

Development Cost Charge Review

Technical Report

May 2017



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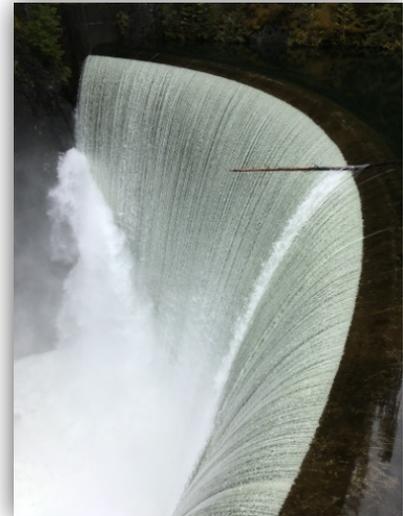
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1.0 Background

1.1 What are DCCs?

Like many other cities and towns in British Columbia, Nanaimo faces significant development pressure that in turn requires new or expanded infrastructure to support the demand development places on utilities and services. The costs associated with these infrastructure requirements create significant public sector financial burdens. To mitigate these financial pressures, Development Cost Charges (DCCs) are utilized as a cost recovery mechanism for apportioning infrastructure project costs amongst the developers of land.



Development Cost Charges (DCCs) are a method to fund infrastructure associated with growth. Monies are collected from land developers to offset some of the infrastructure expenditures incurred to service the needs of new development. These Development Cost Charges are imposed by bylaw pursuant to the *Local Government Act* as a method to finance capital projects related to:

- Roads
- Drainage
- Sanitary sewer
- Water
- Parkland

1.2 History of DCCs in Nanaimo



The City of Nanaimo first introduced Development Cost Charges (DCCs) in 1982 in order to allow for the collection of monies to assist with the cost of infrastructure required for new growth. The current DCC bylaws were implemented on 2009-MAR-11 and allow for collection of DCCs for six categories: roads, sewer, storm, water distribution, water supply, and parks.

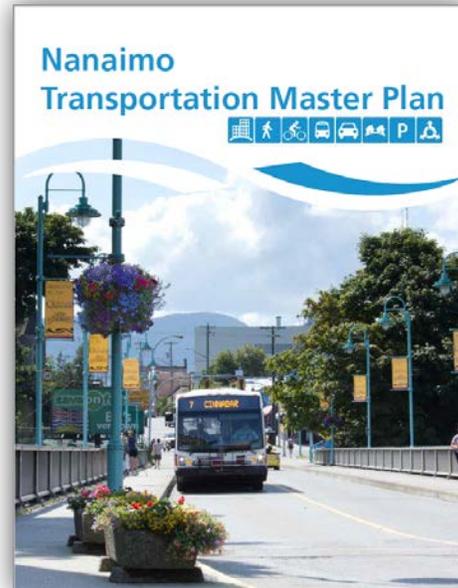
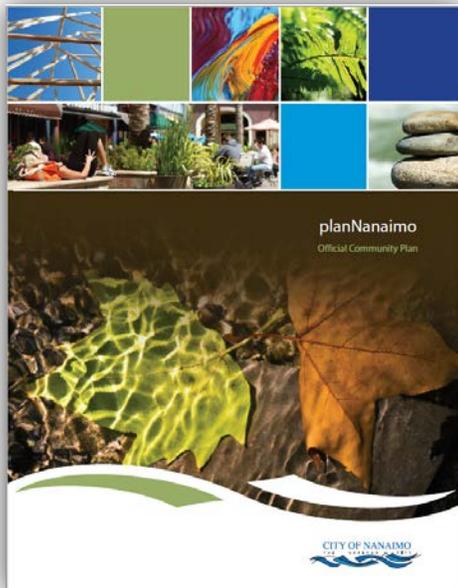
In addition to the City of Nanaimo DCCs, the Regional District of Nanaimo also has a Sanitary Sewer DCC that applies within the boundaries of the City. Although the City of Nanaimo collects this DCC on behalf of the RDN, the review and update of that program has been completed separately by the Regional District, and as such, was not included as part of this review. The existing and proposed Regional District Sanitary Sewer rates have been included in this report for convenience purposes only.

