



ADMINISTRATIVE REPORT

Report Date: June 24, 2015
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Meeting Date: July 7, 2015

TO: Vancouver City Council

FROM: General Manager of Planning and Development Services in consultation with the Director of Finance

SUBJECT: Improvements to Development Cost Levy (DCL) System: Replacing Area Specific DCL Districts and Excluded Areas with the Vancouver (City-wide) DCL District; and, Updating Vancouver DCL Growth Costs, Rates and Allocations

RECOMMENDATION

- A. THAT Council approve the expansion of the Vancouver (City-wide) Development Cost Levy (DCL) District to include the areas covered by the following Area Specific DCL Districts: Burrard Slopes; Arbutus; Dundas/Wall; Triangle West; and Cedar Cottage/Welwyn Street, with such expansion to be accompanied by amending the following by-laws which govern DCLs:
- (a) the Vancouver DCL By-law No. 9755 to be amended as follows:
 - (i) amend Schedule A - Part 1 by removing the following Development Cost Levy Areas: "Burrard Slopes", "Arbutus Neighbourhood", "Dundas/Wall Street", "Triangle West", and "Cedar Cottage/Welwyn Street"; and
 - (ii) amend Section 2.3 to reflect revised capital project cost estimates;
 - (b) the Area Specific DCL By-law No. 9418 to be amended as follows:
 - (i) amend all rates applicable to Burrard Slopes, Arbutus, Dundas/Wall, Triangle West and Cedar Cottage/Welwyn Street to reduce them to \$0/square foot, including nominal rates; and
 - (ii) amend Section 2.10 to reflect updated capital project cost estimates;

all of which amendments will be effective on the first anniversary of enactment of the amending by-laws.

- B. THAT Council approve the expansion of the City-wide DCL District to include the following areas: Coal Harbour Official Development Plan; Champlain Heights South CD-1; Blocks 68 and 69; Riverside East; Station LaFarge CD-1 (Citygate); Collingwood Village CD-1; Bayshore CD-1; and Arbutus Neighbourhood CD-1s, with such expansion to be accompanied by amending the following by-laws which govern DCLs:
- (a) the Vancouver DCL By-law No. 9755 to be amended as follows:
- (i) amend Schedule A - Part 2 by removing the following areas: "Coal Harbour Official Development Plan", "Champlain Heights South", "Blocks 68 and 69", "Riverside East", "Station LaFarge", "Collingwood Village", "Bayshore" and "Arbutus Neighbourhood".

all of which amendments will be effective on the first anniversary of enactment of the amending by-laws.

- C. THAT the Director of Legal Services be instructed to prepare the necessary by-laws to amend the Vancouver DCL By-law No. 9755 and the Area Specific DCL By-law No. 9418, generally as set out in Appendix A and Appendix B, respectively.
- D. THAT Council instruct staff to notify the development industry and affected stakeholders regarding Council approved changes to DCLs.
- E. THAT, subject to approval of Recommendations A and B, Council direct staff to update City-wide DCL District growth costs, rates and allocations to reflect the adjusted boundary and current growth estimates, with this work to be integrated with the City's long-term capital and financial planning framework. Staff will report back to Council if any additional resources are needed to complete this work.
- F. THAT Council instruct staff to work with community and industry stakeholders to update the growth costs, rates and allocations for the City-wide DCL District.

REPORT SUMMARY

The recommendations in this report represent an important step in simplifying the City's DCL system. The current DCL system consists of 10 DCL Districts (each with its own rates) and 10 additional planning areas excluded from DCLs.

This report recommends that 5 of the 6 Area Specific DCL Districts (Burrard Slopes, Arbutus, Dundas/Wall, Triangle West and Cedar Cottage/Welwyn) be replaced with the City-wide DCL District. These older DCL areas have either been superseded by new area plans and updated

public benefit strategies, or been built out to their expected development potential with their public benefit obligations achieved. The sixth Area Specific DCL, Downtown South, is not included as it has been recently updated and significant development is still expected and related public benefits are still outstanding.

This report also recommends that 8 of the 10 planning areas exempt from the City-wide DCL also be replaced by the City-wide DCL District (making these areas subject to DCLs). These areas are now fully developed and their public benefit obligations have been achieved. In the two remaining areas, staff will monitor the residual development capacity, outstanding public benefit obligations and/or comprehensive planning opportunities, and report back should there be a need to include these areas in the City-wide DCL.

The first Area Specific DCL to be replaced with the City-wide DCL was the Oakridge-Langara DCL District in 2013. The recommended expansion of the City-wide DCL District will greatly simplify the administration of the DCL system and remove inconsistencies in DCL rates city-wide. As well, having a more comprehensive City-wide DCL area will enable strategic and flexible delivery of public amenities and infrastructure to meet growth needs as DCL collection and allocation will not be restricted by small area-based DCL boundaries.

A review of projects in-process and remaining development opportunities indicates that the proposed DCL rate changes are not expected to adversely impact the viability of projects in-process or new development. If approved, new DCL rates would take effect after a one-year grace period following Council approval. In-stream applicants could also benefit from an additional 12 months of in-stream DCL rate protection which should ensure that all active applications can proceed under the existing applicable DCL rates.

Any unspent DCLs currently in the Area Specific DCL accounts, plus DCLs collected during the one-year grace period, will be allocated as per area specific Public Benefit Strategies. Affected stakeholders have been notified of these proposed changes.

Subject to Council approval of Recommendations A and B, Recommendation E directs staff to initiate an update of the City-wide DCL growth costs, rates and allocations to reflect the adjusted boundary and current growth estimates. This update is needed for several reasons: the expansion of the City-wide DCL boundary; the achievement of estimated population and revenue targets earlier than projected; and, the substantial shift in senior government's involvement in delivering social housing and childcare (both DCL-eligible). In addition, needs for various public amenities, engineering infrastructure and other emerging priorities have evolved and they require alignment with current Community Plans, and integration with the City's long-term capital and financial strategy.

