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To:	"Direct to Mayor and Council - DL"
CC:	"City Manager's Correspondence Group - DL"
Date:	1/22/2020 3:32:19 PM
Subject:	Additional CAC questions on CACs

Greetings Mayor and Council

Please find below additional questions and answers regarding the CAC policy report.

1. One goal of this update/changes is to better align with Provincial CAC Guildeines, which suggests CAC revenue not be used for operations. What are the problems/barriers in establishing an endowment fund out of CACs for operations of social services like neighbourhood houses?

A CAC-funded operating endowment faces a number of problems/barriers:

1. **Not aligned with the 2014 Provincial Guidelines on CACs**
2. **Not consistent with our current practice of allocating CACs to growth related capital facilities only**
3. **City does not use CACs to fund operations of its own facilities**
4. **Operating endowments to cover facility operating costs are inevitably depleted as the cash is received on a one-time basis and is not a continual funding source**
5. **Reduces our ability to delivery priority public benefits like new affordable housing units and new childcare spaces.**

2. Coriolis Report (2014) verifies there is no evidence that CACs cause housing prices to increase. Are there any other analyses that corroborate this?

The Coriolis report was refreshed in 2019 and confirmed that the findings from 2014 are still valid today. In 2017/2018, the City of Toronto hired an Ontario based consultant to test the effect of their Development Charges on Housing Prices and a similar result was concluded.

3. The purpose of CACs is to secure public amenities through rezonings to help maintain livability. We have allowed CACs (and DCLs) to be valued in kind for 100% rental projects, but have we assessed the impact on city budgets to make up the shortfall in paying for amenities, or assessed the shortfall in amenities. For example, do we assess concentration of new rental projects by neighbourhood, the population increase and need for new/expanded public amenities?

Rental projects generally do not generate land lift and CACs. However, we acknowledge that rental projects through rezonings add costs of growth to the City. This is part of the reason why are recommending a new CAC allocation method that enables some spending outside of local areas. A more fulsome assessment of public benefit needs outside of plan areas is anticipated as part of the Vancouver Plan.

4. Do we have a preference for in-kind vs. cash CACs? Why or why not?

The City's preference is to secure in-kind CACs where possible. In-kind CACs account for about 50% of overall CAC value secured since 2010. In-kind CACs get delivered by the applicant as part of the development and are provided to the community more quickly than the City collecting a cash CAC, incorporating the project through its capital plan, going through procurement, and then constructing and finishing the facility.

5. Areas with local area plans have resident-determined public amenity priorities & cash needed to supply them. What happens elsewhere in the city?

The City's capital plans take a city-wide perspective of delivering new & improving existing amenities and infrastructure. These capital plans account for needs both in an out of community plan areas with public benefit strategies.

6. What would be impact if we made CAC in-kind-values ONLY for rental housing if it has below market rents?

Couldn't find staff to answer this in time.

7. Does the City's Financing Growth Policy (2004) still providing the general direction?
The 2004 report calculated the projected pop and workers in the city and estimated the funds needed for services (was $1.357B for 50,500 new residents and 71,000 new workers).

Financing Growth is still a foundational document in that the principles of the CAC system have been carried forward to the recommended CAC Policy before Council today. Obviously the forecasted growth numbers have changed as well as the costs of needed facilities and services. In the 2017-2026 City-wide DCL background study, the City projected 63,000 more residents and 40,000 more employees over a 10-year look forward.

a) Do we regularly calculate projected pop/workers and cost of growth?

We do use growth projections to calculate costs of growth as part of the preparation of Capital Plans, Community Plans/Public Benefit Stategies and for City-wide DCL updates.

b) What is the current estimated cost of growth?

A 10-year Capital Strategic Outlook is anticipated in 2022. This outlook will have updated costs of growth and act as a foundational input into updating development contributions (DCLs/CACs).

c) How much of cost of growth is expected to be covered by senior gov'ts vs. paid for by development?

2019-2022 Capital Plan assumed $107 million in partnership contributions and $1.6B in development contributions.

8. The development community has expressed that CAC rates should come down in times of economic slowdown. How much did rates go up in 2008-2018 development boom?

The City uses a Council-adopted inflationary index to keep Development Cost Levy (DCL) rates, Community Amenity Contribution (CAC) targets, and Density Bonusing rates in line with property and construction inflation. The index is designed to adapt to market conditions so that rates go up with property/construction indictors are up rates go down when these indicators are down.

These rates have been adjusted on an annual basis as follows:

Year	Annual inflation
2010	-1.4%
2011	8.8%
2012	10.3%
2013	1.4%
2014	1.6%
2015	3.4%
2016	4.5%
2017	11.9%
2018	4.8%
2019	5.2%

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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.