

# APPENDIX A: FRAMEWORK FOR IMPLEMENTING AND NEGOTIATING COMMUNITY AMENITY CONTRIBUTIONS

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## 1.0 CAC POLICY FRAMEWORK OVERVIEW

This Framework for Implementing and Negotiating Community Amenity Contributions (the “Framework”) has been developed for the District of Saanich to help support the implementation of the [Community Amenity Contribution \(CAC\) and Inclusionary Housing Policy](#) (the “CAC Policy”). The CAC Policy is the District of Saanich’s core policy used to guide the administration of CACs and the collection of voluntary in-kind and cash-in-lieu contributions towards public benefit amenities and inclusionary housing.

NOTE: This Framework is a supplemental document to support the implementation of the CAC Policy and should be read in conjunction with the CAC Policy.

### 1.1 Purpose and Context:

#### PURPOSE:

This Framework was developed alongside the CAC Policy and looks to assist the District and applicants through negotiating voluntary CACs through application of one of three approaches in the CAC Hybrid Model, as per the CAC Policy:

**Approach A:** Negotiated CACs

**Approach B:** CAC Target Rates

**Approach C:** Density Bonus Rate CACs

Each approach varies depending on the scale of development regulations (i.e., implantation of Density Bonus Zoning in the Zoning Bylaw) and are detailed in Section 5 of the CAC Policy and Section 4 of this Framework.

The intent of this Framework is to guide staff and applicants through the implementation and negotiation process for receiving Community Amenity Contributions. Embedded within are rationales for various processes and directions of the CAC Policy that offer a greater understanding of how and why policies have been developed.

#### CONTEXT:

Community Amenity Contributions (CACs) may be collected by local governments through the rezoning application processes. As rezoning applications often result in higher development densities, the demand for District services, including public benefit amenities, increases as new residents move into an area. Therefore, CACs are collected to offset the impact of new development on community services and to address the increased demand by adding and expanding the District’s amenities and facilities.

NOTE: CACs differ from other development finance tools, such as Development Costs Charges (DCCs), as they are not a legislated tool in the *Local Government Act* (LGA), and, therefore, CACs should be considered as a voluntary contribution and not a requirement of development.

Though the use of CACs is very common across municipalities in British Columbia, the lack of a structured legislative framework to guide their implementation has often resulted in inconsistent and unpredictable processes. The lack of consistency and predictability represents a significant challenge for applicants and developers to accurately anticipate what level of CAC is desired and/or appropriate for rezoning and development applications. For these reasons, the District of Saanich endeavoured to develop its comprehensive CAC Policy that provides clear expectations for rezoning based development, ensures predictability in CAC negotiations and collection, and lessens administrative burdens through improved processes for District staff.

The process of developing the comprehensive CAC Policy involved extensive consultation with community representatives, housing providers, and the development community in Saanich and across the Capital Regional District, as well as undertaking an extensive financial and economic analysis. The financial and economic analysis assessed 35 different test sites throughout Saanich, including centres, corridors, villages, and neighbourhoods. A pro forma was completed for each test site to understand if potential developments are financially viable when paying community amenity contributions. The analysis can be found within a published Discussion Paper, a key deliverable of the development of the CAC Policy.

To further supplement the CAC Policy and this Framework, background information and project reports, such as the Discussion Paper and a Frequently Asked Questions document, can be accessed on the [Saanich CAC website](#).

## **1.2 How to Use this Framework**

One of the key purposes of this Framework is to support District Staff and applicants in facilitating negotiations under the CAC Policy consistently and efficiently. To this end, the Framework outlines internal practices, provides clear rationales for the CAC Policy, and enables Staff discretion to effectively manage and implement the CAC Policy.

This Framework is a “living” document. Staff are empowered to update the document at their discretion within any limits imposed by the Policy. Frequent review and updates will allow the capture of current practice(s) while reducing administrative burdens.

## **1.3 Guiding Principles**

This Framework is a living guide to support District Staff in upholding the goals of the CAC Policy and ensure applicants have the clarity and incentive to develop a variety housing types and tenures in the community whilst contributing to public benefit amenities. It is guided by the same principles as the CAC Policy, as outlined in **Callout Box 1** below.

### Callout Box 1 – Guiding Principles of the Framework for Implementing and Negotiating Community Amenity Contributions

**Transparency:** Inform Council, staff, the development community, and the public about how amenity contributions are being collected and distributed.

**Efficiency:** Offer an efficient process that reduces both time and cost for the District and applicants.

**Balance:** Ensure a balanced approach to the types and locations of amenities and inclusionary housing that is both reasonable and economical.

**Predictability:** Provide a process that is consistent in its demand for amenities, use of definitions, collection of in-kind and cash-in-lieu, and negotiations for community amenities and inclusionary housing.

## 2.0 OVERVIEW OF HYBRID MODEL APPROACH

The CAC Policy applies a hybrid model for the negotiation and collection of community amenity contributions and is guided by a set of four principles: **transparency, efficiency, balance, and predictability**. The hybrid model for CACs honours these guiding principles and is tied to the scale of development and zoning regulations (i.e. density bonus):

- **Approach A - Negotiated CACs:** Development applications proposing 350 units or more.
- **Approach B –CAC Target Rates:** Development applications with between seven and 349 units in all zones where density bonus does not apply; and
- **Approach C - Density Bonus Rates:** Development applications with fewer than 350 units where a property has density bonus zoning in place, or an applicant is granted rezoning 'into' a zone with density bonus provisions.

Additional background information and rationale are embedded in **Section 3** of this Framework and are Section 5 of the CAC Policy.

**NOTE:** CACs can be provided as either in-kind or as cash-in-lieu, or as a combination of both. It is likely that amenity contributions will differ from project to project depending on community priorities and the contextual considerations of the development project at the time of the rezoning.



**EXEMPTIONS:**

The CAC Policy includes a list of **exemptions** for certain application components as a means to support development applications that already provide a community benefit (i.e., not-for-profit rental and non-market ownership units, and secured purpose-built rental projects) or are desired uses emphasized in the District’s land use policy (i.e., infill of up to six units and employment lands - commercial, industrial, and institutional uses). Exemptions form Section 6 of the CAC Policy and rationales for these are included in **Section 5** of this Framework.

## 3.0 HYBRID MODEL APPROACH FOR IMPLEMENTING THE COMMUNITY AMENITY CONTRIBUTIONS AND INCLUSIONARY HOUSING POLICY

The CAC Policy applies a hybrid model for implementing the negotiations and collection of public benefit amenities and inclusionary housing. There are three approaches and supporting calculation methods of each based on the scale of the development and zoning regulations (i.e., Density Bonusing vs. no Density Bonusing).

