



URBAN
DEVELOPMENT
INSTITUTE

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October 24, 2023

Chair George V. Harvie and the Metro Vancouver Regional District Board
Metro Vancouver
Metrotower III, 4515 Central Boulevard
Burnaby, BC V5H 0C6

Re: Metro Vancouver Development Cost Charges

Dear Chair Harvie and Board Directors:

On behalf of the Urban Development Institute (UDI) and its members, we are outraged with the proposed updates to the Metro Vancouver Development Cost Charge (DCC) program. ***We urge the Metro Vancouver Board not to approve these changes.***

The proposed DCC increases are substantial and will add to the cost of new construction and delay the delivery of new homes, putting upward pressure on home prices and rents. The capital projects being proposed by Metro Vancouver will benefit more than just new residents, yet the costs are being borne by new homeowners and renters. The approach Metro Vancouver is taking by dramatically increasing DCCs will be penalizing new residents by placing this burden on them.

Given the clear and immediate need to increase the supply of housing in this region and make it more affordable, ***UDI feels that it is necessary for the Province to conduct a review of the Metro Vancouver Regional District's (MVRD) capital investments and how it proposes to meet the region's infrastructure needs.***

Inadequate Engagement and Analysis

Once the proposed changes were publicly released in early September, UDI participated in the September 20th and 22nd DCC engagement sessions with Metro Vancouver staff. However, this engagement process and comment period were rushed. There was no time to properly outline the true financial impacts of these new charges. In addition, the in-stream protections for projects already underway was not clearly communicated to the industry.

UDI provided feedback at the engagement sessions and in writing before the feedback deadline of September 29th. The proposed changes and accompanying staff report were presented to Metro Vancouver's Finance Committee in a report dated October 4th, less

than four business days after the conclusion of the feedback period. We do not feel that the engagement that Metro Vancouver conducted was meaningful or that the concerns of the industry nor the new residents that this DCC update is targeting were adequately assessed.

Impact on New Construction, Homebuyers and Renters

The building and development industry is already facing challenges providing new housing in the region, and the proposed changes will add another layer of costs. The proposed DCC rates will increase the combined charges by up to 255% by 2027. This will cost up to \$14,657 more per apartment unit, including rental and below-market housing delivered as part of mixed-tenure projects.

These costs are factored into project budgets and impact the viability of new homes. For a large housing development, these increases, on top of the increases approved in 2022, will amount to millions of dollars in charges.

SAMPLE PROJECT DCC FORECAST (Fraser Sewerage Area)					623 Units
	Previous	Existing	Proposed		
	01-Jan-22	01-Jul-23	01-Jan-25	01-Jan-26	01-Jan-27
Water DCC	\$0	\$2,656,023	\$4,233,057	\$6,541,883	\$7,619,003
Liquid Waste DCC	\$2,200,367	\$2,661,010	\$4,551,580	\$4,896,283	\$5,414,273
Park DCC	\$0	\$0	\$188,870	\$377,740	\$747,377
Total	\$2,200,367	\$5,317,033	\$8,973,507	\$11,815,907	\$13,780,653
Increase between 2022 and 2027: \$11,580,286 or 526%					

These increases are *so substantive*, it will take years for the land market to adjust, delaying the ability of our members to buy sites and initiate housing projects. If builders have already purchased sites, the impacts will be even more severe because adjustments cannot be made to accommodate the new costs, and projects will be deferred until prices/rents increase for new homes. ***Considering the Province’s recent legislation mandating housing supply targets in several Metro Vancouver municipalities, we do not recommend proceeding with a DCC update that will delay or defer the delivery of new homes.***

Notice and In-stream Protections

In addition to the substantial cost burden, the process for implementing the fee increases does not provide adequate in-stream protections for current projects. Specifically, the use of an effective date in relation to the in-stream protection period greatly differs from the approach taken by municipalities for their DCC increases, resulting in the notice provided to the development industry being effectively a few months rather than the

extended period described in the consultation and report to Metro Vancouver's Finance Committee.

From the consultations, our members understood that Metro Vancouver was seeking to delay and phase the implementation of the DCC increases to mitigate their impact. However, as it is written, the in-stream protections will start based on the date of bylaw adoption, which could be any time in the coming months.

In municipalities that have chosen to use an effective date, in-stream protections typically begin from this date, rather than the date of bylaw adoption. For Metro Vancouver's proposed DCC increases, the difference in protection could be up to a year. ***The limited notice and in-stream protections combined with the magnitude of the proposed DCC increases will dramatically increase their impact on new construction across the region.***

Capital Costs and Governance

We recognize that Metro Vancouver's Board has previously expressed concerns about rising capital costs, these concerns are shared by UDI. The combined capital plans for Water, Sewerage and Parks Acquisition total nearly \$34.5bn. Our concerns are driven by the fact that the capital cost estimates being attributed to growth for these projects have increased by more than \$3bn in the last two years as well as the issues with ongoing projects. For example, the North Shore wastewater treatment plant is anticipated to experience significant cost overruns.

We reinforce the need to pause the proposed Metro Vancouver DCC increase, which would provide the opportunity for the ***re-evaluation of how these large capital projects are being delivered and funded, and whether other governance structures could more effectively deliver infrastructure projects at the scale of Metro Vancouver's Capital Plan.***

In summary, more notice and meaningful engagement are needed with the building and development industry. Until the concerns raised by the development industry are adequately addressed, ***UDI recommends that the MVRD Board not approve the Metro Vancouver DCC changes, considering the substantial impacts they will have on the ability to deliver new housing in the region which is in conflict with the Province's recent legislation mandating housing supply targets.***

Sincerely,



Anne McMullin,
President & CEO, UDI