
Date: November 5, 2025
Subject: Options for the Large Project Surcharge

File: SPP00113

A. Background

In response to Council's June 4, 2025, resolution, staff undertook a review of the current Large Project Surcharge (LPS) framework, with particular focus on its application to Official Community Plan (OCP) amendments. This review responds to concerns that the \$5,000 surcharge may not be proportionate in cases where the proposed amendment is broadly consistent with existing OCP policy and does not result in measurable impacts to municipal servicing or infrastructure.

Three policy options were identified for Council's consideration:

1. *Status Quo*
2. *Major/Minor Amendment Fee Model*
3. *Intensity-Based Amendment Fee Model*

The following analysis provides a detailed evaluation of each option based on four key criteria:

1. *Fee Proportionality*: Alignment between application complexity and fee level
2. *Policy Integrity*: Safeguards against unanticipated increases in residential development potential
3. *Administrative Efficiency*: Implementation feasibility and clarity at intake
4. *Equity*: Consistent and fair treatment of applicants

B. Large Project Surcharge Options

Option 1: Status Quo

Purpose: To retain the existing LPS framework without modification, maintaining its role as a cost-recovery mechanism operating over two tiers related to parcel size, where changes pertaining to larger parcels are generally considered to have the potential for a greater variety and scale of impact.

How it works: The current fee structure is applied as follows:

- All OCP amendment applications are charged the Base OCP Amendment fee (\$2,500).
- Any application on a parcel greater than 1.5 hectares is additionally charged the applicable LPS (\$5,000 to \$15,000) based solely on parcel size, regardless of the application's complexity or impact.

Applicability Criteria: The LPS applies to an application if a single criterion is met:

- The property subject to the OCP or Zoning Bylaw Amendment is larger than 1.5 hectares.

Ineligibility (for LPS Exemption): No exemptions are granted based on application complexity, servicing impact, or alignment with existing policy. The current footnote exemptions for specific zoning text amendments and small density increases remain the only exceptions.

Implementation Process:

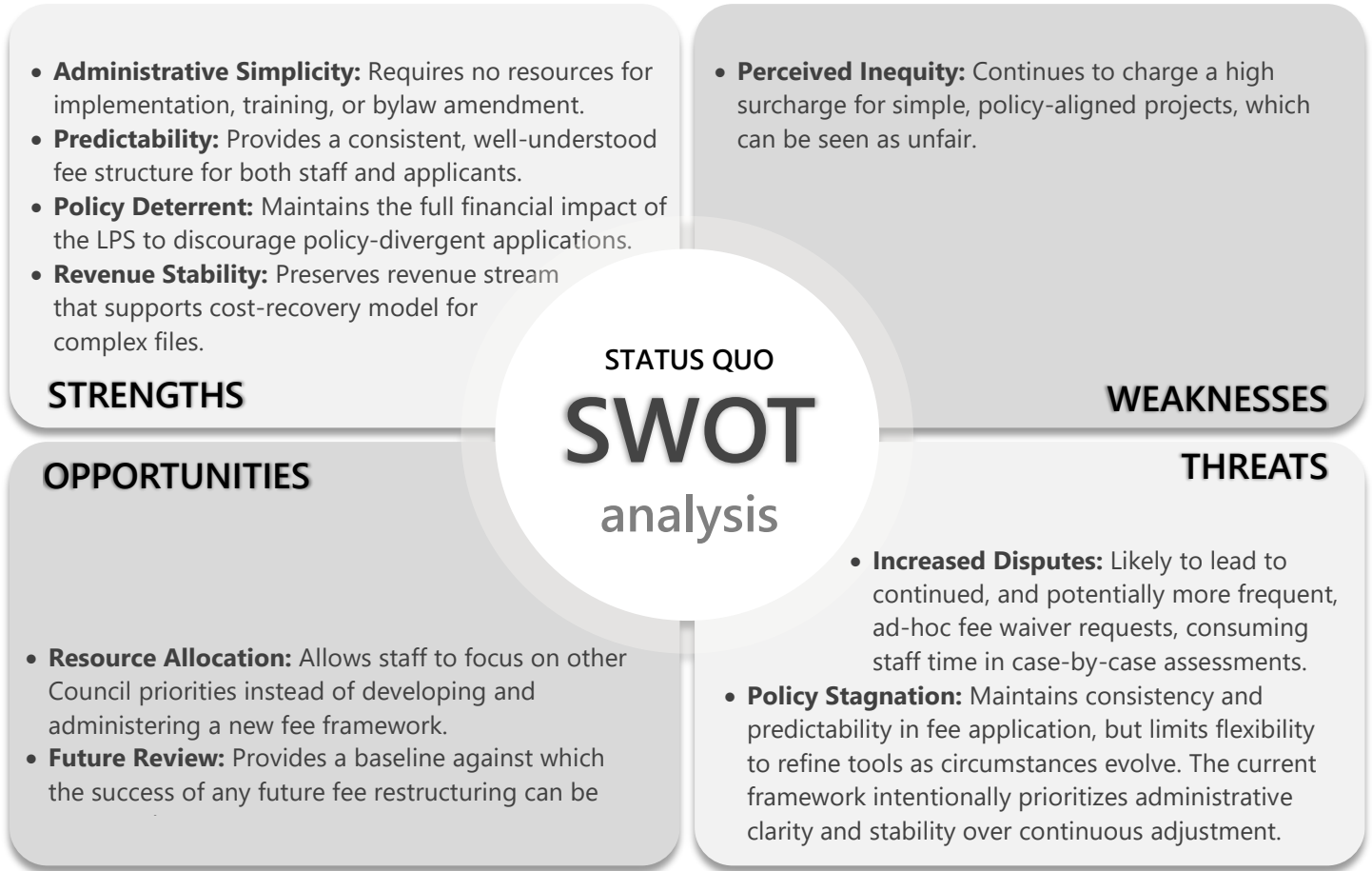
- **No Action Required:** No bylaw amendments, staff training, or procedural updates are necessary.
- **Fee Application:** Staff continue to apply fees according to the existing schedule and footnotes in *Fees and Charges Bylaw No. 3784*.

