

# City-wide Development Cost Levy (DCL) Update (2017-2026)

Council Presentation

# Agenda

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1. Development Contributions: Context
2. City-wide DCL Recommendations
3. DCL Overview
4. Growth and Capital Program Details
5. Recommended DCL Rates & Policy Changes
6. Industry Consultation

# Development Contributions: Context

- Growth helping to pay for growth
- Industry support for development charge system and annual inflationary adjustments
- Ongoing engagement with development industry
- 2017 annual inflationary adjustment to CAC Targets & Density Bonus areas = **11.9%**  
(not applied to DCLs this year due to DCL update)
- Establishing regular DCL updates (every 4 years, aligned with Capital Plan process)
- Comprehensive CAC Policy Update-- Phase 1 (Fall 2017)

# Impact of Development Contributions on Housing Affordability

In 2014, Coriolis Consulting Corp. provided expert opinion on the impact of development contributions / CACs on housing affordability

## Coriolis (2014) Report Findings:

1. The market sets housing prices - when Coriolis compared projects that paid a CAC with those that didn't, they found similar unit prices
2. Development contributions do not negatively impact the pace or supply of new housing
3. Coriolis concludes that rising regional housing prices are the result of market factors NOT development contributions
4. CACs support provision of affordable housing

# Council Recommendations

THAT Council approve the following report recommendations for the comprehensive update to the City-wide DCL program (2017-2026):

- Increase residential City-wide DCL rates by 25% effective at bylaw adoption. Rates to be phased-in with a 12.5% increase on Sept 30, 2017 and a 12.5% increase on Sept 30, 2018 (plus annual inflation in 2018).
- No change to existing City-wide DCL rates for commercial and industrial categories
- Introduce new rate categories for Mixed Employment (Light Industrial) & Medium Density Residential: effective September 30, 2017
- Introduce new reduced DCL rates for select civic, social and cultural uses: effective September 30, 2017
- Update DCL allocations: effective immediately upon Council approval
- Replace Downtown South DCL District with City-wide DCL District: effective immediately upon Council approval

# Development Industry Support

- Throughout the City-wide DCL update, staff have actively engaged with industry
- Industry has reiterated support for development paying its fair share of growth costs
- Industry stakeholders (UDI, NAIOP) support the report recommendations, and staff's consideration of industry feedback on: rate phase-in period, and not increasing commercial/industrial rates.
- Want to work with city to clarify relationship between DCLs and conditions of development approval.



# What are DCLs?

- Charges imposed on development to fund growth-related capital projects
- Pays for new growth related infrastructure and facilities to maintain service levels as city grows
- Principle is ‘growth pays for growth’ so that financial burden is not borne by existing tax/rate payers



# What are DCLs?

- Vancouver Charter (S.523.D.) authorization
- Development charge that partially offsets the cost of growth-related civic facilities
- Per sq.ft. charge payable at Building Permit issuance
- Since 1993-- \$700M collected & \$500M allocated
- Current Council approved DCL allocation is as follows:

**Parks (41%)**



**Housing (32%)**



**Transportation (22%)**



**Childcare (5%)**



*(Sewer, Water and Drainage is a DCL eligible category, but not currently recovered by City-wide DCL)*



# What can DCLs Pay For?

- DCLs only fund capital costs
  - No operating or maintenance activities
- Not all capital costs are eligible
  - Typically ‘first round’ capital related to expanding servicing capacity
- DCLs do not fund upgraded works needed for the existing population
- Nor do they fund new libraries, fire halls, police stations, recreation facilities, cultural and social facilities



# Current City-wide DCL Rates and Categories (By-law No.9755)

- Different rate categories and density thresholds for each rate category:

Current City-wide DCL Rates	
Development Type/Rate Category	\$/sq.ft.
Residential - at or below 1.2 FSR & laneway house	\$3.23
Residential - over 1.2 FSR, commercial, & other	\$13.91
Industrial	\$5.55

- DCL exemptions/waivers/ reductions: Social housing, secured market rental housing, schools, childcare
- Utilities not currently recovered by DCLs

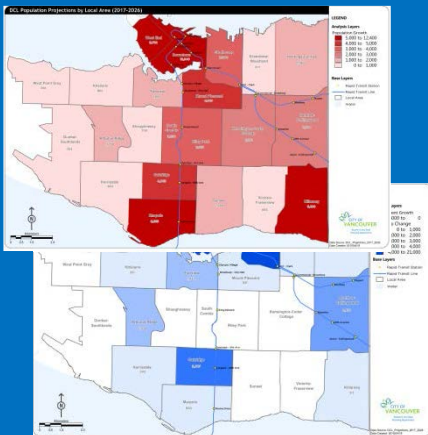
# Why update the By-law now?

