

From: "Johnston, Sadhu" <Sadhu.Johnston@vancouver.ca>

To: "Direct to Mayor and Council - DL"

CC: "City Manager's Correspondence Group - DL"
"Kelley, Gil" <Gil.Kelley@vancouver.ca>

Date: 6/1/2020 9:16:42 AM

Subject: Memo - 2020 Inflationary rate adjustments

Attachments: Memo to Mayor and Council - Annual Reports - 2020 Inflationary Adjustments -June 1, 2020.pdf

Dear Mayor and Council,

Please see the attached memo from Gil Kelley, GM of Planning, Urban Design, and Sustainability regarding Proposed 2020 Inflationary rate adjustment to DCLs, CAC Targets, and Density Bonus.

Highlights: 2020 Inflationary Rate Adjustment

- For Council decision on July 21/22, 2020
- Vancouver and Canada are in the midst of the worst economic downturn experienced in decades resulting from the impacts of COVID-19
- The Council adopted annual inflationary rate adjustment system has been in place since 2010, adjusting rates upwards or downwards based on inflationary trends
- 2020 rate adjustment is proposed to decrease DCLs, CAC Targets, and density bonus contribution rates by 0.8%
- This year's rate decrease is largely driven by an 8.9% decrease in year-over-year property values

Best,
Sadhu

Sadhu Aufochs Johnston | City Manager
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Pronouns: he, him, his



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the Musqueam, Squamish, and Tsleil-Waututh peoples.

MEMORANDUM

June 1, 2020

TO: Mayor and Council

CC: Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Karen Levitt, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Rena Kendall-Craden, Civic Engagement and Communications Director
Rosemary Hagiwara, Acting City Clerk
Anita Zaenker, Chief of Staff, Mayor's Office
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office
Susan Haid, Deputy Director, Planning, Urban Design and Sustainability
Chris Robertson, Assistant Director, Planning, Urban Design and Sustainability
Chris Clibbon, Planner, Planning, Urban Design and Sustainability
Nathan Bunio, Planner, Planning, Urban Design and Sustainability

FROM: Gil Kelley
General Manager, Planning, Urban Design and Sustainability

SUBJECT: Proposed 2020 Inflationary rate adjustment to DCLs, CAC Targets, and Density Bonus Contributions

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Purpose of this memo

Staff are about to begin notifying stakeholders (development industry, non-profit stakeholders) on the recommended 2020 inflationary rate adjustment that will apply to Development Cost Levies (DCLs), Community Amenity Contribution Targets (CACs), and Density Bonus Contributions. These proposed rate changes are scheduled to be presented to Council on July 21/22, 2020 (Density Bonus Contributions on July 21 and DCLs/CACs on July 22). If approved,

the new rates would become effective September 30, 2020. The purpose of this memo is to provide Council with background on the 2020 rate adjustment and report timing in advance of planned external engagement.

Background

Annual inflationary rate adjustments to DCLs, CAC Targets, and Density Bonus Contributions form an integral part of Vancouver's development contribution system. The inflationary rate adjustment system was adopted by Council in 2010 and has been used annually to maintain the City's purchasing power from year-to-year in order to deliver necessary growth-related amenities and infrastructure. This system provides incremental changes to rates on an annual basis, as opposed to larger rate changes every 3-5 years, allowing the industry to adjust to these rate changes more easily.

The annual inflationary rate adjustment system was developed using local and national best practices and is guided by a set of Council-adopted principles to:

- use publicly accessible, third party data;
- use transparent calculations that are accessible to external stakeholders;
- adjust rates upward or downward based on inflationary trends;
- adapt to sudden changes in the market; and
- be supportable by industry & stakeholders.

The annual inflation index is based on a blend of property value and construction cost inflation sourced by public, third-party data. Rates are adjusted annually through a report to Council every July, with new rates effective on September 30 of every year.

