



September 27, 2018

Board of Directors

Comox Valley Regional District

600 Comox Road

Courtenay, BC

V9N 3P6

Re: Riverwood Regional Growth Strategy Amendment Application

Introduction

This document provides an overview of many important aspects and issues related to the Riverwood Regional Growth Strategy (RGS) amendment application, to ensure the Board has the necessary information to make an informed decision on this important opportunity.

This document covers some of the history of the project, a summary of the project vision, rationale for addressing refinements to the RGS, discussions on utilities, parks and transportation, as well as addressing a range of issues that have been raised in community discussions.

The choice

The discussion outlined in the following pages provides information, perspectives and rationale for considering the Riverwood RGS amendment proposal. The Board has several stages of decisions and choices ahead.

The first choice is whether to permit this application to proceed through the due review process. The Board's decision to pursue a standard amendment process and its desire to have a robust public consultation and policy process hopefully extends beyond a first reading in the process. We believe there is sufficient rationale and value to the public from this application to support a choice to permit the project to proceed through the full RGS amendment application process, to ensure both the Board and the community have sufficient time and information to make a fully informed decision.

The second dimension to the Board's choices ahead involves the substantive decision on this piece of land, based on both the merits of the application and the options for this land if the Riverwood application is not supported.

The choice before the Board is therefore not between leaving the lands "as is" or approving the Riverwood proposal. The choice is between the Riverwood proposal versus aggressive rural and resource uses and private ownership in perpetuity. The land owner has indicated that after waiting for many years



for this process to unfold, now offering 50% of their land to the community, and not pursuing more rural and resource uses during that time, if the application is not supported, they will be forced to recoup the significant financial impact these delays have caused by pursuing the rural and resource uses envisioned in the RGS for lands between town centres, including:

- Harvesting the remaining timber on the land;
- Pursuing gravel extraction where feasible, as there are granular reserves on the land and none of the land is suitable for agriculture; and
- Selling the land in large 50-acre parcels that will not require any park dedication, thereby making the entire area, including public access areas to the lands and Falls, private and with no opportunity for public access.

Many will feel that the rural and resource extraction outcomes would be unfortunate for this piece of land, especially if it compromises access to Stotan Falls and other areas, albeit private ownership and these rural and resource uses are supported by the current RGS.

For some, the choice before the Board is not about the land and its options, but rather about whether or not to amend an RGS, and thereby to challenge the untouchable status the RGS has had to date. For others, it may be about their negative feelings they hold for the land owner. We however encourage the Board to note that this application is not about the land owner and is in many ways less about the RGS than it is about this piece of land and its optimum future for both public and private interests, at this critical point in time.

No RGS or any plan can envision all of the key choices and implications that may lie ahead in a community regarding any piece of land. Therefore, plan amendments are entertained in order to allow the Board to make the best choices as opportunities arise over time.

Perspectives on RGS amendments

Amending the RGS is an important and serious task, because creating and approving it in the first place was a time-consuming process for the regional community. However, amendment applications are also appropriate as no plan envisions all future contingencies or opportunities.

Approving a plan and holding it unchanged for half a decade or more is akin to taking a picture of oneself and then requiring that we do not change anything about ourselves for many years. Not only is this impossible and undesirable, but a community is much more complex than a person and many things change over a half decade or more, that require plans to be amended to pursue the optimum public interest outcomes.

In the case of the CVRD's RGS, many development areas in the current RGS were in play and approved in the hey day of optimism that surrounded the pre-recession years, including significant optimism on major projects such as Kensington, Sage Hills and Trilogy. Today, none of those projects have started, and as such, the presumption that that much density would be in play to manage pressures on land and housing prices are not being realized. In fact, the costly realities of infrastructure have all three areas struggling to try to find a feasible way to start, even though the housing market has been as strong in the past few years as it ever has been.



When an RGS is conceived, unfortunately, no due diligence is done by staff or consultants on the actual feasibility of developing any area that is proposed to be within the RGS – infill or greenfield. As such, the market response to the steady growth pressures in the region are highly informative today on the actual feasibility of the growth areas included in the RGS. The areas that have entertained new development are likely the only ones that are actually feasible, and the areas that have not developed, have a low level of feasibility or are owned by those who do not want to change their land because simply having land in a plan does not mean it will develop.

The CVRD’s RGS has now been tested in the reality of the market over the past half decade and many of the areas that have not developed under this RGS at this time may in fact be “false density” in that they are not actually feasible to develop – now or at any time in the future or until the cost of housing and land has risen to a much greater extent.

