

CITY OF VICTORIA | 10-Year OCP Update

New Amenity Cost Charge Bylaw

Proposed Approach

In December of 2023, the Province introduced Amenity Cost Charges (ACCs) as a new development finance tool that allows local governments to collect funds from new development that results in increased demand for amenities that support liveable and complete communities. ACCs are predicated on an equitable approach to the provision of amenities, where developments pay for the growth component and the municipality pays the remainder, meaning the City must be able to financially contribute to new amenities that will serve existing residents.

The ACC tool:

- Provides certainty to the development community about amenity contributions.
- Ensures costs are fairly distributed between new developments.
- Ensures costs are equitably borne between the development community and existing property taxpayers.
- Minimizes financial risk by allowing the City to save for growth-related amenity costs.

As part of the 10-Year OCP Update, the City contracted Urban Systems to develop a draft program and regulatory approach so this important tool could be established in conjunction with significant land use changes.

General Approach

The ACC program was drafted in alignment with the recent Development Cost Charge (DCC) program update, which drew on capital planning, growth projections and historical building permit data. It was crafted in concert with Victoria 2050 and is aligned with the draft OCP's land use framework and community objectives.

The program captures current costs for the growth-driven increase in demand for community, cultural, and childcare space, as well as public open space improvements. The proposed rates ensure that those who will use and benefit from these City-provided amenities share the growth-related costs in a fair and equitable manner. The City of Victoria will own and control all projects included in the ACC Program or enter into a long-term partnership agreement, as stipulated in the legislation. The proposed ACC Program is applicable citywide – with developments in all areas of the city being subject to ACCs.

PROPOSED ACC PROGRAM ELEMENTS

As the City has limited capacity to take on significant capital projects in the near term, the initial iteration of the ACC Program proposes to prioritize key amenities which have already been integrated within the City's strategic and capital plans, as well as amenities that can be delivered at

a lower cost. These include community spaces and street parks and plazas as detailed below and summarized in Table 1.

Community Space

ACCs provide a flexible funding tool to support investments in the City's network of indoor community spaces. These spaces foster social interaction and community cohesion and deliver various programming and services, supporting Victoria 2050 objectives for complete communities.

Through the 10-Year OCP Update engagement process community members emphasized the need for improved indoor community and recreation space. To support a modest level of growth over the next 20 years the City would need to add an additional 3,020 square metres of community centre space to maintain current levels of recreation and programming. Also, the City's recently updated Childcare Needs Assessment identifies a priority area of need is for new spaces (approximately 420) for children under the age of three over the next five years. The City would expect that various groups (i.e., non-profit organizations, school district, and for-profit operators etc.) would continue to play a role in the delivery of new childcare space.

The proposed ACC program for 2,973 square metres of indoor community space represents only a portion (approximately 20%) of Victoria's long-term needs for community, cultural and childcare community space. The proposed community space program reflects an initial identification of priorities for new community space in the absence of a comprehensive long-term strategy for indoor community and recreation facilities. Based on the estimated capital cost for indoor community space (\$6,441 per square metre) the program proposed could address future needs in two-to-three areas expected to see significant population growth over the next 20 years (e.g., Downtown and Victoria West). Moving forward, the community space program can be updated at five-year intervals to account for additional citywide community space needs.

Street Parks and Plazas

Through the 10-year OCP Update, public engagement feedback highlighted the desire for more nature in public spaces. Participants repeatedly noted the importance of parks, public spaces and natural assets to the city's growth management strategy. Community members expressed desire for improved access to parks, nature and park-like spaces, particularly in areas where new development is envisioned.

As part of the Linear Parkways Program proposed in Victoria 2050, Street Parks and Plazas seek to re-purpose the right-of-way to prioritize pedestrians, community well-being, gardening, play and ecological function over traditional car-oriented uses. These spaces are envisioned to be strategically and equitably distributed across the city. Three streams of Street Parks and Plazas are proposed for the ACC Program:

Basic: Located throughout the Residential Fabric, these places may include:

- Standard surface paving and urban furniture.
- Standard softscape.
- Potential opportunities for small green stormwater infrastructure (GSI) elements.

The estimated capital cost of Basic Street Parks and Plazas is \$1,615 per square metre.

Enhanced. Located in Local and Community Villages, these places may include:

- A mix of standard and feature paving and urban furniture.
- Softscape with richer plant material palette.
- More prominent GSI elements and/or a small water feature.
- Small-scale public art/interpretive elements.

The estimated capital cost of Enhanced Street Parks and Plazas is \$1,885 per square metre.

