APPENDIX C

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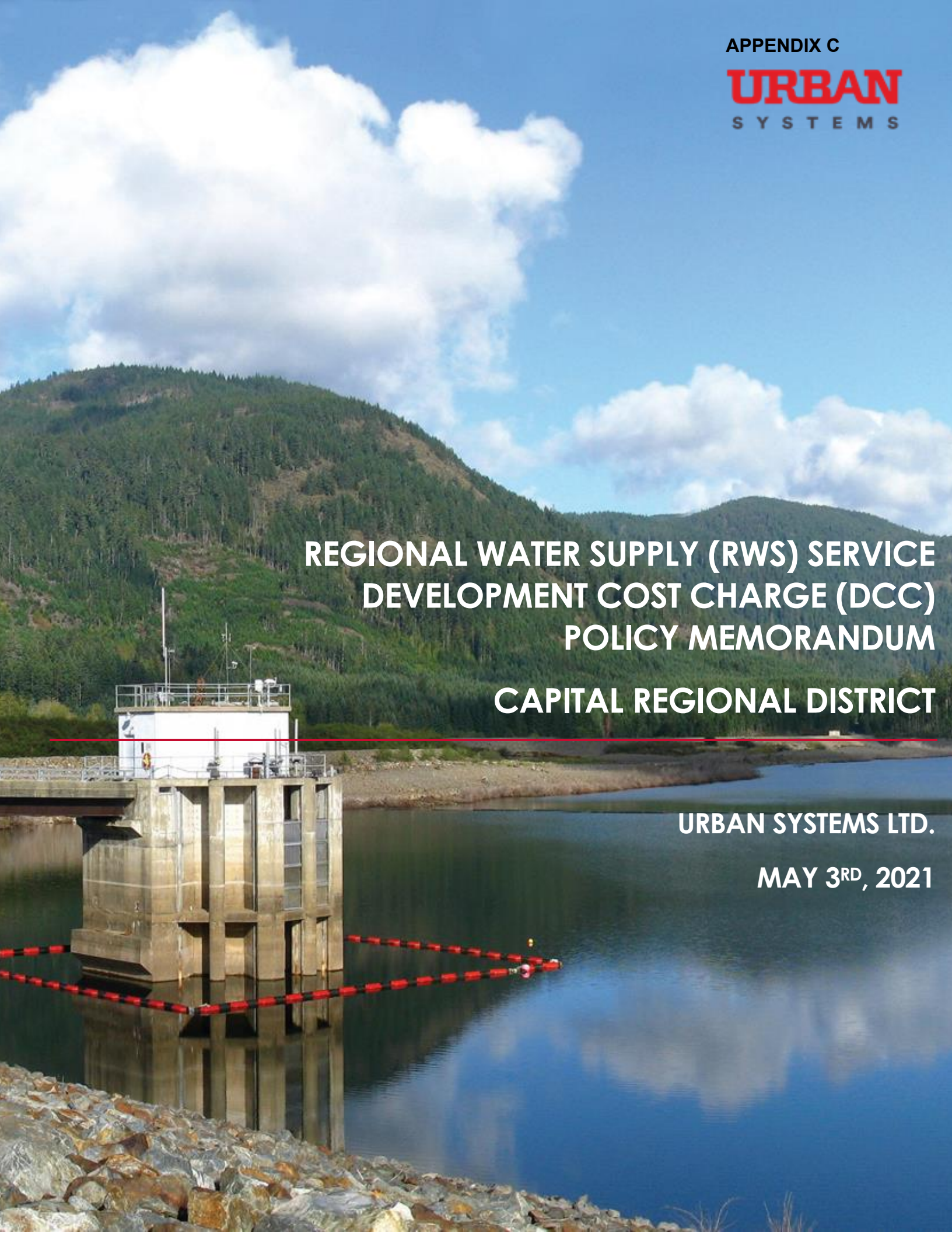

REGIONAL WATER SUPPLY (RWS) SERVICE DEVELOPMENT COST CHARGE (DCC) POLICY MEMORANDUM

CAPITAL REGIONAL DISTRICT

URBAN SYSTEMS LTD.

MAY 3RD, 2021

APPENDIX C

CAPITAL REGIONAL DISTRICT – REGIONAL WATER SUPPLY (RWS) SERVICE DEVELOPMENT COST CHARGE (DCC) POLICY MEMORANDUM

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May 3rd, 2021

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1 INTRODUCTION

Development Cost Charges (DCCs) are funds that are collected by Local Governments in accordance with the Local Government Act (LGA) of British Columbia from developers to contribute to the costs of infrastructure that is required to service new growth within the established service area (*Water Supply Local Service Area Establishment Bylaw 2537*). DCCs are an important tool for local governments to sustainably facilitate and finance development in their community, without compromising levels of services to their residents.

The Capital Regional District (CRD) currently collects DCCs for water infrastructure projects through the *Juan de Fuca Distribution DCC Bylaw 2758* and *Saanich Peninsula Water and Wastewater DCC Bylaw 3208,* to help fund the provision of water and wastewater infrastructure that benefits future growth within these communities. In 2018, the CRD undertook a review of the Juan de Fuca Water Distribution (JdFWD) DCC program with the help of Urban Systems, and the Saanich Peninsula Water (SPW) and Saanich Peninsula Wastewater (SPWW) DCC programs with the help of Kerr Wood Leidal and amended both *Bylaw 2758* and *Bylaw 3208* to reflect the new DCC infrastructure programs.