### 3.1 APPROACH A: NEGOTITATED CACS

Development applications with 350 units or more are encouraged to undergo site-specific CAC negotiations with the District of Saanich in accordance with the CAC Policy and this Framework. Under this Framework:

- a. Negotiated CACs can be in the form of in-kind or cash-in-lieu contributions towards a public benefit amenity based on the preferences of the District, the applicant, and community. In-kind CACs may also include Inclusionary Housing Units<sup>1</sup>. The definitions for in-kind CACs, cash-in-lieu CACs, including inclusionary housing units (rental and ownership options), are detailed in the CAC Policy and outlined below, in **Section 3.1** of this Framework.
- b. The amount of CAC (value of in-kind amenities or cash-in-lieu) that a project can support is determined through a land lift analysis, conducted at the applicant's expense with potential for a third-party review at the applicant's cost.
- c. CACs determined through this approach target 50% of the increase in land lift value based upon the rezoning application.

The rationale for encouraging a Negotiated CAC approach for developments with 350 units or more is that developments of this size are typically more complex and are more likely to create opportunities for capturing on-site amenities. Notably, these larger development projects are also more likely to be able to provide in-kind inclusionary housing units, as they can create sufficient 'economies of scale' to provide a significant number of units in one location. It is important to note that having more inclusionary housing units in one location

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<sup>1</sup> As defined in the District of Saanich's Community Amenity Contribution Policy.

helps not-for-profit housing providers manage the units more cost effectively, which in-turn helps to ensure their long-term affordability.

To help support District staff and applicants in the Negotiated CAC approach, this Framework provides a more fulsome guide to negotiating CACs in **Section 4.0**.

### **3.2 APPROACH B: CAC TARGET RATES**

Development applications with between seven (7) and 349 units are encouraged to make contributions based on CAC Target Rates (“Target Rates”) found in Section 5 and Table 2 of the CAC Policy.

The Target Rates are encouraged to be provided as a cash-in-lieu payment to be allocated towards an area-specific local amenity fund, local park acquisition fund, and a District-wide affordable housing reserve fund, in accordance with Section 7.0 of the CAC Policy. The District may also consider in-kind contributions, including the provision of Inclusionary Housing Units, if they meet the requirements set forth under Section 3.2 (2) of the CAC Policy.

### **3.3 APPROACH C: DENSITY BONUS RATES**

Development applications with fewer than 350 units, where a property has density bonus zoning in place (and no rezoning is requested), or in instances where an applicant is granted rezoning ‘into’ a zone with density bonus provisions follow Approach C.

CACs collected through Density Bonus rates are provided as an in-kind amenity or amenities, or secured as cash-in-lieu to be allocated towards the area-specific local amenity fund, area-specific local park acquisition fund, and the District-wide affordable housing fund, in accordance with the CAC Policy. Approach C for Density Bonus Rates is similar to Approach B for CAC Target Rates but only applies to development applications involving zones that support density bonusing.

NOTE: Currently, the Density Bonus table in **Section 5 of the CAC Policy** is a placeholder until such time that the District develops a Density Bonus framework. Once developed, the rates will be embedded into CAC Policy.

#### **Callout Box 2 – Current State of Density Bonusing**

The District of Saanich does not currently employ a formalized Density Bonus regulation within its Zoning Bylaw. However, the District will work to develop standalone Density Bonus Zoning within the Zoning Bylaw, or ‘shelf ready’ Density Bonus Zones, that will then be applied to future development applications. As the process of developing such zones is a complex administrative task it is expected that this will be complete near the time of the first CAC Policy check-in with Council (expected for 2025).

## DISTRICT OF SAANICH

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The current Density Bonus Rates, as outlined in **Approach C** and **Section 5 of the CAC Policy**, are offered as a sample placeholder until such time that a formal Density Bonusing structure has been developed by the District.

As the framework for Density Bonus Zoning is being developed, it is important to note that the per unit rates shown as a sample placeholder may be converted to per square metre rates.

That said, however, the Density Bonus Rates as shown as an example in this Framework may be used to guide CAC discussions for combined Official Community Plan amendments and Rezoning applications where Density Bonusing has been contemplated under an existing District of Saanich Local Area Plan, Action Plan, or Centre, Corridor and Village (CCV) Plan.

## 4.0 INTRODUCTION TO NEGOTIATING COMMUNITY AMENITY CONTRIBUTIONS

The following section provides an overview of the process for Negotiating Community Amenity Contributions (CACs) and generally catered towards supplementing Approach A: Negotiated CACs and seeks to guide discussions between Staff and applicants.

Approach A in the CAC Policy encourages applications for new developments with 350 units or more to enter into the negotiated CAC process to enable a better understanding of impacts on the community and the amenities that could offset or support impacts. The CAC Policy targets the negotiated approach to larger, more complex developments.

However, all rezoning applications may enter the negotiated approach and will have the option to provide either in-kind and/or cash-in-lieu CAC. Applicants who enter the negotiated CAC approach will be required to submit a pro forma of the project, including the land lift value to understand what level of contribution is appropriate. Details and rationale for this process are offered in **Section 4.3 of this Framework**.

### 4.1 Eligible Forms of Community Amenity Contributions (CACs): Cash-in-Lieu and In-Kind

There are two classifications of CACs that can be provided, including cash-in-lieu contributions and in-kind contributions (i.e., on-site amenities, inclusionary housing units and affordable ownership units). The definitions for each of these are provided in the subsequent sections.

Applicants are encouraged to refer to the Community Amenity Project Reference List, attached to the CAC Policy as **Appendix B**, early in the rezoning and development application process. The intent of Saanich's Community Amenity Project Reference List (**Appendix B to the CAC Policy**) is to guide the exploration and negotiation of public benefit amenities and affordable/supportive housing through the rezoning application review process:

- Encourage community contributions that are commensurate with the scale of the proposed development on additional density,
- Ensure new developments contribute facilities and infrastructure that will support the well-being of residents, employees and visitors both at the site level and in the broader area.
- Consider improvements to the public realm near the development site for contributions tied to the CAC Policy's local and park acquisition funds.
- Consider the broader goals of climate action, housing affordability and biodiversity when assessing community contributions.
- Ensure the extent of community contributions are commensurate with the scale of proposed development / additional density.
- Consider affordable and supportive housing as a core component of a complete community.
- When reviewing contributions tied to public art, consider:

- private sector initiatives to provide arts facilities and improve art services.
- floor space designated for non-profit arts activities as an amenity space under the density bonusing provisions of the *Local Government Act*.
- publicly accessible arts spaces and programs in buildings that are such as malls, schools, libraries, and community centres
- accommodating studio, rehearsal, and classroom and/or workshop spaces in all land use designations

