DENSITY BONUSING ANALYSIS

CITY OF WEST KELOWNA | MAY 3, 2024

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MAY 3RD, 2024

FILE:

2849.0048.02

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1.0 INTRODUCTION

1.1 BACKGROUND

The City of West Kelowna is drafting new zones for the Westbank and Boucherie Urban Centre areas. The goal is to create new, OCP-aligned 'shelf-ready' zones that a developer or landowner can elect to re-zone into, and to have a density bonusing program embedded within these new zones. The density bonus program may include cash contributions in exchange for additional density, and / or may include in-kind contributions aligned with municipal priorities, in exchange for bonus density. The City has retained Urban Systems to analyze the financial performance of different types of envisioned redevelopment projects permitted in the Boucherie and Westbank Urban Centre zones and assess how that financial performance of those projects may translate to density bonus contributions. Our work is focused on residential density bonus rates.

This report summarizes the analysis that we completed as input to the City's process. Our analysis work was largely completed in early March 2024, so all revenue and cost assumptions used in this analysis are based on market conditions as of early 2024.

1.2 DISCLAIMER

This document contains estimates and forecasts of future growth and urban development prospects, estimates of the financial performance of possible future urban development projects, opinions regarding likelihood of approval of development projects, and recommendations regarding development strategy or municipal policy. All such estimates, forecasts, opinions, and recommendations are based in part on forecasts and assumptions regarding economic growth, policy, market conditions, development costs and other variables. The assumptions, estimates, forecasts and opinions are based on interpreting trends, gauging current conditions, and making judgements about the future. As with all judgements concerning future trends and events, there is significant uncertainty and risk that conditions change or unanticipated changes occur such that actual events turn out differently than anticipated in this document.

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2.0 EXISTING AND PROPOSED ZONES FOR WESTBANK AND BOUCHERIE URBAN CENTRES

2.1 CURRENT ZONING REVIEW

The Boucherie and Westbank Urban Centres contain a variety of zones today that allow for detached multi-unit residential buildings. The table below (Table 1) provides an overview of those zones, current permitted residential uses, and any density bonusing provisions that current exist within them. At present, only the C-1 (Urban Centre commercial) zone has density bonusing provisions, allowing for a base density of 2.35 FAR with surface parking, 2.5 FAR if parking is provided in a non-surface form (e.g., underground or structured), and permits further bonusing up to 2.8 FAR if 75% of parking is provided underground.

Table 1: Review of Existing Zones with Residential Permissions in Westbank and Boucherie Urban Centres

Zone	Permitted Residential Uses	Density w/ surface parking	Density w/ non-surface parking	Maximum parcel coverage	Maximum Building Height	Density Bonusing
Urban Centre Commercial Zone (C1)	Apartment Mixed Use	2.35	2.5	100%	4 storeys 6 storeys for >2.5 FSR	• 0.15 FSR x ratio of non-surface parking spaces to total required parking spaces = 2.8 FSR (for 75% UG/25% Surface) • Westbank Centre Plan Area: 2.8 FSR if $2.50/psf of additional GFA
Neighbourhood Commercial Zone (C2)	Retail Apartment is secondary use	1.0	N/A	40%	3 storeys	-
Westbank Centre Compact Residential Zone (RC1)	Duplex Single detached Townhouse	Townhouse: 1.2 FSR Duplex/single detached: 1 unit per parcel	N/A	40%	-	-
Boucherie Centre Compact Residential Zone (RC2)	Duplex Single detached	Duplex/single detached: 1 unit per parcel	N/A	40%	-	-
Single Detached Residential Zone (R1)	Single detached	Duplex/single detached: 1 unit per parcel	N/A	40%	3 storeys	-
Duplex Residential Zone (R2)	Duplex Single detached	Duplex/single detached: 1 unit per parcel	N/A	Duplex: 40% Single detached: 35%	3 storeys	-

2.2 PROPOSED ZONES

The City is in process of developing shelf-ready zones that align with the four OCP land use designations in the Boucherie and Westbank Urban Centres. Developers and landowners will have the option to re-zone their properties into these zones; within these new zones there will be density bonusing provisions, whereby additional density can be accessed in exchange for either a cash contribution or a specified in-kind contribution that aligns with City priorities.

Table 2: Existing Zones and New Draft Zones Available for Rezoning

Official Community Plan Designation	Current Zone(s)	New Draft Zone Available for Rezoning	Uses in New Draft Zone Prioritized for Testing
Boucherie Urban Centre	• C1 • C3 • C4 • C5 • R1 • R2 • R3 • R4 • RC2 • RMP	Boucherie Urban Centre (BUC1)	• Mixed-use apartments (up to 12 storeys) ○ Retail is required along frontage of ground floor level on identified high streets* • Up to 100% parcel coverage
Westbank Urban Centre – Mixed Use Corridor	• C1 • C3 • C4 • R1 • R2 • R3 • R4 • R5 • RC1	Westbank Urban Centre – Mixed Use (WUC1)	• Mixed-use apartments (up to 19 storeys) ○ Retail is required along frontage of ground floor level on Brown Road as the identified high streets* • Up to 100% parcel coverage
Westbank Urban Centre – Commercial Core	• C1 • C4 • R1 • R2 • R4 • R5	Westbank Urban Centre – Commercial Core (WUC2)	• Mixed-use apartments (up to 15 storeys) ○ Retail is required along frontage of ground floor level** • Up to 100% parcel coverage
Westbank Urban Centre – Residential Shoulders	• C2 • P1 • R1 • R5 • RC1 • RU4	Westbank Urban Centre – Residential Shoulder (WUC3)	• Apartments (up to 12 storeys) ○ Mixed-use apartments (up to 12 storeys) • Up to 75% site coverage

*Additional conditions outlined in detail within the Zoning Bylaw

The table above summarizes the new draft zones available for rezoning in the subject areas and the approximate density (defined in terms of building height) that these zones will permit. Note that these parameters serve as the basis for the pro forma financial analysis inputs used in the case study analyses outlined below. Urban Systems has made attempts to estimate the approximate FAR equivalent of the height parameters outlined in the Boucherie and Westbank Urban Centre areas. However, as equivalent FARs can be achieved through different massing and height configurations, the City will ultimately need to determine if these FAR estimates do indeed reflect the intended building forms for these zones. Further financial analyses may be required if substantial changes need to be made to any of these parameters to better align with intended form and character of the Centres.

3.0 CASE STUDY SITES AND APPROACH TO ANALYSIS

The purpose of this exercise is to quantify the extent of developers' financial ability to provide amenity contributions (however defined) through density bonus zoning regulations in Westbank and Boucherie Urban Centres. This section outlines the urban land economics rationale for applying density bonus contribution requirements and provides an overview of the approach used in this analysis.

3.1 URBAN LAND ECONOMICS RATIONALE

Development projects are financially able to provide amenities (however defined) in exchange for additional development rights (density) because additional development rights achieved through bonus density zoning have value. Otherwise, developers would not be able to absorb the costs of an amenity contribution, provided as cash or in-kind.

When a developer acquires a development parcel, that developer is effectively buying development entitlements that are attached to the land, as defined in the zoning bylaw. The amount a developer is able to pay for a property is in large part a function of the type and amount of development likely to be approved, and the anticipated financial performance of that development.

As an illustration of how amenity contributions (in this case in the form of density bonusing) work in land economics terms, Table 3 below provides a simplified financial analysis for a hypothetical development project under three scenarios:

1. A site zoned for 30 apartment units
2. A site upzoned to allow 45 apartments with no amenity contribution
3. A site is upzoned to allow 45 apartments with a contribution of $20,000 per additional unit.

The development parcel is assumed to be an assembly of four older single detached homes that have a combined market value of $3.2 million under existing use (i.e., the value that the lots could be sold for to prospective buyers interested in purchasing a single detached home). In all scenarios, the site size, assumed average selling price of individual units (per square foot) and the assumed construction costs (per square foot) are the same.

Table 3: Hypothetical Scenarios Illustrating Room for Amenity Contributions

	Scenario 1 – 30 units	Scenario 2 – 45 units, no contribution	Scenario 3 – 45 units, $20k/unit contribution
Revenue ($600k / unit)	$18,000,000	$27,000,000	$27,000,000
Costs			
Marketing / Commissions	$600,000	$900,000	$900,000
Hard + Soft Costs	$11,800,000	$17,700,000	$17,700,000
Profit Allowance	$2,340,000	$3,500,000	$3,500,000
Cost of Rezoning	$300,000	$300,000	$300,000
Density Bonus Payment	$0	$0	$300,000
Land Value Supported by Development	$2,960,000	$4,600,000	$4,300,000
Under existing use	$3,200,000	$3,200,000	$3,200,000
Value Supported Minus Value under Existing Use	Nil	$1,400,000	$1,100,000
Viable for redevelopment?	No	Yes	Yes

Scenario 1 is the base case and shows how the project performs under existing zoning (or at a possible base allowable density level). The developer earns a typical profit margin if they pay a maximum of $2.96 million for the lot assembly. However, the existing use supports a value of about $3.2 million if sold to single detached home buyers, therefore this site is not attractive for redevelopment at the required profit threshold.

Scenario 2 shows how the project would perform if the site were upzoned or density bonused to allow for a higher density project without any amenity contribution requirement. The project is larger, so total revenues, costs, profit and supportable land value are all higher. However, it is important to note that the profit margin remains the same in terms of ratio to overall revenue. The developer's ability to pay for the property increases to $4.6 million from $2.96 million, because it allows a larger project (more density), and incremental projected revenue more than offsets the incremental projected cost. The site's value is therefore higher than its value under existing use ($4.6 million vs. $3.2 million),

so there is an incentive for the existing owners to sell and the site is now financially viable and attractive for redevelopment. The developer could afford, in this instance, to 'overpay' for the land quite substantially and still achieve a typical target profit margin.

