



# City of Richmond

## Report to Committee

**To:** General Purposes Committee

**Date:** October 4, 2010

**From:** Jerry Chong  
Director, Finance

**File:**

**Re:** NAIOP Vancouver 2010 Regional Development Cost Survey

### Staff Recommendation

That the report regarding the NAIOP Vancouver 2010 Regional Development Cost Survey be received for information.

Jerry Chong  
Director, Finance  
(604-276-4064)

Att. 1

FOR ORIGINATING DEPARTMENT USE ONLY			
<b>ROUTED TO:</b>	<b>CONCURRENCE</b>		<b>CONCURRENCE OF GENERAL MANAGER</b>
Economic Development	Y <input checked="" type="checkbox"/>	N <input type="checkbox"/>	
Development Applications	Y <input checked="" type="checkbox"/>	N <input type="checkbox"/>	
Policy Planning	Y <input checked="" type="checkbox"/>	N <input type="checkbox"/>	
<b>REVIEWED BY TAG</b>	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	<b>REVIEWED BY CAO</b>
			YES <input checked="" type="checkbox"/> NO <input type="checkbox"/> 

## Staff Report

### Origin

The Vancouver Chapter of NAIOP will be releasing a report concerning the annual regional cost survey of 20 Metro Vancouver and Fraser Valley municipalities. Amongst the municipalities which are included in the survey is the City of Richmond.

### Analysis

The results of the survey show that the City of Richmond has the highest costs based on a prototypical commercial office development. Attached is a report from Urban Systems Limited which analyses the results of the NAIOP survey, reviews some of the assumptions and explains the rationale for the City's commercial DCC rates.

During 2009 staff presented the new DCC rates to Council which included information showing comparisons to other municipalities. At the time the comparisons were provided it was acknowledged that the City of Richmond's commercial DCC rates were one of the highest amongst the comparator group. The reason being that Richmond has a significant DCC program to support development, including a substantial park program. The important point to note is that the DCC charges fund future growth requirements rather than transferring the burden to general taxation and/or utility rates.

Other items which should be noted that are not captured in the survey include the following:

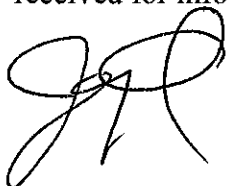
- Some cities have various commercial rates and may have chosen the lowest available for the survey,
- The City of Richmond rates are based on current DCC program costs,
- The City of Richmond has one of the lowest business property tax rates amongst the various municipalities which, over the life of the development, offsets some of the higher DCC charges (Appendix 1).

### Financial Impact

None

### Conclusion

That the report concerning the NAIOP Vancouver 2010 Regional Development Cost Survey be received for information.

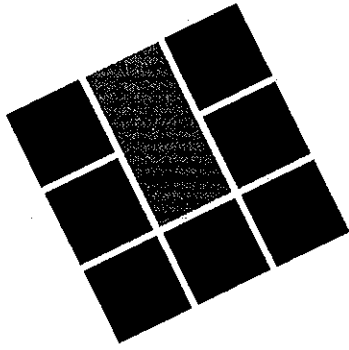


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Appendix 1

2010 Business Tax Rates

<b>Municipalities</b>	<b>Class 6 Rates per Assessed Value</b>
West Vancouver	4.8353
Surrey	7.3798
Richmond	8.3639
Langley City	8.5338
District of North Vancouver	8.6340
Langley Township	9.1288
Chilliwack	9.1883
White Rock	9.3037
Vancouver	9.7808
City of North Vancouver	9.7980
Port Moody	9.8343
Burnaby	10.0296
Delta	10.4049
Maple Ridge	11.7403
Pitt Meadows	12.0750
Abbotsford	12.6500
Port Coquitlam	13.7092
New Westminster	14.2705
Coquitlam	15.0318



# Commercial DCC Rate Comparison

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File: 1123.0027.02/October 12, 2010

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The Vancouver Chapter of NAIOP (Commercial Real Estate Development Association) is expected to publish the results of its survey of commercial development fees in the near future. The City of Richmond has received an advance copy of the fee comparison, which includes rezoning and development permit fees, permit and processing fees, sewer and water hook up fees, development cost charges (DCCs) and other fees for a 2 storey 50,000 square foot office building. The table ranks Richmond's total development fees (including DCCs) the highest at \$668,623. The next three communities are Surrey (\$568,513), Vancouver (\$539,499), and Abbotsford (\$484,731).

