THE HOUSING JUSTICE PROJECT

The University of British Columbia

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Non-Market Rental Housing and Community Amenity Contributions

Across Canada, high housing prices and record levels of personal debt are pushing households out of the homeownership market and putting pressure on rental housing stock. This trend is particularly acute in Vancouver, a city with the highest housing prices in Canada and with 42,125 households living below the housing affordability standard.[1] CMHC estimates that one-fifth of households in Vancouver are in core housing need; individuals in these households are inadequately housed with regard to such things as the condition, size, and cost of their unit.[2] Moreover, the average household in core need is spending half of its before-tax income on housing.[3]

The City of Vancouver is focused on increasing the supply and diversity of housing options in order to improve the affordability of the city's housing stock.[4] This includes the addition of new non-market rental housing and market rental housing. In recent years the City has leveraged private sector development to expand the range of Vancouver's affordable housing stock through policies that grant additional density in exchange for market and non-market rental units.

Such developments reflect, in part, the background conditions of decades of senior government budget cuts for housing development and programmes. Faced with limited capacity to generate resources (at least compared to other levels of government) and the immediacy of housing needs on the civic scale, cities have been forced to explore other

[1] The Canadian Mortgage and Housing Corporation's affordability standard sets the bar at 30% of before-tax occupant-household income spent on housing and shelter costs. Calculation of housing expenses includes rent, mortgage payments, electricity, water, and city services. For a more detailed explanation of this standard, see: http://cmhc.beyond2020.com/HiCODefinitions_EN.html#_Affordable_dwellings_1.

[2] CMHC. 2006. Census-based housing indicators and data. Available from: https://www03.cmhc-schl.gc.ca/hmiportal/en/#Profile/5915022/4/Vancouver%20(CY).

[3] Ibid.

[4] In the Vancouver context the concept of affordable housing can refer to the availability of a range of housing options for households at all income levels. This range encompasses emergency shelters, single-room occupancy buildings, supportive housing, non-market rental household (i.e. social housing), purpose-built rental units, secondary suites, rented condos, owner-occupied condos, and other forms of ownership. It is worth noting that the City of Vancouver tends to use the terms non-market housing and social housing interchangeably. This brief uses the term "non-market housing" to mirror the language in the "Annual Reports on Public Benefits from Approvals of Additional Density."

revenue options. One such option in Vancouver has come from leveraging private-sector real estate development for the purpose of increasing housing, particularly non-market housing, in the city.

Charges on new development are a significant source of revenue for the City of Vancouver.[5] The City uses two types of growth-financing charges: Development Cost Levies (DCLs) and Community Amenity Contributions (CACs). DCLs are charged on a per-square foot basis to help pay the capital costs of new facilities necessary to accommodate the expected growth associated with each new development. They are charged on all new development, including projects approved under existing zoning and in cases of rezoning. DCLs can only be used for specific types of facilities: parks, childcare, engineering infrastructure, and replacement housing for affordable units lost due to redevelopment.

Zoning regulates the use and development potential of land across the City of Vancouver. The city is divided into zones according to the Zoning and Development By-Law, which governs building uses, heights, floor area, and site coverage. Changing the use or development potential of a parcel of land requires a rezoning process, which is decided based on Council policies and community needs.

CACs are provided by developers when additional density and/or changes in use are approved by City Council through a *rezoning*. This type of rezoning is typically done pursuant to a city by-law that establishes a Comprehensive Development Zoning District for the rezoned site. The district zoning describes the uses and conditions specific to the site that has been rezoned.[6] CACs are a more flexible source of funds than DCLs because they can be used for a wider range of purposes, including: libraries, community centres, parks, neighbourhood houses, cultural facilities, and affordable housing. The services and infrastructure provided with CACs are referred to as "amenities." These amenities are determined based on local area planning processes and City Council policies. Importantly, unlike DCLs, CACs do not need to be used solely to accommodate growth expected from new developments and so can also be used to address existing gaps in neighbourhood amenities.

CACs were first developed for major projects that involved rezonings of industrial sites to residential and mixed use sites, for example Coal Harbour and False Creek North. The completion of the "Community Amenity Contributions Through Rezonings" policy in 1999 standardized CAC practices across the city and created the framework for how CACs are implemented today. The policy identifies areas of the city where CACs are provided based on a standardized rate of $3 per square

[5] Between 2010 and 2012 the City of Vancouver brought in about $166 million from Development Cost Levies, and $275 million from Community Amenity Contributions.

