



## **REPORT**

### **ENGINEERING and PARKS AND RECREATION DEPARTMENTS**

**To:** Mayor Wright and Members of Council      **Date:** September 8, 2008  
Committee of the Whole

**From:** Jim Lowrie      **File:** 13.2550.01  
Director of Engineering Services

Dean Gibson  
Director of Parks & Recreation

**Subject:** Proposed Development Cost Charge Program - 2008

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#### **RECOMMENDATION**

*THAT Council receive this report for information; and*

*THAT Council endorse the proposed use of undeveloped City lands and rights of way to address parkland acquisition needs to accommodate future population growth; and further*

*THAT Council direct staff to establish, through the Parks and Recreation Comprehensive Plan, a target for future parkland acquisition requirements based on lands identified in the draft Development Cost Charge program supplemented by future strategic acquisitions using grants, amenity contributions, and other forms of funding; and further*

*THAT Council direct staff to undertake consultation with the development community and the public on the proposed Development Cost Charge program.*

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#### **ORIGIN/PURPOSE**

The purpose of this report is to provide Council with the findings of the draft 2008 Development Cost Charge Program.

**BACKGROUND**

Development cost charges (DCC) are monies that are collected from land developers, by a municipality, to offset some of the infrastructure expenditures incurred, to service the needs of new development. Imposed by bylaw pursuant to the Local Government Act, the charges are intended to facilitate development by providing a method to finance capital projects related to roads, drainage, sewers, water and parkland. Given the increasing budget constraints of local municipalities, DCC have been seen as a mechanism to implement the user pay model where developers are required to pay their fair share of the costs to implement new infrastructure.

DCC allow monies to be pooled from many developments so that funds can be raised to construct the necessary services in an equitable manner. The municipality can be considered to be the coordinator of the capital program and administrator of the funds collected.

The City of New Westminster first established a DCC bylaw in 1995 for the Queensborough area. This was followed by a broader DCC bylaw covering both the Mainland and Queensborough areas in 2005. These rates were based on earlier infrastructure capital plans, in some cases dating to the early 1990's, or were based on upgrades identified by staff. Council approved the 2005 DCC Bylaw with the requirement that staff undertake utility and parks capital planning and update the DCC's once these plans were complete. The timeframe for the DCC program is based on projections for population and capital expenditures to 2021.

**ANALYSIS**

An update to the DCC program has now been completed and the preliminary findings are outlined below. Using new information contained in the recently completed Master Plans, significant changes to the program are proposed and overall rates have increased markedly. The City's overall DCC rates for both the Mainland and Queensborough are now in the mid range of rates in the region.

**Water, Sewer and Drainage DCC's**

An update to the current DCC program has been completed which has focused on the use of new information from the recently completed Master Planning studies for water and sewer. As well, the recommendations for the Drainage DCC program in Queensborough were updated using the information contained in the most recent drainage study completed in 2003. These plans identify the capital infrastructure investments required to accommodate growth. The new studies have allowed the City to:

- Include a more comprehensive list of the capital investments needed to support growth;
- Clearly define the share of the capital investments that benefit growth and therefore should be paid for by development;
- Establish a new Drainage and Water DCC for the Mainland for the first time; and
- Establish a new Sanitary DCC for Queensborough for the first time.

A comparison of the DCC recoverable costs is outlined below for Queensborough and the Mainland:

Table 1 - Queensborough Utilities DCC Recoverable Costs

Item	2005 Cost (\$ Millions)	2008 Cost (\$ Millions)	Change (\$ Millions)	Notes
Water	1.2	0.6	-0.6	The upgrades were identified from recommendations contained in the 2008 Water Master Plan.  The value of the program is lower as four of the water projects contained in the 2005 program have been completed and have been removed from the current program.
Sanitary Sewer	n/a	2.0	+2.0	This is a new program identifying sanitary sewer improvements required for development based on the recently completed Master Sewer Plan.
Drainage	5.9	3.3	-2.6	The upgrades were identified from recommendations contained in the 2003 Queensborough Drainage Study.  Program costs have decreased primarily due to two factors: i) completion of the Carter Street Pump Station ii) decreased benefiting factor to development

Table 2 - Mainland Utilities DCC Recoverable Costs

Item	2005 Cost (\$ Millions)	2008 Cost (\$ Millions)	Change (\$ Millions)	Notes
Water	n/a	2.6	+2.6	This is a new program identifying water improvements required for development based on the recently completed Master Water Plan.
Sanitary Sewer	1.9	4.4	+2.5	The new Master Sewer Plan identified additional sewer improvements to facilitate growth.
Drainage	n/a	0.7	+0.7	The new Master Sewer Plan identified additional storm sewer improvements to facilitate growth.

