

**Refers to Item #4 and #5  
Public Hearing of June 13, 2024**

## **YELLOW MEMORANDUM**

June 3, 2024

**TO:** Mayor and Council

**CC:** Paul Mochrie, City Manager  
Armin Amrolia, Deputy City Manager  
Karen Levitt, Deputy City Manager  
Sandra Singh, Deputy City Manager  
Katrina Leckovic, City Clerk  
Maria Pontikis, Chief Communications Officer, CEC  
Teresa Jong, Administration Services Manager, City Manager's Office  
Mellisa Morphy, Director of Policy, Mayor's Office  
Trevor Ford, Chief of Staff, Mayor's Office  
Jeff Greenberg, Assistant Director of Legal Services  
Neil Hrushowy, Director, Community Planning, Planning, Urban Design and Sustainability  
Templar Tsang-Trinaistich, Director, Rezoning Centre, Planning, Urban Design and Sustainability

**FROM:** Josh White  
General Manager, Planning, Urban Design and Sustainability

**SUBJECT:** Amendments to Restricted Zones (RT-7, RT-9, and First Shaughnessy District Schedule) to Comply with Bill 44 – Provincial Small-Scale Multi-Unit Housing (SSMUH) Legislation

**RTS #:** 16349 and 16350

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On May 28, 2023 Council referred the above-mentioned amendments to a Public Hearing. After referral, staff received a memorandum from the consultant (Blair Erb, Coriolis Consulting Corp.) hired to conduct financial viability analysis of the new multiple dwelling (multiplex) option in the zones which require amendments to comply with the legislative requirements in Bill 44 (First Shaughnessy District, RT-7 District, RT-9 District). Coriolis' analysis informed the proposed amenity share rates for strata multiplex projects in these zones and as such the memo provides additional information on the analysis conducted to determine the rates.

The memo has been appended to the two Council reports (RTS 16349 and 16350).

No action is required by Council as the posted reports have been updated to reflect the changes detailed above.

A handwritten signature in black ink, appearing to read 'J White', written in a cursive style.

Josh White  
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# MEMORANDUM

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**DATE:** 30 May 2024  
**TO:** Nathan Bunio, City of Vancouver  
**FROM:** Blair Erb, Coriolis Consulting Corp.  
**RE:** Financial Analysis Inputs to New SSMUH Zoning for RT and FSD Lots

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## 1.0 Introduction

The Province recently passed Bill 44 which requires local governments to make zoning changes in “restricted zones” to enable a minimum number of Small Scale Multi Unit Housing (SSMUH) units (i.e., multiplex units).

Districts or zones where residential uses are limited to single detached houses and/or duplexes are considered ‘restricted zones’ under Bill 44 and will be required to enable a minimum of:

- 3 dwelling units on parcels with a site area less than or equal to 280 m<sup>2</sup>.
- 4 dwelling units on parcels with a site area of more than 280 m<sup>2</sup>; and
- 6 dwelling units on parcels with a site area of more than 280 m<sup>2</sup> and within 400 m of a bus stop with frequent service.

The RT-7, RT-9, and First Shaughnessy District (FSD) are considered “restrictive zones”. So, City staff are proposing amendments to these zones to allow new multiplex units to comply with provincial requirements and to align with the City's new R1-1 zone.

As input to the zoning changes, the City retained Coriolis Consulting Corp. to:

1. Analyze the financial viability of redevelopment of existing lots in these districts to multiplex (3 to 6 units) to help determine if multiplex is likely financially viable, taking into account factors such as location, lot size, permitted density, number of units and parking.
2. Estimate the land value created by the new additional density in excess of the land value under current permitted density.
3. Provide input to setting rates for bonus density (i.e. amenity share) contributions for density beyond existing permitted density.
4. Provide comments on other items as requested.

## 2.0 Overview of Proposed Changes to Zoning Regulations

Under the proposed multiplex zoning, the maximum permitted density for multiplex in the RT7 and RT9 Districts will be 1.0 FSR (plus exclusions<sup>1</sup>). In the FSD, the maximum permitted density for new multiplex projects will be 0.5 FSR.

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<sup>1</sup> Exclusions from FSR will be provided for mechanical rooms and interior stairwells for accessing upper floor units. However, enclosed parking and storage will be included in FSR.

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The maximum permitted height is 3 storeys and parking will need to be provided at grade level (not underground).

The maximum number of permitted units will range from 3 units to 6 units.

