

The Corporation of **THE CITY OF NORTH VANCOUVER**
COMMUNITY DEVELOPMENT DEPARTMENT

REPORT

To: Mayor Darrell R. Mussatto and Members of Council
From: Gary Penway, Director
SUBJECT: REVISED DENSITY BONUS AND COMMUNITY BENEFITS POLICY
Date: May 20, 2015 File No: 13-6480-01-0001/2015

The following is a suggested recommendation only. Please refer to Council Minutes for adopted resolution.

RECOMMENDATION:

PURSUANT to the report of the Director dated May 20, 2015, entitled "Revised Density Bonus and Community Benefits Policy":

THAT the Density Bonus and Community Benefits Policy dated May 2015 and attached to said report be endorsed;

AND THAT said policy and the allocation of amenity contributions be reviewed annually in conjunction with the City's Financial Plan, including a review of related reserve funds.

ATTACHMENTS:

1. Revised Density Bonus and Community Benefits Policy, May 2015 (#1268321)
2. The Short Guide - Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability (Province of BC publication) (#1283978)

PURPOSE:

To present a modified Density Bonus and Community Benefits Policy (Attachment # 1) for Council's endorsement. A review of the City's reserve funds and the allocation of

contributions accruing from this policy would occur in 2015 to best align City policy and Council's Financial Plan in the future. This may result in revisions to the Density Bonus and Community Benefits Policy.

BACKGROUND:

Density bonusing—the ability to establish conditions to achieve additional density within a development—is a powerful tool which allows municipalities to provide an incentive in order to create new community benefits and amenities through development. Density bonusing is tied directly to the City's Official Community Plan, which establishes density limits and community objectives. As such, the density bonus provisions in the OCP were an aspect of the discussions throughout the OCP update process. In the fall of 2012, during Stage Three of CityShaping, a workshop was held on the density bonus and community amenity contribution policy. That workshop reviewed what a density bonus is, how it has been used as a tool in exchange for community benefits and what has been achieved in the City utilizing this tool.

Following this, Council directed that a more formal density bonus and amenity contribution policy be created. A consultant team was hired to conduct a more in-depth analysis of the City's past practice and to review current best practices in the region. The results of this analysis were presented to Council at the meeting held July 17, 2013. Staff were then directed to create a draft Density Bonus and Community Amenity Policy for input and discussion in parallel with the draft OCP.

A more complete history of the Density Bonus and Community Amenity Policy update process was presented in the Council report of October 2, 2013 titled 'Density Bonus & Community Amenity Contribution Policy: Staff Recommendations'. A summary of the 21 major developments involving significant density bonuses that the City has approved since 1992, was included in a report titled 'Density Bonus History Review' which was presented as an attachment to the Council report of December 4, 2013 titled 'Density Bonus and Amenity Contribution Policy: Policy Committee Follow-Up'.

On December 9, 2013, Council received a draft Density Bonus and Amenity Contribution Policy concurrent with the release of the draft OCP. Input was subsequently received on the draft policy. In July, 2014, Council adopted the following resolution in advance of the OCP Public Hearing:

PURSUANT to the report of the Manager, Long-Range and Community Planning dated July 3, 2014, entitled "Density Bonus and Community Amenity Policy: Revisions and Next Steps":

THAT the revised draft Density Bonus and Community Amenity Policy be received for information and brought back for final endorsement after adoption of a revised Official Community Plan.

AND THAT in the interim, staff use the draft Density Bonus and Community Amenity Policy as a guide for rezoning applications.

Since then, staff has been using the draft policy to inform preliminary discussions with property owners and developers. With the adoption of the 2014 Official Community Plan, this report presents the policy for endorsement with suggested revisions for Council's consideration. The suggested revisions are based on staff's experience applying the draft policy and are intended to ensure alignment with Provincial Legislation and Guidelines, to ensure the policy is an effective tool for meeting the City's housing objectives and to make the document simpler and more easily understood.

DISCUSSION:

Section 2.2 of the City's 2014 OCP includes the provision for Density Bonusing in support of achieving public benefits and amenities such as:

- non-market and rental housing;
- heritage conservation;
- community amenity space;
- employment generating uses.

The OCP places limits on the maximum density bonus achievable within each land use designation and the Density Bonus and Community Benefits policy works in conjunction with these limitations.

Guiding Principles

As guiding principles, the OCP establishes that the amount of a density bonus should be commensurate with the value of the public benefit achieved and that the resultant project should be consistent with good urban design principles. In addition to these guidance statements established in the OCP, the Density Bonus and Community Benefits policy was developed in accordance with the following principles: clarity, flexibility, efficiency and fairness.

1. Clarity

Since municipalities are engaging in density bonusing and securing community amenity contributions to varying degrees and in various ways, these efforts have resulted in uncertainty on the part of developers, community members, staff and Councils. This has resulted in a common desire from both developers and the public to create a process with greater clarity and transparency. This was a clear outcome of the City's Density Bonus Workshop in October 2012 and led to the City retaining consultants to provide an analysis of the City's current practices. These issues also arose through the CityShaping community engagement process.

The Density Bonus and Community Benefits Policy (the Policy) seeks to maintain and build upon the City's successes in achieving a broad array of community benefits while introducing a greater degree of clarity for development applicants, realtors, the public, staff, and City Council. The Policy includes a formulaic method for calculating the value of density bonuses and includes specific guidance on how much bonus density can be achieved in exchange for specific community benefits. This guidance is included as Section 3 of the Policy. Adopting a more formulaic approach is intended to result in a more predictable process for both the community and potential developers. The Policy is intended to reduce the need for lengthy negotiations on a case-by-case basis by clearly articulating the communityn a more predictaThe establishment of maximum bonus amounts in the OCP in conjunction with the policy also contributes to a clearer, more certain approach to bonusing.

