

**Municipal Planning and Market Interventions:  
Community Amenity Contributions in British Columbia**

Submitted by

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**Abstract:**

This research investigates why British Columbian local governments are motivated to implement Community Amenity Contributions (CACs). Local governments that are considering adopting a CAC policy may benefit from this report. Data was obtained from developers, planners and politicians through online surveys and semi-structured interviews. The survey was analyzed using descriptive statistics and the interview data was analyzed using content analysis. All participants viewed CACs as an effective means to raise revenue to pay for growth-related costs. All participants agreed that CACs are not used as a market-based planning tool to influence urban form. Four recommendations are made: 1) obtain Canadian empirical data on the impact of Development Charges 2) improve CACs by broadening the scope of provincial DCC legislation to include amenities now funded through CACs; 3) consider the market effects of CACs, especially on affordable housing; and 4) employ economists to analyze externalized costs of development for planning departments.

**Key words:** Community Amenity Contributions (CACs), Urban Development, Amenity Zoning Bylaw, Growth, Policy, and Financing.

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## **1 - Introduction**

In British Columbia (BC), Development Cost Charges (DCCs) are levied and collected over time to aid in financing capital improvements to defined infrastructure categories (water, sewer, drainage, roads, and parks). The scope of DCCs excludes other municipal services and amenities such as infrastructure improvements for fire and police protection. Many BC local governments have adopted Community Amenity Charges (CACs) in order to collect additional funds to pay for these other costs. Occasionally there is some overlap with DCCs. For example: park DCCs can be utilized for parkland acquisition and in some CAC strategies payment for further and additional parkland is negotiated within the CAC. Some CACs and many DCCs are collected utilizing average cost estimation methods. Pricing municipal services using average cost methods can create situations where smaller development units pay the same charges as larger units. Development projects that incur minimal demand for infrastructure and amenities are treated unfairly by the average cost approach.

CACs are applied by a local government to a development during the rezoning stage. Local Governments include regional districts, irrigation districts, resort municipalities and all other types of traditional municipalities (such as cities, town, and districts). Utilizing the discretionary nature of the rezoning process, local governments levy CACs on developers based upon a percentage or approximation of the land lift. Land lift is a term used to describe the incremental increase in market value associated with a successful rezoning application of a particular parcel of land to a higher residential density. Some local governments recommend that the value of CACs be determined based upon municipal needs as defined by a Council policy or within their Official Community Plan (OCP). The value of the CAC will usually not exceed 100% of the land

lift unless market conditions are expected to rapidly rise between the time of CAC payment and sales of the residential units.

This research investigates the use of CACs in British Columbia in order to assess why some local governments have adopted CAC policies and continue to use them. This research describes:

- What motivates local governments to develop CAC policies;
- What implementation opportunities and challenges exist for CACs;
- The impact of CACs on local governments and real estate prices;
- CACs as an implementation tool for the idea or policy that growth should pay for growth related costs;
- Whether CACs are a conscious attempt at market-based planning or simply a financing scheme; and
- Planners', politicians', and developers' perceptions of CACs as to:
  - Whether they are considered efficient, fair and effective;
  - Whether they are a price signal; and
  - What impact they have on the housing market.

The research methodology employed was to invite key stakeholders by email to participate in an online Likert scale survey and then invite survey participants to engage in a semi-structured phone interview. This study validates that CAC's are an important funding tool for local governments in British Columbia and reveals the general purpose for CAC implementation. Additionally, the research describes stakeholders' perceived impacts of CAC policies on the development process and then compares the results to the impact / amenity fee literature. After analyzing the data derived from the research methods, the study identifies recommendations outlined in the concluding chapter, which elaborate on possible solutions/mechanisms for

increasing the efficiency, fairness, equity, and pricing of CACs. Local governments that are considering adopting a CAC policy or embedding CACs within their OCPs may benefit from the findings of this research.

Public interest in CACs grew during the CAC controversy regarding the Cambie Corridor developments in Vancouver. The narrative within the media regarding CACs has varied depending on whether a planner, politician, or developer has presented the information (Lee, 2010; Geller, 2011; Holloway, 2011), reinforcing the varied perceptions regarding the impact of CAC policies on development, affordable housing, and amenities. A goal of this study is to explore potential common ground among stakeholders on perceptions of CACs and how CACs should be implemented.

### ***1.1 Problem Statement***

Many local governments are seeking alternatives to financing amenities from relying on diminishing senior government grants and/or increasing property taxes. CACs have been implemented in many BC local governments to address capital amenity costs that are not covered by DCCs, where new development generates incremental demand for public services or simply to generate more money from new development. This study investigates how and why local governments apply CACs and to what extent, if any, they are used to influence urban form. Planners, politicians and developers are questioned about how CACs function and to comment on the fairness, equitableness, and transparency issues regarding CACs.

### ***1.2 Key Research Questions***

This study investigates the impacts, effectiveness and equity of the CAC system in BC and whether the adoption of CACs is an attempt to introduce amenity and development pricing into

planning decisions. The research project features interviews with three key stakeholder groups (planners, local politicians, and developers) regarding their views on CACs, on the future of CACs, and on the effects CACs have within the local real estate market. The interview questions sought the key respondent views on the relationship between development, the pricing of municipal goods and services (CAC amenities), and the impacts of community amenities on urban form. This research describes the key respondents' outlook on DCCs and whether they perceive CACs as an extension of the DCC system. The interview questions are designed to better understand the current amenity contribution context and the relationships amongst various actors in the operation of CACs. The three key research questions are:

- Q1. What is/are the purpose/purposes of CACs, according to planners, politicians, and developers and how does each group perceive the fairness, equity, and effectiveness of CACs?
- Q2. How receptive are planners, politicians, and developers to using CACs as a market-based regulation to influence urban form?
- Q3. What are the perceived impacts on urban form, the development industry, and planning goals when CACs are applied?

### ***1.3 Summary of Chapters***

Chapter 1 introduces the concept of CACs and identifies the specific research questions used in the study. Chapter 2 describes the methods used by this research. Chapter 3 describes the background, legislative framework, and context of the various cost recovery tools used by local governments to fund the public costs associated with development. It also reviews the history of CACs and provides an analysis of the provincial government's guide regarding CACs. Chapter 4 reviews the empirical literature on municipal pricing, impact fees and their effects on the real

estate market. Chapter 5 analyzes the data received from the online survey and the interviews. Chapter 6 summarizes the findings and conclusions for each research question and provides recommendations.

## 2 - Methods

There were two main data collection methods for this research along with a review of the literature and relevant policy information. The first data collection method was an online survey which used a questionnaire format as the research instrument. The second data collection method was phone interviews and the research instrument used for this method was the semi-structured interview guide. Both of the research instruments (the questionnaire and the semi-structured interview guide) are attached in the Appendix (A-1 & A-2).

Three groups of key stakeholders were chosen to participate in this research:

- BC Planners familiar with CACs
  - Public and Private Sector
- BC Municipal Politicians
- BC developers familiar with CACs
  - Urban Development Institute representatives
  - Other consultants focused on the developer side.

These key stakeholders were chosen because they have direct involvement in the development process and have the most knowledge of CACs. All of the politicians and planning departments in local governments that have CAC policies were contacted with requests for participation in this research. Invitations to participate in this study were sent by email to planners, politicians, and developers between July 2013 and September 2013. Each invitation had a link to the online survey. At the end of the online survey each participant was asked if they were available for a phone interview. The online survey was open and receiving results between August 19<sup>th</sup> 2013 and November 21<sup>st</sup> 2013. The phone interviews were recorded between September 5<sup>th</sup> 2013 and November 6<sup>th</sup> 2013. It should be noted that the data collection occurred before the provincial

government produced their guide on Community Amenity Contributions, published in March 2014.

A total of 185 invitations were sent to planners, politicians, and developers. Forty-four (44) participants responded to the online survey and ten of these participants additionally engaged in an interview. The online survey was intended to complement the interview questions and provide a more objective data collection method to the study. Allowing respondents to define their subjective views on certain events or concepts is very important in phenomenological research, as analyzing these meanings is the goal of the research (Gray D. E., 2009). The questions in the online survey, analyzed by descriptive statistics, were designed to be comparable with the interview data.

The ten interviewees were the only participants who volunteered to engage in a 30 to 60 minute interview process. The interview questions were designed to encourage open-ended responses. Questions such as “Was the process effective?” were intended to draw out the interviewee’s own definition of effectiveness. The semi-structured interview format was chosen in order to probe the interviewee’s opinions and to allow the interviewee to expand on a subject he/she considered to be important. The interview data was analysed using content analysis.

Due to the politically sensitive nature of the subject matter, the participants remain strictly anonymous and are identified only by category.

### ***2.1 Coding and Data Analysis***

The online survey results were analysed using descriptive statistics and comparing findings between the three groups of respondents. Due to the low number of developers participating in the online survey their responses were difficult to compare with the planners and the politicians. There was only one development industry interview, which included two representatives of the

Urban Development Institute (UDI), who are paid by developers to develop research and coordinate a response to government on issues like CACs.

This study utilized the techniques of content analysis to make inferences about the transcribed interview data. Coding followed Strauss and Corbin's (1998) process of analyzing data, consisting of open coding, axial coding, and selective coding. Open coding begins with breaking data into smaller units and is defined as "the naming and categorizing of phenomena through close examinations of the data (Strauss & Corbin, 1998, p. 62)." Axial coding takes the categories created by open coding and attempts to make connections amongst them (Gray D. E., 2009). This means considering the conditions and context that gave rise to each category as well as the interactions resulting from each category and their outcomes (Gray D. E., 2009). Selective coding is similar to axial coding in process however the purpose is to select core categories in order to 'tell' a story and to illuminate social processes to create a grounded theory (Gray D. E., 2009). The coding processes included many keywords and phrases but the major coding categories were:

1. Topics: CAC purpose, CAC – funding, funding/finance, equity/fairness/effectiveness, CAC, highlights.
2. Participants: planner, politician, developer, interviewer.
3. Questions: Q3, Q4, Q5, Q6, Q7, Q8, Q9, Q10, Q11, Q12, Q13

## ***2.2 Limitations***

The conclusions resulting from this study may be contentious as generalizability is contentious in most qualitative research. This study adopts an approach to generalization that "is a more intuitive, ideographic but none the less, an empirical approach based upon personal,

direct experience” (Gray D. E., 2009, p. 191). A problem with qualitative research is that there is no standard practice for achieving validity and reliability due the variable nature of the research and contextually unique circumstances of research studies (Johnson & Harris, 2002). Generalizability may not be relevant or worthwhile endeavour to some researchers but this study seeks to achieve some level of generalizability while adhering to the principles of the research methodology. Implementing a mixed methods approach increases the reliability and generalizability of the research findings by analyzing both qualitative and quantitative data.

To improve response rates, the questions within the online survey were kept as short as possible, while still covering the research area. The design of the questionnaire for the online survey attempted to be as unbiased as possible, however, it is difficult to recognize the bias for each individual question. A thorough review of the literature has been completed to minimize that risk.

Analyzing semi-structured interview data can be difficult because the researcher may ask the same question in a slightly different way in each interview. This could alter the responses and create uncertainty in comparing responses. In addition, the varying answers from respondents, while providing rich colourful context needed in qualitative research, can make it difficult when comparing responses within a case – much less across cases (Todd, 2001). These disadvantages are inherent in the methodological approach taken by this study but are mitigated through acknowledgement and vigilance.

The research was designed to gather the views of the three key stakeholders groups (planners, politicians, and developers) and for the researcher to analyze the data independently from any pre-conceived ideas or bias. However, the researcher is a professional planner in BC

and has experience with CACs. There is the potential for bias from the planner's perspective when analyzing the data and formulating conclusions. This limitation was mitigated by continual self-reflection whether the researcher's opinion was influencing the analysis or whether the data truly reflected outcomes and conclusions.

### ***2.3 Ethical Issues***

A central ethical issue with interviews is ensuring interviewees are not harmed or damaged resulting from the research (Gray D. E., 2009). Since, the interviewees in this study are planning and development staff, politicians, and private land developers, the potential issues of confidentiality are likely to be more important than the potential for emotional or physical harm. The online survey and interview data are strictly anonymous. Individual identity is only referred to as planner, politician or developer. Written, informed consent was obtained from the respondents for each online survey and interview.

### **3 - CACs, Development Charges, and Background Review**

Planning in the Province of British Columbia occurs at the provincial, regional, and municipal level. The *Local Government Act (LGA)* and the *Community Charter* establish the powers of Municipalities and Regional Districts. Official Community Plans (OCPs) are the formal process in which communities articulate their strategic vision for the community including growth and development. OCPs are adopted by bylaw with the intention that future development should abide to the plan and any application that does not conform requires an OCP amendment. Part 26 of the *Local Government Act* “Management of Development” describes the provisions for OCPs, zoning, development permit areas, DCCs, as well as other development related activities (Government of British Columbia, 2012). Additionally, Part 26 in the LGA outlines the regulatory tools available to local governments to achieve the objectives of land use planning and the vision for development as outlined in the OCP.

There are three general planning objectives of land use regulations. The first objective is to increase development certainty, the second objective is to prevent incompatible uses, and the third objective is to facilitate the orderly development/expansion of public facilities (Bish & Clemens, 2008). The first objective of land use regulation is to provide some level of confidence to various actors within the urban development process on the future land uses to ease and assist capital investment (Bish & Clemens, 2008). This is important because real estate development involves significant capital investment, which persists for long periods of time (Bish & Clemens, 2008). Zoning is a regulatory tool used by local governments to control siting, sizing, density, and permitted land uses. Zoning and subdivision control are effective tools that are examples of the second objective of land use regulation by preventing incompatible land uses and protecting

citizens and taxpayers from expensive upgrades due to inadequate development (Bish & Clemens, 2008).

Under these land use objectives, local governments have made many policy and visioning statements indicating their community's desire to curb or reduce inefficient development. For example, the City of Salmon Arm adopted a new OCP in 2011, stating:

“The City’s growth management strategy, established in the 2002 OCP, emphasizes infill and the intensification of land use in order to make efficient use of existing infrastructure and to reduce the environmental and financial costs of growth. This strategy is maintained in this current OCP. To retain a more compact form (compact community) and to assist the infilling and intensification process, the Official Community Plan maintains an Urban Containment Boundary (UCB)” (City of Salmon Arm, 2011, p. 21).

Such statements assume that the solution to inefficient development requires land use regulations and alternative urban design ideas. In other words, improving the efficiency of development is viewed in part as a land use problem. This ignores the municipal price signals and subsidies such as a DCC structure, tax exemptions, and budgeting for various infrastructure or amenity projects that in effect encourage less efficient forms of development (Blais, 2010).

Section 3.1 summarizes the legislative framework surrounding CACs in BC and whether local governments have the legal authority to implement CACs. Sections 3.2 to 3.7 detail the various forms developer contributions can take including Development Cost Charges, negotiated exactions (referred to as CACs), amenity zoning bylaws, density bonusing, and Phased Development Agreements.

### ***3.1 CAC Legal Context in BC***

Community Amenity Contributions, while routinely sought from developers by the local government, lack explicit statutory authority. Section 931 (5-6) of the LGA states:

- (5) No other fee, charge or tax may be imposed in addition to a fee under subsection (1) as a condition of the matter referred to in that subsection to which the fee relates.
- (6) A local government, the City of Vancouver or an approving officer must not
  - (a) impose a fee, charge or tax, or
  - (b) require a work or service to be provided

unless authorized by this Act, by another Act or by a bylaw made under the authority of this Act or another Act (Government of British Columbia, 2012).

There are two tools that specifically allow local governments' to obligate amenities during a development. The first tool is bonus density provisions within Section 904 of the LGA and the second tool is Phased Development Agreements within Section 905 of the LGA.

### **Section 904 - Zoning for amenities and affordable housing**

- (1) A zoning bylaw may
  - (a) establish different density regulations for a zone, one generally applicable for the zone and the other or others to apply if the applicable conditions under paragraph (b) are met, and
  - (b) establish conditions in accordance with subsection (2) that will entitle an owner to a higher density under paragraph (a).
- (2) The following are conditions that may be included under subsection (1) (b):
  - (a) conditions relating to the conservation or provision of amenities, including the number, kind and extent of amenities;
  - (b) conditions relating to the provision of affordable and special needs housing, as such housing is defined in the bylaw, including the number, kind and extent of the housing;
  - (c) a condition that the owner enter into a housing agreement under section 905 before a building permit is issued in relation to property to which the condition applies.

### **Section 905 – Phased Development Agreements**

- (2) A local government may, by bylaw, enter into a phased development agreement with a developer.
- (3) A phased development agreement must identify the land that is being developed and specify the provisions of a zoning bylaw and a subdivision servicing bylaw to which subsection (5) applies while the agreement is in effect.
- (4) A phased development agreement may include additional terms and conditions agreed to by the local government and the developer, including but not limited to terms and conditions respecting one or more of the following:
  - (a) the inclusion of specific features in the development;

- (b) the provision of amenities;
  - (c) the phasing and timing of the development and of other matters covered by the agreement;
  - (d) the registration of covenants under section 219 of the Land Title Act;
  - (e) subject to section 905.4 (3), minor amendments to the agreement, including a definition of "minor amendment" for the purpose of the agreement;
  - (f) dispute resolution between the parties;
  - (g) early termination of the agreement, either automatically in the event that terms and conditions are not met or by mutual agreement;
  - (h) the amount and location of park land to be provided under section 941 [provision of park land] in respect of land being subdivided that is subject to the phased development agreement.
- (4.1) If a phased development agreement includes additional terms and conditions under subsection (4) (h), the amount of park land to be provided
- (a) may exceed 5% of the land being proposed for subdivision in respect of an individual subdivision application within the land to which the phased development agreement applies, and
  - (b) must not exceed 5% of the land being proposed for subdivision in respect of all of the land to which the phased development agreement applies.
- (5) Subject to subsection (6), if the specified zoning bylaw provisions or the specified subdivision servicing bylaw provisions are amended or repealed while the agreement is in effect, those changes do not apply to the development unless the developer agrees in writing that the changes apply (Government of British Columbia, 2012).

These mechanisms permit local governments to obtain revenue from new development for future capital amenity projects. There is no explicit legislation permitting CAC policies related to rezoning applications. However, due to the recent proliferation of CACs within BC local governments many practitioners and local governments have taken the view that CACs can be considered as being within the discretionary powers of a local government. The following passage is an excerpt from William Bulhozer's book *British Columbia Planning Law and Practice*, describing the British Columbian CAC legal context.

“To date, none of the schemes [CAC policies] has been challenged in legal proceedings. It is unlikely that a developer wishing to resist the imposition of these charges would be able to obtain a rezoning without paying them, even if a court were persuaded to declare the scheme invalid, because the court would not likely order a

local government to approve a rezoning. In the *Westfair Foods*<sup>1</sup> case, the court ordered the District of Saanich to issue a development permit after holding its reason for refusing to issue the permit was invalid, but in that case the District had conceded that the permit complied with the applicable guidelines and there was no legislative discretion left for it to exercise. In the case of rezonings, the local government's position would likely be that the rezoning is not in the public interest unless the amenities in the area in question are improved, and that the court should not order the rezoning to be approved without the contributions being provided (Bulholzer, 2011, pp. 8-22).”<sup>1</sup> *Westfair Foods Ltd. V. Saanich (District)* (1997), 46 M.P.L.R. (2d) 104 (BC Court of Appeal).

A different lawyer from the Young Anderson law firm produced a continuing legal education paper that warned of dire consequences regarding CACs, arguing that little statutory acknowledgement has been made of them and that the BC courts have yet to make any significant position on the nexus and proportionality of contributions, let alone the concept of land lift (Young, 2008). He defined the legal issue as: if CACs are considered *ultra vires* exactions (beyond the legal authority of a particular level of government) then they may be considered non-voluntary according to the *Kingstreet Investments Ltd. V. New Brunswick (Department of Finance)* (2007), 7S.C.C. 1 case (Young, 2008). If CACs can be determined to be a ‘condition’ of rezoning, then CACs could be found to be an imposition of a tax, which would open up the possibility of recovery by the payor regardless if the taxing authority spent the money (Young, 2008).

CACs can also be seen as a profit sharing tool between the local government, landowner, and developer on the uplift value of the rezoning. This opinion would not view CACs as an imposition of a tax, as the local government can incur significant costs from rezoning. The current research seeks to understand the views of planners, politicians, and developers regarding the ‘voluntary nature’ of CACs.

### ***3.2 Community Amenities***

Urban growth and development has benefits as well as costs. The benefits of growth include an expanding property tax-base, the updating of the housing stock, economic growth, and new jobs, which has been historically seen as a positive indicator of the health of the local economy. The costs of urban growth and development include but are not limited to increased congestion, loss of green space, and an increased demand on existing infrastructure. Additional residents and employees create added pressures on community infrastructure and amenities resulting in the need for upgrades or the expansion of infrastructure and amenities in order to meet the extra demand (Coriolis Consulting Corp, 2008). BC local governments need to devise strategies to pay for the capital expenditures of infrastructure and amenities associated with growth, especially amenities not covered by DCCs. These amenities can range from community recreation centres to trail developments, to affordable housing, to public art, and a host of other amenities essential to creating and maintaining a competitive and liveable community. Municipal infrastructure in BC is generally limited to items that local governments can charge DCCs for such as water, sewer, drainage, roads, and parkland acquisition. Amenities are considered everything else but many local governments argue that these ‘amenities’ can include essential infrastructure such as a fire hall, a police station or a library.

In British Columbia, the local governments’ ability to raise revenue for these amenities is limited, with the bulk of the revenue available to fund the necessary capital expenditures coming from property taxes, senior government grants or contributions from development projects (Coriolis Consulting Corp, 2008). However in BC, local governments generally structure their finances to cover their operating budgets and a limited portion of capital costs in order to not cover all the costs associated with growth (Coriolis Consulting Corp, 2008). Municipal councils

seek to achieve a balance between trying to make growth pay for growth costs and to limit development fees and amenity contributions, in fear of criticism that new development may become less viable or less affordable (Coriolis Consulting Corp, 2008). Fairness in establishing the appropriate price is an important concept, as by establishing a price too low or too high would be establishing a subsidy for developers or for the local citizens respectively. In BC, there are six main tools to obtain amenity or infrastructure contributions from private development projects:

- 1) Direct provisions of work
- 2) Development Cost Charges (DCCs)
- 3) Density bonusing
- 4) Amenity zoning bylaw
- 5) Phased Development Agreements (PDAs)
- 6) Community Amenity Contributions at the time of rezoning (CACs)
  - Discretionary powers
  - Land lift
  - Beneficiaries of land lift

### ***3.3 Direct Provision of Works***

The most direct way to obtain capital infrastructure associated with growth is to require the developers to construct or pay for works and services that are adjacent to the development site or required to serve the proposed development (Coriolis Consulting Corp, 2008). BC local governments often use this financing tool, as Section 938 of the LGA provides the legal authority to require the provisions of work. However, Section 938 generally limits the provisions of work only to the hard infrastructure that is directly attributable to the project (Coriolis Consulting Corp, 2008).

### ***3.4 Development Cost Charges***

DCCs are a mechanism identified in Section 932 through Section 937 of the *Local Government Act* (LGA) to assist local governments in recovering the capital costs associated

with the installation of certain local government services, in which the installation of those services are directly or indirectly affected by development (Ministry of Community Services, 2000). DCCs were initiated in 1978, when the provincial government amended the then Municipal Act as part of their strategy to eliminate land use contracts (Select Committee on Local Government Finance, 2013). The decision to implement DCCs by the provincial government reflected the concern that new development often created costs to a local government and made development approvals more difficult (Select Committee on Local Government Finance, 2013). The original purpose of DCCs was to neutralize the financial situation with no net loss for local governments so they could address development decisions on a consistent basis related to their planning and development strategies as opposed to the servicing costs (Select Committee on Local Government Finance, 2013).

Persons who obtain a subdivision approval or a building permit, with exceptions for small building alterations, pay DCCs. DCCs do not cover services, projects, and amenities deemed necessary to service urban growth unless they meet the categories defined by the LGA. Section 933 of the LGA states a DCC may only be charged on the following capital infrastructure items (Ministry of Community Services, 2000):

- Water
- Sewer
- Drainage
- Roads (not including off-street parking)
- Parkland acquisition and improvement

DCCs can be complicated to calculate and vary from community to community as specified in each local government's DCC bylaw. DCCs "are generally determined by dividing the net capital infrastructure costs attributable to new development over a certain time period, by the

corresponding number of projected development units (or area) that will be developed in that same time period (Ministry of Community Services, 2000, p. 1.1).”

DCCs are similar to Impact Fees, a term used in the United States for one time development levies assessed on developments by a local government for the provision of services such as roads, parks, fire, water, sewer, libraries, schools, and police and fire protection that are demanded from the increase population due to the development (Ihlanfeldt & Shaughnessy, 2004).

### ***3.5 Density bonusing***

Section 904 of the LGA enables local governments to utilize zoning regulations to obtain amenities (Government of British Columbia, 2012). Generally, local governments can establish a zone with an allowable base density in addition to another higher ‘bonus’ density if certain amenities and/or conditions are met (Government of British Columbia, 2012). The conditions imposed can be related to the preservation or provision of affordable housing, special needs housing, or any other amenity defined by the local government (Government of British Columbia, 2012). Local governments that have done this are: Vancouver, Burnaby, Surrey, New Westminster, White Rock, West Vancouver, North Vancouver, Mission, Sooke, Langford, and Peachland. Density bonusing can provide a concise and convenient charging system, as well as an ability to pool those resources for maximum effectiveness. For the system of density bonusing to operate successfully, the land market participants need to purchase sites at the base density prices, so that the purchaser will later have the ability to pay for the amenities and/or have cash required to acquire the additional bonus density (Coriolis Consulting Corp, 2008).

### ***3.6 Amenity Zoning Bylaws***

Local governments like the Columbia-Shuswap Regional District, utilize the discretionary nature of zoning and negotiate a Comprehensive Development (CD) zone on a specific property. Within the CD zone a number of architectural and custom controls can be added which include requiring the property owner to provide amenities. This case-by-case approach for amenity provisions involves negotiating and drafting new rules for each development site, whereas the density bonus provisions within a zoning bylaw could apply to multiple sites within the local government.

### ***3.7 Phased Development Agreements (PDAs)***

In 2007, the Province of BC amended the LGA to allow PDAs. Section 905 of the LGA outlines the powers local governments have to regulate the phasing and timing of development. PDAs are voluntary agreements between a developer and a local government whereby the zoning is secured unless both the local government and owner agree on the change for a period up to ten years (or twenty years with the Minister's approval) in exchange for specific amenities, design standards, environmental considerations as well as various terms and conditions agreed to by both parties (City of Surrey, 2007). PDAs were created by the provincial government when members of the Urban Development Institute (UDI) had experienced, or were concerned about, downzoning of properties in the final phases of a multi-phase development after the initial phases were constructed and/or amenities were provided upfront (City of Surrey, 2007).

PDAs are another mechanism that can be utilized by local governments to obtain CACs and/or ensure a portion of land lift is captured in rezoning applications. PDAs are appropriate for large development proposals where the ability to negotiate can provide the flexibility to capture the subtleties and complexities of major projects. Any proposed development with multiple uses

and different implementation timing (e.g. phases) can benefit from a PDA especially if there is a risk that a new Council may be more hostile toward the proposed project. PDAs could be used for smaller phased developments but may be too cumbersome and expensive for these types of rezoning amendments.

### ***3.8 Amenity contributions at the time of rezoning***

CACs represent a cash-in-lieu or a policy based on “a case by case negotiation” between a developer and a local government at the time of a rezoning application. From a municipal perspective this is viewed as a flexible and efficient mechanism to finance additional communal amenities from development. This mechanism has the potential to extract the maximum value for amenities so it can lessen the financial burden to the community associated with additional development while maintaining the profitability and viability of development projects. The idea of amenity contributions at the time of rezoning is based on three fundamental conditions of the urban development process: municipal discretionary zoning powers, increases in land value, and the beneficiaries of the land lift.

#### ***3.8.1 Municipal discretionary zoning powers***

Municipal councils have the discretionary authority to permit or decline any rezoning applications by weighing the benefits and the costs associated with a particular application in accordance with the OCP as guiding framework. Council hears property owners and any citizens, who may be affected by the proposed bylaw, through the legislative public hearing process. After the proper notification and procedures are adhered to, Council determines whether approval of the project is in the best interest of their community. In their decisions, municipal councils should consider the benefits, the costs, as well as whether the applications for additional growth impose unacceptable capital burdens for new amenities (Coriolis Consulting Corp, 2008).

### ***3.8.2 Increases in land value – “land lift”***

The owner of a subject property generally experiences an increase in land value if the rezoning application results in a net increase in allowable density. This increase in land value is called “land lift.” Developers require a profit on urban development projects to justify the risk they take in bringing the units to market. Depending on what unit prices the market will bear, the land lift due to the rezoning is not necessarily a prerequisite for a developer to maintain profitability. This is evident from urban development projects that simply proceed under current zoning conditions. Rezoning for higher densities in which the local government provides most of the amenities associated with development, generally impose higher cost burdens as demand for existing and new amenities increase. The cost impact of new development can be magnified or diminished depending on a number of factors that can vary widely such as location and distance from existing services.

### ***3.8.3 Beneficiaries of land lift***

The benefits of the land lift can accrue to three sources: the developer, the land seller, the local government, or some combination of the three. If the developer pays for the land at the rezoned price, which is typical in communities where rezonings are routinely approved, then the seller of land benefits from the land lift. If the developer pays for the land prior to any rezoning approvals or amendment applications and the local government does not require any amenity contributions, then the developer benefits from the land lift. If the developer pays for the land at the current zoning price and the local government requires, for example, one hundred percent of the land lift as an amenity contribution then the local government benefits from the land lift. Multiple combinations of beneficiaries are possible depending on market conditions and context (Coriolis Consulting Corp, 2008).

In implementing CACs, there are various methods local governments apply to capture the land lift during the approval process. Negotiations on a case-by-case basis, a set percentage of the land lift, or a standard flat rate based on per unit or per square footage are the mechanisms used in BC municipal CAC policies. The example below shows the Community Amenity Contribution policy of the District of Peachland:

### Figure 1: Peachland's CAC Policy

*The Corporation of the District of Peachland Policy*

#### Community Amenity Contribution Policy

Effective Date: January 22, 2013	Authorized By: Council – Regular Meeting	Replaces: New Policy
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**Purpose:**

To outline the community amenities needed in the future and provide the associated costs for the provision of those future amenities (20 year timeline).

**Exemptions:**

- Projects less than 3 units.
- Secondary suites of all types.

**Collection of Amenity Charge:**

For Single Family Dwelling (multiple lot subdivision)	Subdivision
Multi-Family and other Non-Residential Uses	Building Permit Issuance

**Final Amenity Contributions (Rounded to the nearest \$1.00)**

Residential	<b>\$1,877.00 per unit</b>
Non Residential (Commercial and Industrial)	<b>\$2.50 per ft<sup>2</sup> \$26.80 m<sup>2</sup></b>

This example shows how some local governments choose to capture a portion of the land lift through CACs, and view CACs as a mechanism to minimize local governments’ capital cost burdens while maximizing the benefits of urban growth.

