

**HOUSING  
ADVISORY  
BULLETINS**

**SERIES 01**

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**FUNDAMENTALS OF HOUSING  
DEVELOPMENT ECONOMICS**

**ISSUE 1.1 - LEGISLATIVE CHANGES  
TO HOUSING DEVELOPMENT AND THE  
ROLE OF PLANNING PRACTITIONERS**



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# HOUSING ADVISORY BULLETINS

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## HOUSING ADVISORY BULLETINS

# ISSUE 1.1 - LEGISLATIVE CHANGES TO HOUSING DEVELOPMENT AND THE ROLE OF PLANNING PRACTITIONERS

### 1.0 INTRODUCTION

This bulletin is part of PIBC Peer Learning Network (PLN) Housing Advisory Bulletins Series 1, which equips planning practitioners with practical, economics-informed guidance to support housing delivery in British Columbia. Issue 1.1 focuses on recent legislative changes and their planning implications, and sets the stage for Issue 1.2, which turns to project-level financial testing and development viability.

The PIBC Peer Learning Network (PLN) Housing Advisory Bulletins are designed to equip planning practitioners with practical insights into the financial and policy dimensions of housing delivery in British Columbia.

The bulletins are organized into three parts:

- **Series 01:** Fundamentals of Housing Development Economics
- **Series 02:** The Cost of and Funding for Infrastructure and Amenities
- **Series 03:** Inclusionary Zoning and Inclusionary Housing Policies

Together, these bulletins bridge the gap between theory and practice, supporting planners in aligning housing objectives with economic realities and legislative requirements.



## 1.1 Purpose of the Bulletin

This bulletin is the first in **Series 1: Fundamentals of Housing Development Economics** and is designed to:

- + Summarize key provincial housing legislation enacted from 2022 to 2024 and the resulting shifts in local planning practice.
- + Explain how Official Community Plans (OCPs), zoning bylaws, and approval processes are now expected to be aligned and regularly demonstrate their capacity to support housing supply that meets local needs.
- + Provide actionable guidance to avoid policy-driven supply constraints and to ensure sufficient opportunity for all types of housing to meet local need.

These considerations are essential as local governments work toward creating complete communities under a legislative environment that has shifted significantly in recent years.

**The bulletin intends to complement the existing provincial guides and bridges the gap between theory and practice in informing planning practitioners of their roles in shaping the future of housing development and viability.**



## 2.0 THE CHANGING CONTEXT FOR LOCAL PLANNING IN BRITISH COLUMBIA

Recent provincial legislation has significantly reshaped the land use planning environment in British Columbia. Beginning in 2022 and continuing through 2024, the Province introduced new requirements and provided local governments with new authorities to support a revised planning framework. This framework takes a long-term approach to increasing housing supply and diversity, with increased expectations on aligning plans with housing need, supplemented by improved financial and regulatory tools as a condition of delivery. Together, these reforms influence how local governments plan for growth, set expectations for development, and evaluate the financial feasibility of proposed housing forms. The following provides an overview of the most relevant changes for planning practitioners.



### HOUSING SUPPLY ACT (BILL 43, 2022)

The Housing Supply Act establishes the provincial framework for Housing Target Orders. It provides the Minister with authority to consult with municipalities and issue targets, require annual progress reporting, and use compliance tools when necessary, including advisors, directives, and Orders in Council. The Act encourages local governments to create the conditions needed to meet these targets, including through zoning, process improvements, and consistent annual reporting on progress.



### HOUSING STATUTES AMENDMENT ACTS (BILLS 44, 46, AND 47, 2023)

- + **Bill 44** focuses on residential development. It removes the requirement for public hearings for rezonings that are at least 50% residential and are consistent with the Official Community Plan, requires permissions for Small-Scale Multi-Unit Housing (SSMUH), and requires that, Official Community Plans and zoning bylaws align with twenty-year housing needs as identified in their most recent Housing Needs Report (HNR).
- + **Bill 46** updates the development financing system by expanding the purposes for which Development Cost Charges (DCCs) can be collected and introducing Amenity Cost Charges (ACCs). ACCs must be established through bylaw, with rates set upfront and supported by financial testing to ensure viability.
- + **Bill 47** requires local governments to designate Transit Oriented Areas (TOAs) with minimum allowable densities and heights. It also removes residential parking minimums within these areas to help support housing delivery close to transit.



