CITY OF VANCOUVER

REPORT

Report Date:	June 10, 2020
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RTS No.:	13862
VanRIMS No.:	08-2000-20
Meeting Date:	July 21, 2020

Submit comments to Council

TO: Vancouver City Council

FROM: General Manager of Planning, Urban Design and Sustainability

SUBJECT: 2020 Annual Inflationary Rate Adjustment to Development Contributions & Associated CAC Target Amendments

RECOMMENDATIONS

A. THAT Council approve, in principle, the 2020 inflationary rate adjustments for the Vancouver (City-wide) Development Cost Levy (DCL), Vancouver Utilities DCL By-law and Area Specific DCL By-law Districts, with new rates to be effective September 30, 2020, as shown in Appendix A;

FURTHER THAT Council approve the planned rate increase associated with the phase-in of the Vancouver Utilities DCL for residential developments over 1.5 FSR on the East Side, as shown in Appendix A, with the new rate to be effective September 30, 2020;

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

AND FURTHER THAT the Director of Legal Services be instructed to bring forward for enactment amendments to the Vancouver DCL By-law No. 9755, Vancouver Utilities DCL By-law No. 12183, and the Area Specific DCL By-law No. 9418 to implement the 2020 inflationary rate adjustment, as shown in Appendix B, Appendix C, and Appendix D.

B. THAT Council approve the 2020 inflationary rate adjustments for Community Amenity Contribution (CAC) targets, with new target rates to be effective September 30, 2020, as shown in Appendix E.

C. THAT Council approve adjustments of the Little Mountain Adjacent and Southeast False Creek CAC Targets to $47.00/sf and $67.00/sf respectively with the new rates to be effective September 30, 2020, as shown in Appendix E.

REPORT SUMMARY

This report seeks Council approval to adopt an inflationary rate adjustment to Development Cost Levy (DCL) By-Law rates and Community Amenity Contribution (CAC) targets with new rates becoming effective September 30, 2020.

The inflationary rate adjustment to DCLs and CAC targets are an annual process that allows the City to keep pace with annual changes in property values and construction costs and helps ensure the continued delivery of necessary growth-related amenities and infrastructure. The proposed 2020 inflationary rate adjustment represents a decrease of 0.8%, reflecting changes in land and non-residential construction costs which are key factors in the costs of delivering the growth related capital investments.

This report also seeks Council approval to proceed with the final phase-in of the Vancouver Utilities DCL rate for high-density residential development on the east side that was approved by Council in July 2018, and the adjustments of the Little Mountain and Southeast False Creek CAC Targets that were approved by Council with the updated CAC Policy in January 2020.

The annual inflationary rate adjustment for density bonus contributions is the subject of a separate report as they require Zoning and Development By-law amendments (presented to Council on July 21, 2020).

Recommendations in this report have been shared with development industry stakeholders (Urban Development Institute, National Association of Industrial and Office Properties, Homebuilders Association Vancouver) as well as with various non-profit groups. At the time of writing this report, one letter was received from the Urban Development Institute which is included in Appendix G.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- In 1999, Council adopted the Community Amenity Contributions – Through Rezonings Policy.
- In June 2003, Council adopted the Financing Growth Policy that sets the framework for the collection and allocation of DCLs to help pay for eligible amenities and infrastructure needed for growth: parks, housing, childcare, and various engineering infrastructure.
- In October 2009, Council adopted the annual inflationary DCL rate adjustment system for the City-wide DCL and Area Specific DCLs, with the new rates effective on September 30 of each year.
- Since 2010, Council has approved annual inflationary rate adjustments to DCLs.
- In May 2016, Council adopted the DCL annual inflationary rate adjustments system for Density Bonus Contributions and CAC Targets and directed staff to report back on a one-time catch-up for past inflation and the proposed new annual inflationary rates.

- In July 2017, Council approved the City-wide DCL update, which added new DCL rate categories and new reduced DCL rates; amended DCL revenue allocations for replacement housing, transportation, park, childcare and utilities.
- In November 2017, Council approved commercial linkage targets for non-stratified commercial-only rezoning applications in the Downtown and Rest of Metro Core areas.
- In July 2018, Council approved the establishment of the Vancouver Utilities DCL and approved a two-year phase in of the east-side residential rate category (greater than 1.5 FSR).
- In January 2020, Council approved an updated City-wide CAC Policy and also directed to staff to report back on the intent to increase the CAC Targets in the Southeast False Creek and Little Mountain Adjacent areas.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

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

REPORT

Background/Context

Annual inflationary rate adjustments to DCLs, CAC targets, and density bonus contributions form an integral part of Vancouver’s development contribution system. These adjustments help the City maintain its purchasing power from year-to-year so that it may deliver necessary growth-related amenities and infrastructure. The system is designed to also accommodate deflation. This report outlines the 2020 inflationary rate adjustments to DCLs and CAC targets. The annual inflationary rate adjustments to density bonus contributions are the subject of a separate report (RTS 13861).

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

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

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

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

Linking rates to an annual inflationary index results in rate increases when inflation is positive and rate decreases when inflation is negative. The 2020 BC Assessment[1] property roll for the City of Vancouver indicated a -8.9% decrease in assessed property value, while the Statistics Canada[2] Non-Residential Construction Price Index for Q1 2020 recorded an increase of 0.8% from 2019. The City's 2019-2022 Capital Plan[3] is anticipated to invest 17% of its cash development contributions on land acquisition and 83% on construction.

