

URBAN ENGAGEMENT SUMMARY
SYSTEMS

DATE: March 13, 2024
TO: CRD Staff
FROM: Shaun Heffernan, Laura Bernier, and Samantha Bowen
FILE: 1692.0050.02
SUBJECT: CRD RWS DCC: Council and Staff Engagement Summary (Volume 1)

1.0 OVERVIEW & EXECUTIVE SUMMARY

As part of the work necessary to prepare the Capital Regional District's (CRD) Regional Water Supply (RWS) Service Development Cost Charge (DCC), staff from the CRD and Urban Systems Ltd. (USL) presented to all municipal staff and Councils within the CRD. Engagement began in September 2023 and is expected to conclude in March 2024. This document provides an overview of all engagement completed to date.

All staff workshops (14 total) are completed and 13 of 14 Council meetings are completed. The executive summary for the Council meetings in **Section 1.1** are based on the meetings already completed. Staff workshops are summarized in **Section 1.2**. Specific notes from each Council meeting can be found in **Section 2.0**.

Due to timelines, the notes from the March 25th Council meeting at North Saanich will not be included in the summary below.

1.1 COUNCIL

Throughout our ongoing engagement with Councils throughout the CRD, most recognize the need to fund important infrastructure and the importance of funding these projects over time, rather than all at once in the future. Councils are supportive of the need for funding to support growth-driven infrastructure and have largely responded positively to the reasonings behind the DCC but are nevertheless concerned about the high project costs and the potential impact of the DCC on housing affordability. Some additional key points include:

Impact on Housing Affordability

Councils throughout the CRD are concerned about the potential loss of both market and affordable housing funds due to high DCCs. They cited the high DCCs in Metro Vancouver as an example. Councils were also concerned about whether developers would, because of the RWS DCC, be disincentivized to build affordable housing and focus on larger and/or luxury homes.

Councils have also expressed some interest in understanding the economic impacts of this DCC on development viability through a formal economic analysis.

Development Viability

The UDI has provided initial feedback on the DCC program in the form of a pointed letter (dated November 14, 2023) that was sent to all Councils in the region. The letter suggests that the proposed DCCs have the potential to impact the viability of some development projects and that some of the DCC project costs identified (i.e., the Water Filtration Plant) may not be required within the 30-year DCC time horizon and are therefore unnecessarily driving up DCC rates. Council meetings after this feedback was provided involved many questions and concerns related to both the letter and the impacts a DCC would have on development viability.

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Engagement

Many Councils expressed a desire to see further consultation, especially with the development community and the public. This is currently planned as a future step of the process if the RWSC decides to proceed and direct the project team to complete further engagement.

Some Councils also asked about engagement with First Nations who are in proximity to some of the proposed projects, however this has not been undertaken as DCCs are not charged on First Nations communities within the CRD.

Projects and Rates

Councils requested clarification on how projects are identified and how each project/the DCC will affect user rates. They also wanted to understand the compounding impacts of multiple overlapping DCCs and Amenity Cost Charges (ACCs) on development viability. Some Councils highlighted that some of the proposed DCC projects were unnecessary and suggested revisiting the CRD RWS 2022 Master Plan to address data concerns. These comments became more common after the UDI published their letter (**Appendix C**), which called into question the data presented in the 2022 Master Plan and other background RWS documents.

Building on UDI's request to have the projects reviewed, some Councils have expressed a desire to see a third party review of the 2022 Master Plan (the main reference document for this DCC) and the projects contained therein. The District of Central Saanich Council recently passed a motion to this effect (see **Appendix E**, Letter of February 14, 2024, Meeting of February 12, 2024).

Addressing Equitability

Some Councils expressed they would like to see a more equitable rate application across land use categories that emphasized higher charges for low-density residential unit types. Councils in municipalities with larger agricultural communities also indicated an interest in ensuring rates (both DCCs and bulk water rates) are equitable for properties zoned for that land use. Please note that DCCs are not applied to agricultural land.

Impacts of Provincial Legislation (Bills 44, 46, and 47)

Many Councils had questions regarding the impacts of new Provincial legislation and how they could influence DCC rates and growth assumptions. The project team has updated and reviewed growth estimates with municipal staff across the CRD to reflect new housing targets issued by the Province.

As greater clarity on the emerging legislation was provided by the Province, these questions became less frequent. There have also been questions about how updates to growth projections and project costs could be adjusted in future; the CRD has committed to major updates every 5 years to ensure changes are reflected in the DCC program. Councils indicated that emphasizing the adaptability of DCC programs is important.

Clarity on Alternative Funding Mechanisms

Councils regularly asked the project team about alternative funding mechanisms. One common question was regarding how these projects would be paid for if the DCC did not go ahead (the user rates would go up instead). Other Councils asked about the possibility of additional grant funding and many suggested increasing the Municipal Assist Factor (i.e., phasing in the DCC).

Many Councils indicated the importance of highlighting how user rates would be affected by (a) the implementation of the DCC, (b) not implementing the DCC, and (c) implementing the DCC with higher Municipal

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Assist Factors. For future consultation with the RWSC, the public, and the development community, there will be a graph prepared with these alternatives.

1.2 STAFF

Staff workshops were one-hour virtual sessions (except for one session that was conducted in-person) held with each CRD municipality between September 2023 to January 2024. During each workshop, the project team (from both the CRD and USL) gave a brief presentation that overviewed the proposed DCC program, growth estimates for the municipality, before providing staff with an opportunity to provide questions and comments. The main objectives of these sessions were to (1) refine growth projections, (2) inform municipal staff about the DCC program, and (3) receive comments. This section overviews the common questions and comments received during these workshops.

Generally, staff were understanding of the need for this DCC and the identified projects. Much like Councils, they also expressed concerns about the high costs and the effect of this DCC on their ability to update (and potentially raise) municipal DCCs.

Growth Projections and DCC Rates

Growth projections from the CRD's Regional Growth Strategy were used to calculate the draft RWS DCC rates. Reviewing these projections was a key part of each staff workshop. Based on staff feedback, these projections were then refined as needed. In most cases, a large portion of the workshop was spent discussing the projections.

As part of this exercise, many staff asked the RWS project team how the growth projections would affect the overall RWS DCC rate. It was explained that these projections are typically conservatively lower to prevent under-collection and that routine revisions will occur on a 5 year frequency.

DCC Collection

Another common question received related to the logistics of municipalities collecting the RWS DCC on behalf of the CRD. For example, one municipality asked whether staff would have to collect the Municipal Assist Factor and remit those funds to the CRD; the assist factor is built into the rate and would not be collected or remitted separately. This is currently practiced for the CRD's Juan de Fuca Water Distribution System and Saanich Peninsula Water and Wastewater DCCs.

When this question arose, it was also explained that municipalities would capture DCCs for the CRD either at the time of subdivision or building permit, depending on the land use.

General Feedback on the DCC

Much like Councils across the CRD, municipal staff understand the need for the growth-related infrastructure that this DCC will help fund but expressed concerns at the high rate and its potential impact on development viability. Municipalities looking to update (and potentially raise) their own DCC rates are also particularly worried about the impact of an additional regional DCC.

2.0 COUNCIL PRESENTATIONS

Following the completion of a staff workshop with a municipality, a presentation to Council was then scheduled. Council presentations began in October 2023 and are ongoing until March 2024.

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Depending on Council procedures in each municipality, presentations ranged from 10-15 minutes (in addition to Q&A). A member of the CRD staff introduced the project, after which a member from the USL team presented an overview of DCCs and the proposed RWS DCC rates. Questions were then welcomed from Council. A sample presentation is provided in **Appendix B** and the covering letter included with the presentation is provided in **Appendix A**.

The below section overviews the questions received from Council to date. Some questions have been modified for clarity.

2.1 DISTRICT OF HIGHLANDS (OCTOBER 16, 2023)

- Some lots are more expensive to service than others, as are some units/houses. Does the DCC rate differentiate between individual lot/unit contexts?
 - Response: Rates are broken down by land-use category. When doing a DCC update, the Bylaw needs to be flexible and consistently applied across the region. Some nuances are considered in land-use category (e.g., secondary suites).
- Is there a collection mechanism for those who have not hooked up to the existing water system in smaller communities like Highlands? Would there be additional costs associated with this?
 - Response: There are mechanisms in place, such as latecomer agreements, that could be investigated in future through a DCC program.
- Will DCC's impact affordable housing? In light of the withholding of funds for affordable housing (see: Vancouver) due to high DCCs implemented by Metro Vancouver, how can we avoid DCC's impact affordable housing or funding for affordable housing? There is some benefit to rate-based model/fee for service.
 - Response: Metro Vancouver's rates are significantly higher than CRD rates and it is hard to compare those rates to those found on Vancouver Island. We do not anticipate that the proposed DCC rate will impact federal housing affordability funding. While DCCs are an additional cost borne by developers, they are not normally a catalyst for increased housing prices; housing costs remain primarily market-driven. There are related tools, such as DCC credits, waivers and reductions, and exemptions that can reduce the impact of DCCs on affordable housing.
- Does the fact that there is the same fee for single-family home sizes incentive developers to build larger homes, as opposed to smaller homes (i.e., would this be a disincentive to affordable housing?)
 - Response: Based on our research, housing prices are primarily influenced by market forces. It is possible that, in order to minimize profit loss, larger houses are built, which would increase their cost. However, the overall impact on infrastructure tends to be relatively consistent across houses.
- Are secondary suites, including existing units or those under construction, as well as any associated zoning changes, considered part of the growth?
 - Response: These are already factored into the single-family unit rate.
- Low-density residential could be 10,000 sq.ft. or 2,500 sq.ft. and the rate would still be the same? How will this affect affordability?

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- Response: DCC rates are driven by impact on infrastructure; not intended to be a tool used to incentivize the uptake of particular land-use types.

