June 16, 2022

TO: Park Board Chair and Commissioners

FROM: General Manager – Vancouver Board of Parks and Recreation

SUBJECT: Vancouver Development Cost Levy By-Law Updates (2023-2032) – Park Board Implications

RECOMMENDATION

A. THAT the Vancouver Park Board support the Council Report titled, 'Vancouver Development Cost Levy By-Law Updates (2023-2032)' as linked to and described in this report.

B. FURTHER THAT the Board direct staff to send a letter to Mayor and Council, requesting Council also advocate strongly to the Provincial government for increased flexibility in how DCLs may be used for parks and recreation capital projects, to better respond to the growing population, citing the City's need to direct more development contributions toward intensifying and upgrading parks, and providing a wide variety of new parks and recreation facilities.

REPORT SUMMARY

This report updates the Board on results and implications to the Park Board of the recent City review of the City-wide Development Cost Levy (DCL) program. The DCL review resulted in recommendations in four areas; DCL rates, allocations, waivers, reduced rates and other administrative changes. This report focuses on the implications of this work for parks and recreation, whereas the Vancouver Development Cost Levy By-Law Updates (2023-2032) report to Council provides more detailed information about the review process and implications for other service areas.

Overall, the DCL Update report proposes a significant increase in the City-wide DCL allocation for Parks (from 18% to 34.5%). While this increase returns the City-wide DCL allocation closer to the previous 41%, other aspects of the DCL framework impact the total amount of City-wide DCLs available. The DCL Update report will have a positive impact on parks and recreation, but more advocacy work is needed with other levels of government as there is not enough funding, nor the flexibility, to meet the growing parks and recreation needs of people living and working in Vancouver. Staff will provide more details on the capital projects funded by DCLs, and projects without funding in the upcoming report on the 2023 – 2026 Capital Plan.

Implications for parks and recreation amenities and infrastructure from the recommendations in the Council Report primarily relate to two aspects of DCL collection and allocation. First, as the City works to accommodate population growth while improving affordability, over the next 10 years there will be added pressure on funding tools like DCLs to fully fund service areas like parks and recreation. Additionally, DCL funding flowing to parks is too restricted to fully support current and growing needs to intensify park use and make existing spaces more durable and resilient to support a growing population. Therefore, while the increases to the DCL allocations for Parks are a positive change, the challenges noted above may contribute to a problematic funding gap for parks and recreation.

PREVIOUS BOARD DECISION

On July 24 2017 staff presented the City Wide Development Cost Levy (DCL) Review – Park Board Implications, when the previous DCL review was underway, as per the Board decision a letter was sent to Mayor and Council. In July 2017, City Council approved the first significant rate and allocation changes to the DCL program since 2004 when they first adopted the Financing Growth Policy. The updates increased the City-wide DCL rates, and reduced the allocation of DCLs to Parks, this change took effect in 2018.

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 2003, 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 2017, Council approved amendments to the DCL bylaw to update the rates and allocation of DCLs approving 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% reflecting the large unspent Parks DCL reserve;
3. Add DCL relief for select civic, cultural and social uses; including community centres, and
4. Replace the Downtown South DCL District with the City-wide DCL District.

In 2018, Council approved a new City-wide Utilities Development Cost Levy (Utilities DCL) to address the need for upgraded water, sewer, and drainage infrastructure to support growth.

BACKGROUND

Vancouver is a growing city, as new residents and employees arrive in Vancouver, need grows to maintain and improve the network of public benefits. To address these costs of growth, the City has three main capital funding sources:

- **City contributions** – Property tax, water and sewer utility fees) typically fund most maintenance and renewal of existing public amenities and infrastructure.
- **Development contributions** – Consistent with the City's Financing Growth Policy (2003), new and expanded public amenities and infrastructure to support growth are funded In part through development contributions such as DCLs, Community Amenity Contributions (CACs), Density Bonus Zoning Contributions, conditions of development, and utility connection fees.
- **Partnership contributions** – External funding from the federal, provincial and regional governments, non-profit agencies, foundations, and philanthropists could fund both

maintenance and renewal work and new and expanded public amenities and infrastructure.

