

Memo

Date October 3, 2024

From Clay Reitsma, M. Eng., P. Eng, Director of Engineering

Subject DCC Bylaw Update and Rationale for Near-Term Infrastructure Fund Amount

Purpose

To document the background information that was used to determine the proposed amount requested for the Short-Term Infrastructure Fund by the Council Policy – Interim Community Amenity Contribution (CAC) Policy. Funds collected for the Short-Term Infrastructure Fund will be used to finance infrastructure that is needed immediately or in the near term.

DCC Bylaw Review & Water, Sanitary, and Transportation System Modelling

The Municipality is working on an update to the Development Cost Charges (DCC) Bylaw which was last reviewed in 2011. The DCC Bylaw (or bylaws) lists eligible projects that are necessary to service new development.

As a precursor to updating the DCC Bylaw, the Municipality must complete considerable work to determine the appropriate new DCC rates. The work involves:

- 1) Updating population projections.
- 2) Distributing the population across the Municipality based on current zoning and Official Community Plan (OCP) land use designations.
- 3) Use the population growth rates and distribution to:
 - a) update the Municipality's three water system models,
 - b) update the Municipality's three sanitary systems models,
 - c) develop a new transportation model, and
 - d) develop a new drainage system model.

The water and sanitary models allow staff to track residual capacity in the systems and to identify infrastructure upgrades needed to accommodate new development. The findings of these models will form the basis of the project list, and calculation of benefit factors, for the purpose of determining the appropriate rates for the new DCC Bylaw. Once the draft DCC Bylaw is prepared, consultation with stakeholders is required. The bylaw must be approved by the Province. Considering these steps, the new Bylaw is anticipated to be adopted in Quarter 3 of 2025. Once adopted, it is another year before the new rates come into effect for "in stream" applications.

Proposed Amount for Short-Term Infrastructure Fund

The draft Interim CAC Policy requests a contribution equal to 3 times the existing DCC rates. Note that all developments will still be subject to the existing DCC rates which generally cannot be waived, resulting in a total infrastructure contribution equal to 4 times the existing rates. Recognizing that it can only be approximate, the goal is for the rate set by the CAC Policy to be the as close as possible to what staff expect the new DCC rates to be.

A multiplier is used rather than a per-unit amount to simplify calculations for non-residential and mixed-use developments.

An amendment to the Interim CAC Policy will be brought to Council for consideration with the actual draft DCC rates once they are known.

Preliminary Findings from DCC Bylaw Review

Due to the work done to-date staff were in a position to develop a high-level estimate of what the future DCC rates should be. Based on that work staff expect that DCC rates may have to increase by 4 times to adequately fund the expected infrastructure upgrades. This is preliminary information and additional work is underway to refine the DCC rates.

Changing Growth Patterns

Part of the reason for the significant, -but-necessary increase, to the DCC rates is that the community's infrastructure has been built to service low-density development. Now we are seeing land development applications that are higher density and that propose multi-storey wood-framed structures which exert a much higher demand on the infrastructure, particularly water distribution and sanitary collection infrastructure. The water system is significantly impacted by these changes, since wood-framed structures require much higher fire-flows than can be provided by our existing infrastructure, necessitating water trunk main upgrades in all growth areas.

The five years beginning in 2018 saw the highest number of housing completions for apartment units since the early 1990's. In the twenty-year period from 1999 to 2019 a total of only 81 apartment units were completed and of those, 49 of them were completed in 2018-2019. The highest years for issuance of building permits for apartment buildings were in 2018 (176 units) and 2022 (328). Relatedly, for detached style developments, the trend has been towards smaller lot sizes in serviced areas and now 3-4 units per lot are permitted by right by the zoning bylaw as a result of Bill 44.

Inflationary Pressure

Although now starting to slow, the last few years have represented a period of high inflation throughout the economy and especially in the construction sector.

