

# Vancouver reviews developers' fees for community amenities

## Province concerned 'voluntary' payments could be driving up housing prices

By Jeff Lee, Vancouver Sun April 24, 2014

The City of Vancouver said Thursday it is reviewing its method of demanding extra payments from developers to help pay for non-traditional services such as daycare centres, heritage conservation, parks and social housing.

The review comes after the province issued new guidelines for how local governments assess community amenity contributions (CACs) that are tied to rezoning applications. Those guidelines were sparked in large part by concerns that Vancouver is using a method of calculation that could be seen as both coercive of developers and breaching long-standing rules against the selling of zoning in return for a benefit.

The city's practice has been to seek what it calls "voluntary contributions" from developers that amount to 75 per cent of any profit they might generate from land that becomes more valuable through rezoning. In the most expensive of cases, that amounts to as much as \$50,000 per-unit, compared to a more modest \$1,200 per unit in Surrey.

By seeking "voluntary" payments the city retains a discretionary right to approve rezoning applications. The payment is different from legislated "development cost levies" that all applicants must pay for services such as sidewalks, water, roads and sewer connections. Vancouver said it obtained a legal opinion that the CACs are fair as long as they are made "voluntarily" by developers, who are told they are not a precondition of zoning approval.

Developers have instead called the payments "extortion" but say they pay the fees because they're told city council will not approve their rezoning applications without them. The practice has drawn the concern of the Urban Development Institute, which argues that by taking a majority of profits from a project the city is acting as an income taxing authority, something it doesn't have the legislative right to do.

Anne McMullin, the executive director of the UDI, said there is a perceived lack of fairness in how municipalities assess CACs. Developers are willing to pay for the community amenities their projects need but feel the city is being unfair in what it takes. She noted that in 2000, local governments in B.C. collected \$100 million in CACs and development cost levies. By 2011, it had risen to \$720 million.

"It's not the developer who pays this. Those costs are passed on," she said. "It results in a higher cost of housing."

The amount Vancouver has collected in CACs in the last four years alone is a staggering \$340 million, which it has put to everything from social housing to heritage retention to parks, daycare centres and transportation services.

The province has now weighed in, saying some municipalities are making excessive demands that can lead to higher housing prices and a shortage of affordable housing. It recommends municipalities confine their CACs to “modest” fees based on an assessment of community needs but doesn’t say what those amounts should be. It singled out Vancouver’s method of taking the majority of the “land lift,” or increased value in rezonings, saying this was “not an approved method.”

“The province has concerns about housing affordability and about some of the practices that are going on,” said Alan Osborne, the former executive director of intergovernmental relations and planning for the ministry of community development, who co-authored the guidelines. “The province wants municipal governments to focus on good planning. It is concerned some of these practices could be interpreted as municipalities selling zoning.

“The city of Vancouver has ambitions to take most or all of the value. When you do that you are going to have an impact on affordability. If you take the profit, you take incentive for landowners to sell their land to developers.”

Osborne, who now acts as a consultant for the province, said B.C. considered bringing in legislation directing how CACs are to be calculated but chose to issue guidelines after consulting with municipalities and developers. Those guidelines could become the basis for legislation if necessary, he said.

Brian Jackson, Vancouver’s general manager of planning, said the city is reviewing its policy in light of the province’s criticism.

“This leaves cities to come up with a better (policy) that fits this ill-defined term of ‘modest.’ We’re reviewing the guidelines carefully and looking at the implications,” he said.

“I think the province was sending two messages, one to the city of Vancouver about its method of calculation. But it was also sending a message out to every other municipality in B.C. because that is what the UDI is concerned about, that the Vancouver approach could be taken provincewide.”

But he stopped short of saying that the city would either abandon its current method of calculation or reduce the amounts it expects from developers.

“It is too early to tell whether the amounts that would be asked would be less. It is too early to say whether there is an equitable method to replace the “land lift” method that still ensures the facilities and services are delivered.”

Osborne said the province supports the idea of municipalities asking developers to pay for the community amenities their projects will need. But it disagrees with how Vancouver calculates those fees.

“The province is pretty strongly concerned about that (land lift) technique. It is also the one most likely to affect housing affordability,” Osborne said. “It hosts the perspective that zoning is for sale, that we’re not planning, we’re simply selling zoning, and to get as much money as you can.”

Tsur Somerville, the director of the University of B.C.’s centre for urban economics and real estate, said there is a limit to what the market can bear. He told a UDI luncheon this week that Vancouver’s method is causing a shortage of developable land and raising prices because homeowners are choosing not to sell.

Jackson said there is no evidence the city’s policy is leading to higher housing prices or a lack of developable land.

“The province argues that the city is slowing down development with its CAC policy. But I challenge you to look out your window and look at what is going on in the city. We don’t suffer from getting developers to propose developments. We suffer from too much work going on,” he said.

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