

Supporting Development Viability & Unlocking New Housing Supply

JUNE 17, 2025



Agenda

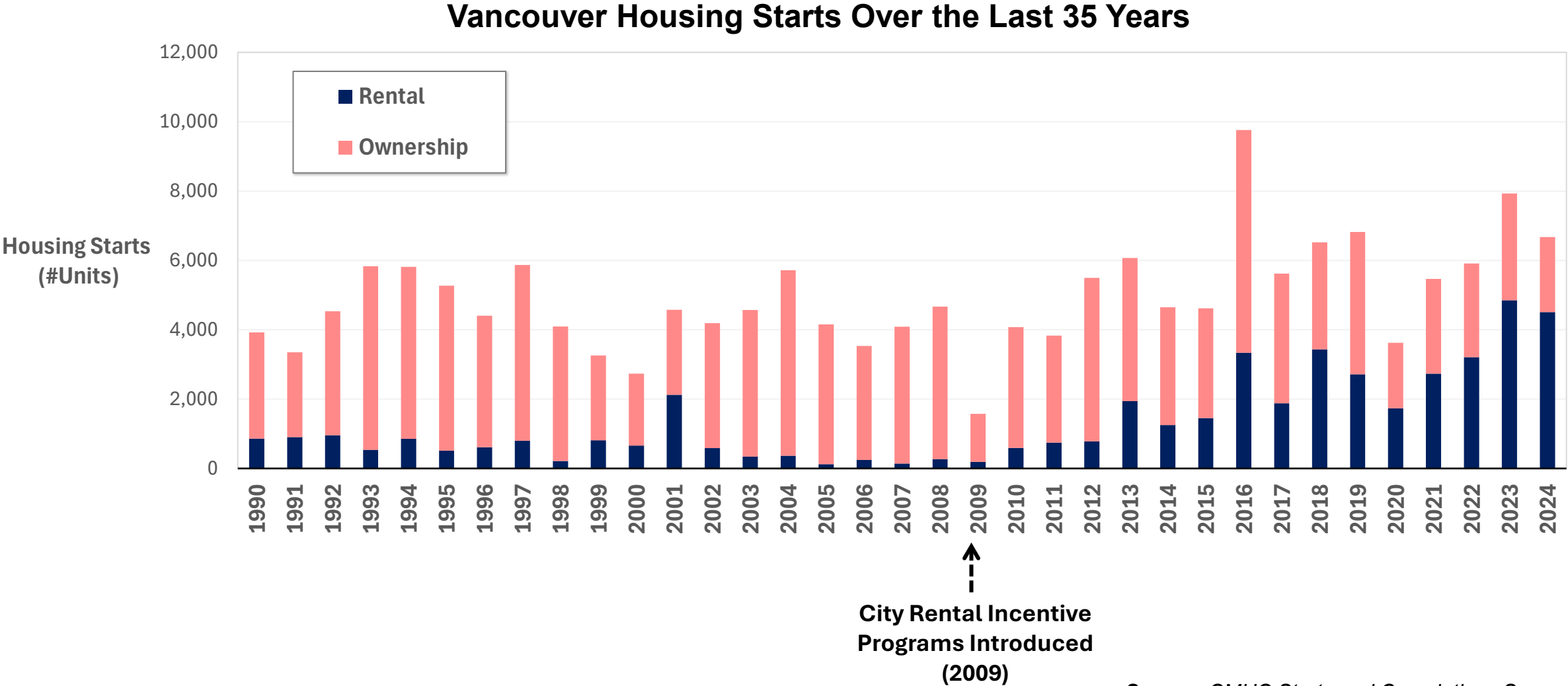
- Context: Why address development viability?
- Recommendations to Council:
 1. DCL Deferral: Allowing for 3 installments (similar to Metro & TransLink)
 2. CAC Deferral: Lowering cash-in-lieu payment at enactment
 3. Development Contributions: Freezing rates
 4. Surety Bond: Broadening usage
 5. Updates on development-related policy reviews
- Financial Implications

