The Corporation of the Village of Cumberland

Committee of the Whole Meeting

Monday, July 11, 2022, 2:00 p.m.
Council Chamber, 2675 Dunsmuir Avenue

We are honoured to gather on the unceded traditional territory of the K'ómoks First Nation.
The public may view the meeting live on the Village of Cumberland YouTube channel

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Pages

1. Agenda

1.1. Agenda for Committee of the Whole meeting, July 11, 2022

Recommendation:
THAT the Committee approve the Agenda for the July 11, 2022 Committee of the Whole Meeting.

2. Delegations

2.1. Sgt. Mike Newton, Conservation Officer Service, North Island Zone regarding Wildlife Awareness

Recommendation:
THAT the Committee receive the delegation of Sgt. Mike Newton, Conservation Officer, North Island Zone regarding Wildlife Awareness and the role of the Conservation Service.

3. Reports

3.1. Technical Report – Financial Analysis for Community Amenity Contributions, Target Rates and Revised Density Bonus Rates
Prepared by Karin Albert, Senior Planner — 3

Recommendation:
THAT the Committee of the Whole receive the "Technical Report – Financial Analysis for Community Amenity Contributions, Target Rates and Revised Density Bonus Rates" report and the presentation by Urban Systems consultants JP Raulot-Lapointe and Jodee Ng.

4. Question Period

A member of the public may only inquire about items included on the Agenda for that meeting during a question period.

- Please send questions by email to info@cumberland.ca using subject line "Question Period" ; Note: please limit to questions only - comments will not be read.

5. Closed Portion

Recommendation:
THAT Council close the meeting to the public pursuant to Section 90 of the *Community Charter* to consider:

(i) the receipt of advice that is subject to solicitor-client privilege, including communications necessary for that purpose;

6. Adjournment

COMMITTEE OF THE WHOLE REPORT

REPORT DATE: 6/30/2022
MEETING DATE: 7/11/2022

File No. 6700 Housing/Density Bonus & CACs

TO: Mayor and Councillors

FROM: Karin Albert, Senior Planner

SUBJECT: Technical Report – Financial Analysis for Community Amenity Contributions, Target Rates and Revised Density Bonus Rates

RECOMMENDATION

i. THAT the Committee of the Whole receive the "Technical Report – Financial Analysis for Community Amenity Contributions, Target Rates and Revised Density Bonus Rates" report and the presentation by Urban Systems.

PURPOSE

This Council report provides an update on the community amenity contribution and density bonus review project and presents a technical report that reviews the financial viability of:

- a new density bonus in return for affordable housing in the VCMU-1 Village Core Commercial Mixed Use zone,
- existing density bonuses for affordable housing in the RM-1, RM-2, RM-3 and RM-5 multi-family zones, and
- a new density bonus in the form of a financial contribution in the I-2 Heavy Industrial Zone,
- target rates for financial community amenity contributions at time of rezoning.

Based on the findings of the technical report, implications for setting density bonusses and amenity contribution target rates are discussed as well as next steps to consider report findings and recommendations during upcoming bylaw updates.

PREVIOUS COUNCIL RESOLUTIONS

June 14, 2021	THAT Council direct staff to present options to add a density bonus and/or community amenity contribution provision in the VCMU-1 Village Core Commercial Mixed-Use Zone to promote heritage conservation and affordable housing; and that the timing and priority of this work be reviewed at the next Council strategic planning session.

BACKGROUND

Recent redevelopment proposals in the VCMU-1 zone in the historic Village core have raised awareness that this zone provides for the highest density of all zones in the Village's Zoning Bylaw but does not include a density bonus that could incentivize developers to provide affordable housing units as part of their development.

To better understand under what density scenarios it may be viable for a development to provide affordable housing units, the Village hired Urban Systems to review the financial viability of providing a base density of a 1.5 Floor Space Ratio (FSR) and a bonus density of a 0.5 FSR in the VCMU-1 zone. This approach was used to keep the maximum density in the zone at the current 2.0 FSR (see Figure 1 for an illustration of the Floor Space Ratio concept and its relationship to site area and lot coverage).

The RM-1, RM-2, RM-3 and RM-5, multi-family zones that already have density bonus provisions, were included in the review to determine whether they should be updated at the same time that a possible new density bonus is introduced in the VCMU-1 zone.

Urban Systems was also tasked with reviewing a density bonus in the form of a financial contribution in the I-2 zone and possible target rates for financial amenity contributions at time of rezoning for a hypothetical townhouse and apartment building development.

The financial analyses of base densities, density bonuses and community amenity contributions, discussion, and recommendations are provided in Attachment 1 – Technical Report.

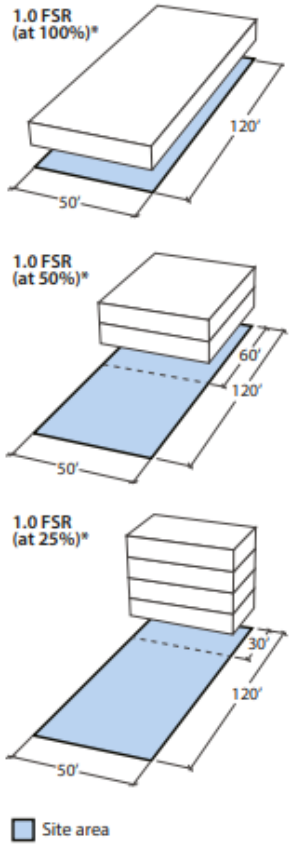


Figure 1: FSR illustrated
Source: City of Vancouver. Calculating Floor Area - Regulation Redesign Backgrounder, June 2019.

Implications of the Technical Report Findings

Setting Base Densities and Density Bonusses

VCMU-1

The financial analysis of the VCMU-1 zone suggests that an FSR of 1.5, which would typically enable a three storey development, is not financially viable if the developer has to purchase the property at today's land values to develop it. On the other hand, a base density of 1.5 FSR and a bonus density of 0.5 FSR with a financial density bonus of $22 per square foot appears to be financially viable.

Changing the current density structure would effectively require a developer to construct to the bonus density. The consultants caution against such an approach since that would affect developers who recently bought their property with the understanding that they can access a base density of 2.0 FSR.

Since the VCMU-1 zone includes the historic Village core, other values in addition to density and affordable housing are at stake, including the character of the downtown core and the protection of existing heritage buildings. A base density of 1.5 FSR and a bonus density of 0.5 FSR would enable the Village to establish requirements as part of the density bonus for the preservation of

heritage buildings or their facades, and/or provision of market rental or affordable housing units in new developments.

An in-depth discussion of how best to preserve the character of the downtown core will be part of the upcoming Official Community Plan review and may inform a future update to the VCMU-1 zone.

RM-1, RM-2, RM-3 Residential Multi-Family Zones

The report completed by Urban Systems demonstrates the challenge of setting base densities and bonus densities that make the redevelopment of sites financially viable. The findings suggest that in today's market conditions most of Cumberland's existing multi-family zones that include density bonuses are either not viable for redevelopment at the base density or at the bonus density (see 8.0 Conclusions in Attachment 1 – Technical Report). However, they may be viable to redevelop to a higher density if the properties were purchased at a time when land values were lower.

The lack of redevelopment potential is not necessarily a problem given that many of the multi-family developments in Cumberland are not very old and redevelopment of such sites is not necessarily desirable before the end of the existing buildings' lifespan. However, if a new multi-family zone is created in the future as a result of a rezoning application, the Village may have to consider higher densities than it currently has in its multi-family zones and/or other financial incentives, such as parking reductions or partial property tax exemptions, to incentivize the construction of some affordable units within a proposed new development.

RM-5 Rental Tenure Multi-family Zone

New development in the RM-5 zone is viable if the rental units are built and held as an investment. While generating a return, the bonus density is not as profitable as building to the base density. A higher FSR would be required to incentivize building more units if 33 percent of the density bonus units are to be rented at below market rental rates.

Generally, the construction of rental apartment buildings is considered a community amenity. Requesting some units to be rented at below market rent within a new rental apartment development may require a considerable amount of bonus density or other financial incentives, such as parking reductions or partial property tax exemptions, to make financial sense for a developer.

I-2 Heavy Industrial

The existing density in the Village's I-2 zone is 0.5 FSR. The financial analysis shows that development of the properties under the base density is not viable for a strata project but is attractive to industrial developers who are looking for a long term investment and plan to rent out the space, or for business owners who need more space and are seeking to relocate their business.

According to the Technical Report, a density bonus of 0.5 FSR would be attractive and has the potential to generate a density bonus payment of $22 per square foot of Gross Floor Area beyond the base density.

An FSR of 0.5 is fairly low, representing a single storey building with a 50 percent lot coverage. It would be desirable to provide a 0.5 FSR or larger density bonus to encourage more intense development of existing industrial lands, allowing up to two or possibly storeys. This would reduce sprawl within the industrial area and generate a small financial contribution to a community

amenity fund. The addition of a density bonus to the I-2 zone can be reviewed as part of an upcoming Zoning Bylaw update.

Community Amenity Contributions at Time of Rezoning

Land assembly Scenario

The two hypothetical scenarios, which assume land assembly of currently developed single family properties and their redevelopment with townhouses or apartments, indicate that such an approach requires densities of more than 1.2 FSR for townhouse units and more than 2.0 FSR for apartment units to be viable and to generate affordable housing units.

The implication for the Village are that negotiations at time of rezoning may need to consider higher densities and/or financial incentives such as reductions in parking requirements or partial property tax exemptions to be able to make it financially viable for a developer to provide affordable housing units as part of a new development.

Community Amenity Contributions in the Form of Cash

The report suggests that for smaller scale development projects, community amenity contributions in the form of cash may be considered.

Given that Cumberland does not have a large number of rezoning applications and it would take years to collect sufficient funds to be able to provide significant support to affordable housing projects, lower cost amenities are recommended. For example, CACs in the form of cash could be directed to a heritage restoration and/or arts and culture fund or grant program to support restoration of heritage buildings or facades and/or community arts and culture projects.

This can be further explored during the upcoming OCP review as part of updating the existing amenity contribution policies in the OCP to reflect desired amenities identified in various Village plans and policies (Attachment 2 – OCP Community Amenity Contribution Policies).

Next Steps

The technical report findings will inform discussions on a vision and goals for the VCMU-1 and the underlying Heritage Conservation Area during the upcoming OCP review.

The addition of density bonuses to Village zones, in particular where they are most likely to be viable such as in the I-2 zone, will be considered during future Zoning Bylaw updates.

The technical report findings will also inform discussions with developers at time of rezoning to help capture appropriate community amenity contributions.

ALTERNATIVES

This report is presented for information and discussion.