Currently, there is no DCC Bylaw for the Regional Water Supply (RWS) system, which benefits most areas within Greater Victoria. The 2017 RWS Strategic Plan outlines exploring DCCs as a priority for this service. A DCC program was developed in the past; however, a DCC Bylaw was not adopted (circa 1994). In the winter of 2021, Urban Systems was retained to conduct a Phase 1 review, including developing a preliminary DCC program for the RWS system. If the CRD decides to pursue a RWS DCC Bylaw after Phase 1 is completed, Phase 2 of the project would include internal and external stakeholder engagement and consultation and further refinement of the DCC program.

This work is a valuable opportunity to incorporate insights from ongoing RWS Water Master Planning work, updated project costs, and region-wide growth estimates into the draft RWS DCC Bylaw, as well as to align with the commitments and priorities of the RWS Strategic Plan. Any draft DCC rates would accurately reflect current construction and land costs, current growth, and update information on growth-related infrastructure.

To date, there have been two workshops, which provided the USL staff with the opportunity to meet with staff from the CRD to establish policy elements required to develop the draft DCC rates, as well as key sources of information and consideration for technical inputs into the DCC program. This RWS DCC Policy Memorandum provides a discussion of the key policy elements to support the development of the draft DCC program. This memorandum will summarize recommendations and policy directives that have emerged through discussions with CRD staff, specifically through the DCC Policy Elements Workshop held on February 24th, 2021. The purpose of this memorandum is to ensure policy directions are tailored to suit the RWS DCC program requirements and that they are aligned with the policies and practices in other local services, as well as the Ministry's of Municipal Affairs (the Ministry) *Development Cost Charge – Best Practice Guide 3rd ed*.

2 OVERVIEW

DCCs are used to finance capital projects related to growth, such as for roads, drainage, sewers, water, and parkland, that are otherwise funded through general taxation, or other funding mechanisms.

Under section 559 of the *Local Government Act (LGA)*, local governments can use DCCs to assist in the payment of capital costs for projects that would service growth. DCCs are also regulated through the Inspector of Municipalities and should align with the Ministry's *Development Cost Charge – Best Practice Guide*.

> *"A development cost charge is a means provided by the Local Government Act to assist local governments in paying the capital costs of installing certain local government services, the installation of which is directly or indirectly affected by the development of lands and/or the alteration/extension of buildings."*
>
> - Development Cost Charge – Best Practice Guide 3rd ed., BC Ministry of Municipal Affairs

DCCs are intended to foster fairness, by distributing the costs of growth more equitably between existing residents and the developer. For example, if a new development on the outskirts of a community requires a new service, that only future residents are going to benefit from, DCCs would ensure that existing community members (ratepayers) are not fully responsible for carrying the burden of the costs to develop a service that will have a limited benefit to them.

Implementing DCCs can ensure that new services and growth are consistently funded by those benefitting from growth, minimizing financial risk to the CRD. Since DCCs are consistent and have a clear policy framework, they are predictable and ensure certainty for the development community. Developing a DCC Bylaw can promote transparency and ensure timely processing of development applications.

2.1 1994 Regional Water Supply Development Cost Charge (DCC) Policy Report

In 1994, the CRD undertook a review to evaluate the potential for implementing DCCs to help ensure that regional water supply services driven by growth were "largely self-financing."

Based on the total DCC program value of $60 million, the 1994 report recommended a DCC rate of $1,266 per residential unit (or 0.98% of the cost for an average lot) and $3.16 per m2 of non-residential growth (i.e. commercial, office and industrial). It was suggested that these DCC rates per would be charged equally across the RWS service area.

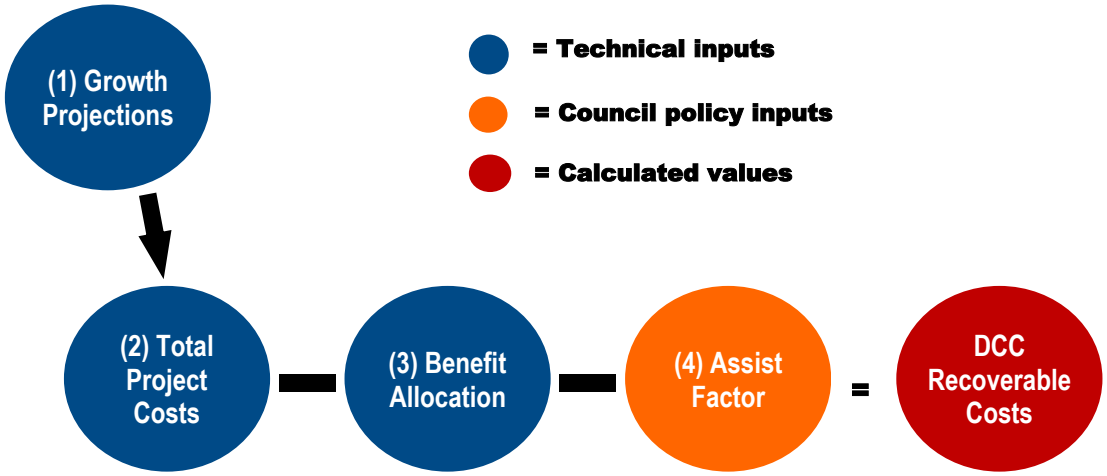
The proposed Assist Factor was set at 1% and population projections were based on a 20-year time horizon with an estimated 2012 population of 387,000 people. The 1994 report's DCC projections included several areas that were not likely to be provided with community water service until 2012.