It is important that the Board recognize that the CVRD’s planning staff and consultants undertook no analysis of this core factor of development feasibility when determining what areas were in or outside the RGS boundaries, and as such, the plan does not represent financially feasible development capacity. As such, the market has indicated that many of the growth capacity numbers in the RGS are hopeful conjecture in the absence of the hard reality of what is actually realizable.

This lack of financial assessment is not the fault of any individual, it is a flaw in the regional planning process in all regions, and thus, it is imperative to consider amendments on a regular basis, to ensure the plan can respond to current realities and continue to meet its public objectives.

The implications of the real density that is available in the RGS today addresses one of the critical factors facing the future sustainability of the CVRD because it directly impacts housing costs.

The cost of building construction is roughly the same in nearly every region of Canada (see Altus reports on construction costs) and the differential in housing costs is primarily in the differences in the cost of land on which the building sits. Since the RGS was commenced, and thereby significantly constrained the supply of land that is actually available and feasible for development in the region, the cost of land, and thereby the cost of housing, has risen dramatically in the CVRD.

According to the Vancouver Island Real Estate Board statistics:

- in 2014:
 - The average home price was approximately \$350,000.
 - The average inventory (available supply) of land and homes for sale was extensive, including:
 - Lots -128
 - Acreages – 80
 - Single family – 482
 - The average sale time for inventory was 7.9 months.
- In 2018:
 - The average home price was approximately \$520,000.
 - The inventory of land and homes for sale had shrunk significantly (causing the price increase) to:



- Lots- 25
- Acreages – 29
- Single family – 216
- The average sale time for inventory in 2018 has often been as short as 3 months.

The purpose of the RGS is to channel market-driven growth into key areas to meet various public objectives but it must be responsive to the market. The implication of overly constraining land supply is rapidly climbing prices, as home builders have to compete aggressively to get land on which to build. Rapidly rising land prices are not in the public interest and as such, when indicators suggest that the RGS constraints on the supply of land for homes is impacting housing prices to the extent they are, it is incumbent on the local government to review its plan and consider amendments seriously.

With respect to the position that there is adequate land and density “inside” existing municipal areas to absorb growth, the key question for the Board to consider is how much does the land cost per unit for these infill projects, because that cost determines both whether that infill is actually feasible, and if it is, what the implications will be on housing costs.

A typical new home today will cost somewhere in the range of \$200-300/sqft for all its costs – including materials, labour, municipal fees, interest on loans and others, as well as the required profit margin to trigger bank financing – but not including land costs.

Therefore a 1,000 sqft townhouse will incur costs of \$200-300,000 just to build the building. The cost of the land must then be added onto this number.

If an infill project envisions three townhouses to be fit into an existing single-family home site that costs the average CVRD home price today of roughly \$500,000, then the cost of the land is over \$165,000 per unit – yielding a minimum market price of \$365,000-\$465,000 for each of those townhouses. If the builder cannot sell a 1,000 sqft townhouse for that price, then none will get built.

If some can be built, then the next question is how big the market size for that specific housing type is. If only a small market exists for the type of housing that can actually be delivered in that financial context, then while some will be built, the number will be limited and little growth will actually be absorbed. In addition, any infill projects that require demolition of existing homes, decrease the affordable housing in the area at the same time. As such, while an RGS or OCP may envision significant infill density, putting it in a plan does not make it real or feasible. If the financial numbers do not work, it is “wishful density” and not real density.

Attainable housing thresholds today require land costs to be between \$30-80,000 per unit – making the above example townhouse available in the market for around \$300,000. In order to get the land per unit costs down to this level at current house prices, a typical single-family home as an infill site at \$500,000 would require nearly ten new units to be put on it – or an increase of density in this infill scenario of roughly ten-fold. Since we cannot accommodate the parking for ten units on one lot, land assembly and the construction of much larger buildings is required. This reality then further complicates the infill reality.

If the OCP, RGS, zoning or community politics cannot support such significant increases in density, then little infill will actually be built and where infill occurs, it will be expensive.



In light of the above reality, a regional growth plan that envisions absorbing many hundreds of new units per year with infill strategies, year after year, will entail significant disruption to many existing neighbourhoods, especially the lower priced ones that offer affordable housing today. While this may meet the goal of focusing development within existing areas, it will have many other unintended consequences of neighbourhood disruption, loss of existing affordable housing stock, and change of neighbourhood character.

