

2022 Development Cost Levy Update

Park Board Meeting



Summary of Recommendations

- A: Recommended DCL Rates with 2-year phase-in
- B: Updated City-wide DCL Allocations
- C: Amended City-wide DCL waiver for for-profit affordable rental housing
- D-G: Other amendments
 - Amending reduced rates
 - Removing payments by installments
 - Amending definitions
 - Adjusting micro-dwelling unit size exemption
- Note that all recommendations take effect September 30, 2022, with Recommendation B taking effect upon Council approval

2022 DCL Update Timeline

Phase 1 (Aug – Dec 2021):

- Financing Framework
- 10-Year Development Forecast
- DCL Policy Review

Phase 2 (Jan – Jun 2022):

- Council & Park Board Briefing #1 (Jan/Feb, 2022)
- Stakeholder Engagement #1
- 10-Year DCL Capital Programs
- DCL rates & DCL allocation
- Economic Testing
- DCL Policy & Rate Recommendations
- Stakeholder Engagement #2
- Council & Park Board Briefing #2
- **Council Report – June 22, 2022** ← We are here
- New DCL rates effective – Sept 30, 2022

External consultants to support project:



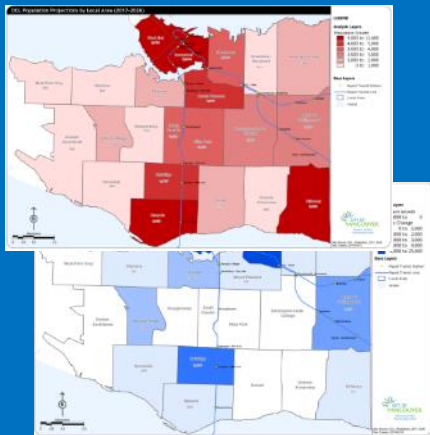
External stakeholders:

- UDI
- NAIOP
- HAVAN
- Non-Profits
- DCL Receivers

DCL Update Process

Estimate Development Forecast

- Projects in-stream



Determine DCL Eligible Capital Costs Attributed to Growth

- DCL Programs
- Other Growth-Related Funding Sources
- Municipal Assist Factor

	DCL Eligible Growth-Related Cost (before deductions for other funding sources)
Transportation	\$ 623,038,754
Housing	\$ 1,000,000,000
Childcare	\$ 295,561,000
Sewers	\$ 180,997,127
Water	\$ 11,529,850
Green Infrastructure	\$ 17,144,594
Parks	\$ 551,783,000
Total	\$ 2,680,054,325

Calculate DCL Rates

- Industry Consultation
- Council Approval
- By-Law Adoption

	RESIDENTIAL AT OR BELOW 1.2 FSR AND LANDWAY HOUSE	RES IN DEVELOPMENT OVER 1.2 FSR, COMMERCIAL AND MOST OTHER USES ¹	INDUSTRIAL ²	
City-wide	Vancouver DCL	\$34.77/m ² (\$3.23/sf)	\$140.73/m ² (\$13.01/sf)	\$50.74/m ² (\$5.55/sf)
Layered³	False Creek Flats	n/a	\$63.30/m ² (\$5.80/sf)	
	Grandview-Boundary	n/a	\$9.78/m ² (\$0.91/sf)	\$30.14/m ² (\$3.64/sf)
	South East False Creek	n/a	\$206.21/m ² (\$19.16/sf)	\$31.29/m ² (\$2.91/sf)
Area-specific⁴	Downtown South	n/a	\$205.44/m ² (\$19.03/sf)	No industrial capacity

DCL Program 2023-2032 (\$M)

Service Category	Gross Costs	Post Period Benefit	Partner Contrib.	Non-Growth	Net Growth-Related	Other Funding ¹	Net DCL Share
Housing	\$5,220	\$0	\$3,383	\$36	\$1,801	\$1,506	\$295
Childcare	\$348	\$0	\$64	\$19	\$265	\$167	\$98
Parks	\$539	\$0	\$0	\$39	\$500	\$83	\$417
Transportation	\$1,515	\$0	\$363	\$700	\$453	\$53	\$400
Utilities	\$2,099	\$611	\$19	\$738	\$731	\$81	\$650
<i>Sewer/Drainage</i>	<i>\$2,060</i>	<i>\$605</i>	<i>\$19</i>	<i>\$738</i>	<i>\$699</i>	<i>\$62</i>	<i>\$637</i>
<i>Water</i>	<i>\$39</i>	<i>\$6</i>	<i>\$0</i>	<i>\$0.5</i>	<i>\$32</i>	<i>\$19</i>	<i>\$13</i>
Total	\$9,721	\$611	\$3,828	\$1,531	\$3,751	\$1,891	\$1,860

(1) Other funding sources include CACs / density bonusing, engineering conditions, Empty Homes Tax (Housing), layered DCL shares, municipal assist share (1%), and available DCL reserves

Parks Program (2023-2032)

