

**DATE:** February 21, 2024

**TO:** Chair and Directors  
Electoral Areas Services Committee

**FROM:** Marc Rutten, P.Eng.  
Acting Chief Administrative Officer

**FILE:** 5330-20/SESP

Supported by Marc Rutten,  
A/Chief Administrative Officer

***M. Rutten***

**RE: Sewer Extension South – Comox Valley Sewer Service and Capital Improvement Cost Charges**

### **Purpose**

To recommend submission of a request to the Sewage Commission to maintain Capital Improvement Cost Charges (CICC) at current rates for existing developed neighborhoods in the Sewer Extension South service area in advance of service extension to this area.

### **Recommendation from the Acting Chief Administrative Officer:**

THAT the Comox Valley Sewage Commission be requested, during future amendments to Bylaw No. 3008 being the “Comox Valley Sewerage Service Capital Improvement Cost Charge Bylaw No. 3008, 2007,” that existing developed neighborhoods in the Sewer Extension South expansion area be considered “in-stream boundary extensions” with applicable Capital Improvement Cost Charges maintained at the amounts currently set in Schedule A of said bylaw.

### **Executive Summary**

Project cost is a key concern for residents in the Sewer Extension South service area. Even with a majority share of project costs funded through grants and partner contributions, resident costs remain considerable.

- The latest parcel tax estimate for Phase 1A properties is between \$1,200 and \$1,500 per year for a 25-year period.
- This amount includes project financing for the share of community collection systems construction remaining after grant funding is applied, and Comox Valley Sewerage Service (CVSS) Capital Improvement Cost Charges (CICC) as they currently exist.
- Per Schedule A of Bylaw No. 3008 being the “Comox Valley Sewerage Service Capital Improvement Cost Charge Bylaw No. 3008, 2007,” CICC match Development Cost Charges, with the current CICC rate for a single-family residential property at \$6,941 per unit.

- The CVSS is undergoing a development cost charge review in 2024. This update, and the CICC update that would follow, is anticipated to result in a significant increase in Development Cost Charges (DCC) and CICC rates from current levels.
- To mitigate the impact of these pending changes to CICC rates on residents in the Sewer Extension South service area, staff recommend that a request be made to the Comox Valley Sewage Commission to “lock in” CICC rates for existing neighborhoods at the rate in place when the \$542,792 Electoral Area A contribution to CVSS non-depreciated value was made in 2020.
- There is local precedent for locking in CICC rates for service area boundary extension areas, whereby the Comox Valley Water Supply System Capital Improvement Cost Charge Bylaw No. 2350, 2001, includes a reduced rate for identified “in-stream boundary extensions.”
- At the Sewer Extension South Liquid Waste Management Plan (LWMP) Addendum Joint Public and Technical Advisory Committee meetings and public open houses for the Sewer Extension South project, several questions regarding the application of CICC charges to secondary suites, carriage houses and other properties with multiple dwelling units have been posed.
- For Sewer Extension South service area properties with multiple dwelling units, CICC’s would be applied using the same criteria as is established in the Comox Valley Sewerage Service Development Cost Charges Bylaw No. 572, 2019.

Prepared by:

***V. Van Tongeren***

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Vince Van Tongeren  
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Concurrence:

***D. Monteith***

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Darry Monteith  
Manager of  
Liquid Waste Planning

**Government and Community Interests Distribution (Upon Agenda Publication)**

Sewer Extension South LWMP Addendum Joint Public and Technical Advisory Committee	✓
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**Background/Current Situation**

During ongoing engagement for the Sewer Extension South Project, cost remains a key concern for Royston and Union Bay residents. Even with a significant share of project costs being funded through grants and project partner contributions, parcel tax impacts for Royston and Union Bay residents in the first phase of the project are currently estimated at between \$1,200 and \$1,500 per year (for a 25-year period). Additional to the annual parcel tax will be one-time costs to connect

buildings to the sewer system and decommission septic systems, and annual operations and maintenance costs.

