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REPORT TO REGIONAL WATER SUPPLY COMMISSION
MEETING OF NOVEMBER 19, 2025

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

ISSUE SUMMARY

To provide the Regional Water Supply Commission (Commission) with an update on the proposed Development Cost Charge (DCC) Program and Bylaw, and to seek the Commission's direction regarding the Municipal Assist Factor (MAF) and the preparation of a draft DCC Bylaw for consideration at a future meeting.

BACKGROUND

The Regional Water Supply Commission (Commission) began considering a Development Cost Charge (DCC) program and bylaw with the launch of the 2017 Regional Water Supply Strategic Plan, approving initial capital funding in 2020. Since then, the Capital Regional District (CRD) has progressed through various phases of DCC program development, as outlined in previous staff reports (see Appendix A for a summary of past and planned reports).

A separate staff report titled *Proposed Regional Water Supply Service Development Cost Charge Bylaw – Engagement Summary Vol. 3* (November 19, 2025) outlines the final phase of public and interested party engagement.

Based on the feedback the CRD has received through its engagement with the public, the development community and local First Nations, the Municipal Assist Factor (MAF) and Grace Period are two tools recommended by the DCC Best Practices Guide to help lessen the impact of newly established DCC bylaws. These tools are discussed in detail below, including options and considerations, ultimately seeking the Commission's direction for preparation of the Regional Water Supply (RWS) DCC Bylaw.

Financial Impact Analysis on Development

Since 2024, development activity in the CRD has slowed, as highlighted in Urban Development Institute's (UDI) economic analysis (September 26, 2025), which found four out of five housing forms are currently not viable. The report attributes this to rising construction and labour costs, high interest rates, tighter lending conditions, and economic uncertainty, factors that have delayed or cancelled many projects. While development charges such as DCCs do affect margins, their impact is relatively minor compared to these broader cost pressures. In most cases, DCCs and similar charges reduce profit margins by 1–3%, depending on unit type and combined municipal rates. Accordingly, the proposed RWS DCC is expected to slightly lower returns but not significantly affect overall viability.

CRD referral data for the Juan de Fuca Water Distribution System reflects this slowdown, with municipal development referrals dropping from 110 in 2024 to 66 as of October 31, 2025. Given these challenging conditions, applying the proposed DCC at a lower rate would provide modest relief during the current downturn.

Municipal Assist Factor (MAF)

To finalize the RWS DCC Bylaw, the Commission and CRD Board must confirm the Municipal Assist Factor (MAF). The MAF is the percentage discount applied to the total eligible cost of growth-related infrastructure projects when calculating DCC's. The MAF is established through bylaw as a policy and political decision and may be used as a tool to help balance community objectives, such as reducing the financial impact on development, while ensuring fair cost sharing between new and existing taxpayers. In accordance with the *Local Government Act*, the MAF must be at least one percent.

Both the Water Advisory Committee (March 28, 2023) and the Regional Water Supply Commission (March 20, 2024) previously considered the magnitude of the MAF. The March 20, 2024 report and Supplemental Memo (Appendix B) provided details on the implications of the different MAFs on DCC collections. Both bodies previously recommended proceeding with a MAF of one percent; however, since that time, there have been several economic shifts that need to be considered.

Given the current challenges being experienced by the development community, the probability that lower development returns are expected to persist for the next couple years and the fact that this is a new DCC program, the Commission may consider a 25-50% reduction to the DCC rates using the MAF.

An increased MAF in this range would provide meaningful assistance to development, while still ensuring that a portion of growth-driven project costs are paid for by the development driving the need for these projects (benefiter pays principle). An MAF less than 25% may not be seen as meaningful to the development community, whereas an MAF greater than 50% would undermine the CRD's intent in implementing the underlying benefiter-pays principle of DCC's.

<u>Phased MAF</u>

There is an option to phase in the MAF before reducing it to 1%, consistent with Metro Vancouver's recent approach. Metro Vancouver started with a 50% MAF, then reduced to 45%, 15%, and 1% over three years. For context, Metro Vancouver's DCC is much higher at $19,714 (1% MAF) compared to the proposed RWS DCC of $9,044 per single-family lot (1% MAF).

Phasing the MAF for the RWS DCC Program may not be practical. The earliest date the bylaw could take effect is April 2, 2027, with an update planned for 2028/2029. This leaves little time for phasing and adds administrative complexity. Therefore, a "static MAF" is recommended for the initial implementation.

