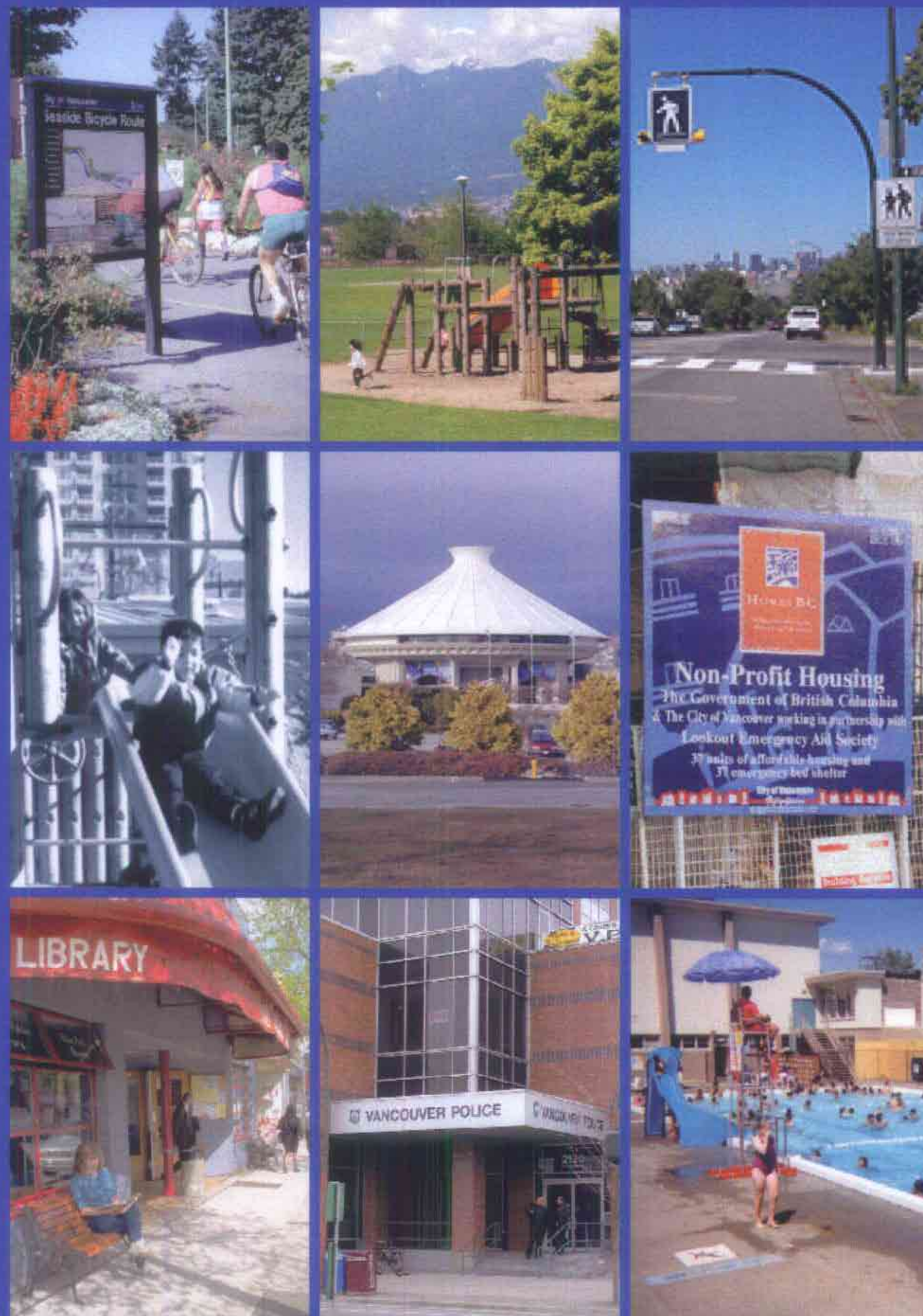
FINANCING Growth

Paying for City facilities to serve a growing population: the role of city-wide charges on new development



CITY OF VANCOUVER

DRAFT FOR DISCUSSION
JUNE 2002

One of the key issues facing Vancouver is how to accommodate a growing population while maintaining the level of services and amenities for those who live and work here already, as well for new residents and employees.

This report outlines:

- The expected growth;
- The costs of providing City facilities to serve new growth (transportation, parks, daycare, libraries, community centres, etc); and
- The tools available to pay for these facilities, with a focus on a relatively new tool, charges on new development.

The report contains Policy Choices for public discussion, about how to use charges on new development to help pay for the facilities needed as the City grows.

A key question is what share of these growth costs should be paid by charges on new development, compared to the share funded by property tax.

Additional questions ask whether certain types of development should pay more or less, and how rezonings should contribute to the City's needed amenities.

For more information on development charges in Vancouver, and to find out how to get involved in the public discussion, please call EricWestberg in Planning at 604-873-7408, or see the City's web site at <www.city.vancouver.bc.ca >

On [date], City Council approved the following recommendation:

"THAT Council receive the report of the Financing Growth Review, and refer the policy choices and staff recommendations to a broader public discussion, for report back in early 2003."

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Introduction

Vancouver has grown rapidly over the last 20 years, and will continue to grow, adding 101,000 people and 93,000 jobs over the next two decades–or sooner.

There are benefits to having growth locate in Vancouver, for the city and region–e.g., helping to maintain the regional green zone, reduce traffic, and provide a wider variety of housing.

There are also significant costs for the City budget. More people put more demands on parks, libraries, transportation, community centres, and other City facilities. How do we maintain the level of amenities and services as the city grows?

Traditionally the answer was mostly through property taxes. But this has been increasingly difficult. The City and its property tax base are under pressure to deliver a wider range of services than in the past (from seismic upgrading to environmental improvements). There is also a growing stock of aging infrastructure to maintain. Meanwhile, senior government funding to the City has decreased significantly.

Vancouver, like other municipalities across Canada and the U.S., has sought new tools for funding, including charges on new development to help pay for the additional facilities need to serve growth.

In Vancouver, having new development assist in providing new facilities has evolved gradually over the past two decades, focussing first on areas where planning for new development was underway, such as the North Shore of False Creek, and Downtown South.

By the year 2000, this had left a piecemeal pattern of development charges in the city. Only recently planned areas had provisions for new development to contribute to their growth costs. Yet, growth will occur across the whole city. In response, City Council introduced development charges city-wide:

- An **Interim City-wide Development Cost Levy (DCL)**, a charge on **all new development**, to help pay for facilities made necessary by growth.
  - A rate of $2.50 per square foot for most new development; $1.00 in industrial areas.
- An **Interim City-wide Community Amenity Contribution (CAC) Policy**, to secure additional community amenities when new development occurs through **rezoning**.
  - $3.00 per square foot (based on additional density approved in the rezoning); or, where City Council approves for "non-standard" rezonings, a CAC determined through a site specific negotiation.

The Interim DCL and CAC built on experience with the DCLs and CAC policies already in place in sub-areas of the city. But the Interim policies were the first time a city-wide system of charges on new development was set up.

Council instructed staff to undertake the Financing Growth Review, to refine and improve the interim development charges, and to place them within a broader context on how the City's capital costs of growth should be funded.

This report, the result of the Financing Growth Review, provides information for the first time on the overall growth costs and how they fit into the City budget context. The report provides policy choices for public input and City Council decision. The key question is:

- What share of growth costs should be paid by development charges?

Additional questions include:

- Should some developments, like institutions, or non-profit housing, pay a lower charge?
- How should revenue received be allocated among projects/facilities and spent?
- How should developments that are granted additional density through rezonings contribute?

This review was undertaken by the Planning and Finance Departments, with technical and policy support from an interdepartmental team, and a Resource Group of outside stakeholders to provide a testing ground as the work proceeded. The findings are provided in this report, with more details in a separate document, *Financing Growth: Technical Supplement*.

Part I
Growth Costs and Tools to Pay

1. Costs of Providing Facilities for a Growing Population

1.1 How Much Growth

Current City and Regional plans, approved in the late 1990s, identify growth for Vancouver of 101,000 more residents and 93,000 more employees–on top of over 500,000 residents and 340,000 jobs already here at that time.

This growth was to occur over 25 years, but it could happen more quickly–or more slowly. In the 80s-90s, Vancouver grew by 100,000 people in only 13 years.

The plans are part of an overall regional growth management strategy, designed to meet a number of objectives, such as protecting the regional green zone, reducing the growth in car travel, and creating complete communities.

About half of the anticipated population growth, and 20 percent of the employee growth, are concentrated in a few areas that have been recently planned for new development, like the North Shore of False Creek (see areas in black on the map). The plans for these areas include arrangements for development to help provide facilities to serve the new population.

But the rest of the coming growth is not in these newly-planned areas. It is in new developments being built across the city under existing plans and zoning. This includes:

- New downtown and Central Broadway office buildings.
- New mixed use developments, with housing above shops, along arterials.
- New suites in residential neighbourhoods.

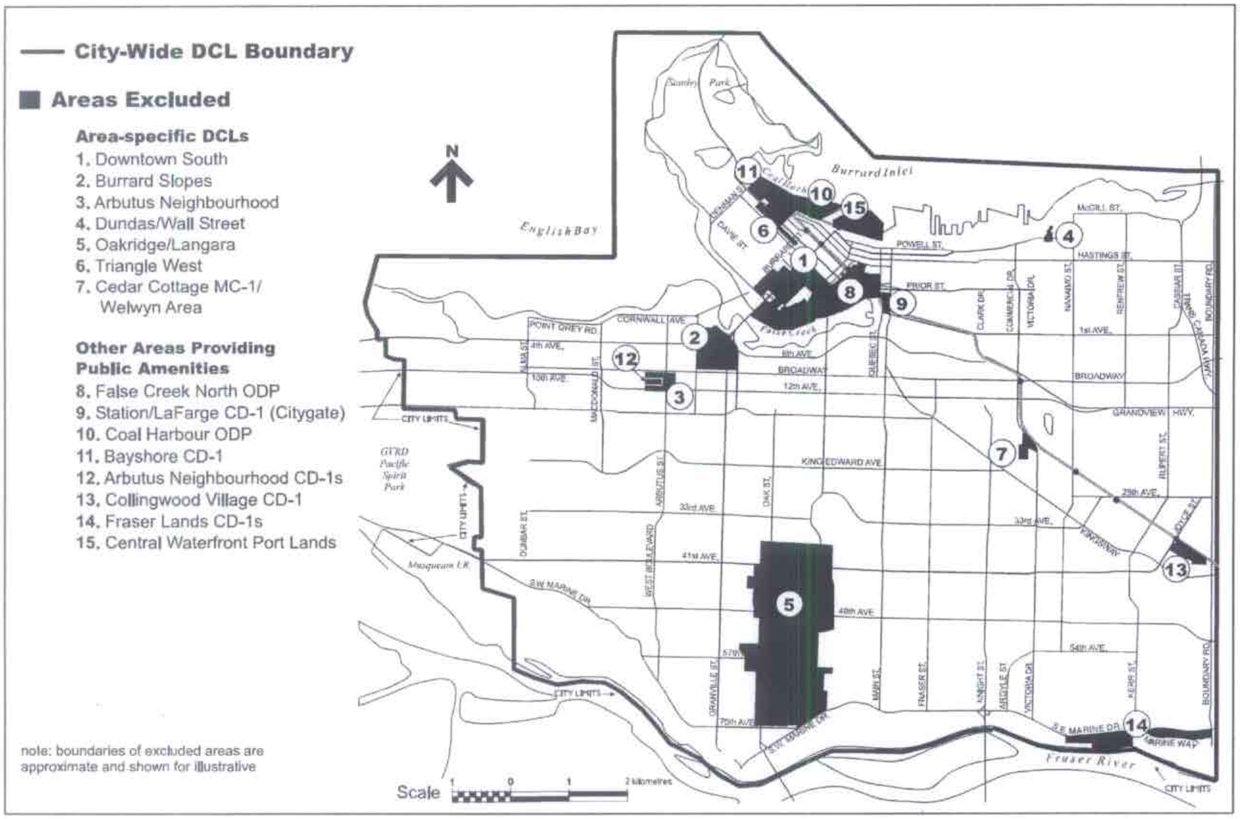
The growth that will occur in this area–the area known as the "City-Wide Area" in this review–is the basis of this study:

- **50,500 residents**
- **71,000 employees.**

This growth had no provision to contribute to growth costs, until the recent introduction of the City-Wide development charges that are being examined in this report.

(Although some years have passed since the plans of the late 1990s, they provide the best available information base for this review. And, although some of the growth anticipated in those plans has already occurred, the city's existing zoning can accommodate additional growth. This review thus looks at the next 50,500 residents and 71,000 employees in the City-Wide Area.)

Map 1: City-Wide DCL Area



Note to map: CD-1s (comprehensive development districts) and ODPs (official development plans) are specialized area and site zonings.

Table 1: Growth Inside and Outside City-Wide DCL Area

Location of Growth	Population	Employees
Total city growth	101,000	93,000
Growth in areas already contributing to growth costs before introduction of the City-Wide DCL: (black areas on map)	50,500	22,000
Growth considered in this review: the City-Wide Area (white area on map)	**50,500**	**71,000**

Note: About 55% of employees are also Vancouver residents.

1.2 Costs of Providing Facilities to Serve the Growth

As each new person arrives in the city, either through birth or by moving here from elsewhere, they bring with them a package of service needs or expectations, for the use of parks, libraries, transportation, etc. To meet these needs, without deterioration in the level of service, new facilities are needed.

Overview of costs: In total, the cost of building these facilities for 50,500 people and 71,000 employees is about $1 billion.

But much of this cost may not have to be paid by the City budget, if contributions from other sources can be maintained. In past years, the City leveraged significant amounts from senior governments, especially for services like housing, daycare, and culture.

Based on these past trends, the optimistic scenario is that about half of the total $1 billion growth costs–or approximately $500 million–is what the City's capital budget will be called on to provide.

These are costs for a level of facility provision that meets existing City policies, standards, and service levels. This review did not seek to redefine those standards. They have been developed through their own planning and public processes and may be updated and revisited as part of separate studies in the future.

Any variations in standards or other assumptions will vary costs–perhaps up for some facilities, and down for others. It is not possible to foretell specific changes when looking 25 years ahead. However a $500 million net cost to the City is likely a good approximation of overall growth costs for the next 50,500 residents and 71,000 employees. With this basis, the City can start to plan now to meet its coming growth needs.

Initial capital costs only: The costs in this report are the one-time capital costs of building new facilities to serve new growth. These costs do not include operating costs.

Nor do they include other types of capital costs beyond providing the initial facility for new growth. For example, they do not include paying for existing facility deficiencies, or maintaining and replacing aging infrastructure, or debt servicing for borrowing. Nor do they include any remaining capital growth costs for areas of the city outside the City-Wide Area.

What specific facilities are included? The facilities in this review are those which the City is solely responsible for providing, as well as those which the City has taken a role in partnership with others, to provide. They are (in alphabetical order):

- Community centres, rinks, pools
- Cultural facilities (e.g., civic theatres, art gallery)
- Daycare/childcare centres
- Fire facilities
- Libraries
- Neighbourhood houses, family places
- Parks (neighbourhood park)
- Police facilities
- Social and replacement housing (replacement of affordable rental housing lost through redevelopment)
- Transportation facilities (off-site)

Facilities not included: This review does not include the following:

- Transportation facilities that are on, and adjacent to, a development site, and provided through development permit, rezoning, and subdivision requirements.
- Sewer, water, and drainage facilities for which general costs are paid primarily through a user fee, or self-financing utility, rather than property tax. In addition, development permit, rezoning, and subdivision requirements target new costs to new growth.
- Schools, health care, and regional transit provided by other levels of government.

How much more of the facilities will be needed for a growing city? This review used three approaches, based on practice in Vancouver and other municipalities, to determine facility needs due to future growth.

- **Standards-based approach:** A service standard comes from other cities' service level, national professional association standards, or City Council policy.

  Examples: Childcare: Standards vary by area and need. The standard used for estimating city-wide growth needs was: 1 daycare space for 50% of pre-school aged children with working mothers; 1 daycare space per 100 employees; 1 out-of-school space for 40% of elementary school-aged children with working mothers. (City Council policy: Civic Childcare Strategy.)

  Replacement housing: The standard is one-for-one replacement of affordable rental housing lost through redevelopment. (Vancouver Charter.)

- **Past level of service-based approach**: This is a variation of the Standards method, but here the standard is the actual past pattern of service provided in Vancouver.

  Examples: Park: Growth needs are based on continuing to provide 2.75 acres of neighbourhood park per 1000 population, which has been the general level of neighbourhood park provision in the city for several decades. (Park Board policy.)

  Replacement housing: Needs are in part based on the City's policy since the 1980s of continuing to maintain 8.5% of city housing stock as social housing. (Council policy.)

- **Plan-based approach:** This method relies on a Council approved plan. A portion of the cost of achieving the plan can be attributed to growth.

  Examples: Transportation: Growth needs are based on the City Transportation Plan which calls for accommodating growth without increasing auto capacity, and on specific plans for Bikeways, Greenways, and the Downtown Streetcar.

