



REPORT TO COUNCIL

To: **Mayor and Councillors**

Subject: Proposed Updated Amenity Contributions Policy

File #: [Required]

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From: Carl Johannsen, RPP, MCIP
Director of Development Services

Date: July 18, 2024

RECOMMENDATION:

THAT Council approve the updated Amenity Contributions Policy No. CO-80.

PURPOSE:

This report presents the proposed updated Amenity Contribution Policy CO-80 (attached) for Council's consideration of approval, with new amenity contribution rates scheduled to come into effect on January 1, 2025 and January 1, 2026. The existing Council Policy CO-80 was approved by Council on December 13, 2021, and is attached with the associated explanatory report as reference for this report.

POLICY:

The City began collecting community amenity contributions ('CACs') from multifamily developments in 2008, when residential densities were increased in the Zoning Bylaw. Starting at \$500 per multi-family unit, this contribution was increased to \$1,000 per unit in 2013 and then \$2,000 per unit in 2017. In 2021 Council Policy CO-80 was approved, with new contribution rates based on density or 'Floor Area Ratio' (FAR) tiers:

- 0.0 to 2.5 FAR: \$4,000 per unit
- Above 2.5 to 3.0 FAR: \$5,000 per unit
- Above 3.0 FAR: \$6,000 per unit

Recognizing that increased density creates increased demand for community amenities, the key principle behind amenity contributions is that the City obtains a reasonable share of the 'land lift' that a developer gains from increased density. The City then uses this share, or 'amenity contribution', to fund community amenities that keep pace with growth and enhance quality of life for City residents, such as park, and trail improvements, public art, recreational, cultural facilities, and affordable housing.

These amenity contributions are provided as 'cash-in-lieu' and utilized to help fund amenities in the City's Plans, Capital Plans, and as directed by Council. While voluntary, developers are typically willing to provide amenity contributions if the viability of their projects is not impacted, they benefit from increased land values, and they help fund amenities that benefit their buyers/renters and the wider community.

COMMENTS/ANALYSIS:

Local Context: New OCP, SkyTrain, Zoning Bylaw Updates, Plans for New Amenities

Since the adoption of the City's new Official Community Plan (OCP) in 2021, almost 2,000 new housing units are now under construction or have approved development permits. This growth will continue based on OCP population projections, and due to:

- SkyTrain arriving in early 2029, which will generate increased development activity, consistent with municipalities with SkyTrain (Port Moody, Coquitlam);
- new Provincial legislation that directly increases residential densities by permitting 4 to 6 Small-Scale Multi-Unit Housing (SSMUH) units on single detached home lots (RS1, RS2 zones in City's Zoning Bylaw), or indirectly increases densities in Transit Oriented Areas ('TOAs') by prohibiting the use of minimum residential parking requirements. While it is anticipated that developers will provide the parking they feel they need to sell or rent new housing units, this new requirement will likely result in less parking spaces per new development, or more units per parking space and higher densities per lot; and
- the City's Zoning Bylaw Update was recently updated to comply with the Provincial legislation as described above, and a further update will be completed in late 2024 to include increased residential densities that align with the OCP and these densities will be higher than those in the current Zoning Bylaw.

This new growth will require new and enhanced amenities, through the implementation of new City plans as identified by the OCP, and as identified by Council. The Parks, Recreation and Culture Plan ('PRC Plan'), endorsed by Council in June 2023, is a good example of a new plan that identifies specific park, recreational and cultural enhancement projects and new parkland acquisition in growing areas around SkyTrain. With the PRC Plan now endorsed, and other City plans nearing completion (including 'Transportation 2045'), there will be a range of specific amenity projects in these Plans that can be funded by amenity contributions (or a combination of CACs and other sources), if and when they are approved for construction by Council.

Development Analysis: Amenity Rates and Land Lift Share in Local Context

Recognizing that growth is increasing demand for amenities, including those identified in City plans, a land economist was engaged to undertake proformas to determine if amenity contribution rates could be increased (to fund more projects and deliver them faster), while ensuring development remains economically viable. A key principle that guided this review was that the City should obtain a reasonable share of the land lift ('lift') that a developer receives from increased density. Most municipalities using

amenity contributions seek minimum lift shares ranging between 50% and 75% when determining their contribution rates. Municipalities using a minimum 75% lift share typically have concrete high-rise buildings as a common building type, which generate higher lift value per site compared to the lift value generated by wood-frame buildings.

Given that most new residential buildings in the City will be low-rise woodframe over the next 5 years, but the density of these buildings will range from 2.5 to 3.0 FAR (3.0 is near the highest FAR for low rise woodframe) the proformas focused on determining contribution rates based on lift shares ranging between 50% and 75% (with the ideal lift target being 50% to 60%). It was also assumed that assessed property values and housing prices, which help determine lift from new development, will increase in the next 5 years with the arrival of SkyTrain and continued high demand for new housing.