Transportation DCC's

The Transportation program was also updated to reflect recommendations contained in the recently completed Comprehensive Road Safety Plan; identification of greenway and pedestrian improvements to enhance active transportation; upgrades to the Major Road Network within the City; and inclusion of joint projects with other municipalities and agencies. Some of the key outcomes have included the following:

- Inclusion of potential third party funding from Translink, ICBC, and City of Burnaby to undertake joint projects; and
- Increased benefit factor to new development for active transportation upgrades.

The City is proceeding with a vision of sustainable development that encourages the use of active transport and use of public transit. The City wishes to build upon this by prioritizing the connections between transit and active modes of transportation such as walking and cycling. The DCC program has included a number of these active transportation projects. Sidewalks and greenways were apportioned a higher benefit to development as the use of these modes are being encouraged through development.

**Table 3 - Queensborough Transportation DCC Recoverable Costs**

Item	2005 Cost (\$ Millions)	2008 Cost (\$ Millions)	Change (\$ Millions)	Notes
Transportation	8.3	10.5	+2.2	Increased construction costs and inclusion of all collector/arterial roads

**Table 4 - Mainland Transportation DCC Recoverable Costs**

Item	2005 Cost (\$ Millions)	2008 Cost (\$ Millions)	Change (\$ Millions)	Notes
Transportation	2.8	6.8	+4.0	Increased construction costs. New projects identified through recent studies. As well, higher cost apportionment to future development for sidewalks and greenways.

Parks DCC's

A preliminary draft of the Parks and Recreation Comprehensive Plan was recently received by Council. This long range planning document identifies the future parkland requirements for the City. The study highlighted that access to parks space for play and exercise is essential to child development, maintaining healthy communities, and meeting the leisure requirements of residents.

In order to address the needs of anticipated population growth over the next 10-15 years, the Comprehensive Plan recommends a population to park area ratio target of 2.22 ha/1000 population. This target is based on an assessment of the City's current parkland ratio balanced against communities of a similar size &

character, and also takes into consideration averages of communities across the Province. To date based on the recommended 2.22 ha/1000 population target ratio, the City has a modest overall shortfall of parks to service the current population. This shortfall exists in spite of recent new park developments at Sapperton Landing, Victoria Hill, Port Royal and Thompson's Landing.

With anticipated population growth in the future, additional park space is required in order to maintain the parks and open space benefits that contribute to the overall quality of life of New Westminster residents. Based on the proposed target ratio of 2.22 ha/1000 population, a total of approximately 40 ha of new parks space is desired. The DCC program focuses only on the park and open space needs of the anticipated future populations and does not address the current parkland inventory standard shortfall. Much of New Westminster's future growth will be the result of redevelopment of low density areas into much higher density multi-family housing. Given that the City is highly urbanized, there are challenges in identifying readily available land for parks acquisition and the limited lands that may be available for purchase are much higher in cost than comparable acquisitions in rural and suburban areas.

The City has reviewed two possible approaches to addressing future parkland needs through the DCC program:

- 1) Acquisition of privately held lands to meet full park needs
- 2) Use of existing City lands coupled with strategic acquisition of privately held lands to meet partial park needs

#### 1. Acquisition of private lands to meet full park needs

In order to meet the parks space ratio target, 40 ha of new parks space needs to be acquired and developed. Given the highly urbanized nature of New Westminster, this approach will likely require the acquisition of existing single family parcels on the Mainland and Queensborough coupled with strategic acquisitions on the Mainland waterfront area. The estimated cost for property acquisition and parks development is approximately \$230M which was found to be unrealistic as it would make the DCC rates in New Westminster the most expensive in the Lower Mainland (e.g. Single family DCC for Queensborough would be \$86,000 per unit versus the next highest for Surrey (large lot) which is at \$23,000 per unit). Ostensibly, this DCC rate would stop development in the City and likely would not be approved by the Province.

