

DEVELOPMENT COST CHARGE BYLAW

FAQs

The District of Squamish (DoS) initiated an update to its Development Cost Charge (DCC) Bylaw in 2011. Since then several engineering studies and master plans, a servicing plan for Oceanfront Lands, and consultations with stakeholders, UDI and DoS Council have been completed to better inform the DCC program. The last UDI and stakeholder consultation was held on February 12, 2015. This was followed by consultation with the DoS Council (the Council) on February 16, 2015 where the Council directed the DoS staff to remove the Road R2-North & South Downtown Connector (estimated cost, \$23.4M), and introduce a new Single Family Small Lot land use designation to DCC tariff.

Attached are tables showing the proposed 2015 development cost charges, a comparison with rates under the current bylaw, and a comparison of rates with those imposed in other municipalities. Also attached are maps showing the locations of system-wide water, sanitary sewer, drainage road and park DCC designated projects.

1. Why update the DCC bylaw now?

The Provincial Best Practices Guide indicates that a municipality's DCC bylaw be updated regularly, and that the rates themselves are updated annually to ensure accurate reflection of growth. The District has not updated the DCC bylaw since 2007. The current update did begin in 2012.

2. What is our historic annual growth rate for the last 20 years?

1985: 10,350
1996: 14,279
2001: 14,855
2006: 15,496
2011: 17,759 (baseline year)
2014: 19,294
2035: 33,100 (Official Community Plan)

The projection has an annualized compound population growth rate of 3.9% between 2003 and 2011. This declines to a growth rate of 2.6% between 2011 and 2021 and then to 2.4% between 2021 and 2031. This compares to an average annual growth rate of 2.3% experienced between 1986 and 2001.

3. What is the anticipated annual growth rate for the next 20 years? What assumptions have we made for the amount and type of housing that will be built to accommodate that growth? Where in Squamish are we predicting that growth to occur?

The DCC population and development forecast is consistent with the population forecast in the OCP, as recommended in the Provincial Best Practice Guide. The OCP calls for growth of 3.5% per year during 2011 to 2031, resulting in a population of 33,100. However, actual growth has been slower, so the OCP population target of 33,100 has been shifted forward to the year 2035, resulting in an annual growth rate of 2.6% per year. This is possibly still aggressive, particularly in the early years of the forecast, but the intention is to make sure infrastructure investment anticipates and accommodates potential development, so the DCC work uses this forecast.

4. Industrial rate rationale: why are we charging by building Gross Floor Area and not by land area (Hectare)? It appears that it inflates the rates too high.

There are two ways of charging industrial DCC – either by hectare of lot area or Gross Floor Area (GFA). Most municipalities charge by GFA which is deemed most equitable because DCC is calculated on the actual GFA as opposed by simply lot area regardless of what gets built. It is the building structure and use that creates pressure on the infrastructure required for growth. In 2013 District the industrial average was 13% GFA of the lot area; the proposed DCC rate model assumes 30% GFA per lot area. The larger the GFA % in the DCC bylaw, the lower the rates per GFA. The draft DCC bylaw has taken out charging of industrial DCCs on parking lot areas.

5. To what extent does proposed bylaw relate to SODC lands?

Although SODC related DCC projects were also included in the 2012 bylaw draft, Council delayed completion of the bylaw as the servicing of the SODC lands was analyzed, with the purpose of needing to understand the implications of DCC eligible projects that would be required for that site. The bylaw and associated projects are determined for the community as a whole.

6. What proportion of the DCC projects are benefitting the SODC lands?

The total DCC project list for the entire District in the draft bylaw is \$95M Projects related to the development of the Peninsula lands, including SODC, are valued at \$18 million. While these works are needed to support development of the SODC lands, the works also benefit other properties on the peninsula and in Downtown. The total amount of DCC works that are being front ended by the developer are valued at \$34M.



7. What is the SODC DCC project total front ender?

Every developer may be requested by the District to proceed with a DCC frontender. A DCC frontender is simply an agreement under which the developer pays for the infrastructure and the municipality reimburses the developer in the form of credits for DCCs that the developer would otherwise pay and in the form of rebates using DCC revenues collected from other projects in the community. This structure does not cost the community or other projects any more money; it simply uses DCC payments that would have been made anyway to repay developers who have been willing to front-end the cost of new infrastructure that is needed.