### HOUSING STATUTES AMENDMENT ACT (BILL 16, 2024)

Bill 16 introduces new tools to support proactive planning and complete communities, including tenant protection bylaws, a provincial framework for inclusionary zoning, updated density bonus provisions, and expanded authorities to require works, services, and Transportation Demand Measures. These tools expand the ways local governments can address housing needs while maintaining attention to development viability.

Together, these legislative changes affirm the central role of OCPs and zoning bylaws, while setting clearer expectations that they facilitate more housing supply, diversity and affordability. They also require 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.

### 3.0 THE ROLE OF PLANNERS IN SHAPING DEVELOPMENT OUTCOMES

Recent provincial reforms reposition local planning away from discretionary, project-by-project evaluation role toward a more proactive, plan-led system where the primary work happens “upstream.” This elevates the importance of policy choices made through OCPs, zoning bylaws, and standardized approval pathways.

In practice, planners have always shaped housing delivery at a macro-economic level through development permissions, but current legislative expectations place greater emphasis ensuring that local policies support housing outcomes.

As a result, the reforms sharpen expectations that local plans produce realistic redevelopment opportunities aligned with housing need. This is not a new role for planners, but it does place greater emphasis on applying economic realism to land use decisions so they support housing delivery, especially for affordable and non-market projects.

#### 3.1 How Legislative Changes Elevate the Role of the OCP & Zoning Bylaw

##### Shifting away from bespoke amendments and customized zones.

OCPs and zoning bylaws have been used for decades to proactively guide land use across their communities. As infill and higher-density redevelopment became more complex, many jurisdictions increasingly relied on property-specific OCP amendments and Comprehensive Development (CD) zones to craft bespoke solutions. This approach enabled negotiation of amenities and public goods, but often at the cost of added time, uncertainty, in some cases, potential erosion of public trust in the overall plan. In some cases, communities utilizing focused OCP and zoning amendments did not conduct comprehensive reviews and updates to their bylaws for many years.

##### Taking a longer-term outlook, with more regular updates.

As part of the new proactive planning cycle implemented by Bill 44, all local governments must update HNRs using a standard method to understand local housing need over 5 and 20 years. Local governments must then update their OCP and zoning bylaws to accommodate the identified 20-year need, including pre-zoning sufficient land where necessary. Future HNR updates are due at the end of 2028 once new Census data becomes available, and then every 5 years after that. OCP and zoning bylaws must be updated in line with these cycles to reflect the evolving understanding of housing need.



### **New baseline permissions are now required.**

Recent provincial requirements for SSMUH and for designating TOAs increase residential development potential in many areas by introducing minimum densities and removing residential parking minimums within TOAs and for SSMUH units in areas served by frequent transit. If these changes are not enough to meet the 20-year housing need, local governments must pre-zone additional land. Landowner-initiated rezoning applications, including custom CD zones, are still allowed, but planners are now expected to take a more proactive approach.

### **OCP-compliant residential rezonings are streamlined, with reduced public input.**

Although rezonings are still allowed, local governments cannot require public hearings for majority residential applications that align with the OCP. This may shorten approval timelines, resulting in reduced project costs and risks, but it also reduces opportunities for public feedback. As a result, there is greater emphasis on proactive policy and land use planning to ensure that OCP policies and zoning are well designed, and informed by comprehensive and meaningful public engagement, as part of the new five-year update cycle.

### **From negotiated CACs to codified tools, with feasibility requirements.**

Several financial tools are now codified in legislation, including Amenity Cost Charges, density bonus zoning, and a provincial framework for inclusionary zoning. These tools help local governments secure amenities and affordable housing outcomes that were previously obtained through negotiated rezonings, which may no longer occur for many SSMUH and TOA sites.

This shift also creates a new paradigm in which planners can pair OCP policy and potential pre-zoning to unlock capacity while securing public benefits, provided requirements are financially tested and calibrated to maintain development viability.

### **Focusing on feasible housing supply that meets Housing Target Orders.**

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. Local governments also report annually on actions taken to remove barriers and update zoning to help meet these targets.

In practice, this shifts planning away from theoretical capacity and toward what is financially and technically viable. Meeting provincial targets requires zoning and OCP policies that reflect realistic building forms, infrastructure constraints, and market conditions, along with expectations for unit mix and tenure. By grounding planning in feasibility, local governments strengthen their ability to meet targets, avoid provincial directives, and ensure that identified capacity results in actual homes.

