

DATE OF MEETING JUNE 23, 2025

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**SUBJECT DEVELOPMENT COST CHARGE BYLAW UPDATE AND AMENITY
COST CHARGE BYLAW**

OVERVIEW

Purpose of Report

To present rate options and seek direction for next steps for a Development Cost Charge bylaw update, and for an Amenity Cost Charge bylaw.

Recommendation

That the Governance and Priorities Committee:

1. Recommend to Council one of the rate tier / assist factor scenarios for the Development Cost Charge (DCC) update, and Amenity Cost Charge (ACC) program, as presented in the Staff report titled "Development Cost Charge Bylaw Update and Amenity Cost Charge Bylaw" dated 2025-JUN-23;
2. Recommend that Council direct Staff to proceed with:
 - a) Public engagement, including consultation with relevant stakeholders;
 - b) An economic impact assessment of the proposed DCC and ACC rates;
 - c) Preparation of a DCC bylaw and Fire Protection and Police Development Cost Charge Reserve Fund bylaws;
 - d) Preparation of an ACC bylaw and ACC Reserve Fund bylaw;
 - e) Preparation of a Local Area Transportation DCC bylaw for South Nanaimo and South Nanaimo Transportation Development Cost Charge Reserve Fund bylaw; and
 - f) Preparation of a DCC and ACC Waivers and Reductions bylaw to provide an incentive for the development of not-for-profit rental housing and supportive housing.
3. Recommend that Council direct Staff to allocate \$125,000 from the Special Initiatives Reserve to fund additional consultant work to support the economic impact assessment.

BACKGROUND

Development Cost Charges (DCCs)

Development Cost Charges (DCCs) are a provincially regulated development finance tool that helps a municipality recover the cost of off-site infrastructure needed to support growth. DCCs are based on the principle of cost-sharing between existing taxpayers and new developments. As per Integrated Action Plan Priority Action #203, Staff undertook a "review and update the City of Nanaimo 'Development Cost Charge Bylaw 2017 No. 7252'". At the

November 25th, 2024 Governance and Priorities Committee (GPC) meeting, a report and presentation introduced the subject.

The current DCC bylaw was adopted approximately seven years ago. Since then, significant changes have occurred. City Plan established growth forecasts and provided land use priorities that help guide the future direction of the City. Multi-family style residential development is more prevalent now than it was at the time of the last bylaw update. Also, project costs have undergone significant cost inflation. The infrastructure costs the City of Nanaimo sees have gone up from 50% to 100% over the past ten years. While this is frustrating, these cost increases are not unique to Nanaimo, they are typical for the sector. The unfortunate result is that there is far less DCC revenue than is needed to build the infrastructure required to support the increase in population and the need for new housing. Ideally, DCC revenue should be sufficient to cover the infrastructure required to support new housing, commercial and industrial development.

20 Year Investment Plan Update

The 20 Year Investment Plan and Asset Management Plan Update was presented to the Finance and Audit Committee in Spring 2023. Projected investment required over the next 20 years was identified at \$2.6 billion with possible funding identified of \$1.6 billion. Strategies were identified to help address the projected funding shortfall of approximately \$1.0 billion which included a \$74.9 million shortfall in DCC contributions for new/upgraded infrastructure. Strategies included the completion of a DCC review and adoption of a new bylaw.

Amenity Cost Charges (ACCs)

In Fall 2023, the Province introduced *Bill 46 – Housing Statutes (Development Financing) Amendment Act, 2023* (Bill 46), which allows local governments to create an Amenity Cost Charge (ACC) bylaw. ACC's help a municipality recover the costs of amenities that provide social, cultural, heritage, recreational, or environmental benefits to a community. The amenity projects must benefit current and future users and be driven by growth. An ACC bylaw will allow the City to impose charges at the time of subdivision or building permit, to assist in paying for the capital costs of eligible community amenities. To proceed with the development of the ACC program it was necessary to determine what facilities or amenities are eligible to be supported with ACC funds. At the December 2, 2024 meeting, Council passed the following motion:

“That Council direct Staff to proceed with the development of an Amenity Cost Charge (ACC) program that includes the following facilities:

