

## **5.0 FUTURE DEMAND AND SUPPLY OF TRANSFERABLE DENSITY IN VANCOUVER UNDER EXISTING POLICY**

The future effectiveness of transferable density as a tool for heritage preservation in Vancouver is dependent on three main factors:

- Ongoing demand for transferable density at receiver sites. If demand is not sufficiently high, heritage building owners will perceive that it is difficult to sell transferable density and may not be interested in participating in the program.
- The availability of an ongoing supply of transferable space for developers interested in acquiring additional density. Without a sufficient supply of transferable density, developers of receiver sites will find it difficult to acquire the amount of density they require when applying for a density increase. This becomes a very significant issue if a developer is seeking a large density increase (such as the Wall Centre project).
- The price that can be realized for transferable space. Heritage building owners require a predictable value for transferable space to determine the viability of entering a Heritage Revitalization Agreement. The value of transferable space is partly dependent on the overall demand and supply of transferable space. If the creation of transferable space outpaces demand over a sustained period, there will be downward pressure on the value of the transferable space reducing the effectiveness of density transfers as a heritage preservation tool.

Therefore, this section forecasts the potential future supply and demand for transferable density in Vancouver in the absence of any changes to existing policies.

## 5.1 FORECAST OF DEMAND FOR TRANSFERABLE DENSITY AT RECEIVER SITES

To help gauge the future demand for transferable density at receiver sites in the existing policy area, we examined four indicators:

- Recent demand for transferable density.
- Historic long term demand for transferable density.
- The potential for receiver sites to accommodate transferable density in the long term.
- The long term outlook for multifamily and commercial development in receiver areas.

### *5.1.1 Recent Demand for Transferable Density in Receiver Areas*

We examined demand for transferable density from 1998 to April 2002<sup>12</sup> to gauge recent trends in demand.

- Between 1998 and April 2002, a total of about 290,000 sq.ft. of floorspace was transferred (or approved to transfer) to commercial and multifamily receiver sites, or about 67,000 sq.ft. per year on average. However, it should be noted that 220,546 sq.ft. of this space was transferred in 1998 (including about 180,000 sq.ft. of the space that was transferred to Wall Centre).
- From 1999 to April 2002 transfers totalled about 70,000 sq.ft., or about 21,000 sq.ft. per year on average. This is likely due to the relatively limited amount of multifamily development that occurred in receiver areas during this time frame (most multifamily development was in CD-1 locations). In addition, demand may have been constrained during 1999 and possibly 2000 by a lack of density available for sale.
- From January 2002 to April 2002, transfers (or approvals) totalled about 27,000 sq.ft. At this rate, transfers for all of 2002 will total about 81,000 sq.ft.

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<sup>12</sup> Most recent data available at the time of the analysis.

*5.1.2 Historic Long Term Demand in Receiver Areas*

We examined the amount of development in receiver areas attributable to transferred density between 1993 and 2001.

Between 1993 and 2001, total new development in receiver areas<sup>13</sup> was approximately 8.9 million sq.ft. (comprised of about 3.1 million sq.ft. of office development and 5.8 million sq.ft. of multifamily residential development)<sup>14</sup>.

Over the same time frame, approximately 551,000 sq.ft. of space was transferred to receiver sites in the existing policy area, or about 61,000 sq.ft. per year on average. This is equivalent to about 6.2% of the estimated total development in receiver areas, which is below the maximum permitted increase of 10% that is allowed under existing policy. It is important to note that Wall Centre and Bentall 5 accounted for very large shares of this total.

The transfer of density to Bentall 5 was from another site owned by Bentall. If this transfer is excluded from the demand estimates, the annual demand for transferable density at receiver sites was about 46,000 sq.ft. per year, or about 4.6% of total development in receiver areas.

The Wall Centre project involved a rezoning to allow the full density increase permitted at the site. Excluding Wall Centre and Bentall 5, the annual demand for transferable density at receiver sites was about 18,000 sq.ft. per year, or about 1.8% of total development in receiver areas.

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<sup>13</sup> Excluding development in the major CD-1 districts of Coal Harbour, Concorde Pacific Place and Bayshore.

<sup>14</sup> These figures exclude hotel development, as hotel sites are not candidates to receive transferred density as well as the 15% hotel bonus.

Overall, demand for transferable density has been below the 10% density increase permitted under existing policy. As well, the system has relied on large projects to acquire and transfer density.

### *5.1.3 Potential for Receiver Areas to Accommodate Transferable Density*

The ability of receiver areas to continue to accommodate transferable density will determine whether there will continue to be strong demand for transfers.