The recommended update to the City-wide DCL would assist the City's capital planning program by providing a clear understanding of growth-related needs for, and costs of, DCL-eligible facilities and infrastructure. This will improve the capital budget process for prioritization and alignment with the broader capital program. Staff will report back to Council if resources are required for this work.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- West End Community Plan (2013)
- DCL Changes for Oakridge-Langara (2013):
 - Council replaced the Oakridge-Langara DCL District with the City-wide DCL District
 - Staff to report back to Council on the status of other Area Specific DCL Districts that are excluded from Vancouver DCL By-law No. 9755
- Inflationary Rate Adjustments (2010):
 - Staff to report back on a review of the Triangle West Public Benefit Strategy
- Downtown South Public Benefits Strategy for 2007 - 2021 (2007)

- City-wide Financing Growth Policy (2003):
 - Section 4.1.1. - Areas excluded from the City-wide DCL that have been fully developed will be included in the City-wide DCL.
- Community Amenity Contributions through Rezonings (1999)
- Implementation of Area Specific Development Cost Levies: Triangle West (1997); Cedar Cottage/Welwyn Street Area (1997); Dundas/Wall Neighbourhood (1996); Arbutus Neighbourhood (1995); and Burrard Slopes (1994).

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager, the General Manager of Planning and Development Services, and the Director of Finance recommend approval of the foregoing.

The proposed changes contained in this report are part of a broader initiative to modernize and simplify the City's development contribution system which include DCLs, Community Amenity Contributions (CACs) and other mechanisms, and align them with the City's strategic long-term capital and financial planning framework.

Replacing the large number of Area Specific DCLs and other excluded areas with the City-wide DCL is beneficial to the City, the development industry and residents. A single City-wide DCL that applies to almost all new development simplifies administration of the DCL Bylaw, creates a level playing field for new development, and allows DCLs to be spent on eligible public amenities and infrastructure where needed in Vancouver.

The recommended update of the City-wide DCL growth costs, rates and allocations provides an opportunity to refresh the portion of the capital program related to growth needs. Integrating this work with the City's over the long-term capital planning framework will help align the DCL-related growth needs (which are restricted to parks, replacement housing, childcare and engineering works) with other civic-owned and civic-supported facility needs.

REPORT

Background/Context

Development Cost Levies (DCLs)

DCLs are a growth-related charge on all new development. They are applied on a per square foot basis and are payable at Building Permit issuance. DCLs are governed by rules set out in the Vancouver Charter. DCLs are an important source of revenue for civic facilities although they are limited to: replacing affordable rental housing; childcare facilities; park acquisition and improvements; and, engineering infrastructure (transportation, water, sewer and drainage).

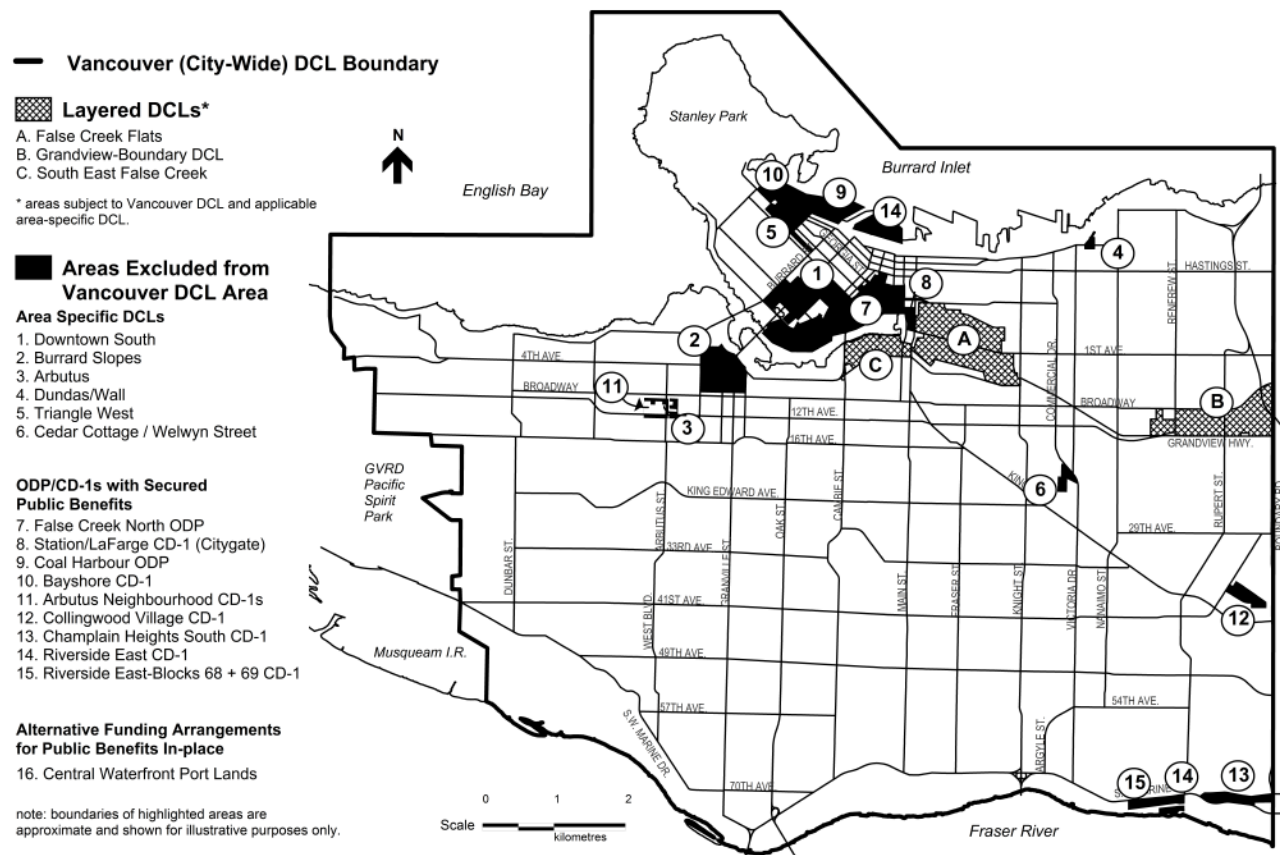
DCL By-laws establish area boundaries for each DCL district. Levies collected within each district must be spent within the area boundary, except for DCLs collected for replacement housing (affordable rental) which can be spent city-wide.

