RENOVATE THE PUBLIC HEARING:

SEPTEMBER 2024

FINANCIAL ANALYSIS OF DIRECT AND INDIRECT COSTS OF PUBLIC HEARINGS IN LAND USE PLANNING

city squared.

RENOVATE THE PUBLIC HEARING

SFU MORRIS J. WOSK CENTRE FOR DIALOGUE

ACKNOWLEDGEMENTS

This report was prepared by City Squared Consulting and the SFU Morris J. Wosk Centre for Dialogue's Renovate the Public Hearing Initiative to provide an overview and understanding of direct and indirect costs of the public hearing process, and make recommendations to improve public engagement and increase the housing supply.

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ABOUT THE RENOVATE THE PUBLIC HEARING INITIATIVE

The Renovate the Public Hearing Initiative (RPHI) is a collaborative initiative housed by Simon Fraser University's Morris J. Wosk Centre for Dialogue and funded by CMHC's Housing Supply Challenge. Renovate the Public Hearing works to explore improvements and provide evidence-based recommendations to British Columbia's provincial requirements for local government land use public hearings, as a means to enhance upstreamed, value-based public engagement, streamline affordable housing approvals and other land use processes, and strengthen community building and democratic principles.

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ABOUT CITY SQUARED CONSULTING

City Squared Consulting is a firm specializing in the economics of land use planning. We analyze the financial trade-offs associated with plans, projects and policies at both the site and city-wide levels. Our unique approach emphasizes calculating both social and economic costs to support better decision-making.

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1 INTRODUCTION

The public hearing has long been seen as a democratic method to gather opinions from the community and an important tool for land use planning and management. However, concerns about inadequate housing supply and the extent to which the public hearing is compatible with principles of reconciliation, equity, and sustainability has led to a widespread appeal to review the current system. A historical legal examination reveals that the original intention of planning legislation requiring public hearings was not to elicit a broad cross-section of community input, but rather as a means to protect the legal rights of existing property owners. While the legislation has been updated over time, the framework and intention of the original legislation remains a strong force behind public hearings today.

There are several projects underway which are proposing legal and principle-based reform to strengthen the democratic nature of public hearings. One of these projects is the Renovate the Public Hearing Initiative (RPHI), being undertaken by Simon Fraser University Morris J. Wosk Centre for Dialogue. The goal of the RPHI study has been to *"identify evidence-based recommendations for revising British Columbia's Local Government Act public hearing requirements to create stronger public engagement practices, supports for reconciliation, and more effective local government pre-development approval processes."* The RPHI Study has four objectives:

(1) Analyze existing legal frameworks, including relevant case law, and explore options for legal reform
(2) Increase understanding of how public hearings evolved and their effects
(3) Improve democratic decision-making by building stronger trauma-informed and culturally respectful relationships among government and citizens
(4) Pilot and evaluate alternative options for public input that meet the needs of local governments and communities

To help RPHI meet the first and second objectives, the BC Law Institute was retained to undertake a review of the legal foundation of the public hearing system. 'An Examination of Public Participation in the Adoption of Local Bylaws on Land Use and Planning' is a useful primer on the legal context and planning tools which are available to municipalities. It traces the legislative history of the public hearing and explores advantages and disadvantages of the system.

The RPHI team is also undertaking community engagement that will enhance social justice, community building and strengthen British Columbia's democratic culture. They have run several workshops and engagement exercises to elicit feedback from a broad cross-section of the public. These workshops have reviewed perceptions of the current system, and the manner in which it tends to exclude marginalized groups. The RPHI team ran a residents' assembly pilot project in partnership with the Town of Gibsons, aiming to include a more representative cross-section of voices in the official community planning process, and is also partnering with the SFU Centre for Dialogue in evaluating two further residents' assemblies in Burnaby and New Westminster.

Throughout the RPHI study, feedback from workshops highlighted the negative impact of the public hearing on the supply of affordable housing projects. It is generally perceived that the outsized voice given to existing property owners during public participation has contributed to development bylaws that restrict supply of these projects. The RPHI team felt additional research was needed to understand the costs triggered by the public hearing.

The RPHI team retained City Squared Consulting (CSC) to develop a detailed project scope to review the direct and indirect costs of the public hearing in the adoption of local bylaws and land use planning on affordable housing providers. Affordable housing projects have characteristics that often make them more vulnerable to the effects of public participation than market development. This report aims to quantify the economic, social and environmental costs of the current public participation system, both directly and indirectly. A comprehensive understanding of these challenges will help to establish policies and practices that mitigate unintended impacts. The overarching goal of the project is to improve the quality of public participation while increasing housing supply.

Chapter 2 identifies goals and objectives of the *RPHI: Financial Analysis of Direct and Indirect Costs of Public Hearings* project. Goals and objectives of this project build off of the pillars of the Homes for People Action Plan established by the provincial government.[1] Incorporating provincial objectives will ensure alignment in working towards the project goal of *"better understanding the direct and indirect costs of the public hearing process on non-profit organizations in order to make recommendations that will improve public engagement and increase the housing supply."* The introduction sets up five objectives for an improved public participation system. Case studies review the ability of the current system to meet this standard and will provide direction for a review of best practices.

Chapter 3 provides an overview of the legal origins of the public hearing requirement in land use planning legislation in British Columbia. The section reviews the history of the legislation and how it has evolved to present day. This includes the introduction of Bill 44 which prohibits public hearings for rezonings that align with official community plans and pre-zoning for 20 years of growth. This chapter reflects on how case studies in this report will be affected by Bill 44 and anticipates which costs will continue to apply under the new legislation.

Chapter 4 presents the housing spectrum and the housing typologies that will be the focus on this report. This includes below-market housing or affordable housing, supportive housing and purpose-built rental. While the report discusses all three of these typologies, the focus is on below-market rental which we will generally refer to as 'affordable housing'. This section will review the rationale for this focus and why this type of housing is most vulnerable to the costs of the public participation system.

Chapter 5 provides an overview of economic considerations which must be factored into any affordable housing policy. Affordable housing projects have a different test for financial viability than market projects which makes them sensitive to a range of conditions. This chapter will review these factors and provide the foundation for a better understanding of how public participation can 'cost' a project in the case study section.

[1] https://strongerbc.gov.bc.ca/housing/

Chapter 6 reviews the direct costs of the public hearing. These are the site-specific costs triggered by the public hearing process. Each of the eight case studies will review one or more of the financial, time, housing supply, land holding, social and environmental costs of the current system, aiming to quantify where possible. An evaluative framework will be used to assess the level to which the current system is meeting the objectives outlined in Chapter 2.

Chapter 7 reviews the indirect costs of the public hearing, which are the city-wide or larger scale costs. Affordable housing projects are sensitive to changes in project concept such as parking, density and building height. The indirect case study section looks at how public participation can influence city-wide bylaws governing these attributes, including zoning bylaws, parking bylaws and official community plans. This section will quantify the impact of a downward pressure on heights and density and an upward pressure on off-street parking requirements.

Chapter 8 reviews case study implications and recommendations through the lens of our five public participation objectives. Chapter 9 and 10 present best practices and conclusions which build off recommendations from the case study analysis. Best practices reflect policy that supports affordable housing and public engagement that meets our five objectives.

2 GOALS AND OBJECTIVES

The pillars of the provincial housing action plan provide a useful starting point for developing goals and objectives for the RPHI Financial Analysis study.[2] These are province-wide objectives underpinning new legislation aimed at increasing the housing supply and include:

- Unlocking more homes, faster
- Delivering better, more affordable homes
- Supporting those with the greatest housing needs
- Creating a housing market for people, not speculators

These objectives aim to alleviate the growing housing crisis experienced at all levels of the housing spectrum in British Columbia. Development in municipalities across the province has not kept pace with demand. This has led to an affordability crisis where residents across the socio-economic spectrum struggle to find housing. Outdated zoning rules, a slow approvals process, and a public participation process which favours bylaws that restrict development have been identified as causes.[3]

In addition to provincial goals for housing, we have reviewed the objectives of the Renovate the Public Hearing Initiative for public participation in land-use planning. Through their consultation and research, the team has developed a principles-based evaluation framework referenced as REEDS: Reconciliatory with territorial First Nations, equitable, evidence-based, democratically legitimate, and sustainable.[4]

[2] https://strongerbc.gov.bc.ca/housing/
[3] An Examination of Public Participation in the Adoption of Local Bylaws on Land Use and Planning. BC Law Institute.
[4] RPHI REEDS Framework

With these objectives in mind, the RPHI team and City Squared Consulting have developed project goals and objectives for the financial analysis component of the project. The primary goal of the financial analysis is:

"To better understand the direct and indirect costs of the public hearing process on non-profit organizations in order to make recommendations that will improve public engagement and increase the housing supply."

In other words, we seek a better way to engage the public in land use decision-making by understanding the costs of the current system. To achieve this goal, we can imagine a system that is:

- Democratic
- Promotes equity: social, economic and environmental
- Recognizes land economic realities
- Minimizes costs to groups involved in the delivery of affordable housing
- Removes barriers to supply

This study looks at the costs of the public hearing process in its current format. Each case study will review the ability of the current system to meet these objectives.

Since costs are the focus of the study, the case studies can appear to have a negative view of public participation. It is important to remember that these costs pertain to the current structure, not public participation in general. This study aims to highlight the importance of good public participation, by measuring the costs to society when the system is not meeting these objectives.

Dozens of stakeholders were interviewed to collect the data included in the following case studies. In some cases, the non-profit organization or developer was willing to include identifying information. In other cases, participants indicated they would rather remain anonymous. Detailed cost information can be highly sensitive, in addition to opinions in general about the current approvals process. Non-profit developers are often reticent to fully disclose negative experiences with government agencies and vice versa so as not to damage future working relationships. Some case studies may not be fully referenced to respect these decisions, but the entirety of the information in this report is based on fulsome, comprehensive data collection and analysis.

[4] RPHI REEDS Framework

3 OVERVIEW OF EXISTING AND PROPOSED PUBLIC HEARING PROCESS

3.1 OVERVIEW

To understand the public hearing requirement as it exists today, it is helpful to review its legal origin in land use planning legislation in British Columbia.

The original *Town Planning Act* (1925) provides "the essential elements of the planning and land use regulation toolkit."[5] These tools are the "official comprehensive plan, the zoning bylaw with a mandatory public hearing"[6] and protection for existing uses from new regulation, among others. The official comprehensive plan and zoning bylaw continue to be the essential elements of municipal planning today, while the 'mandatory' component of public hearings is the subject of legislative change.

The original legislative tools provided to municipalities in the *Town Planning Act* aimed to limit the power of municipalities to impact existing property owners. A municipal council was instructed not to impose any regulations through the passing or amending of a zoning by-law until all persons whose property would be affected have been given a chance to be heard. This has traditionally meant neighbours and adjacent property owners, not a broad cross-section of the population in the municipality. The Municipal Act (1957) continued in the spirit of the original Town Planning Act and the Municipal Amendment Act (1987) and is the "source of legislation on public hearings that remains in place today."[7]

That is, until recently. As the provincial government has begun taking a more proactive role in increasing the housing supply, renewed focus on the impact of the public hearing has prompted legislative changes. Bill 44 was introduced on November 30, 2023, and it prohibits public hearings for site-specific rezonings that are official community plan (OCP) compliant.[8]

Prior to Bill 44, a public hearing was required for the adoption of three different types of bylaws under Section 464:

(a) Adopting an official community plan bylaw
(b) Adopting or amending a zoning bylaw
(c) An early termination of a land use contract bylaw

With the requirement for the public hearing to occur after first reading but before third reading of the proposed bylaw. Mirroring the language in the original *Town Planning Act*, the public hearing must give adjacent property owners a chance to be included in the hearing or "all persons who believe that their interest in property is affected by the proposed bylaw must be afforded a reasonable opportunity to be

[5] BCLI Study Paper on Public Hearings, An Examination of Public Participation in the Adoption of Local Bylaws on Land Use Planning Buholzer, *BC Planning Law*, *supra* note 38 at § 1.9.
[6] *BC Planning Law*, *supra* note 38 at § 1.9.
[7] See Buholzer, *BC Planning Law*, *supra* note 38 at § 1.17 ("In 1985, the planning and zoning powers were rewritten (but not fundamentally altered) as Part 29 of the Municipal Act, to which the present Part 14 bears a close resemblance." [footnote omitted]).
[8] And the residential portion of the development accounts for 50% or more of the total development area.

heard or to present written submissions respecting matters contained in the bylaw that is the subject of the hearing."[9]

With the passing of Bill 44, no public hearing will be required for **(b)** *(adopting or amending a zoning bylaw)* if the bylaw is consistent with the official community plan. This is summarized by the following statutes which have been added to Section 464:

A local government must **not** *hold a public hearing on a proposed zoning by-law if:*

> *(a) an official community plan is in effect for the area that is the subject of the zoning by-law,*
> *(b) the bylaw is consistent with the official community plan*
> *(c) the sole purpose of the bylaw is to permit a development that is, in whole or in part, a residential development.*[10]

The intent of the legislation is therefore to focus public engagement at the official community planning stage. It is envisioned that this will foster a more balanced and democratic approach to allocating density and capacity for development during official community plan engagement. This is intended to relieve the pressure on council from property owners to block site-specific rezonings that are OCP-compliant.

In addition to a prohibition on public hearings for rezonings that align with the OCP, municipalities must now 'pre-zone' or ensure their zoning by-laws have capacity for 20 years of housing growth. This is summarized in Section 481.7:

(1) A council of a municipality…must exercise the powers under section 479 [zoning bylaws] to permit the use and density of use necessary to accommodate at least the 20-year total number of housing units required to meet anticipated housing needs.

(2) The council of a municipality must, within the prescribed period after December 31 of the year in which the council received the most recent housing needs report, review and, if necessary, adopt a zoning bylaw to permit the use and density of use required to be permitted under this section.

The intent of these changes in Bill 44 is to remove the rezoning requirement for housing and expedite development to meet housing needs.

To facilitate the implementation of Bill 44, the province has also introduced Bill 46, which allows municipalities to collect Amenity Cost Charges, or ACCs. The ACC legislation allow municipalities to levy a charge on development to fund growth amenities such as community centres or libraries. These amenities have historically been funded through site-specific rezoning negotiations, which could be lengthy and slow down the development approvals process. The intent of Bill 46 is to formalize these cost charges in order to increase transparency and expedite approvals. The ACC legislation will allow municipal governments to calculate a charge that will capture land value when pre-zoning sites.[11]

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[9] Section 465 (2) of the Local Government Act
[10] Section 464 (c) (3) (a,b,c) of Local Government Act
[11] Part XX1V-B Amenity Cost Charges of Local Government Act

3.1.1 BILL 44 AND THE RPHI PROJECT

Conducting a study on the costs of the public hearing during a time of significant legislative changes to the public hearing process presents some challenges. Many of the case studies in this report occurred prior to the enactment of Bill 44, when public hearings were required for OCP-compliant rezonings. The study must therefore predict which costs will still apply and in which contexts. We must ask the question:

In what circumstances will public hearing costs apply under the new legislation?

Interviews with dozens of stakeholders in the affordable housing industry have provided the following insights on how Bill 44 will impact affordable housing development:

(1) One of the major drivers of costs to affordable housing projects is the uncertainty surrounding project rezonings. Applicants can spend years planning for a rezoning, without assurance that the project will receive approval at 3rd reading. In cases where sites have not been pre-zoned for viable projects, a rezoning will still occur. While there may not be a formal public hearing, many municipalities will seek to keep their residents informed through other means (meetings, online notices, etc.) The same pressures that exist at the public hearing can be exerted on council if they must vote on a site-specific project. In addition, council members can carry the same prejudices against low-income housing that the general public demonstrates. As a result, developers and municipal planners have both expressed doubts that Bill 44 will fully relieve pressures to restrict affordable housing supply for sites that require rezonings, even when OCP-compliant. **OCP Compliant rezonings may still trigger 'public hearing' costs in areas that are not pre-zoned for viable projects.**

(2) Affordable housing organizations own lands across the full spectrum of locations and zones in a municipality. The official community planning pre-zoning exercise can not always predict where these lands are located and allow for financially viable designations across a municipality. The very nature of the official community planning process is top-down rather than bottom up (recognizing who owns what land where), which means affordable housing stakeholders will own lands that do not receive designations that give them the planning permissions for viable projects. An organization seeking to develop their land in this context would still require an official community plan amendment under the new system, triggering the costs of the public hearing. **Projects on lands owned by non-profits that require official community plan amendments will trigger public hearing costs.**

(3) Affordable housing organizations that do not own land need access to cheap land. This is because the cost to develop an affordable housing project is higher than the revenues generated by the project. In other words, affordable housing projects support a negative land value, meaning they should hypothetically pay less than $0 for their land for the revenue stream supported by the project (Revenues – Costs = Land Value).[12] This is because below-market rents and social purpose space 'cost' the project in terms of lower revenues, and push down the size of the loan the project

[12] Land economics associated with affordable housing development will be discussed in the next section.

can support. Since free land is not always available, inexpensive land is the next best alternative, with the equity shortfall filled through donations or subsidies. Since land value is determined by zoning permissions, cheap land often has limited land use density and use permissions (industrial lands, single family dwelling lands, peripheral lands, low density commercial lands). Lands which are designated for the height and density needed for a viable development project are often too costly for a non-profit organization to acquire.[13] This is why communities may see affordable housing projects in unexpected locations, such as in industrial or commercial areas. The necessity for low cost lands increases the likelihood of a rezoning to permit the form and height needed to proceed. **Projects that must acquire inexpensive land on sites with low density permissions will require official community plan amendments that will trigger public hearing costs.**[14]

We can therefore respond to our question 'In what circumstances will public hearing costs apply under the new legislation?' These costs will still apply in many of the approval scenarios facing non-profit organizations. The level to which these costs will apply will depend on the comprehensiveness and thoughtfulness of pre-zoning for affordable housing. While not all rezonings will trigger the costs outlined in the study (sites pre-zoned for viable projects, rezonings for OCP-compliant projects in supportive municipalities), some will (rezonings that are not OCP-compliant, sites that are not pre-zoned). For simplicity, case study analysis will use the term 'rezoning' as the trigger for the direct and indirect costs of public hearings, even though they may not apply to all affordable housing projects.

[13] This is not always the case as some municipalities have policy that specifically allows for higher density for social housing, purpose built rental housing or inclusionary zoning or only permits social housing. The intention is to push down land value so sites are financially viable for acquisition. One example is the in the City of Vancouver DTES Plan which requires a mix of below-market units on many sites.
[14] It is important to remember that this is not ideal, but it is the reality of what often what happens under the current planning system due to economic realities. Spot rezonings that are not anticipated by the OCP can have unintended servicing and amenities consequences, but non-profits often have few alternatives. The recommendations section will take these land economics dynamics into account when proposing strategies that increase supply in a more comprehensively planned manner.

