DEVELOPMENT COST CHARGE BYLAW UPDATE

CITY OF VICTORIA

November 27, 2023

DCC Background Report

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EXECUTIVE SUMMARY

In 2023, the City of Victoria initiated the process of implementing an update to their current Development Cost Charge (DCC) Bylaw. The DCC Program was developed based on the City's anticipated Official Community Plan Update (population and unit growth estimates) and based on the City's utility Master Plans and Capital Plans (DCC projects and costs). Staff from Sustainable Planning & Community Development, Underground Utilities, Transportation, and Parks and Open Spaces worked closely with the DCC Project team to DCC project lists and the draft DCC Program rates.

New legislation for housing and DCCs is a key consideration in the development of the DCC Program. New infrastructure categories (solid waste, fire services, and police services) have not yet been included in the DCC Program.

The development of this DCC bylaw included the following:

- Reviewing residential and non-residential growth estimates;
- Identifying eligible DCC projects, cost estimates and appropriate benefit allocations;
- Determining appropriate land use categories and units of charge; and,
- Allocating costs based on impact on infrastructure.

This report presents the City of Victoria's proposed DCC rates and program. The proposed 2023 DCC rates are provided in **Table ES-1**.

Table ES-1: Proposed 2023 DCC Rates

Land Use	Transportation	Water	Drainage	Sanitary	Parkland	Total Proposed DCC Rate	
Low-Density Residential	$8,919.90	$4,045.73	$585.91	$2,098.85	$8,083.35	**$23,733.75**	**per lot**
Medium-Density Residential	$4,060.09	$2,753.01	$283.19	$1,428.21	$5,500.51	**$14,025.01**	**per unit**
High-Density Residential	$3,814.03	$1,675.75	$141.59	$869.35	$3,348.13	**$9,848.85**	**per unit**
Commercial	$61.52	$13.17	$1.56	$6.83	$5.26	**$88.34**	**per m^2 of TFA**
Industrial	$18.45	$5.39	$1.07	$2.79	$2.15	**$29.86**	**per m^2 of TFA**
Institutional	$61.52	$13.17	$1.56	$6.83	$5.26	**$88.34**	**per m^2 of TFA**

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1.0 BACKGROUND

In 2023, the City of Victoria initiated the process to update the existing Development Cost Charge (DCC) bylaw, the City of Victoria Development Cost Charge Bylaw No. 22-060, 2022.

The City of Victoria currently collects Development Cost Charges (DCCs) for water, sanitary, drainage, parks, and transportation. The existing DCC Bylaw was last amended (minor DCC program update) in 2022 to account for inflation. The last major DCC Program update to the program was conducted in 2017. A DCC Update is timely in to capture current growth trends, projects needed to support growth, market conditions, cost escalation, and changes to legislation.

Many municipalities across B.C. use DCCs as a cost-recovery tool to support municipal financial sustainability. The advantages of implementing a DCC bylaw are as follows:

- Provides certainty to the development community about infrastructure upgrade costs and what projects these costs will pay for
- Ensures costs for future infrastructure are fairly distributed across the benefiting developments
- Foster fairness by ensuring the development community and existing property taxpayers share the costs of growth-related infrastructure
- Minimize financial risk to the City by allowing the City to save for growth-related infrastructure costs

The DCC update captures current infrastructure costs for capital projects that are driven by growth for the following services: water, sanitary, drainage, roads, and parks (land acquisition and parkland improvements). The proposed rates ensures that those who will use and benefit from the services provided by the City share in the costs of growth-related infrastructure in a fair and equitable manner. Key drivers for the City of Victoria DCC update include:

- Increasing development pressures, community growth, and changing development patterns
- New infrastructure projects required to meet future development and growth
- Increasing costs of construction and land acquisition costs
- Ensuring timely and transparent cost recovery on capital projects

This DCC Update aligns with the capital planning, historical growth and building permit data, the ongoing Official Community Plan update, as well as conversations with key staff.

Please note that the material provided in this background report is meant for information only. The City's adopted DCC Bylaw should be referred to for rates and requirements.

