



**FOCUS AREA: Attainable Housing**

**ISSUE: Local Government Funding of Attainable Housing**

**CATEGORY: Downloaded**

**BACKGROUND:**

Housing was historically the preserve of the Federal Government through to the 1990s at which time a progressive withdrawal of federal funding resulted in a downloading of responsibilities to the Province<sup>1</sup>. The primary role of local governments within the British Columbia housing policy framework is to plan for communities that are socially, economically and environmentally healthy and that make efficient use of public facilities and services, land and other resources. They do this through proactive community planning and the regulation of land use. In this role they act within the constraints of a narrow tax base and defined legislative authority.

In recent years, however, there has been a growing expectation for local governments to financially support attainable housing (market and non-market), through:

- **Land contributions** – granting, leasing or otherwise. In some cases, if local governments don't own land, they incur costs to acquire and then contribute it to social housing projects.
- **Servicing costs** – higher expectations exist now, spanning hard infrastructure, sidewalks, playgrounds, health – and these need to be paid for through municipal taxes. With growth, water and sewer services are reaching capacity thresholds, resulting in further capital costs for new infrastructure, as well as higher ongoing operating costs. Local governments have relied on the “growth to pay for growth” principle, but this does not work for non-market housing, and in some cases does not work for market housing.
- **DCC exemptions, waivers or reductions, and property tax exemptions** – there is growing pressure to exempt affordable housing from development cost charges or property taxes, which also effectively increases servicing costs for local governments.

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1 E.g.: <http://www.urbancentre.utoronto.ca/pdfs/researchbulletins/CUCSRB38Hulchanski.pdf>



For example, the City of North Vancouver has allocated a significant portion of its overall community benefits through development to achieve housing objectives. In 2020, this has amounted to a contribution to housing, in the form of securing net new rental homes, with a value of as much as \$30 million.

## OPTIONS:

### Option 1: Development Finance Reform

Development Cost Charges, which are designed to help pay for the cost of off-site infrastructure required to deliver community services that are needed to accommodate growth, are currently restricted by the *Local Government Act* to areas of sewage, water, drainage, roads and parks. Current Development Cost Charge structure does not support the flexibility local governments require to make effective off-site infrastructure investments to deliver community services needed to accommodate growth, or reflect other important infrastructure services delivered by local governments impacted by growth.

A comprehensive review of existing funding mechanisms for financing growth-related infrastructure services, including Development Cost Charges and Amenity Agreements, should be undertaken to identify approaches to:

- Capture growth related capital costs, including, but not limited to infrastructure needed to support: emergency services, solid waste, cultural services, transit, recreation, affordable housing and the expansion of sport-related park services;
- Provide local government with the flexibility to ensure that financing growth-related infrastructure services better reflects community circumstances and community objectives; and
- Create a consistent approach to land value capture and amenity charges that reduces the uncertainty associated with negotiated agreements.

Such a review is supported by UBCM policy (resolution 2019-SR2) and was addressed in UBCM's 2018 Housing Strategy, 'A Home for Everyone'. This strategy specifically noted that a broadening of DCCs to support additional growth-related costs would replace the uncertainty associated with re-zoning and a range of negotiated agreements with a clear, certain process that is regulated by the Province while also providing local governments a legislated way to pay for the cost of growth.



Modernizing development financing has been a longstanding interest of local governments and the 2013 Strong Fiscal Futures Report also identified the need to achieve greater flexibility in design of development cost charges including greater scope for use of funds for parkland development. Following endorsement of resolution 2019-SR2, the Province acknowledged that a review of development finance tools is a key component of improving the entire development approvals system, and indicated that a Development Finance review would be considered.

## Option 2: New Revenue Sources

UBCM membership has identified a range of potential revenue sources that may both increase funding available for attainable housing and incentivize the use of residential property for housing. These include:

- *New taxation powers to be granted to local governments for use at their discretion:* Potential options include vacancy taxation and brownfield taxation. The City of Vancouver is currently the only local government with the ability to levy a vacancy tax, through the Vancouver Charter. UBCM resolutions have sought local government authority to impose a vacancy tax on taxable residential properties, to encourage occupancy and use of vacant land for housing with the requirement that funds collected be invested in non-market housing. Brownfield taxation has similar aims in that it is intended to spur development of unused properties. UBCM membership has called for the ability to tax brownfields in a separate property class.
- *Modifications to the property transfer tax:* Options including scaling the PTT to penalize rapid re-sale, making it more progressive and dedicating the revenue towards affordable housing. UBCM's housing strategy recommends that the Province consider scaling the property transfer tax to penalize rapid speculative re-sale ('flipping'). Such a modification would see a declining tax rate over time so as not to negatively impact long term residents selling their property. UBCM's housing strategy also suggests that the Property Transfer Tax could be reviewed to make it more progressive, by approximately maintaining current revenue levels from the tax while introducing a sliding scale of rates according to transaction cost. Finally, the strategy recommends dedicating revenues from the tax towards affordable housing.
- *Short-term rental taxation:* UBCM policy calls for property classification of short-term rentals that reflects their commercial use (2017-B20, 2019-B34).



## Other Options:

UBCM membership has also identified several policies that would assist with local government provision of attainable housing by either lowering costs for local governments or creating incentives for the private sector to develop affordable rental market housing. These include:

- *Review of rezoning / public hearing requirements:* Streamlining development approvals was both identified in mandate letters for Finance and Municipal Affairs and recommended in UBCM Housing Report. A review of public hearing requirements could potentially reduce local government administration and housing costs by enabling local governments to expedite applications for attainable housing.
- *Reducing GST on rental housing:* Reducing GST on rental housing could strongly incentivize private investment in the supply of affordable rental housing stock. This is supported by UBCM Policy (2007-A7), and noted in UBCM's 2020 Submission to the Expert Panel on Housing Supply and Affordability as an approach that is broadly supported in the real estate sector<sup>2</sup>.
- *Tools to assist with short-term rental regulation:* UBCM's Housing Report also calls for 'platform accountability', whereby the Province would negotiate a province-wide agreement with Airbnb and other regionally-active short-term rental platforms to assist local governments with compliance checks. This would substantially lower the regulatory costs for local governments. The Province and UBCM convened a joint advisory group on short-term rentals that has also considered such approaches.
- *Additional funding for affordable housing:* The UBCM Housing Report supports the Province's goal of building 114,000 units of affordable housing. This was originally introduced as part of the Province's 30-point plan to address housing, and is currently referenced in the Minister of Housing's mandate letter. UBCM further supports funding for new zero emissions housing and low carbon retrofits. This overlaps with recommendations of the climate change sub-committee; is consistent with mandate letters for Housing as well as Energy, Mines and Low Carbon Innovation; and was identified in UBCM's Housing Report and Special Committee on Climate Action recommendations. Finally, UBCM supports the promotion/funding of mass-timber and other low-cost wood frame developments: consistent with Forests, Lands, Natural Resource Operations and Rural Development mandate letter. This is supported by UBCM's Housing Report and Special Committee on Climate Action recommendations.

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2 <https://www.bcrea.bc.ca/wp-content/uploads/2019-10-02-BC-Real-Estate-Sector-Urges-Federal-Parties-to-Act-on-Affordability-Recommendations.pdf>



## **FOCUS AREA: Attainable Housing**

### **ISSUE: New Provincial Requirements for Planning Approvals**

#### **CATEGORY: New, Emerging**

#### **BACKGROUND:**

Recent changes to the building code to include higher energy standards in accordance with the Energy Step Code have resulted in a number of challenges for local governments, and particularly those in rural, remote and northern regions, due to:

- Lack of local training opportunities for the building community;
- Lack of qualified Energy Advisors, and the possibility that some small and remote communities will not have an adequate workload to entice an Energy Advisor to do business in the area;
- Lower availability of materials and higher material costs in rural communities leading to concerns of affordability among residents;
- Additional costs of energy consultants and mandated energy solutions; and,
- Lower capacity within small local governments.

These issues have been raised through UBCM member endorsed resolutions (2020-EB87, 2020-NR73), and also via the Development Approvals Process Review (DAPR)<sup>3</sup>. For example, the September 2019 final DAPR report noted the need for a Provincial review of policy for building code changes including opportunities to provide in-stream protection, provision of earlier notice of upcoming changes, and increased education on upcoming changes.

#### **OPTIONS:**

The Select Committee recommends that the Province provide additional resources to support communities with Energy Step Code implementation in an equitable way by working with communities to address barriers. In order to ensure that housing costs are not unduly impacted, the Committee also recommends that the Province:

- assess regional financial disparities,
- provide greater flexibility in building code requirements by providing incentives rather than punitive or prescriptive measures, and
- provide earlier notice of upcoming changes and increased education to accompany changes.

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3 [https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/planning-land-use/dapr\\_2019\\_report.pdf](https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/planning-land-use/dapr_2019_report.pdf) Table 6, Topic 6.6



## **FOCUS AREA: Attainable Housing**

### **ISSUE: Costs of Homelessness**

### **CATEGORY: Emerging**

#### **BACKGROUND:**

Closely related to the broader affordability crisis, local governments have been faced with a growing challenge of housing and providing services to address homelessness. This is a challenge faced by communities in all regions of BC. For example, in their 2020 homeless counts, the Homelessness Services Association of BC identified: 76 homeless individuals in Fort St. John, 121 in Quesnel, 63 in Cranbrook, and 132 in the Comox Valley. A 2018 report on homeless counts across the Province identified 7,655 individuals experiencing homelessness in 24 communities, while noting that all point in time counts are an undercount and do not capture the hidden homeless and those at risk of homelessness.

Local governments bear wide ranging costs associated with homelessness, including community service, legal and policing costs related to homeless encampments and homelessness more broadly. They incur costs to address public safety, such as security costs for complex needs/social housing because of onsite drug use. Municipalities also often need to hire new bylaw officers to address issues arising in homeless camps, and additional parks workers to clean up parks each morning where there is overnight camping.

Several studies have pointed towards the high costs associated with homelessness, including a Simon Fraser University study estimating that it costs \$55,000 per person per year to leave someone with mental health issues homeless in British Columbia versus a housing and support cost of \$37,000<sup>4</sup>. For local governments specifically, costs are highly context specific, but for example:

- The Oppenheimer Park tent city cost the City of Vancouver upwards of \$3.5 million over an 18-month period including policing costs, decampment costs and park restoration costs<sup>5</sup>.
- The City of Victoria estimates that in 2020, it spent \$1.4 million managing encampments<sup>6</sup>.

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4 Housing and Support for Adults with Severe Addictions and/or Mental Illness in British Columbia, Michelle Patterson, Julian M. Somers, Karen McIntosh, Alan Shiell, Charles James Frankish; Centre For Applied Research in Mental Health and Addiction, Faculty of Health Sciences, Simon Fraser University, 2008

5 <https://globalnews.ca/news/7846922/vancouver-taxpayers-on-hook-for-at-least-3-5m-for-oppenheimer-park-tent-city/>

6 <https://vancouverisland.ctvnews.ca/victoria-to-move-all-homeless-inside-end-all-day-camping-by-march-2021-1.5181219>



**OPTIONS:**

The Select Committee has not identified specific funding mechanisms to address the costs of homelessness, but notes that funding solutions to homelessness has been identified in the Minister of Housing's mandate letter and is also supported in the UBCM Housing Strategy and resolutions calling on the Province to fund costs related to homelessness, including supportive housing for complex needs (e.g., 2020-EB80, 2019-B183). It is further anticipated that new revenue sources and other supports for attainable housing will help to reduce the costs of homelessness for local governments by reducing the number of people who are made homeless as a result of high housing costs.



**FOCUS AREA: Community Safety**

**ISSUE: Emergency Management – Long-Standing Issues and Cost-Drivers, including those Related to Climate Change.**

**CATEGORY: Emerging, Downloaded**

**BACKGROUND:**

As climate change increasingly impacts BC's environment, emergency management is becoming an even more important and costlier local government responsibility. Local government responsibilities include provincial requirements to prepare an emergency plan and maintain an emergency management organization. The Province, through EMBC, acts as the lead coordinating agency for emergency management activities; and, works in collaboration with stakeholders to address larger-scale emergencies.

