

2020 Annual Inflationary Rate Adjustments to Density Bonus Contributions

September 15, 2020



- Annual inflationary rate adjustment allows the City to keep pace with costs to deliver growth-related amenities
- System has been in place for over 10 years, with adjusted rates becoming effective every September 30th
- Inflationary Rate Adjustment System seen as a best practice, endorsed by the development industry
- Includes two reports:
 - DCLs & CACs (RTS #13862) – approved by Council July 23, 2020
 - **Density Bonus Contributions** (RTS #13861) – referred by Council on July 21, 2020

- Council approve Recommendation for all Density Bonus Contributions to be effective Sept. 30, 2020:
 - To apply a 0.8% inflationary rate decrease across Density Bonus Zones for consideration at public hearing

- The City has advanced several initiatives to support local economic recovery:
 - expedited patio permit process for restaurants and cafes
 - temporary liquor licensing for smaller cafes and restaurants
 - property tax due date extension
 - advocacy for “split assessment through a commercial sub-class” to support recovery for small businesses, arts, culture and non-profits
 - creation of a Business Communications and Support Office
 - grants to social & cultural organizations to support restart and recovery from COVID
 - City’s ‘Room To’ initiatives: Room To Move, Room to Load, Room to Queue

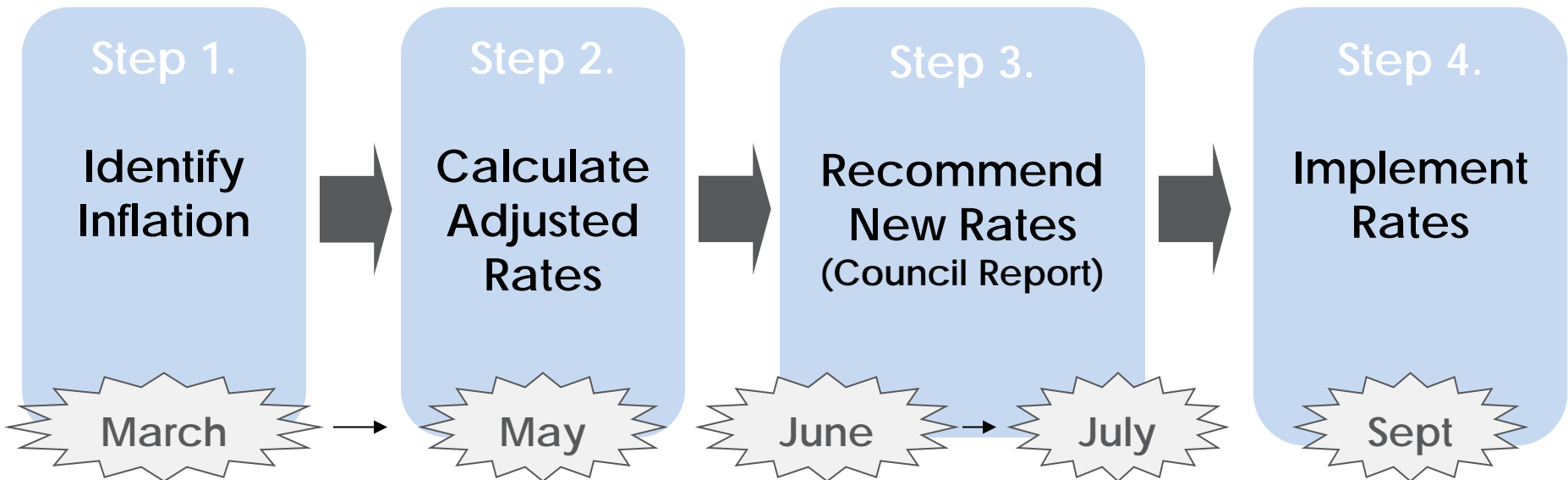
- A zoning tool that permits developers to build more floor space than normally allowed in exchange for a pre-set contribution
- Density bonus zones allow for:
 - Outright density (or base density) with no density bonus contribution
 - Extra density, up to a limit set in a zone, with a contribution towards amenities and affordable housing
- Applies to areas with public benefit strategies
- 13 area rates: provides greater certainty / transparency
- Payable as a condition to building permit
- Allocated based on Council approved Public Benefit Strategies
- Updates every ~4 years, inflationary adjustments annually
- Note that heritage-related density bonus contributions are not subject to the annual inflationary rate adjustment system

Annual Inflationary Rate Adjustment System adopted by Council in 2009

- ✓ Uses publicly accessible, third party data
- ✓ Transparent and replicable system
- ✓ Adjusts rates annually
- ✓ Adjusts rates upwards or downwards to reflect market trends
- ✓ Adapts to sudden market changes so that rates do not overshoot the market
- ✓ Supported by industry & stakeholders

Overview of Inflationary Rate Adjustment System

- Inflationary rate adjustment system applies to the following development contributions:
 - Development Cost Levies (DCLs)
 - Community Amenity Contribution (CAC) targets
 - **Density bonus contributions**



Two components to inflationary rate adjustment system:

1. Index calculation

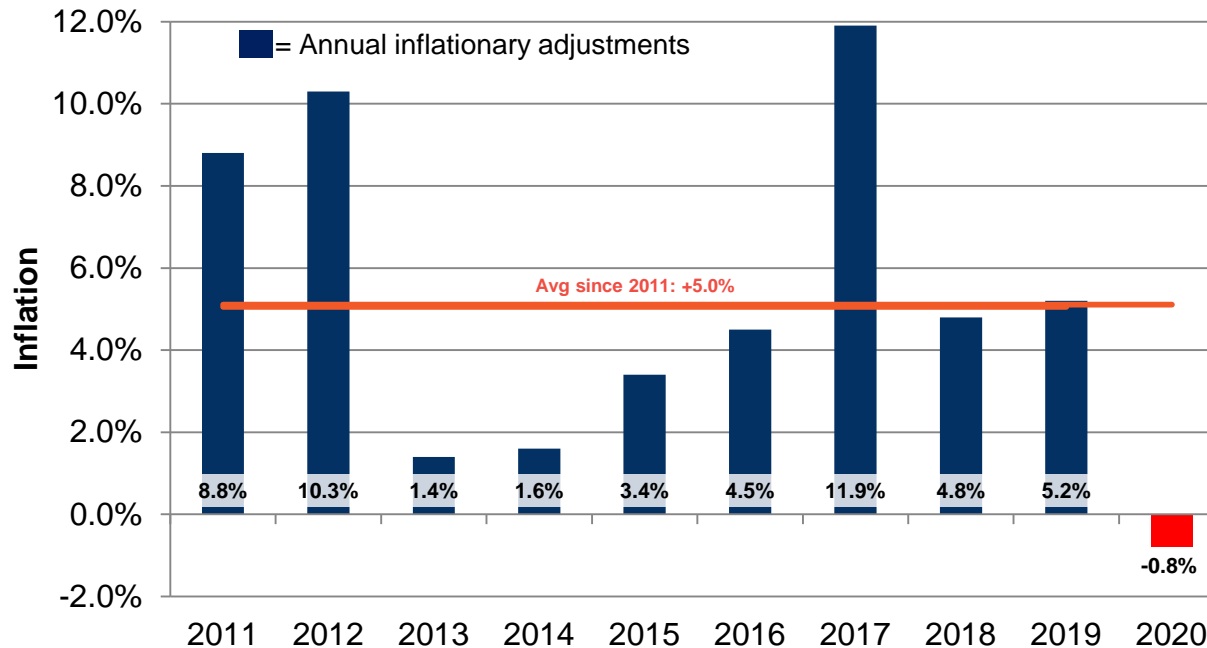
- Recommends rate adjustment based on year-over-year changes in:
 - BC Assessment property roll
 - Statistics Canada Non-residential construction price index
- Blends inputs from above to reflect land acquisition and construction investments in the current Capital Plan

2. Review of local economic indicators

- Serves as a check on rate adjustment arising from the index calculation

2020 Inflationary Rate Adjustment

- 2020 inflationary rate adjustment = **-0.8%**
 - +0.8% inflation on non-residential construction price index (StatsCan)
 - **-8.9%** deflation on property values (BC Assessment)



* 2019 adjustment: In light of changing residential market conditions, the 2019 inflationary adjustment was not applied to residential but did apply to non-residential

- Inflationary system includes a check on market conditions
 - GDP growth
 - Employment/Unemployment
 - Change in building permit values
 - Change in year-to-date housing starts
 - Local market trends and forecasts

Economic Indicators & Development Viability

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

- The Conference Board of Canada is forecasting 2.9% growth in the Vancouver CMA Gross Domestic Product (GDP) for 2018³ - the second highest amongst all major Canadian metropolitan areas

³ Conference Board of Canada, Metropolitan Outlook 1 – Spring 2018

2018 Annual Inflationary Adjustments to Development Cost Levies (DCLs), and Community Amenity Contribution (CAC) Targets – RTS 12564

8

- Employment is forecast to grow 1.6% and unemployment rate is forecast to be 4.3 % in 2018³;
- According to City of Vancouver data, the value of year-to-date building permits issued (as of April 2018) is at a record high level and exceeds last year's value by 41.9%⁴;
- According to CMHC, year-to-date housing starts in the City (as of May 2018) have nearly doubled compared to 2017⁵; and
- The City has increased capacity for redevelopment through new community plans, new district schedules and rezonings.

These indicators suggest that the recommended inflationary adjustments for DCLs and CAC Targets for Vancouver are in-step with the overall direction of the economy and the real estate development industry in Vancouver.

Review of Local Economic Indicators (con't)

BC GDP outlook:	<ul style="list-style-type: none"> -6.1% (2020) +4.0% (2021) <p style="text-align: right;">(Credit 1 Central Union)</p>
Employment:	<ul style="list-style-type: none"> Metro employment rate = 14.0% (June 2020) 32% increase (+80,000) in employment between May and June as various levels of government make efforts to re-open the economy <p style="text-align: right;">(Statistics Canada, June 2020)</p>
Building permit value (YTD - Jan to June):	<ul style="list-style-type: none"> Residential: +38% from 2019 Non-Residential: -20% from 2019 <p style="text-align: right;">(City of Vancouver, July 2020)</p>
Housing resales:	<ul style="list-style-type: none"> Homebuyers returning to market in June after being suppressed in April & May June sales volumes increased 64% from May 2020 and now showing positive increase on a year-over-year basis <p style="text-align: right;">(Real Estate Board of Greater Vancouver)</p>
Housing starts/completions (YTD - Jan to June):	<ul style="list-style-type: none"> Starts: -60% from 2019 Completions: -10% from 2019 <p style="text-align: right;">(CMHC, June 2020)</p>
Rental market:	<ul style="list-style-type: none"> City rental vacancy rate still very low, but evidence of vacancies increasing and rents moderating

- Ongoing process of working with industry and stakeholders
- Notice sent to UDI, NAIOP, HAVAN, Non-profit stakeholders
- Meetings held with UDI, NAIOP
- Density Bonus Zoning bulletin updated to include proposed rates for 2020
- Advice given to all development inquirers
- Ads in newspapers
- City Clerks notification of stakeholders

THANK YOU