



# Residential Density Bonus/Transfer Program Assessment for Hammond Area Plan



# FINAL REPORT

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In association with  
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and Site Economics



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# 1. Introduction

## 1.1. Study Objectives

As part of the Hammond Area Plan process, the purpose of this Study is to assess the favourability of market conditions for a density bonus and density transfer program in Hammond. This work builds from a previous Amenity Zoning Study completed for the City of Maple Ridge in 2012. For this Hammond Residential Density Bonus/Transfer Program Assessment, objectives are to:

- Determine the potential for a density transfer program for heritage conservation;
- Determine the viability of a density bonus program for community amenities (e.g. trail construction in Precinct #3);
- Identify essential conditions for success for both programs; and,
- Identify whether it may be possible to have a combined program of density bonus and density transfer.

## 1.2. Background

### *Hammond Area Plan*

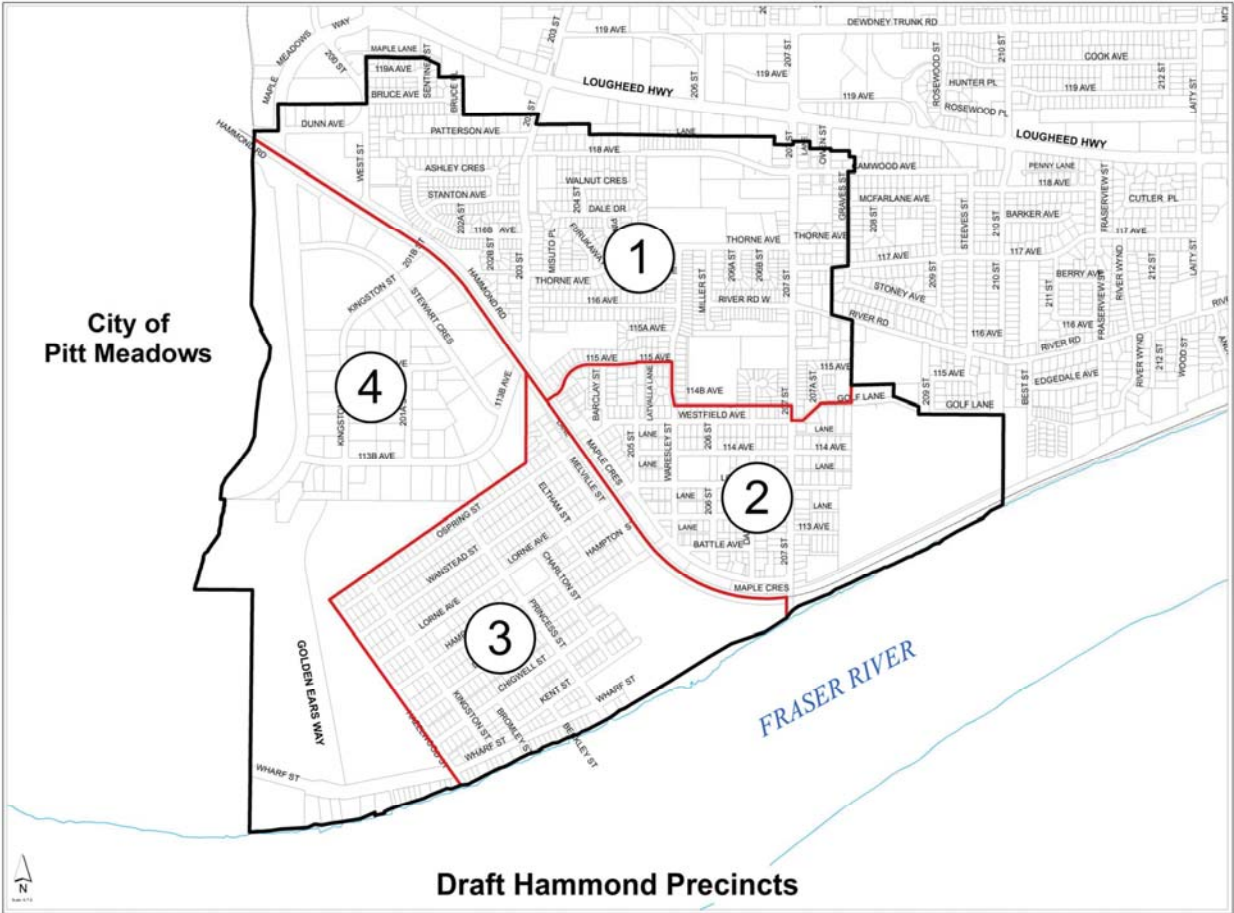
The City of Maple Ridge is currently in the process of preparing an Area Plan for the Hammond neighbourhood. In consultations for the Hammond Area Plan, local residents have highlighted the importance of the current neighbourhood character and the strong sense of community that exists today. Hammond has been called “charming” and a “jewel in Maple Ridge’s crown.”

While Hammond residents wish to retain the neighbourhood’s historic character, there is also some community support for increased residential density along certain streets. As the neighbourhood evolves over time, there is a need to ensure that:

- important heritage values (as identified in the Hammond Historic Character Area Study) are preserved in order to maintain the overall neighbourhood character even while change occurs; and,
- neighbourhood amenities keep pace with growth – in particular, there is an identified need for additional pedestrian/cyclist trails in Hammond Precinct #3 (see Figure 1.1).



Figure 1.1 – Hammond Study Area



## 2. Contextual Review

As indicated, this Study is intended to support the City in identifying approaches to realize heritage conservation and amenity provision goals in the Hammond neighbourhood, as part of the Hammond Area Plan process. In Section 3 of this report, the focus of analysis is on determining the viability of a heritage density bonus/transfer program and a density bonus program for community amenities. However, to provide an overview of broader options for heritage conservation and the provision of community amenities, this contextual review provides an overview of options for both heritage conservation (Section 2.1) and amenity funding (Section 2.2).

### 2.1 Heritage Conservation Options

The City of Maple Ridge has an active Community Heritage Commission, which developed a Heritage Plan for the City in 2013. As well, the City has a Heritage Register and a Heritage Inventory (“The Heritage Resources of Maple Ridge, 1998”), both of which include sites within the Hammond Area. It is noted that the Heritage Register and Heritage Inventory facilitate the integration of heritage considerations with planning processes, but do not in and of themselves provide heritage protection to specific properties.



As part of the Hammond Area Plan process, the City commissioned a study of the heritage features in the neighbourhood, completed by Donald Luxton and Associates in February 2015. Luxton’s “Hammond Historic Character Area” study identifies a number of heritage resources remaining in the area of the neighbourhood that was settled as Port Hammond Junction in the late 1800’s. The heritage resources are primarily single detached homes, and they include a legally protected heritage site (through a Heritage Revitalization Agreement), sites officially listed on the Maple Ridge Community Heritage Register, sites identified in a heritage inventory, and sites that either have high potential for inclusion in the Heritage Inventory or Register, or make a contribution to the heritage character of the neighbourhood.

In Hammond there is an expressed desire to retain the heritage character of the neighbourhood, including some of the best heritage buildings and other key features such as mature trees, garden spaces, front verandas, and drainage canals. At the same time, there is a desire to accommodate growth and redevelopment in Hammond. Using modern planning and zoning tools, there is an ability to shape new development on old lot patterns while retaining and revitalizing some of the original building stock. In this manner, the City can manage the impacts of growth and change that might be desirable and that often are inevitable.

A variety of heritage conservation tools are potentially available, including:

- Heritage Density Bonuses and Density Transfers;
- Heritage Conservation Area Designation;
- Heritage Revitalization Agreements; and,
- Property Tax Exemptions.

These tools are reviewed in brief below, before focusing on the viability of heritage density bonuses and transfers in Section 3.

### 2.1.1 Heritage Density Bonuses and Density Transfers

A good heritage density program will encourage higher quality development and improve its acceptability. Often the process of incorporating a neighbourhood's best historic attributes will actually speed up desired changes. It will also make the redevelopment process more interesting and the resulting development more comprehensive, finely knit, and desirable. This section provides an overview of both on-site heritage density bonuses and off-site heritage density transfers. These tools are analyzed in more detail in Section 3 of this report.

