



# Corporate Report

NO: R004

COUNCIL DATE: January 19, 2009

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## REGULAR COUNCIL

TO: Mayor & Council DATE: January 12, 2009  
FROM: General Manager, Engineering FILE: 3150-01  
SUBJECT: 10-Year Servicing Plan and Development Cost Charge By-law Update

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## RECOMMENDATION

The Engineering Department recommends that Council:

1. Receive this report as information; and
2. Endorse Option 3, which is to make no adjustments to the 10-Year Servicing Plan or to DCC rates at this time and request that staff monitor the economy and construction pricing through the next several months, and provide a further report to Council on the matter before the end of 2009.

## INTENT

The intent of this report is to seek Council endorsement with respect to a course of action in relation to the adoption of a new 10-Year Servicing Plan and adjustments to the City's Development Cost Charges (DCCs).

## BACKGROUND

Due to the rapid pace of growth in Surrey and the escalation of construction costs, in 2006 the City committed to regular review of the 10-Year Servicing Plan and to an annual review of the City's DCC Rates.

In support of this commitment, the Engineering Department has during 2008 prepared a new 10-Year Servicing Plan. This Plan establishes a program of work in relation to providing transportation, drainage, water and sewer services along with parks for both the existing population and the projected growth in population that is expected to occur over the next 10 years (2009-2018). The value of projects included in this proposed new 10-Year Servicing Plan is shown in Table 1.

**Table 1 – New 10-Year (2009-2018) Servicing Plan**

<b>Asset Type</b>	<b>Servicing Plan (2009 – 2019)</b>
Transportation - Arterial	\$ 361,590,000
Transportation – Collector	\$ 67,275,500
Drainage	\$ 117,323,038
Water	\$ 67,855,996
Sewer	\$ 82,578,000
Campbell Heights	\$ 160,503,850
Parks (1)	\$ 321,098,211
<b>TOTAL</b>	<b>\$1,178,224,595</b>

Notes: (1) Parks, Recreation and Culture Strategic Plan (2008-2018)

Based on current construction pricing and land prices, the City's DCC rates would have to be increased by an average of 6% to fund the growth-related component of the proposed Servicing Plan.

## **DISCUSSION**

The City has received broad support from the development industry for recent annual increases in the DCC rates (i.e., 2006 and 2007). As part of the consultation process related to the development of the new 10-Year Servicing Plan and determining appropriate adjustments to the DCC rates, staff made a presentation to the Development Advisory Committee (DAC) with a view to soliciting their opinions on optional approaches that the City could take with respect to the DCC rate adjustments in view of the uncertainty in the current economic climate. These options included:

- Option 1: Proceed with the Adoption of a New 10-Year Servicing Plan and a related DCC rate increase of about 6%.
- Option 2: Proceed with Reduced 10-Year Servicing Plan and a related DCC rate increase of about 3%.
- Option 3: Make no adjustments to the 10-Year Servicing Plan or to the DCC rates at this time and monitor the economy and construction pricing over the next several months.

After some discussion, the DAC supported Option 3.

### **Evaluation:**

Factors in favour of proceeding on the basis of Option 3 at this time, rather than either of Options 1 or 2, include:

- Land and construction prices are falling, and are expected to continue to fall in 2009; therefore, there may be an opportunity to introduce a new comprehensive 10-Year Servicing Plan later in 2009 or in 2010 without the need to increase DCC rates.

- The economy is clearly stalling and increasing DCC rates may exacerbate the effects that are experienced in Surrey by discouraging development that may otherwise proceed. Development is one of the economic drivers of Surrey's local economy.
- The DAC supports this approach.

## CONCLUSION

Based on the above discussion, it is recommended that Council endorse the course of action described in Option 3 above, which is to make no adjustments to the 10-Year Servicing Plan or to DCC rates at this time, and request that staff monitor the economy and construction pricing through the next several months, and provide a further report to Council on the matter before the end of 2009.

Vincent Lalonde, P.Eng.  
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c.c. – General Manager, Planning & Development