



URBAN DEVELOPMENT INSTITUTE- OKANAGAN CHAPTER

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July 12, 2019

City of Kelowna
1435 Water Street
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Attention: Robert Parlane

Subject: Parks Development DCC

Thank you for meeting with representatives of UDI Okanagan on June 25, 2019 to receive an update on the City of Kelowna's proposed Parks Development Funding Strategy.

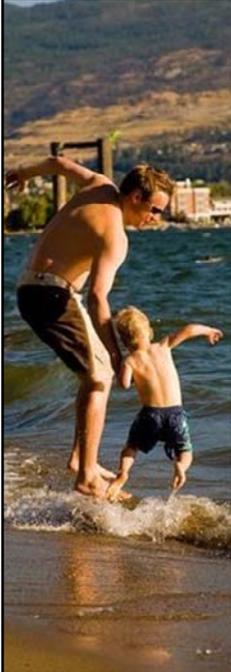
- We are pleased to see that staff agrees that the calculation for the Parks Development DCC should only be based on costs associated with new growth, and not to pay for the existing shortfall.
- When we first met with the City approximately a year ago to discuss this proposed Parks Development DCC, the cost was projected to be roughly \$3,000. Now, it has increased to approximately \$7,000. We would like the opportunity to more deeply examine the numbers behind this significant cost increase to see if it is reasonable before it is adopted by Council. For this reason, we ask that City staff not expedite moving this through Council and instead work with UDI and other stakeholders to dig deeper into the numbers so that we can be in a better position to either endorse or not endorse this new cost.

A detailed PowerPoint presentation was included as part of this meeting, which addressed many of the concerns noted in the June 16, 2018 letter from UDI stating concerns surrounding the proposed Parks Development DCC. As a follow-up to our meeting, we have the following additional comments, which we have incorporated into the notes of each City presentation slide for efficiency of discussion.

We would welcome the opportunity to meet again with the City to discuss further.

URBAN DEVELOPMENT INSTITUTE OKANAGAN CHAPTER

Per: Rich Threlfall, Chair of UDI Okanagan



UDI comments





UDI Okanagan is not fundamentally opposed to the creation of a new Parks Development DCC, however, it is not fair to have the cost of past park development funding shortfalls added to the cost of new homes. We understand that the DCC guideline indicates that DCCs should not be used to make up past deficiencies in parkland. Instead, any new Parks Development DCC should only pay for the cost of park development as a result of new growth. As such, we recommend that the City explore alternative funding sources to make up for years of park development funding shortfalls.

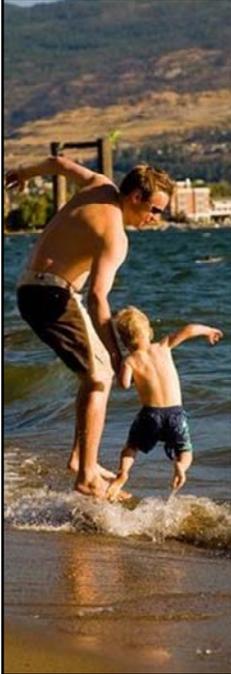
- Concur. The current Parks Development Program has been designed to match growth.

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UDI does not agree with the Parks Development Program allocation of proposed park development. The projects identified and used to calculate the proposed DCC rate appear to be earmarked to develop parks that have been identified as existing deficiencies. The DCC program should not be used to make up past deficiencies. The concept of setting a development target to match acquisition rates is logical and supportable, but those funds cannot be used to retro-fit the existing deficits.

As a recent comparable example, a significant public consultation process had to be undertaken to simply approve the re-prioritization of the South Perimeter Road, notwithstanding that this road had already been identified as a growth-related DCC road. Utilizing a different approach to parks development does not seem justifiable. The City of Kelowna should not be using DCC development money (tied to acquisition) on existing deficiencies.

The concept should be not only to match acquisition rates, but to actually match the development dollars to the acquired project on a park-by-park basis. The principle should be that as growth-related park acquisitions are undertaken, the collected parks development DCC pooled funds are utilized immediately to fund the development of the matching acquisition. Otherwise, we are only deferring the same deficit in park development to future years.



