



Corporate NO: C396

Report COUNCIL DATE: May 5, 1998

COUNCIL-IN-COMMITTEE

TO: Mayor & Council **DATE: April 16, 1998**

FROM: General Manager, Planning & Development **FILE: 5503-001**
7996-0042-00

SUBJECT: Canada Asian Centre Developments Inc.
Development Cost Charges

RECOMMENDATION

The Planning & Development Department recommends that Council:

1. Instruct the Engineering and the Parks & Recreation Departments to review the new Development Cost Charge By-law with a view to eliminating the parkland component of the DCC for commercial developments and to recommend adjustments to the DCC By-law accordingly;
2. Instruct staff to assess the Asian Centre Phase 1 project under the DCC rate in effect at the time of building permit issuance; and
3. Instruct the City Clerk to provide a copy of this report to Canada Asian Centre Developments Inc.

BACKGROUND

Representatives from Canada Asian Centre Developments Inc. appeared as a delegation at the Council-in-Committee meeting of December 2, 1997. Following the two presentations, Council requested staff to prepare a Corporate Report addressing the issues raised by the delegation.

DISCUSSION

The Canada Asian Centre is a proposed commercial development located on the south side of 104 Avenue between 141 and 142 Streets. The site is zoned "Downtown Commercial Zone (C-35)" and the necessary

2. Office or 2nd Floor and above
Commercial

\$4,850/1,000 sq. ft.	176,233 sq. ft.	\$854,730
TOTAL =	252,605 sq. ft.	\$1,542,842

The difference is \$51,096 in savings if the new DCC rates were applied to Asian Centre Phase 1. However, due to CACD's urgency to obtain a foundation permit prior to adoption of the new DCC By-law the Asian Centre Phase I was assessed the previous commercial DCC rate.

Therefore, since City Centre commercial developments will be assessed the same rate as the other commercial projects located outside the City Centre, the request by Canada Asian Centre Developments Inc. to be subject to the seemingly lower DCCs for commercial buildings in the City Centre is irrelevant. In fact, like all other commercial developments within or outside the Surrey City Centre, the Asian Centre would enjoy a savings of some \$51,000 with the new DCC By-law.

While the new commercial DCC rate is calculated on a city-wide basis, the residential DCC rate is proposed to differ based on location. The proposed DCC By-law incorporates a reduction in DCCs for those multiple family developments located in the City Centre, with the largest DCC decrease given to high-rise projects. The decrease in residential DCCs is in recognition of the different park needs in Surrey City Centre and the availability of good transit service (SkyTrain) which reduces the traffic impacts of residential development. The result is a lowering of both park and road DCCs for multi-family projects in the City Centre. The Asian Centre project has no residential component.

Public Space Exemption

The representatives from Canada Asian Centre Developments Inc. (CACD) indicated that the estimated development cost charges (DCCs) for their building (Phase 1) will be approximately \$1.6 million. This amount is based on the building being assessed at the previous rate of \$6,310 per 1,000 square feet of gross floor area, including all public and circulation areas within the building envelope. The CACD representatives argue that the public and circulation areas are non-revenue spaces and therefore, should not be included in the DCC calculation. The delegation advised that the Asian Centre building has a proportionately higher percentage of public spaces than the typical commercial building due to its function and character, being a multi-purpose and public-oriented commercial/cultural facility. These non-revenue producing areas total 82,561 square feet and the DCCs payable are in the amount of \$520,954 based on the previous rates.

While the proposed Asian Centre building will contain a high percentage of public areas and circulation spaces such as staircases, elevator shafts, access corridors and washrooms, the development is viewed as being similar to a shopping centre mall. The internal design is public-oriented which requires a high percentage of open areas for circulation. Also the number of staircases, washrooms, and access corridors relate to Building and Fire Code requirements for the convenience and safety of the general public. To consider these public spaces for DCC exemption would require an amendment to the Development Cost Charge By-law and all shopping centres and internal corridors of large and small commercial buildings would qualify for exclusion. If such a by-law amendment was approved, the resultant reduction in revenue from DCCs could have significant implications on the City's ability to cover the anticipated cost of infrastructure and services. Based on the

DCCs collected for commercial developments in 1997, the City would lose approximately \$588,000 if the public spaces were discounted.