- Council direction to update City-wide DCL (2015)
- Last major review completed in 2003
- Rising costs (land acquisition, construction)
- Updated information on growth, infrastructure & servicing needs and capital costs
- Align with Council priorities (housing, childcare) and adjust for unspent DCLs (e.g. Park ~\$110M reserve)
- Add water, sewer and drainage infrastructure to DCL project categories

# DCL Update Process

## Estimate Growth Projections

- Regional Context Statement
- Community Plans
- Projects in-stream



## Determine DCL Eligible Capital Costs Attributed to Growth

- DCL Programs
- Other Growth-Related Funding Sources
- Municipal Assist Factor

	DCL Eligible Growth-Related Cost (before deductions for other funding sources)
Transportation	\$ 623,038,754
Housing	\$ 1,000,000,000
Childcare	\$ 295,561,000
Sewers	\$ 180,997,127
Water	\$ 11,529,850
Green Infrastructure	\$ 17,144,594
Parks	\$ 551,783,000
<b>Total</b>	<b>\$ 2,680,054,325</b>

## Calculate DCL Rates

- Industry Consultation
- Council Approval
- By-Law Adoption

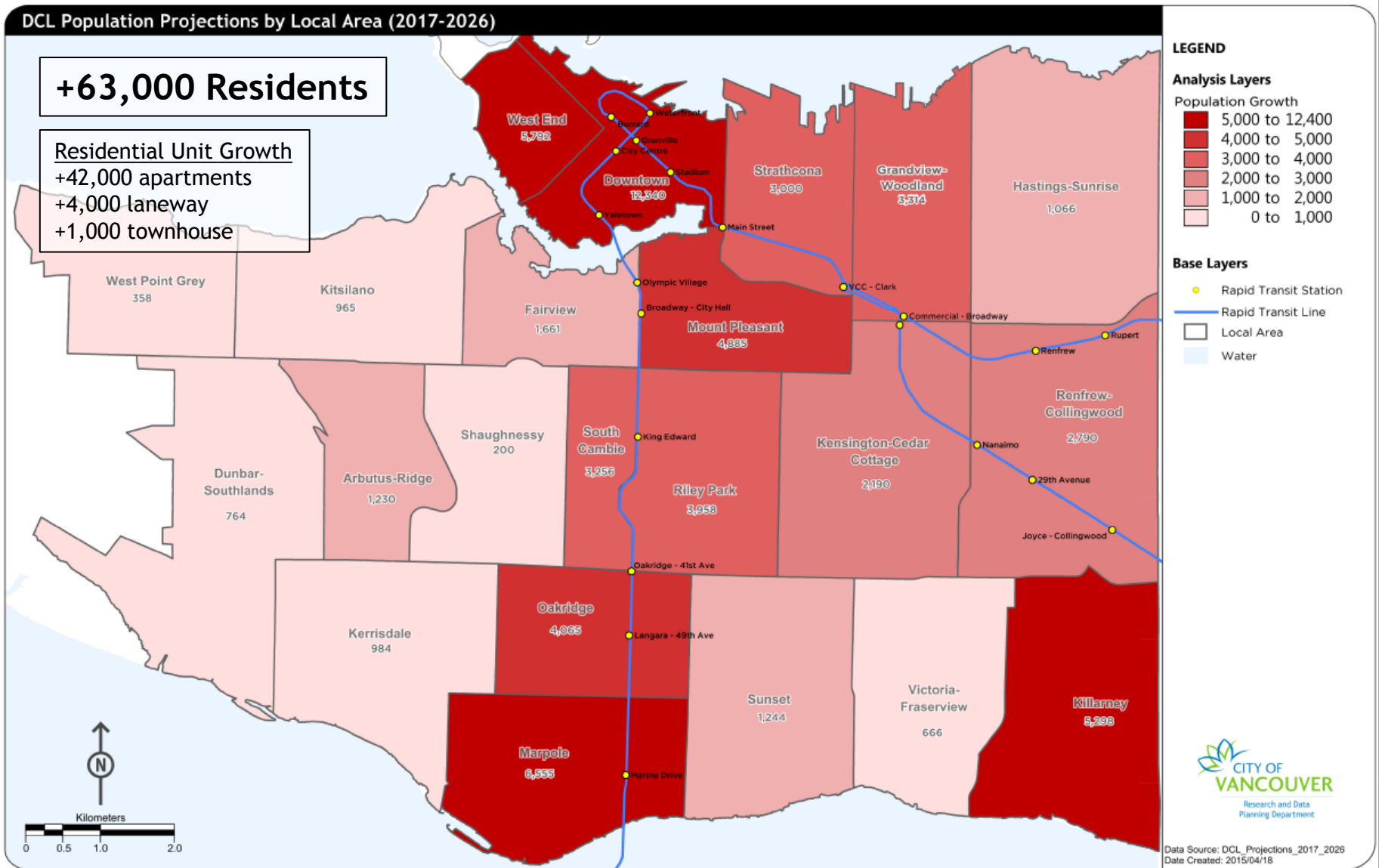
	RESIDENTIAL AT OR BELOW 1.2 FSR AND LANEWAY HOUSE	RES IN DEVELOPMENT OVER 1.2 FSR, COMMERCIAL, AND MOST OTHER USES	INDUSTRIAL <sup>1</sup>	
<b>Citywide</b>	Vancouver DCL	\$34.77/m <sup>2</sup> (\$3.23/ft <sup>2</sup> )	\$149.73/m <sup>2</sup> (\$13.91/ft <sup>2</sup> )	\$59.74/m <sup>2</sup> (\$5.55/ft <sup>2</sup> )
<b>Layered<sup>2</sup></b>	False Creek Flats	n/a	\$63.39/m <sup>2</sup> (\$5.89/ft <sup>2</sup> )	
	Grandview-Boundary	n/a	\$9.78/m <sup>2</sup> (\$0.91/ft <sup>2</sup> )	\$39.14/m <sup>2</sup> (\$3.64/ft <sup>2</sup> )
	South East False Creek	n/a	\$206.21/m <sup>2</sup> (\$19.16/ft <sup>2</sup> )	\$31.29/m <sup>2</sup> (\$2.91/ft <sup>2</sup> )
<b>Area-specific<sup>3</sup></b>	Downtown South	n/a	\$205.44/m <sup>2</sup> (\$19.09/ft <sup>2</sup> )	No industrial capacity

