



## REQUEST FOR DECISION

To: Mayor & Members of Council

Title: Director of Planning & Community Services – Development Cost Charges (DCC) Bylaw 4724

Date: December 8, 2025

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### Motion for Consideration:

THAT: the Bylaw entitled City of Salmon Arm Development Cost Charges Bylaw No. 4724 be read a first time;

AND THAT: Council direct staff to undertake a public engagement program for Development Cost Charges Bylaw No. 4724.

### Background:

Development Cost Charges (DCC) Bylaw No. 4724 proposes a four-year phased approach to increasing the DCC rates, to decrease the impact of the increases on new development. This is to allow more time for the development industry to plan for DCC rate increases. All DCC rates across all land uses are proposed to increase as shown in the summary table below.

DCCs are collected either at the time of land subdivision or as part of a building permit. DCCs are increasingly collected at the building permit stage, since with increasing multi family development, the actual number of units being developed is only known at the building permit stage.

**Table 1: Proposed DCC Rates & Rate Increases Over Four Year Period**

Land Use	Unit of Charge	Existing Rate (2017)	Proposed Rate (Year 1)	Proposed Rate (Year 2)	Proposed Rate (Year 3)	Proposed Rate (Year 4)	% Change
Low Density Residential	Per Parcel or Dwelling Unit	\$9,529.62	\$10,545	\$11,556	\$12,560	\$13,329	11-40%
Medium Density Residential	Per Dwelling Unit	\$6,930.63	\$7,396	\$8,030	\$8,760	\$9,135	7-32%
High Density Residential	Per Dwelling Unit	\$6,064.31	\$5,327	\$5,771	\$6,297	\$6,545	-12-8%
Commercial	Per sq.m of GFA	\$34.65	\$34.75	\$37.87	\$40.79	\$43.51	0-26%
Institutional	Per sq.m of GFA	\$46.21	\$41.33	\$44.68	\$48.95	\$51.48	-11-11%
Industrial	Per sq.m of GFA	\$15.40	\$19.92	\$22.09	\$23.83	\$26.27	29-71%

As can be seen, the increases in rates over the four year period range from 8% (for high density residential development) to 71% (for industrial development). The variety of impact on the rates is connected to the complexity of the financial model that manages all the data, and the differing impact of the proposed projects across the different types of infrastructure. It is not possible to create consistent rate changes across the land use categories. The details of how those amounts are calculated can be seen in the rate tables at the end of the bylaw, or in more detail in the Background Report (included in the Attachments). Staff are proposing the rate increases over a four year period to minimize the impact of the substantial increases, allowing the industry and municipality to prepare for the increases and not hinder growth.

### *What are DCCs?*

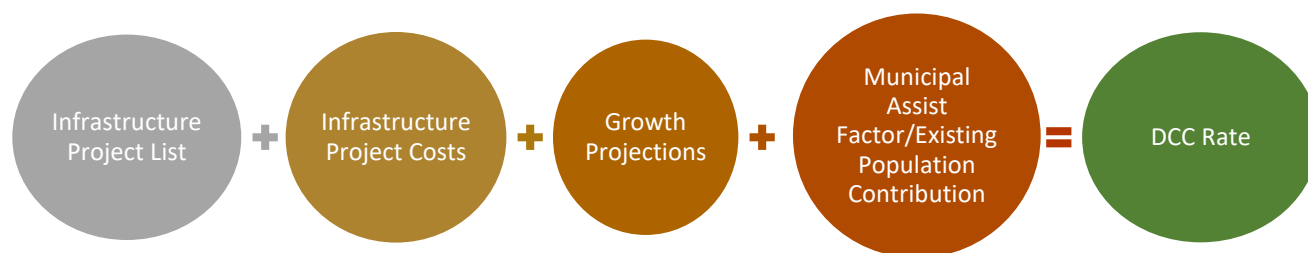
Development cost charges (DCCs) are the most effective means of new development (subdivision and building permits) providing the funding to pay for new infrastructure that is required to accommodate new development (a “growth pays for growth” approach). Table 2 illustrates a brief summary of the factors that are inputted to the DCC model to generate DCC Rates. The inputs and charges that may be levied are prescribed by the Province.

Development cost charges can only be levied for the following infrastructure:

- sanitary sewer;
- water;
- drainage;
- roads;
- parklands; and
- police and fire services facilities.

Development cost charges are not a revenue program, but are a cost recovery program, and are also not intended to function as an incentive program for any particular type of development. Provincial direction is that the DCCs should not hinder or prevent new development. DCC bylaws are subject to both Provincial legislation (*Local Government Act*), regulations, and Best Practice Guides issued by the Province. The Bylaw must be reviewed and approved by the Provincial Inspector of Municipalities prior to adoption.

