Meeting February 26, 2024

File: 7000-10

COUNCIL REPORT

TO: MAYOR & COUNCILLORS

FROM: DEPUTY CHIEF ADMINISTRATIVE OFFICER AND CHIEF FINANCIAL OFFICER

SUBJECT: **DEVELOPMENT FUNDING PROGRAM (DFP) - PROPOSED DEVELOPMENT COST CHARGES AND AMENITY COST CHARGES**

PURPOSE: To provide Council with preliminary information regarding proposed Development Cost Charges (DCC) and Amenity Cost Charges (ACC), seek approval of draft DCC and ACC rates, and a proposed DCC and ACC communications plan.

RECOMMENDATION

THAT the report titled “Development Funding Program (DFP) - Proposed Development Cost Charges and Amenity Cost Charges”, dated February 26, 2024 be received for information;

THAT DCC and ACC calculations for Single Family Dwellings and Two Family Dwellings on a per unit basis be reconsidered;

THAT the DRAFT ACC and DCC rates, as identified in Section 3.4 of the report, be approved; and

THAT the communications plan, as identified in Section 4.0 of the report, be approved.

EXECUTIVE SUMMARY

At the January 25, 2024 Special Council meeting, staff and consultants from Urban Systems presented changes that would be required to the City’s development funding programs to support growth-related costs over the next 25 years. This report provides insight into the challenges for the City going forward in areas such as funding, project prioritization, growth and capital replacement. This report also summarizes the work conducted by staff to-date and seeks Council approval of draft Development Cost Charge (DCC) and Amenity Cost Charge (ACC) rates as well as a proposed DCC and ACC communications plan that will inform all interested parties about these proposed changes.

1.0 POLICY SECTION

Through Bill 46-2023 – *Housing Statutes (Development Financing) Amendment Act, 2023*, the Province expanded the list of facilities for which DCCs can be imposed and also introduced a new tool, ACCs, to help local governments finance services and amenities through development. This allows the City of Burnaby to build a development funding program that takes advantage of the development financing tools available to local governments under the Local Government Act.

2.0 BACKGROUND

The City of Burnaby is expected to grow at a steady population rate of approximately 1-2% annually to accommodate roughly 100,000 new residents over the next 25 years. To anticipate and plan for this growth, the City maintains and updates technical master plans, neighbourhood plans and the Official Community Plan (OCP). Community facilities, park area, core services delivery and other amenities provide service levels that support thoughtful, strategic, and consistent application of amenities and services across the City through direction from Council, and with input from residents.

The recent changes to the Local Government Act (Bills 44, 46 and 47 – Housing Statutes) enacted by the Provincial government, as a means of increasing housing supply permanently and quickly, has resulted in a number of new and expanded funding tools, along with some controls over how municipalities may utilize Community Benefit Bonus (CBB) within Transit Oriented Areas. As a result, the City is advancing toward a DCC and ACC model for growth related expenses such as larger facilities, increased and improved park spaces, increased water, sewer, and drainage flows, policing and fire needs, and transportation impacts, rather than focusing funding solely on a voluntary, and cyclical, CBB program. While a DCC and ACC program is essential to assisting with growth-related costs, it is not a panacea for all infrastructure costs and a combination of funding tools will ultimately be required to maintain city services as the population grows. Therefore, prioritization of projects and consideration of how other revenue sources, including taxation, will be required to ensure existing facilities and infrastructure are well maintained and funded for their future replacement through statutory and non-statutory reserves, is also critical.

Concurrent with updating the OCP, the Zoning Bylaw will be re-written to comply with and respond to the recent changes in Provincial legislation, including interim updates to meet the June 30, 2024 deadline for the City to: (1) amend the Zoning Bylaw to permit Small Scale Multi-Unit Housing (SSMUH) on lots currently zoned for single and two family housing; and (2) designate all Transit Oriented Areas (TOAs) within Burnaby that are subject to the minimum TOA density and height requirements prescribed by the Province. While CBB charges will still apply in the new zoning framework, the amount of those contributions and the extent to which the City will be able to use those funds is unknown at this time.

On January 25, 2024, Council received a presentation from staff and consultants as an introduction to DCC and ACC legislative guidelines. The purpose was to provide Council with details about how programs are created, the purpose of the funding for growth, and to communicate the next steps and deadlines for changes per provincial timelines. The following resolutions were approved by Council at that meeting:

- The advancement of Land Use Categories and Units of calculation for future Burnaby Development Cost Charges and Amenity Cost Charges,
- The advancement of listed preliminary Development Cost Charges program categories as a basis for moving the funding growth framework forward in an expedited manner,
- The advancement of preliminary Amenity Cost Charges program categories as a basis for moving the funding growth framework forward in an expedited manner.

