



City of Richmond

Report to Council

To: Richmond City Council
From: Victor Wei, P. Eng.
Acting Director, Transportation

Date: March 15, 2005
File: 08-4105-01/2005-Vol 01

Raul Allueva
Director, Development

Re: **Status Report on Voluntary Contributions for City Centre Transit-Oriented Development (TOD) Improvements**

Staff Recommendation

That the report dated March 8, 2005, regarding voluntary contributions for the funding of transportation improvements to support transit-oriented development within the major transit corridor of the City Centre, be received for information.

Victor Wei, P. Eng.
Acting Director, Transportation
(4131)

Raul Allueva
Director of Development
(4138)

Att. 5

FOR ORIGINATING DIVISION USE ONLY					
ROUTED TO:		CONCURRENCE		CONCURRENCE OF GENERAL MANAGER	
Engineering	Y	<input checked="" type="checkbox"/>	N		
Budgets	Y	<input checked="" type="checkbox"/>	N		
Law	Y	<input checked="" type="checkbox"/>	N		
REVIEWED BY TAG		YES	NO	REVIEWED BY CAO	
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Staff Report

Origin

At the March 7, 2005 meeting of Closed Council, the following referral motion to staff was made:

“That the report (dated March 1, 2005 from the Acting Director of Transportation and the Director of Development), regarding voluntary contributions for the funding of transportation improvements to support transit-oriented development within the major transit corridor of the City Centre, be referred to staff to submit new reports to future open and closed General Purpose Committee meetings; and with such reports include mechanisms for obtaining public and industry input.”

This report brings forth information regarding voluntary developer contributions for transit-oriented development (TOD). No information is required to be brought forward to Closed Council at this time.

Findings of Fact

Richmond City Centre is poised to undergo an accelerated growth of redevelopment activity as a result of the new major rapid transit system that will serve the City's urban core. The introduction of the Richmond-Airport-Vancouver rapid transit line (RAV Line) creates increased opportunities for a new type of downtown development that is:

- less car dependent and thus, for example, has lower parking requirements; and
- more oriented towards pedestrians, cyclists and transit and thus has a greater need for infrastructure and amenities geared to these groups.

Richmond, like many other cities, has been actively pursuing Transit-Oriented Development (TOD) for a number of years and now is preparing to significantly increase its efforts in response to this opportunity (see Findings of Fact). To fully maximize this opportunity for TOD, a planning and transportation approach is needed whereby:

- (1) developers may voluntarily, flexibly and cost-effectively support TOD, as envisioned in the City's *Official Community Plan* and *City Centre Area Plan*. This approach would seek to:
 - achieve a net benefit to developers of TOD projects (e.g., typically higher density, mixed-use projects within a reasonable walking distance of the RAV Line system); and
 - redirect private investment away from car-oriented amenities and infrastructure towards those supportive of pedestrians, cyclists and transit.
- (2) the City improves its land use, transportation servicing and liveability policies as exemplified by the following activities being undertaken in 2005:
 - co-ordination of planning for the RAV Line with RAVCO;
 - No. 3 Road vision workshop and streetscape study;
 - update of *City Centre Area Plan* and *West Bridgeport Area Plan*;
 - preparation of new area plan for the neighbourhood surrounding the Oval site; and
 - update of services in the City Centre area.

1. Transit-Oriented Development (TOD)

Transit-Oriented Development (TOD) refers to higher density, mixed-use, residential, and commercial areas that are designed to maximize access by transit and non-motorized transportation, and encourage transit ridership. In terms of Richmond, the TOD area would encompass the area within a reasonable walking distance of the RAV Line stations (approximately 800 metres), within which there would be relatively high density development that decreases as the distance from the RAV Line stations increases (see **Attachment 1** for a map of the applicable TOD area). TOD neighborhoods can include the following design features:

- mixed-use areas that include shops, schools and other public services;
- a variety of housing types within each neighborhood;
- special parking management aimed at reducing the amount of land devoted to parking as compared with conventional development;
- improved transit services;
- good cycling and walking environments, including end-of-trip facilities;
- attractive streets with good connectivity; and
- traffic calming measures to control vehicle traffic speeds on minor side streets.

