Date: June 4, 2002

TO: **Board Members - Parks and Recreation**

FROM: **General Manager - Parks and Recreation**

SUBJECT: ***FINANCING GROWTH REPORT***

RECOMMENDATION

> ***THAT the Board receive for information the 'Financing Growth Draft for Discussion,' and its accompanying staff report to Council.***

POLICY

There is no applicable Park Board policy.

BACKGROUND

Over the past two decades, Vancouver has undergone rapid population growth, placing steadily increasing demands on City services. Since the late 1980s, the City has partially offset the costs associated with providing additional facilities and services through charges on development in areas of intense growth. However, an estimated half of future residential growth and up to 80% of employment growth is expected to occur outside of these defined 'major project' areas. For this reason Council approved the introduction, in January 1999, of two types of charges on development city-wide:

A. Development Cost Levy (DCL): A per square-foot charge on new development which, according to Vancouver Charter provisions, must be used for parks (but *not* recreation facilities such as community centres, pools and rinks), replacement housing, childcare and engineering projects. As well, DCL revenues must be dedicated to projects which serve population growth demands. The interim rate set for the city-wide DCL was $2.50 per square foot for both residential and commercial and $1.00 per square foot in industrial areas.

B. Community Amenity Contribution (CAC): CACs apply when new development occurs through rezoning, and are used to secure whatever additional community amenities Council may deem to be needed as a result of the development. The interim rate set for the city-wide CAC was set at $3.00 per square foot or, for rezonings deemed to be "non-standard," a negotiated rate.

At the same time as introducing these interim city-wide development charges, Council launched the Financing Growth Review to conduct in-depth exploration of what the City's growth costs are and how they can and should be funded, with the intent of making refinements and improvements to this funding tool. The Financing Growth Review has reported back with a set of identified policy choices (see Attachment) which Council at its meeting of June 11, 2002 has approved as a framework for broader public consultation.

The Financing Growth Review was conducted in the main by an interdepartmental team, on which Park Board Planning staff were represented. Some technical analyses of economic issues were performed by consultants. The progress of the Review was monitored on an ongoing basis by a multi-stakeholder Resource Group, composed of volunteer members from the development and building industry, property taxpayers and service interest groups. Included in this last category was a park advocate, Marilyn Bell from Parkland is Sustainable and Supportable, and a recreation facility advocates, Chris Payne from the Community Centre Presidents' Capital Plan Committee.

DISCUSSION

The Financing Growth report is a lengthy and complex document, covering the processes and impacts of development charges as a financing tool along with an evaluation of how population growth affects the full spectrum of city services. This report does not attempt to summarize the entire document but focuses on those aspects which have a particular bearing on parks and recreation services.

Growth and Cost Calculations

The first step in the Financing Growth Review was to identify (a) the amount of growth for which new services would have to be funded, (b) the level and kind of services required, and (c) the capital cost of providing these services.

The Review found that up to 50,500 new residents (half of the anticipated population growth) and 71,500 employees (80% of the employment growth) will be accommodated in the area for which the new city-wide development charges are in effect. While how long this growth will take to materialize cannot be predicted with any certainty, the Financing Growth Review takes as its point of departure the assumption that this growth will eventually occur and must be planned for.

The estimated cost for the City to maintain a constant level of service delivery in relation to population growth is $500 million, net of supplementary funding that could reasonably be leveraged from senior levels of government and other external sources for this purpose.

This overall cost estimate includes amounts required for neighbourhood parks and recreation facilities, as calculated by Park Board staff. The key points of the staff analysis were as follows:

Neighbourhood park provision:

- Calculation of future need based on a "past level of service based approach," yielding a neighbouhood park requirement of 1.1 h. per 1000 population (2.75 acres/1000), consistent with the formula used previously to set park requirement for area specific development charges.
- Analysis conducted for Financing Growth Review shows that Vancouver's supply of neighbourhood park in relation to its population has remained at or near the above ratio throughout the city's history.
- Park requirement was calculated only for residential population growth and not employee growth.
- The total land requirement for 50,500 new residents is 139 acres. Of that total, 90 acres is already secured through development processes currently underway. Thus the net requirement for purchase is 49 acres.
- Even with the full requirement of neighbourhood park met, the supply of all park (i.e., neighbourhood park and city-wide park) per capita will continue to fall.
- The estimated net cost of acquiring and developing neighbourhood parks in relation to the identified population growth is $197 million.

