



Making a difference...together  
Corporate Services

**REPORT TO THE CORE AREA LIQUID WASTE MANAGEMENT COMMITTEE  
MEETING OF WEDNESDAY, 10 JUNE 2009**

---

**SUBJECT:** Development Cost Charges for Core Area and West Shore Wastewater Facilities

**PURPOSE/ISSUE:**

The committee previously discussed the potential for sewer funding from sources other than grants, property taxes and user fees. The purpose of this report is to present the option of establishing a Development Cost Charge (DCC) for the future core area and west shore wastewater treatment system.

**HISTORY/BACKGROUND:**

Municipalities often levy DCCs as a way of obtaining revenue from new development. As an example, within the CRD, there is a regional DCC for the Regional Water System and a CRD DCC for sewer and water on the Saanich Peninsula. A DCC is levied on new construction or subdivisions and in this case would provide funding for the new wastewater treatment system. The annual debt cost of the new wastewater treatment facilities would be reduced by the funds received by DCCs.

Today, the core area and west shore wastewater facilities serve the equivalent of a population of about 335,000. By the year 2035, the growth in population and commercial/industrial activity is projected to increase the population equivalence to 466,000. The opportunity exists to charge new development for the cost of the increased sewer transmission and treatment works needed as a result of growth.

In 2008, Urban Systems was engaged to calculate possible values for a Wastewater DCC within the system area. Their estimate is that 30.2% of the 2035 system capacity will be used by new development.

The costs used in the DCC calculations include long term interest charges and exclude the 2/3 cost expected to be paid by senior governments. Calculations were based on a CRD project cost of \$400 million (one-third of \$1.2 billion), CRD interest cost of \$440 million (based on 6% over 25 years), growth of 30.2% and a 1% assist factor. A more detailed list of the assumptions is attached and copies of the detailed report are available on request.

Given the assumptions used, the projected DCC for a single family dwelling is \$6,010.15, which is just over 1% on a \$500,000 home. Different rates would be used for other types of construction, generally based on industry standards of sewer use. In this example, apartments would be charged \$3,236.23 and commercial construction \$25.43 per sq metre.

The calculation for a DCC is always based on best estimates of future growth and future construction costs. A DCC may not be charged for facilities that are already constructed and thus, the earlier the DCC is levied, the more costs there are to be included in the calculation.

The proposal is to levy a uniform DCC on the entire wastewater system area, but to track total DCC revenue by individual municipality. This method would allow maximum flexibility if the system configuration is modified or if subsequent cost sharing decisions take DCCs into account.

**ALTERNATIVES:**

1. Direct the preparation of a Regional Wastewater Treatment DCC bylaw to require new development to contribute to the cost of the proposed new core area and west shore wastewater facilities.
2. Change some of the assumptions for the calculation of the DCC (e.g. assist factor, interest charges) and then direct the preparation of a Regional Wastewater Treatment DCC bylaw to require new development to contribute to the cost of the proposed new core area and west shore wastewater facilities.
3. Decline the opportunity to put a DCC bylaw in place.

### **FINANCIAL IMPLICATIONS:**

1. The charge for the DCC would be on new development only, so would not be a financial cost on current homes and business facilities. The proposed DCC would add \$6,010.15 to the cost of new residential single family dwellings. Other development would also be charged a DCC, which would vary in cost depending upon the type and size of development.
2. A change in the assumptions for the calculation of the DCC would probably result in a smaller DCC levy and an increase in costs paid by the current population.
3. If a DCC bylaw is not put in place, the current residents and businesses will pay for new development in addition to paying for their own costs.

### **SUMMARY/CONCLUSIONS:**

The levying of a DCC on new development is a common method used by local governments to raise funds to pay for growth related infrastructure. The new wastewater treatment facilities are being designed to accommodate an estimated 30% increase in population equivalents. A DCC will reduce the amount that current residents will pay for the new wastewater treatment facilities and increase the costs of new development. The proposed DCC would add \$6,010.25 to a new residential single family dwelling, or just over 1% for a \$500,000 home.

### **RECOMMENDATIONS:**

That the committee direct staff to prepare a draft Regional Wastewater Treatment DCC bylaw to require new development to contribute to the cost of the proposed new core area and west shore wastewater facilities.

---

Diana E. Lokken, Dip Bus Admin, CMA  
General Manager Corporate Services

---

Dwayne Kalynchuk, PEng  
Project Director, Wastewater Treatment Project

Attachment

**CORE AREA DCC CALCULATION ASSUMPTIONS USED BY URBAN SYSTEMS:**

1. The capital costs come from the Core Area Wastewater Management Program, April 30, 2007.
2. Assumed a 2/3 cost sharing by senior governments and a 1/3 cost share by the CRD.
3. The 1/3 cost share was shared 30.2% by future growth based on the projected growth over the next 25 years as a percentage of the total population.
4. Assumed the CRD will borrow \$400 million at 6%, 4% capitalization rate over 25 years.
5. The DCC rates are based on the 30.2% capital plan minus a 1% CRD assist factor. The DCC recoverable costs are \$250 million.
6. The growth projections used are based on information provided by CRD staff and in some cases have been confirmed by the member municipalities. Further refinement is required prior to introduction of the DCC bylaw.
7. The 1% CRD assist factor is the minimum allowed under the Local Government Act.
8. Assumed the member municipalities will collect the proposed DCC on behalf of the CRD.
9. Assumed no exemptions to the bylaw except where legislation requires.
10. The current legislation was used in development of the rates. Bill C-27 contains changes to DCC and if approved may change the number of units used in the calculation and may affect other items as well.