#### 4.1.1 CASH IN-LIEU COMMUNITY AMENITY CONTRIBUTIONS

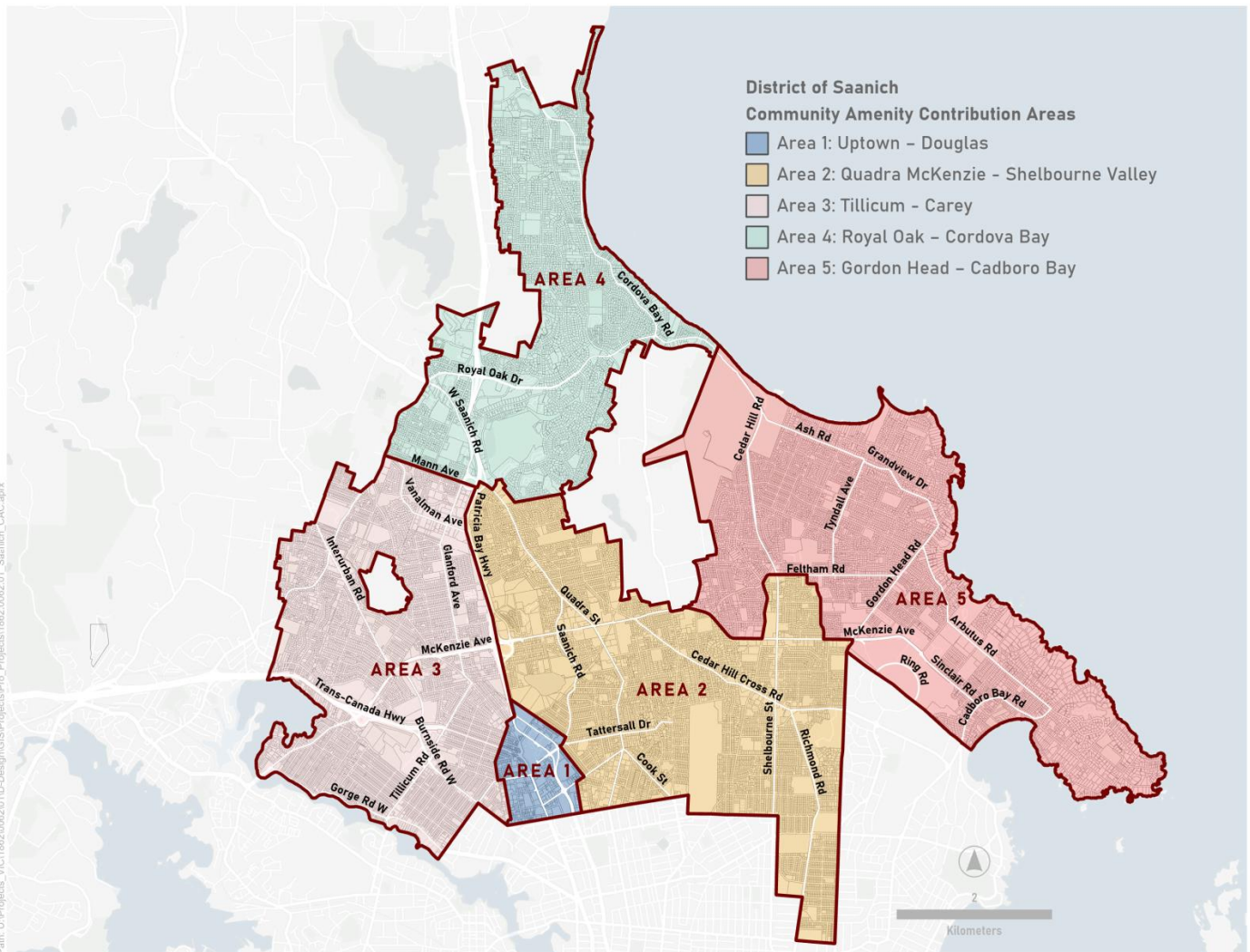
Cash-in-lieu CACs are contributions provided as cash, in lieu of providing a direct public benefit, by an applicant to the District. Cash-in-lieu CACs are earmarked for public benefit amenities identified in the CAC Policy (see **Appendix B**), by Council, and the District’s annual capital and operating budgets. It is expected that the majority of new developments in Saanich will contribute cash-in-lieu CACs through the CAC Target Rates or Density Bonus Rates found in Section 5.0 of the CAC Policy.

To further assist in the negotiation of community amenities and affordable and supportive housing, the CAC Policy allocates cash-in-lieu by five geographic areas, shown in **Figure 1** below. The five geographic CAC areas were created to support the equitable distribution of CACs across the District, and to prioritize the allocation of cash-in-lieu contributions to areas near where contributing developments are located.

There is a prioritized list of Local Community Amenity projects found in **Appendix B of the CAC Policy**. This list seeks to offer guidance for both cash-in-lieu and in-kind contributions to the Affordable Housing Fund, Local Amenity Fund, and Local Park Acquisition Fund. These geographies include:

- **Area 1:** Uptown – Douglas
- **Area 2:** Quadra McKenzie – Shelbourne Valley
- **Area 3:** Tillicum – Carey
- **Area 4:** Royal Oak – Cordova Bay
- **Area 5:** Gordon Head – Cadboro Bay

Figure 1 – Community Amenity Contribution Areas



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**Callout Box 3 – Parkland Acquisition: Differentiating between Community Amenity Contributions (CACs) and Development Cost Charges (DCCs)**

It is important to note that while both Development Cost Charges (DCCs) and Community Amenity Contributions (CACs) can be used to acquire and improve parkland they cannot be used to pay for the same projects (aka ‘double-dipping’).

The CAC Policy recognizes that any cash-in-lieu CACs collected cannot be used to fund any park projects that are identified in the District’s DCC Project List. A list of supportable CACs are included in **Appendix B of the CAC Policy**.

The park projects identified in District’s DCC Project List are intended to be regional and District-wide in application to benefit all users in the District of Saanich. In contrast, the CAC Local Park Acquisition Fund identified in the CAC Policy will be used to target the acquisition of smaller local and neighbourhood scale parks (including plazas, urban squares, parklets, etc.) to benefit users near where new development is occurring. This important distinction is reflected in the CAC Policy.

#### 4.1.2 IN-KIND COMMUNITY AMENITY CONTRIBUTIONS

‘In-Kind’ Community Amenity Contributions are direct public benefit amenities or land contributions provided by an applicant as part of a rezoning application process. These amenities are typically provided near to or on the same property as a development and can include on-site amenities with direct public benefit (i.e., plazas, daycares, public realm improvements, etc.), inclusionary housing units, and affordable ownership units.

