



REPORT

Report Date: June 7, 2021
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RTS No.: 14494
VanRIMS No.: 08-2000-20
Meeting Date: June 23, 2021
[Submit comments to Council](#)

TO: Standing Committee on Policy and Strategic Priorities

FROM: General Manager of Planning, Urban Design and Sustainability

SUBJECT: 2021 Annual Inflationary Rate Adjustment to Development Contributions & Associated DCL Amendment

RECOMMENDATIONS

- A. THAT Council approve, in principle, the 2021 inflationary rate adjustments for the Vancouver (City-wide) Development Cost Levy (DCL) By-law, Vancouver Utilities DCL By-law and Area Specific DCL By-law, with new rates to be effective September 30, 2021, as shown in Appendix A;

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 Development Cost Levy By-law, Vancouver Utilities Development Cost Levy By-law, and the Area Specific Development Costs Levy By-law to implement the 2021 inflationary rate adjustment, as shown in Appendix B, Appendix C, and Appendix D.

- B. THAT Council approve the 2021 inflationary rate adjustments for Community Amenity Contribution (CAC) targets, with new target rates to be effective September 30, 2021, as shown in Appendix E.
- C. THAT Council approve, in principle, an amendment to the Vancouver Development Cost Levy By-law and the Vancouver Utilities Development Cost Levy By-law to maintain the lower DCL rate category for Low Operational Cost Housing projects in cases where the 5% floor area increase would cause a

higher DCL rate to apply effective immediately, as generally set out in Appendix F and Appendix G;

FURTHER THAT the Director of Legal Services be instructed to bring forward for enactment amendments to the Vancouver Development Cost Levy By-law and the Vancouver Utilities Development Cost Levy By-law, as generally shown in Appendix F and Appendix G.

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, 2021. This report also seeks Council approval of a minor amendment to the DCL By-laws to maintain the lower DCL rate category for Low Operational Cost Housing (LOCH) projects in cases where the 5% floor area increase would cause a higher DCL rate to apply, addressing an unintended disincentive for LOCH projects.

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 2021 inflationary rate adjustment represents an increase of 1.2%, reflecting changes in land and non-residential construction costs which are key factors in the costs of delivering the growth-related amenities and infrastructure. As shown in Sections 1 and 2 of the Strategic Analysis section in this report, staff have reviewed and concluded that the recommended 2021 inflationary rate adjustment is in line with current economic indicators.

The annual inflationary rate adjustment for density bonus contributions is the subject of a companion report (as they require Zoning and Development By-law amendments) that will be presented to Council for referral on June 22, 2021.

Recommendations in this report have been shared with development industry stakeholders (Urban Development Institute, National Association of Industrial and Office Properties, Homebuilders Association Vancouver). At the time of writing this report, no correspondence was received.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- In 1999, Council adopted the Community Amenity Contributions – Through Rezoning 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 July 2008, Council approved an adjustment to City-wide DCL rates to reflect construction cost and property inflation, with the new rates to be effective in January 2010.
- 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 (above 1.5 FSR).
- In January 2020, Council approved an updated City-wide CAC Policy.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

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

REPORT

Background/Context

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.

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 development contributions continue to help deliver necessary growth-related amenities and infrastructure. This report outlines the 2021 inflationary rate adjustments to DCLs and CAC targets. A companion report on the June 22nd Council agenda, proposes the 2021 inflationary rate adjustments to density bonus contributions (RTS 14493).

An overview of the annual inflationary rate adjustment system and detailed background information on DCLs and CACs are presented in Appendix H. Recommended inflationary rate adjustments are presented in Appendices A through E.

Strategic Analysis

Sections below explain the 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 validate that the proposed rate adjustments are in-line with current local market trends and forecasts. The economic impact of the COVID-19 global pandemic resulted in a

variety of economic indicators shifting negatively in 2020, however a number of economic indicators are demonstrating a positive rebound in the start of 2021. See Appendix H for a review of current local economic indicators.

2) Validating rate adjustments with 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 are aligned with the current market and can adjust to market downturns.

