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**REPORT TO REGIONAL WATER SUPPLY COMMISSION  
MEETING OF WEDNESDAY, MAY 17, 2023**

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**SUBJECT**     **Proposed Regional Water Supply Service Development Cost Charge Program and Bylaw**

**ISSUE SUMMARY**

To provide the Regional Water Supply Commission (Commission) with an update on the progress of the proposed Development Cost Charge (DCC) program and bylaw and to seek direction regarding the implementation of the proposed DCC program and bylaw.

**BACKGROUND**

The Regional Water Supply (RWS) 2017 Strategic Plan included a commitment to “Explore Regional Water Development Cost Charges to fund future growth-related supply system infrastructure improvements” and further, the recently approved Capital Regional District 2023-2026 Corporate Plan included an initiative to “Implement a development cost charge program for the Regional Water Service”, Goal 2a-7 to meet the community need for high quality, safe drinking water.

The RWS service does not have an existing DCC program or bylaw, although a bylaw was considered in the mid-1990’s but was ultimately not adopted. As a result of not having a DCC, implications attributed to growth, such as increased sizing of water system assets, are paid by the current RWS service customers. DCC bylaws exist for three existing Capital Regional District (CRD) utility services; Juan de Fuca Water Distribution Service (Bylaw 2758), Saanich Peninsula Water and the Saanich Peninsula Wastewater Services (combined Bylaw No. 3208).

The 2020 RWS Capital Plan included an item to design a Regional Water DCC Program (Item #20-08) and a consultant, Urban Systems Ltd. (USL), was hired to study the issue in a phased approach. In general, the project is progressing through three phases: Phase 1 – Conceptualization, Phase 2 – Refinement and Consultation and Phase 3 – Implementation.

DCC’s are used to fund capital costs related to “growth” and are regulated in accordance with the *Local Government Act* (LGA) of BC, *Division 19 – Development Costs Recovery*. The LGA defines the eligibility, application, process, and so on and the Province of BC has issued guidance documents; *Guide for Elected Officials* and *Best Practices Guide* (~2005) (Appendices D and E). The conceptualization of a DCC program and bylaw generally followed a seven-step process (refer to the *Guide for Elected Officials*):

1. Project Future Growth
2. Identify Required Works
3. Estimate Infrastructure Costs
4. Allocate Costs to Growth/Existing Users
5. Assign Costs to Land Use Types
6. Convert Costs into DCC Rates
7. Apply Assist Factor

USL has undergone the seven-step process and in doing so, has projected growth data, and identified required works from the RWS Capital Plan and the RWS 2022 Master Plan. Further, they have estimated the growth component and applied a municipal assist factor (MAF) to determine conceptual DCC rates for various types of land use, i.e., residential (low, medium and high density), institutional, commercial and industrial. The results of the initial phase including the draft DCC rates are shown in the table below.

Development Category	Collection Unit	Proposed Rate (1% MAF)
Low Density Residential (single family)	per Lot	\$9,045
Medium Density Multi Family (duplex, townhouse, etc.)	per Unit	\$7,914
High Density Multi-Family (apartments)	per Unit	\$5,088
Commercial	per GFA in m <sup>2</sup>	\$33.92
Industrial	per GFA in m <sup>2</sup>	\$16.96
Institutional	per GFA in m <sup>2</sup>	\$73.49

\*\*GFA = Ground Floor Area

Upon completion of Phase 1, USL will deliver the following:

1. Regional Water Supply (RWS) DCC Policy Memorandum
2. Covering Memorandum (work-in-progress)
3. Regional Water Supply Development Cost Charge Draft Background Report (work-in-progress – to include draft DCC bylaw)

The Water Advisory Committee (WAC) received a staff report at its March 28, 2023 meeting at which time USL presented their results (Appendix B). WAC members were asked to complete an anonymous questionnaire and the results were generally in favour of a DCC program and bylaw and to move forward with implementation (See Appendix C for summary of results).

Phase 2 would generally consist of further program refinement, consultation and finalization of the draft background report and bylaw prior to bylaw adoption by the CRD Board and the Inspector of Municipalities.

The proposed Phase 2 - Refinement and Consultation tasks consist of:

- Meet with staff from member municipalities to confirm growth estimates and update the draft DCC program to reflect any discrepancies.
- Meet with elected officials from member municipalities to inform of the pending program.
- Meet with development community stakeholders to inform and receive feedback.
- Host public open houses to inform and receive feedback.
- Summarize consultation efforts for the Provincial submission.
- Update elected officials from member municipalities of results of the consultation process and any changes to the program.
- Provide the Commission with updates throughout Phase 2, in particular with regards to the impacts of varying MAF's on water rates.
- Obtain input on MAF's prior to seeking Commission approval to move the DCC Bylaw forward to the CRD Board.
- Recommend three readings of the DCC Bylaw to the CRD Board.
- Finalize the draft background report.
- Submit a comprehensive package to the BC Inspector of Municipalities for DCC bylaw approval.