### 3.9 History of Community Amenity Contributions in BC

Vancouver was the first local government to implement CACs in the province. The redevelopment of the vacated industrial lands of False Creek and Coal Harbour following the completion of Expo ’86 was the catalyst for the development of CACs (Gray C. , 2014). Prior to

rezoning adoption the negotiation between local government and developer led to the dedication of 2.75 acres of park per 1000 people, 20% of the housing stock reserved for senior government social housing programs, childcare provisions and cash contributions towards libraries and community centres (Gray C. , 2014). After these CAC standards were applied to other rezonings, developers argued their projects were no longer viable until reductions in CAC standards occurred (Gray C. , 2014). The City of Vancouver had to decide if the CAC standards should be reduced and if so by how much (Gray C. , 2014). This quandary led to a detailed analysis of the economic performance of each project to determine an appropriate CAC value. The introduction of real estate analysis into the CAC process was not initially intended by the City as a response to maximize revenues through rezoning, but was instead a response to developers' claims that they could not meet the City's standards (Gray C. , 2014). The City's analysis determined that the initial CAC standards derived from the False Creek and Coal Harbour projects were indeed too high and would put many subsequent projects in jeopardy if the City's original CAC standards were imposed (Gray C. , 2014). A patchwork of bylaws, policies, and standards were imposed on developments through the City until the late 1990s when the City of Vancouver undertook a Financial Growth Review, which established the process for determining CACs (Gray C. , 2014). Two types of CACs were chosen: one for standard rezoning and one for non-standard rezoning. The standard rezoning charged a flat rate of \$3 per square foot increase in allowable floor areas. The non-standard rezoning employed a negotiated process that conceived of a simple three-stage process (Gray C. , 2014, p. 7):

- 1) Assessing the project design to determine the increase in density and built form that could be recommended to City Council;

- 2) Calculating the increase in land value that the rezoning would produce (the 'lift') and the CAC share of that increase; and
- 3) Determining the public amenity and benefit priorities and how much of the CAC would go to each.

### ***3.10 Community Amenity Contributions Policies***

The process begins with a major development or re-development within an established neighbourhood that requires a full range of services to be provided to both the residents of the new development and the existing neighbourhood. The local government in turn identifies a list of needed amenities that are required prior to approving a rezoning. These amenities can vary widely and can include: community centres, off-site traffic improvements, childcare centres, affordable housing, and parkland improvements. These amenities become precedent for other rezoning applications and are eventually formalized into a municipal CAC policy.

At the time of writing, there are 19 local governments in BC with either a formalized CAC policy, an established practice of obtaining CACs, or an attempt to implement a CAC policy. Most of these local governments are located within the Lower Mainland, although some local governments are located on Vancouver Island and in the Okanagan (See Appendix A-6 for detailed CAC policy Table).

**Table 1: Summary of Local Governments with a Formalized Amenity Contribution Process**

Local government	Year Established	Density Bonus	CAC site Specific	CAC Area Wide	Policy Direction
Burnaby	1997	✓			OCP Policies and Zoning Bylaw
Colwood	2009			✓	Council Policy
Coquitlam	2004	✓		✓	OCP Policies
Langley City	2008		✓		Council Resolution
Langley Township	1998	✓		✓	Neighbourhood Plans
North Vancouver City	1992	✓	✓		Council Approval
North Vancouver District	2010	✓		✓	Administrative Policies
Peachland	2011			✓	Council Approval
Pitt Meadows	n/a		✓		Council Approval
Port Coquitlam	2009	✓	✓		Set through rezoning conditions
Port Moody	n/a		✓		Council Approval
Mission	1996			✓	Council Policy
Richmond	1992	✓	✓		OCP Policies
Sooke	2010			✓	Council Policy
Surrey	1995 & 2008	✓	✓	✓	NCP and City Centre Policies
Vancouver	1989	✓	✓	✓	Area Specific policies, Financing Growth Policy
White Rock	2013			✓	Council Policy
West Vancouver	2007	✓	✓		Council Approval
Source: (City Spaces, 2012) & (Aderneck, 2012)					

The table in Appendix A-6 represents the 19 local governments and is split into 4 sections. The first section outlines each local government's implementation approach to CACs, whether through bylaw provision, policy, bonus density, or ad-hoc negotiations. The second section shows when CACs were implemented and any detailed comments. For example, some local governments such as Surrey and the District of North Vancouver only apply CACs in certain areas. The District of North Vancouver applies CACs to rezoning within a designated town or village centre. Local governments such as Langford apply different CAC levels in different areas. The third section provides information on what the benefiting amenities are and where CAC money is spent. The level of detail varies widely between local governments, as some identify specifically on what amenities the funds are expended while others do not commit funds in a specific manner.

The fourth section details how CACs are administered and calculated. Again, this varies widely. There are three main differences on how local governments apply CACs. The first is applying a set rate based upon the increase in allowable floor area proposed in the rezoning or by establishing a set per unit charge. This method provides certainty in the amounts of CAC that will be required. Due to the set charge and the resulting averaging that occurs, smaller rezonings proportionally become more expensive than larger rezonings. Other local governments desire to have a more flexible approach and have based their CAC contribution on a percentage of land lift. This allows better proportionality between smaller and larger rezonings but provides uncertainties in pro forma analyses for developers. The third main difference is that some local governments simply negotiate at the time of rezoning an amenity contribution. This method does not have any certainty for developers but provides local governments with a larger degree of flexibility to determine an appropriate amenity contribution on a case-by-case basis. Some local

governments apply CACs to commercial development and those are also outlined within the CAC policy table (Appendix A-6).

### ***3.11 Perspectives on Community Amenity Contributions Literature***

This section reviews the perspectives on CACs as expressed by the three main informant groups: local governments, the province, and the development community.

#### ***3.11.1 Municipal Perspective***

When local governments investigate alternative means to secure amenities, two zoning-based approaches are considered: density bonusing and CACs (City Spaces, 2012). The CAC approach derives from the discretionary authority to consider land use changes through an OCP amendment or a rezoning request. Density bonusing is a revenue tool authorized by Section 904 of the Local Government Act to allow developers to opt in to a density bonus subject to predefined criteria without a rezoning application or negotiation. Once established, density bonusing does not have any discretionary aspect and provides the same results consistently (City Spaces, 2012). Any amenity contribution that results from a density bonus can be predicted and anticipated by all interested parties.

Understanding the amenity implication from CACs acquired through a site-by-site negotiation is difficult to predict, thereby increasing the level of uncertainty for all parties (City Spaces, 2012). An area-wide approach to acquiring CACs increases the level of clarity and anticipation of amenity implications.

In 2013, the City of Vancouver received approximately \$133 million in amenity benefits from CACs acquired at the rezoning stage (Planning and Development Services, 2014). The

table below shows where the City of Vancouver allocated these benefits based upon the City of Vancouver’s Council priorities.

**Table 2: City of Vancouver 2013 Public Benefit Contributions by Category**

<b>Public Benefit Category</b>	<b>Contribution Value (\$ millions)</b>
Affordable Housing	\$63 M (+ 886 secured market rental units)
Parks and Open Spaces (incl. Public Art)	\$27 M
Heritage (on-site preservation & purchase of density)	\$13 M
Community Facilities	\$22 M
To be allocated	\$8 M
<b>Total</b>	<b>\$133 M</b>
2013 Annual Report on Community Amenity Contributions and Density Bonusing	

The City of Vancouver had 3% of their total Development Permits issued with money collected from CACs (Planning and Development Services, 2014). This means only 3% of the projects in Vancouver that needed a Development Permit paid a CAC. This shows that the majority of developments are approved within the existing zoning (Planning and Development Services, 2014). While a local government’s revenue can be improved by amenity contributions at the rezoning stage, the stakeholders within the system are not in agreement that a CAC system is beneficial to a community as a whole. Blogger, Karen Sawatzky, has developed a brief list of notable Vancouver civic leaders and urban thinkers who are either for or against CACs (Sawatzky, 2014). These leaders are categorized based on her opinion of their comments, which do not follow civic party lines and have contributed to an active debate.

**Table 3: List of Notable Vancouver leaders for or against CACs**

<p><b>For:</b></p> <ul style="list-style-type: none"> <li>• Geoff Meggs, Vision City Councillor on his own blog <a href="#">responding to professor Penny Gurstein’s op-ed</a> below.</li> <li>• Brent Toderian, Vancouver’s Director of Planning (2006-2012), <a href="#">responding on Frances Bula’s blog</a> to what he calls “a campaign to have ordinary people turn against public benefits by suggesting they are contributing to unaffordability.”</li> <li>• Gordon Price, Director of SFU’s City Program and former NPA city councillor, saying “<a href="#">The city shouldn’t give up this wonderful cash machine</a>. Also see this <a href="#">dialogue</a> between Price and Patrick Condon.</li> <li>• Peter V. Hall, Associate Professor of urban studies at SFU, <a href="#">responding to Michael Geller</a>.</li> </ul>
<p><b>Against:</b></p> <ul style="list-style-type: none"> <li>• Patrick Condon, Urban Design Program Chair, UBC: <a href="#">Vancouver’s spot zoning is corrupting its soul</a>.</li> <li>• Jak King, former President of the Grandview Woodland Area Council, who calls CACs “<a href="#">the crack cocaine of city finance</a>.”</li> <li>• Penny Gurstein, UBC SCARP Director, arguing that, “they are <a href="#">an obstacle to ending homelessness</a>”.</li> <li>• Bob Ransford, Consultant and former Real Estate Developer, <a href="#">on their effect on housing costs</a>.</li> <li>• Peter Ladner, former NPA City Councillor, on Gordon Price’s blog <a href="#">here</a>.</li> <li>• Ray Spaxman, former CoV Director of Planning: <a href="#">Is anyone else concerned?</a></li> <li>• Michael Geller, Architect and Development Consultant, on his <a href="#">own blog</a></li> <li>• Adrienne Carr, Green Party Councillor, saying the “The CAC system is broken” in the <a href="#">recent housing affordability debate</a> (at around 1:10).</li> </ul> <p>Source: <a href="http://karensawatzky.ca/2014/10/29/7868/">http://karensawatzky.ca/2014/10/29/7868/</a></p>

As a result of ongoing debate, the City of Vancouver worked with other local governments and the Ministry of Community Sport & Cultural Development to establish a provincial guideline on CACs for local government (Planning and Development Services, 2014).

**3.11.2 Developers’ Perspective**

Local governments attempt to avoid raising property taxes to pay for growth-related amenity costs and to shift that burden to the development industry by utilizing amenity contributions at the time of rezoning (Wilson, 2008). Developers claim they already pay their share of growth-related costs by increasing the tax base and by paying DCCs (Wilson, 2008). The Urban Development Institute agrees with the principles of development contributions; however, the Institute argues that the implementation of development contributions, are affecting planning

goals of local governments (2012). For example, the Urban Development Institute states the application of amenity contributions at the rezoning stage (CACs) has a major impact on housing affordability in BC (2012). The Urban Development Institute developed a list of eight core principles to which local governments should adhere (2012):

- 1) **Need and Nexus:** While UDI supports the [City of Coquitlam's] perspective that station areas along the Evergreen Line will benefit from increased community amenities, the proposed program fails to identify the nature and cost of those amenities and lacks a detailed capital plan. Secondly, the proposed program has not demonstrated the connection between new development and the demand for amenities that would be contained in any capital plan. Thirdly, the proposed program does not detail the correlation or relationship between beneficiaries of CAC-related amenities – that is new residents and existing residents – and any proposed amenities in station areas.
- 2) **Transparency:** UDI applauds the transparent nature in which the City of Coquitlam proposes to levy CACs, as outlined on page 2 of the proposed program. The City clearly outlines the rate and how it will be applied to additional residential floor space.
- 3) **Equity:** The [City of Coquitlam] has provided a map of TDS 'Core' areas and 'Shoulder' areas in which the proposed CAC program would apply. In this regard the proposed program has aligned with the 'Equity' principle in that all developments within the mapped areas will be levied based on their relative contribution to amenity needs. However, further clarity and analysis is needed with regards to amenity needs and the beneficiaries of those amenities – including existing residents.
- 4) **Certainty:** The [City of Coquitlam] has clearly identified the areas where new development will contribute CAC's, and has provided certainty to the numerical calculations of those CACs. In this regard, UDI believes the City's policy is firmly in line with the principle of 'Certainty'.
- 5) **Efficiency:** As noted above, the [City of Coquitlam] has yet to detail the proposed CAC program's related capital plan. Without a capital plan and clearly defined costs in support of such a plan, it is difficult to assess the efficiency of the proposed CAC program. UDI contends that a supporting capital plan – based on whole of life capital cost basis – would better justify that the proposed program meets the principle of 'Efficiency'.
- 6) **Consistency:** The proposed program is not based on an alternative approach of negotiation. Rather, it is transparent, has defined and clearly mapped contribution areas, and a defined cost for additional floor space. UDI

contends that the proposed program adequately supports the principle of ‘Consistency’.

- 7) **Right of Consultation and Arbitration:** UDI believes the [City of Coquitlam] has provided a framework that could support the ‘right of consultation’ of developers and landowners, as it relates to the proposed CAC program. The proposed program has not defined a mechanism of review should a developer believe that a calculated CAC may be unreasonable. Development requires an environment that provides both certainty and flexibility. UDI contends that a rigid CAC program must also provide for exceptions to the rule – particularly in instances where a calculated CAC may be unreasonable given the unique economic circumstances or attributes of an individual project.
  
- 8) **Accountability:** UDI firmly believes that any contributions system which lacks accountability, does a disservice to both the development industry and the community. UDI contends that the proposed framework could support the right of review for landowners and developers, and if so, would provide a basis in which the City of Coquitlam would levy CACs in an accountable manner.

Overall, the developers want less impact upon their industry. If developers are forced to contribute amenity contributions they prefer to see a consistent and a transparent approach. If a CAC system is established without an ad-hoc negotiation approach then this leads to setting CAC rates using averaging methods.

### ***3.11.3 Province of BC Perspective***

The Ministry of Community, Sport and Cultural Development who is responsible for local governments in BC published a guide on Community Amenity Contributions in March 2014 (Ministry of Community, Sport & Cultural Development, 2014). Multiple requests were made to the Ministry for an interview or for a comment but all requests went unanswered. The guide begins with an explanation of the background on CACs and the general rezoning process.

The next section of the guide labelled “Staying on a Solid Legal Footing” reviews the legislative framework of the *Local Government Act* and the *Community Charter* in which local governments operate, the discretionary powers of council and public interest considerations. It

concludes that there are legal risks associated with the CAC policies that many local governments in BC operate. The practices the Ministry recommends to avoid are:

- a) Imposing any charge, including CACs, for which there is no legal authority.
- b) Presenting an applicant/developer with a list of “required” contributions for rezoning to proceed.
- c) Adopting policies that could be:
  - construed as imposing charges for rezoning and implying these are not negotiable; or,
  - seen as committing the council/regional board to rejecting rezoning proposals unless the applicant/developer provides contributions.
- d) Guaranteeing an applicant/developer, either verbally or in writing, that a requested zoning amendment will pass if they make certain contributions.
- e) Requesting or directing the building inspector or subdivision approving officer to levy charges or require contributions that the council/regional board has no authority itself to impose.

(Ministry of Community, Sport & Cultural Development, 2014, p. 8)

The guide then provides a series of recommended practices for CACs:

- a) An analysis of what amenities are needed to address future growth and how those could be provided should be incorporated into the OCP or other appropriate plans.
- b) Councils/regional boards NOT focus on rezoning as a revenue source.
- c) Local governments apply the following principles to CACs:
  - i. nexus;
  - ii. proportionality; and,
  - iii. other DCC principles and practices to develop targets for CAC contributions.
- d) Local governments should adopt zoning measures that, in and of themselves, will increase affordable housing.
- e) Community amenity contributions should be:
  - i. limited to capital costs;
  - ii. earmarked for specific projects; and,
  - iii. kept in reserve funds and used only for the intended projects.
- f) Local governments should consider and apply, where relevant, the same principles and practices to the development and implementation of density bonus provisions in a zoning bylaw.
- g) Public records of all developer contributions be maintained.

(Ministry of Community, Sport & Cultural Development, 2014, p. 13)

The Ministry has taken the position with these recommendations that local governments should not have any set charges and should base each amenity contribution associated with a rezoning to nexus and proportionality. These are legal terms used in the United States and have no precedent in the British Columbian legal context. Nexus and proportionality represent a contribution that should be directly attributable to the proposed development and the amount of contribution amount based on the scale of the development, not on the land lift.

Section 4 of the guide attempts to explain the economic effects of CACs on the housing and land markets. The guide recommends that local governments focus on the supply of housing as contributing to housing affordability issues and the impacts that CACs have on the housing supply. Furthermore, the guide challenges the common narrative that the CACs are absorbed at the developer's level reducing the land vendor's profit. The guide reflects similar opinions on the housing and land markets as those expressed by online survey respondents and many interviewees within the current research.

The last section of the guide provides some options for local governments to obtain amenities. The recommendations are as follows:

- a) Make density bonus zoning the starting point when seeking amenities.
- b) If not density bonus zoning, then set targets for CACs and be open to negotiation at time of rezoning.
- c) Negotiating CACs based on a "lift" approach is inconsistent with the principles set out in this Guide. The CAC principles set out in this Guide, including 'planning ahead', nexus and proportionality, support an approach that clearly identifies community needs and the impacts associated with new development, and links the CAC not to the "lift" in land value, but rather to the cost of providing a package of amenities that makes sense given the development being proposed.

(Ministry of Community, Sport & Cultural Development, 2014, p. 19)

The planning practices recommended in the guide are in direct conflict with many local governments who operate CAC policies. Conversely, the guide does state that local governments

have discretionary powers to approve or to not approve a rezoning. By not changing the legislation, the Province has entered into the CAC debate without offering complete resolutions. This leaves local governments with the ability to ignore the guide's recommendations and the developers' requests by drawing upon their discretionary powers. For example, the City of Vancouver's annual report on CACs and Density bonusing stated:

“The review concluded that some small adjustments may be required, but on an overall basis, the City's approach to CACs has a high level of consistency with the best practices recommended in the guide (Planning and Development Services, 2014, p. 3).”

To note, the City of Vancouver uses a land lift approach in negotiation of CACs. This is in conflict with the provincial guideline. However, the city report states that they operate with a high level of consistency conforming to the best practices set out in the guide. The provincial guide can be interpreted differently depending on one's perspective.

## **4 - Review of the Impacts of CACs and Development Charges**

Similar to development charges, two impacts of CACs are the subsidizing effects of average costing methods and the effect on the unit prices of new real estate development.

### ***4.1 Subsidy Effects of Average Costing Methods***

Blais (2010) and others argue that the way local governments charge for public services sends price signals in the real estate market that counteracts planning policies intended to encourage compact development. An example is how local governments recover capital costs for linear infrastructure improvements such as roads, sewer, and water by charging DCCs on a per unit basis rather than estimating the amount it costs per lineal meter. This situation leads to an incentive of less dense and larger frontage lots as the smaller lots cross subsidize the larger lots. An expanded example of a cross subsidy in the pricing of municipal goods and/or services can be seen with the municipal costs for new roads. The amount of road needed varies with urban form but the price recovery is generally based on an averaging formula. If the municipal fee for roads is charged on a “per parcel” or on a “per unit” basis then a cross subsidy exists between large lot and small lot frontages. In this manner, it is argued that urban settlement patterns are affected by service pricing in which the producers or users of new development are charged a distorted amount, such that ‘hidden’ costs are subsidized or passed on to the general taxpayer.

Many studies on the cost of sprawl have concluded that sprawl costs local governments more relative to infrastructure and amenity provision than compact urban development patterns (Blais, 2010; Burchell, Downs, McCann, & Mukherji, 2005). Studies conducted in various US urban areas by Robert Burchell, concluded “that compact growth results in public–private capital and operating cost savings of between 12 percent and 26 percent for local roads, and between 7 percent and 14 percent for water and sewer infrastructure (Blais, 2010, p. 31).” Utilizing existing

services through a compact development scenario can save up to 10 percent on a local government's overall fiscal deficit as compared to a standard sprawl growth scenario (Burchell, Downs, McCann, & Mukherji, 2005).

Excessive low-density urban development is more expensive for local governments to finance (Carruthers & Ulfarsson, 2008). Urban development is a market process driven by supply, demand, and the resulting price. If costs that are associated with the production of housing and development are subsidized by the general taxpayer as evidenced with the provisions of community amenities, then this should lead to excessive development (Blais, 2010).

In British Columbia, DCCs are legislatively designated development charges with the sole purpose to recoup monies associated with infrastructure growth from development. They are limited to hard infrastructure services: roads, sewer, water, drainage, and parkland acquisition/improvement (Ministry of Community Services, 2000). The guiding principles behind DCCs in BC are: benefiter pays, fairness and equity in the amount distributed amongst benefitting parties, accountability (DCCs should be transparent and understandable by all stakeholders), certainty (to facilitate financial planning in the development industry), and consultative input on charges (Ministry of Community Services, 2000). A problem with development charges as a purely cost recovery tool is that they generally utilize average cost methods. This averaging of development charges can create perverse subsidies in the development market and encourages inefficient development patterns and investment (Clinch & O'Neil, September 2010; Blais, 2010). Development charges are an improvement on the previous methods of recovering growth-related infrastructure costs through general taxes (Blais, 2010). Unfortunately, when development charges are not based on the marginal costs of providing

infrastructure then they act as a hidden subsidy for inefficient development (Blais, 2010; Clinch & O'Neil, September 2010). Blais furthers her analysis by stating five generalizations about average cost based development charges (2012, pg. 92-96):

1. Low-cost areas subsidize high-cost areas;
2. Small lots subsidize large lots;
3. Smaller residential units subsidize larger units;
4. More intensive use of employment land is discouraged; and
5. Uses that generate lower levels of car trips subsidize uses that generate higher levels of car trips.

In essence, averaging disregards cost variations and does not reflect the actual costs of providing services to different types of developments in different areas (Blais, 2010). Regardless of planning visions, statements, and regulations, the most cross-subsidized or cross-penalized forms of development occur at the extremes. Based on this argument, the largest most inefficient and expensive development is the most heavily subsidized by the smallest, most affordable developments. Development charges or DCCs are set by finance departments of whose primary goals are cost recovery. Ultimately, the Council or the Board approves DCCs based upon Staff's input and recommendations.

The *Development Cost Charge Best Practice Guide* in British Columbia provides two options for setting up a DCC: either a municipal-wide charge or an area specific charge (Ministry of Community Services, 2000). Both options are based on average cost principles. The *Development Cost Charge Best Practice Guide* suggests every legislatively allowed DCC (roads, water, sewer, drainage, and parkland) be implemented as a municipal wide charge unless significant cost disparities exist and then considerations for an area specific charge may be considered (Ministry of Community Services, 2000). An area specific charge comes closer to representing marginal costs of providing services but would still suffer from the same cross-subsidies inherent in a municipal wide DCC application albeit on a smaller scale. The

*Development Cost Charge Best Practice Guide* states, “whichever approach is taken, it should support the principle of fairness and equity” and provide a list of criteria for making decisions (Ministry of Community Services, 2000, p. 2.5).

#### ***4.2 Impacts on Real Estate Prices and Markets***

Prices allocate the supply of every good according to the demand which can be viewed as the compilation of subjective values of individuals in descending order of importance in which the last good supplied is the one with marginal utility (Greaves, Jr., 2012). Prices are a function of subjective valuations and reciprocal impact placed upon all goods and the quantity of money in relation to all interested parties (Greaves, Jr., 2012). Accurate price signals ensure the optimal utilization of a resource. If prices exclude significant costs then consumers will over consume. Conversely, if prices include significant artificial costs then not enough consumption of a product or service will be consumed (Blais, 2010). Accurate pricing in real estate development would factor in cost variability in different locations, different sizes of buildings and lots, different modes of travel as well as an inclusion of externalized costs such as amenities, police, fire, and maintenance services (Blais, 2010).

Housing does not behave like a commodity because when a person buys or rents a dwelling unit, that person also buys into a set of taxes, amenities, schools, infrastructure, and a transportation system (Green, 2012). Housing is affected by both positive and negative externalities similar to any other commodity. However, Pennington argues that externalities are best addressed by individuals subject to certain assumptions:

“Put simply, the costs and benefits associated with environmental externalities are subjective and are best revealed through the actions and choices that people make when confronted with a range of competing alternatives and where there are adequate feedback mechanisms to communicate the content of the relevant choices (Pennington, 2006, p. 18).”

A problem in the housing market is that it rewards developers who can maximize the process of externalizing costs associated with the development of land. This increases the likelihood of a market failure situation in which the private costs, social costs and financial benefits are distorted and can have negative spill-over effects into the local economy (Ulbrich, 2011).

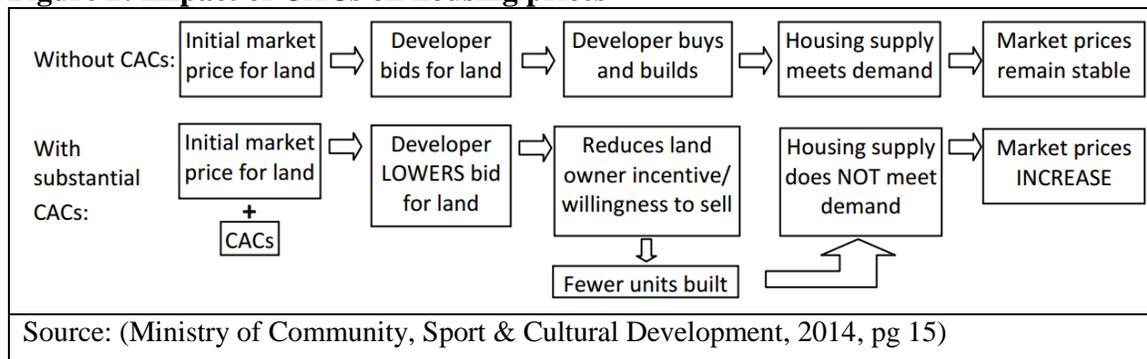
Infrastructure funding in the United States has been shifting from government to developers since the 1970s and academics have been theorizing its effects since then (Bryant & Eves, 2012). A second key article on this topic is Evans-Cowley and Lawhon (2003) which describes the state of theoretical knowledge on the effects of impact fees and development charges within a North American context. Unfortunately there are no Canadian studies analyzing these effects.

The literature suggests impact fees, which are similar to development fees, contribute to an inflation of housing prices when limited housing substitutes exist (Evans-Cowley & Lawhon, 2003). The same principle would also apply to development charges and CACs. In a perfectly competitive marketplace it is expected that the higher costs to the developer imposed by impact fees should be passed back to the original landowners, thus lowering the price of land and limiting the impact of the increase in housing prices (Evans-Cowley & Lawhon, 2003). However, more empirical research is needed to confirm this hypothesis (Evans-Cowley & Lawhon, 2003). Regardless of the payment mechanism, the literature is clear; when new infrastructure or amenities are developed the value of the improvements become capitalized into the price of homes and land as well as into the tax burden due to the resulting increase in assessment value (Evans-Cowley & Lawhon, 2003). This supports the assertion that buying a home involves buying into a bundle of goods, services, and resulting taxes. Overall, researchers in Canada and the United States have concluded theoretically, that impact fees are passed on to

home buyers in the long run resulting in price increases (Been, 2005; Burge & Ihlanfeldt, 2006; Evans-Cowley & Lawhon, 2003; Mathur, Waddell, & Blanco, 2004; Bryant & Eves, 2012).

The guide on CACs published by the BC government assumes that developers will find land vendors willing to sell at a lower price when an abundant supply of land is available (Ministry of Community, Sport & Cultural Development, 2014). Due to various factors including population growth, geography and the Agricultural Land Reserve, the availability of land is limited in BC’s urban areas which make landowners less likely to accept lower prices (Ministry of Community, Sport & Cultural Development, 2014). The concern resulting from this situation is that landowners will not accept lower bids and as a result fewer projects will proceed resulting in new dwelling units not satisfying demand, which puts upwards pressure on housing prices (Ministry of Community, Sport & Cultural Development, 2014). When CACs are widely utilized they may increase the price of housing in the overall market (Ministry of Community, Sport & Cultural Development, 2014). Figure 2 shows that market prices remain stable without CACs.

**Figure 2: Impact of CACs on housing prices**



The empirical research is generally consistent with the theoretical conclusions in that an imposition of an impact fee leads to greater housing prices in the overall market (Bryant & Eves, 2012). Table 4 summarizes the research regarding the amount prices increase in the housing market after the imposition of an impact fee (Bryant & Eves, 2012). The research indicates that

an over-shifting of impact fees occurs (i.e. \$1 of impact fees leads to greater than \$1 increase in new housing prices) and the accepted reasoning is that developers generally seek a greater return on increased costs, risk or perceived risk (Burge & Ihlanfeldt, 2006; Ihlanfeldt & Shaughnessy, 2004; Bryant & Eves, 2012). However, the increase in housing prices indicated by the data can vary greatly depending on a number of factors described from the latest studies outlined in Table 4 (Bryant & Eves, 2012).

**Table 4: Empirical Research Models and Findings**

<b>Year / Author</b>	<b>Methodology</b>	<b>Impact per additional \$1 of infrastructure charge</b>	<b>Comments</b>
2004 Mathur, Waddell and Blanco	Hedonic model based on the value of new homes in three price categories across 38 cities and towns 1991-2000 [Washington State]	+\$0.60 Low quality +\$1.66 Mid quality +\$3.58 High quality	First evidence of differential impacts across housing types. Overall effects of impact fees are accumulative (positive) with amount of over shifting dependent upon the end house value (deemed measure of quality).
2004 Ihlanfeldt and Shaughnessy	Hedonic and repeat sales and regression methods (using time series data) for 39,792 new homes and 107,376 existing homes and land [Florida]	+\$1.64 New homes +\$1.68 Existing homes. -\$1.00 Undeveloped land	Evidence supports the new view, that impact fees add value for consumers that lower future property tax rates, with that value capitalised into current house prices. The finding that undeveloped land values fall at the same time is interesting. It is attributed to developer uncertainty regarding future increases in fees.
2004 Campbell	Hedonic modelling for 279,000 new and existing homes and 45,000 vacant land sales 1997 – 2001 [Orlando SMSA, Florida]	+\$1.60 New homes +\$1.00 Existing homes Undeveloped land results not conclusive	Average price effect coefficient for new homes is generally consistent with Ihlanfeldt and Shaughnessy and Mathur et al for new homes.
2005 Evans, Cowley, Forgey and Rutherford	Pooled cross-sectional OLS + fixed and random effects models. 1999 data. [43 cities in Austin, Fort Worth, Dallas and Houston, Texas]	+ \$0.13 Developed lot value - \$0.04 Undeveloped land	Research examines the impact on the price of undeveloped and developed land (rather than housing). Research supported an increase in the price of developed land, with minor back passing for undeveloped land.
2006 Burge and Ihlanfeldt	House price indices + regression analysis for new and existing homes in 41 counties for small, medium and large homes (by square footage) 1993-2003 [Florida]	+\$0.38 Small home +\$0.82 Mid-size home + \$1.27 Large home	Evidence of differential over shifting by home size. Evidence supports the new view, that impact fees add value for consumers that lower future property tax rates, with that value capitalised into current house prices.
Source: (Bryant & Eves 2012, p4)			

The data from the US suggests a 50% to 70% increase in new housing costs (i.e. \$1 impact fee = ~\$1.50 to \$1.70 increase in new housing prices) and these conclusions are consistent with the studies that pre-date the latest four studies described above (Bryant & Eves, 2012). This means if the average house price is \$300,000 and a local government imposes an impact fee that averages \$50,000 per house then the resulting new house prices would be between \$375,000 and \$385,000. However, there has been no similar study performed in Canada to determine if DCCs and CACs behave similarly, and if so, to what degree. It was also noted that the impact fees charged in the five cases were very low relative to the marginal cost of providing the infrastructure (Bryant & Eves, 2012).

## **5 - Data Results and Analysis**

A total of one hundred and eighty five (185) invitations were sent to planners, politicians, and developers to complete an online survey and to ask their availability for an interview. Forty-four (44) responded to the online survey and ten (10) of those were available for a detailed semi-structured interview. The ten participants from the interview data included: seven planners, two developers, and two politicians. Interviewees were selected to include key individuals with more expertise regarding CACs. Planners were the largest group of qualified individuals with relevant CAC experience and expertise therefore they represented the largest group sampled.

### ***5.1 Online Survey Data***

Forty-four (44) participants responded to the online survey. The most responses came from planners (28), then politicians (12), and then developers (4). Approximately 21 local governments in BC have formalized CAC policies most of which have been recent adoptions with little time for many developers to go through the process. Due to the lower number of developers participating in the online survey it is difficult to compare their responses with those from the planners and the politicians. It is logical that the most respondents were planners, then politicians, and lastly developers due to time restraints. A planner's job includes answering inquiries, a politician may not be available for every inquiry, and developers are busy with their projects to take time to answer a researcher's questions. Four developers is a low number relative to the potential number of respondents with CAC experience.

