Centre for Urban Research
& Land Development
Faculty of Community Services

Density Benefit Incentives in Metro Vancouver: Lessons for the Greater Golden Horseshoe

Abstract[1]

This paper argues that Ontario municipalities should be required to refine their process for negotiating density-amenity agreements under Section 37 of the *Planning Act* in order to better achieve policy objectives and minimize adverse impacts. Processes which ensure a higher degree of predictability and transparency can be balanced with the necessity for flexibility in order to achieve mutually beneficial outcomes for both developers and communities.

Municipalities in the Metro Vancouver region of British Columbia have an established history of successfully using similar, comparable policy frameworks to great effect. This report analyses case studies from three Metro Vancouver area municipalities to demonstrate three potential alternative frameworks for managing such practices[2]. The key frameworks are:

- Target rate rezoning negotiations,
- Uplift-based rezoning negotiations, and
- Density bonus zoning.

Each framework features its own intrinsic strengths and weaknesses, depending on the policy outcomes sought by the local municipality.

This paper recommends that, as part of its ongoing review of Section 37, Ontario's Ministry of Municipal Affairs and Housing incorporate the lessons learned from these case studies. In order to achieve community building objectives, municipalities should be required to build policy frameworks which are more transparent and predictable than they are at present.

Issues and Questions Addressed

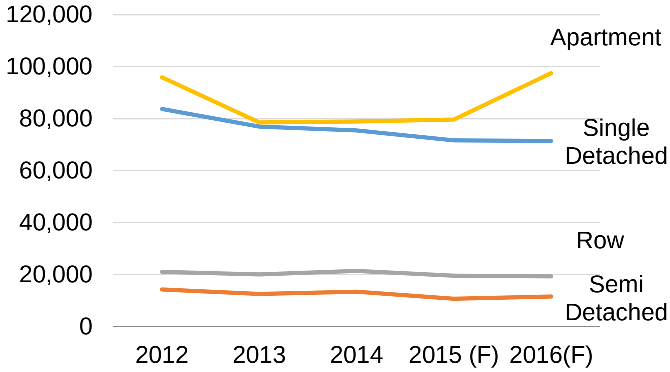
With growth trends across Canada shifting back towards the urban core, many of our central municipalities are forced to build up, rather than out. CMHC data for Canada indicate that high density apartments have become the most common form of residential housing start in urban municipalities, with forecasts indicating that the trend will continue (see Figure 1 on the following page)[3].

[1] This Policy Report is authored by Adam Mattinson, M.Pl. The opinions expressed are those of the author only and do not necessarily represent the opinions and views of either the CUR or Ryerson University. The findings of this Policy Report are based on a Masters Research Paper (MRP) which was written by the author while attending Ryerson University's School of Urban and Regional Planning.

[2] Adam Mattinson, "Dealing With Density, an Evaluation of Density Benefit Incentives in the Metro Vancouver Region." (research paper, School of Urban and Regional Planning, Ryerson University, Toronto, 2015). This MRP was awarded the 2015 Michael Wilson/CUR MRP Award. The award honours the late Michael Wilson, a pioneer in the home building industry in southern Ontario for over 50 years, and is given to the MRP which represents the highest quality in alignment with the mission of CUR. The author is currently working as a consultant with Hemson Consulting Ltd.

[3] CMHC, *Housing Market Outlook – Second Quarter 2015*. Ottawa: Canadian Mortgage and Housing Corporation, 2015. http://www.cmhc-schl.gc.ca (Accessed August 22, 2015)

Figure 1: Total Canadian Housing Starts by Type (Units)



Source: CMHC Housing Market Outloook - Second Quarter 2015.

In Ontario, this trend is likely to be even more prevalent with the full implementation of the *Growth Plan for the Greater Golden Horseshoe* (the *Growth Plan*)[4]. Under Policy 2.2.3 of the *Growth Plan*, by the year 2015 upper- and single-tier municipalities in the Greater Golden Horseshoe (GGH) were required to locate a minimum of 40% of all annual residential development within the built up area, although they could have been granted alternative minimum intensification targets by the Minister of Infrastructure. As these intensification targets are achieved, municipalities in the GGH will face higher density development patterns than they previously experienced, creating new challenges for growing cities.