Scenario 3 shows how the project would work if the site were rezoned (or density bonused) with a contribution of $20,000 per additional unit ($300,000 total). The project is the same size as Scenario 2, with the same sales revenues, costs, and profit. However, Scenario 3 also includes a density bonus payment for the increment from 30 to 45 units, totalling $300,000 ($20,000 per unit). In this scenario, the developer can afford to pay $4.3 million to acquire the site, vs. $4.6 million in Scenario 2. This illustrates that:

- The project is still financially viable;
- The City receives a density bonus payment of $20,000 per additional unit permitted; and,
- The developer can afford to pay $4.3 million, which is higher than the $3.2 million existing property value. This creates the opportunity for the developer to still offer a substantial incentive to the existing owners to make their properties available for redevelopment.

These scenarios illustrate the following key points about density bonusing:

1. If the density bonus payment requirement is known well in advance of a developer making a land purchase, then the payment should not impact the price of the housing unit.
2. With the density bonus payment, there is an incentive to pursue additional density because the cost to achieve that incremental density is more than offset by the additional value created by that density.
3. Landowners will often require a significant incentive to sell their property (particularly if they occupy it). The cost of a density bonus payment should be less than the additional value created by the incremental density permitted to create an incentive for property owners to sell their properties.
4. The additional land value created by additional density can make redevelopment financially viable when it is not viable under existing zoning / density. It can also create potential for provision of a cash or in-kind amenity contribution.
5. The amount of amenity that can be offered (cash or in-kind) is limited by the financial performance of a project. Ultimately, bonus density payments or in-kind contributions should be tied back to public benefit requirements, but should not be so high as to tip projects into non-viability. Understanding land value lift is therefore important to ensure that proposed density bonus rates / requirements are financially reasonable.

3.2 APPROACH TO DENSITY BONUS VALUATION ANALYSIS

Pro forma financial analysis was used to model the likely performance of redeveloping hypothetical case study sites under various density scenarios, guided by maximum building height indications in the City's OCP (see Table 1 above). In each case, the analysis assumes that a developer purchases a site at its current market value under existing use and zoning, or at a base supportable value of a new as-of-right use if that value is higher. An example of the latter would be an instance when a 4-plex development in a SSMUH-applicable zone (R1 or R2) shows a supportable land value that is higher than what is indicated by BC Assessment for those lots prior to SSMUH policy being adopted.

The methodology employed in this analysis can be summarized in the following steps:

1. Lot Characteristics Review: We reviewed the characteristics of all lots within Boucherie Urban Centre (BUC), Westbank Urban Centre Commercial Core (WUC_CC), Westbank Urban Centres Mixed-Use Core (WUC_MUC) and Westbank Urban Centre Residential Shoulder (WUC_RS), examining lot sizes (mean, median, low and high), underlying lot values, and as-of-right allowable uses / densities in zones within each of these areas.
2. Market Research: We conducted market research to determine if there are cost or revenue differentiations for completed housing product between Boucherie vs. Westbank Centres that should be accounted for in the analysis. Market research included interviews with developers and review of available data to determine likely construction costs, financing rates, and achievable sales prices for townhouses, apartments and houseplexes.
3. Houseplex research: as modelling was prepared for 4-plex development on R1 and R2 zoned-lots to determine if they supported higher base land values than suggested by current assessed values, a review of the likely achievable 4-plex forms was conducted. This included discussions with City staff around their desired forms of Bill-44-aligned development, and a series of discussions with a developer familiar with houseplex development in the Okanagan to better understand physically achievable development characteristics given the lot sizes and configurations present in Westbank and Boucherie Urban Centres.
4. Case Study Sites: We developed case study pro forma analyses on hypothetical lots derived using a composite of lot characteristics in each of the Centres.
    a. For apartment typologies, we modelled wood frame, mixed-use and concrete apartments on a hypothetical 1-acre lot, which is deemed representative of the likely market characteristics of either of the two centres.
    b. For the townhouse typology, we modelled a townhouse development at different density levels, again using a hypothetical 1-acre lot that was deemed representative of the likely market characteristics of either of the

centres. Townhouses were modelled at lower densities with individual garages, and at higher densities with shared underground parking.

c. For houseplex development, we developed models aligned with average R1-S and R2-S lot sizes in Boucherie and Westbank Centres. In all cases, we assume a 'double duplex' form of development, with 1 surface parking stall provided per unit. Appropriate density levels (defined by FAR) were derived based on our judgement on reasonable unit sizes, and under the assumption that we would not be subdividing larger lots to permit more units (e.g., no provision to subdivide a large R1-S lot to allow for two lots and 8 units, vs. lower density on the larger lot to achieve 4 larger units).

5. Base Value Estimation: as density bonus potential is tied to the creation of a 'lift' in land value through provision of additional density, we need to establish base land values as a point of comparison to establish minimum viable density levels. A working assumption in the analysis is that base density levels should be set high enough to allow for market viable development without needing to take advantage of density bonus provisions. Base land values in the subject areas are set through a review of the following:

    a. BC Assessment data – we first reviewed the prevailing land values under each of the current zones, on a per-acre basis, in any areas where a given development typology is relevant (e.g., mixed-use vs. apartments). We also looked at BC Assessment values plus an "assembly premium" allowance of +20%, to acknowledge that in most cases a developer will need to offer a premium to assessed value in order to have a land transaction proceed; this is especially the case in instances where land assemblies are required to allow a development to proceed.

    b. Alternate base values – in some areas, base land values may be higher than suggested by BC Assessment given development economics of as-of-right uses. For areas where this is a relevant consideration (particularly in the RC-1 and R1-S and R2-S zones), pro formas were prepared for townhouse and houseplex typologies – as noted above – to determine whether these typologies support a higher base land value 'threshold' that an apartment project would need to outcompete for financial viability. This has implications for viable base densities and the value of incremental density over that base.

    Base values are set as the higher of either: (1) BC Assessment value + 20%, or (2) Land residual of townhouses or houseplexes, where those uses are applicable.

6. Determination of Development Viability and Land Lift – with base values established, we modelled apartment and mixed-use projects in wood frame and concrete to test development viability and the incremental lift in land value through additional densities. Minimum viable densities were established by comparing

supported land residuals against the highest relevant base per-acre land value, as established in #5 above.

For wood frame apartment and mixed use, densities were tested up to a maximum of 2.8 FAR.

For concrete high rise, we tested up to a maximum of 8.5 FAR.

We then calculated the incremental lift in land value supported by density increments (e.g., lift form 2.2 to 2.3, 2.3 to 2.4, 2.4 to 2.5 etc).

7. Supportable density bonus rates – after establishing minimum viable densities, we calculated the increase in land value due to the bonus density and the associated potential density bonus rate. The latter is based on the capture of 50% of the increase in land value as a density bonus. Our decision to set the capture rate at 50% (vs. 75% or higher) is to allow for a developer to still have sufficient financial buffer as both an incentive to build to higher densities, and to be able to offer some of that lift to property owners as an incentive to sell land into a development project. A higher capture of land lift would, conversely, reduce the financial room that a developer has to work with in order to get land assembled and project off the ground. There is, as always, a tradeoff consideration here for the municipality, whereby the municipality may capture slightly less of the uplift in land value, in the interest of incentivizing the development of more units. Note that a 50%-75% range for land value capture is consistent with the range used by many other municipalities as the basis for their rate setting[1].
8. Rental housing analysis – the calculation of base land values and land lift are focused on ownership tenure housing. The economics of rental housing need to be evaluated in a different way than ownership, given that current economic conditions do not allow them to pencil as build-and-sell projects, even with preferential financing.
9. Using a pro forma (land residual) analysis, we estimated the land value supported by development assuming sites are redeveloped under any of the above use or density conditions. We then compared those land residuals against the prevailing lot values under current zoning, and / or against land residuals supported by other as-of-right uses that may not be fully captured within the current assessed values (e.g., option to redeveloped R-zones for plex housing). This process allowed for the establishment of appropriate base land values or base densities.

[1]For example, City of Port Moody captures 75% of the land lift generated from the additional density, and the City of Coquitlam captures 60% of the land lift generated from additional density.

4.0 SUMMARY OF INPUTS AND ASSUMPTIONS

4.1 ZONING AND LOT CHARACTERISTICS

This analysis looks at the lands contained within Boucherie and Westbank Urban Centres. The following tables outline the characteristics of these lands in terms of existing zoning, land area, average lot size, number of parcels, and most recent BC Assessment average land values.

