DISTRICT OF OAK BAY

PREPARED FOR:	Council
FROM:	Rianna Lachance, Director of Finance and Asset Management and Andre Boel, Director of Community Building and Planning
MEETING DATE:	November 12, 2024
SUBJECT:	Development Cost Charge and Amenity Cost Charge Programs and Rates (Council Priority Project #80)

RECOMMENDATION(S)

THAT the report titled “Development Cost Charge and Amenity Cost Charge Programs and Rates (Council Priority Project #80)”, authored by Rianna Lachance, Director of Financial Services and Asset Management and co-authored by Andre Boel, Director of Community Building and Planning dated November 12, 2024 be received.

And that Council consider the following staff recommendation(s):

THAT the Development Cost Charge rates with a municipal assist factor of 1% be endorsed;

AND THAT Amenity Cost Charge rates with a municipal assist factor of 1% be endorsed;

AND THAT the programs be advanced to the public consultation phase as presented.

Alternatively, staff await another direction from Council.

EXECUTIVE SUMMARY OF REPORT

The purpose of this report is to seek Council's endorsement of proposed rates for both the Development Cost Charge (DCC) and Amenity Cost Charge (ACC) programs and launch of the public consultation phase of this project.

BACKGROUND/HISTORIC CONTEXT

On December 14, 2023, Council received the Provincial Housing Directives - Next Steps report and approved the projected timelines and prioritization of the Housing Action Program.

In response to Council's direction to proceed with development of the Development Cost Charge (DCC) and Amenity Cost Charge (ACC) Programs (Council Priority Project #80) in 2024, the project was launched in January 2024. This project is one of the three Housing Action Plan projects prioritized for 2024.

Development of the DCC and ACC programs commenced in February with Urban Systems selected to develop the programs. As planned, various other consultants were engaged to develop growth scenarios, land capacity analysis and infrastructure modelling.

On July 15th, 2024, Council received an introduction to the Development Cost Charge and Amenity Cost Charge Programs by way of Staff report and consultants' presentation. An updated timeline for the project was also presented at this time.

The development of the DCC and ACC programs is planned to take place in two phases. Phase one is based on the anticipated growth under the new Infill Housing program as well as expected multi-unit and other re-development. It is still anticipated that a second phase will be required. With both programs reliant on growth forecasts tied to OCP and Zoning Bylaws, review will be required after completion of the next series of changes slated for 2025 to accommodate the 20-year housing needs. A phase two DCC and ACC program update would likely follow in 2026/2027.

ANALYSIS

Bill 46 introduced changes to the existing Local Government Act Section 19, most notably to include a new financing tool called Amenity Cost Charges (ACC) intended to replace Community Amenity Contributions (CACs) and changes to the Development Cost Charges (DCC) mechanism to expand the allowable categories. Establishing cost recovery mechanisms such as development cost charges is beneficial to the District in financing new investment in infrastructure and community facilities in response to growth related to community goals and housing supply mandates.

The intent of DCC and ACC programs is recovering the cost of new infrastructure and facilities related to growth, by assigning a portion of those costs to new development through development charges. This ensures new development pays a prorated portion of the cost of, for example, upsized underground infrastructure or expanded recreation facilities. Acknowledging that existing infrastructure and facilities also will be upgraded or renewed to serve the existing population and development in the community, DCC and ACC programs are required to demonstrate how the apportioning of cost has been established.

For Oak Bay, the absence of pre-existing tools of this nature meant development of the programs required a high degree of effort from Staff both in developing long term assets capacity forecasts and in developing the programs and related bylaws.

To accomplish the work, the project approach was designed to rely on consultants for several aspects of program development. With Urban Systems leading program and bylaw development, Staff and other consultants have now completed the necessary analysis and program design to proceed to public consultation and then to bylaw and inspector approval.

Growth forecasts were used to identify growth-related projects and costs. In determining the list of growth-related projects, considerable time was spent ensuring that current

replacement and renewal plans were considered in determining the benefit allocation between existing and future development. This work was prepared by Urban Systems, and the result of their work is summarized in a presentation included as Attachment 1.

At the start of the project staff anticipated initial DCC and ACC programs could be created relatively quickly. However, through the review process it became clear that setting up an effective program required more in-depth analysis. Another complexity was the need to coordinate work between different consultants that each provided essential inputs for Urban Systems to develop the programs. The additional time taken does mean the program is more comprehensive than initially anticipated and is laying a solid foundation for the introduction of this new infrastructure financing mechanism.

