

Inclusionary Housing and Density Bonus Policy

Purpose

- Seek direction from Council on a draft Inclusionary Housing and Density Bonus policy, along with updated affordable housing targets.

Background

Strategic Plan, 2015-2018

- Action: Establish a predictable flat fee per square metre for bonus density

Victoria Housing Strategy, 2016-2025

- Action: Create an inclusionary housing density bonus policy within the Downtown Core Area to seek on-site non-market housing as part of amenity contributions for projects above a certain threshold

City of Victoria Density Bonus Policy, 2016

- Developed in response to the above actions

Density Bonus Policy, 2016

- Identifies areas for bonus density opportunities
- Sets amenity contribution targets, including fixed-rate targets and threshold for a negotiated approach
- Provides flexible approach to Density Bonus that prioritizes affordable housing but allows for application to other community amenities
- Identifies base and maximum densities consistent with the OCP
- Identifies projects exempted from amenity contribution requests such as rental and non-market housing

Outcomes of Current Policy

Community Benefits

- Cash contributions
- In-kind contributions
- Supports various policy areas and off-sets impacts of growth

Limitations

- lack of specific focus on affordable housing which places contributions in competition with other amenities
- lack of uptake of the fixed-rate, coupled with fixed-rates which are no longer reflective of current market conditions
- no proposals for 10% additional density above current OCP limits for affordable housing.

City of Victoria Housing Targets

Current Targets

- Based on the 2010 income data published in the 2011 Census
- Targets for new housing supply affordable to households earning between \$20,000 and \$50,000 per annum

Changing Economic Context

- average rents have increased
- average household incomes increased
- population growth has accelerated
- construction costs have accelerated

Recommended Targets

	Very Low Income	Low Income	Low to Moderate Income	Moderate	Above Moderate
Income	< \$20k/yr.	\$20-35k/yr.	\$35-55k/yr.	\$55-85k /yr.	>\$85k/yr.
Rent	Less than \$500 per month	\$500 to \$875 per month	\$875 to \$1,375 per month	\$1,375 to \$2,125 per month	More than \$2,125 per month
Single	29	34	40	161	152
Family (2-bed+)	7	9	10	40	38
Total	36	43	50	201	190
	Supportive and Social Housing	Below Market Rental	Market Rental	Below Market Ownership	Ownership