Sustained development of high-density residential housing brings with it additional pressure on local amenities and services to meet the resulting demand. With limited funding tools available to them, many Canadian municipalities are finding themselves hard-pressed to meet this demand while also creating complete communities at the same time. To address this deficiency, more municipalities are turning to Density Benefit Incentives (DBI).

The term DBI is used to describe the broad inventory of policy tools which are designed to secure additional community benefits in rapidly urbanizing municipalities. They do this by encouraging developers to provide or fund these amenities in exchange for additional density permissions.[5]

In practice, DBIs are frameworks that allow a developer to approach a municipality to request additional development potential on a site. DBI legislation permits municipalities to leverage the discretionary control which they wield through the zoning bylaw, allowing cities to negotiate with developers for the type and amount of amenities to be provided. However, the legislation does not permit municipalities to impose compulsory charges to rezoning, instead requiring the developer to voluntarily agree to the contribution. This legal distinction results in a considerable grey area when crafting DBI policy, as the framework cannot be considered a compulsory tax or charge.

Due to the voluntary requirement and the generally vague policy language which dictates their implementation, DBI frameworks tend to vary quite significantly in the Canadian context. Certain frameworks rely strictly on negotiations at the time of rezoning, while others are built into zoning bylaws which can be negotiated after rezoning. Some frameworks set recommended targets as a starting point for negotiations, while others attempt to negotiate for a percentage share of the "uplift" which the increased development potential creates. The varied nature of the available policy alternatives means that individual municipalities can implement their own DBI frameworks in relation to their respective housing market and community building goals, within the confines of provincial legislation.

Observing alternatives in the context of the ongoing Section 37 review in Ontario, this policy report addresses the following questions:

- What are the types of DBIs and how do they vary?
- How do DBIs relate to other municipal financial impositions (e.g., development charges, parkland contributions, property taxes)?

[4] Ontario Ministry of Infrastructure. (2006). *Growth Plan for the Greater Golden Horseshoe, 2006* - Office Consolidation June 2013

[5] Adapted from Aaron A. Moore. *Trading Density for Benefits: Toronto and Vancouver Compared*. IMFG Papers on Municipal Finance and Governance, No, 13 (Toronto: University of Toronto, 2013). Moore coined the term Density Benefit Agreement to describe the processes used in the cities of Vancouver and Toronto to allow the negotiation for amenities as part of the rezoning process. The original term, however, does not include Density Bonus Zoning, which is a similar but distinct method for municipalities to incentivise developers to provide community benefits in exchange for additional density. The term DBI is used, for the purposes of this paper, as an inclusive term to refer to all forms of these incentives.

- What are the direct and indirect market impacts of DBIs?
- What lessons does the Metro Vancouver experience offer to GGH municipalities which are contemplating a similar policy?

Report Background

The evaluative framework used in this paper is derived from the findings of a Masters Research Paper written by the author.[6] That framework is expanded to account for the market impacts and inter-relations with other financial impositions, such as Development Cost Charges (DCCs), which British Columbia municipalities levy.[7] In light of the Ontario provincial review for both Development Charges (DCs) and Section 37, this paper also expands the original research to consider the implications for GGH municipalities looking to implement or make changes to their own DBIs.

DBIs are a Form of Land Value Capture via Rezoning

While they may vary in form and implementation, all DBIs follow a similar principle: allowing higher density development than is currently permitted in the current zoning bylaw in exchange for a contribution to the nearby community. These contributions may be in the form of amenities provided on site, or may be provided as cash in-kind to fund either specific community projects, or general community initiatives. In this regard, DBIs are viewed as financial incentives which allow the developers to achieve even greater uses from their land while assisting cash-strapped municipalities.

In a practical sense, a DBI will permit the owner of a property additional developable Floor Area Ratio (FAR)[8], or may permit the construction of additional units, depending on the limits set in the zoning bylaw. Typically, the value of the amenities sought by the municipality will be relative to the value of this increase, although individual municipalities differ on how specifically they value this increased development potential.

The types of benefits sought via DBI policies also vary between Canadian municipalities, and are largely restricted by provincial legislation. Municipalities in British Columbia are bound by the *Local Government Act, 1996*, with the exception of the City of Vancouver, which is governed by its own mandate under the *Vancouver Charter, 1953*. Both pieces of legislation permit the entitlement of additional zoning density as long as additional conditions are met, including the conservation or provision of amenities, and the provision of affordable housing.