The proposed DCC program and rates presented in the 1994 report were not adopted for an unknown reason by the CRD board.

2.2 DCC Program Development

The development of a DCC program involves a number of detailed technical analyses to determine how the costs of expected growth can be distributed in an equitable way, including developing growth projections; identifying project lists, timing, and costs; and identifying the relative benefit of each project to new versus existing growth (referred to as the benefit allocation). **Figure 1** below provides a high-level synopsis of how these factors, along with Board of Directors' discretionary ability to set the DCC Assist Factor, are used to calculate the draft Phase 1 DCC rates.

Figure 1. DCC Program Development Process



3 REVIEW OF EXISTING MUNICIPAL AND SUB-REGIONAL DCC CHARGES

The following section provides an overview of the sub-regional water DCCs currently being charged by the CRD, including the rates for the JdFWD, SPW, and SPWW DCC programs.[1] The RWS DCC rates would be charged in additional to the current DCC rates where applicable (see **Table 1** below).

Table 1. Existing Sub-regional DCC Rates in the CRD (per land use category)

Development Category	Unit	JdFWD	SPW	SPWW
Low Density Residential (single family)	per lot	$ 2,922	$ 0	$ 1,790
Low Density Residential (small lot single family)	per lot	na	$ 0	$ 1,429
Medium Density Multi Family (duplex, townhouse, etc.)	per unit	$ 2,557	$ 0	$ 1,413
High Density Multi-Family (apartments)	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

*Note: GFA means Gross Floor Area

The development of a RWS DCC program would affect municipal development throughout the CRD in different ways, as many of the communities within the CRD have some DCCs in place for either municipal services and / or sub-regional services, with the exception of Esquimalt and Oak Bay. The RWS DCC would be an additional charge to developers in those communities who will benefit from capacity upgrades to the RWS system. Currently, capacity upgrades to the RWS system are paid primarily by existing residents and ratepayers in the CRD.

In addition to regional charges, DCCs are collected by municipalities within the CRD. **Table 2** and **Figure 2** demonstrate the total existing DCC rates for single-family residential uses (per lot) in each municipality within the CRD, including sub-regional DCC charges.

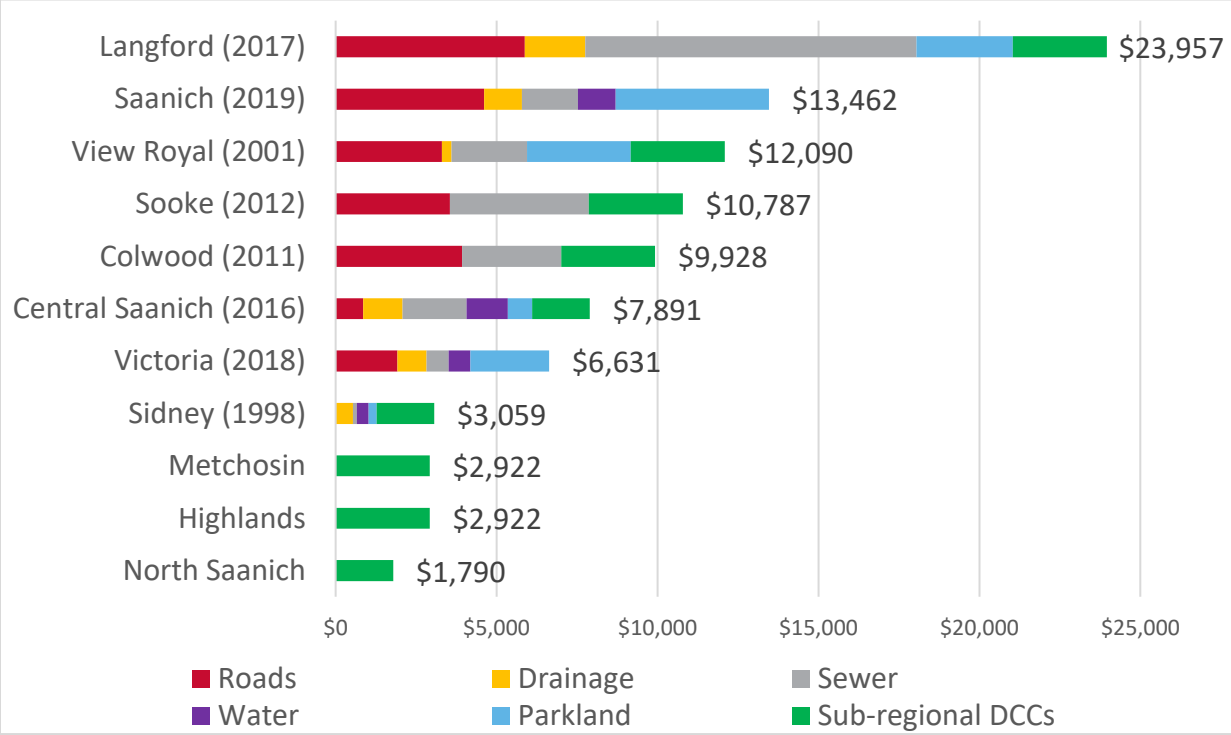
[1] ***Note**: Sub-regional denotes current water and / or sewer DCCs currently charged by the CRD in the Juan de Fuca Water Distribution System and* Saanich Peninsula Water (SPW) and Saanich Peninsula Wastewater (SPWW) service areas.