The acquisition of less expensive industrial lands for Parks use has not been considered given recent studies that recommend preserving the current industrial land base for economic reasons.

2. Use of existing City lands coupled with strategic acquisition of private lands to meet partial park needs

In order to establish a more reasonable Parks DCC program, a modified approach to the DCC Parks program has been developed whereby a lower target ratio of parkland to population would be provided and some currently owned City lands would be developed for Parks use. Several underlying principles/assumptions have been used to guide decisions related to park land acquisition and development:

- 1) A recommended overall park area to population ratio target of between 1.3-2.2ha/1000 population be applied. This target range will be achieved through a combination of lands identified through the DCC program coupled with additional acquisition opportunities.
- 2) Wherever possible, existing City owned lands (including rights-of-way and streets), will be considered for possible conversion/adaptation for park use.
- 3) Industrial lands will not be considered for conversion to park use. Where feasible, waterfront trails along industrial lands will be encouraged.
- 4) Where land purchase is not possible or practical, easements or rights-of-way over private lands will be considered to secure the use of land for park purposes.

This approach reduces the amount of private lands to be acquired and establishes a more reasonable DCC. It provides approximately 23.5 ha of park lands having an estimated property value of roughly \$30M of which \$8M is the value of private property which is to be acquired through DCC funding and \$22M is the value of City owned property proposed for park development. This is a significant overall City contribution towards the DCC program.

Table 5 – Private and Public Lands to be used for Parks Purposes

Type of Land	Area	Estimated Property Value
Private Lands – Purchase	4.6 ha	\$8 M
Private Lands – Lease	3.1 ha	n/a
City Owned Lands/ROW – Parks Use	15.8 ha	\$22 M
<b>TOTAL</b>	<b>23.5 ha</b>	<b>\$30 M</b>

Provision of 23.5 ha of park lands provides a park area ratio target of roughly 1.3 ha/1000 population. This is significantly less than the desired target of 2.22 ha/1000 population as proposed in the draft Parks and Recreation Comprehensive Plan and the current existing ratio of 2.04 ha/1000 pop.

In order for the City to attain the desired target level of 2.22 ha/1000 population, an additional 16.5 ha of parkland would, over time, need to be acquired and developed at an estimated cost of approximately \$100M. As such, it is recommended that the City consider a modified target level that supplements the lands identified in the DCC program by strategically acquiring and developing additional parkland through the use of grants, amenity contributions, and other forms of land acquisition funding. This practice has been followed by the City over the past 20 years.

A summary of the Parks DCC program for park land acquisition and park development comparing the existing program (2005) and the proposed program (2008) is provided below.

Table 6 - Queensborough Parks DCC Recoverable Costs

Item	2005 Cost (\$ Millions)	2008 Cost (\$ Millions)	Change (\$ Millions)	Notes
Parks	4.1	7.8	+3.7	Increased scope and costs for land acquisition and park development within Queensborough.

Table 7 - Mainland Parks DCC Recoverable Costs

Item	2005 Cost (\$ Millions)	2008 Cost (\$ Millions)	Change (\$ Millions)	Notes
Parks	4.0	13.5	+9.5	Increased scope and costs for land acquisition and park development within the Mainland

Table 8 - City Wide Parks DCC Recoverable Costs

Item	2005 Cost (\$ Millions)	2008 Cost (\$ Millions)	Change (\$ Millions)	Notes
Parks	0	23.3	+23.3	This is a new classification of parkland for the DCC program.  Increased scope and costs for land acquisition and park development within Mainland and Queensborough.

Proposed 2008 DCC Rates and Comparisons to Other Communities

As stated previously, the proposed 2008 DCC rates are a significant increase over the previous 2005 rates. Provided below is a summary of residential and commercial rates for Queensborough and the Mainland.