Considering the period since the last DCC Bylaw review 13 years ago, the Consumer Price Index shows inflation to 134.72%¹ of 2011 prices. The Building Construction Price Index² for Vancouver reports a rate of inflation 219% from 2011 to 2024. Though comparable data is not available for Vancouver Island, by analyzing recent project bids in North Cowichan and other South Island municipalities, staff believe that the current costs for public sector construction in our region is approximately 30% higher resulting in a 284% increase from 2011 to now. Staff believe that this is likely due to the significant amount of housing construction occurring relative to the limited construction contractor capacity on the Island versus the Vancouver area. Consulting Engineers involved in the tendering of projects in Victoria have noticed a significant reduction in the number of Contractors bidding on projects.

Peer Benchmarking – DCC rates in Other Communities

Table 1 provides a comparison of DCCs in other jurisdictions including information about how those rates would compare if adjusted for inflation as noted above. Note that direct comparisons are difficult since infrastructure needs are highly specific to the context of individual communities: topography, urban form, history and many other factors impact infrastructure needs and costs. The goal is to set DCC rates so that servicing new development is relatively cost-neutral to local taxpayers and not necessarily to be “competitive” with other jurisdictions.

It is unsurprising to see a wide range of DCC rates in the jurisdictions that were reviewed. However, the comparison shows that the existing rates in North Cowichan are low, even considering the age of the bylaw.

¹ Bank of Canada: <https://www.bankofcanada.ca/rates/related/inflation-calculator/>

² Statistics Canada, Building Construction Price Indexes

Table 1: DCC Comparison

Municipality	Province	Date Bylaw Last Updated	Detached Dwelling with/without suite	2024 DCC Estimate (Based on Vancouver CCI)	2024 DCC Estimate (Based on Victoria CCI)	Potential New DNC DCC Rates, 2024 DCC Estimate (VERY PRELIMINARY)
Muni	Prov	Last Update	Curr DCC	2024 DCC @ Van CCI	2024 DCC @ Vic CCI	2024 DCC @ Vic CCI w Est New DCC Rate
Hamilton	ON	2023	\$71,406	\$74,171	\$74,171	\$74,171
West Kelowna	BC	2016	\$26,826	\$53,396	\$69,414	\$69,414
Port Moody	BC	2019	\$33,453	\$43,684	\$56,789	\$56,789
Ottawa	ON	2024	\$55,678	\$55,678	\$55,678	\$55,678
Toronto	ON	2024	\$50,355	\$50,355	\$50,355	\$50,355
Langley (City)	BC	2024	\$45,563	\$45,563	\$45,563	\$45,563
Courtenay	BC	2016	\$17,272	\$34,379	\$44,693	\$44,693
Mission	BC	2023	\$41,500	\$43,107	\$43,107	\$43,107
Parksville	BC	2014	\$14,490	\$30,405	\$39,527	\$39,527
Kelowna	BC	2022	\$35,404	\$38,759	\$38,759	\$38,759
North Vancouver (City)	BC	2016	\$14,749	\$29,357	\$38,164	\$38,164
North Cowichan (South End)	BC	2012	\$9,392	\$20,540	\$26,702	\$33,962
Campbell River	BC	2011	\$11,665	\$26,455	\$34,391	\$34,391
Langford	BC	2021	\$25,745	\$31,529	\$31,529	\$31,529
Ladysmith	BC	2019	\$17,569	\$22,942	\$29,825	\$29,825
Nanaimo	BC	2018	\$14,861	\$20,266	\$26,346	\$26,346
Vernon	BC	2020	\$20,168	\$26,057	\$26,057	\$26,057
Lake Cowichan	BC	2022	\$23,646	\$25,887	\$25,887	\$25,887
Penticton	BC	2022	\$23,543	\$25,774	\$25,774	\$25,774
Duncan	BC	2023	\$23,903	\$24,828	\$24,828	\$24,828
Grimsby	ON	2024	\$23,768	\$23,768	\$23,768	\$23,768
Squamish	BC	2022	\$21,616	\$23,665	\$23,665	\$23,665

DNC 2024 to 2012 DCC Rate Comparison & DNC 2024 CAC to 2012 DCC Rate Comparison					
2024 to 2011 DCC Rate (DNC Only)			2.2	2.8	3.8
Proposed DCC to CAC Multiplier (DNC Only)			1.2	1.8	2.8

Updated: September 24, 2024