



## DEVELOPMENT COST CHARGES IN REVELSTOKE

### CONFUSED? – THIS MAY HELP

Development Cost Charges, referred to in short form as DCCs, have been receiving a lot of attention over the last few days and many Revelstoke residents and business operators may have heard about them for the first time. To help improve your understanding, here's some information you should know.

#### **What are DCCs?**

DCCs are charges on new development to pay the capital costs of certain City services which are made necessary, partly or completely, by new development. The principle underlying DCCs is the belief that new development should pay for the services required to make new development possible; that is, new development should pay its way.

The Provincial *Local Government Act* gives the City the authority to impose DCCs and specifies for what purposes (water, sewer, roads, stormwater, parks and, in resorts, employee housing) and how they must be calculated and applied.

#### **Why do we need DCCs?**

With new development comes the need for new, or improved and expanded, City services. The question is, who should pay for the related expenditures?

The *Local Government Act* provides municipalities with a range of cost recovery tools to pay for services required by new development. DCCs are considered the best tool to use where the new development and the services required will occur over a long time period.

As stated above, DCCs are based on the principle that the benefiter should pay. Where the benefit is seen to be shared, the costs should be shared between new and existing development. Where new development is the sole beneficiary, then the cost should be paid by new development. Whatever the share, the DCCs are calculated to pay for the share allocated to new development.

#### **Have we had DCCs in the past?**

The City has had a DCC Bylaw for some years. The last revision was made in 2005.

The 2005 DCC Bylaw did not include a DCC for Sewage Treatment Plant improvements and the DCCs for road and water system improvements applied only to new development in Arrow Heights and the Resort lands. The City was paying a small percentage of the cost of these improvements, as it was felt there was some City wide benefit. The septage DCC applied City wide to new developments to be serviced by septic disposal systems.

#### **What are the DCCs paying for in the proposed DCC Bylaw?**

In the City's DCC Bylaw the DCCs are paying for specific road, water system and Sewage Treatment Plant improvements expected to be needed between now and 2025, a 17 year period.

These are:

##### Roads

A future second crossing of the Illecillewaet River; an extension of Camozzi Road; new traffic signal/roundabout and signal timing improvements at the Trans Canada Highway intersection with Victoria Road; a modern roundabout at the intersection of Townley Road and Fourth Street; and extensive safety improvements on Fourth Street. While many decisions remain to be made about these road improvements and where the future second crossing will be, at this time these road improvement costs are estimated to be \$8,030,000 in 2008 dollars. Some alternate second river crossing locations would significantly increase this cost.

##### Water System

Twinning the water supply pipe to the Greeley Water Treatment Plant and expanding that plant; developing two new wells and related piping to add to the water supply and to distribute this new supply; upgrading pumps and piping to supply the Resort and Arrow Heights; upgrading the golf course well and related piping; and building new water reservoirs. These water system

improvement costs are estimated to be \$23,450,000 in 2008 dollars.

#### Sewage Treatment Plant

These are primarily to provide for the treatment of a greater volume of sewage, but also to improve the level of wastewater treatment to meet current environmental standards. These Sewage Treatment Plant improvement costs are estimated to be \$23,925,000 in 2008 dollars.

#### Sanitary Trunk through Arrow Heights

Revelstoke Mountain Resort will be connected to the City's Sewage Treatment Plant and to provide for this the Resort is now constructing, at its cost, a sanitary sewer trunk from the Resort, through Arrow Heights, across the Illecillewaet River and to the Treatment Plant. At the request of the City, the Resort has installed an oversized sanitary trunk line which will accommodate the future connection of Arrow Heights. Accordingly, in the DCC Bylaw there is a specific charge applicable in Arrow Heights only to pay for this oversizing of the sanitary sewer trunk. The oversizing cost is estimated to be \$434,000 in 2008 dollars.

#### Septage Facility

There are large areas of the City which are reliant on septic disposal systems. The City is in need of a septage facility to receive septage from properties currently on septic disposal systems and those to be added in the future. Since both existing and new development would use this facility, new development has been allocated 50% of the estimated cost of this facility in the DCC Bylaw. The 50% cost share for the septage facility is estimated to be \$806,408 in 2008 dollars. It should be noted that new development paying the septage DCC will not be required to pay the Sewage Treatment Plant DCC.

