

AFFORDABILITY AND CHOICE TODAY (A•C•T) STREAMLINED APPROVAL PROCESS PROJECT

Levying Development Cost Charges on a Square-Foot Basis

**Urban Development Institute Pacific Region
Vancouver, British Columbia**

Prepared for:
Federation of Canadian Municipalities
Canadian Home Builders' Association
Canadian Housing and Renewal Association
Canada Mortgage and Housing Corporation

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FOREWORD

The project documented in this case study received funding assistance under the Affordability and Choice Today (A•C•T) Program. A•C•T is a joint initiative, managed by the Federation of Canadian Municipalities, the Canadian Home Builders' Association, and the Canadian Housing and Renewal Association, together with the funding agency Canada Mortgage and Housing Corporation. The A•C•T Program is administered by the Federation of Canadian Municipalities.

A•C•T, which was launched in January 1990, was designed to foster changes to planning and building regulations and residential development approval procedures in order to improve housing affordability, choice and quality.

Through A•C•T, grants are awarded to municipalities, private and non-profit builders and developers, planners and architects to undertake innovative regulatory reform initiatives in municipalities across Canada. Three types of projects are awarded grants under the A•C•T Program: Demonstration Projects, Streamlined Approval Process Projects, and Case Studies (of existing initiatives).

- *Demonstration Projects* involve the construction of innovative housing that demonstrates how modifications to planning and construction regulations can improve affordability, choice and quality.

- *Streamlined Approval Process Projects* involve the development of a method or an approach that reduces the time and effort needed to obtain approvals for housing projects.
- *Case Study* grants are awarded for the documentation of existing regulatory reform initiatives.

Change and innovation require the participation of all the players in the housing sector. A•C•T provides a unique opportunity for groups at the local level to work together to identify housing concerns, reach consensus on potential solutions, and implement action. Consequently, a key component of A•C•T-sponsored projects is the participation and cooperation of various players in the housing sector in all phases of each project, from development to realization.

All projects awarded a grant under the A•C•T Program are documented as case studies in order to share information on the initiatives and the benefits of regulatory reform with other Canadian communities. Each case study discusses the regulatory reform initiative, its goals and the lessons learned. Where appropriate, the cost savings resulting from modifications in various planning, development, and construction regulations are calculated and reported.

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PROJECT OVERVIEW

Development cost charges (DCCs) are applied by municipalities to help offset new capital costs created by new development. Capital costs include the costs of construction and expansion of capital facilities (e.g. roads, sewers, or park land), as well as related planning, engineering and legal costs.

DCCs can represent a sizable portion of the cost of a producing a new home. In some Vancouver area municipalities, DCCs had reached \$17,000 or more per home by the mid-1990s.¹

The basis for levying DCCs can significantly influence housing form. Municipalities in British Columbia, Alberta and Ontario have usually charged DCCs on a flat-fee lot or unit basis, which does not take into account the size of a lot or dwelling. When development costs increase in direct relationship to the number of units created, a greater number of smaller homes become more expensive to build than fewer, larger homes. In this way, the flat-fee approach may discourage the production of modest-sized housing that is affordable to a growing number of one- and two-person households.

Alternatively, charging DCCs on a square-foot basis can contribute directly to greater housing affordability and choice. This approach can balance the financial incentive, or imperative, to build large lots and dwellings, in order to encourage

the development of smaller lots and dwellings. In this way, the square-foot approach can contribute to keeping both land and housing prices affordable to single- and low-income earners, and those living on fixed-incomes, such as seniors.

The Urban Development Institute (UDI) Pacific Region presented the idea of charging DCCs on a square-foot basis to municipalities in the Greater Vancouver area. The municipalities requested a technical and legal analysis before proceeding any further. UDI was awarded an A•C•T grant in 1992 to undertake this analysis and develop a square-foot model for levying DCCs. The District of Maple Ridge, a suburban municipality in the Greater Vancouver area, was in the process of reviewing its DCC structure and rates in 1992, and participated in the project as the test case.

Representatives of UDI, the District of Maple Ridge, and Polygon Group, an area developer, carried out the following:

- Research on the technical and legal aspects of DCCs
- Consultation on the square-foot approach and the development of a model by-law
- Initiation of a communications strategy to promote the square-foot approach to levying DCCs

¹ Project team A•C•T funding application; reference sources: District of Surrey, UDI Research, UDI Members, REBGV Metrotrends.

The findings of the A•C•T project are documented in UDI's May 1995 report, *A New Way to Levy Development Cost Charges*.²

The project team's research suggests that levying DCCs per square foot presents the best solution to providing developers with an incentive to build a mix of housing sizes where it is possible to:

- define a specified area or sector
- allocate land use and density
- determine a likely population estimate for the area

Endorsement of the square-foot approach by the provincial government in 1994 provided additional impetus for municipalities to consider the findings of the A•C•T project and adopt a new strategy. The City of Vancouver switched to a buildable square-foot (habitable floor area) basis in 1995.

At the time of publication, the District of Maple Ridge was considering the team's findings and the model DCC by-law developed through the A•C•T project while reviewing its development cost charges by-law. The square-foot approach to levying DCCs was under discussion in a number of other Lower Mainland municipalities as well.

² A copy of UDI's report may be obtained from UDI Pacific Region, Third Floor, 717 West Pender Street, Vancouver, B.C., V6C 1G9; Tel: (604) 669-9585, Fax: (604) 689-8691.