Table 1 shows the annual inflationary index from 2011 to 2020.

Table 1: Annual Inflationary Index

Annual Inflationary Index		**Data used to calculate index** *(for information only)*			
Year	**Annual Inflationary Index**	**Local Property Value Inflation**	**Local Construction Cost Inflation**	**Capital Plan Blend**	
				Land	**Construction**
2011	8.8%	11.4%	3.9%	65%	35%
2012	10.3%	13.7%	4.2%	65%	35%
2013	1.3%	1.3%	1.3%	65%	35%
2014	1.6%	0.8%	3.0%	65%	35%
2015	3.4%	8.6%	1.7%	25%	75%
2016	4.6%	16.5%	0.6%	25%	75%
2017	11.9%	29.2%	6.1%	25%	75%
2018	4.8%	5.1%	4.7%	25%	75%
2019	5.2%	1.2%	6.0%	17%	83%
2020	**-0.8%**	-8.9%	0.8%	17%	83%

Note: Vancouver's DCLs have used this index to adjust rates since 2009. Density bonus contributions and CAC targets have been adjusted since 2016. For more information on the annual inflation index: http://vancouver.ca/home-property-development/annual-inflation-index.aspx

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

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

[1] BC Assessment, Property Roll for the City of Vancouver, 2020
[2] Statistics Canada, Non-Residential Building Construction Price Index for Vancouver, Q1 2020
[3] City of Vancouver, 2019-2022 Capital Plan

This system has provided more predictability to both the development industry and the City, and has been broadly supported by industry stakeholders. Over the years, Council has approved inflationary rate adjustments with average rate increases of approximately 5% between 2011 and 2019 (see Table 1). It is important to note that in 2019, Council approved the 5.2% increase to non-residential rate categories, but opted not to proceed with the 5.2% increase to residential rate categories in response to weakening market conditions in this sector.

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

Recalibrations of DCLs, CAC targets, and density bonus contributions may be required from time to time to align with public benefit strategies and Capital Plans while considering potential impacts on development viability. These recalibrations are often done every four years, with the next recalibration anticipated to be completed in 2021/ 2022.

In July 2018, Council approved the Vancouver Utilities DCL to address increasing growth pressure on utilities infrastructure. The program will be updated annually to reflect development patterns and integrate new land use plans when they are approved by Council. The implementation of the Utilities DCL included a phase-in of the Higher Density Residential Above 1.5 FSR rate category applicable to the East side of Vancouver, where 50% of the full rate was applied September 30th, 2018, increasing to 75% September 30th, 2019, and as part of this report staff is recommending the rate phase-in be complete 100% this September.

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

Strategic Analysis

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

1) Economic Indicators

As part of the annual inflationary rate adjustment process, current economic indicators were reviewed to verify that the proposed rate adjustments are in line with current local market trends and forecasts. The economic impact of the COVID-19 global pandemic has resulted in a variety of economic indicators shifting negatively during the first two quarters of 2020.

While the impacts of the pandemic remain uncertain, current trends and forecasts indicate the following:

Economic Context

- Central 1 Credit Union is forecasting a 7.3% decline in British Columbia's Gross Domestic Product (GDP) for 2020.[4]
- Vancouver CMA (Metro Vancouver) employed labour force has dropped 250,000 since March 2020, while the region's unemployment rate has now increased to 14.1%.[5]

[4] Credit 1 Central Union, April 2020
[5] Statistics Canada, June 2020

Market Indicators:

- According to City data, the value of year-to-date building permits issued for commercial/industrial new builds (as of May 2020) has declined by 60% from last year's value while year-to-date values for new residential has decreased by 65%.[6]
- According to CMHC, year-to-date housing starts in Vancouver (as of May 2020) have declined by 73% compared to 2019[7];
- According to CMHC, year-to-date new housing completions in Vancouver (as of May 2020) have increased by 5% compared to 2019;
- UDI's State of the Market report for Q1 2020 showed that sales across new concrete condominiums, wood frame condominiums, and townhouses have declined by 18% compared to sales recorded in Q1 2019[8];
- According to data from the Real Estate Board of Greater Vancouver (May 2020), resale volumes over the past two months have declined by 40% to 60% below the 10-year monthly sales averages. April 2020 had the lowest monthly sales total since 1982.[9]
- Colliers[10] Q1 2020 office market report shows Downtown Vancouver vacancy at 1.3% and still showing strong market fundamentals despite the COVID-19 outbreak.
- Colliers[11] Q1 2020 industrial market report shows Vancouver vacancy at 4.6% and not showing any significant impacts of COVID-19 (vacancy is hovering near record lows),

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

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

It is important to note that the inputs into Vancouver's index calculation are somewhat "rear-view" looking. BC Assessment property values for 2020 are based on property values that were assessed in July 2019 and Statistics Canada's non-residential construction price index is based on data from the first quarter of 2020. When these inputs are blended together with the City's Capital Plan, the resultant inflationary index by itself is reflective of a market assessed months ago and may not be responsive to sudden shifts or reflective of current markets. This could occasionally result in situations where the inflationary rate adjustment as calculated by the index is not aligned with the market condition of the day. Under these circumstances, the City would consider

[6] City of Vancouver, Statement of Building Permits Issued, May 2020
[7] CMHC, Housing Information Portal, May 2020
[8] UDI, State of the Market Q1 2020
[9] Real Estate Board of Greater Vancouver, Monthly Market Report, May 2020
[10] Colliers, Vancouver Office & Industrial Market Reports Q1 2020
[11] Colliers, Vancouver Office Market Report Q1 2020

adjusting the rate increase in light of changing market conditions and recommend alternative approaches.

