



**REPORT TO REGIONAL WATER SUPPLY COMMISSION  
MEETING OF WEDNESDAY, NOVEMBER 20, 2024**

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**SUBJECT**     **Regional Water Supply Development Cost Charges Waiver or Reduction Options**

**ISSUE SUMMARY**

To provide the Regional Water Supply Commission (Commission) with information regarding the options for waiving or reducing proposed Development Cost Charges (DCC).

**BACKGROUND**

At its April 17, 2024 meeting, the Commission directed staff to report back on options for DCCs to be waived or reduced for non-market housing including government, non-profit, and co-op housing.

There are three options defined by the Local Government Act (LGA) for the CRD to waive or reduce proposed DCC's for "eligible development" as follows:

1. **Regional DCC Waivers or Reductions Bylaw** – the CRD would develop a DCC Waivers or Reductions Bylaw, which would be applied by each municipality at time of DCC collection and the reduced DCC amounts would be remitted by the CRD (i.e., the CRD covers the cost of any DCC Waivers or Reductions). For comparison a similar approach is applied in Metro Vancouver and was recommend by Urban Systems Ltd. (USL) as the preferred approach in the attached Appendix A.
2. **Grant-in-Aid Program Administered by the CRD** – the CRD establishes a grant-in-aid program to eligible developments to offset the costs of the Regional Water Supply DCCs. The CRD would administer this program and accept applications. Successful applications would result in the remittance of grants from the CRD to the Applicant.
3. **No DCC Assistance for Eligible Developments** – the CRD would not adopt a DCC Waivers or Reductions Bylaw or establish a grant-in-aid program. However, this would not necessarily prevent a local government from creating their own Grant-in-Aid program to support eligible developments that would be charged the proposed CRD Regional Water Supply DCC. Currently, CRD does not provide DCC assistance for any of its current water or wastewater DCC programs.

Since April, staff have

- engaged USL to review and report on the issue (refer to USL Memorandum, Appendix A);
- consulted City of Victoria staff regarding its approach to utilize a grant-in-aid policy for the same intent within the City of Victoria; and,
- researched Metro Vancouver's current DCC program.

**Legislative Framework**

Article 563 of the LGA, defines "eligible development" that could be considered for DCC waivers or reductions as being one or more of the following categories:

- a) not-for-profit rental housing, including supportive living housing
- b) for-profit affordable rental housing
- c) a subdivision of small lots that is designed to result in low greenhouse gas emissions
- d) a development that is designed to result in a low environmental impact

The Local Government must, by bylaw, define an “eligible development”, establish the amounts or rates of reduction and establish the requirements that must be met to obtain a waiver or reduction.

The issues for consideration by the Commission are summarized as follows (references to the LGA Div. 19, Article 563, section 3. are noted where applicable and USL’s memorandum [Appendix A] contains additional details and discussion):

1. Whether to pursue DCC waivers or reductions – The CRD will need to determine whether to waive or reduce the proposed Regional Water Supply DCC’s for eligible development(s).
2. Legislative tools for DCC waiver or reduction – Should the CRD pursue waiving or reducing DCC’s, the LGA obligates the CRD to do so “by bylaw” and a simple policy is not valid. Bylaw options include one common bylaw for both the DCC and waiving or reducing of DCC’s, or two separate bylaws, both options are discussed in USL’s memorandum.

Note that Metro Vancouver has adopted the latter option (*A Bylaw to Establish a Waiver of Development Cost Charges for Affordable Housing*) in addition to the parent DCC Bylaw. Alternatively, and independent of the LGA Article 563, a grant-in-aid policy could be adopted by the CRD and in fact, such a policy is being pursued by the City of Victoria as detailed below and in USL’s memorandum.

3. Categories of “eligible development” (LGA/19/563/3a) – The CRD would have to define “eligible development” by bylaw.
4. Establish the amount or rates of reduction (LGA/19/563/3b) – The CRD would have to establish the amount or rates of reduction by bylaw for each applicable “eligible development”.
5. Requirement that must be met (LGA/19/563/3b) – The CRD would have to establish the requirements and conditions to be met in order to obtain a waiver or reduction by bylaw.
6. Financial implication – Should the DCC’s be waived or reduced, the Regional Water Supply service will have to fund the waived or reduced amount from the Regional Water Supply budget. At this point, an analysis of the financial implications has not been conducted. Such analysis could be conducted if directed by the Commission.

