IMPACT OF POSSIBLE DCL RATE INCREASE ON FINANCIAL VIABILITY OF REDEVELOPMENT

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Scope

- Maximum DCL rate that will not impair redevelopment
- Impact of increased DCL rates
- Implications

Existing Value vs Land Value

- What is the site's value under existing use?
- How much can a developer afford to pay for a redevelopment site?
- If land value exceeds existing use value → redevelopment opportunity

Impact of Increased DCL

- Increased DCL reduces amount a developer can afford to pay for a site
- If DCL too high, can change development sites into holding properties
- Fewer development sites → reduced pace of new unit construction
- Reduced unit supply with continued demand → market-wide price increase

Approach to Evaluation

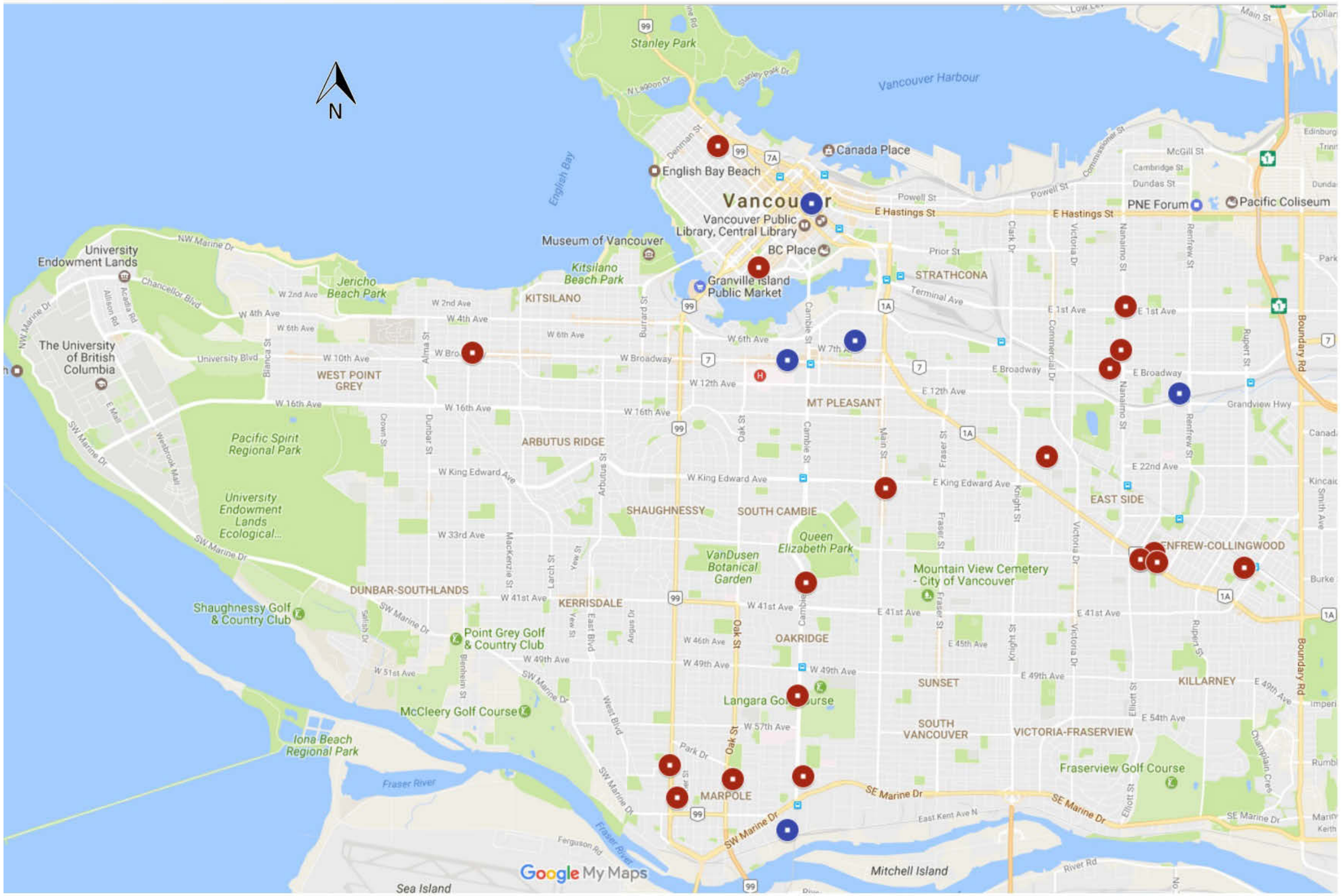
- Select case study sites
- Analyze financial viability of redevelopment under existing DCL
- Calculate maximum DCL that can be supported so redevelopment value exceeds value under existing use

Case Studies

	Apartment or Mixed-Use	Townhouse	Office	Industrial
Downtown Sites	2	0	1	0
West Side Sites	4	2	2	1
East Vancouver Sites	7	4	1	0
Total	13	6	4	1

- Existing zoning, bonus density districts, rezonings in fixed rate CAC locations
- Excluded sites subject to negotiated CAC

Location of Case Study Sites



Apartment

- Most Downtown and West Side projects can support increase in DCL rate
- Ability to support increased rate in East Vancouver varies by location
- Some East Vancouver apartment locations cannot support an increased DCL
- City could consider different rates for different locations

Duplex and Townhouse

- City should consider different rates for projects under 1.2 FSR and projects over 1.2 FSR
- Any increase for projects under 1.2 FSR should be small
- Projects over 1.2 FSR can support an increased DCL

Industrial

- Single storey industrial development is not financially viable under current market conditions
- Any significant increase in DCL rate will negatively affect viability of industrial development

Office

- Office development is only viable in limited locations and circumstances:
  - High existing permitted density or upzoning
  - Low existing DCL rate (I-1 in Mount Pleasant)
- Limit any DCL rate increase to help support office development (in absence of upzoning)

Comments on Draft Proposed Rates

	Existing DCL Rates	Proposed DCL Rates	Proposed Rate Increase	Comments
Residential at or below 1.2 FSR	$3.23	$4.02	$0.79	Small increase so little or no impact
Residential between 1.2 and 1.5 FSR	$13.91	$8.69	- $5.22	Reduction in DCL will improve viability
Residential above 1.5 FSR	$13.91	$17.34	$3.43	Likely to create small impact on apartment viability in East Vancouver
Industrial	$5.55	$6.92	$1.37	Little room for DCL rate increase
Commercial and Other	$13.91	$17.34	$3.43	Little room for DCL rate increase other than in upzonings
Mixed Employment	$5.55	$13.01	$7.46	Potential impact depending on mix. Should apply industrial rate to industrial space and commercial rate to office space.