

Development Finance in British Columbia



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Urban Development Institute Pacific Region

UDI PACIFIC REGION

The Urban Development Institute is an association of the developer industry with over **650 corporate members**, including:

- Developers
- Property managers
- Financial lenders
- Lawyers
- Engineers
- Construction Firms
- Planners
- Architects
- Appraisers
- Real estate professionals
- Local governments and agencies



UDI POLICY FOCUS

Housing Affordability

Climate Leadership Plan

Transit/Transportation

District Energy

Green Buildings

Community & Regional Planning

Building Code

Design Panels

Environmental Site Standards

Development Levies

BC DEVELOPMENT INDUSTRY

BC DEVELOPMENT INDUSTRY'S ECONOMIC IMPACT

\$17 BILLION
IN GDP GENERATED THROUGH...

The Real Estate Development industry is a key driver of British Columbia's economy. The industry generates a diverse range of jobs to support each stage of the development process, from financing, to construction, to sales, and property management. Development revenues collected by municipalities are reinvested in local communities in the form of new public services and amenities.

107,000 JOBS CREATED



TAXATION IMPACTS **\$3.5 BILLION**

- **Development Cost Levies (DCLs)** are a growth-related charge on all new development. They are applied on a per square foot basis and are payable at Building Permit issuance. DCLs are collected from development to help pay for facilities made necessary by the growth such as: parks, childcare facilities, social housing.
- **Development Cost Charges (DCCs)** are collected by municipalities to offset the costs related to new development. Developers pay DCCs instead of the existing taxpayers who are not creating the demand for new infrastructure.
- **Community Amenity Contributions (CACs)** are collected by some municipalities. CACs are voluntary in-kind or cash contributions provided by developers in exchange for additional development rights granted by the municipality through rezoning.

**WE ARE
BC'S
LARGEST
INDUSTRY**



The Urban Development Institute Pacific Region (UDI) is the premier voice of BC's development industry. UDI concentrates its activities in three primary areas: government and community relations, research, and professional development and education.

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UDI ON DEVELOPMENT LEVIES

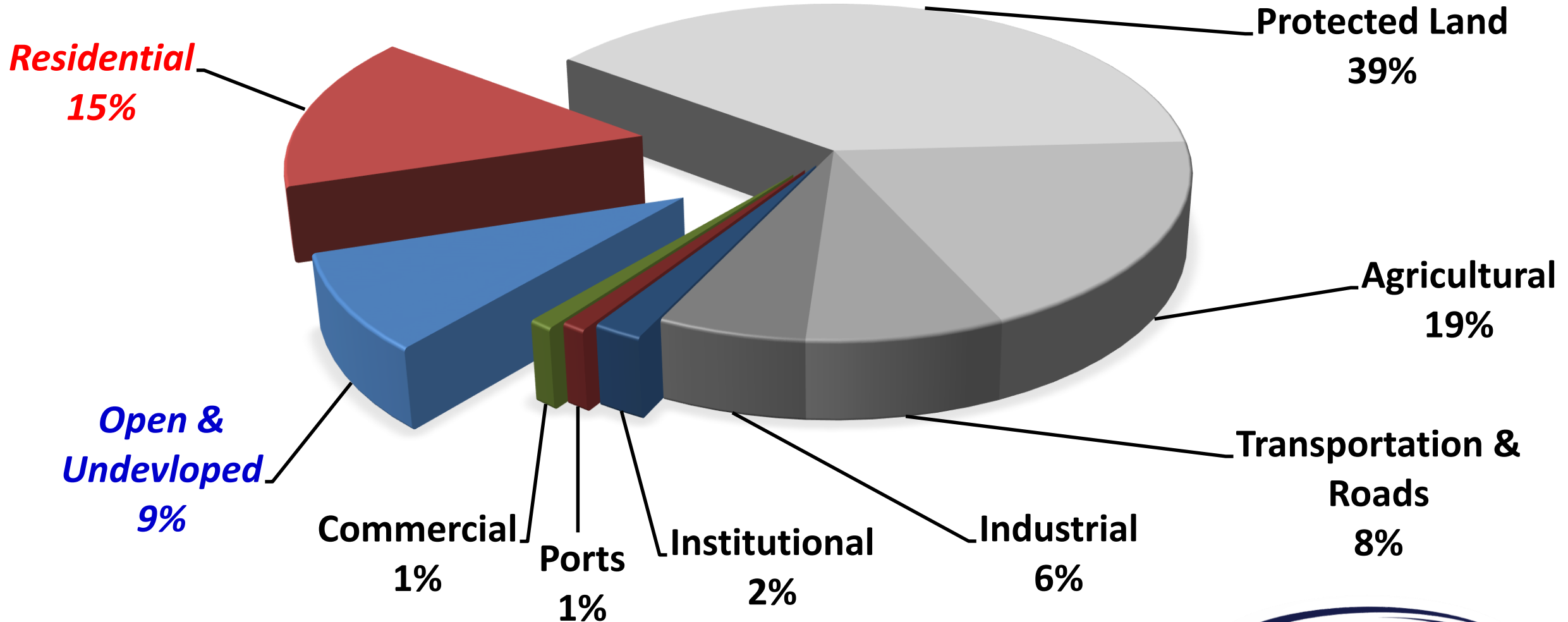
- Fairness
- Clarity
- Transparency
- Reasonableness
- Capital costs only
- Benefits to Industry