UDI comments

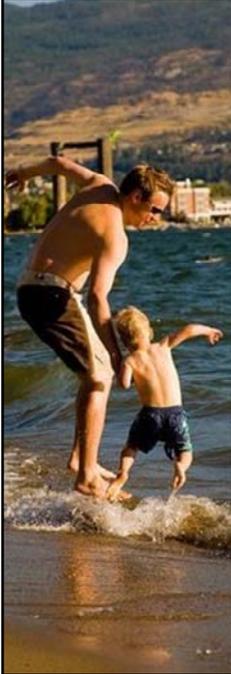


UDI requests that the City explore what the Parks Development DCC would be if only parks development needed for new growth was included.

- Concur. The Parks Development Program has been designed to only match the same acquisition parameters for new growth: 2.2 Ha/1000.

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While UDI is in agreement that a 'matching rate' of acquisition to development is logical, the development DCC funds collected cannot be utilized to fund existing parks shortfalls. Following this approach will only defer the infrastructure shortfall indefinitely on stream carried forward to more expensive periods.



UDI comments

UDI
Urban Development Institute

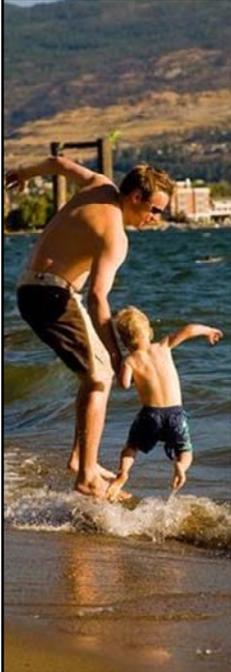
City of
Kelowna

UDI requests rationale supporting the proposed 100% allocation of 'future' community, recreation, and city-wide park development to new growth. Is it reasonable to suggest that there will be no benefit to the existing population with the development of these future park sites (particularly the city-wide and recreation park sites)?

- Concur. Some existing residents will benefit from new parks, just as new residents will benefit from existing parks.
- We can define the rate of park development we need to keep up with population growth.
- This proposal to match the development rate to the acquisition rate is the simplest, and most equitable.

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It is reasonable to assume that neighbourhood and community parks should be allocated 100% to growth, but city-wide and recreation parks and linear parks should have an existing benefit allocation. If new and existing residents are assumed to use the city-wide parks on an equal basis, the split of benefit should be pro-rata based on population.



UDI comments



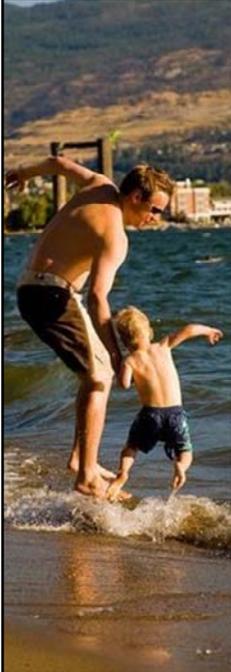
Would higher density housing units be subject to the same Park Development DCC rates as single family?

- Both would have the same standard unit rate.

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A per square foot rate on DCCs all levied at the building stage is a suggestion that UDI would like to again propose to the City. Kamloops has moved to a per square foot approach to all DCCs.

Since this additional cost will ultimately be borne by the home buyer, the City is encouraged to reconsider implementing a phased approach given the other issues buyers are faced with such as cost increases related to Step Code, construction price escalation, etc. as well as tightened mortgage rules and other issues.



UDI comments

UDI suggests that the City explore extending the time horizon beyond 20 years for catch up on past park development funding shortfalls.

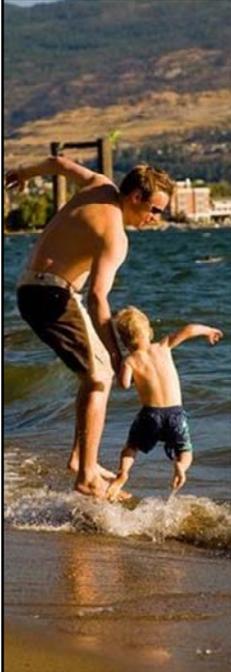
- The current Parks Development Plan does not include any catch up.

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Robert discussed during this slide presentation that “Should Council subsequently increase the development rate to include catch up, the Benefit Allocation would increase proportionately and there would be no change in the value of the Parks DCC.”

