

**REPORT TO CAPITAL REGIONAL DISTRICT BOARD  
MEETING OF WEDNESDAY, FEBRUARY 12, 2025**

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**SUBJECT     Canada Housing Infrastructure Fund**

**ISSUE SUMMARY**

This report summarizes the Canada Housing Infrastructure Fund (CHIF) and potential impacts to the Capital Regional District (CRD) and municipalities in the Region.

**BACKGROUND**

In April 2024, Canada announced an investment of \$6 billion into the new CHIF. The purpose of this fund is to accelerate the construction and upgrading of critical housing infrastructure, with the stated goal of constructing more homes. The program is being administered by Housing, Infrastructure and Communities Canada (HICC). Funding is split into two streams:

1. **Direct Delivery Stream**

- \$1 billion funding over eight years, with \$100 million for indigenous applicants
- Direct funding from Canada for eligible projects
- Applications open November 7, 2024, closing March 31, 2025

The Program Guide and Frequently Asked Questions are included in Appendix A and B.

2. **Provincial and Territorial Agreement Stream**

- \$5 billion over ten years, with \$591 million designated for British Columbia (BC)
- Provinces will administer and deliver the funding based on bilateral agreements
- Provinces are required to contribute at least 33% of the total eligible project costs
- Out of the \$591 million allocated for BC, a minimum of \$118 million (20%) must be directed towards northern, rural or indigenous applicants

At this point, only preliminary information on the Provincial and Territorial Agreement (PTA) Stream has been shared. It is understood this stream will have similar eligibility in projects and expenses as the direct delivery stream. HICC also indicated the PTA stream will be subject to the housing conditions detailed later in this report.

**Eligible Applicants**

Municipal and regional governments can apply. Additionally, public sector bodies, incorporated not-for-profits and Indigenous applicants are eligible. For-profit organizations can also apply if partnered with a public sector or Indigenous applicant. Multiple applications from the same applicant are permitted.

**Eligible Projects**

To be eligible for CHIF funding, proposed projects must enable an increase in housing supply. Applicants must demonstrate a housing need or anticipate growth in the community where the

project is to be implemented. Furthermore, eligible projects must support the enhancement of local government infrastructure capacity. There are two main categories of projects under CHIF;

**1. Capital Infrastructure Projects**

New construction, rehabilitation or expansion projects that result in tangible infrastructure, including hybrid and natural infrastructure for the following systems:

- Drinking Water Systems - Water treatment, storage, pump station, transmission pipes, natural infrastructure
- Wastewater Systems - Storage and treatment facilities, lagoon systems, pump /lift stations, sewer pipes and mains, combined sewer pipes, natural infrastructure
- Stormwater Systems - Pump stations, management facilities, pipes
- Solid Waste Management Systems - Landfills, organic waste processing, waste sorting, thermal treatment, natural infrastructure

Examples of natural infrastructure include stormwater retention ponds, vegetated swales, urban parks and wetlands that manage stormwater and improve water quality.

**2. Planning Projects**

Studies, plans or design work to support a future capital project that qualifies as an eligible capital infrastructure project. Immediate impact projects are included under the direct delivery stream. Planning-only projects can apply to the PTA Stream.

**Cost Sharing**

Eligible project costs must range from \$1M to \$100M, with exceptions considered individually for larger projects. Municipalities and regional governments with populations over 30,000 can receive up to 40% cost-sharing from CHIF. Those with populations under 30,000 are eligible for up to 50% cost-sharing. CHIF allows up to 100% contribution stacking of all government programs, but other programs may have lower limits, and the lowest limit applies.

**Eligible and Ineligible Expenses**

Project costs become eligible for reimbursement after approval by HICC. Most costs associated with an eligible project can be reimbursed, including capital expenditures, construction-related expenses such as design and planning and consulting fees. Costs related to Environmental Assessment and Indigenous Consultation may be retroactively eligible up to two years before project approval, but not earlier than September 10, 2024.

Land acquisition is an eligible expense only if it is a necessary part of the project aimed at natural infrastructure and not the sole component. The land must remain protected for 40 years after the project's substantial completion.

Ineligible expenses include:

- Costs incurred before approval
- Costs for cancelled projects
- Employee and overhead costs (with limited exceptions)
- Financing costs

- Rebated taxes
- Furnishing costs
- Capital costs lacking environmental assessments or unmet consultation obligations
- Costs after September 30, 2031

## Housing Conditions

CHIF outlines two main housing conditions for both the direct delivery stream and the provincial and territorial agreement stream that must be met or committed to before applying;

### 1. Zoning for four (4) units as-of-right (4AOR)

Municipalities with populations over 30,000 must have either implemented or be in the process of implementing zoning for 4AOR by spring 2025. Projects will only receive funding once the applicable zoning is established. HICC may consider limited exceptions. Municipalities with populations under 30,000 are not required to implement 4AOR but are encouraged to do so. BC applicants adhering to the Provincial Housing Statutes (Residential Development) Amendment Act are considered in compliance with this requirement.

### 2. Development Costs Charge Freeze

Municipalities and regional governments with populations of 300,000 or more must freeze development cost charges (DCC) at rates effective on or before April 2, 2024. This freeze lasts from April 2, 2024 to April 2, 2027 and includes all levies related to new construction infrastructure or amenities. No alternative charges can be imposed to offset the freeze.

