Homebuilders Association Vancouver

Development Finance: New Legislation, New Charges, and the Cost of Delivery Crisis

October 2024

Report Purpose

The Homebuilders Association of Vancouver (HAVAN) has collected information related to the implementation of Development Cost Charges (DCCs) across the Metro Vancouver regional district over the past year and looks to understand the implementation pathways of *Bill 46: Development Financing, and the impacts of these current and pending changes to the delivery of homes in our region*. This report is a refresher of [Development Cost Charges: A Metro Vancouver Perspective from 2023](), with information provided to help members understand changes over the past year and the potential impacts of *Bill 46*.

Background: DCCs

Many municipalities across the province face significant development pressure, which requires the expansion of existing or the installation of new infrastructure systems to support new development and its demand on utilities and services. However, the costs associated with these infrastructure requirements create significant public sector burdens. Increasingly, all governments are facing significant constraints in the use of general-purpose taxation and have placed greater emphasis on the "growth pays for growth" principle. In response to these pressures, Development Cost Charges (DCCs) have been utilized by local governments as a cost recovery mechanism for apportioning infrastructure project costs amongst land developers. DCCs are paid by applicants for subdivision approval to create single family lots and building permits to construct multi-family, commercial, industrial and institutional development. For this report, we focus on residential development only.

DCCs were created by the Government of British Columbia in 1958 through the Local Government Act. They are monies that are collected from land developers by a municipality to offset some of the infrastructure costs incurred by the municipality. They are used to service the needs of new development and to distribute growth-related costs across development. Imposed by bylaws pursuant to the Local Government Act, the charges are intended to facilitate development by providing a method to finance capital projects related to:

- **Roads**: New or widening of existing arterial roads and bridges, traffic signalization improvements, sidewalks, bicycle lanes, transit-related infrastructure and traffic safety projects
- **Drainage**: Water quality ponds, new and upgraded culverts, new storm pump stations, stream erosion control work and storm sewer upgrades
- **Sewers**: New trunk sewer mains, new and upgrades to sanitary sewers and sanitary pump stations
- **Water**: New and upgraded water mains, new water pump stations and new reservoirs

- **Parkland Acquisition**: Acquisition of lands for the purpose of development new community parks, city parks, linear parks, trails and greenways
- **Parkland Improvement Projects**: Development of new parks or improvements to existing parks, including fields, drainage and irrigation, turf conversion

The newly enacted *Bill 46* amended DCCs to include three new categories:

- **Fire Protection Facilities**: Firehalls, training facilities, apparatus bays, maintenance facilities, dispatches, fire department administrative buildings, and staff quarters
- **Police Facilities**: Detachment buildings, municipal jails, cells, holding facilities, training facilities, community policing centres, dispatches, and police administration buildings
- **Solid Waste and Recycling Facilities**: Solid waste master planning, landfills, transfer stations, recycling depots, processing facilities, and compost facilities

DCCs allow monies to be pooled from many developers so that funds can be raised to construct the necessary services in an equitable manner. The municipality is the co-ordinator of the capital program and administrator of the funds collected to pay for new or expanded infrastructure necessary to adequately service the demands of new development.

Development of DCCs must be consistent with community plans, land use plans, and corporate financial and capital infrastructure strategies and must be endorsed through the bylaw process, which includes approval by the Provincial Government's Inspector of Municipalities.

Due to differing infrastructure needs across local governments and the timeline on which they base those needs, trying to compare one municipality against another is likened to comparing apples to oranges.

Bill 46

In 2023, British Columbia passed Bill 46, the Housing Statutes (Development Financing) Amendment Act. This bill made changes to the Local Government Act, allowing new tools for local governments to recover costs from development. Its two major changes were the ability to include fire protection facilities, police facilities, and solid waste facilities in DCCs, and the introduction of Amenity Cost Charges (ACCs).

Amenity Cost Charges (ACCs)

ACCs are a new tool, replacing community amenity contributions (CACs) to fund amenities such as community and recreation centres, daycares, and libraries following the growth-pays-for-growth principle. ACCs are charged similarly to DCCs, being set at specific rates based on unit type. These vary from CACs, as CACs could be negotiated with developers. This means that ACCs will provide greater cost clarity, while limiting flexibility for developers and governments alike.

