

# 2022 Development Cost Levy Update

Development Industry Stakeholder Meeting #2

DRAFT – For Stakeholder Review



# Agenda

- Overview
- Development Forecast & Capital Programs
- Draft DCL Rates
- Draft Policy Directions
- Economic Testing (Coriolis)
- Next Steps
- Questions and Discussion

# 2022 DCL Update Timeline

## ■ Phase 1 (Aug – Dec 2021):

- Financing Framework
- 10-Year Development Forecast
- DCL Policy Review

## ■ Phase 2 (Jan – Jun 2022):

- *Stakeholder Engagement #1*
- 10-Year DCL Capital Programs
- DCL rates & DCL allocation
- Economic Testing
- DCL Policy & Rate Recommendations
- Stakeholder Engagement #2 ← We are here
- Council & Park Board Briefing #2
- **Council Report – June 22, 2022**
- New DCL rates effective – Sept 30, 2022

External consultants to support project:



External stakeholders:

- UDI
- NAIOP
- HAVAN
- Non-Profits
- DCL Receivers

# What are DCLs?






- One-time charge imposed on new development to fund infrastructure & amenities to support growth
- Financing Growth (2004) principle is 'growth pays for growth' so that financial burden is not borne by existing tax/rate payers
- Metro Vancouver and TransLink also apply DCC charges on development





# What are DCLs? (con't.)

- Vancouver Charter (S.523.D.) authority
  - Development charge that partially offsets the cost of growth
- Per sq.ft. charge payable at Building Permit issuance

	Housing	Transportation	Parks	Childcare	Utilities
					
<b>2017 – Current Allocation</b>	<b>36%</b>	<b>25%</b>	<b>18%</b>	<b>13%</b>	<b>8%</b>
<b>2003-2016 Allocation</b>	32%	22%	41%	5%	0%

- In 2018, City-wide Utilities DCL was established

# DCL Funding Eligibility

What DCLs Can Fund	What DCLs Can't Fund
Capital Costs	Operating and/or maintenance activities
Costs associated with anticipated future growth	Costs associated with works serving the existing population
Parks Childcare Housing Transportation Utilities	Libraries Fire Halls Police Stations Recreation Facilities Cultural/Social Facilities



# DCL Annual Reporting & Improvements

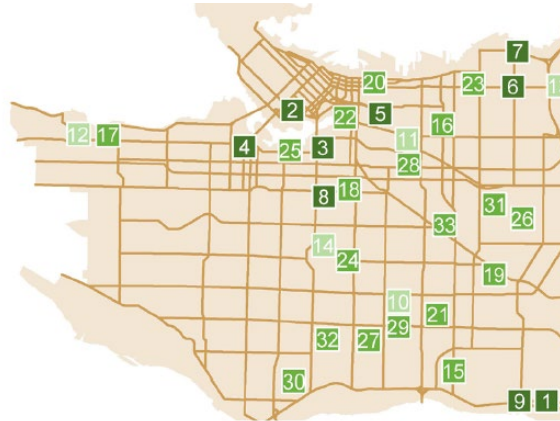
- Annual reports on DCL collections, waivers/exemptions, and spending since 2010
  - Similar annual reports exist for CACs and Density Bonusing
  - Recognized as a Canadian leader in DCL transparency
  - Staff recently published 2021 reports on website
  - Added maps of DCL spending and waivers/exemptions
- Over the last decade, staff has simplified system by reducing the number of DCL districts, moving to a city-wide system
- Over the last few years, City has reduced the unallocated balance in the DCL reserve
- Comprehensive DCL updates every 4 years supported by reputable consultants and synchronized with the 4-year Capital Plan

# DCL Funded Projects (2009 – 2021)

## Housing



## Parks



## Childcare



## Transportation



## Utilities



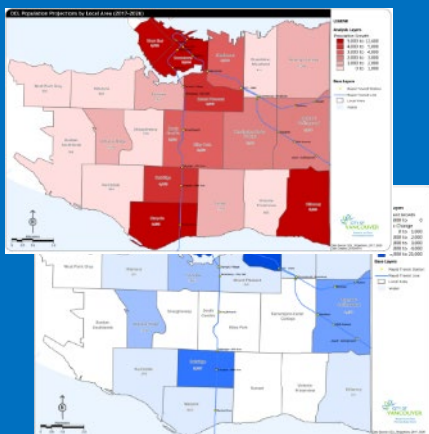
\*Utilities DCL introduced in 2018



# DCL Update Process

## Estimate Development Forecast

- Projects in-stream



## Determine DCL Eligible Capital Costs Attributed to Growth

- DCL Programs
- Other Growth-Related Funding Sources
- Municipal Assist Factor

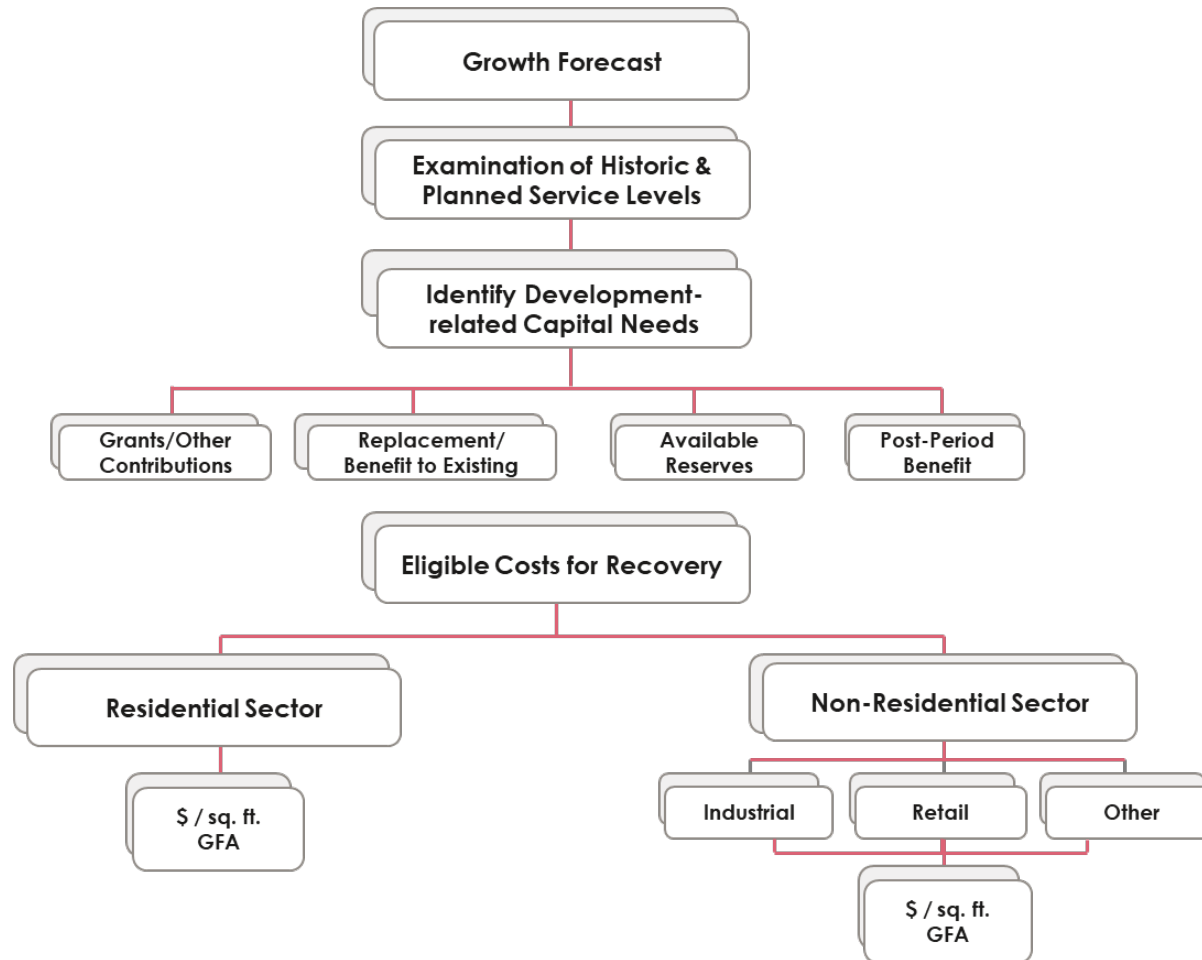
	DCL Eligible Growth-Related Cost (before deductions for other funding sources)
Transportation	\$ 623,038,754
Housing	\$ 1,000,000,000
Childcare	\$ 295,561,000
Sewers	\$ 180,997,127
Water	\$ 11,529,850
Green Infrastructure	\$ 17,144,594
Parks	\$ 551,783,000
Total	\$ 2,680,054,325

