquitlam – equiv*
Res-SFD	**$13,092/unit**	$11,229/unit	**$11,229/unit**	$22,080/unit	**$16,875/unit**	$15,984/unit	**$15,984/unit**	$12,750/unit	**$12,750/unit**
Res-TH	**$11,511/unit**	$7,627/unit	**$7,627/unit**	$10.06/ft	**$14,080/unit**[1]	$13,406/unit	**$13,406/unit**	$8,700/unit	**$8,700/unit**
Res-LR Apt	**$10,252/unit**					$10,392/unit	**$10,392/unit**	$7,560/unit	**$7,560/unit**
Res-HR Apt	**$7,087/unit**	$6,008/unit	**$6,008/unit**	$10.06/ft	**$8,048/unit**[3]	$9,373/unit	**$9,373/unit**	$7,560/unit	**$7,560/unit**
Congregate	**$2.46 to 2.88/ft**[4]	$2,817/unit	**$2,817/unit**	$1.81/ft	**$1.81/ft**	$50.30/m[4]	**$4.67/ft**[4]		
Commercial-Lulu*	**$2.46 to 2.88/ft**[4]	$26.81/m	**$2.51/ft**	$2.81 to $5.21/ft	**$2.81 to $5.21/ft**	$50.30/m[4]	**$4.67/ft**[4]	$25.00/m	**$2.34/ft**
Light industry	**$2.46 to 2.88/ft**[4]							$25.00/m	**$2.34/ft**
Major industry-Lulu*	**$65,722/ac**	$98,784/ha	**$39,977/ac**	$42,356/ac	**$42,356/ac**	$11.38/m[5]	**$46,053/ac**[5]	$13.00/m to $16.00/m	**$52,609 to $64,749/ac**[6]
Industry-Annacis		$68,536/ha	**$27,736/ac**						
Institutional	**$2.46 to 2.88/ft**[4]	$14.56/m	**$1.36/ft**	$1.56 to $3.49/ft	**$1.56 to $4.27/ft**	$11.10/m[5]	**$1.04/ft**	$35.00/m[5]	**$3.27/ft**
Int. Agricultural		$23,103/ha	**$9,349/ac**						

1.assumes 1400 sq ft
2.assumes 1100 sq ft
3.assumes 800 sq.ft
4.includes $11,393 per acre for drainage, which is roughly equivalent to $0.52 per square foot; allows decreased DCC rate for multiple storeys
5.charged per sq.m of development area
6.estimate only

APPENDIX 4 – Development Cost Charges Summary
Revised – post public meetings

DCC Category	*Current Bylaw 6769*	*DCCs to public*	*% change*	*DCCs as revised*	*% change*
Lulu Island					
Residential SFD/unit					
Roads	$2,546.68	*$3,804.82*		**$3,808.75**	
Drainage	$1,187.44	*$571.81*		**$560.78**	
Water	$101.30	*$105.15*		**$98.61**	
Sanitary	-	*$250.76*		**$241.97**	
Parks acquisition	$7,230.54	*$7,606.79*		[redacted]	
Parks development	$2,026.44	*$3,246.19*		[redacted]	
Total	$13,092.40	*$15,585.52*	*+19.0*	**$14,233.36**	+8.7
Commercial/Lt. Industry/sq.ft.					
Roads	$1.93	*$2.18*		**$2.18**	
Drainage	Per acre	*Per acre*		**Per acre**	
Water	$0.08	*$0.06*		**$0.06**	
Sanitary	-	*$0.14*		**$0.14**	
Parks acquisition	$0.27	*$0.22*		[redacted]	
Parks development	$0.08	*$0.09*		[redacted]	
Total	$2.36	*$2.69*	*+2.9*	**$2.93**	+10.4
Major Industry/acre					
Roads	$44,476.12	*$53,104.43*		**$53,159.33**	
Drainage	$11,193.30	*$4,899.71*		**$4,805.19**	
Water	$1,769.06	*$1,467.64*		**$1,376.25**	
Sanitary	-	*$3,499.84*		**$3,377.26**	
Parks acquisition	$6,313.83	*$5,308.46*		[redacted]	
Parks development	$1,769.52	*$2,265.38*		[redacted]	
Total	$65,721.83	*$70,545.46*	*+7.3*	**$64,711.80**	-1.5

	Current Bylaw 6769	DCCs to public	% change	DCCs as revised	% change
Sea Island					
Commercial/Lt. Industry/sq.ft.					
Roads	$0.69	*$0.82*		[redacted]	
Drainage	Per acre	*Per acre*		Per acre	
Water	-	-		-	
Sanitary	-	-		-	
Parks acquisition	$0.29	*$0.20*		[redacted]	
Parks development	$0.08	*$0.09*		[redacted]	
Total	$1.06	*$1.11*	*-14.6*	$1.13	-13.5
Mitchell/Twigg Island					
Major Industry/acre					
Roads	$16,310.59	*$6,098.43*		$6,100.31	
Drainage	$2,812.55	-		-	
Water	-	*$4,630.77*		$4,632.62	
Sanitary	-	-		-	
Parks acquisition	$6,313.83	*$5,308.46*		[redacted]	
Parks development	$1,769.52	*$2,265.38*		[redacted]	
Total	$27,206.49	*$18,303.04*	*-32.7*	$12,726.70	-53.2

