



City of Richmond

Report to Committee

To: Planning Committee
From: Jean Lamontagne
Director of Development


Date: January 4, 2007
File: 08-4000-00/Vol 01

Terry Crowe,
Manager, Policy Planning

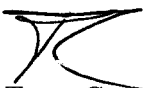
Re: **City-Wide Interim Voluntary Amenity Contribution Guideline**

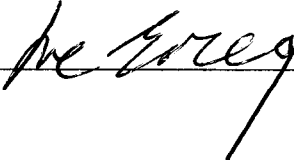
Staff Recommendation

That the "City-Wide Interim Voluntary Amenity Contribution Guideline" dated January 4, 2007, which applies to the residential floor area of residential and mixed use rezoning applications, be approved (**Attachment 3** to the report dated January 4, 2007 from the Director of Development and Manager, Policy Planning).


Jean Lamontagne
Director of Development

Att.


Terry Crowe
Manager, Policy Planning

FOR ORIGINATING DEPARTMENT USE ONLY					
ROUTED TO:		CONCURRENCE		CONCURRENCE OF GENERAL MANAGER	
Real Estate Services	Y	<input checked="" type="checkbox"/>	N		
Budgets	Y	<input checked="" type="checkbox"/>	N		
Law	Y	<input checked="" type="checkbox"/>	N		
Recreation & Cultural Services	Y	<input checked="" type="checkbox"/>	N		
REVIEWED BY TAG	YES	<input checked="" type="checkbox"/>	NO	REVIEWED BY CAO	YES
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Staff Report

Origin

Background

At the November 27, 2006 Council meeting, the following motion was passed:

- (1) ***That the following two reports be referred to the Urban Development Institute (UDI) and Greater Vancouver Home Builders Association (GVHBA) for comment and discussion by December 15, 2006:***
 - (a) ***Staff report (dated November 10th, 2006, from the Director of Development and Manager, Policy Planning) entitled "A City-Wide Interim Amenity Contribution Policy"; and***
 - (b) ***Report (dated October 31, 2006, from G.P. Rollo & Associates Ltd.) entitled "Amenity Contributions from New Development";***
- (2) ***That staff bring forth final recommendations, based on the input from UDI and the GVHBA, in January 2007;***
- (3) ***That staff seek input from local smaller developers on the proposed "City-Wide Interim Amenity Contribution Policy"; and***
- (4) ***That staff investigate commercial rezoning in terms of the City-Wide Interim Amenity Contribution Policy.***

Purpose

The purpose of this report is to:

- Summarize/respond to comments from UDI, GVHBA and local small developers;
- Present options and a final recommendation to Planning Committee and Council; and
- Provide an update on the request to include commercial rezoning applications.

Amenity Contribution Report First

Staff recommend bringing the amenity contribution report forward now, ahead of the Affordable Housing Strategy, because Council needs to first establish its position regarding how the need for increased services and amenities associated with property development may be addressed, to some degree, by voluntary developer contributions.

It is staff's intention to present the final Affordable Housing Strategy to Planning Committee on February 20, 2007 and Council on February 26, 2007.

A Guideline vs Policy or Bylaw

Staff recommend that any voluntary financial contributions should be established by way of a suggested guideline for City staff to consider when evaluating rezoning proposals rather than as a policy imposing requirements. The current legislative scheme does not expressly authorize the City to require amenity contributions for rezoning (other than in the case of section 904 of the *Local Government Act* which deals with density bonus), nor does it prohibit the acceptance of voluntary contributions. Accordingly, from this point forward, the staff report will refer to the City-Wide Interim Voluntary Amenity Contribution Guideline (the "Guideline").

As a Guideline, the proposed voluntary amenity contributions are intended to address some of the City's needs and the public interest for affordable housing and child care (which tends to increase in association with property development) and to reduce the increased financial burden on the City and the tax payers created by property development.

Council may waive the application of the Guideline to a particular rezoning application if Council deems that action to be appropriate.

Findings Of Fact

Amenities Application

Both the initial amenity contribution report and the Guideline now being proposed are intended to apply to:

- all residential and mixed use rezoning applications starting in July 1, 2007; and
- the residential floor area (buildable square feet) of residential and mixed use rezonings.

UDI & GVHBA

Staff met with quite a large contingent of representatives from UDI and the GVHBA on December 5, 2006. Both organizations took responsibility for ensuring that their members were invited to the meeting.

Attachment 1 is a copy of the letter received from the UDI. This letter responds to:

- the Staff report dated November 10th, 2006, from the Director of Development and Manager, Policy Planning entitled "A City-Wide Interim Amenity Contribution Policy";
- the report dated October 31, 2006, from G.P. Rollo & Associates Ltd. entitled "Amenity Contributions from New Development"; and
- the draft Affordable Housing Strategy (dated November 1, 2006) and the report (dated November 10th, 2006, from the Manager, Policy Planning).

