Memo

City of Kelowna

Date: January 19, 2011

File: 0220-02

To: City Manager

From: T. Barton, Parks & Public Places Manager

Subject: OCP 2030 - 20 Year Servicing Plan & Financing Strategy - Parks Policies

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Recommendation:

THAT Council maintains the status quo for the Development Cost Charge (DCC) bylaw for Parks based on parkland acquisition only for residential development.

Purpose:

During a regular meeting of Council on November 1, 2010, Council requested that staff provide additional information in consideration of proposed changes to the 20-year Servicing Plan and Financing Strategy for parks including the following actions:

<u>Service Request #181958</u>
THAT Council receives, for information, the Report of the Director, Infrastructure Planning dated October 27, 2010 with respect to the 2030 20-year Servicing Plan and Financing Strategy; AND THAT Council defers consideration of the staff recommendation contained in the Report of the Director, Infrastructure Planning dated October 27, 2010 pending receipt of further information from staff.

<u>Service Request# 181502</u>
THAT staff report back to Council with a scenario wherein a developer develops a neighbourhood park during the development phase (similar to the Kettle Valley scenario).

<u>Service Request#181951</u>
THAT staff create a formula for cost contributions by developers for neighbourhood parks for consideration by Council.

<u>Service Request #181956</u>
THAT staff investigate the costs for new development on Westbank First Nation lands compared to the costs for new development in the City of Kelowna.

<u>Service Request #181955</u>
THAT staff advise Council whether or not there is an annual budget contribution for linear parks; AND THAT staff consider a Policy with respect to an annual budget allocation for linear corridors.

Background:

The Park DCC is only one component of the overall City DCC program which also includes Water, Sewer Treatment, Sewer and Transportation. There have been significant modifications to each of the components because of changes in growth projections and unit location in the draft 2030 OCP. The following chart outlines the proposed changes to the DCC rates to support the 20-year Servicing Plan and Financing Strategy:

Table 1: Analysis of changes in DCC rates in the City Centre and South Mission

System	Current City Centre	2030 DCC for City Centre	% Change In City Centre	Current South Mission	2030 DCC for South Mission	% Change In South Mission
Water	$1,757	998	-43.2%	$1,289	$679	-47.3%
Wastewater Trunks	$1,562	$1,294	-17.2%	$1,979	$1,903	-3.8%
Wastewater Treatment*	$3,044	$3,722	+22.3%	$3,044	$3,722	+22.3%
Parks	$5,069	$5,300	+4.6%	$5,069	$5,300	+4.6%
Transportation	$9,176	$7,461	-18.7%	$23,743	$23,358	-1.6%
TOTAL	**$20,608**	**$18,775**	**-8.9%**	**$35,124**	**$34,963**	**+0.5%**

Maintaining the status-quo for Parks DCCs, based on land acquisition for residential development only, will result in a modest increase to the Park DCC rate of 4.6%. The increase is largely due to the greater percentage of new parks in urban areas of the City which have higher land acquisition costs compared with land in suburban locations. This approach is triggered by the OCP growth projections for the urban areas of the City and the need to provide new parks in close proximity to the new residents. Park construction will remain primarily funded by taxation or voluntary developer partnerships.

1. <u>Service Request #181502: Development partnerships</u>

The City currently seeks to develop partnerships with large scale developers for park construction, however, partnership is optional and at the discretion of the developer. Over the past decade, the practice has had mixed results. There have been some developers who have taken advantage of the partnership program and constructed the parks at the time of subdivision such as Kettle Valley, the Quarry and Melcor. However, there are also other developments that have chosen not to partner with the City and the parkland remained undeveloped as residents moved into the neighbourhoods. Residents often have expectations that the parks should be developed in a timely manner in coordination with all other subdivision infrastructure. Resident complaints over the past few years led the City to secure recent federal/provincial grants and seven (7) of these parks have now been developed by the City.

