Building Bridges - Towards A First Nation Development Cost Charge Program

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Building Bridges - Towards A First Nation Development Cost Charge Program

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Fiscal Realities is solely responsible for any errors or omissions.

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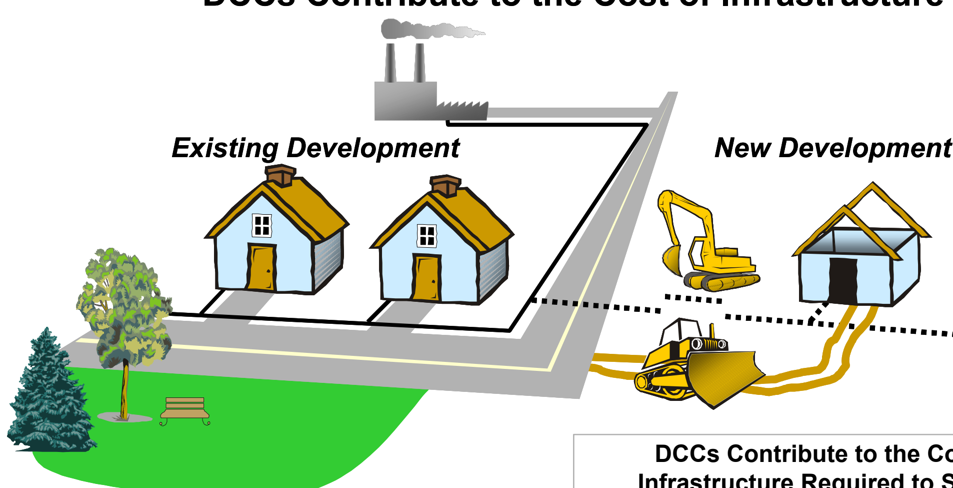
Executive Summary

The fact that there is a proven positive relationship between physical infrastructure provision and economic development has important implications for First Nations. It means that the development of core public infrastructure such as roads, sewers and water mains should be encouraged on First Nations' lands. The provision of infrastructure will lower the costs of doing business and create economic opportunity. Creating economic opportunity for aboriginal people will reduce poverty in their communities and improve their standard of living. A development cost charge (DCC) policy is a financing option that, if designed and regulated properly, will help to provide core public infrastructure.

While it is clear that investment in infrastructure will improve economic opportunity, it is also clear that there has been little success in providing infrastructure on First Nations' lands. First Nations have limited resources to provide the infrastructure themselves and transfers from other orders of government have been either insufficient to cover the cost or are required for other programs. Physical infrastructure that currently exists on First Nations' lands is inadequate for industrial, commercial, or residential development. Roads, sewer systems, and water treatment and distribution systems are of poor quality or non-existent. While DCCs have been used as an option in financing infrastructure for over twenty years in municipal jurisdictions, it does not appear as of yet that there is any regulatory framework or support for First Nations who wish to use them.

A development cost charge, or DCC, is a charge for using land. The intent of a DCC is to apportion new infrastructure costs between a local government and a property owner. It is meant to allow new development to pay for the infrastructure it requires. DCCs are supposed to limit the amount that existing residents, whether residential or commercial, have to subsidize infrastructure for new residents.

DCCs Contribute to the Cost of Infrastructure

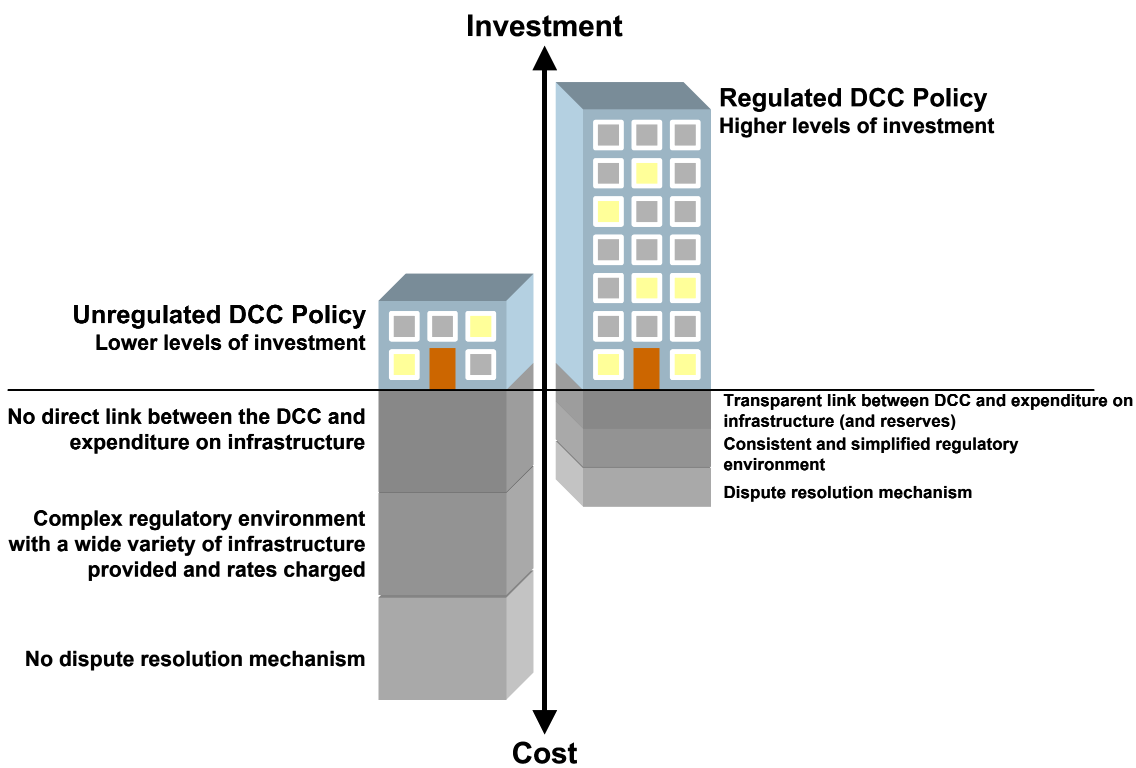


Existing Infrastructure:
- Waste water treatment plant
- Water reservoir
- Water Main
- Sewer Main
- Roads
- Parks

DCCs Contribute to the Cost of Infrastructure Required to Service New Development:
- Roads
- Water Main
- Sewer Main
- Contribution to depreciation of and replacement cost of waste water treatment plant and water reservoir
- Contribution to green space

DCC policy has the potential to finance new infrastructure in First Nation jurisdictions and lower the costs of doing business if a policy is properly designed. Such a policy would be considered in the context of other development finance tools such as property taxes and long-term debt. Policy must be supported by a national institution such as the Indian Taxation Advisory Board (the ITAB) in order to be effective. This would ensure consistency in regulation and would address the concerns of stakeholders, including non-native investors. If a DCC policy is not properly designed and monitored, it will raise the costs of doing business.

The right hand side of the picture below shows that a DCC policy that is designed in accordance with economic principles and regulated by a national institution such as the ITAB, attracts more investment. A policy that encourages investment would have a transparent link between the infrastructure and the development cost charge. There would also be a transparent link between DCCs and contributions to reserve funds (used to replace infrastructure when it reaches the end of its useful life). A simplified regulatory environment would be created if a national institution like the ITAB were involved in policy development so investors would not have to adjust to a unique system in each different First Nation jurisdiction. The ability to access dispute resolution mechanisms would also encourage investment. In an unregulated system (the left hand side of the picture), there is no direct link between DCC and infrastructure, there is no dispute resolution mechanism, and there is a complex regulatory environment that raises the costs of doing business and discourages investment.



THE CASE FOR DCCS

There is a good economic argument for providing infrastructure. The provision of infrastructure reduces the costs of doing business and thereby encourages economic development. Encouraging economic development has proven to be an effective instrument to raise the standard of living. A DCC policy will reduce transaction costs within First Nation jurisdictions. It will increase regulatory certainty for investors as well as increasing the potential rate of return on the investment.

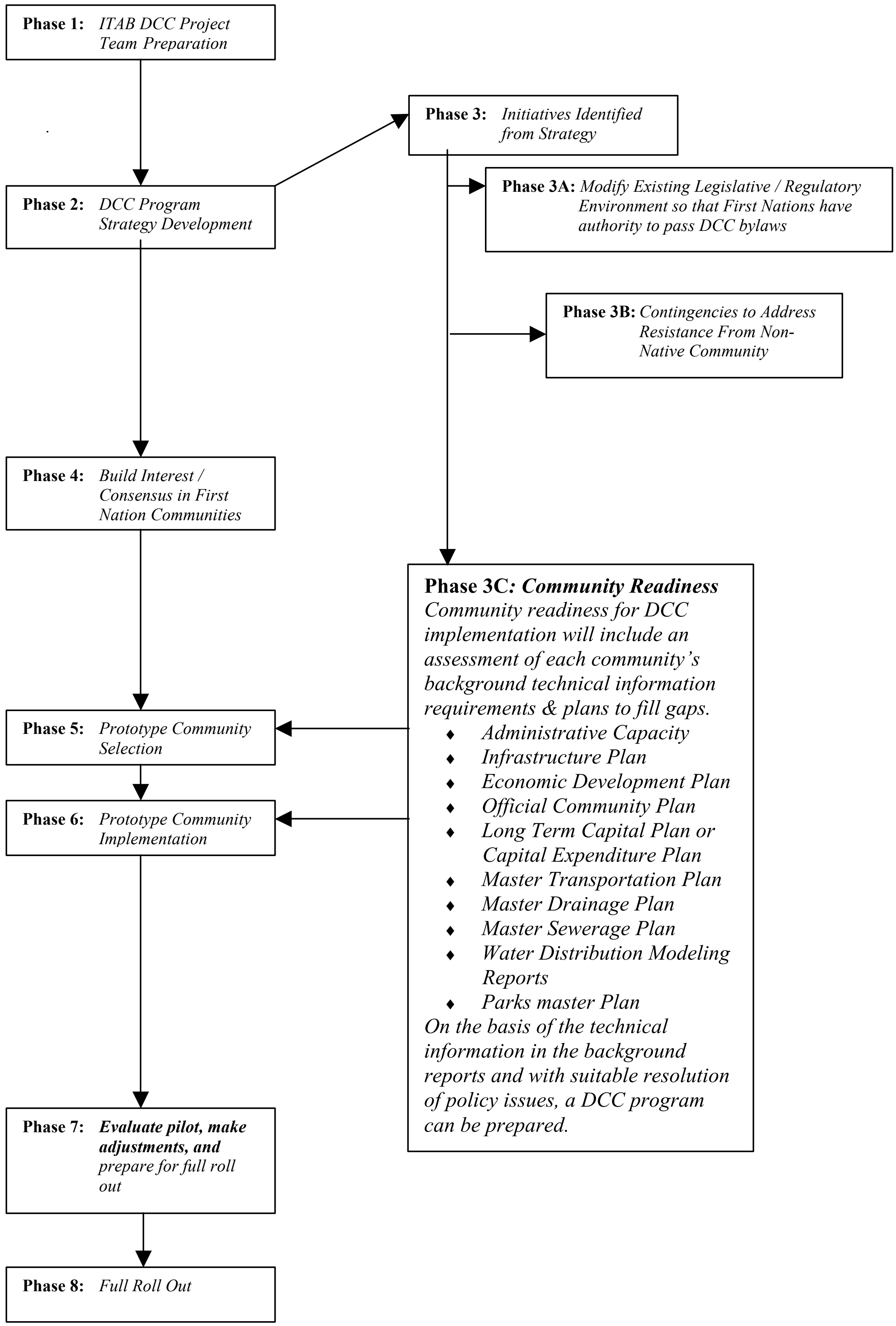
There are good fiscal arguments for utilizing DCCs. Currently First Nation governments have limited financing options to provide basic “core infrastructure” on their land. While DCCs will help to finance infrastructure, support from other levels of government should not be ignored. The use of DCCs as a revenue option should not be a zero sum game where transfers for infrastructure are eliminated as DCCs are collected. Given the benefits that are associated with a good system of infrastructure, it makes sense for the federal government to provide funding to First Nations for infrastructure provision.

