



NORTHWEST BRITISH COLUMBIA
RESOURCE BENEFITS ALLIANCE

**Rural Development Strategy
Stakeholder Submission**

The Northwest Economic Vision: Sustainable Growth, Sustainable Communities

The Northwest BC Resource Benefits Alliance (RBA) and the provincial government have the same vision for sustainable economic growth. We want good jobs, training and apprenticeships for local residents, First Nations participation, respect for our natural environment and an economic return that creates sustainable and vibrant communities.

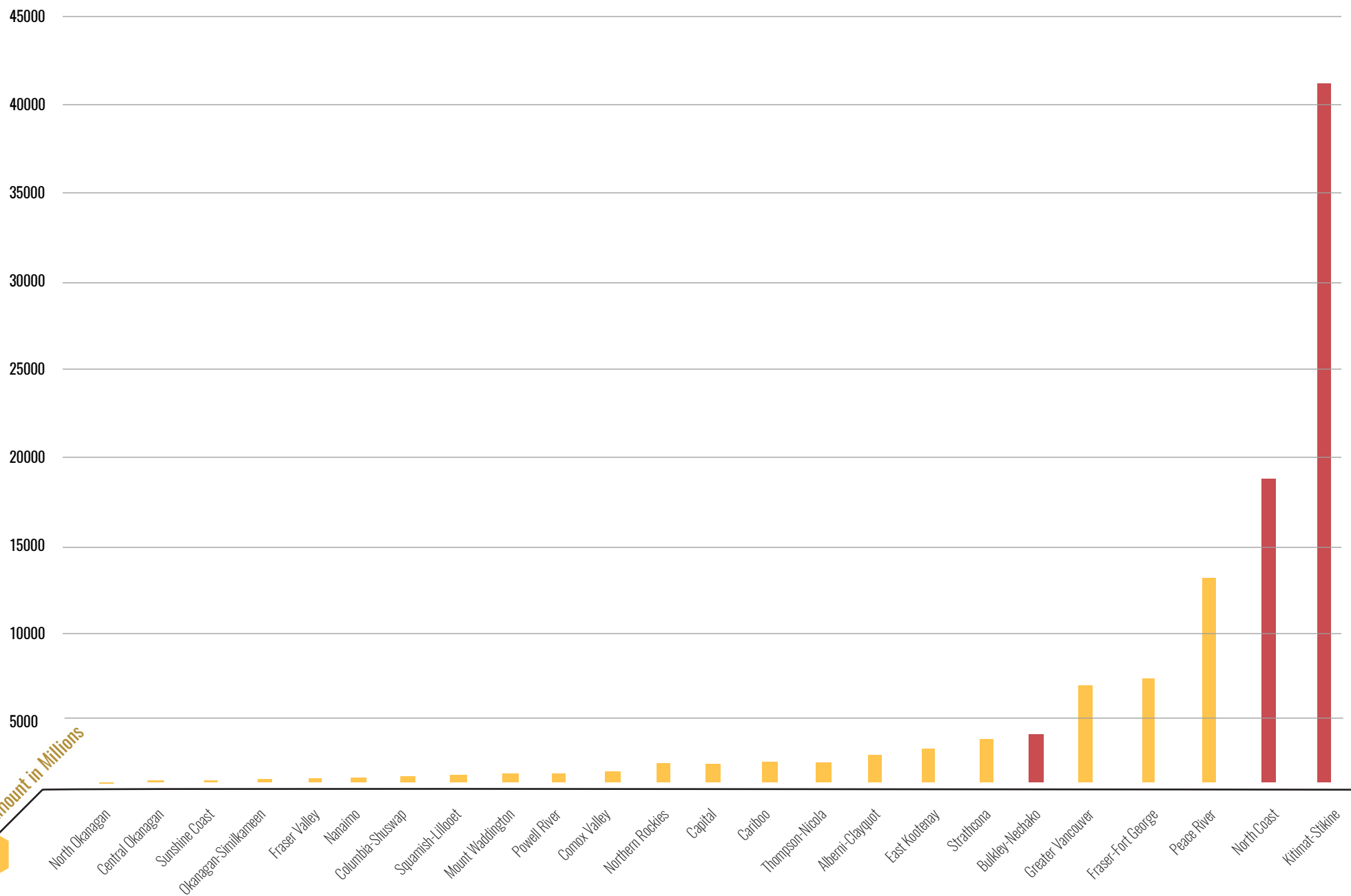
We believe that a rural development strategy can support this vision if it takes into account the level of current and potential economic activity within different regions of the province. This strategy can focus on translating that economic activity into sustainable communities – even if the projects are developed outside of communities or in adjacent ones.