Without rezonings, the maximum theoretical long term demand for transferable density could be viewed as 10% of the remaining gross development capacity in the receiver areas as this is the maximum increase permitted at a receiver site. Therefore, we completed a detailed analysis of the remaining long term development capacity of sites located in receiver areas. This analysis relied on property specific information provided by the City of Vancouver as well as our own fieldwork, research and analysis. Appendix B contains the detailed analysis.

Under existing zoning, sites in the receiver areas have a total maximum floorspace capacity of about 103 million sq.ft. upon full development, assuming the maximum achievable FSR under existing zoning at each site. However, many sites are already fully developed or have significant improvements in place and will not be development candidates until the very long term. In addition, some of the sites in the receiver areas are heritage sites.

We identified all of the sites in the receiver areas that could be considered realistic development candidates<sup>15</sup>. Based on this analysis, the gross development potential at all of the sites that could be considered realistic development candidates over the next ten years or so in the receiver areas is between 30 million and 40 million sq.ft.

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<sup>15</sup> Excluding heritage sites, sites that are fully developed under existing zoning, and sites that have sufficiently valuable improvements to rule out redevelopment in the foreseeable future.

If every redevelopment candidate in the receiver area proceeded with redevelopment and applied for and obtained approval for a 10% density increase due to a heritage density transfer, the candidate sites could generate demand for a maximum of 3 million to 4 million sq.ft. of transferable density.

In the absence of changes to existing policy, the actual demand could be lower. The historic share of development attributable to transferable density has been about 6% (and less if major projects are excluded). In addition, the City has cultural, social housing and other amenity objectives for receiver sites. Receiver sites will probably not be able to achieve a 10% density increase from heritage transfers and also provide the other amenities. It should be noted that sites which apply for rezoning could make up for any receiver sites that do not achieve the full 10% increase.

#### *5.1.4 Outlook for Future Development in Receiver Areas*

The rate of future demand for transferable density will depend partly on the amount of development occurring in the receiver areas.

Downtown Vancouver (and receiver areas) should continue to account for a large share of Greater Vancouver's multifamily residential development. In the short term, office development may be somewhat limited as there has recently been a large addition to the Downtown inventory and vacancy rates have been rising. However, in the longer term, the receiver areas should continue to experience significant office development.

Between about 1998 and 2001, multifamily development in the receiver areas was relatively low compared to the early and mid 1990's. This is partly due to lower demand for multifamily residential units throughout the GVRD and partly due to the large share of residential development in downtown that has been captured by CD-1 locations (such as Bayshore, Concorde Pacific and Coal Harbour). We expect multifamily development in the receiver areas to increase in both the short term and the longer term as multifamily

demand in the region increases and as development capacity in the existing major CD-1 locations diminishes.

Overall, we expect the average annual rate of office and multifamily development in receiver areas over the next ten years or so to be similar to the long term historic average of about 1.0 million sq.ft. per year.

#### *5.1.5 Outlook for Demand for Transferable Density in the Absence of Policy Changes*

Based on historic trends and the outlook for downtown, we would expect total development in receiver areas to continue to average about 1.0 million sq.ft. per year on average in over the next ten years or so. The existing receiver areas have capacity to accommodate this level of development for the long term.

Based on our analysis, there are two demand scenarios worth considering for transferable density over the next ten years or so.

1. A low demand scenario (Scenario A) which assumes an extension of the historic share of development attributable to density transfers of about 6%. This will require some projects to continue to purchase large amounts of transferable density to allow significant density increases (such as Wall Centre and Bentall 5). Given that the City has identified sites in the receiver area that are potential candidates for significant height increases (assuming the site transfers density or provides public amenities), there should continue to be opportunities for additional large density transfers. In the absence of projects seeking large density increases, total demand could still reach 6% of development. Assuming that total demand for new space in the receiver areas remains high, the absence of large projects should mean that there will be an increased number of smaller projects. Each of these smaller projects could apply for an increase in density leading to demand for transferable density. It should also be noted that as the City implements improvements to the system there should be increased demand for transferable density.

2. A high demand scenario (Scenario B) which assumes that every project in the receiver area applies for and achieves a 10% density increase without rezoning, the maximum permitted under existing policy. However, given that some developers will not be interested pursuing a density bonus, some sites will not be suitable (given urban design objectives) and developers of some sites may elect to accommodate other City objectives (e.g., cultural amenities, social housing), the actual demand for transferable density may be lower. Although developers that apply for rezoning and acquire large amounts of transferable density could off-set receiver sites which do not apply for (or do not receive approval for) the full 10% density increase.

The demand scenarios for transferable density are summarized in the following table.

Potential Demand for Transferable Density	Share of Total Development	Total Years 1 to 10
Total Development in Receiver Areas		10,000,000 sq.ft.
Scenario A	6.0%	600,000 sq.ft.
Scenario B	10.0%	1,000,000 sq.ft.

