REGIONAL DISTRICT

RDOS

OKANAGAN-SIMILKAMEEN

NARAMATA WATER ADVISORY COMMITTEE

OVERVIEW OF DEVELOPMENT COST CHARGES (DCCs)

DCC Discussion

October 18th, 2016

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AGENDA

- **Background**
- **Development Cost Charges (DCC) overview**
  - What are they?
  - What projects can DCCs cover?
  - Who pays and when?
- **DCC Process and Rate Calculations**
- **Current DCCs in Naramata**
- **Calculated DCC updates**
- **Pros and Cons of DCCs**
- **Other Cost Recovery Tools**
- **Suggested Approach for Naramata**
- **Discussion and Questions**

Photo Credit: Picture BC

BACKGROUND TO THE PROJECT

- Request to update DCCs
- Examined existing DCCs and capital projects
- Conducted an analysis of the water system
- Identified replacement and upgrades required to the system
- Identified capital projects required to service growth
- Report prepared in April 2014 (Complete with DCC calculations)
- Memo identifying that RDOS may wish to consider cost recovery options other than DCCs

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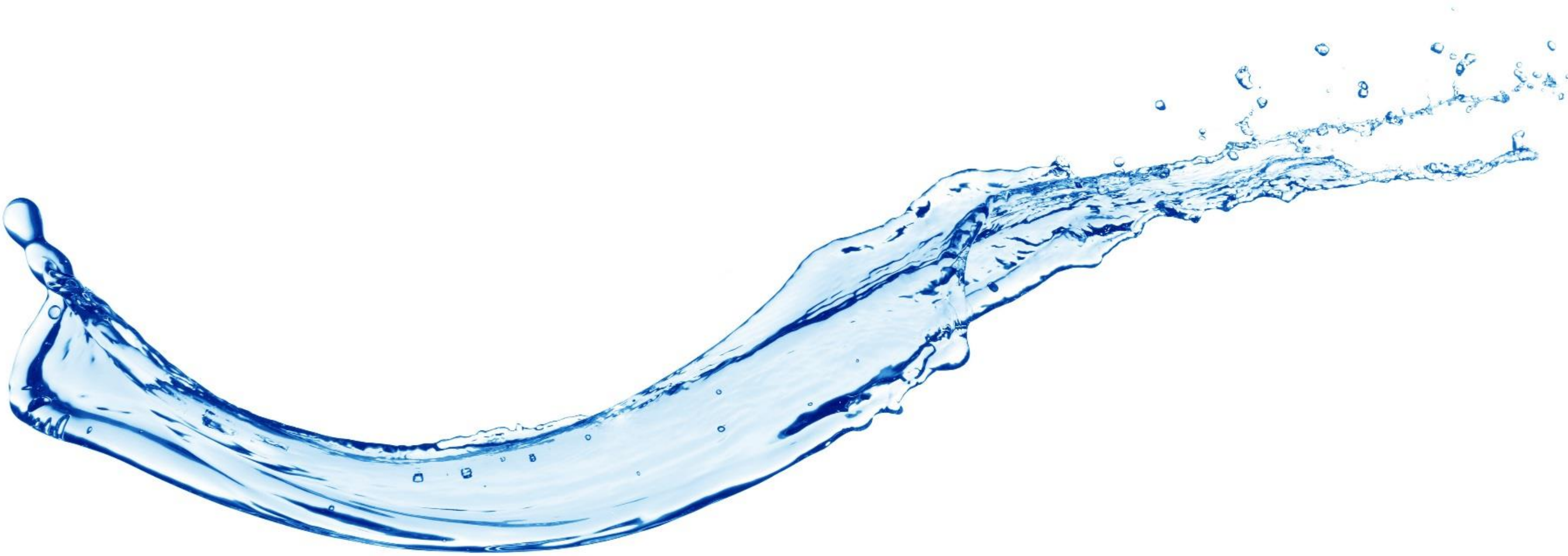

WHAT ARE DCCS?

A means of POOLING FUNDS from a number of developments to PAY FOR OFF-SITE CAPITAL PROJECTS which benefit them all.

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WHAT ARE DCCS?

- Part 14, Division 19 of the Local Government Act
- Authorizes the collection of DCCs.
- DCCs are charges levied on developers to help pay for Infrastructure associated with growth

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What can DCCs Pay for?

