
MEETING TYPE: Regular Council Meeting
MEETING DATE: July 16, 2024
AUTHOR: Matthew Salmon, Director of Engineering and Environmental Services
DEPARTMENT: Engineering and Environmental Services
ITEM TITLE: Development Cost Charge (DCC) Amendment Bylaw 1233, 2024
DESCRIPTION: Update the Water, Sanitary Sewer, Drainage and Mobility Development Cost Charges (DCCs) in the DCCs Bylaw

PURPOSE

To update the Water, Sanitary Sewer, Drainage and Mobility Development Cost Charges (DCCs) in the DCC Bylaw.

RECOMMENDATION

THAT the Development Cost Charge (DCC) Amendment Bylaw 1233, 2024, be read a second time as amended.

EXECUTIVE SUMMARY

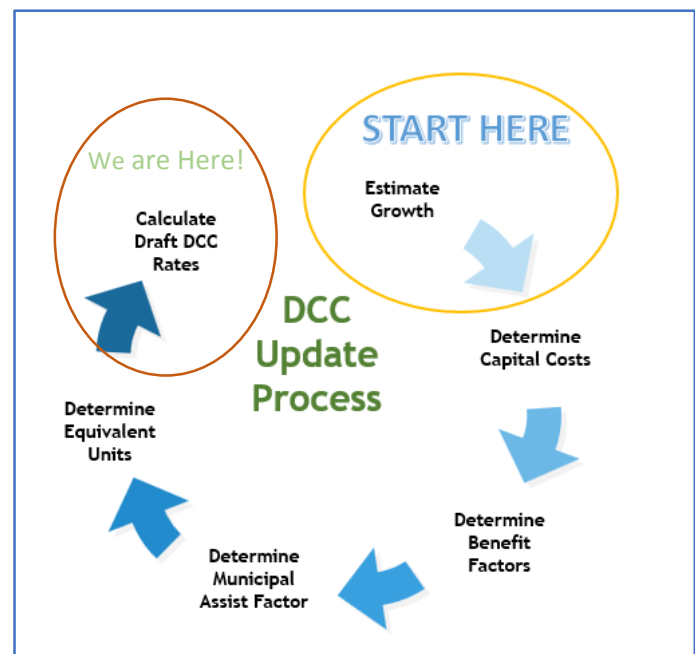
The District of Lake Country is updating its Development Cost Charges Bylaw for Utilities (water, sewer, drainage) and Mobility (roads and active transportation), which were last updated in 2016. Parks DCCs were updated recently (in 2021) and are not part of this Bylaw revision.

The Development Cost Charge (DCC) Amendment Bylaw 1233, 2024 was given first reading by Council on May 21, 2024 ([Link](#)). This version of the DCC bylaw proposed a 10-year program without a Lake Country Business Park (LCBP) area specific DCC. Council also directed Staff to explore options for creating a DCC rate specific to the LCBP. Staff worked with their consultant, Mr. Dan Huang from Connections Planning, and presented further options at a Strategy Session with Council on Jun 18, 2024. Council expressed interest in the 20-year program that established a Lake Country Business Park area specific DCC rate (Attachment B – Schedules A & D). This option is being recommended by staff and the Amendment Bylaw 1233 attached to this report reflects the change from the 10-year program without a LCBP area specific DCC that was given first reading, to a 20-year program that establishes a LCBP area specific DCC rate in addition to a municipal wide DCC rate.

DCCs are fees collected from developers to help fund the cost of growth-related infrastructure. They are regulated through provincial legislation (Local Government Act) and [best practices](#). The rates charged reflect the relationship and impact that growth has on new infrastructure requirements. This helps ensure developers pay their fair share of costs required to develop new infrastructure.

Provincial best practices recommends updating DCC programs every 5 years, so this update is overdue. Since the last update, the District has new information on growth projections as well as capital projects, based on recently approved infrastructure master plan for water, sewer, and mobility. Since the last DCC update in 2016, construction costs and land values have changed considerably, which need to be reflected in the DCC rates. For example, the Building Construction Price Index from Statistics Canada indicates that residential construction costs increased 80% between Q1 2017 to Q4 2023.

To accommodate future growth and development over the next 20 years, \$273 million in capital works is required (excluding parks) for municipal-wide and \$16.4 million (excluding drainage and parks) specifically for the LCBP.