Table 4: Boucherie Urban Centre – Existing Zones and Land Values

Zone	Sum of Land Area (acres)	Avg. Lot Size (ac)	# of Parcels	$/acre Value
C1	10.4	1.7	6	$3.1m
C3	0.8	0.8	1	$2.7m
C4	22.2	1.2	18	$0.3m
C5	1.2	1.2	1	$1.4m
P1	10.4	10.4	1	$0.1m
P2	21.5	10.8	2	$0.8m
R1	8.3	0.4	21	$2.2m
R2	16.2	0.3	50	$2.4m
R3	27.2	0.7	38	$1.0m
R4	9.2	0.5	19	$0.8m
RC2	7.0	0.2	32	$3.7m
RMP	10.2	10.2	1	$1.2m

Table 5: Westbank Urban Centre Commercial Core – Existing Zones and Land Values , Excluding R5 Zone

Zone	Sum of Land Area (acres)	Avg. Lot Size	# of Parcels	$/acre Value
C1	36.3	0.8	46	$3.9m
C3	1.5	0.4	4	$2.9m
C4	0.4	0.2	2	$5.4m
P1	12.0	6.0	2	$0.5m
P2	24.9	2.3	11	$1.6m
R1	4.6	0.2	26	$3.8m
R2	1.3	0.2	6	$3.0m
R3	0.3	0.3	1	$4.8m
R4	0.4	0.4	1	$3.3m
RC-1	9.6	0.2	51	$3.6m

Table 6: Westbank Urban Centre – Mixed Use Corridor, Existing Zones and Land Values, Excluding R5 Zone

Zone	Sum of Land Area (acres)	Avg. Lot Size	# of Parcels	$/acre Value
C1	6.3	0.2	30	$8.2m
C4	1.5	0.3	5	$4.8m
P2	1.8	0.4	5	$3.2m
R1	3.2	0.2	17	$3.6m
R2	0.9	0.2	4	$2.4m
R4	2.1	1.2	6	$1.0m

Table 7: Westbank Urban Centre – Residential Shoulder, Existing Zones and Land Values, Excluding R5 Zone

Zone	Sum of Land Area (acres)	Avg. Lot Size (ac)	# of Parcels	$/acre Value
C2	1.0	0.25	4	$2.5m
P1	0.3	0.27	1	$1.5m
R1	6.6	0.25	26	$3.5m
RC-1	18.4	0.20	90	$3.5m
RU4	21.1	21.17	1	$0.2m

Table 8: R5-Zoned Parcels – Westbank Centre

# of Parcels	Average Parcel Size	Min / Max Parcel Size	Avg. Parcel Value / Acre	Min Parcel Value / Acres	Max Parcel Value / Acre
24	2.52 Acres	0.69 ac / 5.63 ac	$10.5 m / acre	1.14m / acre	$24m / acre

4.2 COST AND REVENUE ASSUMPTIONS

The following tables outline the cost and revenue assumptions used in the pro forma analysis.

Table 9: Summary of Pro Forma Input Variables

Variable	Wood Frame Apartment	Wood Frame mixed-Use	Concrete Apartment	Concrete Mixed-Use	Townhouse	4-Plex
Unit sizes	800 sq.ft.	800 sq.ft.	750 sq.ft.	750 sq.ft.	1,450 sq.ft.	1,500 to 2,400 sq.ft.
Parking / unit	1.25	1.25	1.25	1.25	1.5	1.0
Revenue / residential Sq.ft.	$750	$750	$950	$950	$600	$600
Market Rent / Sq.ft. / Month	$2.85	$2.85	n/a	n/a	n/a	n/a
Commercial lease rate / sq.ft.	n/a	$35	n/a	$35	n/a	n/a
Hard + Soft Costs* / sq.ft.	$470-$475	$475-$480	$600-$615	$600-$615	$370 (low density) $460 (high density)	$415-$420
Profit	15% on cost	15% on cost	15% on cost	15% on cost	15% on cost	15% on cost

*excluding financing and land

5.0 RESULTS OF FINANCIAL ANALYSIS

5.1 TOWNHOUSE – RC-1 ZONE

The purpose of modeling townhouse development in the RC-1 zone is to establish what land value is supported by this form at different density increments. This is an important consideration insofar as it may impact the viability of higher density forms (i.e., apartments), and the extent of incremental land value that is generated by those forms at different density levels.

The RC-1 zone is present in Westbank Urban Centre Commercial Core (WUC-CC) and Residential Shoulder (WUC-RS) areas. This zone encompasses 141 lots and around 28 acres of land, with average lot sizes of 8,200 square feet in WUC-CC and 8,900 square feet in WUC-RS. There is allowance for townhouse development up to a density of 1.2 FAR.

Financial modelling was prepared for townhouses as follows:

1. Traditional slab-on-grade townhouses with individual garages and internal strata roadways, at densities of 0.70 to 0.85 FAR;
2. Stacked townhouses over a shared underground parking structure, at a density of 1.2 FAR.

Based on discussions with Okanagan developers, we understand that, in the Kelowna / West Kelowna markets, at densities beyond 0.85 FAR (or perhaps slightly higher in certain circumstances) it is likely that the townhouse development form would be unable to accommodate internal drive aisled and individual garages. This would necessitate a switch in built form to a townhouse complex with a central courtyard and shared underground parking. We therefore do not model townhouses with individual parking above 0.85 FAR, and test the implications of shifting the form to stacked with underground at the maximum envisioned density of 1.2. As detailed in the assumptions section above, the costs to build the latter are higher than the former.

The current assessed land values for RC-1 zoned parcels are between $3.5 and $3.65 million per acre (higher in Westbank Centre than Boucherie Centre). Lot sizes are relatively small as noted above and therefore land assembly would be required in most instances to proceed with a townhouse project. An assumed site assembly premium must be considered in the estimates of existing value, allowing financial room for developers to offer a financial incentive to existing property owners to vend their land into an assembly for development. A 20% site assembly premium is therefore added to the assessed values, bringing RC-1 parcel base values to between $4.2 and $4.4 million per acre. Any higher density development would need to support at least this value to be viable.

Based on the pro forma financial modelling, we find that townhouse development on a hypothetical 1-acre lot assembly in Boucherie or Westbank Urban Centres at 0.7, 0.8 and 0.85 FAR support land values ranging from $3.2 million to $4.5 million. At 1.2 FAR with underground parking, the land value drops considerably, to $0.5 million per acre. Under prevailing market conditions, that form is unlikely to be viable as it would need to command significant price premiums versus the lower density townhouse form to be viable. There is currently no market evidence to support testing such a price premium.

Table 10: Development Viability of Townhouses in RC-1 Zone

Townhouse Density	RC-1 Assessed Value / Acre – Westbank Commercial Core + 20% assembly premium	RC-1 Assessed Value / Acre – Westbank Residential Shoulder + 20% assembly premium	Townhouse Land Residual / Acre	Townhouse Land Residual / buildable square foot	Viable?
0.7 FAR	$4.4m / acre	$4.2m / acre	$3.2m	$103	No
0.8 FAR			$4.0m	$116	Marginal
0.85 FAR			$4.5m	$121	Yes
1.2 FAR			$0.5m	$8	No

Based on the above residual land value modelling, the highest justified per-acre value for RC-1 land is around $4.5 million per acre, based on a 0.85 FAR townhouse development. For a higher density development form (i.e., apartments) to be viable within an RC-1 zoned area, it would therefore need to support a land purchase price of at least $4.5 million per acre. This, therefore, forms the base 'hurdle' value for apartment viability testing in any areas with RC-1 zoning.

5.2 SMALL SCALE MULTI-UNIT ZONES – R1 AND R2

Small scale multi-unit housing (SSMUH) has been modelled for areas in Westbank and Boucherie Urban centres that currently have R1 and R2 zoning in place. These lands encompass **150 lots and just under 41 acres of land** across Westbank and Boucherie Urban Centres, with average lot sizes ranging from a low of 8,138 square feet in Westbank Centre's Mixed-Use Corridor, to over 16,000 square feet in Boucherie Urban Centre. Due to the recent passage of provincial legislation (Bill 44), West Kelowna is in the process of updating its R1 and R2 zones to permit up to 4 units per lot. For the purposes of density bonus analysis, the question is whether these additional development entitlements support higher land values than currently suggested by the property assessment roll.

Does plex housing allowance result in higher land values?

Based on a review of lot characteristics and configurations, along with discussions with City staff to understand their desired 'plex' housing forms for these areas, it is our opinion that the most likely plex-type housing form for these areas will be duplex and double duplex configurations with parking off the road. Modelling has therefore been prepared for 'fourplex' (i.e., double duplex) typologies, each with non-covered surface parking. Density assumptions, defined in terms of FAR, have been made based on average lot sizes and a targeted unit size range of 1,500 to 2,400 square feet. This translates to densities of 0.6 FAR in Boucherie Urban Centre and 0.8 FAR in Westbank Urban Centre.

Table 11:Development Viability of 4-Plex Housing in Boucherie and Westbank R1 and R2 Zones

Area and Zone	Avg. Lot Size (SF)	# of Parcels	Assessed Value / Acre	SSMUH Density Assumption (FAR)	Avg. SSMUH Unit Size	SSMUH Residual Value / Acre	SSMUH Viable?*
Boucherie UC R1	16,146	21	$2.22m	0.6	2,400 sf	$1.9m	No
Boucherie UC R2	14,105	50	$2.37m	0.6	2,100 sf	$1.8m	No
WUC CC R1	7,664	26	$3.8m	0.8	1,500 sf	$2.1m	No
WUC CC R2	9,246	6	$3.0m	0.8	1,850 sf	$2.3m	No
WUC MUC R1	8,138	17	$3.6m	0.8	1,630 sf	$2.1m	No
WUC MUC R2	9,257	4	$2.4m	0.8	1,900 sf	$2.4m	Yes
WUC RS R1	9,246	26	$3.5m	0.8	1,800 sf	$2.1m	No

*If SSMUH Residual >= Assessed Value, project is deemed viable. If SSMUH Residual is within 5% of Assessed Value, the project is deemed marginal. If SSMUH Residual is >5% under assessed value, project is deemed unviable.

The financial modelling suggests that in most cases, plex housing forms cannot support residual land values higher than prevailing values in the subject areas under prevailing cost and revenue conditions. The exception is the R2 zone in Westbank Urban Centre's Mixed Use Corridor where the supported land residual is approximately equal to the assessed values. That area only accounts for 4 lots and a combined 0.9 acres of land. *It is important to note that for houseplexes over 4 units, the project is considered commercial in nature (new regulations under the BC Financial Services Act which require additional*

professional requirements, such as architects and engineers), so it is unlikely, even if the houseplxes were upzoned to 6 units, that the residual land value and profit metrics would tip in significant favour of SSMUH developments.

Based on the findings of this analysis, for the purposes of financial modelling of higher density forms in the R1 and R2 zones, the comparative 'base' land values are set based on the most recently assessed values.