## Calculate DCL Rates

- Industry Consultation
- Council Approval
- By-Law Adoption

	RESIDENTIAL AT OR BELOW 1.2 FSR AND LANDWAY HOUSE	RES IN DEVELOPMENT OVER 1.2 FSR, COMMERCIAL AND MOST OTHER USES <sup>1</sup>	INDUSTRIAL <sup>2</sup>
City-wide	Vancouver DCL	\$34.77/m <sup>2</sup> (\$3.23/sqft)	\$50.74/m <sup>2</sup> (\$4.65/sqft)
Layered <sup>3</sup>	False Creek Flats	\$63.30/m <sup>2</sup> (\$5.85/sqft)	
	Grandview-Boundary	\$9.78/m <sup>2</sup> (\$0.91/sqft)	\$30.14/m <sup>2</sup> (\$2.80/sqft)
	South East False Creek	\$208.21/m <sup>2</sup> (\$19.16/sqft)	\$31.29/m <sup>2</sup> (\$2.91/sqft)
Area-specific <sup>4</sup>	Downtown South	\$205.44/m <sup>2</sup> (\$19.03/sqft)	No industrial capacity

# Detailed DCL Process to Update Rates



# Development Forecast Summary (2023-2032)

Residential Categories	Forecasted Floor Area (million sq.ft.)
Low Density Residential (Laneway, Duplex, Townhouse)	4.0
Medium Density Residential (Stacked Townhouse, Low rise apartment)	2.0
Higher Density Residential (Mid and High Rise Apartment)	35.9
<b>Total Residential</b>	<b>41.9</b>

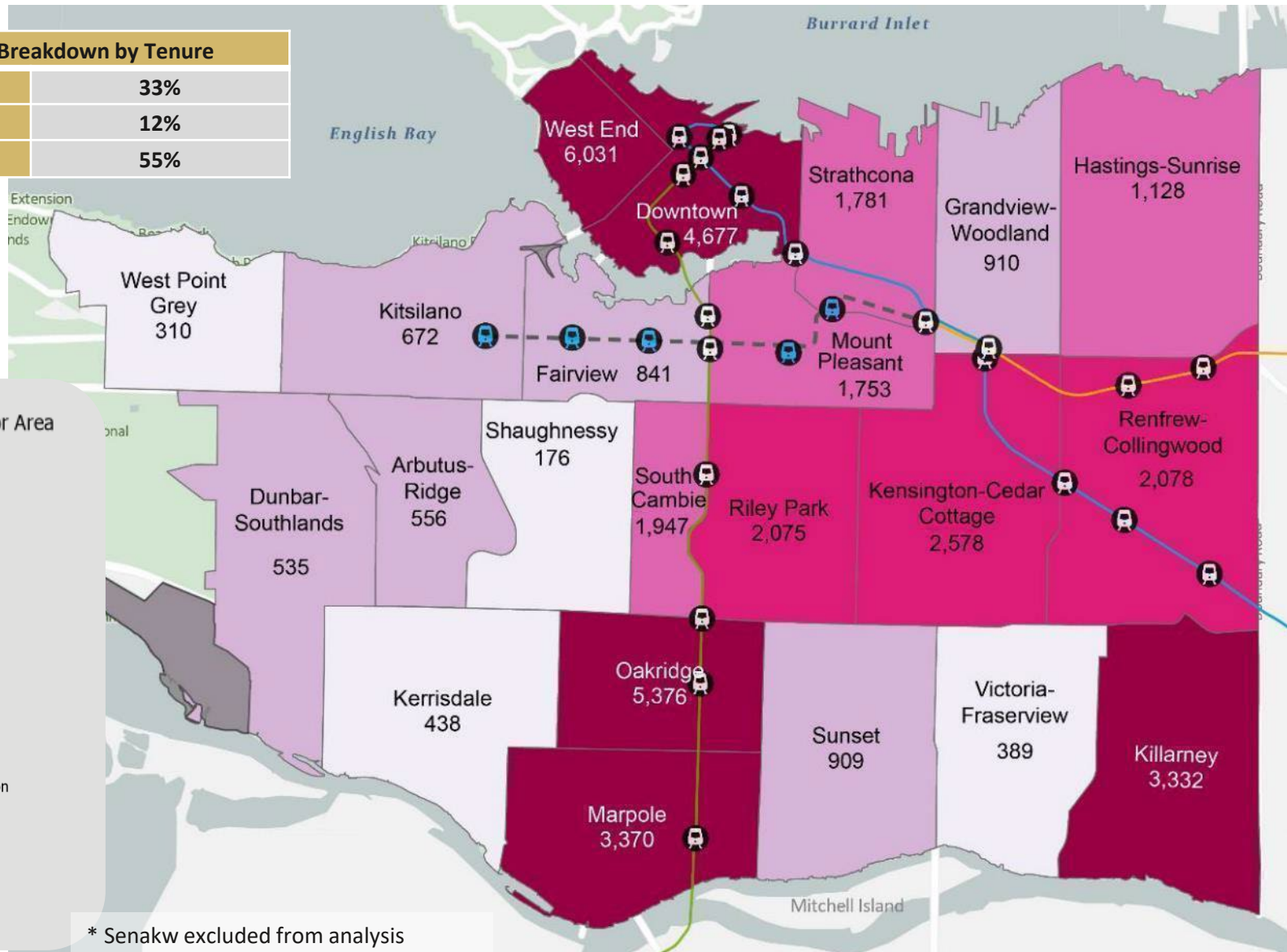
Non-Residential Categories	Forecasted Floor Area (million sq.ft.)
Commercial & Other Uses (Office, Retail, Institutional, Hotel)	10.6
Mixed Employment (Light Industrial)	1.4
Industrial (Heavy Industrial)	2.3
<b>Total Non-Residential</b>	<b>14.3</b>