Table 9 - Queensborough Proposed Rates

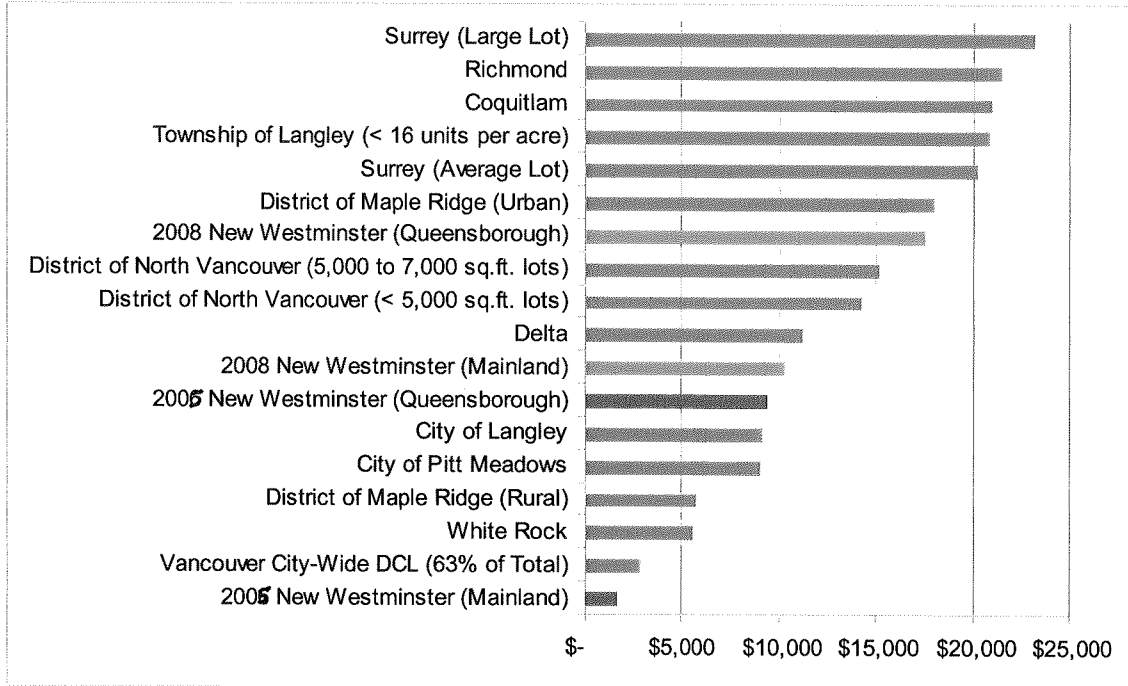
<b>Development Type</b>	<b>2005 Rate Existing</b>	<b>2008 Rate Proposed</b>
Single Family (5,000 ft <sup>2</sup> )	\$9,350	\$17,521
Single Family (3,500 ft <sup>2</sup> )	\$6,440	\$11,466
Townhouse (1,400 ft <sup>2</sup> )	\$5,544	\$10,155
Apartment (1,000 ft <sup>2</sup> )	\$3,460	\$6,803
Commercial (retail)	\$9.20 per sq. ft	\$10.56 per sq. ft
Commercial (office)	\$5.11 per sq. ft	\$5.48 per sq. ft
Industrial	\$53,069 per acre	\$38,198 per acre

