Positive Changes in Planning: Why Housing Feasibility Must Come First

In my earlier post on the *Lorval Developments Ltd v Langley (Township)* decision, I mentioned the Planning Institute of BC's (PIBC's) comments regarding the case in one of their recent *Housing Advisory Bulletins* (*HABs*).

It is noted in the bulletins that, "… *local governments* ***can only require developers to provide money or amenities if they have clear authority in provincial legislation***.*"* This includes imposing Community Amenity Contributions during rezonings, if they are in effect mandatory. In addition, "… ***local governments must rely on legislated tools, not negotiated pressure***…".

This is important information for planners, municipalities and builders. What I should have added is that PIBC has issued several other *Housing Advisor Bulletins* that were prepared by B&A Studios and City Squared and delivered as part of PIBC's Peer Learning Network, which was funded by the Ministry of Housing & Municipal Affairs. They are available in the PIBC Resource Library and should be reviewed by municipal staff and project proponents.

There are seven bulletins, and the first one outlines the recent Provincially legislated local government housing initiatives and the role of planning practitioners in implementing them as well as a review of housing development economics.

A significant point made in the *Bulletin* is the need, under the new housing legislation, to avoid government driven policies that undermine the delivery of new housing. This is important because "***When*** *feasible, well-located* ***development capacity is constrained by policy*** *(for example, through limited density constrained by zoning, excessive process complexity, or unpredictable requirements)****, scarcity can be capitalized into land values and translate into higher end prices*** *or reduced project volume*." All of which undermines housing affordability.

It is also noted in the first HAB that the recent provincial reforms are intended to move local planning away from a project-by-project review role that is discretionary to a more upfront and proactive plan-led system in which Official Community Plans and Zoning By-laws have to "… *facilitate more housing supply, diversity and affordability*."

To this end, the new legislation is pushing planning "… *away from theoretical capacity and toward what is financially and technically viable*." In fact, "*Under the Housing Supply Act,* ***local governments*** *with Housing Target Orders* ***must deliver net new completed homes, not just approvals***. *This means* ***zoning, servicing, and policies must support projects that can actually be built***."

There has been a lot of criticism about the Provincial housing targets. Local governments have pointed out the targets (and the delivery of new housing) may not be achieved because of the

current negative market conditions.[1] One Mayor stated "*The market is dead … And … we don't control that*."[2]

This issue is acknowledged in the *Bulletin*, and UDI has also stated that we are in the worst housing market in four decades, so I have some sympathy for this position. However, at the same time they are lodging these complaints, some local governments continue to add headwinds that will slowdown a recovery by introducing new requirements and costs that undermine the viability of projects – increasing fees/charges, higher step codes, district energy connection mandates, inclusionary zoning, unit design requirements, and demanding upgrades to water infrastructure for firefighting water supplies that are well beyond what is required in the *BC Building Code* for occupant safety and property protection. New policies such as limits to embodied carbon in new construction are also being considered. **With the market in its current state, now is not the time to layer on more requirements, costs and delays.**

The PIBC *Bulletin* makes several important points regarding the influence of planners and local government policies and processes have on housing delivery:

- "*… planners can strongly influence the portion of supply that relates to viable, developable land and the certainty of permissions*;"
- "***Many local government requirements directly affect project costs and revenues***. *Even* ***small changes to project revenue potential or development costs can shift a project from viable to marginal****, especially in weaker markets or on constrained sites*; and
- "*Local government land use policy influences viability in three main ways:* ***what can be built, how long it takes, and what it costs***."

The bulletins also include a list of key policy levers, such as:

- Adjusting permitted density which determines the sellable/rentable area of projects;
- Adjusting "*Permissible uses and tenure … which affect revenue profiles and financing*;"
- Built form, which impacts costs and revenues
- Reviewing "*Unit mix guidance (family units, micro units, accessible units), which affects absorption, revenue, and construction efficiency*;"
- Reducing parking mandates;
- Reducing processing timelines as lengthy reviews "*… increase carrying costs, expose projects to market shifts, and can reduce the pool of proponents willing to pursue marginal sites …*;"
- Having "*Standardized zones, pre-zoning, and clear development permit guidelines, which can reduce negotiation and resubmissions*;"
- Having predictable and consistent rules and interpretations to reduce risk and resubmissions;

[1] https://tricitiesdispatch.com/housing-targets-moody-report/

[2] https://www.tomhassan.com/i/managed/west-vancouver-housing-targets-questioned-amid-real-estate-market-april-2026.pdf

- Exploring the "*…potential of coordinating across planning, engineering, transportation, and housing functions …*," as "*Misalignment between departments is a common source of delay, redesign, and unanticipated cos*t."
- Reducing the discretionary elements of policies;
- Reviewing fees, levies, charges, contributions, off-site works, and servicing expectations; and
- Reviewing "*Design requirements (materials, massing rules, stepbacks, parking and loading standards, sustainability standards)*," which can a significant impact on costs.

It is also noted that local governments need to consider allowing "*… for sufficient phasing in of policies, including in-stream protections, to limit impact to projects already underway and reduce market shocks*." This has been a perennial concern raised by UDI, as builders are constantly being caught by new and unanticipated policies and fees. They purchase sites and make financial arrangements early in the development process, so it is difficult (and in many cases impossible) to alter them – especially in this economic environment. Proponents either must increase their prices/rents or defer/cancel their projects – both of which would undermine housing affordability.

The above are all critical issues. As noted in the first *Bulletin*, under the new housing reforms, there is now "*… a greater emphasis on* ***applying economic realism to land use decisions*** *…*," that requires "*… planners to understand how policy choices interact with development economics to ensure that proposed densities and housing targets are achievable under market and financial conditions*." In other words, new requirements should be supported by financial analyses.