Current development proposals for Northwest BC have the potential to bring tremendous benefits not only for the Northwest but for the whole province. The \$65 billion of proposed Northwest major projects currently in process can be the catalyst for the type of sustainable development rural BC needs. This does not even account for the additional \$40 billion a successful LNG industry and a renewed forestry industry would bring.

We are confident there is a path forward, and it starts with a flexible approach that fits rural areas based on need. The right provincial support would enable local governments to invest in physical and social infrastructure to improve worker attachment to the Northwest and support economic growth. That would, in turn, reduce social issues related to major project construction and operation while facilitating the projects by improving recruitment and retention of workers. This would make workforces more stable and increase the availability of local services and materials.

The RBA wants to re-establish the link across rural BC (currently broken at least in the Northwest), between economic development activity in the region and local prosperity. We look forward to working with the provincial government to design a Rural Development Strategy that will achieve this wherever rural development harms rather than benefits local community sustainability.

Proposed Projects (Excluding: Residential, LNG & Public Sector Projects) as per MPI Database Q3 2017



The Challenge to Sustainable Growth in Rural BC

Vibrant, sustainable communities are the foundation of a strong provincial economy. This is true for both urban and rural communities, but there has long been a divide between rural and urban British Columbia in terms of the ability to develop and maintain sustainable communities. The amount of provincial and local government services and infrastructure available to communities and their citizens has always been less in rural areas. This is worsened by the fact that rural BC has had less capacity than urban BC to address the inequality.

Rural BC has traditionally been, and continues to be, a great source of revenue for the province through use of the land base for agriculture and resource development. However, not enough of that revenue has stayed in local communities to maintain them, let alone support growth. Rural communities across the province, whether incorporated municipalities or unincorporated areas, have struggled to survive and grow due to a lack of a sufficient revenue base, from both residential and industrial taxation. Past provincial responses have been insufficient to address the needs. Most provincial programs have been too narrowly focused to create the foundation for sustainability. If rural BC is to participate in the government's vision of sustainable economic development, a different approach is needed.


The RBA supports provincial government measures that address community sustainability issues across all of rural BC. The engagement being undertaken to create a Rural Development Strategy that reflects the needs and priorities of rural communities is a good first step, however, not every region is in the same situation or faces the same challenges.



Challenges to Sustainability in the Northwest

There has been tremendous capital spending in the Northwest since 2012, most of it resource- related. Unfortunately, this development has not translated into increased local government revenues commensurate with increased demand for:

- local government services ranging from planning to fire, police and emergency services;
- physical infrastructure such as roads, sewer and water beyond the needs of local residents; and
- social and recreational infrastructure for local residents that is also used by fly-in, fly-out workers.



Resource development has put significant pressure on Northwest local government finances as the costs associated with these projects have displaced spending on local services and social and physical infrastructure.

Case Studies:

District of Fort St. James

The Mount Milligan Mine is 90 km from the District of Fort St. James. During the height of construction, the mine employed a staff of approximately 1,025, with 528 full-time employees currently employed in operations. Many of the contract crews chose to base out of Fort St. James, and many other workers lived in camp at the mine. As a result, there was increased activity in Fort St. James as it was used as the central service, business, recreation and shopping center by both groups. This posed significant service and infrastructure demands on the municipality.

