

SUBJECT: Cranbrook DCC Project Update

DATE: April 25, 2022

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This brief provides an update to stakeholders regarding items identified at the last meeting held November 16, 2021. We appreciated the questions and comments provided by the development community and endeavoured to follow up on questions. We specifically brought proposed approaches to staff and Council for consideration. The input and ideas were discussed with staff, and brought to a Committee of the Whole November 29th and a Council meeting on January 17th, as well as February 7th. Answers to questions from the development community and a review of further elaboration and discussion of their ideas are set out below.

Roads

Benefit Allocations

Based on input from the development community we reconsidered the benefit allocations for roads projects and made some adjustments. The table below shows projects that had been allocated 100% to new development, and the revised allocation to growth after applying a revised approach.

Project	Previous allocation to Growth	Revised allocation to Growth
R004 - 6th Street NW - Highway 3 to Industrial Road No. 1.	100%	64%
R005 - From Industrial Road No.1 to Industrial Road No. 3.	100%	84%
R0012 - Industrial Road No.1 and 6 St NW. Traffic signal installation.	100%	64%
R0016 - Add two signals at: Industrial Road No. 2 / Industrial Road G intersection and at Industrial Road No. 2 / 6th St NW intersection	100%	73%

The costs for these projects were previously allocated 100% to new development based on the “Rule of Thumb” method that indicates that if the only reason that a project is required is due to growth, then 100% of that project could be allocated to growth. Another method is to base the allocation on the percentage of future traffic flows compared to existing traffic flows. The allocations for these projects were revised to be based on traffic flows. This resulted in a decrease in the percentage allocated to new growth and a slight decrease in the roads DCCs.

Road Network

Based on input from the development community we reviewed and reconsidered the 11th Street, 11th Avenue and 17th Street connections. Based on further consideration and discussion with Council we removed the 11th Avenue connection. This was a major project worth over \$1.6M with 80% allocated to growth, so removing it from the program reduced the roads DCCs. In order to address the remaining connections in more detail, staff and consultants are moving forward with an update to the Transportation Master Plan which will inform the Official Community Plan update. The 11th Street and 17th Street connections are set out in the existing OCP and are currently seen as important future works required to address growth, so they have been retained on the Roads DCC project list. If the Transportation Master Plan update determines that any of these connections are not required, or that alternative connections or transportation solutions are identified, then the roads DCC program can be adjusted. The Transportation Master Plan update will not be completed in time for the DCC update schedule, so the adjustments to the roads DCC program will be made at a subsequent DCC update.

Equivalency Factors

The development community questioned why the transportation impact for multi family development would be less than for single family when the City requires 2 parking spaces for both multifamily and single family. If both single family and multi family require parking for 2 cars, and own two cars, wouldn't the impact on transportation be same?

We reviewed the parking and equivalency factors for Transportation. The zoning bylaw requires two parking spaces for single family, two family, multifamily dwellings, and mobile home park dwellings, but the equivalency factors are based generally on the number of people per household, which influence the number of trips taken. A household with two cars and four people will generally drive more than a household with two cars and two people.

Based on Statistics Canada, the average household size in Cranbrook is 2.3 persons per household (pph). Statistics Canada does not show information on the number of persons per household for various densities, and in order to arrive at an average of 2.3 pph, the single detached homes need to be more than 2.3 pph and the multi family need to be less than 2.3 pph.

For Transportation we have assumed 2.5 pph for single family, 1.9 pph for medium density and 1.5 pph for high density. This results in the equivalency factor of 1.0 for low density. 0.76 for medium density and 0.60 for high density. The equivalency factors used in the Roads DCC calculations are set out in the table below.

Land Use	Equivalency factor
Low Density Residential	1.0000
Medium Density Residential	0.7600
High Density Residential	0.6000
Commercial	0.0180
Industrial	0.0100
Institutional	0.0120

These equivalency factors reflect the number of people in a household rather than the number of parking spaces required, and is consistent with transportation approaches and DCC calculations in other communities.