# Residential Development Forecast (2023-2032)

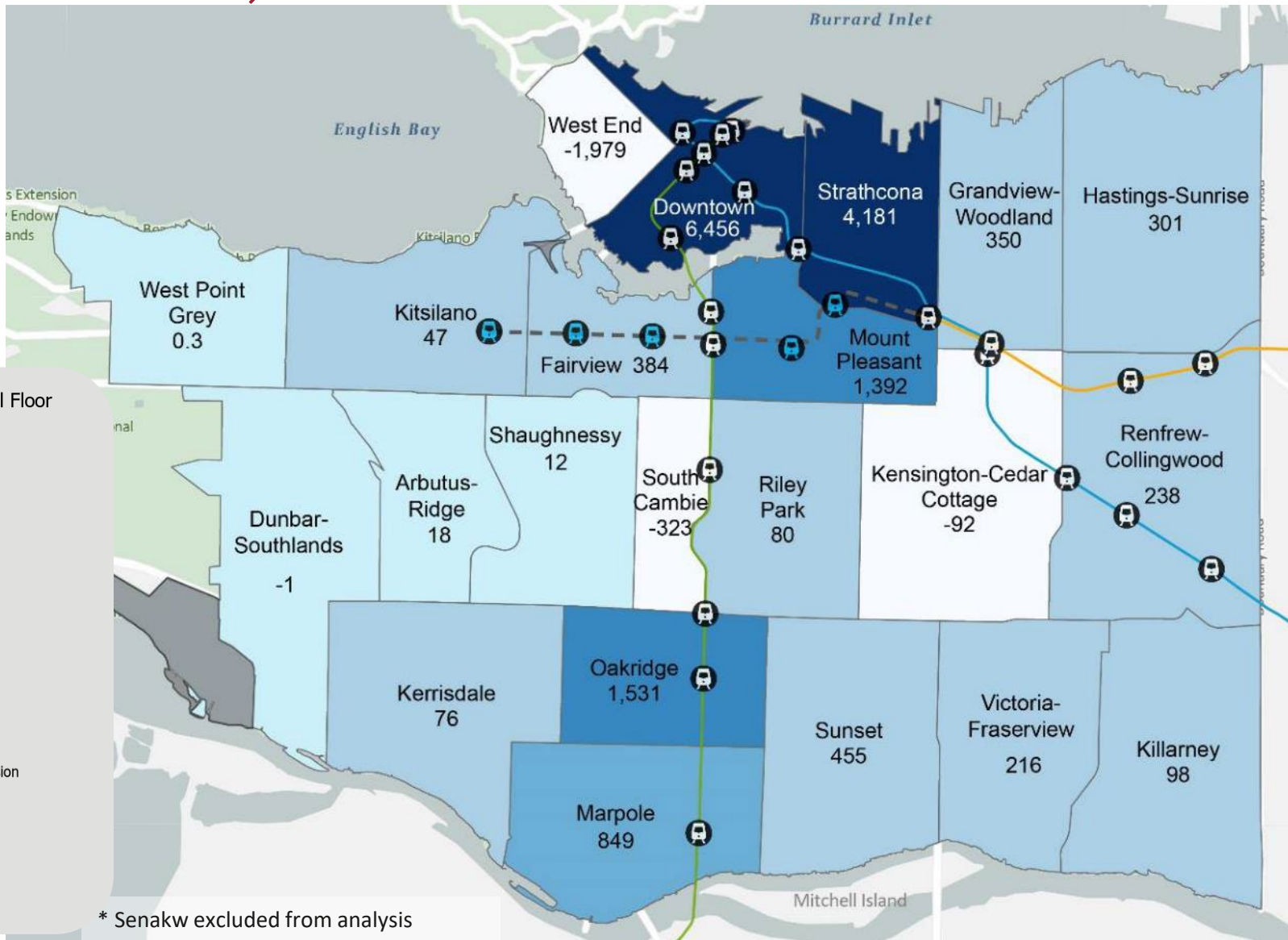
Net Residential Floor Area (thousands sq.ft.)

## Net Floor Area Breakdown by Tenure

Rental	33%
Non-Market	12%
Strata	55%



# Non-Residential Development Forecast (2023-2032) Net Non-Residential Floor Area (thousands sq.ft.)





# DCL Program 2023-2032 (\$M)

Service Category	Gross Costs	Post Period Benefit	Partner Contrib.	Non-Growth	Net Growth-Related	Other Funding <sup>1</sup>	Net DCL Share
Childcare	\$348	\$0	\$64	\$19	\$265	\$167	\$98
Parks	\$528	\$0	\$0	\$28	\$500	\$83	\$417
Transportation	\$1,515	\$0	\$363	\$695	\$458	\$53	\$405
Housing	\$5,220	\$0	\$3,383	\$36	\$1,801	\$1,506	\$295
Utilities	\$2,099	\$611	\$18	\$738	\$731	\$81	\$650
<i>Sewer</i>	<i>\$1,911</i>	<i>\$605</i>	<i>\$0</i>	<i>\$711</i>	<i>\$595</i>	<i>\$56</i>	<i>\$539</i>
<i>Water</i>	<i>\$39</i>	<i>\$6</i>	<i>\$0</i>	<i>\$0.5</i>	<i>\$32</i>	<i>\$19</i>	<i>\$13</i>
<i>Drainage (GI)</i>	<i>\$149</i>	<i>\$0</i>	<i>\$18</i>	<i>\$27</i>	<i>\$104</i>	<i>\$6</i>	<i>\$98</i>
<b>Total</b>	<b>\$9,710</b>	<b>\$611</b>	<b>\$3,828</b>	<b>\$1,515</b>	<b>\$3,756</b>	<b>\$1,891</b>	<b>\$1,865</b>

