



**REPORT TO REGIONAL WATER SUPPLY COMMISSION
MEETING OF WEDNESDAY, SEPTEMBER 25, 2024**

SUBJECT **Proposed Regional Water Supply - Development Cost Charge Program and Bylaw Update**

ISSUE SUMMARY

To provide the Regional Water Supply Commission (Commission) with an update on the Development Cost Charge (DCC) program. This update includes the presentation of the Capital Regional District (CRD) Regional Water Supply (RWS) DCC: Engagement Summary (Volume 2) and Draft RWS DCC Background Report which summarizes the program development to date. In addition, staff are seeking direction to undertake additional engagement related to this program.

BACKGROUND

At its May 17, 2023 meeting, the Commission provided direction to implement the proposed DCC bylaw through a three phase process aligned with the DCC Best Practices Guide from the Province of British Columbia.

The proposed RWS DCC program and bylaw development process has been structured into three phases:

- Phase 1 – Conceptualization (Completed - May 17, 2023)
- Phase 2 – Refinement and Consultation (In progress)
 - Engagement Summary Vol 1 - Municipal Staff and Councils (Dated - Mar 13, 2024)
 - Engagement Summary Vol 2 – Public and Development Community (Dated - Sept 5, 2024)
 - Draft RWS DCC Background Report – September 2024
- Phase 3 – Implementation

Between September 2023 and March 2024, staff undertook the first portion of Phase 2, which included meeting with, and presenting to, municipal staff and Mayors and Councils from each member municipality. The purpose of these meetings was to confirm the municipality's most recent growth estimates, inform the municipalities of the pending DCC bylaw, and to answer any immediate questions surrounding the initiative. A summary of this municipal engagement, CRD RWS DCC: Council and Staff Engagement Summary (Volume 1) was appended to the March 20, 2024 staff report for the Commission's consideration.

Concurrent to the municipal council engagement, in November 2023, the CRD prepared and posted a RWS DCC webpage. The intent of this website was to ensure information about the RWS DCC project was made publicly available prior to formal engagement. The webpage content includes relevant background information and details on the proposed RWS DCC program including next steps. The webpage will continue to be updated as the program advances.

A Public Engagement Plan for the proposed RWS DCC was developed in alignment with the CRD's Public Participation Policy and the DCC Best Practices Guide. The Engagement Plan proposed launching a "Get Involved" engagement webpage including a ten-question survey and hosting two virtual information sessions: one for the public and one for the development community by invitation. A virtual platform was selected as the preferred engagement method to

help accommodate the participants and allow for interested parties from outside the region to participate.

At its April 17, 2024 meeting, the Commission provided direction for CRD staff to proceed with the Public Engagement Plan for the proposed RWS DCC program. The Commission also directed staff to explore options for DCC waivers or reductions for eligible forms of development.

RWS DCC ENGAGEMENT

Virtual Information Sessions

As outlined in the Public Engagement Plan, the project team hosted two virtual information sessions in June 2024, one for the public and one for the development community. The purpose of these information sessions was not to collect information, but to answer questions to allow attendees to be in a better position to submit informed feedback through the online survey.

Prior to hosting the public and development community information sessions, the CRD advertised the upcoming sessions (and the survey) through several media outlets including the Black Press newspapers, Times Colonist, social media, (Facebook, X, LinkedIn), and a Media Release.

On May 30, 2024, invitations for the development community virtual information session were distributed through the Urban Development Institute (UDI), Canadian Homebuilders Association, Sooke Builders Association, Vancouver Island Construction Association, Victoria Residential Builders Association, and the Westshore Developers Association. A sample invitation letter is included in Attachment A of the Engagement Summary, Volume 2 (Appendix A).

The public session was held on June 19, 2024 with over 40 attendees and the development community session was held on June 20, 2024 with over 50 attendees. The sessions consisted of the CRD and Urban Systems Limited (USL) presenting on the background of DCC's, progress to date for the RWS DCC program, draft rates and program components, timelines and next steps.

At the end of the presentation period, attendees were able to submit questions to the project team (via the chat function), which were verbally answered and discussed in further detail. As the questions were answered verbally, each information session was recorded and posted to the "Get Involved" webpage for future reference, or for those who were unable to attend the sessions.

A copy of the presentations and a complete transcript of all questions asked at the two virtual information sessions is available in Attachment E through H of Appendix A.

Common themes of questions and feedback received during the information sessions are summarized in Sections 3 and 4 of Appendix A.

After hosting the two virtual information sessions, a request for further in-person engagement was received from the UDI. An in-person meeting was held at the CRD offices on September 10, 2024. Those in attendance included members of the development community, the CRD Chair, the Commission Chair, the MLA for Langford - Juan de Fuca and senior CRD staff. Questions were submitted in writing prior to the meeting and a letter of response is attached (Appendix C).

