Jurisdictional Review of Inclusionary Housing and Bonus Density Policies in British Columbia

Staff carried out a jurisdictional review of inclusionary housing and bonus density policies currently in practice in British Columbia. Currently, the City of Richmond, the City of Vancouver and the City of North Vancouver are among the municipalities in the province that employ inclusionary housing policies. The current policy elements in each of these municipalities are included in Tables 1-3 below. Issues that arise include the integration, ownership and management of non-market rental units within strata developments, as well as monitoring and adjustment to address market fluctuations. The review also found that municipalities more commonly employ a Density Bonus policy, negotiating cash in lieu of community amenity contributions through residential rezonings, and are currently in use in city of Victoria, Burnaby and Surrey among others. The best practices and policy recommendations identified by the jurisdictional review are summarized in detail below.

1. Jurisdictional Review Summary

Challenges	Policy Recommendations
Unit management and ownership • Units are often not rented or resold to tenants with the target income and/or household size • Onerous administrative burden on City staff to oversee policy implementation	• Encourage the management, lease or sale of units by non-profit housing organisation • City can play an important role in facilitating successful private and non-profit partnerships
Unit size, distribution and location • Without policy guidance provided, the majority of units created are studios with small average square footage • Scattered rental units in strata developments can be challenging to manage, but can also be preferred by some non-profit or private property managers • Clustered units often allow for efficient management and the opportunity for airspace parcel sale of units	• Set unit mix targets (studio, 1, 2 and 3 bedroom) • Set minimum unit size targets • Allow for flexibility to provide clustered or scattered units in strata developments • Provision units onsite recommended, with limited exceptions for offsite unit provision • Include free access to amenities in strata development for tenants of the inclusive units in legal agreements
Market fluctuations • Amenity contributions such as cash in lieu and/or inclusionary housing targets are vulnerable to market fluctuations • Changes to policy targets can negatively impact development viability	• Annual monitoring and adjustment of target contributions to ensure relevance to market realities are best practice • Grace periods and phased in approaches that increase target contributions over time are a best practice

2. **Key Policy Recommendations:**

a) **Unit Management and Ownership**

The jurisdictional review identified that the management of inclusionary housing units within private developments is most effective when carried out by a reputable non-profit housing organization. It is recommended that a partnership between a private developer/owner and a non profit housing organization is required within the policy, incentivized by waiving fees such as Development Cost Charges, or strongly encouraged. This partnership can take the form of a management contract, or the lease/sale of the units as an air space parcel. The private developers may prefer to retain the ownership of the units, and either contract the management of the units or lease the units to an external partner. The private developer may also wish to sell the units to a non-profit housing organisation. These partnerships can help to alleviate a large administrative burden on private developers who most often do not hold the expertise or experience in managing non-market rental units, as well as from City staff who need to ensure adherence of the project to policy expectations. Non-profit housing organization mandates and experience with unit tenanting and maintenance, help to ensure that the units are rented or resold at the appropriate rates and to qualified renters and buyers. The City can play a vital role in supporting the establishment of non-profit housing organizations and private developer relationships. Moreover, consultation with non-profit housing organizations is essential to policy development by identifying mutually beneficial needs and preferences, as well as in determining the minimum number of units that would be viable for management, lease or sale.

b) **Market conditions and considerations**

Inclusionary Housing policies are vulnerable to market fluctuations, including changes in land value, and/or soft and hard developments costs such as interest rates and construction costs. It is recommended that the target rate of inclusionary housing units are monitored and adjusted through the use of consultants on an annual basis, in order to ensure alignment with market realities. It is also important to note that the level of affordability and number of unit contributions vary greatly based on the outcomes of the financial analysis that examines specific municipal contexts. A best practice to consider in developing or updating inclusionary housing and density bonus policy, is the inclusion of a grace period for projects that are currently being planned. This period of time will reduce the potential significant financial hardship associated for projects where land has already been purchased. Municipalities also commonly employ a phased in approach, where by the target community amenity contributions are scaled up to reach the full target over time.