No written position has been received from the GVHBA.

The table on the following page summarizes the key comments expressed by the UDI & GVHBA at the December 5, 2006 meeting and in the letter from UDI dated December 15, 2006. Staff have noted its response to these comments in *italic letters*.

Local Small Developers

Staff also met with some of the local small developers on December 14, 2006. Unfortunately, a number of the developers who do business in Richmond were on holidays overseas. However, they were represented by a few of the realtors who help assemble properties for them.

Most of their comments related to the draft Affordable Housing Strategy and will be addressed in that report.

They did suggest that the developer takes all of the risk in a rezoning application and when the public or Council opposes a development, it undermines the certainty of the outcome of their rezoning application.

	UDI/GVHBA Comments	Staff Response
1.	Increased Uncertainty: <ul style="list-style-type: none"> • “Interim” strategy that will be reviewed annually • Rate could increase or be recalled, and affected by new staff • Uncertainty now and in future will impact development plans and costs 	<i>Increased Uncertainty:</i> <ul style="list-style-type: none"> ○ Guideline should be reviewed to reflect development costs and City needs ○ Council will establish a guideline and any changes would have industry input ○ Guideline is intended to provide certainty and incorporate costs
2.	Increased Approval Times & Increased Risk: <ul style="list-style-type: none"> • Pro forma method complex and subjective • Each pro forma unique and every item could be negotiated extensively • Multiply a developer’s exposure to risk and affect project success 	<i>Increased Approval Times & Increased Risk:</i> <ul style="list-style-type: none"> ○ Pro forma model and process to be implemented with input from industry ○ An additional person to standardize items/streamline negotiations proposed ○ The intention is not to increase approval times provided proper submission made
3.	Disincentive For Investment: <ul style="list-style-type: none"> • Land purchased at rezoned value and based on OCP designation • Land lift nonexistent or if exists amounts to a tax on capital gain • Longer holding times and less land available for development 	<i>Disincentive For Investment:</i> <ul style="list-style-type: none"> ○ OCP/CCAP will have base densities/bonuses; City can’t control land sales ○ Pro forma intended to address land sale and land lift is not a capital gains tax ○ City can’t control holding times and any amenity contribution could affect costs
4.	City Reward vs Developer Risk: <ul style="list-style-type: none"> • Concern regarding minimum contribution during market down turn • City should take on risk if loss in value • Strategy is inflexible and may discourage investment 	<i>City Reward vs Developer Risk:</i> <ul style="list-style-type: none"> ○ Minimum voluntary contribution to help City plan with some level of certainty ○ Not equitable or fair for some to pay nothing or reimburse other developers ○ Pro forma is very flexible; other cities have or are exploring similar approach
5.	Current Landowners Need To Be Consulted: <ul style="list-style-type: none"> • Landowners don’t realize proposal will decrease their sale price • Developers will hold onto their properties and delay development 	<i>Current Landowners Need To Be Consulted:</i> <ul style="list-style-type: none"> ○ Proposal has been advertised and staff have heard from some land owners ○ Some developers have already held onto their properties without a guideline
6.	Municipal Responsibility: <ul style="list-style-type: none"> • City needs to identify what is needed and how much it will cost • Process needs to establish targets, costs, benchmarks and timing • City must remain transparent, accountable, diligent and responsible 	<i>Municipal Responsibility:</i> <ul style="list-style-type: none"> ○ To be part of CCAP and OCP updates and implementation strategy ○ Final Affordable Housing Strategy will have targets and benchmark times ○ Council guideline does this and existing amount of \$0.60 ft² is inadequate
7.	Wrong Assumptions: <ul style="list-style-type: none"> • Profit margin, equity financing and assessment values incorrect • Contribution should be much lower • Area wide analysis vs site-by-site 	<i>Wrong Assumptions:</i> <ul style="list-style-type: none"> ○ Rollo used industry norms and consulted with some developers ○ New DCCs, inflation, etc. included ○ Do in CCAP implementation strategy

Land Owners

Staff met with the land owner who attended the November 27, 2006 Council meeting and had questions regarding both of the staff reports and consultants' studies referred to above. During this meeting, it was clear that this land owner and his partner believe that the future residents of a development should pay for the amenities and not the developer or existing property owner.

The legislation contemplates land use decisions as being at the discretion of Council after public input. One important question which arises in making a land use decision is whether developers or the tax payers should pay for the provision of new amenities.