The Policy has been revised since the previous draft in order to reduce the size and complexity of the document, with the most pertinent information presented in a simple table, rather than detailed text.

2. Flexibility

While the policy moves towards greater clarity and a more formulaic approach to density bonusing, it also provides both Council and prospective developers with flexibility. The policy clearly notes that conferring a density bonus is at Council's absolute discretion and maintains Council's ability to consider community benefits which were not contemplated through the Policy in unique circumstances. The Policy also provides flexibility to developers by allowing for multiple means of achieving bonuses—for example, amenity fund contributions, rental housing, employment generating uses, heritage conservation or combinations of these community benefits. These community benefit categories are described in greater detail later in this report.

The Policy clearly notes that amenity fund contribution amounts are negotiable to account for situations where the value of a property does not support the standard contribution amount suggested by the Policy. This is in keeping with Provincial guidance (see Attachment #2).

3. Efficiency

The City's successes in achieving community benefits through density bousing have included achieving over 248,000 square feet of new civic amenities, such as child care spaces, the John Braithwaite Community Centre, meeting spaces, art galleries, the City Library, etc. In some instances, it is desirable for a developer to deliver these amenities and construct them as a component of the proposed development. A focus on on-site community amenities, however, does not adequately provide for larger community facilities and amenities which are beyond the scale supportable by any one individual development. Over the long term, accepting smaller amenity spaces in individual developments may stretch the City's ability to maintain and manage these facilities effectively.

The Policy places a strong preference on achieving cash contributions to the City's amenity funds, which can then be expended at Council's discretion on the projects and amenities Council feels best meet the community's objectives. The Policy includes a suggested distribution of amenity fund contributions received through density bonusing as follows:

- 80 percent applied to the Community Amenity Reserve Fund;
- 20 percent to the Affordable Housing Reserve Fund.

This distribution is unchanged from the draft policy received by Council in 2014. The majority of funding will go to the Community Amenity Reserve Fund. This reflects the high cost the City will be facing to renew or build new amenities. It retains a portion of cash contributions for affordable housing. Most affordable housing will be gained through direct bonuses for housing, not cash contributions. The cash contribution will be used to support efforts arising from a new Housing Action Plan anticipated in 2015. The delay in adopting the OCP and, as a result, the creation of a Housing Action Plan (combined with staff changes) has meant that money in the Affordable Housing Reserve Fund has not been spent in recent years. This fund is expected to become more actively used moving forward. While there is a limit to what the City can do on its own, some limited funding will help achieve significant gains to assist with affordability.

Section 5 of the Policy includes a list of potential community benefits and amenities which could be facilitated through the accrued funds within these reserves. This approach is consistent with Provincial guidance which calls for municipalities to identify potential amenities that could be partially funded through amenity contributions.

4. Fairness

The Province of BC has carefully crafted legislation to ensure that municipalities do not offload broad community costs, not directly related to the impacts of a development, onto new developments. Further, in March 2014 the Province released a new guide (Attachment # 2) for municipalities on these matters. The City's revised Density Bonus and Community Benefit Policy (Attachment #1) is aligned with this Provincial guidance. Specifically the Policy:

- avoids using a land value 'lift' approach to determining the amount of potential amenity contribution;
- provides for two levels of density bonusing, with more generous community benefit expectations established only for the larger bonus requests (Category 'B' Bonuses);
- Sets clear targets while allowing for negotiation.

The Density Bonus and Community Benefits Policy is generally consistent with the new provincial guidelines. Clear language in the Policy emphasizes that any request to change Zoning Bylaw or OCP requirements of a property are at Council's full discretion and that the policy is intended as a framework for determining possible public benefits

related to development and does not limit Council's ability to reject or approve such applications. The Policy clarifies City priorities but maintains flexibility and discretion for Council.

Community Benefit Categories

The draft Policy would apply to all development applications seeking a rezoning or, for properties with a qualifying land use designation, an increase in bonusable density (in compliance with the OCP and the Policy). At a basic level, the Policy distinguishes between two categories of density bonuses:

1. **Category 'A' Bonus.** An increase in density up to the OCP Schedule 'A' density. This can include lands that are pre-zoned with a density bonus provision included or lands that are rezoned through a site-specific rezoning process. The recommended amenity contribution for Category 'A' bonuses in the draft Policy is \$20 per square foot of increased gross floor area.
2. **Category 'B' Bonus.** An increase in density that exceeds the OCP Schedule 'A' density up to the maximum bonus amount set out in the OCP. This type of bonus requires a rezoning and is applicable only within specific higher density land use designations. Options for achieving a Category 'B' bonus are described below.

In both cases, the bonus consideration does not require an OCP amendment. Considerations of density greater than the OCP Maximum Bonus would require an OCP amendment. In all cases, applications for rezoning are subject to a rezoning process with Council approval after a Public Hearing. Though the Policy will serve as a guide in evaluating public benefits through development, variations may be made as deemed necessary by Council to reflect individual situations. For example, higher or lower amenity contributions than outlined in the Policy may be requested.

Category 'B' Community Benefit Options

The Density Bonus and Community Benefits policy describes four paths for achieving density bonuses: Amenity Fund Contributions, Secured Rental Housing, Employment Generating Use, and Heritage Conservation and Restoration. These options are described below.