Arriving at this point

- Vancouver on a global stage: Expo 86 & 2010 Olympics



Condos served secondary rental market



Source: CMHC Starts and Completions Survey

Investor-focused condo market to fuel pre-sales



Moments of rapid appreciation

High demand matched against concentrated supply



Detachment of home price from economy

Home Affordability in 25 Largest Cities in the US & Canada (Prices & Incomes in US\$) As of October 2024					
Metro Area	↓ Price-to-Income Ratio	Home Price	Gross Median Household Income	Population (Estimated)	
 Vancouver <small>WOWA.ca</small>	12.7 	\$842K 	\$66K	3.1M	
 Toronto	10.7 	\$762K 	\$71K <small>WOWA.ca</small>	7M	
 Los Angeles	10.0 	\$956K 	\$96K 	12.9M	
 San Diego	8.6 	\$936K 	\$108K 	3.3M	
 San Francisco	8.5  <small>WOWA.ca</small>	\$1.141M 	\$134K 	4.6M	
 New York	6.8 	\$677K 	\$99K 	19.6M	
 Montreal	6.4 	\$391K	\$61K	4.6M	
 Seattle	6.4 	\$740K 	\$116K 	4.1M	
 Inland Empire, CA	6.3 	\$580K 	\$92K	4.8M	
 Miami <small>WOWA.ca</small>	6.1 	\$486K	\$80K	6.2M	

- Source:**
 WOWA.ca (2024)
- Home Prices – US Zillow Housing Data All Homes, US & Metro; CA CREA MLS HPI (Composite Benchmark)
 - Incomes – US Census; CA Statistics Canada adjusted to October 2024
 - Population (Estimated) – US Census; CA Statistics Canada adjusted to 2024 with macro trends population change data
 - FX Rates – Bank of Canada (CAD/USD October 31, 2024)

Increase in costs over time

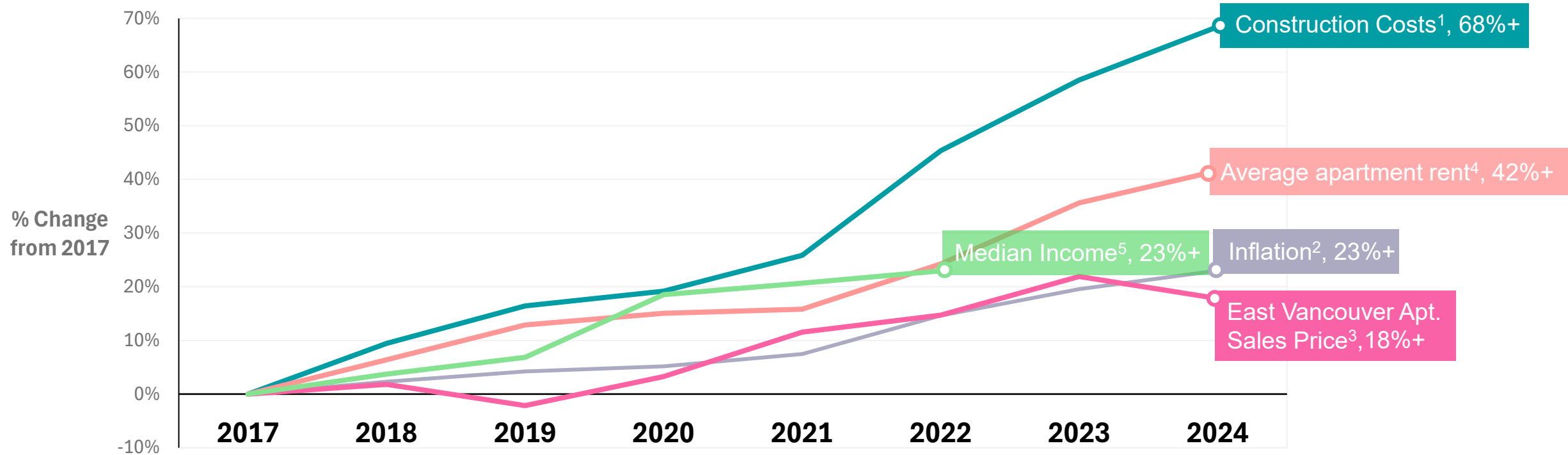
- Construction cost
- Land cost
- Financing cost
- Infrastructure and amenities to support growth
- Policy obligations and processing times

