



2353 - 13353 Commerce Parkway, Richmond, BC V6V 3A1
Telephone: 604-273-8700 Fax: 604-273-8752

URBANSYSTEMS.

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District of Sooke
2205 Otter Point Road
Sooke, BC V9Z 1J2

Attention: Elisabeth Nelson, Municipal Engineer

RE: 2012 DCC REVIEW DRAFT REPORT SUMMARY

We are pleased to provide this summary letter report on the 2012 Development Cost Charge (DCC) draft report. The District of Sooke currently has DCC Bylaw No. 202, 2004 in place. The DCC bylaws allow the District to collect DCCs to help fund road and wastewater engineering infrastructure that benefits future growth in the community.

The DCCs are levied on a community-wide basis for roads and a specific area for the wastewater DCC that corresponds to the wastewater service area. The DCCs apply to single family, townhouse, apartment, and commercial land uses. Currently, most engineering infrastructure required to support growth is provided on a project by project basis as development is approved by the District of Sooke. The engineering infrastructures developers are required to build are specific to their unique needs and designed to satisfy municipal regulations.

The proposed program ensures that the people who will use and benefit from the services provided pay their share of the costs in a fair and equitable manner. A review of the potential for residential and non-residential development throughout Sooke was completed as part of this DCC review. The proposed DCC program creates certainty by providing stable charges to the development industry and by allowing the orderly and timely construction of infrastructure.

Reasons for the DCC Review

The last review of the District of Sooke Development Cost Charge (DCC) programs and rates was completed in December 2004. This DCC review is meant to be a major DCC bylaw update. Capital costs for all projects have been updated to reflect 2011 construction costs. The new DCC capital programs reflect the wastewater program developed as part of a recent update of the Sooke wastewater model and a new transportation master plan. The wastewater model identified capital works to meet the needs of both the existing community and future growth. In 2009, the District of Sooke completed a transportation master plan. The master plan identified road works required to service growth and also defined some new road cross sections that have been used to refine the DCC cost estimates. New growth projections have been used in this DCC review. The growth estimates were developed using information from the Capital Regional District growth forecast and the District of Sooke official community plan.

Municipal Assist Factor

The *Local Government Act* stipulates that an assist factor will be included as part of the calculation of the DCCs. An assist factor represents the District's contribution towards the capital costs for the projects that are attributed to new development. This contribution is in addition to the costs that were allocated in the calculations to the existing population and are to be paid by the District. The assist factor portion of the costs will have to be financed through other means available to the District, such as utility fund revenue.

The actual level of the assist factor is determined by the District of Sooke. While the District can have a different assist factor for *each type of capital works*, i.e. roads and wastewater, the District cannot have a municipal assist factor that varies for *different land uses* within the District, i.e. single family residential, townhouse residential, commercial, etc. The current DCC bylaw used a 1% municipal assist factor and we are recommending the 1% assist be used again in the 2011 DCC rate calculation.

Community-Wide versus Area Specific DCCs

In a community-wide DCC, the same DCC rate is applied for each land use deemed to generate a similar or same capital cost burden regardless of the location of the development. An area-specific DCC typically divides the community into different areas according to geographic or other distinctive areas based on technical reasons. For example, it would be appropriate to establish an area-specific DCC for an area that is uniquely serviced by a series of specific wastewater works, which can only service that particular area due to the unique location of the area.

The community-wide DCCs give the District the most flexibility in terms of accumulating and spending DCC revenues. Area-specific DCCs can limit the amount of DCCs available to fund works throughout the District by having multiple DCC reserves with a small amount in different reserves, this can result in waiting a long time to collect a significant amount of DCCs to build any works in a timely manner.

Having DCCs collected community-wide for engineering services gives the District the flexibility to construct DCC works anywhere in the District. This can be beneficial should development shift from one area in the District to another area over time. If all areas develop in a slow manner the DCCs available in a community-wide DCC program will allow the District to respond to changes in development patterns throughout the District.

Having a community-wide DCC can reduce the complexity of collecting the DCC and cost of administering the DCC reserves. A community-wide DCC bylaw is often a simpler document to apply by front counter staff as well and can reduce the staff time required to assess, collect and

expend the DCCs. We believe the reduced administration effort from having a community-wide DCC can be significant.

Growth Estimates

The residential growth projections for the District of Sooke are based on a 10 year period. The District is expected to grow by approximately 2,054 residential units to 2021. The projected growth is based on the development potential of existing areas that will most likely develop from now to 2021. The projection includes existing lands currently zoned but not developed or remaining lands in planned neighbourhoods where the type of land use is known. Of which, 958 units are expected to be single family; 639 units are expected to be townhouse; and 457 units to be apartment. The DCC capital program matches the growth projections. District staff has estimated that 9,750 square metres of new commercial floor space are expected to be developed over the next 10 years.

Roads and Wastewater DCC Infrastructure Program

The roads and wastewater infrastructure necessary to service the projected growth over the next 10 years is based on analysis in the updated wastewater model and new transportation master plan. Through discussions with District staff, a refined DCC program was developed.

The Roads DCC program includes a variety of capital works including new collector roads, road widening and new traffic signals. There are special road cross sections for Waterview and Goodmere roads which were identified in the 2008 Sooke Transportation Master Plan. The urban collector road standard and Grant Road connector are based on new supplemental standard detail drawings. The detailed Roads DCC project list is attached in Appendix A.

The total cost of the roads projects is approximately \$10.41 million, of which \$7.80 million is DCC recoverable. These costs include the construction of new roads infrastructure and land costs plus engineering and contingency.

The Wastewater DCC Program includes pump stations, force mains and gravity main replacement and additional works to the wastewater treatment plant. The basis for the new wastewater DCC program is the 2008 Sooke Sewer Model Conceptual Design Report prepared by Stantec Consulting Ltd. The updated model identified sanitary works that benefit both the existing community and works identified to meet the needs of future growth in Sooke. The DCC program is based on those works necessary to service future growth. The detailed Wastewater DCC project list is attached in Appendix A.

The total cost of the improvements is approximately \$10.86 million, of which approximately \$9.24 million is DCC recoverable. These costs include the construction of new wastewater infrastructure plus engineering and contingency.

Proposed DCC Rates

Appendix B summarizes the proposed District of Sooke DCC rates and the existing DCC rates. The proposed DCCs rates, with the exception of commercial, are higher than the current DCC rates. The proposed total DCC rates will increase by approximately 2% for single family and townhouse, and 0.4% for apartment units. The proposed rates for commercial development will decrease by approximately 3%. This reflects the refined road program with updated cost estimates and a new wastewater program based on the recently completed wastewater modeling work. The current road DCC recoverable program cost is approximately \$5.3 million and the proposed road DCC recoverable program is \$7.8 million. The wastewater DCC program has increased from approximately \$5.9 million to \$9.2 million due to the need for future wastewater treatment plant upgrades and additional pump station and force main requirements. The following Table summarizes the proposed District of Sooke DCC rates. The current and proposed DCC rates are included in Appendix B.

District of Sooke
 Proposed DCC Rate Summary

	Roads	Wastewater	Total Development Cost Charge	
Single Family	\$2,863.57	\$4,743.47	\$7,607.04	per lot
Townhouse	\$1,852.90	\$3,162.32	\$5,015.22	per dwelling unit
Apartment	\$1,740.60	\$2,108.21	\$3,848.81	per dwelling unit
Commercial	\$39.30	\$22.84	\$62.14	per m ² of floor area

The proposed DCC rates are levied per lot for single-family, and per dwelling unit for townhouse and apartment. Commercial developments are levied per m² of floor area. The detached dwelling DCCs will be levied at subdivision. All other DCCs will be levied at building permit.

Bill 27

On May 29, 2008 the Provincial Government enacted new legislation pertaining to DCCs. The legislative changes include the option for municipalities to exempt or waive DCCs for the following classes of "eligible development":

- not-for-profit rental housing, including supportive living housing (similar provisions were in the previous legislation, but did not require a bylaw to waive or reduce DCCs for not-for-profit rental housing);
- for-profit affordable rental housing;
- subdivisions of small lots designed to result in low green house gas emissions; and
- developments designed to result in a low environmental impact.

If the District of Sooke wishes to provide DCC waivers or reductions, it must adopt a DCC bylaw that establishes definitions for each class of "eligible development", corresponding rates of reduction, and requirements that must be met in order to obtain a waiver or reduction. Council, however, is not *obligated* to adopt any of these new provisions. To make up for any foregone DCC revenue, the District would have to secure alternate revenue sources.

The District of Sooke currently reduces DCCs for development in the Sooke Revitalization Area of the community. The DCC reductions are identified in the Sooke Town Centre Revitalization Bylaw No. 408 and not in the current DCC Bylaw No. 202. A 100% waiver of DCCs is given to eligible housing which is defined as not-for-profit rental housing and for-profit affordable rental housing subject to a covenant and housing agreement, the detailed definitions are included in the bylaw. A 30% reduction in DCCs is given to housing developments in the revitalization area with a density of at least 50 dwelling units per hectare and an additional 30% reduction in DCCs if the housing improvements are LEED certified.

Low impact or green development practices are not expected to have an impact on the District's DCC program at this time (i.e., these practices are not expected to reduce the need for identified DCC projects); therefore, providing DCC waivers or reductions for this type of development would not likely reflect a decreased impact on infrastructure. Providing DCC waivers or reductions may not be effective incentives for development. In general, DCC costs are typically a fairly small portion of development costs, which have historically been driven by land costs.

The new legislation includes a mandatory requirement for Council to consider whether the new DCCs are excessive in relation to the capital cost of the servicing standards, will deter development, discourage the construction of reasonably priced housing on serviced land, or will discourage development designed to result in a low environmental impact.

