

# Report to Council



**Date:** April 20, 2026  
**To:** Council  
**From:** City Manager  
**Subject:** Temporary DCC Relief Proposal

**Department:** Planning, Climate Action and Development Services & Corporate Services Divisions

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**Recommendation:**

THAT Council receives for information the report from the Planning, Climate Action and Development Services & Corporate Services Divisions, dated April 20, 2026, regarding temporary Development Cost Charge relief;

AND THAT Council directs staff to advance Option 1 as outlined in the report from the Planning, Climate Action and Development Services & Corporate Services Divisions, dated April 20, 2026.

**Purpose:**

To receive information regarding proposed temporary Development Cost Charge (DCC) relief, and to direct staff to advance the proposed DCC relief option.

**Council Priority Alignment:**

Affordable Housing  
Economic Development

**Background:**

Kelowna’s housing market is in a period of transition. The dynamics of the market have shifted dramatically following approximately four years of very elevated levels of demand and corresponding permitting and construction. Population growth and housing demand have slowed, while construction and financing costs have increased. As a result, many new development projects are no longer financially viable under current market conditions. The full impact of this shift will not likely be seen in permitting for another one to two years, since the lead time for multi-family projects spans several years. In short, the housing market today may appear well-supplied; however, there is a risk that this is a short-term condition that will be followed by another shortage.

The broad market overview above is echoed by feedback from various industry groups. Both the Urban Development Institute (UDI) and Canadian Homebuilders Association - Central Okanagan (CHBA-CO) have made note of several ways in which City actions could make new development more viable, until

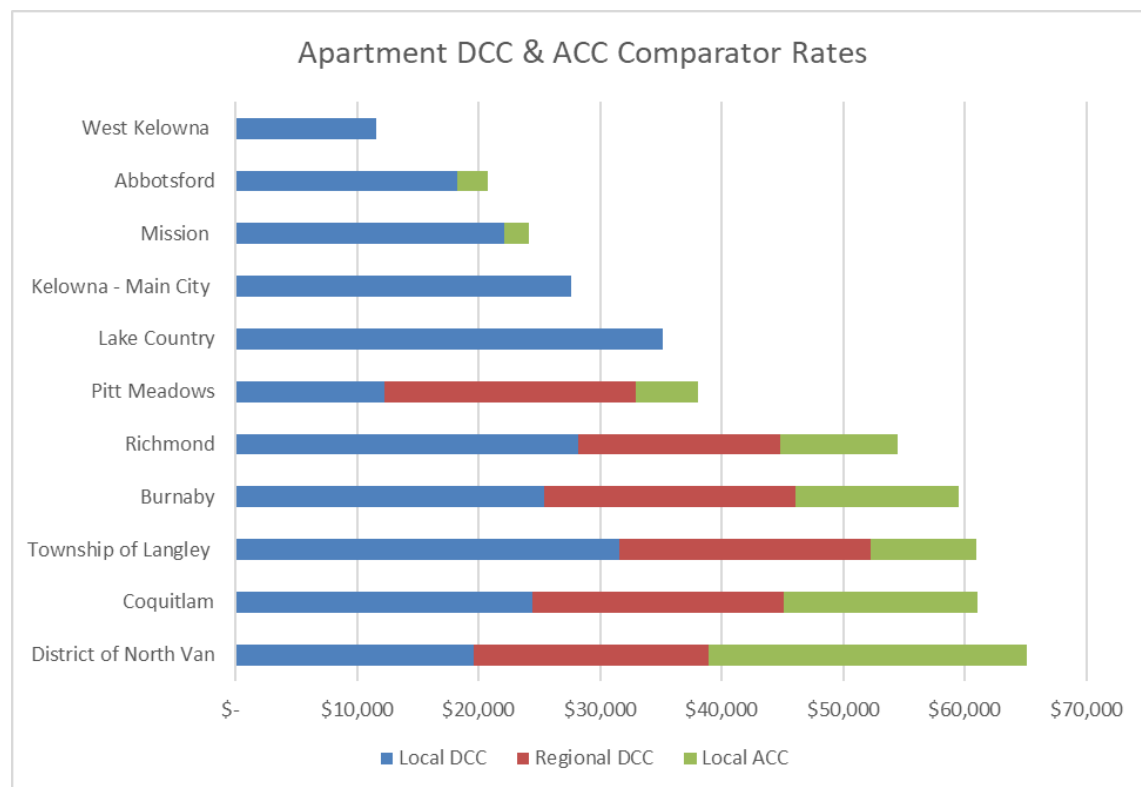
the market recovers. One of the meaningful options being considered is to temporarily reduce Development Cost Charges (DCC's). Reducing DCC's temporarily would lower overall project costs and make some projects more financially feasible in this challenging market.