Each of these approaches has its strengths and weaknesses:

- A standards-based approach taken from other cities may not be directly applicable to Vancouver, but may provide a needed benchmark.
- The past level of service is very useful because it is what has actually been provided in the past in Vancouver. But it does not address newer services, like greenways or childcare. It also assumes that the future can, or should be, like the past, when instead the future may require a higher, or a lower, standard than the past.
- A Plan-based approach is future-oriented and Vancouver-specific, but city-wide plans at a detailed enough level for this purpose do not exist for many facilities.

For each type of facility, whichever approaches were most applicable were applied.

How much do the needed facilities cost? Once the future demand for facilities was determined, based on the above approaches, cost estimates were calculated:

Table 2: Growth-Related Capital Costs Summary for City-Wide Area

Type of cost	Costs in million $
Gross costs	$1,357
Net costs	$ 547
Net costs for DCL-eligible facilities	$483
Net costs for non-DCL-eligible facilities	$ 64

More information is provided in Table 3 and in the Financing Growth Technical Supplement.

Table 3: Growth-Related Capital Costs by Project (in order of magnitude) (in million $)

Project category	Specific project needs, for growth of 50,000 residents & 71,000 employees (City-Wide Area) (1)	Gross costs (2)	Contributions from sources outside City budget, based on past trends	Net costs to City budget, if other contributions continue
DCL-eligible projects (3)				
Neighbourhood park	139 acres (49 acres to be newly purchased)	$556	• Park expected without new land purchase (e.g., PNE conversion to park)	$197
Replacement housing	5400 units affordable rental & social housing to replace units lost to redevelopment	$494	• City land leases • Funding from other levels of government	$156
Transportation (off-site) (4)	Completed greenways plan, bikeways plan, downtown streetcar plan, etc	$115	• Property owners' local improvement fees • Senior government grants	$105
Childcare	1,225 daycare spaces and 825 after-school care spaces	$ 94	• City land leases • Community fund raising • Funding from other levels of government	$ 25
Sub-total		$1,259		**$483** Av. annual: $19 (5)
Other projects				
Community centres, rinks, pools	115,600 sq ft of recreation facilities	$ 30	• Senior government grants • Community association and non-profit fund raising	$ 23
Library	15,000-18,000 sq. ft of library branch space; and completion of Central Library levels 8 & 9	$ 18	—	$ 18
Cultural facilities	Completed Cultural Facilities Priority Plans	$ 38	• Continued partnership with senior governments and non-profits	$12
Fire	3 "quints" (fire engines) and 3 fire hall parking bays	$ 5	—	$ 5
Social service facilities	1 neighbourhood house, and 1 family place	$ 4	• Community fund raising	$ 3
Police	7500 sq ft office space (central &/or precinct); 17 vehicles.	$ 3	—	$ 3
Sub-total		$ 98		**$64** Av. annual: $2.6 (5)
All projects		$1,357		$547 (av annual:$22)

(1) Project needs are based on existing City plans, policies, and standards, and on the three approaches described on the previous pages.
(2) Costs are city-wide average costs.
(3) DCL-eligible facilities are facilities which can be paid for with DCL revenues collected from new development. Eligibility is determined by the Vancouver Charter, which is Provincial legislation guiding City powers. (The issue of whether more facilities should be eligible is addressed later in this report.)
(4) Transportation costs do not include costs on, and adjacent to, the development site, that are provided by development permit, rezoning, and/or subdivision requirements.
(5) Average annual cost is based on 25-year growth period from the Livable Region Strategic Plan.

2. Development Charges and Other City Tools to Pay for Growth

2.1 What are DCLs and CACs

Charges on new buildings to help address the costs and impacts of growth have evolved in Vancouver from the 1980s, starting in specific sub-areas, and more recently extended city-wide. These tools are based on the authority granted to the City by the Provincial government in the Vancouver Charter. Changes in the Charter over the past decade have increased the City's authority to use development charges.

Development Cost Levies (DCLs): DCLs are very structured in their application based on their legal intent to help to pay for growth costs. DCLs have the following attributes:

- A charge on **new development**, commonly assessed on a per square foot basis.
- To help pay for new capital facilities needed due to **growth**–only for the following **specified projects**:
  - Parks
  - Replacement housing (housing that replaces affordable rental units lost through redevelopment)
  - Childcare
  - Engineering infrastructure (transportation, sewer, water, drainage).

Community Amenity Contributions (CACs): CACs are more flexible in their application and use, as they are part of a rezoning, which is a Council-approved change in the city's land use. Attributes of CACs are:

- Apply only to **rezoning**–when additional density is approved by City Council.
- To provide **community amenities.**

2.2 The Financial Significance of DCLs and CACs

DCLs can be of significant financial assistance in paying growth costs. The Interim City-Wide DCL is expected to yield an average annual revenue of $5 million at the Interim rate. This DCL revenue will:

- Cover over 25% of the net growth costs for DCL-eligible projects.
- Be equivalent to about a 14% addition to the City's Capital Plan (not including sewer and water, which are also not included in the growth costs.)

CACs are different in financial significance than DCLs. Much less development happens through rezonings than under existing zoning. Also, CACs are frequently provided as in-kind and on-site facilities, instead of as cash revenue. Thus, their importance is not as a large revenue source, but rather to address specific impacts of a rezoning–and on large sites, providing significant in-kind assets.

2.3 Who Pays DCLs and CACs

While the actual cheque is paid by the developer, one of the underlying questions about development charges is who really pays–who bears the burden?

Is a levy passed directly to the consumer in the form of higher housing prices? Does it take a share of developers' profits? A report, commissioned for this review, from Coriolis Consulting, provides the following information about development charges in the Vancouver context:

- Developers cannot simply add a levy to the price of new space because, in a competitive market, prices are determined by the interaction of many forces.

- Developers will not absorb levies, because unless they can achieve a reasonable profit they will not initiate new projects.

Instead, the Coriolis Report describes the primary effect of levies as downward pressure on the land value of redevelopment sites. The response of the market to this pressure determines the ultimate impact of the levy on the price that the consumer will eventually pay.

- If the overall effect of a levy increases the supply of available redevelopment sites (due to rezoning and/or infrastructure upgrades), the levy will not cause prices to rise.
- However, if the overall effect of the levy decreases the supply of available redevelopment sites (because fewer landowners will want to sell when land value is lower), prices will rise.

The report concludes that the key is to not let the levy significantly reduce the land value and thus reduce the overall supply of redevelopment sites. This can be done by keeping the levy small, relative to land value and to other financial factors in the development process.

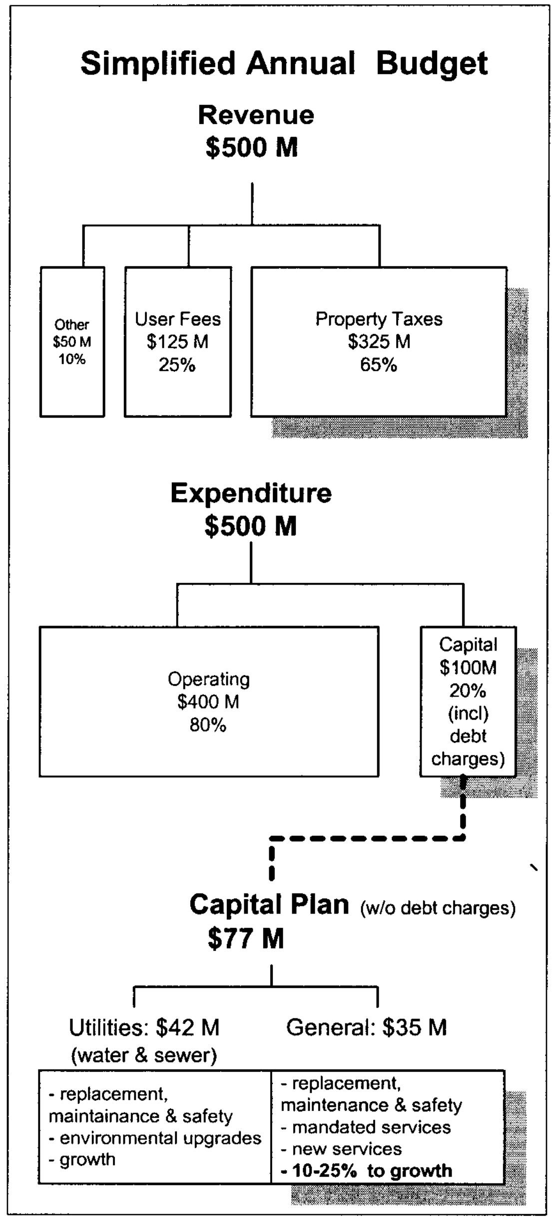
The Coriolis report echoes findings from a 1990 consultant report for the first DCL in Downtown South (Nilsen Realty Research).

2.4 The Role of Property Taxes in Paying for Growth

Development charges join with the property tax to finance the initial capital costs of new facilities for growth. The ongoing responsibilities for maintaining, operating, and replacing these services are borne by the community at large, mainly through local taxes.

Property taxes are the main source of City revenue. Most property tax revenues are needed for operating costs, not capital costs–and most capital expenditures are for maintenance, replacement, and safety. A small portion of capital expenditures (10-25%) are for new facilities for growth, as shown in Figure 1.

Figure 1: A Simplified View of the City Budget



One of the questions related to property tax and growth is how the property taxes from new development relate to paying for their growth costs?

When there is new development, the City's property tax base increases, providing the City with additional property tax revenue (about $5 million per year from new construction).

But this revenue is available to cover only a small portion of capital growth costs. The new development also means increased operating and other capital costs. As with other property tax, the new tax revenue from growth is used mainly for operating costs, some for capital costs, and a small portion for growth-related capital costs.

If all of the new property tax revenue, or "tax increment," from new construction were used only to finance new growth costs, it would mean reducing other parts of the City budget.

In terms of overall property taxes, if property taxes had to pay the full (net) costs of growth, this would require a one-time tax increase of about 10%, remaining in place for 25 years (on top of whatever other increases takes place for inflation, new services, etc).

2.5 Costs of Growth vs Revenue to Pay

Even with property taxes and the current level of DCL revenue, there is a gap between growth costs and revenues to pay these costs:

- Of the $22 million average annual net growth costs, $5 million is expected from the Interim DCL, and something between another $4-$9 million may come from the regular Capital Plan.
- This leaves a current gap of $8-$13 million annually.

The Capital Plan does not directly identify an amount for growth-related projects, as projects are typically a mix of growth, maintenance, safety, etc. However, it is estimated that 10-25% of the Capital Plan may go toward growth-related projects. This is for both DCL-eligible projects and those not eligible for DCL revenue. It is also not all directed at the City-Wide Area, because there are some remaining growth needs in other areas as well.

Figure 2 illustrates the gap, more directly linked to DCL-eligible costs and to the City-Wide area. This gap is shown over the full growth period, rather than as an annual figure.

- Of the $480 million DCL-eligible costs for the target growth over 25 years, $125 million (roughly 1/4) is expected from the Interim DCL, and another roughly $100 million (1/5), on average, may come from the regular Capital Plan.
- This leaves a gap of about $255 million or 50% of the growth costs.

(The size of the Capital Plan is determined by City policy which designates about 20% of annual revenue to pay capital expenditures, including debt charges on borrowing.)

2.6 Other City Tools to Help Pay Growth Costs

While property taxes and DCLs are most significant in paying for a wide array of growth-related costs, and CACs contribute to community amenities when rezonings occur, there are other tools as well which are not the subject of this review.

Some are development- and growth-specific:

- Development and rezoning requirements for engineering infrastructure (on-site, or adjacent to site). (More is required from major developments undergoing rezonings than for small "outright" developments.)
- Subdivision requirements for infrastructure and park. (Subdivision is rare in the built up city; park requirement is only for sites over 10 acres.)

A variety of other tools not specifically directed at growth, can also have the effect of helping to pay for, or reduce, the costs of growth. Although not the focus of this review, their use is evolving. Examples are:

- Co-location of City facilities–reduces land cost (e.g., fire hall/library built near Granville/12th; library/community centre to be built in Mt. Pleasant).
- Senior government capital grants (e.g., TransLink funding for bike routes; Federal-Provincial Infrastructure Program).
- Transfer of density policy (e.g., to provide park).
- Permeability regulations–reduce demands on sewer system.
- Business Improvement Areas and Local Improvements (e.g., local property owners' funding for local beautification, curbing, paving, etc.).
- City Property Endowment Fund land lease–reduces land costs (e.g., for social housing).
- Individual, foundation, and corporate donations.
- Public-private partnerships and corporate sponsorships.

(Where costs have been consistently paid for by any of the tools in this section, these costs are not included in the net growth costs.)

2.7 Conclusions

DCL revenue joins with property taxes to pay growth costs. As a financial tool, DCLs can be a significant revenue source related to growth capital costs–reducing the potential burden on property taxes–and can be applied (when kept relatively low) without affecting housing affordability or development activity.

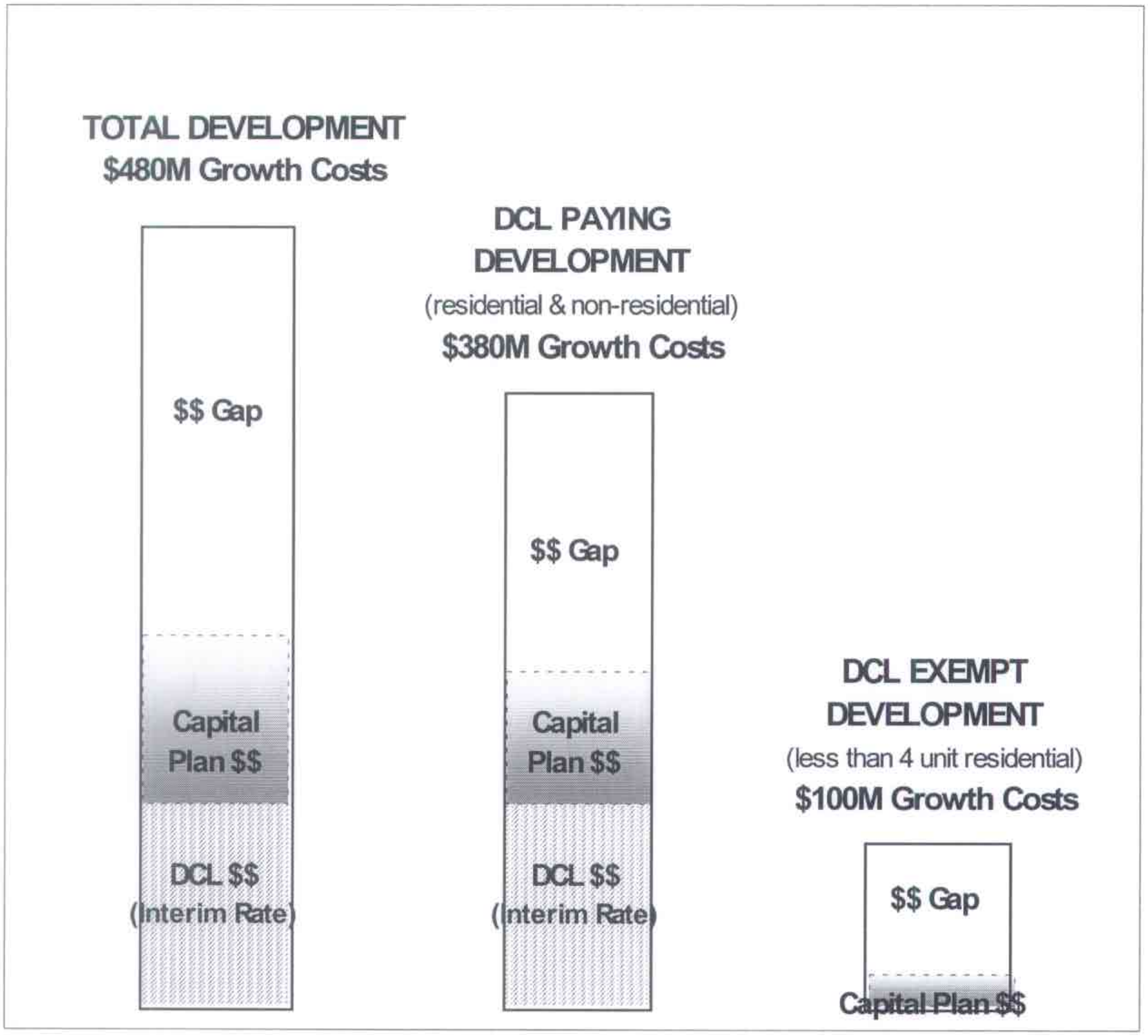
Even with the introduction of the Interim City-Wide DCL, there is still a gap between growth costs and revenues to pay these costs.

The following sections of this report look more closely at the role of development charges in helping to fill more of this gap.

There are also other ways to help fill the gap–ways which are not the focus of this review:

- Further development of other tools (e.g., increased co-location of City facilities; increased senior government funding, etc.).
- Changed "standards" that costs of growth are based on.
- Increased property taxes and fees.

Figure 2: Growth-Related Capital Costs vs. Revenue to Pay: A Gap



Notes:

- Of total growth costs ($480 M), DCL revenue ($125 M) covers 26%.
  Of growth costs for DCL-paying development ($380 M), DCL revenue covers 33%.
- Growth costs shown are net costs; for DCL-eligible projects; in the City-Wide Area.
- Capital Plan dollars shown are an estimate for DCL-eligible projects; in the City-Wide Area. (The Capital Plan is supported primarily by property taxes.)
- Developments with less than four residential units are DCL-exempt under the Vancouver Charter (Provincial legislation), and thus no DCL revenue is shown relating to their growth costs. The issue of whether less than four residential units should continue to be exempt is discussed in a later section of this report.