Evaporation of investor pool recently

- Relied on anticipation of continued appreciation
- Investors represented a significant share of pre-sales helping to launch condo projects
- Competing for end users with purpose-built rental construction
- Foreign buyer ban

Rapid Post-COVID construction cost escalation

Change in Sale Prices, Rents, and Incomes and Construction Costs in the City of Vancouver



Sources:

1. Statistics Canada, Building construction price indexes
2. Statistics Canada, Consumer Price Index, monthly, not seasonally adjusted
3. Benchmark prices from MLS Home Price Index. All data for Vancouver East and Metro Vancouver in October of each respective year.
4. CMHC 2024 Rental Market Report.
5. Statistics Canada, Taxfiler 2022

Other Market Indicators

- Starts and BP issuance
- Pre-sales
- Land Transactions
- Distressed sales
- Rezoning volume

Impact on Community Amenity Contributions

- Based on land lift calculation
- Land value pre-rezoning; calculated land value post-rezoning at higher density
- City seeks 75% of land lift value to contribute toward public benefits such as non-market housing, childcare spaces, public spaces, cultural facilities
- High costs and softening prices as principal inputs into land lift calculation yield lower Community Amenity Contributions

Acting now to reduce cost of development



**FORM OF
DEVELOPMENT**



FINANCE



**TIMING OF
PAYMENT**



**POLICY &
PROCESS**

Manage costs and risks, increase certainty

Achievable wins now



Sustained discipline

1. DCL Deferral: Allowing for 3 installments

DCL Deferral – Principles

- Support development viability while mitigating impact on City's ability to provide infrastructure to enable growth
- Align with Metro & TransLink DCC deferral framework
- Simple to understand, implement, and administer
- Applicable to ACCs when implemented

DCL Deferral – Current & Recommended

Current:

DCLs paid in full prior to initial Building Permit (BP) issuance

Recommended: 3 installments (effective upon approval)

For projects below \$500k, no deferral

For projects at or above \$500k (by application, with fee):

- Pay over 3 installments (delaying final payment by ~3.5 years):
 - 1/3 prior to Full Construction BP issuance (delays by 1.5 years)
 - 1/3 due 12 months after BP issuance (delays by 1 more year)
 - 1/3 due 24 months after BP issuance (delays by 1 more year)
- All payments due prior to occupancy
- Secured by “pay-on-demand” Surety Bond or Letter of Credit (subject to cap)
- Rates 'locked in' at time of initial payment prior to BP

DCL Deferral – Current & Future Consideration

Current:

DCLs paid in full prior to initial Building Permit (BP) issuance

Future Consideration: Payment "at Occupancy" and/or different optimized payment structure (subject to Vancouver Charter amendment and LGA amendments/regulations)

- Province considering legislative amendments & regulations; stakeholder engagement underway
- Delaying DCL payment ~3 to 4 years for an average multi-family project, potentially longer for larger, more complex projects, but not exceeding occupancy
- City staff to determine program details pending further analysis on financial implications to City

2. CAC Deferral: Lowering cash-in-lieu payments at enactment

CAC Deferral – Current & Recommended

Current:

Deferral of cash-in-lieu payment above \$20m to earlier of 24 months after enactment or at BP issuance

Interest at Prime +3%

Secured by “pay-on-demand” Surety Bond (up to 50%) and Letter of Credit (remainder)

Recommended:

- Lower cash-in-lieu payment at enactment from \$20m to \$5m
- Remainder to be paid earlier of 24 months after enactment or at BP issuance (no change)
- Interest at Prime +1% (lower)
- Secured by “pay-on-demand” Surety Bond and Letter of Credit (subject to cap)
 - Up to 100% “pay-on-demand” Surety Bond for first \$10m deferred; up to 50% “pay-on-demand” Surety Bond for next \$10m deferred (both subject to cap), any remainder secured by Letter of Credit
- Applicable to new & in-stream RZ applications & RZ approved but not yet enacted

3. Development Contributions: Freezing/Rolling back increases

Inflationary Adjustment – Current & Recommended

Annual inflationary adjustments enable the City to keep pace with cost escalation on infrastructure and amenities to support growth