While there is a seemingly endless list of long-standing issues and cost-drivers impacting local governments, the Community Safety Sub-Committee has discussed and focused on the following:

- Impacts related to climate change, including:
  - More wildfires leading to higher firefighting costs and firefighters being deployed outside their local areas;
  - The relation between increased flooding and slope stability;
  - Floodplain issues;
  - Higher diking costs;
- General responsibilities under the four key pillars of emergency management (mitigation, preparedness, response and recovery); and
- Emergency management costs being downloaded (e.g. finding volunteers to manage emergency support services).

The Province is currently working to modernize BC's emergency management legislation. This process is likely to add additional costs and responsibilities for local governments as the Province seeks to incorporate the Sendai Framework on Disaster Risk Reduction, and focus more effort on mitigation and recovery pillars. As part of this work, the Province released a 2019 discussion paper containing more than 60 recommendations, including 29 key policy shifts for consideration. UBCM summarized feedback submitted by local governments, and





made several broad recommendations including the need for a sustainable funding framework for local governments to address emergency management responsibilities; and additional provincial support services to help address local government emergency management capacity issues.

### **RISKS / CHALLENGES:**

- Vast field, difficult to narrow down the list of concerns and solutions.
- Due to climate change and the resulting increase in frequency and intensity of disasters, the Province and local governments are likely to assume greater responsibility as part of an all-of-society approach to disaster risk reduction.
- Province has already committed to examining support to assist local governments in addressing new legislative responsibilities, but the level of support that will be provided is still unknown.

### **APPLICABLE CASE STUDIES / LOCAL EXAMPLES:**

*In 2020, the East Kootenay Regional District spent \$905,872 in staff costs, materials and other expenses related to responding to emergencies and disasters within its boundaries. Even after deducting COVID-19 related expenses (\$66,565), the total cost (\$827,862) represents more than was spent during the previous three years combined.*

### **EXISTING OPTIONS:**

The UBCM membership has endorsed numerous resolutions seeking support and ongoing funding to address costs and responsibilities (e.g., climate change mitigation) from new emergency management legislation; and, for other orders of government to discontinue the practice of downloading emergency management costs and responsibilities onto local governments.

Other resolutions related to issues raised by the Select Committee include requesting:

- That the Province increase efforts to mitigate wildfire risk.
- Incentives for property owners to carry out mitigation activities.
- That provincial and federal governments discontinue the practice of downloading wildfire mitigation costs and responsibilities onto local governments, and take responsibility for mitigation costs on Crown lands.



- That the Province allocate funding to support proactive risk management of geo-hazards; more specifically, members have also called for the Province to commit resources to slope stabilization projects across BC.
- Provincial funding for dike upgrades.
- Clarity regarding the roles and responsibilities of local governments in relation to dike upgrades and climate change.

### **NEW / OTHER OPTIONS:**

The Community Safety Sub-Committee has discussed the need for sales tax exemptions for infrastructure projects, fire protection equipment and supplies, and other life-saving equipment. This option is supported by UBCM policy.

Additionally, revenue generated through targeted consumption taxes (e.g., liquor tax, lottery tax, e-commerce tax) could be used to offset new and ongoing (e.g., downloaded) emergency management costs and responsibilities.

### **RECOMMENDED OPTION:**

The recommended option is to work with the Province on the development of a local government funding and support framework to address new and ongoing emergency management costs. This option is supported by UBCM policy, Select Committee on Local Government Finance discussion, and local government feedback to the 2019 EMBC discussion paper, Modernizing BC's Emergency Management Legislation. UBCM members have previously suggested moving away from grant-based funding models to a more reliable and sustainable funding model.

### **PROS:**

- Given the number of new and ongoing/downloaded emergency management costs and responsibilities, a broad sustainable funding framework could ensure that many cost-drivers are captured under one umbrella.
- The Province has acknowledged that funding and support for local governments is a necessary component of the process to introduce new emergency management legislation.



- Solutions have not yet been finalized.
- BC local governments will need funding and support to effectively implement new provincial emergency management legislation.
- BC includes a large, diverse geographic area, where the emergency management needs of one region can differ significantly from the needs of another. A broad framework can help address each region's unique costs and responsibilities.
- Some of the other policy solutions are aimed at specific aspects of emergency management that may not be priorities in all regions of BC.
- Research suggests that investments into mitigation and preparedness can provide a better cost-benefit return for all stakeholders, notably the provincial government, rather than increased funding towards recovery and response activities.

**CONS:**

- A broad funding and support framework could make addressing climate change seem like less of an urgent need/priority.

**REFERENCES:**

UBCM Overview of Local Government Feedback to the EMBC Discussion Paper: Modernizing BC's Emergency Management Legislation

<https://www.ubcm.ca/assets/Resolutions~and~Policy/Policy/Community~Safety/Emergency~Program~Act~Review/2020-02-18%20UBCM%20Overview%20of%20LG%20Feedback%20Re%20EPA%20Modernization%20FINAL.pdf>



## **FOCUS AREA: Community Safety**

### **ISSUE: Protective Services – Cost-Drivers Related to Policing and Justice**

#### **CATEGORY: New, Emerging and Downloaded**

#### **BACKGROUND:**

Public safety is a core service directly provided by many local governments, and policing is a highly expensive component. Under the BC Police Act, the Province is responsible for the provision of policing services to local governments under 5,000 in population and unincorporated areas. Local governments over 5,000 in population assume responsibility for providing, and bearing the necessary expenses of, policing within their boundaries. The current structure of police funding has left local governments paying two-thirds of the costs of policing in British Columbia, which in 2019 amounted to over \$1.35 billion.