Water

Benefit allocation for W002

The development community had a question regarding the benefit allocations for one project, 'W002 Transmission Main to Reservoir No. 1'. Since the other water projects were all allocated 30% to growth and 70% to existing, it seemed odd that this project was allocated 70% to growth and 30% to existing, and perhaps it was a typo.

We reviewed water modelling and flow data, and determined that for this project the 70% allocation to growth is correct. It is based on future flows compared to current flows. Other facilities such as reservoirs and disinfection facilities can be phased to address more incremental growth, but this major transmission line cannot be added to incrementally as growth occurs. Since the City is planning to dig up the line and install a new one, we want to ensure that it is sized to accommodate long term growth. Consequently, the portion of the project allocated to growth is higher than for the other water projects. The other water projects had 30% allocated to growth, but this

water transmission line had 70% allocated to growth based on flows. The conclusion is that the 70% growth allocation is not a typo, but is supported by flow data.

Water Demands

The development community asked if the water demands considered reduced demands due to low flow fixtures and water conservation measures. The water demand projections were based on actual current per capita demands. An excerpt from the Water Supply Master Plan is set out below:

2.2. Per Capita Flows

Past water consumption data and the City's Subdivision and Development Servicing Bylaw (Bylaw) were considered when per capita flows were established. The City's bylaw identifies average day demand of 700 L/d/c. The past three years' worth of data (2017 to 2019) shows the City's actual per capita demand decreased from 745 L/d/c to 645 L/d/c. These per capita flows incorporate institutional/commercial/industrial (ICI) demands.

A recent update was completed to the City's Water Conservation Plan (**See Appendix L**). As noted, the City has made considerable progress through the use of Water Audits to reduce the unaccounted for water use from 33% in 2009 to 18% in 2018. The City considered embarking on a universal water meter program in 2011 however, a referendum was held and this was defeated. As such, the City has been focusing on metering institutional, commercial and industrial customers and conducting water audits where high flows were detected. The City has had success in reducing the winter base demand but has not had much success in reducing the summer irrigation demands. The recommendations from the Water Conservation are:

- Implement a universal metering program and develop a consumption-based water rate system that promotes conservation;
- Complete annual leak detection monitoring and repair deficiencies;
- Update the City's water use bylaw as required to ensure it remains effective at reducing water consumption;
- Continue to complete annual water audits; and,
- Continue to monitor water supply and consumption data.

Given the resistance in the past to universal metering, we recommend that a metering strategy be developed in order to evaluate pathways towards increased water metering and see which pathways is most acceptable to the City. This could consider metering all new construction, continued focus on metering all ICI customers, and considering zone metering to supplement the source metering in place.

Based on the above and discussions with the City, an average day demand of 691 L/d/c was applied to growth. This value reflects the average of the last three years data for average day demand. The City records daily demands for their water system and ratio of 2.4 MDD: 1 ADD was used based on available data and aligns with the City's bylaw ratio of 2.43 MDD: 1 ADD. Peak hour demands are not recorded so the City's bylaw ratio of 1.5 PHD: 1 MDD ratio was used.

As the City continues to invest in water conservation measures, it may entirely be possible that demands will continue to decline and allow the timing for capital projects to in some cases, be postponed. As such, it is critical the regular monitoring of water use characteristics be continued and that updates to the plan be completed at least once every 5 years.

Council also reviewed and determined to add in water line service improvements to service future growth towards the North of Cranbrook, which impacted the rates slightly.

Sewer

The development community asked if the sewer projects were all required due to growth, since some of the lines shown extended somewhat to the south, where growth might not be as significant. The sanitary sewer projects were reviewed and confirmed that these projects are required for growth through the sewer modelling. Council also reviewed and determined to add in oversizing costs for future sewer lines to service future growth towards

the North of Cranbrook, which impacted the rates slightly.