2.2 TOWN OF SIDNEY (NOVEMBER 6, 2023)

- Was any consideration given to engaging with developers earlier in the process than is currently planned for, given the large increase to the high-density DCC and its impact on developers?
 - Response: Having the draft rates in-hand supports more meaningful engagement sessions with developers.
- How would the proposed DCC be viewed by higher levels of government, considering the federal government's pause on funding for Burnaby and Surrey due to high Metro Vancouver DCCs, while Sidney currently has a Housing Affordability Fund (HAF) application in?
- There are concerns about affordability, as increased DCCs may lead developers to raise unit prices, affecting homebuyers.
- Council is interested in a more equitable rate application that considers variations in unit sizes, such that a 2400 sq. ft. single-family home pays less than a 4200 sq. ft. single-family home.
- Is there consideration for grants in the rates?
 - Response: The CRD intends to apply for grants for projects; however the DCC program can only include grants that are in-hand.
- There is confusion regarding the different CRD DCCs, suggesting a need for clearer communication about the differences between all the proposed and current DCC programs (e.g., JdF, Saanich Peninsula Water and Wastewater, CAWW, RWS).

2.3 TOWN OF VIEW ROYAL (NOVEMBER 7, 2023)

- Will each new unit have to pay DCC rates according to new provincial legislative changes?
 - Response: Yes.
- What would be the impact if the RWS DCC was not implemented?
 - Response: All costs would be borne by water users, leading to an increase in rates.
- Are the DCCs flexible enough to accommodate potential growth pressures, such as splitting a single-family lot into four units, as outlined in Bill 44?
- Are secondary suites accounted for in the DCC rates?
 - Response: Yes, they are included in the single-family home rate.

2.4 CITY OF COLWOOD (NOVEMBER 14, 2023)

- Two Councillors extensively discussed the timing and infrastructure covered in the DCC program, with a focus on the CRD supporting documentation, including the 2022 Master Plan.

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- Council expressed concerns about the significant impact of the rates on affordability, particularly highlighting the trickle-down effect on homebuyers, and expressed specific concern for how the DCC will affect the younger generation.
- Council raised questions about the data supporting the DCC program, noting that despite a 35% growth rate across the CRD, water demand declined. The rationale behind the DCC is perceived as conflicting with the data presented by the CRD, referencing the Master Plan in this instance.
- Municipalities are uncertain about the impact and details of Bills 44, 46, and 47.
 - Response: The RWS DCC work began before these bills, and DCCs will continue to be a key financial tool.
- Reflecting concerns about data collection, Council suggested revisiting the projects outlined in the 2022 CRD RWS Master Plan.

2.5 TOWNSHIP OF ESQUIMALT (NOVEMBER 20, 2023)

- Is the implementation of this DCC solely up to the CRD board?
 - Response: Yes
- What input do stakeholders have regarding consultation and implementation, and when are developers consulted?
 - Response: Stakeholder engagement with the development community will occur after Council engagements are complete.
- What is the impact of increased rates on consumption, and will raising rates for everyone reduce the need for all projects?
 - Response: Growth is not the sole driver of all projects; there are other considerations.
- Concerns over the RWS DCC's impact on municipalities (citing Metro Vancouver and the Housing Accelerator Funding pause), particularly regarding the large amount and its effect on how much local municipalities can charge and on affordability.
- To fund these projects, the CRD can either increase the bulk water rate or charge DCCs (or a combination of the two); local governments potentially have more tools at their disposal.
- What is the policy rationale for homebuyers absorbing the higher DCC amount, and how does this DCC impact housing costs?
 - Response: When comparing the magnitude of DCCs between the Lower Mainland and Vancouver Island, they are a completely different order of magnitude (with the Island's rates being substantially lower than those on the Mainland). This makes it hard to compare rates.
- Council suggested that the Assist Factor should be higher.
- Question about how growth is calculated for the program.
 - Response: Growth is based on data from the CRD's Regional Growth Strategy and has been refined with staff from each municipality during staff workshops conducted earlier in the fall.
- Council suggested emphasizing how the projects are identified for DCCs to improve clarity and to show Councils how DCCs will affect user rates in the future.

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- Council indicated support for the DCC but acknowledged that the costs are very high and may impact housing. At the same time, infrastructure needs to be funded. This may catalyze action from higher levels of government to create more funding.

2.6 DISTRICT OF OAK BAY (NOVEMBER 27, 2023)

- Public comments about UDI and Bill 44; the public is unhappy with UDI's support of the removal of public hearings from the zoning process.
- Is the DCC payable to the CRD directly or is it collected by the municipality?
 - Response: The CRD has many existing DCC programs, these DCCs are collected by the municipality and then remitted to the CRD after.
- What has the engagement been thus far? Especially with the Province?
 - Response: There has been no engagement with the Province thus far, but their approval will be required later.
- How does the development of the DCC proposal line up with the approval of the Capital Plan?
 - Response: the RWS Master Plan and Capital Plan are tools that identify the projects needed to implement infrastructure that supports growth (these are reviewed by the RWSC) – a number of funding opportunities exist to fund these works, DCCs are one of them.
 - Note from Urban Systems at this time: DCCs are fundamentally a funding tool that do not guide any planning; there is also no obligation to build works identified in a DCC program, programs can and do evolve over time.
- What is the mechanism for reporting/compiling the information for how the DCC is applied/the general transparency of the reporting? How does the DCC affect the entire region?
 - Response: Background information can be found on the CRD website and background documents inform the development of the DCC, which is a technical exercise – supports the Ministry-required background report.
- Regarding HAF funding and Metro Vancouver, what are the concerns about high DCCs and funding loss?
 - Response: those DCCs in Burnaby and Surrey were quite high, a different order of magnitude than those seen on the Island; Metro Vancouver adopted the DCCs and the funding went ahead – DCCs are regulated by the Province, not the federal government.
- Is there a mechanism for non-profit and below-market housing exemptions?
 - Response: there is an option in the LGA to create a DCC reduction bylaw, which is typically separate) – CRD currently does not have any waivers and reductions.

2.7 DISTRICT OF METCHOSIN (DECEMBER 4, 2023)

- How was the RWSC involved in the process, and what are the next steps for the RWS DCC consultation phase?

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- Response: The RWSC was informed throughout the process and approved the consultation phase. The CRD/USL project team will return to them in the spring of 2024 for progress updates and to proceed with development and public consultation.
- Is the assist factor consistent across the CRD, or is it specific to Metchosin?
 - Response: The assist factor is consistent across the CRD, ensuring consistency in the Bylaw.
- What is the response to the UDI's letter questioning the inflationary factors on the project list and arguing that they are too low?
 - Response: If implemented, the DCC bylaw would be reviewed every 5 years, and cost estimates would be adjusted as needed. There is also an option for minor updates every year to adjust costs accordingly.
- How does the DCC affect the existing Metchosin resident?
 - Response: No effect on existing residents, but if a resident chose to subdivide a lot, they would have to pay the DCC.
- What is the alternative if you do not implement the program?
 - Response: The bulk water rate would increase; existing users would pay for growth.
- There are concerns among Metchosin's Council about consultation to date; they are glad to hear that there's more engagement upcoming and that there is growing awareness across the CRD.
- The UDI letter calls into question the inflationary factors on the project list (1.4 billion up to 2.5 billion) and argues that they're too low—Council asked if we had any response:
 - Response: If implemented, the DCC bylaw would be reviewed every 5 years and cost estimates would be adjusted as needed; there's also an option to do minor updates every year and adjust costs accordingly
- Why is there no DCC Bylaw already?
 - Response: There was a draft program in the 90s, but the program didn't go ahead.
- Overall, the Metchosin Council supports the DCC and thinks the benefit allocation work is sensible.

2.8 DISTRICT OF SAANICH (JANUARY 15, 2024)

- Note: 5 members of Council are Regional Water Supply Commissioners.
- Have there been any discussions about DCC reductions for affordable housing?
 - Response: Something that there has been discussion around, but the current focus has been on introducing the program. Any DCC program is eligible for waivers and reductions for not-for-profit and for-profit affordable rental housing. Saanich does have waivers and reductions in place currently. This is typically done through a separate bylaw after the DCC bylaw is adopted.
- Were the impacts of this charge on project viability and housing supply be considered in the development of this DCC program?
 - Response: We have not yet received any direction to complete an economic analysis, but this is something we could explore. With any new DCC, there is an impact on development. When

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- assessing viability for this program, it is important to consider that there are likely to be very different impacts felt across the region. Any reduction to the DCC will drive up water user rates, which will also affect affordability. We hope to hear more feedback on this point through stakeholder engagement.
- Comment from Council: economic analysis will be important.
 - What are the intergenerational impacts of DCCs? (Emphasis placed on equity, housing)
 - Response: DCCs are part of the cost of doing development; infrastructure is required to support growth and there is an impact on housing overall. The degree to which it impacts different projects is highly variable—certain types of housing in certain locations will be impacted more than others. DCCs are required to support growth and it is challenging to grow without infrastructure. Intergenerational impacts must be weighed on a few different sides. These impacts have not been analyzed.
 - Looking at the projects, are infrastructure deficits and asset management included in the project list development? Or is this added in later?
 - Response: In terms of asset management, DCC programs are in place to provide infrastructure that supports growth; asset management, operations, and maintenance are not DCC-eligible.
 - Is there a chart that shows what the rate increases will be to the average rate payer with DCCs and not including grants?
 - Response: CRD is in the process of preparing that financial modelling.
 - With regards to farmland, what will the rate be? Water is sold to Saanich at a retail rate, Saanich lowers it for ALR land and the rest of the users pay for that deduction. Will this DCC impact farmland?
 - Response: We have not included agricultural land as one of the categories eligible for DCCs.
 - Are project costs currently estimates or are they finalized?
 - Response: These projects were identified in the 2022 RWS Master Plan. The Master Plan is a preliminary road map that identifies a long-term forecast of future infrastructure needs required to meet the objectives of the service. The projects have been planned out from a conceptual standpoint; each of these projects will have to undergo feasibility studies and detailed designs. The DCC program will be updated every 5 years.
 - The \$9,044 for the low-density residential rate – is that predicated on all these projects going ahead? How is that charge determined?
 - Response: Each of these projects was reviewed and discussed in detail to determine impact and benefit to future growth (e.g., any improvement to existing infrastructure). Since they're large region-wide projects, most fall on the 35% BA because they improve level of service and capacity to new and future growth. DCCs are rolling programs; updates are important to capture any changes.
 - Over the course of 30 years, how do we know that we're appropriately completing cost allocation? Is there an opportunity for this DCC to be approached in more of a phased fashion?
 - Response: There is the option to phase in the DCC (i.e., through the Municipal Assist Factor). It's possible to remove projects from the list, but collecting for larger projects over a long-term