The total SODC front ender is \$34.25M. Interest: \$3.9M. Interest for the purpose of the DCC bylaw is calculated at the Municipal Finance Association Rate. The interest is included in the DCC bylaw in any event. Interest beyond that which is collected through the DCC bylaw is not payable to the developer for DCC eligible projects.

8. The proportion of DCCs collected to reimburse the SODC development implies they are getting priority. Why is the developer getting special treatment?

The SODC development in fact is not getting special treatment in terms of the designation of the projects, the amount required to be paid for DCC's by the developer will be consistent with the DCC bylaw. What is a priority is the rate at which the DCC designated projects in the downtown/peninsula area will be developed and paid for by DCC's. The Downtown/Peninsula works are given this priority order to facilitate the creation of the public amenities that are part of the Sub Area Plan, in alignment with the Community vision and the Official community Plan. The MOU contemplates DCC reimbursement of 90% from DCCS collected from development downtown and 70% from the balance of the District. DCCS will only be reimbursed to the developer as the works are fully completed and as the DCC's are collected.

9. What if growth is less than forecasted – will we bankrupt our DCC fund through reimbursement to SODC, and then the taxpayers are required to make the developer whole?

The DCC portion of the front-ended projects is only reimbursed as the DCC revenue from other development is collected. The MOU also indicates that reimbursement to the developer is limited to 20 years, versus in perpetuity. If the balance of the community growth does not occur, then the DCC revenue will be affected, however the DCC reimbursement to the developer is limited to their proportion of that revenue. This model prevents the municipality borrowing to construct the DCC portion of these works, and risk not collecting the DCC revenue. Should the community not experience commensurate growth, the developer fronts the work and takes that risk. If the municipality were to borrow to pay for the works, it would take the risk of having to repay the loan even if DCC's do not add up.



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10. Are other developments going to suffer as a result of SODC?

While priority in terms of timing is given to the peninsula related DCC projects, the DCC bylaw contains projects that are needed to meet the needs of development elsewhere in the community as growth requires. The funding mechanism for these projects will depend mainly on when they are needed. Options include using any accumulated DCC reserves, municipal borrowing, or front-ending by developers, depending on the financial situation at the time. These options will to some extent be affected by the decision to advance the infrastructure that serves downtown and the peninsula.

11. How will the municipality afford the municipal portion of the DCC projects, a total of \$31.5M?

The municipal portion for DCC projects is controlled by the growth factor calculations, the *Local Government Act* and the provincial DCC calculation guidelines for water, sewer and drainage projects municipal assist factor is 1%, for roads and parks it is about 54%. The municipal portion accounts for current population use of the infrastructure, the DCC portion applies to that which is required to support the population growth created by the development. As with any DCC project, the municipality has financing options to pay for the infrastructure (capital borrowing, general taxation revenue). We have completed the financial analysis to ensure that over the long term the District can support the SODC project and the balance of the community growth infrastructure needs based on projections.

12. Why is the District not constructing these projects themselves?

As the developer will front end these projects, the municipality does not need to borrow to construct the DCC projects. The risk should the municipality construct these projects, and projected community growth does not occur, is that the debt remains with the municipality with no DCC revenue to pay it down. In contrast, the developer will be reimbursed for the works only as the DCC revenue is collected from other development. Should the community not experience commensurate growth, the developer fronts the work and takes that risk. This transference of risk makes this an attractive financial structure for Squamish. In exchange for putting priority on these works in the short term, the municipality achieves completion of important infrastructure and amenities without having to borrow the DCC portion and without absorbing risk if growth is insufficient to fully cover the cost.

13. Why is SODC is different to any other development in town which requires the developer to pay for and provide their own infrastructure to connect to water, sewer, roads?

As with any other development, the SODC developer is providing and paying for all infrastructure costs that relate solely to their development, known as “on-site costs”.



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14. Will the SODC developer also have to provide a Community Amenity Contribution?

The SODC developer will be providing the Oceanfront park and other on-site amenities all negotiated as part of the land transaction and the rezoning. These amenities are being spelled out in detail in the Phased Development Agreement that will accompany the rezoning. The SODC project will not make an additional cash-in-lieu contribution beyond these on-site amenities. The municipality has used this approach in other large rezonings. Council is currently working on a policy to guide the process of obtaining Community Amenity Contributions from future rezonings in the community. Amenities or cash-in-lieu obtained from future rezonings will be related to broad community needs and priorities and will not be used to reimburse the SODC developer's amenity costs.

For further information, please contact:

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