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APPENDIX 5 – Residential Development Cost Charges (Lulu Island)/ per density
Revised – post public meetings

DENSITY RANGE		ROADWORKS	WATERWORKS	DRAINAGE	SANITARY SEWER	PARKS ACQ.	PARKS DEV.	TOTAL
0-7.49	SFD	$3,808.75	$ 98.61	$ 560.78	$ 241.97	$6,943.99	$2,579.26	$14,233.36
7.50-8.49		$3,785.78	$ 98.01	$ 529.57	$ 240.51	$6,902.11	$2,563.71	$14,119.68
8.50-9.49		$3,739.83	$ 96.82	$ 477.55	$ 237.59	$6,818.34	$2,532.59	$13,902.72
9.50-10.49		$3,693.88	$ 95.63	$ 435.93	$ 234.68	$6,734.57	$2,501.48	$13,696.17
10.50-11.49		$3,647.93	$ 94.44	$ 401.88	$ 231.76	$6,650.80	$2,470.36	$13,497.17
11.50-12.49		$3,601.99	$ 93.25	$ 373.50	$ 228.84	$6,567.03	$2,439.25	$13,303.86
12.50-13.49		$3,556.04	$ 92.06	$ 349.49	$ 225.92	$6,483.26	$2,408.13	$13,114.91
13.50-14.49		$3,510.09	$ 90.87	$ 328.91	$ 223.00	$6,399.50	$2,377.02	$12,929.39
14.50-15.49		$3,464.15	$ 89.68	$ 311.08	$ 220.08	$6,315.73	$2,345.90	$12,746.62
15.50-16.49	TH	$3,418.20	$ 88.49	$ 295.47	$ 217.16	$6,231.96	$2,314.79	$12,566.07
16.50-17.49		$3,372.25	$ 87.30	$ 281.70	$ 214.24	$6,148.19	$2,283.67	$12,387.36
17.50-18.49		$3,326.31	$ 86.12	$ 269.46	$ 211.32	$6,064.42	$2,252.56	$12,210.18
18.50-19.49		$3,280.36	$ 84.93	$ 258.51	$ 208.40	$5,980.65	$2,221.44	$12,034.29
19.50-20.49		$3,234.41	$ 83.74	$ 248.65	$ 205.49	$5,896.88	$2,190.33	$11,859.49
20.50-21.49		$3,188.47	$ 82.55	$ 239.73	$ 202.57	$5,813.11	$2,159.21	$11,685.63
21.50-22.49		$3,142.52	$ 81.36	$ 231.62	$ 199.65	$5,729.35	$2,128.10	$11,512.59
22.50-23.49		$3,096.57	$ 80.17	$ 224.22	$ 196.73	$5,645.58	$2,096.98	$11,340.25
23.50-24.49		$3,050.63	$ 78.98	$ 217.43	$ 193.81	$5,561.81	$2,065.87	$11,168.52
24.50-25.49	LR Apart	$3,004.68	$ 77.79	$ 211.19	$ 190.89	$5,478.04	$2,034.75	$10,997.34
25.50-26.49		$2,958.73	$ 76.60	$ 205.43	$ 187.97	$5,394.27	$2,003.64	$10,826.64
26.50-27.49		$2,912.79	$ 75.41	$ 200.09	$ 185.05	$5,310.50	$1,972.52	$10,656.36
27.50-28.49		$2,866.84	$ 74.22	$ 195.14	$ 182.13	$5,226.73	$1,941.41	$10,486.47
28.50-29.49		$2,820.89	$ 73.03	$ 190.53	$ 179.21	$5,142.96	$1,910.29	$10,316.92
29.50-30.49		$2,774.95	$ 71.84	$ 186.22	$ 176.29	$5,059.19	$1,879.18	$10,147.67
30.50-31.49		$2,729.00	$ 70.65	$ 182.19	$ 173.38	$4,975.43	$1,848.06	$ 9,978.71
31.50-32.49		$2,683.05	$ 69.46	$ 178.42	$ 170.46	$4,891.66	$1,816.95	$ 9,809.99
32.50-33.49		$2,637.10	$ 68.27	$ 174.87	$ 167.54	$4,807.89	$1,785.83	$ 9,641.51
33.50-34.49		$2,591.16	$ 67.08	$ 171.53	$ 164.62	$4,724.12	$1,754.72	$ 9,473.23
34.50-35.49		$2,545.21	$ 65.89	$ 168.38	$ 161.70	$4,640.35	$1,723.60	$ 9,305.14
35.50-36.49		$2,499.26	$ 64.70	$ 165.41	$ 158.78	$4,556.58	$1,692.49	$ 9,137.23
36.50-37.49		$2,453.32	$ 63.51	$ 162.60	$ 155.86	$4,472.81	$1,661.37	$ 8,969.48
37.50-38.49		$2,407.37	$ 62.32	$ 159.94	$ 152.94	$4,389.04	$1,630.26	$ 8,801.88
38.50-39.49		$2,361.42	$ 61.14	$ 157.41	$ 150.02	$4,305.28	$1,599.14	$ 8,634.41
39.50-40.49		$2,315.48	$ 59.95	$ 155.01	$ 147.10	$4,221.51	$1,568.03	$ 8,467.07
40.50-41.49		$2,269.53	$ 58.76	$ 152.72	$ 144.19	$4,137.74	$1,536.91	$ 8,299.85
41.50-42.49		$2,223.58	$ 57.57	$ 150.55	$ 141.27	$4,053.97	$1,505.80	$ 8,132.73
42.50-43.49		$2,177.64	$ 56.38	$ 148.47	$ 138.35	$3,970.20	$1,474.68	$ 7,965.72
43.50-44.49		$2,131.69	$ 55.19	$ 146.49	$ 135.43	$3,886.43	$1,443.57	$ 7,798.80
44.50-45.49		$2,085.74	$ 54.00	$ 144.60	$ 132.51	$3,802.66	$1,412.45	$ 7,631.97
45.50-46.49		$2,039.80	$ 52.81	$ 142.79	$ 129.59	$3,718.89	$1,381.34	$ 7,465.22
46.50-47.49		$1,993.85	$ 51.62	$ 141.06	$ 126.67	$3,635.12	$1,350.22	$ 7,298.55
47.50-48.49		$1,947.90	$ 50.43	$ 139.40	$ 123.75	$3,551.36	$1,319.11	$ 7,131.95
48.50-49.49		$1,901.96	$ 49.24	$ 137.81	$ 120.83	$3,467.59	$1,287.99	$ 6,965.42
49.50 and higher		$1,856.01	$ 48.05	$ 136.28	$ 117.91	$3,383.82	$1,256.88	$ 6,798.95