##### On-Site Amenities

On-site Amenities are a physical form of in-kind CACs, which can include plazas, daycares, public realm improvements, land dedications and more. Through a Negotiated CAC process, applications may offer opportunities to capture amenities on-site or in close proximity to the development. In some situations, on-site amenities may be preferable to cash-in-lieu contributions as they will have the potential to provide valuable levels of service improvements in close proximity to major development sites. Applicants determining the need and type of on-site amenities are encouraged to do so through early discussions with the District and the neighbouring community. A list of supported CACs are included in Appendix B of the CAC Policy. While applicants are responsible for delivering the in-kind CAC, the size, location, materials, and design of the in-kind contribution must be to the satisfaction of the District and in alignment with applicable policies and guidelines set out in this Framework and the CAC Policy.



## Inclusionary Housing Units

**Inclusionary Housing Units** may be offered as a form of in-kind CACs. Inclusionary housing refers to affordable rental housing where shelter costs are less than 30% of a household's median before-tax income, to support "very low," "low," and "moderate" income households. Applicants providing inclusionary housing units must meet the per unit moderate- to median-income annual rental rates adopted by the District of Saanich Council (May 2023) as included in the 'Definitions of Housing Affordability' document (refer to [Definition of Affordability](#) and Table 1 in the CAC Policy). These rates are updated annually by the District, and applicants are strongly encouraged to verify rates with the District staff early in the application process.

The established rates in the CAC Policy target moderate- to median-income households, as these are easier to integrate into new developments. Residential units with deeper subsidies are often harder to sustain financially because they require additional funding subsidies to support lower rents than what may be available. The "Definitions of Housing Affordability" document will be updated annually, in alignment with the published rates through CMHC.

## Affordable Ownership Units

In some circumstances, the District may advocate for affordable ownership units as a preferred form of in-kind community amenity contributions. Where these types of units are negotiated, applications must achieve the affordable housing prices as outlined in Table 1 of the CAC Policy.

It is important to highlight that administering affordable ownership units from the District's perspective is considered more burdensome than inclusionary housing units. It can be difficult to oversee the transfer of ownership units between owners and to ensure the qualifying household incomes align with the defined income threshold.

## 4.2 Ownership and Management of In-Kind Amenities

In the process of negotiating CACs, consideration should be given to the long-term ownership and management of any in-kind amenities provided through a rezoning development application. This includes reviewing how the amenity will be secured and ensuring the long-term use/upkeep for the public benefit.

### 4.2.1 Ownership of In-Kind Contributions

Depending on the type of in-kind CAC offered (i.e., on-site amenities, inclusionary housing, and affordable home ownership) applicants may transfer the ownership upon completion, at the District's discretion, and through consideration of the following:

- **On-site Amenities** – the District has full discretion regarding the long-term ownership and transfer of ownership for any public on-site amenities provided as CACs.

Depending on the type of on-site amenity provided, the District may consider a transfer of ownership to a vetted third-party (ideally the third party would be a not-for-profit organization, government agency, or other level of government) or assume ownership of the amenity itself. For some amenities, such as daycare facilities, it may make sense for the ownership of these amenities to be retained by the developer or transferred to a vetted third-party owner. If any on-site amenity provided through CACs are intended for full public use in perpetuity, then the District will take ownership of the amenity upon completion of the project and occupancy approval.

- **Inclusionary Housing Units** - the developer may transfer ownership or management the unit(s) to government agencies or to a non-profit housing provider upon receiving occupancy approval. The transfer of ownership or management is guided by the Memorandum of Understanding as described in **Section 4.2.2** below.
- **Affordable Home Ownership** – The District will work with not-for profit housing providers to determine the appropriate transfer of ownership to qualified households based on the criteria outlined in **Section 4.1 - Table 5**, and guided by the Memorandum of Understanding as described in **Section 4.2.2** below.

For other types of in-kind CACs, transfer of ownership is negotiated on a case-by-case basis with, and at the full discretion of, the District.

#### 4.2.2 Securing In-Kind Contributions

When securing in-kind CACs, the District requires a variety of supporting documents from an applicant as part of the development approvals process and negotiations of Community Amenity Contributions, including a memorandum of understanding and land title agreements and covenants.

#### Memorandum Of Understanding

When negotiating inclusionary housing or affordable home ownership units, an applicant shall work with a non-profit housing organization to enter a Memorandum of Understanding (MOU) prior to the third reading of the zoning bylaw amendment. However, it is strongly encouraged that the applicant engages with non-profit organizations early and often, and ideally by the time an application has been submitted (see **Table 6** below for additional context).

The intent of the MOU is to identify the interest of the non-profit housing organization in operating the units and/or purchasing the units from the developer. This provides non-profit housing organizations the assurance and time to prepare investments needed to either purchase or operate the units upon completion of the development.

The applicant is required to identify a reputable non-profit housing organization and provide an MOU at the outset of the application to the District. By requiring an MOU delivered at the early stage of the application process, there is an increased likelihood of achieving inclusionary housing or affordable home ownership units as part of a rezoning application. Once the District is in receipt of the MOU, it will determine if its terms are acceptable. The District will have full discretion to determine whether or not an MOU is acceptable and will provide feedback and receive adjustments, as required, until deemed satisfactory.

**Callout Box 4 – Early Engagement with Non-Profit Housing Organizations for Inclusionary Housing Units**

The District of Saanich encourages applicants who anticipate contributing built affordable housing as a negotiated Community Amenity Contribution (CAC) to engage early and often with non-profit housing organizations. Non-profit organizations may be interested in owning and/or operating the completed inclusionary housing units. These early conversations could help developers find the right partnership while providing enough time for non-profit housing organizations to secure necessary financing for the units. Non-profit housing organizations may also have specific design considerations (e.g., unit sizes, accessibility, etc.) which impact their interest and ability to own or operate the units.

**Land Title Agreements and Covenants**

In circumstances where the ownership of in-kind CACs with public use is not transferred to the District, any requisite accesses or operational requirements shall be secured through registering legal agreements and land covenants on title as part of the rezoning process. The use of housing agreements and housing covenants are one way to secure use of the inclusionary housing units, and operating agreements are another way to secure access to amenity spaces as a community contribution and public benefit amenity.

For negotiated processes resulting in cash-in-lieu CACs, any covenants or agreements created through Approach A, the Negotiated CAC, should stipulate that a Building Permit cannot be issued until the voluntary payment of CAC has been received by the District.