The legislated definition of “amenity” is left intentionally vague to permit a degree of contextual flexibility. However, it is commonly accepted practice to secure benefits such as park space, road and streetscape improvements, community and recreation facilities and services, heritage preservation, and affordable housing units, among others.

In Ontario, Section 37(1) of the *Planning Act*, *1990* similarly permits municipalities to grant additional height and density in return for “the provision of such facilities, services or matters as are set out in the bylaw”. These provisions were further defined in a commentary by the Ontario Ministry of Municipal Affairs and Housing.[9] According to this document, potential benefits may include public art, intensification support, growth management, transit improvements, visual amenities, and other community building objectives.

The Rationale and History behind Modern DBI Policies

The principle of tapping into the increased value of land based on improved economic circumstance is by no means a new phenomenon. The rationale for DBIs can be traced way back to the early 19th century when economic theorist David Ricardo[10] observed that the increase in rents for wheat-

[6] Mattinson, “Dealing With Density.”
[7] DCCs in British Columbia are akin to Development Charges (DCs) used by Ontario municipalities.
[8] The FAR is alternatively referred to as Floor Space Index (FSI) in certain jurisdictions.
[9] Ontario Ministry of Municipal Affairs and Housing and Provincial Planning Policy Branch, *Height and Density Bonusing (s. 37).* Building Blocks for Sustainable Planning 5. Toronto: Queen’s Printer for Ontario, 2009.
[10] David Ricardo. *On the Principles of Political Economy and Taxation*, 1821. Accessed from the Library of Economics and Liberty web site at http://library/Ricardo/ricP.html on February 20, 2015.

producing lands resulted from an increased demand for bread due to rapid population increases in nearby cities, and not due to any improvements made by the land owners themselves. John Stuart Mill[11] and economist Henry George[12] would later refer to this increase in land value as the 'unearned increment', and advocate for the taxation of this increase in wealth for redistributive purposes.

The concept of tapping into the unearned value that real property accumulates from the actions and investments of governments also provides the theoretical core of modern DBI policies. With a significant portion of land's market value tied to the concept of 'highest and best use' permitted, changes in municipal regulation through the zoning bylaw play a large role in determining economic land value.

The first major implementation of a modern DBI policy applying this concept occurred in New York City in 1961. At that time the City's zoning bylaw was rewritten to permit density bonus zoning in certain cases, allowing heightened density in exchange for affordable housing provisions. Through the 1970s, many other cities across the United States would emulate and expand on this practice before it gradually spread to Canada, Western Europe and other countries around the globe.

While most original DBIs were used as incentive zoning for the provision of affordable housing, some jurisdictions used the incentive to secure a broader range of amenities for the community, particularly among certain Canadian municipalities. The Cities of Vancouver and Toronto were two of the earliest adopters of their own versions of DBI policy, with many more urban Canadian municipalities following suit in recent decades.

Who Pays for DBIs: Market Impacts and Criticisms

Given that DBI frameworks require the developer to provide the negotiated amenities through contractual assurances at a point either prior to rezoning approval or at the time of building permit issuance, it is commonly assumed that the developer is the one to bear the cost of DBIs. This notion is in line with the sentiment that development should pay its own way. Though this is technically true, it fails to address the underlying theory and intent behind DBI implementation, if done correctly.

Effective DBIs are designed to extract value from the unearned increment of the land itself. In theory, this relies on developers being able to predict the cost of the DBI benefits which will be required to achieve the desired rezoning, and negotiating that value out of the purchase price of the land at the time of acquisition. As the market value of land is set by the highest and best use, and that level of use is limited by the costs associated with DBI provisions, well-informed developers can make the case that the price of providing these benefits should be removed from the market value of the land. A visualization of the impact of properly implemented DBI policy is shown in Figure 2 on the following page.