DCC and ACC programs rely on projections of growth for the next 30 years. The numbers used in the program are based on conservative estimates of new housing and other new development and this ensures the list of projects in the programs does not extend to needs that might not transpire within the time horizon of the program. The consultant also noted that this translates to a reasonable program that results in charges that are very similar to other municipalities in the area.

Municipal Assist factor

This factor offers discretion for Councils to set a level of municipal assistance towards the cost of DCC or ACC for new development. The ratio can be set anywhere between 1-99% but is typically set at 1%. A higher assist factor could be used to support a relatively lower cost of construction, however it does so by shifting a portion of the cost of new infrastructure that serves new growth, to the existing taxpayers in the District. The municipal assist factor should be a reflection of the community's support towards the financing of infrastructure required to serve new development. The municipal assist can vary by category in the DCC and ACC programs.

Most municipalities opt to apply an assist factor of 1% because the development of the programs includes focusing on only that portion of infrastructure costs that are directly attributable to new development and most municipalities don't have the financial resources to subsidize DCC and ACC charges.

Public Consultation

There are no mandatory public consultation activities described in legislation for development cost charges, however Local Government Act Section 570, sets out some requirements for consultation on ACC's. Section 570 identifies that a municipality must provide one or more opportunities for consultation with public, public authorities and organizations who will be affected by the amenity cost charge bylaw.

While not specified directly in legislation, public consultation on DCC's, is beneficial in obtaining inspector approval which is required. Under section 564, the Inspector may refuse to grant approval if the inspector determines that a municipality has set charges that will deter development, discourage construction of reasonably priced housing or serviced land or discourage development designed to have a low environmental impact. Public/stakeholder consultation can inform program development and would be considered in the inspector approval of a development cost charge bylaw.

Relation to CAC Policy

Like many other BC municipalities, the District already has a Community Amenity Contribution (CAC) Policy. This policy relies on voluntary contributions at time of rezoning and is based on a similar concept aiming at recovering cost related to growth from new development. Specific to rezoning applications the rationale has generally been that the increased density creates new, not previously anticipated needs for infrastructure or facilities.

The District's current CAC Policy determines that contributions are collected for a range of amenities including streetscape improvement along Oak Bay Avenue; climate action initiatives; tree installation on public lands; municipal facilities; heritage preservation; and affordable housing.

The Policy will be further reviewed while the DCC and ACC program consultation takes place. If changes are deemed necessary in the short run, staff will inform Council accordingly.

OPTIONS

Option #1 (recommended)

Council could choose to approve the Staff recommended rates as presented; the following motion would be in order:

> THAT the Development Cost Charge rates with a municipal assist factor of 1% be endorsed;
>
> AND THAT Amenity Cost Charge rates with a municipal assist factor of 1% be endorsed;
>
> AND FURTHER THAT the programs be advanced to the public engagement phase as presented.

Option #2

Council could choose to adjust the municipal assist factor for either or both of the proposed DCC or ACC rates; the following motion would be in order:

> THAT Development Cost Charge Rates with a municipal assist factor of (X) be endorsed;
>
> AND THAT Amenity Cost Charge Rates with a municipal assist factor of (X) be endorsed;
>
> AND FURtHER THAT the programs be advances to public engagement as amended.

Option #3

Council could request additional information; the following motion would be in order:

THAT Staff be directed to provide additional information [Council request here].

COUNCIL PRIORITY SUPPORTED
Housing

FINANCIAL IMPACT
This initiative was included in the 2024-2028 Financial Plan Bylaw as part of the Housing Action Plan funding allocation from the Growing Communities Fund.

DCC and ACC's charges on new development would provide funding for investment in infrastructure to support that growth. Implementation of the programs as soon as possible will support new development funding their share of infrastructure costs and will mitigate costs to existing taxpayers.

Based on the projected growth rates and the proposed DCC rates with a 1% municipal assist, the program could collect up to $41 million over the 30-year program from development activity, offsetting the projected $109 million in capital costs. See presentation page 16, 17 and 18.

The ACC rates, with a municipal assist of 1%, could collect up to $14 million of the total projected $51 million capital costs. See presentation page 19 and 20.