### 4.3 Calculating Community Amenity Contributions

A key component of a Negotiated CAC approach is determining the appropriate contribution amount for a particular development. This can be a complicated exercise as many variables (i.e., land costs, construction costs, construction timelines, market conditions, fees, etc.) are involved in determining the viability and profitability of a development. Thus, a detailed analysis is required to determine how much value is being created through the development and rezoning process, and consequently how much should be considered as an appropriate CAC. For Negotiated CACs, whether in-kind or cash in-lieu amenities are being offered, the total value of any CAC provided is guided by a land lift analysis (see Section 4.3.1, below).

#### 4.3.1 Land Lift Analysis Overview

A ‘land lift’ refers to the increase in a property’s value that results from the increase in permitted density achieved through a rezoning process, which allows a developer or applicant to build more units than the current state permits (see Figure 2 below). Developers often use the land lift to measure the potential return on investment of a project. For example, the District of Saanich may approve a rezoning application that increases the development potential of a property from low-density residential to high-density residential, thus increasing the property value (see Figure 2 ).

Figure 2 – Land Lift Calculation



Through a land lift analysis, the minimum total contribution value that is considered by the District via the Negotiated CAC approach is 50% of the total calculated land lift value.

Determining the land lift value for a particular development before and after a rezoning is done using a ‘development pro forma’. A development pro forma is a tool used primarily by developers to determine the viability, cost, and profitability of a development. A development pro forma helps to estimate the financial feasibility and profitability of a development project by showing how a project will generate income and expenses over time, based on the assumptions and projections used. As part of a Negotiated CAC process, the applicant must provide two development pro formas to inform the land lift analysis:

1. The first pro forma should outline the residual land value of the site under the existing zoning; and
2. The second pro forma should outline the residual land value of the site under the proposed new zone.

The land lift is then determined as the difference between the existing land value and the rezoned land value. For Negotiated CACs, with an established target of capturing the equivalent of 50% of the land lift value, the Community Amenity Contribution value is calculated as follows:

$$\text{Land Lift} = \text{Rezoned Land Value} - \text{Existing Land Value}$$

$$\text{CAC} = \text{Land Lift} \times \text{Target Contribution (50\%)}$$

#### **Callout Box 5 - Summary of Terms – Land Lift Analysis and Development Pro Forma**

**Land Lift Analysis:** means the change in the residual land value of a property that occurs through a rezoning process. Typically, this is realized as an increase in the value of a property resulting from a change in land use or from being rezoned from a lower-density use to higher-density use. This is generally because zoning that permits higher density will allow buildings of greater heights to be constructed, thereby increasing sellable or leasable floor space; as well as increasing the return on investment from purchasing the land.

**Development Pro forma:** is a tool used primarily by land developers to determine the viability, cash-flow, cost (hard and soft costs), and profitability of a development project. Development pro formas calculate the overall costs needed to buy land, pay fees, hire professionals (architects, engineers, realtors, and lawyers) and constructed a development in relation to the potential revenue a developed property could generate by through sales and / or rental.

### **4.3.2 Pro Forma Submission Requirements**

As the assumptions and costs used in a pro forma based land lift analysis can vary widely and there is a need to determine mutually agreeable values to test within the analysis. For rezoning applications where a land lift analysis is a requirement of the CAC negotiation, the land lift evaluation must be conducted by a qualified, independent consultant, at the cost of the applicant.

When the applicant and the independent consultant provide a proposed land lift value to the District, Staff choose to either accept the value of the land lift analysis or request additional information or pro forma(s) with updated cost assumptions. At any time deemed necessary by the District, a third-party reviewer may be obtained, at the applicant's cost.

For purpose-built rental projects, two sets of pro formas should be provided, one set that shows the project's profitability if it is held by the developer as a landlord, and a second that shows the project's profitability if it is sold to an independent operator.

Any development pro forma provided to the District for the purpose of a land lift analysis should, at a minimum, include the following key components:

- Development costs (i.e., land, fees, remediation, etc.);
- Hard construction costs;
- Soft construction costs (architectural, engineering, legal costs, etc.);
- Marketing costs;
- Financing costs;
- Rental or sales revenues;
- Subsidizes or grants; and
- Developers Profit.

Depending on the project type and ownership model, additional analyses or pro formas may be required at the request of the District.

#### **4.4 Application Requirements and Steps for Negotiating Community Amenity Contributions**

The timing of finalizing negotiated CACs is important for applicants, as market conditions can change throughout the duration of a development review process. This section outlines how negotiated CACs are handled from the start of a rezoning application (pre-application or application submission, depending) to Council's adoption of the project.

NOTE: At any point in the process of negotiating CACs, the District reserves the right to refuse a CAC should they consider the offer not in the best interest of the District, in the short or long-term.

##### **1. Preliminary Rezoning Inquiry/Pre-Application**

Applicants are encouraged to contact the District's Current Planning Division early in the process to inquire about the applicable District policies, regulations, and guidelines. At this stage, the Planner shall identify whether a negotiated process is appropriate, or if a CAC Target Rate or Density Bonus Rate would be applied based on the requirements of the CAC Policy.

##### **2. Formal Rezoning Application Submission**

At the time that a rezoning application is submitted, the application is circulated to all relevant internal departments, and external agencies and stakeholders, for a detailed review of the application. If the application is eligible for a negotiated CAC, the applicant is asked to

provide development pro formas to support discussion of an initial Community Amenity Contribution (CAC) Statement Letter.

### **3. Community Amenity Contribution Statement Letter**

The applicant is required to provide a Community Amenity Contribution Statement Letter as part of a complete Rezoning application. The CAC Statement must include development pro formas that show the residual land value of the site under two scenarios:

- a) Existing zoning (this would include the maximum density permitted on the site under the existing zoning in place); and
- b) Proposed new zone, (this would include the maximum density permitted in the proposed zone requested or proposed density of a new site specific zone).

The applicant should prepare the CAC Statement Letter that is valued at 50% of the calculated land lift<sup>2</sup> between the two scenarios. This CAC Statement Letter is based on the value of the development project at the time of the rezoning application and is informed by the pro forma inputs. A condition of rezoning may specify that the valuation date of the CAC may be adjusted.

District Staff retain the right to hire a qualified third-party with knowledge of the financial analysis and the District's land use policies to provide a review of the CAC Statement Letter should further analysis be required. All associated costs of a third-party review would be the responsibility of the applicant and the applicant may be required to submit financial information to the reviewer.

### **4. Revising a Community Amenity Contribution Offer (First to Second Reading or Public Hearing)**

Any changes to the development proposal as a result of the rezoning process may require design changes that impact the pro forma submitted earlier to the District. In such cases, the Director of Planning may require the resubmission of revised pro formas. Based on revised pro formas, revised CAC offers will be required and considered for negotiation.