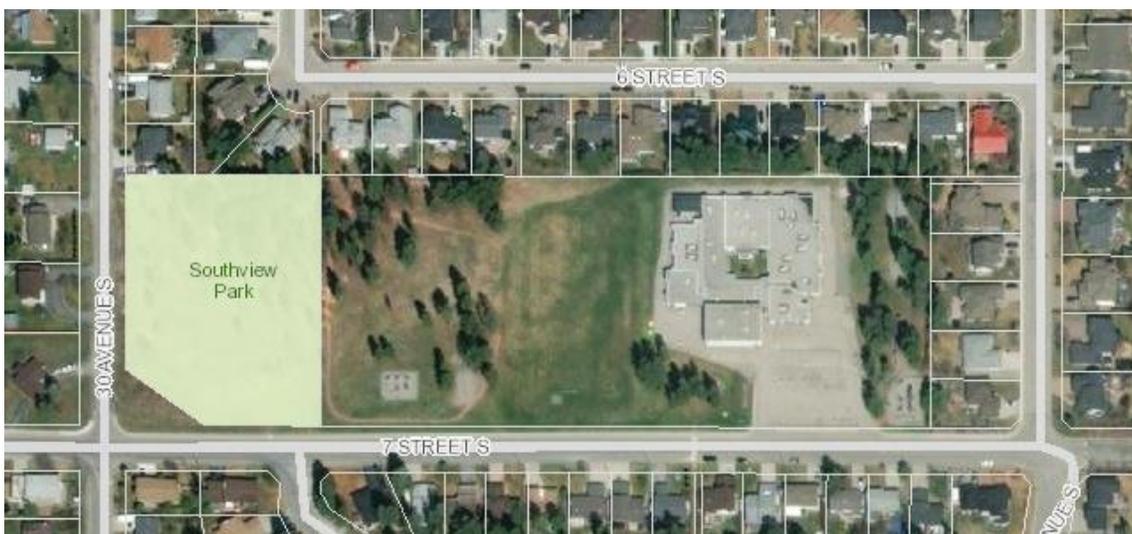
Developing Parkland near Highland and Steeples School

Developers asked how the City determined which parks were included for improvements, and questioned why improvements were not identified for parkland located near Highland Elementary School and near Steeples Elementary School. We investigated these park areas in more detail and noted that the reason these were not included was because parks by Highland and Steeples have school playgrounds nearby and improvements to these parks are not required within the time frame to serve growth. Other parks improvements were identified based on the Parks Master Plan and direction from City staff.

The photo below shows the playground at Highland School with the park in the background.



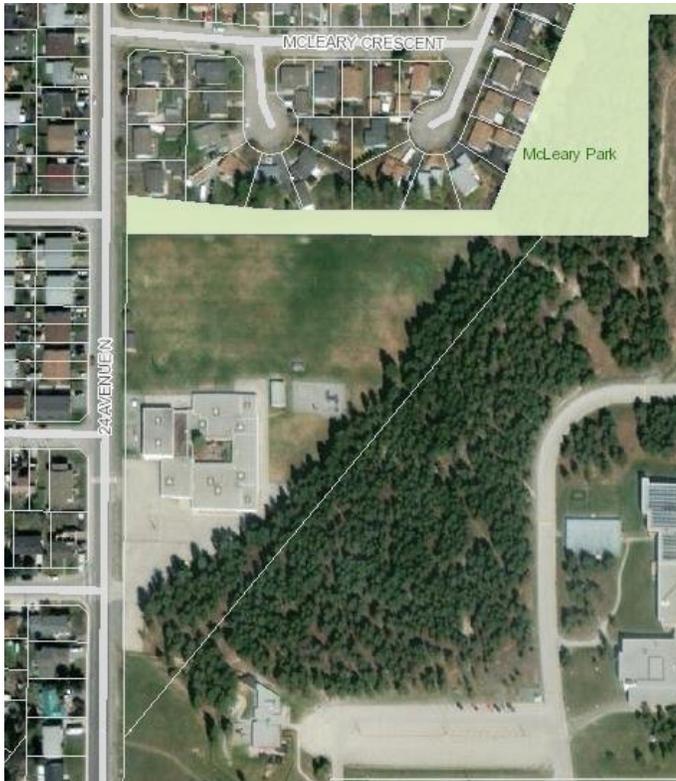
An arial view is shown below with Highlands school to the centre right and the park to the left.