Analysis could include the eligible development forecasts by municipality to determine the financial implication of offering DCC waivers or reductions. Any interim analysis and on-going administration and management of either a bylaw or policy will require staff and financial resourcing.

7. Administration of waivers or reductions – The CRD would have to establish administrative practices and procedures for waiving or reducing DCC’s. Decision making could be conducted at the CRD Board level, or delegated to staff, or the municipalities.

### City of Victoria

Since the April Commission meeting, staff have consulted City of Victoria staff regarding its approach to waive or reduce DCC's for eligible developments. City of Victoria Council, at its October 26, 2023 meeting, directed City of Victoria staff to consider a 100% reduction in DCC's (in essence to waive) for non-market rental housing projects. Subsequently, at its December 7, 2023 meeting, a recommendation was considered that included approval of a policy decision to:

*“a. Maintain current approach of not waiving development cost charges for any classes of eligible developments, and direct staff to develop a grant program for the purpose of paying development cost charges for non-government, not-for-profit, non-market rental housing projects.”*

On July 18, 2024, a revised DCC bylaw was given three readings by the City of Victoria Council and was submitted to the Inspector of Municipalities for review and approval. Their DCC bylaw is scheduled to return to Council on November 14 for adoption, and at the same time, the Policy for the proposed DCC grant-in-aid program will be brought forward for Council's consideration.

In essence, City of Victoria is pursuing a grant-in-aid policy for non-market rental housing projects to come into effect at the same time as their revised DCC bylaw.

### Regional Water Supply DCC Survey

Included in the CRD's DCC Program Survey (posted to the CRD website and closed on July 5, 2024) was a waiver or reduction related question. The section included a description from the LGA and asked the following question “Do you support eligible forms of waiving or reducing DCCs for non-market rental housing including government, non-profit and co-op housing?”. Of the 237 responses, 103 (43%) respondents answered with either “strongly disagree” or “disagree”, while 97 (41%) respondents answered with either “support” or “strongly support”.

The full Engagement Summary (Vol. 2) was included in the September 25, 2024 Commission meeting agenda.

### Future Insight and Process

The proposed DCC bylaw is scheduled to be presented to the Commission in early 2025, if approved by the Commission, it will go to the CRD Board for first, second and third readings and then forwarded to BC Inspector of Municipalities for approval. If approved, the CRD Board could then adopt it with a fourth reading, an overall process that will take several months.

If directed, staff could undertake a further analysis of implications of the potential alternatives presented above, financial implications, implementation alternatives and sources of funding along with recommendations. To undertake this analysis and prepare another bylaw, additional effort would be required. This effort was not originally envisioned and is currently not included in the USL existing contract scope and funds have not been allocated in the 2025-2029 financial plan. An amendment to the financial plan would be required.

## **ALTERNATIVES**

### *Alternative 1*

1. That, subject to Regional Water Supply Commission approval of the Regional Water Supply Development Cost Charges Bylaw, staff be directed to develop a waivers or reductions program and make the necessary amendments to the 2025-2029 financial plan.
2. That, once funding is in place, staff be directed to proceed with the development of a waivers or reductions bylaw, or grant-in-aid policy for the Regional Water Supply Development Cost Charges program.

### *Alternative 2*

That staff not proceed with investigating the development of a waivers or reductions program at this time.

## **IMPLICATIONS**

### *Regulatory and Policy*

The LGA provides the legislative framework for implementing DCC waivers or reductions as outlined above.

The CRD's 2023-2026 Corporate Plan identifies the implementation of a DCC program for the Regional Water Supply service as a priority initiative, while also identifying the supply of affordable housing as a key priority for the region. The implementation of DCC waivers or reductions bylaw has the potential to promote affordable housing (eligible development) within the Regional Water Supply service.

### *Financial Implications*

If DCC waivers or reductions were implemented by bylaw, the CRD would be responsible to fund the waived or reduced amount of DCC revenue through the Regional Water Supply service. Whereas the demand or market conditions for eligible development is not in the care-and-control of the Commission, there could be an unquantified financial risk to the service. If a grant-in-aid policy were implemented, the CRD would have the ability to set an annual limit of DCC grants-in-aid and the CRD would budget that amount annually through the Regional Water Supply service, essentially "first-in, first-compensated" to an annual limit.