In 2009, City of Richmond staff presented the proposed new DCC rates to City council on a different basis. This comparison showed a similar ranking order of DCC rates, but still with Richmond having one of the highest DCC rates for business uses. This report will explain the differences in the two comparisons.

### **NAIOP Survey/ Richmond DCC Background Report and Presentation**

The comparison presented as part of the Richmond DCC review included only DCC rates and not the other development fees and charges. If we remove the other fees and charges and just compare DCCs, Richmond, Vancouver, Surrey, and Abbotsford have the highest commercial DCCs in the region. With the exception of Vancouver, these communities have significant greenfield and redevelopment growth potential. Richmond, Surrey and Abbotsford have very large DCC programs to support development over various time periods (no information was available from the City of Vancouver).

The NAIOP DCC estimates have been compared to the estimates prepared for the 2009 DCC review, and have, in general, been found to be consistent. Any discrepancies are due to one of three factors:

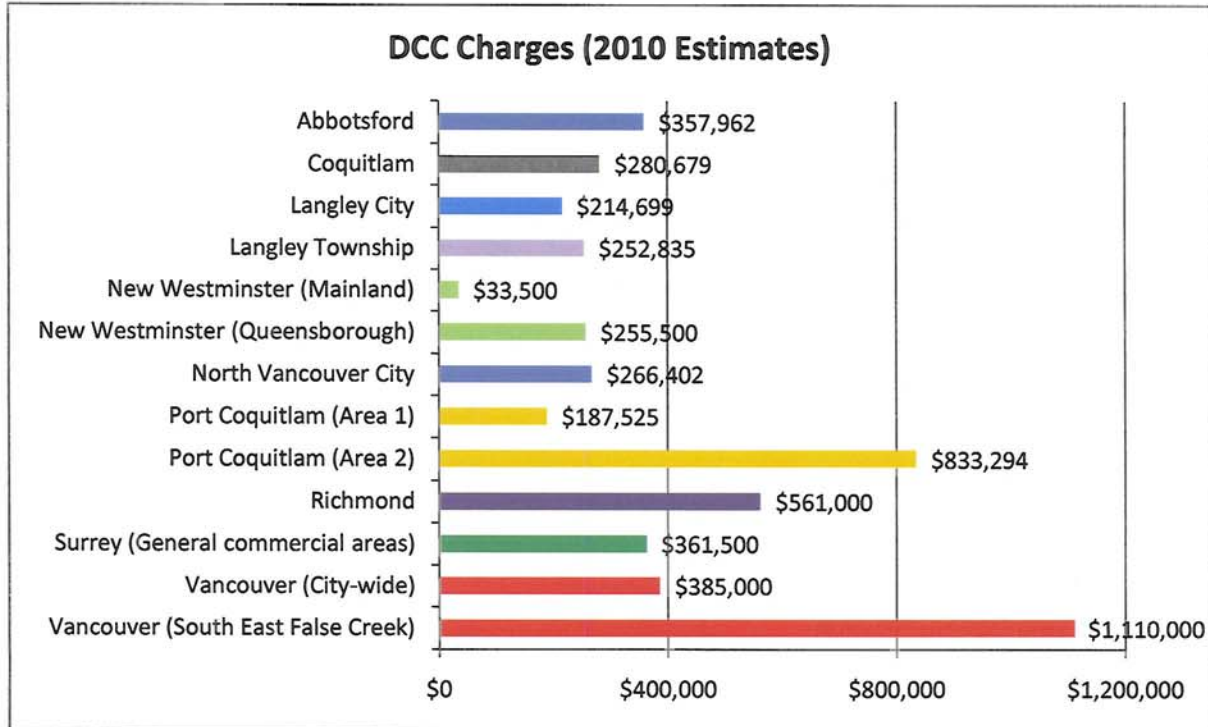
1. Use of different bylaws – in some cases, municipalities had adopted new bylaws between the time the USL estimates and NAIOP survey was conducted
2. NAIOP and USL used different approaches – despite the fact that rates were (in general) based on the same bylaws, because NAIOP and USL used a different approach, comparisons differed in some instances. See Table 1 for details on the differences between the two approaches.
3. For the Cities of Vancouver, New Westminster, and Port Coquitlam, NAIOP chose the lowest of possible commercial DCC rates. Rates for Vancouver can be as high as \$1.1 Million (compared to the \$385,000 reported); rates in Port Coquitlam can be \$833,294 (compared to the \$187,525 reported); and rates in New Westminster can be \$255,500 (compared to the \$33,500 reported). Figure 1 shows these variable rates.