It is important to note that the inputs into Vancouver’s index calculation lag behind the most current market conditions. BC Assessment property values for 2021 are based on property values that were assessed in July 2020, and Statistics Canada’s non-residential construction price index is based on data from the first quarter of 2021. This could occasionally result in situations where the inflationary rate adjustment as calculated by the index is not aligned with current or shifting market conditions. Under these circumstances, the City would consider adjusting the rate increase to better reflect changing market conditions and recommend alternate approaches.

In light of the review above and in Appendix H, staff have concluded that the recommended 2021 inflationary rate adjustment is in line with current economic indicators.

This section of the report discusses the proposed recommendations for Council consideration.

Recommendation A: THAT Council approve, in principle, the 2021 inflationary rate adjustments for the Vancouver (City-wide) Development Cost Levy (DCL) By-law, Vancouver Utilities DCL By-law and Area Specific DCL By-law, with new rates to be effective September 30, 2021

The proposed rate adjustments and rates for DCLs are found in Tables 1 and 2 with a complete list of DCL rate adjustments by district available in Appendix A. Amongst the DCLs, the magnitude of the 1.2% rate increase ranges from a low of \$0.03/ft² to a high of \$0.22/ft².

Table 1: Recommended 2021 Rate Adjustments for the City-wide DCL

| Rate Category | Current Rate | Inflationary Adjustment (2020-2021) | Recommended 2021 DCL Rate |
|---|-------------------------|-------------------------------------|-------------------------------|
| Residential in development over 1.5 FSR | \$18.02/ft ² | \$0.22/ft ² | \$18.24/ft² |
| Medium density residential above 1.2 FSR to 1.5 FSR | \$9.00/ft ² | \$0.11/ft ² | \$9.11/ft² |
| Residential at or below 1.2 FSR and laneway house | \$4.18/ft ² | \$0.05/ft ² | \$4.23/ft² |
| Commercial and most other uses | \$15.21/ft ² | \$0.18/ft ² | \$15.39/ft² |
| Industrial | \$6.07/ft ² | \$0.07/ft ² | \$6.14/ft² |
| Mixed Employment (Light Industrial) | \$11.41/ft ² | \$0.14/ft ² | \$11.55/ft² |

Table 2: Recommended 2021 Rate Adjustments for the Vancouver Utilities DCL

| Rate Category | Current Rate | Inflationary Adjustment (2020-2021) | Recommended 2021 DCL Rate |
|---|-------------------------|-------------------------------------|-------------------------------|
| Residential development over 1.5 FSR | \$10.01/ft ² | \$0.12/ft ² | \$10.13/ft² |
| Medium density residential above 1.2 FSR to 1.5 FSR | \$5.00/ft ² | \$0.06/ft ² | \$5.06/ft² |
| Residential at or below 1.2 FSR and laneway house | \$2.30/ft ² | \$0.03/ft ² | \$2.33/ft² |

| | | | |
|--|------------------------|------------------------|------------------------------|
| Commercial and most other uses | \$5.26/ft ² | \$0.06/ft ² | \$5.32/ft² |
| Industrial | \$2.11/ft ² | \$0.03/ft ² | \$2.14/ft² |
| Mixed Employment (Light Industrial) | \$3.95/ft ² | \$0.05/ft ² | \$4.00/ft² |

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 reduced rates can be found in Appendix A.

Recommendation B: THAT Council approve the 2021 inflationary rate adjustments for Community Amenity Contribution (CAC) targets, with new target rates to be effective September 30, 2021, as shown in Appendix E.

The proposed rate adjustments and rates for CAC targets can be found in Table 3 and Appendix E. Amongst the CAC Targets, the magnitude of the 1.2% rate increase ranges from a low of \$0.04/ft² to a high of \$1.35/ft².

