CITY OF VANCOUVER

REPORT

Report Date: January 8, 2020
Contact: Chris Robertson
Contact No.: 604.873.7684
RTS No.: 13431
VanRIMS No.: 08-2000-20
Meeting Date: January 22, 2020
Submit comments to Council

TO: Standing Committee on City Finance and Services

FROM: General Manager of Planning, Urban Design and Sustainability

SUBJECT: Community Amenity Contribution (CAC) Policy Update

RECOMMENDATION

A. THAT Council repeal and replace the "Community Amenity Contributions through Rezonings Policy" found in Appendix A with the "Community Amenity Contributions Policy for Rezonings" generally as contained in Appendix B.

B. THAT Council adopt a CAC Target of $3.00 per sq.ft. applicable to 100% institutional rezoning applications of hospitals, care facilities and post-secondary schools, with the CAC Target taking effect upon Council approval.

C. THAT Council instruct staff to notify landowners and in-stream rezoning applications of the City's intent to increase CAC Targets in the Little Mountain Adjacent and Southeast False Creek M-2 zoned areas to $47.00 and $67.00 per sq.ft. respectively, and report back on an implementation plan in July 2020.

D. THAT Council direct staff to monitor and report back to Council on the need to index cash CACs between Council approval in-principle of a rezoning application and rezoning enactment by Council and/or impose a required time limit to enact a new zoning, whereby if the time limit lapses, the approval in-principle of the rezoning application may expire.

E. THAT Council direct staff to report back on a city-wide CAC allocation strategy following public engagement on the Vancouver Plan and the completion of the City's 10-year Capital Strategic Outlook.

REPORT SUMMARY

City Council approves a substantial amount of new residential, commercial and other types of development across the city every year. This growth requires new public benefits (i.e. infrastructure and amenities) to meet the needs of new residents and businesses and to address the impacts of new development on the community and the city at large. The City expects new development to pay a share of these costs.

One of the tools the City uses to secure public benefits in relation to or as part of the approval of rezoning development projects is Community Amenity Contributions (CACs). When a site is rezoned, to allow an increase in development potential or a change in the permitted uses of a site, the City seeks a contribution in the form of cash and/or in-kind CACs (including affordable housing).

The City has had a Community Amenity Contributions – Through Rezonings Policy in place since 1999. While this CAC policy has been revised and improved numerous times over the years (more so over the past five years), a more comprehensive update has been completed to:

- further align with the Provincial Guidelines on CACs (2014);
- address policy gaps;
- clarify eligible and ineligible use of CACs;
- recalibrate existing CAC Targets where necessary to reflect current market conditions; and,
- allow for a more geographically equitable approach to allocating CACs.

The proposed changes included in this report are part of the City's ongoing initiative to make its development contribution system more clear, transparent, predictable and accountable.

The CAC policy update was developed with input from the development industry and non-profit sector stakeholders who are both key partners in delivering and operating the city's public benefits. The development industry expressed concern around the negotiated CAC process in regards to timelines, transparency, and a request for a dispute resolution procedure. The development industry was also opposed to required time limits to enact rezonings. The non-profit sector was generally supportive of the CAC policy updates. In particular, the City's consideration for allowing non-City ownership of in-kind CACs in some cases was seen as a positive step. All correspondence received can be found in Appendix E of this report.

In order to understand the impact CACs have on housing affordability, the City contracted Coriolis and Wollenberg Munro Consulting Inc. (WMCI) to update the 2014 report on CAC Policy and Housing Affordability. The report maintained its original findings that there is no evidence that CACs are causing housing prices to rise. In fact, CACs enable an increase of development capacity across the city while achieving significant delivery of affordable housing units that otherwise would not have been built. The Financial Implications section of this report summarizes the Coriolis/WMCI consultant report findings.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- In 1999, Council adopted the Community Amenity Contributions – Through Rezonings Policy.
- In 2004, Council adopted the Financing Growth Policy establishing a city-wide framework for DCLs and CACs.
- In 2006, Council approved the Public Benefits Strategy and CAC Target for Southeast False Creek.
- Between 2013 and 2018, Council approved CAC Targets in the following areas: Cambie Corridor, Norquay, Grandview-Woodland, Little Mountain Adjacent, Marpole, and Commercial Linkage Targets in the Metropolitan Core.
- In May 2016, Council approved a CAC Policy Update that adopted the annual inflationary rate adjustment system for CAC targets and density bonus zoning contributions, as well as other administrative changes to policy.
- In November 2017, Council approved a CAC Policy Update that exempted routine, lower-density secured market rental rezonings from CACs and established a commercial linkage target for commercial-only rezoning applications in the Metropolitan Core area.
- In November 2019, Council approved the Rental Incentive Review updates that amended the criteria for secured market rental rezoning exemptions from CACs.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

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

The proposed changes presented in this report are part of a broader initiative to update and simplify the City’s development contribution system which include DCLs, CACs, density bonusing and other mechanisms, and aligns with the City’s desire, where possible, to clarify and streamline CAC policies for rezoning applications.

This CAC Policy update represents the most comprehensive review and update of CAC Policy since its establishment in 1999.

The Province of British Columbia developed CAC Guidelines in 2014 to assist municipalities in implementing and administering Community Amenity Contribution (CAC) programs. Staff have consulted the Provincial Guidelines and confirm that the City’s proposed new CAC Policy closely aligns with recommended provincial best practices.

This report has been prepared collaboratively through an internal interdepartmental process and has involved stakeholder engagement with both the development industry and non-profit stakeholder at various points in the project. Both industry and non-profit stakeholders are key partners in delivering and operating public benefits in the city such as affordable housing, childcare and community facilities. The proposed policy directions have been shared with external stakeholders for comment prior to presentation to City Council.

During the course of development industry engagement, concern was expressed around the negotiated CAC process in regards to timelines, transparency, and a request for a dispute resolution. It is important to note that rezonings are a discretionary act of City Council, and as such, the process for determining appropriate CACs should include a mindful evaluation of the impacts of a particular development, with the appropriate public benefits being offered through CACs. Going forward, the City is committed to working with the development industry to expand upon our existing internal process for resolving disputes that may arise during the CAC negotiations, whereby an escalation process will be considered so that decisions can be made to help determine a fair CAC offering from rezoning applicants.

At the time of releasing this report, staff are developing a procedural document called “CAC Implementation Procedures” that aims to document the City’s current practices, provide guidance for rezoning applicants, increase overall transparency around the CAC process, and clarify the administration of the CAC policy. Specifically, the Procedures will outline the City’s practices around planning for, collecting, and allocating CACs in alignment with the CAC Policy. The draft Procedures are currently being reviewed by stakeholders and will be posted to the City website when completed.

REPORT

Background/Context

Vancouver has been growing and will continue to grow in accordance with current area plans and zoning changes, and also in accordance with Metro Vancouver’s Regional Growth Strategy. More people and jobs will place more demands on public benefits (i.e. amenities and infrastructure) such as: childcare, affordable housing, transportation and utility infrastructure, parks, social and cultural amenities, libraries, etc. A key challenge is how to accommodate new residents and employees while also maintaining the level of services and amenities for those currently living and working in Vancouver.

Need for the CAC Policy Update

The City’s current CAC Policy was first adopted by Council in 1999. While the CAC Policy has been revised and improved numerous times over the years (more so over the past five years), there are a number of key reasons a more comprehensive update was initiated:

- to further align the City’s CAC Policy with the 2014 Provincial Guidelines on CACs which were released to outline the risks, challenges and recommended practices related to CACs;
- to address policy gaps like refunding/altering CACs and to consider a time limit to enact a new rezoning;
- to clarify eligible and ineligible use of CACs;
- to recalibrate existing CAC Targets (including Commercial Linkage Targets) where necessary to reflect current market conditions and to introduce new CAC Targets; and.
- to allow for a more geographically-equitable approach to allocating CACs.

A Broader Context: CACs and Capital Projects

Vancouver is a growing city with an extensive network of public benefits. Over the next 20-30 years, it is anticipated that Vancouver will add 150,000 residents and 100,000 new jobs as part of the regional growth strategy. As new residents and employees arrive in Vancouver, the City strives to maintain and improve its network of public benefits to ensure that Vancouver remains one of the most livable cities in the world. This comes with operating and lifecycle costs, which are considered as part of the City's long-term financial and capital planning.

Within the City's financial framework, the following funding sources are available for capital projects:

- City contributions – Property tax, utility fees (e.g. water and sewer) and user fees (e.g. parking revenue), and other operating revenues. City contributions primarily fund the maintenance and renewal of existing public benefits.
- Development contributions –CACs, Development Cost Levies (DCLs), Density Bonus Zoning Contributions, connection fees, and other conditions of development. Development contributions primarily fund the provision of new, expanded, or upgraded public benefits.
- Partnership contributions – External funding from senior governments (i.e. federal, provincial, and regional), non-profit agencies, foundations, and philanthropists. Partnership contributions help to fund existing or new public benefits.

When funding growth-related infrastructure, the City operates on a key principle that new development should pay its fair share of growth-related costs, and therefore development contributions are used as a key funding source.

For information on DCLs and DBZs, refer to the City's Financing Growth webpage.

CACs

CACs are voluntary contributions toward public benefits that are offered by rezoning applicants when Council, on a discretionary basis, grants an increase in development potential or a change in the permitted uses of a site through the enactment of rezonings. All CACs are negotiated between the applicant and the City (on behalf of Council) with Council as the approving authority and secured through conditions of by-law enactment. CACs come in two forms:

- In-kind CACs – A form of CAC where land and/or capital facilities are provided by applicants, typically as an on-site public benefit;
- Cash CACs – A form of CAC where a cash payment is provided by applicants in-lieu of providing land and/or capital facilities as a public benefit. Cash CACs are accounted for in dedicated reserves and allocated through the City's capital planning and annual budget processes.

The City uses two different approaches to determine the appropriate amount of a CAC offer depending on the proposed development and location of the rezoning application:

- CAC Targets – A pre-determined target value in select areas of the city that meet specific criteria. CAC Targets have been introduced in recent community plans where growth is more generic and forms are transitioning from low to medium density. CAC Targets are also used for non-stratified commercial development.

- Negotiated CACs – The City works with the applicant to determine an appropriate CAC offer in terms of value and the type of contribution (cash and/or in-kind) which would best align with the proposed rezoning. Negotiated CACs are typically reserved for areas where the form of growth is more unique and for larger and/or complex rezonings.

Rezoning applications are evaluated in the context of policy and staff professional advice, and they require a complex process coordinated across departmental reviews, and stakeholder and public consultation. Rezoning approvals are discretionary and subject to Council approval.

CAC negotiation, if applicable, is only one part of the rezoning process. The residents and businesses of Vancouver are the beneficiaries of investments made possible by CACs as the growth-related public benefits are vital to support a livable and prosperous city for all. Based on staff recommendation, it is Council's discretion to determine whether the CAC offered is appropriate when deciding whether or not to approve a rezoning application.

The principle of negotiated CACs is to capture a portion of the increase in land value as a result of the rezoning to help fund growth costs. After taking into consideration development risks, public interests and a reasonable developer profit, CACs generally represent 75% of that increase in land value resulting from the proposed rezoning. CACs can be allocated towards a wide range of public benefits, typically outlined within a community plan's public benefit strategy.

The City started securing CACs in the 1980s, primarily on large master planned sites in the Downtown area. In 1999, the City adopted the Community Amenity Contributions – Through Rezonings Policy and subsequently a City-wide CAC policy was established through the 2004 'Financing Growth' policy. The Financing Growth policy provided principles for the City's development contribution policies, which were used to establish the City's CAC system:

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

The City's development contribution approach continues to evolve to respond to both market conditions and community needs. Since originally established in 1999, Council has approved a number of changes to the City's CAC Policy. In 2014, the Province released CAC guidelines which provided a number of recommendations for CAC policies, in particular the need to add certainty and transparency. In response to the Provincial Guidelines, a significant shift took place in the City's CAC policy through the development of public benefit strategies helping to define the need for development contributions as well as to increase the use of pre-set development contributions which include CAC Targets and Density Bonus Zoning contributions. Today it is estimated that over 50% of rezonings use a target approach as opposed to the negotiated approach, and it is the City's goal to increase the use of CAC Targets where appropriate. Using pre-set contributions adds certainty and predictability to the CAC process as recommended in the Provincial guidelines (see Appendix F), improving and streamlining the process for all parties involved. That being said, there will continue to be the need for a negotiated CAC approach for larger, complex rezoning applications.

Another improvement the City has made to the CAC Policy is to increase transparency, also included as a recommendation in the 2014 Provincial guidelines. The City reports annually on the collection and allocation of each of the three main development contribution tools: DCLs, DBZs and CACs. City staff created the Community Benefits from Development document, found on the City's Financing Growth webpage, which provides a broader context of the City's approach to development contributions and describes the kinds of community benefits that accompany new developments. The Financing Growth page on the City's website also has an interactive map of the secured in-kind CACs, showing how new developments are contributing to public benefits across Vancouver. The City has also created public benefit implementation trackers which track the progress towards achieving the respective public benefit strategies associated with the respective community plans. These public benefit implementation trackers are included in each Council report for rezonings within the applicable community plan. Staff will continue to explore ways to increase transparency and highlight the contributions made by the development community.

The current Community Amenity Contributions – Through Rezonings Policy outlines CAC principles, approach and application. CACs are identified as conditions of rezoning enactment and cash CACs are payable to the City at rezoning enactment (or subject to payment schedules as approved by Council). Specific public benefits are identified through an assessment, approved by City Council, and are typically located in and around the community in which the rezoning takes place. CACs are either determined through an area-specific CAC Target or are determined through a negotiated approach. Exemptions from CACs include social housing, routine and lower density secured market rental, heritage, schools, community facilities, places of worship, rezonings where there is no increase in total floor space and there is no residential, and rezonings to district schedules with density bonusing as identified in Schedule F of the Zoning and Development By-Law.

Vancouver Plan

The City is currently undertaking a city-wide planning program, known as Vancouver Plan, that will set a broad, integrated vision for the future that addresses key issues holistically and strategically. This planning program will result in a long-range plan that collectively guides our city to 2050 and beyond. Council directed staff to report back on a proposed scope and work program in November 2018 and Council approved a general planning and engagement process to create a City-wide Plan in July 2019. The planning program launched in mid-November 2019 and will be completed in multiple phases, estimated to take 3 years to be finalized in Q2 2022.

The process will involve broad and equitable engagement and partnerships to develop a

City-wide plan that includes the following key elements: a long-term vision, a strategic policy framework, a high-level physical plan, a public investment strategy, key metrics and annual reporting structure, and partnerships needed for successful implementation.
The public investment strategy will prioritize and coordinate investments in infrastructure, public amenities, and programs for economic, social, and cultural aspirations. The investment strategy will coordinate plan directions with mid to long-term service planning, as well as advocating for partnerships with senior levels of government to support the Plan's implementation. As one of the key funding sources for the City's growth-related public benefits, CACs will continue to play a role in the City's future capital investments.

The public investment strategy and CAC Policy are inter-related documents. The proposed CAC Policy updates will help inform aspects of the City-wide public investment strategy, however certain aspects of the CAC policy framework and future updates will need to be informed by the public investment strategy.

Strategic Analysis

The section below details the recommendations set out in the report.

Recommendation A: THAT Council repeal and replace the "Community Amenity Contributions through Rezonings Policy" found in Appendix A with the "Community Amenity Contributions Policy for Rezonings" as generally in the form attached as Appendix B.

The updated CAC policy includes 5 key updates as explained in detail below.

1. *Eligibility: Establish a defined list of eligible and ineligible CAC spending items. See sections 2 and 3 in CAC Policy for Rezonings.*

   The City's existing policy allocates CACs broadly across a variety of growth-related public benefits without a clear set of eligibility criteria. The current policy requires that CAC spending be on "a type of service normally provided or supported by the City and at a service level supported by City policy". A defined list of eligible spending items provides greater certainty that CAC investments are directed towards City priorities and public benefit strategy commitments.

   To ensure the City's priorities and public benefit strategy commitments are prioritized, the updated policy directs CACs (either cash or in-kind) towards the following growth-related public benefits that are already identified in the City's existing Public Benefit Strategies, Capital Plans, service plans, or through site-specific needs assessment conducted by the City (in no particular order of importance):

   - Affordable housing;
   - Childcare;
   - Transportation and public realm;
   - Community facilities (e.g. community/recreation centres; libraries; social facilities such as family/youth/seniors' centres; neighbourhood houses; indigenous-serving spaces; social non-profit office spaces);
   - Public safety (e.g. fire halls; police stations);

- Parks and open spaces;
- Arts and culture (e.g. artist studios; rehearsal spaces; cultural and social hubs; presentation spaces such as theatres, galleries, and music spaces, cultural non-profit office space); and,
- Heritage conservation.

It is recognized that potential exceptions to the above public benefits may arise over time and that these exceptions would be subject to Council approval. Public benefits already committed to in area plans/public benefit strategies may deviate from the list above, however most are accommodated in these categories. This eligibility list will help focus the City's investment of CACs to deliver public benefit strategies and advance City, Board and community priorities.

Similarly, the existing CAC policy does not specify ineligible items. The Provincial Guidelines on CACs (2014) state that CACs should not be used for operating, programming, and non-capital maintenance and that tax revenue is a more appropriate funding source for these costs. The updated policy states that CACs may not be directed towards the following:

- Renewal and/or replacement of public benefits that do not provide an incremental benefit beyond what is currently provided to the public;
- Operating, programming, and non-capital maintenance, including:
    - Operational and administration costs (e.g. utility costs; salaries; program development; office supplies);
    - Maintenance and service fees (e.g. janitorial services; parking; landscaping; fire monitoring);
    - Office equipment and furnishings not provided through an in-kind CAC;
    - Renovation costs not related to base building components;

2. *CAC Allocation: Continue to prioritize the allocation of CACs in and around the neighbourhood in which the rezoning takes place and/or serves the site. Also consider the allocation of CACs to address needs beyond immediate neighbourhoods provided area residents benefit. See section 2.1 in CAC Policy for Rezonings.*

    Since 2004, the City's policy of allocating CACs has been as follows: "CACs are located in the community in which a rezoning takes place and/or serves the site". As such, CACs have been either provided on-site as in-kind CACs, or collected as cash CACs and invested in the neighbourhood surrounding the rezoning. Heritage has been an exception as cash CACs towards heritage have been collected locally and allocated city-wide.

    The Provincial Guidelines on CACs (2014) state that municipalities should follow the 'nexus' principle meaning that there should be a direct, demonstrable link between CACs and the impacts of the new development. The provincial guidelines also acknowledge that CACs can address needs beyond immediate neighbourhoods provided area residents benefit.

    In comparing CAC allocation policies amongst BC and Ontario municipalities, it was found that Vancouver's policy is unique in that it allocates CACs towards local area needs only and does not have a broader allocation component that extends beyond local neighborhoods. In order to improve alignment with the Provincial Guidelines on CACs and with other jurisdictional practices, the proposed allocation change stands to:

- reduce the spatial inequity as a result of area plan boundaries and varying ability to generate CACs on rezoning applications across different areas of the city
- recognize that some amenities and infrastructure deliver City-wide benefits that all area residents benefit from
- provide for a more portable, equitable CAC system that assists city-wide serving public benefits that is located in areas of the city that are growing but that do not benefit from CACs

This policy recommendation stands to broaden the allocation of CACs to a city-wide level, where appropriate. CACs should continue to be prioritized on-site (in-kind) and/or located in the neighbourhood in which the rezoning takes place. When a cash CAC is secured from a rezoning, allocating CACs locally in accordance with public benefit strategies will continue to be the priority (in and around the neighbourhood in which the rezoning takes place). Recognizing that public benefits funded from CACs serve residents at different scales: Local; District; and City-wide, some cash CACs may also be allocated towards broader serving public benefits provided that there is a benefit to local residents.

3. *Timing of Payment: Require that cash CACs are payable prior to rezoning enactment, but consider in exceptional circumstances, the deferment of a portion of cash CAC payments on defined high value cash CACs. See section 5.1 in CAC Policy for Rezonings.*

   The City's current CAC policy on timing of payment is as follows: "CACs are identified as conditions of rezoning enactment. Cash CACs are payable prior to rezoning enactment."

   As the value of cash CACs have grown in value in recent years due to significant increase in amenity costs, some higher value cash CACs have been challenging for applicants to pay/finance in full at the time of rezoning enactment (as per policy). The proposed policy enables, at the City's discretion, the possibility of deferment of a portion of cash CACs that are valued over $20 million. Requests for deferral would be considered in exceptional circumstances only and would require approval by the City's Risk Management Committee. If approved, the deferral policy would require that the greater of $20 million or 20% of the cash CAC be paid prior to rezoning enactment and the remainder secured (through letter of credit and/or surety bond in such amounts as determined by the City) to ensure that the City will collect the deferred CAC payment in the future. The remainder amount will be payable at the earlier of 24 months from the enactment date or prior to first Building Permit issuance.

   Most of the municipalities in British Columbia that have CAC policies require cash payments be made prior to rezoning enactment. Many municipalities, including Victoria, New Westminster, Langley, and Port Moody, also allow phased or deferred payments of CACs. These payments can be extended to development and building permit issuance or concurrent with the timing of each development phase.

4. *Refunding/Altering CACs: For rezonings with CACs where the rezoning by-law has already enacted, cash CACs received will not be refunded. For rezonings that are approved in-principle by Council, there is no change to the CAC approved by Council (cash or in-kind) without withdrawal of the existing rezoning application and resubmission of a new rezoning application. See section 6 in CAC Policy for Rezonings.*

   The current CAC policy does not mention or in any way provide for refunding cash CACs or making alterations to previously approved in-kind CACs. The updated policy intends to confirm and provide clarity to rezoning applicants that the City will not, following a public hearing, refund previously approved cash CACs or alter secured in-kind CACs.

For rezonings that have already been enacted, the updated policy confirms that cash payments already received will not be refunded.For rezonings that are Council-approved but not yet enacted, the updated policy confirms that no change to the CAC outcome (cash or in-kind) is possible without withdrawal of the existing rezoning application and resubmission of a new rezoning application.

Most municipal CAC policies in British Columbia do not include a provision to allow or prevent a refund of cash CACs, nor do they detail a process to change secured public benefits. In the City of Toronto, any change to previously secured public benefits must be authorized by Council with all parties signing an amending agreement. The proposed refund policy is similar to the City of Toronto's in that any change in a cash or in-kind CAC outcome that has not been delivered must be done through a rezoning, while also preventing any refunds of cash payments made.

5. *Non-City Ownership of In-kind CACs: Non-profit, indigenous, and government ownership of in-kind CACs will be considered subject to conditions specified in section 4 in CAC Policy for Rezonings.*

   The current CAC policy states that CACs can be cash and/or in-kind. When a CAC is to be provided in-kind, the current policy does not provide direction as to the stated ownership of the in-kind amenity; the requirement for constructing, finishing, furnishing, and equipping of the space; and, the many requirements needed to secure the amenity in the case of non-city ownership. The City's past practice has been to require that ownership of all in-kind CACs be conveyed to the City through air space parcels if the amenity is part of a larger building. To enable some flexibility in development and delivery of public benefits, the updated policy will allow for consideration by the City of having certain in-kind CACs not owned by the City provided that a series of conditions are met.

   Having ownership of in-kind CACs is still the City's priority and preference. However, under limited circumstances, the City may consider ownership by senior levels of government, indigenous, or non-profit organizations that have demonstrated organizational, operational, and financial capacity to operate a facility with the programs and services to the satisfaction of the City. In-kind CACs that are permitted by the City to be owned other than by the City must meet a number of conditions as detailed in section 4.1(b) of the Policy.

Beyond the five key CAC policy updates explained above, this update also accommodates the Council-directed changes to the CAC Policy from the Rental Incentives Review on November 26, 2019. Specifically, the CAC exemptions have increased from 4 storeys to 5 storeys for secured market rental rezonings under RS and RT zoning. Third party economic testing found there is no land lift in these zones for projects under 5-storeys. This change is reflected in Policy 8.2(e) in Appendix B.

Recommendation B: THAT Council adopt a CAC Target of $3.00 per sq.ft. applicable to 100% institutional rezoning applications of hospitals, care facilities and post-secondary schools, with the CAC Target taking effect upon Council approval.

