

## ADMINISTRATIVE REPORT



**TO:** Electoral Area Services Committee

**FROM:** J. Zaffino, Chief Administrative Officer

**DATE:** May 21, 2026

**RE:** Development Cost Charge (DCC) Bylaw Update (X2025.001-DCC)

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### Administrative Recommendation:

**THAT the Development Cost Charge Bylaw and Capital Expenditure Cost Bylaw Repeal Bylaw No. 3113, and Okanagan Falls Sanitary Sewer Development Cost Charge Amendment Bylaw No. 2486.03 be initiated;**

**AND THAT the EA Services Committee supports the remaining Local Government Housing Initiatives (LGHI) Funding of \$216,667.00 be allocated to a capacity modelling/analysis of the Naramata Water System;**

**AND THAT the EA Services Committee supports the funds be directed to the Naramata Water System - 2026 Phase of Capital and Master Plan Model Update project already on the 2026 Strategic Priorities List;**

**AND THAT the EA Services Committee directs staff to prepare a budget amendment reflecting the reallocation of LGHI Funding for consideration by the Board.**

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### Alternatives:

1. Status quo;
2. THAT Development Cost Charge (DCC) Bylaw Update be abandoned and removed from the 2026 Strategic Priorities List (Item No. 24.160.2);

AND THAT the remaining Local Government Housing Initiatives (LGHI) Funding of \$216,667.00 be allocated to a capacity modelling/analysis of the Naramata Water System;

AND THAT the funds be directed to the Naramata Water System - 2026 Phase of Capital and Master Plan Model Update project already on the 2026 Strategic Priorities List.

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### Proposal:

The purpose of this report is to present options and seek further direction from the Board with respect to the development cost charge (DCC) and capital expenditure charge (CEC) bylaws project.

**Strategic Priorities:** 5.2 Optimize Development Approval Function

### Statutory Authority:

Under Section 559 of the *Local Government Act*, the Board may, by bylaw, impose development cost charges (DCCs) on every person who obtains:

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a) *approval of a subdivision, or*

b) *a building permit authorizing the construction, alteration or extension of a building or structure.*

Importantly, the Board cannot impose DCCs in relation to other authorizations such as the issuance of a business licence or the provision of a service connection related to water or sewer.

The funds collected by the imposition of DCCs can be used to assist the Board in paying the capital costs of providing, amongst other things, sewage, water, fire protection, solid waste and recycling facilities, and park land.

Under Section 564 of the Act, a DCC bylaw adopted by the Board must specify the amount of the charge(s) being imposed and take the following, amongst other things, into consideration:

- future land use patterns and development;
- the phasing of works and services;
- whether the charges are excessive in relation to the capital cost of prevailing standards of service; and
- whether the charges will deter development or discourage the construction of reasonably priced housing or the provision of reasonably priced serviced land.

#### Improvement Districts:

Under Section 698 of the Act, an improvement district board has many of the same authorities as a regional district board to implement charges on new development to assist with capital costs. This includes implementing bylaws to, amongst other things, establish charges for capital expenditures payable to the improvement district as well as the times at which these charges are to be paid.

It is understood, based on capital expenditure charge (CEC) bylaws adopted by improvement district's that have subsequently been acquired by the Regional District, that triggers for the payment of these charges have either been subdivision or requests for service connections.

#### **Background:**

The following DCC and CEC bylaws are currently being administered by the Regional District:

- Naramata Irrigation District Comprehensive CEC (Water) Bylaw No. 443, 1994;
- Naramata Water System DCC Bylaw No. 1804, 1997;
- Faulder Community Water System DCC Bylaw No. 1894, 1998;
- Olalla Improvement District Mobile Home CEC Bylaw No. 24, 1976;
- Olalla Improvement District CEC Bylaw No. 32, 1976;
- Okanagan Falls Sanitary Sewer DCC Bylaw No. 2486, 2009;
- Okanagan Falls Irrigation District Comprehensive CEC Water Bylaw No. 371, 2012;
- Sun Valley Irrigation District CEC Subdivision Bylaw No. 14, 1988; and
- West Bench Irrigation District CEC Subdivision Bylaw No. 101, 1991.