1. ***Amenity Fund Contributions.*** Except as otherwise provided for in the draft Policy, applicants seeking a Category 'B' bonus will be requested to make a payment to the City, based on the net increase in floor area. The Policy sets a target of \$140 per square foot within the Lonsdale Regional City Centre (RCC). The revised policy suggests that a \$110 per square foot contribution is appropriate in areas outside the RCC. The Policy provides for negotiated contributions in unique circumstances. In all cases, at Council's discretion and subject to approval through the rezoning process, community benefits of equal value could be provided on-site, rather than as a cash payment.

Both the \$140 per square foot amount within the RCC and \$110 per square foot amount in other areas reflect the approximate current development market value of the density increase. The full market value is sought since land should be trading at the Schedule "A" density limits, not the supplemental bonus potential. Periodic review of the Policy is anticipated to update the recommended amenity contribution charges to reflect changing market values. It is important to note that there may be cases where the land values for a specific local area of the City do not support these values and therefore an adjusted value, that reflects the market value for the local area, may be used in the calculation of Amenity Fund Contributions.

2. *Secured Rental Housing.* In order to support the long term sustainability of the City's rental housing stock, properties with existing rental housing will be eligible for bonuses only where the proposed new development results in a secured 100% rental building. An as yet to be determined portion of the rental units in a new rental project would be secured as non-market units. A 100% rental project on a site with no existing rental buildings would also be eligible for a bonus up to the maximum bonus amount.

The Policy also provides for a bonus up to the Maximum Bonus for providing 30 percent of the floor area beyond the OCP Schedule 'A' Density as non-market rental housing. This proportion has been increased from 25 percent in the previous draft bonus policy and a condition has been added such that sites with existing rental housing would not be eligible for a bonus under this provision.

The revised Policy also removes the previously contemplated bonus for delivering a mixed-market rental and condominium project which would have allowed for a Density Bonus of up to +0.5 FSR provided 100 percent of the floor area beyond the OCP Schedule 'A' Density is secured as rental housing.

Both these revisions are suggested in order to provide sufficient incentive to create new rental and non-market housing, without introducing options which may have the unintended consequence of hastening the redevelopment of the City's existing rental housing stock, which contributes to the diversity of the City's incentive to create new rental and non-market housing, wit

The revised policy also introduces an option wherein bonus residential density can be transferred from an existing rental building to a recipient site in exchange for a commitment to maintain the existing building as secure rental housing. The transferred density would increase the number of market condo units at the recipient site. This tool has been successfully used in the past and would only be possible through a rezoning with Council approval.

3. *Employment Generating Use.* Density bonuses for commercial uses above 1.0 FSR are considered an employment generating use and this bonused square footage is not included in the community amenity contribution calculations.

4. *Heritage Conservation.* Due to the unique circumstances of heritage buildings, density bonuses in return for the retention and legal protection of heritage buildings are not limited by the Maximum Bonuses detailed in the OCP. These projects will be judged on their individual merits and needs through the rezoning process.

These options and associated conditions are outlined in further detail Section 3 of the attached Policy.

NEXT STEPS:

Should Council endorse the attached Policy, the Policy would guide rezoning applications which would come before Council for consideration. Council would maintain the discretion to approve or deny individual requests or reduce or increase the bonus amounts.

As previously directed, staff will prepare an annual report presenting the amenities achieved through this tool. The Density Bonus and Community Benefits Policy will also inform consideration of pre-zoning considered by Council. In this option, areas of the City could be zoned with a bonus provision written into the zoning designation. This rezoned bonus option is currently being considered for the East 3rd Street / Moodyville Area.

FINANCIAL IMPLICATIONS:

Previous density bonusing has enabled the City achieve significant public benefits. The new draft Policy has retains and expands that ability. Without the use of amenity contributions and density bonusing, the City would either achieve fewer amenities or need to find alternative methods of funding such items. As a result, this matter has significant financial implications in terms of raising revenue for public amenities or achieving other community goals as stated in the OCP.

It is important that the new Density Bonus and Community Benefits Policy be closely aligned with community needs arising from growth, Council priorities and the City's Financial Plan. It is proposed that a review of the Density Bonus and Community Benefits Policy take place annually in conjunction with the Financial Plan process. This will allow for revisions to the amounts contributed and the allocation of those contributions.

INTER-DEPARTMENTAL IMPLICATIONS:

This topic has significant inter-departmental implications. It contemplates a more standardized approach to development and approval with regards to Density Bonuses

and Community Benefits. The Directors Team and Civic Projects Team reviewed this report at their May 19, 2015 meeting with changes made.

SUSTAINABILITY IMPLICATIONS:

Density bonusing is a key tool in advancing the City's policy objectives and working towards social, environmental and economic sustainability. Obtaining public benefits through density bonusing, including affordable and rental housing, employment generating uses, parks and civic facilities contributes to the City's sustainability objectives.

