CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date:	June 24, 2019
Contact:	Chris Robertson
Contact No.:	604.873.7684
RTS No.:	13243
VanRIMS No.:	08-2000-20
Meeting Date:	July 10, 2019

TO: Standing Committee on Policy and Strategic Priorities

FROM: General Manager of Planning, Urban Design and Sustainability

SUBJECT: 2019 Annual Inflationary Rate Adjustment to Development Contributions and Associated DCL Amendments

RECOMMENDATION

A. THAT Council approve, in principle, a 2019 inflationary rate increase of 5.2% for the following development contributions:

i. Commercial, Mixed Employment and Industrial rate categories in the Vancouver (City-wide) Development Cost Levy (DCL) By-law, Vancouver Utilities DCL By-law, and Area Specific DCL By-law, as shown in Appendix A; and

ii. Downtown and Rest of Metro Core Commercial Linkage Targets in the Community Amenity Contributions – Through Rezonings policy, as shown in Appendix E;

with new rates to be effective September 30, 2019;

FURTHER THAT Council approve the planned rate increase associated with the phase-in of the Vancouver Utilities DCL for residential developments over 1.5 FSR on the East Side, as shown in Appendix A, with the new rate to be effective September 30, 2019;

FURTHER THAT the Director of Legal Services be instructed to bring forward for enactment amendments to the Vancouver DCL By-law No. 9755, Vancouver Utilities DCL By-law No. 12183, and Area-Specific DCL By-law No. 9418 to implement the 2019 inflationary rate adjustment to non-residential rate categories, as generally shown in Appendix B, Appendix C, and Appendix D; and

AND FURTHER THAT Council maintain the existing Vancouver (City-wide) DCL By-law rates, Vancouver Utilities DCL By-law rates, and Area-Specific DCL By-law reduced (nominal) rates for artist studio, community centres/neighbourhood house, library, public authority use, social service centre, parking garage, temporary building, school, childcare, community energy centre, and works yard uses.

B. THAT, in light of the weakening residential market, Council forgo the 2019 inflationary rate adjustment of 5.2% for the following development contributions:

i. Residential rate categories in the Vancouver (City-wide) DCL By-law, Vancouver Utilities DCL By-law, and Area Specific DCL By-law, as shown in Appendix A; and

ii. Community Amenity Contribution (CAC) Targets, except for Commercial Linkage Targets in the Community Amenity Contributions – Through Rezonings policy, as shown in Appendix E.

C. THAT Council approve altering the allocation of DCL revenues for general utilities raised by the Vancouver (City-wide) DCL By-law and redirect them on an interim basis towards utilities upgrades triggered by priority affordable housing developments (primarily non-market), with a report back on the Vancouver (City-wide) DCL Utilities allocation as part of the planned review and update of the Vancouver (City-wide) DCL in advance of the next capital plan; and

FURTHER THAT this allocation alteration be effective on September 30, 2019.

REPORT SUMMARY

This report seeks Council approval to adopt an inflationary rate adjustment to Development Cost Levy (DCL) By-Law rates and Community Amenity Contribution (CAC) targets for certain non-residential uses with new rates becoming effective September 30, 2019.

The inflationary rate adjustment to DCLs and CAC targets are an annual process that allows the City to keep pace with annual changes in property values and construction costs and helps ensure the continued delivery of necessary growth-related amenities and infrastructure. The proposed 2019 inflationary rate adjustment represents an increase of 5.2%, reflecting increases in the cost of land and non-residential construction costs which are key factors in the costs of delivering the growth related capital investments.

A core principle behind the annual inflationary rate adjustment system is that it should be able to adapt to market changes. As a result of a weakening residential market, it is recommended that this year’s inflationary rate adjustment be applied only to non-residential rate categories, maintaining existing rates for residential uses. The one exception is the phase-in of the Vancouver Utilities DCL rate for high-density residential development on the east side that was approved by Council in July 2018.

The annual inflationary rate adjustment for density bonus contributions is the subject of a separate report as they require Zoning and Development By-law amendments.

This report also recommends altering the allocation of DCL revenues for general utilities in the City-wide DCL and redirecting revenues on an interim basis towards utilities capital projects on priority affordable housing projects (primarily non-market) through the creation of an interim utilities reserve for affordable housing projects. This is through the creation of an interim utilities reserve for affordable housing that would be managed and prioritized by Housing staff to meet housing program objectives. The use of these funds will be tracked in a separate Utilities Reserve for Affordable Housing and prioritized by Housing Staff to be applied to priority affordable housing projects offering increased levels of affordability (units that offer target shelter rate, HILS, and below-market incomes, but primarily applied to non-market housing developments).

A longer term strategy will be reported back as part of the planned review and update of the Vancouver (City-wide) DCL in advance of the next capital plan.

Recommendations in this report have been shared with development industry stakeholders (Urban Development Institute, National Association of Industrial and Office Properties, Homebuilders Association Vancouver) as well as with the BC Non-Profit Housing Association. A letter supporting Recommendation C was received from the BC Non-Profit Housing Association which can be found in Appendix H: Correspondence Received". While no letter was received from the National Association of Industrial and Office Properties (NAIOP) at the time of finalizing this report, it was indicated that a letter of non-support related to the recommended non-residential rate adjustment was forthcoming.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- In 1999, Council adopted the Community Amenity Contributions – Through Rezonings Policy.
- In June 2003, Council adopted the Financing Growth Policy that sets the framework for the collection and allocation of DCLs to help pay for eligible amenities and infrastructure needed for growth: parks, housing, childcare, and various engineering infrastructure.
- In October 2009, Council adopted the annual inflationary DCL rate adjustment system for the City-wide DCL and Area Specific DCLs, with the new rates effective on September 30 of each year.
- Since 2010, Council has approved annual inflationary rate adjustments to DCLs.
- In May 2016, Council adopted the DCL annual inflationary rate adjustments system for Density Bonus Contributions and CAC targets and directed staff to report back on a one-time catch-up for past inflation and the proposed new annual inflationary rates.
- In July 2017, Council approved the City-wide DCL update, which added new DCL rate categories and new reduced DCL rates; amended DCL revenue allocations for replacement housing, transportation, park, childcare and utilities.
- In November 2017, Council approved commercial linkage targets for non-stratified commercial-only rezoning applications in the Downtown and Rest of Metro Core areas.
- In July 2018, Council approved the establishment of the Vancouver Utilities DCL.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Planning, Urban Design and Sustainability recommends approval of the foregoing.

REPORT

Background/Context

Annual inflationary rate adjustments to DCLs, CAC targets, and density bonus contributions form an integral part of Vancouver's development contribution system. These adjustments help the City maintain its purchasing power from year-to-year so that it may deliver necessary growth-related amenities and infrastructure. This report outlines the 2019 inflationary rate adjustments to DCLs and CAC targets. The annual inflationary rate adjustments to density bonus contributions are the subject of a separate report.

The annual inflationary rate adjustment system was developed using local and national best practices and is guided by a set of Council-adopted principles to:

- use publicly accessible, third party data;
- use transparent calculations that are accessible to external stakeholders;
- adjust rates upward or downward based on inflationary trends;
- adapt to sudden changes in the market; and
- be supportable by industry & stakeholders.

The annual rate adjustment is initiated with reports to Council in either June or July proposing new DCL, CAC target, or density bonus contribution rates adjusted for inflation. If approved, these new rates come into effect annually on September 30th.

The system itself consists of two components. The first component is an index calculation based on year-over-year changes in property value (BC Assessment property roll) and a non-residential construction price index (Statistics Canada Non-Residential Construction Price Index). These inputs are then blended together to reflect the current Capital Plan program for anticipated investment into land acquisition and construction activity for the City.

