

# Report to Council



**Date:** January 20, 2025  
**To:** Council  
**From:** City Manager  
**Subject:** Development Cost Charge Update  
**Department:** Financial Services

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## **Recommendation:**

THAT Council receives, for information, the report from Financial Services dated January 20<sup>th</sup>, 2025, with respect to the update to the Development Cost Charge Bylaw;

AND THAT Development Cost Charge Bylaw No. 12746 - Amendment No. 1 to Development Cost Charge Bylaw No. 12420, be given reading consideration.

## **Purpose:**

To update the Development Cost Charge (DCC) rates to account for rising infrastructure construction costs.

## **Background:**

DCCs are designed to assist local governments in recovering costs expended on infrastructure that supports growth. The City's DCC program limits infrastructure eligible cost recovery to road, water, sanitary and drainage infrastructure as well as parkland acquisition and development; this is consistent with past provincial legislation, but recent changes (Bill 46) have expanded eligible categories to include firehalls, police facilities, solid-waste facilities and highway interchanges.

The DCC program provides an essential framework to service growth, but there is other infrastructure needs required to satisfy the demands of a growing community such as recreation, cultural and operational facilities that are not supported by DCCs. Furthermore, DCCs only cover the upfront capital investment for the eligible categories and do not support long-term operation, maintenance, or renewal of infrastructure.

## **Discussion:**

The last update to the DCC Bylaw was October 2022 in conjunction with updates to the Official Community Plan (2040 OCP) and the Transportation Master Plan (2040 TMP).

The DCC program is a comprehensive 20-year plan extending until 2040. It encompasses 234 infrastructure and parkland acquisition projects, with a total estimated value of \$1.33 billion. Provincial legislation mandates that DCC revenue is used exclusively for infrastructure projects identified in the

plan. The total program is funded from DCC revenue (65%), City funding from taxation and utility revenue (29%), and grants and other sources (6%). The City sources fund the legislated 'tax assist' required for each project and the non-growth component of projects that benefit existing residents (i.e. new bike lane or sidewalk, replacement of aging infrastructure, sports courts, etc.).

A DCC increase is needed to keep pace with rising infrastructure construction costs. Provincial legislation permits local governments to increase DCC's consistent with the Consumer Price Index (CPI) without requiring provincial approval. The CPI for 2024 was 2.5% and the same is proposed for this DCC increase.

Construction inflation has increased significantly more than CPI in the last two years. The City is sensitive to the impact that DCCs have on housing costs and, as such, has chosen to increase DCCs more modestly. Future increases may need to increase beyond CPI but it is important to have regular incremental increases to avoid large increases in the future.

**Consultation and Engagement:**

The City met with Okanagan chapters of the Canadian Home Builder's Association (CHBA) and Urban Development Institute (UDI) and informed them of the proposed increase. Their letters in response to the proposed increase are included as Attachment A to this report. Both CHBA and UDI would prefer no increase, but their preference in response to rising construction costs, is smaller more regular DCC increases as opposed to periodic large increases that are difficult to plan for. They have also highlighted that DCCs, when added to other government-imposed fees (i.e. GST and PST), can be significant. They emphasized the importance of a harmonized and equitable strategy across all levels of government to guarantee housing affordability and a just distribution of infrastructure costs incurred by the development industry.

**Legal/Statutory Authority:**

The DCC Bylaw sets out the charges collected from developers for public roads, water, sewer, drainage and public parkland acquisition and development when subdividing, constructing, altering, or extending a building, pursuant to the Local Government Act.

The new DCC rates will be in effect as of March 1, 2025 after Bylaw adoption by Council. The Local Government Act provides in-stream protection of up to 1-year from changes to DCC rates for subdivision and building permit applications provided the application is complete and all application fees have been paid prior to DCC Bylaw adoption date.

**Conclusion:**

The City has demonstrated its commitment to achieving a balanced approach for the DCC Program that is sensitive to DCC rates while ensuring that the necessary infrastructure is in place to support growth in Kelowna. While key infrastructure cost drivers (i.e. land and construction costs) are entirely beyond the City's control, the City has contained the size of the DCC program and implemented improvements that reflect the true cost of servicing growth while at the same time ensuring the DCC program is understandable, transparent and aligns with best practice.

**Internal Circulation:**

Divisional Director, Planning, Climate Action & Development Services  
Financial Analyst, Infrastructure  
City Clerk  
Manager, Building & Business Services  
Manager, Development Engineering

**Considerations not applicable to this report:**

Legal/Statutory Procedural Requirements  
Existing Policy  
Financial/Budgetary Considerations  
Communications Comments

**Submitted by:**

J. Shaw, Manager, Capital Planning & Asset Management

**Approved for inclusion:**

J. Sass, General Manager, Corporate Services

**Attachments:**

Attachment A – Letters from UDI and CHBA