**Table 1: Survey Comparison**

	<b><u>NAIOP 2010 Survey</u></b>	<b><u>2009 DCC Rate Comparison Approach (USL)</u></b>
<b>Conducted</b>	Fall, 2010	June, 2009
<b>Content of Fee Comparisons</b>	<ul style="list-style-type: none"> <li>• Permits &amp; processing fees</li> <li>• Sewer &amp; water hookup fees</li> <li>• DP fees</li> <li>• Rezoning &amp; subdivision fees</li> <li>• DCCs (lowest rates)</li> </ul>	<ul style="list-style-type: none"> <li>• DCCs</li> </ul>
<b>Approach</b>	DCCs calculated using a development scenario	DCCs compared based on \$/sq. ft. building area
<b>Key Assumptions</b>	<ul style="list-style-type: none"> <li>• Two storey office use</li> <li>• 50,000 sq. ft.</li> <li>• 2 acres</li> <li>• 25,000 sq. ft. on each floor</li> </ul>	<ul style="list-style-type: none"> <li>• Because some municipalities levy drainage DCCs on site area, an assumption re: site coverage had to be made to translate rates into charges per sq. ft. building area</li> <li>• FSR assumption: 80%</li> </ul>

Figure 1 on the following page shows a comparison of 2010 DCC rates using the DCC rates included in the NAIOP survey, the example development, and the various commercial rates in Vancouver, New Westminster, and Port Coquitlam.

**Figure 1: Comparison of the NAIOP Example with New Westminster, Port Coquitlam, and Vancouver Various Commercial DCC Rates – 2010 DCC Estimates**