Development contributions such as DCLs, CACs and Density Bonus Zoning Contributions are the City's primary Financing Growth tools to fund public amenities and infrastructure to support growth. The city collects DCLs based on the principle that new development, including both population and job growth, increases demand for public amenities and infrastructure, including parks and recreation. Therefore, new development should contribute financially toward providing new public amenities and infrastructure.

Without tools like DCLs (and Community Amenity Contributions (CACs) and Density Bonus Zoning Contributions (DBZs)), the City would have to rely on property taxes, utility fees and other City funding sources to fund new amenities and infrastructure. In addition to park amenities and infrastructure, DCLs also help finance transportation, utilities (water, sewer and drainage) infrastructure, and unlike other municipalities in BC, the Vancouver Charter enables the City of Vancouver to collect DCLs for acquiring property for and establishing childcare facilities, and to create affordable replacement housing for people displaced by development. The City's Financing Growth team releases annual reports on both DCLs and CACs that detail the policies, rates, implementation, and community benefits provided by the funding.

The Vancouver Charter specifies how the City may collect, allocate and spend DCLs, including eligible parks expenditures. For DCLs allocated to parks, funds are limited to acquiring or reclaiming parkland, providing fencing, landscaping, drainage and irrigation, trails, restrooms, changing rooms, playgrounds and playing field equipment, on parkland. As the Province created the DCLs framework to help municipalities pay for amenities and infrastructure made necessary by growth, only new projects, or growth portions of renewal projects that serve the growing population, are eligible for DCL funding.

The Park Board has historically depended on DCLs as the largest source of capital funding dedicated through the four-year capital plan and allocated through the annual budget. Historically Park Board focused most DCL spending on land acquisition; however, more recently, this has shifted towards building and expanding park infrastructure and amenities in densifying communities with constrained land to support intensifying park use. Park Board has continued acquiring land strategically in priority areas as opportunities arise, although as land values have increased exponentially, the Park Board's purchasing power for new parkland has decreased significantly. Park Board is also increasingly using different tools such as land dedications and in-kind CACs for park acquisition. Over the next 10 years, it's anticipated that an additional 10 hectares of park space will be acquired through dedications and in-kind CACs, which is nearly double what is anticipated to be secured through DCLs.

DISCUSSION

The Vancouver Development Cost Levy By-Law Updates (2023-2032) report seeks Council approval to implement 25% - 38% increases to the City-wide DCL and Utilities DCL by-law rates phased in over 2 years, change the City-wide DCL allocations, and modify the City-wide DCL waiver for market rental and the DCL by-laws.

This work affects the Board of Parks and Recreation, as it sets the funding amount collected from new development, and the allocation towards parks to help pay for new land, infrastructure and amenities to serve the growing population. Park needs specified for the next 10 years include 5.3 ha of parkland acquisition (as well as 10 ha delivered through dedications/in-kind CACs), development and improvements at parks across Vancouver, and seawall and urban forest enhancements. Parkland acquisition represents 40% of the net DCL capital program for Parks over the next ten 10 years. The remaining 60% of net DCL costs is anticipated to be spent on park development and various park improvements/programs.

Development Forecast

The development forecast for 2023-2032 anticipates approximately 56.2M ft^2 of net new floor area, predominantly located in the Downtown Core, within recent community plan areas, and along transit lines. Of the total, roughly 75% or 41.9M ft^2 is anticipated as residential development and 25% or 14.3M ft^2 as commercial development. Residential development is projected to largely consist of new apartments through redevelopment and further intensification; 12% is forecasted to be social housing, and 33% forecasted to be rental housing, with the remaining 55% as ownership/strata. These housing projections indicate a growing number of residents who will rely heavily on public parks for their outdoor and recreation needs.

DCL Allocations

The allocation towards parks in the City-wide DCL is proposed to increase from the current 18% to 34.5%. The table below shows the how DCL allocations have changed over time both as a percentage share, and total dollars allocated.