CONSTRAINED LAND SUPPLY



METRO VANCOUVER LAND USE DESIGNATIONS



BACKGROUND

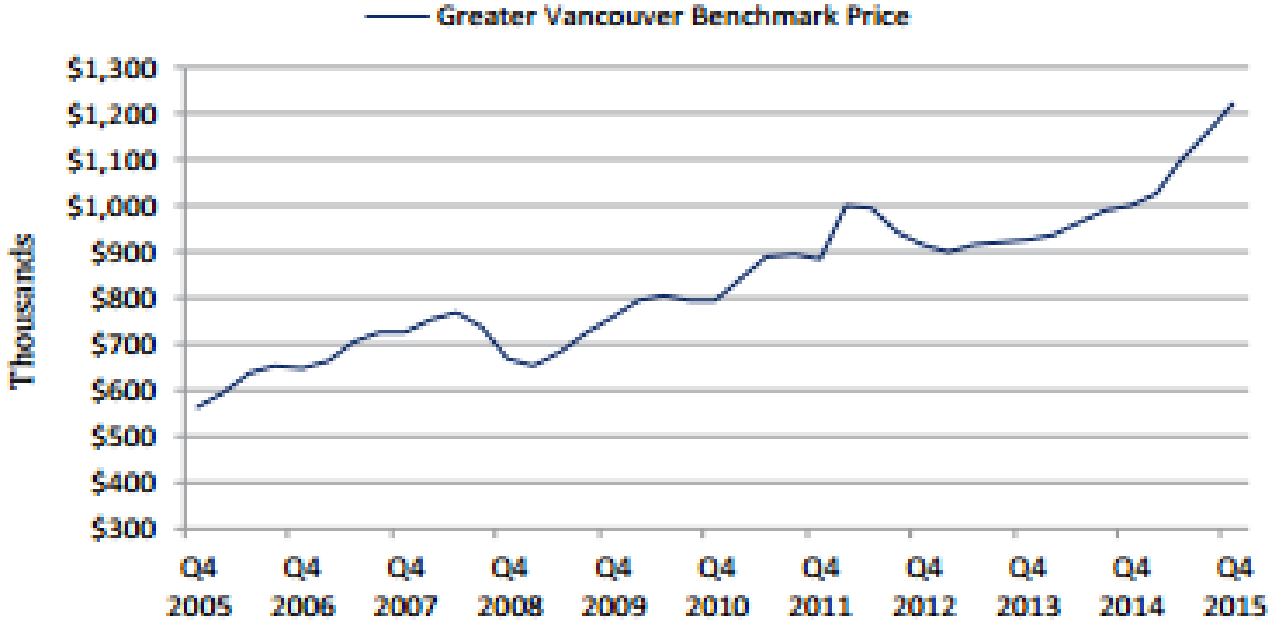
With land constraints & strong housing demand, land prices are increasing:

- Downtown - \$300 to \$350
- West Side - \$425 to \$475
- East Vancouver - \$200 to \$225
- Burnaby/North Vancouver (inner suburbs) - \$130 to \$175
- Surrey in the outer suburbs - \$25 to \$30