It is considered good practice to update a DCC Bylaw every five (5) years in order to ensure that the estimates of new development and infrastructure costs are kept current.

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### Local Government Housing Initiatives (LGHI) Funding:

On January 17, 2024, the provincial government announced that it would be providing \$51 million in grant-based funding “to all municipalities, regional districts and the Islands Trust – a total of 188 local governments – in British Columbia. This funding is intended to support local governments to meet the new legislated requirements.”

On January 31, 2024, the province transferred \$232,650 to the Regional District in order to assist with the legislative changes required to support housing initiatives, including, amongst other things, Small-Scale Multi-Unit Housing (SSMUH).

At its meeting of January 9, 2025, the Board subsequently resolved that the remaining grant funding, totaling approximately \$216,667, be allocated to the Development Cost Charge (DCC) Bylaw Review.

### **Analysis:**

It is considered best practice to conduct a major DCC update at least every five years as a valid DCC bylaw requires current growth assumptions, a reviewed capital program, removal of completed projects, and updated technical calculations.

This is particularly important considering that DCCs and CECs are only intended to fund the specific capital infrastructure projects that were used to calculate and establish the charge.

If the infrastructure originally identified to support the imposition of charges has subsequently been built, then the DCCs or CECs should no longer apply and should not continue to be collected (e.g. continuing to collect charges may not be valid).

Of concern, a majority of the Regional District’s DCC and CEC bylaws date from the 1970s to the 1990s and have not been updated since their adoption.

As the CEC bylaws were inherited from former irrigation districts, it is currently unknown if the technical documents prepared to justify the charges are retained by the Regional District, and if the status of the projects identified to benefit from the collection of charges have been completed.

### Naramata DCC/CEC Bylaws

In addition to the Naramata bylaws having been adopted over 30 years ago, a DCC bylaw may not be the most appropriate funding mechanism for the water system in future given existing infrastructure capacity, growth limitations, and land use policy constraints (e.g. proposed removal as a “growth area” under the Regional Growth Strategy (RGS) Bylaw).

The current water system can only accommodate growth in the area of the Village, with other areas requiring system upgrades. However, due to these same areas not being identified for future growth under amendments to the RGS, the upgrades required to provide them service should not be included in any future DCC program.

Compounding this is an apparent lack of support by the community to undertake the development of a community sewer system. The absence of a community sewer system significantly limits opportunities for increased density and underscore the unsuitability of a new DCC bylaw for this community.

Where development does occur in future, “Development Agreements” may be the most suitable mechanism for addressing project-specific infrastructure costs.

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### Okanagan Falls DCC/CEC Bylaws:

Unlike Naramata, Okanagan Falls is to remain a designated “growth area” under the RGS Bylaw and its DCC and CEC bylaws have both been enacted as recently as 2009 (DCC) and 2012 (CEC).

However, given the anticipated increase in charges as has been seen in other local government DCC bylaws that have been review recently as well as the pending incorporation of Okanagan Falls as a District Municipality, Administration considers that any decision regarding infrastructure funding should be deferred to the new Council.

With regard to the proposed amendments to the Okanagan Falls Sanitary Sewer Development Cost Charge Bylaw, this is in order to carry forward the ability of the Board and, in future, the Council for Okanagan Falls to consider the waiver of DCC’s in relation to “eligible development”. This is due to the proposed repeal of the Regional District’s DCC Waiver Bylaw No. 2803, 2018.

### Project Timeline:

When the remainder of the provincial LGHI Funding was reallocated to the DCC & CEC Bylaw Review project in January of 2025, Administration anticipated this project would be completed by the end of that calendar year and prior to the provincial reporting deadline for having used the funding to assist with housing initiatives.

While the provincial funding program is understood to have been successful in enabling local governments to advance various SSMUH initiatives throughout 2024 & 2025, its province-wide rollout created a concentrated, one-time increase in demand for a relatively small pool of specialized consulting firms.

As a result, many local governments – including the Regional District – were competing simultaneously for the same professional consulting services to assist in the completion of projects such as the review of DCC bylaws.

This competition resulted in the Regional District being unable to secure a consulting firm to assist with the project until late 2025. Consequently, there is a significant concern that this project can no longer be completed prior to the 2026 local government elections.