Sanitary Collection	Drainage (Storm)	Water Distribution	Roads	Water Supply	Parks	Sanitary RDN
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1.3 Relevant Policy Documents

The DCC bylaw is intended to support the broader goals of the community, and as such, the City of Nanaimo's DCC program has been developed so as to be consistent with the:

- Regional District of Nanaimo, Regional Growth Strategy - 2011
- Official Community Planning – planNanaimo – 2008
- Zoning Bylaw – 2011
- Transportation Master Plan – 2014
- Community Sustainability Action Plan - 2012
- Millstone Sewer Trunk and Laterals Master Plan, Urban Systems, 2012
- Chaser River Sanitary Master Plan, Urban Systems, 2014
- Executive Summary City Wide Sewer Model, Urban Systems, 2014
- City Wide Water Distribution DCC Review, Urban Systems, 2016
- City Wide Roads DCC Review, 2016
- Preliminary Capital Project Analysis to Support DCC Bylaw Update (Stormwater), Urban Systems, 2015
- Water Supply Strategic Plan January 2007
- 20 Year Investment Plan and Asset Management Update 2017



2.0 Introduction

2.1 Best Practices Guide

The City of Nanaimo has followed the “Development Cost Charge Best Practices Guide” published by the Province of British Columbia’s Ministry of Community Services for the formulation and administration of its DCC program. This guide builds on the general provision of the *Local Government Act* and encourages certainty and consistency in the development of DCC programs, especially in the area of cost charge calculation and bylaw administration.

2.2 Guiding Principles

As recommended by the DCC Best Practices Guide, the following guiding principles have been followed in the development of the DCC program:

Integration

Development of DCCs must be consistent with community plans, land use plans, and corporate and financial plans.

Benefiter Pays

Infrastructure should be paid by those who will use and benefit from the installation of such systems.

Fairness and Equity

DCCs should distribute costs between existing users and new development in a fair manner. Further, those cost attributed to new development, should be equitably distributed between the various types of development.

Accountability

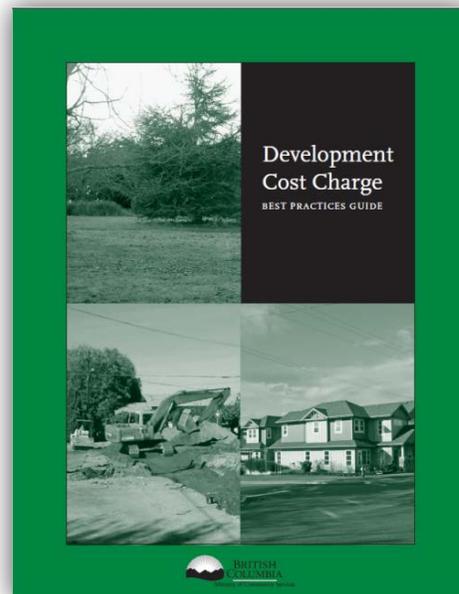
All information on which DCCs are based should be accessible and understandable by stakeholders.

Certainty

Certainty should be built into the DCC process in terms of stable charges and orderly construction of infrastructure. Balance should be found between stability of DCC rates to assist the development industry, and to ensure sufficient financing is available for the construction of infrastructure in a timely manner.

Consultative Input

The development of DCCs must provide adequate opportunities for meaningful and informed input from the public and other interested parties.



2.3 Service Area and Timeframe

2.3.1 Area-Specific vs. Municipal-Wide

For this update, the City is proposing to maintain its current approach of a municipal-wide program.

Under a municipal-wide program, the same DCCs are charged to the same land use deemed to generate a similar capital cost burden regardless of the location of the development in the community. Under such a program, DCC contributions for each category type are pooled and can be applied to DCC projects throughout the city. The 'Best Practices Guide' recommends a municipal-wide approach.



2.3.2 Timeframe

This DCC review has been completed based on a 25-year timeframe (2017-2041).

3.0 How Calculated

In simplest of terms, DCCs are calculated by dividing the cost of new or upgraded infrastructure to support growth by that growth.

Cost of New Infrastructure to Service Growth

Growth

Projecting population growth along with the form and type of development, and determining the timing and costs of the associated infrastructure investment is challenging. Significant effort has been made during the current DCC review to collect and analyse this information.

3.1 Projected Growth

According to the most recent census data, the City of Nanaimo had grown to 90,504 residents by 2016.



As noted above, in order to determine DCCs, an understanding of future growth (including the type and form of development) over the timeframe of the program was required.