There are also good political reasons for implementing a DCC policy. A development cost charge program will help to build capacity in First Nation government as well as reduce the costs of doing business. Local governments in Canada have implemented development cost charge programs with varying degrees of success during the last two decades. With the support of a national institution like the ITAB, First Nations could learn valuable lessons from municipal jurisdictions.

As part of a strategy to reduce the costs of doing business, investment in First Nation economic infrastructure would offer the highest returns to Canada. It would attract investment to First Nations, raise the productivity of their lands, and provide economic opportunities. It would also provide First Nation revenue options. Finally, and most importantly, it would reduce First Nation dependency and lower the costs of Aboriginal poverty.

A First Nation DCC program would support the building of economic infrastructure. Together with a comprehensive land use plan and the development of a land code, a DCC policy will encourage economic development that will eventually help to bridge the gap in standard of living between Aboriginal people and other Canadians.

Based upon the arguments above, a strong case can be made that development cost charge policy should be a priority for both the ITAB and the federal government. Having agreed that DCC policy is a good idea, the next step is to design a DCC program. The most cost effective manner to implement a First Nation DCC program is to test and debug a national system through the pilot project methodology. A framework for such a process is presented on the next page.


Phase 1: *ITAB DCC Project Team Preparation*
Phase 2: *DCC Program Strategy Development*
Phase 3: *Initiatives Identified from Strategy*
Phase 3A: *Modify Existing Legislative / Regulatory Environment so that First Nations have authority to pass DCC bylaws*
Phase 3B: *Contingencies to Address Resistance From Non-Native Community*
Phase 4: *Build Interest / Consensus in First Nation Communities*
Phase 3C***: Community Readiness***
Community readiness for DCC implementation will include an assessment of each community's background technical information requirements & plans to fill gaps.
- *Administrative Capacity*
- *Infrastructure Plan*
- *Economic Development Plan*
- *Official Community Plan*
- *Long Term Capital Plan or Capital Expenditure Plan*
- *Master Transportation Plan*
- *Master Drainage Plan*
- *Master Sewerage Plan*
- *Water Distribution Modeling Reports*
- *Parks master Plan*
On the basis of the technical information in the background reports and with suitable resolution of policy issues, a DCC program can be prepared.
Phase 5: *Prototype Community Selection*
Phase 6: *Prototype Community Implementation*
Phase 7: ***Evaluate pilot, make adjustments, and*** *prepare for full roll out*
Phase 8: *Full Roll Out*

Introduction

The fact that there is a proven positive relationship between physical infrastructure provision and economic development has important implications for First Nations. It means that the development of core public infrastructure like roads, sewers and water mains should be encouraged on First Nations' lands. The provision of infrastructure will lower the costs of doing business and create economic opportunity. Creating economic opportunity for aboriginal people will reduce poverty in their communities and improve their standard of living. A development cost charge (DCC) policy is a financing option that, if designed and regulated properly, will help to provide infrastructure.

While it is clear that investment in infrastructure will improve economic opportunity, it is also clear that there has been little success in providing infrastructure on First Nations' lands. First Nations have limited resources to provide the infrastructure themselves and transfers from other orders of government have been either insufficient to cover the cost or are required for other programs. Physical infrastructure currently existing on First Nations' lands is inadequate for industrial, commercial, or residential development. Roads, sewer systems, and water treatment and distribution systems are of poor quality or non-existent. While DCCs have been used as an option in financing infrastructure for over twenty years in municipal jurisdictions, it does not appear as of yet that there is any regulatory framework or support for First Nations who wish to use them.

Both *Expanding Commercial Activity*[1] and *Turning on the Taps*[2] arrived at the conclusion that infrastructure on First Nations' lands was inadequate based upon investor interviews, literature reviews, and case studies of actual developments. First Nation case studies at Kamloops, Seymour Creek (Squamish Nation), and Westbank all highlighted the requirement for investment in infrastructure. In all cases a substantial investment was required before the projects could be viable.

In Kamloops BC, an entire water treatment and distribution system had to be built before a golf course and residential development could be started. At Seymour Creek, construction of a road, intersection and a traffic light were required before a grocery store could be viable. Extension of the water and sewer services to the site was also required. In both cases the First Nations had no existing policy for infrastructure provision. The First Nations and investors started with a blank slate and negotiated an agreement to share the cost of providing infrastructure. A properly designed development cost charge policy would provide a framework for infrastructure provision so that First Nations and investors would not have to start from scratch on each new project. This framework would lower the costs of doing business and provide economic opportunity on First Nations' lands.

[1] *Expanding Commercial Activity*. Prepared for the Indian Taxation Advisory Board and the Research and Analysis Directorate of DIAND by Fiscal Realities. 1999. Available at www.itab.org.

[2] *Turning on the Taps*. Prepared for the Indian Taxation Advisory Board and the Research and Analysis Directorate of DIAND by Fiscal Realities. 2000. Available from the Research and Analysis Directorate of DIAND.

One of the more striking examples of what provision of infrastructure can do to improve economic opportunities for First Nations is at Westbank, BC. The Westbank First Nation undertook a $3.1 million water project that began in 1990/91 and finished the final phase in 1994/95. The project included construction of a pump house, an intake, main and transmission lines, a reservoir, and a pipeline extension. It had been determined that an inadequate water system was the largest barrier to development on Westbank properties.

The project has paid large dividends. Westbank reports that since completion of the water project, development has grown quickly. Total assessed values of business class properties have increased 545%, and those of residential properties increased 184% from 1991 to 1997. The average growth rates for these property classes in BC were 14% and 18% respectively over this period.

New businesses that have located on Westbank First Nation lands since 1991 include the Royal Bank, the Toronto Dominion Bank, Caprice Theatres, Zellers and Extra Foods. New residential developments include Sun Village, Bayview and Grandview Terrace comprising over 500 new high-quality housing units. Before the water system was built, it was difficult to attract quality developers due to problems associated with poor water supply. The new water system has led to job creation, high quality tenants, opportunities for First Nation people, and an expanded property and sales tax base. On another Westbank First Nation reserve, the lack of a quality water system is preventing any type of development.

How do other governments in Canada provide physical infrastructure?

First Nations are not the only governments in Canada that struggle with the issue of inadequate infrastructure. Recent federal government budgets and budget updates have provided funds for infrastructure provision, although this is clearly not enough on its own. Reduced federal and provincial government spending in the last decade has forced local governments to look to alternative financing methods for physical infrastructure. Providing this infrastructure is beneficial because it reduces the costs of doing business and encourages economic development.

In order to provide a sufficient level of infrastructure local governments utilize various different financing methods. The *Development Finance Choices Guide*[3] identifies thirteen different types of development finance tools. Included in this list are long-term debt financing, development cost charges, and public private partnerships. First Nations make use of few of these charges.

[3] Produced by the British Columbia Ministry of Municipal Affairs and available on the web at: http://www.marh.gov.bc.ca/GROWTH/PUBLICATIONS/choices.pdf

In fact, the only tools First Nations have at their disposal at this time to finance infrastructure are property taxes. First Nations are presently utilizing property taxation with the assistance and support of the Indian Taxation Advisory Board (the ITAB). Some First Nations are also considering the implications of pooling risk and borrowing and are being supported by the First Nation Finance Authority (FNFA).[4] While long-term debt financing is contemplated, no First Nation has yet to make use of this development finance tool.

Developments cost charges (DCCs) are also useful because they separate politics from administration. The *Expanding Commercial Activity* study identified a lack of separation of politics from administration as a common feature of First Nation government. By establishing a policy that sets out different DCC rates for different types of land uses, investors can be assured that they will not face unfair charges for infrastructure. Investors also want assurance that there will not be unduly long internal political conflict within First Nation government that will jeopardize their investment. DCC policy is one component of a land management regime that reduces the potential for this type of conflict.

It does not appear that, as of yet, there is any regulatory framework or support for First Nations who wish to use DCCs. This paper will address questions that First Nations should consider if they wish to implement a DCC policy. These include: What are DCCs? What are the regulatory changes that will have to be made for First Nations to have authority to enact bylaws? What types of infrastructure should be funded by DCCs? How do DCCs relate to property taxes and long-term debt financing? Can DCCs raise the costs of doing business? How should charges be calculated? Should there be national standards in a DCC policy program for First Nations? What can First Nations learn from other jurisdictions that have implemented a DCC policy?

DCC policy has the potential to finance new infrastructure in First Nation jurisdictions and lower the costs of doing business if it is properly designed. A properly designed policy would be considered in the context of other development finance tools such as property taxes and long term debt financing. In order to be effective, the policy must be supported by a national institution, such as the Indian Taxation Advisory Board (the ITAB). This would ensure that standards are met and would address the interests of stakeholders. If it is not properly designed and monitored, a DCC policy could raise the costs of doing business. As such a system could ignore other types of development finance. It could double tax developers and, ultimately, reduce the amount of revenue that First Nations could generate from their lands.

The analysis in the remainder of this study will lead to a convincing conclusion that DCC policy is an important topic whose time for implementation has come. It will benefit all stakeholders who have interests in First Nations land including: community members, First Nation government, and investors. Community members will be assured that safe and modern infrastructure will be provided. First Nation government will attract more investment and therefore diversify its' tax base. Investors will be assured that undue political influence or unfair charges will not jeopardize their investment.

[4] The First Nation Finance Authority will resemble the British Columbia Municipal Finance Authority and is expected to begin formal existence with the passing of federal legislation to be enacted in the fall of 2001.

What is a development cost charge?

A development cost charge is a tax on land. It is a tax that should have a clear relationship between the tax collected, the related expenditure, and the beneficiary of the service. The intent of the tax is to apportion new infrastructure costs between a local government and a property owner. It is meant to allow new development to pay for the infrastructure it requires and to limit the amount that existing residents have to subsidize infrastructure for new residents. The DCC is charged by the local government to the person or company that obtains a development permit for the property. This allows the local government to share the cost of off-site infrastructure with the individual or company that will benefit from the development of a site.

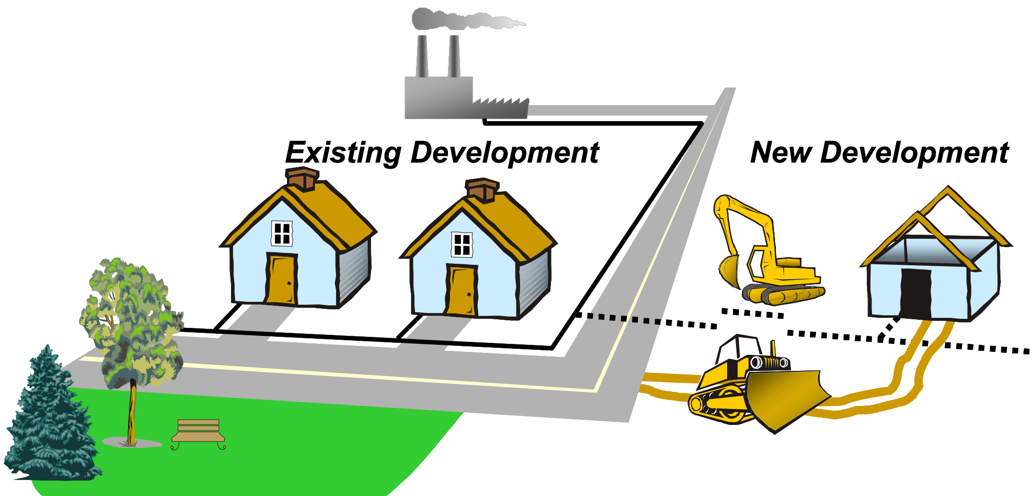
A hypothetical example may illustrate what a DCC is better than a description. Consider a scenario in which an individual is constructing a house on a previously undeveloped lot. In order to have a house complete with all modern amenities, the owner will not only need to build the home, but will also need to have the lot "serviced." DCCs are supposed to pay for the lot to be "serviced." This means that the house will have to be hooked up to a water and sewer system so that the owner will be able to enjoy indoor plumbing. Once hooked up to the system, the home will also be utilizing a water reservoir and the sewage treatment plant.