Table 2. Total Existing Municipal and Sub-Regional DCC Rates in the CRD (per single-family residential unit)

Municipality	Municipal DCC*	Sub-regional DCC***	Total
Langford (2017)**	$21,035	$2,922	$23,957
Saanich (2019)	$ 13,462	$ -	$ 13,462
View Royal (2001)	$ 9,168	$ 2,922	$ 12,090
Sooke (2012)	$ 7,865	$ 2,922	$ 10,787
Colwood (2011)	$ 7,006	$ 2,922	$ 9,928
Central Saanich (2016)	$ 6,101	$ 1,790	$ 7,891
Victoria (2018)	$ 6,631	$ -	$ 6,631
Sidney (1998)	$ 1,269	$ 1,790	$ 3,059
Metchosin	$ -	$ 2,922	$ 2,922
Highlands	$ -	$ 2,922	$ 2,922
North Saanich	$ -	$ 1,790	$ 1,790

**Note: that the DCC rates for some municipalities are the average of multiple areas.*
***Includes Corix Sewer Charge.*
**** Sub-regional denotes current water and / or sewer DCCs currently charged by the CRD.*

Figure 2. Total Existing Municipal and Sub-regional DCC Rates in the CRD (per single-family residential unit)



4 DCC POLICY ELEMENTS

The following elements were reviewed in this Policy Memorandum and serve to guide the application of DCCs in alignment with the Ministry's *Development Cost Charge – Best Practice Guide* :

1. Extent of DCC charge application (i.e., region-wide vs. area-specific);
2. DCC program timeframe (i.e., revolving or built out);
3. Development and land use categories (i.e., residential and ICI - commercial, industrial and institutional growth);
4. DCC units for charges;
5. Project eligibility;
6. Recoverable DCC costs;
7. Interest for DCCs;
8. DCC Assist Factor;
9. Options for DCC Waivers and Reductions;
10. DCC Credits;
11. Implications for Finance and DCC Tracking; and
12. Public/stakeholder participation and consultation.

4.1 Project Eligibility

Eligible projects, as they relate to a RWS DCC program, include projects associated with providing, constructing, altering, or expanding water infrastructure and facilities that directly or indirectly service new development. Projects are vetted for eligibility according to the Ministerial requirements for DCCs.

In order to establish DCC rates, local governments must create a DCC program that contains a list of projects, which should reflect the direction of other CRD municipal documents, such as ongoing Water Supply Master Plan, capital planning, the 5-year Capital Plan, and staff input. Typically, large projects may be broken down into sub-projects or phases and may be carried out at different times or under different accounts.

A water DCC program may consist of water supply and distribution projects including, but not limited to:

- Water modeling, SCADA and studies;
- Water rights-of-way and easement acquisition;
- Transmission and distribution main;
- Tunnels;
- Facility oversizing;
- Booster pump stations;

- Water Storage Tanks and Dams;
- Water treatment facilities; and,
- Pressure control stations.