### Inflationary Period:

Administration is further aware that a significant inflationary period has occurred since 2020 (approx.) and that many DCC Bylaws adopted prior to this date likely no longer reflect the actual capital costs of projects identified by a local government when determining their DCC rates.

Consequently, it is understood that local governments that are currently reviewing their DCC Bylaws are considering significant increases to their charges. By way of example, the Town of Osoyoos is proposing increases of between 196% and 385% from the rates it previously adopted in 2016.

Given the age of many of the Regional District’s current DCC and CEC Bylaws, Administration is concerned that the potential increase in charges as part of any new bylaw could be substantial.

### Recommendation:

In light of all these considerations, Administration considers that the DCC Bylaw Review project should be revised in order to repeal all of the current DCC & CEC bylaws – with exception of the water

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(CEC) and sewer (DCC) bylaws for Okanagan Falls – and reallocate the LGHI funding to asset management and capital planning for the Naramata water system.

Alternatives:

Conversely, the option to proceed with the project as proposed is available to the Board, however, this would present logistical challenges in relation to the pending incorporation of Okanagan Falls. Administration is concerned about the LGHI funding that was provided for projects in the Electoral Areas will primarily be benefiting a new municipality.

Alternately, the DCC Bylaw Review project may be abandoned and the provincial LGHI funding re-allocated to another eligible project.

This would result in all existing DCC and CEC bylaws, including charges that are known to be outdated and not reflective of current costs, remaining in place for the foreseeable future. For the reasons outlined above, this is not seen to be a desirable outcome.

Summary:

Administration supports repealing outdated bylaws and reallocating the remaining LGHI funding to a capacity modelling and analysis of the Naramata Water System in order to better inform future infrastructure and DCC decisions.

**Financial Implications:**

The proposed repeal of the DCC and CEC bylaws is not anticipated to result in significant financial impacts to the Regional District as a majority of the related reserve funds currently hold no monies and no charges have been collected in recent memory. As of March 2026, the following accounts are carrying the following balances:

Account No.	Reserve	Balance (March 2026)
7601	Okanagan Falls Sewer DCC Reserve	\$107,585.49
7605	Okanagan Falls Water CEC Reserve	\$281,128.32
7610	Faulder Water System DCC Reserve	\$14,185.47
7650	Olalla Water System CEC Reserve	\$7,643.13
	Olalla Mobile Home CEC Reserve	\$0
	Naramata Water System CEC Reserve	\$0
7660	Naramata Water System DCC Reserve	\$360,813.37
	Sun Valley Water System CEC Reserve	\$0
	West Bench Water System CEC Reserve	\$0

Where reserve fund balances do remain, any monies collected under the existing bylaws would continue to be held and expended in accordance with the requirements of the *Local Government Act* and applicable reserve fund restrictions.

While the repeal of the bylaws would remove the ability to collect future DCCs or CECs in established areas, repeal of the bylaws does not eliminate the Regional District’s ability to establish new DCC bylaws in the future should growth patterns, infrastructure planning, or servicing needs warrant reconsideration of such mechanisms.

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Although DCCs and CECs may no longer be an appropriate funding mechanism in these service areas, the repeal of the bylaws does not remove the need to recover the cost of providing new or upgraded utility connections. To ensure water and sewer systems remain financially sustainable, updated connection charges will be established for each utility. These charges will apply at the time of construction or servicing of a new or vacant lot, or where an existing service is upgraded to accommodate increased demand, and will reflect the actual cost of providing system capacity and connection infrastructure.

**Communication Strategy:**

It is proposed that any repeal of DCC and/or CEC be notified as follows:

- Written notice to industry groups (e.g. Canadian Home Builders' Association) and relevant consulting firms;
- Website Update (e.g. explaining that the bylaws have been repealed and are no longer in effect);
- Public Notice (e.g. Bulletin Board, Voyent Alert and newspaper advertisements).

Will a PowerPoint presentation be presented at the meeting?    Yes

**Respectfully submitted:**

**Endorsed By:**



C. Garrish, Senior Manager of Planning

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**Endorsed By:**



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