- Provide support workshops to staff of member municipalities not currently collecting DCC's.
- Recommend fourth reading (adoption) of the DCC Bylaw to the CRD Board.

Phase 3, Implementation, would be related to pre- and post-bylaw adoption and include assisting member municipalities with the implementation and ongoing effort to collect and remit DCC's to the CRD. Some municipalities already collect DCC's and others do not, and therefore would need assistance to prepare.

It is proposed to continue to engage USL staff for the remaining phases and to fund the effort from potential DCC eligible capital projects from the approved Capital Plan at an estimated value of \$250,000 including CRD staff effort. The third phase is proposed to be included in the 2024 Capital Plan with the intent of implementing the program and bylaw adoption in 2024.

## **ALTERNATIVES**

### Alternative 1

That the Regional Water Supply Commission direct Capital Regional District staff to proceed with the next phases of developing and implementing a Development Cost Charge program and bylaw.

### Alternative 2

That the report be referred back to staff for further information.

## **IMPLICATIONS**

### *Regulatory and Policy*

The implementation of the proposed RWS DCC program and bylaw aligns with the CRD 2023-2026 Corporate Plan, and the RWS 2017 Strategic Plan. Without a DCC bylaw and related revenue due to growth, the existing users of the service are burdened with the cost of growth such as system component upsizing and increased capacity of water works. A policy decision regarding who is to pay for growth is required and additional details such as confirming a MAF will need to be addressed by the Commission in the future.

### *Financial*

Without a DCC program and bylaw, the existing users of the service will continue to be burdened with the cost due to growth and as growth occurs, remaining system capacity will be depleted. Many pending capital expenditures have been identified in the Capital Plan and the 2022 Master Plan for which there is a growth component. The questionnaire responses from WAC generally indicate that development should be contributing to the costs related to growth. In return, both the existing users and development will benefit from the sustainable water service for drinking water, industry, agriculture, and municipal fire protection. Additionally, it is proposed to seek grant funding opportunities where applicable.

### *Social*

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 real estate. Consideration could be given to a separate bylaw to implement DCC waivers and reductions for classes of development such as affordable rental housing, not-for profit rental housing, etc. Should a waiver and reductions bylaw be imposed, the RWS service would be responsible to make up any foregone DCC revenue from alternate revenue sources (non-DCC sources).

*Intergovernmental*

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 programs to build upon. The CRD would work with each member municipality to ensure they are resourced and prepared to administer the DCC program and bylaw.

**CONCLUSION**

The Regional Water Supply 2017 Strategic Plan included a commitment to "Explore Regional Water Development Cost Charges (DCC) to fund future growth-related supply system infrastructure improvements" for which funding for a study had been approved in the 2020 Capital Plan. The Capital Regional District 2023-2026 Corporate Plan included an initiative to "Implement a development cost charge program for the Regional Water Service" to meet the goal of high quality, safe drinking water. The RWS 2022 Master Plan has identified many water system capital improvements.

Urban Systems Ltd. are nearing completion of Phase 1 and the results of which have been summarized for the Commission and were previously presented to the Water Advisory Committee (WAC). WAC provided its initial feedback, the results of which were generally in favour of implementing a DCC program and bylaw.

Capital Regional District staff and the consultant are prepared to proceed with the next phases of the DCC program and bylaw implementation and will keep the Commission informed of the progress and involved in the decision making of the next phases.

**RECOMMENDATION**

That the Regional Water Supply Commission direct Capital Regional District staff to proceed with the next phases of developing and implementing a Development Cost Charge program and bylaw.

Submitted by:	Joseph Marr, P.Eng., Acting Senior Manager, Infrastructure Engineering
Concurrence:	Ian Jesney, P. Eng., Acting General Manager, Integrated Water Services
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
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**ATTACHMENT(S)**

Appendix A: Regional Water Supply Commission DCC Presentation

Appendix B: WAC March 28, 2023 Staff Report Including Urban Systems Ltd. Presentation

Appendix C: WAC Questionnaire Results

Appendix D: Table of Contents, Development Cost Charge Guide for Elected Officials

[https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/finance/dcc\\_elected\\_officials\\_guide\\_2005.pdf](https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/finance/dcc_elected_officials_guide_2005.pdf)

Appendix E: Table of Contents, Development Cost Charge Best Practices Guide, Ministry of Community Services

[https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/finance/dcc\\_best\\_practice\\_guide\\_2005.pdf](https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/finance/dcc_best_practice_guide_2005.pdf)