
City of Kelowna

MEMORANDUM

DATE: November 14, 2007
FILE: 6430-01
TO: City Manager
FROM: Director of Financial Services
RE: 20-Year Servicing Plan and Financing Strategy (2007 Update)

RECOMMENDATION:

THAT Council approve, subject to the 20 Year Servicing Plan and Financing Strategy public consultation process, the following recommendations to be reflected in amendments to DCC Bylaw 9728 and Zoning Bylaw 8000:

Establishment of a Residential 5 density gradient category for multi-family residential units of 600 square feet (55.7 square meters) or less;

Establishment of a Residential 6 density gradient category for secondary suites chargeable at subdivision or building permit where applicable;

Elimination of all regulatory provisions that permit the development of "second kitchens" as a means to ensure the development of legal secondary suites in the community;

DCC's not be charged on existing properties in existing neighbourhoods where secondary suite development rights have already been conferred through the zoning process if the suite has yet to be constructed;

AND THAT the above recommendations be considered as interim in nature and subject to a full review of all DCC methodologies as part of the upcoming Official Community Plan review.

AND FURTHER THAT DCC's be charged on all developments of less than 4 units at the earlier of subdivision, if applicable, or building permit.



BACKGROUND:

Further to the presentation to Council on November 5, 2007 wherein the draft 20-Year Servicing Plan and Financing Strategy (2007 update) was received for information and staff was authorized to seek stakeholder input, Council requested staff to provide an update on methodology changes which are to be considered as part of this update and DCC Bylaw revision.

There have been 3 initiatives identified by stakeholders and staff to be considered concurrent with the annual cost update:

- Potential to implement a multi-family DCC based on a per square foot charge
- Establishment of a fair and equitable and administratively efficient DCC charge for secondary suites
- Establishment of a DCC charge on all developments of less than 4 units

Multi-Family DCC Square Foot Charge – Residential 5 Density Gradient

The development community has requested that the City review the potential to implement a square footage based DCC that will result in a lower charge for small units that may fit the City's definition of affordable housing. At present, the City lacks empirical evidence to confidently establish a square footage based DCC for all multi-family developments, however we believe there is limited financial exposure in an interim process that will accommodate this request.

The following equivalency factors, relative to a single family DCC, are being recommended as the basis for calculating DCC's payable per square foot for the Residential 5 category:

Roads:	40%
Water	28%
Wastewater Trunks	44%
Wastewater Treatment	44%
Parks	100%

In determining equivalencies, it is contemplated that there will be 1.3 persons per unit on average for units of 600 square feet or less. Background work referenced a number of sample communities to ensure the assumptions and rationale were valid. Schedule 1 provides a summary of DCC's payable by sector including the Residential 5 category under the existing DCC Bylaw. Further information on the differential between existing density gradient categories and Residential 5 will be provided at the Council meeting on November 19th.

DCC's on Secondary Suites – Residential 6 Density Gradient

The City has been challenged in finding a means to charge DCC's for secondary suites given that there is a financial burden of these developments on the taxpayer/ratepayer. Under the current DCC Bylaw, new developments zoned for secondary suites attract a charge for these units equivalent to a single family DCC. This discourages construction of secondary suites in new development areas. Inevitably, suites are added at a later time and may or not be legalized. Regardless, DCC's are not ever paid.

Establishment of the Residential 6 density gradient category will deem all secondary suites to be equivalent to a 600 square foot unit under the Residential 5 category and be charged on a per unit basis. This methodology will only be effective if the current zoning bylaw is amended to remove the provision to develop second kitchens during construction of new units. The intent is to ensure that all suites established after the DCC Bylaw amendment date pay the DCC of the day whether when construction occurs or at a subsequent date.

As there is no effective means to charge a DCC for secondary suites developed in existing neighbourhoods, these will continue to be subject to only the fees for legalizing the suite.

DCC Charge on All Developments of Less Than 4 Units

Development cost charge legislation has been amended to allow DCC's to be collected for developments of less than 4 units where there is no requirement for subdivision. The City of Kelowna had decided to delay implementing this provision until there was some local government experience with the legislation and we were comfortable with its application. We believe it is now appropriate to establish this charge in order to ensure a level playing field for all development and recognize the financial burden that all units constructed have on city infrastructure.

As a reminder, the following is a schedule of events relative to implementing a revised DCC Bylaw:


Public Consultation Meetings – November 20 and November 22
Acceptance of Input – by December 5
Report back to Council – December 17/07
New rates effective – March 1/08

Considerations that were not applicable to this report:

INTERNAL CIRCULATION TO: N/A
LEGAL/STATUTORY AUTHORITY: N/A
LEGAL/STATUTORY PROCEDURAL REQUIREMENTS:
EXISTING POLICY: N/A

FINANCIAL/BUDGETARY CONSIDERATIONS: N/A
PERSONNEL IMPLICATIONS: N/A
TECHNICAL REQUIREMENTS: N/A
EXTERNAL AGENCY/PUBLIC COMMENTS: N/A
ALTERNATE RECOMMENDATION: N/A

Submitted by:

A handwritten signature in black ink, appearing to be 'P. Macklem', written over a horizontal line.

P. Macklem, Director of Financial Services

Attachments

Schedule 1

Calculation of Residential 5 DCCs Payable by Sector

Infrastructure By Sector	Residential 1	Residential 2	Residential 3	Residential 4	Residential 5 (Maximum Proposed)*	Residential 5 (Charge Per Square Foot)**
ROADS						
SE Kelowna	\$ 17,941	\$ 14,353	\$ 9,867	\$ 9,329	\$ 7,176	\$ 11.96
South Mission	\$ 19,794	\$ 15,835	\$ 10,887	\$ 10,293	\$ 7,918	\$ 13.20
NE Rutland	\$ 10,900	\$ 8,720	\$ 5,995	\$ 5,668	\$ 4,360	\$ 7.27
Bell Mountain	\$ 14,765	\$ 11,812	\$ 8,121	\$ 7,678	\$ 5,906	\$ 9.84
Gallagher Ridge	\$ 12,222	\$ 9,778	\$ 6,722	\$ 6,356	\$ 4,889	\$ 8.15
Univ S/S						
McKinley	\$ 12,391	\$ 9,913	\$ 6,815	\$ 6,443	\$ 4,956	\$ 8.26
City Centre	\$ 7,388	\$ 5,911	\$ 4,064	\$ 3,842	\$ 2,955	\$ 4.93
WATER						
City Centre	\$ 1,646	\$ 1,103	\$ 790	\$ 560	\$ 461	\$ 0.77
South Mission	\$ 1,292	\$ 866	\$ 620	\$ 439	\$ 362	\$ 0.60
Clifton/Glenmore	\$ 2,943	\$ 1,972	\$ 1,413	\$ 1,001	\$ 824	\$ 1.37
SEWER TRUNKS						
City Centre	\$ 1,143	\$ 949	\$ 640	\$ 617	\$ 503	\$ 0.84
South Mission	\$ 1,533	\$ 1,273	\$ 859	\$ 828	\$ 675	\$ 1.12
SEWAGE TREATMENT						
City Centre	\$ 2,542	\$ 2,110	\$ 1,423	\$ 1,373	\$ 1,118	\$ 1.86
PARKS						
All	\$ 3,610	\$ 3,610	\$ 3,610	\$ 3,610	\$ 3,610	\$ 6.02

* The maximum charge in this column would apply to a 600 square foot unit.

**The charge per square foot is applied to the habitable floorspace constructed if the eligible residential unit is smaller than 600 square feet.