STRATEGIC OBJECTIVE

- ☐ Healthy Community
- ☐ Quality Infrastructure Planning and Development
- ☐ Comprehensive Community Planning
- ☐ Economic Development

FINANCIAL IMPLICATIONS

None at this time. Reports on possible future bylaw updates that include density bonuses or community amenity contributions will detail financial implications.

OPERATIONAL IMPLICATIONS

This project was identified as a Council strategic priority and its implementation is part of the 2022 workplan of the Development Services Department.

ATTACHMENTS

1. Technical Report – Financial Analysis for Community Amenity Contributions, Target Rates and Revised Density Bonus Rates
2. OCP Community Amenity Contribution Policies

CONCURRENCE

Courtney Simpson, Manager of Development Services ***CS***

Respectfully submitted,

K. Albert

_____
Karin Albert
Senior Planner

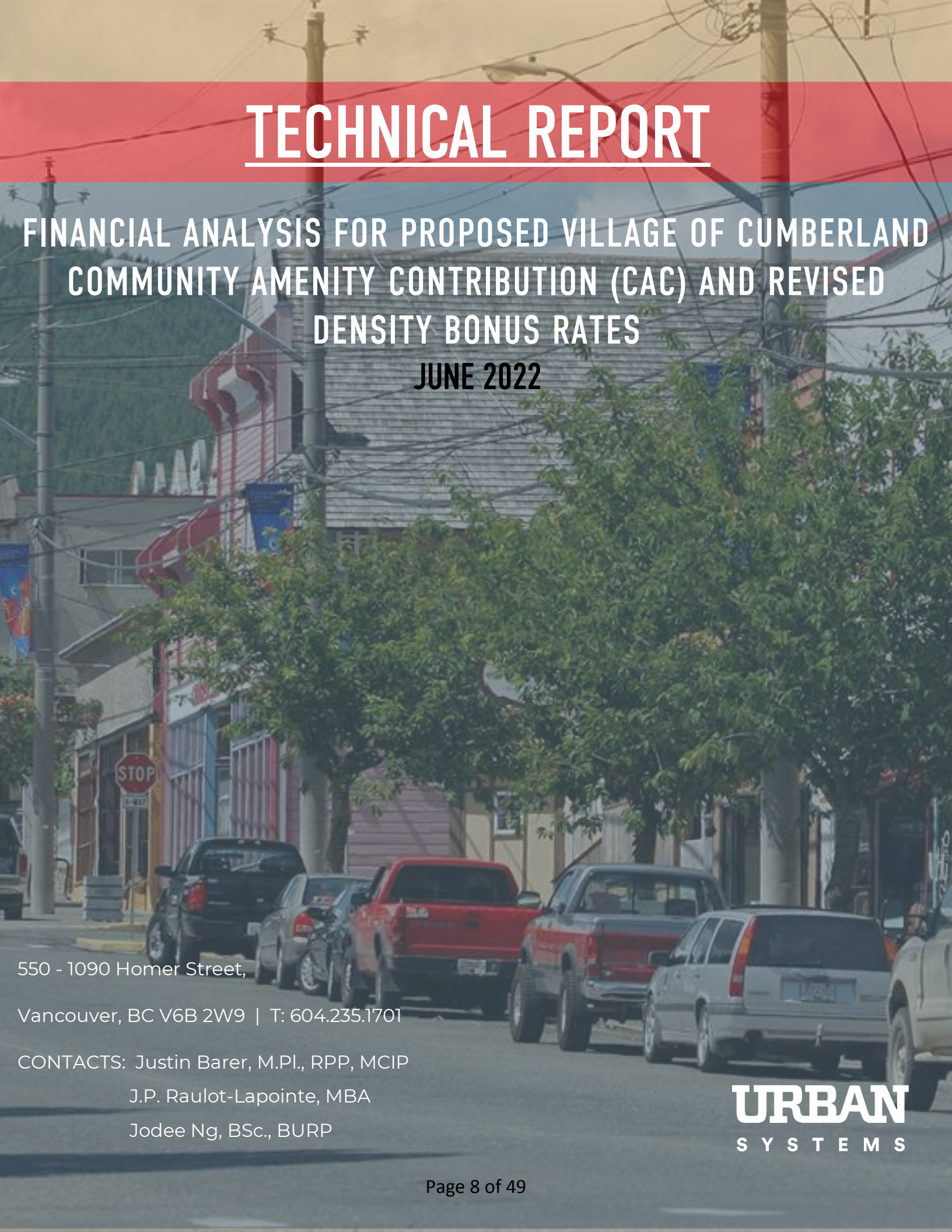
M. Mason

_____
Michelle Mason
Interim Chief Administrative Officer

TECHNICAL REPORT

FINANCIAL ANALYSIS FOR PROPOSED VILLAGE OF CUMBERLAND COMMUNITY AMENITY CONTRIBUTION (CAC) AND REVISED DENSITY BONUS RATES

JUNE 2022



550 - 1090 Homer Street,

Vancouver, BC V6B 2W9 | T: 604.235.1701

CONTACTS: Justin Barer, M.Pl., RPP, MCIP

J.P. Raulot-Lapointe, MBA

Jodee Ng, BSc., BURP

URBAN SYSTEMS

PREPARED FOR:

Karin Albert, Senior Planner

Village of Cumberland

2673 Dunsmuir Ave,

Cumberland, BC V0R 1S0

550 - 1090 Homer Street, Vancouver, BC V6B 2W9 | T: 604.235.1701

File: 3332.0015.01

CONTENTS

TABLES

1.0 PURPOSE AND APPROACH

This report provides discussion on a series of case study financial analyses, prepared in order to review the viability and efficacy of the Village of Cumberland's existing Density Bonus policy requirements, and to explore the potential for a formalized, target rate Community Amenity Contribution (CAC) policy for 'typical' rezonings falling outside of density bonus zones.

Urban Systems (USL) worked with Village staff to identify the specifics of the test case developments for each zone, including overall building density, number of units and the number of parking stalls. For each zone, a pro-forma analysis was prepared for the permitted base density and for the permitted maximum density (bonus density). In cases where the permitted maximum density was found to not be financially viable, an additional pro-forma analysis was prepared to determine what the appropriate maximum density would be in order to allow for a successful project to be developed under prevailing market conditions, while providing sufficient financial 'room' to provide on-site affordable housing.

Some projects will have the financial room to provide greater amenity contributions than others due to the variability in costs to construct, revenues that can be achieved, and the extent of permitted density. To account for this variability, USL tested several case studies that represent a cross-section of different land use categories, locations, and zoning conditions.

The financial analyses are intended to illustrate the possible economic benefits to a developer from the additional density made available, and at a high level should reveal what potential there is to collect financial contributions for amenities without adversely affecting the developers' bottom line.

1.1 DENSITY BONUSING RATE REVIEW

Analyses were prepared to assess the financial viability and the capacity to pay a density bonus in the following zones:

- VCMU-1 – Village Core Commercial Mixed-Use Zone
- RM-1 – Ground Oriented Residential Multi-Family Zone
- RM-2 – Residential Multi-Family Zone
- RM-3 – Comprehensive Residential Multi-Family Zone
- RM-5 – Rental Tenure Multi-Family Zone
- I-2 – Heavy Industrial Zone

Municipal staff identified **6 case study sites**, one case study for each zone, for the financial assessments. These sites were intended to be representative of the types of sites that are seeing development interest, and of typologies that are envisioned for those sites under the Village of Cumberland's Zoning Bylaw No. 1027.

1.2 COMMUNITY AMENITY CONTRIBUTION (CAC) REVIEW

In addition to the case study site analyses, Urban Systems ran pro forma financial analyses for two development typologies and densities on two hypothetical test sites, as follows:

- Townhouses at a density of 1.2 FSR on a 0.6 acre site, and
- Apartments at density of 1.5 FSR on a 0.96 acre site.

These hypothetical analyses are intended to represent the financial realities of developments under a "high-density residential zone", provided that multiple parcels could be assembled and rezoned to the appropriate designation. The purpose of these analyses is to test the overall picture of development viability on a typical redevelopment site and the ability of a developer to pay community amenity contributions (CACs) as part of the rezoning process for the development of that site.

2.0 KEY CONCEPTS

This section defines some key terminology used in this report. The Village of Cumberland's zoning bylaw contains provisions for density bonusing as a means to help recover the costs for new amenities in Cumberland from developers. Inclusionary housing programs refer to programs or tools to create new affordable housing units.

2.1 DENSITY BONUSING

Density bonusing is one tool available for securing either the delivery of specific built amenities, or cash-in-lieu contributions that can be used to fund amenities. Under the terms of Section 482 in the Local Government Act (LGA), municipalities can build density bonus policy into their zoning bylaws, in which different density rules are established within a given zone such that there is one density rule generally applicable (a 'base' density), and other density levels that can be accessed if certain conditions are met. Density bonusing is a form of land value capture. Higher densities typically support higher land values; the payment of cash, or the provision of an amenity in kind (including affordable housing), is how the municipality captures part of the land value increase that is created by additional density.

2.2 COMMUNITY AMENITY CONTRIBUTIONS (CAC)

CACs are another zoning-based tool used to secure amenities. The key difference from density bonusing is that CACs are not explicitly legislated in the Local Government Act. The lack of clear legal authority has at times created uncertainty about implementing CAC policies, and inconsistency in local governments' approach to implementation (and even terminology used)[1]. CACs are, effectively, an agreed upon contribution (cash or in-kind) obtained by a local government at the time of rezoning. It is entirely optional or voluntary (i.e., it cannot be classified as a "fee"), insofar as a development could be undertaken under the as-of-right zoning conditions without a CAC. Like density bonusing, CACs are a form of land value capture.

2.3 INCLUSIONARY HOUSING

Inclusionary housing programs refer to the framework of policies, regulations, and other tools used to create affordable housing by collecting concessions from developers. There are two broad types of inclusionary housing programs: mandatory and voluntary. Within British Columbia, mandatory inclusionary zoning is not permitted under current legislation. Therefore, inclusionary programs in British Columbia are voluntary. Voluntary Programs (also called incentive-based or negotiated approaches)

[1] There are cases where policies for density bonusing are referred to as CACs, and vice versa.

encourage developers to provide affordable housing by using regulatory concessions as incentives. Under voluntary programs, affordable housing objectives can be integrated into density bonusing and CAC policies for contributions that include built units and/or cash-in-lieu.