There are 10 DCL districts in the City in three general categories:

1. **The Vancouver (City-wide) DCL District:** This applies across most of the city.
2. **Layered DCL Districts:** There are 3 layered DCL areas shown on Map 1 as A, B, and C (False Creek Flats, Grandview-Boundary, and Southeast False Creek). These are specific areas in which both an Area Specific DCL and the City-wide DCL apply. These are or were industrial areas where new plans identified potential for significant redevelopment and a higher need for civic infrastructure than could be covered by the City-wide DCL alone (e.g., sewer and water).
3. **Area Specific DCL Districts:** These are 6 Area Specific DCL Districts which are numbered 1-6 on Map 1 and are excluded from the City-wide DCL.

Other Excluded Areas: There are also additional planning areas (numbered 7-16 on Map 1) that are excluded from the City-wide DCL District. These areas are excluded because they have already secured the provision of growth-related capital projects as part of a Comprehensive Development District (CD-1), Official Development Plan (ODP) or an alternative funding arrangement.

Map 1: DCL Areas in Vancouver



Financing Growth Policy (2003)

The City's Financing Growth policy was approved by Council in 2003 and provides guidance for the implementation of City-wide DCLs and Community Amenity Contributions (CACs). Specifically, it provides information on City-wide growth costs and how they fit into the City budget context. Financing Growth policy also addresses the eventual integration of an Area Specific DCLs into the City-wide DCL. Financing Growth Policy (Section 4.1.1) notes that several Area Specific districts were excluded from the City-wide DCL because developments were already committed to contribute to growth costs. Once these areas are fully developed, or have been superseded by a new plan, these areas should be replaced by the City-wide DCL.

Oakridge Langara (2013) and Process for Improving the City's DCL System

In 2013, Council approved expanding the City-Wide DCL District to include the Oakridge Langara DCL District. The Oakridge Langara report addressed an issue of the older Oakridge Langara Plan being superseded by new area plans and also removed inconsistencies in DCLs payable for new, higher density development along the Cambie Corridor. Integration of the Oakridge Langara DCL into the City-wide DCL was a first step towards the creation of a simplified DCL system across the city.

Strategic Analysis

Recommendation A: Replacing 5 Excluded Area Specific DCL Districts with City-wide DCL District

Recommendation A proposes that five of the six Area Specific DCL Districts (Burrard Slopes, Arbutus, Dundas/Wall, Triangle West and Cedar Cottage/Welwyn) be replaced with the City-wide DCL District. DCL Districts are numbered 1 to 6 on Map 1.

The sixth Area Specific DCL District is Downtown South. It is not included at this time because the area has recently had an update to its Public Benefit Strategy (2007) and there is significant remaining development capacity, as well as future DCL-eligible capital projects not yet delivered.

All of the subject districts were established in the early-to-mid-1990's as the first DCL Districts in the City. These areas pre-date the City-wide DCL, established in 2001. While the City-wide DCL applies to most of the City, the Area Specific DCL Districts were excluded from it because these Districts had supporting area plans and Public Benefit Strategies (PBS') when the City-wide DCL was established. PBS' identify growth demands, capital costs for new public benefits and DCL allocations. Appendix C summarizes the PBS' for the subject districts.

The replacement of the 5 Area Specific DCL Districts with the City-wide DCL and accompanying DCL rate adjustments are recommended for three main reasons:

- 1) Areas are close to build-out and/or have been superseded by newer plans.
- 2) Constrained delivery of area-based public benefits.
- 3) Inconsistent DCL rates for new development.

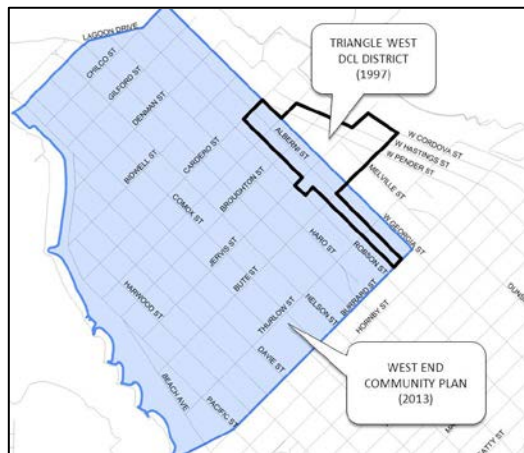
1) Replacing Built-Out and/or Superseded Areas with City-wide DCL

The subject districts are now approaching 20 years old, pre-date the establishment of the City-wide DCL and are close to "build-out", meaning that a majority of the anticipated development has taken place and there is limited remaining development capacity. In two cases (Triangle West and Dundas/Wall), the subject districts have or will be superseded by Council-approved plans and public benefit strategies.

To review build-out in each of the subject districts, all sites (land parcels) which have been developed since the areas were established were identified. Sites that were unlikely to redevelop (new construction, strata properties, large office buildings) were then removed and the end result was a list of sites with remaining development capacity. This formed the basis of the build-out analysis.