The photo below shows the parkland in the foreground with Steeples Elementary in the background.



An aerial view is shown below with Steeples Elementary School just left of centre, and the park to the North of the School.



We met with Council and recommended that the City does not need to include parks improvements near Highlands Elementary and Steeples Elementary school since playground facilities are located very nearby at the schools. Parks DCC funds would be better allocated to growth areas and to City parks that do not have existing facilities nearby. As a result, no additional parks improvements were added to the parks DCC program.

At a Council meeting on January 17th Council passed the following resolution:

THAT Council direct staff and consultants not to include parks improvements in the Parks DCC Program on City owned parklands next to Highland Elementary School and Steeples Elementary School.

Past Projects Constructed with DCC Funds

The development community wanted to know which projects were constructed with DCC funds. Projects constructed using DCC funds include funds paid as oversizing rebates, and specific capital projects including the following:

- Widening 4th Ave south;
- Upgrades to Vitoria Avenue South;
- Sewer and water trunk Wildstone / Boulder Creek extension;
- Upgrades to Cobham Ave;
- Upgrades to 30th Ave N.;
- Storm Sewer Northwood estates extension;
- Brookview Storm Sewer discharge to Joseph Creek;
- Water main tie in 8th and 7th Avenue South;
- Water main East of Gordon Terrace school to 8th Avenue South;
- Water main Parkland School and Gordon Terrace School area;
- Planned McPhee and Theatre traffic signals to be funded by DCCs.

Over \$3.4 million were expended from DCC reserve funds on capital projects related to growth.

Waiving DCCs For Not-For-Profit Rental Housing

Members of the development community asked about how the City addresses the DCCs waived for Not-For-Profit Rental Housing. Currently the City's DCC bylaw waives DCCs for "Not-For-Profit Rental Housing" as defined in the bylaw. This exemption was added to the bylaw in 2010. The City has waived DCCs for this type of housing in the past.

The Provincial DCC Best Practice Guide notes that in cases where the DCC is waived or reduced, the amount waived is to be entirely supported by the existing development, which is taken by the Ministry to mean that the City pays for the DCCs, usually with funds from existing taxpayers. These amounts can be deposited into the DCC reserve funds. However, the City investigated this further and determined that this is not a legal requirement, and the City has not deposited the waived amounts into the DCC reserve funds in the past.

The City has other options to address charges paid by Not-For-Profit rental housing such as providing grants or other forms of assistance or deciding not to provide assistance. The City can decide on a case by case basis rather than having wording in the DCC bylaw that may result in DCCs being waived when the City would like to use other approaches.

Moving forward, the City will not include a DCC exemption to Not-For-Profit Rental Housing in the DCC bylaw. Council discussed this at a Committee of the Whole meeting on November 29th and at a Council meeting on January 17th. After discussion Council passed the following resolution:

THAT Council direct staff and consultants to prepare a DCC bylaw that does not include a DCC exemption for "Not-For-Profit Rental Housing".

Charging DCCs at Building Permit Rather Than Subdivision Stage

Some members of the development community suggested that the City consider collecting Low Density (Single Family) Residential DCCs at the building permit stage rather than the subdivision stage. Currently the City collects DCCs for these types of developments at the Subdivision stage. The pros and cons of collecting low density residential DCCs at building permit instead of subdivision are set out in the table below.