### **Practical implication for planners.**

In this context, planners add the most value by:

- + Translating housing need into **clear, mapped, and serviced development capacity.**
- + Reducing uncertainty by standardizing and simplifying permissions where appropriate.
- + Ensuring local requirements are **predictable, transparent, and supported by financial analysis.**
- + Monitoring whether policy-enabled capacity is resulting in applications and completions, then adjusting where it is not.

### 3.2 The Impact of Policy-Driven Supply Constraints

Housing outcomes are shaped by both **demand** (population growth, household formation, incomes, interest rates) and **supply** (land availability, permissions, costs, construction capacity). Many drivers of demand and some drivers of supply are outside local government control. However, planners can strongly influence the portion of supply that relates to **viable, developable land** and the **certainty of permissions**.

#### Why land and housing costs matter in a supply context.

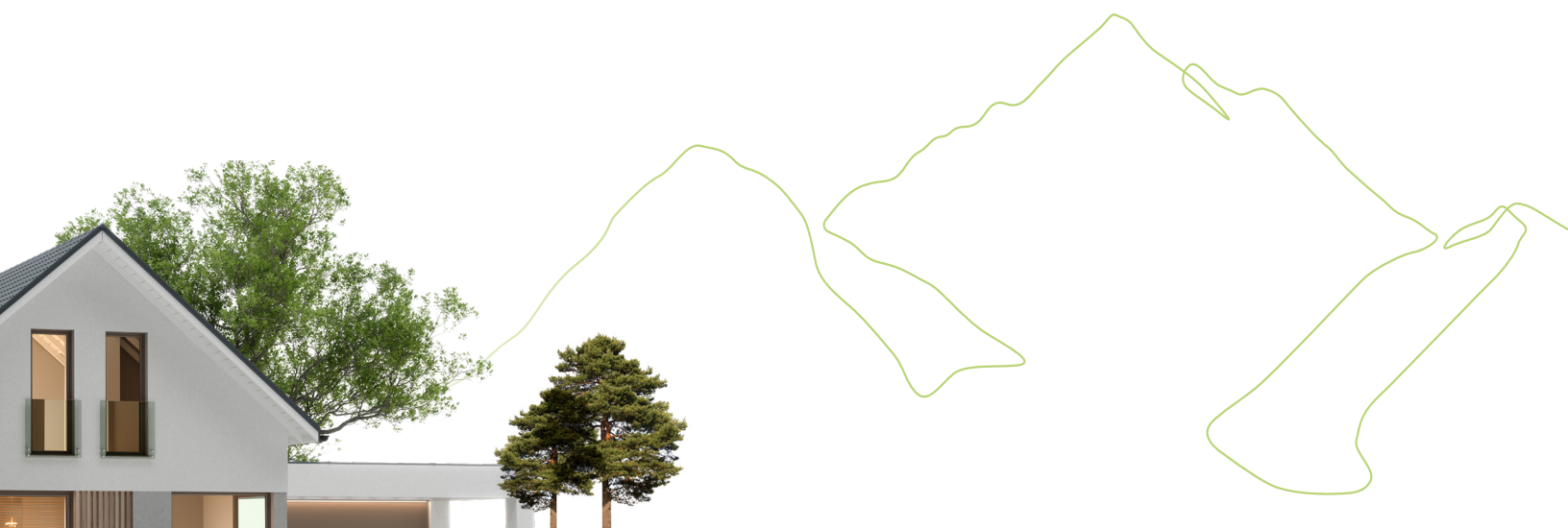
Land and housing costs are not only outcomes, they are also signals that reflect the balance of demand and supply of viable development opportunities. When feasible, well-located development capacity is constrained by policy (for example, through limited density constrained by zoning, excessive process complexity, or unpredictable requirements), scarcity can be capitalized into land values and translate into higher end prices or reduced project volume.

#### Distinguishing “theoretical” supply from “realizable” supply.

Plans can show substantial capacity in terms of units or floor area, while actual redevelopment remains limited because:

- + Market demand is not uniform across all locations or housing forms.
- + Construction and financing costs vary significantly over time.
- + Sites may be encumbered by assembly needs, tenancy, contamination, servicing limits, or heritage constraints.
- + The policy requirements may be too costly or too uncertain to justify investment.
- + The additional density contemplated by policies may not be sufficient to justify redevelopment.