Drainage from the site will also be a concern for the property owner. Not only will the owners be concerned about drainage from their own site, but they will also be concerned about drainage from neighbours' properties. An inadequate neighbourhood drainage system could present serious problems to the property in terms of flooding and erosion. A properly constructed drainage system for the entire neighbourhood allows all owners to enjoy their property without the worry of their home becoming submerged.

In addition, the owner will want to have good access to the property so that they can come and go without much difficulty. This can be achieved by constructing a road that connects the home to the existing road network. This may require the extension of existing roads to within close proximity of the subject property. Most neighbourhoods also provide parks or green space for the benefit of residents. DCCs can provide a contribution towards the provision of parks. There may be other types of infrastructure that DCCs could be used for. The scope of what they should pay for is a matter of some debate and will be discussed in more detail.

Many of the infrastructure improvements mentioned in the scenario above are constructed outside of the boundaries of the lot on which the hypothetical new home will be built. Nevertheless, these infrastructure improvements will benefit the new owner. DCCs are meant to allow the local government to share the costs of these improvements with the new owner. DCCs are not only meant to cover the cost of building new infrastructure for homes, they are also meant to make a contribution to the eventual replacement of the system when it reached the end of its useful life.

DCCs Contribute to the Cost of Infrastructure



Existing Infrastructure:	**DCCs Contribute to the Cost of Infrastructure Required to Service New Development:**
• Waste water treatment plant • Water reservoir • Water Main • Sewer Main • Roads • Parks	• Roads • Water Main • Sewer Main • Contribution to depreciation of and replacement cost of waste water treatment plant and water reservoir. • Contribution to green space

A national 'opt-in' First Nation DCC program is a good idea and should be supported by the federal government. The DCC program could include a sample by-law, support, capacity development, and an appropriate regulatory institution. Such a program would economically, fiscally, and politically benefit First Nations and Canada.

A First Nation DCC program makes economic sense. It would allow infrastructure to keep up with the pace of demand on First Nation land. Competitive infrastructure is a critical element of a First Nation economic development strategy. A First Nation DCC program would reduce the costs of doing business on reserve by increasing regulatory certainty and improving the stock of infrastructure. It would help First Nations to upgrade and maintain health and safety standards through improvements to infrastructure.

A DCC program also makes good fiscal sense. Currently, First Nations only have the property tax tool for financing local infrastructure. DCCs will be another tool for infrastructure financing. If DCCs are accompanied by other financing alternatives such as the FNFA and greater support from other governments, First Nations will have more ability to develop infrastructure and compete for investment.

A DCC program also makes political sense for First Nations and federal governments. DCC by-laws would be one more element of a First Nation self-governing regulatory environment. Capacity development mechanisms that complement the DCC by-law would build First Nation administrative capacity and provide another policy tool to manage First Nation land development. The need for capacity development, by-law review, and DCC regulations would also help build First Nation national institutional capacity. Implementing the best First Nation DCC system requires learning from the experience of municipal local governments. This will enhance relations and understanding between First Nations and municipal governments. The federal government could point to a DCC program as promoting self-government and ultimately for reducing the costs of First Nations poverty.

The federal, First Nation and municipal policy environment is appropriate for a First Nation DCC program. Federally, the Canadian economy has been experiencing near record economic growth over the last five years. For the first time in ten years, the average Canadian take home income has reached a new high. The federal government has recently announced a budget surplus of $11.8 billion for the fiscal year 2000/01. Coincidentally, the federal government is also embarking on a productivity agenda to make Canada more competitive internationally.

A key aspect of this agenda is an infrastructure program for municipalities. Although a First Nation component was included based on First Nation population size, First Nations cannot fully participate because they do not have access to the same financial tools as municipalities. This is potentially fiscally unwise since the real returns in terms of productivity from First Nation infrastructure, are much higher than municipal infrastructure given the high costs of First Nation poverty. The federal government recognizes the returns to reducing First Nation poverty and has recently committed over $200 million to aboriginal economic development. Improving First Nation access to infrastructure and reducing the costs of doing business should be key components of a First Nation economic development strategy.

A national institution that is able to develop and support a First Nation DCC program exists and is experienced with capacity development, by-law review, and regulation – The Indian Taxation Advisory Board (ITAB). A First Nation DCC program could be developed with and coordinated through the ITAB as well as through consultations with interested First Nations. It is a natural fit to see DCC bylaws become components of the economic development toolkit supported by the ITAB.

The most cost effective manner to implement a First Nation DCC program is to test a national system through the pilot project methodology. This involves conducting a First Nation DCC needs assessment to identify sources of demand and unique First Nation requirements for a DCC system. Secondly, a community or communities would be identified that have expressed a willingness to participate and possess a number of the pre-requisites. Finally, a pilot project would be designed, tested, and implemented for the identified First Nation communities.

In summary, a development cost charge is a tax on land that helps local government apportion infrastructure costs between the owner of an interest in real property and the local government. There are good economic, fiscal, and political arguments for the implementation of a properly designed, nationally regulated policy and these are consistent with the federal government's agenda to make Canada more productive. These economic, fiscal and political arguments are discussed in greater detail in the next section.

The Case for DCCs

The Economic Development Argument

Economic studies[5] have found a positive relationship between the presence of core public infrastructure and productivity growth. Core public infrastructure could be defined as things like roads, sewers and water treatment and distribution systems. In Canada, the order of government that provides core public infrastructure is local government. There are several different types of local governments in Canada but all provide these types of services.

Core public infrastructure would be used in the delivery of what Bird and Slack (1983) have categorized as hard municipal type services. The benefits of hard services accrue to property. Examples of these are water, roads, sewers, and fire protection. The benefits of soft services, on the other hand, accrue to people. Examples of these types of services are education, health and social assistance.

So there are proven economic benefits from providing infrastructure. To be more precise, ***one could say that a higher rate of investment in core public infrastructure that delivers hard municipal type services like roads, sewer, and water, tends to mean that an economy is more productive and generates more output.***

The positive relationship between the presence of core public infrastructure and economic development places First Nation governments in a catch 22 position and considerably reduces the standard of living for its constituents. First Nation governments need to build infrastructure to attract commercial development, but they need the revenue from the commercial development to be able to finance the infrastructure provision. Revenue from commercial development is required for infrastructure provision because other financing sources (such as DCCs or long-term debt financing) either do not exist or are insufficient to cover the cost of such infrastructure provision.

The provision of basic "core infrastructure" like roads, water treatment and distribution systems, and sewers is important for several reasons including:

- Water and sewer systems impact the health and safety of the community
- Capacity of water, sewer and road systems permit higher density industrial, commercial, or residential development
- Improved transport systems make labour more mobile and opens up new markets
- Reduces commuting time and increases quality of life
- Influences location decisions of firms

High quality sewer and water distribution systems are essential to the health and safety of any community. This is clear from the recent events of water contamination in Walkerton, Ontario. If people are healthy, they will be better able to contribute to productivity by participating in the

[5] Rakbra (1992) reviewed several studies that isolated infrastructure as a factor contributing to economic development.

labour force. There is a double impact from good quality water and sewer systems: not only will people be better able to participate in the labour force, health costs will be reduced as well. If fewer people are having health problems related to poor water quality or sanitation then health care costs will be correspondingly reduced.

Water and sewer distribution systems with significant capacity also permit larger commercial developments to become viable. In urban areas, large commercial projects have to be linked to a water and sewer system that services existing commercial users as well as residential users. There must be sufficient capacity in the distribution systems for the new development. There must also be sufficient capacity in the associated water reservoir and sewage treatment plants. Insufficient capacity in any of these services could require additional investment. Sufficient capacity in this type of infrastructure allows large commercial projects to be viable and produces economic benefits like employment and goods and services to residents in the area.

Improved transportation systems contribute to productivity growth in several ways. They allow individuals to travel to new areas to look for employment, or put more simply, they make labour more mobile. This allows people to match their skill set with an appropriate employer's skill requirements. It also encourages people to specialize because they can travel and find employment with firms that require those specialized skill sets. The provision of transportation infrastructure such as roads is important for safety as well. Transportation infrastructure can also increase quality of life by reducing traffic congestion and increasing the amount of leisure time that people have.

Improved transportation networks would also allow firms to gain access to new markets. This would provide firms with opportunities to increase production and increase revenue. This increased production would create a requirement for more employment. In more economic terms, investment in infrastructure impacts output growth by increasing the productivity of private inputs such as labour and capital as well as the overall efficiency of the production process.

At the local level infrastructure facilities can influence the location decisions of both firms and households. The presence of more firms on First Nations' land would result in more employment opportunity for Aboriginal people and more opportunity to increase their income level. As mentioned above, the presence of more commercial uses on First Nations' land would help to improve the quality of infrastructure, and help to subsidize its cost for residential land users. This improved infrastructure would improve the health of aboriginal people as well as provide opportunity for employment.

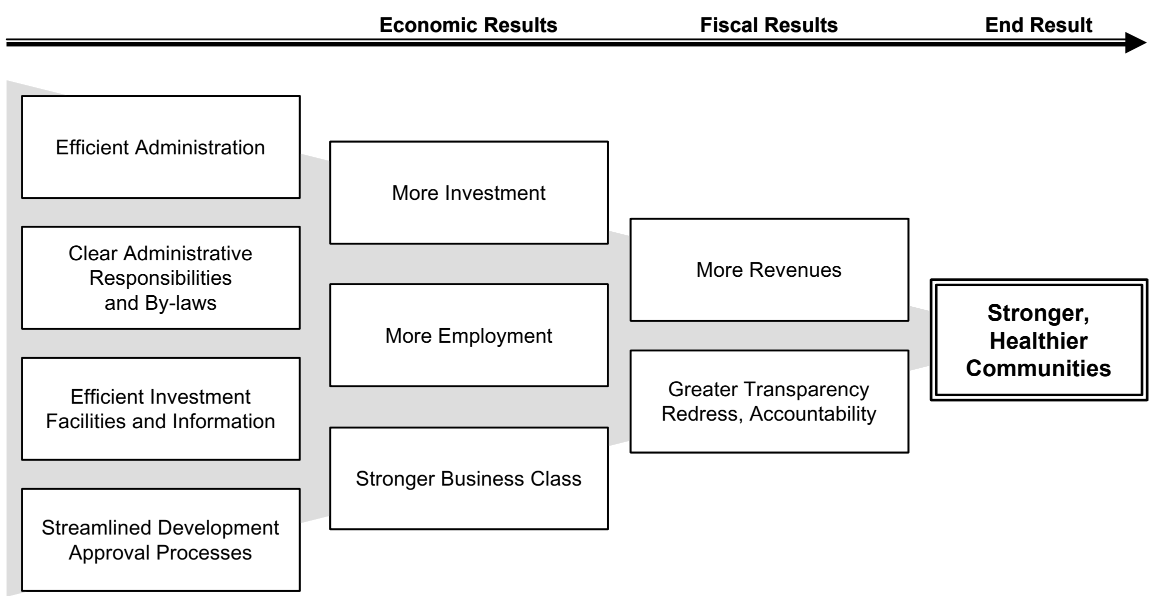
The opportunity for Aboriginal people to find employment has increasing importance when considered in the context of the First Nation and Canadian demographic picture. The proportion of the First Nation population that will be of age to work will be increasing dramatically during the next two decades. The proportion of the total Canadian population of working age will be decreasing over the same time. If Canada is to maintain its standard of living it will be necessary for Aboriginal people to find employment and contribute to productivity.

Indirect Impacts – Reduce the High Costs of Doing Business

The provision of infrastructure reduces the costs of doing business and thereby encourages economic development. Encouraging economic development has proven to be an effective instrument to raise the standard of living. Private individuals or firms engaging in economic activity have done more to improve social conditions than any publicly funded program or centrally planned activity. Comparing the standard of living in countries that employed communist or socialist strategies to those that employed a market system during the last century provides evidence to support this statement.