The funding model for partnerships has varied depending upon the unique situation of the developer. The City requests a substantial contribution from the developer, usually a minimum of 50% of the total project costs (both design and construction fees). Kettle Valley provides an example of an excellent partnership model as the developer has cost shared with the City on the timely development of 8 parks. This partnership included the City purchasing the land at fair market value (zoned but unserviced) and then the City contributing $50,000 per acre based on matching funds. In most cases, the developer contributed well beyond the 50% mark. For example, the last neighbourhood park to be constructed in Kettle Valley will be Mountainside Park. The park construction was approved in the 2011 budget at a total cost of $150,000 with

$50,000 from taxation and $100,000 from the developer. This represents a one third/two third split.

2. Service Request #181951: Developer cost-contribution to build Parks

The use of park construction DCCs represents the fairest and most consistent way for the City to require developers to participate in the building of neighbourhood and community parks. The principal of DCCs is to apply the costs of the infrastructure amongst the benefiting parties and development directly benefits from the building of neighbourhood and community parks. The use of park construction DCCs, as regulated by the Province, can only be used to pay the capital costs of providing the following eligible improvements: fencing, landscaping, drainage and irrigations, trails, rest-rooms, changing rooms and playgrounds and playing field equipment. Park features such as roadways, parking, lighting, and furnishings are not included and would need to be paid for by taxation or other sources.

In consideration for varying circumstances across the City (e.g. new subdivisions vs urban in-fill development), there is a greater benefit in urban areas to existing residents and therefore a benefit allocation funded from taxation would need to be established in addition to the DCC assist factor currently set at 8%.

In practice, the developer would have the option of building the park to City standards. This would result in the developer receiving a credit from the City up to the value of the park construction DCCs that have been previously determined in the bylaw. The list of DCC park construction projects would show the split between DCC and taxation contributions, and would indicate the priority/timing ranking of the parks planned for development.

Recommendation: Park construction DCCs represent the best way for the City to ensure neighbourhood and community parks are built in a timely manner with costs shared amongst the benefitting parties. However, current economic land development conditions are challenging in Kelowna and the introduction of park construction DCCs represents a significant increase to the Park DCC rate for residential developers. Staff estimates that the Park DCC rate would be increased by approximately 14%. Staff recommends deferring the introduction of park construction DCCs to future years when economic conditions are more suitable and maintain the status quo for the park program.

3. Service Request #181956: Commercial DCC comparison with WFN lands

The following scenario illustrates the proposed impact of introducing a commercial charge for park acquisition at $18.20/square meter to the Development Cost Charge Program:

Best Buy Store: 2271 Harvey Road
Size: 2358 square m (25,381 square ft)

Kelowna Commercial DCC's (current rates)				
Water	Sewer Trunk	Roads - I	Sewer Treatment	TOTAL
$17,148	$15,246	$71,613	$29,705	**$133,715**

The introduction of commericial park DCCs would result in an additional charge of $42,915 for the Best Buy Store and a total DCC charge of $176,622. The estimated construction cost of the Best Buy Store is $3,000,000 ($118/SF). The new charge for parks represents a 1.4% increase to the overall construction cost. In speculative commercial projects, this would likely result in an increase in rental rates ranging from $0.17 to $0.34/SF each year depending upon the lease structure and quality of commercial space.

For the purposes of this case study, a commercial park DCC rate was selected at $18.20/square m ($195.90/square ft). This rate was based on the City's existing transportation equivalencies for commercial development. Additional detailed work would be required to determine the appropriate rate and rationale for the commercial park DCC based on the direct benefit the commercial developer receives.

Westbank First Nations Development Cost Charges

The following scenario shows the estimated DCC costs if the Best Buy Store was built on the Westbank First Nations lands. Westbank First Nations last updated the Development Cost Charges and Fees on June 11, 2008 and has no commercial DCC charge for parkland acquisition. Changes and revisions are being contemplated by the Westbank First Nations in 2011.