In short, not all planned capacity is equally developable. The market for different housing types must work within the potential supply that is both **permitted by policy and financially viable**, and theoretical supply will not be realized in all locations.



### 3.3 How Planning Policy Affects Development Viability, Land Values, and the Delivery of Housing

Development viability is the outcome of whether a project can cover its costs, achieve an acceptable return, and secure financing. Local government land use policy influences viability in three main ways: **what can be built, how long it takes, and what it costs.**

Below is a high-level summary of key policy levers that shape development outcomes:

#### A. What can be built (value creation and revenue potential)

- + **Permissible uses and tenure** (rental, ownership, mixed-use, supportive housing), which affect revenue profiles and financing.
- + **Density, height and massing** (Floor Space/Area Ratios, unit counts, storeys, setbacks, angular plane and set back requirements), which determine total sellable or rentable area.
- + **Built form and typology permissions** (townhomes, multiplex, mid-rise, high-rise), which affect construction type, costs, and achievable rents or prices.
- + **Unit mix guidance** (family units, micro units, accessible units), which affects absorption, revenue, and construction efficiency.
- + **Parking requirements** (surface, structured, below grade, or provided as funding in-kind) which can be one of the highest cost elements in many forms of development, particularly when required below grade.



## **B. How long it takes (risk, carrying costs, financing)**

- + **Application timing and sequencing** (whether approvals can be concurrent, and whether requirements are known early).
- + **Clarity of policy and discretion** (predictable rules reduce risk premiums and redesign cycles).
- + **Standardized zones, pre-zoning, and clear development permit guidelines**, which can reduce negotiation and resubmissions.
- + **Appeal and public hearing requirements** and the extent of staff-level authority, which can materially affect timelines.
- + **Application resubmissions contribute to additional time and costs.**

Longer timelines increase carrying costs, expose projects to market shifts, and can reduce the pool of proponents willing to pursue marginal sites in jurisdictions where these conditions persist.

## **C. What it costs (direct costs and implicit costs)**

- + **Required levies and contributions** (DCCs, ACCs, density bonus contributions, off-site works).
- + **Servicing expectations and works requirements** (extent, timing, cost sharing, and standards).
- + **Design requirements** (materials, massing rules, setbacks, parking and loading standards, sustainability standards).
- + **Phasing and occupancy conditions**, which can affect cash flow and financing structure.

## **Link to land values.**

Over time, policy changes can be capitalized into land values. Increased permitted uses and form can increase land value expectations, while alternatively increased requirements can reduce **residual land value** or push development to fewer sites that can still “carry” the policy burden. This is why calibration matters: if requirements grow faster than the value created by additional permissions, projects stall and planned supply becomes unrealized.

**Residual Land Value** - refers to the maximum price a developer can pay for land after account for all other costs of development. For more detail on this concept, please refer to Bulletin 1.2.

## **Early integration of feasibility thinking.**

A practical implication is that feasibility considerations should be embedded at the policy formation stage, especially during OCP updates and zoning modernization.



## 4.0 UNDERSTANDING HIGHEST AND BEST USE

**Highest and Best Use (HBU)** is a land use planning and development economics concept that describes the use of a property that is:



In a planning context, HBU matters because it influences when redevelopment occurs, what form it takes, and how quickly planned housing capacity is likely to be realized. HBU is not only a theoretical appraisal concept; it is a practical way to understand how zoning and market conditions interact to shape landowner and developer decisions.

## 4.1 How Redevelopment Potential Is Dictated by Highest and Best Use

Redevelopment typically occurs when the value of the “next use”, meaning the potential value enabled by land use policy and supported by the market, exceeds the value of the existing use by enough to justify:

- + acquisition and assembly costs (if required),
- + demolition and site preparation,
- + construction costs,
- + local government requirements and fees,
- + financing, carrying costs, and risk.

If land use policy does not provide sufficient incremental value over the existing use, redevelopment may be delayed indefinitely, even if a plan assumes change will occur.

Conversely, when land use policy meaningfully increases permissible density or enables a more valuable use, it can trigger land market activity, assemblies, and applications.

From a planning standpoint, the key is to ensure that intended redevelopment areas have:

- + land use policies that create a viable “value lift,”
- + clear and timely processes,
- + requirements that are proportional and predictable, and
- + pathways to connect to existing or planned infrastructure to make projects buildable.

