updated

July 24, 2017

TO: Park Board Chair and Commissioners

FROM: General Manager – Vancouver Board of Parks and Recreation

SUBJECT: City Wide Development Cost Levy Review – Park Board Implications

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RECOMMENDATION

A. THAT the Vancouver Board of Parks and Recreation direct staff to send a letter from its Board Chair to the Mayor of the City of Vancouver, requesting that, if Council approves the staff recommendation in its report titled "Vancouver City-wide Development Cost Levy Update (2017-2026)", Council also provide a guarantee to the Park Board that the Park Board's Development Cost Levy (DCL) allocation will be re-evaluated based on parks capital planning needs in four years (2022), in line with the capital planning process for the 2023-2026 Capital Plan; and

B. FURTHER THAT the Board direct staff to:

   i. Update the Park Land Acquisition Strategy to align with the goals and priorities identified through the Parks and Recreation Services Master Plan (VanPlay) process, and to inform the re-evalution of DCL rates;

   ii. Develop a strategy to identify opportunities and reconcile Park Board interests in the Property Endowment Fund (PEF) and other non-park City-owned lands with City staff to identify options and solutions for maintaining investment in park acquisition and development, and to help inform the re-evaluation of DCL rates; and

   iii. Report back to the Board on the above-noted strategies in 2018.

PREVIOUS PARK BOARD DECISIONS

Staff introduced the City Wide Development Cost Levy (DCL) Review process and its implications for the Park Board in a Report Reference presentation on June 19, 2017, at which time the Park Board provided the following direction:

A. THAT the Vancouver Board of Parks and Recreation direct staff to work with the City of Vancouver to identify options and solutions for maintaining investment in park acquisition and development; and

B. THAT staff report back to the Board on available options prior to the July City Council meeting when Council will consider the DCL recommendation.

CITY BY-LAWS & POLICIES

Between 1993 and 2007, City Council approved 11 DCL Districts - City-wide DCL, seven Area-specific DCL and three Layered DCL - and applied varying DCL rates to offset the anticipated growth-related costs.

In 2004, Council adopted the Financing Growth Policy that sets the framework for the collection and allocation of DCLs to help fund eligible public amenities needed for growth.

From 2008 to 2015, Council approved various adjustments to DCL rates and their scope to reflect land and construction cost inflation, to incorporate waivers for affordable rental housing projects, and to move toward City-wide vs. area-specific DCLs.

In 2015, Council approved a review of the City-wide DCL, including growth costs, rates and allocations. City staff will present this report to Council's Policy and Strategic Priorities Committee on July 26, 2017.

BACKGROUND

The City of Vancouver is gradually updating the DCL system to address the City's growth needs more effectively at both the city-wide and community levels. This will help address critical issues associated with growth, including housing affordability, lack of quality childcare spaces and transportation and core infrastructure needs.

City of Vancouver - DCL Review

In July 2015, Council directed City staff to review and update the City-wide DCL By-law. The update is based on a 10-year (2017-2026) timeframe and includes the following components:

- Updating population and job growth projections;
- Identifying capital costs for corresponding DCL eligible public amenities and infrastructure (including sewer, drainage, and water programs as new items);
- Determining DCL allocations and rates; and
- Establishing a new City-wide DCL by-law.

As a result of the review, City staff are recommending that the City-wide DCL rates be adjusted to recover a share of the updated costs forecasted in the 10-year (2017-2026) DCL capital program. The recommended DCL rates are anticipated to generate approximately $1.0B that will help fund a portion of the contemplated growth costs over the 10 years.

As part of the 2019-2022 Capital Plan, City staff will rationalize overall service levels and service delivery models for the City's public amenities and infrastructure, and recommend a viable financial strategy to accommodate asset renewal and growth needs. This may result in further recalibration of the DCL rates and/or allocations. The DCL rates and allocations will be evaluated every four years alongside capital plans.

City staff will present a report to Council[1] on July 26, 2017, with four recommendations:

1. Increase City-wide DCL rates to recover a share of updated growth costs;
2. Update DCL allocations, including a reduction of the parks allocation from 41% to 18%;
3. Add DCL relief for select civic, cultural and social uses; and
4. Replace the Downtown South DCL District with the City-wide DCL District.

This project impacts the Park Board because DCLs are currently a major source of funding for growth related projects. Over the past 5 years, Park Board has received $149M of DCL funds.

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[1] Note: this document will be updated with a link to the Council report once it is posted to the City website

DISCUSSION

As mentioned above, the proposal to change both rates and allocations has an impact on new DCL funds coming to the Park Board to fund its future growth-related capital program.

