



Corporate Report

NO: C023

COUNCIL DATE: November 19, 2007

COUNCIL-IN-COMMITTEE

TO: Mayor & Council DATE: November 19, 2007
FROM: General Manager, Engineering FILE: 3150-01
SUBJECT: 2007 Update of Development Cost Charges (DCCs)

RECOMMENDATIONS

The Engineering Department recommends that Council authorize staff:

1. To bring forward the DCC By-law attached in Appendix "I" for three readings; and
2. Forward the By-law to the Ministry of Community Services for approval.

INTENT

To adjust the Development Cost Charges (DCCs) based on inflation in construction costs for growth related infrastructure contained within the 2006-2015 10-Year Servicing Plan.

BACKGROUND

In 2006, the City introduced the 2006-2015 10-Year Servicing Plan and associated DCC By-law No. 15973. Since this time, construction costs have continued to increase which has reduced the City's ability to construct infrastructure needed to support growth.

During the public consultation for the last Servicing Plan and DCC By-law, the development industry requested that the City increase the frequency of its DCC rate review in order to have smaller increases.

Construction Costs

Since the development of the 2006-2015 10-Year Servicing Plan, which was completed late 2005, construction and land costs have continued to increase significantly, creating upward pressure on the proposed DCC rates.

The City completed a comprehensive review of all 10-Year Servicing Plan projects completed in 2006 and 2007, and found that the construction cost to complete these projects was 10 to 21% above the estimates contained in the 10-Year Plan. Table 1 shows an example of the typical construction cost unit rate increases.

**Table 1
Construction Cost Increases**

City Infrastructure	10-Year Servicing Plan (End of 2005)	Cost in 2007	% Increase
Asphalt Milling (< 50mm)	\$4.00 / m ²	\$4.93 / m ²	23.3%
Granular Sub-Base	\$19.00 / tonne	\$24.00 / tonne	26.3%
19.0mm Super Pave Asphalt	\$78.00 / m ²	\$93.37 / m ²	19.7%
Traffic Signal	\$150,000	\$160,000	6.7%
200mm Water main	\$570 / m	\$631 / m	10.7%*
Common Excavation	\$20.00 / m ³	\$31.00 / m ³	55.0%

In addition to construction costs, consultant design and construction administration costs were also reviewed. This review found that the cost for these services had increased by 13% since the development of the 10-Year Servicing Plan.

Based on revised unit rates, the cost estimates for each remaining component of the 10-Year Servicing Plan was updated, and the corresponding DCC rates were calculated. The adjustment, together with other minor refinements to the Servicing Plan, has resulted in the following DCC Component cost changes:

- Arterial Roads 20.2%
- Major Collector Roads 19.5%
- Water -0.7%
- Drainage 10.0%
- Sewer 10.0%

These cost increases are representative of those experienced across the industry, as reported through a variety of indices:

- Apartment Construction Cost Index – 11.7% (StatCan – 2005)
- BC Construction Industry – 11% (BTY Group - 2005)
- BC Construction Industry – 6% (BTY Group - 2006)
- 2006 MLS Average Price Increase – 19.8% (CMHC - Vancouver)
- 2007 MLS Average Price Increase – 8.9% (CMHC Forecast - Vancouver)

Parkland DCCs

The current Parkland Acquisition Program is driven by the parkland standards set out in the Official Community Plan and the 1996-2006 Parks, Recreation and Culture Master Plan. The standards equate to 4.2 hectares of parkland per 1000 people, calculated for each of the City's six Town Centres. Specific parkland targets are set out in each of the

following park categories: City, Community, Neighborhood and Nature Preservation and linkages.

The City obtains parkland through a number of sources. These include Development Cost Charges (DCCs), which are the largest funding source for new parklands. The second largest source of parkland, and funds to acquire parkland, is through the Local Government Act whereby single-family development is required to provide 5% land dedication or cash-in-lieu as a parkland contribution through the subdivision process.

In the last ten years, the City has received parkland through several other mechanisms, including but not limited to: 999-year trust agreements, gifts through transfer of title, the Federal Eco-gift program, and dedication of environmentally sensitive lands. The parkland acquired through these alternative mechanisms, while important, comprises only a small portion of the total lands required to meet City standards.

The rapidly rising cost of land in the City has given rise to concerns that the present DCC rates are insufficient to meet the City's current parkland standards as growth occurs. Further, findings from the PRC 10-Year Strategic Planning Process currently underway suggest that a full review of Parkland Acquisition DCCs should be undertaken as a result of new suggested criteria for parkland within the City. The Parks, Recreation and Culture Department intends to carry out this DCC review once Council has adopted the new 10-Year Strategic Plan and proposed changes in the Park DCC will be included in the next update of the DCCs.

One-Year Grace Period and Implementation

As part of any DCC By-law, the City is legislated to provide a one-year grace period for all applications for subdivision of land. Although not required, the City has also sometimes extended the one-year grace period to include all building permit and associated development permit applications.