Table 10 - Mainland Proposed Rates

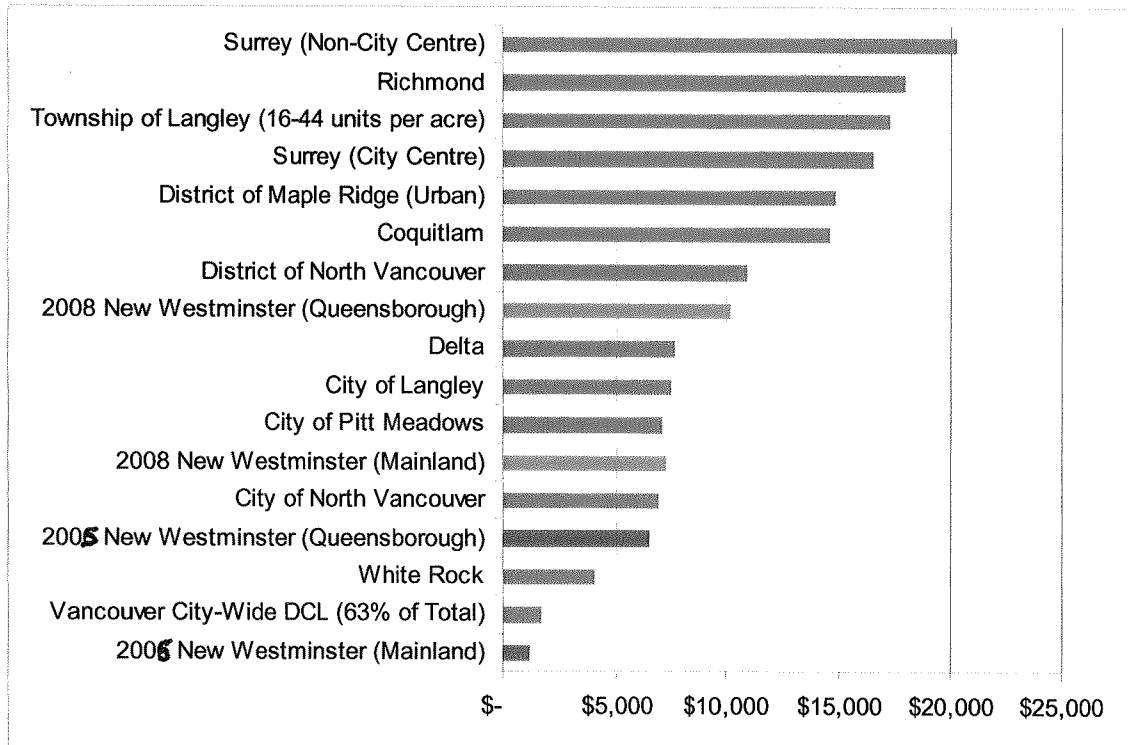
<b>Development Type</b>	<b>2005 Rate Existing</b>	<b>2008 Rate Proposed</b>
Single Family (4,000 ft <sup>2</sup> )	\$1,640	\$10,295
Townhouse (1,300 ft <sup>2</sup> )	\$1,131	\$7,201
Apartment (1,000 ft <sup>2</sup> )	\$770	\$4,796
Commercial (retail)	\$1.71 per sq. ft	\$4.55 per sq. ft
Commercial (office)	\$0.67 per sq. ft	\$1.93 per sq. ft
Industrial	\$3,245 per acre	\$20,203 per acre

The figures below compare the existing (2005) and proposed (2008) DCC rates with other Lower Mainland municipalities. The City's current DCC rates are among the lowest in the region while the new proposed program places the City more in the middle of the region in terms of rates.

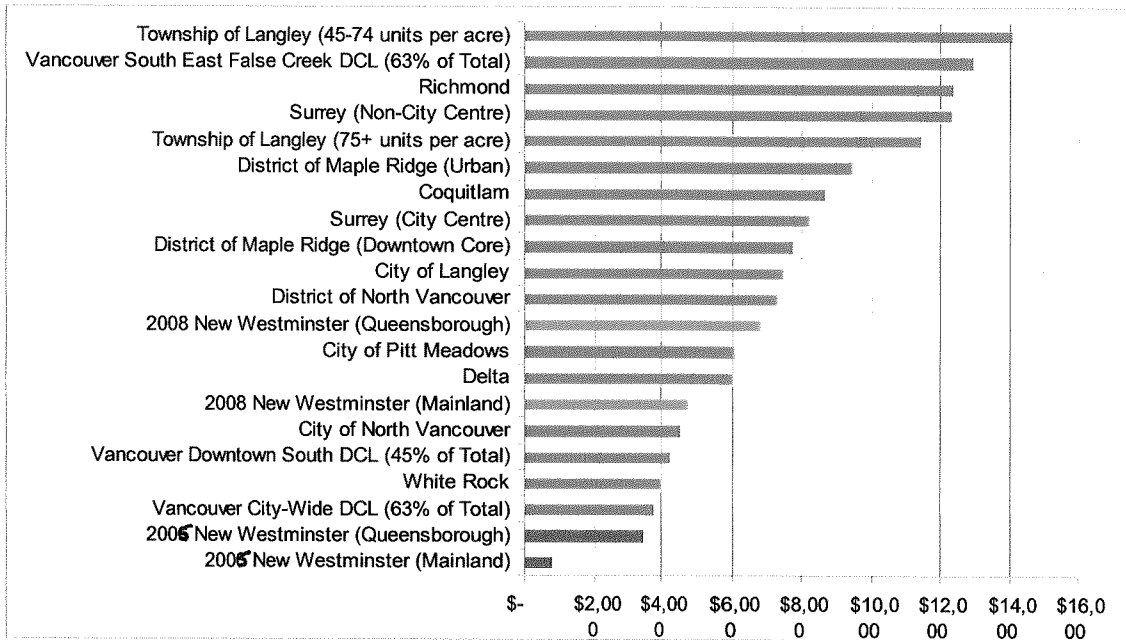
**Comparison of DCC Rates for Single Detached Development in Greater Vancouver**