Linking rates to an annual inflationary index results in rate increases when inflation is positive and rate decreases when inflation is negative. The 2019 BC Assessment[1] property roll for the City of Vancouver indicated a 1.2% increase in assessed property value, while the Statistics Canada[2] Non-Residential Construction Price Index for Q1 2019 recorded an increase of 6.0% from 2018. The City's 2019-2022 Capital Plan[3] is anticipated to invest 17% of its cash development contributions on land acquisition and 83% on construction.

Table 1 shows the annual inflationary index from 2010 to 2019.

[1] BC Assessment, Property Roll for the City of Vancouver, 2019
[2] Statistics Canada, Non-Residential Building Construction Price Index for Vancouver, Q1 2019
[3] City of Vancouver, 2019-2022 Capital Plan

Table 1: Annual Inflationary Index

Annual Inflationary Index		Data used to calculate index *(for information only)*			
Year	Annual Inflationary Index	Local Property Value Inflation	Local Construction Cost Inflation	Capital Plan Blend	
				Land	Construction
2010	(1.4%)	1.5%	(6.8%)	65%	35%
2011	8.8%	11.4%	3.9%	65%	35%
2012	10.3%	13.7%	4.2%	65%	35%
2013	1.3%	1.3%	1.3%	65%	35%
2014	1.6%	0.8%	3.0%	65%	35%
2015	3.4%	8.6%	1.7%	25%	75%
2016	4.6%	16.5%	0.6%	25%	75%
2017	11.9%	29.2%	6.1%	25%	75%
2018	4.8%	5.1%	4.7%	25%	75%
2019	**5.2%**	1.2%	6.0%	17%	83%

Note: Vancouver's DCL rates have used this index to adjust rates since 2010. Density bonus contributions and CAC targets have been adjusted since 2016. For more information on the annual inflation index: http://vancouver.ca/home-property-development/annual-inflation-index.aspx

The second component of the annual inflationary rate adjustment system is a check on the index calculation through a review of local economic indicators to ensure that rates do not get ahead of inflationary trends. A review of economic indicators is included in the Strategic Analysis section of this report.

The annual inflationary rate adjustment system was initially adopted for DCLs in October 2009 and implemented across all DCL districts in 2010. Since then, Vancouver's development contribution system has expanded to include new tools that improve certainty and transparency. These tools included CAC targets and density bonus contributions and were introduced as new area plans were approved by Council. As a result, the number of projects with negotiated CACs is declining and the number of projects utilizing CAC targets and density bonus contributions is increasing (CAC targets now account for 50% of rezonings with CACs which is up from 10% CAC target usage in 2013). This eventually led to the expansion of the annual inflationary rate adjustment system in May 2016 to include CAC targets and density bonus contributions. As CAC targets and density bonus contributions had not been adjusted for inflation since they were established, Council also approved a one-time catch-up for past inflation as part of the new rate adjustments. A similar one-time rate catch-up for DCLs was approved by Council in 2009 when the inflationary rate adjustment system was first adopted.

This system has provided more predictability to both the development industry and the City, and has been broadly supported by industry stakeholders. Over the years, Council has approved inflationary rate adjustments with average rate increases of approximately 5% between 2010 and 2018 (see Table 1).

For more information on the Council approved annual inflationary rate adjustment system, see http://vancouver.ca/home-property-development/annual-inflation-index.aspx.

Recalibrations of DCL, CAC targets, and density bonus contributions may be required from time to time as public benefit strategies and Capital Plans are updated. This type of update includes a review of any potential impacts on development viability.

In July 2018, Council approved the Vancouver Utilities DCL to address increasing growth pressure on utilities infrastructure. The program will be updated annually to reflect development patterns and integrate new land use plans when they are approved by Council. The implementation of the Utilities DCL included a phase-in of the Higher Density Residential Above 1.5 FSR rate category applicable to the East side of Vancouver, where 50% of the full rate would apply in 2018, increasing to 75% in 2019, and eventually 100% in 2020.

Recommended inflationary rate adjustments are presented in Appendices A through E. Detailed background information on DCLs and CACs are presented in Appendix F.

Strategic Analysis

This section of the report discusses the recommendations put forth for Council decision.

Recommendation A: THAT Council approve a 2019 inflationary rate adjustment of 5.2% for non-residential rate categories

-and-

Recommendation B: THAT, in light of the weakening residential market, Council forego the 2019 inflationary rate adjustment of 5.2% for residential rate categories

The weakening market in the residential sector highlights the need for the City to reconsider the timing and implications of applying the 2019 calculated inflationary rate adjustment on new residential development. It is recommended that this year's inflationary rate adjustment not apply to residential rate categories.

The City's review of economic indicators supporting these recommendations is found after the rate tables below. To supplement the City's review, Coriolis Consulting was commissioned by the City to do a third-party independent review of current market conditions in the city's residential and non-residential market sectors. The findings in the Coriolis report align with the recommendations in this report supporting the partial rate adjustment approach for 2019. The Coriolis report is found in Appendix G.

Continued strong fundamentals in the non-residential market, including healthy demand for commercial, mixed employment and industrial space along with robust levels of construction activity, support staff's recommendation to apply the 2019 inflationary rate adjustment across the non-residential market.

The proposed rate adjustments and rates for DCLs are found in Tables 2 and 3 with a complete list of DCL rate adjustments by district available in Appendix A. The proposed rate adjustments and rates for CAC targets can be found in Table 4 and Appendix E.

Table 2: Recommended 2019 Rate Adjustments for the City-wide DCL

Rate Category	Current Rate	Inflationary Adjustment (2018-2019)	Recommended 2019 DCL Rate
Residential in development over 1.5 FSR	$18.17/ft^2	-	**$18.17/ft^2**
Medium density residential above 1.2 FSR to 1.5 FSR	$9.08/ft^2	-	**$9.08/ft^2**
Residential at or below 1.2 FSR and laneway house	$4.22/ft^2	-	**$4.22/ft^2**
Commercial and most other uses	$14.58/ft^2	+$0.76/ft^2	**$15.34/ft^2**
Industrial	$5.82/ft^2	+$0.30/ft^2	**$6.12/ft^2**
Mixed Employment (Light Industrial)	$10.94/ft^2	+$0.57/ft^2	**$11.51/ft^2**

Table 3: Recommended 2019 Rate Adjustments for the Vancouver Utilities DCL

Rate Category	Current Rate	Second phase-in of Utilities DCL*	Inflationary Adjustment (2018-2019)	Recommended 2019 DCL Rate
Residential in development over 1.5 FSR (East side)	$5.04/ft^2	+$2.53/ft^2	-	**$7.57/ft^2**
Residential in development over 1.5 FSR (West side)	$10.09/ft^2	-	-	**$10.09/ft^2**
Medium density residential above 1.2 FSR to 1.5 FSR	$5.04/ft^2	-	-	**$5.04/ft^2**
Residential at or below 1.2 FSR and laneway house	$2.32/ft^2	-	-	**$2.32/ft^2**
Commercial and most other uses	$5.04/ft^2	-	+$0.26/ft^2	**$5.30/ft^2**
Industrial	$2.02/ft^2	-	+$0.11/ft^2	**$2.13/ft^2**
Mixed Employment (Light Industrial)	$3.78/ft^2	-	+$0.20/ft^2	**$3.98/ft^2**

* The implementation of the Utilities DCL in 2018 included a phase-in of the Higher Density Residential Above 1.5 FSR rate category applicable to the East side, where 50% of the West side rate would apply in 2018, increasing to 75% in 2019, and 100% in 2020.

