

7.0 CONCLUSIONS

The main conclusions from this evaluation are as follows:

1. Vancouver's density bonus and transfer system has been successful in assisting the retention and rehabilitation of some important heritage buildings in Vancouver since the start of the program in 1993. Owners of heritage buildings continue to apply for density transfers and there are several projects in the pipeline at present.

While property owners and developers who have been involved in the system have a variety of suggestions for improvement, most support the program and believe it is fundamentally a good system.

2. There are still many heritage properties that are eligible for density bonuses under the existing policy. There are also many additional heritage properties that could become eligible if the City decides to expand the program to new areas. The City, therefore, has an obvious interest in ensuring that the program continues to be well-used and in improving the system so that more heritage properties will benefit.
3. One of the current system's main strengths is the flexibility that flows from the creation of an open market for transferable density. Owners of source sites have considerable flexibility in selling density in small or large transactions at different times to a wide range of potential receiver sites. Buyers of density can acquire exactly the amount they need and are free to negotiate with one or more sellers. The absence of controls on pricing or on the allowable use of transferable space makes the market liquid and responsive.
4. While the open market system has advantages, it carries an inherent risk that at any given time the supply of space available for sale and the market's ability to take up space are out of equilibrium. This is because the factors that determine how much space is generated in any given year are different than the factors that determine how much will be acquired.

Consequently, there was a time (in 1999) when there was little or no space available to buy and a few times (including the present) when an inventory of space for sale has accumulated and appears to have contributed to softening prices.

When there is no space available, new urban development projects that would otherwise have been able to use transferable density may proceed without it, which eliminates potential receiver sites. This is of much less concern, however, than the risk of falling prices when inventory builds. Falling prices for transferable density have two impacts. First, owners of heritage properties may be reluctant to use the system if they anticipate that the density bonus is a deflating commodity. Second, lower prices mean the City must grant increasing bonuses to provide enough incentive to allow heritage rehabilitation projects to proceed²¹.

The greatest risk to the program is the possibility of a gradually increasing bank of unsold space which deflates price and results in heritage owners being unwilling to participate in the program.

5. The market will to some extent be self-regulating over the long term. If price falls, owners of heritage properties will be less interested in the program. Developers will buy the inventory and as the supply dwindles price will firm up again. However, this market dynamic takes time. Therefore, the City should increase the amount of data it gathers on the market for transferable density to include the price of all transactions as well as the supply and demand of transferable density. This will allow the City to

²¹ This is an important point that warrants an illustration to clearly show the impact of falling prices. Suppose that in a time of relatively stable prices transferable density commands a price of \$25 per square foot. A rehabilitation project that needs \$1.0 million in incentives to be viable would need 40,000 square feet of transferable density ($\$1,000,000/\25). Now suppose that while the owner of this project is evaluating whether to proceed, the price of density falls to \$20 per square foot due to an accumulating backlog of unsold space. Now this owner needs 50,000 square feet of transferable density ($\$1,000,000/\20) to make the project work. The extra 10,000 square feet puts even more downward pressure on price.

analyze trends in price over time, understand the condition of market at all times and be ready to take steps to help maintain equilibrium in the market.

6. The most important task for the City in the management of the system is to monitor the size of bank and the price of space, to detect signs of a backlog and to take action to address emerging problems.
7. There are many ways in which the system of heritage density transfers could be improved or expanded. Potential improvements range from administrative fine-tuning to significant policy changes. Improvements can be categorized in these groups:
 - a) improving the City's monitoring of the system.
 - b) making the system easier and less costly to use, which should increase the number of transactions.
 - c) developing an action plan so the City is ready to respond if the density market moves dramatically away from equilibrium.
 - d) finding ways to increase the demand for space.

Specific improvements are recommended in the following section.