



Corporation of the City of
NEW WESTMINSTER

REPORT

Development Services

To: Mayor Côté and Members of Council **Date:** 6/12/2017
From: Jackie Teed **File:** 13.2550.30
Acting Director of Development
Services
Item #: 230/2017
Subject: Financing Growth: Density Bonus Rates Update

RECOMMENDATION

THAT Council direct staff to prepare the necessary zoning amendment bylaw which would revise the density bonus rates as outlined in this report.

THAT Council direct staff to inform stakeholders as identified in this report of the proposed changes to the density bonus rates.

EXECUTIVE SUMMARY

The City has been using density bonus regulations as a financing growth tool for the provision of amenities or affordable housing since 2010. This program requires regular review of and update to the rates established within the Zoning Bylaw to ensure that the rates are reflective of current market conditions and values. The rates were last updated as part of the implementation of the Phase 2 of the Density Bonus Program in 2014. Staff has engaged the City's land economist consultant who has reviewed the current market conditions and values and recommended increases to the density bonus rates in both phases of the program. Staff is recommending that Council direct staff to prepare a bylaw to implement these changes, provide a transition period for applications to proceed under existing rates and to advise stakeholders of the upcoming changes.

PURPOSE

The purpose of this report is to provide Council with information and to seek approval to prepare a bylaw to update the rates for the City of New Westminster Density Bonus Program.

POLICY AND REGULATIONS

Since 1993, Section 482 of the Local Government Act has authorized local governments in British Columbia to establish different density regulations within a Zoning Bylaw in support of the provision of amenities or affordable or special needs housing. Regulations established under this legislation are commonly referred to as bonus density regulations.

On June 14, 2010, Phase 1 of the Density Bonus Program was implemented by Council's inclusion of density bonus provisions within most low rise multiple unit zoning districts in the Zoning Bylaw. Phase 1 of the Density Bonus Program pre-zoned most of the existing low-rise (including townhouse) districts throughout the City to allow additional density, in exchange for density bonus charges to be used for the provision of community amenities, when existing buildings reach the end of life. A map of properties included in Phase 1 of the Density Bonus Program is attached in Appendix A.

On September 16, 2014, Phase 2 of the Density Bonus Program was implemented for residential multiple dwelling unit and mixed used properties within the Downtown with Council endorsement of the Density Bonus Phase 2 Council Policy and the adoption of the subsequent zoning amendment bylaw. Phase 2 of the Density Bonus program applies to high-rise projects in Downtown and requires a rezoning into density bonus districts as outlined in the Council endorsed policy, also in exchange for density bonus charges to be used for the provision of community amenities. A map of properties included in Phase 2 of the Density Bonus Program is attached in Appendix A.

Additional phases will be considered following the completion of the city-wide Official Community Plan review process.

ANALYSIS

Economic Analysis

Density Bonus rates need to be updated on a regular basis to ensure that they are in line with current market conditions and values. Staff engaged a land economist consultant to review the bonus density values for all existing residential building forms in both Phase 1 and Phase 2 of the Density Bonus Program. The consultant developed several pro-forma models to analyze the financial performance (i.e. revenues and development costs) for hypothetical

projects. The results were also tested against real estate listings and sales for development sites to ensure consistency with actual transactions.

Increase in Average Sale Prices

Density Bonus rates are largely set in relation to average unit sales prices as well as development costs such as construction costs, land costs, holding costs and other municipal and regional charges. However, development costs have also fluctuated over time and as such there would be a general correlation between average sale prices and density bonus rates, but not a direct linkage. The table below compares the average sale prices for specific building forms today with those in 2014 when the existing Density Bonus rates were established. Based on the table below, an increase in Density Bonus rates would be expected.

Building Form	2014 Average Sale Price Per Sq. Ft.	2017 Average Sale Price Per Sq. Ft.	Percent Increase
Townhouse (Queensborough)	\$325 to \$340	\$475	40% to 46%
Townhouse (Mainland)	\$370 to \$380	\$500 to \$525	32% to 42%
Apartment (Less than 6 Storeys - Queensborough)	\$350 to \$355	\$475	34% to 36%
Apartment (Less than 6 Storeys - Mainland)	\$380 to \$400	\$575 to \$600	44% to 58%
Apartment (More than 6 Storeys - Mainland)	\$460 to \$470	\$625 to \$650	33% to 41%

Municipal Comparison

As is current practice, staff has also compared the proposed rates to those in other municipalities. Due to a number of differences in municipalities across the region, such as method of implementation or variations in land values across the region, the City's Land Economist Consultant has noted that most municipalities are too different from New Westminster to offer an informative comparison.

