

Memo

CRD

TO: Regional Water Supply Commission

FROM: CRD Staff

DATE: March 12, 2024

SUBJECT: **Regional Water Supply (RWS) Development Cost Charge Program
Municipal Assist Factor – Supplemental Information**

Subject:

To provide the Regional Water Supply Commission (Commission) with additional background information, options, and examples with respect to the Municipal Assist Factor (MAF) to be applied in the ongoing development of the Regional Water Supply (RWS) DCC program.

Background:

The Local Government Act (LGA) requires local governments to provide a level of financial assistance to a DCC program through a Municipal Assist Factor (MAF). In this case, the CRD is the local government and is required to provide assistance. The MAF is a discretionary tool and is applied across the entire DCC program rather than being applied to specific projects. The MAF ultimately reflects the CRD Board's desire to encourage development and is a political decision to be made prior to bylaw adoption.

For reference, the MAF is discussed in further detail in the Province's *Best Practices Guide* and the *Guide for Elected Officials*.

The MAF can vary between a minimum of 1% (least amount of assistance) and a maximum of 99% (highest amount of assistance). Typically, growing communities in BC select a MAF between 1% and 10%.

The amount of assistance provided through the MAF would need to be funded through non-DCC sources, and in the case of the Regional Water Supply Service, would need to be funded through bulk water rates. Member municipalities would not be responsible for funding the MAF.

In March 2023, when presented with a survey, the Water Advisory Committee (WAC) indicated a majority preference (six of seven in favour) for proceeding with a MAF of 1%. To date, the draft RWS DCC program has included the minimum MAF of 1% at the direction of the Commission and WAC, and to remain consistent with the CRD's existing DCC bylaws (JDFWD and SPW & WW).

Table 1 below compares MAF's of various municipal DCC programs within the region.

Table 1 - Examples of Municipal Assist Factors in the CRD

Municipality	DCC Bylaw # / Service	MAF
CRD	Bylaw No. 3208 (SPW)	1% (Rates set at \$0)
CRD	Bylaw No. 3208 (SPWW)	1%
CRD	Bylaw No.1 (JdFWD)	1%
District of Saanich	Bylaw No. 9553 (water)	1%
District of Sooke	Bylaw No. 775 (all services)	1%
City of Victoria	Bylaw No. 22-060 (all services)	1%
District of Central Saanich	Bylaw No. 1889 (all services)	1%
City of Colwood	Bylaw No. 1836 (roads)	1%

Introduction of MAF Options

Through initial engagement with municipal staff and councils (and initial correspondence received through the development community), the feedback received indicates that the draft DCC rates at a 1% MAF are significant and may have an impact on development in the region. This is in part due to current economic conditions (interest rates, supply/demand, construction costs, etc), and the housing affordability crisis.

In response to this feedback, options for the MAF will be presented in the following sections. Staff have included MAF options of 1%, 25% and 50% in this memo for the Commission's consideration to proceed in the engagement process.

There is also the option of phasing-in the MAF, which is discussed further in following sections.

Impact of Varying the MAF on DCC Rates:

Table 2 below shows the impact of varying MAF's (1%, 25%, 50%) on the proposed DCC rates.

Table 2 -Impact of Varying MAF on the Proposed RWS DCC Rates

Development Category	Collection Unit	1% MAF	25% MAF	50% MAF	No DCC
Single Family	Per unit	\$9,044	\$6,852	\$4,568	\$0
Multi Family	Per unit	\$7,914	\$5,995	\$3,997	\$0
Apartment	Per unit	\$5,087	\$3,854	\$2,569	\$0
Commercial	Per GFA in m ²	\$33.92	\$25.69	\$17.13	\$0
Industrial	Per GFA in m ²	\$16.96	\$12.85	\$8.56	\$0
Institutional	Per GFA in m ²	\$73.48	\$55.67	\$37.11	\$0
Projected Water Rate					
Conceptual Maximum 30-year Bulk Water Rate**	per cubic metre	\$2.84	\$3.02	\$3.22	\$3.61

*GFA = Gross Floor Area

** The rate is based on the 2022 Master Plan projects and only considered a change to the MAF for the 30yr term of the DCC. This conceptual water rate does not consider other changes to the capital plan or operating budgets in future years or other funding sources that could influence the rate, such as grant funding.