Currently, Bill 46 provisions are not mandatory, and the province has only provided interim guidance to municipalities on its adoption. Seeing that Bill 46 stands to make significant changes to development fees, we have created a snapshot of where things stand.

Current Municipal DCC Rates

The current average municipal DCC rates across Metro Vancouver are as follows:

Single Family Home (4,000 sq.ft.)	$ 39,199
Townhomes / Unit (40 Units/60,000 sq.ft.)	$ 27,153
Six-Storey / Unit (65 Units/50,000 sq.ft.)	$ 17,430

Figure 1: Average Municipal DCCs

When accounting for the population of municipalities, we see the following weighted average DCCs:

Single Family Home (4,000 sq.ft.)	$ 46,168
Townhomes / Unit (40 Units/60,000 sq.ft.)	$ 34,329
Six-Storey / Unit (65 Units/50,000 sq.ft.)	$ 23,780

Figure 2: Weighted Average Municipal DCCs

This difference in averages shows the disparity across the region in DCCs, with larger population centres tending to charge higher fees. For a full breakdown of fees charged in all Metro Vancouver municipalities (except for West Vancouver), see Figure 3.

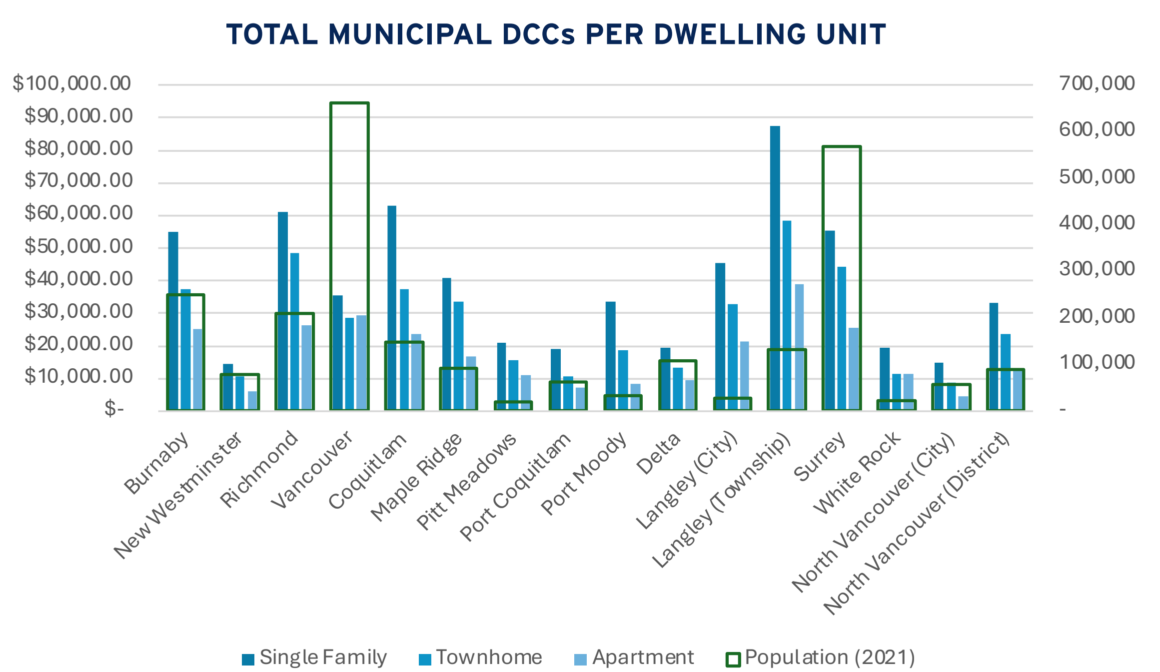
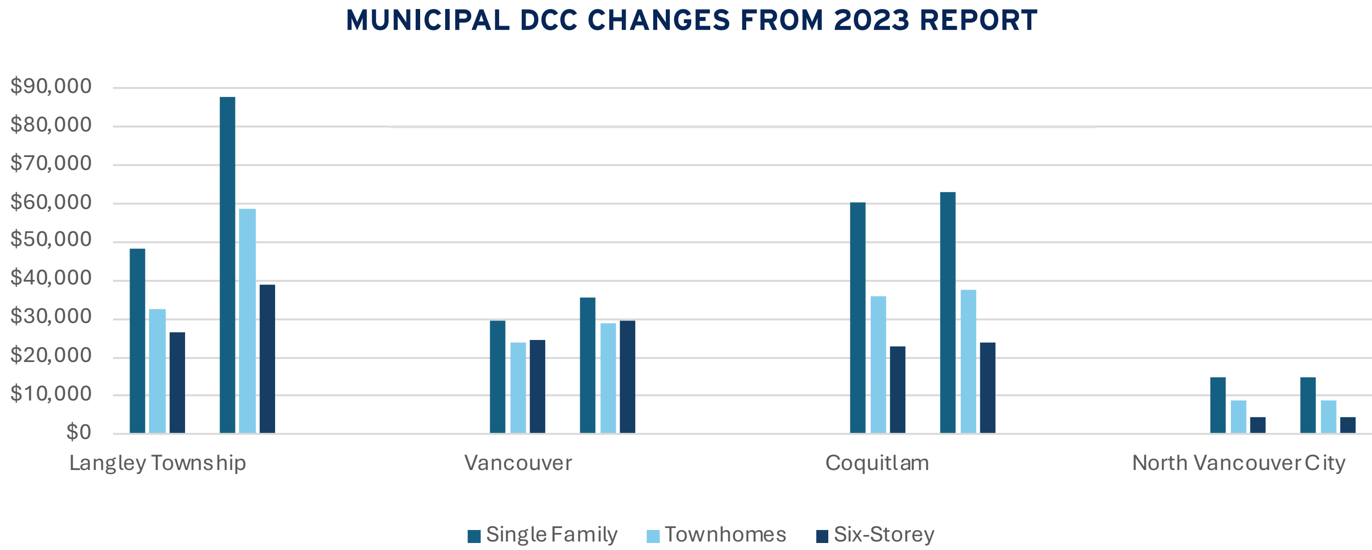


