



DEVELOPMENT COST CHARGES PROGRAM AND DEVELOPMENT FINANCE TOOLS

CITY OF VICTORIA
NOVEMBER 2, 2023

AGENDA

1. Intro to Development Finance Tools
2. DCCs Overview and Background
3. Policy Elements of DCCs
4. Next Steps



Source:
<https://web.archive.org/web/20161025193415/http://www.panorama360.com/photo/80584107>



DEVELOPMENT FINANCE TOOLS

DEVELOPMENT FINANCE TOOLS - INFLUENCING FACTORS

- Recognize the broad approach, but not a prescriptive strategy
- Be pragmatic and flexible based on the circumstances
- Identify key factors that influence the approach to specific cases:
 - Type of development
 - Ownership structure (lots of owners or one large owner)
 - Timing of requirements
- Who benefits – affordable housing, economic impact, etc.
- Risk tolerance
- Development industry structure

DEVELOPMENT FINANCE TOOLS

Development
Cost Charges

Property
Taxes

Capital Cost
Charges for
Utilities

Local
Area
Service
Charges

User Fees
and
Charges

Frontage
works
programs

Community
Amenity
Contributions

Latecomer
Agreements

Density
Bonusing

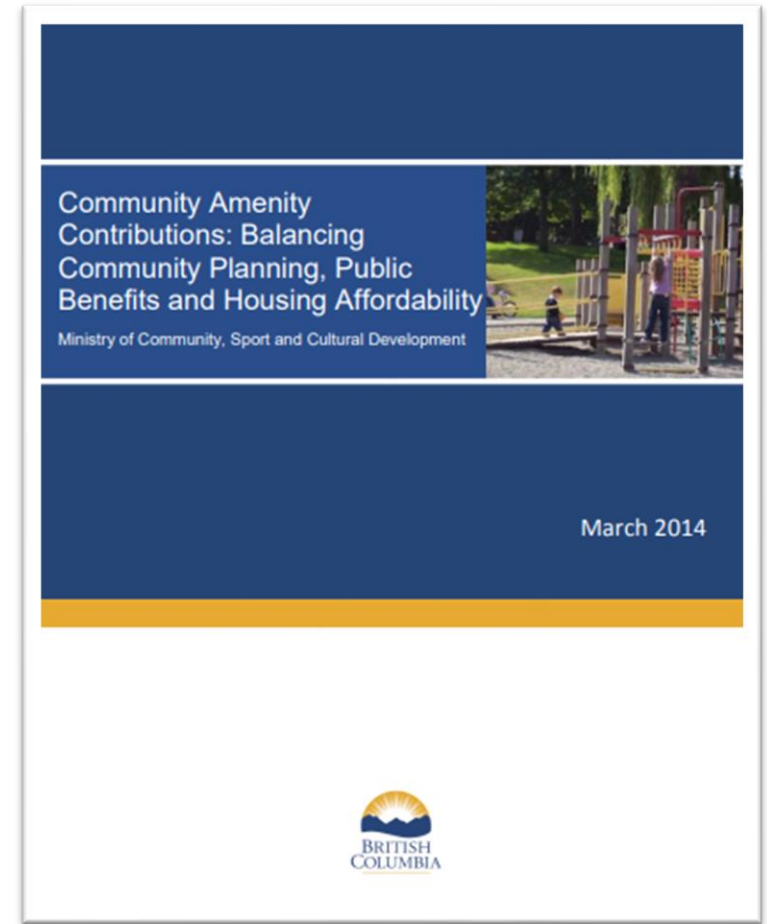
Tax
Incentives

LATECOMER AGREEMENTS

- Under the LGA, a municipality may require a developer to install “excess or extended services” over and above what is required to service their development
- If this project is not in the DCC program, then the developer is automatically eligible to receive a Latecomer for the additional costs of construction
- In exchange for granting development approval, the local government may require the developer to provide works with enough capacity to service not just the site, but future development properties
- Typically used in cases where developers wish to build “out-of-sequence” projects

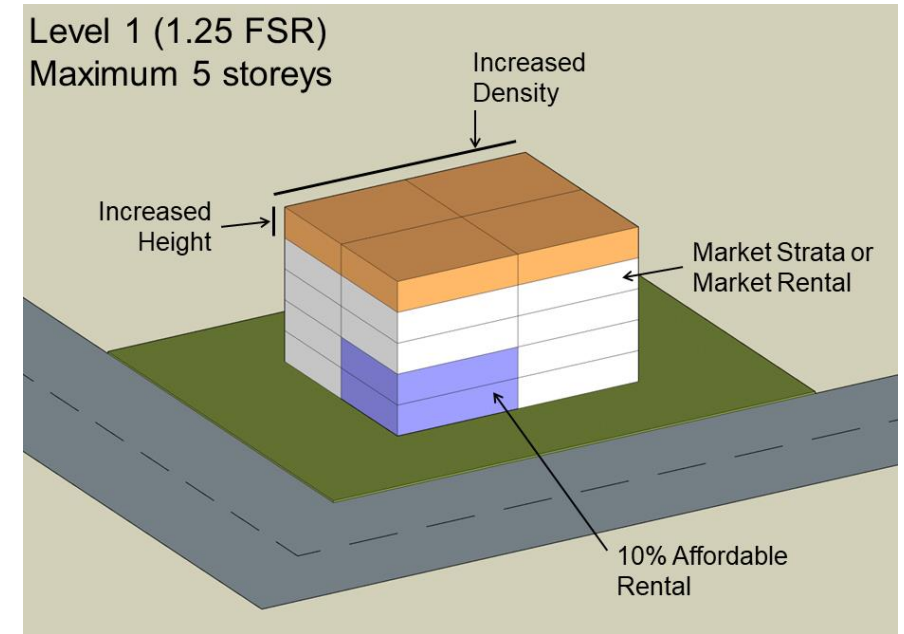
COMMUNITY AMENITY CONTRIBUTIONS (CACs)