IR #9 Commercial DCC's							**RDCO DCC's**		
Water Trans.	Water TRT	Roads	Sewer Trans.	Drainage	Community Benefit Charge	Subtotal	Sewage TRT	East Trunk Sewer	TOTAL
$32,069	$15,327	$84,416	$13,676	$236	$3,537	$149,261	varies	$6,036	**$155,297**

IR #10 Commercial DCC's							**RDCO DCC's**		
Water Trans.	Water TRT	Roads	Sewer Trans.	Drainage	Community Benefit Charge	Subtotal	Sewage TRT	East Trunk Sewer	TOTAL
$27,117	$15,799	$18,628	$31,597	$236	$3,537	$96,914	varies	$6,036	**$102,950**

There are potential additional DCC costs within IR #10 depending upon the specific location of the development:

IR #10 Area Specific DCC's		
Westpoint Lift Station	Lakeridge Slopes Drainage	REVISED TOTAL
$31,998	$1179	**$136,127**

Regarding DCC changes for commercial development, Kelowna is competitive with the Westbank First Nations. In conversations with the Best Buy Store, the determining factor for locating in Kelowna was not the DCC charges, but rather their projected market area and size. The addition of Parks DCC for commercial developers should be considered in terms of the return on investment to them.

The argument for charging commercial development park DCCs is based on the proportional benefit commercial development receives from the provision of parkland. Attractive urban parks are a distinguishing feature that make Kelowna unique, builds competitive advantage from other Okanagan municipalities, and makes the City more attractive to businesses and the contemporary labour pool. Further rationale for implementing commercial Park DCCs includes the following:

a. Hotel guests (commercial zone) are often coming, in part, to enjoy Kelowna's parks, especially waterfront parks and beaches.

b. Commercial properties have employees or customers that use parks regularly (breaks, lunch/dinner periods, office events, sporting events, etc).
c. Retail Commercial (shops, stores, restaurants, bars, etc) are generally located in close proximity to public amenities such as parks.
d. The practice of charging commercial development Park DCCs is done throughout the larger cities in the province including: Surrey, Richmond, Victoria, Burnaby, North Vancouver, Port Coquitlam and others.

The Province publishes a Best Management Practices document to guide decisions regarding DCCs and provides the following comment on establishing DCC rates:

> *Recognizing that costs should be shared in some way amongst benefiting parties, DCCs should employ mechanisms that distribute these costs between existing users and new development in a fair manner. Further, within the portion attributable to new development, DCCs should also equitably distribute costs between the various land uses and different development projects.*

By including commercial in the DCC program for parks, the costs for land acquisition will be shared by the benefitting parties both residential and commercial. This equity-based approach creates a better balance and does not put the sole responsibility on the residential developer. Continuing the assumption of the commercial park DCC rate at $18.20/per sq. m from the case study, the DCC rate is projected to generate approximately $5.5M over a 20 year period. This represents approximately 4% of the overall 20-year park DCC program currently valued at $135.4M.

Recommendation: The introduction of a commercial park DCC is appropriate to ensure the costs of parks are shared amongst the benefiting parties. However, current economic land development conditions are challenging in Kelowna and the introduction of commercial DCCs represents a new charge to commercial developers. Staff recommends deferring the introduction of commercial park DCCs to future years when economic conditions are more favourable.

4. Service Request #181955

The current 10 Year Capital Plan allocates funding for linear park and natural area acquisition at $230,000 annually for $2,300,000 (taxation) over a 10 year period. However, there is a high demand for linear parks and in the past two years Council has funded the linear park/natural area program at $4,000,000 total for 2010 and 2011. This level of funding provided the opportunity to purchase the LaMission Motel site, a key property along the Mission Creek Greenway and will also help implement other linear park projects such as the Mill Creek Linear Park.

Recommendation: The DCC program commits taxation money that needs to be balanced with other non-DCC projects such as Linear Parks. The City will be revising the 10 Year Capital Plan in 2011 after the 20-year Servicing Plan and Financing Strategy is approved. As part of that process staff will propose to Council a sustainable level of funding for Linear/Natural Area acquisition and development with consideration of all the other civic needs.

