



Office of the CAO

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Following our meeting of February 24, 2025, staff of the Ministry of Housing and Municipal Affairs reached out to the City to suggest that Burnaby prepare a letter detailing our concerns with respect to the legislated changes to Development Finance Tools, and provide specific proposals to mitigate these concerns.

As expressed in the meeting, Burnaby remains concerned about how changes to the *Community Charter* and *Local Government Act* were undertaken without the active involvement of municipalities or meaningful input by the Union of BC Municipalities. The 2023 and 2024 Housing Statutes amendments represent the most significant changes to local government administration in a generation. We would like to note that the successful implementation of these initiatives is dependent upon the commitment of local government partners to carry out these initiatives. Such commitment is a result of alignment and trust that we are together working toward a common goal of addressing the ongoing housing crisis.

At the time Bills 44, 46, 47 (2023) and Bill 16 (2024) were given Royal Assent, the state of the economy, the real-estate market, and the inflationary cost of construction was concerning and has not substantively improved to date, making both market and non-market residential development challenging. The immediacy with which Small-Scale Multi-Unit Housing (SSMUH) and Transit Oriented Areas (TOAs) came into force necessitated local governments, like Burnaby, to rapidly update development finance and site servicing frameworks to ensure that there was a sufficient mechanism to fund the increased demand for services and amenities outside of excessive taxation. As a result of the compressed timeframe to advance development finance changes, we were unable to comprehensively analyze the impact these changes would have on the cost of housing and the broader viability of the housing market in Burnaby. As we are approaching the one-year anniversary of Burnaby's ACC, DCC and Servicing Bylaw adoptions, many in-stream developments are being adversely affected by the potential of significant additional costs that were not contemplated at the outset of their projects. And many have indicated that they are unable to complete their projects within the one-year instream timeframe due to the aforementioned challenging market conditions.

Our Purpose: To create the city that we all want to live in and be in.

As such, Burnaby proposes the following amendments, to mitigate the impacts of development cost increases, while continuing to protect the City from the unsustainable tax burden that would result from absorbing servicing and amenity costs as part of a standard capital budget.

1. Phasing in of ACC and DCC Rates

While it is acknowledged that local governments can phase in ACC and DCC Rates, the percentage attributed to the growth-related Benefit Factor would become the responsibility of local governments, which creates an immediate taxation burden. As an illustration, with a Benefit Factor attributed to 50% growth and 50% existing population, if ACC and DCC rates were phased in over 4 years (Year 1 - 25%, Year 2 - 50%, Year 3 - 75%, Year 4 - 100% of the total charge) the City would have to increase the Municipal Assist factor to compensate for each year's deficit. Given our current tax burden, this is unsustainable even in the short term.

Proposal

It is proposed that DCC and ACC rates are able to be phased in over a number of years without requiring an increase to the Municipal Assist Factor, and that as a result the horizon date be extended beyond the 25 years to account for the pro-rated collection of ACCs and DCCs. This proposal would enable the development industry to adjust to required costs over time, and not financially burden local tax payers.

2. Pause ACC and DCC Collection

Proposal

In addition to the first point, it is proposed that the Ministry and Inspector Municipalities permit local governments to pause the collection of DCCs or ACCs at any point in the 25 year horizon, without the need to compensate with an increased Municipal Assist Factor. This would enable local governments to respond to current market conditions if the ACC or DCC rates are found to be cost prohibitive to development at a specific time. Further, the opportunity to pause ACC and DCC collection for a period of time would enable local governments to be eligible for Federal funding or grants that may require the temporary reduction or elimination of Development Cost Charges.

3. Extension to In-Stream Protection and Precursor Applications

Section 568 (2) of the *Local Government Act* requires that a building permit authorizing construction be issued within 12 months of the bylaw being adopted, and that a precursor to that building permit application is considered in-stream on the date the bylaw is adopted.

Proposal

Given the state of the economy and real estate market, and the inability to obtain adequate financing for residential development, it is proposed that the Ministry, by regulation, extend the in-stream protection provision from 12 months to 24 months, and permit precursor applications to be acknowledged as in-stream up to 12 months after the ACC and DCC bylaw has been adopted. Again, without the need for local governments to fund the program through an increase to the Municipal Assist Factor or seek structural amendments to existing ACC and DCC Bylaws.

4. Greater Flexibility in the use of Density Bonus

Many Local Governments, including Burnaby have utilized the provisions of Section 482 (Density Bonus) within the Local Government Act since its inception in 1997. While it is acknowledged that the intent of section 482 was to obtain in-kind amenities to offset the pressures of density related population increases on existing amenities, as a tool it has become a significant financing mechanism for local governments to fund, without limitation, a long-term growth-related amenity program. The advent of Amenity Cost Charges (ACCs) has effectively replaced Density Bonusing as the primary mechanism to consistently fund the longer term and larger amenity needs of local governments. However, the fundamental difference between ACCs and Density bonusing is that ACCs, similar to DCCs, can only fund the growth portion of an amenity. While Density Bonus was able to fund both the replacement and growth portions of an amenity. The result is that local governments are now responsible in an ever increasing cost scenario to fund the replacement of existing amenities through taxation, even though the replacement of these existing amenities is often required as a result of the need to accommodate additional space needs due to growth. Furthermore, the *Local Government Act* expressly prohibits Density Bonus and ACC from funding the same amenity.

Proposal

It is proposed that greater flexibility be offered to local governments on how they fund necessary amenities, by first removing the determination that payment in lieu, if permitted by bylaw, is at the discretion of the developer rather than at the discretion of the local government. This would enable local governments to appropriately plan for density bonus amenities across a city, procuring in-kind amenities where appropriate, and payment-in-lieu of amenities where larger consolidated amenities are necessary.

Furthermore, it is proposed that the payment-in-lieu of amenities be authorized for use towards the existing community Municipal Assist Factor, with the ACC revenue continuing to fund the growth-related Benefit Factor.

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These relatively minor changes would enable local governments to appropriately plan for amenities and have the security of funding to carry through with amenity construction, rather than having to increase taxes or borrow funds to finance amenities.

While we would have preferred to have a stronger voice prior to legislation being enacted, we welcome the ability to provide insights on how development finance tools can be used most affectively. We appreciate the willingness to work with local governments to find solutions to the current economic and housing crisis in order to deliver the necessary housing and commensurate amenities needed to create complete communities.

We look forward to your response and are available to answer any questions you may have on the proposals contained within this letter.

Yours truly,

Leon A. Gous, PEng, MBA, MPA
Chief Administrative Officer

LAG/ac

Copied to: Mayor Mike Hurley and Members of Council