Similar to other forms of development, rezoning applications that feature intensification of institutional uses create additional growth-related costs to provide supporting public benefits. Negotiating CACs on institutional rezoning applications can be difficult as these developments don't include standard revenue-generating uses (like residential, market retail and office uses) that can be measured in a development proforma. To reflect the growth-related costs while recognizing the difficulty in determining negotiated CAC values for institutional uses, it's been the City's practice to secure a nominal CAC contribution on these types of rezoning applications. For the past 15 years, the City has used a nominal rate of $3.00 per sq.ft. for institutional rezonings, and this recommendation is to formalize this practice into CAC policy.

The recommended policy is to apply the nominal CAC Target of $3.00 per sq.ft. to rezonings that are 100% institutional uses which include hospitals, care facilities, and post-secondary schools. A nominal CAC is appropriate for these institutional uses as they are typically provincially-funded while also providing key services to Vancouver residents. The institutional CAC Target will be subject to annual inflationary adjustments in the future. Any rezonings that feature a mix of institutional and other uses will require a negotiated approach.

Since the recommended CAC Target formalizes a long-standing practice of applying $3.00 per sq.ft on institutional rezonings, there is no need for in-stream rate protection allowing which would allow active institutional rezoning applications to be exempt from the CAC target.

Recommendation C: THAT Council instruct staff to notify landowners and in-stream rezoning applications of the City's intent to increase CAC Targets in the Little Mountain Adjacent and Southeast False Creek M-2 zoned areas to $47.00 and $67.00 per sq.ft. respectively, and report back on an implementation plan in July 2020.

The City has 13 distinct CAC Targets located across the City which utilize a pre-set contribution ($/sq.ft.) to determine the CAC contribution. These CAC Targets were established through the development of community plans (Southeast False Creek, Cambie Corridor, Little Mountain, Marpole, Norquay, Grandview-Woodland) as well as for commercial-only rezonings in the downtown and surrounding area. CAC Targets add certainty and predictability to the CAC process for all parties involved.

CAC Targets are adjusted annually using an inflationary rate based on changes in property values and construction costs. The inflationary adjustments ensure the City is able to continue to deliver necessary growth-related public benefits by maintaining purchasing power. However the Targets need to be recalibrated on a regular basis (every 3-4 years, or as warranted) by testing development viability for appropriate growth cost recovery.

As part of this CAC policy update, existing CAC Targets that had not been updated in recent years were revisited. The City engaged Ernst & Young/Coriolis Consulting to test the Commercial Linkage Targets and Coriolis Consulting was engaged again to test the development viability of all existing CAC Targets that had not been recalibrated in recent years (note: the Cambie Corridor and Marpole CAC Targets were recalibrated in July 2018 and so were not included in the testing). The testing results concluded that the existing Norquay, Grandview-Woodland, and the Commercial Linkage Targets are appropriate and therefore the recommendation is to maintain these existing CAC Targets. For Southeast False Creek and

Little Mountain Adjacent areas, it was found that there was an ability to increase CAC Targets without impacting development viability as these have not been recalibrated since first established in 2006 and 2013 respectively.

The intended CAC Target adjustments are summarized in the table below. The Coriolis' report on the CAC Targets can be found in Appendix C. A separate report testing the Commercial Linkage Targets was conducted by EY/Coriolis Consulting and the executive summary is included in Appendix D.

Table 1: Summary of CAC Target Updates

Category	**Existing CAC Target** ($/sq.ft. of additional density)	**Intended CAC Target** ($/sq.ft. of additional density)	**Change**
Little Mountain Adjacent	$29.88	$47.00	Increase rate
Southeast False Creek	$16.78	$67.00	Increase rate
Norquay (Kingsway C-2)	$12.99	$12.99	---
Grandview-Woodland: Nanaimo St/East 12th Ave shopping nodes	$70.35	$70.35	---
Grandview-Woodland: Mid-rise Multi-family sub-areas	$23.45	$23.45	---
Downtown Commercial Linkage Target (CAC Target applicable to 100% commercial projects)	$15.78	$15.78	---
Rest of Metro Core Commercial Linkage Target (CAC Target applicable to 100% commercial projects)	$10.52	$10.52	---

Maps of these CAC Target areas can be found in Appendix B.

Norquay / Grandview-Woodland: The Norquay and Grandview-Woodland CAC Targets were established in 2013 and 2016 respectively. These CAC Targets have been adjusted for inflation but have not been recalibrated since established. After Coriolis' testing of sites in these areas, it was found that the current CAC Targets are appropriate and therefore the recommendation is to keep them as is. Further information on these CAC Target updates can be found in Appendix C.

Commercial Linkage Fees: The Commercial Linkage Fee was established in 2017 as an interim CAC Target for 100% leasehold commercial rezonings. Any rezoning proposing stratified commercial space and/or deemed large site developments as per the Rezoning Policy for Sustainable Large Developments (2014) uses a negotiated CAC approach. The CAC Target was set at $15 and $10 per sq.ft. for the Downtown and Rest of Metro Core areas respectively, and have since been adjusted for inflation. The linkage program provides a direct correlation between commercial rezonings and the increased need for childcare and affordable housing, while also created a more transparent and predictable CAC process.

The 2017 Council report directed staff to report back on a review the Commercial Linkage program. In 2018 the City engaged EY Consulting to review the Interim Commercial Linkage Target Policy. EY worked with Coriolis to prepare financial viability models and the recommendation is to maintain current Commercial Linkage Targets. The executive summary of the EY report can be found in Appendix D.

Little Mountain Adjacent: The Little Mountain Adjacent CAC Target was originally established in 2013, providing direction for low to mid-rise apartment buildings up to 2.3 FSR. The CAC Target has not been comprehensively updated since established, outside of inflationary adjustments. The Little Mountain Adjacent area is a small residential area adjacent to a larger major project site. The area has seen significant development over the years and there remains a limited number of sites eligible for the CAC Target. The development testing indicates that the CAC Target can be increased from $29.88 per sq.ft. to $47.00 per sq.ft.

Southeast False Creek: The CAC Target in Southeast False Creek (SEFC) is applicable to private M-2 zoned sites up to an FSR limit of 3.5, with any density above that FSR limit subject to a negotiated CAC approach. The CAC Target for the Southeast False Creek area was one of the first Targets established in the City in 2006 and has not been comprehensively updated since then, outside of inflationary adjustments. Over the years, SEFC has seen a rapid pace of development and there remains only a handful of M-2 sites that are undeveloped. The testing revealed that the CAC Target can be increased from its current level of $16.78 per sq.ft. to $67.00 per sq.ft. Staff will report back on the SEFC Official Development Plan and Layered DCL District update as part of the City-wide DCL update and 10-year Capital Strategic Outlook in 2021.

The intended SEFC and Little Mountain Adjacent CAC Target increases are reflective of today's land values and the fact that these targets have not been updated for quite some time. In order to ensure appropriate advance notice, it is recommended that staff begin notifying landowners and in-stream projects of the city's intent to increase these area CAC Targets and report back on an implementation date in mid-2020. Once the implementation date has been set, in-stream rezoning applications submitted before that date would be exempt from the CAC Target increase provided that a rezoning application has been submitted to the City and a rezoning application fee has been paid. By providing sufficient notice of the CAC Target increases, the stakeholders who are interested in pursuing redevelopment in the near future will be given the opportunity to prepare and submit a rezoning application before the CAC Target increase comes into effect. This timeline will also allow the market to adjust to the increased CAC Targets.

With this update of the CAC Target found in Table 1, all of the City's CAC Targets will have been recently recalibrated. Moving forward, the City will recalibrate all its CAC Targets at a minimum of every 4 years or sooner if local market conditions fundamentally change. Recalibrating CAC Targets on a regular basis ensures the City is able to deliver growth-related infrastructure while also increasing transparency for the market to adjust to any changes.

Recommendation D: THAT Council direct staff to monitor and report back to Council on the need to index cash CACs between Council approval in-principle of a rezoning application and rezoning enactment by Council and/or impose a required time limit to enact a new zoning, whereby if the time limit lapses, the approval in-principle of the rezoning application may expire.

Current rezoning policy does not set a time requirement between the public hearing approval of a rezoning application and the enactment of that zoning bylaw. This means in theory that an applicant could wait for an indefinite amount of time after public hearing approval in-principle to seek Council's enactment of the rezoning by-law. This can have an impact of delaying the delivery of housing and job space, and the construction of these projects may not be reflective of updated building requirements, such as sustainability standards.

In regards to cash CACs, the amount is secured at public hearing but payments are required to be made as conditions of rezoning enactment. If an applicant waits an extended period of time to seek to enact the rezoning, the purchasing power of the City becomes eroded as the cash CAC amount can be “frozen in time” and may not reflect increases in construction and land costs to deliver the amenity. The delay in receiving cash CACs can also impact the City’s planning processes to deliver the public benefits, which further sets back the provision of growth-related public benefits. Similarly, having no timeline for in-kind CACs can delay needed public benefits, particularly those benefits that serve the entire community and not just the residents of that specific project.

There are two possible policy options that staff considered to address this issue, which could be used exclusively or in combination. The first is to index the cash CACs based on inflation. After the cash CAC amount has been approved by Council at public hearing, the amount would be adjusted annually using the City’s annual inflationary index, depending on when the rezoning is enacted. This inflationary index could be effective immediately following public hearing approval, or could start after a ‘grace period’ of a set amount to provide the applicant sufficient time to meet all rezoning conditions. Looking at other municipality’s practices, Toronto and Ottawa index cash contributions of Section 37 benefits based on the construction price index, as well as Victoria which escalates cash CACs based on the annual change in construction costs as determined by a quantity surveyor.

The other policy option is to implement a time limit to enact a rezoning. After receiving Council approval at public hearing, the applicant would have a set amount of time to enact the rezoning. This time limit should be a sufficient length to allow the applicant to meet all the rezoning conditions, which includes securing the cash CAC. If the applicant does not fulfil the conditions of enactment within the set time limit, the rezoning application would need to be resubmitted unless Council provided an extension. The time limit to fulfil all the conditions of enactment would potentially be a rezoning policy that would affect all rezoning applications, not just those that involve cash CAC payments. There are limited examples of other municipalities utilizing a time limit to enact. Burnaby has a time limit to conclude community benefit negotiations, with Council having the authority to extend the timeline.

To analyse the need to address this potential issue, staff looked back at rezoning enactments stemming from rezoning approvals. From the 301 approved rezonings analysed over the past 10 years, 93% have enacted within two years and 99% have enacted within 4 years. Only four projects have exceeded the four year timeline to enact, and these projects were typically multi-phase, complex developments.

The analysis shows that most applications are enacted by Council within a timely manner. The City will continue to monitor timelines of enactment to see if enactment delays become an issue. Staff will report back to Council on enactment trends and whether a future time limit to fulfil the rezoning conditions or an indexing approach is required.

Recommendation E: THAT Council direct staff to report back on a City-wide CAC allocation strategy following public engagement on the City-wide plan and the completion of the City's 10-year Capital Strategic Outlook.

The CAC Policy update sets out a defined list of eligibility criteria, however there is no prioritization framework for allocation of CACs amongst the public benefit categories. To develop a City-wide CAC allocation strategy, the public needs to be engaged to reflect their priorities. Additionally, the City's public benefits should be viewed through a comprehensive framework to address amenity and infrastructure needs across Vancouver.

The City-wide plan will feature comprehensive engagement with Vancouver residents and businesses and will focus on an amenity and infrastructure framework through the public investment strategy. The City's 10-year Capital Strategic Outlook will also provide direction on how the City will fund future capital investments. Therefore staff's recommendation is to utilize direction from the City-wide plan's public engagements and 10-year Capital Strategic Outlook to inform the city-wide CAC allocation strategy, and report back to Council after these two initiatives are completed.

Stakeholder Engagement

The CAC policy update was developed with input from the development industry and non-profit sector stakeholders who are both key partners in delivering the city's public benefits. The stakeholder engagement began in spring 2019.

Initial consultation was undertaken in March/ April 2019 with both the Urban Development Institute (UDI) and community, arts, and culture non-profit organizations. The City held two Community Serving Spaces workshops in May; one with non-profits which 11 organizations attended and one with places of worship which 22 organizations attended. Further consultation was done with UDI and the Social Purpose Real Estate Collaborative in May 2019.

After drafting CAC policy updates, staff completed another round of engagement with stakeholders in fall 2019. Staff met with UDI and NAIOP, the Commercial Real Estate Development Association, in October and November 2019 to discuss and receive comments on the proposed changes. Meetings were also held with non-profit organizations in October and November 2019 to gather feedback on the draft policy update.

Table 2: Key Dates in Stakeholder Engagement

Date	Event
April 2019	• Project website established • Notice posted on "CAC Through Rezoning Policy" Document
March – April 2019	Meetings with non-profit organizations: • Italian Cultural Centre • YMCA Langara • Eastside Culture Crawl • 221A (Arts/Cultural group)
April 2019	UDI Meeting #1
May 2019	Community Serving Spaces Workshops: • Non-profit organizations • Places of Worship

Date	Event
May 2019	UDI Meeting #2
May 2019	Meeting with Social Purpose Real Estate Collaborative
October 2019	UDI / NAIOP Meeting #3
Oct – Nov 2019	Meetings with non-profit organizations: • BC Non-Profit Housing Association • Community Land Trust • Vancouver Society of Children's Centres • HUB Cycling
November 2019	UDI / NAIOP Meeting #4
December 4, 2019	City Clerks notification to stakeholders of Council agenda & report
December 11, 2019	Council
Mid-2020	Report back on implementing CAC Target increases

Staff collected feedback on the CAC policy update from stakeholders through meetings, emails, phone calls, and letters throughout the engagement process. The development industry expressed concerns around two key issues:

1. Time Limit to Enact
    - Forces proponents to start a project when market is not ready and financing may not be available
    - Restarting the rezoning process takes years and won't speed up delivery of housing
    - City may lose CAC revenue in a down-market
2. Negotiated CAC Process
    - Lack of well-established timelines
    - Need for a credible dispute resolution procedure
    - Transparency and sharing of information and data

The non-profit sector was generally supportive of the CAC policy updates. In particular, the City's consideration for allowing non-City ownership of in-kind CACs in certain scenarios (subject to securing the amenities satisfactorily) was seen as a positive step. However, more information was requested on the legal agreements required to secure the amenity. Appendix E contains the letters and emails received.

Implications/Related Issues/Risk

Financial

Financial Impacts on New Development

Coriolis Consulting Corp. was contracted by the City to assist in determining whether CACs, one of the tools the City uses to deliver public benefits through new development, has had any impact on increasing housing prices and whether the presence of CACs have constrained the pace of development in the city.

In conducting the study, Coriolis analyzed local market data as well as data provided by the City to develop their conclusions. The main findings of the report are:

- There is no evidence that CACs are causing housing prices to rise and impacting affordability. The market sets the price – empirical evidence shows that there is no price difference between new housing units which did/did not pay CACs – proving that CACs are not 'passed on' to homebuyers.
- CACs have had no direct impact on new housing supply as demonstrated by the large number of new units delivered through rezonings. In the last 5 years, 78% of all new units involved rezoning.
- CACs have had no impact on constraining the pace of new housing development. Vancouver's pace of development is consistently highest region-wide, absorbing about one third of all new housing units in the region. The City is adding development capacity through rezoning at a faster pace than new unit construction. Additionally, the City now processes 50% of rezonings using the CAC Target approach, up from 10% five years ago, and further streamlining the rezoning process.
- CAC system is working well – the tool has been used to obtain a wide variety of public benefits while increasing housing supply. CACs contribute significantly to the provision of growth-related benefits and affordable housing, which would otherwise need to be funded through property taxes or other city funding sources.

The purpose of this third party review was to see if the City of Vancouver's CAC policy has put upward pressure on housing prices. Coriolis Consulting found no evidence that this has been the case; to the contrary, CACs have been associated with a very large increase in the City's capacity to absorb new apartment development and in some cases have been used to achieve the creation of affordable housing units that would not otherwise have been built.

The full report entitled "CAC Policy and Housing Affordability: Review for the City of Vancouver, April 2019" can be found on the city website: https://vancouver.ca/files/cov/CAC-coriolis-consulting-final-report-april-2019.pdf.

CONCLUSION

The proposed changes to the existing CAC Policy as outlined in this report, are part of a broader initiative to update and simplify the City's development contribution system which include DCLs, CACs, density bonusing and other mechanisms, and align with the City's focus on simplifying and streamlining the CAC process for rezoning applicants.

The policy updates provided in this report further the City's actions in complying with the Provincial CAC Guidelines by continuing with the implementation of CAC Targets aimed at adding certainty and predictability, as well as strengthening the eligibility and spending requirements of CACs.

The CAC policy update was developed with external input from the development industry and non-profit sector stakeholders who are both key partners in delivering and operating the city's public benefits.

* * * * *

COMMUNITY AMENITY CONTRIBUTIONS - THROUGH REZONINGS

Adopted by City Council on January 20, 1999
Amended June 24, 2003, February 12, 2004, June 15, 2006, May 9, 2011, May 29, 2013, June 17, 2013, September 24, 2013, April 29, 2014, September 23, 2014, May 31, 2016, July 26, 2016, July 28, 2016, November 28, 2017, April 16, 2018, July 11, 2018, July 25, 2018, and December 18, 2018, July 10, 2019

UPDATES:

Annual CAC target rate adjustment took effect September 30, 2019
On July 10, 2019, Council approved rate adjustments to CAC targets that took effect September 30, 2019. To view the rates, refer to "Table 2: CAC Targets within Area Specific CAC Policies" on page 8 of this document. In-stream rate protection will apply.

Upcoming CAC Policy Update
Following up on the CAC Policy update in 2017 to simplify CACs on new rental housing and commercial development, the City is exploring ways to improve transparency and clarity in its CAC Policy around its expectations on the use, allocation, payment, ownership, and certainty of CACs. Staff are anticipated to report back to Council in fall 2019.

Contents

The following information has been extracted from the following sources: *Financing Growth Paying for City Facilities to Serve a Growing Population: The Role of City-wide Charges on New Development* (approved by Council in 2004) and policy for a variety of area specific CAC policies.

For more information visit vancouver.ca/financegrowth or contact the Financing Growth Planner at financegrowth@vancouver.ca.

1 Application and Intent

Community Amenity Contribution (CAC) policies apply to private rezoning applications. Community amenities may be provided through rezonings to help address growth costs, area deficiencies, and/or other community needs and impacts. CACs may be a cash contribution, or an amenity provided in-kind by the development. CACs are generally for capital facilities.

1.1 Rezoning Context

Rezoning applications are evaluated in the context of a wide range of public objectives, including land use, urban design, livability, public benefits, and engineering infrastructure and traffic impacts.

If you are unsure of how the CAC policies will apply to your rezoning, please discuss with the staff handling your rezoning inquiry.

1.2 Relationship to Development Cost Levies (DCLs)

CACs are in addition to Development Cost Levies (DCLs), in areas where DCLs apply. DCLs are specifically for growth costs for the following types of capital projects: parks, daycare, replacement housing (social/non-profit), transportation and utilities, as provided for in each DCL area. If CACs provide for a type of capital project that can also be funded by DCLs, this should be on prior approval of City Council and cannot be in lieu of payment of DCLs. (CACs may also provide for facilities that are not eligible for DCLs and/or they may help bridge the gap between what the DCL pays for and full cost recovery.) For more information on DCLs, see Information Bulletin: Development Cost Levies.
http://vancouver.ca/home-property-development/development-cost-levies.aspx.

1.3 Timing of Payment

CACs are identified as prior-to conditions of rezoning enactment. Cash CACs are payable prior to rezoning enactment.

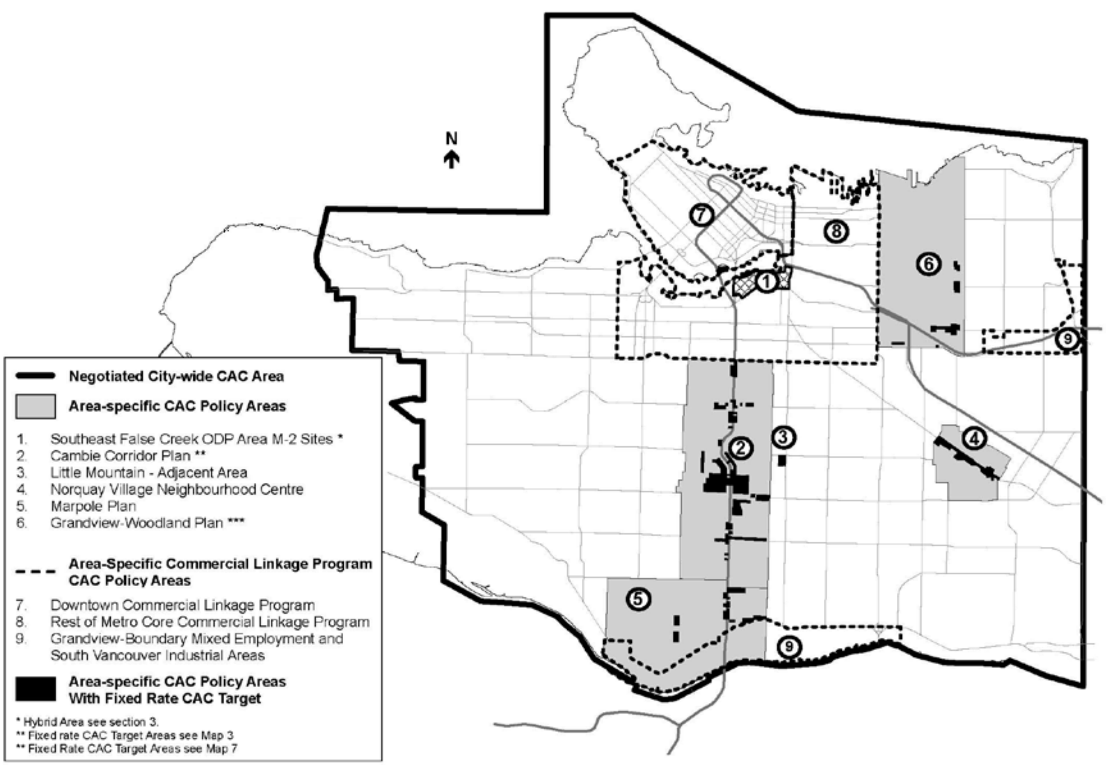
1.4 CAC Policy Areas

There are two types of CAC policy areas in Vancouver:

1. ***City-Wide CAC Area (Negotiated)***: Applies to most of the city, as shown in white on Map 1. For all rezonings in the City-wide CAC area, the CAC is determined through a negotiated approach.

2. ***Area-Specific Policies*** *(CAC Target and/or Negotiated)*: Applies to areas with area-specific CAC and/or public benefit policies. These areas are numbered 1 through 9 on Map 1. For all rezonings in the Area-Specific CAC Policies, the CAC is determined through a CAC target and/or negotiated approach. The policies are described in Section 4.

Map 1 - **CAC Policy Areas**



Note: Refer to VanMap for more detailed information on where Fixed Rate CAC Targets apply.

2 Exemptions from CACs

A. ***Rezonings where there is no increase in total floor space and there is no residential.***

Note: This is one type of change of use rezoning (i.e., no increase in total floor space). Other types, as described above, do have CACs: commercial to residential rezonings, or for industrial to residential.

B. ***Neighbourhood Housing Demonstration Projects*** as defined in City policy. (See *Land Use and Development Policies and Guidelines: CityPlan Rezoning Policy - Before and During Neighbourhood Visioning*, http://former.vancouver.ca/commsvcs/guidelines/C022.pdf - policy #6.)

C. ***Social housing*** (subject to meeting DCL By-law definitions).

D. ***Heritage***: Floor areas or bonus areas related to heritage preservation. This includes new floor space within a heritage building envelope (e.g., basement areas, mezzanines, etc.), and all heritage bonus space used on-site, transferred, or banked.

E. ***Public schools*** (K-12).

F. ***Community facility*** rezoning to the degree that the facility is: providing City-related social and/or cultural services; operated by a non-profit society; open and accessible to all; accepted by City Council as a Community Amenity; and secured through a legal agreement and/or City land ownership.