Research indicates that TOD reduces transportation costs and externalities, increases travel choice, reduces land paved per capita, and helps achieve virtually all transportation demand management (TDM) objectives (e.g., reducing single occupant vehicle trips). TOD can increase transit service efficiency, resulting in improved transit performance and cost effectiveness, and help create more liveable neighborhoods by improving air quality, preserving open space, creating pedestrian-friendly environments, and reducing urban sprawl. These benefits are reflected in increased property values and residential, office and commercial activity, which can result in increased liveability, profits and tax revenues.

TOD can also provide a catalyst for urban redevelopment and help create more accessible complete communities where people can obtain the services they need with less physical movement. In turn, average vehicle ownership, vehicle travel and vehicle expenditures per household each decline with increasing residential densities, proximity to public transit and the availability of regional light rail transit. Reduced automobile use can also result in cost savings to the developer.

2. City Planning Context

For some time, the City has been working towards TOD and the forthcoming RAV Line presents a major opportunity to achieve significant amenities and features that support transit as well as attractive and liveable communities. The following principles of existing City planning documents give an indication of the City’s commitment to TOD.

Planning Document	Context
<p><i>City Centre Area Plan</i> 1995</p>	<p><u>Guiding Principle</u> To take care of the environment through the encouragement of sustainable land use and development practices. Desired outcomes include:</p> <ul style="list-style-type: none"> • shops, jobs and transit convenient to residents; • transit- and pedestrian-oriented land use development; and • enhanced cycling and walking opportunities.

<p><i>Official Community Plan 1999</i></p>	<p>Guiding Principle – Transportation Section “To support the concept of a vibrant City Centre complemented by neighbourhoods with a strong sense of community through a dramatically improved transit system using neighbourhood service centres as major transfer points, and safe, direct, and attractive walking and cycling connections to local destinations.”</p>
<p><i>City Centre Transportation Plan 1997</i></p>	<p>Key Objectives</p> <ul style="list-style-type: none"> • Balance automobile usage with other means of travel, with an emphasis on transit. • Make roads work for pedestrians, cyclists, and transit, not just cars. • Encourage people to make transportation choices which curb traffic growth. • Implement improvements to take advantage of opportunities created by new development.

3. Other Municipalities’ TOD Related Practices

Other municipal practices regarding the provision of TOD infrastructure and amenities are outlined in **Attachment 2**. Richmond’s approach is consistent with these municipalities.

4. The RAV Line – A City Building Block

The RAV Line will be one of the most significant building blocks in the evolution of Richmond. It is important to note that:

- RAVCO will be providing the RAV Line system, including the guideway, stations, certain parking facilities, a maintenance and operations yard, rebuilt directly affected roadworks, and associated sidewalks and boulevards, limited to the “drip-line” only of the RAV Line guideway and stations;
- there is a limit to the extent of roadway, sidewalk, and boulevard improvements that will be provided by the RAV Line system;
- this work will fall short of Richmond’s objectives for its downtown and TOD; and
- steps should be taken to:
 - ensure that the City’s vision is championed through implementing additional pedestrian, cycling and transit improvements that support the use of the RAV Line; and
 - maximize the integration of these improvements with the RAV Line.

Anticipated Need

The full extent of the local TOD improvements required by the City (e.g., beyond the scope of the RAV project and the current Development Cost Charges (DCC) Program) has not yet been determined and will not be complete until Richmond has the opportunity to identify these works in consultation with the RAV Line concessionaire. These improvements represent an immediate need and can be considered a significant long-term public liability if not adequately accounted for at this time. A preliminary scope of work for these improvements is described in general terms in **Attachment 3** and includes pedestrian, cycling and transit improvements (e.g., sidewalk and streetscape enhancements, cycling facilities and new/improved bus stops). The preliminary cost estimate for these improvements is in the order of \$33 million over the 2005-2025 period.

Analysis

1. Voluntary Contributions to Date

Since 2004, developers in the City Centre have been advised that improvements to support TOD are desirable and that a formal mechanism is being considered to implement the improvements.