- Voluntary contributions that are provided at the initiative of the developer that emerge from rezoning negotiations
- CACs cannot be imposed by local government
- CACs are agreed to by the applicant/developer and the local government
- They can take several forms including community amenities, affordable housing, and financial contributions towards DCC ineligible infrastructure
- CACs are collected if/when the local government adopts the rezoning bylaw



DENSITY BONUSING

- Density bonusing is explicitly authorized under LGA
- It is similar to CACs, but contributions are built into a Zoning Bylaw
- Developers can build higher than the 'base' density in exchange for certain amenities
- Amenities can include walkways, public plazas, off-street parking, and other infrastructure required to accommodate growth but cannot be secured through standard finance mechanisms (DCCs and latecomers)



CONNECTION FEE

- Typically, a one-time fixed charge for new customers to connect to a local government utility.
- Used to support the financing of local utilities, which must increase capacity to service growth.



FRONTAGE WORKS PROGRAMS

- A Frontage Works Program collects fees from all redevelopments within a defined area to help fund streetscape improvements.
- The program can include single-family, duplex, and other designated housing.
- Developers who choose not to pay into the fee program are required to construct the necessary off-site improvements.
- Primarily used to standardize streetscapes; improvements can include:
 - curbs and gutters
 - rear lane improvements
 - repaving
 - sidewalks
 - landscaping
 - street lighting
 - street trees
 - underground work



TAX INCENTIVES

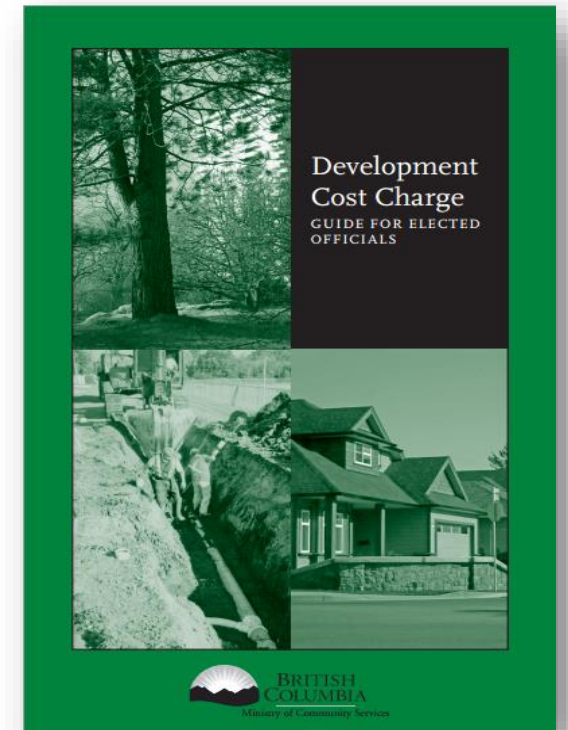
- Municipalities may, by bylaw, grant permissive tax exemptions that exempt certain properties from taxation for a specified period of time.
- Typically used to encourage alignment with a city's strategic policies or when a municipality would like to encourage development in a particular area.
- Exemption may include:
 - Public parks owned and held by an athletic or service club
 - Property owned or held by a not-for-profit corporations
 - Art galleries or museums owned by charitable organizations
 - Property owned or held by a public authority (not eligible for statutory tax exemption)
 - Riparian or heritage property
 - Property held for the provision of a partnering agreement
 - Property subject to a revitalization tax agreement



DCC OVERVIEW AND BACKGROUND

WHAT ARE DCCs?

- DCCs help communities recover the costs of **off-site infrastructure needed to support growth**
- Based on the principle that infrastructure costs should be shared between the existing property taxpayers and new developments benefitting from growth
- Regulated by the Province
 - *Local Government Act*
 - *DCC Best Practices Guide*
- Best practice is to review DCC program (projects and costs) on a regular basis:
 - Minor update every 1 to 3 years
 - Major update every 3 to 5 years
- One of many development finance tools



WHY IMPLEMENT DCCs?

1. Foster fairness – *existing property taxpayers do not bear the brunt of infrastructure costs to support growth*
2. Ensure consistency
3. Minimize financial risk to the City
4. Ensure certainty for the development community
5. Promote transparency

WHO PAYS DCCs?