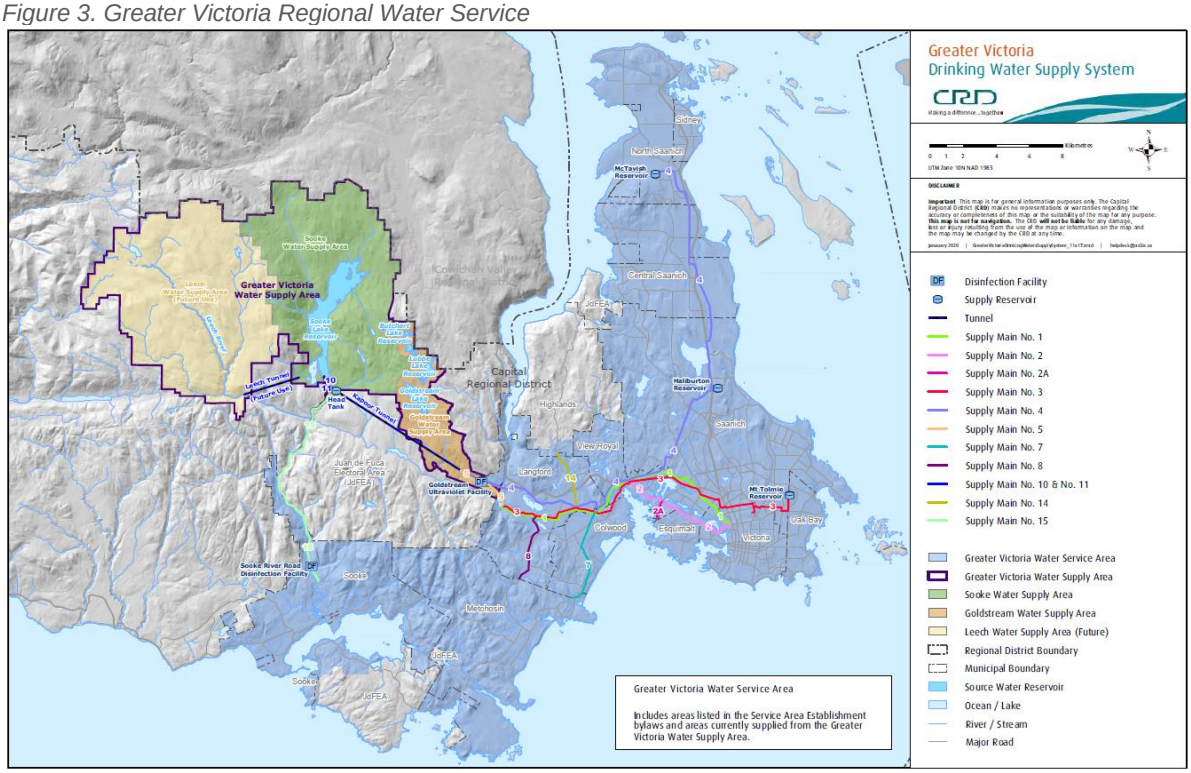
In developing the DCC project list, projects with a regional "water supply" benefit should be prioritized and those projects that benefit one or a small number of local governments in the Capital Region should be excluded (e.g., infrastructure benefiting one or few municipalities). Therefore, it is recommended that the review of DCC project eligibility should include only those projects that benefit multiple jurisdictions and have region-wide benefits.

4.2 Extent of DCC application

A DCC could be applied to either an area-specific or a region-wide area. The RWS system is regional in nature and the DCC project list should be focused on large capital projects that will benefit the entire CRD, as these are the highest priority in terms of cost recovery.

As shown in **Figure 3**, the RWS system services all 13 member municipalities of Greater Victoria, portions of Electoral Area A, and several First Nations, and serves a population of over 370,000 (*Regional Water Supply 2017 Strategic Plan*). The extent of the CRD's Regional Water Supply service is defined in CRD Bylaw No. 2537 (e.g., *Water Supply Local Service Area Establishment Bylaw No. 1, 1997*).

Figure 3. Greater Victoria Regional Water Service



Maintaining a region-wide area program would improve bylaw simplicity and accuracy, as well

as reduce administrative effort with respect to implementation and collection of DCCs across the local governments. Additional benefits of maintaining a region wide DCC bylaw includes a higher degree of flexibility in allocating funding to projects within the program; versus an area-specific program where funds would be divided between multiple DCC reserve funds.

There are several advantages to maintaining a region-wide program and avoiding area-specific programs, which are typically applicable where the water supply service areas behave as an isolated system. For these reasons, and to align with best practice and other DCC Bylaws in the CRD, it is recommended the CRD should adopt with a region-wide water supply DCC.

4.3 DCC Program Timeframe

The DCC program timeframe would align with the DCC projects which will need to be constructed to service development as growth occurs across the region, and in accordance with municipal and regional land use policy. The program timeframe, which determines the timing of when funds are collected, would affect the cash flow of the DCC account. A shorter DCC program timeframe would allow the CRD to increase cash flow; however, it would also increase the DCC rate.

A longer program timeframe may impact the accuracy of cost estimates, as shorter-term project lists (e.g., within 5 years) may yield Class C/D (+/- 25% to 50%) cost estimates, while medium-term to long-term project lists (e.g., 6+ years) may yield Class D/E (+/- 50% or more) cost estimates. The capacity that projects are yielding and who is benefitting from them may also become less clear as the timeframe of the program increases.

Due to the nature of infrastructure lifecycles within the water supply system, the RWS planning currently uses a long-range timeframe. Additionally, the CRD's current regional growth projections consider a 30-year timeframe. Therefore, it is recommended that the CRD should consider a 30-year timeframe to align with regional planning, and allow for frequent program updates (e.g., every 5 years) to capture projects, policy changes, or land use changes, as required over time.

4.4 Land Use Categories

Land use categories typically distinguish between residential (i.e., single-family and multi-family) and non-residential (i.e., commercial, industrial, and institutional) uses and serve as a proxy to reflect impact on infrastructure services. There is a connection between building form and the land use categories for which DCCs are imposed.

DCC charges are typically applied at the subdivision approval stage for single family development sites, and at the building permit stage for multi-family, commercial, industrial, and institutional development. This ensures that local governments do not miss opportunities to recover DCCs if building footprints or units are increased at the building permit stages.

It is recommended that the CRD maintain the land use categories in the current DCC bylaws for consistency for the development community and to align with payment, facilitating collection for local governments that would collect on behalf of CRD. The following land use categories reflect best practices, as well as the categories used in the other CRD DCC programs (see **Section 3**):

- Low density residential, includes single-family homes;
- Medium density multi-family, includes duplexes, triplexes, fourplexes, row houses, townhouses and manufactured homes;
- High density multi-family, includes apartments;
- Commercial;
- Industrial; and
- Institutional.

