



COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

VANCOUVER  CHAPTER

January 19, 2017

Mr. Jerry Chong
Director of Finance
City of Richmond
6911 No. 3 Road
Richmond, B.C.
V6Y 2C1

Re: City of Richmond, Proposed Development Cost Charge Increase

Dear Mr. Chong;

Introduction:

The Vancouver Chapter of NAIOP (“NAIOP”) is one of 50 chapters throughout North America, with memberships totaling over 16,000. NAIOP provides communication, networking and business opportunities for real estate related professionals within the local commercial market and represents commercial real estate developers, owners and investors of office, industrial, retail and mixed-use properties. NAIOP is very active in the Metro Vancouver market and provides strong advocacy, education and business opportunities while connecting its members through its North American network. The Association also provides a forum for continuing education and the promotion of effective public policy at all levels of government.

Purpose

NAIOP was first introduced to the City of Richmond’s Development Cost Charges (“DCC”) Bylaw Review by the Urban Development Institute (“UDI”), shortly after the November 30th UDI Liaison Committee meeting. Given the timing of this information, NAIOP was advised that although the November 3rd public consultation period had passed, the opportunity to provide comments was extended to stakeholders. Additionally, NAIOP submitted an email to the City’s Director of Finance on December 8th, requesting that the City allow NAIOP to be engaged as part of the DCC’s consultative process. To date we have not received feedback on our request, as such, the following questions and comments are based upon the DCC Bylaw Review material available on the City’s website.

DCC Rates and Municipal Fees

In the Fall of 2015 and 2016 NAIOP published its 16th and 17th Annual Cost of Business Survey for Metro Vancouver. The intent of the annual surveys is to provide NAIOP’s membership and the business community as a whole with a reference tool that quantifies the costs and processing times associated with typical development

projects within Metro Vancouver municipal jurisdictions. The results are publicly available and can be utilized by municipalities, whose active participation makes this survey possible, as a gauge for their own development costs and approval processes. For practicality, the survey alternates annually between industrial and office development scenarios. For reference, please find a copy of the survey appended to this letter. An electronic version can also be downloaded here: www.naiopvcr.com/media/27657/2015-Cost-of-Business-Survey.pdf and www.naiopvcr.com/media/39946/NAIOP_Fall-2016-COBS.pdf.

Although the City's DCC rates have not increased since 2009, NAIOP notes that Richmond's existing industrial DCC rate remains the highest in Metro Vancouver and third highest DCC for office/commercial development. 2016 industrial and office DCC rates are summarized in the following tables. Both the office and industrial DCC's are converted to a per square foot value for purposes of comparison.

		2016 Industrial DCC (PSF)	Richmond Proposed (PSF)
1.	City of Richmond	\$8.96	\$11.33
2.	City of Surrey (Campbell Heights area specific DCC)	*\$6.65	
3.	City of Vancouver	\$5.55	
4.	City of Surrey (Area wide)	*\$3.56	
5.	City of Coquitlam	\$6.47	
6.	City of Langley	\$6.07	
7.	City of Abbotsford	\$4.48	
8.	District of Mission	\$4.40	
9.	Township of Langley	\$3.59	
10.	City of North Vancouver	\$3.13	
11.	City of Port Coquitlam	\$3.01	
12.	District of North Vancouver	\$2.56	
13.	City of New Westminster	\$2.44	
14.	City of Maple Ridge	\$2.25	
15.	City of Pitt Meadows	\$2.01	
16.	Corporation of Delta	\$1.84	
17.	City of Port Moody	\$0.96	
18.	City of Burnaby	**N/A	
19.	City of White Rock	***N/A	
20.	District of West Vancouver	***N/A	

* Assumes 50% site coverage to convert per acre DCC to a per square foot value.

** No DCCs charged for industrial development.

*** No industrial lands within jurisdiction.

In addition to the current DCC rates which are normally the largest component of overall costs of development, Richmond also had the highest total municipal fees in 2015 and 2016, nearly 33% higher than the next municipality (the City of Vancouver) as summarized on page 7 of the 2015 Annual Cost of Business Survey and page 10 of the 2016 Annual Cost of Business Survey. The proposed DCC rate increase will create an even greater spread between Richmond and the next ranked municipality's development fees and move Richmond's office DCC ahead of the City of Vancouver to the second highest DCC in Metro Vancouver.

		2016 Office DCC (PSF)	Richmond Proposed (PSF)
1.	City of Port Coquitlam	\$20.42	
2.	City of Vancouver	\$13.31	
3.	City of Richmond	\$11.22	\$14.53
4.	City of Abbotsford	\$8.41	
5.	City of Surrey	\$7.98	
6.	District of Mission	\$7.69	
7.	City of Langley	\$6.83	
8.	City of White Rock	\$5.60	
9.	City of Coquitlam	\$5.57	
10.	District of North Vancouver	\$5.49	
11.	City of North Vancouver	\$5.39	
12.	Township of Langley	\$5.12	
13.	District of West Vancouver	\$4.60	
14.	Corporation of Delta	\$3.36	
15.	City of New Westminster	\$2.06	
16.	City of Pitt Meadows	\$1.97	
17.	City of Maple Ridge	\$1.30	
18.	City of Port Moody	\$1.10	
19.	City of Burnaby	*N/A	

* No City-wide DCCs are charged for office development.

Implementation

NAIOP's position is that the proposed increase to all DCCs requires a phased approach to implementation and should take place over a period of years, not months, to mitigate impacts to development projects in the planning stage. While we understand that a grandfathering period of 12 months is under consideration, the timeframe to design, review and develop high quality real estate in Metro Vancouver is complex and requires



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years of time and investment. We understand the importance of appropriately financing the City's growth; however, a dramatic increase to the rate implemented over a 12 month period will not be enough time for the market to adequately absorb the new rates. NAIOP, would also like the City of Richmond to consider the new TransLink DCC which will be introduced shortly and the compounded impact to the development community if a phased approach is not taken.

Next Steps

As per our December 8th email, NAIOP is requesting that the City of Richmond considers holding a stakeholder engagement session with NAIOP prior to advancing the proposed DCC Bylaw to Council for 1st, 2nd, and 3rd reading. We look forward to this constructive meeting and working closely with the City on the proposed DCC rate increase and to provide our feedback.

Jarvis Rouillard
President
NAIOP Vancouver