

Leslie Whittaker

From: Leslie Whittaker
Sent: Monday, May 29, 2017 9:29 AM
To: Leslie Whittaker
Subject: May 3rd meeting follow up from Mayor Mussatto
Attachments: Letter from Ben Themens, LEC Executive Director.pdf

Begin forwarded message:

From: "Jessica Hodgins" [REDACTED]
To: "Anne McMullin" <AMcMullin@udi.org>
Subject: May 3rd meeting follow up from Mayor Mussatto

Hello Anne,

Mayor Mussatto has consulted with City staff, and asked that I forward you the messages below and attached.

Thank you for our meeting on May 3rd, and your memo regarding the City of North Vancouver's Density Bonusing and Community Benefits Policy and Lonsdale Energy Corporation's project review fee.

I have had a brief discussion with planning staff about UDI's concerns with the Density Bonus and Community Benefits policy review process underway. It is my understanding that due to feedback already received at the policy input meeting with UDI and the Open House, it has been staff's intention now to recommend a phased approach to merging the two categories of Category B bonuses. Therefore, the contributions for bonusing outside the City Centre will likely not increase to the same degree as reported in your memo.

It is my understanding that a full impact analysis was not done due to the number of years and the breadth of analysis and consultation that was done to create the Density Bonus and Community Benefits Policy, during the five year period of 2010 to 2015, and the fact that the new policy has been in full effect for only a year. However, staff have assured me that real analysis was done internally, and verified by a third party (G.P. Rollo and Associates). The sales data that was considered in this analysis, I am told, included all recent City sales, and was not exclusively based on per square foot sales on the waterfront.

Due to the feedback already received from a number of parties over the course of the policy review, staff's intention is to recommend the creation of a Community Amenities Strategy, in line with your suggestion.

With regard to your concerns about LEC's project review fee, please see the attached letter from Ben Themens, Executive Director.

Sincerely,

Darrell Mussatto

May 18, 2017

Mayor Darrell Mussatto
City of North Vancouver
141 West 14th Street
North Vancouver, BC
V7M 1H9

Subject: Memo from Urban Development Institute dated May 2, 2017
May 3, 2017 Meeting with Mayor Mussatto

Mayor Mussatto:

Thank you for sharing with me the above-mentioned memo describing UDI's concerns regarding the Lonsdale energy Corporation (LEC) project review fee.

Ms. McMullin is correct in stating that the fee recently increased from \$100 to 0.15% of construction costs which is a significant increase particularly for larger buildings.

However, as mentioned in the report presented to Council at the time of the rate adjustment, the previous \$100 fee was insufficient to fund the work related to the review of development and building permit applications; inspections during and following construction; technical assistance during in-building system design and commissioning phases; and performance monitoring and technical support during the first 18 months of system operation.

The former fee had been in place since LEC's start of operations in 2003. At that time little support was envisioned to assist building owners and developers during design, construction, commissioning and monitoring of the buildings. Initially, it was deemed that work related to the connection of a building to LEC would be comparable to the provision of water and sewer services. However, over time it became obvious that to promote good performance of in-building thermal systems and to enhance satisfaction of end users, LEC had to be involved in the review and modification of the design and to inspect and test installed building systems, in addition to continued follow-up support to rectify problems post occupancy. It has been clear and evident that many in-building thermal systems have not been designed nor constructed to achieve efficient operation or comply with LEC's operational requirements. Due to developments and in-building mechanical systems becoming increasingly complex, LEC's involvement in the review,

testing, commissioning, and monitoring of the buildings has continued to increase ever since.

LEC believes that developers benefit from a detailed review of the drawings and issues. Such work reduces the need to make corrective work later in the process and enhances the satisfaction of occupants which in turn reduces both complaints and disputes with occupants as well as LEC security deposit reimbursement delays.

The adjusted fee was set after a review of the value of a sample of buildings connected to LEC and is designed to recover \$120,000 to \$150,000 based on a total annual construction value of between \$80 million and \$100 million. As explained in the following paragraph, there is significant risk that LEC will not recover the full cost, including benefits, of an engineer (\$150,000 per annum). The analysis including the list of the buildings considered in the review and their construction value was provided to Council in a confidential report to protect the proprietary information of the various developers.

Since start of operations in 2004, LEC has connected a total of 65 buildings over a period of 13 years. Not all City buildings are connected to LEC. Only buildings with floor area exceeding 1,000 sq. m. and located in a service area are considered for connection. LEC currently connects 5 or 6 buildings annually to its network. The fee applies only to those buildings. At a rate of 0.15% of construction costs, Ms. McMullin's example of a project paying \$50,000 translates into a construction value of \$33 million. Connection of buildings of this size may occur once a year but is certainly not the norm. Two buildings of \$36 million and \$40 million currently under construction were listed in the sample of the projects provided to Council which considered buildings built over a period of two years. Such large buildings are built over a period of more than one year, and the process from initial building review to commissioning during occupancy often take several years. For this reason, LEC considers that the likelihood that the City or LEC will likely be earning a surplus is low and that if it was to be the case, the surplus would likely not be material.

With regard to the phasing-in of the fee, it is important to note that unfortunately, LEC can no longer continue to provide an adequate level of service to developers without starting to receive compensation for services rendered. LEC had initially suggested a fee similar to the one included in the City Fire Bylaw at 0.075% (half the current fee) for a period of two years with the other half of the cost being funded by the City. However, City Council has requested that LEC recover the total cost on its own by increasing the fee.

It should be noted that the fee is to be collected at the time of building permit issuance. For instance buildings who have received an excavation permit prior to bylaw adoption will not be charged the new fee on this portion of the work.

Following the request of one developer, LEC has considered a "grandfathering" period. Considering that LEC cannot further delay being fairly compensated for its work, this

could have been achieved by starting charging on an hourly basis for all work and expenses incurred by LEC. This charge would have been applied to all projects including those completed that require technical support or performance monitoring and that did/would not pay the new fee. However, LEC has chosen not to implement this option for the following reasons:

- 1) such an approach would discourage cooperation between LEC and developers who might want to minimize LEC hourly fees at the detriment of building / commissioning quality;
- 2) to enhance certainty, LEC believes that developers will prefer to pay one lump-sum amount at the start of the project which can then be budgeted prior to start of construction; and
- 3) the process would have been administratively cumbersome and given the fact that the developers of the largest City buildings often have more than one project in the City, the accumulated hourly fees from all projects being built or with pending performance issues would likely have provided limited financial relief while increasing uncertainty and decreasing cooperation.

Please do not hesitate to contact me if you require additional information.

Sincerely,



Ben Themens, MBA, P.Eng., CPA, CGA
Executive Director

c.c. Ken Tollstam, City of North Vancouver CAO and LEC Director
Councillor Rod Clark, LEC Director