The system itself consists of two components. The first component is an index calculation based on year-over-year changes in property value (BC Assessment property roll) and a non-residential construction price index (Statistics Canada Non-Residential Construction Price Index for Vancouver). These inputs are then blended together to reflect the current Capital Plan program for anticipated investment into land acquisition and construction activity for the City. Linking rates to an annual inflationary index results in rate increases when inflation is positive and rate decreases when inflation is negative. The 2020 BC Assessment property roll for the City of Vancouver recorded an 8.9% decrease in assessed property value, while the Statistics Canada Non-Residential Construction Price Index for Q1 2020 recorded a 0.8% increase from 2019. The approved 2019-2022 Capital Plan anticipates investing 17% of its cash development contributions on land acquisition and 83% on construction.

Table 1: Annual Inflationary Index

Annual Inflationary Index		Data used to calculate index (for information only)			
Year	Annual Inflationary Index	Local Property Value Inflation	Local Construction Cost Inflation	Capital Plan Blend	
				Land	Construction
2010	-1.4%	1.5%	-6.8%	65%	35%
2011	8.8%	11.4%	3.9%	65%	35%
2012	10.3%	13.7%	4.2%	65%	35%
2013	1.3%	1.3%	1.3%	65%	35%
2014	1.6%	0.8%	3.0%	65%	35%
2015	3.4%	8.6%	1.7%	25%	75%
2016	4.6%	16.5%	0.6%	25%	75%
2017	11.9%	29.2%	6.1%	25%	75%
2018	4.8%	5.1%	4.7%	25%	75%
2019	5.2%	1.2%	6.0%	17%	83%
2020	-0.8%	-8.9%	0.8%	17%	83%

Note: Vancouver's DCL rates have used this index to adjust rates since 2010. Density bonus contributions and CAC targets have been adjusted since 2016. For more information on the annual inflation index, please visit: <http://vancouver.ca/home-property-development/annual-inflation-index.aspx>

In 2019, Council approved a 5.2% annual inflationary adjustment increase for non-residential categories and maintained the 2018 rates for residential categories given the weakening residential market.

The inflationary adjustment index for 2020 indicates a decrease in rates of 0.8% (as shown in Table 1) and staff is recommending that this rate be applied across all residential and non-residential rate categories. As part of the annual inflationary adjustment process, current economic indicators are reviewed to verify that the proposed rate adjustments are in line with current local market trends and forecasts. A review of this information supports the rate reduction.

Staff has undertaken a review of other municipalities within the Lower Mainland, across B.C., and Ontario. While some municipalities are waiving/reducing development processing fees. Vancouver seems to be the only municipality that is proposing a decrease to DCLs or Development Cost Charges. Staff are also looking to coordinate this annual inflationary rate adjustment with the other larger initiatives to address economic recovery in Vancouver.

Notification

The following steps will be taken in June 2020 to ensure broad notification prior to consideration of these updated rates by Council:

- Website posting of proposed rates on the City's Financing Growth web page;
- Notice of proposed changes in the City's DCL, CAC Targets, and Density Bonusing Information Bulletins (available online and at information kiosks in City Hall);
- Advertisements describing the proposed rate adjustments, together with details on how to provide feedback, are placed in the Vancouver Courier and Business in Vancouver newspapers;
- Staff notification to local industry groups (Urban Development Institute, National Association of Industrial and Office Properties, Homebuilders Association Vancouver);
- Staff notification to non-profit organizations; and,

- City Clerks notification to a list of stakeholders who have expressed interest in Financing Growth matters informing them of this report and where they can review it online prior to the Council meeting.

The above notification will be followed by Council reports on Density Bonus Contributions rate adjustments on July 21, 2020 and DCL/CAC rate adjustments on July 22, 2020.

If you have any questions or require further information, please contact me or Chris Robertson, Assistant Director, City-Wide & Regional Planning, at 604-873-7684 or chris.robertson@vancouver.ca.

A handwritten signature in black ink, consisting of a large, loopy initial 'G' followed by a long horizontal stroke that tapers to the right.

Gil Kelley, FAICP
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