Table 3: Recommended 2021 Adjustments for CAC Targets
(\$/ft² on net additional density)

| CAC Target | Year Established | 2020 Rate | Inflationary Adjustment (2020-2021) | Recommended 2021 CAC Target Rate |
|--|------------------|--------------------------|-------------------------------------|----------------------------------|
| Cambie Corridor: 4-storey residential | 2018 | \$71.40/ft ² | \$0.87/ft ² | \$72.27/ft² |
| Cambie Corridor: 4-storey mixed-use | 2018 | \$19.83/ft ² | \$0.24/ft ² | \$20.07/ft² |
| Cambie Corridor: 6-storey residential | 2018 | \$102.14/ft ² | \$1.24/ft ² | \$103.38/ft² |
| Cambie Corridor: 6-10 storey mixed-use | 2018 | \$111.06/ft ² | \$1.35/ft ² | \$112.41/ft² |
| Downtown Commercial Linkage Target | 2017 | \$15.65/ft ² | \$0.19/ft ² | \$15.84/ft² |
| Rest of Metro Core Commercial Linkage Target | 2017 | \$10.43/ft ² | \$0.13/ft ² | \$10.56/ft² |
| Grandview-Woodland: Nanaimo St/E 12th Ave shopping nodes | 2016 | \$69.76/ft ² | \$0.85/ft ² | \$70.61/ft² |
| Grandview-Woodland: Mid-rise multi-family sub-areas | 2016 | \$23.25/ft ² | \$0.28/ft ² | \$23.53/ft² |
| Marpole | 2014 | \$80.32/ft ² | \$0.97/ft ² | \$81.29/ft² |
| Norquay (Kingsway C-2) | 2013 | \$12.88/ft ² | \$0.16/ft ² | \$13.04/ft² |
| Little Mountain Adjacent | 2013 | \$47.00/ft ² | \$0.57/ft ² | \$47.57/ft² |
| Southeast False Creek | 2007 | \$67.00/ft ² | \$0.81/ft ² | \$67.81/ft² |
| Institutional* | 2020 | \$2.97/ft ² | \$0.04/ft ² | \$3.01/ft² |

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

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.

Recommendation C: THAT Council approve, in principle, an amendment to the Vancouver Development Cost Levy By-law and the Vancouver Utilities Development Cost Levy By-law to maintain the lower DCL rate category for Low Operational Cost Housing projects in cases where the 5% floor area increase would cause a higher DCL rate to apply effective immediately, as generally set out in Appendix F and G.

A minor amendment to the City's DCL By-laws is recommended to address the current structure of the City's residential DCL rate categories that are causing an unintended disincentive on projects that are seeking a 5% floor area increase available under the incentive for Low Operational Cost Housing (LOCH) in the Zoning and Development By-law (Section 10.16).

The LOCH program offers additional floor area for a multi-unit residential building that is designed for certification under near-zero emissions standards such as Passive House. In certain cases, the 5% floor area increase results in a higher DCL rate category, thereby reducing or removing the intended incentive.

Staff are recommending DCL By-laws be amended to include a provision whereby if a LOCH increase would otherwise result in a project being elevated into a higher DCL rate category, the lower DCL rate would still apply. It is recommended that the change to the DCL By-laws take effect immediately so that applications currently in progress may continue through the permit process without being impacted by a higher DCL rate applied to their projects. The recommended change will rectify the DCL disincentive so that LOCH projects can advance as per the intent of the DCL By-laws and not be inadvertently elevated into a higher DCL rate category.

Staff anticipate a limited number of applications will utilize the proposed DCL amendment, particularly as the LOCH program expires at the end of 2025. However this is an important DCL amendment to support certain LOCH projects in the near term as the industry transitions to zero-emissions standards.

For more information on the LOCH program, please see the 2018 Zero Emissions Buildings Catalyst Tools Council report at <https://council.vancouver.ca/20180501/documents/p4.pdf>. Note that the LOCH program is a time-limited program for applications submitted prior to December 31, 2025.

Financial Implications

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

Should Council not approve the recommended increase in DCL rates and CAC targets by 1.2%, the City would forego approximately \$1.1 million over a year in development contributions that could have been secured if the inflationary adjustment was applied.

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 land and construction cost inflation, and to avoid large rate changes that might be triggered by less frequent adjustments. In addition to annual indexing, recalibrations of DCLs, CAC targets, and density bonus contributions are generally done every four years to align with public benefit strategies and 10-year capital outlook, while considering potential impacts on development viability. Staff are beginning work to update the City-wide DCL and Utilities DCL, aiming to be bring the updated DCL program to Council in Q2/Q3 2022.