Current:

2025 inflationary adjustment is +3.2%, applicable to DCLs, CAC Targets and Density Bonusing
Council deferred 2024 adjustment of +5.7% to Sept 30, 2025

Recommended:

1. Forego 2025 inflationary adjustment
 - 2026 Financing Growth Update will recalibrate tools and rates
2. Forego 2024 inflationary adjustments on CAC Targets and Density Bonusing (not DCLs)

4. Broadening “Pay-on-Demand” Surety Bond Usage: Including ENG servicing works

“Pay-on-Demand” Surety Bonds – Broadening Usage

- The City may accept “pay-on-demand” Surety Bonds on a first-come, first-served basis **subject to cap**
- Applicable categories:
 - Affordable housing, childcare, community facilities, arts and culture spaces
 - Parks and open spaces
 - Transportation and public realm
 - On- and off-site servicing conditions

Current:

- Eligibility threshold \$20m (by category/individual surety bond)
- On and off-site servicing conditions not eligible

Recommended:

- Lower eligibility threshold from \$20m to \$5m (by development – exclusive of DCL and cash CAC deferrals)
- On-site and off-site servicing condition may be eligible (min. \$3m)
 - **critical** work such as water and sewer upgrades may not be eligible**

5. Update on Development-related Policy Reviews

Urban Living & City-building

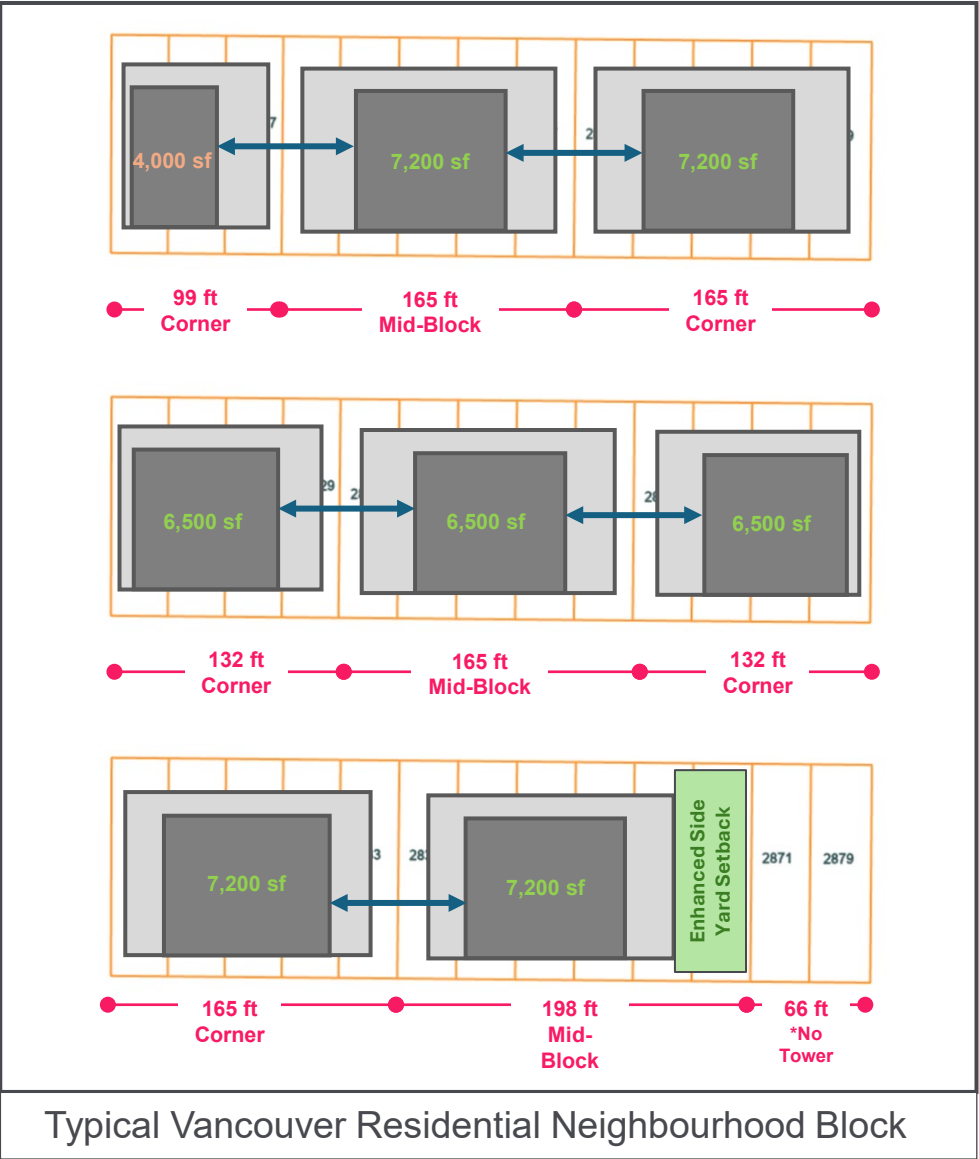
This is one of the densest residential neighbourhoods in North America