2.0 DCC KEY ELEMENTS

Prepared by the Ministry of Municipal Affairs and Housing, the Development Cost Charge Best Practices Guide (Best Practices Guide) stipulates key elements that should be considered when determining DCC rates. **Table 1** outlines the key elements, decisions, and supporting rationale used in this update. The table also indicates whether the approach aligns with the Best Practices Guide.

Table 1: DCC Key Elements

Key Element	DCC Update	Rationale	Aligns with Best Practices Guide?
Time Horizon	20 Years	• Aligns with capital plans and infrastructure planning studies	✓
City-wide or area-specific charge	City-wide charge	• DCC projects are components of City-wide infrastructure/parks systems and, therefore provide a City-wide benefit	✓
Grant Assistance	None	• No identified DCC projects include grant assistance	✓
Developer Contribution	None	• No identified DCC projects include a developer contribution	✓
Financing	No	• No identified DCC projects include financing	✓
Benefit Allocation	35-100%	• **Baseline - Benefit to the population at large (35%)** Primarily benefits existing development but will also add capacity that benefits and supports the future population of the community, which is expected to grow by approximately 35% over the next 20 years. All projects identified are anticipated to have a minimum benefit of 35%. • **Rule of thumb** o 50% – Benefits both greenfield and existing development somewhat equally o 75% – Primarily benefits future development in major growth corridors o 80% – Primarily benefits future development in major growth nodes o 100% – Benefits only greenfield development • **Technical Analysis** o Based on the percentage increase of pipe capacity beyond population growth.	✓

Municipal Assist Factor	1%	• 1% municipal assist factor to be carried over from previous DCC update.	✓
Units of charge	Per lot, per dwelling unit and per m^2 Total Floor Area (TFA)	• *Per lot* for low density residential. DCCs are levied on single detached dwellings at time of subdivision or building permit, as determined by the City, to collect DCCs as early in the process as possible. • *Per dwelling unit* for attached dwelling, and apartment uses. DCCs are levied on attached dwellings and apartment units at building permit when the number of units is known. • *Per m^2 of Total Floor Area (TFA)* for commercial, industrial, and institutional uses as impact on infrastructure is expected to correlate most closely with floor space.	✓

3.0 CONTEXT

The development of the DCC program involves technical analysis to determine the costs of the infrastructure that is required to meet future growth. This involves:

- Determining the projected growth of the City and future land use patterns
- The impacts of that growth on capital infrastructure projects
- The benefit of each project to new versus existing development
- The Municipal Assist Factor (MAF) that will be applied to each DCC program

These technical inputs, along with Council's discretionary ability to set the MAF, are used to calculate the draft DCC rates.

4.0 GROWTH PROJECTIONS AND EQUIVALENCIES

4.1 LAND USE CATEGORIES

Land Use	Inclusions and definitions
Low-Density Residential	• **Detached Dwelling:** a building having independent exterior walls and containing only one self-contained dwelling unit ○ "secondary suite" has the same meaning as under the British Columbia Building Code, and does not include a strata lot; • **Two Family Dwelling:** a building comprising two self-contained dwelling units.

Medium-Density Residential	• **Attached Dwelling:** a building that
	  ○ (a) is used or designed as 3 or more self-contained dwelling units, and
	  ○ (b) does not contain a self-contained dwelling unit wholly or partly above another self-contained dwelling unit

High-Density Residential	• **Multiple Dwelling:** a building or portion of building containing 3 or more self-contained dwelling units, one or more of which are wholly or partly above another self-contained dwelling unit
Commercial	• A building or structure used or intended to be used to carry on one or more businesses, including but not limited to, the sale or provision of goods, meals, transient accommodation, entertainment or services, (b) and excluding industrial, institutional, or residential uses
Industrial	• A building or structure used or intended to be used for industrial uses, including but not limited to warehousing, wholesale, manufacturing, processing, assembly, testing, distribution, servicing and repairing of products or materials
Institutional	• A building or structure used or intended to be used for cultural, recreational, religious, social, library, school, government, hospital, nursing home, rest home, or educational purposes

4.2 GROWTH PROJECTIONS

Statistics Canada Census data (2016 and 2021), Official Community Plan (OCP), City building permit data, population trends, and conversations with staff were used as baselines for the City's population growth projections.