Administrative Notes:

- Existing application forms, internal workflows, and public guidance documents remain unchanged.
- Staff will continue to spend time addressing applicant concerns and potential fee-waiver requests regarding the proportionality of the LPS for low-impact files.

Rationale:

This option preserves administrative predictability and upholds the original intent of the LPS, which was to ensure 60% cost-recovery for processing complex applications while providing a very basic tiering to improve proportionality.



Option 2: Minor OCP Amendment Fee Model

Purpose: This option creates a new, self-contained fee category called "OCP Amendment - Minor" for simple, low-impact applications, however that is defined. The key is that this new category replaces the standard fee pathway for qualifying applications. It provides a fair, proportional fee for truly simple files while leaving the existing LPS completely unchanged and effective for all other projects.

How it works: This model creates two distinct fee pathways, assigning applications to either a simplified flat fee or the standard surcharge-inclusive structure based on their complexity and impact.

- **Minor Amendment Pathway:** Qualified applications are charged a single, flat fee of \$2,500. They are not subject to the LPS, providing significant savings on large parcels.
- **Standard Amendment Pathway:** All other applications follow the existing rules: Base OCP Amendment fee (\$2,500) + applicable LPS (Items 5, 6, or 7).

5	OCP or Zoning Bylaw Amendment – Large Project Surcharge ^{6, 7} Site Area >1.5 ha and <3.0 ha	\$5,000
6	OCP or Zoning Bylaw Amendment – Large Project Surcharge ^{6, 7} Site Area >3.0 ha and <6.0 ha	\$10,000
7	OCP or Zoning Bylaw Amendment – Large Project Surcharge ^{6, 7} Site Area > 6.0 ha	\$15,000

If the application is...	New Fee	Old Fee	Savings
A "Minor" OCP Amendment (on any size parcel)	\$2,500 (flat fee)	\$2,500 (base) + \$5,000+ (LPS)	\$5,000 or more depending on parcel size
A Standard OCP Amendment (on a >1.5ha parcel)	\$2,500 + \$5,000+	(No change)	\$0

Applicability Criteria: To qualify as a Minor OCP Amendment, an application must meet criteria that define 'minor'. Developing such criteria without introducing subjectivity may not be feasible, and further work would be required before implementation.

Ineligibility: Applications that do not trigger certain considerations tied to "complexity" do not qualify.