CITY OF VICTORIA:
INCLUSIONARY HOUSING AND DENSITY
BONUS POLICY
SUMMARY OF FINANCIAL ANALYSIS

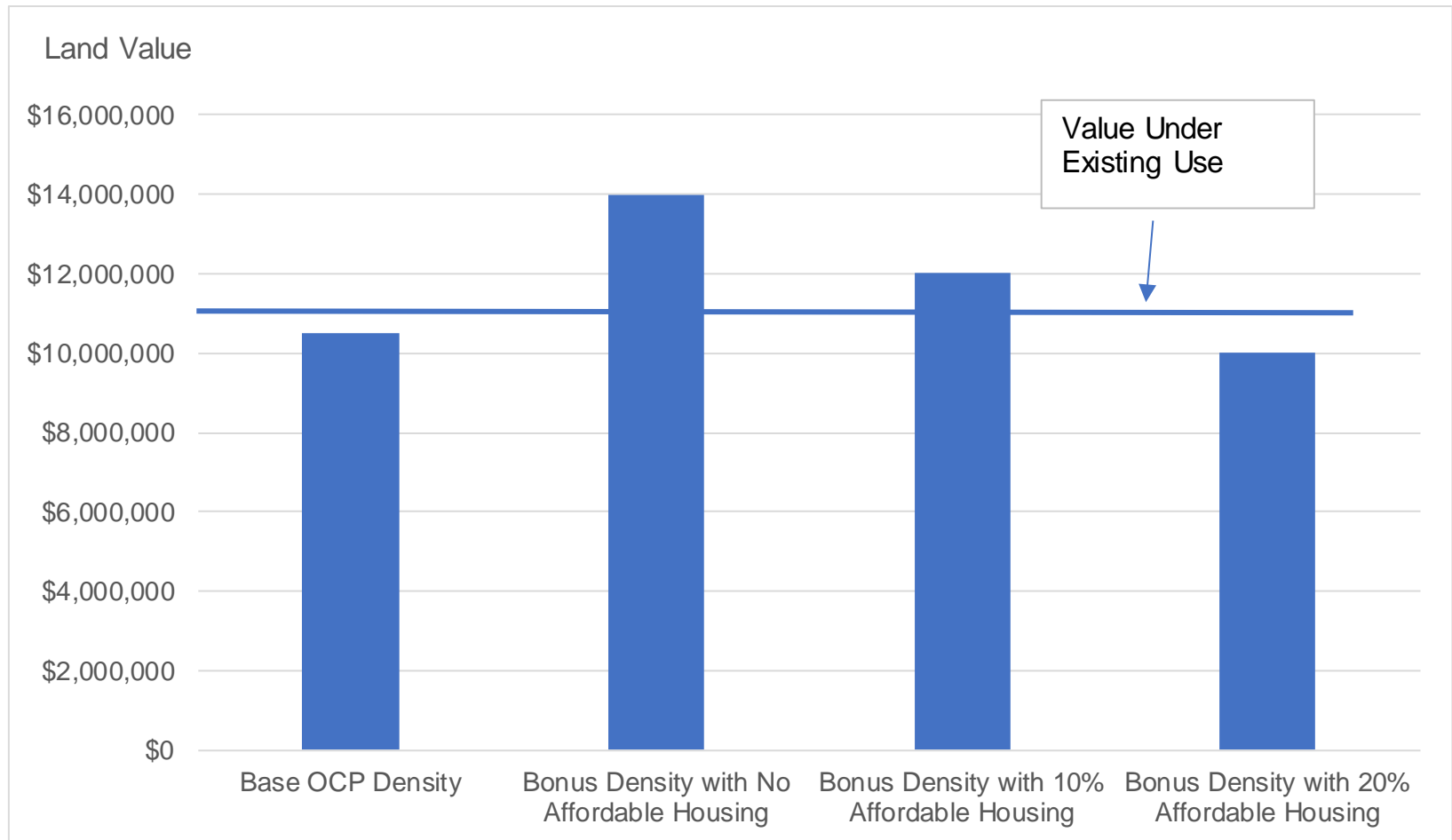
Background

1. The OCP includes base densities and bonus density
2. City wants to examine opportunity to use bonus density to create affordable rental housing in strata residential rezonings
3. City wants to identify a share of affordable rental housing to require/target in projects seeking bonus density

Density Bonus Land Use Categories

	Base OCP FSR	Bonus FSR	Maximum FSR
Core Residential	2.0 to 3.0	1.5 to 2.0	3.5 to 5.0
Urban Residential	1.2	0.8	2.0
Small Urban Village	1.5	0.5	2.0
Large Urban Village	1.5	1.0	2.5
Town Centre	2.0	1.0	3.0

Development Economics Overview: Density Bonus and Affordable Housing



Key Points

1. Affordable units only viable in cases where applicant is seeking bonus density/rezoning
2. Financially viable share of affordable units depends on:
 - Amount and value of bonus density which varies across different OCP designations, so affordable housing potential is not uniform
 - Definition of affordable housing (rents, tenure, etc)
3. Affordable units reduce opportunity for other amenities (trade-off)

Key Points (continued)

4. Affordable units will reduce amount a developer can afford to pay for a site – so will reduce land values
5. If supportable land value declines significantly, fewer sites will be redevelopment candidates
6. Fewer development sites → reduced pace of new unit construction (and fewer affordable units)
7. Reduced unit supply with continued demand → market-wide price increase

Key Assumptions for Analysis

1. Affordable housing potential based on 75% of the land value created by bonus density
2. Base density is OCP base density, not existing zoning
3. Maximum density is the maximum identified in the OCP
4. Below market rental units owned and managed by developer or private investor, not dedicated to City
5. Examined three different affordable rent scenarios:

Unit Type	Share	Average Size (sf)	Scenario 1 Monthly Rents 80% of CMHC	Scenario 2 Monthly Rents 100% of CMHC	Scenario 3 Monthly Rents 120% of CMHC
Studio	45%	450	\$684	\$855	\$1,026
1-Bedroom	35%	575	\$793	\$991	\$1,189
2-Bedroom	15%	775	\$1,058	\$1,323	\$1,588
3-Bedroom	5%	1,000	\$1,374	\$1,718	\$2,062
Total	100%	570	\$813	\$1,016	\$1,219