The table below summarizes the ranges recently sought by Coquitlam and Burnaby for high density tower projects. Both Burnaby and Coquitlam have the capacity to evaluate land value on a project-by-project basis so that their rates are consistent with recent market evidence. Burnaby and Coquitlam also do offer enough similarities to New Westminster to make a comparison; however, there are still important differences in their Density Bonus approaches which means there would not necessarily be a direct correlation between their Density Bonus

rates and those proposed for New Westminster. The rates for Burnaby are considerably higher than Coquitlam's which is likely attributable to higher average unit sale prices and a long history of Council approvals for high rise projects, resulting in low risk for developers.

Municipality	Density Bonus Value (\$ per square foot)
Coquitlam	\$45 to \$50
Burnaby	\$80 to \$120

DISCUSSION

Proposed Density Bonus Rates

Existing Density Bonus rates are separated by three geographic areas: the Queensborough, the Mainland and the Downtown and the proposed Density Bonus rate retain this geographic distinction. The proposed Density Bonus rates for Downtown were determined reflecting the rezoning process required to access bonus density. As such, these values would need to be set slightly lower than the mainland charges to recognize the costs and risk associated with rezoning applications. Queensborough charges are generally set lower primarily as a result of the higher infrastructure costs associated with development in a floodplain.

The table below summarizes the existing density bonus rates, the proposed density bonus rates and the proposed percentage increase for Phase 1 and Phase 2 of the Density Bonus Program. The density bonus rates were last updated in 2014.

Housing Form	Location	Existing Contribution Per Area Above Base Density	Proposed Contribution Per Area Above Base Density	Percent Increase
Townhouse	Mainland	\$80 / sq. ft.	\$120 / sq. ft.	50%
	Queensborough	\$70 / sq. ft.	\$120 / sq. ft.	71%
	Downtown	\$60 / sq. ft.	\$90 / sq. ft.	50%
Apartment (Six Storeys or Less)	Mainland	\$50 / sq. ft.	\$120 / sq. ft.	140%
	Queensborough	\$40 / sq. ft.	\$65 / sq. ft.	63%
	Downtown	\$37.50 / sq. ft.	\$90 / sq. ft.	140%
Apartment (More Than 6 Storeys)	Downtown	\$22.50 / sq. ft.	\$50 / sq. ft.	122%

Comparison to Other Municipality's Rates

The proposed rates are consistent with those of Coquitlam and Burnaby. Their rates range between \$45 and \$120 per square foot and the proposed rates for New Westminster would

range between \$50 and \$120 per square foot. The midpoint of range of rates used in Burnaby and Coquitlam is \$83 per square foot, and the proposed average density bonus amenity rate is close to that midpoint at \$93 per square foot.

Given that the rates outlined in this report generally fall between the rates used by Coquitlam and Burnaby; that the rates are supported by the empirical analysis provided by the City's Land Economist Consultant and the significant increase in average unit sale prices since 2014, it is reasonable to consider the density bonus rate increases outlined in the table above.

Implementation

Density bonus rates have an impact on land values and land sale prices. Developers need to take all costs, including density bonus contributions, into consideration when purchasing a potential development property. If there is a change to the density bonus rates without a transition period, development of sites purchased under the cost assumptions of previous density bonus rates would not likely be economically viable and would not go forward. It would be difficult for the developer to sell the property to recover costs as any new purchaser would be factoring the increased density bonus rates into their proposed purchase price.

Best practice is to give developers reasonable opportunity to develop the land under the assumptions of purchase. Given this, it would be reasonable that the new rates come into effect January 1, 2018 and that complete development applications received prior to that date be given until July 31, 2019 to complete adoption. Applications which are not received before January 1, 2018 or which are received before the end of business that date and have not received adoption by July 31, 2019, would be subject to the new rates.

This stepped implementation of the new rates should allow the necessary time for developers who have purchased property and made value assumptions based on the current rates to make applications, have them considered by Council and submit necessary building permits. It would also allow developers currently purchasing land to take into consideration the new rates as part of their purchase price.

Consultation

Should Council direct staff to proceed, the City would notify the following of the proposed updates to the rate:

- in-stream applicants, including pre-applications;
- developers who frequently develop in New Westminster; and
- the Urban Development Institute.