In June 2020, Mike Farnworth, Minister of Public Safety and Solicitor General, announced the Province's intent to review the Police Act, with particular focus on ensuring legislation adequately addresses issues such as harm reduction, mental health and systemic racism. The review and UBCM's submission have helped draw attention to many broad areas where both local governments and the Province are impacted (e.g., mental health and policing, governance, efficiency/effectiveness).

Members of the Select Committee on Local Government Finance have raised many important local government concerns and cost-drivers related to policing and the justice system:

- Addictions and mental health issues falling to local police;
- Escalating salaries;
- Lack of provincial investment (e.g., front-line officers, mental health, training, etc.);
- Vacancies and lack of front-line resources leading to staffing concerns and higher bylaw enforcement costs;
- Overburdened court system that is leading to more individuals (e.g., repeat/prolific offenders) being released;
- Restorative justice costs;
- Cost of police-based victim services;



- Gang violence;
- 911 emergency communication service delivery;
- Increased costs resulting from the Surrey Policing Transition (e.g., shared services, divisional administration);
- The impacts of new daytime bail hearings (resulting from COVID-19), including additional staffing and technology requirements;
- Cost-share for integrated teams; and,
- Cost of new equipment (e.g., carbine rifles, body worn cameras, etc.).

The overall policing operating and capital costs are rising at much higher rate than other sectors, to the point where the affordability and sustainability of police services are in question. Increasing operating costs for policing was also noted in the Strong Fiscal Futures report, as one of the most important financial concerns expressed by local government officials.

#### **RISKS / CHALLENGES:**

- Another vast field, with many different concerns, cost-drivers and challenges.
- Many of the new cost-drivers have still not been finalized (e.g., RCMP salary increases, cost of body worn cameras, impacts of the Surrey Police Transition).
- Cost-base for RCMP-policed local governments is formalized through the Municipal Police Unit Agreement, which is not up for re-negotiation until 2032.

#### **APPLICABLE CASE STUDIES / LOCAL EXAMPLES:**

In 2019/20, RCMP officers spent an estimated 4,300 hours in Kelowna hospital waiting rooms, with their time valued at approximately 1% of the City's annual police budget. This is one of many factors that has contributed to Kelowna's annual RCMP budget increasing from \$18.1 million in 2010 to \$37.5 million for the current year.

UBCM has conducted work regarding impacts of several high-profile cost-drivers:

- Police salaries (RCMP): UBCM has examined available data regarding police salaries throughout British Columbia and Canada in anticipation of increased RCMP police officer salaries. Key findings include:



- The starting salary at most of the police agencies included in the review was greater than \$70,000 per year, which is over 30% more than what is initially offered by the RCMP (\$53,144 for the first 6 months of service);
- The salary for a first class constable at most of the police agencies included in the review was greater than \$100,000 per year, which is over 15% more than what is offered by the RCMP (\$86,110).
- Provincial policing resources: UBCM has found that over the past 15 years where data is available (2004-2019), BC local governments have added 1,029 front-line policing positions, while the Province has only added 67. Provincial representatives have verbally acknowledged that the Province has not sufficiently invested in front-line policing.
- Body worn cameras: According to the federal government's 2020 fall economic statement, the initial cost will be approximately \$238.5 million over six years to support the implementation of body worn cameras. An additional \$50 million per year is earmarked to maintain the new system. Costs will be phased in for the first two years after implementation, after which local governments will be expected to assume all costs.
- Surrey policing transition: Through work with the Local Government Contract Management Committee, UBCM has identified potential local government cost-drivers associated with the City of Surrey's transition to an independent police agency:
  - Financial liabilities (e.g., retroactive pay, ongoing investigations/court cases, training, E-Division headquarters building costs);
  - Shared services (e.g., integrated teams, divisional administration and national programs);
  - Additional considerations (e.g., vacancies/recruitment, future costs such as unused vacation and overtime, governance, and emergency management);

## EXISTING OPTIONS:

UBCM members have consistently endorsed resolutions related to this category, including those that seek a comprehensive strategy to address mental health patients; additional provincial policing resources (e.g., front-line officers); and funding to address key cost-drivers (e.g., restorative justice, police-based victim services).



UBCM's recommendations to the Special Committee on Reforming the Police Act largely request that the Special Committee conduct additional research and analysis of key aspects of policing impacting local governments (e.g. preventative and proactive investments; coordination and availability of resources in key service areas; accountability through improved data, oversight and consultation; responsibility and resourcing for services; governance; efficiency and effectiveness in service delivery; and consultation with local governments).

The Strong Fiscal Futures report raises the need for ongoing dialogue between UBCM and the Province to better manage shared services such as policing, and to ensure that the framework is providing value for money.

### **NEW / OTHER OPTIONS:**

Revenue generated through targeted consumption taxes (e.g., liquor tax, lottery tax, e-commerce tax) could be used to offset new and ongoing (e.g., downloaded) policing costs and responsibilities. In particular, the Strong Fiscal Futures report suggests the suitability of local governments receiving a portion of liquor revenue, as liquor consumption and availability impact policing costs.

Another option raised by the Select Committee is the recovery of civil forfeiture revenue. Significant local policing resources are often used for large-scale police cases, and any resulting forfeitures are not shared with local governments (outside of a small grant program).

The Strong Fiscal Futures report proposes that traffic fine revenue be defined as a local revenue source to remove payments from the Province.

### **RECOMMENDED OPTION:**

The recommended option is to work with the Province, recognizing each level of government's jurisdictional responsibility, and other stakeholders as needed, to develop a comprehensive strategy to address mental health and addictions patients. A starting point for this strategy is found in endorsed resolution 2020-SR8, Mental Health, Addictions and Poisoned Drug Supply, which suggests including the following components:

- *Ongoing, sustained funding to address the overdose public health emergency.*
- *Implementing a province-wide agreement between police and mental health officials on the management of mental health patients in emergency wards.*
- *Developing integrated teams of health, police, and other officials on a twenty-four (24) hour basis to manage individuals with mental health issues.*



- *Introducing additional long-term care beds to deal specifically with mental illness cases.*

This proposed strategy is consistent with UBCM's Police Act submission, which recommends that the Province ensure necessary resources are available in all relevant service areas (e.g., policing, healthcare, housing, etc.) to address mental health and policing issues.