If, for example, the municipal assist factor for ACC's were increased to 10% or 25%, potential revenue under the program would decline to $12 million and $10 million respectively, increasing the municipal share of costs.

In establishing both programs, the District now has a projected 30-year plan which will assist in financial planning for infrastructure and facilities related to growth related demand.

Any money collected is kept in reserve until projects with growth related expenditures are advanced for approval. The use of DCC and ACC funds are restricted, limited to only funding the growth-related costs.

IAP2 FRAMEWORK ENGAGEMENT
☒ INFORM ☒ CONSULT ☐ INVOLVE ☐ COLLABORATE

As part of the development process, consultation with development industry stakeholders is required. This is planned for following confirmation of a proposed program by Council.

TIMELINE/PROCESS/NEXT STEPS
Public consultation is planned for December, after which the DCC program will be submitted for Provincial approval. The ACC program could be established in January, and the DCC program is anticipated to be established in February.

Respectfully submitted,

Rianna Lachance, Director of Finance and Asset Management
Andre Boel, Director of Community Building and Planning

With respect to the Financial Impact described in this report, I concur with the staff recommendation.

Rianna Lachance

_____
Rianna Lachance, Director of Financial Services

Reviewed and approved by the Director of Corporate Services.

Dianna Plouffe

_____
Dianna Plouffe, Director of Corporate Services

I have read and consider staff's recommendation to be supportable for Council's consideration.

Selina Williams

_____
Selina Williams, Chief Administrative Officer

ATTACHMENTS(S):
2024-11-01 - Oak Bay DCC and ACC Council Presentation

DISTRICT OF OAK BAY DCC AND ACC PROGRAMS

Council Presentation
November 12, 2024

URBAN SYSTEMS

DISTRICT OF OAK BAY

PURPOSE AND OUTCOMES

Purpose:

- To familiarize Council with the proposed ACC & DCC programs and rates

Outcomes:

- Receive Council direction on:
  - Municipal Assist Factor
  - Stakeholder engagement

AGENDA

- Project Timeline
- DCC and ACC Refresher
- Present the Draft ACC and DCC Programs and Proposed Rates
- Considerations for Implementing the DCC and ACC Programs
- Next Steps and Discussion

PROJECT TIMELINE

• Council Engagement #1: DCC 101	July 15
• Finalize DCC and ACC Program and Draft Rates	October
• Council Engagement #2: Present Draft Rates	November 12
• Stakeholder Engagement	Late-November
• Council Engagement #3: Three Readings of DCC and ACC Bylaws	December 9
• Submit DCC Bylaw & Background Report to Ministry	Mid-December
• Adopt DCC Bylaw *(timeline tbd based on Ministry review)*	Early 2025

DCC OVERVIEW

HOW DO WE DETERMINE THE DCC RATE?

= Technical Inputs

= Policy Inputs



GROWTH PROJECTIONS

Estimate residential and non-residential growth in the community

Technical Inputs



CAPITAL COSTS AND TIMING

Determine costs and timing of infrastructure needed to support growth

Technical Inputs



BENEFIT ALLOCATION

Determine the extent to which each project benefits growth

Technical Inputs



MUNICIPAL ASSIST FACTOR

Council to determine how much the District will assist development

Policy Inputs



DCC RATE

Calculate the draft DCC rate

Technical Inputs

WHAT PROJECTS CAN DCCs PAY FOR?

DCCs CAN BE USED TO FUND

Capital costs for planning, engineering, design, or studies for:

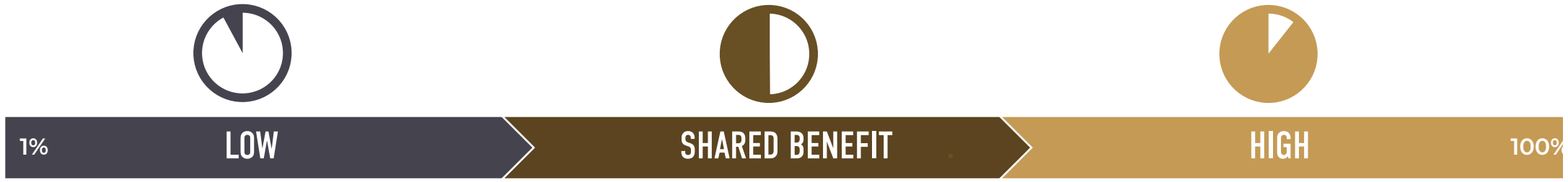
- Transportation services
- Water services
- Drainage services
- Sewer services
- Parkland acquisition and improvements
- Fire protection facilities
- Police facilities
- Solid waste and recycling facilities