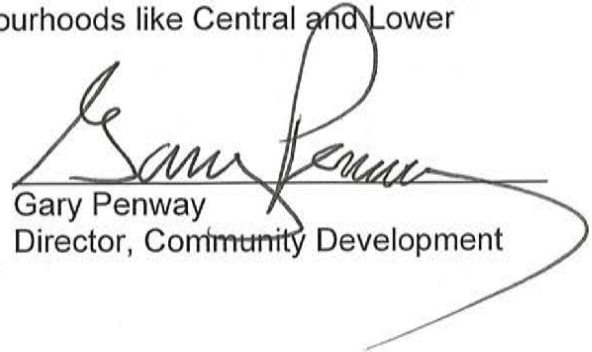
POLICY/STRATEGIC PLAN IMPLICATIONS:

The Density Bonusing and Community Benefit Policy works in conjunction with the City's Official Community Plan and is a tool intended to further a wide range of community objectives outlined in the Plan, including the following:

- 1.1.2 Align growth with the development of community amenities and infrastructure;
- 1.1.5 Provide space for commercial uses in mixed-use developments to support employment and economic development;
- 1.5.2 Increase the amount of affordable and adequate accommodation for lower income households (including non-market housing) in an effort to meet the Metro Vancouver Housing Demand Estimates articulated for the City over the next 10 years (Figure 5);
- 1.5.4 Prioritize the development and revitalization of affordable rental housing and use density bonusing and density transfers to incentivize the retention, renewal and/or replacement of rental units as a public benefit;
- 2.1.1 Invest in cycling and pedestrian networks and facilities to make these more attractive, safer, and convenient transportation choices for all ages and abilities with an aim to increase these ways of travelling over single-occupant vehicle use;

6.2.1 Work with community partners to realize the full potential of cultural and community spaces as essential 'social infrastructure' and community living rooms, particularly in high density neighbourhoods like Central and Lower Lonsdale.

RESPECTFULLY SUBMITTED:



Gary Penway
Director, Community Development

GP/ME:eb

Density Bonus and Community Benefits Policy



May 2015

Endorsed: <>, 2015

1. Introduction

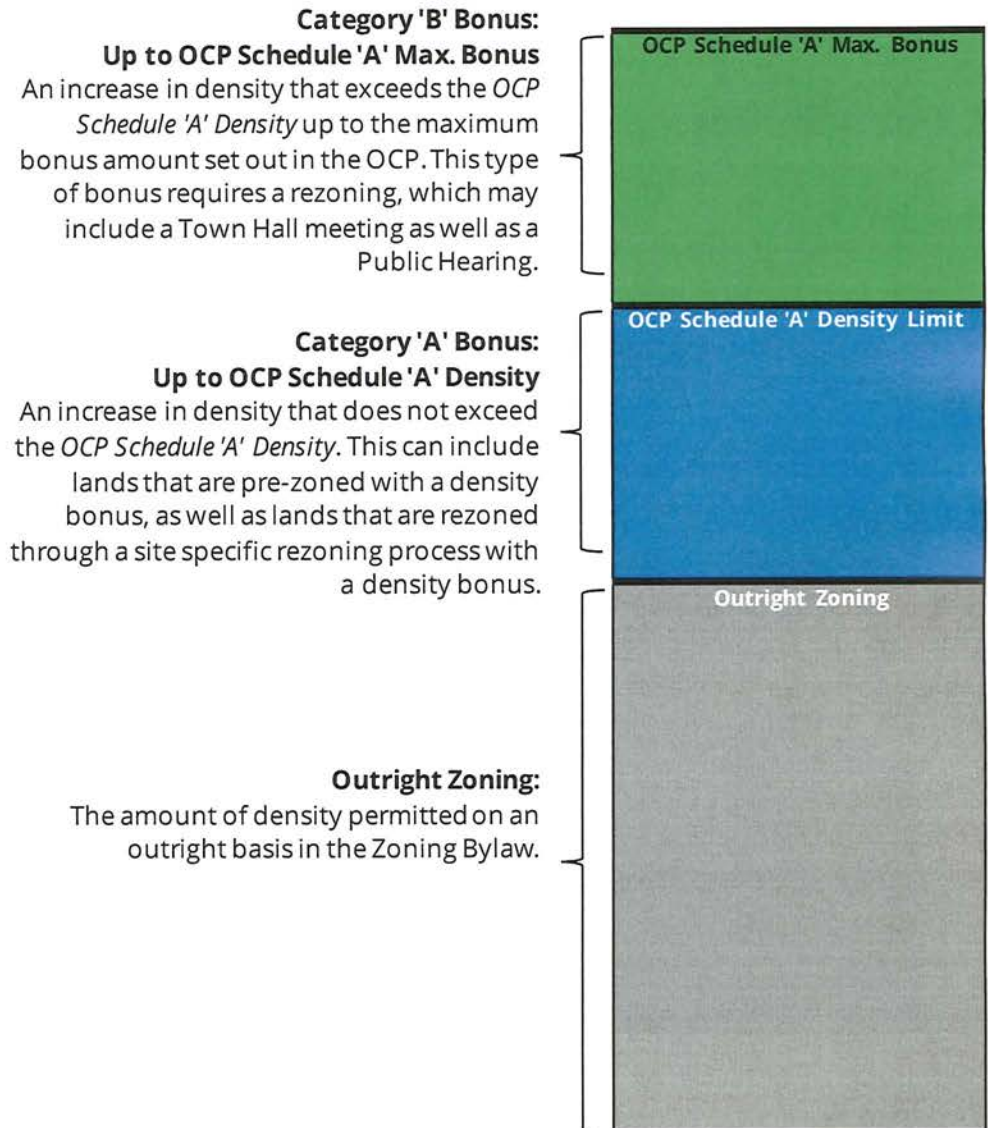
This document serves as a guide for the consideration of density bonuses within the framework of the Official Community Plan (OCP) and Local Government Act. This document should be read in conjunction with the OCP and, in particular, Section 2.2 Density Bonusing, Section 2.3 Density Transfer, and the Schedule 'A' Land Use Map.

