Kelowna

Building costs to rise

Wayne Moore - Mar 8, 2016 / 5:44 am

Photo: Castanet Staff - File Photo

It could soon cost more for developers to build new residential or commercial properties in Kelowna.

That's because of an expected rise in development cost charges proposed by the city.

DCCs are fees charges to developers to help finance major capital work like public roads, water, sanitary sewer, drainage and parkland.

"The DCC bylaw sets out the charges imposed on developers to offset some of these infrastructure costs," said infrastructure planning manager Joel Shaw.

Shaw said the last DCC amendment was done in 2011 in conjunction with the 2030 Official Community Plan review.

"In that time, construction and land costs have risen, so it requires an update to our development cost charges bylaw."

When the bylaw was updated in 2011, Shaw said there was a desire to lower DCCs to help stimulate growth as the city began to come out of a time of slow growth.

"A number of projects were pulled out of the program. The overall cost was reduced by about $209 million."

While the developers share was reduced by that amount, Shaw said the city share increased about $13 million.

Due to increased construction and land acquisition costs, Shaw said the developer share of DCCs has increased from $468 million to $518 million, while the city share, the portion funded by either taxation or utility, has increased from $209 million to $224 million.

"Stemming from all these construction and land cost increases, DCCs have increased for most service areas for most areas of the city.

"When we combine all the services, we are looking at a rate increase of about 14 per cent for the South Mission down to about 4.8 per cent for north of the inner city. The inner city portion has increased around 9.3 per cent."

Coun. Mohini Singh said she has heard from the Okanagan chapter of the Urban Development Institute, which said increased charges could impact growth within the housing industry.

"We have heard UDI's concerns," said Shaw.

"The cost update reflects true market conditions so, in order for the program to be sustainable, we need to have enough money to pay for the infrastructure to service growth. With that said, there are concerns in Alberta and abroad about market conditions, and we've committed to doing another DCC cost update should conditions change appreciably in the short term."

He said Kelowna does have comparable DCC rates to cities its size.

Coun. Luke Stack suggested the city use the Consumer Price Index to adjust the DCC rate being paid by developers.

"I think what the development community needs is numbers they can count on and rely on in their budgeting," said Stack.

"If we knew CPI was going up and we followed that same kind of trend, I think we could minimize the impact. The numbers would still be there and you would still have to pay it, but at least it would be something you could plan for and absorb in smaller bites."

Shaw did say staff would likely review the rate every two years as opposed to the five years it has been since the last review. He also said the new rates would come into effect once the bylaw is given final approval.

"But, if you have a building permit or subdivision application in-stream, you have a one-year protection. You would pay the lower rate from one year of the bylaw adoption."

The proposed changes will go to an open house at the end of the month. At that point, it will come back to council for second and third reading and then be sent to the province for approval, likely in April. Pending that approval, Shaw said he will return to council for adoption of the bylaw, likely in late April or early May.

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