### 3.0 Approach to Analysis

Our approach to the analysis included the following main steps:

1. We selected case study sites in the RT7 and RT9 districts in Kitsilano and in the FSD to use for the redevelopment financial analysis. The case study sites are all lots with older lower value existing improvements and are representative of the types of sites that are likely development candidates.
2. We estimated the market value of the property under its current use and zoning. This is the minimum price that a multiplex developer would need to pay to acquire the site.
3. We analyzed the financial performance of redevelopment to multiplex with no amenity share contribution. We used this analysis to estimate the land value that is supportable by each multiplex scenario using a land residual approach that includes the following steps:
  - Estimated the value of the completed project.
  - Deducted all project related costs (excluding land and any amenity share contribution).
  - Deducted a profit allowance (15% of total project costs including land).
  - Equals the land value supported by the multiplex scenario.
4. We determined whether or not the multiplex redevelopment scenario is financially viable, assuming the builder acquires the lot at current market value under existing zoning (step 2 above).
5. Based on steps 2 and 3, we estimated the increased lot value created by the increased permitted density for multiplex projects.
6. We calculated the supportable amenity share contribution per square foot of increased permitted density for each scenario based on 100% of the estimated increased lot value in step 5.

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## 4.0 Case Study Sites and Scenarios

With input from City staff, we selected nine different case study sites for our analysis as shown in Exhibit 1. The sites vary by location and lot size. Lots were selected from lot size categories that mirror the existing R1-1 amenity share rate categories.

**Exhibit 1: Summary of Case Study Site Locations and Lot Sizes**

Lot Size	RT7 and RT9	FSD	Total Sites
Assumed Permitted FSR	1.0 FSR	0.5 FSR	
Less than 4,995 sf	3	0	3
4,995 sf to 5,995 sf	2 <sup>2</sup>	0	2
5,996 to 6,706 sf	0	0	0
Over 6,706 sf	1	3	4
Total	6	3	9

For some sites we analyzed more than one multiplex scenario to test the impact of:

- A reduction in the number of assumed units.
- Changes to the average sales price assumptions.

## 5.0 Key Assumptions

1. The case study sites selected for the analysis are improved with older, low value existing houses so the existing property value is mainly in the land.
2. Multiplex will be a permitted use in the new zoning district, so rezoning is not required.
3. Exclusions from FSR will be provided for mechanical and interior stairs accessing upper floor units. However, enclosed parking and storage will not be excluded from FSR.
4. Cost estimates are based on April 2024 information and include (but are not limited to):
  - Building construction costs.
  - Professional fees and soft costs.
  - Development management.
  - Contingency.
  - Permits.
  - Warranties.
  - Demolition and hazardous material remediation.
  - Landscaping.
  - Servicing.
  - Connection fees.
  - BC Hydro costs (including pad mounted transformer costs).

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<sup>2</sup> One of these lots is just under 5,996 sf and is a good indicator of lots in the next higher lot size category (i.e., the 5,996 to 6,706 sf category).

- Utilities.
- Rainwater detention (based on proposed detention tank requirements).
- Government levies (DCCs and DCLs).
- Construction financing.
- Land financing.
- Commissions and marketing.
- Property taxes.
- Property transfer tax.

The cost assumptions can generally be summarized as shown in Exhibit 3.

**Exhibit 3: Cost Assumptions by Location (per square foot)**

Costs psf of Gross Floor Area (rounded)	Kitsilano RT Sites		FSD Sites	
	Lower	Higher	Lower	Higher
Hard costs psf	\$490	\$520	\$520	\$520
All other costs psf	\$315	\$320	\$280	\$390
Total cost psf (gross floor area) excluding land	\$805	\$850	\$800	\$910

5. The estimated existing property values and sales prices of the new multiplex units are based on April 2024 market values. The revenue assumptions vary from site to site based on location and unit size, but are generally as shown in Exhibit 4. Units that do not include a parking stall are discounted as shown in the exhibit.

**Exhibit 4: Revenue Assumptions by Location (per square foot)**

Revenue per net saleable sf (rounded)	Kitsilano RT Sites	FSD Sites
Average Sales Price psf	\$1,575 - \$1,800 <sup>3</sup>	\$1,700
Discount on units with no parking	\$100,000	n/a
Blended Average Price psf for Market Units	\$1,545 - \$1,750	\$1,700

## 6.0 Key Findings from Financial Analysis

### 6.1 RT Case Study Analysis

1. Multiplex will be financially viable at numerous RT zoned lots improved with older homes. However, the financial performance will vary depending on lot size and permitted number of units. Generally, small lots will be least viable while larger lots will be most viable.
2. In many cases, multiplex will support a higher lot value than other permitted RT uses. Therefore, if there is no amenity share contribution, the existing RT lot values could increase where multiplex supports a

<sup>3</sup> The upper end of this range is for small units at a site on Kits Point. Other sites and scenarios are a maximum of \$1,600 psf.