The growth projections used for this program review were based on work completed in support of the recent 2014 Transportation Management Plan. In addition, the City retained Colliers International to complete both Commercial and Industrial demand

studies for the proposed timeframe. Based on this work, moderate growth was projected for the study period, including the following estimates:

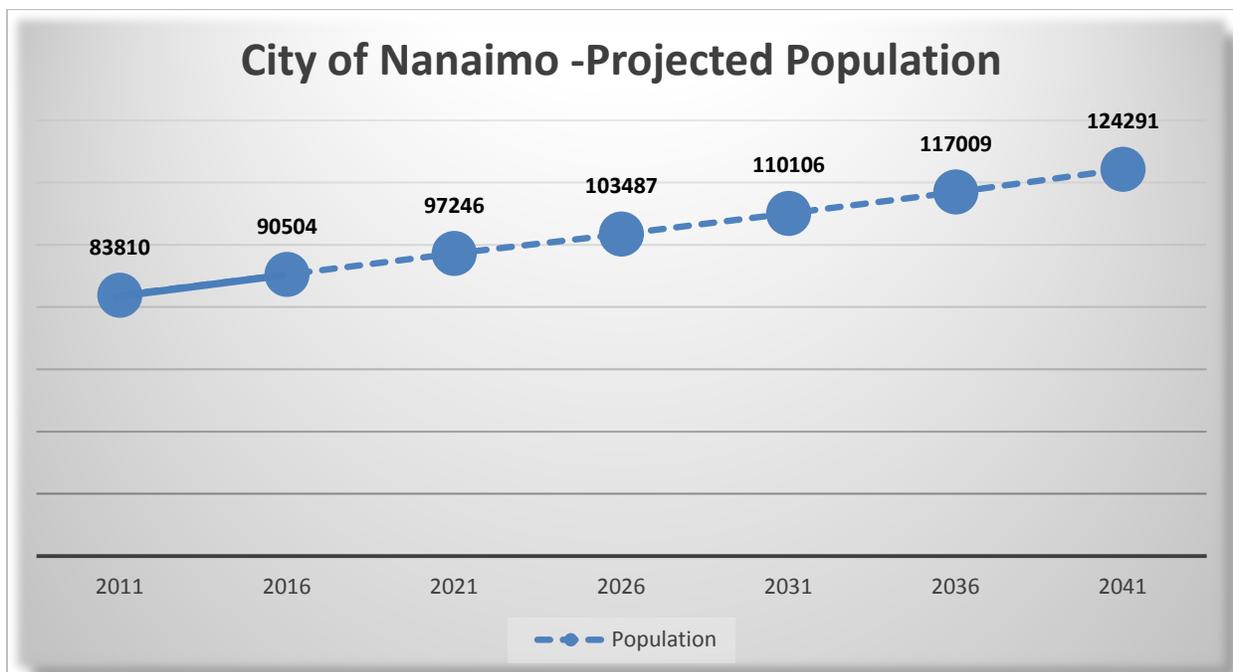
Growth rate - avg 1.25%

Population – 33 000 new residents by 2041 for population of approximately 123,500

New Units – 17,475 (55%multi and 45% single family)

New Commercial/Institutional – 207,160m² (approximately 8,300m² per year)

New Industrial – 218,479m² (approximately 8,700m² per year)



3.2 Project Assessment and Benefiting Factor

Capacity assessments and other programs have identified the infrastructure investments required to support the projected development. This work resulted in a compilation of projects and cost estimates for each type of infrastructure included within the DCC program: roads, drainage, sanitary sewer and water infrastructure and parkland. As part of this work, each project is evaluated in terms of the “benefiting factor” to the existing population versus future growth. Only the project costs attributed to growth are included in the DCC calculation.

3.3 Summary of DCC Projects and Capital Cost

In order to support the anticipated growth, 185 projects were identified through the DCC review. The total cost of these projects was identified as \$412,674,638. Once the benefitting factor was applied to each project, the total cost allocated to growth was determined to be \$311,026,271.

3.3.1 Sanitary Collection

Number of Projects	25
Total Cost of Projects	\$ 41,458,182
Allocated to existing	\$ 10,563,007
Allocated to growth	\$ 30,895,171

-see Appendix A for further details on the Sanitary DCC projects

3.3.2 Drainage

Number of Projects	12
Total Cost of Projects	\$ 27,729,167
Allocated to existing	\$ 12,436,049
Allocated to growth	\$ 15,293,119

-see Appendix B for further details on the Drainage DCC projects

3.3.3 Water Distribution

Number of Projects	37
Total Cost of Projects	\$ 18,277,148
Allocated to existing	\$ 7,068,932
Allocated to growth	\$ 11,208,215

-see Appendix C for further details on the Water Distribution DCC projects

3.3.4 Parks

Number of Projects	77
Total Cost of Projects	\$ 42,872,700
Allocated to existing	\$ 17,182,141
Allocated to growth	\$ 25,696,559

-see Appendix D for further details on the Parks DCC projects



3.3.5 Transportation

Number of Projects	24
Total Cost of Projects	*\$ 158,106,881
Allocated to existing	\$ 47,159,607
Allocated to growth	\$ 98,926,506