Triangle West DCL District (1997) - Triangle West has experienced extensive development activity since it was established. The area is now fully built out as per its 1997 Public Benefit Strategy (PBS). In addition, the area has been superseded by the West End Community Plan (2013) which overlaps approximately half of Triangle West (see Map 2), adding significant new housing and employment potential to the area.

Map 2: Triangle West DCL District & West End Community Plan



The West End Plan estimates that over the next 30 years, the West End will experience a population growth of 7,000 to 10,000 residents. The West End PBS reflects the needs and desires of the community, and provides strategic direction to guide the City's investment decisions on public amenities and infrastructure over the next 30 years. Key priorities for new or improved public benefits for the West End include: social and affordable housing; childcare; heritage; recreation facilities; social facilities including libraries; cultural facilities; parks and open space; fire hall facilities; transportation and public realm; and, utilities and public works. Several of these categories are eligible as DCL capital projects.

The Triangle West DCL District and its PBS no longer represent current land use policy and growth demands. Spending the Triangle West DCLs has been a challenge due to the small size of the district (limited opportunities for securing amenities) and the increasing high density land values in the area.

Arbutus DCL District (1995) - This area is largely built out as per its area plan. The intended area DCL collections have been met and DCL-funded capital projects have been built or are in the process of being delivered.

Burrard Slopes DCL District (1994) - This area is largely built out as per its area plan. Under the current DCL structure and current rate of redevelopment, the PBS identified capital projects to be funded from DCLs are unlikely to be realized. This is because additional redevelopment opportunities in the area are limited and land values have escalated. Replacing this district with the City-wide DCL will help achieve any outstanding public benefits.

Cedar Cottage/Welwyn DCL District (1997) - This area is largely built out as per its area plan. New development in recent years has come in the form of rental housing under the city-wide Rental 100 program which offers incentives such as DCL waivers.

Dundas/Wall DCL District (1996) - This area is within the Cedar Cove neighbourhood of the upcoming Grandview Woodland Community Plan, which is anticipated for Council review in 2015/2016. The Grandview Woodland plan completely overlaps this area, and the new Plan will supersede the Dundas/Wall DCL District and its PBS. Once complete, the new Plan will be accompanied by a new PBS that will identify how future growth will address the community needs over the next 30 years. This district has experienced no new development since its establishment in 1996 (either through existing zoning or through rezoning).

See Appendix C for information on capital projects delivered in these area specific districts.

2) Improving delivery of area-based public benefits

Replacing Area Specific DCLs with the City-wide DCL will improve the delivery of area-based public benefits. Area Specific DCLs can only be spent in the district from which it was collected (except for replacement housing). Experience with capital project delivery in these small excluded DCL districts has identified several challenges. Locating new amenities is difficult because of limited opportunities to acquire sites in small areas, and opportunities to site amenities just outside the district boundary cannot be capitalized upon. In addition, small DCL districts have a limited pace of redevelopment activity which means a slow collection of DCLs and potentially slower delivery of public benefit projects.

By replacing these Area Specific DCL Districts with the City-wide DCL, a significant constraint on the delivery of public benefits in these areas will be removed. These areas will be able to access the much larger pool of City-wide DCLs and benefit from city-wide long-term capital planning. This process allows funding from a variety of sources to be considered (e.g., DCLs, CACs and other capital funding) and allocations are considered through a system of city-wide prioritization.

3) Improving consistency of DCL rates for new development

Area Specific DCL rates (except Downtown South) are either lower or equal to the City-wide DCL rate. The Area Specific rates differ because they were based on area plans, growth-related facilities and associated PBS'. For new development, this means an inconsistent and somewhat "unfair playing field" where rates within an Area Specific DCL vary significantly from adjacent developments in the City-wide DCL District. In the case of the Cedar Cottage/Welwyn, the rate for higher density development is \$6.18 per sq.ft. lower than the City-wide DCL and the Burrard Slopes DCL rate is \$4.21 per sq.ft. lower than the City-wide DCL. As these areas are now largely built-out, or superseded by newer plans, there is no underlying rationale for having inconsistent DCL rates on similar redevelopment sites in close proximity.

Potential Impact on New Development

Replacing the subject districts with the City-wide DCL means that City-wide DCL rates will take effect in each of the Area Specific Districts. For higher density development (residential uses over 1.2 FSR, commercial and other uses), which represent the largest share of new development in these areas, the proposed DCL rate change would result in rate increases in Burrard Slopes, Arbutus, Dundas/Wall, and Cedar Cottage/Welwyn. However, the impact of these rate changes to new development should be minimal as these areas are largely built-out and have very limited remaining development capacity. The Triangle West DCL rate is already identical to the City-wide DCL which means there will be no rate change or impact on new development. Table 2 provides rate change details and potential impacts.

Table 2: DCL Rates by District (City-Wide & Area Specific)

	Higher Density Residential, Commercial & other Uses (over 1.2 FSR) (\$/sf)	Change in Rate (\$/sf)	Potential Impact Due to DCL Rate Change
City-Wide DCL	\$12.87	N/A	N/A
Triangle West DCL	\$12.87	\$0.00	None <i>Rate is the same as City-wide DCL.</i>
Burrard Slopes DCL	\$11.76	+\$1.11	Limited <i>Rate is only slightly lower than City-wide DCL. Minimal remaining development capacity.</i>
Arbutus DCL	\$8.66	+\$4.21	None <i>Area is built out.</i>
Cedar Cottage/Welwyn DCL	\$6.69	+\$8.75	Limited <i>Minimal remaining development capacity.</i>
Dundas/Wall DCL	\$3.42	+\$9.45	None <i>No active development projects.</i>

Note: DCL rates effective September 30, 2014

In Burrard Slopes the rate change is relatively small and new development in the area is restricted to the residential portions of the District (C-3A and C-2C) and not in the industrial area. In the Arbutus DCL district the last major development site in the area is currently under construction. In Cedar Cottage/Welwyn, the rate change is larger, however there are few redevelopment sites remaining and recent development has been secured market rental projects which are eligible for DCL waiver. In Dundas/Wall, there has been no new development since the area was established.