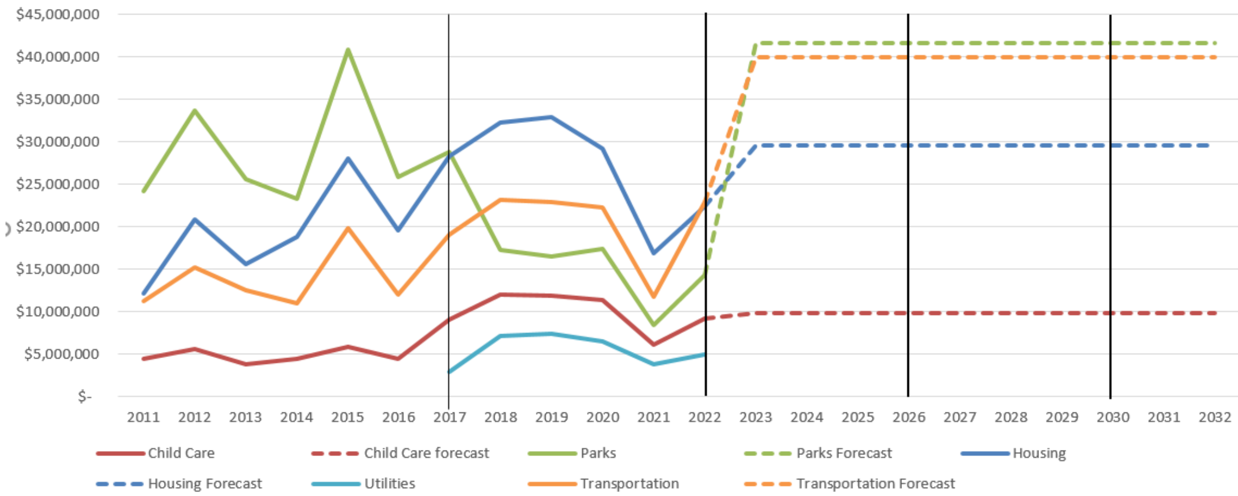
Table 1.0: DCL Historical Allocations by Service Area

DCL Category	Pre 2017	2017-2026		2023-2032 (proposed)	
City-wide DCL					
Parks	41%	18%	$19.5M/yr	34.5%	$41.7M/yr
Housing	32%	36%	$37.7M/yr	24.5%	$29.5M/yr
Transportation	22%	25%	$26.5M/yr	33%	$40M/yr
Childcare	5%	13%	$13.3M/yr	8%	$9.8M/yr
Utilities	0%	8%	$8.9M/yr	Moved to Utilities DCL	
Utilities DCL	n/a	n/a	$54.3M/yr	n/a	$65M/yr

As shown above (Table 1.0), prior to 2017 41% of all DCLs coming in to the City went to 'Parks'. In 2017, City Council reduced this allocation from 41% to 18%, primarily in response to a large unspent Parks DCL reserve that had built up over time (this reserve is now depleted). Utilities were included in the City-wide DCL at an introductory rate in 2017 at 8%. Further changes in 2018 included the creation of the UDCL to fund Utilities separate from City-wide DCLs. Prior to introducing UDCLs, new utilities were primarily funded through rezoning development conditions. The current DCL Update report includes new proposed City-wide DCL allocations for the 2023 – 2026 period including 34.5% for parks. Along with the increased DCL rates, the anticipated DCL funding for Parks is anticipated to double in this update, from $19.5M/yr in 2017 to $41.7M/yr in 2022.

In the last DCL update in 2017, out of a desire to address the critical issue of housing affordability and childcare availability in Vancouver, City Council increased allocations toward the overall share of DCLs for utilities, transportation, housing and childcare, and as noted above, decreased the share to parks (Figure 1.0). As both housing and childcare are historically the primary responsibility of senior levels of government, and the City of Vancouver is unique in its ability to direct DCLs to housing and childcare, this shift to use growth funding to address other needs, decreases funding for parks and recreation. The proposed allocation for 2023-2032 reduces the share to both housing and childcare, as well as moving the utilities portion of the City-wide DCL to its own dedicated UDCL. This recalibration of the City-wide DCL allocations will better address Park needs than the current, very limiting, City-wide DCL funding allocation.

