Supports Item No. 7
P&E Committee Agenda
June 15, 2006

CITY OF **VANCOUVER**

POLICY REPORT
URBAN STRUCTURE

Report Date:	06 June 2006
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TO: Standing Committee of Council on Planning and Environment

FROM: Director of Current Planning in consultation with
Director of Financial Planning and Treasury
Director of Housing Centre

SUBJECT: SEFC Public Benefits Strategy and Compatible Housing Strategy

RECOMMENDATION

A. *THAT Council approve the SEFC Public Benefits Strategy generally and as described in this report.*

B. *THAT Council endorse the concept of establishing an area-specific Development Cost Levy (DCL) district for the entire SEFC ODP area shown in Figure 2, as an overlay to the City-wide Development Cost Levy.*

C. *THAT the 2006 rate for collection of area-specific Development Cost Levies (DCLs) be set at in the order of $156.08 per sq. m ($14.50 per sq. ft) for all uses (other than cultural, recreational, institutional facilities) subject to report back with details of the DCL allocation and the DCL by-law.*

D. *THAT the Director of Legal Services be instructed to prepare the necessary by-laws for report back.*

E. *THAT with respect to a compatible housing strategy for the private lands, Council endorse the objective of achieving 20% affordable housing as described in this report, supported by Community Amenity Contributions and other funding as available, with details of amount and form of contributions to be reported to Council at the time of each rezoning.*

F. *The Manager of Real Estate Services be instructed to secure affordable housing sites in the Private Lands as a priority, with the source of funds to be Community Amenity Contributions (CACs) offered by Private landowners at the time of CD-1 rezonings and other sources of funding as available.*

GENERAL MANAGER'S COMMENTS

The General Manager of Community Service RECOMMENDS approval of the foregoing.

COUNCIL POLICY

Council adopted the South East False Creek Policy Statement on October 5, 1999 and approved amendments on July 8, 2004.

Council enacted the Southeast False Creek Official Development Plan (SEFC ODP) on July 19, 2005 and approved amendments on March 21, 2006.

Council adopted the South East False Creek Financial Plan and Strategy on March 1, 2005.

Council established a City-Wide Development Cost Levy of $6 per sq. ft buildable in 2003.

Since 1989, many applicants for CD-1 rezonings have offered Community Amenity Contributions (CACs) to help provide public infrastructure and amenities that address impacts of growth and development.

PURPOSE

The purpose of this report it is to present a Public Benefits Strategy that responds to the need for public amenities required by new development in Southeast False Creek. The strategy seeks to have Council:

- approve an approach to supplying public benefits, including the role of DCLs, CACs, and other funding measures;
- adopt the boundary and rate for an overlay area-specific DCL district;
- instruct staff to report back with a DCL bylaw, including how DCL proceeds should be allocated;
- endorse a proposed compatible affordable housing strategy for the Private Lands.

The report also presents updated information to Council on the financial costs of the public amenity package embedded in the Southeast False Creek Official Development Plan.

SUMMARY

The SEFC ODP (July 2005) provides the framework to create a complete community with goods and services within walking distance, and housing linked by transit to nearby jobs. New development could add approximately 7,000 new housing units and about 14,400 new residents over the next 20 to 30 years. During the ODP preparation, the public expressed a desire for a high level of amenity in the new neighbourhood.

On March 1, 2005 Council adopted the Southeast False Creek Financial Plan and Strategy and directed a report back at the rezoning stage with recommendations on achieving public amenity standards for public open space, community facilities, housing and childcare identified in the SEFC ODP. The Financial Plan and Strategy noted the Property Endowment Fund (PEF) and private lands within the ODP area would provide contributions to the cost of the public infrastructure and amenity package.

Public Benefits Strategy

A comprehensive Public Benefits Strategy is proposed in this report which outlines the proposed funding and delivery of new public amenities and infrastructure in Southeast False Creek. The Strategy aims to ensure that new development on both City and private land pays a fair share towards public benefits to meet the demands created by the new population.

In developing the proposed Public Benefits Strategy, staff first took the public benefits identified in the current SEFC ODP and updated their cost estimates, based on revisions to the ODP approved by Council, more detailed designs, and current construction costs and land values. The updated costs were informed by a proposed approach to affordable housing for the private lands discussed in this report. At the time of the SEFC ODP adoption, the issue of affordable housing provision in the private lands had not been resolved. It was noted in the SEFC Official Development Plan that staff were to further investigate appropriate ways to achieve a compatible housing strategy in the private lands. Consistent with Council's current direction for the City Lands, staff propose that the goal of achieving 20% affordable housing for the private lands is an appropriate compatible housing strategy (see further information below).

Staff looked at how these costs could be ascribed to the PEF and the private lands, prorated based on population,on development that would be eligible to pay, and exclusive of items that are normally simply required to be provided by developers as a condition of rezoning (i.e. direct costs).

