



To: Finance Committee

Date: March 8, 2021

From: Ivy Wong
Acting Director, Finance




File: 03-0900-01/2021-Vol
01

Re: **Development Cost Charges Imposition Bylaw Annual Inflationary Update (2021)**

Staff Recommendation

1. That the proposed Development Cost Charges Imposition Bylaw No. 9499, Amendment Bylaw No. 10161, as recommended under Option 1 in the staff report titled “Development Cost Charges Imposition Bylaw Annual Inflationary Update (2021)” dated March 8, 2021 from the Acting Director, Finance, be introduced and given first reading; and
2. That the staff report titled “Development Cost Charges Imposition Bylaw Annual Inflationary Update (2021)” dated March 8, 2021 from the Acting Director, Finance, be endorsed as the basis for public consultation in establishing the amended Development Cost Charge Imposition Bylaw.

Ivy Wong
Acting Director, Finance
(604-276-4046)

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Economic Development	<input checked="" type="checkbox"/>	 Acting for A. Nazareth
Law	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Building Approvals	<input checked="" type="checkbox"/>	
Development Applications	<input checked="" type="checkbox"/>	
Policy Planning	<input checked="" type="checkbox"/>	
Transportation	<input checked="" type="checkbox"/>	
SENIOR STAFF REPORT REVIEW	INITIALS: 	APPROVED BY CAO 

Staff Report

Origin

Local governments collect Development Cost Charges (DCC) from new developments in order to fund growth-related capital infrastructure costs. The Ministry's Development Finance Review Committee (DFRC), through its Development Cost Charges Best Practice Guide, recommends local governments in making minor amendments to their DCC bylaw annually to reflect general inflationary increase in their DCC program costs.

This report supports Council’s Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

Accountable, transparent, and responsible financial management that supports the needs of the community into the future.

5.1 Maintain a strong and robust financial position.

5.2 Clear accountability through transparent budgeting practices and effective public communication.

5.4 Work cooperatively and respectfully with all levels of government and stakeholders while advocating for the best interests of Richmond.

Findings of Facts

During the City of Richmond’s (the City) last major DCC update in 2017, the development industry expressed concerns with respect to the significant increase in DCC rates due to the compounding effect of cost escalation between major DCC updates. Therefore, the development industry supported the City’s proposal to adjust DCC rates annually.

Under the *Development Cost Charges Amendment Bylaw Approval Exemption Regulation, B.C. Reg. 130/2010 (Approval Exemption Regulation)*, municipalities are permitted to increase DCC rates annually without the approval of the Ministry, as long as the increase does not exceed the annual average Vancouver Consumer Price Index (VCPI) for the previous calendar year. The exemption is granted by the regulation once a year, for up to four years. The following table summarizes the City’s annual DCC rate amendments since the last major DCC update in 2017:

Year	DCC Rates Adjustment	Rationale for Adjustment
2018	2.2%	Annual VCPI increase
2019	2.9%	Annual VCPI increase
2020	0.0%	Rates remained unchanged due to Covid-19 ¹

¹ The 2020 DCC rates adjustment would have been 2.3% (based on 2019 VCPI) if the City had opted for the minor DCC rate update under the *Approval Exemption Regulation*.

Analysis

DCC's are collected from new developments to fund growth-related capital infrastructure costs such as parkland purchases, park developments, hardware and technology costs for traffic improvements, specialized engineering infrastructures such as pump stations, box culverts, water main infrastructures as well as general construction, labour and material costs related to these projects.

It should be noted that as the cost drivers associated with the City's DCC program are diverse and unique, the DCC program's cost escalation does not necessarily correlate directly with the movement and magnitude of VCPI, which is the maximum annual minor DCC rate increase that is permitted under the Ministry's *Approval Exemption Regulation*.

Published 2020 Price Indices

The 2020 VCPI published by Statistics Canada was 0.8%. The VCPI contains a wide range of consumer goods and services such as food, shelter, clothing, transportation and household items. Many of these consumer-based items have been impacted by the pandemic.

Statistics released by the Real Estate Board of Greater Vancouver suggested that homebuyer demand remained elevated across Metro Vancouver with home sale activity well above historical averages. Shifting housing needs during the pandemic and the low interest rates have been key drivers for increased demand in the housing market over the past months. Richmond's Residential Home Price Index (HPI) increased by 4.9% in 2020.