Proposed Rates

Using the outcomes of the proformas described above, the following updated amenity contribution rates are proposed to be implemented in 2 phases:

1. Effective January 1, 2025:
 - 0.0-2.5 FAR: \$6,000 per unit
 - 2.5-3.0 FAR: \$7,000 per unit
 - 3.0-3.5 FAR: \$8,000 per unit
 - 3.5-4.0 FAR: \$9,000 per unit
 - 4.0-4.5 FAR: \$10,000 per unit
 - 4.5-5.0 FAR: \$11,000 per unit
 - 5.0-5.5 FAR: \$12,000 per unit
2. Effective January 1, 2026:
 - 0.0-2.5 FAR: \$8,000 per unit
 - 2.5-3.0 FAR: \$9,000 per unit
 - 3.0-3.5 FAR: \$10,000 per unit
 - 3.5-4.0 FAR: \$11,000 per unit
 - 4.0-4.5 FAR: \$12,000 per unit
 - 4.5-5.0 FAR: \$13,000 per unit
 - 5.0-5.5 FAR: \$14,000 per unit

When applying these proposed rates to new wood-frame buildings (ie. 2.5 to 3.0 FAR), the per unit contribution ranges between \$6,000 to \$7,000 per unit in Phase 1 and \$8,000 to \$9,000 per unit in Phase 2. Staff also recommend that more FAR tiers and contribution rates beyond 3.5 FAR be included in the updated Policy, in anticipation of future concrete high-rise buildings and on the principle that contribution rates should increase as building densities or FARs increase. These proposed rates will ensure that the City receives a reasonable share of lift and that development remains viable and competitive with our neighbouring municipalities. In comparison, recently updated rates in the Township of Langley are \$11,000 per unit (\$17,500 per unit in Brookwood-Fernridge) and \$14,000 per unit for the Grandview neighbourhood in the City of Surrey.

Proposed Reductions and Waivers

Policy CO-80 includes amenity contribution reductions or waivers for below market and non-market housing units, given they are 'on-site' affordable housing amenities.

Based on rent rate escalation, low vacancies and new senior government programs aimed at creating 'workforce rental units' renting at 20 percent below market (i.e. BC Builds), staff recommend the minimum below market rent level be increased to 20% (from 10%) to qualify for a 75% reduction in amenity contributions. This will incentivize the creation of private market rental units that are more affordable, and is based on proformas that indicate a private developer can include a small amount of below market units (up to 5% of total FAR in a 2.5 FAR building) in a market building and still have a viable project. Qualifying rents will be based on comparing local CMHC average market rents with market rents, and then adjusting further to attain 20% below market.

The amenity contribution waiver for entire buildings, provided that they have a majority of units renting at non-market rates (deep subsidy, Rent-Geared-to-Income or RGI units), is recommended to remain in the updated Policy. This is due to the value of these units as significant community amenities, as these units help to house individuals in core or extreme core housing need and at risk of homelessness. Staff also propose a 100% waiver for 3 bedroom rental units renting at a minimum 20% below market, effective at Policy approval, given that more affordable, family-sized apartments are a significant community amenity in a region with eroding affordability and tight supply.

Future Density Bonusing: Implemented Through Zoning Bylaw

As identified in the OCP, staff are aiming to add density bonusing regulations to the Zoning Bylaw as a part of the update process. This will involve permitting more residential floorspace, above a specific 'base' FAR, to be included in new buildings in exchange for the inclusion of amenities in these new buildings, such as below market and non-market rental housing units and child care spaces in new apartment buildings.

The new density bonusing regulations in the Zoning Bylaw will also permit amenity contribution reductions and waivers for below market and nonmarket rental units, consistent with Policy CO-80 (these reduction and waiver provisions may also go beyond those in CO-80). Once in effect these bonusing regulations may override select amenity contribution or reduction amounts and requirements in this Policy, and Policy CO-80 may be amended to reflect new density bonusing and other housing regulations in the Zoning Bylaw or other housing-related Bylaws as they come forward.

Future ACCs

New Provincial housing legislation now enables municipalities to use Amenity Cost Charges (ACCs). These are similar to Development Cost Charges (DCCs), in terms of being based on identifying specific projects that need to be funded through development, determining project costs and then deriving a per unit 'cost charge' rate.

Prior to an ACC Bylaw being adopted in the City, a process needs to be undertaken to determine 1.) eligible amenities and their cost to construct, 2.) ACC rates per unit to fund these amenities, and 3.) where and to what units ACC rates will apply in the City. This will likely take a few years, starting with an amenity prioritization process by Council. In the meantime, staff recommends that the City continues to collect amenity contributions to fund much-needed amenities as the City grows. When an ACC Bylaw is adopted by Council, Policy CO-80 may be partially or entirely superseded.

BUDGET IMPLICATIONS:

The proposed Council Policy CO-80 includes increased amenity contributions rates that will provide an important funding source for projects (ie. non-DCC eligible) in City plans (such as the new PRC Plan), as these projects are approved by Council. The proposed amenity contribution and waiver approaches in the updated CO-80 will also give the City the ability and flexibility to support affordable housing partnerships without requiring contributions of City land and/or Reserve funds.

ALTERNATIVES:

1. Approve the updated Amenity Contributions Policy No. CO-80 with amenity contribution rates and reductions and waivers as determined by Council.

Respectfully Submitted,



Carl Johannsen, RPP, MCIP
Director of Development Services

Attachments:

1. Draft Updated Amenity Contributions Policy CO-80
2. Current Amenity Contributions and Density Bonusing Policy CO-80
2. Administrative Report dated December 8, 2021 and titled "Proposed Amenity Contributions Update and Density Bonusing in the Zoning Bylaw".

CHIEF ADMINISTRATIVE OFFICER'S COMMENTS:

I support the recommendation.



Francis Cheung, P. Eng.
Chief Administrative Officer