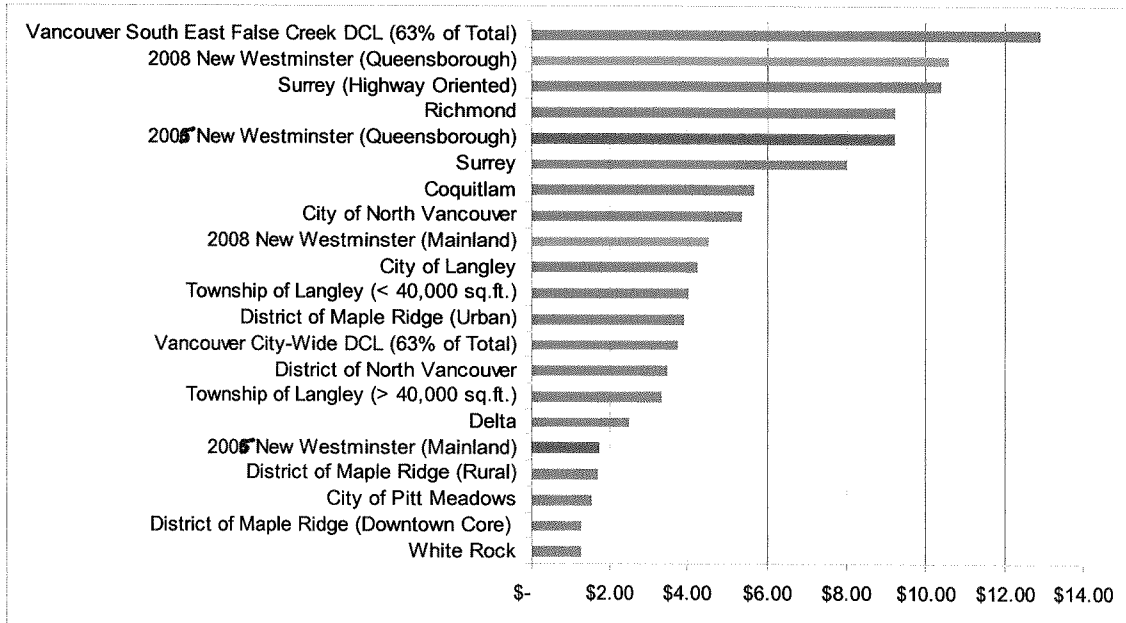
**Comparison of DCC Rates for Townhouse Development in Greater Vancouver**



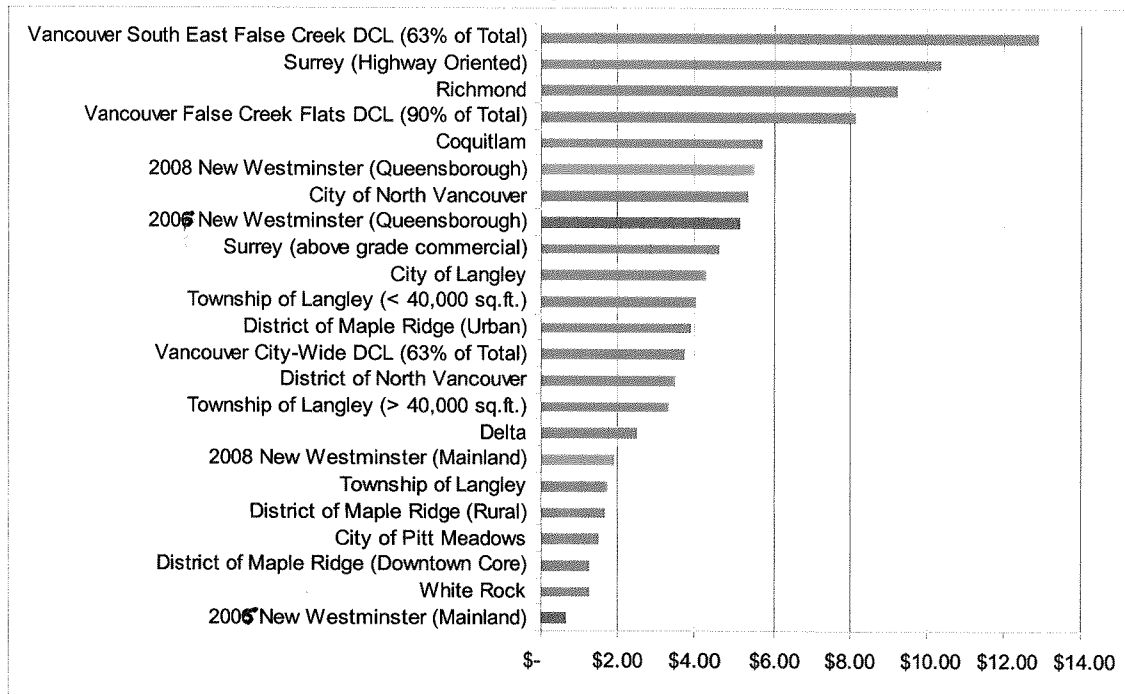
**Comparison of DCC Rates for Apartment Development in Greater Vancouver**