c) **Unit size, distribution and location**

Unit design, size and location can be specified within the policy, although it is recommended to allow for flexibility so that specific projects can achieve the established targets. For instance, it is beneficial to allow flexibility to either cluster or scatter the inclusionary units within strata developments. Clustered inclusionary units within a development supports efficient rental property management and separates their management from that of the Strata Corporation. Clustered units also creates a possibility to lease or sell the units as an air parcel to a non-profit housing organisation or senior level of government. The integration of units throughout the strata development also provides some benefits, including the potential to reduce stigmatization of tenants of the inclusionary units. Some non-profit housing organizations may prefer scattered units, and find that integration within the building best suits the clients they serve. It is recommended that minimum unit sizes based on type are established to ensure that inclusionary units are not smaller than the average size of a comparable market unit within the development. Similarly, establishing a target distribution of unit type is recommended, to allow for suitable options for a diversity of household sizes including families. Securing the units in perpetuity through a housing agreement is a best practice, and it can be beneficial to include a provision within the housing agreement to allow the tenants of the inclusionary units to have access to the amenities within the development free of charge. The provision of inclusionary housing units are recommended to be delivered onsite and within strata developments, as it harnesses the opportunity costs of the project development and construction costs. However, the jurisdictional review found that the provision of inclusionary units in approved projects offsite may be considered in cases where there is a significant benefit, such as an increase in number of net new non-market rental units provided or a deeper level of affordability achieved. Overall, the jurisdictional review found that setting policy targets ensures that the outcomes achieve municipal affordable housing goals, while remaining flexible to maintain development viability and creativity within unique projects.

Table 1: City of Richmond

Municipality, Policy & Date	Affordability Target	Set Aside Target	Set Aside Avg. or Units Achieved	Cash In Lieu	Unit Mix
Inclusionary Housing Policy for Larger Apartments **2007 & Updated 2017**	Low End Market Rental Units (LEMR) Calculated city-wide thresholds at 10% below BC Housing's Housing Income Limits and maximum monthly rents at 10% below CMHC Average Rents Secured in perpetuity	>60 unit Apartments and mixed use developments: 10% of total Floor Space Ratio with minimum of 4 units, as LEMR Previously 5% of total FSR, and was increased in 2017	499 LEMR units have been secured as of August 2018 Of these units, 175 units have been built and are tenanted to date	Rates based on housing type: Single Family & Townhouse Cash in Lieu. Apartment and mixed use developments with <60 units Lowered from <80 units in 2017	10% bach 30% 1 bed 30% 2 bed 30% 3 bed Aligned with Family Mix Policy
Key Learnings	• Numerous issues regarding management of units when carried out by private owner/developer including the income ranges or household size ranges of tenants in inclusionary units not meeting policy expectations or legal agreements. • Non profit housing managers contracts and partnerships found to be useful in ensuring adherence to policy, and unit management including (income testing, centralized tenant waitlist, timely repairs) • Incentive for non profit management of units (DCC and permit fee waiver) • Grace period for pre-applications, allowing 1 year to go before council after policy updates • Phased approach with increases in floor area contribution rate to full target of 10% over 3 years • No offsite inclusionary housing option permitted – but was allowed for one development using city owned land that provided a large increase in inclusionary units contributed • City facilitates partnerships with non-profit housing providers and developers in the pre-application and rezoning stages of development, and identifies mutually beneficial projects/options • Allow for flexibility to cluster or disperse LEMR units • Set minimum size targets and ensure LEMR units are not smaller than the average size of a comparable market unit within the development • For non-market units, establish income thresholds and maximum rent targets and allow for flexible rent structures when projects are non-profit driven and provide 100% affordable rental housing • Legal agreements secure the units in perpetuity and allow tenants access to all amenities in strata free of charge				