A copy may also be obtained on loan from the Canadian Housing Information Centre, 700 Montreal Rd., Ottawa, Ontario, K1A 0P7, Tel: (613) 748-2367, Fax: (613) 748-4069, TTY: (613) 748-2143.

1.0 PROJECT DESCRIPTION

1.1 Incentive for the Project

A Need for Smaller Homes

There has been a substantial reduction in the number of people per household since the early 1950s. The average household size for the Greater Vancouver area decreased from 3.3 persons per household in 1951 to 2.6 persons in 1991. Single-person households represent the fastest growing segment of society. In 1991, they represented 27 percent of all households in Greater Vancouver. One- and two-person households combined represented 59 percent of all households.³

New housing construction in the suburban areas of Vancouver has typically favoured increasingly larger homes, with less attention to affordable development for small households. It is clear, however, that there is a pressing need to ensure the provision of homes that meet the lifestyles, and financial needs, of one- and two-person households, including single- and low-income earners, and individuals on fixed incomes, such as seniors.

If each component contributing to the cost of a new home (i.e. labour and materials, taxes, fees, financing and servicing) could be reduced by five percent, the same size house would be affordable to more people. While this may be an equitable approach, it is probably not realistic to consider. More affordable housing could be provided, however, by reducing the size of homes.

Statistics Canada data has shown that there is a direct link between unit size and number of occupants. It follows, therefore, that smaller homes, with fewer occupants, would generate lower servicing demand and lower servicing cost—on which development cost charges are based.

The Impact of Development Cost Charges

Municipalities apply development cost charges (DCCs) to help offset new capital costs created by new development. Capital costs include the costs of construction and expansion of capital facilities (e.g. roads, sewers, or park land), as well as related planning, engineering and legal costs.

In some housing markets, DCCs have represented the fastest growing component of housing costs, with a significant influence on the delivery of new housing.⁴ DCCs represented five percent of the total servicing cost for a 20-metre lot (66 ft.) in 1975. By 1991, the figure had increased to 30 percent. In some Vancouver area municipalities, DCCs had reached \$17,000 or more per home by the mid-1990s.⁵

Since 1986, the housing market in British Columbia's Lower Mainland area has been either stable or, at times, very active. When the market has been "hot," serviced land costs have increased.

⁴ Project team A•C•T funding application; reference sources: District of Surrey, UDI Research, UDI Members, REBGV Metrotrends.

⁵ Ibid.

³ UDI, p. 5.

Increasing capital improvement costs, park land costs, and other financial imperatives have limited the opportunity for the District of Maple Ridge (one of the municipalities in the Lower Mainland area) to assist in paying infrastructure costs.⁶ From 1985 to 1995, DCCs in the District of Maple Ridge increased from \$2,949 to \$10,496 per dwelling in low-density areas (less than 50 units per hectare). In high-density areas (more than 50 units per hectare), charges rose from \$1,242 to \$5,380. These represent increases of 256 percent and 333 percent.⁷

While some planners have argued that DCCs have little or no affect on housing prices and the market, research has suggested that in some instances, DCCs are passed on to consumers in the final price of a home with an additional premium of 20 percent. (The premium reflects holding costs developers incur between the time the charges are paid and the time the home is sold.)⁸ A January 1997 report, *Levies, Fees, Charges, Taxes and Transaction Costs on New Housing*, states that governmental and institutional costs "have a direct effect on the total cost of housing—and therefore, on housing affordability."⁹

⁶ UDI, p. 11.

⁷ UDI, p. 7.

⁸ Project team A•C•T funding application; reference source: *Urban Studies*, Vol. 29, 1992. "An Empirical Estimation of the Price Effects of Development Impact Fees," Professors Qadeer and Skaburskis of Queen's University in Kingston, Ontario.

⁹ Greg Lampert and Marc Denhez, CMHC and the Canadian Home Builders' Association.

For more information . . .

Levies, Fees, Charges, Taxes and Transaction Costs on New Housing, published jointly by Canada Mortgage and Housing Corporation and the Canadian Home Builders' Association, provides estimates of the governmental and institutional costs associated with purchasing a new home for a typical house in 26 municipalities across Canada.

The estimates show that the governmental and institutional costs related to developing, building and buying a home are significant. The cost of infrastructure is one of the largest charges facing developers in many municipalities, and is the main factor in the variability of municipal charges across the country.

In several municipalities, infrastructure costs are fixed, regardless of dwelling size. In these communities, development charges account for a larger proportion of the cost of smaller homes than of larger homes.

The report is available from the Canadian Housing Information Centre, 700 Montreal Rd., Ottawa, Ontario, K1A 0P7, Tel: (613) 748-2367, Fax: (613) 748-4069, TTY: (613) 748-2143.

The basis for levying DCCs can significantly influence housing form. Municipalities in British Columbia, Alberta and Ontario have usually charged DCCs on a flat-fee lot or unit basis, which does not take into account the size of a lot or dwelling. When development costs increase in direct relationship to the number of units created, a greater number of smaller homes become more expensive to build than fewer, larger homes. In this way, the flat-fee approach may discourage the production of modest-sized housing that is affordable to a growing number of one- and two-person households.

Alternatively, charging DCCs on a square-foot basis can contribute directly to greater housing affordability and choice. This approach can balance the incentive, or imperative, to build large lots and dwellings, and encourage the development of smaller lots and dwellings. In this way, the square-foot approach can contribute to keeping both land and housing prices affordable to single- and low-income earners, and those living on fixed-incomes, such as seniors.