BACKGROUND

10.6

Single Detached Re-sale Prices



Single Family: \$1.2 million
Townhouse: \$500,000
Apartment: \$435,000



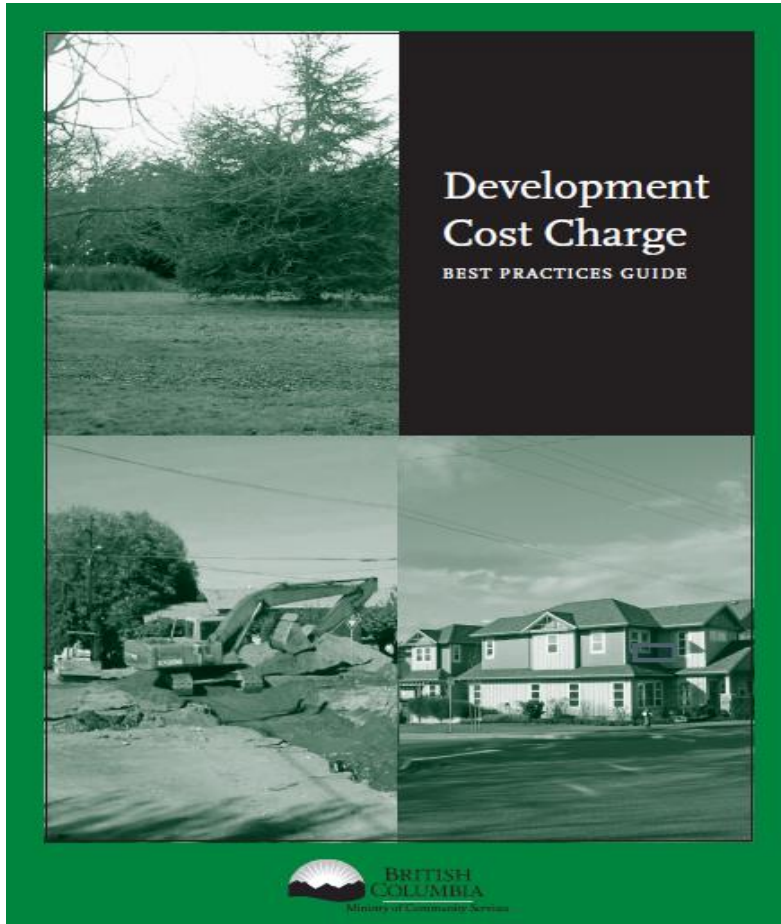
BACKGROUND

PLANNING CONTEXT IN BC

- Little Provincial oversight
- Property tax ratios
- Small municipalities
- No *Planning Act*
- No OMB
- Downloading



DEVELOPMENT COST CHARGES (DCCs)



- One area the Province does exert control
- DCC's must be approved by the Province
- Robust regulatory framework
- Limits on what DCC's can apply to
- Has led to municipalities seeking other development levies

DENSITY BONUSING FOR AMENITIES

Provincial legislation on Density Bonusing:

Density benefits for amenities, affordable housing and special needs housing

482 (1) A zoning bylaw may

(a) establish different density rules for a zone, one generally applicable for the zone and the other or others to apply if the applicable conditions under paragraph (b) are met, and

(b) establish conditions in accordance with subsection (2) that will entitle an owner to a higher density under paragraph (a).

(2) The following are conditions that may be included under subsection (1) (b):