#### **PROS:**

- Prioritized in provincial mandate letters.
- An area under examination by the Special Committee on Reforming the Police Act.
- Has been a long-standing UBCM priority.
- Widely acknowledged that a new approach is needed to manage mental health and addictions issues.
- Prioritizing this issue could serve to address multiple key issues at once (e.g., policing resources, healthcare, housing, opioid crisis, etc.).

#### **CONS:**

- There are other key cost-drivers that may be overlooked (e.g., police salaries, the need for more front-line policing resources, new operational costs).

#### **REFERENCES:**

UBCM submission to the Special Committee on Reforming the Police Act

<https://www.ubcm.ca/assets/Resolutions~and~Policy/Policy/Community~Safety/Police~Services/1-UBCM%20Police%20Act%20Submission%20-%20Jan%202021.pdf>

UBCM Compass Article – Anticipating RCMP Unionization Costs

[https://www.ubcm.ca/EN/meta/news/news-archive/2021-archive/anticipating-rcmp-unionization-costs.html#:~:text=The%20starting%20salary%20at%20most,6%20months%20of%20service\)%3B](https://www.ubcm.ca/EN/meta/news/news-archive/2021-archive/anticipating-rcmp-unionization-costs.html#:~:text=The%20starting%20salary%20at%20most,6%20months%20of%20service)%3B)

UBCM to Minister Mike Farnworth re: Policing Transition Evaluation Framework

<https://www.ubcm.ca/assets/Resolutions~and~Policy/Policy/Community~Safety/Police~Services/2019-08-22%20UBCM%20to%20Min.%20Farnworth%20Re%20Transition%20Evaluation%20Framework.pdf>



**FOCUS AREA: Community Safety****ISSUE: Protective Services – Cost-Drivers Related to Fire and Ambulance Services****CATEGORY: Emerging, Downloaded****BACKGROUND:**

In British Columbia, BC Emergency Health Services (BCEHS) oversees the BC Ambulance Service, which provides public ambulance services to people throughout BC. Local fire departments and societies also play a role in pre-hospital emergency services, providing rescue services (e.g., road rescue) in support of the provincial system. The system can have a significant effect on local fire departments, which can become overburdened if there are insufficient ambulance services. The lack of provincial ambulance services was evident during the late-June 2021 heat emergency, with increased demand resulting in many individuals having to wait multiple hours for an ambulance to arrive. Preliminary findings from the BC Coroners Service indicate that 580 individuals died as a result of this heat wave.

Local fire services are provided by local governments, who provide a number of emergency services in addition to fire suppression. Some of the primary cost-drivers identified through the Select Committee on Local Government Finance include excessive fire department operational requests/costs (e.g., new pumpers, tankers); training requirements (e.g., medical response); liability and insurance costs; and volunteer firefighters performing duties outside their core competencies (e.g., accident and cold water rescue).

**RISKS / CHALLENGES:**

- The Province has historically resisted providing additional compensation to local government fire departments for first responder services, often noting that participation is voluntary.
- The controversial 2018 Clinical Response Model for dispatching first responders has led to fewer calls to volunteer fire departments and subsequent local government concerns regarding access to emergency services.
- Additional funding and support for emergency services, including fire protection, is a long-standing request that remains unaddressed to a sufficient level.
  - The Province has recently contributed funding to the Community Emergency Preparedness Fund to address training and equipment.



## APPLICABLE CASE STUDIES / LOCAL EXAMPLES:

*In 2020, only 34% of calls to fire departments within the Cariboo Regional District were fire related.*

*At the City of Kelowna, First Medical Response calls represent approximately 70% of the total annual responses from the Kelowna Fire Department. The Fire Department's medical response program, including certification, training, medical supplies and other necessities, costs the City approximately \$75,000 per year.*

## EXISTING OPTIONS:

UBCM's members have endorsed resolutions requesting additional provincial funding for highway and other rescue services (e.g., fire response); signed agreements outlining responsibilities of BCEHS and fire departments (e.g., mutual aid agreements); and provincial funding support for fire department staffing, compliance with standards, and capital costs.

The Strong Fiscal Futures report has outlined the need to “negotiate an improved protocol with the provincial government to govern the provision of first response emergency paramedical services” as a means to improve taxpayer value for money.

## NEW / OTHER OPTIONS:

The Community Safety Sub-Committee has identified two related options:

- 911 Call Answer Levy: UBCM's members have consistently endorsed resolutions requesting that the Province introduce legislation that would provide for the implementation of a province-wide cellular phone levy to contribute to the costs of delivering the 911 emergency service. The UBCM Executive has formally conveyed support for enabling legislation to create a new 911 CAL for cellular devices, as well as the establishment of an independent body to manage revenue. This is also viewed as a potential new revenue source for local governments, and an opportunity to fund necessary public safety costs and upgrades (e.g., 911 infrastructure). This Province has previously expressed support for this framework.



- **Sales Tax Exemptions:** The UBCM membership has previously endorsed resolutions seeking a PST exemption for the purchase of fire protection equipment and supplies (e.g., trucks) and other life-saving equipment, as well as local government infrastructure projects. UBCM has also called on the Province to provide full sales tax rebates for all purchases, without any reduction in other revenue sharing programs.

Revenue generated through targeted consumption taxes (e.g., liquor tax, lottery tax, e-commerce tax) could also be used to offset fire services and local first responder costs.

### **RECOMMENDED OPTION:**

The recommended option is to seek a new protocol with the provincial government, recognizing each level of government's jurisdictional responsibility, in order to govern the provision of first responder services and address inefficiencies related to provincial emergency health services and the current response model.

### **PROS:**

- Consistent with UBCM policy seeking agreements for the provision of first responder services.

### **CONS:**

- May not be as easy to negotiate and implement as other options, such as a 911 call answer levy on cellular devices.
- Legislation may be required to enable particular approaches.