4 THE PUBLIC HEARING AND THE HOUSING SPECTRUM

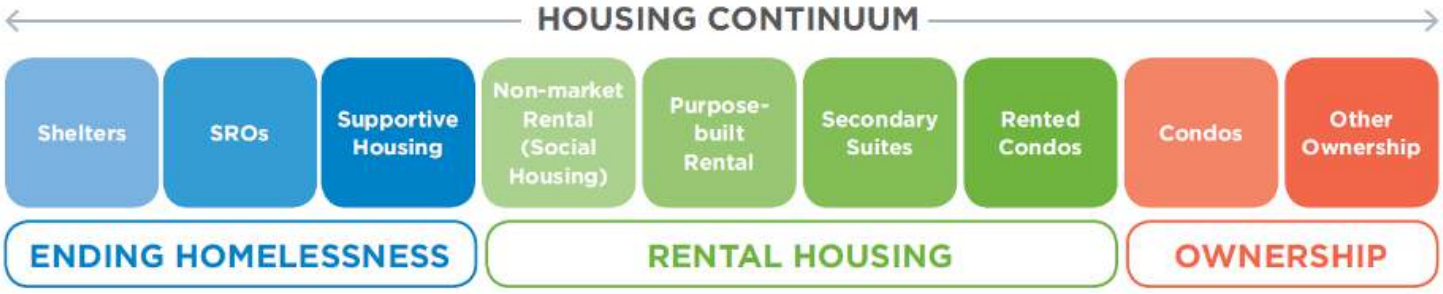
This chapter will review typologies along the housing continuum and discuss categories which are the focus of the RPHI financial analysis.

Exhibit 1 illustrates the different types of housing that a community needs, from housing aimed at ending homelessness, to rental housing, condominiums and other forms of ownership. The primary factor which changes along the continuum is housing affordability, or the income required to financially support each type of housing. This is not the only factor, but it is a key consideration driving the continuum.

Affordable housing is defined as housing which can be supported by 30% of an individual's income, with the 30% calculated based on gross income (before taxes). Thus, there is no single definition of affordable housing, as income levels change based on the individual. Middle income individuals may be able to support purpose-built rental housing, while higher income individuals could support condominium ownership. Lower income residents may require supportive housing or non-market social housing.

Another factor which changes along the continuum is level of support. There are typically community, mental health and other supports in the Ending Homelessness category, as these residents typically have higher needs. These types of housing are generally subsidized and operated by BC Housing or other non-profit organizations. Housing units in the Rental Housing and Ownership categories typically do not have on-site supports.

Exhibit 1: The Housing Continuum

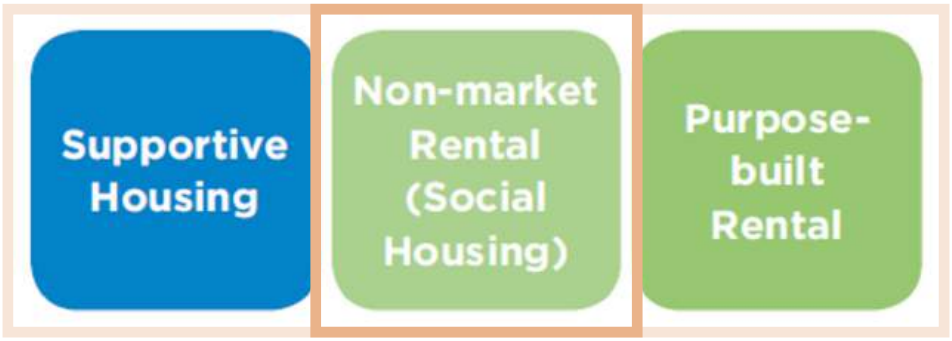


This report includes discussions on supportive housing and purpose-built rental housing but will be primarily focused on non-market housing which we will refer to as **affordable housing** or **below-market rental** in this report. This focus of the report is on below-market rental for several reasons:

- There are housing supply challenges for every category of the housing continuum. However, non-market rental housing has multiple characteristics that increase its vulnerability to the risks associated with the public hearing.

- Development projects in the 'Ending Homelessness' category are typically funded and led by BC Housing. This gives them access to provincial funding and expertise. While these types of housing projects are also subject to significant public opposition which can lead to costly delays, BC Housing has the capacity to move projects forward and obtain approvals.
- Social housing projects are often spearheaded by non-profit groups with social goals beyond economic and financial goals. These groups involve community associations, churches, non-profit developers. This process can start with access to land, but minimal capital or cash and development experience. While these projects can access provincial or federal funding, the amount of funding is fixed and there is significant competition from more experienced developers. These groups are highly sensitive to risk and a public hearing may add significant additional risk to a project.
- Purpose-built rental projects are also sensitive to the risks associated with public hearings and a lack of development uncertainty. These projects have marginal economic returns, and often require favourable market conditions and municipal policies that provide development cost charge exemptions and/or extra density. However, these projects are typically led by more experienced developers with access to capital and significant development experience with knowledge of the approvals process. This can help to mitigate risk.

Exhibit 2: Focus of the RPHI Financial Analysis



4.1 DEFINITIONS

There are several terms used throughout this report:

- **Affordable housing:** Affordable housing and below-market housing will be used interchangeably in this report. These are terms that refer to all types of Non-Market Rental (Social Housing) as shown in Exhibit 2, and do not have supports. These projects will have a housing agreement in place to offer below-market rents for a set period of time. In reality, affordable housing can refer to all housing along the continuum. However, the term is often used to refer to 'below-market' housing, as it is in this report.

- **Non-profit organization:** *'Non-profit organization'* is a catch-all term used in this report to refer to the non-profit organizations, societies, co-ops, developers or other parties that are involved in affordable housing development or operations.
- **OCP-compliant:** A rezoning that proposes use and density that aligns with an official community plan
- **Rezoning/OPA:** Projects that require both a rezoning and official plan amendment
- **Pre-zoned:** Lands that are zoned to meet the 20-year housing needs reports targets once official community plans are completed to align with Bill 44
- **OPA:** Official community plan amendment
- **Amenity Cost Charges (ACCs):** A new development finance tool to collect funds for amenities arising from increased demand for services. ACCs can be collected for community centres, libraries, daycare facilities and other community, cultural, heritage or environmental amenities. ACCs are intended to capture land value generated through a change in land use and were introduced to allow municipalities to prezone sites, without missing the revenue historically collected through negotiated community amenity contributions (CACs).

Types of rents discussed in this report:

- **HILS:** Housing Income Limits, which are rents updated annually by BC Housing for each municipality. Rents are calculated at what is affordable based on 30% of the median gross household income in the municipality.
- **CHF:** A mixed income building with rents that would allow a project to qualify for Community Housing Fund funding through BC Housing. Units are a mix of rent geared to income (50% of units), market rent (30% of units) and deep subsidy (20% of units).
- **MILS:** Middle Income Limits. Rents geared to residents with incomes that could be considered middle income and is based on the number of bedrooms, as defined under BC Builds.
- **MIHRPP:** Moderate Income Housing Pilot Program. A below-market rental program piloted by the City of Vancouver.
- **Below-market rents:** Any units renting at below-market rates as set out in a housing agreement. Below-market rents can be offered at any level below-market and secured with a housing agreement.

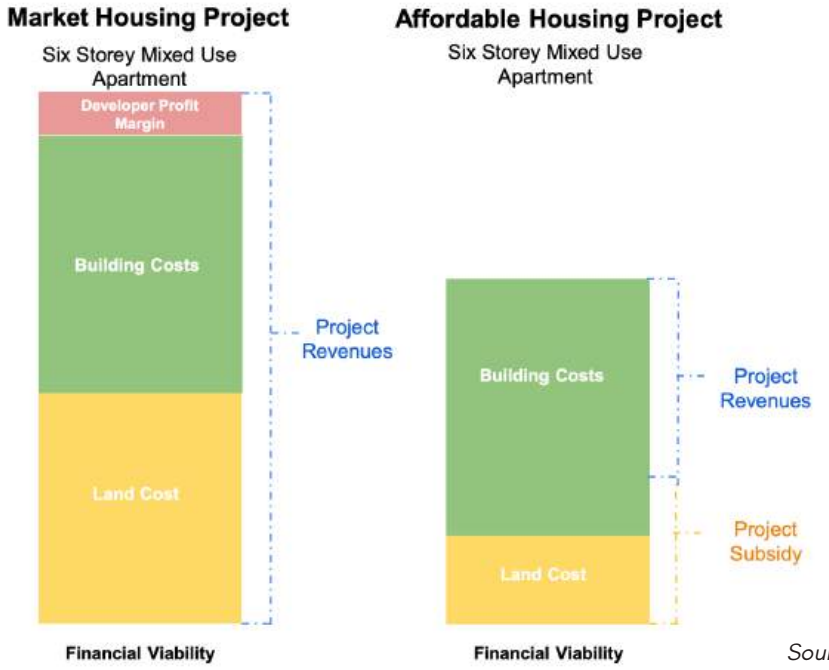
5 LAND ECONOMICS AND AFFORDABLE HOUSING

An overview of land economics as it pertains to affordable housing will provide a useful background for understanding the economic, social and environmental costs outlined in the case study analysis.

5.1 ECONOMIC VIABILITY

The term 'financial viability' is used throughout this report to refer to projects which have the revenues, costs and funding to proceed to development. However, the test for financial viability is different for market or affordable housing projects. Market projects assess viability based on achieving a specific profit margin which is financial return on investment. Social housing projects test whether a project has sufficient subsidies or donations to fill the equity shortfall (the gap between funding supported by project revenues and project costs). A visual comparison of both approaches is summarized below.

Exhibit 3: Financial Viability of Market and Affordable Housing Development



Source: City Squared Consulting

Both examples represent viable projects. For market housing, the viability test could be summarized with the following equation:

Revenues (-minus) Construction Costs (-minus) Land Cost = Profit (13% of revenues) or (15% of costs)

A market project typically targets a profit margin of 15% of costs (or 13% of revenues). This is higher than the return required, say, on equities or stocks, as the risk associated with development is higher. This rate of return is also not set in stone. An inexperienced developer may look for a 20% return due to their increased risk profile, a developer that has held land for a long time may require a lower profit margin,

or a market rental project may seek a 10% return to secure a long-term income stream. Overall, however, the industry standard is 15%. Since revenues at the project are fixed based on achievable market prices, it follows that there is a maximum price you can pay for land and still cover the costs of development and generate the target return on your investment.

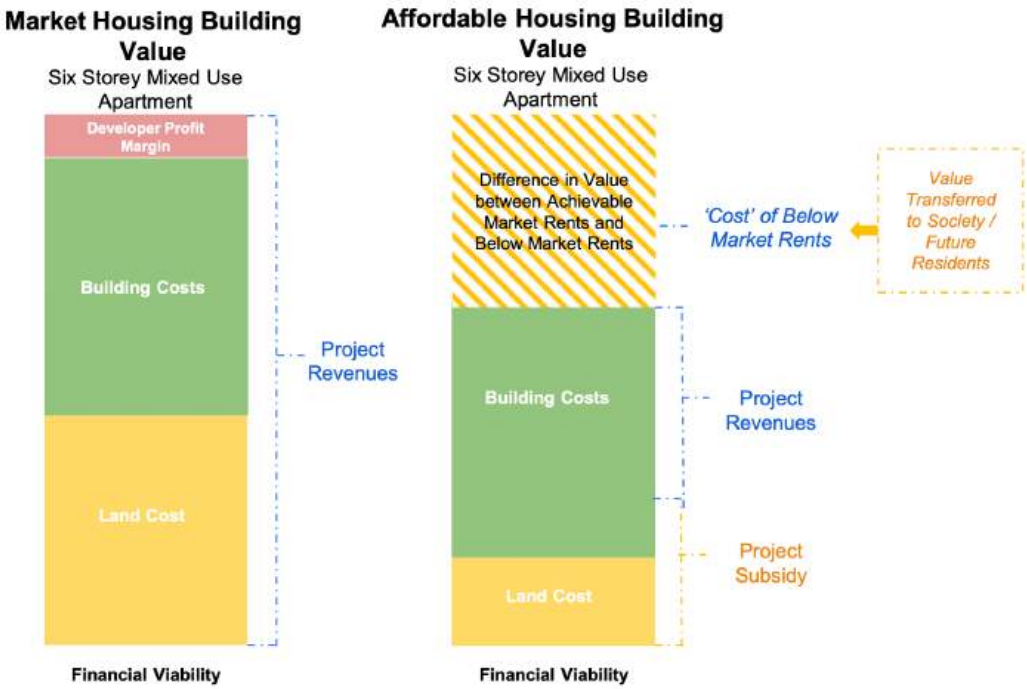
With respect to affordable housing, a simple equation which shows financial viability could be:

Revenues (-) Construction Costs (-) Land Cost = Equity Gap / Subsidy

Affordable housing projects have a different test for financial viability. Typically, the cost to develop a project is higher than the revenues generated by the project, resulting in an equity shortfall (additional funding needed). This is often the case even when land is included at no cost. The question then becomes: How large is the equity gap, and does our organization have access to additional funding or subsidies that bridges the gap? If the amount of funding or subsidy available is equal to or larger than the equity gap, then the project is able to proceed.

One point that can get lost in the affordable housing discussion is the true value of below-market rents. Even small reductions in rents can 'cost' the project significantly. Exhibit 4 shows that both market and affordable housing projects have the same value. However, affordable housing has two additional considerations: 1) the requirement for below-market rents is reducing how much an affordable housing provider can pay for land, and 2) the difference in achievable market revenues and below-market revenues represents the 'value' that is transferred to society. A project with deeper affordability will have more value transferred to society but may require more subsidies. A project with rents slightly below market, or rent geared to income will require less subsidies.

Exhibit 4: Building Value for Market Housing and Affordable Housing



There are many types of joint ventures, partnerships, and financial agreements that facilitate these projects. Affordable housing developers often build projects for a development management fee that is added to the building costs or subsidize projects with their own equity in exchange for a share of ownership. Some projects deliver social purpose space (daycares, churches) in exchange for land included at no cost. The ratios of cost, revenues, funding and value change at every project but the fundamental equation remains the same.

5.2 LAND ECONOMICS AND PUBLIC HEARING IMPLICATIONS

5.2.1 LAND ACQUISITION AND THE PUBLIC HEARING

Exhibit 4 highlights an important dynamic: affordable housing projects can pay minimally for land. The below-market rents push down the value of land, often below zero.[15] Since free land is not always available, cheap land is the next best alternative. Affordable housing projects typically acquire land in the following scenarios:

(1) Municipally owned lands.
(2) Lands that are designated specifically for affordable housing development.
(3) Lands already owned by the non-profit, co-op, or other organization.
(4) Lands which have low as-of-right permissions and have density bonus options for affordable housing.
(5) Lands with low density and land use permissions (industrial, commercial, low density residential).

What all of these options have in common is they restrict development rights and limit market development options. This reduces land cost and market competition with private developers. This is necessary because affordable housing organizations cannot compete with the private sector for land. This must be kept front and centre in the discussion of public hearings and affordable housing. Policy must be crafted that: a) allows affordable housing projects access to land without increasing the cost of land b) recognizes that some of these land acquisition strategies currently trigger public hearing costs. Examples of how land acquisition options for affordable housing projects can trigger public hearing costs, particularly for **(5)** *Lands with low density and land use permissions (industrial, commercial, low density residential)* will be reviewed in the case study section.

5.2.2 PROJECT CONCEPT AND THE PUBLIC HEARING

Due to high project costs relative to revenues, affordable housing projects are vulnerable to changes to project concept. This includes building height, density, parking, setbacks, unit mix and rents. Importantly, the public has influence over these factors, either at site specific rezonings, or during the establishment of the official community plan. The public can inadvertently increase costs or reduce revenues of a housing project when they suggest changes to building specifications. These changes can either

[15] Negative land value occurs when the cost to build a project is higher than the revenues generated by the project.

increase the amount of funding required to proceed (which has immediate financial costs) or impact the performance of the project to the point where it is no longer financially viable (which impacts housing supply, the environment, mental health of individuals that cannot find housing). Examples of these dynamics and the link to public hearings will be reviewed in the case study section.

5.2.3 COMMUNITY AMENITY CHARGES, AMENITY COST CHARGES AND THE PUBLIC HEARING

Community amenity charges or amenity cost charges use the land value created by land use changes to finance amenities in a municipality. These are often used to generate community buy-in. Since below-market rents capture this value, (Exhibit 4), affordable housing projects can not support additional charges and should not be charged CACs or ACCs.[16] The below-market rents are a community amenity contribution.

[16] There are exceptions to this rule, ie. market projects with a share of affordable housing, the below-market rents may not capture all of the land lift.

6 DIRECT COSTS OF THE PUBLIC HEARING

The first set of case studies will review the direct costs of the public hearing. These are the site or project-specific costs that are triggered by the structure of the process and role of public participation in approvals. These costs include:

- Financial Costs
- Time Costs
- Housing Supply Costs
- Process Costs
- Land Holding Costs
- Social Costs
- Environmental Costs

Each case study will review one or more of these costs, aiming to quantify where possible. An evaluative framework will be used to assess whether public participation in the case studies is:

- Democratic
- Equitable
- Places land economic realities at the forefront
- Minimizes costs to vulnerable groups
- Removes barriers to housing supply

Recommendations will be included for ways to mitigate these costs. These will be reviewed in the implications section to guide best practice selection and policy recommendations. Case studies include:

Case Study 1: Vancouver First Church of Nazarene – Financial and Time Costs
Case Study 2: Rejected Affordable Housing Projects – Impacts to Housing Supply and Housing Needs
Case Study 3: UNITI Partners – Rejected Affordable Housing Project Costs
Case Study 4: Non-Profit Society – Innovative Projects Cost
Case Study 5: Non-Profit Developer – Land Holding Costs
Case Study 6: Municipalities – Social Costs
Case Study 7: Red Door Society – Environmental Costs
Case Study 8: Douglas Park Academy – Daycare Costs

Dozens of stakeholders were interviewed to collect case study data. In some cases, the non-profit organization or developer was willing to include identifying information. In other cases, participants indicated they would rather remain anonymous. Detailed cost information and opinions about the current approvals process can be highly sensitive. Non-profit developers are often reticent to fully disclose any negative experience with government agencies and vice versa so as not to damage future working relationships. Some case studies may not be fully referenced to respect these decisions, but the entirety of the information in this report is based on rigorous, comprehensive data collection and analysis.

6.1 CASE STUDY 1: VANCOUVER FIRST CHURCH OF NAZARENE – FINANCIAL AND TIME COSTS

Project Location: East Vancouver, British Columbia
Non-Profit Organization: The Vancouver First Church of Nazarene
Number of Units: 105 below-market units
Level of Affordability: 30% at Housing Income Limits, 70% at 95% of market
Direct Costs Associated with Public Hearing: Financial, Time

PROJECT SUMMARY

The Vancouver First Church of Nazarene (VFCN) began examining options to redevelop one of their church properties in the fall of 2016. Results from a depreciation report for the two-storey church facility showed the costs to repair the building were set to increase significantly in the coming years. The building was reaching the end of its useful life, which presented both a challenge and an opportunity. The church was located on Kingsway in East Vancouver, an arterial which had begun to see increased multifamily development activity. Members of the congregation began to contemplate the option of developing an affordable rental project. In their envisioned scenario, they could use their land in exchange for the development of a new ground floor church facility, financed by the income stream generated by the affordable units. This would build on their vision to serve their congregation and the community.