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

Recommendation A: THAT Council approve, in principle, the 2020 inflationary rate adjustments for the Vancouver (City-wide) Development Cost Levy (DCL), Vancouver Utilities DCL By-law, and Area Specific DCL By-law Districts, with new rates to be effective September 30, 2020

FURTHER THAT Council approve the planned rate increase associated with the phase-in of the Vancouver Utilities DCL for residential developments over 1.5 FSR on the East Side, as shown in Appendix A, with the new rate to be effective September 30, 2020.

The proposed rate adjustments and rates for DCLs are found in Tables 2 and 3 with a complete list of DCL rate adjustments by district available in Appendix A.

Table 2: Recommended 2020 Rate Adjustments for the City-wide DCL

Rate Category	Current Rate	Inflationary Adjustment (2019-2020)	Recommended 2020 DCL Rate
Residential in development over 1.5 FSR	$18.17/ft^2	($0.15/ft^2)	**$18.02/ft^2**
Medium density residential above 1.2 FSR to 1.5 FSR	$9.08/ft^2	($0.08/ft^2)	**$9.00/ft^2**
Residential at or below 1.2 FSR and laneway house	$4.22/ft^2	($0.04/ft^2)	**$4.18/ft^2**
Commercial and most other uses	$15.34/ ft^2	($0.13/ft^2)	**$15.21/ft^2**
Industrial	$6.12/ ft^2	($0.05/ft^2)	**$6.07/ft^2**
Mixed Employment (Light Industrial)	$11.51/ ft^2	($0.10/ft^2)	**$11.41/ft^2**

Table 3: Recommended 2020 Rate Adjustments for the Vancouver Utilities DCL

Rate Category	Current Rate	Final phase-in of Utilities DCL*	Inflationary Adjustment (2019-2020)	Recommended 2020 DCL Rate
Residential development over 1.5 FSR (East side)	\$7.57/ft2	+\$2.53/ft^2	(\$0.07/ft^2)	**\$10.01/ft^2**
Residential development over 1.5 FSR (West side)	\$10.09/ft2	-	(\$0.07/ft^2)	**\$10.01/ft^2**
Medium density residential above 1.2 FSR to 1.5 FSR	\$5.04/ft2	-	(\$0.04/ft^2)	**\$5.00/ft^2**
Residential at or below 1.2 FSR and laneway house	\$2.32/ft2	-	(\$0.02/ft^2)	**\$2.30/ft^2**
Commercial and most other uses	\$5.30/ft2	-	(\$0.04/ft^2)	**\$5.26/ft^2**
Industrial	\$2.13/ft2	-	(\$0.02/ft^2)	**\$2.11/ft^2**
Mixed Employment (Light Industrial)	\$3.98/ft2	-	(\$0.02/ft^2)	**\$3.95/ft^2**

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

The implementation of the Utilities DCL included a Council approved 2-year phase-in of the Higher Density Residential Above 1.5 FSR rate category applicable to the East side of Vancouver, where 50% of the full rate was applied in September 30th, 2018, increasing to 75% in September 30th, 2019, and a final phase-in and full rate implementation on September 30, 2020.

Active applications have the opportunity to be rate protected provided they reach building permit issuance prior to September 30, 2021.

An analysis of active development permits on the east side of Vancouver revealed that there are currently 7 strata residential projects that have a potential of being impacted by this DCL rate increase. A review of each of these in-stream development permits reveals that all could be eligible for in-stream rate protection provided they reach building permit issuance before September 30, 2021 (in-stream rate protection would protect these projects from the DCL rate increase). Other active in-stream projects were also reviewed and were concluded to be not impacted by the DCL rate increase for the following reasons:

- in-stream building permits will all reach building permit issuance in time to be rate protected under the current rate;
- in-stream secured market rental projects have the option of benefitting from a rental housing DCL waiver; and,
- in-stream rezoning applications are too far out from building permit issuance to take advantage of in-stream rate protection against the proposed rate increase.

It is worth pointing out that the development industry has had two years to adjust to the phase-in of the Utilities DCL for projects over 1.5 FSR on the eastside of Vancouver, allowing the market to adjust to these scheduled rate increases. Despite the current economic challenges in the market, staff continue to recommend implementing the pre-approved final rate adjustment.

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

Recommendation B: THAT Council approve the 2020 inflationary rate adjustments for Community Amenity Contribution (CAC) targets, with new target rates to be effective September 30, 2020, as shown in Appendix E.

The proposed rate adjustments and rates for CAC targets can be found in Table 4 and Appendix E.

