



City of Richmond

Report to Committee

To: Finance Committee

Date: March 13, 2018

From: Jerry Chong
Director, Finance

File: 03-0900-01/2018-Vol
01

Re: Annual Development Cost Charges Bylaw Amendment

Staff Recommendation

1. That the proposed Development Cost Charges Imposition Bylaw No. 9499, Amendment Bylaw No. 9844 be introduced and given first reading; and
2. That the report titled "Annual Development Cost Charges Bylaw Amendment" dated March 13, 2018 from the Director, Finance, be endorsed as the basis for public consultation in establishing the amended Development Cost Charge Imposition Bylaw.

FOR: Jerry Chong
Director, Finance
(604-276-4064)

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Economic Development	<input checked="" type="checkbox"/>	
Law	<input checked="" type="checkbox"/>	
Affordable Housing	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Development Applications	<input checked="" type="checkbox"/>	
Policy Planning	<input checked="" type="checkbox"/>	
Transportation	<input checked="" type="checkbox"/>	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

The Ministry's Development Finance Review Committee (DFRC), through its Development Cost Charges (DCC) Best Practice Guide, recommends that major amendments to the DCC bylaw be completed at least once every five years, and minor amendments to the DCC bylaw be made annually to reflect changes in the DCC program costs.

The City completed a major DCC review in 2016/2017, which included a comprehensive review and update on the costs and growth projection assumptions of the DCC program. The resulting DCC Imposition Bylaw No. 9499 was adopted and was effective on May 8, 2017.

The purpose of this staff report is to propose a minor DCC bylaw amendment where, in accordance with the Development Cost Charges Bylaw Approval Exemption Regulation, B.C. Reg. 130/2010, the City's city-wide DCC rates will be updated by the 2017 Vancouver Consumer Price Index (VCPI) at an increase of 2.2%.

This report supports Council's 2014-2018 Term Goal #7 Strong Financial Stewardship:

Maintain the City's strong financial position through effective budget processes, the efficient and effective use of financial resources, and the prudent leveraging of economic and financial opportunities to increase current and long-term financial sustainability.

7.1. Relevant and effective budget processes and policies.

7.2. Well-informed and sustainable financial decision making.

7.3. Transparent financial decisions that are appropriately communicated to the public.

Analysis

Feedback from the 2016/2017 Major DCC Update

One of the primary issues raised by the development industry during the last major DCC bylaw update in 2016/2017 was that they would rather see gradual annual increases in DCC rates instead of a one-time compounded DCC rates when a major DCC amendment takes place.

During the last major DCC update, staff responded to the development industry's concerns and proposed a going-forward mitigation measure whereby the City will complete minor DCC amendments annually to ensure that DCC rates are increased at a predictable, reasonable and gradual pace to mitigate DCC rate increases in future major DCC amendments.

Proposed DCC Rates Amendment

Staff recommend that the City’s DCC rates be increased by 2.2%, being the 2017 VCPI as published by Statistics Canada, from the current level, where:

- The proposed rate of increase is permitted under the Development Cost Charges Bylaw Approval Exemption Regulation, B.C. Reg. 130/2010.
- The magnitude of increase is consistent with the annual increase of other types of municipal fees and rates which are also updated annually by CPI adjustment.
- The proposed increase meets the intent of smoothing the DCC rates by implementing incremental increases in DCC rates on a periodic basis until the next major DCC update.
- This approach is consistent with the DFRC’s best practice guide and it will address the development industry’s expressed concerns about compounded inflationary impact to future major DCC amendments.
- The following table summarizes the proposed changes to the City’s city-wide DCC rates by development type:

	Unit	Current DCC Rates (2017)	Proposed DCC Rates (2018)	Proposed Increase (\$)
Single Family	per lot	\$39,494.10	\$40,362.97	\$868.87
Townhouse	per ft ²	\$21.48	\$21.95	\$0.47
Apartment	per ft ²	\$22.61	\$23.11	\$0.50
Commercial/Institutional	per ft ²	\$14.52	\$14.84	\$0.32
Light Industrial	per ft ²	\$11.33	\$11.58	\$0.25
Major Industrial	per acre	\$97,716.39	\$99,866.15	\$2,149.76

Other Considerations

- Staff also reviewed the changes in the main cost drivers of the City’s DCC program during this minor DCC amendment process. The 2017 Vancouver Construction Price Index as published by Statistics Canada was 7.0% and the 2017 Richmond Detached Home Price Index was 7.1%.
- It is conservatively estimated that if a more detailed cost adjustment method is used in this minor DCC amendment, it could result in a proposed increase of DCC rates by at least 7% in the current year.
- Since this is the first year following the previous DCC major bylaw update in 2017, staff is recommending that the detailed cost adjustments to the DCC program be reviewed and updated at a future year when cost increases become permanent or substantial to warrant a more detailed minor DCC amendment.

Next Steps

If the Development Cost Charges Imposition Bylaw No. 9499, Amendment Bylaw No. 9844 (Attachment 1) receives first reading, staff will communicate the proposed bylaw rates with the development community (e.g. through Urban Development Institute, Commercial Real Estate Development Association (NAIOP), Greater Vancouver Home Builders' Association, on City's social media, Let's Talk Richmond and the City's website). Feedback received from the public will be presented to Council for consideration upon second and third readings prior to bylaw adoption.

Under the Development Cost Charges Bylaw Approval Exemption Regulation, B.C. Reg. 130/2010, approval from the Ministry is not required for adoption of the proposed amended DCC bylaw. Once the bylaw has been adopted by Council, a copy of the bylaw will be filed with the Ministry.