Table 2: Factors in DCC Rates



The factors inputted to create the DCC rates are community and project specific; therefore, comparisons to DCC rates of other neighbouring communities provide limited usefulness (“apples to oranges” comparisons). Staff note that the proposed rates for the Residential DCCs in Bylaw 4724 place Salmon Arm in the middle of a comparison table of neighbouring communities.

### *Development Cost Charge Bylaw No. 3600*

In the development of the current bylaw, a very similar process was undertaken. The projects required at that time were assessed along with proposed project costs and growth projections. A Municipal Assist Factor (MAF) of 1% was applied. Table 1, above, provides a summary of the rates charged under the current bylaw ("Existing Rate (2017)"). For reasons explained in more detail later in this report, the rates are based on projects that have been constructed or deemed no longer required, and formulated on factors that no longer apply. As per Best Practices published by the Province, a DCC bylaw should be reviewed every 2 to 3 years to ensure that the DCC rates keep pace with project construction costs (which can increase year over year) and growth projections. DCC Bylaw No 3600 was adopted in 2007 and was not reviewed again until 2017.

### *Proposed Development Cost Charge Bylaw No. 4724*

Development Cost Charge Bylaw No. 4724, proposes to repeal and replace the current DCC Bylaw No. 3600, which was adopted in 2007 and last revised in 2017. The DCC Bylaw Review is a project proposed in the City's current Strategic Plan. Funds to undertake a review of the City's DCC Bylaw were approved in the 2024 budget.

Drafting DCC Bylaw No. 4724 included the following significant, technical (and complex) work:

- Review of existing and current City infrastructure plans;
- Reviewing and updating residential and non-residential growth estimates;
- Reviewing and updating eligible DCC projects, cost estimates, and benefit allocations;
- Creation of a new financial model to assemble and process all the new information (not part of the bylaw but available as needed);
- Reviewing and adjusting equivalencies in the financial model to reflect new demand information;
- Review and adjustment of financing options based on best practices;
- Identifying new and updating land use categories and development trends;
- Incorporating Provincial legislative changes;
- Including a new Police Facilities DCC Program;
- Applying varied municipal assist factors to phase in the new DCC rates.

The rate changes proposed are primarily achieved through adjustments to the MAF in the financial model, which essentially represents a municipal governments' relative contribution to the overall costs of each infrastructure project. By increasing the MAF (municipal contribution) the rate increases are moderated. The current DCC Bylaw 3600 largely utilized a 1% MAF rate. If this rate was used in the new DCC bylaw, the rates would increase by rates that were not deemed to be reasonable, and would likely inhibit or stall any new development. The MAF rates utilized range between 15% and 75% in year one, and 20% and 67% in year four (excluding Police Facilities). The MAF rates generally decrease over the four year period, which causes the DCC rates to increase, resulting in higher developer contributions.

The DCC rates for High Density Residential development initially decrease in year one, and increase by 8% over the four year period.

The "Low Density Residential" rate is the rate that would be paid by single detached dwellings (and would include a secondary suite within the structure). The "Medium Density Residential" rate would capture duplexes, and ground accessed triplexes, fourplexes and townhouses, and any

detached accessory dwelling units (e.g. garage suite, carriage home, garden suite). All of the potential SSMUH units would therefore be captured by the “Medium Density Residential” rate. The “High Density Residential” would capture all other forms of higher density residential development, principally apartments.

While Bylaw No. 4724 proposes a four-year phase in program, Provincial and financial best practices would be to re-review the DCC program (especially projects and costs) on a 2-3 year cycle to ensure that the bylaw remains current and consistent with both project completions, new infrastructure priorities and updated project costs. Staff would therefore recommend that likely in 2027/2028, a preliminary review of the DCC program should be budgeted for a review at that time. At that point, any adjustments can be made to the phased program that Council deems necessary.

