

Bonus Density Evaluation Results and Next Steps

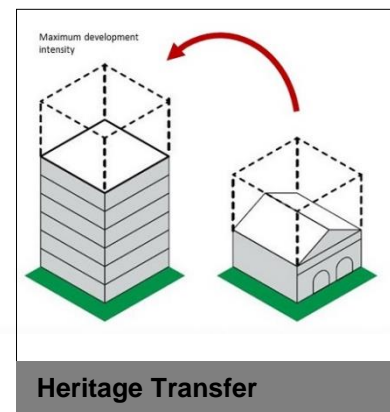
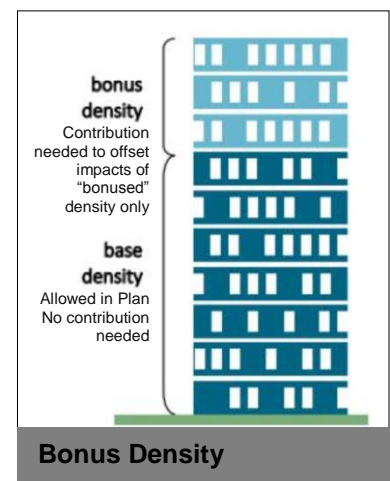
The purpose of this attachment is to provide the results of Administration’s evaluation of the Bonus density mechanism (conducted during Phases 1 and 2 of the Established Area Growth and Change Strategy in 2019-2021), and outline next steps.

What is Bonus Density?

Bonus density is a voluntary program that allows additional density on a property when public amenity is provided to offset the impacts of that additional density. It is voluntary in the sense that applicants can choose whether to pursue extra density in exchange for making a contribution through a bonus density program or to build within the density envelope that is allowed in the policy plan for the area. Bonus density is one of the ways in which the development industry contributes to public space improvements in growing established area communities.

Bonus density policy is generally outlined in a community’s policy plan with the exception of the Beltline program which is regulated through the Land Use Bylaw. Applicants typically have a choice to either provide a cash contribution to the Community Amenity Fund or to construct an amenity that is equal to the value of the bonus contribution (such as public space improvements). In areas without bonus density policy, contributions are often determined on a case-by-case basis.

Heritage Transfer is a specific form of bonus density where the development rights on a heritage property are “transferred” to another site in the area. This allows the owner of the heritage site to realize the development value of the site while protecting the heritage component that might otherwise be redeveloped.



Evaluation of the Bonus Density Mechanism in Calgary

Both Administration and the development industry have identified concerns with Calgary’s bonus density system. Administration has committed to undertaking a review of bonus density with the purpose of both identifying and resolving the concerns. While there have been many challenges identified with the bonus density program, the main ones are:

- Bonus density can complicate the development process for both Administration and applicants, which adds additional costs, time and uncertainties to the redevelopment process;
- Bonus density programs exist in areas that may not have the demand for sufficient density to realize the benefit of contributions, leading to gaps in expectation and efficacy;
- Bonus density may be a disincentive to increasing growth and density in the established area which might be seen as providing additional challenges to achieving Municipal Development Plan goals and targets; and
- The challenges with bonus density need to consider community expectations for benefits to accompany higher density redevelopment projects.

In Phases 1 and 2 (2019-2022) of the Established Area Growth and Change Strategy, Administration evaluated the effectiveness of the bonus density mechanism. The data and effectiveness of this tool were discussed with external representatives from communities, businesses, the development industry and internal cross-corporate colleagues.

Methodology

To understand the effectiveness of bonus density programs, Administration:

- Reviewed development permit and land use application data and identified projects that voluntarily provided a bonus density contribution. These contributions included cash contributions towards Community Amenity Funds, Heritage Transfers and public amenities provided on-site as part of the development project.
- Calculated the estimated value of bonus density contributions provided per project.

