



## ADMINISTRATIVE REPORT

Report Date: January 4, 2018  
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Meeting Date: January 17, 2018

TO: Standing Committee on Policy and Strategic Priorities  
FROM: General Manager of Engineering Services  
SUBJECT: Updates to the Payment-in-Lieu Parking Program

### ***RECOMMENDATION***

- A. THAT the payment-in-lieu fee per parking space be increased from \$20,200 to \$24,700;  
  
FURTHER THAT the Director of Legal Services be instructed to prepare the necessary by-law to amend the Parking By-law generally in accordance with Appendix C.
- B. THAT payment-in-lieu for 132 parking spaces be assigned as noted in Appendix A, and that the monies received, plus accrued interest be transferred from the Payment-In-Lieu: Off Street parking account, to the Parking Site Reserve.
- C. THAT the payment-in-lieu fee per parking space be updated on an annual basis to reflect changes in construction costs.

### ***CITY MANAGER'S/GENERAL MANAGER'S COMMENTS***

This report is in response to Council's request to update the payment-in-lieu amount. The City Manager and General Manager of Engineering Services support the recommendations of this report.

### ***SUMMARY***

Vancouver City Council accepts payment of money in lieu of parking spaces for sites that are unable to fulfil their obligation to provide parking spaces as per the Parking By-law. This report outlines actions that will increase the effectiveness of Payment-in-Lieu (PIL) in delivering replacement parking and green transportation infrastructure.

These actions include; increasing the PIL amount to reflect current construction costs, and changes in assumptions for future parking construction by the City of Vancouver, and implementing annual increases to the PIL amount so that it remains current.

### ***COUNCIL AUTHORITY/PREVIOUS DECISIONS***

The Vancouver Charter gives Council authority to accept a payment of money as an alternative to providing off-street parking spaces required by the Parking By-law.

In 1986, Council introduced parking payment-in-lieu to give property developers an option if the minimum parking required for their developments could not be provided on-site. At that time, PIL was limited to commercial or industrial uses or for heritage retention in areas within the downtown core where the parking could instead be provided in City-owned facilities. Commercial/industrial PIL funds have been used to build replacement parking or offset the capital costs of existing parking in nearby civic parking facilities. The PIL amount, originally \$10,500 per space, has increased over time.

Most recently, in 2007, Council approved an increase in the PIL amount to \$20,200, as well as allocation of funds totaling \$895,000 from the PIL Reserve: Off-Street Parking to the Parking Site Reserve (PSR) to offset costs of existing parking structures.

Since 2007, Council has approved changes to the Parking By-law which permitted PIL of parking for residential uses in several historic areas including HA-1 (Chinatown), HA-1A (Chinatown South), HA-2 (Gastown), HA-3 (Yaletown), and within the Downtown Official Development Plan Sub-area C2 (Victory Square). Funds from these residential PIL areas were to be transferred to the Green Transportation reserve with the intent of delivering sustainable mobility improvements within these historic areas.

### ***REPORT***

#### ***Payment-in-Lieu Background***

The Parking By-law requires that a minimum number of off-street parking spaces be provided in developments. Depending on the type of use and location, several tools are available to reduce requirements where developers cannot or do not wish to build all of these spaces on-site. These tools are intended to either reduce the demand for parking, or to provide it through other means.

Tools that reduce parking demand are often referred to as transportation demand management (TDM) measures. TDM measures noted in the By-law include provision of shared vehicles, and provision of bicycle parking spaces beyond By-law requirements.

Other measures allow for provision of parking spaces outside of the development itself. These include off-street parking on nearby sites, and payment-in-lieu of parking.

Payment-in-lieu is generally used when construction of new parking would result in hardship, and other tools are not available or feasible. Some examples of issues that have been considered hardship cases include:

- groundwater issues that would result in significant constructability impacts
- lot dimensions that are too small to provide adequate maneuvering
- hardship due to challenging site conditions

PIL is also used as a tool to encourage the preservation of heritage buildings through redevelopment or change of use, scenarios that trigger provision of required minimum By-law amounts.

PIL for commercial parking spaces is permitted throughout the PIL area defined in the Parking By-law Map 4.12.1.