Assuming the proposed rates and allocations are approved by City Council, the financial impact over the next 10 years, assuming no further changes to rates or allocations, is summarized in the tables below. Scenario A shows the existing allocation, and B the proposed.

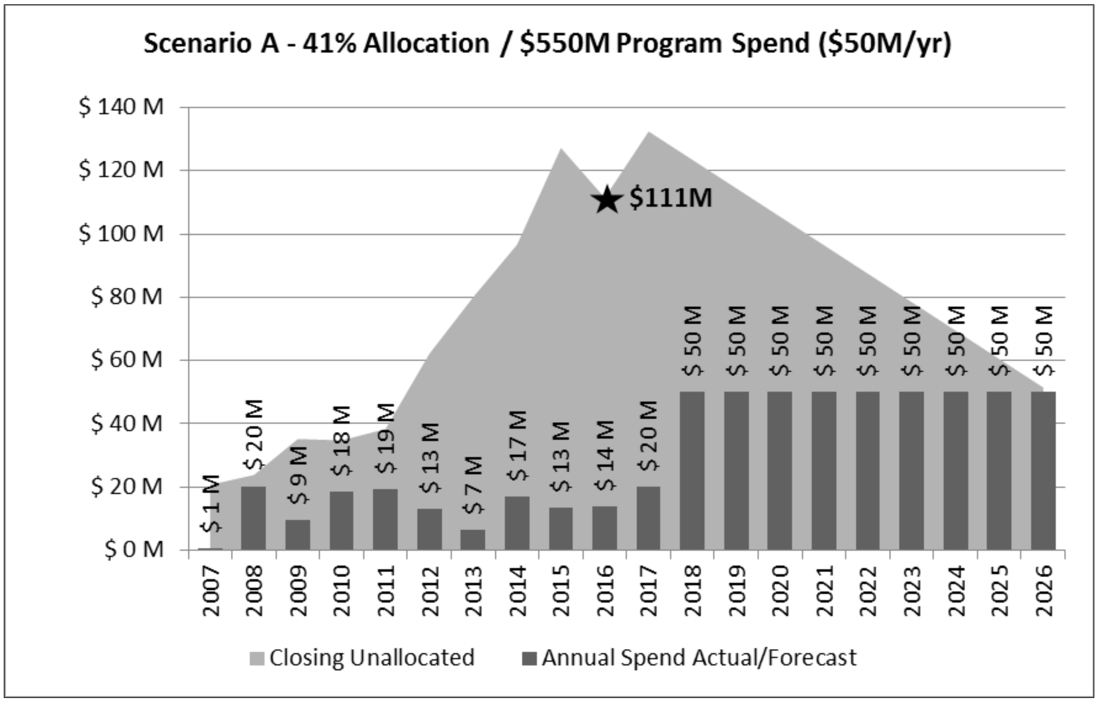
Table 1 - $ Impact of New Allocation % on Park Board (2017 - 2026)	**Scenario A**	**Scenario B**
Assumed DCL revenues received by the City (2017 - 2026)	$ 1,000.0 M	$ 1,000.0 M
Parks Allocation %	41.0%	18.0%
DCL Funding allocated to Park Board	**$ 410.0M**	**$ 180.0 M**
Net Difference (Scenario A - Scenario B)		**$ (230.0 M)**

Table 2 - Growth Related Funding Available to Park Board (2017 - 2026)	**Scenario A**	**Scenario B**
Opening Balance of Unallocated DCL Reserve	**$ 111.0 M**	$ 111.0 M
Plus:		
Additional Funding Sources (CACs, Grants, etc.) - Estimate	$ 69.0M	$ 69.0 M
DCL Funding allocated to Park Board (2017-2026)	$ 410.0M	$ 180.0 M
Total "Growth-Related" Funding Available	**$ 590.0M**	**$ 360.0M**
Net Difference (Scenario A - Scenario B)		**$ (230.0 M)**