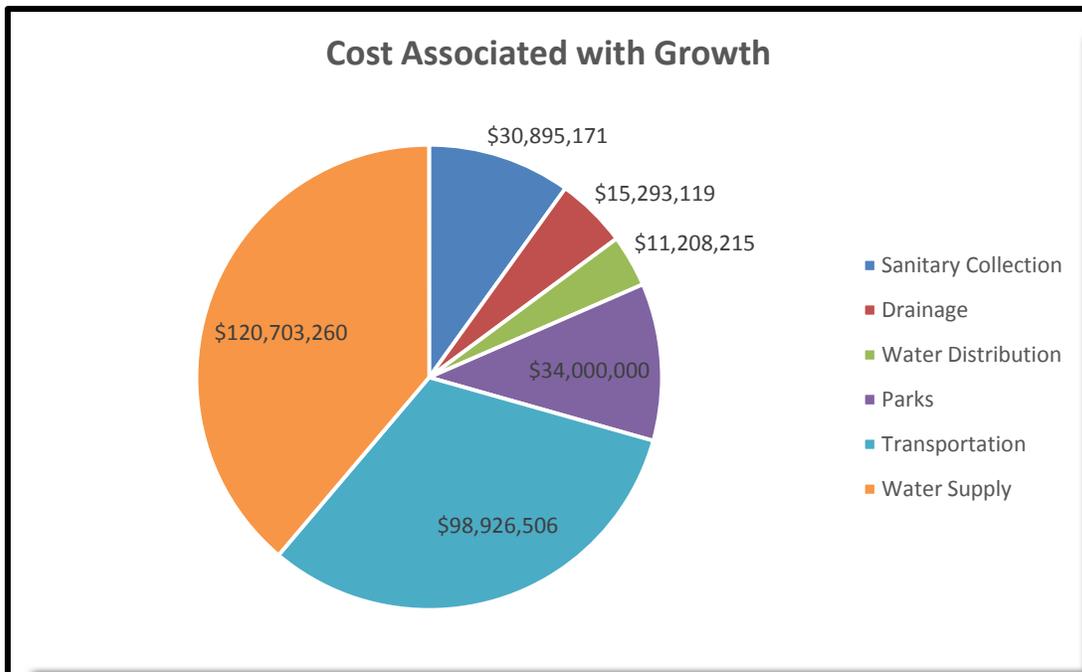
**portion allocated to Province (provincial highway)*

-see Appendix E for further details on the Transportation DCC projects

3.3.6 Water Supply

Number of Projects	10
Total Cost of Projects	\$ 133,103,260
Allocated to existing	\$ 12,400,000
Allocated to growth	\$ 120,703,260

-see Appendix F for further details on the Water Supply DCC projects



3.4 Assist Factor

The *Local Government Act* states that the purpose of DCCs is to assist local governments in paying the cost of new infrastructure required for growth. As such, the legislation requires that 100% of the cost cannot be charged to new development and that the local government must establish an “assist factor”. There is no regulation on the level of assistance required. The existing DCC bylaws were established with the minimum assist factor of 1% for all infrastructure types, with the exception of water supply which has a 25% assist factor. The proposed DCC framework has been drafted anticipating that the assist rates will remain unchanged.



Ultimately, the assist factor reflects Council’s desire to encourage development and, as noted in the *Best Practices Guide*, is largely a political decision. If DCC rates are considered to be too high, Council could adjust the rates to one or more infrastructure types by increasing the assist factor. While such an increase would reduce DCC rates, project balances would need to be funded through general revenue and as such put further pressure on taxation and/or user rates.

4.0 Bylaw Administration

4.1 Collection

As per the legislation, DCCs can be collected at subdivision or at building permit stage. The present bylaws require a single family DCC payment for the subdivision of most single dwelling residential land with the remaining charges applicable upon the issuance of a building permit for commercial, institutional, industrial, and multi-family use. No changes are being proposed to the collection triggers under the revised DCC program.

Single Family – payment made at the subdivision approval stage, based on per lot created

Multi-Family – payment upon issuance of the building permit, based on floor area

Commercial/Institutional - payment upon issuance of the building permit, based on floor area

Industrial - payment upon issuance of the building permit, based on floor area

4.2 Implementation Date

In acknowledgement of the impact new DCC rates may have on the development industry and in order to provide sufficient notification, the Best Management Practices recommends that communities establish a “grace period” before new DCC rates come into effect. As such, the associated adoption bylaw will state that the effective (implementation) date will be a time period from the date of adoption of the DCC bylaw. This period has not yet been defined for the adoption of this DCC program, but is anticipated to be 3-6 months.