Table 4: Recommended 2020 Adjustments for CAC Targets
($/ft^2 on net additional density)

CAC Target	Year Established	2019 Rate	Inflationary Adjustment (2019-2020)	Recommended 2020 CAC Target Rate
Cambie Corridor: 4-storey residential	2018	$72.00/ft^2	($0.60/ft^2)	**$71.40/ft^2**
Cambie Corridor: 4-storey mixed-use	2018	$20.00/ft^2	($0.17/ft^2)	**$19.83/ft^2**
Cambie Corridor: 6-storey residential	2018	$103.00/ft^2	($0.86/ft^2)	**$102.14/ft^2**
Cambie Corridor: 6-storey mixed-use	2018	$112.00/ft^2	($0.94/ft^2)	**$111.06/ft^2**
Downtown Commercial Linkage Target	2017	$15.78/ft^2	($0.13/ft^2)	**$15.65/ft^2**
Rest of Metro Core Commercial Linkage Target	2017	$10.52/ft^2	($0.09/ft^2)	**$10.43/ft^2**
Grandview-Woodland: Nanaimo St/E 12th Ave shopping nodes	2016	$70.35/ft^2	($0.59/ft^2)	**$69.76/ft^2**
Grandview-Woodland: Mid-rise multi-family sub-areas	2016	$23.45/ft^2	($0.20/ft^2)	**$23.25/ft^2**
Marpole	2014	$81.00/ft^2	($0.68/ft^2)	**$80.32/ft^2**
Norquay (Kingsway C-2)	2013	$12.99/ft^2	($0.11/ft^2)	**$12.88/ft^2**
Little Mountain Adjacent *	2013	$29.88/ft^2	-	**$47.00/ft^2**
Southeast False Creek *	2007	$16.78/ft^2	-	**$67.00/ft^2**
Institutional**	2020	$3.00/ft2	($0.03/ft2)	**$2.97/ft^2**

*On January 22, 2020, City Council directed staff to report back on the City's intention to adjust the Little Mountain Adjacent CAC Target from $29.88/sf to $47.00/sf and increase the Southeast False Creek CAC Target from $16.78/sf to $67.00/sf.

**Rezoning applications for 100% institutional developments (i.e. hospitals, community care facilities and post-secondary schools)

Recommendation C: THAT Council approve adjustments of the Little Mountain Adjacent and Southeast False Creek CAC Targets to $47.00/sf and $67.00/sf respectively with the new rates to be effective September 30, 2020, as shown in Appendix E.

On January 22, 2020, Council directed staff to notify landowners and in-stream rezoning applicants of the City's intention to adjust the Little Mountain Adjacent CAC Target from $29.88/sf to $47.00/sf and increase the Southeast False Creek CAC Target from $16.78/sf to $67.00/sf. The proposed adjustment to the SEFC and Little Mountain CAC Targets will complete the last outstanding CAC Target area updates; all other CAC Target areas have been adjusted recently or the existing rates were found to be set in line with the current market. Staff were directed to report back to Council on this proposed CAC Target update in July 2020 with the proposal that these updated CAC Targets take effect September 30, 2020.

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. Since then, the rate has only been adjusted for inflation and has not been subject to a comprehensive update since established. 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 completed in Fall 2019 indicates that the CAC Target can be increased from its current level of $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. Since then, the rate has only been adjusted for inflation and has not been subject to a comprehensive update. Over the years, SEFC has seen a rapid pace of development and there are only a handful of M-2 sites that are undeveloped. The development testing completed in Fall 2019 indicates 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 proposed SEFC and Little Mountain Adjacent CAC Target increases are reflective of recent land values and the fact that these targets have not been updated since 2006 and 2013 respectively. In February 2020, staff notified landowners and in-stream projects of the city's intent to increase these area CAC Targets as well as the City's intent to report back to Council in mid-2020 with a CAC Target implementation date of September 30, 2020. There were no objections received from landowners or in-stream projects as it relates to the proposed CAC target adjustments. In-stream rezoning applications submitted before September 30, 2020 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; there is no timeline requirement for rezoning applications to be approved before in-stream rate protection expires. By providing sufficient notice of the CAC Target increases, the stakeholders who are interested in pursuing redevelopment in the near future have been given the opportunity to prepare and submit a rezoning application before the CAC Target increase comes into effect. This timeline also allows the market to adjust to the increased CAC Targets.

The proposed adjustment to the SEFC and Little Mountain CAC Targets will complete the last outstanding CAC Target area update. The City will recalibrate all its CAC Targets at a minimum of every 4 years or sooner if local market conditions fundamentally change. Currently there is not enough new market data on sales transactions since the pandemic started to determine whether pricing or other market conditions has changed in any material way and therefore a recalibration is not recommended at this time. 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.

In-Stream Rate Protection

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

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

Where DCL and CAC targets are decreasing as a result of the 0.8% inflationary adjustment, in-stream rate protection will not be applied to ensure applicants benefit from the lower rate in effect.

Financial Implications

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

Should Council approve the recommendation to decrease DCL rates and CAC targets by 0.8%, the City could forego over a one year period approximately $0.6 million in development contributions from DCLs and CAC targets that could have been secured if the inflationary adjustment was not applied.

The proposed increases to the Utilities DCL (east side higher density residential rate) and the Little Mountain Adjacent and South East False Creek CAC Targets would have a marginal financial impact due to the limited number of applications that these increases would apply to.

Financial Implications for the City

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

As per Council policy, the rates are typically adjusted on an annual basis to preserve the City's ability to deliver much needed public amenities and infrastructure in light of construction cost and property inflation, and to avoid large rate changes that might be triggered by less frequent adjustments.

Financial Implications for Development

The City's Financing Growth policies are based upon the principle that development contributions should not deter development or harm housing affordability. Independent review of the market impacts of development contributions found the primary impact of these in Vancouver is to put downward pressure on the value of land for redevelopment. Affordability should not be negatively affected as long as rates are set so they do not impede the steady supply of development sites.