DCCs CANNOT BE USED TO FUND

- Infrastructure or parks needed to serve the existing population (deficiencies, asset replacement)
- In other words: **DCC projects must be growth-related**
- Operations and maintenance costs
- Community buildings – *eligible under ACCs*

ALLOCATING BENEFIT

- Each project is assigned a benefit allocation between 1% and 100%
  (projects that are not growth-driven (0%) are ineligible for DCCs)
- Percent is based on the extent to which a project will benefit new development
- Ensures costs are shared equitably between existing and future users
- Majority of projects in an infill setting/built out community are likely to have a shared benefit allocation



LOW BENEFIT TO DEVELOPMENT
PRIMARILY SERVES EXISTING POP.
MINIMAL DCCS RECOVERABLE

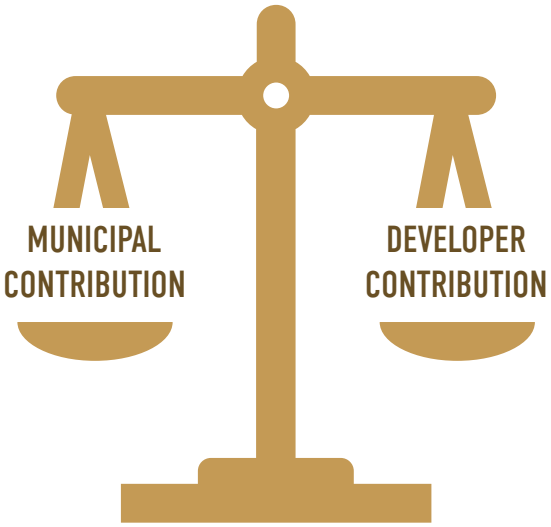
SHARED BENEFIT TO DEVELOPMENT
SERVES FUTURE & EXISTING POP.
SOME DCCS ARE RECOVERABLE

HIGH BENEFIT TO DEVELOPMENT
PRIMARILY SERVES FUTURE POP.
MAXIMUM DCCS RECOVERABLE

MUNICIPAL ASSIST FACTOR

- Legislation requires local governments to assist development for DCCs
- Assist amount must be made up through non-DCC revenue (general taxation)
- **Council has discretion** to set an assist factor from 1% (least assistance) to 99% (most assistance)
- Can vary by DCC Program only (e.g., roads, water, sewer)

Proposed DCC Rate assumes an assist factor of 1%



DCC RECOVERABLE COSTS

PROJECT COST	BENEFIT ALLOCATION 35%	ASSIST FACTOR 1%	TOTAL COST SHARE
$1 M	35% x ($1 M)= **$350 K**	1% x ($350 K)= **$3.5 K**	
RESPONSIBILITY:			
Developer	Developer share: **$350 K**	Deducted: **($3.5 K)**	Developer responsibility: **$346.5 K**
District	District's remainder: **$650 K**	District contributes: **$3.5 K**	District responsibility: **$653.5 K**

ACC OVERVIEW

HOW DO WE DETERMINE THE ACC RATE?

= Technical Inputs

= Policy Inputs



GROWTH PROJECTIONS

Identify where more housing supply/growth is expected

Technical Inputs



IDENTIFY AMENITIES

Determine amenities needed, costs, and timing

Technical Inputs



ACC RATES

Prepare ACC program and determine ACC rates

Technical Inputs



CONSULTATION

Consult with stakeholders on the ACCs

Technical Inputs



BYLAW ADOPTION

Council Adoption of the ACC Bylaw

Policy Inputs

WHAT WORKS CAN ACCs PAY FOR?