#### **On-Site Heritage Density Bonuses**

Section 904 of the *Local Government Act* gives municipalities the authority to provide a density bonus through zoning in relation to the conservation or provision of amenities. A number of communities have used this legislation as the basis for density bonusing in relation to heritage conservation on a site. A density bonus is a land use incentive that the municipality provides usually in the form of allowing more floor area on a property with heritage character than would otherwise be allowed. Alternatively, the municipality may exempt all or part of the heritage building's floor area through a rezoning process, thus enabling more new floor area than otherwise allowed under existing site zoning. These two approaches both have the same effect of providing for more saleable floor area than otherwise allowed under existing zoning.

Usually a municipality will have a land use policy statement to notify property owners and prospective purchasers of this density bonus potential. For instance, the City of North Vancouver has the following broad enabling statement in its recently adopted Official Community Plan (Section 2.2 – Density Bonusing):

*For lots in any OCP designation, Council may approve additional floor area for the purposes of heritage conservation. As a result of the unique circumstances of heritage buildings, density bonuses in return for the retention and legal protection of heritage building will be judged on their individual merits and needs through a rezoning process.*

The City of Maple Ridge also has a broad, enabling Official Community Plan policy (2-9), which states:

*Density Bonuses and Amenity Contributions may be considered at Council's discretion for all Official Community Plan and Zoning Bylaw amending applications to help provide a variety of amenities and facilities throughout the municipality.*

In relation to heritage, a density bonus is typically offered in exchange for the conservation and guaranteed preservation of identified heritage resources. The February 2015 Luxton Study helps to determine which buildings may qualify for special bonus consideration in the Hammond neighbourhood. On-site heritage density bonuses can be considered on a case-by-case basis to facilitate heritage conservation along with intensification of large sites.

In many cases where heritage preservation is a goal, density bonusing policies are viewed favourably by the neighbourhood and properties owners because they provide a tool to protect valuable heritage resources. In effect, density bonusing facilitates heritage preservation by providing an allowance for additional density, which helps to offset the expenses associated with heritage preservation. A review of the public input for the Hammond Area Plan suggests that there are supporters of this approach in the neighbourhood. If the City is prepared to offer extra density for heritage conservation and if site and



development economics are positive, there is a good chance that this approach will result in some projects that retain important buildings and allow viable project economics.

### **Heritage Density Transfers**

Heritage density transfers provide bonuses, usually in the form of more floor area, to property owners for heritage preservation or restoration. Density transfers are utilized in cases where it is not possible or preferable to add additional development to an existing site with a heritage building. In these instances, the property owner is permitted to transfer or sell the bonus density to another property in exchange for the long-term preservation of the heritage resource.

Density transfers (and density exclusions and bonus provisions) are well established development incentives for many municipalities in British Columbia, particularly to respond to the unique challenges and expenses associated with conserving important heritage resources. In British Columbia, the *Local Government Act* does not specifically authorize the development of comprehensive density transfer schemes wherein density is 'banked' by a local government and traded on a market-driven basis. An exception is the City of Vancouver, where Section 595A of the *Vancouver Charter* allows Council to establish a heritage density transfer system. Notwithstanding, Section 903(1)(c)(ii) of the *Local Government Act* allows municipalities to use zoning to regulate the density of the use of land, buildings and other structures. A number of municipalities use the authority provided under the *Local Government Act* to transfer development rights directly from one parcel to another to achieve certain planning objectives, such as heritage conservation.

On their own, transfers do not involve an increase in total development rights. Rather, they involve the relocation of development rights. Density transfers require a rezoning process with a public hearing, and if approved, typically a *Land Title Act* covenant is registered on all affected properties confirming that the transfer has occurred.

The following discussion reviews the application of density transfers in the City of North Vancouver, City of New Westminster, City of Kitchener, and City of Calgary. Section 3 of this report provides further analysis to determine the viability of a density transfer program in the Hammond neighbourhood.

### **City of North Vancouver**

The City of North Vancouver has had an active Heritage Conservation program for more than 25 years. There is a long term interest in heritage preservation opportunities for heritage density transfers. Nevertheless, in a smaller municipality there are relatively low densities, relatively few identified heritage buildings (250 or so in the City), and limited staff resources. Where the City has been occasionally successful encouraging heritage retention and upgrading is in the higher density areas where the donor site (the heritage building) and the recipient site are both clearly able to benefit from the transfer and absorb the density.

A good example is the Aberdeen Block (Comprehensive Development Zone 453 — Bylaw 7493) where the City allowed 21,000 square feet of density to be transferred from the small Aberdeen site (about 3.1 FSR to another site and almost the same total area to be restored and added to the Aberdeen Block — in total 6.39 FSR). The transferred density went to a high density mixed use site over a kilometre away from the Aberdeen building. The typical maximum density allowed in the City was 2.6 FSR at the time — so this type of bonus, though necessary for the project to be economically viable, was highly unusual but supported by the community and Council.

This project took many months to negotiate and considerable amounts of staff and Council were devoted to making the rezoning a success.



### **City of New Westminster**

Within the City of New Westminster's historic downtown, sites on the Heritage Register are included in the City's density transfer system. The City's transfer system allows density to be sold from a donor heritage site to a recipient development site. This transfer system is detailed in the City of New Westminster Zoning Bylaw (Section 190.49.4), which specifies that:

- the amount of density transferred from the donor site must not exceed the amount of unused density currently available on the donor site, including any permitted bonus density for residential uses;
- unused density may be transferred in whole or in part to a recipient site until all unused density has been transferred from the donor site;
- the owners of the donor site and the recipient site must enter into a three-party agreement with the City, stating the amount of the density transferred and the consideration that the owner of the recipient site is providing to the owner of the donor site for the transfer, acknowledging the voluntary nature of the transaction;
- the owner of the donor site must enter into a heritage revitalization agreement;
- following the transfer, the density of development of the recipient site must not exceed the maximum permitted density in the relevant zoning district, including permitted bonus density; and,
- the owner of the recipient site shall be exempt from other amenity contribution payments in relation to each square foot of density transferred from a heritage donor site.

It is important to note that the City of New Westminster also has a separate density bonus program related to the provision of amenities in the downtown. In order to protect the City's heritage assets, the City's separate density bonus program (related to the provision of amenities) does not apply to the heritage sites that are subject to the City's heritage density transfer system.

### **City of Kitchener**

The Ontario *Planning Act* provides for increases in the height and density of development otherwise permitted in return for facilities, services or matters such as heritage conservation. In this respect, in 2007, the City of Kitchener completed a Heritage Conservation District Plan which recommended that the City further investigate and consider density bonusing and transfer of density rights for development that conserves heritage buildings. The City has since implemented transferable density bonuses for heritage conservation. The owner of a heritage property is eligible for an increase in floor area if the heritage property is designated under the Ontario *Heritage Act*, which ensures protection of the building. In cases when bonus floor area is permitted but not applied to the heritage property, it may be transferred another property with the same land use designation or to lands in the downtown.

Kitchener's updated Official Plan includes the following bonusing provisions that permit the transfer of bonus density achieved through heritage conservation (Section 14. E.17.5):

*An owner may transfer the increase in height or density achieved through Policy 17.E.17.2.j from lands on which such community benefit is provided to lands having the same land use designation or to lands in the Urban Growth Centre (Downtown).*

Kitchener's Zoning Bylaw (2013) contains regulations to determine the amount of bonus applied to a heritage property. The bonus floor area is calculated using a "heritage bonus value" contained in the

regulations of the applicable zoning category. The bonus floor area which may be obtained in return for a heritage building or heritage façade must not exceed 20,000 square metres. The Zoning Bylaw also states that before the development rights can be transferred, both property owners must enter into a bonus transfer agreement with the City. This agreement determines the details of the transfer, including the amount of bonus floor area being transferred. The agreement also contains a provision requiring the approval of the City to transfer all or any part of the bonus floor area, permitted but not built on the lot, to another lot. The owners of both the donor and recipient sites must also enter into covenants to register the agreement on the lots.