Staff considered the possible mechanisms for paying for the benefits, i.e. development cost levies (DCLs) and community amenity contributions (CACs). A consultant was hired to review what the impacts of different overall levels of contributions might be on the development viability of the private lands.

Based on benefit costs, available mechanisms, the need to maintain the viability of development, and precedents, staff developed the proposed approach to recovering public benefits. It recommends:

a) Applying the city-wide DCL and a new overlay area-specific DCL for the entire SEFC ODP area (as shown on Figure 2). In addition to the general City-wide DCL rate of $6

per sq. ft, the suggested rate for the area-specific DCL rate is $14.50 per sq. ft. All development would pay these DCLs, both on the City Lands and on private lands, regardless of whether developed under existing zoning or rezoned. DCLs, as outlined in the Vancouver Charter, are to contribute only to the costs of parks, childcare, public realm and infrastructure, and replacement housing (replacement housing can only be funded by the city-wide DCL in SEFC).

b) Direct payment from the PEF for certain items including the community centre, library, and affordable housing.

c) An objective of Community Amenity Contributions (CACs) on the order of $11.50 per sq. ft.to be the basis of discussion with private landowners undertaking rezoning in the M-2 lands (see: Figure 2).

d) These CACs would be applied to affordable housing that cannot be funded by the proposed overlay area DCL.

The total contribution amount for SEFC private M-2 sites would therefore be approximately $32 per sq. ft. buildable as follows:

PSF	
$6	City-wide DCL
$14.50	Area-Specific DCL
$11.50	Community Amenity Contribution Objective
$32	Total

The consultant hired to assess the impact on development viability of various levels of contributions, has concluded that using costs and revenues current as of April 2006, 90% of the lands acquired at current M-2 values would be developable at the proposed overall contribution level of $32 per sq. ft.

The estimated total supply of funds from new development to provide new amenities is $137 million from DCLs, with a further $105 million possible from CACs or direct contributions from the PEF. This is assuming that all private lands contribute in the order of $32 per sq. ft. Theoretically, this could total about $242 million or roughly 95% of the current costs of the identified items to date. Practically, for reasons discussed in the report, it is more likely that the DCLs and CACs will cover in the order of 80-90% of the costs. A shortfall is typical of City experience in other major projects. Additional funding other sources may be needed to fully cover the costs of the identified benefit items or to add new amenities.

If Council endorses the Strategy, staff will report back with a DCL bylaw that will include proposed allocations among: Park sites and park development, transportation and infrastructure improvements, and childcare.

Landowners and interested parties have been informed of the recommended approach and that they may address Council Committee as delegations.

Compatible Housing Strategy

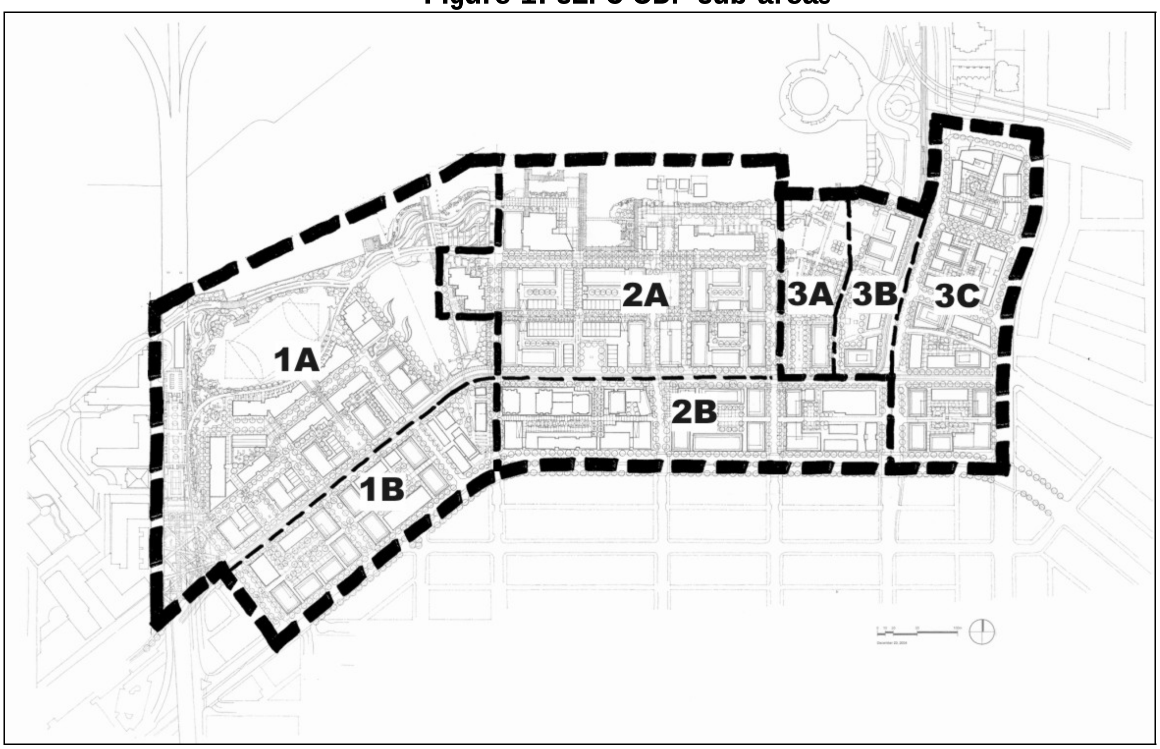
Council addressed the level of affordable housing to be achieved on all the City lands in SEFC earlier this year, establishing an objective of 20%. The same objective can be achieved within the private lands on a site-by-site basis, through in-kind or cash-in-lieu contributions, and without compromising economic viability. Therefore, staff recommend that Council endorse the objective of achieving 20% affordable housing for the private lands. It is also anticipated that the developers of the private lands will be encouraged but not required to provide modest market housing.