# Population Growth Forecast (2017-2026)

DCL Population Projections by Local Area (2017-2026)

**+63,000 Residents**

**Residential Unit Growth**  
 +42,000 apartments  
 +4,000 laneway  
 +1,000 townhouse



**LEGEND**

**Analysis Layers**

Population Growth

- 5,000 to 12,400
- 4,000 to 5,000
- 3,000 to 4,000
- 2,000 to 3,000
- 1,000 to 2,000
- 0 to 1,000

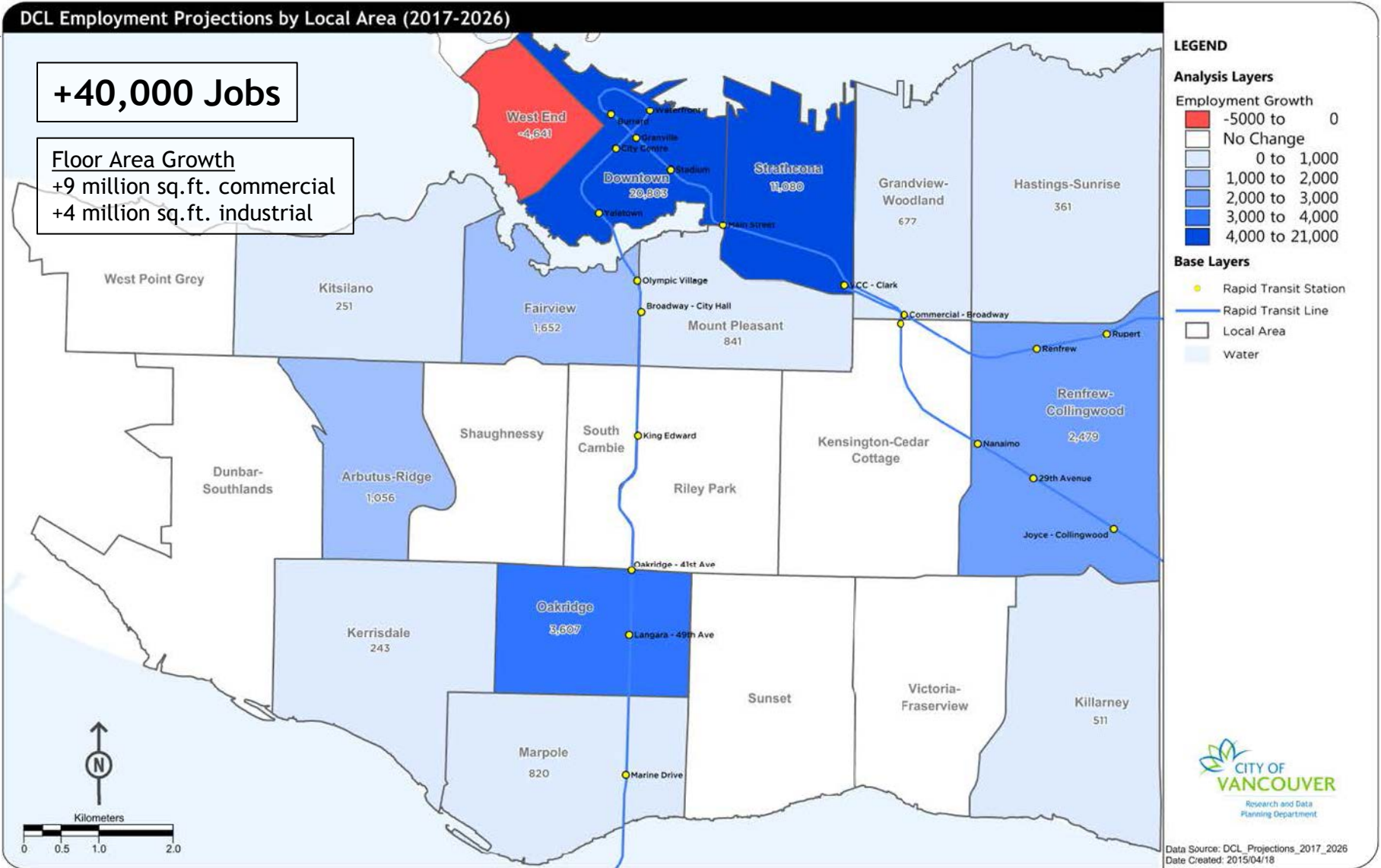
**Base Layers**

- Rapid Transit Station
