

BACKGROUND

City of Kelowna, which anticipates a population increase of 45,000 new residents by 2040, is proposing an update to Development Costs Charges (DCCs) to ensure appropriate funding is in place for future infrastructure needed to adequately service growth in the community.

What are Development Cost Charges?

DCCs are designed to assist local governments in recovering a portion of the costs expended on growth-related infrastructure caused by new development. They are established by bylaw with the approval of the Inspector of Municipalities and help pay for the infrastructure demands of new single-family homes, townhomes and apartments, as well as commercial, institutional and industrial development. The cost sharing program ensures the community, including new and existing residents and business owners, have the appropriate infrastructure in place to adequately meet their essential daily needs.

Why are DCCs needed and what do they fund?

The DCC program is comprised of 234 infrastructure and parkland acquisition projects valued at \$1.3 billion and revenue from DCCs is legislated to be used exclusively to fund this large capital program. Growth-related infrastructure includes:

- **Transportation:** new roads and bridges, capacity improvements, active transportation corridors, sidewalks, street and intersection improvements, and signalization.
- **Water:** new and upgraded mains, pump stations, disinfection facilities and reservoirs.
- **Sewer:** new trunk sewer mains, sanitary lift stations, and treatment facilities.
- **Drainage:** capacity upgrades to major system drainage works primarily along Mill Creek.
- **Parks:** acquiring parkland and park improvements for neighbourhood, community, city-wide and recreational parks.

Who pays DCCs?

Per the Local Government Act, the DCC bylaw sets out the charges collected from development applicants at the time of:

- Subdivision approval to create single family lots; or
- Building permits for multi-family, commercial, industrial and institutional development.

The DCC program is funded from DCCs (65%),

taxation/utility funding (29%) and developer constructed works and grants (6%).

Why do we need to update DCCs?

It is important we update DCCs regularly so that revenue keeps pace with inflation and there is sufficient funding to support the capital program. This update also reviews growth forecasts and infrastructure master plans to ensure the services are provided when and where they are most needed in the community. The last DCC update occurred in 2019. Since then, several changes have occurred:

- Land and construction costs have risen (greater than 20 per cent increase in construction costs and 40 per cent increase in land value),
- The new 2040 Official Community Plan introduced a new growth strategy with 45,000 new residents anticipated by 2040,
- The recently adopted 2040 Transportation Master Plan resulted in new transportation infrastructure being added,
- Completed projects have been removed and new projects added,
- There are new development trends and census data.

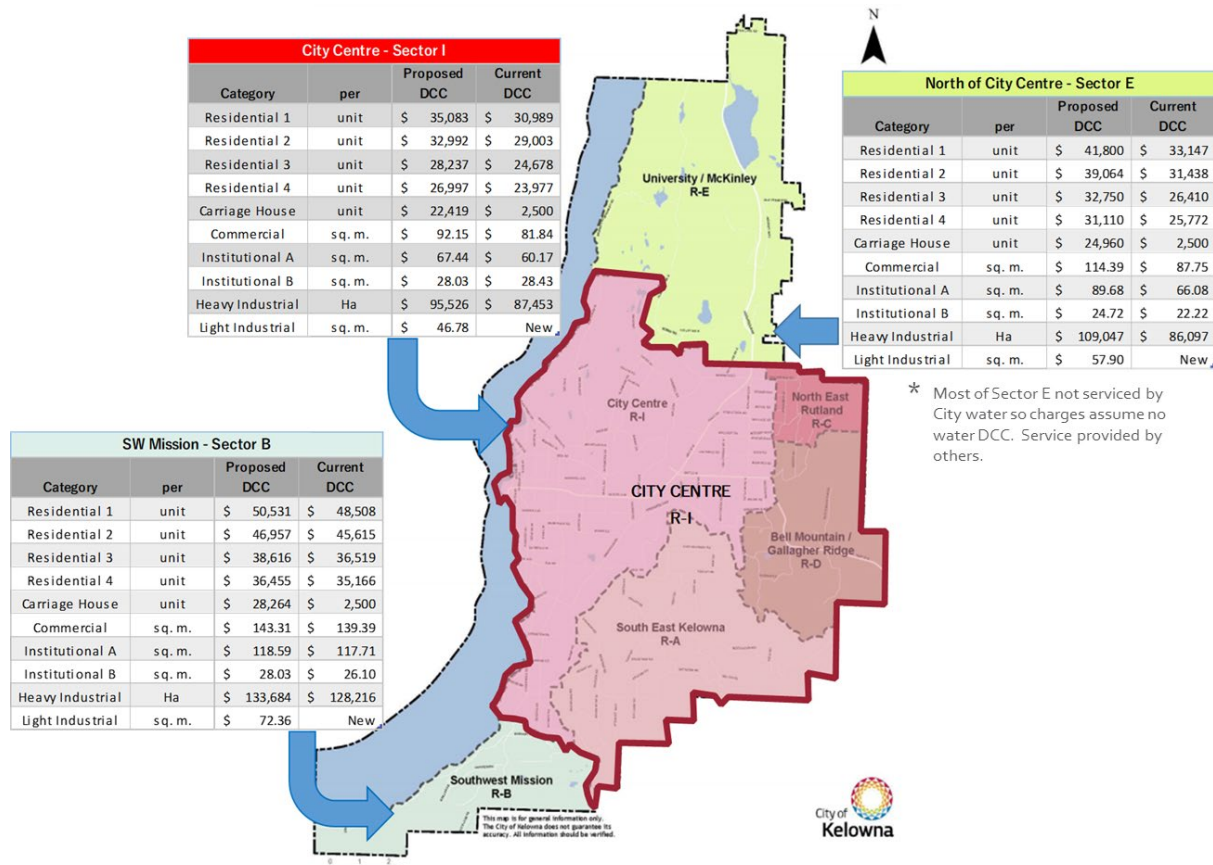
How are DCCs calculated?

The City's DCC program is built on best practices established by the Province of British Columbia to ensure fairness and transparency. DCCs are calculated separately for each category of infrastructure: transportation, water, sewer, drainage and parks. The DCC amount for each infrastructure category is determined by dividing the expected infrastructure costs (required to service new development) by the number of new development units that will be served.

What are the proposed total DCC rates?

DCCs are determined based on infrastructure demand caused by different development forms and density. The DCC program has been divided into the following three geographic areas (see Figure 1) based on the unique transportation servicing demand of each area.

Figure 1 – Current (2019) and proposed (2022) DCC rates by sector



When would the new rates take effect?

New rates take effect on the date that Council adopts the new DCC bylaw. Prior to adoption, the Inspector of Municipalities must approve the bylaw which usually requires two months. Following the initial Report to Council for reading consideration, we anticipate that the DCC bylaw will go to Council in the fall of 2022 for final review.

In-stream protection

The Local Government Act provides in-stream protection of up to one year from changes to DCC rates for subdivision and building permit applications, provided the application is complete and all application fees have been paid prior to the DCC bylaw adoption date.

Next steps

- August 22 Report to Council for reading consideration,
- Ministry approval (~2 months),
- Council review for final adoption: Fall 2022.

Contact Us

For questions or more information, contact:

Financial Services
 City of Kelowna
 250-469-8739
jshaw@kelowna.ca