CITY OF NANAIMO
THE HARBOUR CITY

Staff Report for Decision

FOR:	FINANCE AND AUDIT COMMITTEE
MEETING DATE:	March 18, 2026
DEPARTMENT:	PLANNING & DEVELOPMENT FINANCE
SUBJECT:	**DEVELOPMENT COST CHARGE REDUCTION BYLAW**

OVERVIEW

Purpose of Report

The purpose of this report is to present the proposed eligibility criteria for a Development Cost Charge (DCC) Reduction Bylaw and to outline the potential financial impacts to the City's Financial Plan.

Recommendation

That the Finance and Audit Committee recommend that Council direct Staff to proceed with a Development Cost Charge (DCC) Reduction Bylaw, with a 50% DCC reduction for not-for-profit rental and supportive housing, and with eligibility criteria as proposed in the Staff Report dated 2026-MAR-18.

BACKGROUND

As part of the DCC Bylaw update, and development of an ACC Bylaw, Council directed Staff to proceed with a new DCC and ACC Waivers and Reductions Bylaw to provide an incentive for the development of not-for-profit rental housing and supportive housing (2025-JUL-07 Council meeting).

Section 563 of the *Local Government Act* (LGA) allows the City to waive or reduce DCCs 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; and,
- A development that is designed to result in a low environmental impact.

Section 570.6 of the LGA allows the City to waive or reduce ACCs for the following categories:

- Not-for-profit rental housing, including supportive living housing;
- For-profit affordable rental housing; and,
- Housing that is subject to requirements under an affordable and special needs housing zoning bylaw.

However, the LGA and B.C. Regulation 156/2024 also states that ACCs cannot be charged for prescribed classes of affordable housing. The prescribed classes of affordable housing are similar to the housing outlined in the proposed DCC reduction eligibility criteria (in Attachment A). For this reason, an ACC reduction bylaw is not needed given the proposed eligibility criteria.

It is important to provide incentives for non-market housing because the City's *2024 Interim Housing Needs Report* estimates that Nanaimo will need 12,962 new housing units between 2021-2031 (10-years), with 7,001 (54%) of the units needing to be non-market housing units. Also, the *Provincial Housing Target Order* requires the City to approve occupancy permits for 4,703 new housing units by 2029, with 1,929 (41%) of the units needing to be below-market housing units, and 108 (2%) supportive housing units. Over the last several years, high construction costs and other market forces are making the viability of new and in-stream non-market rental housing projects challenging to achieve, and the City is often requested to provide support for these projects.

Official Community Plan (City Plan) policy C3.2.6 states the City should consider providing DCC reductions to provide incentives for affordable housing. The City's current *Development Cost Charge Bylaw No. 7252* offers a 50% DCC waiver for not-for-profit rental and supportive housing units that meet the following criteria:

- The dwelling unit must be occupied by individuals whose income does not exceed the Housing Income Limit for the City (established by BC Housing), and where 12 months rent for the unit does not exceed 30% of the occupant's collective before-tax annual income.
- At least 50% of the land must be owned by the Government of British Columbia, the Government of Canada, a local government, a public housing authority, or a registered not-for-profit corporation.
- At least 30% of the units in the development must be not-for-profit rental or supportive housing units.
- A housing agreement securing the not-for-profit housing units must be registered on the title of the land.

Note that development in Nanaimo may also be subject to the Regional District of Nanaimo (RDN) *Southern Wastewater Treatment DCC Bylaw No. 1547*, however, the RDN also offers a 50% DCC reduction for eligible not-for-profit rental and supportive housing.

In this report Staff are recommending that the City continue to offer a 50% DCC reduction for not-for-profit rental and supportive housing, with some updates to the eligibility criteria as shown in Attachment A.

DISCUSSION

To inform a proposed new DCC Reduction Bylaw Staff have reviewed: i) the public input received during the fall 2025 DCC and ACC engagement process; ii) DCC waiver and reduction programs from other municipalities; and iii) the Provincial DCC Best Practices Guide published in March 2025.

The *City of Nanaimo ACCs and DCCs: Engagement Summary* (2025-NOV-05) identifies that while there is general support for a DCC reduction program, there is also a need to update the program to improve effectiveness. Many of BC Housing's non-market housing developments in the City have qualified for a DCC reduction in recent years, however, due to the changing criteria of federal and provincial funding programs for non-market housing, it is important to offer more flexibility with the exemption criteria to provide incentives for non-market housing.

A summary of the DCC waiver and reduction programs from other municipalities can be found in Attachment B, and is summarized below:

- Burnaby, District of Saanich, Langley, and North Vancouver offer a **100% DCC reduction** for non-market housing with various eligibility requirements relating to income level, rent charged for the units, and non-profit ownership and/or management of the units. Depending on available budget, Victoria also offers 100% DCC reductions for eligible units, and Burnaby offers a 50% DCC and ACC reduction for not-for-profit student housing.
- Port Moody offers a **50% DCC reduction** for housing owned by BC Housing, CMHC, housing corporation, or registered society, and housing units must be rented to tenants with a household income less than published rates.
- Central Saanich offers a **30% DCC reduction** for not-for-profit rental housing.
- Kelowna offers an approximate range of **10-25% DCC reduction** through a DCC grant policy for non-market rental housing units.
- While most local governments offer DCC waivers and reductions by bylaw, both Victoria and Kelowna have opted to offer DCC waivers and reductions through a Council policy. (See Option 3 for Council consideration).