BACKGROUND

The SEFC ODP area is 80 acres, approximately 50 acres of which is in public ownership:

- Sub-areas 1A, 2A, and 3A are currently owned by the City and are zoned M-2. A Development Agreement is currently being negotiated for the development sites in Sub-area 2A (the site of the 2010 Athlete's Village) for freehold purchase by the Millennium Group;
- Sub-area 3B is owned by Translink and is zoned M-2;
- Sub-areas 1B and 2B are in private ownership and are currently zoned M-2; and
- Sub area 3C is also largely privately owned and contains a mix of M-2 and FC-1 zoning.

Figure 1: SEFC ODP Sub-areas



Southeast False Creek is envisioned as a predominantly high density residential neighbourhood intended to move significantly towards more sustainable development practices and in doing so, provide a learning experience which can be applied at a much broader scale. The SEFC ODP adopted in July 2005 and awarded in March 2006, provides the framework to create a complete community with goods and services within walking distance, and housing linked by transit to nearby jobs. New development could add approximately 7,000 new housing units and about 14,400 new residents over the next 20 to 30 years. During the ODP preparation, the public expressed a desire for a high level of amenity in the new neighbourhood.

Many of the owners of the private properties in the ODP area have been involved in the SEFC planning process since the outset. Eight of these owners are participating in a coordinated cost recovery process to deal with CD-1 rezonings for their properties within the SEFC ODP. In addition, a rezoning application for sub-area 2A (the site of the Vancouver 2010 Olympic Athlete's Village) will be submitted in July and presented to Council in the Fall 2006.

DISCUSSION

The following discussion is divided into two main sections, covering the Public Benefits Strategy and the Compatible Housing Strategy.

1. PUBLIC BENEFITS STRATEGY

In developing the proposed Public Benefits Strategy, staff first took the public benefits identified in the revised SEFC ODP, updated their cost estimates, and looked at how these costs should approximately be assigned to the PEF and the private lands. This was informed by a proposed approach to the provision of affordable housing for the private lands, which is referred to briefly in this section but presented in detail in the discussion of the 'Compatible Affordable Housing Strategy' that follows.

Staff considered the possible mechanisms for paying for the benefits, and had a consultant review what the impacts of different overall levels of contributions might be on the development viability of the private lands. Staff then developed a proposed strategy that involves the combined use of Development Cost Levies and negotiations for Community Amenity Contributions. Staff shared this information with the private landowners at several meetings. The following discussion follows these steps.

A. Public Benefits Identified in ODP

The current SEFC ODP mandates public benefits as follows:

- 25.8 acres of park space;
- Greenway walkways and bikeways;
- Public infrastructure to accommodate long-term servicing requirements;
- Public realm improvements throughout SEFC (e.g. street trees, lighting fixtures, other street furniture, special paving);
- Three 69 space childcare facilities;
- A 30,000 sq. ft. community centre and non-motorized boating centre;
- 20% affordable housing units in sub-areas 1A, 2A, and 3A (City Lands only)

The ODP does not detail the Private Lands contribution towards affordable housing, but calls for the development of "a compatible affordable housing strategy". Confirmation of this private lands housing strategy was necessary to complete the development of the public benefits strategy, and is discussed in more detail below.

B. Cost Estimate Update

At the time of adoption of the ODP, a report on the SEFC Financial Plan and Strategy was also presented. It estimated the costs of the total infrastructure and amenity package, and identified how much was expected from the PEF, as well as what costs could be attributed to the Private Lands, based on the distribution of population and development area.

