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To: "Direct to Mayor and Council - DL"
CC: "City Manager's Correspondence Group - DL"
Date: 1/21/2020 9:11:48 PM
Subject: CAC Policy Questions and Answers

Greetings Mayor and Council

I have received a number of questions from Councillors on the CAC Policy report that is coming to council tomorrow. In an attempt to expedite the proceedings tomorrow, I am pasting the questions and answers below. I hope this is helpful.

Best
Sadhu

CAC Policy Update Report
Response to Council Questions
Committee Date: January 22, 2019

Questions received by Councilor Swanson and Councilor Boyle. Staff have summarized answers to these questions based on the following topics:

CAC Procedures:

- The upcoming CAC implementation procedures are being prepared with input from stakeholders. They are intended to increase transparency and provide guidance to applicants in implementing the CAC policy.
- This guidance will be easily accessible to everyone and will provide a resource and help with CAC understanding. We expect the information to be shared and updated to ensure clarity and enhance public awareness
- These procedures are not regulatory, they are administrative. If there is a discrepancy between the policy and procedures, the CAC Policy takes precedent.

City practice of using 75% land lift on CACs:

- After taking into consideration development risks, public interests and a reasonable developer profit, the City has had a long-standing practice of using 75% land lift on CACs, both negotiated and targeted CACs. CAC Policy research concluded that almost all municipalities with CAC programs use 75% as the land lift on CACs.
- In very limited circumstances, a different percentage has been used (e.g. SEFC).

In-kind housing and lease payments:

- For affordable housing secured through in-kind CACs, the City redeploys pre-paid lease revenue from operators (i.e. non-profits) to invest in additional non-market housing, often in partnership with non-profits and BC Housing. Securing deeper affordability through in-kind CACs would result in lowering pre-paid lease payments available for reinvesting in housing partnerships with senior governments to leverage their funding programs and to potentially address broader housing needs.
- The current approach to lease payments was a policy decision made by Council as part of the Affordable Housing Delivery and Financial Strategy (2018). Staff is open to revisiting this approach, but recommend this be done comprehensively through the development of the Vancouver Affordable Housing Endowment Fund (VAHEF), where other rent structures and approaches to affordability can be considered on a portfolio basis. Staff anticipate reporting back to Council on VAHEF in late Spring 2020; this is the appropriate place for a discussion /recommendation on affordable housing income level prioritization.

Definition of affordable housing (within the context of this report):

- For the purposes of this report, affordable housing is generally considered to mean Social Housing as defined in the Zoning and Development Bylaw. This means rental housing that is owned by non-profit or government

agencies and where a minimum of 30% of the units are rented to households with incomes below the Housing Income Limits, and with deeper affordability requirements for projects located in the Downtown Eastside. Regardless of these basic requirements, staff will continue to work with government and non-profit partners to secure investments to achieve deeper affordability wherever possible.

Impact of CAC.s on housing prices:

- Housing unit price reflects market demand
- Land value is determined by the projected revenues less the costs of developing a project and assumed a reasonable return to the developer
- Development charges and contributions, including CACs, are generally considered part of the costs of development which means developers incorporate these costs into their project proformas and this sets the price a developer is willing to pay for the land.
- An independent report conducted by Coriolis Consulting in 2019 found that there is no evidence CACs are causing housing prices to rise or are reducing affordability in Vancouver.
- The full report entitled “CAC Policy and Housing Affordability: Review for the City of Vancouver, April 2019” can be found on the city website: <https://vancouver.ca/files/cov/CAC-coriolisconsulting-final-report-april-2019.pdf>

Prioritizing CAC Allocation:

- CAC’s provide important funding to offset the cost of important neighbourhood amenities, (housing, childcare, community centres). With growth comes increased pressure on local and city-wide facilities and services. Ensuring access to amenities and services, identified through area planning process benefits everyone.
- Our current adopted Community Plans (e.g. Marpole Community Plan, Grandview-Woodlands Community Plan, etc.) include comprehensive public benefits strategies which guide allocation and implementation of community amenities in response to needs associated with growth (in-kind and cash contributions).
- The Vancouver Plan is set to engage thousands of Vancouver residents and stakeholders in a series of important conversations. These conversations will include identifying needs and priorities of residents which will help inform the basis of a city-wide needs assessment called a public investment strategy.
- During the engagement phase of the Vancouver Plan, staff expect to gain insight and learn more from participants on their ideas regarding the effective allocation of community amenities (at a high level). This early information will support further work on policy approaches to local and city-wide allocation of CACs.
- In the interim, current Community Plans and related public benefit strategies (i.e. in the West End, Cambie Corridor, Norquay, Grandview Woodland, etc) will continue to prioritize affordable housing, childcare and other amenities.
- Any prioritization of CACs aimed at developing affordable housing that serves households under a certain income band, should be considered by Council as part of the VAHEF report back in late spring of 2020. This request has been forward to the Housing Team for consideration.