To pay for the costs of expanding and upgrading community infrastructure to meet the needs of growth, including:

- Roads
- Sewer
- Water
- Drainage
- Parkland
- Park development

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WHO PAYS DCCS?

- Applicants for **subdivision approval** to create single family development sites

- Applicants for **building permits** to construct multi-family, commercial, industrial, and institutional development

BASIC DCC CALCULATION

DCC Recoverable Costs ÷ Growth = DCC Rate

Benefit Allocations and Assist Factors

- Benefit allocations
  - A fair sharing of costs
  - Determine the portion that benefits **existing** development and
  - the portion that benefits **new** development
- Assist Factor
  - Provides an assist to new development
  - Even though the project (or part of the project) benefits **new** development, the RDOS and its **existing** taxpayers pay for it.

DCC RECOVERABLE COSTS

Total Program Costs − Portion of Costs Allocated to Existing Dev. − Assist Factor = DCC Recoverable Costs

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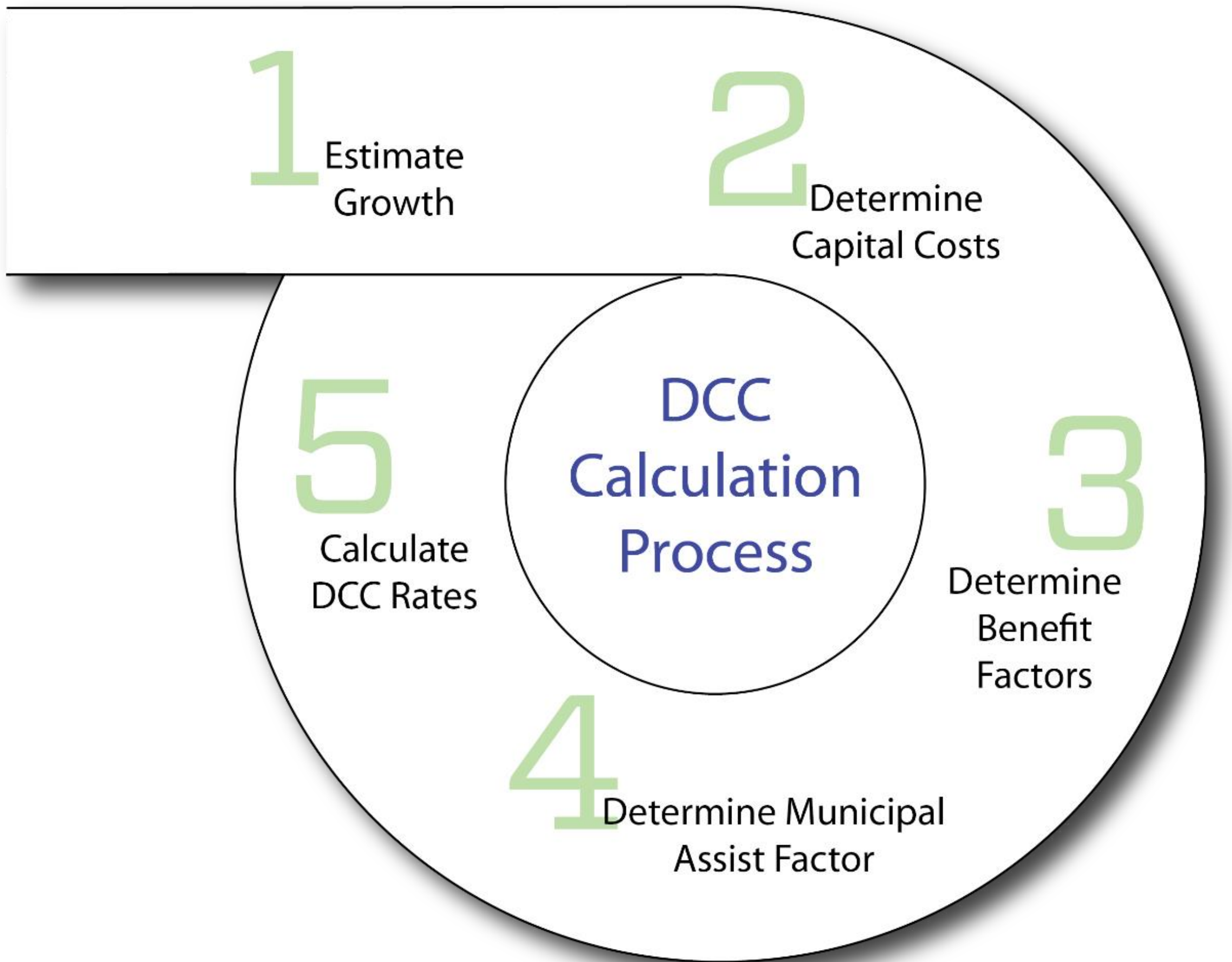
DCC CALCULATION PROCESS