Implementation Process: This requires clear amendments directly within Schedule C [Development and Permitting Fees (Section 3, Development Application Fees)] of the Fees and Charges Bylaw:

1. **Insert a New Fee Line:** Add a new item in Section 3 (Development Application Fees) after the current Item 2:

Official Community Plan (OCP) and Zoning Bylaw Amendment Fees:		
2	OCP Bylaw Amendment – Base Fee	\$2,500

→ *Item 2.1 - OCP Amendment – Minor (15, 16) -- \$2,500*

2. **Add Two New Footnotes:** Add the following footnotes (after 14) to define and govern the new category:

14. The subdivision approval fee [Item 35] excludes the \$50 plan examination fee established by the *Local Government Act*.

→ 15. "Minor OCP Amendment" refers to an application that meets all of the following criteria: [... non-subjective criteria to be identified]

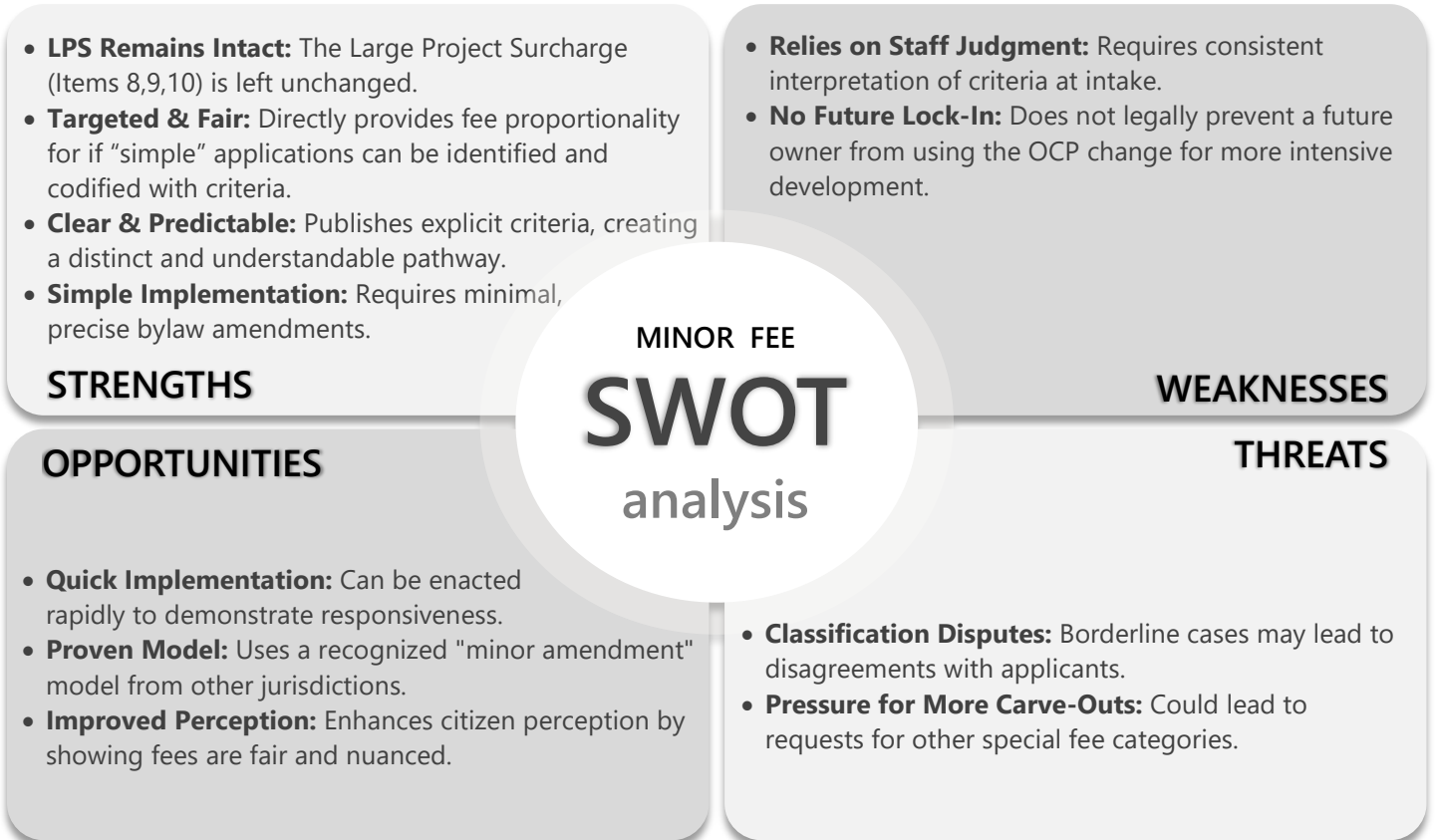
→ 16. Applications classified under Item 2.1 are not subject to the Large Project Surcharge (Items 8, 9, and 10).