## **FOCUS AREA: Community Safety**

### **ISSUE: Cannabis Legalization – Associated Costs and Responsibilities**

#### **CATEGORY: New**

#### **BACKGROUND:**

In June 2018, federal legislation to legalize and regulate non-medical cannabis received Royal Assent. Legislation placed provinces and territories in charge of issues such as distribution, retail, public consumption and enforcement. The Province was also provided the ability to impose additional restrictions in areas such as minimum age, personal cultivation and personal possession.

British Columbia subsequently introduced its own legislation to address new responsibilities, leaving local governments responsible in traditional areas (e.g., policing and bylaw enforcement, land use management and business licensing). Another key local government responsibility is the ability to control and manage the retail sale of non-medical cannabis.

Federal legislation came into force on October 17, 2018.

#### **RISKS / CHALLENGES:**

- It has been difficult for many local governments to project/quantify financial impacts as the cannabis framework is still developing (e.g., new policies regarding consumption lounges, farm-to-gate sales, and direct delivery are all under development).
- Despite the federal government's expectation that cannabis taxation revenue be shared with local governments, provinces and territories are under no legal obligation to do so (through the Federal-Provincial-Territorial Agreement on Cannabis Taxation).
- Taxation derived from similar products (e.g., liquor) has not historically been shared with BC local governments.



## APPLICABLE CASE STUDIES / LOCAL EXAMPLES:

*In 2019, UBCM developed a survey for local governments to quantify their incremental expenditures associated with the legalization of non-medical cannabis. Respondents were asked to provide information covering the first three years of legalization, including projected costs for 2020. An extrapolation of the three-year total reported incremental costs of \$15.2 million (covering 44% of the BC population) equated to \$34.6 million for an average of approximately \$11.5 million per year in incremental costs to BC local governments. At the time, this represented 29.8% of the Province's cannabis excise tax revenue projection for the first three years of legalization.*

## EXISTING OPTIONS:

The two-year Federal-Provincial-Territorial Agreement on Cannabis Taxation (FPTACT) sees the federal government retain 25% of excise tax revenue (up to \$100 million per year), with 75% or more going to provinces and territories. This reflects a federal share that was reduced by 25% in recognition of the costs and responsibilities assumed by local governments. The federal government declined to directly provide local governments a share of excise tax revenue, leaving that responsibility to provinces. The Province of British Columbia has thus far declined to share taxation revenue. Furthermore, the FPTACT is up for renewal and stronger language may be considered regarding the sharing of excise tax revenue with local governments.

UBCM has historically sought for the Province to share cannabis taxation revenue, including federal excise tax revenue and a 15% provincial mark-up charged towards the landed cost of cannabis. In 2018, UBCM's members unanimously endorsed a resolution seeking short- and long-term strategies for cannabis excise tax revenue in British Columbia. Based on this resolution, UBCM has sought a cannabis revenue sharing framework that, among other things, would see the Province provide local governments with 40% of projected provincial cannabis excise tax revenue. This strategy is supported by the results of UBCM's 2019 cannabis cost survey, and is based in part on an existing revenue sharing agreement concluded in Ontario.

This type of targeted consumption tax is consistent with options referenced in the Strong Fiscal Futures report.

**NEW / OTHER OPTIONS:**

Given that the provincial cannabis framework is new, and that many of the new responsibilities (e.g., control over retail operations) were requested by local governments, there is difficulty in finding non-financial solutions. Other solutions, as identified by the Community Safety Sub-Committee, that could be used to address cannabis costs and responsibilities include a liquor tax, lottery tax, and/or e-commerce tax.

**RECOMMENDED OPTION:**

The recommended option is to seek a targeted consumption tax that provides local governments a share of provincial cannabis taxation revenue. In 2018, UBCM members endorsed a framework for a cannabis taxation revenue sharing agreement that included the following components:

- 40% of the projected provincial excise tax revenue to be distributed to BC local governments as a short-term solution;
- 50% of the local share to be provided up-front upon formalization of an agreement;
- Any revenue in excess of provincial projected revenue to be shared 50-50 between the Province and BC local governments;
- The inability for revenue to be clawed back by the Province;
- Revenue to be distributed to BC local governments on a per-capita basis, with a minimum of \$10,000 to each municipality and regional district; and,
- Development of a long-term solution that either maintained the above framework or provided a portion of provincial sales tax on cannabis to local governments.

**PROS:**

- Meets the intent of the federal government's decision to reduce its share of excise tax revenue from 50% to 25% that reflects the financial impact on local governments.
- Provides incentive for local governments to help the Province in its duties (e.g., enforcement) and grow the provincial cannabis framework, which is still relatively new.
- Province has often said it could not share cannabis taxation revenue due to costs exceeding revenue. Information received by UBCM suggests that revenue will soon exceed costs by a fair margin.



- Consistent with the cannabis taxation sharing framework implemented in Ontario.
- Administration would be fairly simple.
- Provides stable revenue source for local governments (as long as the FPTACT remains).
- Addresses all new costs.

**CONS:**

- Provincial government (general) revenues will be reduced, in a fiscal environment where other revenue sources have, or are being reduced.
- May reduce ability for Province to conduct other cannabis-related activities that assist local governments (e.g., enforcement through Community Safety Unit).

**REFERENCES:**

Backgrounder: Federal-Provincial-Territorial Agreement on Cannabis Taxation, Department of Finance, Canada.