Economic activity provides employment opportunities for people who gain self-esteem from providing for themselves and their dependents. It gives young people incentives to learn and improve themselves. It also helps to perpetuate a cycle of expanding wealth and improving health. Clearly there are issues that governments in mixed economies are still trying to resolve including inter-generational and distributional issues. Markets do not work perfectly without public sector intervention but the nature of intervention required to minimize negative impacts has not yet been perfected. In fact as technology changes new challenges are introduced. This does not detract from the fact that countries like Canada, the United States and Western Europe have generated an unprecedented level of wealth for their citizens. Health in these countries has also improved dramatically.

A properly implemented DCC policy can have the effect of lowering the costs of doing business on First Nations' land. Lowering the costs of doing business encourages individuals and firms to engage in economic activity. The picture below summarizes the effect of lowering the costs of doing business. It starts from the premise that the costs of doing business are lowest with an efficient investor-friendly administration. Such a regime is characterized by clear rules and by-laws, transparent service responsibilities and decision-making processes, reliable and timely land development and statistical information and a streamlined development approval process.



A DCC policy would be a part of the clear administrative responsibilities and bylaws. An administration with clear bylaws and responsibilities generates employment, business opportunities and a business class. This results in a stronger revenue base and broader support for government policies that attract investment. The end result is a stronger, healthier First Nation community that is comprised of more economically advantaged citizens that are better able to contribute to the social infrastructure of the country.

Indirect Impact – Regulatory Certainty

A DCC policy will reduce transaction costs within First Nation jurisdictions. It will increase regulatory certainty for investors in addition to increasing the potential rate of return on the investment. Instead of an investor having to negotiate an agreement for the provision of infrastructure for each site within a First Nation jurisdiction, the costs and expectations for infrastructure provision to all sites will be clear at the outset of the lease negotiations. The reduced transaction costs, increased regulatory certainty and potential for higher returns on investment would be magnified if several First Nations adopted a similar policy.

The simplified policy environment would also increase the pool of potential investors. By simplifying the regulatory environment and therefore the costs of doing business, it may be possible to attract investors that previously were not able to consider projects located on First Nations' land. Evidence from *Turning on the Taps* suggests that the only investors that are currently able to overcome the high costs of doing business on First Nations' land are the larger institutional investors. By reducing the costs of doing business it will be possible to attract the larger pool of small to medium sized enterprises (SMEs) that are important to economic growth.

Transaction Costs

When two parties engage in trade, they incur costs over and above the price of the good or service that will be traded. In economics these are called transaction costs. They include the costs of negotiations and due diligence, or research into the value of the good being traded.

The more complex the good that is being traded, the more difficult it is to determine and agree on fair terms for trade. This means that in general, the more complex the good or service is, the higher the transaction costs of trading that good or service will be.

An interest in First Nations' land is a complex good with many variables determining its value. Any information that reduces the number of variables determining value, or provides certainty, will reduce the transaction costs, or the costs of negotiation.

For example, the value of a leasehold interest on First Nations' land could be dramatically affected by the provision (or lack) of infrastructure for the site. A policy that outlined how infrastructure was to be provided would not only provide more certainty about value, but would also reduce the negotiating time.

Economic development will also be encouraged from the increased transparency and accountability that a development cost charge program would create. Real estate developers and potential investors have expressed dissatisfaction with some jurisdictions that they feel charge unrealistic sums for development cost charges. In some cases it may not be clear what the charges are paying for. Some developers feel that commercial properties are unfairly subsidizing residential users and that development cost charges are a form of double taxation. Developing a policy that addressed these issues would create more accountability and transparency within First Nation government. Such a policy would also create more certainty with potential investors that the funds from development cost charges are not simply a cash grab for funds that will go into a general revenue fund.

Another benefit of a development cost charge program is that it would establish a careful plan for infrastructure provision. This infrastructure plan would have to be a part of a comprehensive land use plan. Such a plan would increase the amount of information available to investors and generate value to the membership. Additional value in the land would be created by establishing competition among investors for proposed land uses.

In summary, there are direct and indirect economic impacts from implementation of a DCC policy. Such a policy would have a direct impact in increasing productivity because a positive relationship has been shown to exist between infrastructure provision and productivity growth. DCC policy would have an indirect impact by reducing the costs of doing business and thereby increasing incentives for investment. Another indirect impact from DCC policy would be increasing regulatory certainty and reducing transaction costs. In the next section fiscal arguments will be presented.

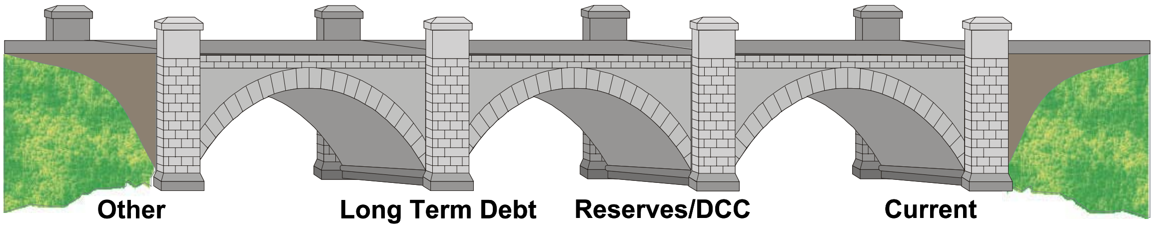
The Fiscal Argument

Tool for Financing Development

Local governments provide infrastructure or physical capital by obtaining funds through several revenue sources. These include: transfers from other governments, long-term debt financing, existing reserves, and current sources. Local governments also use the proceeds from the sale of fixed assets to fund capital investment, however this is a relatively insignificant amount in comparison to other sources of financing. Development cost charges are collected and applied to both current sources (to pay for infrastructure that is built immediately), and reserves (applied to depreciation and eventual replacement of infrastructure).

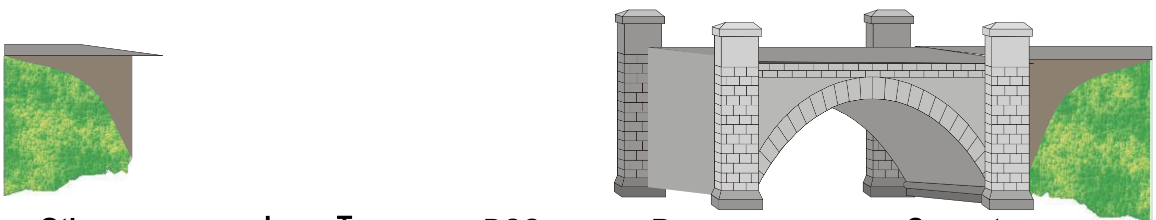
Multiple sources of revenue enable a local government (sometimes in co-operation with other local governments) to build the initial infrastructure system, to extend the system to undeveloped areas (sometimes called “greenfield” sites), and to maintain the system. The diagram below shows a bridge that represents the provision of infrastructure. Each of the supports of the bridge represents the different methods of financing that infrastructure. In the case of local governments in Canada, there are sufficient supports, (revenue options), to complete the bridge (provide the infrastructure).

Figure 1. Municipal Sources of Capital Finance



First Nation governments on the other hand, have limited financing options to provide basic "core infrastructure" on its land. The diagram below represents the ability of First Nation government to provide core public infrastructure that is necessary to facilitate investment and to generate economic activity and output. First Nations do not have the sufficient support sources of funding, to complete the construction of the bridge, and to provide infrastructure.

Figure 2. First Nation Sources of Capital Finance



Support from other governments

Support from other orders of government should not be ignored in this discussion of development cost charges. If First Nations begin to use development cost charges, they should not be used as offsets against federal transfers. Local government statistics in British Columbia show that smaller jurisdictions utilize funding from other governments to finance infrastructure provision more than larger jurisdictions. This occurs because smaller jurisdictions like villages have less fiscal capacity than larger cities and towns.

British Columbia Local Governments: Average Source of Capital Financing 1986 - 1998

	Long-term Debt	Other Governments	Reserve Funds (contributions from DCCs)	Sale of Fixed Assets	Current Sources (contributions from DCCs)
Cities	8%	7%	23%	1%	62%
Districts	10%	7%	28%	0%	55%
Towns	11%	12%	7%	1%	60%
Villages	8%	20%	7%	1%	64%
Vancouver	11%	2%	0%	0%	88%

Given the benefits that are associated with a good system of infrastructure, it makes sense for the federal government to provide funding to First Nations for infrastructure provision. First Nations, in virtually all cases, do not have the fiscal capacity from existing financing tools to provide this infrastructure. As mentioned above, the only tool available to fund infrastructure at the moment is property taxation. Long-term borrowing is envisioned by the First Nation Finance Authority but as of yet, no First Nations can make use of such a tool.

In most cases, the transfers that First Nation governments receive from other governments are either not sufficient to provide the infrastructure necessary or there is a requirement for the funds to be used for other purposes. The lack of fiscal capacity and high costs of doing business contribute to an environment in which First Nation governments must manage poverty instead of investing in economic development.

Secondary support from other orders of government helps smaller jurisdictions get past the initial hurdle of developing infrastructure that is sufficient to attract businesses and to increase the value of the property tax base. Everyone wins when this happens, because the smaller jurisdictions become more self-sufficient and need fewer ongoing subsidies to support their services.

In summary, local governments in Canada make use of several different financing options for infrastructure. First Nations do not. Based upon the economic impacts discussed in the previous section, this simple contrast suggests that First Nations should examine financing options for infrastructure. It is also clear that any revenue derived from financing options should not be used as offsets against federal transfers. Offsetting this revenue would be a zero sum game with no net benefits. Aside from the fiscal and economic arguments for DCCs, there are also good political arguments and these are set out in the next section.

The Political Argument

Building Capacity in Government

A development cost charge program will help to build capacity in First Nation government as well as reduce the costs of doing business. The role of the Indian Taxation Advisory Board, a national institution with experience in policy development and support, will be vital in the development of a successful development cost charge policy. The complex nature of the policy and the potential for mismanagement requires the setting of national standards for all First Nations. These standards will increase regulatory certainty and ensure that a DCC policy reduces the costs of doing business, not increases them as it has in some municipal jurisdictions. The challenges to development on First Nations' lands are complex. The table on the following page outlines how a development cost charge program addresses several of the problems associated with commercial development on First Nations' lands.

Challenge	Description	Response
Reduce Search Costs	First Nations do far less marketing of their jurisdiction and its sites than do other jurisdictions.	
Incomplete separation of politics and administration	The separation of politics and administration sends a positive message to investors that the regulatory environment is fair and stable.	ITAB/FNTC[6] Institution building and coordination (AFN & DIAND).
Build Administrative Capacity	Most First Nations have not developed administrative procedures for investment facilitation.	DIAND LTS Review process First Nation Financial Management Board (FNFMB)[7] **<u>Development Cost Charge Policy</u>**
Improve Regulatory Certainty	First Nations have not developed a body of law to govern land use and development.	First Nation Land Management Act. **<u>Development Cost Charge Policy</u>** ITAB/FNTC, LTS Review
Reluctance of the Crown to take risk	This problem manifests itself in the negotiation of lease documents.	First Nation Land Management Act. DIAND LTS Review Process
Develop Competitive Infrastructure	Most large investment projects on First Nation lands have required extensive infrastructure improvements.	ITAB/FNTC **<u>Development Cost Charge Program</u>** First Nation Finance Authority
Improve Access to Financing	Financing of both public infrastructure and private developments has been a significant obstacle to the development of First Nation economies.	First Nation Finance Authority **<u>Development Cost Charge Program</u>**

Building Institutions of Government – Learning from Others

Local governments in Canada have implemented development cost charge programs with varying degrees of success during the last two decades. There is still discussion today about how policy and rates should be set. What is clear in this discussion is that DCCs that are exorbitantly high may discourage rather than encourage development. First Nations should examine the experiences of local governments to determine how DCC policy can impact development.