At that time, the total costs of the public amenity package were identified as being about $183 million (see: Appendix A for details on previous estimate). $85 million of the costs were allocated to the Property Endowment Fund. The report also estimated that the prorated costs for the Private Lands for public infrastructure and community facilities amounted to about $14 per sq. ft. of development. As noted above, the ODP did not determine what the private lands should provide towards housing affordability, but left this for later report back. However, the financial report noted that if the private lands were to contribute towards the housing mandated on the City-owned lands (i.e. at the time 33% non-market and 33% modest market) the costs would be $8 and $4 per sq. ft., respectively. This would total $26 per sq. ft for contributions from the private lands.

In April 2006, staff updated the costs associated with the public benefit strategy to reflect:

- revisions to the ODP approved by Council in early 2006;
- updated estimates of costs based on detailed design of streets, infrastructure improvements, and a portion of the park that will be delivered in time for the Athlete's Village in 2010;
- current construction costs and land values in the area; and
- definition of a compatible affordable housing strategy for the Private Lands that would have the objective of achieving contributions of an equivalent value to the land required to provide 20% affordable housing. (Further details in section below)

The updated costs and their proposed allocation to the PEF and Private Lands are summarized in Table 1.

Table 1: Summary of Updated SEFC Amenity Costs: (2006$)

Cost Category	Total Costs [1] [2]	City Lands		Private Lands[3] [4]	
	($) 000s	($) 000s	Per sq. ft.	($) 000s	Per Sq. ft.
Park Sites & Park Development	67,540	36,387	19.28	31,153	8.35
Childcare	15,939	5,676	3.01	10,263	2.75
Public Realm Improvements, Construction of Rights of Way; and Provision of Transportation Initiatives [5]	30,395	13,744	7.28	16,651	4.46
Community Centre	13,500	4,808	2.55	8,692	2.33
Library	1,550	552	0.29	998	0.27
Housing Options (SEFC): Affordable (20%) [6]	125,142	61,068	32.36	64,074	17.18
Total	**$254,066**	**$122,237**	**$ 65.83**	**$131,831**	**$ 35.34**

1. Costs have been updated with current estimates based on typical standards for major redevelopments.
2. Costs have been allocated to City and Private Lands within SEFC based on a combination of population and/or development area distribution.
3. Costs allocated to the Private Lands exclude approximately $6,100,000 of "direct costs" which are the value of the "in-kind" contributions primarily directed at provision or improvement of public rights of way through dedications or site specific charges. The costs of providing rights of way through the Translink property and FC-1 lands are assumed to be provided through rezoning.
4. Per sq. ft of development that would be eligible to pay, i.e. not including the affordable housing floor area.
5. Estimates exclude costs that the PEF will incur to service the City Lands for sale, including provision of roads and other public infrastructure.
6. Housing is for land costs only.
7. Costs associated with modest market housing and redevelopment of heritage buildings have been excluded.

C. Available Methods of Paying for Benefits

In considering an appropriate Public Benefits Strategy, it is important to maintain awareness of the available methods of funding the benefits.

While the City funds many facilities and services through its Capital Plans, Council also has a policy of looking to new development to provide a contribution towards the capital costs associated with the growth in service demands it creates. Council has two primary tools:

- development cost levies (DCLs), and
- community amenity contributions (CACs).

These tools have different characteristics which influence how they are being proposed to be used in SEFC.

i. Development Cost Levies (DCLs)

Council has had the authority to impose Development Cost Levies on new development since the early 1990s. DCLs are charges to development within a prescribed geographic area and are collected on a preset rate per square foot of development. With limited exceptions, all development is subject to the DCL with payment due at building permit stage.

The City has used its DCL authority in two ways. In 1999, Council implemented a citywide DCL that applies throughout most of the city, at a current rate of $6 per sq. ft. This charge will automatically apply to all the SEFC lands. Council has already determined that the proceeds of this levy are to be spent on eligible SEFC public benefits.

The City also has a number of DCLs that are "area-specific", that is they only apply within a defined geographical area. In some of these areas, the city-wide DCL does not apply (mainly because they were adopted before the city-wide charge) while in others an "overlay" on top of the citywide DCL is justified by some extraordinary growth costs in the area.

The Vancouver Charter and associated by-laws identify the range of projects that DCLs can fund:

- park land and park development

- childcare
- infrastructure (water, sewer, streets, and transportation)
- replacement housing

Generally, they must be allocated entirely to the capital costs that follow from “growth” related to development in the City generally or in the specified area. DCLs cannot be applied to remedy past infrastructure or service deficiencies.

There are some key limits on how DCLs may be used. They may not be used to fund community facilities like community centres and libraries. With the exception of funds allocated to replacement housing, DCLs must be spent within the defined DCL area. For the City-wide DCL this includes most of the City, while for area-specific DCLs, a smaller defined area applies. With respect to housing, DCLs may only be used to fund to the replacement of low cost housing that already exists in an area. This means that the component of the city-wide DCLs allocated to replacement housing may be spent on affordable housing in SEFC, because it would be replacing lower cost housing lost in the rest of the citywide DCL area. However, an overlay area-specific DCL for SEFC, as is proposed below, may not be used to fund replacement housing because no housing currently exists in SEFC to be replaced.

