

Committee of the Whole Report For the Meeting of June 20, 2024

To:	Committee of the Whole	Date:	June 5, 2024
From:	Susanne Thompson, Deputy City Manager and Chief Financial Officer		
Subject:	Development Cost Charges Review – Consultation Results		

RECOMMENDATION

That Council direct staff to bring forward an amended Development Cost Charges bylaw for consideration of introductory readings.

EXECUTIVE SUMMARY

The purpose of this report is to outline the results of the consultation with the development community and affordable housing providers on proposed changes to the City's development cost charges (DCCs) as directed by Council on December 14, 2023. At that meeting, Council also made several policy decisions as outlined in the Committee of the Whole report from December 7, 2023 (attached as Appendix A.)

A consultation session was held on January 31, 2024, which consisted of a presentation on the DCC update, DCC legislation and best practice, and proposed draft program and rates, as well as a question-and-answer period. The themes from this session included:

- Appreciation for the opportunity to provide input;
- Appreciation for the transparency of rates;
- Requests to review the project lists;
- Inquiries on project eligibility;
- Concerns about the rate increase;
- Inquiries about phasing in the DCC through the municipal assist factor;
- Inquiries about the program time frame;
- Inquiries about in-stream protection, waivers and reductions; and,
- Inquiries about the effects of Provincial legislative changes on the DCC bylaw update

All background information, including the consultation results, key elements, growth projections, DCC projects and costs, DCC rates and implementation is attached as Appendix B.

On October 26, 2023, Council directed staff to consider a 100% reduction in DCCs for non-market rental housing projects. Should Council move forward with the proposed bylaw amendments, staff will bring a report on a proposed grant program to come into effect at the same time as the rate changes.

In response to questions from Council regarding the potential impact of increased DCCs on housing starts, additional sensitivity testing was undertaken using the economic analysis completed as part of the ongoing OCP update. This sensitivity testing of Victoria's residential build-out capacity showed that the proposed DCC rates led to roughly one percent fewer net new units by 2030, and roughly six percent fewer net new units by 2050 (approximately 27,000 net new units instead of 29,000). The longer-term projection assumes an improvement in market conditions, which allows more marginal projects to proceed. Some of these marginal projects demonstrate a sensitivity to the incremental change of the proposed DCCs.

The proposed rate increases would provide additional funding for required infrastructure upgrades related to population growth and would reduce the reliance on property tax and utility user fee funding for these projects. While the rate increases may have some impact on housing starts, it is estimated to be limited and staff recommend moving forward with the DCC rates bylaw amendments.

Respectfully submitted,

Susanne Thompson Deputy City Manager and Chief Financial Officer

Report accepted and recommended by the City Manager

List of Attachments

Appendix A – December 7, 2023 Committee of the Whole Report: DCC Review – Policy Direction Appendix B – Background report from Urban Systems