The CRD and member municipalities would incur additional on-going administrative costs for implementing another bylaw or grant-in-aid program. The level of administrative burden would vary depending on the option chosen and would need to be accounted for in future operating budgets of both the CRD and member municipalities.

If pursued, the preparation and implementation of a waivers or reductions bylaw, or grant-in-aid policy would be an additional task not currently included in the overall DCC project budget, and additional funds (approx. \$50,000) and a budget amendment would be required in 2025.

Phase 3, DCC Bylaw Implementation, as defined in the April 17, 2024 staff report, is proposed to commence in parallel with DCC bylaw adoption and would consist of orientating staff from the member municipalities on the administration of the Regional Water Supply DCC bylaw. The 2025-2029 Capital Plan includes funding for 2025 (\$200,000) and 2026 (\$40,000) for effort related to rolling-out the proposed DCC bylaw with assistance from USL. It should be noted that the member municipalities would have to fund the additional effort to administer one or two DCC related bylaws.

#### *Intergovernmental Implications*

The administration, collection, and remittance of DCC's requires involvement by both the CRD and the member municipalities and the roles and responsibilities can vary. It is recognized that a new DCC bylaw would be an increase in administrative effort for municipalities and some municipalities do not have existing DCC bylaws to build upon.

Further, a waivers or reductions bylaw (or grant-in-aid policy) would be an additional responsibility to all. The CRD would work with each member municipality to ensure they are prepared to administer both the DCC bylaw and program and potentially a second waivers or reductions bylaw.

#### *Social Implications*

The cost of housing has increased significantly over time, including social housing, and a proposed DCC, would be another financial burden to the cost of development. To the benefit of eligible development, the LGA allows for local governments, to waive or reduce DCC's for eligible developments including not-for-profit rental housing, supportive living housing, for-profit affordable rental housing, subdivision of small lots designed to result in low greenhouse gas emissions and developments designed to result in low environmental impact.

#### *First Nations Considerations*

The proposed Regional Water Supply DCC bylaw would not apply to development on First Nations reserve lands (or lands added to a reserve) as local municipal and regional district bylaws are not valid on First Nation lands.

In response to feedback received through a member First Nation, the CRD pursued a legal opinion on the applicability of DCC's on lands owned in fee simple by a First Nations-owned corporation or directly by a First Nation, as well as on Treaty Settlement Lands. The finding is that DCC's would apply to fee simple lands owned by a First Nations-owned corporation or the First Nation, and the applicability of DCC's on Treaty Settlement Lands depends on the language of the treaty agreement itself. If the agreement states that the First Nation will participate in regional district services (i.e. water service), then the DCC's would apply to development within Treaty lands.

With respect to DCC waivers or reductions, where DCC's are applicable, and the requirements of a waivers or reductions bylaw is met for eligible development, waivers or reductions would apply.

## **CONCLUSIONS**

This report provides the Regional Water Supply Commission with the available waiver and reduction options related to the proposed Regional Water Supply Development Cost Charges (DCC) program and bylaw.

The Local Government Act allows for DCC waivers or reductions for eligible developments and would be required to be done by either a common bylaw or two separate bylaws. It is preferable to use two separate bylaws rather than a common bylaw as this approach does not require approval from the BC Inspector of Municipalities.

Another available option is to adopt a grant-in-aid policy and program. This could be achieved by either the Capital Regional District or independently by some or all member municipalities at their discretion.

Development of a DCC waivers or reductions or a grant-in-aid policy and program was not originally included within the scope of the Regional Water Supply DCC program. If directed, staff can prepare the necessary budget amendments and proceed with the development of a waivers or reductions bylaw, or grant-in-aid policy as part of the overall Regional Water Supply DCC program. This scope would include a review of options for implementation of a program, financial implications and engagement plan.

**RECOMMENDATION**

1. That, subject to Regional Water Supply Commission approval of the Regional Water Supply Development Cost Charges Bylaw, staff be directed to develop a waivers or reductions program and make the necessary amendments to the 2025-2029 financial plan.
2. That, once funding is in place, staff be directed to proceed with the development of a waivers or reductions bylaw, or grant-in-aid policy for the Regional Water Supply Development Cost Charges program.

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**ATTACHMENT(S)**

Appendix A: USL Memorandum, September 5, 2024