Existing DCL policy exempts existing space (i.e. that is just being renovated), affordable housing and churches from DCL charges. Certain uses (i.e. childcare facilities) pay lower DCL rates. The SEFC ODP notes that “cultural, recreational, and institutional uses (i.e. including childcare facilities) secured to the City’s satisfaction for public use and benefit, are exempt from the calculation of floor space ratio”. As a result, floor area for these uses can be considered for exemption from the city-wide and area-specific DCL. Heritage bonus floor area could also be considered for exemptions from DCLs through a Heritage Revitalization Agreement if this is demonstrated as necessary.

ii. Community Amenity Contributions (CACs)

CACs are voluntary contributions associated with rezonings, offered by developers and accepted by Council. They may help address growth costs, area deficiencies, and/or other community needs and impacts. They may be provided by a developer as a cash contribution or “in kind”. They are secured through conditions at the time of rezoning. Unlike DCLs, CACs are not subject to limits on the type of project that may be funded. In discussing and recommending a CAC, staff and the applicant take into consideration both the nature of the contribution in terms of its relation to the impacts of the development and community needs, and the effect the contribution would have on the economics of the development in order to ensure its viability.

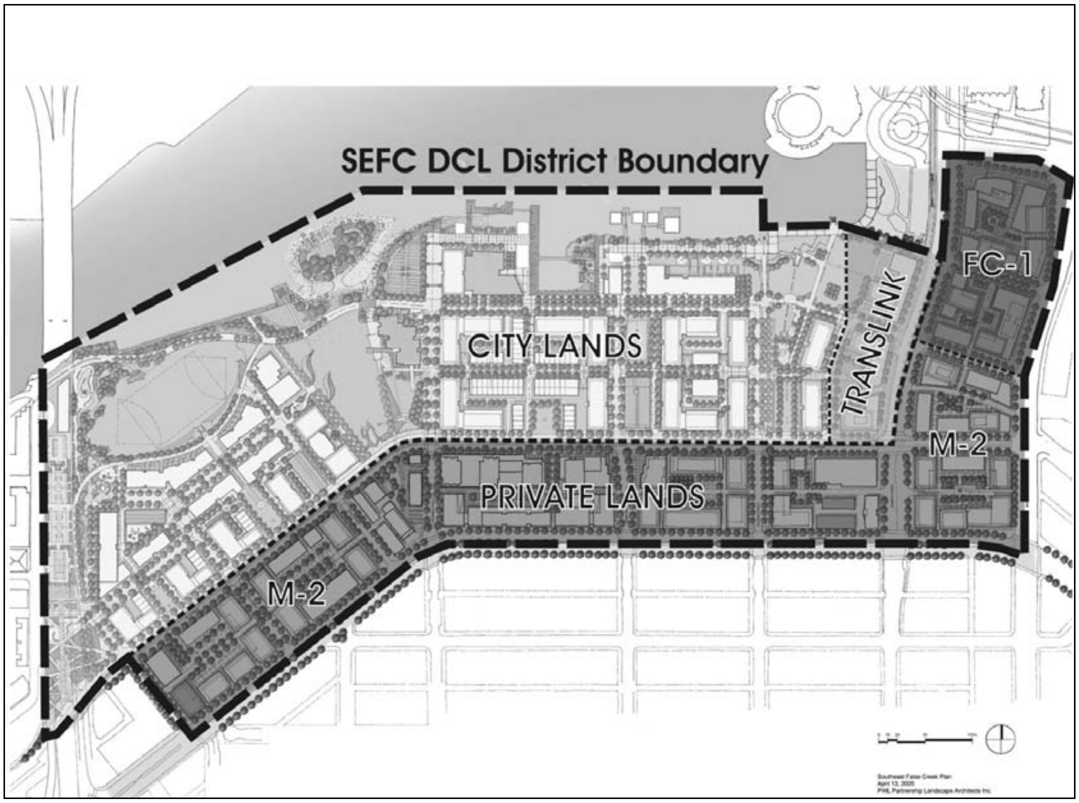
The City normally does not contemplate being offered CAC contributions for floor area used for affordable housing, recreational, institutional or cultural amenity space or heritage bonus floor area as part of a Heritage Revitalization Agreement.

D. Proposed Public Benefits Strategy

In proposing a Public Benefit Strategy staff have taken into consideration the range of desired benefits outlined in the ODP, the updated costs, the mechanisms available, the need to maintain the viability of development, and past experience and precedents.