## 4.2 Competition Between Different Land Uses

HBU analysis is indicative that land is continually competing among different potential uses. For example:

- + A site near transit might compete between office, retail, hotel, and residential uses depending on market cycles and potential land use permissions. Conversely, similar proposed uses in less attractive locations or in periods of high vacancy may not support redevelopment for these uses.
- + Industrial land requires very specific types of land (often large sites located near regional rail, highway or port infrastructure) competes with residential and mixed-use pressures, especially in high-demand, land constrained regions (like many found throughout BC).

- + Low-density commercial sites can transition to residential, but only if land use policy enables sufficient density to overcome costs and existing income streams.

### This competition matters because:

- + Not all land should be expected to redevelop into the OCP planned use at the same time.
- + Some uses, such as income-producing commercial properties, can sustain high land values even when residential zoning exists, which may delay housing delivery unless policy creates a strong enough incentive.
- + Protecting scarce land bases (for example, employment lands) requires understanding the HBU pressures that policy can intensify or mitigate.



Note: All figures are presented in current dollars. Redevelopment costs represent all project costs and fees, exclusive of land, inclusive of financing, contingency and developer required rate of return, assuming projects can be supported by land use policies either through rezoning and/or OCP amendment and associated time for approvals. In simple terms, to be viable, Net Present Value of development option must be greater than Value as Current Use.

### 4.3 The Role of Mixed-Use Developments and Cross-Subsidization

Mixed-use development can improve feasibility and support complete communities by combining uses with different revenue and risk profiles. In some cases, one component can “cross-subsidize” another. Examples include:

- + Ground-floor commercial supporting the economics of residential above in strong retail locations, and vice-versa for high-value strata residential supporting mixed retail and office uses in emerging suburban nodes where rents for commercial space alone may not offset construction costs.
- + Market housing cross-subsidizing below-market units in inclusionary approaches where supported by sufficient density and market strength.
- + Phased projects where early phases generate cash flow that helps finance later community amenities or public realm improvements.

**However, cross-subsidization is context-dependent. It requires:**

- + sufficient market demand for each use,
- + design standards that allow efficient construction and leasing,
- + supportive OCP and zoning policies that recognize the added complexity and risk of mixed-use formats,
- + and calibrated requirements so the combined program remains financeable.

It is also important that mixing of uses may create additional cost considerations. For example, integrating office or daycare uses into a mixed-use residential building may require additional separate elevator banks and parking requirements that increase design and construction costs.



#### **4.4 The Impact of Redevelopment Requirements on Highest and Best Use**

Under the principle of Highest and Best Use, redevelopment only proceeds when the value of the future use meaningfully exceeds the value of the current use after accounting for acquisition, construction, financing, and risk. Additional policy requirements such as new levies, servicing standards, or design expectations increase development costs and can reduce the net value created by redevelopment.

Policies that require the inclusion of lower revenue uses such as below market housing or employment generating space further reduce achievable returns. When these added costs reduce the residual land value below the value of the existing use, redevelopment becomes unlikely. In acquisition scenarios, landowners may also choose not to sell if the offered land value no longer reflects a sufficient premium over current use value.

Where this occurs, sites may remain in their current condition until market rents or revenues rise significantly above normal inflation. This rise is a function of scarcity created when planned capacity does not translate into buildable, financially viable projects. While such increases can eventually restore a viable HBU, they run counter to the objective of expanding housing supply and improving affordability.

#### **Speculation and its Impacts**

Speculation occurs when land is acquired and held primarily for expected future value increases rather than near-term use or redevelopment. In fast-growing markets, speculation can accelerate land price escalation and increase the “expectation gap” between what landowners believe their sites are worth and what projects can support under current zoning and requirements.

#### **Why it matters for housing delivery:**

- + Higher land price expectations can make feasible projects harder to assemble, especially for mid-rise and missing-middle forms with thinner margins.
- + Holding behaviour can delay redevelopment if owners wait for additional upzoning or more favorable market conditions.
- + Policy signals can unintentionally intensify speculation if future permissions are announced without clear implementation timing or if the process to secure permissions remains uncertain.