[6] There are two other types of rezoning: i) changing the zoning of a site from its existing zone to another existing zone (a plan amendment); and ii) changing what is permitted with a zoning district (a text amendment). For more information, see: http://vancouver.ca/home-property-development/how-rezoning-works.aspx.

foot, and areas that are considered "non-standard" and so are determined through a negotiated process with developers and the City. These negotiated contributions are based on calculations of the added land value that a developer gains when the City grants additional building rights on a site through such a rezoning process. This increase in land value is called a "land lift." Projects that pay a negotiated CAC generally turn about 75% of the land lift over to the City of Vancouver in the form of the CAC.

CACs take a variety of forms and have different timelines. Some CACs require that benefits be built on-site as part of the new development and thus are secured when a development is completed. This typically occurs within 3-5 years, depending on the length of the development and building permit process and construction timeline. Other CACs are paid in cash prior to the re-zoning enactment and are held in the CAC Reserve Account. While most of these cash CACs are allocated to specific amenities at the time of the re-zoning, other cash payments (or portions of payments) are banked in the Reserve Account to be allocated to specific projects in future by City Council, with recommendations from staff.

The impact of CAC fees is a hot topic in Vancouver's planning and development community and has been widely debated in local newspapers. Issues focus on the larger questions of the impact that such fees have on housing affordability and the desirability of large-scale development to which such fees are often attached.[7] More specifically, CACs have come under criticism for three key reasons: i) the lack of transparency in the rezoning negotiation process; ii) the possibility that development fees are constraining new housing development in Vancouver and raising housing costs; and iii) whether CACs should be allocated to affordable housing.[8] Much of the public debate on CACs has focused on the second of these specific questions, whether these contributions are exercising a downward pressure on new housing supply and consequently driving housing prices up. This is an important issue, one subject to a variety of conclusions, often reflecting larger ideological perspectives on market regulation.

This brief takes up a task logically prior to discussion of this and other issues. To have a more complete discussion about the relationship of CACs to housing affordability and availability key information is needed. We need to know how many units of non-market housing would not have been provided but for the funding/building required by CAC levies.

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[7] Vancouver was an early implementer of CACs, but other municipalities in British Columbia are now adopting their own CAC policies. These municipalities include Richmond, Surrey, City of North Vancouver, and Kelowna, among others. Wider adoption of CAC policies is sparking discussions about market impacts of development fees as well as the legal possibility of CACs under the *Local Government Act*. For further information see "Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability," available from: http://www.cscd.gov.bc.ca/lgd/intergov_relations/library/CAC_Guide_Full.pdf.

[8] The 2004 *Financing Growth* report by the City of Vancouver lists affordable housing as one type of facility provided through CACs. Recently some questions have been raised about whether affordable housing should be considered an "amenity" in the same category as libraries or community centres.

Without this information, it is impossible to assess how effective CACs have been in leveraging private development for the delivery of much needed non-market rental housing. Such leveragingis, after all, the central argument for use of CACs in this manner.

Consequently, then, this brief focuses on what we can know about the impact of CACs on the provision of new non-market rental housing units in Vancouver. Without this information, no sufficiently informed consideration of the larger politics of CACs is possible. To answer this key question, we look to publicly available information about public benefit contributions, including contributions towards the provision of affordable housing. **To frame these numbers, this brief also includes some overview of an estimation of non-market rental housing need in Vancouver.**

In 2010, in an effort to increase transparency and accountability, the Vancouver City Council Standing Committee on Planning, Transportation and Environment passed a motion requesting that City staff submit annual reports summarizing public benefits received through additional density approvals. Prior to 2010, information about CAC contributions was only available on a project-by-project basis through City Council reports on rezonings. Consolidated annual reports of these rezonings were not available. This brief analyzes the three resulting "Annual Reports on Public Benefits from Approvals of Additional Density" (2010, 2011, 2012).