Part II
Issues and Policy Choices: Development Cost Levies (DCLs) For All Development

1. Principles for a DCL System

Principles for a Development Cost Levy (DCL) system stem from the specific role that DCLs are legally established to play. Similar principles can be found in a variety of sources, such as the Development Cost Charge Best Practices Guide from the B.C. government. A DCL system should:

- Be directly based on the capital costs of growth.
- Distribute the burden fairly:
  - Between new development (development charges) and existing development (property taxes).
  - Among various types of new development.
- Not deter development desired by City plans, nor harm housing affordability.
- Be consistent with other City policies.
- Provide certainty, stability–and be understandable, simple, and transparent.
- Be developed with informed input from all stakeholders.

The principles apply to the DCL system as a whole, from the initial calculations of growth costs, to the DCL rates to be charged, to the allocation and spending of the revenue.

2. Charging Development Cost Levies and Recovering Growth Costs

2.1 What Share of Growth Costs Should Development Charges Pay?

With DCLs in place, there is a mechanism for the capital costs of new facilities needed to serve growth to be shared, primarily by:

- All residents and property owners through property taxes, and
- New development through development charges.

The share varies for different municipalities and different DCL areas within Vancouver, based on what the growth costs are, and how high the DCL charge (rate) is.

The share of growth costs paid by the Interim DCL is lower than in other areas in Vancouver and the GVRD (see Table 4).

Table 4: Share of Growth Costs Recovered by DCLs in Different Areas

Area	% of growth costs paid by DCL revenue
Vancouver City-Wide DCL (at interim rate)	33%
Vancouver area-specific DCL districts* (average)	50%
Downtown (average)	38%
Outside downtown (average)	67%
Other GVRD municipalities: mainly developments on formerly vacant or underdeveloped land (DCL for park, sewer, water, roads)	81-99%

*See map, following page, for location of Vancouver area-specific DCL districts that are not part of the City-Wide DCL.

The following sections identify policy choices for DCL rates. Important factors to take into account are derived from the Principles:

- **What share of growth costs should the DCL recover** vs what percent property tax pays. (And, because the DCL is the only revenue source dedicated solely to growth costs, how this may affect the level of service to be provided as growth occurs.)
- **What the economic impact of the DCL rate is on development** and whether a higher DCL rate will deter desired development or affect housing affordability. (Economic impact information is from a report by Coriolis Consulting–see Appendix A for specific reference.)
- **How rates in Vancouver compare with DCL rates** for other DCL areas within the city, and other municipalities in the region.
- **Consistency with other City policies.**

2.1.1 Residential DCL Rates

Residential DCL policy choices apply to multi-family residential development, which accounts for most population growth. (Developments with less than four units are currently exempt from DCLs and their growth costs are not included here–see later section of this report.)

Policy Choices

A As is: $2.50/square foot: Existing Interim rate.
= 33% growth costs covered by DCL revenue.

Considerations:
- Keeps rate low, but leaves high percent of growth costs to be paid by already-stretched property tax.
- Lowest DCL rate compared to rest of GVRD. (Interim rate was purposely set at low end, pending outcomes of this review.)

B $7.50/square foot: Full cost recovery.
= close to 100% growth costs covered by DCL revenue.

Considerations:
- Recovers most costs, but is well over the $6.00 rate that the economic impact consultant said is on the edge of deterring desired development.
- Considerably higher than median rates for area-specific DCL districts in the city, and for other GVRD municipalities (although some have higher rates).

C $3.25-5.00/square foot: Rates in other areas.
= 43-66% growth costs covered by DCL revenue.

Considerations:
- Recovers significant portion of growth costs.
- Will not cause negative market impacts. on development (consultant report).
- Consistent with rates in other GVRD municipalities and other city DCL districts.

C-1: $3.25/square foot: Median rate in Vancouver area-specific DCL districts outside the downtown.
= 43% of growth costs covered.

C-2: $4.00/square foot: Median rate of all Vancouver area-specific DCL districts.
= 53% of growth costs covered.

C-3: $5.00/square foot: GVRD median rates.
= 66% of growth costs covered.

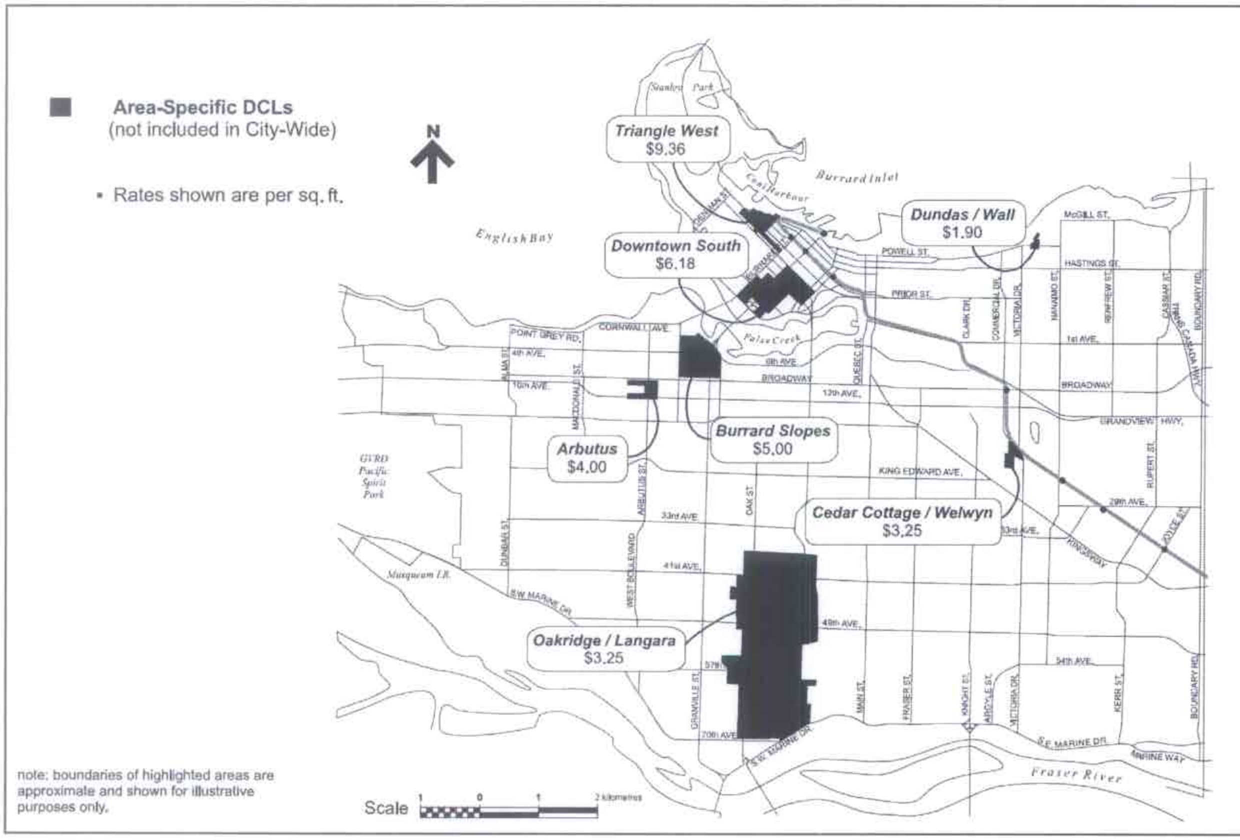
Table 5: Median DCL Rates for Multi-Family Development

Area	Multi-Family DCL	
	Median	Range
Vancouver area-specific DCL districts outside downtown	$3.25	$1.90 - 5.00
All Vancouver area-specific DCL districts	$4.00	$1.90 - 9.36
Other GVRD municipalities - Growth concentration area	$4.50	$2.70 - $9.96
- Entire GVRD	$5.82	$2.70- $9.41

Note: Median is the middle number: half are higher and half are lower.

Staff Comment: Staff are comfortable with C-3: $5.00 per square foot (66% cost recovery), with a 1-year grace period before the new rate comes into effect. This rate would recover a substantial portion of growth costs without negative economic impact on development, and be similar to the GVRD median rates.
(See Section 2.4 for policies on phase-in periods for higher DCL rates.)

Map 2: DCL Rates in Vancouver Area-Specific DCL Districts (Multi-Family Residential and Commercial)



Rates as of 2002.

Table 6: DCL Rates in GVRD Municipalities (in alphabetical order)

Municipality	Multi-Family (Apt) (per sq. ft.)	Commercial (per sq. ft.)	Industrial (per sq. ft.)
*Burnaby	$3.55	$0.50 (Metrotown)	(no rate)
*Coquitlam	$6.30	$2.88-$4.27	$2.42
*Delta	$5.01	$2.49	$1.27
Langley City	$6.25	$1.65	$0.43
Langley Twnshp	$7.81	$10.08	$2.11
Maple Ridge	$5.72	$0.67-$2.85	$0.83
*New Westminster	$2.97	(no rate)	$3.53
North Vancouver City	$4.58	$3.33-$5.33	$1.56
North Vancouver District	$7.28	$3.50	$1.28
Pitt Meadows	$2.70	$3.88	$2.12
*Port Coquitlam	$4.04	$3.75	$0.80
*Port Moody	$3.05	$1.10	$0.48
Richmond	$5.91	$2.20-$2.62	$3.02
*Surrey	$9.96	$3.23-$5.31	$1.94
***Vancouver City-Wide DCL**	**$2.50**	**$2.50**	**$1.00**
West Vancouver	$7.66	$4.59	(no rate)
White Rock	$9.41	$8.41	(no rate)
Median	**$5.82**	**$3.28**	**$1.56**
Average	**$5.76**	**$3.63**	**$1.68**
***GVRD Growth Concentration Area**			
Median	**$4.52**	**$3.06**	**$1.97**
Average	**$5.32**	**$2.94**	**$1.38**

Notes:
Development charges outside Vancouver are referred to as Development Cost Charges (DCCs instead of DCLs), and can legally be used for park, sewer, water, and roads.
Median and average figures exclude Vancouver rate.
Rates are as of September 2000; for more details see Technical Supplement.
Other development charges are also higher outside Vancouver:

- Regional Sewer DCC: Higher in other municipalities than in Vancouver.
- School Site Acquisition Levy: Applies in several other municipalities, not in Vancouver

2.1.2 Commercial DCL Rates

Vancouver has more than three times as many employees as any other municipality in the region, and significant growth anticipated, as shown in the table below, most of which will be commercial growth.

Table 7: Employment vs Residential Growth in the City-Wide Area

Land use	Growth
Residents	50,500
Employees	71,000
Commercial	48,000
Industrial	23,000

New commercial buildings generate growth-related demand from new employees, customers, clients, visitors, students, suppliers, etc., for transportation, daycare, and a variety of City services and facilities.

Vancouver's various DCL districts since the early 1990s have always charged the same per square foot DCL to both residential and commercial. This is based on the following factors.

What share of costs: Only daycare has a formula for growth-related demand for employment, in addition to their formula for residential. The total daycare growth costs can thus be broken down specifically into a share from residential growth and a share from employment growth.

For other services, however, the distribution of growth-related demands among land uses is not as specific. For example, for park which is the single biggest growth cost, park needs are calculated only on a *per resident* basis (2.75 acres of neighbourhood park per 1000 residents). This means the City does not add more to the park growth costs to accommodate employment growth.

What is known is that actual use of park and other City facilities is *shared* by both residents and employees. The question to be answered is how much of the total growth-related costs can be ascribed to employment vs to residential? There are a variety of surveys to draw on relating to land use and services:

- "Soft" services (non-engineering-related) are generally used more by residents than by employees. But surveys show that they still have significant employee use. This is especially true for parks.
- "Hard" services, on the other hand, e.g., transportation, are generally impacted more by employment than by residential.

Employees per square foot: Since DCLs are charged on development, rather than on a per person basis, a key factor is how much growth demand comes from each square foot of new development.

There are more than twice as many employees per square foot (of commercial development) as there are residents per square foot (of residential development).

Summary of basic factors affecting commercial vs residential growth-related demand: Equal rates for commercial and residential are supported by the factors described above:

- The square foot relationship (more employees per square foot vs residents).
- The significant employment use of "soft" facilities.
- The higher employment use of "hard" facilities.

More information on studies and surveys relating to employee use of City services is in the Financing Growth Technical Supplement.

Resident-employee overlap: About 55% of employees are also Vancouver residents. When there was a growth calculation related to employees (i.e., for daycare), care was taken not to double-count the demands of employees who are also residents.

On a broader level, even when Vancouver residents are also Vancouver employees, they create demands on City facilities that they would not create if they spent their working days in another municipality. This is because many facilities are used in relation to a person's workplace. Use of playing fields by employee-based teams is one example.

Also, the trend over time has been for fewer Vancouver employees to live in Vancouver. The percentage fell from 63% to 55% between 1971 and 1996.

Economic impact: In terms of economic impact, the same consultancy described in the section on residential DCL rates also investigated the impact on commercial development. The findings are noted in the policy choices below.

Another more indirect economic issue about DCL rates for employment land uses is the question of residential vs business property taxes, since business tax rates are higher than residential. However, property tax issues are being addressed separately by the City, including recent incremental shifts in the tax burden from business to residential.

Policy Choices

A As is: Continue to charge the same DCL rate per square foot for commercial development as for residential = growth cost recovery equal for residential and commercial.

Considerations:

- Residential and commercial have equal, or very similar, growth costs per square foot.
- Rates being considered for residential (previous section) in the $3.25-$5 range:
  - Not a deterrent to commercial development. (At $6, some types of development may be impacted.)
  - Do not recover 100% growth costs ($7.50 is full cost recovery rate).
- Comparison to commercial rates in Vancouver area-specific DCL areas and in rest of GVRD: Rates vary considerably. Some are very low. A majority are $3.25 or higher. One-quarter are $5 or higher. (See Figure 3.)

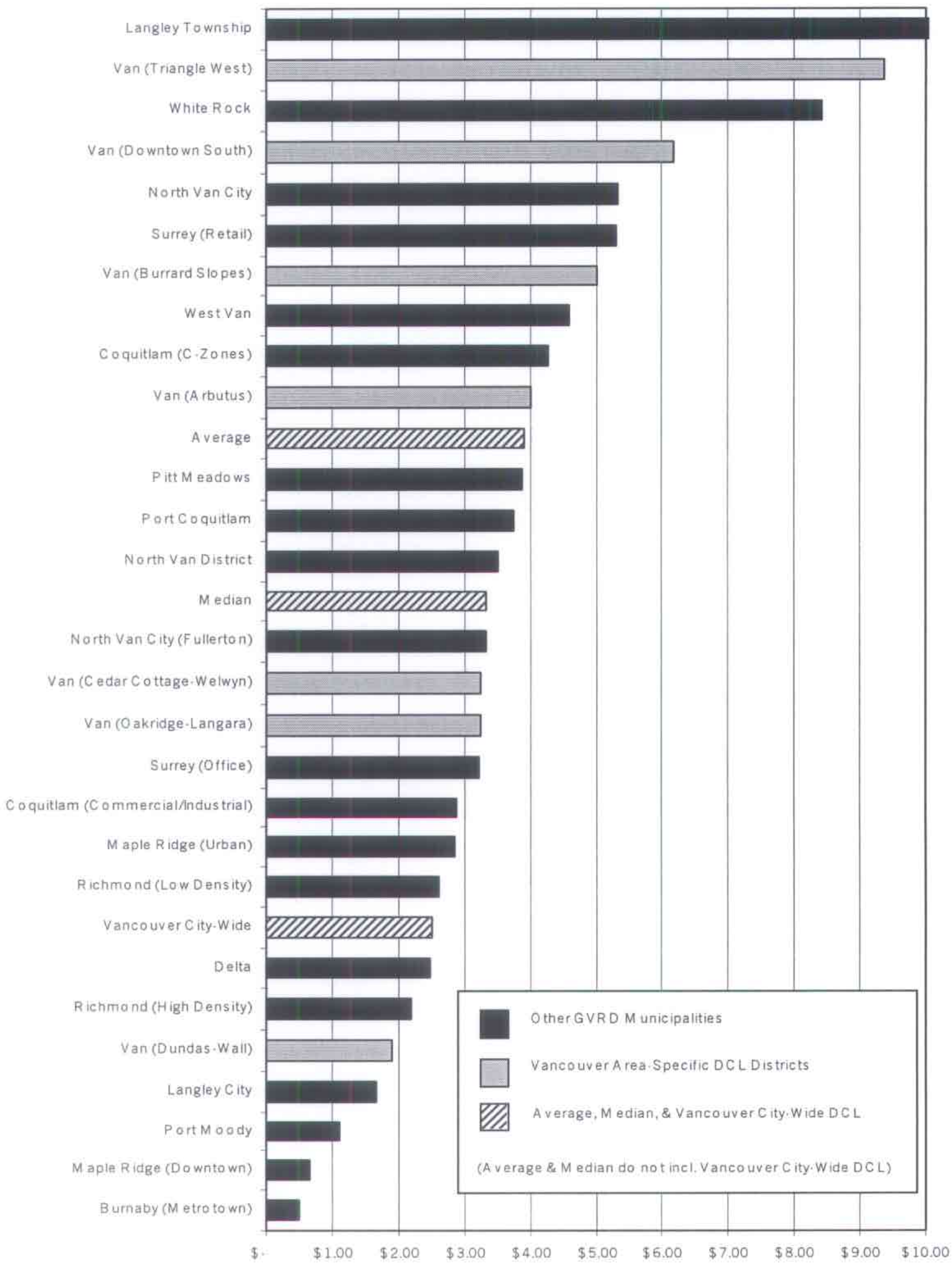
B Charge commercial less than residential = lower growth cost recovery for commercial.