Any variation in the initial CAC Statement Letter from the negotiated CAC target of 50% requires initial approval from the Director of Planning.

### **5. Finalizing CAC Payment (Prior to Fourth Reading)**

Once the rezoning application has been approved in principle by Council (prior to fourth reading), the CAC offer, whether in-kind or cash, is secured and registered via covenant. The

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<sup>2</sup> Land lift refers to the increase in property that results from an increase in density. For example, the value will increase if a developer rezones their property from low-density residential use, such as single-family homes, to high-density residential, such as an apartment building. The increased value is a result of being able to fit more housing units per acre, which translates to higher profitability. This increase in value due to the rezoning is the land lift value.

covenant explicitly states that the associated Building Permit cannot be issued until payment in full of secured CACs.

**6. Housing Agreement (Prior to Final Reading) *(optional)***

Where the negotiated CAC includes a built affordable housing contribution (i.e., Inclusionary Housing Units), the applicant is required to work with District staff and the selected non-profit housing organization to establish a housing agreement (including covenants on title) to be adopted by Council prior to Final Reading.

**7. Payment of CAC**

For in-kind CACs, contributions must be secured through necessary legal agreements and covenants with the District prior to Building Permit Issuance.



## 5.0 DETERMINING COMMUNITY AMENITY CONTRIBUTIONS: RATES, REDUCTIONS, EXEMPTIONS, AND UPDATES

This section is intended to provide high-level analysis, context and commentary related to CAC Target Rates, future Density Bonus Rate setting, rationale for reductions and for projects that would be considered exempt to the CAC Policy.

### 5.1 DEVELOPING COMMUNITY AMENITY CONTRIBUTION (CAC) TARGET RATES AND DENSITY BONUS RATES

#### DISCUSSION PAPER AND ECONOMIC ANALYSIS

CAC Target and Density Bonus Rates identified in the CAC Policy were developed based on the viability and other outcomes of a series of detailed pro forma financial analyses. The rationale for the CAC Target Rates in the Policy, along with a summary of pro forma analysis outputs, can be found in the Discussion Paper and Economic Analysis (August 2022, see [Saanich CAC website](#)). This publication was a key deliverable of the CAC and Inclusionary Housing Project and was presented to District of Saanich Council in November 2022.

The Discussion Paper and Economic Analysis summarizes the analysis of 34 'test sites' across the District of Saanich (Centres, Corridors, Villages, and Neighbourhoods), to understand the financial viability of new residential and mixed-use projects, and the extent to which any given project could support CACs and Density Bonusing rates as part of rezoning application processes.

Test sites, typologies, regulatory considerations, and densities (with variables applied for each) were selected by District Staff. For each test site, residual land value analyses were prepared, whereby each site's residual value was calculated first under current zoning, and then at prescribed density levels up to an agreed maximum density. The value under current zoning was used as the basis for land lift calculations. The target rate and density bonus amount supportable by each project was set at 50% of the calculated lift. CACs and density bonuses were calculated on a per-square-foot and per-unit basis.<sup>3</sup>

Of the pro forma analyses completed for the test sites, it was found that, under ownership tenure modelling, 23 sites would yield viable projects (~68%). Amongst the projects that were viable, it was found that a broad land lift range and associated range in the ability of the sites to support an amenity contribution.

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<sup>3</sup> Per-unit rates were calculated on the basis of a target % breakdown of 1, 2 and 3 bed apartments, and a unit size range as follows: 475sf studio, 650sf 1 bed, 850 sf 2-bed, 1,000 sf 3-bed.

Initial target rate recommendations (as published in the Draft CAC Policy in March/April 2023) were based upon a joint review of the results of these analyses. Looking only at the subset of projects that were shown to be viable, the intent was to set target rates at a level where most projects would remain viable.

After the initial Discussion Paper and Economic Analysis (August 2022, see [Saanich CAC website](#) for more information) the base analyses were updated several times, notably in November 2022, January 2023, and April 2023, to reflect significant changes to market conditions that occurred between the initial pro forma analysis and implementing a final proposed CAC Target Rates in the CAC Policy.

**Callout Box 6 – Rationale for reduced rates**

The combined impact of rising material costs and interest rates have created financial headwinds for the delivery of much-needed housing. Iterative pro forma analysis from August 2022 to May 2023 of multiple case study sites has shown significant drops in the proportion of viable test sites. For example, 73% of test sites for condos were shown as viable during initial analysis that has since dropped to 36%; townhouses have also dropped from 100% viability to 33% due to more difficult economic conditions. As a result, all CAC Target Rates proposed in 2023 were lowered by at least 60% from what was originally identified. Moving forward the District will provide annual updates, at the full discretion and approval of the Director of Planning, to adjust rates identified in the Policy.

**5.2 DENSITY BONUS ZONING: RATES AND FUTURE IMPLEMENTATION**

The District of Saanich does not yet offer Density Bonusing under the current Zoning Bylaw. As Density Bonus Zoning is developed and implemented across the District, that specific hybrid model approach (Approach C) will become available to applicants through the development application process.

The creation of Density Bonus Zoning is a key implementation item of the Community Amenity Contributions and Inclusionary Housing Policy. Once a formal Density Bonusing structure has been developed, the CAC Policy will be updated to reflect the rate structure at that time, and will be subject to all future annual and scheduled comprehensive Policy updates.

Table 1, below, shows a sample density bonus rate structure based on a comprehensive financial and economic analysis undertaken in 2022. As part of the implementation of Density Bonus Zoning, additional analyses would inform the development of this method for the collection of Community Amenity Contributions. It is important to note that with additional analysis through the development of Density Bonus Zoning, per unit rates may be converted to per square metre rates.

**Table 1: Sample Density Bonus Rates, 2022 Rates<sup>1</sup>**

Eligibility Criteria	Centres and Corridors	Villages and Neighbourhoods
<b>Condominium / Apartments (100% ownership residential projects)</b>	\$10,000 per unit	N/A
<b>Condominium / Apartments (within primarily residential projects with limited mixed-use<sup>2</sup>)</b>	\$10,000 per unit	N/A
<b>Condominium / Apartments (within mixed-use projects<sup>3</sup>)</b>	\$7,000 per unit	N/A
<b>Townhomes / Multi-plex developments</b>	\$13,200 per unit	N/A
<b>Purpose-built Rental without Inclusionary Housing Units in projects less than 350 units</b>	\$2,500 per unit	N/A

<sup>1</sup> Density Bonus Rates were based on land lift analyses for different areas in the District of Saanich, however, given the lower expected densities in village and neighbourhood areas the use density bonusing to collect CACs is not applicable to these locations at this time. In future comprehensive updates to the density bonus rates, the results may justify different density bonus rates by geography.