5.3 WOOD FRAME APARTMENTS

Wood frame apartments (strata tenure up to 6-storeys) are modelled on a hypothetical 1-acre parcel as though present in Westbank Urban Centre – Residential Shoulder or Boucherie Urban Centre. It is our understanding that these are the only sub-areas in Boucherie or Westbank Centres where a non-mixed-use apartment form would be considered.

5.3.1 VIABLE BASE DENSITY ANALYSIS

Testing was first conducted to determine a viable base density for wood frame condo development. Viability is defined as a project being able to support a land value that is equal to or greater than prevailing land values in the area inclusive of a development assembly premium of 20%.

In the Westbank Residential Shoulder area, land values supported by prevailing underlying zoning range from about $2.5 million per acre in the C2 zone, to about $5.8 million per acre for parcels zoned R5 and containing older structures.[2] Excluding R5 parcels, the top end of land values is around $3.5 million per acre, in the R1 zone. Adding a 20% assembly premium, this top-end value increases to approximately $4.2 million. And, as noted previously, RC-1 base land values are set based on the highest supported value for townhouse development, which is $4.5 million per acre.

In Boucherie Urban Centre, land values supported by prevailing underlying zoning reach a maximum of approximately $3.7 million per acre, in the RC2 zone. And $3 million per acre in the C1 zone. Adding a 20% assembly to the highest of these yields a base value of $4.4 million per acre.

The following land values are supported by wood frame strata tenure apartments at the following density increments:

- 2.0 FAR: $3.8 million / acre ($43 per square foot buildable)
- 2.3 FAR: $4.6 million / acre ($46 per square foot buildable)
- 2.5 FAR: $5.2 million / acre ($48 per square foot buildable)
- 2.8 FAR: $6.0 million / acre ($49 per square foot buildable)

[2] Older structures are defined as buildings older than 25 years.

If the RC-1 and RC2 lot values as described above are used as the benchmark for minimum viable density levels in the two sub-areas where this typology is applicable, this means that a project would need to be built to approximately 2.3 FAR to be viable, at minimum.

Wood frame minimum viable density: 2.3 FAR

Applicable areas: Westbank Urban Centre Residential Shoulder, and Boucherie Urban Centre

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5.3.2 INCREMENTAL VALUE FROM DENSITY BONUS

All the incremental value analysis presented below is based on an assumed base density of 2.3 FAR. This is not to say that a development below 2.3 FAR would be unviable necessarily. Indeed, based on discussions with developers and additional financial testing, we see that lower density apartment projects can be viable in West Kelowna.[3] However, those projects are being pursued on lands that were purchased a number of years ago and may not be viable if a developer were purchasing land in the Urban Centres today. Further, those projects may not be achieving the urban form and character that is being sought for the Urban Centres.

From a base of 2.3 FAR to a max of 2.7 or 2.8 FAR (the latter assumed to represent an urban-form 6-storey structure), the average lift in land value is approximately $65 per incremental square foot.

5.4 WOOD FRAME MIXED-USE

Wood frame mixed-use (at-grade commercial with strata residential above) is modelled on a hypothetical 1-acre lot as though present in any of the following areas: (a) Boucherie Urban Centre, Westbank Urban Centre – Mixed-Use Corridor, Westbank Urban Centre – Commercial Core, or Boucherie Urban Centre.

5.4.1 VIABLE BASE DENSITY ANALYSIS

Wood frame mixed-use is considered in the following areas:

- Boucherie Urban Centre
- Westbank Urban Centre – Commercial Core
- Westbank Urban Centre – Mixed-Use Corridor

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[3] Financial modelling suggests that a 1.8 FAR project with 50% surface and 50% underground parking could support a land residual similar to that of a 2.3 FAR project with 75% underground and 25% surface parking.

Values in Boucherie Centre range reach a maximum of approximately $3.7 million per acre in the RC-2 zone.

Values in Westbank Urban Centre Commercial Core reach a maximum of $5.4 million per acre in the C4 zone. The C1 zone, which accounts for nearly a quarter of the total land area, has an average value of $3.9 million per acre.

Values in Westbank Urban Centre Mixed Use Corridor range from $1 million per acre in the R4 zone to over $8 million per acre in the C1 zone. The latter accounts for nearly 13% of the land base.

The following land values are supported by wood frame mixed-use strata developments at the following density increments:

- 2.0 FAR: $2.9 million / acre($33 / sq.ft. buildable)
- 2.3 FAR: $3.8 million / acre ($33 / sq.ft. buildable)
- 2.5 FAR: $4.3 million / acre ($39 / sq.ft. buildable)
- 2.8 FAR: $5.3 million / acre ($42 / sq.ft. buildable)

With base land values varying significantly across the different centres, we evaluate minimum viable densities separately for each.

- In Boucherie Urban Centre, the base value is established as $4.4 million per acre. This supports a minimum viable density of approximately 2.5 FAR.
- In Westbank Urban Centre - Commercial Core (WUC-CC), base land value is set using the value of the C1 zone, + 20% assembly premium. This translates to $4.7 million per acre. This supports a minimum viable density of between 2.5 and 2.6 FAR.
- In Westbank Urban Centre – Mixed use Corridor, the highest per-acre land value is the C1 zone at nearly $8.2 million per acre. This is followed by the C4 zone at $4.8 million per acre. Based on the former, which accounts for around 13% of the land base in the MUC, there is no minimum viable base density for mixed-use development. Based on the latter, the minimum viable density is between 2.5 and 2.6 FAR.

Based on the above, we believe that setting a base density of 2.5 FAR is appropriate for Boucherie Urban Centre and Westbank Urban Centre Mixed Use Corridor, and 2.6 FAR is appropriate for Westbank Commercial Core.

Wood frame mixed use minimum viable density – 2.5 FAR in Boucherie Urban Centre, and or 2.6 FAR in Westbank Urban Centre

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5.4.2 INCREMENTAL VALUE FROM DENSITY BONUS

The costs to build mixed-use is higher than for wood frame all-residential, resulting in lower land residuals for mixed-use.[4] The relationship between density tiers, however, yields very similar results to that of wood frame all-residential. Starting from lower base levels, the incremental value per square foot is approximately $65 / sq.ft.

5.5 CONCRETE APARTMENTS AND MIXED USE

Concrete mid and high-rise apartment (condo) and mixed-use were modelled at densities ranging from 3.0 up to 8.5 FAR. The following building heights are envisioned for the various OCP land use designations in the two Urban Centres:

- Boucherie Urban Centre: mixed-use up to 12-storeys
- Westbank Urban Centre -MUC: mixed-use up to 19-storeys
- Westbank Urban Centre – CC: mixed-use up to 15-storeys
- Westbank Urban Centre – RS: apartments or mixed-use up to 12-storeys

Based on hypothetical 1-acre parcel modelling, the following land values are supported by this typology at the following density tiers:

Condo Apartment

- 3.0 FAR: $<0 / acre
- 4.5 FAR: $600,000 / acre
- 5.5 FAR: $1.1m / acre
- 6.5 FAR: $1.7m / acre
- 7.5 FAR: $2.2m / acre
- 8.5 FAR: $2.7m / acre

Mixed-Use Apartment

- 3.0 FAR: $<0 / acre
- 4.5 FAR: $<0 / acre
- 5.5 FAR: $0.5m / acre
- 6.5 FAR: $1.2m / acre
- 7.5 FAR: $2.0m / acre
- 8.5 FAR: $2.4m / acre

At present, there is no market evidence to suggest that concrete midrise or high-rise is viable in West Kelowna. If we see moderation on construction financing rates and pricing growth outpacing further hard cost growth over the next 3-5 years, we may see a pathway

[4] Note that if achievable market rents for the commercial space were substantially higher, this may be sufficient to offset the incremental construction costs and lead to a comparable residual land value to the all-residential scenario.

to viability. For instance, at 8.5 FAR, a 3% drop in hard costs would increase the residual land value to nearly $7 million per acre. A combination of 3% drop in hard costs and a 3% increase in sales prices would increase land residuals to over $8 million per acre. Given pricing trajectories in Kelowna and some recent moderation in the pace of construction cost increases, we expect that there will be interest in pursuing concrete high-rise in West Kelowna in the next 5+ years. However, the minimum height thresholds for viability are likely to be higher than currently envisioned in the planning framework.

Financial modelling suggests that presently there is no lift in land value as density increases for concrete form; rather, the increasing costs are not sufficiently offset by increasing revenues as density increases, and therefore the residual land value decreases as the scale increases. As there is no financial analysis basis for setting separate density bonus rates for concrete vs. wood frame, at this time, we suggest either (1) adopting wood-frame-based density bonus rates for both typologies for the time being and re-visiting through updated financial modelling in 1-2 years, or (2) set a far lower density bonus rate for highrise, as an incentive to pursue higher density form once it is economically viable and competitive with low-rise wood-frame construction.

At the time of report writing, the Bank of Canada has held its interest rate at 5 percent and there is uncertainty among the five big banks as to when interest rates are forecasted to decrease[5]. However, even if interest rates gradually come down over the next 1-2 years, it is likely that higher levels of density – beyond what has been modelled or is currently considered in land use policy for these areas – will be required to make high-rise residential development viable. This is due to other changing variables, such as developer certainty, increasing construction costs, and market absorption of the product. We anticipate that heights of at least 20 storeys, or perhaps 24-storeys, will be required to create viable and attractive project economics.

5.6 RENTAL APARTMENTS

The pathway to viable market rental housing is challenging due to the prevailing costs of construction and construction financing. Through developer interviews we have found that those who are pursuing or have recently pursed new rental projects are doing so with preferential financing conditions such as that offered by CMHC's Apartment Construction Loan Program (ACL). That program offers lower fixed interest rates for a 10 year term, but more importantly it offers the ability to amortize over a 50 year period. This significantly reduces the month-to-month costs of debt servicing, which makes projects cash flow positive and able to generate returns that are acceptable to some developers and investors looking to build and hold / operate for the longer term.