3.0 METHODS

Using pro forma analysis, USL assessed the financial performance of projects at prescribed base and bonus density levels as allowed by the current zoning by-law. In each case, the pro forma analysis indicates the amount of land lift generated through the bonus density. In cases where it was found that projects would not be financially viable even at the maximum density of a given zone (without any amenity or non-market housing provision), the maximum densities were adjusted upward *beyond what is outlined in the bylaw* in order to identify a minimum density threshold for financial viability. Developing to the maximum density was likely viable when the zoning by-law was originally drafted, but increases in land values and construction costs in the intervening period has, in some cases, challenged development viability.

Note that the densities used in the pro forma analyses, whether at specific or hypothetical test sites, are only preliminary estimates of what we believe could 'fit' on any given site. Neither detailed design work, nor outreach to test public acceptability, has been conducted.

Our analyses were completed as follows:

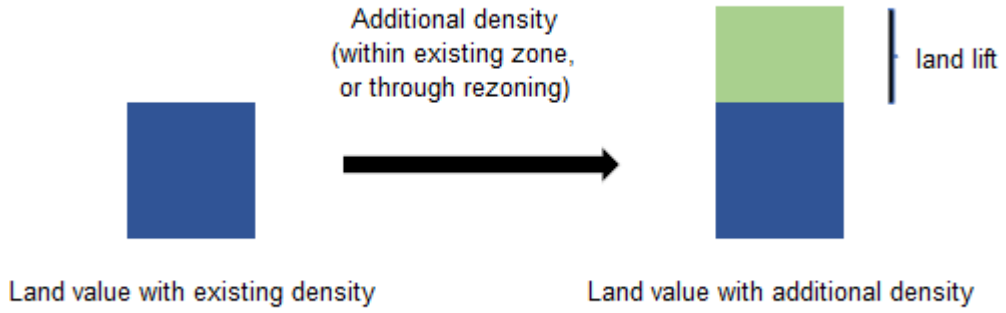
1. Working with the Village, we identified case study sites for the density bonusing financial analysis. In some cases, the case study sites were vacant, and in other instances the sites were improved with recent developments. The sites were selected to represent each of the zoning designations being reviewed.
2. Existing or 'base' land values for each case study site were based on July 1, 2021 BC Assessment values (classified as the 2022 BC Assessment values). In cases where the site has recent improvements or where the lot has an atypical value[2], we assume a developer would pay a 25% premium over an estimated assessed land value (e.g., bare lot) to account for the purchase of the land plus any older improvements on the site. This 'assessed + 25% + closing costs and taxes' is the base value for most of the financial analyses, unless otherwise specified.
    - Note: while zoning can impact land value the relationship is not precise. In many cases land value will be based on what developers think they will be able to build at a specific location, and not what the zoning indicates is allowable. Therefore, downzoning density for a specific zone may not impact land values.

[2] The VCMU-1 site has a heritage building on the site and the RM-2 site has existing affordable housing units.

- For the hypothetical CAC test sites, we base the land value on an average assessment price per acre of nearby sites with similar characteristics (e.g. location, age of improvements, site size, zone), plus a 20% premium to create sufficient incentive for an existing owner to sell for redevelopment.

3. We estimated the rezoned land values at the maximum density identified in the OCP, excluding any amenity contribution.
4. **For the review of density bonusing sites,** we calculated the increase in land value (the 'land lift') associated with the additional density gained from the base scenario to bonus scenario. The value of a potential density bonusing contribution is set at 75% of the estimated increase in land value between base and bonus density, and is converted to a square foot rate on an incremental basis (e.g., per sq. ft of additional floor area gained over the base density). As Cumberland's density bonus zones currently require affordable housing contributions rather than cash contributions, we analyse the proportion of total project floor area that could be provided as through the capture of 75% of the land lift value. We typically recommend that density bonusing rates and /or amenity 'asks' should not exceed 75% of the lift amount for a development type that an analysis is prepared for.
    - For some of the case study sites, the supportable land value under a maximum zoning density scenario is lower than the land value supported by an existing use (per established base values) and therefore the redevelopment projects under the density bonus scenario would not be deemed financially attractive.

Figure 1: Land Lift Generated Through Additional Density



5. **For the review of developments outside of zones with density bonus provisions (where we explore the viability of target CACs through rezoning)**, we calculated the increase in land value ("land lift") associated with rezoning and the amount of potential amenity contribution at 50% of the estimated increase in land value over value as currently zoned. We typically recommend that

amenity contribution target rates (vs. density bonus rates within a zone) should be no more than 50% of the lowest lift amount for a development type that an analysis is prepared for.

6. All site densities are measured and reported out as floor space ratios (FSR). For the multi-family residential zones (RM zones), the Village of Cumberland's Zoning Bylaw measures density in units per hectare (UPA) which Urban Systems has converted to the corresponding FSR.

4.0 ASSUMPTIONS

Input assumptions for each pro forma vary property to property, reflecting specific neighbourhood market conditions based on feedback received from local developers and realtors.

The major assumptions for **strata titled development** financial analyses (apartments, townhomes, plexes) and a **mixed-use industrial residential** development are as follows:

7. **Average Sales Price** assumptions vary by location and form.
    - Generally, townhouse development forms are expected to achieve $462 per square foot on average depending on the location.
    - Apartments are expected to achieve $560 to $580 per square foot on average depending on location.

8. **Affordable housing** is assumed to be affordable townhouse ownership units in all case studies, except for in Rental Tenure Multi-Family Zone 5 (RM-5). Under today's market conditions, affordable rental units are typically apartment units and require further incentives (i.e., higher density, tax exemptions, external funding, etc.) to support development at this deeper level of affordability and for operations. The affordable townhouse ownership units are expected to achieve 10% below the market value, or $416 per square foot, on average depending on the location. In case studies where the land lift supports a greater bonus density (such as in RM-2), the 25% below market value is tested for affordable housing.
9. **Residential Rent Rates (Monthly)**
    - **Residential market rents** are expected to achieve $2.20 per square foot per month ($26.40 per annum) on average depending on the finishing and location. Rents were based on current asking rates in the market for newly built buildings in the Comox Valley, with a small increase to allow for likely actual asking rents once the hypothetical new buildings have been built.
    - **CMHC purpose-built market rents** for Courtenay (Census Agglomeration) in 2021 are as follows:
        i. Total: $1,201 / month
        ii. 1-Bed: $738 / month
        iii. 2-Bed: $1,068 / month
        iv. 3-Bed: $1,318 / month
    - **Residential below market rent (for RM-5)** is defined in the Cumberland zoning bylaw as 10% below the average rent for a given unit type in the Courtenay Census Area as reported by the Canada Housing and Mortgage Corporation on the date of the rental agreement. For this study, we use 10% below the "total" average rent in 2021, which results in a monthly rent of $1,081 per unit. Actual rents in a development project may be higher depending on the unit size and number of bedrooms in the unit.

10. **Industrial Lease Rates (Monthly)** are expected to achieve $16.50 per square foot per annum on average depending on the location.
11. **Land Values** were assumed to be current assessed values for land in the zone being reviewed, plus a premium (25% for 'vacant' or bare lot sites, 20% for the hypothetical CAC sites) to account for the value that might be required to convince a land owner to sell and any associated closing costs and taxes.
12. **Sales Commissions** are assumed to be 2% of sales revenue.
13. **Marketing** is assumed at 1.5% of sales revenue.
14. **Rezoning costs for applicable sites** are per the municipal bylaw, and carrying costs associated with rezoning process are accounted for. Costs for rezoning are also captured within soft cost line items for development management, architecture, engineering, and other consultants.
15. **Construction cost** assumptions are as follows:

    - **Hard costs** excluding parking for wood frame townhouses and small apartments are estimated to be $210 and $275 per square foot respectively.
    - **Hard costs** excluding parking for industrial spaces are estimated to be $180 per square foot.
    - **Parking** is costed at $10 per square foot for surface parking spaces at 300 to 360 square foot per stall..
    - **Demolition** of existing structures is assumed at $20 per square foot.

16. **Landscaping** is assumed at $15 per square foot of site area and applied to 50% of each site.
17. **Servicing** allowance of $3,500 per linear metre of site frontage is included to account for upgrades to adjacent sidewalks, trees, lighting and road.
18. **Soft costs** (project management, architecture, engineering, other consultants, research and appraisal, survey, accounting legal, insurance) make up approximately 8% of hard costs.
19. **Post construction** costs are included in the form of per-unit service rates and fees.
20. **Applicable building permits and DCCs** are included at current rates.
21. **Property taxes** are based on most current mill rates and our estimates of assessed value during the development period.
22. **Contingency** on hard and soft costs is set at 5%.
23. **Interim financing** is charged on 75% of construction costs, at 4.5%. In addition, land financing is assumed at 7% for 60% of land value, and a 1% financing fee is charged on the total project costs.
24. **Profit margin** for developers is set at 15% of total project costs, which is a typical profit margin target. This was confirmed through discussions with local developers, although it was indicated that many projects have not achieved this threshold. Further, lower thresholds are deemed viable if there is a corresponding decrease in approvals risk and timelines.

    For projects with rental housing, this profit is lowered to 10% of total project costs as select housing organizations or businesses will prioritize returns on the investment during operations ("build and hold" model).

5.0 FINANCIAL ANALYSES

5.1 INTRODUCTION

This section contains the synopsis for the financial analysis that were completed for the case study and hypothetical test sites.

Analyses were prepared for the test sites in 6 different zones, where the base density and bonus densities were reviewed. For these test sites scenarios were also produced that reviewed the potential for inclusionary housing assuming the entire land lift (where applicable) was used to build affordable housing units.

In addition to the case study site analyses, additional sets of analysis were prepared for hypothetical 0.6-acre parcels that would require a rezoning for both townhome and apartment developments. These scenarios tested the capacity for projects to pay a community amenity contribution. The base land value is set using per-acre average assessment values from the nearby sites with similar characteristics (e.g. location, age of improvements, site size). A 25% or 20% premium was added to the per-acre assessment value to replicate what current land owners would require to be convinced to sell.

The summary of results is presented in Table 1 on the next page.