**Q1 Do you provide consent, as written on the Informed Consent form, for the researcher to use this data?**

**Table 5: Online Survey - Q1**

Answer Options	Which category below best describes your professional role?			Response Percent	Response Count
	Politician	Planner	Developer		
Yes	11	27	3	93.0%	40
No	1	1	1	7.0%	3
Comment					3

Responses:

1. But without attribution by name or location with permission
2. Please note the Township of Langley uses a flat per acre charge with the logic being there is no penalty for providing multiple family residential. Since we are skipping a development stage and going from green field for urban some of the answers are counter-intuitive and reflect this philosophy.
3. Do not know what you are referring to.

There were three respondents that did not provide informed consent however they did write comments that justify including their responses in the results and thus they were not eliminated.

**Q2 Which category below best describes your professional role?**

**Table 6: Online Survey - Q2**

Answer Options	Politician	Planner	Developer	Response Percent	Response Count
Politician	12	0	0	27.9%	12
Planner	0	28	1	65.1%	28
Developer	0	1	4	9.3%	4
Other (please specify)					4

Other Responses:

1. Retired Architect – Businessman
2. Economic Consultant
3. Non-profit organization serving the development industry
4. Finance

**Q3 Have you been interviewed by the researcher on this topic?**

**Table 7: Online Survey - Q3**

Answer Options	Which category below best describes your professional role?			Response Percent	Response Count
	Politician	Planner	Developer		
Yes	1	1	0	4.7%	2
No	9	21	4	76.7%	33
I will be contacting the researcher for an interview	2	5	0	16.3%	7
Other (please specify)	0	1	0	2.3%	1

**Q4 Please indicate your level of agreement with the following statements:**

**Table 8: Online Survey – Q4**

Please indicate your level of agreement with the following statements:					
Answer Options	Which category below best describes your professional role?			Response %	Response Count
	Politician	Planner	Developer		
<b>Overtime more municipalities in BC will adopt Community Amenity Contribution (CAC) policies.</b>					
Strongly Agree	7	13	3	52%	23
Agree	3	9	1	30%	13
Neither Agree nor Disagree	1	2	0	7%	3
Disagree	1	2	0	7%	3
Strongly Disagree	0	1	0	2%	1
Don't Know	0	1	0	2%	1
<b>Total Answered</b>	<b>12</b>	<b>28</b>	<b>4</b>	<b>100%</b>	<b>44</b>
Percentage that agreed	83%	79%	100%	81.8%	36
Percentage that disagreed	8%	11%	0%	9.1%	4
<b>Municipalities with CAC policies will phase them out.</b>					
Strongly Agree	1	1	0	5%	2
Agree	0	0	0	0%	0
Neither Agree nor Disagree	1	2	0	8%	3
Disagree	5	12	1	47%	18
Strongly Disagree	3	8	3	37%	14
Don't Know	1	0	0	3%	1
<b>Total Answered</b>	<b>11</b>	<b>23</b>	<b>4</b>	<b>100%</b>	<b>38</b>
Percentage that agreed	9%	4%	0%	5.3%	2
Percentage that disagreed	73%	87%	100%	84.2%	32

The responses to the fourth question (Q4) of the online survey shows 82% of respondents took the position that CACs will expand and local governments will not phase these policies out.

This response indicates understanding CACs is important, especially by the people evaluating

the effectiveness of CACs in BC, as CACs will likely not decrease in significance. The answer that most respondents gave indicating that local governments would not phase out CACs was expected, because of the current and potential revenue streams of CACs. The question was asked because of the current legal uncertainty regarding CAC schemes. There have been warnings from municipal lawyers in BC cautioning local governments with legal advice about the risks of adopting a CAC scheme, however, these warnings have not affected the participants' expectations that CACs will not be eliminated or phased out (Bulholzer, 2011). The responses that most participants agreed that more local governments would adopt CACs in BC was expected because of the success some Lower Mainland local governments have been in generating revenue for amenity expenditures. The interview data revealed that many respondents thought new CAC implementation is context dependent and usually requires higher growth rates. The online survey results show strong agreement that new CAC implementation would increase regardless of context.

**Q5 Please indicate your level of agreement with the following statements, Community Amenity Contributions are an effective tool to:**

**Table 9: Online Survey – Q5**

Answer Options	Which category below best describes your professional role?			Response %	Response Count
	Politician	Planner	Developer		
<b>Reduce Sprawl</b>					
Strongly Agree	0	0	0	0%	0
Agree	0	2	0	5%	2
Neither Agree nor Disagree	4	11	3	42%	18
Disagree	7	11	1	44%	19
Strongly Disagree	0	2	0	5%	2
Don't Know	1	1	0	5%	2
<b>Total Answered</b>	<b>12</b>	<b>27</b>	<b>4</b>	<b>100%</b>	<b>43</b>
Percentage that agreed	0%	7%	0%	4.7%	2
Percentage that disagreed	58%	48%	25%	48.8%	21
<b>Finance capital amenity improvements</b>					
Strongly Agree	7	12	2	48%	21
Agree	4	14	2	45%	20
Neither Agree nor Disagree	0	0	0	0%	0
Disagree	1	0	0	2%	1
Strongly Disagree	0	2	0	5%	2
Don't Know	0	0	0	0%	0
<b>Total Answered</b>	<b>12</b>	<b>28</b>	<b>4</b>	<b>100%</b>	<b>44</b>
Percentage that agreed	92%	93%	100%	93.2%	41
Percentage that disagreed	8%	7%	0%	6.8%	3
<b>Encourage efficient new urban development</b>					
Strongly Agree	0	4	1	11%	5
Agree	7	11	2	44%	20
Neither Agree nor Disagree	0	7	0	16%	7
Disagree	4	5	1	22%	10
Strongly Disagree	0	2	0	4%	2
Don't Know	1	0	0	2%	1
<b>Total Answered</b>	<b>12</b>	<b>29</b>	<b>4</b>	<b>100%</b>	<b>45</b>
Percentage that agreed	58%	52%	75%	55.6%	25
Percentage that disagreed	33%	24%	25%	26.7%	12
<b>Create a fairer system of financing community amenities and soft infrastructure improvements.</b>					
Strongly Agree	4	6	0	23%	10
Agree	5	17	2	55%	24
Neither Agree nor Disagree	0	3	0	7%	3
Disagree	2	1	1	9%	4
Strongly Disagree	1	1	1	7%	3
Don't Know	0	0	0	0%	0
<b>Total Answered</b>	<b>12</b>	<b>28</b>	<b>4</b>	<b>100%</b>	<b>44</b>
Percentage that agreed	75%	82%	50%	77.3%	34
Percentage that disagreed	25%	7%	50%	15.9%	7

The fifth question examines the purpose or purposes of CACs. Planners, politicians, and developers all agreed that CACs are an effective tool to finance community amenity improvements. A large majority of planners (82%) believe CACs are creating a fairer system of financing community amenities with most politicians (75%) in agreement. Developers were split whether it made a more fair system or not. These results were expected, as one of the rationales stated in the interview data was the concept of ‘growth should pay for growth costs’ instead of the general taxpayer contributing to capital amenity projects precipitated by growth.

There was a mix of responses on whether CACs encourage efficient new urban development. Almost equal number of politicians disagreed as agreed with the statement with a couple slightly agreeing. Planners were also split, with a slight majority (51%) agreeing with the statement but with a significant number neither agreeing nor disagreeing (24%). The developers had one disagreement, one strong agreement, and two slight agreements. The overall slight agreement that CACs encourage efficient new urban development is surprising when almost all the planners, developers, and politicians (95%) did not agree that CACs were an efficient tool to reduce sprawl. Again, this result is surprising because a majority of overall respondents (58%) agree that CACs encourage efficient development but most (95%) do not agree CACs are an effective tool to reduce sprawl. Perhaps it is the meaning of sprawl that respondents were confused with. Generally, it was pre-supposed that sprawl meant non-efficient development. Another interpretation is the respondents’ viewed sprawl more as a form of development that can be efficient at the same time. Almost all respondents (93%) agreed that CACs are an effective tool to finance capital amenity improvements. The online survey responses from all three groups of participants failed to show any rationale or purpose for CACs other than generating revenue and providing an ‘effective’ financing system for community amenities.

**Q6 Please indicate your level of agreement with the following statements, Community Amenity Contributions are most effective when:**

**Table 10: Online Survey – Q6**

Answer Options	Which category below best describes your professional role?			Response %	Response Count
	Politician	Planner	Developer		
<b>A negotiated approach is taken for all rezonings.</b>					
Strongly Agree	1	3	0	9%	4
Agree	5	8	1	32%	14
Neither Agree Nor Disagree	2	5	1	18%	8
Disagree	3	8	1	27%	12
Strongly Disagree	1	3	1	11%	5
Don't Know	0	1	0	2%	1
<b>Total Answered</b>	<b>12</b>	<b>28</b>	<b>4</b>	<b>100%</b>	<b>44</b>
Percentage that agreed	50%	39%	25%	40.9%	18
Percentage that disagreed	33%	39%	50%	38.6%	17
<b>A flat per unit amenity charge is applied.</b>					
Strongly Agree	4	3	0	16%	7
Agree	3	12	2	39%	17
Neither Agree Nor Disagree	2	5	0	16%	7
Disagree	3	7	2	27%	12
Strongly Disagree	0	1	0	2%	1
Don't Know	0	0	0	0%	0
<b>Total Answered</b>	<b>12</b>	<b>28</b>	<b>4</b>	<b>100%</b>	<b>44</b>
Percentage that agreed	58%	54%	50%	54.5%	24
Percentage that disagreed	25%	29%	50%	29.5%	13
<b>A charge is applied to the increase in area (square footage) from a rezoning.</b>					
Strongly Agree	1	7	0	18%	8
Agree	4	14	3	48%	21
Neither Agree Nor Disagree	4	2	0	14%	6
Disagree	3	3	1	16%	7
Strongly Disagree	0	1	0	2%	1
Don't Know	0	1	0	2%	1
<b>Total Answered</b>	<b>12</b>	<b>28</b>	<b>4</b>	<b>100%</b>	<b>44</b>
Percentage that agreed	42%	75%	75%	65.9%	29
Percentage that disagreed	25%	14%	25%	18.2%	8

A mixed method approach for calculating the amenity charge is applied dependent on the rezoning circumstances.					
Strongly Agree	1	4	1	14%	6
Agree	6	9	2	39%	17
Neither Agree Nor Disagree	1	5	1	16%	7
Disagree	3	4	0	16%	7
Strongly Disagree	1	3	0	9%	4
Don't Know	0	3	0	7%	3
Total Answered	12	28	4	100%	44
Percentage that agreed	58%	46%	75%	52.3%	23
Percentage that disagreed	33%	25%	0%	25.0%	11
Different amenity charges should be applied to different areas within the municipality.					
Strongly Agree	1	4	0	11%	5
Agree	6	17	4	61%	27
Neither Agree Nor Disagree	1	2	0	7%	3
Disagree	3	3	0	14%	6
Strongly Disagree	1	2	0	7%	3
Don't Know	0	0	0	0%	0
Total Answered	12	28	4	100%	44
Percentage that agreed	58%	75%	100%	72.7%	32
Percentage that disagreed	33%	18%	0%	20.5%	9
Downtown areas should have a cheaper amenity charge relative to the periphery of a municipality.					
Strongly Agree	2	2	0	9%	4
Agree	2	3	2	16%	7
Neither Agree Nor Disagree	0	2	0	5%	2
Disagree	5	15	1	48%	21
Strongly Disagree	3	6	1	23%	10
Don't Know	0	0	0	0%	0
Total Answered	12	28	4	100%	44
Percentage that agreed	33%	18%	50%	25.0%	11
Percentage that disagreed	67%	75%	50%	70.5%	31

The sixth question explores the participant's views on how CACs should be applied. This question was crafted to illuminate what are the best methods or most effective methods to apply CACs in the respondent's opinions. There was a wide distribution of answers amongst all participants recommending different methods to apply CACs. This result reinforces the trend that CACs primary purpose is only to fund capital amenities as there is no consistent theme recommending a certain type of CAC method.

Seventy-five percent (75%) of planners, forty-two percent (42%) of politicians, and seventy-five percent (75%) of developers agreed that a CAC should be applied to the increase in area

from a rezoning, however all participants were divided on whether a negotiated approach or a flat per unit amenity charge, should be applied to all rezonings. The mixed method approach, which applies a different CAC calculation depending on the type of rezoning, had just over half of the respondents (51%) in agreement. This is consistent with current practice as many different methods are used to calculate CACs depending on the local government.

Two developers agreed and two disagreed that the downtown areas should have a lower amenity charge relative to the periphery of a local government. Most planners (81%) and politicians (67%) disagreed with that statement. Most participants (74%) agreed with the principle that different amenity charges should be applied to different areas within the local government with a third of politicians disagreeing and a few planners disagreeing. The last two questions in this section were linked. If participants agreed with the last two sub-questions then it indicates that participants wished to use CACs to influence urban form as most of the CAC money collected is from the centre of the local governments. Seventy-four percent (74%) of the participants agreed that amenity charges should be applied in different areas but seventy-four percent (74%) of the participants disagreed that the downtown areas should have a cheaper amenity charge relative to the periphery of the local government. From the perspective of maximizing revenues, it makes sense that participants would desire a differential CAC rate within the local government and a higher or equal rate within the downtown.

*Q7 Please indicate your level of agreement with the following statements:*

**Table 11: Online Survey – Q7**

Answer Options	Which category below best describes your professional role?			Response %	Response Count
	Politician	Planner	Developer		
Land speculation is a problem when the purchase price of a development site leaves little or no room for an amenity charge					
Strongly Agree	3	8	1	27%	12
Agree	4	9	1	32%	14
Neither Agree Nor Disagree	3	3	2	18%	8
Disagree	2	6	0	18%	8
Strongly Disagree	0	2	0	5%	2
Don't Know	0	0	0	0%	0
Total Answered	12	28	4	100%	44
Percentage that agreed	58%	61%	50%	59.1%	26
Percentage that disagreed	17%	29%	0%	22.7%	10
When a parcel of land has a higher allowable density in the OCP compared to the existing zone, land tends to trade at the current zoning price rather than the OCP value.					
Strongly Agree	0	0	0	0%	0
Agree	8	5	0	30%	13
Neither Agree Nor Disagree	2	1	1	9%	4
Disagree	1	14	2	39%	17
Strongly Disagree	0	4	1	11%	5
Don't Know	1	4	0	11%	5
Total Answered	12	28	4	100%	44
Percentage that agreed	67%	18%	0%	29.5%	13
Percentage that disagreed	8%	64%	75%	50.0%	22
DCCs should be changed away from average cost recovery to a marginal cost basis to reflect the incremental costs of providing the infrastructure.					
Strongly Agree	0	1	0	2%	1
Agree	6	5	2	30%	13
Neither Agree Nor Disagree	0	10	0	23%	10
Disagree	5	5	2	27%	12
Strongly Disagree	0	1	0	2%	1
Don't Know	1	6	0	16%	7
Total Answered	12	28	4	100%	44
Percentage that agreed	50%	21%	50%	31.8%	14
Percentage that disagreed	42%	21%	50%	29.5%	13

CACs should be used to correct the externalities within the housing market to encourage a more efficient urban form.					
Strongly Agree	0	1	0	2%	1
Agree	3	7	2	27%	12
Neither Agree Nor Disagree	4	8	1	29%	13
Disagree	3	9	1	29%	13
Strongly Disagree	2	2	0	9%	4
Don't Know	1	1	0	4%	2
Total Answered	13	28	4	100%	45
Percentage that agreed	23%	29%	50%	28.9%	13
Percentage that disagreed	38%	39%	25%	37.8%	17

The seventh question was designed to probe participant's views on municipal pricing and their willingness to use market mechanisms to further planning goals. The first sub-question within this section is meant to reflect the assumption regarding whether the intent of CACs is to capture the land lift during the rezoning process. The majority of participants (60%) agreed that land speculation is a problem when the purchase price of a development site leaves little or no room for an amenity charge (assuming no change in profit margins). A minority of participants (19%) stated they neither agreed nor disagreed. The majority felt that land speculation is an issue when there is no room for a CAC due to the purchase price. This can be interpreted that the majority believe the intent of CACs is to capture the land lift. This does not provide any evidence that there is an actual land lift to be extracted but only that the perception of that mechanism exists.

The next sub-question was intended to investigate how the participants perceived the impacts (on the market and land prices) of a parcel of land being zoned for a different allowable density than what the OCP designates on that property. The majority of politicians (67%) agreed with the perception that land tends to trade at the zoning value when the OCP allows for a higher density. The majority of planners (64%) and developers (3 of 4) disagreed with that statement. Developers and planners may have more experience and more familiarity with the real estate

market, which tends to reflect the anticipated land value, and may explain why they disagreed with the politicians on this sub-question.

Politicians, planners, and developers were split (almost 50/50) on whether DCCs should be utilizing a marginal cost basis instead of an average cost basis. Approximately 35% of planners neither agreed nor disagreed and approximately 20% of planners said they don't know. This is somewhat of a surprising result if it is assumed that all the participants were well versed in the implications of a marginal charge approach. It would be expected that developers and politicians would disagree due to perceived administrative complexity of undertaking a marginal cost recovery DCC program. It would also be expected that planners would have been more in favour of switching to a marginal cost DCC program as it would further many OCP goals and policies of encouraging affordable housing and greater efficiency of infrastructure.

The last sub-question is meant to reveal whether participants were willing to use a market mechanism or a price signal to further planning goals. This sub-question had a large response of 'do not know' or neither agreeing nor disagreeing (35%). The rest of the participants were divided (30% agreed and 40% disagreed). This result is consistent with the idea that the only purpose of CACs is to raise revenue. Every policy or action can have secondary purposes but clearly from the results there is significant disagreement on how CACs should be used other than to raise revenue for amenity capital expenditures. The mixed results amongst planners, forty percent (40%) in disagreement and twenty-nine percent (29%) in agreement, shows the uncertainty planners have regarding the effects of CACs.

*Q8 Community Amenity Contributions are effectively:*

**Table 12: Online Survey – Q8**

Answer Options	Which category below best describes your professional role?			Response %	Response Count
	Politician	Planner	Developer		
<b>Voluntary.</b>					
Strongly Agree	0	2	0	5%	2
Agree	2	8	0	23%	10
Neither Agree Nor Disagree	1	3	1	11%	5
Disagree	8	8	1	39%	17
Strongly Disagree	1	7	2	23%	10
Don't Know	0	0	0	0%	0
<b>Total Answered</b>	<b>12</b>	<b>28</b>	<b>4</b>	<b>100%</b>	<b>44</b>
Percentage that agreed	17%	36%	0%	27.3%	12
Percentage that disagreed	75%	54%	75%	61.4%	27
<b>A hidden tax.</b>					
Strongly Agree	2	1	2	12%	5
Agree	6	3	0	21%	9
Neither Agree Nor Disagree	0	5	2	16%	7
Disagree	3	11	0	33%	14
Strongly Disagree	1	7	0	19%	8
Don't Know	0	0	0	0%	0
<b>Total Answered</b>	<b>12</b>	<b>27</b>	<b>4</b>	<b>100%</b>	<b>43</b>
Percentage that agreed	67%	15%	50%	32.6%	14
Percentage that disagreed	33%	67%	0%	51.2%	22
<b>A profit sharing tool amongst taxpayers, developers, and land owners.</b>					
Strongly Agree	0	2	0	5%	2
Agree	5	10	2	40%	17
Neither Agree Nor Disagree	0	3	0	7%	3
Disagree	6	6	1	31%	13
Strongly Disagree	1	6	0	17%	7
Don't Know	0	0	0	0%	0
<b>Total Answered</b>	<b>12</b>	<b>27</b>	<b>3</b>	<b>100%</b>	<b>42</b>
Percentage that agreed	42%	44%	67%	45.2%	19
Percentage that disagreed	58%	44%	33%	47.6%	20

Increase the cost of new housing.					
Strongly Agree	3	3	2	18%	8
Agree	8	13	0	48%	21
Neither Agree Nor Disagree	1	1	1	7%	3
Disagree	0	7	1	18%	8
Strongly Disagree	0	3	0	7%	3
Don't Know	0	1	0	2%	1
Total Answered	12	28	4	100%	44
Percentage that agreed	92%	57%	50%	65.9%	29
Percentage that disagreed	0%	36%	25%	25.0%	11
Reduce the cost of land.					
Strongly Agree	0	1	0	2%	1
Agree	1	12	0	30%	13
Neither Agree Nor Disagree	1	4	1	14%	6
Disagree	8	8	2	41%	18
Strongly Disagree	1	3	1	11%	5
Don't Know	1	0	0	2%	1
Total Answered	12	28	4	100%	44
Percentage that agreed	8%	46%	0%	31.8%	14
Percentage that disagreed	75%	39%	75%	52.3%	23

The eighth question focuses on analyzing the participant's views regarding the effect of CACs. The sub-question asks whether CACs are effectively voluntary. This question was asked because there is limited legal rationale to permit local governments to obtain CACs. When local governments originally adopted CACs policies it has been stated through legal advice that CACs should be a voluntary exchange with the developer and not be perceived as a tax on development (Bulholzer, 2011). As more local governments have adopted CAC policies and their use has increased in BC, it is important to understand whether CACs are still viewed that way. A majority of survey participants (60%) disagreed that CACs are effectively voluntary. This included 74% of politicians, 55% of planners, and three of four developers (the other developer neither agreed nor disagreed). This result was expected as politicians and developers understand the implicit reality of CACs: if you do not pay them you will likely not get your project approved. It was unexpected that some planners viewed CACs as voluntary but this is probably

reflecting the view that CACs are supposed to be voluntary under the current legislative framework.

Some 65% of politicians agreed that CACs are a hidden tax. The majority of planners (65%) disagreed that CACs are a hidden tax while two developers strongly agreed and the other two neither agreed nor disagreed. The results further the hypothesis that CACs are used purely as a revenue-raising tool and that CACs are stretching the interpretation of the *Local Government Act* in order to raise more revenue.

Two developers strongly agreed, while almost all the politicians (92%) and the majority of planners (57%) agreed that CACs effectively increase the cost of new housing. A significant minority of planners (39%) and one developer disagreed with the statement. There is a trend within this set of questions whereby the politicians and the developers tend to agree on the effects of the CACs and while some portion of planners hold the opposite view regarding the effects of CACs. This was expected because planners tend to be more isolated from the profit and loss system of evaluating effects of a policy and therefore rely more on the common perceptions of effects.

In the online survey, a strong majority of politicians (83%), three developers, and a minority of planners (39%) disagreed that CACs effectively reduce the cost of land. This result is consistent with the interview data in which a majority of planners interviewed concluded CACs would reduce the cost of land. This assumption leads to the belief that the local government can regulate the percentage of profit a developer makes on a project and assumes the land vendors will reduce their price correspondingly to what the local government decrees is a fair share contribution to a CAC program and the allowable densities.

All of the participants were divided on whether CACs are effectively a profit sharing tool amongst taxpayers, developers, and land owners. The results appear contradictory if the participants believed that one of the goals of CACs is to capture the value of land lift during rezonings. If that is the case, more participants should have agreed that CACs are effectively a profit sharing tool. However, it is not surprising that forty-five percent (45%) of participants disagreed with the profit sharing tool idea because the majority of participants (66.6%) disagreed that CACs reduce the cost of land, which supports the hypothesis that the participants do not agree that one of the CAC goals is to capture the value of land lift during rezonings.

**Q9** *The Local Government Act should be amended to expand local governments’ ability to use Development Cost Charges for other amenities and soft infrastructure items?*

**Table 13: Online Survey – Q9**

Answer Options	Which category below best describes your professional role?			Response %	Response Count
	Politician	Planner	Developer		
Strongly Agree	2	9	1	27%	12
Agree	7	10	2	43%	19
Neither Agree Nor Disagree	1	1	0	5%	2
Disagree	0	4	0	9%	4
Strongly Disagree	1	2	1	9%	4
Don't Know	1	2	0	7%	3
Total Answered	12	28	4	100%	44
Percentage that agreed	75%	68%	75%	70.5%	31
Percentage that disagreed	8%	21%	25%	18.2%	8

The ninth question is meant to directly ask whether the participant’s thought the *Local Government Act* should be amended to expand DCCs to include other amenities and soft infrastructure items. This question produced the strongest agreement by online survey participants in which 72% agreed with the statement that DCCs should be expanded. This result was expected but it was slightly surprising that 29% of planners disagreed. This result indicates survey participants desire to expand the ability to generate revenue from new development but

have different opinions on how best to achieve that desire. Participants may prefer the relatively simple process of CACs relative to the justified analysis required through DCCs or participants may prefer the flexibility that a negotiated approach to amenities provides rather than a more prescribed approach.

## ***5.2 Interview Data***

***Q1*** *Could you please describe your role and/or your involvement with your organization?  
And*

***Q2*** *Can you describe your familiarity and knowledge with Community Amenity Contributions?*

The answers varied with the type of interviewee. If the respondent was a planner, they described their role within their organisation and briefly stated some example applications where CACs were involved. If the respondent was a politician, they described which local government they were elected in and reviewed the recent files they voted on which had CAC implications. If the respondent was a developer, they described which company they worked for, which local government reviewed most of their recent projects, and the results of the projects that were affected by CACs.

***Q3*** *What do you see as the purpose of CACs?*

Planners, politicians, and developers all answered that the main purpose of CACs is to fund community amenities that the community needs as a result of residential growth. The most common view expressed by participants regarding the purpose of CACs is represented in the following quote:

“[The purpose is] to be able to collect some funding to be able to provide amenities that the community needs.”

Planners and politicians did not describe whom or what determines that need. Both groups agreed that the cost to the local government goes up when residential growth occurs due to provision of new amenities as a result of increased demand. One politician elaborating on the purpose of CACs stated that it was also an issue of fairness and equity, saying:

“[That the developer should pay] an additional density beyond the base value can be viewed as being owned by the community thus a CAC can be seen as the price in the transaction of that density to exclusive ownership of a developer.”

Furthermore, that politician stated an alternative purpose for CACs is to influence the housing market in order to moderate land speculation. The developer’s focus was on local governments utilizing CACs as a revenue tool rather than a planning tool.

“I think the real reason why municipalities want to use different CAC approaches and usually on a percentage of land value approach or percentage of land lift approach is that they are treating CACs not as a planning tool, but as a revenue tool.”

Developers alleged that money collected by CACs sometimes go into general revenue and are not spent on amenities. In that circumstance, CAC collection could be at risk for being challenged as a hidden tax and being declared illegal. This would be contingent on someone spending the resources to challenge this practice in the courts and risk the interpretation of a judge. If general revenue is spent on amenities, the proportions may not be equal and still could be considered an illegal ‘tax’. Regardless, the intent can be viewed as a revenue tool rather than a community-planning tool. In the interview, the developers go into further detail (in later questions) about what makes a CAC a planning tool or a revenue tool. Overall, the major theme that emerged from all the participants was the current purpose for CACs is to collect money for capital expenditures to be spent on community amenities and not used as a planning tool to influence urban form.

***Q4 In your community, how does the CAC system function?***

The following statement by one planner summarizes the overall participants' opinions on the basic principle of CACs:

“CAC's are only considered at rezonings therefore they are a condition of rezoning. You can put it as a condition, just as there are many other conditions under rezoning but a CAC is a contribution from a developer. It reflects generally the higher density or higher land use that's permitted on the site as well as it reflects the change in land value between the current land value and the new and improved land value. It is a share of that increase in land value and the contribution goes towards community amenities on site or as close as possible to the site if it can't be located on site.”

The participants described four basic methods to collect CACs. One is to capture a percentage of the land lift in a negotiated approach on a site-by-site basis. The second method is to establish a set rate be it a dollar per unit amount or a dollar per increase in area (square footage). The third method is to identify a list of amenities (either municipal wide or area specific) and estimate the number of new units above the allowable densities (either municipal wide or area specific) and then distribute all or a percentage of the costs across the new developments. The final method described was a density bonus but since that mechanism is explicitly stated in the *Local Government Act* this study does not address it, however, you could combine this method with the third method and implement the cost distribution utilizing a density bonus system.

***Q5 Do you have any preference or recommendations on how CACs should be applied?***

All the participants agreed with the characterization that the difference between the two most common methods (the negotiated or the set rate approach) is a trade-off between certainty and flexibility, however each participant had a different emphasis on which characteristic was more important (flexibility or certainty). For example, this politician stated:

“I do feel that your comment and characterization is fair regarding the difference between the land lift approach as compared to square footage calculation and this

can be described as a balance between certainty and flexibility but I think I would rather 'lean' on the side of more certainty than flexibility.”

The set rate method provides more certainty to the developers but at the expense of flexibility, as the set rate needs to average the land lift amongst various developments. The planners had diverse recommendations on how CACs should be applied utilizing the available methods: density bonusing, a set CAC rate, a negotiated CAC approach or some combination of the above methods. One planner suggested changing the provincial legislation to incorporate amenities into DCCs. The diversity of planners opinions on what or how CACs should be applied are stated below:

“The fairest way of doing - of charging - a CAC for residential developments is do it on a square footage basis.”

“I very strongly feel that it should be applied through zoning and the zoning bylaws should have a base FAR beyond which density could be increased in return for some form of community amenity, whatever that may be.”

“In my opinion, I personally think that legislation, provincial legislation, needs to change... Amenity contribution, in my mind, is almost parallel with the DCCs. We take DCCs for sewer, parks, etc. yet there is no legislation that allows municipalities to have essentially a DCC for amenities or services that will have to be built to allow for development.”

“I would recommend a set value approach but there may be circumstances where that value might change. Identifying what the charge should be set at and what it's going to be used for are more difficult questions. I would recommend that approach only makes sense and if you're going require someone to pay those costs then a good evaluation of the costs and amenities are necessary.”

“The negotiated CAC approach is probably the most efficient and probably the best way to capture the land value increase because it is precise to a site. There is a pro forma analysis that runs specifically on that site that captures the nuances of the site. There might be specific revenue targets that match a site and if you're doing a fixed rate approach you're basically averaging a group of sites towards a rate and so you're not recognizing the nuances and specific benefits of one site over another. You're not capturing the full potential capacity of a parcel.”

When questioned directly, both planners and politicians agreed on a broad principle that a fair CAC pricing method is to apply a standard rate calculation to small rezonings where

densities are easily predictable and negotiate a CAC for the larger more complex developments. This agreement was based upon the principal of balancing certainty for the developer and flexibility for the local government in order to maximize the land lift revenue.

The developers had a different view on what was a fair mechanism to charge CACs.

“Ideally what you need to do is you need to quantify or estimate the amount of growth occurring, project out the amount of growth leading to an analysis of the impacts on community amenities and then identify the priority concerns for the local area residents. The next step is to estimate the costs of the prioritized community amenities then ideally develop a fixed rate charge. Developers would prefer this in addition to a density bonusing bylaw that would save time for a developer having to go through the rezoning approval process. That approach is transparent for everybody including the development community, the residents and local community and it is also transparent for the land vendors, which are critical. However, with large projects it would probably require a negotiated approach but ideally you would follow the same steps in terms of what is the impact, what are the amenities, what is needed, and what are the costs? Overall, any CAC policy has to be a balance between all three parties: the municipality, the land vendor, and the developer.”

***Q6 Do you think a CAC system should be used to finance community amenity improvements?***

- i. If yes, then to what degree should the funds raised by CACs by a particular project be earmarked for community amenity projects directly attributable to that development project as opposed to municipal wide amenities, which are impacted from cumulative effects of growth?***
- ii. If not, where should financing for community amenities be found?***

All participants except the developers agreed CACs should be used to finance amenity improvements. However, the developers did state if you are going to charge a CAC to make sure the expenditure of the funds are linked to growth. The developers have alleged some local governments use CACs for operating budgets or for whatever wish list item. An example of this is a new city hall when there was no analysis done to relate the expenditure to growth. The planner's preference was to provide amenities in proximity to developments however planners were the most likely to note the need to expend CACs on community wide amenities as well.