“Get Involved” Webpage and Survey

The CRD’s “Get Involved” engagement webpage for the RWS DCC was posted on May 29, 2024 and included a number of resources such as Frequently Asked Questions, project timelines, supporting resources, DCC background information, and related CRD corporate documents.

The “Get Involved” webpage included a ten-question survey used to gauge public understanding, interest and support for the proposed RWS DCC program. The survey included an open-ended question for respondents to provide any additional feedback on the proposed DCC program. The survey remained open from May 29 until July 5, 2024, and there were 231 respondents. The survey questions, a summary of survey results, and feedback received through the open-ended question are all included in Attachment C and D of Appendix A.

Key questions related to the DCC program:

1: In your opinion, who should pay for water infrastructure upgrades required to service growth?

Of the 239 responses received:

- 108 (45.2%) indicated that a combination of existing users and new development should pay for the water infrastructure upgrades required to service growth.
- 95 respondents (39.7%) selected the option that new development should pay through the proposed RWS DCC program.
- 24 respondents (10%) chose the existing users option, which would be funded through water user rates.
- 12 respondents (5%) were unsure or undecided.

2: Do you agree or disagree with the proposed Regional Water Supply Development Cost Charges as a mechanism for cost-sharing future infrastructure related to growth.

Of the 239 responses received:

- 108 (45.2%) respondents indicated either their strong support (54 respondents, 22.6%) or their support (54 respondents, 22.6%) for the proposed RWS DCC program.
- 94 respondents (39.4%) indicated either their strong disagreement (58 respondents, 24.3%) or disagreement (36, 15.1%) with the proposed RWS DCC program.
- 37 respondents (15.5%) were neutral about the program.

First Nation Engagement

On May 29, 2024, a letter was sent to local First Nations informing them of the proposed RWS DCC bylaw, upcoming virtual information sessions, online survey opportunity and an offer for additional information session(s). A sample letter is included in Attachment B of Appendix A.

Feedback was received from MĀLEXEĒ (Malahat), Songhees and Sc'ianew (Beecher Bay) First Nations. Follow up meetings were held with Malahat and Sc'ianew First Nations at their request, while a written response was provided to Songhees First Nations. Both Malahat and Sc'ianew First Nations have requested further information on the implications of the DCC program on Treaty Lands.

DRAFT RWS DCC BACKGROUND REPORT

The Final RWS DCC Background Report will be submitted to the Inspector of BC Municipalities prior to final bylaw approval. The Draft RWS DCC background report has been updated with

details previously presented during the engagement period and is included as Appendix B. The draft report includes residential and non-residential growth rates, summarizes growth related/benefiter pays projects and calculates the proposed DCC rates by land category. The calculations within the report also include the DCC benefit factor for each project and the Municipal Assist Factor of 1%, as directed by the Commission at its April 17, 2024 meeting. The DCC Background report will also include a summary of the engagement and consultation with interested parties undertaken as part of the program development once complete.

NEXT STEPS

Based on feedback received regarding the limitations of the virtual information sessions and requests for an opportunity to review the full content of the Draft RWS DCC Background Report, staff have committed to publishing the Draft RWS DCC Background Report prior to bylaw adoption and exploring the potential for further engagement related to the Draft RWS DCC Background Report. Further engagement would generally utilize the CRD's "Get Involved" engagement platform along with a comment form, issuing an information bulletin and promoting the opportunity through social media and paid advertising. The addition of a further comment period would delay the program by a minimum of three months but would provide a more defensible engagement process and allow comment on the details of the cost apportionment and population projections not fully detailed previously.

Staff are recommending that the public engagement plan be amended to allow this additional comment period of 30 days for both the Development Community and the public. The feedback from this comment period will be summarized and presented with the DCC bylaw recommendation tentatively scheduled for December.

Concurrently, the CRD is seeking a legal opinion related to DCCs and Aboriginal and Treaty Lands. The scope of the legal opinion is to obtain a summary of a regional district's powers to waive, reduce, or credit DCCs as they relate to Reserve lands under the *Indian Act*; Additions to reserve lands under the *Indian Act*; Treaty settlement lands; and Fee simple lands within the boundary of an electoral area or municipality owned by a corporation controlled by an *Indian Act* band. This topic will be addressed in a separate DCC waivers or reductions staff report, with a copy of the legal opinion once received. The CRD will continue having government-to-government conversations and working directly with interested First Nations to answer any questions related to the proposed DCC program.

Staff plan to bring forward staff reports in December related to options for DCC Waivers or Reductions, the draft DCC Bylaw for first, second and third readings before issuance to the BC Inspector of Municipalities for approval (pursuant to the BC Local Government Act) as well as, additional public and interested parties engagement, if directed by the commission.