G. ***Places of worship*** that are tax exempt (other uses on the property, e.g., residential, are not CAC exempt).

H. Rezonings to District Schedules with Amenity Share Contributions as identified in Schedule F of the Zoning and Development By-Law. In these cases, the amenity share contribution is to be collected prior to building permit issuance.*

Currently, this exemption only applies to RM-8A and RM-8AN rezonings in Cambie Corridor.

I. ***Routine, lower density secured market rental rezoning applications***: Secured market rental rezonings that meet the criteria below are not subject to a CAC. Eligible rezonings must comply with City of Vancouver's Secured Market Housing Policy (May 2012) and Rental Incentive Guidelines (2017) as well as any other Council approved policies and guidelines that may apply.

Table 1: Exemptions for Routine, Lower Density Secured Market Rental Rezoning Applications

Areas	**Zoning District** (Base Zoning)	**Rezoning to Specific Height**	**Requirement for CAC**
Mixed-Use Commercial/ Residential Areas	C-1	<= 4 storeys	X
	C-2 zones	<= 6 storeys	X
	C-3A	Refer to local height maximums in C-3A guidelines	X
	MC-1	<= 6 storeys	X
Residential Areas	RS zones (applicable to Affordable Housing Choices Interim Rezoning Policy applications)	<= 4 storeys	X
	RT zones	<= 4 storeys	X
	RS/RT zones (in community plan areas) (applicable to Community plans: Cambie Corridor, Marpole, Grandview-Woodland, Joyce Station Precinct)	<= 6 storeys	X
	RM zones (applicable to infill projects where existing rental units are not demolished)	<= 6 storeys	X

Notes:
(1) This table provides guidelines around the requirement for CAC review. For direction on land use, refer to *Secured Market Housing Policy (May 2012) and Rental Incentive Guidelines (2017) and other Council approved policies and guidelines.*
(2) Excludes the Oakridge Municipal Town Centre area in the Cambie Corridor

3 Process for Determining Specific Amenities

The specific amenity to be provided, which must be approved by City Council, is determined by staff based the following guidelines. The CAC should be:

1. located in the community in which the rezoning takes place and/or serve the site;
2. growth-related, or meet past deficiencies or other community priorities;
3. operationally viable - i.e. long-term operating and maintenance costs are supportable;
4. within City servicing standards - i.e. a type of service normally provided or supported by the City and at a service level supported by City policy;
5. identified through an assessment of:

   (a) the full range of City services and of the adequacy of existing City amenities in the area;
   (b) opportunities to meet needs;
   (c) City plans and policies;
   (d) the cost to provide the amenities;
   (e) community input obtained during the rezoning and through community plans or Visions, and/or city-wide plans and policies; and,
   (f) for negotiated rezonings, the development economics of the donor project.

If there is unallocated CAC cash, it is set aside in the CAC reserve account to be spent at a later date. This spending is also subject to the guidelines above, including Council approval.

More Information: The policies on City-wide CACs reflect Council decisions following consideration of options in *Financing Growth - Paying for City Facilities to Serve a Growing Population: The Role of City-wide Charges on New Development.*
https://vancouver.ca/files/cov/fgchoices-financing-growth-dcl-cac-report.pdf

4 Area-Specific CAC Policies

Area-specific CAC policies with a CAC Target (black areas shown on Map 1) as well as Commercial Linkage Targets are shown in Table 2. New inflation adjusted CAC targets were approved by Council on July 10, 2019 and will take effect on September 30, 2019. In order to ensure fairness to rezoning applications that have been submitted prior to the adoption of new inflation adjusted CAC targets, in-stream rezoning applications are exempt from CAC target increases provided that a rezoning application has been submitted to the City and a rezoning application fee has been paid.

Table 2: CAC Targets within Area Specific CAC Policies

Refer to Map 1 and Area Specific CAC policies in Table 3

CAC Target Area	**CAC Targets** **(effective Sept. 30, 2019)** ($/sf, applied on net additional density)
Southeast False Creek	$180.66/m^2 ($16.78/sf)
Cambie Corridor: Townhouse	See RM-8A and RM-8AN District Schedules for Density Bonus Contributions
Cambie Corridor: 4-storey residential	$775.00/m^2 ($72.00/sf)
Cambie Corridor: 4-storey mixed-use	$215.28/m^2 ($20.00/sf)
Cambie Corridor: 6-storey residential	$1,108.68/m^2 ($103.00/sf)
Cambie Corridor: 6-10 storey mixed-use	$1,205.56/m^2 ($112.00/sf)
Little Mountain Adjacent	$321.61/m^2 ($29.88/sf)
Norquay (Kingsway C-2)	$139.83/m^2 ($12.99/sf)
Marpole	$871.88/m^2 ($81.00/sf)
Grandview-Woodland: Nanaimo St/East 12th Ave shopping nodes	$757.19/m^2 ($70.35/sf)
Grandview-Woodland: Mid-rise Multi-family sub-areas	$252.40/m^2 ($23.45/sf)
Downtown Commercial Linkage Target (target rate applicable to 100% commercial projects)	$169.85/m^2 ($15.78/sf)
Rest of Metro Core Commercial Linkage Target (target rate applicable to 100% commercial projects)	$113.24/m^2 ($10.52/sf)

Notes: CAC targets are applied on the net additional density permitted through rezoning. Rezoning applications proposing stratified commercial space and and rezonings deemed large site developments as per the Rezoning Policy for Sustainable Large Developments (2014) will be processed under the negotiated CAC approach.

Area-specific CAC policies (grey areas on Map 1) as well as Commercial Linkage Areas (dotted line in Map 1) are shown in Table 3. These areas have their own area-specific CAC policies.

If there are future rezoning applications that depart from what was anticipated by these area-specific plans and policies, an appropriate CAC will be determined as part of the rezoning process.

Table 3: Area-Specific CAC Policies

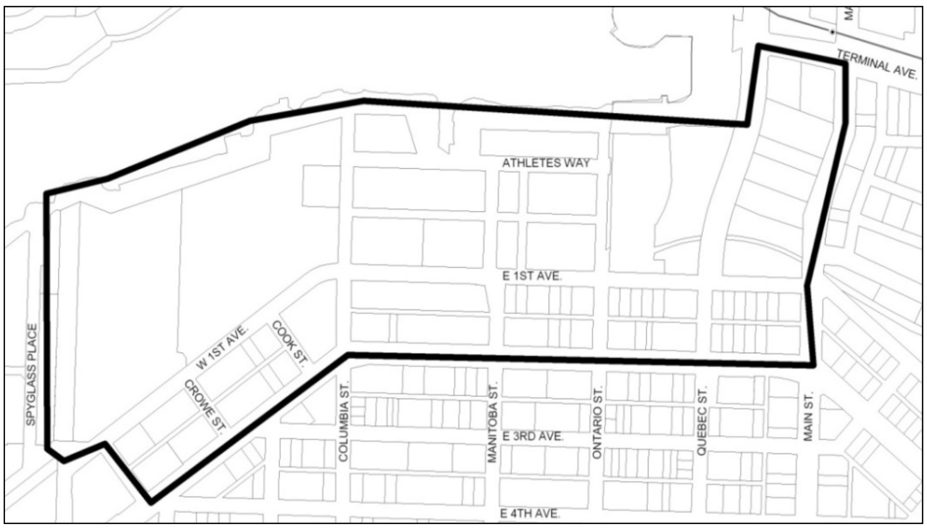
Area # (on map)	**Area**	**Area Policy**
1	Southeast False Creek	Area-specific CAC target applies. CAC policy for cash or in-kind CAC. CAC target for private M-2 sites. CAC to be used for affordable housing. See *South East False Creek Public Benefit Strategy*. (Adopted June 15, 2006). See Table 1 for CAC target. http://council.vancouver.ca/20060615/documents/pe7.pdf
2	Cambie Corridor	Four CAC Targets apply: 4-storey residential; 4-storey mixed-use; 6-storey residential; and 6-10 storey mixed-use. See Table 2 for CAC target. See Chapter 4 of *Cambie Corridor Plan.* https://vancouver.ca/images/web/cambie-corridor/cambie-corridor-plan.pdf (adopted May 1, 2018)
3	Little Mountain Adjacent Area	Area specific CAC target applies. CAC policy for cash or in-kind CAC equivalent for low to mid-rise apartments. See Table 1 for CAC target. For details see http://council.vancouver.ca/20130213/documents/ptec2.pdf (adopted February 13, 2013)
4	Norquay Village Neighbourhood Centre	Area specific CAC target applies. A CAC target for sites within the Kingsway Rezoning Policy Area. CACs for all sites within the Neighbourhood Centre boundaries which are 1.0 acre or more are to be negotiated at the time of rezoning. See Table 1 for CAC target. See *Norquay Village Neighbourhood Centre Plan Implementation - Public Benefits Strategy and Apartment Transition Area Rezoning Policy,* http://council.vancouver.ca/20130516/documents/cfsc1.pdf (approved by Council on May 16, 2013)

5	Marpole	Area specific CAC target applies. CAC target for 6-storey residential-only rezoning proposals in the Marpole Community Plan area. All other Marpole rezoning proposals will be negotiated on a case-by-case basis as part of rezoning applications. See Table 1 for CAC target. See Chapter 18 of the *Marpole Community Plan*. http://council.vancouver.ca/20140402/documents/ptec6-optimized.pdf (adopted April 2, 2014)
6	Grandview-Woodland	Two CAC Targets apply: Nanaimo Street/East 12th Avenue shopping nodes; Mid-rise Multi-family sub-areas. See Table 1 for CAC Target rates. See Chapter 17 of *Grandview-Woodland Community Plan*. http://vancouver.ca/files/cov/grandview-woodland-community-plan.pdf (adopted July 28, 2016)
7	Downtown Commercial Linkage Program	A set $/sf target rate applied to 100% commercial rezonings in Downtown Vancouver. Linkage program provides a direct correlation between rezoning for additional commercial space and increased need for childcare and affordable housing. Rezoning applications proposing stratified commercial space and rezonings deemed large site developments as per the Rezoning Policy for Sustainable Large Developments (2014) will be processed under the negotiated CAC approach.
8	Rest of Metro Core Commercial Linkage Program	A set $/sf target rate applied to 100% commercial rezonings in the Rest of Metro Core area. Linkage program provides a direct correlation between rezoning for additional commercial space and increased need for childcare and affordable housing. Rezoning applications proposing stratified commercial space and rezonings deemed large site developments as per the Rezoning Policy for Sustainable Large Developments (2014) will be processed under the negotiated CAC approach.
9	Grandview-Boundary Mixed Employment and South Vancouver Industrial Areas	All commercial-only rezonings that are not deemed large developments are not required to make CAC payments. Large developments will be processed under a negotiated CAC. The City will seek to achieve childcare facilities from large development rezonings, particularly where sufficient demand is created from new employees to warrant a childcare centre. Rezoning applications proposing stratified commercial space will be processed using a negotiated CAC. Rezoning applications proposing stratified commercial space and rezonings deemed large site developments as per the Rezoning Policy for Sustainable Large Developments (2014) will be processed under the negotiated CAC approach.

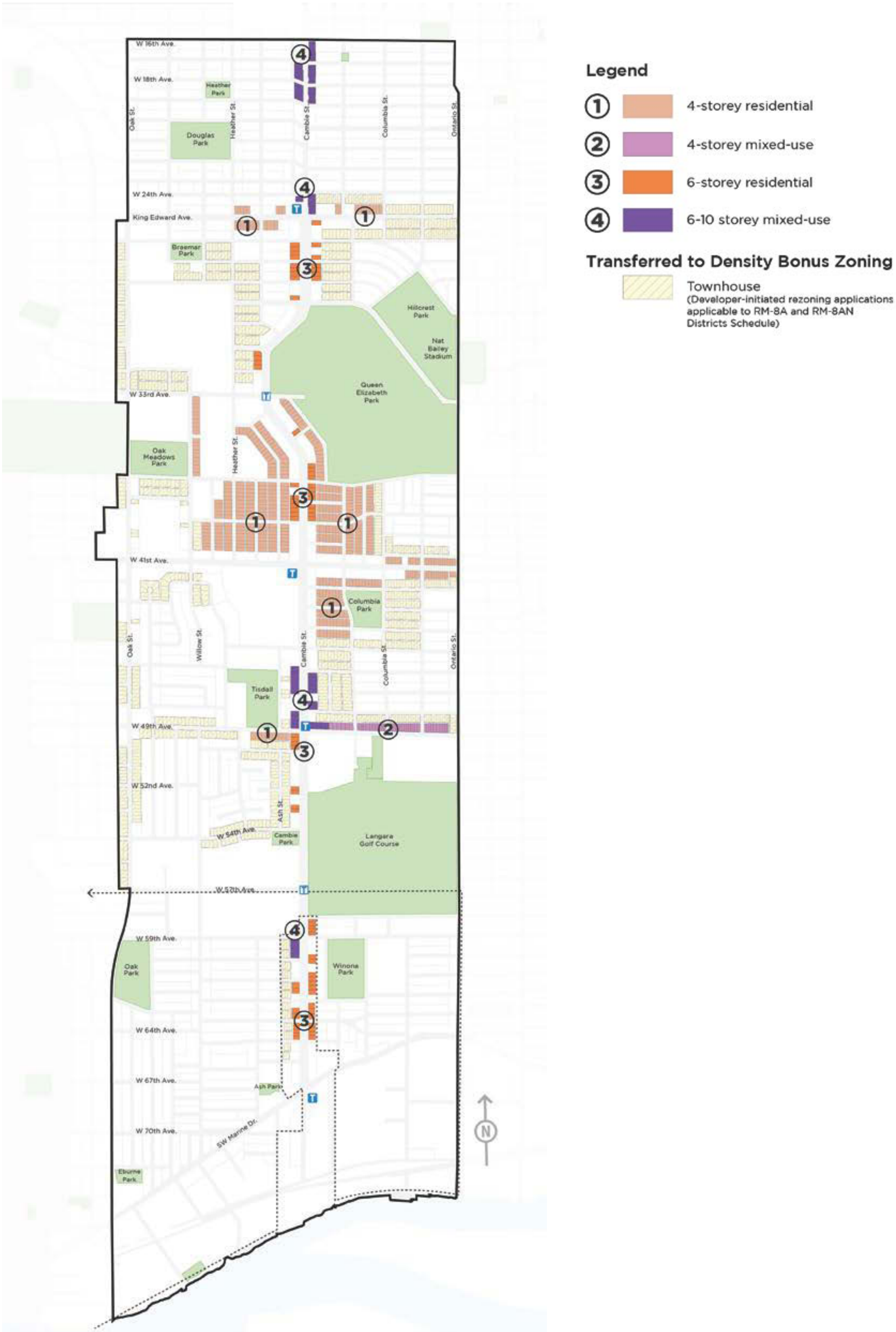
Detailed boundaries (see Area maps below):

Area 1: Southeast False Creek
Area 2: Cambie Corridor
Area 3: Little Mountain Adjacent Area
Area 4: Norquay Village Neighbourhood Centre.
Area 5: Marpole
Area 6: Grandview Woodland
Area 7/8/9: Downtown, Rest of Metro Core, Outside Metro Core Commercial Rezonings

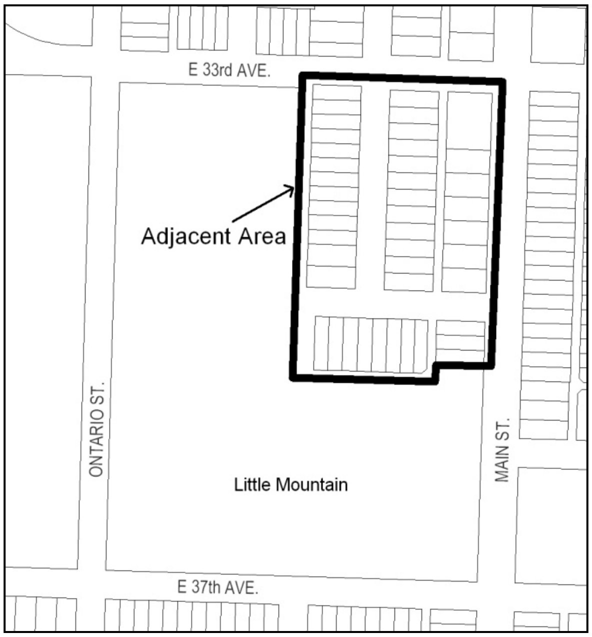
1. South East False Creek



2. Cambie Corridor



3. Little Mountain Adjacent Area

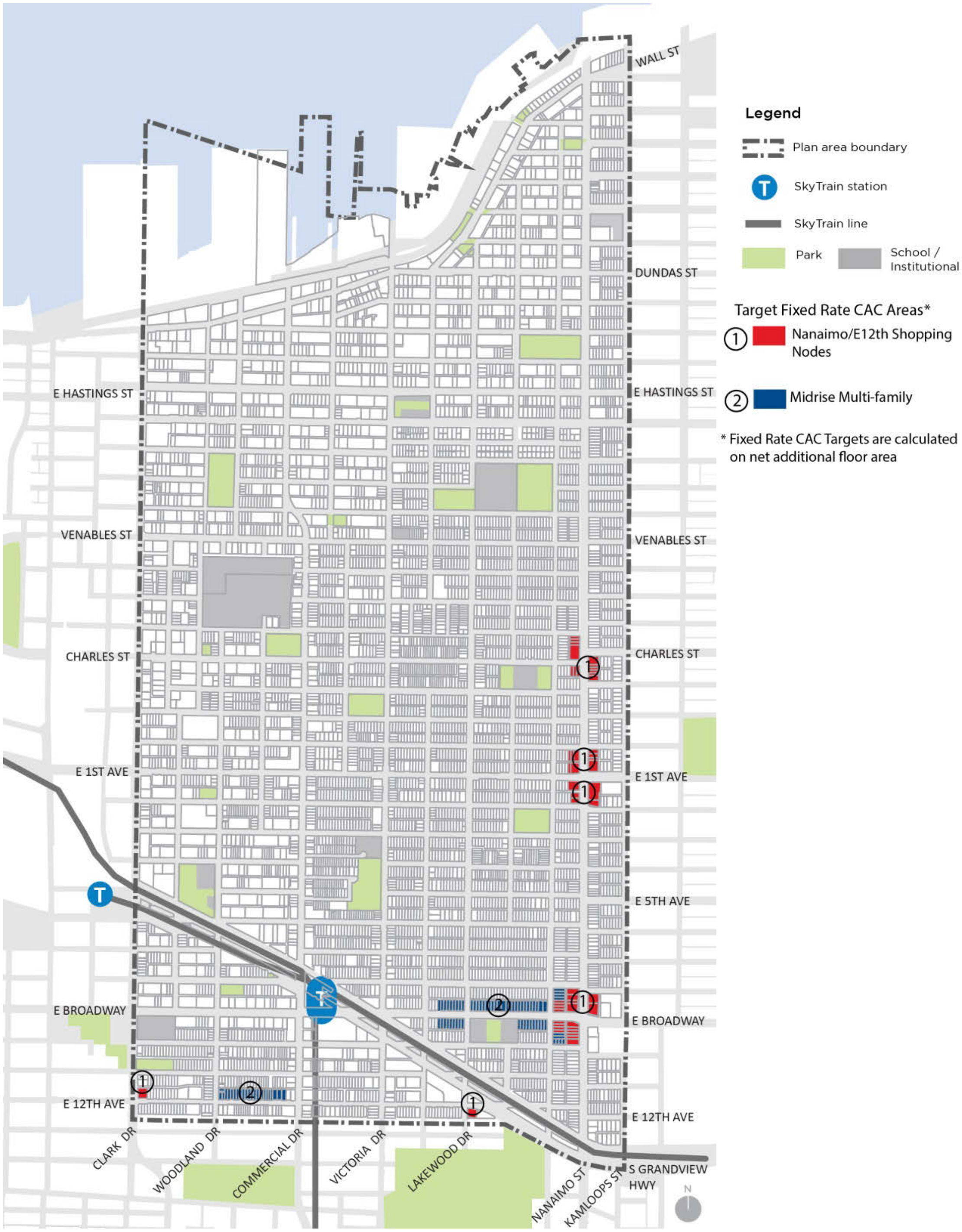


4. **Norquay Village Neighbourhood Centre**

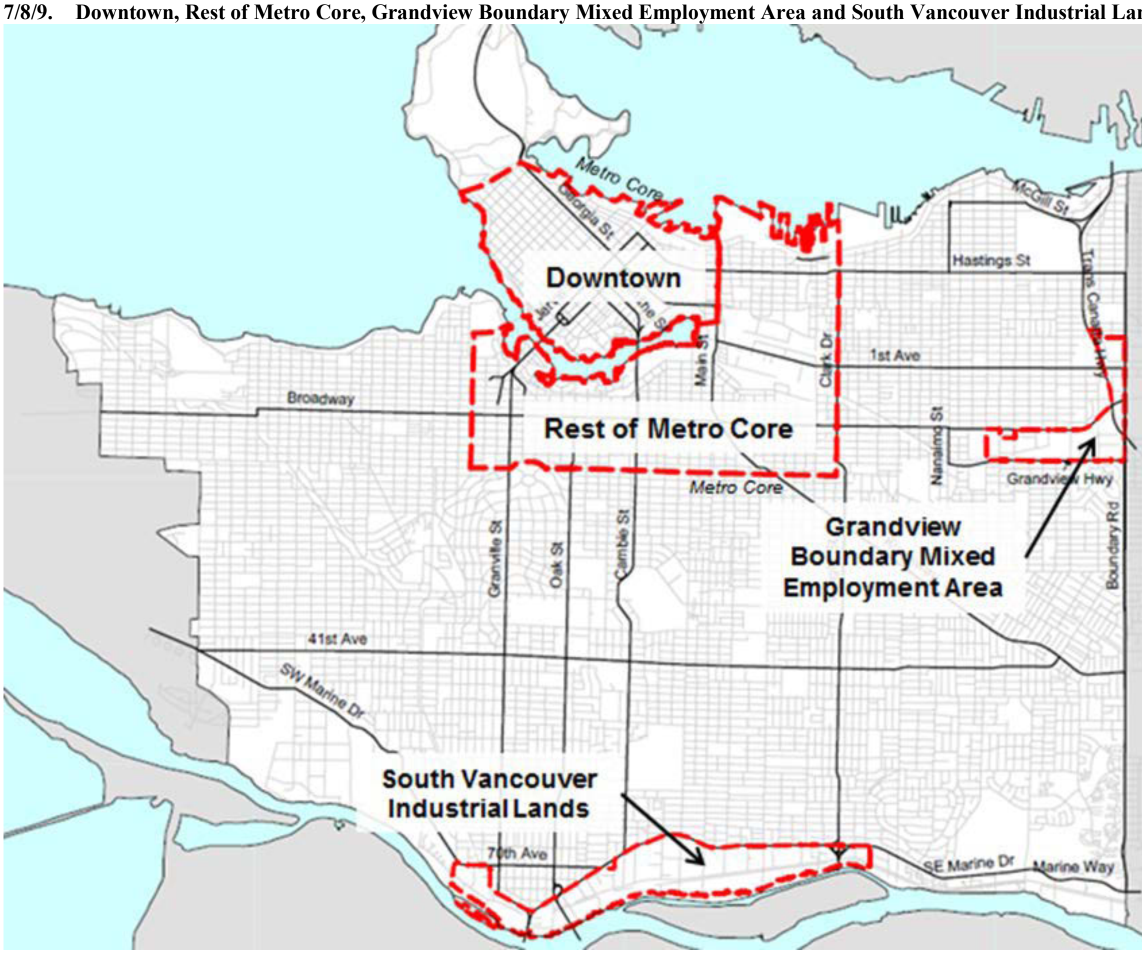
5. **Marpole**

6. **Grandview-Woodland**

CITY OF VANCOUVER



7/8/9. Downtown, Rest of Metro Core, Grandview Boundary Mixed Employment Area and South Vancouver Industrial Lands*



Note: Rezoning applications proposing stratified commercial space and rezonings deemed large site developments as per the Rezoning Policy for Sustainable Large Developments (2014) will be processed under the negotiated CAC approach.

APPENDIX B

Policy

Community Amenity Contributions Policy for Rezonings

Approved by Council January 28, 1999

Last amended ___________

Table of Contents

Background and Context

Vancouver is supported by an extensive network of public benefits (i.e. amenities and infrastructure). These public benefits play a large role in making Vancouver one of the most livable cities in the world and help attract new residents, employees, and visitors to the city.