Housing strategies and policies that encourage construction of modest-sized dwellings provide community benefits beyond affordability. People who want smaller homes are often either at the beginning of their careers or in their retirement years. A supply of housing that is relatively small in size will attract a range of generations, resulting in more balanced communities. The resource efficiency of housing small households in homes that meet, rather than exceed, their space requirements also brings associated environmental benefits.

1.2 Project Objectives

In the context of a need for a mix of housing sizes to meet the varying needs of British Columbia residents, and rising development cost charges, UDI Pacific Region presented the idea of an adjustable DCC levy to municipalities in the Vancouver area. Before proceeding any further, the municipalities requested a technical and legal analysis. UDI was awarded an A•C•T grant in 1992 to undertake this task and develop an approach for levying DCCs on a square-foot basis.

The District of Maple Ridge agreed to participate as a test case for the A•C•T project. At the time, Maple Ridge was reviewing its DCC structure and rates.

1.3 Project Methodology

Representatives of UDI, the District of Maple Ridge, and Polygon Group, an area developer, carried out the A•C•T project, which involved the following steps:

- Research on the technical and legal aspects of DCCs
- Consultation on the square-foot approach and the development of a model by-law
- Initiation of a communications strategy to promote the square-foot approach to levying DCCs

The findings of the A•C•T project are documented in UDI's May 1995 report, *A New Way to Levy Development Cost Charges*.¹⁰ The following section highlights selected findings.

The A•C•T Project Team

- UDI Pacific Region
- Director of Planning, Maple Ridge
- Director of Engineering, Maple Ridge
- Polygon Group (developer)

¹⁰ A copy of UDI's report may be obtained from UDI Pacific Region, Third Floor, 717 West Pender Street, Vancouver, B.C., V6C 1G9; Tel: (604) 669-9585, Fax: (604) 689-8691.

A copy may also be obtained on loan from the Canadian Housing Information Centre, 700 Montreal Rd., Ottawa, Ontario, K1A 0P7, Tel: (613) 748-2367, Fax: (613) 748-4069, TTY: (613) 748-2143.

2.0 PROJECT RESULTS

2.1 Research

The project team formulated two development scenarios to assess the impact of DCCs charged on a square-foot basis. One scenario was for low-rise, multi-family development, while the other was for townhouses.

Multi-Family Scenario

The first scenario assumes a one-acre site in Maple Ridge zoned for low-rise, multi-family dwellings with a permitted floor area ratio of 1.2. DCCs for 1994 and 1995 were in the \$5,400 range. The fixed DCC rate gives developers an incentive to build large and fewer units in order to keep their upfront costs as low as possible. Assuming a gross allowable buildable area of 4,856 m² (52,272 ft²) and a net sellable area of 4,128 m² (44,431 ft²), a maximum of 37 two-bedroom units at a size of 111.5 m² (1,200 ft²) could be built. DCCs for all 37 units would total \$200,000. For a 53-unit mixed housing development, per-dwelling DCCs would total \$286,677.

The price for each of the 37 two-bedroom units would be \$136,117. To afford this, a household requires an annual income of \$43,977 (assumes 20 percent down-payment and an 8.5 percent mortgage rate over 25 years). This effectively excludes many potential homeowners who have considerably lower incomes.

If instead the municipality levied a DCC of \$4.50 per habitable square foot, there would be an incentive to build a mix of housing sizes. At this rate, DCCs for two-bedroom units would still be \$5,400 per unit, but for a bachelor apartment of 51 m² (550 ft²) or a one-bedroom unit of 60 m² (650 ft²), DCCs would drop below \$3,000. For a 53-unit mixed development, DCCs would total the same amount as for the 37-unit development.

The impact of the smaller units on affordability is dramatic. The cost for the two smallest units would be \$67,108 and \$77,543 respectively. To afford either of these would require an annual income of less than \$28,000. This brings housing affordability within the range of many young, single-income households, older people living on very modest, fixed incomes and individuals who are no longer part of two-income families.

It is expected that the mixed-size development would result in the same number of occupants as the 37-unit, one-size development (see figure 1). Therefore, a multi-family development with more units would not create higher servicing costs. There would be no substantial increase in demand for park space, roadways or other servicing items.

Figure 1. Scenario One: Multi-Family Development

Costs

Item	Bachelor (550 ft ²)	1 Bedroom (650 ft ²)	1 Bedroom + Den (925 ft ²)	2 Bedroom ³ (1,200 ft ²)
Site Cost	\$15,572	\$18,404	\$26,190	\$33,976
Labour, Materials	38,500	44,200	57,813	76,800
DCCs ¹	2,477	2,927	4,166	5,409
On-Site Servicing	1,362	1,756	2,583	3,245
Fees and Agreements	2,695	3,094	4,047	5,376
Finance Costs	2,702	3,119	4,117	5,450
Taxes	<u>3,799</u>	<u>4,043</u>	<u>4,451</u>	<u>5,862</u>
Total Cost	\$67,108	\$77,543	\$103,366	\$136,118
Annual Income Required ²	\$24,080	\$27,402	\$34,975	\$43,977

1. A square-foot levy of \$4.50 would be required.
2. Based on a 20 percent downpayment and an 8.5 percent mortgage over 25 years.
3. The same costs would be incurred for a 37-unit, one-size (two-bedroom; 1,200 ft²) development.