DCCs are fees that municipalities collect from new development to help pay the cost of infrastructure services that are needed for growth. DCCs are strictly regulated at the provincial level and are managed in alignment with a Provincial best practices guide. DCCs are used exclusively to fund the upfront capital cost of infrastructure and parkland to support growth. DCCs do not fund City operations, maintenance or the renewal of the infrastructure once it reaches the end of its service life.

In Kelowna, DCCs typically represent between **3-6 per cent** of total costs for most residential projects. Depending on location and development structure type, residential DCC fees range from \$28,000 for an apartment up to \$52,000 for a single-family home, depending on location. Commercial, industrial and institutional DCCs are calculated differently, typically on a square meter basis. All eligible infrastructure projects connected to growth are specifically detailed in the DCC program's 20-Year Servicing Plan. These projects are in turn connected to the City's capital planning processes.

The chart below (Figure 1) shows that Kelowna's DCCs are generally in the mid-range when compared to similar sized communities across the province. However, unlike many municipalities, Kelowna does not charge an Amenities Cost Charge (ACC) and is not subject to regional development charges. When these factors are combined, this makes Kelowna's development fees among the lowest for like size communities.

*Figure 1: Apartment Development Charges in Like Size Communities*



**Kelowna's DCC rates have not increased substantially in four years. The most recent update was in 2025, when rates were increased by 2.5% to acknowledge the pressures that inflation had placed on**

**the cost of projects in the program. Prior to that, the last major update was in October 2022. Since that time, construction inflation has increased by approximately 30%.**

A comprehensive review of the City's DCC program has been underway since mid-2025. This review aims to: (1) incorporate the increased growth endorsed by Council in the Official Community Plan, (2) update project lists to reflect the North End Plan, and (3) account for the impacts of inflation. The review is expected to result in increased DCC fees. The review has been placed on hold, pending Council direction.

As part of the federal budget announced in the fall of 2025, the government announced the Build Communities Strong Fund, which provides infrastructure funding to provinces, territories and municipalities. To access one of the three funding streams under the fund (the provincial and territorial stream), development charges must be "substantially reduced". There have been no new updates provided about this grant program and the recently released provincial budget documents make no specific reference to matching funds.

Looking beyond DCC's, the City has implemented several major actions that help to reduce the cost and timeline of delivering housing, including affordable housing. Examples of these measures include:

- **Pre-zoning** - The City has advanced a major pre-zoning initiative focused on Urban Centres and on Transit Supportive Corridors to accelerate housing development and to help meet provincial housing targets.
- **Provincial regulations** - Kelowna implemented required bylaw amendments for key transit-oriented areas ahead of the deadline, including removal of minimum residential parking requirements within 400 m of these hubs. The City was the first in the province to update regulations to enable four to six homes on most lots in response to provincial Small-Scale Multi-Unit Housing (SSMUH) requirements, supporting housing diversity in established neighbourhoods.
- **Fast-Track Program** – Kelowna's infill fast-track program accelerates building permit issuance, with a target of issuing permits within 10 business days of receiving a complete application.
- **Community Amenity Contribution / Amenity Cost Charge (CAC/ACC)** - Kelowna does not levy CACs or an ACC and is not subject to regional development charges, supporting overall development cost competitiveness.
- **Approval process** – Kelowna is regularly acknowledged for quick-paced, developer friendly approval processes, and is often consulted with on new Provincial policies and regulations (example: recent exemption decision on Short-term rentals).
- **Advocacy** – Kelowna participates in advocacy work to support efficient and effective development in BC and seeks balanced application of any associated restrictions (i.e. vocal opposition to the Vacant Home Tax, streamlining of Provincial approvals for development).

