



POLICY TO WAIVE DEVELOPMENT COST CHARGES FOR BELOW-MARKET RENTAL BUILDINGS

Issue

Housing is an urgent and prevalent issue within the Lower Mainland. A vital aspect of addressing the housing crisis involves expanding below-market rental housing options. These affordable housing units are often constructed by non-profit developers. However, the prevailing practice of imposing identical development costs on both non-profit and for-profit developers, despite their divergent housing goals, perpetuates a situation where for-profit developments are favoured. This inequity hinders the pace of housing development and further exacerbates the housing crisis.

Background

Municipalities and regional districts levy development cost charges (DCCs) on new developments to pay for new or expanded infrastructure such as sewer, water, drainage, parks and roads necessary to adequately service the demands of that new development.

Development cost charges are established by bylaw with the approval of the Inspector of Municipalities. The development cost charge bylaw may establish charges over the entire local government or just a portion of it. Updating development cost charge bylaw every five years will generally keep the estimates of new development and infrastructure costs current.

All development within the geographic area affected by a DCC bylaw is liable for the charge unless exempted by statute. Such exemptions include:

- Places of worship
- Developments that do not impose a new capital cost burden
- Developments in which a development cost charge has previously been paid

In addition, subject to a development cost charge bylaw or regulation, a DCC is not payable in relation to a development that is for one of the following:

- Developments that contains fewer than four self-contained residential dwelling units
- Developments of self-contained residential dwelling units in a building if each unit is no larger than 29 square metres
- Building permit for work which does not exceed \$50,000

Local governments may, in a DCC bylaw, provide that a development cost charge is payable for developments containing fewer than four self-contained residential units, or establish an area greater

than 29 square metres, or an amount greater than \$50,000 in which development cost charges will be applied.

Local governments can also choose to waive or reduce charges for certain types of developments, including:

- Non-profit rental housing
- Supportive living housing
- For-profit affordable rental housing
- A subdivision of small lots designed to result in low greenhouse gas emissions
- A development designed to result in low environmental impact

A bylaw must be adopted that further defines the categories of eligible development and specifies the degree to which the charges will be waived or exempted.

There are numerous municipalities that have created such a bylaw exempting certain developments from paying DCCs. Local examples include: Delta¹, Chilliwack², the City of North Vancouver³, and the Township of Langley⁴.

Other municipalities have created an Affordable Housing Reserve Fund – Coquitlam⁵ is one such example. The Affordable Housing Reserve Fund (AHRF) is an important tool for contributing towards affordable housing solutions. The AHRF acts as the City of Coquitlam's financial contribution towards increasing the supply of housing options for low and low-to-moderate income households.

The City of Coquitlam has criteria for dispersing the AHRF:

- **APPROPRIATENESS FOR TARGETED POPULATIONS:** Projects that improve overall affordability for low- and low-to-moderate income households;
- **COMMUNITY FIT:** Proposed project or use of funds demonstrates a fit with the surrounding community context and the project is appropriately located;
- **FUND VIABILITY:** Funds will not be committed beyond the current available AHRF balance;
- **ELIGIBILITY:** Support is limited to units owned or leased by a registered non-profit society and secured through a Housing Agreement with the City;
- **CITY'S ROLE:** Contributions through the AHRF to any one project cannot exceed the amount contributed by the Province;
- **DEGREE OF LEVERAGE:** Proposals that leverage the City's contributions in a way that provides favourable value to deliver projects that address the community's housing affordability needs;

¹ <https://www.delta.ca/media/1476>

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<https://www.chilliwack.com/main/attachments/Files/363/BL%203679%2D%20Development%20Cost%20Charge%20Waiver%20for%20Eligible%20development%20amendment%20bylaw%20%28c%291.pdf>

³ <https://www.cnv.org/Business-Development/Building/development-cost-charges>

⁴ [https://www.tol.ca/en/services/resources/bylaw-services/bylaws/Development-Cost-Charge-Waiver-for-Affordable-and-Supportive-Housing---Bylaw-2019-\(No.-5462\).pdf](https://www.tol.ca/en/services/resources/bylaw-services/bylaws/Development-Cost-Charge-Waiver-for-Affordable-and-Supportive-Housing---Bylaw-2019-(No.-5462).pdf)

⁵ <https://www.coquitlam.ca/DocumentCenter/View/426/Coquitlams-Affordable-Housing-Reserve-Fund-Handout-PDF>

- **BREAKING THE CYCLE:** Projects that demonstrate some ability to provide an opportunity for greater self-sufficiency for the people it serves;
- **FUND SUSTAINABILITY:** Requests in excess of \$50,000 / door should pay back or help sustain the AHRF through secured land lease or air-space parcels consistent with the approved AHRF Framework.

How waiver of DCCs for non-profit affordable housing developers can help:

1. **Lower Costs for Developers:** Exempting non-profit and affordable housing developers from DCCs reduces their financial burden, making it more economically viable to construct below-market rental properties. This, in turn, encourages more organizations to engage in such projects.
2. **Increased Affordable Housing Supply:** By lowering the costs of development, more affordable housing units can be constructed, thus increasing the overall supply of affordable rental properties. This helps to meet the demand for housing from low and moderate-income individuals and families.
3. **Improved Housing Affordability:** The increased supply of affordable housing can help stabilize or reduce rental prices in the market, making housing more accessible to those who are struggling to find affordable options. This can alleviate financial stress on many residents.
4. **Social Benefits:** Access to affordable housing has a direct impact on the well-being of individuals and families. It provides stable living conditions, reduces the risk of homelessness, and positively influences social outcomes and community stability.
5. **Economic Benefits:** A more stable and affordable housing market can lead to increased economic stability, as residents have more disposable income to spend on other goods and services. This can contribute to local economic growth.
6. **Government Savings:** By providing affordable housing options, governments may reduce their expenditures on emergency housing and social services, as fewer individuals and families will require assistance due to housing instability.
7. **Community Involvement:** Exempting DCCs for below-market rental developments can encourage community organizations and non-profits to be more actively involved in addressing the housing crisis, leveraging local resources and expertise.
8. **Long-Term Planning:** Exemptions can incentivize non-profit developers to engage in long-term planning for affordable housing, creating sustainable and well-maintained properties.

RECOMMENDATION

That the City of Surrey:

1. Create a bylaw waiver for development cost charges for non-profit developers building below-market rental housing.

Surrey Board of Trade