Density

	Bachelor	1 Bedroom	1 Bedroom + Den	2 Bedroom, Mixed Dev.	Total	2 Bedroom, 37-Unit Dev.
Units	13	13	13	14	53	37
Occupants	13	19	26	35	93	93

Source: UDI, Appendix 1.

Townhouse Scenario

The second scenario is based on a four-acre site zoned for townhouses with a permitted floor area ratio of 0.45. DCCs for 1994 and 1995 were \$10,500 per unit. With a gross allowable buildable area of 7,284 m² (78,408 ft²) and a net sellable area of 6,920 m² (74,488 ft²), a maximum of 52 two-bedroom units at a

size of 134.7 m² (1,450 ft²) could be built. At a fixed DCC of \$10,534 per dwelling (1995 rate), the charges would total \$547,768. To build a 65-unit development using the same DCC rate per unit, the developer would have to pay \$684,710, an additional \$136,942. Clearly, a flat-fee approach is not conducive to developing affordable housing.

Figure 2. Scenario Two: Townhouse Development

Costs

Item	1 Bedroom + Den (925 ft ²)	2 Bedroom (1,050 ft ²)	2 Bedroom (1,250 ft ²)	2 Bedroom ³ (1,450 ft ²)	2 Bedroom ⁴ (1,450 ft ²)
Site Cost	\$12,552	\$14,835	\$21,111	\$27,387	\$33,976
Labour, Materials	64,750	71,400	82,500	92,800	92,800
DCCs ¹	6,802	7,722	9,192	10,663	10,534
On-Site Servicing	5,102	5,791	6,894	7,997	7,997
Fees and Agreements	5,180	5,712	6,600	7,424	7,424
Finance Costs	4,910	5,437	6,311	8,435	8,435
Taxes	<u>5,958</u>	<u>6,099</u>	<u>5,967</u>	<u>6,962</u>	<u>7,102</u>
Total Cost	\$105,254	\$116,996	\$138,575	\$161,668	\$168,268
Annual Income Required ²	\$36,122	\$39,777	\$45,936	\$52,480	\$54,160

1. A square-foot levy of \$7.25 would be required.
2. Based on a 20 percent downpayment and an 8.5 percent mortgage over 25 years.
3. 65-unit, mixed development.
4. 52-unit, single-size development.

Density

	1 Bedroom + Den 925 ft ²)	2 Bedroom, (1,050 ft ²)	2 Bedroom, (1,250 ft ²)	2 Bedroom, (1,450 ft ²)	Total	2 Bedroom, 52-Unit Dev.
Units	15	20	20	10	65	52
Occupants	30	50	50	30	160	156

Source: UDI, Appendix 1.

A more equitable square-foot charge would encourage a mix of housing sizes and affordability. At a rate of \$7.25 per square foot, the project team's example of a 65-unit development would yield DCCs totaling \$546,940, comparable to the \$547,768 amount for the 52-unit, fixed-levy development. For the 52-unit development, the cost per unit would be \$168,268, requiring an annual income of \$54,160. In the mixed-size, variable-DCC development, DCCs for the largest unit would actually be \$130 higher than with a flat fee, but the total cost for the unit would be more than \$7,000 *less*, the difference being lower site cost and taxes. A household with an annual income starting at \$52,480 could then afford the largest unit.

A mixed-size development could offer four choices. The smallest townhouse unit would be 86 m² (925 ft²) with one bedroom and a den. The other units would all be two-bedroom in one of three sizes ranging from 97.5 to 134.7 m² (1050 to 1450 ft²). The cost for the one-bedroom unit would be \$105,254, and for the smallest two-bedroom unit, \$116,996. This would make housing affordable for those with annual incomes between \$36,000 and \$40,000, a substantial difference from \$54,000.

Service demands tend to increase somewhat when there are more units in a townhouse development. This contrasts with the multi-family development for which no or little change in occupancy numbers is expected. In the townhouse scenario presented here, occupancy is

expected to increase by four with mixed housing sizes (160) compared to one-size dwellings (156). This increase is slight, and is far outweighed by the gains in providing affordable housing and having a diverse demographic mix.

Approaches to Levying DCCs

The flat-fee approach to levying DCCs may hinder the production of modest-sized homes. If a municipality wishes to encourage developers to build a mix of housing sizes, three alternatives can be considered:

- 1) Levy DCCs based on a per-bedroom rate
- 2) Levy additional DCCs for single-family homes with approved secondary suites
- 3) Levy DCCs per square foot where it is possible to i) define a specified area or sector, ii) allocate land use and density and iii) determine a likely population estimate for the area

The first option has been used in some jurisdictions in the U.S., but can be difficult to regulate—any number of rooms could potentially be used as bedrooms. The second and third options are easier to administer and regulate than the first one. While the second option makes allowances for secondary suites, these units present broader planning and design issues beyond DCCs. The project team found that the third option presents the best solution to providing developers with an incentive to build a mix of housing sizes.

Legislation Permits Approach

Through research on the legal aspects pertaining to DCCs, the project team found that provincial legislation would allow British Columbia municipalities to levy development cost charges in relation to the size or class of a residential unit.¹¹ British Columbia's statutory obligations regarding DCCs are noted below.¹²

Excerpt from British Columbia's Municipal Act

A schedule of charges, adopted by by-law, must be consistent for all developments creating a similar capital cost burden.

Charges are to be imposed only "to assist the local government" to pay for providing, constructing, altering or expanding sewage, drainage, water and highway facilities other than off-street parking facilities, and providing park land. Charges are to directly or indirectly serve the development.

