



March 15, 2024

Mayor Mike Hurley & Council  
City of Burnaby  
4949 Canada Way  
Burnaby, BC  
V5G 1M2

Dear Mayor Hurley & Council:

**Re: City of Burnaby Development and Amenity Cost Charges**

We are writing to follow up on our concerns with the Density Bonus Charges dated November 29, 2023 (attached for your convenience) and to express our significant concern over the forthcoming changes to the City's Development Cost Charge ("DCC") and the introduction of the new Amenity Cost Charge ("ACC").

Polygon has constructed over 4,400 homes in the City of Burnaby, with an additional 453 homes under construction and plans for an additional 1,800 homes in the near future. The City of Burnaby was once one of the best places to do business, and the City's track record for delivering much needed housing is commendable. However, over the past years it has become much more difficult to process new development applications and building permit applications, with this additional time delay costing hundreds, if not millions, of dollars in additional holding costs.

The changes to the City's DCC's and the introduction of the new ACC, without a fulsome review of the current bonus density rates **will have a significant impact on our ability to deliver housing in the City of Burnaby**. Without a fulsome understanding of any offsets to the current bonus density charges, our preliminary estimates indicate that this new charge will **add in the range of 3% to 5% to the cost of providing much needed housing to the City**. These additional costs come at a time when record construction costs, Metro Vancouver fee increase and higher interest rates have already made owning or renting a home unaffordable for so many consumers.

We respectfully request that the City complete the following steps before adopting the bylaw for the revised DCC and introducing the ACC:

- Review the impact of the proposed ACC on density bonus rates and confirm new rates, including industry consultation to ensure there is no "double counting" of fees;
- Review policy and ensure that the ACC will not apply to non-market and replacement rental homes, as they are already highly subsidized by the developer;

**POLYGON HOMES LTD.**

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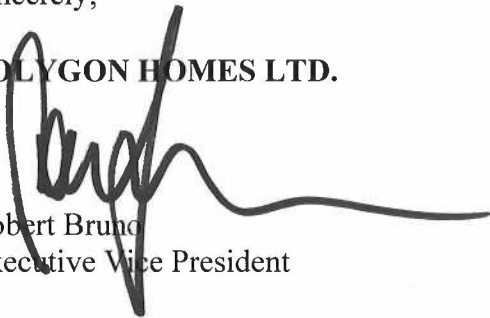
- Review the process of “negotiated” density bonus and consider impact of issues raised in our letter to you dated November 29, 2023;
- Consider enhanced grandfathering or delayed implementation for in-stream applications given the significant time it takes to move from application to building permit (which far exceeds the one-year grandfathering period provided by the Local Government Act);
- Consider how these factors will impact the delivery of housing in the City, and whether this aligns with recent Provincial legislation to tackle the housing crisis in British Columbia.

We respectfully request that Mayor and Council consider our request and look forward to working with you and Staff to ensure that we can continue to provide much-needed housing in the City of Burnaby.

Thank you for taking the time to read this letter and for your consideration of these issues. I look forward to discussing these important issues with you further at your convenience.

Sincerely,

**POLYGON HOMES LTD.**



Robert Bruno  
Executive Vice President

cc: Leon Gous, Chief Administrative Officer  
James Lota, General Manager Land and Facilities  
Ed Kozak, General Manager Planning and Development  
Johannes Schuman, Director Neighbourhood Planning and Urban Design



November 29, 2023

His Worship Mike Hurley  
Mayor  
City of Burnaby  
4949 Canada Way  
Burnaby, BC  
V5G 1M2

Dear Mayor Hurley:

**Re: City of Burnaby Bonus Density Charges**

Considering the significant changes in the real estate market over the past year, we are writing to ask that you consider reviewing the City's bonus density rates which have increased significantly the past five years. We acknowledge that the land department establishes these rates based on their estimate of "fair market" value of land based on historical transactions. However, due to weakening demand, higher construction and financing costs, and an abundance of fee changes, these values no longer make sense. In fact, we are aware of several development sites that are now listed for sale at prices well below the "fair market" values paid by the owners. Due to these trends, we believe it would be prudent for the City to review and adjust its bonus density rates to reflect the new economic realities so that developers will be able to move forward building much needed housing in Burnaby.

Below is a detailed summary of how these issues are impacting development:

**A. Impact of interest rates and construction cost changes**

The City of Burnaby requires that 20% of the homes in a community be "affordable" and has generously provided a density offset to assist developers as they meet these requirements. We are encouraged by Council's recent review of this policy and note that the staff report identified the challenges of concrete vs. wood-frame construction, as well as variances based on site location and corresponding land values. We continue to see rampant construction cost inflation, as well as increased development fees (see below) and significantly higher costs associated with our land and construction loans, which has resulted in significantly lower profit margins in a cooling sales environment. We believe these increased costs must be addressed when considering the bonus density calculation for new development, or new housing will not proceed.