### **City of Calgary**

In 2010, the City of Calgary conducted a study of heritage preservation incentive programs. Building on this study, the City implemented two incentives to encourage the conservation of historic buildings and sites in the downtown. These programs include a traditional heritage density bonus incentive and a heritage density transfer incentive. The heritage density transfer incentive allows the property owner to transfer or sell unused density that is currently allowed on their historic property to other sites in the downtown, in exchange for protecting the historic building. In order to be eligible to transfer bonus density, the historic property must be designated as a municipal historic resource by the Calgary Heritage Authority and listed on the City's Inventory of Evaluated Historic Resources list. In accepting the historic resource designation, the property owner must be willing to legally protect the historic building. There are currently 53 properties listed in the City's Transferable Heritage Density Inventory.

Calgary's density transfer incentive program requires that both properties be located in the downtown area. The City also requires that both properties be rezoned to a Direct Control District. A specific set of uses and rules apply to each Direct Control District in the city. The authority for this approach comes from the Alberta *Municipal Act*, which allows municipalities to designate direct control districts to exercise particular control over the use and development of land or buildings in any manner that they consider necessary.

The City does not participate in density transfer negotiations. Any agreement reached must be between property owners. Once an agreement is reached, the owner of the site that is receiving the additional density applies for the transfer at the time that they submit a development permit application. City staff then confirm the transfer with the owner of the historic property and processes the development permit.

## **2.1.2 Heritage Conservation Area Designation**

Luxton's "Hammond Historic Character Area" study identifies the possibility of establishing the Hammond townsite as a Heritage Conservation Area. The existing Official Community Plan includes a policy (4-41) which states that the City will continue to recognize significant heritage areas and consider identification of these areas as Heritage Conservation Areas or Heritage Districts. Recent public input suggests some potential interest in the identification of Hammond as a Heritage Conservation Area. A Heritage Conservation Area is a powerful tool requiring a Heritage Alteration Permit for any alterations that may impact heritage value, including:

- subdivisions;
- additions; and,
- new construction.

With establishment of a Heritage Conservation Area, City Council, staff and the neighbourhood would have more ability to manage the retention of existing heritage resources and to retain important existing elements of the neighbourhood. Importantly as well, a Heritage Conservation Area is an indication to the community

and those who may want to move to Hammond or acquire property that Hammond's historic elements will be largely retained.

### 2.1.3 Heritage Revitalization Agreements

With or without the establishment of a proposed heritage conservation area (HCA), heritage revitalization agreements (HRAs) are widely used to encourage heritage preservation, restoration and rehabilitation. Heritage revitalization agreements are authorized under Section 966 of the *Local Government Act*. The terms of a heritage revitalization agreement supersede City zoning regulations, and they may vary use, density, and siting regulations. Heritage revitalization agreements are entered into on a voluntary basis, and they are tailored to suit unique properties and situations that might demand creative situations. For example, the City has already entered into a heritage revitalization agreement with an owner in the Hammond neighbourhood to permit two single-family dwelling units on one single-family lot in exchange for protection of the site's heritage value.

### 2.1.4 Property Tax Exemptions

Under Sections 25 and 225 of the *Community Charter*, a municipal council has the power to provide property tax exemptions to private property owners that conserve their heritage properties if a property is:

- a protected heritage property;
- subject to a heritage revitalization agreement; or,
- subject to a heritage conservation covenant under the *Land Title Act*.

The extent and term of the property tax exemption must be specified by a municipal bylaw. To date, Maple Ridge City Council has adopted four Heritage Revitalization Agreement Bylaws and each one has included a property tax exemption for five years.

## 2.2 Amenity Funding Options

As identified in the Hammond Area Plan process, the City would like to develop a pedestrian/cyclist trail network within the neighbourhood, particularly in the Lower Hammond area (Precinct #3). Trails would primarily be located on existing rights-of-way or municipally-owned land. Therefore, it is anticipated that the bulk of required funding is for trail construction, as opposed to land acquisition. At this stage, the City has not completed cost estimates for the trail projects within the neighbourhood. While general municipal revenues and grant funding are sometimes available to assist with trail projects, there is also a growth-related impetus for the provision of these amenities within the neighbourhood. Therefore, there is a need to review development finance options for trails in Hammond.





Because of the infill character of the Hammond neighbourhood, requirements for trail construction at time of development would likely result in incremental establishment of trail routes. Therefore, there is a need to explore options to assist in providing funding for neighbourhood trails or other amenities. In the Hammond area context, options include:

- development cost charges (DCCs);
- road closures and sale;
- community amenity contributions (CACs); and,
- density bonus amenity zoning.

At this stage, the City primarily wishes to confirm the potential viability of a density bonus program for amenities, similar to the program that has been implemented in the Albion neighbourhood through the adoption of the Albion Area Plan. Nevertheless, all tools are reviewed in brief, below, before focusing on the potential viability of a density bonus program in Section 3. It is recognized that the City may also wish to use these funding tools for other forms of amenities as required in the future.

### 2.2.1 Development Cost Charges

Development cost charges (DCCs) are a means of collecting fees from all development projects to assist municipalities in recovering monies expended on growth-related infrastructure. DCCs may be charged for roads, water, sewer, stormwater and parkland acquisition and improvement projects, in accordance with the provisions of the *Local Government Act*. Projects are formalized in a DCC program, with DCC rates established by municipal bylaw. DCCs are payable by developers at time of subdivision or building permit approval. DCCs collected may only be used for the purpose for which they were levied (e.g. parks DCC revenues can only be expended on parks DCC projects), and they may only be expended in the defined geographic area in which they were collected (may be municipal-wide or area-specific).

The City of Maple Ridge has area-specific DCCs, including charges for roads, drainage, water, sanitary sewer, and open space. The City uses DCCs as the main funding tool for park acquisition. However, for trail improvement projects, the City has started to use density bonus amenity zoning as a funding tool for the Albion neighbourhood. This approach is identified in policy in the Albion Area Plan.

The City's density bonus amenity zoning approach allows it to access amenity contributions rather than DCCs, which take into account projected growth and an allocation of benefit between new and existing development. Potentially DCCs could be used to assist with the growth-attributable costs of trail construction in Hammond. However, this approach would be inconsistent with the approach taken by the City in the Albion neighbourhood.

### 2.2.2 Road Closures and Sale

The City of Maple Ridge has a flexible Official Community Plan that allows for a range of residential densities, so adding density to heritage properties can be done simply by allowing extra floor area or units per hectare through the rezoning process. To provide more space for development, one approach that may have some applicability in Maple Ridge is to expand the size of lots with road closures and sale (or to maintain existing narrower road rights-of-way where they are already in existence). Hammond has historic street patterns and generally adequate public rights of way based on modern residential standards. However, over most of the last seventy years, it has been typical for municipalities to require more road

right of way when lands are subdivided rather than looking to reduce road and right of way widths.<sup>1</sup> A detailed analysis may reveal that this primarily residential neighbourhood does not require street rights of way of 22 and 26 metres in width that are typically required in the neighbourhood.

If the City determined that 15 to 18 metres was an adequate road width for most of Hammond's streets, then it would be theoretically possible to sell surplus road right-of-way to land owners adjoining these roads. On corners or in other irregular locations, more road right of way might be deemed surplus, as the early surveyors of Hammond often left additional land in the public domain where the survey pattern resulted in unconventional intersection angles or where more lots were not possible. Adding area to some lots in Hammond should enable more attractive heritage conservation and infill in some cases. In cases where heritage conservation is a consideration, it is possible that the City would benefit from a review of existing subdivision standards.

It is also possible for lanes and flanking streets deemed useful only for infrastructure routing and pedestrian and bicycle traffic to be closed and sold to adjoining owners when suitable redevelopment is proposed. Potentially the City could take back a right of way over a portion of the closed road, requiring the owners of new construction to maintain the right of way for pedestrian/cycling use. The property could also be left accessible for infrastructure maintenance as well.

Any revenue from the sale of closed roads would likely go into the City's general revenue. Council can determine by policy to direct these funds into paths and trail construction each year as the sales occur. Another possibility would be for the City to advance funds for pathway construction with the understanding that general revenues will be replenished by the eventual sale of these surplus lands as redevelopment occurs.