Grace Period and In-stream DCL Rate Protection

Recommendation A proposes that new DCL rates would take effect on the first anniversary of DCL by-law enactment, which means that new development in the affected areas would benefit from a one-year **grace period** starting from the date of DCL by-law enactment. A grace period allows developments in-process to reach building permit application before new DCL rates come into effect and also allows adequate time so that new development along with market and investment decisions have time to adjust to new rates.

In addition to the grace period, applicants will also benefit from **in-stream DCL rate protection**. In-stream DCL rate protection enables in-stream applications to be exempt from DCL rate increases for a period of 12-months from the date of DCL bylaw rate amendment, provided that it has been submitted prior to the adoption of a DCL By-law rate adjustment. With the addition of in-stream DCL rate protection, some applications could benefit from up to a two-year timeframe before City-wide DCL rates take effect.

As of May 2015, there were a total of 9 projects within the subject districts in the City's development and building application stream. All in-stream applicants were notified of the potential rate adjustment in June 2015. With provision of the one-year grace period plus the in-stream rate protection, and based on typical permit approval timing, no projects currently in the approvals process should be impacted by the proposed rate adjustments.

Implementation: Transitioning Area Specific DCL Districts to City-wide DCL District

In order to bring the subject districts into the City-wide DCL, the same implementation process will be used as with the Oakridge Langara DCL District in 2013, which respects the provisions for DCLs in the Vancouver Charter (Section 523D).

The key steps in transitioning Area Specific DCLs to the City-wide DCL District are:

- *Preserve DCLs in Area Specific DCL accounts* - All uncommitted and unspent DCLs will be kept in Area Specific DCL accounts and will be available for spending only within the subject district from which the DCLs reside. Area Specific DCLs will not be transferred to the City-wide DCL account.
- *Ensure subject DCL Districts stop generating DCLs* - To ensure that Area Specific DCL Districts do not continue to collect new DCLs, Area Specific DCL rates will be reduced to zero as City-wide DCL rates come into effect. This will stop the accrual of DCLs into Area Specific DCL accounts and will allow new DCLs to be deposited into the City-wide DCL account.
- *Ensure intended spending of DCLs* - Area Specific DCLs will be spent on projects originally intended for in the subject area public benefit strategies. Those projects are generally set out in section 2.10 of the Area Specific DCL By-law.

Table 3 shows DCL collections and unspent balance (as of May 2015). In addition, there is a possibility of more DCLs being collected in these districts before the rates are reduced to zero. For example, DCLs could be collected during the grace period before new rates are implemented. Table 3 shows that not all of the DCLs generated in these areas have been spent. DCLs remain in Triangle West and Burrard Slopes accounts and smaller amounts remaining in the Cedar Cottage/Welwyn and Arbutus accounts. There have been no DCLs collected in the Dundas/Wall accounts.

Table 3: DCL Collections, Spent, & Unspent Balance by District

District	DCL Collections since establishment (\$M)	Spent DCLs (\$M)	Unspent DCLs (\$M)
Dundas/Wall	\$0	\$0	\$0
Arbutus	\$3.6	\$2.7	\$0.9
Cedar Cottage/Welwyn	\$1.4	\$0	\$1.4
Burrard Slopes	\$12.5	\$8.2	\$4.3
Triangle West	\$19.6	\$4.8	\$14.8

Source: City of Vancouver: Collections and unspent balance updated as of May 2015

Recommendation B: Replacing DCL Excluded Areas with the City-wide DCL District

Recommendation B proposes that 8 of the 10 planning areas excluded from the City-wide DCL (Coal Harbour ODP, Champlain Heights South CD-1, Blocks 68 and 69 CD-1, Riverside East CD-1, Station LaFarge CD-1 (Citygate), Collingwood Village CD-1, Bayshore CD-1, and Arbutus Neighbourhood CD-1s) be replaced by the City-wide DCL District.

Changes to the 8 excluded planning areas are being recommended for two main reasons:

1. The areas are now fully developed and have no remaining development capacity.
2. The public benefit obligations associated with these areas have been delivered.

City-wide Financing Growth policy (2003) established areas of the City that were excluded from the City-wide DCL. These areas were excluded because developments were already committed to contribute to growth costs, to the degree feasible based on development economics. Since 2013, there has been considerable development in most of these excluded areas. Financing Growth policy stated that *"...once these areas 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."*

Each of these 8 planning areas have been reviewed and found to be fully developed with their public benefits delivered (see Appendix D). These areas are all former industrial lands that have experienced significant new development and associated population growth since becoming new neighbourhoods in the late 1980's and early 1990's. Since then, these areas have been built up and have delivered their required public benefits, with two minor exceptions. In two of the areas (Coal Harbour ODP and Riverside East CD-1), there are outstanding school and city-owned non-market housing obligations to deliver. As non-market housing and schools already benefit from DCL relief, the remaining development in these two areas would not be impacted by the City-wide DCL.

There are two excluded planning areas remaining: False Creek North Official Development Plan (ODP) and Central Waterfront Port Lands. The False Creek North ODP remains an active area with new development taking place and it has an alternate funding agreement to provide needed public benefits. The Central Waterfront Port Lands are a complex redevelopment site that has not yet been comprehensively planned. Excluding this area from the City-wide DCL provides more flexibility to negotiate an appropriate mix of public amenities at the time of redevelopment. In these two remaining areas, staff will monitor the residual development capacity, any outstanding or additional public benefit obligations and/or comprehensive planning opportunities, and report back should there be a need to include these areas in the City-wide DCL.