The City's long established position is that, as the rezoning applicant receives an economic benefit from the rezoning, the applicant should contribute financially to the capital costs of the new amenities required by the community. It is intended that future and existing residents will pay the ongoing operating costs for the new amenities through general taxation.

General Public

The proposal to implement an amenity contribution policy (or guideline) was advertised in four editions of the Richmond Review between December 2 - 14, 2006. The public and development community were invited to review the previous staff report and consultant's study. Copies of this material were made available on the City's website and at City Hall.

The closing date for submissions was December 15, 2006 as directed by Council's resolution.

Staff received no enquiries from the general public. **Attachment 2** is a copy of the one e-mail received regarding the proposal to implement an amenity contribution guideline, which reiterates many of the points already heard.

Analysis

Options

Option 1: Proceed With The "Land Lift" And Pro Forma Proposal

Key Features:

Single-Family Residential	<ul style="list-style-type: none"> • \$0.60 per buildable sq ft voluntary financial contribution if Council doesn't permit affordable/accessibile housing
Townhouse Developments (19 units or less)	<ul style="list-style-type: none"> • \$2.00 per buildable sq ft voluntary financial contribution toward affordable housing
Townhouse Developments (20 units or more)	<ul style="list-style-type: none"> • pro forma calculating land lift to determine voluntary financial contribution • minimum \$2.00 for affordable housing • \$0.60 for child care if pro forma determines a voluntary financial contribution of \$2.60 or more
Apartment Development (typically 80 – 90 units)	<ul style="list-style-type: none"> • pro forma calculating land lift to determine: <ul style="list-style-type: none"> ➢ number of affordable housing units and/or size of child care facility to be built; <u>or</u> ➢ voluntary financial contribution, if a minimum of 4 affordable housing units/child care facility not built • minimum \$2.00 for affordable housing • \$0.60 for child care if pro forma determines a voluntary financial contribution of \$2.60 or more
Interim Review	<ul style="list-style-type: none"> • Will be reviewed when City Centre Area Plan (2007) and Official Community Plan (2008) are finalized
Public Art	<ul style="list-style-type: none"> • Continues to be a separate voluntary program

Application:

- Rezoning applications after July 1, 2007.
- Residential developments and mixed use development with residential component.
- City takes 50% of the land lift based on the pro forma analysis.
- Commercial developments require further analysis (see later in report).
- City-Wide, except in the West Cambie (Alexandra Neighbourhood).

Pros:

1. Pro formas will take into account differences in neighbourhoods in Richmond (e.g., market demand; selling prices; infrastructure requirements; land lifts; etc.).
2. The land lift will recognize variations between different forms of development and existing land uses.
3. This proposal is the most accurate and fair way of determining the financial contribution or amount of affordable housing/child care developers can build in fluctuating markets.

Cons:

1. UDI and land owners don't like the pro forma requirement or the land lift approach.
2. It requires further work to develop the pro forma format and process.
3. Difficult to address where lands are sold at rezoned or inflated values.

Staff Comments:

Staff still believe that this is a good option but are willing to consider other options in light of the comments expressed by the development community and reservations raised by some Councillors.

Option 2: Establish a Guideline for a Voluntary Contribution - Recommended
(See Attachment 3)

Key Features:

Single-Family Residential	<ul style="list-style-type: none"> • \$0.60 per buildable sq ft voluntary financial contribution if Council doesn't permit affordable/accessible housing
Townhouse Developments (except City Centre/Steveston)	<ul style="list-style-type: none"> • \$2.00 per buildable sq ft voluntary financial contribution toward affordable housing
Townhouse Developments (City Centre & Steveston)	<ul style="list-style-type: none"> • \$2.60 per buildable sq ft voluntary financial contribution (\$2.00 to affordable housing and \$0.60 to child care)
Apartment Developments (typically 80 – 90 units)	<ul style="list-style-type: none"> • \$4.00 per buildable sq ft voluntary financial contribution towards affordable housing if Council agrees that a minimum of 4 affordable housing units can not be built • \$0.60 per buildable sq ft voluntary financial contribution towards child care if Council agrees that a child care facility can not be built
Interim Review	<ul style="list-style-type: none"> • Will be reviewed when City Centre Area Plan (2007) and Official Community Plan (2008) are finalized
Public Art	<ul style="list-style-type: none"> • Continues to be a separate voluntary program

Application:

- Rezoning applications after July 1, 2007.
- Residential developments and mixed use development with residential component.

- Commercial developments require further analysis (see later in report).
- City Centre includes South & North McLennan; Steveston is the Steveston Area Plan.
- Does not include the West Cambie (Alexandra Neighbourhood).