Figure 3: DCCs across Metro Vancouver

Municipal DCC Increases Since 2023

In our previous report, HAVAN investigated the DCC rates for four municipalities in particular: Langley Township, Vancouver, Coquitlam, and the City of North Vancouver. Of these four, only the City of North Vancouver has not raised their DCCs since the previous report. Figure 4 details the increases.



	Single-Family	Townhome	Apartment
Langley Township	81.19%	79.15%	46.11%
Vancouver	20.45%	20.39%	20.37%
Coquitlam	4.50%	4.50%	4.50%
City of North Vancouver	0.00%	0.00%	0.00%

Figure 4: Municipal DCC Changes since HAVAN's previous report

Regional DCCs

In addition to each municipality's development charges, TransLink and the Metro Vancouver Regional District (MVRD) charge DCCs to cover infrastructure costs for public transit, water, and liquid waste. MVRD is presently updating their DCCs to reach a 1% assist factor from 50% for water and 17.5% for liquid waste, increasing the percentage of costs borne by developers. Figures 5 through 7 outline the current and future rates.

TransLink	Previous Rate	Current Rate	Increase over previous report
Single Family	$ 2,975	$ 3,194	7.36%
Townhouse/Duplex	$ 2,470	$ 2,652	7.37%
Apartment	$ 1,545	$ 1,658	7.31%

Figure 5: TransLink DCCs

Water	Current Rate	Rate effective Jan 1, 2027	% Increase
Single Family	$ 6,692	$ 19,704	194%
Townhouse	$ 5,796	$ 17,710	206%
Apartment	$ 4,261	$ 12,223	187%

Figure 6: Metro Vancouver Water current and future rates

Liquid Waste	Current Rate	Rate effective Jan 1, 2027	% Increase
Single Family	$ 4,050	$ 11,125	175%
Townhouse	$ 3,434	$ 9,977	191%
Apartment	$ 2,582	$ 6,880	166%

Figure 7: Metro Vancouver Average Liquid Waste Rates

While TransLink fees are climbing only at an inflationary rate, the massive upswings in fees from the MVRD will pose additional cost pressures on developers, particularly for those building in the Vancouver and North Shore areas, where liquid waste DCCs are increasing by over 200% by 2027.

Unlike the municipal DDCs, regional DDCs are determined by the MVRD, a self-elected body of government made up of municipal councillors. Governed under the Local Government Act, MVRD follows the same procedures to set DCCs including provincial oversight. As such, MVRD DCC changes face the same uncertainties as are seen in municipal DCC changes.

