

City accused of taking too much profit on Cambie

But city says homeowners and developers are driving costs up

BY JEFF LEE

VANCOUVER SUN

Development of the Cambie corridor is being "paralyzed" because the City of Vancouver is taking too much of the profits resulting from property rezonings, the Urban Development Institute says.

Paul Sullivan, chair of the UDI taxation committee, said at least three potential developments along the new Canada Line have fallen apart because the city is being too aggressive in seeking community amenity contributions when rezonings take place.

The city uses the money — an average of 75 per cent of the profits resulting from rezonings — for community amenities such as parks and seniors' centres.

"We need to strike a balance. Everybody needs to get a piece of this or we aren't going to get on with development," said Sullivan, whose organization represents the development industry. "Right now I'd call it paralyzed."

But city planner Brent Toderian said realtors and homeowners are setting prices too high, making it hard for development proposals to work financially.

He said the city's long-standing practice of taking on average 75 per cent of the profit or "land lift" from rezonings to pay for parks and other public services shouldn't be sacrificed because homeowners set unreasonable prices that developers then pay.

"[Community amenities are] a cost that a reasonable seller and a reasonable buyer have to include in the purchase. But what I'm hearing is going on in the Cambie corridor is that there are some exorbitant prices being asked for the land," he said. "Developers are trying to explain they have to pay development cost levies and community amenity contributions as a part of rezoning, and many homeowners and realtors are saying they don't care."

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In February, the city's planning department will take to council a new neighbourhood plan for the corridor. Council's policies are expected to dictate how the area, from Southwest

Marine Drive to King Edward, will develop over the next 50 to 100 years, Toderian said. But in the meantime, developers have been rushing in to buy single-family homes along

the street and consolidate them into properties large enough for higher-density highrise residential projects. That has created a sellers' market, with homes that would normally sell

for \$1.5 million going for double and triple that because the owners know the properties will be upzoned.

The city says it makes sense to make developers carry the cost of providing community amenities when their projects add density and pressure to an existing neighbourhood. But the developers say they can't afford the city's demands after factoring in the hot land costs.

David Goodman, a Vancouver realtor who publishes *The Goodman Report* real estate newsletter with his son Mark, said he knows of a number of developers who are walking away from projects because they feel the city is being unreasonable. He also has development interests in the corridor but wouldn't discuss or identify them.

He blames the city's Vision Vancouver council, which he says sees developers as walking bank accounts.

"I would say it is because council members who are a little left of centre are not grounded in architecture, planning or development. It is an alien world to them," he said. "It is because they have restricted supply and the city is in stagnation mode."

He said the city needs to cut back the percentage of land-lift profit it takes. "Developers just can't afford what the city is demanding."

The process of land development in Vancouver is anything but simple. The city charges a fixed-price "development cost levy" (DCL) when properties are redeveloped. The levy pays for street and underground services. But it also calculates on a project-by-project basis "community amenity contributions" (CACs) when approving rezonings. Such rezonings add significant value to assembled properties.

It has become a real challenge across the Lower Mainland. I don't think developers object to paying CACs. But we're hearing that we have to convince the cities that they need to reduce their expectations.

MAUREEN ENSER
UDI'S EXECUTIVE DIRECTOR

The city adopted the policy more than two decades ago as a way of both removing the incentive for land speculation and making sure taxpayers don't have to absorb the burden created by increased neighbourhood demands.

Toderian said the city factors in assessed land costs, the cost of development and leaves the developer with a "generous" 15-per-cent profit on the development.

It then takes between 70 and 80 per cent of the rest of the balance of the land value created by the rezoning, to be used in the neighbourhood for everything from parks to day-care services to seniors' centres, he said.

"It is important that land change hands with the right expectations, that discipline be part of the transaction and that land speculation not cause problems," he said. "This is a constant conversation we are having with the land development industry but it has become more pressing."

But Sullivan, whose UDI committee is trying to find a workable balance, says the city is

largely to blame.

"What I am told is the city is well undervaluing the price they are willing to attribute to the homeowner [when calculating CACs]. Where the city wants 75 per cent, they are taking 110 per cent because they are underpricing the homeowner's interest," he said.

Maureen Enser, the UDI's executive director, said Vancouver's policies are now being adopted with negative results in other municipalities

"It has become a real challenge across the Lower Mainland. I don't think developers object to paying CACs. But we're hearing that we have to convince the cities that they need to reduce their expectations," she said.

Sullivan, a real estate appraiser by trade, said the city could solve the problem by establishing a set amount for CACs that developers can factor into their purchase prices. "What we need is certainty in the policy, not just in the density but in the lift so that land can get priced fairly," he said. "If you don't have that it makes it very hard to get a grip on this problem."

Vision Vancouver Coun. Raymond Louie disagrees.

"I am not sure that a blunt instrument [like set fees] would best serve our citizens. I think a finer-grain discussion or negotiation on what's appropriate based on what the local needs [are] and what the individual property generates in profit is more appropriate," he said.

Louie said he doesn't think the city is willing to compromise on the level of CACs. He also rejects the UDI's suggestion that development along the corridor has stalled.

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