This guide is intended to provide a greater degree of certainty regarding the purpose and value of community benefit contributions that may occur in conjunction with development applications. Contributions of this nature help ensure that the City is able to provide amenities to meet the needs of our growing community.

Owners and applicants are reminded that OCP and rezoning applications are at Council's absolute discretion. While these guidelines provide a framework for determining *community benefits* related to rezoning applications, Council may reduce, increase or reject any application.

2. Bonus Categories

The graphic to the right describes two types of density bonuses. *Community Benefit* options applicable to each of these bonus categories are outlined in Section 3 of this policy.



3. Community Benefit Categories

	Amenity Fund Contribution	Secured Rental Housing	Employment Generating Use	Heritage Conservation
Category 'B' Bonus Up to Schedule 'A' Max. Bonus	<p>Lonsdale Regional City Centre - \$140 Other Locations - \$110 (\$ per sq. ft. of residential floor area increase beyond existing zoning) See Schedule 1 Conditions:</p> <ul style="list-style-type: none"> Sites with existing rental units are not eligible for a bonus except for Secured Rental Housing Amenity Fund Contributions may be negotiated only in unique circumstances 	<p>A) 100% Rental Housing Conditions:</p> <ul style="list-style-type: none"> A portion of the rental units must be rented at below market rates Below market req. to be determined through Housing Action Plan (HAP) <p>B) Non-Market Rental Housing 30% of Bonus Amount Provided As Non-Market Rental Housing Conditions:</p> <ul style="list-style-type: none"> Must be secured in perpetuity Not applicable for existing rental sites <p>C) Rental Retention Maintaining Existing Rental Building with Bonus Density Transfer to Another Site Conditions:</p> <ul style="list-style-type: none"> A recipient site for the density transfer must be determined in advance at the City's discretion A business plan must outline how the existing building on the donor site will be repaired and upgraded 	<p>Additional Commercial Floor Area 1 sq. ft. Bonus for every 1 sq. ft. of Commercial Floor Area provided beyond 1.0 FSR Conditions:</p> <ul style="list-style-type: none"> Can be combined with a cash contribution to reach 100% of Maximum Bonus 	<p>Bonus for Restoration and Preservation Determined through Rezoning</p>
Category 'A' Bonus Up to Schedule 'A' Density	<p>\$20 or Negotiated Contribution (\$ per sq. ft. of residential floor area) Conditions:</p> <ul style="list-style-type: none"> Sites with existing rental units are not eligible for a bonus except for Secured Rental Housing 	<p>No Amenity Fund Contribution is suggested for Secured Rental Housing projects</p>	<p>Additional Commercial Floor Area 1 sq. ft. Bonus for every 1 sq. ft. of Commercial Floor Area provided beyond 1.0 FSR</p>	<p>Bonus for Restoration and Preservation Determined through Rezoning</p>
OUTRIGHT ZONING				

4. Applying the Guidelines

These guidelines should be read in conjunction with other City policies. Please note that:

- The Community Benefit options outlined in Section 3 are intended as guidelines and alternatives may be considered by Council in unique circumstances. This could include the provision of on-site *community amenities* rather than a contribution to an amenity fund, for example. On-site *community amenities* would be determined based on community needs and must match the value of the bonus density.
- Infrastructure upgrades needed to accommodate a development or mitigate development impacts may be required in addition to public benefits or *amenity fund contributions*.
- All development applications must provide bylaw-required infrastructure upgrades and contributions, Development Cost Charges, and other applicable fees.
- Community Benefits for OCP amendments are negotiated on a case by case basis considering the nature and extent of the change and community needs.
- Any application which involves the displacement of existing tenants must be accompanied by a Tenant Relocation Strategy;
- The guidelines are not applicable for properties designated Residential Level 1 or Residential Level 2 in the Official Community Plan.

5. Allocating Cash Community Benefit Contributions

Cash contributions for Community Benefits are to be applied to the Community Amenity Reserve Fund and Affordable Housing Reserve Fund. These funds are used to ensure a high quality of life as the community grows. These Funds specifically provide for the following Community Benefits:

Community Amenity Reserve Fund

Contributions to this fund will be used to provide City-serving amenities. This includes, but is not limited to:

- Harry Jerome Community Recreation Centre;
- Waterfront Amenity Spaces;
- Park and public open space improvement;
- Child Care Facilities;
- Museum;
- Other Civic Amenities.

Affordable Housing Reserve Fund

- Providing new non-market and special needs housing units.

Community Benefit Cash Contributions shall generally be allocated as indicated in the table below. These funds shall be spent at Council's discretion as per the terms of the Bylaws establishing these funds, as amended from time to time. These funds shall be allocated to future projects based on identified community needs.