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- period is one of the goals of DCCs – removing larger projects happening further in the future will affect revenue generation and how these projects will be funded. This project is trying to strike a balance between short-term and long-term; everything is within the next 30 years.
- Rather than looking at in terms of when these costs occur, the DCC is more aligned with growth projections and accurately capturing enough costs to pay for projects as they come online?
 - Response: Yes. The master and capital planning identifies this work to support current and future population. If we shortened the program, we'd capture fewer projects and fewer people.
 - Comments from Council about conflicting DCCs at the municipal and regional levels, both in terms of collection and administration.
 - What documents were looked at when determining reasonable growth estimates and project costs? What was the methodology behind these elements?
 - Response: Growth estimates are being refined due to new information around provincial housing targets. Draft rates (and within them, benefit allocations) will change due to these estimates. We've been reviewing growth estimates with municipal staff and looked at housing needs assessments and housing targets.
 - Comment: DCCs need to be updated regularly. Not only are the rates subject to change but estimates for projects and growth will also be refined. Refining over time is good and we must start someplace.
 - Comment: For people who think this is new to the RWSC, there have been discussions around this project since 2017. Growth needs to pay for growth; DCCs are an important tool.
 - Will the proposed rates reflect the typical distribution of housing typologies?
 - Response: Growth estimates are split up by low density, medium density, and high density residential. It's important to not under-collect. Based on discussions, we have a good understanding of the possible distribution of unit types. These estimates can also be re-evaluated as needed. A change in the level of growth will be accounted for in future updates.
 - For projects with 35% benefit allocation, 65% of the costs will be borne by municipalities. It would be beneficial to know the magnitude of rate increases. What would the water rates roughly increase by?
 - Response: This model identifies the rate maxing out at about \$3.50, but this does not factor in any DCCs or grants. An agricultural water rate is in place and has remained steady for the last decade; this rate is being reviewed and will be discussed in future.
 - Sooke Lake Reservoir and the Deep Northern Intake: benefit allocation of 35%. Water filtration is something we need, regardless of growth. Why are both projects at 35% if there is inevitable need?
 - Response: These projects benefit everyone. The filtration plant is a good example of why that project should be 35%, it should be something that benefits everybody – we need the filtration plant regardless of whether growth occurs. When the plant is constructed and built, both current and future users will benefit from that infrastructure.
 - Comment: We do need to proceed with these projects; the program is well-studied and has a significant body of work backing it. The equitability of the payment and the mechanism behind it may warrant further research and discussion.

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- Comment: Council wants to assure residents and stakeholders that there are many opportunities for engagement and input as this project proceeds. Council has confidence in the direction of this project and views the scrutiny as important and a sign of good policy. It is appreciated that this is the first step in this DCC process and that there will be updates and revisions. Adjusting the balance between current and future homeowners as needed is important.

2.9 CITY OF LANGFORD (JANUARY 22, 2024)

- Council has heard concerns from the public re: long term nature of DCCs. What opportunities exist for Staff/Council to revisit DCC projects and costs?
 - Response: the CRD has committed to major updates every 5 years.
- Obligation to consider affordability: Council understands that the MAF is a tool that can be used to address affordability (and will be brought to RWSC for discussion). Is the MAF something that can be revisited?
 - Response: MAF can be discussed at the RWSC level and adjusted – it is a tool that can be implemented and adjusted (pure policy decision).
- If there wasn't a RWS DCC, the water rates would go up, but what would happen to project timing?
 - Response: No DCCs means pushing up user rates. Project timelines would depend on how quickly water rates were escalated to collect the necessary funds.
- Why now? (Context: Based on public feedback, there's adequate water quantity and water quality is good; Council has heard many comments about the necessity of this DCC).
 - Response: This is not the first attempt to establish a RWS DCC. DCCs have been identified as a tool to support project implementation.
- How were past projects paid for?
 - Response: Through increases to user rates.
- Are there any concerns that highlight the need for these projects? For example, Island Health water standards?
 - Response: Not currently, but the CRD places importance on proactively mitigating risk and complying to meet safety standards.
- Will any further economic analysis be conducted on this project (due to affordability concerns)? For example, if we're trying to incentivize missing middle housing, these builders are typically smaller and may not have the capacity to build these projects given the compounding challenges of the new provincial legislation.
 - Response: No economic analysis has been conducted to determine the economic impact of this DCC on different housing types and viability; differing impacts would be felt across the CRD and across different housing types (e.g., low density residential vs. high density). Economic impacts will be variable across the region. The impact of the new legislation will be understood more clearly after future updates.
- Are those on personal well systems affected by this DCC?

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- Response: DCCs are only paid for by the developer and are not charged on those who will not receive the service; DCCs would not apply to anyone on wells.
- As noted in the letter by UDI, water consumption trends have been fairly stable over the last decade or decreased (UDI's letter asked for the DCC to be reconsidered due to these trends). Given these trends, what is the reasoning behind this DCC?
 - Response: From 1995 to 2010, there was a trend but a conservative estimate was agreed upon (366 L per capita per day).
- Council indicated the importance of noting that DCCs can adapt based on changes to projects, funding, etc.
- Comment from Council that waterworks are often long-term projects that must be planned for in advance (and saving money in advance) to avoid sudden, large economic impacts.

2.10 DISTRICT OF CENTRAL SAANICH (FEBRUARY 12, 2024)

- What assumptions are made on bulk water rate averages per consumer? Are we assuming that these are staying steady or going up?
 - Response: In 2022, consumption was evaluated and the CRD found that from the 1980s to the 2000s there was a sharp decline in averages, but between 2010 and 2019 the trends flattened out. The CRD used the previous 10 years average per capita consumption, which was a consistent value. A steady state rate was assumed.
- Noting the proximity of the bulk of the proposed work, have First Nations been consulted?
 - Response: In terms of the regional DCCs, the DCCs would not apply on First Nations land; First Nations have not been consulted yet on a project basis, but they will be as projects progress
- There is concern about the possible impact on the agricultural community in Central Saanich and across the region – how would this DCC impact the agricultural community?
 - Response: The agricultural community wouldn't be paying by service connection, it would be dependent on the number of units being built (e.g., charge only applies if a SFH is built on agricultural land) – more equitable share of costs for agricultural uses.
- Regarding the response to UDI's letter – the UDI was calling into question the need for these projects. Can the CRD/USL speak to their response to UDI?
 - Response: One of the large projects mentioned by the UDI is the filtration plant – that project has been included and stems from the Master Plan and addresses numerous risks, including climate change, drought, further drawing down of the reservoir (may expose Sooke Lake and create turbidity). This project, and others, are meant to address the importance of ensuring adequate water supply and quality.
- \$2 billion is a lot of money. Since these projects are largely driven by climate change, have there been discussions with the Province about alternative funding mechanisms? Will the Province provide any funding?

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- Response: In terms of project funding, the CRD would look for grant funding after going through preliminary design steps – grant funding, DCCs, and water user rates are really the only tools available. Grants cannot be included in the DCC program unless they're already in-hand; this information/amount will be updated as the program itself is updated/adjusted every 3-5 years. The project costs are estimated for today only and do not reflect future costs.
- This DCC will double current municipal rates – what is the impact of this DCC on housing prices?
 - Response: There are studies/economic analyses done on market impact, but they are quite specific and this makes it difficult to compare between communities. There is really high variability in terms of how DCCs can affect project viability. DCCs are a list of projects needed to support growth and there are other tools that can be used in conjunction to assist developers (e.g., phasing in DCCs through gradual MAF adjustments).
- There have been calls for a third party review of the Master Plan and the projects therein. Thoughts on whether this would add value?
 - Response: The CRD will be looking for direction through the RWSC to potentially pursue a review, but no indication has come from the RWSC at this time.
- The \$2 billion in capital infrastructure has been indicated by some Councillors as a cause for concern; these Councillors are beginning to indicate the need to review the Master Plan and the projects.
- Motion proposed: the District asks the RWSC that, ahead of further work on the RWS DCC project, an independent third party review be conducted and, further, that bulk water supply for agricultural use and waivers for DCCs for affordable housing be considered. (This was later split up into two motions, both of which passed)
- The principle of the DCC is appreciated; growth itself is not free and the demand for more water is plausible.

2.11 JUAN DE FUCA ELECTORAL AREA A (FEBRUARY 22, 2024)

- Questions about general DCC applicability, administration, and project eligibility.
- Discussed the impacts of the new Provincial legislation on DCC administration and collection; it remains to be seen whether the legislation will create new growth or redistribute the type of growth we expect to see.
- Concern about residents having to pay for services they will not be able to access in their area.
 - Response: DCCs will only affect developers connecting to the water service and benefiting from related water services, not to existing residents on wells.