PIL for residential parking spaces is limited to several historic areas including HA-1 (Chinatown), HA-2 (Gastown), HA-3 (Yaletown), and within the Downtown Official Development Plan Sub-area C2 (Victory Square) in order to promote preservation of heritage buildings.

### *Payment-In-Lieu Process*

When an application is made by a property owner for payment-in-lieu, staff bring a report to Council with a recommendation on the number of spaces to be waived and the dollar value to accept in lieu of those spaces. Current Council policy is to accept \$20,200 per space. This amount was calculated in 2007 based on the present value cost to construct and maintain parking spaces in three recently constructed City facilities, less the present value of future revenue from those spaces.

If Council supports the request to waive parking through payment-in-lieu, the applicant must make a payment to the City. Following payment, the Director of Legal Services will bring forward a By-law for Council approval to amend Schedule A of the Parking By-law which lists approved PIL amounts. Once this is enacted, it is possible to issue a Development Permit.

Under current Council policy, commercial or industrial PIL funds are directed to the PIL Reserve: Off-Street Parking. When replacement parking spaces are identified in a nearby City-owned parkade, staff report back to Council with a recommendation to assign spaces to the development. Once assigned, the funds are transferred to the Parking Site Reserve (PSR). The PSR was created by Council to fund the capital construction, maintenance, and rehabilitation of the City's parking facilities, and is primarily funded by EasyPark net revenues.

Residential payment-in-lieu of parking funds are directed to the PIL Reserve: Green Transportation. This account funds transportation infrastructure that supports walking, cycling, public transit or other alternative forms of transportation. Allocation of funds from the Green Transportation reserve to capital projects are considered and prioritized through the capital planning process.

### *Strategic Analysis*

#### **Assessment of PIL Rate**

Although not defined as such in the Charter or By-law, the amount for payment-in-lieu has historically been determined as the net cost of recently constructed parking, or expected net costs of parking to be constructed in the future. The net cost is defined as the capital and future operating cost less future revenues. Future revenues are included since end users pay the market rate for use of replacement parking.

This net cost approach reduces the likelihood that developers will seek PIL without a true hardship case, since it would otherwise be more effective to construct and operate parking

themselves. It also ensures that the PIL rate is not so high that it discourages development or heritage retention.

This report recommends increasing the PIL amount from \$20,200 to \$24,700 based on the updated cost for the city to provide replacement parking.

Previous updates to the PIL amount took into account land values; however the updated amount excludes land costs. This is based on the assumption that new parking delivered by the City would be in underground facilities associated with other development.

Because no significant new parking structures have been built by the City since the 2007 PIL update and no new stand-alone parking structures are currently contemplated downtown, typical construction costs for new underground parking are the most reasonable basis for PIL. Underground parking is the form of parking typically encouraged in the City, and aligns with the exclusion of land costs from the PIL rate. An accepted standard of \$115 per square foot for construction, with 350 sqft per parking space (including manoeuvring and circulation space) has been used, resulting in a cost per parking space of \$40,250. This cost is similar to those used in determining in-kind CAC's and rezoning pro-forma valuations (typically \$40,000 per space).

The net present value (NPV) of revenues and costs are calculated using the average of all below-grade, EasyPark operated parking lots downtown, with the highest and lowest value lots removed. A total of eight lots were included in the analysis. The NPV of operating parking spaces is \$19,650 based on a discount rate of 7%.

The net cost of providing parking is estimated at \$20,600. An additional 20% contingency is included in determining the PIL rate of \$24,700. The contingency accounts for risk related to construction cost uncertainty and fluctuations, and the potential for unforeseen maintenance expenses.

A Table indicating this calculation is provided in **Appendix B**.

A summary of changes proposed to the Parking By-law as part of this report is included in **Appendix C**.

### **Assignment of PIL Monies**

Since 2007 a total of 132 commercial parking spaces have been paid-in-lieu resulting in total payments of \$2,641,200 to the PIL Reserve: Off Street Parking. This total amount is recommended to be transferred to the PSR as well as any accrued interest.