Table 4: Recommended 2019 Adjustments for CAC Targets
($/ft^2 on net additional density)

CAC Target	Year Established	2018 Rate	Inflationary Adjustment (2018-2019)	Recommended 2019 CAC Target Rate
Cambie Corridor: 4-storey residential	2018	$72.00/ft^2	-	**$72.00/ft^2**
Cambie Corridor: 4-storey mixed-use	2018	$20.00/ft^2	-	**$20.00/ft^2**
Cambie Corridor: 6-storey residential	2018	$103.00/ft^2	-	**$103.00/ft^2**
Cambie Corridor: 6-storey mixed-use	2018	$112.00/ft^2	-	**$112.00/ft^2**
Downtown Commercial Linkage Target	2017	$15.00/ft^2	+$0.78/ft^2	**$15.78/ft^2**
Rest of Metro Core Commercial Linkage Target	2017	$10.00/ft^2	+$0.52/ft^2	**$10.52/ft^2**
Grandview-Woodland: Nanaimo St/E 12th Ave shopping nodes	2016	$70.35/ft^2	-	**$70.35/ft^2**
Grandview-Woodland: Mid-rise multi-family sub-areas	2016	$23.45/ft^2	-	**$23.45/ft^2**
Marpole	2014	$81.00/ft^2	-	**$81.00/ft^2**
Norquay (Kingsway C-2)	2013	$12.99/ft^2	-	**$12.99/ft^2**
Little Mountain Adjacent	2013	$29.88/ft^2	-	**$29.88/ft^2**
Southeast False Creek	2007	$16.78/ft^2	-	**$16.78/ft^2**

Sections 1 and 2 explain the key rationale behind the recommended rate adjustments in this report.

1) Economic Indicators

As part of the annual inflationary rate adjustment process, current economic indicators were reviewed to verify that the proposed rate adjustments are in line with current local market trends and forecasts.

Current trends and forecasts indicate the following:

Local Economy

- The Conference Board of Canada is forecasting 2.3% growth in the Vancouver CMA Gross Domestic Product (GDP) for 2019[4]
- Employment is forecast to grow 2.1% and unemployment rate is forecast to be 4.6% in 2019[4];

[4] Conference Board of Canada, Metropolitan Outlook 1 – Spring 2019

Residential Market

- According to City of Vancouver data, the value of year-to-date building permits issued (as of March 2019) has declined by 24.1% from last year's value[5];
- According to CMHC, year-to-date new housing starts in the City (as of May 2019) have increased by 3.8% compared to 2018[6];
- According to CMHC, year-to-date new housing absorptions in the City (as of May 2019) have declined 20% compared to 2018[6];
- UDI's State of the Market report for Q1 2019 also showed that sales across new concrete condominiums, wood frame condominiums, and townhouses have declined to some of the lowest levels observed in Vancouver since Q1 2013 and that inventories of unsold units are trending upward[7];
- UDI's State of the Market report for Q4 2018 indicated that new tax measures and stricter mortgage lending policies have contributed to uncertainty and pessimism in the Metro Vancouver market from real estate investors[8];
- According to data from the Real Estate Board of Greater Vancouver (April 2019), resale home prices have declined year-over-year for all housing types in all locations of the region. In Vancouver, year-over-year resale prices are down between 9% and 14% depending on the location and type of housing[9].

Non-Residential Market

- Colliers[10], Cushman & Wakefield[11], and CBRE[12] indicate strong demand for office space with vacancy rates reported as low as 2.0% in Downtown Vancouver along with high amounts of office floor area absorption and increased average asking rents. There is also a large amount of supply anticipated for completion in the early 2020s with large multinational tech firms opening new offices in Vancouver.
- Colliers[13], Cushman & Wakefield[14], and CBRE[15] also report increased demand for industrial floor space with vacancy rates reported as low as 1.9% in Vancouver. New supply is being constructed featuring a mix of ground floor production space and office on upper levels.

2) Ensuring rate adjustments do not get ahead of inflationary trends

When Council adopted the inflationary indexing system in 2009, it was recognized that if and when the market trends down, the system should be able to adapt so that rates do not overshoot the market (i.e. do not get ahead of inflationary trends).

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[5] City of Vancouver, Statement of Building Permits Issued, March 2019
[6] CMHC, Housing Information Portal, May 2019
[7] UDI, State of the Market Q1 2019
[8] UDI, State of the Market Q4 2018
[9] Real Estate Board of Greater Vancouver, Monthly Market Report, April 2019
[10] Colliers, Vancouver Office Market Report Q1 2019
[11] Cushman & Wakefield, Marketbeat Vancouver, BC, Office Q1 2019
[12] CBRE, Vancouver Office Marketview Q1 2019
[13] Colliers, Vancouver Industrial Market Report Q1 2019
[14] Cushman & Wakefield, Marketbeat Vancouver, BC Industrial Q1 2019
[15] CBRE, Vancouver Industrial Marketview Q1 2019

It is important to note that the inputs into Vancouver's index calculation are somewhat "rear-view" looking. BC Assessment property values for 2019 are based on property values that were assessed in July 2018 and Statistics Canada's non-residential construction price index is based on data from the first quarter of 2019. When these inputs are blended together with the City's Capital Plan, the resultant inflationary index by itself is reflective of a market that existed several months ago and would not be responsive to sudden market shifts. This can occasionally result in situations where the inflationary rate adjustment as calculated by the index is not aligned with the market condition of the day. Under these circumstances, the City would consider the appropriateness of the magnitude of the rate increase in light of changing market conditions and recommend alternative approaches.

Maintain rates for reduced (nominal) DCL charges

The City's DCL By-laws charge reduced (nominal) DCL rates for a number of uses including: artist studio; community centre/neighbourhood house; library; public authority use; social service centre; parking garage; temporary building; school; childcare; community energy centre; and, works yard. Consistent with past Council practice, the recommendations in this report propose that the rates for these uses not be adjusted for inflation.

In-Stream Rate Protection

For DCLs, the Vancouver Charter provides 12 months of protection against DCL rate increases for building permits or other associated applications currently in progress. To ensure fairness to applications that have been submitted prior to the adoption of new DCL By-law rates, applications in progress are exempt from DCL rate increases for a period of 12 months provided that the application has been submitted in a form satisfactory to the City.

For CAC target increases, the City provides in-stream rate protection for rezoning applications that have been submitted prior to a rate change, provided that a rezoning application has been submitted to the City and a rezoning application fee has been paid.

Recommendation C: THAT Council approve altering the allocation of DCL revenues for general utilities raised by the Vancouver (City-wide) DCL By-law and redirect them on an interim basis towards utilities upgrades triggered by priority affordable housing developments (primarily non-market), with a report back on the Vancouver (City-wide) DCL Utilities allocation as part of the planned review and update of the Vancouver (City-wide) DCL in advance of the next capital plan.

As part of the City-wide DCL Update completed in 2017, City Council allocated revenue to the following project categories:

- Replacement housing – 36%
- Transportation – 25%
- Parks – 18%
- Childcare – 13%
- Utilities – 8%

The 8% allocation to utilities, anticipated to fund $89 million toward utilities works on a city-wide basis over a 10-year period extending from 2017-2026, represented an initial step in an effort to gradually transition eligible water, sewer and drainage infrastructure from being funded as development/rezoning conditions to being funded by DCLs to enhance predictability and transparency. The introduction of the separate Vancouver Utilities DCL By-law in 2018 represented a further step in that gradual transition and was intended to replace the 8% allocation after rates from the new Vancouver Utilities DCL By-law came into full effect after the in-stream rate protection period ends on September 30, 2019.

Recent challenges have arisen relating to the ability of certain affordable housing projects to provide utilities upgrades triggered as part of development. The 8% allocation from the City-wide DCL has been identified as the most appropriate source of revenue for funding these utilities upgrades.