4.3 In-Stream Protection

Subdivision Applications

Where an application for the subdivision of land has been submitted prior to the adoption of a DCC Bylaw, Section 511 of the *Local Government Act* provides “In-Stream” protection for a period of 12 months after the bylaw is adopted.

Building Permits and Precursor Applications

Section 568 of the *Local Government Act* provides “In-Stream” protection if the application for a building permit or a precursor application (development permit or rezoning) has been submitted prior to the adoption of a DCC bylaw provided “the building permit is issued within 12 months of the date the DCC bylaw is adopted”.

The In-Stream protection can be waived if the applicant agrees in writing that the bylaw should have effect.

4.4 Exemptions and Reductions

4.4.1 Exemptions

Based on the requirements and options provided under Section 561 of the *Local Government Act*, the current City of Nanaimo DCC program exempts DCCs from being payable in the following specific cases:

- where a building permit authorizes the construction, alteration or extension of a building, or part of a building which is solely for public worship.
- where a building permit authorizes the construction, alteration or extension of a self-contained dwelling unit that is no larger than 29m² in area, and is to be used solely for residential purposes.
- where the value of the work covered by a building permit does not exceed \$50,000.

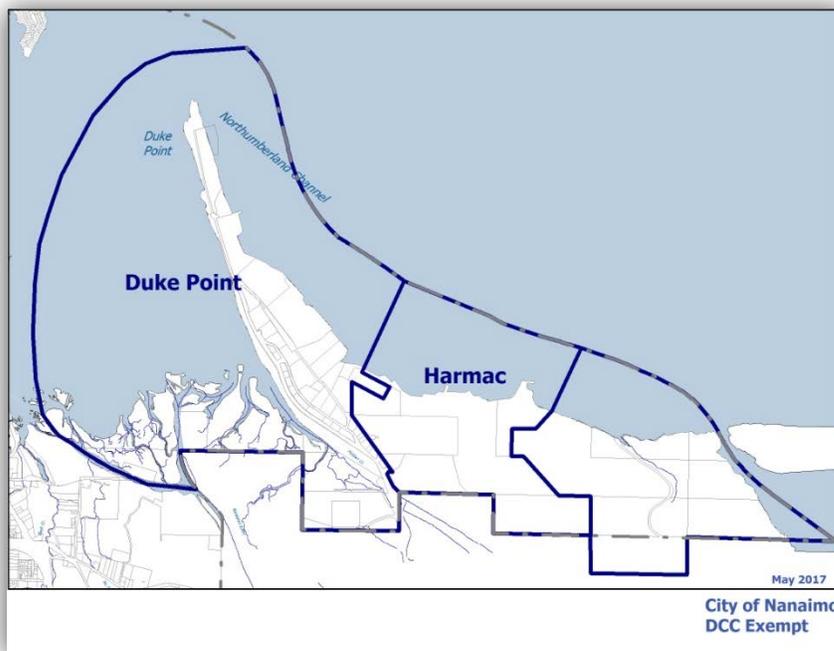
These exemptions are in addition to a general exemption to any development that does not impose new capital cost burden on the municipality.

Duke Point and Harmac Area

Under the current DCC bylaw, the Duke Point Industrial Park is subject to only the Water Supply DCC, while the Harmac area is exempt from all DCC categories. These exemptions are based in part upon the fact that these areas are serviced by separate systems (e.g., RDN sewer collection and treatment at Duke Point and private



water and sewer systems at Harmac) and that, where City services are provided, such systems have been sized to accommodate new growth. No changes are being proposed as part of this review and DCC collection is proposed to continue to be limited to water supply only at Duke Point.



4.4.2 Reductions

The *Local Government Act* provides municipal governments the ability to waive or reduce DCCs for one or more the following categories:

- Not-for-profit rental housing, including supportive living housing
- For-profit affordable rental housing
- A subdivision of small lots that is designed to result in low greenhouse emissions
- A development that is designed to result in a low environmental impact

In order to provide a reduction, a bylaw must be adopted that provides specific detail on what constitutes eligible development, the amount of waiver, and any requirements that must be met in order to obtain the reduction.