(1) Other funding sources include CACs / density bonusing, engineering conditions, Empty Homes Tax (Housing), layered DCL shares, municipal assist share (1%), and available DCL reserves

# Parks Program (2023-2032)

Program Area	Description	City Growth Costs (Developer cash contributions)
New parkland acquisition	5.3 ha	\$165M
New parkland dedicated from major projects	9.6 ha	<i>Dedication (Cost = \$0)</i>
Seawall and Waterfront	93% growth	\$15M
Urban Forest & Natural Areas	100% growth	\$108M
Park amenities	87% growth	\$150M
Buildings & Infrastructure/Vehicles	87% growth	\$35M
Emerging Priorities		\$28M
<b>Total City Growth Costs</b>		<b>\$500M</b>
Deduction: Cash CACs & DCL reserves		(\$79M)
Deduction: Municipal Assist (1%)		(\$4M)
<b>Net Cost for DCL Recovery</b>		<b>\$417M</b>

## Key Projects:

- 5.3 ha of parkland acquisition
- Park Developments:
  - East Park (SEFC)
  - EFL Parks
  - Pearson Dogwood
  - Burrard Slopes
- 20 park washrooms

# Childcare Program (2023-2032)

Program Area	Description	City Growth Costs (Developer cash contributions)
City-led Full-day childcare for 0-4 years old	896 spaces ((\$210k/space for new \$10k/space for conversion)	\$109M
Partner-led Full-day / Part-day childcare for 0-4 years old (In-kind or Capital Grant)	899 spaces	\$147M
School age childcare for 5-12 years old	100 spaces ((\$50k/space)	\$1M
Emerging Priorities		\$8M
<b>Total City Growth Costs</b>		<b>\$265M</b>
Deduction: Cash CACs, Density Bonusing & DCL reserves		(\$166M)
Deduction: Municipal Assist (1%)		(\$1M)
<b>Net Cost for DCL Recovery</b>		<b>\$98M</b>

## Key Projects:

- 716 additional spaces in community facilities
  - Ray-Cam
  - Britannia
  - Marpole Civic Centre
  - Kensington
- 180 units converted from part-time to full-time
- 74 Indigenous-led units supported by capital grants

# Transportation Program (2023-2032)

Program Area	Description	City Growth Costs (Developer cash contributions)
Bridges	9% growth	\$25M
Signals and Street Lights	16% growth	\$51M
Transit Integration	88% growth	\$27M
Active Transportation/Complete Streets	100% growth	\$189M
Safety/Accessibility	87% growth	\$76M
Public Life	100% growth	\$63M
Emerging Priorities		\$27M
<b>Total City Growth Costs</b>		<b>\$458M</b>
Deduction: Cash CAC, Dev't Conditions* & DCL reserves		(\$49M)
Deduction: Municipal Assist (1%)		(\$4M)
<b>Net Cost for DCL Recovery</b>		<b>\$405M</b>

## Key Projects:

- 80km of new/upgraded AAA bikeways
- False Creek Bridge Upgrades
- Prior St underpass
- 40 new signals

\* Development Conditions forecasted for anticipated major project site only

# Replacement Housing Program (2023-2032)

Program Area	Description	City Growth Costs (Developer cash contributions)
New Social/Supportive Housing – Land Acquisition	1,750 units* (\$150k/unit)	\$287M
New Social/Supportive Housing – Capital Grants	5,125 units (\$60k/unit)	\$313M
New Social/Supportive Housing Replacement Units – In-kinds	2,250 units	\$1.2B* <i>*Dedication (Cost = \$0)</i>
Emerging Priorities		\$25M
<b>Total City Growth Costs</b>		<b>\$1.8B</b>
Deduction: CACs, Empty Homes Tax & DCL Reserves		(\$1.5B)
Deduction: Municipal Assist (1%)		(\$3M)
<b>Net Cost for DCL Recovery</b>		<b>\$295M</b>

## Key Projects:

- 1,750 units supported through land acquisition
- Portion of 5,125 units supported through NPO capital grants

\*DCL capital program is calculated by considering the direct loss of affordable rental units displaced as a result of development city-wide.



# Utilities Program (2023-2032)

Program Area	Description	City Growth Costs (Developer cash contributions)
Sewer	31% growth	\$595M
Water	98% growth	\$32M
Drainage (GI)	80% growth	\$104M
<b>Total City Growth Costs</b>		<b>\$731M</b>
Deduction: Dev't Conditions* & DCL reserves		(\$75M)
Deduction: Municipal Assist (1%)		(\$7M)
<b>Net Cost for UDCL Recovery</b>		<b>\$650M</b>

## Key Projects:

- 22.5km of sanitary & drainage upgrades, including portions of:
  - Manitoba trunk
  - Willow trunk
- City-wide sewer model
- Alberta St Greenway
- ~6 km of water upgrades

\* Development Conditions forecasted for anticipated major project site only

# Key Factors contributing to DCL Rate Increase

- DCLs last updated in 2017 & 2018
- Continued growth through residential and non-residential (commercial/industrial/institutional) development
- Significant Cost Escalation
  - Land Acquisition (2017-2022): +50%
  - Construction (2017-2022): +30%
- Updated infrastructure / amenity needs and capital costs

# Draft DCL Rates (Combined)

Development Type	Curent DCL Rates <sup>1</sup> Charge / Sq.Ft.	Calculated DCL Rates Charge / Sq.Ft.	Difference in Charge
<b>Residential Development</b>			
Low Density <i>Below 1.2 FSR &amp; Laneway</i>	\$6.56	\$8.25	\$1.69
Medium Density <i>Development between 1.2 &amp; 1.5 FSR</i>	\$14.17	\$17.77	\$3.60
High Density <i>Development Above 1.5 FSR</i>	\$28.37	\$35.55	\$7.18
<b>Non-Residential Development</b>			
Industrial	\$8.28	\$11.49	\$3.21
Mixed Employment	\$15.55	\$21.53	\$5.98
Commercial & Other	\$20.71	\$28.72	\$8.01

1) Rates effective September 30, 2021

Notes:

- Industrial applies to I-2, M-1, M-1A, M-1B, M-2 zoning districts
- Mixed Employment (Light Industrial) applies to IC-1, IC-2, I-1, I-3 and I-4 zoning districts
- DCLs are applied on the gross floor area