APPENDIX 6 – Commercial / Light Industry Development Cost Charges (Lulu Island)/ per sq.ft.
Revised – post public meetings

--number of floors-----------

	DCC/Sq. ft.								
DCC Area	Up to 2	3	4	5	6	7	8	9	10
Lulu Island									
Roads	2.18	2.04	1.97	1.92	1.89	1.87	1.86	1.84	1.84
Drainage (per acre)									
Water	0.06	0.04	0.03	0.03	0.03	0.02	0.02	0.02	0.02
Sanitary	0.14	0.10	0.08	0.07	0.06	0.06	0.06	0.05	0.05
Parks Acquisition	0.40	0.37	0.36	0.35	0.35	0.34	0.34	0.34	0.33
Parks Development	0.15	0.14	0.13	0.13	0.13	0.13	0.13	0.12	0.12
	2.93	***2.69***	***2.57***	***2.50***	***2.46***	***2.42***	***2.41***	***2.37***	***2.36***
Sea Island									
Roads	0.62	0.57	0.55	0.54	0.53	0.53	0.52	0.52	0.52
Drainage (per acre									
Water									
Sanitary									
Parks Acquisition	0.37	0.35	0.33	0.33	0.32	0.32	0.32	0.31	0.31
Parks Development	0.14	0.13	0.12	0.12	0.12	0.12	0.12	0.12	0.12
	1.13	***1.05***	***1.00***	***0.99***	***0.97***	***0.97***	***0.96***	***0.95***	***0.95***

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City of Richmond

Report to Committee

To:	General Purposes Committee	**Date:**	April 30, 2002
From:	Jim Bruce, General Manager Finance & Corporate Services	**File:**	1070-04-01
Re:	**2002 Development Cost Charge Program and Bylaw**		

Staff Recommendation

That staff be directed to:

1) obtain public input regarding the draft 2002 Development Cost Charge (DCC) Program and Bylaw as per the report from the Manager, Special Projects dated April 30, 2002, and

2) report back to the General Purposes Committee before June 30, 2002.

Jim Bruce
General Manager, Finance and Corporate Services

Att. 10

FOR ORIGINATING DIVISION USE ONLY		
ROUTED TO:	**CONCURRENCE**	**CONCURRENCE OF GENERAL MANAGER**
Engineering	Y ☐ N ☐	
Parks Design, Construction & Programs	Y ☐ N ☐	
Development Applications	Y ☐ N ☐	
Policy Planning	Y ☐ N ☐	
Transportation	Y ☐ N ☐	

707605

Staff Report

Origin

Introduction

Section 933 of the *Local Government Act* authorizes municipalities to levy development cost charges (DCCs) to recover the costs of:

-**infrastructure servicing, i.e.** providing roads, drainage, water, and sanitary sewer systems, and
-**parkland acquisition and development**

related directly or indirectly to the developments to be assessed. DCCs must only be used for new growth in the City, as opposed to maintaining existing services. The City of Richmond has levied DCCs since 1979, when they were introduced by provincial government legislation.