Table 5-1: Case Study Sites Summary Table

Site	Zoning	Scenario	Total Density Tested*	Site Size (sf)	Est. Land Cost at Current Use (2022)**	Est. Land Value at Base Density	Est. Land Value at Bonus Density	Land Lift	Affordable Housing Units (%)	Attractive for Redevelopment with Additional Density?	75% of land lift	
											Density Bonus ($/sf) per additional area	Density Bonus per Incremental Unit
1a	VCMU-1	Lowering the Base Density***	FSR: 1.5	10,802	$810,000	$686,000	-	($124,000)	-	**No**	n/a	n/a
1b	VCMU-1	Adding a Bonus Density of 0.5 FSR	FSR: 2.0	10,802	$810,000	-	$981,000	$170,000	-	**Yes**	$24	$27,900
2a	RM-1	Base Density	FSR: 0.41 UPA: 29	201,247	$11,826,400	$5,604,200	-	($6,222,100)	-	**No**	n/a	n/a
2b	RM-1	Bonus Density	FSR: 0.56 UPA: 40	201,247	$11,826,400	-	$8,159,400	($3,666,900)	30% of total (23 units)	**No**	($91)	($136,700)
2c	RM-1	Increased Bonus Density	FSR: 0.73 UPA: 53	201,247	$11,826,400	-	$12,242,000	$415,700	30% of total (29 units)	**Yes**	$5	$7,300
3a	RM-2	Base Density	FSR: 0.63 UPA: 45	38,768	$2,372,800	$1,866,300	-	($506,500)	-	**No**	n/a	n/a
3b	RM-2	Bonus Density	FSR: 0.97 UPA: 70	38,768	$2,372,800	-	$3,289,800	$917,100	20% of total units (5 units)	**Yes**	$52	$78,300
3c	RM-2	Bonus Density with Increased AH	FSR: 0.97 UPA: 70	38,768	$2,372,753	-	$3,179,100	$806,300	31% of total units (8 units)	**Yes**	$0	$100
4a	RM-3	Base Density	FSR: 0.48 UPA: 34	263,973	$14,439,400	$10,197,700	-	($4,241,700)	-	**No**	n/a	n/a
4b	RM-3	Bonus Density	FSR: 0.62 UPA: 44	263,973	$14,439,400	-	$13,026,700	($1,412,700)	30% of total units (36 units)	**No**	($29)	($43,000)
4c	RM-3	Increased Bonus Density	FSR: 0.67 UPA: 48	263,973	$14,439,400	-	$14,620,100	$180,600	30% of total units (41 units)	**Yes**	$3	$4,100
5a	RM-5	Base Density	FSR: 0.71 UPH: 51	16,988	$946,700	$886,900	-	($59,800)	-	**No**	n/a	n/a
5b	RM-5	Bonus Density	FSR: 0.82 UPA: 83	16,988	$946,700	-	($17,100)	($963,700)	33% of additional units as below market rental (2 units)	**No**	($387)	($130,380)
5c	RM-5	Increased Bonus Density	FSR: 1.01 UPA: 106	16,988	$946,700	-	$1,028,200	$81,600	33% of additional units as below market rental (6 units)	**Yes**	$4	$43,000
6a	I-2	Permitted Maximum Density	FSR: 0.5	100,427	$825,800	($236,800)	-	($1,062,500)	-	**No**	n/a	n/a
6b	I-2	Adding a Bonus Density of 0.5 FSR	FSR: 1.0	100,427	$825,800	-	$2,283,000	$1,457,300	-	**Yes**	$22	($1,054,600)
7a	N/A	Hypothetical 0.6 acre townhouse site for CAC	FSR: 1.2 UPA: 86	26,136	$2,902,400	$2,030,800	-	($871,700)	-	**No**	n/a	n/a
8a	N/A	Hypothetical 0.96 acre apartment site for CAC	FSR: 2.0 UPA: 183	41,818	$4,621,100	$2,110,900	-	($2,510,100)	-	**No**	n/a	n/a

*The Village of Cumberland's Zoning Bylaw measures density in units per hectare (UPA) for the RM zones. For this analysis, Urban Systems converted the appropriate FSR for each site into UPA.

**Assumes assessed value + closing costs and taxes + 25% premium, except Site 8a and 8b which is valued at assessed value + closing costs and taxes + 20% premium.

***Assumes downzoning from current as-of-right 2.0 FSR, with bonusing structure above 1.5 FSR base.

6.0 CASE STUDY SITE ANALYSES

6.1 VILLAGE CORE MIXED USE (VCMU-1)

The VCMU-1 zoning allows for a building up to 4 storeys in height with ground floor commercial and condominium apartments above. While the maximum density in this zone allows an FSR (floor space ratio) of 2.0, this analysis assesses the implications of lowering the base density to 1.5 FSR while introducing a bonusing structure up to 2.0 FSR. At 2.0 FSR, we assume the maximum permitted building height in the VCMU-1 will be 5 storeys to accommodate this density, which would require a development variance.

6.1.1 PROPOSED DEVELOPMENT

The VCMU-1 case study site is 10,602 square feet in size. In both scenarios, the number of proposed parking stalls follow the minimum parking ratios in the zoning bylaw and do not account for any possible parking exemptions.

The base case proposed development will have the following characteristics:

- 16,200 square feet gross buildable area
- 2,700 square feet of commercial space
- 13,000 square feet of gross residential area. At 85% efficiency[3], 11,000 square feet of residential space will be saleable.
- 11 units averaging 1,000 square feet in size
- 17 parking stalls[4]

The density bonus scenario under this zoning will add an additional 0.5 FSR. This will make the following changes:

- 21,600 square feet gross buildable area
- 2,700 square feet of commercial space
- 18,400 square feet of gross residential area. At 85% efficiency[3], 15,600 square feet of residential space will be saleable.
- 16 units averaging 1,000 square feet in size
- 21 parking stalls[5]

[3] The efficiency of a building refers to the proportion of the total buildable area that is value generating. For example, in a residential building the developer is not able to directly sell the building area used for lobbies, hallways, fire escapes, elevator shafts, etc.
[4,5] Per residential and commercial parking requirements in the zoning bylaw. For commercial employee and visitor parking requirements, the minimum ratio is assumed to be an average blend of 2.15 stalls/100m^2 of gross floor area

6.1.2 EXISTING LAND VALUE

The assumed land value for the site under the base density scenario of 1.5 FSR is $810,000 or $3.27 million per acre. This estimate is based on the assessed value of land for the site, with a premium of 25% added and associated closing fees and taxes.

The residual value supported by the base density development is approximately $712,000. Given that this is below the estimated land acquisition cost, the base density would not be viable for a developer purchasing the site at the assumed cost.

6.1.3 LAND VALUE AT BONUS DENSITY

With the additional density of 0.5 FSR allowed for a total of 2.0 FSR in this zone, the residual land value for the development project would be approximately $1.0 million, providing a land lift of approximately $190,000. However, if the average sales price for a strata apartment decreases from $580 to $560 per square foot, then the project would not achieve a land lift and the project will not be considered viable.

If we assume that 75% of the land lift (i.e., 75% of the $190,000) is requested in exchange for the bonus density, this would allow for a density bonus payment of $26 per square foot of additional area permitted (i.e., the additional floor area gained as a result of the bonus density), or $31,000 per incremental unit at the average unit size of 1,000 square feet.

6.1.4 DISCUSSION

The analysis from the VCMU-1 case study site indicates that the base density would not be viable, given the assumptions used, but the additional density generates a viable project.

With the bonus density, the project produces a land lift of approximately $190,000, or a density bonus of $26 per square foot (assuming 75% of the lift).

Parking in an apartment can represent a significant component of construction costs if that parking is provided underground or in an above-grade parking structure. In this scenario, we assume paved surface parking to save on costs. Building underground parking would make the project's costs prohibitive. Note also that there are other cost-effective ways to maximize the parking provision within a surface parking environment, such as parking elevator systems.

Current height restrictions within the zoning bylaw are preventing developers from building to 2.0 FSR density if they purchased land under today's market conditions. The height restriction is a separate issue which should be addressed regardless of the direction taken on density bonusing; FSRs and height restrictions should be in alignment.

Given that the 2.0 FSR has already been granted as-of-right in the zone at present, we would not recommend downzoning to a lower density for the purpose of instituting a bonusing system to capture value between 1.5 and 2.0 FSR. Removing development rights after the fact is a problematic practice. Developer land purchase decisions would likely have been made based on the assumption that up to 2.0

FSR could be achieved without additional time and costs. This issue is compounded by the fact that a 0.5 FSR reduction would not yield a viable project. In other words, a developer would have no choice but to pay for increased density to create a viable project.

Rather than downzoning to 1.5 FSR and creating a density bonusing structure up to 2.0 FSR, we suggest that a new base density be created, aligning current height limits with FSRs. If for instance that alignment 'lands' at 1.8, or 1.85, or 1.9 FSR, then that would be an appropriate base density for a bonus density zone. It would give developers the option of pursuing a viable project without bonus density. A bonus density option could then be added atop this new base density, perhaps aligning with a 5-6 storey building typology. By ensuring that as-of-right base density is viable, a density bonus zone can be created that is both fair for the development community and capable of achieving amenity contributions if developers opt for higher densities.

Table 6-1: VCMU-1 Case Study Development Concepts, Base Density and Bonus Density Scenarios

VCMU-1 Case Study	Base Density Scenario @ 1.5 FSR	Bonus Density Scenario @ 2.0 FSR
SITE CONCEPT		
Site Size (SF)	10,802	10,802
FSR (Base)	1.50	1.50
FSR (Density Bonus)	0.00	0.50
Building Height	4 storey	5 storey*
Gross Buildable Area	16,200	21,600
Parking	Surface lot, 17 stalls	Surface lot, 21 stalls
Dwelling Units (#)	11	16
Average Size of Dwelling Unit (sf)	1,000	1,000
REVENUE		
Net Saleable Res (sf)	11,000	15,600
Net Leasable Comm (sf)	2,700	2,700
Apartment Unit Prices (psf)	$580	$580
Net Revenue (or value at completion)	$7,727,000	$10,290,000
CAPITAL COSTS		
Costs (hard + soft + finance)	$6,008,000	$7,994,000
Land Cost (assessed + 25% premium + associated fees)	$810,000	$810,000
Profit @ 15% Total Cost	$959,000	$1,242,000
Residual Land Value	$686,000	$981,000
Lift	($124,000)	$170,000
ANALYSIS SUMMARY		
Financially viable?	**NO**	**YES**
Density Bonus per square foot @ 75% of lift value	n/a	$24
Density Bonus per unit	n/a	$31,000

*A 5-storey building would require a development variance to reduce the minimum ground floor to ceiling height or to a higher maximum height than currently permitted in the zone.

6.2 RM-1 – GROUND ORIENTED MULTI-FAMILY RESIDENTIAL ZONE

The RM-1 zoning allows for townhome development. The base level of density in this zone allows for an FSR of 0.41. The available bonus density in this zone permits for an additional 0.15 FSR.

6.2.1 PROPOSED DEVELOPMENT

The RM-1 case study site is 201,247 square feet in size.

The base case proposed development will have the following characteristics:

- 82,500 square feet size of gross buildable and 100% efficient residential space.
- 55 units averaging 1,500 square feet in size.