Our experience with the local government financial analyses of fees/charges and new requirements has been very mixed. In several instances local governments have conducted a robust financial analysis (in consultation with the housing sector) of a new initiative. However, we have also seen instances in which there has been little or even no review of the financial implications of change in a fee/charge or policy. The level of consultation with builders and associations like UDI and CHBA has also been limited in several instances. There have also been times when municipal staff have provided their councils with a report demonstrating the negative implications of an increase in fees or requirements on the delivery of housing that have then been ignored.

This is problematic now. As noted in the bulletins, "*Recent provincial reforms require local governments to demonstrate how their policies and planning tools support the delivery of financially feasible housing*." In fact, it is stated in the Province's *Amenity Cost Charge (ACC) Best Practices Guide*, that "*Ensuring that ACCs remain sensitive to development viability is essential*." PIBC adds, "*A defining feature of ACCs is the mandatory requirement for financial feasibility testing. Local governments must demonstrate that proposed ACC rates do not undermine development viability*.

For Inclusionary zoning, the Province's *Comprehensive Guidance: Inclusionary Zoning and Density Bonusing*, it is stated that *"… if local governments choose to use inclusionary zoning, they are required to undertake a financial feasibility analysis to ensure that its use will both support new affordable housing supply and not hinder new development*."

The same is true Density Bonusing (DB). In fact, it is noted in the Provincial *Guidance* that a financial feasibility analysis is needed to identify:

- "*whether development is likely financially viable at the assumed base density …,"* in DB by-laws*;* and
- "*the amount of bonus density needed to offset the cost of the amenity or affordable housing bylaw requirements to ensure utilizing the bonus density is financially viable*."

Both Provincial guides provide instructions regarding the financial analysis, as do the PIBC *HABs*. The first *Bulletin* also includes a review of the concept of highest and best use, and how it impacts redevelopment potential.

The second PIBC Bulletin, includes more details on financial testing and development viability assessment methods, including a review of residual land value, return thresholds, the importance of assessing risk, and sensitivity to time and cost changes.

The *HAB* also clarifies why achieving established profit margins such as 15% is critical:

- "*Banks and other lenders will not support a project unless it meets their required risk-adjusted rate of return;*"
- "*The required margin should be understood as a fixed cost for financial feasibility, not an optional premium*;" and
- "*When policies reduce profit margins, they can limit the amount of capital available for housing projects and decrease the number of developers willing or able to undertake them*."

There is also a second series of bulletins on *The Cost of and Funding for Infrastructure and Amenities*. In the *Legislative Changes to Funding Infrastructure Amenities HAB*, two critical points are made:

- "***Local governments must therefore exercise care in calibrating funding tools so that they recover appropriate growth-related costs without unduly constraining housing supply or undermining*** *planning policy objectives related to density, intensification, transit-oriented development,* ***affordability****, or the provision of diverse housing forms."*
- *"…* ***even modest increases in development costs may affect project viability or timing***."

The impact of the cumulative effects of increasing requirements and charges is reviewed in the *Understanding Revenue Tools and Cumulative Impacts Bulletin*:

> "*… it is increasingly important for planners to understand the cumulative impact of policies, regulations, and charges on development viability.* ***Individual requirements may appear reasonable in isolation, but their combined effect can materially influence whether development proceeds****, how quickly it occurs, and what forms it takes.* ***Understanding cumulative impacts is particularly critical where DCCs,***

> ***ACCs, inclusionary housing requirements****, zoning standards, and other regulatory tools interact.* ***Failure to assess these interactions risks*** *undermining provincial housing objectives, constraining supply, or unintentionally* ***shifting costs to consumers***."

PIBC also has a third series of *HABs* on *Inclusionary Zoning and Inclusionary Housing Policies*:

- *An Introduction to Inclusionary Housing Policy in BC*;
- *Case Studies of Inclusionary Housing Policy in Action*; and
- *Key Considerations for Developing Inclusionary Housing Policies*.

In the latter *HAB*, it is stated that "***Financial Feasibility Analysis is a critical*** *factor* ***in designing*** *… legislated tools such as* ***Density Bonusing (DB) and Inclusionary Zoning (IZ)****. Although these tools can secure affordable housing,* ***they must be calibrated carefully to ensure they do not undermine development viability, which can negatively affect overall housing supply***."

It is also noted that "*Inclusionary units work best when incentivized and offset*," which my colleague Jay Chadha argued in his recent post.

Finally, where I have a lot of sympathy for local governments is they are not the only government entities impacting the costs of new housing. Senior governments have and continue to impose taxes on housing. Whether it's the Federal GST or the recent increases in the Additional School Tax (AST) in *Budget 2026*, which is applied to the residential (or portion of) class development land during the pre-construction stage of housing projects while proponents await government approvals.

Provincial ministries should also review PIBC's *HABs*. The Province has been promising regulatory reforms to speed up processing times through its one-window approach. UDI has been disappointed with the results. We have pointed to several improvements that could be made to speed up processing, but Provincial ministries seem to be more interested in adding to the regulatory burden of projects rather than reducing them. The new wetland requirements from the Ministry of Water, Land and Resource Stewardship and the controversial *Heritage Conservation Act* Transformation Project are recent examples of the problem.

We have also not seen any financial feasibility or impact analysis for either of these initiatives on the delivery of new housing – or the changes to the AST, as is required of local governments. What is good for the goose is good for the gander. The Province needs to lead by example by following its own advice and mandates.