Implementation Guidelines

The effective date of the amendment bylaw is to be set on or after May 8, 2018 to ensure compliance with the Development Cost Charges Bylaw Approval Exemption Regulation, B.C. Reg. 130/2010 which requires that the bylaw changes the amount of one or more development cost charges once in a 12 month period after the date of the adoption of the bylaw.

Sections 511 and 568 of the *Local Government Act* that provide in-stream protection to subdivision applications and precursor applications (e.g. rezoning application, development permit application, building permit application) for a period of one year from the effective date of the adopted DCC bylaw.

To qualify for in-stream protection (i.e. in order for the development to be grandfathered to the current DCC rates instead of the new DCC rates in the amended DCC Bylaw), prior to the effective date of the DCC bylaw, the subdivision applications or the precursor applications must have been submitted in satisfactory form to and accepted by the City, and that all application fees have been paid.

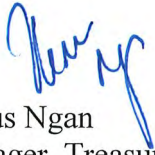
For in-stream applications to be grandfathered, the subdivision must be completed within 12 months after the bylaw is adopted. For in-stream precursor applications, the building permit related to these applications must be issued within 12 months of the effective date of the bylaw in order for the grand-fathering provision to be applicable.

Financial Impact

The proposed bylaw will increase DCC rates by 2.2% across all development types. The amount of increase will depend on the amount of new development activities and the types of development activities upon the effective date of the bylaw. The DCC collected will provide funding to pay for the cost of the proposed capital infrastructure works to support growth, such as parkland purchase, park development, traffic improvements and engineering infrastructures.

Conclusion

It is recommended that the proposed Development Cost Charges Imposition Bylaw No. 9499, Amendment Bylaw No. 9844 be approved by Council and this staff report is to be used as a basis for public consultation before final adoption of the DCC amendment bylaw.



Venus Ngan
Manager, Treasury and Financial Services
(604-276-4217)

Att. 1: Development Cost Charges Imposition Bylaw No. 9499, Amendment Bylaw No. 9844



City of Richmond

Bylaw 9844

DEVELOPMENT COST CHARGES IMPOSITION BYLAW NO. 9499, AMENDMENT BYLAW NO. 9844

The Council of the City of Richmond enacts as follows:

1. Schedule B of the **Development Cost Charges Imposition Bylaw No. 9499** be deleted and be replaced with Schedule A attached to and forming part of this amendment bylaw.
2. This Bylaw is cited as "**Development Cost Charges Imposition Bylaw No. 9499, Amendment Bylaw No. 9844**" and is effective May 8, 2018.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

CITY OF RICHMOND
APPROVED for content by originating dept. <i>W</i>
APPROVED for legality by Solicitor <i>[Signature]</i>

MAYOR

CORPORATE OFFICER

SCHEDULE B City-Wide Development Cost Charge

Richmond Zoning Bylaw 8500												
Description	Standard Zones	Site Specific Zones	Site Specific Mixed Use Zones (1)	Road Works	Drainage Works	Water Works	Sanitary Sewer	Parks Acquisition	Parks Development	Total DCC	Units for each column	
Agricultural	AG, CR, GC	ZA		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	
Marina (2)	MA											
Single Family	RS, RC, RCH, RD, RI, RE, RCC	ZS, ZD		\$16,005.88	\$ 7,222.16	\$ 1,091.53	\$ 2,568.13	\$ 7,749.20	\$ 5,726.07	\$40,362.97	per lot	
Townhouse	RTL, RTM, RTH, RTP	ZT		\$ 7.67	\$ 3.11	\$ 0.71	\$ 1.68	\$ 5.05	\$ 3.73	\$ 21.95	per sq. ft. of DU	
Apartment	RAL, RAM, RAH	ZLR, ZHR	ZR, RCL, ZMU, CS, ZC	\$ 9.42	\$ 2.21	\$ 0.74	\$ 1.72	\$ 5.19	\$ 3.83	\$ 23.11	per sq. ft. of DU	
Commercial (3)	CL, CC, CA, CDT, CEA, CG, CN, CP, CV IB, IL, IR, IS	ZC ZI	ZR, RCL, ZMU, CS, ZC	\$ 11.43	\$ 2.15	\$ 0.28	\$ 0.65	\$ 0.19	\$ 0.14	\$ 14.84	per sq. ft. of BA	
Light Industrial (4)	IB, IL, IR, IS	ZI		\$ 8.17	\$ 2.15	\$ 0.28	\$ 0.65	\$ 0.19	\$ 0.14	\$ 11.58	per sq. ft. of BA	
Major Industrial	I			\$42,673.51	\$ 42,743.74	\$ 3,915.22	\$ 9,211.71	\$ 760.22	\$ 561.75	\$99,866.15	per acre of gross site area	
Institutional	AIR, SI, ASY, HC	ZIS		\$ 11.43	\$ 2.15	\$ 0.28	\$ 0.65	\$ 0.19	\$ 0.14	\$ 14.84	per sq. ft. of BA	

(1) For site specific mixed-use residential and commercial zones, the development cost charge (DCC) payable shall be calculated separately for each portion of the development. DCC for residential uses are charged at the appropriate multi-family residential rate, and any commercial space is charged at the appropriate commercial rate.

(2) Waterborne residential development permitted under MA zone is exempt from DCC. Any upland buildings in this zone are required to pay the Commercial DCC Rate.

(3) Commercial rate is applicable to all uses permitted in these zones, except for the following, which will be charged the industrial rate: (i) general industrial, (ii) custom indoor manufacturing, (iii) minor utility, (iv) transportation depot, and (v) truck or railroad terminal.

(4) For industrial developments with a mix of commercial and industrial permitted uses (including site-specific industrial zones), the DCC payable shall be calculated separately for each portion of development contained in the building permit or subdivision application in accordance with actual uses. The total payable will be the sum of the DCC for each portion of the development at the applicable DCC rates.