### 2.2.3 Community Amenity Contributions

As indicated in the Amenity Zoning Study completed for the City of Maple Ridge in 2012, Community Amenity Contributions (CACs) stem from a request by a developer to increase the density of a site, and they are based on the discretionary authority that a municipality has to rezone or not to rezone a given site. The premise behind CACs is that increased density imposes a capital cost burden for amenities on the municipality, and that increased density also typically results in an increased land value (i.e. a lift in land value), which can be shared between the municipality and the developer/landowner.

As highlighted in the 2012 Amenity Zoning Study, CACs can be implemented on a site-by-site basis (discretionary based on a single project) or through an area-wide program that bases fixed charges on identified development impacts and community amenity needs. Unlike density bonus amenity contributions, CACs are not based on a specified base density and bonus density articulated within the municipal Zoning Bylaw. Rather, they are applied to all rezonings (e.g. on a per unit or gross floor area basis). As an example, the Township of Langley funds greenway projects in new neighbourhoods through an amenity zoning policy, with charges applicable to all new developments that require rezoning. In

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<sup>1</sup> The case studies in Section 3 of this report all appear to require road dedications, which may reduce many owners' interest in development, suggest increased traffic to neighbours, and likely change the look and feel of the heritage neighbourhood when larger street cross sections and more impervious surfaces are eventually developed.

Langley's case, the charges are based on development area (as opposed to units or GFA), given the greenfield context.

In March 2014, the Ministry of Community, Sport and Cultural Development released a Guide to Community Amenity Contributions. The guide encourages local governments to avoid a heavy reliance on land lift (particularly when negotiated on a site by site basis) in establishing the amount of contributions, and to borrow the principles and practices that apply to DCCs to develop estimated CAC amounts. The guide encourages local governments to tie CACs back to capital costs for growth-related amenities. Furthermore, the guide encourages the use of density bonus zoning (see Section 4.4, below) to encourage new development and achieve contributions to amenities while minimizing the impact on housing affordability.

Notwithstanding, CACs are a useful potential tool, and could be considered in Hammond. CACs would provide a mechanism to provide an amenity contribution associated with a change in zoning from existing single detached zoning to a variety of multi-family (e.g. townhouse or apartment) zones. A CAC approach alleviates the need to build a base density and bonus density into multi-family zones, and it potentially allows the City to use a portion of the land value lift from single family to multi-family (as opposed to the land lift between multi-family at a base density and multi-family at a bonus density) to contribute to the provision of neighbourhood amenities. However, unlike density bonus amenity zoning, the CAC approach relies on 'voluntary' contributions at time of rezoning, as opposed to incentives that are 'fixed' in the City's Zoning Bylaw (see below).

## 2.2.4 Density Bonus Amenity Zoning

Section 904 of the *Local Government Act* enables municipalities to use density controls in zoning to obtain community amenities (or contributions towards community amenities). Under the legislation, municipal zoning bylaws may specify one density for projects that do not provide a community amenity (or contribution), and another higher density for projects that provide the community amenity (or contribution). The density bonus zone must specify the "number, kind and extent" of the amenity that must be provided to earn the additional density. Because it can be difficult for many small projects to provide a physical amenity, various municipalities have adopted a cash-in-lieu approach so that every project can obtain bonus density by contributing to a fund specifically used for the given amenity.

The City has already established a density bonus amenity zoning program in the Albion neighbourhood. Within the Albion neighbourhood, collected amenity funds contribute to the following eligible amenities:

- park construction;
- park maintenance;
- multi-use trail construction;
- multi-use trail maintenance;
- civic facility/community gathering place construction; and,
- civic facility/community gathering place maintenance.

Density bonus amenity contributions are built into three land use zones:



- Within the RS-1d zone, the base density is a minimum net lot area of 2,000 square metres. With an amenity contribution of \$3,100 per lot, the maximum permissible density is a minimum net lot area of 557 square metres.
- Within the RS-1b zone, the base density is a minimum net lot area of 557 square metres. With an amenity contribution of \$3,100 per lot, the maximum permissible density is a minimum net lot area of 371 square metres.
- Within the RM-1 (townhouse) zone, the base density is a maximum floor space ratio (FSR) of 0.6. With an amenity contribution of \$3,100 per lot, the maximum permissible density is an FSR of 0.75 (conforming with the regulations of the RM-4 zone).

Within the Hammond neighbourhood, density bonus amenity zoning could be considered as a potential tool, consistent with the approach set out in Albion. However, market conditions must be favourable, showing the potential for a significant land value lift between a base multi-family density and an ultimate permissible multi-family density with the provision of the amenity contribution. Put differently, the value of additional density (over and above the base density written into the multi-family zoning) must be greater than the cost of the amenity contribution.



## 3. Hammond Area Analysis and Key Findings

To assess options for heritage density bonuses/transfers and amenity density bonuses in conjunction with the Hammond Area Plan process, Site Economics Ltd. was retained to conduct market analysis related to both options.

### 3.1 Heritage Density Bonuses/Transfers

Within Hammond, there are many single detached homes with heritage value (i.e. sites on a heritage register or heritage inventory) or having heritage potential (i.e. sites that could possibly be included on the heritage register or inventory pending further research or evaluation). The City has also identified a number of additional sites that contribute to the heritage character of the neighbourhood. These sites likely do not have sufficient heritage value to merit listing in the heritage register or heritage inventory; however, they contribute to the heritage character of the neighbourhood, particularly in the Hammond Historic Character Area in Precinct 2 (Upper Hammond) and beyond to Precinct 3 (Lower Hammond).

#### **On-Site Density Bonuses**

As indicated earlier, the first preference is typically to provide an option for an on-site density bonus associated with heritage preservation. An on-site density bonus allows for intensification of sites having potential for additional residential units. A heritage-related density bonus can be considered on a large single site that has the potential for intensification (e.g. new garden suites) in association with heritage conservation. A heritage-related density bonus can also be considered on an assembled site that has a heritage home that will be preserved, but which also offers a land area suitable for townhouses or even apartments.

In the Hammond neighbourhood, there are numerous possibilities for the provision of on-site density bonuses. These on-site bonuses are ideally negotiated on a case-by-case basis, with the heritage home preserved through a Heritage Revitalization Agreement. If an on-site bonus is not possible, then an off-site transfer can be considered.

#### **Off-Site Density Transfers**

As indicated earlier, off-site heritage density transfers are utilized in cases where it is not possible or preferable to add additional development to an existing site with a heritage building (referred to as an on-site density bonus in this report). In these instances, the property owner is permitted to transfer or sell bonus density in exchange for the long-term preservation of the heritage resource, typically through a Heritage Revitalization Agreement. Heritage density transfers can be negotiated on a case by case basis (e.g. if a single developer has multiple properties in the neighbourhood and is protecting a heritage resource on one of the properties). Alternatively, heritage density transfers can be formalized in a density transfer program that allows the sale of density from the owner of a donor site to the owner of a receiver site, as identified in policy and zoning.

#### **Market Analysis**

To assess the potential for density bonuses and density transfers associated with heritage preservation, a typical case study was reviewed, assuming the renovation of an existing 2,000 square foot heritage home. In considering the value of heritage preservation and the viability of a density bonus or density transfer, heritage preservation is not subject to a pro forma. It is more accurate to simply indicate that an unknown,

typical heritage renovation costs \$125 per square foot more in hard and soft costs (over and above \$200 per square foot for a standard new home). Thus, it is logical that the City should provide at least \$125 per square foot plus a 20 percent profit and return on equity of \$25 per square foot to any developer who renovates that heritage home.

Carrying this case study forward, the value of the available bonus or transferable density would be a total of \$150 per square foot multiplied by the size of the heritage house. If the house is 2,000 square feet, then the developer would have a density bonus or density transfer worth \$300,000. A site valuation comparison (see Section 3.2) indicates that the value of a land lift for a rezoning from single detached home to townhouse results in approximately \$10,000 in new land value per new additional unit. Therefore, based on this model, a density bonus or transfer worth \$300,000 in value would provide the right to build an additional thirty townhouse units (or approximately 40,000 square feet of gross floor area assuming 1,300 square feet per unit).