INTERDEPARTMENTAL LIAISON

The information in this report was discussed with the Finance Department, the City Solicitor and the City's Land Economist Consultant.

OPTIONS

The following options are presented to Council for consideration:

1. That Council direct staff to prepare the necessary zoning amendment bylaw which would revise the density bonus rates as outlined in this report;
2. That Council direct staff to inform stakeholders as identified in this report of the proposed changes to the density bonus rates.
3. That Council provide staff with other direction.

Staff recommends options 1 and 2.

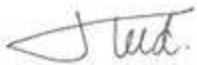
ATTACHMENTS

Appendix A: Density Bonus Program Phase 1 and Phase 2 Maps

This report has been prepared by:
Mike Watson, Planner

This report was reviewed by:
John Stark, Acting Manager of Planning

Approved for Presentation to Council



Jackie Teed
Acting Director of Development
Services

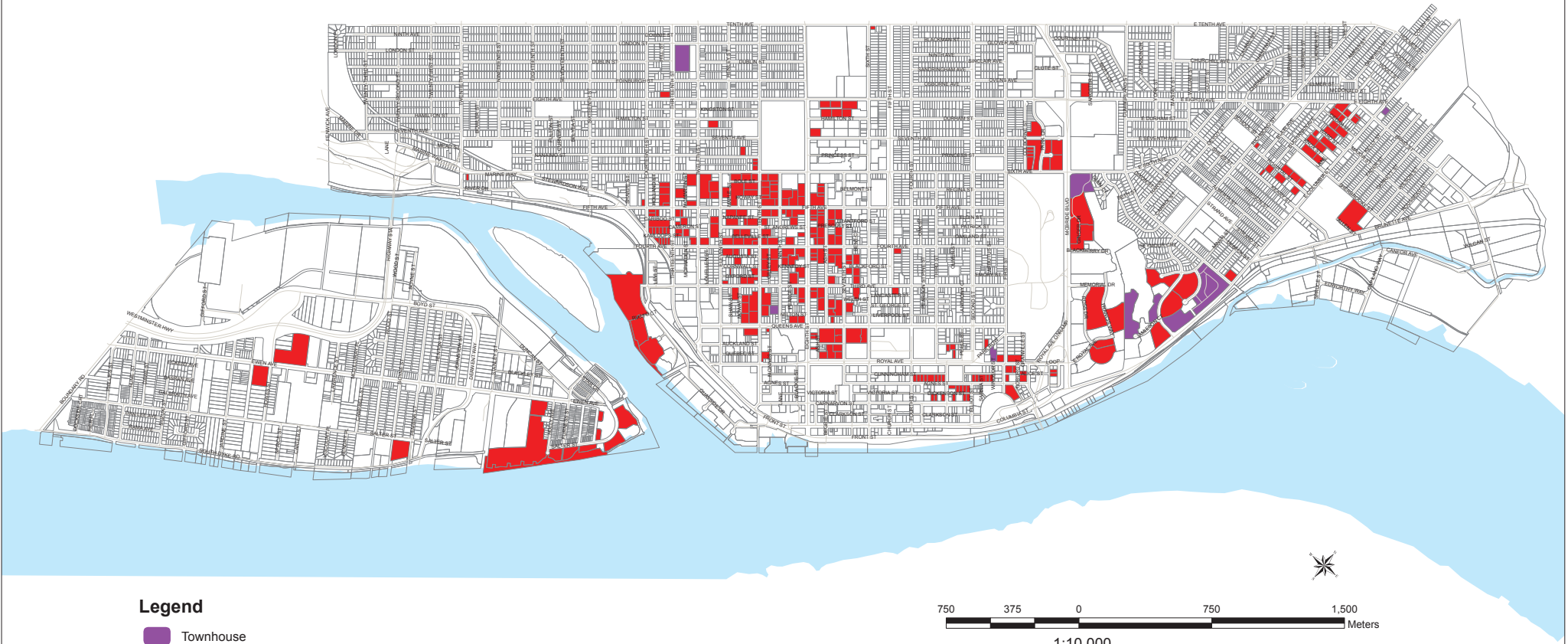


For
Lisa Spitale
Chief Administrative Officer

Appendix A

Density Bonus Program Phase 1 and Phase 2
Maps

Density Bonus Zoning Phase 1 -- Townhouse and Low-Rise Residential



Legend

- Townhouse
- Low-Rise (Residential)



Density Bonus Phase Two Area