Additional tools to reduce regulatory barriers include ongoing process improvements for infill housing and a City-led initiative to review transportation planning challenges.

### **Discussion:**

The City of Kelowna has already introduced three of the most powerful housing supply reforms in Canada with widespread pre-zoning, the efficient implementation of Bills 44 and 47, and the implementation of DCC deferrals.

Reducing DCCs can lower the cost of constructing new projects on the margins. However, given current market conditions, DCC reductions alone may not be enough to make many projects financially viable.

Global economic conditions, higher-level government policies (i.e. restrictions on foreign buyers, immigration, etc.) and other externalities are far more impactful on market conditions, and product demand.

In addition, reducing DCCs – even temporarily – will leave a funding gap in the DCC program. This gap will need to be reconciled via one of three primary methods: injecting alternative revenue, increasing taxation contributions, or deferring projects in the program.

Staff have identified two broad options for DCCs to respond to the difficulties facing the development industry at this time. Each is laid out below, alongside a brief summary of risks and benefits.

#### Option 1: Temporary DCC Reduction

Option 1 proposes a one-year reduction of approximately 20 per cent in DCC rates across all new development. Following the temporary cut, rates would return to previous levels. The estimated funding gap this approach would leave in the program is approximately \$5-10 million, which would need to be resolved in future through increased non-DCC revenue or deferral of projects in the program.

Benefits	Risks
<ul style="list-style-type: none"> <li>- Improved development feasibility</li> <li>- Indirect economic benefits, employment</li> <li>- Federal grant funding alignment</li> <li>- Estimated Impact (200-350 homes)</li> </ul>	<ul style="list-style-type: none"> <li>- Complex to administer</li> <li>- Market distortion</li> <li>- Pressure to extend the relief</li> <li>- Erodes predictability and stability</li> <li>- Federal funding will not materialize without Provincial funding</li> <li>- Approx \$5-10M DCC program gap</li> </ul>

This option provides the greatest short-term benefit and offers a measure of immediate relief to a challenged development industry. The benefit would be most directly felt by projects already approved or near approval. The indirect result of this may be more stable employment and economic conditions for the development sector for a 1-year period.

Option 1 also positions Kelowna well to benefit from potential federal infrastructure grants that may be coming forward, as some federal grants are tied to DCC reductions at the municipal level. To date there is no indication of provincial or federal commitments, or the magnitude thereof.

However, it is complex to administer and may inadvertently distort the market with results that are hard to predict. For instance, projects that were otherwise viable and that were planned to move to construction before or after the program may simply alter their project schedules to take advantage of the incentive. This may result in lower development numbers before and after the incentive as the incentive draws in projects.

Additionally, when the incentive is set to expire, there is no guarantee that the development market will be substantially improved. Should this be the case, there may be continued pressure to maintain the reduced rates for a longer period, increasing long-term financial exposure and leaving a larger funding gap.

Lastly, there is a DCC program update that is awaiting final direction. If it is instituted following the end of the incentive program, the combination of a temporary decrease followed by a long-term increase may erode the predictability and stability of the DCC program and reduce the impact of the rate cut.

#### Option 2: DCC Rate Freeze

The second option available is to institute a 2-year freeze in DCC rates. This would mean a multi-year deferral of the planned DCC increase and would give the development industry a prolonged period of DCC cost stability. Not increasing DCCs comes at a cost, since the value of projects within the program is increasing at the rate of inflation.