### *Process and Supporting Information*

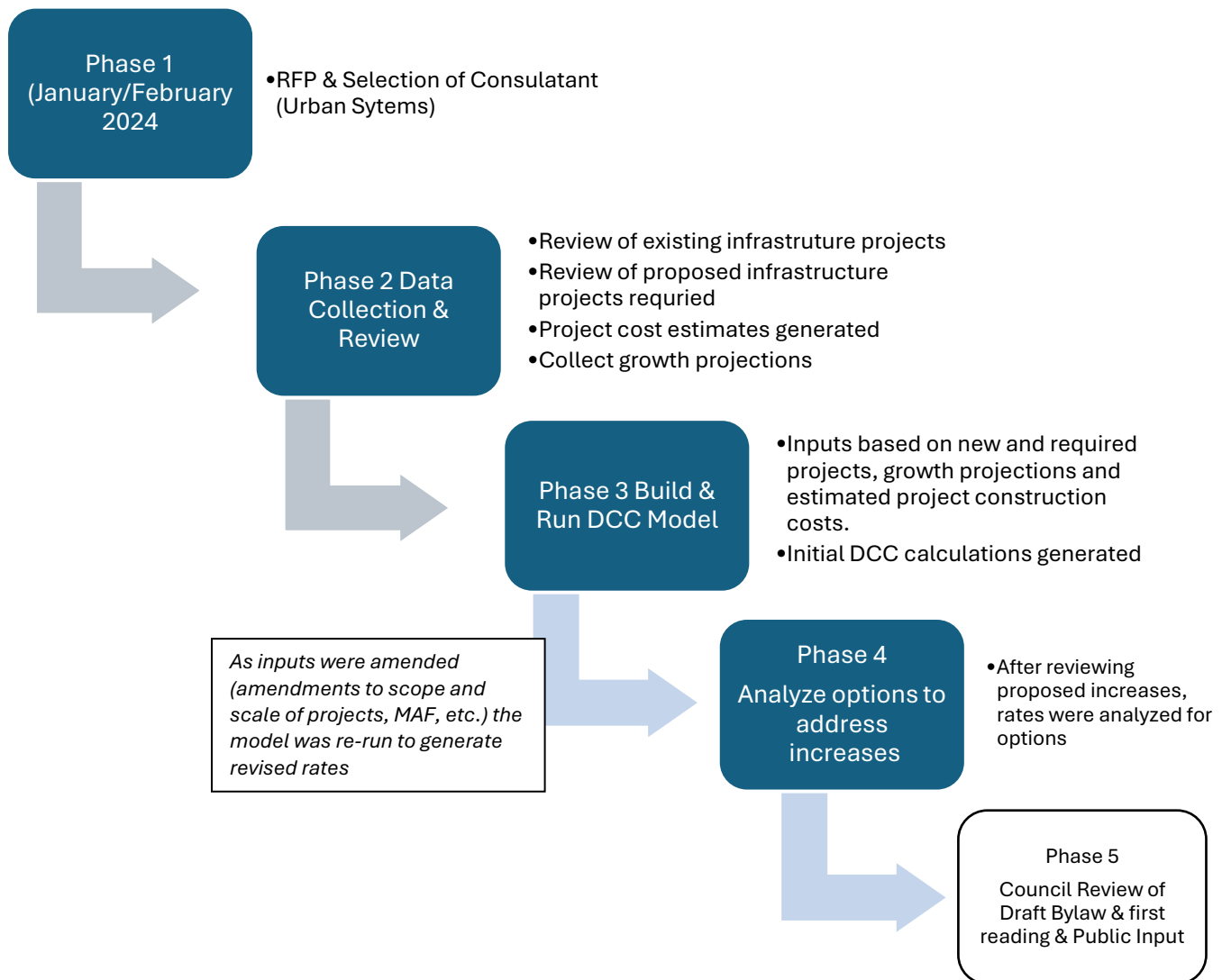
Following the issuance of a Request for Proposals in January 2024, and awarding of contract to the City’s consultant (Urban Systems) in February 2024, staff began the background work on the review of the DCC Bylaw. A summary of the process to date is illustrated in Table 3, below.

There was a comprehensive review of the infrastructure projects now required by the City by both staff and consultant. There were significant changes made to the listing of projects included in the Bylaw, given that significant time had passed since the Bylaw had last been reviewed. The complete listing of projects included in the current Bylaw is found in Appendix A of the Background Report. The revised construction cost estimates for those projects were also reviewed and revised at this time, to make them current. The increase in construction cost inflation since 2017 had a significant impact on the Bylaw rates.

When the initial review of the projects lists and the updated project costs were inputted into the financial model, the effect on rates was significant. Using the current (largely) 1% MAF rates in Bylaw No. 3600, the rate increases were between 158% and 439% depending on the land use category. Using these rates would also make the City’s DCC rates the highest in the region, and would likely hinder or prevent future development. This is not consistent with Provincial Best Practice. The resulting rates were deemed unacceptable, and further work was done to try to reduce the rates.