- Rapid Transit Line
- Local Area
- Water

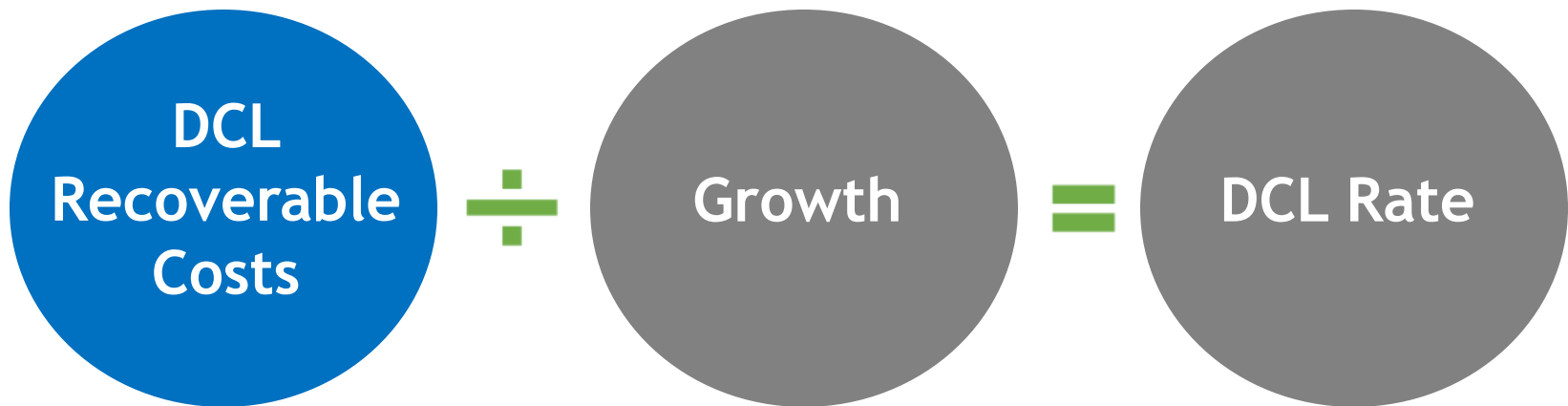


Data Source: DCL\_Projections\_2017\_2026  
 Date Created: 2015/04/18

# Employment Growth Forecast (2017-2026)



# Basic DCL Calculation



# Tools Used to Determine DCL Recoverable Costs

**DCLs**

**CACs**

**Rezoning  
Conditions**

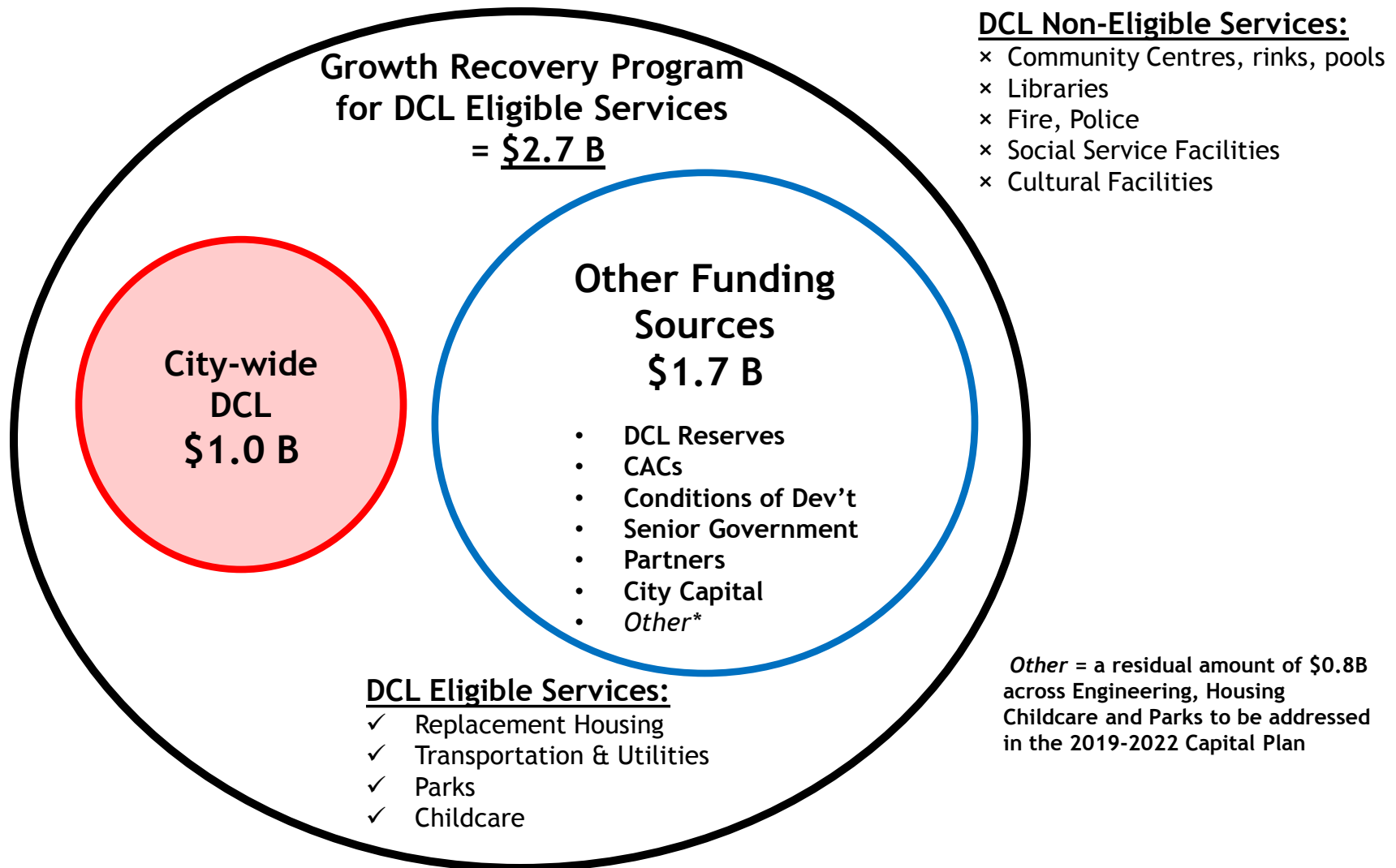
**Land  
Dedication**

**Snr Govt/  
Partners**

**Property  
Tax /  
Utility  
Fee**



# Growth Recovery Program & Funding Tools for DCL Eligible Services (2017-2026)



# DCL Program Overview (2017-2026)

(1 of 2)

## Replacement Housing:

- Estimated rental units lost to redevelopment = 3,000 units
- Replaced with more affordable housing supply (social housing units)

## Childcare:

- Create ~4,000 new childcare spaces for 0-4 and 5-12 year olds.
- Located in residential/commercial projects, schools, and civic facilities.