ACCs CAN BE USED TO FUND

AMENITIES (NON-EXHAUSTIVE)

- Community, youth, or seniors' centre
- Recreation or athletic facility
- Library
- Daycare facility
- Public square

ACCs CANNOT BE USED TO FUND

- Projects otherwise eligible for DCCs
- Projects needed to serve the **existing** population (deficiencies, asset replacement), i.e., **ACC projects must be growth-related**
- Operations and Maintenance Costs

DRAFT ACC AND DCC PROGRAMS AND RATES

DEFINITIONS

Land Use Category	Definitions	Timing of Charge	No. of Units Permitted
Low Density Residential	• Single Family Dwelling Unit (can contain 1 attached secondary suite) • Two-Dwelling Unit (no secondary suites)	Subdivision or Building Permit	Up to 2 units
Medium Density Residential	• Detached Secondary (Garden) Suite • Ground-oriented dwelling units	Building Permit	3 units or more
High Density Residential	• Self-contained dwelling units that are wholly or partly above another dwelling unit	Building Permit	3 units or more
Commercial **Industrial** **Institutional**	• Any area zoned for Commercial use, Industrial use, or Institutional use in the zoning bylaw	Building Permit	N/A

**Rates subject to change with any subsequent cost adjustments*

DCC CAPITAL PROGRAM

Capital Costs	Recoverable Costs *(Developer Responsibility)*	Municipal Responsibility	
		Total	Annual
$108.7M	$41.0M	$67.7M	$2.26M

*Note: Program costs are over a **30-year** time horizon*

PROPOSED DCC RATES

Land Use	Unit of Charge	Draft DCC Rates
Low Density Residential	per lot	$26,187
Medium Density Residential	per unit	$16,747
High Density Residential	per unit	$10,871
Commercial	per m^2 GFA	$84.08
Industrial	per m^2 GFA	$45.23
Institutional	per m^2 GFA	$84.08

**Gross Floor Area*

PROPOSED DCC RATES BY PROGRAM

Note: A proposed MAF of 1% is used across all programs

Land Use	Unit of Charge	Transportation	Sewer	Water	Drainage	Parks	Fire	Police	Total
Low Density Residential	per lot	$4,571	$3,943	$5,101	$217	$4,910	$3,722	$3,722	**$26,187**
Medium Density Residential	per unit	$2,080	$2,683	$3,471	$105	$3,341	$2,533	$2,533	**$16,747**
High Density Residential	per unit	$1,954	$1,633	$2,113	$53	$2,034	$1,542	$1,542	**$10,871**
Commercial	per m^2 GFA*	$31.52	$11.67	$15.09	$0.58	$3.20	$11.01	$11.01	**$84.08**
Industrial	per m^2 GFA	$9.46	$5.25	$6.79	$0.40	$1.31	$11.01	$11.01	**$45.23**
Institutional	per m^2 GFA	$31.52	$11.67	$15.09	$0.58	$3.20	$11.01	$11.01	**$84.08**

**Gross Floor Area*

ACC CAPITAL PROGRAM

Option	Municipal Assist Factor	Capital Costs	Recoverable Costs *(Developer Responsibility)*	Municipal Responsibility	
				Total	Annual
1	1%	$51.1M	$13.7M	$37.4M	$1.25M
2	10%	$51.1M	$12.4M	$38.6M	$1.29M
3	25%	$51.1M	$10.4M	$40.7M	$1.36M

