DO DEVELOPMENT COST CHARGES ENCOURAGE SMART GROWTH AND HIGH PERFORMANCE BUILDING DESIGN?

AN EVALUATION OF DEVELOPMENT COST CHARGE PRACTICES IN BRITISH COLUMBIA

A report prepared by
Coriolis Consulting Corp.
for
West Coast
Environmental
Law

WEST COAST
environmental law

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SUMMARY

INTRODUCTION

Local governments in BC use Development Cost Charges (DCCs) levied on new projects to help fund the cost of sewer, water, storm drainage, road and parkland needed to accommodate growth. DCCs are intended to reflect the capital costs that are imposed by new development. This capital burden can vary widely within a community based on factors such as the condition and capacity of existing infrastructure, the location of new development, the type of land use, and the characteristics of development projects.

The objective of this report is to determine whether DCC rates favour particular growth patterns and, if so, to suggest practical ways for municipalities to modify their systems to encourage smart growth and encourage high performance ("green") building design.

APPROACH

This evaluation included: a review of the legislative framework for calculating DCCs in BC, an evaluation of the infrastructure cost savings that can be achieved by smart growth and high performance buildings, a review of the current practices of municipalities to determine whether communities are using the available tools to the fullest extent, and conclusions on whether DCCs inadvertently subsidize certain forms or locations of urban development plus recommendations on how to improve DCC practices.

LEGISLATIVE FRAMEWORK

The Local Government Act provides the legislative authority for local governments to use DCCs and the Development Cost Charge Best Practices Guide published by the Province guides local governments in the design and implementation of DCC bylaws.

DCCs can only be charged for the capital costs of specific types of infrastructure: water, sewer, drainage, roads and parkland. DCC rates can be set for different geographic areas in a community and can vary by land use and density.

SAVINGS ASSOCIATED WITH SMART GROWTH AND HIGH PERFORMANCE DESIGN

There can be significant infrastructure cost savings associated with smart growth planning principles and high performance building design features, including:

- Major savings in overall road and servicing network costs for urban development in compact, complete communities, especially where development is in the form of infill and densification in established areas with existing unused servicing capacity.
- Minor savings in local servicing networks if projects incorporate high performance building features that reduce water requirements, sewage flows and storm run-off.
- Potential major savings in municipal-wide networks from reduced service demands associated with high performance design. Reduced requirements for new water supply and storage, sanitary treatment capacity and municipal storm water systems could generate significant savings. These will vary widely from community to community.

The infrastructure savings due to smart growth planning and high performance design could easily be in excess of $5,000 per residential unit in many communities. Reductions in infrastructure cost should logically lead to lower DCCs (all other things being equal), at least for the development that is responsible for the reduced requirements.

REVIEW OF EXISTING DCC BYLAWS IN BC MUNICIPALITIES

A review of BC municipalities[1] was conducted to see if DCC bylaws reflect differences in infrastructure costs related to location, land use, density and "green" design.

[1] The review included Abbotsford, Campbell River, Chilliwack, Colwood, Courtenay, Kamloops, Kelowna, Langford, Nanaimo, Parksville, Penticton, Prince George, Squamish, Surrey, Vernon.

Every municipality sets different DCCs for different land uses (e.g., commercial, residential, industrial) and almost every municipality sets different charges for single family and multifamily residential units. Some municipalities vary the multifamily DCC based on a project's density. However, only a few municipalities vary the single family charge based on density and few vary commercial and industrial DCCs by density.

Some municipalities set different charges for different geographic areas in the municipality, but many do not.

None of the municipalities examined currently takes high performance building design into account in setting DCC rates.

CONCLUSIONS

1. Smart growth practices, particularly designing new communities to be more compact and complete than traditional suburban subdivisions and encouraging infill development in established urban areas, can clearly significantly reduce the costs of new community infrastructure per new housing unit.
2. High performance building design has the potential to reduce growth-related infrastructure costs in two ways:
   - Small reductions in the load on local services, such as water, sewer and storm drainage in new developing areas.
   - Potentially greater savings for municipalities associated with the broader community-wide servicing network, such as the avoidance or delay of upgrades to the water source/supply and sanitary treatment facilities.
3. The Local Government Act allows municipalities to vary DCCs by location, which is one of the most significant factors that influences the infrastructure cost associated with accommodating urban growth. Some municipalities in BC take advantage of the ability to vary rates based on the actual capital burden imposed by new development in different geographic areas, but many do not.

4. The Local Government Act allows municipalities to vary DCCs by density of use and the Best Practices Guide encourages them to use density as a significant factor in setting DCC rates. Very few municipalities distinguish between different densities of single family development or different densities of multifamily residential development.

5. One section of the Local Government Act mandates a built-in DCC subsidization of low density development. The Act's blanket exemption of any new residential building with fewer than four units tends to favour low density neighbourhoods over high density areas.

6. The most significant improvements that could be made to DCC regimes would be to:

   - Increase the use of development density (e.g., units per acre) as a factor in setting residential DCC rates for single family and multifamily projects. To fully reflect the difference in capital burdens imposed by different residential projects, DCC bylaws should consider both the number of units per acre and the total floorspace in a residential project when establishing the total DCC. Single family and multifamily residential charges should be categorized based on units per acre to reflect that higher density projects have a lower impact on municipal infrastructure. Within each density category the DCC should be calculated based on the amount of floorspace in the project to reflect that larger units tend to have a greater impact on infrastructure than smaller units.
   - Increase the use of different DCC rates for different locations. The biggest location factor that municipalities should consider is whether older core areas should be distinguished from greenfield locations.

7. High performance design is not on the DCC radar in BC. None of the municipalities reviewed considers the potential for high performance building design to reduce infrastructure requirements. Local governments should explore the possibility of crediting projects that place lower demands on municipal infrastructure by incorporating high performance design principles.