This annual parcel tax is comprised of two main components—project borrowing costs for the remaining share of community collection systems construction after grant funding is applied, and Comox Valley Sewerage Service Capital Improvement Cost Charges applied per the provisions of Bylaw No. 3008. Per Schedule A of this bylaw, the current rate for a single-family residential property is \$6,941 per unit. This is the same rate as is stipulated by the Comox Valley Sewerage Service Development Cost Charges Bylaw No. 572, 2019, for a single-family residential lot, or for a single family residential second dwelling.

The purpose of the CICC is to provide funds to the sewerage service to contribute towards capital costs of providing, altering or expanding sewerage facilities for expansions of the service area. While the current wording of the bylaw speaks only to expansion of the service area through municipal boundary extensions, the Sewer Extension South is the first instance of sewer service expansion into the electoral areas and has similar impacts to a municipal boundary extension. Anticipated Capital Improvement Cost Charge and Development Cost Charge revenue from the expansion into Electoral Area A was put forward as part of the financial rationale to accept flows from this area into the sewerage service.

Another factor in the financial rationale to accept Electoral Area A flows into the sewer service was a financial contribution from Electoral Area A towards the non-depreciated value of existing sewer service assets, based on the relative proportion of predicted wastewater flows 20 years after connection. The Comox Valley Sewage Commission accepted a contribution of \$542,792 from Electoral Area A reflective of the anticipated 2040 populations in existing neighborhoods in the Royston and Union Bay area.

The CVSS is undergoing a development cost charge review in 2024, to update the existing DCC bylaw to reflect planned capital expenditures to accommodate population growth in the service area. This update, and the CICC bylaw update that would follow, is anticipated to result in a substantial increase in DCC and CICC rates from current levels. Should this future anticipated CICC increase be applied to existing properties in the Sewer Extension South service areas, this would further increase the annual parcel tax rate for residents in the initial phase of the project. This could have significant impact on public acceptance of the project and its overall viability.

To mitigate the impact of these pending changes to CICC rates, an option to request current rates be “locked in” for existing neighborhoods is available. There

is an example of local precedent for locking in CICC rates for planned or anticipated service area boundary extension areas, whereby the Comox Valley Water Supply System Capital Improvement Cost Charge Bylaw No. 2350, 2001, includes a reduced rate for identified “in-stream boundary extensions.” This precedent and the accepted contribution from Electoral Area A towards existing CVSS assets provides a rationale to request that the Sewage Commission hold CICC rates at their current rates for existing neighborhoods in the Royston and Union Bay area.

#### *CICCs for secondary suites and dwellings*

At the Sewer Extension South Liquid Waste Management Plan (LWMP) Addendum Joint Public and Technical Advisory Committee meetings and public open houses for the Sewer Extension South Project, several questions regarding the application of CICC to secondary suites, carriage houses and other properties with multiple dwelling units have been posed. As it stands, the CICC bylaw is silent on secondary suites, carriage/coach houses and additional dwelling units, only setting a rate of \$6,941 per unit for a single-family residential property or \$5,687 per unit for a multi-family residential property.

The CVSS DCC bylaw provides a bit more clarity on the application of DCCs to secondary suites and dwellings. In general, where a secondary suite is located within the same structure as the primary dwelling and includes only one bathroom, there is no additional charge. However, where a second dwelling structure (i.e. coach house, carriage house, guest house, etc.) is constructed on single family residential property, an additional DCC would be charged for each dwelling unit with the second building.

Staff have completed an analysis of property uses and building permit records within the existing neighborhoods in the Sewer Extension South service area to assess the number of properties with secondary suites or second dwellings. Table 1 below includes an approximate number of single-family residential properties with secondary suites and second dwellings in Phases 1A & 1B.

<b>Project Phase</b>	<b>Secondary Suites</b>	<b>Second Dwellings</b>
Phase 1A	2	14
Phase 1B	6	19

According to these records, there are a limited number of properties in the Phase 1A and 1B area that would appear to require multiple CICC charges. To maintain equity between properties that currently have a second dwelling structure, and those that would be adding a second dwelling structure after sewer service is established (and thus having to pay a CVSS DCC when applying for a building

permit), the application of CICC’s is likely best to follow the same criteria as the DCC bylaw. This approach would also maintain consistency with other CVSS service participants.

