# Province wakes up to effect of developers' fees on house prices

**BY BOB RANSFORD, SPECIAL TO THE SUN** APRIL 17, 2014

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Over many years, I have written countless times about the significant impact municipal regulations, policies and especially levies and fees have on housing prices.

While housing prices have soared over the last two decades, some local government leaders have been oblivious to the connection between high housing prices and the enormous taxes they are imposing on new housing.

I've often felt as though I was beating a drum that wasn't being heard. Now the provincial government has replaced my little drum with its own loud gong, which is sounding a signal to local governments that it is time to back off on levies that are adding to the cost of housing. Squarely in its aim are Community Amenity Contributions.

The province has recently issued a guide to local governments on Community Amenity Contributions — or CACs — that lays out a basic lesson about the impact that these charges have and the risk they pose in causing housing prices to increase.

The province has also offered some blunt opinions on what it considers are best practices in imposing such fees and what practices are offside. This appears to be a first signal that the provincial government intends to rein in some of the unchecked powers former premier Gordon Campbell gave to municipalities.

The tone of the wording in the guide leaves little room for misunderstanding: the current government believes in the forces of supply and demand when it comes to housing affordability. While offering advice instead of explicit directives, the guide has a tone that clearly signals this provincial government expects municipalities to do everything possible to increase housing supply to temper prices.

I suspect the provincial government focused on CACs and density bonusing charges because these big charges on new housing, first pioneered in Vancouver 25 years ago, are now beginning to be imposed by other municipalities.

CACs are charges municipalities can negotiate from land owners or developers seeking a change in zoning. A change in land use or increase in density will most often increase the value of the land, providing a financial benefit to the owner or developer.

Provincial legislation allows municipalities to negotiate with land owners or developers to contribute part of that boost in value to help municipalities pay for community amenities.

A similar financial extraction is available when municipalities allow extra density over and above a base density that has been set for a zoned site. The developer pays a set amount for the "bonus density."

The new guide reminds municipalities that they can't simply extract this money by imposing CACs as a condition of rezoning. They must negotiate a "voluntary" contribution from the land owner or developer.

The guide explicitly reminds municipalities that they must "avoid the perception that zoning is for sale" and that local councillors must remain open minded during the rezoning process and not be influenced by the cash the local government expects to receive in the form of CACs.

The guide also suggests that money shouldn't be collected simply because it is available to grab. Their idea of a best practice is identifying in neighbourhood plans the potential amenities that could be "partially funded" by CACs.

This notion of "partially funded" comes from the province's argument in the guide that developers should only be asked to fund based on the proportional impact that their development generates, rather than asking a developer to pay the lion's share of the costs of a new community centre, for example, when the new residents might generate only minimal usage of the community centre.

They are saying, in effect, gone are the days when a city could have a developer pay to build the next pet project that is on the city's list of "wish we could have" cultural or recreation facilities.

The central theme in the guide repeatedly reminds local governments to consider who ultimately pays for these additional costs in the form of CACs and how they affect housing supply and housing prices. In fact, there is a three-and-a-half-page simple textbook-like lesson in the guide on urban land economics, a case study in the appendix and a whole section of the concluding summary dedicated to educating local governments on the fundamentals of supply and demand.

I've never seen any similar lesson produced by the Union of B.C. Municipalities, but I have seen more than a few consultants' reports drafted by planners who dismiss the simple realities of supply and demand. These consultants have long argued that when a developer agrees to provide a CAC, the cost is borne by the developer or they deduct it from what they would have paid for the development land.

The province's guide points out that "real estate market economists and historical evidence indicates that this in unlikely." Ironically, the consultants' reports municipalities have relied upon are from planners and not real estate market economists.

This guide appears to be a gentle nudge in advance of a leash being put on municipalities if they fail to follow the advice offered in it.

I suspect that leash could ultimately feel much like a choke chain if local politicians and their officials don't wake up and admit that there is a connection between their actions and the price of housing.

The guide can be found at cscd.gov.bc.ca/lgd/intergov_relations/library/CAC_Guide_Full.pdf

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