The proposed strategy, summarized in Table 2, includes the city-wide DCL of $6.00 and an overlay area-specific DCL of $14.50 for the entire SEFC ODP area, as shown on the map in Figure 2. All development on the city lands and the private lands will pay both layers of DCL charges. The strategy includes direct support by the PEF for several items- essentially the equivalent of contributing a CAC. Lastly the strategy identifies an amount of $11.50 as a possible CAC, to be discussed with private landowners who are seeking rezoning. These contributions would total $32.00 per sq. ft. for the private lands.

Figure 2: Proposed SEFC DCL Area



In contemplating the appropriate amount of support for public benefits, three key factors are taken into consideration:

- **Cost of the public benefits.** The updated costs have already been described. As noted above, DCLs cannot pay for the community centre or library. Therefore, the cost of these items has been allocated to the PEF to be covered by direct payment. This ensures that these facilities can be funded irrespective of the timing of development of the private lands. To maintain the same cost share between the PEF and private lands, the cost allocated to the private lands for park purchase and development which can be paid for by DCLs to be increased by an equal amount.

- **Effect on development viability.** In order to assess the impact on development viability of various levels of contributions, the City hired Coriolis Consulting. Their final study used costs and revenues current as of April 2006. Their finding was that with a total contribution of $44 ($6 citywide DCL plus $38 additional) development

Table 2: SEFC Public Benefits Strategy Summary

SEFC PUBLIC BENEFITS STRATEGY SUMMARY TABLE		Proposed Revenues							
		PEF				Private Lands			
		Total		Per Sq. Ft.		Total		Per Sq. Ft.	
Item	Cost (as per Figure 2)	DCL, incl CityWide and Overlay	Direct Payment	DCL, incl CityWide and Overlay	Direct Payment	DCL, incl CityWide and Overlay	CAC	DCL, incl CityWide and Overlay	CAC
	000s	000s	000s			000s	000s		
Development Stats									
Gross Development Area	6,014	2,245				3,769			
Less DCL excluded Area	(397)	(358)				(39)			
Chargeable DCL Area	6,411	1,887				3,730			
Cost Allocation									
20% Affordable Housing	125,142	25,326	35,742	$13.42	$18.94	7,162	42,930	$1.92	$11.50
Park Acquisition & Development	67,540	21,438	5,258	$11.36	$2.79	42,376		$11.36	-
Childcare	15,939	5,192	484	$2.75	$0.26	10,263		$2.75	-
Public Realm and Infrastructure	30,395	8,424	5,320	$4.46	$2.82	16,651		$4.46	-
Community Centre	13,500		13,500	-	$7.15	-		-	-
Library	1,550		1,550	-	$0.82	-		-	-
Total	**254,066**	**60,381**	**61,853**	**$32.00**	**$32.78**	**76,452**	**42,930**	**$20.50**	**$11.50**
		Total	**122,234**	**Total**	**$64.77**	**Total**	**119,381**	**Total**	**$32.00**

1. Costs associated with Modest Market Housing, included in the 2005 strategy, have been excluded from this analysis because the nature and extent of any subsidies required cannot be determined at this time. The 2005 Financial Strategy did not identify a funding source for any required subsidy.
2. Costs associated with the redevelopment of heritage buildings on the Public Lands have been excluded from this analysis.
3. The anticipated recovery from the private lands assumes that the proposed DCLs and CACs will be generated from the full development area identified in the ODP with no provision made for exemptions that may arise from rezoning or the inability to generate contributions from the private landowners. The amount of potential shortfalls cannot be determined at this time

would be viable on 80% of the lands. They concluded that about 90% would be viable at the proposed $32 contribution level.

- **Past precedent.** Recent significant rezonings have made total contributions ranging from $29 to $75 per sq. ft.

A few other things should be noted regarding the proposed strategy.

First, for the FC-1 lands where the existing zoning already permits similar uses and densities as the ODP contemplates, developers may not rezone, and therefore may not contribute CACs At the same time, these lands will benefit significantly from major investment in amenities in the ODP area, and it is appropriate that the area-specific DCL be applied.

Second, while theoretically if all of the lands in the ODP area contributed to the public benefit strategy at the proposed $32 per sq. ft, the proposed DCLs and CACs could achieve approximately 95% of the 2006 costs of the public benefits discussed above. (Noting, however, that actual construction and operating subsidies for the affordable housing are not included in the cost package and depend on funding from senior levels of government.) Practically, it is more likely that the DCLs and CACs will cover in the order of 80-90% of the costs, because portions of the FC-1 land may not rezone and because of the possible exemptions (e.g. cultural facilities, heritage bonus space). Inflationary pressures on these costs over the next few years will also reduce the amount covered.

The shortfall is typical of City experience in all but a few redevelopment areas. Other area-specific DCLs have covered a range from approximately 40% to 80% of estimated costs. The City-wide DCL rate of $6 per sq. ft is based on recovery of 80% of the costs of growth under existing zoning. In order to cover the shortfall, additional funding is often sought from Capital Plans, the Affordable Housing Fund, or senior levels of government. Alternatively, Council could decide to reduce the public benefit package.

