

# Recalibration of Density Bonus Contributions RTS 15471

Council Presentation: May 9, 2023



- In July 2022, Council directed staff to **report back with recalibrated Density Bonus Rates** (RTS 14972)
- Companion report on recalibrated CAC Targets (RTS 15470) presented to Council April 11<sup>th</sup>, 2023

1. Background
2. Recalibration Approach and Recommendations
3. Other minor amendments
4. Questions/Discussion



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# 1. Background



# 1. Background: Funding Capital Infrastructure

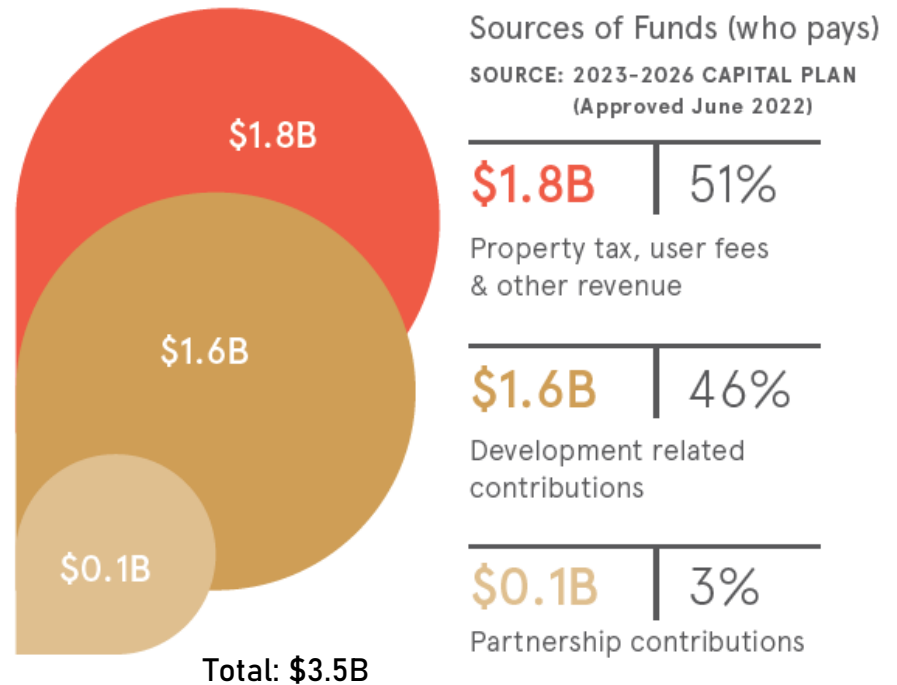
## 1. City Contributions

- Property Tax
- Utility Fees
- User Fees

## 2. Development Contributions

- DCLs
- CACs – Negotiated
- CACs – CAC Targets
- Density Bonus Contributions
- Conditions of Development

## 3. Partner Contributions



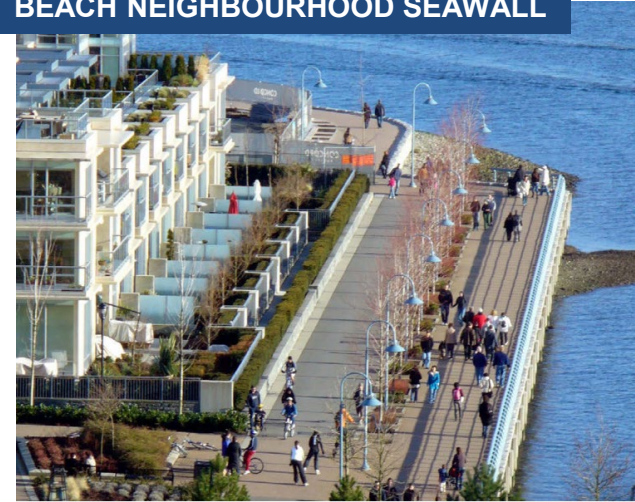
# 1. Background: Tools

Category	CAC Targets	Density Bonusing Contributions
Applies to	Rezoning	Zoning districts that allow additional density
City Policy	Established generally in area plans; outlined in CAC Policy	Established generally in area plans; outlined in Zoning By-law
Contribution Type	Contribution towards public benefits when Council grants additional development rights through rezoning	Zoning districts that allow extra density up to a max FSR in exchange for contributions towards public benefits
Payment/ Delivery Due date	Prior to rezoning enactment	Prior to building permit issuance

# 1. Background: Public Benefit Strategies

- The City plans for growth through city-wide and community planning.
- Community plans include Public Benefit Strategies (PBS).
- Public Benefit Strategies (PBS) outline community amenities that address growth.
- Development Contributions, including CAC Targets & Density Bonusing, are key funding sources that offset the costs of amenities and infrastructure.