Pros:

1. Guaranteed contribution and costs known up-front with limited uncertainty.
2. Identifies greater need and ability to pay for child care in the City Centre and Steveston.
3. Seems to be more acceptable to UDI and the development community.
4. Can be implemented without the need for further work or consultation.
5. The proposed contributions are in the range of the 50% land lift reported by Paul Rollo.
6. The proposed contributions are also comparable to what other municipalities accept - e.g.:
 - Vancouver - \$3.00 sq ft community amenity contribution outside the City Centre
+ \$2.00 sq ft DCC for affordable housing
 - New Westminster - estimated as \$4.50 - \$6.00 sq ft on recent high density developments
 - Burnaby - estimated between \$3.75 - \$4.65 sq ft on apartment developments

Cons:

1. City may not obtain maximum amenity contribution (financial contribution or built product).
2. Some developers may pay more than they can afford and there is less basis for negotiation.

Staff Comments:

Staff are prepared to recommend this option, recognizing that not everyone will agree to the amounts proposed for the new voluntary contributions but that they are comparable to other Lower Mainland municipalities.

Option 3: Refer the Amenity Contribution Report Back To Staff*Reasons:*

- To complete the Council referral to examine commercial rezoning applications.
- Give the local small developers more time to review the implications of the policy.
- To consult more with landowners and the community at large.
- Develop objectives and targets for affordable housing and child care.
- To cost out all the other amenities (such as libraries, community centres, etc. as part of the City Centre Area Plan implementation strategy).
- Re-examine the profit margins, equity financing and other assumptions in Rollo's study.

Timing:

- Commercial analysis, further feedback and establishing targets will take up to an additional 4 months (June 2007).
- Incorporating the amenity contributions into the City Centre Area Plan implementation strategy will delay this guideline by approximately 8 months (October 2007).

Pros:

1. May result in a better outcome.
2. Responds to some of the concerns expressed by UDI, the GVHBA and local small developers.

Cons:

1. The existing voluntary financial contribution of \$0.60 per buildable sq ft for affordable housing is too low (longer the process = the more money the City is failing to collect).
2. It could push back the proposed implementation date of July 1, 2007 to January 1, 2008.
3. The Affordable Housing Strategy could be delayed an additional 4 – 8 months.
4. Staff resources are diverted from other planning priorities.
5. It will be difficult to find a consensus on this matter and there is already strong opposition to applying the policy to commercial rezoning applications.
6. The reimbursement of 3 rezoning applications that are waiting for a possible affordable housing refund will be delayed (see Financial Impact).

Staff Comments:

Staff recommend not delaying the establishment of a Guideline any further and believe that sufficient information has been collected for an informed, balanced decision. As well, the Guideline can be reviewed periodically.

Commercial Rezoning

Paul Rollo has indicated that it will take at least another two months and approximately an additional \$4,000 for him to respond to the referral motion from Council regarding including commercial rezoning applications in the Guideline.

This work will be done, but staff would recommend not delaying approval of the entire Guideline.

Financial Impact

Unfortunately, it is impossible to estimate the amount of money that could be collected from Option 1 because the pro forma calculating the land lift will be different in each application.

Similarly, it is difficult to accurately determine how much money could be raised under Option 2 using the suggested Guideline contributions set out therein.

However, its safe to say that the amount would be more than the \$752,516 that was collected from rezoning and development permit applications between September 1, 2005 and September 27, 2006.

This is because the voluntary amenity contribution would increase from the existing \$0.60 per buildable sq ft to a minimum of \$2.00 per buildable sq ft for rezoning applications and the pro forma approach may generate more contributions.

If either Option 1 or 2 are approved by Council, staff will reimburse the three (3) single-family residential rezoning applications the following amounts from the Affordable Housing Trust Account:

- RZ 04-274895 (5400 Francis Road) - \$35,045
- RZ 04-273560 (6680 Francis Road) - \$28,815
- RZ 03-236490 (4680 Blundell Road) - \$36,395

Conclusion

Council directed that staff consult with the UDI, GVHBA and local small developers regarding the proposed Guideline.

This has occurred, with the results being summarized in this report.

Staff have presented three options, and are recommending that Council approve Option 2 which establishes a Guideline for City staff to consider when evaluating rezoning applications for voluntary contributions relating to the residential floor area of residential developments and the residential floor area, if any, of mixed use developments (**Attachment 3**).

The response on the referral to include commercial rezoning applications will follow within 4 months.



