

NO: **R087**

COUNCIL DATE: **May 25, 2020**

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **May 21, 2020**

FROM: **General Manager, Engineering
General Manager, Finance
General Manager, Parks, Recreation & Culture**

FILE: **3150-01**

SUBJECT: **Annual (2019) Development Cost Charge Report**

RECOMMENDATION

The Engineering Department, Finance Department and Parks, Recreation & Culture Department recommend that Council receive this report for information.

INTENT

The purpose of this report is to advise Council of the amount of Development Cost Charges (“DCCs”) received in 2019, the expenditures in 2019 from each DCC reserve fund, the balance in each DCC reserve fund at the start and at the end of 2019, and to advise of any waivers and reductions provided and funded by the City in 2019.

BACKGROUND

Since 1979, the City has charged eligible developments a DCC for the purpose of providing funds to assist the City in paying the capital cost of providing, constructing, altering or expanding sanitary sewer, water, drainage and transportation infrastructure, and providing and improving parkland, in order to service, directly or indirectly, the development for which the charge is being imposed. This approach has enabled the City to grow in a sustainable way by ensuring that adequate funding is available to expand and upgrade the City’s infrastructure systems and acquire and improve parkland to support the City’s continued development, without financially burdening existing citizens.

As required by Section 566 of the Local Government Act, DCCs paid to the City must be deposited in a separate special DCC reserve account established for each purpose for which the City imposed the DCC.

As per Section 4 of the Local Government Act, developers shall pay their DCCs in full within two years after the date the subdivision is approved, or the building permit is granted, by paying not less than:

- a) 1/3 of their DCCs at the time of the approval of the subdivision or granting of the building permit;
- b) 1/2 of the balance within one year after the date of the approval of the subdivision or granting of the building permit; and
- c) The remaining balance within two years of the approval of the subdivision or granting of the building permit.

At the Regular Council Meeting on February 5, 2018, Council approved the 10-Year (2018-2027) Servicing Plan and authorized the City Clerk to bring forward for the required readings the 2018 DCC Bylaw (Bylaw No. 19478).

Following approval by the Deputy Inspector of Municipalities of the Ministry of Municipal Affairs and Housing on May 3, 2018, Council gave Final Reading of the 2018 DCC Bylaw on May 7, 2018.

As required by Section 569 of the Local Government Act, local governments each year must report:

- a) The amount of DCCs received;
- b) The expenditures from the DCC reserve funds;
- c) The balance in the DCC reserve account at the start and at the end of the applicable year; and
- d) Any waivers and reductions under Section 563 (2) [development for which charges may be waived or reduced].

DISCUSSION

Completed subdivision and building permit applications in 2019 have paid DCCs to the City based on the rates established in either the 2017 DCC Bylaw or the 2018 DCC Bylaw, depending on eligibility requirements provided in these Bylaws, as required by the Local Government Act.

Reserve Account Status

The financial transactions of each reserve account in 2019 was as follows:

Table 1: Financial Transactions (2019)

DCC Program	Reserve Account Balance Dec. 31, 2018	DCC Expenditures in 2019	Contributions in 2019	Reserve Account Balance Dec. 31, 2019
Water	\$15,893,360.91	\$4,326,234.84	\$7,171,439.99	\$18,738,566.06
Drainage	\$43,636,903.62	\$5,777,205.23	\$8,077,632.92	\$45,937,331.31
Arterial Roads	\$63,429,508.29	\$16,719,344.41	\$31,820,316.57	\$78,530,480.45
Collector Roads	\$15,799,884.15	\$3,439,938.07	\$7,201,834.94	\$19,561,781.02
Sanitary Sewer	\$25,965,359.21	\$3,902,435.93	\$8,021,944.72	\$30,084,868.00
Parkland	\$49,422,116.03	\$22,444,146.07	\$31,814,644.70	\$58,792,614.66
Parkland Development	\$2,546,206.37	\$2,039,359.95	\$1,963,837.39	\$2,470,683.81
Campbell Heights	\$46,715,189.11	\$16,724,094.84	\$7,912,597.50	\$37,903,691.77
Hwy 99 Corridor	\$12,498,652.53	\$229,332.60	\$104,988.84	\$12,374,308.77

DCC Program	Reserve Account Balance Dec. 31, 2018	DCC Expenditures in 2019	Contributions in 2019	Reserve Account Balance Dec. 31, 2019
Annedale-Tynehead	\$0.00	\$0.00	\$0.00	\$0.00
West Clayton	\$551,608.31	\$0.00	\$198,520.09	\$750,128.40
Redwood Heights	\$8,269.80	\$0.00	-\$8,269.80	\$0.00
City Centre - Local Roads	\$1,214,392.17	\$1,227,655.97	\$3,360,688.21	\$3,347,424.41
TOTAL	\$277,681,450.50	\$76,829,747.91	\$107,640,176.07	\$308,491,878.66

Note: The values reported above do not include the value of the City’s Municipal Assist Factor.

