

The Application

The Property – 1850 Main Street (SE corner of Main Street and E 2nd Avenue)

130 units of “for-profit affordable rental housing” plus at grade retail

- in compliance with the Mount Pleasant Community Plan
- no additional density
- no displacement of existing rental housing
- not contentious

The Big Problem

CAC Policy – Pre January 2020:

“CAC should be identified through an assessment of... the development economics of the donor project”

CAC Policy – Post January 2020:

“CACs determined through negotiations... will target a minimum of 75% of the increase in land value based upon the rezoning application”

CAC Implementation Procedures

“Increase in land value is determined by calculating a rezoned value of the land and deducting the value of the land under existing zoning”

1st Problem

Value of the Land Under Existing Zoning

VS

Market Value of the Land Under Existing Zoning

Real Estate's Interpretation – value of the land under existing zoning:

- as if the Mount Pleasant Community Plan (approved in 2010) never existed
- as if there was no redevelopment potential of the land except under the specific restrictions of the existing zoning
- ignore all comparable land sale transactions in the immediate vicinity under the existing zoning
- ignore specific site attributes such as location and visibility
- ignore BC Assessment's valuation which is the foundation of the City's property tax collection system

CAC = \$4,400,000 (\$33,850 / unit)

2nd Problem

Cost and Revenues

Real Estate's Method:

- 1) Costs: pick and choose the costs that will be acknowledged → lower costs
- 2) Revenues: top of market revenue assumptions → maximum revenue potential

Maximum Revenue – Lower Costs = Big Fictional Profit

Big Fictional Profit → Artificial Land Lift → Big CAC contribution

IN THE REAL WORLD

Real World Revenue Potential
(averaged over time)

minus

Real World Costs
(including market value of land and financing costs)

equals

Real World Profit
(miniscule)

SUMMARY and RECOMMENDATIONS

The CAC Implementation Procedures are counter-productive and are defeating the City's other policies objectives including the Vancouver Housing Strategy which seeks to incentivize the construction of purpose-built "for-profit affordable rental housing"

Recommendation 1: refer the Application to a public hearing – allow us to have the discussion

Recommendation 2: consider exempting rental housing applications from the CAC policy and implementation procedures (except in extreme situations where applicants are seeking large density increases and the economics of the specific project can support a CAC contribution)