Growth projections for commercial, industrial, and institutional uses are based on a review of historical building permit data provided by the City for the last 10 years, then adjusted to account for new and ongoing development applications to reflect anticipated changes development more accurately over the next 20 years. The non-residential growth projections used in this DCC update are shown below.

Table 2: 20-Year Residential and Non-Residential Growth Projections (2043)

Land Use	Population	Units
Low-Density Residential	4,056	1,200 lots
Medium-Density Residential	10,580	4,600 units
High-Density Residential	16,800	12,000 units
Commercial	1,100	500,000 m^2
Industrial	90	100,000 m^2
Institutional	605	275,000 m^2

4.3 EQUIVALENCIES

Different land uses have different impacts on infrastructure. To reflect these differences, equivalent units are used to allocate DCC costs across land uses.

Table 3: Equivalent Unit Methodology

Water and Sanitary	• For residential demand, occupancy rates were used to project demands for water and sanitary services. For non-residential land uses, equivalent populations per square metre are established.
Roads	• For roads and transportation projects, the cost of development is distributed based on the trips generated by each land use.
Parks	• Parks improvement equivalents are also based on residential demand, occupancy rates since increases in parks usage are generally reflective of overall population growth.
Drainage	• Stormwater equivalents are largely based on runoff coefficients for various uses.

The equivalency units below are aligned with the City of Victoria's previous DCC Bylaw. Updates have been made to include consideration for the presence of secondary suites in the Low-Density Residential land use category (i.e., single-family homes). Additionally, the Medium-Density Residential land use category has been updated to align with best practice given recent legislative changes.

Table 4: Equivalent Units

Land Use	Transportation	Water	Drainage	Sanitary	Parkland
Low-Density Residential	1.45	3.38	1.20	3.38	3.38
Medium-Density Residential	0.66	2.30	0.58	2.30	2.30
High-Density Residential	0.62	1.40	0.29	1.40	1.40
Commercial	0.0100	0.0110	0.0032	0.0110	0.0022
Industrial	0.0030	0.0045	0.0022	0.0045	0.0009
Institutional	0.0100	0.0110	0.0032	0.0110	0.0022

The total new residential population is projected as 31,436 people. For non-residential land uses, equivalent populations per square metre (m2) are established. The total equivalent population, determined by applying the equivalent unit conversion factors to the total estimated non-residential gross floor area, is 1,795 people.

5.0 DCC PROJECTS AND COSTS

DCC rates are determined by applying the key elements, growth projections and equivalencies, described earlier in this report, to projects that are DCC eligible and expected to be built within the specified DCC timeframe.

5.1 DCC PROJECTS

The proposed projects in this DCC update align the DCC programs to reflect current construction and material costs and were vetted for eligibility according to the Ministerial requirements for DCCs. Capital

costs for projects are based on existing project lists and updated to include contingency and engineering allowances.

Table 5: DCC Project Summary

Transportation	• Complete streets and Active Transportation Improvements (bicycle lane installation) • Intersection improvements • Sidewalk installations and improvements • Transit stop improvements
Water	• Water main upgrades • Water system modelling
Sanitary	• Sanitary main upgrades • Sanitary sewer modelling update • Sanitary Sewer Master Plan
Drainage	• Stormwater modelling update • Stormwater drainage system upgrades
Parks	• Parkland improvements • Parkland acquisition • Trail improvements

**Please note: the City of Victoria will own and control all projects in this DCC program.*

All parkland improvement projects in this DCC update align with the eligibility requirements of the legislation. As per the DCC Best Practices Guide, parkland improvement works are limited to:

- Fencing
- Landscaping
- Drainage and irrigation
- Trails
- Restrooms
- Changing rooms
- Playground equipment
- Playing field equipment

5.2 BENEFIT FACTORS

Project benefit allocations are used to determine to what extent a proposed project benefits future growth versus existing users and are determined on a project-by-project basis.