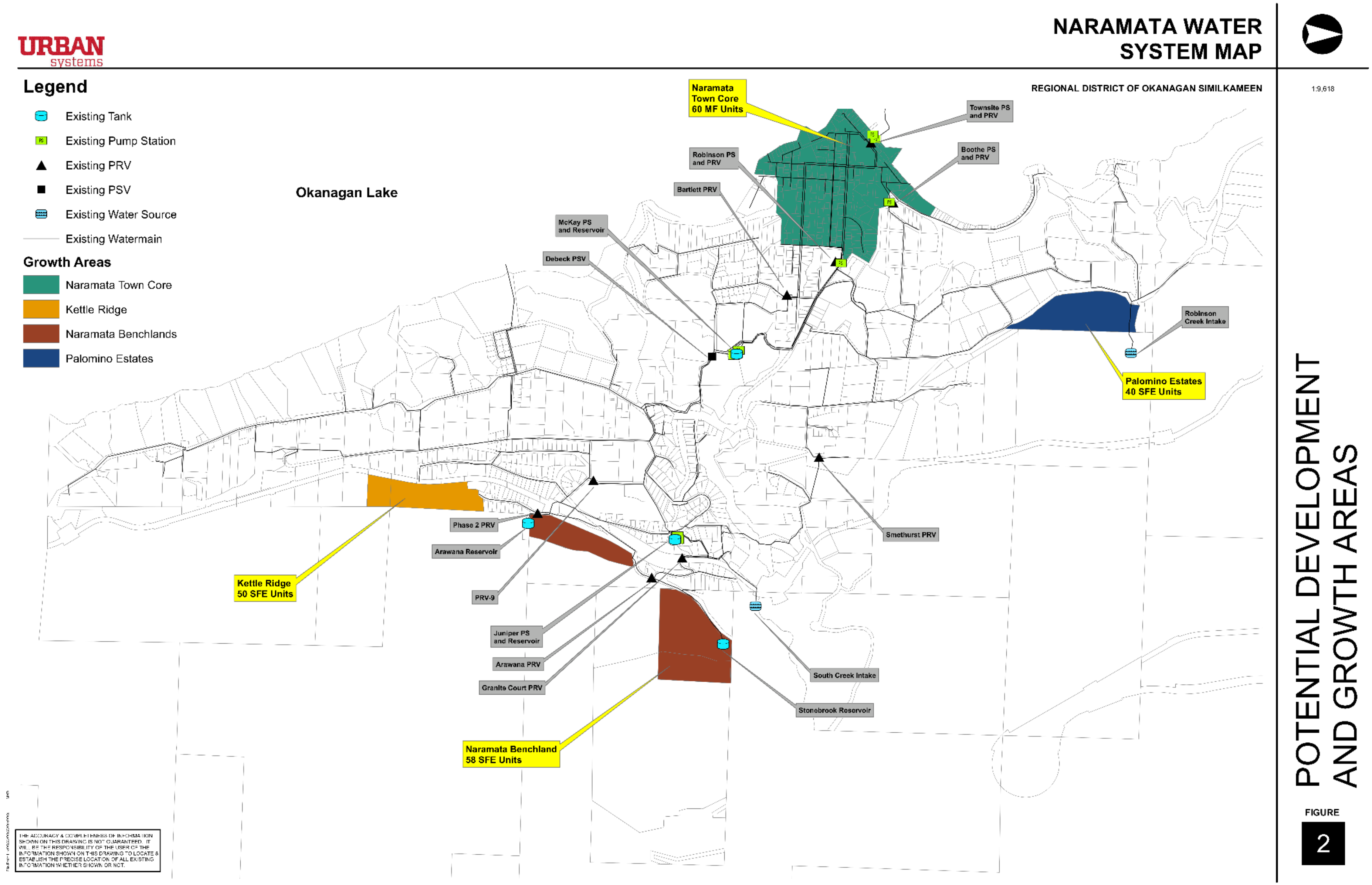
CURRENT DCCs - NARAMATA WATER SYSTEM

- $5,700 per parcel for single family and per unit for multi family
- Based on 10 year capital plan prepared in 1994
- $5,630,000 in expenditures – a portion recovered by Capital Expenditure Charges
- $2,858,000 / 500 lots = $5,720 based on Capital Expenditure charges prepared for Naramata Irrigation District
- Report prepared to update the DCCs in 2014
  - Most of the work required is to renew and maintain the existing system
