

REPORT

Engineering Services

To: Mayor Cote and Members of Council **Date:** May 9, 2022

From: Lisa Leblanc **File:** 13.2500.01
Director of Engineering Services (Doc# 2064317)

Item #: 2022-324

Subject: **Development Cost Charges Bylaw No. 8327, 2022**

RECOMMENDATION

THAT Council give three readings of Bylaw No. 8327, 2022 Development Cost Charges as presented in Attachment #1 of this report.

PURPOSE

To request that Council give three readings to the City's Development Cost Charges Bylaw No. 8327, 2022 as presented in Attachment 1.

BACKGROUND

Development Cost Charge is a tool enabled by the Local Government Act to assist local governments to pay for certain engineering and parks infrastructure that are directly or indirectly attributed to population growth.

The City of New Westminster's existing DCC Bylaw No.7311, 2009 was originally adopted in 2010 and amended in 2015. The 2015 amendment was a minor update, which predominantly focused on updating the DCC rates to reflect construction costs. Since 2015, a new Official Community Plan (OCP) was adopted and several engineering master servicing plans were completed to support the new OCP. As such, the City's DCC Bylaw is now due for a major update. The proposed DCC program includes outstanding works from the existing DCC Bylaw plus new projects based on new growth projections. Following third reading, the DCC Bylaw must be approved by the Inspector of Municipalities from the BC Ministry of Municipal Affairs prior to final adoption

The proposed DCC program focuses on the City's 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, staff is not updating the Parks component until the completion of a new Parks & Recreation Comprehensive Plan – anticipated in 2 years.

The DCC Bylaw Update project is undertaken by internal staff with support from Urban Systems Ltd., a consultant that specializes in the review and update of DCC programs.

EXISTING POLICY/PRACTICE

The Development Cost Charges (DCCs) Program is a cost-recovery tool enabled under Division 19 of Part 14 of the Local Government Act (LGA) used to assist local governments in financing capital costs of certain engineering and parks infrastructure that are attributed to population growth and development.

The DCC Bylaw allows local governments to apply the “*growth pay for growth*” principle. The update supports the City’s endeavour to think long-term and be financially sustainable in providing services now and in the future. This is reflected in Council’s 2019-2022 Strategic Plan and in Envision 2032 (2013 City Sustainability Framework).

ANALYSIS

At a high level, the Development Cost Charge (DCC) rates are calculated by:

$$DCC\ rates = \frac{Project\ Costs\ to\ be\ Funded\ by\ the\ DCC\ Program}{Proposed\ Growth}$$

The DCC projects were selected from a variety of master servicing plans and with input from staff. Typically, master servicing plans identify upgrades required to support existing needs and upgrades required to accommodate proposed growth. The DCC program incorporates major projects that support anticipated growth. The proposed growth used in the DCC calculations aligns with the OCP (projected to 2041) and engineering master servicing plans.

Details of the proposed DCC program can be found in the *Development Cost Charge Bylaw - 2022* background report (Attachment 2).

Proposed DCC Rates

The proposed DCC rates are listed in Tables 1 and 2 below, and have been converted from square feet (current bylaw) to square metres:

Table 1: Mainland – Proposed Rates (per m²)

Development Type	Existing Rates (last updated in 2015)	2022 Rates (Proposed)	Change
Single Family	\$ 29.91 / m ² (gross site area)	\$ 37.57 / m ² (gross site area)	26%

Townhouse	\$ 63.59 / m ² (gross floor area)	\$ 73.92 / m ² (gross floor area)	16%
Apartment	\$ 55.42 / m ² (gross floor area)	\$ 79.46 / m ² (gross floor area)	43%
Commercial-retail	\$ 55.41 / m ² (gross floor area)	\$ 44.46 / m ² (gross floor area)	-20%
Commercial-office	\$ 22.17 / m ² (gross floor area)	\$ 43.28 m ² (gross floor area)	95%
Industrial	\$ 5.17 / m ² (gross site area)	\$ 9.45/ m ² (gross site area)	83%
Institutional*	N/A	\$ 17.53 / m ² (gross floor area)	N/A

