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Re: Village of Anmore Infill Development and Community Amenity Contribution Study

G. P. Rollo & Associates (GPRA) has been retained to prepare an Infill Development and Community Amenity Contribution (CAC) Study for the Village of Anmore. The purpose of the analysis is to explore the potential to secure contributions from rezonings of infill development lots to assist in the funding of a new Village Hall community space, parks, trails and other infrastructure not funded through DCCs or by other means. In addition, GPRA has been asked to make recommendations on how best to update rates to reflect changes in the market.

To begin, GPRA conducted a scan of policies and practices of other jurisdictions in the Lower Mainland with regard to density bonusing and amenity contributions. The purpose of this scan was to provide background for the study and to provide a framework within which to prepare analysis.

The second piece consisted of the preparation of proforma analysis for 6 case studies looking at hypothetical potential rezoning scenarios that would involve an increase in density on the sites. These case studies are entirely hypothetical and are intended to be illustrative examples of the types of infill development rezonings that the Village might receive. Hypothetical case studies were chosen over specific sites due to the relatively small size of the community and the limited number of potential lots from which to select cases. It was determined through discussion with the Village that it was not appropriate to identify specific lots that would constitute the basis for analysis, but rather focus on the general attributes and conditions for the types of properties that would be appropriate candidates for this type of infill in Anmore through a set of hypothetical cases.

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CAC & DENSITY BONUSING REVIEW OBSERVATIONS & COMMON PRACTICES

GPRA has observed the following common practices in jurisdictions in Metro Vancouver:

- Many jurisdictions use both density bonusing and CACs in conjunction with one another
- There is a trend toward more transparency in how CAC rates are calculated and toward set rates of contribution rather than primarily negotiated contributions
- Developers prefer established rates for contributions as it creates cost certainty when they are considering projects and negotiating purchase of lands
- Set CAC rates should not add to unit prices for end users, but should instead create downward pressure on land sales prices for land that will be rezoned
- Many jurisdictions have rates set for the entire jurisdiction with area specific rates set for designated growth areas/neighbourhoods
- Similar to DCCs, CACs should be regularly reviewed to keep current with market trends and housing values, as well as the projected cost of the basket of amenities
- Even with set rates for contribution many jurisdictions reserve the right to enter into negotiated contributions for unusual rezonings that may not have been considered in the OCP
- There is value in regularly testing whether contribution rates create an unfair burden on developers and create an inhospitable environment for developers to operate

On the page following GPRA has provided a table outlining current practices of jurisdictions in Metro Vancouver regarding Community Amenity Contributions.

CURRENT DENSITY BONUS/CAC POLICIES IN METRO VANCOUVER

Municipality	Density Bonus/CAC
Abbotsford	Small voluntary contribution for public art
Burnaby	$ per sq. ft. (buildable) Bonus Density based on current market values
Coquitlam	$3/sq. ft. new multifamily residential floorspace up to 2.5 FAR; $4,800-$5,500 for one-family lots
Langley City	$1,000/unit
Maple Ridge	$5,100 per one-family lot; $4,100 per townhouse dwelling unit; $3,100 per apartment dwelling unit; bonus density $3,100 per multifamily unit or additional lot
New Westminster	ad hoc through negotiation
North Vancouver City	ad hoc through negotiation
North Vancouver District	Where case by case negotiations occur, the target is to capture 50% to 75% of value of land lift attributed to rezoning.
Pitt Meadows	$2,100 per single family lot $2,800 per townhouse unit $2,400 per apartment unit
Port Coquitlam	100% in RA1 (low-rise apartment) zone, otherwise negotiated
Port Moody	ad hoc through negotiation
Richmond	$2/sq.ft. buildable for single family; $4/sq.ft. buildable for townhouse; $6/sq.ft. buildable for apartments <81 units; 5% residential area for Affordable Housing for apartments >80 units
Surrey	Capital cost of NCP amenities determined by City in NCP areas
Township of Langley	ad hoc through negotiation
Vancouver	$55/sq.ft. bonus area in Cambie Corridor; ad hoc through negotiation elsewhere
West Vancouver	ad hoc through negotiation
White Rock	$30/ sq.ft. over 1.75 FAR in Town Centre; ad hoc through negotiation outside

While the rates indicated on the table may not be commensurate with what may be appropriate for the Village of Anmore it is useful to understand what other communities do insofar as density bonusing and amenity contributions. For instance, when establishing flat fees for density bonus rates or CACs, typically a jurisdiction will not seek 100% of monies being identified as being available, but will rather share a portion with the developer. The portion shared varies by community, with the share generally being higher in favour of the municipality in more urban centres (80% or more in Vancouver, 75% in Victoria, 100% in Burnaby's Metrotown), but usually closer to a 50/50 split in less urban jurisdictions. This sharing of the available monies is important for a variety of factors, not least of which is to reflect that not all developments are the same, and in some circumstances a share greater than 50% for the municipality could result in making a project economically unviable.