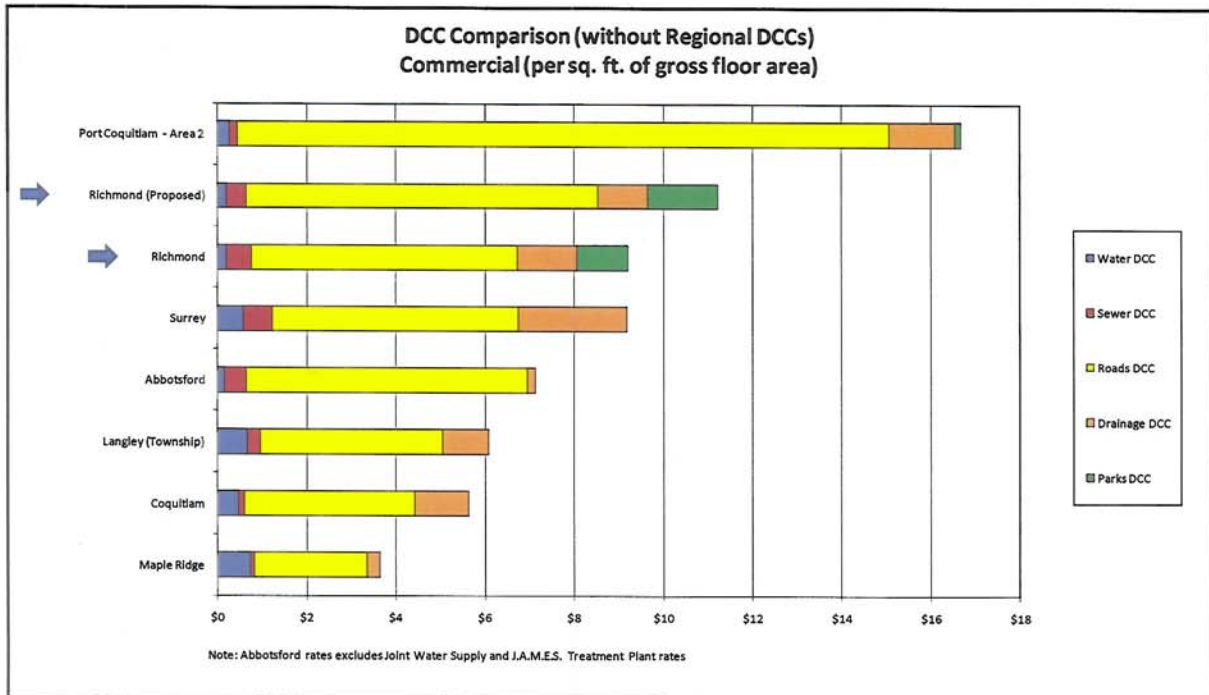


*Note: These are the rates that were current at the time of the NAIOP survey (Fall 2010).*

The DCC comparison chart on the following page was presented to City council in 2009. We used the Surrey rate from the bylaw that was current at that time; since then, Surrey has adopted a new bylaw. We did not include the City of Langley or the City of Vancouver in our comparison as their overall development potential was not considered to be comparable to that in the City of Richmond.

As shown on Figure 2, only the City of Richmond and City of Port Coquitlam levy a park DCC on commercial development. If this were removed, the commercial DCC rates of Surrey and Richmond would be much closer. The parkland acquisition and development costs are shared amongst all land uses in Richmond. If the park DCC is removed from commercial land, the other DCCs will increase unless the park program is reduced. This approach was considered during the 2009 DCC review and it was reaffirmed that the park DCC program benefits all development in Richmond and therefore should be shared amongst all land uses. The share to commercial lands has been reduced due to their use of the DCC park program.

**Figure 2: Commercial DCC Comparison (without Regional DCCs)  
(per sq. ft. of gross floor area)**



Provincial legislation governing the calculation of DCCs is relatively prescriptive, and is designed to ensure DCC rates reflect the true infrastructure and parks costs associated with growth.

The following factors affect the calculation of a DCC rate:

- DCC program
- Growth
- Time Frame
- Municipal Assist Factor
- Equivalencies – impact of various land uses
- Application of DCCs to different land uses
- Other

Of all the factors influencing the DCC rates in Richmond, the size of the DCC program and the projected growth are the most significant.

#### *DCC Program*

The DCC program costs for each engineering service (sewer, water, transportation, stormwater) and park acquisition and park development is unique to each community. For example, one community may include the full costs to construct arterial and collector roadway and land costs. Another community may



only include limited widening costs of arterial roads only and no land costs. Decision regarding what works to include in the DCC program is at the discretion of the community within some guidelines provided in the DCC Best Practices Guide. A DCC capital program based on a long growth horizon typically results in an extensive and costly DCC program. Alternatively, communities that pay for growth related infrastructure using their general revenue funds, utility fees and grants and specific taxes such as the parcel taxes can have a smaller DCC program resulting in lower DCC rates. Burnaby is an example of a community using general revenue and utility fees in conjunction with a very limited DCC program (pedestrian overpasses only). The Richmond DCC capital program is \$1.5 billion that will support an additional population of over 89,000 people and significant growth in commercial and industrial land uses as well.

#### *Growth*

Each DCC program is designed to meet a specific growth projection and timeline. The capital program is based on the needs of the projected growth. In some communities, the type and amount of projected growth and timeline is small and therefore so are the capital requirements. In other communities, like Richmond, the growth projection is both large and covers a wide group of land uses. The Richmond DCC program supports significant growth in many land uses over a long time period. Using the substantial growth projections an extensive DCC program has been developed. This program and growth projections result in large DCC rates.

#### **Summary**

The City of Richmond commercial DCC is among the largest of the high growth communities in Metro Vancouver with the exception of Vancouver (South East False Creek) and Port Coquitlam (Area 2). The NAIOP survey used the lower commercial DCC rates in their comparison. The Richmond commercial DCC rate reflects a very extensive capital program that spans a long projected period of growth. The Richmond commercial DCC also includes a park DCC component that represents the estimated need/ use of parks by the commercial land use. Options to fund the cost of growth through increased utility rates or increases to general taxation are available, but were not recommended during the 2009 DCC review. The Richmond DCC is based on sharing the growth related major engineering infrastructure and parkland using appropriate DCC rates.

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