Some DCC projects may benefit the population at large, in which case the capital costs (or a portion of them) should be shared by the entire community. Other projects will only benefit new growth, in which case the new users benefiting from these services will pay most of the project costs.

Factors considered when determining Benefit Allocations include:

- Technical analysis to determine increases in service capacity – done through modeling and master planning for water, sanitary, and drainage projects
- Population growth analysis (new vs. existing population) developed for the City of Victoria OCP Update
- Proximity to areas experiencing new growth and /or redevelopment for parks and some active transportation

- Project triggers and timing

The benefit allocation of each DCC eligible project was evaluated on a scale of 35% to 100% using three main approaches:

1. **Baseline - Benefit to the population at large (35%)**
   Primarily benefits existing development but will also add capacity that benefits and supports the future population of the community, which is expected to grow by approximately 35% over the next 20 years. All projects identified are anticipated to have a minimum benefit of 35%.
2. **Rule of thumb**
   - 50% – Benefits both greenfield and existing development somewhat equally
   - 75% – Primarily benefits future development in major growth corridors
   - 80% – Primarily benefits future development in major growth nodes
   - 100% – Benefits only greenfield development
3. **Technical Analysis**
   - Based on the percentage increase of pipe capacity beyond population growth.

Service	Developer Responsibility	Benefit Factors
Transportation	35% - 75%	• Benefit to the population at large • Rule of Thumb
Water	35% - 95%	• Benefit to the population at large • Technical Analysis
Drainage	35%	• Benefit to the population at large
Sanitary	35% - 80%	• Benefit to the population at large • Rule of Thumb
Parkland	35% - 100%	• Benefit to the population at large • Rule of Thumb

5.3 DCC COSTS

The total DCC Program Costs amount to **$524.1 M**—of those costs, **$303.9 M** are eligible for recovery through DCCs (i.e., paid by developers). The City is responsible for funding the remaining **$220.3 M** (**$11.0 M/year**) through City revenues (e.g., property tax). This is a key consideration for Council when considering the City's financial sustainability and the costs to developers and existing taxpayers. These costs are included in **Table 8**.

The **Municipal Assist Factor** will be updated and confirmed to consider Stakeholder and Council feedback. Increases to the Municipal Assist Factor will decrease the developer responsibility for DCCs and increase the municipal responsibility. These costs are anticipated to be made up through Municipal Property Taxes.

Table 6: Total Cost of Proposed DCC Program

	Program Inputs			Developer Responsibility	Municipal Responsibility	
Service	**Total Capital Costs**	**Benefit Allocation**	**Municipal Assist Factor**	**DCC Recoverable Program Costs**	**Municipal Costs**	**Annual Municipal Costs (20 y)**
Transportation	$252.4 M	35% - 75%	1%	$130.4 M	**$122.1 M**	**$6.1 M**
Water	$90.1 M	35% - 95%	1%	$50.9 M	**$39.2 M**	**$2.0 M**
Drainage	$18.1 M	35%	1%	$6.3 M	**$11.8 M**	**$0.6 M**
Sanitary	$60.5 M	35% - 80%	1%	$28.3 M	**$32.1 M**	**$1.6 M**
Parkland	$103.0 M	35% - 100%	1%	$88.0 M	**$15.0 M**	**$0.8 M**
Total	**$524.1 M**	**35% - 100%**	**1%**	**$303.9 M**	**$220.3 M**	**$11.0 M**

5.4 INTEREST ON LONG-TERM DEBT

No interest on long-term debt is included in the DCC program.

6.0 PROPOSED DCC RATES

A comparison of existing and proposed rates is provided in **Table 9**.