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HB:cas



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Friday, December 15th, 2006

Terry Crowe
 City of Richmond
 6911 No. 3 Road
 Richmond, BC, V6Y 2C1
 Canada

Dear Terry Crowe,

**Re: A City-Wide Interim Amenity Contribution Policy
 And
 Draft Affordable Housing Strategy**

On December 5th, 2006, City of Richmond staff and members of the Urban Development Institute (UDI) met to discuss the City's recently drafted "A City-Wide Interim Amenity Contribution Policy" and the "Draft Affordable Housing Strategy." UDI would like to thank the City for organizing this meeting and is optimistic about the City's willingness to consult with the industry in a forum that proactively seeks to solve this urban development issue while respecting the needs and concerns of stakeholders involved.

A City-Wide Interim Amenity Contribution Policy

UDI is encouraged by the City's interest in understanding the constraints of the development industry. In the past, the City has employed a cost recovery method that involves identifying desired amenities and associated costs but, did not assess the industry's ability to pay. In some cases, this has led to amenity contributions that are excessively burdensome and, arguably more than the industry can accommodate.

The report authored by G.P. Rollo & Associates Ltd. clearly demonstrates that the development industry has limits and that, if investment and development are to continue in the City, these limits will require attention. The author notes that:

"...amenity contributions of \$6.37 per sq. ft. for multiple family and commercial rezoning is too high and could have an adverse impact on development throughout the City."

The development industry is not supportive of a case-by-case pro-forma analysis for development in general. The following reasons have been identified by UDI members:

- **Increased Uncertainty:** Currently it is recommended that this would be an interim strategy that will be reviewed annually. There is potential for the rate of amenity extraction to increase and, because this is an interim strategy, it could be recalled entirely, especially after new staff has been hired. This creates uncertainty both now, and in the future. There was a consensus amongst UDI members that it would not be possible to progress with development plans until certainty regarding costs could be ascertained with confidence.

- **Increased Approval Times and Increased Risk:** The pro-forma method is complex and subjective. Each developer has established a pro-forma methodology based on previous experiences and the current development market; each one is unique. The infinite variations in methodology possible will result in considerable increases in the negotiations with City staff and, the length of the approval process. It is possible that every one of the over 100 possible line-items in a pro-forma could be a point of disagreement and negotiation between the City and the developer. An increase in approval times of this magnitude will multiply a developer's exposure to risk. In a development environment that is currently experiencing unpredictable fluctuations in development costs and market behavior, unnecessary exposure to such risks could be debilitating to both the industry and the success of projects.
- **Disincentive for Investment:** This policy will also act as a significant disincentive to investment and the act of purchasing and holding a parcel of land for future development. In many cases, UDI members are purchasing pre-zoned land at re-zoned prices, especially on sites where the OCP designation has changed. The land lift is practically nonexistent and could be unfairly assessed with the pro-forma approach. This suggests that any increased value experienced as a result of inflation and appreciation will be extracted from the developer in the form of an amenity contribution; this is in effect a tax on capital gain. This will work as a disincentive for new investment. In contrast, current landowners will need to wait longer to achieve a desired return. This will result in longer holding times, less available land for development, a decreased housing supply, increased demand, increased rents and prices and the overall erosion of affordability.
- **City Reward vs. Developer Risk:** City staff indicated during the December 5th, meeting that if a loss in land value was experienced, the developer would be required to contribute a minimum of \$2.00 per sq. ft. and if an increase in value resulted, that the developer would likely be required to contribute more. Furthermore, it was indicated that if a loss in value resulted, the City would not reduce amenity contributions or refund any portion of the pre-established contribution. The City would then benefit from any increased values without having to take on any risk. This is not flexible, collaborative, or equitable and it may discourage investment.
- **Current Landowners Need to be Consulted:** It was indicated at the Liaison meeting that landowners have not been consulted. It is often cited that increases to developer costs will be compensated by a reduction in the price of the land. Therefore it should be communicated to landowners that this policy will result in a significant decrease in the sale price that they will be able to achieve. As noted above, UDI suspects that landowners would not be willing to reduce prices and, may adopt a holding strategy. Several UDI members that currently own land indicated that they will delay proceeding with further development of their investments as a result of this policy.
- **Municipal Responsibility:** It is the responsibility of the City to ascertain the needs of the community, the associated costs and, a fair and equitable means of ensuring that all members of society contribute accordingly. The City has yet to identify what is needed and how much it will cost. A process that establishes targets, costs, benchmarks and timing helps to establish the City's ability to remain transparent, accountable, diligent and responsible. The current proposal does not establish these metrics. Instead of first quantifying what is needed and collecting accordingly, this process collects first and decides where to allocate the funds afterwards. It is reasonable to suggest that a questionable process of this nature reveals the potential for future conflicts regarding accountability.