Recommendation E: Direct Staff to Update City-wide DCL District Bylaw (costs, rates and allocations)

Subject to Council approval of Recommendations A and B, Recommendation E directs staff to initiate an update of City-wide DCL growth costs, rates and allocations to reflect the adjusted boundary and current growth estimates. This work would be integrated within the City's long-term capital and financial planning framework.

The current City-wide DCL is based upon assumptions for growth, growth costs, and allocations from the Financing Growth Review approved by Council in 2003. Subject to Council approval of recommendations in this report, there are a number of reasons to update City-wide DCL costs, rates and allocations. These include:

- Adjustment of the City-wide DCL boundary to include the entire city (only Downtown South DCL District, False Creek North and Central Waterfront Port Lands would be excluded).
- Population growth estimates to 2021 have already been met (6 years earlier than projected).
- Forecast DCLs to 2021 is expected to be achieved by 2016 (5 years early).
- Assumptions about senior government funding programs related to cost sharing or grants for affordable housing and childcare need to be updated.
- Needs for various public amenities, engineering infrastructure and other emerging priorities have evolved over time.
- An updated needs assessment requires realignment with current Community Plans and Public Benefit Strategies, and integration with the City's long-term capital and financial strategy.

The current City-wide DCL does not include water, sewer or stormwater system upgrades. At the time the DCL was established it was anticipated that these needs would be addressed by the water and/or sewer utility, or by incremental development on a case-by-case basis. More recent changes in development capacity in various areas of the city (e.g. Downtown, Cambie Corridor, East Fraser Lands) have identified challenges with this approach. As a result, the update of the City-wide DCL would include consideration of adding these growth-related water, sewer and stormwater upgrades to DCL's capital project needs assessment.

The City-wide DCL update is also supported by the Province's "Development Cost Charge (DCC) Best Practice Guide" which notes that trigger events for a full update of a DCC include major changes in assumptions and revenues/expenditures deviating from projections. The Guide notes that "major amendments to the DCC (DCL in Vancouver) bylaws should be completed every five years and involve a full review of DCC/DCL issues and methodology."

The update would identify:

- Future population and employment growth based on approved plans and policy.
- Future growth needs for public amenities eligible for DCLs (childcare, replacement housing, parks and park improvements, and engineering infrastructure).
- Growth costs of eligible capital programs.
- Potential rate adjustments.
- Recommended allocations of DCLs to eligible capital programs.
- Recommendations to integrate future updates of the City-wide DCL with the City's long-term capital planning process.

In order to put the growth-related needs of the DCL-eligible projects into the context of the City's broader capital planning process, it is necessary to also consider other growth-related public benefits that are not DCL-eligible. The City-wide DCL update would therefore be undertaken within the City's long-term capital and financial planning framework so that the DCL capital program is informed by the larger context of capital needs. The update would include targeted stakeholder consultation.

It is anticipated that the update would be led by an interdepartmental team supported by consultants and funding to meet staffing needs. This work is eligible for DCL funding as it supports the long-term capital planning for DCL-eligible programs. Staff will report back if additional resources are needed.

Implications/Related Issues/Risk

Financial

The proposed expansion of the City-wide DCL District to cover five Area Specific DCL Districts (Recommendation A) and eight excluded planning areas (Recommendation B) is integral to a broader initiative to modernize and streamline the City's development contribution system. There are a number of benefits associated with this change:

- Larger, more comprehensive City-wide DCL District with greater flexibility in collecting and allocating DCLs across the city to meet growth needs.
- Simplified DCL system with fewer administrative districts.
- Harmonized DCL rates for new development across almost the entire city.
- Better alignment with the City's strategic long-term capital and financial planning framework.
- Enhanced efficiency in delivering public amenities and infrastructure to businesses and residents.

The resulting change in DCL rates (Table 2) is not expected to generate significant additional DCLs. In some cases, the difference in DCL rates between the City-wide DCL District and the Area Specific DCL District is minimal. In other cases, the Area Specific DCL Districts and the excluded areas have little or no remaining development capacity.

Of the five Area Specific DCL Districts recommended to be replaced by the City-wide DCL District, there is approximately \$14.8 million of unspent DCL balance (Table 3). Pursuant to the *Vancouver Charter*, any unspent Area Specific DCLs must be reserved for public benefit projects that would benefit these areas and cannot be transferred to the City-wide DCL District.

As identified in Recommendation A, replacing the subject DCL Districts with the City-wide DCL District requires the transfer of residual (unspent) capital costs from Area Specific DCL District Bylaws to the City-wide DCL District Bylaw. This residual is calculated by taking Area Specific DCL By-Law capital costs and deducting DCL spending and commitments to date. These capital cost updates represent an increase of approximately 1.8% to City-wide DCL Bylaw's growth-related capital cost estimates. An updated list of these projects and estimated costs is provided in Appendix A and B.

Since the Financing Growth Strategy was adopted in 2004, the City has experienced a much faster growth in population than originally anticipated. There has also been a substantial shift in senior governments' involvement in delivering social housing and childcare. Subject to Council approval (Recommendation E), staff will conduct work on updating the growth projection, the need for public amenities as they align with the various Community Plans, and

the City's strategy to finance such growth needs over the long term. It is anticipated that such work will be completed with a report back to Council with recommendations on growth costs, rates and allocations. Should additional resources be required to conduct this work, which is DCL-eligible, additional funding will be sought as part of the budget process.

In light of emerging public benefit priorities (i.e. including funding required for rapid transit as per the Mayors Council for Regional Transportation Investments), staff will explore a phased approach to the DCL update. This could include interim report backs to Council on DCL funding strategy and financial implications.

Communications Plan

A number of steps have been taken to ensure broad notification of the proposed DCL rate changes.