Third, rezoning referral reports for three of the M-2 private land rezonings are being forwarded on the same timeline as this report. Therefore the referral reports note that DCLs and CAC offerings are being considered, and that the conclusions will be conveyed to Council for consideration prior to the scheduled Public Hearing in July.

E. Public Benefit Strategy Implementation

Moving forward on the Public Benefits Strategy requires a number of decisions from Council:

- Approval of the overall strategy as described above (Recommendation A);
- Approval of establishing an overlay DCL for SEFC area, as shown on the map in Figure 2, with a rate in the order of $14.50 (Recommendations B and C); and
- Formal instruction to staff to prepare the DCL bylaw. (Recommendation D)

The final allocations of the DCLs to the various purposes will be included in the draft DCL by-law forwarded to Council.

F. Landowners Consultation

Staff have met with the private landowners—including those with rezonings in process, and others who were interested in the topic—to discuss the public benefits costs, the Coriolis study findings, and the proposed public benefits strategy.

Private landowners presented a number of questions about the Coriolis analysis, which staff and Coriolis Consulting have reviewed, considered and responded to. Private landowners queried the consultant analysis in terms of assumed base value of properties in the study area under M-2 use and zoning, projected revenues, construction costs, net saleable area (i.e. building efficiency, marketing costs, and financing costs.

Overall, after reviewing all of the comments received on the draft report, and re-checking their information, the consultant concluded the only necessary change to their analysis was an increase in construction financing costs to reflect potentially longer construction timeframes. The higher than normal levels of construction activity in the lead-up to the Olympic Games pose a risk of delays of construction material delivery or difficulties retaining trained construction crews to carry out the work. The results cited above reflect the revised study findings.

Landowners have been advised of the date that Council Committee will consider this report and a number will likely appear as delegations.

2. SEFC COMPATIBLE HOUSING STRATEGY

A. Affordable Housing Strategy for the Private Lands

The ODP for SEFC stipulates that further investigation of appropriate ways to achieve a "compatible housing strategy" in sub-areas 1B, 2B, 3B and 3C (the private lands) is to occur at the time of CD-1 rezoning. This policy was adopted concurrently with household mix of 1/3 affordable housing, 1/3 modest or middle-income market housing and 1/3 market housing on the City Lands, in July 2004. Since that time, Council has revisited the household mix, revising the policy to 20% affordable housing for all the City lands (2006). A target of one-third modest market housing has been retained for the later phases of the public lands (sub-areas 1A and 3A), which will be developed only after the Olympics in 2010. Modest market housing is encouraged in the Olympic Village (sub-area 2A) to be achieved through non-financial means (e.g. units smaller or in less desirable locations) but is not required.

The Director of the Housing Centre recommends (Recommendation E) application of the 20% affordable housing policy to the private lands which form part of the SEFC ODP area. The independent Coriolis study demonstrates that the effect of the overall public benefit strategy, inclusive of a 20% affordable housing policy, allows development to maintain economic viability. The Director of the Housing Centre also recommends that the modest market housing policy adopted for the Olympic Village be applied to the private lands.

B. Application of the Housing Policy

There are three possible approaches to meeting the 20% affordable housing policy on the private lands:

1. Twenty (20%) of the units on each site or in each development could be required to be affordable units. This could be achieved either by scattered units within the development or a separate parcel being provided within each development capable of accommodating 20% of units. This would be difficult to do for the rezonings in process because of the lack of senior government funding at the present time coupled with the difficult in subdividing sites to create separate parcels for the affordable housing. If this option were selected, development of the private sites would likely not proceed until senior government funding is available. For this reason, discussions with the private landowners to date have focused on payments-in-lieu (Option 2) which could be pooled so that the City can purchase sites in the area sufficient to accommodate 20% of the units that could be developed on the private lands;

   In addition, there has been some discussion about market rental housing that would be initiated by private developers. In the future, in response to anticipated Provincial and Federal incentive programs, it may be possible to secure rent supplements over scattered units, e.g. for seniors eligible for SAFER (Shelter Aid for Elderly Renters) or Vancouver Coastal Health SILs (Supportive Independent Living) programs.

2. Property owners could choose to offer contributions towards meeting the 20% affordable housing policy in the form of payments-in-lieu; the City could choose to acquire units which could be leased to non-profit housing groups for low-income household or sites could be purchased for future development for affordable housing, in conjunction with provincial/federal funding programs. In keeping with past practices, the City is likely to want to purchase sites as the best and most efficient approach.

3. A third approach entails utilizing payment-in-lieu funds to augment the development of affordable or modest market housing on the public lands. However, this option is not endorsed by staff as it does not support Council's objectives of achieving affordable housing within the private lands.