The staff report recommends that based on Rollo's report and methodology, a minimum flat rate of \$2.00 per sq. ft. can be sustained by the industry. The report however, makes assumptions that are not entirely realistic such as a 12% profit margin, 10% required equity for construction financing, a 20% increase in BC Assessment values for the previous year and, that a land lift exists after re-zoning. In the experience of UDI and it's members, a more realistic required profit margin for both developers and financiers is 17% and, furthermore, required equity of financiers for construction is closer to 15% or 20%. Using a 20% time adjustment for assessment values of the previous years is inaccurate and, will not respect the realities of market fluctuation or specific local markets. Finally, developers are currently observing that pre-zoned land is being sold at re-zoned prices and, that there is no increased value in the land resulting from a re-zoning. If the report was to be revised with the above considerations, it would demonstrate that the amenity contributions that the industry can accommodate are far less than what has been suggested. Especially given that within the past year there have been significant increases to City fees and charges, permit fees, City Wide DCC's, Local Area DCC's, GVRD SS & D fees, construction costs, labour costs and a tightening consumer market.

UDI recommends that the City pursue a policy that first establishes the needs of the community, associated costs as well as a reasonable implementation plan / strategy. UDI would also recommend that in addition, it is paramount that the City also measures the ability of stakeholders to accommodate these associated costs, through an area-wide analysis, instead of a site-by-site analysis. As a timely example, this is something that could be considered during the preparation of The City Centre Area Plan, not on a site-by-site basis.

Draft Affordable Housing Strategy

It is admirable that the City wishes to fill the recent affordable housing void. However, it is important to emphasize that the cost required to fill and maintain this current deficit of affordable housing is significant and, is far beyond the City's capability. It is therefore important to establish the level of burden that the City, the public and private industry can realistically sustain. It is not solely the responsibility of local government, the development industry or new homebuyers to bear the entire societal burden of affordable housing.

Both the Provincial and Federal government are working towards developing an affordable housing solution however, it is important to acknowledge that the City can play a pivotal role to compliment this process. By investigating opportunities to reduce development costs and barriers through the pre-zoning of land, relaxed requirements and decreased fees, the City can make significant strides towards an affordable housing solution. UDI firmly believes that there are more effective and efficient local affordable housing models in existence that will serve the City better than what is currently being proposed. The City can use these alternative models to achieve its goals, without sacrificing the growth of the industry, economy or the community.

At the recent 2006 Greater Vancouver Affordable Housing Forum, UDI recognized the attendance of a number of Richmond Councillors and City Staff. At this conference, it was established that the current development environment is restricting the industry's ability to provide affordable housing; the main culprit being rising costs. At the conference, it was communicated that it is possible to establish partnerships amongst the private and public sectors to provide affordable housing in a manner that doesn't hinder the investment environment. UDI believes implementing an affordable housing contribution or an inclusionary requirement for developers will do little to improve the supply of affordable housing. In regards to this, UDI would like to identify the following comments, concerns and recommendations on the Draft Affordable Housing Strategy:

- Affordable housing is the responsibility of society as a whole, not just the development industry and new home buyers:** As eluded to earlier, the provision of affordable housing is extremely expensive, complicated and time consuming. The current policy places the burden of affordable housing solely on the development industry and consequently, the new home owner. It is not fair or equitable to place this societal burden on new home buyers, the general public should be required to contribute as well. There is a precedent for such an initiative, as is evident in the Capital Regional District (CRD). The CRD has created the Capital Region Housing Corporation that helps to develop affordable housing through the use of a Regional Housing Trust Fund. In 2006, the fund raised \$850,000 from 9 of the 13 municipalities in the CRD and, achieved a 10 to 1 leverage on each dollar within the fund through partnerships with the private sector, senior levels of government and funding organizations. Each municipality is responsible for a contribution to the fund that corresponds to their population. The funds are raised through property taxes and, equal to between \$5.00 and \$10.00 per year, per property.
- Relying on the development industry is not a consistent nor, sustainable revenue stream for the long term provision of affordable housing:** The current proposed policy suggests that affordable housing fee extractions will facilitate the development of affordable housing in the City of Richmond. It should be noted however, that this revenue stream will decrease substantially and become almost non-existent if the housing market tightens and development decreases.
- If affordable housing becomes a requirement, there should not be any expectations for other amenity contributions:** As indicated in G.P. Rollo's report, the development industry is limited in terms of how much can be feasibly contributed. In many cases, a significant affordable housing contribution may push the developer to the limit on what can be accommodated. In recognition of this constraint, if a significant affordable housing contribution is required, it is not reasonable for the City to expect other amenity contributions.
- Affordable home ownership should be more adequately addressed:** UDI members have identified potential affordable housing ownership opportunities within the City of Richmond. Presently, the policy does not attempt to address entry level home ownership. If the policy were to proceed, UDI would recommend that developers be provided with an option to provide affordable entry level housing and, not just rental units.
- Economies of Scale:** The current policy indicates that in cases where affordable housing units must be built, that a minimum of four units be provided. This will result in efficiency challenges for the management as well as the development of the units. This will spread units throughout the City of Richmond and, arguably create significant management difficulties. Providing four or five units per project is extremely difficult for a developer and, does not allow for cost savings resulting from large scale projects and economies of scale. UDI recommends that it may be more effective and efficient to consider a solution that will allow for the concentration of affordable housing units within a mixed income community. This is a solution that has been used in both Coal Harbour and Concord Pacific in the City of Vancouver. Furthermore, if this policy were to proceed, developers should have the option to work together to construct one affordable housing complex. Instead of each developer producing four units, allowing for a collaborative approach may produce significantly more benefit for the community in a manner that is more feasible for the development industry.
- Ownership, Maintenance and Management:** In relation to the above point, UDI is also concerned with the expectations of ownership, maintenance and management of affordable housing units. At the recent December 5th, 2006 meeting, City staff indicated that ownership,