Also of note is that most, if not all, of the municipalities on this table are generally focused on infill development of a much denser form than the Village of Anmore is focused on here. In cases where there is a flat rate for single family lots the value is quite low, which reflects the smaller lot sizes that are being redeveloped in these jurisdictions (typically the properties are smaller than 10,000 square feet with the new lots being 5,000 square feet or smaller).

ANMORE MARKET CONDITIONS

Anmore represents a unique market compared to most other municipalities in Metro Vancouver in that there remain a significant number of large single family lots that have subdivision potential while still resulting in lot sizes in and around one acre or more in size. This combined with the attractiveness of Anmore for affluent buyers contributes to the high value for parcels around one acre.

When analyzing subdivision of single family parcels the key thing to note is that value lies in incremental utility created from a parcel of land through additional development potential. Purchasers in Anmore place a fairly high value on larger single family lots, but there is not a commensurate drop in value when the parcel is an acre versus 2+ acres – both are estate lots that attract wealthy purchasers and both can have quite large single family dwellings built on them. BC Assessment data for Anmore indicates that properties close to 2 acres have a value around $800,000 to $1 million per acre compared to a value of $1.2 to $1.4 million per acre for properties close to 1 acre in size (so a 2 acre property might have a value of $1.6 million whereas a 1 acre property in the same area may have a value of $1.4 million). Compare this to other municipalities in Metro that typically have existing single family lots that are less than 10,000 square feet in size. Values differ by area, but the difference in perceived value between a 10,000 square foot lot and one half that size is still there, but is less pronounced due to their smaller size, the size of the home that one could build on both sizes of lots, as well as market differences compared to properties in Anmore.

There is also competition for land among different development types and densities in most other areas of Metro Vancouver as opposed to Anmore which has resulted in higher base values for land in these more urban settings that reduces the lift value when looking at subdivisions on standard city lots. As such, a municipality such as Coquitlam might have a relatively small fee for single family subdivision, but the reality is that they expect to see very few applications of this nature and the real increase in value lies in significant densification to townhouse or apartments.

Nonetheless, it is important to note that in most cases the rates on this table have been arrived at through a similar analysis to what is being presented here.

CASE STUDIES

GPRA has prepared 6 case studies for analysis. The cases were intended to be illustrative of the types of rezoning applications the Village might see if infill development were to be permitted in the Village. The cases involve rezoning from larger lot single family uses (ranging in size from roughly 1 to 2 acres with the stipulation that they must have at least 50 metre frontage) to higher density single family uses with average new parcel sizes being roughly half an acre.

METHODOLOGY & ASSUMPTIONS

For all test cases GPRA has looked at BC Assessment data for the Village to get a sense of the value per acre for existing land uses in the analysis.

The analyses are created using a standard developer proforma wherein estimates of revenues and costs are inputs and the remaining variable is the desired profit, which is determined following a revenues minus costs equals profit formula.

For the purpose of this analysis GPRA is preparing a set of residual land valuations. A residual land valuation uses a proforma to determine the highest possible value that a developer could pay for a parcel while still achieving an acceptable return on their investment. In a residual land valuation, however, an assumption on developer's return needs to be included in order to leave the land value as the variable to solve for. For these analyses GPRA has determined the residual value based on the developer achieving an acceptable profit of 15% on total project costs, calculated as a representative portion of overall project costs for the proposed development[1].

The residual values are the maximum supported land value a developer could pay for the site (under the density and conditions tested) while achieving an acceptable return for their project. This means that a developer could pay the indicated value for the land, develop and sell the finished product and achieve a profit of 15% at the end of the day. If by chance the land were bought for less than the indicated value, this would result in an increased profit for the developer and conversely if bought for more than the value indicated there would be less profit for the developer. The residual land value determined from this analysis is then compared to the

[1] 15% profit on project cost is used as an industry minimum standard developers need in order to consider a project viable and to secure financing through a lender.

value of the site under the current zoning to establish a 'lift' in value that arises from the change in density. This lift in value is the total potential monies that are available for public amenities.

GPRA determined sales revenues used in the analyses from a review of recent sales and offerings for sale of recently developed single family dwellings within the Village, with a focus on homes that were deemed comparable to those in the case studies. Costs were derived from sources deemed reliable, including the Village of Anmore, and information readily available from quantity surveyors on average hard construction costs in the area. Development or soft costs have been drawn from industry standards, and from the Village's sources. All other assumptions have been derived from a review of the market and from other sources deemed reliable by GPRA.

