

2021 Annual Inflationary Rate Adjustments to Density Bonus Contributions

July 6, 2021



- 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 #14494)
 - **Density Bonus Contributions (RTS #14493 – requires referral to public hearing)**

- Council approve Recommendation for all Density Bonus Contributions to be effective Sept. 30, 2021:
 - To apply a 1.2% inflationary rate increase across Density Bonus Zones for consideration at public hearing

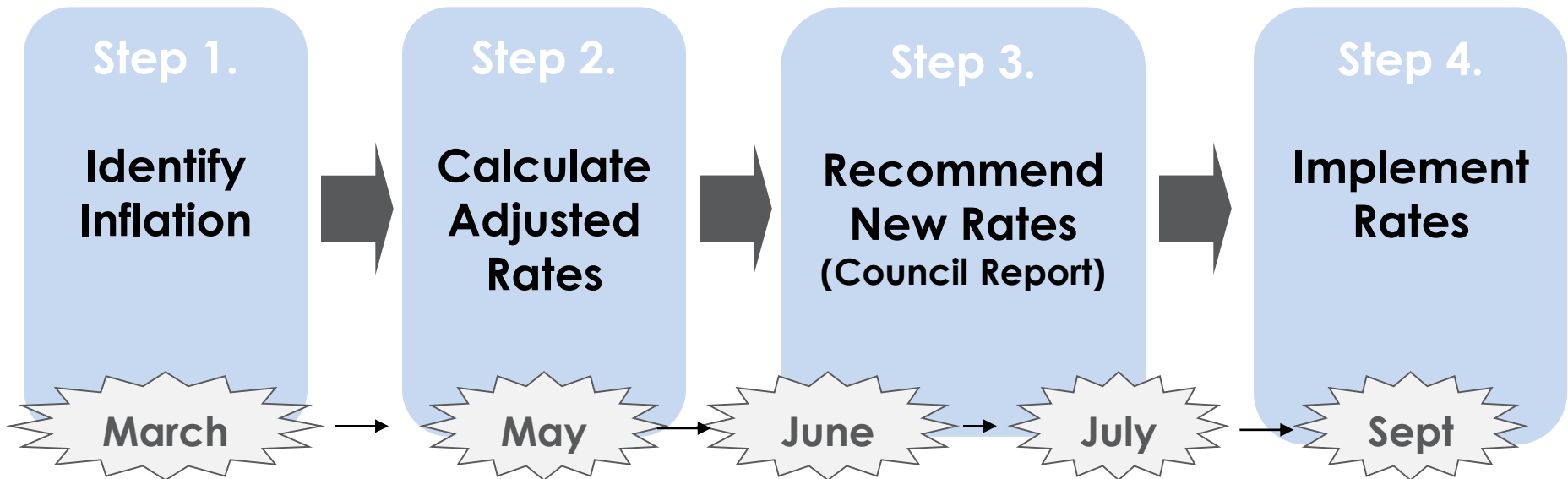
- A zoning tool that permits developers to build more floor space than normally allowed in exchange for a pre-set contribution
- Density bonus zones allow for:
 - Outright density (or base density) with no density bonus contribution
 - Extra density, up to a limit set in a zone, with a contribution towards amenities and affordable housing
- Applies to areas with public benefit strategies
- 13 area rates: provides greater certainty / transparency
- Payable as a condition of building permit issuance
- 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**
- } Council date
June 23, 2021



Two components to inflationary rate adjustment system:

1. Index calculation

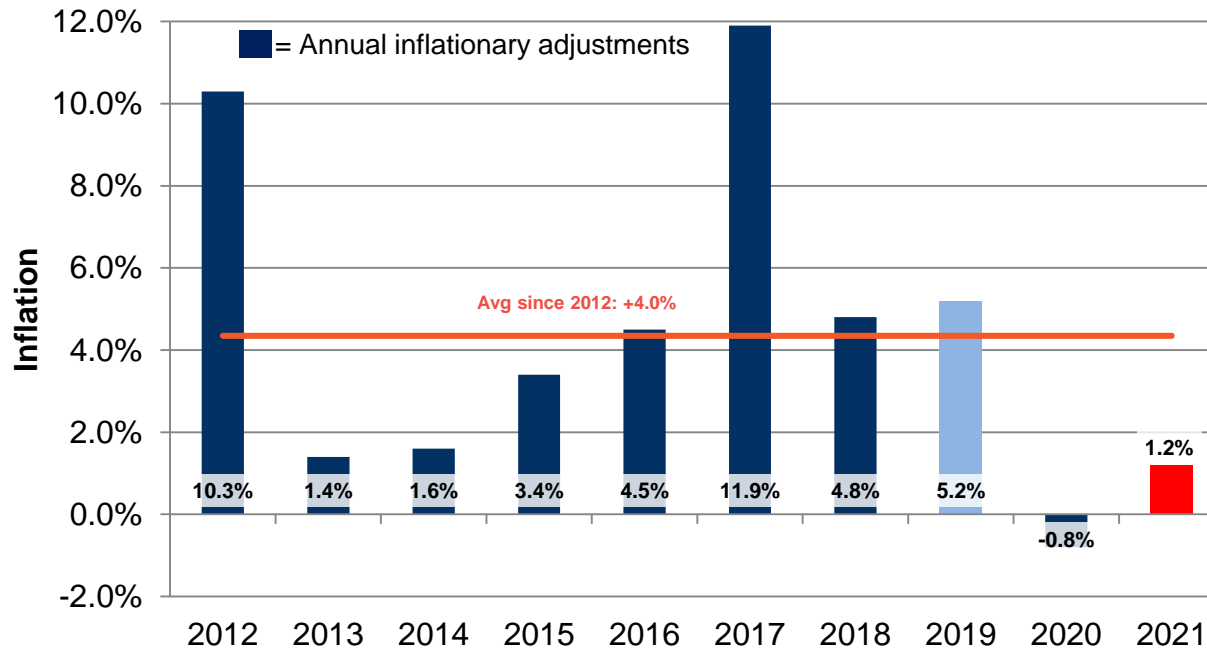
- Recommends rate adjustment based on year-over-year changes in:
 - BC Assessment property roll
 - Statistics Canada Non-residential construction price index
- Blends inputs from above to reflect land acquisition and construction investments in the current Capital Plan

2. Review of local economic indicators

- Serves as a check on rate adjustment arising from the index calculation
- Market indicators include GDP growth, employment, building permit values, housing starts, and other trends/forecasts
- Upon staff review, recommended 2021 inflationary rate adjustment is aligned with current economic indicators

2021 Inflationary Rate Adjustment

- 2021 inflationary rate adjustment estimated at **1.2%**
 - 1.2% inflation on non-residential construction price index (StatsCan)
 - 1.4% inflation 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

- Ongoing process of working with industry and stakeholders
- Notice sent to UDI, NAIOP, and HAVAN
- Density Bonus Zoning bulletin updated to include proposed rates for 2021
- Advice given to all development inquirers
- Ads in newspapers
- City Clerks notification of stakeholders

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THANK YOU