Staff and the consultant undertook a further review of the project lists and reduced the lists to those projects that were essential and only in the short or intermediate term. It was determined that the rates were impacted largely from new proposed roads projects and the upgrades to the Water Pollution Control Centre (WPCC). Subsequently, staff also reduced the scope of the WPCC project in the Bylaw, including only Stages 4 and 5 of the project. This also reflected the reality that earlier Stages of the WPCC project would occur in the next few years, and there was no way to realistically fund those parts of the pending part of the project from future DCCs collection, except from the existing DCC reserves that the City has. While this had some effect on reducing the rates, the rates were still deemed to be too high and would still likely negatively impact new development.

Table 3: DCC Bylaw Review: Process to Date



#### *DCC Bylaw No. 3600 & Current Infrastructure Plans*

At the latter part of the process, Staff shifted attention to address the problems resulting from the fact that the existing DCC Bylaw No. 3600 and the City's current infrastructure plans are no longer aligned. The DCC Bylaw No. 3600 project list is not aligned with current infrastructure needs. The City currently can only expend DCC reserve funds on the projects listed in Bylaw No. 3600, which was last updated in 2017. Any funds either in the DCC reserves now or collected in the future under Bylaw No. 3600 can therefore only be used to fund projects listed in DCC Bylaw No. 3600. Since 2017, a number of other DCC eligible projects have been added to our capital infrastructure plans that at present cannot be funded by DCCs. Some of the more significant mismatches for projects that are needed in the short to intermediate time frame included:

Roads: Lakeshore Drive upgrades **cannot** be funded from DCCs at present (\$5,150,000).  
 Drainage: The planned Okanagan Avenue storm pond **cannot** be funded from DCCs at present (\$1,840,00).  
 Sewer: The WPCC upgrades can only be funded to the amount of **\$4.3M** at present, when costs have escalated to above \$50M.

Water: The Canoe pump station can only be funded to the amount of \$210,000 at present, when costs have escalated to \$8,400,000.

Parks: Canoe Park Beach expansion cannot be funded from DCCs at present (\$2,106,500).

There are therefore a number of currently planned projects that cannot be funded at all from DCCs, or the funding that can be provided is a small fraction of what the current project cost is estimated. Updating the DCC Bylaw to include the current project list is therefore necessary if the City is going to be able to fund any of these projects from DCC revenues.

City staff and the consultant then re-examined the financial model to adjust the Municipal Assist Factors (MAF) by each infrastructure type (they cannot be set by the Land Use category) to moderate the effect of the rate increases and to align revenues with capital projects. The rates proposed in Bylaw No.4724 represent the results of the work, that attempt to include all the necessary projects but create rates that increase collections, but are acceptable and will not inhibit future development.

#### *DCC Bylaws – Exemptions, Reductions & Installments*

As previously mentioned, the calculation of DCCs and implementation is heavily prescribed by the Province through legislation, best practices and review. Outlined below are scenarios which the legislation allows for some flexibility (limited) in the implementation of DCC Bylaws and how these are contained within the proposed bylaw.

The “Exemptions” allowed in proposed DCC Bylaw No. 4724 are those statutorily outlined in the *Local Government Act* and *Community Charter*, including:

- Buildings used for public worship;
- Very small dwelling units below 29m<sup>2</sup> (300 square feet) in size;
- Applications less than \$50,000 in construction value;
- When no new infrastructure burden is created (e.g. an existing dwelling unit is replaced or is not connected to municipal infrastructure);
- When DCCs have already been paid.

Outside of these provisions, DCCs cannot be waived by Council or staff (outside of an amendment to the DCC Bylaw that would require approval by the Inspector). The *Local Government Act* contains specific prohibition of allowing exemptions outside of those listed above.

There are other opportunities that the legislation allows for a Council to provide DCC reductions or waivers (s. 563 of the *Local Government Act*), including:

- not-for-profit rental housing, including supportive housing;
- for-profit affordable rental housing;
- a subdivision of small lots that result in low greenhouse gas emissions;
- a development that results in a low environmental impact.

These potential reductions or waivers are not addressed in DCC Bylaw No. 4724. The details of what qualifies for any of these potential reductions or waivers must be outlined in a bylaw of Council. A separate bylaw could be drafted in the future at Council’s discretion to address these potential waivers or reductions, should Council wish to do so.

#### *In Stream Applications – Affects on DCC Rates*

While not addressed in DCC Bylaw No. 4724, the *Local Government Act* also provides for protection of “in stream,” applications, essentially allowing for up to a year from the adoption of a

bylaw for a subdivision or building permit applicant to pay the rates at the time of their application, and not the higher rates; if the application is complete and submitted to the municipality prior to the date of the adoption of the bylaw.