# DCL In-stream Rate Protection

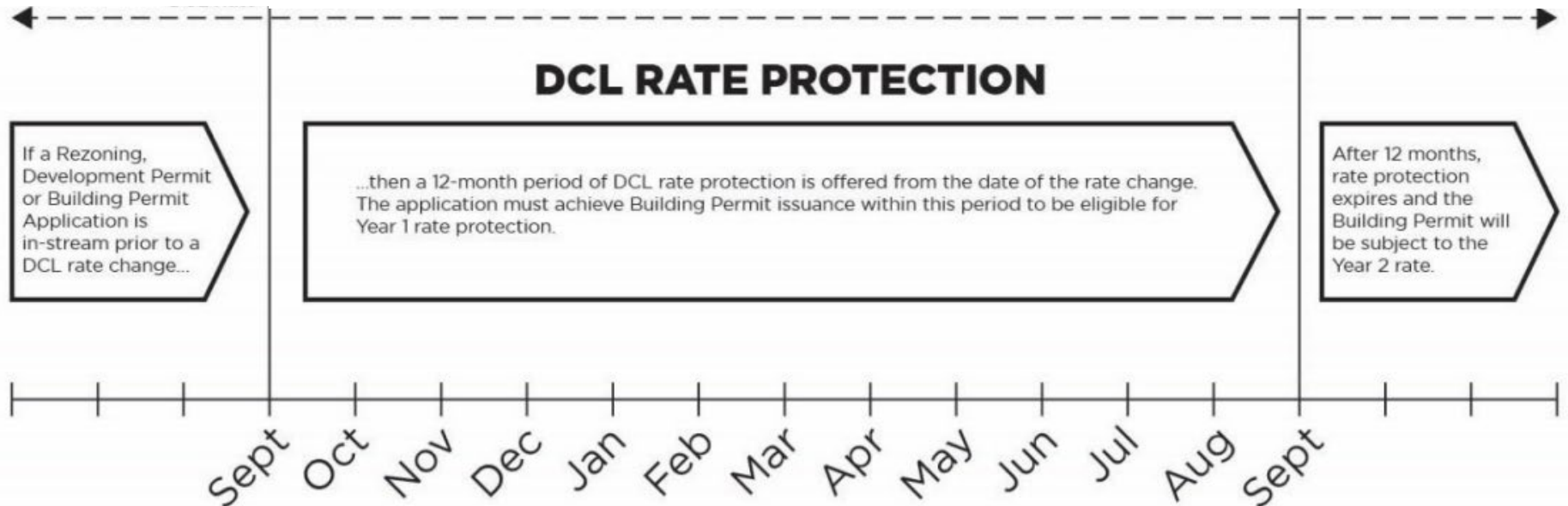
New DCL Rates  
Sept 30, 2022

In-stream Rate Protection ends  
Sept 30, 2023

App submitted

Applications submitted prior to Sept 30, 2022 can avoid paying the DCL  
Rate increase if BP is issued prior to Sept 30, 2023

Projects now pay  
increased DCL



# DCC Updates in Other Jurisdictions

City	Year	Rate Adjustment
City of Toronto	Proposed	+ 49%
Metro Vancouver Sewerage	Proposed	+85%
Regional District of Nanaimo	Proposed	+39%
City of Coquitlam	Proposed	+33%
City of Markham, ON	2022	+44%
District of Langley	2020	+80%
City of Toronto, ON	2018	+85%
District of North Vancouver	2018	+40% to +80%
City of Vancouver	2017	+25%