A development committee of VFCN congregants was formed and began to meet monthly to discuss the redevelopment prospect. A working group met with VanCity in May 2017 to review possible development approaches with varying degrees of Church involvement. The committee made the decision to hire an architect and a development consultant to begin planning for a rezoning the property.

The property was zoned RM-1, which would allow for townhouse development at 1.2 FSR.[17] This was significantly below the density required to proceed with a multifamily project. However, given the proximity to higher density uses and visibility along Kingsway, the VFCN felt hopeful the site could be rezoned to allow for a six storey rental project. Since no community plan was in place for the area at the time, there was no guidance for the future vision of the area other than City of Vancouver zoning.

[17] Conditionally allowed up to 1.2 FSR

Exhibit 5: Vancouver First Church of Nazarene Project Location - RM1 Zone

Source: City of Vancouver

After business planning deliberations, the VFCN retained an architect in 2018 to develop initial massing plans for the site. The goal was to develop the project under the City of Vancouver rental incentives policy, at a height of 6 storeys and a density of 2.5 FSR. A financial consultant was retained in 2019 to test the viability of delivering affordable rents, daycare space, commercial space and a ground floor church. Initial meetings with the City of Vancouver in early 2020 suggested staff would support a multifamily rezoning, but at an FSR of 2.2 to account for shading impacts to neighbours. Given revenue limitations, the project concept removed a daycare and commercial space. With the completion of a viable business plan, project concept and supportive staff at the City of Vancouver, the VFCN took the next step of issuing a request for proposals (RFP) to social housing developers in 2020.

Through an RFP process led by a team of advisors, a non-profit developer was retained in 2021 to help rezone the property. A new phase of business planning began, with further refinements to the project concept to prepare for a rezoning application. The architect team, geotechnical consultants and development consultants worked through 2021, 2022 and 2023 to prepare drawings, documents, renderings and other site related approvals requirements.

The VFCN held two open houses during the pre-zoning stage at the church facility and public engagement with the City of Vancouver began in February of 2024, taking place virtually from February 12 to February 24. A total of 60 residents provided input at the virtual public hearing. Feedback from the City indicated comments were generally supportive or neutral, although limited further detail was provided. Importantly, the project did not have to go to an urban design panel, which would have recommended changes to the design. It is anticipated that council will vote on the project in May 2024.

6.1.1 PUBLIC HEARING COSTS

The above case study highlights two categories of public hearing costs incurred by the non-profit organization:

- **Time Costs:** The project has been ongoing since 2016 with project approval not anticipated until mid 2024. This is close to 8 years, during which time the church development committee has met either monthly, bi-monthly or weekly.
- **Financial Costs:** The VFCN has been financing the development process with their own funds, with the exception of a $10,000 grant from VanCity. Expenditures by cost category will be included below.

TIME COSTS

Project planning for the VFCN project began in 2016, with a council vote following the public hearing anticipated in May 2024 - a total of 8 years. Exhibit 6 provides a detailed hourly estimate for members of the development committee. During 2016 to 2019, the six (6) development committee members met monthly to discuss the project. During 2020 to 2021, the development committee members met twice a month. Over the 2022 to 2024 period, as the business case planning and detailed renderings required more regular review, the development committee began to meet weekly.

Exhibit 6: Time Costs Associated with Vancouver First Church of Nazarene Development

Year	January	February	March	April	May	June	July	August	September	October	November	December	Notes
2016										6	6	6	Monthly Meetings
2017	6	6	6	6	6	6	6	6	6	6	6	6	Monthly Meetings
2018	6	6	6	6	6	6	6	6	6	6	6	6	Monthly Meetings
2019	6	6	6	6	6	6	6	6	6	6	6	6	Monthly Meetings
2020	12	12	12	12	12	12	12	12	12	12	12	12	Bi-weekly Meetings
2021	12	12	12	12	12	12	12	12	12	12	12	12	Bi-weekly Meetings
2022	24	24	24	24	24	24	24	24	24	24	24	24	Weekly Meetings
2023	24	24	24	24	24	24	24	24	24	24	24	24	Weekly Meetings
2024	24	24											

Our estimate of VFCN time costs associated with the project is 1,146 hours for meetings and an additional 1,146 for preparation and administration of meetings, or 2,300 hours in total. The members of the committee are unpaid, but each hour of time allocated to the project has an opportunity cost. If we assign an hourly professional rate of $150/hour, this equates to a time cost of $343,800.

The primary issue is that 8 years of time expenditure precede the public hearing and a vote from council. This project has invested significant resources meeting with the City of Vancouver to see the level of density and height that would be supported by city staff. This was done in the hopes of increasing the likelihood of rezoning approval. But while support from city staff is important, it is ultimately council that votes on a rezoning. Over the course of the project, there have been two different city councils, with no guarantee that a council supportive to affordable housing development would prevail at the time of rezoning. This is a substantial time risk for a non-profit organization.

FINANCIAL COST

Exhibit 7 summarizes the financial costs associated with the VFCN redevelopment prior to project approval. Between 2016 and 2024, the church has spent $471,793 on the project.

Exhibit 7: Vancouver First Church of Nazarene Financial Costs

Date	Expense	Activity	Total
2018	Architects	Predesign/Schematic Design Phase	$11,135
2019	Development Consultant	Financial Viability Analysis	$23,383
2020	Project Presentation	Project Presentation	$2,310
2020	Project Advisory Services	Project Advisory Services	$2,940
2020	Advisory Services	Advisory Services	$9,555
2022	Consulting Report	Costing	$6,353
2021	Non-Profit Developer	Developer Rezoning Fee	$27,563
2022	Non-Profit Developer	Developer Rezoning Fee	$19,588
2023	Non-Profit Developer	Developer Rezoning Fee	$169,428
2024	Non-Profit Developer	Developer Rezoning Fee	$71,894
2021-2024	Non-Profit Developer	Developer Rezoning Fee	$288,472
2022-2023	Lawyers	Legal Fees	$8,932
2020-2021	Geotechnical Team	Preliminary Geotechnical Report	$1,355
2022	Construction	Cost Estimate	$5,250
2021	Architects	Concept Redesign	$15,750
2022	Business Case Phase Redesign	Business Case Phase Redesign	$16,142
2021	Owners Representative 2021	Owner's Representative Services	$15,225
2022	Owners Representative 2022	Owner's Representative Services	$16,275
2023	Owners Representative 2023	Owner's Representative Services	$41,997
2024	Owners Representative 2024	Owner's Representative Services	$6,720
		TOTAL	**$471,793**

Source: Vancouver First Church of Nazarene

In order to finance these costs, the VFCN has used proceeds from the sale of properties and donations from congregants, in addition to a $10,000 grant provided by VanCity.

Catalyst Community Developments, the non-profit developer on the project, has spent an additional $300,000 on the rezoning process.

Exhibit 8 summarizes the total rezoning costs for the Vancouver First Church of Nazarene project. To-date, the VFCN has incurred $471,793 in financial costs and $343,800 in time costs. Total cost risk for the two groups is $1.1 million. These costs would have been higher if the project was sent to urban design panel for further modifications.

Exhibit 8: Total Rezoning Costs To-Date for the Vancouver First Church of Nazarene Project

Type of Cost	Paid By	Total
Financial	Non-profit organization	$471,793
Financial	Catalyst Community Developments	$300,000
Time	Non-profit organization	$343,800
Total		**$1,115,593**

Source: Vancouver First Church of Nazarene, Catalyst Community Developments

While public feedback for this project has generally been positive, there remains no project certainty. The project could still be rejected at 3rd reading. This is not likely given the location, supportive secured market rental policy in the City of Vancouver and positive public response. However, this case study is demonstrative of the level of risk and time that goes into affordable housing rezonings across the province, often in municipalities and locations which are much less supportive of this type of project. Case Study 2 will review some of these examples.

However, even within the City of Vancouver, public support would likely be different for a project further from an arterial. Given the time and risk costs associated with an arterial rezoning, it is unlikely that a non-profit organization would attempt this project in a predominantly single-family dwelling area.[18]

6.1.2 KEY TAKEAWAYS

- Affordable housing applicants can incur significant time and financial costs prior to public engagement and council approval.
- Significant financial and time costs are incurred without project certainty. This exposes a non-profit organization to significant risk. In the case of the VFCN, they have spent close to $1.1 million and 8 years to get a project through rezoning.
- Council can reject a project or send the project to urban design panel which can further increase time and financial costs.
- If a project is rejected, the non-profit must absorb the loss, with no recourse for compensation.
- The level of risk associated with a public hearing likely influences the locations where a non-profit will attempt a rezoning. Arterials are seen as more acceptable locations for high density development, with less opposition. However, this limits below-market units to locations with high traffic exposure and excludes them from quieter neighbourhoods. This raises public health and equity concerns.
- Public feedback during virtual engagement was focused less on productive input and more on 'yes' or 'no'. The focus is on public approval, rather than constructive community input.

[18] The City of Vancouver Secured Rental Policy pre-zones for four storey rental projects in single family dwelling neighbourhoods.

6.1.3 IMPLICATIONS

Exhibit 9 assesses whether the current public engagement process meets the objectives set out in Chapter 2.

Exhibit 9: Implications of the Vancouver First Church of Nazarene Case Study

PUBLIC ENGAGEMENT OBJECTIVES	OBJECTIVE MET	REASON	RECOMMENDATION
Democratic	Low	The public hearing occurs very late in the approvals process Comments or feedback that could have a material impact on project outcomes would increase costs and risks to the non-profit organization This can reduce feedback to a 'yes' or 'no' from the community which is not productive	Material public engagement should occur earlier in the planning process when it can elicit changes that limits cost risk to non-profit societies Forums for community participation to discuss how to accommodate housing before site-specific development applications when tensions are more likely to be high
Recognizes land economics realities	Low	Municipal density and height decisions can be focused on design at the expense of project viability	Financial viability is a priority and should be considered in establishing policy and through rezonings
Minimizes Costs to Vulnerable Groups	Low	Rezonings place significant cost burden on non-profit organization	Project certainty needs to be offered earlier in the process
Removes Barriers to Housing Supply	Low	High time and financial costs expose non-profit to significant risk. Projects in lower density areas which anticipate public pushback may not be attempted. This relegates affordable housing to arterials and less desirable locations	Policy which does not limit affordable housing development to arterials. Allows for equal distribution in areas where land acquisition costs are low

6.2 CASE STUDY 1: REJECTED AFFORDABLE HOUSING PROJECTS – IMPACTS TO HOUSING SUPPLY AND HOUSING NEEDS STUDIES

Case Study 1 highlighted the time and financial risk facing a non-profit organization pursuing an affordable housing rezoning. In the case of the Vancouver First Church of Nazarene, this included 8 years of time and over $1.1 million. Whether the project is approved or not is not the issue. The main issue is that *projects can be rejected at this stage*.

A review of Exhibit 10 shows a summary of selected affordable housing projects which were rejected by council at 3rd reading. Like the VFCN, they spent several years developing concepts and assembling land. For example, the Masonic Tower spent 12 years developing a concept and preparing for a rezoning. A review of council comments regarding the decision to reject each project is also included in the exhibit. The comments provided by council at rejection often closely align with feedback heard during the public hearing.

Exhibit 10: Selection of Affordable Housing Project Rejected in British Columbia – 2018 to 2023

Society/Non-Profit/Developer	Project	Municipality	Year	Number of Units	Public Hearing Comments Reflected in Council Rejection
Sundance Drive Developments	Affordable Housing Project	West Kelowna	2023	57	*safety concerns*
Catalyst Community Project	Delbrook Affordable Housing Project	District of NV	2018	80	*local community has serious concerns about design, about the impact of this structure on their community*
Hollyburn Family Services Society	Below Market Rental Project	District of NV	2019	100	*campaigned not on creating affordable housing but on social housing*
Goldstream Masonic Hall Association, Victoria Housing Society	Masonic Tower Subsidized Units	Langford	2021	70	*did not align with planning direction*
HUB Collection	Seniors Housing Complex	Prince George	2022	118	*concerns and opposition from area residents, primarily regarding increased traffic*
Vernon Race Track Redevelopment	Kin Race Track Project	Vernon	2022	330	*It is going to take away valuable land space for the future growth of our sports community, too far from town centre*
UNITI	Harmony Apartments for Residents with Disabilities	Surrey	2021	91	*neighbours were concerned about 6 storeys*
Vernon Developer	Hilltop Manor Apartments	Vernon	2021	29	*parking, shade impacts*
Broadstreet Properties	Purpose-Built Rental	Penticton	2021	130	*we're doing exactly what the people in the neighbourhoods are wanting when it comes to development - It's going to destroy the lifestyle of the people that live there at the moment (mayor)*
Taylorwood Place	Purpose-Built Rental	West Vancouver	2019	156	*I think this project is of a scale, size and impact ... that is simply not suitable*
Red Door Housing Society	Ladner Willows	Delta	2022	150	*not opposed to more non-market housing but were concerned about the scale, density and impacts to the neighbourhood.*
Purpose Built Rental Project	2060 White Birch Rd	Sidney	2023	63	*concerns included a loss of views and sunlight for neighbouring buildings*
				1044	

Source: municipal documents, local newspapers

Generally, reasons given by councillors for rejecting projects mirrored comments from nearby residents that had opposed the projects at public hearings. These comments referenced scale, structure size, traffic and parking impacts. In some cases, such as the UNITI project in Surrey, council gave no reason for rejecting the project. This highlights the direct link between public participation, which was largely dominated by adjacent property owners, and zoning policy which is restrictive to affordable housing development.

6.2.1 PUBLIC HEARING COSTS

The above case study highlights an important cost of the public hearing: housing supply. When a project is rejected by council, housing supply is both directly and indirectly impacted:

- **Direct impacts to housing supply:** The direct impact to housing supply in this scenario is clear. From these twelve projects, over 1,000 affordable housing units that had the lands, funds and organization to proceed were not developed. Comments from the public were directly reflected in council's reasons for rejecting projects.
- **Indirect impacts to housing supply:** The rejection of each affordable housing project has two indirect supply impacts:
  a) It increases financial risk for affordable housing and discourages future projects. This impacts the affordable housing supply.
  b) The increased risk leads to negotiations with staff much earlier on in the process, often through a pre-zoning inquiry. A more risk averse approach is adopted to concept planning, limiting units, increasing parking, reducing height. This strategy pre-empts public comments by reducing scale, height, and density. No reporting is done on these early negotiations, or the number of projects that do not get past this stage. This also impacts the affordable housing supply.

Reasons given for rejecting projects in Exhibit 10 closely mirror the concerns of adjacent property owners. This highlights a misalignment of priorities in the approvals systems for affordable housing projects (and housing in general). On one hand, benefits of form are accrued to a few adjacent property owners when a project is rejected. On the other hand, affordable homes are not delivered, increasing our current housing deficit. Supply continues to stagnate, rents increase, homelessness increases, cost of living increases, inflation increases, and quality of life is eroded. Housing is not provided, and a cascade of destabilizing events are triggered. The importance of housing supply over the benefits of form must be kept in the forefront of decision-making regarding housing policy.

An important note is that most of these affordable housing projects were rejected after the provincially mandated Housing Needs Studies were commissioned. A review of the existing housing need in three select communities highlights the scale of the housing shortage (Exhibit 11 shows only existing need, it does not include projected need for additional units). It also highlights that project approvals and the findings from housing needs studies are not being prioritized in decision making and there is little accountability to results of these studies.

Exhibit 11: Affordable Housing Units Rejected and Housing Needs by Municipality

	Affordable Housing Units Rejected	Housing Needs Study		
		Number of Units Below Suitability Standard (not suitable)	Number of Units Below Adequacy Standard (major repairs needed)	Number of Units Below Affordability Standard (more than 30% of income)
City of Surrey	91	17,875	7,045	42,425
City of Delta	122	1,885	1,945	7,295
Vernon	359	570	1,150	5,375

Source: Statistics Canada

No council members discussed the outcomes of the housing needs study in their comments. It is not evident that the scale of residents living in units which do not meet suitability, adequacy and affordability standards was not weighed against form concerns.

6.2.2 KEY TAKEAWAYS

- Affordable housing and purpose-built rental projects continue to be rejected across the province.
- Reasons for project rejections closely mirror concerns of adjacent property owners after contentious public hearings.
- A direct cost to housing supply can be made for units that do not proceed. From Exhibit 10 this represents over 1,000 units. Based on Case Study 1, we can infer that each group could spend upwards of $1 million which must be absorbed by a non-profit society or developer. This has opportunity cost in terms of future units.
- The indirect cost is less obvious. A more risk averse approach to affordable housing planning takes place, and projects scale down their density, units and height in advance of public hearing to ensure buy-in. Many projects are not attempted.
- The public does not get access to pre-zoning meetings with municipal staff, so little is known about this impact.
- The scale of the housing shortage was not mentioned in council comments, putting into question whether housing needs studies are integrated into decision making.

6.2.3 IMPLICATIONS

Exhibit 12: Implications of Rejected Affordable Housing Projects Case Study

PUBLIC ENGAGEMENT OBJECTIVES	LEVEL OF SUCCESS	REASON	RECOMMENDATION
Democratic	Low	Approvals rely too heavily on form concerns from nearby residents, obscuring a rational cost benefit analysis Prejudice against lower income residents is reflected by members of the public and council	A more rational cost/benefit approach to affordable housing approvals is needed Allow comments regarding form to be placed in perspective of larger housing crisis
Equitable	Low	Public comments from nearby property owners are too heavily weighted in development bylaws	Zoning for economically viable affordable housing must not rely on advocacy from marginalized groups, but rather be integrated into land use policy
Minimizes Costs to Vulnerable Groups	Low	Project rejection can have significant financial impacts to affordable housing providers	Policy proofing against societal prejudice, fear and resistance to change
Removes Barriers to Housing Supply	Low	Allows for rejection of projects without accountability to housing goals	Better accountability/linkage to housing needs studies and targets

6.3 CASE STUDY 3: UNITI PARTNERS – REJECTED AFFORDABLE HOUSING PROJECT COSTS

Project Location: Surrey, British Columbia
Number of Units: 91 units
Non-Profit Organization: UNITI Partners
Level of Affordability: Mixed Income Required Under BC Housing CHF Program – shelter, low income and average market rentals
Target Market: Families, seniors, students, residents with intellectual disabilities
Primary Costs Associated with Public Hearing: Construction cost increases

UNITI, a consortium of 3 non-profit organizations first went to public hearing for their 91-unit mixed income housing project in 2021. The Harmony Apartments project, aimed at families, seniors, students and residents with intellectual disabilities was rejected at 3rd reading, despite significant support from the community. Petitions were signed with 407 residents opposed and 5,859 residents in support. No reason was given by council at the time. However, media interviews with councillors suggested neighbours concerned about the six storey building height was a concern.