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

Engagement and Communications Plan

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

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

At the time of finalizing this report, the City received a letter from the Urban Development Institute that supported the 0.8% decrease in rates but raised a concern over the final phase-in of the Utilities DCL rate category for residential projects over 1.5 FSR on the eastside of Vancouver as well as the CAC Target increases for Southeast False Creek and Little Mountain Adjacent areas. The UDI letter can be found in the Appendix of this report.

It is worth pointing out that the development industry has had two full years to adjust to this final phase-in of the Utilities DCL. This should have allowed the market adequate time to adjust to these scheduled rate increases. For this reason and based on the analysis done by staff on in-stream development permits showing that all projects should all benefit from the in-stream rate protection program, staff continue to recommend the final phase-in of the Utilities DCL as approved by Council in 2018. Additionally, staff recommend that the CAC Target increases proceed as these specific subareas have not been updated for several years (6 years for Little Mountain Adjacent and 14 years for South East False Creek) and there isn't enough data to suggest market conditions have materially changed since the economic testing was done in Fall 2019. Staff notified landowners and in-stream projects of the city's intent to increase these area CAC Targets and there were no objections received.

CONCLUSION

This report seeks Council approval to adopt an inflationary rate adjustment to Development Cost Levy (DCL) By-Law rates and Community Amenity Contribution (CAC) targets with new rates becoming effective September 30, 2020.

The inflationary rate adjustment to DCLs and CAC Targets is an annual process that allows the City to keep pace with annual changes in property values and construction costs and helps ensure the continued delivery of necessary growth-related amenities and infrastructure. The proposed 2020 inflationary rate adjustment represents a decrease of 0.8%, reflecting changes in the cost of land and non-residential construction costs which are key factors in the costs of delivering the growth related capital investments. This report also recommends proceeding with the final phase-in of the Vancouver Utilities DCL rate for high-density residential development on the east side that was approved by Council in July 2018, and the adjustments of the Little Mountain and Southeast False Creek CAC Targets that were approved by Council with the updated CAC Policy in January 2020.

* * * * *

2020 Proposed Development Cost Levy (DCL) Rates

Effective September 30, 2020

<table>
<tr><th></th><th></th><th>RESIDENTIAL AT OR BELOW 1.2 FSR AND LANEWAY HOUSE</th><th>MEDIUM DENSITY RESIDENTIAL ABOVE 1.2 FSR TO 1.5 FSR</th><th>RESIDENTIAL IN DEVELOPMENT OVER 1.5 FSR</th><th>COMMERCIAL AND MOST OTHER USES[7]</th><th>INDUSTRIAL[8]</th><th>MIXED EMPLOYMENT (LIGHT INDUSTRIAL)[9]</th><th>SPECIFIC USES</th></tr>
<tr><td rowspan="3">Base[10]</td><td>City-wide DCL
(A)</td><td>$45.04/m²
($4.18/ft²)</td><td>$96.92/m²
($9.00/ft²)</td><td>$193.94/m²
($18.02/ft²)</td><td>$163.74/m²
($15.21/ft²)</td><td>$65.32/m²
($6.07/ft²)</td><td>$122.86/m²
($11.41/ft²)</td><td rowspan="5">All DCL Districts:
• Artist Studio (Class A&B): $10.00/BP
• Community Ctr/Neigh. House: $10.00/BP
• Library: $10.00/BP
• Public Authority Use: $10.00/BP
• Social Service Centre: $10.00/BP
• Parking garage: $1.08/m² ($0.10/ft²)
• Temporary Buildings: $10.00/BP

Select DCL Districts:
• School: $5.49/m² ($0.51/ft²) – City-wide DCL, City-wide Utilities DCL, False Creek Flats
• Childcare: $10.00/BP – City-wide DCL, City-wide Utilities DCL, False Creek Flats
• Community Energy Centre: $10.00/BP – City-wide DCL, City-wide Utilities DCL, Southeast False Creek
• Works Yard: $1.00/m² ($0.09/ft²) – False Creek Flats</td></tr>
<tr><td>City-wide Utilities DCL[11]
(B)</td><td>$24.76/m²
($2.30/ft²)</td><td>$53.80/m²
($5.00/ft²)</td><td>$107.75/m²
($10.01/ft²)</td><td>$56.57/m²
($5.26/ft²)</td><td>$22.74/m²
($2.11/ft²)</td><td>$42.48/m²
($3.95/ft²)</td></tr>
<tr><td>TOTAL City-wide DCLs[9]
(A+B)</td><td>$69.81/m²
($6.48/ft²)</td><td>$150.71/m²
($14.00/ft²)</td><td>$301.69/m²
($28.03/ft²)</td><td>$220.31/m²
($20.47/ft²)</td><td>$88.06/m²
($8.18/ft²)</td><td>$165.34/m²
($15.36/ft²)</td></tr>
<tr><td rowspan="2">Layered[12]</td><td>False Creek Flats</td><td rowspan="2">n/a</td><td rowspan="2">n/a</td><td colspan="4">$69.27/m²
($6.44/ft²)</td></tr>
<tr><td>South East False Creek</td><td colspan="2">$214.33/m²
($19.91/ft²)</td><td colspan="2">$34.26/m²
($3.18/ft²)</td></tr>
</table>

Notes

[a] Proposed rate for September 30, 2020 includes the second phase-in of the Vancouver Utilities DCL for the Higher Density Above 1.5 FSR category applicable to the East side approved by Council in July 2018.