Currently, the City provides for a 50% reduction for not-for-profit rental housing, including supportive housing that meets the following criteria:

- (i) at least 50% of the fair market value of the real property on which the development is situated is owned by an eligible owner (eligible owner is considered the government of

British Columbia, the government of Canada, a local government, a public housing authority of a not-for-profit corporation incorporated under the *Society Act*);

- (ii) the cost to rent a unit in the development to at least 30% of the tenants does not exceed the Core Needs Income Threshold established for the City of Nanaimo by the BC Housing Management Commission;
- (iii) the land on which the development is to be built is owned by the City and held by the applicant under a lease, or the owner has entered into Housing Agreement with the City under Section 905 of the *Local Government Act* that has been registered against the title to the land on which the development is located; and
- (iv) the applicant has demonstrated to the reasonable satisfaction of the City that the development is eligible for a housing subsidy (either rent or capital) from the government of British Columbia, the government of Canada or a public housing authority.



No changes are proposed to the existing reduction for not-for-profit rental housing in the revised DCC scheme.

No additional reductions are currently proposed; however, through the development of the new DCC program and associated rates, consideration has been given to development that results in a lower environmental impact. These considerations are outlined in more detail in Section 5.1 Substantive Amendments.

5.0 Bylaw Framework

5.1 Substantive Amendments

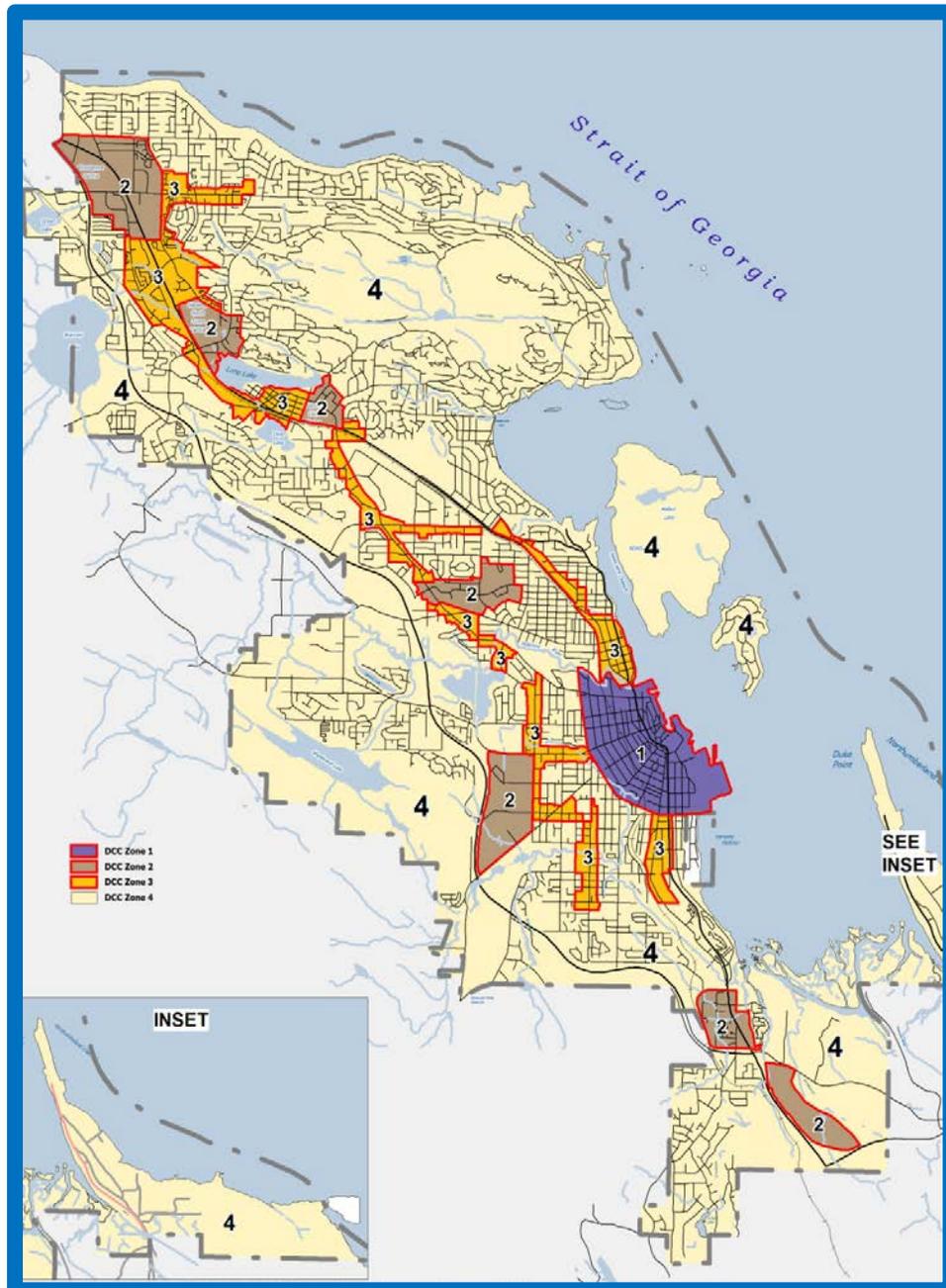
In addition to revised rates, the proposed DCC framework includes the following substantive changes over the existing bylaws:

5.1.1 Varied Roads DCCs Based on Location

The current Official Community Plan, Transportation Master Plan, and the Community Sustainability Action Plan all recognize that future residential development in the community should be concentrated in and around the established urban nodes. These combined policies are intended to better utilize the existing infrastructure and to encourage mixed-use walkable communities that can



support alternative transit. With the exception of the downtown core, the existing roads DCC bylaw does not reflect these policy goals, nor does the bylaw differentiate between developments within a designated growth node versus development elsewhere in the community. In order to address this issue, the draft DCC framework anticipates the establishment of different multi-family roads DCC rates based on the location of the development. The proposal is to create four areas with different DCC rates in each area in order to better reflect the capital cost burden of development, with lowest rates in the established mixed-use urban nodes.



5.1.2 New Approach to the Collection of Storm Water DCCs

At present, the current DCC storm water bylaw establishes a rate for each square meter of floor area for a proposed use. As such, a one-storey building with 1,000m² of floor area pays the same rate as a 10-storey building with the same floor area, despite the fact the taller building covers less ground, results in less impervious surface, and ultimately less burden on the storm infrastructure. In order to address this issue, the new DCC framework proposes to collect storm water DCCs based on the footprint of the building.

Consideration of Low Impact Development on Storm Water DCCs

The Local Government Act has given local governments the discretionary authority to waive or reduce DCCs for certain types of development to promote Low Impact Development (LID).

At present, the City requires that new development maintain storm water flows to their pre development 10 year peak flows and characteristics through the use of alternative rain water management methods and practices. Methods preferred are the use of landscaping, additional soils for absorption, pervious parking areas and ground water recharge rather than underground retention systems. Those onsite works capture day to day rain events to reduce runoff flows to nearby creeks and reduce negative impacts to creek habitat. That unmeasured runoff reduction at the property level does not remove the need for a City storm piping network which serves the purpose of protecting properties from flood events at a catchment wide level.

To promote LID, City staff reviewed the possibility of waiving or reducing Storm Drainage DCC. The developer would need to theoretically quantify the benefit (reduced flows) to downstream Storm DCC projects, measure reduction of flows in the City's Storm Drainage piping system and demonstrate that the benefit will endure in the long term.

At this time, the City does not wish to exempt any development under this Act for reduction of flows in the Storm Drainage piping system on account of:

- *Rainfall science is continuously changing due to climate change and is challenging to predict.*
- *The waiving or reduction of Storm Drainage DCCs for implementation of LID should be based on the level of flow reduction achieved and measured with the LID method used on the property. The Storm Drainage DCC cost reduction, if any, will be difficult to quantify. This would require developers to pay and install complex flow monitoring systems in the storm drainage piping network to confirm the reduction of flows in the piping system. This would be an onerous undertaking for both the City and developers.*
- *The City has no resources to monitor and ensure that the LID methods used on the property are well maintained and have not failed. The unmonitored LIDs could be an unknown and a liability to the City.*
- *The City would need a plan to replace those assets before they failed, if owned by the City. The LIDs would be difficult to repair/upgrade if owned privately.*



Implementation of LID practices would be certainly more attractive to developers if they could benefit from a Storm Drainage DCC credit, but the reduced demand on the Storm Drainage System resulting from the LID practices would need to be quantified, and all affected groups would need to be engaged and satisfied by the solution.

5.1.3 New Category for Small Lot Development

Since the implementation of the existing DCC bylaws in 2009, amendments have been made to the City's zoning bylaw with respect to the development of small lots and the addition of a new housing form - row housing. At present, the DCC bylaws have a single rate for a single family lot regardless of the size of the property. The draft DCC framework is proposing a new category of DCC be established with a rate reflective of the capital cost burden created by a smaller property. For the purposes of the new bylaw, small lot is suggested to include a lot less than 370m² or a row housing lot. Note in the current zoning bylaw, single dwelling lots under 370m² are not allowed to contain a secondary suite.

