City of Richmond

Report to Council

To:	Mayor and Council	**Date:**	November 21, 2002
From:	Graham Willis, Manager, Special Projects Finance & Corporate Services	**File:**	1075-04
Re:	**Development Cost Charge Review – GP Committee questions November 18**		

Staff Recommendation

That the attached report dated November 21, 2002 be received for information.

Graham Willis, Manager, Special Projects
Finance & Corporate Services

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CONCURRENCE OF GENERAL MANAGER

910271

Origin

On November 18, 2002 the General Purposes Committee considered a report from the undersigned regarding the establishment of new development cost charge rates. The recommendation therein **was not accepted** by the Committee and the report will be considered by Council on November 25 without a Committee recommendation.

During the Committee meeting there were a number of issues raised and options considered which could not be fully discussed at that time, primarily because accurate information was not readily available or could not be adequately presented. The purpose of this report is to provide some of the background information that was missing or not evident at that meeting.

Analysis

Background

As discussed in the report on development cost charges dated April 30, 2002, DCC rates are calculated based on two primary inputs:

- the **development plan** based on the current *Official Community Plan*
- the **infrastructure servicing program** and the **parkland acquisition & development program** required to service expected development.

The current OCP was adopted in 1999.

Accordingly, the DCC rates are designed to collect the monies necessary to fund the **specific** set of projects in that infrastructure servicing program and the parkland acquisition & development program. The new DCC rates recommended on November 18 were designed to fund a particular infrastructure and parkland program, which had changed **materially** since the rates were last revised in 1997.

The adoption of a new development cost charge rate bylaw not only authorizes a municipality to collect new charges, but it also establishes the new infrastructure and parkland programs which can be funded by those charges. Development cost charge revenues can only be used to fund the projects and acquisitions for which they have been collected. Conversely, they may **not be used** for substantially new works, the need for which arises after a rates bylaw has been adopted.

When the infrastructure servicing and parkland programs necessary to service expected new growth change substantially, a new development cost charge rates bylaw **must be adopted.** This is the reason why new development cost charge rates are typically adopted soon after a new OCP is put in place. In Richmond, the development plan expressed by the current OCP, and the servicing and parkland programs necessary to service that development, have changed substantially since the current DCC rates bylaw was adopted. A new DCC rates bylaw is now necessary, if only to update the infrastructure servicing and parkland programs now required.

Issues and options

The following DCC rate changes were recommended at the November 18 Committee meeting:

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

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

The key concern expressed by Committee, and by the development industry as represented by the Urban Development Institute, was that the rate increases (particularly to residential) were too large to be imposed all at one time. UDI proposed that the rate changes be implemented over two years, starting with one-half of the recommended changes to be effective 120 days after bylaw adoption, and the second half to be effective one year later (see attached letter from the UDI dated November 19, 2002).

Delaying the effective date of implementing the new rates will result in **one-time losses** of development cost charge revenue, as follows:

Delay of 120 days only, with full rate increase at that time, assuming expected annual revenues of $10,000,000

$270,000

Delay of 120 days, with a ½ rate increase at that time, and a further ½ rate increase one year later, assuming expected annual revenues of $10,000,000

$670,000

Another option that was discussed was to not change the DCC rates bylaw at all. As mentioned, a new DCC rates bylaw is necessary, if only to update the infrastructure servicing and parkland programs now required. Not changing the rates would result in a DCC revenue loss of approximately **$800,000 per year,** assuming expected annual revenues of $10,000,000. In addition, given that the servicing and parkland programs necessary to service expected development have changed substantially, not changing the DCC rates at this time would require **cutting some of the projects** from that program.

Financial Impact

Delaying or not adjusting the DCC rates at this time would have some negative revenue consequences as discussed in this report.

Conclusion

The servicing and parkland programs necessary to service expected new development as expressed in the *Official Community Plan*, have changed substantially since the current DCC rates bylaw (No. 6769) was adopted in 1997. A new DCC rates bylaw is now necessary, if only to update the infrastructure servicing and parkland programs now required.

Recommendation

That this report received for information.

Graham Willis, Manager, Special Projects
Finance & Corporate Services

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November 19, 2002

Mayor and Council
City of Richmond
6911 No. 3 Road
Richmond, B.C., V6Y 2C1

RE: PROPOSED RICHMOND DCC PROGRAM

The **Urban Development Institute** welcomes the opportunity to comment on the proposed City of Richmond DCC program. New housing construction is one of the few engines leading our economy today. These strong construction starts are mainly due to current low interest rates making the purchase of new homes a little more affordable, however this situation is very fragile.

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.

Today, the biggest factors contributing to the increased price of new housing are the rising price of land; the ever increasing regulatory costs in terms of time, increased red tape as well as development cost charges. In addition, building materials are increasing and so are labour costs.

The development industry is just getting back onto its feet. The Institute believes the current recovery may not be sustainable in light of the continuing weak immigration and inter-provincial migration numbers.

We therefore respectfully ask that Richmond Council face-in the proposed DCC increases over two years and furthermore, that the first phase to take effect 120 days from the date of bylaw adoption. The second phase a year later. We would also suggest that prior to the introduction of the second portion that staff undertakes an evaluation of the new DCC program and report the result back to Council.

Again, thank you for the opportunity to comment on the development cost charge proposals in front of Council.

Respectfully submitted,

URBAN DEVELOPMENT INSTITUTE
(Pacific Region)

ORIGINAL LETTER SIGNED

Ward McAllister,
President.
c.c.: Graham Willis