Considerations:

- Most other GVRD municipalities charge commercial less than they charge residential.
- All other GVRD municipalities have much less commercial employment than Vancouver.
- A lower commercial DCL rate will mean less revenue and less cost recovery.

Staff Comment: Choice A is technically supportable , fair, and is recommended. At the $5 rate, it would be higher than the GVRD median, but within the range of other Vancouver DCL rates, and without negative economic impact (and noting that Vancouver has more employment than any other municipality in the region).

Figure 3: Commercial DCL Rates in Vancouver Area-Specific DCL Districts and in GVRD Municipalities



2.1.3 Industrial DCL Rates

While commercial and residential have paid the same rate per square foot in Vancouver DCL areas, industrial uses in industrial areas have paid a lower DCL (40% of the commercial-residential rate).

Industrial areas generally have fewer employees per square foot than commercial, and a lower level of services and amenities than found in other areas of the city.

(A few industrial areas, such as False Creek Flats, vary from this norm, or have other additional costs, e.g., sewer and water. These areas have additional area-specific DCL rates.)

Policy Recommendation

A As is: Continue to charge industrial developments in industrial areas a DCL rate that is 40% of the residential-commercial rate.

Considerations:

- Industrial areas have less amenity and fewer employees per square foot (i.e., lower growth costs) than commercial and residential.
- Rest of GVRD: Most municipalities charge industrial less than commercial and residential.
- Rates being considered in previous sections of \$3.25-\$5 for residential/commercial, would mean an industrial rate of \$1.30-\$2.00 per square foot.
  - Regional median is \$1.56-\$1.97.
  - Rates up to \$3 for industrial will not have negative economic impacts (consultant study).
  - Still would not recover 100% of growth costs (full cost recovery rate for industrial would be \$7.50 @ 40% = \$3.00).

Staff Comment: Recommend A.

2.2 Should New Developments with Less Than 4 Units Continue to Be Exempt?

The previous sections focussed on recovering growth costs through the DCL for multi-family residential, commercial, and industrial developments.

However, there is another share of growth costs, not included in the previous sections, for which there is currently no payment through DCLs.

The Vancouver Charter does not give the City the power to charge DCLs on less than four units. The introduction of DCLs in Vancouver in the 1990s was in higher density areas where this was not an issue.

In other GVRD municipalities, developments with one, two, or three units can be charged when there is a subdivision of four or more units–a circumstance that applies to much of their growth on formerly undeveloped lands, known as "greenfield" sites. (The GVRD median rate for single family is \$4.50 per square foot, similar to multi-family.)

Vancouver does not have the power to charge at subdivision, nor are there many subdivisions of this size in Vancouver. Most one, two, and three unit development in Vancouver does not need subdivision to proceed.

2.2.1 Charges for Less than 4 Units

As with other DCL rate policy options, the considerations are: recovering growth costs, and minimizing economic impact on development.

In a mainly built-up city like Vancouver, the growth from small developments may seem insignificant, and more difficult to pin down, compared to large developments. Also, the economic impact of a levy on small developers and builders has been a concern. Hence less-than-four unit developments were not initially included in the DCL legislation.

But, even though these developments are small and usually replace an existing house, substantial growth is created, albeit on a more incremental basis:

- 30% of the target population growth will occur in new single-family houses with suites.
- Even without suites, new single-family houses are on average 1/3 larger, with on average one more person per unit than older houses.

Economic impact was investigated as part of the same study as for multi-family residential, commercial, and industrial, and is noted in the policy choices below.

Policy Choices

A As is: Do not charge new developments of 1, 2, or 3 units.

Considerations:
- A less obvious relation to growth when a single family house is replaced with another single family house, or with a house and suite, vs construction of a new apartment building. (Adding suites is the most obvious growth, but it is difficult to single out when a house adds or subtracts a suite.)
- Other GVRD municipalities do not charge single family *re*development (but do charge single family in new subdivisions where much of it occurs).
- Not charging means that there will be no contribution from development that represents $100 million of growth costs.

B Request a Charter change to permit DCLs on new developments of 1, 2, and 3 units.

Considerations:
- Over 1/3 of the target growth will occur in new 1, 2, and 3 unit development and all development should contribute to paying for the growth needs it creates.
- As growth occurs in neighbourhoods with these smaller developments, DCL revenues will be needed to help provide new facilities to keep up with the growth.
- No negative economic impact: rate tested at $3 will not deter redevelopment, but might lead to slight shift in favour of renovation and adding suites–vs demolition and redevelopment. No price increase (consultant).
- *Actual DCL rate would be about 25% of multi-family–i.e., $0.63 if the Interim rate remains in place; and up to $1.90 for full cost recovery. This is much lower than the $3 tested by the consultant, and much lower than the $4+ GVRD median for single family and townhouses in new subdivisions. This is because the rate would be based on spreading the growth costs over many small developments, with each paying a small amount.*

Staff Comment: Staff note that significant growth will come incrementally in smaller developments and should contribute to growth costs it creates. Low rate per square foot spread out over many small new buildings would contribute, while well below level of economic impact. Staff recommend B and also suggest the following:

Policy Recommendation

A Request a Charter change to permit DCL exemption for small additions to existing buildings.

Considerations:
- Vancouver DCLs are paid on all new construction, per square foot. Other GVRD municipalities have authority to exempt projects with a low permit value (e.g., under $50,000). If Vancouver Charter permits a DCL on 1, 2, and 3 unit developments, this would ensure that the DCL would not apply to small additions to existing houses.

2.3 Should Institutions, Heritage, and Non-Profit Housing Have Lower Rates?

All of the developments gathered in this section are those that suggest a public service role. This raises the issue of whether paying an additional charge will interfere with this role. Some of these already have DCL rate relief. Others have been proposed, at various times, for relief.

The policy options in this section are grouped into the following categories. These categories move from those in which the City is most heavily involved, to those with less, or no, City involvement:

- **City-owned facilities and other facilities eligible to receive City DCL revenue** (e.g., community centres, libraries, daycare, replacement housing).
  Interim DCL: Social housing is a required exemption in the Vancouver Charter and has been the most common form of replacement housing; City also has a low rate for daycare. All other City facilities are charged regular rates.
- **Heritage-designated buildings**.
  Interim DCL: Heritage Revitalization Agreements, to protect specific buildings, may lower or waive the DCL associated with new construction on a heritage site. Heritage bonus density transferred to another site is charged regular rates.
- **Non-profit facilities** (social and cultural services).
  Interim DCL: All are charged regular rates.
- **Senior government: health and education facilities** (hospitals, long-term care facilities, colleges and universities)
  Interim DCL: City has a low rate only for schools (k-12). Other facilities are charged regular rates.

(The Vancouver Charter also exempts places of worship.)

The following sections identify policy choices for DCL rates, taking the same factors into account as for residential, commercial, and industrial:

- Growth costs.
- Economic impact of the DCL rate on development.
- Comparison with DCL rates in other GVRD municipalities.
- Consistency with other City policies.

As the categories move from those types of facilities in which the City has the most involvement, to those with less, the issues around relief become more challenging.

How to provide DCL relief? There are two mechanisms possible:

- Reduced rates or exemptions: the DCL charge is lower, or nil. (The Vancouver Charter currently limits full exemptions to social housing and places of worship only.)
- Grants: The organization pays the DCL, but receives a grant from the City to recoup some or all of its DCL payment.

The City generally uses reduced rates or exemptions for any type of fee relief because the City does not have a funding source to pay additional grants. (DCLs funds themselves are not a source of grant, since they can only be spent on DCL-eligible projects.)

The policy choices that follow generally adhere to existing City precedent on relief–i.e., the form of relief being considered is a lower rate (or exemption where permitted by the Charter), rather than a grant. Any exceptions are explained in the specific policy option.

2.3.1 City and DCL-Eligible Facilities Including Non-Profit Housing

This is a separate category of relief because of the City's responsibility as the sole, or a key, provider of, or contributor to, these services, and as the collector and distributer of DCL revenue.

The City owns a wide range of facilities. Most are also operated directly by the City or its boards, such as libraries, social service centres (e.g., Carnegie), fire halls, police stations, works yard buildings, etc. Some are operated by non-profit groups (e.g., Vancouver Museum, Art Gallery, several neighbourhood houses).

Of all facilities which the City owns, funds, or plays a key role in funding, only two are currently eligible for DCL revenue under the Vancouver Charter: childcare and replacement housing (housing that replaces affordable rental units lost to redevelopment). (A later section of this report addresses the issue of whether more City facilities should also be eligible.)

Policy Choices

A As is: No DCL relief for City-funded and DCL-eligible facilities, except:

- **Daycare: low rate.**
- **Social housing: exemption: defined as government-subsidized rental housing targeted to low-income households.**

Considerations:

- Inequity among projects: All new City facilities pay DCLs, but only some are eligible to receive DCL revenue.
- The City is paying itself–funding is in a sense going around in a "circle" (and incurring extra administration costs to do so).
- Social housing definition is narrow compared to what could qualify as DCL-eligible replacement housing, with long-term affordability. (The Vancouver Charter requires that social housing be exempt from DCLs, but the City defines social housing.)

B Expand DCL relief to include all City-owned and DCL-eligible projects, on the principle that, since DCL revenue provides funding to the City, the City should not have to pay the DCL.

- **Keep lower rate for daycare.**
- **Expand definition of social housing (required DCL exemption):**
  - **Government-subsidized rental housing targeted to low-income households, <u>and</u>**
  - **Rental housing owned and operated by a non-profit housing society, secured by a City Housing Agreement.**
- **Provide lower rate for all other City facilities that provide public services.**

And request Charter change to permit full exemption where not currently permitted for these facilities.

Considerations:

- Eliminates inequity whereby all new City facilities pay DCLs, but only some receive the revenues.
- Consistent with other City policy: Where the City provides a range of assistance (e.g., grants, land leases), lower DCL rates add to the package of City tools, and ensure that the DCL does not "cancel out" the other assistance.
- Broader social housing definition includes wider variety of rental units that will be affordable over the long term (and fulfill role as DCL-eligible "replacement housing").
- Other GVRD municipalities: About half have lower rates for civic buildings. (Social housing is a required exemption for all.)

C **No lower rates for City facilities and DCL-eligible facilities.**

Considerations:
- Perceived fairness of all development paying toward its growth costs.
- Would eliminate existing daycare lower rate, and not provide any other lower rates for City facilities.

Staff Comment: Recommend B.

> **Note: Congregate housing** is housing for seniors with shared meal facilities and programs, but without medical care. Congregate rental units that meet the same criteria as other social housing in Choice B are also included in the social housing definition as DCL-exempt: government-subsidized rental housing targeted to low income, or non-profit rental secured with a Housing Agreement.

2.3.2 Heritage Buildings

The second issue for DCL relief relates to heritage. Vancouver's heritage program encourages heritage retention and is responsible for designating heritage buildings, to ensure their continued preservation as the City grows.

The City has the authority to vary the DCL on a heritage site, through an individual Heritage Revitalization Agreement, or HRA. But HRAs cannot apply to heritage bonus density transferred off site

Heritage bonus density is the way the City provides the required compensation to owners who agree to heritage designation of their building. Bonus density that cannot be accommodated on the heritage site may be transferred to another site.

Often, there is not a suitable "receiver" site immediately for the bonus density. The heritage property owner "banks" the bonus density. All of the "banked" density available at any one time is awaiting buyers with suitable receiver sites. (Most of this activity occurs in the Downtown and nearby areas.)

Impact of DCL on banked heritage bonus density: The bonus density is worth less when a DCL will have to be paid on it. Since DCLs must be paid on transferred bonus density, a reduced value means more of this density must be granted in compensation.

While the additional bonus density due to DCLs is a tiny percent of overall new construction in the city, it is significant in relation to the amount of banked heritage density. DCLs mean that, at any point in time, there are 10-25% more square feet in the density "bank" than without DCLs. If DCL rates increase in the future, the additional density in the "bank" due to DCLs would also increase.

Too much density in the bank reduces its value and its effectiveness. The situation is further worsened because of a potential over-supply of heritage bonus space due to more potential future "donor" sites than "receiver" sites. (This has been documented in a heritage consultant study now underway on the heritage transfer of density policy.)

There can also be urban design implications of accommodating additional density, especially if an accumulated amount of banked density is targeted for a single site.

Policy Choices

A As is: DCL relief is available only on the heritage site. No relief for bonus density when it is transferred away from the heritage site.

Considerations:
- Transferred density pays toward its growth costs.
- But–applying DCLs means more bonus density must be created–reducing its viability.

B Request a Charter amendment to exempt transferred heritage bonus density.

Considerations:
- Reduces the amount of additional bonus density needed, and improves the viability of the heritage transfer of density tool.
- Foregone DCL revenue only about 2% of total.
- *Note: This policy choice requests a full exemption, rather than a lower rate. The transferred density cannot be categorized by land use, location, zoning, or occupancy, which would be necessary to define a lower rate in a DCL by-law.*

Staff Comment: Recommend B.
(To further improve the viability of the heritage bonus system, other measures will be reported to Council in a separate heritage transfer of density study report.)

2.3.3 Non-Profit Facilities

The third issue for DCL relief is non-profit facilities. Non-profit organizations provide a wide range of services, including social, cultural, religious, environmental, health, and education.

The City's role is with cultural, social, and childcare non-profit services. Through annual Civic Capital Grants, the City provides modest contributions, which join with other funding sources, to those selected as best meeting City criteria.

Examples of Civic Capital Grants recipients in recent years include: Arts Umbrella; South Granville Seniors; Western Institute for the Deaf; Immigrant Services Society; and various childcare programs and neighbourhood houses.

Criteria that the City applies for grants include:

Service Criteria
- Registered non-profit societies providing social or cultural services, including childcare.
- Based in the City and serve primarily Vancouver residents.
- Financial and cultural accessibility for the broad community; may not exclude anyone by reason of race, religion, or ethnic background.
- Financial considerations (need of organization; cost of service, financial and managerial expertise).
- Have community support, and significant contributions from other sources.

Building Criteria
- Building and land owned by non-profit group or government, or long term lease.
- Building purpose-built for the service being provided.
- Principal use of building to provide programs and services–not for office.
- Permanent use of building for service provision.

Many non-profits rent space in existing buildings, rather than building their own facilities, and so do not face the issue of DCL relief. DCLs are only paid on new construction.

Policy Choices

A As is: No DCL relief for non-profit facilities.

Considerations:

- Difficulty in distinguishing among a wide range of non-profits as to which merit relief.
- Perceived fairness of all development paying toward its growth costs.
- But additional costs to these projects may limit services that can be provided–and for non-profits that receive a Civic Capital Grant, the DCL may "cancel out" the grant received.
- Other GVRD municipalities do not generally have reduced rates for non-profits.

B Provide DCL relief to non-profit-owned facilities that are already approved for a Civic Capital Grant, with DCL relief in the form of additional grant money, to pay back some or all of their DCL, where considered necessary.

- **Requires up to 50% increase in Civic Capital Grants budget (normally $500,000–increase of $250,000).**

Considerations:

- Consistent with other City policy: These non-profits are already selected as high priority for City funding assistance through their screening and approval for a Civic Capital Grant (see criteria on previous page). Without relief, the DCL may "cancel out" the City's grant.
- The City may not be able to, nor wish to, grant the full amount of the DCL to any single non-profit, but some relief would be available where needed. Building ownership would likely be one key criteria.
- This mechanism of relief is dependent on an increase to the Capital Grants allocation in the Capital Plan.
- *This is the one instance where the relief mechanism is identified as a grant rather than a lower DCL rate, as it is tied to the City's Grant program–a distinction difficult to incorporate into a DCL by-law relating to rates.*

C Provide DCL relief to all non-profit-owned facilities which meet City service and building criteria–in the form of lower DCL rates.

Considerations:

- Little foregone DCL revenue to City, as there are few purpose-built non-profit facilities–and may be a financial assist to providing more of these facilities.
- But, increased City administration costs. Would require case-by-case evaluation and judgement of all applicants. In Option B, the grants budget has limits, so only the most qualified non-profits meet the criteria. But with Option C, there is no limit on how many non-profits can qualify for relief. This is a significant incentive to apply and try to make a case for relief.

Staff Comment: B provides additional assistance, where necessary, to those non-profit-owned facilities already selected by the City for financial help, based on Civic Grants criteria.

2.3.4 Senior Government: Health and Education Facilities

The previous sections provide policy choices for DCL relief for facilities with which the City normally has some involvement: City facilities, heritage buildings, and non-profit facilities.

Health and education are grouped here in a separate section, because the City does not directly fund these services.

Policy Choices

A As is: Provide a lower DCL rate only for schools (k-12, Provincial curriculum).