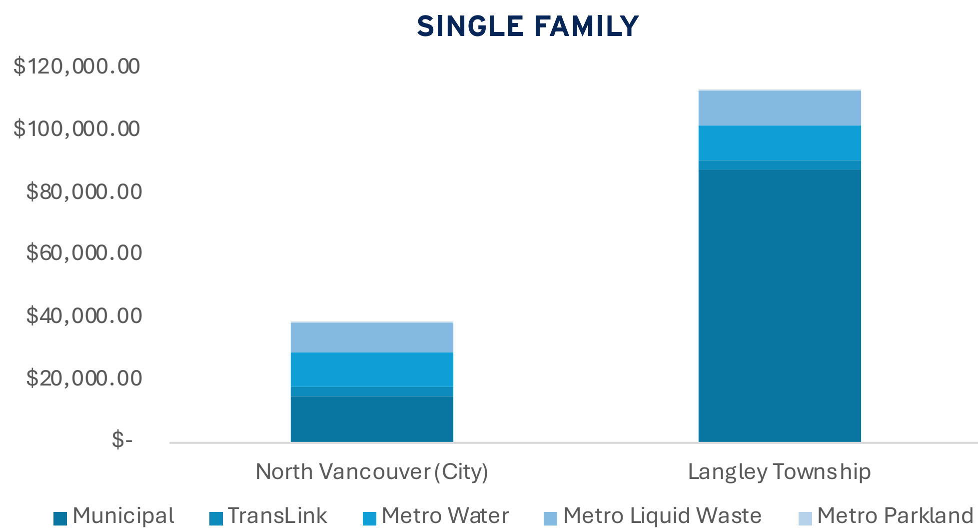
To see the impacts of these fee changes, Figure 8 outlines the total average DCCs charged per unit, based on Metro Vancouvers 2025 and 2027 rates.

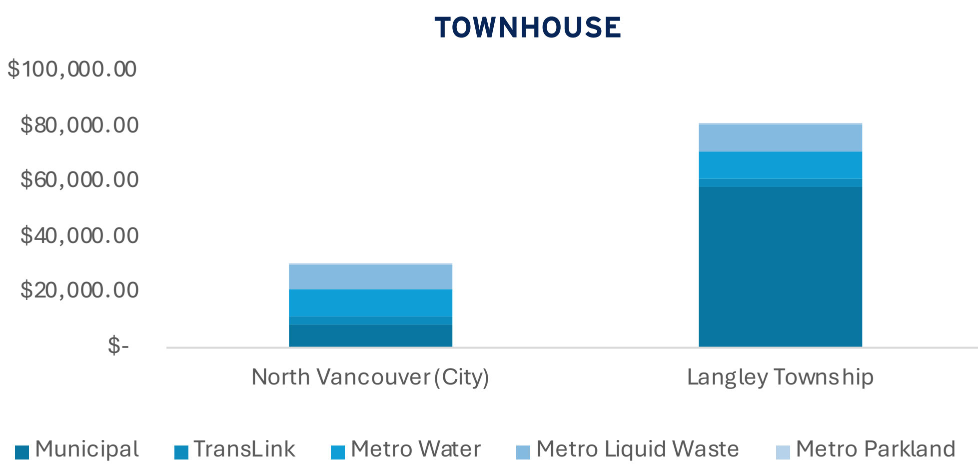
Effective Jan 1, 2025	Single Family	Townhomes	Six-Storey
Municipal (Average)	$ 39,199	$ 27,153	$ 17,430
TransLink	$ 3,194	$ 2,652	$ 1,658
Metro Water	$ 10,952	$ 9,839	$ 6,791
Metro Liquid Waste	$ 9,346	$ 8,383	$ 5,780
	$ 62,691	**$ 48,027**	**$ 31,659**

Effective Jan 1, 2027	Single Family	Townhomes	Six-Storey
Municipal (Average)	$ 39,199	$ 27,153	$ 17,430
TransLink	$ 3,194	$ 2,652	$ 1,658
Metro Water	$ 19,704	$ 17,710	$ 12,223
Metro Liquid Waste	$ 11,125	$ 9,977	$ 6,880
	$ 73,222	**$ 57,492**	**$ 38,191**

Figure 8: Average Infrastructure Development Charges, 2025 & 2027

To illustrate the vast inconsistencies across the region, Figure 9 charts the combined municipal and regional DCCs charged in Langley Township and the City of North Vancouver.