- Since June 2015, verbal and written notification has been provided to inquirers and written notification provided to applicant's in-process.
- In June 2015, advertisements describing the proposed DCL rate adjustments, together with details on how to provide feedback, were placed in the Vancouver Courier and Business in Vancouver newspapers.
- Notification to local industry groups (Urban Development Institute, National Association of Industrial and Office Properties, Greater Vancouver Homebuilders Association, Urban Land Institute) so that notice of this report can be communicated with their members.
- City Clerks notified community stakeholders as well as other stakeholders related to Financing Growth matters informing them of this report and where they can review it online prior to the Council meeting.

CONCLUSION

The recommendations in this report represent an important step in simplifying the City's DCL system. This report seeks amendment of the City-wide DCL boundary to replace 5 Area Specific DCL Districts (Burrard Slopes, Arbutus, Dundas/Wall, Triangle West and Cedar Cottage/Welwyn) so that City-wide DCL applies to all these areas. The report also recommends replacing other planning areas excluded from the City-wide DCL. Both the Area Specific districts and other planning areas excluded from the City-wide DCL are now largely built out or have been superseded with new area plans. The recommended changes greatly simplify the City's DCL system, create a more level playing field of DCL rates, and allow for improved capital planning and delivery of growth-related capital projects across the city. A one-year grace period and additional in-stream DCL rate protection should allow developments in process to clear the approvals process before new City-wide DCL rates come into effect. This report also recommends an update of City-wide DCL growth costs, allocations and rates to proceed, in consultation with affected stakeholders.

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**Appendix A:
VANCOUVER DEVELOPMENT COST LEVY BY-LAW NO. 9755**

The recommendations set forth in this report will amend the Vancouver Development Cost Levy By-law No. 9755 regarding Burrard Slopes, Arbutus, Dundas/Wall, Triangle West and Cedar Cottage/Welwyn.

THE COUNCIL OF THE CITY OF VANCOUVER, in public meeting, enacts as follows:

1. In the table in section 2.3, under the Heading "Estimated Cost" Council strikes:

- (a) "\$115,350,000" and replaces it with "\$115,750,000";
- (b) "\$560,400,000" and replaces it with "\$577,810,000";
- (c) "\$94,000,000" and replaces it with "\$99,000,000"; and
- (d) "\$496,070,000" and replaces it with "\$498,340,000".

2. In Schedule A - Part 1, Council strikes out the table and substitutes:

"

Column 1	Column 2
Downtown South Development Cost Levy Area	By-law No. 6924

"

3. In Schedule A - Part 2, Council strikes out the table and substitutes:

"

Column 1	Column 2
Lands zoned CD(Comprehensive Development District) and subject to the False Creek North Official Development Plan	By-law No.6650

"

4. This by-law shall be effective on the first anniversary of enactment of the amending by-laws.

Appendix B: AREA SPECIFIC DEVELOPMENT COST LEVY BY-LAW NO. 9418

The recommendations set forth in this report will amend the Area Specific Development Cost Levy By-law No. 9418 regarding Arbutus Neighbourhood, Burrard Slopes, Cedar Cottage/Welwyn Street, Dundas/Wall Street, and Triangle West.

1. For Arbutus projects and levies, Council:
 - (a) in the table in section 2.3, under the heading "Estimated Cost", strikes out:
 - (i) "\$350,000" and replaces it with "\$330,000"; and
 - (ii) "\$3,264,000" and replaces it with "\$3,120,000"; and
 - (b) in section 3.2, strikes out:
 - (i) "\$93.25" and replaces it with "\$0.00";
 - (ii) "\$37.30" and replaces it with "\$0.00";
 - (iii) "\$1.08" and replaces it with "\$0.00";
 - (iv) "\$43.06" and replaces it with "\$0.00";
 - (v) "\$10.00" and replaces it with "\$0.00";
 - (vi) "\$10.00" and replaces it with "\$0.00"; and
 - (vii) "\$5.49" and replaces it with "\$0.00".
2. For Burrard Slopes projects and levies, Council:
 - (a) in the table in section 2.4, under the heading "Estimated Cost", strikes out:
 - (i) "\$1,550,000" and replaces it with "\$400,000";
 - (ii) "\$20,250,000" and replaces it with "\$3,600,000";
 - (iii) "\$2,955,000" and replaces it with "\$800,000"; and
 - (iv) "\$1,020,000" and replaces it with "\$200,000".
 - (b) in section 3.3, strikes out:

- (i) "\$126.53" and replaces it with "\$0.00";
- (ii) "\$50.61" and replaces it with "\$0.00";
- (iii) "\$1.08" and replaces it with "\$0.00";
- (iv) "\$53.82" and replaces it with "\$0.00";
- (v) "\$10.00" and replaces it with "\$0.00";
- (vi) "\$10.00" and replaces it with "\$0.00"; and
- (vii) "\$5.49" and replaces it with "\$0.00".

3. For Cedar Cottage/Welwyn Street projects and levies, Council:

(a) in the table in section 2.5, under the heading "Estimated Cost" ,strikes out:

- (i) "\$310,000" and replaces it with "\$130,000";
- (ii) "\$1,430,000" and replaces it with "\$610,000"; and
- (iii) "\$1,595,000" and replaces it with "\$680,000"; and

(b) in section 3.4, strikes out:

- (i) "\$71.98" and replaces it with "\$0.00";
- (ii) "\$29.80" and replaces it with "\$0.00";
- (iii) "\$29.80" and replaces it with "\$0.00";
- (iv) "\$44.30" and replaces it with "\$0.00";
- (v) "\$1.08" and replaces it with "\$0.00";
- (vi) "\$10.00" and replaces it with "\$0.00";
- (vii) "\$10.00" and replaces it with "\$0.00"; and
- (viii) "\$5.49" and replaces it with "\$0.00".