Administrative Notes:

- **Practice & materials updated:** Implementation requires updates to all public-facing materials (forms, website, checklists) to reflect the Minor vs. Standard pathway and fees; adjust staff training/intake accordingly.
- **Subjectivity increases friction:** The more subjective the eligibility criteria, the more time-consuming and dispute-prone intake and classification will be.

Rationale:

This option addresses concerns about fee proportionality for low-impact, policy-aligned amendments by creating a separate "Minor" fee category. It aims to provide a fairer cost structure for simple applications while preserving the full Large Project Surcharge as a tool for complex files. However, this approach replaces an objective standard with a subjective classification system, which introduces new administrative layers and potential for disputes during application intake.



Option 3: Intensity-Based Amendment Fee Model

Purpose: This option establishes a fee structure that scales with the potential development yield enabled by an OCP amendment, rather than using parcel size as a proxy. It aims to align fees more directly with a project's potential community impact by tying them to measurable development metrics.

How it works: The LPS would be replaced with a per-unit or per-lot charge that applies once a threshold density is exceeded. Applications would be charged based on the maximum theoretical development potential created by the OCP amendment.

- *Base OCP Amendment fee:* \$2,500 (unchanged)
- *Intensity-based surcharge:* Applies when amendment enables more than [X] units/lots
- *Fee calculation:* Base fee + (\$[Y] × number of additional units/lots enabled)

Applicability Criteria: This model would apply a surcharge to any OCP amendment that increases development potential. However, recent provincial legislation (Bill 44) mandates significant density increases on most residential properties, making the establishment of a meaningful minimal density threshold practically unworkable, as most applications will now enable higher densities by default, which may be well in excess of what an applicant themselves envisions.

Non-Applicability: Applications for text amendments or mapping changes that create no net new development capacity would not incur the LPS.