From UDI's perspective, this is what should be applied with the specific projects being funded (the 120 pages of master planned parks etc. used to calculate the DCC charges). A significant number of the projects are not growth related and therefore it is incorrect to allocate 100% of the development of existing shortfalls simply because they fall within a category of 2.2Ha allocation.

If specific park development is not tied to a specific *new* acquisition, then development of said park cannot be considered a growth-related development project.



UDI comments

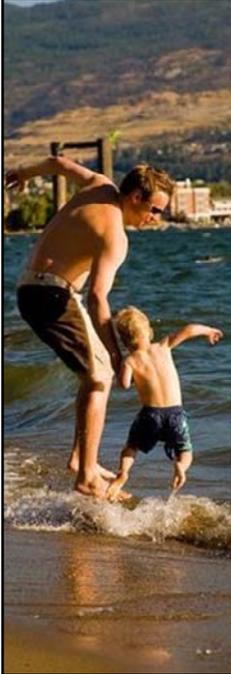
UDI would like to have further conversations with the City around the current standard of 2.2 hectares of park space, as well as how this compares to other similar municipalities.

- Kelowna has one of the lowest standards for park space amongst comparable cities in the Province.

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UDI would like to have further clarification with the City around the current standard of 2.2 hectares of park space.

Does the 2.2 hectares of park space pertain to the standards we want to acquire as we grow, or does it reflect the existing standards, which we are trying to maintain? Or, is there a bit of "catch up" involved that will get us to a future standard after a certain amount of growth? When comparing to other cities, are we comparing only to their bylaw acquisition standards, or existing standards as well? Perhaps the acquisition standards of comparative cities are high due to years of under-acquiring which have resulted in aggressive standards to catch up retroactively? What exactly are we comparing?



UDI comments

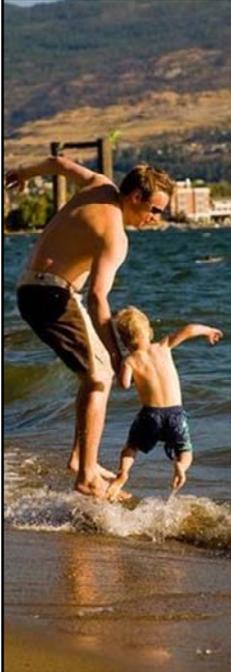


UDI recommends that the City explore options for utilizing a portion of the current Parks Land Acquisition DCC for parks development until such time as the shortfall is made up.

- The Parks Development Plan is not seeking to make up the shortfall.

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The City states that the parks development DCC is not seeking to make up the shortfall, but the funding calculations are determined based on detailed costs analysis of developing/improving existing (already-acquired) park deficiencies.



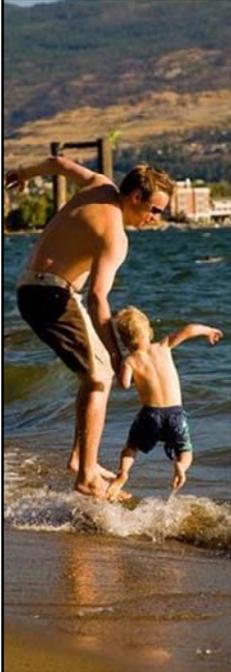
UDI comments

UDI suggests that the proposed Parks DCC be allocated on a sector basis so that it is consistent with the other components of the overall DCC program.

- Most parks serve user groups from across the City.
- We see no benefit, and unnecessary complexity from using a sector based system.

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At our meeting, we touched on a philosophical difference of opinion that is worth repeating. Since parks are such a community good, the reality is that neighbourhood parks are the only type of parks where the benefit is truly only associated with a physical area. For this reason, we believe that it would be more equitable to only have neighbourhood parks as a DCC component and have the rest of the parks development cost go into a levy or general taxation.



UDI comments

UDI
City of Kelowna

If a developer provides natural open space land that serves as a public amenity (nature trails), the developer should receive credit for this. It should be considered in the City's parks requirements of 2.2 ha/1,000 people. Please confirm if this would be the case with this new Parks DCC.

- Distinction needs to be maintained between the Active Park and natural areas.
- No change is proposed to the current dedication of natural spaces.