The density bonus scenario under this zoning will add an additional 0.15 FSR. This will make the following changes:

- 112,700 square feet of gross buildable and 100% efficient residential space.
- 75 units averaging 1,500 square feet in size.

6.2.2 EXISTING LAND VALUE

The assumed land value for the base zoning was $11.8 million or $2.6 million per acre. This estimate was based on the assessed value of land for the site, with a premium of 25% added and associated closing costs and taxes.

The residual value of the base development was approximately $5.6 million. Given that was below the estimated land acquisition cost, the base development would not be viable for a developer purchasing the site at the assumed cost in today's market.

6.2.3 LAND VALUE AT BONUS DENSITY

With the bonus density allowed for in this zone (total density of 0.56 FSR), the residual land value for the proposed project would be $9.7 million and is less than the land acquisition cost. There would be no land lift in this scenario and the development project would not be viable. As this density likely does not allow for a viable project, the addition of the affordable housing contribution (30% of total units) results in an even smaller residual land value of $8.2 million.

6.2.4 INCLUSIONARY HOUSING

Another scenario was tested to determine what density bonus and bonus density would be needed to achieve a viable project under RM-1. Assuming 75% of this land lift value is transferred to built affordable housing units, the financial analysis indicates a density of 0.73 FSR is needed for the project to be viable which includes 29 built affordable housing units, or 30% of the total 98 units.

For the purposes of this study, affordable housing units were assumed to be ownership units at 10% below the market price.

The density bonus in this scenario is $5 per square foot of additional area beyond that permitted at base density or $7,300 per incremental unit.

6.2.5 DISCUSSION

Development at the base density under today's market conditions is not viable given the assumptions used, and while the additional density in the bonus scenario improves the financial performance, there is still not enough density in the bonus scenario to generate a viable project.

The base density of 0.41 and bonus density of 0.56 do not allow for enough saleable area to cover the land costs, and other fixed costs that a developer faces.

Given that neither scenario is viable, this development would not be able to deliver any affordable housing units. However, a total density of 0.73 FSR, including a bonus density of 0.32 FSR, allows for a viable project at this site with 30% of total units as affordable housing units.

Table 6-2: RM-1 Case Study Development Concepts, Base Density and Bonus Density Scenarios

RM-1 Case Study	Base Density Scenario @ 0.41 FSR	Bonus Density Scenario @ 0.56 FSR	Bonus Density Scenario with AH @ 0.56 FSR	Bonus Density Scenario 2 with AH @ 0.73 FSR
SITE CONCEPT				
Site Size (SF)	201,247	201,247	201,247	201,247
FSR (Base)	0.41	0.41	0.41	0.41
FSR (Density Bonus)	0.00	0.15	0.32	0.32
Tenure and Uses	TH subdivision	TH subdivision	TH subdivision	TH subdivision
Gross Buildable Area	82,500	112,700	112,700	146,900
Parking	Individual garages	Individual garages	Individual garages	Individual garages
Total Townhouse Units (#)	55	75	75	98
Affordable Townhouse Units (#)	0	0	23	29
Average Size of Dwelling Unit (sf)	1,500	1,500	1,500	1,500
REVENUE				
Net Saleable Res (sf)	82,500	112,700	112,700	146,900
Market Townhouse Prices (psf)	$462	$462	$462	$462
Affordable Townhouse Prices (psf)*	N/A	N/A	$416	$416
Net Revenue (or value at completion)	$37,129,100	$50,712,900	$49,191,500	$64,124,600
CAPITAL COSTS				
Costs (hard + soft + finance)	$25,861,200	$34,168,700	$34,172,000	$43,664,100
Land Cost (assessed + 25% premium + associated fees)	$11,826,400	$11,826,400	$11,826,400	$11,826,400

RM-1 Case Study	Base Density Scenario @ 0.41 FSR	Bonus Density Scenario @ 0.56 FSR	Bonus Density Scenario with AH @ 0.56 FSR	Bonus Density Scenario 2 with AH @ 0.73 FSR
Profit @ 15% Total Cost	$5,282,300	$6,480,000	$6,478,800	$7,837,200
Residual Land Value	$5,604,200	$9,682,800	$8,159,400	$12,242,000
Lift	-$6,222,100	-$2,143,500	-$3,666,900	$415,700
ANALYSIS SUMMARY				
Financially Viable?	**NO**	**NO**	**NO**	**YES**
Density Bonus per square foot @ 75% of lift value	n/a	($53)	($91)	$5
Density Bonus per unit	n/a	($65,700)	($122,400)	$13,900

*Affordable homeownership units priced at 10% below market price.

6.3 RM-2 – RESIDENTIAL MULTI-FAMILY ZONE

The RM-2 zoning allows for townhome development. The base level of density in this zone allows for an FSR of 0.63. The available bonus density in this zone permits for an additional 0.34 FSR.

6.3.1 PROPOSED DEVELOPMENT

The RM-2 site is 38,768 square feet in site size.

The base case proposed development will have the following characteristics:

- 24,400 square feet size of gross buildable and 100% efficient residential space.
- 16 units averaging 1,500 square feet in size.

The density bonus scenario under this zoning will add an additional 0.34 FSR. This will make the following changes:

- 37,600 square feet of gross buildable and 100% efficient residential space.
- 25 units averaging 1,500 square feet in size.

6.3.2 EXISTING LAND VALUE

The assumed land value for the base zoning was $2.4 million or $2.7 million per acre. This estimate was based on the assessed value of land for the site, with a premium of 25% added plus any associated closing costs and taxes.

The residual value of the base density of 0.63 FSR is approximately $1.9 million, which is lower than the land acquisition cost and as a result no land lift is generated.

6.3.3 LAND VALUE AT BONUS DENSITY

With the additional density allowed for in this zone, for a total of 0.97 FSR, the residual land value for the proposed project is $3.6 million, providing a land lift of approximately $1.3 million. This does not incorporate the required affordable housing unit contribution in exchange for the density bonus.

As this project is viable at 0.97 FSR, the density bonus requirement of 20% of total units as affordable housing is applied. The financial analysis shows that the incorporation of 5 affordable housing units, of the total 25 units, achieves a residual land value of $3.3 million and a land lift of $917,000. Affordable housing units in this scenario were assumed to be ownership units at 10% below the market price.

If the density bonus was applied to 75% of the lift under this scenario, this would allow for a density bonus payment of $52 per square foot of additional area beyond that permitted at base density or $78,300 per incremental unit.

6.3.4 INCLUSIONARY HOUSING

Another scenario was tested to see how many affordable housing units could be built if 100% of the value generated by the density bonus was transferred into building affordable housing. A total of 7 to 8 dwelling units, or 30% of total units could be built as affordable units at 75% below the market price at this density under the bonus scenario. The land lift generated between the base density and the bonus density scenarios allows for the units to achieve a deeper level of affordability.

The analysis shows that requiring anything above 30% of total units as affordable housing at this development site becomes unviable under these conditions.

6.3.5 DISCUSSION

Development at the base RM-2 density is not viable under today's market conditions, but increasing the density to an FSR of 0.97 in the bonus scenario produces a viable project.

The zoning requirement of 20% of total units as affordable housing can still allow for a viable project if the bonus density is used (affordable housing units are assumed to be sold at 90% of market value). The land lift under the bonus density allows for 5 built affordable housing units with a density bonus of $52 per square feet of additional area beyond that permitted at base density, or $78,300 per incremental unit.

If 100% of the land lift was used to build affordable homes, 7 to 8 affordable units could be developed.

A higher density allowed under the RM-2 zoning will give the Village options of generating density bonus payments or an increased number of affordable units.

Table 6-3: RM-2 Case Study Development Concepts, Base Density and Bonus Density Scenarios

RM-2 Case Study	Base Density Scenario @ 0.63 FSR	Bonus Density Scenario @ 0.97 FSR	Bonus Density Scenario with AH @ 0.97 FSR	Bonus Density Scenario with Max. AH @ 0.97 FSR
SITE CONCEPT				
Site Size (SF)	38,768	38,768	38,768	38,768
FSR (Base)	0.63	0.63	0.63	0.63
FSR (Density Bonus)	0.00	0.34	0.34	0.34
Gross Buildable Area	24,424	37,605	37,605	37,605
Tenure and Uses	Townhouse subdivision	Townhouse subdivision	Townhouse subdivision (20% as AH units)	Townhouse subdivision (31% as AH units)
Parking	Individual garages	Individual garages	Individual garages	Individual garages
Total Townhouse Units (#)	16	25	25	25
Affordable Townhouse Units (#)	0	0	5	7 to 8
Average Size of Dwelling Unit (sf)	1,500	1,500	1,500	1,500
REVENUE				
Net Saleable Res (sf)	24,400	37,600	37,600	37,600
Market Townhouse Prices (psf)	$462	$462	$462	$462
Affordable Townhouse Prices (psf)*	n/a	n/a	$416	$416
Net Revenue (or value at completion)	$10,990,500	$16,921,900	$16,583,500	$15,610,500

RM-2 Case Study (con't)	Base Density Scenario @ 0.63 FSR	Bonus Density Scenario @ 0.97 FSR	Bonus Density Scenario with AH @ 0.97 FSR	Bonus Density Scenario with Max. AH @ 0.97 FSR
CAPITAL COSTS				
Costs (hard + soft + finance)	$7,614,400	$11,261,100	$11,262,000	$11,213,100
ss	$2,372,800	$2,372,800	$2,372,800	$2,372,800
Profit @ 15% Total Cost	$1,403,800	$1,925,900	$1,925,700	$1,917,700
Residual Land Value	$1,866,300	$3,629,000	$3,289,800	$2,373,600
Lift	-$506,500	$1,256,200	$917,100	$900
ANALYSIS SUMMARY				
Financially viable?	**No**	**Yes**	**Yes**	**Yes**
Density Bonus per square foot @ 75% of lift value	n/a	$71	$52	$0
Density Bonus per unit	n/a	$116,300	$87,300	$9,100

*Affordable homeownership units priced at 10% below market price, except for the 0.97 FSR scenario with maximum affordable housing units, which allows the units to be priced at 25% below market. The deeper level of affordability can be offered in the 0.97 FSR scenario as a result of maximizing of 75% of the land lift generated from the bonus density.

6.4 RM-3 – COMPREHENSIVE RESIDENTIAL MULTI-FAMILY ZONE

The RM-3 zoning allows for townhome development. The base level of density in this zone allows for an FSR of 0.48. The available bonus density in this zone permits for an additional 0.14 FSR for a total of 0.62 FSR.

6.4.1 PROPOSED DEVELOPMENT

The RM-3 site is 263,973 square feet in site size.

The base case proposed development will have the following characteristics:

- 142,550 square feet size of gross buildable and 100% efficient residential space.
- 84 units averaging 1,500 square feet in size.