BY-LAW NO.

A By-law to amend
Vancouver Development Cost Levy By-law No. 9755
regarding 2020 rates

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

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

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

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

5. This By-law is to come into force and take effect on the 30th day of September, 2020.

ENACTED by Council this day of , 2020

Mayor

City Clerk

Schedule "C"

Category/Use	Total Development Cost Levy (Effective September 30, 2020)	Unit/ area cost
RESIDENTIAL		
Residential at or below 1.2 FSR and Laneway House	\$45.04	Per m^2
Medium Density Residential Above 1.2 to 1.5 FSR	\$96.92	Per m^2
Higher Density Residential Above 1.5 FSR	\$193.94	Per m^2
NON-RESIDENTIAL		
Industrial (I-2, M-1, M-1A, M-1B, M-2, MC-1, MC-2 Zoning Districts)	\$65.32	Per m^2
Mixed Employment (Light Industrial) (IC-1, IC-2, IC-3, I-1, I-3, I-4, I-1A, I-1B Zoning Districts)	\$122.86	Per m^2
Commercial & Other	\$163.74	Per m^2

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

BY-LAW NO.

A By-law to amend
Vancouver Utilities Development Cost Levy By-law No. 12183
regarding 2020 rates

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

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

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

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

5. This By-law is to come into force and take effect on the 30th day of September, 2020.

ENACTED by Council this day of , 2020

Mayor

City Clerk

Schedule "C"

Category/Use	Total Development Cost Levy (Effective September 30, 2020)	Unit/ area cost
RESIDENTIAL		
Residential at or below 1.2 FSR and Laneway House	$24.76	Per m^2
Medium Density Residential Above 1.2 to 1.5 FSR	$53.80	Per m^2
Higher Density Residential Above 1.5 FSR	$107.75	Per m^2
NON-RESIDENTIAL		
Industrial (I-2, M-1, M-1A, M-1B, M-2, MC-1, MC-2 Zoning Districts)	$22.74	Per m^2
Mixed Employment (Light Industrial) (IC-1, IC-2, IC-3, I-1, I-3, I-4, I-1A, I-1B Zoning Districts)	$42.48	Per m^2
Commercial & Other	$56.57	Per m^2

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

BY-LAW NO.

A By-law to amend
Area Specific Development Cost Levy By-law No. 9418
regarding 2020 rates

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

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

3. Council strikes “$69.86” from section 3.7 and replaces it with “$69.27”.

4. Council strikes “$216.14” from section 3.10 and replaces it with “$214.33”.

5. Council strikes “$34.55” from section 3.10(a) and replaces it with “$34.26”.

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

7. This By-law is to come into force and take effect on the 30th day of September, 2020.

ENACTED by Council this day of , 2020

Mayor

City Clerk

2020 Proposed New Inflation Adjusted CAC Targets

Effective September 30, 2020

Map	CAC Target Area and Eligibility Criteria	CAC Target[(a)] (effective Sept. 30, 2019)	Proposed CAC Target[(a)] (effective Sept. 30, 2020)
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.	$180.66/m^2$ ($16.78/ft^2$)	$721.18/m^2$ ($67.00/ft^2$)
Map B (Cambie Corridor)	Rezoning applications for 4-storey residential as shown in Map B	$775.00/m^2$ ($72.00/ft^2$)	$768.52/m^2$ ($71.40/ft^2$)
	Rezoning applications for 4-storey mixed-use as shown in Map B	$215.28/m^2$ ($20.00/ft^2$)	$213.48/m^2$ ($19.83/ft^2$)
	Rezoning applications for 6-storey residential as shown in Map B	$1,108.68/m^2$ ($103.00/ft^2$)	$1,099.40/m^2$ ($102.14/ft^2$)
	Rezoning applications for 6-10 storey mixed-use as shown in Map B	$1,205.56/m^2$ ($112.00/ft^2$)	$1,195.47/m^2$ ($111.06/ft^2$)
Map C (Little Mountain Adjacent Area)	Rezoning applications for 4-6 storey apartments as shown in Map C	$321.61/m^2$ ($29.88/ft^2$)	$505.90/m^2$ ($47.00/ft^2$)
Map D (Norquay Village)	Rezoning applications on sites zoned C-2 along Kingsway that are less than 1 acre as shown in Map D	$139.83/m^2$ ($12.99/ft^2$)	$138.65/m^2$ ($12.88/ft^2$)
Map E (Marpole)	Rezoning applications for 6-storey residential as shown in Map E	$871.88/m^2$ ($81.00/ft^2$)	$864.58/m^2$ ($80.32/ft^2$)
Map F (Grandview-Woodland)	Rezoning applications in Nanaimo St./ E 12th Ave. shopping nodes as shown in Map F	$757.19/m^2$ ($70.35/ft^2$)	$750.90/m^2$ ($69.76/ft^2$)
	Rezoning applications in the Midrise Multi-Family areas as shown in Map F	$252.40/m^2$ ($23.45/ft^2$)	$250.30/m^2$ ($23.25/ft^2$)
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	$169.85/m^2$ ($15.78/ft^2$)	$168.43/m^2$ ($15.65/ft^2$)
	Rezoning applications for 100% non-strata commercial developments in the Rest of Metro Core area as shown in Map G	$113.24/m^2$ ($10.52/ft^2$)	$112.29/m^2$ ($10.43/ft^2$)
Key Map (City-wide)	Rezoning applications for 100% institutional developments (i.e. hospitals, community care facilities, and post-secondary schools)	$32.29/m^2$ ($3.00/ft^2$)	$32.02/m^2$ ($2.97/ft^2$)

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

1. Development Cost Levies (DCLs)

Development Cost Levies (DCLs) are a growth-related charge collected from most new development and a significant source of revenue for civic facilities and infrastructure needed to serve new residents and workers. DCLs help relieve what would otherwise fall onto property taxes and other City funding.