In the interim, rezoning applications would continue to be processed and brought forward to Council for consideration with or without any contributions. The developers of the projects shown in the table below provided voluntary contributions ahead of this formal mechanism in order to realize the benefits of reduced parking and other concessions negotiated with staff.

Developer Transit Oriented Development (TOD) Related Contributions

Application	Address	Contribution
1. RZ 04-260971 (Former Esso site)	6211 No. 3 Rd	\$459,228
2. RZ 04-267103 (Bosa)	5811 & 5851 No. 3 Rd	\$864,671
3. ZT 04-010735 (Fairchild @ Aberdeen)	4511 Hazelbridge Way	\$455,600
TOTAL		\$1,779,499

Note: All rezonings are for high-density residential and mixed (residential, commercial, office) use.

The current practice allows developers to provide voluntary and cost-effective financial contributions in support of the TOD concept and infrastructure. Thus far, financial contributions have been received from projects undergoing rezoning to facilitate high-density residential and mixed-use (residential, commercial, office) development within the City Centre area defined in **Attachment 1**. The rate applied to these developer contributions has been \$43.06/m² (\$4.00/ft²) of buildable floor area.

The appropriateness of these contributions has been considered by staff and the affected developers in conjunction with flexibility regarding rezoning requirements and project features that contribute to the TOD concept such as:

- reductions and concessions in development requirements (e.g., parking reductions);
- reduced impact of road dedications; and
- increases in development opportunities (e.g., setback reductions).

Generally, where such development modifications (e.g., reductions and/or increases) have been approved, their resulting value to affected developers has been demonstrated to be equal to or greater than their voluntary financial contribution towards TOD. An example of possible developer savings is shown in **Attachment 3**.

2. Upcoming Review of Development Cost Charges (DCC) Program

It is anticipated that the proposed improvements in support of TOD that are not identified within the current DCC Program will be formalized and subsequently incorporated into the upcoming review of the Program later this year. Until the DCC review is complete, an interim approach is necessary.

3. Interim Options

Given the current lack of a formal mechanism to secure the necessary funds for TOD-related infrastructure, the importance of these improvements, their anticipated high cost, and a desire to ensure that the City is in a reasonable position to implement them in co-ordination with new development, there are two feasible options to address this interim period:

- **Option 1: Moratorium until DCC Review** – put all rezoning applications in the City Centre on hold until the DCC review is complete (expected in late 2005), as the consideration of

rezoning applications could be regarded as premature prior to the DCC review. While this approach will recognize and protect the significant, long-term public liability represented by the need for future infrastructure, this will result in significant time delays and penalize a number of developers and property owners during the interim period until the DCC review is finalized.

- **Option 2: Voluntary Contributions as Pre-payment of future DCCs** – the City permit rezoning applications to proceed that are supportive of TOD and encourage/allow voluntary contributions from developments towards TOD-related improvements in lieu of paying the adjusted DCC rates which will come into effect later. This option would allow the City to maximize opportunities to secure funding for TOD infrastructure although the monies realized may not be fully sufficient for the improvements identified. In addition, the Urban Development Institute (UDI) has noted concerns with this option (see Section 4).

Under this approach, it is proposed that developer contributions be encouraged at a rate of \$43.06/m² (\$4/ft²) of buildable floor area (e.g., as per recently approved developments), which may be lower than the ultimate DCC rate. This interim approach would benefit developers by:

- enabling processing of their rezoning applications prior to the completion of the DCC review;
- realizing potential financial savings if the discounted “advance DCC payment” is lower than the actual future DCC rate; and
- realizing economic, market and environmental advantages arising from developing TOD projects and the establishment of complementary TOD-supportive infrastructure and amenities.

Staff prefer Option 2 as it benefits both developers and the City by allowing rezoning applications to proceed that are supportive of TOD as well as providing the potential for the developer to secure off-setting savings and the City to secure TOD-related improvements.

4. Consultation with Development Industry Stakeholders and General Public

The Urban Development Institute (UDI) forwarded a letter to the City in December 2004 that raised considerable concern with and requested further discussion of the City’s approach regarding voluntary contributions from developers (see **Attachment 4**). Staff met with representatives of the Urban Development Institute (UDI) on February 18, 2005 to provide information on the current approach and discuss its merits for the development community. Although concerns were raised about the voluntary contribution approach and the need for more information in this regard, UDI seemed generally supportive of the principles pertaining to the TOD strategy, and stressed that they would like more consultation on this initiative.