Pros And Cons of Collecting Low Density Residential DCCs At Building Permit Instead of Subdivision

Pros	Cons
<ul style="list-style-type: none"> • Good for subdivision developers who do not need to include the DCCs in Lot costs • Avoids increases in Lot costs • Funds collected at the time when demand for services are created as homes are built • Allows for potential charges based on home floor area, if desired 	<ul style="list-style-type: none"> • Not as good for home builders who need to pay the DCCs • Families who buy a lot and then want to build a house may be surprised and concerned with the City about the additional charge at building permit • The City needs to wait until homes are built before collecting the DCC funds. • Still results in increases to costs for completed homes, whether the charge is imposed at subdivision or building permit stage

This idea along with these Pros and Cons were presented to Council at a Committee of the Whole meeting on November 29th and at a Council meeting on January 17th. After discussion Council passed the following resolution:

THAT Council direct staff and consultants to prepare a DCC bylaw that retains the current approach of charging Low Density Residential development DCCs at subdivision approval stage.

Assist Factors

Through the assist factor the City can pay a certain percentage of the costs allocated to new development. The assist factor is not based on technical information, rather it is a policy decision of Council to help pay for some of the costs associated with growth. With an assist factor the City and existing taxpayers are subsidizing or assisting with the costs that new development should pay.

Developers asked how the assist factors in the new DCC calculations compare to the assist factors in the proposed DCCs. The old DCC calculations combined the assist factors and benefit allocations, so it is not possible to determine the old assist factors separately. It might be useful, though, to compare the old combined assist and benefit allocations with the new combined assist and benefit allocations once the assist factors are phased in to be at the 1% assist level after 3 years.

The table below shows the comparison after the three year phase-in and the DCCs are at the 1% assist factor. The percentage figures combine the percentage the City pays of the project (the percentage of benefit allocated to existing users, not developers) and the assist factor. In essence, the percentage shown in the table is the percentage of the project costs the City and the taxpayers are paying. For example, with the Water DCCs, in the old DCC the City paid 11% of the costs and developers paid for 89% of the project costs. With the new proposed DCCs the City pays 61% and the developers pay for 39% of the project costs.

DCC type	Total cost	Developer portion	City Portion	New Combined Assist and Benefit Allocation	Old Combined Assist and Benefit Allocation
Roads	\$19,019,500	\$11,023,000	\$7,996,500	42%	51%
Water	\$34,000,000	\$13,355,100	\$20,644,900	61%	11%
Sewer	\$14,255,620	\$4,441,819	\$9,813,801	69%	11%
Drainage	\$1,719,000	\$850,905	\$868,095	51%	51%
Parks	\$1,659,580	\$1,491,504	\$168,076	10%	

The comparison of old and new approaches show that the percentage of projects paid by the City increases for water and sewer, decreases for roads, and stays the same for drainage. The parks DCC is new so there is no previous parentage to compare.

Proposed DCC rates

In order to more gradually phase in the increases in DCCs, the City is proposing to start with a 40% assist in the first year, a 20% assist in the second year, and a 1% assist in the third year.

After a significant amount of discussion with Committee of the Whole on November 29th and Council on January 17th, Council directed staff to proceed with a background report and bylaw with a resolution as follows:

THAT Council direct staff and consultants to proceed with preparing a DCC Background Report and Bylaw with a 3 year phase-in having an assist factor of 40% in year one, 20% in year two and 1% in year three.

Although there may still be some revisions in the final figures, the proposed DCCs are set out in the following table:

Land Use	Unit	Current DCC	40% Assist DCC Year 1	20% Assist DCC Year 2	1% Assist DCC Year 3
Low Density Residential	Per Lot	\$2,032	\$6,506	\$9,101	\$11,585
Medium Density Residential	Per Unit	\$1,430	\$5,101	\$7,140	\$9,092
High Density Residential	Per Unit	\$1,085	\$3,631	\$5,080	\$6,470
Commercial	per/m ² of floor area	\$31.39	\$84.17	\$116.08	\$146.47
Industrial	per/m ² of floor area	\$32,186 (per/ha)	\$57.27	\$79.46	\$100.60
Institutional	per/m ² of floor area	\$26.52	\$75.42	\$104.54	\$132.26

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