Development cost charge bylaws must be reviewed periodically. DCCs must be consistent with the long-term **development plan** expressed in the current *Official Community Plan*. The adoption of a new OCP necessitates a review of DCCs as well; the current OCP was adopted in 1999. In addition, the *Development Cost Charges Best Practices Guide*, issued by the Province as a comprehensive guide for preparing development cost charge bylaws, recommends that bylaws be reviewed at least once every five years. The current DCC bylaw (6769) was adopted in 1997.

Staff have recently completed a comprehensive review of the development cost charge bylaw and have recommended a new set of DCC rates which reflect the development plan expressed in the *Official Community Plan,* and the infrastructure and parkland necessary to adequately service the expected new development. The DCC Program outlines all services necessary to support new growth.

Bylaw Adoption Process

The following indicates the process for adopting a new DCC Bylaw:

1) Council authorizes a DCC Bylaw review
2) Staff complete the review
3) A draft DCC Bylaw and Program are prepared
4) Review of draft by:
    -General Purposes Committee
    -Council
5) Staff review public input
6) Staff revise draft
7) Review of final DCC Bylaw and Program draft by:
    -General Purposes Committee
    -Council

8) Council gives 1st, 2nd, and 3rd readings to the Bylaw
9) Bylaw review and approval by provincial Inspector of Municipalities
10) Council adopts (gives 4th reading) to DCC Bylaw and Program
11) Implementation

A draft DCC Program and Bylaw have been prepared, ready for the review of General Purposes Committee in accordance with step (4) above.

Analysis

The two main inputs necessary to formulate development cost charge rates are:

(1) the **development plan** as expressed in the *Official Community Plan,* and
(2) the **infrastructure servicing** and **parkland acquisition and development** programs required to adequately service the new development expected

The development plan used to formulate development cost charges in Richmond has a twenty-year horizon and is generally considered to be a maximum 'buildout' program. Accordingly, the proposed development cost charges are based on projected development and servicing for the 2002 to 2021 time period.

Development Plan

The development plan used for the proposed development cost charge bylaw projects development of approximately 4,950 acres throughout Richmond, summarized as follows:

Land Use	Amount
Residential	1800 acres
Commercial/Light Industry	2198 acres
Major Industry	952 acres
Total	4950 acres

The plan anticipates:

1) almost 69,000 new people for Richmond,
2) a growth of approximately 53.5 million square feet of commercial and light industry floor space.
3) considerable new major (or heavy) industry development concentrated on the Fraser Port lands, and on Mitchell/Twigg Island.

A more detailed summary of the development plan is attached as **Appendix 1.**

Richmond is the only municipality in the Region to differentiate between 'light industry' and 'major industry' for the purposes of development cost charges. The significance of this differentiation is that 'light industry' is assessed development cost charges on the basis of building area (in square feet), and 'major industry' is assessed on the basis of land acreage developed. 'Light industry' consists primarily of warehousing and high-tech industry; 'major industry' is defined in **Appendix 2.**

As in previous DCC Bylaws, separate DCCs have been prepared for:

1) Lulu Island
2) Sea Island
3) Mitchell/Twigg Islands,

in respect of the unique conditions (e.g. degree of build-out, type of development, history) that exist on those islands.

Infrastructure Servicing

Development cost charges may be levied by local governments to recover the costs of providing roads, drainage, water, and sanitary sewer infrastructure systems, and of acquiring and developing parkland, related directly or indirectly to the developments to be assessed. The infrastructure servicing necessary to provide adequately for the expected new development is summarized as follows:

Infrastructure	Amount
Roads	$275,944,000
Drainage	$30,747,000
Water	$10,825,000
Sanitary Sewer	$17,445,000
Total	$334,961,000

A summary of the infrastructure servicing required by neighbourhood plan is attached as **Appendix 3.**

The amount shown as 'Roads' above includes road construction and widening costs, as well as the costs for required land acquisition, curb and gutter, sidewalks, traffic signals, streetlighting, and storm sewer systems associated with the roadwork. The 'Drainage' amount above includes only stand-alone storm-water drainage projects.

The 'Sanitary Sewer' category is new to the development cost charge bylaw with this review. The projects under this category consist of sewer pump stations and forcemains necessary to facilitate new development. Previously, such projects were financed by the sanitary utility because the cost of the works qualified for heavy subsidies from the Province under the Revenue Sharing Program. Grants from that program have been severely curtailed in the past few years, to the point of being virtually unavailable. The sewer utility can no longer afford to subsidize new development by funding pump stations and forcemains.