Staff recommend that the City continue to offer a 50% DCC reduction for not-for-profit rental and supportive housing units. To ensure the effectiveness of the DCC reduction program, Staff recommend that:

- The eligibility criteria for the DCC reduction be updated, as shown in Attachment A;
- The DCC Reduction Bylaw be a separate bylaw such that it can be reviewed and updated as needed. A separate bylaw avoids the need for Provincial approval;
- An application process be introduced such that all those who are seeking a DCC reduction must apply for the purpose of providing information and evidence that they meet the eligibility criteria; and,
- Established housing agreements be monitored by Staff, with follow-up on reporting requirements in each agreement. This will help to ensure the long-term protection of non-market housing units.

FINANCIAL CONSIDERATIONS

The *Development Cost Charge Best Practices Guide (March 2025)* states that local governments should account for the potential loss of revenue for funding infrastructure when DCC reductions are offered for eligible development. Also, that local governments should consider the following actions to effectively administer DCC reductions:

- Estimate and disclose the value of reductions in the annual DCC reports to maintain transparency and ensure informed decision-making;
- Track and regularly report on the number of developments that qualify for waivers and reductions over the timeframe of the DCC bylaw;
- To ensure the City's reserve fund remains sufficient to fund planned infrastructure, budget for and contribute an amount equivalent to the reduced fees into the DCC reserve funds from property taxes; and,
- Periodically review the reduction eligibility criteria to ensure alignment with the Official Community Plan (City Plan) and other strategic planning documents.

Between 2021 and 2025, the City issued Development Cost Charge (DCC) reductions for an average of 50 non-market housing units per year. Based on known proposed and in-stream applications for not-for-profit rental and supportive housing, it is anticipated that approximately 75 units may seek a DCC reduction annually over the next several years. Table 1 outlines the future budget implications of providing a 50% DCC reduction for between 50 and 150 units annually, based on the proposed new DCC rates expected to be in place by January 2027 and January 2028.

Table 1: Annual Budget Implications of a 50% DCC Reduction in the Proposed NEW DCC Program

50% DCC Reduction *assuming high density DCC rate*	**January 2027**	**January 2028** *includes DCC rate for police and fire facilities*
50 units/year	$366,379.75	$440,805.00
75 units/year	$549,569.63	$661,207.50
100 units/year	$732,759.50	$881,610.00
150 units/year	$1,099,139.25	$1,322,415.00

Given the projected demand, Staff recommend that the Financial Plan include sufficient funding to support a 50% DCC reduction for 75 not-for-profit rental and supportive housing units annually. Should the number of eligible units in any given year exceed this amount, a negative budget variance would occur. Conversely, in years where demand is lower than 75 units, any unspent budget would be carried forward to the following year to help address fluctuations in application volumes.

For 2026, the 2025 Surplus Report dated 2026-MAR-18 recommends allocating $250,000 of the 2025 surplus to fund approximately 75 units, based on current DCC rates.

Based on the effective dates of the new DCC bylaws and the level of reduction selected by Council, the Waivers and Reductions budget in the 2027–2031 Financial Plan will be updated to reflect the value of the reductions calculated using the new rates, with the City's share funded through property taxation.

COMMUNICATION AND COMMUNITY ENGAGEMENT

The public engagement process for the DCC Update, and introduction to the ACC program was completed in the fall of 2025, and the results were presented at the 2025-DEC-08 Governance and Priorities Committee meeting. The survey results show that of the 62 respondents:

- 28 respondents (45%) indicated their support for a new DCC reduction on eligible developments; 24 respondents (39%) selected they were against a new DCC reduction, and 10 respondents (16%) selected neutral.
- 17 respondents (27%) selected that the current DCC reduction is still effective; 24 respondents (39%) indicated that the current DCC reduction is not effective; and 21 (34%) indicated that they are neutral.

The proposed updated eligibility criteria for a DCC reduction (Attachment A) is based on best practice from other municipalities, Staff knowledge of past and upcoming non-market housing developments, as well as interviews with non-market housing providers. It is recommended that the City periodically review the reduction eligibility criteria to ensure alignment with the Official Community Plan (City Plan) and other strategic City priorities.