Canadian Housing Infrastructure Fund (CHIF), Bylaw Effective Date and Grace Period

On February 12, 2025, the CRD Board implemented a DCC rate freeze (including imposing any new DCCs) until April 2, 2027 to align with the requirements of the Canadian Housing Infrastructure Fund (CHIF) program (see Appendix A). If the RWS DCC bylaw were to be adopted—anticipated Spring 2026—the “effective date” on which the DCCs would start being collected could be no sooner than April 2, 2027.

The period between the bylaw adoption date and the effective date would represent a “grace-period”, which the DCC Best Practices Guide recommends, to notify developers that the new DCCs will be implemented. In light that the CRD has been working to establish a DCC bylaw since 2020, with engagement completed in 2023 and 2024, arguably there has been sufficient notification of the proposed DCC program.

In-Stream Protection

As a requirement of the *Local Government Act*, local governments enacting new or amended DCC rates must provide one year of in-stream protection to developers who have submitted development applications and paid the applicable fees prior to the DCC rates coming into effect.

In this case, if the RWS DCC bylaw were adopted with an effective date of April 2, 2027, in-stream developments (i.e., developments with accepted applications and fees paid) would not be required to pay the RWS DCC’s for a full year. Any new development applications received on or after April 2, 2027 would be required to pay the RWS DCCs.

Combination of MAF, Grace Period and In-Stream Protection

An increased MAF, combined with a delayed effective date (grace period) and the one-year in-stream protection period required under the *Local Government Act*, would offer a modest and meaningful transition period for the development industry. This approach would help mitigate impacts during the current market downturn and reflects feedback received from the development community throughout the engagement process. The BC Inspector of Municipalities would review the program for alignment with the DCC Best Practices Guide, which recommends all three of the preceding components.

Additionally, the future implementation of a RWS DCC Waivers or Reductions bylaw (pending Commission and CRD Board approval) would also provide assistance to eligible development types, such as affordable not-for-profit housing.

DCC Program and Master Planning Coordination

To align with best practices, and to address the development community’s feedback regarding the population and water demand projections in the RWS 2022 Master Plan, the CRD is committed to update both the technical and planning components of the DCC program on a regular cycle, typically every 5 years. The Master Plan update is scheduled for 2027–2028, with the DCC program update set to begin following its completion in 2029.

The regular review of the DCC program would also allow the CRD to undertake future engagement with interested parties and review the MAF in the lens of current development viability and trends.

DCC Bylaw Development Process and Next Steps

The three general phases of DCC Bylaw development were outlined in previous staff reports (May 17, 2023 and March 20, 2024). To date, the following has been completed:

- **Phase 1 – Conceptualization:** Completed.
- **Phase 2 – Refinement and Consultation:** Nearing completion, with the issuance of the Engagement Summary (Vol. 3) and pending adoption of the DCC Bylaw.
- **Phase 3 – Implementation:** To commence following bylaw adoption, anticipated in spring 2026.

With direction from the Commission on the MAF, staff propose returning to the Commission in January 2026 with the draft DCC Bylaw for consideration. At that time, the Commission may choose to adopt a resolution recommending that the CRD Board proceed with first, second and third readings of the bylaw.

Following Board endorsement, the DCC Bylaw would be submitted to the BC Inspector of Municipalities (BCIM) for Statutory Approval, as required under the *Local Government Act*. The submission will include the DCC Background Report and the "DCC Submission Summary Checklist." Upon receiving statutory approval from the BCIM, the CRD Board would be positioned to proceed with final reading and adoption of the bylaw by Spring/Summer 2026.

Upon approval of the Bylaw, staff will proceed with implementation of the bylaw, which includes coordination with the municipalities to begin preparing for collection and remittance of DCCs. Concurrently, staff will begin development of a DCC waivers or reductions bylaw (see Appendix A).

ALTERNATIVES

Alternative 1
That the Regional Water Supply Commission direct Capital Regional District (CRD) staff to prepare a draft Regional Water Supply Development Cost Charge (DCC) Bylaw for consideration at a future Commission meeting, and that the bylaw include a Municipal Assist Factor (MAF) of 25 percent.

Alternative 2
That the Regional Water Supply Commission direct Capital Regional District (CRD) staff to prepare a draft Regional Water Supply Development Cost Charge (DCC) Bylaw for consideration at a future Commission meeting, and that the bylaw include a Municipal Assist Factor (MAF) of one percent.

Alternative 3
That the Regional Water Supply Commission direct Capital Regional District (CRD) staff to prepare a draft Regional Water Supply Development Cost Charge (DCC) Bylaw for consideration at a future Commission meeting, and that the bylaw include a Municipal Assist Factor (MAF) of 50 percent.