The SPW and SPWW services currently charge for low density residential small lot subdivisions. It is not recommended to carry forward the small lot subdivision category, as each municipality administering the DCC may have a different method of defining small lots, and it may cause administrative challenges in terms of maintaining a consistent DCC program. Residential units are charged per lot, as such this category includes carriage homes and secondary suites.

4.5 DCC Units for Charges

The following units for charges further support the consistent application of DCC charges at the subdivision approval stage (single family development) and building permit stage (multi-family, commercial, industrial, and institutional development). As discussed in **Section 4.4**, it is also recommended the unit charges from the JdFWD, SPW, and SPWW DCC programs be carried forward to ensure consistency between programs:

- Low density residential: per lot
- Medium density multi-family: per unit
- High density multi-family: per unit
- Commercial: per m^2 of gross floor area (GFA)
- Industrial: per m^2 of GFA
- Institutional: per m^2 of GFA

4.6 Recoverable DCC Costs

The recoverable DCC costs includes the costs associated with implementing the project lists based on technical input from master planning, capital plans and staff. The recoverable capital costs associated with DCC projects have been interpreted by the Ministry to include the following scope of capitalized activities:

- Planning;

- Public consultation;
- Engineering design;
- Right-of-way or parkland acquisition;
- Legal costs;
- Interim financing;
- Contract administration;
- Construction; and,
- Contingencies.

The recoverable costs (to the CRD) could be collected from existing fees as per CRD Bylaw 2570 (Water Supply Local Service Area Fee and Charge Bylaw No.1, 1997), general tax revenue or other revenue (utility rates, etc.). The Board of Directors should consider this in the context of the CRD's financial sustainability and balancing the costs of development between new growth and existing ratepayers.

The recoverable DCC costs would account for a benefit allocation assigned to each project based on how it would benefits growth versus the existing population (see **Section 4.6.1**). Additionally, the calculations would account for a recommended DCC Assist Factor of 1% (see **Section 4.8**). Unlike the benefit allocations the recommended DCC assist Factor of 1% may be adjusted at the discretion of the Board of Directors.

4.6.1. Project Benefit Allocations

The project benefit allocations are the mechanism used to determine the level of benefit of a proposed project has to new versus existing development. They are determined according to the equitable distribution of capital costs amongst those receiving the benefits based on technical analyses on a project-by-project basis.

Each DCC project is evaluated on a scale ranging from 100% to 1% to determine its relative benefit to new versus existing development. There are two methods for determining benefit allocations:

1. **Method 1** - Technical analysis to determine the added capacity a DCC project provides to new versus existing growth – typically determined through hydraulic modelling and design, or estimate based on infrastructure sizing (i.e., increasing a water main from 150 mm to 300mm = approximately 25%/75% benefit);

2. **Method 2 -** A "rule of thumb" approximation based on location and factors driving the need for the project where more detailed information is not available. For example:

    - ***100% –*** *Benefits only greenfield development (i.e., driven exclusively by new growth, and/or for projects located inside or close to a new subdivision / development);*
    - ***70% to 99% –*** *Primarily benefits greenfield development (i.e., driven mostly by the need for additional capacity to support new growth, and/or for projects located in a*

high-growth area);

- ***50% to 69% –*** *Benefits both greenfield and existing development somewhat equally (i.e., driven by both new growth and existing capacity deficiencies, and/or for projects located near a high-growth area, but also close to substantial existing residential development);*
- ***30% to 49% –*** *Mostly benefits existing development (i.e., driven somewhat by new growth, but mostly and existing capacity deficiencies, and/or for projects located in an area with substantial existing development that is experiencing infill or brownfield (re)development);*
- ***1% to 29% –*** *Primarily benefits existing development (i.e., driven primarily by existing capacity deficiencies with a minor benefit to new growth, and/or for projects in an area with almost all existing development where limited infill or redevelopment is expected to occur); and*
- ***0% –*** *Benefits only existing development (i.e., no benefit to new growth and is not a DCC eligible project).*

Where possible DCC benefit allocations should be based on technical analysis. If sufficient technical information is unavailable the "rule of thumb" approach should be applied using staff and consultant expertise.

4.7 Interest for DCCs

Collecting interest if borrowing is required to finance major DCC projects is only permitted in exceptional circumstances and must be approved by the Inspector of Municipalities. In these instances, local governments or developers must front-end the cost of the specific growth-related projects and recover their costs through DCCs as growth occurs. Exceptional circumstances may include the construction of specific infrastructure projects in advance of sufficient DCC cash flows, such as:

- Fixed-capacity infrastructure, such as water treatment and/or sewage treatment plants;
- Out-of-sequence projects, such as upgrading the main sewer or water trunk lines; and
- Greenfield development, which is usually providing infrastructure to areas that have no services, so growth can occur.

As this would be a new DCC program and no costs have been incurred to date, interest for DCCs would not be considered in this program at this time, however, this may be considered in the future if borrowing is required to finance major DCC projects.

