

Attachment #3

Memo: New Westminster Development Cost Charges - Institutional DCCs

MEMORANDUM



Date: March 31, 2022
To: Gwenda Sulem, City of New Westminster
cc:
From: Dan Huang
File: 1274.0040.01
Subject: New Westminster Development Cost Charges – Institutional DCCs – Revision 1

1.0 INTRODUCTION

Urban Systems was recently retained by the City of New Westminster (the City) to provide support for a revision to the City's Development Cost Charges (DCC) Bylaw. Based on updated growth projections and required infrastructure capital costs, the 2022 Draft DCC rates have been calculated by Urban Systems for review by various stakeholders and development industry representatives within the community, prior to review of the DCC Bylaw by Council.

As part of the work of the Joint Task Force with the City of New Westminster and School Board SD40, a number of questions were raised with respect to the potential inclusion of Institutional DCC rates proposed for the Mainland and Queensborough areas. In response to these queries, Urban Systems in conjunction with City staff have prepared this memo to provide additional background and rationale for the inclusion of Institutional DCCs within the updated DCC program.

Since 1975, Urban Systems has provided development finance advice to communities across Western Canada, from its offices throughout British Columbia, Alberta, Saskatchewan, and Manitoba. Urban Systems is recognized as the leading expert in Development Cost Charges, having undertaken over 50 DCC reviews in BC over the past decade. In addition, Urban Systems provides advice on a number of other development cost recovery tools, including but not limited to: DCC front-ender agreements, latecomer agreements, school site acquisition charges, community amenity charges, density bonusing, phased development agreements, and development works agreements. The project lead for the New Westminster DCC update maintains a close working relationship with staff from the Ministry of Municipal Affairs (who approves all DCC Bylaws in the province), and he also sits on the provincial Development Finance Review Committee (DFRC).

2.0 DCC BACKGROUND

Development Cost Charges (DCCs) are a cost-recovery tool provided under Division 19 of Part 14 of the *Local Government Act* (LGA). DCCs are a means to assist local governments to finance the capital costs of certain engineering and parks infrastructure that are attributed to population growth and development. Similar to how School Site Acquisition Charges (SSACs)

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are levied to finance school development costs imposed by new development, DCCs are charges levied on new development to assist in funding the cost of upgrading or providing transportation, drainage, water, and sanitary infrastructure as well as acquiring or developing parkland sites.

DCCs are generally determined by dividing the net capital infrastructure costs attributable to new development (over a selected time period), by the corresponding amount of projected development (by land use category) that will be developed in that same time period. As per legislation, DCCs are collected either at time of subdivision (for single detached lots) or prior to issuance of a building permit (for all other types of development).

There are a number of legislative requirements and best practices to be followed when establishing or updating a community's DCC Bylaw. In addition to the enabling legislation found in *Local Government Act*, the following resources provide more information and guidance on DCCs:

- Ministry of Municipal Affairs webpage on DCCs:
<https://www2.gov.bc.ca/gov/content/governments/local-governments/finance/local-government-development-financing/development-cost-charges>
- Provincial Development Cost Charge Best Practices Guide (2005)
https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/finance/dcc_best_practice_guide_2005.pdf
- City of New Westminster Development Cost Charges webpage:
<https://www.newwestcity.ca/planning-building-and-development/projects-on-the-go/articles/8011.php?status=active>

3.0 BEST PRACTICES FOR INSTITUTIONAL DCCS

The City's 2022 DCC Bylaw update is proposed to include new institutional DCC rates, reflecting the institutional growth anticipated in the Official Community Plan (OCP). While the DCC Best Practices Guide (BPG) acknowledges that it is often difficult to project the type and amount of institutional growth that will occur over the DCC time frame, the City has provided its best estimate, as with its projections for other land use categories (residential, commercial and industrial).

Over the years, there has been debate in communities across the province whether institutional uses should be levied DCCs at all. This is acknowledged in the Best Practices Guide in the following observations (emphasis added by the writer):

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Further, public sector developers feel that the need for institutional development is a consequence of population growth; new infrastructure required to service institutional land uses is in response to other types of development and therefore should be exempt from DCCs.