The politicians believed that those choices should be handled at the annual budget debate as stated by this politician:

“I think that it needs to be handled by council as part of their budget deliberations. I don't think it's possible to come up with anything other than the most general policy, which would state something like the majority of the CACs should benefit the neighbourhood, but it's appropriate that some amount go to amenities for the community as well. However, getting into more detail other than general guidance like that, I think, would hamstring the council and the community.”

***Q7 The DCC best practice guide produced by the BC government established a criteria for DCC development in which local governments should consider an “equitable and fair distribution of costs in relation to developing land in different areas of a local government” How would you interpret fair and equitable? For example, do you think DCCs should be charged on a marginal cost basis rather than on an average cost basis and could you explain why?***

Planners generally agreed upon a principle of equity in which some type of land use which utilizes 'x' amenities should pay proportionally according to the land use intensity and that DCCs should be apportioned on a marginal cost basis. Politicians were split between taking a more egalitarian approach to proportioning costs or incentivizing development that is more sustainable and penalizing development that is less sustainable. The planners viewed the DCC system as performing on a marginal cost basis right now. Developers were in favour of charging DCCs based upon a marginal cost basis, however, they said it was important to document the rationale and demonstrate the difference for all the types of service. An example provided was charging a residential DCC on a square foot basis rather than on a “per unit” basis with the theory that smaller more affordable housing would be built. The down side was that the same number of people moved into the community just with smaller units and there was no demonstrated impact on services between a small house and a big house. Overall, most participants thought a marginal basis made sense for DCCs.

***Q8 Do you think CACs should be applied similarly to DCCs?***

All the planners agreed that this was a good idea except for that the process would be illegal under the current *Local Government Act*. There was one planner who stated that it might be a good idea, but not to restrict CACs to be only like DCCs, as their local government likes the flexibility of the current CAC system. However, that local government is collecting CACs for capital amenity improvements and switching to a DCC format would eliminate that source of funding. The developers liked the rigour and transparency of the DCC process and would agree that applying CACs similarly to DCCs would be a great improvement over the current situation. The politicians that participated were either not informed enough about the DCC system or did not wish to state an opinion about whether they would recommend a change or not. For example, two politicians' quotes were:

“I haven't thought about them (DCCs) enough to have an informed answer.”

“I don't know if I can really comment on that without giving that a little more thought.”

***Q9 How effective do you think CACs and DCCs are or can be at encouraging compact development or at preventing sprawl?***

The planners had varying responses. Three out of seven planners did recognize that any price signal or charge influences urban form. The majority of the planners interviewed regarded CACs as a revenue tool and indicated that it would be inequitable to charge different rates to someone living in a tower as compared to a single, family dwelling and should increase the cost of additional amenities the same. Four of the seven interviewed planners stated they do not see the connection between utilizing CACs or DCCs to influence urban form. One of the planners stated:

“I'm concerned when planners start mucking too much in the housing market because they usually don't know what they're really doing.”

The politicians interviewed believed the any pricing model can be effective in changing behaviour but were not sure that it applied to their local government.

The developers stated that CACs influence urban form because local governments view it as a revenue tool instead of a planning tool.

“I’m aware of one municipality where, when development negotiations occurred, adjacent to a new transit station that was built in the area, the developers were told by the municipality that we’re prepared to wait 25 years until we get the money that we think we’re owed because the land vendors aren’t prepared to lower their price.”

***Q10 As a principle, do you think local governments should use price signals (such as DCCs & CACs) to actively structure or influence urban form and specifically should local governments address externalities in the housing market? If so, do you see CACs filling that position?***

Five planners and one politician had the view that price signals should not be used to influence urban form and CACs should be simply used to fund additional amenities. The developers stated the local governments are influencing urban form whether they know it or not. One developer said:

“They think price structures should be based on what the actual cost to deliver is and chances are you’re going to arrive at the same place where lower fees would be assessed to areas where compact growth and efficiencies can be had relative to let’s say higher fees in new single-family subdivisions. For instance if you’re in a transit oriented development area you should not need the same number of roads per unit as you would with your sprawl suburbs which is why I can understand some municipalities may have an area specific charge and as a result the area does not need as many roads. Therefore the road DCCs is less.”

***Q11 What impact, if any, do you think financing of community amenities utilizing CACs has had on the housing market and on the local government in general?***

Planners had large variations in answers. The following quotes are all from different planners exemplifying this variation.

“I don’t know if they’ve really had any impact. In my mind, it’s just a cost of doing business. Pay it and it is part of a way of getting facilities and amenities within specific communities.”

“I am not sure that I have an answer to that question.”

“They have to have an impact on the housing market. Absolutely, it’s raising the price of housing. They’re not going to absorb this. They are just going to add it on to

the prices. If you're using a three (3) dollar per square foot CAC, they may not be able to tack that entire three (3) dollars a square foot onto the selling price of their units, depending on market conditions, but they're not swallowing it.”

“I guess the municipality has never acknowledged or believed that CACs get added on to the price of housing. Because if you're very clear in your intent to use CACs and particularly if you were publishing six straight CACs, then developers should know about it and should offer less on the land to reflect the additional cost on their pro-forma.”

“In theory, if you ask Jay Wollenberg from the firm Coriolis, he will tell you that a community amenity contribution does not have an impact on the end cost of units. If you ask UDI, they will say absolutely, that cost is transferred through over to the end buyer. The answer is somewhere in between those two extremes, and not being an economist, I'm not 100 percent sure where that is.”

The politicians interviewed had the same level of difference in their opinions.

“I think it goes into the developer's cost structure for sure and you're trying to create affordable housing, but then you have CACs in there. It's added to the base cost and you end up sort of being a bit counterproductive.”

“I think that the market price is set by other units coming to market and that the CAC have negligible of effect on housing prices one way or another.”

The planners from the larger local governments agreed that developers would lower their bids on the land in response to a CAC, which as a consequence would have no negligible effect on the consumers within the housing market. The problem according to the developers is the land vendor is not necessarily going to sell at that price. The developers stated:

“I will tell you the municipal response which is, that it does not have any impact, because what developers will do is to lower their bid.”

“It is more problematic if a zone gets one FAR, but developers in the past and they were able to get two FAR with very little problems. Essentially the market value of the zoning is at two FAR. Now, when the municipality says, we're leaving money on the table and we got to have a CAC to get the money from one FAR to two FAR. The land market stalls. Land vendors say wait a minute I'm not accepting a lower price.”

***Q12 What role, if any, should local governments fill with regards to CACs and land speculation in the real estate market? Can you foresee land speculation becoming an issue?***

The developers stated they do not think local governments should get involved interfering with real estate market processes and that there is already an effective damper on land speculation through the Provincial Transfer Tax (PTT). Developers expressed the opinion that local governments need to make it easier (for developers) to assemble sites for redevelopment. Interfering with land speculation may complicate that process but they also said it is critical that local governments are clear, upfront, and transparent with their policies. As one developer said:

“I think part of the problem that happened in the Cambie Corridor was a whole bunch of land speculation occurred because the city put forward a plan, where all of a sudden the densities went way up. They weren't clear about what their expectations were in terms of CAC. What happened was that people realized, wow, I can now build four FAR and now they were selling and their expectations increased to 3 or 4 million for my single-family home. It is probably better just to be very clear as to what your policies are as opposed to trying to develop some regulatory approach to stop speculation. In this case it is the land vendors getting the windfall, not the developer. The interesting thing is municipalities are having dialogs with developers but not with the land vendors.”

The politicians interviewed stated if policies and implementation of those policies were clear then a consistent message would be sent to the market thus dampening land speculation to occur at the appropriate levels.

“I am hoping that we will see more moderation in land speculation as council starts to become more consistent in their application of a CAC policy.”

Most planners stated that land speculation is an issue but they are hesitant to suggest the local government should get involved.

“The city can't interfere with the market, if the market wants to overpay, that's their problem. What we need to do is be up front and be honest with developers and very clear that these are our expectations in terms of rates and negotiated CAC's and fixed rate CAC's and they need to factor those into their pro-forma. It is just like any other cost (i.e. marketing costs or construction costs that are changing). In the bigger picture compared to the construction value of a project, CACs and DCLs are a very

minor cost compared to the larger cost of building. So, while it is a cost it really shouldn't impact land values too much.”

“Land speculation in our municipality is an odd beast in that we have an official community plan that designates land for certain types of uses. According to the feedback I hear from developers is that the price they are paying for that land when they buy it is already inflated based on that designation as opposed to what it is zoned for. So, in their minds, they have already paid the listing land value.”

“I think that's just part of the process of land being developed. There's always going to be some of that speculation or anticipation.”

***Q13 Overall, do you think CACs are a good policy idea and would you recommend CACs to other local governments?***

Planners and the politicians generally agreed that CACs are a good tool but their utilization is context dependent. A relatively fast growing population, urban growth, economic investments, limited land supply, and an increasing real estate market are generally the contexts given by the participants that suggest CACs would be a good policy implementation.

“Absolutely, I think CACs are a good policy idea and their essential as part of the toolkit that planners and councils have both to manage development and to ensure an equitable division of what would otherwise be windfall profits from upzoning.”

“I think CACs and their ability to function correctly have a lot to do with market conditions (i.e. If you're in markets that are hot, i.e. Vancouver, it's very easy to capture land lift. If you're in a slumping real estate market, I believe that CACs and even any kind of extra costs on to the developer can actually be a detriment to new development.”

“I think they are (CACs) are a fantastic policy. Otherwise cities just don't have a way to capture the necessary funds to provide community amenities for the increases in residents. What happens if you don't capture it, then it falls to property taxation. So you're increasing the burden of everybody pays and subsidizing new growth with existing taxpayers. So it's a smart way to apply policy and I think CACs will expand. I'm sure it will. More municipalities will implement these types of policies.”

The developers advised caution regarding the implementation of CACs because they argue CACs have a large impact on the housing market and have the potential to “freeze” the land

market. Additionally, the developers have cautioned against implementing or promoting CACs as a pure revenue tool as this can be counterproductive to planning goals.

“You almost have this game going on, the less we rezone the more valuable land is and therefore the more value the lift is when we get a rezoning. We make a killing if we stifle the land market. A lot of municipalities have to be wary about instituting these policies. The key thing is, don't freeze the land market and be clear in what you are trying to do and what you are doing and what the costs are. Ideally don't make developers go through the rezoning process. Put it through a density bonus so it's all pre-zoned. Therefore the actual development review process is quick.”

## **6 - Summary and Conclusions:**

The findings from the online survey and interviews are summarized for each key research question. Recommendations for future research and how the current CAC system in BC should be changed are then provided.

### ***6.1 Research Question #1***

1. What is/are the purpose/purposes of CACs according to planners, politicians, and developers and how does each group perceive the fairness, equity, and effectiveness of Community Amenity Contributions?

The interview and the online survey results show that the stakeholders within the development system (planners, politicians, and developers) view CACs as a cost recovery tool and a mechanism to fund community amenities for the local government. The motivation behind density bonusing or any scheme that allows more density for financial trade-offs is evidenced by this planner's statement:

“That's a really good question [Do you think a CAC system should be used to finance community amenity improvements?]. In fact, we've got some basic directions we're going in right now, but we're at a point now because we're starting to collect these density bonus charges across the community and we need to turn our minds to what exactly they are being used for.”

The motivation behind CACs, density bonusing, and other extractions is to raise revenue. As the planner stated, they do not even know what the money will be spent on prior to setting up revenue raising schemes.

Additionally, the findings indicate that most participants could not agree how to implement a CAC that is fair, equitable, and effective in more than just their individual local government. As one planner said:

“I think CACs and their ability to function correctly have a lot to do with market conditions. If you're in markets that are hot, i.e. Vancouver, it's very easy to capture land lift. If you're in a slumping real estate market, I believe that CACs and even any kind of extra costs directed to the developer can actually be a detriment to new development. It really has to do with the economic times. That's why I really have pointed out that this 'CAC policy' is a living document. I don't think that this stays static.”

The developers at UDI stated utilizing CACs as a planning tool would be beneficial:

“The critical thing is you really need to make it a planning tool, not a revenue tool and I think that's where some of the tensions are arising in the CAC discussion.”

Some of the planners and the politicians thought using price signals as a planning tool to influence urban form would be beneficial. The majority of participants viewed this as not productive and said it would deduct from the primary goal of raising revenue. However, during the discussions on how CACs should be implemented there was a consistent theme that emerged between flexibility and consistency amongst the options of CAC implementation. This theme involved a trade-off between negotiated rates, which provide flexibility to capture the desired land lift amount, versus a set rate approach, which provides consistency amongst developments. There was also a significant theme that emerged regarding fairness. Different participants agreed for different reasons but most agreed that DCCs should be expanded from their narrow scope to include amenities that are charged through CACs. The following statement is from a planner:

“Should they be charged for planned growth? I think again, there's an equity point in there that everybody in the community is going to use these services. So, everybody should contribute. I think it would be more equitable to charge it to all new growth and all development and not necessarily through general taxes. I'm just acting on a really broad level about what's more equitable.”

Another goal of this research was to determine how consistent the views of the respondents, were to the presiding current literature on the impact of CACs or development charges on the housing market. The literature review suggests prices rise when impact fees are introduced and to a greater extent than the level of the fee itself (Bryant & Eves, 2012). Almost all research

participants did not have complete understanding of the market effects of impact fees on the housing market with the exception of the developers at UDI. The participants in the study stated they never considered that CACs or DCCs may or may not raise the price of a unit beyond what the market will bear but CACs or DCCs could still artificially raise the price of residential units. With the exception a small number of local governments like the District of Peachland, most do not apply CACs to non-residential development. This is because commercial and industrial property taxation is much higher and provides a net financial benefit to the local government, which does not want to risk discouraging commercial and industrial development with any upfront fees. However, DCCs are charged on industrial and commercial development. The difference between CACs and DCCs is that DCCs are applied for infrastructure related costs (roads, water, sewer, etc.) which industrial and commercial developments contribute to increasing the capital costs of maintaining those assets. Industrial and commercial developments put less pressure on capital improvements for amenities because the population is not increasing with commercial and industrial development.

One example of the effects of CACs and DCCs are when the market prices for residential units are rising fast enough so that the cost of the CAC or DCC can be passed on to the purchaser instead of being absorbed by either the developer or the previous land owner. Under these circumstances, prices become more expensive and fewer people are housed as supply decreases as a result of higher costs. If market prices for residential units are not rising fast enough then the housing supply will stall until the prices can rise by at least the amount of the CAC and DCC. In a competitive marketplace the price signal filters down to the land vendor who will be pressed by developers to lower their price. According to the empirical studies within the literature, it is the price of the residential units that rise not the lowering of the land vendor's price (Bryant & Eves,

2012). The purpose of CACs to raise money for community amenities may be at the cost of less affordable housing, which may go against municipally stated planning goals.

## **6.2 Research Question #2**

2. How receptive are planners, politicians, and developers to using CACs as a market-based regulation to influence urban form?

One research goal was to determine whether CACs and DCCs were a conscious effort to introduce market-based planning tools within local governments. There were some positive responses to utilizing these tools to influence urban form but the results show CACs and DCCs are used primarily to raise revenue. There may be some side effects or consequences of those policies that influence urban form but the results show local governments do not introduce CACs and DCCs as a way to influence urban form or further certain development patterns. At best, there was some agreement amongst participants that would like to see municipal pricing change from a cost recovery model to a more of a marginal basis. However, it was clear that most participants did not see this as a way to influence urban form but as a way to increase fairness in the distribution of costs. In the survey results, most disagreed with CACs as an effective tool to prevent sprawl and there was some agreement that CACs encourage efficient new urban development. Additionally, most participants disagreed that CACs should be used to influence urban form. The following quote from a planner sums up the opinions of the participants:

“I do not think municipal price structures should be used to address externalities in the housing market. Now, you're starting to mix policy objectives. If you're going to put these funding mechanisms in place to generate a source of funds to help provide or cover the cost of the additional necessary amenities, if you're struggling to find a way to do that and that's all part of the general principle that the growth should help pay for itself.”

The results show that CACs and DCCs are not used intentionally to influence urban form. There is a perception among the informants that CACs and DCCs are raising revenue and are

impacting the housing market and influencing planning goals whether planners are aware of the impact or not. An example of one of the consequences of CACs is the conflict with affordable housing as stated as a primary concern in many local governments' Official Community Plans. A developer stated that CACs may discourage compact development.

“I think it's [CACs] actually having the opposite effect [of encouraging compact development] because I think what is happening is you have a whole bunch of municipalities with opportunistic thinking. When a new transit line gets built, a lot of municipalities are looking at those transit lines as cash cows. They're not looking at them as, here is an opportunity, get as many people to live and work in here, take transit and reduce our GHGs and all the other planning goals you could think about. I'm aware of one municipality where when development negotiations occurred adjacent to a new transit station that was built in the area. The developers were told by the municipality that we're prepared to wait 25 years because the land vendors aren't prepared to lower their price. We [the municipality] are prepared to wait 25 years until we get the money that we think we're owed.”

### ***6.3 Research Question #3***

3. What are the perceived impacts on urban form, the development industry, and planning goals when CACs are applied?

Planners viewed CACs as a positive mechanism to raise revenue for growth-related amenity costs but were not aware of the consequences or impacts on the housing market and related planning goals. Planners thought that CACs had little or no impacts and were ‘just the cost of doing business.’ An illustration of this point occurred during the interview when a planner noted: “the city can't interfere with the market, if the market wants to overpay, that's their [the developer's] problem.” How does that planner know the developer is overpaying? One reason planners think the developers are overpaying is because local governments are attempting to organise or maintain a zoning structure to be able to raise revenue through CACs. The data clearly shows planners perceive the purpose of CACs as a mechanism to raise revenue to fund amenities. Local governments regulate density through zoning by-laws. Then the local government assumes land will trade at the market value for which the local government zoned it.

This assumption is tenuous especially if a policy or a plan states it will be relatively easy to increase density then the land vendor will incorporate that into his or her market decision. The same planner that assumed the developer was overpaying also stated “the city, when we do a negotiated CAC, does allow for a developer profit as a core cost within the pro-forma.” One problem with local governments’ determining appropriate level of profit and land lift valuation is their underlying assumption of real estate market. For example, local governments believe CACs should be transferred through the market to the landowner who should lower their asking prices.

This can be seen in this argument:

“Former city planner Brent Toderian swings back at one of Geller’s main arguments in this message...

The main thing to be refuted, is the notion that municipal costs “just get added onto the price”. Do private sector costs get added on? Marketing fees? Design fees? No, they get factored into land price (bringing land price down, as it should be), get dealt with thru contingencies in the budget if they are higher than expected, or they dip into profits (usually beyond the 15%). By definition they can’t just be added to the price, as people will only pay what supply and demand will determine the value to be. Costs affect profit (especially if they’ve overpaid for land) and land cost (if they’ve paid a reasonable price), and viability in weaker markets, NOT price (Bula, 2012).”

According to Evans-Cowley & Lawhon prices should translate back to the land vendor in a perfectly competitive marketplace (2003). However, the empirical research shows that impact fees consistently raise the price of new housing (Bryant & Eves, 2012; Ihlanfeldt & Shaughnessy, 2004; Burge & Ihlanfeldt, 2006). More research needs to be done to understand why imposing an impact fee is not translating back to the land vendor.

Further problems with the CAC calculation process is that planners and local governments are not able to determine the preferences of citizens regarding land use or the level of amenities. Assumptions by planners and local governments regarding input costs and land use preferences

are made nevertheless. This inevitably leads to conflict between local governments and developers over CAC calculations and amounts.

The planners interviewed had the tendency to rationalize CAC policies as not contradictory with other planning goals such as increasing affordable housing options. Local governments that relied on the negotiated approach tended to have planners misinterpret the impact of CACs on the land vendor within the housing market as evident by the planner quote below:

“I guess the municipality has never acknowledged or believed that CAC's get added on to the price of housing because if you're very clear in your intent to use CAC's and particularly if you were publishing six straight CAC's, then developers should know about it and should offer less on the land to reflect the additional cost on their pro-forma. That shouldn't impact what they charge on the unit. We have done some analysis and we've looked at comparable developments within existing zoning compared to developments that have been rezoned and paid CAC's. There is no price difference on what developers charge from a property that pays a CAC and one that doesn't. A developer will charge whatever the market is willing to pay for a unit. There is no difference.”

Again, if the land vendors are not willing to lower their price then this cost to acquire the land is passed on in the costs of residential units. One of the assumptions necessary for any additional development cost to be translated back to the land vendor is a perfectly competitive market (Ministry of Community, Sport & Cultural Development, 2014). This assumption does not apply when there is intense real estate development pressure and the allowable density permitted by zoning or through the approval process cannot keep up with demand (Ministry of Community, Sport & Cultural Development, 2014). In this situation supply and demand dynamics within the market will start bidding up the prices of land. Restrictions in the supply of land will increase the land lift value within a rezoning process and will increase the potential CAC value. Local governments that took a set rate approach to CACs were more likely to have planners state there must be a market impact as attested by a planner's statement below:

“They have to have 'an impact on the housing market'. I mean, there's no way around it... Absolutely, it's raising the price of housing. They're not going to

absorb this. They are just going to add it on to the prices. If you're using a 3 dollar per square foot CAC, they may not be able to tack that entire 3 dollars a square foot onto the selling price of their units, depending on market conditions, but they're not swallowing it. They can't swallow all this stuff, it gets added on.”

In this argument the planner is not factoring in that the market sets the prices, and the price of one development does not rise alone. It is the future supply of residential units that is affected when impact fees are applied. The politicians also did not appear to be aware of the entire impacts of CACs as revealed by a politician declaration below:

“...so few of the units in our municipality come to market with additional density, I think that the market price is set by other units coming to market and that the CAC have a negligible of effect on housing prices (one way or another).”

#### ***6.4 Summary of findings from the Research Questions***

The results of the study show the purpose of CACs is to raise revenue from development to fund community amenities. The developers, planners, and politicians interviewed all viewed CACs as an effective mechanism at raising money for its primary purpose. However, the developers disagreed about the fairness and equity of CACs. They state local governments are ignoring the market effects of CACs and are requiring conditions that are not proportional and consistent to each development. The politicians and planners interviewed have generally viewed CACs as the price of doing business and as a fair tool to make growth pay for growth-related costs. Developers, although hesitant, were the most receptive of the three key stakeholder groups to local governments utilizing CACs as a market-based regulation tool to influence urban form. The response that developers are amenable using CACs as a planning tool as opposed to a revenue tool is understandable as it may avoid arbitrariness and provide some restrictions and order to development exactions. Local governments would then have to justify why a charge is being applied, perform a financial analysis, and set price levels for various municipal services and amenities consistent for all developments. Politicians and planners interviewed did not

appear to want changes to the functionality of CACs as most expressed the desire to simply raise revenue and not address the housing market implications. Most participants did not identify impacts of CACs on urban form, the development industry, or on the planning goals of a local government.

### ***6.5 Recommendations***

Additional Canadian empirical data should be collected to further our knowledge on the impact of development charges. In particular, econometric models could be developed based on the empirical literature to identify and assess the effects of various municipal pricing policies on development and settlement patterns. This data would be of particular benefit to the people who are contemplating changing legislation in British Columbia to clarify the legal understanding of CACs. The econometric modelling would provide concrete data to help navigate the current narratives about CACs.

Both the interview and the online survey findings suggest that the planners, politicians, and developers would agree that a key improvement to the current CAC system would be to amend Part 26 of the *Local Government Act* (Division 10) to broaden the scope of DCCs to include amenities now funded through CACs. The intent of this legislative change would be to more fairly distribute growth-related costs to developments that proceed with or without a re-zoning. A further recommended improvement would be to eliminate local governments' ability to extract money or off-site amenities not directly related to a development. If community amenities could be incorporated into a DCC; then this change would ideally be followed by local governments undertaking an analysis of their amenity needs. These needs would be based on various growth and demand measurements such as population growth estimates and future anticipated service levels. The new DCC should be justified by identifying which aspects of growth are causing

future cost increases to the local government. The charges would be based on marginal impact rather than dividing the costs among the number of new units.

The planners and politicians interviewed wanted to improve how amenities are funded. Their primary focus is on maximizing revenue rather than worrying about planning goals and market implications. The purpose of CACs is to raise revenue to help pay for new growth-related amenity costs instead of growth-related amenity costs being financed through general taxation. There is little agreement among key stakeholder groups regarding the potential impacts of CACs on the housing market or the planning goals of the local government. Consideration to the market effects and affordable housing in particular should be made when CACs or DCCs are considered for implementation.

Among the interviewees, many of the politicians and planners expressed that housing prices are mainly influenced by the cost of the inputs. Prices are a combination of factors and are significantly influenced by individuals' preferences as well as the supply of a good or a service. The majority of planners (82%) surveyed in this research, did not recognize that establishing higher CAC rates in the downtown areas would contravene many planning principles within their OCPs, especially the desire to have greater infill densification and greater efficiency of infrastructure. It is recommended that municipal planning departments hire economists who could analyze the effects of land use policies and regulatory controls on the economic performance of a local government and on the local government's planning goals.

The Ministry of Community, Sport and Cultural Development's "Community Amenity Contributions Guide" emphasizes the tenuous legality of CACs and cautions any local government from implementing any policy that imposes or perceives to require CACs as a part

of a rezoning. The guide states CACs must be voluntary in order to be legal. The Ministry considered changing legislation to expand the scope of DCCs, however, decided to the contrary.

The findings of this study suggest that the CAC guide issued by the provincial government has led to, and is expected to continue to lead to, conflict between local governments, the provincial government, and the development industry. The CAC guide issued by the provincial government ignores the significant revenue generated from CACs by some local governments without suggesting any solution to funding shortfalls. Additionally, the guide warns that CAC policies, as they exist within many British Columbia local governments are illegal. Amending the legislation to expand the scope of DCCs would have provided a legal option for local governments to increase revenue for growth-related costs. The perceptions of the effects of CACs will exacerbate the conflict between key stakeholders until a consensus on the assumptions can be reached within individuals that comprise the key stakeholders.

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***A-1 Online Survey***

The online survey was sent through email to various local governments and professional associations to gather broader input than could be solicited from only interviews. The “Don’t know” category will be treated as ‘missing data.’

# Community Amenity Contribution Thesis

**\*1. Do you provide consent, as written on the Informed Consent form (a link can be found to the form at [www.adamcseke.ca](http://www.adamcseke.ca)) for the researcher to use this data?**

- Yes
- No

Comment

**\*2. Which category below best describes your professional role?**

- Politician
- Planner
- Developer

Other (please specify)

**\*3. Have you been interviewed by the researcher on this topic? (please contact Adam Cseke, planner at the Town of Smithers at [acseke@smithers.ca](mailto:acseke@smithers.ca), if you wish to further help this research by scheduling an interview).**

- Yes
- No
- I will be contacting the researcher for an interview
- Other (please specify)

**\*4. Please indicate your level of agreement with the following statements:**

	Strongly Agree	Agree	Slightly Agree	Neither Agree nor Disagree	Slightly Disagree	Disagree	Strongly Disagree	Don't Know
Overtime more municipalities in BC will adopt Community Amenity Contribution (CAC) policies.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Municipalities with CAC policies will phase them out.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Community Amenity Contribution Thesis

### \*5. Please Indicate your level of Agreement with the following Statements, Community Amenity Charges are an effective tool to:

	Strongly Agree	Agree	Slightly Agree	Neither Agree nor Disagree	Slightly Disagree	Disagree	Strongly Disagree	Don't Know
Reduce Sprawl	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Finance capital amenity improvements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encourage efficient new urban development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Create a fairer system of financing community amenities and soft infrastructure improvements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### \*6. Please indicate your level of agreement with the following statements, Community Amenity Charges are most effective when:

	Strongly Agree	Agree	Slightly Agree	Neither Agree Nor Disagree	Slightly Disagree	Disagree	Strongly Disagree	Don't Know
A negotiated approach is taken for all rezonings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A flat per unit amenity charge is applied.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A charge is applied to the increase in area (square footage) from a rezoning.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A mixed method approach for calculating the amenity charge is applied dependent on the rezoning circumstances.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Different amenity charges should be applied to different areas within the municipality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Downtown areas should have a cheaper amenity charge relative to the periphery of a municipality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Community Amenity Contribution Thesis

### \*7. Please indicate you level of agreement with the following statements:

	Strongly Agree	Agree	Slightly Agree	Neither Agree Nor Disagree	Slightly Disagree	Disagree	Strongly Disagree	Don't Know
Land speculation is a problem when the purchase price of a development site leaves little or no room for an amenity charge (assuming no change in profit margins)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
When a parcel of land has a higher allowable density in the OCP compared to the existing zone, land tends to trade at the current zoning price rather than the OCP value.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DCCs should be changed away from average cost recovery to a marginal cost basis to reflect the incremental costs of providing the infrastructure.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CACs should be used to correct the externalities within the housing market to encourage a more efficient urban form.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### \*8. Community Amenity Contributions are effectively:

	Strongly Agree	Agree	Slightly Agree	Neither Agree Nor Disagree	Slightly Disagree	Disagree	Strongly Disagree	Don't Know
Voluntary.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A hidden tax.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A profit sharing tool amongst taxpayers, developers, and land owners.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase the cost of new housing.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduce the cost of land.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Community Amenity Contribution Thesis

**\*9. The Local Government Act should be amended to expand municipalities ability to use Development Cost Charges for other amenities and soft infrastructure items?**

- Strongly Agree
- Agree
- Slightly Agree
- Neither Agree Nor Disagree
- Slightly Disagree
- Disagree
- Strongly Disagree
- Don't Know

## ***A-2 Semi-Structured Interview Guide***

The interview questions have been designed to extract various actors opinions and knowledge on the: acceptability of problem (externalized costs), alignment of ideas on potential remedies (CACs and development charges), and barriers for change amongst the main actors in urban development industry. The three main groups of interviewees were: planners, municipal politicians, and developers. Due to geographic distances in BC, the interviews were conducted over the phone.

### **1. Opening**

Words of greeting and expectations regarding the interview.

### **2. Introduction**

**Q1.** Could you please describe your role and/or your involvement with your organization?

**Q2.** Can you describe your familiarity and knowledge with Community Amenity Contributions?

### **3. Body**

**Q3.** What do you see as the purpose(s) of CACs?

**Q4.** In your community, how does the CAC system function? (prompting only if necessary)  
For example, is it applied through a negotiated case by case approach, on a per unit or per increase in square footage basis, or on a percentage of increase in land lift approach?

*i.* What are the strengths and weaknesses of this approach?

*ii.* How fair do you think this approach is amongst these stakeholders (Developers, tax payers, the local government, and land owners)?

**Q5.** Do you have any preference or recommendations on how CACs should be applied if at all?

**Q6.** Do you think a CAC system should be used to finance community amenity improvements?

*i.* If yes, then to what degree to should the funds raised by CACs by a particular project be earmarked for community amenity projects directly attributable to that development project as opposed to municipal wide amenities which are impacted from cumulative effects of growth?

*ii.* If not, where should financing for community amenities be found?

**Q7.** The DCC best practice guide produced by the BC government established a criteria for DCC development in which local governments should consider an “equitable and fair distribution of costs in relation to developing land in different areas of a local government” How would you interpret fair and equitable?

- i. For example, do you think DCCs should be charged on a marginal cost basis rather than on an average cost basis and could you explain why?

**Q8.** Do you think CACs should be applied similarly to DCCs?

**Q9.** How effective do you think CACs and DCCs are or can be at encouraging compact development or at preventing sprawl?

**Q10.** As a principle, do you think local governments should use price signals (such as DCCs & CACs) to actively structure or influence urban form and specifically should local governments address externalities in the housing market? If so, do you see CACs filling that position?

**Q11.** What impact, if any, do you think financing of community amenities utilizing CACs has had on the housing market and on the local government in general?

**Q12.** What role, if any, should local governments fill with regards to CACs and land speculation in the real estate market? Can you foresee land speculation becoming an issue?

**Q13.** Overall, do you think CACs are a good policy idea?

#### **4. Closing**

- a. I appreciate the time you took for this interview. Is there anything else you think would be helpful for me to know so I can successfully report the findings?
- b. Could you provide me with contact information of other politicians, planners, or developers who would provide useful answers to this study?
- c. It has been a pleasure conducting this interview and lastly, would it be ok if I contacted you during the data analysis phase to clarify anything that arises? And again thank you for doing this.



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OF MANITOBA

## Informed Consent Form

### A Case Study of Market-Based Planning Tools through Community Amenity Contributions in British Columbia

Principal Investigator and contact information: Adam Cseke

Research Supervisor (if applicable) and contact information: Professor Van Vliet,  
david.vanvliet@ad.umanitoba.ca

Sponsor (if applicable): n/a

**This consent form, a copy of which will be left with you for your records and reference, is only part of the process of informed consent. It should give you the basic idea of what the research is about and what your participation will involve. If you would like more detail about something mentioned here, or information not included here, you should feel free to ask. Please take the time to read this carefully and to understand any accompanying information.**

1. The purpose of the research to better understand the current Community Amenity Contribution (CAC) context and the relationships amongst various actors in the operation of CACs. Additionally, the study is seeking to understand the relationship between urban development, pricing of municipal goods and services (specifically amenities), and the perceived impacts of community amenities on urban form, all to further the understanding of how this market based regulation should or should not be adopted to various contexts.
2. The study is soliciting interviews and questionnaire form three groups of people involved in the functioning of Community Amenity Contributions in BC. The three groups are municipal planners, politicians, and developers.
3. Each participant will contribute by answering a questionnaire. Interviews will be encouraged for more detail and will be performed primarily over the phone/internet utilizing a voice recording device. When logistically possible some interviews will be performed in person.
4. There will be no benefits offered to participants.
5. The only risk involved in this study is some participants may wish for confidentiality and anonymity. Therefore, all participants will have their data submitted and recorded confidentially.
6. The data will remain strictly anonymous other than placing the participant in of the above mentioned categories (municipal planner, politician, developer or other). Additionally, the research method is utilizing a snowball sample technique to acquire the necessary information thus information will be asked from participants to refer the researcher other potential participant's contact information. I will ask each participant if they prefer to

keep their referral anonymous and abide by their wishes. That said I will not reveal who gave the referral unless asked and the previous participant provides their consent.

The researcher will keep all the information regarding participant details on his personal and no other person has access to that computer.

7. No credit or remuneration for participating will be provided.
8. A participant can simply have their information and results withdraw from the study with no consequences by simply emailing the researcher prior to September 1st 2013.
9. The post interview/questionnaire debriefing:  
Are there any planners, politicians, developers who you could refer to be included in this study? Again, thank you for taking the time to participate in this study, I will provide with a summary of the results if you wish. This should be by the end of summer or the sometime in the fall. Remember you can always withdraw from the study if you wish by simply emailing me. Thanks for your time.
10. The research results will be disseminated through the usual University publications and to any participants whom wish to know the results by emailing the researcher. Finally, the results will be posted on the researcher's website [www.adameseke.ca](http://www.adameseke.ca)
11. An email will be sent to the participants approximately in September of 2013.
12. Confidential information will be destroyed (by deleting from my hard drive) July 1st 2014.

**Your signature on this form indicates that you have understood to your satisfaction the information regarding participation in the research project and agree to participate as a subject. In no way does this waive your legal rights nor release the researchers, sponsors, or involved institutions from their legal and professional responsibilities. You are free to withdraw from the study at any time, and /or refrain from answering any questions you prefer to omit, without prejudice or consequence. Your continued participation should be as informed as your initial consent, so you should feel free to ask for clarification or new information throughout your participation.**

The University of Manitoba may look at your research records to see that the research is being done in a safe and proper way.

This research has been approved by the [insert full name of appropriate REB]. If you have any concerns or complaints about this project you may contact any of the above-named persons or the Human Ethics Coordinator (HEC) at 474-7122. A copy of this consent form has been given to you to keep for your records and reference.

-----Provide for Signatures as Required-----

Participant's Signature \_\_\_\_\_ Date \_\_\_\_\_

Researcher and/or Delegate's Signature \_\_\_\_\_ Date \_\_\_\_\_

*A-4 Transcribed Semi-Structured Interviews*

**Q3: What do you see is the purpose of CACs?**

Planner	To be able to collect some funding to be able to provide amenities that the community needs.
Planner	I think the main purpose for implementing CACs is because of the budget. I'd say every municipality has tight budgets and Councils don't want to raise the residential taxes. In our community we have a unique situation whereby almost all of our tax base is residential. We don't have a lot of commercial or industrial tax base, so any amenities that may have to be secured in the future for any new population essentially will have the effect of Council having to raise the residential taxes, which isn't a very popular political thing to do.
Politician	To provide amenities that the community needs and with CACs you can either get the amenities in kind or you can get a financial contribution towards the amenities that you need.
Planner	n/a
Politician	I see CACs having two or three purposes. One is to moderate land price speculation based on the hope of getting an up zoning. The second purpose is one of equity or fairness. Additional density beyond the base value can be viewed as being owned by the community thus a CAC can be seen as the price in the transaction of that density to exclusive ownership of a developer. A third purpose is to mitigate the additional cost to the community (both tangible and intangible) as density comes with additional cost to the community and the CAC (which is tied to uplift and density) is a means to mitigate this.
Planner	When we're talking about a community like ours that has in the past grown quite significantly and continues to be one of the leaders in terms of growth in this province, there are neighbourhoods that are changing and there are impacts to those neighbourhoods as a result of density increases, and the community has often been resistant to those density increases. In our minds, one of the ways to convince communities and neighbourhoods to accept density is to have some benefits accrued to their neighbourhood for accepting that density, recognizing that we all see increased density and growing up rather than out as a good thing in terms of smart growth. We certainly have enough peripheral and suburban development in our community that will last us for many years to come. We don't need more; we need to grow up. So, neighbourhoods have to learn how to accept density and one of the ways to do that is to hope that by allowing density to occur in their neighbourhood they will achieve some benefit.
Planner	....That led into "Well, why are we collecting this money?" Because developers immediately were not happy about it. "Why, what are you doing with this money? I mean, is this a money grab? Is this going into general revenue, how are we benefitting from this? In our case, they only implemented the CAC program to date through council policy in one area which was identified to densify. We ended up at 3 dollars per square foot of net residential square footage. That money's going towards is a new community center, which has been needed for a number of years. That center is very early in the planning stage, but it could cost x million dollars for that center. We figured out the theoretical capacity of new residents in the area and how much new residential square footage might be able to be developed in there over time. Then we looked at various dollar figures that would result in about x million bucks in revenue being collected through CACs. It ended being 3 a square foot.

	<p>After discussion with UDI, they said okay, if you're going to charge the CAC, we want to know what it's going to, where it's going, when it's going, because if it's for something in the neighbourhood that would provide benefit to our prospective buyers, we'll be happier about it. We're not thrilled about it but we'd be happier about it. In our case, the area for CACs was identified because the Community Center is expected to be going into that neighbourhood. The developers are a little bit happier about it because they can tell the prospective buyers, "Hey, there's going to be a community center there," but they're now leaning on the municipality asking when is this thing going to get built, and exactly where in the neighbourhood is it going to get built, because if you're telling us it's not going to get built for ten years it doesn't help us. If we can't say it's going to be a block away from our development or two blocks, that doesn't help us much. What the municipality has recognized is they now have in the long term a source of revenue to help pay in whole or in part for this community facility but they recognize they can't wait until all the money is collected before they start building the community center, because they are decades out. Now that they know they've got money coming in, over a period of time they can then borrow in confidence, knowing they've got a source for paying back the money they borrow.</p>
Developer	<p><b>Developer 1:</b> Number one, I think that there are several purposes from our perspective and then also some from the communities' and municipalities' perspective. Community Amenity Contributions are used for those things for which DCC cannot pay for. Municipalities' believe that there are aspects and impacts of growth that are not currently covered by DCCs.</p> <p>The classic example is, you can't use DCC for fire stations. So some use CACs as a way to pay for fire stations. From the developer's perspective, there are some issues and some concerns this reasoning. There are some potential benefits of amenities if they are located close to a project, they can enhance the saleability of the project. There is some evidence that amenities located nearby support that the sales of the projects. So if it's done right, it does have a potential of benefiting projects. It has to be done right to make it easier for developers to get projects approved. For example, some communities would basically resist higher density development if there weren't corresponding benefits provided. This leads a developer to go to a community and say, this development is not what you're used to, but I'm prepared to do 'X, Y and/or Z' and the community is happy. That can go a long way to assist developers in getting projects approved.</p> <p><b>Developer 2:</b> Just a touch on that, in our discussion with municipalities we talked about how CACs should be a planning tool not a revenue tool. That discussion sort of reflects some concern t we have but it's better when the community and the developer have their priorities identified regarding amenities. CACs should be used as planning tools in a way to improve the community and create great communities.</p> <p><b>Developer 1:</b> It should be used a planning tool and I think that's where some of the difficulty that our industry is having with CACs. Many view it almost like a tax as opposed to a planning tool. This is where difficulty can arise both for the industry but also for the community because when they treat like a tax, sometimes it goes into general revenue and the communities that are receiving the development don't necessarily receive the amenities. This then creates more difficulty in getting things approved. The critical thing is that it really needs to make it a planning tool, not a revenue tool. This question of planning tool vs revenue tool, I think, is where some of the tensions are arising.</p>
Planner	<p>CAC's are only considered for rezoning's which means they are a condition of rezoning. The council, of course, has the authority to approve or disapprove of rezoning and within that rezoning a CAC is a negotiated contribution by a developer. You can put it as a condition, just as there are many other conditions under rezoning, but a CAC is a</p>

	contribution from a developer and it reflects generally the higher density or higher land use that's permitted on the site. It reflects the change in land value between the current land value and the new and improved land value. It is a share of that increase in land value and the contribution goes towards community amenities on site or as close as possible to the site if it can't be located on site.
Planner	n/a

**Q4. In your community, how does the CAC system function? (prompting only if necessary) For example, is it applied through a negotiated case by case approach, on a per unit or per increase in square footage basis, or on a percentage of increase in land lift approach?**

- iii.* What are the strengths and weaknesses of this approach?
- iv.* How fair do you think this approach is amongst these stakeholders (Developers, tax payers, the municipality, and land owners)?

Planner:	I've seen CACs function two basic ways: One is to establish a set rate be it a dollar per unit or a dollar per increase in area (square footage). This is more the Surrey approach whereas Vancouver utilizes the second method which is a negotiated approach. The negotiated approach is considered voluntary, which isn't really voluntary because I don't think you'd get an application approved without it. The negotiated approach is less specific but it has more uncertainty for people who are developing. I think it is fair for every party to know what will be charged and it would be more preferable to a system of CACs so it is easy for everybody to understand.
Planner:	<p>There are a number of different ways to do that. We've opted to do a per-unit calculation. We created a policy whereby Council went through and identified a bunch of amenities that were put on the list. An example is the need for a new fire hall, that's a big one, or potentially a new municipal hall. These types of things are big costs to the municipality and with an increased population, we would just don't have the money to fund (these amenities) ourselves in the future, without raising taxes. There was, I believe, 20 amenities identified in our policy, and that cost was divided by the number of units that are being proposed. That's how we came up with our calculation for a per-unit basis.</p> <p>The municipality does not actually take the amenity contribution until subdivision or building permit stage (like a DCC). This alleviates a little bit of pressure on the developer as you don't know when those units are going to be built at the time of rezoning.</p> <p>I think it (fairness) may be perceived differently by different groups, and that's, quite frankly, a challenge. I know our experience has been developers, for the most part (I don't want to group them all together) but they're concerned with the increased costs of development. Of course, the price per unit is an increased cost for them. For the residents, it's hard to decipher. I'm sure the opinion probably flows both ways, but I would say that, based on the information, I don't think residents that currently live in the municipality want to see a tax increase to support the development. I can see for them, as I would suggest, that this is a better deal for them, because it allows the Council to maintain tax levels at some decent level over the future.</p> <p>When it comes to the municipality (I think that this would be a view shared by</p>

	<p>politicians) but, of course, there's this balance between wanting development to come to your community, so you don't want to necessarily put an undue burden on the developer. At the same time, politicians are always looking for the next election, and they also don't want to be having to jack their tax rates for the residents, because that doesn't help them at the polls. Like everything, I think its complex in that there are different viewpoints. I think between developers, as an example, it really depends who you're dealing with, in terms of whether or not they see the value in that or not. We've had different opinions expressed regarding our community amenity contribution thus far.</p> <p>There were some viewpoints expressed from a developer that the CAC was unacceptable. However, Council did pass the policy, and we are implementing it.</p>
<p>Politician</p>	<p>We have embarked on a discussion around this (How the CAC system should function). It seems to be as a general rule for pure residential development it is formulaic whereby "x" percentage of the uplift in land value is calculated for the CAC. For mixed use, there's a more detailed formula based on the increase in square footage.</p> <p>Regarding fairness you get definitely differing opinions. I've spoken to developers about it and landlords. They have concerns about certainty about the 'x' percentage uplift of land value as there are so many variables when you're trying to determine the uplift of the increase in the land value and it's a very complex formula. You take into account the cost of the builders those are all estimated, financing, profit, all of that is estimated. We hired a consultant to estimate the uplift in land value on the latest project. This was controversial because land values are sort of a moving target and they're quite high. People have a hard time getting their head around; the general public anyway, seems to have a hard time getting their head around uplift in land. They just think of profit after it's developed. Profit is built into the calculation, but isn't the basis for the Community Amenity Contribution. It's uplift in the land value only.</p> <p>Uplift in land value, is really determined by what someone will pay. There can be quite a wide discrepancy between what our calculation is and what the developer actually paid for the piece of property based on what the actual sale price (i.e. what the market will bear). So that one is definitely a bit more subjective kind of formula. The mixed use developments area formula based on the increase in the Floor Area Ratio (FAR) above the allowable density. Then pure commercial, we don't charge anything except in a recent experience where we actually didn't follow the formula and we still extracted community amenities from the building because our policy in Council's view actually wasn't very clear on whether pure commercial was explicitly excluded. Our staff had said, no Community Amenity Contributions was required and that an adjustment of policy would be necessary but council ultimately did decide to extract some, not a huge amount, but some parking.</p>
<p>Planner</p>	<p>We established a density bonusing system after consultation with all stakeholders including UDI and it was accepted by the development community. What that did is also it started raising expectations out in the community, "Oh boy, you're obtaining additional funding for community amenities above a certain density. Well, what about us?" One area in particular, it's an older part of town that's undergoing a huge amount of redevelopment.</p> <p>There's been a long outstanding need for a community / recreation center there and after a consultation process we went back and said, "Well, hang on a second. We got density bonusing kicking in above 'x' FAR. Can we not put a system in to try to get a little bit more resources for developments under 'x' FAR?" We checked around with some of the</p>

	<p>municipalities and prepared to explore a community amenity contribution system, a CAC system in combination with density bonusing, so density bonusing kicks in above the base density of 'x' FAR and the CACs would apply below that.</p> <p>Council said, Okay to the idea” so we checked around what would be a reasonable amount and again consulted with UDI. This time, they are less keen about it because now we're starting to bite into the base density so we had to keep the rate fairly modest. The approach we took is any establishment of CACs have to be targeted for a specific project and the developers are paying a unit rate of "y" dollars per square foot up to "x" FAR.</p>
<p>Politician</p>	<p>The current implementation is that in several zoning areas of the community, the zoning bylaws specifies a fixed CAC amount per square foot of additional zone density. In areas that are not covered by this formula, CACs are to be determined by estimating the uplift from the zoning and then looking for a contribution in kind, in cash, from the developer that roughly approximates seventy five per cent of the estimated uplift. We have two models, depending on where the zoning amendment is taking place within the community.</p> <p>The formula approach is based purely on per square foot density, not number of units. The advantage of this fixed model is predictability for developers and efficiency of the process. A developer who approaches council looking for additional density knows exactly what the additional density is going to cost him and there are no delays in the process, trying to estimate or debate or negotiate the CAC. It's known right up front.</p> <p>The advantage of the calculated method is it can be, I stress can be, more accurate in unusual circumstances that were not envisioned by the formula. This method is a pure land-value calculation. If you add five thousand square feet of buildable to a lot, you pay five thousand times per square foot, it doesn't matter whether you're asking to put in five units, two units or one unit.</p> <p>The problem, of course, arises when the calculation method is applied to relatively small developments. The cost to the community of just performing the calculation and getting the appraisals and the delays to both community and the developer are out of proportion to the development. On the other hand, in situations where there is a significant development that massively changes the nature of a particular area, a formula may not accurately capture the uplift in either direction. It might penalize the developer because of specific features of the development that don't increase the value to the extent the formula anticipates or conversely, the formula might underestimate the value.</p> <p><b>Interviewer:</b> So for the larger, more significant rezonings, how is it possible to estimate just the land value, when the actual end value would probably be mostly determined by the number of residential units you could fit on that uplift of site?</p> <p><b>Interviewee:</b> Ah yes, there is the problem and the way the municipality has handled that issue has been to outsource the problem to an appraisal company and ask them to prepare an estimate of the value of the land that's currently zoned, as an estimate of the value of the land of the proposed zoning. Usually, they try to estimate the current value by direct comparables and the rezoning by direct pro forma.</p> <p><b>Interviewer:</b> So they perform the pro formas with the potentials and then they estimate cost of construction versus the amount of profit you can make by number of units.</p> <p><b>Interviewee:</b> Exactly but in some cases, the pro forma has been done purely on a per</p>

	<p>square foot basis and in some cases, it has incorporated the concept of units. But there hasn't been as much consistency in that approach as we'd like to see.</p> <p><b>Interviewer:</b> Do you think that's because of different consultants that they've hired to do that?</p> <p><b>Interviewee:</b> No because the two that I'm thinking of in particular was the same appraisal company. I think it's probably direction from staff and/or possibly, the appraiser himself or herself changing their approach as they gain more experience with this sort of request. So I think both approaches have their benefits and I don't think we have it right yet and I believe our council realizes this and has committed to revisiting the CAC policy in the near future.</p>
Planner	<p>We looked at a number of ways of implementing a CAC system and basically what it comes down to is there needs to be, in our minds, some kind of community or neighbourhood plan that identifies the benefits that you're trying to achieve and tries to quantify the value of those in relationship to an increase in density of 'x' number of units. So, we've tried to quantify that but it's not an easy thing to do. It does generate a lot of discussion and dispute over what's a rational way to do this. We've also, at this point in time, been focused primarily on doing these things as a negotiated process through a rezoning application and clearly the developers are trying to minimize the impact of a benefit that they might have to provide, so it works out to be pretty low in terms of what we thought we should achieve versus what we actually get.</p> <p>The negotiated process certainly has weaknesses. That's why it would be our preference that these things would be enshrined in a zoning bylaw where it's codified. If there are very specified limits of how much density can be achieved, what types of amenities are desired, and what level of amenities then everybody's on the same footing. It's the same rules for everybody; there's no onus on staff to have to negotiate and everybody understands what the rules are.</p> <p>Regarding fairness, it depends which group you talk to about how fair it is. In the developer's mind, in many cases, not only is it not fair, in their minds; it's illegal. It constitutes a taking that isn't established in the legislation, and so that's why if we're going to do this, it needs to be in a zoning bylaw. In my mind, that's the most consistent and the most transparent way to do this. In return, the citizens know what can happen in their neighbourhood, the developers know what can happen, and it doesn't leave staff and council hanging having to negotiate something every time out.</p>
Planner	<p>We ended up at charge of \$3 per square foot increase of a net residential square footage. You've got to net out the existing residential square footage, if there happens to be any on a lot that's being redeveloped. It's just like DCCs, you've got to do that for DCCs as well. What the money's going towards is a new community center which has been needed for a number of years. Although the center is in the early planning stage it could cost 20 to 25 million bucks, maybe a bit more, maybe a bit less. So we figured out the theoretical capacity of the area, like how much new residential square footage might be able to be developed in there over time. Then we looked at various dollar figures that would result in about 20 to 25 million bucks in revenue being collected through CACs. It ended being \$3 per square foot value. What the city has recognized is they now have a long term a source of revenue to help pay in whole or in part for this community facility, this community center, but they recognize they can't wait until all the money is collected before they start building the community center, because they're literally decades out. What they'll do is they know they've got money coming in and over a period of time they can then borrow in confidence, knowing they've got a source for paying back the</p>

	money they borrow.
Planner	<p>CAC's are only considered at rezonings therefore they are a condition of rezoning. The council, of course, has the authority to approve or disapprove of rezoning and within that rezoning a CAC is a negotiated contribution by a developer and the municipality. You can put it as a condition, just as there are many other conditions under rezoning but a CAC is a contribution from a developer and it reflects generally the higher density or higher land use that's permitted on the site as well as it reflects the change in land value between the current land value and the new and improved land value. So it is a share of that increase in land value and the contribution goes towards community amenities on site or as close as possible to the site if it can't be located on site.</p> <p>The share or percentage of the land lift that is captured in each negotiation is not the same every time and is definitely not 100% of the land lift. That's not our policy, we reward and recognize there's some risk in doing are zoning and that we should strive to capture most of it around 'x' percentage and leave the other 'y' percentage on the table to recognize the risk a developer has in embarking on a rezoning. Additionally, we also have a set rate for the increase in per square footage for small scale projects which effectively estimates the land lift.</p> <p>The negotiated CAC approach is probably the most efficient and probably the best way to capture the land value increase because it is precise to a site. There is a pro forma analysis that runs specifically on that site that captures the nuances of the site. There might be specific revenue targets that match a site and if you're doing a fixed rate approach you're basically averaging a group of sites towards a rate and so you're not recognizing the nuances and specific benefits of one site over another. You're not capturing the full potential capacity of a parcel.</p> <p>Regarding the fairness between different stakeholders and the differences between those two approaches, I think in principle, they are the same. The fixed rate is another way of expressing a negotiated amount just on an average basis but the point is the same. The whole point of CACs is to capture the increase in land value and reinvest it back into the increased residents onsite and the amenities that they'll need. So I don't think there's any difference between the two. The reason we do fixed rates is we try to give, where we can, the development community more certainty on what the CAC we would be looking for.</p> <p>Yes I do think it is a good characterization, framing the difference between the two systems as a trade-off between certainty and flexibility but I mean, it only works in some instances. For example, on sites that are really complex, large and/or have multiple uses require lots of analysis, which a fixed rate is not suitable for. You'd have to negotiate because it's a one off but where there is consistency in the built form, in the achievable floor space ratio, in the same type of product, for example if it's all wood frame product of a certain height, a certain form, a certain density, and in the same area, then certainly a fixed rate makes sense there. It doesn't make sense to negotiate every single site. It makes sense to apply an average type of rate that is equivalent to more or less what the negotiated would be on these sites. It's a trade-off to provide certainty for developers so that when they go to purchase land they know what type of negotiated CAC we would be looking for.</p>
Planner	<p>In our municipality we differentiate between more general community amenity contributions and amenity bonusing. Density bonusing is the levels of density over and above what our official community plan references. So, for example, our highest density official community plan area has a maximum FSR of 'x.' You can build buildings larger</p>

than that but you have to use a certain section of our official community plan and select from 6 different options and you can provide amenities through that. There is no formula; there is no calculation of land lift. Typically, it's more of a negotiated approximation based on what has been done in past projects and this is what feels reasonable in terms of the exchange of amenities.

There have been cases where we've gone to a pro forma analysis in order to calculate the land lift and determine the density bonusing through that process but those have been rarer as opposed to the case by case negotiation. The community amenity contributions are, at least, what we refer to them as, are when you are going from a level of density which your current zoning has up to but not exceeding what the official community plan allows. So, for example, if you are in an area where the official community plan allows for example, 1.6 FSR of density and currently your zoning allows 1.0 and you want to bridge that gap and build something that goes to 1.6, then we would anticipate to obtain some community amenity contributions in order to bridge that gap.

There is no formula currently right now but there has been some concern, basically, on all fronts including from some staff members, on that matter. The development community, the regular residential community as well as from the politicians saying that the case by case negotiation does not provide any certainty. It doesn't have a level of certainty or transparency that any of the parties would like. We've recently over the last year, I think it started in October 2012 when we started with a council workshop on density bonusing, community amenity contributions and then council asked us to go study it further. We got a consultant they reported back to us on what some of the recommendations were and on it's going for consideration at the next Council meeting so your timing is interesting here.

There is a proposed policy for community amenity contributions and density bonusing but it hasn't quite yet been formalized and nailed down. It's not out there in the public yet, but it's coming very soon.

I think that's bang on in terms of the strengths and weaknesses of the two approaches being characterized as a trade-off between flexibility versus consistency. I think that's ultimately the yin and the yang that has to be balanced. The municipality has a really quite an extensive history of getting significantly large amenities from the development community for an exchange for development that a formulaic approach wouldn't have likely resulted in. \*\*The interviewee lists examples of significant amenity accomplishes\*\* in which all of them were obtained through that case by case negotiation process through the community amenity contribution and density bonusing density transfer mechanisms.

**Interviewer:** Between the two systems, how would you view the fairness approach amongst the stakeholders?

**Interviewee:** I think potentially one of the drawbacks in the current system, for example for the residence of a community. The official community plan currently emphasizes the sites with the most density for density bonusing. For example, if you can have a site that allows a 2.6 FSR, then if Council is looking to approve the density bonusing mechanism then you can you can build more densely perhaps up to 4.0 or 4.5 FSR. That isn't necessarily a transparent piece of policy for someone who is not well-versed in how density bonusing works. In my experience, the development community perspective, wants certainty right up to the point where they have certainty, in which case, they want

	<p>what they have and just a little bit more. It's difficult because they certainly have been very vocal about saying that, Yes, we definitely want the certainty. Changing policy to provide more certainty has been our focus. This should help everyone involved. The vendors of the land will know what they can sell their land for and what to expect and what ultimately will be permitted to be built on the land. The developers will know what to pay, the city will know what they will receive, the type of development that they would be expecting. It would cut costs down in terms of the negotiation, the back and forth, the time that's involved in that but that being said you will need different types of skill sets. You need staff and planners to have additional skill sets. Planners more and more seem to the need to be economists, understanding what a cap rate is and knowing what the risk is and being able to understand performance. Typically this is not a skill set that all planners have. That's a difficulty because you might need to be hiring differently in order to have the different staff assets onboard to be able to evaluate the formulas to make sure you're getting the performance necessary from the formulaic-based approach.</p>
<p>Developer</p>	<p><b>Developer 1:</b> From our perspective there are a couple of things to mention regarding the overall purpose of CACs. Number one is I think there are several purposes from our perspective and also from the communities' perspective. From the communities' and municipalities' perspective community contributions are used for those things for which DCCs cannot pay for. So they believe that there are aspects of growth that are not currently covered like the impacts of growth that are not covered by DCC which then CACs provide the opportunity to bridge that gap. The classic example is, you can't use DCC for fire stations. So some CACs are used to pay for fire stations.</p> <p>From the developer's perspective, there are some issues and some concerns. What I mean is that some of the potential benefits from providing amenities are located close to a project which they can enhance the saleability of the project. The amenity provided in this recent 'x' project definitely improved the sales of that project. So if it's done right, it does have a potential of benefiting projects. It has to be done right to make it easier for developers to get projects approved.</p> <p>Some communities basically would resist higher density development if there weren't corresponding benefits provided and so if a developer can go to a community and say, it's not what you're used to, but I'm prepared to do 'XYZ' and the community is happy. That can go a long way to assist developers in getting projects approved.</p> <p><b>Developer 2:</b> Just to touch on that, in our discussion with municipalities we talked about how CACs should be a planning tool not a revenue tool which reflects concern the development community has with the purpose of CACs. It's also better when the community and the developer have amenity priorities identified.</p> <p><b>Interviewer:</b> Do you think of it from a developer point of view that the purpose is more for CACs to help development approvals rather than raising revenue for money that can't be spend on DCCs or like that?</p> <p><b>Developer 2:</b> It's a way to create a great community. As a planning tool it is a way to improve the community in general.</p> <p><b>Developer 1:</b> It should be used a planning tool and I think that's where some of the difficulty that our industry is having with CACs because many are seeing it as almost like a tax as opposed to a planning tool. This is where difficulty can arise both for the</p>

industry but also for the community because when the CAC is treated like a tax it sometimes goes into general revenue and then communities that are receiving the development do not necessarily receive the amenities. This creates more difficulty in getting things approved. The critical thing is you really need to make it a planning tool, not a revenue tool and I think that's where some of the tensions are arising in the CAC discussion.

I will describe what I think our ideal approach would be, and then we can talk about how some communities are closer or further away from that. Basically, when you're doing a CAC you first of all you have to figure out whether financially you can do it. There are some communities where there just isn't that kind of land lift where there isn't a lot of growth occurring and quite frankly if you introduce a CAC it's just going to kill development and growth. But if you're in a community where growth is occurring and it's happening rather quickly then these comments applies both to the negotiated approach and the area wide approach. Ideally what you need to do is you need to quantify or estimate the amount of growth occurring, project out the amount of growth and then this should lead to an analysis of the impacts and identify the priority concerns for the local area residents. The next step is what do we need to do to mitigate those impacts. What would our priorities in doing so?

Then the next step after identifying a list of amenities which would address some of the issues arising from growth is to cost them out. Then ideally develop a fixed rate charge which we would prefer would be put into a density bonusing bylaw. First establish a realistic base density, which doesn't create a situation where you can't develop anything unless you give us a CAC. Then, if you want to have an increased density, give us X amount of dollars or include 'y' in your project and we'll give you the density increase. That approach is transparent for everybody. It's transparent for the development community. It's transparent for the residents and local community and it's also transparent for the land vendors which is critical.

I'll give you an example where problems have occurred. Along the Cambie Corridor where they had a negotiated approach even for small projects. To be honest with you if it's a large project it's probably going to have to be some negotiated approach but ideally you would follow the same steps in terms of what is the impact, what are the amenities, what is needed, and what are the cost?

We found even for small projects, they were trying to figure out what the land lift was and the problem that was created that the development community couldn't buy land along the Cambie Corridor in Vancouver because they didn't know what the city at the end of the day was going to charge them. It created a system where the developer was almost caught between the land vendor's expectations and the City's CAC expectation.

The classic story was the Vancouver Province ran a story where the director of planning at the time was lambasting developers for overpaying the land along the Cambie Corridor. They're paying 3 million dollars and really they should be paying 2 million dollars and then in the same article, they quote a gentleman along the Corridor saying that he is one of the land vendors who's saying "I'm holding out for 4 million dollars, 3 million dollars is not good enough." So you have situation where the City is saying "should be paying 2 million dollars to pay the land lift", the developers are willing to pay 3 million dollars, and some of the land vendors saying we want 4 million dollars. That is a wide gulf that you have to sort of mesh together. So if you had transparent

fixed charges that everyone knows and they've been consulted on (which is another critical issue), then this would allow the land market to respond more quickly.

When I talking consultation, I mean you really have to include developers and land vendors in order to have meaningful frank conversations with those parties. Don't assume that just because you increase your fee that the land vendors will naturally just drop their prices. You have to be aware of it. Ideally, when you're charging you need to be aware that the land market captures not just the permitted zoning but also factors in whether rezonings are quite easy to get. Therefore, it's hard to then go back and say, okay, now we're going to get you to pay for that rezoning. It's much easier to say we're going to increase the density beyond what the land market's expectations are and maybe charge for that density. That becomes really problematic when you're trying to go back, It's not down zoning but it has the effect in the land market of being down zoned. So for us, having a fixed charge through a density bonus where it's transparent, there's some proper consultation, the charge works with the land market and the amenity charge is focused on the actual priorities and needs of the community related to new growth that is sort of the ideal process for us.

**Interviewer:** Out of all the municipalities that engage in a CAC policy why do you think only a couple of municipalities actually do the financial plan ahead of time, cost out the amenities, and then figure out a CAC charge related to the expected growth and over a 'X' period of time. Also, why don't some municipalities do that?

**Developer 1:** I'll tell you what we've heard from those communities and I can also tell you what I think. What I've heard from those communities is quote "the needs of the community are infinite" therefore, whatever we can get out of you isn't going to be enough anyways. I've heard that from several municipalities down here and that's the standard line they provide when the development community provides our argument. My retort to that is part of planning is prioritizing. I would like to have a BMW, I don't need a BMW. There's a difference there. I think that's part of the planning process where you can't have everything. We can get into that because that's actually important when you sit down with the community. A lot of people don't understand how the form, the density and the height of a project actually impact the value of that project which in turn affects the value of amenities that can be achieved. A lot of people are like, I don't want to have that tower but the tower is what actually provides the most money. There isn't enough literacy around the trade-offs in value and that is sort of an important. That's why you really have to engage the community and the land vendors. I think the real reason why municipalities want to use different approaches and usually a percentage of land value approach or percentage of land lift approach is that they are treating it not as a planning tool, but as a revenue tool.

The developers are actually caught in the middle of a war between the land vendors and the municipality. Land vendors here are sophisticated, and they know exactly what kinds of buildings could be on their site and estimate what potential land lift will accrue. I think if you've had gone back 20 years ago, there wasn't that sophistication and then developers, who would buy land, get it rezoned and make a substantial profit. Today we have a whole bunch of brokers down here that have educated our land vendors quite a lot and those days are long gone. The vendor wants their cut; they've owned the land and have been waiting paying taxes. The city then wants their cut and what we have found out is that it is really more of a revenue tool.

UBCM did a recent review on development charges, now this is everything including DCCs and CACs, however, I suspect most of the growth came from CACs. In 1985, municipalities received 27 million dollars due development, 10 years ago that jumped to a 100 million dollars. In 2010, it was 720 million dollars. In 2011, the city of Vancouver alone made 180 million dollars on Community Amenity Contributions. If you add in DCLs which is the equivalent of DCCs. They made 223 million dollars that was equivalent to one quarter of their budget.

**Interviewer:** Does Vancouver make more money from their negotiated CAC approach relative to other municipalities that use a more formulaic approach?

**Developer 1:** Basically, yes. That's the feeling and in fact, Vancouver is now trying to move towards more of a fixed charge. It's interesting how they're proposing to do as it is not based on need but rather It is based on a land lift analysis. So they take a project to launch on Cambie, and they say, okay, generally they're going to be four to six stories. This is what the land is being bought for; this is what the rezoning value would be, so therefore we're going to charge, I think its 55 dollars per net square foot increase. We just had a discussion with the city of North Vancouver and they're actually using a Land Assessment Approach where they're saying, land costs a 135 dollars to buy and build. So that's what we're going to charge you per square foot increase. Again, it's not really tied to needs or priorities of what the community wants. It's just sort of, well, this is what we think we can get and that becomes really problematic. In fact, we had gotten better in some municipalities although not all. In North Vancouver they're looking at taking 100 percent taking of the land lift. In Vancouver, they established a goal between 70 & 80 percent of land lift but the way they worked it out in their calculations that the remaining 25% in land lift accrues to the developer to handle the risks associated with developing a project. In Vancouver, the process is really long and there is a lot of risk associated with it but the main poor assumption is the land vendor is expected to get nothing of the land lift. From our perspective, it creates an issue where the land vendor has absolutely no incentive to sell their property. If you're trying to spur a development in an area, for example, where there is a transit station (i.e transit oriented development). You're not giving the land vendors any incentive to sort of sell their land now to the development industry. They'll hold off when they're good and ready because there's no particular interest in it. So that becomes problematic in terms of delays because no one has sort of taken into account what the land vendors want for their land. Interesting, whenever the City does consultations on CACs it's always with the industry and it is never with the land owners.

I think the City were to consult with land vendors they would receive a lot of push back. Probably statements like "What do you mean you're going to put a tower on my property, and the developers are going to get 25 percent of the increase in land lift and you're going to get 75 percent and I get nothing? That doesn't sound like a good deal to me..."

I think it also makes it harder in terms of getting projects approved because if you're next door to that house that's going to be turned into a tower you're looking at the situation, and you're saying, okay, I'm sitting here and there's going to be a tower beside me which isn't a great benefit to me. So I've got a choice of staying in my house and living beside a tower which I don't want to do and my quality of life potentially goes down or I can sell, but I'm not getting any lift on the land value and I've got to pay for moving expenses. I've got to find another house and I've got to leave my neighbourhood,

	and there's nothing in it for me to do therefore why don't I just fight like a dog to stop the redevelopment plan?
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**Q5. Do you have any preference or recommendations on how CACs should be applied if at all?**

Planner	<p>I think I would recommend a set value approach but there may be circumstances where that value might change. Identifying what the charge should be set at and what it's going to be used for are more difficult questions. I would recommend that approach only makes sense and if you're going to require someone to pay those costs then a good evaluation of the costs and amenities are necessary. When I worked in Vancouver, where the amenities were going was kind of an unknown even to some staff because there was a whole other committee or a group that determined where those contributions were going to be spent.</p> <p>It wasn't known to everybody what the charge was for and when and where it was going to be used. The spending decisions on the amenity money were determined at specific times. I don't remember exactly when those times were, whether it was 'x' amount of times per year or when there's a certain amount of money accumulated in the fund. The spending of the CAC money was very confusing.</p>
Planner	<p>In my opinion, I personally think that legislation, provincial legislation, needs to change. There's a couple of different ways that this could be dealt with, in my opinion. Amenity contribution, in my mind, is almost parallel with the DCCs. We take DCCs for sewer, parks, etc. yet there is no legislation that allows municipalities to have essentially a DCC for amenities or services that will have to be built to allow for development. That's really where there's a gap in legislation, in my opinion. I would hope to see in the future that the province would look at changing legislation, and maybe community amenity contributions can be a thing of the past, and just shift that to a DCC structure of some sort.</p> <p>Another thing to be considered is most municipalities get 3 cents on the tax dollar. I think it's becoming clear across Canada, not just in British Columbia but provincially, those 3 cents on the tax dollar is not enough for the services that municipalities provide. That includes amenities. As I alluded to earlier, politicians are hesitant to raise the residential or corporate taxes, whatever the tax structure is in a particular community, because it's not good for the election.</p> <p>However, based on the current financial structure for a municipality, and how much money municipalities are actually getting from provincial and federal taxes, it's not enough to do what needs to be done. I think that speaks a lot, not only to amenities, but also to infrastructure deficit in this country. Can we afford to replace the infrastructure that's anywhere between 30 and 100 years old? I think municipalities across Canada, in fact, are finding that to be a challenge in the current financial structure.</p>
Politician	<p>I'm still trying to get my head around it (the CAC system). I do agree with having something that's more certain. I do agree with having something that's not so subjective. So on the pure residential side, there's just so many variables that I think it would be better if we could come up with a little more of a flat rate or based on square footage. The residential CAC right now seems a little bit too subjective and too uncertain.</p> <p>I do feel that your comment and characterize it fair regarding the difference between the land lift approach or compared to square footage calculation can be described as a balance between certainty and flexibility but I think I would rather 'lean' on the side of</p>

	more certainty than flexibility.
Planner	In our situation, we started with density bonusing and now we've got that as a certain type of funding source or system in place. What we did is we consulted with UDI and heard about some of the other stories around the lower mainland; some municipalities take 50 or 100 of the land lift. We were trying to be fair. Our general principle was let's split it. We don't want to be robbers here. So if we're sharing it between the developer and the community that seems like a reasonable split. Secondly, let's try to build an incentive for people to build higher density and so we take a declining share. For example, the last density increment from 'x' FAR to 'y' FAR, I think we only take a 25% of the land lift so that leaves 75% of that building value on the table for the developers. That's a pretty sweet incentive for them to build up to the maximum FAR.
Politician	<p>One of the problems that I have with the current approach when it's done by appraisal is that the appraisal models used by most appraisers are too conservative. The reason appraisers are typically retained by developers is to validate a pro forma so they can go to the bank and get the financing necessary for their development. Therefore, appraisers who are not extremely conservative in their analysis tend not to be liked by banks and the banks obviously are going to let the developers know which appraiser they're more likely to accept and fund as well as which ones they find too speculative. So, what we have seen in the pro forma's is that they are very conservative. For example, in the situation where a development will have a considerable construction and sales period, say spanning eighteen to thirty-six months, the pro forma properly includes the cost of money over that period as an expense but prices of units are based on the day that the appraisal is being done, not accounting for any possible increase of value of those units between the day the appraisal was first performed compared to the day the units come to market, eighteen to thirty-six months later. Essentially, the developer benefits in a way from the time value of money on the cost side of the ledger, but the developers do not benefit from time value money on the revenue side. In other words, if the market is increasing, and generally on average it is, that underestimates the uplift, sometimes considerably.</p> <p>In a case that I challenged, the estimate was based on what the units would sell for at the time the rezoning occurred. It was a very strong real estate market. All of the sources I could find predicted a minimum of a two to four per cent annual increase in real estate prices. The net result was the uplift was underestimated by something around two to three million dollars. The appraisers said the uplift would be around four hundred thousand, five hundred thousand. I wrote and said I thought the uplift would be more around a million and a half and it actually turned out to be two and a half or three because the appraiser did not include the fact that the property was likely to increase in value over the period when the property was being developed.</p> <p>I see that as the biggest problem with the appraisal approach and one I'm still planning on pursuing in various ways, but an appraisal for uplift is very different from an appraisal for a loan and they're using loan appraisals because they underestimate the uplift, sometimes by a factor of three to four. This factor is the most significant factor in undervaluing appraisal which in turn undervalues the uplift potential. However, obviously pro formas are a shot in the dark to a certain extent, but the policy of the appraisers is to only include the time value of money on one side of a ledger and not the other, guarantees that they're always going to undershoot. Especially in a declining market and it's rare that developers build in a declining market.</p> <p>The changes that I would like to see in our municipality are first of all more widespread</p>

	<p>application of a formula. I think the developers, especially in smaller, what might be called spot-zoning, are being penalized unfairly by the bureaucratic approach of doing the appraisals. Even though they might not have to pay for them directly, it's the delays and complexity it adds to it and it's the cost to the municipality that I don't think needs to be there. So I'd like to see wider application of formula-based uplift and I'd like to see recognition that in cases where the formulas are not appropriate and the appraisal route is taken that the uplift appraisal is done using a fairer model than the one that's used for funding.</p> <p><b>Interviewer:</b> So, with the formula base, then I'd assume then that the municipality would have to either have expertise on staff or consulting to be able to continually update that, let's say on an annual basis or whatever, based on market conditions then, right? Because I'm sure it's basically an averaging of the smaller type units, of how much costs and revenues like a mini pro forma, projected over an average of typical units. Right?</p> <p>With the formula based approach they could periodically update the formula based on market conditions during the municipality's budget discussions, every two years or so. What they have done so far is write into the bylaw a cost of a living, CPI adjustment factor, and then left it to council to decide when a wholesale recalculations as necessary. I think that it ought to be stated that they should review the formula on a certain frequency. I don't think it needs to be done more often than every two years and I am also quite confident that if the developers think that the formula has moved against them significantly, they'll come to council. If it s the other way around then it's my job push that.</p>
Planner	I very strongly feel that it should be applied through zoning and the zoning bylaws should have a base FAR beyond which density could be increased in return for some form of community amenity, whatever that may be. It could be affordable housing or other things that the community establishes as being a benefit.
Planner	Basically the fairest way of doing of charging a CAC for residential developments is do it on a square footage basis. CACs have to be applied at rezonings otherwise there is no other legal mechanism to obligate someone to pay a CAC because of the discretionary nature of rezonings. Additionally, there is nothing that obligates a municipality to rezone; however, some people have argued this is selling zoning, but that horse left the barn years ago in a lot of ways. A lot of developments are essentially a negotiated deal anyways, so it's like whatever but the CAC has to be applied equitably. You could vary the CAC from one neighbourhood versus another if you were determining the CACs will be spent for things that happens in that neighbourhood and the things that are going to happen in one neighbourhood are less or more expensive than in another neighbourhood thus determining the need for more or less CAC revenue. In general I do think the bigger development/unit, presumably, puts on more demand on the system than a smaller development/unit and it probably has more people living them, simply by their size which presumably would lead to consuming more resources and so on. Today the CAC programs I've been involved in have only been applied to residential developments. One could argue that industrial and commercial puts demands on the amenity system too, so we're going to collect CACs there too, however, not many municipalities have gone that way. CAC policies are basically focused on the residential developments and generally occur in high-growth municipalities that have a lot of residential growth and they are stretched trying to figure out how to pay for this growth which focuses their attention on the residential developments.
Planner	n/a

Planner	My own personal belief is that I don't think you need a case by case negotiation on every site on every project. For example, I think that if you are going from a situation where you have a number of single-detached homes that have been recently reclassified so that you can build duplexes there and the re-zonings are going through to formalize that approval from a single-family house to a duplex, you don't need a case by case negotiation to figure out that are they going to be responsible for replacing the sidewalk down the street or will it be a streetlight or are they going to pave a little bit more of the lane. That seems unnecessary and it seems like a standard based more on a square-foot basis or a levy or whatever you want to call it could be applied there. On the large complicated parcels close to town centers where they're seeking opportunities to obtain different types of amenities, on-site amenities, there is economies of scale available. If you already have a construction crew on the site and you're already building some type of a space that's going to be built for a lot cheaper than if the developer gave the city, for example, x number of dollars to put towards a community center versus a developer already has an architect, an interior designer, a construction crew on site. Those economies of scale are going to allow them to build that a lot cheaper. That seems reasonable and valuable to keeping those two situations separate.
Developer	Overall, it has to be a balance between all three parties. The municipality, the land vendor, and the developer.

**Q6.** Do you think a CAC system should be used to finance community amenity improvements?

- i. If yes, then to what degree to should the funds raised by CACs by a particular project be earmarked for community amenity projects directly attributable to that development project as opposed to municipal wide amenities which are impacted from cumulative effects of growth?
- ii. If not, where should financing for community amenities be found?

Planner	<p>Well, I don't know. That's a good question. I guess my gut feeling is that the amenities should be provided to the area from which they're collected. There may be cases where a more city-wide or community-wide charge might be more applicable, but I guess I'm just basing that on my work experience from my previous municipality where it was generally collected for very specific improvements that were set out for a specific neighbourhood plan area.</p> <p><b>Interviewer:</b> Were all the amenities required proceed though a visioning process first to see what amenities they needed and then they worked backwards with the community amenity contributions for that neighbourhood.</p> <p><b>Planner:</b> They were pretty specific to unlimited. For example, it was only related to library and park improvements and not the park land acquisition or money to buy the park. Also money was collected for designing the park and there was a higher contribution, which is unusual in some ways but I think it was just those four components that were part of the amenity charge. The park department, for example, would take a look at that particular community plan area and estimate the amount of landscaping, playing fields, and other amenities would cost to do those park improvements and divide it by how many residential units were estimated in that neighbourhood plan in order to then come up with the dollar value for the CACs. My memory was probably forgetting a lot of detail, but that is what I recall. The amounts were set out in the back of the zoning bylaw and it was very clear how much you'd be</p>
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	paying per unit if you were developing in specific parts of the city.
Planner	I think that is a matter of opinion. That's a tough one, because here's the deal. Obviously, the developer probably wants that money that's being taken in amenity contributions to be used for amenities close or near to their project. However, there are pressures of development that exceed anything that might be near the actual project. For example, our policy has a new fire hall in it, because with increased density, usually includes increased height in buildings and our assessment was that there may be a need for a ladder truck in our community. Ladder trucks are anywhere between a quarter of a million dollars and up. That's a heavy burden on a municipality to have to provide a ladder truck for increased development, but yet, that amenity really has nothing to do with the development at all. I would say that maybe there has to be a balanced approach to your question. That is there may not be any one right way to do that but based on the assessment and the needs of an individual community. For a larger municipality, perhaps they do not have the pressures for big ticket items like a new community hall. In our case, if we essentially double our population in 20 years it is going to mean we're going to need a whole lot more municipal infrastructure to deal with that population increase.
Politician	I do like the concept, again I haven't had a lot of experience with this detail but I do like the concept of making it more related to the impact of growth near the site.
Planner	<p>That's a really good question and in fact, we got some basic directions we're going on in right now, but we're at a point now because we're starting to collect these density bonus charges across the community and we need to turn our minds to what exactly they are being used for? So initially when they set the system up, density bonusing was for the city center area and it goes to city center area plans. That should provide the benefiting area boundary because we have to indicate in the OCP the underpinning for this density bonusing. It's for community amenities and support of transit-oriented infrastructure, street enhancements, and community facilities such as parks, plazas, public art and public buildings and affordable housing. So we actually have that in our OCP. What we said at that time was "The specific amenities, for which the density bonus contributions will be allocated, will be determined by council policy." So we're now at that point where we got to be a little clearer about what the council policy is. We started last year by putting it as one of the sections in our five year-financial plan (i.e. our budget). So we report to council and to the public on how much was received of density bonusing funds in the prior year, what we project will be coming in next year, where the fund balances are and also to identify where the funds will be spent.</p> <p>....After consultation with UDI regarding CACs on the base density amounts the approach we took is it has to be targeted for a specific project. The developers are paying per square foot up to 2.5 FAR. They got to know that money's going for a good purpose and it's actually going to ultimately benefit the community, their development, their residents their customers and so on. I think that's fair, right, if they're contributing towards an amenity charge that they've got to have the assurance that something's going to materialize. That's not to say they're taking this money and putting it in a big black pot and disappearing with it so that's what we said we'll put this into a pilot program for the 'x' area which has a neighborhood plan boundary. The CACs in that area are going to be specifically allocated for that community recreation facility. We're not sure where it's going to go, when it's going to be developed, how big it's going to be, but we have like a ballpark cost estimate around 'x' million dollars. Through the transit oriented development strategy, we have a projection of what the ultimate build-out in that area could be and 'x' million divided by that build-out conveniently came in at 3 bucks a square foot which is also a value that we've heard in other municipalities around like the city of Vancouver. Just by co-incidence and convenience, we've arrived at the same</p>

	<p>number and with a somewhat rationale method in which a tangible project is at the end and a rough price tag. So all the development in that area is going to pay us on an equitable per square foot basis. Three bucks a square foot is also realistically a little more palatable to the development community than 10, 15 or 20 bucks a square foot because now, you're really starting to eat in to their profit and add to their cost. So we wanted to launch the program, not get greedy and grab a whole bunch of money, but at least get the program started as a pilot. That's been going on for almost a little over a year now so we'll be reviewing results for that as part of this year's budgeting cycle.</p>
<p>Politician</p>	<p>I think that it needs to be handled by council as part of their budget deliberations. I don't think it's possible to come up with anything other than the most general policy, which would state something like the majority of the CACs should benefit the neighborhood, but it's appropriate that some amount go to amenities for the community as well. However, getting into more detail other than general guidance like that, I think, would hamstring the council and the community. What I have seen, to a certain extent, and I want to see more of it is: as significant developments work their way to the development process that are going to generate significant CACs, that we see rate-payer groups and other organizations coming to council and say "look, think about these amenities. These are the ones that we think you ought to consider funding from this and then leave it to council's discretion. I mean as much as I, of course, as a council watcher, have my reservations about that, I think the political process has to be relatively unfettered when it comes to those matters. Either on an annualized budget basis or multi-annual budget basis in order to utilize those funds and making a council decision.</p> <p>Just throw the CACs into a fund that gets debated as part of the annual budget process or, in anticipation of CACs and during the budget process, Council should develop a priority list. For example, the first million that we get in CACs, we'll put towards fixing or providing this amenity. The next thing that's on the list is 'this.' This would occur with the understanding that every development will have some amount of amenity money that will go to specific amenities in the area. What we've seen, typically, is in-kind contributions of improving the street scape, beyond the property line. This makes it more attractive to a developer because then it makes the project a bit more marketable and those ones are a little easier to negotiate and better for both parties.</p>
<p>Planner</p>	<p>I suspect that the only way you're going to sell this to developers is if there's an immediate benefit to their development. It has to benefit them in some way before they're going to see any value in it. For example, is the amenity provided close by? Is it going to help sell their development? Is it an integral part of their development so that they're actually reaping some benefit for the use of that space? Whatever it may be, but I think that if you do things on a community-wide basis that starts to get into the realm of money that taxpayers should be spending on capital projects. You're going to need to divorce this (CACs) from capital projects. It is not a way to fund municipal infrastructure.</p>
<p>Planner</p>	<p>You can argue that amenities should only be provided in proximity to developments. You can also argue the people living in this area will benefit from this new mega facility, whatever it is that we're building it as much as everybody else in the community, so there's no right or wrong about it. The developers and you've probably got the paper from UDI where they talk about the principles. They want to see the equity, openness, fairness, transparency, all these things put into it. Obviously, the developers that are contributing towards it are most interested in amenities that are going to be built right in the neighborhood, but there's nothing that obligates them still to do that. They can argue "No, it's in the public interest to build some mega-facility somewhere else that the residents of this area will benefit from as much as everybody</p>

	<p>else in the community.” It’s the vagueness about the whole thing that bothers a lot of developers. The other element that bothers them is this attitude, “Well, it’s three bucks a square foot. What’s the big deal?” That drives the developers nuts because they go, “Yeah, it’s three bucks a square foot for this, it’s this much per unit or per square foot in DCCs, it’s this much for this, it’s this much for that.” I mean, the developers are always on about over-loading onto developers and ultimately the end buyers. The product has the municipalities undertaking and three bucks here, two bucks there, ten bucks there, it adds up to the thousands and thousands of dollars extra per unit. While the developers aren’t happy about the CACs, they want it kept as low as possible and if they are going to be implemented they want to know when, where, how, what these things are going to be spent on.</p>
Developer	<p>I would say this again, in most communities charging a CAC is not going to work. Don't even go down the road of getting a CAC but if you're going to charge a CAC, I don't mind if it goes down to community improvements that are linked to growth. That is important. Sometimes basically community amenity contributions are used for operating cost which is a big no. Sometimes it's used in situations like: well, our community center is 30 years old and it's on its last legs so let's get a new one. That's fine in terms of priorities but we (developers) shouldn't be paying a 100 of the cost because it's servicing the community that's already there as well as new people. So you got to have that attribution thing when sometimes that's just not there.</p> <p>You're talking about what some have been saying like; We're going to need a new city hall. We'll get them to pay for the city hall? ....Or the new police station. The central police station? You're getting property taxes. These people are bringing property taxes into your community, and that's a sure fire way to stop development very quickly because again I don't think the person who is living 20 miles away from city hall quite frankly cares about the politicians getting a nice new palace. That's the problem, when it comes down to getting a project approved; they want the community center next door. By the way, this also ties into priority setting which is a real debate and I think needs some further discussion. I don't know where I'll land on it, but one of the problems we're having in Vancouver is that I view amenities and CAC is almost like chips that you use when you negotiate with a community. I want to do this and I can give you this, and this. The chips it seems, keeps on getting taken away from us because the city has priorities that are not in line with local communities. The City wants to have a whole bunch of affordable housing. They want to have green buildings. This is an issue in both Vancouver and North Vancouver. Quite frankly our experience tells us the local community wants is a new community center, or a new library, or a nice street-scape. If anything affordable housing is viewed as a negative to them. I'm going to put a 50 story tower next to your house, but don't worry half of it is going to be social housing. That isn't going to fly in a lot local communities. If you sort of said, Yes, I'm building a tower, but it's going to have all these facilities that you're going to want to use. You might actually be able to swing that community or at least some members of that community in your favour. Quite frankly, from the communities' perspective even mass transit would be money better spent than where some of the CACs have been spent.</p> <p>At the end of the day, don't forget you need to get the community to sign off on a project and the further away these amenities are the harder it is to convince the local community that this is a good idea. It's not like in Ontario where you can always go to the OMB (Ontario Municipal Board) and the OMB can just overwrite council. You have to get the council on side, and council is not going to get out of side unless the local community is on side and the local community doesn't care about amenities like the police chief</p>

	getting a new police station.
Planner	Yeah, that's a good question. I think the priorities should be to locate them on site. Certainly our council priority is to locate it on site because it relates to the impacts of a particular rezoning on the additional people now 'landing' on a site in which that amount of growth was never anticipated in any plan or policy therefore it needs to be addressed on site as a first principle. If it can't be addressed on site, it should be in the surrounding community as the next best situation and then the third principle is if there is some sort of city wide plan in terms of allocating the public benefit on a city wide basis, then I guess it would revert to that as kind of a third priority.
Planner	I think, at least my understanding, if you go back to the origins of density bonusing in New York City in sort of the late 50s early 60s, but I think it goes back to the amenities are supposed to be off-setting the additional height and mitigating the impacts of that additional density. It's since gotten more away from that, but I think that original intent was a good one, to say that the amenities should benefit those individuals that are most impacted by the new growth.  That seems to make sense, but a lot of the time that can be things that aren't necessarily seen. If that's, for example, pipes in the ground or a new sewage treatment plant or things like that, it is still valid, even though it might be several kilometers away. There are cases where a community amenity, for example, the sewage treatment plant may be 15 kilometers away in a large city but still contributes to the amenities that are necessary in order to sustain development in that area, so that seems valid. Whereas otherwise, if you're building a fire hall 15 neighborhoods over, maybe that seems less genuinely related to the development application.

**Q7.** The DCC best practice guide produced by the BC government established a criteria for DCC development in which local governments should consider an “equitable and fair distribution of costs in relation to developing land in different areas of a municipality” How would you interpret fair and equitable?

- j.** For example, do you think DCCs should be charged on a marginal cost basis rather than on an average cost basis and could you explain why?

Planner	Perhaps a single-family dwelling may have more people in it so they're going to use that library more thus they should be charged more. I guess there is a basic principle of equity in there. If you think somebody, or some type of land use, are going to use more 'x' than they should pay more. At a very, very basic level, I think that would be a more fair way to do it.
Planner	I think that's another thing that would have to be done, an individual assessment within each community to assess what that needs are and distributing the amenity costs evenly but what is evenly, right? For example, is a per-unit basis a fair assessment of those costs? We tried to do it in the most straightforward approach that there is: Here are the things (amenities) that we need in the next 20 to 30 years and we have an estimated build-out from these kinds of development and then just straight divide it. But what happens if new development projects come online, as an example, so we spread it out over these 'x' number of known projects, plus whatever other projects we have in the queue right now. If tomorrow we get another application for another 2,000 units, then that original policy will probably need to be revised, or at least updated on a fairly regular basis, to try to make it more equitable. I'm not sure that an amenity policy, per

	se, is something that's static. I think it's a living document that will change over time, right?
Politician	That's a really good question and again we've discussed that because there is a tendency to want to charge more for less sustainable building practices like developing further out or higher up the mountain. It comes down to well why should someone who lives in a denser area subsidize people that are up on a mountain, right? There's an appeal to that, but then having been in the school business, I was on the school board, we tended to take a more egalitarian approach to proportioning costs. I think my first tendency is to want incentivize development that's more sustainable, penalize development that is less sustainable. So if you build a big house on the top of a mountain, then you should have to pay more. That's my first preference which is based on the sustainability and incentivizing the behaviour you want to encourage.
Planner	N/a
Politician	I can't comment for two reasons, but on the first issue, I have not looked into DCCs as much as I ought to have and so I have no opinion or research on that area. To the second part of the question, the cost of the amenities in our community tends not to vary that much across the community, and so the issue has never been raised.
Planner	I certainly think that equitable and fair distribution of costs should be incorporated even if the charge is different in different areas. That's certainly what the development industry is going to want to make sure of that it's fair and equitable and that everybody gets to the same consistent treatment. Additionally, it should be fair in the sense that these are amenities that are truly needed by the community, not just a cash grab.
Planner	The bigger the development or the unit presumably puts more demand on the system than a small unit and it probably has more people living in it, simply by size. It's consuming more resources and so on. Today the CAC programs I've been involved in have only been residential in nature. An argument could be made that industrial and commercial development puts demands on the system too, so we're going to collect CACs there too. A lot of municipalities that have gone this way, I mean, it's all focused on the residential. They're high-growth municipalities that have a lot of residential growth and they are stretched trying to figure out how to pay for this growth and so it's all focused on the residential.
Developer	What we were actually advocating for this for quite some time due to the development best practice guide that for condominiums, townhouses and even single-family homes, a per square foot charge should be charged. We were all for this, and we thought this is a great way to get affordability. Recently, the problem with that became if you charge per square foot, developers will be naturally inclined to build smaller units and developers did try those smaller unites and that worked. A planner from Urban Systems did a study regarding the impacts of this in North Vancouver and Coquitlam. The down side was that they found that municipalities where these were occurring, all that happened were the same numbers of people were living in a smaller house. So in terms of the actual impact on the infrastructure it was the same. A big house has the same impact as a small house. A big apartment has the same impact as a small apartment. It was just the same, so I think that's an issue that when you take a look at. I get the frontage issue where that may impact infrastructure costs. For instance, on the roads basically obviously if you got really long as oppose to narrow lots perhaps, you should pay more. I don't necessarily have an issue with that as long as it's documented and you can demonstrate the difference for all the types of services. I don't know how that would maybe impact drainage or parks. It might impact roads and certainly piping, but I don't know what the overall impact of that would be. In fact, you can get caught. I remember with the green buildings, one of the things that they talked about is that we got to have all these water

	<p>efficiency features in these buildings. The idea at one point in time was, well this will be great because there are the DCCs, so the pipes will be reduced because you don't have to have as much piping. However, the retort was, actually you do because the fire department needs to have the capacity when needed to have a lot of water. So it actually had no impact. Again, you got to really document all your rationale. As long as the rules are clear, I don't think developers would really mind. The basic thing is that if you change the rules you really got to give them a lot of heads up.</p>
Planner	<p>I think our DCC program actually uses a marginal basis right now. What we do is we calculate what the anticipated growth is in an area and if there is an area specific DCC we would calculate the need for 'x', we only have four categories of allocations in which we collect the funds for. So we would calculate how many additional, for example, child care spaces would be required to service that additional growth anticipated in the area. We would collect the dollars just to finance those additional spaces, not to retroactively to go in and improve spaces already serving the existing population in the area. It's all about the new growth. So I think it's a marginal approach to DCC's and I think that's the fairest way to do it. It makes sense</p>
Planner	<p>I think reflecting the difference of cost seems reasonable. That is certainly going to have an impact on the land values, but that would be presumably a one-time impact, and those would adjust, and those would average out after a few years. Yeah, I think that's reasonable to have the marginal cost basis.</p>

**Q8.** Do you think CACs should be applied similarly to DCCs?

Planner	<p><b>Planner:</b> Should they be charged for planned growth? I think again, there's an equity point in there that everybody in the community is going to use these services. So, everybody should contribute. I think it would be more equitable to charge it to all new growth and all development and not necessarily through general taxes. I'm just acting on a really broad level about what's more equitable as I might be missing some of the nuance of your question.</p> <p><b>Interviewer:</b> Even recognizing that it is illegal right now to expand DCCs to include CACs.</p> <p><b>Planner:</b> Yes, I'm just saying again, on a very broad basis of equity</p>
Planner	<p>Yes, I do believe that CACs should be applied similarly to DCCs. Another thing and something to be considered is that most municipalities get 3 cents on the tax dollar. I think it's becoming clear across Canada, not just in British Columbia but provincially, that 3 cents on the tax dollar is not enough for the services that municipalities provide. That includes amenities. As I alluded to earlier, politicians are hesitant to raise the residential or corporate taxes, whatever the tax structure is in a particular community, because it's not good for the election.</p> <p>However, based on the current financial structure for a municipality, and how much money municipalities are actually getting from provincial and federal taxes, it's not enough to do what needs to be done. I think that speaks a lot, not only to amenities, but also to infrastructure deficit in this country. Can we afford to replace the infrastructure that's anywhere between 30 and 100 years old? I think municipalities across Canada, in fact, are finding that to be a challenge on the current finance structure.</p>
Politician	<p>I don't know if I can really comment on that without giving that a little more thought</p>
Planner	<p>I want to answer certainly because we've been struggling for years as local governments after DCCs were put in place. They're real narrow focus. It was pipes, roads, and parkland but it has gradually expanded over the years so that's always been one of the</p>

	<p>complaints that there is that funding mechanism there, but it's limited in what it could be used for. That's why we resort to things like density bonusing or CACs to help supplement our funding. I think it is probably time to do that and the province is looking at it right now because some municipalities are, well all are struggling with this and so they're finding their own separate tactic to get those additional funding mechanisms in place, so if there was something that was more structured and clear-cut for everyone, that would be helpful, I think.</p>
Politician	<p>I haven't thought about them (DCCs) enough to have an informed answer. I just concentrate entirely on the issue of uplift and CACs related to uplift and that's been such a consuming battle, I haven't looked further afield. Obviously they're related (DCCs &amp; CACs) but It took fifteen years before they (Council) even admitted such a thing (CACs &amp; uplift) existed. There is a game that is played (for CACs) because rezonings cannot be sold. The dance that's performed is that the developer pretends to be voluntarily offering the CACs and council pretends that they're considering everything associated with the development in it's fullness and including if there is any benefit to the community and if the CACs aren't there, they might decide it doesn't benefit the community.</p>
Planner	<p>I think that you could do it that way. I think that it's probably more appropriate to have it in a zoning bylaw.</p>
Planner	<p>Well yeah, I think that's appropriate because then it would be based on net new square footage rather than unfairly penalizing someone by making them pay for existing floor space that's being redeveloped. It's the new floor space because that's what's creating the new demand. I mean CACs are payable at the same stage as DCCs in most cases, but that would be by if the developer's prepared to sign an agreement recognizing or acknowledging that they have entered into this voluntarily and that they will, at the time that they receive their either development permit or building permit, depending on when you collect the DCCs, you pay the CACs at the same time. In other cases, municipalities have said no, you're not getting your fourth reading until you pay your CACs, just to be super-safe.</p> <p>DCCs are legislatively limited right now. There are certain things that DCCs can't be applied towards. The traditional view is DCCs are for hard infrastructure such as water, sewer, roads, etc and this other stuff (amenities) comes through general taxation. Politically, what's happening is existing residents of these higher-growth communities are ticked off. They feel that they're paying for new growth that is occurring in the municipality. That's the argument that a number of people have used who have opposed densification of their neighborhoods. Well, great, if we have all these new people living here, where's the money coming from to pay for our community centers that need to be expanded or new things built. Why are we paying for this growth? The principle should be new growth pays its own way.</p>
Developer	<p>I would say just because of the rigor in the process and it has more transparency. The only thing I would say with the DCC process is again there's a lot of focus and talking to developers but not really land owners. There are a few things I would change with the DCC process, but it's a far more rigorous process and the kind of thinking that you have to do I think should be replicated. Because again it's all about, what do we really need? How much is that going to cost? It's fairer because there's always a concern when you have the strange negotiations behind closed doors. There's a potential where some developers will get special treatment versus other developers, both in a negative and a positive way. Whereas the DCC, generally they don't have that because it's a pretty standard process.</p>

	I think what I would do is keep it as a density bonus. Apply that to the density bonus process. It might charge like a DCC if you choose to have an increase in density you pay this much extra money.
Planner	Well I think the flexibility is good. DCC's are obviously way more rigid in how they can be used. They are growth-related only. CAC's are mandated under council policy so they can be used depending on what you want to do with them. Some of them are being used for operational purposes. Some are being used for growth-related capital improvements only. I think the principle of linking CACs similarly to DCCs or DCL's as much as possible, is like assigning it to growth-related improvements, makes sense, but I wouldn't restrict it only to that and would keep them in their role currently in the rezoning process, for sure.
Planner	My opinion is that it's probably only a matter of time before the province comes in and legislates something likely everywhere in BC but Vancouver because of the charter. To say that this is the standard operating procedure, this is the policy, this is how they're going to be collected, and by the way, we're going to have 'x' percentage for Translink or whatever it might be in the area that's going to impact them. I think that's only a matter of time, I'm not sure when, this government, the next government, when it would happen, but it seems inevitable. It's too big of a revenue generator out there for the province to not have their ear to the ground on that. I think more recently they had the province of British Columbia come to the regional planning advisory commission in metro Vancouver and sort of asked for a summary of the practices that the municipalities were with how they were dealing with density bonusing and I think there was a little bit of concern on that group as to why they were asking for that and what the intent behind that was.