Richmond development activities have remained strong and active. Land prices, construction costs as well as the costs of labour and raw materials continue to rise. Real estate and construction-related costs and activities have shown resilience and have been least affected by the fallout of Covid-19. The 2020 Vancouver Building Construction Price Index (BCPI) increase was 3.7%.

Options for Consideration

The following are options for consideration for the current year's DCC rates update:

Option 1: Update DCC rates by VCPI (0.8% increase)

RECOMMENDED

Similar to years 2018 and 2019, the City could opt for a minor DCC inflationary adjustment in 2021 under the *Approval Exemption Regulation*. Under this proposed option, Council can approve and adopt, without Inspector's approval, the amended DCC bylaw as long as the DCC rate increase does not exceed the 2020 VCPI of 0.8%. This option is consistent with DFRC's DCC Best Practice Guide, which also allows the City in meeting its commitment to the development industry of annual inflationary indexing of its DCC rates prior to the next major DCC update.

Option 2: Keep DCC rates unchanged (0% increase)

NOT RECOMMENDED

This option is not recommended. As development activities continue to trend positive and infrastructure capital costs continue to rise, freezing DCC rates by another year would further widen the gap between the actual costs of DCC project delivery and the cost recovery from DCC collection. This option would create inequity, as developers will not be responsible to pay for the annual cost escalation of the City’s DCC projects that is directly attributed to growth.

Option 3: Update DCC rates by over VCPI (>0.8% increase)

NOT RECOMMENDED

Local governments also have the option to implement alternative levels of justifiable minor DCC rate changes, but any such DCC bylaw amendments (if exceeding the allowable limit as prescribed under the *Approval Exemption Regulation*) will require a full review and resubmission of the updated DCC Program to the Ministry for Inspector’s approval before the amendment bylaw can be adopted by Council. The time to complete this proposed option could take at least 6 to 9 months to complete due to the additional resources and time involved to substantiate the proposed rate increase. With the major DCC update project already underway, this option is not recommended for this year to ensure that resources are efficiently dedicated to the major DCC update that is scheduled to be completed by mid-2022.

Staff Recommendation

The DFRC’s DCC Best Practice Guide recommends municipalities in completing a major DCC program and DCC rate update once every five years. Staff have already commenced the work associated with the next major review of the DCC program that is scheduled for completion in mid-2022. It is therefore recommended that, for this year, the City should continue the practice of amending the DCC Bylaw by opting for the allowable VCPI annual inflationary adjustment under the *Approval Exemption Regulation*.

Staff propose Option 1 in increasing DCC rates by the annual inflationary adjustment of 0.8%. The following table summarizes the proposed changes to the City’s city-wide DCC rates:

Development Type	Unit	Current DCC Rates (2020)	Proposed 0.8% Increase in DCC Rates (2021)	Proposed Increase Amount (\$)
Single Family	per lot	\$41,533.50	\$41,865.77	\$332.27
Townhouse	per ft ²	\$22.59	\$22.77	\$0.18
Apartment	per ft ²	\$23.78	\$23.97	\$0.19
Commercial/Institutional	per ft ²	\$15.27	\$15.39	\$0.12
Light Industrial	per ft ²	\$11.92	\$12.02	\$0.10
Major Industrial	per acre	\$102,762.27	\$103,584.37	\$822.10

The full review of all costs and growth assumptions will be conducted as part of the upcoming DCC major review to ensure that all cumulative inflationary and program adjustment factors are included in the next major DCC bylaw amendment.

Next Steps

If first reading of the Development Cost Charges Imposition Bylaw No. 9499, Amendment Bylaw No. 10161 is given, staff will communicate the proposed bylaw rates with the development community (e.g. through Urban Development Institute, Commercial Real Estate Development Association (NAIOP), Greater Vancouver Home Builders' Association, on City's social media platforms and the City's website). Feedback received from the public will be presented to Council for consideration upon second and third readings prior to bylaw adoption.

Under the *Approval Exemption Regulation*, approval from the Ministry is not required for adoption of the proposed amended DCC bylaw. Once the bylaw has been adopted by Council, a copy of the bylaw will be filed with the Ministry.

Implementation Guidelines

Sections 511 and 568 of the *Local Government Act* that provide in-stream protection to subdivision applications and precursor applications (e.g. rezoning application, development permit application, building permit application) for one year from the effective date of the adopted DCC bylaw.