There are separate DCCs payable for each category of improvements described above. As explained above and below, not all new development will pay all of these DCCs.

#### **What are the changes in the proposed DCC Bylaw?**

In the proposed DCC Bylaw the following changes have been made:

- the DCCs to pay for the road, water system and Sewage Treatment Plant improvements are applied, with several exceptions, to new development City wide, since it is felt that all of this new development taken together is why these improvements are necessary;

- construction cost estimates have been updated to 2008 costs;
- a new DCC has been included to pay for improvements to the Sewage Treatment Plant, which will now serve the new Resort development as well as new development elsewhere in the City;
- a new institutional land use category to which DCCs apply has been created in addition to the residential, industrial and commercial categories; and
- a new DCC has been included for the sanitary trunk oversizing through Arrow Heights, payable by new development in Arrow Heights only.
- Note that the Big Eddy and Westside Road areas would not pay the water system and Sewage Treatment Plant DCCs, as these areas would not benefit from these services.

There have been two main consequences arising from these changes: the total amount of the DCC's has risen significantly from the amount in the 2005 Bylaw; and water system and roads DCCs apply in areas of Revelstoke, such as the central area, where they did not apply before.

#### **How are the DCCs calculated?**

DCCs have been calculated using best estimates at this time of the costs of the improvements included in the Bylaw to 2025 and best estimates of the amount of new development expected in the City during the same time period. The DCCs are then calculated spreading the total improvement costs among the projected amount of new development by land use category. The expected number of residential dwelling units, square meters of commercial and institutional floor area, and hectares of industrial land area are used to determine the DCCs applicable to each of these measurement units.

#### **Specifically, who will pay DCCs and when?**

DCCs are payable by new development. When we refer to new development we mean new development on land that is being developed for the first time or that is being redeveloped, as well as alterations and extensions of existing buildings arising from renovation and expansion projects.

The triggering points when DCCs are payable is at the time of subdivision approval or when a building permit is to be issued. In the usual case, a single family subdivision application would

trigger DCC payment at the time of subdivision approval. A multi-family development would trigger DCC payment at the time the building permit is to be issued.

More complex to deal with will be building renovation and expansion applications. The first step in deciding if DCCs are payable and how much is to decide to what extent, if any, the proposed development imposes a burden on the City service improvements being paid for under the Bylaw. If the answer is none, then DCCs are not payable. Individual renovation and expansion projects will need to be reviewed carefully for this reason and the City is preparing guidelines to assist the public and staff on this issue.

Also more complex to deal with will be industrial, commercial, and institutional development applications, for reasons similar to building renovation and expansion applications. Once again, individual applications will need to be reviewed carefully and the City is preparing guidelines to assist the public and staff on this issue.

Another question which can be expected to arise is whether particular DCCs are payable at the time of building permit issue if those DCCs were not paid at the time of subdivision. There will be no double payment of particular DCCs but for new DCCs, these will apply if it is clear the new building will impose a burden on the new improvements to be paid for by the new charge.

Guidelines are being developed to deal with in-stream applications fairly with respect to when the new DCCs will apply. The City is also considering provisions for a grace period after adoption of the Bylaw before the new charges will apply to give developers fair notice of the changes. Finally, the City is considering permitting payment of the DCCs in installments as provided for under Provincial legislation.

### **Do other communities have DCCs? How do ours compare?**

Most communities in BC experiencing development pressures have a DCC Bylaw in place.

Since the projects being paid for by the DCCs and the amount of expected new development is different in each community, the levels of the DCCs from community to community are difficult to meaningfully compare. Our DCCs seem to be reasonably in line with other

communities for the services being provided, but we are reviewing this to ensure our DCCs do not deter new development.

### **Further revisions to the proposed DCC Bylaw**

By applying DCCs to new development to ensure new development will pay its way, the City does not want to create difficulties in achieving other important City goals such as encouraging affordable housing development and new industrial development. These concerns were raised in recent public consultation meetings. While the City must work within the constraints of what Provincial legislation will allow, the City will be considering carefully what adjustments can be made to the proposed DCC Bylaw to address these concerns.