[https://www.canada.ca/en/department-finance/news/2017/12/backgrounder\\_federal-provincial-territorialagreementoncannabista.html](https://www.canada.ca/en/department-finance/news/2017/12/backgrounder_federal-provincial-territorialagreementoncannabista.html)

Cannabis Legalization in Your Community- A Primer for BC Local Governments, UBCM, November 2018

<https://www.ubcm.ca/assets/Resolutions~and~Policy/Policy/Community~Safety/Marijuana~Regulation/2018-10-17%20Cannabis%20Legalization%20in%20Your%20Community.pdf>

Cannabis Taxation Revenue in British Columbia – Findings with Regard to Local Government Costs, UBCM, October 2019

<https://www.ubcm.ca/assets/Resolutions~and~Policy/Policy/Community~Safety/Marijuana~Regulation/2019-09-20%20UBCM%20Report%20to%20Minister%20James%20Re%20Cannabis%20Tax%20Revenue.pdf>

Endorsed Resolution 2018-SR1 (includes proposed taxation revenue sharing framework)

<https://www.ubcm.ca/assets/Resolutions~and~Policy/Policy/Community~Safety/Marijuana~Regulation/01-SR1%20FINAL%20Aug%207.pdf>



## **FOCUS AREA: Community Safety**

### **ISSUE: Cybercrime – Protection and Response**

#### **CATEGORY: Emerging**

#### **BACKGROUND:**

Cybercrime is an emerging cost-driver for all orders of government, who are increasingly becoming the targets of online criminals. Provincial and local governments are facing rising costs to protect themselves and their employees, including those working from home. There are also costs associated with service disruptions and responding to attacks (e.g., overtime, productivity loss, IT costs), including attempted extortion through the use of ransomware – software used to block the access of data.

Improved security is becoming more costly, especially as the RCMP and law enforcement have been unable to adequately address these threats. This may be of particular concern for smaller local governments that may not have the resources to adequately protect themselves.

#### **RISKS / CHALLENGES:**

- Unclear whether all local governments share the same level of concern.
- A constantly evolving/changing cost-driver – costs and challenges can be impacted by the ability of criminals to adapt and create new cybercrime strategies.
- Lack of fulsome information regarding current challenges and solutions for provincial, federal and local governments.
  - Likely a patchwork of solutions being implemented by local governments.
  - Some local governments preferring to keep ransom/attack information private.
- No widely accepted protocols for dealing with cyberattacks.





## APPLICABLE CASE STUDIES / LOCAL EXAMPLES:

*The City of Richmond spent approximately \$750,000 to set up its cyber protection system, and perform necessary system upgrades. Ongoing cyber protection costs amount to an additional \$305,000 per year.*

*The Municipal Insurance Association of BC has noted that ransomware attacks targeting local governments have gone up by 60% since 2018.*

## EXISTING OPTIONS:

UBCM's membership has called on the Province to establish a program that supports local governments through providing grants for information technology security audits and system upgrades. In 2019, the Province indicated a desire to work with UBCM and local governments to assess these concerns and examine options.

The Strong Fiscal Futures report identifies expenditure management/shared services as a potential solution; this option may be suitable for this particular situation, where all local and provincial governments are likely dealing with similar cyber threats.

## NEW / OTHER OPTIONS:

Other solutions, as identified by the Community Safety Sub-Committee, that could be applied to address cybersecurity costs include a liquor tax, lottery tax, and/or e-commerce tax. Sales tax exemptions could also be used for certain IT-related costs.

## RECOMMENDED OPTION:

The recommended option is to seek the establishment of a provincial program that provides local governments with expertise (e.g., systems and programs) and shared skills to protect and respond to cyber threats.



**PROS:**

- Likely a lower cost to the Province to share its existing software, systems, etc. than a grant program.
  - Savings and efficiencies will be achieved in comparison to a system where all local governments are on their own.
- A provincial shared service structure could facilitate the development of high efficiency systems through contracts with top end service providers.
- Reduces cost and risk for local governments, especially smaller local governments with financial constraints.

**CONS:**

- Reduction in local control over cybersecurity.
- Legislation may be required to enable particular approaches.



**FOCUS AREA: Climate Change**

**ISSUE: Carbon Tax**

**CATEGORY: New, Emerging**

**BACKGROUND:**

In 2008, British Columbia implemented North America's first broad-based carbon tax of \$10 per tonne of carbon dioxide. The tax applies to the purchase and use of fossil fuels burned for transportation, home heating, and electricity, and covers approximately seventy (70) percent of provincial greenhouse gas emissions. The tax was 'revenue neutral' as the Province reduced personal income taxes and corporate taxes by the equivalent amount applied to and collected during the purchase and use of fossil fuels. By 2013, the Province was collecting approximately \$1 billion per year.

In 2017, the Province amended the Carbon Tax Act and eliminated the requirement that revenue measures be introduced to offset carbon tax revenues. This means that the provincial government is permitted to spend carbon tax revenues on emission reduction measures and other green initiatives, rather than having to return carbon tax revenues to taxpayers. As such, the carbon tax is no longer 'revenue neutral.'

On April 1, 2020, BC's carbon tax rate rose from \$40 to \$45 per tonne of carbon dioxide. It is scheduled to increase to \$50 per tonne in April 2022. Revenues generated from the carbon tax are used to:

- provide carbon tax relief (e.g., Climate Action Tax Credit for low-income earners);
- maintain industry competitiveness by providing incentives for cleaner industrial operations (e.g., CleanBC Industrial Incentive); and
- encourage new green initiatives through supporting the provincial climate action strategy, CleanBC.

Since 2020, the Province has operated the Climate Action Revenue Incentive Program (CARIP). CARIP is a conditional grant program that provides funding to local governments equal to 100% of the carbon taxes they pay to directly support local government climate action if they sign the Climate Action Charter. Local governments have used the grant funding to support a wide range of climate action initiatives including developing policies and action plans, capital purchases, and leveraging for cost-sharing projects with the senior orders of government.



In May 2021, the Province announced that it would end the \$8.4 million CARIP program. A new one-time allocation of \$11 million was announced in the provincial budget for developing and funding a new program for local governments to plan for compact, energy efficient communities.

## **DISCUSSION:**

The Province estimates that the carbon tax will generate \$1.64 billion in 2020/21. The revenue is projected to increase to \$1.99 billion in 2021/22; \$2.21 billion in 2022/23 and \$2.11 billion in 2023/24.

As the carbon tax is no longer revenue-neutral, there is the opportunity to request a percentage of the revenue that exceeds the amount rebated to local governments through the CARIP program. Requesting one (1) percent of the carbon tax on an annual basis would yield \$16.4 million in the current year, nearly double the funding that local governments receive(d) through the CARIP program.

Alternatively, a portion of the carbon tax could be modelled at the Province's approach to industry, in which carbon tax above a certain threshold is directed back to industry to support their switch to cleaner fuels.