Findings

1. Supportable share of affordable housing varies depending on affordable rents and location/designation:

Supportable share of affordable units in project	Scenario 1 Rents	Scenario 2 Rents	Scenario 3 Rents
Core Residential	2% to 16%	3% to 19%	4% to 24%
Large Urban Village	13% to 14%	16% to 17%	22%
Urban Residential	5% to 8%	8% to 11%	11%

2. Affordable rental housing will use up financial room for CAC
3. Smaller rezonings will support a limited number of affordable units – consider cash in lieu

Findings - continued

4. Some sites only support low share of affordable housing units – consider reduced target in specific circumstances
5. To determine affordable housing target, need to consider:
 - The affordable housing rent rates
 - Impact on CAC revenues
 - Impact on number of sites that will be financially viable for redevelopment (higher share of units results in fewer sites that are viable for development)
 - Impact on existing development site values

Other Considerations

1. Administration/Enforcement
2. Grace period
3. Monitor impact on market and revise as-needed
4. Update over time to keep pace with market changes

Conclusions

1. Identify the types of rezonings that will be required to provide affordable housing
2. Clearly define the type of affordable housing required
3. Set a specific target – for Scenario 1 rents, analysis indicates (assuming no other CAC is expected):
 - A maximum of about 15% affordable units in Core Residential Designation
 - A maximum of about 10% affordable units in other OCP Designations
4. Identify circumstances in which a lower share would be considered
5. Establish a cash in lieu contribution for smaller projects
6. Provide a grace period for applicants that have recently acquired property
7. Monitor impacts and adjust targets as-needed
8. Update annually to reflect changes in market conditions

Inclusive Housing - Key Learnings

Jurisdictional Review

Encourage the management, lease or sale of units by non-profit housing organizations

Set unit mix and size targets

Annual monitoring and adjustment of target contributions to ensure relevance to market realities are best practice

Grace periods and phased in approaches

UDI Workshop

A cash-in-lieu option is important for projects that cannot accommodate on-site affordable units.

Option to transfer and consolidate inclusive units to off-site location

Option to cluster of units at the bottom of the building to allow air space parcel and/or efficient external property management

Grandfathering in all applications that are currently in pre-application phases

Recommended Policy

Policy Application	<ul style="list-style-type: none">• Strata residential rezonings that are seeking bonus density.
Policy Exemptions	<ul style="list-style-type: none">• Purpose Built Rental• Heritage• Non-Residential
Target Set Aside Percentages	<ul style="list-style-type: none">• Core Residential: 15% of Total Units• Other Designations: 10% of Total Units

Recommended Policy (cont)

Affordable Rental Housing Targets

Affordability

- 80% of CMHC Current Average Rents for Victoria at the time of the application
- 2017
 - Studio - \$684
 - 1-bed – \$793
 - 2-bed – \$1,058
 - 3-bed – \$1,374

Target Unit Mix

- Studio - 45%
- 1-bed – 35%
- 2-bed – 15%
- 3-bed – 5%

Unit Size

- Aligned with BC housing design guidelines target unit sizes:
- Studio - 33 m²
- 1-bed – 49 m²
- 2-bed – 67 m²
- 3-bed – 86 m²

Recommended Policy (cont)

Threshold

- Projects delivering 40 or more net new strata units will be expected to contribute onsite affordable rental units.

Alternative Cash in Lieu Provision

- \$150,000 per affordable housing unit
- may be considered for projects delivering less than 40 net new strata units

Hardship Clause

- In cases where the applicant can demonstrate an extreme financial hardship City will consider negotiating affordable unit provision

Recommended Policy (cont)

Management Of Units

- The policy strongly encourages partnerships with non-profit housing organizations, for management, lease or purchase of inclusive units.

Monitoring And Update

- Budget for regular updates and reviews by third party consultant - Recommended on a yearly basis.

Grace Period

- Applications received up to three months from the adoption date will be grandfathered under the previous Density Bonus Policy requirements.

Recommendations

1. Consider the draft Inclusionary Housing and Density Bonus Policy and direct staff to undertake further consultation with stakeholders;
2. Adopt the updated affordable housing targets and levels of affordability to guide community amenity contribution negotiations and incorporate these in the Victoria Housing Strategy, to be updated in Quarter 4 of 2018; and
3. Direct staff to further explore pre-zoning by consulting with stakeholders including the Community Association Land Use Committees.