CASE STUDY RESULTS

The analysis prepared by GPRA indicates that there is potentially money available for the Village to collect for amenities from rezoning for higher density single family development. The table below shows the 6 test cases with the current value per acre, the indicated new lots created and the residual land value based on the proforma analysis, and the resulting lift value. The charge per new lot in the last column of the table is intended to represent one example of how the Village could capture a share with a fee: the 50% Village share divided by the number of new lots created beyond the first. The case studies themselves are included in an Excel file as a technical appendix.

HYPOTHETICAL CASE STUDIES ANALYSIS

Cases	Acres	Units	Base Value per Lot	Residual per Lot	Lift Value per Lot	Village Share 50%	Charge per New Lot
Case 1	1.00	2	$1,178,878	$1,477,305	$298,427	$149,214	$149,214
Case 2	1.61	3	$1,380,000	$2,379,476	$999,476	$499,738	$249,869
Case 3	1.00	2	$1,332,000	$1,477,305	$145,305	$72,652	$72,652
Case 4	1.58	3	$1,516,000	$2,357,621	$841,621	$420,811	$210,405
Case 5	0.96	2	$1,014,000	$1,398,895	$384,895	$192,448	$192,448
Case 6	1.43	3	$1,165,000	$2,087,383	$922,383	$461,192	$230,596

There is a high degree of variability of what the potential lift in value might be from rezonings of this nature, but generally speaking the rezoning will support a significantly higher land value in the test cases than indicated for the base value (indicated by the 2017 BC Assessment value) for the entire site.

Of note, Case 3 shows a significantly lower lift than the other case studies. In reviewing the assessment roll for properties that were considered to be infill candidates by the Village GPRA noted that a few properties had higher than average assessed values. As a result, GPRA chose to compare the supported value from a 1 acre parcel divided into 2 half acre parcels to this higher than average base value. This is intended to illustrate that not all subdivision rezonings will necessarily result in huge incremental value for the developer.

There is typically some sharing of the lift between the community and the developer, and GPRA suggests that a 50/50 share would be appropriate for the Village to pursue. If this is the direction pursued by the Village GPRA recommends choosing a fee that is on the lower end of the examples from the Case Studies. From this analysis GPRA would suggest a fee of $150,000 for each additional lot created beyond the first would be appropriate.

CONCLUSIONS & RECOMMENDATIONS

After having completed a scan of density bonusing and community amenity contribution policies and practices of other Lower Mainland jurisdictions and preparation of six hypothetical test cases looking at adding density through infill development rezonings in the Village of Anmore, GPRA has the following conclusions and recommendations to share:

- Although there is not uniformity in the Lower Mainland, most jurisdictions collect money for amenity contributions at rezoning and through density bonusing.
    - Few jurisdictions have a set 'basket of goods' for public amenities that have been costed out that monies are specifically collected to pay for, although indications are that more jurisdictions are taking this approach than in the past.
    - Few jurisdictions rely solely on negotiated contributions – most have a fixed fee or formula for amenity contributions, primarily based on a rate per square foot/metre of building area.
    - Many jurisdictions have distinct amenity contribution rates for different planning areas or neighbourhoods in their community.
- The analysis of the six hypothetical test sites situated within the Village of Anmore indicates that there is potential for the Village to collect some money for amenity contributions through rezonings.
    - However, BC Assessment has increased property values for the Village in general for the 2017 roll, some by as much as 40% or more compared to 2016 values.
    - There are signs that the market is slowing with reduced sales across all housing types in recent months in year over year trends. This may be due a confluence of circumstances, including the Province's recent 15% tax on foreign buyers, the Federal Government's tightening of lending rules, and the relative attractiveness of other markets in consideration of higher price points in the Lower Mainland than elsewhere.
    - This is all to say that this analysis is using high sales prices for residential single family housing, which may not hold, and high base land values (using assessed values), which may be showing some signs of weakening in recent sales trends.

  - The result is an analysis with a high degree of variability that could see significant swings up or down depending on a variety of factors.

- GPRA notes that the analysis is intended to show the total potential amount of additional value per acre of land generated through additional density or rezoning.
- In general, GPRA recommends that jurisdictions seek no more than 50% of the indicated lift from rezonings when deriving a flat fee.
- If the Village wishes to, GPRA estimates that there is the potential add a CAC of $150,000 for each additional single family lot created beyond the first.
- Should the Village choose to introduce the new CACs we do recommend consultation with the public and local development community to hear feedback.
- GPRA recommends that, like the DCC program, CAC rates are revisited periodically (ideally every 2-3 years, but not less than every 5 years). In the intervening period CACs can be updated annually through indexing them to match CPI, with the major adjustments coinciding with the periodic review.

In conclusion, GPRA suggests that the Village has the potential to collect monies for public amenities without adversely impacting development. Most other jurisdictions in the Lower Mainland also collect amenity contributions without significant developer pushback.

I trust that our analysis will be helpful in informing the Village in their future policies around infill development and community amenity contributions. I anticipate that after reviewing this memo that staff will wish to have a meeting to discuss further.

Yours truly,

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