To avoid the City encountering revenue deficiencies, amending the by-law as suggested by Canada Asian Centre Development Inc. (i.e., applying the DCC rate on a net floor area basis) would necessitate an increase in the DCC rate. Under this situation, a higher net DCC rate would apply to a lower floor area. The end result would be the Asian Centre development being subject to the same or similar DCCs but the calculation formula would be different.

Staff, therefore, would not recommend DCC reduction based on percentage of public space within the commercial building.

Comprehensive Commercial Projects

Canadian Asian Centre Development also suggests that all comprehensive commercial projects should warrant a reduced DCC rate if the development is substantial (redevelopment of entire City block), of City Centre quality and calibre, of steel or concrete construction, has underground parking, public amenities, and is potentially a landmark.

In considering this proposal, one should note that predominantly all comprehensive development projects involve major land assemblies which may take up an entire City block or more. Also, given the scale of the project, the construction material will likely be steel and/or concrete. Furthermore, it is the City's desire to require all developments to be of high quality and finishes. The requirement for underground parking applies to City Centre developments under the same Downtown Commercial Zone (C-35) as the Asian Centre development.

Should the City consider a reduced DCC rate based on the criteria suggested by Canada Asian Centre Development Inc., there will be a high percentage of Downtown and Town Centre commercial developments that will qualify for this reduction. The reduced DCC revenue may compromise the City's ability to meet the servicing costs required to accommodate growth, based on the City's 10-year servicing plan.

Furthermore, to allow DCC reduction based on architecture and construction merits is problematic in interpretation and enforcement. To achieve the proposed reduction, an amendment to the DCC By-law is required, and it will have far-reaching implications on enforcement and on the City's ability to recover the infrastructure costs.

Staff, therefore, would not recommend DCC reduction based on the criteria of comprehensive commercial projects.

Legislative Restrictions

A further complication to the DCC issue relates to Section 225 of the *Municipal Act* which states that "the Council must not, directly or indirectly, assist an industrial or commercial undertaking."

The Canadian Asian Centre Development's request for the City's assistance in applying lower DCCs because of its high quality of development or its high percentage of public areas may be interpreted as lending financial assistance to this Asian Centre project; and this would be in contravention of the *Municipal Act*.

Therefore, to ensure compliance with Section 225 of the *Municipal Act* all like projects must be charged the same fees. Should Council wish to accommodate the request made by Canada Asian Centre Development Inc., amendments to the Development Cost Charge By-law are required. These amendments must be approved by the Ministry of Municipal Affairs prior to Council having the ability to approve and staff the ability to implement any development cost charge adjustments. With respect to the Section 225 issue, the City Solicitor has indicated that there should be no problem with Section 225 of the *Municipal Act* if the Ministry approves the City's DCC By-law amendments.

Parkland Component of the DCCs

Although staff do not recommend granting a DCC reduction to the Canada Asian Centre Developments Inc. for the reasons stated above, however, if Council wishes to consider lowering the DCCs in order to encourage commercial developments, there is justification for eliminating the parkland component of the DCCs for commercial projects.

The park DCC is used primarily to purchase park lands. The park DCC rate is based on a 10-year capital park development program identified in the Parks & Recreation Master Plan that had been adopted by Council in January 1996. The park DCC fund is generated from two sources; approximately 5% of the total fund is from commercial while 95% is from residential developments. Churches, personal care facilities and industrial developments do not have a parkland DCC component. In 1997, the 5% parkland component of the DCC collected from commercial projects amounted to \$712,100.

In reviewing the new park DCC rate for commercial development, it is noted that the amount required is approximately 55% and 29% of the total DCCs for office and retail commercial respectively. This amount represents a significant portion of the DCCs for commercial developments. For the Asian Centre Phase 1 project, the parkland component would amount to \$671,930 or 44% of the total DCCs (\$1,542,842) required.

In the last (1997) DCC review, the DCC rates were adjusted to reflect the new Engineering 10-Year Servicing Plan and the new Parkland Acquisition DCC rate structure. To stimulate developments in the City Centre, the residential DCC rates were reduced in recognition of the different park needs in Surrey City Centre. However, no similar considerations were given to the commercial uses.