The evaluation included only those bonus density applications that were fully constructed to ensure the results reflected the actual value of the contributions realized. Data was collected in 2020 and included bonus density applications that were constructed between 2006 (when formal bonus density programs were first implemented) and 2019. Since 2019, it is estimated that there have been no additional projects with a bonus density contribution constructed outside of the Greater Downtown and only two in the Greater Downtown.

Due to some gaps and limitations with historical data, the following challenges were noted:

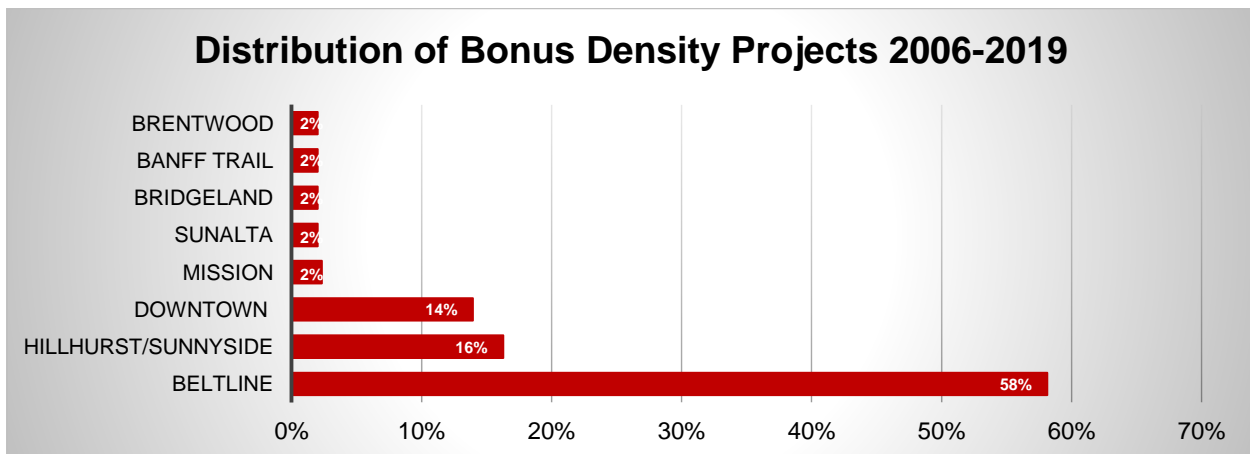
- Research may not have captured all projects that involved bonus density;
- Research may have unintentionally included projects that were not completed or constructed (and therefore did not provide a contribution);
- The values of Heritage Transfers and amenities provided on-site were estimated based on the information available; and
- The amount of bonus density received (e.g., the number of additional housing units provided through bonusing) could not be determined for all applications.

Based on the limitations noted above, the value of the bonus density offset could not be specifically evaluated, and the figures presented in the Results and Key Finding sections below are not exact and suggest **order-of-magnitude only**.

Results

The results of the evaluation are:

1. Between 2006 and 2019, approximately 45* development projects provided bonus density contributions to offset the impact of additional density.
 - The majority (72%) of those projects were in the Greater Downtown**: the Beltline (58%) and the Centre City (14%).
 - Another 16% were in Hillhurst/Sunnyside.
 - The remaining 12% were spread across other communities*** outside the Greater Downtown.



* Based on review of Bylaws that referenced “bonus” or “bonusing”