Considerations:
- Schools are the only Provincial government service that draws on the property tax base for funding. (The property tax base is the primary source of City funds.)
- The City has required school sites be provided as a condition of rezoning in some large developments (e.g., Coal Harbour, Joyce-Vaness).
- Additional costs of the DCL may limit provision of new school space.
- Few schools built, so little foregone revenue for the City.
- Other GVRD municipalities: almost all have a lower rate for schools.

B Provide lower DCL rates not only for schools, but also for any, or all, of the following health and education facilities:

Considerations (B-1 - B-4):
- Additional costs may limit what can be provided.
- Leads the City into new role of funding Provincial services–and may consequently mean less funds for City services.
- Other GVRD municipalities: about half have reduced rates for hospitals and similar institutions.

B-1: Local-serving public health clinics that are purpose-built, publically-funded, and government-owned.

Considerations:
- Local serving and small scale. Serve primarily Vancouver residents.

B-2: Long-term health care facilities that are publically funded with care available regardless of income (e.g., Youville, Cooper Place, Dogwood Lodge, Louis Brier, etc)

Considerations:
- Local serving, but larger scale. Serve primarily Vancouver residents.

B-3: Public hospitals and public post-secondary institutions (e..g., VGH, Langara)

Considerations
- Serve whole Province, and are large institutions with significant growth costs and impacts on the city and the neighbourhoods in which they are located–hence, may be a significant amount of foregone revenue.

B-4: Non-profit health or education research or service facilities.

Considerations:
- Non-profits are a wide range of facilities; difficult to define and apply criteria. Extra administrative costs to City in doing so.

C Do not provide lower DCL rates to any health or education facilities.

Considerations:
- Health and education are senior government responsibilities, not City responsibilities. Senior government grants to the City have

decreased significantly. It is the responsibility of the senior government to pay for the growth costs of its facilities, rather than passing these costs on to the City.

- Highly valued public facilities–but may become difficult to draw the line between services which should or shouldn't qualify for DCL relief, especially with increasing variations on how Provincial services are provided.
- This choice would eliminate the current lower rate for schools (k-12).

Staff Comment: Not yet determined. Dilemma between services that are high priority to public versus City taking on a responsibility for senior government services in a time of City budget constraints.

2.4 How Should New DCL Rates Be Phased In?

The previous sections lay out options for rate increases for most uses, and rate decreases for some public and non-profit services uses. If Council approves any changes to the Interim rate, the question arises as to how soon these changes should take effect.

2.4.1 Phase-In Period

The B.C. Best Practices Guide for Development Charges suggests a six-month grace period before approved rate increases take effect. When City Council approved the Interim DCL, they provided a grace period of one-year. This allowed virtually all permits already in the development approval system to receive their Building Permit before the rate change. (A DCL is charged at Building Permit issuance.)

Policy Recommendation

A Provide a grace period of one-year before any higher DCL rates come into effect; any rate reductions should take effect as soon as possible.

Considerations:

- For rate increases, one-year is consistent with the grace period provided when the Interim DCL was first introduced: allows time for the market to adjust and for projects already in the permit approval system to receive permits prior to the new charge taking effect.
- For rate decreases: ensures the intended beneficiaries receive relief as soon as possible (upon revision and adoption of new DCL by-law).

Staff Comment: Recommend A.

3. Allocating, Budgeting, and Spending DCL Revenue

3.1 How Much Revenue Should Each Project Category Receive Over the Long Term?

DCL revenues can only be spent on the specified eligible facilities (project categories): park, replacement housing, childcare, and engineering infrastructure.

The legal requirements for establishing a DCL include establishing an allocation for how the revenue will be distributed among the eligible project categories over the expected growth period. A project category cannot be allocated more than its growth costs.

Council can alter allocations at any time without changing other aspects of the DCL.

3.1.1 Long-term Allocation of DCL Revenue

The practice in Vancouver area-specific DCLs has been to set allocations so that all project categories are allocated revenue in equal proportion to their growth costs.

At the time the Interim DCL and its allocations were set, staff could only approximate growth costs. So, the Interim City-Wide DCL used the same allocations as the average of the area-specific DCLs:

- **Park 54%**
- **Housing 33%**
- **Childcare 11%**
- **Infrastructure (transportation, water, sewer, drainage) 2%**

In recognition of the preliminary nature of the cost estimates, and thus the allocations, City Council also determined that the revenue should not to be spent, pending this review.

Policy Recommendation

A Continue the Vancouver practice of allocating revenues so that all project categories recover an equal proportion of their growth costs–using the growth costs from this review:

- **Park 41%**
- **Replacement Housing 32%**
- **Transportation 22%**
- **Childcare 5%**

And: Revisit allocation options when new information is available affecting growth costs.

Considerations:

- All projects recover an equal proportion of their growth costs–assumes all projects have equal priority to be delivered.
- Future adjustments to allocation can reflect the impact of events that may affect growth costs (e.g., federal infrastructure grants; federal and provincial participation in housing and childcare; City reviews of park and childcare standards).

Staff Comment: Recommend A.

3.2 How Much Revenue Should Each Project Category Receive in the Short Term?

Long-term allocation (previous section) determines how much of the DCL revenue each project category will have over the 20-25 year period.

But, it does not answer how much DCL revenue will be available to each project category in the short term–i.e., the City's three-year Capital Plan budget cycles. With such a long time horizon (20-25 years) for the Vancouver DCL, some understanding is needed for the short term.

There are two aspects related to how much revenue is available in the short-term:

- **Borrowing**: This is the question of whether there will be additional DCL funds in the short term through borrowing. Issues include finding a source of additional revenue to pay the interest on the borrowed funds.
- **Budgeting**: This is the question of whether DCL revenue accrued at one time should be used for some project categories (e.g., childcare, park), while other projects (e.g., housing, transportation) await future DCL revenue for their share.

There are no "as is" options in the following, because the City-Wide DCL is a new system.

3.2.1 Borrowing

Policy Recommendation

A Spend only DCL revenue that is available–i.e., establish a pay-as-you-go policy for DCL expenditures for the next two Capital Plan cycles, rather than borrowing. Review alternatives, based on this experience.

Considerations:

- Uses revenue that has already been accumulating in the DCL reserve since the introduction of the Interim DCL. (As noted above, Council policy was not to spend this revenue pending this review).
- Using revenue that is available avoids concerns about the stability of the future DCL revenue stream; and City does not have to find a source of additional funds to pay for financing.
- Capital Plan funds already incorporate and pay for borrowing, and will be combined with DCL funds to achieve specific projects.

Staff Comment: Recommend A.

3.2.2 Budgeting

Policy Recommendation

A Apply the same principle, of spending only DCL revenue available, to each of the eligible project categories: in each three-year Capital Plan cycle, provide each project category with DCL revenue in the same percentages as its long-term allocation. (See 3.1.1 for long term allocation.)

Considerations:

- Each project category (park, daycare, etc.) receives revenue in proportion to its costs in both the long and short terms.
- Each project category can make progress in the short term.
- Each project category has a defined amount of revenue to work with in each Capital Plan period.
- If future revenue is lower than anticipated, no project suffers more than others.
- If there are short term priorities or special opportunities that require additional funding, these needs can be addressed through the normal Capital Plan and other City funding arrangements.

Staff Comment: Recommend A.

3.3 How to Match the Available Revenue with Individual Projects?

Sections above address how much revenue will be available in any given time period to each eligible type of project. How will this revenue be matched with specific expenditures?

3.3.1 Criteria for Spending DCL Revenue

This section loops back to the beginning of this report which defines the growth-related projects:

- Neighbourhood parks.
- Replacement housing which deals with affordable rental housing lost to redevelopment.
- Transportation facilities, including:
  - Bikeways
  - Greenways
  - Neighbourhood centres street improvements
  - Downtown streetcar
  - Other arterial, bike, and pedestrian improvements
- Childcare.

However, there is not enough DCL revenue to do everything at once. On average, there will be $5 million per year, at Interim DC L rates, vs growth costs for eligible project categories of $19 million per year.

Even if the DCL rate is increased closer to full cost recovery, not all growth-related facilities can be provided at once. DCL revenue arrives in increments over time, as growth occurs.

And, while growth is spread over different parts of the city, capital facilities generally are built in "lumps." This means some facilities in some locations will be provided before others.

All City-Wide DCL revenue will spent on projects that are part of a city-wide system of facilities to serve growth. For example:

- City-Wide DCL revenue collected in neighbourhoods outside downtown may be used to help provide childcare downtown for residents who go downtown to work.
- City-Wide DCL revenue collected downtown may be used to help improve transportation outside downtown for neighbourhoods impacted by downtown-destined commuter traffic.
- City-Wide DCL revenue collected in neighbourhoods may be used to complete a city-wide greenway or bikeway as it passes through other neighbourhoods, so that the complete system is in place for all neighbourhoods to use.

Maps on the following pages illustrate these city systems and the approved plans and policies that guide City spending.

The policy criteria that follow are based on bringing together:

- Provincial legal requirements for spending DCL revenues, and
- City-approved plans and policies.

Policy Recommendation

A Criteria for individual expenditures of City-Wide DCL revenue are:

- **DCL-eligible project categories included in the growth costs estimates, and**
- **In the City-Wide DCL boundary, and**
- **Needed due to growth, or anticipated growth, and**
- **Part of a city-wide system of facilities and services, and will help maintain City service standards across the city, and**
- **Secured for long-term service use, through appropriate mechanisms, such as Housing Agreements or covenants, and**

- **Implement Council- (or Park Board-) approved plans and policies, based on public input, including:**
  - *City-wide* **plans and policies: Park Board Management Plan; City Housing Policy; Transportation Plan, Greenways Plan, Bikeways Plan; Childcare Strategy; and**
  - *Area* **plans and policies, such as CityPlan Community Visions, Neighbourhood Centre Plans, Downtown Transportation Plan and other Central Area plans.**

And:
Make information on DCL expenditure available to the public.

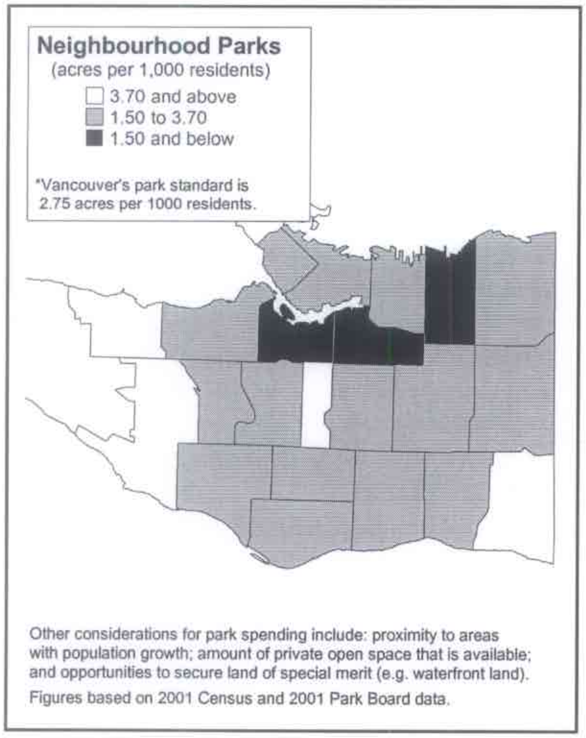
Considerations:
- Achieves legal requirements for DCL spending in terms of eligible, growth-related projects and their location.
- Provides public input and accountability through relationship to approved plans and policies, and information on expenditures.

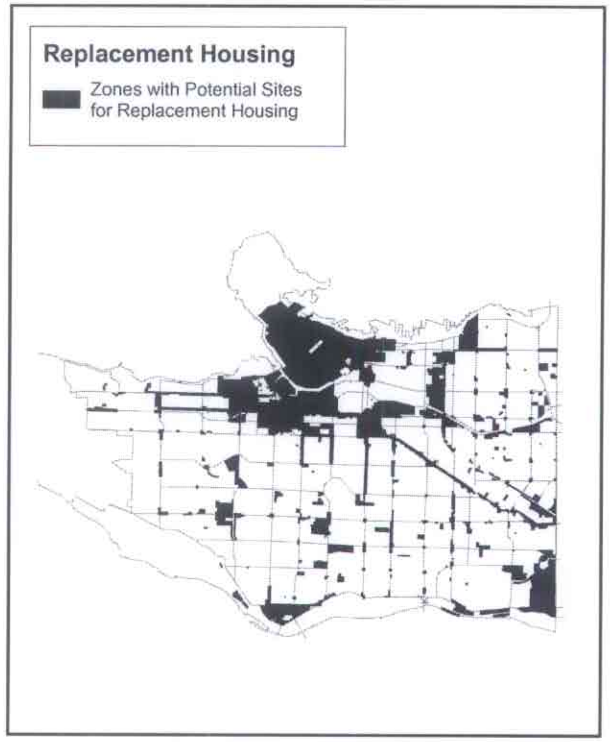
Staff Comment: Recommend A.

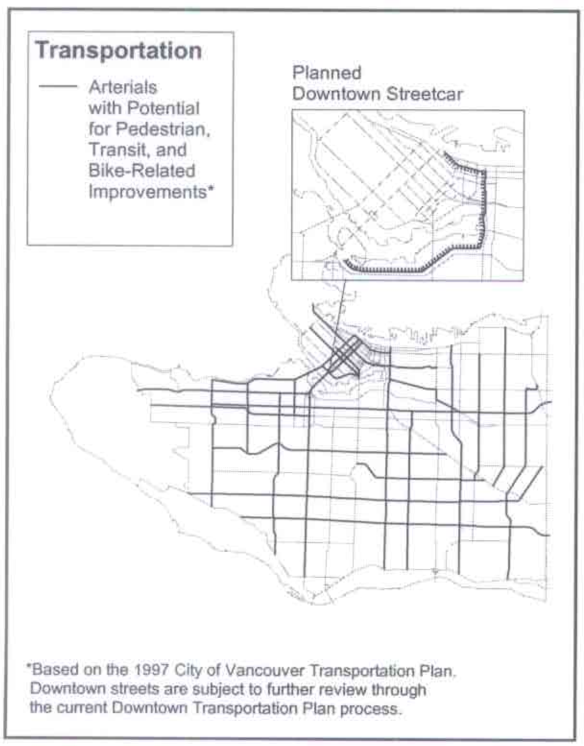
(Note: Replacement housing is the one DCL-eligible project which may, according to the Vancouver Charter, be provided outside the DCL boundaries. For example, City-Wide DCL revenue could be used for replacement housing anywhere in the city, including in one of the sub-areas excluded from the City-Wide DCL.)

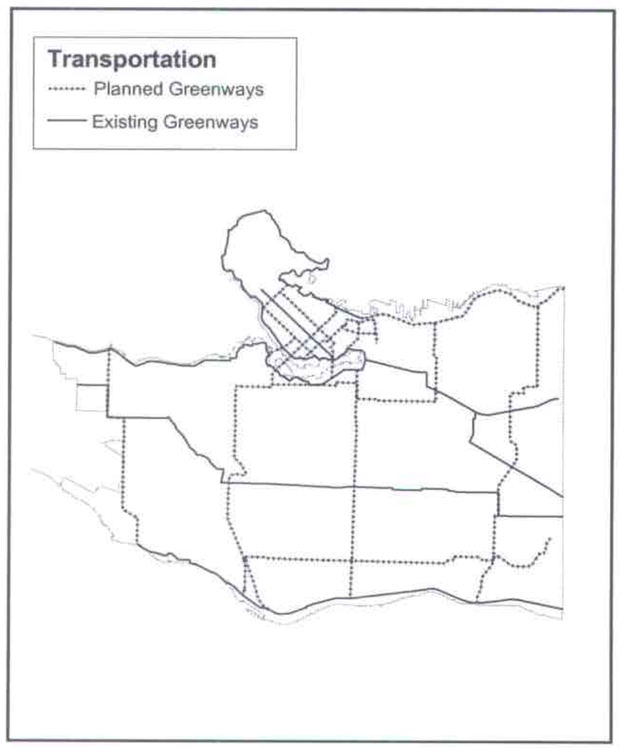
Map 3: DCL Spending Atlas–Putting DCL Spending in a City-Wide Context: Examples

The maps below are examples of City standards, plans, and policies which will be part of the criteria for guiding DCL expenditures. These will be updated over time through separate planning processes.









3.3.2 The Relationship Between DCL Revenues and the City's Capital Plan

DCLs must be joined by funds from other City sources. Not only does this help to pay the gap between needs and revenues, but it is also a legal requirement, called the "Municipal Assist." This Municipal Assist is provided from the City's Capital Plan.

The Capital Plan is an outline of the City's planned capital expenditures, supported by general revenue. It is prepared on a three-year cycle and taken to the voters during the three-year City elections.

The Capital Plan is also a process for bringing together all the City departments and boards every three years to review overall capital priorities, and to allow for each to plan its upcoming capital projects.

Policy Recommendation

A Since growth needs cannot be met by DCL revenues alone, combine DCL revenue with Capital Plan funds for overall program expenditure, to work toward meeting growth needs and to provide the required "Municipal Assist."

And: Determine the DCL capital expenditure program, as part of the Capital Plan process, along with the City's overall capital program.