Based on additional technical and financial analysis, as well as stakeholder consultation, a 20-year horizon is strongly recommended for the mobility, water, and sewer programs. This approach supports the phasing of larger capital projects and allows for better cash flow management.

District staff recognize the significant impact that large increases in Development Cost Charges (DCC) can have on the development community and existing taxpayers. Balancing the competing needs of providing expensive infrastructure to facilitate growth while ensuring that these costs are not prohibitive to the development of new housing, businesses, and amenities for our growing community is crucial.

To mitigate DCCs being a potential barrier to development and ensure that necessary infrastructure is in place at the right time, it is strongly recommended that the 20-Year DCC Program, with a LCBP area specific DCC rate, be adopted. This program aims to strike a balance between funding essential infrastructure projects and supporting sustainable community growth without imposing excessive financial burdens on developers and residents.

DISCUSSION/ANALYSIS

During the Spring of 2023, Connections Planning Associates was commissioned by the District to update its 2016 DCCs Bylaw for Utilities (water, sewer, drainage) and Mobility (roads and active transportation).

The Key Drivers for the DCCs update are:

- New OCP (2018) – provides the land use policy framework
- New Master Plans (2020 to 2023) – identifies significant capital investments to support new growth and existing community development
- New housing targets – Housing Needs Assessment (2023)
- DCCs Best Practice – recommends major update every 5 years

The 20-year growth projections are based on the following:

- The number of new DCC-eligible units in master plans
- New residential category proposed for Accessory Dwelling Unit (ADU) – 300 units.
- ICI (industrial, commercial, institutional) based on previous projections.
- Revised LCBP growth projections.

DCCs for Secondary Suites

Secondary suites that are built within a principal dwelling will generally have a nominal impact on infrastructure capacity (e.g. converting a 4-bedroom house to a 3-bedroom house with a basement suite). If a suite is constructed as a renovation to an existing house, then the original DCC would have been paid for at time of subdivision. In addition, any building permit value <\$50,000 is exempt from paying DCCs.

Through review and discussions with Council, **the updated DCC Bylaw proposes increasing the amount to \$100,000 of building permit value for a DCC exemption.** This is in consideration of construction cost inflation since the last DCC Bylaw, and has also been utilized in a few other communities across the province (e.g. City of Coquitlam, City of Port Alberni).

In recognition of the above, and to support housing affordability, **it is recommended that secondary suites that are constructed within the principal dwelling are not charged additional DCCs**, regardless of BP value. The draft bylaw incorporates this recommendation.

DCCs for Accessory Dwelling Units (ADUs)

An Accessory Dwelling Unit (ADU) is an additional residential structure separate from the primary dwelling. Examples include coach houses, garden suites, and accessory garage suites. There is a rationale that the ADU may add additional impact to infrastructure capacity, and as such DCCs could be attributable. However, the impact is less than a multi-family residential unit, given the potential size of the ADU. **The draft bylaw contains a proposed new DCC category for ADUs**, a new set of equivalency factors has been developed, based on 50% equivalency of a multi-family residential unit. As with other categories, monitor over time to confirm growth projection and equivalencies to other land uses.

Adoption of new DCC Rates

In addition to the statutory in-stream protection provisions, the development community has been made aware of the proposed changes to the DCC program early on, and is now able to submit a completed application prior to the adoption of the new DCC Bylaw. Given all of this, however, developers are still reliant on the resources and capacity of District staff to process subdivision and building permit applications in a timely fashion. Depending on the ability of the District to address the current application backlog, an additional grace period may be provided by holding off Council adoption of the Bylaw, once it has been reviewed and approved by the Ministry of Municipal Affairs. Staff will provide Council an update on this situation prior to adoption so Council can consider the options regarding the impacts and timing.

APPLICABLE LEGISLATION, BYLAWS AND POLICY

1. Council's vision and strategic priorities include focus on the theme of *"Well-maintained infrastructure and facilities that meet community needs and allow growth and development for prosperity."*
2. DCC's are regulated by the Province and require approval by the Inspector of Municipalities.
3. **What works do DCCs pay for?**
 - a. Capital upgrades to infrastructure (water, sewer, stormwater, transportation)
 - b. Park land acquisition and park development (not included in this update)
4. **What works do DCCs not pay for?**
 - a. Annual Operations and Maintenance (O+M)
 - b. Works required to service the existing population (e.g. asset renewal)
 - c. Fleet / Transit vehicles
 - d. Various community facilities (e.g. arenas, community halls, libraries)*

5. Who pays DCCs?

- a. Applicants at time of Subdivision approval to create detached dwelling lots.
- b. Applicants at time of Building Permit to construct multi-family residential, commercial, industrial and institutional development.