## 5.2 POTENTIAL FUTURE SUPPLY OF TRANSFERABLE DENSITY

For the system to continue functioning there must be sufficient numbers of heritage property owners willing and able to participate. This section estimates the potential for a continuous supply of participating properties.

There are over 300 properties in the existing policy area that are on the heritage list, but have not yet been designated. We estimate that these buildings include about 6.8 million sq.ft. of existing floorspace.

The future annual supply of transferable floorspace is difficult to predict (especially on an annual basis) as it will depend on a variety of factors, including:

- The interest of the owners of heritage listed buildings to negotiate Heritage Revitalization Agreements to designate and preserve listed properties and transfer floorspace (residual or bonus).
- The amount of residual floorspace at heritage listed sites that cannot be used on-site.
- The amount of bonus floorspace that is required at individual heritage projects to make heritage preservation financially viable, but cannot be used on-site.
- The number of heritage listed sites that go through the heritage designation process each year.

To help gauge the future supply of transferable space, we examined three indicators:

1. Recent creation of transferable density at source sites.
2. Long term historic creation of transferable density.
3. The creation of transferable density compared to the total inventory of heritage floorspace.

#### *5.2.1 Recent Creation of Transferable Density*

Between 1998 and April 2002, very little space was approved for transfer from heritage sites in the policy area (about 124,000 sq.ft. in total or about 29,000 sq.ft. per year). However, the supply of transferable space increased due to approvals at projects outside the policy area.

During 2001 and early 2002, applications for transferable density at heritage properties inside the policy area have been increasing. Council recently approved in principle a transfer of 73,000 sq.ft. at 690 Burrard (Christ Church) as well as 80,000 sq.ft. at 626 West Pender (the London Building). Other projects are in the approval process.

Including the projects that are approved in principle, the creation of transferable density has averaged about 65,000 sq.ft. per year since 1998 (to April 2002).

### *5.2.2 Historic Creation of Transferable Density*

Between 1993 and 2001, approximately 707,000 sq.ft. of space was approved for transfer at source sites in the City. Of this about 571,000 sq.ft. was at sites that are within the existing policy area. The remaining 136,000 sq.ft. was at sites in Gastown (outside existing area) and a site on the west side of Vancouver<sup>16</sup>.

The historic creation of transferable space at sites in the existing policy area is equivalent to about 63,000 sq.ft. per year on average. An additional 15,000 sq.ft. per year was approved for transfer at sites currently outside the policy area. Therefore, the total approved for transfer was about 78,000 per year.

### *5.2.3 The Creation of Transferable Density Compared to the Inventory of Heritage Floorspace*

The historic annual additional addition to supply of transferable floorspace from properties in the policy area is equivalent to about 0.84% of the existing 6.8 million sq.ft. of floorspace at heritage listed properties in the area<sup>17</sup>. If this rate continues, heritage buildings in the existing policy area will generate an average of about 57,000 sq.ft. per year over the next ten years.

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<sup>16</sup> 38,500 sq.ft. was approved for transfer from 3838 Cypress Street.

<sup>17</sup> Based on a comprehensive database of all heritage listed properties in the policy area, including existing floorspace at each property.

5.2.4 Outlook for the Supply of Transferable Density from the Policy Area

There are many eligible heritage properties that could in the future be candidates for the City's transferable density incentive program so there is obvious value in ensuring that this program works as effectively as possible.

Based on past trends, few heritage properties participate in any given year. On average less than 2 properties (representing less than 1% of heritage building floorspace in the eligible area) participate each year.

Assuming an extension of historic trends, heritage sites in the existing policy area will generate about 570,000 to 650,000 sq.ft. of additional transferable space over the next ten years, or between 57,000 and 65,000 per year on average.

5.3 OUTLOOK IN THE ABSENCE OF POLICY CHANGES

In the absence of major changes to the system, it is reasonable to assume that rates of additions and absorption of transferable density will continue at historic rates. Extending recent trends produces the following outlook over the next 10 years:

	Existing Supply including Approvals in Principle <sup>18</sup>	Projected New Supply	Projected Demand	Year 10 Balance
Low Demand	396,000 sq.ft.	570,000 sq.ft. to 650,000 sq.ft.	600,000 sq.ft.	366,000 sq.ft. to 446,000 sq.ft.
High Demand	396,000 sq.ft.	570,000 sq.ft. to 650,000 sq.ft.	1,000,000 sq.ft.	zero sq.ft. to 46,000 sq.ft.

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<sup>18</sup> As of September 2002.

If demand is near the higher end of our range, the demand for transferable space will meet or exceed the projected supply of transferable space over the next ten years. If demand is at the lower end of the range, the supply of transferable space in the “bank” will be similar in ten years to the existing situation.