<sup>2</sup> Limited Mixed Use = 50% or less of the ground level leasable floor area is dedicated to commercial use.

<sup>3</sup> Mixed Use = >50% of the ground level leasable floor area is dedicated to commercial use.

### 5.3 RATIONALE FOR COMMUNITY AMENITY CONTRIBUTION (CAC) RATE REDUCTIONS FOR PROPOSE BUILT RENTAL UNITS

The economics of market long-term rental housing differ significantly from market condominiums, especially when facing high upfront costs for site acquisition and construction. As a result, most market rental projects struggle to afford additional upfront payments like CACs. However, there may be opportunities to provide in-kind amenities, including non-market units, in certain circumstances. The feasibility of including non-market units in long-term rental projects depends largely on the project size, as larger projects have a greater ability to financially support these non-market units through "cross-subsidization."

Considering the challenging landscape for delivering long-term rentals and the growing demand for rentals in the Greater Victoria market, the initial recommendation was to set CAC Target Rates for purpose-built rental at 50% lower than market rates. Rates for purpose-built rental were then lowered by an additional 80% due to the changing economic landscape. This adjustment aimed to ensure the viability of purpose built rental projects in the District of Saanich, enabling the fulfillment of the long-term rental housing needs in the community. However, the final CAC Policy, as adopted by Council (July 2023), excludes targeted CAC rates for Purpose-Built Rental in its entirety, at this time. Viability of this target rate will continue to be explored with annual and comprehensive updates.

## 5.4 RATIONALE FOR COMMUNITY AMENITY CONTRIBUTION (CAC) RATE REDUCTIONS FOR MIXED-USE PROJECTS

Mixed-use residential projects, which include commercial components, faced similar development challenges as market rental projects. The higher costs of providing commercial parking and the differences in cash flow due to leasing the commercial spaces were major factors contributing to these challenges. However, considering the District's support for mixed-use projects in their Official Community Plan (OCP) due to their ability to stimulate economic development and provide community services and jobs, the CAC Target Rates and Density Bonus Rates for such projects were reduced. This reduction was aimed at encouraging the development of viable mixed-use projects.

## 5.5 RATIONALE FOR PROJECT EXEMPTIONS OF COMMUNITY AMENITY CONTRIBUTIONS

The CAC Policy provides five circumstances where the CAC Policy and collection of voluntary amenities are not applied. The exemption and rationale for each is outlined below:

1. **Not-for-Profit Rental Housing Units** – CAC Target Rates and Density Bonus Rates are not applied to not-for-profit rental housing units because they provide a substantial community amenity that is often of greater value than the CAC Target Rates or density bonuses that would be collected.
2. **Non-market Homeownership Units** – CAC Target Rates and Density Bonus Rates are not applied to non-market homeownership housing units because they provide a substantial community amenity that is often of greater value than the CAC Target Rates or density bonuses that would be collected.
3. **Purpose Built Rental Projects** – Providing Purpose-Built Rental Units that are secured for a period of 50 years or greater meets the intended purpose of the CAC Policy and are therefore exempt.<sup>4</sup>

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<sup>4</sup> 50 years is consistent with the loan amortization period offered by CMHC's Rental Construction Financing Initiative.

**Callout Box 7 - Exempting of Purpose Built Rental with 10% Inclusionary Housing Units**

The proposed CAC Policy included an option to exempt Purpose-Built Rental units that were secured for a period of 50 years, or for the life of the building, that included 10% gross floor area (GFA) of Inclusionary Housing Units. Saanich Council recognizes that these types of projects may not be viable in today's market and that rental units are the amenity at this time. However, as the market changes, the District is signalling support for Purpose Built Rental projects with dedicated Inclusionary Housing Units, as a means of securing more affordable housing for its residents, by exempting them from the Policy's rate structures.

4. **Projects with six units or fewer** – Small infill development, with six units or fewer, are exempt from paying CAC Target Rates and Density Bonus Rates, as these projects of this scale can often fit on a standard single-detached lot, which works toward meeting the District's goal encouraging additional housing typologies and densities in the Official Community Plan and through future work on Neighbourhood Homes.
5. **Non-Residential Development** - Non-residential developments are exempt from CAC Target Rates as they are strongly supported in the District's OCP; they deliver jobs and services to the community. They also support the long-term financial sustainability of the District through a stable collection of property taxes.

**5.6 UPDATING INCLUSIONARY HOUSING RENTAL RATES, COMMUNITY AMENITY CONTRIBUTION TARGET RATES, AND FUTURE DENSITY BONUS RATES**

The inclusionary housing rental rates, CAC Target Rates and Density Bonus Rates included in the CAC Policy are based on a point-in-time economic analysis and regular updates are undertaken as follows:

1. **Annual Update** – Affordable rental rates, CAC Target Rates, and future density bonus rates are updated on an annual basis and timed to come into effect on October 1st of each year. Annual updates shall include a detailed pro forma-based review of key development costs, including construction, financing, and land costs, for a minimum of 10 development sites to be selected by Staff. During this process, District Staff will work with the development community and third-party consultants to define and confirm the construction, financing and land costs used in the pro forma and financial analyses. When setting the new rates, the District will aim to capture at least 50% of the land lift value based on the updated pro forma analyses.
2. **Comprehensive Update** – Both the Policy and Framework shall be comprehensively reviewed in their entirety following the first 2 years after adoption of the CAC Policy,

and every 5 years thereafter, or pursuant to Council approval at an earlier date based on the recommendations of the Director of Planning. Affordable rental rates, CAC Target Rates, and future density bonus rates are also reviewed, and base underlining assumptions shall be updated and applied for each annual review (i.e., construction, financing, and land costs) and they will be adjusted as required as part of the comprehensive review and updates. Further, it is suggested that during a comprehensive update that the District engage a third-party consultant to conduct several site-specific pro forma analyses to ensure ongoing project viability, as well as sufficient CAC revenue generation.

## **5.7 CONSIDERATIONS FOR RATE UPDATES (ANNUAL AND COMPREHENSIVE)**

For all future updates to the CAC Target Rates and Density Bonus Rates, there are several key considerations that are required to ensure the rates in the CAC Policy remain reasonable and reflect current economic market conditions.