# DCL Rate Regional Comparison

## Comparing Our Rates Regionally



### **LOWER DENSITY RESIDENTIAL**

In-line with others



### **HEAVY INDUSTRIAL**

In-line with others



### **MEDIUM DENSITY RESIDENTIAL**

In-line with others



### **MIXED EMPLOYMENT (LIGHT INDUSTRIAL)**

Highest



### **HIGHER DENSITY RESIDENTIAL**

Among the highest



### **COMMERCIAL (OFFICE)**

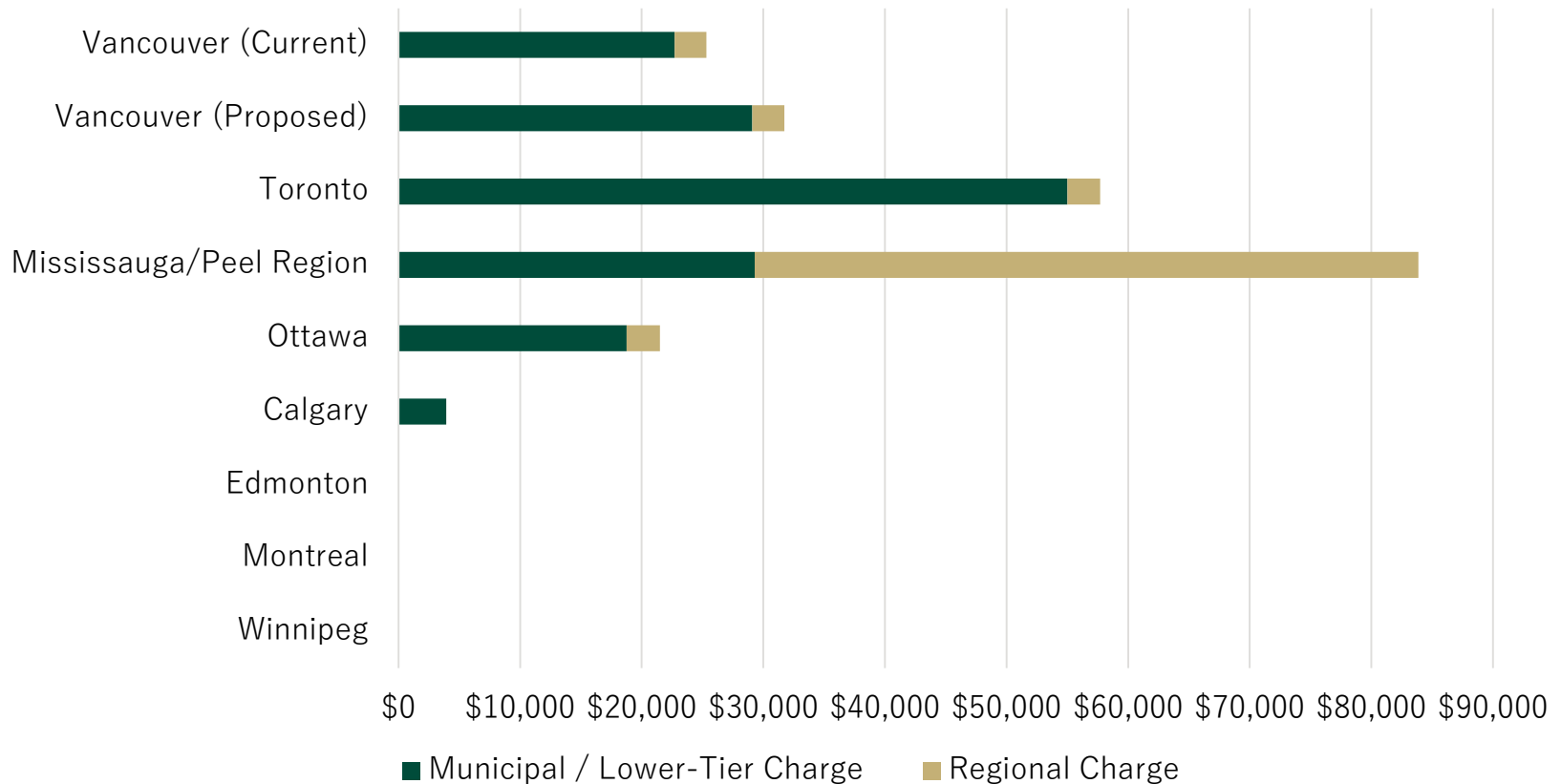
Highest

As of May 2021

# DCL Rate National Comparison:

## Eight Most Populous Canadian Cities

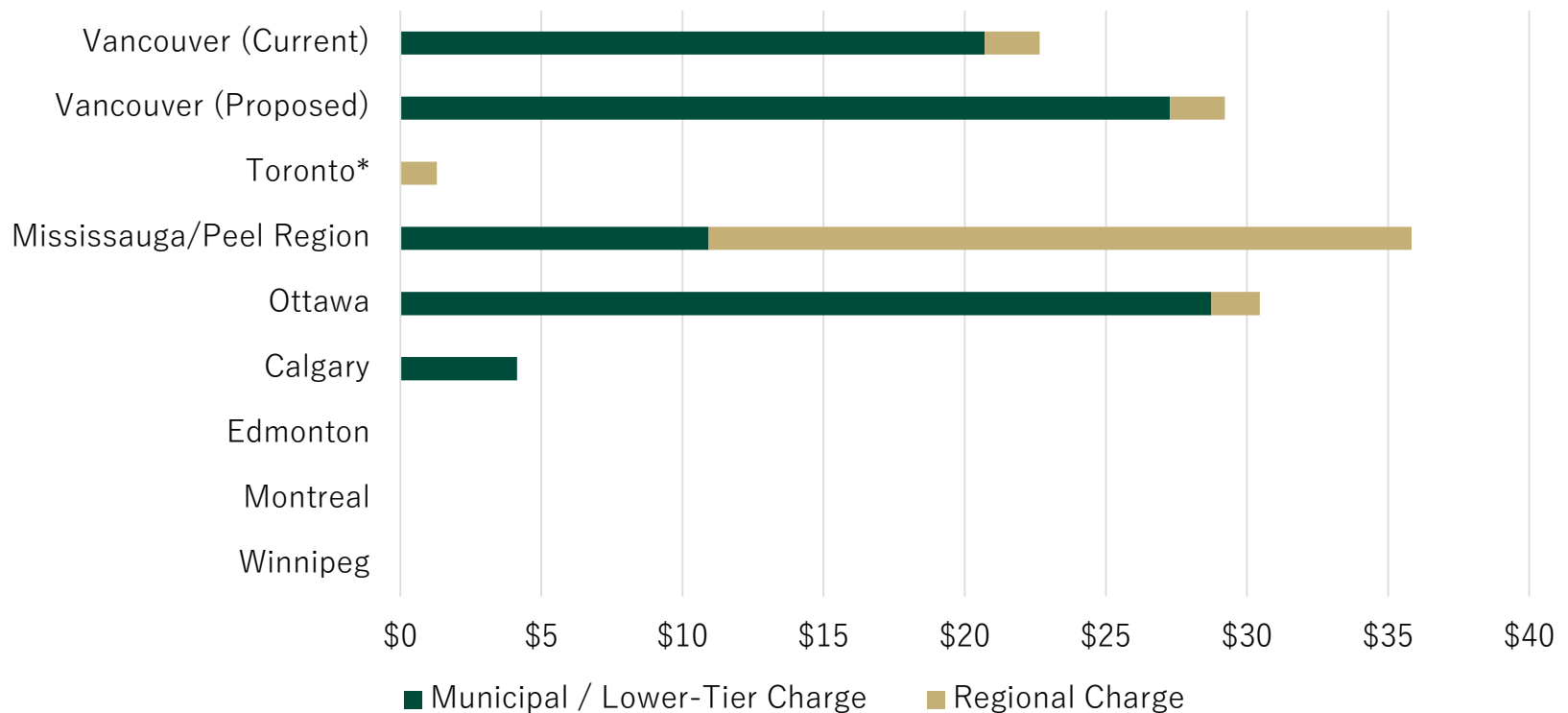
### Charge Per 800 sq.ft., 2-bed Apartment in Built Area



# DCL Rate National Comparison:

## Eight Most Populous Canadian Cities

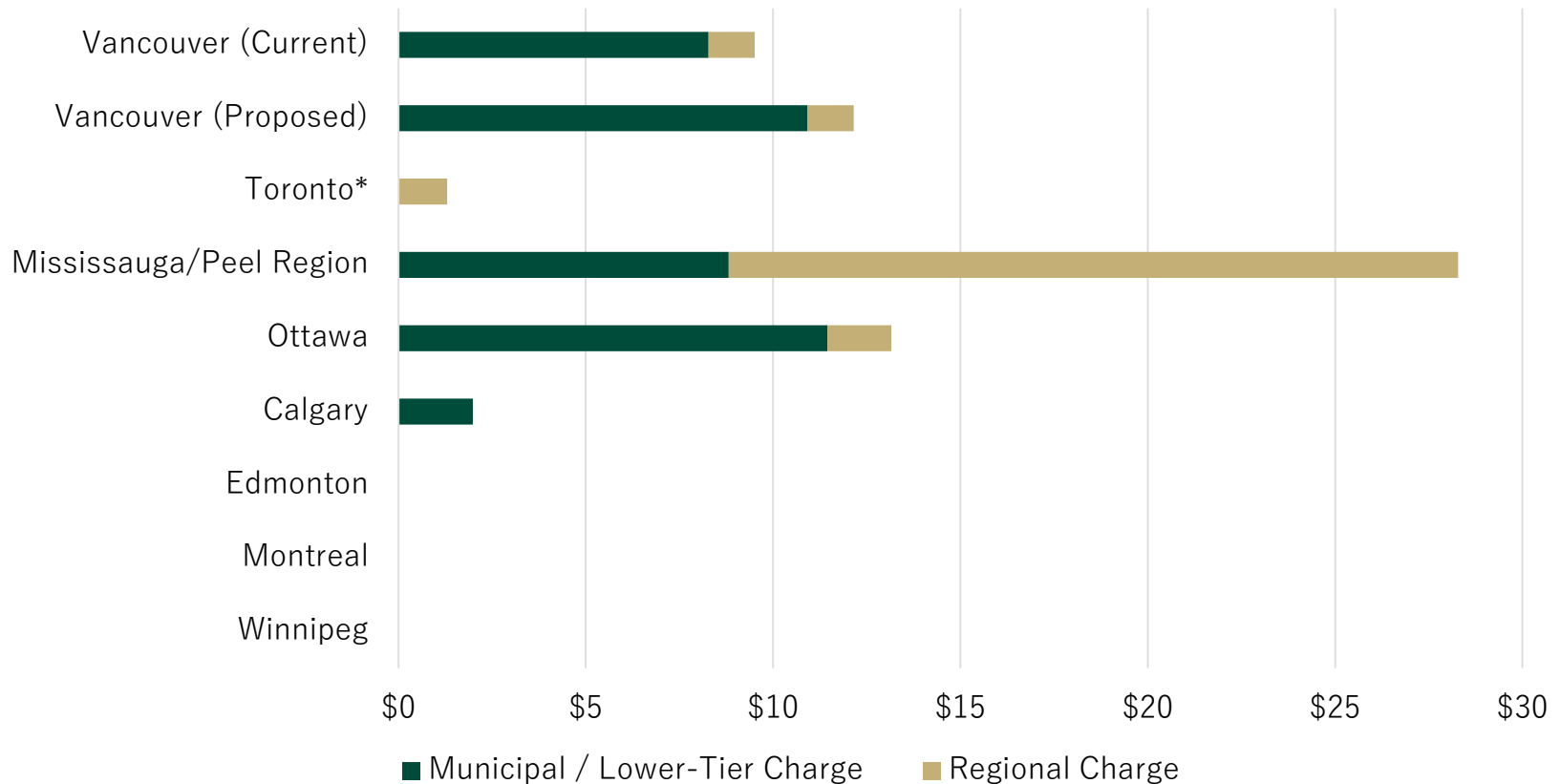
### Charge Per Sq.Ft. Office (Above Ground Floor) in Built Area