Sixteen months later,[19] the project returned with another application. After intense campaigning, the project was approved by a new council. In addition to the time and risk costs the non-profit likely faced (Case Study 1) the time delay presented an additional financial challenge.

Their original project tender quoted a total building cost of $36.6 million. Almost two years later after campaigning for the second iteration, their updated quote came in at $57.5 million, an increase of $20.9 million dollars, or an extra $230,000 per unit. Over the 2021 to 2023 period, inflation increased rapidly and building costs doubled. UNITI has stated they will continue to move forward with the project. However, they have expressed regret that, had the project been approved, they would be close to starting construction with significantly less funding needed.

6.3.1 PUBLIC HEARING COSTS

Public hearing costs associated with the case study are:

- **Increases in Construction Costs:** When projects are delayed, construction costs can increase. Affordable housing developers are less able to accommodate these types of costs. Market developers can wait until rents increase, charge higher rents, or cancel projects. Affordable housing providers cannot increase rents and have no profit margin buffer. Increased costs must be funded by subsidies, fundraising, or by reducing project size and scope.
- **Housing Supply Impacts:** These delays can lead to less units built overall, as approved funding would have gone much further in previous iterations of the projects.

6.3.2 KEY TAKEAWAYS

- In addition to significant financial and time costs, projects which have the financial resources to reapply for a rezoning after rejection can face increased construction costs.
- In the case of UNITI Partners, they must find an additional $20.9 million to proceed with the project, or an extra $230,000 per unit.

[19] The Tyee: August 31, 2023, Affordable Housing Has Become Unaffordable to Build

6.4 CASE STUDY 4: NON-PROFIT SOCIETY – INNOVATIVE PROJECTS COST

Project Location: British Columbia
Number of Units: 120 affordable housing units
Level of Affordability: Mixed Income Required Under BC Housing CHF Program – rent geared to income (50% of units), market rent (30% of units) and deep subsidy (20% of units)
Primary Costs Associated with Public Hearing: Time, Labour Costs

A non-profit developer and housing operator involved in innovative construction methods was consulted to review costs associated with the public hearing process. The non-profit identified time and labour costs as a significant risk factor associated with rezonings that utilize alternative approaches to project delivery. Innovative construction methods, and sustainable or accessible development requires more public and municipal education. This in turn requires significant time from non-profit staff and external consultants to prepare presentations and reports and analyze data. Since development funding prior to rezoning is often fixed, the interviewee indicated there was downward pressure on the hourly compensation for project stakeholders for each added administrative requirement.

Time costs associated with innovative approaches to meeting social housing needs can have two outcomes a) reduced hourly compensation for project stakeholders and b) a disincentive to pursue sustainability, accessible, or alternative construction methods.

6.4.1 IMPLICATIONS

Exhibit 13: Implications of Innovative Project Costs

PUBLIC ENGAGEMENT OBJECTIVES	LEVEL OF SUCCESS	REASON	RECOMMENDATION
Minimizes Costs to Vulnerable Groups	Low	The onus of education for innovative approaches to development is placed on the non-profit organization leading development	Provincial or municipal capacity building/ education for government employees and public
Removes Barriers to Housing Supply	Low	Higher costs associated with innovative forms of development increases risk and may impede further risk taking with alternative approaches to construction, homes delivery	Reduce risk from the public hearing process, particularly for innovative forms of development

6.5 CASE STUDY 5: NON-PROFIT DEVELOPER – LAND HOLDING COSTS

Project Location: Confidential
Level of Affordability: Below-market rental apartment
Primary Costs Associated with Public Hearing: Land Holding Costs

This case study reviews an example of a non-profit developer leading a housing project that does not own land. Groups that seek to develop housing projects without land may have an existing housing portfolio and staff resources and wish to leverage their network to build additional capacity to serve the community. This could include societies or charitable organizations that support low-income individuals and people with disabilities, including mental health or substance use issues, that need housing.

A lack of certainty associated with the approvals process presents these groups with unique challenges when developing affordable housing. Land must be acquired in advance of a rezoning and official plan amendment, which requires land acquisition financing. The high cost of land typically ensures a significant loan size, and commensurate high land holding costs. Land holding costs are the debt servicing costs (interest) which is paid on a loan. Because land loans are riskier than loans on improved property (there is no income stream) the interest rate is often higher. For example, a $4,000,000 loan to acquire land at an interest rate of 7% would pay $280,000 annually in interest, or $23,300 monthly.

The high cost associated with holding land has two implications for applicants: a) the length of the approvals process significantly impacts the cost of development and b) approval uncertainty can lead to significant expenditure with no guaranteed social return. Projects that do not proceed incur interest expenses that cannot be recovered.

Non-profit organizations are particularly vulnerable to land holding costs. This is because non-profit organizations often cannot pay for a site which is zoned for the density and height needed for a viable social housing project (See Chapter 5). This puts them through the rezoning process, triggering the costs of a public hearing.

The following case study outlines the costs faced by a non-profit organization proceeding with an affordable housing project. Due to the confidential nature of the project, the organization preferred to remain anonymous. However, their proforma details specific costs associated with a project that had acquired land for a project in advance of a public hearing. The project proceeded in a municipality with a council known for being less supportive of affordable housing rezonings. This greatly increased the level of risk associated with the public hearing process.

6.5.1 PUBLIC HEARING COSTS

Expenditures in this case study have been separated by cost type. Costs in this case study include:

- **Development Application Costs**
- **Consultant Costs**
- **Community Buy-In Costs**
- **Land Costs**

The first category of costs are **development application costs**. This includes OCP and rezoning applications, permits and appraisals. In this particular case study, the cost of applications, permits and appraisals totalled $93,747.

Exhibit 14: Development Application Costs

Appraisals/Studies	$7,250
Building Permit Application	$5,203
OCP/Rezoning Application	$79,321
Development Permit[20]	$1,973
Total: Permits/Applications	**$93,747**

The second category of costs are **consulting fees**. Development applications and rezoning/OPA applications are often made concurrently. The speed of the development permit and rezoning process is dependent on many factors and can take anywhere from one year for a more experienced developer to much longer for less experienced applicants, complex projects or in municipalities with significant development activity. During the approvals process, the applicant is working with architects and engineers to develop project renderings, undertaking geotechnical works and traffic studies. Exhibit 15 summarizes consultant fees for this case study prior to project approval, totalling $389,655.

Exhibit 15: Consulting and Technical Fees

Architect 1	$333,330
Architect 2	$20,280
Civil Consultant	$5,610
Certified Professional	$2,440
Transportation Consultant	$5,180
Geotechnical Investigation	$8,500
Survey Fees	$9,850
Environmental Consultant	$2,500
Arborist	$1,965
Total: Consultants	**$389,655**

[20] Development permit applications and OCP/rezoning applications often happen concurrently to cut down on time costs.

Contentious projects or affordable housing projects which occur in lower density areas may experience significant concern from the public or require substantial public engagement. These projects often require a professional experienced in public engagement and communications at the expense of the applicant to ensure **community buy-in**. In this project, a communications consultant was retained to liaise with the public at meetings and through correspondence throughout the approvals process for $38,305. Community amenities can also often provided by developers to help with community buy-in. These are often not required for affordable housing projects, as the amenity is the below market housing itself. However, in this case an additional community amenity contribution was required at $2,500 for public art. In total, community engagement and community amenities cost $40,805.

Exhibit 16: Community Buy-In Costs

Communications Consultant	$38,305
Community Amenity Contributions/Public Art	$2,500
Total: Community Buy-In Costs	**$40,805**

The last category of costs are **land holding costs**. This category includes other acquisition costs such as lawyer fees, bank charges, and mortgage insurance fees required to purchase land for development.

Exhibit 17: Land Holding Costs

Property Taxes	$9,410
Lawyer 1	$39,922
Lawyer 2	$3,745
Land Financing 1	$936,735
Land Financing 2	$94,000
Bank Charges	$7,776
Mortgage Insurance Fee	$1,900
Other	$868
Total: Land Holding Costs	**$1,094,356**

Based on Exhibit 17, we can see that land holding costs represent the largest risk to the organization in this case study. Interest costs up to project approval total $1.03 million. Land holding costs will continue after project approval but this is the amount the project is risking through the application process. In total, land holding costs represent a cost of $1.09 million.

Exhibit 18: Overall Project Costs

Total - Permits/Applications	$93,747
Total - Consultants	$389,655
Total - Communications and Contributions	$40,805
Total - Land Holding Costs and Financing Charges	$1,094,356
Total Direct Costs of Rezoning	**$1,618,563**

Exhibit 18 summarizes cost by category. In total, this affordable housing project incurred $1.6 million in costs prior to project approval.

6.5.2 KEY TAKEAWAYS

- Organizations that must acquire land in advance of developing an affordable housing project are at greater financial risk during rezoning. Land holding costs are high and increase for time delays and lengthy approvals.
- The case study analysed incurred over $1,000,000 in land holding costs (interest) during the approvals process. This represents 63% of total costs incurred prior to project approval. Total financial risk for the non-profit in this case study is $1.6 million.
- Due to the high cost of land, organizations often acquire land that is zoned or designated for lower density uses to keep the acquisition cost down.
- While this can keep land costs down, this has historically triggered either a rezoning or rezoning and official plan amendment.
- This exposes organizations to the risk associated with a public hearing, when the project could be declined, or additional concessions made that cost the project indirectly.
- Affordable housing projects are highly economically vulnerable, yet provide significant value to society, and therefore need commensurate support. Affordable housing projects should not support community amenity charges which seek to capture land value increases. This is because land value is captured in the form of below-market rents.

6.5.3 IMPLICATIONS

Exhibit 19: Implications of Public Hearing and Land Holding Costs Case Study

PUBLIC ENGAGEMENT GOALS	CURRENT LEVEL OF SUCCESS	REASON	RECOMMENDATION
Equitable	Low	Community engagement specialist or community amenity is needed to ensure community buy-in, with the cost borne by the non-profit organization	Eliminate the need to for non-profits to advocate or hire engagement specialists at their cost for below-market projects, rather base decisions on housing need
Minimizes Costs to Vulnerable Groups	Low	Organizations that do not own land incur significant land holding costs during the approvals process prior to the public hearing	Reduce the time between land acquisition and project approval
Removes Barriers to Housing Supply	Low	Land holding costs are incurred without project certainty. If the project does not proceed, these costs must be absorbed by the applicant and no housing units are developed	Create policy that allows certainty for affordable housing projects without increasing the value of the land

6.6 CASE STUDY 6: MUNICIPALITIES – SOCIAL COSTS

Municipalities surveyed about the cost of public hearings ranged in response, depending on the size and location of the municipality. Smaller municipalities indicated processing applications and holding public hearings represented a significant cost or large share of the budget. An example of administrative costs is outlined in Exhibit 20, and includes staff hours, admin costs and space rental. Larger municipalities indicated the administrative costs surrounding public hearings were minor relative to other budget items. Municipalities at both scales expressed hope that Bill 44 would alleviate some of these costs by removing the need for public hearings that were OCP-compliant and pre-zoning viable development sites.

Exhibit 20: Public Hearing Administrative Costs to Municipalities

Expense Type	Role
Full-Time Planner	File, prepare, review applications prior to rezoning, respond to public letters
Planning Admin	Post notices, advertisements
Meeting Costs	Rent space, chairs, refreshments, hire audio person, audio equipment
Staff Costs - Meeting	5 staff needed at meetings, 3 hours overtime
Council Meetings	Projects approvals
Community Dialogue	Staff time, space rental, staff, posters, etc.

Source: City of Gibsons

Discussions with staff in larger municipalities focused on the social cost of public hearings. Senior planning staff recognized that comments or expression of judgement towards those from lower socio-economic groups or those struggling with mental health issues still occur frequently in these forums. While explicit race or gender-based prejudice is no longer overtly discussed at public hearings, social stigma remains towards those with fewer economic resources. The current system is not only permissive of these viewpoints but gives these prejudices a voice, amplified at public hearings, often in front of vulnerable communities.

Another social cost discussed in stakeholder interviews was driven by the regional inequity in the development of supportive housing. In one municipality, the social cost is a history where very minimal supportive housing was created, largely due to a lack of public and council support. In this case, the only option for residents requiring supportive housing is to move to the Downtown Eastside (DTES)[21] in the City of Vancouver. Residents with the highest need for community and family support, are instead required to relocate, increasing their vulnerability. The concentration of high needs individuals in the DTES and lack of supportive housing distribution makes it not only difficult for the individuals who live there, but also increases the complexity for the City of Vancouver and adjacent municipalities to serve the most vulnerable residents. There is an outsized cost burden on the City of Vancouver to accommodate social supports for high needs residents from across the Lower Mainland. Furthermore, the public see

[21] The remaining supportive housing facility in the municipality is closing down for redevelopment.

an overwhelming concentration of these individuals in the DTES, which increases prejudice and fear of supportive housing projects.

Key stakeholders interviewed regarding public engagement for supportive housing have also expressed concern about the type of engagement offered by BC Housing. Feedback has suggested that lengthy moderated presentations that do not give residents a chance to speak can increase frustration. They highlighted the importance of in-person communication and focusing on 'how' to get pre-zoned projects built, rather than 'if' they should be built. Projects should not be framed as a 'yes' or 'no', but instead on how best to accommodate development and mitigate any unforeseen impacts with local knowledge. Positive examples can also ease neighbourhood fears and give neighbours a sense of doing their part to ease the housing crisis. Highlighting examples of previously successful projects will help to reduce neighbourhood-based fear of change, and support shifting dialogue towards how each of our neighbourhoods can grow and adjust to help the city ease the housing crisis. However, it was noted that positive examples often did not completely allay prejudice and fears, and strategies to mitigate the impact of societal prejudice must be incorporated into planning legislation.

6.7 CASE STUDY 7: RED DOOR SOCIETY – ENVIRONMENTAL COST AND EQUITY

In 2022, the Red Door Housing Society applied for an official community plan amendment, rezoning, and development permit for a 150-unit affordable housing project in the City of Delta. The 'Ladner Willows' project would replace an existing 40-unit project in the same location. During the public hearing, many neighbours came out to voice opposition. A petition with 238 names was gathered from the immediate community, while five pieces of correspondence received by the City expressed support.

Over a dozen residents voiced opposition at the hearing, generally saying they were not 'opposed to more non-market housing but were concerned about the scale, density, and impacts to the neighbourhood'.[22] Ironically, one resident claimed a reason to reject the project was that Delta had not seen affordable housing in years, so why should their neighbourhood be 'burdened.'[23] Council unanimously rejected the project.

Highlighting this point, there is a core housing need for 4,200 affordable units in the City of Delta.[24] Between 2021 and 2026, there will be a need for 1,400 more affordable units, or a total affordable housing need of 5,600 units. This project was rejected after the release of the housing needs study. Since no mention was made of the study, it raises concerns that councils are not considering these studies in their decision making.

This report has reviewed the financial and social cost of rejecting an affordable housing project at this stage. However, there is an environmental cost for every affordable housing apartment project

[22] Council deems proposed Ladner Willows redevelopment unacceptable, June 22, 2022, Delta Optimist
[23] Council deems proposed Ladner Willows redevelopment unacceptable, June 22, 2022, Delta Optimist
[24] 2021 Statistics Canada

that does not proceed. The City of Delta has a high GHG per capita emissions due to a predominantly single-family development pattern and distance from employment and commercial cores. This project would have offered an opportunity to reduce the per capita carbon footprint of the municipality. Exhibit 21 shows the difference in energy, water, vehicle and land needs between single family dwellings and apartment development. While we do not know where these residents will live in place of the proposed affordable housing project, we can show that these residents would have much lighter environmental footprint than those in the single-family dwellings voicing opposition.

Exhibit 21: High and Low Density Environmental Impact Comparison in British Columbia

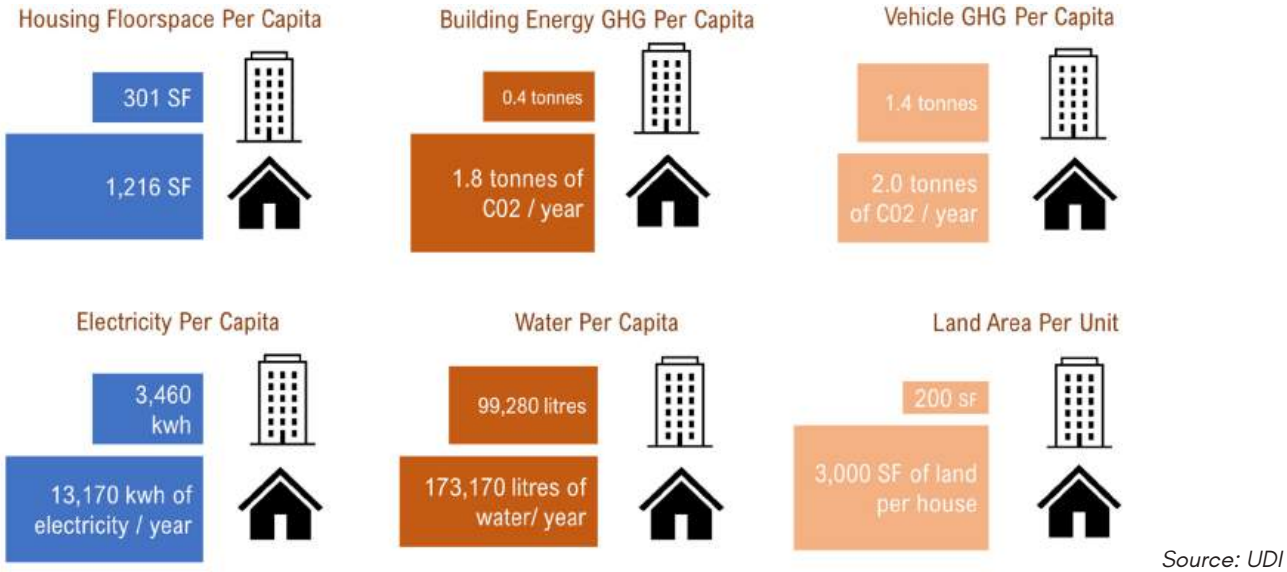
	Apartment	House
Housing Floorspace Per Capita	301 SF	1,216 SF
Building Emissions Per Capita	0.4 Tns C02	1.8 Tns C02
Vehicle Emissions Per Capita	1.4 Tns C02	2.0 Tns C02
Electricity Per Capita	3,460 kwh	13,170 kwh
Water Per Capita	99,280 litres	173,170 litres
Land Area Per Unit	200 SF land	3,000 SF land

Source: UDI

Exhibit 21 shows that residents in apartments typically use about 301 square feet per capita, compared to 1,216 square feet in a house. Apartment development represents just 25% of the required building materials and construction, and associated energy cost of developing these spaces. Apartment residents emit 0.4 tonnes of carbon dioxide annually, versus 1.8 tonnes per capita of those living in single family dwellings, or 20% of emissions. Those living in apartments emit 1.4 tonnes of vehicle emissions versus 2.0 tonnes per capita for house. Electricity is substantially lower in an apartment, a product of smaller spaces and shared lighting, with residents using 3,460 kwh per capita versus 13,170 kwh for those in a house (25%). Water usage is almost half, at 99,280 litres per capita versus 173,170 litres per capita in a house. Lastly and very importantly, apartment dwellers use significantly less land, only 200 square feet per unit due to their higher density form. Those living in single detached homes use 3,000 square feet per unit, meaning apartment units use just 6% of the land of single family dwellings.[25]

[25] This is per unit, not per capita like the other statistics in this graphic.

