

SCHEDULE H

SFE's (Single Family Equivalents) were developed in the early days of SSA's (roughly, post-SSA2). The City sought to derive a scheme for assessing a property's contribution to the capital cost of installing the sewers within an SSA. The 'development potential' of a property was deemed to be both a 'reasonable and defensible' method of assessing a property's relative contribution, more or less consistent with the methodologies of the BC Assessment Authority and the majority of BC municipalities initially contacted about this 'principle of fairness'.

In particular, the '2.58' factor for Commercial/Industrial (CI) properties was an extension of this principle as the (relative) taxation factor for CI land was at that time about 2.58x the taxation factor for residential land, per equivalent land area unit.

Sewage flows were not considered as a basis for relative assessments since e.g. a multi-million \$ commercial enterprise might pay less than a few homes. Sewage flows were the criterion for User Fees.

The number of SFEs per lot will be determined by the Approving Officer considering the development potential of the property under the existing OCP or Zoning designation (whichever is the greater) and using the following factors for the SFE for various zonings or types of development potential:

R2 Single Family (Suite-able) for each lot potential.	1.0 SFE
RS1 (no suites)/Townhouse – for each dwelling unit potential.	0.75 SFE
Duplex-able Lot – where a lot meets the requirements for a duplex but has no potential for additional dwellings under the current zoning.	1.50 SFE
Duplex (each side) – where there is an existing duplex but the lot has no potential for additional dwellings under the current zoning.	0.75 SFE
Condominium – Strata Apartment – for each dwelling unit potential.	0.67 SFE
Trailer/Mobile Home – for each dwelling unit potential.	0.50 SFE
Hotel Room (each) – for each potential room.	0.40 SFE

Commercial/Industrial (including Pub/Restaurant Facilities) – for each lot potential if it were zoned R-2.

2.58 SFE

Institutional – for each lot potential if it were zoned R-2

1.0 SFE

SFE CALCULATION GUIDELINES

(Protocol – Sched. H-P1)

All Lots are assessed by determining the Lot potential or dwelling unit potential, i.e. how many parcels and/or dwellings would be allowed and are feasible under the Lot's current zoning. All the following Protocol calculations are based on the City of Langford Zoning Bylaw (300) in effect on September 20, 2004. These calculation procedures may need to be revised to meet any subsequent changes to this bylaw

The reason that Lot potential is used is to make sewers affordable for everyone. If the Agreement was based on calculating one SFE per lot, regardless of the size of Lot, the cost of providing sewers would be considerably higher for the average user and very low for large developable lands.

The City of Langford Zoning Bylaw should always be checked to establish if there are any additional restrictions that may affect the assessment.

The initial Lot potential or dwelling potential, as indicated above, is termed the SFE. Once the factor has been applied, the product is termed the Factored SFE.

Judgement is always used to assess the property and establish usable lot areas, taking into account zoning requirements/restrictions, buildability, lot dimensions and existing structures.

Note that the Planning, Engineering and Subdivision departments are all resources that can be used to assist in determining the buildability or potential of a Lot. If the owner produces information to prove the potential is less than staff assessed then this may be accepted after examination.

R1 AND R2 LOT ASSESSMENTS

(Protocol – Sched. H-P2)

R1: One family

R2: One and two family

Refer to Protocol – Sched. H-P1 for general guidelines

A. Rationale:

- i. The City's Zoning Bylaw states that the minimum lot size for any Lot zoned R1 or R2 serviced by sewer is 550 m².
- ii. An assumption is made that any Lot 2780m² or greater (4 lots) will require a portion of the Lot to be dedicated as park and/or be required to be serviced by a road, thus reducing the number of potential R1 or R2 lots. Therefore, in these cases, a divisor of 695m² is used. Note that this is a 'rule of thumb'; the configuration of a lot may be such that all lots could be serviced from an existing road, in which case judgement would be used to determine if the lower 550m² lot size would be more appropriate to be used.
- iii. If a subdivision plan has been approved for the Lot, the assessment of the Lot will be based on the actual number and sizes of the individual lots created rather than performing the following calculation(s)

B. Calculation:

Note: all UNFACTORED calculated lot areas are truncated to whole numbers, eg. 4.99 = 4, as you cannot create a lot that is under the required minimum zoning lot size.

