

July 21, 2017

Community Amenity Contributions Audit

Background

Community Amenity Contributions (CAC's) are cash or in-kind contributions provided by developers when additional density is achieved through a rezoning. CAC's are intended to mitigate the rezoning's impacts on the surrounding community and to provide a source of funding for the demands placed on public amenities by the new residents or employees.

CAC's contribute toward capital facilities such as daycares, community centres, affordable housing and park improvements. Development Cost Levies (DCL's) are similarly a growth-related charge, however, they differ from CAC's in that they are charged on all new development regardless of whether a rezoning is involved.

While the total volume of CAC's is relatively low, with approximately 40-50 rezoning applications each year, the value of the contributions is significant. According to the 2016 CAC annual report the City secured \$73.6 million in cash CAC's and \$60.3 million of in-kind CAC's.¹

The City's policy and general approach to CAC's is publicly available on the City's website. Generally, there are two CAC policy areas:

1. City-wide - applies to most of the City. Rezonings under this general area follow a negotiated approach.
2. Area-specific - applies to specific neighbourhoods. The approach is either a target rate or negotiated CAC, depending on the specific area and site. Target rates are published for each applicable area and are now adjusted annually for inflation.

The practice of securing CAC's is not unique to Vancouver. The Province of BC issued related guidelines for municipalities in 2014. The City's policies and practices were reviewed internally and found to be generally consistent with the best practices outlined in the guidelines. Recent changes since then have strived for consistency and further alignment with guidelines. A comprehensive policy review is also underway, led by the Planning department.

Scope

The scope of the audit was to provide reasonable independent assurance that the related internal controls are adequate and effective, and business processes are consistent, fair, and transparent. The Audit also assessed the efficiency of business processes and the extent of compliance with applicable policies and procedures. Process areas covered included:

¹ "2016 Annual Report on Community Amenity Contributions and Density Bonusing." May 30, 2017. RTS No. 12036.

- Negotiation of CAC amounts;
- Payment collection and processing of cash CAC's; and
- Accounting of CAC funds and allocation to the intended public benefit categories.

Our work included:

- Interviews with key staff and management in Planning, Urban Design & Sustainability, Real Estate & Facilities Management, Finance, Risk & Supply Chain Management, and Legal Services;
- Review of relevant supporting documentation including applicable policies and procedure documentation, Council reports and meeting minutes;
- Sample review of developments that resulted in CAC's; and
- Sample review of developments deemed to be exempt from CAC's.

Out of scope for the audit included:

- Other development contributions such as Development Cost Levies (DCL's) and density bonus zoning contributions.

The audit is not designed to detect fraud. Accordingly there should be no such reliance.

Conclusion

The CAC audit was initiated to provide reasonable independent assurance that the related internal controls are adequate and effective, and business processes support consistency, transparency, and fairness. The audit also assessed the efficiency of business processes and the extent of compliance with applicable policies and procedures.

To further enhance transparency and consistency in the City's approach to CAC's there is potential for improvements in the related processes. Management should:

- establish clear responsibilities for the negotiation process;
- formalize the process and enhance controls for phased CAC payments; and,
- establish clear authorization levels to ensure there is sufficient control and oversight in the negotiation process.

Management has agreed to all findings and committed to implement all recommendations.