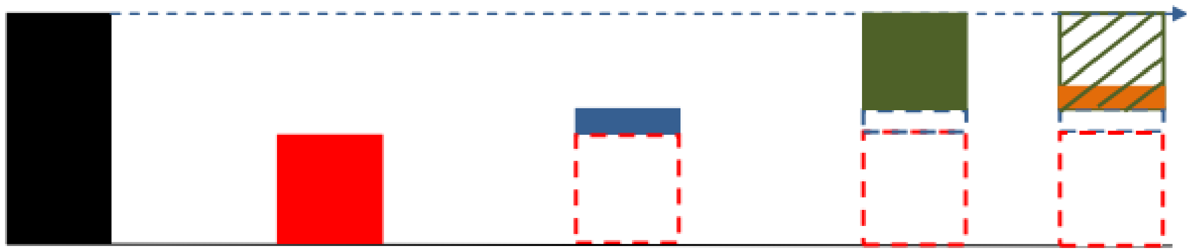
Paramount to the application of this theory is cost predictability. Developers must be able to anticipate the costs of the DBI contributions in order to accurately negotiate this value out of the land price at the time of purchase. Vague or unpredictable DBI frameworks make this process difficult, particularly for smaller, more inexperienced developers.

While there are critics who argue that these costs are passed down to consumers, traditional economic and real estate analysis shows that developers are normally not able to raise their asking price beyond what is generally set by the market itself[13]. If the property market is particularly hot, developers may be able to pass on some of the price to the end purchaser although, in most cases, it is more likely that developers will need to absorb these costs into their own profit margins.

Other issues may arise, depending on the supply of land available for development. Land owners within

[11] John Stuart Mill, *Principles of Political Economy* (1885; New York: D. Appleton and Company).
[12] Henry George, *Poverty and Progress* (1879; Garden City, NY: Doubleday, Page, & Co.).
[13] British Columbia Ministry of Community, Sport and Cultural Development, *Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability* (March 2014) www.cscd.gov.bc.ca/lgd/intergov_relations/library/cac_guide_full.pdf.

Figure 2: Impact of DBIs on Development Costs if Accounted for in Cost of Land



Source: Adapted from BC Ministry of Community, Sport and Cultural Development, *Community Amenity Contributions* (2014), 15.

rapidly growing urban areas are in a strong bargaining position and may be unwilling to accept a significantly lowered price for their property. Further complications may emerge where a developer is looking to assemble a number of properties from different owners, likely having to pay a premium to convince the owners to sell, while also making it more difficult to negotiate the DBI costs into the multiple land purchases.[14]

Ultimately, if developers are unable to find viable development options as a result of restrictive or overly demanding DBI standards, they may choose not to enter the local market. As a result, the number of housing starts within a local municipality may decline. As a factor of market economics, if supply for housing is unable to keep pace with demand then the market cost of housing will ultimately increase, placing the ultimate impact of overly aggressive DBI frameworks onto the end user – the home buyer.[15]

While any framework which places downward pressure on the supply of housing will have this effect, it is important to find a balance between the objectives of affordable housing and the creation of complete and adequately serviced communities. As such, local governments should implement DBI policies which are both efficient and modest in their expectations so that the policy will not discourage future development in the community.

The Three DBI Frameworks

Though several forms of DBI frameworks are in use across Canada, a literature review revealed three archetypical formats which offer considerably different ways of calculating and acquiring benefits in exchange for additional density:

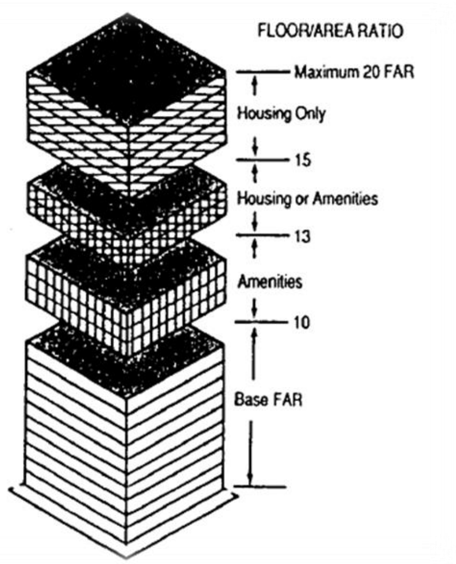
- **Target Rate Rezoning Negotiations** – Negotiations which start with the premise that the municipality expects a certain dollar value of amenities based on how much additional area (or how many units) the developer would be getting through the rezoning. The stated rate is only a starting point for negotiations, but generally works best when the rate is modest enough that extended negotiation is not necessary. Rates may apply across the entire city, or may vary depending on neighbourhood as determined by community need or demand.