The density bonus scenario under this zoning will add an additional 0.14 FSR. This will make the following changes:

- 179,500 square feet of gross buildable and 100% efficient residential space.
- 109 units averaging 1,500 square feet in size.

6.4.2 EXISTING LAND VALUE

The assumed land value for the base zoning was $14.4 million or $2.4 million per acre. This estimate was based on the assessed value of land for the site, with a premium of 25% and any associated closing costs and taxes.

The residual value of the base development was approximately $10.2 million, which equates to a negative land lift as the assumed land acquisition cost is higher.

6.4.3 LAND VALUE AT BONUS DENSITY

With the additional density allowed for in this zone, the residual land value for the proposed project would be $15.1 million, providing a land lift of $708,500. This does not incorporate the required affordable housing units contribution in exchange for the density bonus.

As this project is viable at 0.62 FSR, the density bonus requirement of 30% of total units as affordable housing is applied. The financial analysis shows that the incorporation of 33 affordable housing units, of the total 109 units, achieves a residual land value of $13.0 million and a land lift of -$1.4 million. The analysis shows that requiring 30% of total units as affordable housing at this development site with a bonus density of 0.14 FSR becomes unviable under these conditions.

6.4.4 INCLUSIONARY HOUSING

Another scenario was tested to determine what density would be needed to achieve a viable project under the density bonus policy for RM-3. Assuming 75% of this land lift value is transferred to built affordable housing units, the financial analysis indicates a density of 0.67 FSR is needed for the project to be viable which includes 41 built affordable housing units (or 30% of total units).

For the purposes of this study, affordable housing units were assumed to be ownership units at 10% below the market price. The density bonus in this scenario is, $3 per square foot of additional area beyond that permitted at base density or $4,100 per incremental unit.

6.4.5 DISCUSSION

The base zoning of the RM-3 zone does not allow for a viable project given the assumptions used. While the additional density in the bonus scenario could generate a viable project, the requirement of 30% of total units to be affordable housing makes the project unviable.

However, a total density of 0.67 FSR allows for a viable project at this site which includes 30% of total units as affordable housing units. The land lift gained from this density allows for the site to support 41 built affordable housing units with a density bonus of $3 per square feet of additional area beyond that permitted at base density, or $4,100 per incremental unit.

A higher bonus density allowed under the RM-3 zoning will give the Village options of generating density bonus payments or an increased number of affordable units.

Table 6-4: RM-3 Case Study Development Concepts, Base Density and Bonus Density Scenarios

RM-3 Case Study	Base Density Scenario @ 0.48 FSR	Bonus Density Scenario @ 0.62 FSR	Bonus Density Scenario with AH @ 0.62 FSR	Bonus Density Scenario with Max. AH @ 0.67 FSR
Site Concept				
Site Size (SF)	263,973	263,973	263,973	263,973
FSR (Base)	0.48	0.48	0.48	0.48
FSR (Density Bonus)	0.00	0.14	0.14	0.19
Tenure and Uses	Townhouse subdivision	Townhouse subdivision	Townhouse subdivision (30% as AH units)	Townhouse subdivision (30% as AH units)
Gross Buildable Area	126,707	163,663	163,663	176,862
Parking	Individual garages	Individual garages	Individual garages	Individual garages
Total Townhouse Units (#)	84	109	109	118
Affordable Housing Units (#)*	0	0	33	41
Average Size of Dwelling Unit (sf)	1,500	1,500	1,500	1,500
Revenue				
Net Saleable Res (sf)	126,700	163,700	163,700	176,900
Market Townhouse Prices (psf)	$462	$462	$462	$462
Affordable Townhouse Prices (psf)	N/A	N/A	$416	77,198,266
Net Revenue (or value at completion)	$57,016,700	$73,646,600	$71,437,200	77,198,300
Capital Costs				
Costs (hard + soft + finance)	$38,859,600	$49,074,800	$48,999,600	$52,639,400
Land Cost (assessed + 25% premium + associated fees)	$14,439,400	$14,439,400	$14,439,400	$14,439,400
Profit @ 15% Total Cost	$7,501,900	$8,966,400	$8,953,400	$9,473,800
Residual Land Value	$10,197,700	$15,147,900	$13,026,700	$14,627,500
Lift	($4,241,700)	$708,500	($1,412,700)	$188,100
Analysis Summary				
Financially viable?	**NO**	**YES**	**NO**	**YES**
Density Bonus per square foot @ 75% of lift value	n/a	$14	($29)	$3
Density Bonus per unit	n/a	$35,500	($29,100)	$14,500

*Affordable homeownership units priced at 10% below market price.

6.5 RM-5 – RENTAL TENURE MULTI-FAMILY ZONE

The RM-5 zoning allows for a rental fourplex development and permits a building height up to 10 metres. This development was envisioned to build rental units. The base level of density in this zone allows for 51 units per hectare or a 0.71 FSR at this site. The available bonus density in this zone permits for an additional 38 units per hectare or a 0.11 FSR at this site for a total of 0.82 FSR.

6.5.1 PROPOSED DEVELOPMENT

The RM-5 site is 16,988 square feet in site size. The base case proposed development will have the following characteristics:

- 12,100 square feet size of gross buildable and 100% efficient residential space.
- 8 market rental units averaging 1,500 square feet in size.

The density bonus scenario under this zoning will add an additional 0.11 FSR. This will make the following changes:

- 27,200 square feet of gross buildable and 100% efficient residential space.
- 14 rental units (12 market rental units and 2 below market rental unit), all averaging 1,000 square feet in size.

6.5.2 EXISTING LAND VALUE

The assumed land value for the base zoning was $946,700 or $2.4 million per acre. This estimate was based on the assessed value of land for the site, with a premium of 25% added and any associated closing costs and taxes.

The residual land value of the base development was approximately $886,900, which is lower than the base land value. For a strata project this would indicate that the project would not be viable; however, some rental unit developers are satisfied to build and hold on to a rental project for the long-term cashflows. Some sophisticated developers may proceed with development if the project's Internal Rate of Return (IRR) is 2% higher than the prevailing cap rate (assumed to be 4.5% in Cumberland). The project IRR here is estimated to be 6.6% indicating that the project could go ahead with the right developer. Note however that small scale projects in smaller markets may not attract these types of developers / investors, especially if interest rates were rise higher.

6.5.3 LAND VALUE AT BONUS DENSITY

With the additional density allowed for in this zone, the project would now include 12 market rental units and 2 below market rental units. All units now average 1,000 square feet, a reduction of 500 square feet per unit, in order to meet the 89 units per hectare requirement in the zoning bylaw for the bonus density.

As defined in the Village of Cumberland's Zoning Bylaw, a below market rent means rent set 10% below the average rent for a given unit type in the Courtenay Census Area as reported by the Canada Housing and Mortgage Corporation on the date of the rental agreement.

The residual land value for the proposed project would be $598,400 which is lower than the land acquisition cost, so the land lift is -$348,300. While the IRR for this scenario is 6.0% and would provide a 2% premium over the 4.5% cap rate, it is lower than the base density scenario and so a sophisticated developer may proceed with this project.

Another scenario was tested to see what bonus density would be required for a development project to be viable in RM-5 under these conditions. A FSR of 1.01 would be needed for 33% of additional dwellings to be secured as below market rental units (3 units) and 17 units as market rental. This would achieve a residual land value of $970,500 and a small land lift of $23,800. This would provide a density bonus of $4 per square foot of additional space and a IRR of 6.8% in which some sophisticated developers might proceed with the project. Note however that small scale projects in smaller markets may not attract these types of developers / investors, especially if interest rates were rise higher.

6.5.4 DISCUSSION

As mentioned above, the base RM-5 development scenario analysed does not produces a viable project for a developer who is motivated to build and sell the building. The bonus density scenario, with 33% of additional dwellings as below market rent, is not viable. The project would not produce a land lift.

If the density were increased to 1.01 FSR, and if a developer were willing to build and hold, the project could potentially produce enough cashflow to be of interest. These types of developers are typically backed by large institutional funds, and it is unknown whether these investors would consider Cumberland for their capital. It is not recommended to charge a density bonus on a rental housing development.

It should be noted that the average size of the units in the bonus density scenario were reduced from 1,500 to 1,000 square feet in order to meet the units per hectare requirement and other zoning bylaw RM-5 site specific requirements.

Table 6-5: RM-5 Case Study Development Concepts, Base Density and Bonus Density Scenarios

RM-5 Case Study	Base Density Scenario @ 0.71 FSR	Bonus Density Scenario with AH @ 0.82 FSR	Bonus Density Scenario with AH @ 1.01 FSR
Site Concept			
Site Size (SF)	16,988	16,988	16,988
FSR (Base)	0.71	0.71	0.82
FSR (Density Bonus)	0.00	0.11	0.19
Tenure and Uses	Rental Fourplex	Rental Fourplex (33% of additional units as below-market rental)	Rental Fourplex (33% of additional units as below-market rental)
Gross Buildable Area	12,000	14,000	17,000
Parking	Laneway surface lot	Laneway surface lot	Laneway surface lot
Total Rental Units (#)	8	14	17
Affordable Rental Units (#)*	0	2	3
Average Size of Dwelling Unit (sf)	1,500	1,000	1,000
Revenue			
Net Rentable Res (sf)	12,000	14,000	17,200
Market Rent (psf)	$2.20	$2.20	$2.20
Below Market Rent (per unit per month)	n/a	$1,081	$1,081
Net Revenue (or value at completion)	$5,166,300	$5,498,500	$6,641,400
Capital Costs			
Costs (hard + soft + finance)	$3,766,600	$4,318,100	$5,037,800
Land Cost (assessed + 25% premium + associated fees)	$946,700	$946,700	$946,700
Profit @ 10% Total Cost	$437,400	$489,600	$557,600
Residual Land Value	$886,900	$598,400	$970,500
Lift	($59,800)	($348,300)	$23,800
Analysis Summary			
Financially viable?	**NO**	**NO**	**YES**
Density Bonus per square foot @ 75% of lift value	n/a	($140)	$4
Density Bonus per unit	n/a	($38,860)	$84,000
IRR	6.6%	6.0%	6.8%

6.6 I-2 – HEAVY INDUSTRIAL

The I-2 zoning allows for an industrial development. The base case of this scenario was envisioned to include 1 rental residential unit as a caretaker unit and allows for a density of 0.5 FSR. This analysis tests for the possibility of adding an additional 0.5 FSR as a bonus density in a scenario where all of the bonus density is allocated towards industrial use. Please note this is an analysis based on an exploratory development concept to understand what the financial viability of a project would be if a bonus density of 0.5 FSR were permitted.