Financial Implications for Development

The City's Financing Growth policies are based upon the principle that, while development should pay for growth, development contributions should not deter development or harm housing affordability. Independent review found the primary impact of development contributions 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 as of May 2021, Vancouver's DCL rates continue to be in-line with development cost charges in the Metro Vancouver region for low and medium density residential development. Vancouver's higher density residential and non-residential DCL rates are at the higher end of regional rates. Vancouver's DCL rates have increased considerably over the last few years as a number of new or updated charges have been implemented, most notably the Utilities DCL to fund utilities upgrades to support growth.

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 is Awesome 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); 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 no correspondence from industry stakeholders related to the recommended rate changes

CONCLUSION

As part of the annual inflationary rate adjustment, this report seeks Council approval to adopt the proposed Development Cost Levy (DCL) By-Law rates and Community Amenity Contribution (CAC) targets with the new rates becoming effective September 30, 2021. The report also seeks Council approval for a DCL By-Law amendment to maintain the lower DCL rate category for projects under the LOCH program if the 5% floor area increase causes a higher DCL rate to apply.

Development contributions are a key funding source for growth-related amenities and infrastructure. 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 2021 inflationary rate adjustment represents an increase of 1.2%, reflecting changes in the cost of land and non-residential construction costs which are key factors in the costs of delivering the growth related amenities and infrastructure.

* * * * *

2021 Proposed Development Cost Levy (DCL) Rates
Effective September 30, 2021

| | | Base ¹ | | | Layered ² | |
|--------------------------|---|---|---|---|---|---|
| | | City-wide DCL (A) | City-wide Utilities DCL (B) | TOTAL City-wide DCLs (A+B) | False Creek Flats | South East False Creek |
| Residential | Residential at or below 1.2 FSR and Laneway House | \$45.54/m ² (\$4.23/ft ²) | \$25.06/m ² (\$2.33/ft ²) | \$70.60/m ² (\$6.56/ft ²) | \$70.16/m ² (\$6.52/ft ²) | \$216.91/m ² (\$20.15/ft ²) |
| | Medium Density Residential above 1.2 FSR to 1.5 FSR | \$98.05/m ² (\$9.11/ft ²) | \$54.47/m ² (\$5.06/ft ²) | \$152.52/m ² (\$14.17/ft ²) | | |
| | Higher Density Residential above 1.5 FSR | \$196.32/m ² (\$18.24/ft ²) | \$109.05/m ² (\$10.13/ft ²) | \$305.37/m ² (\$28.37/ft ²) | | |
| Non-Residential | Commercial and Most Other Uses ³ | \$165.70/m ² (\$15.39/ft ²) | \$57.30/m ² (\$5.32/ft ²) | \$223.00/m ² (\$20.71/ft ²) | | \$34.64/m ² (\$3.22/ft ²) |
| | Industrial ⁴ | \$66.13/m ² (\$6.14/ft ²) | \$22.99/m ² (\$2.14/ft ²) | \$89.12/m ² (\$8.28/ft ²) | | |
| | Mixed Employment (Light Industrial) ⁵ | \$124.30/m ² (\$11.55/ft ²) | \$43.03/m ² (\$4.00/ft ²) | \$167.33/m ² (\$15.55/ft ²) | | |
| Other Rates ⁶ | Artist Studio (Class A&B) Childcare Community Centre/ Neighbourhood House Library Public Authority Use Social Service Centre Temporary Buildings | \$10.00/BP ⁷ | \$10.00/BP | \$20.00/BP | \$10.00/BP | \$10.00/BP |
| | Community Energy Centre | \$10.00/BP | \$10.00/BP | \$20.00/BP | N/A | \$10.00/BP |
| | Parking garage | \$1.08/m ² (\$0.10/ft ²) | \$1.08/m ² (\$0.10/ft ²) | \$2.16/m ² (\$0.20/ft ²) | \$1.08/m ² (\$0.10/ft ²) | \$1.08/m ² (\$0.10/ft ²) |
| | School (K-12, Public) | \$5.49/m ² (\$0.51/ft ²) | \$5.49/m ² (\$0.51/ft ²) | \$10.98/m ² (\$1.02/ft ²) | \$5.49/m ² (\$0.51/ft ²) | N/A |
| | Works Yard | N/A | N/A | N/A | \$1.00/m ² (\$0.09/ft ²) | N/A |

¹ In the Base DCL areas, the City-wide Utilities DCL applies *in addition to* the City-wide Vancouver DCL.