- i. **R1** - Lot area up to 1099m²
 - o 1 SFE x factor of 1.0
- ii. **R2** - Lot area up to 834m²
 - o 1 SFE x factor of 1.0
- iii. **R2** - Lot area 835 m² to 1099 m²
 - o Duplex-able Lot – where a Lot meets the zoning requirements for a duplex but has no potential for additional dwellings under the current zoning. Judgement must be used to determine if the house is duplexable. Note that duplexes are permitted in R2 or R3 zoned Lots only
 - o 1 SFE x factor of 0.75 for each dwelling unit
- iv. **R1 or R2** - usable Lot area 1100 m² to 2749m²:
 - o $SFE = \text{Lot area} / 550 \text{ m}^2 \times \text{factor of } 1.0$
- v. **R1 or R2** - usable Lot areas 2750 m² to 2779 m²
 - o $SFE = 4 \times \text{factor of } 1.0$
- vi. **R1 or R2** - usable Lot areas 2780 m² or greater
 - o $SFE = \text{Lot area} / 695 \text{ m}^2 \times \text{factor of } 1.0$

This range of Lot areas is the transition zone between using 500m² and 695m² as the divisor. A different SFE count would be calculated depending on which divisor is used; therefore we assume 4 Lots only for parcels falling within this range.

Note:

Usable Lot area is affected by terrain, position of existing house and lot configuration.

R3 LOT ASSESSMENTS

(Protocol – Sched. H-P3)

One to Five Family Residential

Refer to Protocol – Sched. H-P1 for general guidelines

A. Rationale

- i. As for a duplexable R2 Lot, a lesser SFE factor of 0.75 for each family unit is used for R3 Lots as it is assumed that the financial benefit of sewers is proportionally less to the overall value of the property for an R3 unit than an R1 or R2. The exception to this is for a single family dwelling which would have a factor of 1.0.

B. Calculation

Note: All UNFACTORED calculated lot areas are truncated to whole numbers, eg. 4.99 = 4 as you cannot create a lot that is under the required minimum zoning lot size; do not truncate the factored calculation

- i. The following are the minimum lot sizes for R3 Lots
 - a. 270 m² = affordable housing lot
 - b. 550 m² = 1 family
 - c. 835 m² = 2 family
 - d. 1000 m² = 3 family
 - e. 1250 m² = 4 family
 - f. 1450 m² = 5 family
- ii. Unless subdivision plans are submitted, calculations are made assuming maximum possible density although allowances should be made for any existing structures, terrain and lot configuration.
- iii. Examples:
 - a. Existing multiplex with no potential for any expansion, considering Lot size, placement of existing structure etc.
 - o 0.75 x the number of dwelling units
 - b. Bare usable Lot area 550m² to 834m²
 - o 1 SFE x factor of 1.0 (this size of lot is treated as a R1 or R2 Lot as, due to the Lot size, there is no potential for duplexing)
 - c. Bare usable Lot area 2000m²
 - o $2000/1000 \times 3 \times 0.75 = 4.5$ SFEs
 - d. Bare usable Lot area 2250m²
 - o $2250 = 1000 + 1250$, therefore the lot could support one 3 family unit and one 4 family unit
 - o 7 family units x 0.75 = 5.25 SFEs

SFE Calculation Guidelines – Commercial/Industrial Lot Assessments
(Protocol H – P4; at July 01, 2014)

The Factored SFE per R2-Equivalent lot for Commercial/Industrial assessments (currently '2.58') shall be revised to '1.25' as of July 01, 2014, for an indeterminate period.

Rationale:

The '2.58' multiplying factor for Commercial/Industrial zoned properties' SFE assessments was originally derived as a 'reasonable and defensible' economic assessment factor to reflect their perceived additional development potential ('value') versus an 'R2-equivalent' lot size. This '2.58' factor is not considered tenable at this time due to the current economic climate.

*Notes:

This revision to the Factored SFE for Commercial/Industrial assessments from '2.58' to '1.25' shall be extended to ISIF calculations as well...see Protocol 15.12 – P2.

WEST SHORE ENVIRONMENTAL
SERVICES INC. by its authorized signatories:

Eric van Rooy

Name:

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Signature:

Date: July 3, 2014

CITY OF LANGFORD
by its authorized signatories

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Name:

Jim Bowden

Signature: Corporate Office

Date: Aug 27/14

15.10 Franchise Fee Changes

Langford reserves the right to change its Franchise Fees to alter or defer/negate a rate change request from WSES. Basically the City could decide to receive a lesser amount to off-set an unpalatable increase in any of the rates (see 15.1 through 15.4 above).

Langford may, in partial or whole response to a successful rate change request under section 15.8 or 15.17, change the franchise fee payable to Langford under section 5.1 to have the same effect on West Shore revenues as the requested rate change would have had, and in that event the provisions of this Agreement respecting rate change requests apply as if the franchise fee change were a rate change request.