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Another significant cost consideration is the timing of the payment of bonus density. Bonus density is paid prior to final adoption of the rezoning bylaw or can be financed using a Section 219 Covenant at RBC Prime + 2%, starting the first day after final adoption. I previously discussed a situation with you where two of our development entities paid \$41,293,334 (\$25,999,468 for one project and \$15,293,866 for another) for bonus density, in anticipation of final adoption within 10 days, only to have final adoption delayed by almost 4 months. This delay resulted in additional holding costs of over \$750,000.

Due to market conditions, and cost escalations, we will not be proceeding with Pre-sales or the construction of the second development, and thus will be paying interest on the bonus density while we wait for the conditions to make this development economically viable. All these factors make it more difficult to provide affordable homes to the market. We strongly recommend that the City consider deferring its bonus density payment until the issuance of a building permit and also consider phasing the payment of bonus density over a number of years.

#### **B. Metro Vancouver Development Cost Charges**

As you are aware, on October 27, 2023, the Metro Vancouver Board voted to approve significant increases to their Development Cost Charges (“DCC’s”). You would have received copies of the letters we wrote in opposition to the near quadrupling of these fees due to the negative impact they will have on housing supply and the limited consultation which took place prior to their approval.

The Coriolis report which was reviewed by the Metro Vancouver Board noted that land prices would be impacted by these increases, as well as the higher interest rate and construction cost environment. As a member of the Finance Committee, you supported the increase in these fees. It has also been noted that Burnaby representatives on the Metro Vancouver Board were strong supporters of moving forward with these increases now, versus the delay proposed by Federal Housing Minister Sean Fraser. As most of the City of Burnaby falls within the Fraser Sewage Area, fees on Apartments will increase as follows:

	<u>2022</u>	<u>Existing</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Total DCC per unit	\$4,269	\$8,530	\$10,610	\$14,906	\$17,663
Increase over 2022		\$4,261	\$6,341	\$10,637	\$13,394

Based on an average apartment size of 600 square feet, the impact on the value of land solely due to the additional Metro Vancouver DCC is \$22 per square foot.

Combined with the increased costs mentioned above and a significant weakening of the market, these additional fees couldn't have come at a more challenging time. This new fee does not help produce much needed affordable housing.

**C. Servicing costs on site – site-specific cases**

We would like to thank Mr. Jeffrey To and his team for the opportunity to discuss site specific costs and the challenges they present for developments, particularly in areas where challenging soil conditions and water levels are present. We encourage Council to suggest that the Land department meet with Planning staff, who would be more familiar with the specific challenges of a site, so that bonus density valuation discussions can be reviewed more comprehensively and account for site specific challenges that affect land value such as poor soil conditions, water table issues and extensive servicing requirements. In many cases, these conditions have a significant impact on the underlying value of the land and must be considered as an adjustment to any base bonus density cost applied to the general area.

The City of Burnaby has been one of the standouts in the delivery of new housing in the Lower Mainland. Council and staff have been willing to meet and discuss new ideas with the development industry; as illustrated by the successful introduction of the density offset to stimulate the delivery of affordable housing, such as those which allowed Polygon to incorporate 20 affordable rental homes to the Byrnespark community, despite the site being grandfathered from these requirements.

The Polygon family of companies have been active in Burnaby for over four decades and we wish to continue this longstanding relationship. We respectfully request that Mayor and Council consider our request to review current bonus density rates to ensure they reflect current market and site-specific conditions. In addition, we recommend adjusting the option for the timing of these payments to eliminate unnecessary financial costs prior to the start of construction. We believe that these adjustments will help to ensure that we can continue to provide much needed housing in the City of Burnaby.

Thank you for taking the time to read this letter and for your consideration of these issues. I look forward to discussing these important issues with you further at your convenience.

Sincerely,

**POLYGON HOMES LTD.**



Robert Bruno  
Executive Vice President

cc: Council  
Leon Gous, Chief Administrative Officer  
James Lota, General Manager Land and Facilities  
Ed Kozak, General Manager Planning and Development  
Johannes Schumann, Director Neighbourhood Planning and Urban Design  
The Honourable David Eby, Premier of the Province of British Columbia  
The Honourable Ravi Kahlon, MLA, Minister of Housing and Government House Leader