



City of Port Moody

Report/Recommendation to Council

Date: October 25, 2020
Submitted by: Community Development Department – Policy Planning Division
Subject: Delegation Response – Secondary Suite Utility Fees

Purpose

To provide a response to the July 14, 2020 delegation from Bev Davino regarding secondary suite utility fees and to provide Council with information regarding secondary suite charges.

Recommended Resolution(s)

THAT the report dated October 25, 2020 from the Community Development Department – Policy Planning Division regarding Delegation Response – Secondary Suite Utility Fees be received for information.

Background

On July 14, 2020 Council received a delegation from Ms. Bev Davino. In her presentation, she noted that homeowners that have declared secondary suites are being billed excessively for utilities. She further noted that homeowners have acted in good faith in declaring the suites and expect fairness and equity in utility billing from the City. Ms. Davino requested that Council revisit and rescind the current Fees Bylaw. In response, Council passed the following resolution:

RC20/275

THAT the delegation request be placed on a subsequent Council agenda for consideration.

This report provides additional information regarding fees for secondary suites and related previous Council discussions.

Discussion

In March 2010, Council had received a similar delegation raising concerns with secondary suite water and sewer fee requirements. A staff report written in response was considered at the March 23, 2010 Regular Council Meeting (**Attachment 1**). The report outlines the history of the secondary suite program and considerations discussed as part of establishing utility fees for secondary suites. Some of the key points of the report are:

- the secondary suite implementation program was endorsed by Council in April 2004;
- water and sewer utility fees for secondary suites were initiated in 2005;

- in the absence of metering, a flat user fee is the simplest and fairest way to allocate system costs;
- given that each separated individual housing unit has an equal unrestricted opportunity to use the services, secondary suites should bear the same charges as other recognized separate legalized housing units;
- the size of the housing unit has no direct correlation to the amount of services used;
- the number of household members has no direct correlation to the amount of services used;
- the costs of water and sewer services are mostly fixed costs (e.g. pipes, pumps) and not as much related to the amount of water used; and,
- water and sewer funds are operated as fully funded user pay systems. Removing or reducing secondary suite utility charges would result in fee increases for other households to offset the loss of revenue in order to cover the costs of operating the utility systems.

At that time, Council received the staff report for information and no changes to secondary suite utility fees were made.

In 2015, Council established a Secondary Suite Task Force to: look at alternative ways to charge for secondary suites; review other secondary suite practices in the region; examine fees to determine if they are fair and equitable; review the success of secondary suites as a form of affordable housing; and identify financial implications that any related changes to the Zoning Bylaw, Fees and Charges Bylaw, and Business Licensing and Regulation Bylaw may have.

At the March 7, 2017 Regular Council Meeting, a report from the Secondary Suite Task Force was considered (**Attachment 2**). The report included 12 recommendations based on the themes of supporting new suites, ensuring equity in costs and charges, and promoting compliance and education. Three of the recommendations in particular focussed on simplifying the current fee structure and potential fee reductions, as follows:

- *Implement financial incentives for new secondary suite registrants and rebates for ongoing compliance. This could include an amnesty period for registration with a waiver or reduction of costs in the first year of registration.*
- *Simplify the existing fee program for secondary suites that charges both a Business Licence and Utility fees, and develop one fee that covers the cost of managing secondary suites.*
- *Examine the current fee structure of charging double utility fees. Consider programs implemented in Pitt Meadows and Coquitlam that charge fees at either 40% or 100% based on the status of the secondary suite.*

Council endorsed all of the recommendations and referred them to staff for action.

At the October 17, 2017 Committee of the Whole meeting, draft 2018-2022 water rates were presented and potential revisions were discussed. These included a 2018 cap of \$450 for single-family dwellings and a proportionate spread between the other three proposed rates for townhouse, secondary suites, and apartments. This would have resulted in lower 2018-2022 water rates of \$400-\$439 for secondary suites, compared to \$450-\$494 for single-family

dwelling. At that meeting, Council directed staff to maintain the same water rates for all household types. A similar flat fee approach for all households is applied for sewer services.

At the November 21, 2017 Special Council Meeting, Council received a follow up staff report (**Attachment 3**). With regard to developing one fee that covers the cost of managing secondary suites, staff recommended against combining licence and utility fees given that both are currently reviewed and collected at different times. This approach would also be difficult to administer given Council direction to waive or reduce licence fees for the first year for secondary suites. At that meeting, Council directed staff to prepare an amendment to the Fees Bylaw to implement a no-fee business licence for the first year for property owners who register their secondary suites.

At the January 23, 2018 Regular Council meeting, staff presented a Corporate Policy addressing a No-Fee Business Licence for the first year of registration of secondary suites for Council's consideration. At that meeting, Council approved the related Corporate Policy 09-4300-2018-01. At the subsequent March 13, 2018 Regular Council meeting, a revised policy that included a no-fee business licence for all secondary suites was presented and approved. At that time, it was noted that elimination of the business licence fee for secondary suites in 2019 would result in a revenue reduction of \$35,000 and require a 0.09% tax increase to make up for the shortfall in overall revenue.

In summary, since its implementation in 2004, Council has considered changes to secondary suite business licence and utility fees on multiple occasions. To date, approved changes have been limited to a no-fee business licence for all secondary suites. Consideration of further changes will require an analysis of associated financial impacts.

Other Option(s)

THAT staff report back with a tiered approach to water and sewer fees that includes lower utility rates for secondary suites and an analysis of the associated financial impacts.

Financial Implications

The City's water and sewer funds are operated as fully funded user pay systems. For 2020, utility fees collected for secondary suites were \$326,300 (\$138,850 – Sewer and \$187,450 Water). If the City were to reduce secondary suite utility fees, the rates charged to other users would need to be increased to offset the associated loss of revenue.

Communications and Civic Engagement Initiatives

There are no communications and civic engagement initiatives associated with this report.

Council Strategic Plan Objectives

The City's current approach to funding water and sewer services is consistent with the 2019-2022 Council Strategic Plan objective of ensuring City assets are optimized, maintained, and funded for current and future needs.

Attachment(s)

1. Report considered at the March 23, 2010 Regular Council meeting.
2. Report considered at the March 7, 2017 Regular Council meeting.

3. Report considered at the November 21, 2017 Special Council meeting.

Report Author

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Report Approval Details

Document Title:	Delegation Response - Secondary Suite Utility Fees.docx
Attachments:	<ul style="list-style-type: none">- Attachment 1 - Report considered at the March 23, 2020 Regular Council meeting.pdf- Attachment 2 - Report considered at 2017 03 07 Special Council (COTW) meeting.pdf- Attachment 3 - Report considered at 2017 11 21 Special Council (COTW) meeting.pdf
Final Approval Date:	Nov 2, 2020

This report and all of its attachments were approved and signed as outlined below:

Kate Zanon, General Manager of Community Development - Oct 27, 2020 - 9:02 PM

Dorothy Shermer, Corporate Officer - Oct 28, 2020 - 11:37 PM

Rosemary Lodge, Manager of Communications and Engagement - Oct 29, 2020 - 1:38 PM

Paul Rockwood, General Manager of Finance and Technology - Oct 29, 2020 - 3:13 PM

Tim Savoie, City Manager - Nov 2, 2020 - 3:10 PM