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

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

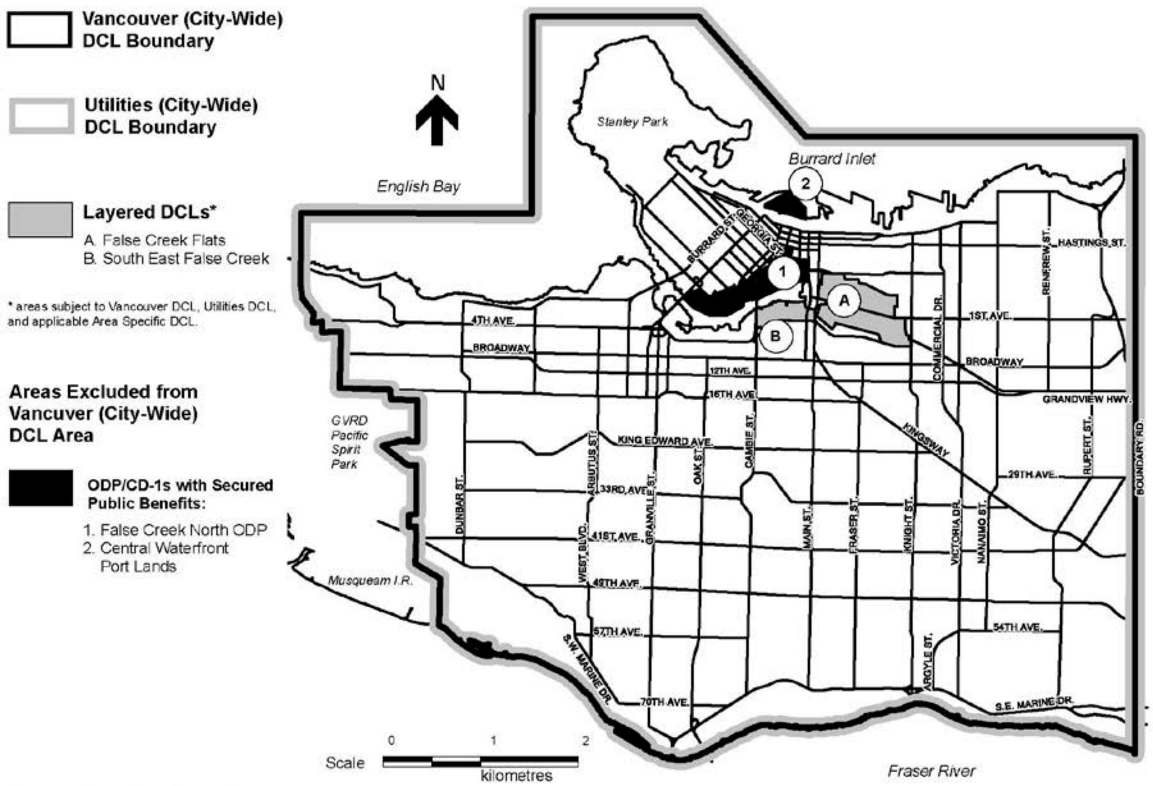
The current DCL system consists of 4 DCL Districts (each with its own rates) and 2 additional planning areas excluded from DCLs. The Vancouver (City-wide) and Utilities DCL Districts apply to most of the city and the 2 Area Specific DCL Districts apply to smaller planning areas across Vancouver.