In fixing development cost charges, local governments are required to consider whether a charge had already been imposed, whether the charges would deter development or discourage the construction of reasonably serviced land, and whether the charges were excessive in relation to prevailing standards of service in the municipality.

—UDI Pacific Region, A New Way to Levy Development Cost Charges (Vancouver, 1995)

The process for establishing DCCs is set out by the Ministry of Municipal Services in its *Municipal Manual* as follows:

- Determination of the units of new development (i.e. population size, number of residential units, area of development) upon which the charges will be based.
- Determination of the period of time over which capital programs will be planned and costs estimated.
- Calculation of costs for particular infrastructure improvement projects.
- Allocation of costs between existing and new development.
- Allocation of new development costs to different classes of development.
- Allocation of costs between the municipality and those who will be required to pay development cost charges.

The guidelines are adapted by municipalities to suit their needs. Generally, the Official Community Plan is the guiding document regarding land uses, population targets and the number of allowable units.

¹¹ UDI, p. 14. "The Ministry of Municipal Affairs has indicated that the authority exists in Section 984(1) of the *Municipal Act* for a local government to charge development costs charges on a variable rate." The UDI report references a June 1994 letter to all mayors and chairs of regional district boards from B.C.'s Minister of Municipal Affairs and its Minister of Housing, Recreation and Consumer Services.

¹² UDI, pp. 6-7.

In its 1993 report, British Columbia's Provincial Commission on Housing Options noted that DCCs for residences are generally based on a flat rate for each residence. The Commission observed that this practice would not necessarily reflect actual servicing costs to homes of different sizes, and could discourage the production of smaller, affordable housing, in that the same charge would be payable regardless of the size and value of the dwelling unit. The Commission recommended that the *Municipal Act* "be amended to require all municipalities to levy development cost charges equitably on the basis of 'habitable floor area' rather than on a per dwelling basis."¹³

2.2 Consultation and Model By-law

The project team's findings and preparation of a report involved a consultative process lasting roughly two years. A draft report, including a model by-law, was used in several discussions with the local government, the Greater Vancouver Regional District and the Ministry of Municipal Affairs. Presentations of the draft were made through UDI chapters to various municipal planning and engineering departments and city councils throughout British Columbia. UDI has 15 municipal liaison committees in the Greater Vancouver area, and other liaison committees are operated by UDI chapters

throughout the province. Many policy makers and researchers were able to offer comments.

The model by-law is presented in the appendix to this case study, along with selected accompanying schedules for various municipal services.

2.3 Communications Strategy

The project team's proposal for levying DCCs by the square foot was given broad exposure through UDI's presentations to municipal liaison committees. As noted above, the Provincial Commission on Housing Options indicated its support for this approach in recommendations to the province. British Columbia's Minister of Municipal Affairs and the Minister of Housing, Recreation and Consumer Services encouraged all municipalities in a June 1994 letter to adopt this approach.¹⁴ During the course of the project, other municipalities made inquiries about the project, including Kingston, Edmonton, Kelowna and other urban centres. UDI reported that the A•C•T fact sheet served to generate substantial interest in the project from the outset.

UDI gave further exposure to the initiative when it reported on the project in its fall 1995 issue of *Urban Development*, a quarterly magazine broadly circulated within the industry and government.

¹³ UDI, Appendix Three (June 1994 letter to all mayors and chairs of regional district boards from B.C.'s Minister of Municipal Affairs and its Minister of Housing, Recreation and Consumer Services).

¹⁴ *Ibid.*

UDI also distributed the report at the fall 1995 conference of the Union of British Columbia Municipalities (UBCM). In cooperation with UBCM, the Institute assisted in developing a workshop entitled "Paying for Growth" to explore alternatives to DCCs and ways of reducing their impact on housing prices.

Municipalities commonly review their DCC by-laws every one or two years. UDI has also sent the project report to municipal departments in the province as they have initiated this review.

3.0 PROJECT BACKGROUND

3.1 District of Maple Ridge

The population of the District of Maple Ridge has grown at a rate of six percent since 1986, reaching an estimated total of 50,000 by 1992. In recent years, its traditional industrial base in agriculture, fisheries, forestry and mining has been complemented by a rapidly expanding manufacturing sector. Wood processing is the largest manufacturing industry in the area. Other industrial activities include boat building, metal fabrication, battery manufacturing, greenhouse and other agriculture operations, plastics, printing and publishing, sand and gravel, and high technology. Figures 3 and 4 below present average house prices and incomes in the District.

3.2 Urban Development Institute

The Urban Development Institute Pacific Region is a non-profit association representing more than 400 commercial and residential property developers and related companies throughout British Columbia. While the majority of members are located in the Greater Vancouver area, the Institute has three chapters: Victoria, Kelowna and Nanaimo.

The goal of the Institute is to promote wise and efficient land use. Its objectives are to enhance communication between the development industry, various levels of government and the public, and to improve the urban environment and quality of life in British Columbia. The Institute is involved in research and has produced briefs and position papers on a wide range of issues.

Figure 3. Average House Prices for Maple Ridge and Income Required (1993)

Maple Ridge	Single-Family Home	Townhome	Apartment
Average Price	\$215,643	\$159,132	\$119,393
Annual Income Required	\$66,550	\$50,500	\$38,720

Note: Assumes 20 percent downpayment, 8.5 percent, 25-year rate.