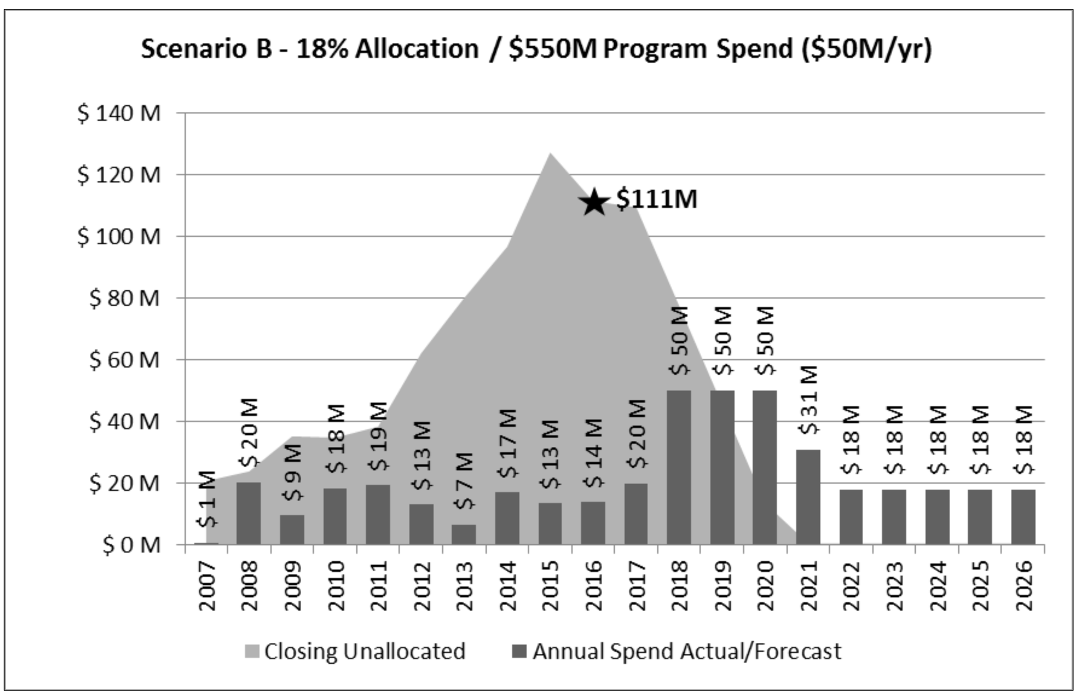
As can be seen in Table 2, the Park Board will receive roughly $230M less funding as a result of the proposed change in allocation, or roughly $23M less per year.

Historically, the Parks Board has spent roughly $10M-$20M of DCLs annually. However, land values have increased exponentially in recent years, negatively impacting the Park Board’s purchasing power for growth related park space.

Based on a $550M growth related capital program (2017–2026), it is assumed that the Park Board will spend approximately $50M per year on park growth & development. Based on this assumption, the following diagrams demonstrate the impact of the proposed allocation on Park Board cash flow.

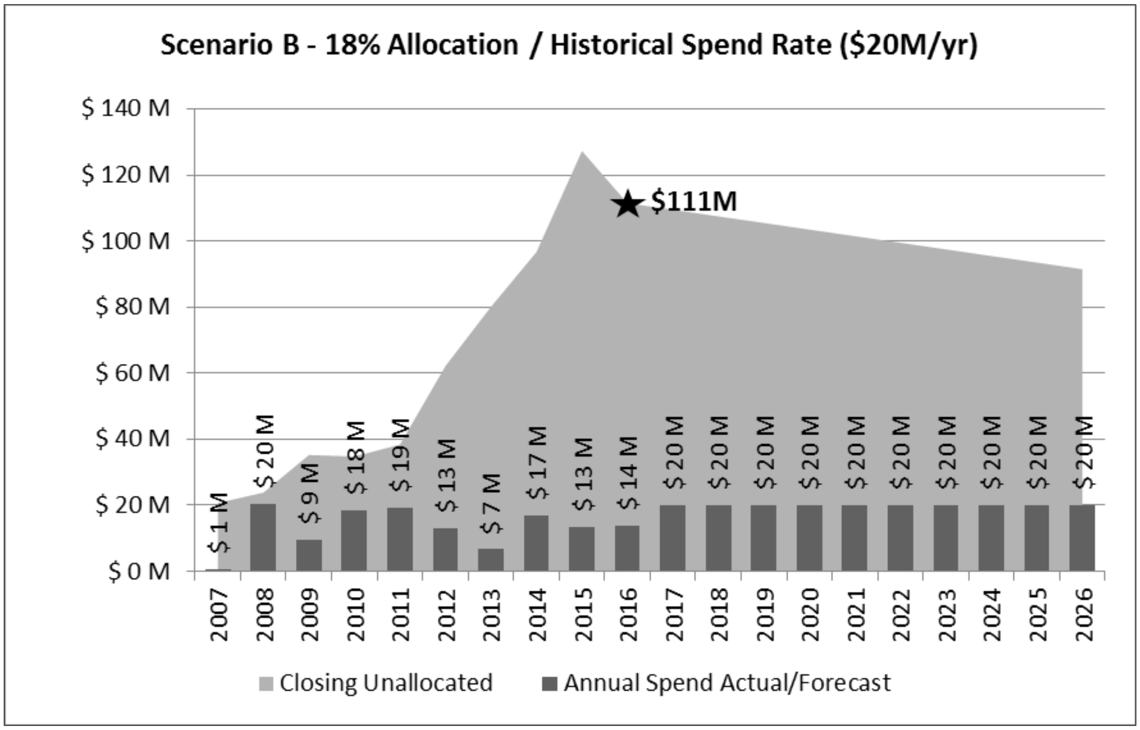


Under Scenario A, the Park Board would not hit a constraint during the 10 year period ending 2026, and would end that same period with $51M remaining in the DCL reserve.