Since the new DCC By-law offers no significant DCC reductions for the commercial uses, projects such as the Asian Centre development, recognized by the City to be of significant importance in providing cultural and tourist-related uses, may not get built. The previous and the newly adopted DCC By-law may appear to have a negative impact on the economic viability of commercial projects. If Surrey is to be successful in stimulating commercial developments such as the Asian Centre development and other key projects, there may be a need to lower the DCCs in order to provide a more positive climate to attract more business and investments to the City which would in term provide a better tax base. In addition, there are other justifications, as follows, that the City may consider elimination of the parkland component of the DCC for commercial developments:

1. Commercial developments impose little or no open space/park needs. Employees do not require the same parkland needs, active or passive open spaces as the residential population.
2. Major commercial developments will likely provide their own on-site public open space and/or amenities such as gardens, plazas, etc. for public and staff enjoyment.

The elimination of the park DCCs would reduce the new office DCCs from \$4,850 to \$2,190 per 1,000 sq. ft. and the retail DCCs from \$9,010 to \$6,350 per 1,000 sq. ft. The net result, if applied to the Asian Centre Phase

1 project, would be a saving of approximately \$671,930 based on the new DCC rate. The total saving for full development of the subsequent phases could amount to \$3.25 million.

The negative impacts of eliminating the parkland DCCs for commercial developments are as follows:

- The residential parkland DCC will have to be increased by approximately 5% to match the loss in revenues normally collected by the commercial parkland DCCs; or
- The DCC assist factor needs to be increased, meaning that the City needs to account for the loss revenues through general taxation; or
- The parkland standards or requirements may be reduced. The reduction in parkland standards may be justified by taking into consideration the urban forests, GVRD parks as part of Surrey's overall open space system to satisfy the recreational needs.

CONCLUSION

To accommodate the Canada Asian Centre Development's request for reduced development cost charges (DCCs) for their Phase 1 building will require further amendment to the DCC By-law. The new commercial DCC rate is City-wide: City Centre projects will be charged the same rates as the Asian Centre project. Contrary to statements made by the delegation, there is no 40% reduction in DCCs for City Centre commercial developments.

To exclude DCCs for the public circulation areas (the non-revenue producing areas) would require an amendment to the DCC By-law and, if approved, would allow all shopping centres and other major commercial developments a similar reduction. The implication is a reduction in City revenue and possible deficiencies in covering the cost of infrastructure and services.

The Canada Asian Centre Development's request for an amendment to the DCC By-law to effectively reduce the DCC rates for all comprehensive commercial buildings which resemble developments in the City Centre would have far-reaching implications on the City's ability to recover the infrastructure and servicing costs. There is no justification for a reduced DCC for the comprehensive commercial buildings based on architectural quality and finishes. However, under the new DCC By-law, the Asian Centre would enjoy a saving of \$51,000 in DCC for Phase 1 development alone. The total saving for full development may amount to \$250,000.

An option which the City could possibly consider to reduce the DCCs in order to encourage commercial developments would be the elimination of the parkland component of the DCC. Considerations to eliminate the parkland component would be similar to the rationale given for industrial developments. An amendment to the new DCC by-law would be required. The potential saving in DCCs for the Asian Centre Phase 1 project could amount to \$670,000. The savings for the subsequent phases would be approximately \$3.25 million.

It is, therefore, recommended that Council instruct staff of the Engineering and Parks & Recreations Departments to review the new Development Cost Charge By-law with a view to eliminating the parkland component of the DCC for commercial developments and to recommend adjustments to the DCC By-law accordingly. It is further recommended that the Phase 1 of the Canada Asian Centre Development project be assessed at the same DCC rates that are applicable to all commercial buildings including those located in the City Centre. Should the new DCC by-law be amended by deleting the parkland component, Council may consider a possible parkland DCC rebate to the Phase 1 Asian Centre project, subject to the advice and

recommendation from the City Solicitor regarding retroactivity provision of the DCC By-laws.

Lehman O. Walker

General Manager

Planning & Development Department

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