

## Appendix A



### Committee of the Whole Report For the Meeting of December 7, 2023

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**To:** Committee of the Whole **Date:** November 24, 2023  
**From:** Susanne Thompson, Deputy City Manager and Chief Financial Officer  
**Subject:** Development Cost Charges Review – Policy Direction

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#### RECOMMENDATION

That Council:

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, and direct staff to develop a grant program for the purpose of paying development cost charges for non-government not-for-profit non-market rental housing projects
  - 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 m<sup>2</sup> 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

#### EXECUTIVE SUMMARY

The City levies development cost charges (DCCs) on new development to assist in recovering growth-related costs for upgrading or providing infrastructure for transportation, water, drainage and sewage, and for acquiring and developing parkland to support population growth. The current fees were implemented in 2017/18 and have been increased by inflation each year since then. This review is a major update to the DCC program in alignment with best practices to do so every five years.

Since the last major update, the City's population has grown, infrastructure costs have increased, infrastructure needs have changed, and DCC best practices have advanced. Before new rates can be finalized and consultation with the development community can begin, staff are requesting Council direction on several policy choices.

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 from Urban System who have been retained to support this work. It also includes the resulting draft DCC rates, which although increased, would still remain comparatively low. The draft rates were developed

based on technical analysis and the assumption that the municipal assist factor would be 1%. Should Council wish to adjust the assist factor, it is recommended that this be considered following focussed stakeholder consultation with representatives from the development community and non-profit housing providers. Their requested written feedback will be brought to Council along with the DCC levy bylaw for consideration in early 2024.

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

In 2008 the Provincial Government enacted Bill 27 pertaining to DCCs which includes 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

In October, Council directed staff to consider, as part of the DCC review, a 100% reduction in DCCs for non-market rental housing projects for non-government housing non-profits. 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 housing provider. This is a less transparent approach of supporting these types of developments and therefore, it is instead recommended that the City establishes a grant program for this purpose. This approach may also provide the City more flexibility in considering grant applications compared to a more restrictive DCC waiver bylaw.

### **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 which would not be charged DCCs.

### **Policy Decision #3 – Exemption threshold for small residential units**

Bill 27 introduced a mandatory DCC exemption for residential units of 29 m<sup>2</sup> 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 m<sup>2</sup>).

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 provides that DCCs are 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.

Respectfully submitted,

Susanne Thompson  
Deputy City Manager and Chief Financial Officer

**Report accepted and recommended by the City Manager**

**List of Attachments**

Appendix A: Report from Urban Systems