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The City states that no change is proposed to the current dedication of natural spaces. However, the parks department is consulted as part of the subdivision approval and DP process, and often the DP and PLR requirements state that the developer must dedicate and construct park trail systems (complete with the fire mitigation works). If these trail systems are a requirement by the parks department, they should be subject to a DCC credit. If they are not considered a valid component of the City Parks system, then they should not be a requirement for development.



UDI comments



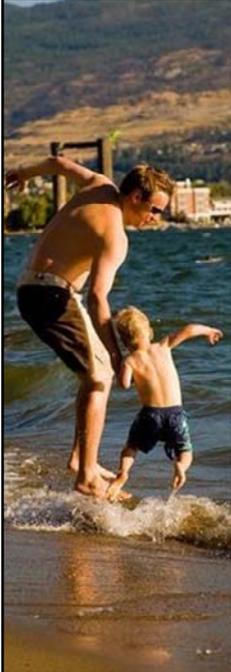
The DCC projects should have associated triggers based on growth projections that would prioritize and indicate when projects are developed. This will generate consistency and tie parks development projects to where the development is actually occurring.

- The program is designed as a City-wide program.
- Priority determined by:
 - Growth nodes identified in 2030 OCP
 - Alignment with Ten Year Capital Plan
 - Identified as Park in 2030 OCP

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The City is encouraged to track where the park funds are collected versus where the funds are spent. One suggestion would be to track core area and non-core areas.

We still have concerns with the disconnect between parks acquisition and parks development. Essentially, the people that will ultimately be paying this new Parks Development DCC will not necessarily be the ones to get the benefit of the parks in their neighbourhood. The parks will be built but they could be built in a completely different area of town from where the development occurred, which would result in people having to pay more money but not getting any benefit for it in their neighbourhood. This does not seem equitable.



UDI comments




Would the City be able to provide some mapping of where the 15 hectares of neighbourhood parks attributed to new growth are expected to be located, along with the 27 hectares of community parks?

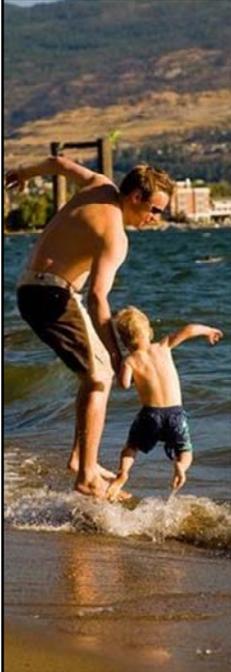
- Mapping is provided for the proposed Parks Development Program for the next ten years.
- Current work on the 2040 OCP will determine long-term locations, but is not available currently.

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If the acquisition and development are truly growth-related, being implemented on new growth starting in 2020, the development should only be applied to the newly acquired parks post-2020 (which would presumably be fully funded to be immediately developed with the utilization of development DCC funds that pool until that specific park acquisition - targeted by growth - is triggered).

On both the acquisition and development end, the City-wide and Recreation targets do not appear to be realistic; there are not identified areas of land that are available to be acquired to achieve the stated goals.

Is the City able to identify the *new acquisitions* proposed for community, and city-wide parks? These would be lands that are not currently owned and designated as park land by the City of Kelowna. If these cannot be shown to be viable, perhaps the 2.2 Ha acquisition DCC (and corresponding development DCC) needs to be re-visited.



UDI comments



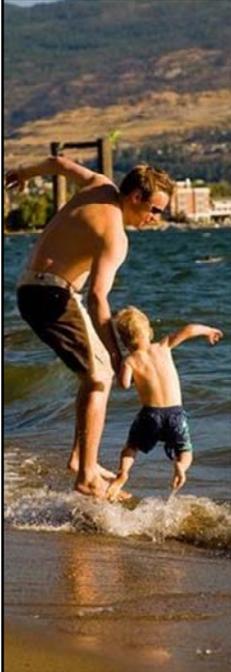
If those lands mentioned in the point above already exist in the form of dedicated park land that has not yet been developed, it should be added to the category of existing development deficiency in table 4.1 and should not be expected to be covered by future growth through a DCC.

- The Parks Development program is designed to match the acquisition rate.
- The Benefit Allocation is determined on this rate as a whole, not on a park by park basis.