A good example of how DCC policy is implemented differently is illustrated in a survey that was recently conducted by the Vancouver Chapter of the National Association of Office and Industrial Properties. The survey was conducted with the member municipalities of the Greater Vancouver

[6] The Indian Taxation Advisory Board (ITAB) will be transforming itself into the First Nation Tax Commission (FNTC). This means it will be improving its ability to regulate tax regimes on First Nations' lands. This transformation will start to occur when federal legislation is passed in the fall of 2001.

[7] The First Nation Financial Management Board (FMB) is a national institution that will address First Nation issues with respect to financial reporting and management. The institution will also assess management practices. It is envisioned that this institution will become a functioning entity when the federal government enacts legislation in the fall of 2001.

Regional District (GVRD). Essentially the survey outlines the costs of doing business in each member municipality based on a hypothetical scenario to construct a 50,000 square foot office building on 2.5 acres. The majority of the difference in the costs of doing business is the large differences in the DCCs levied by the various municipalities.

	Subdivision Permit Fees	Building Permit Fees	Servicing Agreement Fees	DCCs	Sewer Hookup Fees	Water Hookup Fees	Development Permit Fees	Rezoning Application Fees	Other Fees	Total
Burnaby	7,900	29,126	150	-	10,000	10,000		2,968		$ 60,144
New Westminster	495	24,450	11,515	-	15,000	9,000	2,723	3,423		$ 66,606
Port Moody	2,000	20,000	10,000	55,158			6,959	7,359		$ 101,476
Pitt Meadows	260	18,782	10,000	77,573	2,500	2,500	840	1,760		$ 114,215
Maple Ridge	1,785	25,900	10,000	78,661	3,000	2,500	1,785	4,080		$ 127,711
Langley (City)	550	20,389	12,500	84,555	5,800	5,800	1,000	1,500		$ 132,094
Township of Langley	1,263	25,557	13,263	115,132	1,750	785	1,105	2,560		$ 161,415
Richmond	315	10,000	10,000	146,483	8,800	11,000	5,250	1,575		$ 193,423
Delta	435	27,230	700	126,716	20,000	20,000	600	3,029	2,300	$ 201,010
Vancouver	2,530	19,240	60	125,000	11,640	18,120	15,870	10,000		$ 202,460
Port Coquitlam	500	23,367		184,550			1,200	12,818		$ 222,435
District of North Vancouver	1,600	43,663		174,850	10,000	5,000	3,220	2,315		$ 240,648
Surrey	1,322	33,233	24,033	213,500			4,029	4,258		$ 280,375
Coquitlam	935	25,230		259,670		275	1,925	5,956		$ 293,991
West Vancouver	1,050	34,300	25,000	229,900	5,760	28,000	2,500	2,500		$ 329,010
City of North Vancouver	275	27,785	13,750	266,390	13,000	10,000		4,519		$ 335,719
City of White Rock	1,000	26,000		461,050	1,500	1,500	3,580	3,580		$ 498,210

Source: The National Association of Industrial and Office Properties

An analysis of this survey highlights a couple of problems that investors have with DCCs. Although the costs of providing services to different areas may vary, the variance in DCCs shown in the survey is large. The variance is so large in fact, that it seems difficult to believe that the entire variance is attributable to costs in providing hard municipal services to a site. In other words, there is no link between taxation and related expenditure. Such a link would provide more transparency to investors. The current attitude of these investors in municipal jurisdictions is that the DCC is a "cash cow" for municipalities and that there is no link between tax paid and benefit received in the form of service.

Secondly, although DCCs are meant to cover the cost of infrastructure provision for new growth, it appears that even the more urban areas in the Lower Mainland have high DCCs. In a jurisdiction like the City of Vancouver, DCCs are relatively high even though there are probably no new areas for growth. With a lack of greenfield sites within the boundaries of the City of Vancouver this means that sites must be redeveloped. Redevelopment sites are sometimes called "brownfield" sites.

Investors consider that DCCs charged on brownfield sites are a form of double taxation since replacement and depreciation costs should have been paid by the initial DCCs and property taxation. Portions of these taxes should have been put into a reserve fund during the previous tenancy on the property. One explanation for the occurrence of relatively high DCCs in previously developed sites may be that redevelopment at higher densities requires the substantial expansion of capacity in infrastructure. Given the scenario established above (to build an office building on a relatively large parcel of land) it doesn't appear that this would be the case in the survey of the DCCs in the Lower Mainland.

In summary, there are good political arguments for implementing development cost charge policy and regulating it through a national institution like the Indian Taxation Advisory Board, or its successor the First Nation Tax Commission. Regulation by a national body will set standards that will improve the perception with investors that the policy is not just a cash grab by First Nation governments. It will also improve capacity within First Nation government and national institutions, which is a priority of the federal government. Discussion of the political arguments leads us directly to the next section that analyzes the policy environment in which a DCC policy or program must fit in. This section will discuss both the First Nation and the federal government policy environment.

The Policy Environment

The policy environment seems appropriate for establishing a First Nation DCC program. Based on initiatives and statements, it should be supported by both First Nations and Canada. Furthermore, the municipal DCC policy environment has matured and First Nations will be the beneficiaries of trials and errors by these governments.

The First Nation Policy Environment

First Nations are exploring innovative ways to develop their economies by attracting investment. They realize that economic development has proven to be an effective instrument to raise the standard of living, implement self-government, and sustain their cultures.

First Nation economic activity provides employment opportunities for people who gain self-esteem from providing for themselves and their dependents. It gives young people incentives to learn and improve themselves. It also helps to perpetuate a cycle of expanding wealth and improving health.

First Nations are beginning to realize the role of infrastructure in economic development and, by extension, the role of DCCs. In particular, there are three First Nation initiatives that could be directly related to a First Nation DCC program; the First Nation Land Management Act, the First Nation Finance Authority, and the ITAB.

To begin, at least 14 First Nations are signatories to the Framework Agreement on *First Nations Land Management (see* Appendix A for a list of these First Nations). These First Nations have the ability to develop their own land code or the basic land law that they will use to replace the land management provisions of the *Indian Act*. It will be difficult to develop an appropriate DCC pilot project outside of other land management rules in general and especially outside of a comprehensive land use planning process. DCCs could be part of a land management regime and would definitely support developed land codes. The Lands Advisory Board could be asked to formally endorse a First Nation DCC program. The Lands Advisory Board was established to assist First Nations in implementing their land management regimes. The Board is composed of several Chiefs selected from among the signatory First Nations.

Secondly, as of 1999 there were 29 First Nations who were members of the FNFA (see Appendix B for a list of these First Nations). These members know that pooling their risk will lower their costs of long-term infrastructure financing. Most of them however are unaware of the role DCCs could play as part of a complete infrastructure-financing program. According to officials from the BC government, it is the complete array of infrastructure financing options for their local governments that keeps their borrowing costs low. The role of DCCs in infrastructure financing should be discussed with the FNFA.

Finally there are over 80-property tax collecting First Nations (see Appendix C for a list of these First Nations). Property taxes and reserve funds from taxes are two of the most important sources of local government infrastructure financing for local governments. As part of the infrastructure-financing package, all of these First Nations are positioned to utilize a First Nation DCC program.

Additionally, the ITAB provides support to these property tax collecting communities by preserving the integrity of the entire system. If DCCs become a mechanism to distribute property tax burdens more equitably among infrastructure beneficiaries, then the ITAB would be supportive of a First Nation DCC program. Along this same line, the ITAB has been very supportive in the past of economic development that leads to tax base diversification. Furthermore, to the extent that DCCs are considered revenue-raising by-laws, the review of these by-laws, the capacity development associated with them and the regulatory oversight of DCCs would fall under the ITAB purview. A further explanation of how synergies could be created with ITAB and a DCC policy are outlined below.

The Federal Government Policy Environment

The federal government is clearly committed to developing infrastructure in Canada. The last federal budget announced that $1 billion in federal funding would be available for cost shared infrastructure and $600 million will be available for federal-only infrastructure programs over the next three years[8]. The Budget is vague as to what the "federal-only" money will be spent on but it is likely that much of it will be aimed at improving federal labs and the country's research infrastructure. The cost shared program will see federal expenditures of $100 million, $350 million and $550 million over the next three years respectively. In the final year, $150 million of the $550 million is earmarked for highway improvements.

The cost shared program is the successor to an earlier program announced in 1994 that ran for five years. This earlier program resulted in federal expenditures of $2.4 billion and total projects valued at $8.9 billion. First Nations received $36 million of the federal monies which resulted in projects valued at $116 million being undertaken on First Nation lands. The additional funds were accessed through borrowing.

The old program was subject to criticism from both the Auditor General of Canada and the media. The criticism suggested that the former program did not generate its maximum economic benefit. The criticisms can be generalized as follows:

- *The program criteria were such that the program funded many projects that would have taken place without the program.*
- *The program criteria resulted in many "soft" infrastructure programs being financially supported while other communities continued to lack the most basic physical infrastructure.*
- *Funding was committed in regions and municipalities that were near "full employment". As a result, it fuelled inflation and put upward pressure on interest rates rather than creating jobs and reducing the social costs associated with joblessness.*
- *The public infrastructure that was developed was not that which would have attracted the maximum business investment.*

There was no announcement made concerning First Nation participation in either component of the federal infrastructure program. There was however, some mention of the importance of

[8] The "federal-only" infrastructure expenditures will be incremental to increases in Departmental funding for capital and operating costs that were also announced.

including "rural and remote" communities. Under the former program, no announcement had been made although some projects were eventually carried out on First Nation lands. It is possible that First Nations will be able to access funds under both the "cost-shared" and "federal-only" components of the new program.

A significant contribution to a First Nation infrastructure program that would include a DCC development component would support First Nation economic development. Canada has recently committed to an increase of $200 million in First Nation economic development funding.

The reasons for this commitment are readily apparent. It is clear that there are examples of almost complete market failure in the First Nation sector of the Canadian economy. A cursory comparison of economic activity, unemployment levels, private investment and business presence on First Nation land vs. off First Nation land underscores this market failure.

The symptom of the First Nation market failure is that the costs of doing business on First Nation land are four to six times higher vs. off reserve.[9] The result is that the First Nation economy does not attract private investment. In response, First Nation economic development initiatives have principally focused on direct public investment in First Nation ventures. Although more review is required, there is some anecdotal and some program review evidence to suggest that this strategy is failing. The failure of this strategy is easily explained, direct public investment in enterprise addresses the symptom of the problem – a lack of investment. It doesn't address the root cause of the problem, that the costs of doing business are too high for private investors.

The federal government is committed to First Nation economic development as part of Canada's productivity agenda. They hope to raise Canada's least productive sector closer to national standards, to protect Canada's social system in the future and to reduce the high current costs associated with First Nation poverty. It is crucial that public investments in First Nation economic development receive their maximum long run economic returns. It is also important to recognize that the current state of many First Nation economies is deplorable and that job creation investments provide an important short-term social return. An ideal strategy would combine these two policy imperatives so that short-term public investment and access to capital mechanisms were part of a long-term strategy to reduce the costs of doing business on First Nation land.

Although a First Nation economic development strategy has not been formally announced, the DCC program would be part of a long-term strategy-one that focused on reducing the costs of doing business on First Nation land. Other elements of such a strategy have been articulated in previous Fiscal Realities reports – *Expanding Commercial Activity* and *Turning on the Taps*.

As part of such a strategy to reduce the costs of doing business, investment in First Nation economic infrastructure would offer the highest returns to Canada. It would attract investment to First Nations, raise the productivity of their land, provide economic opportunities provide First Nation revenue options. Most importantly, it would reduce First Nation dependency and lower the costs of First Nation poverty.