Service Demands

Local government services saw a noticeable increase in demand during the mine start up. Part of the effort was to study the infrastructure needs and prepare plans if the population of the district should increase. For example, engineering studies were undertaken to determine if sufficient water and sewer treatment capacity existed and what upgrades would be required if significant growth occurred. Similar work was completed to investigate and plan out new possible subdivisions.

Infrastructure Demands

Fort St. James saw an increased use of its physical and social infrastructure, including:

- road systems, including maintenance, as industrial related traffic traveled through its downtown core;
- an increase for emergency services such as rescue services;
- health services as the local hospital and medical clinics had to, and still must, be able respond to the increased demand; and
- since the mine site only provides housing, many workers sought out, and continue to seek out, social and recreational needs off-site.

This increased demand has resulted in local government buildings such as the arena, seeing extra use as well.

The biggest challenge for Fort St. James is the inability to generate extra tax revenue to respond to this ongoing increased demand. Since workers are housed at the mine site, the municipality is unable to generate residential tax revenue from those workers. Industrial tax revenue is also not increasing. There should be alignment between taxpayer and beneficiary. Currently, the local governments are unable to tax the beneficiaries, placing an unfair property tax burden on property taxpayers to support use by others. The shadow population can be a large percentage of the local population. In the case of Fort St James, 2016 census population is 1,691; camp population 528. And there are also other camps with hundreds of persons in the area that access the Fort as a service centre.

Increased costs on local governments, such as those experienced by the District of Fort St. James, apply whether projects are hundreds of kilometers away or in the next municipality, and they are just one community example of many. If revenues are near capacity, additional costs must be accommodated through reduced surpluses available to invest in infrastructure and reduced local services. Slim surpluses leave little ability to fund the local share of infrastructure funding programs.





The Village of Telkwa

Telkwa applied in the latest funding round to the Clean Water and Wastewater Fund (17% municipal matching) in order to fund an urgently needed water tower with a total cost of \$2.4 million (\$400,000 local contribution).

Instead Telkwa was offered \$1.6 million funding under the 33% municipal matching Build Canada fund (\$800,000 local contribution).

Telkwa was unable to accept the offered funds as it could not afford its contribution. While the issue was ultimately resolved, it is not uncommon for local governments to not even apply for funding because they cannot afford the local government funding share.

Not all impacts are revenue related. The unintended consequences of resource development can devastate small rural villages. When resource development jobs attract workers from small villages and hamlets, there may not be enough workers remaining to work in local businesses or community services. The quality of life in those smaller communities declines making it even harder to recruit and retain workers to live there. This is how Alice Maitland, Mayor of the Village of Hazelton, describes the impact of resource development on her community:

Village of Hazelton

“Projects, sometimes hundreds of miles away, can impose costs on our communities. The costs may not be able to be recognized in dollars and cents by bankers and others, but to the affected community the cost is as real as eviction from a home or the collapse of a business. For example, the Village of Hazelton (population 300+), along with the other small communities that make up the Upper Skeena area of the Northwest, supply man and woman power to the mines and projects where the jobs require that those workers leave home for at least two weeks at a time, replaced each two weeks by another shift of workers from those same communities. Employment in these camps attracts at least 10%, and possibly 20% of our population and skims off our most able-bodied, most skilled and most productive citizens, both men and women, leaving us bereft of workers and volunteers to keep our communities alive. This year, for example, local residents have had to search for able-bodies to shovel snow from roofs. Associations looking for qualified laborers have had to search for grants to train individuals to fill jobs to support services. Businesses close due to lack of help. In our village where we used to have five restaurants, we are down to one now because wages in camp for the same work are multiples of what they were making locally. Small businesses have closed, not for lack of business, but for lack of help. If our community had resources beyond what we can raise in taxes, we could deal with these shortages through additional training opportunities for under-qualified workers, and perhaps even more rewarding experiences for coaches and other volunteers that keep our communities moving ahead.”



