
CITY OF KELOWNA

MEMORANDUM

Date: June 5, 2002
File No.: 5340-09
To: City Manager
From: Wastewater Manager
Subject: Rules Governing Spec Area Expansions

RECOMMENDATION:

THAT Council adopt a Policy that governs the expansion or addition of properties to Specified Areas, as attached,

BACKGROUND:

Sewer extensions are carried out and funded in two ways. Most often, a Developer installs a sewer system to service their existing property or new lots they create. The other way is that the benefiting Property Owners participate in a Local Improvement project known as a Specified Area, and pay their share of the installation costs. Spec Area's have all, to date, been subsidized with a Grant from one or more levels of Senior Government.

The costs that the Owners pay for in a Specified Area project include any trunk mains to serve the area, the local collector mains and a service pipe to the property line. Sometimes, to provide sewer capacity for lands beyond the Spec Area, including future Development, some of the pipes in the Spec Area need to be larger than the Spec Area requires. When this has been the case in recent Spec Area projects, the costs of over-sizing any pipes has been deducted from the Spec Area and either paid for with DCC funds or the costs have been borne by the Utility. In many cases the mains installed to service the Spec Area have the capacity to handle additional flows because the area served by that particular main is not very large, so this additional capacity comes at no cost to the initial participants.

The City's position has been that Owners involved in a Specified Area project are paying for their mains & services, and should have a reasonable expectation that if someone else benefits from the system that they paid to install, that there will be some form of compensation provided. This philosophy attempts to address the issues of what manner and duration the compensation should apply.

Historically, when Spec Areas were created, the City has committed to certain conditions to compensate property owners for the properties that develop and use the services at a later date. If someone cash commutes (pays the Spec Area fee in a lump sum) then due to the risk of changes in ownership and the financial complexities, no repayment is offered. Owners that choose the annual payment option are advised that their annual payment may be reduced in conjunction with any Development that utilizes the mains put in by the Spec Area. The definition of when a Development directly benefits has been subject to various interpretations over the last 25 years, and different Developments have been subject to different requirements with regard to Spec Areas.

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In many cases, new Subdivisions have been added to adjacent Spec Area and either cash commuted or participated in the annual repayment of the incurred debt. The repayment amount is the same as the properties that were serviced by the Spec Area project. In addition, Developers pay the full cost of constructing mains to service the lots that they create, as well as DCC's.

The boundaries of a Specified Area are established very precisely along existing property lines, so it is clear on what properties are within the area, and subject to all the costs, and which ones are outside the area. The properties inside the boundaries are all provided with a service from the Utility that is being paid for. In some cases, Utility mains are extended fully past the properties in the Spec Area that are being serviced, and therefore, when a subdivision occurs there are no costs for the Developer to install any main, and they only need to install a new service pipe from the existing main. In other situations, a large parcel within a Spec Area may subdivide and create new streets in the area, resulting in the Developer having to install new mains for the new lots. In both these cases the Development is a financial benefit to all the participants in the Spec Area that are still making annual payments.

When a property outside of a Spec Area develops, the Development uses the excess capacity in the pipes that were referred to previously. If the pipe in the Spec Area had to be oversized to accommodate the Development, then the additional cost would have been removed from the Spec Area costs and paid for by DCC's. The Developer would pay to extend the main and service all the newly created properties. While this situation is very much like the large parcel subdivision inside a Spec Area described above, the difference is that the parcel (Owner) inside the Spec Area had a "vote" on the outcome of the Spec Area, while the Owner of the land outside the Spec Area had no input in the cost allocation. Also, there is no additional cost to the Spec Area to provide main capacity for adjacent properties. The Urban Development Institute (UDI) has reviewed the proposed Policy and strongly supports the boundaries of Spec Areas being curtailed, and their letter is attached.

Staff would like to establish a Policy to apply to the manner in which Spec Areas are expanded to ensure consistent procedures for all Developments and to establish a limit to Spec Areas so that they do not "sprawl" beyond the area that actually benefited from the utility mains that were installed. These rules would also serve to limit the administrative time for staff and Council in dealing with the bylaw amendments required for each addition.

The proposed Policy accomplishes the following:

- Properties that are within the boundaries of a Spec Area at the time it is created, will remain within the Spec Area, and all new lots created by subdivision within the boundaries, also become part of the Spec Area.
- Properties outside of Specified Area boundaries remain outside of the Spec Area.
- Properties that get consolidated or somehow reconfigured through Subdivision or Development and end up lying across a Spec Area boundary will require an adjustment to the Spec Area boundary to include any of the lots that had any portion of their area originally in the Spec Area.

These general rules should provide the Spec Area participants with a benefit of lower costs due to developing properties within their Spec Area boundaries being added. Developers would then know that when they own or purchase a property within a Spec Area that any new lots will also be subject to the Spec Area charges, and more importantly, when they purchase property outside of a Spec Area and install all the services at their cost, they will not have to pay any Spec Area charges as well.

W.J. Berry, P.Eng.
Wastewater Manager

John Vos
Director of Works & Utilities

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The following is a list of the attachments that are **not** available with the electronic version of this report. The attachments can be viewed in the City Clerk's Department (3rd level, City Hall):

- Letter from Urban Development Institute, dated May 6, 2002