## Parks:

- Build out parks on both newly acquired lands, existing lands, and on major project sites
- Add waterfront parks, add/expand parks in neighbourhoods where growth is occurring.

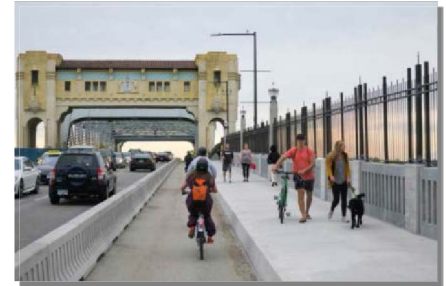


# DCL Program Overview (2017-2026)

(2 of 2)

## Transportation:

- Expand/upgrade infrastructure supporting active modes e.g. walking, cycling and transit



## Utilities:

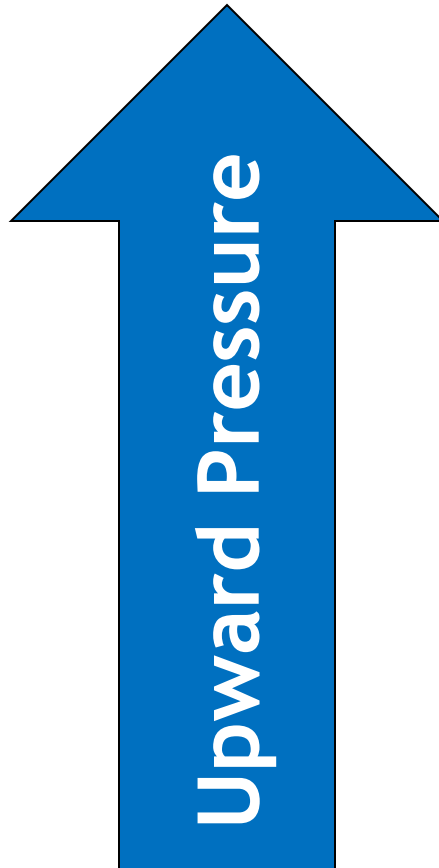
- Upgrade combined and sanitary sewer infrastructure
- Expand storm water drainage facilities
- Upgrade water mains for fire flow demands



# Overall Cost of Growth Program & DCL Recoverable Share (2017-2026)

Service Category	Total Growth Cost (\$Millions)	DCL Recoverable Share (\$Millions)
Replacement Housing	\$950	\$377
Transportation	\$634	\$265
Park Acquisition & Development	\$550	\$195
Childcare	\$334	\$133
Utilities (Sewers, Waterworks, Drainage)	\$209	\$89
<b>Total</b>	<b>\$2.68B</b>	<b>\$1.06B</b>

# Key Drivers on DCL Rates



- Increasing growth
- Increasing land and construction costs (inflationary pressures)
- Adding Sewer, Water & Drainage as a DCL project category
- Updated assumptions about senior government funding compared with last review

# Recommended Changes to DCL Rate Categories

- New “medium” density residential category (1.2 to 1.5 FSR) that provides a better gradient between lower density and higher density residential
- New “Mixed Employment” rate category which captures new allowances for office in select industrial zoning districts (e.g. I-1 zoning district which allows 1.0 FSR industrial and 2.0 FSR general office)
- DCL relief consideration for select civic facilities, cultural & social uses

# Impact of DCL Rate Changes

## Coriolis Report (2017) - Financial assessment of proposed DCL rates on development viability

- New residential development could accommodate the proposed rate increases (with more ability to pay downtown and west side)
- Increased industrial and commercial DCL rates would have a negative impact on a number of development sites in the city that are currently financially attractive for redevelopment
- In all cases where there is a DCL rate increase, it is preferable to phase-in the rate increase so new development can adjust to the increased costs.