[5] https://www.nesto.ca/mortgage-basics/mortgage-rates-forecast-canada/#:~:text=The%20BoC%20Policy%20Rate%20increased,of%20around%20100%20basis%20points.

Financial modelling for rental housing has been prepared assuming construction financing considerably below current market rates, 50 year amortization periods, and continued moderate growth of rental rates at 3% per year. While none of the market rental projects show positive land residuals or positive profit margins on a build-and -sell basis, they do show pathways to viability when measured using variables that account for long-term cash flow.

At densities from 1.8 to 2.8 FAR, market rental projects with preferential financing show a levered internal rate of return (IRR) of 12-15% and unlevered IRR of 7 to 9%. Both of these fall within typically acceptable return ranges. Note that these returns would drop slightly if the modelling were re-run to include a proportion of units at below market rates (not explicitly modelled for this exercise), which is a requirement of the ACL program. Therefore, it would likely take at least a 2.3 FAR to make a rental project viable.

One potential pathway to incentivize rental (vs. condo) apartments may be to offer outright FAR bonuses (or FAR exemptions) for rental instead of condo (e.g., permit 2.3 FAR outright for condo, and no FAR limit for rental). Another pathway may be to utilize rental tenure zoning and outright allowances for higher density rental development within that zone, without density bonus requirements. Generally speaking, a layered incentives approach that includes density bonusing, streamlined approvals, partial fee waivers and multi-year tax abatement can create favourable conditions for construction of secure purpose built rental units.

5.7 IMPLICATIONS OF ANALYSIS FOR DENSITY BONUS RATES

Based on the foregoing financial analysis, we find the following:

1. Minimum viable densities: minimum viable densities for wood frame condos are around 2.3 FAR, while for wood frame mixed use it is around 2.5 FAR in Boucherie Centre and 2.6 FAR in Westbank Centre.
2. Wood Frame Values: The value of incremental density above base for wood frame condominiums and mixed-use is approximately $65 per incremental square foot.
3. Concrete values: The value of incremental density in concrete does not show a positive value trajectory with increasing density. Cost increases currently outpace revenue increases as density increases.
4. Rental apartments: Rental apartments require preferential conditions in terms of financing, density, approvals, taxes, and other incentives to have clear pathways to viability. Provision of non-market rental units is a particularly expensive in-kind requirement for rental housing to carry (potentially equating to $50,000 or more per unit in in-kind cost); however, developers' access to preferential financing programs will typically have affordability requirements built in, thus leading to the provision of non-market units as part of a financially viable project.

The foregoing analysis suggests that the value of additional density amidst viable strata-tenure forms is around $65 per gross square foot. Targeting a 50% capture of land lift as the basis for density bonusing translates to a **density bonus rate of $33 per incremental square foot**.

Secure market rental apartments should be exempt from density bonus rate payments. They should instead be incentivized through additional density allowance (e.g., unlimited FAR, to a height limit) and tax abatements. This bonus density is reflected as an additional 0.3 FAR in the draft density bonus regulation for 100% market rental developments.

Concrete highrise development as currently modelled are not viable, and a density bonus equivalent to the rate for wood-frame developments can be adopted for the time being, or simply dropped to $0. If there is desire to see highrise forms emerge in the Urban Centres in the future, consider tying a substantially reduced density bonus requirement to concrete highrise. An example could be a density bonus from a 2.3 FAR base up to a maximum for wood frame construction (e.g., set a rate for moving from 4 storeys up to 6 storeys), but have a significantly reduced rate (or zero rate) for developers looking to build highrise concrete. Note that there is likely to be a substantial 'dead zone' of density in which there is no project viability between 6-storey wood frame and perhaps around 20 or even up to 24-storey concrete. As previously mentioned in Section 5.5, the economics of concrete highrise should be re-visited in 1-2 years.

5.8 DENSITY BONUS RATE COMPARISON

To understand how the density bonus rates in the financial analysis compare to other communities, Urban Systems completed a scan of density bonusing programs at the local government level in BC. It is important to keep in mind that this research is intended to illustrate the range of density bonus rates implemented by other local governments, and the communities have unique development markets which impact the ability and desire of the development industry to pay for a bonus density[6].

CITY OF COQUITLAM

- Captures 75% of the land lift generated from the additional density from the maximum permitted density
- Density bonus rates in effect from February 1, 2024 to April 30, 2024
- Vary by neighbourhood/area, then by zone designation
    - High Density Commercial: $170/sq.ft.
    - Community Commercial: $130 to $155/sq.ft.
    - Multi-Storey High Density Apartment Residential: $155/sq.ft.

[6] Kelowna was researched as a comparable community, however, the density bonus rates are collected by $/sq.m. of the lot area rendering it incomparable to $/sq.ft. per additional floor area gained.

CITY OF NEW WESTMINSTER

- Density bonus rates in effect from January 1, 2018
- Vary by development typology and neighborhood
    - Townhouses: $90 to $120/sq.ft.
    - Apartments (6 storeys or less): $65 to $120/sq.ft.
    - Apartments (More than 6 storeys): $50/sq.ft.

Based on these two comparables, the financial results show that West Kelowna has room to collect density bonus rates under the low-end of New Westminster's rates, which came into effect in 2018 – more than 6 years ago. Note that the density bonus rate for concrete (i.e. more than 6-storey) is lower than for apartments of 6-storey or less. The City of Coquitlam's density bonus rates are much higher, likely reflecting the strong development demand and upward land value pressures in the community, both of which are key factors in establishing a successful density bonus program.

6.0 RATE UPDATES AND IN-KIND CONTRIBUTIONS

Below we outline some considerations related to density bonusing implementation, rate updates, and possible options for in-kind contributions. Our review of the latter is guided by information shared with us by City staff, outlining current thinking (at time of writing) around planning and related policy priorities that the City would like to use density bonusing to address, at least in part.

6.1 MONITORING AND EVALUATING DENSITY BONUSING POLICIES

Like other municipal programs and policies, density bonusing policy and associated rates must be monitored and adjusted to reflect changes to broader market and economic conditions. The financial analysis results presented above reflect a point-in-time snapshot of current conditions, with some slight adjustments to reflect plausible near-term trends (i.e. lower construction financing rates). Generally, local governments that have implemented density bonusing policies will adjust their rates / requirements in response to market condition changes. Depending on those market conditions, density bonus rates may increase, or decrease, depending on selected sets of composites of market signals that are used as the basis for adjustments.

There are, broadly speaking, two methods by which local governments in BC adjust density bonus rates:

1. Annual density bonus rate updates – this is an annual inflation adjustment to the density bonus rates based on third-party benchmarks (e.g., Consumer Price Index or other methods)

2. Comprehensive Policy Updates – this would consist of a comprehensive evaluation of the density bonus policy program, including a review of program uptake, project and amenity eligibility, and a robust financial and economic analysis to inform density bonus rate adjustments.

While it is recommended that local governments revisit their density bonusing policy comprehensively at least every four to five years, some local governments may choose to implement annual rate adjustments as well. This is generally considered good practice, as it helps to avoid large rate changes at the time of a comprehensive review. This annual rate update can be particularly useful at times where costs and revenues are changing rapidly. By way of example, we look to the approaches used by the Cities of Vancouver and Surrey.

- City of Vancouver – in 2017, Vancouver council adopted a formula and process for updating density bonus contribution rates annually. The approach uses an inflationary index that accounts for changes in property values and non-residential construction costs on an annual basis. Proposed rate increases, based on this formula, are presented to Council in a report each July, and if approved, are implemented in September.

- City of Surrey – Surrey's density bonus rates are automatically adjusted each year, according to Vancouver's annual average Consumer Price Index or other market adjustments as deemed appropriate.

We recommend implementing an annual rate adjustment mechanism, alongside a procedure whereby every four years a more comprehensive review is undertaken. That comprehensive review timing can be tied to other program reviews, such as the DCC bylaw.

6.2 IN-KIND CONTRIBUTIONS VS. CASH CONTRIBUTIONS

In section 4 of this document, we presented the outcomes of our financial analysis and associated justified density bonus rates that could be warranted based on the lift in land value supported by incremental density. There are also options to capture density bonus value in the form of in-kind contributions. Below we provide a brief review of some possible in-kind contribution approaches, based on information shared with us by City staff on ideas for possible density bonus direction.

Historically, local governments in BC that have implemented density bonusing and / or community amenity contribution programs have asked for a variety of public amenities, including childcare centres, parks, libraries, fire halls, community gathering spaces, affordable housing, and other priority amenities. We note, however, that the introduction of Amenity Cost Charges (ACCs) in November 2023 now provides a new tool for local governments to achieve some of these goals, and will likely change the way communities elect to pay for public benefit amenities. Local governments can now levy an ACC fee in the same manner they would a DCC fee, outside of any rezoning or density bonusing requirements. ACCs can be used to pay for community centres, libraries, childcare facilities, and public squares, and are collected at the time of building and subdivision permit issuance.

It is a best practice for local governments to undertake a financial evaluation of proposed in-kind contributions to confirm that the value of the contribution is in line with what could be received through a cash contribution. There are also additional considerations related to in-kind contributions that should be considered, including:

- Ongoing operational costs associated with in-kind contributions that will require public funds
- Geographic location of in-kind contributions and city-wide equity considerations
- Equity considerations and additional space needed to support separate uses (e.g., building entrances, loading areas, elevators)
- Administrative costs to set up air space parcels for multiple owners within a mixed-use building
- Ability for the market to take ownership of affordable housing units, with consideration to the following:

- Capital and operating costs which may impede housing providers' ability to maintain units at an affordable rate (e.g., strata fees associated with market building amenities and upkeep)
- The optional number of affordable housing units required in a building for housing providers to find operational efficiencies
- Capacity of local governments to administer housing agreements

Given the considerations above, it is important to consider the size and complexity of the development application, and whether there is flexibility for the applicant to provide a mix of in-kind and cash-in-lieu contributions, or simply just the latter.