Conversely, it can be argued that institutional land uses do impact infrastructure systems, and despite the difficulties, it is possible to derive DCCs for institutional land use.

3.1. DEVELOPMENT COST CHARGE EXEMPTIONS

Although the Best Practices Guide acknowledges this ongoing debate with respect to exempting institutional development from DCCs, the current enabling legislation in the *Local Government Act* makes it clear that DCCs are only exempt for places of worship (i.e. all other institutional uses are not exempt from DCCs). There are some other statutory exemptions from DCCs related to the size of residential unit (i.e., less than 29 square metres) or value of building permit (i.e. less than \$50,000). The only other possible exemption for DCCs is for development that “does not impose new capital cost burdens on the municipality”, as per S.561(3) of the *LGA*. However, it would be difficult to argue that a new school does not impose new capital cost burdens on municipal water, sewer, drainage and transportation systems, as would be with any other new development project. Therefore, based on the current legislation, we believe that it is not possible to exempt a public school from paying Institutional DCCs as outlined in a municipal DCC Bylaw.

3.2. DEVELOPMENT COST CHARGE WAIVERS & REDUCTIONS

In addition to the statutory exemptions for DCCs, the *Local Government Act* provides discretionary authority for local governments to provide DCC waivers and reductions. These can only be provided for certain types of development, including:

- Not-for-profit rental housing
- Supportive living housing
- For-profit affordable rental housing
- A subdivision of small lots designed to result in low greenhouse gas emissions
- A development designed to result in low environmental impact

If the City of New Westminster were to consider providing DCC waivers and reductions, specific provisions would have to be incorporated within its DCC Bylaw or in a separate DCC Waivers and Reductions Bylaw. At this time, Council has yet to determine whether it will provide DCC waivers or reductions for the above eligible development categories; and if it did choose this, any forgone DCC revenues would have to be made up through alternative non-DCC revenue sources.

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While there may be some institutional uses which could fall within the above categories for potential DCC waivers or reductions (e.g. supportive living housing), public schools would not be eligible for consideration of a DCC waiver or reduction, unless there were provisions under the “low environmental impact” component.

3.3. OTHER DCC FUNDING ASSISTANCE FOR PUBLIC SCHOOLS

We understand that there was a query whether or not a municipality could provide other assistance to public schools to help offset the Institutional DCC rate, in the form of a grant or otherwise. We are not aware of any community that has provided this, and we understand that City staff have also inquired in a number of communities throughout Metro Vancouver with similar response.

In conjunction with research by City staff, we have provided a number of Frequently Asked Questions (FAQs) related to Institutional DCCs and public schools as an attachment to this memo (Appendix A).