Exhibit 22: High and Low Density Environmental Impact Comparison in British Columbia



Source: UDI

Exhibit 23 shows the environmental 'savings' per capita of proceeding with an apartment project over the footprint of a single-family dwelling neighbourhood nearby.

Exhibit 23: Overall Environmental 'Cost' of Ladner Willows Not Proceeding

	Apartment Dwellers Annual Savings Per Capita	Project Wide Savings 150 Unit Project
Housing Floorspace	915 SF	219,600 SF
Building Emissions	1.4 Tns C02	336 Tns C02
Vehicle Emissions	0.6 Tns C02	144 Tns C02
Electricity	9,710 kwh	2.3 million kwh
Water	73,890 Litres	17.7 million litres
Land	2,800 SF of land	420,000 SF of land

Source: UDI

Overall, the project would use 219,000 square feet less building floorspace than an adjacent single-family neighbourhood in Delta.[26] Residents would use 336 tonnes less of GHG emissions, and 114 Less tonnes of vehicle emissions. The project would use 2.3 million less kwh or electricity and 17.7 million litres less water. Most importantly, the project would save 420,000 square feet in land, or 9.6 acres.

These statistics highlight equity concerns and draw attention to whose needs should be taking precedent when making future decisions about where higher density development can be permitted.

[26] 240 residents of Ladner Willows versus 240 residents in single family dwellings nearby.

6.7.1 IMPLICATIONS

Exhibit 24: Implications of Public Hearing and Ladner Willows Case Study

PUBLIC ENGAGEMENT GOALS	CURRENT LEVEL OF SUCCESS	REASON	RECOMMENDATION
Equitable	Low	Public participation can lead to development bylaws that restrict higher density development and perpetuate a system of environmental inequality Residents that use a large share of resources often voice opposition to development that will use a significantly smaller share of resources. Apartment dwellers use: • 25% of building area • 20% of GHG emissions • 75% of vehicle emissions • 25% of electricity use • 50% of water use • 7% of land relative to those in single family homes	Environmental goals to be weighed as strongly as social and economic goals in land use planning policy Public participation focus shift from 'if' higher density development should proceed, but rather 'how' it should occur Allow for pre-zoning of sites in lower density areas to reduce environmental inequities

6.8 CASE STUDY 8: DOUGLAS PARK ACADEMY - DAYCARE AND PUBLIC HEARINGS

Many of the same public hearing forces that lead to restrictive housing policy can also restrict another critical community need: daycare. The current system can prioritize the voices of adjacent property owners, fail to view applications in context of need, and rely on high parking demands. An example from the City of Vancouver provides a useful case study.

Douglas Park Academy is a licensed home daycare run by Lisa McCormick and her partner on the west side of the City of Vancouver. The daycare accommodates eight children and is located across the street from Douglas Park. In early 2022, the couple began planning on expanding to include an additional eight spaces. The daycare had a waitlist of 30 children, many of whom lived nearby. The additional spaces would help they owners support their own family of four children, and help the community meet a significant need for childcare.[27]

While daycares are permitted in the City of Vancouver bylaw, they are a conditional use and must be approved by city hall. A change of use application is required to change from a residential use to a home daycare use. The application also requires the applicant to submit architectural drawings to

[27] Interviews with owner/operator of Douglas Park Academy: Lisa McCormick

show that the physical space complies with regulations. The couple hired an architect that completed drawings showing outdoor space and two parking stalls. The cost to hire the architect was $2,500.

In January 2023, the owners applied for a change of use at the City of Vancouver licensing department at a cost of $2,600. Six months later, in May 2023, the couple was informed that their file was rejected. Reasons the City gave for rejecting the project included neighbours complaints and parking issues.

Since the streets fronting their home had unrestricted free on-street parking, the parking rationale did not make sense to the applicants. There were also many families on the waitlist within walking or biking distance. Given proximity to Douglas Park which was generally populated by noisy families, children and people playing sports, the noise complaint also was unexpected. Knowing the scale of daycare demand in the neighbourhood, the couple decided to appeal their decision.

The couple decided to apply at the Board of Variance at an additional cost of $2,500. A board of variance allows residents to request relief from provisions of a zoning bylaw. Board of variance appeals do not have a public hearing but do allow time for public comments prior to a vote by the board. As such it closely mirrors the role and function of a public hearing. During the meeting, eight neighbours spoke strongly against the project. All those that spoke against the project lived nearby and indicated the traffic congestion and noise from children would disrupt the neighbourhood.

While there are typically five members voting in the board of variance, only three voted in this case. One member who lived near the applicant recused himself and one member was absent. The remaining three members voted to reject the daycare change of use. The board members stated the reason for rejecting the project included "parking shortfall, drop-off times, and strong opposition for the neighbourhood." There is no option for the couple to appeal the decision.

6.8.1 PUBLIC HEARING COSTS

This case study shows costs associated with allowing public comments prior to the board of variance vote in restricting daycare development.

- **Financial Costs:** The total cost for the applicant was $7,600 including the cost to apply for a change of use, hire an architect and make an appeal at the board of variance. The applicant indicated they had spent over a year saving the funds to apply.
- **Time Costs:** The applicant was planning and appealing their application licensing department and the board of variance for over 2 years.
- **Daycare Supply Costs:** The opportunity cost of the eight daycare spots in terms of public funds is high. If these spots were to be funded by the provincial government, the subsidy cost would be close to $1.6 million ($200,000 per daycare spot).[28] The decision not to proceed with this project therefore has a substantial opportunity cost. In addition, the high cost and public pushback could

[28] Public funding required to build one daycare spot based on cost estimates from planned mixed use project (2024).

deter potential licensed home daycare owners from applying in the future. This could lead to a worsening daycare shortage and more public funds needed to meet demand. Daycare spaces that leverage the homes of local residents can save taxpayers significantly.

- **Social Costs:** The applicant has indicated that the process has led to significant mental health impacts. She also indicated there has been a social cost to the neighbourhood. The project was in the media, and those that opposed the project blame the applicant. The neighbourhood has become a source of anxiety for some residents involved in the conflict.
- In addition to the social impact to the community, there is a social cost to families which cannot find childcare. Since women are more likely to take time off work when daycare cannot be found or leave the workforce entirely, there is a gender equity impact. This can have both short and long term mental health and economic impacts on women and families who cannot find access to care.[29]

The change of use application for an expanded daycare was rejected at a time when there was a shortfall of 14,911 licensed child-care spaces in the City of Vancouver.[30] Similar to other case studies reviewed in this report, these figures do not appear to be weighed in the decision-making process. Neither was the number of families that were located within walking distance when traffic was cited as a major concern or that Douglas Park is situated next to a well-maintained bikeway (Heather St). Instead, the concerns of eight neighbours at the board of variance hearing were prioritized. At a time when the provincial government is subsidizing the construction of childcare spaces at a cost of upwards of $200,000 per space, it seems rational not only to approve these types of projects, but to waive application fees for licensed home daycares. The cost of the waived application is far less than the funding required to fully subsidize a space.

[29] https://www.americanprogress.org/article/child-care-crisis-keeping-women-workforce/
[30] Childcare Facilities in Residential Zones. City of Vancouver.

7 INDIRECT COSTS OF THE PUBLIC HEARING

The second set of case studies will review the indirect costs of the public hearing, which are larger in scale than direct costs. Affordable housing projects are sensitive to changes in city-wide policy, such as parking bylaws, density, and building height requirements in neighbourhood and community plans. The indirect case study section looks at how public participation can influence these bylaw requirements on a larger scale, placing costs on non-profit housing providers and restricting housing supply. This is harder to measure than direct costs, as restrictive bylaws lead to housing never gets built.

This section will attempt to quantify the impact that a downward pressure on heights and density and an upward pressure on parking has on housing supply and the costs to affordable housing providers. Case studies include:

Case Study 9: Lower Mainland Municipalities – Parking Costs
Case Study 10: City of Kelowna – Height Restriction Costs
Case Study 11: City of Maple Ridge – Height and Density Restriction Costs

7.1 CASE STUDY 9: LOWER MAINLAND MUNICIPALITIES – PARKING COSTS

Case Study: Public Hearing and Indirect Parking Costs
Location: Lower Mainland Municipalities
Description: The amount of parking required at a project significantly impacts financial viability. This is because revenues or rents are fixed based on the number of units, but costs increase per unit when more parking is required. For affordable housing projects which may already require subsidies to be financially viable, a higher parking requirement will increase the subsidies or capital needed to proceed.[31]

Municipalities often have a city-wide parking bylaw with a high stall per unit requirement for multi-family projects. These parking requirements can be relaxed for some projects based on location (near transit) or type of use (affordable units). However, the requirement to negotiate high parking requirements downward can have unintended costs and consequences when a public hearing is involved.

Although supportive housing projects typically have lower parking requirements, affordable housing projects often have the same city-wide parking by-law requirements as market development projects. This is despite the fact that affordable housing projects have significantly lower revenues (below-market rents) and cannot support the same amount of parking as market development. This high requirement typically triggers two costs for the applicant: 1) a traffic impact study (TIA) and 2) a parking negotiation at the public hearing.

[31] See Chapter 5: Land Economics of Affordable Housing

The amount of parking required at a below-market housing project is often front and centre during public hearings (see Case Study 2). This is most notable in lower density areas where residents are accustomed to ample and free on-street parking. Residents who may not want the project nearby may also use parking concerns as a reason to voice opposition to a project. As a result, there is pressure on municipalities to minimize parking reduction to gain community buy-in.

The parking question then becomes a negotiation, rather than an analysis of trade-offs between what the project needs and what the project can financially support. The onus of the negotiation is on the applicant, who must pay for a TIA to support their request. At the direction of the municipality, the TIA often does not consider on-street parking, and total parking needs must be accommodated in the building.

A study completed by Metro Vancouver in 2018 determined parking usage trends for mixed tenure or affordable housing buildings. The study showed that when parking is not included in the rent, residents often use nearby street parking. It followed with further analysis of on-street parking network capacity. The threshold for a network at capacity is 85 per cent, and outside the City of Vancouver, utilization on average does not approach 85 per cent[32]. We can deduce that parking concerns from local residents outside the city centre are largely driven by visual or traffic impacts rather than supply issues. The cost of visual impacts to private property owners must therefore be weighed against the cost to non-profit organizations of having to provide parking underground.

The following case study reviews parking by-law requirements in four lower mainland municipalities and examines the scale of parking as a public hearing financial cost facing non-profit organizations.

7.1.1 INDIRECT PUBLIC HEARING COSTS

The unintended costs of public participation in the parking discussion include:

- **Financial Costs**
- **Housing Supply Costs**

Exhibit 25 summarizes the zoned parking requirements for four Lower Mainland municipalities by bedroom type. For example, The City of Delta requires 1.3 stalls per studio or one bedroom unit, 1.5 stalls per two bedroom or 3 bedroom unit, and an additional 0.2 stalls per unit for visitor parking.[33]

[32] 2018 Regional Parking Study Technical Report Metro Vancouver: TransLink and Metro Vancouver (March 2019)
[33] City of Delta Parking Bylaw

Exhibit 25: Zoned Parking Requirements for Affordable Housing Projects – Select Municipalities

	Parking Stalls Required Per Unit – Affordable Housing Projects			
	Langley	**Abbotsford**	**Langley (Twp)**	**Delta**
Studio	1.2	1	1	1.3
One Bedroom	1.2	1.25	1.5	1.3
Two Bedroom	1.3	1.5	1.5	1.5
Three Bedroom	2	1.5	1.5	1.5
Visitors	0.2	0.2	10%	0.2

Source: municipal parking bylaws

Exhibit 26 shows the amount of parking that would be required at a 90-unit below-market housing project in each municipality based on a typical unit mix. The four municipalities would require between 134 stalls and 140 stalls for a 90-unit project, or between 1.5 and 1.6 stalls per unit.

Exhibit 26: Zoned Parking Requirements for Affordable Housing Projects – Select Municipalities

			Minimum Parking Stalls at Project			
	Project Unit Mix (%)	**Number of Units By Type**	**Langley**	**Abbotsford**	**Langley (Twp)**	**Delta**
Studio	15%	14	16	14	14	18
One Bedroom	55%	50	59	62	74	64
Two Bedroom	20%	18	23	27	27	27
Three Bedroom	10%	9	18	14	14	14
Visitors	n/a	n/a	18	18	9	18
Total	**100%**	**90**	**135**	**134**	**137**	**140**
Stalls/Unit			**1.5**	**1.5**	**1.5**	**1.6**

Source: municipal parking bylaws

An analysis of the cost of this parking requirement will be helpful to illustrate project trade-offs. Exhibit 27 analyses a below-market rental project[34] and the financial impact of:

- A municipality that does not allow parking relaxation and requires 1.5 stalls per unit of below-market housing.
- A municipality that allows a slight parking relaxation, requiring 1.0 stall per unit.
- A municipality that allows a parking relaxation to 0.5 stalls per unit.

[34] This project shows a proforma for a below-market project where rents are 90% of market rents.

Exhibit 27: Impact of Parking Requirement on Financial Viability of Development

	1.5 Stalls Per Unit	1.0 Stalls Per Unit	0.5 Stalls Per Unit
Temporary Space During Construction	$50,000	$50,000	$50,000
Moving Costs	$50,000	$50,000	$50,000
Rezoning	$500,000	$500,000	$500,000
Allowance for Remediation	$200,000	$200,000	$200,000
Demolition Costs	$200,000	$200,000	$200,000
Connection Fees	$100,000	$100,000	$100,000
Landscaping	$169,500	$169,500	$169,500
Site Servicing	$4,960,000	$4,960,000	$4,960,000
Sub-Total Site Wide Costs	**$8,589,500**	**$8,589,500**	**$8,589,500**
Contingencies	$1,288,425	$1,288,425	$1,288,425
Soft Costs	$889,013	$889,013	$889,013
Project Management	$269,173	$269,173	$269,173
Total Site Wide Costs	**$11,036,112**	**$11,036,112**	**$11,036,112**
Community Space Creation Costs	$13,779,597	$13,779,597	$13,779,597
Commercial Creation Costs	$2,835,918	$2,835,918	$2,835,918
Apartment Residential Creation Costs	$41,918,938	$37,354,116	$32,789,293
Property Taxes During Construction	$401,453	$401,453	$401,453
Sub-Total Project Creation Costs	**$69,972,019**	**$65,407,196**	**$60,842,373**
Less: Financing Supported by Project Income	$42,681,561	$42,681,561	$42,681,561
Subsidy Required	**$21,713,799**	**$17,148,976**	**$12,584,153**
Subsidy Per Unit[35]	**$241,264**	**$190,544**	**$139,824**

Source: City Squared Consulting

A project subsidy of $240,000 is required for projects proceeding at 1.5 stalls per unit. If the parking is reduced by 1 stall per unit, the subsidy required to proceed is $140,000 per unit. Each stall therefore costs the project approximately $100,000 in additional capital.

FINANCIAL COST

Our review of the Metro Vancouver 2018 Technical Report indicates that when residents are charged for parking at mixed tenure or below-market projects, actual stall usage is 0.6 stalls per unit.[36] This is a more accurate reflection of demand, as the fee typically means that only residents who require the convenience of on-site parking or don't have transportation alternatives will pay to use underground stalls. We can then calculate the cost of actual parking requirements on affordable housing projects.

[35] A subsidy for a below-market unit at this project ranges from $140,000 to $240,000 per unit (10% below-market).
[36] 2018 Regional Parking Study Technical Report Metro Vancouver: TransLink and Metro Vancouver (March 2019)

- We can infer that projects proceeding at 1.5 stalls per unit are building 0.9 stalls in excess of demand to respond to unfounded public parking concerns. Public pressures are costing each unit an additional $91,000.
- We can infer that projects proceeding at 1.0 stalls per unit are building 0.4 stalls in excess of demand, or to respond to public parking concerns. Public pressures are costing each unit $41,000.

Exhibit 28: Impact of Parking Requirement on Development Costs

	'Cost' of Public Input 1.5 to 0.6 stalls	'Cost' of Public Input 1.0 to 0.6 stalls
Additional Subsidy Required	$91,000	$41,000

Source: City Squared Consulting, Metro Vancouver, TransLink

HOUSING SUPPLY COST

It is important to represent these costs in terms of the opportunity cost to affordable housing delivery. We can use the City of Abbotsford as an example, as the municipality has high parking requirements and significant housing needs.

One way to frame it is each additional stall is similar to the subsidy needed for one affordable housing unit.[37] So, we can build one additional parking stall, or provide 70% of a subsidy for one below-market unit.

Exhibit 29: Abbotsford Housing Needs and Cost of Parking

Type of Need	Type of Unit	2021
Existing Need	Units Below Suitability Standard	4,860
Existing Need	Units in Need of Major Repairs	3,115
Existing Need	Residents Spending more than 30% of their Income*	15,595
	50% new units to meet housing needs	11,785
Future Need	Additional Affordable Rental Needed (2020 - 2025)	5,390
Units Needed		**17,175**
Difference in Subsidy between 1.0 Stall and 0.6 stalls per unit		$41,000
Additional funding to build 0.4 extra stalls at each unit to replace high need units		$704,175,000
Opportunity Cost in terms of Subsidies for Additional Affordable Units ($140k per subsidy)		5,000

Source: City Squared Consulting, Statistics Canada, City of Abbotsford Housing Needs Study

Exhibit 30 summarizes the opportunity cost of requiring an additional 0.4 stalls per unit for affordable units in the high need categories. A review of Statistics Canada data shows there are 4,860 units that are below the suitability standard, 3,115 units in need of major repairs and 15,595 residents spending

[37] Exhibit 27 shows the subsidy for a unit at 10% below-market requires a $140,000 subsidy (2024 project proforma). Each stall requires an additional $100,000 in capital, so the cost of a stall is equal to 70% of the value of a subsidy.

more than 30% of their income on housing. An additional 5,390 rental units are needed between 2020 and 2025. Because there is some overlap in the first three categories, and because we don't need to replace all of these units, just expand the supply so residents can reorganize themselves in housing that suits them better, we will assume that 50% of these units should be replaced, in addition to the rental housing needs for 2020 to 2025.[38] This represents a housing need of 17,175 units.

If the additional 0.4 stalls are built for each of these units, it would translate into an additional $700 million in subsidies required. This is equal to the subsidy required to build an additional 5,000 below-market units ($140,000 per subsidy for a 10% below market unit).