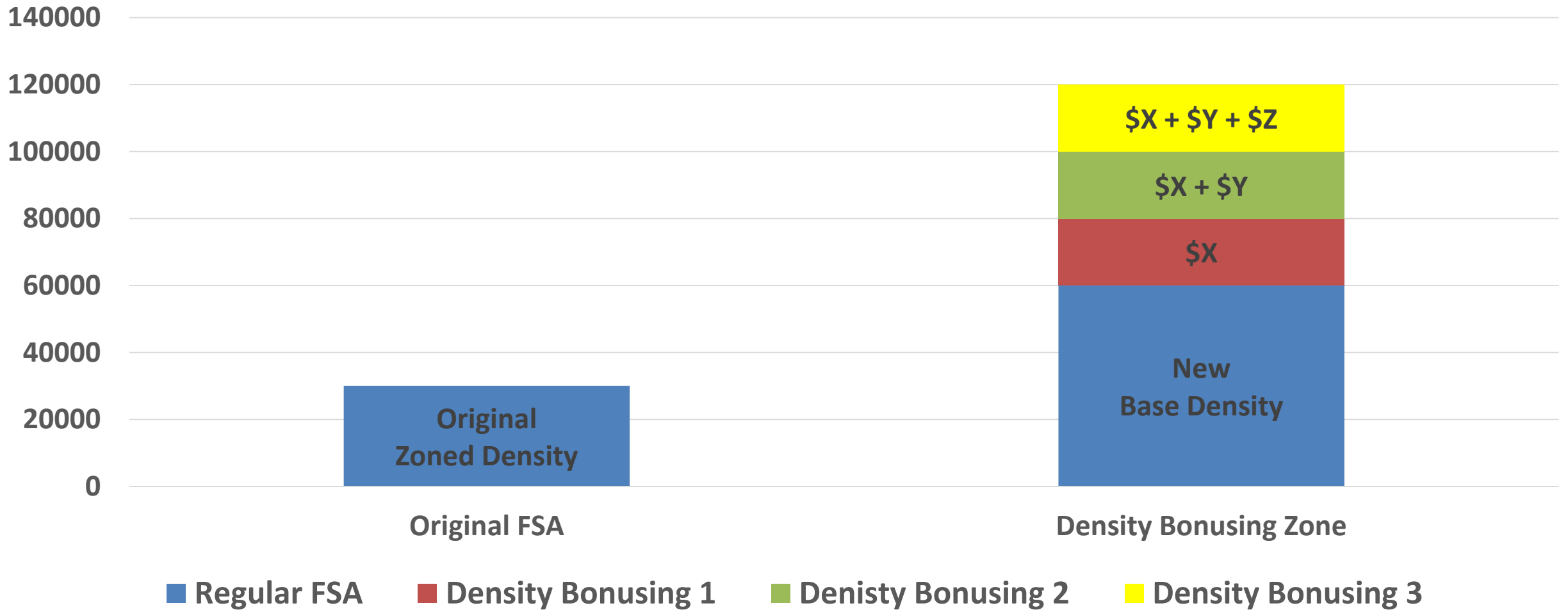
(a) conditions relating to the conservation or provision of amenities, including the number, kind and extent of amenities;

(b) conditions relating to the provision of affordable and special needs housing, as such housing is defined in the bylaw, including the number, kind and extent of the housing;

(c) a condition that the owner enter into a housing agreement under section 483 before a building permit is issued in relation to property to which the condition applies.

(3) A zoning bylaw may designate an area within a zone for affordable or special needs housing, as such housing is defined in the bylaw, if the owners of the property covered by the designation consent to the designation.