Note: Program costs are over a 30-year time horizon

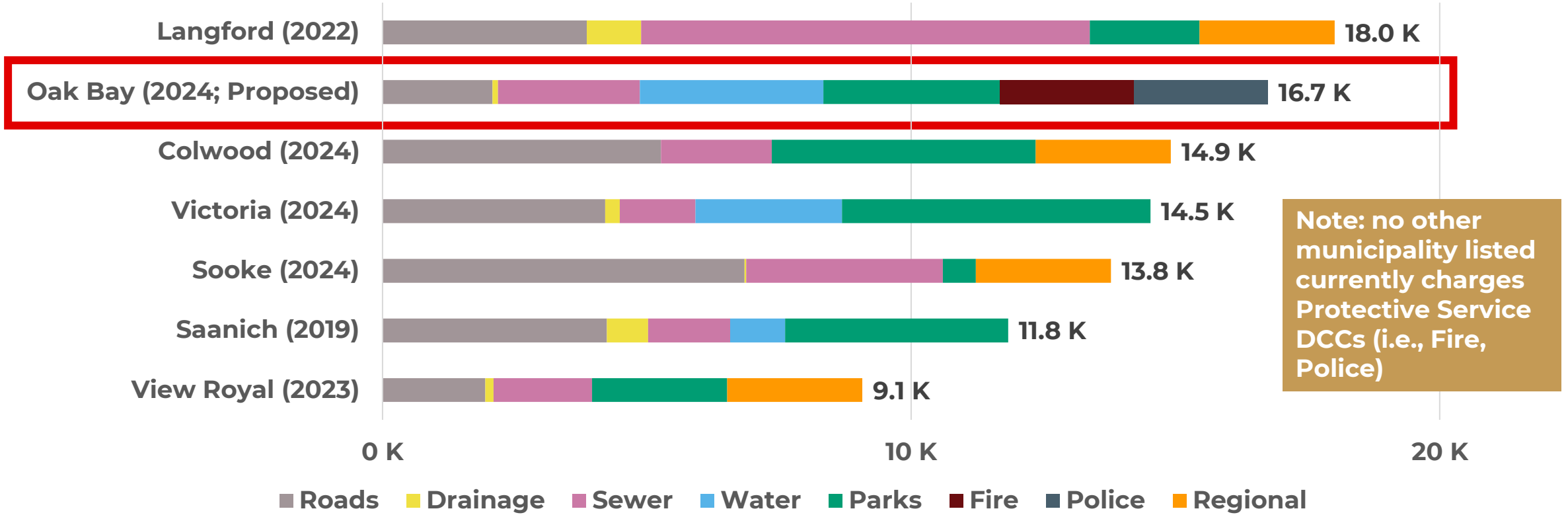
PROPOSED ACC RATES

Land Use	Unit of Charge	Option 1 *(1% MAF)*	Option 2 *(10% MAF)*	Option 3 *(25% MAF)*
Low Density Residential	per lot	$9,465	$8,605	$7,171
Medium Density Residential	per unit	$6,441	$5,855	$4,879
High Density Residential	per unit	$3,921	$3,564	$2,970
Commercial	per m^2 GFA*	$6.16	$5.60	$4.67
Industrial	per m^2 GFA	$2.52	$2.29	$1.91
Institutional	per m^2 GFA	$6.16	$5.60	$4.67

**Gross Floor Area*

DCC COMPARISON: MEDIUM DENSITY RESIDENTIAL (PER UNIT)

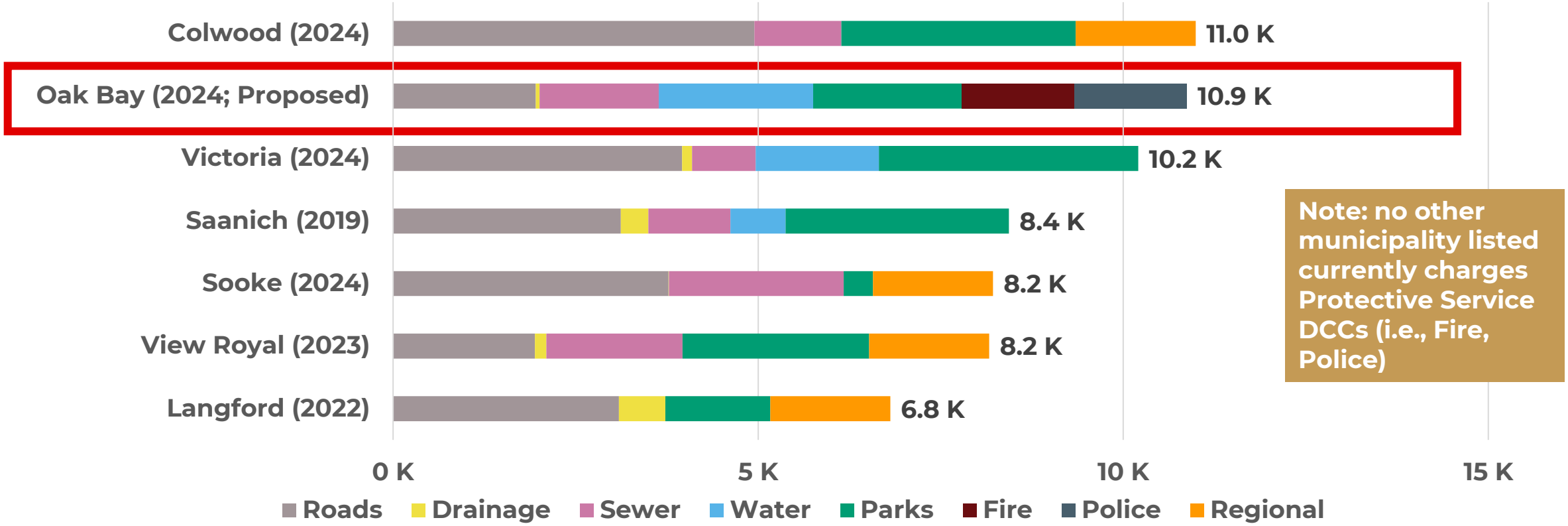
(1% MAF)