Additionally, planning for proposed resource development imposes significant costs on local governments that can't be recovered if the project does not proceed



City of Prince Rupert

When the Pacific Northwest LNG and Aurora LNG projects were proposed, the City of Prince Rupert had to invest scarce city resources to determine the potential impact on services and infrastructure that could result.

City Manager Robert Long explains:

The City of Prince Rupert (CoPR) commissioned a study by KPMG that determined that the added unfunded cost to CoPR would be approximately \$14.5 million¹ per annum to service one LNG project. The CoPR expended \$614,000 dollars of our scarce revenue to complete these and other studies to “prove” this thesis (that there are substantial impacts to local communities from large scale economic development) to both the proponents and the provincial government.

With no planning or service improvement funds forthcoming from either the proponent or the Province, community planning in advance of a “final investment decision” was left to the locals – including all logistics, ferry upgrades/routes, bypass roads, infrastructure upgrades and servicing requirements, etc.

In total CoPR spent over \$3 million just on planning for major projects, and it was estimated that over \$65 million would be needed for initial infrastructure upgrades to accommodate the LNG industry, which neither the proponents nor the Province wanted to take responsibility for. The provincial government did contribute the inadequate sum of \$1 million for planning purposes for all the collective Northwest communities.

¹ This represented the same amount of the total CoPR property taxes collected per year.



City of Terrace

The City of Terrace faced similar pressures during the time of speculation and growth related to industrial development. Terrace CAO, Heather Avison explains:

The sudden growth required us to update or develop current planning documents to guide us. The City invested \$600,000 - \$700,000 from our limited budget for the following all within 2015/2016: DCC Scoping Study, Transportation Master Plan, Parks & Recreation Master Plan, Water Master Plan, Sewer Master Plan, Wastewater Treatment Plant Condition & Capacity Assessment. While we have a roadmap to address some of the growth, recommendations will be done if and when funding is available.

We increased our planning staff by two FTEs to support this, and reinstated our one FTE Bylaw Compliance Officer position to assist the RCMP, particularly in dealing with downtown vagrancy concerns.

The results of these plans show that we are currently positioned for our existing infrastructure to manage minor growth only (i.e. water, sewer, storm water, transportation, emergency services). Roads are under considerable pressure with increased traffic. Currently within our budget we manage to rebuild only 1-2 blocks of road. We have over 80kms of road to maintain. Being a service centre means lots of non-resident traffic using roadways.



Why don't Northwest local governments and other rural areas simply raise tax rates or introduce new or increased service costs to raise funds that improve needed social and physical infrastructure?

There are several reasons:

1. Industrial projects located outside municipal and regional district service boundaries or in adjacent communities don't generate additional property tax revenue to the municipalities which house much of the physical and social infrastructure used by industry.
2. Workers housed in camps don't generate additional residential tax revenue but they use local services.
3. The Northwest has less physical infrastructure and local government community programming to generate sales of service revenues from user fees because of the fiscal pressure from major projects.
4. Northwest local governments have relatively high property tax rates that already put a high burden on local residents, businesses and industries.

The Northwest local governments have consistently used their tax capacity, and are still unable to meet the demand to build the physical infrastructure or support the social infrastructure needed for sustainable communities.

City of Prince Rupert City Manager Robert Long provides an example of how taxation is not a sufficient source of income for local governments, even if resource projects are close by:

If projects are not within the boundaries of the municipality (as was experienced by the City of Prince Rupert between 2013-2017 with projects such as Pacific Northwest LNG and Aurora LNG), there is no way for the municipality to collect taxes. In the cases where the municipality has some capacity to collect taxation revenues, the province may interfere with the communities taxing authority to limit or exclude the municipality's ability to tax, as has occurred with the institution of the Port Property Tax Act which caps the industrial property tax rate applied to all port industries in Prince Rupert.



The Way Forward: A Rural Development Strategy

The Province has committed to the following principles of Community Economic Development as a foundation for the Rural Development Strategy:

- sustainable,
- community-based,
- participatory,
- asset-based, and
- allowing for self-reliance.

