

MEMORANDUM

Date: August 1, 2018
To: Catherine Mohoruk
From: Dan Huang and Shaun Heffernan
File: 001862.0021.01
Subject: Development Fees and Charges Comparison

Introduction

The following memorandum has been provided in order to compare the change in development fees and charges given the District of Saanich's Development Cost Charge (DCC) 2018 Update. This memorandum will compare the DCC rates from the previous rate schedule to the proposed rates: (1) for two development scenarios; and (2) as a factor of the average cost of housing (2005 to 2018).

Previous rates refer to the District's DCC rates prior to the Phase 1 transition program, which was in effect between 1997 and 2017. The previous rates vary by area; whereas, the proposed rates are fixed throughout the entire municipality, with an additional area-specific DCC for Cordova Bay. In order to draw a balanced comparison to the new rates, three previous rates were used to represent areas that had a low, average, and higher rate. Royal Oak is used as an example of a low previous DCC rate and Gordon Head – C is used as an example of a high DCC rate. The average DCC rate was determined using the mean previous DCC charges throughout the applicable areas (see **Table 1**).

Table 1. Summary of DCC rates (previous rates v. proposed rates)

	Residential (per unit)		Commercial (per m ² GFA)	
	Previous	Proposed	Previous	Proposed
Low (Royal Oak)	\$2,192	\$9,314 (apt.) - \$16,360 (S-F)	\$23.59	\$78.80
Average	\$4,809		\$50.69	
High (Gordon Head – C)	\$18,351		\$197.15	

The change demonstrates that areas that had previously low DCC rates will be most affected by the proposed rates, especially for single-family dwellings. Areas that had high DCCs under the previous rates would actually see a reduction in DCCs.

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Change in DCC rates for development scenarios

Two hypothetical development scenarios were created to investigate the change in previous DCC rates to the proposed rates. The first development scenario analyzes the costs associated with creating a 10-lot subdivision (see **Table 2**). The second development scenario is a six-storey mixed-use building with five storeys of residential units, a ground floor commercial space, and a property size of 1,895 m² (see **Table 3**). It has been assumed there are 75 residential units and 1,022 m² of commercial floor space.

Table 2. DCCs for a 10-lot Residential Subdivision

	Previous Rates	Proposed Rates
Low	\$21,920	\$163,600
Average	\$48,090	\$163,600
High	\$183,510	\$163,600

Table 3. DCCs for a Mixed-Use Development (75 residential units, 1022m² commercial GFA)

	Previous Rates			Proposed Rates
	Low	Average	High	
Residential Sub-Total (75 units)	\$164,392	\$360,675	\$1,376,355	\$698,550
Commercial Sub-Total (1022m ² GFA)	\$24,109	\$51,805	\$201,487	\$80,534
Total DCCs	\$188,501	\$412,480	\$1,577,842	\$779,084

Change in DCC rates as a factor of the average cost of housing

The DCC rate per unit for single-family dwellings and apartments were compared to the average price per dwelling unit in the District of Saanich. This information was used to generate a ratio (in %) of DCC rates as a function of housing costs for single-family and multi-family units (see **Table 4**). The previous rates are compared to the average price of dwellings in 2005; whereas, the proposed rates are compared to the average price of dwellings in 2018.

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Table 4. DCCs compared to average housing prices¹

	Previous Rates (2005)			Proposed Rates (2018)
	Low	Average	High	
Single-family				
DCC (per unit)	\$2,192	\$4,809	\$18,351	\$16,360
Ave. House Price	\$360,450	\$360,450	\$360,450	\$825,050
Multi-family				
DCC (per unit)	\$2,192	\$4,809	\$18,351	\$9,314
Ave. Condo Price	\$166,500	\$166,500	\$166,500	\$420,650
Comparison of DCC rates as a percentage of the average cost of housing				
Single-Family	0.608%	1.334%	5.091%	1.983%
Multi-Family	1.316%	2.889%	11.022%	2.214%

As shown in **Table 4**, the average price of housing has increased significantly between 2005 and 2018. Compared to the average previous rates, the DCC rates as a proportion of housing costs have increased by 0.65% for single-family dwellings and have decreased by 0.68% for condominiums.

The previous DCC rates in Saanich were highly variable depending on the neighbourhood, creating potential inequities between developers. The proposed DCC rates are consistent across the municipality (with the exception of Cordova Bay), and follow the principles of fairness and equity from the DCC Best Practices Guide. The proposed DCC rates, when compared to the current average house prices (single-family and multi-family) represent approximately 2% of the average house price, and are comparable to the similar ratios from the average previous rates.

¹ Victoria Real Estate Board. MLS Home Price Index, 8 Aug. 2018, https://www.vreb.org/media/attachments/view/doc/statsrelease2018_05/pdf/May.