Note: no other municipality listed currently charges Protective Service DCCs (i.e., Fire, Police)

DCC COMPARISON: HIGH DENSITY RESIDENTIAL (PER UNIT)

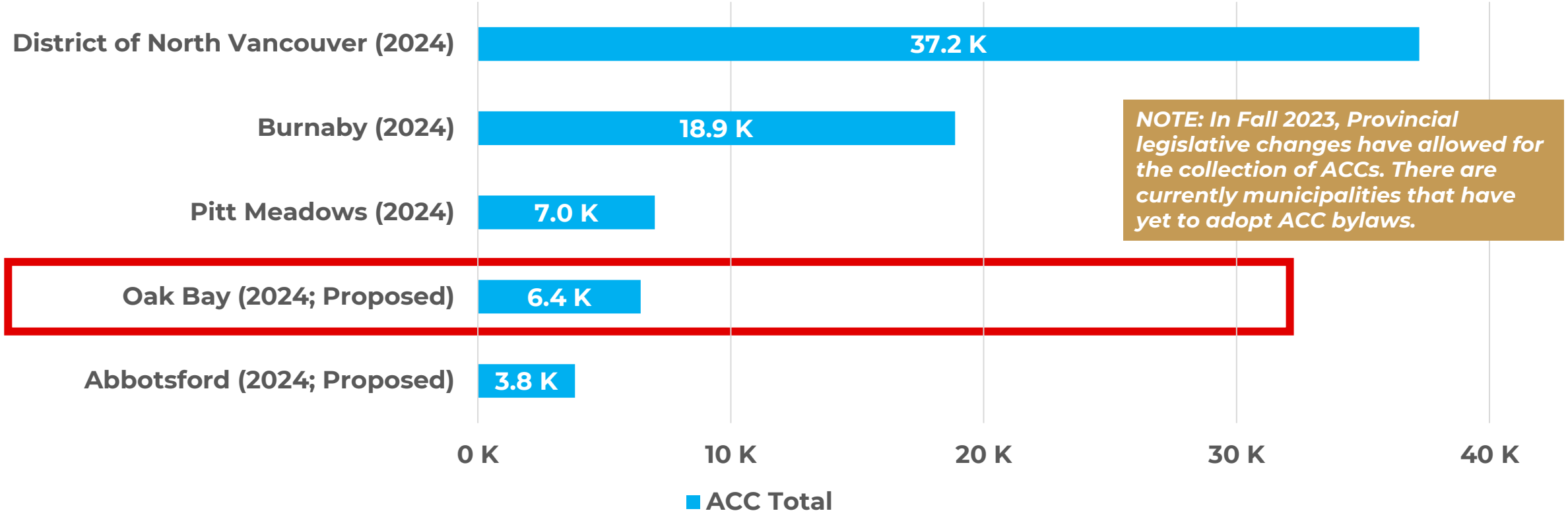
(1% MAF)



Note: no other municipality listed currently charges Protective Service DCCs (i.e., Fire, Police)

ACC COMPARISON: MEDIUM DENSITY RESIDENTIAL (PER UNIT)