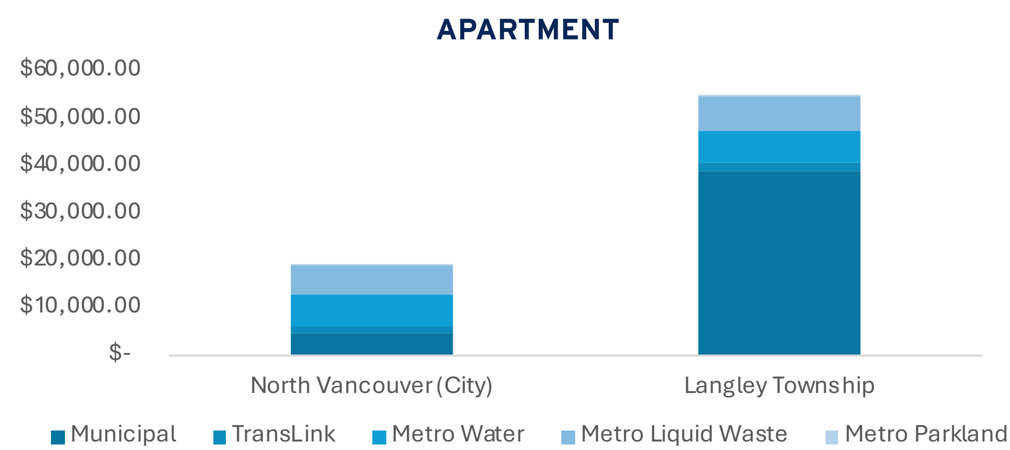


Figure 9: Total DCCs, City of North Vancouver and Langley Township

Bill 46 Implications

As stated above, Bill 46 will provide more cost certainty around amenities charging, compared to CACs. Since some municipalities negotiate CACs on a case-by-case basis, the requirement of ACCs to be set at fixed rates will cut down on uncertainties and delays in the development approvals process.

However, Bill 46 will overall increase costs on development.

- The addition of fire, police, and solid waste facilities to chargeable DCCs will allow municipalities to charge more to developers. In the City of Burnaby and the District of North Vancouver, who have adopted these changes, the new categories account for 5-10% of the total cost of DCCs.
- The new legislation will also incentivize municipalities to holistically review their DCCs, leading to increases across the board for those municipalities who have not increased their fees in some time, creating potential for greater disparity in fee increases as growth pays for growth.
- Municipalities have raised concerns around their ability to fund projects with the change from CACs to ACCs, as they are unable to negotiate higher contributions for certain development projects to address shortfalls. It remains uncertain how these shortfalls may impact financing formulas moving forward.

Case Study: ACCs

As of publication, three municipalities have moved from CACs to ACCs: Burnaby, Pitt Meadows, and District of North Vancouver (DNV).

Burnaby, after opting for ACCs in place of their Community Benefit Bonus (CBB) program – similar in nature to CACs – now charge $27 thousand for single family homes, $19 thousand for townhouses, and $13.5 thousand for apartments on a per unit basis. With a lack of publicly available data on the average CBB cost for development in the past, it is unclear whether this will rise costs for developers.

In Pitt Meadows and DNV, CACs were charged at a fixed rate. In Pitt Meadows, the jump in amenities fees was 80% for single family homes, 75% for townhouses, and 67% for apartments. In DNV, the increase was 19% for single family homes, 32% for townhomes, and 18% for apartments.

While increasing transparency and decreasing negotiation and processing times make life easier for developers, it is counterbalanced by increased development costs. It is out of the scope of this report to determine if the financial benefit of decreased negotiating periods for CACs will outweigh the potential cost increases of ACCs.

Industry Perspective

HAVAN always encourages the principles of accountability, transparency, predictability, and consistency for municipal governments. As such, we encourage any changes to DCCs to be informed by the province's best practices, with high levels of public and industry consultation. We further urge local governments to implement ACCs in a manner which includes proper consultation with industry, while adhering to the province's best practices for Bill 46 upon their publication. We encourage transparency and accountability from all levels of government to ensure clarity on future increases from municipalities and MVRD.

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HAVAN, through its government relations department team, works with Metro Vancouver local governments on important public policy issues. Non-partisan policy analysis and strategic consultation is provided in a collaborative approach to efficiently deliver an affordable supply of housing across the region.

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