Franchise Fees – Commercial and Industrial SCRF's

(Protocol 15.10 – P1; at July 01, 2014)

Rationale: Article 15.10 authorizes Langford to 'off-set' negative impacts (to WSES) of 'unpalatable' rate changes. In consideration of the revised (reduced) Factored SCRF rate for Commercial and Industrial developments per Protocol H – P4, Council has authorized the waiver of the Franchise Fee payable on said developments beginning July 01, 2014 for an indeterminate period.

For certainty, WSES shall retain the entirety of any Commercial and Industrial SCRF's payable, for an indeterminate period, with the 18% franchise fee to be applied in its entirety to the Revenue Deferral.

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15.12 Store and Pump Plan Costs

This Clause directly followed from Clause 8.5 'Storage and Pumping'. The Store and Pump Plan analyzed various storage methods / devices to allow for increased off-peak flows (due to density increases beyond the then-current OCP) while not exceeding maximum allowable peak-period flows per the City's contractual limit via the CRD system, as well as an estimate of the associated costs for such methods / devices. A 'unit cost' was then derived (i.e. the ISIF: Incremental Storage Improvement Fee) so that all new developments would necessarily contribute to a 'storage fund' to pay for any future constructed solutions that would ensure sufficient capacities necessitated by these increases in OCP densities while not exceeding our CRD contractual peak-flow limits.

West Shore shall despite any other provision in this Article 15 be entitled to propose a one time (per Lot) incremental storage improvement fee ("ISIF") reasonably necessary to finance the construction, operation and maintenance of the works contemplated by the Store and Pump Plan. All properties in which increases in density are approved in any area except the Town Centre Area as set out in the OCP may be subject to a charge for storage as calculated by a study to be performed by West Shore and approved by Langford. Any such ISIF shall be proposed by West Shore and considered by Langford in sufficient time that the ISIF can be implemented within one year of the date of this Agreement, to ensure that the works will be available when they are required. If West Shore and Langford determine a portion of ISIFs collected by West Shore in anticipation of future storage costs will not be required to pay for such storage costs West Shore shall rebate the amount collected in excess of that required to customers of the System on a basis approved by Langford and West Shore jointly.

Incremental Storage Improvement Fees (ISIFs) **(Protocol 15.12-P1)**

A. Rationale:

- i. ISIFs are charged to finance the solution of the future capacity problem of the sewer trunk line.
- ii. ISIFs are charged at the same time as the City collects Development Cost Charges (DCCs) and are applied in a similar manner.
- iii. The City Treasurer will track all ISIFs collected and will forward all payments received to WSES on a monthly basis.

B. Exemptions:

- i. Subdivision or redevelopment process was started before February 21, 2005 (date of Council approval of Store and Pump Plan), regardless of the previous history of the property.
- ii. Properties within the Town Center (as defined by the OCP).
- iii. Affordable Housing Lots

C. Calculation:

- o ISIFs for residential subdivisions are charged at the time of subdivision and are applied to each additional lot created

- o ISIFs for multifamily, commercial and industrial properties are charged at the time of building permit

i. Residential

	SFE Factor		Unit Charge	
Small lot	0.75	x \$495.00 =	\$371.25	per lot
Single family	1.0	x \$495.00 =	\$495.00	per lot
Duplex	1.5	x \$495.00 =	\$742.50	per lot
Multi family	0.67	x \$495.00 =	\$331.65	per unit

ii. Commercial/Institutional

a. *SFE Factor:*

The ratio of '2.58' is an approximation of the proportional increase in 'development potential' for a commercial property versus a residential property with 'R2-equivalent' Lot sizes. Hence it is the Factor used for calculating commercial SCRFs. As ISIFs for commercial properties are calculated on building area rather than lot area a 0.75 Floor Space Ratio (FSR) is assumed, i.e. a floor area of 75% of the Lot area can be constructed; the commercial SFE factor is therefore converted to $2.58/3 \times 4 = 3.44$.