5.1.4 Introduction of DCCs in Downtown

As noted above, current DCC bylaws do not apply to development with the downtown. The DCC framework is proposing to no longer exempt the downtown core, but instead move towards a model which also recognizes the other urban nodes in the community. Roads / transportation DCCs are proposed to be the lowest in the downtown core as new development in this area is anticipated to have a lower capital cost burden.

5.3 DCC Rates

Current Rates

The City of Nanaimo's last DCC Review was completed in 2008 and the rates went into effect in March 2009 as follows:

Categories	Single Family Dwelling	Multifamily Dwelling	Commercial/ Institutional	Industrial	Mobile Home	Camp Grounds
	<i>\$ per lot</i>	<i>\$ per m²</i>	<i>\$ per m²</i>	<i>\$ per m²</i>	<i>\$ per unit</i>	<i>\$ per unit</i>
Sanitary Sewer	\$916.07	5.49	5.33	1.37	559.56	\$131.67
Drainage	630.63	3.78	3.66	0.93	385.21	90.63
Water Distribution	327.81	1.97	1.91	0.49	200.24	47.11
Water Supply	5,912.26	35.47	34.36	8.77	3,611.38	849.74
Parks	1,734.54	10.40	-	-	1,062.15	300.61
Roads	4,266.19	25.59	24.80	6.34	2,605.92	613.16
Total	\$13,787.50	82.70	70.06	17.90	8,424.46	\$2,032.92

Proposed DCC Rates

Categories	Single Family Dwelling	Small Lot SFD	Multifamily Dwelling				Commercial/ Institutional		Industrial	Mobile Home	Camp Grounds
			DT	Zone 2	Zone 3	Zone 4	DT	Zone 2			
			\$ per lot	\$ per lot	\$ per m ²						
Sanitary Sewer	\$1,787.04	\$1,250.93	\$10.77	\$10.77	\$10.77	\$10.77	\$10.22	\$10.22	\$2.61	\$1,098.28	\$279.22
Drainage**	75.94	56.20	0.38	0.38	0.38	0.38	0.38	0.38	0.38	49.36	15.19
Water Distribution	306.34	214.44	1.85	1.85	1.85	1.85	1.75	1.75	0.45	188.27	47.87
Water Supply	5,619.55	3,933.69	33.86	33.86	33.86	33.86	32.14	32.14	8.20	3,453.68	878.06
Parks	1,734.54	1,213.89	10.45	10.45	10.45	10.45	-	-	-	1,065.76	270.96
Roads	5,175.64	3,960.95	13.20	21.13	31.69	36.97	26.41	73.94	26.41	3,696.89	1,584.38
Total	\$14,698.63	\$10,630.10	\$70.51	\$78.44	\$89.00	\$94.28	\$70.90	\$118.43	\$38.05	\$9,552.24	3,075.68

** Drainage DCCs will be charged per m² of lot coverage (m² of first floor).



2008 DCC Bylaw Rates						
Categories	SFD	Multifamily	Comm/Inst	Industrial	M.H.P	Campgrounds
CON DCCs	\$13,787.50	82.70	70.06	17.90	8,424.46	\$2,032.92
RDN Sanitary	2,272.85	13.40	13.60	3.45	1,346.75	276.30
Total DCCs	\$16,060.35	96.10	83.66	21.35	9,771.21	\$2,409.22

Current DCC Review Rates											
Categories	SFD	Multifamily		Comm/Inst		Industrial	M.H.P	Campgrounds			
CON DCCs	\$14,698.63	DT	70.51	DT	70.90	38.05	9,552.24	\$3,075.68			
	Small lot \$10,630.10										
	Z2								78.44	Other	118.43
	Z3								89.00		
		Z4	94.28								
RDN Sanitary	2,951.37		17.40		17.66	4.50	1,748.81	482.21			
Totals DCCs	\$17,650.00	DT	70.51	DT	70.90	42.55	11,301.05	\$3,557.89			
	Small lot \$13,581.47										
	Z2								95.84	Other	136.09
	Z3								106.40		
	Z4								111.68		

6.0 Next Steps

6.1 Community Engagement

Staff is recommending that prior to the drafting of the new bylaw, the proposed DCC framework be referred to both the Community Planning and Development and the Public Works and Engineering Committees for their review and input. In addition, opportunities for community engagement, including meetings with local stakeholders, are required. These groups would include, but are not limited to, the Chamber of Commerce, the Canadian Home Builders’ Association, and the Vancouver Island Real Estate Board. Opportunities will also be provided for the general public to provide input with respect to the proposed DCC bylaw.

After introduction and prior to third reading of the amendment bylaw, Staff recommends that a public meeting be hosted by Council to receive input with respect to the draft bylaw.

6.2 Approval Process