- **Uplift Based Rezoning Negotiations** – The most flexible form of land value capture, uplift based frameworks are negotiated purely on the concept of how much more the land would be worth with the additional density permitted. This format has the potential to capture market changes in land value without requiring policy changes to target rates, but is much more ambiguous and vague. As such, this framework tends to rely most heavily on extensive negotiations, typically resulting in longer development timeframes as a result.

[14] Ibid.
[15] Ibid.

- **Density Bonuses Zoning**– Structured frameworks built right into specific zones of a municipal zoning bylaw. This form allows developers to build to a "base" density as of right, with the option to achieve a higher level of density as long as the developer agrees to provide certain amenities or meet other specified conditions as stated within the bylaw itself. This model often provides targeted rates for amenity contributions based on sequential increases in the developable FAR, as illustrated in Figure 3. Density Bonus Zoning usually represents the highest form of zoning permitted in the neighbourhood under the municipality's official plan, providing heightened clarity in the planning process when compared to the other two frameworks.

Figure 3: Sample Density for Amenity Bonus Structure



Source: T. Lassar, *Carrots and Sticks: New Zoning Downtown* (Washington, DC: Urban Land Institute, 1989).

DBIs in Practice

The Metro Vancouver region was selected as a focal point for the original study due to the diversity of DBI frameworks which have been applied across its member municipalities. Those municipalities have a substantial history with DBIs in various forms dating as far back as the 1970s, before specific legislation even permitted their use.

The City of Vancouver

Frameworks used:
- Target Rate Rezoning Negotiations (Standard CAC)
- Uplift Based Rezoning Negotiations (Non-standard CAC)
- Density Bonus Zoning

The City of Vancouver was the first municipality in the region to introduce a formal DBI policy through its municipal charter, creating the Community Amenity Contribution (CAC) program. The CAC program is lauded as one of the first truly successful density benefit programs in the country, gaining international recognition[16] and helping to blaze a trail for neighbouring municipalities once the *Local Government Act* was amended to follow suit.

Vancouver's CAC program relies on target rate-negotiated rezoning for most applications across the city, while also using uplift-based negotiation for large scale rezoning above a certain threshold. A target rate of $3 per square foot ($32.29 per square metre) of increased gross floor space is sought for all rezoning, unless the site is located in a defined neighbourhood area. A total of 13 unique neighbourhood areas are identified in the City's CAC policy which have different target rates based on community need and development pressure. Some targeted rates can reach as high as $55 per square foot ($592 per square metre)[17].

Should a project be large enough or require special considerations, Vancouver planning staff will conduct a non-standard uplift-based negotiation process. Instead of using a targeted rate, these negotiations attempt to determine the increase in land value attributed to the rezoning, with City staff looking to secure approximately seventy to eighty percent of this uplift.[18] Planning staff direct the negotiations with developers, requiring applicants to provide their development *pro forma* in order to help determine the value of the potential uplift.

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[16] J. Punter, *The Vancouver Achievement: Urban Planning and Design* (Vancouver: UBC Press, 2003).
[17] Vancouver Planning and Development, *Community Amenity Contributions - Through Rezoning* (The City of Vancouver, 1999) http://vancouver.ca/files/cov/community-amenity-contributions-through-rezonings-policy.pdf. (Accessed November 15, 2014)
[18] Personal Correspondence, January 7, 2015.

Where non-standard negotiations had been the norm, Vancouver has seen a steady shift towards target rate negotiations due to developer preference.[19] This two-tier system allows the City to provide a degree of certainty for smaller developers while also taking advantage of the opportunity for significant community development which comes along with major rezoning proposals. Between 2010 and 2013, the City of Vancouver's CAC program accounted for an estimated $408 million worth of amenity and affordable housing provisions.[20]

More recently, Vancouver also implemented a density bonus zoning bylaw which is applied to one neighbourhood in the city, providing heightened certainty in the DBI process at the cost of some flexibility. City staff suggest that the feedback from both the public and the development community has been quite positive thus far, indicating that it could see much wider adoption across the city as a whole.[21]

The City of Burnaby

Frameworks used:

- Density Bonus Zoning (CBB)