These reports summarize public benefits gained through all approvals of additional density in the relevant years. CACs are not the only policy connected with additional density approvals, however, and so any given report also includes information on benefits received through programs and tools like the Short Term for Rental Housing (STIR) policy, the Secured Market Rental Housing Policy, the City's heritage preservation policies, development permit bonusing, and the Director of Planning's discretionary zoning powers. As noted previously, CACs are the result of rezoning approvals for additional density and/or change of use. Based on this knowledge amenities provided through CACs can be identified by whether the approval category specified in the report was a rezoning. In cases where non-market units were built on-site, the reports provide information on how many units were achieved separately from the value of the cash contributions provided for affordable housing. While the focus of this brief is primarily on achievements in non-market housing, information regarding market rental units achieved with additional density approvals is included as a point of comparison.

At the time of reporting, not all public benefit contributions paid in cash and consigned to the Reserve Fund had been allocated and spent by the City on some public benefit. This simply reflects the fact that some CAC contributions are paid in cash and held in the CAC Reserve Account to be allocated at a later date by staff and City Council.[9] Details on how unallocated public contributions were ultimately spent are

[9] The CAC Reserve Account holds both allocated and unallocated cash contributions.

not available in these reports. This presents an obstacle to understanding the full extent to which public benefit contributions are being applied to non-market rental housing.

The following analysis summarizes the information available from these reports and includes:

- The number of projects that made contributions to market rental housing and/or non-market rental housing in each year;
- For projects that made contributions to affordable housing, whether the contribution was made in cash or on-site;
- The total value (in Canadian dollars) of cash contributions for each year that were allocated to affordable housing by the time of reporting;
- For projects that built market rental or non-market rental units on-site, how many units were constructed with the additional granted bonus density.

Key Findings

Development approvals that involve bonus density make up a relatively small portion of the total number of development permits issued each year. Between 2010 and 2012, such approvals were only 2-3% of all approved development permits. Nonetheless these approvals tend to involve large, high profile projects and, consequently, are both important and controversial (see Table 1).[10]

- In 2010, two of the 23 projects approved with additional density provided CACs for non-market housing. These projects both made their CAC contribution in the form of cash for non-market rental housing. These cash contributions were worth $2.97 million in total, and constituted 11% of all the cash contributions that were allocated to a particular public benefit in 2010 by the time of reporting. A third project was approved through the STIR program and provided 106 market rental units on-site. These market rental units are legally “secured” as rental housing for either the life of the building or 60 years, whichever is greater.

  Four not-for-profit non-market housing projects were approved in 2010 with additional density. These projects are exempt from the CAC policy because their intent already met City policy objectives on affordable housing. Instead they benefited from an additional density approval to support the missions of these projects and their financial viability. These projects provided 249 social housing units, 141 supportive housing units, and 15 low-income seniors units. The report does not specify how many additional units were achieved due to the

[10] It is worth noting that not all projects that receive approvals for additional density make public benefit contributions. In 2010, for example, 30% of projects approved with additional density were either exempt from the requirement or did not provide sufficient land lift to justify a contribution.

Table 1: Affordable Housing Obtained Through Additional Density Approvals (2010-2012)

	2010	2011	2012
Projects approved with additional density	23	36	44
Share of development permits issued	2%	3%	3%
Net additional density approved	2.2 million sq. ft.	4.2 million sq. ft.	2.4 million sq. ft.
Total value of public benefits secured	$27 million	$180 million	$68 million
Share allocated to affordable housing	11%	22%	25%
Cash allocated to affordable housing	$2.97 million	$40.6 million	$17.5 million
Non-market rental units built on-site*	405 units[1]	100 units	70 units
Market rental units built on-site*	106 units[2]	602 units[2]	1,011 units[3]

*Reported separately from value of cash contributions
[1] Built with bonus density not provided through the CAC policy
[2] Provided through the Short-Term Incentives for Rental Housing Policy
[3] Provided through the Secure Market Rental Policy
Source: City of Vancouver

bonus density approval and only provides information for the total number of units built in each project.