Options 1 and 2 are preferred, noting that it is not intended to re-open negotiations with rezoning applicants currently in process. Recommendation F reflects staff's advice that the emphasis continue to be on the acquisition of sites.

Staff recommend that objectives for modest market housing be further reviewed and discussed between the rezoning and the development application stage, consistent with the objectives established for sub-area 2A of the City Lands (i.e. as an objective not as a requirement). Development within the private lands is more likely to produce units which provide a greater range of affordability in terms of price, because of a wide range of preferable/non-preferable locations (2nd Avenue, lane proximity, lower levels, less view potential) and size, or household nature, such as live-work space. No modest market housing component is recommended as a requirement.

C. Value of Housing Benefit

It is currently anticipated that the cost of providing the land for 20% affordable housing in the SEFC ODP area is approximately $125 million. Of this, the Property Endowment Fund will absorb approximately $61 million as foregone revenue by providing free sites for housing development.

Providing free sites for the same 20% affordable housing on the private lands will require up to 650,000 sq. ft of buildable development area to be purchased. Land between 1st and 2nd Avenues and between Quebec and Main Street is currently selling for on the order of $350 per sq. ft. ($100 per sq. ft. buildable) suggesting a total cost of approximately $65 million. It is suggested that the following allocations will ensure that sufficient land can be purchased to accommodate 20% of the units (17% of the floor space) in the private lands area and would provide free sites the City could then make available for federal/provincial funding to accommodate low-income (core-need households) or to develop a range of affordable market housing in the absence of federal/provincial housing programs.

Table 3: Affordable Housing Allocation

Allocation	Per sq. ft. Buildable
Total Housing benefit	$18.00
PEF Contribution of the above (25%)	$ 4.50
City-wide DCL Replacement Cost	$ 2.00
Balance to Private Lands Contribution	$11.50

The total cost of the housing benefit is anticipated at $65 million or approximately $18 per sq ft buildable. Under this strategy, the Property Endowment Fund could continue to pay 25% of the land cost in recognition of residual value of freehold it will retain ($4.50 per sq ft buildable) and the City-wide DCL will generate approximately $2.00 per square foot buildable. In total these contributions will reduce the requirement from the private lands to approximately $43 million.

The Housing Centre therefore recommends an objective, consistent with the above public benefits discussions, of achieving a CAC in the order of $11.50 per sq. ft. buildable to be utilized in negotiation with the private landowners as a means of achieving the affordable housing objective on the private lands. While there are a number of CD-1 rezonings proceeding in the private lands, there remain a number of sites that would be suitable and likely available over time that the City could purchase for affordable housing.

FINANCIAL IMPLICATIONS

There are several potential expenditures of DCL and CAC funds that may arise in advance of sufficient funds being available. In cases where land acquisition is at issue, Council has established an interim financing source in the Property Endowment Fund and it is recommended that this source continue to be used in relation to Southeast False Creek. For other expenditures required in advance of DCL or CAC funding, alternative financing arrangements will be recommended at the time project approvals are brought to Council.

Staff note that all expenditures from DCL and CAC funding will require specific Council approvals.

The provision of new or expanded public amenities from DCL or CAC funding could create the need for on-going operating costs to be added to the Operating Budget. These will specifically be identified as projects are brought forward for approval. Many of these costs will be offset by increased property tax revenue resulting from new development. However, in some cases, additional funding from the city-wide tax levy may be required.

CONCLUSION

The Public Benefits Strategy provides a comprehensive approach to the provision of new public amenities in Southeast False Creek. The approach blends the use of the city-wide DCL, an area-specific DCL, and CACs to ensure that new development pays its fair share towards public benefits to meet the demands created by the new population.

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Appendix A: February 2005 Cost Estimate

Summary of SEFC Public Amenity Costs (2005$)

Cost Category	Total Cost	PEF	Private Lands
	($) 000s	($) 000s	($) 000s
Park Sites and Park Development	42,600	21,600	19,200
Childcare	19,800	8,000	11,800
Public Realm Improvements, Construction of Rights of Way; and Provision of Transportation Initiatives	35,500	7,200	23,900
Community Centre	9,000	3,600	5,300
Library	1,500	600	900
Housing Options (City Lands Only): Affordable (1/3) Modest Market (1/3)	42,000 21,100	42,000 0	0 0
Heritage Buildings	10,600	2,000	0
Total	**183, 100**	**85,000**	**61,100**
Funding from other sources			**37,000**

1. Costs were calculated based on typical standards for major redevelopments.
2. Costs allocated to the Private Lands included approximately $11.1 million of "direct costs" which were the value of "in kind" contributions primarily directed at provision or improvement of public rights of way through dedications or site specific charges.
3. Estimates excluded approximately $58 million that the PEF was to incur to service the City lands for sale, including $26 million for roads, sewer and water infrastructure.