Another issue raised in public consultation which the City is now addressing is the need to create different categories of residential development with different DCC levels applicable. The point here is that not all proposed residential dwelling units are equal in terms of the load they will place on the City service improvements to be paid for, so different levels of charges should apply. Size of lots, floor area of dwelling units, and number and efficiency of plumbing fixtures are other measurable factors being considered.

### **City assistance to new development**

A further issue which City Council has considered, and will continue to consider, is the extent to which the City should assist new development because it is felt there is general benefit to the City from new development. This is separate from the question of whether existing development would benefit from service improvements made which are also necessary for new development to occur.

Under the *Local Government Act* the City is required to provide some assistance to new development. The amount of assistance is not specified and in practice is seen to be a minimum of 1% of the cost of the service improvements to be made. This is the amount of City assistance included in the proposed DCC Bylaw at this time. If it were increased it would have the effect of lowering the amount of the DCCs payable by new development. This City assistance would be paid through property value taxes for road improvements and through rates for water and sewer system improvements.

In addition to the 1% assistance being paid by the City toward these service improvement costs, Council has also decided to front-end the cost of these improvements by borrowing for this purpose and then repaying this debt as it collects the DCCs. The alternative, used by some municipalities, would be to require one or more major developers to front-end these costs and be credited for this, with DCCs collected by the City from other developers then being paid to them. The City's approach relieves developers of the need to finance these service improvements and is another form of assistance.

#### **After adoption, when will this Bylaw be reviewed?**

Since the proposed DCC Bylaw addresses a 17 year time period, to 2025, many factors can change during that time which will require the City to revise the Bylaw to ensure it continues to meet the City's needs. For example, construction cost estimates may change, new City service improvements may need to be added, and the pace and amount of new development may be different than presently anticipated.

As well, throughout this time period the City will be applying to the Province and the Federal Government for financial assistance to complete the necessary City service improvements. To the extent we are successful, this will mean less must be collected through DCCs to pay for the improvements so the DCC amounts may be revised downwards.

In light of these possible changed circumstances, the City will be reviewing the DCC Bylaw on a regular basis, likely every one to two years, to see if Bylaw revisions are required.

#### **Next Steps in the Process**

Council has given the proposed Bylaw first and second readings and we are now at the public consultation stage. During the recent public consultation meetings on February 19 we were asked if written submissions could be made to the City on the proposed DCC Bylaw. The answer is yes, and we welcome your comments and suggestions. So that we can continue to make reasonable progress toward adoption of the Bylaw, **we ask you to make your written submission to City Hall no later than 4:30 p.m., Friday, March 28, 2008.** Contact information is given below.

Because those who will be paying DCCs have a lot at stake regarding the requirements of the DCC Bylaw, one of the recent public consultation meetings was with invited stakeholders in the community, that is, those who may be expected to undertake new development in the future. As City staff and our consultants move closer to recommendations for further revisions to the proposed Bylaw, **we will be arranging a further stakeholders meeting, likely in mid to late March. If you would like to attend this meeting, please contact the Administration Department at tel.: 837-2911.**

**After further work is done on possible revisions to the proposed Bylaw and after public input has been fully assessed, City staff will be reporting back to Council, likely in early April.** At that time, Council will consider further revisions to the proposed Bylaw and further public consultation to discuss those changes.

**Once Council is satisfied with the proposed Bylaw, it will give the Bylaw third reading. After that the City must send the Bylaw to the Ministry of Community Services in Victoria,** where Ministry staff will review the Bylaw in light of Provincial requirements. If the Bylaw is found to be acceptable, the Inspector of Municipalities will approve the Bylaw. If not, further changes will be required. After review and approval by the Province which may take several months, the Bylaw will be returned to the City. Only at that time can Council finally adopt the DCC Bylaw.

#### **Contacts for further information**

If you have questions or wish further information, depending on your questions you should contact:

**Ross McPhee** Tel.: 837-2911  
Chief Administrative Officer

**Graham Inglis** Tel.: 837-2161  
Director of Finance

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