² In the Layered DCL areas, DCLs apply *in addition to* the City-wide DCL and City-wide Utilities DCL.

³ All uses, except for those specified here, are subject to the Commercial DCL rate.

⁴ Industrial in the City-wide Vancouver DCL and City-wide Utilities DCL apply to development in the I-2, M-1, M-1A, M-1B, M-2, MC-1, MC-2 zoning districts. See DCL By-laws for definitions.

⁵ Mixed Employment (Light Industrial) in the City-wide Vancouver DCL and City-wide Utilities DCL apply to IC-1, IC-2, IC-3, I-1, I-1A, I-1B, I-3 and I-4 zoning districts. See DCL By-laws for definitions.

⁶ Refer to DCL By-law and Zoning & Development By-law for use definitions.

⁷ BP stands for Building Permit.

Schedule "C"

| Category/Use | Total Development Cost Levy (Effective September 30, 2021) | Unit/ area cost |
|--|---|----------------------------|
| RESIDENTIAL | | |
| Residential at or below 1.2 FSR and Laneway House | \$45.54 | Per m ² |
| Medium Density Residential Above 1.2 to 1.5 FSR | \$98.05 | Per m ² |
| Higher Density Residential Above 1.5 FSR | \$196.32 | Per m ² |
| NON-RESIDENTIAL | | |
| Industrial (I-2, M-1, M-1A, M-1B, M-2, MC-1, MC-2 Zoning Districts) | \$66.13 | 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) | \$124.30 | Per m ² |
| Commercial & Other | \$165.70 | Per m ² |

| Category/Use | Rate | Unit/ Area cost |
|--|-------------|----------------------------|
| 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 | |

Schedule “C”

| Category/Use | Total Development Cost Levy (Effective September 30, 2021) | Unit/ area cost |
|--|---|----------------------------|
| RESIDENTIAL | | |
| Residential at or below 1.2 FSR and Laneway House | \$25.06 | Per m ² |
| Medium Density Residential Above 1.2 to 1.5 FSR | \$54.47 | Per m ² |
| Higher Density Residential Above 1.5 FSR | \$109.05 | Per m ² |
| NON-RESIDENTIAL | | |
| Industrial (I-2, M-1, M-1A, M-1B, M-2, MC-1, MC-2 Zoning Districts) | \$22.99 | 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) | \$43.03 | Per m ² |
| Commercial & Other | \$57.30 | Per m ² |

| Category/Use | Rate | Unit/ Area cost |
|--|-------------|----------------------------|
| 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 | |