Table 7: DCC Rate Comparison

Land Use	Unit	Existing Rate (2022)	Proposed Rate (2023)
Low-Density Residential	Per lot	$6,871.19	**$23,733.75**
Medium-Density Residential	Per unit	$6,238.90*	**$14,025.01**
High Density Residential	Per unit	$3,335.45	**$9,848.85**
Commercial	Per m^2 of total floor area	$31.32	**$88.34**
Industrial	Per m^2 of total floor area	$11.49	**$29.86**
Institutional	Per m^2 of total floor area	$31.32	**$88.34**
**Based on Attached Dwelling unit charge for a 1,500 sq ft unit (DCC Bylaw, 2022)*			

The following table summarizes the total proposed DCC rates for the City, along with each DCC program. DCC rates are determined by applying the key elements, growth projections and equivalencies described earlier in this report to projects that are DCC eligible and expected to be built within the specified DCC timeframe.

The initial DCC calculations were based on a 1% assist factor for all categories, resulting in the DCC rates shown in **Table 10** below.

Table 8: Total Draft DCC Rates

Land Use	Unit	Transportation	Water	Drainage	Sanitary	Parkland	Total
Low-Density Residential	Per lot	$8,919.90	$4,045.73	$585.91	$2,098.85	$8,083.35	**$23,733.75**
Medium-Density Residential	Per unit	$4,060.09	$2,753.01	$283.19	$1,428.21	$5,500.51	**$14,025.01**
High-Density Residential	Per unit	$3,814.03	$1,675.75	$141.59	$869.35	$3,348.13	**$9,848.85**
Commercial	Per m^2 of TFA	$61.52	$13.17	$1.56	$6.83	$5.26	**$88.34**
Industrial	Per m^2 of TFA	$18.45	$5.39	$1.07	$2.79	$2.15	**$29.86**
Institutional	Per m^2 of TFA	$61.52	$13.17	$1.56	$6.83	$5.26	**$88.34**

*The DCC Rates provided apply a 1% Municipal Assist Factor

7.0 STAKEHOLDER CONSULTATION

Stakeholder consultation is forthcoming.

8.0 DCC IMPLEMENTATION

8.1 BYLAW EXEMPTIONS

The *LGA* is clear that a DCC cannot be levied if the proposed development does not impose new capital cost burdens on the City, or if a DCC has already been paid in regard to the same development. However, if additional further expansion for the same development creates new capital cost burdens or uses up capacity, the DCCs can be levied for the additional costs.

The *LGA* further restricts the levying of the DCC at the time of application for a building permit if:

- The building permit is for a church or place of public worship as per the Community Charter; or
- The value of the work authorized by the building permit does not exceed $50,000 or a higher amount as prescribed by bylaw; or
- Unit size is no larger than 29 sq.m. and only for residential use

Changes to the legislation allow local governments at building permit to charge DCCs at building permit on residential developments of fewer than four self-contained dwelling units, if such a charge is provided for in the local government's DCC bylaw. The City has included provisions in the proposed DCC bylaw to charge DCCs at building permit on residential developments of fewer than four self-contained dwelling units.

8.2 COLLECTION OF CHARGES – BUILDING PERMIT AND SUBDIVISION

Municipalities can choose to collect DCCs at subdivision approval or building permit issuance. Of the two possible collection times, subdivision approval occurs earlier in the process.

The City will collect DCCs for Low-Density Residential units at time of subdivision approval. Collecting DCCs early will allow the City to ensure timely provision of infrastructure and services.

DCCs for other residential land use categories will be collected at time of building permit issuance when the final number of units (e.g., duplex, apartment or townhouse) are known.

Non-residential land uses will also be levied DCCs at time of building permit when total floor area will be known.

8.3 COLLECTION OF DCCS ON REDEVELOPED OR EXPANDED DEVELOPMENTS

When an existing building or development undergoes an expansion or redevelopment there is usually a need for additional DCC related infrastructure. The new developer/ builder should pay the applicable DCCs based on the additional floor area for, commercial, industrial, or institutional land uses at the DCC rates in the current DCC bylaw. In essence, the City is giving a DCC credit for the existing development or building. DCCs are only levied on the new development/building area.