Since this meeting, staff and the consultants have been working to develop detailed DCC and ACC programs based on the direction provided by Council. This report provides Council with an update on that work and staff's recommendations regarding draft DCC and ACC rates.

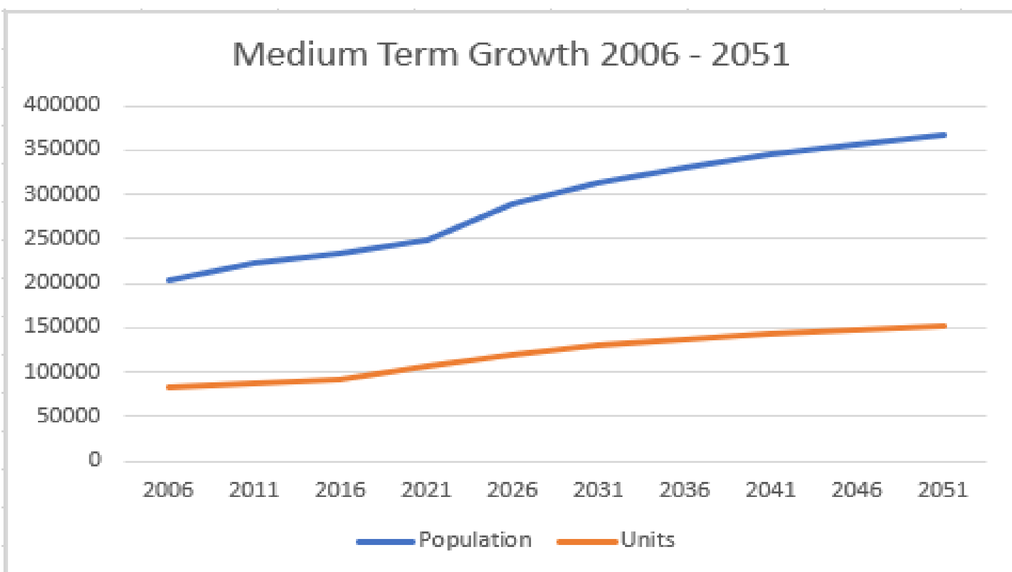
3.0 GENERAL INFORMATION

The context of the work completed to date is important to communicate and understand as the resulting programs presented to Council are established by the growth model, data, and assumptions to arrive at the project lists. DCC and ACC programs can be based on various timeframes such as 10, 15 or 25 years. Staff are recommending a rate based on a 25-year program as this will parallel and complement the work being done for the new OCP that will be completed in 2025.

3.1 Growth

A future growth model is the starting point for DCC and ACC program creation. Utilizing information from Metro Vancouver and City of Burnaby records, the expectation for population growth in the City is estimated to be approximately 30% over the next 25 years.

Table 1 provides a graphical representation of historical and projected population and unit growth in Burnaby. In 2051 the City's population would be 362,000 and units up to 151,000 from the current levels of 250,000 and 107,000 respectively.



This population growth projection, coupled with Commercial, Industrial, and Institutional (ICI) floor area projections has been used to establish infrastructure/amenity needs for parks and recreation, underground utilities, facilities and amenities, and transportation; with a focus on financial sustainability. It is noted that there is a fundamental difference between growth and capacity. The OCP and Neighbourhood Plan land use designations create the capacity (total developable area) for future growth, but that capacity may have a long term (50-100 year) time horizon to be built out. Growth is related to demand, such as how many people are anticipated to move to Burnaby over a fixed period, who need access to housing and employment.

Although overall growth of 30% is anticipated, the exact form of development and its location is not certain given the broad measures allowable under the new legislation. Higher density development within Transit Oriented Areas (TOA), Town Centres and Urban Villages is anticipated. However, the number of single-family, two-family, multi-plex, and rowhomes permitted under SSMUH is unknown. These units and types of developments will determine both growth centralization and fee collection over the term of the newly established programs.

Regardless of the type and location of development, growth must fund the service and amenity needs of new residents to not overburden revenues received through taxation. This is the concept that growth must pay for growth.

3.2 Assumptions and Methodology

For each listed project for the relative DCC and ACC program, a percentage is applied to determine which portion of the project is related to growth. Collectively, the cost of works that benefit growth (DCC Recoverable Costs) are then divided by the projected growth. A contingency is included in the costs to ensure appropriate collection of funds for the growth portion only. The replacement portion due to the age of existing infrastructure, not related to growth, is a cost that will be paid for from other municipal revenues such as property taxes and utilities rates/fees. This is an important and major shift in development funding at the City, especially for the amenities program.

