

# **REPORT**

## ***Engineering Services***

**To:** Mayor Cote and Members of Council      **Date:** April 25, 2022

**From:** Lisa Leblanc      **File:** 13.2500.01  
Director of Engineering Services      (Doc #2068481v3)

**Item #:** 2022-276

**Subject: Development Cost Charge (DCC) Bylaw Major Update Project - Stakeholder Feedback**

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### **RECOMMENDATION**

**THAT** Council direct staff to bring forward the updated Development Cost Charge (DCC) Bylaw for Council's consideration.

**THAT** Council endorse the Frequency of Development Cost Charge Updates Policy included as Attachment 4 to this report.

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### **PURPOSE**

This report summarizes stakeholder feedback on the proposed Development Cost Charge (DCC) program and seeks Council's support to bring the proposed bylaw forward for Council Consideration.

### **SUMMARY**

On January 19, 2022, staff hosted an information session to present the proposed Development Cost Charge (DCC) program to various stakeholders, including Urban Development Institute, Douglas College, and representatives from School District 40. The proposed rates are summarized in Attachment 1. Four written comments were received and the main feedback was:

1. The proposed rate increases are significant;
2. Request to delay implementation; and
3. An institutional DCC charge is not supported by School District 40 unless the implementation is delayed by 5 years;

The project team reviewed the proposed rates against DCC rates of other Metro Vancouver municipalities and determined that the proposed rates are comparable. The rate increases are necessary to fund infrastructure projects in support of growth envisioned in the City's Official Community Plan.

The Local Government Act (LGA) includes a provision which provides in-stream development applications a period of one year following adoption of the new DCC Bylaw, during which they remain eligible for the existing (i.e. 2015) rates.

## **BACKGROUND**

Development Cost Charge (DCC) is a tool which is enabled under the LGA to assist local governments in funding certain engineering and parks infrastructure that is directly or indirectly attributed to population growth. DCC supports the "growth paying for growth" principle and is designed to limit the cost burden on existing property owners. Changes to the DCC Bylaw require approval from the Inspector of Municipalities from the BC Ministry of Municipal Affairs prior to being considered for adoption by Council.

The City of New Westminster's existing DCC Bylaw No.7311, 2009 was originally adopted in 2010 and was last amended in 2015. The 2015 amendment was a minor update, which predominantly focused on updating the DCC rates to reflect current construction costs. Since 2015, a new Official Community Plan (OCP) has been adopted and several engineering master servicing plans were completed in support of the new OCP, including the Master Transportation Plan, which was adopted in 2015. As such, the City's DCC Bylaw is now out of date and due for a major update.

The proposed DCC program focuses on transportation, water, sanitary sewer, and drainage infrastructure for both the Mainland and the Queensborough areas. The City also collects DCCs for parkland acquisition and development; however, the current update does not include the Parks component as this will be considered following adoption of a new Parks & Recreation Comprehensive Plan which is anticipated in 2 years. The proposed rates are summarized in Attachment 1.

Staff notified Urban Development Institute in October, 2021 that the City is updating the DCC program. On January 2022, staff held an information session and presented the proposed DCC rates and program updates to stakeholders. Approximately 23 stakeholders were present including developers, Urban Development Institute (UDI), Douglas College, and School District 40 staff. Stakeholders were presented with an overview of the DCC process, project lists and maps, proposed rates, proposed schedule, and comparison of rates with other municipalities. Comments from the stakeholders were reviewed by the project team and reflected in the proposed program where feasible.

The proposed DCC Bylaw is anticipated to be considered by Council for 3 readings in May, 2022, and for adoption following approval from the Ministry of Municipal Affairs, which is anticipated to be received within 8 weeks of the bylaw receiving 3 readings.

## **EXISTING POLICY AND PRACTICE**

The Development Cost Charge program is legislated under the LGA. Section 511 and 568 of the LGA provides in-stream protection of one year from the proposed DCC rates for subdivision and building permit applications.

For a subdivision, if the application is complete and in-stream<sup>1</sup> before the adoption date and the subdivision application is approved within 12 months after adoption of the bylaw, the DCC fees would be calculated based on the existing (2015) DCC rates. The 2022 DCC rates would apply otherwise.