- 1. Improvements and expansions as outlined in the Beban Park Master Plan;*
- 2. Improvements and expansions in the Stadium District; and,*
- 3. A community recreation facility in the Southgate Urban Centre.”*

The selection of the three facilities for the ACC program was based on *Local Government Act* (LGA) criteria and best practice criteria, as shown in the decision matrix in Attachment A. A separate ACC Reserve Fund would need to be established for the ACC funds, and rules apply as to how the reserve fund can be used with annual reporting requirements. As the development of the ACC bylaw progresses, Staff will also present proposed amendments to the City's Community Amenity Contribution (CAC) policy to ensure that both programs are aligned. |

DISCUSSION

Development Cost Charges (DCCs)

While the previous Provincial legislation allowed municipalities to establish DCCs for Water, Sewer, Storm, Transportation and Parks, Bill 46 included the ability to also collect for police facilities, fire protection, solid waste and recycling facilities and cost shared provincial highway projects. Each of those categories can see very costly infrastructure that has historically presented municipalities with funding challenges. Bill 46 is intended to help ensure funding is available to construct the infrastructure when needed.

The first step in determining a DCC rate is to establish what infrastructure is required to support the additional people. Staff and consultants working together in each infrastructure category develop population growth forecasts and corresponding infrastructure upgrade requirements to generally maintain a certain level of service. On those project lists, some projects are more critical than others and some have more of an impact on levels of service.

With the various types of infrastructure services some are more flexible than others. For instance, the utilities are not that flexible, the additional population will likely use a typical amount of water and sewer; however, the impact on the transportation system can vary. Also, the transportation system can absorb increased loading through peak spreading (congestion); however, it does decrease the level of service for all users. The impact on water and sewer infrastructure could be reduced, but it would require more intense restrictions that would likely not be viewed favorably.

Given the substantial potential increase in DCC rates, Staff are providing Council with scenarios (options) in the more flexible categories. Staff have prioritized the projects into tiers. The more flexible categories are: Transportation, Parks, and Amenities, so reducing the project lists for those categories is viable, but importantly, it does reduce levels of service, likely resulting in not meeting community expectations.

Transportation Levels of Service

Nanaimo remains a car dominant community with roughly 85% of daily trips being made by personal vehicle. Despite this, most roads and intersections currently operate with minimal delay. Those areas that do experience a peak period increase in traffic, do so for only a short period of time, typically a little over an hour in the afternoon. By 2046, daily travel demand is expected to exceed 400,000 trips—up 60% from 2014.

City Plan promotes managing this growth through densified land use and a shift toward sustainable transportation. While expanding vehicle capacity offers immediate benefits, mode shift requires significant behavioural change and long-term investment. As such, the updated Transportation DCC Program prioritizes infrastructure that supports non-vehicle modes first, followed by vehicle capacity enhancements where needed.

Local Area DCC - South End Transportation

While most DCC's reflect a City-wide need, there are some instances where a project may only serve a neighbourhood or sub-area of the City. In these instances, there is an option to define a local area DCC with an area specific project list. The rationale to support such a decision is to

clearly outline how the project is directly tied to the growth within the area and how the project is needed to support the planned growth.

In the case of the South End Transportation Local Area DCC, traffic analysis indicates that full build out in South Nanaimo (south of the Chase River) will result in heavy congestion on the Trans-Canada Highway (TCH). Without intervention, during the afternoon peak period, the queue will be lengthy causing significant delay and potentially forcing drivers to re-route onto Highway 19 (Hwy 19) via Fifth Street or Jingle Pot Road, which will be operating in failing conditions unless the signalized intersections have been upgraded to interchanges. During the morning rush hour, the queues on the TCH approaching Nanaimo will be so extensive the Hwy 19 on ramp will be periodically blocked, causing northbound travel to be significantly impeded. Below is a diagram outlining the area proposed to be defined by the local area DCC as well as the sections of road most heavily affected by the growth in the area.