7.1.2 KEY TAKEAWAYS

- High parking requirements in municipalities put a significant financial burden on non-profit developments.
- This is despite research that shows on-street parking can accommodate increased parking demand needs in almost all municipalities. On-street parking demand is well below the 85% utilization.
- Instead, underground parking is required to facilitate buy-in from the community that does not want increased traffic or the visual impact of on-street parking.
- Parking concern feedback often comes from homeowners with higher socioeconomic status, many of whom live in single family homes using 20x the amount of land per capita (See Case Study 7). Land ownership extending to publicly owned roads, where no visual impacts or traffic is permitted in the form of on-street parking, only increases this disparity.
- Affordable housing is required to accommodate parking that exceeds demand. This is at a cost of $100,000 per stall. This has a significant opportunity cost in terms of subsidies for additional housing supply.

Exhibit 30: Recommendations from Indirect Parking Costs Case Study

RECOMMENDATION	COST	BENEFIT
Provincially mandated parking maximums for below-market housing projects. A maximum of 0.6 stalls per unit is suggested based on the Metro Vancouver Traffic Study. If more parking is required, the municipality must demonstrate greater need, rather than the non-profit organization Reduced requirements for parking based on regional data removes parking from public debate, where decisions are not made with a full understanding of cost and housing supply trade-offs	Potentially more traffic in lower density neighbourhoods	Savings in the range of $100,000 per parking stall that is not built. Increased available subsidies for additional below-market units. Reduced development costs and increased housing supply. This is particularly important in our current environment of rapidly escalating costs, where all forms of development (market rental and below-market rental) are struggling with viability.

[38] This is a high-level exercise to show the opportunity cost of building more parking stalls than needed.

7.2 CASE STUDY 10: WEST KELOWNA – OCP PLANNING COSTS

Case Study: Economic Viability of Height Designations
Location: West Kelowna

Public input at the OCP stage has a significant impact on the allocation of density and building heights across a municipality. Municipal staff work with consultants to engage residents of the community regarding where they would like to allocate growth. Many of the pressures that exist for site specific rezonings are introduced during the public engagement phase of the OCP. Building heights can get negotiated downward by residents resistant to neighbourhood change or potential shade impacts (see Case Study 2). This can have consequential impacts on housing supply.

There are fundamentals of land economics and development which must be considered in tandem with height and density decisions. If heights that are not financially viable are included in the OCP, significant costs are incurred. Directly, these costs include the cost to process an OCP amendment. Indirectly, these costs could include the housing supply that is never developed. The following case study demonstrates what happens to housing supply when economic realities are not considered.

The City of West Kelowna allocated higher density development in urban centres in their OCP. One particular area is the Westbank Development Area. The Westbank Development Area permits a hierarchy of building heights including a Mixed-Use Corridor along the main corridor (19 storeys), Commercial Core in the centre (15 storeys), and Residential Shoulder (12 storeys).

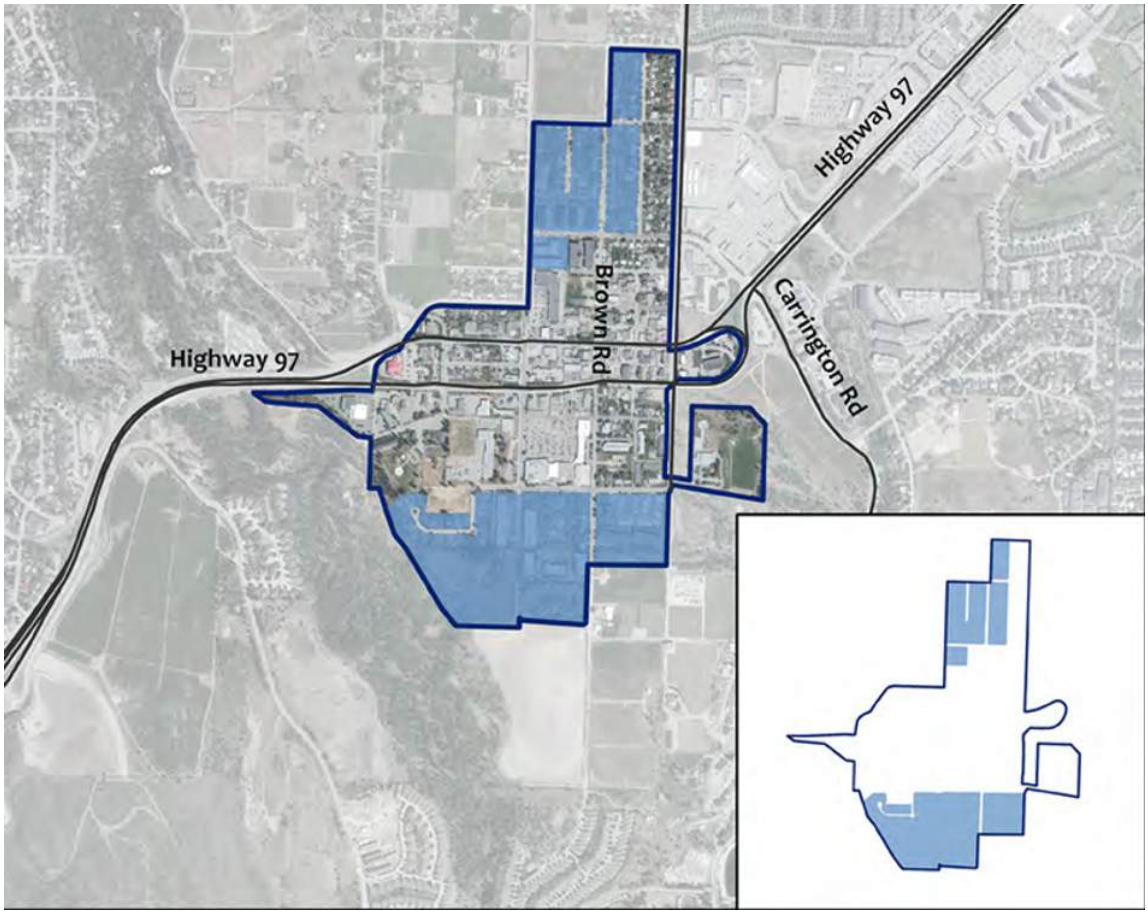
A local developer, Management Group, owns a 25-acre parcel at 3898 Brown Road, shown highlighted in light blue in Exhibit 31.

Exhibit 31: Location of 3898 Brown Road in West Kelowna

Source: Westmap

This parcel is designated Residential Shoulder in the OCP which permits residential development up to 12 storeys. (Exhibit 32).

Exhibit 32: Location of 3898 Brown Road in West Kelowna OCP



Source: West Kelowna OCP

The project is planned as a mixed-use community. The large size of the site meant there was significant potential to meet housing demand in West Kelowna.

However, a quick review of the OCP shows land economics were not considered in the allocation of building heights. Buildings higher than 6 storeys typically require concrete construction rather than woodframe construction.[39] Concrete construction is more expensive and is not financially viable unless a critical height is reached. This is typically in the 18-storey range with conventional construction. Projects at 15 storeys are marginally viable, with profit margins typically lower than an industry standard. A developer will not likely proceed with a 12-storey building as the profit margin from a 6-storey woodframe building would be higher.[40]

[39] With the exception of mass timber development. However, this type of development is limited by expertise and number of BC suppliers of mass timber (currently two mass timber suppliers in BC).
[40] Proforma experience of the consultant

This is what happened in the West Kelowna case study. The development team met with city staff to provide a land economics rational to proceed with their project at 20 storeys, rather than the 12 storeys designated at their site. Staff were supportive of the change and recommended an OCP amendment or "further evaluation of the potential heights proposed to be considered as part of the site-specific application and significant community benefit." This meant the project would offer a share of purpose-built rental units.

The community was planned to include 1.4 million square feet in residential and commercial space. However, during negotiations with staff, the building heights were reduced to 15 storeys. Despite the impact to project viability and ability to contribute community amenities, the developer chose to proceed with an OCP amendment. During first reading, a motion was put forward *'that council direct staff to amend the OCP bylaw to extend the Westbank Urban Centre Commercial Core designation to the South for all lands located West of the future extension of Elliot Road'* which would extend the area of the developer's property. However, four councillors opposed the project, and the motion was defeated.

Because the project was not viable at 12 storeys, the developer changed direction and updated the concept to 6 storey buildings across the 25-acre site, in order to use the less-expensive woodframe construction. However, this meant the project would not deliver purpose-built rental as a community amenity contribution, and the total amount of residential floorspace was reduced from 1.4 million to 800,000 square feet, a reduction in 600,000 square feet of higher density apartment development.

7.2.1 INDIRECT PUBLIC HEARING COSTS

- **Housing Supply:** In this case, minimum heights that were not financially viable were incorporated into the OCP and the municipality was not open to an OCP amendment. This led to a substantial loss of housing supply. The heights and densities are set during OCP engagement, so the lost housing supply can be indirectly linked to public engagement. Public pressure during the OCP amendment phase could have also led to the decision to deny a motion to amend the OCP and allow the units to proceed.
- **Community Amenity Contribution:** Higher density rezonings which generate land lift have greater capacity to provide community amenity contributions. This can be captured in the form of affordable or purpose-built housing as a share of development. This is often called inclusionary zoning and can deliver mixed income buildings. The decision not to proceed with the higher density development minimized the opportunity to capture community amenity contributions and a share of purpose-built rental units.
- **Subsidies:** Units in inclusionary zoning projects use the increase in land value generated through rezoning to deliver rental units. These affordable units therefore do not need subsidies, freeing up provincial money for other units. The decision not to include viable high density uses in the OCP resulted in a missed opportunity for private sector-delivered purpose-built rental units.

Exhibit 33 summarizes the impact to housing supply. The original project concept allowed for approximately 1,600 units with a mix of building heights up to 20 storeys. After the project was rejected at first reading, the developer chose to proceed with 6 storey buildings across the 25-acre site, rather than the 12 storeys envisioned by the OCP. This 'cost' the municipality 725 units, including a share of purpose-built rental units and community amenity contributions.

Exhibit 33: Housing Supply Effects of Land Use Designations

	Total (SF)	Residential (SF)*	Retail (SF)*	Est. Avg. Gross Unit Size (SF)*	Units*
Original Project Concept	1,400,000	1,320,000	80,000	825	1,600
Reduced Project Concept	800,000	720,000	80,000	825	875
Impacted Housing Supply					**725**

*Source: West Kelowna municipal documents * developer did not provide details so these are unit estimates*

7.2.2 SUMMARY AND KEY TAKEAWAYS

- A developer in West Kelowna owned a 25-acre parcel of land which was designated for 12 storey mid-rise development. Due to the challenging economics of this height, the developer proposed a concept with a range of building heights up to 20 storeys in a mixed tenure proposal.
- A presentation was given to staff outlining the economic rationale, which was received positively. Recommendations to council for a 15-storey project were given after some negotiations.
- An OCP amendment requesting this change in height was rejected at first reading. Instead of proceeding at the permitted 12 storeys, the applicant reduced the heights of the entire proposal down to 6 storeys. This is the maximum height for woodframe construction, which is less costly to build and more economically viable than a 12-storey concrete project.
- The net loss in units is estimated to be roughly 700 units and 600,000 square feet of residential space, with a share of purpose-built rental. This is the 'cost' of failing to consider viable building heights in an OCP. Since public engagement is one factor in deciding building heights at the OCP planning stage, this cost can be indirectly linked to public input or public pressure to keep building heights low.
- The lower building heights make the project less financially able to provide mixed tenure projects and other community amenities.
- Since the purpose-built units would have been provided by the private sector rather than through a government program, they would not have required government subsidies. Rather they would use land value to deliver rental units. There is also a cost to form, as the graduated heights of 20, 15, 12 envisioned in the OCP will not be realized.

Exhibit 34: Recommendations from West Kelowna Case Study

RECOMMENDATION	COST	BENEFIT
Ensure building heights are economically viable for affordable housing and market development in OCPs. Either allow for flexibility in heights to meet developers' needs (less prescriptive) or have minimum heights that are +18 for medium to high rise.	There are no costs if development viability is integrated into official community plans. Rather there is a large cost if OCP's do not incorporate economic realities, as this will lead to costly spot rezoning and official plan amendments. This will trigger the costs outlined in this report.	Delivery of housing supply at scale which meets demand. Reduces need for OCP amendments or spot rezonings and the costs of public hearings. Market developers have increased incentive to build projects and contribute shares of affordable housing or rental units. Affordable housing developers have more flexibility to develop mixed tenure, mixed income projects and meet a range of social objectives.

7.3 CASE STUDY 11: CITY OF MAPLE RIDGE - OCP PLANNING COSTS

Case Study: Economic Viability of OCP Designations
Location: City of Maple Ridge

Our review thus far has shown the increased importance of OCPs in streamlining housing delivery. The new OCP requirements also offer significant potential to improve engagement while mitigating costs of the public hearing. To review, Bill 44 will:

1) Remove the requirement for public hearings when the proposed rezoning is OCP compliant.
2) Require sites be pre-zoned to accommodate 20 years of growth outlined in the housing needs study.

Since these legislative requirements are currently in the implementation stage, no case study analysis is yet possible. Instead, we must review an existing OCP and project how the implementation of these statutes could benefit or challenge affordable housing development. There is pressure from the community at the OCP planning stage to restrict heights and density. This case study will show that the negotiation process can sometimes result in heights, uses, and densities that are not financially viable, and are distributed in a way that restricts development. Pre-zoning sites will not mitigate this challenge unless specific policies and strategies are considered. Additional guidance for OCP planning is set to be issued in June/July of 2024, which provides the opportunity to include recommendations in OCP development.

There are two key land economic considerations which must be included in OCP housing capacity allocations:

- **Economic viability of land use designations**
- **Distribution of land use designations**

ECONOMIC VIABILITY OF LAND USE DESIGNATIONS

Zoned capacity is not the same as development potential. A site can be zoned for development which is not financially viable. This offers the impression of housing capacity, when in fact there is none. For a site to be developable, the land value supported by the zoned land use must be higher than the value of the existing building.[41] This economic consideration was less important when development was predominantly greenfield. However, as we move towards a system of infill and densification, this consideration is paramount.

A common example is development potential along a commercial corridor. Sites along a corridor are often improved with valuable one or two storey retail buildings. If these sites are zoned for four storey mixed use apartment development, the zoning may not support a land value that is higher than the value of the retail building. A developer cannot buy a retail building, develop a project and obtain a 15% profit margin (Chapter 5), because the 'land cost' is too high. Other examples include:

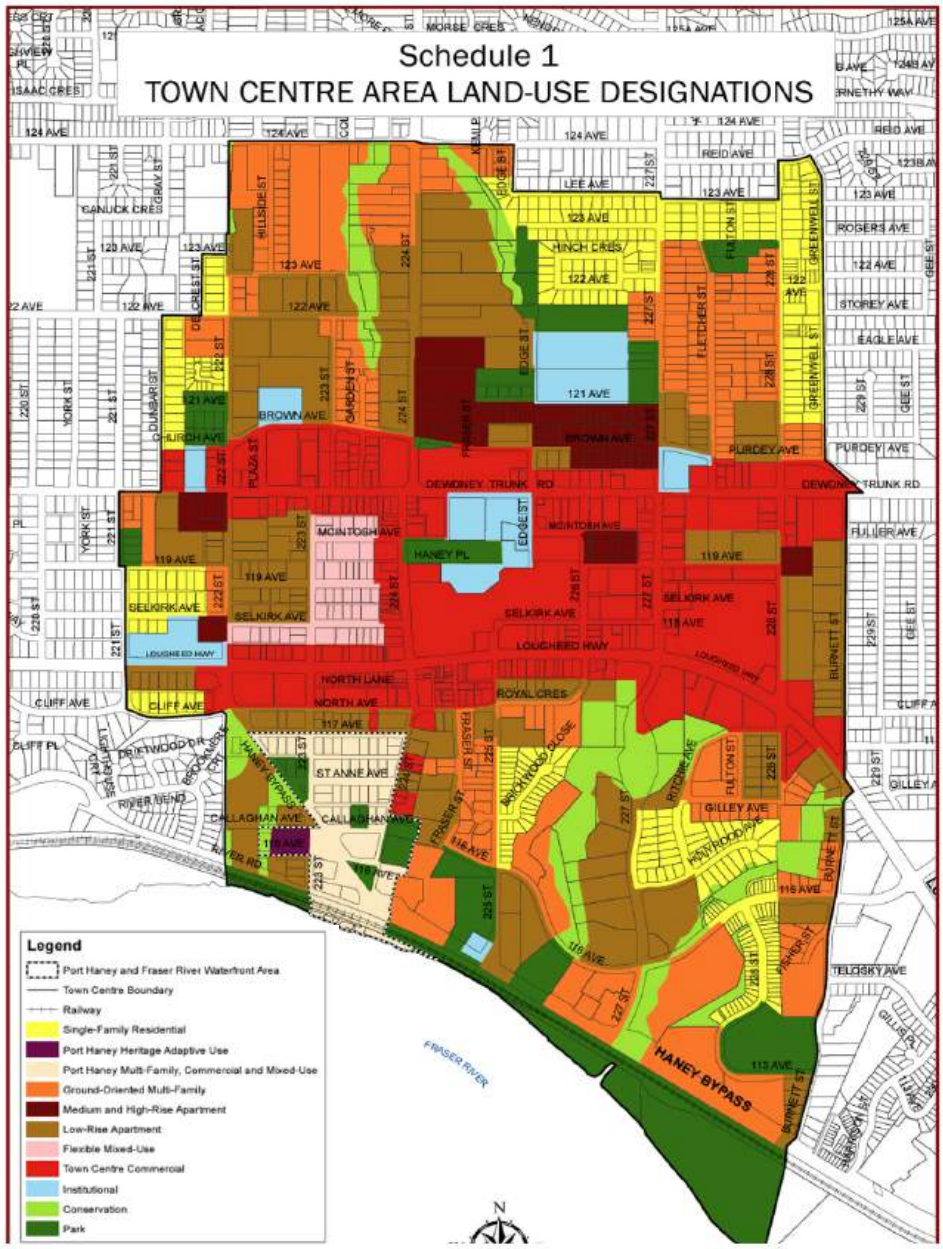
- Townhouse Designations in Single Family Zones
- Office Only Designations in Commercial Zones
- Midrise Residential Development in Retail Zones

Depending on location, lot sizes and market conditions, the value supported by these land use designations is often not sufficient to motivate redevelopment. The revenues generated by a townhouse project may not be sufficient to purchase existing single family dwellings and develop a project. Office only development is often not viable outside of urban centres as lease rates do not cover the cost of higher cost concrete development. Midrise development is also not typically viable up to a certain height, as we saw in the previous case study. Adding ground floor retail also reduces land value as it often costs more to develop in mixed use buildings than the revenues it generates.

Exhibit 35 show town centre area land use designations in Maple Ridge. It is likely that this OCP represents 20 years of zoned housing capacity. However, an examination of land use designation details and underlying uses shows in many cases this does not translate into development capacity.

[41] This refers to market development.

