

# ADMINISTRATIVE REPORT



**TO:** Planning and Development Committee

**FROM:** B. Newell, Chief Administrative Officer

**DATE:** March 7, 2019

**RE:** Overview of the OBWB/Provincial “1.0 Hectare Policy” for Grant Funding

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## **Administrative Recommendation:**

For information.

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## **Purpose:**

The purpose of this report is to provide the Board with an overview of the 1.0 hectare (ha) minimum parcel size requirement for subdividing land that is to be serviced by an on-site septic disposal system.

## **Background:**

At the 2006 Union of British Columbia Municipalities (UBCM) Conference, representatives of the Regional District met with the Minister of (then) Community Services to discuss provincial funding requirements for the north-west Osoyoos Lake Sewer Extension Project.

The Regional District was advised that provincial infrastructure grant criteria required the implementation of a 1.0 ha minimum parcel size for new parcels to be served by on-site sewer disposal systems (i.e. septic).

The Regional District was further advised that this “1.0 Hectare Policy” had to be applied to all areas within the jurisdiction of the Regional District (i.e. all Electoral Areas), and that this requirement had been consistently applied by the Ministry throughout the province when considered grant requests.

The objective of the “1.0 Hectare Policy” is to forestall the creation of small parcels dependent upon on-site septic fields for the disposal of wastewater throughout unincorporated areas (i.e. rural sprawl). The province had identified 1.0 hectare as being the minimum parcel size upon which a septic field for a single residential use should be utilised, as higher densities are likely to lead to septic failure over the long-term.

The province further indicated that if a local government approved higher density developments and problems with wastewater disposal subsequently emerged, that financial assistance could be withheld from any infrastructure scheme to fix the problem.

The Okanagan Basin Water Board (OBWB), which also assists with financial resources for new community sewer systems and other educational/outreach projects, subsequently endorsed this provincial strategy.

In response, the Regional District amended all of its Official Community Plan, Zoning and Subdivision Servicing bylaws between 2007 and 2008 in order to implement the “1.0 Hectare Policy” (and this included Electoral Areas “B” & “G”).

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Since the implementation of the 1.0 ha requirement, the Regional District has not approved a development that contemplated the creation of a parcel less than 1.0 ha in area unless that subdivision was to be connected to a community sewer system.

Since 2006, the Regional District has received funding from the province and OBWB for the following infrastructure projects whose criteria included adherence to the “1.0 Hectare Policy”;

- Osoyoos Northwest Sewer Extension;
- Okanagan Falls Sewer Treatment Plant;
- Irrigation scheduling for the Naramata Water System;
- Regional Water Bylaw and Conservation Strategy;
- Water Management Assessment for Residential/Commercial landscapes;
- Follow the Water K-5 Curriculum Project;
- Okanagan-Similkameen Drought and Flood Risk Mitigation Plan;
- Protecting Our Natural Assets – Waterways Stewardship and Protection;
- Expansion of the Quagga/Zebra Mussel Outreach Program;
- Water Ambassador Program;
- Drought Flood Risk Mitigation and Management Plan (DFRMMP);
- Region-wide Aquifer Recharge and Ground Water Interaction Study;
- Vaseux Lake – Land Use and Water Quality Assessment.

In 2013, the OBWB expanded its application of the “1.0 Hectare Policy” to include accessory dwellings (i.e. carriage houses) and secondary suites and advised the Regional District on January 20, 2014, that “the OBWB requests Okanagan local governments to update their bylaws to exclude development of accessory dwellings (carriage houses) on lots less than 1.0 hectare that rely on on-site sewage disposal.” This new policy direction further required that secondary suites on parcels less than 1.0 ha also be prohibited unless connected to the septic system servicing the principal dwelling unit.

At its meeting of June 5, 2014, the P&D Committee of the Board resolved to request OBWB that it amend its policy and apply consistent restrictions to accessory dwellings and secondary suites (i.e. both be allowed on parcels less than 1.0 ha if connected to the same septic system servicing the principal dwelling unit). The OBWB, however, has elected to not amend its interpretation of the “1.0 Hectare policy”.

At its meeting of July 20, 2017, the Board adopted Amendment Bylaw No. 2728, 2017, which implemented, amongst many other things, a requirement that accessory dwellings on parcel less than 1.0 ha in area must be connected to a community sewer.