Enhanced Plus. Located in the Downtown Core and Town Centres, these places may include:

- Predominantly feature paving and urban furniture.
- Softscape with richer plant material palette, with feature planting.
- Prominent GSI elements
- Large-scale public art/interpretive elements.

The estimated capital cost of Enhanced Plus Street Parks and Plazas is \$2,155 per square metre.

Table 1: Proposed ACC Program Summary

Program Area	Description	Target Size
Community Space Such as Downtown Community Space or new Vic West community space	Community, cultural and childcare spaces (operated by a third party) that support a range of recreation, services and community programming for Victoria residents throughout the city.	2,973 sq. m. (32,000 sq. ft)
Street Parks and Plazas Basic, Enhanced and Enhanced Plus as described above.	Areas where under-utilized roadways are repurposed into great public spaces with opportunities for enhanced ecological services. Strategically and equitably located throughout the city.	11,066 sq. m. (119,114 sq. ft.)

Other Program Areas Considered

Major community facility needs that have long been identified, including the replacement of Crystal Pool or the development of a new downtown public library branch were considered. However, these major projects have significant level of replacement capital costs which presents challenges in the context of bylaw requirements and are more appropriately funded by other mechanisms. However, the City can consider these and other projects through future ACC program updates as project space needs, cost estimates and partnership information is available.

PROGRAM COSTS AND MUNICIPAL RESPONSIBILITY

Total costs associated with the ACC Program amount to \$50.8M. Of those costs, \$33.2M are eligible for recovery through ACCs (i.e., levies from development), while the remaining costs must be funded through City revenues (\$17.6M over 20 years). The provincial legislation also requires a standardized municipal assist for the ACC program. The proposed ACC program recommends an assist of 1% to align with the City’s Development Cost Charge Bylaw and reduce the impact on the municipal budget in near-term. Overall program costs, as well as the anticipated distribution of costs between the City and the development community, are outlined in Table 2 below.

Table 2: ACC Costs and Distribution of Financial Responsibility

Program Area	Developer Responsibility			Municipal Responsibility (Municipal Assist Factor 1%)
	Total Capital Costs (including 25% contingency)	Benefit Allocation	ACC Recoverable	Municipal Costs
Community Space Such as Downtown Community Space or new Vic West Community Space	\$24.1M	100%	\$23.9M	\$200K
Street Parks and Plazas Basic, Enhanced and Enhanced Plus as described above.	\$26.7M	35%	\$9.3M	\$17.4M
Total	\$50.8	35-100%	\$33.2M	\$17.6M

PROPOSED ACC RATES

Proposed ACC rates were informed by technical analysis and consultation with the development community. The proposed rates followed a similar approach as the City’s DCC program, considering population projections, financing and grants (neither of which were applicable to the proposed program) and identifying a benefit factor that considered to what degree the amenity serves existing populations and to what degree it serves new populations.

Consultation with Development Community

As part of a comprehensive workshop on the 10-year OCP Update, the City met with representatives from the development community. The proposed approach to ACCs, including initial ACC program areas as well as high-level ACC rate estimates for different types of development were presented.

During this session, representatives from the development community provided the following feedback in relation to the preliminary Amenity Cost Charge Program:

- Ensure updated economic analysis reflects changing market conditions and rising construction costs including financial impact of future BC Building Code updates and the introduction of DCCs planned by the CRD.
- Ensure ACC rates differ appropriately for different scales of development (i.e., higher rates for low-density development than for high-density development).
- Recognize the city needs a range of housing types; ensure the ACC Bylaw is not overly punitive on strata housing.
- There is concern that the City is falling behind on community amenities in comparison to other jurisdictions; explore opportunities to work with neighbouring municipalities to deliver major community amenities.

- Recognize the importance of green space and linear parkways as the city densifies.
- Concern of reduced demand for rental and shifting CMHC programs that have provided favourable borrowing conditions and long-term amortizations.
- Allow for a grandfathering period as ACC rates increase so that developers committed to projects don't have the financial ground shifting under them mid-stream.
- Consult early with the development community when updates to ACC rates are being contemplated to allow for the development community to understand risks.

Based on feedback received from the development community staff completed an update to the economic analysis to determine the financial impact of proposed ACCs on future development. After the consultation and updated economic analysis the ACC capital program and associated ACC rates were adjusted to reduce negative impacts on housing development and account for the City's limited financial capacity in the near-term. In line with the City's DCC program, the rates are applied on an areas basis (per square metre) for commercial, industrial and institutional uses and a per lot/unit basis for residential uses. Higher rates for lower density residential are proposed based on anticipated household size. Proposed rates are illustrated in Table 3.