The City strives to maintain its existing assets in an appropriate state of repair, and expanding its network of public benefits to address population and employment growth. The City uses the following sources to achieve this:

- **City contributions** – Property tax, user fees (e.g. water and sewer utility fees) and parking revenue, and other operating revenue funds. City contributions primarily fund the maintenance and renewal of existing infrastructure and amenities.
- **Development contributions** – Community Amenity Contributions ('CACs'), Development Cost Levies ('DCLs'), Density Bonus Zoning contributions, connection fees, and other conditions of development. Development contributions primarily fund the provision of new, expanded, or upgraded infrastructure and amenities.
- **Partnership contributions** – External funding from senior governments (i.e. federal, provincial, and regional) or senior government agencies (e.g. Translink), non-profit agencies, foundations, and philanthropists. Partnership contributions help to fund existing or new infrastructure and amenities.

Long-range plans developed by the City (e.g. community plans) "plan ahead" when considering the use of these funding sources. These plans contain detailed expectations on the types of public benefits that will be delivered through the various funding sources used by the City, often summarized in a Public Benefit Strategy. These Public Benefit Strategies are developed through public input and needs assessments, and outline the development contributions anticipated to deliver the growth-related public benefits. The implementation and delivery of these public benefits is done through the City's capital plan and annual budget processes, or through in-kind contributions provided on-site as part of a development.

Intent

The Community Amenity Contributions Policy for Rezonings ('the Policy') sets out the City's policies around how Community Amenity Contributions ('CACs') are determined, allocated and spent.

Community Amenity Contributions ('CACs') are voluntary contributions toward public benefits that are provided by rezoning applicants as in-kind or cash contributions when Council grants additional development rights through the enactment of rezonings. All CACs are negotiated between the applicant and the City (on behalf of Council) with Council as the approving authority and secured as conditions of by-law enactment. CACs come in two forms:

- **In-kind CACs** – A form of CAC where land and/or capital facilities are provided by applicants, typically as an on-site public benefit;
- **Cash CACs** – A form of CAC where a cash payment is provided by applicants in-lieu of providing land and/or capital facilities as a public benefit. Cash CACs are deposited into dedicated reserves and invested through Council approval on public benefits through the City's capital planning and annual budget processes.

Principles

The following principles for a CAC system were established by the City's Financing Growth (2004) policy:

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

Policies

1 Application of the Policy

1.1 CACs will apply to rezoning applications unless it is exempt under policy 8.1 or policy 8.2.

1.2 CACs will be negotiated either:

(a) based on target contributions ('CAC Targets') provided that the rezoning application meets the locational criteria and eligibility criteria in the Appendix and is not exempt under policy 8.1 or policy 8.2.

(i) CACs determined through CAC Targets under policy 1.2(a) will be restricted in their allocation and use, as summarized in the Appendix, unless otherwise allowed through policy 2.1; or

(b) based on negotiations if the rezoning application does not meet the locational criteria and eligibility criteria in the Appendix and is not exempt under policy 8.1 or policy 8.2.

(c) CACs determined through negotiations under policy 1.2(b) will target a minimum of 75%[1] of the increase in land value based upon the rezoning application.

2 Eligible Allocation and Use of CACs

2.1 The specific amenity to be provided will be determined based on the following criteria:

(a) CACs should be growth-related (i.e. serving population and/or employment growth);

(b) CACs should be consistent with services provided by the City (i.e. a type of service normally provided or supported by the City and at a service level supported by City policy);

(c) CACs should be based on public benefits needed by the community as summarized in City/Community Plans or through a site-specific needs assessment where appropriate;

[1] Except for the addition of penthouse storeys being added in Southeast False Creek where 85% of the increase in land value is targeted as the CAC.

(d) CACs should be prioritized to be located in the neighbourhood in which the rezoning takes place and/or serve the site. CACs may also be directed to public benefits that are located outside of the neighbourhood provided that there will be a demonstrable benefit to the community in which the rezoning takes place; and

(e) CACs should have long-term operational viability (i.e. long-term operating and maintenance costs are supportable).

2.2 Cash or in-kind contributions toward the following categories of public benefits may be considered as CACs, subject to policy 2.1:

(a) Affordable housing;

(b) Childcare;

(c) Transportation and public realm;

(d) Community facilities (e.g. community/recreation centres; libraries; social facilities such as family/youth/seniors' centres, neighbourhood houses, indigenous-serving spaces, and social non-profit office spaces);

(e) Public safety (e.g. fire halls; police stations);

(f) Parks and open spaces;

(g) Arts and culture spaces (e.g. artist studios; rehearsal spaces; cultural and social hubs; cultural non-profit office spaces; presentation spaces such as theatres, galleries, and music spaces);

(h) Heritage conservation

2.3 Furnishing, fit-out, and equipment associated with in-kind contributions may be considered as CACs for initial occupancy of affordable housing, childcare, community facilities and arts and culture spaces.

2.4 Capital renewal[2] and/or capital renovation[3] costs for any public benefits from policy 2.2 may only be considered as CACs to the extent it can be demonstrated that it provides an incremental benefit beyond what is currently provided to the public and is related to population and/or employment growth.

2.5 Reserve funds to support City-owned social facilities, childcare, and cultural spaces may be considered as CACs provided that they be used for major capital maintenance[4] specifically of the following base building components:

(a) Structure (foundations, basement construction);

(b) Shell envelope (superstructure; exterior enclosures; roofing); and/or

(c) Electrical and mechanical systems (electrical; elevators; plumbing; HVAC; fire protection)

2.6 Capital projects funded through Development Cost Levies ('DCLs') may also be funded through CACs provided they assist in bridging the gap between what DCLs pay for and full cost recovery.

3 Ineligible Allocation and Use of CACs

3.1 Any contributions toward the following will not be considered as CACs:

---

[2] Capital renewal means the complete replacement or rehabilitation of an existing building/structure.
[3] Capital renovation means additions, expansions, or upgrades that provide improved functionality to an existing building/structure.
[4] Capital maintenance means the replacement of building/structure components that provide no improved functionality to an existing building/structure.

(a) Capital renewal and/or capital renovation that does not offer an incremental benefit beyond what is currently provided to the public;

(b) Capital maintenance unless otherwise allowed under policy 2.5;

(c) Operating, programming, and non-capital maintenance, including:

    (i) Operational and administration costs (e.g. utility costs; salaries; program development; office supplies);

    (ii) Non-capital maintenance and service fees (e.g. janitorial services; parking; landscaping; fire monitoring);

    (iii) Office equipment and furnishings unless otherwise allowed under policy 2.3;

(d) Disbursement of cash to a non-City entity unless it is directed to non-profit, indigenous, or senior government organizations for the purpose of constructing new capital facilities or capital renovation and is secured for long-term use through legal agreements with the City;

(e) Contributions under the categories of public benefits in policy 2.2 that are not secured for long-term use through legal agreements with the City;

(f) Seismic upgrades for existing, non-City-owned buildings and structures unless it is eligible under the City's *Heritage Incentive Program Policies and Procedures*.

4 Ownership of In-kind CACs

4.1 In-kind CACs from policy 2.2 (except for heritage conservation) may be owned by the City, senior levels of government, or Indigenous or non-profit organizations that have a demonstrated organizational, operational, and financial capacity to run a facility with the programs and services to the satisfaction of the City.

(a) In-kind CACs owned by the City will be sought as a first priority and will be subject to the following conditions:

    (i) Applicants will be responsible for constructing, finishing, furnishing, and equipping the in-kind CAC as well as for payment of all applicable up-front development costs;

    (ii) The size, location, materials, and design of the in-kind CAC will be to the satisfaction of the City and in accordance with applicable guidelines; and

    (iii) The City will select a non-profit operator if necessary.

(b) In-kind CACs that are not owned by the City will be subject to the following conditions:

    (i) The in-kind CAC must provide amenities, programs, and services that align with the City's priorities, goals, and services that the City is responsible for;

    (ii) The in-kind CAC must meet a demonstrated community need;

    (iii) The in-kind CAC must provide community access that is affordable, equitable and accessible;

    (iv) The in-kind CAC must be secured through legal agreements with the City for ongoing long-term use and availability as if it were a City-owned and operated facility;

        a. The in-kind CAC will be secured on title in perpetuity to the satisfaction of the City, including pursuant to Section 219 covenants and statutory rights of way, and the type of public benefit will be reflected in the applicable zoning by-laws;

b. The City will have the option to purchase the in-kind CAC for a nominal amount if a senior level of government, indigenous, and/or non-profit organization is unable to continue ownership of the in-kind CAC;

c. The City will have the option to lease the in-kind CAC for a nominal amount if a senior level of government, indigenous, and/or non-profit organization is unable to continue operation of the in-kind CAC;

d. Applicants may receive a CAC credit for CACs determined through policy 1.2(b) depending on the amount and degree of affordable community access secured for the in-kind CAC as well as the degree of security related to tenure.

(v) The in-kind CAC must not be mortgaged or financed for any reasons other than for reasonable on-site capital renewal and improvement of the asset subject to Council approval;

(vi) Applicants must inform the City of any financial or other agreements in place with respect to the delivery, ownership, or operation of the in-kind CAC in the case of private development partnerships with non-profit organizations;

(vii) Applicants will be responsible for constructing, finishing, furnishing, and equipping the in-kind CAC as well as for payment of all applicable up-front development costs; and

(viii) The City will lead the selection of a non-profit operator, if necessary.

5 Timing of Payment

5.1 CACs will be secured as conditions of by-law enactment.

(a) Cash CACs must be paid prior to by-law enactment, except that a portion of cash CACs valued over $20 million may be deferred on terms and conditions in the City's sole discretion, subject to approval by the City's Risk Management Committee.

6 Refunding/Altering CACs

6.1 CACs for rezoning applications that have been approved in principle by Council at Public Hearing, but not yet enacted, cannot be changed without withdrawal of the existing application and submission of a new rezoning application.

6.2 CAC payments made to the City will not be refunded after the relevant rezoning application has been enacted.

7 Annual Inflationary Adjustments and Updates of CAC Targets

7.1 CAC Targets as shown in the Appendix will be reviewed for inflationary adjustments on an annual basis to be effective on September 30 of each year.

7.2 CAC Targets will be reviewed comprehensively (recalibrated) as part of the City's 4-year capital planning process or, pursuant to Council approval, at an earlier date based upon the recommendation of the Director of Planning.

7.3 Increases to CAC Targets under policy 7.1 or policy 7.2 will have no effect if a rezoning application has been submitted prior to the adjustment (in-stream rate protection).

8 Exemptions

8.1 Rezoning applications that meet any of the following conditions will be exempt from the application of CACs only to the extent that the following uses comprise a portion of the floor area of the proposed development:

(a) Social housing that meets the DCL By-law definition;

(b) Heritage where existing floor area and bonus floor area is related to heritage conservation;

(c) Public schools for Kindergarten to Grade 12;

(d) Places of worship that are tax exempt;

(e) Community facilities that meet the following criteria:

  (i) Provides City-related social and/or cultural services;

  (ii) Operated by a non-profit society;

  (iii) Open and accessible to all;

  (iv) Accepted by Council as a public benefit under policy 2.2, policy 2.3, policy 2.4, policy 2.5, or policy 2.6;

  (v) Secured for long-term use through legal agreements with the City and/or City land ownership.

8.2 Rezoning applications that meet any of the following conditions will be exempt from CACs:

(a) Certain rezonings initiated by the Director of Planning;

(b) Rezoning for changes of use, except for changes of use from industrial to commercial, where:

  (i) the proposed development includes no residential use; and

  (ii) there is no increase in total floor area;

(c) Rezoning to District Schedules that include provisions for 'affordable housing shares' and/or 'amenity shares' as identified in Schedule F of the Zoning and Development By-law;

(d) Rezoning for 100% non-strata commercial developments within the Grandview-Boundary Mixed Employment Area or South Vancouver Industrial Area as shown in the Appendix that are not deemed a large site as per the Rezoning Policy for Sustainable Large Developments;

(e) Rezoning for routine, lower density secured market rental that comply with the City's rental policies as shown in Table 1.

Table 1: Exemptions for Routine, Lower Density Secured Market Rental Rezoning Applications[a]

Areas	Zoning District	Rezoning to Specific Height
Mixed-Use Commercial/ Residential Areas	C-1	<= 4 storeys
	C-2 zones	<= 6 storeys
	C-3A	Refer to local height maximums in C-3A guidelines
	MC-1	<= 6 storeys
Residential Areas	RS/RT zones	<= 5 storeys
	RS/RT zones (in community plan areas)[b]	<= 6 storeys
	RM zones (applicable to infill projects where existing rental units are not demolished)	<= 6 storeys

Notes:

a. Table excludes the Oakridge Municipal Town Centre area in the Cambie Corridor

b. RS/RT applies to Cambie Corridor, Marpole, Grandview-Woodland, and Joyce-Collingwood Station Precinct

9 Annual Reporting

9.1 A report to Council on CACs will be produced on an annual basis and be made available to the public.

Appendix

This Appendix consolidates select Council-approved CAC policies into this Policy. If there is any discrepancy between other Council-approved CAC policies and this Policy, the latter will prevail.

The City's VanMap application contains information on development contributions. If there is any discrepancy between VanMap and this Policy, the latter will prevail.

Table 1: CAC Targets and Eligibility Criteria

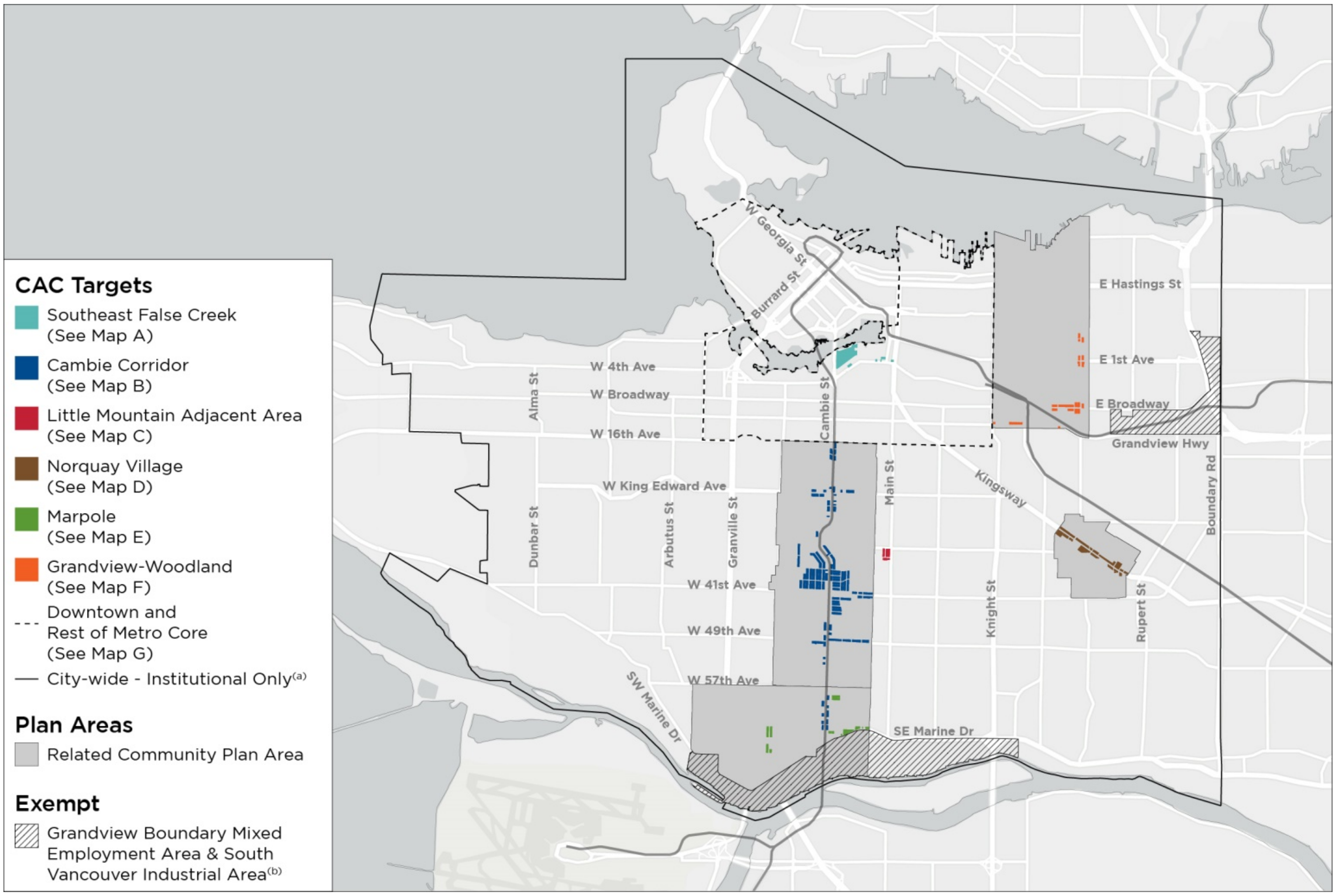
Map	CAC Target Area and Eligibility Criteria	CAC Target[a] (effective Sept. 30, 2019)	Allocation of CAC[b]
Map A (Southeast False Creek)	Rezoning applications on sites zoned M-2 up to 3.5 FSR as shown in Map A. Additional CAC will be negotiated > 3.5 FSR.	$180.66/m^2$ ($16.78/ft^2$)	Affordable housing in Southeast False Creek
Map B (Cambie Corridor)	Rezoning applications for 4-storey residential as shown in Map B	$775.00/m^2$ ($72.00/ft^2$)	As per the Cambie Corridor Public Benefits Strategy
	Rezoning applications for 4-storey mixed-use as shown in Map B	$215.28/m^2$ ($20.00/ft^2$)	
	Rezoning applications for 6-storey residential as shown in Map B	$1,108.68/m^2$ ($103.00/ft^2$)	
	Rezoning applications for 6-10 storey mixed-use as shown in Map B	$1,205.56/m^2$ ($112.00/ft^2$)	
Map C (Little Mountain Adjacent Area)	All rezoning applications as shown in Map	$321.61/m^2$ ($29.88/ft^2$)	Affordable housing on the Little Mountain site or projects in or around the Riley Park/South Cambie neighbourhood
Map D (Norquay Village)	Rezoning applications on sites zoned C-2 along Kingsway that are less than 1 acre as shown in Map D	$139.83/m^2$ ($12.99/ft^2$)	As per the Norquay Village Public Benefits Strategy
Map E (Marpole)	Rezoning applications for 6-storey residential as shown in Map E	$871.88/m^2$ ($81.00/ft^2$)	As per the Marpole Public Benefits Strategy
Map F (Grandview-Woodland)	Rezoning applications in Nanaimo St./ E 12th Ave. shopping nodes as shown in Map F	$757.19/m^2$ ($70.35/ft^2$)	As per the Grandview-Woodland Public Benefits Strategy
	Rezoning applications in the Midrise Multi-Family areas as shown in Map F	$252.40/m^2$ ($23.45/ft^2$)	
Map G (Downtown and Rest of Metro Core)	Rezoning applications for 100% non-strata commercial developments in the Downtown area as shown in Map G	$169.85/m^2$ ($15.78/ft^2$)	Affordable housing and childcare in the Metro Core (Downtown and Rest of Metro Core)
	Rezoning applications for 100% non-strata commercial developments in the Rest of Metro Core area as shown in Map G	$113.24/m^2$ ($10.52/ft^2$)	
Key Map (City-wide)	Rezoning applications for 100% institutional developments (i.e. hospitals, community care facilities, and post-secondary schools)	$32.29/m^2$ ($3.00/ft^2$)	

Notes:

a. Calculation based on net additional floor area in excess of the maximum permissible under current zoning. In circumstances where the total floor area is not being increased but involves a conversion of use from industrial to commercial, or non-residential to residential, the CAC will be based on the converted floor area.

b. CAC Targets may be directed to public benefits located outside of the community provided that the public benefit meets the criteria in policy 2.1.

Key Map



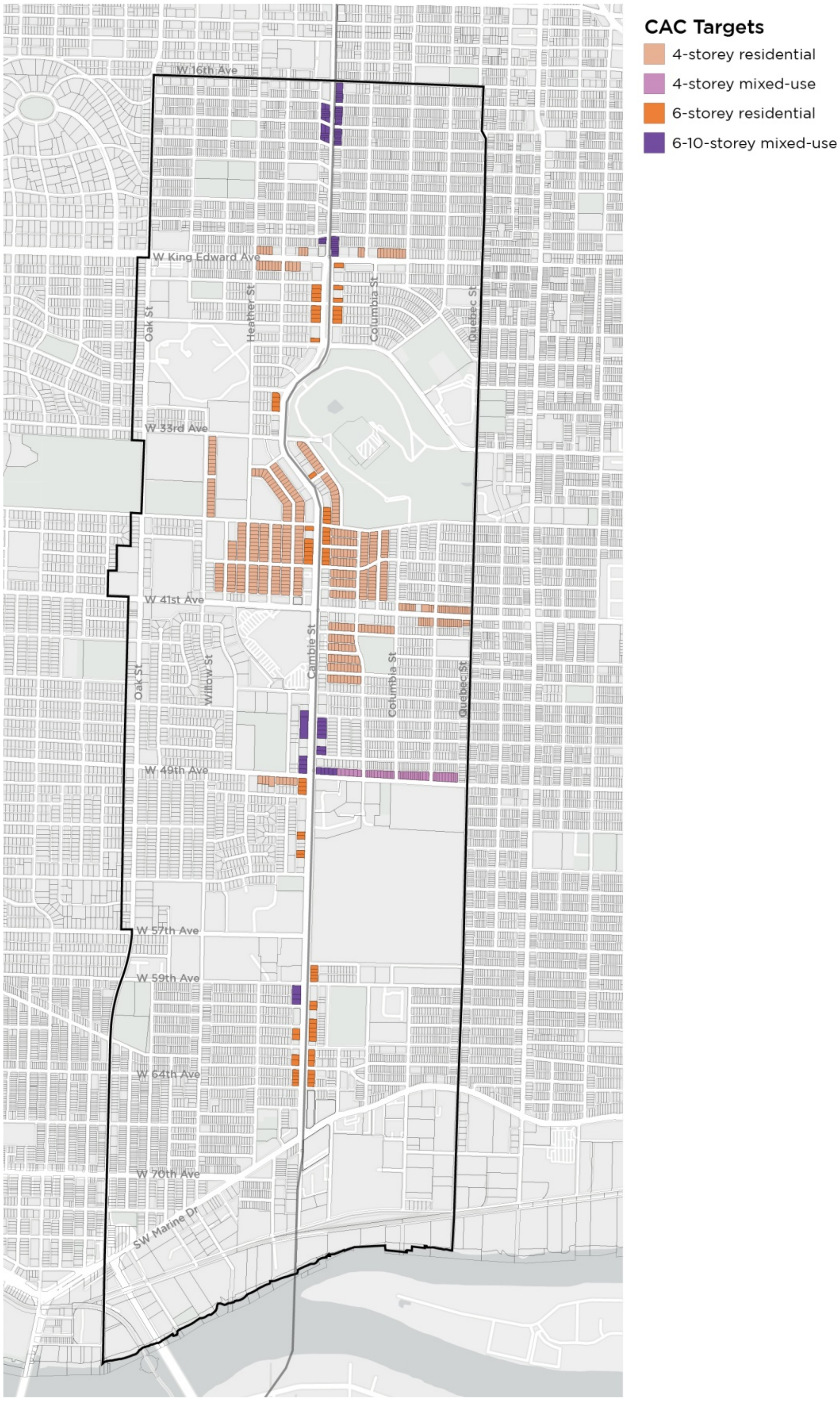
Notes:

a. Applies to 100% institutional developments (i.e. hospitals, community care facilities, and post-secondary schools.

b. Applies to rezoning applications that are exempt under policy 8.2(d).