# DCL Rate National Comparison:

## Eight Most Populous Canadian Cities

### Charge Per Sq.Ft. Industrial in Built Area



\*City of Toronto DCs do not apply to industrial uses.

# Draft Policy Directions

1. City-wide DCL waiver for market rental
2. DCL Reduced Rates
3. Phased DCL Payment Option



# 1. City-wide DCL Waiver for Market Rental: Background context

- Social housing exempt as per Charter. Rental Waiver in place since 2009
- In 2019, waiver removed on UDCL. Waiver still offered on City-wide DCL
- From 2010-2021, waiver has resulted in \$60M in foregone DCL (2021 = \$30M)
- Vancouver is the only city that offers a full DCL/DCC waiver for rental housing
- All development should contribute towards growth. Strata and rental have similar growth impacts & demands for public benefits
- Rental development has increased in recent years, 1/3 of forecasted residential floor space over the next decade is anticipated to be rental

# 1. Evaluation of Rental Waiver: Key Findings



- Viability of rental development is often marginal. DCL waiver increases the estimated profit and annual yield of rental projects (2 to 3% impact), tips some projects from not viable to viable
- MIRHPP and east side rental projects rely on waiver most
- Maintaining a large waiver (i.e. 90%) provides contributions towards growth costs as well as supporting viability of rental development
- Lowering the waiver to 75% or 50% not advisable as testing shows 1/3 of projects no longer viable, remaining 2/3 had reduced viability

# 1. City-wide DCL Waiver for Market Rental Recommendation

**DRAFT – For  
Stakeholder Review**

- **Reduce City-wide DCL waiver for for-profit affordable rental at market rents from 100% to 90%, resulting in a nominal rate of \$3/sf**
- **Maintain 100% City-wide DCL waiver for for-profit rental that has a 20% below-market component (MIR, BMR)**
  - Economic testing shows this type of rental is more reliant on the DCL waiver to support the delivery of more affordable rental units

## 2. DCL Reduced Rates

### Future State - Reduced DCL Rates

		Base <sup>1</sup>			Layered <sup>2</sup>	
		City-wide DCL (A)	City-wide Utilities DCL (B)	TOTAL City-wide DCLs (A+B)	False Creek Flats	South East False Creek
Other Rates <sup>3</sup>	Childcare Community Centre/ Neighbourhood House Community Energy Centre Cultural Facility Library Public Authority Use Social Service Centre Temporary Buildings Works Yard	\$10.00/BP <sup>14</sup>	\$10.00/BP	\$20.00/BP	\$10.00/BP	\$10.00/BP
	School (K-12)	\$16.15/m2 (\$1.50/ft2)	\$16.15/m2 (\$1.50/ft2)	\$32.29/m2 (\$3.00/ft2)	\$16.15/m2 (\$1.50/ft2)	\$16.15/m2 (\$1.50/ft2)

#### Recommendations:

- Increase School nominal rate to \$3/sf
- Remove Parking Garage reduced rate (above ground parking)
- Expand Community Energy Centre, Works Yard to all DCL districts
- Add Cultural Facility

## **3. Phased DCL Payment**

- Payment of Levy by Installments:
  - Currently in the DCL By-law, applicants have the option to pay \$100 (+ LoC for remainder) to the City prior to BP issuance and pay 12 months later with interest (Prime + 2%)
  - Vancouver Charter states that DCL payment by installment is optional choice of Council.
- Very few uptake due to LoC requirements & interest
  - DCL payments are typically paid in full prior to BP issuance
  - DCL payments in full prior to BP issuance = ~2,500/year
  - DCL payments in installment = ~1/year
- Administratively complicated
- **Recommendation is to remove payment of levy by installments option**

# IMPACT OF A DCL RATE INCREASE ON FINANCIAL VIABILITY OF REDEVELOPMENT

## CITY OF VANCOUVER 2022 DCL UPDATE

# Scope

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1. Analyze the likely financial performance of different types of development projects in Vancouver
2. Identify potential impact of increased DCL rates and DCL rental waiver change
3. Implications



# Existing Value vs Land Value

1. What is the site's value under existing use?
2. Land value - how much can a developer afford to pay for a redevelopment site?
3. If land value exceeds existing use value → redevelopment opportunity

# Impact of Increased DCL

1. Like other costs, increased DCL reduces amount a developer can afford to pay for a site (or reduces profit if site already acquired)
2. If DCL too high, can change development sites into holding properties:
  1. Fewer development sites → reduced pace of new construction
  2. Reduced new supply with continued demand → market-wide price increase

# Approach to Evaluation

1. Selected case study sites and scenarios (73 in total)
2. Analyzed financial viability of redevelopment under existing DCL
3. Analyzed the financial performance of redevelopment with proposed increased DCL
4. Identify impacts on:
  - Land value supported by development
  - Financial viability of redevelopment
  - Profit if site already owned by developer
5. Analyzed impact of a waiver of City-wide DCL on rental development projects

# Case Study Scenarios

Number Development Scenarios Tested	Strata Apartment or Mixed-Use	Townhouse	Office	Mixed Employment or Industrial	Rental Apartment	Total
Downtown Scenarios	2	0	2	0	1	5
West Side Scenarios	7	2	3	0	18	30
East Vancouver Scenarios	7	4	1	6	20	38
Total	16	6	6	6	39	73