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There is no issue from UDI 's perspective in matching a development DCC to an acquisition rate, however those funds earmarked to develop future acquisitions cannot be re-purposed to fund existing deficits.

If there is a difference in interpretation, UDI recommends receiving guidance from the Ministry to confirm the correct application of the provincial legislation before further endorsements are presented to Council.



UDI comments

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UDI recommends that the City provide revised unit rates on growth projections to get a more accurate unit rate DCC figure. Those used for the presentation to Council were based on the last capital plan and it would be more meaningful to look at the numbers with the same projections being used for the upcoming Official Community Plan (OCP).

- The DCC figure is based on the current growth figures in the existing 20 Year Servicing Plan and Financing Strategy.
- These will be revised following the adoption of the 2040 OCP.

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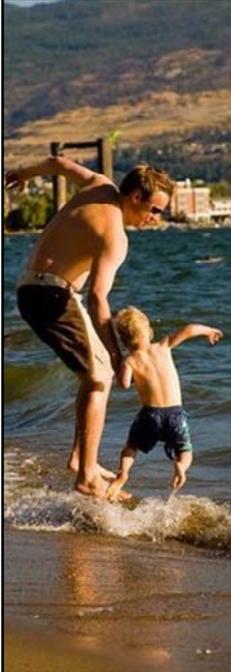
Parks Acquisition: \$7,346/unit
Total Parks DCC: \$14,526/unit

Parks Development: \$7,180/unit

In the latest OCP preferred growth scenario endorsed by Council, the housing split will result in 29,825 new housing units by 2040. Based on the proposed DCC rates above, this will equate to over **\$433 Million dollars collected in DCCs**.

This figure seems excessive. In their 2018 Report to Council, the Urban Systems report identified a \$198 million 20 year required funding, which included \$71M of existing development deficit. Even if we assume the \$120M of undeveloped Future parks identified in the report had zero existing benefit and 100% eligibility for costs towards development, this still leaves an excess \$300M in the combined parks DCC fund. (not including the \$18M surplus currently sitting in the Parks DCC acquisition fund).

Based on high level analysis, it seems the DCC rates are inappropriately high in the short term, and will (should) be lowered in consideration of the units projected under the 2040 OCP update. In the meantime, Kelowna is introducing a new, artificially high, DCC at a time when the housing market is already softening.



UDI comments

City of Kelowna

As briefly mentioned at our meeting, any increase in DCC costs will be passed on to the end user. Increasing upfront costs simply results in increased purchase costs and therefore reduces affordability for those that need it the most.

- Evidence suggests, DCC increases seldom a true flow through cost. Housing prices will continue to be determined by the market.
- Those at the lower end of the market typically have the least amount of private outdoor space, and therefore have the most to gain from an enhanced parks program.

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Since this additional cost will ultimately be borne by the home buyer, the City is encouraged to reconsider implementing a phased approach given the other issues buyers are faced with such as cost increases related to Step Code, construction price escalation, etc. as well as tightened mortgage rules and other issues.

While it is true that housing costs are determined by the market, if there is no potential for developer profit (or too much threat of developer risk), preferred housing projects simply won't move forward. When the pent up market demand for the product is sufficient such that it ultimately drives up the market pricing, then Kelowna will see projects moving forward (at an unaffordable price).

Policy makers will continue to struggle to manage the issue of affordable housing without stronger consideration towards the economic principles of supply and demand.

Eligible / Ineligible Elements



Eligible Elements

- Grading and drainage
- Grading
- Planting grass
- Shrubs and Trees
- Irrigation
- Playgrounds
- Washrooms / Changerooms
- Plazas
- Pathways and Trails
- Site Furniture (e.g. benches)

Ineligible Elements

- Parking Lots
- Access Roads
- Artificial Turf
- Buildings
- Structures (e.g. Picnic Shelters, Gazebos)
- Dugouts
- Bleachers
- Field Houses
- Sport Courts
- Baseball Diamonds
- Tracks
- Lighting
- Boardwalks

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It appears the City included a few items that are not specifically allowed under the Local Government Act, or at least as noted in the DCC guidance material. Items such as grading, plazas and site furniture do not appear to be allowed yet the City lists those as eligible elements. We recommend that the City revisit this and adhere to the DCC guidance material.