Ministry of Housing and Municipal Affairs

Local Government Infrastructure and Finance Branch
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CIRCULAR

Circular No. 25:17

December 10, 2025

To: Local Government Financial Officers

Re: Changes to Regulation for Payment of Development Finance Charges by Instalments

The regulation (Development Cost Charge and Amenity Cost Charge (Instalments) Regulation) that enables developers to pay certain development finance charges by instalments has been amended, effective January 1st, 2026. The purpose of this circular is to describe the amendments. The regulation was amended in five ways.

1. Timeline for payment of instalments
2. Number of instalments
3. Discretion for qualified developers to use on-demand surety bonds
4. Application to School Site Acquisition Charges
5. Transitional measures

The goal of the amendments is to encourage housing development by providing a useful tool for developers to delay the payment of development finance charges and maintain organizational equity for future projects while protecting local governments from undue risk of non-payment. Note that similar amendment to a regulation has been adopted for Development Cost Charges (DCCs) payable to Translink.

1) Timeline for payment of instalments

The regulation has been changed from requiring the full payment of a charge within two years after the date that the subdivision is approved or the building permit is granted to the earlier of

a) four years after the date, or;
b) 15 business days after all required occupancy permits have been issued and the local government gives written notice to the developer that the conditions, if any, in those permits have been satisfied and payment of the balance of the charge is due.

It was found that the two-year period did not correspond well with the cash flow experienced by developers through the development and sales or rental process. The earlier of four years or occupancy is expected to better reflect the flow of cash during that process. Local governments should have a template notice ready to use to ensure timely payment.

The condition for occupancy permits only applies if they are required under the bylaws for the local government for the development in question. This means that the local government must have adopted a bylaw that requires occupancy permits to be issued after construction of, or certain changes to a building.

Local governments use occupancy permits in different ways, but all occupancy permits related to a development or building in a development must have been issued before the 15 business day period begins. If a development has multiple buildings, each of which will receive a building permit and an occupancy permit, the requirement for instalment payment should correspond to the buildings for which a development finance charge was made payable.

2) Number of instalments

The regulation has changed from requiring three payments of 1/3 of a charge payable at the time of the approval of the subdivision or granting of the permit, after one year and within two years. The regulation now requires 1/4 of a charge to be paid at the time of the approval of the subdivision or granting of the permit, and that the remainder be paid by the earlier of the times described in 1) above. Interest does not accrue between payments.

3) Discretion for qualified developers to use on-demand surety bonds

Prior to amendment, the regulation described two options for the security that a developer must provide if a charge was to be paid by instalments. However, the discretion as to which type of security was acceptable was entirely with the local government treasurer. Most local governments required deposit of an irrevocable letter of credit issued by a financial institution as it provides absolute security for them and is easily called on to provide cash in the event of non-payment. However, a letter of credit requires collateral to be deposited with the issuer to ensure the developer can cover the financial liability. This can be a significant challenge for developers as that collateral is then unavailable for other business activities until a charge is paid. As a result, few developers made use of the instalments option.

Another financial surety option, the performance bond, was not preferred by local governments because of the challenges to convert the bonds into cash when developers defaulted on payments. Disputes with the bond agency could require involvement of the courts, which is administratively onerous, time-consuming and costly for local governments. The amended regulation gives qualified developers the discretion to deposit an on-demand surety bond with the local government as security, as opposed to discretion given to the local government to decide what type of surety it would accept.

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The new regulation specifies an on-demand surety bond (bond) as one of the financial security options a qualified developer can provide if a charge is to be paid by instalments. An on-demand surety bond is like an insurance policy and combines attributes that are desirable to both a developer and a local government. The bond is secured with premium payments by a developer and does not require deposit, freeing equity for use elsewhere in the business. The bond is easily called on by local governments, with no requirement to prove nonpayment by the developer.

However, these attributes depend on the ability of a developer to qualify with an issuer for this type of bond. The amended regulation requires the issuer themselves to have a high credit rating from one of several major credit rating agencies. An issuer will perform a due diligence investigation into the financial quality of a developer and a project prior to issuing a bond. If a development qualifies with an acceptable issuer, a local government is required to accept a bond as security for the unpaid instalments.

If the instalments are unpaid after the period described in 1) above, the local government may demand that the issuer honour the bond by written notice that states that the developer has failed to pay the balance of a charge owing and the amount owing. The issuer must pay the amount owing within 15 days of receipt of the notice. Neither the developer nor the issuer can object to the payment of the bond.

An issuer may not terminate a bond unless it has given the local government and the developers written notice 90 days before the date it intends to terminate the bond, and the developer deposits another acceptable bond at least 30 days before the issuer intends to terminate the bond.

4) Application to School Site Acquisition Charges

Prior to the amendment this regulation enabled Development Cost Charges and Amenity Cost Charges to be paid by instalments. The amended regulation adds School Site Acquisition Charges to those that may be paid by instalments. As a result, the regulation has been renamed from the Development Cost Charge and Amenity Cost Charge (Instalments) Regulation to the Development Charge (Instalments) Regulation. School Site Acquisition Charges are imposed under Part 14 – Planning and Land Use Management Division 20 — School Site Acquisition Charges of the *Local Government Act* on residential developments in certain School Districts to help finance the acquisition of land on which schools will be built.

5) Transitional measures

So that local governments and developers could prepare, the regulation will be made effective on January 1, 2026. The intent of the new regulation is that it applies only to developers who make a first instalment payment on or after January 1, 2026.

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However, because local governments may choose an acceptable security under the current regulation, they may consider requests from qualified developers with development finance charge instalments payable to convert existing irrevocable letters of credit into on-demand surety bonds prior to the amended regulation becoming effective.

For questions and more information, please contact Joshua Craig at joshua.craig@gov.bc.ca