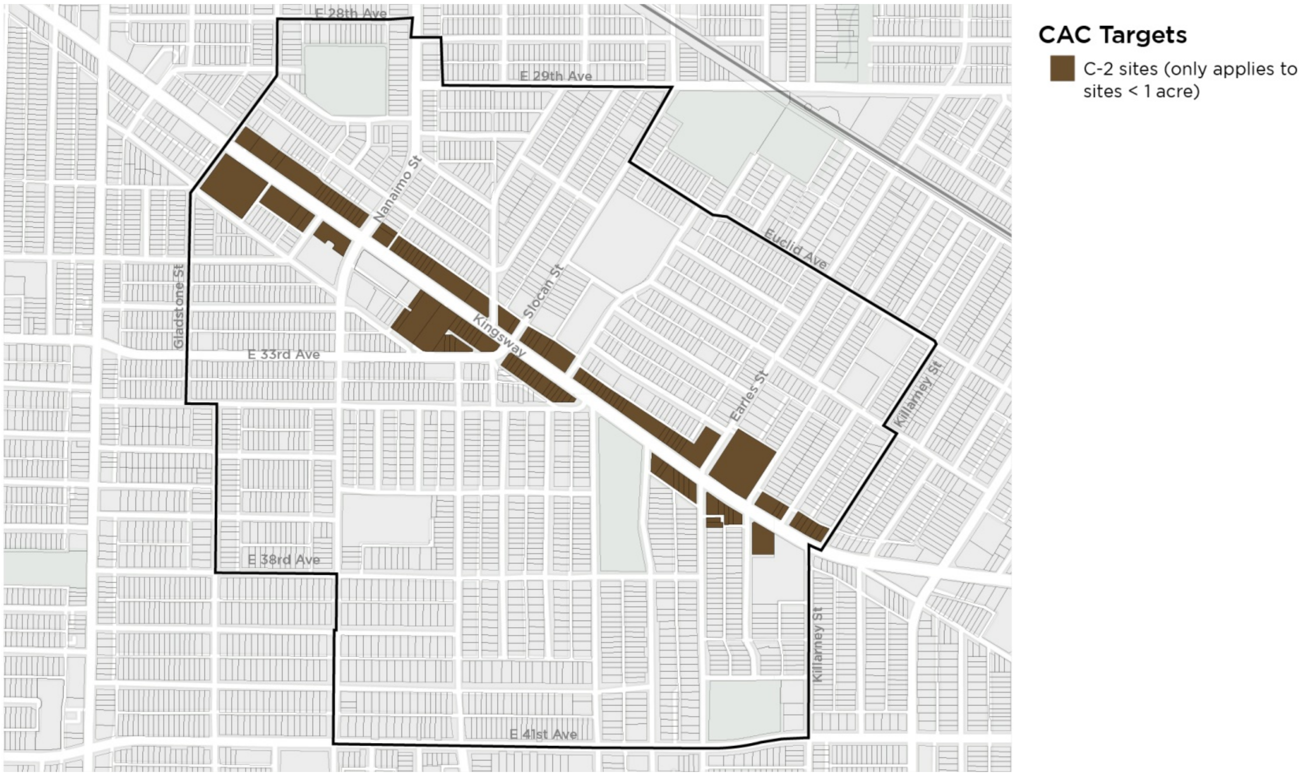
Map A: Southeast False Creek

Map B: Cambie Corridor

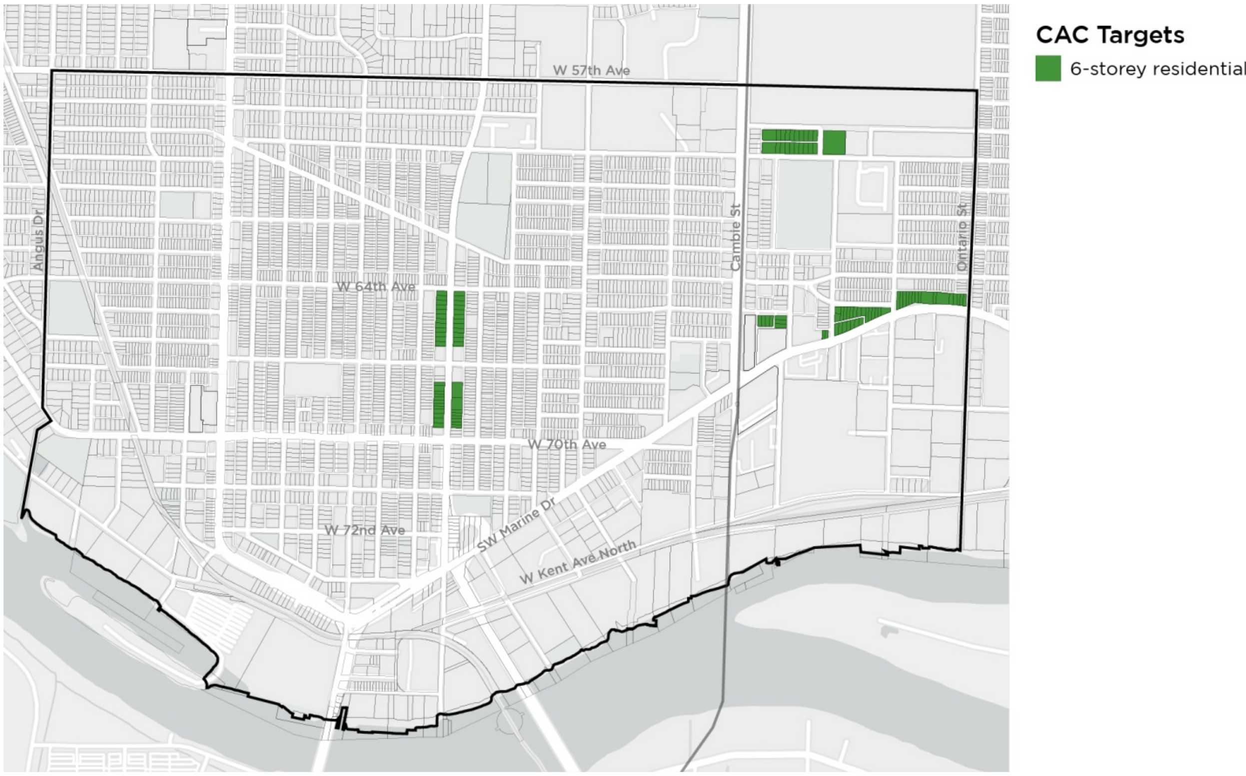


Map C: Little Mountain Adjacent Area

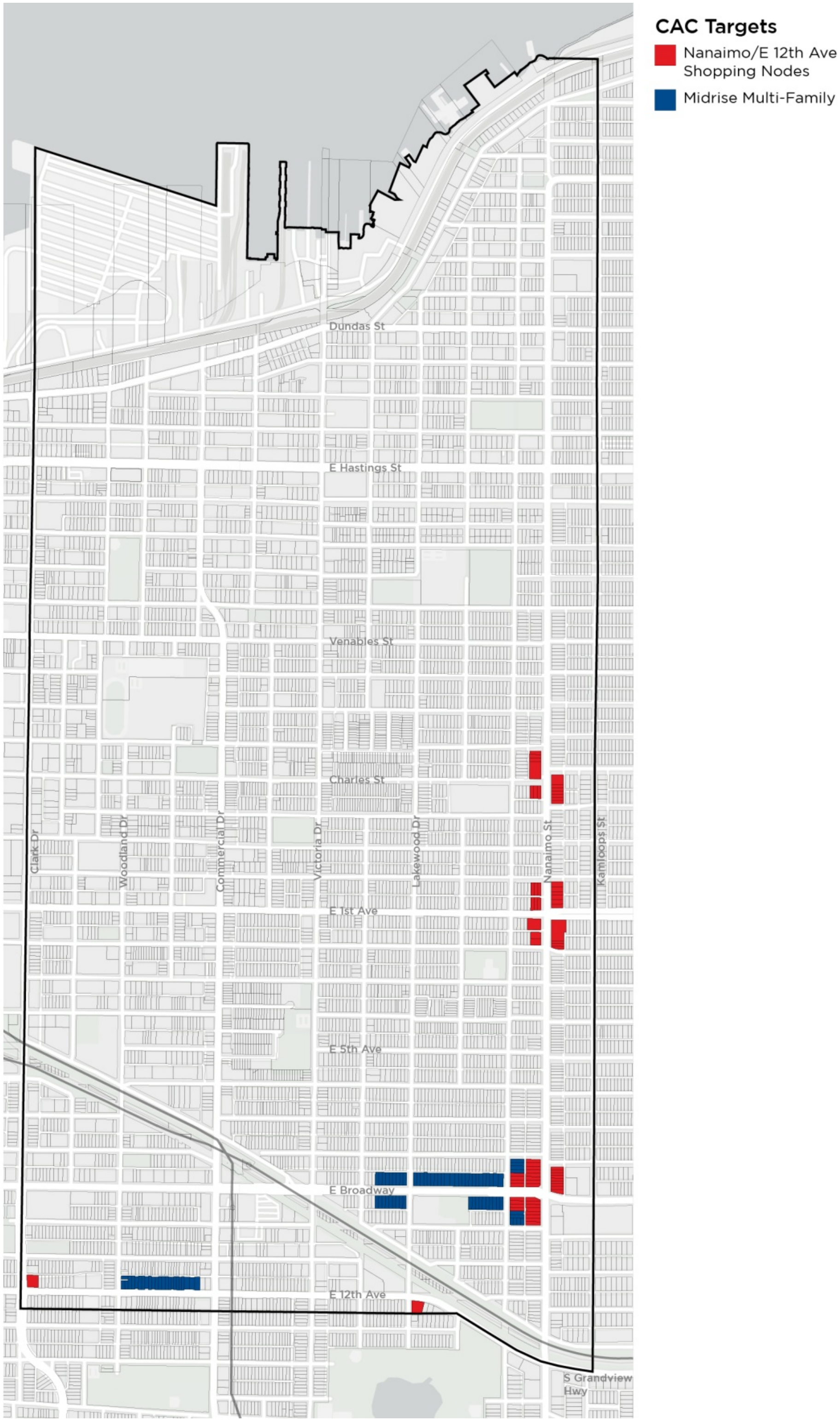
Map D: Norquay Village



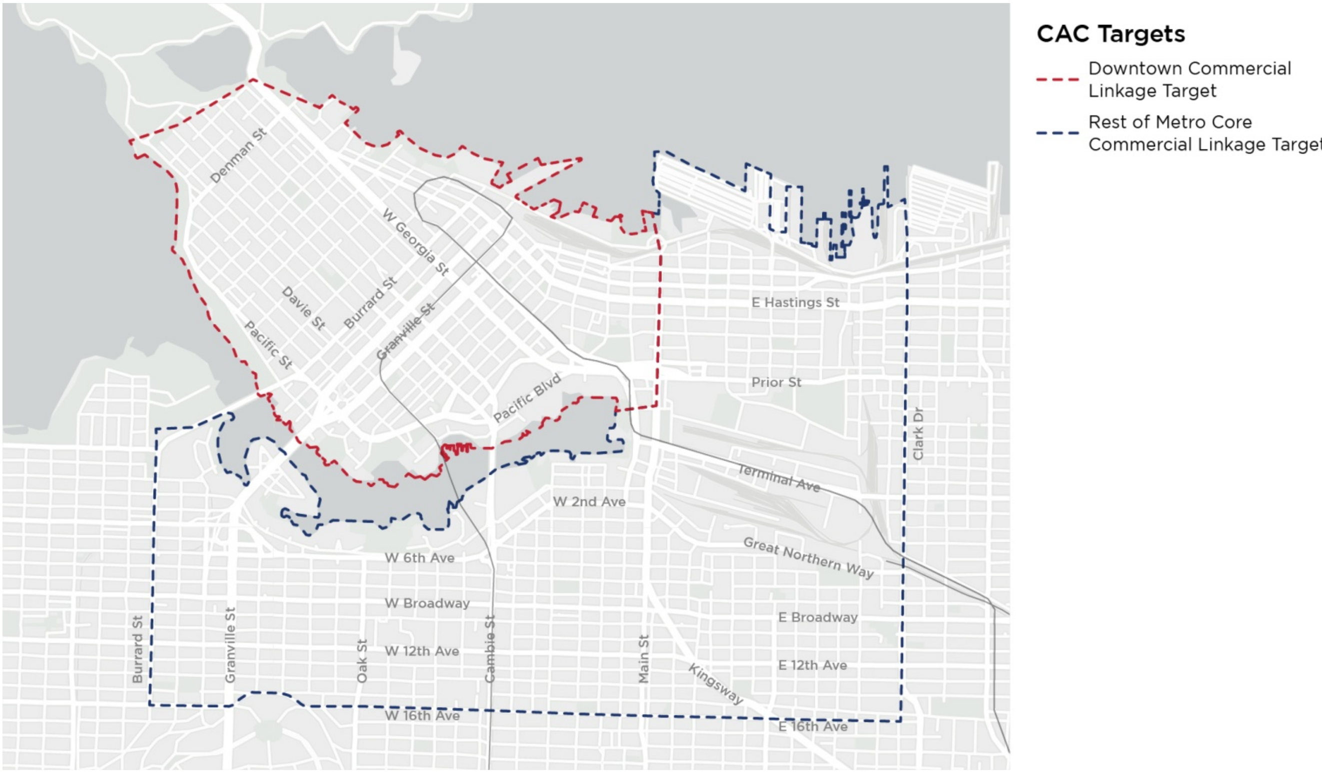
Map E: Marpole



Map F: Grandview-Woodland



Map G: Downtown and Rest of Metro Core



APPENDIX C

Financial Analysis for Updating Target CAC Rates in Little Mountain, Norquay Village, Grandview-Woodland and Southeast False Creek:

Summary Report

15 November 2019

Prepared for:
City of Vancouver

By:

Coriolis Consulting Corp.

Table of Contents

1.0 Introduction

1.1 Background

The City of Vancouver has target Community Amenity Contribution (CAC) rates for residential (or mixed use) rezonings in a number of locations throughout the City.

The target rates are adjusted for inflation on an annual basis to ensure that the CAC rates reflect changes in the cost to the City of providing amenities identified in the public benefits strategies for each planning area. Periodically, the City also reviews the target CAC rates in detail to ensure the rates are reflective of the increased value associated with the increase in permitted density in each area.

The City decided that the following five different target rates should be reviewed in detail to determine if the rates should be adjusted due to changes in market conditions since each rate was last reviewed:

1. The $29.88 per square foot target CAC rate for midrise apartment rezonings up to 2.3 FSR in the Little Mountain Adjacent area.
2. The $16.78 per square foot target CAC rate for rezonings of M2 sites up to 3.5 FSR in Southeast False Creek.
3. The $12.99 per square foot target CAC rate for rezonings of sites along Kingsway in Norquay Village up to 3.8 FSR.
4. The $70.35 per square foot target CAC rate for 4 to 6 storey mixed use rezonings up to 3.2 FSR in the Nanaimo Street/East 12th Avenue shopping nodes of Grandview-Woodland.
5. The $23.45 per square foot target CAC rate for 4 to 6 storey apartment rezonings up to 2.65 FSR in Grandview-Woodland.

Therefore, the City retained Coriolis Consulting Corp. to analyze the financial performance of the different types of rezonings permitted to occur each of these target rate locations to help determine the target CAC rates that are supportable under current market conditions and identify any adjustments that should be considered.

This report summarizes the analysis that we completed as input to the City's process of updating the rates. Our work was completed in Q3 2019 so all revenue and cost assumptions used in the analysis are based on market conditions as of Q3 2019. The detailed results of our financial analysis was provided separately to the City.

1.2 Professional Disclaimer

This document may contain estimates and forecasts of future growth and urban development prospects, estimates of the financial performance of possible future urban development projects, opinions regarding the likelihood of approval of development projects, and recommendations regarding development strategy or municipal policy. All such estimates, forecasts, opinions, and recommendations are based in part on forecasts and assumptions regarding population change, economic growth, policy, market conditions, development costs and other variables. The assumptions, estimates, forecasts, opinions, and recommendations are based on interpreting past trends, gauging current conditions, and making judgments about the future. As with all judgments concerning future trends and events, however, there is uncertainty and risk that conditions change or unanticipated circumstances occur such that actual events turn out differently than as anticipated in this document, which is intended to be used as a reasonable indicator of potential outcomes rather than as a precise prediction of future events.

Nothing contained in this report, express or implied, shall confer rights or remedies upon, or create any contractual relationship with, or cause of action in favor of, any third party relying upon this document.

In no event shall Coriolis Consulting Corp. be liable to the City of Vancouver or any third party for any indirect, incidental, special, or consequential damages whatsoever, including lost revenues or profits.

2.0 Existing Target CAC Rates

The City wants to review the existing target CAC rates for the following types of rezonings in the following locations:

1. Rezonings of RS and RT sites to midrise apartment up to 2.3 FSR in the Little Mountain Adjacent area.
2. Rezonings of M2 zoned sites in Southeast False Creek up to 3.5 FSR (apartment or mixed use).
3. Rezonings of RT and C2 zoned sites along Kingsway in Norquay Village up to 3.8 FSR.
4. Rezonings of C1 zoned sites to 4 to 6 storey mixed use up to 3.2 FSR in the Nanaimo Street/East 12th Avenue shopping nodes of Grandview-Woodland.
5. Rezonings of RS and RT zoned sites to 4 to 6 storey apartment up to 2.65 FSR in Grandview-Woodland.

This section summarizes the existing target CAC rates in each area.

Exhibit 1 shows the existing target CAC rate for each location. The City wants to understand whether there is room to increase these rates under current market conditions.

Exhibit 1: Existing Target CAC Rates for Rezonings

Plan Area	Rezoning	Base Density for CAC Calculation	Rezoned Density	Existing Target CAC Rate on Increased Density from Base
Little Mountain Adjacent	Midrise Apartment	0.70 or 0.75 FSR depending on zoning	2.3 FSR	$29.88
Southeast False Creek	Highrise Apartment or Mixed Use	zero (industrial zoning)	3.5 FSR	$16.78
Norquay Village	12 Storey Mixed Use	0.75 or 2.5 FSR depending on zoning	3.8 FSR	$12.99
Grandview-Woodland	6 Storey Mixed Use	1.2 FSR	3.2 FSR	$70.35
Grandview-Woodland	4 to 6 Storey Apartment	0.70 or 0.75 FSR depending on zoning	2.4 to 2.65 FSR depending on location	$23.45

3.0 Approach to Analysis

This section outlines the urban land economics rationale for amenity (or density bonus) contributions and then describes the approach we used for the financial analysis that is summarized in this report.

3.1 Urban Land Economics Rationale

The reason that development projects are able, in financial terms, to provide amenities in exchange for additional development rights is that the additional development rights achieved via rezoning (or bonus density zoning) have value. Otherwise, a developer could not absorb the cost of an amenity contribution.

When a developer acquires a development site, the developer is buying land of course, but in land economics terms the developer is buying the development entitlements that go along with the land (in the form of zoning). The amount a developer is able to pay for a property is in large part a function of the type and amount of development likely to be approved and the anticipated financial performance of that development.

To illustrate how amenity contributions work in land economics terms, Exhibit 2 shows simplified financial analysis for a hypothetical development project (in this case a multifamily residential development) under three different scenarios:

- The first scenario assumes the site is zoned for 30 apartment units.
- The second scenario assumes the site is upzoned to allow 45 apartment units with no amenity contribution.
- The third scenario assumes the site is upzoned to allow 45 apartment units with an amenity contribution of $75,000 per additional unit.

The site is assumed to be an assembly of four existing older single family homes that have a combined market value of about $8.75 million under existing use (i.e. the value that the lots could be sold to prospective buyers interested in purchasing a single family home). In all three scenarios, the site size, the assumed average selling price of individual units (measured in dollars per square foot), and the assumed construction cost (measured in dollars per square foot) are the same.

Exhibit 2: Redevelopment Economics for Hypothetical Apartment Project

Hypothetical Example for Illustrative Purposes Only	Scenario 1 Site zoned for 30 unit MF project	Scenario 2 Site up-zoned to 45 units, no amenity contribution	Scenario 3 Site up-zoned to 45 units with $75,000 per additional unit amenity contribution
Revenue ($900,000/unit)	$27,000,000	$38,250,000	$38,250,000
Costs			
Marketing/commissions (6% of revenue)	$1,620,000	$2,295,000	$2,295,000
Hard & Soft Costs ($450,000 per unit)	$13,500,000	$20,250,000	$20,250,000
Profit Allowance (13% of revenue)	$3,510,000	$4,972,500	$4,972,500
Cost of rezoning	$0	$100,000	$100,000
Amenity Contribution	$0	$0	$1,125,000
Land Value Supported by Development	**$8,370,000**	**$10,632,500**	**$9,507,500**
Value Under Existing Use	$8,750,000	$8,750,000	$8,750,000
Increase Over Existing Value	negative	$1,882,500	$757,500
Viable for Redevelopment	no	yes	yes

Scenario 1 is the base case and shows how this project performs, in financial terms, under existing zoning. The developer in this case earns a typical profit margin (calculated as a margin of 13% of revenue), if the developer pays a maximum of $8.37 million for the site. However, the existing use supports a value of about $8.75 million (if sold to single family home buyers - and possibly more if the existing homeowners need an incentive to relocate) so the site is not attractive for redevelopment at the required profit margin. It is important to note that this is not always the case as some sites are financially attractive for redevelopment under existing zoning. However, this result is often the situation for assemblies of smaller single family lots in Vancouver so it is a good example for this illustration.

Scenario 2 shows how the project would perform if the site is rezoned to allow a higher density project without providing an amenity contribution. The project is bigger so the total revenue from unit sales, total cost, total profit, and total supportable land value are of course higher. However, it is important to note that the profit margin is the same (13% of revenue). The developer's ability to pay for the property increases to $10.632 million (or $1.882 million more than the existing value of $8.75 million) because it allows a larger project (more density). This is higher than the site's value under existing use, so there is an incentive for the existing owners to sell and the site is now financially attractive for redevelopment.

In this case, the rezoning creates additional density and land value which makes a site viable for redevelopment that was not viable for development under existing zoning (Scenario 1). The question now is whether the project can also support an amenity contribution.

Scenario 3 shows how the project would work if the site is rezoned with a $75,000 per additional unit ($1.125 million in total) amenity contribution. The project is now the same size as in Scenario 2, so the sales revenues, development, costs, and profit are the same as in Scenario 2. However, in Scenario 3 the developer provides an amenity contribution as part of the rezoning. In this scenario the developer can now afford to pay $9.507 million to acquire the site. This illustrates that:

- The project is still financially viable to the developer.

- The City receives a $1.125 million amenity contribution as part of the rezoning.
- The developer can afford to pay $9.507 million, which is higher than the $8.75 million existing property value. This creates the opportunity for the developer to offer an incentive to the existing homeowners to make their property available for redevelopment.

It is important to note that if the municipality attempted to obtain a significantly higher CAC in Scenario 3 (say $150,000 per additional unit), then the rezoning would not be financially attractive for the developer.

These scenarios illustrate key points about rezonings and amenity contributions:

1. The payment of the CAC does not change the price of housing (the units in Scenario 3 sell for the same price as in the other Scenarios) because prices are set by supply and demand in the marketplace.
2. With the amenity contribution, the rezoning is still attractive to the developer, who earns the same profit margin in Scenarios 2 and 3. The difference is that the developer cannot pay the same amount to the landowner in Scenario 3 as in Scenario 2 (with no amenity contribution).
3. Landowners often require an incentive to sell their property (particularly if the site is not vacant). The cost of the CAC should be less than the additional value created by the rezoning to create an incentive for the property owner to sell to the developer.
4. The additional land value created by a rezoning:
    - Can make redevelopment of a site financially viable when it is not viable under existing zoning.
    - Creates the potential for an amenity contribution.
    - Creates an incentive to the existing owner to sell for the property for redevelopment, if the cost of the amenity contribution is set appropriately.
5. The amount of the CAC (or density bonus payment) is limited by the financial performance of the project. CACs should be based on demonstrated community needs (i.e. public benefits strategy) or development impacts, but should not be so high that projects at sites which are intended to be development candidates are not viable or there is no incentive for landowners to sell their land for redevelopment. The CAC approach should not simply be to “pay the land lift”. The CAC should be based on the increased cost of delivering the amenities and public facilities needed due to densification. However, understanding the land lift is important to ensure that the CAC is financially reasonable.