1. Ensure the rates are set fairly to avoid the need for excessive negotiation on eligible projects for rezoning projects or those that qualify for future density bonusing (i.e., if the rates are too high, more developers will opt out of these approaches and into the negotiated approach).
2. Consider test sites carefully including a variety of areas and sites in centers, corridors and villages, and neighbourhoods that are highly developable and those most likely redevelop.
3. Work with the development community and third-party consultants to define and confirm construction, financing, and land costs to build into the pro forma and financial and economic analyses.
4. Aim for 50% of the land lift for the lower end of what is considered a viable CAC Target Rate based on the updated pro forma analyses when setting CAC Target Rates.
5. Aim to have at least 70% of the selected site totals be viable through the pro forma analyses.
6. Plan (budget and timing) to revise pro formas to account for changes in the market between the initial analyses and updated Policy adoption.
7. Review CAC Target Rates reductions (for long-term rental and mixed-use projects) and exemptions to ensure they support project viability.

### **IN-STREAM APPLICATIONS AND POLICY APPLICABILITY**

It is important to note that the rates applied to all in-stream applications (i.e., those rezoning applications considered complete with the application fees paid) will be dependent on the timing of their submission. For example, applications submitted prior to adoption of this Community Amenity Contributions and Inclusionary Housing Policy will be considered under the Interim Community Amenity Contribution Policy adopted in 2021. Applications

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received after the adoption of the CAC and Inclusionary Housing Policy are subject to the Policy in full. Subsequently, the Policy is updated annually on October 1 and as such all applications submitted on or after October 1 will have the new rates applied. For more information on in-stream production and Policy updates see **Section 9 and 10** of the CAC Policy.



## 6.0 ROLES AND RESPONSIBILITIES

This section outlines the roles and general responsibilities of each party during the negotiation of CACs as part of the development application review and approval process in the District of Saanich.

### Mayor and Council

District of Saanich Council is the approving authority of rezoning applications. Zoning Amendment Bylaws that receive third reading are approved in principle and the CAC offer is written as a rezoning condition of the Bylaw.

The responsibilities of Mayor and Council, with respect to negotiating CACs are:

- Approving rezoning applications or referring rezoning applications back to Staff.
- Considering the public interest at public hearings for rezoning applications.

### Director of Planning, Planning Department

The Director of Planning acts as the Department's signing authority for all Staff reports and recommendations for rezoning and development applications. They work with the Managers of Current Planning and Community Planning to communicate with Council, support negotiations and if needed participate in dispute resolution processes.

### Managers of Current Planning and Community Planning, Planning Department

The Managers of Current Planning and Community Planning ("Planning Managers") support CAC negotiations by being the primary point of contact for Council regarding any development applications involving CAC negotiations, as well as participating in critical stages of the CAC negotiation process.

The responsibilities of the Planning Managers, with respect to negotiating CACs are to:

- Work with Planners to bring forth recommendations to Council on proposed rezoning and development applications.
- Attend key conversations during the negotiation process to ensure the objectives of the policy are being adhered to, as necessary, and/or work with the Director of Planning, as needed, to sign-off on any proposed changes to the CAC Policy and this Framework.
- Oversee the works of their divisions to determine optimal approaches to the ownership of any CACs provide and to review any Land Title Agreements and / or covenants required to secure amenities.
- Ensure the proposed CAC amounts and types align with CAC Policy and considers community priorities and the contextual considerations of the development project at the time of the rezoning. This could mean not recommending a rezoning application should it not meet the District's interest.



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#### Planners, Current Planning Division, Planning Department

The primary role of the Planner is to represent the District's interests and clearly articulate a variety of development regulations and policies, including the CAC Policy.

The responsibilities of Planners with respect to negotiating CACs include, but are not limited to:

- Responding to inquiries from prospective and current applicants, including communicating preference as to whether an application could contribute a cash in-lieu or in-kind CAC, and assist in identifying key community priorities outlined in policies.
- Facilitating design changes to applications (e.g., changes in height, density, floor area, efficiency, urban design, landscaping, frontage improvements, etc.) throughout the rezoning process, all of which may affect the applicant's CAC offer.
- Overseeing the work of a third-party consultant (e.g., charged to review a financial/land lift analyses) and communicating the conclusions to senior staff and applicants, ensuring all in-kind CACs contributions are designed in accordance with District policies, regulations, and guidelines and are formalized/secured through the rezoning approval process.

#### Applicant / Developer

The applicant/developer includes any interested party who makes an application for, at minimum, a rezoning application thereby triggering the negotiation of CACs. The roles and responsibilities of the applicant include:

- Providing the CAC Statement Letter (see **Section 4.4 – Step 3**) and requirement thereof.
- Understanding the type of CAC that a project is eligible to contribute, and when the contribution is negotiated, to offer a CAC that provides significant public benefit to the community and is in exchange for the proposed development.
- Providing a land lift analysis (e.g., development pro formas) to the Planner as part of the rezoning application process. These are used to evaluate significance/value of the CACs offered against the impact(s) of the proposed development.

NOTE: The applicant may be requested by the Planner to have the submitted land lift analysis reviewed by a qualified, independent third-party consultant, with associated costs paid by the applicant. Documents that support some assumptions in the land lift analysis are required to be provided, such as the assumed revenues and cost reports by certified professionals (detailed in the development pro forma).

- Collaborating with Planners to select non-profit housing organizations in situations where a negotiated CACs include built affordable/supportive housing units.



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- In circumstances where the negotiated CACs include built affordable housing units, the applicant is required to work with an interested, pre-approved non-profit housing organization to submit a Memorandum of Understanding prior to First Reading of the Zoning Bylaw Amendment. For more details on early engagement with Non-Profit Housing Organizations, refer to **Section 4.2.2**.

#### Consultant / Third-Party Reviewer

In select situations, a consultant may be retained by the District, at the cost of an applicant, to independently review a land lift analysis (development pro formas). The responsibilities of the consultant include:

- Determining if the proposed CAC identified in the land lift analysis are appropriate for the scale of the proposed rezoning and development.
- Facilitating conversations with the District and interpreting results/recommendations of the financial analysis.
- Considering core financial considerations and aim to ensure any proposed CACs meet the goals of the CAC Policy, including those related to new Inclusionary Housing Units and/or contributions to the Saanich Affordable Housing Fund.
- Reporting findings/conclusions of the land lift analysis conclusions to the Planner.

#### Senior Management, District of Saanich

In the event that a dispute resolution is needed during a CAC negotiation, senior management staff at the District shall participate in conversations with the applicant.

- Chief Administrator Officer, Director of Planning, Manager of Current Planning, and/or the Manager of Community Planning may participate in conversations, as needed, to reach an amenable resolution with the applicant.

#### Community and Stakeholders

The community and stakeholders provide input to the District and identify the amenities that will help address the impacts of growth in the neighbourhood. The roles of the community and stakeholders include:

- Provide feedback to the District on amenities needed and/or desired for the specific geographic area.
- Participate in Public Hearings to express support or rejection of development projects and the proposed associated amenities.