Figure 4. Maple Ridge Incomes (1993)

Reported Incomes	Under \$30,000	\$30,000- \$40,000	\$40,001- \$50,000	Over \$50,000	Totals
# Tax Returns Filed	12,050	2,110	1,460	1,200	16,810
As a Percentage	71%	13%	9%	7%	100%

Note: Well over 50 percent of households are likely to have two income earners. Average family incomes in the Greater Vancouver area are between \$50,000 and \$55,000 annually.

Source: UDI, p. 1.

4.0 REGULATORY REFORM INITIATIVES AND IMPACT ON HOUSING COST, CHOICE AND QUALITY

Development cost charges have been a controversial topic in British Columbia in recent years, much discussed in newspaper articles, municipal council discussions and senior policy sessions. The issue is particularly pressing in growing suburban municipalities, where DCCs provide a key source of revenue to finance infrastructure development. In urban municipalities, where general revenue and reserve funds are used to finance infrastructure improvements, DCCs may be limited to redevelopment and change of use areas.

Financing infrastructure costs is an issue of significant concern in municipalities experiencing growth. Closely related to this are issues of overcoming resistance to growth and growth management—of particular concern in a province characterized by a physically limited land supply and high levels of immigration. With fiscal pressures mounting and local governments looking at new ways of financing community infrastructure costs, it may be that municipalities in British Columbia will expand DCCs to cover community facilities as well. (In Ontario, for example, some municipalities use DCCs to finance services such as education.) If this occurs, it is even more pressing to ensure affordable houses can be built for the sizable number of small households in British Columbia.

The project team's research suggests that levying DCCs per square foot presents the best solution to providing developers with an incentive to build a mix of housing sizes where it is possible to:

- define a specified area or sector
- allocate land use and density
- determine a likely population estimate for the area

Endorsement of the square-foot approach by the provincial government in 1994 provided additional impetus for municipalities to consider the findings of the A•C•T project and adopt a new strategy. The City of Vancouver switched to a buildable square foot (habitable floor area) basis in 1995. The City levied between \$4 and \$6 per buildable square foot in two areas undergoing intensive densification, to pay for parks and other infrastructure changes. Vancouver has a high percentage of small households and needs to encourage development of relatively small sized dwellings.

At the time of publication, the District of Maple Ridge was considering the team's findings and the model DCC by-law developed through the A•C•T project while reviewing its development cost charges by-law. The square-foot approach to levying DCCs was under discussion in a number of other Lower Mainland municipalities as well.

APPENDIX

APPENDIX : MODEL BY-LAW FOR LEVYING DEVELOPMENT COST CHARGES ON A SQUARE-FOOT BASIS

The following model by-law developed by the A•C•T project team presents an approach to levying development cost charges on a square-foot basis. Accompanying Schedules A, D, F and H are included for illustrative purposes. Schedules B, C, E and G follow the format of Schedule A, and have not been reprinted in this appendix.

MODEL DEVELOPMENT COST CHARGE BY-LAW

WHEREAS pursuant to section 983 of the *Municipal Act*, R.S.B.C. 1979, c. 290 and the regulations passed pursuant thereto, the Council of the ___ may, by by-law, impose development cost charges under and by virtue of the terms and conditions as provided for and set out in the section and regulations aforesaid;

AND WHEREAS development cost charges may be imposed for the purpose of providing funds to assist the municipality to pay the capital costs of providing, constructing, altering or expanding sewage, water, drainage and highway facilities, other than off-street parking facilities, and providing park land to service, directly or indirectly, the development for which the charge is being imposed;

AND WHEREAS no development cost charges shall be required to be paid where:

- (a) the development does not impose new capital cost burdens on the municipality; or
- (b) a development cost charge has been previously paid for the same development unless, as a result of further development, new capital cost burdens will be imposed on the municipality;

AND WHEREAS in the opinion of the municipality the development cost charges imposed by this by-law have taken into consideration future land use patterns and development, the phasing of works and services and the provision of park land as described in the municipality's official community plan;

AND WHEREAS in the opinion of the municipality the development cost charges imposed by this by-law:

- (a) are not excessive in relation to the capital cost of prevailing standards of service;
- (b) will not deter development in the municipality; or
- (c) will not discourage the construction of reasonably priced housing or the provision of reasonably priced serviced land in the municipality.

NOW THEREFORE, the Municipal Council of ___ in open meeting assembled, enact as follows:

1. This by-law may be cited for all purposes as ___ Development Cost Charge By-Law, 199_ No. ___.
2. Every person who obtains:
 - (a) an approval of a subdivision; or
 - (b) a building permit authorizing the construction, alteration or extension of a building or structure where the value of the work authorized by the permit exceeds \$50,000.

shall pay to the municipality the development cost charge in the amount set out in the schedules attached¹ hereto, namely:

- Schedule A - Water
- Schedule B - Arterial Highways
- Schedule C - Drainage and Storm Water Detention
- Schedule D - Park Land
- Schedule E - Major Collector Roads
- Schedule F - Industrial Area
- Schedule G - Sanitary Sewer
- Schedule H - Public Use.

¹ Accompanying Schedules A, D, F and H are included in this appendix for illustrative purposes. Schedules B, C, E and G follow the format of Schedule A, and have not been reprinted here.