Once reviewed and approved by the Inspector of Municipalities, the bylaw would return to the CRD Board for adoption.

Once adopted, Phase 3 – Implementation, would commence which would include aiding the member municipalities with the implementation and ongoing effort to collect and remit DCC's to the CRD. Some municipalities already collect DCC's and others do not, and therefore may need assistance to prepare.

ALTERNATIVES

Alternative 1

That staff be directed to complete further public and development community engagement related to the draft Regional Water Supply Development Cost Charges Background Report, attached as Appendix B, prior to drafting the Regional Water Supply Development Cost Charge Bylaw.

Alternative 2

That staff be directed to draft the Regional Water Supply Development Cost Charges Bylaw, without further public and development community engagement.

IMPLICATIONS

Regulatory and Policy

The implementation of the proposed RWS DCC program and bylaw aligns with the CRD 2023-2026 Corporate Plan, and the RWS 2017 Strategic Plan. Without a DCC bylaw and related revenue due to growth, the existing users of the service are burdened with the cost of growth including infrastructure upsizing and water supply expansion.

DCC bylaws are subject to review and approval by the Inspector of BC Municipalities under the legislative context of the *Local Government Act*. Although there are no mandatory public consultation activities listed in the DCC legislation, the Inspector of BC Municipalities may refuse approval of a DCC bylaw if the DCC's are found to be excessive, deter development or discourage construction of reasonably priced housing. Proof of a meaningful public process to obtain input from interested parties must be demonstrated for the Inspector's review of the DCC bylaw. In reviewing the future RWS DCC bylaw, the Inspector of BC Municipalities will review the CRD's engagement process to ensure a meaningful public process was undertaken to obtain input from interested parties prior to first reading of the DCC bylaw.

Financial Implications

Without a DCC program and bylaw, the existing users of the service will continue to be burdened with the infrastructure costs related to growth and as growth occurs, remaining system capacity will be depleted. Many pending growth-related capital expenditures have been identified in the Capital Plan and the Regional Water Supply 2022 Master Plan.

Intergovernmental Implications

The administration, collection, and remittance of DCC's requires involvement by both the CRD and the member municipalities and the roles and responsibilities can vary. It is recognized that a proposed DCC bylaw would be an increase in administrative effort for municipalities and some municipalities do not have existing DCC programs to build upon. The CRD would work with each member municipality to ensure they prepared to administer the DCC program and bylaw.

Social Implications

The cost of housing has increased significantly, including social housing, and a proposed DCC would be another financial burden to the cost of development. The *Local Government Act* allows for local governments to waive or reduce DCC charges for certain types of developments including not-for-profit rental housing, supportive living housing, for-profit affordable rental housing, subdivision of small lots designed to result in low greenhouse gas emissions and developments designed to result in low environmental impact.

At its April 17, 2024 meeting the Commission directed staff to report back with options for implementing DCC waivers or reductions, and a staff report will be coming forward in late fall or early winter outlining the options.

First Nation Implications

The proposed DCC bylaw would not apply to development on First Nations reserve lands as local municipal and regional district bylaws are not valid on First Nation lands. The CRD has sent a letter to the First Nations advising them of the proposed DCC program and to indicate that the program would not apply to First Nations reserve lands.

The introduction of a DCC program would benefit First Nations that receive water from the Regional Water Service, similar to existing municipal residents, the DCC program would mitigate future bulk water rate increases for the First Nations related to growth. At this time the implications of the DCC program on DCCs and Treaty Lands is unknown and being explored.

CONCLUSION

The Regional Water Supply Commission (Commission) directed staff to undertake engagement with interested parties on the proposed Regional Water Supply Development Cost Charge (DCC) program. The Capital Regional District has undertaken engagement through an online survey and two virtual information sessions (one for the public and one for the development community). Feedback received through this process is presented in this staff report for the Commission’s review and consideration when finalizing details of the proposed Regional Water Supply DCC bylaw and program. The Draft Regional Water Supply DCC Background Report has been presented, which will be submitted to the Inspector of BC Municipalities prior to the DCC bylaw approval. Staff are seeking direction to undertake further engagement to allow feedback on the Draft Regional Water Supply DCC Background Report.

RECOMMENDATION

That staff be directed to complete further public and development community engagement related to the draft Regional Water Supply Development Cost Charges Background Report, attached as Appendix B, prior to drafting the Regional Water Supply Development Cost Charge Bylaw.

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ATTACHMENT(S)

Appendix A: Urban Systems – CRD RWS DCC: Engagement Summary (Volume 2) dated September 5, 2024

Appendix B: Urban Systems – Draft RWS DCC Background Report – September 2024

Appendix C: Urban Development Letter, dated September 5, 2024
CRD Letter to UDI, dated September 16, 2024