Given the relatively small land value lift from single detached to townhouse, there are several implications for a density bonus or transfer approach:

- For an on-site density bonus, the land economics is such that the value of the heritage conservation is far greater than the value of additional density that could be accommodated on virtually any site in the Hammond neighbourhood. Logically, approximately six to eight assembled single family home sites would be required to theoretically support a thirty unit townhouse project, in addition to the home that is subject to heritage conservation.
- For an off-site density transfer, the current value of the transfer (approximately equivalent to thirty townhouse units) is also far more than the amount of available density that would be permissible on a typical historic home site had it been rezoned and redeveloped. Logically, any off-site density transfer should only allow a transfer of unused density currently available on a donor site. Because of the significant difference between the unused density on the donor site (of perhaps four to five units on a single detached site if it were rezoned), and the equivalent value of the heritage conservation (approximately \$300,000 in value, or the right to build approximately thirty townhouse units), there appears to be limited potential for a formal, systematized, off-site density transfer program at this time. However, if a developer wishes to take advantage of an off-site density transfer related to heritage conservation, the City could consider such requests on a case-by-case basis, where retention and revitalization are important to the broader community.

## 3.2 Density Bonus Amenity Zoning Analysis

To assess the potential viability of a density bonus amenity zoning program in Hammond, the City of Maple Ridge provided three case studies of representative site assemblies and potential future development scenarios. In each scenario, analysis was undertaken to assess the potential lift in land values created by rezoning to permit additional density (as compared to a base case scenario under existing zoning). In turn, this assessment provides an indication of the value of additional density per unit or per square foot of gross floor area (GFA). This information can be used by the City to confirm whether or not to proceed with a program to secure amenity contributions through a density bonus program, similar to the program that was established as part of the Albion Area Plan.

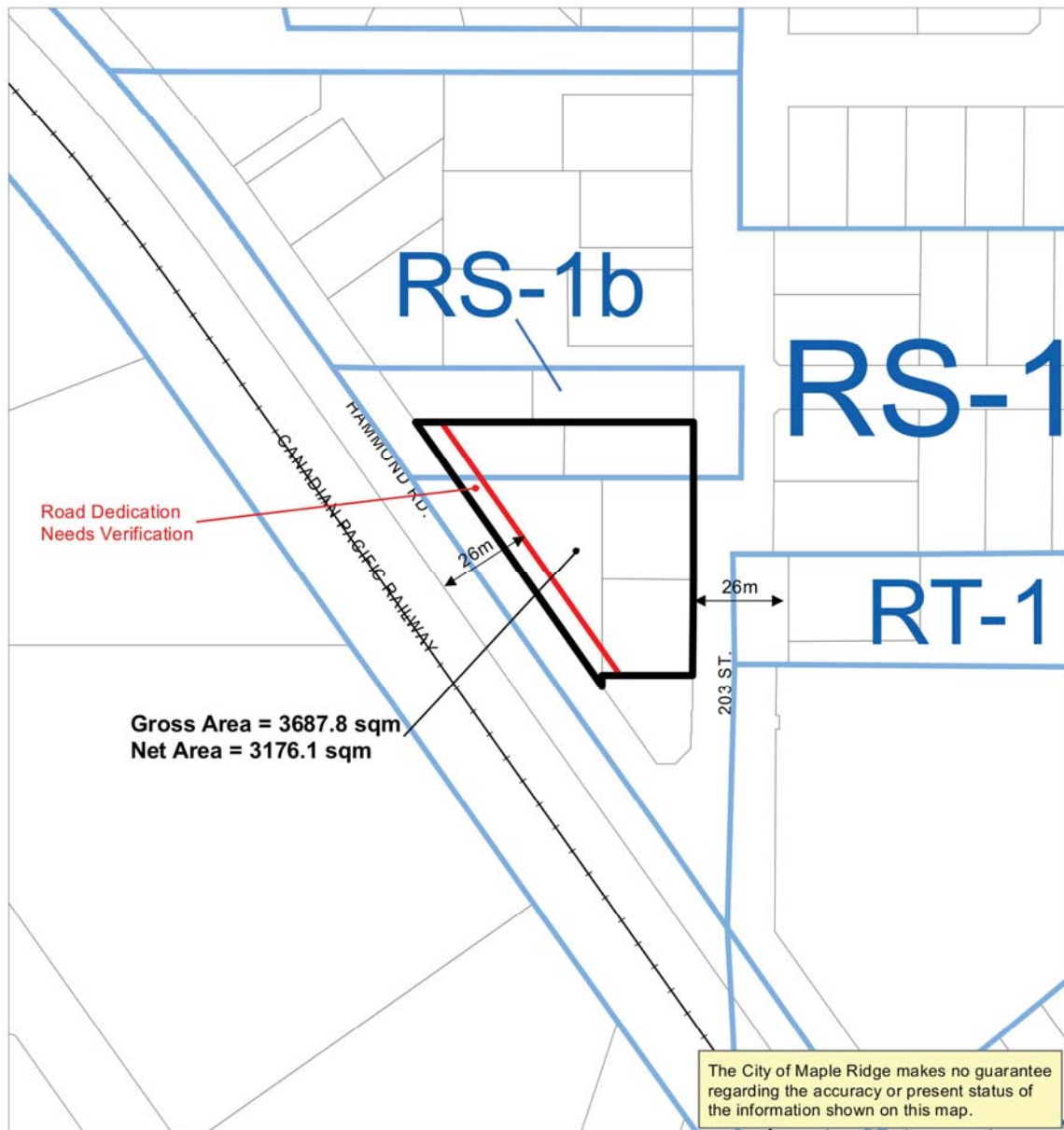


### 3.2.1 Case Studies

All three case studies involve theoretical site assemblies and rezoning from low density existing development (primarily single detached residential except for Site B) into higher density development. The case studies are used for illustrative purposes only, and they do not represent any actual development proposals associated with the Hammond Area Plan.

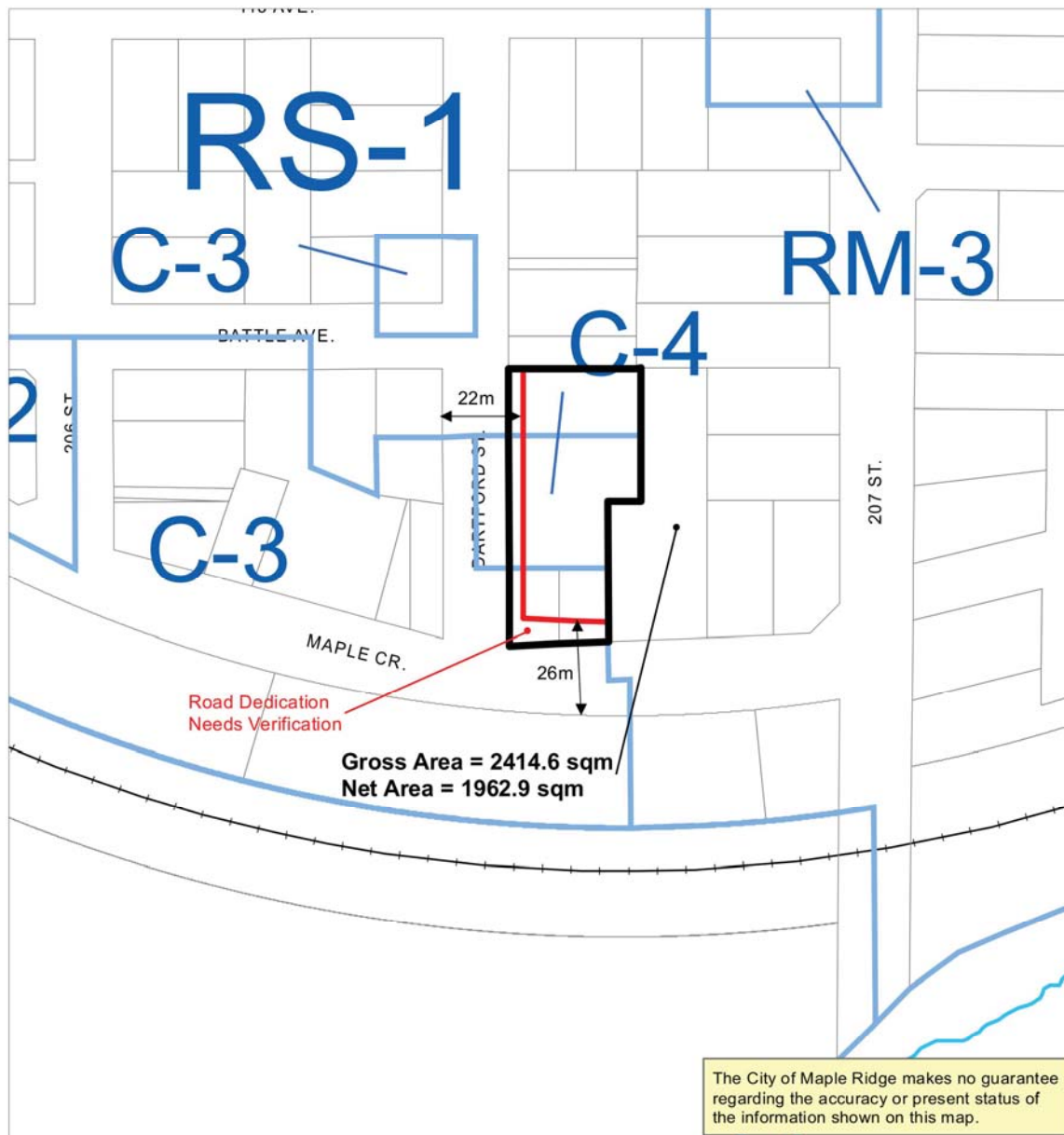
**Site A** involves the rezoning of five single detached lots to an RM-2 low density apartment use. The analysis compares a base case scenario of five units (assuming no further subdivision under existing zoning) to a development with an FSR of 1.5, resulting in 42 units (average unit size of approximately 1,100 square feet). This representative case study is illustrated in Figure 3.1, below.