This reality pushes forward the necessity to consider new greenfield sites that can increase the supply of land to reduce the pressure on infill sites to reduce demand and therefore their price, and therefore stabilize land and housing prices overall.

The scale of land that needs to be available in the market to have a balanced market that is not unnecessarily driving land prices up or down beyond the rate of inflation, is significant, and also not generally considered in an RGS process.

A balanced real estate market generally is accepted to exist when there is a 15-20% sales to inventory ratio, meaning that for every home purchased in a unit of time, there are 5-6 other homes like it on the market.

The same ratio applies to land – which is required to build the homes. This means that the RGS and OCP needs to have 5-6 times the amount of land available in feasible sites that it envisions will be needed to accommodate the projected growth demand over the life of the RGS or OCP. If there is insufficient land capacity to maintain this balanced market, then prices will rise. And again, that density needs to be in areas where the proposed developable density is actually financially feasible to (re)develop.

It is important when considering whether its RGS has sufficient density, that the Board consider whether this balanced market factor was calculated into both the original RGS and more importantly, the most recent decision on an update to the RGS.

Riverwood offers an opportunity to bring new land into the market, close to existing town centres, and thereby help slow the rise in housing prices and meet the region's goals.

Project history

As a brief review, the history of this project with respect to the RGS includes the following:

- The majority of the Riverwood site was purchased by 3L Developments in 2006, prior to the start of the RGS. Additional land was purchased several years later to increase the total size to that in discussion today.
- 3L Developments approached Mr. Felip, then General Manager of Community Services in the CVRD to subdivide the Riverwood site into 5-acre parcels – in accordance with the zoning of the site at that time.
- Mr. Felip indicated that the District wanted higher density development and that the CVRD staff would recommend approval of a site plan with a density of 0.5 acre lots on half of the site, if 3L would give the other 50% to the community for a park.
- Based on this guidance, 3L changed its plans and commenced planning studies in the spring of 2007. 3L met regularly with CVRD staff during that work. At no time during this time was 3L



apprised of a change in policy or position of support for this process and direction. This process continued through 2010, into the period of time when the RGS planning work was well underway toward approvals.

- The rezoning preparation was completed for Riverwood, however, the full application was not submitted due to a request from Planning staff, pending the completion of the RGS.
- The early drafts of the RGS appropriately included the Riverwood lands in its settlement expansion areas, however, late in the RGS process, as the planning neared its final approvals, with no notice or consultation with the land owner, the Riverwood lands were removed at the request of the then Chairman of the Regional District Board, Edwin Grieve, as verified in the records of the subsequent litigation by the then Mayor of Courtenay.
- Following approval of the RGS, the Regional District downzoned the site, removing the potential for 5-acre parcels.
- 3L Developments then entered discussions with the Komoks First Nation for various options of working with them on the lands, but none were able to be realized due to opposition by the local governments and the impacts of that opposition on decisions by the Province.
- In 2013, 3L was informed of the options that they had of rezoning into very large lots, or of applying for an amendment to the RGS. 3L opted to apply for an RGS amendment, but as of 2014, there were no procedures in place to apply to amend the RGS. When procedures were finally approved, 3L applied and was turned down in a manner that did not meet the CVRD procedures.
- Following litigation, 3L won both the case and the appeal, and when further stalled, threatened further legal action.
- The Board then agreed to process 3L's application through a full amendment process, and the current process began.

The above timeline sets the context for the current relationship between the land owner and the government that is unfortunate and unnecessarily adversarial, and one that complicates a clear discussion on the policy options by introducing negative personal opinions and other emotions into what needs to be a neutral and thoughtful process.

For their part, 3L has now hired a team to assist in working the policy and consultation work to proceed in a respectful way forward through this amendment process.

Riverwood is a significant opportunity for the region

While the very existence of a project that proposes to change the RGS can incur the rancor of some, it is important that the local government neutrally and seriously consider the merits of the project to contribute to the RGS goals in the the Valley today, in light of the many large projects in the RGS that have not started yet as well as the rapidly rising house / land prices in the region.

Riverwood offers many benefits to the region including:

- The preservation of half of the Riverwood site as a public park, that protects both the Browns and Puntledge Rivers and ensures public access to Stotan Falls in perpetuity;



- The inclusion of approximately 1,000 new housing units, within a short distance of the Courtenay town centre – a distance that is a fraction of the distance between these existing areas and the Kensington and Sage Hills areas that were accepted within the RGS;
- Increasing the linkages between existing town centres and transportation infrastructure;
- A development plan that commits to many sustainability initiatives;
- Significant economic benefit in both the short and long term;
- A project that can strategically benefit the K’omoks First Nation; and
- Many other benefits.