The requirement to address secondary suites on parcels less than 1.0 ha remains outstanding but is proposed to be addressed through a separate project to allow accessory dwelling units (i.e. “carriage homes”) in the low density residential and small holdings zones, where community sewer systems exist.

The only exemption currently provided to the “1.0 Hectare Policy” is for subdivisions approved under the Agricultural Land Commission’s (ALC) “Homesite Severance on ALR Lands” Policy (No. L-11).

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**Analysis:**

The ability to continue to qualify for grant funding from the OBWB as well as the provincial government is an important component of many major infrastructure projects undertaken by the Regional District over the past 10-15 years.

Accordingly, supporting the OBWB and province in their shared goal of improving the long term health of the Okanagan watershed has been taken up by the Board through the application of the "1.0 Hectare Policy" to its various land use bylaws (i.e. Official Community Plans, Zoning and Subdivision Servicing) as well as a policy statement in the Regional Growth Strategy (RGS) Bylaw that "encourage publicly operated utilities and discourage the establishment of private utilities and services" (Section 3A-3).

**Respectfully submitted:**



C. Garrish, Planning Manager

**Endorsed by:**



B. Dollevoet, General Manager of Dev. Services

Attachments: No. 1 – OBWB Sewage Facilities Assistance Grants Terms of reference (Updated 2017)

**OKANAGAN BASIN WATER BOARD SEWAGE FACILITIES ASSISTANCE GRANTS  
TERMS OF REFERENCE  
UPDATED 2017**

**Contents**

1.0	Preamble .....	1
2.0	Operating Principles.....	1
3.0	Eligibility .....	2
4.0	Application Policies .....	3
5.0	Financing and Payments .....	4

**1.0 Preamble**

The 1974 Okanagan Basin Study identified nutrient pollution as the major cause of algal blooms and deteriorating water quality in Okanagan and Skaha Lakes. The biggest source of pollution was municipal sewer outfalls.

As local governments consider the lakes a regional resource, they established the Sewage Facilities Assistance (SFA) grant program to subsidize construction of tertiary sewage treatment plants and collection systems in valley communities. The program is funded by a valley-wide tax, levied on all properties in the basin and administered by the Okanagan Basin Water Board (OBWB).

By upgrading sewage infrastructure, the amount of phosphorus entering the lakes from municipal effluent has decreased more than 90%.

A significant proportion of this program’s funds have gone toward community sewer projects intended to decrease water pollution coming from developments with small lots, and failing or over-capacity septic systems. To avoid repeating these costly fixes in the future, the OBWB now requires applicants to have in place zoning policies or bylaws prohibiting new development of lots less than 1.0 hectare that are not serviced by community sewers. This requirement is intended to encourage responsible development.

**2.0 Operating Principles**

2.1 The grant program funds upgrades to treatment plants using old technology and extensions of sewer service to subdivisions, created prior to 1978 that are still on septic.

2.2 As per OBWB's Supplementary Letters Patents (circa 1976), the Water Board can levy up to 21¢ per \$1000 assessed value for SFA grants on all properties within the Okanagan drainage area.

2.3 The funding formula for grants is as follows:

2.3.1 For projects approved and receiving payments before April 1, 2011, the OBWB will pay 18% of the total eligible project costs, with the community first paying 2.5¢ per \$1000 (2.5 mills) of the converted assessment amount.

2.3.2 For projects approved after April 1, 2011, the OBWB will pay 16% of the total eligible project costs - on average, the same net amounts as historical grants.

### **3.0 Eligibility**

3.1 Only communities employing tertiary treatment of sewage effluent are eligible for grants. (1977)

3.2 Areas outside the watershed, or that are not taxed for OBWB programs, are not eligible for grants.

3.5 Lots on septic at the time of the original grant program, 1977, will be eligible for funding when sanitary sewers are installed.

3.5.1 For projects in which sewer extensions will service both pre- and post-1977 development, only the proportion of the project servicing pre-1978 lots is eligible for funding.

3.6 The OBWB will only fund sewage infrastructure applications in communities that comply with its 1.0 Hectare Policy, where the community has zoning policies or bylaws prohibiting the creation of lots smaller than 1.0 hectare that are not serviced by community sewers. (2007)

3.6.1 Communities must also have policies and bylaws in place prohibiting the development of accessory dwellings (carriage houses) on properties less than 1.0 hectare that are not connected to community sewer. (2013)

3.6.2 The 1.0 Hectare Policy is limited in geographic scope to the portions of the regional districts within the Okanagan watershed. Districts should be aware that subdivision of lots on septic smaller than 1.0 hectare outside the Okanagan watershed may jeopardize funding from provincial sources. (2007)

3.6.3 Each local government with subdivision approval authority is responsible for adopting the 1.0 Hectare Policy.

3.6.3.1 A regional district's grant eligibility is not affected if a member municipality does not comply with the 1.0 Hectare Policy.