**Q9.** How effective do you think CACs and DCCs are or can be at encouraging compact development or at preventing sprawl?

Planner	I don't know. In the Surrey case, people wanted to develop in line with one of their neighbourhood concept plan areas, which already set out generally the housing types and densities. The development community conforms to that and they'll pay what is required as a part of the plan. I don't think it's a matter of the CACs or the DCCs per se which encourages that type of development. It's the pre-planning that's gone into it ahead of time that is going to set that framework. Although, of course, the development community always expresses its concerns that the charges are too high. From what I know, I think developers include those costs into their pro-forma analysis. I think in their minds, it probably is too high, but as someone who has been a municipal planner for a many years; it's just the cost of doing business.
Planner	I'm not sure that CACs in themselves would prevent sprawl. I'm not sure where the argument is for that. If anything, we're finding that most of these developments are somewhat of a type of sprawl. I'm not sure that community amenity contributions do anything to stop sprawl or limit it to the outer boundaries. Essentially, all a community amenity contribution does, in my mind, is if you want to develop here then here's an extra cost for the amenities that you will have to use. It doesn't say or give restrictions on where development can occur, or anything of the like.
Politician	I believe they (municipal price structures) can be 'effective', just like charging for water can change behavior.
Planner	Yes, I saw that in your survey. On one hand it can, for example many years ago, I worked in 'x' municipality and there's some sort of large far-flung community center. They gave you that way out like a long distance from the established settlement areas. It

	<p>costs that much more for roads, water, sewer and all that. It turned out that your DCCs on a prolonged basis were higher. That's simply a reflection of the higher cost to service those areas as opposed to a city center.</p> <p>The flip side of that is you go, “Okay, we got a CAC system or density bonusing system in our city center, but we don’t have anything for the single-family outside that. That's sort of like a hidden unintended benefit or incentive not to build there. We haven't seen that yet because the market here has been so strong for that type of product in the city center. I guess, you always got to be mindful that you're not doing something with unintended consequences. It was good intention setting all these funding mechanisms made of DCCs or density bonusing or CACs, but I'll say you’re not pricing out of the market that area you want to see developed.</p>
Politician	I haven't thought about it. It's not a major issue in our municipality because almost all of the uplift calculations are redevelopment in existing built areas. We don't have any place to sprawl.
Planner	I think to this point in time, we haven't seen them be all that effective, particularly in a market like ours where the housing is extremely expensive. That expense is partially fueled by the fact that suburban housing in those areas has a higher DCC rate simply because the further out you go, it costs more for every lineal foot of pipe or road or whatever it may be, and that can contribute to the price of housing. Our municipality is somewhat unique in that it is historically been a very attractive place for people to come and investment. People come here all the time looking to pursue development. People come buy and they'll buy six units at a time for exorbitant prices because they think they can flip it a month later for even more money. So, we're kind of in a situation where growth itself is an industry here.
Planner	<p>I was curious you’d ask that question and I don’t see the connection there. You’re being inequitable if you do so, right? I mean, if the argument is that new people coming into a community are creating new demand for facilities or they’re living on a half-acre in the suburbs or they’re living in a tower or something, everybody’s creating demand on the system, right? I mean, it should be based on the demands that are being placed on the system. CACs are being used mostly in the higher-growth municipalities where they are densifying, but don’t see it as being a controller of urban form or densification.</p> <p><b>Interviewer:</b> The theoretical research that I’ve been reading suggest some price structures should be influenced when planners see externalities in the housing market that are not being captured by the developer in the housing market. It may make artificially low prices on the periphery of municipalities.</p> <p><b>Interviewee:</b> Yeah, I know, that’s one of the arguments that have been used since the use of the DCCs and so on, but I see CACs having a different role. I’m also concerned when planners as I’m an economist as well and I’m concerned when planners start mucking too much in the housing market because they usually don’t know what they’re really doing.</p>
Developer	I think it's actually having the opposite effect because I think what is happening is you have a whole bunch of municipalities with opportunistic thinking. When a new transit line gets built, a lot of municipalities are looking at those transit lines as cash cows. They're not looking at them as, here is an opportunity, get as many people to live and work in here, take transit and reduce our GHGs and all the rate planning goals you could think about. I'm aware of one municipality where when development negotiations occurred adjacent to a new transit station that was built in the area, the developers were

	told by the municipality that we're prepared to wait 25 years because the land vendors aren't prepared to lower their price. We are prepared to wait 25 years until we get the money that we think we're owed.
Planner	That's one of the questions I had difficulties answering when I was doing your online survey because in our municipality it doesn't resonate. I don't know if it's applicable.
Planner	If you're having a levy / charge which could be based on a per square-foot basis, the yes, it could be an enormous lever for the city to encourage or discourage growth in a certain areas like in areas that may be connected to future transit nodes and things like that. I think it could have a massive impact, absolutely.

**Q10.** As a principle, do you think municipalities should use price signals (such as DCCs & CACs) to actively structure or influence urban form and specifically should municipalities address externalities in the housing market? If so, do you see CACs filling that position?

Planner	No, I don't think so. You may get someone in those cases who has deep enough pockets and is willing to pay. I don't think that's necessarily the right tool to get the type of community that people want to see and that's probably true whereby there is excess low-density development due to the affordability of development because externalities are not being captured but would you want to artificially inflate (may artificially is not the right word) - increase those prices to reflect the true costs? Maybe, there is some merit in doing that.
Planner	Yes, I think it could be used in that way. I also think that if a CAC scheme was put together whereby certain areas of town should have a higher CAC attributed to them, to prevent sprawl. If you're closer to the downtown or if you want to reinvigorate your downtown, then maybe you make the CACs in the downtown core significantly less where the services are grouped. There could be an argument for that. With higher density in certain areas, then the services could be grouped together, thereby decreasing overall costs. Then, you can make a logical argument as to why those CACs were less than, say, a development that's on the very outskirts, and requires services away from the town center. I think that if done properly and well thought out in some sort of logical fashion, there could be an argument to how CACs could be used in that way. I would argue that, right now for the most part, from what I've seen, that's not how they're being used.
Politician	I think there is a lot of things municipalities can do to influence housing form and money often seems to be a good incentive or disincentive.
Planner	I don't think 'municipal price structures should be used to address externalities in the housing market'. Now, you're starting to mix policy objectives. If you're going to put these funding mechanisms in place to generate a source of funds to help provide or cover the cost of the additional necessary amenities, if you're struggling to find a way to do that and that's all part of the general principle that the growth should help pay for itself. Then if you overlay on top of that, "Well, let's set the rate so we're discouraging this over that." First of all, I'm not sure if it's equitable. How can you charge the CAC for single-family when I can go on outside and pay for a community center that's downtown. What's the nexus there? I tend to try to keep things a little more straightforward and simple I guess.
Politician	The only green field development we have here is the 'x' area and there have been some uplift issues there, but generally council has not used CACs as a planning tool. My initial thought, and I'd want to think about it some more, is that it's orthogonal. Council should decide, through the advice of their professional planners, how they see the community evolving, and uplift should be used primarily to share the benefits of

	<p>increased density in certain areas that are compatible with the planning process. It shouldn't be used to encourage or discourage certain types of Development and if it's having that effect, then I would argue that there's something wrong with the way it's being applied. If the CAC is properly calculated, it shouldn't be revenue negative to the developer; it should be slightly revenue positive. It should still be in the financial interest of the developer to have bonus density. It's just not going to be the windfall it would be without a CAC. The decision whether a developer thinks it's appropriate, whether he should go ahead with the zoning (seek an upzoning), the CAC should be almost neutral in affecting that decision. He should make it based on whether council is likely to approve it because it's consistent with council's plans for the area and if he thinks the market is better served by additional density etc. It shouldn't encourage or discourage strongly a development of any particular sort (in my opinion).</p> <p>I do think it is appropriate to encourage development in one area compared to another by capturing different values like 35% compared to 75%. It hasn't been used and I don't see it being used in our municipality because of the nature of development that has happened here over the past 10 or 20 years but I could see that being used and to a certain extent I think it probably has been. I think that the formula based CACs are much less than the uplift calculations. So in some sense, yes, our municipality is signalling to the development community through the formula that there are areas where they have more opened to increase densities, so you're right. I hadn't thought about it in those terms and yes the municipality is already doing that and I think that's an appropriate tool.(For some reason, I don't know why I was thinking of the other)</p> <p>It would be interesting for you to talk to one of the planners at our municipality to see if they purposely put in a discounted CAC rate in order to encourage development or whether they intended it to be neutral and they just guessed wrong.</p> <p>I will say that we have not seen that many applications since they put the formula in place for upzoning. So if it was their intent to encourage development it hasn't had that effect.</p>
Planner	<p>No, quite frankly I don't think 'municipalities should use price signals to influence externalities in the housing market.' I think that DCCs need to be a representation of the actual cost to install the services necessary to service development, nothing more.</p>
Planner	<p>I'm also concerned when planners as I'm an economist as well and I'm concerned when planners start mucking too much in the housing market because they usually don't know what they're really doing. It's a philosophical thing. I mean yes, we can all agree that denser forms of development make for somewhat more efficient delivery of services and so on, but that's not completely true on the ground. A good example is in my community our population has doubled in the last 20 years or and part has been more lower-density, single-family in modest-density town housing. We've also done a lot of intensive city center development and mixed-use developments. For a long time there was this assumption by some of the people at City Hall that by putting development into a more dense form that it was going to be more efficiently serviced. Yes, in a more dense form you have more people or more units served by less road, less sidewalk, less sewer but there's still huge demand for policing services, fire services, library, recreation facilities, all these things, so whether it's in a sprawl pattern or more compact pattern, cities discover their costs continuing to grow fairly significantly. The only area where their costs are somewhat less is in the maintenance of the infrastructure, the roads and pipes and that kind of stuff. People are people and whether they live in a tower or</p>

	whether they live in a 5,000-square-foot home on a mountainside, they're still creating a fairly significant demand for services.
Developer	<p>They're doing it now. It's just that they're doing it in the office. They're looking at transit development as a way to make money, and in a way they're actually making it harder to do transit oriented development.</p> <p>I would say municipal price structures should be based on what the actually cost to deliver is and chances are you're going to arrive at the same place 'where lower fees would be assessed to areas where compact growth and efficiencies can be had relative to let's say higher fees in new single-family subdivisions'. For instance if you're in a transit oriented development area you shouldn't need the same number of roads per unit as you would with your sprawl suburbs. So I can understand why some municipalities may say, well in this area here we're going to have an area specific charge and low and behold we don't need as many roads. Therefore the road DCCs is less. I can picture that happening. I don't know if I would use it specifically to penalize but if it cost more for the city to build the service a lower density suburban development then I think that would naturally come into the price signals. If you actually calculated what the cost to deliver the services and then charge that amount.</p>
Planner	<p>Do you mean by not having a CAC you'd be encouraging development in an area because there's no or there's a low CAC?</p> <p><b>Interviewer:</b> Yes, or vice versa having a high CAC in a non-desirable area where you don't want development?</p> <p><b>Interviewee:</b> It's funny to hear that questioning because it's something we just don't consider in our municipality because everything is highest and best use everywhere. I know in 'x' municipality, for example, they had a policy for a while of not charging CAC's at all in their city center and in the 'x' area, trying to encourage growth in that area. So it makes sense in some areas if you're really trying to develop in an area and trying to create some sort of compact urban center, it would work, I think.</p>
Planner	<p>I think there are levers that municipalities have other than the economic levers that they can use. I think that the economic levers often when in municipalities trended to that and specifically when planners have trended towards them can't contemplate all of the cross impacts that me as a planner or a municipality pulling this lever might have on various other wheels / gears turning. I think that's a little bit danger. What we (as planners) understand really well and what we've understood very well for years is densities / zonings and things like that, and we may be do well to stick to that.</p> <p>If the province would like to get involved and have more of a top-down sort of overarching policy that applies to all municipalities uniformly, that's probably going to even the playing field. They also have more options available to them in terms of ways to stimulate or to calm the economy, the housing markets and the development markets, that each individual municipality does and it is probably something that's better coming from a higher level of government.</p>

**Q11.**What impact, if any, do you think financing of community amenities utilizing CACs has had on the housing market and on the municipality in general?

Planner	I don't know if they've really had any impact. In my mind, it's just a cost of doing business. Pay it and it's part of a way of getting facilities and amenities within specific communities.
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Planner	<p>Yes, that's a tough question, because I'm not a market analyst, or a real estate agent. I would argue (this is based on my limited knowledge in those areas) but there's no doubt that any cost that you put on to a developer ends up on the end-user, because a developer is always going to find a way to make money. They want to make money at this, so any increased costs are probably passed down on to the consumer. I'm guessing simple economics here whereby a 'x' dollar CAC charge will probably translated into a 'x' dollar on the unit. They probably just pass that cost along through the process, I would think. There are pros and cons to everything. From a political perspective, essentially, the CAC allows Council maybe not to raise taxes. However, what's the impact on something, like, affordable housing? Now, all of a sudden, those CACs that have been charged are now passed on to the consumer, which then would make housing, which is already relatively unaffordable in British Columbia, that much more expensive.</p> <p><b>Interviewer:</b> One of the arguments is that, over time, developers before they buy the land will see what the CAC rate is and that will influence their purchase price, which will lower the current landowner's value.</p> <p><b>Interviewee:</b> Yes, I could see that, from a market perspective but that may only happen over time. Eventually, either way, whether it is passed on to the consumer on the housing end, or it is translated to the person that's selling their property they are not getting as much for that property because of the CAC, that cost is economically going to be passed on to someone. Someone is going to pay that cost, and I would argue that, more than likely, it's probably not the developer. The developer will find a way to either purchase land at a lower price, because otherwise their pro forma doesn't work so the purchase doesn't make any sense to them, or they will purchase it at a higher price, but pass that cost on to the consumer.</p> <p>I have no idea where the market trend is on that, whether it's one or the other. If a developer feels like they can charge that extra money and still sell their units, then maybe they're willing to pay a higher price for the land, and just pass that cost along. In markets where the market maybe isn't as strong, then perhaps the other mechanism is true. Our CAC policy is relatively new and we don't keep track of that information we do not have a financial department like, some of the larger municipalities.</p>
Politician	<p>I think it goes into the developer's cost structure for sure and you're trying to create affordable housing, but then you have CACs in there. It's added to the base cost and you end up sort of being a bit counterproductive. We did that, the one development where I have been involved with regarding coach houses and density bonusing and we added in the CACs and then that just raised the price of the land and of the end units.</p> <p>I don't know the economics that well. I don't know if I believe in CACs, especially on smaller residential scale, where you're trying to create small residential because the developer in that case ended up paying way more than we estimated as the value. The developer ended up paying 1.8 million and our model put it at about 1.5 million. The developer also paid CACs for the uplift, but the uplift was all given away, basically, to the land vendor. He didn't really accrue any uplift because the vendor priced it in, assuming the zoning will be granted. I don't think CACs worked at all in that case. I think the only one that came out with an increase in land value was the vendor. There was a precedent in the block so this was a steady block. They were going to get the re-zoning. That was not in question. There was no risk of maybe and you don't pay the premium price if there's a risk associated with getting the zoning, right? In the case I had before me, all the increase in value went to the vendor not to the developer. So I just</p>

	thought a lower CAC value would be good.
Planner	n/a
Politician	Because so few of the units in our municipality come to market with additional density, I think that the market price is set by other units coming to market and that the CAC have negligible of effect on housing prices (one way or another).
Planner	I'm not sure that I have an answer to that question.
Planner	<p>They have to have 'an impact on the housing market'. I mean, there's no way around it. Most of the developers, and this varies, but they are shooting for 20% profit on these developments, right? Some will take less, some will take more. It depends on the market and how quickly they think they can build out. There are huge risks, obviously, involved in being a developer, even in a good market like Vancouver. Sometimes these guys win, sometimes they lose so they try and shoot for 20%, not because they're going to make that on every development. Sometimes they'll make more, sometimes they'll make less, but that's what they're shooting for overall. Absolutely, it's raising the price of housing. They're not going to absorb this. They are just going to add it on to the prices. If you're using a 3 dollar per square foot CAC, they may not be able to tack that entire 3 dollars a square foot onto the selling price of their units, depending on market conditions, but they're not swallowing it. They can't swallow all this stuff, it gets added on.</p> <p><b>Interviewer:</b> What are your comments on the theory that, because it's a rezoning value, land should be traded on the rezoning value, not on the OCP value, and over time, after a CAC is applied within a municipality that the land costs will go down.</p> <p><b>Interviewee:</b> That can happen. It depends on the land owner, and what we've discovered and UDI's made it clear that this is the case but I've observed it anyways is a lot of land owners' attitude is, we don't care. We're not getting into that level of detail. This is what the property next door sold for two years ago. The fact, you know, CACs, or whatever this weird stuff is, we don't care about that. They're just doing it on what the maximum development potential is on the property. If it's an FAR of 'x' they're going, "Okay, this is what our property's worth." They don't get into these details. In fact, what we've just been working on is drafting a CAC brochure for the 'x' area that will go to every property owner that is within the area, explaining the program to them. This is something the developers wanted so the people are aware that there is this new charge. In theory, over time it should be counted in the value of the land but there are so many variables in what a piece of land goes for. It's not as simple as this is being tacked on and the land value will proportionately drop over time. It is not that simple at all.</p>
Developer	I'll tell you the municipal response which is that it does not have any impact because what developers will do is to lower their bid. Though if you increase the cost per unit by a \$1,000 per unit they'll adjust the price down when they did for the land. The problem is that the land vendor isn't necessarily going to sell at that price. That will be the developers bid, but they may not be able to buy the land. In an area where you're growing by 35,000 people a year, meaning you got high demands and you don't have a large land supply because you got the mountains, you got the ocean, you got the US border, and you got the green zone / ALR together taking up 70 % of the land area of Metro Vancouver. So you have land constraints, you have a lot of growth and on top of this you've got a whole bunch of land vendors who are saying, well I'm not going to sell my land because that's not the price that I'm willing to accept. So when that happens, a few sites can be purchased and few units can be built. You don't have supply catching up with demand, so prices go up. Now, I don't know how that can be calculated, but I

	<p>one of the planners in Vancouver has said that they are the most sophisticated municipality in terms of getting extractions from developers and they were quite proud of that.</p> <p>If that's the case land values in Vancouver should be very small, they're not. They're the highest in Canada. So despite the fact that the city is charging all this money. The land value has basically not gone down to reflect that. Overall, we have high housing cost. We're not supplying the market both in terms of development land and development unit.</p> <p>I agree with the proposition the municipality has put forward that in terms of the transaction between the developer and the land vendor. If their costs go up, the developer will lower the bid on the land. The problem with that thinking is municipalities never finish that concept nor will they accept whether the land vendor is willing to sell at that price and it has been our experience that they won't.</p> <p><b>Interviewer:</b> Would you say the problem would be if the municipality takes 100 % of the land lift, then generally the land vendor will never sell their land and if you had a set rate or price that could be transparent in the marketplace then you could allow for appreciation over time and then the land vendors values would raise high enough so they say, okay, I want to sell now.</p> <p><b>Interviewee:</b> If land vendors received a bit of the benefit of rezoning or higher density. So when a tower gets built on that single-family home, they're getting some of that money. They'll sell very quickly.</p> <p><b>Interviewer:</b> But that CAC price would send a signal back to the land vendor. They wouldn't get as much probably as they would have without it. Do you think that's a fair assumption?</p> <p><b>Interviewee:</b> That's a fair assumption, but professionally it's new density. We weren't expecting it anyways. I remember in 'x' municipality there was a new area consider for development in an old housing subdivision. They had never contemplated increasing density in that area.</p> <p>They were actually creating new density. In that case basically I think there's less of an issue. I think it's more problematic if a zone gets one FAR, but developers in the past and they were able to get two FAR with very little problems. Essentially the market value of the zoning is at two FAR. Now, when the municipality says, we're leaving money on the table and we got to have a CAC to get the money from one FAR to two FAR. The land market stalls. Land vendors say wait a minute I'm not accepting a lower price. My neighbor just last year got this. I'm looking at housing sales in the Vancouver region were not in a recession and sales are up. I'll just wave this out. Thank you very much.</p>
Planner	<p>I guess the municipality has never acknowledged or believed that CAC's get added on to the price of housing. Because if you're very clear in your intent to use CAC's and particularly if you were publishing six straight CAC's, then developers should know about it and should offer less on the land to reflect the additional cost on their pro-forma.</p> <p>That shouldn't impact what they charge on the unit. We have done some analysis and we've looked at comparable developments within existing zoning compared to developments that have been rezoned and paid CAC's. There is no price difference on</p>

	<p>what developers charge from a property that pays a CAC and one that doesn't. A developer will charge whatever the market is willing to pay for a unit. There is no difference. Problem is in this city there is so much speculation, so much competition to buy up land and people pay too much money for everything.</p>
Planner	<p>Again, the numbers of amenities that have been obtained through this are pretty impressive and it's certainly added to the community fabric (new libraries, new recreation centers, new pipes in the ground, new energy plants) and it's having a tremendous impact. It will continue to have a tremendous impact on the community.</p> <p>That's certainly what we hear from the development community (a narrative that CACs lead to higher housing prices or less affordable housing) but it seems like the residential growth over the past 15 years in our municipality has been very consistent up until about three or four years ago. It was basically 2% growth every year. You could set your watch to it and it would tick a long like that. It's gone slightly higher more recently, but if anything we'd ask for more and we've been requiring more amenities more recently. So it doesn't seem to be impacting the housing development in that way. In terms of affordability, that's certainly the number one key issue here is the affordability of housing and how to deal with that. In theory, if you ask Jay Wollenberg from Coriolis, he will tell you that a community amenity contribution does not have an impact on the end cost of units. If you ask UDI, they will say absolutely, that cost is transferred over through to the end buyer. The answer is somewhere in between those two extremes, and not being an economist, I'm not 100 percent sure where that is.</p>

**Q12.** What role, if any, should municipalities fill with regards to CACs and land speculation in the real estate market? Can your foresee land speculation becoming an issue?

Planner	<p>I don't know. I think that's just part of the process of land being developed. There's always going to be some of that speculation or anticipation. If there's an area where the city thinks that's going to happen, then they need to get out in front and do that pre-planning ahead of time. I don't know. I guess I'm not seeing a real strong issue between the two of them. I also think there is a lot of posturing going on when new CAC policy may be implemented in a municipality regarding the concern housing starts may slow down as I think it is just a cost of doing business.</p>
Planner	<p>I think land speculation is always an issue over time. When speculation is high and international buying plays a significant role land purchases / the housing market provincially and nationally can become quite high. Yes, speculation, I think, all the time has the risk of driving overall costs up. Again, we're not in the business of, necessarily, even as planners, of necessarily dictating that. I think the CACs, to a certain extent, or the overall development costs via municipality (i.e. the costs of building permits and the like) can help to stem that. Our Council, to stop that speculation has decided that, before they rezone any property, Council quite often like to see what the project is prior to rezoning, which as per legislation, Council can deny zoning for any reason.</p> <p>Our Council kind of pushes the envelope a little bit in asking developers to show things that are normally done at development permit stage, at rezoning stage because they want to be guaranteed of what's going to be built. In other words, they don't just want to arbitrarily rezone properties, because they're scared of exactly what you're saying, speculation. I think that there are a number of different tools that planners can use and Councils for that matter, to try to stem that. I think CACs could be used in that way, although in our municipality, we haven't quite looked at it like that.</p>

	<p>Yes, I think that we try to capture the land lift through the CACs. That's essentially what we're doing. We are essentially capturing some of the land lift, but I think that there's other ways to do it, as well. I don't think CACs are the only way to capture land lifts.</p> <p>It can be done through affordable housing. Essentially, I see zoning as a negotiated process, especially on larger developments, for those phased development agreements, where we hold the zoning for 20 years, or 10 years. It's essentially a negotiation, i.e. We're giving you zoning for X amount of years, and this is what we want for that to be done. I think that's where phased-development agreements are very important. CACs are kind of in line with that.</p> <p>Previous to the CAC being adopted as policy by Council, we were essentially doing the same type of thing, but through the PDA. Now, we actually have a policy that's a lot clearer. The problem with negotiating on a case-by-case basis is that every negotiation doesn't necessarily leave a fair playing field between the developers themselves. The policy right now, every developer has a standard rate that they know they have to pay. I would say it's much more equitable in that way. We're not just doing things one off (i.e. This developer is willing to give us this, and this developer will only give us this). Then, when you take a look back, you realize, "Well, that developer gave us that much more than this developer." I think that, overall, the CAC is a way of doing that it is a way to be more equitable.</p>
Politician	<p>It's hard to tell with one site. The other thing about our municipality is that we don't have a lot of single-family developments. We are trying to encourage more multifamily development. There's a huge demographic shift and everyone's looking to downsize and we're also trying to create affordable housing for new families to move in. Affordability is relative, but we're actually looking at coach houses. We won't charge CACs on those, obviously. Just getting small-scale condo development to be profitable because then they'll be done is a challenge, it's a big challenge because the price of land is just so expensive. We'll end up with units that are going to be 'x' dollars. It won't be done as CAC bonusing if you have unused density in your FAR, you can build it. So it's not additional density. Of course, then that wouldn't be attracting any CACs anyway, could it?</p>
Planner	<p>It might be best for you to speak with the lands manager. That's more his area and his field of expertise. I guess my observation would be with all these systems is you want to be as upfront and as transparent as possible because the setting of land prices actually are affected by many factors. The last thing you want is developers going in and bought some property based on the OCP projected land use and densities and then all of a sudden, he comes into City Hall and says, oh you paid 50 dollars a square foot. Well, actually, it's going to cost you 80 dollars a square foot because we're going to layer on density bonusing and CAC. Now, you start to add that into your pro forma and see if your project still flies and that's, of course, we get the big pushback.</p> <p>It's important to make sure these things are all as open and transparent as possible and that's why we do tend to exhaustively consult with the development community. During the initial start-up there was a little bit of bickering with the CACs when we put it in place and we knew that too because there had been some, limited to those who had gone out and bought property based on speculation thinking, "This is the way it's going to go." They'd probably pencil into their pro forma certain land costs and now all of a sudden they've got to add 3 dollars a square foot to it.</p>

	<p>I can understand that, but at the same time though, the general market price was going up. So they bought early and cheap. They got higher density later. They were prepared to absorb that 3 dollars a square foot sort of. I think these prices will filter backwards over time. I think these things do all get priced in.</p>
Politician	<p>We're starting to see a bit of the land values starting to come down but the problem has been that council has not been consistent with the application of CACs and thus have been sending mixed messages to the development community. So we haven't seen the dampening on land speculation that we ought to have because developers still know how to game the system but it has had some effect but just not as much as we would have hoped and I am hoping that we will see more moderation in land speculation as council starts to become more consistent in their application of a CAC policy.</p>
Planner	<p>Land speculation in our municipality is an odd beast in that we have an official community plan that designates land for certain types of uses. According to the feedback I hear from developers is that the price they're paying for that land when they buy it is already inflated based on that designation as opposed to what it's zoned for. So, in their minds, they've already paid the listing land value. [crosstalk 11:32]</p> <p><b>Interviewer:</b> So, if the idea for CACs is to capture that lift, do you think that it would reduce land prices?</p> <p><b>Interviewee:</b> Highly unlikely. It would just be added into the cost.</p>
Planner	<p>Land speculation an issue for density bonusing absolutely, but CACs, no. CACs have nothing to do with that. The developers are more comfortable with density bonusing because they're getting something out of it. They're getting added density, that's the whole thing behind it, and then the issue is, well, how much of the land lift is the municipality taking. Some are taking almost all. Some are taking half. Our municipality has a more complicated formula where the amount they take declines as the density increases so they're not discouraging densification. The CACs for the developers, other than hopefully getting some amenity in close proximity fairly quickly due to the development, they are not getting anything out of the CACs. That is what bugs them about it. Density bonusing they get. CACs, they're not getting, in most cases, they don't perceive there's value coming out of that.</p> <p>Well, they are rezoning, but they're saying, "Great. You're putting a gun to our heads. We don't agree to it then we're not getting our rezoning." Yes, we're voluntarily signing this form saying, "Yeah, we get that it's voluntary and we will pay it," gritting their teeth, right?</p> <p>The City of Vancouver system drives them nuts and the City of Vancouver's now revisiting it. "Sir, let's make a deal CACs on a case-by-case basis." That, they hate, because there's no sense of equity there at all. So their view is, if you're going to have this program, make it as transparent as possible, make it as equitable as possible. What I pay is what the next developer through the door pays, or whatever. The other thing they're looking for is a sunset clause on these things or do they just go on forever and ever, or if certain amenities are constructed then these CAC programs drop away. I suspect they will do both cases because what will happen is wants become needs. Ok, we'll set this program up explicitly to build a community centre or whatever and we've got to have the money for that. Then you know what, there will be something else. The developer's quite right; they're suspicious that once the CAC program is implemented that it'll never disappear. There are some really large scale developments of where you can negotiate what you wish to negotiate. For those instances, you don't have to go down a CAC program route to get amenities from those developments because they are</p>

	<p>inherently large, complex, negotiated developments. I mean you can put together development agreements, Phased Development Agreements and all sorts of things. There's a lot of different ways it could have been put together.</p>
Developer	<p>I think there is already a mechanism in place for that and it is called the PTT. Every time the land is basically bought and sold. The provincial government gets a pretty hefty sum of money. You've already got those mechanisms that are in place. I don't think the municipality should get involved. What they need to do is make it easier for developers to assemble sites for redevelopment. If you get in the way of that kind of speculation, you potentially make it difficult to assemble site. Now, having said that, I think it's important for municipalities to be very clear with what their policies are. In other words, I think part of the problem that happened in the Cambie Corridor was a whole bunch of land speculation occurred because the city put forward a plan, where all of a sudden the densities went way up. They weren't clear about what their expectations were in terms of CAC.</p> <p>What happened was that people realized, wow, I can now build four FAR and now they were selling and their expectations were I want 3 to 4 million for my single-family home. It's probably better just to be very clear to what your policies are and don't lead people in the fog as oppose to trying to develop some regulatory approach to stop speculation. It's the land vendors getting the windfall, not the developer. The interesting thing is municipalities are having dialogs with developers but not with the land vendors.</p>
Planner	<p>The city can't interfere with the market, if the market wants to overpay, that's their problem. What we need to do is be up front and be honest with developers and very clear that these are our expectations in terms of rates and negotiated CAC's and fixed rate CAC's and they need to factor those into their pro-forma. It's just like any other cost (i.e. Marketing costs or construction costs that are changing). In the bigger picture compared to the construction value of a project, CACs and DCLs are a very minor cost compared to the larger cost of building. So while it is a cost it really shouldn't impact land values too much.</p> <p>Speaker 1: It should theoretically lower them, shouldn't it, marginally or to whatever the CAC is applied? The initial land value, not the improvements?</p> <p>Quite often where we apply CAC's we have policy in effect where we entertain rezonings. We call them Rezoning Policies. For example, in the 'x' area, which is a rapid transit corridor, we've got a rezoning policy for the entire area so people can apply for rezonings in the area up to a higher density. People who are purchasing land with the expectation of more density on site are actually paying more for the land even though under its current zoning it is a much lower density, so people are paying more even though it is a rezoning with a negotiated CAC.</p> <p>Yes, there is always that game (where people are speculating and trading land at a higher value with expectation housing prices will go up enough to capture the difference in cost for them). Then on top of that they've got competition. Developers are also vying for the same sites so they are all competing with one another. Who is going to pay the most money?</p> <p>However, the city when we do a negotiated CAC, does allow for a developer profit as a core cost within the pro-forma. We have a 15 percent developer profit plus we don't capture 25 percent of the land lift which is an additional incentive for them to not run into too much risk on a project and think of it as a bit of an extra contingency.</p>
Planner	<p>Land trades somewhere in between the OCP value and the zoning value and trades are</p>

	<p>normalized a little bit. I'll reference our maximum of 'x' FSR that we have in our town center. We don't have a maximum above that. We don't have a maximum density bonus stating no greater than 6 FSR or whatever. We don't have that. Technically there is no maximum, but just by precedence the maximum is somewhere around that 'y' level. Any developer, any community member, any planner can look around and see where that level is, so it does normalize at a level slightly below that. We have done well, I think, to fairly consistently apply, even though it's been a case by case negotiation to compare each development against each other to say that well, this developer got this many square feet and provided 'x', 'y' and 'z'. You, the next developer, are asking for this many square feet, we'll ask you for a, b, and c, and it seems like that's been enough to normalize itself and to normalize the land costs so that there is enough remainder of the lift.</p>
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**Q13.** Overall, do you think CACs are a good policy idea and would you recommend CACs to other municipalities?