ALIGNMENT WITH CITY PLAN

The report is aligned with the following City goals:

☐A Green Nanaimo: Resilient and Regenerative Ecosystems
☐A Connected Nanaimo: Equitable Access and Mobility
☒A Healthy Nanaimo: Community Wellbeing and Livability
- C3.2 Affordable Housing (C3.2.6)

☐An Empowered Nanaimo: Reconciliation, Representation and Inclusion
☐A Prosperous Nanaimo: Thriving and Resilient Economy

ALIGNMENT WITH COUNCIL'S STRATEGIC PRIORITIES

The report is aligned with the following Council Strategic Framework priorities:

☒Implementing City Plan Action Plans and Key City Management Plans
☒Social, Health and Public Safety Challenges
☒Maintaining and Growing Current Services
☒Capital Projects
☒Communicating with the Community
☒Governance and Corporate Excellence

NEXT STEPS

It is recommended that Staff be directed to prepare a DCC Reduction Bylaw with eligibility criteria as proposed in Attachment A.

OPTIONS

1. That the Finance and Audit Committee recommend that Council direct Staff to proceed with a Development Cost Charge (DCC) Reduction Bylaw, with a 50% DCC reduction for not-for-profit rental and supportive housing, and with eligibility criteria as proposed in the Staff Report dated 2026-MAR-18.

    - The advantages of this option: The new DCC program would be continuing to offer a 50% DCC reduction for much needed non-market housing in the City.
    - The disadvantages of this option: Supplementing the DCC reserve fund will be required. The bylaw DCC reduction program option does not cap the number of units eligible for reductions in any given year. In years with high demand, the value of DCC reductions issued could exceed the approved budget allocation, creating the risk of a budget deficit.
    - Financial Implications: With the proposed new DCC program, funding a DCC reduction for 75 units in 2028 would cost $549,570, and would cost $661,208 annually in following years.

2. That the Finance and Audit Committee recommend:
    i) That Council direct Staff to proceed with a Development Cost Charge (DCC) Reduction Bylaw, with a **100% DCC reduction** for not-for-profit rental and supportive housing, and with eligibility criteria as proposed in the Staff Report dated 2026-MAR-18; and,
    ii) That Council direct Staff to include in the 2027 – 2031 Financial Plan an annual budget to fund a 100% Development Cost Charge (DCC) reduction program for 75 not-for-profit rental and supportive housing units annually.

    - The advantages of this option: A 100% DCC reduction would provide an incentive for more non-market housing in the City.
    - The disadvantages of this option: Supplementing the DCC reserve fund will be required. The program does not cap the number of units eligible for reductions in any given year. In years with high demand, the value of DCC reductions issued could exceed the approved budget allocation, creating the risk of a budget deficit.
    - Financial Implications: Table 2 outlines the budget implications for a 100% DCC reduction for 50-150 units annually based on the proposed new DCC rates expected to be in place by January 2027 and January 2028.

Table 2: Annual Budget Implications of a 100% DCC Reduction in the Proposed NEW DCC Program

100% DCC Reduction *assuming high density DCC rate*	**January 2027**	**January 2028** *includes DCC rate for police and fire facilities*
50 units/year	$732,759.50	$881,610.00
75 units/year	$1,099,139.25	$1,322,415.00
100 units/year	$1,465,519.00	$1,763,220.00
150 units/year	$2,198,278.50	$2,644,830.00

3. That the Finance and Audit Committee recommend:
   i) That Council direct Staff to proceed with a **Development Cost Charge (DCC) Reduction Policy**, with a 50% DCC reduction, and with eligibility criteria as proposed in the Staff Report dated 2026-MAR-18.

- The advantages of this option: Staff would present each DCC reduction request to Council for consideration of approval, such that the budget implications of each DCC reduction could be considered individually on their own merits, with consideration of other City priorities.
- The disadvantages of this option: The DCC reduction request would need to be presented to Council along with the Development Permit application for the development. Approval of each reduction request would be at Council's discretion and subject to available budget. With this approach the non-market housing provider would have less certainty about DCC costs when creating a project budget.
- Financial Implications: The City could set an annual maximum amount of funds available for DCC reductions, reducing uncertainty for the City budget. The amount available per dwelling unit could be determined based on the number of eligible units that have applied, and the amount of funds allocated through the annual budget process and available in the given year.

KEY MESSAGES

- As part of the DCC Bylaw update, and development of an ACC Bylaw, Council directed Staff to proceed with a new waivers and reductions bylaw to provide an incentive for the development of not-for-profit rental housing and supportive housing (2025-JUL-07 Council meeting).
- ACC reductions are not required at this time because ACCs cannot be applied to the affordable housing as proposed in the DCC reduction eligibility criteria.
- To inform a proposed new DCC Reduction Bylaw Staff have reviewed public input received during the fall 2025 engagement process, programs from other municipalities, as well as recent best practices.
- It is recommended to proceed with a DCC Reduction Bylaw that offers a 50% reduction for not-for-profit rental and supportive housing, and that the Financial Plan be amended to supplement reductions for 75 not-for-profit rental and supportive housing units annually.

ATTACHMENTS

ATTACHMENT A: Proposed Eligibility Criteria for a 50% DCC Reduction
ATTACHMENT B: Summary of DCC Waiver and Reduction Programs

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