Table 2: Queensborough – Proposed Rates (per m²)

Development Type	Existing Rates (last updated in 2015)	2022 Rates (Proposed)	Change
Single Family	\$ 45.41 / sq. m. (gross site area)	\$ 61.03 / sq. m. (gross site area)	34%
Townhouse	\$ 95.01 / sq. m. (gross floor area)	\$ 114.72 / sq. m. (gross floor area)	21%
Apartment	\$ 88.23 / sq. m. (gross floor area)	\$ 104.12 / sq. m. (gross floor area)	18%
Float Home	\$88.99 per sq. m. (gross floor area)	\$96.27 per sq. m. (gross floor area)	8%
Commercial-retail	\$ 139.45 / sq. m. (gross floor area)	\$ 150.27 / sq. m. (gross floor area)	8%
Commercial-office	\$ 62.09 / sq. m. (gross floor area)	\$ 149.71 / sq. m. (gross floor area)	141%
Industrial	\$ 11.08 / sq. m. (gross site area)	\$ 17.51 / sq. m. (gross site area)	58%
Institutional*	N/A	\$ 28.84 / sq. m. (gross floor area)	N/A

**No DCC rates currently exist for Institutional development because no institutional growth was anticipated during the development of the 2010 DCC program.*

Rate Comparison with Other Communities

Staff have compared the proposed DCC rates to that of other municipalities in the Metro Vancouver region (Attachment 3). Vancouver and Burnaby have different DCC methodologies and are excluded from the comparison. Burnaby has established DCC charges to only assist with parkland acquisition and several overpasses. Municipal services and roads are not included in Burnaby's DCC program. Vancouver operates under the Vancouver Charter and has a different set of rules for their Development Cost Levy program.

Overall, the City's proposed DCC rates are comparable with other municipalities in the region, and generally fall in the lower to mid-range of regional rates. A comparison summary of the DCC rates of Metro Vancouver municipalities is contained in Attachment 3. It should be noted that some jurisdictions are also currently updating their DCC rates.

Exemptions

Section 561 of the Local Government Act only allows exceptions from the DCC program for the following:

- places of worship;
- residential units less than 29 square meters;
- developments with a building permit value less than \$50,000; or
- developments that do not impose new capital cost burdens on the municipality.

Any development exempted or excluded from the DCC program must fall within one of the categories identified above, although Council does have the discretion to waive or reduce a DCC fee for a particular development application as described below.

Waivers and Reduction

In addition to the statutory exemptions for DCCs, section 562 and section 563 of the LGA 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; or
- A development designed to result in low environmental impact.

Waivers and reductions are considered external to the DCC Bylaw. According to the DCC Best Practice Guide¹, the DCC program must remain whole, and any waivers or reductions provided must be compensated through other funds, typically by finding offsetting budget in the approved Capital Budget. Waivers and reductions are typically defined in a DCC Waivers and Reduction Bylaw, separate from the DCC Bylaw. A separate DCC Waivers and Reduction Bylaw needs to comply with section 563 of the LGA, but does not need to be approved by the Ministry. The City can still proceed with waivers or reductions should the need arise.

Grants

Council may choose to provide a grant to offset DCC costs to incorporated societies, non-profit organizations (including non-profit schools), and provincial agencies. Similar to the waivers and reductions, the grant must be financed by other City funding sources to keep the DCC program whole. In the case of a grant, the developer would still pay DCCs and the City would subsequently provide funding to offset the DCC costs.

¹ Development Cost Charge – Best Practices Guide (Ministry of Community Services, 2005)

Stakeholder Consultation

For details regarding the stakeholder consultation, please refer to the April 25th Open Council Report (Attachment 4). Information related to the DCC Program update was also posted on the City’s website.

Future DCC Minor and Major Updates

To provide more certainty to the development community and to ensure that the DCC program is adjusted with inflation, Council has endorsed a Frequency of DCC Updates internal policy. In general, staff will complete minor updates at a minimum every two years, and a major amendment every five years.