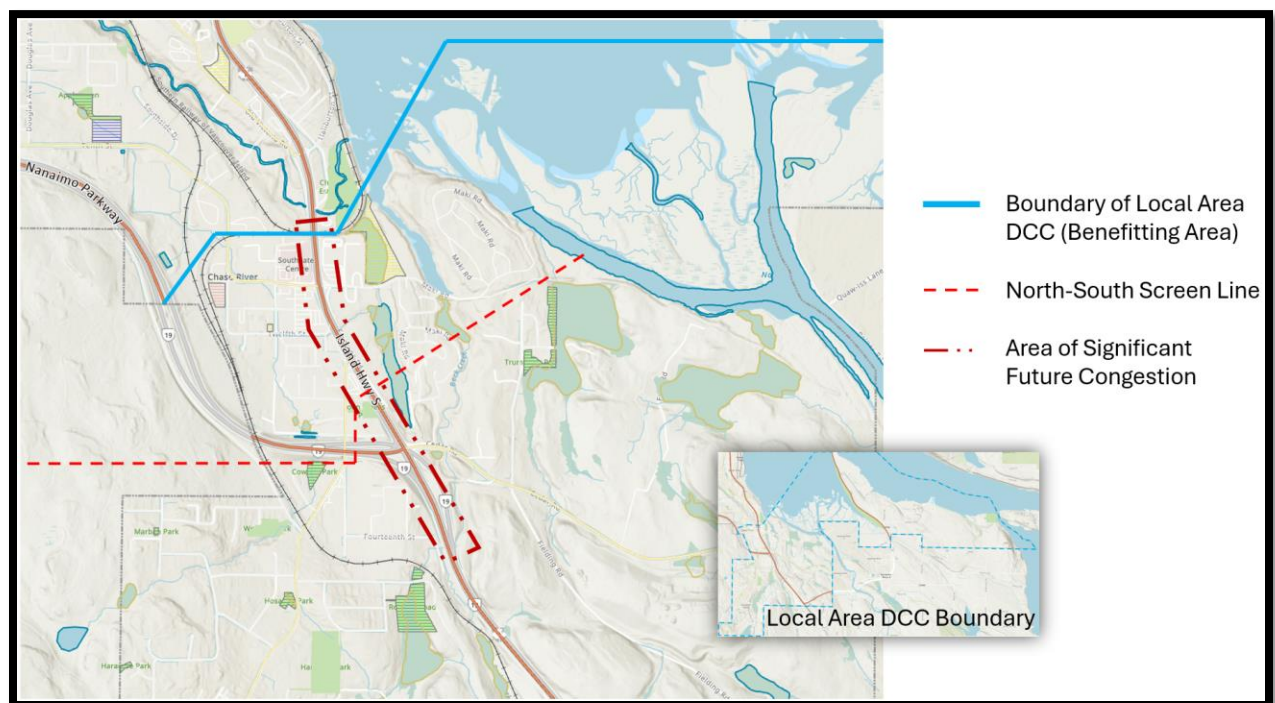


Figure 1 South End Transportation DCC Area

Consideration was given to adding auxiliary lanes at each of the three intersections; Cedar Road, Cranberry Avenue, and Tenth Street/Maki Road; however, this does not create sufficient capacity to alleviate the inevitable congestion. Instead, the most effective solution is to construct a new bypass—the Maki-Fielding Connector—linking Cedar Road to the TCH, similar to the recent Midtown Gateway project. Given that the system failure is primarily driven by localized traffic demand, Staff suggest a local area DCC to ensure the costs are borne by the developments generating the demand, rather than by the broader development community.

DCC and ACC Economic Impact & Assist Factor

The enabling legislation requires a municipality to include an “assist factor” in DCC and ACC rate calculations. The assist factor reduces the amount charged to developers; however, the revenue is still needed. The City currently funds the assist factor from the General, Sewer and Water Asset Management Reserve Funds which are funded by general taxation, and water and sewer user fees. The minimum allowable assist factor is 1%; a municipality can increase that at its discretion. Historically, Nanaimo has used a 1% assist factor for most categories, with water supply set at 25%. Council can choose any assist factor between 1% and 100%; however, there are significant financial implications that need to be considered. The options presented below include assist factors that mimic Council’s previous choice, with some options for the new categories included (RCMP and Fire Protection). Council can change the assist factor as desired independently of other factors.

DCC and ACC Waivers and Reductions

The Local Government Act allows the City to offer a DCC and/or ACC waiver or reduction for 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 gas emissions;
- a development that is designed to result in a low environmental impact.