6.6.1 PROPOSED DEVELOPMENT

The I-2 site is 100,427 square feet in site size.

The base case proposed development will have the following characteristics:

- 50,200 square feet size of gross buildable and 95% efficient light industrial space.
- Almost 47,800 square feet of leasable industrial space, with 1 market residential rental unit at 969 square feet in size (per the maximum unit size in the zoning bylaw).

The density bonus scenario under this zoning will add an additional 0.5 FSR. This will make the following changes:

- 100,400 square feet size of gross buildable and 95% efficiency.
- Approximately 95,400 square feet of leasable light industrial use space

6.6.2 EXISTING LAND VALUE

The assumed land value for the base zoning was $825,800 or $358,000 per acre which includes associated closing fees and taxes. This estimate was based on recent land sales in the Bevan Road industrial area.

The residual land value of the base development was -$236,800, which is lower than the base land value. For a strata project this would indicate that the project would not be viable; however, some industrial developers are satisfied to build and hold a rental project for the long-term cashflows. Sophisticated developers would proceed with development when the project's IRR is 2% higher than the cap rate (assumed to be 4.3% in Cumberland). The project IRR here is estimated to be 8.1% indicating that the project could go ahead with the right developer. Although, as there is no land lift, a density bonus payment would not be achieved for this scenario.

6.6.3 LAND VALUE AT BONUS DENSITY

With the additional density allowed for in this zone, the project would now include over 95,400 square feet of light industrial space. The residual land value for the proposed project would be $2.3 million indicating a land lift of approximately $1.5 million. The project also generates an estimated IRR of 9.7%.

If the density bonus was applied to 75% of the lift, this would allow for a density bonus payment $22 per square foot of additional area beyond that permitted at base density.

6.6.4 DISCUSSION

Development in the I-2 zone does not produce a viable project at the base density of 0.5 FSR. It is understood that projects are going ahead in this zoning at lower densities, and that could be a result of lower land costs than assumed in this pro forma, or projects moving forward by businesses that are willing to forgo part or all of the 'developers profit' that was assumed to equate to 12% of project costs. The base density scenario produces a developer profit of approximately $1.5 million.

The base scenario does not generate a land lift but, based on the lease rates assumed, produces an IRR of over 8%. This IRR could be sufficient for a developer willing to build and hold on to the project, or for a business that is looking for space suited to their operations. It is understood that there are businesses in the Comox Valley struggling to find industrial space that meets their needs.

The bonus density scenario, where density is doubled to allow for more light industrial space, is viable and produces a land lift of approximately $1.5 million.

Table 6-6: I-2 Case Study Development Concepts, Base Density and Bonus Density Scenarios

I-2 Case Study	Base Density Scenario @ 0.5 FSR	Bonus Density Scenario @ 1.0 FSR
SITE CONCEPT		
Site Size (SF)	100,400	100,400
FSR (Base)	0.50	0.50
FSR (Density Bonus)	0.00	0.50
Tenure and Uses	Industrial use with one caretaker rental unit on the 2nd floor	Industrial use
Gross Buildable Area	47,800	95,400
Parking	Surface lot	Surface lot
Rental Units (#)	1	0
Average Size of Dwelling Unit (sf)	969	n/a
REVENUE		
Net Rentable Res (sf)	1,000	0
Net Leasable Industrial Space (sf)	46,700	95,400
Apartment Market Rent (psf)	$2.20	n/a
Net Revenue (or value at completion)	$14,151,100	$28,858,400
CAPITAL COSTS		
Costs (hard + soft + finance)	$12,781,100	$23,727,600
Land Cost (assessed)	$825,800	$825,800
Profit @ 12% Total Cost	$1,533,800	$2,774,700
Residual Land Value	($236,800)	$2,283,000

I-2 Case Study	Base Density Scenario @ 0.5 FSR	Bonus Density Scenario @ 1.0 FSR
Lift	($1,062,500)	$1,457,300
ANALYSIS SUMMARY		
Financially viable?	**NO**	**YES**
Density Bonus per square foot @ 75% of lift value	n/a	$22
IRR	8.1%	n/a

7.0 CAC CALCULATIONS

Hypothetical developments for both townhomes and apartments were considered on lands that would require a rezoning to determine what level of density would be required to build a viable project and to generate a potential community amenity contribution (CAC). In both of these scenarios, the CAC was assumed to be 50% of the land lift generated by the rezoning.

7.1 TOWNHOUSE SCENARIO

The townhouse scenario included the following assumptions:

26,136 square foot site size

- FSR of 1.2
- Total buildable area of approximately 31,400 square feet. Assuming an efficiency of 100%, the total saleable residential space would be 31,400 square feet.
- 21 townhouse units, averaging 1,500 square feet in size
- Land was assumed to cost $2.9 million, based on assessment values of single-family home properties with a home that had not been recently redeveloped plus lot assembly premium and associated closing fees and taxes. The land value per acre is $4.8 million.

This development scenario does not produce a land lift, even though developments with similar densities proved viable with RM-2 zoning. Under this scenario there are additional costs assumed to take the project through rezoning, and the land costs, based on the assessed values of older single-family homes in the R1 zone, were higher than the land costs used for the RM-2 scenario.

7.1.1 DISCUSSION

At a hypothetical test density of 1.20 FSR, this townhouse development scenario is considered the highest and best use of the land in today's market conditions. If the land were purchased and held in the past when values were lower, then this project may be viable. However, current construction costs and land values are prohibitively high given the likely maximum market revenues achievable through unit sales. As the project is not financially viable under today's market conditions, there would be no land lift, and no ability for the project to make a CAC contribution. This project will be especially challenged if interest rates from lending institutions increase beyond what is tested in this scenario.

Given that the case study does not provide any basis for setting of a CAC target rate under prevailing market conditions, we recommend the following:

- Revisit financials in 1-2 years to see if project financials are improved
- Negotiate CACs on a project-by-project basis in the interim, if a development proponent brings a project forward.

- Negotiated CACs should take into account both local amenity needs and the economics of the specific project. Proponents should be required to provide the Village with their project pro forma, and the Village should retain outside expertise to conduct a review of the pro forma to determine a realistic CAC contribution based on actual project economics.

7.2 APARTMENT SCENARIO

The apartment scenario included the following assumptions:

- 26,136 square foot site size
- FSR of 2.0
- Total buildable area of approximately 83,600 square feet. Assuming an efficiency of 85%, the total saleable residential space would be 71,100 square feet.
- 71 apartment units, averaging 1,000 square feet in size
- Land was assumed to cost $4.6 million, based on assessment values of single-family home properties with a home that had not been recently redeveloped plus lot assembly premium and associated closing fees and taxes. The land value per acre is $4.8 million.

As with the townhouse scenario, this development scenario does not produce a viable project given the assumptions used. As mentioned in the Townhome scenario, there are increased costs assumed for the rezoning process, and land costs are slightly higher.

Ultimately, the spread between construction costs and achievable sales values are too narrow for projects to work. So, either land values and construction costs need to come down, or the prices for apartments need to increase beyond what has been seen in the Comox Valley to date. This scenario assumes surface parking, however, it is very likely that underground parking would need to be built in order for the site plan to meet the maximum FSR on this hypothetical site. The underground parking construction costs would be significantly higher than surface parking costs, steering the project further from a path to viability.

Table 7-1: CAC Case Study Development Concepts, Townhouse Scenario and Apartment Scenario

CAC Case Study	Townhouse Scenario @ 1.2 FSR	Apartment Scenario @ 2.0 FSR
SITE CONCEPT		
Site Size (SF)	26,136	41,818
FSR (Base)	1.20	2.00
FSR (Density Bonus)	0.00	0.00
Tenure and Uses	Townhouse subdivision	Low-rise apartment
Gross Buildable Area	31,363	83,635
Parking	Individual garages	Underground parking
Dwelling Units	21	71
Average Size of Dwelling Unit	1,500	1,000

REVENUE		
Net Saleable Res (sf)	31,400	71,100
Townhouse Unit Prices (psf)	$462	n/a
Apartment Unit Prices (psf)	n/a	$580
Net Revenue (or value at completion)	$14,113,000	$40,160,100
CAPITAL COSTS		
Costs (hard + soft + finance)	$10,127,000	$32,607,300
Land Cost (assessed + 20% premium)	$2,902,400	$4,621,100
Profit @ 15% Total Cost	$1,833,900	$5,270,300
Residual Land Value	$2,030,800	$2,110,900
Lift	($871,700)	($2,510,100)
ANALYSIS SUMMARY		
Financially viable?	**NO**	**NO**
Estimated CAC @ 50% of lift to designated max density	($435,800)	($1,255,100)
CAC per sf	($14)	($15)
CAC per unit	($20,800)	($17,700)

7.2.1 DISCUSSION

At a test density of 2.0 FSR, this apartment development scenario indicates that even a high density use on this hypothetical site will not be viable under today's market conditions and it will not generate a CAC. A density of 2.0 FSR at a hypothetical site of this size requires an apartment building higher than 6 storeys and it will also require underground parking which are costs not accounted for in this scenario.

Similar to the townhouse scenario, If the land was purchased in the past when values were lower, then this project may be viable. However, current construction costs and land values are too high in comparison to the prevailing market achievable unit prices. This project will be especially challenged if interest rates from lending institutions increase beyond what is tested in this scenario.

7.3 TARGET COMMUNITY AMENITY TYPES

Community Amenities have been defined by the Province of B.C. as "amenities that contribute to the attractiveness of a project or neighbourhood, and typically include aesthetic features, public spaces, and facilities to meet a range of social, cultural, recreational, and infrastructure needs of the community". There is no standardized, comprehensive list of what constitutes an amenity. Many communities will

look[6] to CACs / density bonusing to help pay for any municipal wants or needs that cannot be funded by DCCs.

CACs are, effectively, an agreed upon contribution (cash or in-kind) obtained by a local government at the time of rezoning.

Amenities that are being (or have been) considered in Cumberland as being of interest to the community, and which would therefore qualify as "acceptable" community benefits, would include:

- Affordable housing
- Park dedication – including age friendly park space
- Fire & emergency services contributions
    - This was a policy in Cumberland, but since the new Firehall has been completed, contributions to Fire & Emergency services are no longer being accepted.
- Off-site infrastructure or upgrades (beyond those typically required)
- Development of Universal designed and adaptable housing
- Childcare
- Rental housing
- Enhancement to urban forest
- Heritage preservation / management

Amendment applications would be required to demonstrate that the proposed community amenity would provide benefit to the community as a whole. Council will review each application with the broader community needs in mind.