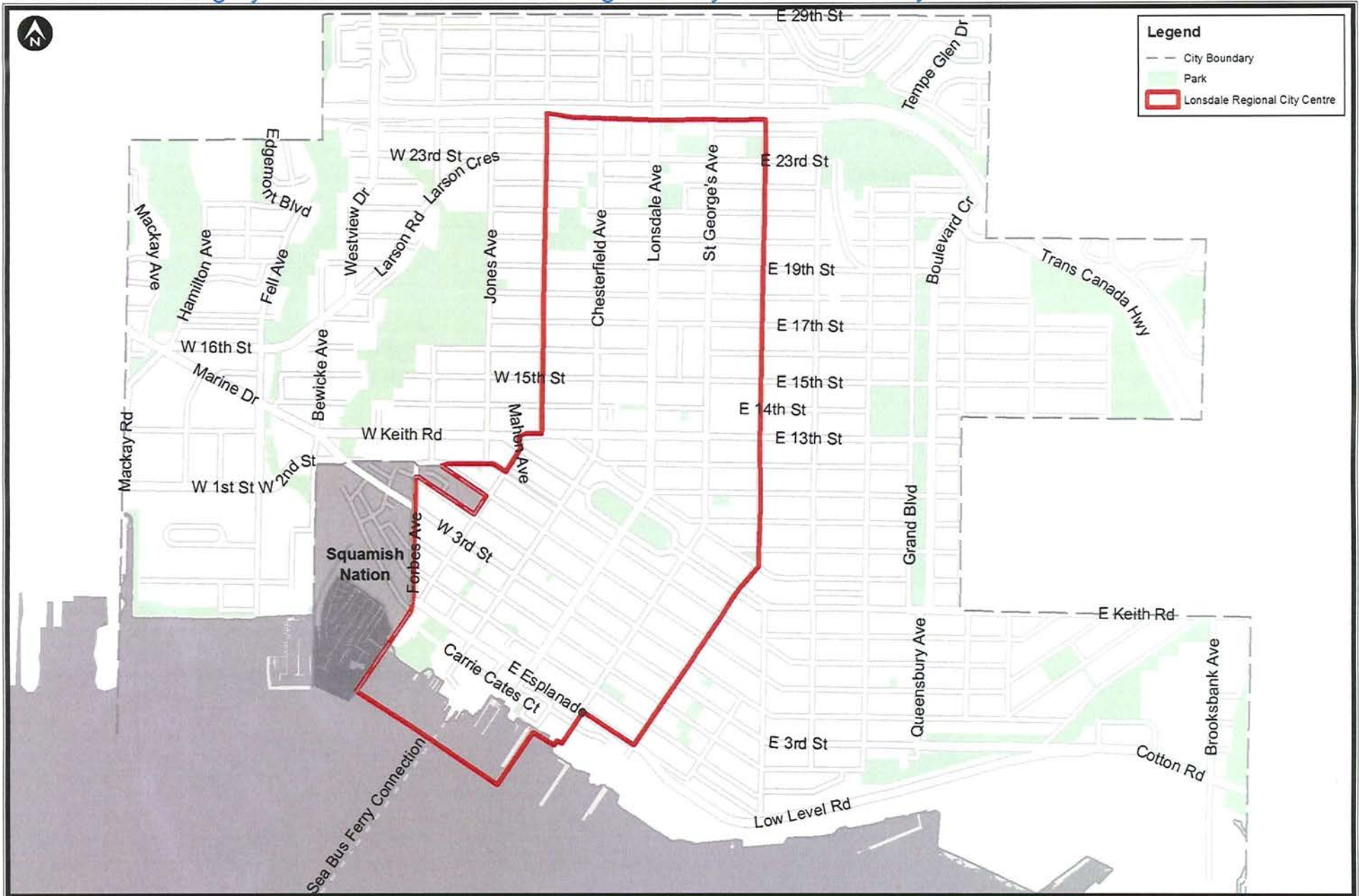
Percentage	Public Benefits	Fund
80%	Civic Facilities / Community Amenity Space	Community Amenity Reserve Fund
20%	Affordable and Rental Housing	Affordable Housing Reserve Fund

6. Monitoring

The *Amenity Fund Contribution* amounts shall be updated periodically to reflect community needs and changing market conditions. The allocation of Amenity Fund Contribution amounts to individual reserve funds will be reviewed annually in conjunction with the City's Financial Plan in order to ensure alignment with Council priorities.

A summary of *Amenity Fund Contributions* received will be prepared and presented annually.

Schedule 1: Category B Bonus Area / Lonsdale Regional City Centre Boundary



Appendix 1: Definitions

Amenity Fund Contribution means a cash or in-kind contribution toward Community Benefits provided in return for a rezoning or OCP Amendment.

Community Amenity is a defined physical space that provides direct or indirect Community Benefits to the community and includes, but is not limited to, recreation facilities, child care facilities, museum, library, offices for non-profit organizations, cultural facilities, heritage conservation, civic and institutional uses, district heating utility, community meeting space and employment-generating offices.

Community Benefits are the wide range of benefits achieved in the public interest to support the Goals and Objectives of the OCP and realized in part through Amenity Fund Contributions and Community Amenities achieved through rezoning or density bonusing.

Density is the Floor Space Ratio that can be achieved on a parcel, as a calculation of Gross Floor Area over site area.

Density Bonus is additional density provided in return for Community Benefits.

Floor Space Ratio (FSR) is a method of calculating density and controlling the size of building that can be built on a property. The FSR multiplied by the lot area determines the maximum size of building.

Land Use Designation means the permitted uses and densities as outlined in Schedule 'A' of the Official Community Plan.

OCP Maximum Bonus means the highest *Floor Space Ratio* increase that can be achieved on a site through a *Category 'B' Bonus*, as per the OCP (excludes density transfers). All such density bonuses are subject to a rezoning and enhanced public process.

OCP Schedule 'A' Density means the density permitted for a given Land Use Designation in the OCP, under the Schedule A Land Use Map.

Outright Zoning means the maximum *Floor Space Ratio* that can be realized on a site under existing zoning through a Building Permit without any density bonus.

The Short Guide - Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability

Ministry of Community, Sport and Cultural Development



March 2014

Acknowledgements

This guide was drafted in consultation with numerous local governments, the development and building sectors, and the legal and academic communities. The Ministry would like to thank everyone who contributed to the development of this guide.