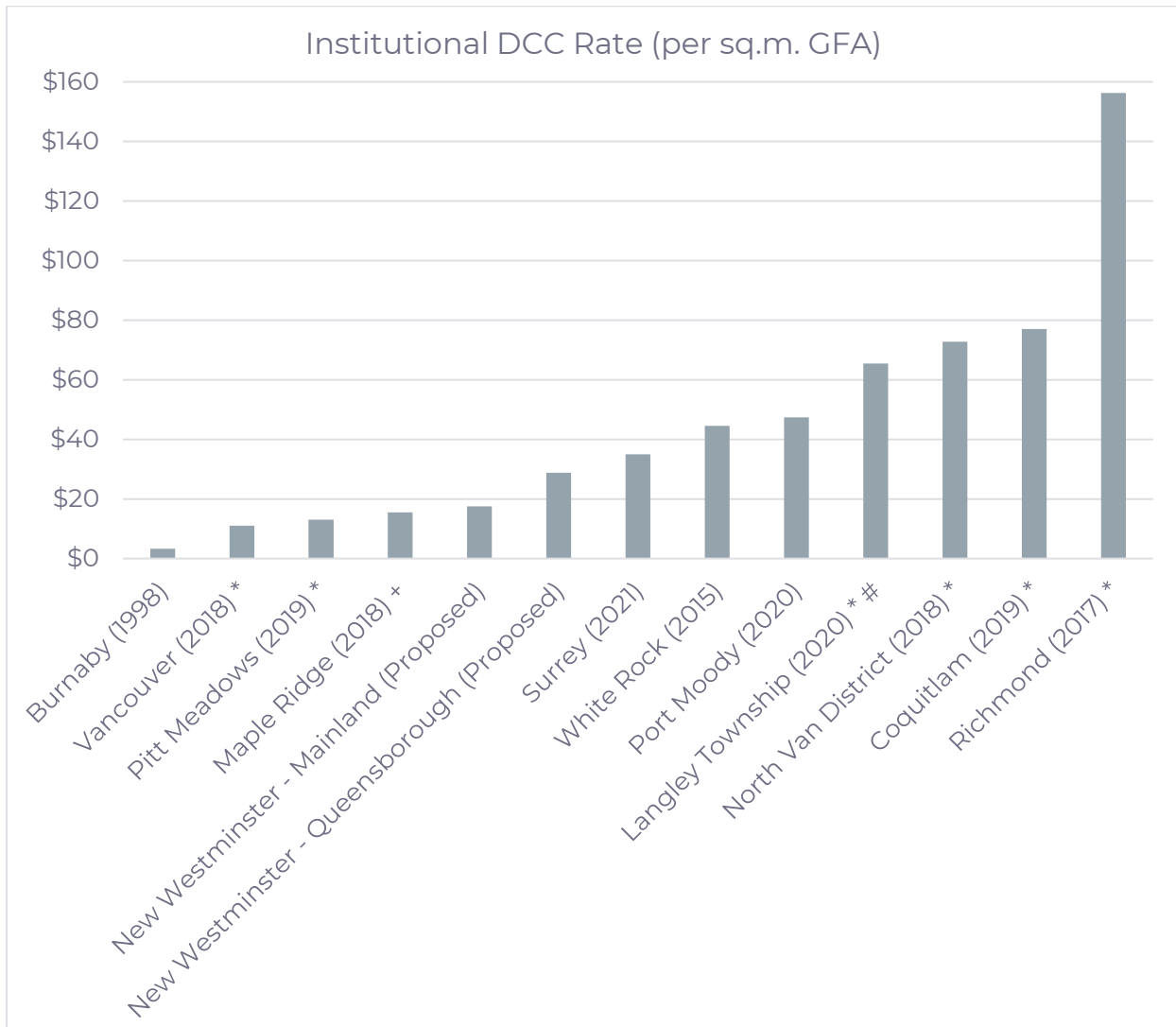
4.0 INSTITUTIONAL DCCS COMPARISON TABLE

As previously noted, the City of New Westminster is adding an Institutional DCC category to its proposed 2022 DCC Bylaw update, based on potential growth as anticipated in the Official Community Plan. The Draft New Westminster Institutional DCC rates are \$17.54 for Mainland and \$28.84 for Queensborough per square metre of Gross Floor Area (GFA) of development, collected at time of building permit. The proposed DCC would apply to any net new institutional development area – for example, a brand new 5,000 sq.m. school would pay Institutional DCCs on 5,000 sq.m., whereas the replacement of a 3,000 sq.m. school with a 5,000 sq.m. school would pay Institutional DCCs on the net 2,000 sq.m. of additional GFA.

Appendix B provides a comparison table of sixteen (16) communities in Metro Vancouver. Of these, 13 municipalities include Institutional DCCs (or DCLs in Vancouver), and 12 of those would apply to public schools (Delta currently charges Institutional DCCs only for congregate care. For the comparison communities, the Institutional DCC rates range from \$3.29 per sq.m. in Burnaby to \$156.29 per sq.m. in Richmond. The following graph compares the proposed Institutional DCC rate in New Westminster to 10 other comparison communities, showing that the proposed rate is on the lower end of the spectrum. It should be noted that several municipalities are in the process of updating their DCC bylaws this year, including Vancouver, Delta, Pitt Meadows, Port Coquitlam, Langley Township and Richmond).