Exhibit 35: Maple Ridge Town Centre Area Land Use Designations



Source: Maple Ridge

Designations which may not support financially viable development:

1) Ground-Oriented Multi-Family in Built-Up Single Family Dwelling Areas (Orange): The land value supported by townhouse development is often lower than the cost per square foot of a single family dwelling site.

2) Low Rise Apartment (Brown): The Maple Ridge OCP permits low-rise apartment between 3 to 5 storeys. Many market and affordable apartment projects need 6 storeys in town centre locations to proceed, depending on the value of existing uses. Maple Ridge also has high parking requirements (average 1.5 stall per unit), further impacting the viability of low rise apartment development less than 6 storeys.

3) Medium to High Rise Apartment (Dark Purple): The town centre plan indicates that all medium and high rise development should be a minimum of 5 storeys and a maximum of 20 storeys. As discussed, this development would be viable at 6 storeys, and then again at 18 storeys. While this designation allows for financially viable development, it includes many options (7 to 17 storeys) which are not viable for development.

Pre-zoning these sites would not necessarily prevent the need for a rezoning or land use changes at these sites.

DISTRIBUTION OF LAND USE DESIGNATIONS

As discussed, non-profit organizations own and acquire property in a range of locations, primarily motivated by the cost of land. OCPs can inadvertently limit this opportunity by severely restricting the distribution and location of areas where they contemplate higher density. For example, there are only about 5 parcel blocks across this town centre plan that would support 6 storey development (dark purple in Exhibit 34) - the most common and viable form of affordable housing development. The odds of land use designations that are pre-zoned aligning with the location where land is available for sale and suitable for the needs of the organization are limited. Policy which permits affordable housing must capture large areas where higher density is possible to account for this alignment requirement.

7.3.1 INDIRECT PUBLIC HEARING COSTS

Public input influences the distribution of density and height across a municipality. This will feed into future OCP planning which anticipates pre-zoning sites for development. However, land economics and supply/distribution of density is an important consideration to ensure the public hearing costs outlined in this study are not triggered.

- **Housing Supply**
- **Housing Distribution**

A case study involving a non-profit working in Maple Ridge can highlight the indirect costs of the public hearing on establishing OCP designations that are not viable.

The City of Maple Ridge made ten (10) city owned sites available for below-market housing through a request for proposal (RFP) process. Of the 10 sites made available, only 2 were viable for redevelopment. For the two sites that were viable, several non-profits bid on the projects, indicating significant capacity for affordable housing development. The issue was not lack of interest, but lack of land availability that met the viability criteria for affordable housing. In the end, no sites were made available for development and no accountability was provided by the City to the affordable housing providers when the process was halted.

7.3.2 SUMMARY AND KEY TAKEAWAYS

- Economic viability in OCP designations is important for both affordable housing and market development.
- Small increases in density, such as from single family to townhouse development will often not financially incentivize redevelopment.
- To ensure flexibility and viability, a minimum of four stories and no ground floor retail is recommended for rental and below-market housing in areas with existing ground-oriented development (single family and townhouse).
- In areas with existing commercial development or along arterials, a minimum of 6 storey development is recommended, particularly if ground floor retail is required. Ground floor retail can increase costs relative to revenues in some markets.
- Large areas need to be considered for below-market housing and purpose-built rental. Restricting development to only a few sites minimizes the chances that a willing buyer and seller will align, or that any specific site will meet the needs of a housing provider. Non-profits also own land in a large range of areas, which will benefit from being captured in OCP planning.
- Viability is as important for affordable housing as market development, due to the sensitive nature of these projects. A non-profit operating in Maple Ridge found only 2 out of 10 municipally owned sites were viable for affordable housing projects

Exhibit 36: Recommendations from Maple Ridge Case Study

RECOMMENDATION	COST	BENEFIT
Ensure building heights are economically viable for affordable housing and market development in OCPs. Prezone for at least 4 storeys in areas which have single family and townhouse development with no ground floor retail. Prezone for 6 storeys in commercial areas or arterials, or in locations where ground floor retail is required.	There are no costs if development viability is integrated into official community plans. Rather there is a large cost if OCP's do not incorporate economic realities, as this will lead to costly spot rezoning and official plan amendments. This will trigger the costs outlined in this report.	Delivery of housing supply at scale which meets demand. Reduces need for OCP amendments or spot rezonings. Market developers have incentive to build projects and contribute a share of affordable housing or rental units. Affordable housing developers have more flexibility to develop mixed tenure, mixed income projects, and meet a range of social objectives.

8 CASE STUDY RECOMMENDATIONS

8.1 DIRECT CASE STUDIES

Exhibit 37 summarizes the direct case study recommendations through the lens of public participation objectives. Direct case studies focused on the role of the public hearing in restricting development at the site or project-specific level. Exhibit 37 shows that the current system is not achieving outlined objectives and includes recommendations to improve public participation and increase housing supply.

Exhibit 37: Direct Case Studies Recommendations

PUBLIC ENGAGEMENT OBJECTIVES	OBJECTIVE MET	REASON	RECOMMENDATION
Democratic	Low	The public hearing occurs very late in the approvals process Comments or feedback that could have a material impact on project outcomes would increase costs and risks to non-profit organizations This can reduce feedback to a 'yes' or 'no' from the community, which is not productive	Material public engagement should occur earlier in the planning process when it can elicit changes that limits risk to non-profit societies Forums for community participation to discuss how to accommodate housing before site-specific development application
		Prejudice against lower income residents is reflected by members of the public and council Approvals rely too heavily on form concerns from nearby residents, obscuring a rational cost benefit analysis	A more rational cost/benefit approach to affordable housing approvals is needed Allow comments regarding form to be placed in perspective of larger housing crisis
Recognizes land economics realities	Low	Municipal density and height decisions can be focused on design at the expense of economic priorities and financial viability	Financial viability is a requirement of policy and should be considered first and foremost
		Public feedback concerning height can lead to rejected projects or restrictive city-wide policy	Certain heights and densities are required for viable projects for both market and affordable development. These requirements must be removed from public debate as these are non-negotiable economic realities (failure to recognize means no project will proceed)

Equitable	Low	Public comments from nearby property owners are too heavily weighed in decision making in development bylaws Public participation can lead to development bylaws that restrict higher density development and perpetuate a system of environmental inequality Residents that use a large share of resources often voice opposition to development that will use a significantly smaller share of resources. Apartment dwellers use: • 25% of building area • 20% of GHG emissions • 75% of vehicle emissions • 25% of electricity use • 50% of water use • 7% of land relative to those in single family homes	Below-market housing approval must not rely on advocacy from marginalized groups, but rather be based on housing demand data Environmental goals to be weighed as strongly as social and economic goals in land use planning policy Public participation focus shift from 'if' higher density development should proceed, but rather 'how' it should occur. Allow for development of below-market projects in lower density areas to reduce environmental inequities
Minimizes Costs to Vulnerable Groups	Low	Rezonings place significant cost burden on non-profit organization	Project certainty needs to be offered earlier in the process
		Project rejection can have significant financial impacts to affordable housing providers	Accounting for societal prejudice and inequities in public participation and ways to mitigate impacts
		The onus of education for innovative approaches to development is place on the non-profit organization	Provincial or municipal capacity building/ education for government employees and the public
Removes Barriers to Housing Supply	Low	High time and financial costs expose non-profit to significant risk. Projects in lower density areas which anticipate public pushback may not be attempted. This relegates affordable housing to arterials and less desirable locations	Policy which does not limit affordable housing development to arterials Allows for equal distribution in areas where land acquisition costs are low
		Allows for rejection of projects without accountability to housing goals	Better accountability/linkage to housing needs studies and targets
		Higher costs associated with innovative forms of development increases risk and may impede further risk taking with alternative approaches to construction, homes delivery	Reduce risk from the public hearing process, particularly for innovative forms of development

8.2 INDIRECT CASE STUDIES

Indirect case studies focus on the cost of public participation in establishing city-wide by-laws that impact the redevelopment economics of below-market housing projects. This includes pressures that impact parking, density and height requirements. Recommendations in Exhibit 38 are framed as a cost/benefit to allow for a rational accounting of trade-offs.

Exhibit 38: Indirect Case Studies Recommendations

RECOMMENDATION	COST	BENEFIT
Provincially mandated parking maximums for below-market housing projects. A maximum of 0.6 stalls per unit is suggested based on the Metro Vancouver Traffic Study. If more is required, the municipality must demonstrate greater need rather than the non-profit organization. Reduced requirements based on regional data removes parking from public debate, where decisions are not made with a full understanding of cost and housing supply trade offs.	Potentially more traffic in lower density neighbourhoods.	Savings in the range of $100,000 per parking stall that is not built. Increased available subsidies for additional below-market units. Reduced development costs and increased housing supply. This is particularly important in our current environment of rapidly escalating costs, where all forms of development (market rental and below-market rental are struggling with viability. Reduction of land and environmental inequities.
Ensure building heights are economically viable for affordable housing and market development in OCPs. **Lowrise:** Allow a minimum of 4 storeys in areas which have single family and townhouse development with no ground floor retail. **Lowrise:** Allow a minimum of 6 storeys in commercial areas or arterials, or in locations where ground floor retail is required. **Medium to Highrise:** Either allow for flexibility in heights to meet developers' needs (less prescriptive) or have minimum heights that are +18 for medium to highrise.	There are no costs if development viability is integrated into official community plans. Rather there is a large cost if OCP's do not incorporate economic realities, as this will lead to costly spot rezoning and official plan amendments. This will trigger the costs outlined in this report.	Delivery of housing supply at scale which meets demand. Reduces need for OCP amendments or spot rezonings. Market developers have increased incentive to build projects and contribute shares of affordable housing or rental units. Affordable housing developers have more flexibility to develop mixed tenure, mixed income projects and meet a range of social objectives.

9 BEST PRACTICES

As overall context to the best practices section, a CMHC Task Force for Climate and Housing was assembled in September 2023 with a mandate to make recommendations that would address both the climate crisis and national housing shortage. The task force determined that 5.8 million affordable and low carbon homes are needed in Canada by 2030.[42] This is an unprecedented challenge, representing one third of the housing supply that exists in the country today.

Best practices are best viewed with this target in mind. Task force recommendations represent a move away from business as usual and highlight the force of action needed to meet housing demand. Task force recommendations for municipal governments mirror some of the findings in this report. For example, municipal governments are encouraged to:

- *Legalize density by (1) eliminating unit maximums on all forms of residential housing and abolishing parking minimums on residential, commercial, and industrial properties, (2) by legalizing the construction of CMHC pre-approved housing designs as-of-right, and by (3) adopting ambitious as-of-right density permissions adjacent to transit lines.*

The recommendation to remove parking minimums aligns with the conclusions of this report. Allowing parking to come into the domain of public discussion results in extensive negative externalities. These unintended costs impact the social well-being of communities.[43] This report has shown that unit maximums developed through public participation can also be restrictive and impede housing supply. While eliminating unit maximums is not one of the recommendations of this report, greater flexibility as to where affordable housing projects can be built is recommended.

The second recommendation of the housing task force is:

- *Create a more permissive land use, planning and approvals system, including by repealing policies, zoning or plans that prioritize the preservation of the physical character of the neighbourhood, and by exempting from site plan approval and public consultation all projects that conform to the Official Plan and require only minor variances.*

As we have seen in this report, reasons for rejecting affordable housing projects have included 'preserving the physical character of neighbourhood'. Public participation best practices must ensure this pressure is removed. As the national population increases dramatically, existing city infrastructure and land must be used to accommodate growth in a low-carbon and efficient manner. Preserving the existing character of neighbourhoods is socially, economically and environmentally inequitable.

To achieve a system of public participation that allows us to meet this challenge, best practices will be evaluated for their ability to meet the following objectives:

[42] https://housingandclimate.ca/blueprint/
[43] Meeting parking minimums often comes at the expense of providing outdoor space, smaller unit sizes, less amenity space, lower rents, and other social benefits.

- Democratic
- Promotes equity: social, economic and environmental
- Recognizes land economics realities
- Minimizes costs to groups involved in the delivery of affordable housing
- Removes barriers to supply

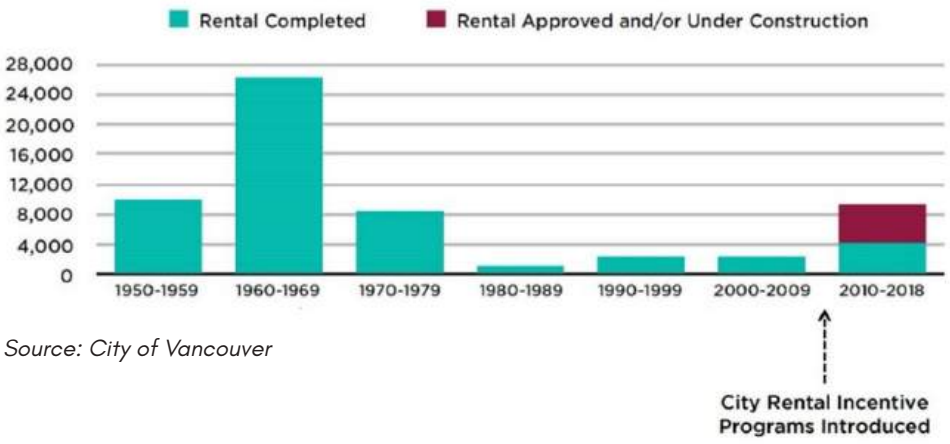
Policies will be prioritized that facilitate an informed and democratic transition to a denser, more equitable and efficient land use planning system.

9.1 BEST PRACTICE 1: CITY OF VANCOUVER SECURED MARKET RENTAL POLICY

Our case study analysis has shown that non-profit organizations face significant financial and time costs during the rezoning process. The risk calculus has led groups to focus rezoning applications on areas with the least amount of risk. Approved apartment projects have historically been restricted to parcels adjacent to arterials where public pushback will be less. This has restricted development in low-density neighbourhoods dominated by single family dwellings. Understanding these equity concerns, the City of Vancouver has introduced policy that aims to change this. Their Secured Market Rental Policy (SRP) allows purpose-built rental apartments in low density transition areas. Public engagement for the policy was completed at the City-wide level and feedback was collected from renters, owners, low and high income individuals.[44]

The City of Vancouver has been working on their Secured Market Rental Housing (SRP) Policy since 2012.[45] The SRP program has a goal of adding 20,000 rental units by 2027 through a range of policies. The SRP was introduced in response to lagging development of purpose-built rental projects (Exhibit 39). Between 1980 and 2010, very few rental projects were completed in the City of Vancouver, leading to a systemic shortage of secure rental stock.

Exhibit 39: City of Vancouver Supply of Rental Units



Source: City of Vancouver

[44] City of Vancouver. SRP Public Engagement. Streamlining Rental. Vancouver Housing Plan. May 2021
[45] City of Vancouver. Adding Missing Middle and Simplifying Housing Options Presentation. PIBC. *Previous policy name was 'Rental 100'.*

The original SRP policy *(formerly referred to as Rental 100)* was focused on improving the financial viability of rental projects. Financial incentives included a development cost levy (DCL) waiver and additional density for rental projects in specific zones.[46] The aim was to increase the financial viability of rental relative to strata apartment development. The policy resulted in a significant increase in rental development (Exhibit 39).

To further increase the supply of purpose-built rental units, the City of Vancouver began exploring the option of City-wide SRP policy that would streamline these projects and expand areas where they could be developed (2021).[47] City staff recommended three major changes:

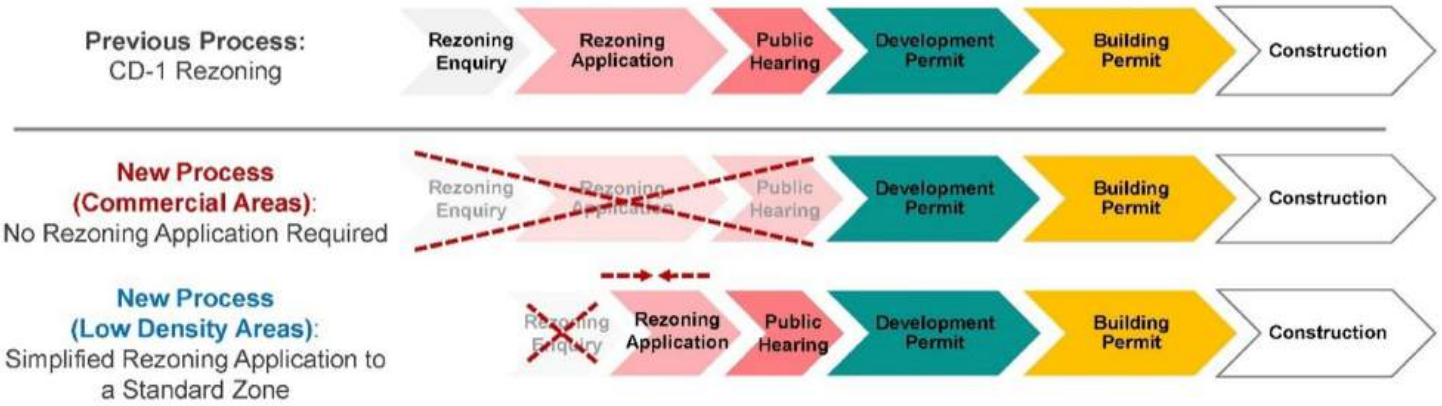
a) No rezoning application required for apartment projects in arterial zones (C-2 zones).

b) Streamlined zoning applications for rental projects in low density transition areas (single family dwelling neighbourhoods). Purpose-built apartments would be allowed in single family neighbourhoods in transition areas (streets adjacent to arterials). A public hearing would still be required, but a simplified application and standard zone would expedite the rezoning process.

c) Reduced parking requirements for rental projects. Reduced parking minimums for secured market rental projects to improve financial viability.

Exhibit 40 summarizes the streamlined SRP application process. Projects in C-2 zones will no longer need a public hearing. Six storey development is permitted, provided that 20% of the units are offered at below market rents. The streamlined process for apartment projects in residential transition zones is also shown.

Exhibit 40: City of Vancouver: Streamlined Process for Purpose-Built Rental Projects



Source: City of Vancouver

[46] Allowed for an additional 1.0 FSR in C-2 zones, or 3.5 FSR rental development rather than the 2.5 FSR permitted for strata development.
[47] Streamlining Rental Around Local Shopping Areas - Amendments to the C-2, C-2B, C-2C and C-2C1 Zones and Creation of New Rental Zones for Use in Future Rezoning Applications in Surrounding Low Density Areas Under the Secured Rental Policy. City of Vancouver. October 5, 2021

Exhibit 41 shows project examples which could be developed in transition zones (RR-2A) and arterials (RR-2B) and (RR-2C).

Exhibit 41: Project Examples in Streamlined Purpose-Built Rental Zones

Source: City of Vancouver

Instead of holding individual public meetings for each purpose-built rental project, the City undertook city-wide engagement. Surveys were collected from a broad cross-section of the community. The majority of survey respondents supported changing the policy to make it easier and faster to develop purpose-built rental housing (65%). Notably, the greatest support came from renters (81%) compared to homeowners (51%). Most survey respondents questioned the existing fairness of development approvals which favours homeowners. The public forum provided an opportunity for a range of underrepresented voices to discuss their concerns and frustrations.