***Note:** The Province recently amended DCC legislation (Bill 46 - Nov 30, 2023) to include fire halls, police facilities, and solid waste/recycling facilities, as well as cost-sharing for provincial highways/interchanges. The implications of these recent legislative changes to the District's current Master Plans and project programs are being assessed and will inform future DCC bylaw amendments.

IMPACT ON INFRASTRUCTURE, SERVICES AND STAFF CAPACITY (if applicable)

DCCs are a cost-sharing mechanism to spread the required investment in supporting infrastructure among all growth. It is about sharing the costs fairly and reasonably – trying to strike the correct balance between contributors – towards growth in the community.

FINANCIAL IMPLICATIONS

The DCC Program has been based on the District's capital improvement programs contained within their respective Master Plans, these are:

- **Mobility/Transportation** - [Mobility Master Plan](#) and [Mobility Improvement Program](#)
- **Water** - [Water Master Plan](#) and additional water modelling
- **Sanitary Sewer** - [Liquid Waste Management Plan](#) (LWMP) Stage 1 and [Stage 2](#).
- **Drainage** - A Stormwater Master Plan does not exist; one is currently being produced. Therefore, the Drainage Program carries over the existing program list from 2016 but updates the cost using Engineering News Record (ENR) inflation factor.

New Proposed DCC Rates

The tables below summarize the proposed DCC rates for a 20-year program.

Table 1. Proposed 20-Year Program for Municipal-Wide DCCs

Land Use Category	Collection Basis	Mobility	Water	Sewer	Drainage	Parks	Total
Single Detached Residential	Per Lot	\$10,252	\$11,953	\$11,862	\$389	\$12,790	\$47,246
Multi-Family Residential	Per Unit	\$6,664	\$7,770	\$7,710	\$254	\$12,790	\$35,188
Accessory Dwelling Unit	Per Unit	\$3,332	\$3,885	\$3,855	\$127	\$0	\$11,199
Commercial	Per Gross Floor Area in m ²	\$34.45	\$40.16	\$39.86	\$1.31	\$22.24	\$138.02
Industrial	Per Gross Floor Area in m ²	\$34.45	\$40.16	\$39.86	\$1.31	\$14.48	\$130.26
Institutional	Per Gross Floor Area in m ²	\$34.45	\$40.16	\$39.86	\$1.31	\$22.24	\$138.02

Table 2. Proposed 20-Year Program for Lake Country Business Park Area-Specific DCCs

Land Use Category	Collection Basis	Mobility	Water	Sewer	Drainage	Parks	Total
Commercial	Per Gross Floor Area in m ²	\$45.50	\$14.16	\$7.41	\$0	\$0	\$67.07
Industrial	Per Gross Floor Area in m ²	\$45.50	\$14.16	\$7.41	\$0	\$0	\$67.07

CONSULTATION and COMMUNICATIONS

A DCC workshop was hosted by the District for the Industry stakeholders from the Urban Development Institute (UDI) and the Canadian Home Builders Association - Central Okanagan branch (CHBACO) as well as continued engagement through the [Districts Let's Talk platform](#). UDI and CHBACO were also provided with the material from the Strategy Session with Council on Jun 18, 2024. The proposed options were further discussed with UDI during a regular liaison committee meeting, UDI expressed appreciation for the efforts of the District team, especially the manner in which the process has been open and transparent and being afforded the opportunity to review and discuss the proposed DCC options with staff prior to second reading of the DCC Bylaw.

All feedback and comments have been collated, responses given, considered and incorporated into this package being presented at the 1st reading of the proposed new DCC Bylaw.

Notwithstanding the need to invest in new infrastructure to support growth, the District fully acknowledges increasing DCC rates is impactful, and it is important to ensure the right balance is struck. To achieve the right balance, District staff undertook the following steps based on feedback received through the stakeholder workshop and consultation:

- The District's consultants reviewed the 20-year infrastructure programs in our Master Plans to ensure all program and the associated costs are still valid.
- Changes were made to the program duration and sequencing of the DCC program to better align with the priorities, service delivery and predicted growth, whilst maintain the integrity of the programs.
- Reassessment of the benefit allocation for the infrastructure required to service the Lake Country Business Park and surrounding area.
- Review and analyse various implementation options to ensure a fair and equitable program and rate structure.