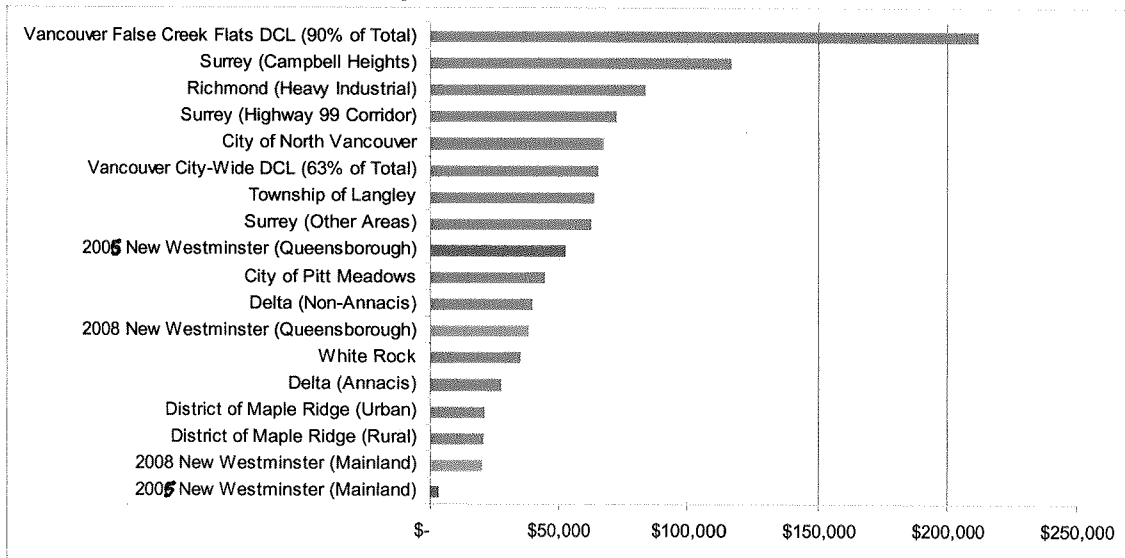
**Comparison of DCC Rates for Retail Development in Greater Vancouver**



**Comparison of DCC Rates for Office Development in Greater Vancouver**



**DCC Rates for Industrial Development in Greater Vancouver**



New Provincial Legislation - Bill C-27

On May 29, 2008 the Provincial Government enacted new DCC legislation which requires Council to consider waiving or reducing DCC's for:

- not-for-profit rental housing;
- for-profit affordable rental housing;
- subdivisions of small lots designed to result in low greenhouse gas emissions; and
- developments designed to result in a low environmental impact.

If Council wishes to consider waiving or reducing DCC's for any of the four types of development noted above, the DCC bylaw will need to define what qualifies and also establish the rate of reduction. The Province has not provided any additional information yet on possible means of defining these categories.

At this time, it is recommended that any consideration for waiving or reducing DCC's in the case of not-for-profit and for-profit affordable rental housing be deferred until after the City's Affordable Housing Strategy is completed.