2.12 DISTRICT OF SOOKE (FEBRUARY 26, 2024)

- Are future DCCs affected by grants?
 - Response: Yes, any grants would be deducted off future costs.
- 35% as a baseline for cost-sharing with the existing population: is this based on expected growth?
 - Response: Yes.

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- What happens if the DCC is not adopted?
 - Response: The rates will not apply and the water user rate will have to compensate for that. DCCs are ultimately a funding tool to reach the goal of funding the projects.
- Has there been any thought to conducting an independent review of the Master Plan?
 - Response: There was a motion raised at the most recent RWSC meeting (late February 2024) and the motion was for a third party review. This motion was not carried through.
- Are these projects specific to the 5-Year Capital Plan and then expanded out to the 30-year time horizon?
 - Response: The DCC is built on a 30-year revolving time frame, the 5-year Capital Plan is one main document along with the Master Plan (which has a 30-year time frame).
- Will these DCCs be reviewed more often than every 5 years?
 - Response: This is a possibility, but the CRD is currently planning on conducting a major update every 5 years (but this will depend on several factors).
- Would the DCCs reduce the user rate by 35%?
 - Response: Yes, the bulk water rate would come down 35% with the implementation of a DCC. The 35% reduction would be on the \$3.50 rate, not the current rate.
- When are we planning on completing consultation with the development community?
 - Response: It depends on if we are given approval to proceed by the RWSC on March 20th. The RWSC will determine whether to move ahead with consultation or if additional revisions need to be completed.
- The 35% DCC decrease on the water rate will still mean a large increase in the water rate?
 - Response: We are still preparing a model that will highlight the various options, but yes, the rate will go up.

2.13 CITY OF VICTORIA (MARCH 7, 2024)

- Note: Many Councillors are on the RWSC and familiar with the DCC.
- Question about the DCC and its impact on affordability – what other finance options have been explored?
 - Response: Because of the scale of this infrastructure, it's hard to use other financial tools (e.g., front ender, latecomer). Since it's regional, there are also no tax mechanisms. The CRD does intend to apply for grants going forward.
- Have you looked at the possible impact of this DCC on development?
 - Response: No economic analysis undertaken as DCCs will have a wide-ranging impact on different land uses. If undertaken, an economic analysis would have to be broad.
- How was the baseline 35% Benefit Allocation determined?

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- Response: This baseline allocation was based on population change. We are currently refining growth estimates, which wouldn't impact rates much – rates are largely dependent on benefit allocation.
- Can the project list be trimmed?
 - Response: Leech Watershed could potentially be delayed depending on growth, but the filtration plant is needed. Many of the projects are much-needed infrastructure from a risk and resiliency perspective.
- Do rates have an impact on conservation?
 - Response: Yes, as we see increasing rates, it may lead residents to be more conservative with their water use.
- \$3.50 cost per cubic litre – that's the worst case scenario. What's the best case scenario?
 - Response: With the introduction of the DCC with the 1% MAF, the DCC would drop 30-40%. A graph with exact numbers will be presented on March 20. The addition of grants is the unknown – historically, we have a lot of success in receiving grants from higher levels of government for projects like filtration plants.
- How variable are those draft rates – would inflation adjust those? Would they change?
 - Response: Rates are generated through the CRD financial model, with equivalency factors used to determine the relative impact of use. The DCC program will be reviewed and updated every few years as needed; rate to be recalculated as needed through routine maintenance to ensure relevancy. Grants that aren't in-hand cannot be included.
- Comment from CRD: With respects to concerns about the DCC on development, what is up for debate still is the MAF and how much we want to use that tool in the coming years.
- “Renewal is not DCC-eligible”: what does this mean?
 - Response: Only projects that support new growth are eligible; operations and maintenance of existing infrastructure is ineligible. DCCs are only eligible on net new development.
- Comments from Council:
 - Comment: Support for the implementation of DCCs, developers need to pay for their fair share. These are essential projects that are needed. Rates are going to double or triple if the development community does not defray costs. The less of a burden this infrastructure is on taxpayers, the better. Appreciate the work put into it.
 - Comment: Support for the DCCs but we have to be cognizant of how this affects developers in this market – it's hard for projects to currently move forward. As you get more information on grants and alternative fundings, please keep Council informed.
 - Comment: Very much in favour for the DCC; private industry must pay for public benefit. Water is essential. Defence of water for the public good.
 - Comment: Remember that taxpayers [rate payers] must pay [what developers do not]. Council has made previous decisions based on what developers have told them and have given them

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- breaks. We also must remember that ultimately DCCs go to the consumer. Fiscal responsibility is important: we are spending people's money.
- Population density is different in high-density residential than a detached dwelling. The spread of the DCC rates seems smaller—Council expected a larger spread in the rates (i.e., more for Low Density Residential).
 - Response: We use the differential rates between different unit types based on equivalency factors (derived from technical reports). Variation exists – this is very much an average. Also note that the distinction between per lot and per unit.
 - How do you respond to criticism about the DCC?
 - Response: Concerns have been heard and understood. Point of discussion that we've been having and look forward to having with the RWSC. Some key points around demand management – committed to making improvements on this front. Need to be conservative in this approach and planning for infrastructure needs moving forward.
 - How do we know these numbers (for projects) are reasonable?
 - Response: These are conceptual-level design cost estimates (Class D), there may be variations. With conceptual designs, there may be opportunities to refine and optimize some of the scopes that drive costs up or down.

2.14 DISTRICT OF NORTH SAANICH (MARCH 25, 2024)

To be completed. Due to timelines, these notes may not be added until after the March 20th RWSC meeting.

APPENDIX A: Sample Covering Letter to Municipal Councils

APPENDIX B: Sample Presentation to Municipal Councils

APPENDIX C: November 14, 2023 – UDI Letter to all CRD Municipal Mayor and Councils

APPENDIX D: February 21, 2024 – Notice of Motion to RWSC


APPENDIX E: February 14, 2024 – District of Central Saanich Council Motions

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APPENDIX A: SAMPLE COVERING LETTER TO MUNICIPAL COUNCILS

 Making a difference...together	Integrated Water Services 479 Island Highway Victoria, BC, V9B 1H7	T: 250.474.9600 F: 250.474.4012 www.crd.bc.ca
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November 3, 2023

File: 5220-20
Regional Water DCC Program

District of Saanich
Mayor and Council
770 Vernon Ave
Victoria, BC, V8X 2W7

Dear Mayor and Council:

Re: Proposed CRD Regional Water Supply Development Cost Charge Program

Thank you for the opportunity for the Capital Regional District (CRD) and its consultant Urban Systems to present to the District of Saanich's Mayor and Council regarding the CRD's proposed Regional Water Supply (RWS) Development Cost Charge (DCC) Program.

The purpose of our presentation is to inform the Mayor and Council of the proposed program as well as answer any immediate questions about the initiative. We ask that any follow-up questions, concerns, or comments be submitted through your representative on the Regional Water Supply Commission (RWSC).

The CRD has been working alongside Urban Systems for some time to develop the draft DCC program and bylaw for the RWS Service and to navigate the implementation process. This fall, we engaged municipal staff to inform of the program, confirm municipal development projections and targets and to seek initial feedback.

The project was first identified to be "explored" through the *Regional Water Supply 2017 Strategic Plan* then prioritized by the CRD Board in the CRD's *2023-2026 Corporate Plan* with the intent of implementing the RWS DCC Bylaw and Program in 2025.

The *RWS 2022 Master Plan* identified DCC's as a cost-sharing funding mechanism to assist in funding the 30-year capital works program developed through the Master Plan.

IWSS-1622330035-445

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Mayor and Council - November 3, 2023
Proposed CRD Regional Water Supply Development Cost Charge Program **2**

The Regional Water Supply Commission (RWSC) has been informed of our progress to date and has endorsed the continuation of the project to the consultation phase, which we are working through now. The RWSC will continue to be informed through the consultation phase and will ultimately be responsible for providing a recommendation to the CRD Board to finalize program details and eventually adopt a DCC bylaw.

Our project team aims to recommend three readings of the RWS DCC bylaw to the CRD Board in the fall of 2024, prior to submitting the bylaw to the BC Inspector of Municipalities for approval. If approved, staff would then seek fourth reading and bylaw adoption by the CRD Board, and the program would be implemented early in 2025.

Thank you again for the opportunity to share our presentation and progress to date.

Sincerely,



Alicia Fraser, P.Eng.
General Manager
Integrated Water Services

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APPENDIX B: SAMPLE PRESENTATION TO MUNICIPAL COUNCILS

1

CAPITAL REGIONAL DISTRICT REGIONAL WATER SUPPLY (RWS) – DEVELOPMENT COST CHARGE (DCC) PROGRAM

[MUNICIPALITY]: Council Presentation

[DATE]



2

CRD INTRODUCTION

- Supporting Corporate Documents:
 - CRD 2023-2026 Corporate Plan
 - CRD Regional Water Supply (RWS) 2017 Strategic Plan
 - CRD RWS 2022 Master Plan
- Political Oversight and Direction:
 - Water Advisory Committee (WAC)
 - Regional Water Supply Commission (RWSC)
 - CRD Board



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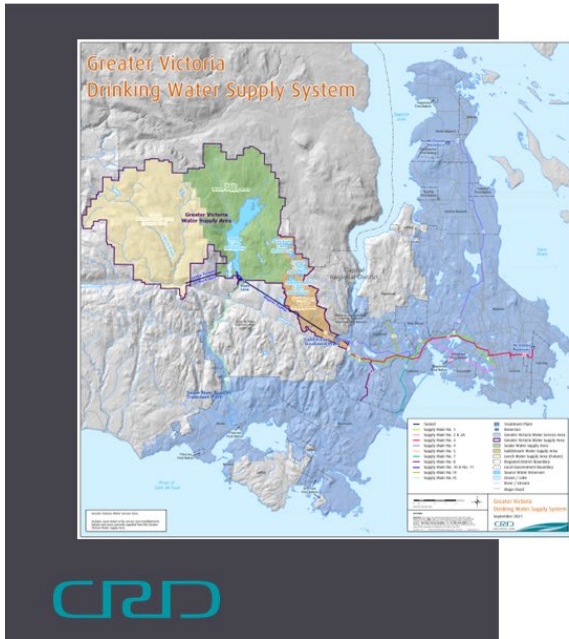
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WHAT IS THE REGIONAL WATER SUPPLY (RWS) SERVICE?