Parkland Acquisition and Development

The requirement for new parkland is driven primarily by population growth. With almost 69,000 new people expected under the development plan used for the development cost charges bylaw (as above), the amount of new parkland required is substantial, as follows:

Parkland Acquisition	Amount
Parks	$193,176,000
Natural Areas	$8,109,000
Trails	$12,737,000
Total	$214,022,000

A summary of the parkland acquisition requirements is summarized by neighbourhood plan in **Appendix 4.** Note that substantial acquisition is necessary in almost all areas, but particularly in the Town Centre.

Development cost charges for parkland development are permitted to provide fencing, landscaping, drainage and irrigation, trails, restrooms, changing rooms, playground and playing field equipment on parkland. Parkland development required is summarized as follows; parkland development by neighbourhood plan is included in **Appendix 4**:

Parkland Development	Amount
Parks	$77,553,000
Natural Areas	$0
Trails	$13,499,000
Total	$91,052,000

Unlike most other municipalities, Richmond has levied DCCs for parkland on commercial and industrial categories of development since development cost charges were introduced. The rationale is that, even though the requirement for new parkland is primarily population-driven and therefore should accrue to residential development, the new employees of new commercial and industrial developments do create a new burden on City parkland. That burden is considerably less than that created by new residents, however, and that difference has been reflected in the development charge rates levied on commercial and industrial development. With the new bylaw, for example, commercial and industrial developments would pay about 1/8 of the cost of parkland acquisition and development that would be borne by single family residential development.

The total parkland program, comprised of parkland acquisition and development, is as follows:

Parkland Program	Amount
Parkland Acquisition	$214,022,000
Parkland Development	$91,052,000
Total	$305,074,000

The **DCC Capital Program,** i.e. the total of the **infrastructure servicing** and **parkland acquisition and development** programs, is as follows, which, except as discussed below, must be funded by development cost charges:

DCC Capital Program	Amount
Infrastructure Servicing	$334,961,000
Parkland	$305,074,000
Total	$640,035,000

Cost Split Benefit and Assist Factor

Development cost charges may be levied to recover the costs of infrastructure and parkland related directly or indirectly to the developments to be assessed. All of the infrastructure projects and parkland acquisitions and development in the new DCC Capital Program are necessary to service the expected new development. Nevertheless, it is apparent that some benefit from the new work will accrue to existing development, and that different works will benefit existing development differently.

Rather than try to assess the benefit to existing development on an individual project-by-project basis, Richmond, in consultation with the BC Assessment Authority, developed a factor called a **cost split benefit.** Essentially, the cost split benefit is an estimate of the average increased assessed (i.e. market) value on existing properties which would result from new infrastructure servicing and new parkland. Those percentages are as follows:

Cost Split Benefit Factor

Program	Percentage
Roads	4%
Drainage	4%
Water	5%
Sanitary Sewer	4%
Parks	1%

The infrastructure servicing and parkland program costs above are accordingly reduced by these percentages in formulating the development cost charge rates.

The other factor which reduces the program costs is the **assist factor.** Section 933(2) of the *Local Government Act* specifies that DCCs are to be used "to assist the local government" to pay for the costs of the infrastructure and parkland programs. Therefore the local government must contribute a portion of the program costs; this is known as the assist factor.

The assist factor has traditionally been seen as a measure of the degree to which a municipality wishes to encourage development. However, most local governments have opted for a minimal assist factor (the minimum is 1 percent) in favour of making new development pay its way, inasmuch as whatever is not levied in development cost charges must be funded from municipal sources. As in previous DCC bylaws, the assist factors presupposed in the new rates are as follows:

Assist Factor

Program	Percentage
Roads	1%
Drainage	1%
Water	1%
Sanitary Sewer	1%
Parks	1%

As with the cost split benefit, the infrastructure servicing and parkland program costs above are reduced by these percentages in formulating the development cost charge rates.

The total **municipal contribution** to the **DCC Capital Program**, including the total dollar value over the life of the program, would therefore be as follows:

Municipal Contribution

Program	Percentage	Amount
Roads	5%	$13,800,000
Drainage	5%	$1,537,000
Water	6%	$650,000
Sanitary Sewer	5%	$872,000
Parks	2%	$6,101,000
Total		$22,929,000

In 2002, the budgeted **DCC Capital Expenditure Program** totalled approximately $8,703,000, and the municipal contribution (funded from the Revolving Fund) for that program was **$291,578.**

Development Cost Charge Rates

In Richmond, development cost charges have been levied on the following three categories of development:

Residential
Commercial/Light Industry
Major (Heavy) Industry

Other municipalities in the Region have specified additional categories such as 'congregate' and 'institutional'. Staff believes that all types of development can be adequately fitted into three categories and have opted, in the interests of administrative simplicity, to limit those categories to the three above.