The recent challenges related to required utilities upgrades on certain affordable housing projects are as follows:

- Many in-stream affordable housing rezonings are triggering required off-site utilities upgrades that are averaging ~$600,000 / project in costs, consistent with other private sector rezoning applications
- These off-site upgrade costs are challenging as most affordable housing projects (primarily non-market) are marginally viable. The additional utilities upgrade costs may result in certain projects not being able to proceed or reducing the affordability delivered.
- Upgrade costs related to most affordable housing projects are not currently included in the Vancouver Utilities DCL program – as the majority of these required upgrade projects are occurring outside the coverage of the Utilities DCL program, and outside areas where Council has approved policy plans or where high rates of development are forecast.
- The City cannot waive required utilities upgrades on these affordable housing projects as downstream capacity is inadequate to support the rezoning.
- An interim funding strategy is required to address priority at-risk affordable housing projects in-stream (with a focus on non-market housing projects).
- The upgrades identified for affordable housing projects generally do not meet the utilities DCL eligibility criteria have not been prioritized to be part of the current Utilities DCL program.

The creation of an interim utilities reserve for affordable housing is recommended to subsidize the utilities works for these developments which may otherwise not proceed due to financial constraints. This reserve would be managed and prioritized by Housing staff to meet housing program objectives.

In developing the recommendation around the interim funding strategy, staff reviewed a number of other possible funding sources including: diverting existing capital plan funding from other utilities and housing projects; raising property taxes; and raising utilities fees. All of the options considered were problematic as they either resulted in other priority projects being cancelled / deferred or resulted in increases in taxes and fees for Vancouver residents and businesses.

Development of a long-term strategy is required to enable continued delivery of priority affordable housing in a financially sustainable way; one that factors in the capacity and constraints of the City’s utility network and optimizes the use of City regulatory tools, capacity for investment as well as the opportunity for strategic partnerships and funding from senior government and affordable housing providers.

It is anticipated that the interim 8% City-wide DCL allocation could generate approximately $9 million per year (based on development forecasting done as part of the City-wide DCL Update in 2017), but dependant on development volumes going forward). While staff estimate that funding utilities upgrades for the current pipeline of at-risk projects will require at least $13 million of investments, it is expected the current pipeline will evolve over time and could require additional support. The use of these funds will be tracked in a separate Utilities Reserve for Affordable Housing and prioritized by Housing Staff to be applied to priority affordable housing projects offering increased levels of affordability (units that offer target shelter rate, HILS, and below-market incomes, but primarily applied to non-market housing developments). Staff will monitor the ongoing need for the proposed allocation and will report back on the City-wide DCL Utilities allocation as part of the planned review and update of the City-wide DCL in advance of the next capital plan.

The recommended update to City-wide DCL allocated revenues is as follows:

- Replacement housing – 36%
- Transportation – 25%
- Parks – 18%
- Childcare – 13%
- Utilities (Upgrades for Affordable Housing) – 8%

Implications/Related Issues/Risk

Financial

Rate adjustments for DCLs and CAC targets have financial implications for the City and the development industry.

Financial Implications for the City

Development contributions such as DCLs, CACs and density bonus contributions are the primary funding source for public amenities and infrastructure necessary to support growth, thereby reducing the impact on property taxes and other City funding sources.

Should Council approve the recommendations to apply inflation to non-residential rate categories only, the City could be forgoing approximately $5 million in development contributions from DCLs and CAC targets that could have been secured if inflation was also applied to residential rate categories (based on existing development forecasts). Applying the inflation to non-residential rate categories is anticipated to generate approximately $1M in additional revenue. However, applying the inflationary rate adjustment to the residential rate categories under weakened market conditions may negatively impact development viability and make delivery of housing units even more challenging.

As per Council policy, the rates are typically adjusted on an annual basis to preserve the City’s ability to deliver much needed public amenities and infrastructure in light of construction cost and property inflation, and to avoid large rate increase that might be triggered by less frequent adjustments. The circumstances for this year, especially those around current market conditions and emerging priorities that require funding from the City-wide DCL, warrant a considered approach.

Financial Implications for Development

The City's Financing Growth policies are based upon the principle that development contributions should not deter development or harm housing affordability. Independent review of the market impacts of development contributions found the primary impact of these in Vancouver is to put downward pressure on the value of land for redevelopment. Affordability should not be negatively affected as long as rates are set so they do not impede the steady supply of development sites. Given recent development activity, there is some evidence that an increase on residential rates could deter development while an inflationary increase on non-residential DCLs and CAC targets would still be in line with market conditions.

For residential development, the financial impact of foregoing the 2019 inflationary rate adjustment is mitigated against the recommendation to amend and continue the utilities allocation past September 30, 2019. For non-residential development, the 2019 inflationary rate adjustment represents an increase in development costs, as does the recommendation to amend and continue the utilities allocation past September 30, 2019. It is important to note that non-residential development has benefited from Council decisions to only make modest DCL adjustments in recent comprehensive updates to the City-wide DCL (2017) and the Utilities DCL (2018).

Based on a review of comparable regional municipalities, Vancouver's DCL rates continue to be in-line with development cost charges in the Metro Vancouver region for residential development. Vancouver's non-residential DCL rates are at the higher end of regional rates. Development charges have increased considerably over the last two years as a number of new or updated charges have been implemented. These include:

- City of Vancouver – Update to City-wide DCL (2017)
- City of Vancouver – Implementation of Vancouver Utilities DCL (2018)
- Metro Vancouver – Update to Greater Vancouver Sewerage and Drainage District Development Cost Charge (DCC) (2018)
- TransLink – Implementation of TransLink DCC (2019), with rates payable starting January 15, 2020

In addition, new taxes and regulations have also been introduced in recent years impacting new development. These include:

- City of Vancouver – Implementation of Empty Homes Tax (2018)
- City of Vancouver – Approval of 2% tax shift from commercial to residential over three years (2019)
- Province of BC – Implementation of Additional School Tax on high-value residential properties (2018)
- Province of BC – Amendments to Real Estate Development Marketing Act (2018)
- Province of BC – Implementation of Speculation and Vacancy Tax (2019)
- Federal Government – Changes to mortgage stress test (2018)

Engagement and Communications Plan

The following steps were taken to ensure broad notification prior to consideration by Council:

- Website posting of proposed rates on the City's Financing Growth web page;
- Notice of proposed changes in the City's DCL, CAC and Density Bonusing Information Bulletins (available online and at information kiosks in City Hall);
- Advertisements describing the proposed rate adjustments, together with details on how to provide feedback, are placed in the Vancouver Courier and Business in Vancouver newspapers;
- Staff notification to local industry groups (Urban Development Institute, National Association of Industrial and Office Properties, Homebuilders Association Vancouver);
- Staff notification to BC Non-Profit Housing Association; and,
- City Clerks notification to a list of stakeholders who have expressed interest in Financing Growth matters informing them of this report and where they can review it online prior to the Council meeting.

At the time of finalizing this report, a letter supporting Recommendation C was received from the BC Non-Profit Housing Association which can be found in Appendix H: Correspondence Received". While no letter was received from the National Association of Industrial and Office Properties (NAIOP) at the time of finalizing this report, it was indicated that a letter of non-support related to the recommended non-residential rate adjustment was forthcoming.

CONCLUSION

Given current market conditions and after considering a current market analysis completed by Coriolis Consulting, applying the inflation calculated for 2019 to residential rate categories could potentially deter residential development from proceeding. Therefore, this report recommends applying inflationary increases to non-residential rate categories in the City-wide DCL By-law, Vancouver Utilities DCL By-law, and Area-Specific DCL By-law. A similar approach has been recommended for CAC targets to only apply inflationary increases to the Downtown and Rest of Metro Core Commercial Linkage Targets. In addition to the recommended inflationary rate increases, the Higher Density Residential Above 1.5 FSR rate category applicable to the East side in the Vancouver Utilities DCL By-law will be increased to 75% of the West side rate in accordance with the planned phase in of that rate approved as part of the implementation of the new Utilities DCL in 2018.

This report also recommends amending the DCL revenue allocations on an interim basis to support off-site utilities upgrades on priority affordable housing developments (primarily non-market).

* * * * *

2019 Proposed Development Cost Levy (DCL) Rates

Effective September 30, 2019

	DCL Area	Rates	Residential at or below 1.2 FSR and Laneway House	Medium density residential above 1.2 FSR to 1.5 FSR	Residential in development over 1.5 FSR	Commercial and most other uses	Industrial	Mixed Employment (Light industrial)
City-wide	Vancouver (City-wide) DCL	Current Rate	$\$45.42/m^2$ ($\$4.22/ft^2$)	$\$97.74/m^2$ ($\$9.08/ft^2$)	$\$195.58/m^2$ ($\$18.17/ft^2$)	$\$156.94/m^2$ ($\$14.58/ft^2$)	$\$62.65/m^2$ ($\$5.82/ft^2$)	$\$117.76/m^2$ ($\$10.94/ft^2$)
City-wide	Vancouver (City-wide) DCL	Proposed Rate Effective Sept. 30th	$\$45.42/m^2$ ($\$4.22/ft^2$)	$\$97.74/m^2$ ($\$9.08/ft^2$)	$\$195.58/m^2$ ($\$18.17/ft^2$)	$\$165.12/m^2$ ($\$15.34/ft^2$)	$\$65.88/m^2$ ($\$6.12/ft^2$)	$\$123.89/m^2$ ($\$11.51/ft^2$)
City-wide	Vancouver Utilities DCL[a]	Current Rate	$\$24.97/m^2$ ($\$2.32/ft^2$)	$\$54.25/m^2$ ($\$5.04/ft^2$)	**West Side** $\$108.61/m^2$ ($\$10.09/ft^2$) **East Side** $\$54.25/m^2$ ($\$5.04/ft^2$)	$\$54.25/m^2$ ($\$5.04/ft^2$)	$\$21.74/m^2$ ($\$2.02/ft^2$)	$\$40.69/m^2$ ($\$3.78/ft^2$)
City-wide	Vancouver Utilities DCL[a]	Proposed Rate Effective Sept. 30th	$\$24.97/m^2$ ($\$2.32/ft^2$)	$\$54.25/m^2$ ($\$5.04/ft^2$)	**West Side** $\$108.61/m^2$ ($\$10.09/ft^2$) **East Side** $\$81.48/m^2$ ($\$7.57/ft^2$)	$\$57.05/m^2$ ($\$5.30/ft^2$)	$\$22.93/m^2$ ($\$2.13/ft^2$)	$\$42.84/m^2$ ($\$3.98/ft^2$)
Layered	False Creek Flats	Current Rate	N/A		$\$66.41/m^2$ ($\$6.17/ ft^2$)			
Layered	False Creek Flats	Proposed Rate Effective Sept. 30th	N/A		$\$69.86/m^2$ ($\$6.49/ ft^2$)			
Layered	Southeast False Creek	Current Rate	N/A		$\$216.14/m^2$ ($\$20.08/ft^2$)		$\$32.83/m^2$ ($\$3.05/ft^2$)	
Layered	Southeast False Creek	Proposed Rate Effective Sept. 30th	N/A		$\$216.14/m^2$ ($\$20.08/ft^2$)		$\$34.55/m^2$ ($\$3.21/ft^2$)	

Notes

[a] Proposed rate for September 30, 2019 includes the second phase-in of the Vancouver Utilities DCL for the Higher Density Above 1.5 FSR category applicable to the East side approved by Council in July 2018.

BY-LAW NO.

A By-law to amend
Vancouver Development Cost Levy By-law No. 9755
regarding 2019 rates

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

2. This By-law amends the indicated provisions of By-law No. 9755.

3. Council strikes Schedule “C” and replaces it with the Schedule “C” attached to this By-law.

4. A decision by a court that any part of this By-law is illegal, void, or unenforceable severs that part from this By-law, and is not to affect the balance of this By-law.

5. This By-law is to come into force and take effect on the 30th day of September, 2019.

ENACTED by Council this day of , 2019

Mayor

City Clerk

Schedule "C"

Category/Use	Total Development Cost Levy (Effective September 30, 2019)	Unit/ area cost
RESIDENTIAL		
Residential at or below 1.2 FSR and Laneway House	$45.42	Per m^2
Medium Density Residential Above 1.2 to 1.5 FSR	$97.74	Per m^2
Higher Density Residential Above 1.5 FSR	$195.58	Per m^2
NON-RESIDENTIAL		
Industrial (I-2, M-1, M-1A, M-1B, M-2, MC-1, MC-2 Zoning Districts)	$65.88	Per m^2
Mixed Employment (Light Industrial) (IC-1, IC-2, IC-3, I-1, I-3, I-4, I-1A, I-1B Zoning Districts)	$123.89	Per m^2
Commercial & Other	$165.12	Per m^2

Category/Use	Rate	Unit/ Area cost
CULTURAL, INSTITUTIONAL, SOCIAL		
School use	$5.49	Per m^2
Parking Garage	$1.08	Per m^2
Childcare Use	$10.00	Per Building Permit
Temporary Building	$10.00	
Community Energy Centre	$10.00	
Artist Studio Class A & Class B	$10.00	
Community Centre/ Neighbourhood House	$10.00	
Library	$10.00	
Public Authority Use	$10.00	
Social Service Centre	$10.00	

BY-LAW NO.

A By-law to amend
Vancouver Utilities Development Cost Levy By-law No. 12183
regarding 2019 rates

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

2. This By-law amends the indicated provisions of By-law No. 12183.

3. Council strikes Schedule “C” and replaces it with the Schedule “C” attached to this By-law.

4. A decision by a court that any part of this By-law is illegal, void, or unenforceable severs that part from this By-law, and is not to affect the balance of this By-law.

5. This By-law is to come into force and take effect on the 30th day of September, 2019.

ENACTED by Council this day of , 2019

Mayor

City Clerk

Schedule "C"

Category/Use	Total Development Cost Levy (Effective September 30, 2019)	Unit/ area cost
RESIDENTIAL		
Residential at or below 1.2 FSR and Laneway House	$24.97	Per m^2
Medium Density Residential Above 1.2 to 1.5 FSR	$54.25	Per m^2
Higher Density Residential Above 1.5 FSR (West Area)	$108.61	Per m^2
Higher Density Residential Above 1.5 FSR (East Area)*	$81.48	Per m^2
NON-RESIDENTIAL		
Industrial (I-2, M-1, M-1A, M-1B, M-2, MC-1, MC-2 Zoning Districts)	$22.93	Per m^2
Mixed Employment (Light Industrial) (IC-1, IC-2, IC-3, I-1, I-3, I-4, I-1A, I-1B Zoning Districts)	$42.84	Per m^2
Commercial & Other	$57.05	Per m^2

*75% of levy in 2019 applied to East Area. Rate to be implemented in full by September 30, 2020. East Area and West Area determined by Appendix A.

Category/Use	Rate	Unit/ Area cost
CULTURAL, INSTITUTIONAL, SOCIAL		
School use	$5.49	Per m^2
Parking Garage	$1.08	Per m^2
Childcare Use	$10.00	Per Building Permit
Temporary Building	$10.00	
Community Energy Centre	$10.00	
Artist Studio Class A & Class B	$10.00	
Community Centre/ Neighbourhood House	$10.00	
Library	$10.00	
Public Authority Use	$10.00	
Social Service Centre	$10.00	

BY-LAW NO.

A By-law to amend
Area Specific Development Cost Levy By-law No. 9418
regarding 2019 rates

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

2. This By-law amends the indicated provisions of By-law No. 9418.

3. Council strikes “$66.41” from section 3.7 and replaces it with “$69.86”.

4. Council strikes “$32.83” from section 3.10(a) and replaces it with “$34.55”.

5. A decision by a court that any part of this By-law is illegal, void, or unenforceable severs that part from this By-law, and is not to affect the balance of this By-law.

6. This By-law is to come into force and take effect on the 30th day of September, 2019.

ENACTED by Council this day of , 2019

Mayor

City Clerk

2018 Proposed New Inflation Adjusted CAC Targets
Effective September 30, 2019

CAC Target Area[a]	**Current CAC Targets** ($/sf, applied on net additional density)	**Proposed CAC Targets – Effective Sept 30, 2019** ($/sf, applied on net additional density)
Southeast False Creek	$180.66/m^2 ($16.78/sf)	$180.66/m^2 ($16.78/sf)
Cambie Corridor: 4-storey residential	$775.00/m^2 ($72.00/ft)	$775.00/m^2 ($72.00/ft)
Cambie Corridor: 4-storey mixed use	$215.28/m^2 ($20.00/sf)	$215.28/m^2 ($20.00/sf)
Cambie Corridor: 6-storey residential	$1,108.68/m^2 ($103.00/sf)	$1,108.68/m^2 ($103.00/sf)
Cambie Corridor: 6-10 storey mixed-use	$1,205.56/m^2 ($112.00/sf)	$1,205.56/m^2 ($112.00/sf)
Little Mountain Adjacent	$321.61/m^2 ($29.88/sf)	$321.61/m^2 ($29.88/sf)
Norquay (Kingsway C-2)	$139.83/m^2 ($12.99/sf)	$139.83/m^2 ($12.99/sf)
Marpole	$871.88/m^2 ($81.00/sf)	$871.88/m^2 ($81.00/sf)
Grandview-Woodland: Nanaimo St/East 12th Ave shopping nodes	$757.19/m^2 ($70.35/sf)	$757.19/m^2 ($70.35/sf)
Grandview-Woodland: Mid-rise Multi-family sub-areas	$252.40/m^2 ($23.45/sf)	$252.40/m^2 ($23.45/sf)
Downtown Commercial Linkage Target	$161.46/m^2 ($15.00/sf)	$169.85/m^2 ($15.78/sf)
Rest of Metro Core Commercial Linkage Target	$107.64/m^2 ($10.00/sf)	$113.24/m^2 ($10.52/sf)

Background Information
1. Development Cost Levies
2. Community Amenity Contributions

1. Development Cost Levies (DCLs)

Development Cost Levies (DCLs) are a growth-related charge collected from most new development and a significant source of revenue for civic facilities and infrastructure needed to serve new residents and workers. DCLs help relieve what would otherwise fall onto property taxes and other City funding. Since the inception of DCLs in the City, over $866 million in funds have been collected from DCLs to help pay for growth-related facilities (updated to April 2019). Approximately 74% of these funds have been generated from the City-wide DCL and the remaining 26% from Area Specific DCLs.

DCLs are applied on a per square foot basis and payment is due at Building Permit issuance. DCL revenues pay for specific growth-related capital projects (as permitted by the Vancouver Charter). The City-wide DCL is allocated by Council as follows:

- park development and improvements (18%);
- replacement (affordable) housing (36%);
- childcare facilities (13%);
- transportation (25%); and
- utilities (8%).

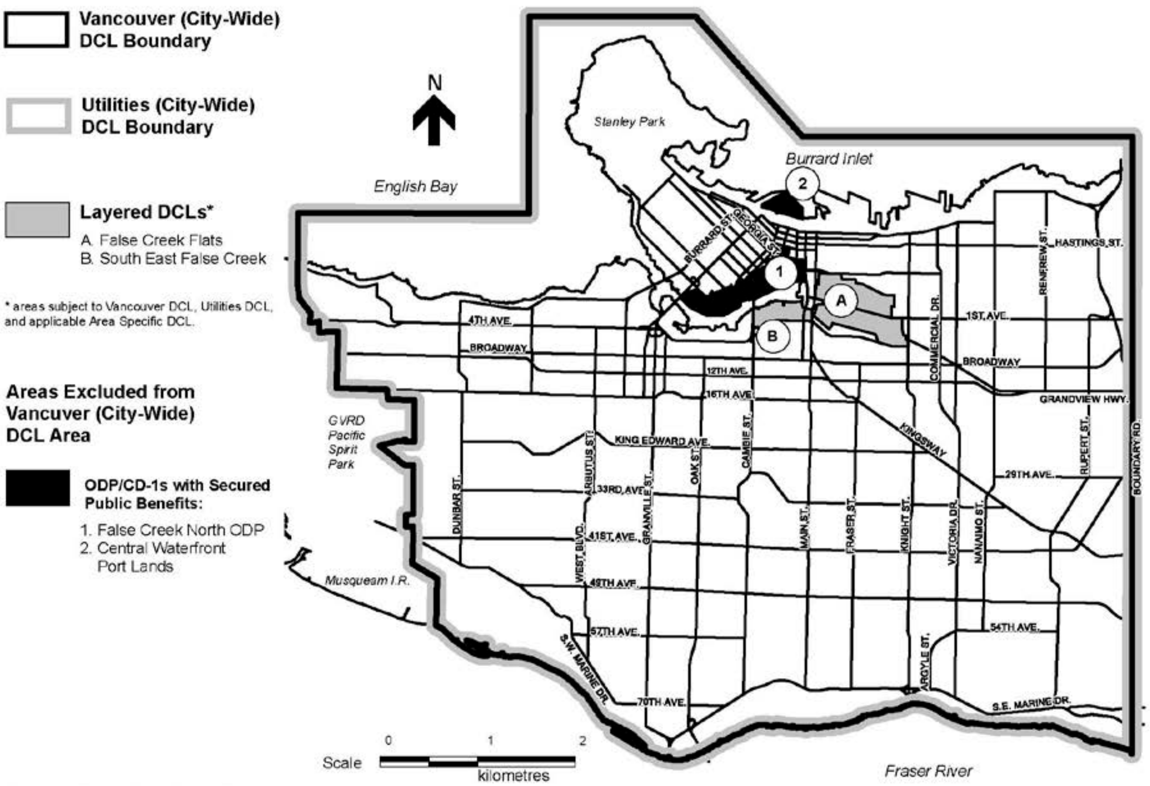
The current DCL system consists of 4 DCL Districts (each with its own rates) and 2 additional planning areas excluded from DCLs. The Vancouver (City-wide) and Utilities DCL Districts apply to most of the city and the 2 Area Specific DCL Districts apply to smaller planning areas across Vancouver.

DCL By-laws establish area boundaries of each DCL district. Levies collected within each district must be spent within the area boundary, except for DCLs collected for replacement housing which can be spent city-wide. DCL districts are divided into three general categories:

1. Base DCL Districts: This includes the City-wide DCL District and the Vancouver Utilities DCL District. These districts apply across the city and most developments are subject to both DCLs.

2. Layered DCL Districts: These are specific geographic areas in which the Area Specific DCL, the City-wide DCL, and Utilities DCL all apply. There are two such areas shown on the map as A and B (False Creek Flats and Southeast False Creek). These are or were industrial areas where new plans identified potential for significant redevelopment and a higher need for facilities than could be covered by the City-wide DCL and Utilities DCL alone.

Current DCL Districts (effective to September 29, 2019)



note: boundaries of highlighted areas area approximate and shown for illustrative purposes only.

2. Community Amenity Contributions (CACs)

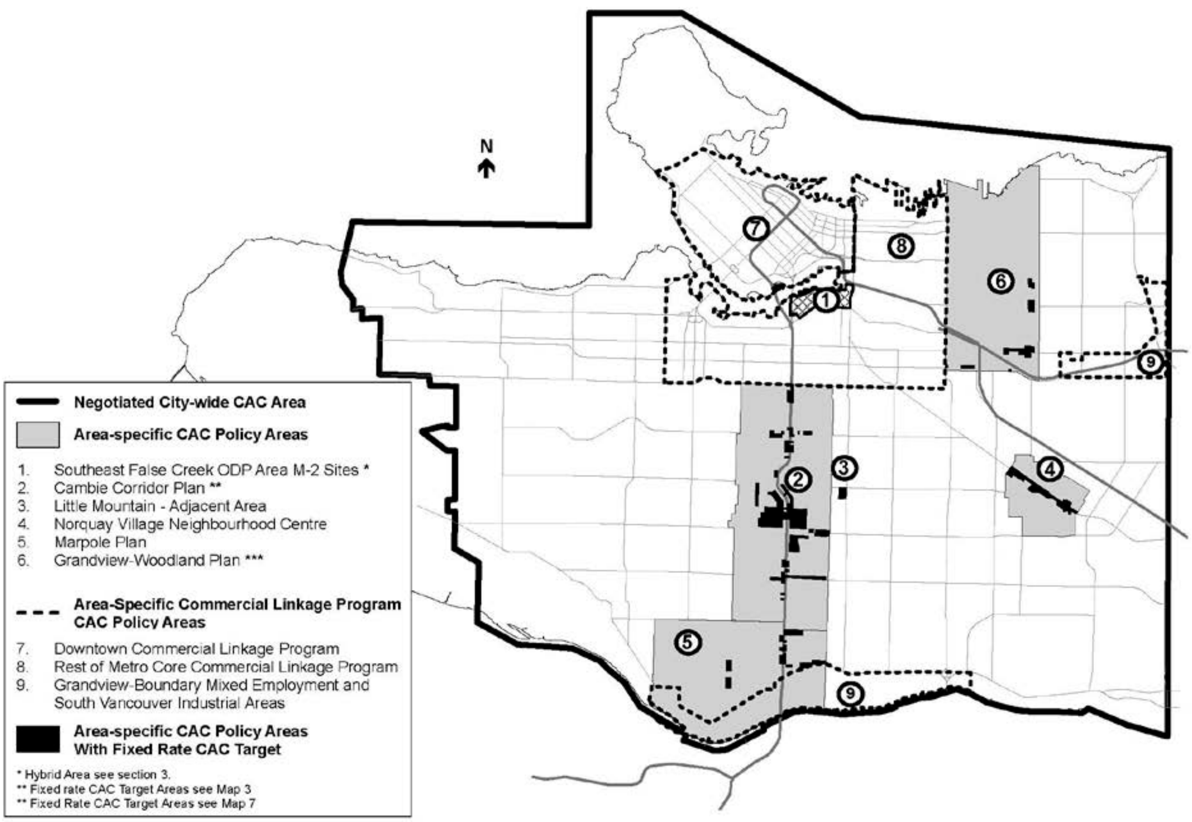
CACs are voluntary in-kind or cash contributions provided by development when City Council grants additional development rights through rezonings. CACs can help address the increased demands that may be placed on City facilities as a result of a rezoning (from new residents and/or employees), as well as mitigate the impacts of a rezoning on the surrounding community.

In a rezoning, CACs can be part of a public benefits package offered by the developer. In-kind (or on-site) amenity contributions can include affordable and non-market housing, childcare facilities or park space. CAC payments in-lieu may be put toward these benefits as well, but also include libraries, community centres, cultural facilities and neighbourhood houses. CAC payments in-lieu are generally applied to off-site benefits in the surrounding community. CACs are in addition to DCLs.

As new area-specific plans are approved, these areas are excluded from the City-wide CAC policy. Many of these areas have a blend of negotiated CAC and CAC target contributions from rezonings, and they are based on local public benefit needs and development economics.

Current CAC Policy Areas (effective to September 29, 2019)

Map 1 - **CAC Policy Areas**



CONSULTING CORP.
500-1130 West Pender Street, Vancouver BC V6E 4A4
604-682-9714 | www.coriolis.ca

VIA EMAIL

21 June 2019

Chris Clibbon
Planner, Citywide and Regional Planning
City of Vancouver
453 West 12th Avenue
Vancouver, BC
V5Y 1V4

Dear Chris:

Re: Conditions in the Vancouver Apartment, Office and Industrial Markets

The City of Vancouver uses a Council-adopted annual inflationary index to keep development cost levy (DCL), community amenity contribution (CAC) target rates and density bonus rates in line with the costs the City incurs to provide new amenities and public facilities. For 2019, the inflationary index has been calculated at +5.2%. However, the index is backward looking and is based on changes in land values and construction costs over the past 12 to 18 months. So as input to determining whether or not to apply the inflationary index each year, the City reviews existing market conditions to ensure that rates do not overshoot the market if there is sudden change in market trends.

Therefore, the City asked Coriolis to provide an overview of recent trends and current conditions in the City's strata apartment[1], office and industrial markets as input to the City's decision about applying the inflationary index.

Strata Apartment Market

We reviewed recent trends and current conditions in the City's strata apartment market, including trends in:

- Sales prices.
- The pace of sales of new units.
- The pace of new project launches (new presales marketing launches).
- Incentives being offered at new projects currently marketing.
- The inventory of new units available for sale.
- New strata apartment housing starts.
- Changes in apartment construction costs.

The key data we reviewed is included in Attachments A to H.

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[1] We focused on the strata apartment market as this makes up the majority of new housing construction in the City in a typical year.

Based on these indicators, the conditions in the strata apartment market can be summarized as follows:

- Strata apartment prices have been declining since mid-2018, but construction costs have increased over this time period. This has negatively affected the financial viability of new strata apartment development.
- The pace of new strata apartment unit sales has declined significantly since mid-2018, but new construction has not slowed resulting in a large increase of unsold inventory at projects currently marketing new units. Construction has not slowed as many projects achieved the necessary presales required to obtain financing prior to the slow down in sales in mid-2018.
- The number of new strata apartment projects that have started presales campaigns has slowed since mid-2018.
- Significant incentives are being offered to realtors and prospective purchasers by new projects that are currently selling units.

Overall, conditions in the strata apartment market have been deteriorating since mid-2018. Prices are declining, the volume of sales is declining, unsold inventory is increasing, and new projects are currently facing challenges achieving the presales targets required to obtain financing. These trends, along with high construction costs, make new strata apartment development increasingly challenging from a market and financial perspective.

Office Market

We reviewed recent trends and current conditions in the City's office market, including trends in:

- Lease rates for new or high quality office space (Class AAA).
- Vacancy rates.
- Cap rates.
- The pace of new office construction.

The data we reviewed is included in Attachment I.

Based on these indicators, the conditions in the City's office market can be summarized as follows:

- Lease rates for high quality office space have been steadily increasing since early 2017 and have continued to increase during 2019. New strata office space values have also been increasing.
- Office vacancy rates in Vancouver are at historic lows.
- Cap rates for high quality office buildings have been stable.
- New office buildings are proceeding as planned.

Overall, conditions in the City's office market have been stable or improving since mid-2018. Office lease rates and values are stable or increasing, there is significant demand for new office space, and new office projects are underway.

Industrial Market

We reviewed recent trends and current conditions in the City's industrial market, including trends in:

- Lease rates for industrial space.
- Vacancy rates.
- Cap rates.
- The pace of new industrial construction.

The data we reviewed is included in Attachment J.

Based on these indicators, the conditions in the City's industrial market can be summarized as follows:

- Lease rates for new industrial space have been increasing since 2017 and this has continued during 2019. New strata industrial values have also been increasing.
- Industrial vacancy rates are very low.
- Cap rates for industrial buildings have been declining.
- New industrial buildings are proceeding as planned.