- The CRD's Regional Water Supply (RWS) Service provides bulk drinking water to the Municipalities and First Nations in the Greater Victoria Area
- The system provides water for residential, industrial, commercial, institutional, and agricultural uses to approximately 400,000 people
- The primary source is the Sooke Lake Reservoir
- Major components of the RWS system include: 3 watersheds, 15 dams, 2 tunnels, 2 disinfection facilities, ~120km of transmission mains



4

AGENDA

- DCC Overview and Current DCC Rates
- Proposed Regional Water Supply (RWS) DCC:
 - Program Development
 - Policy Considerations
- Proposed RWS DCC Bylaw: Program and Rates
- Discussion/Questions



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OVERVIEW OF DCCs

CRD

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SYSTEMS

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WHAT ARE DCCs?

- Fees to help communities recover the costs of “off-site” infrastructure needed for growth (i.e., capacity)
- Regulated by the province
 - Part 14, Division 19 of the Local Government Act
 - Provincial DCC Best Practices Guide
 - Development Cost Charge Guide for Elected Officials
 - Ministerial approval



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PHILOSOPHY OF DCCs

1. Foster fairness (e.g., “benefiter pay” principle means growth pays for growth)
2. Ensure consistency
3. Minimize financial risk to the CRD
4. Ensure certainty for the development community (e.g., clear policy framework) and that services support growth and development
5. Promote transparency and equitability
6. Ensure timely processing of development applications

CRD

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WHO PAYS DCCs?



- Applicants for **subdivision approval** to create single family development sites



- Applicants for **building permits** to construct multi-family, commercial, industrial, and institutional development

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CURRENT DCC RATES IN [MUNICIPALITY]

Development Category	Collection Unit	Municipal DCCs	JdF WDS*	Saanich Peninsula Water**	Saanich Peninsula Wastewater**	Total
Low Density Residential	per Lot	\$-	\$2,922	\$0	\$1,790	\$-
Medium Density Residential	per Unit	\$-	\$2,557	\$0	\$1,413	\$-
High Density Residential	per Unit	\$-	\$1,644	\$0	\$933	\$-
Commercial	per GFA in m ²	\$-	\$10.74	\$0	\$4.00	\$-
Industrial	per GFA in m ²	\$-	\$5.82	\$0	\$3.89	\$-
Institutional	per GFA in m ²	\$-	\$23.74	\$0	\$5.30	\$-



*The Juan de Fuca Water Distribution Service DCC Bylaw update is underway
 **Next review in 2024



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RWS DCC PROGRAM DEVELOPMENT



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RWS DCC PROGRAM DEVELOPMENT

GROWTH PROJECTIONS AND TIMELINE

Determining project timing and priorities over the 30-year time horizon (2023-2053) based on where growth is occurring.

DCC PROGRAM DEVELOPMENT, CAPITAL COSTS, AND PROJECT LIST

DCC projects within the 30-year timeframe were identified from available infrastructure/capital plans and staff input, including the Regional Water Supply 2022 Master Plan and the CRD RWS 2023 Capital Plan. The RWS 2022 Master Plan recommends \$2B+ in infrastructure upgrades over the next 30 years.

Eligible DCC projects were prioritized based on their benefit to future growth and their likelihood of being constructed within the 30-year DCC time horizon. Conversely, renewal is not DCC-eligible.

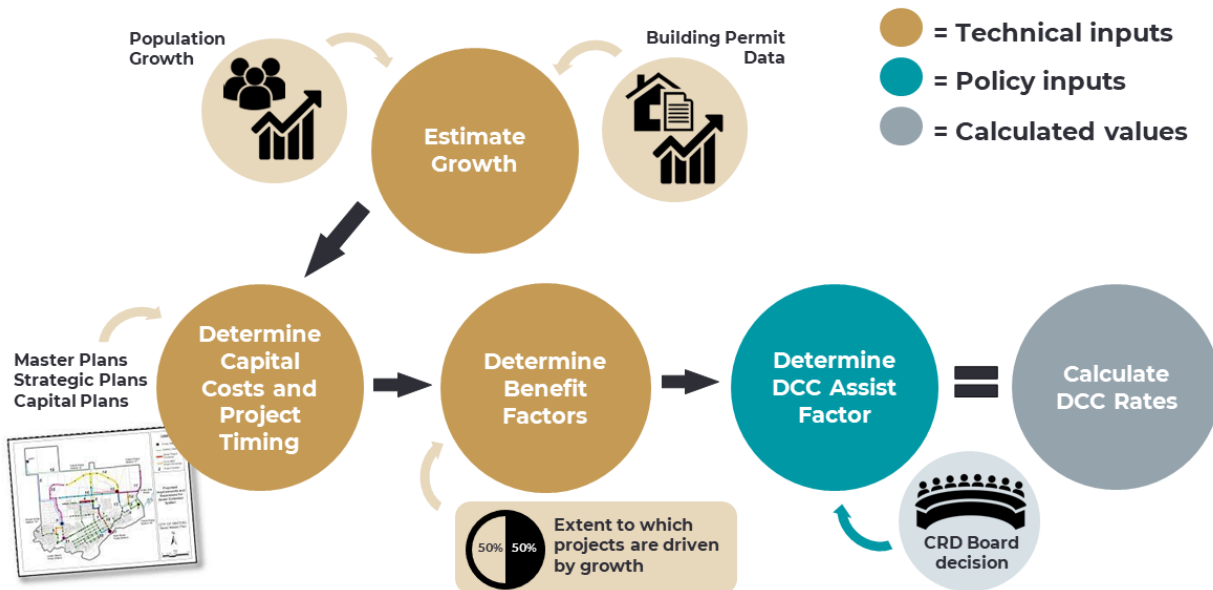
PROJECT BENEFIT ALLOCATIONS

Determining the relative benefit of each project to the existing community vs. new development and the proportion of capital costs attributable to new vs. existing development.



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HOW DO WE DETERMINE THE DCC RATE?



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DCC ASSIST FACTOR

- The Local Government Act requires the CRD to “assist” development for DCCs
- The assist amount would be funded through the Regional Water Supply rate; CRD member municipalities are not responsible for funding the Assist Factor
- The Assist Factor can vary from 1% (least assistance) to 99% (most assistance)
- Assist Factors are typically between 1% and 10%
- Proposed RWS DCC rates assume the minimum 1% Assist Factor



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RWS DCC PROGRAM – PROJECTS & COSTS – 30 YEARS

Project	Total Program Costs	Benefit to New vs. Existing Development	DCC Recoverable (i.e., Developer Responsibility)	CRD Costs (i.e., CRD Responsibility)
Sooke Lake Reservoir Deep Northern Intake	\$74.7M	35%	\$25.9M	\$48.8M
Leech Watershed	\$28.5M	100%	\$28.2M	\$0.3M
Water Filtration Plant	\$819.1M	35%	\$283.8M	\$535.3M
Transmission Mains	\$487.0M	35%	\$168.7M	\$318.2M
Smith Hill Storage Tank	\$31.3M	50%	\$15.5M	\$15.8M
Studies/Modelling	\$3.8M	35%	\$1.3M	\$2.5M
TOTAL	\$1,444.4M	35-100%	\$523.4M	\$920.9M

Note: The 1% Assist Factor is equivalent to \$5.3M; the CRD will recover this cost through the Regional Water Supply rate



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RWS DCC DRAFT RATES



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PROPOSED RWS DCC PROGRAM – RATES

Development Category	Collection Unit	RWS Proposed Rate	Municipal DCCs	JdF WDS*	Saanich Peninsula Water and Wastewater**	Total DCC Rate
Low Density Residential	per Lot	\$9,044	\$-	\$2,922	\$1,790	\$-
Medium Density Residential	per Unit	\$7,914	\$-	\$2,557	\$1,413	\$-
High Density Residential	per Unit	\$5,087	\$-	\$1,644	\$933	\$-
Commercial	per GFA in m ²	\$33.92	\$-	\$10.74	\$4.00	\$-
Industrial	per GFA in m ²	\$16.96	\$-	\$5.82	\$3.89	\$-
Institutional	per GFA in m ²	\$73.48	\$-	\$23.74	\$5.30	\$-



*The Juan de Fuca Water Distribution Service DCC Bylaw update is underway
 **Next review in 2024