b. *Unit Charge*

In order to further remain consistent with the DCC method of calculation, the unit cost of $\$495 \times \text{SFE}/550\text{m}^2$ of lot area is converted to a cost per 1000 ft² of building area using the adjusted Commercial SFE Factor (above):

$$1\text{m}^2 = 10.7639\text{ft}^2$$

$$(\$495 \times 3.44)/(550 \times 10.7639) = \$0.29/\text{ft}^2 \text{ or } \$290/1000\text{ft}^2$$

iii. Industrial

a. *SFE Factor*

The ratio of '2.58' is an approximation of the proportional increase in 'development potential' for a commercial property versus a residential property with 'R2-equivalent' Lot sizes. Hence it is also the Factor used for calculating industrial SCRFs. As ISIFs for commercial properties are calculated on building area rather than lot area a 0.5 allowable density is used as per the City of Langford Zoning Bylaw 300 i.e. a floor area of 50% of the Lot area can be constructed; the industrial SFE factor is therefore converted to $2.58 \times 2 = 5.16$.

b. *Unit Charge*

In order to remain consistent with the DCC method of calculation, the unit cost of $\$495 \times \text{SFE}/550\text{m}^2$ of lot area is converted to a cost per 1000 ft² of building area using the adjusted Industrial SFE Factor (above):

$$1\text{m}^2 = 10.7639\text{ft}^2$$

$$(\$495 \times 5.16)/(550 \times 10.7639) = \$0.43/\text{ft}^2 \text{ or } \$430/1000\text{ft}^2$$

The option of calculating per acre is equivalent to the unit cost of \$0.43/ft² of building, assuming maximum allowable lot coverage of 50% of the lot.

$$1 \text{ acre} = 43,560 \text{ ft}^2$$

$$\$0.43 \times 0.5 \times 43,560 = \$9365.40/\text{acre}$$

Column "A" Class of Development	Column "B" Subdivision	Column "C" Building Permit
Residential	Small Lot \$371.25 Single Family \$495.00 Duplex \$742.50	
Multi-family		\$331.65 for each dwelling unit being built.
Commercial		X\$290.00 per 1000 square feet of floor area. ***REVISED...see 15.12 – P2 following.
Industrial or Public Utility		X\$430.00 per 1000 square feet of floor area or; \$9365.40 per acre ***REVISED...see 15.12 – P2 following.

ISIF: Commercial & Industrial – Revised Unit Charges
(Protocol 15.12 – P2; at July 01, 2014)

Rationale:

The current ISIF Unit Charges for Commercial and Industrial Class of Developments (see Table in Protocol 15.12 – P1 above) were derived as a reflection of the prevailing SFE factors as stated in Schedule H ('2.58' in the case of Commercial and Industrial properties).

Hence, as a result of Protocol H – P4 (a revision of the '2.58' SFE factor to '1.25'), the ISIF Unit Charges are revised (reduced) accordingly.

Calculation:

Revised Commercial ISIF Unit Charge: $1.25/2.58 \times \$290/1000 \text{ ft}^2 \text{ floor area}$
= \$140.00/1000 ft² floor area

Revised Industrial ISIF Unit Charge: $1.25/2.58 \times \$430/1000 \text{ ft}^2 \text{ floor area}$
= \$ 208.00/1000 ft² floor area
= \$ 4537.50 per acre

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ARTICLE 5 FRANCHISE FEE

5.1 Payment

During negotiations with WSES it was shown that Sewer infrastructure was being constructed by the City (via SSA's) for an average cost of about \$3,000 per residential unit (R2). The associated Sewer Capital Recovery Fee (SCRF) under the Agreement was intended to reflect the private sector's position that they were at least as efficient as a municipal entity. Hence the SCRF was negotiated in view of this '~\$3,000 average cost', PLUS a premium payable to the City as a Franchise fee. This premium Franchise fee was considered reasonable because 1/ City Sewers were costing the residents considerably less than elsewhere in the CRD, and 2/ this Franchise fee would be added to general revenues for City-wide benefit. At any rate, the initial SCRF (2004) was negotiated at \$3,680 per R2 residential unit, with 18% of each SCRF going to the City's general revenues (with some exceptions, see 7.5(v) Grinder Pumps).

In consideration of being granted the exclusive right to operate the System and provide services in connection therewith, West Shore will pay Langford a franchise fee comprised of:

- (a) 18% of the amount of SCRFs collected by West Shore, payable quarterly for periods ending March 31, June 30, September 30 and December 31 in each year of the Term within 30 days of the end of the prior quarter;

****The 18% Franchise Fee payable on Commercial and Industrial SCRF's shall be retained by WSES (i.e. 'waived' by Langford) for an indeterminate period beginning July 01, 2014. SEE 15.10 - P1 for supporting documentation.*

- (b) 5% of the amount of User Fees collected, payable annually on or before January 15 in each year with respect to User Fees collected during the prior year; and
- (c) \$3.60 million, payable with 30 days of the Commencement Date.

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