

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: 10/22/2019 5:02:52 PM

Subject: Memo - Council enquiry regarding "foregone" DCL and CAC revenue

Attachments: Memo to Mayor and Council - Council enquiry regarding "foregone" DCL and....pdf

Dear Mayor and Council,

Please see the attached memo from Gil Kelley regarding "Foregone" DCL and CAC revenue. A brief summary is as follows –

- This memo is provided in response to a recent question from a councillor regarding the concept of potential foregone revenue associated with policy supporting the delivery of rental housing; for example waived DCLs and possible implications to CACs.
- As noted and reported to Council in July, 2019, 4% of total DCL revenue between 2010-2018 was waived by policy to enable development of 2,702 units of rental housing.
- Regarding CACs, the additional density doesn't add (land lift) value when it is restricted to rental tenure; and therefore there is no forgone CAC revenue.

Staff will provide more detailed information on forgone DCL revenue as part of the Rental Incentives Review report back, which is scheduled for Council on November 26th, 2019.

Best,
Sadhu

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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

October 22, 2019

TO: Mayor and Council

CC: Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Rena Kendall-Craden, Civic Engagement and Communications Director
Katrina Leckovic, City Clerk
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office
Anita Zaenker, Chief of Staff, Mayor's Office
Patrice Impey, General Manager of Finance
Susan Haid, Deputy Director, Long-Range and Strategic Planning, PDS
Chris Robertson, Assistant Director, City-Wide and Regional Planning, PDS
Dan Garrison, Assistant Director, Housing Policy, PDS

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

SUBJECT: Council enquiry regarding "foregone" DCL and CAC revenue

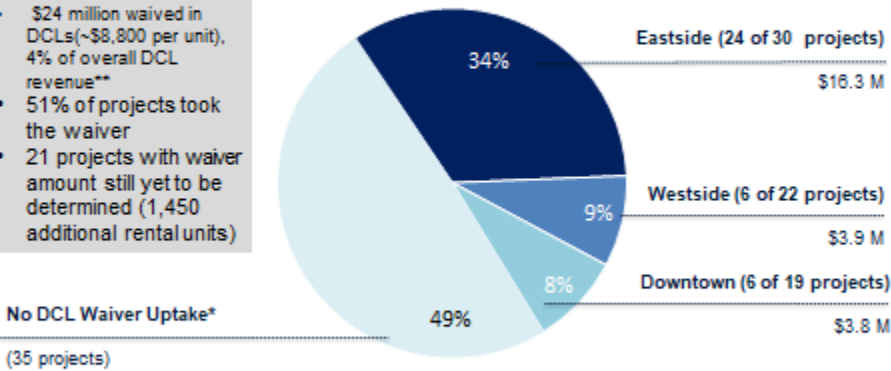
A Council member recently asked staff about how much potential revenue is "foregone" by the City of Vancouver in order to encourage rental housing construction. Further, it was asked, *"For example, in the past, City policy has waived DCLs and supported greater density in order to enable rental construction to be viable. These waived DCLs, and the potential CAC revenue that might be gained from the density bonus (in a strata building), may be considered "foregone revenue" to encourage rental development. As a rough order of magnitude, how much "foregone revenue" is passed up to achieve each unit of rental housing?"*

Below is information on the DCL waiver that was presented to Council in July as part of the review on rental incentives under Housing Vancouver (see <https://council.vancouver.ca/20190724/documents/cfsc1presentation.pdf>). Between 2010 - 2018, the overall amount of DCLs collected was \$608,000,000 and the City waived \$24,000,000 for purpose-built rental (2,702 units), accounting for 4% of the overall DCL revenue.

Since Being Offered, DCL Waivers Have Enabled 2,702 Rental Units, Accounting For 4% of the Overall DCL Revenue

% Rental Projects With DCL Waiver By Area from 2010-2018

- \$24 million waived in DCLs (~\$8,800 per unit), 4% of overall DCL revenue**
- 51% of projects took the waiver
- 21 projects with waiver amount still yet to be determined (1,450 additional rental units)



- Reasons cited for not taking the waiver:**
- Market rents are higher on the west side - developers don't want restricted rents
 - Requirements are complicated and challenging to meet
 - Mixed tenure projects do not qualify

*Number of projects with no DCL waiver uptake excludes 35 rental projects approved that were ineligible for DCL waiver option.
 **DCL values exclude approved rental projects in stream with DCL waiver to be confirmed at time of building permit issuance.

Regarding CACs, the additional density doesn't add (land lift) value when it is restricted to rental tenure. The additional density is provided as an incentive to enable the development of rental housing to be economically viable. It is not applied to strata development in this context; and therefore there is no "foregone revenue."

Staff will provide more detailed information on forgone DCL revenue as part of the Rental Incentives Review report back, which is scheduled for Council on November 26th, 2019.

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