The city of Burnaby is another local municipality with a considerable history of employing DBI policy to enable the creation of complete communities. Since its implementation in 1997, Burnaby's Community Benefit Bonus (CBB) program has ensured the contribution of a cumulative $154 million worth of amenities and affordable housing provisions.[22]

Burnaby's CBB program relies on density bonuses which are built into its zoning bylaw, but initially they were only permitted in four core Town Centre development areas, as identified by Burnaby's Official Community Plan. Amenity contributions were then directed towards the core area in which the development was being built, so ensuring that the area affected by the density would benefit. However, recent changes to the policy now allow a portion of this contribution to be directed towards a broader quadrant of the city, so allowing for a broader distribution of benefits beyond the defined Town Centre Area.[23]

Most interesting about the CBB program is the method by which provision values are calculated; instead of setting a fixed dollar value target rate like Vancouver's CAC rezoning, Burnaby bases its targeted rate off of market land prices at the time of rezoning. This rate is calculated in-house by the municipality's lands and legal department on a price per square foot of buildable space basis which can easily be estimated by developers and built into their own development *pro forma*.

While the developer may negotiate with the City regarding the value of the land or specific off-site amenity to be provided, staff who are familiar with the practice note that there are very few instances where developers do not take advantage of the bonus density potential to its fullest.[24] By tying the target value capture rate to easy-to-identify market conditions, Burnaby has been able to create a framework which is both flexible and predictable while also requiring that minimal resources be tied up in the negotiation process.

The City of Coquitlam

Frameworks used:

- Target Rate Rezoning Negotiations (CAC)
- Density Bonus Zoning

The city of Coquitlam was selected as a case study municipality in large part due to the recent implementation of its own CAC program. This is being used on a trial basis in conjunction with an established density bonus zoning program which has already been built into its zoning bylaw. While Coquitlam uses density bonus zoning to finance a

[19] E. Duggan, Vancouver head planner Brian Jackson puts sustainability first. *The Vancouver Sun*, October 7, 2014. http://www.vancouversun.com/ (Accessed November 15, 2014)
[20] From General Manager, Vancouver Planning and Development Services to City of Vancouver Standing Committee on Planning, Transportation and Environment, 2013 Annual Report on Community Amenity Contributions and Density Bonusing, 16 October 2014. http://vancouver.ca/home-property-development/community-amenity-contributions.aspx (Accessed March 2, 2015)
[21] Personal Correspondence, January 7, 2015.
[22] City of Burnaby Director of Planning and Building to City Manager, Community Benefit Bonus Policy Review, 15 October 2014. https://burnaby.civicweb.net/document/15125/PL%20-%20Community%20Benefit%20Bonus%20Policy%20Review%20%282014.1.pdf?handle=1E7DE8DDCF1745A6A3CB5E69E82E9648 (Accessed November 13, 2015)
[23] Ibid.
[24] Personal Correspondence, January 14, 2015.

variety of amenities for key growth areas around the city, the local Council also saw fit to implement a CAC policy in order to provide funding, through local rezoning applications, specifically for a much-needed community centre.

With rapid growth expected for the city's neighbourhoods of Burquitlam and Lougheed due to the arrival of a rapid transit line, Council and staff recognized that the benefits which it would attain through its density bonus zoning policy alone would not be enough to meet the strategic community goals that they were hoping to achieve for the area.[25] Working to address this issue in close consultation with the local development community, Coquitlam implemented an additional modest target rate CAC of $3 per developable square foot, which tops out according to the zoning permissions stated in Coquitlam's Official Community Plan. These zones allow an as-of-right FAR of 2.5, which can be increased to a maximum of 4.5 if developers agree to provide amenities valued using a similar process to Burnaby's Community Benefit Bonus program.

This combined program is interesting as it allows the municipality to direct contribution funds towards a specific amenity which individual developments would not be able to provide on their own, using a modest targeted rate to permit growth up to a defined maximum density. This process permits flexibility of development while maintaining the vision set out in Coquitlam Official Community Plan.

The City of Toronto

Frameworks used:

- Uplift Based Rezoning Negotiations (Section 37)

While all municipalities in Ontario are permitted to implement DBI policies under Section 37 of the *Planning Act*, very few do. Planning-related matters in the province are subject to review by the Ontario Municipal Board (OMB)[26], which results in a higher degree of scrutiny than in B.C.[27], particularly related to the discretionary nature of DBIs and rezoning. Of those municipalities that do use Section 37, uplift-based negotiations tend to be the norm.[28]

Of the Ontario municipalities which use Section 37 for DBIs, the city of Toronto is the most prominent. Compared to the Metro Vancouver case studies, however, the Toronto process is considerably less transparent and predictable.

