



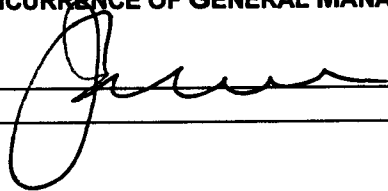
To: Finance Select Committee
From: Danley J. Yip, C.A.
Director of Finance
Re: Update on DCC Review

Date: November 16, 2001
File: 1070-04-03

Staff Recommendation

That the Report to Committee (dated November 16, 2001 from the Director of Finance) regarding the Update on DCC Review be received for information.

Danley J. Yip, C.A.
Director of Finance

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Staff Report

Origin

Richmond has been the leader in the Lower Mainland in the development of a Development Cost Charge ("DCC") program, which has been used as a model in the B.C. government's "Development Cost Charge Best Practices Guide". DCC's have been an integral funding source for capital programs in the City, which has translated to less funds borrowed to support capital expenditures and lower property tax increase requirements. However, there have not been any fundamental changes to the City's DCC program and rates since 1997, so a review is necessary to ensure the City is confident that the DCC's are sufficient to fund future capital expenditures.

Analysis

Some of the issues that the City has to address with regards to the current DCC program are as follows:

- Development in the City has declined over the past few years and as a result DCC's have decreased correspondingly, which directly impacts the City's capital programs.
- The DCC split between Roads, Water & Sewer Reserves differ quite dramatically and there may be insufficient funds in certain Reserves to address the changing City's public works infrastructure.
- 100% of the DCC Reserve for Land & Parks can be accessed in a given year and deplete the whole Reserve creating a situation where the City may have to borrow to acquire land and parks space. Presently, the demand for land and parks is so great and there are insufficient funds to make all these acquisitions.
- Sanitary sewer programs are not part of the DCC program and need to be considered.

Based on the above issues and the City's intent in being competitive and reasonable with its DCC rates, a DCC Review Team consisting of various departmental City staff was recently formed to conduct the following:

1. Review City's current overall DCC program and identify improvement options and recommendations;
2. Review the City's existing basis of DCC rate charges for land use categories such as Residential, Commercial, Industrial, Institutional, Intensive Agricultural, etc. with respect to dwelling unit equivalents, gross floor area, development area, etc., and identify improvement options and recommendations;
3. Compile the 2001 DCC project costs into an updated schedule of DCC rates for inclusion in the City's Development Cost Charges Bylaw in accordance with the latest edition of the province of British Columbia's Development Cost Charge Best Practices Guide, and relevant sections of the Local Government Act of British Columbia.

4. Review the anticipated timing for the recovery of capital infrastructure expenditure dollars by the City depending on the basis selected for charging DCC's (e.g., at subdivision vs. building permit stage).
5. Review the need for park space and its development in commercial and industrial areas under the DCC program, including the investigation of current practices by other local governments in the region to identify improvement options and recommendations;
6. Review the impact of different assist factors on the DCC's, and identify improvement options and recommendations;
7. Recommend a basis for the appropriate allocation of DCC's among various components of an overall project (e.g. share of water, sewer, drainage, roads).
8. Provide recommendations on whether the City should consider:
 - continuing the three existing DCC areas (Lulu Island, Sea Island & Mitchell/Twigg Island)
 - having other DCC areas
 - having a single DCC area
 - having a single DCC area with "Sub-Area DCC's".
9. Review of the benefit allocation and cost apportionment between existing taxpayers and new development for each 2001 DCC project listed based on the merits of each project

Another initiative that the DCC Review Team will be undertaking will be a public consultation process. The Team will prepare information, options and recommendations for a public participation process pertaining to current and future reviews of the DCC program. It is envisioned that each public consultation meeting will provide information to the public and establish a process for the receipt of information back from the public.

The final outcome of the DCC review will be the following:

- (1) A comprehensive DCC program report, which incorporates the findings from the above analysis including:
 - (a) DCC program goal, objective and policy
 - (b) specific DCC recommendations with respect to:
 - legislative and planning criteria
 - land use categories,
 - applicable DCC areas

- administrative procedures for DCC charges balanced against tax exemptions for institutions such as churches in keeping with the Local Government Act;
 - the DCC credit/rebate policies relative to:
 - development services and
 - the basis for charging of DCC's;
 - improvements to the current appeal process for parties who disagree with DCC's charged;
- (2) A clear public consultation process for subsequent DCC program and bylaw changes
 - (3) A draft amendment to the City's Development Cost Charges Bylaw 5323.
 - (4) A User Manual that documents and references the establishment of DCC rates

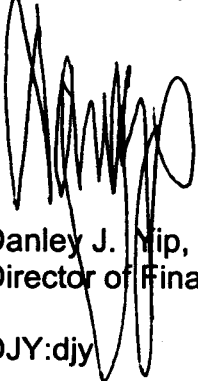
The DCC review has already begun, but the bulk of the review work will occur in 2002 and the slated completion date is May 15, 2002.

Financial Impact

Since 1997, the DCC Reserve balances have been declining significantly and have restricted the amount of funds available for capital projects. Consequently, there is a need to look at opportunities to increase DCC rates beginning in 2002.

Conclusion

DCC Reserves and current rates need to be reviewed and adjusted accordingly to ensure sufficient funds are available for a sustainable capital program.



Danley J. Nip, C.A.
Director of Finance

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