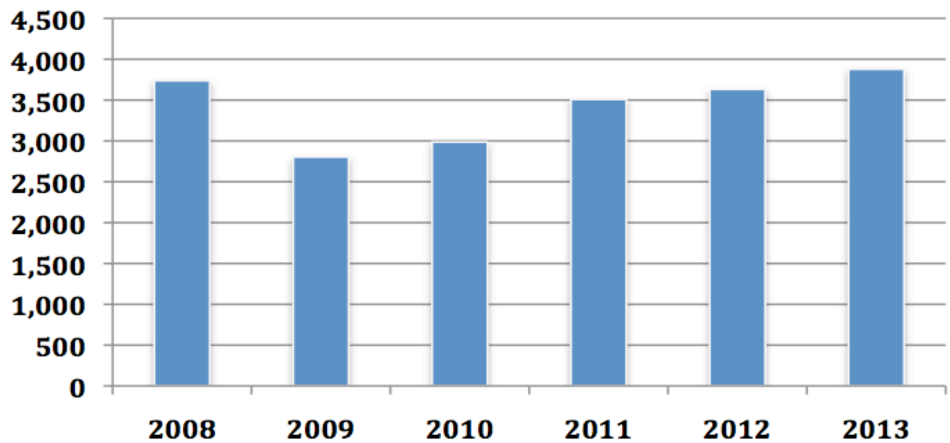
- In 2011, ten of the 26 projects approved with additional density provided CACs for non-market housing. One project provided an on-site CAC of 100 non-market rental units. The remaining nine projects provided their CAC contributions in the form of cash for non-market housing, with one of these cash contributions specified for seniors housing. These cash contributions were worth a total of $40.6 million, or 31% of the public benefit contributions that were allocated in 2011 by the time of reporting. Six projects provided a total of 602 market rental units on-site with bonus density. Five of those six projects were approved with bonus density through the STIR program.

- In 2012, eight of the 44 projects approved with additional density provided CACs for affordable housing. One of these projects provided a CAC on-site with 70 non-market housing units. The remaining seven projects provided cash contributions worth $17.2 million, which constituted 29% of all allocated cash contributions for 2012. Six projects of the 14 projects built 1,011 units of legally secured market rental housing using bonus density received through the Secure Market Housing Policy.

In summary, between 2010 and 2012 a total of **170 non-market rental units** were achieved through on-site CACs. An additional 405 units were built in four non-profit projects approved in 2010 with additional density unrelated to the CAC policy. Finally, **1,719 market rental units** were provided with bonus density through STIR and the Secure Market Housing Policy. It is impossible to know how many units were created using cash contributions made to the Reserve Account based on these reports, or how funds that were not yet allocated at the time of reporting have been allocated since.

One approach to estimating unmet demand for non-market rental housing in Vancouver is

Figure 1: Social Housing Wait List - City of Vancouver



Source: BC Housing

through wait list data maintained by BC Housing for its own non-market housing units located in Vancouver. This information can be used as a proxy for unmet need, but, of course, underestimates total demand for affordable housing because it tracks only the demand for BC Housing units. Between 2008 and 2013, the wait list for families and single households fluctuated between 2,804 and 3,879, averaging 3,425 per year (see Figure 1).

Compounding the shortage of existing non-market housing is the approaching expiration of a high number of non-market housing operating agreements. Between 2012 and 2030 operating agreements covering 17,100 non-market rental units in Vancouver are set to expire.[11] This promises to put even greater pressure on the non-market housing stock as units can no longer be maintained at below-market rents.

Using data from the BC Housing wait list alone, it is clear that a deep gap exists between low-income housing need for Vancouver residents and the creation of non-market rental housing stock. In 2010, CACs did not secure any on-site non-market rental units, while the BC Housing wait list sat at 2,987 households. In 2011, public benefit contributions helped create 100 non-market rental units, while the BC Housing wait list sat at 3,509 households. Finally, in 2012, public benefit contributions helped create 70 non-market rental units but the BC Housing wait list had reached 3,632 households.

Implications

This preliminary analysis of information available on CACs highlights several challenges in assessing the efficacy of this policy for non-market rental housing.

[11] Metro Vancouver, 2014. Regional Affordable Housing Strategy Update: Discussion Paper. Available from: http://www.metrovancouver.org/planning/development/housingdiversity/AffordableHousingStrategyDocs/HOU_StrategyUpdate.pdf.