Our urban success: strikes a balance between tower-form intensification, openness to the sky quality urban spaces



Downtown South Population Density (Above): **37,129/sq. km**
Vancouver Population Density: **5,844/sq. km**

Development Permit ‘Infill’ Tower Sites



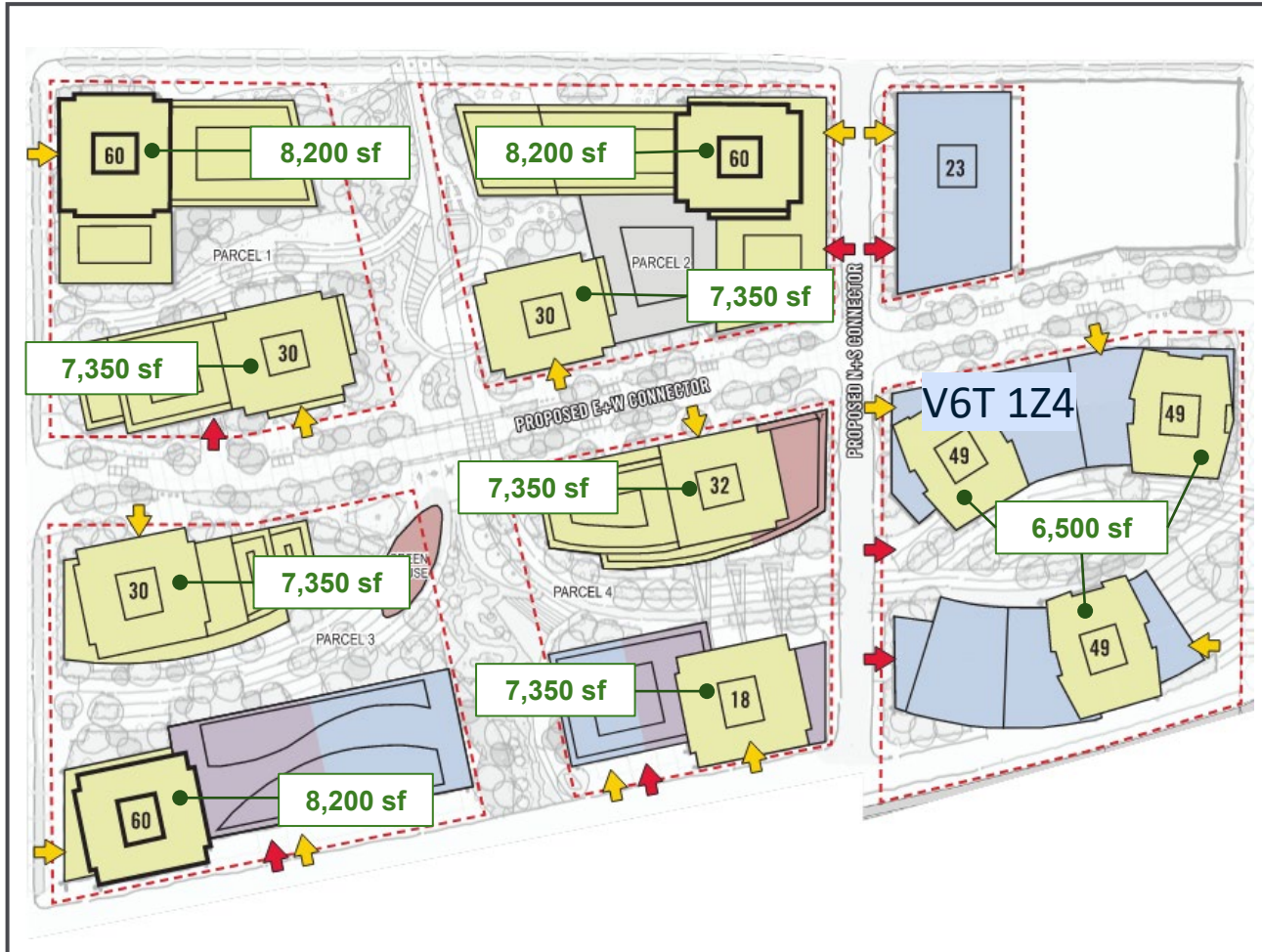
CORNER SITES

99 ft. frontage	132 ft. frontage	150 ft. frontage	165 ft. frontage	> 45 Storey Towers
~4,000 sq. ft.	~ 6,500 sq. ft.	~ 7,200 sq. ft.	~ 7,200 sq. ft.	~ 8,000 sq. ft.

MID-BLOCK SITES

150 ft. frontage	150 ft. frontage	165 ft. frontage	> 45 Storey Towers
~6,500 sq. ft.	~ 7,200 sq. ft.	~7,200 sq. ft.	~ 8,000 sq. ft.

Non-Standard & Large Sites and/or tall buildings



Example: 3200 E Broadway Enhanced Rezoning

Non-Standard
Large Sites

Multi-Phase
Master Plans

Tall Buildings

