

NO: **R121** COUNCIL DATE: **July 13, 2009**

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **July 7, 2009**
FROM: **General Manager, Engineering** FILE: **3150-01**
SUBJECT: **10-Year Servicing Plan and
Development Cost Charge (DCC) By-law**

RECOMMENDATION

The Engineering Department recommends that Council receive this report as information.

INTENT

The purpose of this report is to advise Council about actions staff has taken in relation to the new 10-Year Servicing Plan and the associated Development Cost Charge (DCC) By-laws.

BACKGROUND

The City has received strong support from the development industry for recent annual adjustments in the DCC rates (i.e., 2006 and 2007). At the end of 2008, staff undertook an analysis of the scope of the 10-Year Servicing Plan, construction pricing and land prices and determined that the DCC rates should be increased by an average of 6% to provide for reasonable funding in relation to the 10-Year Servicing Plan. However, in view of the economy and the state of the development industry, it was recommended that Council not make any adjustments to the DCC rates at that time and direct staff to monitor the economy and construction pricing with a view to making further recommendations in relation to DCC rates later in 2009. The Development Advisory Committee supported this approach based on the fact that:

- Land and construction prices were falling, and were expected to continue to fall in 2009; and
- the local development industry was in difficulty and increasing DCC rates would exacerbate the impacts of the economy.

DISCUSSION

In response to Council's direction, the Engineering Department has been monitoring construction and land pricing over the past 6 months, and has observed the following price changes:

Activity	Change
Paving	15 to 20% Reduction
Road Works (excluding paving)	5% Reduction
Excavation and Hauling	10% Increase
Sanitary Sewer	10 to 15% Reduction
Land Acquisition	5 to 10% Reduction

An updated 10-Year Servicing Plan has been developed that includes projects required to service growth areas over the next 10 years. Even though construction prices have dropped in most areas, the full 10-Year Servicing Plan would still need slight increases in the DCC rates to be fully funded.

Staff has consulted with the Development Advisory Committee (DAC) at their June meeting to solicit their opinions on what actions the City should take in relation to the 10-Year Servicing Plan and DCC rates. The DAC recommended that no adjustments be made at this time to the 10-Year Servicing Plan or to the DCC rates and that the City continue to monitor the economy and construction pricing over the next several months. It was the Committee's view that construction pricing would continue to fall and that the City would be able to bring forward a fully funded 10-Year Servicing Plan at the end of the year while maintaining the current DCC rates on average.

CONCLUSION

Based on the comments of the DAC and in consideration of the state of the economy and indications that construction prices are still falling, staff intend to continue monitoring the economy and construction pricing through the next several months and will provide a further report to Council on this matter near the end of the year or early in 2010.

Vincent Lalonde, P.Eng.
General Manager, Engineering

VL/JA/jkb/brb