6.3 VALUING IN-KIND CONTRIBUTIONS

At the request of City of West Kelowna staff, USL has reviewed specific in-kind contributions and the potential impact in terms of additional density that may be required to support these uses within a development project. While the financial analysis results presented in preceding sections of this report show that some development concepts / projects are able to support density bonus payments, the potential may be somewhat limited depending on the area and typology in question and broader market / economic headwinds. The development industry has experienced a considerable slowdown across Canada since interest rates began rapidly increasing in early 2022. Over the past 2 years, construction costs have also soared, while market absorption has slowed due to rate hikes constraining buyers' ability to pay higher prices. In many markets, developers have put projects on hold, awaiting more favourable economic conditions.

6.3.1 ADAPTABLE UNITS AND ACCESSIBLE UNITS

One study[7] has noted the additional cost of approximately $9 per square foot on hard construction costs to retrofit an existing commercial building (e.g., a school) to an adaptable standard, the Rick Hansen Gold Certification. This equates to a 2-3% premium on overall construction hard costs. These costs do not directly transfer over to residential uses, and may even differ depending on housing typology. For example, building an adaptable townhouse or plex would require different and innovative solutions versus an adaptive apartment unit.

We also reviewed the BC Rebate for Accessible Home Adaptations (BC RAHA) as an estimate for the premium on hard construction costs when building adaptable units. The RAHA provides up to $20,000 per household to fund the adaptations required for the home entrance, bathroom, bedroom, kitchen, and other (e.g., move electrical switch to accessible height, hand railings, etc.). This $20,000 figure is on the low end of the estimated cost for new apartment units as the costs for new construction have increased over recent years.

[7] https://www.rickhansen.com/sites/default/files/2024-02/rhfacinfographretrofitr05.pdf

For this study, we modelled a scenario to offset the costs of providing 20% of total units in a development as adaptable units by using $9 in hard construction costs per square feet (based on the average unit size). To offset this additional cost, the analysis shows that a 2% increase in buildable floor area would be approximately equivalent to the density bonus exchange[8].

For this study, we also researched the possibility of providing accessible units in the market buildings. Based on our research, it appears it is challenging to estimate the "right" amount of units needed in a given community. Vacant accessible units can be challenging to rent out, as they are designed for a specific user group. If a non-profit housing provider is matching an accessible unit for an individual on their wait list, this could be negotiated with the developer through the City at the time of development application (e.g., trading two smaller units for one accessible unit, or other mechanisms).

For accessible units, it is currently not well researched and documented as to what the costs associated with building accessible apartment units are compared to non-accessible or adaptable apartment units. A CMHC study published in 2019 indicates that a new apartment unit could charge a premium of $4,634 to be built as an accessible unit, however, this figure puts the construction cost premium on a lower per square foot basis value than an adaptable unit. On the other hand, anecdotal evidence from the development industry points to accessible units costing more than adaptable units to build. Due to this limited and conflicting data, at this time we recommend erring on the conservative side by providing a density bonus of 307 sq. ft per accessible unit. This density bonus is based on the cost to adapt a unit through the RAHA program ($20,000 / $65 lift per square foot = 307 sq. ft.). The accessible units that are matched to a prospective tenant are recommended to be eligible for a density bonus.

6.3.2 MARKET AND BELOW MARKET RENTAL UNITS

Unlike condominium development, when analysing the viability of rental housing we must look at project returns not on a static basis (i.e., build and sell) but based on a longer-term perspective. Modelling suggests that based on prevailing costs to build and achievable market rental rates, projects do not currently pencil when evaluated from the perspective of a merchant development / builder (i.e., build, lease up and sell). We therefore look at the project from the perspective of a 10-year cash flow, using the metric of unlevered internal rate of return (IRR). While the economics of market rental housing are quite different from market condos and typically cannot readily support (or warrant) up-front payment of a cash amenity contribution, in certain cases there may be an opportunity to offer in-kind built

[8] For instance, if delivering 20% adaptable floor area within a 100,000 gross square foot building (assume 85% saleable), this is equivalent to 17,000 saleable square feet. At $9 cost premium per saleable square foot, this comes to $153,000 in additional costs. Based on the lift calculations presented above, each incremental square foot (in wood frame) is worth approximately $65. A bonus density of just under 2,400 square feet would be required to offset the incremental cost of adaptable unit construction (17,000 adaptable sf, X $9/sf = $153,000.) ($153,000 / $65 = 2,354 sq.ft.). This is equivalent to a 2% bonus on gross floor area.

amenity, including non-market units. Often the latter are a requirement for accessing preferential financing, which itself is a necessity for making the project financially viable.

Modelling conducted for hypothetical wood frame market rental apartments on a 1-acre lot suggest that market rental projects cannot generate a profit on cost that would make them viable for a build, lease-up and sell strategy. The projects show an ability to generate an unlevered IRR in the low 8% range, which may be considered viable for some builders / investors on a long-term build-and-hold basis.

Under prevailing market conditions, we would caution against pushing market rental projects to provide non-market units for a number of reasons:

- Non-market unit requirements may slow the delivery of rental units to the market more broadly. If the priority is to deliver the most rental units to the market in any given year, then the City should look at ways to incentivize rental projects and help them overcome market barriers to success, through levers such as parking reductions, expedited approvals, and density bonusing (e.g., allow a maximum FAR for rental, while setting a lower base + bonus for condo).
- Non-market housing providers typically prefer to own and operate affordable units in stand-alone buildings rather than units within a mixed market / non-market structure, particularly if the building includes a small number of non-market units. Management of a small number of units can increase operational costs.
- Non-market unit requirements are a highly costly 'ask' of any development project. Consider the following comparison
    - A rental apartment of 800 square feet costs approximately $420,000 to deliver, excluding any profit or land costs
    - Based on prevailing market rents and market cap rates, that unit is worth approximately $430,000 at completion.[9]
    - If that same unit were required to meet the 2023 median West Kelowna rent levels per CMHC (which is approximately 25% below market rent level for new product), that same unit would be worth only $380,000 (i.e., $40,000 less than its cost of construction, or $50,000 less than the value of a market rental unit).
    - The implied in-kind amenity value of providing the non-market unit vs. a market unit is the opportunity cost of foregone value, which equates to $50,000, or $63 per square foot for an 800 square foot unit

If incentivizing purpose-built rental housing is a City priority, we would suggest incentivizing purpose build secure market rental through a meaningful density bonus

[9] Note that this relatively small spread between unit valuation and unit cost, excluding any profit or land cost, is illustrative of the need to look at rental projects from a long-term cash flow perspective rather than build, lease-up and sell.

(such as unlimited FAR for rental, up to a height limit) without additional non-market affordability requirements. Given the economics of rental housing, it is likely that any feasible project will need to access preferred financing (as noted above), which itself has stipulations around achieving a proportion of total units at non-market levels. We recommend setting it to a minimum density bonus at the higher of either: (1) 0.3 FAR, which would permit a 5-storey wood-frame development to go to 6 storeys for example, or (2) the maximum permitted height, whichever permits the highest density.

6.3.3 UNDERGROUND PARKING

A density bonus provision could be provided as an incentive to provide non-surface parking. Based on an average underground parking stall (including circulation) size of 400 square feet and assuming construction cost at an average of $140-$150 per square foot, then the average cost to build a stall of underground parking is $56,000 - $60,000 per stall. This compares to a surface parking stall construction cost of $20-$30 per square foot, or $8,000-$12,000 per stall. The cost difference for the two types of parking is $44,000 to $52,000 per stall.

A bonus to incentivize putting more parking underground could be considered in multiple ways. Below we present two options, noting that there are alternate approaches that may be considered following further discussions with the development community.

- Provide bonus floor area to fully offset the incremental cost of an underground stall:
    - Per the land lift calculations presented above, each *incremental* square foot is worth approximately $65 (i.e., $65 in land lift per square feet.), based on differential in residual land value vs. increase in floor area between tiers of density.
    - If an underground stall costs $44,000 more than a surface stall (at the low end of the estimated range), to fully offset this cost through provision of floor area would require a bonus of 677 square feet per stall ($44,000 / $65 = 677 square feet)
- Provide a floor area bonus accounting for both the lift in land value generated by an incremental square foot, plus the profit that a developer will earn on that incremental square foot.
    - Per the pro forma analysis, an incremental square foot of floor area in wood-frame condo construction is worth approximately $65 in land lift. This lift is calculated after accounting for cost to build and a profit allowance.
    - A developer will have a target profit margin on each saleable square foot. We assume a target margin of 15% on cost. At $490-$500 / sq.ft. in cost, this equates to $74 or $75 in profit per square foot.
    - A floor area bonus could be offered for provision of underground parking equal to the incremental residual land value of bonus floor area, plus the profit margin on that floor area. This would equal $65 (lift) + $75 (profit) = $140. $44,000 / $140 = 314 square feet of bonus space per stall.

If the City wishes to provide the maximum incentive for developers to put more (or all) of the parking for a project underground, we recommend bonus density provision at the higher end of that presented above (i.e., 677 sq.ft. per incremental underground stall).

6.3.4 UNITS FOR INDIVIDUALS EXPERIENCING HOMELESSNESS

If the target demographic group is for individuals with living experience of complex mental health challenges and substance use, the current best practices call for complex care housing facilities.[10,11] On the other hand, supportive housing provides on-site support for people at risk of experiencing homelessness. Both complex care and supportive housing require significant levels of investment from different levels of government and agencies to subsidize the housing and services provided.