3.2 Approach to Financial Analysis for Case Study Sites

To estimate the CAC or density bonus contribution that is supportable by projects in each of the CAC locations being evaluated, we analyzed the financial viability of redevelopment of different case study sites in each area. We selected case studies that are representative of the types of redevelopment projects that are currently subject to target CAC rates. In total we analyzed the financial viability of redevelopment of 14 different case study sites under the assumed heights, densities and mix of uses permitted in the plans for each area. For the project types that will occur on assemblies of single family lots, the case study sites include a range of existing single family lot sizes as the existing value per square foot of site area for single family lots can vary depending on lot size. This change in existing lot size affects the CAC rate that is supportable by the project.

We used the financial analysis to model the likely performance of rezoning and redeveloping each site under the maximum density identified in each community plan policy. Our analysis assumes that the developer purchases the site at its current market value under existing use and zoning (i.e., the developer does not pay the rezoned value of the site).

Our analysis was completed in four main steps:

1. We identified case study sites for the financial analysis. Sites that are improved with older, low quality improvements, similar to the types of properties that have been the focus of redevelopment in each area. We analyzed a total of 14 different case study sites (or assemblies of sites) which were selected to represent a cross-section of the different types of sites and redevelopment projects in each area that are subject to the target rate.

2. We estimated the existing value of each case study in the absence of rezoning. For this estimate, we considered two different values:

    - Value supported by existing use (i.e., income stream or house value). This included a 20% assembly cost allowance for case study sites that were improved with existing houses to provide the existing homeowner with an incentive to sell their property for redevelopment and realize sufficient proceeds to purchase an alternate house in a nearby neighbourhood.
    - The land value under existing zoning.

    The highest of these indicators was used for analysis.

3. We estimated the land value supported if the site was rezoned to the maximum identified in the community plan, but without any amenity contribution. If the estimated supportable rezoned land value is higher than site's existing value, then site is viable for redevelopment.

4. For the financially viable case study sites, we estimated the the increase in property value due to the increase in permitted density (estimated value in step 3 less estimated value in step 2).

5. We calculated the potential CAC amount at 75% of the increased value.

6. For each site, we calculated the equivalent target CAC rate in terms of dollars per square foot of floorspace over the achievable density under existing zoning.

4.0 Summary of Results

Because of the large number of sites and scenarios analyzed, we have not included the detailed proformas for each site and each scenario in this report. This section summarizes the results of our financial analysis.

Exhibit 3 summarizes the estimated supportable CAC rates indicated by the case study analysis for each of the different categories.

Exhibit 3: Calculated Supportable Rates Indicated by Case Study Analysis

Plan Area	Rezoning Opportunity	Existing Target Rate	Calculated Supportable CAC Rate Indicated by Case Studies
Little Mountain Adjacent	Midrise apartment up to 2.3 FSR	$29.88	$47 to $55 psf Opportunity to increase rate.
Norquay Village	12 Storey Mixed Use up to 3.8 FSR	$12.99	No increase should be considered – but projects still viable at existing target rate.
Southeast False Creek	Highrise up to 3.5 FSR	$16.78	$67 psf[1] Opportunity to increase target rate. Very few sites remain in the area - the supportable rate is lower if the site is improved with valuable existing commercial and/or industrial improvements.
Grandview-Woodland	6 Storey Mixed Use up to 3.2 FSR	$70.35	Many sites support rate near the existing target rate. No increase should be considered.
Grandview-Woodland	4 to 6 Storey Apartment from 2.4 to 2.65 FSR	$23.45	Calculated supportable rate closely matches existing target rate. No increase should be considered.

As shown in the exhibit:

1. The calculated supportable CAC rate of $47 to $55 per square foot in the Little Mountain Adjacent area is significantly higher than the current target rate of $29.88 per square foot. Although residential prices and land values have declined over the past 1 to 2 years, this CAC rate has not been updated since its introduction in 2013. Between 2013 and 2019 residential values increased significantly, so the current target rate is lower than the supportable rate under current market conditions.
2. The existing target rate in the Norquay Village area should not be increased.
3. The calculated supportable CAC rate in Southeast False Creek varies widely depending on the case study site. For sites with low value existing improvements, the supportable rate is about $67 per square foot which is significantly higher than the current target rate of $16.78 per square foot. However, there are very few development sites left in this area and some may not be able to support a higher rate due to the high value of the existing industrial and commercial improvements at the site. Our understanding is the City intends on updating the public benefits strategy for the Southeast False Creek area. The CAC policy should be updated as part of the public benefits strategy.

[1] The calculated supportable rate is significantly lower for some of the remaining sites in Southeast False Creek that include valuable existing commercial and/or industrial improvements. However, given the value of the existing improvements, these may not be development sites at this point.

4. The calculated supportable CAC rate for most of the 6 storey mixed use case study rezonings in Grandview-Woodland closely matches the existing target rate of $70.35 per square foot so the current rate should not be increased.
5. The calculated supportable CAC rate for the 4 to 6 storey apartment rezonings in Grandview-Woodland closely matches the existing target rate of $23.45 per square foot so the current rate should not be increased.

5.0 Other Factors to Consider

In addition to the results of the case study financial analysis, there are other factors that the City should consider when setting target CAC rates, including:

1. Each project has the ability to support a different CAC rate depending on a variety of factors such as location in the study area, existing lot size (for single family lots), existing zoning, permitted redevelopment FSR, permitted height, servicing costs, and mix of use. Therefore, it is challenging to select a specific rate that is supportable by all sites.
2. Because the target rate (like any other development cost) affects the amount that a developer can afford to pay for land, the rate that is established will affect the number of sites that are financially attractive for redevelopment. A higher target rate reduces the number of sites that are attractive for redevelopment while a lower rate increases the number of sites that are financially attractive for redevelopment.
3. The target rate that is selected should be low enough that it is supportable by a large number of sites that are intended to be redevelopment sites in the foreseeable future. Otherwise, the rate will restrict the number of sites that are attractive for development which can slow the pace of development and the supply of new units. Reduced supply in the face of continued demand will lead to market wide price increases.
4. Any increase in an existing target CAC rate will have a downward influence on the existing value of development sites so increases in a target rate will negatively affecting existing land value.
5. The target rates that are selected should reflect the cost of delivering the amenities and public facilities required in the study area due to the increased densification (and population). The rates should not exceed the level that is required to fund the required amenities and facilities.

6.0 Conclusions

Based on our case study financial analysis, we suggest that the City consider the following:

1. Increase the existing target CAC rate for rezonings in the Little Mountain Adjacent Area to between $47 and $55 per square foot of increased permitted floorspace. We suggest the rate be set at the lower end of this range so it is supportable for most rezonings in this area. It should be noted that an increase in the target rate will have a negative impact on existing land values in this area.
2. Leave the existing target CAC rates of $23.45 and $70.35 per square foot of increased permitted floorspace in Grandview-Woodland unchanged.
3. Leave the existing target CAC rate of $12.99 per square foot per square foot of increased permitted for rezonings in Norquay Village unchanged.
4. Revisit the existing target CAC rate of $16.78 per square foot for rezonings in Southeast False Creek as part of the update of the public benefits strategy. There appears to be significant room to increase this rate for some of remaining sites in the area, but not all. Given that the estimated supportable CAC value varies by site (and there are a small number of remaining sites), the City could consider a negotiated CAC approach for the remaining development sites so that the overall CAC value matches the ability of each individual rezoning to make a contribution.

These suggested target rates are only one input to determining appropriate rates for rezonings in each area. When adjusting target rates, the City should also consider:

1. The estimated cost of delivering public benefits in the plan area. Target rates should not be set higher than required to fund the public benefits strategy.
2. Other planning objectives for the study area, such as the intended pace of development for specific housing types.
3. The impact on development viability of any other City policy changes that are being considered concurrently.
4. If the existing target rates are changed or new rates are implemented, the City should ensure that all stakeholders (property owners, real estate industry professionals, developers, etc.) are aware of the proposed changes to the existing policy. In addition, developers should be given significant notice before any changes are implemented. This will give applicants that have already purchased property the opportunity to make an application under the existing rates without facing increased costs for CACs.

1. Executive summary

Consistent growth in recent years in the City of Vancouver has continued to put pressure on the City's infrastructure and public benefits including affordable housing, childcare, utilities, parks, and transit.

The CoV uses various tools to finance these growth-related projects via costs to developers such DCLs, CACs, and funding from senior government grants. The City has unfunded growth related needs for new public benefits that exceed the funding available from development contributions and senior government funding.

Commercial Linkage Targets

One of the tools the City has developed to fill the funding gap in relation to affordable housing and childcare, are Linkage Targets on commercial-only rezoning in Downtown Vancouver, and the Rest of the Metro Core. The additional density afforded in rezonings leads to increase employment. In order to retain the level of new employment required, additional affordable housing and childcare facilities will need to be funded.

City Council approved an Interim Commercial Linkage Target Policy at a meeting held on November 28, 2017, which provides for fixed Commercial Linkage Targets of $15 psf and $10 psf in the Downtown core and the Rest of Metro Core areas, respectively. The Interim Commercial Linkage Target Policy also carves out commercial-only stratified rezonings from this policy due to uncertainty in the strata market causing complexity in determining an appropriate fixed target. Stratified commercial rezoning applications remain negotiated under the CAC approach.

Our engagement

EY was engaged to assist the City in reviewing the Interim Commercial Linkage Target Policy to determine whether any changes to the policy should be made prior to staff presenting a final policy to City Council in September 2018. Although the City has a Commercial Linkage Target Policy that appies to all types of commercial-only development, the work prepared in this report was limited primarily to a review of the office market, with some high level considerations with respect to retail and industrial.

EY, in turn, engaged Coriolis to prepare financial viability models based on specific office and retail case study sites in the Metro Core to determine whether the current levels of Commercial Linkage Targets are supportable and reasonable given a range different possible development scenarios. EY was engaged by the City to perform a review of the reasonableness of the assumptions used in Coriolis' analysis and its conclusions.

EY was also engaged to perform a review of the current development market, with specific reference to the recent interest in the commercial strata market caused by recent high strata sale prices achieved, most notably the 335,000 sf Bosa Waterfront development at 320 Granville Street. Further details of the scope of our engagement are included in section 2 of this Report.

Our approach

Our review of the Interim Commercial Linkage Target Policy consisted of the following stages:

- Collaborated with the City and Coriolis to discuss objectives of EY's review and to share information, discuss progress and various other issues throughout our engagement.
- Reviewed relevant articles and documents related to the commercial strata market which included a review of historical trends, current pipeline projects, future trends and impact on land prices. As commercial strata is an evolving topic, EY was continuously reviewing and reshaping our views and findings in relation to commercial strata.
- Reviewed various industry reports, developer reports, brokerage reports, government documents, and drew on our own expertise in order to perform a review of Coriolis' assumptions used and conclusion made in its analyses of the Interim Commercial Linkage Target Policy.
- Held workshops with industry associations, including NAIOP and UDI, and with various developers to understand their view of the benefits and challenges to the Interim Commercial Linkage Target Policy; and,
- Performed a scan of relevant municipalities that share attributes with Vancouver's real estate market for precedents on similar linkage target policies. EY held telephone calls with individuals from relevant municipal government departments to gain insights on any linkage target type policies in place in the selected municipalities.

Key findings & conclusions

Commercial strata developments

The recent excitement in the commercial strata development market in the Metro Core is causing significant upward pressure on land prices. While a large portion of new developments are based on a leased model, these developments are on land that was purchased at a much lower cost basis. With land prices now exceeding $300 psf buildable, it is becoming the case that the only feasible option to develop on newly purchased land at this price is to build strata.

It is unclear at this point whether or not the demand for commercial strata space will continue in the long-term. Leasing may become more favourable in the future due to factors such as increasing interest rates that limit the ability to obtain financing to purchase strata units, potential government policy changes such as application of the foreign buyers tax being applied to commercial property, or a downturn in the economy potentially caused by external factors causing lack of capital reserves. Currently, the vast majority of office inventory is leashold, with strata representing a very small portion of the overall inventory.

Although there are reasons why development of strata may be short lived, we are of the opinion that the current market conditions are encouraging strata development in the short to medium term. If the demand in the market was purely driven by end users and rational investors, the development of strata might remain at historical levels however the introduction of speculative investors could distort the normal functioning of the market resulting in higher levels of development. However, we also feel that it is unlikely that the strata market will become the dominant form of development in the Downtown core as it should hit a saturation point in the future.

Coriolis' analysis of the financial viability of the Commercial Linkage Targets

Coriolis' analysis, as detailed in section 6 of this Report, resulted in the following conclusions:

- leasehold commercial rezonings in the Metro Core do not support an increase in the Commercial Linkage Targets. This is due to the land values supported by strata office redevelopment under existing zoning;
- Commercial Linkage Targets do not need to be reduced as developers of leasehold commercial projects have, so far, been proceeding with viable projects while paying the current Commercial Linkage Targets;
- Most rezonings in the Metro Core that include strata office can support a contribution that is larger than the interim Linkage Targets; and,
- The City could either continue to negotiate CACs for strata development or the City could consider charging a fixed target for strata rezonings (although due to uncertain market demand and availability the amount of the fixed target would be challenging to determine at this stage).
    - Coriolis concluded that the City should continue to negotiate contributions for strata office rezonings so they can take into account the mix of strata and leasehold space in a project, the location of the project and the strata office market conditionas the time of rezoning.

All key assumptions used and conclusions made by Coriolis in its financial viability analyses of the specific case study sites, are reasonable. It is important to highlight, as Coriolis concluded, that if the demand for strata did not exist in the future, then a higher Commercial Linkage Target could be supported in a leasehold scenario.

EY's review of the Interim Commercial Linkage Target Policy

- The fixed Linkage Targets as proposed in the Interim Commercial Linkage Target Policy for both large and smaller density leased model rezonings area reasonable and effective. It is recommended that Fixed Commercial Linkage Targets remain at $10 for the Rest of Metro Core and $15 psf for the Downtown core until the next Commercial Linkage Target Policy review date, as determined by the City.
- As it is more challenging to develop fixed targets for large commercial strata developments such as those in the Downtown core and more complex mixed use (strata & lease) development projects in the Rest of Metro Core, a negotiated approach to CACs on commercial strata developments, as proposed in the Interim Commercial Linkage Target Policy, should be maintained and reviewed regularly.
- Given the uncertainty surrounding the strata market, it is recommended that the City continue with the negotiated approach to CACs on smaller commercial strata developments, as proposed in the Interim Commercial Linkage Target Policy. However, we recommend that the City also conduct and ongoing review of the reasonableness and effectiveness of the negotiated approach and consider whether a fixed target would be more effective as more information about the strata market becomes available.
- As the development market in Vancouver evolves and expands, the City may want to consider additional regions where a linkage target could be applied. In addition, the City may want to consider the rates at which it is applied in the various regions and the rates applied to different types of developments considering the varying economics of each project (i.e. office vs. retail).

Other recommendations

- As the strata commercial market continues to develop in Vancouver, we would recommend that the fixed rate Commercial Linkage Targets and the negotiated CACs on commercial strata are reviewed annually to ensure that they remain aligned with the City's objectives. Once more certainty is established, the City may wish to revisit the frequency of the review.

- A common theme brought up from our market sounding with industry professionals showed a desire for more clarity and transparency surrounding the use of the funds collected from the Commercial Linkage Targets. As 2017 is the first calendar year in which the Commercial Linkage Target Interim Policy applies, it is recommended that the City break out the funds collected from the Commercial Linkage Target in the 2017 Annual Report on Community Amenity Contributions & Density Bonuses.
- Another common theme brought up though our market sounding was the concern about the impact of rising property taxes caused by increased land values as a result of the recent high prices achieved for commercial strata. The City should consider corresponding with the relevant taxation authority to look for a way to limit the negative property tax impacts.

APPENDIX E

URBAN DEVELOPMENT INSTITUTE – PACIFIC REGION
#1100 – 1050 West Pender Street
Vancouver, British Columbia V6E 3S7 Canada
T. 604.669.9585 F. 604.689.8691
www.udi.bc.ca

October 18, 2019

Sadhu Johnston
City Manager
453 West 12th Avenue
Vancouver, BC V5Y1V4

Gil Kelley
General Manager
Planning, Urban Design & Sustainability
453 West 12th Avenue
Vancouver, BC V5Y 1V4

Re: Community Amenity Contributions (CACs)

Dear Mr. Johnston & Mr. Kelley,

On behalf of our 850 members at the Urban Development Institute (UDI) and our Board of Directors, I am writing to voice our concerns in the CAC Policy Update presentation we received on October 9, 2019. We were very disappointed to learn that a fundamental issue with CAC Policy is not being addressed through the proposed CAC Policy Update – specifically, the broken CAC negotiation process.

For larger and more complex projects, which must have negotiated CACs, the protracted process is unnecessarily lengthy, inconsistent, unfair, and not transparent for both our members and the broader public.

Projects in Vancouver are unnecessarily delayed by six months to over a year. It needs to be made clear that most of the housing units being held up or put in jeopardy are not luxury condominiums. They are needed homes for families and employees, including several Purpose Built Rental developments, which have been cancelled because of the negotiated CAC process. Failing to meaningfully address an indeterminate staff process that is deterring the delivery of housing during an acknowledged housing crisis is not acceptable.

We were hopeful that placing the final decision-making for CACs under Planning, Urban Design & Sustainability Department would result in material improvements. However, the process is still broken because in large part, the Real Estate Services Department's approach to CAC negotiations has remained unchanged. There is still no accountability in terms of process timelines, or transparency regarding the information/data staff are using as the basis for the negotiations and the advice they are providing you. This issue needs to be resolved so that there are well-established timelines, a credible dispute resolution procedure, and a transparent sharing of information and data.

We were also shocked to learn about "*Proposal #6b: the Requirement to Enact*". The City could be potentially intruding in what is a business decision to force proponents to invest tens of millions of dollars to start a project when the market is not ready, and financing may not be available. It is also not clear why restarting the Rezoning process, which takes years, will speed up the delivery of housing. From the City's perspective, there may be lost revenues, as CACs in a down-market would likely be lower than those negotiated when the market is strong.

We would like to focus the majority of the upcoming CAC meeting on November 1, 2019 on these two issues. This is a critical meeting, and we hope you both are able to attend, as this issue of CACs is significantly undermining the relationship and trust between our members and the City.

While UDI appreciates the efforts that you and your staff have made to clarify some of the CAC policies, and the ongoing approach to avoid having negotiations through Targeted CACs, Density Bonusing and Commercial Linkage Fees, the City and our members need to resolve the problems with the negotiated process. We also need to avoid the consequences that will arise by forcing enactments. I look forward to our upcoming discussions.

Yours sincerely,

Anne McMullin
President & CEO

Vancouver Society of Children's Centres
200 - 1362 Seymour Street, Vancouver, BC, V6B 3P3 | PHONE: 604 718 6555 | FAX: 604 718 6565 | vsocc.org

November 18, 2019

Chris Clibbon, Planner
Planning, Urban Design and Sustainability
City of Vancouver
453 W 12th Av
Vancouver, BC V5Y 1V4

Re: Letter of Support for the Community Amenities Contributions (CAC) Policy

Dear Chris,

We, at the Vancouver Society of Children's Centres (VSOCC), acknowledge and commend the City of Vancouver and the development community for their leadership and commitment to building communities which include important amenities and services for families. Specifically, the City has been at the forefront of creating child care spaces and recognizes the importance of quality, affordable child care to the economy, labour force participation, gender equality, social inclusion and early childhood development.

VSOCC is a non-profit organization created in 1994 in collaboration with the City of Vancouver as part of the Civic Childcare Strategy. Our mandate is to work with City staff to design, develop and operate high quality licensed child care services. We currently operate 16 centres, offering 34 child care programs, with 778 licensed child care spaces.

Community Amenities Contributions (CACs) have had a significant influence on the ability of non-profit childcare organizations to develop quality services and programs for families in Vancouver. Fourteen (14) of our high quality children's centres were designed and developed through in-kind CAC's or design and built with funding from CAC's. In the 25 years of operating child care in the City of Vancouver, VSOCC has served well over 10,000 families in Vancouver, providing affordable, high quality early learning and care services and environments. Our ability to provide services to a generation of young families was made possible in large part through the continued development of child care facilities through CACs. Quite simply, this progress would not have been possible without these contributions and the need continues. Despite significant progress, there remains a shortage of 16,000 child care spaces in the City of Vancouver.

We are grateful for mechanisms such as Community Amenities Contributions (CACs) which have enabled the City of Vancouver to significantly increase quality child care spaces and services in our communities, and we continue to endorse City of Vancouver's ongoing commitment and recognition that quality childcare and early learning opportunities are essential elements of a healthy and vibrant community.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Bernice Scholten
Chief Executive Officer

Your Cycling Connection

604.558.2002
bikehub.ca

November 20, 2019

Chris Clibbon, Planner
Planning, Urban Design and Sustainability
City of Vancouver
453 W 12th Ave, Vancouver, BC

Dear Chris

We have reviewed the proposed changes to the Community Amenity Contribution Program as covered in our November 4th meeting.

We write in support of the proposed changes to this program, and in particular of those changes with direct impact on transportation projects. We recognize the significance of the funding affording by this program for transportation and cycling infrastructure, as demonstrated by projects such as the Arbutus Greenway temporary paths, West End Greenways, and the Granville Bridge Connector.

We believe that defining the specific categories of CAC spending and putting the restriction to capital infrastructure will help ensure that the funds are directed appropriately when received.

We recognize that there are city-wide amenities, including projects such as the Arbutus Greenway, Granville Connector, and many regionally significant bikeways (which are identified as part of the Translink Major Bikeway Network, as an example) which should be eligible for funding consideration from development projects other than those located just within the local neighbourhood.

We feel it is important that any non-City ownership of in-kind CACs include mechanisms to ensure ongoing use by the public.

We urge Council to support these updates to the CAC program, and to continue to invest in active transportation improvements necessitated by growth within the City, and which are funded in part by development contributions.

Sincerely,

Jeff Leigh
Chair, Vancouver UBC Local Committee, HUB Cycling
Vancouver@bikehub.ca

HUB Cycling is a not-for-profit charitable organization that works to make cycling better through education, events, and collaboration. We are Metro Vancouver's leader in making cycling an attractive choice for everyone and have close to 3,000 members and more than 38,000 direct supporters. HUB Cycling has 11 volunteer committees across Metro Vancouver that encourage cycling for all ages and abilities (AAA) in municipalities across Metro Vancouver.

ACT 2 Child and Family Services

Transforming trauma into hope

Tri-Cities Clinical Program &
Administration Office
1034 Austin Avenue, 2nd floor
Coquitlam, BC V3K 3P3
T: 604.937.7776 F: 604.937.7334
W: www.act2.ca E: info@act2.ca

November 21, 2019

Chris Clibbon, Planner
Planning, Urban Design and Sustainability City of Vancouver
453 W 12th Av
Vancouver, BC V5Y 1V4

Dear Chris Clibbon,

Re: Response to the City of Vancouver's Proposed CAC Policy Update

On behalf of ACT 2 Child and Family Services including Safe Choice Second Stage Transition House (10 unit complex in Vancouver), I am writing to express our support for the City of Vancouver's Proposed CAC Policy Update.

Our organization has served single women and women with children fleeing violent relationships, as well as abuse/trauma counselling for children and their families since 1989.

Our city has benefited from the addition of more than 1,500 units of affordable housing through existing CAC policies and we support the strengthening of these, in particular the consideration of non-profit organization ownership of In-Kind CAC Amenities under specific circumstances. Strengthening the community-housing sector in the City of Vancouver is the most effective mechanism to provide long-term affordable housing. Partnerships with organizations like ours will protect affordability in the long-term. Further, the expansion of CAC spending beyond local neighborhoods, recognizes the need for more affordable housing across the city.

Incentives created in partnership with the municipalities, developers and government funders will ensure that affordable and supportive housing is available to all disadvantaged individuals.

Sincerely,

Fran McDougall
Executive Director

BC Non-Profit Housing Association
TEL 604.291.2600
TOLL-FREE (BC) 1.800.494.8859
220-1651 Commercial Drive
Vancouver, BC V5L 3Y3
www.bcnpha.ca

Chris Clibbon, Planner
Planning, Urban Design and Sustainability City of Vancouver
453 W 12th Av
Vancouver, BC V5Y 1V4

November 21, 2019

Re: Response to the City of Vancouver's Proposed CAC Policy Update

Dear Chris Clibbon,

The BC Non-Profit Housing Association (BCNPHA) is pleased to submit this response to the City of Vancouver as part of its consultation process with non-profit housing providers on the proposed City of Vancouver CAC Policy Update.