3. Development cost charges shall be payable at the time as hereinafter stated:
 - (a) for the following zones, after application for a building permit has been made, but before the building permit has been issued:

[List Zones]:
 - (b) for the following zones, after application for a subdivision has been made, but before the final approval of the final subdivision has been given:

(List Zones]; and
 - (c) for Residential (Single) Family Zones in respect of the minimum building area for each dwelling unit and secondary suite allowed on every new lot created after application for a subdivision has been made, but before the final approval of the final subdivision has been given and in respect of the actual building area to be built in excess of the minimum building area for each dwelling unit and secondary suite allowed on every new lot created, after application for a building permit has been made, but before the building permit has been issued.
4. Section 2 does not apply where a building permit authorizes construction, alteration or extension of a building or part of a building that:
 - (a) is, or will after the construction, alteration or extension be exempt from taxes under section 398(h) of the *Municipal Act*; or
 - (b) will, after the construction, alteration or extension contain less than four (4) self-contained dwelling units that will be used for residential purposes only.
5. For the purposes of this by-law:
 - (a) “building area” means the total sum of all floor areas enclosed by the exterior perimeter of a structure, and all covered exterior floor areas used or intended to be used for the accommodation of permitted uses, excluding areas for

parking required by ____ Zoning By-Law 199____, No. ____;

- (b) "building lot" means land designated as a separate and distinct parcel on a legally recorded subdivision plan or in the records of the New Westminster Land Title Office, where such lot qualifies for the issuance of a building permit;
- (c) "developed land" means that portion or area of a lot containing any improvements for the accommodation of a structure, storage, parking, landscaping or any entity, thing or device to facilitate the permitted use;
- (d) "dwelling unit" means a residence comprised of a room or suite of two or more rooms; which is used as living quarters, in which is provided either separately or shared cooking equipment, sink, water closet, wash basins, shower or bath, or the facilities for the installation of the same;
- (e) "minimum building area" means the minimum building area permitted to be used or intended to be used for the accommodation of permitted uses by _____ Zoning By-Law 199____, No. ____;
- (f) "public use" means any use which is created and exists by by-law or public authority for the benefit of the public in general, and without limiting the generality of the foregoing, includes all public hospitals, public and private schools, and any government buildings or structures, whether municipal, provincial or federal or whether owned, occupied or operated by a Crown agency, whether provincial or federal, and notwithstanding where and in which zone and any use is situate in the municipality;
- (g) "unit area" means the total sum of all floor areas enclosed by the exterior perimeter of a dwelling unit, and all covered exterior floor areas used or intended to be used for the accommodation of the permitted uses in conjunction with the dwelling unit excluding areas for parking required by _____ Zoning By-Law 199____, No. ____.

SCHEDULE A

DEVELOPMENT COST CHARGES FOR WATER APPLICABLE TO

DEVELOPMENT WITHIN THE MUNICIPALITY

- I. (a) Agricultural Zones - ____.
- (b) All Residential (Single Family) Zones -
- \$____ per square foot of building area for each dwelling unit allowed on every new lot created under the provisions of the applicable zoning by-law; plus
- \$____ per square foot of building area for each secondary suite permitted under the zone.
- (c) All Residential (Multi-Family) Zones -
- \$____ per square foot of unit area for each dwelling unit allowed under the provisions of the applicable zoning by-law.
- (d) All Commercial Zones as Delineated in the Zoning By-Laws of ____ -
- \$____ per square foot of non-residential building area; plus
- \$____ per square foot of residential building area being built
- (e) All Industrial Zones as Delineated in the Zoning By-Laws of the Municipality of ____ - \$____ per acre of developed land.
- (f) All Assembly Hall Zones - \$____ per square foot of building area.
- (g) All Recreation Zones, Drive-in Theater Zones, Golf Course Zones and Marina Zones - \$____ per square foot of building area.

(h) All Personal Care Zones, Day Care Zones, Special Care Housing Zones, and Child Care Zones -

\$____ per square foot of building area.

\$____ per square foot of building area per dwelling unit being built.

(i) Cemetery Zones -

(j) Salvage Industrial Zones - \$ ____ per acre of developed land.

II. Where a Section 286 Agreement is in place and provides services identical to those covered by a development cost charge levy, the development cost charge levy for that service will be reduced to the extent of the amount paid by section 286 levy. However, in no event shall this reduction exceed the development cost charge levy for that specific service.

III. Where a land use contract is in place and provides services identical to those covered by a development cost charge levy, the development cost charge levy for that service will be reduced to the extent the amount is paid or to be paid pursuant to the approved land use contract. However, in no event shall this reduction exceed the development cost charge levy for that specific service.

SCHEDULE D

DEVELOPMENT COST CHARGES FOR PARK LAND APPLICABLE TO DEVELOPMENT WITHIN THE MUNICIPALITY

[ADD WATERCOURSE PROVISION]

- I. (a) Agricultural Zones - ____.
- (b) All Residential (Single Family) Zones -
 - (i) where a person, being an owner of land being subdivided has provided park land or paid to the municipality an amount that equals the market value of the said park land in accordance with section 992 of the *Municipal Act*, R.S.B.C. 1979, c.290 as amended (hereinafter referred to as section 992), then that person shall pay no development cost charges;
 - (ii) however, where a person, being an owner of land being subdivided, has not provided park land or has not paid to the municipality an amount that equals the market value of the said lands in accordance with section 992, then that person shall pay the sum of \$ ____ per square foot for each dwelling unit allowed on every new lot created by the subdivision under the provisions of the applicable zoning by-law.
- (c) All Residential (Multi-Family) Zones -
\$ ____ per square foot of unit area for each dwelling unit allowed under the provisions of the applicable zoning-by-law.
- (d) All Commercial Zones -
\$ ____ per square foot of non-residential building area; plus
\$ ____ per square foot per dwelling unit being built.
- (e) All Industrial Zones as Delineated in the Zoning By-Laws of the Municipality of ____ - ____.