With respect to low greenhouse gas subdivisions and low environmental impact developments, it is recommended that Council defer the consideration of these waivers until such time as more information is developed across the Province on potential new development design standards. We note that New Westminster already promotes green development through our densification around Skytrain stations and provision of active transportation options (e.g. Central Valley Greenway).

The Province has advised that if a DCC is waived or reduced, the funding shortfall must be made up from general revenues, capital reserves, or other funding sources. These are not costs that can be passed on to other new development.

**FINANCIAL IMPACT**

The proposed DCC program has incorporated additional information from recent Master Planning studies which have resulted in a substantially more robust program. As such, rates have increased and brings the City more in line with other regional municipalities. Provided below is an overall summary of the 2005 and proposed 2008 program which highlight the changes in program value. Staff will be reviewing the changes to the City contribution and the possible budget impacts to each of the reserves (general fund, water utility and sewer utility).

Table 11 - Summary of DCC Capital Program

Year	Total Program Cost (\$ millions)	Costs Recovered by DCC (\$ millions)	Contribution by Other Sources (\$ millions)	City Contribution (\$ millions)
2005	46.4	28.2	0	18.2
2008	101.4	75.4	13.9	12.1

The City has proposed a significant contribution to the Parks DCC through provision of City lands for use as Parks and reducing the amount of land required for acquisition through the program in an effort to reduce the overall DCC rate to be similar to regional averages. By committing City lands worth approximately \$22 million to park development, this limits using possible proceeds from future land sales for other City initiatives, including funding other major capital projects. Although proceeds from land sales is not currently a funding source included in the long range capital plan, new funding challenges identified in recent asset management studies (Parks Comprehensive Plan, Facility Condition Assessment Study etc.) will require the City to identify new funding sources.

The proposed DCC rates are higher but are not expected to affect the financial viability of most types of development in New Westminster. However, it is anticipated that the higher rates will make it less attractive to rezone single family land for multi-family development in Queensborough.

For developments already underway, the rate increase could have a significant impact and it is recommended that the City provide a grace period for instream development applications. A grace period is a length of time offered as notification that new DCCs will be in effect. For example, the DCC bylaw may state that the effective date will be a time period (e.g. one year) from the date of DCC bylaw adoption. The grace period is granted by a municipality as an acknowledgement of the impact DCCs may have on instream development applications. The grace period should be long enough to allow most instream applications to receive project approval (subdivision or building permit) under the current rate system.

Staff will be seeking feedback on the program when consultation is undertaken with the development community.

**INTERDEPARTMENTAL LIAISON**

This report was prepared in consultation with Parks and Recreation Department, Development Services Department, and Finance and IT Department.

## **SUSTAINABILITY IMPLICATIONS**

### **Social**

Provisions of improvements undertaken through the DCC program provide the necessary parks, transportation, and utilities infrastructure to service growth in the community.

At Council's request, New Westminster's DCC system has been structured to support the City's social objectives. New Westminster's DCC rates are collected on a per square foot, rather than a per unit basis because the development community says this helps them build smaller, more affordable market housing units.

### **Economic**

The DCC program provides the City with an opportunity to identify growth related projects and apportion the costs correctly to the development community. This results in decreased infrastructure costs to be borne by the City and the tax burden on the existing residents.

### **Environmental**

The DCC program provides a number of projects which contribute to environmental sustainability. These include the identification of new parks space required to maintain green space in the City; focus on developing new active transportation networks to service new developments; provision of sufficient and clean drinking water; and improvements to the sewer system to ensure sewage is conveyed safely.

At Council's request, New Westminster's DCC system has been structured to support the City's environmental objectives. The City established separate areas for Queensborough and the Mainland to pass the cost savings of densification in existing urban areas on the Mainland on to developers in those areas, rather than having Mainland developers subsidize the higher cost development in Queensborough. The per square foot DCC charges remove the incentives to build larger-than-necessary units that would use more resources to create and maintain.

**CONCLUSION**

An update was conducted on the existing DCC program using information garnered over the last two years from new Master Planning studies and other reports. The updated DCC program provides overall rates that are consistent with other Lower Mainland municipalities.



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Services

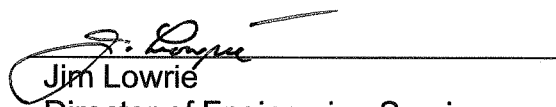


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Approved for Presentation  
to Council



Paul Daminato  
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