Table 2: City of North Vancouver

Municipality, Policy & Date	Affordability Target	Set Aside Target	Set Aside Avg. or Units Achieved	Cash In Lieu	Unit Mix
Mid-Market Rental Policy, Housing Action Plan, 2016 **(Referred to as 10/10/In Perpetuity)**	Mid-Market Rental Units: 10% below CMHC average market rents for the City, based on unit type. Secured with housing agreement.	10% of units in all new market rental projects Minimum of 10 year period. Starting on January 1, 2019, new applications will have to provide units in perpetuity	41 MMR units, including 14 units which will be operated by YWCA at non-market rents for single mothers with children, to be occupied in 2019.	N/A	Family Friendly Policy alignment (10% 3+ bedrooms in all new multi unit res'l)
Density Bonus and Community Benefits Policy, 2018 **Amended July 2017 & 2018 Enactment 2019**	Mid-Market Rental Defined above Non Market Rental Housing: tenant incomes below housing income limits, and owned by a non-profit corporation/ cooperative, or government	A) 100% rental buildings in exchange for density bonus of 1.0 FSR, requirement that 10% of Units be secured at 10 percent below average CMHC rents in perpetuity. B) 30% of bonus amount provided as non-market rental housing, within strata developments C) Rental Retention: Maintaining existing rental building with bonus density transfer to another site	N/A	Bonus Categories: A: $20 or negotiated Up to OCP Density B: $140 Lonsdale Regional Centre / $110 in other areas Up to OCP Max Bonus Additional bonus provided per sq. ft of Commercial Floor Area with conditions	Family Friendly Policy alignment (10% 3+ bedrooms in all new multi unit res'l)
Key Learnings	Density Bonus and Community Benefit Policy, 2018, currently requires 20% of all CBC's received to be directed to the Affordable Housing Reserve Fund (80% to Civic Amenities) – with an incentive to provide non market units earmarked low to moderate income in lieu of cash. Density bonus appropriate for restoration and preservation determined through rezoning process				

Table 3: Vancouver

Municipality, Policy & Date	Affordability Target	Set Aside Target	Set Aside Avg. or Units Achieved	Cash In Lieu	Unit Mix
20% Policy **1988**	Private industrial lands needing change of use to residential with projects of 200 or more units *Affordability based on funding:* 1993: Social housing, targeted to *'core housing need'* with federal funding 1994-2002: Purchase site at non-market rate, 75% prov; 25% City, with non-profit partner 2007: income assistance shelter rate turn-key supportive housing units with City purchasing sites and/or units	20% of base density: with half suitable for families (2+ bed) AND Donation of land OR Payment-in-lieu OR 60+ year lease of site to non-profit partner	1,700 social housing units (2017)	An option, negotiated with a land lift analysis	Half of 20% inclusionary units suitable for families (2+ bed)
Key Learnings	• Large amount of industrial site conversions in the 1990's • Limited developments since reduction in provincial or federal funding, currently the City of Vancouver purchases the units and leases to non profit housing organizations to operate • Inclusionary housing policies now included in community plan areas, such as the Downton Eastside				
Affordable Housing Choices Interim rezoning Policy, 2012 rev. 2017	Moderate Income: Rental or Affordable Home Ownership, or other innovative housing models Ground-oriented up to 3.5 storeys ~ 100 m arterial; Mid-rise up to 6 storeys ~500m to neighbourhood centre	100% rental units; Sold at 20% below market that is secured over time; OR Innovative housing forms, eg. Co-op, Community Land Trust	>600 units of social housing; >100 units supportive in progress >700 units of secure market rental housing in construction or completed	N/A	Regulated by Family Room: Housing Mix Policy for Rezoning Projects, 2016
Key Learnings	• Max 20 rezoning apps accepted with interim policy – currently prescribed • Affordable homeownership can be difficult to oversee, with large administrative burden • 100% rental units align with the Rental 100: Secured Market Rental Policy, 2012 • Family Room Policy: All residential rezonings require min. 10% 3 bed and min. 25% 2 bed units. OR secured market rental: 35% 2+ bedroom units.				