In the change from Bylaw No. 3600 to Bylaw No. 4724, those subdivision and building permit (complete) applications submitted prior to the adoption of new bylaw would be able to pay the rate under Bylaw No. 3600 for a one year period from the date the new bylaw is adopted. With the increase to the DCC rates occurring within the proposed bylaw, the protection for in stream applications would align with the change in the rates year over year. For example, if a Building Permit application is applied for under Bylaw No. 4724 (as proposed) in year one but not issued until year two of the bylaw rates, the rate under year one would apply – one year protection for the rate at the time a complete application is submitted. Administratively, this will require increased accuracy and more careful review of application submissions at the time of application in-take.

Developers will still be able to pay any required DCCs through installments as allowed by the *Local Government Act* and the regulations (when the amount is more than \$50,000). One third must be paid at the approval stage, half by the one year anniversary, and the full amount by no more than two years from the date of approval.

**Legislative authority / plans / reports:**

	Official Community Plan		Master Plan
x	Community Charter/LGA	X	Other Development Cost Charge Regulations (Instalments)
X	Development Cost Charge Bylaw 3600 / 4724	X	Corporate Strategic Plan
	Zoning Bylaw		2025-2029 Financial Plan
			Long Term Financial Plan

**Financial Considerations:**

The revised bylaw does result in the collection of increased rates for projects, and allows for expenditure of DCC reserve funds on projects that are currently within the City's capital program. It should result in the collection of increased funds.

Use of the MAF to mitigate these developer contribution portion of the DCC rates does mean that a greater burden of the overall DCC eligible capital costs would be moved to the municipal taxpayer. The table below indicates the effect.

Table 4: DCC Eligible Costs MAF & Municipal Contribution

Service	Total Capital Costs (Millions)	Benefit Allocation	Municipal Assist Factor	DCC Recoverable (Millions)	Municipal Contribution (Millions) <sup>(1)</sup>
Transportation	\$34.8	66-100%	67%	\$9.1	\$25.7
Water	\$23.2	30-100%	10%	\$14.1	\$9.1
Drainage	\$13.6	30-100%	30%	\$6.5	\$7.1
Sanitary Sewer	\$46.0	30-100%	65%	\$15.3	\$30.6
Parkland Acquisition and Improvements	\$11.2	30-100%	20%	\$3.9	\$7.3
Police Facilities	\$0.6	75%	1%	\$0.4	\$0.2
<b>Total <sup>(2)</sup></b>	<b>\$129.4M</b>			<b>\$49.5M</b>	<b>\$80.0M</b>

(1) Includes municipal assist factor and portion allocated to existing development.

(2) Figures may not add due to rounding.

Of the total \$129M in total project costs, using the proposed MAF rates means that about \$50M could be funded through developer contributions, and \$80M will need to be funded by municipal contributions, either from reserves, taxation or borrowing. For comparison, using the 1% MAF previously considered (and resulting in the very high rate increases), the municipal contribution was \$24.2M.

This does not create an automatic \$80M expense for the City. Any municipal contributions are contingent on a future Council approval for the particular DCC project, and only then will the City be required to provide its' portion of the costs. The decision of how those costs are funded would be made by Council at the time of the decision regarding that particular project.

DCC reserves at the end of the **2024** financial year were as follows:

Drainage	\$2,522,825
Parks	\$1,018,641
Water	\$4,973,703
Sewer	\$4,854,661
Roads	<u>\$2,743,529</u>
<b>TOTAL</b>	<b>\$16,113,359</b>

### *Conclusion*

Staff believe that the proposed DCCs and staggered rate increases are paced to ensure that growth would not be hindered by the implementation of the fees, while meeting the need to finance infrastructure projects keeping pace with community growth. The proposed DCC bylaw is consistent with Official Community Plan Bylaw No. 4707 (currently at third reading) and the City's Financial Plan.

### **Alternatives & Implications:**

Council could refer the draft bylaw back to staff for further consideration.



**Communication:**

If Council passes the motion, staff will communicate and meet directly with the Shuswap Construction Industry Professionals (SCIP), with the Chamber of Commerce if desired, host at least one public open house and provide informational material on the City's web site. Once this engagement is completed, staff will provide an update to Council on the results of the engagement prior to advancing further readings of the Bylaw and submission to the Inspector.

Prepared by: Director of Planning & Community Services  
Reviewed by: Manager of Planning & Building  
Reviewed by: Director of Engineering & Sustainability  
Approved by: Chief Administrative Officer

**Attachments:**

- Bylaw No. 4724
- Development Cost Charge Bylaw 2025, Background Report