** Greater Downtown includes: Chinatown, Eau Claire, East Village, Downtown West, and Downtown Core

*** Due to rounding, the percentage of projects in “other communities” is shown in graph as totalling 10%.

2. Between 2006 and 2019, the estimated total bonus density contributions received citywide was \$121.6M, which offset the impacts of an estimated 525,755 m² of bonused space. Based on the assumption of an average 56 m² or 600 ft² unit, an estimated 9,300 units may have been provided through bonus density citywide. This total contribution level is inclusive of cash contributions, the value of heritage transfer and constructed amenities.
3. Administration analysed three case studies to compare the performance of bonus density programs by location from 2006 to 2019, including one downtown example (Beltline), one inner-city example (Hillhurst/Sunnyside) and one established area community outside the inner-city (Brentwood).
 - Beltline averaged two bonus density contributions a year and invested an estimated total of \$33.8M in contributions between 2006 and 2019. Specific review of 3 bonus density projects in Beltline found \$2.86M was contributed to offset the impacts of 189 bonus density units.
 - Hillhurst/Sunnyside averaged one bonus density contribution every two years that invested an estimated total of \$0.6M in contributions between 2006 and 2019. Specific review of 3 bonus density projects in Hillhurst/Sunnyside found \$0.2M was contributed to offset the impacts of 108 bonus density units.
 - Brentwood had only one bonus density contribution that invested \$1.0M in the area that offset an estimated 9,780 m² of bonused space, which based on the assumption

of an average 56 m² or 600 ft² unit, could have results in approximately 175 bonused units. Note that this is the only example of a contribution in an established area community outside the inner-city since the inception of bonus density programs.

Key Finding

1. Bonus density programs have provided benefit to communities **within the Greater Downtown**. Programs within the Greater Downtown have helped realize \$117.3M worth of improvements through developer constructed public amenities, heritage transfers, and through financial contributions that are in turn invested in public space upgrades through the Community Amenity Funds. This contribution offset the impacts of an estimated 465,549 m² bonused space, which based on the assumption of an average 56 m² or 600 ft² unit, could have provided an estimated 8,300 bonused units. To sustain the effectiveness of these programs, there have been several revisions since their inception. For example, there are ongoing sustainment actions currently underway in the Beltline area and these programs will be examined through future policy review exercises within the Greater Downtown.
2. Bonus density programs perform less effectively in areas **outside the Greater Downtown** due in part to the following:
 - There is existing capacity for intensification within the base densities outlined in the policy plans, which limits the need for bonus density. This is seen in the lower number of bonus density applications in these areas. It is expected that as based densities are modernized through the approval of Local Area Plans, that the opportunity for bonus density will decrease.
 - It can take many years to accumulate the funds necessary to provide a public amenity to offset extra density.
 - Significant Administrative resources are needed to administer bonus density programs, that when combined with the lower number of applications and the time differential in delivering the offset, results in the exchange having minimal impact.
3. The performance of bonus density programs outside the Greater Downtown is summarized as follows:
 - There have been 11 bonus density projects outside of the Greater Downtown between 2015-2019, seven of which (64%) have been in Hillhurst/Sunnyside.
 - Between 2015 and 2019, the estimated total bonus density contributions received were \$4.3M that offset an estimated 60,206 m² of bonused space (based on the assumption of an average 56 m² or 600 ft² unit, an estimated 1,075 units may have been provided through these programs);
 - Average bonus density contribution per year (2015-2019) was estimated at \$0.8M/year.

Next Steps in the Review of Bonus Density Programs

Phase 3 of the Established Area Growth and Change Strategy will focus on leveraging the property-tax supported Annual Investment Program, as this program will be the main funding source to support established area growth investment on an ongoing basis. This will include determining the growth investment needs of growing communities and preparing a rationalization to justify future budget levels. For bonus density programs outside the Greater Downtown, focus will be on exploring alternatives to addressing requests for additional density and exploring alternative financial tools to complement property-tax supported investments.

Work specific to bonus density will include identifying and evaluating:

- Alternative mechanisms to address community expectations related to public space improvements to offset the impacts of high-density redevelopments; and
- Financial tools to facilitate development industry contributions to complement public space and infrastructure improvements.

This work will be undertaken with guidance from both the Established Area Advisory Group and Planning & Policy working group. In the near term, this work will evaluate the future of bonus density in areas outside of the Greater Downtown and potential alternative mechanisms that may realize the same desired investment outcomes. This will inform the Local Area Plans currently in-progress. Administration will continue to provide updates to Council on the progress of this work, either through future Citywide Growth Strategy reports, Local Area Plan reports, or independently, as appropriate.