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Notes:

* DCC Bylaw under current review
+ Langley Township = \$50.06/sq.m. floor area + \$15.44/sq.m. development area
Maple Ridge = \$13.58/sq.m. floor area + \$1.86/sq.m. gross site area
West Vancouver Institutional DCCs vary by neighbourhood

5.0 CLOSING

Development Cost Charges are widely used throughout the province to assist in funding infrastructure upgrades due to the impacts of growth and development. They are regulated through enabling legislation in the *Local Government Act* and require Bylaw approval from the Inspector of Municipalities. As outlined in this memo, municipalities have limited authority to provide DCC exemptions, waivers or reductions to public schools, and is not a

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practice which has been seen in comparison communities throughout Metro Vancouver. The proposed Institutional DCC rate for New Westminster is in line with (if not lower than) the majority of communities within Metro Vancouver. The rate would be applicable to any net new development for public schools, at time of building permit application.

We trust that the information provided in this memo has been helpful in your discussions with School District 40. Please contact the undersigned at dhuang@urbansystems.ca or (250) 380-8138 if you have any questions or require clarification of the contents in the memo.

URBAN SYSTEMS LTD.

A handwritten signature in black ink, appearing to read 'Dan Huang'.

Dan Huang, RPP, MCIP
Senior Associate

/dh

Appendix A – FAQs for DCCs levied on schools
Appendix B – Institutional DCC comparison table

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APPENDIX “A”

Frequently Asked Questions (FAQs) for Institutional DCCs Levied on Schools

1. WHY WERE DCCS PREVIOUSLY NOT APPLICABLE TO SCHOOLS, AND WHY IS THE CITY CONSIDERING CHARGING INSTITUTIONAL DCCS NOW?

The City's draft updated DCC bylaw includes institutional DCCs because the updated OCP identifies institutional growth. At the time of adoption of the previous DCC bylaw in 2009, the City's OCP did not anticipate institutional growth.

2. WHY WOULD NEW OR EXPANDED SCHOOLS TRIGGER DCC PAYMENTS?

The development of new schools or the expansion of existing schools create additional impacts on City infrastructure. This additional load, along with the load from other new developments are analyzed to determine which infrastructure needs to be upgraded. Following the “growth pays for growth” principle, the cost associated with the upgrades necessary for the additional load is collected through the DCC program. DCCs are typically collected for large infrastructure that would be too large a burden for one applicant to take on fully.

3. WOULD CITY INSTITUTIONAL PROJECTS TRIGGER DCC PAYMENTS UNDER THE UPDATED BYLAW?

Yes, if the new DCC bylaw includes institutional DCCs, DCCs would apply to municipal projects such as new community centres or other institutional facilities. There is no provision in the Local Government Act to waive DCCs for municipal projects.

4. COULD DCCS BE WAIVED FOR SCHOOL PROJECTS?

DCCs cannot be waived for school projects. The *Local Government Act* explicitly prohibits waiving of DCCs except for a narrow range of projects:

- Not-for-profit rental housing
- Supportive living housing
- For-profit affordable rental housing
- A subdivision of small lots designed to result in low greenhouse gas emissions
- A development designed to result in low environmental impact

The legislation also provides statutory exemptions (i.e., not included in the DCC calculation) for the following types of development:

- Places of worship;
- Development that does not impose a new capital cost burden; and
- Development in which a development cost charge has previously been paid.

APPENDIX “A”

Frequently Asked Questions (FAQs) for Institutional DCCs Levied on Schools

5. DO MUNICIPALITIES WHO CHARGE INSTITUTIONAL DCCS OFFER ANY COMPENSATION TO SCHOOL DISTRICTS?

City Staff reached out to municipalities where institutional DCCs are charged to enquire about whether there were any grants provided to off-set DCCs (though these may not be legal given the Local Government Act general prohibition on waivers). City of Coquitlam, City of Langford, and City of Surrey staff confirmed that there is no practice or policy of off-setting or compensating for school DCCs. Pitt Meadows and White Rock have no recent or foreseeable school developments.

The charging of DCCs is not related to other project requirements. Municipalities typically have subdivision or development control or servicing bylaws, which outline works and services that are required of development and triggered by this and other bylaws (sometimes by the municipal Building Bylaw). These requirements cannot be reduced except through a Development Variance Permit process.