Ministry of Community, Sport and Cultural Development

Contact the Ministry of Community, Sport and Cultural Development for answers to questions about the material contained in this guide or other aspects of community amenity contributions.

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Disclaimer

The information contained in this guide is provided as general reference and, while all attempts have been made to ensure the accuracy of the material, the guide is not a substitute for provincial legislation and it does not constitute legal advice.

Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability

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Purpose of the Short Guide to Community Amenity Contributions

When a local government rezones land, it usually increases the land's value which provides a financial benefit to the applicant, usually the owner or a developer. Increasingly, local governments are seeking to capture part of that financial benefit in order to help fund new infrastructure or provide other public benefits. While rezoning land presents an opportunity to obtain these "community amenity contributions" (CACs), there are also some important legal and public policy risks that need to be considered.

To help local governments appreciate the opportunities and risks of obtaining CACs, the Ministry of Community, Sport and Cultural Development has produced a guide, *"Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability"*. The purpose of this Short Guide is to provide the highlights of the full length guide. Those interested in more detailed information should view the full length document available on the Ministry's website: http://www.cscd.gov.bc.ca/lgd/intergov_relations/library/CAC_Guide_Full.pdf

CACs Are Both an Opportunity and a Risk

Growth creates demands for new or expanded infrastructure and amenities. The cost of meeting these demands can be substantial. While provincial legislation allows local governments to require developers to provide infrastructure, such as roads, parks, water, drainage and sewer facilities, not all impacts of development are fully covered by the legislation. Local governments wanting to recover the full costs of providing infrastructure and community amenities associated with growth, such as recreation facilities or fire halls, are increasingly looking for alternative means of funding, including CACs secured during the rezoning process.

Before deciding if and how to pursue CACs, however, local governments need to ensure that these CACs are obtained legally, fairly and in a way that maintains public confidence in the local government and its community plan.

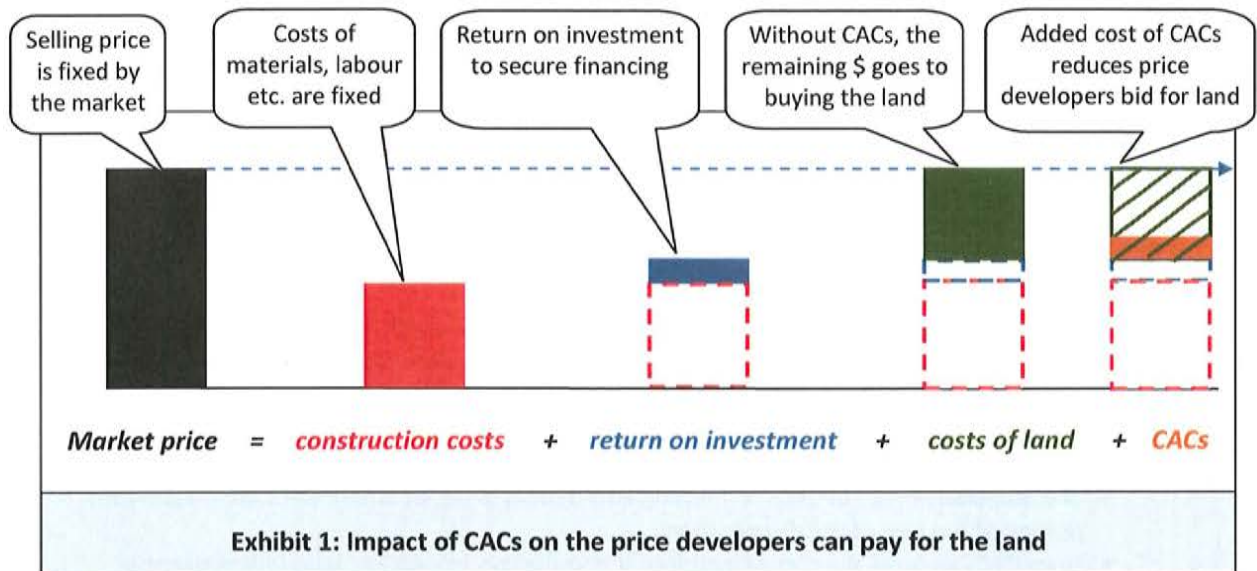
Local governments do not have legal authority to require applicants for rezoning to pay CACs. They must ensure that any CACs are obtained as part of a negotiation process. Local governments must also not commit to pass a rezoning bylaw on the condition that CACs are provided. Council and regional board members are legally required to remain open-minded on a proposed rezoning, until they have heard the public's perspectives at the public hearing.

It is important to keep in mind that zoning is intended to implement the community plan and should not be seen as a revenue source. Being perceived to be "selling zoning" can undermine public confidence in the community plan and the council/regional board's commitment to the plan.