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

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

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

Current DCL Districts



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

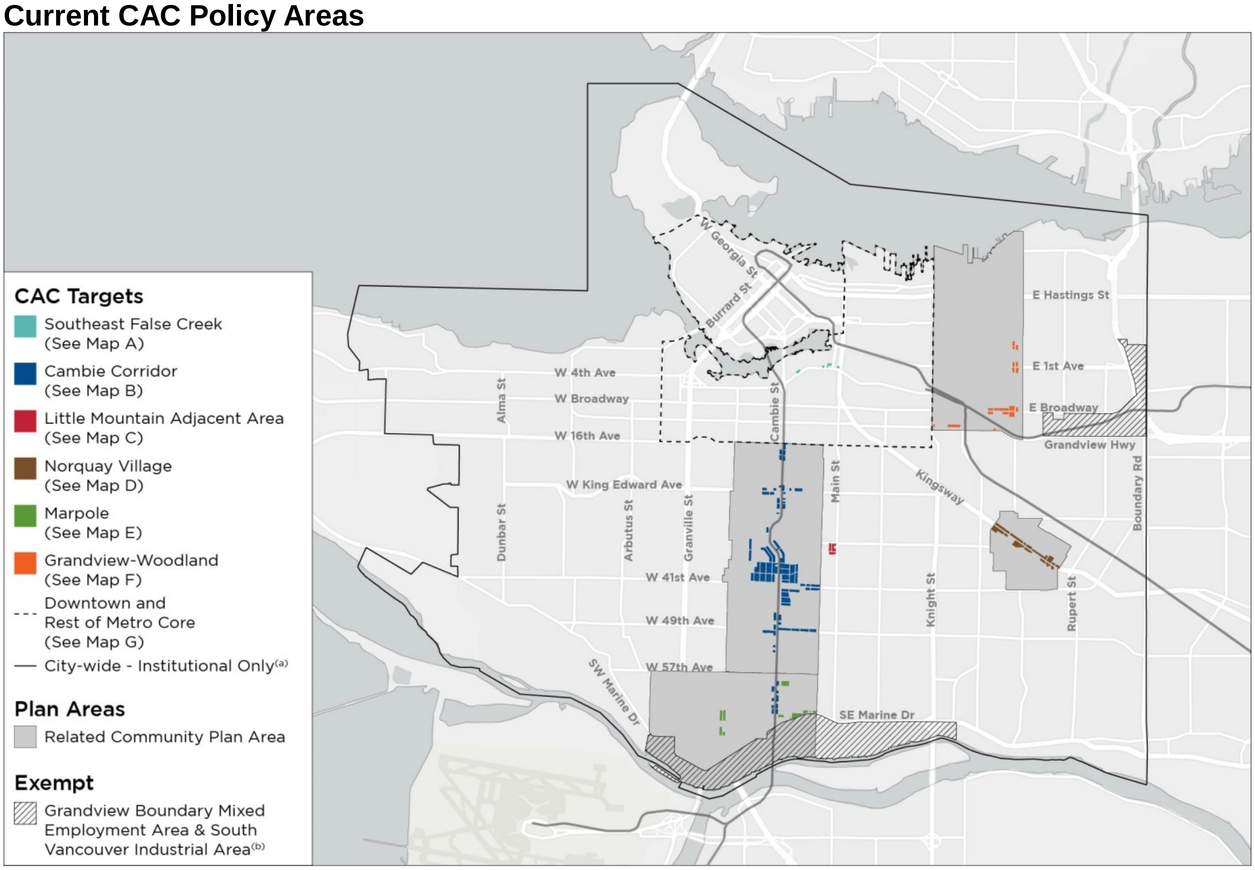
2. Community Amenity Contributions (CACs)

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

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

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

Current CAC Policy Areas



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www.udi.bc.ca

June 19, 2020

Gil Kelley
General Manager of Planning, Urban Design, and Sustainability
City of Vancouver
City Hall
453 West 12th Ave
Vancouver, BC V5Y 1V4

Dear Mr. Kelley:

Re: Proposed rate adjustments for Development Cost Levy (DCL), Community Amenity Contribution (CAC) Target and Density Bonus Contribution (DBC) rates for Sept. 30, 2020

I would like to thank you and your staff for providing UDI with the update at the June 17 Vancouver Liaison Committee on the proposed rate adjustments for DCL, CAC Target and DBC rates for Sept. 30, 2020 as well as for providing us with the proposals in advance, so we could share them with our members. We have received feedback from them, which was also shared at our Liaison Committee meeting.

While the City's proposal to decrease the rates by "… 0*.8% across DCL, CAC Target, and Density Bonus Contribution areas*," is positive, we ask that, in light of the economic impacts of COVID-19, the City also consider deferring the final phase of the East side Utilities DCL increase and the target CAC adjustments for Little Mountain Adjacent and Southeast False Creek (SEFC) for at least one year.

The 0.8% decrease will be appreciated and supported by our members, as project launches continue to experience challenges in the City and across Metro Vancouver. This trend is not entirely due to COVID-19 impacts. Between 2016 and 2019 there has been a 60% drop in multi-family project launches in Metro Vancouver. In fact, last year there were only 7,464 units released for sale, which is far less than a typical year (please see the graph below). As of the beginning of 2020 there were 44 multi-family projects with over 17,000 units on hold. All of this occurred before the COVID-19 crisis. We have seen a precipitous drop since the beginning of the year in new projects. So far, in 2020, only 2,207 units have been released for sale.

Metro Vancouver data as presented by Urban Analytics

It is important to note, that the reason for the 0.8% decrease is due to the declining land costs for delivering amenities and infrastructure. The decline is also a signal of the economic headwinds our members are facing. This is why we recommend that some of the proposed fee increases be deferred for one year. At that time, the City could assess whether the economy has improved to the point that they could be implemented.

When the East side Utilities DCLs were announced a few years ago, Coriolis noted that they would stifle development because of their magnitude. The City wisely decided to phase in the increases. Unfortunately, the final increase is occurring in very uncertain and difficult economic circumstances – much more problematic than when the Utilities DCLs were first proposed.

We are also concerned that during the COVID-19 pandemic, the City is moving forward with almost doubling the target CACs for the Little Mountain Adjacent area, and almost quadrupling the SEFC target CACs. When the Council decision to proceed with these increases was made in January, there was no understanding of the impact COVID-19 would be to Vancouver.

We thank the City for taking steps to lower its overall fees during the downturn, but we ask that this approach also be considered for the East side Utility DCLs and the Little Mountain Adjacent/SEFC CACs, by deferring the implementation of those rate increases at this time.

Yours sincerely,

Anne McMullin
President and CEO, Urban Development Institute

C.C. Theresa O'Donnell, Deputy Director of Planning for Current Planning
Chris Clibbon, Planner, City-wide and Regional Planning