Impact of Varying the MAF on Forecasted Bulk Water Rates:

When the 2022 Master Plan was introduced to the Commission in 2022, a conceptual rate model was used to depict the theoretical increase in bulk water rates required to provide sufficient funding to carry out the recommendations (capital and operational expenditures) of the 2022 Master Plan. A consistent graph was included in all presentations to Municipal staff and councils to date.

All following graphs in this section assume no senior government grant funding sources, as DCC programs can only be updated to include grant funding sources only when the funding is “in hand”. The CRD would explore grant funding opportunities for large scale capital projects and would update the DCC program appropriately to include this funding source.

Figure 1 below shows the impact of introducing a RWS DCC program with a 1% MAF. Generally, a DCC with a 1% MAF would represent an approximate 20-30% reduction in the required bulk water rate to fund the capital expenditures.

Figure 1 – Conceptual Model of the RWS Bulk Water Rate with DCC's and a 1% MAF

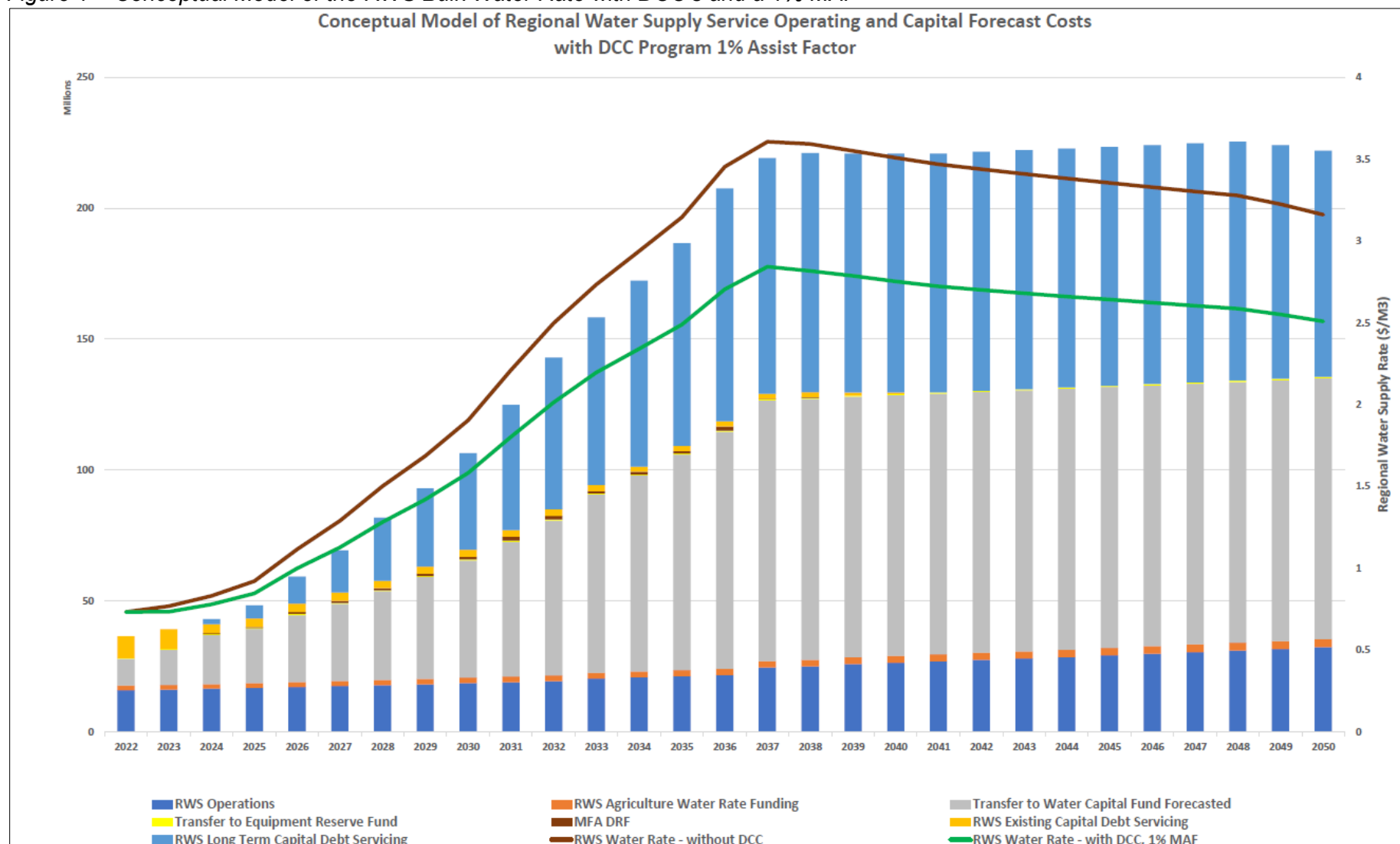
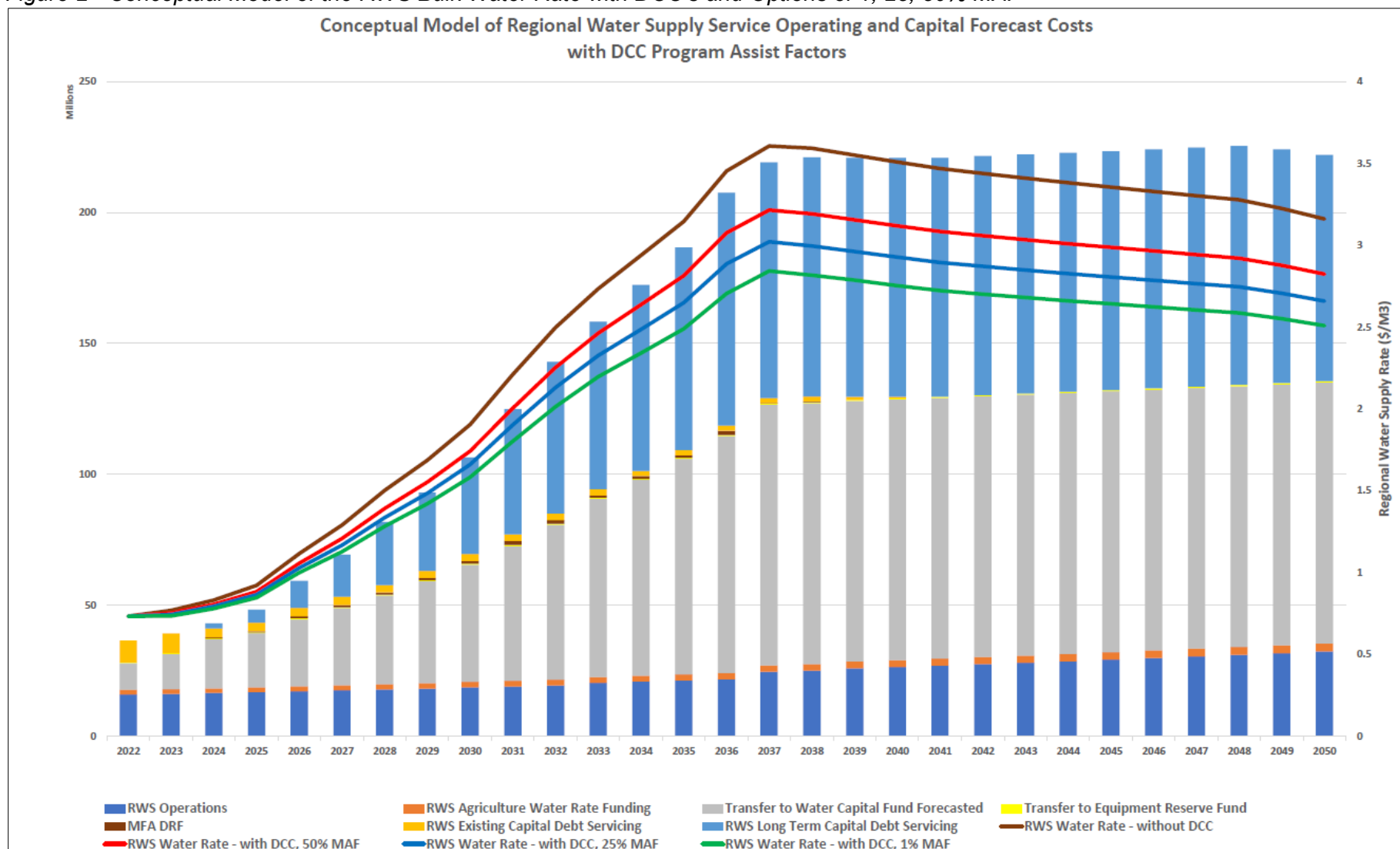