# Recommended City-wide DCL Rates

Rate Category	Current DCL Rates	Phase-in (12.5% rate increase effective Sept 30, 2017)	Phase-in (12.5% rate increase effective Sept 30, 2018)*
<b>Lower Density Residential</b> (under 1.2 FSR)	\$3.23	\$3.63	\$4.03
<b>Medium Density Residential</b> (at or above 1.2 FSR to 1.5 FSR)	N/A	\$8.66	\$8.66
<b>Higher Density Residential</b> (over 1.5 FSR)	\$13.91	\$15.62	\$17.34
<b>Industrial*</b>	\$5.55	\$5.55	\$5.55
<b>Mixed Employment**</b> (Light Industrial)	N/A	\$10.44	\$10.44
<b>Commercial &amp; Other Uses</b>	\$13.91	\$13.91	\$13.91

*Avg. residential rate increase = 25%*

*Non-residential rates calculated at 25% increase, but to be unchanged or reduced.*

\* Industrial rate applies to following zoning districts: I-2, M-1, M-1A, M-2, MC-1, MC-2

\*\* Mixed Employment applied to following light industrial zoning districts: IC-1, IC-2, IC-3, I-1, I-1A, I-1B, I-4

\* In 2018, all DCL rate categories are subject to annual inflationary adjustment (in addition to 12.5% rate increase phase-in)



# DCL In-Stream Rate Protection

- New DCL rates will be effective at bylaw adoption
- Vancouver Charter provides one year of rate protection to applicants in-stream:
  - Building permit applications
  - Precursor applications (rezoning & development permit)
- Rezoning and Development Permit applications require building permit issuance within one year of bylaw adoption

In addition to Vancouver Charter 12-month rate protection, Staff are recommending a one-year phase-in on new residential DCL rates (rates to be phased-in with a +12.5% increase on Sept 30, 2017, +12.5% on Sept 30, 2018, plus inflation)

# Recommended DCL Allocations

Project Category	DCL Rate Supported Cost (\$millions)	Recommended Allocation	Change from 2003
Replacement Housing	\$377.0	36%	+4%
Transportation	\$265.4	25%	+3%
Parks	\$195.0	18%	-23%
Childcare	\$133.4	13%	+8%
Utilities (Water, Sewer, Drainage)	\$89.1	8%	+8%
<b>Total</b>	<b>\$1,059.9</b>	<b>100%</b>	

New Category  
→

- DCL allocations will take effect immediately following Council approval
- Project Category allocations direct DCL funding to update capital programs that are aligned with Council priorities
- Utilities being added as a Project Category
- Lower parks allocation reflects volume of unspent DCLs in the Parks reserve (\$111M), but does not impact Park spending during life of this DCL update

If approved, DCL allocations and rates will be reviewed/updated every 4 years with Capital Plan cycle