Department subject matter experts identified infrastructure and amenity projects based on existing service levels and what would be required to maintain these service levels as the population grows. The initial list of ideal identified projects amounted to over $9 billion in projects to meet the community's needs with a recovery portion representing eligible growth of approximately $4.2 billion. Although spanning a 25-year period, this would not be a financially feasible program as this could disincentivize development in the City and the funding of the non-growth portion is beyond the City's capacity.

The original program list was reduced based on project timing projections, maintenance of current levels of services, equity, and sustainable costs, in alignment with the 5-year financial plan. The revised program costs presented below is $2.5 billion with a recovery portion of $1.6 billion. Staff believe there are a sufficient number of projects required within the City to deliver the ideal levels of service and therefore took an approach to understand what rates the development community would accept in considering the advancement of builds (i.e., would not deter development) and rates of neighbouring municipalities.

3.3 DCC/ACC Program

DCC programs are utilized to collect funds for infrastructure required to deliver important municipal services and includes items such as water and sewer networks, drainage, transportation and park land improvements and acquisitions. The DCCs reflect what would be required to maintain existing service levels as the population grows. DCCs are a financing tool that has been widely utilized in the region and throughout BC by local and regional governments. Historically, Burnaby has collected limited DCCs, primarily for the Parkland Acquisition program only.

ACCs are a new financing tool that was introduced last November by Bill 46. ACCs can be used to collect funds for growth-related facilities or features that provide social, cultural, heritage, recreational or environmental benefits to a community. These include, but are not limited to, recreation and community centres, libraries, and childcare facilities.

In developing Burnaby's own DCC and ACC programs, key infrastructure and amenity needs were the primary factor in determining the rates. The project lists for each DCC program - which can change and be adjusted over time with Ministry approval – will determine adjustments to the rates and thus the fees collected over time. These programs provide transparency and equity to the development community so it is clear on the cost of development charges for a project feasibility study.

3.4 Rates

The development of DCC and ACC rates are impacted by the following factors:

Timeframe

When collecting for various projects in the DCC and ACC programs, a 25-year timeframe was established to align with the City's OCP. The projects identified in the DCC and ACC programs should reflect infrastructure and amenities needed to meet the needs of growth within the specified timeframe.

Project Costs

DCC and ACC programs are comprised of multiple projects with capital cost estimates. Each project is assessed to evaluate the benefit to new growth versus existing development, and only those costs allocated to growth are included in the rate calculation.

Costs allocated to existing development must be funded through other non-DCC funding resources, such as property taxes and utility fees.

Equivalency Factor

DCC rates take into account the impact on infrastructure of each type of development. Relative impact is expressed in terms of "equivalent units" and is based on the relative impact of a single-family home. This ensures fairness so that developments with a higher impact on infrastructure pay more than those with a lower impact.

Equivalent units for water, sewer, parks, protective services, and amenities are expressed in number of people, or population equivalents, transportation is expressed in trip ends, and drainage is based on run-off coefficient (or impervious area).

Assist Factor

Under the *Local Government Act*, a municipality can levy DCCs and ACCs to assist with the capital costs of infrastructure and amenities needed to service growth, this is called the municipal assist factor. The municipal assist factor is set at the discretion of Council with a minimum of 1% required. Council may set a higher assist factor to reflect its desire to encourage development. The assist factor is supported through other funding resources (non-DCC related) such as property taxes and utility fees. A municipal assist factor of 1% was applied in the calculation of the proposed DCC and ACC rates.

In determining the rates, staff have made every effort to balance the City's growth needs with what is economically feasible to ensure continued development. It is important to recognize that reducing development cost charges does not necessarily make housing more affordable. Additional amenities and infrastructure are required to support a growing community regardless and without a DCC/ACC program, more of this burden would be placed on existing taxpayers. Therefore, it is important to structure and modify the programs over time as needs change and growth occurs.

The proposed rates in the reduced $1.6 billion recoverable DCC and ACC Programs are outlined in Attachment 1. The rates proposed are applied based on the resolutions of the January 25, 2024 Council meeting. The exception is Single Family and Two-Family residential dwellings (SFD/TFD) that comprise the Low Density Residential category. Council requested rates be applied to this category on the basis of square footage, however, staff are recommending this be amended to a per unit basis as originally submitted.