**Figure 3.1: Site A Case Study**



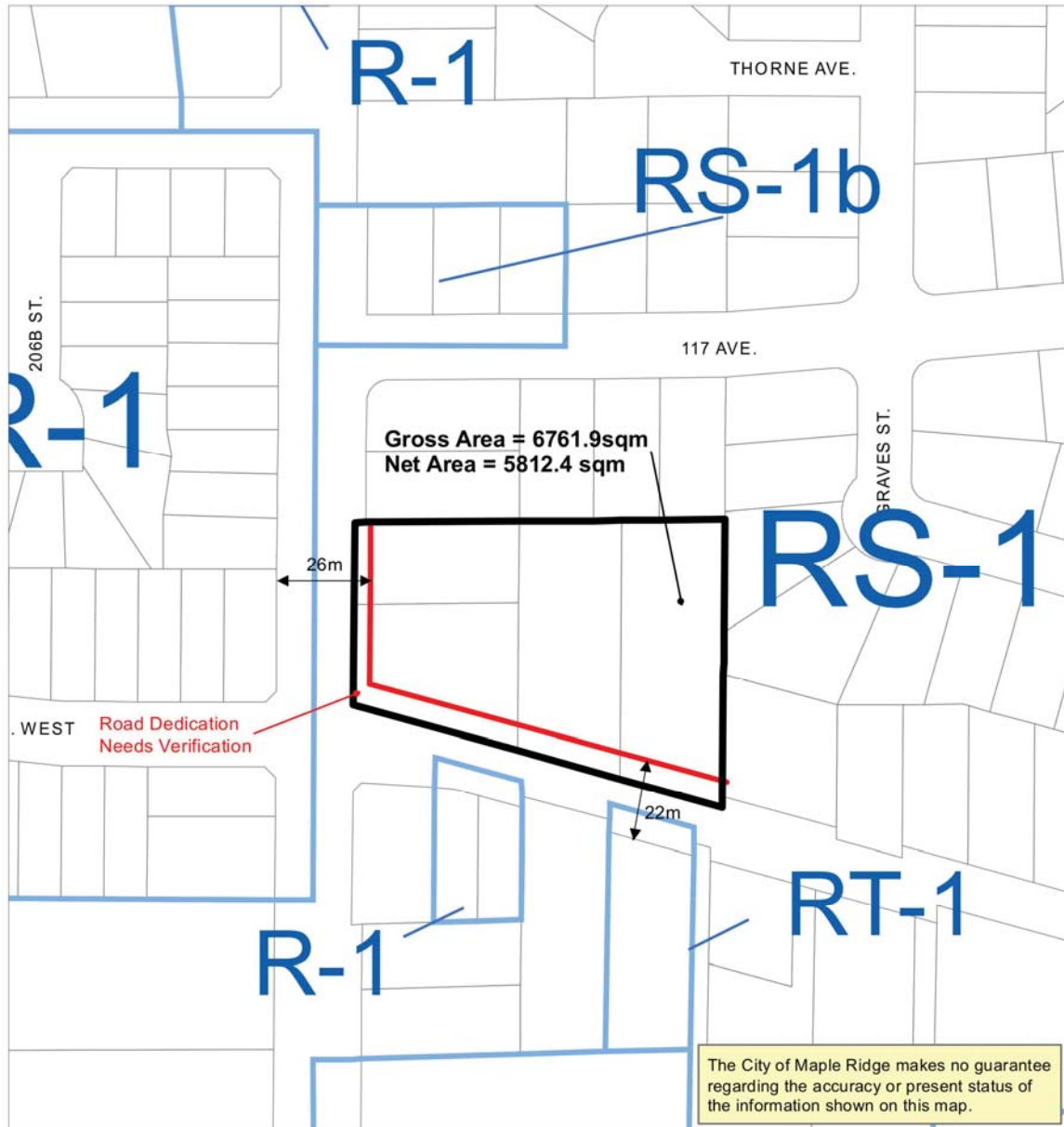
**Site B** involves the development of a site already partially zoned for commercial/mixed use to an FSR of 3.0, resulting in about 50 units (average unit size of approximately 1,000 square feet) and a 5,000 square foot commercial area. This representative case study is illustrated in Figure 3.2, below.

### Figure 3.2: Site B Case Study



**Site C** involves the rezoning of four single detached lots to RM-1 medium density townhouse/apartment uses. The analysis compares a base case scenario of 9 single detached units (estimated potential under existing zoning) to a development with an FSR of 0.75, resulting in 35 units (average unit size of approximately 1,300 square feet). This representative case study is illustrated in Figure 3.3, below.

**Figure 3.3: Site C Case Study**





The site information for each case study is summarized below:

Site	Description	Location	Future Zoning	Floor Space Ratio (FSR)	Gross Floor Area (sq. ft.)	Unit Count
Site A	Low Density Apartment	203 & Hammond	RM-2	1.5	51,277	42
Site B	Mixed Use	Dartford & Maple	C-3	3.0	63,380	50
Site C	Townhouse	207 and River Rd.	RM-1	0.75	46,919	35

### 3.2.2 Market Context

This section of the report provides background material on the value of comparable properties in the area and market selling prices across Maple Ridge. According to the Real Estate Board of Greater Vancouver's recent Home Price Index report, the average sale price of an existing single-family home in Maple Ridge was \$510,400 in July 2015. Existing townhouses sale prices were \$292,000 while condominium sale prices were \$167,000 as of July 2015.

According to the Multiple Listing Service MLS the most recent values for new and existing properties in and around the community of Hammond, Maple Ridge are:

Current Snapshot of Housing in Maple Ridge: New Builds			
Housing Type	Average Price	Average Square Feet per Unit	Average Price per Square Foot
Single-Family	\$659,800	3,249	\$203
Townhouse	\$358,500	1,576	\$227
Condo Apartment	\$249,450	761	\$328

Current Snapshot of Housing in Maple Ridge: Resale Market			
Housing Type	Average Price	Average Square Feet per Unit	Average Price per Square Foot
Single-Family	\$458,000	2,116	\$216
Townhouse	\$243,000	1,265	\$192
Condo Apartment	\$174,000	896	\$194

A currently listed single-family home has an average resale price of \$458,000 for an average of \$216/square foot, while a currently listed townhouse in Maple Ridge has an average resale price of \$243,000 with an average of \$192/square foot. As for currently listed apartment condominiums, on average, the resale price is \$174,000 with an average of \$194/square foot.