  - Very limited works required for growth

GROWTH

Name	Estimated Units
Kettle Ridge	50
Palomino Estates	40
Naramata Benchlands	58
Naramata Town Core	60
Total	208

GROWTH AREAS



PROJECTS REQUIRED FOR GROWTH

Project Name	Cost (2014)
Palomino duplex pump station	$274,500
Palomino Estates reservoir	$424,500
Naramata Benchlands duplex pump station	$393,000
Naramata Benchlands reservoir	$462,000
Total	$1,554,000

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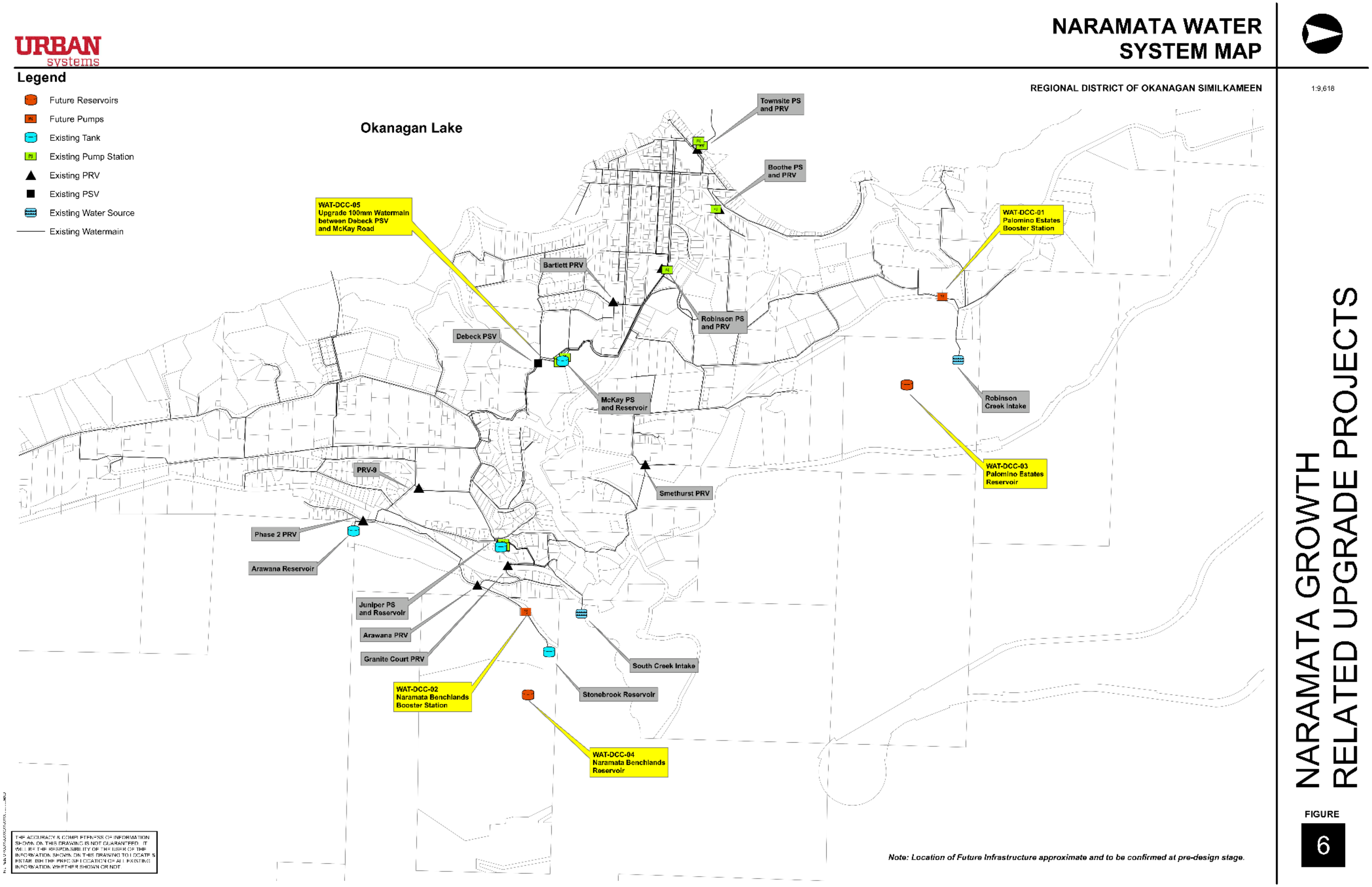
PROJECTS REQUIRED FOR GROWTH