DENSITY BONUSING IN BC



COMMUNITY AMENITY CONTRIBUTIONS IN BC

COMMUNITY AMENITY CONTRIBUTIONS IN BC

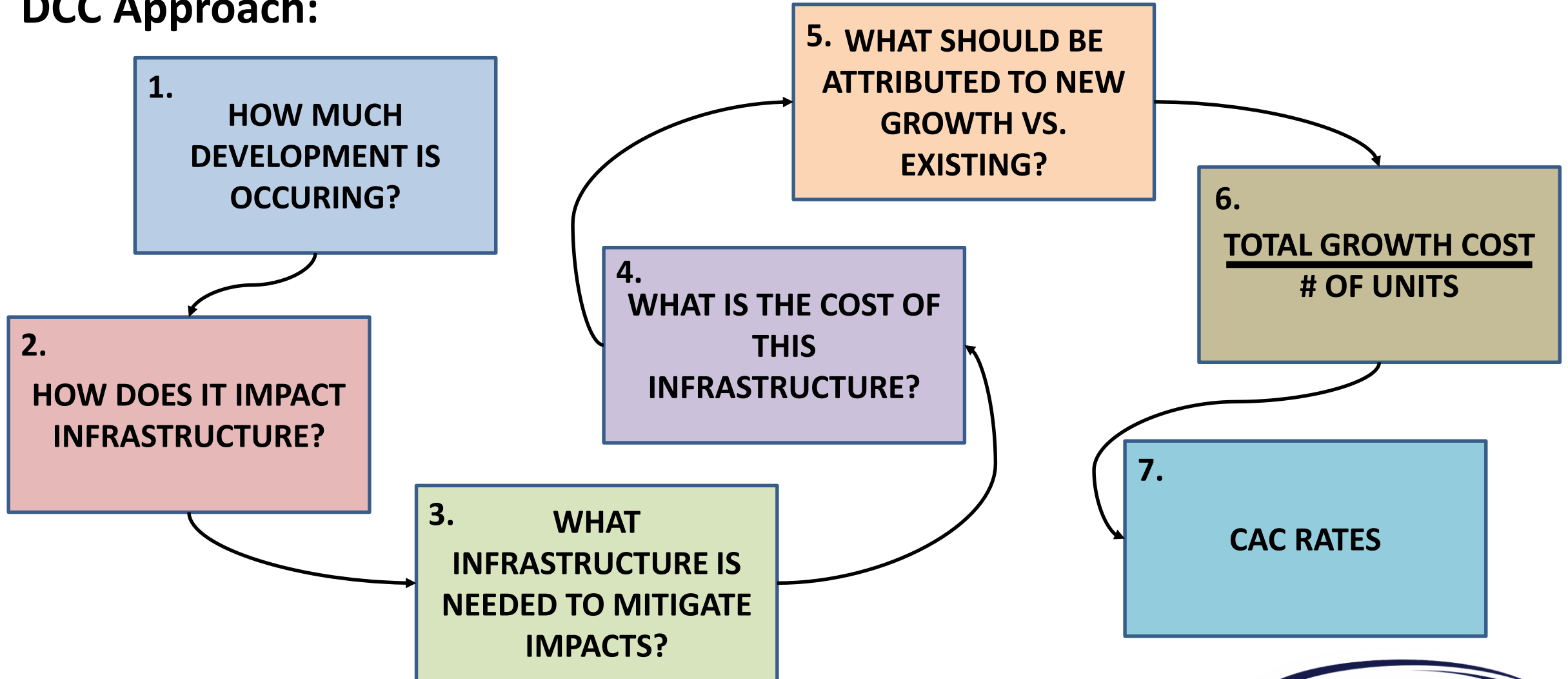
- No regulatory framework
- Generally involves re-zonings – not pre-zoning
- Generally site by site, as opposed to area wide
- Legality?
- Based on discretionary power to rezone

NEGOTIATION VS. FIXED RATES

- Fixed rates are more appropriate for smaller/less complex projects
- Negotiations are used more frequently for large/more complex sites
- Negotiation used to be preferred
- Development takes off when fixed rates are used

CALCULATING DENSITY BONUSING/CACs

DCC Approach:



CALCULATING DENSITY BONUSING/CACs

\$11,000,000



Rezoning



\$1,000,000

Existing Zoning

Land Lift Approach:

Land Lift = New Zoning Land Value – Old Zoning Land Value

Land Lift = \$11 million - \$1 million = \$10 million

City Takes X% of Land Lift Value

*(\$10 Million * 75% = \$7.5 Million)*

Original Value of Land

CALCULATING DENSITY BONUSING/CACs

Land Value Approach:

- Clear and easy to administer
- However, little linkage between charges and growth impacts

The Throw out a Number Approach:

- What did the other municipality charge
- Wait and see if developer will pay

In-kind Contributions & Off-sites

- Some times local governments prefer developers to incorporate public amenities into or near their projects
- For example, daycare spaces, affordable housing, public art, community facilities, and green building features
- Other times in-lieu contributions are preferred
- Engineering off-site requirements include wider sidewalks, new traffic lights, etc.