On the new construction side, new builds in Maple Ridge are priced higher as would be expected in this case. A new single-family home in Maple Ridge, on average, would cost \$659,800 with an average of \$203/square foot. This is similar to the \$/square foot of a resale house currently offered in Maple Ridge. On the other hand, a new townhouse, on average, would cost \$358,500 with an average of \$227/square foot and a condominium apartment, on average would cost \$249,450 with an average of \$328/square foot.

Both new build townhouse and condominium apartments experience a substantial increase in the \$/square foot when compared to resale units.

Of all the new housing developments in 2015, only one new build is geographically close to the Hammond area. Conecon Project's, the Meadows Pointe, located at 20331 Dewdney Trunk Road, is a four-story, 22 unit, boutique condo development, situated just north of the Lougheed Highway and north of Hammond. The majority of all other new housing developments, whether single-detached, townhouse or apartment condominium, are all situated further east along the Lougheed Highway, between 227<sup>th</sup> and 240<sup>th</sup> Street in Maple Ridge.

For example, some recent single family home developments such as Falcon Homes' Wynnridge and Foxridge's Cliffstone are offering 3 to 4 bedroom homes at prices starting at \$560,000 and \$600,000. On the other hand, Wallmark's Two Bird Townhomes are offering 3 to 4 bedroom townhomes priced between \$300,000 and \$450,000. The location of these new housing developments are about 10 km east of Hammond and closely situated to downtown Maple Ridge with easy access to the Lougheed Highway.

While Hammond offers accessibility to the bridges, shopping, public transit, the Fraser River and other amenities, it is an older neighborhood with rail and industrial development nearby.

In order to establish property values a selection of residential units, currently listed for sale, is provided below.

<b>New Single Family Homes</b>			
<b>Address</b>	<b>Avg. Price</b>	<b>Avg. Size</b>	<b>Avg. \$PSF</b>
20716 River Rd	\$624,888	3181	\$196
115595 River WD	\$869,900	4131	\$211
11603 River WD	\$839,900	4007	\$210
21438 121st ave	\$779,900	4044	\$193
13356 235A ave	\$625,000	3464	\$180
13360 235A ave	\$610,000	3464	\$176
<b>New Townhomes</b>			
<b>Project Name and Address</b>	<b>Avg. Price</b>	<b>Avg. Size</b>	<b>Avg. \$PSF</b>
<i>Two Birds - Wallmark Custom Homes</i>	\$332,900	1395	\$239
11461 236 st	\$449,900	2196	\$205
<i>Maple heights street side developments</i>	\$369,900	1495	\$247
11305 240th st	\$380,500	1332	\$286
<i>Albion Station</i>	\$289,900	1222	\$237
10151 240th st	\$309,900	1274	\$243
<i>Spencer Brook Deluxe</i>	\$364,900	1516	\$241
23986 104 ave	\$409,900	2068	\$198
<b>New Condo Apartments</b>			
<b>Project Name and Address</b>	<b>Avg. Price</b>	<b>Avg. Size</b>	<b>Avg. \$PSF</b>
<i>Meadows pointe</i>	\$319,900	989	\$323
20331 Dewdney Road	\$189,900	611	\$311
<i>Reflections on the River by Falcon Homes</i>	\$325,000	841	\$386
22327 River Rd	\$359,900	1002	\$359
<i>Station One - Isle of mann</i>	\$188,600	594	\$318
12070 227 st	\$196,600	644	\$305
<i>Rivers edge by greenside</i>			
11580 223rd st	\$159,900	595	\$269

### 3.2.3 Site Valuation Comparison

This section provides the results of the preliminary pro forma for the case study sites under a base case scenario (current zoning) and under potential rezoning to higher densities. The potential range of land values is outlined in the land residual model and the difference between the two equals the net value or financial lift, which could be attributed to the rezoning. The valuation has been prepared for the current zoning and for the proposed zoning using reasonable assumptions about possible densities and values. In terms of the market it is clear that the optimal value of additional density in the Hammond area would be townhouse zoning. The current market for apartment condominiums is moderate as is the market for mixed use with grade level commercial in this area.

#### **Cost and Revenue Assumptions**

Financial valuation includes a discussion of the financial costs, revenues, benefits, and sensitivities. A number of industry standard cost and revenue assumptions have been made for the preparation of this financial pro forma analysis. Estimated costs and revenues are as follows:

- Off-site services: Both scenarios are likely to have off site costs but the exact amount and scale of the “off sites” are not known with certainty.
- The estimated construction cost for a new single family housing, townhouses and wood frame low rise have all been taken from industry standards and sources.
- Soft costs: All scenarios are expected to have roughly similar soft costs and vary primarily due to differences in scale and density for each scenario.
- Average sale price: The sale price is based upon comparable unit sales in the area.
- The assumed required developer profit is industry standard and includes their return on equity.

These values reflect reasonable cost and revenue estimates for comparable properties, plus or minus 10 percent depending on the development plan and assumptions. This estimate is based upon very broad assumptions. A Financial Analysis with typical industry standard costs and revenues is shown below for each of the three scenarios.

#### **Financial Comparison**

As indicated in the table below, the most significant land value lift is associated with townhouse development. The addition of density, in an optimistic scenario would equal \$5,000 per additional door for an apartment, \$2,750 per additional door for a mixed use project and \$10,000 per additional door for a townhouse project.

Site	Description	Land Value Lift	Value Per Door	Value per Sq. Ft.
Site A	Low Density Apartment	\$180,000	\$5,000	\$6
Site B	Mixed Use	\$130,000	\$2,750	\$3
Site C	Townhouse	\$266,000	\$10,250	\$14

As illustrated, at the present time, townhouses are the only higher density residential form for which there is strong measurable demand. The land value lift for apartments is higher than the land value lift for mixed use development primarily due to the present lack of demand for commercial space in the Hammond neighbourhood. Nevertheless, the current land value lift associated with both apartments and mixed use developments is substantially less than the land value lift associated with townhouses. In the future, as

development progresses in Hammond, there is potential for this situation to change, with increasing values for both apartments and mixed use developments.

### **Potential for a Density Bonus Amenity Zoning System**

The benefits of the additional value created by rezoning can be targeted and assessed for the purposes of the City. Theoretically, the City could potentially access about one-third to one-half of the land value lift in a density bonus amenity contribution. For instance, for a townhouse development at an FSR of 0.75, an amenity contribution of \$3,300 to \$5,000 per unit may be feasible. This approach assumes that the density bonus is associated with the land value lift between the density that is permissible under current zoning and the density permissible under rezoning.

For comparative purposes a pro forma was completed for a low density townhouse development with an FSR of 0.6, in order to evaluate the potential for a density bonus program similar to that in the Albion neighbourhood (where a base density of 0.6 FSR is provided, with a density bonus possible to an FSR of 0.75). For a townhouse development at an FSR of 0.6, the value of the density per door is comparable to that of a single detached development. Therefore, for an increase in density to 0.75 FSR, the land value uplift per door is approximately \$10,000. This analysis indicates that for townhouses, a formal density bonus regime is possible, with potential amenity contributions of \$3,300 to \$5,000 per unit.

For apartments and mixed use developments, a density bonus system would be more challenging to implement at this time. For example, with a land value uplift per door of \$5,000 for apartments, the City could theoretically access an amenity contribution of \$1,600 to \$2,500 per unit (based on the assumption that the City could access about one-third to one-half of the land value lift). However, it is noted that this amenity contribution is associated with the land value lift from single detached to apartment use. If the City were to pre-zone lands for multi-family development and allow for a higher base density (e.g. 1.3 FSR) with an incrementally higher bonus density (e.g. 1.7 FSR), the analysis would not support significant density bonus amenity contributions.



### 3.3 Key Findings

Based on the contextual review and the results of the analysis, key findings are summarized below.