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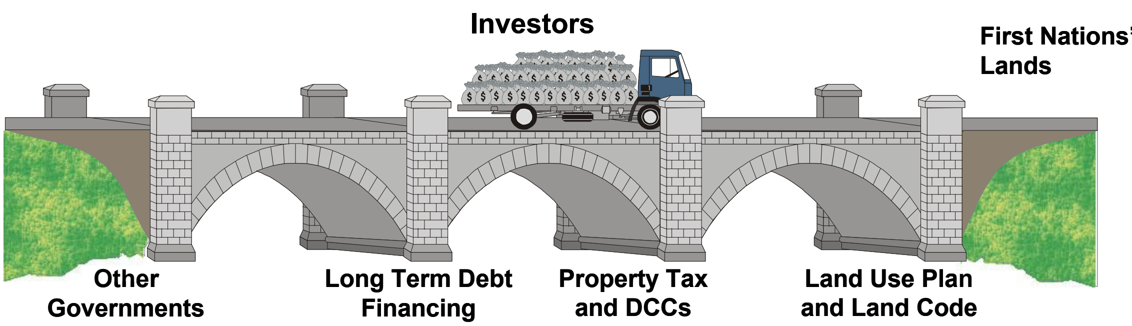
[9] *Expanding Commercial Activity.* Prepared for the Indian Taxation Advisory Board and the Department of Indian Affairs and Northern Development. 1999. Available at www.itab.org.

Another element of a strategy to reduce the costs of doing business is to improve investor certainty about the regulatory environment within First Nations. A First Nation DCC program would accomplish this through standardization, capacity development and regulations. A First Nation DCC program would support the building of First Nation economic infrastructure that would provide economic opportunity that would eventually be able to bridge the gap in standards of living between Aboriginal people and other Canadians. The picture below shows how the different financing options are supports that can provide infrastructure, which is illustrated here as a bridge. This bridge can encourage economic development on First Nations' lands. This is shown by the truck carrying investment from other jurisdictions over the bridge to First Nations' lands.



Local Government DCC Best Practices

The development of a DCC bylaw can be a complicated process. It is impossible to apply the same DCC bylaw model from one community on another, as each First Nation has unique community planning and development structures. There are however aspects of a good DCC bylaw that are universal across communities. Discussed below is a summary of guiding principles of a good DCC bylaw from local government experience in Canada.

DCC Bylaw Guiding Principles	
Integration	The development of DCCs must be consistent with community plans, land use plans, and corporate financial and capital infrastructure strategies.
Benefitter Pays	Infrastructure costs should be paid by those who will use and benefit from the installation of such systems.
Fairness and Equity	DCCs should be shared in some way amongst benefiting parties, employ mechanisms that distribute costs between existing users and new development in a fair manner, and DCCs should also equitably distribute costs between the various land users and different development projects within the portion attributable to new development.
Accountability	Establishment of DCCs should be a transparent, First Nation government process, and all information on which DCCs are based should be accessible and understandable by stakeholders.
Certainty	Certainty should be built into the DCC process, both in terms of stable charges and orderly construction of infrastructure. Stability of DCC rates will assist the development industry in the planning of their projects. Sufficient DCC funds must be collected to ensure construction of infrastructure in a timely manner.
Use Reserves	Where possible, First Nation governments should use DCCs as a source of capital, instead as a cost recovery tool. First Nation governments should undertake to finance DCC works using accumulated DCC reserves. Governments that borrow funds for DCC works may not recover their entire expenditure if development does not occur as projected.
Consult the Public	It is important to obtain input from the community before first reading of the DCC bylaw. The input will help the First Nation government better understand the public's views with respect to new development and the First Nation government's role in facilitating growth. Such information will assist in the determination of DCC rates and the assist factor.
Be Transparent	The DCC rates, and the methodology used to determine the rates, should be clearly outlined in the relevant background report. The report should be available to the development community and the public-at-large.
Establish Monitoring System	A DCC monitoring and accounting system should be set up to facilitate the tracking of projects and the financial status of DCC accounts.
Use Community Wide Basis	DCCs for all services should be established on a reserve-wide basis, unless a significant disparity exists between those who pay the DCC and the beneficiaries.
Match Time Frame	The time frame for a DCC program should match the time frames identified in the community's servicing plan, specific area plan and Official Community Plan.

The British Columbia Ministry of Municipal Affairs has prepared a “DCC Best Practices Guide” for local governments to use. The guide provides some useful information even though the regulatory environment on First Nations’ lands is different from that in a municipal jurisdiction. Unique characteristics of the First Nation jurisdictions have been added to some best practices here.

Consultation and Research

Information about demographic trends, construction statistics, and community infrastructure plans is needed to develop a DCC policy. The following list provides some examples of where this type of information can be found. In a First Nations context, some of this information may not be readily available.

• Official Community Plan	• Census Information
• Physical Development Plan	• Capital Expenditure Plan
• Zoning bylaws	• Regional health care data
• Master transportation / drainage / sewerage / water / parks plans	• Tax roll information
• Provincial statistics information	• Building permit statistics
• Statistics Canada	• Development statistics
• Economic and market studies	• Assessment Authorities

The development of a DCC bylaw should include meaningful public process to obtain input from stakeholders. Stakeholders could include: First Nation government staff, local chapter of Urban Development Institute, Home Builders Association, representatives from the Real Estate Association, local private sector developers, public sector developers such as the school or health board, Chamber of Commerce, Ratepayers Association, band members, or other residents living within First Nations jurisdictions.

Extent of Application

Deciding if the DCC will be *area specific* or *reserve wide* will influence the composition of the specific DCC program and the calculation of the charges. With a reserve wide DCC, the same DCC rate would be applied throughout the entire reserve for a particular type of land use. For an area specific DCC, the reserve would be divided into areas according to geographic or some other distinctive quality for the purposes of determining the DCC.

Recommended practice: Establish DCCs on a reserve wide basis, unless a significant disparity exists between those who pay the DCC and the benefiting users. While an area specific policy may adhere strictly to the principle of benefitter pays, the administrative complexity required to implement such a policy would introduce many costs. In the case of a First Nation that does not have a contiguous land base, but has jurisdiction over several reserves, it may be beneficial to establish a DCC policy that covers several reserves.

Program Time Frame

When designing a DCC program, an appropriate time frame should be considered. The program must estimate the new development that will take place and the capital projects required to service that new development. DCC programs can be established on either a *build out* or a *revolving* basis. A *build out* program includes all the infrastructure projects that will need to be constructed to allow development to occur to the full extent and level defined by a comprehensive land use or official community plan. This usually involves a long time horizon in the order to twenty to twenty-five years. A *revolving* program is also consistent with an official community plan but consists of only those projects, which are necessary to support development that is expected to occur in a shorter time frame.

Most First Nations do not make use of official community plans and therefore determining a program time frame for a DCC will be more difficult. There are many benefits of developing an official community plan, one of which is that infrastructure can be developed in a manner that is consistent with the amount and type of development that the community has shown a preference for. First Nations do use physical development plans although these are more for housing for the community and not as much for economic development that may be potential revenue generators.

Recommended practice: The time frame of a DCC program should be tied into the time frame of the Capital Expenditure Plan or a Physical Development Plan. Where long-term forecasts of growth are not available then the program should be on a shorter revolving basis. The lack of a good long-term economic development plan for infrastructure planning provides another good reason for the investment in and development of official community plans for First Nations.

Appropriate Units for Charges

A DCC bylaw may be imposed for different sizes or different numbers of lots or units in a development. The representative unit should be an accepted measure of development. The choice will affect how development projections are made and what information is required in order to make reasonable projections.

Frequently used units for residential DCCs include “lots” for single-family detached homes and units for higher density residential developments. In a community where the size of the residential units does not vary widely, calculations or rates in this manner may be appropriate. Typically, floorspace area is chosen for commercial and institutional land uses because these types of developments are often multi-storied, while gross site area is more common for industrial which is predominantly a single story development.

Recommended practice: To help facilitate charges based on a density gradient, residential DCCs should be imposed in residential units. Commercial and institutional DCCs should use floorspace as the representative unit. For industrial land use, DCCs should be established on a gross site basis.

Project Eligibility

The Municipal Act in British Columbia permits the use of DCCs to contribute to infrastructure costs for roads, storm drainage projects, sanitary projects, water projects, and parkland. These categories have been interpreted to represent a wide variety of projects.

A road DCC program typically consists of transportation network elements such as arterial and major collected roads. **Roads** has been interpreted to include:

- Master transportation planning work
- Roads
- Sidewalks
- Traffic signals
- Boulevards and boulevard landscaping
- Noise attenuation structures
- Medians
- Curb and gutter
- Street Lighting
- Underground wiring
- Drainage facilities within roadways
- Pedestrians and highway bridges
- Bicycle / pedestrian infrastructure
- Transit provisions

Drainage facilities have been interpreted to include:

- Preparation of master storm water management plans
- Drainage right of ways
- Large diameter storm sewer
- Major culvert crossings
- Overland flow routing systems
- Community retention / detention facilities
- Lowland drainage improvements
- Pumping station

Sanitary projects have been interpreted to include:

- Master sewage planning
- Sanitary rights of way
- Trunk sanitary sewer
- Relief sewers
- Facility over sizing
- Relief sewers
- Sewage lift stations
- Sewage treatment facilities

Water projects have been interpreted to include:

- Water distribution modeling
- Water rights of way and easement acquisition
- Trunk or grid water mains
- Water treatment facilities
- Facility over sizing
- Booster pump stations
- Reservoirs
- Pressure reducing valve stations

Parkland has been interpreted to include:

- Fencing
- Landscaping
- Drainage and irrigation
- Trails
- Restrooms
- Changing rooms
- Playgrounds equipment
- Playing field equipment

The definition of infrastructure that can be funded by DCCs has grown wider in recent years. Although not called a development cost charge, the School Site Acquisition Charge (SSAC) in British Columbia is essentially the same thing. It is a charge per dwelling unit to be paid by residential developers. The charge is collected by the local government and transferred to the school boards. The SSAC is closely harmonized with the DCC program and is essentially a widening of the list of infrastructure projects that can be funded by transferring costs to developers or land-owners.

Recommended practice: First Nations should take care in limiting the types of infrastructure that are eligible for funding from DCCs. Only those projects that are necessary to provide hard municipal-type services, those services that deliver benefits to property should be included. This will enable a direct link between taxation, service, and benefit and adhere to the benefitter pays principle.

Assist Factor

The assist factor is a discretionary vehicle that should be a reflection of the community's financial support towards the financing of the service for development. Things that should be considered when determining the assist factor are:

- Various assist factors between different types of infrastructure may complicate tracking
- Although excessive DCCs are obviously a concern, they should be calculated using the best technical information available. If as a consequence of this process, the resulting charges are deemed too high, the assist factor can be applied to reduce the rates to a level that is politically acceptable.
- A high assist factor could be used to encourage housing affordability.
- A high assist factor has a direct impact on First Nation government finance and the contribution must be made up by the existing tax base through general revenues such as long term debt, utility rates, etc.
- If the First Nation government cannot afford its share of the costs, development may be delayed. If this scenario is anticipated over the long term it should be used to inform a future review of a comprehensive land use plan or official community plan.

Recommended practice:

A DCC policy, and more specifically the assist factor, must be considered within the context of other property taxation tools and the limited fiscal capacity of First Nations' governments. It must also be considered within the context of the high costs of doing business on First Nations' lands. In other words, if the assist factor is low and the DCC is high, the already high costs of doing business on First Nations' lands will be raised and development discouraged. At the other extreme, the First Nation assist factor cannot be set too high because the First Nation government has limited fiscal capacity based upon its own source revenue. Plus, too high an assist factor leads to abrogation of the user pays principle and leads to cynicism that there is any separation between politics and administration.

First Nations can learn a great deal from the implementation of DCC policy in other jurisdictions in Canada. Some of the salient points are summarized here. First Nations will have to gather information about their community and about what type of development and land use they will want on their lands. For simplicity in administration, the DCC should be established on a reserve wide basis, unless there are very large differences in costs to service different parts of each reserve. First Nations should develop a good long-term economic plan and prepare their DCC program and rates calculations with this plan. They should take care in what infrastructure projects are eligible to be funded with DCCs. Finally, assist factors will have balance two perspectives: they will have to take into account the limited financial resources that First Nations have and they will have to take care not to raise the costs of doing business by placing the burden of the providing the infrastructure solely on the investor.