The BC Non-Profit Housing Association agrees with the direction and intention of the City of Vancouver's Proposed CAC Policy Update.
Our members are mission-driven organizations who will always strive to maximize safe, secure and affordable housing for those in need. As such we want to reiterate the importance of strengthening the community-housing sector in the City of Vancouver as the most effective mechanism to provide long-term affordable housing. Our members are intrinsically aligned with the City's goals of creating and securing affordable housing for Vancouver residents.

We would encourage the City to transfer ownership or the long-term operations to a non-profit housing provider wherever possible as a means of protecting the affordability in perpetuity. We would also remind the City that extracting up front returns on its investments has an impact on the affordability that can be achieved in any given project.

Jill Atkey, CEO

About BCNPHA

The BC Non-Profit Housing Association as the provincial umbrella organization for the non-profit housing sector in British Columbia, is comprised of nearly 600 members, including non-profit housing societies, businesses, individuals, partners, and stakeholders. Together non-profit housing societies manage more than 60,000 units of long-term, affordable housing in over 2,000 buildings across the province. Our members provide supportive, transitional, and assisted housing services to a diversity of individuals and families in communities of all sizes.

APPENDIX F

Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability

Ministry of Community, Sport and Cultural Development

March 2014

BRITISH COLUMBIA

Acknowledgements

This guide was drafted in consultation with numerous local governments, the development and building sectors, and the legal and academic communities. The Ministry would like to thank everyone who contributed to the development of this guide.

Ministry of Community, Sport and Cultural Development

Contact the Ministry of Community, Sport and Cultural Development for answers to questions about the material contained in this guide or other aspects of community amenity contributions.

Ministry of Community, Sport and Cultural Development
Local Government Division
Intergovernmental Relations and Planning
PO Box 9841 Stn. Prov. Govt.
Victoria, B.C. V8W 9T2
Phone: 250 387-4037
Website: www.cscd.gov.bc.ca/lgd/contacts/department.htm

Disclaimer

Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability

Table of Contents

Guide Purpose and Summary

The purpose of this guide is to help local governments understand the risks, challenges and recommended practices related to obtaining community amenity contributions (CACs). The guide also describes the relationship between CACs and housing affordability, and encourages practices that do not inadvertently cause housing prices to increase. Density bonus zoning, authorized under *Local Government Act* (LGA) s. 904, is another approach used by local governments to obtain community amenities.

While CACs are the focus of this guide, most recommended principles and practices apply equally to CAC and density bonus approaches[1]. Therefore, throughout the document and where helpful to the reader, the guide highlights key differences and commonalities between the two approaches. The guide also emphasizes the importance of density bonus zoning as a preferred approach for obtaining community amenities.[2]

The guide is intended primarily for local governments.[3] The content of the guide may also benefit others involved in the land use planning and development process including developers, builders, real estate professionals and planning consultants.

The guide contains the following sections:

- **Part 1: Background on CACs and the Rezoning Process**
- **Part 2: Staying on a Solid Legal Footing** – helps local governments to understand the limits of their legal authority to impose fees and charges and obtain CACs.
- **Part 3: Recommended Practices for CACs** – outlines the challenges associated with obtaining CACs and recommends practices that align with good planning principles.
- **Part 4: CACs and Housing Affordability** – encourages local governments to consider who ultimately pays for amenity contributions and encourages approaches that are most supportive of housing affordability.
- **Part 5: Choosing an Approach to Obtaining Amenities** – addresses advantages and risks associated with typical approaches currently used, and provides advice on choosing a strategy.
- **Appendix: Illustration of Policies for a Target Approach to CACs** – provides an example of the "target approach" to CACs including provisions that could be customized for inclusion in official community plans (OCPs) or adopted as policies to guide negotiation of CACs.

A short version of this guide is available here:
http://www.cscd.gov.bc.ca/lgd/intergov_relations/library/CAC_Guide_Short.pdf

---

[1] Where a site specific rezoning includes a density bonus on condition of providing amenities, it is essentially a rezoning with CACs.

[2] Developers make contributions in various circumstances, such as housing agreements, phased development agreements, or heritage revitalization agreements. This guide only addresses contributions to the extent that they are related to zoning.

[3] While the City of Vancouver is unique, in that it operates under the *Vancouver Charter,* the issues and guidance in this document are nevertheless applicable to the City.

Summary of Recommended Practices for CACs

Avoid Legal Risk – Negotiate, do not impose; avoid perception that zoning is for sale.
Plan Ahead – Identify potential amenities, ideally by neighbourhood.
Seek Modest Contributions – Avoid impacts on housing affordability.
Apply Development Cost Charge (DCC) Principles – e.g. link contributions to impacts of new development; try to ensure each developer pays a comparable, fair share.
Engage the Development Community – Be aware of how CACs could impact projects and their viability

Part 1: Background on CACs and the Rezoning Process

Local governments face many challenges in managing growth. They need to ensure that new development is acceptable to the community, respects the community plan and that infrastructure, amenities and services are in place to keep pace with growth. Provincial legislation allows local governments to ensure that developers install services as part of their development, both on the site itself and immediately adjacent.

Legislation also allows local governments to impose development cost charges (DCCs) for certain off-site services, namely, water, sewer, drainage and roads and park land.[4] Increasingly, local governments are relying on the rezoning process to secure affordable housing, and contributions towards recreation facilities and other community amenities that cannot be funded through DCCs.

LGA section 904 allows zoning bylaws to include the option of additional (bonus) density subject to specific conditions, which can include providing amenities. This provision in the LGA has been in place since 1995.

As an additional approach, local governments sometimes negotiate CACs from those seeking a change in zoning. A change in use or an increase in density generally boosts the value of land, and provides the possibility of a financial benefit to the land owner, developer or local government. Increasingly, local governments and residents see this as a reasonable opportunity to help fund community amenities.

In considering CACs, it is important that local governments understand the limits of their legislative authority, follow good planning principles, be fair, clear and consistent, and understand the financial and market impacts.

Housing affordability is a particular challenge for many B.C. communities. This guide describes how CACs, if not handled carefully, can potentially decrease the supply of new housing and lead to increases in housing prices. It is important that local governments recognize the relationship between CACs and housing affordability and make efforts to balance the opportunity to obtain public benefits, such as community amenities, with the goal of helping families to secure affordable housing.

Definitions

"Affordable housing" is housing that does not exceed 30% of household income. This is the general guideline for social and subsidized housing in B.C. and is commonly the percentage lenders use to determine what a family can afford to borrow when purchasing a home.

"**Affordable market housing**" is privately-owned housing that is owned or rented at prices set by the market and affordable to low-middle income earners.

"Community Amenities" contribute to the attractiveness of a project or a neighbourhood, and typically include aesthetic features, public spaces, and facilities to meet a range of social, cultural, recreational, and infrastructure needs of the community.

[4] The City of Vancouver has comparable authority, under the *Vancouver Charter*, for "development cost levies".

"Community Amenity Contributions (CACs)" are amenity contributions agreed to by the applicant/developer and local government as part of a rezoning process initiated by the applicant/developer. CACs can take several forms including community amenities, affordable housing and financial contributions towards infrastructure that cannot be obtained through DCCs, such as recreation facilities or a fire hall. The agreed-to contribution would be obtained by the local government if, and when, the local government decides to adopt the rezoning bylaw.

"Density Bonus Zoning", as authorized under LGA s. 904, is intended to provide options for the developer to build either to the "base" density or to a higher level of density, if they provide certain amenities or affordable housing, or meet other specified conditions. The developer, by right, always has the option of developing at the base level of density, but usually has an incentive to consider higher densities.

Legislative Context

Provincial legislation enables local government to require services, collect fees and/or obtain land from new development to address certain impacts of new growth. The following sections of the LGA enable local governments to require new development to provide:

- DCCs for off-site services (s. 933);
- money towards acquiring school sites (s.937.3);
- on-site services related to subdivision (s.938);
- excess capacity or extended services (s.939);
- up to 5% of land being subdivided for park land, or cash-in-lieu (s.941); and,
- land for roadways (s.945).

Not all impacts of development are covered by these legislative provisions. Increasingly, local governments are taking the position that new development should not be a burden on local taxpayers and are supplementing the above requirements with CACs. For example, local governments commonly impose DCCs to pay for allowable items such as water and sewer mains then seek contributions towards facilities not covered by DCCs, such as expansion of a fire hall, recreation centre or library.

Whether new development is on "green field" sites or accommodated by the redevelopment of existing areas, it often brings resistance. Existing residents are often concerned about negative impacts of new development, such as the increased number of cars parked on streets or obstructed views. Community amenity contributions used, for example, to help fund upgraded parks, street art and community centres, have helped existing residents see tangible benefits from new development.

Local governments also report a trend in the demand for amenities that relate to a change in urban form. For example, where a single family neighbourhood transitions towards higher density, backyards are reduced in size or eliminated and residents' expectations for quality outdoor public spaces and other amenities increases. In response, local governments may turn to CACs to help pay for these community amenities.

With some of the most expensive housing in North America occurring in British Columbia, local governments are also using CACs and density bonus zoning to help meet housing needs that the housing market is failing to deliver on its own.

Examples of affordable and special needs housing types that have been provided include price-controlled, limited equity market housing units; housing for people with special needs; and guaranteed or time-limited rental units with rent controlled mechanism[5].

Part 1 - Summary

- Local governments face many challenges in managing growth.
- Legislation allows local governments to impose DCCs for certain off-site services, namely, water, sewer, drainage and roads and park land.
- LGA s. 904 allows zoning bylaws to include the option of additional (bonus) density subject to specific conditions, which can include providing amenities.
- As an additional approach local governments are increasingly negotiating CACs from applicants/developers seeking a change in zoning.
- It is important that local governments recognize the relationship between CACs and housing affordability and make efforts to balance the opportunity to obtain community amenities with the goal of helping families to secure affordable housing.

[5] http://wcel.org/density-bonus

Part 2: Staying on a Solid Legal Footing

A common misperception is that local governments have authority to **require** CACs as a condition of rezoning. In fact, there is no authority to impose such conditions on a rezoning applicant; any contributions must either be at the initiative of the applicant/developer or emerge from rezoning negotiations between the applicant/developer and the local government.

Legal authority, generally speaking, for local governments is derived from statutes, such as the LGA or the *Community Charter*. The statutes also include conditions and limits on these powers. Court rulings over time have provided interpretations of this legal authority and direction on how it can be used.

In some cases the law is *mandatory*, i.e. requires local government to do something. In other cases, it is *discretionary*, i.e. it gives local government latitude to do something or not. The courts have acknowledged that zoning is a discretionary power, so councils/regional boards can choose whether or not to approve a rezoning.

The courts have also recognized that councils/regional boards can examine a wide range of considerations before exercising their discretion on whether to approve a rezoning request and adopt the proposed zoning bylaw. Most considerations fall into two categories.

Planning and servicing considerations: The council/regional board may consider how the proposal would fit with the policies contained in community and regional plans; what impact the proposed development would have on local utilities such as water, drainage and sewage infrastructure; and whether the capacity of roads, recreation and other facilities or services could accommodate the increased demand.

Public interest considerations: The council/regional board may consider whether the proposed development would have a positive or negative impact on the immediate neighbours and the broader community. This would include considering how the development would fit in aesthetically, whether the development would add or subtract from, for example, the supply of affordable housing or industrial land.

It is important for local governments to appreciate that in the case of zoning decisions, the council/regional board "discretion" is limited to either approving or not approving the zoning bylaw. Having discretion to approve or not approve a zoning bylaw does not give authority to unilaterally impose conditions.

If the council/regional board wishes applicants/developers to contribute amenities or provide affordable housing, it should either amend its zoning bylaw to include density bonus options, with specified contributions as a condition of higher density, or be prepared to negotiate such contributions when rezoning applications are put forward. It is critical that any discussions with rezoning applicants be negotiations, not the council/regional board imposing charges for rezoning.

While some people may view the difference between requiring a contribution and negotiating one as semantics, it is nevertheless critical from a legal perspective. The courts can be expected to see this difference as important in determining whether a zoning bylaw was done legally or illegally. The Appendix illustrates an example of how to establish guidelines for CACs while remaining open to negotiation.

Legal Risks

There are three specific legal risks that local governments should avoid when dealing with CACs: imposing unauthorized fees, charges and taxes; not keeping an open mind; and using building and subdivision approvals to obtain amenities.

Imposing Unauthorized Fees, Charges and Taxes

The LGA s. 931 includes a number of restrictions on fees, charges and taxes that can be imposed on development applications. One provision of particular importance to rezoning applications is subsection (6).

> *(6) "A local government, the City of Vancouver or an approving officer must not*
> > *(a) impose a fee, charge or tax, or*
> > *(b) require a work or service be provided*
> > *(c) unless authorized by this Act, by another Act or by a bylaw made under the authority of this Act or another Act."*

When dealing with rezonings, local governments can put themselves at legal risk by creating fees, charges or taxes that are not expressly provided for in legislation.

Practices to **avoid** include:

- Imposing any charge, including CACs, for which there is no legal authority;
- Presenting an applicant/developer with a list of "required" contributions that will be expected if the rezoning is to proceed; and/or,
- Adopting a general policy or a policy in a community or neighbourhood plan that could be construed as imposing charges for rezoning and implying that these are not negotiable.

Not Keeping an Open Mind

When exercising their legislative discretion to adopt zoning bylaws, council/regional board members must keep an open mind and cannot bind themselves, or pre-determine how they will vote on the proposed rezoning bylaw. Elected officials are free to consider a range of factors but they need to be open to rejecting the rezoning bylaw if, for example, they are swayed by arguments put forward at the public hearing. Guaranteeing that a rezoning bylaw will pass before it is voted on means that the council/regional board is no longer open-minded, and this should never be done. In practical terms, this means that the council/regional board should not use bylaws, internal policies or other means that could be construed to indicate that it is not open to persuasion regarding whether a rezoning bylaw should pass.

It is worth differentiating between the above-mentioned commitment to pass a rezoning bylaw and entering into an agreement with an applicant/developer that deals with the timing of the transfer of affordable housing or amenity contributions. While committing to pass a bylaw prior to voting is problematic, an agreement that sets out how and when specified amenities would transfer to the local government afterwards, **<u>if</u>** a rezoning is passed, is allowed because it does not interfere with the council/regional board discretion to pass the rezoning bylaw.

To stay clear of legal difficulties, any such agreements should be written so that any contributions being offered by the developer would transfer only if and when the council/regional board adopts the zoning amendment, but not in any way suggest that the council/regional board is committed to adopting the rezoning bylaw. To be transparent, the council/regional board should also ensure that the public is aware that certain amenities or housing are being offered by the applicant/developer.

Practices to **avoid** include:

- Adopting a policy that could be seen as committing the council/regional board to rejecting rezoning proposals unless the applicant/developer provides contributions; and/or,
- Guaranteeing an applicant/developer, either verbally or in writing, that a zoning amendment will pass if they make certain contributions.

Subjecting Building and Subdivision Approvals to CACs

In some cases, the legislation gives certain development approval decisions to an unelected official. Examples include the building inspector and the subdivision approving officer. The legislation does not allow these "technical" decisions to be made or influenced by elected officials, so it would be inappropriate for a council/regional board to try and use these approval processes to extract contributions from the applicant/developer.

Practices to **avoid** include:

- Requesting or directing the building inspector or subdivision approving officer to levy charges or require contributions that the council/regional board has no authority itself to impose.

It should be noted that it may be practical for agreed upon CACs to **transfer** at the time of subdivision approval or issuance of a building permit, and this is permitted. In such cases, the contributions are not being imposed by the building inspector or subdivision approving officer as they were already agreed to by the applicant/developer and the council/regional board, and the technical approval is simply a convenient time for the transfer to be made.

Local governments should consult their lawyer for any legal advice on these or other legal issues.

Part 2 – Summary

Practices to Avoid:

- Imposing any charge, including CACs, for which there is no legal authority.
- Presenting an applicant/developer with a list of "required" contributions for rezoning to proceed.
- Adopting policies that could be:
  - construed as imposing charges for rezoning and implying these are not negotiable; or,
  - seen as committing the council/regional board to rejecting rezoning proposals unless the applicant/developer provides contributions.
- Guaranteeing an applicant/developer, either verbally or in writing, that a requested zoning amendment will pass if they make certain contributions.
- Requesting or directing the building inspector or subdivision approving officer to levy charges or require contributions that the council/regional board has no authority itself to impose.

Part 3: Recommended Practices for CACs

Local governments currently using or considering obtaining CACs should consider the challenges that CACs bring.

Official Community Plans and Zoning Bylaws

Zoning bylaws were invented a century ago, as a means to regulate land uses and structures, particularly those that posed a threat to public health and safety. With the development of official community plans (OCPs), zoning became the primary tool for implementing the plan.

As OCPs are long term visions, they are usually general in nature. They typically do not detail uses or specific densities. This flexibility is acceptable because legally a plan is a policy document that guides decisions of the council/regional board. Zoning, on the other hand, specifies what people can/cannot do on their property, and therefore needs to be clear and specific. These differences set the stage for a certain amount of negotiation when rezonings are proposed, and the council/regional board needs to consider how the general, long term vision expressed in their community plan should be translated into specific allowable uses, densities, siting, sizes and dimensions in the zoning bylaw.

Councils/regional boards can expect careful scrutiny from the public when considering proposed rezonings. The public is looking for confidence that the community plan they were consulted on is being followed, both in law and in spirit. Understandably, public confidence in the council/regional board and the OCP would be eroded if they believed that the plan would be amended whenever an opportunity arose to increase local government revenue. While site-specific OCP amendments to accommodate unanticipated developments are legally permissible, it is recommended that local governments anticipate land use changes with periodic comprehensive reviews of the plan rather than undertake frequent OCP amendments.

To maintain public confidence in the planning process, it is critical that councils/regional boards see zoning as a regulatory tool, and a means to implement the OCP. It is vital that councils/regional boards **NOT** focus on rezoning as a revenue source and lose sight of long term planning. Councils/regional boards must avoid the perception that they are no longer planning but simply "selling zoning".

Planning for CACs

Detailed information on the capacity of infrastructure such as roads, water systems, fire services or recreation facilities to accommodate additional development enables a local government to assess the impact of future development. This information enables local governments to establish DCC, subdivision servicing and other servicing-related bylaws to address infrastructure requirements as provided for in legislation. This "planning ahead" approach offers a good model for considering potential CACs. Planning ahead can help ensure that potential contributions are earmarked for the highest priorities. Such an approach comprises:

- understanding future growth projections, how the OCP vision and policies accommodate growth, and how new development will impact the community;
- working with the community and stakeholders, including developers, to identify the amenities that will help address the impacts of growth; and,
- estimating and allocating the costs required to pay for the amenities; and could also include, establishing preferred target amounts for CACs.

In most cases, this planning is best undertaken at the neighbourhood level. Some local governments include neighbourhood "service deficiencies" or other "community needs" lists in an OCP. It is recommended that local governments incorporate into the OCP a discussion of amenities, including reasons for acquiring the amenities and how the costs should be shared between new development and the existing population.

Community amenity contributions should not be used to fund annual operating, long term repair and/or future replacement costs. Any planning for potential CACs should take into account the full life cycle costs – including the annual operational costs and long-term repair and replacement costs – of amenities that result from the contributions. Local governments should be prepared to assume these costs and only acquire those amenities that they can afford to operate and maintain within their annual budgets[6].

Where the impacts of new development have been clearly identified, applicants/developers are more likely to consider the contributions that address these impacts as reasonable. Certainty and transparency in relation to potential CACs are important. Uncertain and arbitrary CAC amounts make it difficult for applicants/developers to assess the financial risk associated with a project, which makes it difficult for them to demonstrate to potential financial backers that a project is viable and worth risking their funds.

The principles and practices described in this section – such as planning ahead, planning at a neighbourhood scale and clearly identifying the impacts of new development – apply equally to the development of a density bonus zoning bylaw and the amenities identified in it.

Applying the Principles of Nexus and Proportionality

Applying the principles of "nexus" and "proportionality" will help ensure that applicants/developers see CACs as fair and reasonable and also help community members to accept new development.

Amenities adhere to the principle of "nexus" when there is a direct, demonstrable link between CACs and the impacts of the new development. For example, where neighbourhood recreation services are already overcrowded, both the applicant/developer and existing residents are far more likely to support CACs targeted for the expansion of those recreation facilities, rather than for an undetermined project or in another neighbourhood.

The principle of "proportionality" is adhered to when a CAC from an applicant/developer is proportional to the impact that their development generates and consistent with the CACs made by other applicants/developers. Asking an applicant/developer to contribute the lion's share of the costs of a community centre, when the residents of their project would generate minimal usage or where other applicants/developers have not contributed, goes against this principle.

It should be noted that nexus and proportionality are intended to apply in general, and it is acknowledged that there is also a need to consider the unique circumstances of particular neighbourhoods and particular developments.

New development also provides an opportunity to address needs beyond the immediate neighbourhood, including affordable housing, heritage conservation and other public facilities located elsewhere and serving the whole community.

[6] www.assetmanagementbc.ca

When it comes to considering CACs for amenities that are not located near the site being developed, it is particularly important to apply the principle of proportionality and demonstrate the link with the new development. For example, a contribution to a recreation facility located across town may be legitimate, but it should be based on a reasonable estimate of the usage by the residents of the new development. This ensures that the public and the applicant/developer can appreciate that the CAC is proportional to the impact of the new development.

The principles of nexus and proportionality are also important to consider when developing density bonus provisions in a zoning bylaw.

Being Transparent About CACs

Some local governments use reserve funds to assure residents and applicants/developers that CACs from new development will be used in specific neighbourhoods and/or for specific projects.

Accepting cash that is not tied to a specific project or capital plan for a group of projects is a poor practice, and can suggest that the council/regional board is not in touch with neighbourhood or community needs. This type of practice is also more likely to be seen by the applicant/developer as unnecessary, arbitrary and simply a tax on development.

Maintaining public records of all types of CACs (e.g. financial, physical structures, and land) can also help applicants/developers to anticipate financial impacts and incorporate these costs into their assessment of whether a project is viable. This information can also speed up the rezoning process, because it gives applicants/developers a starting point for considering what amenities they should include in their rezoning proposal. This practice can also help to ensure that residents are aware of the tangible benefits received as a result of accepting new development in their neighbourhood.

Being transparent about CACs not only helps the public to have a more complete picture of what the council/regional board is considering when it deals with rezoning requests, it also helps reduce concerns that secretive discussions are being held to secure council/regional board support.

Determining CAC Amounts

Local governments are encouraged to borrow the principles and practices that apply to DCCs and use them to develop (tables of/schedules of) estimated CAC amounts. These well-established DCC practices will help citizens and applicants/developers appreciate the rationale for CACs, and see them as fair and the process transparent.

The Ministry's *Development Cost Charge Best Practices Guide* provides numerous examples of how to determine the appropriate cost sharing for many types of infrastructure. These best practices have been endorsed by the Ministry, UBCM, and the development industry. The guide is available online at:
http://www.cscd.gov.bc.ca/lgd/intergov_relations/library/DCC_Best_Practice_Guide_2005.pdf

Some impacts of development are indirect, or difficult to measure, but are nevertheless real concerns for the people affected. For example, densification of a neighbourhood through the construction of higher buildings may result in more cars parked on the street, increased shade or the loss of previously unobstructed views.

Providing amenities to offset these impacts increases the chance that new development will be seen as improving the quality of life in a neighbourhood, not detracting from it. Installing street art, changing bus stops to bus shelters, or replacing a seasonal outdoor pool with a larger indoor facility, are examples. In some cases, these “quality of life” amenities also improve the marketability of the new development. The policies in the Appendix illustrate one option for capturing and funding such enhancements, e.g. a “neighbourhood enhancement project”.

Determining the appropriate level of CACs for “quality of life” amenities is more challenging than for infrastructure covered by DCCs, where benefits and usage can be relatively easily measured. In some cases, there will be no formulas or best practices to assist in this determination. Local governments will be required to make informed judgements (i.e. using the principles in this guide) about which amenities are desirable, which are reasonable given the economics of the new development, and how the costs should be shared between applicants/developers and the local government.

