

# **REPORT**

## ***Engineering Services***

**To:** Mayor Johnstone and Members of Council  
**Date:** February 26, 2024

**From:** Lisa Leblanc  
Director of Engineering Services  
**File:** 13.2500.00  
(EDMS# 2385160)

**Item #:** 2024-77

**Subject:** Development Cost Charge Bylaw – Inflationary Amendment

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### **RECOMMENDATION**

**THAT** Council instruct staff to bring forward the Development Cost Charges Amendment Bylaw No. 8437, 2024 for three readings as presented in Attachment #1 of this report.

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### **PURPOSE**

The purpose of this report is to obtain Council's approval to increase the Development Cost Charges by 4.3% to partially compensate for inflation and escalating construction costs.

### **BACKGROUND**

Development Cost Charges (DCC) are collected from land developers by municipalities to offset some of the infrastructure expenditures incurred to service the needs of new development. Staff is proposing to increase DCC rates to partially recover additional costs incurred due to inflation. If the fees remain unchanged, the cost difference would ultimately be borne by existing taxpayers through City Reserves. This inflationary update would provide some relief to the City's DCC program until the next comprehensive update.

The Local Government Act requires any changes to a municipality's DCC program to be approved by the Ministry of Municipal Affairs; however, based on regulation 130/2010 of

the Community Charter<sup>1</sup>, Municipalities can increase the DCC rates to account for inflation without the approval of the Ministry of Municipal Affairs once per year for four years, and up to a maximum of the Vancouver Consumer Price Index (CPI). Staff recommend that the City undertake this opportunity to ensure that the DCC program keeps up with inflation and increasing construction costs.

The City's DCC Bylaw includes an Engineering DCC program and a Parks DCC Program. Engineering's DCC program underwent a major review in 2022 which resulted in the adoption of the City's current DCC Bylaw (Bylaw no. 8327, 2022). The Parks DCC program will be reviewed and updated following the completion of the Parks and Recreation Comprehensive Plan, which is anticipated to be completed in 2025. Prior to the 2022 DCC update, the DCC bylaw undertook a minor amendment in 2015 (Engineering's DCC program) and a major amendment in 2009 (Engineering's and Parks' DCC programs). Feedback from the 2022 major update indicated stakeholders preferred regular small rate increases instead of infrequent large increases. As a result of this feedback, the Engineering Department created a policy to define the frequency of DCC updates. This update is in line with the policy, where at minimum, staff is expected to complete a minor amendment every two years and major amendment every five years.

### **EXISTING POLICY/PRACTICE**

Development Costs Charges are collected by municipalities under Sections 558-569 of the Local Government Act (RSBC 2015). At the time of the last major update, the DCCs were limited to roads (other than off-street parking), sewage, water, drainage, and parkland acquisition and improvement. In November 2023, Bill 46 amended the LGA to allow DCCs to be collected for fire protection, police, solid waste, and recycling facilities. These changes are significant and will be acted upon through a major update. Staff will require time to develop necessary supporting documents and to strategize an implementation plan. Municipalities are waiting for a guidebook from the Ministry to clarify the requirements of the expanded DCCs.

### **ANALYSIS**

Staff propose increasing all DCC rates by 4.3%<sup>2</sup>, in line with Vancouver's annual CPI for 2023. This small update can be completed without review from the Inspector of Municipalities or consultation with the development community. This increase will place a minimal financial burden on development projects relative to actual market costs, while reducing the funding gap created by recent market and inflationary escalations.

The Local Government Act requires that in-stream subdivision and building permit applications be protected from the DCC rate increase for a period of one year following

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<sup>1</sup> Development Cost Charges Amendment Bylaw Approval Exemption Regulation, B.C. reg/ 130/2010, pursuant to the Community Charter, SBC 2003, C.26 (the "Regulation")

<sup>2</sup> Statistics Canada. Table 18-10-0005-01 Consumer Price index – Vancouver, annual average. (Attachment 2)

the effective date. Staff is proposing an effective date of April 1, 2024 for the amended DCC Bylaw.

For a subdivision, if the application is complete and in-stream<sup>3</sup> before the effective date and the subdivision application is approved within 12 months after the effective date of the bylaw, the DCC fees would be calculated based on the existing (2022) DCC rates. The 2024 DCC rates would apply otherwise.

For building permits, if a precursor<sup>4</sup> application is complete and in-stream before the effective date, and the building permit is issued within 12 months of the bylaw effective date, the DCC fees would be calculated based on the existing (2022) DCC rates. The 2024 DCC rates would apply otherwise.

In addition to the City's DCC, the City collects DCC on behalf of Translink and Metro Vancouver. In late 2023, Translink and Metro Vancouver both adopted increases to their DCC programs. Staff acknowledges the inflationary increase will put additional financial strains on developers. However, Engineering and the City at large experienced construction cost increases of 30% to 60% in 2022. A 4.3% inflationary increase will help bridge the gap while Staff prepares for a comprehensive review of the DCC program.

### **SUSTAINABILITY IMPLICATIONS**

Increasing the DCC rates by CPI is necessary to support the financial sustainability of the City's DCC program. This recommendation will improve the integrity of the DCC program, limiting the use of other revenue streams to upgrade infrastructure to accommodate growth.

### **FINANCIAL IMPACT**

Based on the average Development Cost Charges (DCC) revenue of \$3.9M from 2018 to 2022, the proposed 4.3% rate increase is estimated to generate an additional \$0.17M DCC revenue annually. It is important to note that this estimated financial impact is subject to the scope of developments and timing of application submissions. The annual DCC revenue could vary significantly. Between 2018 and 2022 the City's annual DCC revenue was in the range of \$1.4M to \$8.1M.

### **INTERDEPARTMENTAL LIAISON**

This report was prepared in consultation with the Climate Action, Planning, and Development Department, Finance Department, and the Parks and Recreation Department.

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<sup>3</sup> An in-stream application means the formal application and fees have been submitted.

<sup>4</sup> A precursor application includes a building permit, development permit, or rezone application.

**OPTIONS**

The following options are presented for Council's consideration:

1. THAT Council instruct staff to bring forward the Development Cost Charges Amendment Bylaw No. 8437, 2024 for three readings, as presented in Attachment #1 of this report, or;
2. THAT Council provide other direction.

Staff recommend option 1.

**CONCLUSION**

Staff recommends an increase to the DCC rates by 4.3% to reflect inflation and escalating construction cost. This is in line with the Vancouver Consumer Price Index, as allowable by the Community Charter.

It is recommended, therefore, that the Development Cost Charges Amendment Bylaw No. 8437, 2024 be given three readings.

**ATTACHMENTS**

Attachment 1 – Development Cost Charges Amendment Bylaw No. 8437, 2024

Attachment 2 – Consumer Price Index – BC Stats, January 2024

**APPROVALS**

This report was prepared by:

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This report was reviewed by:

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This report was approved by:

Lisa Leblanc, Director of Engineering Services

Lisa Spitale, Chief Administrative Officer