Table 3: Proposed ACC Rates

Land Use	Unit	Proposed ACC Rate
Low-Density Residential	per lot	\$3,366.47
Medium-Density Residential	per unit	\$2,290.80
High-Density Residential	per unit	\$1,394.40
Commercial	per m ² of GFA	\$2.19
Industrial	per m ² of GFA	\$0.90
Institutional	per m ² of GFA	\$2.19

Note: Proposed ACC Rates are draft and subject to change. They include a 1% Municipal Assist Factor. They would be structured to be responsive to inflation as the LGA permits.

ACC IMPLEMENTATION

Generally, the implementation of an ACC bylaw is envisioned to align with the implementation of the City's DCC bylaw. Notable differences are outlined in the following sections.

Bylaw Exemptions

Exemptions for ACCs differ from DCCs. In accordance with the *Local Government Act (LGA)*, an amenity cost charge is not payable if any of the following applies at the time of an application for a building permit:

- The building permit authorizes the construction, alteration, or extension of a building or part of a building that is, or will be, after the construction, alteration, or extension, exempt from taxation under section 220(1)(h) or 224(2)(f) of the Community Charter;
- The building permit authorizes development of affordable and special needs housing units that are required under an affordable and special needs housing zoning bylaw as defined under section 478.1 of the LGA;

- The building permit authorizes a development that is not expected to result in an increase in population of residents or workers;
- The building permit authorizes a development that has already been charged an ACC in respect of a particular amenity, unless further development is expected to result in an increase in the population of residents or workers;
- The building permit authorizes development falls within any class of affordable housing prescribed by regulation under the LGA ; or,
- The LGA or any regulations thereunder provide that no ACC is payable.

Despite any other provision in the ACC Bylaw, amenity cost charges are not payable in respect of a capital cost for which a development cost charge may be imposed.

Collection Of Charges

Local governments can choose to collect ACCs at time of subdivision approval or building permit issuance, whichever comes first. To ensure timely provision of amenities and services, charges are proposed to be collected as follows:

- For Low-Density Residential uses: At time of subdivision approval or building permit. *
- For other residential uses: At time of building permit.
- For non-residential uses: At time of building permit (when the proposed floor area is known).

**If a Low-Density Residential dwelling unit is replaced by another Low-Density Residential dwelling unit, then no additional ACCs are payable. However, if a lot with an existing Low-Density Residential dwelling is subdivided into two lots to facilitate the construction of two Low-Density Residential dwellings, ACCs would be levied on the one additional Low-Density Residential lot.*

Redeveloped or Expanded Developments

ACCs are only levied on new development. Therefore, in cases of redevelopment or expansion, ACCs will only be collected for additional residential dwelling units and additional non-residential floor area.

In-Stream Development Applications

It is proposed that ACC rates come into effect immediately at the time of bylaw adoption. Protection from rate increases for development applications that are submitted prior to the adoption date will be provided in accordance with the legislation which, in summary, provides a 12-month exemption from the time of bylaw adoption; 12-month in-stream protection is based on the adoption date of the ACC Bylaw, not the effective date. The following types of applications would be eligible for in-stream protections: rezoning, development permits, subdivision, and building permits.

ACC Credits

The LGA allows for applicants to provide an amenity, or land designated for an amenity, in-kind in-lieu of paying the monetary ACC amount. In-kind contributions allow for situations where it may be more efficient, economical and mutually beneficial to both the developer and the City for an amenity to be provided as part of a particular development. Where an applicant is providing an

amenity or land instead of paying the applicable amenity cost charge, the City is required to enter into an agreement with the applicant to outline details about when the amenity will be provided, who will provide it, the value of the amenity, and any payment or credit to the applicant should the value of amenity or land exceed the monetary charge which would have otherwise been collected.

As part of preparing the ACC Bylaw, the City would establish a policy to guide staff in the collection of ACCs and the provision of ACC credits in accordance with legislation. These policies would establish requirements for the provision of ACC credits to ensure a clear understanding of City expectations. It would be included within the Rezoning and Development Policy alongside policies for voluntary public benefits in the instance of rezoning to ensure a clear understanding of public benefits expected from development. These policies would be incorporated into the Rezoning and Development Policy should Council move forward with the proposed approach for the ACC Bylaw.

Program Management

The proposed ACC program is the first of its kind for Victoria and an important component of the 10-Year OCP Update. Monitoring, fine-tuning and updates are anticipated to keep the ACC program current and responsive to community needs. The City would continually track revenues by program area as well as expenditures by project, including waived or reduced ACCs, external grants secured, and any in-kind contributions collected.

The City would review the Program annually to ensure that minor amendments to ACC rates are completed as necessary. A comprehensive review and update would happen every five years in coordination with OCP reviews.