BEACH NEIGHBOURHOOD SEAWALL



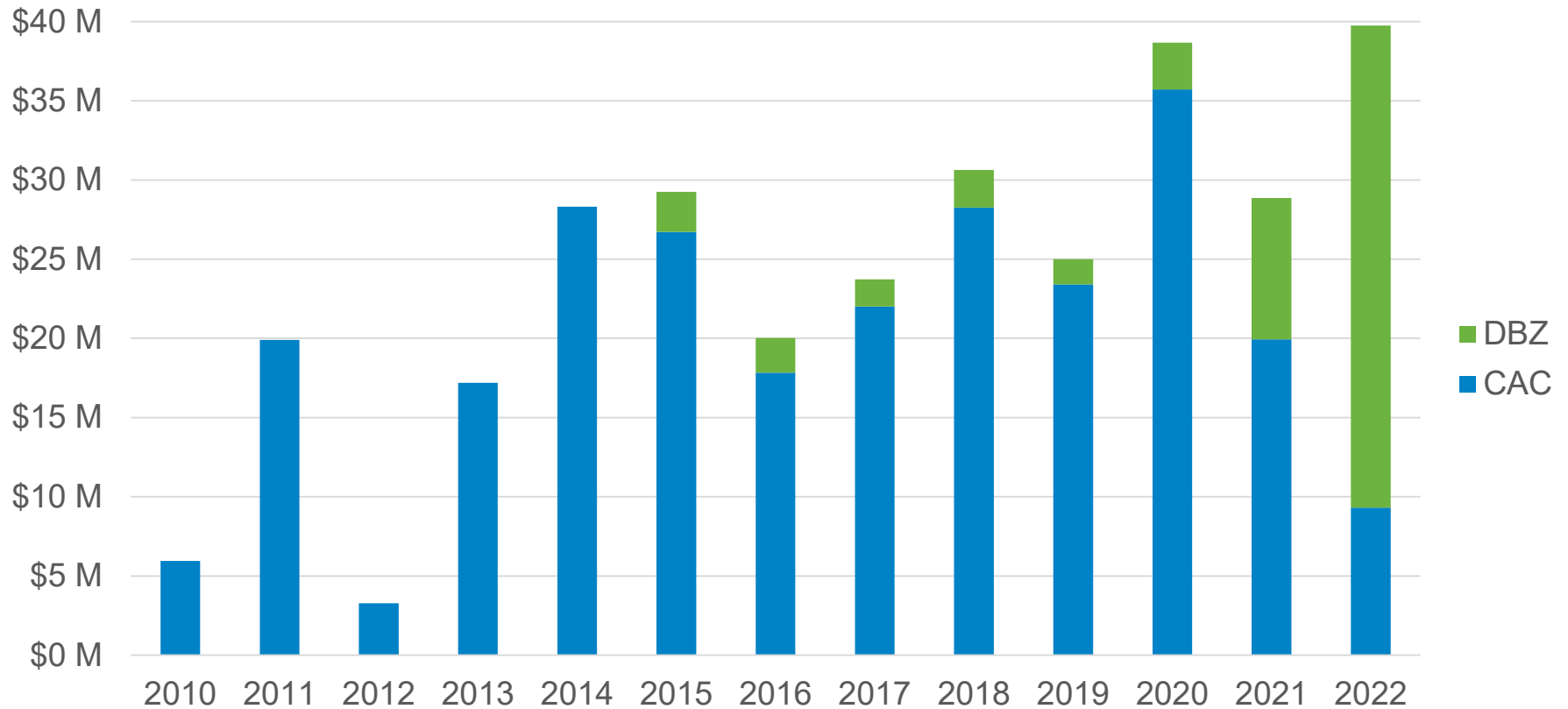
ARBUTUS WALK



# 1. Background: CAC Target / Density Bonus Usage



## Annual Revenue Secured from CAC Targets and Density Bonus Contributions





# 1. Background:

## Do CACs impact new housing prices?



- In 2014 and again 2019, Coriolis Consulting confirmed that housing prices are set by the market
- CACs are not added to the prices of housing

West side Multi-Family	Avg Sales Price (2019)
Projects that paid a CAC	\$1,489/sf
Projects that did not pay a CAC	\$1,539/sf