If a detached dwelling unit (low-density residential) is replaced by another detached dwelling unit then no additional DCCs are payable.

If a lot is subdivided into two, for example, to construct two small lot single detached dwelling units, then DCCs are payable on the one additional single detached residential lot.

If a multi-family residential (high-density residential) development is replaced by another multi-family residential development with the same unit mix and number of units, then no additional DCCs are payable.

8.4 IN-STREAM PROTECTION AND PHASE-IN OF DCC RATES

The new DCC rates will be in force as per the effective date in the DCC Bylaw when it is adopted. Protection from rate increases for development applications that are submitted prior to the adoption date will be provided as per legislation.

There are two ways a developer can qualify for exclusion from the new DCC rates:

1. Pursuant to section 511 of the *LGA* (subdivision).

   If the new DCC Bylaw is adopted after a subdivision application is submitted and the applicable subdivision fee is paid, the new DCC Bylaw has no application to the subdivision for 12 months after the DCC Bylaw is adopted. As such, if the subdivision is approved during the 12 months' in-stream protection period, no DCC rates apply. This only applies in cases where DCCs are levied at subdivision.

   OR

2. Pursuant to section 568 of the *LGA* (building permits).

> The new DCC Bylaw is not applicable to a 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 associated with the construction (defined as "precursor application") is in-stream when the new DCC Bylaw is adopted, and the applicable application fee has been paid. The development authorized by the building permit must be entirely within the area subject to the precursor application.

The above is a summary of sections 511 and 568 of the *LGA* and not an interpretation or an explanation of these sections. Developers are responsible for complying with all applicable laws and bylaws and seeking legal advice as needed.

Note: One year in-stream protection is based on the adoption date of the DCC bylaw not the effective date.

8.5 REBATES AND CREDITS

The City should establish a practice to guide staff in the collection of DCCs and the use of DCC credits and rebates as stipulated in the LGA and referenced in the DCC Best Practices Guide. There may be situations in which it is not in the best interests of the City to allow an owner to build DCC services outside their subdivision or development. Building such services may start or accelerate development in areas where the City is not prepared to support. Policies for DCC credits, rebates and latecomer agreements are often drafted to assist staff in development financing.

8.6 DCC MONITORING AND ACCOUNTING

In order to monitor the DCC Program, the City should enter all the projects contained in the DCC program into its tracking system. The tracking system would monitor the status of the project from the conceptual stage through to its final construction. The tracking system would include information about the estimated costs, the actual construction costs, and the funding sources for the projects. The construction costs would be based on the tender prices received, and the land costs based on the actual price of utility areas and or other land and improvements required for servicing purposes. The tracking system would indicate when projects are completed, their actual costs, and would include new projects that are added to the program.