The current DCC bylaw includes a 50% reduction on DCCs for eligible not-for-profit housing. Although this reduction appears to be achieving the desired effect, it is best practice to separate waivers and reductions from the actual DCC bylaw. With that, Staff propose to remove the reduction component from the next bylaw and prepare a separate policy for Council’s consideration. This will make it more straightforward to amend and adjust the waivers and reductions to ensure they continue to achieve the desired result.

DCC and ACC Rate Options

To simplify matters, three scenarios with rate options have been packaged for Council’s consideration and summarized below. More information about the scenario rate options and proposed DCC and ACC programs can be found in Attachment B - DCC Background Report, and Attachment C - ACC Background Report.

Scenario 1 (Full Infrastructure Program)

- Includes all growth driven required infrastructure projects.
- Maintains current assist factors: 1% generally, 25% Water, 25% for RCMP.
- Offers the most comprehensive response to growth pressures.
- **Note:** Even with full investment, service levels may still decline in some areas (e.g., transportation).

The rates would look like:

Land Use	Unit of Charge	Total DCC	Total ACC	Grand Total (DCC + ACC)
Low Density Residential	per lot/unit	\$52,695.26	\$5,278.43	\$57,973.70
Medium Density Residential	per unit	\$29,372.85	\$3,591.83	\$32,964.68
High Density Residential	per unit	\$21,824.34	\$2,186.33	\$24,010.68
Commercial	per m ² GFA*	\$246.56	\$3.44	\$249.99
Industrial	per m ² GFA	\$82.15	\$1.41	\$83.56
Institutional	per m ² GFA	\$246.56	\$3.44	\$249.99

*Gross Floor Area

Scenario 2 (Moderate Investment) Recommended Scenario

- Includes Priority 1 and Priority 2 projects for Transportation and Parks.
- Maintains existing assist factors: 1% generally, 25% Water, 25% for RCMP.
- Balances service delivery and affordability.

The rates would look like:

Land Use	Unit of Charge	Total DCC	Total ACC	Grand Total (DCC + ACC)
Low Density Residential	per lot/unit	\$42,887.29	\$5,278.43	\$48,165.73
Medium Density Residential	per unit	\$24,881.45	\$3,591.83	\$28,473.29
High Density Residential	per unit	\$17,632.20	\$2,186.33	\$19,818.53
Commercial	per m ² GFA*	\$179.67	\$3.44	\$183.10
Industrial	per m ² GFA	\$62.08	\$1.41	\$63.48
Institutional	per m ² GFA	\$179.67	\$3.44	\$183.10

*Gross Floor Area

Scenario 3 (Minimum Cost Option)

- Includes only Priority 1 projects for Transportation and Parks.
- Assist factors: 1% generally, 25% for Water, 50% for RCMP.
- Limits the City's ability to meet future infrastructure needs.

The rates would look like:

Land Use	Unit of Charge	Total DCC	Total ACC	Grand Total (DCC + ACC)
Low Density Residential	per lot/unit	\$33,038.17	\$5,278.43	\$38,316.61
Medium Density Residential	per unit	\$19,771.89	\$3,591.83	\$23,363.73
High Density Residential	per unit	\$13,458.07	\$2,186.33	\$15,644.40
Commercial	per m ² GFA*	\$129.11	\$3.44	\$132.55
Industrial	per m ² GFA	\$46.71	\$1.41	\$48.12
Institutional	per m ² GFA	\$129.11	\$3.44	\$132.55

*Gross Floor Area

Scenario 1 would be ideal and would include all the projects that are deemed necessary to support the growing community. While this option includes the full project lists, areas such as transportation will still experience reductions in levels of service and congestion. It is not deemed financially viable or practicable to build larger roads to maintain the current level of service. Even implementing the most costly option, the community can expect reductions in the level of service (increased congestion) over time.

Scenario 2 includes the most critical infrastructure, and Staff believe presents a reasonable balance between level of service for the community and affordability. **This is the Scenario that Staff are recommending.**

Scenario 3 is included as an extreme option to provide Council with a lowest cost alternative. Choosing this scenario will severely limit the amount of Transportation and Parks infrastructure that can be brought online and likely result in congestion that the community would find unacceptable.