Should a developer seek to initiate a Section 37 rezoning, Toronto municipal staff will attempt to calculate the value of the density uplift similar to Vancouver's negotiations. In Toronto, however, developers do not have to provide their *pro forma* as part of the negotiation, and municipal staff tend to seek fifteen to twenty percent of the value uplift.[29]

The largest distinction in Toronto's process is that planning staff do not conduct the negotiations. Instead, negotiations are between developers and the local ward councillor. While city staff may provide input to the negotiating councillor, the councillor may ultimately choose to ignore staff recommendations to focus on their own political goals. These closed room dealings with individual ward councillors make it very difficult for developers to predict the value of amenities which will be sought through negotiations, resulting in uncertain costs as well as public scepticism.[30]

Relationship of DBIs to Other Financial Tools

The three DBI frameworks discussed previously provide just one set of tools for municipalities to use towards the creation of complete and healthy neighbourhoods. Various other financial tools are available for municipalities in both B.C. and Ontario but are more limited in scope than DBIs. Such tools include:

- Subdivision charges for on-site services;
- Parkland dedication charge;
- School site acquisition charges;
- Municipal property tax; and
- DCCs (DCs) for off-site servicing.

[25] Personal Correspondence, January 5, 2015.
[26] The OMB is a quasi-judicial board which rules on issues related to planning disputes in Ontario municipalities.
[27] Planning disputes in B.C. must be taken to provincial court.
[28] Moore (2013).
[29] Ibid.
[30] Patrick J. Devine & Katarzyna Sliwa, *Section 37: An Update of "Let's Make a Deal" Planning* (Toronto: Fraser Milner Casgrain LLP, 2008).

While these tools also assist municipalities in attempting to ensure that growth pays for itself, their use is prescriptively legislated so that they *cannot* be used to offset many of the social impacts which occur due to increased densification in growing urban communities. The first three tools are very context specific, only permitting the funding of specific community infrastructure while ignoring other community needs and amenities.

Property taxes are the traditional tool used by municipalities to pay for community growth, although the downloading of responsibilities from upper levels of government to local municipalities has resulted in fiscal imbalance at the municipal level in both B.C. and Ontario. Both academic literature and municipal staff who were interviewed as part of the study indicate that current taxation levels are insufficient to meet community need.[31] While property tax rates can be increased, such a move is politically unpopular due to the direct impact on property owners.

DCCs (Development Charges in Ontario) are the tool most commonly compared to DBIs, with critics of DBIs arguing that DCCs are a better planning tool for maintaining the integrity of land use plans and are less prone to opaque political deal making.[32] Unlike DBIs, DCCs are structured on the principle of cost recovery, and do not need to be negotiated. This allows municipalities to implement compulsory DCC rates based on the cost of providing certain infrastructure. While DCCs do avoid the political implications of acquiring benefits in exchange for development rights, the argument fails to account for the legislated limitations placed on DCCs.[33] In B.C., while there is a degree of overlap in terms of what DCCs and DBIs are able to provide for, there are key provisions which only CACs are able to address, such as fire halls, community centres and libraries. Discussions with municipal staff in Metro Vancouver indicate a need to use DCCs and DBIs together in order to properly finance the cost of growth as neither tool is able to adequately meet this demand on its own under current legislation.[34]

In Ontario, DCs are more permissive, including any hard infrastructure which can be considered for growth-related capital costs. However, this excludes the repair or rehabilitation of existing infrastructure or community assets for the purpose of place making or social inclusion.

One community asset which DBIs are better able to address is the provision of affordable housing. Planning theory recognizes the importance of providing affordable housing options as an integral part of developing complete communities. High levels of growth in Canada's urban municipalities often mean that lower income families are becoming increasingly hard-pressed to find adequate housing options. With the downloading of community housing services from the provincial to the local level in both B.C. and Ontario, DBIs are a useful tool to encourage the development of affordable housing units in the form of inclusionary zoning.