maintenance and management would not be a required responsibility of the development industry. UDI would like to have clarification from the City on this.

- **Consult with Condominium Homeowner Association (CHOA):** It is foreseeable that strata councils affected by this policy could raise some very relevant and considerable concerns. These concerns could be difficult for Council and Staff to address if a policy is established before consulting with experienced representatives of the strata council community. To help reduce the potential of problematic confrontations, UDI recommends that the City first consult with CHOA before proceeding.
- **Purchasing units for rental is more efficient than creating them through new construction:** The proposed affordable housing policy emphasizes the inclusion of new affordable rental units and, amenity contributions that will go towards the construction of new affordable housing projects. UDI recommends that the City consider a solution that involves purchasing pre-owned condominiums, town homes, apartments and rental buildings to increase and protect the affordable rental stock. As a result, this will require a much lower capital cost and, the affordable rental stock will be more accessible within a shorter period of time.
- **Inclusionary zoning case studies:** Within the report, the merit of inclusionary zoning is supported with reference to US examples. Correspondence with UDI members that are involved in both Canadian and US cities have not been able to identify such examples of success. UDI and it's members would be very interested in more details regarding case studies that demonstrate the successes of inclusionary zoning.
- **Targets, Timelines and Expectations:** Even with the current policy, it could take a number of years before affordable housing units or the affordable housing fund reaches a level that could make even the smallest impact on the current affordable housing stock. UDI firmly believes that there are far more efficient methods available to provide affordable housing. Regardless, it needs to be acknowledged that it may not be possible for the City, public and private industry to satiate the affordable housing needs without considerable subsidies.

The Draft Affordable Housing Report has yet to identify what the goals of the City are in regards to affordable housing. How many units does the City want to build? What type of units does the City want to build? How long will it take to build all of these units? And, most importantly, how much will it cost? What is the full scope of the problem? How many people need assistance? Many may already be adequately housed in rental condominiums and secondary suites. It is our understanding that CMHC is currently preparing a report on this topic. This is very different than what is inferred or forecasted based on statistical data.

The scope of the problem is vast and should remain within the domain of senior levels of government. UDI recommends that before this policy is considered, a revision of expectations, targets, timelines and costs be established and discussed with the industry.

It is clear that while a complete mutual understanding between UDI and the City on affordable housing has not yet been reached, UDI is optimistic over the initiative demonstrated by the City in the report under Policy Area #4. It should be reiterated that strong and collaborative partnerships are required to develop affordable housing product, all stakeholders are responsible and must contribute. It is clear that the City is beginning to understand this when it recommends that density bonuses, zoning relaxations, parking relaxations, streamlining development processes and the reduction of DCC's are required to produce a successful affordable housing product.

UDI does not believe that required contributions and inclusinary zoning are the most effective or efficient solutions to the affordable housing crisis. UDI is currently meeting with senior representatives of BC Housing, the Province and CMHC and, would like to extend an invitation to the City of Richmond to partake in these discussions. Furthermore, it should be noted that UDI has recently forged partnerships with the BC Non-Profit Housing Association, Tenants Rights Action Coalition and the Greater Vancouver Food Bank Society and, are working together towards a common goal. UDI believes that affordable housing solutions can be attained that will result in benefits for all stakeholders involved and, that will not hinder the development industry or the local economy. Before the City moves forward on an affordable housing strategy, UDI requests that the City provide UDI an opportunity to help develop another possible solution that will result in mutual benefits for all. Ideally, UDI would like to work with the City and other levels of government to pilot a project that results in the production of additional affordable housing. It is hoped that this will exemplify the City's leadership on affordable housing in a manner that respects all stakeholders and the economy and, in a fashion that other municipalities and governments can learn from.