IMPLICATIONS

Alignment with Board & Corporate Priorities

The implementation of the proposed Regional Water Supply (RWS) Development Cost Charge (DCC) program aligns with the CRD 2023-2026 Corporate Plan, the RWS 2017 Strategic Plan and the pending Regional Water Supply 2025 Strategic Plan.

An increased Municipal Assist Factor (MAF) would reduce the financial burden placed on development, which in turn could help increase the "supply of affordable, inclusive and adequate housing in the region", which is a key Initiative in the 2023-2026 Corporate Plan.

Financial Implications

To address financial concerns raised by the development community, it is proposed to reduce the proposed DCC rates through an increase in the MAF. An MAF in the range of 25-50% is anticipated to provide relief during the current economic downturn and is consistent with the DCC Best Practices Guide and comparable to other new DCC programs. If an increased MAF is implemented, the RWS service would be responsible to fund the assistance amount, which would need to be accounted for in future capital plans.

An increased MAF would reduce the burden on new development while still reducing future water rates to existing users (as opposed to no RWS DCC program). The proposed 30-year DCC program will be refreshed every five years (2029), when applicable projects will be reviewed, new costing information will be included, and the MAF can be adjusted.

Appendix B – Mar 12, 2024, Regional Water Supply Commission staff report, highlights the options for varying levels of assistance (1, 25, 50%), and their resulting implications to both DCC rates and the RWS bulk water rate.

First Nations Implications

The proposed DCC bylaw would not apply to development on First Nations reserve lands as local municipal and regional district DCC bylaws are not applicable on reserve lands. DCCs would apply to fee simple lands owned by First Nation-owned entities off-reserve and would be consistent across the region.

The introduction of a DCC program would benefit First Nations that receive water from the RWS service, similar to existing municipal residents, as the DCC program would mitigate future bulk water rates increases for the First Nations.

Although DCCs would not apply on First Nation reserve lands, an MAF of greater than 1% would shift the funding source from DCCs back to bulk water rates, which would impact all existing users, including First Nations, as the RWS service would need to fund the assistance amount. Conversely, an increased MAF would provide assistance to First Nations-led developments on fee simple lands throughout the region.

Social Implications

Without the implementation of a DCC bylaw for the RWS service, remaining capacity will continue to be depleted by population growth. At a certain point, without any upgrades, the system will reach a threshold where no further development can be serviced.

Through engagement with interested parties, it is acknowledged that the development industry is currently experiencing a downturn both locally and nationally, driven by factors such as elevated construction, labour, and financing costs. The CRD recognizes that the proposed DCCs may affect the financial viability of some development projects, as highlighted in the Economic Analysis Report submitted by the Urban Development Institute (UDI).

In response to these concerns, the CRD should consider implementing a MAF greater than the provincial minimum of one percent. These options could help mitigate financial impacts and support the development sector during this period of economic uncertainty.

CONCLUSION

At the Regional Water Supply Commission's (Commission) direction, the Capital Regional District (CRD) has been developing the Regional Water Supply (RWS) Development Cost Charge (DCC) program and bylaw since 2020 and is nearing the end of its Phase 2 – Refinement and Consultation, which is planned to result in the adoption of the proposed RWS DCC bylaw. The CRD has undertaken three phases of engagement with interested parties, including municipal council and staff, the public, the development community and local First Nations. Feedback received through this process has been shared with the Commission and should be taken into consideration when finalizing the details of the RWS DCC Bylaw.

This staff report presents options to mitigate the financial impact of the proposed DCCs on the development industry, in response to concerns outlined in their recent correspondence to the CRD Board. One key option includes consideration of a Municipal Assist Factor (MAF) greater than the provincial minimum of one percent. Staff have proposed a 25% MAF be implemented, as this would provide meaningful assistance to development, while also implementing the underlying principle of benefiter pays. The increased MAF, in combination with the grace period (until April 2027), would help mitigate impacts of the proposed DCC program during the current economic downturn.

Subject to the Commission's direction, CRD staff are prepared to advance the draft RWS DCC Bylaw and supporting documentation to the Commission and the CRD Board, followed by submission to the BC Inspector of Municipalities for statutory approval.

RECOMMENDATION

That the Regional Water Supply Commission direct Capital Regional District (CRD) staff to prepare a draft Regional Water Supply Development Cost Charge (DCC) Bylaw for consideration at a future Commission meeting, and that the bylaw include a Municipal Assist Factor (MAF) of 25 percent.

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ATTACHMENTS

Appendix A: Summary of Previous and Planned Staff Reports
Appendix B: Municipal Assist Factor Memo – March 20, 2024