[6] Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability by the Ministry of Community, Sport and Cultural Development (March 2014).

8.0 CONCLUSIONS

8.1 DENSITY BONUS REQUIREMENTS

The analyses prepared for the 6 case study zones for the density bonusing review can be summarized as follows:

- **VCMU-1, I-2, RM-2:** These case study sites appear to be financially attractive for development given the assumptions used (revenues and costs), once the bonus density has been applied; however, most projects are not viable at the base density.
- **RM-1, RM-3, RM-5:** These case study sites do not show project viability at either the base or bonus density thresholds, even in the absence of any non-market housing provision or other amenity contribution.
- Regarding the assumptions used, there are some key points to emphasize:
    - Many of the subject sites that were used as test cases have recently been redeveloped, so the approach to calculating the base land value was a point of conversation within the consulting team. Ultimately the BC Assessment Value for the land with a 25% premium and associated closing costs and taxes was used as an acquisition cost, but it should be recognized that this would only apply to vacant land. Whether vacant properties could be acquired with the different zoning designations and what the final prices would be has not been tested. Redeveloping sites with older buildings onsite might be the easiest path to redevelopment, but locating those sites and determining their value was not a component of this work plan.
    - It is possible that the construction costs used in the pro formas are more current than the sales values. Construction costs are up to date based on conversations with developers working on Vancouver Island. With the rise in costs that is occurring across North America prices for units will need to increase. The prices assumed in these analyses are slightly higher than recent sales, but perhaps prices will increase further. However, in this current market where interest rates are rising, it is difficult to forecast increasing sales values.
- For all RM zones it is recommended that the allowable densities in the zoning bylaw be provided in units per hectare and floor space ratio (FSR). A table that shows the relationship between the two forms of measurement would be very helpful.

The table below summarizes the density bonus structures built into the zoning bylaw currently, and our recommended updates based on the results of the foregoing financial analyses. If a land owner purchased the land in the past when land values were lower, the viability of the project is likely to change.

Zone	Current Density Bonus Policy	Analysis Results Under Today's Market Conditions
VCMU-1	• Base density of 2.0 FSR • No bonus density	• Lowering the base density to 1.5 FSR does not yield a viable project. Downzoning to a 1.5 FSR base is not recommended • Developing at 2.0 FSR is viable. • If a new base and bonus density were to be established, we would recommend setting the base FSR no lower than that shown to be viable under current market conditions, and a bonus density equivalent to a 5 or 6 storey project. • Note that depending on the project design, increased height may be needed. In this case, a development variance is required to reduce the minimum ground floor to ceiling height or to a higher maximum height than currently permitted in the zone.
RM-1	• Base density of 30 uph (0.41 FSR) • Bonus density to 40 uph with minimum of 30% of total units built as "affordable housing".	• Base density of 30 uph (0.41 FSR) not viable. A base density of 0.65 is needed. • Bonus density to 40 uph (0.56 FSR) is not viable. • A bonus density to 0.73 FSR is required to support the viability of the development with 30% of the total units as affordable housing (29 units out of 98 total units).
RM-2	• Base density of 45 uph (0.63 FSR) • Bonus density to 70 uph (0.97 FSR) with minimum of 20% of total multi-family units built as "affordable housing."	• Base density of 45 uph (0.63 FSR) not viable. A base density of 0.75 FSR is needed. • Bonus density to 70 uph (0.97 FSR) with minimum of 20% of total multi-family units built as "affordable housing" shows a viable project (5 units out of 25 total units). In this scenario, the affordable housing contribution can be increased to 30% of total units at 75% below the market value (7 to 8 units out of 25 units).
RM-3	• Base density of 96 units (upa of 34 units, 0.48 FSR) • Bonus density to 44 upa (0.62 FSR) if 30% of total units are affordable housing	• Base density of 96 units (upa of 34 units, 0.48 FSR) is viable. • Bonus density to 0.62 FSR is not viable. A bonus density to 0.67 FSR is required to support the

Zone	Current Density Bonus Policy	Analysis Results Under Today's Market Conditions
		viability of the development with 30% of total units as affordable housing.
RM-5	• Base density of 51 upa (0.71 FSR) • Bonus density to 83 upa (0.82 FSR) if 33% of additional units are below market rental units	• Base density of 51 upa (0.71 FSR) is not viable. A base density of 0.82 FSR is needed. • Bonus density to 0.82 FSR with 33% of additional units as below market rental is not viable. • A bonus density up to 1.01 FSR is required to support the viability of the development with 33% of additional units as below market rental housing.
I-2	• Base density of 0.5 FSR • No bonus density	• Base density of 0.5 FSR with one caretaker rental unit not viable. • A bonus density of 1.0 FSR with the additional floor space for light industrial use is viable and would achieve a density bonus of $22 per square foot.

8.2 CAC RECOMMENDATIONS

The analyses prepared for the 2 case studies for community amenity contribution review can be summarized as follows:

- As both the townhouse and apartment redevelopment scenarios do not show project viability under the assumptions used, it is not recommended that target fixed rate CACs be applied at this time.
    - Townhouse redevelopment at 1.2 FSR does not appear to show project viability under today's market conditions.
    - Apartment redevelopment at 2.0 FSR does not appear to show project viability under today's market conditions.
- Ultimately, the spread between construction costs and achievable sales values are too narrow for projects to work. For the development projects to show viability, the land prices and construction costs need to come down, or the prices for townhouses and apartments need to increase beyond what has been seen in the Comox Valley to date.

Targeted CAC Rates

- Project viability is very sensitive to cost increases, so to avoid dissuading development it is recommended that development proposals within zones that do not have a density bonusing structure in place be assessed on a case-by-case basis for their ability to make an amenity

contribution at the time of rezoning. This case-by-case analysis should, ideally, include third-party review of a proponent project pro formas.

- The supportable CACs for large, complex projects / sites cannot be evaluated effectively in advance of a detailed concept plan and costing exercise, as the potential CAC amount would be heavily influenced by on-site requirements, infrastructure costs and the mix of uses.

Cash-in-Lieu Contributions (versus In-Kind)

- In general, for smaller scale development projects, CACs in the form of cash contribution would be appropriate. Cash-in-lieu CAC contributions should be directed and distributed across amenity types identified in a schedule by the Village.
    - For example, the City of Victoria directs 70% of cash-in-lieu CAC contributions to an affordable housing reserve fund, and the remaining 30% into a broader community amenity reserve.
    - The Township of Langley allocates 15% of cash-in-lieu CAC contributions to affordable housing, 74% to community amenities, and the remaining 11% is directed to neighbourhood specific amenities.
    - The City of North Vancouver allocates 80% of their community benefit cash contributions to civic facilities and the remaining 20% to affordable and rental housing.
- Potential amenity types have been identified in Section 7.3 of this report.
- Ultimately the allocations for CAC dollars between various amenity types will be a decision taken by council, based on an evaluation of community-wide amenity needs.

Exemptions to the CAC Policy

- It is not recommended that CACs be requested for purpose-built market rental projects, where securing rental tenure of the units may already be considered an amenity to the community.
- It is also recommended to exempt non-market housing units from CACs, as non-market housing can be considered an amenity to the community. Like purpose-built market rental projects, non-market housing developments have lower revenues than other types of residential projects (e.g., owner tenure) and additional costs can make the project not viable.

9.0 GLOSSARY

This memo includes a range of terms that can be confusing to even those familiar with the subject matter. Definitions for some of the complicated terms or concepts used in the memo are provided below:

Cap Rate (Capitalization Rate): A capitalization rate (or cap rate) is used to indicate the rate of return expected to be generated on a real estate investment. Cap rate values are calculated based on the income generated by an asset divided by the property asset value. As cap rates lower, the value of the asset would increase if the net income remained the same. A lower cap rate is generally considered to imply a safer, or lower risk, investment.

Community Amenity Contributions (CAC): Province of BC Definition: CAC's are amenity contributions agreed to by the applicant / developer and local government as part of a rezoning process initiated by the applicant / developer. CACs can take several forms including community amenities, affordable housing, and financial contributions towards infrastructure that cannot be obtained through DCCs, such as recreation facilities or a fire hall. The agreed-to contribution would be obtained by the local government if, and when, the local government decides to adopt the rezoning bylaw.

Density Bonus Zoning: Province of BC Definition: as authorized under LGA s. 904, is intended to provide options for the developer to build either to the 'base' density or to a higher level of density, if they provide certain amenities or affordable housing, or meet other specified conditions. The developer, by right, always has the option of developing at the base level of density, but usually has an incentive to consider higher densities.

Target Fixed Rate Community Amenity Contribution (CAC): One approach to implementing CAC targets on rezoning applications. The target rates and/or expected on-site contributions vary by land use designation, and payment contributions are triggered through the rezoning process This approach may be attractive if including density bonus provisions directly into the bylaw is not practical or feasible (i.e., there is not a desire to open the zoning bylaw to amendments).

FSR (Floor Space Ratio): FSR or Floor Space Ratio is the relationship between the total amount of buildable area a building has, or is permitted to have, and the total area of the lot where the building is or is proposed. A higher ration implies higher density. Floor Area Ratio (or FAR) is also used for this concept.

IRR (Internal Rate of Return): IRR or Internal Rate of Return is a metric used in financial analysis to estimate the profitability of a potential development. Typically, real estate developers use the IRR as a way to compare one project against another. The project with the higher IRR would be considered the more profitable project.

More specifically, the IRR is a discount rate that makes the **Net Present Value (NPV)** of a project equal to zero. The Net Present Value is the difference between the present value of cash inflows and chat outflows over a period of time.

The NPV and IRR are two different ways to analyse the profitability of a project. The real estate sector typically uses an IRR.

Negotiated Community Amenity Contribution (CAC): Although this approach is not recommended in the Provincial guide for CACs, many local governments take a case-by-case negotiated approach, often guided by economic analysis to determine "land lift" and associated CACs at rezoning.

Attachment 2: Existing Community Amenity Contribution Policies

Official Community Plan Bylaw No. 990, 2014, section 5.1.5:

Zoning and OCP amendment applications shall demonstrate that the project proposed will provide benefit to the community as a whole. Council and staff will evaluate the proposal on this basis. Demonstrable community benefit includes:

a. *Providing a use that is responding to community need*

Providing an amenity that will benefit the residents of Cumberland (including, but not limited to):

i. Affordable housing, with a signed housing agreement with the Village

ii. Park dedication (in addition to the minimum requirements for subdivisions that trigger a five percent dedication)

iii. Fire and emergency services department contributions

iv. Provision of off-site infrastructure, or upgrades

v. Inclusion of universal designed and adaptable housing

Appropriateness of the development proposal

Integration with the immediate community.