

Background Paper on Financing the Public Good

October 25, 2017

This session seeks to tackle how the City currently finances its community improvements, including resiliency measures and public space, and looks to ways to create a more sustainable and unfettered source of revenue. A large portion of City revenue is currently coming from developers on spot rezoning. Being dependent upon market forces for the economic health of our communities is not a sustainable model. We want to look at how we finance the creation of community places, disaster planning, prevention, adaptation and recovery as well as tackle issues of social justice related to such financing decisions.

CONTEXT

- Vancouver's operating budget in 2017 is \$1.3-billion with 57% from property taxes and 19% from utility fees. The capital budget is \$485-million.
- Vancouver property taxes and utility fees are one of the lowest in the region. The combined property tax/utility fee for a median single family home in Vancouver is \$3,222. Across the region, the average is \$3,500. In New Westminster it is \$4,070.
- Over a five-year average, the tax increase in Vancouver has been near the bottom, according to City of Vancouver budget documents. Only Port Coquitlam and White Rock have enjoyed a lower tax increase in the region.
- DCLs – paid on all developments - have brought in \$400-million over the past 25 years to cover engineering infrastructure, day cares, libraries and land acquisition for housing.
- CACs - levied on rezonings - and density bonuses have brought in roughly \$800-million from 2010 to 2016 for capital projects such as social housing, day care, and cultural and community centres. The CACs in downtown are much higher than in East Vancouver, raising the issue of equity.
- Rezoning and negotiated agreements enable the City to do things that it is not otherwise able to do.
- Value-capture measures account for 34% of the capital budget.

ISSUES

- While capitalizing on real estate value gains has been very lucrative in the past five years, there are issues about how reliance on development charges is affecting affordability, equity, the provision of a spectrum of development scales and housing types, and the survival of small and medium sized developers.
- The model is vulnerable to changing real estate economics and there may be a potential conflict between the priorities of the developer and the City.
- The absence of a city-wide cohesive planning and development strategy, gives rise to claims that financing, rather than urban planning, drives growth.
- Looking ahead 40 years, in the context of resilience, Vancouver does not have a large enough tax base to deliver the services that could be required to address chronic stresses (homelessness, lack of affordable housing, drug addiction epidemic, sea level rise, etc.) or acute stresses (an earthquake, drought, wild fires). Any combination of these challenges would further threaten the city's resilience, including its economic resilience.

Background Paper on Financing the Public Good

October 25, 2017

Neither current property taxes nor development charges are sufficient to implement significant measures in the short term. Long term strategic use of traditional planning processes and financial instruments of municipal government, combined with innovative approaches to measurement and management as well as new sources of directed funding will be needed. Vancouver is already working with FCM and UBCM on rethinking municipal financing. Putting this in the context of security and resiliency of citizens and infrastructure puts it in a new framework. Increasing property taxes, a municipal income tax or a municipal sales tax are some of the alternatives that could be considered.

Funding is needed in Vancouver for public space as gathering places, as buffer zones for climate adaptation and for strengthening community bonds. Restrictions are needed to prevent new developments in inundation and flood prone areas. Initiatives are needed to support research and foster an economic hub for resilience technologies such warning systems and structural upgrading for earthquakes and sea-level rise, and to implement measures to mitigate climate change (drought, heat, water shortages, etc)

Implementing resilience measures that reduce municipal vulnerability will help ensure financial robustness by maintaining property values, credit ratings, investor confidence and citizen security. Robust planning for adaptation and adaptation finance will position Vancouver and Metro as forward-thinking and prepared, which will attract investment and in-migration (or at least forestall the out-migration of workers and investment dollars) in a world increasingly competing in terms of risk preparedness.

A change of planning focus from growth to resilience is essential for the future prosperity of our city.

OPPORTUNITIES

- Alternative tools of financing outside traditional banking model – cooperative banks
- Eco-asset accounting: determining the value and the vulnerability of ecosystem services to account for the combined financial and ecological benefits of adaptation measures.
- Alternate land tenure models that put community before profit.
- Increase transparency and possibly revenue by auctioning off additional density rather than negotiating CACs behind closed doors.
- Build capacity of bottom-up planning processes to identify vulnerabilities and risks, and link risk mitigation solutions with priority performance enhancements in relevant areas or systems.
- Research + Investment: Enhance technical and institutional capacity for designing comprehensive resilience upgrading projects; for preparing different investment propositions and for managing and staging complex projects

QUESTIONS

- What is the difference between financing for growth versus financing for resilience?
- What are the forces that need to be overcome to finance the public good - in particular resiliency.
- What models or tools could be called into service to finance resilience?

Financing the Public Good is one in a series of issue papers prepared for Shaping Resilience: A Summit on Resilience and Vancouver's Future. Jennifer Marshall, a Commissioner on the Vancouver City Planning Commission, prepared this paper.