**Appendix A** outlines a proposed assignment of 132 PIL spaces to city owned parking spaces in the area.

No assignment of monies from the PIL Reserve: Green Transportation is recommended as part of this report.

### **Annual Increase in PIL Amount**

This report recommends that PIL be added to the list of Engineering fees subject to annual inflationary increases, beginning with the review of 2019 fees. This will ensure that the PIL amount increases over time to remain appropriate. This annual review also

provides an opportunity to assess any extraordinary changes in construction costs or underlying assumptions on an annual basis.

*Implications/Related Issues/Risk (if applicable)*

*Financial*

The increased PIL rate and expanded PIL boundary will potentially generate additional revenues for both the PIL Reserve: Off Street Parking and PIL Reserve: Green Transportation accounts. Based on historical inflows of PIL, this may result in an additional \$50,000 per year on average in the downtown area.

Recommendation B of this report will result in transfer of \$2,903,800 to the PSR, allocated to existing parking spaces in the Downtown as outlined in Appendix A.

*Legal*

A summary of changes proposed to the Parking By-law as part of this report is included in Appendix C.

**CONCLUSION**

Staff recommend the actions outlined in this report, to increase the effectiveness of PIL in delivering replacement parking and green transportation infrastructure. This will facilitate development of constrained sites and provide further protection of heritage.

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*Appendix A - Table of Payment-in-Lieu Assignments*

Address	Bylaw	Number of Spaces Waived	Amount Paid	Assigned Parkade Location
412 Carrall St	(9242)	2	\$ 29,000.00	107 East Cordova St
1062 Homer St	(9592)	1	\$ 20,200.00	909 Mainland St (Yaletown)
53 W Hastings St	(9637)	2	\$ 40,400.00	160 Water St (Gastown)
1020 Hamilton St	(9709)	4	\$ 80,800.00	909 Mainland St (Yaletown)
700 Davie St	(9820)	2	\$ 26,600.00	1067 Seymour St
663 Gore Ave	(9998)	3	\$ 60,600.00	180 Keefer St (Chinatown)
1132 Hamilton St	(10063)	7	\$ 141,400.00	1180 Mainland St
808 W Hastings St	(10151)	14	\$ 282,800.00	900 West Cordova St
1001 Canada Place	(10657)	50	\$1,010,000.00	900 West Cordova St
150 E Cordova St	(10811)	1	\$ 20,200.00	107 East Cordova St
151 W Hastings St	(10812)	6	\$ 121,200.00	160 Water St (Gastown)
475 Howe St	(10828)	30	\$ 606,000.00	900 West Cordova St
411 Dunsmuir St	(11229)	6	\$ 121,200.00	775 Hamilton St
308 W Hastings St	(11231)	4	\$ 80,800.00	160 Water St (Gastown)
	Totals	132	\$2,641,200.00	

*Appendix B - Calculation of Payment-in-Lieu Rate*

The Updated PIL Amount was calculated accounting to the following methodology

Cost of Construction (2017) <sup>1</sup>	(\$40,250)
Present Value of Revenue <sup>2,3,4</sup>	\$38,279
Present Value of Costs <sup>2,3,4</sup>	(\$18,629)
Net	(\$20,600)
20% Contingency	(\$4,120)
<b>Total PIL Amount</b>	<b>\$24,700</b>

Assumptions:

1. Based on \$115 per square foot of construction, and approximately 350 sq.ft per parking space.
2. Includes 3.2% cost and revenue inflation, equal to 20 year average of the Vancouver Construction Price Index.
3. Based on a 7% discount rate.
4. Based on a 30 year analysis period.

## Draft Amendments to Parking By-law No. 6059

Note: An amending by-law will be prepared generally in accordance with the provisions listed below, subject to change and refinement prior to posting.

1. Council strikes out the Note following Section 4.12.2 and substitutes the following:

~~[NOTE: On March 13, 2007 Council approved an increase in the payment in lieu charge per parking space to \$20,200 for any application for payment in lieu relief made pursuant to section 4.12.1]~~

“[Note: On December 12, 2017 Council approved an increase in the payment-in-lieu charge per parking space to \$24,700 for any application for payment-in-lieu relief made pursuant to section 4.12.1]”

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