Figure 1.0: City-wide DCL collections and forecasted allocations by service area



**The revenue projections do not reflect the rate phase in.*

Updated DCL Rates

The DCL Update review uses the 10-year Development Forecast paired with a 10-year DCL Capital Project Lists developed with input from all capital service groups to determine the DCL rate calculations. To deliver the required DCL capital programs and projects needed to serve the anticipated growth within the 10-year development forecast, the report recommends City-wide DCL and Utilities DCL rate increases (shown in Table 2 and Table 3 in the of the Council report). To calculate the updated DCL rates, the growth-related capital costs were divided into the gross floor space forecast to arrive at the base DCL charge.

Impacts on Parks and Recreation Service Delivery

Moving forward, delivering Parks services as Vancouver densifies will be increasingly challenging. Growing the park land base will be more difficult, and population shifting to live in more compact housing with less available private outdoor space will put disproportionately more pressure on all open spaces. These changing needs in a densifying city will combine with added challenges of climate change, urban social issues, and cost escalation that are already making delivering new park amenities, facilities and infrastructure more complicated and expensive than ever before. This combination of impacts will have a growing impact on parks and recreation services in Vancouver over time.

This report recommends sharing these concerns with City Council, requesting greater advocacy with the Provincial Government, asking them to increase their funding toward renewing urban infrastructure, and loosen restrictions on DCLs to help address these deficiencies. As with all municipal services, the Park Board will also need to use alternative delivery models to increase Parks services in the future, such as using other contribution tools like dedications and in-kind CACs (which is currently being utilized), space conversions, and intensification of existing park space.

FINANCIAL / OTHER CONSIDERATIONS

The 2022 DCL Update helps ensure that the City has the DCL funding required, over the next 10 years (2023-2032), to meet growth demands and provide public benefits accordingly. This update includes a 10-year development forecast, revised capital programs for each service area, including parks, to reflect the anticipated growth, revised City-wide DCL allocations, and updated DCL rates to fund capital programs. The proposed allocation of 34.5% of DCL's to Parks, corresponds to a projection of $417M over the next 10 years.

NEXT STEPS

City staff will present the Vancouver Development Cost Levy By-Law Updates (2023-2032) report recommendations on June 22, 2022, for Council consideration. The City is committed to reviewing and updated the DCL program every 4 years, and will provide another DCL update prior to the following 4-year capital plan (2027-2030).

CONCLUSION

The City is updating the DCL system to address the City's growth needs City-wide. This update includes a 10-year development forecast, revised capital programs for replacement housing, childcare, parks and recreation, transportation, and utilities to reflect the anticipated growth, revised City-wide DCL allocations, and updated DCL rates to fund the revised capital programs. The update also includes an adjustment to the City-wide DCL waiver for for-profit affordable rental housing, along with other by-law amendments for reduced rates and administration. These allocations and program updates aim to have growth pay for growth, and balance the needs of all residents in allocating DCL funding.

City staff recommend City Council increase DCL rates and update allocations, including 34.5% of all City-wide DCLs directed towards park uses. Moving forward, Parks and Recreation is facing a growing population, living in more compact housing with less available private outdoor space, increasing pressure on parks and recreation amenities and infrastructure. This extra pressure adds to existing climate change pressures, urban social issues, and cost escalation that are already increasing impacts and demands on parks and outdoor amenities and costs of improving and maintaining park systems.

As this situation and balance of impacts will continue to negatively affect parks and recreation services in Vancouver over time, this report recommends sharing these concerns with City Council, and requests greater advocacy with of the Provincial Government. If the Province can increase their funding toward renewing urban infrastructure, and loosen restrictions on existing funding tools, parks and recreation can better address these deficiencies, while staff continue investigating and implementing appropriate alternative service delivery models in the future as the City navigates its fiscal constraints.

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