In light of the critical challenges facing the other new development areas, and the benefits Riverwood can contribute to the region, this project has significant merit and deserves serious consideration.

Private utilities

There is a policy in the RGS to generally not support the addition of private utilities within the region. The District has also begun absorbing some existing water and sanitary utilities in local improvement areas into the public utility system. The benefit of this approach is that the responsibilities for health and safety in servicing is totally within the purview of the local government and this policy provides further controls within the local government to control new development.

There are other private utilities in the region, including Saratoga Beach, Mt Washington and others, and other developers such as Kensington are looking at them too. Many of these have plans for the District to take over them when other properties plan to connect.

However, it is important to revisit the issue of private utilities within the context of the Region’s realities, both now and in the future.

The current policy against private utilities needs to be reconsidered, starting with differentiating between the experience with local improvement districts versus areas serviced by highly regulated and resourced corporate utilities.

Local improvement districts are frequently managed by Boards without experience or expertise in water or sewer infrastructure. They also often do not have the resources to maintain or upgrade and replace systems as they age or fail. This problem results in the public sector having to step in at times and take over these projects at cost to the community.

The private utility envisioned for Riverwood is an entirely different system and situation that these local improvement district systems.

The Riverwood option includes:

- A large and well-resourced corporate utility company (Corix) owned by the public sector pension fund;
- A design and approvals process that is more stringent than those the CVRD’s own systems are subjected to, through the BC Utilities Commissions approvals process;
- Highly skilled and experienced managers; and



- Opportunities for any private systems to be easily incorporated into expansions of the public infrastructure systems in the future.

As such, the risks to the Region are minimal from the infrastructure system proposed.

Regarding the use of infrastructure expansion plans to control growth, there are several key points to consider:

- Notwithstanding the total density approved in the RGS, because of the policy that all new development must be serviced by the public water and sanitary system, the actual density available in the RGS is a fraction of what is in the plan because many areas are limited by the cost of extending these public systems, and therefore, the infrastructure policy is impacting a significant percentage of the total growth in the RGS.
- The politics of water and sanitary system expansions is such that they are often focused on getting more reliable and safe servicing to existing areas that need these systems rather than servicing new areas that can support new growth. As such, this policy actually circumvents the overall map of growth areas in the RGS and limits the growth potential solely to areas in line for infrastructure expansion.
- Some fear that by opening the door to private utilities that rampant sprawl will extend across the region. However, this view forgets that the other controls in the RGS exist to focus development in only approved areas and as such, sprawl will be avoided even if private utilities are allowed.

There are many benefits to high quality, effectively resourced and managed private utility systems including:

- They remove costs for new infrastructure to service new growth, directly linking the cost of servicing to those who use the services – only those who use the services pay for them.
- There is no impact on public budgets or current tax payers for these systems, allowing public funds to go to upgrading the services and safety for the existing taxpayers who need those upgrades.
- These utilities open up more land and thereby permit the market to function effectively, within the structure of regional growth management plan. This new land supports bringing sufficient housing into the market in response to demand to mitigate rapid price increases in land and housing, as discussed above.
- The utility systems can be integrated into public infrastructure at any time in the future.
- The systems are also more amenable than public systems to sustainability-driven innovations such as water treatment and re-use, energy harvesting and others, thereby potentially assisting the region in achieving its sustainability goals.

While there are challenges with all infrastructure systems, there is significant evidence in the benefits of these systems in their ability to support neighbourhood services. There are also many opportunities to integrate or transfer ownership of the private utility in the future to the public system. Corix has extensive experience in transferring ownership to public utilities.



Regarding the issue of precedent, if a private utility is entertained for Riverwood, it can be argued that it would be logical to entertain them for other areas within the RGS – including Kensington, Sage Hills, Trilogy and others. Since these areas are within the RGS but not currently serviced, allowing growth to occur in them with the use of private utilities, where they are feasible, would likely be supportable. More importantly, competition between all of these projects would stabilize or bring down housing costs and increase economic development – thereby achieving the goals within the RGS.

As such, the policy against private utilities in the RGS has many unintended consequences and in some ways, it unnecessarily circumvents the RGS capacity by reducing the realizable density currently approved in the RGS. The risks to the region are minimal for the inclusion of this type of utility and in fact, the long-term risks to the region of not allowing sufficient serviced land into the market at affordable rates has a far larger potential for negative impact.

