



**Committee of the Whole Report
For the Meeting of February 14, 2019**

To: Committee of the Whole **Date:** February 8, 2019
From: Andrea Hudson, Acting Director, Sustainable Planning and Community Development
Subject: Inclusionary Housing and Density Bonus Policy - Progress Report

RECOMMENDATION

That Council:

1. Receive the Inclusionary Housing and Density Bonus Policy progress report for information;
2. Direct staff to proceed with either Option 1 or Option 2 to inform the final stages of the policy work.

EXECUTIVE SUMMARY

The purpose of this report is to present Council with progress on the draft Inclusionary Housing and Density Bonus Policy that includes initial feedback from a working group meeting, and to seek direction on the final stages of policy work. The working group members, who range from tenant advocates to developers, have raised significant concerns with the draft Inclusionary Housing and Density Bonus policy. However, the group is committed to developing a policy solution that achieves Council's objectives of supporting the delivery of affordable housing units through the collection of community amenity contributions.

One of the key changes that working group participants have indicated should be considered is exploring a revised cash-in-lieu option. In light of this feedback, staff are seeking direction from Council to confirm the final phase of this work. Two options are provided for Council:

- 1) Explore policy solutions that include cash-in-lieu contributions in collaboration with the working group; or
- 2) Continue to advance the draft Inclusionary Housing and Density Bonus policy to focus community amenity contributions on achieving on-site affordable housing units.

Confirming this direction will help staff structure the next working group meeting on February 19.

With both options, staff will strive to deliver the policy by the March 31, 2019 date specified by Council. However, should Council choose Option 1, a limited amount of additional time would be needed for the consultant to update the fixed rates in the new policy to ensure the latest market changes are reflected.

PURPOSE

The purpose of this report is to provide Council with a progress report on the draft Inclusionary Housing and Density Bonus Policy that includes initial feedback from a working group, and to seek direction on the final stages of policy work.

BACKGROUND

The Victoria Housing Strategy 2016-2025 identified the creation of an inclusionary housing and density bonus policy as a priority action item for 2016, and on October 27, 2016, Council approved the *City of Victoria Density Bonus Policy*, which utilized a fixed-rate community amenity contribution system for residential strata developments seeking bonus density. In July 2017, Council noted no on-site affordable housing had been achieved with this policy, and directed staff to replace the *Density Bonus Policy* with an inclusionary housing and density bonus policy to achieve on-site affordable housing units in new developments. On March 8, 2018, Council gave further direction on strategic approaches to consider for the new policy, and on September 6, 2018, Council received for consideration a draft policy.

Council directed staff to undertake further consultation on the draft policy, providing further clarification on November 8, 2018 that this should take the form of a working group consisting of rental housing advocates, non-market housing providers, community association land use committees, and members of the development community.

ISSUES & ANALYSIS

The Inclusionary Housing and Density Bonus Policy working group was struck in December 2018, and consists of a range of stakeholders representing a diversity of interests. (See Table 1 below).

Table 1: Inclusionary Housing Policy Working Group Participants and Representation

Tenant/Renter Advocacy Groups	Generation Squeeze
	Together Against Poverty Society
Non-Profit Housing Providers	Greater Victoria Housing Society
	BC Housing
	Capital Regional District
Community Association Land Use Committees	Downtown Residents Association
	James Bay Neighbourhood Association
Developers	Townline
	GMC Projects
Strata Housing Advocates	Condominium Homeowners Association
Community-at-Large	Community Member

The first meeting was held on January 23, 2019, and was facilitated by an independent facilitator, with information and analysis provided by Coriolis Consulting, and staff support provided from Community Planning, Development Services and Engagement. Due to a high level of interest and to support greater transparency and trust in the process, the first workshop was opened to several additional interested stakeholders who were able to observe the meeting and ask questions at set times. Staff advised participants that the objective of the working group was to receive feedback and informed suggestions for improving the draft Inclusionary Housing and Density Bonus policy.

Working Group Feedback

Overall, participants expressed concern with the draft policy. Some of the feedback received included:

- Participants did not feel that the draft Inclusionary Housing and Density Bonus policy offered the best approach for achieving the most affordable housing units, with the deepest level of affordability
- Cash-in-lieu community amenity contributions to affordable housing could produce more net new housing units, especially considering renewed funding commitments from senior levels of government
- Concern that the draft policy would see all amenity contributions go towards housing, with no community amenities for amenities that sustain city wide and neighbourhood level livability for current residents and future generations
- A desire to see a revised policy similar to the previous Density Bonus Policy (2016) that offers greater flexibility
- Cash-in-lieu contributions allocated to both affordable housing and other community amenities, including parks, recreational facilities as well as public realm and heritage improvements
- Concerns were expressed about how the affordable housing units would be managed and operated in strata buildings and expressed support for an affordable homeownership option in addition to affordable rental tenure option
- A desire to see the process slowed down to involve greater participation from impacted stakeholders to ensure a workable policy
- The development community needs to be seen as supporting the City's goals of affordability

Table 2 below outlines a summary of stakeholder feedback received thus far. A full engagement summary including all working group feedback will be included when staff return to Council with final policy options.