Issues for First Nations to Consider

First Nations will have to consider several questions in order to develop a successful DCC program. Questions such as: Who bears the cost of a DCC? Where will the authority come from to enact First Nation DCC by-laws? What other types of information is required before a DCC by-law can be developed? What are the administrative capacity requirements for implementing a policy? Is there a need for national standards or regulation to govern DCCs? And what do DCCs do to provide incentives to potential investors to locate within First Nation jurisdictions?

There are no free lunches!

At first glance it may seem that by implementing a DCC policy, First Nations are passing on the costs of infrastructure to property developers. While this may sound pleasing to First Nation governments, it is useful to consider that passing along all costs of infrastructure could raise the costs of doing business and discourage investment. This is illustrated in the following diagram that shows a doorman at the entrance to a nightclub. If one assumes that both nightclubs are relatively similar except for the cover charge, then one would assume that people would choose the site with the lower DCC. Even if they paid the higher cover charge, they would have less money to spend inside the nightclub.

By analogy, if First Nations push all the costs of providing the infrastructure to the investor, and there are better sites with more favourable DCC rates in neighbouring jurisdictions, then there will be incentives for investors to locate elsewhere. If there are no alternative sites and the investors actually pay for the entire cost of the infrastructure, then there will be less funds available to pay rent. So in actual fact, the First Nation would be paying a part of the infrastructure cost anyways, because they would be paying through differential in rent that they could achieve on a site.

DCC Authority

Under what authority in the Indian Act should DCC by-laws be submitted for review and approval? The answer to this has both a legal and institutional component. The legal component hinges upon whether DCCs are by-laws for construction of infrastructure as stated in section 81:

Section 81(1) The council of a band may make by-laws not inconsistent with this Act or with any regulation made by the Governor in Council or the Minister, for any or all of the following purposes, namely

> (f) the construction and maintenance of watercourses, roads, bridges, ditches, fences and other local works;

Or are DCC by-laws a form of taxation powers exercised by the First Nation.

Section 83(1) Without prejudice to the powers conferred by section 81, the council of a band may, subject to the approval of the Minister, make by-laws for any or all of the following purposes, namely

> (a) subject to subsections (2) and (3), taxation for local purposes of land, or interests on land, on the reserve, including rights to occupy, possess or use land in the reserve

Since a DCC is ostensibly a fee collected for a service, the advice of DIAND has been to use the authority of Section 81. However, to the extent that DCCs are not only a fee for service but also for capital replacement and repair in the long term, it is possible that the authority of Section 83 may be more appropriate. Moreover, a semantic argument can be made that DCCs are taxes charged for the infrastructure that services the property. This matter is clearly one for deeper legal analysis.

On the institutional side, Section 81 DCC by-laws would be reviewed and approved by the Governance section of DIAND. Section 83 by-laws would be reviewed and recommended for approval by the ITAB. To date, DCC by-laws have been submitted as Section 81 by-laws on the advice of DIAND.

There is a strong efficiency and political case for considering DCC by-laws as Section 83 by-laws to be reviewed, recommended for approval and regulated by the ITAB. First, the ITAB has significant experience with First Nation government capacity development, implementing First Nation policies, the First Nation Finance Authority and infrastructure financing and leasehold developments. This unique combination of experience and policies make the ITAB ideal for effectively managing the implementation of a First Nation DCC program. Finally, it is politically appealing to develop and expand the capacity of First Nation institutions to support First Nation governments. This provides an opportunity for DIAND to devolve its services to First Nation institutions of government as is recommended in the Final Report of the Royal Commission on Aboriginal Peoples.

Prerequisites for DCC By-laws

DCCs are best applied to a development that is expanding to help pay for the full marginal cost of that development. This means that many First Nations are not yet ready for DCCs, but the absence of DCCs for some First Nations may be holding back their ability to pay for economic infrastructure.

DCCs are best applied in the following circumstances.

1. A First Nation has an existing and expanding residential or commercial leasehold development;
2. A First Nation has a strong commitment for a residential or commercial leasehold development; or
3. A First Nation is planning a residential or commercial leasehold development.

This covers a wide spectrum of First Nations governments, especially when considered in the context of specific land claims, Treaty land entitlements, and additions to reserves.

To ensure that a First Nation is ready to implement an effective DCC reflecting the best practices in other local governments, the First Nation should also have:

- An official community plan that is ideally integrated into a regional land use plan,
- A capital expenditure plan and\ land use plan,
- A master transportation/drainage/sewage/water/parks plans,
- Based on previous research, an effective local DCC program should be combined with a local economic development strategy that includes the development of regional economic development institutions that will co-operate to develop a land use planning process, and
- Clear regulatory processes for land development and environmental management.

Capacity Development Requirements

A First Nation institution should develop training and support to help interested First Nations implement a local DCC program. Elements of the training program should include:

- The principles of effective DCCs
- DCC best practices
- DCCs and land managements
- The Economics of DCCs
- Calculating DCCs and
- Developing and managing a DCC by-law

Support provided by a First Nation institution for First Nations implementing a DCC program could include consultation, workshops and community meetings, policy advice, information sharing, review and regulation.

The Need for DCC Regulation

There are four basic reasons why regulation may be required for a First Nation DCC program:

1. Because there is no representative forum for the party that pays the DCCs, calculation methods can be subject to short term political or fiscal considerations. Regulations could prevent this type of abuse.
2. There is room for subjectivity in the calculation of DCCs. This could lead to incidents of inequity between one developer and the next. Regulation of DCC by-laws could ensure fairness of treatment, transparency of calculation methods and certainty for developers.
3. The economic impact of inappropriate use of DCC authority could extend beyond First Nation borders. A regulatory system that promotes standards in by-law and DCC calculation methods could prevent these negative externalities.
4. Regulation would improve the investment environment for all First Nations by providing certainty and promoting standardized First Nation DCC by-laws. This could even be a competitive advantage for First Nations over other local governments where there is little regulation of DCCs.

What do investors think of DCCs?

Many investors are not supportive of DCCs. In municipal jurisdictions there has been mismanagement and abuse of DCC policy in the view of the development community. The charges are viewed as a cash grab by municipal governments intent on increasing the size of their administration. Developers claim they have seen little evidence to suggest that there is a link between the charge and the related expenditure. In other words, investors feel that the revenue generated from DCCs is going into a general revenue fund, as opposed to pay for off-site infrastructure that will deliver hard municipal services to their site. If this is the case then the DCC is really just another tax that pays for more services and expands the municipal footprint. DCCs would then be a form of double taxation and increase the costs of doing business, clearly not what they were intended to do.

In order to gain the confidence of investors, a DCC policy must show that a reserve fund exists to fund depreciation and replacement of infrastructure. The policy must clearly define what types of infrastructure are eligible to be funded by DCCs. In view of the recent court decision regarding valuation of leasehold land at Musqueam, it would appear that a link between taxation and services will be vital to the success of not only a DCC program, but also in providing value in First Nations' lands. To quote from the decision:

> *"The estate and tenure to be valued was a 99-year leasehold on reserve land and that "current land value" should be calculated as representing the hypothetical fee simple value of the land discounted by 50% to take into account the long-term leasehold interest and Indian reserve features."*
>
> *Musqueam Indian Band v. Glass*[10]

"Indian reserve features" include the uncertainty of service provision and service quality to the leasehold sites. A DCC policy with clear service responsibilities would help to reduce uncertainty and create market value in the leasehold interest.

In summary, there are several key issues that must be addressed in the development of a First Nation development cost charge policy. While it may seem pleasing to think that First Nations can pass along all infrastructure costs to investors, attempting to do so may have negative consequences. It could actually drive investment away from First Nations' sites to competing sites in adjacent jurisdictions or reduce the rent that can be achieved on First Nations' sites. Authority to pass bylaws, and the prerequisite information that is required to develop bylaws must also be examined. This type of information will require capacity development in First Nation administrations. There is no better time to begin to address infrastructure provision and to provide more certainty to investors. The recent Glass decision has negatively impacted demand for First Nations' lands and has highlighted the uncertainty associated with First Nations' lands. With that in mind, the conclusions of this study focus on next steps and further areas of study.

[10] **http://www.lexum.umontreal.ca/csc-scc/en/pub/2000/vol2/html/2000scr2_0633.html**

Next Steps and Recommendations

The analysis preceding suggests that a carefully designed and monitored development cost charge policy has the potential to help finance infrastructure and lower the costs of doing business. Such a policy must have a direct link between the charge, the expenditure and the benefit. There must be transparency in expenditures and strict limitations with respect to infrastructure projects that are eligible to be funded with DCCs. Reserve funds must be set up to deal with the issue of depreciation and replacement of infrastructure.

With this in mind, the following workplan has been prepared to outline how such a policy might be developed and implemented. These steps have been written in workplan format and form the basis of an outline. Details concerning this outline require further elaboration.

Phase 1: ITAB DCC Project Team Preparation	
Select team leader	Define qualifications.
Select team members	Define areas of expertise & specific capabilities required.
Train / educate the DCC project team	Policy and purpose of DCCs in general and specifically to First Nations. Establish common vision and goals for project.

Phase 2: DCC Program Strategy Development
Developing DCC policy should be an ongoing project. It needs a strategic plan to identify general objectives and establish performance goals.

Phase 3: Initiatives Identified From Strategy	
Identify Initiatives	See 3A, 3B, 3C
Develop time frames and budgets	
Assign tasks, roles & responsibilities to team members	

Initiative 3A: Modify Legislative / Regulatory Environment	
Evaluate feasibility of the First Nations consultation outcomes within the existing legislative / regulatory environment	An ongoing process, which could conclude after the consultation in Phase 4, is completed.
Develop alternative regulatory structures if required.	
Define strategies to implement preferred alternatives.	
Estimate time for required changes.	
Implement.	

Initiative 3B: Contingencies To Address Resistance From Non-Native Community	
Brainstorm to identify issues.	
Plan for professional communication and public relations program.	
Ensure all team members are well versed in the issues and responses.	

Initiative 3C: Community Readiness	
Before a First Nations community will be able to begin designing a DCC bylaw, there are a host of capabilities that must be developed and resources will have to be obtained. Community Readiness For DCC Implementation: An assessment is needed of the community's background technical information requirements and plans to fill gaps • Administrative Capacity • Infrastructure Plan • Economic Development Plan • Official Community Plan • Long Term Capital Plan or Capital Expenditure Plan • Master Transportation Plan • Master Drainage Plan • Master Sewerage Plan • Water Distribution Modeling Reports • Parks master Plan • Other sources of infrastructure finance • Survey of neighboring jurisdictions' DCC rates and bylaws On the basis of the technical information in the background reports and with suitable resolution of policy issues, a DCC program can be prepared.	
Develop programs to address deficiencies in all key community readiness areas.	

Phase 4: Build Interest / Consensus In First Nation Communities	
Define the process that will be used.	
Define the logistics of the process.	Resources, personnel, time, budget, communication content & method.
Develop the required materials and program content.	
Implement.	
Assess	What expectations emerged? Is demand for this going to be high (meaning plans to slow it down will be required), or low? Are there implications for legislation (as per Initiative 3A)? etc.

Phase 5: Prototype Community Selection	
A typical strategy is to start small, perfect the process, and then move into full implementation.	
Develop the bylaw development administrative processes.	• Application procedures and guidelines. • Approval process. • Appeal process. • Success measurements. • Program review process.
Establish criteria for selecting communities with high potential for successful DCC implementation.	Qualification procedures must clearly spell out required resources and capabilities as well as an assessment of the appropriateness of DCCs and the readiness of the community. Major capabilities and background requirements are illustrated in *Initiative 3C*.
Identify, evaluate, and work only with those communities possessing key success factors.	Key Success Factors: • Community leaders express keen & informed interest. • Community conditions favour growth and development. • Readiness factors (Initiative 3C) are developed &/or the capability to develop them exists.
Set a manageable number of prototype communities.	Based on ITAB internal resources and/or externally sourced expertise. If demand exceeds capacity, set the prototype qualification criteria higher.
Select prototype communities.	