Program Area	Description	City Growth Costs (Developer cash contributions)
New parkland acquisition	5.3 ha	\$165M
New parkland dedicated from major projects	9.6 ha	<i>Dedication (Cost = \$0)</i>
Seawall and Waterfront	54% growth	\$14M
Urban Forest & Natural Areas	100% growth	\$108M
Park amenities	87% growth	\$150M
Buildings & Infrastructure/Vehicles	87% growth	\$35M
Emerging Priorities		\$28M
Total City Growth Costs		\$500M
Deduction: Cash CACs & DCL reserves		(\$79M)
Deduction: Municipal Assist (1%)		(\$4M)
Net Cost for DCL Recovery		\$417M

Key Projects:

- 5.3 ha of parkland acquisition
- Park Developments:
 - East Park (SEFC)
 - EFL Parks
 - Pearson Dogwood
 - Burrard Slopes
- 20 park washrooms

Recommended DCL Rates (Combined)

Development Type	Curent DCL Rates ¹ Charge / Sq.Ft.	Calculated DCL Rates Charge / Sq.Ft.	Difference in Charge
Residential Development			
Low Density <i>Below 1.2 FSR & Laneway</i>	\$6.56	\$8.23	\$1.67
Medium Density <i>Development between 1.2 & 1.5 FSR</i>	\$14.17	\$17.72	\$3.55
High Density <i>Development Above 1.5 FSR</i>	\$28.37	\$35.46	\$7.09
Non-Residential Development			
Industrial	\$8.28	\$11.45	\$3.17
Mixed Employment	\$15.55	\$21.46	\$5.91
Commercial & Other	\$20.71	\$28.63	\$7.92

1) Rates effective September 30, 2021

Notes:

- Industrial applies to I-2, M-1, M-1A, M-1B, M-2 zoning districts
- Mixed Employment (Light Industrial) applies to IC-1, IC-2, I-1, I-3, I-4, I-1A, I-1B, and I-1C zoning districts
- 7 ▪ DCLs are applied on the gross floor area

DCL Rate Phase-in

- The proposed DCL rate adjustment is significant (25% to 38%) reflecting cost escalation and growth needs
- For in-stream projects, increased DCL costs cannot be easily absorbed by development after land acquisition. A rate phase-in benefits active projects that do not qualify for in-stream rate protection
- To address project impacts and reflect stakeholder feedback, staff recommend:
 - 50% of rate increase - Sept 30, 2022
 - Remaining 50% rate increase (100% total) - Sept 30, 2023
- Estimated financial impact of phase-in: \$15-20M*
 - ~1% of DCL program cost (\$1.86B DCL program)

* In years 1 and 2 - excludes impact of mandatory in-stream rate protection & impact of rental waivers

City-wide DCL Allocations

Category	2017-2026	2023-2032*	Rationale for changes
Housing	36% (\$377M)	24.5% ↓ (\$295M)	<ul style="list-style-type: none"> • Empty Homes tax (~\$20M/yr) did not exist in 2017 • Affordable Housing reserve has ~\$104M unallocated balance • Increased senior gov't funding anticipated in the near term • High proportion of in-kind (turnkey) CACs
Childcare	13% (\$133M)	8.0% ↓ (\$98M)	<ul style="list-style-type: none"> • Increased senior gov't funding anticipated in the near term • Childcare DCL/CAC reserves have +\$20M unallocated balance • Many spaces to be delivered as in-kind CACs
Parks	18% (\$195M)	34.5% ↑ (\$417M)	<ul style="list-style-type: none"> • Large (~\$100M) unallocated CW-DCL balance in 2017 has been committed/spent • Supports climate mitigation efforts
Transportation	25% (\$265M)	33.0% ↑ (\$400M)	<ul style="list-style-type: none"> • Critical infrastructure to support growth, supports climate mitigation efforts
Utilities**	New UDCL (\$543M)	Moved to UDCL (\$650M) ↑	<ul style="list-style-type: none"> • Increased emphasis on critical underground infrastructure required for growth
TOTAL (2017/2018)	\$1,513M	\$1,860M	

*Note that DCL allocations are updated every 4 years, next update in 2026

**Under separate Utilities DCL By-law

City-wide DCL Waiver for For-Profit Affordable Rental Housing

- **Reduce City-wide DCL waiver for for-profit affordable rental housing at market rents from 100% to 86%**, resulting in a nominal rate of \$3/sf
- **Maintain 100% City-wide DCL waiver for for-profit affordable rental housing that has a 20% below-market component (MIR, BMR)**
 - Economic testing shows this type of rental is more reliant on the DCL waiver to support the delivery of more affordable rental units

Stakeholder Feedback

- Engaged with the following key membership groups:
 - Industry (UDI, NAIOP, HAVAN, Landlord BC)
 - DCL Receivers (Non-profits, Government Agencies)
 - Park Board
- Held stakeholder consultations in Jan/Feb 2022 as well as May 2022 sessions on draft DCL rates & policies
- Industry Stakeholder Feedback:
 - Raised issue of cost increases impacting projects
 - Concern around the economic viability of projects in progress that cannot adjust their land value, requested a phase-in of any increased DCL rates
 - UDI/Landlord BC did not support recommended change to the City-wide DCL rental waiver

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Questions / Discussion