2021 Proposed New Inflation Adjusted CAC Targets
Effective September 30, 2021

| Map | CAC Target Area and Eligibility Criteria ^(a) | CAC Target ^(b) (effective Sept. 30, 2020) | Proposed CAC Target ^(b) (effective Sept 30, 2021) | Allocation of CAC ^(c) |
|--|---|--|--|---|
| Map A (Southeast False Creek) | Rezoning applications on sites zoned M-2 up to 3.5 FSR as shown in Error! Reference source not found. Additional CAC will be negotiated > 3.5 FSR. | \$721.18/m ² (\$67.00/ft ²) | \$729.92/m ² (\$67.81/ft ²) | Affordable housing in Southeast False Creek |
| Map B (Cambie Corridor) | Rezoning applications for 4-storey residential as shown in Error! Reference source not found. | \$768.52/m ² (\$71.40/ft ²) | \$777.85/m ² (\$72.27/ft ²) | As per the Cambie Corridor Public Benefits Strategy |
| | Rezoning applications for 4-storey mixed-use as shown in Error! Reference source not found. | \$213.48/m ² (\$19.83/ft ²) | \$216.03/m ² (\$20.07/ft ²) | |
| | Rezoning applications for 6-storey residential as shown in Error! Reference source not found. | \$1,099.40/m ² (\$102.14/ft ²) | \$1,112.75/m ² (\$103.38/ft ²) | |
| | Rezoning applications for 6-10 storey mixed-use as shown in Error! Reference source not found. | \$1,195.47/m ² (\$111.06/ft ²) | \$1,209.92/m ² (\$112.41/ft ²) | |
| Map C (Little Mountain Adjacent Area) | Rezoning applications for 4-6 storey apartments as shown in Error! Reference source not found. C | \$505.90/m ² (\$47.00/ft ²) | \$512.03/m ² (\$47.57/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 Error! Reference source not found. | \$138.65/m ² (\$12.88/ft ²) | \$140.32/m ² (\$13.04/ft ²) | As per the Norquay Village Public Benefits Strategy |
| Map E (Marpole) | Rezoning applications for 6-storey residential as shown in Error! Reference source not found. | \$864.58/m ² (\$80.32/ft ²) | \$875.03/m ² (\$81.29/ft ²) | As per the Marpole Public Benefits Strategy |
| Map F (Grandview-Woodland) | Rezoning applications in Nanaimo St./ E 12 th Ave. shopping nodes as shown in Error! Reference source not found. | \$750.90/m ² (\$69.76/ft ²) | \$759.99/m ² (\$70.61/ft ²) | As per the Grandview-Woodland Public Benefits Strategy |
| | Rezoning applications in the Midrise Multi-Family areas as shown in Error! Reference source not found. | \$250.30/m ² (\$23.25/ft ²) | \$253.29/m ² (\$23.53/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 Error! Reference source not found. | \$168.43/m ² (\$15.65/ft ²) | \$170.50/m ² (\$15.84/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 Error! Reference source not found. | \$112.29/m ² (\$10.43/ft ²) | \$113.63/m ² (\$10.56/ft ²) | |
| Key Map (City-wide) | Rezoning applications for 100% institutional developments (i.e. hospitals, community care facilities, and post-secondary schools) | \$32.02/m ² (\$2.97/ft ²) | \$32.36/m ² (\$3.01/ft ²) | |

Notes:

- a. Secured market rental rezoning applications located within CAC Target areas may be subject to a negotiated CAC as per 1.2(b) of the CAC Policy provided it is not already exempt under Section 8.2(e) of the CAC Policy.
- b. 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.

- c. CAC Targets may be directed to public benefits located outside of the community provided that the public benefit meets the criteria in policy **Error! Reference source not found..**

Background Information

1. Overview of Inflationary Index System
2. Review of Current Local Economic Indicators
3. Development Cost Levies
4. Community Amenity Contributions

1. Overview of Inflationary Index System

The annual inflationary rate adjustment system was developed using local and national best practices and is guided by a set of Council-adopted principles that require the system 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 changes in the market; and
- be supportable by industry & stakeholders

The annual rate adjustment is initiated with reports to Council in June or July proposing new DCL, CAC target, or density bonus contribution rates that have been 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 blended together to reflect the City's current Capital Plan program and anticipated expenditure on land acquisition and construction (see Table 4).

Linking rates to an annual inflationary index results in rate increases when inflation is positive and rate decreases when inflation is negative. The 2021 BC Assessment⁸ property roll for the City of Vancouver indicated a 1.4% increase in assessed property value, while the Statistics Canada⁹ Non-Residential Construction Price Index for Q1 2021 recorded an increase of 1.2% from 2020. The City's 2019-2022 Capital Plan¹⁰ is anticipated to invest 17% towards land acquisition and 83% on construction.

Table 4 shows the annual inflationary index from 2012 to 2021.

⁸ BC Assessment, Property Roll for the City of Vancouver, 2021

⁹ Statistics Canada, Non-Residential Building Construction Price Index for Vancouver, Q1 2021

¹⁰ City of Vancouver, 2019-2022 Capital Plan

Table 4: Annual Inflationary Index (2012 – 2021)

| 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 |
| 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% |
| 2021 | 1.2% | 1.4% | 1.2% | 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>

* 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.