For building permits, if a precursor<sup>2</sup> application is complete and in-stream before the adoption date, and the building permit is issued within 12 months of the bylaw adoption date, the DCC fees would be calculated based on the existing (2015) DCC rates. The 2022 DCC rates would apply otherwise.

## **ANALYSIS**

Following the stakeholder information session on January 19, 2022, stakeholders were invited to submit written comments regarding the proposed DCC program prior to February 18, 2022. Written comments were received from UDI, Platform Properties, and Douglas College prior to the deadline; comments from School District 40 were received in early March 2022. Refer to Attachment 2 for the comments received. The main points are summarized below.

Urban Development Institute (UDI) comments:

- Substantial rate increase;
- Request increase to be phased in over multiple years or implementation be delayed;
- Request waiver or reduction for non-market housing (*note: waivers or reductions will need to be offset from City's non-DCC revenue sources*).

Platform Properties comments:

- Sizeable increase;
- Request phasing.

Douglas College comments (808 Royal Ave.):

- Didn't feel that sufficient advance warning was provided;
- Douglas College Project timelines are lengthy to obtain Provincial support, approvals, and funding;

School District:

- School developments are the consequence of City's population growth and should be exempted from DCC charges;

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<sup>1</sup> An in-stream application means the formal application and fees have been submitted.

<sup>2</sup> A precursor application includes a building permit, development permit, or rezone application.

- Institutional DCC rates did not exist in the past for New Westminster;
- Request for institutional DCCs to remain at \$0;
- The School District 40 requested that if Institutional DCCs be implemented, a 5 year deferral period be provided.

#### Staff Comments on Sizeable Rate Increase

As mentioned in the background section of this report, a major update of the City's DCC program has not occurred since 2009. The proposed 2022 program incorporates updated projects and associated construction costs, as identified in the latest master plans to support the growth envisioned in the Official Community Plan. The proposed DCC rates are generally in the median range in comparison with DCC rates of other municipalities in Metro Vancouver. A copy of the comparison charts of the latest rates are in Attachment 1.

#### Staff Comments on Delayed Implementation

Stakeholders note the change in the DCC rates to be sizeable and request a delayed implementation to better prepare for the cost increase. The DCC program last underwent a minor update in 2015 and a major update in 2009. To protect the City's financial interests, the projects and associated cost estimates are outdated and need to be updated to reflect the current infrastructure requirements and construction costs.

Public notification of the City's intention to update the DCC program was first provided on the City's "projects-on-the-go" website in late October, 2021. Additionally, staff met with UDI in October 2021 to indicate the City's intention to adopt a new DCC bylaw in the summer of 2022. In January 2022, staff held a virtual information session for the various stakeholders and presented various details of the proposed program including the proposed schedule. The proposed DCC rate is anticipated to be adopted in June/July 2022, subject to council's endorsement and Ministry's approval.

As detailed in the existing policy and practice section, all in-stream applicants are eligible for the existing 2015 DCC rates, provided that the subdivision permit or building permit is approved within 12 months of adoption of the amended DCC Bylaw.

The notification period and the 12-month instream protection period is typical, and is considered sufficient for the proposed DCC rate and program changes proposed by the City.

#### Staff Comments on School District Letter

Additional school developments are necessary to accommodate community growth, and these new facilities impact municipal infrastructure with associated capital cost burdens on water, sewer, drainage and transportation systems similar to other developments. The LGA includes statutory DCC exemptions for places of worship and small residential works (i.e. less than 29 m<sup>2</sup> or less than \$50,000), but not for schools. The only other statutory

DCC exemption is for development that “does not impose new capital cost burdens on the municipality”, as per S.561(3) of the LGA. Any other reduction in DCC fees would need to be approved as a variance by Council, and the cost associated with that variance would need to be offset by other City funding sources. Based on LGA legislation, standard practices of other BC municipalities, as well as DCC being an eligible capital costs under Ministry of Education funding for new schools, the institutional DCC rate applicable to new schools is considered typical and reasonable. Attachment 3 summarizes common DCC practices for institutions and provides background information supporting the implementation of DCCs on school developments.

Institutional DCC rates did not exist in the past for New Westminster because no institutional growth was anticipated in the previous OCP (2009), which is the plan upon which the existing DCC rates are based. The proposed DCC Bylaw is based on the current OCP which envisions institutional growth over the next twenty years. As such, an institutional DCC rate is incorporated into the proposed DCC bylaw update.