First, 18 of the 20 projects that had at least part of their contribution allocated to affordable housing did so solely by way of in-cash payments to the CAC Reserve Account. The reports do not provide information on how many affordable housing projects were supported by cash CACs. This places a serious limitation on efforts to measure the full contribution of CACs to the city's non-market rental housing stock. The City of Vancouver should consider presenting these annual reports about public benefits alongside reports to Council on the state of the City's budget and finances. Linking these reports to the summary of expenditures made from the CAC Reserve Account, as well as providing information on the account's year-end balance, are necessary steps to improving transparency in the implementation of the CAC policy.

Second, while the reports provide aggregate data on the share of allocated funds directed to non-market rental housing, they do not touch on how funds unallocated at the time of writing were and will be used. Integrating a section about how funds unallocated at the end of the previous year are ultimately spent would improve transparency.

This brief set out to assess how effective CACs are in helping to ameliorate unmet non-market rental housing need in Vancouver. While the annual reports on public benefit contributions are an important step forward for allowing such assessment, these reports are still inadequate for measuring how many non-market rental units CACs have supported. As of yet, Vancouver lacks a reliable and complete picture of the impact CACs and other public benefit policies are having on Vancouver's housing crisis. Units built on-site can be counted, but without further information on how in-cash contributions are allocated, it is impossible to determine the full picture. The revenue and jurisdictional issues Canadian cities face require innovative policy development and implementation. But good governance demands more transparency and accountability for the implementation of these policies. Most critically, the growing complexity and cost of housing provision at the municipal level has served as one of several justifications for use of CACs as a revenue-generating device. This question of efficacy in mitigating the non-market rental housing crisis is therefore a critical piece of the discussion on CACs.

In light of what numbers are available, a question must be raised about how effective the CAC policy is in filling gaps left by senior government reductions on affordable housing spending. It is evident that the City's bonus density policies for market rental housing are delivering a large number of new units, but without information about how cash contributions are directed to non-market housing construction it is difficult to link CACs to non-market housing delivery in Vancouver. In any case, it seems unlikely that private sector development of non-market housing will ever be able to compensate for funding gaps left by federal government cuts to affordable housing programs. The nature of financing tools like CACs means that non-market housing construction using these funds will face strong competing demands from other policy priorities for the same funds. The result is that only a portion of CACs go toward affordable housing goals.

Vancouver needs a steady source of funding for non-market housing on a much greater level. CACs can provide, at best, only one piece of what is needed to meet the need for low-income housing. We need both the federal and the provincial governments to re-engage fully in funding the construction and operation of non-market housing.

Appendix A

The legal foundation for Community Amenity Contributions rests in the *Vancouver Charter*, which specifies the City's planning and development powers. Section 565.1 of the *Charter* gives the City the authority to set different (i.e. higher) density entitlements for a zone if certain conditions are met. These conditions are either the conservation of amenities or the provision of amenities, including affordable housing and special needs housing. Under this power, the City of Vancouver approved the "Community Amenity Contributions – Through Rezonings" policy in 1999. The policy identifies zones throughout the city that fall under either standard or non-standard CAC rates, and outlines the process for determining and approving public amenities through rezonings

CAC rates are set according to the category of rezoning under consideration. Standard rezonings are involved in smaller development projects located outside the downtown. These have a fixed-rate CAC of $3 per square foot of additional permitted density. There are several types of non-standard rezonings, including sites located downtown, those involving a change in use from industrial to residential land uses, or rezonings on sites larger than 2 acres. CACs for non-standard rezonings are negotiated between developers and City staff. The dollar value of a CAC can be provided either by in-cash payments to the CAC Reserve Account or with facilities built on the development site.

CAC funds that are unallocated at the time of development approval are held in the CAC Reserve Account and then allocated by the Public Benefits Committee according to a framework set out in the policy. These allocations must then be approved by City Council. Criteria for determining the amenity include: i) current or future needs of the community where the development is occurring; ii) existing City services in the area; iii) City policies; and, iv) the financial performance of the development.

The policy also specifies exemptions from CACs, including: i) rezonings with no additional floor space approved; ii) rezonings with no residential use; iii) small residential or institutional sites; iv) Neighbourhood House Demonstration Projects; v) social housing; vi) approvals of bonus density related to heritage preservation; vii) public schools; viii) community facilities; and, ix) places of worship.

Further Information

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CORRECTION: December 23, 2014

An earlier version of this brief stated incorrectly that Vancouver is the only municipality implementing a Community Amenity Contribution policy.