A summary of the new development cost charge rates proposed are listed in the following table, along with current rates (see also **Appendix 5**):

Lulu Island			
Residential per unit – single family	$13,092.40	$15,585.52	+19.0
Commercial/Light Industry per sq. ft., plus drainage per acre	$2.36 plus $11,393.30 per acre	$2.69 plus $4,899.71 per acre	+2.9
Major Industry per acre	$65,721.83	$70,545.46	+7.3
Sea Island			
Commercial/Light Industry per sq. ft., plus drainage per acre	$1.06 plus $6,273.80 per acre	$1.11 plus 0.00 per acre	-14.6
Mitchell/Twigg			
Major Industry per acre	$27,206.49	$18,303.04	-32.7

A review of some neighbouring jurisdictions indicated that Richmond was very competitive on residential and commercial development cost charges, and higher on industrial rates (see **Appendix 6**). The proposed development cost charge rates for residential and commercial/light industry developments are still very competitive within the sample municipalities, but the industrial rates remain considerably higher.

The development industry has, on occasion, criticized Richmond's industrial rates as unusually high in the Region. However, development cost charges, by most accounts, are not the determining factor in deciding where to develop. More important are location, transportation, infrastructure, market access, and even property taxes. Richmond's property taxes on major industry are in fact much lower than most of our neighbours'. A recent study of development cost charges and property taxes in Richmond and Delta on major industrial development, for example, indicated that the difference in development cost charges paid in Richmond was more than compensated after just three years of paying property taxes.

In addition, the criticism is unwarranted given the location of major industry zoned property in Richmond. Much of this property is situated on Mitchell/Twigg Islands, where the existing rates are already lower, and the new rates will be considerably lower than elsewhere in the Region. Most of the remainder is located on the Fraser Port lands, federally-owned property that would not ordinarily be subject to DCCs. The federal government, however, has indicated that the DCCs will either be paid, in grants-in-of charges, or the required works will be constructed at federal expense when the lands develop.

DCC Revenues

The proposed development cost charge rates will produce an increase in DCC Revenues over the life of the program. In the near term (2002-2005), DCC Revenues would increase as follows, providing for an additional $6,100,000 in revenues:

DCC Revenues

Year	Current rates	Proposed rates
2002	$6,060,000	$7,139,000
2003	$6,080,000	$7,161,000
2004	$10,500,000	$12,438,000
2005	$10,860,000	$12,865,000
Total	$33,500,000	$39,603,000

Most of the increase in revenues would be for the DCC Roads Program **(see Appendix 7)**.

Residential Development Cost Charges

Residential development cost charges are levied on a per unit basis. In reality, however, the burden on municipal services is related to population. Accordingly, residential rates are first calculated per new person, and then interpolated to a per unit basis, using known average parameters for the number of persons in different types of dwelling units, as follows:

Single family	7.5	2.9
Townhouse	16	2.55
Low-rise apartment	25	1.8
Hi-rise apartment	52	1.4

A look at the data indicates that higher density residential development should pay lower per-unit development cost charges, which is how residential charges are levied in Richmond. Applying a statistical method, known as linear regression, to the above data produces a gradient which allows us to charge a declining rate per unit as density increases, as shown in **Appendix 8**.

Commercial/Light Industry Development Cost Charges

Commercial/Light Industry development cost charges are levied on the basis of square feet of building area. It is apparent that, for some types of servicing, multi-storey commercial/light industry development does not impose the same per-square-foot burden as single- or two-storey development. Therefore the DCC rate per square foot is reduced, in some instances, incrementally for developments higher than two storeys, per **Appendix 9.**

As discussed, Richmond is the only municipality in the Region to differentiate between 'light industry' (mainly warehousing and high-tech industry) and 'major industry' for the purposes of development cost charges. Most light industry developments are more similar in actual site usage to commercial developments than they are to major industry developments.

Conclusions

Section 933 of the *Local Government Act* authorizes municipalities to levy development cost charges to recover the costs of:

> **-infrastructure servicing,** i.e. providing roads, drainage, water, and sanitary sewer systems, and
> **-parkland acquisition and development**

related directly or indirectly to the developments to be assessed.

Staff have recently completed a thorough review of the Development Cost Charge Bylaw and have recommended a new DCC Bylaw in consideration of:

> -the **development plan** expressed in the *Official Community Plan,* and
> -the **infrastructure and parkland** necessary to adequately service the expected new development.

Staff believe that the development cost charge rates shown in the attached bylaw will produce the revenue necessary to fund the development expected during the 2002 to 2021 timeframe.

The draft Development Charge Program and Bylaw should be made available to the public for review.

Recommendations

I recommend that staff be directed to:

1) obtain public input regarding the draft 2002 Development Cost Charge (DCC) Program and Bylaw as described in this report

2) report back to the General Purposes Committee before June 30, 2002.

N. Graham Willis
Manager, Special Projects

Major Industry Development Cost Charges

Development permitted in major industry zones (I-1) is extremely diverse in site usage and building type (see **Appendix 2**). Consequently, such developments lend themselves to assessing development cost charges on the basis of acreage developed.

Other Considerations

Staff is cognizant that periodic reviews of the development cost charges bylaw, especially when such reviews are five years apart, are likely to cause some anxiety and uncertainty in the development industry. To mitigate such concerns, staff has developed a mechanism for annual updates of development cost charges based on cost indices and actual costs of works and acquisitions completed. Rates can be updated with minimal effort with such a mechanism, and the approval process should be relatively straightforward. Once the effective date of the proposed bylaw is determined, an annual update schedule will be brought forth for review and consideration.