- Case studies include existing zoning, bonus density districts, rezonings in fixed rate CAC locations
- Excluded strata sites subject to negotiated CAC

# Proposed DCL Rates

<b>Existing DCL Rates</b>	<b>City-wide DCL</b>	<b>Utilities DCL</b>	<b>Combined</b>
Residential Less than 1.2 FSR	\$4.23	\$2.33	\$6.56
Residential 1.2 to 1.5 FSR	\$9.11	\$5.06	\$14.17
Residential Above 1.5 FSR	\$18.24	\$10.13	\$28.37
Commercial	\$15.39	\$5.32	\$20.71
Mixed Employment	\$11.55	\$4.00	\$15.55
Industrial	\$6.14	\$2.14	\$8.28

<b>Proposed DCL Rates</b>	<b>City-wide DCL</b>	<b>Utilities DCL</b>	<b>Combined</b>	<b>Increase</b>
Residential Less than 1.2 FSR	\$5.08	\$3.17	\$8.25	\$1.69
Residential 1.2 to 1.5 FSR	\$10.94	\$6.83	\$17.77	\$3.60
Residential Above 1.5 FSR	\$21.89	\$13.66	\$35.55	\$7.18
Commercial	\$21.89	\$6.83	\$28.72	\$8.01
Mixed Employment	\$16.41	\$5.12	\$21.53	\$5.98
Industrial	\$8.76	\$2.73	\$11.49	\$3.21

# Strata Apartment or Mixed Use

1. Proposed increase of \$7.18 psf
2. Downtown and West Side projects can support increased DCL rate:
  - Estimated impact on Downtown and West Side land values of about 2% to 4%
  - Almost all case studies analyzed viable at increased DCL
  - If land acquisition cannot be reduced – profit margin reduced by 0.7 to 0.8 percentage points
3. Ability to support increased rate in East Vancouver varies by location:
  - Estimated impact on East Side land values of about 3% to 6%
  - Some East Vancouver apartment case studies not viable at existing rate or increased rate
  - If land acquisition cannot be reduced – profit margin reduced by 1.0 to 1.1 percentage points

# Duplex and Townhouse

1. Proposed increase of \$1.69 psf to \$3.60 psf
2. Increased DCL rate reduces supportable land values by about 0.5% to 1.5% at sites tested
3. If land acquisition cannot be reduced – profit margin reduced by 0.2 to 0.5 percentage points at most sites
4. Viability of townhouse development is mixed under current market conditions:
  - Generally viable on West Side
  - Challenging on East Side
5. Proposed rate increase has modest impact on viability



# Office

1. Proposed increase of \$8.01 psf
2. Most new leasehold office development occurs through rezoning
3. Estimated impact on land value of proposed DCL increase is in the range of 6% to 7%, assuming leasehold
4. Lower impact on land value for strata office projects, ranging from 2% to 4%
5. If land acquisition cannot be reduced – profit margin on leasehold office reduced by 1.2 to 1.3 percentage points at most sites
6. Cases we analyzed indicate that:
  - Leasehold office development requires rezoning to higher densities to be viable – consistent with downtown rezonings and Broadway Plan
  - Office development can support the proposed DCL if rezoned densities are sufficiently high
  - Any impact on strata office rezonings part of CAC negotiation

# Mixed Employment

1. Proposed increase of \$5.98 psf
2. Strong interest in mixed employment in some locations, such as Mount Pleasant – particularly strata
3. Increased DCL rate reduces supportable land values by about 2%
4. If land acquisition cannot be reduced – profit margin reduced by 0.9 percentage points
5. Mixed employment will continue to be viable at proposed DCL rate increase

# Industrial

1. Proposed increase of \$3.21 psf
2. Viability of industrial development is mixed under current market conditions:
  - Leasehold is more challenging than strata
  - Stacked industrial is main opportunity due to high land values
  - Lower density industrial not viable in central areas
3. Increased DCL rate reduces supportable land values by about 2% to 4% at sites tested
4. If land acquisition cannot be reduced – profit margin reduced by 0.6 to 0.7 percentage points
5. Proposed rate increase has little impact on viability

# Comments on Draft Proposed Rates

	Existing DCL Rates	Proposed DCL Rates	Proposed Rate Increase	Comments
Residential at or below 1.2 FSR	\$6.56	\$8.25	\$1.69	Small increase, little impact
Residential between 1.2 and 1.5 FSR	\$14.17	\$17.77	\$3.60	Small increase, little impact
Residential above 1.5 FSR	\$28.37	\$35.55	\$7.18	Little impact in most locations Any impacts likely focused in East Vancouver
Commercial	\$20.71	\$28.72	\$8.01	Impacts vary based on rezoned density High density required for office rezonings
Mixed Employment	\$15.55	\$21.53	\$5.98	Little impact on viability of strata projects
Industrial	\$8.28	\$11.49	\$3.21	Small increase, little impact on viability

# Evaluation of Rental Waiver

1. Analyzed the impact of a waiver on the profitability and viability of rental projects:
  - Assumed market rental projects would be subject to a reduced City wide DCL of \$3 psf
  - Projects with 20% below market rental would receive full City-wide DCL waiver
  - Also tested different waiver amounts on a subset of scenarios
2. Wide range of potential rental development projects:
  - 100% market rental
  - 80% market/20% below market rental
  - Downtown, West Side, East Vancouver locations
  - Commercial sites (C2, C6), RS/RT sites (SRP locations), RM
  - Woodframe and concrete

# Key Findings for Rental Analysis

1. Rental development is often not viable under current or proposed DCL
2. Viability of rental development is site specific and varies by:
  - Location
  - Existing use and zoning
  - Rezoned density
  - Affordable unit requirement
3. In many instances impact of DCL cannot be passed back as a reduced land acquisition cost due to value of existing use:
  - So often a direct impact on profitability
  - Typically 2 to 3 percentage points
  - Small impact on annual yield
4. DCL waiver has significant positive impact on rental viability:
  - Waiver can make some types of projects viable
  - However, with waiver some types of projects still not viable
  - The larger the share of DCL waived, the greater the benefit to rental viability
4. DCL waiver will have a positive impact on the amount of rental development
5. The combination of proposed changes to DCL rates and the waiver results in higher DCL for rental projects – however, unlikely to reduce the amount of new rental development

# Next Steps

- 2021 Reports on DCLs, CACs and Density Bonusing released
- Written stakeholder feedback before **May 17, 2022**
- Council report: June 22, 2022
- New DCL Rates Effective: September 30, 2022

# Questions / Discussion

Development Stakeholder written feedback due before **May 17, 2022.**

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