4.8 DCC Assist Factor

The DCC Assist Factor differs from benefit allocations, because the DCC Assist Factor is a discretionary tool that is applied by the Board of Directors across the entire DCC program to assist development rather than being applied to specific projects.

The DCC Assist Factor is a proportion of money that the local government contributes towards DCCs. As stated in the *LGA*, the purpose of DCCs is to provide *assistance* to local governments to fund infrastructure costs. Infrastructure costs should not be funded entirely through new development. Therefore, Ministry policy requires that local governments assist development for DCCs. The DCC Assist Factor reflects the Board of Directors' desire to encourage development and is largely a political decision.

The Board of Directors has discretion over the level of assistance that is provided towards DCCs. The level of municipal assistance that is offered can vary between 1% (least amount of assistance) and 99% (highest amount of assistance). Most growing communities in British Colombia choose a DCC Assist Factor between 1% and 10%.

The DCC Assist Factor is funded from non-DCC revenues. If the DCC Assist Factor is increased, developers would pay less DCCs and the CRD could fund the difference, through utility rates. The DCC Assist Factor can be different for each infrastructure class (i.e., water supply vs. distribution).

The DCC Assist Factor is separate from any benefit allocation of costs made between new development and existing users. As part of this program, we recommend a starting DCC Assist Factor of 1%.

4.9 Waivers and Reductions Bylaw for Affordable Housing

The *LGA* provides the option for the CRD to develop a Waivers and Reductions Bylaw to exclude some types of development from paying DCCs. This is a tool that should be implemented through a separate bylaw after DCC Bylaw(s) are adopted by the CRD, and for the purpose of providing additional support to some developers in specific cases. A Waivers and Reductions Bylaw could exempt or waive DCCs for the following classes of "eligible development" as defined by the *LGA*:

- Not-for-profit rental housing, including supportive living housing (previous legislation did not require a bylaw to waive or reduce DCCs for not-for-profit rental housing);
- For-profit affordable rental housing;
- Subdivisions of small lots designed to result in low greenhouse gas emissions (i.e., lots under 300 m^2, etc.); and
- Developments designed to result in a low environmental impact (i.e., LEED Gold, Step Code Level 4, etc.).

If the CRD desires to provide waivers and reductions for any of these eligible developments, it is recommended that this is evaluated after the adoption of a DCC Bylaw and done through a separate DCC Reductions Bylaw process.

If the CRD chooses to waive or reduce DCCs, it is responsible to make up for any foregone DCC revenue from secure alternate revenue sources (i.e., non-DCC, general revenue, taxation, or utility rates).

4.10 DCC Credits

Any developer who constructs DCC works "out-of-sequence" could be given DCC credits subject to approval by the CRD. The costs of constructing the required works in advance of the proposed timing would be deducted from the applicable DCCs payable. The CRD could determine when these works are required and the DCC credit cannot exceed the applicable DCC payable.

Table 3 (below) shows three potential examples of DCC works constructed out-of-sequence. The Actual DCCs Payable is the amount the developer owes in DCCs. The DCC Credit Balance is the amount in credits that would be provided to the developer for the DCC works. Under the "Pump Station B" scenario, DCC Credits would be provided in the amount of $200,000 to the developer because the DCC Project Cost exceeds the DCC Payable under Bylaw. The "Pump Station A" scenario would result in the developer paying the remaining $100,000 in DCCs. Under the "Pump Station C" scenario, the DCC Project Costs and the DCCs Payable under Bylaw are equal, which would result in $0 Actual DCCs Payable and $0 DCC Credit Balance.

Table 3. Example of a Typical DCC Balance Sheet

DCC Project	DCC Project Cost	DCC Payable under Bylaw	Actual DCCs Payable	DCC Credit Balance
Pump Station A	$400,000	$500,000	$100,000	$0
Pump Station B	$700,000	$500,000	$0	$200,000
Pump Station C	$500,000	$500,000	$0	$0

It is recommended that the RWS DCC program use a similar policy for DCC credits as the JdFWD DCC Credits Policy, which includes the following:

- DCC Credits for the lesser of the total DCC Project Cost or DCC Project Value, or portion thereof, to a maximum of the DCC's payable in the relevant category for the DCC Project;
- Maximum time limit for DCC Credit availability for DCC Projects performed is 15 years;
- Unused DCC credits can be applied to other development lands in the service area as long as the Owner(s) is exactly the same legal entity; and
- Do not include front-ender agreements with Owner/Developer(s).

A 15-year credit was determined for the JdFWD DCC Credits Policy, as 15 years is the maximum

time frame over which these costs could be recovered from the date that the initial capital works are completed.

For consistency it is recommended that the RWS DCC program should follow a similar policy approach for providing DCC credits for developers who constructs DCC works "out-of-sequence."

4.11 Implications for Finance and DCC Tracking

Should RWS DCCs be imposed, municipalities and local governments could simply collect and remit the funds to the CRD. DCCs must be deposited in a separate special RWS DCC reserve fund account established for each purpose, for which a local government imposes a charge. Local governments may be required to provide a report on the status of DCC collections, expenditures, and proposed expenditures. Ongoing administration of the DCC bylaw should be guided by the principles of transparency in the process and integrated implementation.