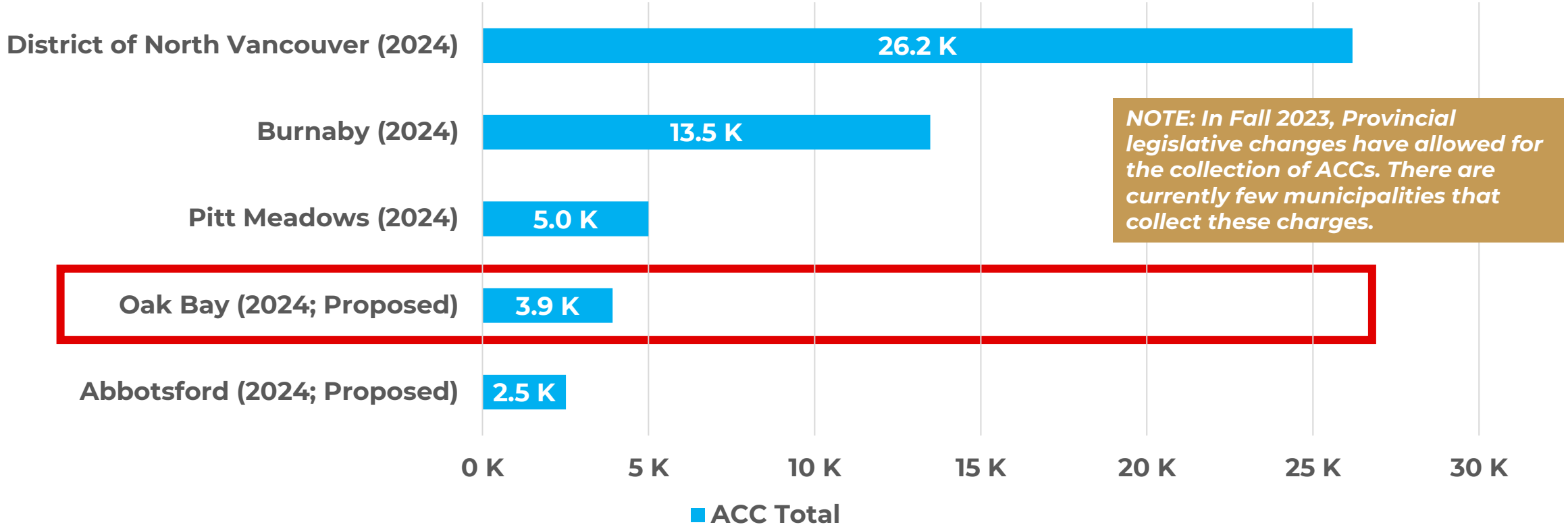
(1% MAF)



NOTE: In Fall 2023, Provincial legislative changes have allowed for the collection of ACCs. There are currently municipalities that have yet to adopt ACC bylaws.

ACC COMPARISON: HIGH DENSITY RESIDENTIAL (PER UNIT)

(1% MAF)



NOTE: In Fall 2023, Provincial legislative changes have allowed for the collection of ACCs. There are currently few municipalities that collect these charges.

DCC AND ACC IMPLEMENTATION

ENGAGEMENT

- Best practice is to consult with key interested parties (i.e., the development community, housing providers, and institutions) as part of the ACC and DCC updates
  - Often no general public consultation as the public is not directly affected by the DCC rates
- Information to be shared on District website and through invitation letters to identified individuals/organizations
- In-person workshop planned, unless there is high interest (will shift to virtual)



POTENTIAL WAIVERS AND REDUCTIONS

Council can waive or reduce ACCs or DCCs on eligible developments, including:

DCCs:	ACCs:
• Not-for-profit affordable housing • For-profit rental housing • Housing designed for reduced environmental impact/GHGs	• Not-for-profit affordable housing • For-profit rental housing • Housing subject to requirements under an affordable and special needs housing zoning bylaw

- Waivers and Reductions can be established in a separate bylaw (does not require Ministerial approval)
- Where an ACC or DCC is waived or reduced, **the amount waived is to be entirely supported by the existing taxpayer**

NEXT STEPS & DISCUSSION

DCC & ACC BYLAW UPDATE PROCESS

PROGRAM DEVELOPMENT

- Estimate growth
- Develop DCC and ACC project lists
- **Consider draft Assist Factor** — *COUNCIL INPUT*
- Calculate draft DCC and ACC Rates

BYLAW ADOPTION

We are here!

- **Present Draft DCC and ACC Rates to Council** — *COUNCIL INPUT*
- Consult with Stakeholders
- **Three Readings of DCC Bylaw** — *COUNCIL INPUT*
- Provincial Approval of DCC Program
- **Adopt DCC and ACC Bylaw** — *COUNCIL INPUT*

Note: Upon bylaw adoption, there is a 12-month grace period for in-stream development