In particular, the Province launched the CleanBC Program for Industry in 2019, that rebates a portion of the carbon tax paid by industry through the CleanBC Industrial Incentive Program and the CleanBC Industry Fund. The program is funded by the incremental carbon tax above \$30 per tonne as paid by industry. The Industrial Incentive Program reduces carbon-tax costs for operations meeting world leading emissions benchmarks, while the Industry Fund invests some industrial carbon tax revenue directly into emission reduction projects. The 2021 provincial budget allocated \$96 million to the CleanBC Program For Industry.

Allocating a portion of the carbon tax to local governments provides a revenue stream for local governments to address the increased expectations, desire, need, and costs of responding to climate change. It would allow an investment in both mitigation and adaptation projects, support policy development and planning, and act as seed capital to leverage provincial and federal dollars. In doing so, it holds the potential to advance the shared goal of reducing emissions and creating weather resilient communities.



**PROS:**

- Sustainable revenue stream in the short to medium term, only declining once the full impact of provincial clean energy initiatives is accounted for in years ahead.
- Provides flexibility for local governments to invest in climate action options that meet the unique needs of their community.

**CONS:**

- Potential claw back or displacement of CleanBC funding targeting initiatives benefitting communities.



## **FOCUS AREA: Climate Action**

### **ISSUE: Mitigation & Adaptation Supports: Adaptation, Buildings, Transportation, Solid Waste**

#### **CATEGORY: New, Emerging**

#### **BACKGROUND:**

In July 2019, UBCM struck a Special Committee on Climate Action to generate new ideas, explore opportunities and barriers to local government action, and identify avenues for further partnership work in mitigating, and adapting to, the effects of climate change. The Committee considered the state of climate action, local government approaches and best practices in mitigation and adaptation, and the roles and responsibilities of the orders of government and external stakeholders in supporting local action. It reviewed opportunities and barriers to taking climate action to the next level, and considered options that are sensitive to local conditions, autonomy, and resources.

After consultation with the membership, the Committee released its recommendations in December 2020 that focused on buildings, transportation, solid waste, resilience, land-use planning, social mobilization and governance. The recommendations are a roadmap for a low-carbon future, and are designed to take climate action to the next level in reducing emissions and creating weather resilient communities. They function as a suite of options that can help advance local and provincial climate action agendas. Numerous member resolutions broadly supported the spectrum of Committee recommendations.

#### **DISCUSSION:**

The Select Committee on Local Government Finance identified a series of cost-drivers associated with reducing emissions and creating weather resilient communities. These costs include:

#### ***Adaptation Infrastructure & Emergency Management***

The costs of adapting to, and addressing, the increase in wildfires, drought and flooding arising from climate change that includes operational response costs and mitigating infrastructure costs. For instance, the Regional District of East Kootenay has spent \$1.8 million in payroll, materials and emergency expenses over the past four years responding to weather related emergencies. It is estimated that an average annual investment in municipal infrastructure adaptation measures of \$5.3 billion is needed to adapt to climate change in Canada<sup>1</sup>.



### ***Housing & Buildings***

The costs of creating zero emission and low carbon housing stock in communities, and the need for financial incentives to support building retrofits and energy efficiency upgrades. For example, the City of Campbell River tops up the provincial incentive for home energy evaluations by \$150 and the \$3,000 central source heat pump incentive by \$350 to support energy efficiency upgrades.

### ***Transportation***

The shift to zero emission and low carbon transit and local government fleets holds significant cost pressures, as unit replacement costs are higher than 'like for like' replacement. For example, the electrification of TransLink's fleet in Metro Vancouver is projected to cost \$473 million more than baseline costs, or an average of \$15.8 million more per year over the next thirty years.

### ***Solid Waste***

Infrastructure investments are required for waste management initiatives such as organics diversion and landfill gas capture, and replacement revenue streams are required for a shift to zero waste economy (i.e., loss of tipping fees). For example, the Regional District of Nanaimo's organic waste diversion strategy required a \$5.5 million dollar upgrade to its transfer station to handle food waste.

## **FINANCIAL OPTIONS:**

The Select Committee on Local Government Finance endorsed the Climate Action Committee's recommendations on new funding, policies, and capacity building tools as solutions that could be used to address these costs drivers.

### ***Adaptation (Resiliency)***

- Develop regional climate risk assessment.
- Create a dedicated funding stream to support the development and implementation of adaptation plans.

### ***Buildings***

- Create new provincial building retrofit incentive programs.
- Develop a low carbon building retrofit step code that sets standards for low carbon buildings.

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1 The Federation of Canadian Municipalities and the Insurance Bureau of Canada, The Cost of Climate Change at the Local Level, 2020.



- Partner to create 100,000 zero emission, wood-constructed new housing units and 500,000 low carbon building retrofits over the next ten years.

### ***Transportation***

- Invest in green fleet conversions for local government and community fleets.
- Provide new funding for active infrastructure – that support the implementation of community active transportation plans, active transportation corridors, and end of trip active transportation facilities at transfer points.
- Develop new revenue tools for local governments to strengthen the transit funding model and reduce the reliance on transit fares.

### ***Solid Waste***

- New investments in solid waste management initiatives including organics diversion, extended producer responsibility programs, and deriving energy from waste products.
- Collaboration on best practices for deriving both energy and value from waste products through converting landfill gas, drawing heat from sewerage, and creating energy from biosolids.

### **PROS:**

- The recommendations strongly align with the Province's climate action strategy, CleanBC, with CleanBC already funding a number of solutions.
- The recommendations can address the spectrum of mitigation and adaptation costs incurred by local governments.

### **CONS:**

- The recommendations focus on provincial funding, policy, and capacity building tools rather than specific new revenue streams.

### **REFERENCES:**

The full list of Climate Action Committee recommendations with signature initiatives and supporting actions can be found at:

<https://www.ubcm.ca/assets/Resolutions~and~Policy/Policy/Environment/SCCA%20Recommendations%20Nov%202020%20FV.pdf>