Public Consultation

The *Development Cost Charges Best Practices Guide* strongly recommends that the public and stakeholders be given an opportunity to review and comment on proposed DCC Bylaws and Programs. Allowing for a public review would, in any case, be consistent with Richmond's corporate values. In addition, although allowing for public input adds time to the process, it also:

-provides an opportunity to educate the public
-provides an opportunity for constructive feedback from stakeholders
-encourages acceptance
-minimizes implementation problems

The public consultation process should include:

-a public open house meeting
-a more in-depth consultation with the Urban Development Institute

In accordance with the Bylaw Adoption Process (above), public consultation would be appropriate after the initial review of Committee and Council.

Financial Impact

New development cost charge rates are required to provide the funds necessary for anticipated growth, in accordance with the current *Official Community Plan.*

URBAN DEVELOPMENT INSTITUTE PACIFIC REGION

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September 11, 2002

Planning Department
City of Richmond
6911 No. 3 Road
Richmond, B.C., V6Y 2C1

Attention: Terry Crowe, Manager, Policy Planning

RE: PROPOSED RICHMOND DCC PROGRAM

The **Urban Development Institute** welcomes the opportunity to comment on the proposed City of Richmond DCC program, which you forwarded to our offices on August 14, 2002. We also appreciate the meeting we had between industry representatives and city staff on September 4, 2002 to discuss in more details the various issues and concerns with respect to the proposed DCC program.

As you know, the Institute represents the real estate development industry and related professions. The activities of our member developers span the development and construction of residential, commercial, industrial, recreational, and institutional projects. The Institute's position has always been that new development should pay its fair share of infrastructure costs and the works necessitated by new developments. The Institute maintains that new development should only pay for services that place a new capital cost burden on the community that is attributable to new development.

Municipal financing issues are important to the development industry and the Institute has been encouraging local governments to examine other vehicles such as user fees, metered services, and a variety of municipal bonds to finance needed services as well as desired infrastructure improvements rather than solely relying on DCCs to finance growth.

STATE OF THE INDUSTRY

Over the last 18 months, the development industry has experienced, for the first time since 1995, some modest growth in housing starts. However, the Institute believes this recovery is fragile and may not be sustainable in light of the recent weak immigration and inter-provincial migration numbers to British Columbia, and the last thing it needs is the stifling effect from a significant increase in DCCs.

Much of the current housing sales boom is the result of a decline in inventory and strong re-sale markets. These encouraging trends may be short-lived and more attributable to local buyers taking advantage of the current low interest rate and not to new growth from new people moving to British Columbia.

High DCCs drive prices upward that discourages more reasonably priced housing or reasonably priced serviced land. Undoubtedly DCCs play a major role on the cost side of developments, which is then passed onto the end user, be it a tenant or a purchaser. Ultimately, if the end user cannot afford the end price, he moves to a more affordable location.

The Institute believes the proposed Richmond DCC increases, which are as high as 20% for townhouses, will have a dampening effect on new residential construction and may well deter future development in Richmond.

Furthermore, the Institute recommends that any sizeable new DCC charges be phased-in.

GRACE PERIOD & IN-STREAM APPLICATIONS

Any grace period is an acknowledgement of the impact DCCs have on the development industry. The Institute suggests **the new DCC bylaw not take effect for 120 days from the date of bylaw adoption.**

On the question of when and how any proposed increases should come into effect with respect to in-stream applications the Institute suggests a one-year grace period for subdivision and building permit applications from the date of bylaw adoption. This is a standard practice with other municipalities in the Lower Mainland.

COMPETITION & EFFICIENCY FACTORS

Municipal DCC levies should be examined on two levels: 1) competition between adjacent municipalities and 2) efficient land use within a municipality.

1. Competition Factor

The Institute compared the current and proposed Richmond DCCs to those in other Lower Mainland municipalities. Richmond currently has one of the highest DCC rates for single-family, town-housing and low-rise apartments. The proposed DCCs would further increase the differences in DCCs levied by the various municipalities and most developers, at least some of the time, do consider municipal differences in DCCs when making location decisions for new developments.

Municipalities compete for business. Development levies are not applied uniformly throughout the region. Henceforth, higher DCCs can reduce development in Richmond in favour of other municipalities with lower levies.

2. Efficiency Factor

Recently, the *C.D. Howe Institute* has commissioned a number of studies on municipal finance and some of the findings of this research is **very relevant** as Richmond prepares it's new DCC program. The paper entitled *Municipal Finance and the Pattern of Urban Growth* concludes that

> " . . . *a development charge that is the same amount regardless of where the unit is located does not reflect the municipality's true costs and thus does not lead to efficient development decisions.*"

In other words, uniform levies in a municipality subsidize inefficient uses of land. Decisions on how to finance urban services and particularly on how development charges are calculated and levied have a profound impact on the pattern of urban growth and may well be working against stated planning objectives.