6. WHAT IF THE CITY REQUIRED THE SCHOOL DISTRICT TO COMPLETE AN OFFSITE WORK PROJECT, FOR EXAMPLE ALONG A SCHOOL FRONTAGE, WHICH WAS A DCC PROJECT?

The City's Subdivision and Development Control Bylaw outlines the works and services that are required on the lands and on highways (including roads and lanes) adjacent to lands being developed. If a project requirement for a school project includes works or services that are identified in the DCC program, the School District would receive a DCC credit. The credit would be paid to the school after the completion of the DCC project.

7. WHAT MIGHT AN APPROXIMATE INSTITUTIONAL DCC CHARGE BE FOR A HYPOTHETICAL NEW SCHOOL?

The bylaw as currently drafted includes an institutional DCC of \$18.62 per m². If the final bylaw includes that same rate, a new 4000 m² elementary school, for example, would be charged a DCC of \$74,480.

8. WOULD THE SCHOOL DISTRICT BE CHARGED DCCS WHEN A SCHOOL IS BEING REPLACED OR EXPANDED?

DCCs would not apply to a school that was replacing a school of the same size. If the new school were larger, or if there were an addition to an existing school, DCCs would be calculated based on the incremental increase in floor area.

APPENDIX “A”

Frequently Asked Questions (FAQs) for Institutional DCCs Levied on Schools

9. WHEN WOULD THE NEW DCCS BECOME APPLICABLE?

DCC rates will be in force for projects immediately after the updated Development Cost Charge Bylaw is adopted by Council. The City anticipates adoption of the DCC bylaw in summer 2022.

The new DCC Bylaw is not applicable to construction, alteration, or extension if (a) a building permit is issued within 12 months of the new DCC Bylaw adoption, AND (b) either a building permit application, a development permit application or a rezoning application (“pre-cursor application”) associated with the construction is in stream when the new DCC Bylaw is adopted, and the applicable fee has been paid. The development authorized by the building permit must be entirely within the areas subject to the precursor application.

APPENDIX “B”

Institutional DCC Comparison Table

Municipality/ District	DCC Bylaw Year	Institutional DCC	Institutional DCC rate [\$/m ² floor area]
Burnaby (City)¹	1979, 1983, 1998	In some areas, if a rezoning is needed	\$3.29/m ²
Coquitlam (City)	2019	Yes	\$77.00/ m ²
Delta (City)	2018	Congregate care only	N/A
Langley (City)	2012	No	N/A
Langley (Township)	2020	Yes	\$50.06/m ² floor area, plus \$15.44/m ² development area
Maple Ridge (City)	2018	Yes	\$13.58/m ² floor area plus \$18,604/ha gross site area
North Vancouver (City)	2016	No	N/A
North Vancouver (District)	2000 (last amended in 2018)	Yes	\$72.75/m ² floor area
Pitt Meadows (City)	2009 (last amended 2019)	Yes	\$13.00/m ² development area
Port Coquitlam (City)	1993	No	N/A
Port Moody (City)	2020	Yes	\$47.37
Richmond (City)	2017	Yes	\$156.29/m ² floor area (14.52/sq.ft.)
Surrey (City)	2021	Yes	\$34.98/m ² floor area (\$3.25/sq.ft.)
Vancouver (City)²	2008, 2018 Development Cost Levies Bylaws (regulated under the Vancouver Charter)	Yes	\$5.49/m ² in City-wide DCLs, plus \$5.49/m ² in utilities DCLs

¹ City of Burnaby's DCC calculation is not typical compared to the rest of BC municipalities.

² City of Vancouver has a Development Cost Levy program, following the Vancouver Charter.

APPENDIX "B"

Institutional DCC Comparison Table

Municipality/ District	DCC Bylaw Year	Institutional DCC	Institutional DCC rate [\$/m² floor area]
West Vancouver (District)	1993	Yes	Charges depend on neighbourhood, charges for non-residential units are calculated on the gross floor area, with each 186 m ² or portion thereof equal to one unit.
White Rock (City)	2015	Yes	\$44.52/m ² floor area
New Westminster (City) Draft Updated Bylaw	TBD	Yes	\$17.54/m ² Mainland \$28.84/m ² Queensborough