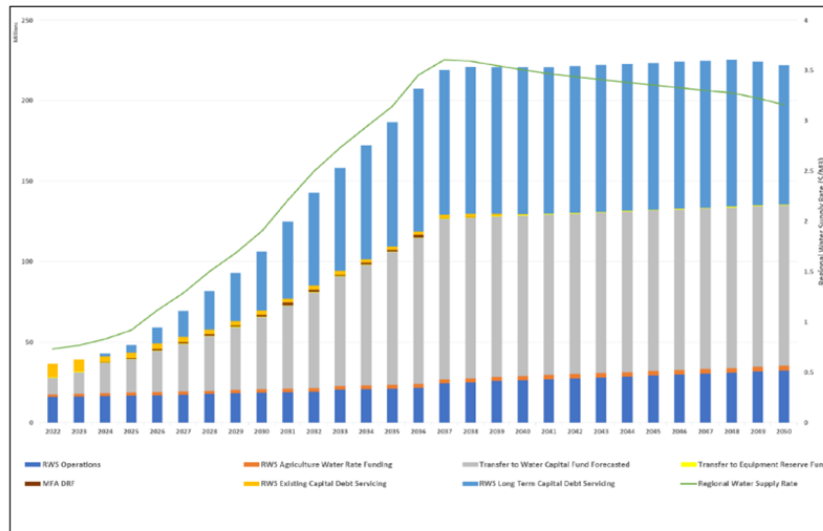
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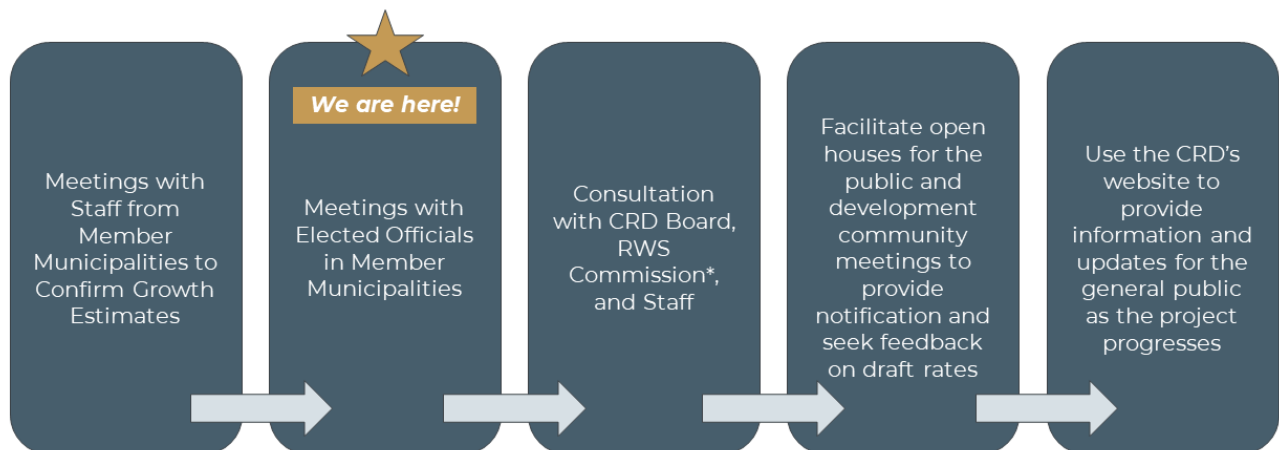
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RWS SERVICE CONCEPTUAL RATE INCREASES (NO DCCs OR GRANTS)



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STAKEHOLDER CONSULTATION AND BYLAW ADOPTION



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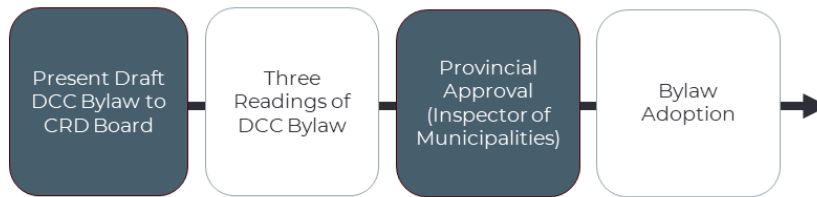
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RWS DCC BYLAW IMPLEMENTATION

- If adopted, the DCC program has a proposed implementation date of early 2025
- 12-month in-stream application protection from updated DCC rates
 - Many applicants will not be impacted until early 2026
- CRD will re-evaluate and update the program every 5 years to account for changes in growth, project costs, and any grants received



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DISCUSSION & QUESTIONS

THANK YOU!

For more information about the proposed RWS DCC, please visit:
<https://www.crd.bc.ca/project/proposed-regional-water-supply-development-cost-charge-program>



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APPENDIX C: NOVEMBER 14, 2023 – UDI LETTER TO ALL CRD MUNICIPAL MAYOR AND COUNCILS



URBAN
DEVELOPMENT
INSTITUTE
CAPITAL REGION

447 HERALD STREET
VICTORIA, BC V8W 3N8

November 14, 2023

Mayor and Council
District of Saanich
770 Vernon Ave
Victoria, BC V8X 2W7

Re: A Call for Caution: A Comprehensive Review of CRD's Water Supply Conversion Plan

Mayor and Council:

The Capital Regional District (CRD) has adopted a plan to convert our region's water supply from its current low-energy, low-cost, gravity delivery system to a high-cost, high-energy pump driven system at an enormous cost to construct and maintain. This would be the most expensive capital project ever undertaken in the CRD to provide a solution to a problem that lacks a strong rationale.

With extremely limited public engagement conducted remotely during COVID year 2022, the CRD is now proposing a new levy in the form of a significant new Development Cost Charge (DCC) on new housing and commercial construction. This all is in order to fund a massive multi-billion-dollar water filtration plant and related works that very few people in the CRD know exists.

The Urban Development Institute – Capital Region (UDI) requests that all Capital Region municipalities pause their consideration of the CRD's request for this new DCC in order to allow a thorough third-party review of the proposed plan, its costs, and its funding formula. The following are reasons for local Councilors to consider allowing for further study before adopting this expensive new tax on new housing.

Water Supply and Demand

The CRD 2022 Water Master Plan assumes there will be no further reduction in per capita water consumption in the future.

Assumption: Per Capita Water Demand will not continue its current long term downward trend.

@udicapitalrgn | udicapitalregion.ca

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The CRD's 2022 Master Plan Appendix C contains the following statement:

"Per capita demands have declined from 559 L/c/d in 1998 to the current per capita demand of 337 L/c/d (combined residential, ICI and agricultural) With a modest reduction to 300 L/c/d, the Sooke watershed could supply enough water to meet demand until 2060."

And yet, the CRD's stated demand assumptions from its "Get Involved" FAQ page are as follows:

"The per capita demand used to calculate the forecast total annual demand was 366 litres per capita per day (this figure represents demand across all sectors including residential, agriculture, industrial, commercial and institutional, as well as water losses throughout the system). **Per capita water demand is projected to remain relatively stable when projecting future demands at the supply level...**"

The CRD is proceeding to levy a charge on the basis that the per capita water use will not continue to trend downward regardless of its historical trend, which is contrary to its own 2022 Water Master Plan which states clearly how continued reductions to per capita demand are entirely reasonable. Given continued implementation of low-flow fixtures, and continued public enthusiasm for reduced water use, its unclear why the CRD is publicly projecting that per capita water demand would halt its decades long decline, while its own technical report appears to contradict this assumption.

Assumption: Increasing the cost of water at a rate of 10 to 20% per year as stated in its Master Plan consultation FAQ will not reduce per capita water consumption.

This assumption is contrary to a basic economic principle that when the price of a commodity increases, demand decreases. Using the assumed rate of wholesale water cost increase at a minimum of 10% per year and applying this over a 20-year period results in 6.7X increase in water supply costs, which in turn would result in a large decrease in consumption. Even rounding down to a 5X increase for the simplicity of calculation, if an average household water bill is \$400 today, multiplied by 5X equals a \$2,000 water bill. A reasonable assumption in this case is that water consumers will dramatically curtail water use and avoid over-consumption and waste of water. At this level of cost increase, dramatic reductions in consumption would be realised.

Rationale for the Water Filtration and Conversion to High Energy Demand System is Lacking

The 2022 Water Master Plan details a complete re-working of the entire water supply for Greater Victoria. It includes converting the low-energy, gravity supply system to a system requiring a massively expensive water filtration plant that would require large and ongoing energy and capital maintenance programs. As well, water would no longer flow in power outages without significant stand-by, backup power generation.

As its member municipalities spend large sums of money to comply with carbon reduction strategies, the CRD is proposing to build a massive energy-intensive facility that would replace a natural ecosystem service function in favour of a mechanical filtration system at enormous cost to build and operate.

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The basis of this assumption appears to be a determination that recent wildfire activity in the interior of the Province reflects a probability that a catastrophic fire could occur in the Sooke Reservoir watershed. Given that the watershed is closed to the public, is patrolled and monitored, and sits in a coastal location immediately adjacent to the centre of Victoria, the risk of a catastrophic fire is significantly diminished. An extensive professional risk analysis is recommended in order to develop a full understanding of the probability of catastrophic loss prior to proceeding with upgrades based on a qualitative assumption that this risk is in fact catastrophic. There may be a more cost-effective solution to mitigate this risk compared to the construction of a filtration plant with a billion dollar plus price tag.

Given the importance of this watershed and free natural ecosystem service that it provides, additional consideration should be given to wildfire prevention and mitigation practices before proceeding with such a costly plan. Further, additional analysis is also needed to determine what impacts such a project would have on our region's Greenhouse Gas reduction strategy, given the importance of GHG reduction to all CRD municipalities.

Third Party Review of Cost Assumptions

The costs of construction have inflated over 20% in the past 24 months based on direct industry experience and input from UDI membership who are carefully managing their construction projects to ensure viability.

The assumed inflationary adjustment to the base cost of \$1.528 billion 2022 dollars to only \$2.05 billion dollars for expenditures assumed from 2031 through 2049 should be reconsidered and subjected to a third-party review. This assumption fails to acknowledge the massive and unprecedented levels of cost inflation experienced in the past two years and represents only a 35% increase over a period of 20+ years. It is entirely possible the cost of this project in 2024 dollars may already have inflated well beyond the assumed base year assumption of \$1.528 Billion. The current \$2 Billion cost reflects an increase of only about 1.5% to 2% per year and is wholly inadequate given current conditions.

UDI recommends carrying a 5% to 10% annual inflation assumption. Using a 5% inflation assumption for 20 years would result in an approximate \$3.5 to \$4 Billion dollar cost. It would be prudent to double the 2022 Master Plan's assumed \$2.05 billion cost.