The Institute suggests 1) another examination of the decision to have one levy for all of Lulu Island and 2) how Richmond's levies compare to other Lower Mainland municipalities.

PROJECT ELIGIBILITY

The Richmond DCC program is based on a number of policy decisions:

- DCCs will be applied on a municipal-wide basis for Lulu Island, and
- the development potential method based on build-out as reflected by the OCP.

Considering that the current DCC program uses the build-out method, the Institute notes that the new proposals reflect a far more ambitious infrastructure and parkland acquisition and development program than is contained in the current DCC program. Furthermore, the Institute suggests that the need for such ambitious programs should not be purely attributable to projected new developments and should in part be attributable to existing users.

The Institute therefore suggests that city staff take another close look at some of the suggested projects, especially those that have been added on to the current DCC program.

In particular, the Institute flags the enormous increase in parkland development costs assigned to the Town Centre which is pegged at over $31 million compared to just under $1 million in the current DCC program. Furthermore, the development of ***existing*** trails and parks should be re-examined as they add another $32 million in costs to be paid by new development. The Institute is troubled by the lack of justification by the City for such increases, other than as a means of passing the costs for such programs to new developments.

The Institute suggests that the costs of community wide parks in the Town Centre should be borne by the entire Richmond population through the property tax payments or other vehicles such as user fees, metered services, and municipal bonds and not be included in the proposed DCC program.

EXISTING DCC RESERVE FUNDS

The provincial DCC *Best Practices Guide* suggests that if the proposed DCC program is updated of the current one, some capital projects may be carried over if they were not previously constructed. In this case, any monies in the existing DCC reserve account not yet expended should likewise be carried over into the new bylaw and these funds should be applied to offset the net DCC program recoverable amount.

Richmond has a healthy DCC reserve fund of about $24 million and the Institute suggests that there must be some funds already collected for some of the projects contained in the proposed DCC program.

GUIDING PRINCIPLES

The *Best Practices Guide* sets out guiding principles for the development of a DCC program.

1. Fairness & Equity

One of these guiding principles for a DCC program is fairness and equity.

The Institute believes the cost split benefit factors need to be examined further recognizing that a DCC program should distribute the costs between existing users and new development in a fair and equitable manner. The Institute recommends that the proposed magnitude of increase be scaled back to a more reasonable level on a fair and equitable basis.

2. Certainty

Another guiding principle is the need for certainty.

The Institute believes that it is vital that certainty be built into any DCC process both in terms of stable charges over time and orderly construction of infrastructure. To this end the Institute recommends that **sizeable new DCC charges be phased-in over a period of at least two to three years.**

3. Benefiter Pays

Richmond's parks and trails program is beneficial to the entire community and the apportionment, especially when using a municipal-wide approach, needs to reflect the benefits to the existing population. Also, a good transportation network is beneficial to the entire community and the cost split benefit factor should equitably reflect this.

In short, those who will use and benefit from the installation and improvements of the various systems should pay the costs. Under this principle, the municipal assist factor should be re-examined. The Institute suggests that the different infrastructure categories under the DCC program may actually warrant different municipal assist factors.

4. Accountability

Another guiding principle for a DCC program is accountability.

On this point, the Institute suggests that all local processes should be transparent. The Institute therefore suggests that Richmond's policy on continuing to pay the GVRD levy should be clearly stated, as should Richmond's policy on DCC credits for redevelopment of existing infrastructure.

INDUSTRIAL DCCs

In July 2001, the consulting firm of Harris-Hudema reported to the *City of Coquitlam* on their assessment of development cost charges throughout the region. The findings of this report shows that the Richmond DCC ratio to development costs and to land is in the upper end of the range of surrounding municipalities. As Richmond competes in a regional market the DCCs in surrounding municipalities becomes increasingly important.

Therefore, the Institute suggests that even a marginal increase in industrial DCCs might well tip the balance of development away from Richmond.

CONCLUDING COMMENTS

Over the years the City of Richmond has developed a reputation of encouraging new developments and managing growth efficiently. However, the Institute believes that the proposed DCC increases would go against such reputation and seriously hinder residential development in Richmond.

The Institute appreciates the opportunity to meet with staff and their willingness to consider the views of the industry on the proposed DCC program. We urge staff to re-examine the proposed DCC program taking into consideration the concerns expressed relating to:

- the impact of proposed DCCs on the health of the industry;
- grace period and in-stream applications;
- Richmond's DCC levies compared to other Lower Mainland municipalities;
- projects included in the new DCC program;
- the utilization of the DCC reserve fund;
- guiding principles such as certainty, fairness & equity, accountability and benefiter pays; and
- industrial DCCs.

The Institute looks forward to an opportunity to review and further comment on the staff policy report prior to the report proceeding to the appropriate Council committee.

Respectfully submitted,

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W McAllister

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