- Study also noted the importance of supply; CoV data shows that Vancouver continues to increase housing approvals and supply of housing
- When implemented correctly with economic testing, CACs are factored into the price of land, having a downward impact on land prices
  - CACs are also used to support needed growth infrastructure and to fund affordable housing



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## 2. Recalibration Approach & Recommendations

## 2. Approach: Why we Recalibrate

- Council approved framework for “Preset” (fixed rate) contributions adjusted annually for inflation and comprehensive recalibration every ~4 years
  - Last recalibration completed 2018/2020
- Recalibration adjusts rates to reflect current market conditions and addresses cost escalation for delivering new amenities included in Public Benefit Strategies (i.e. Cambie Corridor Plan, Marpole Plan, Grandview Woodland Plan)
- “Preset” rates support the financing growth principle of growth paying for growth, while also ensuring development contributions are predictable, transparent and simple

## 2. Approach: Area Testing

External consultants, Coriolis Consulting and Urban Systems, tested the financial viability of redevelopment across a wide variety of sites

– Review of 50+ case study sites across 26 “pre-set” areas:

- Cambie Corridor
- Marpole
- Grandview-Woodland
- Norquay
- Joyce-Collingwood
- Mount Pleasant
- False Creek Flats
- Little Mountain
- Southeast False Creek
- Downtown/Rest of Metro Core

## 2. Approach: Market Considerations

- Development contributions are foundational to funding growth
- If rates are:
  - known upfront, they can be factored into cost of acquiring land and dampen speculation
  - set too high they can slow development
  - set too low they may exacerbate land speculation
- Important to balance land value capture to support growth while not hindering housing & job space delivery
- Inflation and monetary policy is currently causing uncertainty in the real estate market; yet pace of rezoning remains high
- Staff continually monitor development trends/data and will recalibrate rates when needed



## 2. Economic Testing Results

Economic testing completed by external consultants; results indicate that rates be:

- Maintained at current levels for 17 out of 26 “fixed rates” (8 CAC Targets & 9 Density Bonus Contributions)
- Increased for 9 of the 26 “fixed rates” (5 CAC Targets & 4 Density Bonus Contributions)

## 2. Recommendations: Density Bonus Rates

Of the 13 existing Density Bonus rates:

- 9 need not be adjusted
- 4 have room to increase

Density Bonus Contribution	Year Established	2022 Rate	Recalibration Adjustment	Recommended 2023 Density Bonus Rate
Cambie Corridor RM-8A/AN	2018	\$60.07/ft <sup>2</sup>	+\$24.93/ft <sup>2</sup>	\$85.00/ft <sup>2</sup>
False Creek Flats FC-2E	2017	\$131.06/ft <sup>2</sup>	+\$9.84/ft <sup>2</sup>	\$140.00/ft <sup>2</sup>
Mount Pleasant I-1A	2016	\$7.22/ft <sup>2</sup>	+\$4.27/ft <sup>2</sup>	\$11.49/ft <sup>2</sup>
Mount Pleasant I-1B (3.0 to 5.0 FSR)*	2016	\$7.22/ft <sup>2</sup>	+\$4.27/ft <sup>2</sup>	\$11.49/ft <sup>2</sup>

\* Tiered rate from 5.0 to 6.0 FSR remains unchanged

Rates are applied on \$/ft<sup>2</sup> on net additional density

## 2. Recommendations: In-stream Rate Protection

**September 30, 2023**



- Proposed rate increases will not effect projects in-stream, if a corresponding application has been submitted prior to approval of the rate adjustment
  - CAC Targets: Rezoning application
  - Density Bonusing: Development permit application

The following summarizes the 4 main points from UDI and NAIOP

1. The city should decrease rates to encourage development in light of weakening real estate market
2. Economic analysis was based on outdated data (market has changed over past 6 months)
3. Analysis used interest rates that were too low
4. Industrial lease rates were too high



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### 3. Other minor amendments



### 3. Other minor amendments

- Report recommendation to streamline density bonus exemptions across zoning districts
  - Add exemption for secured market rental housing in RM-10N zone
- Report recommendation to streamline types of public benefits that density bonus contributions can fund across zoning districts:
  - Affordable housing;
  - Child Day Care Facility;
  - Community centre or neighbourhood house;
  - Cultural Facility
  - Library;
  - Park or playground;
  - Public Authority Use;
  - Rink;
  - Social Service Centre
  - Swimming Pool;
  - Transportation and Public Realm Infrastructure



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## 4. Questions & Discussion