Figure 2 shows the impact of varying MAF's (1%, 25%, 50%) on the theoretical revenue required to be collected through bulk water rates to fund the forecasted expenditures. Generally, a MAF of 1% would have the most impact on the future bulk water rates, as the developers would be responsible for 99% of the identified DCC eligible costs.

Figure 2 - Conceptual Model of the RWS Bulk Water Rate with DCC's and Options of 1, 25, 50% MAF



Phasing-in the MAF:

There is an option to phase-in the MAF over multiple years to gradually implement the development cost charges, which may help lessen the immediate financial impact and provide predictability to developers.

In the March 2023 WAC survey (referenced above), when asked about phasing-in the MAF, the WAC had mixed results (three in favour, two against & two neutral).

The downside of phasing-in a MAF is the added administrative complexity for member municipalities in collecting DCC's on the CRD's behalf. The CRD would need to be diligent in communicating with member municipalities to ensure the correct DCC's were being collected.

Phased MAF Examples

As an example, in 2023, Metro Vancouver introduced a Regional Water DCC with a similar scope and intent, but at a much higher DCC Rate as the proposed CRD RWS DCC Program. The Metro Vancouver Board endorsed the implementation of a phased MAF in the following form:

Table 3- Metro Van Phased MAF Example

Date	Municipal Assist Factor (%)	DCC Rate (Single Family House)
April 28, 2023	Existing 50%	\$6,692
January 1, 2025	45%	\$10,952
January 1, 2026	15%	\$16,926
January 1, 2027	1%	\$19,714

As another example, the District of Saanich has phased-in the MAF for their Transportation DCC in the following form:

Table 4 - District of Saanich Phased MAF Example

Date	Municipal Assist Factor (%)	DCC Rate (Single Family House)
February 25, 2020	20%	\$3,643
February 25, 2021	15%	\$3,897
February 25, 2022	10%	\$4,152
February 25, 2023	5%	\$4,406
February 25, 2024	1%	\$4,610

It is important to note that both of these examples result in a 1% MAF once phased-in.

Alternatives:

Several options and alternatives have been presented to implement a Municipal Assist Factor for the pending RWS DCC program. Staff have presented options for varying levels of assistance (1, 25, 50%), and their resulting implications to both DCC rates and the RWS bulk water rate. The option of phasing-in the MAF was also presented for the Commission's consideration.

Conclusion:

The Local Government Act requires municipalities and regional districts to provide a level of assistance to the DCC program using a Municipal Assist Factor (MAF). The MAF can range

between a minimum of 1% (least amount of assistance) and a maximum of 99% (highest amount of assistance). Typically, growing communities in BC select a MAF between 1% and 10%.

The development of the RWS DCC program has proceeded with a MAF of 1% until this point (upon previous direction from the WAC and Commission). Based on initial feedback received through municipal staff and council meetings to date, CRD staff have summarized various options for the MAF for the Commission's future consideration.