

To: Committee of the Whole **Date:** October 7, 2016
From: Susanne Thompson, Director of Finance
Subject: Update on Development Cost Charges Review

1. Approve the following policy decisions for development cost charges
 - a. Maintain current approach of not waiving development cost charges for any classes of eligible developments
 - b. Maintain current approach of not charging development cost charges on residential developments with fewer than four dwelling units
 - c. Maintain current exemption threshold for residential units of 29 m² or less in area
 - d. Maintain the current exemption threshold of \$50,000 of building permit value
2. Direct staff to engage the development community on the proposed rate changes

The following is a summary of the policy considerations and recommendations. Further background and comparative information from other municipalities is outlined in the attached report. It also shows the resulting draft development cost charges rates, which although increased, would still remain comparatively low. The main reason for the comparatively lower rates is that the City is an infill community and only about 16% of infrastructure costs can be attributed to growth.

Policy Decision #1 – Waiving or reducing DCCs for any classes of eligible development

In 2008 the Provincial Government enacted new legislation (Bill 27) pertaining to DCCs. The legislative changes included the option for municipalities to partially or fully waive DCCs for the following classes of “eligible development”:

- Not-for-profit rental housing, including supportive living housing
- For-profit affordable rental housing
- Subdivisions of small lots designed to result in low greenhouse gas emissions
- Developments designed to result in a low environmental impact

If the City were to waive DCCs, the City would be required to establish a budget and pay for the DCCs on behalf of the developer. This is a less transparent approach of supporting these types of developments and therefore, it is instead recommended that the City continues to support affordable housing through the Housing Reserve Fund. In addition, this approach ensures that growth pays for growth and that no additional costs are transferred to existing residents. The Victoria Housing Strategy approved by Council in June of this year provides a number of strategic priorities that incentivise housing development in what could be considered a more transparent way. These are:

- Reduce parking requirements and consider parking innovations that support affordable housing projects.
- Remove minimum unit size regulations in multi-unit residential zones.
- Permit garden suites in zoning.
- Examine ways to increase the number of secondary suites while maintaining livability, safety and affordability.
- Review and update the Victoria Housing Reserve Fund guidelines and consider impact of direct funding from the Fund and relief from fees, Development Cost Charges and permissive tax exemptions.
- Continue the practice of prioritizing non-market housing applications.
- Create an inclusionary housing density bonus policy within the Downtown Core Area to seek on-site non-market housing as part of amenity contributions for projects above a certain threshold.
- Establish clear targets for affordable housing types, tenures and incomes to inform negotiations as a supplement to the inclusionary housing density bonus policy.
- Create an inventory of existing affordable rental stock.
- Consider regulations, policies and incentives to protect and support regeneration of existing affordable rental stock.
- Review and update the Property Maintenance Bylaw to improve tenant housing quality.
- Examine legislative authority for a municipal role in maintaining rental tenant stability.
- Update the housing webpage on the City of Victoria's website to make policies and practices readily accessible and widely understood.

With respect to the strategic action noted in bullet 5 (above), staff are currently undertaking work to review and update Victoria's Housing Reserve Fund guidelines, including reconsideration of funding allocations, and will bring forward recommendations for Council's consideration in mid-November.

Policy Decision #2 – Charging DCCs on residential developments with fewer than four dwelling units at the time of building permit

The Local Government Act states that a DCC is not payable at time of building permit for construction, alteration or extension of a building containing fewer than four self-contained dwelling units. However, changes to the Local Government Act in 2010 gave local governments new authority to choose to charge, by bylaw, DCCs on developments with fewer than 4 dwelling units.

It is recommended that the City maintain the current approach of not charging DCCs on residential developments with fewer than four dwelling units at the time of building permit. This approach would maintain consistency with past practice, and encourage the development of more affordable housing options, particularly secondary suites. Secondary suites would not be charged DCCs.

Policy Decision #3 – Exemption threshold for small residential units

In 2008, Bill 27 introduced a mandatory DCC exemption for residential units of 29 m² or less in area. This exemption is automatic, though Council does have the discretion to raise the exemption threshold (i.e. to extend the exemption to units larger than 29 m²).

It is recommended that the City maintain the current exemption threshold to be consistent with past practice and practices in other communities.

Policy Decision #4 – Exemption threshold above \$50,000 of building permit value

The Local Government Act states that a DCC is not payable at time of building permit for construction, alteration or extension of a building where construction costs do not exceed \$50,000. However, a local government may choose to increase the exemption threshold above \$50,000.

It is recommended that the City maintain the current exemption threshold to be consistent with past practice and practices in other communities.

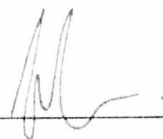
Following Council's direction on the policy choices, it is proposed that engagement with the development community takes place. Staff meet quarterly with this group and the next scheduled meeting is early November. Should Council give direction to do so, consultation on DCCs would take place at this meeting.

Respectfully submitted,


Susanne Thompson
Director of Finance

Report accepted and recommended by the City Manager:

Date:


August 19, 2016

List of Attachments

Appendix A: Report from Urban Systems