Considerations:
- This is a mechanism for combining the Municipal Assist, from Capital Plan funds, with the DCL revenue–integrating the City's capital expenditure plans and priorities.

Staff Comment: Recommend A.

3.4 Should More Types of Projects be Eligible to Receive DCL Revenue?

DCL revenue can only be used for the projects specified as eligible under the Vancouver Charter:

- Parks
- Childcare
- Replacement housing
- Roads/transportation
- Sewer, water, drainage.

(Vancouver City-Wide DCL does not have an allocation for sewer, water, drainage at this time, as costs for these facilities are addressed in other ways [see p. 6]. But the Charter permits this, and it is used in some sub-area DCLs in the city.)

There have been past requests to the Province from the City and from other municipalities, to permit an expanded use of DCL revenue.

But Provincial concerns included: the need to document the growth relationship, and the economic impact of a DCL rate on development. These concerns have now been addressed with this review–allowing for a revisit of this request and its rationale.

3.4.1 Expanded Eligibility

Policy Choices

A As is: DCL revenue can only be used for the currently eligible facilities: parks, childcare, replacement housing, and specified engineering infrastructure.

Considerations:
- Keep revenues focussed on these projects: the currently eligible facilities total close to 90% of total growth costs.
- It is already difficult to fully provide these facilities, without adding more eligible

facilities (noting that more eligible facilities will not likely lead to more revenue–only spreading revenue more thinly).

B Request a Charter change to expand the list of facilities that the City can use DCL revenue for, to include those currently eligible, plus those not currently eligible: community centres, libraries, cultural facilities, social service facilities, and fire and police facilities.

Considerations:

- All these facilities are impacted by growth, so they should be eligible for DCL growth-related revenue.
- Puts more funding tools in the City's "tool basket"–making all projects eligible does not require the City to allocates funds; it means the City can make the decision and be responsive to changing circumstances.
- However, most likely means that less revenue will be available to fund the currently eligible facilities.

Staff Comment: No recommendation at this time.

4. Other DCL Issues

4.1 What Future for Area-Specific DCLs within the City-wide DCL?

There are several development charge areas within the city, in addition to the City-Wide DCL. This system has evolved over the past 20 years. The purpose of this section to examine how the DCL system will, or should, look in the future.

The areas being examined (see map) are:

- Areas excluded from the City-Wide DCL.
- Areas layered onto the City-Wide DCL.

4.1.1. Areas Excluded from the City-Wide DCL

Several areas are excluded from the new City-Wide DCL. These areas were excluded because developments were already committed to contribute to growth costs, to the degree feasible based on economic impact considerations.

In most of the excluded areas, there has been considerable development. Once they are fully developed, the expected DCLs or other contributions will have been made. As that occurs, these areas can be brought into the City-Wide DCL. Further developments in those areas will be a new "generation" of development.

Policy

Already approved by City Council and re-stated here for information.

> **Once areas excluded from the City-Wide DCL have been fully developed in accordance with their approved plans and policies, they will be included in the City-Wide DCL.**

4.1.2 Areas Layered Onto the City-Wide DCL

Legal requirements mean that no more areas can be excluded from the City-Wide DCL now that it has been established.

But new area-specific DCL charges can be layered on–i.e., areas that are subject to both their own area-specific DCL, plus the City-Wide DCL.

So far this has occurred, or is underway, in the following areas: False Creek Flats, Grandview-Boundary, and SE False Creek/1st Avenue area. All of these areas are industrial areas planned for higher intensity use, and have in common a number of characteristics:

- **There is a new area plan or zoning for additional growth.** This includes areas where the City initiates a rezoning based on an area plan (e.g., False Creek Flats), as well as areas where the area plan allows for future privately-initiated rezonings (e.g., Grandview-Boundary).
- **There is a need for additional growth-related facilities not covered by the City-Wide DCL,** and not obtained through development permit, rezoning, or subdivision requirements. Sewer and water are key examples as they are not included in the City-Wide DCL and, if there is a City-initiated rezoning, they may not be obtained through rezoning requirements.
- **The area boundary is sufficient to accommodate the needed growth-related facilities**. Size is an issue because DCL funds must be spent within the DCL boundary (except replacement housing). For an area-specific DCL, this can be a constraint.
- **There is an economic impact assessment** of the additional DCL charge on new development, as input to City Council in setting the area-specific DCL rate.

These characteristics are incorporated into the policy criteria below.

Policy Recommendation

A **Layered area-specific DCLs within the City-Wide DCL should be limited to areas where:**

- **There is a new area plan and/or new zoning for additional growth beyond existing zoning;** and
- **Additional growth-related facilities not covered by the City-Wide DCL are required;** and
- **The area-specific boundary is of sufficient size to accommodate needed growth-related facilities**; and
- **Economic impact of the additional DCL charge has been taken into account.**

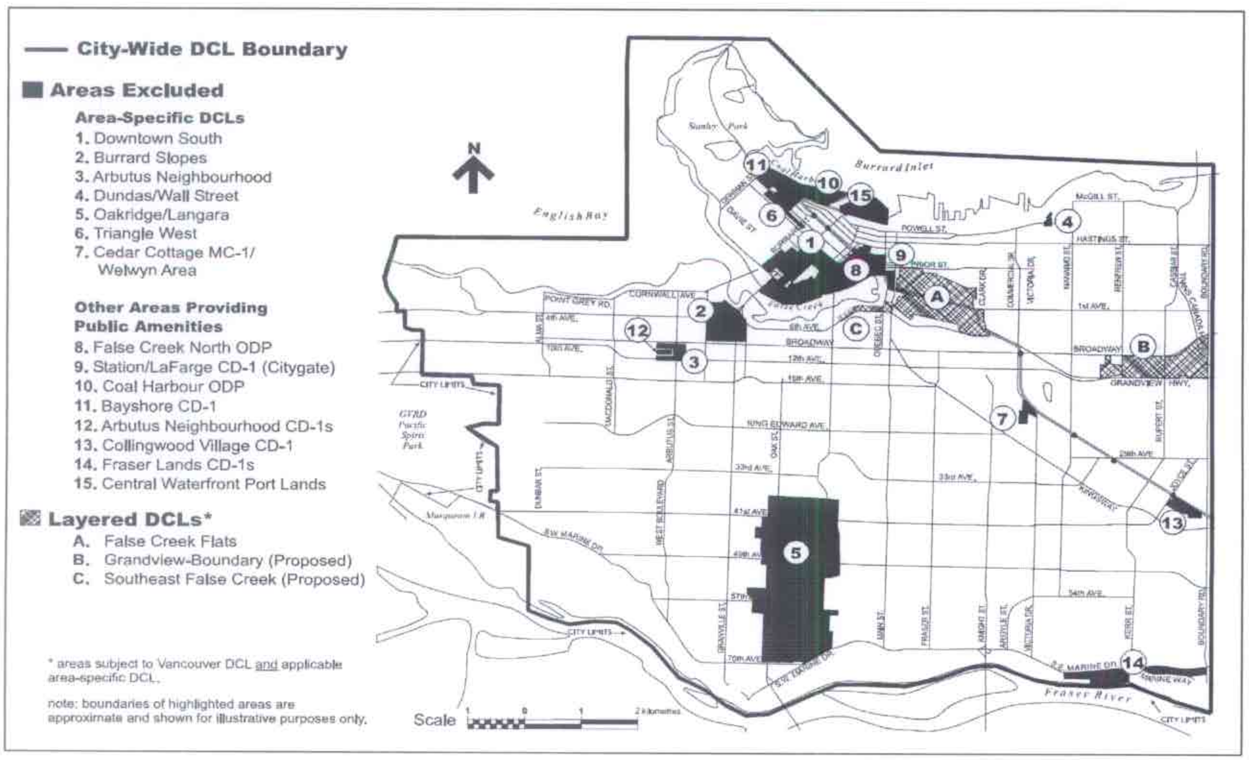
And: The City-Wide DCL rate is the pre-eminent DCL rate, not to be reduced in exchange for a layered area-specific DCL (noting that City Council retains flexibility to alter area allocations of DCL revenue, based on changes to area growth costs or cost recovery).

Considerations:

- Maintains the City-Wide DCL approach across the city.
- Preserves the flexibility of the City-Wide DCL to meet the priority growth needs across the city.
- In areas with an area-specific and City-Wide DCL, economic impact is a function of both charges. If an area-specific rate were to be lowered in the face of an increase in the City-Wide rate, the City could alter allocation of area-specific DCL revenue, to address funding priorities

Staff Comment: Recommend A.

Map 4: Areas Excluded from the City-Wide DCL Area, and DCL Areas Layered Onto the City-Wide Area



4.1.3 Revenue From Area-Specific DCLs

DCL revenue must be spent within the DCL boundary (except replacement housing). Areas that are layered onto the City-Wide DCL generate two streams of revenue: area-specific and City-Wide.

The purpose of this policy is to provide clarity about the City-Wide revenue stream coming from areas that also have area-specific DCLs.

Policy Recommendation

A For area-specific DCLs layered onto the City-Wide DCL: Spending of City-Wide revenue from these areas should be subject to the same criteria as all City-Wide DCL revenue. (See section 3.3.1 for City-Wide spending criteria).

Considerations:

- Maintains city-wide priority for all City-Wide DCL revenue, and equity among all areas of the city.

Staff Comment: Recommend A.

4.2. How does the Vancouver DCL System Relate to Sustainability?

With sustainability of increasing interest and importance in Vancouver and the region, the relation of DCLs to sustainability is gaining attention.

Overview of Vancouver DCLs and sustainability: The Vancouver DCL system is consistent with a range of sustainability objectives:

- Vancouver DCL revenue provides facilities to support the growth called for in CityPlan and the Livable Region Strategic Plan: compact development vs suburban sprawl.
- Vancouver DCL revenue is used to pay for socially and environmentally sustainable facilities to accompany growth:
  - Parks
  - Social and affordable housing, to replace housing lost through redevelopment
  - Childcare
  - Transportation projects that meet City Transportation Plan (accommodate travel growth through transit, walking, biking, instead of increased auto capacity).
- Vancouver DCL supports provision of smaller, more affordable and compact housing (by basing the DCL charge on number of square feet, instead of on number of units; unit-based charges are considered disincentives to provision of smaller units).
- Vancouver DCL encourages re-use of existing buildings, rather than demolition and increased landfill (through, for example, DCL exemptions for renovation and heritage).

DCL rate issues and sustainability: A rate relief question is whether to provide DCL relief for "green" buildings, to encourage such development.

This raises question of both how to assess green buildings and what might be the financial needs and implications.

City staff are reviewing these questions in the context of Southeast False Creek development and will be reporting back to City Council on a variety of aspects of encouraging "green" development across the city.

Part III
Issues and Policy Choices:
Community Amenity Contributions (CACs)
For Rezonings

1. CAC Background and Principles

1.1 CACs Defined

Community Amenity Contributions are community amenities provided when additional density is approved by City Council through a rezoning. (CACs are different from DCLs since DCLs apply to all new development, both under existing zoning, or rezoned.)

Rezonings change the city's land use structure. They may change not only density, but also land use and building form. Rezonings happen fairly infrequently, but have occurred in all parts of the city.

Rezonings can help to achieve City objectives, such as expanding the range of housing types available. They can be controversial, and their impacts very localized. CACs can help to address those impacts and meet needs on the site and for the surrounding community.

What CACs provide: CACs have been provided both as cash and in the form of "in-kind" facilities on the development site (e.g, library, neighbourhood house, park).

CACs provide a wider range of amenities than DCLs. Specific needs may vary according to the area in which the rezoning is located.

- CACs can provide amenities eligible for DCL funding, but not fully paid for by DCLs (e.g., park, childcare).
- CACs can also provide amenities not eligible for DCL funding (e.g., library, community centre).
- In addition, CACs are not specifically tied to new growth like DCLs. Instead, CACs can also address past deficiencies or other community needs.

Economic impact: From an economic impact perspective also, CACs can go beyond DCLs. Rezonings often increase land value, to varying degrees. Where rezonings create additional land value, they can support an additional charge without deterring development (consultant study–see Appendix A for specific reference).

CAC history: The City's first use of CACs was for major projects, like Coal Harbour and North False Creek, which were created by rezoning industrial land to residential and mixed use. The City secured a wide array of amenities as part of approving these rezonings, to serve the new communities being created.

By the end of the 1990s, several newly planned areas had their own CAC policies. For the rest of the city, the application of CACs was inconsistent. This piecemeal pattern was changed by the introduction of the Interim City-Wide CAC Policy.

1.2 How CACs Fit into the Rezoning Process

Rezonings applications require a formal Public Hearing and Council approval, unlike development under existing zoning. Across the city only a small amount of new development (in square feet) happens from rezoning, compared to development within existing zoning.

Rezoning requests are evaluated in the context of the City's land use and rezoning policies. For the City-Wide CAC Area, this includes:

- Rezoning Policy Before and During CityPlan Neighbourhood Visioning
- Community Visions, and other community and area plans
- Neighbourhood Housing Demonstration Projects policy
- Central Area Plan
- Industrial Lands Strategy
- Heritage policies
- Social and affordable housing policy
- Special Needs Residential Facility guidelines

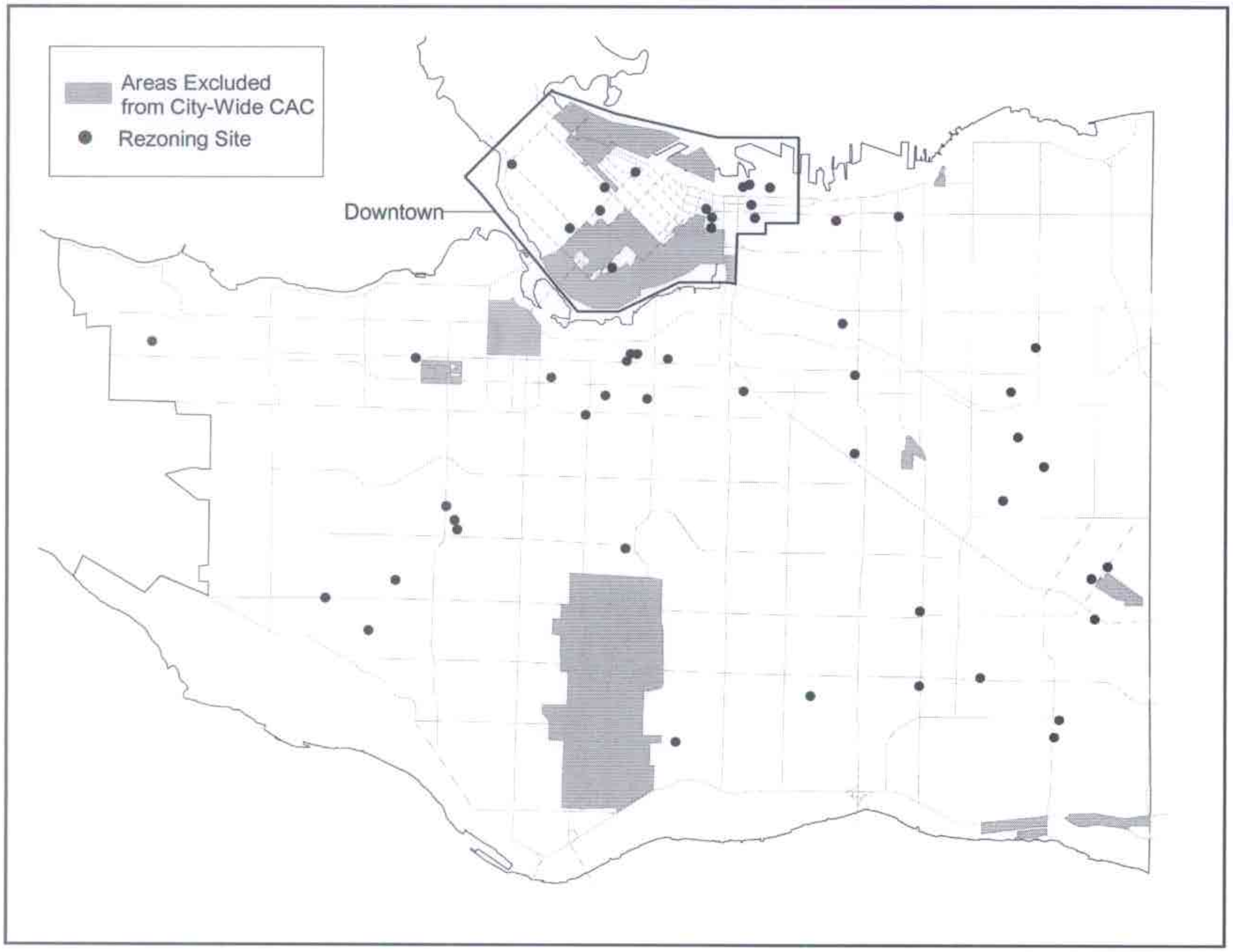
- Transfer of Density Policy.

Rezonings also consider neighbourliness and livability. Standard rezoning conditions address mitigation of sewer, water, and traffic impacts on site and adjacent to the site.

In this context, CACs are an opportunity to secure a community amenity as part of a rezoning.

(Rezonings subject to CACs are rezonings initiated by an outside application. CACs do not apply to rezonings that the City itself initiates, for example, to implement a local plan. These areas may have an additional area-specific DCL if the services needed to support the new development are inadequate. See section of this report on Area-Specific DCLs).