Table 2: Working Group Stakeholder Feedback Summary

Non-Profit Housing Developers/providers	The City's capital contributions to new affordable housing developments through the Victoria Housing Reserve Fund will achieve more net new units with deeper levels of affordability compared to the small number of net new inclusionary units within market strata developments. The ability and interest of non profits to purchase, lease or manage inclusionary units in strata buildings is unclear and presents significant challenges.
Community Association Land Use Committees (CALUCs)	Cash-in-lieu Community Amenity Contributions (CACs) should be allocated to both affordable housing and other community amenities that preserve livability for residents and future generations, such as parks, public realm and heritage improvements. A desire to see a revised policy similar to the 2016 Density Bonus Policy that offers a more balanced allocation of CACs and does not sacrifice livability for a limited number of inclusionary units.
Developers	The inclusionary housing targets are too high, as costs have increased since the financial analysis was undertaken last spring, and as the land is sold in Victoria

	without taking into account the costs of community amenity contributions. The focus of affordable housing policy should be on neighbourhood inclusivity rather than on-site inclusionary unit in one building.
Community-at-Large	Bonus Density should be calculated from existing zoning not from OCP base density. The amount of community amenities collected with the previous policy has been limited and there should be more transparency about the process and methods of calculating bonus density.
Strata Association	The operation of rental units within strata developments is challenging.
Generation Squeeze	The City should pursue a policy that achieves the most amount of affordable housing overall, without sacrificing all other amenities that cities need.
TAPS	There is extreme hardship in the City that is felt by many who are not able to access adequate or affordable homes. The development community needs to be seen as contributing to affordability. The City cannot continue to build housing that the majority cannot afford. Cash-in-lieu is supportable if this creates more affordable units.

OPTIONS & IMPACTS

Staff are seeking clarity from Council on next steps to determine if the policy work should continue to focus solely on achieving on-site affordable housing units, or whether Council is open to exploring cash-in-lieu opportunities per working group feedback. The following options are provided for Council's consideration:

Option 1:

That Council direct staff to explore cash-in-lieu density bonus approaches as part of ongoing work with the Inclusionary Housing and Density Bonus Policy working group, report back to Council by March 31, 2019 and allocate \$30,000 as part of the 2019 Financial Plan to ensure the policy reflects current market conditions.

This option acknowledges the concerns of the working group by allowing for an exploration of cash-in-lieu amenity contributions.

Should Council choose to explore a policy that is based on cash-in-lieu, staff could return with the policy by March 31, but would need a limited amount of additional time and funds for the consulting land economist to update fixed rates to reflect current market conditions since this work was initially completed in 2016.

Option 2:

That Council direct staff to continue to focus community amenity contributions towards on-site affordable housing units by progressing the draft Inclusionary Housing and Density Bonus Policy with final policy wording by March 31, 2019.

While the working group raised concern with this approach, if this remains Council's preferred approach staff will continue to develop this policy with the working group.

Accessibility Impact Statement

There are no immediate accessibility impacts associated with this report.

2015 – 2018 Strategic Plan

This report supports Objective 6: Make Victoria More Affordable by revisiting a 2015 action to “look at zoning, bylaws, and specifically inclusionary zoning.”

Impacts to Financial Plan

Council allocated budget to support this ongoing consultation as part of the 2018 budget process. During Council's Special Committee of the Whole meeting of February 4, 2019 at which Council considered the 2019-2022 Draft Strategic Plan and 2019 Draft Financial Plan, Council requested that staff advise how much budget has been spent on the Inclusionary Housing and Density Bonus policy initiative. To date, \$79,000 has been spent which included the following work:

- Financial Analysis Report that included inclusionary housing targets within and outside of the Downtown Core Area and assessment of multiple case study sites throughout the city to determine targets
- Financial analysis of calculating community amenity contributions from existing zoning vs base density in the Official Community Plan
- Multiple stakeholder workshops including:
 - Urban Development Institute (2 workshops)
 - COTW presentation
 - Working group meeting including presentation

Should Council wish to proceed with Option 1 to explore a refined cash-in-lieu system, an additional \$30,000 will be required to update the fixed rates.

Official Community Plan Consistency Statement

This ongoing initiative is consistent with the Official Community Plan which identifies opportunities for bonus density and encourages affordable housing.

CONCLUSIONS

Consultation on the draft Inclusionary Housing and Density Bonus policy has revealed significant concerns for the inclusionary housing approach, as well as support for exploring a refined cash-in-lieu system for achieving more affordable housing in Victoria. Staff are seeking direction from Council on how to proceed so final policy wording can be delivered by March 31, 2019.

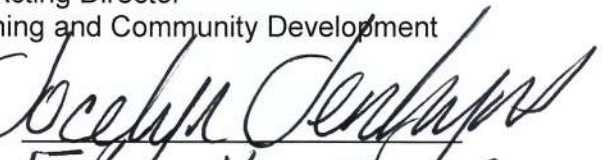
Respectfully submitted,


For
Hollie McKeil
Housing Planner


Andrea Hudson, Acting Director
Sustainable Planning and Community Development

Report accepted and recommended by the City Manager:

Date:


Feb 11, 2019