In this regard, staff are committed to continue to work with UDI to develop the necessary adjustments to the City’s DCC Program to reflect the need for TOD-related improvements, as part of the DCC Program review. As directed by Council, further discussions are currently being scheduled to discuss the proposed interim approach for TOD-related improvements with UDI until the DCC review is undertaken. Staff intend to undertake consultation as follows:

- *Development Industry*- Staff intend to meet with UDI again in March, 2005, to discuss these issues and receive comments.
- *Public*- A formal review of the Development Cost Charge (DCC) Program, which will include TOD infrastructure has been initiated by the Finance Department. Completion of the DCC Program will require public consultation, and TOD improvements and financing will be discussed with the public at that time.

Financial Impact

This year's Development Cost Charges (DCC) Program review will determine the exact financial capital funding impacts that will result from the proposed supplementary improvements required to support Transit-Oriented Development along Richmond's proposed rapid transit corridor. Preliminary estimates by staff indicate that these improvements could cost approximately \$33 million, including the construction of the RAV Line Capstan Station, which is estimated at \$15 million.

Estimated revenues from interim voluntary developer contributions and subsequent DCCs aimed at supporting the needs of TOD are estimated at \$45.8 million (see **Attachment 5** for more detail). It is noted that these estimates are preliminary and assume 100% voluntary developer contributions, and actual contributions may be significantly less. These estimates will be refined and confirmed through the DCC review process.

Conclusion

Richmond strongly supports Transit Oriented Development (TOD) and has been actively working towards achieving the TOD concept since adoption of the *City Centre Area Plan* in 1995. The upcoming RAV Line system creates a need and opportunity to accelerate the City's TOD initiatives.

The existing approach allows voluntary developer contributions to be made towards TOD-related infrastructure prior to the completion of the upcoming DCC review, and provides the opportunity for off-setting benefits to developers on a case by case basis. This approach is intended to address the need to secure the capital funding for these important works and ensures that they are provided in a timely and cost effective manner for both the City and the development community.