Allocation of CACs:

- As noted above, Staff will be exploring approaches to city-wide allocation of CACs through the Vancouver Plan and further CAC Policy updates.
- In creating a more equitable CAC allocation system, we will be able to achieve CAC funded amenities in a variety of Vancouver neighborhoods that are experiencing growth through rezonings.
- CACs are prioritized in and around the neighborhood in which the rezoning takes place. However in the policy update, the City will consider CACs to be allocated to city-wide serving amenities provided they benefit the community in which the rezoning takes place.

CAC Allocation - Operating vs. Capital Investments:

- The [2014 Provincial CAC guidelines](#) are clear that CACs should only be for capital and not operating investments. Operating endowments are inevitably depleted as the cash is received on a one-time basis. A more appropriate

funding mechanism is the city supported grant program that provides ongoing funding to non-profit operators like Neighborhood Houses.

- The City does not use CACs to fund the operating costs of its own facilities.
- Capital renovations may qualify for CACs – these are limited to additions, expansions, or upgrades that provide improved functionality to an existing building or structure thereby providing a linkage or nexus to growth.

CAC vs. DCLs:

- Both DCLs and CACs are growth-related tools, but DCLs can only be spent on replacement housing, childcare, parks, transportation, and utilities. All spending of DCLs and CACs is approved by Council.
- CACs can pay for the same basket of goods as DCLs and more
- In situations where both funding sources are used, the CAC is used on top of the DCL in order to make the project whole/ viable.
- DCLs are a city-wide development contribution tool in that they are collected from new development, deposited in dedicated reserves and spent on a city-wide basis based on council approved capital plans.
- CACs secured from rezonings are either delivered on-site or are allocated and spent in the neighborhood of the rezoning. The recommended CAC allocation change in this report will allow consideration of some CAC spending towards city-wide serving amenities.

Non-city ownership on in-kind CAC amenities:

- City has introduced this option to enable some flexibility in the delivery of public benefits, the updated policy will allow certain in-kind CACs to not be owned by the City provided that a series of conditions are met.
- Conditions are specified in the CAC Policy, but generally speaking, the City would require a non-City owned facility to include a comparable standard to something offered by the City (i.e. accessible to residents, affordable to residents, guaranteed service delivery for the long-term, design / facility standard) provided there is a demonstrated need for the facility. The in-kind facility will be secured on title in perpetuity.
- In the event that an operator of a non-City owned in-kind CAC facility can no longer be run by a senior level of government, Indigenous, and/or non-profit organization:
 - *b. The City will have the option to purchase the in-kind CAC for a nominal amount if a senior level of government, Indigenous, and/or non-profit organization is unable to continue ownership of the in-kind CAC;*
 - *c. The City will have the option to lease the in-kind CAC for a nominal amount if a senior level of government, Indigenous, and/or non-profit organization is unable to continue operation of the in-kind CAC;*
(from Page 7 of the updated CAC Policy)

CAC Target for Southeast False Creek:

- The SEFC CAC Target has been adjusted for annual inflation since 2013 (under the City's annual inflationary adjustment system), but not recalibrated since it was first implemented.
- Since the CAC Target only applies to privately owned M-2 sites, the Southeast False Creek area, there are only a handful of sites where the CAC target would be applied
- SEFC rezonings adopt a 'hybrid' approach to CACs whereby the target CAC approach is used to convert from M-2 uses to residential under the ODP density limit, and the policy that allows for extra density above the ODP limit uses a negotiated CAC approach. The negotiated approach has been successful in securing significant value in CACs over the past decade for delivery of public benefits in Southeast False Creek.
- Staff expect that the CAC Target will have a positive impact on non-market housing given that SEFC CACs must be allocated entirely to affordable housing.
- If an application for social housing came forward on privately-owned sites in SEFC, the exemption policy would

apply for social housing.

Rezoning Enactment Monitoring and Timing of In-kind CAC Amenity Delivery:

- City looked at 300 rezonings over the past 10 years and found that 99% enacted within 4 years of public hearing approval in principle.
- The 4 rezonings that exceeded the 4 year timeline to enact were:

Project Address
<input type="checkbox"/> 984 W Broadway (office building)
<input type="checkbox"/> 4255 Arbutus St (Arbutus Centre)
<input type="checkbox"/> 650 W 41st Ave (Oakridge Centre)
<input type="checkbox"/> 320 Granville St (office building)

- In the case of Oakridge Centre (650 W 41st Ave), the applicant went into a Preliminary Development Permit process that took some time and didn't need the enactment until they were ready to release sales on their Phase One.
- The City can require through conditions of development that amenities be delivered to a set timeframe.
- If a timeline to enact was implemented and this timeline was exceeded by a rezoning applicant, then a new public hearing would be required for the rezoning application.
- Council is the final authority on CAC approvals from rezonings, including both on CAC allocation and spending. All rezonings with CACs must go to public hearing and Council is the final decision maker on CAC outcomes.

Public Art Contributions

- Although both CACs and Public Art are considered development contributions, the latter fall under the City's Public Art Policy and not under the City's CAC Policy.
- Any discussion of changes to the Public Art process should not be included with this report. A separate motion would be needed.

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