- Applicants for **subdivision approval** to create single family development sites



- Applicants for **building permits** to construct multi-family, commercial, industrial, and institutional development

BACKGROUND



- The DCC Bylaw was updated in 2017 and amended in 2018. Inflation has been applied to the rates each year.
- It includes DCC charges for transportation, water, drainage, sewage and parkland acquisition and development
- Since that time...
 - The City's population has grown
 - Infrastructure costs have increased
 - DCC best practices have advanced
 - The City's infrastructure needs have changed



DCC POLICY ELEMENTS

EXTENT OF DCCs

- DCCs can be applied on either area-specific or region-wide
- The current program is a City-wide program
- It is recommended the City should continue with a City-wide DCCs, wherever possible for:
 - Bylaw simplicity and accuracy
 - Reduced administrative effort
 - Facilitation of cash flow
 - Funding flexibility

HOW DO WE DETERMINE THE DCC RATE?




Population Growth



Building Permit Data



Estimate Growth

-  = Technical inputs
-  = Council policy inputs
-  = Calculated values

Determine Capital Costs and Timing

Determine Benefit Factors

Determine Municipal Assist Factor

Calculate DCCs

Master Plans
Strategic Plans
Capital Plans

Council decision

50% 50%

Extent to which projects are driven by growth

DCC BYLAW UPDATE PROCESS

DCC PROGRAM DEVELOPMENT (STAFF)

Determine Projects & Capital Costs

Estimate Growth

Determine Benefit Factors

Determine Equivalent Units

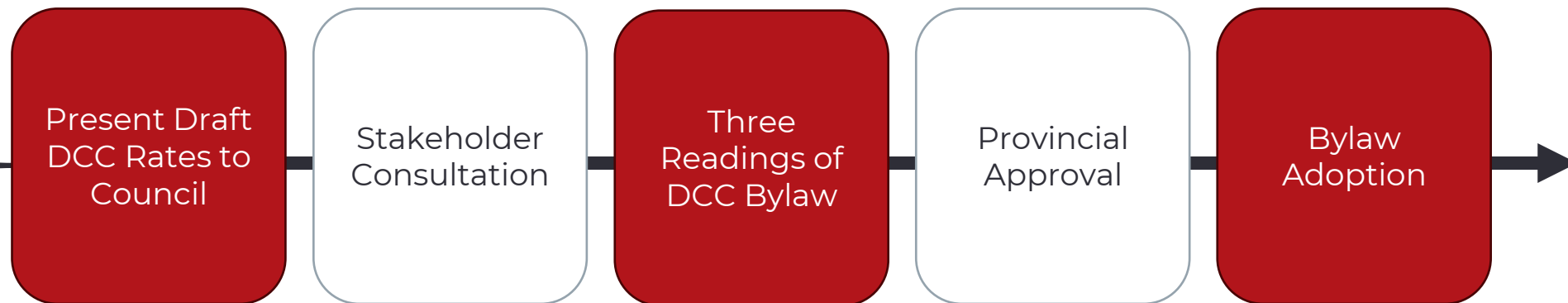
Consider Draft Assist Factor

Calculate DCC Rates



WE ARE HERE!

- = Technical inputs
- = Council policy inputs
- = Calculated values



DCC ADOPTION PROCESS

Note: upon bylaw adoption, there is a one-year grace period for in-stream development

MUNICIPAL ASSIST FACTOR

- Legislation requires that local government must “assist” development for DCCs
- Council has complete discretion – can vary from 1% (least assistance) to 99% (most assistance), but most communities have an Assist Factor between 1% and 10%
- Assist amount is funded from City revenues and general taxation (i.e. not DCCs)

*In the current DCC program , there is an **assist factor of 1%** for all infrastructure types*

STAKEHOLDER ENGAGEMENT

- The Best Practices Guide recommends consulting with key stakeholders as part of the DCC update, including:
 - Consultation with City of Victoria Council and staff
 - Providing information to the public
 - Sessions with the development community
 - Council presentations and three readings

DCC WAIVERS AND REDUCTIONS

- The LGA allows Council to waive or reduced DCCs payable on specific types of “eligible development”, including:
 - Not-for-profit affordable housing
 - For-profit rental housing
 - Housing designed for reduced environmental impact/GHGs
- Where the DCC is waived or reduced, the amount waived is to be entirely supported by the existing property taxpayers
- Waivers and Reductions can be established in a separate bylaw that does not require Inspector approval

GRANTS

- As an alternative approach, Council can provide grants to support development that aligns with Council's Strategic/development priorities
- For example, Council can award grants to cover the cost of DCCs to small non-profit housing suppliers
- Council can award grants to developments that meet Council's priorities



DISCUSSION AND NEXT STEPS

NEXT STEPS

1. Background and Policy Review (completed)
2. Initial DCC Presentations to Staff (completed)
3. Generating Program Inputs (completed)
4. Initial DCC Presentations to Council (today)
5. DCC Program Development (ongoing)
6. Present Proposed DCC Rate to Council (December 7)
7. Stakeholder Engagement
8. Finalization and Formal Ministry Submission
9. DCC Implementation