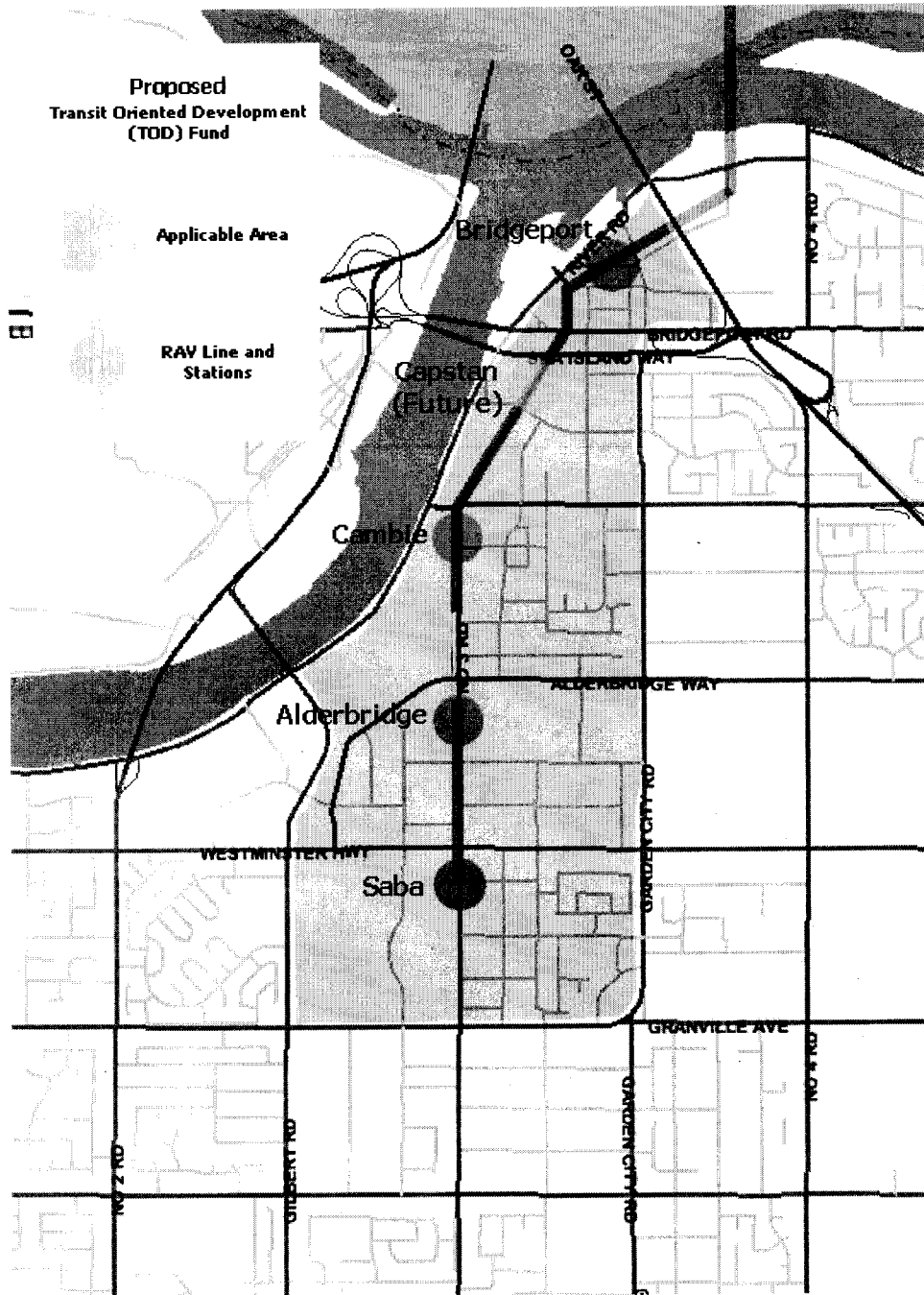


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**Applicable Area for City Centre Improvements
in Support of Transit-Oriented Development (TOD)**



TOD Area bounded by Granville Avenue to the south, Gilbert Road to the west, River Road to the north, and Garden City Road/Highway 99 to the east.

Other Municipalities' Transit-Oriented Development (TOD) Policy

To determine the TOD-related practices of other GVRD municipalities with rapid transit systems, staff contacted Vancouver, Burnaby and New Westminster. In general, none of the three municipalities currently have any formal policy specifying the incentives that developers would receive in exchange for providing features and/or amenities that support Transit-Oriented Development. However:

- the City of Vancouver is examining the possibility of establishing of such a formal policy; and
- all three cities appear to have some incentives for developers (e.g., density bonusing and/or parking relaxations) in exchange for the provision of public amenities, which for some municipalities include transportation improvements.

1. City of Vancouver Comments

- No formal policy exists outlining the incentives that a developer would receive in exchange for the provision of features and/or amenities that support Transit-Oriented Development, however, density bonuses are permitted in exchange for public amenities.
- Funding is being raised by the City to construct the 2nd Avenue Station as part of the RAV Project and Vancouver staff are considering developing a funding strategy to construct a station at Marine Drive.
- Vancouver staff believe that the best tool for getting developer contributions for transportation improvements is via the rezoning and development permit processes. For example, community amenity contributions (CACs) have been collected from some developers as a condition of approving rezoning and development permit applications and portions of those CACs have been used to fund public amenities including transportation improvements such as traffic calming, bikeways and streetscape improvements to ameliorate the impacts of the development.
- In the longer term, it is expected that future developments around the Oakridge area will be required to provide/pay for improvements (e.g., underground walkway connections to Oakridge station) beyond their normal Community Amenity Contributions (e.g., similar to Richmond's DCC program) as will future development near other RAV Line stations (e.g., Broadway at Cambie St).
- Development near existing SkyTrain lines in Vancouver has benefited from parking variances and other developer incentives, such as density bonuses, in exchange for community amenities (e.g., Collingwood Village near Joyce St Stn and commercial development near Commercial Dr Stn).