A further step in the annual inflationary rate adjustment system is a review of local economic indicators to ensure that rates are aligned with inflationary trends. A review of economic indicators is included in Section 2 of this Appendix.

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 provide additional certainty and transparency. These tools included CAC targets and density bonus contributions and were introduced as new area plans were approved by Council. The share of rezonings with CACs using CAC targets is now 60%, representing an increase from 2013 where the usage was only 10%. Staff will continue to explore opportunities to further expand CAC targets and density bonus contributions. In May 2016, the annual inflationary rate adjustment system was expanded to apply to CAC targets and density bonus contributions and Council also approved a one-time catch-up for past inflation as part of the new rate adjustments. A similar one-time rate catch-up for DCLs was approved by Council in 2009 when the inflationary rate adjustment system was first adopted.

This system has provided more predictability/certainty 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 4% between 2012 and 2020 (see Table 4). 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. In 2020, the inflationary index was -0.8%, which is the first time rates have decreased under the inflationary index system.

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

In addition to annual indexing, recalibrations of DCLs, CAC targets, and density bonus contributions may be required from time to time to align with public benefit strategies and 10-

year Capital Plan outlook while considering potential impacts on development viability. These recalibrations are often done every four years. Staff are beginning work to update the City-wide DCL and Utilities DCL, aiming to bring the updated DCL program to Council in Q2/Q3 2022.

2. Review of Current Local 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.

Economic Context

- Central 1 Credit Union is forecasting a 4.2% increase in British Columbia's Gross Domestic Product (GDP) for 2021¹¹
- Vancouver CMA (Metro Vancouver) employed labour force has increased 107,000 since April 2020 (+228,000 since June 2020), while the region's unemployment rate is 7.4% (was previously 13.6% in July 2020)¹²

Market Indicators:

- According to City data, the value of year-to-date building permits issued for commercial/industrial new builds (as of Apr 2021) has decreased by 23% from last year's value while year-to-date values for new residential has increased by 14%¹³
- According to CMHC, year-to-date housing starts in Vancouver (as of April 2021) have increased by 58% compared to 2020¹⁴
- According to CMHC, year-to-date new housing completions in Vancouver (as of Apr 2021) have decreased by 23% compared to 2020
- UDI's State of the Market report for Q4 2020 showed that sales across new concrete condominiums, wood frame condominiums, and townhouses in Vancouver have more or less recovered to sales levels recorded pre-pandemic (Q4 2019)¹⁵
- According to data from the Real Estate Board of Greater Vancouver (April 2021), resale activity for Vancouver apartments has increased 125-140% when comparing Feb-April volumes between 2020 and 2021. All property types saw annual price increases from April 2020 (Detached: 11-16%, Townhouse: 10-12%, Apartment: 3-5%)¹⁶
- Colliers¹⁷ Q1 2021 office market report shows Downtown Vancouver vacancy at 7.5% and the Broadway Corridor at 5.2%, an increase from a year ago
- Colliers¹⁸ Q1 2021 industrial market report shows Vancouver vacancy at 3.1%, continuing a trend of decreasing vacancy rates at record low levels

¹¹ Credit 1 Central Union, BC Economic Outlook 2021-2023, Feb 2021

¹² Statistics Canada, Labour Force Characteristics Table 14-10-0380-01, April 2021

¹³ City of Vancouver, Statement of Building Permits Issued, Apr 2021

¹⁴ CMHC, Housing Information Portal, Apr 2021

¹⁵ UDI, State of the Market Q4 2020

¹⁶ Real Estate Board of Greater Vancouver, Monthly Market Report, April 2021

¹⁷ Colliers, Vancouver Office & Industrial Market Reports Q1 2021

¹⁸ Colliers, Vancouver Office Market Report Q1 2021

3. Development Cost Levies (DCLs)

Development Cost Levies (DCLs) are a growth-related charge collected from most new development and a significant source of funding for public amenities 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 (affordable housing) (8%).

The Utilities DCL is fully allocated to utility infrastructure (sewer, water, and drainage).

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 two 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.

4. 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