The RBA is also committed to these principles. We believe that those principles mean that any Rural Development Strategy must take the level of regional economic activity into account, especially for regions where the construction and operation of major projects is negatively affecting local communities.

To be effective, the Rural Development Strategy must provide real solutions to the challenges faced by rural communities and those solutions must be flexible enough to respond to different challenges in different rural regions.

Local government investment in sustainable communities is foundational for provincial economic growth. With a Rural Development Strategy that appropriately takes into account those regions affected by major project activity and provides resources to enact the strategy, local governments will be able to contribute to the success of businesses big and small, facilitate economic development and support greater attachment of the work camp workforce to local communities, thereby reducing social issues related to work camp life. Local governments can facilitate major project activity, encourage local businesses supplying the resource industries, create opportunities for new industries, and increase population with good local jobs and increased housing supply as demand grows.

The current **Rural Dividend** program is totally inadequate to deal with the problems faced by rural communities. The \$25 million available is insufficient to address the issues in the Northwest itself, let alone all rural areas in BC.

For example, in Terrace alone, essential transportation upgrades necessary to support even minor growth (such as an upgrade of Lanfear Drive, second grade separation for vehicles and a pedestrian overpass over the railway) are estimated to cost over \$40 million. Water system upgrades and expansion are estimated at over \$14 million and sewer collection system upgrades and expansion at over \$16 million.

Even worse, the Rural Dividend program is not limited to supporting local government and is distributed based on approval of applications. To be consistent with the principles of community economic development, the decision on what programs, projects and services to fund, should be done at a local level where local priorities are best understood and there is local accountability. Neither of these is possible for a provincial body.

The RBA proposes the Rural Development Strategy include a mechanism that provides funds to rural communities in amounts that are commensurate with the amount of economic activity in their region and the costs borne by local government to support that development. Local governments would be accountable for their use of these funds to:

- work collaboratively with stakeholders including major project proponents, local business, labour, First Nations and the not-for-profit sector to develop priorities that will translate economic development into sustainable communities;
- support local government work integral to the major project approval process;
- build and repair infrastructure to bring existing standards up to an acceptable level – one that any citizen of BC would expect – and to provide capacity for local business and population to expand; and
- expand community recreational, medical and social infrastructure as well as programs to meet the needs of existing residents and work camp workers.

In addition, the Rural Development Strategy must look at labour force issues. Businesses in the Northwest are frustrated by their inability to find suitable candidates for entry level jobs. Larger employers have difficulty finding anyone in the region with the highly technical skills needed for some occupations and encounter problems trying to attract recruits to the Northwest (Northwest Regional Human Resources Strategy, Kitimat Valley Institute, December 2017). It is essential that the province improve education, health and social service access throughout rural BC as part of any Rural Development Strategy.



The RBA Can Be Part of the Solution

Over the last three years, the 21 municipalities and the regional districts of North Coast, Kitimat-Stikine, and Bulkley-Nechako have been working together to develop ideas to make sure economic development in the Northwest supports sustainable communities in the Northwest.

We believe the Rural Development Strategy will only be effective if it is flexible enough to recognize and respond to the different rural regions in the province. Programs and policies designed to support sustainable rural communities will fail if a “one size fits all” approach is taken. The path to success lies in creating a strategy that can respond to the unique opportunities and challenges each region faces.

We want to work with the Province to develop a Rural Development Strategy linked to regional economic activity and potential.

Recommendations:

1. Develop a framework for rural development that is flexible enough to meet the needs of different regions.
2. Ensure the work done to create the Rural Development Strategy includes adequate research on existing conditions in different regions of the province.
3. Make sure the strategies developed take into account the level of current and potential economic activity within different regions, with a focus on translating that activity into sustainable communities.
4. Recognize that the benefits of economic development in rural areas must improve the long-term sustainability of rural communities.
5. Commit to working closely with groups such as the RBA in each region to formulate a governance model for a particular region.
6. Use the proposal put forward by the RBA as a pilot project to develop and test strategies to support sustainable economic development and sustainable communities in rural BC.





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