



**URBAN
DEVELOPMENT
INSTITUTE**

**SUITE 650
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VANCOUVER, BC V6E 3S7**

August 20th, 2025

Andrew Merrill
General Manager Planning & Development
City of Coquitlam
3000 Guildford Way, Coquitlam, BC V3B 7N2

Dear Mr. Merrill,

Re: Proposed Energy Step Code and Zero Carbon Step Code Implementation

Background

On behalf of the Urban Development Institute, we are following up on City staff's request to share the cost impact of delivering homes when implementing the next levels of the Energy Step Code (ESC) and the Zero Carbon Step Code (ZCSC). UDI has worked closely with industry partners who have significant building experience in Coquitlam and across British Columbia to deliver these findings. Staff presented proposed implementation schedules on November 7, 2024 and UDI committed to provide a memorandum that summarized these costs. These proposed implementation dates are further captured in Table 1 below, summarizing the cost of these changes and is outlined in more detail in the attached appendices. We have also attached a letter provided by Edge Consultants that further outlines their concerns with respect to overall operational and embodied carbon associated with the standards proposed.

Construction Cost Findings

We have found through our analysis that implementing the new ESC and ZCSC standards will have significant cost impacts to both the feasibility and affordability of new homes. This is summarized in the table below:

Table 1: Proposed ESC/ZCSC Changes vs Construction Cost Impact

		CURRENT	JAN 1, 2026	JAN 1, 2028
Part 3 Large Residential Combustible and Encapsulated Mass Timber	ESC	Step 3	Step 4 <u>Construction Cost</u> +\$3,000-\$6,000/home	Step 4 <u>Construction Cost</u> +\$3,000-\$6,000/home
	ZCSC	N/A	EL-2 <u>Construction Cost</u> N/A	EL-4 <u>Construction Cost</u> +\$1,000-\$2,000/home
Part 3 Large Residential Non-Combustible and Encapsulated and Commercial	ESC	Step 2	Step 3 <u>Construction Cost</u> +\$8,000-\$11,000/home	Step 4 <u>Construction Cost</u> +\$30,000-\$45,000/home
	ZCSC	N/A	EL-2 <u>Construction Cost</u> N/A	EL-4 <u>Construction Cost</u> +\$2,000-\$4,000/home

Additional Considerations

The above costs reference construction impacts alone, when they also increase design, schedule, budget and borrowing risk for the developer without increasing, and sometimes decreasing, what the purchaser or renter is willing to pay.

As a point of reference, if the baseline 300 home concrete tower project used for this exercise changed from Step 2 to Step 4 ESC and EL-4 ZCSC, it would result in the following additional risks/costs:

Additional Considerations	Potential Impact
Borrowing Interest Costs	Delays associated with trades and envelope installation extending project schedule, assuming 3 months of delay, as well as additional borrowing cost with larger loan. <i>Avg Interest of +/- \$400,000 per month = \$1.2M to project Additional interest of +/- \$1M over project due to increase cost</i>
Cost of Capital	Additional equity to fund project: <i>Rental: \$10-12M of return required on an added \$15M of equity</i>

	<p><i>*Assumes no increase in NOI associated with added cost, therefore 100% of the cost is funded as additional equity</i></p> <p><i>Condo: \$1.5M of return required on an added \$2.25M of equity</i></p> <p><i>*Assume +/-15% of the added cost funded as equity</i></p>
Servicing/Infrastructure	<p>Delays associated with BC Hydro and costly infrastructure upgrades.</p> <p><i>Cost impact varies depending on location and infrastructure available</i></p>
Design/Consultants	<p>Additional efforts testing new standards as against local design guidelines and building code. Potential reduction in balcony, window sizes, parkade efficiency, and kitchen offerings.</p> <p><i>Cost impact varies depending on when the project standards are implemented, local market demands, and associated permit and re-design delays</i></p>

We would therefore estimate that the impact to a typical 600 sf home price might be +/- \$60,000, or a monthly increase in mortgage or rent of +/- \$250 per month. However, it should be noted that in today’s market this project would not be buildable given market rents and condominium prices relative to current building costs are struggling to advance.

Recommendations

Today, both condominium prices and rental rates are in decline, following a period of substantial construction, borrowing and municipal cost inflation. Adding more building standard costs, with conflicting overall carbon performance, will only deepen the challenges associated with helping to deliver affordable housing supply.

UDI therefore recommends pausing any scheduled increases to the ESC and ZCSC standards while working closely with the development industry to reduce the cost of delivering new homes, not adding to it, so we can help deliver on our shared goal of building more homes.

Yours sincerely,



Anne McMullin
President & CEO, Urban Development Institute