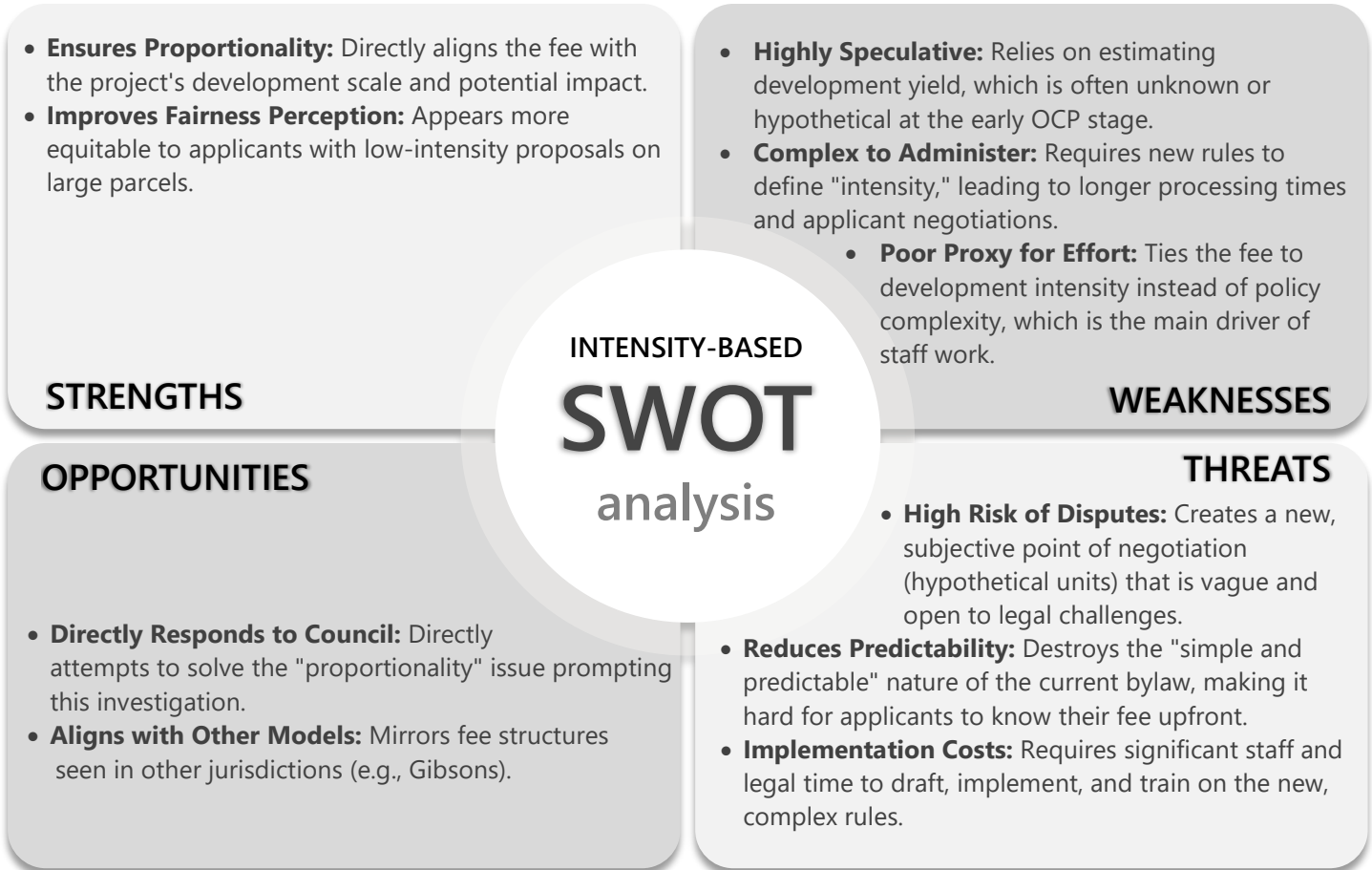
Implementation Process:

- *Yield Estimation:* Applicants must submit a yield analysis demonstrating maximum development potential under the proposed amendment.
- *Staff Verification:* Planning staff review and verify the yield analysis for accuracy
- *Fee Calculation:* Fees calculated based on verified development potential.
- *Bylaw Amendments:* Requires new fee schedule with per-unit charges and thresholds.

Administrative Notes:

- **High Administrative Burden:** This model shifts the administrative burden from a simple, objective check (parcel size) to a complex, subjective assessment of hypothetical future development.
- **Speculative Basis:** As noted in the main report's regional scan, this model is difficult to apply at the OCP stage, as the final development yield is often unknown.
- **Potential for Disputes:** It would likely force staff into negotiations with applicants over "hypothetical future units," undermining predictability and increasing processing time.
- **Poor Proxy for Effort:** As illustrated by the "Morgan Maples" vs. "Robert Street" examples in the main report, development *intensity* is not always a good proxy for *staff effort*, which is often driven by policy complexity.

Rationale: This model responds to concerns that parcel size alone may not reflect development impact. By tying fees directly to development potential, it aims for greater alignment between fees and ultimate community impact. However, as noted in the regional scan, this approach is inherently speculative at the OCP stage and may create administrative complexity in verifying development yield assumptions.



C. Comparison and Analysis of Options

This analysis evaluates three pathways for the Large Project Surcharge, assessing how each balances the core municipal objectives of fee proportionality, policy integrity, and administrative efficiency. The comparison is presented in three parts: first, the practical implementation requirements of each option; second, their performance against key municipal objectives; and finally, a summary analysis of the strategic trade-offs involved.

Implementation Requirements & Impacts:

The table below compares what implementing each option would involve - from Council action to ongoing administrative work. It shows that while all three options can address fee proportionality concerns, they do so through very different mechanisms with significantly different impacts on staff resources and municipal operations.