Driven by principles not a number

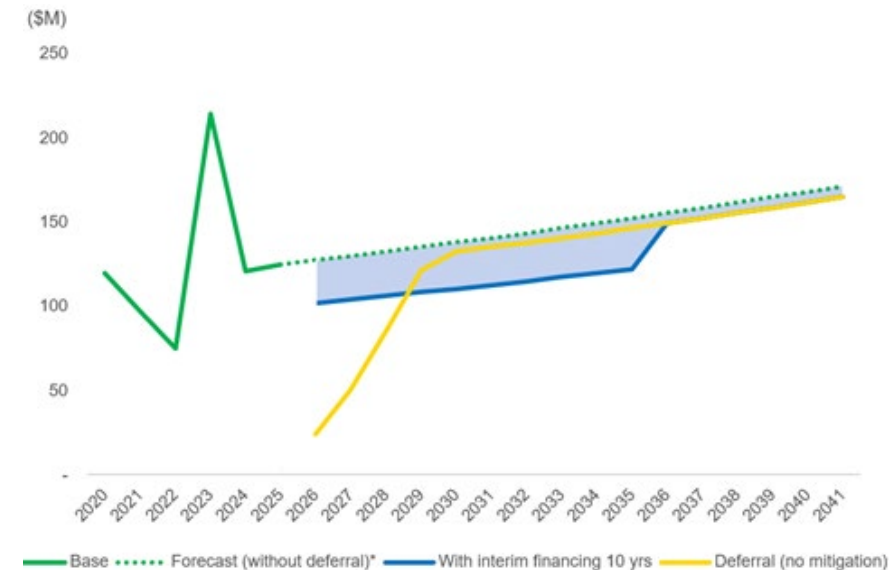
Future and Ongoing Measures

- Community Benefits Agreement Policy update
- Rezoning Process Improvements
- On-site Rainwater Management
- Structural changes in how we undertake planning and policy implementation

Financial Implications

Financial Implications

- **DCL Deferral:**
 - Immediate action: 45% reduction in DCLs for next Capital Plan, partially mitigated to 26% through interim financing to be repaid over next 10 years
 - Future consideration: TBD
- **CAC Deferral:** Delaying \$270m+ from rezonings not yet enacted
- **Freezing/Foregoing Inflationary Adjustments:** \$6m impact



Staff to provide options to mitigate impact on infrastructure projects as part of capital planning process

Thank you