Benefits	Risks
<ul style="list-style-type: none"> <li>- Stability and predictability</li> <li>- Simple to administer</li> <li>- Limited impact on DCC program</li> <li>- Estimated Impact: 100 homes</li> </ul>	<ul style="list-style-type: none"> <li>- Lower immediate benefit to development sector</li> <li>- Less aligned with federal grants</li> </ul>

Option 2 is the simplest of the two options. No provincial approval processes are required, and no program amendments are needed. No changes need to be communicated or implemented across City systems. It simply means that the City would be agreeing not to pursue any inflation or growth-related program increases for a period of 2 years to allow the development industry the chance to recover from its current challenges.

Date	DCC Rates
Mid 2026 - Mid 2027	No increase
Mid 2027 - Mid 2028	No increase
Mid 2028	Potential DCC rate increase takes effect (no in-stream protection)

At the end of the 2-year period, a program review would need to be completed to reconcile DCC rates with the actual cost to deliver infrastructure. During that period, inflation is forecasted to increase project costs by at least 10 per cent. However, staff are confident that alternative revenue sources will be available to address that gap at that time.

The biggest challenge with Option 2 is that it does not immediately decrease development costs. This may mean that 2026 and 2027 will remain below-average years for development activity. Reduced development activity will have a broader economic impact, as demand across the sector decreases.

Overall, option 2 provides a more modest benefit, but offers stability and predictability to the development industry.

### Summary and Next Steps:

The local housing market is currently benefiting from decisions and investments from years ago that are finally concluding. Current conditions, however, are not conducive to new development. Among factors affecting the viability of new development are costs imposed by various levels of government, including local government. Development Cost Charges (DCCs) have been raised as an opportunity to provide a measure of temporary relief to the local development industry as it works through a challenging time.

Changing the DCC program is not a simple affair and is strictly regulated by the province. It is not an incentive program that is turned on and off based on market conditions. Providing cost relief to the development industry from within the DCC program will leave a gap in the program that will need to be reconciled. The City is well-positioned to manage that long-term reconciliation with the tools at our disposal.

Staff have outlined two different paths that provide support to the development industry during a challenging time. Each has a different set of risks and benefits. Given this context, staff recommend

Option 1 as the option has the best alignment with Council's stated Housing and Economy objectives. It gives the development industry improved development feasibility, provides the community with indirect economic benefits (incl. employment) and best aligns with potential for Federal infrastructure grants.

Should Council support staff's recommended option, staff will proceed with implementation and undertake targeted engagement with the development industry as part of the implementation process.

It should be reiterated that when the recommended DCC relief comes to an end it will be necessary to move back toward regular increases in the program. Staff will work on strategy detailing how this is proposed to be accomplished to share with Council alongside bylaw updates.

**Internal Circulation:**

Development Services  
 Development Engineering  
 Finance  
 Development Planning  
 Infrastructure  
 Communications

**Considerations applicable to this report:**

***Legal/Statutory Procedural Requirements:***

For Option 1, approval from the Inspector of Municipalities is required prior to adoption of a development cost charge bylaw. For Option 2, there are no procedural requirements.

***Financial/Budgetary Considerations:***

The DCC program rate reduction discussed in Option 1 would result in a funding gap in the DCC program of an estimated \$5-10 million, depending on the level of development activity during that year. Multiple options exist to address that gap in a way that limits any taxation impacts. Should Council wish to pursue Option 1, details of these options can be discussed at that time.

No financial impact was calculated for either option that accounts for the potential in unrealized revenue from future rate increases not approved in bylaw. While these inflationary rate increases may be likely, they are not Council approved.

***Legal/Statutory Authority:***

Local Government Act, Part 14, Division 19 – Development Cost Recovery

**Considerations not applicable to this report:**

*Existing Policy*  
*Communications Comments*  
*External Agency/Public Comments*

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