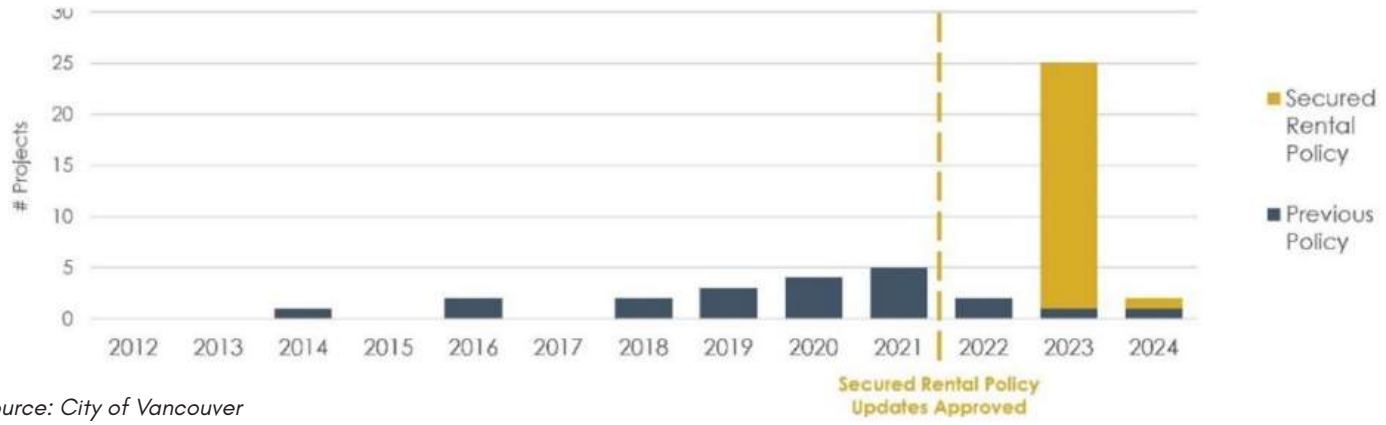
Of particular concern to existing homeowners was the potential scale and pace of change in low density areas. Homeowners expressed concern regarding the size of buildings and their **compatibility with existing lower density homes**.[48] Concerns included shadowing, views, and negative impacts to property values.

As the City was able to retain land economists to test the policy (this would be more prohibitive on a site-by-site basis) City staff had the evidence to show that this level of density was needed to make these developments feasible. Staff indicated *"larger buildings are required to make secured rental housing financially viable. Introducing larger buildings (apartments) would have some impacts on existing homes in low density areas, particularly on immediately neighbouring lots."*[49]

The policy was approved by council in December 2021. Exhibit 42 shows the impact of SRP policy on the approval of secured rental apartment projects. The number of approved projects increased from two projects in 2022 to 25 projects in 2023.

[48] CMHC housing task force recommends repealing policies that prioritize maintaining existing character.
[49] Streamlining Rental Around Local Shopping Areas - Amendments to the C-2, C-2B, C-2C and C-2C1 Zones and Creation of New Rental Zones for Use in Future Rezoning Applications in Surrounding Low Density Areas Under the Secured Rental Policy (page 19).

Exhibit 42: City of Vancouver Secured Rental Rezoning Approvals in Low Density Areas 2012-Q1 2024



Source: City of Vancouver

9.1.1 BEST PRACTICE EVALUATION

Exhibit 43: City of Vancouver Secured Rental Policy Evaluation

PUBLIC ENGAGEMENT OBJECTIVES	OBJECTIVE MET	REASON	RECOMMENDATION
Democratic	Medium	City-wide engagement sought feedback from renters and owners across the socio-economic spectrum Limited public engagement on possible design elements of buildings in standardized zones	City-wide policy engagement is recommended Process could include more community design engagement
Recognizes land economics realities	High	SRP policy integrated minimum viable densities into standard zones based on economic analysis	Market-tested city-wide policy to inform public hearing and trade-offs
Equitable	Medium	Policy supports apartment development in single family transition zones, supporting economic and environmental equity Relatively restricted transition zone areas (one block from arterials). This could be expanded to increase equity	Create standard apartment zones in single family transition zones in all municipalities
Minimizes Costs to Vulnerable Groups	Medium	Removing the public hearing for arterial projects and streamlining zoning districts for transition zones minimizes costs to non-profit groups Removing public hearing process from transition rezonings would reduce this cost further	Hold public hearings at the city-wide level to streamline development of projects Remove public hearing for all rezonings not just arterials

Removes Barriers to Housing Development	High	Removing case-by-case public hearing and streamlining apartment zones has increased supply of purpose-built rental homes significantly	Standardized zones for apartment development in single family transition areas. This has dramatically increased supply

9.2 BEST PRACTICE 2: DISTRICT OF SQUAMISH

The District of Squamish held an open house in September 2023 to discuss an amendment that would allow affordable housing to proceed in all residential zones.[50] The purpose of the proposed regulation was to increase lands available for affordable housing projects in response to findings of the Housing Needs Report. The District of Squamish Housing Needs Report (HNR) showed that 6,840 units are needed in the District by 2031.[51] The District recognized that decisive policy action was needed to reach this target.

The policy aims to reduce barriers to development for affordable housing projects, so projects can be delivered with 'speed and density.'[52] The most viable form of apartment development was contemplated, or projects up to six (6) storeys in any zone where residential was the principal use. A maximum parking requirement of one space per dwelling unit was also recommended. Affordable housing projects would be exempt from lot coverage to allow for flexibility of design.[53]

Similar to the City of Vancouver, a District-wide open house was held to discuss the policy. Members from the community attended an open discussion with questions answered by planning staff and other stakeholders. Comments from the public included:

- *Shade, neighbourhood character and impacts to property values concerns*
- *Prefer spot-zoning to test policy*
- *On-street parking concerns*
- *Infrastructure capacity concerns*

Overall, there was a mix of support from the community, but impacts were weighed in light of the housing needs report findings. Stakeholders from the Squamish Community Housing Society were able to advocate for the regulation. The bylaw was approved by council in November 2023.

[50] https://squamish.ca/discover-squamish/calendar/open-house-stage-3-general-amendments-for-2020-zoning-bylaw-update/
[51] https://squamish.ca/yourgovernment/projects-and-initiatives/housing/affordable-housing/. District of Squamish Housing Needs Report
[52] District of Squamish: Housing Actions
[53] Bylaw 3018 replaces Section 4.49 with new general regulation related to affordable housing.

9.2.1 BEST PRACTICE EVALUATION

Exhibit 44: District of Squamish Affordable Housing Policy Evaluation

PUBLIC ENGAGEMENT OBJECTIVES	OBJECTIVE MET	REASON	RECOMMENDATION
Democratic	Medium	City-wide engagement sought feedback from members of the broader community Limited public engagement on possible design elements of six storey building permitted	City-wide policy engagement is recommended Process could include more community design engagement to test trade-offs
Recognizes land economics realities	Medium	Six storey design and reduced parking requirements optimize viability of policy Unclear if financial testing was done. Caution against municipality mandating specific rents as this can restrict development	Financial testing of policy is recommended Municipality should not stipulate rents. Rather require financing through an affordable housing program - CMHC or BC Housing
Equitable	High	Policy supports apartment development in single family transition zones, supporting economic and environmental equity	Allow market tested apartment development in select single family zones
Minimizes Costs to Vulnerable Groups	Medium	Removing rezoning from application process reduces risk to affordable housing stakeholders	Hold public hearings at the city-wide level to streamline development of projects
Removes Barriers to Housing Development	Medium	Removing case-by-case public hearing and streamlining apartment zones should allow municipality to meet housing targets	Allow for standardized zones for apartment development in single family transition areas

9.3 BEST PRACTICE 3: PARTICIPATORY DESIGN

Best practices in the City of Vancouver and Squamish show how large areas can be pre-zoned for affordable housing projects, setting the stage for city-wide public engagement. Architects, planners, developers and economists are retained to test the policy and provide a full cost accounting of viability and trade-offs. This lessens case-by-case rezoning cost burdens on non-profit organizations and takes into account the complex land economics of these projects. However, the type of information gathered from the community is somewhat limited, focused more on whether the policy is needed. "Participatory design" is a strategy that integrates feedback from end-users into the development process.

We have seen that zoning bylaws are increasingly using standardized development plans to reduce costs and streamline delivery. This presents a significant opportunity to engage the community in an impactful way. A city-led 'participatory design' process can help create building designs that can meet

the needs of residents. Design workshops can also take place for individual projects, understanding that density and height is set in pre-zoned areas but other elements such as outdoor space, amenities and layout can be modified. Pre-zoning sites does not preclude a participatory design process that allows for community feedback on architectural and design elements. When coupled with the removal of high parking requirements, there is much greater flexibility on many aspects of building design

9.3.1 DUSSELDORF, GERMANY

There are many examples of participatory design across Europe. One example is an affordable housing project in Dusseldorf, Germany, or 'Grune Mitt', located on a former shopping mall site.[54] The project delivered 500 housing units, of which 250 were affordable, and focused on communication, negotiation and compromise in concept development. The project was designed under participatory design principles and included workshops, brainstorming sessions, visualized walk throughs and youth outreach. Using computer programs, the design team modelled building suggestions and lay-outs in real time. Three basic plans were presented which incorporated public feedback. A design with buildings around a central green space was selected by the community as the best option. Importantly, a financial analysis was completed for all plans. Concept plans were financially tested and represented distinct trade-offs of priorities. One trade off was the inclusion of a 17-storey office tower at the south-west corner of the site to allow for more green space.

When reviewing this case study, it is important to remember that the planning context in British Columbia is different than Europe. There are fewer opportunities where very large parcels of land are available for master planned communities. Instead, urban areas in BC are typically dominated by single family dwellings which must be purchased and assembled to proceed with development. This typically leads to smaller development parcels and smaller projects with less master planning potential. However, this format allows for greater standardization of design, with greater homogeneity in parcel dimensions. This presents an opportunity for participatory design for apartment concepts in standardized zones.

9.3.2 METRO VANCOUVER

A project which seeks to standardize building design is in the proposal stages in Metro Vancouver: *"Rental Housing Blueprint: Standardized Zoning and Regulations to Streamline 6 Storey Rental Housing"*.[55] Metro Vancouver aims to simplify and expedite the delivery of 6 storey rental buildings, recognizing this is the 'workhorse' of affordable housing. The design will recognize typical lot dimensions across the region, focusing on a design that allows for consistency and economies of scale to expedite delivery. The framework is intended to include: *(1) standardized zoning regulations and (2) simplified design guidelines and regulations* which will be summarized for distribution to municipalities. The development prototype aims to prioritize building efficiency and cost, environmental performance, sociability and livability. This project will present a key opportunity to speak to affordable housing

[54] MVRDV and LOLA Unveil "Grüne Mitte," A Participatory Social Housing Complex in Düsseldorf, Germany. January 2024
[55] Metro Vancouver. Rental Housing Blueprint: Standardized Zoning and Regulations to Streamline 6-Storey Rental Housing. Invitation to Quote. April 2024

operators, users and developers for a participatory design process. Since this project is in the proposal stages, outcomes will be monitored once completed.

9.3.3 ENTERPRISE COMMUNITY PARTNERS

Enterprise Community Partners is a US non-profit dedicated to both increasing the supply of affordable housing and meeting the needs of the community.[56] Since inception in 1982, they have contributed over $72 billion in investment to develop 1 million affordable homes across the United States. Through countless public engagement sessions, they have honed a participatory design approach to affordable housing planning. Their publicly available tool-kit provides the steps to engage the community at different stages of affordable housing projects (Exhibit 45).

Exhibit 45: Steps in the Participatory Design Process

Source: Enterprise Community Partners

Exhibit 46 summarizes Enterprise Community Partners list of building design categories included in the participatory design process. These can be used as discussion stations, post-it notes or conversation themes during meetings. Attendees can highlight what is working in their current living situation for each attribute or envision a design that better meets their needs.

[56] https://www.enterprisecommunity.org/

Exhibit 46: Enterprise Community Partners Participatory Design Categories

Entrance and Lobby	Bedroom	Garden
Laundry Room	Living Room	Storage
Manager's Office	Bathroom	Elevator
Social Service Offices	Public Bathroom	Trash Room
Apartment Kitchen	Staff Bathroom	Retail
Community Room	Courtyard	Exercise Room

Source: Enterprise Community Partners Foundation Non-Profit

Examples of award-winning affordable housing projects can be reviewed to get participants thinking about their design preferences. The idea of financial trade-offs must also be explained to set expectations for affordable housing projects.

9.3.4 BEST PRACTICE EVALUATION

Exhibit 44: District of Squamish Affordable Housing Policy Evaluation

PUBLIC ENGAGEMENT OBJECTIVES	OBJECTIVE MET	REASON	RECOMMENDATION
Democratic	High	Elicits feedback from the community at early stages of the project in a way that will materially impact end users	Design workshops when establishing city-wide policy to integrate experience of end user
Recognizes land economics realities	High	Building designs generated by the public are financially tested by economist to understand viability No specific design required, rather zoning districts offer options that represent trade-offs	Economist retained to test design options which represent distinct trade-offs (density, outdoor space, unit size, parking)
Equitable	High	Integrates experience from end users	Design workshops which include a wide range of residents
Minimizes Costs to Vulnerable Groups	High	Zoning districts with community tested building plan options minimizes economic and social costs and improves livability for users	Allow for flexibility of potential building designs, move away from prescriptive planning
Removes Barriers to Housing Development	High	Participatory deprioritizes opportunities to voice opposition to changing neighbourhood characterimproves livability for users	City-wide engagement focused on how to accommodate density

10 CONCLUSIONS

10.1 CASE STUDY CONCLUSIONS

The *Financial Analysis of Direct and Indirect Costs of Public Hearings* report has been completed during a time of immense legislative change in the province of British Columbia. This has presented the study with both challenges and opportunities. On one hand, costs are based on case studies which occurred prior to the enactment of the Bill 44. Discussion and analysis with many stakeholders were undertaken to project how legislative changes would impact costs going forward, but much remains to be seen through practice.

On the other hand, there is significant opportunity to use data in this report to mitigate public participation costs with the tools provided in the legislation. The most promising direction is the requirement to pre-zone sites in official community plans to allow for 20 years of housing growth, as projected in Housing Needs Studies. Pre-zoning has the potential to provide greater certainty at the outset, ensuring that projects cannot be rejected after significant time and financial costs have been incurred (Case Study 1 and 5). There is potential to focus public participation on impactful input during the official community planning process and minimize time spent on site-specific rezonings where feedback is overwhelming from adjacent property owners (Case Study 2).

However, the sensitive land economics of below-market housing means that pre-zoning must be done with consideration and care. Affordable housing cannot compete for land with market development. Areas that are designated for high density development where market projects can proceed will not be viable for below-market housing (Chapter 5). At the same time, pre-zoning for below-market housing at a few specific sites does not give developers or operators enough supply options, as alignment must happen between buyers and sellers in the affordable housing market (Case Study 10). Large geographic areas with existing low density zoning must be available for below-market apartment development to ensure there is a significant supply of low-cost lands. This is important to ensure financial viability. A review of environmental costs shows the need for increased supply and distribution of below-market apartment projects in order to meet climate change goals and improve ecological equity (Case Study 7).

Case study analysis has also shown that zoned capacity does not always equal development potential. Land economics realities must be factored into pre-zoned development permissions. Viable height minimums must be protected, focusing public discussions on material ways to improve neighbourhoods (Case Study 9, 10, 11). Case studies show that if public participation restricts height beyond a certain level - no project moves forward, stifling housing supply. The housing supply impact of city-wide restrictive bylaws is hard to measure (projects are not attempted), but Case Study 8 hints at the scale of this cost.

[57] Introduction of Bill 44, Bill 46 and Bill 47
[58] At the same density.

10.2 BEST PRACTICE RECOMMENDATIONS

The provincial and federal government have released aggressive housing policy direction which highlights the scale of the housing challenge. It will be essential to leverage existing infrastructure systems through densification to meet the demand for 5.8 million homes by 2030.

The CMHC Housing and Task Force has recommended abolishing unit maximums, parking minimums, limiting the need for rezonings and removing any reference to preserving existing neighbourhood character in local bylaws. The BC government has legislated some of this guidance and established height minimums around transit stations, requiring pre-zoning to meet 20 years of housing demand and eliminating single family zoning in favour of multiplex zoning. These changes generally reduce the ability of the public to restrict development. However, case studies have shown that additional policy is required to ensure costs to affordable housing providers are minimized.

To mitigate the costs of the public hearing to affordable housing stakeholders, the report has **three lessons from best practices:**

1

Engage in city-wide public engagement for affordable housing policy.

Public participation for affordable housing policy is best completed at the city-wide level, eliminating the need for costly and contentious site-by-site rezonings. This allows municipalities to budget for architects, economists, designers and engagement specialists that can plan comprehensively and inform the public of trade-offs. Economists can ensure policy is financially viable, while architects and designers can test the ability of standard parcel sizes to accommodate development. Market tested designs can then be included in streamlined approvals processes with no public hearing.

2

Leverage the relatively low land value supported by single family development (or multiplex zoning) to allow 4 to 6 storey affordable housing development. This could be done city-wide or in transition zones close to commercial areas, arterials or other walkable amenities.

Pre-zoning for affordable housing must be done in areas with lower land values and where strata apartment development is not allowed at the same density. Pre-zoning select neighbourhood areas improved with single family dwellings allows for viable projects without placing upward pressure on land values.

3

Allow for participatory design in standardized zones or for pre-zoned sites. Pre-zoning does not preclude a participatory design process where height and density minimums are required, but other elements of design are discretionary.

Participatory design offers the option for residents to engage in the design of buildings in pre-zoned areas. Case studies in Germany and the US have shown how participatory design can engage the community for housing that meets users needs and leaves the preservation of existing character out of the discussion. Enterprise Community Partners has developed a tool-kit for municipalities to best engage the end user on design feedback. Removing parking minimums allows for more design flexibility on outdoor space, unit size, amenity space, rents, and other social benefits. Non-profit organizations have the option of selecting existing building designs or completing their own, depending on the financial capacity of the organization and users needs. Flexibility in design can also allow projects to remain responsive to market conditions. As more and more residents live in apartment units, it will be imperative that these projects prioritize the mental and social well-being of community members.

Case studies have shown that below-market housing is necessary from an economic, social and environmental perspective. Our housing needs studies show demand is vast. We have seen that below-market housing is needed by groups across the socio-economic spectrum, for both low-and-middle income earners. Prejudice in site-specific decision-making leads to restrictive development bylaws, even when accompanied by housing needs data. Policy and public participation should be managed in a way that mitigates the impact of these prejudices. Shifting public participation from the 'if' to the 'how' will be fundamental.

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