Overall, market conditions in the City's industrial market have been stable or improving since mid-2018. Industrial lease rates and values are increasing, there is demand for new industrial space, and new industrial projects are underway.

Please let me know if you have any questions or comments.

Yours truly,

CORIOLIS CONSULTING CORP.

Blair Erb

Blair Erb

Attachment A – Apartment Home Price Index

Month	Vancouver East Apartment HPI	Vancouver West Apartment HPI
Jan-17	264.5	216.2
Feb-17	273.4	225
Mar-17	285.3	227.3
Apr-17	291.6	235.5
May-17	298.7	242
Jun-17	304.5	250.8
Jul-17	313.5	254.3
Aug-17	317.2	255.5
Sep-17	320.1	258.3
Oct-17	324.1	261.7
Nov-17	328.4	263.2
Dec-17	329.0	261.9
Jan-18	333.0	263.6
Feb-18	340.6	271.2
Mar-18	349.1	274.1
Apr-18	348.0	273.1
May-18	347.3	274.3
Jun-18	343.5	273.4
Jul-18	341.7	271
Aug-18	340.7	267.7
Sep-18	339.7	260.9
Oct-18	334.8	262.7
Nov-18	327.7	253.7
Dec-18	322.9	254.3
Jan-19	322.5	254.2
Feb-19	324.4	254.5
Mar-19	326.8	249.6
Apr-19	329.4	248.1
May-19	324.9	246.1

Source: Real Estate Board of Greater Vancouver

Attachment B – Average Resales Price of Newer Apartments in City of Vancouver (5 years old or less)

Average Sales Price	2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Vancouver East	$701,355	$748,079	$835,308	$808,078	$811,241	$858,965	$771,943	$761,763	$810,737
Vancouver West	$1,048,220	$1,182,146	$1,110,896	$1,213,013	$1,218,844	$1,151,850	$1,078,039	$1,192,204	$1,054,019

Source: MLS Sales Data

Attachment C – Number of Resales of Newer Apartments in City of Vancouver (5 years old or less)

Sold Units	2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Vancouver East	203	275	165	225	228	228	179	116	110
Vancouver West	258	322	236	227	236	207	159	99	113

Source: MLS Sales Data

Attachment D – Absorption at New Projects Currently Marketing by Quarter – City of Vancouver

	2016				2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Quarterly Absorption	78	107	73	87	71	79	86	76	60	66	78	62	37

Source: NHS Live

Attachment E – Residential Construction Cost Index

	2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Vancouver CMA	96.3	99.2	101.3	103.2	105.4	107.3	108.4	109.6	110

Source: Statistics Canada. Table 18-10-0135-02 Building construction price indexes, percentage change, quarterly

Attachment F – New Project Launches in City of Vancouver by Quarter

	2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Concrete	7	3	6	14	4	3	2	7	1
Wood Frame	1	0	2	2	0	2	2	3	0
Total	8	3	8	16	4	5	4	10	1

Source: NHS Live

Attachment G – Units Available for Sale at New Projects Currently Marketing – City of Vancouver

	2016				2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Apartment Units	1,437	1,760	1,438	2,221	1,602	1,468	1,359	1,819	1,936	2,354	3,453	6,086	5,867

Source: NHS Live

Attachment H – Condo Apartment Starts by Quarter – City of Vancouver

	2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Condo Apartment Units	442	424	645	1,315	738	355	664	433	1,091

Source: CMHC

Attachment I – City of Vancouver Office Market Statistics

	2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Vacancy Rate (Downtown)	6.3%	5.7%	5.1%	5.2%	4.6%	4.2%	3.9%	3.4%	2.5%
Weighted Average Asking Rent (Downtown AAA)	$35.29	$34.46	$34.23	$43.22	$44.61	$40.00	$48.00	$48.00	$50.00
Downtown Cap Rates	3.50%-4.50%	3.50%-4.50%	3.50%-4.50%	3.50%-4.50%	3.50%-4.25%	3.50%-4.25%	3.50%-4.25%	3.50%-4.25%	3.50%-4.25%
Under Construction Downtown (sf)	475,780	475,000	440,593	728,649	875,267	1,758,451	2,519,461	3,711,132	4,257,384
Under Construction Broadway Corridor (sf)	350,000	350,000	304,000	352,932	432,932	454,685	196,685	109,592	499,963

Sources: Colliers, Cushman Wakefield

Attachment J – City of Vancouver Industrial Market Statistics

	2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
City of Van Vacancy Rate	2.0%	1.7%	2.4%	1.9%	2.2%	1.5%	1.8%	2.0%	1.9%
City of Van Weighted Average Asking Rent	$12.94	$16.19	$15.42	$15.83	$17.09	$17.23	$16.89	$17.65	$17.13
Industrial Cap Rates (CMA)	4.00%-5.00%	4.75%-5.00%	4.25%-5.00%	4.00%-5.00%	4.00%-5.00%	3.75%-4.75%	3.50%-4.75%	3.25%-4.75%	3.25%-4.75%
City of Van Industrial Under Construction (sf)	541,367	519,367	520,597	547,732	468,520	468,520	416,507	462,998	461,967

Sources: Colliers

BCNPHA
BC Non-Profit Housing Association

chf bc

June 21, 2019

Mr. Chris Clibbon
Planner, Citywide and Regional Division
Planning and Development Services
City of Vancouver

Submitted via chris.clibbon@vancouver.ca

Re: 2019 Alterations to the Utilities DCL Allocation to Facilitate Affordable Housing Project Delivery

Dear Mr. Clibbons,

We are writing on behalf of BC Non-Profit Housing Association, the Co-op Federation of BC and our 118 non-profit and 112 co-op member organizations who provide affordable housing in the City of Vancouver. We appreciated the recent opportunity to provide feedback on the City staff's proposed recommendation related to the above-noted topic, which will be presented at the Regular Council Meeting of July 10th.

We are very pleased to see the staff recommendation to alter the allocation of City-wide DCL revenues, on an interim basis, towards the utilities upgrades associated with priority affordable housing projects, and would ask for the unreserved support of Mayor and Council on that recommendation.

Unanticipated costs during development and/or redevelopment are one of the major challenges facing our members. It has recently come to our attention that in-stream affordable housing (social and rental) projects are triggering the need for off-site utilities upgrades (typically averaging a cost of $600,000 per project). Non-profit and cooperative affordable housing projects are marginally viable due to tight margins to achieve affordability targets. This means that additional, unforeseen costs like off-site utility upgrades may put projects at risk of being cancelled or not being able to achieve minimum affordability targets.

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We understand that the City of Vancouver is unable to waive the required utilities upgrades for affordable housing projects due to the significant impact these projects would have on the existing water and sewer capacity, and appreciate that staff are recommending an interim funding strategy at this time. This interim funding strategy is an important step towards ensuring the viability of our members' affordable housing projects by alleviating unanticipated costs facing at-risk housing projects currently in-stream and coming forward during the City's current five-year capital plan.

We admire the City's steady approach to date in supporting and incentivizing the development of new purpose-built rental, affordable non-profit, and co-op housing. This proposed initiative to shift the allocation of City-wide DCL revenues towards utilities upgrades associated with priority affordable housing projects is one more inducement for our members that will have a positive impact on the development of new and redeveloped affordable housing.

We strongly encourage Mayor and Council to support the staff recommendation to allocate City-wide DCL revenues to cover the costs of utilities upgrades required for affordable housing projects. Additionally, we ask the City of Vancouver explore the development of a long-term strategy to enable the continued delivery of desired affordable housing in a financially stable manner, through regulatory means and in partnership with other levels of government.

Sincerely,

Jill Atkey
Chief Executive Officer
BC Non-Profit Housing Association
www.bcnpha.ca

Thom Armstrong
Executive Director
Co-op Housing Federation of BC
www.chf.bc.ca