To qualify for in-stream protection (i.e. to be grandfathered to the current DCC rates instead of the new DCC rates in the amended DCC Bylaw), prior to the effective date of the DCC bylaw, the subdivision applications or the precursor applications must have been submitted in satisfactory form to and accepted by the City, and that all application fees have been paid. For in-stream applications to be grandfathered, the subdivision must be completed within 12 months after the bylaw is adopted. For in-stream precursor applications, the building permit related to these applications must be issued within 12 months of the effective date of the bylaw in order for the grand-fathering provision to be applicable.

Financial Impact

The proposed bylaw will increase DCC rates by 0.8% across all development types. The amount of DCC collection will depend on the volume and types of new development activities.

Conclusion

The proposed annual DCC rate adjustment allows the City to increase the DCC rates by general inflationary increase for the current year. Development Cost Charges Imposition Bylaw No. 9499, Amendment Bylaw No. 10161 is included in this staff report for Council's consideration.



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**DEVELOPMENT COST CHARGES IMPOSITION BYLAW NO. 9499,
AMENDMENT BYLAW NO. 10161**

The Council of the City of Richmond enacts as follows:

1. Schedule B of the **Development Cost Charges Imposition Bylaw No. 9499** be deleted and be replaced with Schedule A attached to and forming part of this amendment bylaw.
2. This Bylaw is cited as “**Development Cost Charges Imposition Bylaw No. 9499, Amendment Bylaw No. 10161**”.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

CITY OF RICHMOND
APPROVED for content by originating dept. VN
APPROVED for legality by Solicitor BRB

MAYOR

CORPORATE OFFICER

SCHEDULE B City-Wide Development Cost Charge

Richmond Zoning Bylaw 8500											
Description	Standard Zones	Site Specific Zones	Site Specific Mixed Use Zones (1)	Road Works	Drainage Works	Water Works	Sanitary Sewer	Parks Acquisition	Parks Development	Total DCC	Units for each column
Agricultural	AG, CR, GC	ZA		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Marina (2)	MA										
Single Family	RS, RC, RCH, RD, RI, RE, RCC	ZS, ZD		\$16,601.81	\$ 7,491.05	\$ 1,132.17	\$ 2,663.75	\$ 8,037.72	\$ 5,939.27	\$ 41,865.77	per lot
Townhouse	RTL, RTM, RTH, RTP	ZT		\$ 7.95	\$ 3.23	\$ 0.74	\$ 1.74	\$ 5.24	\$ 3.87	\$ 22.77	per sq. ft. of DU
Apartment	RAL, RAM, RAH	ZLR, ZHR	ZR, RCL, ZMU, CS, ZC	\$ 9.77	\$ 2.30	\$ 0.77	\$ 1.78	\$ 5.38	\$ 3.97	\$ 23.97	per sq. ft. of DU
Commercial (3)	CL, CC, CA, CDT, CEA, CG, CN, CP, CV IB, IL, IR, IS	ZC ZI	ZR, RCL, ZMU, CS, ZC	\$ 11.85	\$ 2.23	\$ 0.29	\$ 0.68	\$ 0.20	\$ 0.14	\$ 15.39	per sq. ft. of BA
Light Industrial (4)	IB, IL, IR, IS	ZI		\$ 8.48	\$ 2.23	\$ 0.29	\$ 0.68	\$ 0.20	\$ 0.14	\$ 12.02	per sq. ft. of BA
Major Industrial	I			\$44,262.33	\$ 44,335.18	\$ 4,060.99	\$ 9,554.68	\$ 788.53	\$ 582.66	\$103,584.37	per acre of gross site area
Institutional	AIR, SI, ASY, HC	ZIS		\$ 11.85	\$ 2.23	\$ 0.29	\$ 0.68	\$ 0.20	\$ 0.14	\$ 15.39	per sq. ft. of BA

(1) For site specific mixed-use residential and commercial zones, the development cost charge (DCC) payable shall be calculated separately for each portion of the development. DCC for residential uses are charged at the appropriate multi-family residential rate, and any commercial space is charged at the appropriate commercial rate.

(2) Waterborne residential development permitted under MA zone is exempt from DCC. Any upland buildings in this zone are required to pay the Commercial DCC Rate.

(3) Commercial rate is applicable to all uses permitted in these zones, except for the following, which will be charged the industrial rate: (i) general industrial, (ii) custom indoor manufacturing, (iii) minor utility, (iv) transportation depot, and (v) truck or railroad terminal.

(4) For industrial developments with a mix of commercial and industrial permitted uses (including site-specific industrial zones), the DCC payable shall be calculated separately for each portion of development contained in the building permit or subdivision application in accordance with actual uses. The total payable will be the sum of the DCC for each portion of the development at the applicable DCC rates.