Given that this amendment is minor in scope as compared to past DCC increases, and that this By-law's intent is to address current construction cost inflation, it is recommended that the one-year grace for all building permit and associated development permit applications be withdrawn. However, In order to give sufficient advanced notice to affected customers, the final reading of the DCC by-law will not be brought forward until February 25, 2008. This will give a 3 month adjustment period to building permit applicants to complete their projects under the old rate. Notification letters will be sent to affected customers.

Proposed Changes for 2007

The proposed 2007 update of the DCC rates includes the following:

- adjusting the Engineering DCC rates to account for increases in construction costs and refinements to the 10-Year Plan;
- maintaining the Parks Acquisition DCC component at their current rates;

- maintaining the Municipal Assist Factor at 10% for all Utilities (Sewer, Water, and Drainage) for all DCC rates including those previously established for Campbell Heights and the Highway 99 Corridor;
- maintaining the Municipal Assist Factor at 5% for Arterial and Major Collector Road components for all DCC rates including those previously established for Campbell Heights and the Highway 99 Corridor; and
- removing the one-year grace period for all building permit and development permit applications (i.e., only applying the one-year grace period to subdivision applications, which is required by legislation).

Summary of Proposed Changes in Rates

The following table below details the existing and proposed DCC rates. The DCC rates for all Utilities (with the exception of Water), Arterial Roads, and Major Collector Roads have increased due to increased construction and costs. The DCC rates for Water has reduced as the cost to complete some aspects of the 10-Year Servicing Plan were overestimated. Only the DCC rates for Parks remain unchanged. The overall DCC rate increases taken collectively is equivalent on average to \$1/ft² of building area.

**Table 2
Sample DCC Rates
City Wide DCCs**

Land Use	TOTAL		
	Existing	Proposed	% ▲
SF (RF, RF-12, RFC)	\$23,205 / lot	\$25,875 / lot	11.5%
SF Small Lot (RF-9, RF-SD)	\$20,020 / lot	\$22,343 / lot	11.6%
RM-10, RM-15 & RM-30	\$13.53 / sq. ft.	14.68/ sq. ft.	8.5%
RM-45 and RM-70	\$14.93 / sq. ft.	\$16.31 / sq. ft.	9.3%
RM-135 and RMC-150	\$12.32 / sq. ft.	13.31 / sq. ft.	8.0%

Campbell Heights DCCs

Land Use	TOTAL		
	Existing	Proposed	% ▲
All Zones	\$116,293 / acre	\$134,815 / acre	15.9%

Highway 99 Corridor DCCs

Land Use	TOTAL		
	Existing	Proposed	% ▲
Commercial	\$157,961 / acre	\$184,021 / acre	16.5%
Industrial	\$72,549 / acre	\$81,490 / acre	12.3%

Public Process

As this DCC adjustment is a minor amendment to the DCC rates, the public review process is less rigorous. However, the City has already reviewed the proposed increases with the Development Advisory Committee, and this committee was cognizant of the need to adjust due to construction cost increases.

Implementation Schedule

The anticipated schedule for the applicability of any new rates approved by Council is as follows:

Initial Readings of New By-law	November 19, 2007
Submission and Approval Process by the Province Complete by	Mid-January, 2008
Final Adoption and New Rates Become Effective	February 25, 2008

IMPACT ON THE FINANCIAL PLAN

The Five Year Financial Plan, adopted by Council on April 21, 2007, was prepared upon completion of the 10-Year Servicing Plan, in conjunction with the City's last DCC increase.

Traditionally, the Ministry of Community Service requires that an approved 10-Year Capital Financial Plan that includes the servicing requirements, be provided with the DCC By-laws. However, given the minor scope of this DCC increase, and our documented intent to again review and revise our 10-Year Servicing Plan and corresponding Financial Plan in 2008, the Finance & Technology Department have confirmed that a revised Five Year Financial Plan does not need to be adopted.

Legal Review

Legal Services has reviewed this report and the proposed By-law.

CONCLUSION

DCCs are calculated based on the Council approved 2006-2015 10-Year Servicing Plan and Parks and Recreation Master Plan.

As a result of the continuing escalation in construction costs within the Lower Mainland, the City has updated the construction cost estimates of the 10 Year Servicing Plan and is proposing revisions to the DCC rates accordingly. The resultant DCCs are shown on the attached schedule of rates. Typical residential rates are proposed to be increased on average by about 10% since last set in early 2006, almost two years ago. This increase represents about 6% per year.

It is recommended that a new By-law to amend the existing DCC rates be introduced and be given the required readings, and that the By-law and supporting documentation be submitted to the Ministry of Community Services for approval.

Paul Ham, P.Eng.
General Manager, Engineering

VL/JA:kd/rdd

Attachment - Appendix I – DCC By-law

- c.c. - General Manager, Parks, Recreation & Culture
- General Manager, Finance & Technology Dept.
- General Manager, Planning & Development