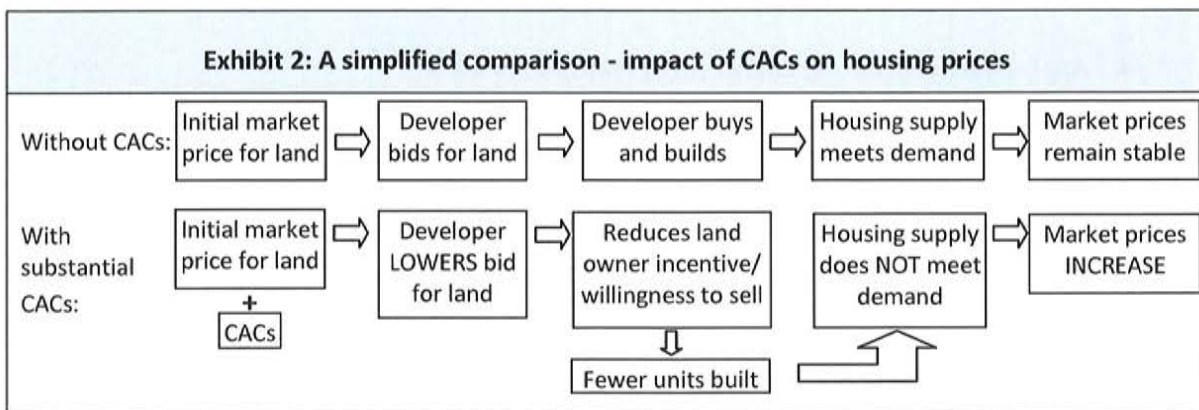
CACs Can Impact Housing Affordability

Another important consideration is the relationship between CACs and housing affordability. If not managed carefully, CACs have the potential to decrease the supply of new housing and increase housing prices. In a nutshell, a housing developer faced with significant CACs cannot simply increase the selling price of the units, as the selling price is set by the market.

Labour, materials and other construction costs are also fixed. Choosing to reduce their return on investment to absorb these additional costs is also not usually an option. To secure financing, a developer needs to ensure that their *pro forma* shows a normal financial return. As illustrated in Exhibit 1, the only practical option for the developer is to try and offset the cost of CACs by reducing the amount they offer to land owners to buy the site.



In land markets where supply is limited, as in many of B.C.'s growing communities, large CACs leave fewer dollars for developers to purchase land. If land owners are reluctant to sell for a reduced price, developers do not proceed to develop, resulting in a reduction in the supply of new housing, which in turn contributes to higher housing prices (as illustrated below in Exhibit 2).



The above diagrams show that while CACs cannot directly increase the price of housing for a particular development, if they are widely used, CACs can push up prices in the overall market.

To ensure that housing affordability is not being compromised, local governments need to ensure that CACs are kept at a modest level. A policy of trying to maximize the amount of CACs risks driving up housing prices.

Summary of Recommended Practices for CACs

The following outlines recommended practices for local governments currently, or considering, using, CACs:

1. *Avoid Legal Risk and Maintain Public Confidence*

- Negotiate, do not impose CACs. A common misperception is that local governments have authority to **impose** CACs as a condition of rezoning. In fact, the *Local Government Act* [s. 931(6)] prohibits this. CACs must be negotiated.
- Avoid the perception that zoning is for sale. Elected officials must remain “open-minded” during the rezoning process, and must not *commit* to approving a rezoning subject to CACs. Zoning should not be considered a revenue stream. The perception of “selling zoning” undermines public confidence in the local government and the community plan.

2. *Plan Ahead*

- Identify potential amenities that could be partly funded through CACs when preparing or updating the community plan, ideally identifying the priorities at the neighbourhood level.

3. *Seek Modest Contributions and Follow an Approach that Balances Community Amenities and Housing Affordability*

- The potential impact of CACs on housing affordability is higher where CACs are a significant portion of the cost of the development.
- Since CACs increase the cost of a project, it is important to consider who ultimately pays for these additional costs, and how they may affect housing supply and housing prices. This issue is of particular concern in areas where land is in short supply.
- Strategies that facilitate an increase in the supply of housing have a positive effect on affordability.
- The impact of CACs will be different in different areas or circumstances, so a flexible approach is best.

4. *Apply Development Cost Charge (DCC) Principles to CACs*

- Ensure a direct, demonstrable link (‘nexus’) between CACs and the impacts of new development.
- Ensure CACs are proportional to the impact of the development and consistent with the CACs made by other applicants/developers.
- Be transparent about the amount of CACs and how they will be used.
- Borrow the principles and practices that apply to DCCs to develop (tables of/schedules of) estimated CAC amounts.
- CACs should only be used for capital costs. Local governments should be sure that they have the budget capacity to deal with operational and repair costs over time.

5. *Engage the Development Community*

- Be aware of how CACs could impact projects and their viability, to avoid contributing to higher housing prices.

6. Choosing an Approach to Obtaining Amenities - It is recommended that local governments consider the following strategies (in order):

- **Adopt an “affordability by design” approach to writing zoning bylaws** – i.e. zones that allow for design features that reduce the costs of producing housing units and/or encourage additional units. Examples include reducing or eliminating setbacks and parking requirements.
- **Use density bonus zoning** – modest levels of density bonus tied to modest contributions, encourage new development while minimizing the impact on housing affordability.
- **Set targets for CACs** – and be open to negotiation at time of rezoning. These targets should be modest to minimize impact on housing affordability.
- **Negotiating CACs based on a “lift” approach is inconsistent with the principles set out in this Guide**, and is the approach most likely to reduce the supply of developable land and housing, thereby contributing to higher housing costs. The CAC principles set out in this Guide, including ‘planning ahead’, nexus and proportionality, support an approach that clearly identifies community needs and the impacts associated with new development, and links the CAC not to the “lift” in land value, but rather to the cost of providing a package of amenities that makes sense given the development being proposed.

This Short Guide has outlined for B.C. local governments some of the risks, challenges and recommended practices related to obtaining CACs. Most of the recommended principles and practices apply equally to CAC and density bonus approaches. The guide has also described the relationship between CACs and housing affordability, and encourages practices that do not risk inadvertently causing housing prices to increase. Since the impact of CACs will vary, it is suggested that BC local governments be flexible in their approach to obtaining CACs.