# Recommended DCL Allocation

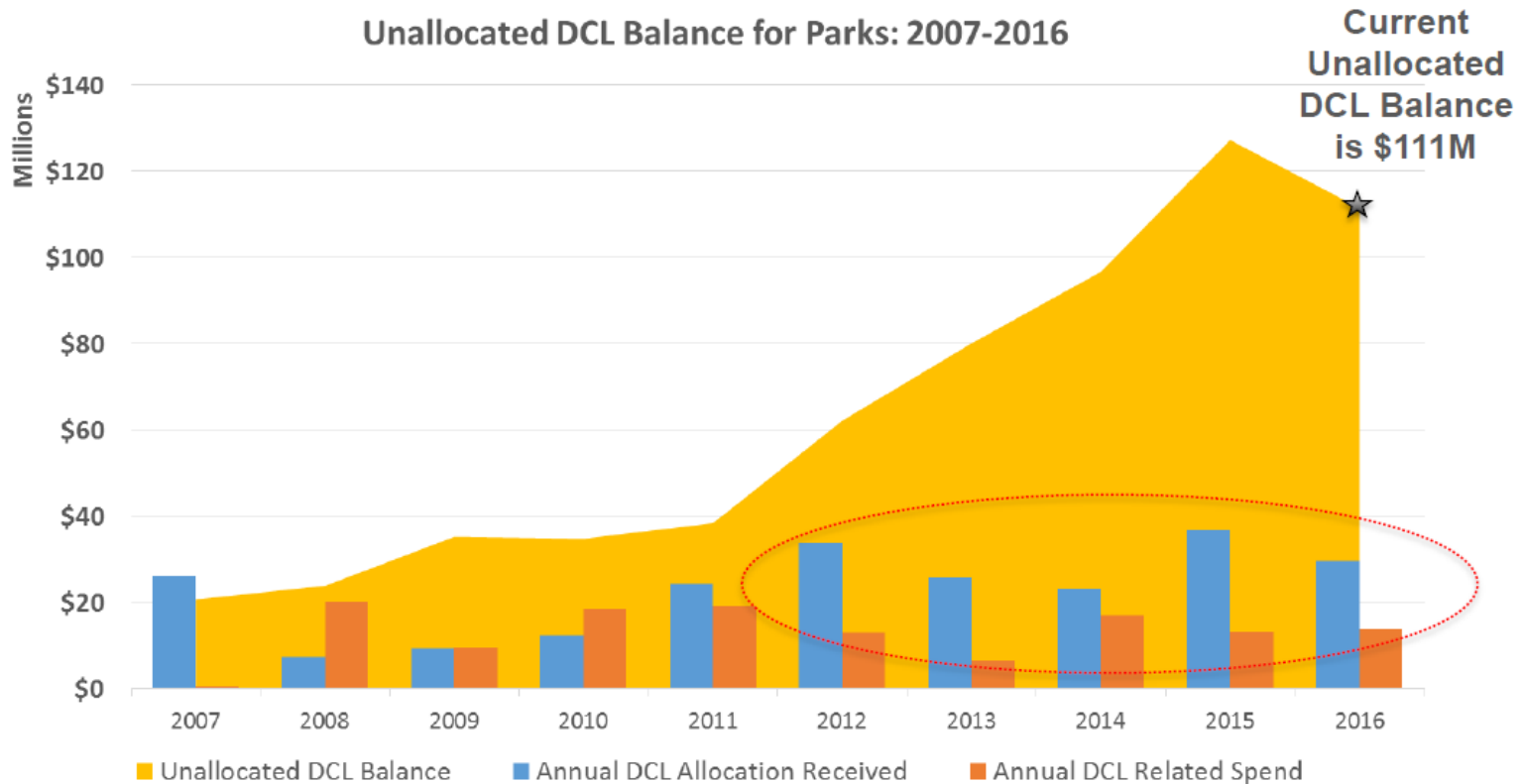
## *Implication for Parks*

- New parkland is secured using various mechanisms:
  - In-kind CACs via rezonings: e.g. David Lam Park (in the past) and Oakridge Transit Centre (in the future)
  - DCLs: e.g. Emery Barnes Park (in the past) and new park along Fraser River (in the future)
- Park Board currently spends \$10-\$20M in DCLs annually on parkland acquisition and park construction
- The recommended City-wide DCL is anticipated to provide ~\$30M in DCL revenue annually (unallocated DCLs in reserve + new DCL revenue)

# Recommended DCL Allocation

## *Implication for Parks*

- \$111M in unallocated DCL funds in the Park Board account, plus \$195 in City-wide DCLs, plus other funding= ~\$36M/year



# Recommended Reduced DCL Rates

- Council currently offers reduced DCL rates for a limited number of uses: schools (Kindergarten to Grade 12); parking garages; community energy centres; and works yards
- Add reduced DCL rate at \$10/building permit for city-owned facilities and select social and cultural facilities for the following uses in all DCL areas:
  - Artist studio (Class A & Class B)
  - Community centre/neighborhood house
  - Library
  - Public authority use (fire halls and police stations)
  - Social service centre

# Recommended Change Downtown South DCL District

- Downtown South Area Specific DCL District established in 1992
- Public benefits in area plan are now realized
- Recommendation is to retire the Area DCL & fold it into the City-wide DCL District
- DCL costs will decrease for new development

DCL District	DCL Rate (\$/sf) (High Density Residential)
Downtown South	\$19.09 (current)
City-wide DCL	\$17.36 (proposed)
Proposed Change	<b>-\$1.73</b>

Downtown South



# Estimated DCL Revenue Implications

## City-wide DCL revenue implications:

- Average over past 5 years = \$65M/year
- Anticipated average with recommended changes = \$100M/year\*

\*Note that additional DCL revenue from future annual inflationary adjustments has not been included in this forecast

## Foregone DCL revenue from recommendations:

- One-year DCL rate phase in = \$7.5M
- Commercial/industrial rate freeze = \$5.6M/year
- Extending DCL relief = \$0.3M/year

# Recap - Council Recommendations

THAT Council approve the following report recommendations for the comprehensive update to the City-wide DCL program (2017-2026):

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Thank You