A large portion of the DCCs recognized in the reserve accounts are outstanding receivables since developers have the option to pay DCCs in three equal payments over a two-year period. The value of these receivable was as follows:

Table 2: Value of Outstanding Receivables

DCC Program	Receivables Included in Reserve Account Balance Dec. 31, 2018	Receivables Included in Reserve Account Balance Dec. 31, 2019
Water	\$3,526,576.31	\$4,874,718.60
Drainage	\$4,495,126.92	\$4,928,088.28
Arterial Roads	\$17,856,488.69	\$21,879,622.43
Collector Roads	\$4,458,837.05	\$5,196,766.62
Sanitary Sewer	\$3,806,505.59	\$5,536,897.15
Parkland	\$17,518,025.66	\$23,909,491.03
Parkland Development	\$0.00	\$0.00
Campbell Heights	\$6,938,144.93	\$3,768,842.90
Highway 99 Corridor	\$0.00	\$0.00
Annedale-Tynehead	\$0.00	\$0.00
West Clayton	\$128,074.06	\$0.00
Redwood Heights	\$0.00	\$0.00
City Centre - Local Roads	\$385,693.63	\$2,165,345.84
TOTAL	\$59,113,472.84	\$72,259,772.85

Departments are diligent in their allocation and use of DCCs to help support growth in the City. While there is a reserve of approximately \$308 million, as noted in Table 1, \$72 million is in the form of receivables that will be collected over the course of the next two years, which results in \$236 million of funding currently available for use. Of the \$236 million of funding available for use, \$112 million is allocated to projects that commenced in or prior to 2019, and a further \$99 million has been allocated to projects that have or are commencing in 2020. As a result, approximately \$25 million of funding remains available to address any new priorities that are realized in 2020. This amount of funding demonstrates that both the Engineering Department

and Parks, Recreation & Culture Department are diligent in their allocation and use of DCCs to help support growth in the City.

DCC Funded Projects in 2019

DCC funding enabled the delivery or continued construction of a number of important growth-related projects in the City in 2019, including:

- 192 Street arterial widening between 32 Avenue and Colebrook Road;
- 100 Avenue arterial widening between King George Boulevard and 140 Street;
- East Clayton stormwater detention pond expansion;
- West Clayton stormwater detention pond pre-loading (Phase 1);
- Sanitary, forcemain and odour control facilities in Campbell Heights; and
- Significant parkland acquisitions at various locations in the City.

Waivers and Reductions

There were no waivers or reductions provided in 2019. In general, the City has not supported providing any waivers or reductions, as the intent of the Local Government Act is that the City is to fund the value of any waiver or reduction it provides.

Next Steps

At the Regular Council Meeting on February 10, 2020, Council approved the 10-Year (2020-2029) Servicing Plan and authorized the City Clerk to bring forward for the required readings the 2020 DCC Bylaw (Bylaw No. 20019).

Following approval by the Deputy Inspector of Municipalities of the Ministry of Municipal Affairs and Housing on April 30, 2020, Council gave Final Reading of the 2020 DCC Bylaw on May 4, 2020.

New subdivision and building permit applications submitted on or after May 15, 2020 will be subject to the 2020 DCC Bylaw.

This Summer, staff will begin preparing the next edition of the 10-Year Servicing Plan (2021-2030) and are scheduled to bring forward an updated plan and DCC Bylaw to Council for their consideration in early 2021.

SUSTAINABILITY CONSIDERATIONS

An adequately funded 10-Year Servicing Plan with DCCs helps to support orderly development in Surrey, which supports the objectives of the City's Sustainability Charter 2.0. In particular, the 10-Year Servicing Plan supports the Sustainability Charter 2.0 theme of Infrastructure. Specifically, an adequately funded 10-Year Servicing Plan supports the following Desired Outcomes ("DO"):

- All Infrastructure DO1: City facilities and infrastructure systems are well managed, adaptable and long lasting, and are effectively integrated into regional systems; and

- Energy and Climate DO6: The City anticipates changing weather patterns and sea level rise as a result of climate change, and implements appropriate infrastructure, land use planning and emergency response solutions that will be resilient over the long-term.

CONCLUSION

DCCs are an important funding source that ensures that the development community adequately funds infrastructure that is required to support development.

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SLW/cc