CALCULATED DCCs

Land Use	DCC Rate	Unit
Single Detached	$8,237	Per lot
Multi Family	$5,107	Per unit

GOOD DCC PROJECTS

- Planned well in advance
- Required if growth proceeds, not required if growth does not proceed
- Primarily benefits new development
- Community-wide projects
- Benefit can't be allocated to just a few properties or developers

Photo Credit: Tourism BC

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POOR DCC PROJECTS

- Required immediately
- Required primarily to rectify existing deficiencies
- Not related directly to growth
- Benefits only a small area, or one development, or a few land owners

Photo Credit: Scout Magazine

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PROS AND CONS OF DCCs

Pros	Cons
• Some projects very appropriate for DCCs (i.e. development driven) • Work well for community-wide systems that can't be allocated to one or two developments • Reduces financial burden of water system development on RDOS • DCCs fit as part of a broader financial strategy • Benefiter pays for growth instead of using revenues from general water rates	• DCCs are not the answer to all new capital funding issues • DCCs have a very specific application (i.e. community wide capital costs related to new growth only) • RDOS still needs to pay a portion of costs • Some projects not well suited for DCCs • Collection timing is unpredictable, limiting how and when DCCs can be spent, and placing risk on RDOS. • Requires additional administration from the RDOS

ELIMINATING DCCS

- In some cases deleting the DCC bylaw can make sense
- No growth occurring
- No projects required to service growth
- Growth related projects only service a few developments
- Development can pay for growth through other means:
  - Pay all costs up front
  - Development Agreements
  - Local Service Areas
  - Latecomers

Photo Credit: Kenneth D. Hall

NARAMATA GROWTH PROJECTS

- Few projects required for Growth (most are required to address existing deficiencies)
- Benefits only a small area, or one development, or a few land owners
- Benefit is mainly for two developments:
  - Naramata Benchlands
  - Palomino Estates
- Two projects can be allocated to Naramata Benchlands
- Two projects can be allocated to Palomino Estates

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Potential risks of using DCCs for these projects

- The Regional District will need to build projects before development proceeds
- Development might not proceed, or may proceed slowly
- Regional District takes risk of building project, while DCC revenues are uncertain
- Rate payers may need to pay for projects required to service new development

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Potential benefits of using DCCs for these projects

- May encourage development
- Benefit to developers, who won’t have to build the project, and only need to pay as lots are approved
- Limited risk if development proceeds predictably and quickly
- Familiar tool that has been used in the past

OTHER TOOLS ARE AVAILABLE

- Why take the risk if other, more appropriate, cost recovery tools are available?

Photo Credit: G Gaspari Photo

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OTHER COST RECOVERY TOOLS

- Local Service Area Charges
- Development Agreements
- Subdivision Servicing Bylaw
- Development Works Agreements
- Front Ender Agreements
- Latecomer Agreements

Our suggestion is to consider the use of **development agreements**.

DEVELOPMENT AGREEMENTS

- Relatively straight forward
- Developers of Naramata Benchland and Palomino Estates need to build pumps and reservoirs before their development can proceed
- Developer takes the risk
- If they build pumps and reservoirs, and development does not proceed, they incur the costs, not the Regional District

CONCLUSION

- Discussion and Questions?

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