2. City of Burnaby Comments

- No formal policy exists outlining the incentives that a developer would receive in exchange for the provision of features and/or amenities that support Transit-Oriented Development.
- Area plans for the city's four town centres (each of which is on a SkyTrain line) specify higher mandatory requirements for sidewalks, street furniture, landscaping, etc., that a developer must provide.
- The Edmonds Town Centre South grade-separated crossings related to the Edmonds Sky Train station were elements funded under the Edmonds Town Centre South Grade-Separated Crossings Charge in 1998. The amount was \$392 per unit as part of a separate charge to the developer.
- Parking requirements are not reduced in exchange for the provision of other amenities. However, the City is just completing a review of parking requirements near SkyTrain stations and, on the basis of the final report, expects to reduce parking minimums near SkyTrain stations and introduce parking maximums.
- Density bonus incentives are offered in exchange for provision of specific public facilities (e.g., day care, meeting rooms) but there is no link to the provision of transportation improvements or TOD infrastructure.

3. City of New Westminster Comments

- No formal policy exists outlining the incentives that a developer would receive in exchange for the provision of a transit-oriented development.
- Developers are encouraged to provide on-site improvements (e.g., bicycle storage, change rooms, car-share vehicles, high occupancy vehicles, other Transportation Demand Management measures) to promote the use of alternative transportation modes, in exchange for parking variances, density bonuses and other incentives.
- Off-site infrastructure improvements are defined in the specific area plan and paid for through Development Cost Charge programs or via a special area levy.

City Centre Improvements in Support of Transit-Oriented Development

Timing	Improvement	Description	Preliminary Cost Estimate
2005-2025	Sidewalk and Streetscape Enhancements	Upgrade of sidewalks to include wider attractive walking surface, tree boulevard, benches and other street furniture. This would also include new hard/soft landscape, decorative streetlights, etc. as part of an enhanced pedestrian environment.	\$12M
	Cycling Improvements	Road widening and reconfiguration to provide bicycle lanes or wider curb lanes along cross streets.	\$4M
	Transit Integration	New and improved bus stops and related amenities.	\$2M
	Capstan Station	This station was planned as a future station and not part of the RAV project. It is expected to be implemented when warranted by ridership or adjacent new developments.	\$15M
	Estimated Total Cost		

Example of Possible Developer Cost Savings under TOD

Land Use:	Current Parking Conditions		Possible TOD Conditions		Possible Developer Savings Under TOD per unit
	<i>Bylaw Requirement spaces/unit</i>	<i>Estimated Cost of Construction @ \$15,000/space</i>	<i>Possible TOD Requirement spaces/unit</i>	<i>Estimated Cost of Construction @ \$15,000/space</i>	
Multiple-Family Residential					
Residents	1.5	\$22,500	1.0	\$15,000	\$7,500
Visitors	0.2	\$3,000	0.2	\$3,000	Nil
Total	1.7	\$25,500	1.2	\$18,000	\$7,500

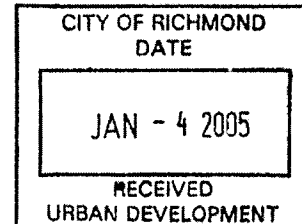
For example, if a multiple-family residential developer was to contribute towards TOD at the proposed interim rate of \$43.06/m² (\$4.00/ft²) of buildable floor area, he/she would contribute approximately \$4,000/unit, based on a typical gross unit size of +/-93 m² (1,000 ft²). In turn, that developer could realize an estimated savings arising from reduced parking construction costs in the order of \$7,500 per unit (as indicated in the table above), resulting in a net savings to his/her project of \$3,500 per unit or \$350,000 per building (assuming a typical 100 unit high-rise development).



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December 21, 2004

Mr. Joe Erceg, MCIP
 General Manager Urban Development
 City of Richmond
 6911 No. 3 Road
 Richmond, B.C., V6Y 2C1



Dear Mr. Erceg:

Re: City of Richmond \$4/Square Foot RAV Charge

I would like to thank you for providing me with some preliminary information about the City of Richmond's \$4 per square foot RAV charge. Since our conversation last week regarding the issue, I have e-mailed our members on the City of Richmond - Urban Development Institute (UDI) Liaison Committee. The response indicates that UDI members were unaware that a charge had been implemented.