Recreation facility provision:

- Calculation of future need based on a "past level of service based approach," yielding a recreation facility requirement (i.e., for community centres, ice rinks and swimming pools) of 2.29 sq ft per capita, based on benchmarking conducted for downtown major projects and confirmed by analysis done for the Financing Growth Review.
- The net cost estimate for construction assumes that half of the facilities will be constructed on parks (and hence with no cost allowance for land) and that 25% of funding — based on past performance — would be derived from grants and donations.
- Recreation facility requirement was calculated only for residential population growth and not employee growth.
- The total requirement for 50,500 new residents is 115,600 sq ft, or about the equivalent of 2-3 major recreation complexes.
- The estimated net cost of building new recreation facilities to serve the identified population growth is $23 million.

The total net cost of providing neighbourhood parks and recreation facilities to serve the anticipated population growth outside of defined major project areas is $220 million, or about $9 million per year over the next 25 years.

Paying for growth

The second step in the Financing Growth Review was to evaluate the available means to finance the cost of service delivery as calculated above. The critical question to be decided by Council is what proportion of the capital cost of growth should be paid for through the City's Capital Plan (and ultimately, in the main, through the property tax base) and what proportion should be charged against the development activity generating the growth in question.

The Financing Growth Review examined policy issues in relation to DCLs and CACs separately, and identified a number of options for public review and eventual Council decision. The policy issues which concern Park Board interests are summarized below:

- DCL revenues at the interim rate of $2.50 per square foot are estimated to cover 25 - 33% of eligible growth costs. The Review proposes that Council adopt at DCL rate between $3.25 to $5.00 per square foot, which would cover 43-66% of growth costs.
- The interim DCL was allocated between eligible projects such that 54% (or $1.35 per developed square foot) would be allocated to new park acquisition and development. The Report proposes a lower percentage (i.e., 54% down to 41%) for parks. However, if a DCL rate within the recommended range of $3.25 to $5.00 is approved, the money allocated to parks would not be significantly reduced, and would likely increase —as the following comparisons illustrate:
  - Interim DCL charge: $2.50 @ 54% = $1.35 per developed sq ft to parks.
  - Minimum proposed DCL:$3.25 @ 41% = $1.33 per developed sq ft to parks.
  - Maximum proposed DCL $5.00 @ 41% = $2.05 per developed sq ft. to parks.

- The Financing Growth Review report outlines a policy choice to be made with respect to expanding the range of projects currently eligible to receive DCL funding (parks, childcare, replacement housing and engineering infrastructure) to include, for example, community centres, libraries, cultural and social service facilities, and police and fire capital requirements. Such a change would require amendment of the Vancouver Charter by the Provincial Government. The staff involved in the Financing Growth study have made no recommendation on this issue. From a Park Board perspective, the status quo ensures that funding for parks will remain at the level described in the report. If DCL eligibility were to be expanded, the Board would access to funds for new recreation facility projects, but would likely receive a smaller allocation overall since more capital projects would be drawing from the same funding source.

- The Report also identifies policy choices that would affect which forms of development, if any, would pay a reduced DCL rate or exempted from payment. Currently, Park Board is required to pay the City-wide DCL on facility construction. Staff recommend that this charge be reduced or (again through amendment to the Vancouver Charter) eliminated.

- The Report outlines a number of policy choices in relation to Community Amenity Contributions (CACs), many of which bear on the circumstances and methods by which a negotiated approach —as opposed to a flat rate charge —should be applied. Other policy choices consider exemptions to and applications of CAC funding. As a source of capital funding to offset the costs of growth, CACs are very much secondary to DCLs. However, CACs are of significant interest to the Board for two main reasons:

- Unlike DCLs, CAC funds are not restricted in their application. Council can approve their allocation towards the provision or expansion of recreation facilities, or any other purpose it deems to be important.
- Especially in the case of large developments, CACs often take the form of land and built amenity provision, rather than monetary payment. Park Board has been a major beneficiary in the past in terms of both parks and community centres provided through negotiated CACs.

Next Steps

The draft Financing Growth Report is now referred to a broader public review, in order to generate feedback on the many policy options outlined in the Report. Park Board staff will be involved in the design and implementation of this consultation.

At the conclusion of the public review, expected to be in early 2003, a report will be made to Council on policy recommendations on the basis of inputs received. Concurrently, Park Board staff will report to the Board on how these policy recommendations will impact the delivery of parks and recreation services.

SUMMARY

The City-wide DCL and CAC charges instituted by Council in 1999 are critical tools to offset the costs of future residential and employment growth targeted for Vancouver. The Draft Financing Growth Report approved by Council last month provides a framework for broader public consultation on a number of policy refinements proposed in relation to these new sources of capital revenue. Park Board staff will continue to engage in the Financing Growth Review and monitor the upcoming consultative phase. A report back to the Board will be made concurrently with final policy recommendations going forward to Council, scheduled for early in 2003.

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