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higher value than other permitted uses. This would compromise the opportunity for other forms of housing that the City also supports on RT lots.

3. Because the financial performance of multiplex development varies by lot size and number of units, the ability of multiplex projects to make an amenity share (density bonus) contribution will be different for different lot sizes.
4. The range in the estimated supportable amenity share rate for the strata multiplex scenarios that we tested ranges from \$0 to \$220 per square foot of bonus density (over 0.7 FSR). Generally:
  - Smaller lots (less than 4,995 square feet) cannot support any significant contribution.
  - Mid-sized lots (4,995 to 5,995 square feet) support a contribution of about \$65 per square foot of bonus density.
  - Larger lots (over 5,995 square feet) can support a contribution in the range of \$150 to \$220 per square foot of bonus density.

It is important to note that our analysis focuses on the financial viability of multiplex development from the perspective of for-profit builders and developers. However, we would also expect owners of RT properties to be interested in building new strata (or rental) multiplex projects for their own use and/or to accommodate family members (not necessarily to earn a profit). So multiplex development will likely occur even if it is not financially viable from a developer's perspective.

## 6.2 FSD Case Study Analysis

1. Because there is limited data about the value of new attached housing in First Shaughnessy, the findings from the FSD case study analysis should be considered approximate.
2. Multiplex at 0.5 FSR will be financially viable at FSD zoned lots where the lot value is mainly land value (with little value created by any existing improvements). The financial performance will vary depending on lot size and permitted number of units. Generally, larger lots will be most viable.
3. The estimated supportable amenity share rate for the strata multiplex scenarios that we tested in FSD extends up to \$160 per square foot of bonus density (additional floorspace over the current permitted density of 0.25 FSR plus 1,500 sf). Again, larger lots support a higher rate than smaller lots.

Because of the large lot sizes in FSD, it is likely that builders would elect to construct multiple detached units rather than attached units. Detached forms of housing may perform better financially than attached units which would improve the economics of redevelopment. However, given the limited market evidence at this time, the outcome is uncertain.

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## 7.0 Comments on City's Proposed Amenity Share Rates

The City asked us to comment on its proposed amenity share rates for strata multiplex projects (that do not provide rental or affordable housing).

Exhibits 6 and 7 show the City's proposed amenity share rates per square foot of bonus density by location and lot size.

### Exhibit 6: City's Proposed Amenity Share Rates at Existing RT Lots (per square foot of bonus density)

Lot Size	Amenity Share Rate
Less than 4,995 sf	\$3 psf
4,995 sf to 5,995 sf	\$65 psf
5,996 to 6,706 sf	\$140 psf
Over 6,706 sf	\$140 psf

### Exhibit 7: City's Proposed Amenity Share Rate at Existing FSD Lots (per square foot of bonus density)

Lot Size	Amenity Share Rate
All lot sizes	\$140 psf

The City's proposed rates are generally consistent with the results from our case study financial analysis (with the exception of lots in FSD that are 20,000 sf or less) so we think they are appropriate.

In addition, these proposed rates align with the current rates (by lot size) for multiplex projects in the new R1-1 District.

The financial viability of multiplex development will change as market conditions change. The key factors that affect the financial performance of multiplex development and influence the calculated supportable amenity share rates are as follows:

- The value of the lot under alternate permitted uses (such as single family or duplex).
- The sales price of new multiplex units.
- The construction cost new multiplex projects.
- Government levies (regional DCCs and City DCLs).
- Construction financing interest rates.

We recommend that the City monitor these market variables and monitor pace of multiplex development and adjust the amenity rates as needed in the initial year or two after implementation.



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## 8.0 Professional Disclaimer

This document may contain estimates and forecasts of future growth and urban development prospects, estimates of the financial performance of possible future urban development projects, opinions regarding the likelihood of approval of development projects, and recommendations regarding development strategy or municipal policy. All such estimates, forecasts, opinions, and recommendations are based in part on forecasts and assumptions regarding population change, economic growth, policy, market conditions, development costs and other variables. The assumptions, estimates, forecasts, opinions, and recommendations are based on interpreting past trends, gauging current conditions, and making judgments about the future. As with all judgments concerning future trends and events, however, there is uncertainty and risk that conditions change or unanticipated circumstances occur such that actual events turn out differently than as anticipated in this document, which is intended to be used as a reasonable indicator of potential outcomes rather than as a precise prediction of future events.

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