Map 5: Location of Rezonings in the City-Wide CAC Area, 1990-98



Notes:
Areas excluded from the City-Wide CAC Policy have their own CAC policy and/or area plan.
Area shown as Downtown includes the Downtown-Eastside, and is referred to in the following sections of this report.

1.3 Principles for a CAC System

The following principles guided development of the CAC policy choices in this report. These principles are consistent with Provincial guidelines for "density bonusing."

- Secure amenities through rezoning to help maintain the livability of the city and its neighbourhoods as redevelopment occurs.
- Provide a fair exchange between the amenities being provided, and the new density (or development rights) being granted, so that desired redevelopment occurs and housing affordability is maintained.
- Provide consistency and predictability in the application of CAC Policy, so that developers can anticipate amenity requirements, and communities can expect appropriate amenities that meet local needs when rezoning occurs.
- Be consistent with other City policy.
- Be developed with informed input from all stakeholders.
- Be separate from other development charge requirements, to ensure there is not double charging for amenity items.

2. Securing Contributions to the City's Community Amenity Needs From Rezonings

The Interim City-Wide CAC Policy provides an overall framework for CACs. It applies to areas that do not have their own CAC policy or area plan (see map, previous page).

Thus, the City-Wide CAC Policy applies primarily to "ad hoc" rezonings–rezonings not planned for in advance in an area plan.

The following sections describe the framework, and provide policy choices for how different types of rezonings fit into the framework.

2.1 What Overall Framework Should the City Have for Addressing Community Amenity Needs From Rezonings?

This section briefly reviews the overall framework developed for the Interim City-Wide CAC Policy.

2.1.1 Using a Flat Rate, or a Negotiation Tailored to Each Rezoning

There are two basic approaches to determine the community amenity from a rezoning: a site specific negotiation, or a pre-set flat rate. Both have their advantages and disadvantages.

In a site specific negotiation, the value and type of CAC is negotiated between the City and developer as part of the overall rezoning negotiation. This provides flexibility for the City to secure a CAC responsive to site specific circumstances. However, it does not provide the up-front certainty that can be important to developers facing the risk of achieving a successful project.

A flat rate approach is a pre-set amount. It provides the most certainty for the developer about what the City will expect from a rezoning. Because individual ad hoc rezonings vary greatly, it is difficult for a pre-set rate to ensure a fair exchange between the extra density granted and the amenities provided.

The Interim City-Wide CAC framework combines both approaches as shown in the following table.

Table 8: Interim City-Wide CAC Policy Framework

Rezoning category	CAC approach
Exempt rezonings – E.g., social housing	**No CAC**
Non-Standard rezonings – E.g., large sites (a minority of rezonings)	**Negotiated approach, or a flat rate** –determined by City Council at the beginning of the rezoning process, on a case by case basis.
Standard rezonings – All other rezonings	**Flat rate**

What the flat rate should be: The Interim Policy sets the flat rate at $3 per square foot based on previous experience in several sub-areas.

The CAC flat rate applies only to the additional density permitted by the rezoning. (This is different from a DCL flat rate which applies to the whole development; DCLs must be based on flat rates.)

Several CAC flat rate alternatives were investigated for this review, including a rate higher than $3, a sliding scale, and a percent of the increased land value due to the rezoning.

However, rezonings in the City-Wide Area are of such widely varying types, scales, and locations that no viable alternative to the $3 flat rate was evident.

More details on the framework and flat rates are contained in the Technical Supplement.

Policy Recommendation

As is: Continue to secure community amenities when additional density is achieved from rezonings, through:

- **A consistent, City-Wide CAC framework.**
- **Use of both the flat rate and negotiated approaches–the latter only for Non-Standard rezonings.**
- **The flat rate maintained at $3 per square foot (on the additional density).**

Considerations:

- Secures amenities city-wide.
- Provides a city-wide framework.
- Use of both flat rate and negotiated approaches balances the certainty of the flat rate, with the ability to be more responsive to specific circumstances for a minority of Non-Standard rezonings.
- The flat rate of $3 is based on previous experience, and alternatives investigated did not yield a more feasible or fair option for the wide variety ad hoc rezonings in the City-Wide Area.

Staff Comment: Recommend A.

2.2 How Should Different Types of Rezonings be Treated?

This section provides policy choices for how different types of rezonings fit into the overall CAC framework–i.e., whether they should be classified as Standard, Non-Standard, or be exempt from CACs.

The following table provides information on the types of rezonings that have taken place in the City-Wide CAC Area.

Table 9: Types of Rezonings in the City-Wide CAC Area, 1990-98

Types of rezonings	# of rezonings
1. Large sites: over 5 acres (may be a combination of 2 and 3 below)	6
2. Regular market developments:	18
• downtown	3
• single family to less than apartment density	4
• change of use*	6
• other rezonings	5
3. Social & affordable housing, heritage, non-profit institution	28 (including 11 downtown)
Total	52

*Change of use: land use is changed by the rezoning (e.g., industrial to residential), but the overall density does not increase.
Source of data: Financing Growth Review rezoning database.

Throughout this section, in assessing choices for how different types of rezonings should be treated, important questions to consider are derived from the Principles:

- How to secure needed City amenities as growth and redevelopment occur?
- What is the economic impact on development?
- Are CAC policies consistent with other City policies related to rezonings?

In the following policy choices, all "A's" are the Interim Policy, and all "B's" are new options. For a full comparison of Interim Policy and new proposals, see the table at the end of this section.

After each set of policy choices, the number of rezonings affected by a change to choice "B" is shown in italics (using data from the rezoning database).

2.2.1 Rezonings on Large Sites

Rezonings on large sites of several acres or more are not common. When they do happen, they typically create major change.

In the Interim Policy, sites of 10 acres or more are considered "Non-Standard," providing the opportunity for significant on-site amenities to be negotiated.

The policy question below is what size of site should be considered "large" and thus a candidate for site specific negotiation.

Policy Choices

A As is: Large sites, defined as 10+ acres, are Non-Standard rezonings–that is Council determines whether to apply the flat rate or negotiate on a case by case basis.

Considerations:
- Equivalent to four full City blocks, and create significant needs and impacts. Two recent examples:
  - West side: 12 acres: close to 400,000 square feet of development and 750 housing units.
  - East side: 16 acres: over 500,000 square feet of development including 320 housing units and commercial space.
- Experience shows that these projects have a sufficient increase in land value to provide, through negotiation, needed amenities, that

a flat rate would not provide.
- Significant amenities have been provided: e.g., one recent large development provided a library branch, community centre space, and childcare.
- The amenities secured often enhance the value of the development, providing also a direct benefit to the developer.

B Redefine large sites, for classification as Non-Standard, to 5+ acres, instead of 10+ acres.

Considerations:
- Equivalent to two full city blocks.
- Development on this size of site could accommodate over 300 housing units and/or substantial commercial space.
- As with 10 acre sites, 5 acre sites are large enough, and generally with sufficient land value increase from the rezoning, to meet many needs on site through negotiation, that a flat rate would not necessarily provide, and that enhance the development itself.
- However, sites between 5 and 10 acres that are now Standard/Flat Rate rezonings would be subject to greater uncertainty as Non-Standard/negotiated rezonings.

# of rezonings: 1 moves from Standard/Flat Rate to Non-Standard.

Staff Comment: Recommend B.

2.2.2 Downtown Rezonings

Density increases Downtown are typically permitted to achieve heritage preservation, social and cultural amenities, and/or social housing.

Policies in place to guide this include heritage bonus, heritage transfer of density, amenity bonus, and social housing policy. All are dependent on a site specific evaluation of each development.

As a consequence, most Downtown rezonings are exempt from CACs (e.g., because they already provide social housing or heritage). Of the few remaining Downtown rezonings, most are in the Standard/Flat Rate category. The challenge is to make sure that the CAC approach for these remaining rezonings is consistent with Downtown policies.

(See previous map for area defined as Downtown.)

Policy Choices

A As is: Downtown rezonings are in the Standard/Flat Rate category, paying $3 per square foot on additional density.

Considerations:
- A flat rate provides the most certainty to developers.
- But most downtown density increases are based on site specific evaluation (heritage, social housing, social and cultural amenity bonus) rather than a flat rate.
- A disincentive to use the heritage density "bank" because its density trades at a much higher value than $3: affects viability of this heritage preservation tool.
- Applying flat rate Downtown less straightforward than appears. For example, recent rezoning (Bentall), involved transfer of density, hotel bonus, and parking pay-in-lieu with the funds used for a community amenity.

B **Reclassify Downtown rezonings to Non-Standard– i.e., City Council decides on an site specific basis whether to apply the flat rate or a negotiated approach.**

Considerations:

- Consistent with other downtown policy related to density increases–based on site specific assessments (e.g., heritage bonus, amenity bonus, social housing).
- Supportive of heritage transfer of density.
- More responsive to the complexity of downtown rezonings than a flat rate.
- Recognizes wide variations in needs and land economics of adjacent downtown sub-areas–e.g., Victory Square vs. Central Business District.
- However, rezonings now in the Standard/Flat Rate category may be subject to greater uncertainty as Non-Standard rezonings.

# of rezonings: 2 move from Standard/Flat Rate to Non-Standard.

Staff Comment: Recommend B.

2.2.3 Rezonings of Relatively Small Sites from Single Family to Less Than Apartment Density

In single family and two-family areas, rezonings are sometimes approved for townhouses, rowhouses, and lower density apartments. These are at a density greater than single family, but lower than in the city's apartment zones (e.g., up to a floorspace ratio of 1.35)

According to City and regional plans, this housing is needed in Vancouver to meet future needs. Yet, there is not much existing zoning that permits these housing types. Experience shows that there is little land value increase from these rezonings, making the provision of a CAC difficult, and raising concern about the negative economic impact.

Policy Choices

A **As is: Small sites rezoned from single family are Standard /Flat Rate.**

Considerations:

- Treats all rezonings the same.
- But–negative impact on project economics.

B **Reclassify as exempt from CACs: small sites rezoned from single family–where the new zone is residential, the new density is less than apartment density, and the site is less than 1 square block.**

Considerations:

- Little or no increase in land value is created, because of the high value of single family land; thus CACs may deter this form of development altogether.
- Desired housing in City and regional plans.
- Still pay DCLs.

# of rezonings: 4 move from Standard/Flat Rate to Exempt.

Staff Comment: Recommend B.

2.2.4 Rezonings Which Expand or Create Affordable Housing, Heritage, Community Amenities

The prime purpose of many rezonings is to provide a facility which may be considered a community amenity, or the equivalent of a CAC. This includes social housing, heritage, or a community facility like a neighbourhood house.

These rezonings are already using any increase in land value to achieve a City policy, before the application of CACs, and thus are candidates for exemption from CACs.

(The following choices do not include large sites. See previous policy choices for large sites.)

Policy Choices

A As is: Social housing (government-subsidized rental), heritage, and places of worship are exempt from CACs.

Considerations:

- The increase in land value from the rezoning, which would provide room for the CAC payment, is instead directed into achieving a related City policy (social housing or heritage).
- Places of worship are a required DCL exemption in the Vancouver Charter.
- Interim CAC Policy: starting point was to identify the CAC exemptions as identical to required DCL exemptions–further investigation was left for this review.

B Expand CAC exemption to include those in A, plus additional situations where the increased land value from the rezoning is already being directed to achieving a related City policy:

B-1: **Broader definition of social housing : government-subsidized rental <u>and</u> non-profit rental (secured with a City Housing Agreement).**
# of rezonings: 3-5 rezonings move from Standard /Flat Rate to exempt.

B-2: Housing Demonstration Projects
(Council policy for Housing Demo Projects requires any increase in land value created by the rezoning to be converted into improved affordability.)
# of rezonings: 1 moves from Standard/Flat Rate to exempt.

B-3: Community facility rezoning where the facility is providing City-related social and/or cultural services; is operated by a non-profit society; and is accepted by the City as a Community Amenity (secured through a legal agreement and/or land ownership) (e.g., neighbourhood house)
# of rezonings: 1-3 move from Standard /Flat Rate to exempt.

Considerations (B-1 to B-3):

- Unfairness of paying a CAC when the rezoning itself is undertaken to provide a community amenity or its equivalent.
- Increased land value from the rezoning, which affords payment of a CAC, is being directed to achieve a related City policy.

Staff Comment: Recommend B-1, B-2, and B-3.

2.2.5 Rezonings for Senior Government Funded Facilities: Health and Education

These rezonings are in a separate section because the City does not play a role in delivery of health and education services. They are the responsibility of the Provincial government. CACs, on the other hand, have been aimed at providing amenities which are City responsibilities or partnerships.

Health and education facilities that typically require rezonings for their development or expansion are: long term care facilities, hospitals, and post-secondary institutions.

This type of rezoning has been increasing in the last few years (e.g., recent rezoning approvals or discussions for the following: Children's and Women's Hospital, Vancouver General Hospital, Langara College).

Policy Choices

A As is: Health and education rezonings are treated like other rezonings:
•Standard/Flat Rate,
•Unless large site size puts them into Non-Standard category where Council decides whether to apply the flat rate or a negotiated approach, case by case.

Considerations:

- Province-wide service with senior government responsibility; impacts should be addressed as far as possible as part of the rezoning rather than absorbed by surrounding neighbourhood or paid for through the City budget.
- Most are large sites, with big impacts, which are best addressed through site specific negotiation. Site specific negotiation recognizes economics of the development, as well as its impacts and community needs

B Reclassify any of the following rezonings as CAC exempt:

B-1: Long term care facilities, government-funded with care available regardless of income.

Considerations:

- Leads City into new role of assisting Provincial services.
- Yet, CAC charge may make it more difficult to provide these facilities.
- Occupants of long-term care in the city are generally Vancouver residents.
- These sites are generally too small to be included in the Non-Standard category, which is site specific in its approach.

of *rezonings: 5 move from Standard/Flat Rate to exempt.*

B-2: Hospitals and post-secondary institutions (for the public facility portion of a rezoning only, not for market development components on these sites).

Considerations:

- Leads City into new role of assisting Provincial services.
- Addresses concern that CACs may add costs which may make it more difficult to provide these facilities.
- However, these are typically very large rezonings, and facilities serve all B.C. residents. CAC exemptions make it more difficult to mitigate impacts on surrounding neighbourhood.
- Also, increasingly difficult to distinguish public vs private components of these rezonings which now tend to include a range of market and quasi-market land uses.

# of rezonings: 3 move from Non-Standard to exempt.

Staff Comment: No recommendation at this time. Dilemma between services that are high priority to public versus City taking on responsibility of senior government in time of City budget constraints.

2.2.6 Rezonings Which Change the Use But Not the Total Density

CACs are generally required in the Interim Policy when there is an increase in total density achieved through a rezoning. However, "change of use"rezonings do not increase total permitted density. Instead, they increase the density of one use, usually:

- Residential "change of use": More residential density. Less industrial or commercial density.
- Non-residential "change of use": Usually more commercial density. Less industrial (e.g., big box retail).

Even without increases in total density, increasing the density of one use may increase the intensity of site impacts. And the land value improvement that usually results from these rezonings means a CAC could be provided without negative economic impact. The following policy choices review these factors of intensity of use and land value for the two types of "change of use" rezonings: residential and non-residential.

Policy Choices - Change of Use Residential

A As is: CAC only when rezoning is from <u>industrial</u> to residential.
• Non-Standard rezoning.

Considerations:
- Changing industrial land to residential means a significant change in the intensity of use on the site, and the amount and types of amenities needed.
- Rezonings from industrial to residential result in a large increase in land value, so they can afford to provide needed amenities.

B **CAC when rezoning is from <u>industrial or commercial</u> to residential.**
• Remains Non-Standard for industrial to residential.
• Standard/Flat Rate for commercial to residential.

Considerations:

- Any rezonings that increase residential, increase the intensity of use of the site and the need for new facilities (parks, libraries, neighbourhood houses, community centres, etc.).
- Rezonings to residential generally result in an increase in land value and ability to provide some of the needed amenities.
- For commercial to residential, a flat rate approach is satisfactory because commercial areas are generally higher amenity areas than industrial areas.
- Introduces a CAC where the Interim policy had no CAC previously (although earlier Downtown policies charged CACs on change of use from commercial to residential).

# of rezonings: 2 move from exempt to Standard/Flat Rate.

Staff Comment: Recommend B.

Policy Choices - Change of Use Non-Residential

A **As is: Non-residential change of use rezonings are CAC exempt** (e.g., industrial to commercial).

Considerations:

- Does not always result in increased intensity of use on a site , depending on the details of a specific rezoning. I.e., need for additional amenities not always generated.
- No opportunity to secure amenities, even if the rezoning does result in additional amenity needs.

B **Non-residential change of use rezonings on <u>large sites</u> should be treated like any large site rezoning–i.e., Non-Standard. Other non-residential change of use rezonings remain exempt.** (See previous policy for definition of "large").

Considerations:

- Development of this scale (5+ or 10+ acres) may have large impacts; Non-Standard category allows assessment by Council of whether to negotiate a CAC, or apply the flat rate (or charge no CAC).
- Introduces a potential CAC where there was not one before.
- (Does not include I-2 to I-3 in False Creek Flats where Council already has a policy of No CAC–and an additional area-specific DCL.)

# of rezonings: 2 (industrial to big box retail) move from exempt to Non-Standard.

Staff Comment: Recommend B.