Planner	<p>I guess I'd probably be leaning to say yes, just seeing the way that it had worked in Surrey. It might have been a really limited application but only meant to cover basic charges for basic things. It's not even getting at other community amenities that might get negotiated through the process.</p> <p>That's right some of those amenities would have been financed through general taxes otherwise. There's probably different ways communities do it. I can't remember how Burnaby does it exactly but they would get community amenity meeting spaces and they would negotiate them through the city rezoning. An example would be a little community policing office, or a meeting space in this building in Metrotown. I don't know if they did that through any formal CAC mechanism other than just negotiation between the city and the developer at the time of development, understanding what the community needs and trying to secure that through dedicated space in those examples. I don't know how the long term finance of those types of facilities were secured. I think the CAC is one tool but I don't know if it would replace the ad-hoc negotiation other communities do as well.</p> <p>Well, again, I guess it would be fairer if CACs were similarly applied everywhere in the province. I guess a CAC policy would potentially increase fairness for the development community, but my gut sense is, no, I don't think CACs needs to be formalized. Municipalities may be better served by being able to figure out on their own what's the best approach for them and knowing that this tool is available to use if they want to.</p>
Planner	<p>I think CACs and their ability to function correctly have a lot to do with market conditions (i.e. If you're in markets that are hot, i.e. Vancouver, it's very easy to capture land lift. If you're in a slumping real estate market, I believe that CACs and even any kind of extra costs on to the developer can actually be a detriment to new development. It really has to do with the economic times. That's why I really have pointed out that this 'CAC policy' is a living document. I don't think that this stays static?</p> <p>We've just gone through a recession and as an example if you take some U.S. cities and then you apply the troubles they're going through and then you add in CACs can the market handle it? The way I see CACs or any type of cost structure working, is only if there's demand at that cost to do business within your community. If there isn't the demand to do that cost because it's not worth it, then you will actually hinder</p>

	development in the long run. I think you really need to be careful on that.
Politician	<p>I think it's a way of capturing some value from a development. Philosophically, I don't have a problem with it. I think it's a very good idea. I was reading a really good article and have been getting education around CACs. This one just was saying that CACs are not about money. They're about community amenities. I think that's sort of where you have come in about it. That's why the most recent one where we did extract CACs from them even though our policy was very unclear about whether CACs were applicable on a pure commercial. We said, we really need some parking spots, and they gave us some parking. Public art, space for people with special needs, rental accommodations, child care, public parking, they're all really good. We actually codified the things that we consider actual amenities in our city. Those are public realm enhancements.</p> <p>I think that's a better approach, funding amenities directly rather than taking money for general revenue because the public gets the wrong impression. The public would say, "we just want to take some of the property from this developer because it is not fair that they are getting a windfall". I think it's better to approach it from the basis of amenities that will benefit the surrounding area rather than funding amenities from the existing tax base.</p>
Planner	Well, just a little over a year up and running, but so far, so good. We've been collecting the money. We haven't been spending it yet because we're still a long way off from our target. It's usually fairly well regarded by our senior staff, city manager and that. Our city finance department is pleased and council, so I'm hoping it continues to be successful. What we'll do then is roll out to other areas of the city like our city center area and up in the Northeast as well to put similar systems in place there.
Politician	<p>Absolutely, I think CACs are a good policy idea and their essential as part of the toolkit that planners and councils have both to manage development and to ensure an equitable division of what would otherwise be windfall profits from upzoning.</p> <p>I have also argued not just the direct amenities required to serve the additional density but the additional density in some extent reduces that the quality of life for existing residents and I see CACs that improve the community which is in some sense compensation to the residents for putting up with the additional density apart from what is just necessary to serve that density and that the fact that the roads are more crowded, the centers have more people in them, the library is busier and the community becomes less desirable from the existing residents.</p> <p>My final thoughts are that (speaking from our municipality's experience) that the two big things that have to be addressed (and I am working on over the next year or two as council considers amending its CAC policy) are firstly, moving to a more consistent and fair approach. It's still too much of a roll of the dice in what uplift figure is assessed against a development and the consistency is necessary in order for the system to work properly. You want to send consistent messages to the market so you dampen speculative approach and then you also give developers the certainty that they need and I think developers in our municipality have not been well served by the policy. I think they have been well served by the implementation, by that I mean, in many cases they ended up paying far less than the appropriate percentage of the uplift because they had gamed the system. But on the other hand, I think if we had a wider use of a fair formula based approach then developers would have the consistency they need. It shouldn't be a game of roulette for the developers or the community.</p>

Planner	I think that every place is different and everybody needs to have a look at it from their own perspective in terms of what's useful for them. In a community that has historically grown as quickly and as much as our municipality has, there needs to be some benefit to retention of neighborhoods. How do you keep people in a neighborhood in a downtown area if they feel they're being pushed out by change? There needs to be a way to keep people in those inner-city neighborhoods, otherwise the schools move out with the families. There becomes a whole series of changes that spark change in the community that doesn't seem natural anymore.
Planner	If CACs are properly done then yes. If they are fair, transparent, all the sort of things the UDI talks about, not that I agree with everything the UDI talks about all the time, but if they're done in the proper way, I think that that's the reality for municipalities right now. They've had a lot of downloading from senior levels of government onto them in the last number of years. I mean, their ability to tax their populations through property taxes is Squeezed. A very sore subject. They're not getting enough funding from senior levels of government to pay for things, so I think you will see absolutely more and more of them going for CACs in the higher-growth municipalities in the coming years.
Developer	<p>I think you have to be very careful. In terms of British Columbia as a whole, I don't think there are that many areas including within Metro Vancouver, for example Langley, where it's extremely difficult to raise CACs. People are just assuming, Vancouver got a 188 million in CACs, maybe we can too. No, Vancouver is in a very unique situation being at the center of a region, and they froze the land market. Actually, if you want solve that speculation issue which is even bigger than the CAC issue. You got to have a lot of land on the market, that basically reduces the value of land and therefore help affordability more.</p> <p>You almost have this game going on, the less we rezone the more valuable land is and therefore the more value are lift is when we get a rezoning. We make a killing if we stifle the land market. If anything it is the municipalities creating the speculation game. I think most of British, Columbia has to be careful. Vancouver is unique and now there are a couple of municipalities that have been able to do quite well, but they're generally on transit very close to the center of the region. As you get further out, it's harder to do it.</p> <p>But the key thing is, don't freeze the land market. Be clear in what you are trying to do and what you are doing and what the costs are. Ideally don't make developers go through the rezoning process. Put it through a density bonus so it's all pre-zoned. Therefore the actual development review process is quick. A lot of municipalities have to be wary about instituting these policies. They're not going to get the revenue that they thought, and they're probably going to stifle development in their area and just slow down the process. Then it's difficult from a municipality perspective to come back to the industry and say, why can't you guys build an affordable product when the municipality is taking in huge fees. Another thing municipalities need be wary of is the legal issues surrounding CACs and if one land owner or a developer sues a municipality successfully. I can tell you right now, that you're going to have everybody saying, "You know that charge that you applied to my development three years ago? You may still be liable for it regardless if the money is spent."</p> <p>The other thing is don't apply CACs to a commercial only development. What those municipalities should be doing is trying to get as much commercial as they can because the commercial will subsidize the residential in terms of property taxes. It's almost like a really short term thinking because that building when it is built will be there for decades. Sometimes for 100 years collecting all sorts of nice taxes for the city, and are you going</p>

to really risk that so you can get a minor CAC on commercial when the ratio here is 5:1?

**Interviewer:** It goes back to what the purpose of CACs are, if the purpose of CAC are to supplement the increased costs associated with more demand for municipalities services and amenities then there is a connection between more residential development and more people live in your community but how does a commercial development do that?

**Interviewee:** It doesn't really, that's the thing and especially when you consider commercial taxes already subsidizes residential. If there are some impacts as a result of the building in terms of the work populations during the day. They are more than covered by the property taxes probably in the first couple of years and then everything else above that is just icing, it's just gravy. That would be one area where I think that municipalities really need to take a look at. It could be risking investment as these are huge pension plans and they can go around the world. They don't have to be in Vancouver. From an industry perspective, we would like to see the province have a larger role. We have heard there is a review going on but whenever you talk CACs it seems to be a little like, I hear nothing, and I see nothing.

I think that this is something that is impacting a lot of their goals. If you build a transit line and really you want to have as many people living and working there to leverage that asset as much as you possibly can and at the same time you get a bunch of municipalities that are basically trying to figure, how come we maximize our profit on this? If that happens to delay development then so be it.

**Interviewer:** If they are maximizing profit, doesn't that end up going against what those municipalities say is the purpose of CACs?

**Interviewee:** I know but at the end of day doesn't seem to matter. Don't forget Vancouver, I think it started with a \$3 per square foot charge and now in Cambie it is \$55 per square foot on the net, \$45 per square foot on the gross. That's all because they're trying to figure out how much money they can make and how they can take all the pie and sort of leaves the crumbs to the developer and actually nothing for the land vendor.

This can get crazy. Some municipalities are all about affordable housing strategies and how do we make housing more affordable? Developers have been in meetings where the planners or city staff are saying, you should get more money for your unit. They're actually trying to push higher sale prices on the unit because if there is a higher sale prices, they get a higher CAC. From their perspective, the more valuable the unit, the higher the CAC. You almost get this perverse incentive when you're trying to do affordable housing but affordable housing may not be good for CACs. If you get in to this bizarre situation where Council will say, where's the money, in one conversation and then the next week they'll say, how come we don't have affordable housing?

On the transparency note. We're encouraging municipalities to report out annually. They have an annual DCC report. We're actually encouraging the same thing for CACs in municipalities. What money came in, where was it spent on? How much are in the reserve? That kind of information? That would be valuable and I would be absolutely for that.

	<p>Sometimes a reporter could not dig up that kind of information because it is behind the sense negotiation and you have no idea what is negotiated. It would be really helpful if they did few annual reports.</p>
Planner	<p>I think they're (CACs) are a fantastic policy. Otherwise cities just don't have a way to capture the necessary funds to provide community amenities for the increases in residents. What happens if you don't capture it, then it falls to property taxation. So you're increasing the burden of everybody pays and subsidizing new growth with existing taxpayers. So it's a smart way to apply policy and I think CACs will expand. I'm sure it will. More municipalities will implement these types of policies.</p>
Planner	<p>It depends on the existing market in the municipality. In Greater Vancouver, things are chugging along pretty successfully, so if you're in Greater Vancouver, perhaps, that is the case. If you're closer to the interior of British Columbia and you're a community that's looking to encourage development by any means possible then maybe developers might hold the levies or costs and it might not be the best way to encourage that development as compared to your neighboring municipality, who would else wise welcome it with open arms.</p> <p>It all depends on your MO. If your MO is a continued and sustainable growth in a happy way and to continue to provide your residents with a growing amount of amenities as that population develops, then great. If you have a fairly robust infrastructure with a very stable population then perhaps that's not what you want to go after. It's going to depend on the context, but again, I defer back to that to my theory that the province at some point will put in an overarching policy over all municipalities saying that this is what's going to be done, which is going to level the playing field. For example, right now, if a developer prefers Burnaby over the Cambie corridor because of the levels of certainty that they feel that municipality gives and then some level of provincial regulations sort of washed over all of that, that's going to level all of those boats off to the same point.</p>

## *A-5 Glossary*

**Development Cost Charges (DCC's):** “Urban expansion and development often leads directly to an increase in the demand for sewer, water, drainage, parks and roads. [DCC's] are monies that municipalities and regional districts collect from land developers to offset that portion of the costs related to these services that are incurred as a direct result of this new development. The demand created does not always relate to works that are located adjacent to the property being developed. For example, new development may require a local government to increase the size of its water storage reservoir. Developers pay DCCs instead of the existing taxpayers who are not creating the demand and are not benefiting from the new infrastructure (Government of British Columbia, 2011).”

**Community Amenity:** “Community Amenity means an item of benefit to the community that is determined through the development approvals process, and may include parkland, infrastructure, special housing, parking areas, streetscape improvements, community facilities and cash in lieu (District of West Kelowna, 2011, p. 200).”

**Compact Development:** Compact development is the opposite of sprawl. It is more efficient, denser, less polluting, and more liveable as residents can live closer to shopping, recreation, and work places and can feasibly walk, cycle, or ride transit to these places **Invalid source specified..**

**Density Bonus:** “Density bonus means an increase in the allowable number of units or floor area on a parcel of land in exchange for an amenity/ies provided by the developer for the community. This is typically implemented through density bonusing provisions in the zoning bylaw based on the premise of discretionary zoning (District of West Kelowna, 2011, p. 201).”

**Disturbance:** “Disturbance means a separate and distinct action or force that causes considerable change in structure or composition through human caused events such as cutting trees, driving vehicles off-road, grazing of domestic animals (District of West Kelowna, 2011, p. 201).”

**Ecosystem:** “Ecosystem means a functional unit consisting of all of the living organisms and abiotic (non-living) factors of a unit or portion of the landscape, together with the processes that link them including nutrient cycling and energy flow. An ecosystem can be any size, but here we define them as a portion of the landscape with relatively uniform vegetation and soils (District of West Kelowna, 2011, p. 201).”

**Finite Resource:** “Finite Resource means a resource that is concentrated or formed at a rate very much slower than its rate of consumption and so, for all practical purposes, is non-renewable (District of West Kelowna, 2011, p. 201).”

**Human Scale:** “Human Scale is a building design term used to indicate a scale that creates an appropriate relationship between human beings and the size and function of surrounding buildings (District of West Kelowna, 2011, p. 203).”

**Infill:** “Infill refers to a type of development occurring in established areas of the community. Infill can occur on long-time vacant lots or on pieces of land with dilapidated buildings, or can involve changing the land use of a property from a less to a more intensive one – i.e. from a parking lot to an office building (District of West Kelowna, 2011, p. 203).”

**Land lift:** Is a term used to describe the incremental increase in value associated with a successful rezoning of a particular parcel of land to a higher residential density.

**Leapfrog Development:** Is a term used to describe a type of urban growth expansion pattern. It occurs near the urban fringe when new urban development bypasses land that is adjacent to the limits of city services.

**Multi-Modal Transportation:** “Multi-modal transportation means a system of transportation that includes multiple modes of transport, including but not limited to walking, cycling, transit, and vehicular based travel as mainstream options (District of West Kelowna, 2011, p. 204).”

**Pedestrian Scale:** “Pedestrian scale means the relationship between the dimensions of a building, street, outdoor space or streetscape element to the average dimensions of the human body (District of West Kelowna, 2011, p. 204).”

**Public Realm:** “Public Realm means any of a variety of spaces that are accessible and usable by the general public, including but not limited to: the spaces between privately-owned buildings, plazas, the civic structure of streets and boulevards, sidewalks, parks and trails, natural areas, and scenic vistas, civic buildings and community facilities (District of West Kelowna, 2011, p. 204).”

**Sense of Place:** “Sense of place pertains to the essential character and spirit of an area. Sense of place is generally associated with one’s neighbourhood, community, city or region and may be expressed in cultural forms such as gathering places, common names or local identity (District of West Kelowna, 2011, p. 204).”

**Smart Growth:** “Smart growth refers to a collection of development strategies which aim to reduce sprawl and to design and build liveable communities that are fiscally, environmentally and socially responsible. Communities are ‘smart’ when they work for people, give us the widest range of opportunities, enhance our quality of life, protect our environment, and use tax revenue wisely (District of West Kelowna, 2011, p. 205).”

**Streetscape:** “Streetscape pertains to the functional and decorative elements that are placed, laid, erected, planted or suspended within a public or communal urban space or street. It relates to the interrelationship of development, landscape and open space in street. Streetscapes are an important component of the public realm (public spaces where people often interact), which help define a community’s transport conditions, activities, aesthetic quality and identity (District of West Kelowna, 2011, p. 205).”

**Sustainable Development:** “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development's Report, 1987).” – the Brundtland Commission

**Sprawl:** “that it is a pattern of land use with some or all of the commonly cited physical characteristics (Blais, 2010, p. 19).”

**Validity:** “The degree to which data in a research study are accurate and credible (Gray D. E., 2009, p. 582).”

**Viewscape:** “Viewscape means a physiographic area composed of land, water, biotic, and cultural elements which may be viewed and mapped from one or more viewpoints and which has inherent scenic qualities and/or aesthetic values (District of West Kelowna, 2011, p. 206).”

**A- 6: CAC Policy Table**

Municipality	Bylaws / Policies		
	CAC provision in Bylaw?	Bonus Density provision in Bylaw?	CAC used in ad hoc practice but not in Bylaw?
Belcarra	no	no	no
Burnaby	no	Yes	No
Colwood	no	no	policy
Coquitlam	no	Yes in Zoning Bylaw with supporting OCP policies	Used for OCP Amendment applications.
Langford	no	no	policy
Langley City	no	no	CAC established by Council Resolution
Langley Township	In Policy	yes	
North Vancouver City	no	yes	Yes
North Vancouver District	Not a bylaw - Administrative Policy only	Policy applies or is initiated with rezoning application involving increased density	

Source: (Aderneck, 2012)

A6: CAC Policy Table

Municipality	Bylaws / Policies		
	CAC provision in Bylaw?	Bonus Density provision in Bylaw?	CAC used in ad hoc practice but not in Bylaw?
Peachland	Yes	no	n/a
Pitt Meadows	no	no	Yes
Port Coquitlam	Site specific	RA1 zone	Conditions of rezoning set by Council may include amenities
Port Moody	No	no	Yes
Mission	no	no	policy
Richmond	no	yes	Yes
Sooke	no	no	policy
Surrey	yes - in NCP areas only	yes - NCP areas and City Centre	Yes - in areas outside of NCPs
Vancouver	No - CACs are Council	Yes, limited use of density bonusing in existing zoning and ODP by-laws. No use of 'new bonusing zoning by-law provisions in Vancouver Charter to-date.	Council approved city-wide framework for financing Growth which applies CACs in systematic way. Also area-specific CAC policies, and site-specific negotiation.
White Rock	no	yes	policy
West Vancouver	no	yes	yes

Source: (Adernack, 2012)

A6: CAC Policy Table

Municipality	Year started?	Other
		Comments
Belcarra		
Burnaby	1997	
Colwood	2009	
Coquitlam	2004	
Langford	2007	
Langley City	2008	CAC established in concert with OCP/zoning amendments allowing higher multi-family densities
Langley Township	1998 & 2008	1998; only in effect for older Neighbourhood Plans. 2008: used for new Neighbourhood Plans.
North Vancouver City	1992	The calculation method for determining the value of a bonusing provision differs application to application. Developer proposals are responded to individually. The onus is on the applicant to show Council that they are receiving good value for additional density.
North Vancouver District	2010	Applies the Community Amenity Policy whenever rezoning results in higher density and if the land is not within a designated Town or Village Centre.

Source: (Aderneck, 2012)

A6: CAC Policy Table

Municipality	Year started?	Other
		Comments
Peachland	2011	
Pitt Meadows	n/a	
Port Coquitlam	2009	There has been minimal take-up of bonus density in RA1 (low rise apartment zone) to date. Have amended Zoning Bylaw for the one high rise site plus two townhouse sites, adding site-specific density bonuses. Otherwise, Council achieves public benefits such as new major roads, services, dedication of park reserves, through rezoning process.
Port Moody	varies by special development levy areas and land use contract.	Port Moody has 2 special development levy areas (Town Centre area and North Shore area). The Suter Brook site which is a large mixed use development is subject to its own land use contract which outlines specific amenity contributions payable at different phases of development.
Mission	1996, amended in 2001, 2003, & 2007	
Richmond	20 years	
Sooke	2010	
Surrey	1995 & 2008	1995: NCP Amenity contributions / 2008 Density bonus areas
Vancouver	Since late 1980s	Negotiated CACs began in late 1980's, area specific flat rate approaches since 1990's. City wide Financing Growth (CAC) policy established in 2003. CACs are a significant contributor to livability - providing community facilities and services needed due to growth. They are also an important contribution to fiscal sustainability of the capital program, which reduces the burden on property tax to pay for new or expanded facilities and services.
White Rock	2013	
West Vancouver	2007	

Source:

(Aderneck, 2012)

A6: CAC Policy Table

Municipality	Benefiting Amenities / Facilities								
	Community / Rec Centre	Parks / Trails	Transportation Improvements	Libraries	Child Care or Cultural Facilities	Heritage Building Upgrades	Affordable Housing Units	Endowment Fund for Operations	Others
Belcarra									
Burnaby	Yes	Yes	Yes	No	Yes	Yes	Yes	no	Non-profit office / program space
Colwood									
Coquitlam	Community Facilities	Park facilities not covered under DCCs.	Supporting transportation and transit infrastructure, not funded under DCCs.	Yes, considered a community facility.	No	No, covered under a Heritage Revitalization Agreement	Yes	No	
Langford									
Langley City									Public Art; other amenities possible
Langley Township		Yes							
North Vancouver City	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Sustainable Building Features, District Energy Mini-Plant, Accessible Design.
North Vancouver District	Yes	Yes	Pedestrian, cycling, streetscape	Yes	Yes	Yes	Yes - affordable, rental, special needs housing	Contribution towards amenity maintenance.	Public art, environmental or sustainability measures, public plaza, public realm linkages, others.

Source: (Aderneck, 2012)

A6: CAC Policy Table

Municipality	Benefiting Amenities / Facilities								
	Community / Rec Centre	Parks / Trails	Transportation Improvements	Libraries	Child Care or Cultural Facilities	Heritage Building Upgrades	Affordable Housing Units	Endowment Fund for Operations	Others
Peachland									
Pitt Meadows	Yes	Yes	Yes	n/a	n/a	n/a	n/a	n/a	n/a
Port Coquitlam	possible	Possible	possible	Possible	possible	possible	possible	possible	Public art, special needs housing, environmental enhancements.
Port Moody	yes	Yes	Yes	Yes	no	No	Contributions to Affordable Housing Reserve Fund	Contribution to Relocation of Operations Yard	Public art contribution
Mission									
Richmond	no	No	Yes	No	yes	Yes	yes	no	Community beautification and planning
Sooke									
Surrey	Cash-in-lieu of indoor amenity areas in multi-family development for community rec centre dev't.	Yes - in NCP areas	Negotiated on case-by-case basis	Library materials fee in NCP areas	Negotiated	Density bonus offered in exchange for heritage conservation	Density bonus provision in City Centre	no	Public art contribution program
Vancouver	Yes	Yes	Yes	Yes	Yes	Yes (mostly through Heritage Revitalization Agreements and density transfer).	Yes	Yes (very limited use)	Public realm
White Rock									
West Vancouver	Yes	yes	yes	yes	Yes	Yes	No	No	At Council's discretion

A6: CAC Policy Table

Municipality	Calculation Method / Administration						
	Per sq ft of floor area?	Target percent of rezoning to residential or commercial?	For Lands rezoning to residential or commercial?	Contributions in kind or cash-in-lieu or either?	Method for calculating value of CAC?	Method for determining form of amenity?	Administrative Process
Belcarra							
Burnaby	Yes	No	Residential Only	Yes	Per sq. ft. (buildable) based on current market values	Staff recommendations to Committee and Council	No
Colwood				Cash	\$2,500 per additional detached, duplex and townhouse dwelling unit and \$1,500 per additional apartment unit. Contribution to affordable housing reserve fund shall be \$500 per detached, duplex and townhouse dwelling unit.		
Coquitlam		25% to 75% of the value depending on density level.	C-4, C-7 and C-5 zones (Highdensity mixed use) applies to residential portion	Monetary contribution based upon the estimated land lift value.	Negotiated market value.	OCP policy, and case-by-case working within the policy.	
Langford				Cash	\$2,000 per residential unit		
Langley City	Per unit charge	n/a	Multi-family Residential development only	Cash	\$500/unit		Payable with DCC's prior to Building Permit issuance
Langley Township	Per m2 of developable land area		all rezonings	land or cash, or combination	Increased density based on % of greenspace provided, and value per m2.	Bylaw provisions and map of greenways	
North Vancouver City	Yes, but no hard calculations are in policy.	Yes, but % varies based on the desirability of amenities provided and project as a whole.	Affordable or Rental housing can be 'excluded' from FSR calculations, and are 'bonused' in. Office space has sometimes been excluded.	No-however density can be transferred (ie: purchased) from other sites with Council approval.	n/a	Council direction by approved policy, need as determined by community, planners, public input, as well as precedence and/or past successes or failures.	All bonusing proposals and density transfers require re-zoning, therefore City Council approval. Registered on land titles to ensure the amenity is provided.
North Vancouver District	Contributions calculated on floorspace that is over and above the "base density" allowed under existing zoning.	Where case by case negotiations occur, the target is to capture 50% to 75% of value of land lift attributed to rezoning.	Policy potentially applies to all types of land use.	Can be either in kind or cash contribution.	Per square foot value determined by researching a sampling of sites throughout the District.	Amenity priorities determined via detailed planning for designated centres plans.	

Source: (Aderneck, 2012)

A6: CAC Policy Table

Municipality	Calculation Method / Administration						
	Per sq ft of floor area?	Target percent of rezoning to residential or commercial?	For Lands rezoning to residential or commercial?	Contributions in kind or cash-in-lieu or either?	Method for calculating value of CAC?	Method for determining form of amenity?	Administrative Process
Peachland				Cash	\$1,877.40 per residential unit and \$2.50 per ft <sup>2</sup> for non-residential development (commercial & industrial)		
Pitt Meadows	n/a	n/a	Both residential and commercial.	Either in kind or cash.	n/a	Through negotiation	n/a
Port Coquitlam	Yes in RA1 zone.	1	Residential	Either if negotiated; \$ if in RA1 zone	Calculation of the increase in land value attributable to the additional density or the change in land use	Council decision based on policy 50% amenity / 50% social housing	Policy, budget process
Port Moody	no	no	Residential and Commercial	Both	Some areas are subject to amenity contributions set in existing special development levy areas and a land use contract.	Outside of special development levy areas and land use contract area, amenities are negotiated on case by case basis depending on site context.	
Mission	n/a	n/a	residential only	Cash	Flat rate of \$2815.00 for each new residential single family lot or multifamily unit	n/a	
Richmond	yes	50% lift Affordable Housing	Residential Only	Either	Varies	Policy	Rezoning
Sooke				Cash or amenities in-kind	Inside Town Centre - \$2,500 / unit ; Outside Town Centre \$5,000 / unit		
Surrey	no	Land lift value only in density bonus areas: 25% rising to 75% over 3 years (currently being waived in City Centre)	both	either	Capital cost of NCP amenities determined by City	NCP areas - determined by City	
Vancouver	Several area specific flat rate targets for CACs. Also a citywide flat rate target. Financing Growth policy identifies areas and projects that require site specific negotiations for CACs.	For negotiated CACs, typical target is 70-80% of the 'land lift' value. Where risk profile is low, the target can increase to over 80%.	Yes, CAC policy applies to both types of rezoning. Financing Growth policy identifies categories, including rezonings that are CAC exempt.	CAC can be provided as cash and/or in-kind contributions.	Area specific flat rates set based on assessment of public benefit needs and development economics. Negotiated CACs use the developers proforma and market comparables to establish land lift.	Council approved guidelines from Financing Growth policy. Area specific plans and public benefit strategies also used.	Annual reporting on public benefits achieved from additional density.
White Rock				To be provided as cash-in-lieu, unless otherwise decided by Council	\$20 / m <sup>2</sup> or \$1.86 / ft <sup>2</sup> of total gross floor area.		
West Vancouver	Yes, in two zoning districts.	0.75	For all rezonings	Either	75% of uplift in value.	At Councils discretion	Yes

Source: (Aderneck, 2012)