Monitoring of DCC funds and accountability is achieved through good accounting and monitoring practices that are clear and understandable. A DCC monitoring and accounting system should be set up such that tracking of projects and the financial status of DCC accounts can easily be facilitated.

Implementation of a new RWS DCC would require a new DCC reserve fund account to be established. As there is no existing DCC program, the DCC account balance would start at $0. A policy should be developed for how best to provide DCC eligible projects prior to receiving enough DCCs. The CRD should consider the following two options:

- **Option 1** - Borrow funds and keep DCC projects on the list until the project costs are fully recovered – potentially charging interest costs for major DCC projects where required / permitted;
- **Option 2** - Use DCC credits for works that are out of sequence and maintain clear tracking of any credits provided (see **Section 4.10**).

4.12 Public/Stakeholder Participation and Consultation

The Best Practices Guide recommends consulting with key stakeholders, as part of establishing the DCCs. If the CRD approves moving forward with the RWS DCC project at the end of Phase 1, public and stakeholder participation and consultation would occur in Phase 2 of the DCC project. It is recommended that the CRD consider the following internal and external stakeholder engagements and consultations, as well as providing information and updates on the CRD website for the general public should the project progress:

- Consultation with municipal and electoral area planning staff to confirm development

estimates;
- Workshops with the CRD Board, Regional Water Supply Commission, Juan de Fuca Water Commission and the Saanich Peninsula Water commission;
- Consultation with municipal and electoral area elected officials;
- Sessions with the development community in 4 to 5 geographic areas; and
- Public information meetings in 4 to 5 geographic areas;
- Board presentations and three readings of the Bylaw.

Stakeholder meetings would consist of a facilitated discussion on draft DCCs rates, bylaws and policies with developer stakeholder groups. These stakeholder meetings should be completed before providing an opportunity for input from the general public. Feedback from these consultations would be considered to inform the draft DCC program prior to the CRD consideration of adopting a DCC Bylaw.

Understanding the role of DCCs is important for the Board of Directors when considering the financial sustainability of the CRD, as well as the sustainable delivery of services to residents. As discussed, the Board of Directors' primary tool for adjusting the draft DCC rates is to change the DCC Assist Factor, which would determine how much assistance the Board of Directors would contribute to development (as outlined in **Section 4.8**).

The Board of Directors is also responsible for endorsing the draft DCC rates and program by giving three readings to the DCC Bylaw prior to being reviewed by the Provincial Inspector of Municipalities. Once the DCC Bylaw and program have been approved by the Province, the final DCC Bylaw could then be adopted by the Board of Directors and given fourth and a final reading.

5 SUMMARY

This RWS DCC Policy Memorandum provides discussion and recommendations for move forward with key policy elements to support the development of the DCC program to ensure policy directions are aligned with legislation, DCC best practices, and are consistent with the policies and practices in other CRD local government services.

The development of the draft DCC rates schedule for the RWS DCC program will be produced based on technical inputs. Next steps will involve confirming technical inputs, including growth projections, DCC project lists, project eligibility, and benefit allocations for each of the projects. The technical inputs that will be developed by the Urban Systems Ltd. and reviewed by CRD staff include:

- Water supply project lists (current 5 - 10-year Capital Plan);
- Population growth and development;
- Draft Development Cost Charge rates; and
- Benefit allocations.

These technical inputs will be summarized and presented in an RWS DCC Background Report, which will be provided in a format acceptable to the Ministry.

5.1 Key Recommendations

Recommended policy elements to carry forward based on conversations with staff, as well as the best practices outlined in the Policy Memorandum include:

1. Projects with a regional wide "water supply" benefit will be prioritized and those projects which benefit one or a smaller number of local governments in the region will not be prioritized (e.g., water distribution infrastructure benefiting only core municipalities) (**Section 4.1**);
2. Applying one region wide DCC charge (**Section 4.2**);
3. Developing a 30-year revolving DCC program timeframe (**Section 4.3**);
4. Maintaining consistent development and land use categories with JdFWD and SPW DCC programs (**Section 4.4**);
5. Maintaining consistent DCC units for charges with JdFWD, SPW, and SPWW DCC programs (**Section 4.5**);
6. DCC project benefit allocations will be based on technical analysis and hydrologic modelling. If sufficient technical information is unavailable the "rule of thumb" approach could be applied using staff and consultant expertise (**Section 4.6**);
7. Charging for interest of DCC projects will not be considered at this time, but may be considered in the future if borrowing is required to finance major DCC projects (**Section 4.7**);
8. Developing a DCC program based on a 1% DCC Assist Factor, which is to be reviewed by the Board in Phase 2 (if applicable) (**Section 4.8**);
9. Exploring options for DCC Waivers and Reductions for affordable housing in a subsequent process (**Section 4.9**);
10. Applying a DCC Credit Policy that is consistent to the JdFWD DCC Credits Policy (**Section 4.10**);
11. Considering financing options to borrow and keep DCC projects on the list until the project costs are fully recovered; and / or issuing DCC credits (clear tracking required) (**Section 4.11**).
12. Once the draft DCC program and RWS DCC background Report has been accepted begin the initial phases of stakeholder consultation (**Section 4.12**).

Sincerely,

URBAN SYSTEMS LTD.

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