Table 10: Summary of CAC Policy Choices for Types of Rezonings

A comparison of Interim CAC Policy with new options
In total, if all Choice B's were selected from the previous pages, the change versus existing Interim Policy (Choice A's) would be as follows: • More Non-Standard rezonings, but Non-Standards remain the minority of rezonings. • More rezonings that are CAC Exempt. • Fewer Standard/Flat Rate rezonings (most move to Exempt category; some to Non-Standard). • CAC's apply to "change of use" rezonings where the site is large, or residential density increases from what was commercial density before. • Senior government facilities (hospitals, post-secondary, long-term care) are CAC Exempt regardless of site size.

The comparison is based on the Financing Growth Review rezoning database. Specific numbers of rezonings impacted are provided with each policy choice in the previous pages, in italics.

2.3 What Kinds of Community Amenities Should be Provided?

The value of the CAC for each rezoning is determined by the flat rate, or through negotiation (see previous section). But what kind of community amenity will actually be provided?

Amenities CACs provide are not as specifically defined in legislation as DCLs are. To date, CACs have provided, or contributed to, a wide range of amenities and facilities, including library, daycare, community centre, community police office, park, park improvements, neighbourhood house, joint school-community facilities, cultural facilities, pedestrian amenities, and affordable housing. Though CACs have been mainly for capital projects, some have also been used for endowment funds to ensure the continued viability of the facility.

CACs are also not defined as strictly related to new growth. They can address existing deficiencies, and other community priorities. Determining an appropriate amenity is a site specific and community specific process.

2.3.1 Guidelines for Determining What Kind of Community Amenities to Provide

The are a number of ways that the community amenity to be provided can be determined:

Specified at the time of rezoning, in-kind facilities, on site. In-kind facilities on the site are usually provided, at least in part, on larger sites. (These are usually as part of a negotiated CAC, but in-kind facilities can also be provided to fulfill a flat rate CAC.)

Specified at the time of rezoning, in cash for a specified off-site use. Some rezonings have provided for improved amenities in the neighbourhood, near the rezoned site, such as cash for improvements to a nearby community centre.

Unallocated: not specified at the time of the rezoning, provided in cash and reserved for a future amenity. Unallocated cash tends to be limited for two reasons. The amount of additional floorspace created via rezonings is small compared to all the development in the city under existing zoning. And, most significant CACs are those provided in-kind instead of cash.

Policy Recommendation

A As the purpose of CACs is to secure amenities through rezonings, and rezonings are localized changes to land use, the amenities provided should serve the immediate site and/or community in which the rezoning occurs.

The specific amenity must be approved by City Council, and should be determined (a) as part of the rezoning process where possible; or (b) through an inter-departmental process, such as the Capital Plan.

(a) As part of the rezoning process: Provide, where possible, the CAC in-kind, on-site; or for a specified off-site community amenity–using the following guidelines:

- **Serves on-site and/or community needs that are growth-related, past deficiencies, or other priorities–as identified through public input during rezoning; community plans or Visions; and/or city-wide plans and policies.**
- **Operationally viable for the City and within City servicing standards.**
- **Accepted by City Council as a Community Amenity Contribution.**

(b) Through an inter-departmental process: Use unallocated CAC funds to contribute to community amenities that serve the community in which the rezoning occurred–using community plans and Visions, and city-wide plans and policies, for guidance, and with approval from City Council.

Considerations:

- Provides guidance that relates the amenity provided to: the impacted community and its needs; facilities that the City is responsible for; City service standards; and viability for continued operation.

Staff Comment: Recommend A.

2.3.2 Monitoring Community Amenities Provided

CACs can be many different types of amenities and provided in many different ways. In-kind, on-site facilities are not City budget items, so they cannot be tracked through the same City accounts as cash CACs or DCLs.

Policy Recommendation

A Review existing tracking of CACs (in-kind or cash) and identify potential improvements to allow systematic reporting, as input to the Capital Plan process and to future CAC policy refinement.

Considerations:

- Will provide more information on what the City gains from CAC Policy and how CACs are used.

Staff Comment: Recommend A.

Conclusions and Next Steps

With the introduction of Interim City-Wide charges on new development in 2000, Vancouver expanded a funding tool that had only been used in a few areas, to the whole city.

As an Interim system, there were still questions about the costs of providing new City facilities for growth (e.g., parks, libraries, transportation), and how the Interim charges fit with other City funding tools and with other development charges in the city and region.

This report provides background information on those questions and defines a range of policy choices and recommendations, for further consideration by staff, the public, and ultimately by City Council.

Development Cost Levies (DCLs), a charge on new development generally, are a significant revenue tool, and a key question raised is what share of the growth costs are to be paid for by these charges on new development.

The report presents information that supports increasing the DCL rates for new residential, commercial, and industrial development.

Developments with less than four residential units are currently a required DCL exemption. The report presents information on the amount of growth expected in these smaller developments and policy choices on whether to seek authority to charge a DCL.

The report also provides policy choices that could expand DCL relief to some types of facilities that provide public services, compared to the very limited relief in the Interim system.

A section on allocating and spending the DCL revenues provides recommended policies for how much of the revenue collected from new development will be available for different types of facilities in the long and short term, how specific expenditure decisions will be made, and the integration of DCL revenue with the City's regular Capital Plan.

Community Amenity Contributions, the City's tool to secure amenities from developments when a rezoning takes place, apply relatively infrequently because rezonings occur relatively infrequently. But rezoning impacts are localized and they can be controversial. CACs can provide amenities to serve new development and mitigate its impacts.

This report supports the City's Interim CAC framework of applying a CAC city-wide, and combining a flat rate CAC charge for Standard rezonings, with the opportunity for a site specific negotiated CAC for a few rezonings identified as Non-Standard.

Policy choices are presented, asking whether certain types of rezonings should move into, or out of, the Standard and Non-Standard categories, or become exempt from CACs.

Several types of rezonings are included in these policy choices, including rezonings for large sites of several acres or more; downtown rezonings; big box retail rezonings; and rezonings for public purposes, like non-profit housing or hospitals.

Next steps: This report is being presented to City Council, for referral to a broad public review. This will provide an opportunity for the variety of people affected by how the City pays for growth to share the information and consider the policy choices–development and building industry, property taxpayers, and project interests (e.g., parks, daycare, affordable housing).

At the conclusion of the public review, City Council will make decisions on the policy choices and policy recommendations, leading to possible changes in the Interim DCL and CAC.

Project Team

Project direction:
Ann McAfee, Co-Director of Planning, and Director of City Plans Division
Ken Bayne, Director of Financial Planning and Treasury

Project group:
Ronda Howard
Randy Pecarski
Heike Roth
Eric Westberg

Interdepartmental team:
Board of Parks and Recreation, Mark Vulliamy
Engineering (Transportation), Don Klimchuk
Engineering (Budgets), John Evans
Housing Centre, Jill Davidson
Planning (Central Area), Ian Smith; Richard Johnson
Planning (Zoning), David Thomsett
Social Planning/ Cultural Affairs, Sue Harvey

Other City liaison:
Budgets, Annette Klein
Fire, Wilf Ferguson
Legal Services, Graham Johnsen
Library, Patty Harding
Licenses and Inspections, Kathy Morgan–DCL Coordinator
Planning (Heritage), Gerry McGeough
Police, Trish Begg

Cover design: Ray Shulte–Community Services Group–Graphics

Document design: Leonard Jiew–Community Services Group–Administrative Services

Resource Group

The Resource Group met once a month to review research underway and to assist with the following: identify questions to be answered, ensure inclusion of a broad range of policy choices, and improve the general understandability of the material.

Development and Building Industry:
Mr. Jeff Herold
Herold Development Services
(Urban Development Institute [UDI] rep)

Mr. Roger Moors
United Properties (UDI representative)

Mr. Graeme Silvera
NAIOP (Nat'l Assn of Industrial & Office Properties)

Mr. Bob Laurie
NAIOP

Mr. Grayden Hayward
Carrera Property Group

Mr. Brad Alberts
Interurban Land Corp (small builder and member, Vancouver Heritage Advisory Commission)

Mailing list:
Mr. Peter Simpson
Greater Vancouver Home Builders Assoc.

Ms. Sophie King
Urban Development Institute

Residents and Businesses
(*Citizens' Advisory Group on Property Taxation)

Mr. Ian Beardmore*
Joyce Station Area Planning Association

Ms. Jean Elliot*
Canadian Property Tax Association

Ms. Janet Stethem*
Fairview Slopes Association

Mr. Graham Kedgley*
Shaughnessy Heights Property Owners Assoc.

Mr. Afton Cayford*
Residential sector; Chair of Citizens Advisory Group on Property Taxation

Ms. Anne Roberts
Kensington-Cedar Cottage CityPlan Committee
- Mr. Ken Baker *(Alternate)*

Mailing list:
Dr.William Strange*
UBC Faculty of Commerce

Ms. Kim Lister*
Building Owners & Managers Assoc.

Ms. Linda Thorstad, Executive Director,
Vancouver Economic Devel. Commission

Project Interests:
Ms. Marilyn Bell
Parkland is Sustainable and Supportable

Mr. Chris Payne
Community Centre Associations Presidents' Capital Plan Committee

Mr. Dave Thompson
BEST (Better Environmentally Sound Transportation

Ms. Lois Hollstedt
CEO, YWCA (daycare representative)

Mr. Sean McEwen
Lower Mainland Network for Affordable Housing

Mailing list:
Ms. Lori Baxter, Executive Director
Alliance for Arts & Culture

Glossary of Terms

Ad hoc rezonings: Rezonings that are not specifically outlined in an area plan or policy. Each must be evaluated on its own merit, against a variety of City policies and guidelines. These are the type of rezonings in the City-Wide Area that is the subject of this report.

Area-specific DCLs: DCL districts that cover a small area in the city, as opposed to the City-Wide DCL which covers most of the city.

Capital Plan: The City's three-year capital expenditure outline. Presented to the voters for approval at the same time as the civic election. Authorizes borrowing to finance capital projects. (Some Capital Plan projects are also paid for from current operating revenue, without borrowing.)

City-Wide DCL: DCL district that covers most of the city (excludes area-specific DCLs and other areas with area-specific CACs, or other arrangements to secure public benefits, that were in place before the City-Wide DCL was established, see Map 1.)

City-Wide Area: See City-Wide DCL.

Community Amenity Contribution (CAC): A public amenity secured through a rezoning, in exchange for the City allowing greater density.

Cost recovery: The growth costs that DCL revenues pay for. For example, if growth costs are $10 million, and the DCL will raise $10 million in revenue, this would be 100% cost recovery.

DCL (Development Cost Levy): A payment by new development toward specified growth costs. (Called "DCC," or Development Cost Charge in other B.C. municipalities).

DCL-eligible project, facility, or category: Specified projects that the DCL can be charged for and that the DCL revenue can be used for. Listed in the Vancouver Charter. Park and park improvement, daycare, roads (transportation), replacement housing, sewer, water, and drainage.

Flat rate: A pre-set charge, usually dollars per square foot. A DCL must legally be a flat rate charge. A CAC may be a flat rate or negotiated.

Floor space ratio (FSR): Measure of density, in terms of the bulk of a building. The size of the building is divided by the size of the site (e.g., a 4000 square foot building on a 4000 square foot site has an FSR of 1.0).

Growth costs, or growth-related costs: Capital costs of new facilities, needed to serve new residential and employment growth. Some growth costs are DCL-eligible (e.g., parks, transportation; see above). Other growth costs are not DCL-eligible (e.g., library, recreation).

GVRD: Greater Vancouver Regional District. Vancouver and suburban municipalities, from West Vancouver, to Delta, to Maple Ridge and Langley.

Heritage Bonus and Transfer of Density: Provincial legislation requires that owners of heritage buildings who agree to heritage designation must be compensated for the costs incurred. The City "pays" this compensation with extra density, i.e., the heritage bonus. If the bonus density cannot be used on the heritage site, it can be transferred to a "receiver" site elsewhere.

Heritage Transfer of Density "Bank": If there is no immediate "receiver" site for heritage bonus density (see above), the density can be "banked," to be sold and used later on another site.

Housing Agreement: A legal agreement between the City and a landowner to guarantee future occupancy; e.g., that a housing development will provide units for low income households.

Negotiated Community Amenity Contribution (CAC): A negotiated CAC is a community amenity contribution that is determined through a site specific negotiation rather than a flat rate. The negotiation takes into account: the cost of providing facilities to City standards, the adequacy of neighbourhood facilities; development economics; and community input.

Non-profit housing: Housing owned and operated by a non-profit housing society.

Non-Standard rezoning: In the City-Wide CAC Policy, a Non-Standard rezoning is one that is reported to City Council for determination of whether to charge the flat rate CAC, or to apply a site-specific negotiation to determine the amenities to be provided. For example, a large site of several acres or more is considered Non-Standard. (See also Standard rezoning.)

Parking pay-in-lieu: A development providing the City with a payment instead of the construction of parking spaces in the development. Funding has in some cases been dedicated for use for a community amenity.

Replacement housing: Affordable rental housing that replaces affordable rental housing lost due to redevelopment. May be either a direct loss, as when a building is torn down to make way for a new development on the same site. Or indirect, as when growth and development in general lead to increased land values and general pressure to replace or bid up the price of affordable housing. Replacement housing is a DCL-eligible project.

Rezoning: Land use change on a site. Alters the existing zoning. May affect land use, density, height, bulk, etc. Must be approved by City Council. Requires a Public Hearing. (Most development in the city occurs under existing zoning.)

Social housing: Affordable rental or co-op housing. The Vancouver Charter requires that social housing be exempt from a DCL payment, and permits the City to define social housing.

Standard rezonings: In the City-Wide CAC policy, rezonings that are not classified as Non-Standard, nor exempt from CACs–as in "all other rezonings." Standard rezonings provide a CAC through a flat rate charge.

Vancouver Charter: Provincial legislation that gives the City its legal authority.

Vancouver DCL: The legal name for the City-Wide DCL.

Appendices

A. List of Consultant Studies

The following economic impact studies were commissioned by the City for this review. The findings of the studies are included in the relevant sections of the report.

- "Urban Development Charges: An Evaluation of Market Impacts," Coriolis Consulting Corp. July 2000. *Purpose of report: to address the questions of who really pays the cost of development charges (DCLs and CACs), and do they affect the distribution of new urban development in the urban region?*
- "Setting a City-Wide DCL Rate: Market Implications of Full Cost Recovery in Selected Neighbourhoods," Coriolis Consulting Corp., July 2001. *Purpose of the report: to provide an economic analysis of the impact of applying a full cost recovery DCL rate on redevelopment of various types in Vancouver: residential, commercial, industrial.*

An earlier report was commissioned by the City prior to the introduction of the City's first DCL in Downtown South in 1990:

- "Economic Impact Analysis Relating to Development Cost Levies in the Downtown South Areas," February 1990, Nilsen Realty Research Ltd.

(For summaries, see Technical Supplement. Full reports are on file in Planning Department.)

B. Summary Comparison of DCLs and CACs

	DCLs	CACs
To what development does it apply	All development. Payable at building permit issuance.	Development undergoing rezoning Payable prior to zoning enactment (or at building permit issuance, if there is a legal guarantee of no development without CA C payment). (Also pays DCLs.)
What can it provide	Recovers portion of specified growth costs for: parks, childcare, replacement housing, engineering infrastructure.	Provides community amenities, e.g., library, daycare, community centre, community police office, park and park improvements, neighbourhood house. - More flexible than DCLs.
What is its financial significance to the City	Average annual revenue at Interim rates = $5 M.	For City-Wide CAC area, not as significant a revenue stream as DCLs: most development occurs without rezoning. CACs help address impacts of a rezoning, and, especially on large sites, provide significant assets on the site (in-kind facilities) versus cash.
What economic impact on development	If rate relatively low, does not deter development or hurt affordability (consultant study).	Same as DCLs–plus more economic "room" to provide a CAC if a rezoning increases land value.
What rate approaches are used	Flat rate ($/sq ft) on floorspace to be built.	Flat rate ($/sq ft) on additional floorspace permitted by the rezoning. And/or, site specific negotiation.

For more details, see City of Vancouver Information Bulletins #1 (DCLs) and #2 (CACs). Available on the web at <www.city.vancouver.bc.ca/commsvcs/planning/infobul1.htm> and <...infobul2/htm.>

C. Charter Amendment Requests Arising From This Review for DCLs

Several policy choices in this report are requests to the Province for amendments to the Vancouver Charter regarding DCL authority. In summary they are:

- Permit City to remove DCL exemption from less than 4 units–i.e., allow DCL charges for growth regardless of number of units in a development (2.2.1).
- Permit City to provide DCL exemptions for:
  - Development with a low building permit value (e.g., less than $50,000) (2.2.1).
  - City facilities and DCL-eligible facilities (2.3.1).
  - Heritage transferred bonus density (2.3.2).
- Permit City to use DCL revenue for a wider range of City facilities (3.4.1).

In addition, this review uses the term "Transportation" as one type of growth cost, while the Charter language uses the term "Highway Facilities." In both cases, the specified projects are within the street or road right-of-way. But, for additional clarity, the following amendment is also a Charter amendment request arising from this review:

- Expand the term "Highway Facilities" to include "Transportation Facilities."