#### **Heritage Conservation Options**

<b>Tool</b>	<b>Potential Advantages</b>	<b>Potential Drawbacks</b>
On-Site Density Bonus	<ul style="list-style-type: none"> <li>Provides landowner with additional density in exchange for heritage conservation</li> <li>Flexible tool, can be customized to circumstance</li> </ul>	<ul style="list-style-type: none"> <li>Some sites may not be conducive to additional density</li> <li>Current market conditions are such that value of additional density on a typical site is substantially less than the value associated with heritage preservation</li> </ul>
Off-Site Density Transfers	<ul style="list-style-type: none"> <li>Provides tool for heritage conservation when density bonus cannot be achieved on-site</li> <li>Provides mechanism for a developer to transfer unused density to another site</li> </ul>	<ul style="list-style-type: none"> <li>Can be complicated to administer between more than one land owner</li> <li>Current market conditions are such that value of unused density on a typical site is substantially less than the value associated with heritage preservation</li> </ul>
Conservation Area Designation	<ul style="list-style-type: none"> <li>Provides formal mechanism to preserve heritage values through heritage alteration permit process (required for subdivisions, additions and new construction)</li> <li>Provides indication that historic elements of neighbourhood will be retained</li> </ul>	<ul style="list-style-type: none"> <li>Heritage alteration permit places additional administrative requirements on landowners/developers, making it more challenging to develop/redevelop</li> </ul>
Heritage Revitalization Agreements	<ul style="list-style-type: none"> <li>Familiar tool that is already in use</li> <li>Provides mechanism to encourage heritage preservation, restoration and rehabilitation, with ability to supersede City zoning regulations</li> <li>Can be combined with property tax exemptions</li> </ul>	<ul style="list-style-type: none"> <li>Administrative requirements for both City and landowners (formal agreement required)</li> </ul>
Property Tax Exemptions	<ul style="list-style-type: none"> <li>Familiar tool that is already in use</li> <li>Provides mechanism to encourage heritage preservation, restoration and rehabilitation</li> </ul>	<ul style="list-style-type: none"> <li>Temporary loss of property tax revenue for City</li> <li>Administrative requirements to manage property tax exemptions</li> </ul>

### Amenity Funding Options

Tool	Potential Advantages	Potential Drawbacks
Development Cost Charges	<ul style="list-style-type: none"> <li>Well-established tool to collect fees associated with growth-related impact on roads, water, sewer, stormwater, and parkland acquisition and improvement projects</li> <li>May be used for trail projects</li> </ul>	<ul style="list-style-type: none"> <li>DCCs may not be used for community amenities (with the exception of park and trail projects)</li> <li>DCC program must be formally established by bylaw and approved by Province</li> <li>Use of DCC approach for trail funding would be inconsistent with approach taken in Albion</li> </ul>
Road Closures and Sale	<ul style="list-style-type: none"> <li>Provides source of funds associated with the disposition of surplus road rights-of-way</li> </ul>	<ul style="list-style-type: none"> <li>Involves sale of publicly owned lands</li> <li>Approach may require exploration of feasibility of reduced road standards</li> </ul>
Community Amenity Contributions	<ul style="list-style-type: none"> <li>Provide funding tool for amenity contributions at time of rezoning</li> <li>Can be easily be applied to a variety of development types (e.g. townhouse, apartment, mixed use)</li> </ul>	<ul style="list-style-type: none"> <li>Approach relies on 'voluntary' contributions at time of rezoning</li> <li>Guidance from the Province suggests borrowing principles and practices that apply to DCC calculations to develop estimated CAC amounts (requires cost estimates for amenities and growth projections for neighbourhood)</li> </ul>
Density Bonus Amenity Zoning	<ul style="list-style-type: none"> <li>Familiar tool that is already in use in the Albion neighbourhood</li> <li>Analysis suggests financial viability for townhouse projects</li> </ul>	<ul style="list-style-type: none"> <li>Requires development of land use zones with base density and maximum permissible density with bonus</li> <li>Analysis suggests limited ability to develop density bonus system for apartment and mixed use projects at this time (base density would need to be equivalent to single detached)</li> </ul>

## 4. Conclusions

### ***Heritage Conservation Options***

The Hammond neighbourhood has a strong heritage character, and through the Hammond Area Plan process it is clear that the neighbourhood wishes to see this character retained, while also allowing for growth and development. The City of Maple Ridge already successfully uses heritage conservation tools such as heritage revitalization agreements and property tax exemptions to allow for development while also encouraging the preservation of historic resources. Thus, for this Study, the focus of analysis was on the viability of on-site density bonuses and off-site density transfers associated with heritage conservation.

As indicated in the analysis, on-site density bonuses are a flexible tool that can be used to encourage heritage preservation while allowing for intensification of sites having the potential for additional development. In situations where there is a small home on a large lot, or if there is a heritage home as part of a land assembly, on-site density bonuses are a practical way to allow for both heritage conservation and development. The analysis suggests that at the present time, the value of heritage conservation is typically greater than the value of additional density that could be accommodated on most sites. However, it is recommended that the City continue to pursue on-site density bonus strategies where possible.

For off-site density transfers, the analysis also suggests that there is a significant difference between the value of unused density on a typical donor site (i.e. a preserved single detached home site that could accommodate perhaps four to five units if it were to be rezoned) and the equivalent value of the heritage conservation (approximately \$300,000 in value, or the right to build approximately thirty townhouse units based on the current value of density per door). For this reason, there appears to be limited potential for a formal, systematized, off-site density transfer program at this time. It is also noted that heritage density transfer proposals can be complicated to process and challenging to explain to neighbouring residents, property owners, and the public in general. Nevertheless, the City may be able to benefit from heritage density transfers on a case by case basis, particularly in situations where a developer restoring a home/building also has a different or adjacent site available for a multi-family project.

### ***Amenity Funding Options***

The City is currently exploring potential strategies to fund amenities in the Hammond neighbourhood. While development cost charges can be used for parks and trails, the City's approach has been to use other tools (such as density bonus amenity zoning in Albion) for trail construction. As well, development cost charges may not be used for other amenities such as affordable housing, community facilities, certain public realm improvements, etc. Therefore, for this Study, the focus of analysis was on the viability of community amenity contributions and density bonus amenity zoning.

Community amenity contributions have become a common tool to help municipalities fund amenities. However, community amenity contributions are not specifically authorized by legislation, and their application generally relies on the provision of 'voluntary' contributions at time of rezoning. Historically, some municipalities have negotiated community amenity contributions based on the land value lift associated with individual rezonings. However, recognizing the challenges associated with community amenity contributions, a number of municipalities have started to develop community amenity contributions that charge a fixed rate (per unit or square foot of gross floor area) based on a DCC-like calculation that considers the cost of desired neighbourhood amenities and the projected neighbourhood growth. If this methodology could be applied in Hammond, community amenity contributions could potentially be a useful tool for amenity contributions associated with all development types (e.g. townhouse, apartment, mixed use) at time of rezoning.

Density bonus amenity zoning, in contrast, requires the establishment of land use zones that provide for a fixed base density and a maximum permissible density that a developer could achieve by voluntarily providing a given amenity (or amenity contribution). The analysis indicates that at this time, a density bonus system for townhouses could feasibly be developed for Hammond, similar to the density bonus system that is in place in the Albion neighbourhood. However, for apartments and particularly for mixed use developments, the land value lift per door is actually less than it is for townhouses, and a density bonus amenity zoning approach would be less feasible.

Based on the value of density per door for apartments and mixed use developments, a density bonus system for these uses would only be feasible at this time if the base density written into the zoning bylaw was equivalent to single detached development. As indicated, at this time the financial analysis does not support pre-zoning lands for apartment or mixed use developments and providing an incrementally higher bonus densities. Therefore, to establish a comprehensive amenity funding program including townhouses, apartments, and mixed use buildings, a community amenity contribution approach would be more practical.

If the City proceeds with the establishment of community amenity contributions in Hammond, contributions could be provided either on a site specific basis or based on a fixed rate per unit or square foot of gross floor area. As indicated, a number of municipalities are moving towards a fixed rate approach. If a fixed rate approach were to be used, ideally it would be based on the cost of the desired amenities and the growth projections for the neighbourhood.

A final funding approach, the closure and sale of surplus road rights-of-way, would require further study to confirm viability. However, based on an initial review it appears that there may be potential for road closures and sales within Hammond. As noted, funding from the sale of surplus road rights-of-way could be used for amenities within the neighbourhood.