Option	Council Action	Legal Mechanism	Fee Outcome	Policy Risk	Administrative Impact	Strategic Alignment
Status Quo	None	None	Base fee + LPS	Low	None - No changes	High - Preserves defensible framework
Minor Category	Bylaw amendment	Classification only	Flat fee; LPS exempt	Medium	Moderate - Screening & interpreting	Medium - Improves proportionality but adds disputes
Intensity-Based Amendment	Bylaw amendment	Yield calculation & verification	Base fee + per unit charge	Medium	High – Yield analysis & disputes	Low – Highly speculative at OCP stage

Evaluation against Municipal Objectives:

This evaluation assesses how each option performs against the core objectives of municipal fee-setting. While perfect proportionality appears desirable in isolation, it must be balanced against other critical considerations like administrative efficiency, policy integrity, operational predictability, and legal defensibility. Council's consideration may focus on which trade-offs best serve the community's broader interests.

Evaluation Criteria	Option 1 - Status Quo	Option 2 - Minor OCP Amendment	Option 3 - Intensity-Based Amendment
Fee Proportionality	✓✓ Moderate	✓✓✓ Excellent	✓✓✓ Excellent
	Based on defensible 'average cost' principle; balances competing objectives	But creates subjective classification system that invites disputes	Theoretically aligns fees with ultimate development impact
Policy Integrity	✓✓✓ Excellent	✓ Limited	✓✓ Moderate
	LPS remains effective policy tool for all applications	No legal barrier prevents future owners from seeking intensification	Does not prevent intensification, but charges for it
Administrative Efficiency	✓✓✓ Excellent	✓✓ Moderate	✓ Limited
	No system changes, training, or new procedures required	Requires criteria development, staff training, and dispute resolution protocols	Requires yield analysis, verification, and potential disputes
Predictability	✓✓✓ Excellent	✓✓ Moderate	✓ Limited
	Simple, objective rules based on parcel size, easy for applicants to understand	Published criteria help, but subjective classification creates "near-miss" disputes	Uncertain yield estimates create fee uncertainty for applicants
Legal Defensibility	✓✓✓ Excellent	✓✓ Moderate	✓✓ Moderate
	Built on objective criteria and legally sound 'average cost' principle	Subjective classification criteria may lead to disputes and appeals	Objective calculations but disputes over assumptions likely
Overall Recommendation	Recommended Option	Alternative Option	Alternative Option
	Preserves strategically balanced framework that serves broader community interests	Solves few problems while creating new administrative challenges	Excellent proportionality in theory, but highly speculative & administratively burdensome in practice

D. Conclusion and Strategic Implications

The review of the Large Project Surcharge presents Council with three options, each defined by a fundamental trade-off between the principle of fee proportionality and the operational objectives of administrative efficiency, predictability, and policy integrity.

The **Status Quo (Option 1)** is characterized by its operational robustness. It maintains an objective, parcel-size-based trigger that provides transparent and predictable fees for applicants while avoiding subjective classification disputes. This approach upholds the legally defensible 'average cost' principle, protects staff capacity from new administrative burdens, and preserves the LPS as a clear policy tool. The trade-off for this administrative certainty is that it does not adjust fees to account for the specific circumstance of low-impact, technical amendments on large parcels, which was the catalyst for this review.

The **Minor OCP Amendment Model (Option 2)** directly targets this fee proportionality concern by creating a dedicated pathway for low-impact applications. However, achieving this precision requires a significant operational shift from an objective standard to a subjective classification system. This introduces new administrative layers, including the development of detailed eligibility criteria and the establishment of protocols to manage potential disputes and reclassifications. The model would likely improve fee proportionality to some degree, but replaces a simple rule with a more complex and potentially contentious process. Adding complexity undermines the very rationale for wishing to recognize apparent "lower complexity" with a lesser fee.

The **Intensity-Based Model (Option 3)** seeks the most direct alignment between fees and potential development impact, noting that development intensity does not necessarily correlate with file complexity. While theoretically proportional, this model is fundamentally challenging to implement at the OCP amendment stage, where development yields are inherently speculative. It would require staff and applicants to engage in complex and potentially disputable analyses of hypothetical future units, creating significant administrative burden and undermining fee predictability for all parties. As evidenced in regional scans, this approach is better suited to application types that are made in later, more certain stages of the development process.

In summary, the central decision rests on determining the appropriate balance for North Cowichan. The choice is between the administrative simplicity and predictability of the Status Quo and the more nuanced, but operationally complex, approaches of Options 2 and 3 which seek to refine fee proportionality at the cost of introducing new processes and potential uncertainties. The strategic implications of this balance will shape the efficiency, fairness, and defensibility of the development application fee structure for the foreseeable future.