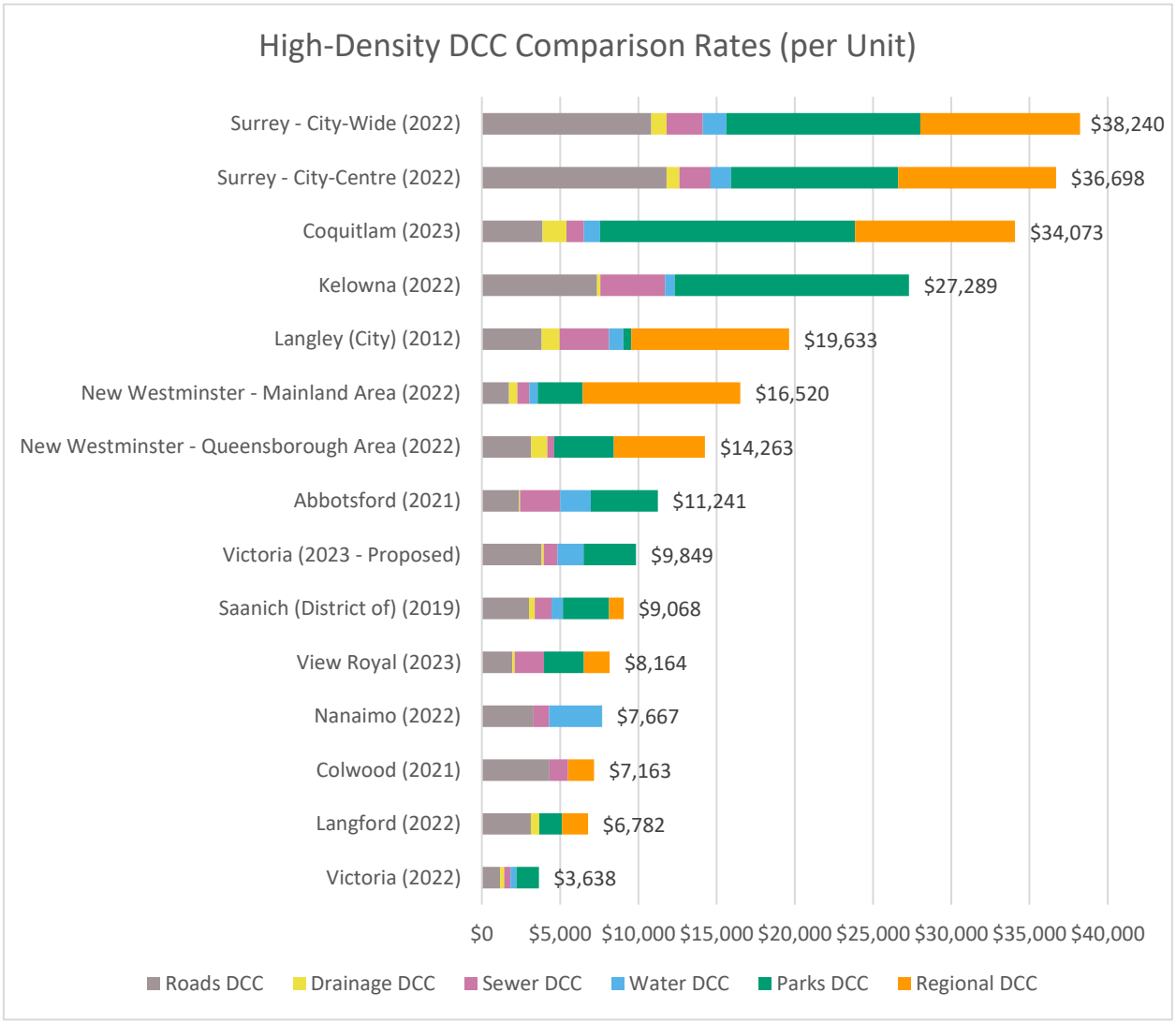
8.7 DCC REVIEWS

To keep the DCC program as current as possible, the City should review its program annually. Based on its annual review, the City may make minor amendments to the DCC rates. The City should apply a CPI inflation factor, as permitted by the legislation, annually (to a maximum of 4 years). Typically, a major amendment to the DCC program and rates is recommended every 5 years.