Under Scenario B, the Park Board would hit a constraint on available funding by 2021, resulting in a reduction of spend capacity in that year to $31M. In the years to follow, the Park Board would have no remaining reserve balance, and would be constrained to the $18M of new funding received each year.

As mentioned previously, the Park Board has historically spent $10M - $20M annually of DCL funding on growth related initiatives. If we assume this same spend pattern of $20M per year, the Park Board would have sufficient funding in the long term to fund growth initiatives. In this scenario, the Park Board would only need to draw $2M each year from the reserve to supplement the $18M of new funding received under an 18% allocation. The remaining reserve balance could be preserved for large land purchases, or years in which there are spikes in growth-related initiatives.



A known pressure point for the Park Board is the potential significant land purchase in the near term to address growth related needs along the Fraser River in the magnitude of $60-$80M. A park purchase and subsequent development of this magnitude will utilize the majority of the current balance of unallocated DCL; this would further constrain future year spend capabilities.

Confirmation of Acquisition and Development Needs through VanPlay

A review and renewal of the draft park acquisition strategy is currently underway within the Parks and Recreation Services Master Plan (VanPlay) process. This review considers a better definition of current state, demographics, community needs, and service levels. As VanPlay is completed in 2018, a clearer picture of needs and therefore anticipated capital resource needs will emerge and inform Park Board discussions with City staff before DCL allocations are updated.

Planning Review of the Parks Interests in Property Endowment Fund (PEF)

The City of Vancouver's Property Endowment Fund and the Property Endowment Fund Board were created by a Council resolution in 1975. The 5-member Board is made up of the Mayor, two members of Council, the City Manager, and the Director of Finance. The purpose of the PEF Board and PEF Fund is to maintain or increase the City's ownership of strategic land in the City of Vancouver; to support the City's planning and development objectives; and to produce a reasonable return on the City's investment in properties consistent with the City's planning and development objectives. All decisions of the Board must be ratified by Council.

Park Board staff have recently been in discussions with City staff to reconcile land ownership and park use. Although the vast majority of park lands in Vancouver are permanent parks under the exclusive jurisdiction of the Park Board, in some areas, parks (e.g. Creekside Park) are owned by the PEF. In other areas, lands owned by the Park Board are in use by the City (e.g. residential lands adjacent to Delamont Park). As VanPlay is completed and the draft Park Land Acquisition Strategy is updated, staff will conduct a broad review of all lands currently within the PEF and lands purchased with capital funds to identify both options and solutions for maintaining investment in park acquisition and development, and to confirm and align land use and ownership to help inform the re-evaluation of DCL rates.

Table 3 - Example of Park Ownership and Use

Type of Land Holding	**Current Use: Residential or Other**	**Current Use: Park**
Capital (Parks)	Delamont Park	Queen Elizabeth Park (typical)
Property Endowment Fund	8895 Main Street (foot of Main Street on the Fraser River)	Creekside Park

SUMMARY

The City is revising the DCL system to address the City’s growth needs more effectively at both the City-wide level and community level. The City has urgent needs to address housing affordability, availability of childcare and other transportation and core infrastructure demands.

Currently the Park Board has a large reserve from DCLs that should allow the Park Board to meet its capital planning objectives for the next 5 and possibly 10 years. Therefore, the City is proposing to reduce the Park Board’s current 41% share of DCLs collected to 18%. Moving forward, City staff will re-evaluate and reset the new allocation every four years to align with the City’s Capital Planning Process.

Based on current financial needs, the Park Board should be able to continue to purchase and develop park land as planned for the next 10 years. However, if park land use and ownership is rationalized with monies owed to the PEF, and if a significant purchase along the Fraser River is completed, the Park Board’s DCL reserve could disappear quickly. Therefore, it is imperative for parks service planning to have the DCL rates evaluated and reset at the proposed four year interval, to ensure that the Park Board can keep pace with needed acquisitions and development, in a climate of rapidly increasing costs.

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