School District 40 requested that if Institutional DCCs are implemented, that a 5 year deferral period be provided. It is not possible to apply a deferral period to a specific land use; the effective date is applicable to the Bylaw in its entirety. A five year deferral would exempt any foreseeable new schools or school expansions currently in the planning stage, and the City would be required to recover the cost associated with expansion from City sources of funding rather than from Provincial funding which is provided as part of school expansion.

The financial impact of an Institutional DCC for a typical school project is typically no more than 0.5% of the total cost of a new school. As an example, a new elementary school with an equivalent size of Ecole Qayqayt Elementary School (approximately 5000 m<sup>2</sup> of floor space) would have to pay about \$87,000 in DCC fees if the proposed 2022 mainland institutional rate of \$17.53/m<sup>2</sup> were applied

The proposed DCC rates and program are typical for institutional development such as new schools and school expansion, and they are considered reasonable. It would be unusual to apply a 5 year deferral period for adoption of an amended DCC Bylaw.

### Future Updates

Staff are committed to completing minor and major updates of the DCC rates and program at regular intervals going forward, to maintain alignment with construction cost increase and City plan updates. Best practice is to complete a minor update every 2 years and a major update every 5 years.

To provide more certainty to the development community and to Council regarding the City's commitment to completing DCC updates at appropriate intervals, staff have developed a Frequency of DCC Updates Policy for Council's consideration. The policy explains the type of updates anticipated, and states staff's commitment to advance

updates at reasonable intervals. The proposed policy is included as Attachment 4, and staff are seeking Council's endorsement of it.

## **SUSTAINABILITY IMPLICATIONS**

### **Social Impacts**

DCCs are one of the financial tools available to the local governments, and a mechanism by which new development pays for infrastructure needed to accommodate growth, without reducing levels of service or otherwise burdening the existing community.

Staff from Engineering and CAPD jointly retained a land economist to determine the impact of the proposed DCC on various residential and mixed-use (residential and commercial) developments in the City. The report determined that the impact to the overall cost of the development was minor and all projects viable with the existing DCC rates remain viable with the proposed increase in DCC rates. Using the same assumptions for the variables, the analysis also noted a potential reduction in supportable Voluntary Amenity Contributions of 4 to 20%.

### **Environmental Impact**

The DCC program provides a number of projects which contribute to environmental sustainability. This includes developing new active transportation networks to service new developments; provision of sufficient and clean drinking water and fire protection; and improving the sewer system to ensure sewage is conveyed safely.

## **FINANCIAL IMPLICATIONS**

The proposed DCC program updates are focused on transportation, water, sanitary sewer, and drainage infrastructure for both the Mainland and the Queensborough areas.

The proposed DCC amendment is a self-funding program based on the "growth-pays-for-growth" principle. The "pay as you go" approach of the DCC program supports the City's financial sustainability while limiting the impact on the existing community and future generations. Future application timings are unpredictable and vary in size and complexity and therefore DCC contributions / City cost implications cannot be estimated at this time.

## **INTERDEPARTMENTAL LIAISON**

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

## **OPTIONS**

Council is asked to consider the following options:

1. Direct staff to bring forward the updated Development Cost Charge (DCC) Bylaw for Council's consideration;
2. Endorse the Frequency of Development Cost Charge Updates Policy included as Attachment 4 to this report;
3. Provide other direction to staff.

Options 1 and 2 are recommended.

## **CONCLUSION**

The feedback from stakeholders on the proposed DCC rates was reviewed and considered by staff. The rates proposed in the proposed DCC program are within the median of other DCC rates charged by municipalities across Metro Vancouver. The stakeholders were provided reasonable notice of the DCC update, and in-stream applicants are eligible for the existing rates one year following the adoption date of the new bylaw, as per LGA. The City's existing DCC program is outdated and needs to be updated to reflect current infrastructure requirements and construction costs.

## **ATTACHMENTS**

- Attachment 1 - Proposed Rates and Comparison of Proposed DCC Rates (latest as of April 19, 2022)
- Attachment 2 - Received Comments (UDI, Platform, Douglas College, and School District)
- Attachment 3 - Memo: New Westminster Development Cost Charges – Institutional DCCs
- Attachment 4 - Development Cost Charge Bylaw Update Policy

## **APPROVALS**

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