- (f) All Assembly Hall Zones - ____.
- (g) All Recreation Zones, Drive-in Theater Zones, Golf Course Zones and Marina Zones - ____.
- (h) All Personal Care Institutional Zones, Day Care Zones, Special Care Housing Zones, and Child Care Zones - ____.
- (i) All Cemetery Zones - ____.
- (j) All Salvage Industrial Zones - ____.

II. Where a Section 286 Agreement is in place and provides services identical to those covered by a development cost charge levy, the development cost charge levy for that service will be reduced to the extent of the amount paid by section 286 levy. However, in no event shall this reduction exceed the development cost charge levy for that specific service.

III. Where a land use contract is in place and provides services identical to those covered by a development cost charge levy, the development cost charge levy for that service will be reduced to the extent the amount is paid or to be paid pursuant to the approved land use contract. However, in no event shall this reduction exceed the development cost charge levy for that specific service.

IV. The development cost charges for park land included in section I above have taken into consideration that a portion of our park land requirements will be provided by land dedication requirements pursuant to section 992 of the *Municipal Act*. The development cost charges described in section I above have assumed that all developments would dedicate the maximum amount of land permitted to be dedicated for park land pursuant to section 992 of the *Municipal Act*, which is 5% of the land being developed. Based on this assumption, a credit has been deducted from the cost of acquiring the lands required for park land by an amount equal to the estimated value of the land to be received by the maximum 5% land dedication. If these acquisitions by land dedication had not been taken into consideration, the per unit development cost charges in section I of this Schedule would have increased as follows:

Agricultural Zones - \$ ____;
 Zones Residential Zones - \$ ____;
 Commercial Zones - \$ ____;
 Industrial Zones - \$ ____;
 Assembly Hall Zones - \$ ____;
 Cemetery Zones - \$ ____;

Recreation Zones, Drive-in Zones, Golf Course
 and Marina Zones - \$ ____;
 Personal Care Institutional Zones, Day Care Zones,
 Special Care Housing Zones and Child Care
 Zones - \$ ____;
 Salvage Industrial Zones - \$ ____.

SCHEDULE F

DEVELOPMENT COST CHARGE SCHEDULE FOR INDUSTRIAL ZONES

I.	(a)	<u>Upon Issue of a Building Permit</u>	<u>Upon Subdivision</u>	
	<u>DRAINAGE</u>	A development cost charge of \$ ___ is payable for each square metre of developed land or part thereof	\$ ___ per hectare (\$ ___ per acre) of land being subdivided	
	<u>MAJOR COLLECTOR ROAD FACILITIES</u>	A development cost charge of \$ ___ is payable for each square metre of developed land or part thereof	\$ ___ per hectare (\$ ___ per acre) of land being subdivided	
	(b)	Where development cost charges are provided for under this Schedule for services identical to those provided for in the other Schedules of this By-Law, the amount of the development cost charges payable under the other Schedules shall be reduced to the extent of the amount payable under this Schedule. However, in no event is this reduction to exceed the development cost charge levy provided for in the other Schedule.		
II.	Where a Section 286 Agreement is in place and provides services identical to those covered by a development cost charge levy, the development cost charge levy for that service will be reduced to the extent of the amount paid by section 286 levy. However, in no event shall this reduction exceed the development cost charge levy for that specific service.			
III.	Where a land use contract is in place and provides services identical to those covered by a development cost charge levy, the development cost charge levy for that service will be reduced to the extent the amount is paid or to be paid pursuant to the approved land use contract. However, in no event shall this reduction exceed the development cost charge levy for that specific service.			

SCHEDULE H

DEVELOPMENT COST CHARGES APPLICABLE TO PUBLIC USE DEVELOPMENT WITHIN THE MUNICIPALITY

- I. For government buildings, whether municipal, provincial or federal the development cost charges are as follows:
 - (a) \$ ____ per square foot of building area for water.
 - (b) \$ ____ per square foot of building area for sewer.
 - (c) \$ ____ per square foot of building area for arterial roads.
 - (d) \$ ____ per square foot of building area for major collector roads.
 - (e) \$ ____ per square foot of building area for drainage and storm water detention.
 - (f) \$ ____ per square foot of building area for park land.
- II. For public or private schools (to and including grade 12) the development cost charges are as follows:
 - (a) \$ ____ per square foot of building area for water.
 - (b) \$ ____ per square foot of building area for sewer.
 - (c) \$ ____ per square foot of building area for drainage and storm water detention.
- III. For public or private schools and colleges and universities (post-secondary), the development cost charges are as follows:
 - (a) \$ ____ per square foot of building area for water.
 - (b) \$ ____ per square foot of building area for sewer.
 - (c) \$ ____ per square foot of building area for arterial roads.
 - (d) \$ ____ per square foot of building area for major collector roads.
 - (e) \$ ____ per square foot of building area for drainage and storm water detention.

IV. For public hospitals the development cost charges are as follows:

- (a) \$ ___ per square foot of building area for water.
- (b) \$ ___ per square foot of building area for sewer.
- (c) \$ ___ per square foot of building area for arterial roads.
- (d) \$ ___ per square foot of building area for major collector roads.
- (e) \$ ___ per square foot of building area for drainage and storm water detention.

V. For all other public use buildings or structures, the development cost charges are those charges as set forth herein for governmental buildings.