



DOWNTOWN DISTRICT AND IC-3 DISTRICT POLICIES AND PROCEDURES FOR LOW COST RENTAL ARTIST STUDIOS

Adopted by City Council September 10, 1996

1 Application and Intent

These policies and procedures apply in the Downtown District and IC-3 District.

Council policy is to “encourage the provision of artist ‘live/work’ studios that are affordable for low-income artists”. Policies and procedures for achieving low cost rental artist studios through density bonuses, density provisions and housing agreements are identified below.

Whenever reference is made to artist studio, the provision applies to artist studio - Class A and Class B and the associated residential unit.

2 Density Provisions

2.1 Low Cost Artist Studios in the Downtown Official Development Plan

The DODP permits an increase in floor space ratio for the provision of low cost housing. Low cost rental artist studios may be considered as one form of low cost housing, providing the housing is rented at less than market rates. Prior Council approval is required before the Director of Planning or the Development Permit Board may permit a development where the floor space increase being considered is more than 10 percent greater than the maximum permitted under the zoning.

2.2 Low Cost Artist Studios in the IC-3 District

An increase in floor space ratio may be considered in the IC-3 district where low cost rental artist studios and associated residential units are provided, providing the housing is rented at less than market rates.

2.3 Housing Agreements

The low cost housing will be secured through a Housing Agreement, as authorized under Section 565.2 of the Vancouver Charter. It will be signed by the Developer and the City. The Housing Agreement will be noted on title and will notify future owners of the property, ensuring that low cost artist studios are maintained over the long term. Housing Agreement can cover any of the following:

- (a) tenure, e.g. rental;
- (b) access, e.g. low income households;
- (c) management, e.g. private or non-profit society;
- (d) rents, e.g. rent levels and rate of increase.

3 Bonus for Low Cost Rental Artist Studios

The following procedure is to be followed in applying the low cost rental artist studio density bonus for sites in the Downtown District and the IC-3 District:

- (a) The Developer reviews the proposals with Planning, Housing, Cultural Affairs and Real Estate staff.
- (b) The Developer makes a formal development permit application with appropriate supporting material to indicate details of and rationale for the proposal and analysis of relevant impacts. It is likely that the development permit application would be a “preliminary” one at this stage.
- (c) The Developer supports the proposed bonus amount by a detailed development proforma analysis using the method of calculation outlined in this policy. Housing and Real Estate staff review the analysis, and if there is not agreement with the Developer’s analysis, staff may calculate the bonus amount using their own development proforma analysis.
- (d) The Director of Planning coordinates final staff review of the proposal with regard to appropriate by-laws, policies and guidelines and in consultation with relevant civic departments, and the Urban Design Panel, including whatever public review process is deemed appropriate. The Manager of the Housing Centre recommends the conditions to be included in the Housing Agreement.
- (e) The Director of Planning or the Development Permit Board considers the development permit application along with the recommendations of staff and advisory bodies and makes a decision on the development proposal, subject to Council approval to increase the floor space ratio if the floor space ratio is more than 10 percent greater than the maximum permitted under the zoning.
- (f) Council considers a recommendation from the Development Permit Board and, with advice from the Manager of the Housing Centre, Director of Cultural Affairs and the Manager of the Real Estate Division, decides on the proposal to increase the floor space ratio.

3.1 Calculation of Density Bonus

The following method is to be used in calculating the amount of bonus space for providing low cost rental artist studios.

In calculating bonus floor space, two scenarios would be considered:

- (1) Value of land as if unencumbered by the low cost housing - the site would be utilized in its highest and best use.
- (2) Value of the land encumbered by the low cost housing - the site would be utilized in its highest and best use incorporating the required low cost artist studios.

The value of the land in Scenario 1 is estimated using the market Comparison Approach, whereby the sale prices (per buildable square roof) of comparable sites is used.

The value of the land in Scenario 2 would be estimated using a Land Residual Technique, whereby the value of the land is calculated as follows as is a residual amount:

Market Value of the completed Development - this value would be estimated by the appropriate appraisal method (i.e. Income Approach [income-producing project] or Market Comparison Approach [condominium project]).

- Less: Construction (Hard) Costs
- Less: Indirect (Soft) costs - all indirect costs such as professional fees (for architect, lawyer, engineer, developer manager), holding costs, contingencies, etc., are deducted.

Less: Developer's Profit
Equals: Residual Value of the Land.

The difference between the values under Scenarios 1 and 2 indicates the dollar amount a developer must be compensated to be indifferent between the "encumbered" and "unencumbered" options. By dividing this dollar amount by the market value of land per (buildable) square foot, the amount of required bonus space is estimated.

In order to provide the developer with an incentive to proceed with the "encumbered" option, a percent premium may be necessary. This premium should be applied against the value of the land unencumbered and not the encumbered land value; otherwise, a property "heavily" encumbered receives a very low incentive.

Again, the dollar value of the premium would be divided by the land value per buildable square foot to estimate the amount of additional incentive bonus space.