Inclusionary zoning policies which explicitly require affordable housing can prove costly to developers, running the risk of discouraging development and limiting housing supply, ultimately driving up prices as a result. However, using the incentive of extra density as part of a DBI allows for a more flexible alternative to encourage the provision of affordable units in exchange for greater development potential. All three Metro Vancouver case studies indicated considerable success in this regard.

Research Findings and Conclusions[35]

Based on issues identified through the case studies, academic literature review, government guidelines and interviews with municipal staff and members of the development community, four key factors were identified as being vital to the success of a DBI framework:

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[31] Personal Correspondence, January 5, 2015.
[32] P. M. Condon, Vancouver's 'Spot Zoning' is Corrupting Its Soul. *The Tyee*, 14 July 2014, http://thetyee.ca (Accessed March 2, 2015).
[33] In B.C., DCCs are calculated based on the anticipated cost of providing a certain level of service as it relates to new development over a certain time period. For municipalities other than Vancouver, the services which can be included are limited to roads, sewage, water, drainage and parkland acquisition. Vancouver, through its Charter, can require funding for additional soft services such as child care facilities and affordable housing replacement for people displaced by development. It does not include new affordable housing stock net of that required to accommodate those specifically displaced by the development.
[34] Personal Correspondence, January 5, 2015.
[35] The findings of this report are based on qualitative feedback provided through academic research, policy review, and interviews with stakeholders familiar with the process. Given the scope of the research parameters, no in-depth economic analysis of policy options was undertaken.

Figure 4: Summary of DBI Framework Analysis

DBI Framework	Uplift Based Rezoning Negotiation	Target Rate Rezoning Negotiation	Density Bonus Zoning
Acceptability	Low	Medium	High
Predictability	Low	High	High
Flexibility	High	Medium	Medium/Low
Transparency	Low	Medium	High

- **Acceptability:** A DBI framework must not undermine public trust in the planning process. It must work in concert with other planning documents, such as official plans.

- **Predictability**: Unpredictable timeframes and costs make projects difficult to evaluate for both developers and their investors. The expectations for DBIs must be defined as clearly as possible.

- **Flexibility:** DBIs must be able to react to changing market demands and community needs. Restrictive frameworks may stifle development and community building potential.

- **Transparency:** DBIs must be a win-win for developers and the community. The process should be as straightforward as possible, with clear goals and frequent reporting on amenities obtained and how funds are spent.

Each of the three DBI models discussed feature specific strengths and shortcomings in relation to the four criteria. A general qualitative analysis of the three archetypes is provided in Figure 4 above.

Of the three frameworks, uplift-based rezoning negotiations, which is the most prevalent form used in Ontario, tends to be the most problematic. Analysis of the case studies showed these frameworks to be unpredictable, opaque and a source of public apprehension.[36] While they are accepted in practice by the OMB, this report recommends that the Province of Ontario promote alternative frameworks which are more predictable and transparent in nature.

The case studies from the Metro Vancouver region demonstrate that both target rate rezoning negotiations and density bonus zoning DBIs can be used to great effect as a tool for the creation of complete communities, as long as they are implemented carefully and their expectations are kept modest. These policies work best when tailored for individual neighbourhoods, proactively identifying community need rather than reactively trying to address demand. Most importantly, these policies can address the gap in current DC provisions by addressing affordable housing as a tool for inclusionary zoning.

In order to ensure effective use of these tools while minimizing their impact on the housing market, Ontario's provincial government should provide as much clarity as possible to local municipalities on how to implement effective DBI policy. British Columbia is a leader in this regard, having published clear guidelines for DBI use which establish the principles of acceptability, transparency and predictability, while still permitting a degree of flexibility in local policies.[37] B.C.'s guidelines also recommend the implementation of monitoring frameworks similar to those used for DCCs, requiring annual progress reports to the public and comprehensive program reviews every five years.

With the review of Section 37 and Development Charges currently under way, Ontario would do well to learn from the practices in British Columbia and Metro Vancouver's member municipalities. DBI's are proven tools for effective growth management, and the promotion of their proper implementation will go a long way in assisting the rapidly urbanizing municipalities of the GGH and beyond.

[36] Moore (2013), Condon (2014).
[37] British Columbia Ministry of Community, Sport and Cultural Development. (2014). Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability.