City of Burnaby

Meeting 2017 October 25

COMMITTEE REPORT

TO:	CHAIR AND MEMBERS FINANCIAL MANAGEMENT COMMITTEE	**DATE:**	2017 October 18
FROM:	DIRECTOR FINANCE	**FILE:**	7000-10

SUBJECT: GVS&DD DEVELOPMENT COST CHARGES

PURPOSE: To provide information on the proposed GVS&DD Development Cost Charge Rate increases in 2018.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council receive this report as information.

REPORT

At the 2017 October 02 Council meeting, staff were requested to provide a report on options to reduce the impact on developers from the proposed GVS&DD Development Cost Charge Rate increases in 2018 which are intended to fund 2018 – 2037 growth projects.

1.0 BACKGROUND

The Lower Mainland is divided into four sewage areas, Fraser, Lulu Island West, North Shore and Vancouver which include all municipalities, with the exception of the villages of Anmore, Belcarra and Lions Bay.

The Greater Vancouver Sewage and Drainage District (GVS&DD) applies development cost charges (DCC's) to developers who are part of land development within the Lower Mainland to pay for new sanitary works such as additional trunk lines, pumping stations, and wastewater treatment plant expansion. DCC's are calculated based on the type of development and the location. Municipalities are responsible for collecting the DCC's, which is usually done at the subdivision approval stage for single-family residential development and at the building permit stage for other types of development.

The GVS&DD is proposing to substantially increase the DCC rates in all sewage areas, with the largest increase being in the Fraser Sewage Area, which Burnaby is a part of. The increase in DCC rates is required to fund 2018 – 2037 growth related infrastructure projects which are estimated to cost $2.6 billion (*Attachment 1*).

Some of the estimated large scale projects include:

Fraser Sewerage Area	Estimated Costs ($)
Annacis Outfall System	375,000,000
Annacis Stage 5 Expansion Phase 1 & 2	595,500,000
North West Langley Water Treatment Plant Phase A & B	612,000,000
North West Langley Water Treatment Plant Solids Handling	126,000,000
Golden Ears Forcemain and River Crossing	114,000,000
Total	**$1,822,500,000**

The GVS&DD Board has directed staff to undertake public and stakeholder consultation on the proposed changes to the DCC Program and rates.

The current Fraser Sewage Area DCC rates have been in effect since 1997 (20 years) and are proposed to increase as early as April 2018.

	Single-Family ($)	Townhouse ($)	Apartment ($)	Non-Residential ($)
Current DCC Rate	1,731	1,515	1,082	0.81 sq. ft.
Proposed DCC Rate	5,428	4,695	3,531	2.67 sq. ft.
$ Increase	3,697	3,180	2,449	1.86 sq. ft.
% Increase	214%	210%	226%	230%

Going forward, the GVS&DD expects to review DCC rates every three to five years in order to adjust for increases, as necessary, and avoid implementing significant increases in the future.

The current methodology to calculate the DCC rates was established based on a flat rate charge for residential properties by dwelling (single family, townhouse and apartment) and a rate per square foot for non-residential properties. At the 2017 October 02 Council Meeting, a member of Council noted that there is inequity in this model as there are a spectrum of sizes for single family, townhouse and apartment properties. Consequently, levying DCC's at a rate per square foot for both residential and non-residential properties may introduce equity based on size of property.

To rectify this inequity, Metro Vancouver would need to revisit their underlying methodology. Considering that the rates have not been adjusted for over 20 years, a methodology review would take a substantial amount of time which would further increase the burden on developers in the future in order for Metro Vancouver to be able to deliver the required capital infrastructure to service future growth.

2.0 OPTIONS TO MITIGATE THE INCREASE IN DCC RATES

Assuming that the GVS&DD estimates for growth related infrastructure projects over the next 30 years are solid, there were three viable options that staff have reviewed that could potentially assist in mitigating the required increase in the proposed DCC rates on developers.

2.1 Option 1: Decrease the Proposed DCC Rate Increase and Increase the DCC Assist Factor

Assist Factor: The Assist Factor is the contribution that the existing population must provide to assist future growth in paying its portion of the DCC infrastructure costs. The Assist Factor is over-and-above the portion of the total infrastructure costs that is allocated to existing users. The Assist Factor reduces the DCC rates by the specific level of assist chosen. Under the *Local Government Act*, the level chosen must be at least one percent.

The GVS&DD could decrease the proposed DCC rates for the Fraser Sewage Area however, to offset this decrease it would need to substantially increase the current 1% Assist Factor by shifting part of the burden over to existing households in Burnaby. The 1% Assist Factor is currently built into the GVS&DD Levy which is included in the City's Sanitary Sewer Operating Budget and funded by all households in Burnaby. The Levy also includes interest charges on GVS&DD long term debt.

The GVS&DD estimates that a 50% increase in the Assist Factor would have an estimated household impact of $6.00 or a 3.5% increase over the prior year to pay for the growth projects not covered by the DCC's collected. This increase would be included in the annual GVS&DD Levy.

While there would be a reduction in the proposed DCC rate increase on developers, it would set a precedent and disrupt the GVS&DD's "growth pays for growth" strategy and the overall philosophy around development cost charges which are used by municipalities to fund growth related infrastructure projects. The following table shows the reduction in the proposed DCC rates from increasing the Assist Factor by 50%, as determined by the GVS&DD.

Fraser Sewage Area – Tier 1 Projects

	Single-Family ($)	Townhouse ($)	Apartment ($)	Non-Residential ($)
Proposed DCC Rate	5,428	4,695	3,531	2.67 sq. ft.
Reduced DCC Rate	4,453	3,852	2,897	2.19 sq. ft.
$ Reduction	975	843	634	0.48 sq. ft.
% Reduction	17.9%	17.9%	17.9%	17.9%

2.2 Option 2: Phase-in the Proposed DCC Rate Increase over 5 Years

The GVS&DD could consider phasing-in the proposed DCC rate increases at 25% compounded annually over a 5 year period. This approach could result in a ramp-up in development projects within the region over this time period in order to minimize the costs of development. A 25% annual increase is more reasonable from the proposed one-time 200+% increase currently under consideration. The following table shows the impact of phasing-in the proposed DCC rate increases at 25% compounded annually over a five year period.

	Single-Family ($)	Townhouse ($)	Apartment ($)	Non-Residential ($)
Current DCC Rate	1,731	1,515	1,082	0.81
25% Increase	433	379	271	0.20
2018 DCC Rate	2,164	1,894	1,353	1.01
25% Increase	541	473	338	0.25
2019 DCC Rate	2,705	2,367	1,691	1.27
25% Increase	676	592	423	0.32
2020 DCC Rate	3,381	2,959	2,113	1.58
25% Increase	845	740	528	0.40
2021 DCC Rate	4,226	3,699	2,642	1.98
25% Increase	1,057	925	660	0.49
2022 DCC Rate	5,283	4,623	3,302	2.47
Proposed DCC Rate	**5,428**	**4,695**	**3,531**	**2.67**

2.3 Option 3: Phase-in the Proposed DCC Rate Increase over 3 Years

Alternatively, the GVS&DD could consider phasing-in the proposed DCC rate increase at 50% compounded annually over a 3 year period. The GVS&DD Board considered a three year phase-in period however this option was rejected. The following table shows the impact of phasing-in the proposed DCC rates increases at 50% compounded annually over a three year period.

	Single-Family ($)	Townhouse ($)	Apartment ($)	Non-Residential ($)
Current DCC Rate	1,731	1,515	1,082	0.81
50% Increase	866	758	541	0.41
2018 DCC Rate	2,597	2,273	1,623	1.22
50% Increase	1,298	1,136	812	0.61
2019 DCC Rate	3,895	3,409	2,435	1.82
50% Increase	1,947	1,704	1,217	0.91
2020 DCC Rate	5,842	5,113	3,652	2.73
Proposed DCC Rate	**5,428**	**4,695**	**3,531**	**2.67**

A phased-in approach of the proposed DCC rate increases would allow the development community to work the respective increases into their plans.

It is recommended that the Financial Management Committee recommend Council receive this report as information.

Noreen Kassam, CPA, CGA
DIRECTOR FINANCE

NK:DS/ mlm

Copied to: City Manager

Attachment 1 – Metro Vancouver Growth Projects by Sewerage Area, 2018 – 2037

Attachment 1

Metro Vancouver Growth Projects by Sewerage Area
2018 - 2037

Project	Estimated Cost
Vancouver Sewerage Area	
Collingwood Trunk Sewer	$ 5,090,000
Hastings Sanitary Trunk Sewer	13,300,000
Hastings Sanitary Trunk Sewer No. 2	30,000,000
Hastings-Cassiar Intake Connection	750,000
	$ 49,140,000
North Shore Sewerage Area	
North Vancouver Interceptor - Lynn Branch Pre-build	**$ 3,500,000**
Lulu Island Sewerage Area	
Lulu Island WWTP Digester No 3	**$ 53,300,000**
Fraser Sewerage Area	
AIWWTP Effluent Pump Station	$ 61,000,000
AIWWTP Site Construction Layout	600,000
Albert Street Trunk Sewer	4,600,000
Annacis Outfall System	375,000,000
Annacis Stage 5 Expansion Phase 1 & 2	595,500,000
Burnaby Lake North Interceptor Cariboo to Piper Section	41,000,000
Burnaby Lake North Interceptor Phillips to Sperling Section	42,341,163
Burnaby Lake North Interceptor Piper to Philips Section	62,100,000
Burnaby South Slope Interceptor Main Branch	9,500,000
Burnaby South Slope Interceptor West Branch Extension	13,200,000
Cloverdale PS Upgrade	31,100,000
Cloverdale Trunk Sewer Upgrade	28,975,000
Glenbrook Combined Trunk Kingsway Sanitary Section	3,400,000
Golden Ears Forcemain and River Crossing	114,000,000
Golden Ears Pump Station	38,100,000
Langley Pump Station Upgrade	14,300,000
Lozells Sanitary Trunk Golf Course Section	22,150,000
Marshend Pump Station Capacity Upgrade	9,900,000
NLWWTP Ground Improvements Phase A	24,000,000
NLWWTP Ground Improvements Phase B	18,000,000
NLWWTP Liquid Stream Phase A	356,000,000
NLWWTP Liquid Stream Phase B	256,000,000
NLWWTP Solids Handling	126,000,000
North Road Trunk Sewer	7,000,000
North Road Trunk Sewer Phase 2	3,938,000
NSI 104th Ave Extension	6,800,000
NSI Flow Management	39,500,000
NWLWWTP Options	5,000,000
NWLWWTP Phase 1	44,728,793
Port Moody PS Upgrade	9,150,000
Port Moody South Interceptor Upgrade	3,450,000
Queensborough Pump Station Replacement	6,500,000
Rosemary Heights Pressure Sewer Upgrade	10,750,000
Sapperton Forcemain Pump Station Connections	5,500,000
Sapperton Pump Station	76,400,000
South Surrey Interceptor Johnston Section	65,350,000
Sperling PS Increase Pump Capacity	3,000,000
SSI - King George Section - Odor Control Facility (OCF) and Grit Chamber	13,500,000
Stoney Creek Trunk Upgrade	10,200,000
Surrey Central Valley Upgrade	60,800,000
	$ 2,618,332,956