For Council's consideration, implementing a per unit charge for SFD/TFD will provide the following benefits:

- Using a per dwelling unit/lot basis charge best reflects impact on infrastructure, one of the core principles of DCCs and ACCs; there is not a strong correlation between building area and infrastructure needs for single-family and two-family residential uses
- Charging on a per dwelling unit / lot basis will allow the City the flexibility to charge DCCs and ACCs for low density units at both time of subdivision and building permit, allowing the City to align the rates and units of charge for both single family and two-family development types
- Charging on per dwelling unit / lot basis at time of subdivision especially means a developer is more likely to pay these costs rather than a homeowner who may be redeveloping their property
- Charging on a per dwelling unit / per lot basis is consistent with the DCC Best Practices Guide prepared by the Ministry of Municipal Affairs, promotes consistency of unit of charge and approach across jurisdictions for the development industry and is the approach used by the majority of neighbouring municipalities and regional bodies
- Using a per dwelling unit / lot charge supports ease of administration and the consistent application of fees; using a floor area rate will be especially complex for demolitions and conversions from single family dwellings to multi-family dwellings

- DCCs and ACCs should not be used to incentivize or disincentivize development, rather they should be based on the principles of fairness and equity, and closely tied to impact on infrastructure, which is supported by the per unit / lot basis for all residential charges

Councils' concern about mega homes and paying a fair share are understood. However, the DCC/ACC program is not the appropriate tool for land use management. Instead, staff plan to bring forward other strategies and options under other programs like the OCP to compliment needs around land usage and fees.

3.5 Next Steps

If Council concurs with the proposed DCC and ACC rates and the communication plan outlined in Section 3.0 of this report, then staff will move forward accordingly. Staff will bring forward a future report with the final recommended DCC and ACC rates for approval, and request Council to direct the City Solicitor to bring forward a DCC bylaw and ACC bylaw with the final recommended rates for First, Second and Third Reading at the March 25 Council meeting. Staff will then forward the DCC Bylaw to the Provincial Inspector of Municipalities (the "Inspector") for approval. Approval of the Inspector is required for the DCC Bylaw but is not required for the ACC bylaw. The Inspector's office has indicated that their DCC review process currently takes between 8 to 10 weeks. During this time, staff will continue with the communication plan steps to meet all Ministry requirements under the program approval process guidelines.

Once the City receives Inspector approval of the DCC Bylaw, the DCC Bylaw and ACC Bylaw will be advanced for Final Adoption. The goal is for both the new DCC bylaw and ACC bylaw to be in place before June 30, 2024, with the intent that the DCC and ACC rates will be refined and adjusted within 2 years to coincide with the approval of the new OCP and Zoning Bylaw.

4.0 COMMUNICATION AND COMMUNITY ENGAGEMENT

DCC and ACC programs require community engagement and transparency as part of the approval process by Council and the Inspector of Municipalities. Explicit notification that the City is conducting a major DCC update and developing an ACC program is the key information to communicate to the public now. As part of the communication plan, FAQs will be added to the City's website as more information is available about the City's specific programs.

The communication plan will include the following web driven information and direct communication required for the DCC and ACC programs as follows:

- Clear messaging that the City of Burnaby is defining the services and amenities the new residents need in the future. Due to legislative changes, the City of Burnaby is working on a major update to its DCC program to fund infrastructure and is developing an ACC program to help fund amenities, with a mid-2024 adoption target.
- Inclusion of a Frequently Asked Questions and response page on the City's website.
- Direct communication to the Urban Development Institute to solicit feedback on the City's rates.

- Enhancement of web details to include the draft rates when approved by Council.
- After Inspector approval and final bylaw reading provide additional information and guides related to the DCC and ACC calculations and rates.

As noted in this report, staff will implement the required communication plan to meet the requirements of the Inspector of Municipalities, upon Councils approval of the draft rates and plan listed under recommendations.

5.0 FINANCIAL CONSIDERATIONS

Legislative changes have triggered a significant shift in how the City will finance infrastructure and amenities moving forward. In addition, these changes have resulted in uncertainty of cash flows from existing and new development revenues such as density bonus and the new ACC/DCC financing tools. These uncertainties in both timing and magnitude of cash flows will require the City to reassess priority projects. Furthermore, these new financing tools are permitted to be utilized only for growth driven projects, therefore any asset renewal and replacement projects/programs will rely more heavily on the tax base. Once implemented, the City's available financing tools will be similar to other municipalities going forward. It will be critical that the City utilizes all available financing tools under Provincial legislation to ensure the City has a balanced and sustainable approach to financing operational needs.

Staff have worked diligently to advance this program as quickly as possible, recognizing that for each month a program is not in place (after June 30th) there will be lost revenues. The DCC and ACC plans can be updated and refined often, which does not preclude the City from getting the programs in place immediately.

Respectfully submitted,

Noreen Kassam, Deputy Chief Administrative Officer and Chief Financial Officer

ATTACHMENTS

Attachment 1 – Proposed DCC Rates

REPORT CONTRIBUTORS

This report was prepared by Doug Spindler, Director Treasury Services, and reviewed by Ed Kozak, General Manager Planning and Development.