Municipalities with fewer than 300,000 residents in regions of 300,000 or more must follow the regional freeze but are not required to freeze local DCCs. **If a required region doesn't implement the freeze, its municipalities cannot apply for funding under the direct delivery stream.** There are five local governments in BC that fall into this category: CRD, Metro Vancouver Regional District, Fraser Valley Regional District, City of Vancouver and City of Surrey (noting that Vancouver and Surrey have populations greater than 300,000 and therefore must also freeze the municipal DCCs).

The province has indicated that they have lobbied HICC to ensure that regional districts are not obligated to freeze their own DCCs in order for member municipalities to be eligible to apply to the PTA stream. The result of these negotiations remains uncertain at this time.

## ALTERNATIVES

### *Alternative 1*

That the Capital Regional District Board direct staff to implement a Development Cost Charge rate freeze for Capital Regional District services from April 4, 2024 until April 4, 2027 to allow member municipalities to pursue funding opportunities under the Canadian Housing Infrastructure Fund.

### *Alternative 2*

That staff be directed to continue planned Development Cost Charge rates changes for Capital Regional District services.

## **IMPLICATIONS**

### *Intergovernmental Implications*

There are no municipalities in the CRD with a population over 300,000. As such municipalities are not required to freeze their development charges to apply for funding. However, as a region population exceeds 300,000. As a result, the CRD must freeze any increase to its DCC rates for CRD services to allow member municipalities to apply for CHIF funding.

### *Financial Implications*

CHIF requires the CRD to freeze DCC rates and not increase the rates as of April 4, 2024 until April 4, 2027 in order to be eligible for funding. CRD has two existing DCC programs and one new program under development.

### **Current CRD Development Cost Charge Programs**

- Juan de Fuca Water Distribution Service  
The Juan de Fuca Water Distribution DCC program was last updated in 2018. The proposed 2025 rates have decreased due to a significant increase in projected population growth and the number of housing units over the 20-year program duration. The freeze on DCC rate increases will not affect this program.
- Saanich Peninsula Water and Wastewater Services  
The Saanich Peninsula Water and Wastewater DCC programs are scheduled for a review in the coming years for potential updates, however those changes would likely not be ready for implementation until after April 2027. At this time there is no expected financial impact related to freezing DCC rate increases.

### **Proposed CRD Development Cost Charge Program under Development**

- Regional Water Supply Service  
The CRD is progressing towards the implementation of a new DCC program for Regional Water Supply. Preliminary estimates indicate total recoverable costs will be approximately \$500 million over the next 30 years.

Regardless of the freeze, staff intend to move forward with development of the new DCC program in 2025. If approved by the Regional Water Supply Commission, the new bylaw is anticipated to be adopted by the fourth quarter of 2025, subject to the approval of the DCC Bylaw by the Inspector of Municipalities and its adoption by the Board in the third quarter of 2025. Due to a provincially mandated 12-month instream project protection period for DCC collection following adoption of the bylaw, full scale DCC collection would not be realised until the fourth quarter of 2026. Including the addition of a grace period until April 2027 will be necessary if DCC rates are frozen. At this point, a freeze is expected to have minimal impact on the current 30-year forecast. However, without a DCC program and bylaw, the existing users of the service will continue to be burdened with the infrastructure costs related to growth and as growth occurs, remaining system capacity will be depleted.

### *Service Delivery Implications*

The CHIF can contribute over \$100M, greatly enhancing vital services. Water and wastewater projects require large capital investments, and CHIF funding can help reduce long-term borrowing and fees for ratepayers.

Freezing the DCC rates would have little short-term impact on water and wastewater service delivery.

### *Environmental Implications*

Eligible projects must report on greenhouse gas mitigation. Projects that meet low-carbon material thresholds must use low-carbon concrete. Some applicants may need an environmental assessment to meet federal requirements.

All projects must meet climate resilience standards, including a Climate Hazard Identification and Hazard Treatment Attestation. Successful applicants must also complete hazard treatment reporting.

### *First Nations Implications*

The HICC application process includes a questionnaire to determine if Indigenous consultation is required by the program and HICC will notify applicants if required. Construction and funding are on hold until consultation requirements are fulfilled.

Although DCC Bylaws do not apply on First Nations Reserves, through consultation with First Nations, the CRD is obtaining additional information to inform the development of the CRD Regional Water Supply DCC program and future DCC program updates.

## **CONCLUSION**

The CHIF is a \$6 billion program intended to support the planning, construction and upgrading of critical housing infrastructure with the intended goal of increasing the supply of housing and densifying existing communities.

To receive funding, applicants must comply with program requirements. For the CRD and member municipalities, this includes the regional district freezing DCC rate increases. The regional freeze will enable municipal applications to advance while having a minimal impact to CRD services.

## **RECOMMENDATION**

That the Capital Regional District Board direct staff to implement a Development Cost Charge rate freeze for Capital Regional District services from April 4, 2024 until April 4, 2027 to allow member municipalities to pursue funding opportunities under the Canadian Housing Infrastructure Fund.

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**ATTACHMENTS**

Appendix A: Canada Housing Infrastructure Fund – Before you Apply (Applicant guide for the direct delivery stream – Fall 2024 intake)

Appendix B: Canadian Housing Infrastructure Fund – Direct Delivery Stream Frequently Asked Questions