**Options**

1. Request to the Comox Valley Sewage Commission that, during future amendments of Bylaw No. 3008 being the “Comox Valley Sewerage Service Capital Improvement Cost Charge Bylaw No. 3008, 2007,” existing developed neighborhoods in the CVSS expansion area be considered “in-stream boundary extensions” and be charged applicable CICC charges as they are currently set in Schedule A of said bylaw.
2. Do not submit a request to the Comox Valley Sewage Commission, and communicate changes to the Capital Improvement Cost Charge during future community engagement on the project.

Given the precedent and Electoral Area A contribution discussed in this report, Option 1 is recommended.

**Financial Factors**

External funding for the Sewer Extension South Project will include project partner contributions, the \$30 million Critical Community Infrastructure grant received from the Province of BC in April 2023, approximately \$1.2 million in Community Works Funds, and approximately \$800k in Growing Communities Funds allocated to the project. The remainder of project costs will be funded through long-term borrowing, to be recovered via parcel tax from the approximately 460 Royston and Union Bay properties in Phase 1A. When including the additional \$6,941 CICC charge per single-family residential property, the annual parcel tax estimate is between \$1,200 and \$1,500.

Strategic Considerations - Strategic Drivers									
Fiscal Responsibility	✓	Climate Crisis and Environmental Stewardship and Protection	✓	Community Partnerships	✓	Indigenous Relations	✓	Accessibility, Diversity, Equity and Inclusion	✓

A regional approach to wastewater management and environmental protection will benefit the entire Comox Valley and is in alignment with the board’s strategic drivers. The Sewer Extension South Project is being developed in cooperation with K’ómoks as a key partner, supports environmental protection of Baynes Sound and sustainable development in Electoral Area A, and provides the most cost-effective solution for providing sewer service to the communities of Royston and Union Bay.

Considering this project within the CVSS LWMP process is in alignment with four of the strategic drivers.

Strategic Considerations - Regional Growth Strategy Goals							
Housing	✓	Ecosystems, Natural Areas and Parks	✓	Local economic development	✓	Transportation	✓
Infrastructure	✓	Food Systems	✓	Public Health and Safety	✓	Climate Change	✓

Union Bay is one of the three settlement nodes identified by the Regional Growth Strategy (RGS) to accommodate compact forms of development. MG Policy 1B-1 of the RGS states that growth in settlement nodes shall be accommodated through improvements to public infrastructure, including the provision of appropriate sewer services.

The three settlement nodes, settlement expansion areas (including Royston), and a portion of K’ómoks lands are considered in the RGS as Core Settlement Areas. Infrastructure Policy 5D-4 of the RGS states that the majority of growth should be focused in Core Settlement Areas where appropriate sewer servicing exists. Directing growth to these areas alleviates sprawl pressure within the surrounding rural settlement areas, and ensures that servicing costs will be spread over more users. Growth needs to be planned in accordance with the availability of public servicing and public servicing can be made financially viable by growth when it is directed to the core settlement areas. With or without growth in the settlement expansion areas (i.e. future municipal lands) and settlement nodes, sewage servicing has to be addressed to resolve existing public and environmental health impacts from septic systems.

**Intergovernmental Factors**

The Sewer Extension South LWMP Addendum Technical Advisory Committee includes representation from the federal and provincial governments, as well as the City of Courtenay and the Town of Comox.

Should the recommendation in this report be approved, it would be brought forward for consideration at a future Comox Valley Sewage Management Advisory Committee meeting and subsequent Comox Valley Sewage Commission meeting.

**Citizen/Public Relations**

Public engagement is a key component of the Sewer Extension South Project. Engagement to date has been guided by a public engagement strategy developed to keep the community informed of project progress and gather feedback on key

topics such as service costs and boundaries, service delivery details and the approval process.

The Sewer Extension South LWMP Addendum Public Advisory Committee includes representation from local residents, as well as several community groups.

The Sewer Extension South Addendum Engagement Plan outlines consultation activities, including a range of online and in-person opportunities for discussion with the community. The latest round of consultation was just completed in late January, with attendance of over 150 residents at two open houses and one webinar.

Community feedback collected during consultation is informing the plan ahead as it is created, rather than tasking the community with a referendum decision once a plan is complete. A successful LWMP consultation on this project will allow a path forward for this critical service in the area.