Local Area DCC (Recommended)

- Includes the Maki Fielding Connector Project/s
- Includes a 1% municipal assist factor
- Is in addition to the general DCC fees

The rates would look like:

Land Use	Unit of Charge	Draft Area-specific DCC Rate
Low Density Residential	per lot	\$5,520.21
Medium Density Residential	per unit	\$2,512.65
High Density Residential	per unit	\$2,360.37
Commercial	per m ² GFA	\$38.07
Industrial	per m ² GFA	\$11.42
Institutional	per m ² GFA	\$38.07

The local area DCC would provide funding to complete the Maki Fielding connector project that is critical for transportation and mobility in the South End.

Over many years, infrastructure costs have increased faster than the Consumer Price Index (CPI), which is putting increased cost pressures on housing and development. The City has very little influence over the cost of basic infrastructure; however, without it, it may not be possible to support growth for new housing, eventually bottlenecks will be reached and funding to resolve them will likely not be available. To help understand the impact of the rates to development, an economic impact assessment is proposed and included with the engagement materials as part of the consultation. This assessment will include a financial analysis on development to determine viability of typical developments and ability to absorb the new rates.

Next Steps

Should Council select a preferred Scenario, Staff will proceed with public consultation as outlined in Attachment D – Communications Plan. Following engagement, a new DCC bylaw, Fire Protection DCC Reserve Fund bylaw, Police DCC Reserve Fund bylaw, South Nanaimo Transportation DCC Reserve Fund bylaw, ACC bylaw, ACC Reserve Fund bylaw, and Waivers and Reductions bylaw along with a “What we heard report”, will be presented for Council’s consideration. Provincial approval is required before final adoption of the DCC bylaw.]

OPTIONS

1. That the Governance and Priorities Committee:
 1. Recommend to Council one of the rate tier / assist factor scenarios for the Development Cost Charge (DCC) update, and Amenity Cost Charge (ACC) program, as presented in the Staff report titled "Development Cost Charge Bylaw Update and Amenity Cost Charge Bylaw" dated 2025-JUN-23;
 2. Recommend that Council direct Staff to proceed with:
 - a) Public engagement, including consultation with relevant stakeholders;
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 - f) Preparation of a DCC and ACC Waivers and Reductions bylaw to provide an incentive for the development of not-for-profit rental housing and supportive housing.
 3. Recommendation that Council direct staff to allocate \$125,000 from the Special Initiatives Reserve to fund additional consultant work to support the economic impact assessment.
 - The advantages of this option: This selection moves the City towards an update to the DCC bylaw that will bring in additional revenue to build needed infrastructure to support growth. An ACC bylaw will allow for growth related capital improvements at Beban Park, the Stadium District, and for a new community facility in the South End Urban Centre.
 - The disadvantages of this selection: The new rates will be an added cost for development that may have an impact on growth in the short term.
 - Financial Implications: The Special Initiative has uncommitted funds of \$4,144,259 which includes \$4,000,000 allocated from 2024 surplus for a Council priority project(s). Allocating \$125,000 from the reserve will still leave the full \$4,000,000 available for Council to allocate to a priority project(s). If approved, the 2025 - 2029 Financial Plan will be amended to reflect the allocation.

SUMMARY POINTS

- The City collects Development Cost Charges (DCCs) to help fund new infrastructure needed to support growth.
- The City's DCC bylaw was last updated seven (7) years ago and the revenue collected falls short of what is needed to build the needed infrastructure; thus, the City is in the process of updating the DCC rates.
- Similar to DCCs, Amenity Cost Charges (ACCs) will allow the City to impose a charge at the time of development to pay for the growth-related capital costs of improvements at Beban Park, the Stadium District, and for a community centre in the South End Urban Centre.
- The proposed new DCC and ACC rates chosen by Council will be presented as part of public engagement prior to bylaw consideration.

ATTACHMENTS:

ATTACHMENT A - ACC Decision Matrix
ATTACHMENT B - DCC Background Report
ATTACHMENT C - ACC Background Report
ATTACHMENT D - Communications Plan
ATTACHMENT E - Presentation

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