4. For Dundas/Wall projects and levies, Council:

(a) in the table in section 2.7, under the heading "Estimated Cost", strikes out:

- (i) "\$203,000" and replaces it with "0.00"; and
- (ii) "\$230,000" and replaces it with "0.00"; and

- (b) in section 3.6, strikes out:
 - (i) "\$36.85" and replaces it with "\$0.00";
 - (ii) "\$1.08" and replaces it with "\$0.00";
 - (iii) "\$20.45" and replaces it with "\$0.00";
 - (iv) "\$10.00" and replaces it with "\$0.00";
 - (v) "\$10.00" and replaces it with "\$0.00"; and
 - (vi) "\$5.49" and replaces it with "\$0.00".

5. For Triangle West projects and levies, Council:

- (a) in the table in section 2.12, under the heading "Estimated Cost", strikes out:
 - (i) "\$16,231,000" and replaces it with "\$8,400,000";
 - (ii) "\$4,076,000" and replaces it with "\$2,200,000"; and
 - (iii) "\$10,128,000" and replaces it with "\$5,200,000"; and

- (b) in section 3.11, strikes out:
 - (i) "\$138.53" and replaces it with "\$0.00";
 - (ii) "\$1.08" and replaces it with "\$0.00";
 - (iii) "\$10.00" and replaces it with "\$0.00";
 - (iv) "\$10.00" and replaces it with "\$0.00"; and
 - (v) "\$5.49" and replaces it with "\$0.00".

11. This by-law shall be effective on the first anniversary of enactment of the amending by-laws.

Appendix C: Background Information on Area Specific DCL Districts

1. Summary of Area Specific DCL Public Benefit Strategies

Area Specific DCL Districts have corresponding Public Benefit Strategies (PBS) which identify growth demands, capital costs for new public benefits and spending distribution over a 25- to 30-year timeframe. In accordance with the Vancouver Charter, levies collected within these DCL District have to be spent within their area boundaries, except housing projects which can be spent city-wide.

Shown below are the key features of all of the AS DCL Districts that are currently excluded from the City-wide DCL District.

District	Year Established	Est. Population Growth	Estimated Capital Costs (\$M)	DCL Spending Category Distribution			
				Childcare	Engineering	Housing	Parks
Burrard Slopes	1994	5,000	\$25.7	16.1%	8.5%	3.7%	71.7%
Arbutus	1995	2,500	\$3.6	90.3%	9.7%	-	-
Dundas/Wall	1996	200	\$0.4	-	53.1%	-	46.9%
Triangle West	1997	1,800	\$30.4	14.0%	-	33.0%	53.0%
Cedar Cottage/Welwyn	1997	1,100	\$3.3	43.0%	9.0%	48.0%	-
Downtown South	(1992) 2007	10,000	\$58.0	13.0%	7.0%	42.0%	38.0%

Source: City of Vancouver

2. Area Specific DCL Capital Projects & Delivered Projects

When each of the Area Specific DCLs was established, a list of public benefit requirements and project costs were created. The table below lists the anticipated capital projects as well as the projects that have been delivered to date by DCL District.

District	Year Established	Capital Projects	Delivered Projects
Arbutus	1995	<ul style="list-style-type: none"> •33 space childcare centre •19 spaces for school aged care •Road improvements 	<ul style="list-style-type: none"> •37-space childcare facility to be built via rezoning at 2001 W10th •Pedestrian activated signal at Arbutus & Completion of Arbutus Greenway •Specialized road treatment on W11th Avenue
Dundas-Wall	1996	<ul style="list-style-type: none"> •Dundas Street general pedestrian improvements •Neighbourhood park improvements 	
Triangle West	1997	<ul style="list-style-type: none"> •Housing - 131 units •Childcare - 30 spaces • New Park Space - 1.18 acres 	<ul style="list-style-type: none"> •171 unit non-market housing project at 1299 West Hastings ("C-Side") • \$0.5M towards replacement housing
Cedar Cottage/Welwyn	1997	<ul style="list-style-type: none"> •50 units of Replacement Housing •Childcare - 24 spaces •Engineering - Street and sidewalk improvements 	<ul style="list-style-type: none"> •200 units of secured market rental housing completed •20 units of secured market rental housing anticipated from active project in approvals process
Burrard Slopes	1994	<ul style="list-style-type: none"> •Street improvements •75 units of replacement housing •3.69 acres of new park •Childcare - 51 spaces 	<ul style="list-style-type: none"> •New 5th Ave between Hemlock & Granville Street •62 units supportive housing completed at 1601 W 7th Avenue (Katherine Sanford) •99 units of secured market rental housing anticipated from active project in approvals process •0.75 acres of land acquired for future new park between Pine & Fir Street and W5th & 6th Avenue •Park development at Bosa Pacific Press site •3 acre acquisition of Granville Loop Park

Source: City of Vancouver

Appendix D: Background Information on Areas Excluded from the City-wide DCL

Excluded Areas	Year Established	Population Growth since Establishment (estimate)	Is Area Built Out? (no remaining development capacity)	Have Public Benefit Obligations been Delivered?
Coal Harbour ODP	1990	2,600	Yes*	Yes
Champlain Heights CD-1	1980	800	Yes	Yes
Blocks 68 and 69	1989	300	Yes	Yes
Riverside East	1989	2,100	Yes**	Yes
Station/LaFarge CD-1	1990	2,000	Yes	Yes
Collingwood Village CD-1	1993	5,100	Yes	Yes
Bayshore CD-1	1993	1,500	Yes	Yes
Arbutus Neighbourhood CD-1s	1992	1,700	Yes	Yes
False Creek North ODP	1990	14,100	No	No
Central Waterfront Port Lands	1994	0	No	No

Source: City of Vancouver, Statistics Canada 2011 Census

Notes:

*In Coal Harbour ODP, there is one remaining city-owned development site that will consist of a VSB school and non-market housing. Both of these intended uses will benefit from DCL exempt/relief if developed.

**In Fraser Lands CD-1s, there are two city-owned sites with approved permits for construction of non-market housing. Non-market housing is DCL exempt.