Next Steps

If Council give three readings to the Bylaw, staff will submit the proposed DCC program and Bylaw to the Ministry of Municipal Affairs for their approval. Following Ministry approval, the Bylaw will return to Council for adoption. The current estimation for Ministry approval is 6-8 weeks.

FINANCIAL IMPACT

The DCC program identifies major growth related projects and apportions their cost across the entire future development community in both Mainland and Queensborough. This ensures that growth-related infrastructure works are appropriately funded by the development community and not borne solely by the existing residents and businesses. The DCC program is based on projects required to support the growth envisioned in the OCP to 2041 and is aligned with engineering master servicing plans.

Each project is assigned a benefit allocation factor to fairly distribute the project costs between existing users and new growth. Additionally, the DCC program reflects a 1% municipal assist factor, the minimum required as per the LGA. An overview of the DCC costs by infrastructure type, in 2021 dollars, is provided below.

Table 3: Mainland – DCC Program Overview

Service	Total Capital Costs (\$ Millions)	Benefit Allocation	Municipal Assist Factor	DCC Recoverable (\$ Millions)	Municipal Contributions (\$ Millions) ²
Transportation	84.0	13-50%	1%	26.7	57.3
Water	7.6	100%	1%	7.5	0.08
Drainage	9.8	50-100%	1%	7.7	2.1
Sanitary Sewer ³	10.2	100%	1%	10.1	0.1

² Includes municipal assist factor, portion allocated to existing development, and projects that are subject to senior government funding.

³ The total sewer separation requirement is estimated ~\$47M (Sewers Master Plan, 2015). Approximately \$10.2M has been allocated to new development, at a 100% Benefit Factor.

Parks - Mainland ⁴	10.1	100%	1%	7.7	2.3
Parks – Citywide ⁴	28.3	100%	1%	28.0	0.3
Total	150.0			87.7	62.2

Table 4: Queensborough – DCC Program Overview

Service	Total Capital Costs (\$ Millions)	Benefit Allocation	Municipal Assist Factor	DCC Recoverable (\$ Millions)	Municipal Contributions (\$ Millions) ²
Transportation	11.8	50-100%	1%	11.6	0.2
Water	0.3	100%	1%	0.3	0.003
Drainage	11.2	25-100%	1%	5.4	5.8
Sanitary Sewer	2.5	50-100%	1%	2.2	0.3
Parks – Queensborough ⁴	39.2	100%	1%	31.9	7.3
Parks – Citywide ⁴	28.3	100%	1%	28.0	0.3
Total	93.3			79.4	13.9

Staff from Engineering and CAPD jointly retained a land economist to determine the impact of the proposed DCCs 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 reasonable (<1%) and that the identified development scenarios 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% for the identified development scenarios.

INTERDEPARTMENTAL LIAISON

Staff from the following Departments have been involved in the development of the Bylaw:

- Engineering Services,
- Climate Action, Planning, and Development Department, and
- Finance Department.

OPTIONS

The following options are presented for Council's consideration:

1. Council give three readings of Bylaw No. 8327 AND Development Cost Charges as presented in Attachment #1 of this report; or
2. Council provide other direction.

⁴ Parkland DCC are not being updated. The program details are carried over from the 2015 DCC program.

Staff recommend Option 1.

CONCLUSION

An updated Development Cost Charges (DCC) Program has been developed to fund growth-related infrastructure. Under the provisions of the Community Charter, the City is required to adopt a new DCC bylaw (Bylaw 8327, 2022 Development Cost Charges) to give effect to the new rates.

ATTACHMENTS

- Attachment 1 – Proposed Development Cost Charges Bylaw No. 8327, 2022.
- Attachment 2 – Development Cost Charge Bylaw - 2022 Background Report
- Attachment 3 – Comparison of Proposed DCC Rates (latest as of April 12, 2022)
- Attachment 4 – April 25, 2022 DCC Bylaw Major Update Project – Stakeholder Feedback Council Report (without attachments)

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