3.6.3.2 A regional district's grant eligibility will be affected if one of its Electoral Areas (located in the Okanagan Basin) does not comply with the 1.0 Hectare Policy. (2007)

3.6.4 Home-site severance lots are exempted from the 1.0 Hectare Policy. (2004)

3.6.5 The 1.0 Hectare Policy may be waived through preparation of a Liquid Waste Management Plan (LWMP) that is approved by the province. Systems put in place under this waiver will be considered permanent infrastructure and will be ineligible for future SFA funds. The LWMP must be supported by appropriate bylaws (e.g., OCPs, zoning, subdivision standards). In addition, local government bylaws must be in place for the enforcement of operation and maintenance of these systems. All Type II and III package treatment systems serving multiple homes must be registered under the Municipal Sewage Regulations, which among other requirements specifies that developers must post a bond equivalent to the value of the wastewater treatment infrastructure (2007).

## **4.0 Application Policies**

There are three main steps to the SFA program: (1) an SFA Notification Form (2) an SFA Application, and (3) an SFA Annual Reporting Form. All templates are provided by the OBWB on request.

4.1 Communities should submit an SFA Notification indicating their intention to apply for a grant at the early stages of the planning process so that adequate funds can be requisitioned. This notification should be provided to the OBWB at least one year in advance of a SFA Application.

4.2 Grants will not be paid retroactively. Grant payments to communities will commence in same year that debt payments commence. Applicants should submit an SFA Application to the OBWB at completion of project works.

4.3 Grants are awarded based on the information provided in the SFA Application. The OBWB reserves the right to review and revise grant awards if significant changes to the project occur after receiving approval for grant funding.

4.4 Applicants must provide a calculation to determine the percentage of lots that were developed pre-1978 in their proposed project. (2017)

4.5 Applicants must provide a copy of the bylaw or policy that prohibits creation of lots smaller than 1.0 hectare that are not serviced by community sewers, and prohibiting the development of accessory dwellings of properties less than 1.0 hectare that are not serviced by community sewers.

4.6 Applicants must disclose all sources of funding at the time of SFA Application and a detailed cost-estimate of the project.

4.6.1 Where receipt of an OBWB grant brings the total grant funding beyond 100% of the total project cost, the OBWB grant will be reduced to bring the total of all grant funding to equal 100% of the total project cost.

## **5.0 Financing and Payments**

5.1 Annual assessments are made based on the projected draw on the fund for each fiscal year. It is not always necessary to levy the full 21¢ per \$1000 assessment (allowed by legislation).

5.2 If the amounts to be paid are greater than the funds available for distribution, payments will be reduced proportionately such that all recipients are reduced by the same percentage. An exception is made for communities which have not previously qualified for assistance from the Board. In this case, the reduction will not apply for the first three years and any shortfall will be born proportionately by the other qualifying communities.

5.3 Water Board grants are made on a debt repayment basis. Grants are tied to a Municipal Finance Authority (MFA) issue and repaid over a 20 or 25 year period.

5.3.1 OBWB payments are made twice annually, in August and December, after the requisitioned tax monies are received. Payments will be made on receipt of invoice from recipients, timed to match recipient payment commitments.

5.4 OBWB grant payment amounts are recalculated when MFA financing is changed, usually 10 years after the initial repayment. It is the responsibility of the applicant to re-calculate their payment schedules on their annual report and submit supporting documentation.

5.5 When an MFA debt is retired or forgiven, OBWB grant payments will cease.

5.6 Communities that do not incur debt are still eligible for OBWB funding, paid over 20 years on a similar schedule to MFA debt repayment.

5.6.1 Where debt is not incurred, and the project (or portions of the project) is self-financed, an imputed debt payment schedule will be calculated using MFA interest and sinking fund rates from the year the project was completed.

5.6.2 In the case of self-financing, imputed debt schedules will be recalculated 10 years after the first payment, to match the new MFA interest and sinking fund rates.

5.7 To receive payments, communities must submit their SFA Annual Report and provide current documentation on their debt repayments, or certify that no changes have occurred since the previous annual report.