The consultation and engagement steps taken and those to come are summarised in the graphic below.

Oct 2023 – Feb 2014	District Staff Engagement
Nov 21, 2023	Council DCC Workshop
March 19, 2024	Initial Review by Council
April 2	Industry Stakeholder Workshop
April – May	Feedback & Engagement with Developers/ Community
May 21,	DCC Bylaw 1st Reading
Jun 18,	Strategy Session to explore further DCC options
June – July	Continued Feedback & Engagement with Industry Stakeholders
July 16	Amended DCC Bylaw 2nd Reading WE ARE HERE
Summer 2024	Further Consultation with Development Industry and Community
Summer/Fall 2024	DCC Bylaw 3rd Reading & Provincial Approval
Fall/Winter 2024	DCC Bylaw Adoption

The accompanying Background Report (Attachment A) remains unchanged from the version provided at first reading. The Background Report will be updated once the DCC Bylaw has received 3rd reading and prior to seeking Provincial approval.

As the creation of the LCBP Area Structure Plan (ASP) progresses during 2024, the DCC Bylaw will be amended if required, to ensure integration and coordination between the LCBP ASP and the DCC Bylaw.

ALIGNMENT WITH COUNCIL STRATEGIC PRIORITIES

- Create and Support Opportunities for a Healthy, Active and Inclusive Community
- Create Infrastructure That Meets Community Needs
- Encourage Growth of the Downtown Core
- Ensure Sustainable Water Service Delivery for the Community
- Explore Opportunities to Engage With Regional Local Governments for the Betterment of the Community
- Honour Reconciliation by Strengthening Relationships and Inclusiveness With Our Indigenous Partners
- Identify and support improvements to the Development Process
- Implement the Agricultural Plan
- Preserve, Protect and Enhance Our Natural Environment
- Secure long term wastewater service delivery for our community
- Support Opportunities to Diversify Lake Country's Tax Base

ALIGNMENT WITH MASTER PLANS

- | | |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| <input type="checkbox"/> Agricultural Plan | <input checked="" type="checkbox"/> Official Community Plan |
| <input type="checkbox"/> Climate Action Charter | <input type="checkbox"/> Parks & Recreation Master Plan 2019 |
| <input type="checkbox"/> Housing Needs Report | <input checked="" type="checkbox"/> Sanitary Sewer System Map |
| <input checked="" type="checkbox"/> Liquid Waste Management Plan Stage 1/2 Report | <input type="checkbox"/> Transit Future Plan-Central Okanagan Region-DRAFT |
| <input type="checkbox"/> McCoubrey Plateau Area Structure Plan | <input type="checkbox"/> Transportation for Tomorrow |
| <input checked="" type="checkbox"/> Mobility Master Plan | <input checked="" type="checkbox"/> Water Master Plan |

OPTIONS

- A. THAT the Development Cost Charge (DCC) Amendment Bylaw 1233, 2024, be read a second time as amended.
- B. THAT the Development Cost Charges Amendment Bylaw 1233, 2024, be referred back to staff with direction from Council on desired changes.

Respectfully Submitted,
Matthew Salmon, Director of Engineering and Environmental Services

Report Approval Details

Document Title:	Development Cost Charge (DCC) Bylaw for Water, Sanitary Sewer and Mobility DCC Rates.docx
Attachments:	<ul style="list-style-type: none"> - Attachment A-Bylaw 1233, 2024-Draft Background Report Revised July 9, 2024.pdf - Attachment B-Bylaw 1233, 2024-Revised for 2nd Reading-2024-07-05.pdf - Attachment C-Bylaw 1233, 2024-Tracked Changes-Revised for 2nd Reading-2024-07-05.pdf
Final Approval Date:	Jul 10, 2024

This report and all of its attachments were approved and signed as outlined below:

Trevor James, CFO, Director of Finance & Administration - Jul 8, 2024 - 2:02 PM

Reyna Seabrook, Director of Corporate Services - Jul 8, 2024 - 5:19 PM

Paul Gipps, Chief Administrative Officer - Jul 10, 2024 - 1:21 PM