Expanded Public Engagement Necessary

The CRD Water Engagement report identifies a lack of meaningful engagement and instead relies entirely on a web-based engagement, a trend that appears to have become entrenched during the COVID lockdowns. Using the CRD's own public engagement summary, only 157 participants actually visited more than one webpage, and only 22 participants submitted feedback. An additional 383 participants may have seen it through either purposeful or accidental visits to one webpage. The summary report was only downloaded 101 times.

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The CRD is proposing to proceed with this multi-billion-dollar filtration system on the basis of 22 written submissions collected through a web-based consultation platform that few people knew about. Most people impacted by this new plan have no idea it exists or that the CRD is proposing a multi-million-dollar capital project. The proposed DCC and water filtration upgrade plan came as a surprise to many UDI members.

On behalf of our members, which includes both for profit and not-for-profit builders as well as affordable housing providers, we respectfully call for greatly expanded, meaningful engagement before this major new DCC is implemented. It is essential to note that the UDI, a key stakeholder in the development and growth of the region, would have welcomed the opportunity to contribute valuable insights and perspectives during the formation of this critical plan. A project of this magnitude necessitates collaboration with all relevant stakeholders to ensure a well-rounded understanding of the potential implications and benefits.

Development Cost Charge Proposal

The water filtration plans rationale is centred on addressing the potential future impacts of a catastrophic forest fire, and not primarily because of new residential demand from net new connections to the regional water system.

Development Cost Charges are mandated by the Province to follow principles of Fairness, Equity, and Accountability, and must ensure that the benefitor pays. The following excerpt from the Province's DCC Best Practice Guide outlines the requirements:

BENEFITOR PAYS - Infrastructure costs should be paid by those who will use and benefit from the installation of such systems.

FAIRNESS AND EQUITY - Recognizing that costs should be shared in some way amongst benefiting parties, DCCs should employ mechanisms that distribute these costs between existing users and new development in a fair manner. Further, within the portion of costs that are attributable to new development, DCCs should be used to equitably distribute costs between the various land uses and different development projects.

ACCOUNTABILITY - The establishment of DCCs should be transparent local government process, and all information on which DCCs are based should be accessible and understandable by stakeholders.

The CRD is asking local governments to adopt new DCC bylaws that would apply the minimum lawful municipal assist factor of 1%, leaving 99% of the cost of this proposed new DCC on new housing and commercial construction in order to fund a facility that primarily benefits existing users. This fails each of the Fairness, Equity, Accountability, and Benefitor Pays tests identified above. It is clear that the proposed upgrades are not a result a new growth.

The CRD's own analysis demonstrates that the primary benefit from this proposed new spending is for existing users. Creating a new DCC with a primary benefit to existing users, but assigning them only 1% of the cost, fails to meet the Provincial guidelines for DCCs.

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Financial Analysis on the Effect on New Housing is Lacking

It is not clear if the CRD has completed any analysis to determine if new housing or the commercial construction sector can bear the additional costs. In the face of construction and interest rate cost increases, as well as the implementation of expanded DCC programs by municipal governments for infrastructure that directly supports growth, UDI questions what analysis has been done to determine that new housing and commercial uses can afford to pay this significant new DCC.

As an example, Saanich recently reduced their CACs as a result of an in-depth financial feasibility analysis which showed that new housing cannot bear increased costs at this time. Has the CRD undertaken a similar analysis to determine viability and impact on the delivery of new housing? The goals of the CRD municipalities are to deliver their own priority infrastructure to support growth such as new roads, parks and recreation centres, or sewer and stormwater upgrades. Will local government be foregoing these upgrades in order to allow for the expansion of the water filtration system?

Alignment to Official Community Plans

Has the CRD aligned their financial model with the Official Community Plans (OCP) of each municipal government? At the recent Sidney presentation given by the CRD on this DCC proposal, it was clear that the assumptions used for commercial growth are not consistent with Sidney's OCP. The question arose: where will Sidney plan to put the 2.2 million new square feet of commercial / industrial / and institutional space the CRD report forecasted? This amount of space exceeds Sidney's own projections, and therefore begs the question of how this assumption was made? Does the CRD report have other flaws in its methodology?

In Colwood, the CRD is assuming nearly 3 million square feet of new commercial, industrial and institutional building area. Has the CRD attempted to align this assumption to Colwood's own OCP projections for growth? It would be prudent of the CRD to review their reports assumptions and to ensure their growth factors align with the municipalities OCPs.

Conclusion

In closing, the Urban Development Institute – Capital Region respectfully urges that all Capital Region municipalities exercise caution and prudence by declining to endorse the Capital Regional District's (CRD) proposed water supply conversion plan. The concerns raised regarding per capita water demand assumptions, the rationale for the water filtration system, the flawed cost projections, lack of meaningful engagement, and the disproportionate burden of Development Cost Charges (DCCs) to be placed on new housing and commercial construction highlight the need for a comprehensive third-party review. The potential impact on the region's greenhouse gas reduction strategy, the lack of financial analysis on the impact to new housing, and the failure to align with Official Community Plans further underscore the

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necessity for a careful and unbiased evaluation. The UDI advocates for a pause in the consideration of the DCC implementation, allowing time for a thorough examination of the proposed plan's initiative. The future of our region demands a well-informed and transparent decision-making process that aligns with the principles of fairness, equity, accountability, and the genuine benefits of all stakeholders.

Kind Regards,

A handwritten signature in black ink, appearing to read 'Kathy Whitcher', with a long horizontal flourish extending to the right.

Kathy Whitcher
Executive Director – UDI Capital Region

APPENDIX D: FEBRUARY 21, 2024 – NOTICE OF MOTION TO RWSC

ITEM 8.1

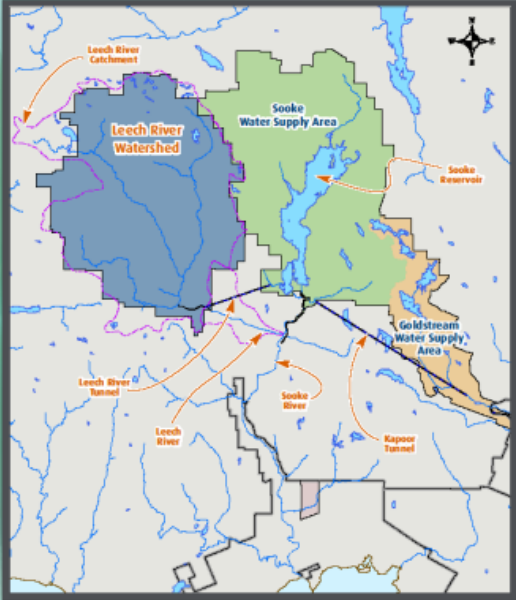
REGIONAL WATER SUPPLY COMMISSION

Capital Regional District | Regional Water Supply 2022 Master Plan – A Guide to Future Water Supply Planning

February 21, 2024

Commissioner Kim Jordison

Water Supply Lands



- Owned
- Protected
- No public access
- Managed for water supply and ecological values

RETHINKING THE

Capital Regional District | Regional Water Supply 2022 Master Plan – A Guide to Future Water Supply Planning

1

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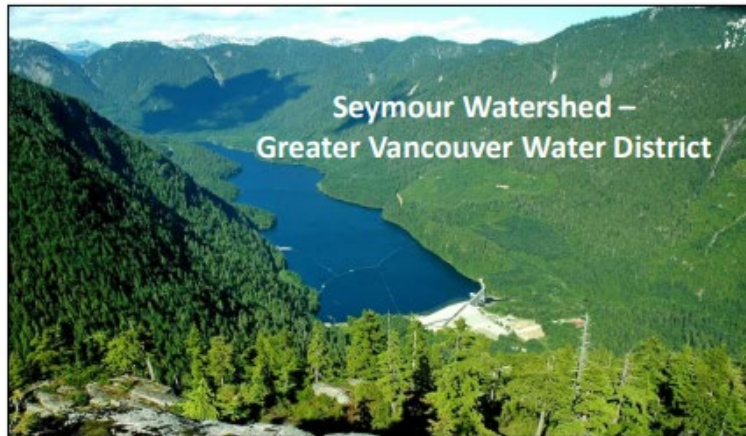
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SOOKE LAKE RESERVOIR – GENTLY ROLLING HILLS