9.0 COMMUNITY COMPARISONS

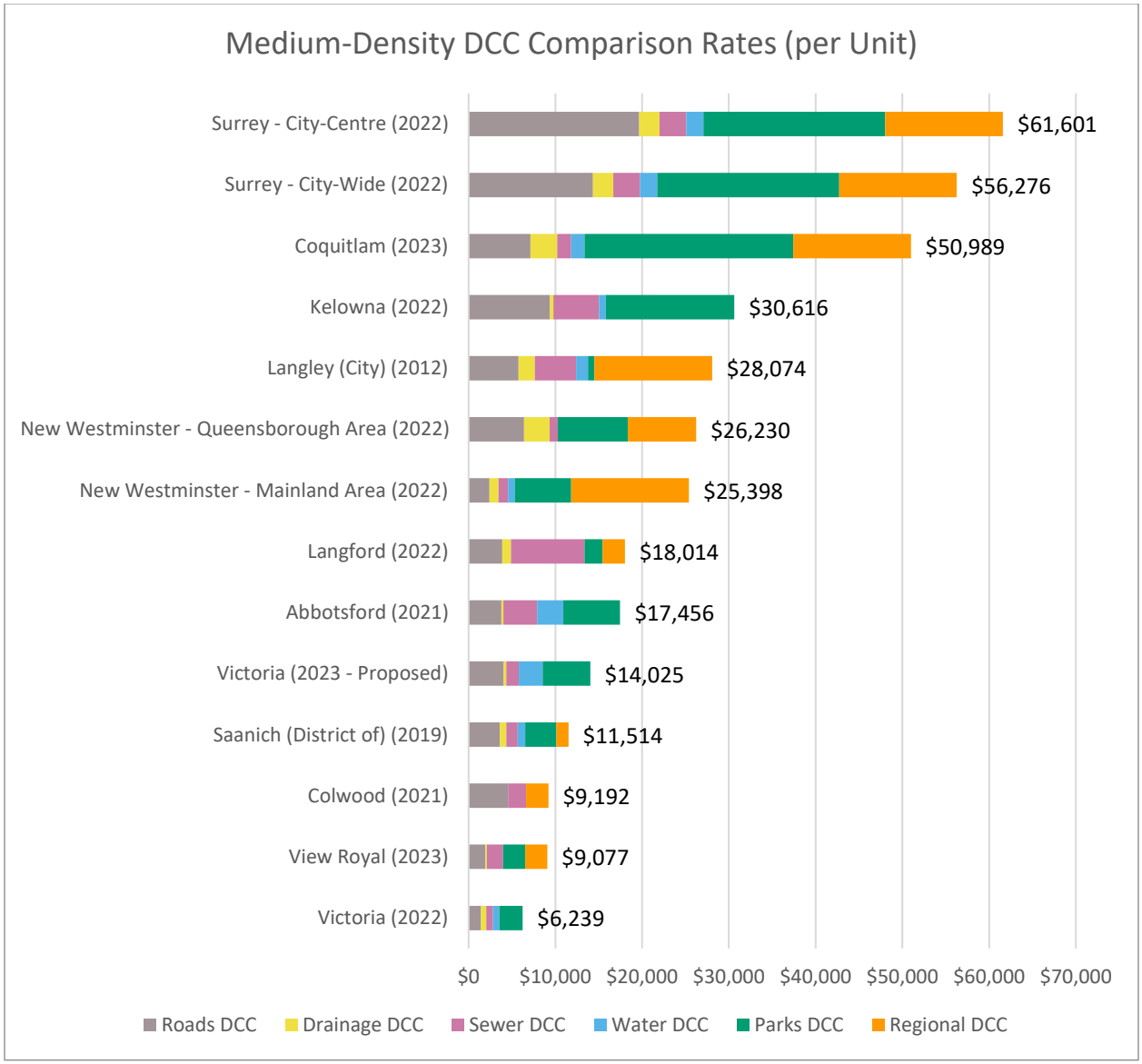
As seen in the chart below, the current DCC rates for a detached dwelling in the City of Victoria are among the lowest across communities on Vancouver Island and in the Lower Mainland. The proposed DCC Rates are more closely aligned with other comparable communities.

Figure 1. DCC Comparison for High Density (Multi-Family) Units (per Unit)



Note 1: Depending on the location of a multi-family unit in Nanaimo, various RDN charges will apply. The number above reflects a multi-family unit in central Nanaimo but does not include the applicable DCC for wastewater treatment/sanitary sewer works and services, which is $25.74/m^2 of building gross floor area. No development cost charge for multi-family development shall exceed an amount calculated by multiplying the number of dwelling units created by $4,622.37.

Figure 2. DCC Comparison for Medium Density Units (per Unit)



Note 1: Depending on the location of a multi-family unit in Nanaimo, various RDN charges will apply. The number above reflects a multi-family unit in central Nanaimo but does not include the applicable DCC for wastewater treatment/sanitary sewer works and services, which is $25.74/m^2 of building gross floor area. No development cost charge for multi-family development shall exceed an amount calculated by multiplying the number of dwelling units created by $4,622.37.