There were rumors that a levy was being contemplated, and at the May 26, 2004 meeting of the Liaison Committee, City of Richmond "Staff also noted that consideration was being given to the inclusion of ... a RAV fee." A review of previous minutes did not reveal any earlier reference to the charge and - to my knowledge - the issue has not been raised since May 26th of this year. As you can well imagine, the development community is surprised and disappointed by the news that the City has introduced some form of charge for RAV related projects without any consultation.

Suffice it to say, there is a sufficient level of anxiety amongst the UDI membership to immediately notify you of our concerns regarding the charge and to request that a more detailed discussion take place on the matter at our next Liaison Committee meeting.

There are two overarching issues that need to be addressed. First, the implications of the increased cost to development, and second, the principle of taxes being levied for a project that all were led to believe would not be an additional cost to Richmond taxpayers.

Time and time again when politicians from the City of Richmond sought formal UDI support for the RAV line, they assured us that the senior government funding partners would be completely responsible for all costs associated with the line.

Given that this charge is being referred to as a "voluntary" contribution, and given that you have informed me that you have already collected these "voluntary" contributions, we are keen to know the public policy rationale guiding the City's acceptance of these contributions. In addition, we seek clarification regarding how

Preliminary Growth Projections and Associated TOD Revenues

1. Residential Growth

- Affected Area:** Bounded by Gilbert Road, Granville Avenue, Garden City Road, and the Fraser River, excluding West Bridgeport (i.e., residential uses are prohibited due to aircraft noise).
- Units of Growth:** Growth is considered on the basis of number of multiple-family dwelling units as this is consistent with the structure of Richmond's Development Cost Charge program. Average unit size is assumed to be 1,000 ft².
- Contribution Rate:** The contribution is assumed to be \$4,000/dwelling based on \$43.06/m² (\$4/ft²) of buildable floor area and an average dwelling size of 93 m² (1,000 ft²).

Based on Official Community Plan (OCP) projections, the following preliminary growth and revenues are anticipated in the affected area.

Projected Residential Growth and Revenues

Period	Increase in Multiple-Family Dwellings	Preliminary Estimated Revenues
1994 - 2004	2,472 (Actual)	N/A
2004 - 2014	3,153 (Projected)	\$12.6 million
2014 - 2024	5,694 (Projected)	\$22.8 million
Total	-	\$35.4 million

2. Non-Residential Growth

- Affected Area:** Bounded by Gilbert Road, Granville Avenue, Garden City Road, and the Fraser River, including West Bridgeport.
- Units of Growth:** Buildable floor area.
- Contribution Rate:** \$43.06/m² (\$4/ft²) of buildable floor area.

Considerations:

- Based on current City information, it is difficult to accurately project the gross floor area of non-residential uses that will be constructed in the affected area between 2004 and 2024.
- If Richmond's downtown is to remain competitive and economically viable, it may prove necessary to adopt measures that reduce development costs for key uses (e.g., office) in order to be more competitive with lower cost business park locations and support development of the City Centre's and West Bridgeport's large non-residential areas (e.g., where housing is prohibited due to aircraft noise). Such measures could include reduced development charges and may require waiving the TOD contributions under discussion here.
- In light of these considerations, preliminary estimated revenues are conservative and are based on projected net growth in non-residential floor area (e.g., the gross floor area constructed less the floor area demolished).

Projected Non-Residential Growth and Revenues

Period	Net Increase in Non-Residential Floor Area	Preliminary Estimated Revenues
1994 - 2004	7,989,902 ft ²	N/A
2004 - 2014	1,046,824 ft ²	\$4.2 million
2014 - 2024	1,544,182 ft ²	\$6.2 million
Total	-	\$10.4 million

3. Total Residential and Non-Residential Projected Growth and Revenues

Period	Preliminary Estimated Revenues		
	Residential @ \$4,000/dwelling	Non-Residential @ \$43.06/m ² (\$4/ft ²) buildable area	Total
2004 - 2014	\$12.6 million	\$4.2 million	\$16.8 million
2014 - 2024	\$22.8 million	\$6.2 million	\$29 million
Total	\$35.4 million	\$10.4 million	\$45.8 million