Phase 6: Prototype Community Implementation	
Develop work plans for filling readiness deficiencies.	From the evaluation of readiness requirements (Initiative 3C) gaps in DCC development requirements will be known. Solutions will range from ITAB officials working directly with communities, through training initiatives (individual, group, customized, standardized), through using external consultants.
Establish community administrative team, define tasks, timelines, responsibilities.	
Public consultation with relevant stakeholders.	• On and off reserve residents. • Existing or potential developers. • Neighboring communities.
Develop DCC bylaw content.	As per process outlined in this report.
Complete bylaw development and approval process.	As developed in Phase 5.
Implement bylaw.	
Measure, evaluate, modify.	Ongoing

Phase 7: Evaluate Pilot, make adjustments, and prepare for full roll out	
Document the prototype process.	For learning. What worked or didn't work. What should be changed for full-scale implementation?
Develop a best practices guide for First Nations.	Based on BC Guide?
Finalize all administrative procedures.	
Estimate the community flow rate.	There will be clear stages of DCC bylaw development within communities will be at any point in time. An estimate of the number of communities that will be at each stage is important in determining the amount of resources that will be required to support them.
Determine the scope and scale of community support resources required. Determine how and where the resources will come from.	

Phase 8: Full Roll Out	
Implement.	
Monitor, measure, assess, revise.	

Next steps

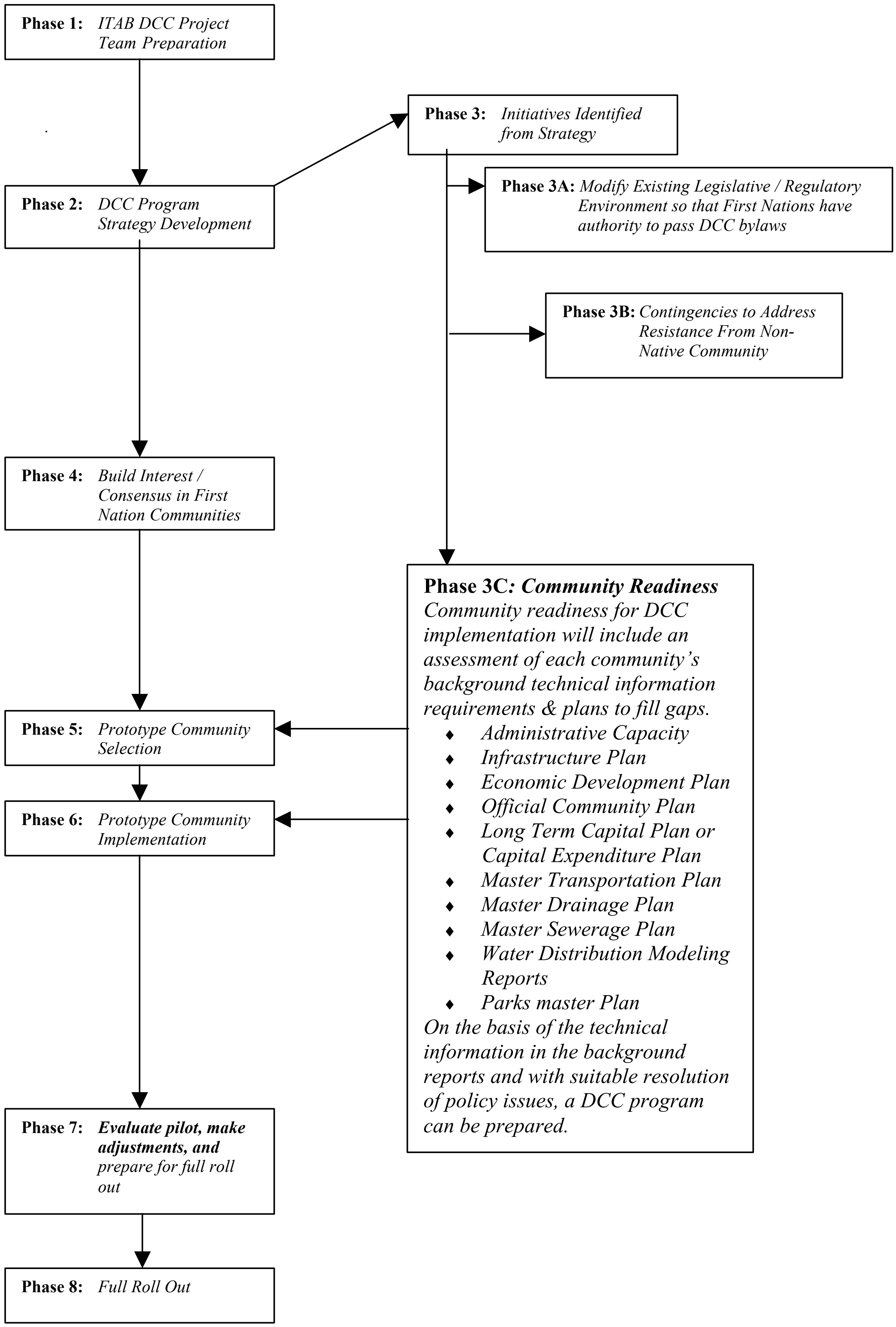
As identified in phases 1-3, the Indian Taxation Advisory Board should begin by establishing a project team that will begin the policy development. This will require an investigation into the work has to be done to modify the existing legislative and regulatory environment to permit First Nations to pass DCC bylaws. Part of this work may be conducted in the next several months as the ITAB is transformed into the First Nation Tax Commission.

In terms of selecting individual First Nations to be pilot communities, Initiative 3C shows that a number of capabilities will have to be developed in each individual community before a DCC policy can be implemented. Some of this work is consistent with a research proposal that has recently been submitted titled, "Clearing the Hurdles – First Nations Investment Facilitation Pilot Projects." Components of this study include:

- Development of criteria for selecting pilot communities.
- Establishment of protocol for working with a pilot community.
- Research to identify what information (for example economic plan) is required by the community before it can implement a DCC policy.
- A work plan to create missing information.
- The work plan will be implemented and finally an evaluation report will be written.

This methodology will be useful for selecting pilot communities for DCC policy implementation.

Work Plan


Phase 1: *ITAB DCC Project Team Preparation*
Phase 2: *DCC Program Strategy Development*
Phase 3: *Initiatives Identified from Strategy*
Phase 3A: *Modify Existing Legislative / Regulatory Environment so that First Nations have authority to pass DCC bylaws*
Phase 3B: *Contingencies to Address Resistance From Non-Native Community*
Phase 4: *Build Interest / Consensus in First Nation Communities*
Phase 3C***: Community Readiness***
Community readiness for DCC implementation will include an assessment of each community's background technical information requirements & plans to fill gaps.
- *Administrative Capacity*
- *Infrastructure Plan*
- *Economic Development Plan*
- *Official Community Plan*
- *Long Term Capital Plan or Capital Expenditure Plan*
- *Master Transportation Plan*
- *Master Drainage Plan*
- *Master Sewerage Plan*
- *Water Distribution Modeling Reports*
- *Parks master Plan*
On the basis of the technical information in the background reports and with suitable resolution of policy issues, a DCC program can be prepared.
Phase 5: *Prototype Community Selection*
Phase 6: *Prototype Community Implementation*
Phase 7: ***Evaluate pilot, make adjustments, and*** *prepare for full roll out*
Phase 8: *Full Roll Out*

Appendix A: Signatories to the Land Management Act

The following is a list of the First Nations that signed the *Framework Agreement on First Nation Land Management* and can take up the option of land management under the *Framework Agreement*:

British Columbia	
Squamish	Lheidli T'enneh
Musqueam	N'Quatqua
Westbank	

Alberta
Siksika

Saskatchewan	
Muskody	Cowessess

Manitoba
Opaskwayak Cree

Ontario	
Chippewas of Georgina Island	Mississaugas of Scugog Island
Chippewas of Mnjikaning	Nipissing

New Brunswick
Saint Mary's

For more information about the Framework Agreement on First Nation Land Management please visit the following web site: http://www.fafnlm.com

Appendix B – Members of the First Nation Finance Authority

As of 1999 the following First Nations or First Nation organizations were members of the First Nation Finance Authority (FNFA).

British Columbia	
Adams Lake Indian Band	Chawathil Indian Band
Ch-Ihl-Kway-Uhk Tribe Society	Columbia Lake First Nation
Greater Massett Development Corporation	Kamloops Indian Band
Kwakiutl Laich-Kwil-Tach Nations Treaty Society	Kwaw Kwaw a Pilt Band Taxation
Lower Kootenay Band	Matsqui Band Taxation
Matsqui First Nation	Namgis First Nation
Millbrook First Nation	Old Massett Village Council
Seabird Island Indian Band	Skowkale Band Taxation
Sliammon Taxation Authority	Songhees Indian Band
Songhees Indiand Band & Esquimalt First Nation Trust	Squiala First Nation
St. Mary's Band	Sto:lo Nation Investment
Te'Mexw Treaty Association	Tsawout First Nation
Tsawwassen First Nation	Tzeachten Band Taxation
Tzeachten First Nation	Westbank First Nation
Westbank First Nation Taxation	

For more information on the FNFA, please contact Deanna Hamilton, Executive Director at:

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Appendix C – Property Tax Collecting First Nations

The following First Nations are listed on the Indian Taxation Advisory Board web site (www.itab.org) as property tax collecting First Nations.

Figure 1 - Property Tax Collecting First Nations - Source: www.itab.org

British Columbia	
Adams Lake Band	Kanaka Bar Indian Band
Ashcroft Indian Band	Kwaw Kwaw Apilt Indian Band
Bonaparte Indian Band	Lakahahmen Indian Band
Boothroyd Indian Band	Lheidli T'enneh Nation Band
Burns Lake Indian Band	Lillooet Indian Band
Chawathil Indian Band	Little Shuswap Band
Cheam Indian Band	Lower Kootenay Indian Band
Coldwater Indian Band	Lower Nicola Indian Band
Columbia Lake Indian Band	Lower Similkameen Indian Band
Cook's Ferry Indian Band	Matsqui Indian Band
Cowichan Indian Band	McLeod Lake Indian Band
Fort Nelson Indian Band	Musqueam Indian Band
Kamloops Indian Band	Nadleh Whut'en Indian Band
Nak'azdli Indian Band	Nanaimo Indian Band
Neskonlith Indian Band	Nicomen Indian Band
Osoyoos Indian Band	Pavillion Indian Band
Seabird Island Indian Band	Shuswap Indian Band
Siska Indian Band	Skeetchestn Indian Band
Skowkale Indian Band	Skuppah Indian Band
Sliammon Indian Band	Soda Creek Indian Band
Songhees Indian Band	Spuzzum Indian Band
Squamish Indian Band	St. Mary's Indian Band
Tla-o-qui-aht First Nation	Tl'azt'en Nation
Tobacco Plains Indian Band	Tsawout Indian Band
Tsawwassen Indian Band	Tseil Waututh Nation
Tzeachten Indian Band	Upper Similkameen Indian Band
Westbank Indian Band	Whispering Pines Bands

Alberta	
Alexander Indian Band	Enoch Cree Nation #44
Fort McMurray First Nation	Mikisew Cree First Nation
Paul Indian Band	Siksika Nation Band
Stoney Tribal Council	Sturgeon Lake Indian Band
Tsuu Tina Nation	Whitefish Lake First Nation

Saskatchewan	
Muskeg Lake Indian Band	White Bear First Nations

Manitoba	
Fairford First Nation	Opaskwayak First Nation

Ontario	
Beausoleil First Nation	Chippewas of Georgina Island First Nation
Chippewas of the Kettle and Stoney Point Indian Band	Chippewas of Mnjikaning First Nation
Fort Severn Indian Band	Kasabonika Lake First Nation
Serpent River First Nation	Westbay First Nation
Whitefish Lake First Nation	

Quebec
Innu Takuaikan Uashat mak Mani-Utenam

Nova Scotia	
Millbrook First Nation	Eskasoni Band

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