While a reserve fund can be set aside from density bonusing to pay for a local government share of contribution towards these types of units, it is likely that this housing type would result in much higher capital costs than other non-market units. Additionally, developers should be familiar with the building specifications associated with the operational needs of complex care and supportive housing, of which many are not compatible with market unit buildings. As such, we recommend that West Kelowna explore other partnerships to deliver units needed for individuals experiencing homelessness. This could be through land donations / leases, expedited development approvals process, pre-zoning for supportive / complex care housing, and contributing capital from a dedicated reserve fund.

6.3.5 FAMILY-FRIENDLY APARTMENT UNITS

This study did not specifically review the financial incentives required in exchange for family-friendly housing units (e.g., 3+ bedrooms) in apartment developments or for studio apartment units. Some local governments in the Metro Vancouver region (e.g., City of Vancouver, City of New Westminster, City of North Vancouver) are able to implement family-friendly housing policies as the development market is strong. A full study is recommended to understand whether this policy objective should be driven by policy or incentives in West Kelowna, where the development market is not as strong relative to Metro Vancouver.

[10] https://news.bchousing.org/new-housing-model-supports-people-with-complex-challenges/
[11] https://www2.gov.bc.ca/assets/gov/government/ministries-organizations/ministries/mental-health-addictions/pathway_to_hope_update_report_final.pdf

7.0 LOCAL GOVERNMENT POLICY TOOLS

This section outlines additional policy and regulatory tools available to local government that can support the creation of community amenities and affordable housing. In addition to these policies and tools, there are affordable housing funding programs from CMHC and BC Housing that are available for developers to apply for, which may help offset costs of providing non-market units in West Kelowna.

7.1 CHANGES TO LAND USE

Changes to land use policy and regulation can permit rental housing (as a tenure) only in certain zones which can moderate land values in these zones. When making these land use amendments, it is important to consider whether any incentives are needed, and whether additional amenity contribution requirements – tied to density bonusing or otherwise – should be exempted on these developments. When land use changes permit intensification of the land, this is able to generate more lift in land value to allow for potential financial 'room' to make an amenity contribution.

7.1.1 RESIDENTIAL RENTAL TENURE ZONING (RTZ)

Until 2018, local governments in BC were not permitted to zone for rental housing under BC's land-use framework. With amendments to the Local Government Act and Vancouver Charter, local governments have authority (since 2018) to zone for residential rental tenure (i.e., rental housing) and enact zoning bylaws that: (1) require that new housing in residential areas be developed as rental, and (2) ensure that existing areas of rental housing are preserved as such.

The intent of these changes is to give local governments greater ability to preserve and increase the supply of rental housing in their communities and to increase housing choice and affordability. This is not the same as inclusionary housing (IH), whereby government may tie provision of affordable units to a density bonus.

Research from Metro Vancouver suggests that RTZ can have a moderating impact on land values by eliminating strata development potential, but it may not encourage new rental development.[12] Given increasing land values in West Kelowna and increasing construction and financing costs, it may be necessary to incentivize new development to be viable in RTZ areas (if this is a consideration for the City), by increasing allowable densities and providing exemptions from fees / charges.

[12] Metro Vancouver (March 2019). *Reducing the Barrier of High Land Cost: Strategies for Facilitating More Affordable Rental Housing Construction in Metro Vancouver*. Retrievered from www.metrovancouver.org.

7.1.2 BILL 44 – HOUSING STATUTES AMENDMEND ACT

Introduced in 2023, BC's Bill 44 introduces several significant changes to land use policy in BC. It is intended to increase the supply of housing by requiring local governments to pre-zone land to permit small-scale multi-unit housing (SSMUH). It permits:

- One secondary suite or one accessory dwelling units on single-family lots
- Three to six units on single-family or duplex lots, depending on the lot size.

In addition, no parking requirement minimums are required for development projects within 400 metres of a transit stop.

7.2 REGULATORY TOOLS

The regulatory tools in this section impact housing from a broader perspective by limiting the term of rental housing (e.g., no short term rental), securing housing units on certain terms (e.g., housing agreements), encouraging greener building practices, and streamlining development processes. Each of these tools can have a positive or negative impact on residential development by decreasing or increasing project costs, and associated potential for a project to provide additional amenities or cash contributions.

7.2.1 SHORT TERM RENTAL REGULATIONS

Short term rentals (fewer than 30 days) allow residential property owners to typically earn more revenue than long-term rentals. While short-term rentals have economic benefits for homeowners and provide accommodation flexibility / opportunity for visitors (with associated economic spinoff benefits), they reduce the availability of units in the rental market and can lower the affordability of local rental markets. Regulating short-term rental through zoning, business licensing, and bylaw enforcement can reduce the impact of short-term rental on long-term rental stock. Alternately, local governments can protect the long-term rental market by banning or limiting short-term rentals.

7.2.2 HOUSING AGREEMENTS

Housing agreements are the primary legal tool used by local governments to govern tenure, occupancy, rent levels and re-sale restrictions for affordable units. These agreements are intended to help ensure long-term affordability of units and the length of the term is determined by the local government and agreed to by the developer. The length of term varies by community, with some agreements requiring affordability in perpetuity, or a pre-determined number of years that is applied consistently across all affordable rental housing projects.

7.2.3 BC ENERGY STEP CODE

In April 2017, the provincial government adopted the BC Energy Step Code as regulation and is an optional compliance path in the BC Building Code. The Step Code aims for "net-

zero-energy-ready buildings" across all construction projects in BC by 2032 and is a performance-based standard with defined metrics for building envelope, equipment and systems, and airtightness testing.

As of 2018, local governments may require BC Energy Step Code in new construction projects at the municipal level. As of May 2023, all new applications submitted to the City for Part 9 residential building permits (3-storeys or less) must have designs that comply with Step Code level 3.

7.2.4 STREAMLINING DEVELOPMENT APPROVALS PROCESSES

As part of the Province's Homes for BC plan, the provincial government undertook the Development Approvals Process Review (DAPR). The review included extensive engagement and considered a range of legal and other elements of the development approvals process in BC. The key core topic areas were identified as:

- local government application processes;
- local government approval processes;
- development finance tools;
- subdivision;
- provincial referrals and regulatory requirements; and
- overarching ideas, such as training and the provision of resources for all participants in the development approvals process.

In response to these core topic areas, the Province adopted Bill 26 which amended the Municipal Affairs Statues Act in 2021. This amendment permits local governments to remove the public hearing requirement for applications that meet the OCP land use designation and require rezoning. It also permits local governments to delegate the authority on minor development variance permits from Council to the typically the director of development. It also permits local governments the choice to publish the public notice in places beyond the newspaper.

In 2022, West Kelowna Council adopted the Development Applications Procedures Amendments Bylaw, which permits the delegation of additional approvals to the Director of development.

7.3 FEDERAL AND PROVINCIAL GOVERNMENT FUNDING

The federal and provincial levels of government offer different programs to provide funding and financing of market rental and affordable housing. This section highlights the programs that have been accessed in recent years by private and non-profit developers.

7.3.1 AFFORDABLE HOUSING

CMHC Affordable Housing Fund

The Affordable Housing Fund was previously known as the National Housing Co-investment Fund. The program provides $1 billion in funding from 2025 to 2026 for new construction and renovation of affordable housing. The eligible projects must be energy efficient, accessible, mixed-income, mixed-tenure and mixed-use. Priority is given to applicants who meet certain requirements and that include partnerships with other levels of government and organizations.

CMHC Seed Funding

CMHC offers non-repayable contributions and interest-free loans to help with early development costs, such as business plans, design concepts, and conducting site assessments. The interest-free loan provides up to $350,000 and the non-repayable contribution offers a maximum of $150,000.

BC Housing Community Housing Fund

While the third call for Community Housing Fund (CHF) closed in November 2023, the CHF is nonetheless one of the most popular programs in BC for funding affordable rental homes for people with moderate to low incomes. Eligible projects are required to provide a mix of rental units at different rent levels, including Below Market Rental, Rent Geared to Income (RGI), and RGI Deep Subsidy.

7.3.2 MARKET RENTAL HOUSING

Building market rental housing under the current market conditions is challenging for developers due to higher interest rates and construction costs. Despite strong rental demand, the rental housing supply continues to fall behind[13]. Our interviews with local developers in the Okanagan market revealed that CMHC financing programs designed to encourage purpose-built rental projects can help improve project feasibility.

The two financing programs for market rental development that are commonly accessed by developers are: MLI Select and Rental Construction Financing initiative (RCFi). The two programs have different tiers of affordability, accessibility and environmental requirements which trigger additional incentives for the developer. The program highlights are simplified and summarized below – the full program details can be found on CMHC's websites.

MLI Select

The MLI Select program operates on a point system to offer financial incentives based on the factors below. Depending on the final score of the application, a low cost fixed interest

[13] https://www.cmhc-schl.gc.ca/blog/2023/interest-rate-hikes-impact-rental-housing-construction-supply

rate is offered, the loan-to-value can be up to 95%, a debt coverage ratio is 1.1 and the amortization is up to 50 years.

- Affordability: 40%-80% of units must meet 30% of median renter income.
- Energy efficiency requirements: 15% to 40% of energy efficiency and GHGs reductions.
- Accessibility:
    - At minimum, 15% of units are accessible in accordance with CSA standard B651-18 or are universal design or receives Rick Hansen Foundation Accessibility Certification (60-79% score).
    - At minimum, 15% of units are accessible in accordance with CSA standard B651-18 and 85% are universal design or 100% of units are universal design or receives Rick Hansen Foundation Accessibility Certification (80% score).