VERY DIFFERENT TERRAIN THAN ABOVE



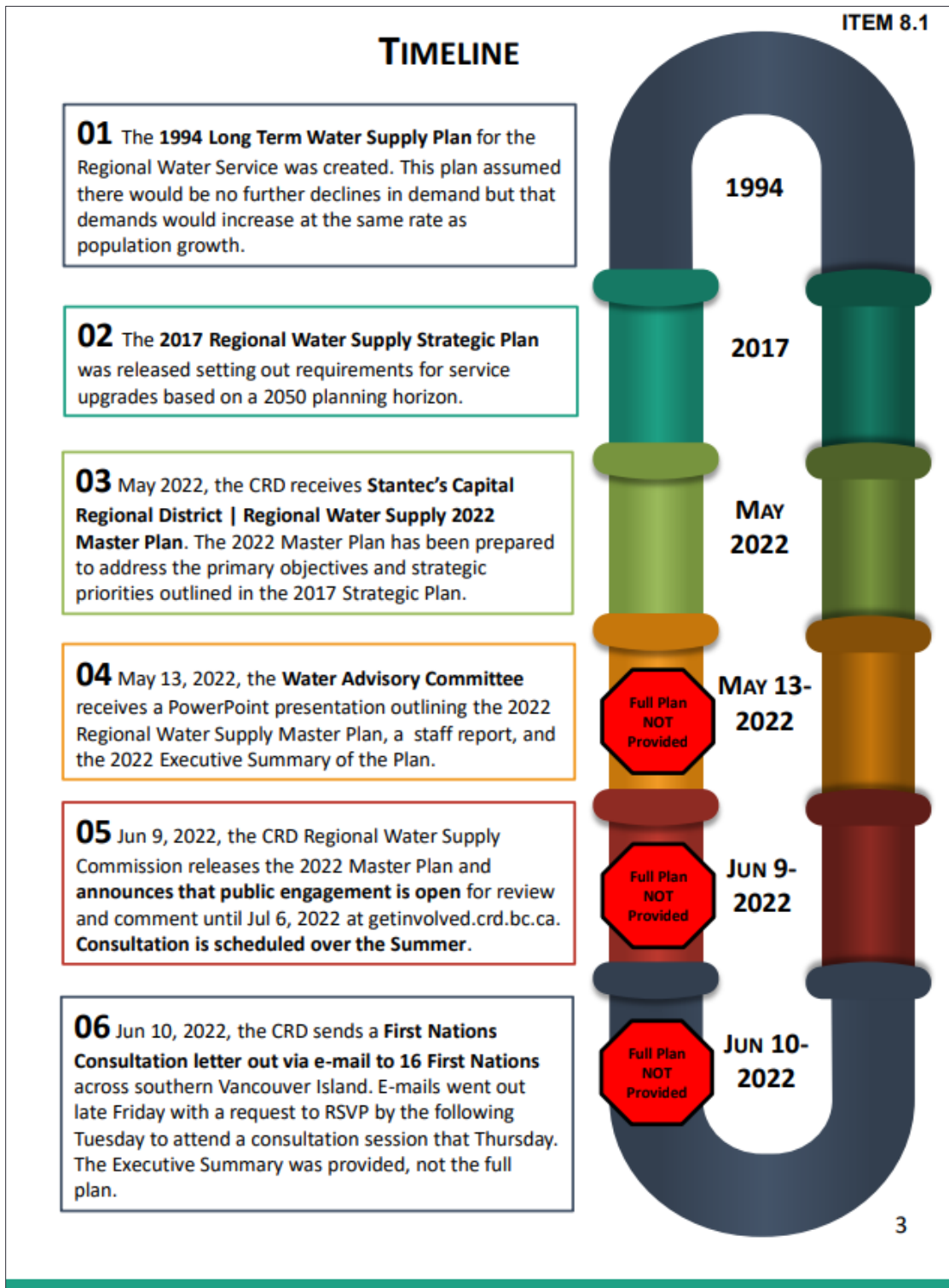
RATIONALE FOR FILTRATION IN OTHER COMMUNITIES

Location	Rational for Filtration
Vancouver (Seymour-Capilano)	Turbidity too high to remain unfiltered
Seattle (Tolt)	Turbidity too high to remain unfiltered
Tacoma	Multi-use watershed (11% ownership)
Nanaimo & Comox	Multi-use watersheds
Portland (Bull Run)	Filtration in 2027 to address cryptosporidium
CRD	Meets requirements to remain unfiltered

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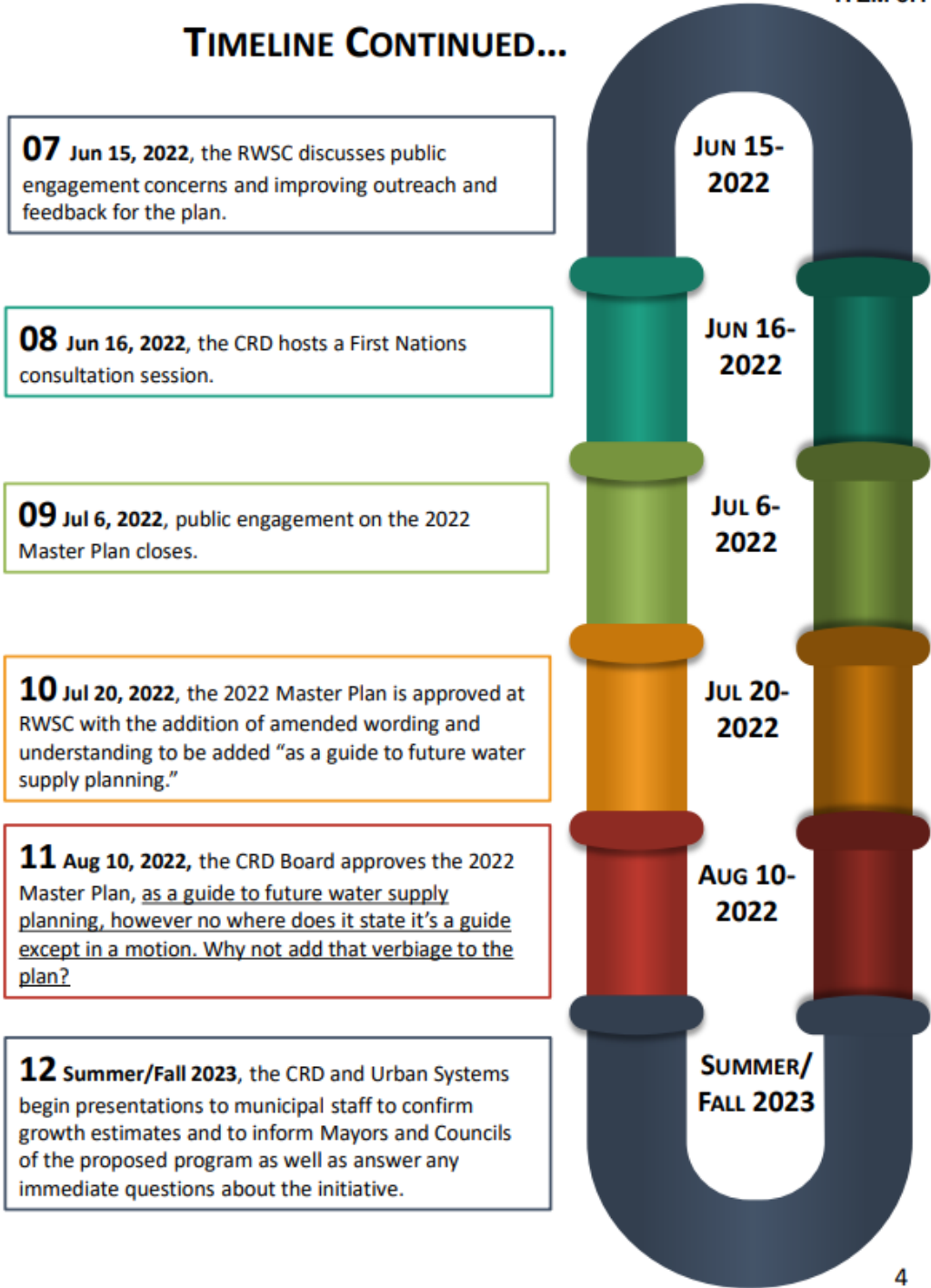
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TIMELINE CONTINUED...



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CRD's 2017 Strategic Plan

1. To provide high quality, safe drinking water (**Quality**)
2. To provide an adequate, long-term supply of drinking water (**Quantity**)
3. To provide a reliable and efficient drinking water transmission system (**System Capacity**)

2022 Regional Supply Master Plan

- Addresses primary objectives and strategic priorities outlined in the CRDs 2017 Strategic Plan for water service
- Provides an implementation schedule and cost estimates based on several assumptions
- CRD has accepted the validity of the assumptions as it is proceeding with implementation

Why am I raising concerns about implementation of the 2022 Master Plan?



Lack of public consultation on a \$2 billion plan

1

Lack of analysis of water demand trends

2

Lack of analysis of the economic impact of expenditures

3

Speculative impact of climate change on water quality

4

5

ITEM 8.1

NEXT STEPS

Current Notice of Motion:

To delay further action on the Regional Water Supply 2022 Master Plan until such time as the concerns raised by the Huggett report can be investigated and addressed.

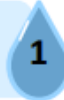
I feel there are benefits in pausing the implementation of the Regional Water Supply 2022 Master Plan...

To be clearer and more concise:

To pause and delay further action on the Regional Water Supply 2022 Master Plan until such time as an Independent Peer Review addressing the following has been commissioned:



A review of the demand projection has been undertaken (i.e., water use in existing vs. new developments in developing per-capita demand trends.



New/expanded demand management initiatives (incentives) for climate change adaptation for discretionary water use are developed.



An economic analysis of the demand implications of significant increases in water cost for discretionary water use has been undertaken.



Until a comprehensive watershed management plan has been developed (i.e., similar to Seattle's) including climate change adaptations.



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APPENDIX E: FEBRUARY 14, 2024 – DISTRICT OF CENTRAL SAANICH COUNCIL MOTIONS



February 14, 2024

File No. 0400-60/24

Patrick Stephens, Project Manager
Capital Regional District
625 Fisgard Street
Victoria, BC V8W 2S6

Via email: pstephens@crd.bc.ca

Dear Mr. Stephens:

Re: Regional Water Service Development Cost Charges

Following the presentation from yourself and Urban Consultants, at the Council meeting of February 12, 2024, the District of Central Saanich passed the following motion:

1. *That the District of Central Saanich ask the Regional Water Supply Commission to provide an independent third party review pertaining to the study assumptions and core items, ahead of any capital expenditure; and*
2. *That the District request that the Capital Regional District consider bulk water rate supports for agricultural land users and Development Cost Charge waivers for affordable and rental housing.*

Should you have any questions with respect to the above, please do not hesitate to contact the undersigned by phone at 250.544.4211 or by email at Dale.Puskas@csaanich.ca.

Regards,

A handwritten signature in black ink, appearing to be "Dale Puskas", written over a horizontal line.

Dale Puskas, P.Eng.
Director of Engineering