Affordable Housing

Zoning bylaws can be effective tools for securing more affordable housing. However, before seeking financial contributions from applicants/developers towards affordable housing, local governments are strongly encouraged to adopt zoning measures that, in and of themselves, will increase affordable housing.

As a first step, local governments should adopt an “affordability by design” approach to writing their zoning bylaws. This means creating zones that allow for design features that can reduce the costs of producing housing units and/or encourage additional units. Simple measures include reducing or eliminating setbacks and parking requirements to allow land to be used more efficiently. Other measures include defining density to exclude exterior walls, or utility areas and other shared spaces. Adopting zoning provisions that allow more secondary units to be built, e.g. suites and laneway houses, is also consistent with this approach.

Density bonus zoning can also be effective in promoting affordable housing. The zoning bylaw can specify design features or affordability outcomes that would be required to allow the additional units. For example, it could allow additional units if a certain percentage of the housing being built would be smaller than a certain size.

Part 4 explains how strategies that increase the supply of housing, or provide incentives such as fast-tracking development approvals, have a positive effect on affordability, while strategies that rely on developers making financial contributions have more risk and may reduce supply and contribute to higher housing prices.

Using CACs for Capital Costs Only

It is important to consider capital versus operating costs. It is reasonable to expect new development to contribute to the capital costs of infrastructure and amenities necessary to support that growth. Once the new residents and businesses move into that development, they will contribute to the operating costs of the infrastructure and facilities, through user fees, utility charges and property taxes. If CACs also go towards operating costs, then these new residents may end up paying twice; indirectly, where market prices have increased due to CACs, and then again with other residents and users. Therefore, operating costs of services and facilities are more appropriately recovered through user fees and property taxes.

Some local governments have gone as far as to adopt policies indicating that CACs for facilities are only to be sought where the local government has identified room in the budget for the anticipated annual operational costs plus any projected repair and replacement costs.

As noted earlier, it is recommended that local governments consider the principles and practices identified in this section in the development and implementation of density bonus provisions in their zoning bylaws.

Part 3 - Summary

Certainty, fairness and transparency in relation to CACs are important, therefore it is recommended that:

- An analysis of what amenities are needed to address future growth and how those could be provided should be incorporated into the OCP or other appropriate plans.
- Councils/regional boards NOT focus on rezoning as a revenue source.
- Local governments apply the following principles to CACs:
  - nexus;
  - proportionality; and,
  - other DCC principles and practices to develop targets for CAC contributions.
- Local governments should adopt zoning measures that, in and of themselves, will increase affordable housing.
- Community amenity contributions should be:
  - limited to capital costs;
  - earmarked for specific projects; and,
  - kept in reserve funds and used only for the intended projects.
- Local governments should consider and apply, where relevant, the same principles and practices to the development and implementation of density bonus provisions in a zoning bylaw.
- Public records of all developer contributions be maintained.

Part 4: CACs and Housing Affordability

Local government plans, regulations and policies can have a significant impact on housing prices because they affect the supply of developable land, as well as, the cost of developing that land. Understanding potential impacts allows local governments to make informed choices, including how and when to try and secure CACs.

Progress on Housing Affordability Requires a Focus on Supply

Fundamentally, actions that expand the supply of housing units will help keep housing costs down, while actions that restrict supply will contribute to higher prices. In other words, if there is a lot of housing available then buyers are in a relatively strong position and prices go down, but where the demand is greater than the supply, there is more competition and prices go up.

Local governments make a major contribution to ensuring a diverse and ample housing supply by adopting regional and community plans that identify housing needs and designate adequate locations to accommodate anticipated demands. As outlined earlier, a variety of zoning measures can also help increase supply, as can incentives such as fast-tracking development approvals.

Local government processes and requirements also affect the actual cost of producing housing. Since CACs increase the cost of a project, it is important to consider who ultimately pays for these additional costs, and how they may affect housing supply and, ultimately, housing prices. This issue is of particular concern in areas where land is in short supply.

Who Ultimately Pays for CACs?

It is commonly assumed that when a developer agrees to provide CACs, the cost is borne by the developer or they deduct the amount from what they would have paid for the land. In other words, CACs reduce the developer's return on their investment or the land owner's profit, but do not affect the cost of housing. This assumption is worth a closer look.

Are CACs Likely to Reduce Developer Profit?

A common assumption is that, if a local government obtains CACs from a developer, it simply reduces the return on investment made by the developer. Real estate market economists and historical evidence indicate that this is unlikely. The cost of development has increased significantly over time, with increases in the cost of land, materials, labour, DCCs, etc. There is no evidence to show that such cost increases have reduced developer profits. In fact, developer profit margins have remained remarkably stable over time.

To the extent that developer profits vary, they are primarily affected by the business cycle. Developers make more money when markets are vibrant, mainly because they sell more units in a good market. They make less money when markets are slow, but again, this is mainly because they sell fewer units in those conditions. The reality is that developers and their financial backers only pursue projects if they feel that they can achieve their expected return on investment, which for a typical project is around 15 percent.

It is more logical to assume that if CACs reduce a developer's expected return by a significant amount, they would either decide not to undertake a project, or would not be able to find investors for the project. The concern with this outcome is that fewer projects/new housing will be built in the community, which in turn will put upwards pressure on housing prices.

Are CACs Likely to Reduce Land Owner Profit?

Developers know that they cannot simply raise their asking prices when faced with additional costs; that the selling price is set by the market. They also know that the costs of labour, materials, DCCs, return on investment, etc. are also fixed. Therefore a developer faced with increased costs, such as CACs, will try and find savings in the cost of land, offering less than they would have otherwise (see Exhibit 1).

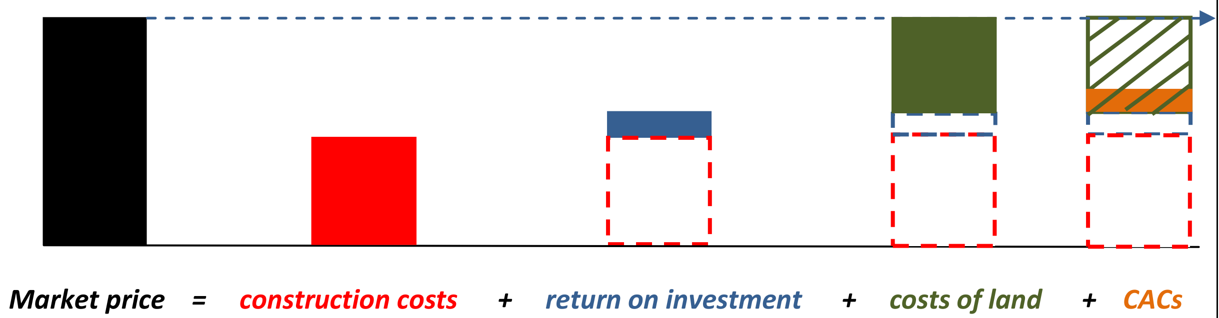
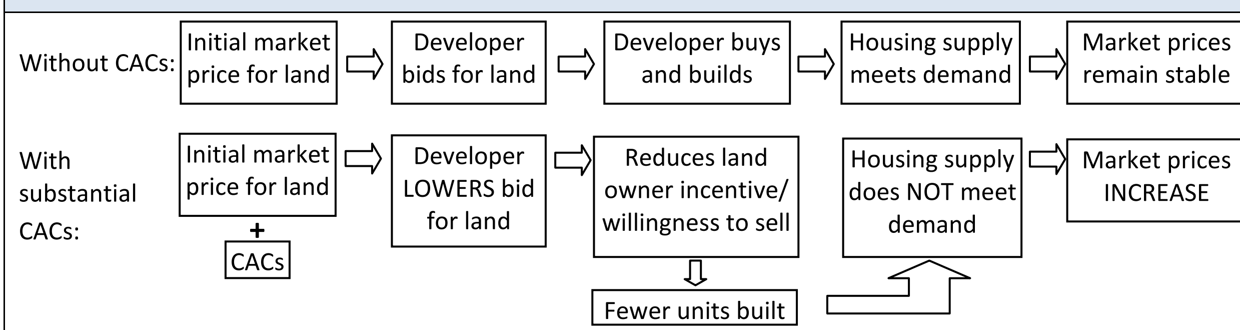


Exhibit 1: Impact of CACs on the price developers can pay for the land

Where there is a healthy supply of land available for development, it is more likely that the developer will find an owner willing to accept the lower price. However, where the supply of developable land is limited, as in B.C.'s growing urban areas, land owners are in a strong bargaining position and are less likely to accept a significantly lower price. Faced with significantly lower bids, the more likely result is that fewer land owners will be willing to sell. As with the above, the concern is that fewer projects will proceed, new housing units will not satisfy demands and this will put upwards pressure on housing prices (see Exhibit 2).

Exhibit 2: A simplified comparison - impact of CACs on housing prices



The above diagrams show that while CACs cannot directly increase the price of housing for a particular development, if they are widely used, CACs can push up prices in the overall market.

The amount of the CAC requested is paramount. If the value of CACs adds a relatively small amount to the cost of a project, the CACs may push the price of land down slightly and/or the developer might take slightly less profit, but the CAC amount is unlikely to prevent the project from proceeding. Alternatively, when the value of CACs is **significant**, it is more likely that the project would not proceed, and that the result will be upwards pressure on housing prices.

Land Owner Incentive to Sell is an Important Consideration

Developers often do not own the land they want to develop. They often have to purchase the property, and in many cases have to assemble a number of independently-owned parcels. Their ability to proceed with projects depends on whether land owners see it in their best interests to sell their property, and this will vary from person to person.

Consider two contrasting scenarios:

A. A vacant, low density commercial site, where the owners are known to be motivated to sell or redevelop. CACs may not present an obstacle to the owner redeveloping the site themselves or selling the land to a developer.

B. An established residential area, with homeowners who are reluctant to sell and relocate their families, but where the community plan calls for higher density. A developer trying to assemble land in these circumstances would likely have to pay a premium to convince owners to sell. The developer would be less able to provide CACs, without jeopardizing the viability of the proposed development.

This suggests that an "across the board" approach to CACs is more likely to be problematic, at least in some parts of the community, and local governments should be flexible in their approach and in any policies they establish related to contributions.

Some local governments have developed information on CACs for land owners and developers to increase awareness that CACs are likely to affect land values and to help them understand the rationale behind their CAC policies.

Part 4 – Summary

- Strategies that facilitate an increase in the supply of housing have a positive effect on affordability.
- Since CACs increase the cost of a project, it is important to consider who ultimately pays for these additional costs, and how they may affect housing supply and, ultimately, housing prices. This issue is of particular concern in areas where land is in short supply.
- The potential impact of CACs on housing affordability is higher where CACs are a significant portion of the cost of the development.
- The impact of CACs is variable, suggesting a flexible approach is needed.

Part 5: Choosing an Approach to Obtaining Amenities

There are currently three typical strategies used to seek amenities. These are:

1. Including density bonus provisions in a zoning bylaw (using the authority in LGA, s.904);
2. Setting preferred CAC amounts for properties being rezoned, typically on a per unit or an area basis; and,
3. Seeking CACs based on the expected increase (“lift”) in the value of the land that would result from the rezoning, typically as a percentage of the lift.

Each strategy has some advantages but also some risks, particularly related to housing affordability.

Density Bonus Zoning

Density bonus zoning is intended to provide options for the developer, to build either to the “base” density or to a higher level of density, if the developer provides certain amenities or affordable housing, or meets other specified conditions. The developer, by right, always has the option of developing at the base level of density, but usually has an incentive to consider higher densities. A density bonus is intended to be an option for the developer. It should be a “win/win” for both the developer, whose profit should increase with the sale of additional units, and the local government, who may obtain more affordable housing or amenities plus higher property tax revenues for the additional units or floor area built.

Density bonus zoning has the advantage over CACs of being highly predictable, as both developers and neighbours will know what range of density can be expected. Density bonus zoning works best when the density bonus is a modest increase, so that it does not change the character of a neighbourhood. “Pre-zoning” land with a density bonus saves time for the local government and the developer, as it eliminates the need for rezoning and any negotiations over contributions.

Offering large bonus densities would likely undermine public confidence in the OCP and the stability that the public expects from such plans. Local governments should also avoid setting an unreasonably low base density, as this offers no practical option but to build the “bonus”. Taking away the choice effectively makes the contribution a requirement, and is not what the legislation intended.

Local governments can sometimes find it challenging to gauge whether developers are likely to take advantage of the density bonus and provide the amenity contribution conditions in a density bonus bylaw. Some local governments consult with the development community and/or engage people with expertise in real estate market and financial analysis to help shape proposed density bonus zoning bylaws and monitor changes in local market conditions that may suggest adjustments are needed to their bylaws.

Setting Preferred CAC Targets for Properties Being Rezoned

Some local governments pre-determine target CACs that they intend to seek from applicants/developers when land is rezoned. Such targets should be designed to apply to typical developments and serve as a starting point for negotiations. As explained in Part 1, CACs cannot be presented as fixed charges.

Target contributions have the advantage of being relatively predictable, and yet still provide the developer some room to negotiate if they consider that their development should receive particular consideration. The target contributions also provide consistency and a sense of fairness, offering a degree of assurance that all developers will be contributing comparable amounts.

The Appendix illustrates how pre-determined target contributions can be implemented, and includes examples of policies.

Setting targets for contributions shares many of the same challenges as density bonus zoning, e.g. in terms of determining a reasonable target contribution, so consulting the development community and/or engaging people with expertise in real estate market and financial analysis is recommended.

Negotiating CACs Based on Property Value "Lift"

Some local governments use the property value "lift" approach to securing CACs. This involves estimating the land value prior to rezoning, estimating the value after rezoning, and using this information as the basis for determining a financial target to negotiate as CACs.

Negotiating CACs based on a "lift" approach is inconsistent with the principles set out in this Guide, and is the approach most likely to reduce the supply of developable land and housing, thereby contributing to higher housing costs. The CAC principles set out in this Guide, including 'planning ahead', nexus and proportionality, support an approach that clearly identifies community needs and the impacts associated with new development, and links the CAC not to the "lift" in land value, but rather to the cost of providing a package of amenities that makes sense given the development being proposed.

Other issues to consider with the "lift" approach are that:

- the negotiations are often more complex and time-consuming, relative to the other approaches; and,
- the value of the CAC is often highly unpredictable, compared with the other approaches.

Choosing a Strategy for Obtaining Amenities

Overall, it is recommended that local governments make density bonus zoning their starting point when seeking amenities and affordable housing. Allowing modest levels of density bonus, tied to modest contributions, strikes a good balance between ensuring new development contributes to a community while minimizing the risk that these contributions hurt housing affordability.

Where "pre-zoning" land with a density bonus may not be practical, local governments are encouraged to set targets for CACs, and be open to negotiation at time of rezoning. Again, the target contributions should be modest to minimize the impact on housing affordability.

Negotiating CACs based on a "lift" approach is inconsistent with the principles set out in this Guide. These principles support an approach that clearly identifies community needs and the impacts associated with new development, and links the CAC not to the "lift" in land value, but rather to the cost of providing a package of amenities that makes sense given the development being proposed.

Part 5 – Summary

- Make density bonus zoning the starting point when seeking amenities.
- If not density bonus zoning, then set targets for CACs and be open to negotiation at time of rezoning.
- Negotiating CACs based on a “lift” approach is inconsistent with the principles set out in this Guide. The CAC principles set out in this Guide, including ‘planning ahead’, nexus and proportionality, support an approach that clearly identifies community needs and the impacts associated with new development, and links the CAC not to the “lift” in land value, but rather to the cost of providing a package of amenities that makes sense given the development being proposed.

Summary

The purpose of this guide has been to help local governments understand the risks, challenges and recommended practices related to obtaining CACs. The guide has also described the relationship between CACs and housing affordability, and encourages practices that do not risk inadvertently causing housing prices to increase. While the focus of this guide has been on CACs, most of the recommended principles and practices apply equally to CAC and density bonus approaches.

The guide outlines the following recommended practices for local governments to consider in their approach to CACs:

1. Avoid Legal Risk and Maintain Public Confidence

- Negotiate, do not impose CACs. A common misperception is that local governments have authority to **impose** CACs as a condition of rezoning. In fact, the *Local Government Act* [s. 931(6)] prohibits this. CACs must be negotiated.
- Avoid the perception that zoning is for sale. Elected officials must remain "open-minded" during the rezoning process, and must not *commit* to approving a rezoning subject to CACs. Zoning should not be considered a revenue stream. The perception of "selling zoning" undermines public confidence in the local government and the community plan.

2. Plan Ahead

- Identify potential amenities that could be partly funded through CACs when preparing or updating the community plan, ideally identifying the priorities at the neighbourhood level.

3. Seek Modest Contributions and Follow an Approach that Balances Community Amenities and Housing Affordability

- The potential impact of CACs on housing affordability is higher where CACs are a significant portion of the cost of the development.
- Since CACs increase the cost of a project, it is important to consider who ultimately pays for these additional costs, and how they may affect housing supply and housing prices. This issue is of particular concern in areas where land is in short supply.
- Strategies that facilitate an increase in the supply of housing have a positive effect on affordability.
- The impact of CACs will be different in different areas or circumstances, so a flexible approach is best.

4. Apply Development Cost Charge (DCC) Principles to CACs

- Ensure a direct, demonstrable link ('nexus') between CACs and the impacts of new development.
- Ensure CACs are proportional to the impact of the development and consistent with the CACs made by other applicants/developers.
- Be transparent about the amount of CACs and how they will be used.
- Borrow the principles and practices that apply to DCCs to develop (tables of/schedules of) estimated CAC amounts.
- CACs should only be used for capital costs. Local governments should be sure that they have the budget capacity to deal with operational and repair costs over time.

5. Engage the Development Community

- Be aware of how CACs could impact projects and their viability, to avoid contributing to higher housing prices.

6. Choosing an Approach to Obtaining Amenities - As a starting point to operationalize an approach for obtaining community amenities, it is recommended that local governments consider the following strategies (in order):

- ***Adopt an "affordability by design" approach to writing zoning bylaws*** – i.e. zones that allow for design features that reduce the costs of producing housing units and/or encourage additional units, e.g. reducing/eliminating setbacks and parking requirements.
- ***Use density bonus zoning*** – modest levels of density bonus, tied to modest contributions, ensures new development contributes to needed infrastructure while minimizing impact on housing affordability.
- ***Set targets for CACs*** – and be open to negotiation at time of rezoning. These targets should be modest to minimize impact on housing affordability.
- ***Negotiating CACs based on a "lift" approach is inconsistent with the principles set out in this Guide***, and is the approach most likely to reduce the supply of developable land and housing, thereby contributing to higher housing costs. The CAC principles set out in this Guide, including 'planning ahead', nexus and proportionality, support an approach that clearly identifies community needs and the impacts associated with new development, and links the CAC not to the "lift" in land value, but rather to the cost of providing a package of amenities that makes sense given the development being proposed.

APPENDIX: Illustration of Policies for a Target Approach to CACs

The following policies illustrate how a local government can adopt an approach to CACs that is consistent with the recommendations in this guide. The model is a hybrid of practices in place in a number of B.C. local governments.

Local governments are encouraged to consider the following as a starting point, and customize the policies to address local circumstances.

A. General Policies on Target Contributions for Land Being Rezoned

1. Council supports the view that residents expect new development to pay its own way and make a positive contribution to the community.
2. To the extent that infrastructure and amenities are required to meet the needs of new residents and businesses, the capital costs of these improvements should be borne by the new development, and not be a burden on existing taxpayers.
3. Council encourages applicants for rezoning to consider proposing CACs towards needed infrastructure and amenities as a way of ensuring that their development is seen as making a positive contribution to the neighbourhood and the community at large.
4. Council will only accept CACs where it considers that future budgets will be able to support the estimated costs of maintaining and repairing the infrastructure and amenities.
5. Where new infrastructure and amenities benefit both existing and new residents and businesses, an estimate has been made of the proportion of these costs that would be attributable to new development. Where practical, Council used methods similar to those used to determine cost sharing of infrastructure paid for by development cost charges (DCCs).
6. In addition to requiring expansion of facilities such as fire halls and recreation centres, new development can impact neighbourhoods in other ways, such as increasing traffic and increasing on-street parking. To help offset these impacts, a "neighbourhood enhancement project" is included for each neighbourhood. Neighbourhood consultations were held to prioritize potential projects. Council intention is that new development pay 100% of the cost of these enhancements.
7. Applicants for rezoning are encouraged to consider contributions in line with those indicated below, for neighbourhood and for city-wide infrastructure and amenities. Council acknowledges that market conditions, site specific conditions, and other factors will affect the ability of specific projects to contribute towards infrastructure and amenities. For this reason, the policy contains "recommended targets" only.
8. Non-profit organizations serving the community will not normally be expected to make CACs.
9. The project costs, cost sharing and target contribution figures below are estimates and are provided for information only. They will be adjusted periodically to reflect inflation, actual CACs collected, or other new information. The most current information can be obtained from the Planning Department and on the municipal website.

B. City-Wide and Neighbourhood Amenities

The following facilities were identified in the 2013 Facilities Study as requiring upgrading or expansion due to new development.

1. *City-wide*
   a) *Transit Exchange Expansion Project*
   b) *Old Market Heritage Preservation Project*
   c) *Commuter Path Expansion Project*
2. *McKay Valley*
   a) *Fire Hall #4 Expansion Project*
   b) *Valley Recreation Centre Expansion*
   c) *McKay Pathway Lighting Project*
   d) *McKay Valley Neighbourhood Enhancement Project (traffic calming, landscaping and park facilities upgrade)*
3. *Henderson*
   a) *Fire hall #4 Expansion*
   b) *Valley Recreation Centre Expansion Project*
   c) *Henderson Community Hall Replacement*
   d) *Henderson Neighbourhood Enhancement Project*
4. *Boundary*
   a) *Fire Hall #1 Expansion Project*
   b) *Mountain View Recreation Centre Expansion Project*
   c) *Boundary Neighbourhood Enhancement Project*
5. *Northwest*
   a) *Fire Hall #3 Expansion Project*
   b) *Northwest Neighbourhood Enhancement Project*

C. Targets for Cost Sharing of City-Wide Amenities

The following outlines the city-wide facilities that will require upgrading due to projected growth in the community, and cost sharing expectations of Council. All applicants for rezoning should consider CACs in line with the recommended targets. Council acknowledges that special circumstances may exist with regard to certain development that warrant lesser CACs, and encourages applicants to provide any information on such circumstances. Some special cases have been identified, under "Exceptions".

City-Wide Amenity	Capital Cost	% of cost attributable to new dev't	Target from rezonings	Recommended contributions from rezoning applicants
Transit Exchange Expansion	$1.5 M	10%	$150,000	$X per housing unit $X per sq ft commercial or use
Old Market Heritage Preservation Project	$800,000	10%	$80,000	$X per housing unit $X per sq ft commercial or office use
Commuter Bike Path Expansion	$680,000	10%	$68,000	$X per housing unit $X per sq ft commercial or office use

Exceptions

- Purpose built rental housing may be exempted.
- Single family dwellings under 1200 sq ft and accessory dwelling units under 600 sq ft may be exempted from up to 50% of recommended targets.

D. Targets for Cost Sharing of McKay Valley Amenities

The following outlines the facilities that will require upgrading due to projected growth in the McKay Valley neighbourhood, and cost sharing targets of Council. All applicants for rezoning should consider making CACs in line with the recommended targets. Council acknowledges that special circumstances may exist with regard to certain development that warrant lesser CACs, and encourages applicants to provide any information on such circumstances. Some special cases have been identified, under "Exceptions".

McKay Valley Amenity	Capital Cost	% of cost attributable to new dev't	Target from rezonings	Recommended contributions from rezoning applicants
Fire Hall #4 Expansion	$3.0 M	50%	$1.5 M	$X per housing unit $X per sq ft commercial or office use
Valley Rec Centre Expansion	$5 M	40%	$2 M	$X per housing unit $X per sq ft commercial or office use
McKay Pathway Lighting	$200,000	80%	$160,000	$X per housing unit $X per sq ft commercial or office
McKay Valley Neighbourhood Enhancement	$1.2 M	100%	$1.2 M	$X per housing unit $X per sq ft commercial or office