Rental Construction Financing Initiative (RCFi)

Eligible projects for the RCFi must meet the following requirements:

- Affordability: 20% of units must meet 30% of median total income
- Energy efficiency requirements: At a minimum, 15% more efficient in energy consumption and GHG emissions than the applicable building code.
- Accessibility: At least 10% of the project's unit must meet or exceed accessibility standards as regulated by local codes.

The RCFi program offers a 10-year term fixed interest rate, 50-year amortization period, and a 100% loan to cost for residential space (75% for non-residential).

BC Builds

BC Builds is a new housing program by BC Housing to speed up the delivery of new rental homes for middle-income households in BC. The program supports new development through:

- Identifying low-cost land for development – works with landowner and local government to make the land available at low cost while getting the right approvals in place.
- Speeding up project development timelines – developers are invited to bid on development sites listed by BC Housing and aims to move them forward to construction in 12-18 months.
- Providing low-interest financing and grants – offers low-interest financing for new rental developments with a total commitment of $2 billion in the program.

8.0 CONCLUSIONS

Based on the financial analysis completed, the following density bonusing rates may be considered by West Kelowna for incentivizing development in the Urban Centres. At this stage, it is anticipated that these rates would be provided to West Kelowna staff and the local development industry through Urban Development Institute (UDI) for an opportunity to comment. They are listed below in no particular order:

1. Cash in lieu density bonusing for ownership units in wood frame apartments or mixed-use (not mixed-use) can be set around $33 per incremental square foot, over base densities of 2.3 FAR for wood frame apartments in Boucherie Urban Centre and Westbank Urban Centre Residential Shoulder. This is based on a 50% capture of the incremental per-square-foot land lift.

2. Cash in lieu density bonusing for ownership units in wood frame mixed use buildings can be set at around $33 per incremental square foot, over base densities of 2.5 FAR in Boucherie Urban Centre and Westbank Urban Centre Mixed Use Corridor, and 2.6 FAR for Westbank Commercial Core.
3. For concrete, consider either (a) keeping density bonus rate same as above noting that economics of concrete construction currently do not show viability, or (b) incentivizing high rise construction through reduced density bonusing requirements. We also recommend revisiting the economics of highrise construction in 1-2 years.
4. We recommend incentivizing rental apartments by offering an outright higher density for rental vs. condo. Consider, for instance, a 5-storey allowance for strata residential, and 6-storey for purpose-built and secured market rental.
5. We recommend a monitoring and rate updating protocol that combines 'automated' annual updates (see City of Vancouver or City of Surrey as examples of possible approaches), periodic comprehensive policy updates.
6. Purpose built rental housing should be exempt from cash-in-lieu density bonus payments.
7. To incentive underground parking in new developments in the Urban Centres, provide a bonus density of 677 square feet of space in exchange for each parking stall provided underground.

APPENDIX: DRAFT DENSITY BONUS POLICY REGULATION

PURPOSE

This section presents the draft density bonus policy regulation. This regulation was developed by West Kelowna with input from Urban Systems' analysis (coloured in blue text). The blue text are Urban Systems' recommendations for the City of West Kelowna to consider when developing the density bonus policy regulation.Draft Regulation

DRAFT DENSITY BONUS POLICY REGULATION CONTENT

1. "Density Bonus" means permitting a density on a lot that is greater than shown in the corresponding zone in exchange for a contribution toward identified priority housing types, or in exchange for the provision of non-surface parking, adaptable housing units or identified housing types and a housing agreement as per the Local Government Act.Density Bonus

    .1 Density Bonus Contributions

    (a) Density bonus contributions are permitted on properties zoned WUC1, WUC2, WUC3, and BUC1. Funds received will contribute to any of the following eligible priority housing types to be located within the City's Urban Centre boundaries as identified in the Official Community Plan, Schedule B, or in alternate locations where it meets the City's housing objectives:

    i. Affordable rent-controlled housing

    ii. Affordable non-market rental housing

    iii. Affordable seniors housing

    iv. Affordable accessible housing (rental pool)

    v. Affordable accessible housing

    vi. Housing for people at risk of or experiencing homelessness

    vii. Market rental housing (micro/studio units and/or 3+ bedroom units)

    (b) The maximum base density requirements may be increased up to the maximum density (with density bonusing) specified in the applicable zone, and in accordance with the requirements specified in Table X.X.

Table X.X Density Bonus Contributions for Housing

Apartment Building Type	Bonus Density Rate
Residential only, wood frame, condominium tenure	$355.00/m2 ($33/sq. ft.)
Mixed-use (condo residential above commercial), up to maximum height (wood frame)	$355.00/m2 ($33/sq. ft.)
Residential only, concrete, condominium tenure	$177.6/m2 ($16.5/sq. ft.)[14]
Mixed-use, concrete, condo residential above commercial	$177.6/m2 ($16.5/sq. ft)
100% Market rental development (wood frame or concrete), up to maximum height	Exempt

Density Bonus for the Provision of Identified Municipal Priorities

(a) Despite any Maximum Base Density established in the Multiple Residential, Urban and Neighbourhood Centre zones, additional density may be permitted where the proposed development will ensure the provision of the following municipal priorities and in accordance with the requirements specified:

i. Multiple Family Residential Adaptability Requirement

a) Where more than 20 residential units are proposed within a multiple residential or mixed-use development:

(i) 20% of all new multi-family residential units must be constructed to meet standards for adaptability as defined in the BC Building Code; and

(ii) The multiple residential development is permitted a density bonus of 2% in the total buildable floor area to offset the impact of the additional space required up to the Maximum Density (with density bonusing) specified in the applicable zone.

[14] Placeholder value given that concrete product is not currently viable under market conditions, setting this rate at 50% of wood frame is done to indicate that the municipality would like to incentivize this typology in the Urban Centres.

Table X.X Density Bonus for Adaptability

Apartment Building Type	Bonus Density
Residential only, wood frame, condominium tenure	2% of buildable floor area
Mixed-use (condo residential above commercial), up to maximum height (wood frame)	
Residential only, concrete, condominium tenure	
Mixed-use, concrete, condo residential above commercial	

ii. Provision of Non-Surface Parking

a) In the WUC1, WUC2, WUC3 and BUC1 zones and to encourage the provision of non-surface parking:

(i) Where 80% or more of the required parking is provided as non-surface parking, a density bonus of 63 m^2 per non-surface parking space is permitted up the Maximum Density (with density bonus) specified within the applicable zone.

iii. Provision of Rental, Affordable and Diverse Housing

a) In the WUC1, WUC2, WUC3 and BUC1 zones, where the owner of a development provides rental, affordable or diverse housing as part of the development:

(i) Additional density may be permitted up to the Maximum Density (with density bonus) specified in the applicable zone and in accordance with requirements specified in Table X.X.

Table X.X Density Bonus for Rental, Affordable and Diverse Housing

Type of Housing Provided	Conditions	Bonus Density
Rental Housing (secured for a minimum of 20 years)	For the construction of any new multiple residential building, or mixed use building, where 100% of the residential units are established as rental only units.	Either 0.3 per building or up to maximum building height.
Non-Market Rental Housing (secured for a minimum of 20 years)	For the construction of any new multiple residential building, or mixed use building, where a residential unit is established as a rental only unit at a rental rate no greater than 30% of median renter income.	Additional FAR per building, calculated as m2 equal to 115% of the sum total of the size of each non-market rental unit[15]
Diverse Housing (bedroom type)	For the construction of any new multiple residential building, or mixed use building containing 10 or more residential units, where at least 50% of the residential units contain studio and/or 3+ bedroom rental units, and at least 20% of the residential units contain 3+ bedroom units.	Not recommended based on current market economics.
Diverse Housing (seniors)	For the construction of any new multiple residential building, or mixed used building, where at least 50% of the residential units are established in perpetuity as seniors only rental units.	Maximum building height permitted and project is identified as a priority project for the City to expedite development approvals.
Diverse Housing (accessible)	Where a residential unit is constructed as an accessible unit designed to meet standards as defined in the BC Building Code and established as a rental for matched accessibility needs.	28m2 per matched accessible unit

[15] This bonus is not currently based on pro forma analysis / review.

.2 The owner of a development that includes the provision of rental, affordable or diverse housing may be required to enter into a housing agreement as per the Local Government Act.

.3 Despite Section 3.29.1 and 3.29.2, for housing initiatives provided by BC Housing, and/or other non-profit, Provincially or Federally led housing facilities, the floor space of the building that is occupied by the following residential uses shall not be included as part of the gross floor area (GFA) for the maximum base density established in the applicable zone:

i. Affordable rent-controlled housing;

ii. Affordable non-market rental housing;

iii. Affordable diverse housing needs specific to seniors, at risk youth, or victims of violence;

iv. Affordable accessible housing (rental pool);

v. Affordable accessible housing (matched rental agreements); or

vi. Housing for people at risk of or experiencing homelessness.

.4 For any density bonusing provision or combination of density bonusing provisions, the overall site density must not be greater than the Maximum Density (with density bonus) or any other regulation specified in the applicable zone including Maximum Building Height.

.5 Contribution rates established in Table X.X may be adjusted on an annual basis based on either the Consumer Price Index or market condition adjustments, as appropriate. It is also subject to changes based on the updated Housing Needs Report or other City priorities.

Zone	Maximum Base Density	Maximum Density (with density bonusing)	Maximum Building Height (with density bonusing)
WUC1 (Commercial Core)	2.6 FAR mixed-use	10.0 FAR+[16]	
WUC2 (mixed-Use corridor)	2.5 FAR mixed-use	10.0 FAR+	
WUC3 (Residential shoulder)	2.3 FAR – 100% res 2.6 FAR	10.0 FAR+	
BUC1	2.3 for wood frame 100% res 2.5 for mixed-use	10.0 FAR+	

*Note rental housing should be exempt from FAR limits.

[16] Note that 6-storey can probably go to 2.75 or higher.