#### **Planning response:**

Clear implementation, standardized zoning, predictable requirements, and timely approvals can reduce speculative premiums tied to uncertainty. Aligning planned capacity with realistic servicing and feasibility expectations, and municipal fees and charges also helps ensure that value increases are more likely to translate into delivered housing rather than land price inflation alone.

## 5.0 KEY CONSIDERATIONS WHEN DEVELOPING LAND USE POLICIES

This bulletin has emphasized that with the new framework, the OCP and zoning bylaw development process heightens the importance of planners' ability to understand development viability and land use economics to ensure policy choices enable, not constrain, realizable supply. The following considerations translate that into practical direction for policy development and updates.

### 5.1 Embed Feasibility Analysis in Core Planning Work

- + Embed financial and development feasibility analysis in OCP updates and zoning to ensure planned densities translate into real redevelopment opportunities. Practical approaches include scenario testing, prototype site testing, and comparing policy packages (permissions plus requirements) against typical market assumptions using financial proforma analysis.
- + Use **financial feasibility analysis** to identify where planned outcomes are unlikely to be delivered, then adjust permissions, standards, phasing, or infrastructure strategies accordingly.
- + Ensure that new requirements that add costs (levies, design standards, servicing expectations, etc.) are introduced with an understanding how they might affect different housing forms. Allow for sufficient phasing in of policies, including in-stream protections, to limit impact to projects already underway and reduce market shocks.

**Financial Feasibility Analysis Issue 1.2 provides a more detailed look at the methods for financial testing and development viability assessment, including how to interpret residual land value, return thresholds, and sensitivity to time and cost changes.**



## Balancing Funding Needs with Deliverability

A trade-off for local governments moving towards more standardized approaches for increasing development permissions in OCPs and zoning bylaws is that it becomes more difficult to tailor policies that maximize the public benefits secured from each individual development sites, without making some forms of and locations for development unviable. Standardization improves clarity and reduces timelines, but it also reduces the ability to negotiate project-specific contributions that may have once helped fund local infrastructure or amenities.

At the same time, local governments face growing financial pressures, which can create a strong incentive to seek the highest possible value from each development opportunity. However, financial feasibility analysis should not be treated as a rigid redline exercise. Over-calibrating requirements to achieve maximum value in a single market moment increases the risk that those requirements will sterilize development as conditions shift over time.

While it may be tempting to capture as much value as possible for the community, asking for too many provisions can prevent projects from proceeding. When housing is not delivered, no units are added, no improvements are built, and no associated levies or contributions are collected. A balanced, feasibility-informed approach helps ensure that standardized policies remain effective across market cycles and continue to support housing delivery, long-term revenue needs, and the fiscal benefits associated with more compact and efficient forms of development.



## 5.2 Standardize and Simplify to Reduce Uncertainty and Timelines

- + Standardize zones and site standards where possible to reduce uncertainty, shorten timelines, and lower carrying and financing costs. Standardization can include clear as-of-right zones, consistent definitions, and straightforward density and height frameworks.
- + Reduce discretionary elements where outcomes are already supported by adopted policy, particularly in areas where housing delivery is a priority.
- + Support consistent interpretation by providing clear guidance documents, checklists, and transparent expectations for submissions and reviews.

## 5.3 Explore the Potential of Coordinating Requirements Across Local Government Functions

- + Explore potential of coordinating across planning, engineering, transportation, and housing functions so servicing expectations and policy requirements are clear and

predictable. Misalignment between departments is a common source of delay, redesign, and unanticipated cost.

- + Align land use permissions with infrastructure strategies and realistic delivery sequencing.
- + Communicate requirements early, including off-site works triggers, need for additional technical studies, and additional levies, so proponents can price and design accordingly.

## 5.4 Focus on Deliverability, Not Only Capacity

- + Treat capacity as meaningful only when it is deliverable: where it can be permitted, serviced, and financed.
- + Monitor indicators that planned capacity is translating into action (applications, permits, starts, completions) and adjust policy where persistent gaps occur.
- + Be explicit about where and how different housing forms are expected to emerge, recognizing that market demand varies by location and cycle.

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**The technical aspects of financial feasibility analysis are explored further in Series 01 Issue 2.**



# SERIES 01

FUNDAMENTALS OF HOUSING  
DEVELOPMENT ECONOMICS

**ISSUE 1.1** - LEGISLATIVE CHANGES TO  
HOUSING DEVELOPMENT AND THE ROLE  
OF PLANNING PRACTITIONERS



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