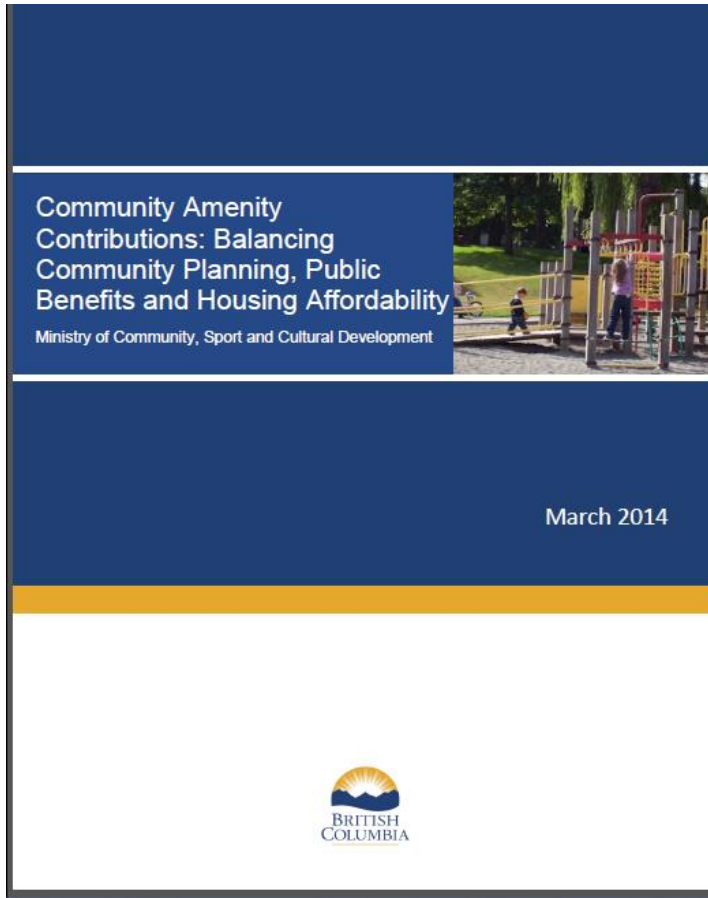
FINAL OBSERVATIONS

- Fees are hidden from the public
- From a few dollars to \$150/sq. ft.
- Impacts on affordability
- Some projects, such as Oakridge, are scaling back their densities.
- Commercial/Rental CACs



Oakridge: Over \$200 million in amenities

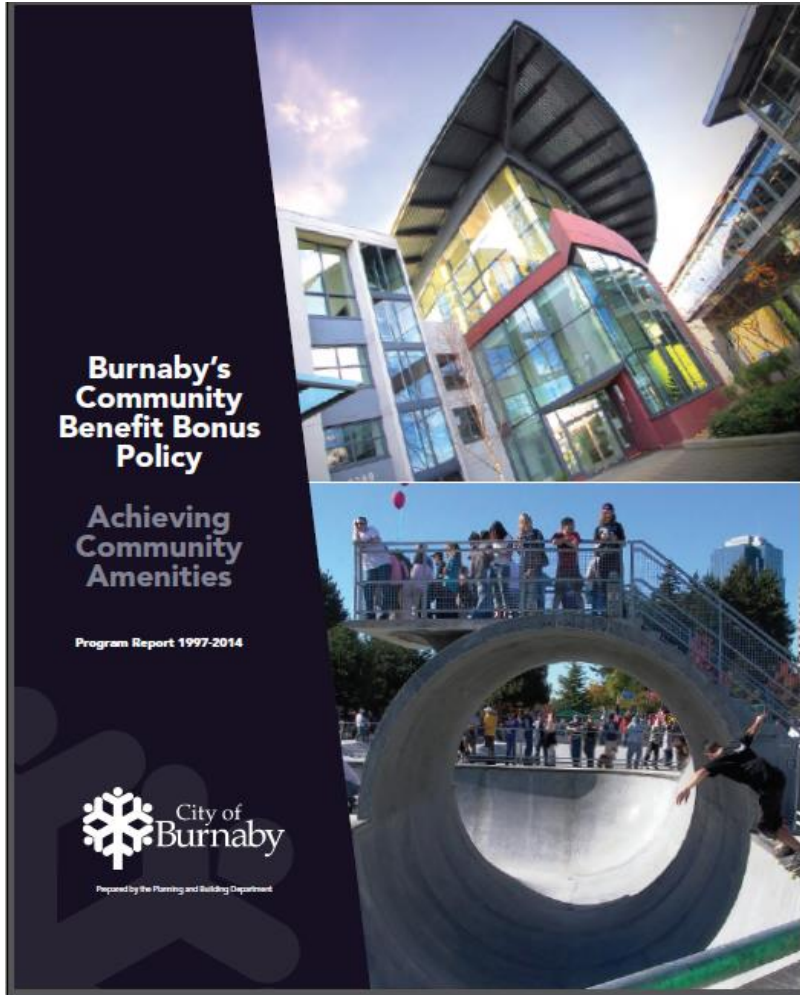
FINAL OBSERVATIONS



Province is now stepping in, recommending:

- Municipalities avoid the perception that zoning is for sale and the legal risks that go with that
- Using the DCC approach
- Having modest contributions, so affordability is not impacted
- Using targets – not fixed CACs

FINAL OBSERVATIONS



Public Engagement is Important

THANK YOU

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