Alternate Recommendation

THAT Council direct staff to conduct public consultation on two policy changes to guide development of the 20-year Servicing Plan and Financing Strategy as it pertains to the current draft 2030 OCP as follows:

- The inclusion of park construction for neighbourhood and community parks;
- The inclusion of park DCCs for commercial development (but not institutional or industrial).

AND THAT staff determine an appropriate rate for Commercial Park DCCs based on the direct benefit the commercial developer receives from the provision of parks.

Considerations not applicable to this report:

Internal Circulation
Legal/Statutory Authority
Legal/Statutory Procedural Requirements
Existing Policy
Financial/Budgetary Considerations
Personnel Implications
External Agency/Public Comments
Community & Media Relations Comments

Submitted by:

T. Barton, Parks & Public Places Manager

Approved for inclusion: R. Cleveland, Director, Infrastructure Planning

cc: S. Bagh, Director, Policy & Planning
J. Paterson, General Manager, Community Sustainability
K. Grayston, Director, Financial Services

City of Kelowna

PARK DCC PROGRAM

20 YEAR SERVICING PLAN & FINANCIAL STRATEGY

STAFF RECOMMENDATIONS

- THAT Council maintains the status quo for the Development Cost Charge (DCC) bylaw for Parks based on parkland acquisition only for residential development.

Note: Decisions regarding policy changes on the introduction of park construction DCCs and park commercial DCCs will be deferred to future years when economic land development conditions have improved.

EXISTING PRACTICE

- Park DCCs: applied to land acquisition only for neighbourhood, community, city wide, and recreation class parks based on residential development.
- Natural areas and linear parks acquired through other means (i.e. taxation, requirements of development, etc.)
- Park Construction is funded primarily from taxation - other sources include developer partnerships, government grants, service clubs, etc.

BACKGROUND

- Council has approved the following:
  - Retain the DCC parkland acquisition standard of 2.2 ha/1000 population growth
  - A general distribution of new park locations based on the draft OCP 2030 population projections of 43,044 population growth = 94.7 ha of parkland (neighbourhood, community, city-wide and recreation)

City of Kelowna

PROPOSED DCC RATES

System	Current City Centre	2030 DCC for City Centre	% Change In City Centre	Current South Mission	2030 DCC for South Mission	% Change In South Mission
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Note: The proposed increase to the Park DCC rate is based on a greater percentage of new parks in urban areas of the City which have higher land acquisition costs compared with suburban locations.

BEST PRACTICES GUIDE

"Recognizing that costs should be shared in some way amongst benefiting parties, DCCs should employ mechanisms that distribute these costs between existing users and new development in a fair manner. Further, within the portion attributable to new development, DCCs should also equitably distribute costs between the various land uses and different development projects"

PROPOSED PARK CONSTRUCTION DCCs

- New development directly benefits and drives the need for new park construction.
- New homeowners expect public service will be available.
- DCCs represent the most consistent, fair and equitable way for developer contribution to park development.
- Provincial DCC legislation allows municipalities to charge for parkland development improvements.
- Precedent in other BC municipalities: Surrey, Richmond, Victoria, Burnaby, North Vancouver, Port Coquitlam and West Kelowna.

However, current economic land conditions are not suitable to introduce a significant increase to the Park DCC Rate.

COMMERCIAL DCC FOR PARKS

- Commercial development directly benefits from the provision of parkland:
  - Makes the city more attractive to business and contemporary labour pool.
  - Hotel guests.
  - Employees and/or customers use parks regularly
  - Retail Commericals (shops, stores, restrauant, bars)
  - Precedent in other BC municipalities: Surrey, Richmond, Victoria, Burnaby, North Vancouver, Port Coquitlam.

However, current economic land conditions are not suitable to introduce a new charge to commercial development.

RELATIONSHIP TO TAXATION

- DCC Program commits taxation:
  - assist rate
  - secondary dwellings
  - benefit allocation
- Commitments to taxation reduce the capacity for funding non-DCC programs e.g. Linear Parks.

RECOMMENDATIONS

- THAT Council maintains the status quo for the Development Cost Charge (DCC) bylaw for Parks based on parkland acquisition only for residential development.