Staff has reviewed the DCC capital program and the various classes of land use to determine whether development designed to result in low environmental impact is expected to be adversely affected by the DCC program. This issue will be discussed with Council and when additional information is available Council may revise the DCC bylaw, if required at that time.

In-stream Applications and Grace Period

The *LGA* requires that subdivision applications, provided the application is complete and application fees have been paid, be provided one-year protection from the proposed DCC rates. These in-stream active subdivision applications will be exempted from any increase in DCCs for one year from the date of implementation of the new DCC bylaw.

Effective January 1, 2011, building permits are also given the same in-stream exemptions as subdivision applications under the *LGA*. Complete building permit applications will also be exempt from any increase in DCCs for one year from the date of implementation of the new DCC bylaw.

Due to the proposed DCC rates, we believe District staff will not be recommending a grace period for implementation of the new DCC Bylaw.

Conclusion

Based on the proposed DCC rates, we recommend that the proposed DCC rates will be taken to a public open house. Following the public open house, the DCC rates will be refined, if necessary, based on the comments and suggestions from District Council, development community and public. Once the final DCC rates have been established, the DCC Background Report and draft DCC Bylaw will be prepared for consideration by the District of Sooke Council.

Yours truly,

URBAN SYSTEMS LTD.



Fraser Smith P.Eng., MBA
Senior Engineer, Principal

APPENDIX A

Proposed Roads & Wastewater DCC Capital Programs

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**DISTRICT OF SOOKE
PROPOSED ROADS DCC PROGRAM**

Project Name	Location			Cost Estimate	DCC Recoverable	Total Municipal Responsibility
	On	From	To			
Throup Rd New Collector	Throup Rd	Charters Rd	Phillips Rd	\$2,948,602.50	\$1,517,940.57	\$1,430,661.93
Maple Ave S / Highway 14 Signalization	Intersection	Maple Ave South	Highway 14	\$375,000.00	\$193,050.00	\$181,950.00
Murray Rd Downtown Road Widening	Murray Rd	Highway 14	Horne Rd	\$1,250,330.00	\$1,237,826.70	\$12,503.30
Goodmere Rd New Collector - TC	Goodmere Rd	Murray Rd	Mariner's Village	\$1,450,710.00	\$1,436,202.90	\$14,507.10
Waterview St New Collector - TC	Waterview St	Highway 14	New Goodmere Rd	\$2,438,941.00	\$2,414,551.59	\$24,389.41
Church Rd Collector Widening	Church Rd	Helgeson Rd	Felderhof Rd	\$1,942,451.72	\$999,974.15	\$942,477.57
	Church Rd	Church Hill Dr	Highway 14			
TOTAL				\$10,406,035.22	\$7,799,545.90	\$2,606,489.32

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DISTRICT OF SOOKE PROPOSED WASTEWATER DCC PROGRAM

Location / Project Name	Description	Cost Estimate	DCC Recoverable	Total Municipal Responsibility
6872 West Coast Rd pump station	Add third pump	\$105,000.00	\$103,950.00	\$1,050.00
Goodmere Rd sewer installation	Sewer c/w manholes and service connections	\$90,000.00	\$89,100.00	\$900.00
WWTP	WWTP Upgrades # 1	\$4,000,000.00	\$3,960,000.00	\$40,000.00
Philips Road forcemain	Philips Road forcemain	\$374,000.00	\$185,130.00	\$188,870.00
Gravity main on Highway 14	Replace 300 gravity with 450mm dia.	\$918,000.00	\$472,586.40	\$445,413.60
6401 Sooke Rd pump station	Add third pump	\$176,000.00	\$69,696.00	\$106,304.00
Highway 14 forcemain	Install forcemain along Highway 14 to WWTP	\$1,589,000.00	\$786,555.00	\$802,445.00
WWTP	Improvements completed c/f capital	\$3,610,000.00	\$3,573,900.00	\$36,100.00
TOTAL		\$10,862,000.00	\$9,240,917.40	\$1,621,082.60

APPENDIX B

Existing & Proposed DCC Rate Comparison

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**DISTRICT OF SOOKE
DCC RATE SUMMARY
(PROPOSED vs. EXISTING)**

Land Use		Roads Proposed	Roads Existing	Wastewater Proposed	Wastewater Existing	Total Proposed DCC	Total Existing DCC	% Change
Single Family	per lot	\$2,863.57	\$3,172.79	\$4,743.47	\$4,317.22	\$7,607.04	\$7,490.01	2%
Townhouse	per dwelling unit	\$1,852.90	\$2,052.98	\$3,162.32	\$2,878.15	\$5,015.22	\$4,931.13	2%
Apartment	per dwelling unit	\$1,740.60	\$1,928.56	\$2,108.21	\$1,918.76	\$3,848.81	\$3,847.32	0%
Commercial	per m ² of floor area	\$39.30	\$43.55	\$22.84	\$20.79	\$62.14	\$64.34	-3%

Notes:

1.) Existing rates from District of Sooke, DCC Bylaw No. 202, 2004.