UDI is looking forward to the opportunity to work with the City of Richmond on the development of an effective, sustainable and fair affordable housing strategy.

Sincerely,

Original Signed By

Maureen Enser
Executive Director

City-Wide Interim Voluntary Amenity Contribution Guideline (the “Guideline”)

1. Purpose

The purpose of this Guideline is to establish guidelines for City staff in evaluating rezoning proposals to determine voluntary developer contributions (elements and rates) for affordable housing and child care amenities in connection with the residential floor area of residential developments and the residential floor area, if any, of mixed use developments.

As a Guideline, the proposed voluntary amenity contributions are intended to address the public interest in partially meeting the need for affordable housing and child care (which tends to increase in association with property development) and to reduce the increased financial burden on the City and the tax payers created by property development.

Council may waive the application of this Guideline, if Council deems that it is appropriate to do so.

City staff shall apply this Guideline to rezoning applications for residential developments and mixed use developments which have a residential component, until such time as the City:

- enacts a more formal bylaw tied to the density bonus provisions under the Local Government Act; or
- establishes further guidelines with the implementation strategy for the City Centre Area Plan update in 2007 and review of the Official Community Plan in 2008.

2. Principles

This Guideline is based upon the following principles:

- Balancing public and private interests;
- Providing certainty and flexibility;
- Effectiveness; and
- Financial viability.

3. Applicable Area (see attached map)

City staff shall apply this Guideline when reviewing rezoning applications for the entire City of Richmond other than for the West Cambie (Alexandra Neighbourhood) which has its own Interim Amenity Guidelines.

4. Application Type and Timing

City staff shall apply this Guideline when reviewing rezoning applications:

- received after July 1, 2007;
- which involve proposed residential developments and mixed use developments with a residential component.

City staff shall not apply the Guideline in either of the following situations:

- rezoning applications for commercial developments or the commercial floor area of mixed use developments at this time (although this is subject to review); or
- sites already or in the process of being rezoned (e.g., the Oval site).

5. Details (see attached map)

(a.) Single-Family Residential Rezoning Applications (City-Wide)

If Council chooses not to approve a legal secondary suite, a coach house above a garage or a fully adaptable/universally accessible flex house, City staff shall consider recommending to Council a voluntary financial contribution of \$0.60 per buildable square foot based on the proposed net floor area ratio (“FAR”) of all the lots being rezoned which shall go to the Affordable Housing Reserve Fund to assist in paying for affordable housing.

(b.) Townhouse Rezoning Applications (City-Wide except the City Centre & Steveston)

If Council chooses not to require affordable housing to be built, City staff shall consider recommending to Council a voluntary financial contribution of \$2.00 per buildable square foot based on the proposed net FAR in the development which shall go to the Affordable Housing Reserve Fund to assist in paying for affordable housing.

(c.) Townhouse Rezoning Applications (City Centre & Steveston)

If Council chooses not to require affordable housing to be built, City staff shall consider recommending to Council a voluntary financial contribution of \$2.60 per buildable square foot based on the proposed net FAR in the development which shall go to the following:

- i) \$2.00 per buildable square foot to the Affordable Housing Reserve Fund to assist in paying for affordable housing; and
- ii) \$0.60 per buildable square foot to the Child Care Development Reserve Fund to assist in paying for child care.

(d.) Apartment Rezoning Applications (City-Wide excluding Alexandra Neighbourhood)

If Council chooses not to require a minimum of four (4) affordable housing units to be built, City staff shall consider recommending to Council a voluntary financial contribution of \$4.00 per buildable square foot based on the proposed net FAR in the development which shall go to the Affordable Housing Reserve Fund to assist in paying for affordable housing.

If Council chooses not to require a child care facility to be built, City staff shall consider recommending to Council a voluntary financial contribution of \$0.60 per buildable square foot based on the proposed net FAR in the development which shall go to the Child Care Development Reserve Fund to assist in paying for child care.

6. Use of Financial Contributions

Staff shall monitor the voluntary financial amenity contributions collected for affordable housing and child care.

Staff shall also advise Council of its options and ability to build affordable housing and child care facilities with any voluntary financial contributions.

7. Public Art Program

This Guideline does not impact the Public Art Program, which continues to be voluntary (i.e., developer provides the public art on-site or contributes \$0.60 per buildable square foot to the Public Art Statutory Reserve Fund).