Parks and environmental considerations

All development has impact on the natural ecosystems within which it occurs. All existing and growing areas in the Comox Valley used to be natural but the previous ecosystems were removed to allow for development. The RGS envisions significant ongoing impact to the environment in all its current and future growth areas.

The Riverwood area likewise will experience significant environmental changes in its future, in any option. As a rural / resource development area (the real option for land use in this application), its current remaining forests are likely to be removed with associated impacts and efforts to extract gravel may be pursued. Under the proposed development plan, the Riverwood neighbourhood would preserve 50% of the land in perpetuity including the river corridors and other sensitive areas. As such, regarding the physical environment on the lands, the Riverwood proposal has the best environmental performance of its current probable options.

The size and location of the park proposed for the neighbourhood was established through and environmental study conducted by Biologists with FishFor Contracting (now Strategic Natural Resource Consultants in Campbell River). The methodology for evaluating the most sensitive land to be preserved in the proposed park area included:

- Areas to be conserved based on levels of sensitivity including habitats that support possible species in peril or at risk as well as the imperative to protect surface waterways, riparian areas and wetlands; and
- Areas to be restored.

The sensitive habitat areas and the riparian areas were combined into a logical land protection pattern, resulting the design of the neighbourhood and the park area.

Additional environmental studies will be undertaken if the project moves forward, in support of rezoning and development permit approvals.

The proposed park area is over 250 acres and is proposed to include both 9km of public trails, as well as trail-head facilities including washrooms.



In addition, there are reports of important fossil beds within the proposed park areas, further increasing the public value to preserving these areas.

Regarding climate emissions from transportation, the Riverwood neighbourhood is significantly closer to the employment, educational and shopping centres of Courtenay and Cumberland than many other areas currently in the RGS, including Kensington and Sage Hills. As such, emissions from transportation would be lower per capita for settlement in Riverwood than in many other areas currently in the RGS.

Regarding emissions from buildings, the landowner of Riverwood has committed to promoting green building standards in development on the site. Securing these commitments would occur at later stages in the approvals process for the site, but it is an important goal for the project.

Transportation

The proposed new road network integrates smoothly and easily with existing roads and RGS transportation goals.

The Duncan Bay Main logging road will become a public road in the proposed Riverwood plan, supporting the region's cycling plan which identified it as a future important bike route to connect existing town centres.

The site would be connected to the existing access points to the Island Hwy as well.

A transportation study for the project was completed by Bunt & Associates. It evaluated the existing and proposed traffic patterns with various scenarios. The focus of the study was on the initial plan for the site, that had slightly fewer units than currently envisioned, and in all of its scenarios, there were limited to no major offsite road improvements required.

As the current proposal has added new land and envisions a slightly higher density, this initial traffic study reflects the reality of the first phases of the project, and additional traffic studies and possibly road enhancements may be required in the late stages of the project.

The current plan envisions significant pedestrian, cyclists and transit infrastructure to be included in the project, assisting the region in meeting its transportation, modal share and climate change emission reduction goals.

Opportunities for the K'omoks First Nation

3L Developments have had many discussions with the K'omoks First Nation (KFN) and have an agreement regarding water supply. KFN have rights to a significant amount of water from the Comox Lake and the associated river system but have no ability to get water treated and to their lands adjacent Riverwood for use. In their agreement, KFN will provide the water for both Riverwood and their lands, and Riverwood will provide the infrastructure for treatment and conveyance through their water utility. Without this system, KFN faces formidable challenges in getting water to their lands to support economic development.



Community support

There is significant community support for this project, due to its offer of 50% of the land as park, thereby protecting the rivers and public access to Stotan Falls in perpetuity.

Beyond those who support the project for its significant parkland contribution, other strong support is coming from:

- Many in the business community for its significant economic development potential;
- Home builders who have to work hard to find lots to build on;
- The real estate development and sales industry;
- People who want more housing choice;
- Those who support economic development in the region; and
- Many others.

Conclusion

We appreciate that the Board has agreed to entertain the Riverwood RGS amendment application in a neutral, respectful and responsible manner.

The politics of such an application in an election season are significant but we believe that the Board can see through the political noise around this application to see the serious choice it represents for the future of this area and the rivers, and to see the significant opportunity it represents to bring many benefits to the region, and help it achieve the core goals of the RGS and the Region's Sustainability Strategy.

Sincerely,

Mark Holland

Holland Planning Innovations

(250) 713-9789 mark@hollandplan.com