



Inclusionary Housing Policy & Working Group Consultation Summary

In November 2018, Council directed staff to proceed with stakeholder engagement on the Inclusionary Housing and Density Bonus Policy, including a working group consisting of representatives of rental housing advocates, non-market housing providers, community association land use committees and members of the development community.

The Inclusionary Housing and Bonus Density Working Group was formed in December 2018 and three workshops were held at City Hall during the first quarter of 2019:

- January 23, 2019
- February 19, 2019
- March 15, 2019

The working group consisted of 12 individuals:

Community Representation (6)		Housing Development Representation (6)	
Community-at-Large representation	Nicole Chaland	Aryze Developments	Luke Mari *attended Feb 19 & Mar 15 only
Condominium Homeowners Association	Heidi Marshall	BC Housing	Malcolm McNaughton (Kirsten Baillie sub Jan 23)
Downtown Residents Association	Ian Sutherland (JC Scott sub Feb 19)	Capital Regional District Housing	John Reilly
Generation Squeeze	Eric Swanson	Greater Victoria Housing Society	Kaye Melliship (James Munro sub Feb 19)
James Bay Neighbourhood Association	Marg Gardiner	Urban Development Institute / GMC Projects	Jordan Milne
Together Against Poverty Society	Emily Rogers (Megan Billings sub Mar 15)	Urban Development Institute / Townline	Justin Filuk *attended Jan 23 only

Representative groups were invited to self-select a representative to sit at the Working Group table and were able to send a sub to sit in their place for meetings they were unable to attend. For the Community-at-Large representation, individuals who had presented to Council on the topic of Inclusionary Housing were invited to select a person to represent their interests. Consideration was also given to supporting a balance of community interests and development interests (both non-profit and for profit).

Recognizing the high level of interest and to support greater transparency and trust in the process, all three workshops were open to additional interested stakeholders who were able to observe the meetings and confer with Working Group representatives and staff during the meeting breaks.

Observers were given an opportunity to speak during the first meeting, however staff recognized that this created challenges in terms of supporting a balance of perspectives and to support the Working Group to work productively. For this reason, discussions for the second and third meetings were limited to the

Working Group table members. Observers were invited to listen and could confer with Working Group table participants during the breaks. Observers who attended at least one meeting are listed below:

- Megan Billings, Together Against Poverty Society
- David Biltek, community member
- Wendy Bowkett, Downtown Residents Association
- Lorne Daniel, community member
- Gene Miller, community member
- Janet Simpson, Rockland Neighbourhood Association
- Tim Van Alstine, James Bay Neighbourhood Association
- Jayne Bradbury, Fort Properties
- Byron Chard, Chard Developments
- Dave Chard, Chard Developments
- Adam Cooper, Abstract Developments
- Katy Fabris, Makola Housing Society
- Justin Gammon, Christine Lintott Architects
- Kathy Hogan, Urban Development Institute (UDI)
- Yolanda Meijer, Habitat for Humanity

Input from the Working Group

During the meetings with the Working Group, participants noted many priorities, concerns and recommendations related to the draft policy.

The section below provides a summary of key themes and feedback staff received from the Working Group. Working Group participants were given an opportunity to review and provide clarification for the summary in advance of finalizing this for Council's consideration.

Policy Section 1: Policy Principles

Throughout the first two working group meetings, participants discussed their key concerns and recommendations for the draft policy. From these discussions, staff identified a number of key policy principles where there was alignment in perspectives amongst representatives. The principles were workshopped during the third meeting. These policy principles identify a set of fundamental values that underpin the Working Group's policy recommendations and can inform Council's policy decisions.

- Preserve and create livable, inclusive and affordable communities throughout the City
- New developments that seek bonus residential density contribute to the affordability, diversity and livability of the City of Victoria
- The creation of affordable and attainable housing is supported by onsite inclusionary units and/or cash-in-lieu amenity contributions
- Onsite inclusionary units are able to be monitored and operated effectively over the long term
- Applicants and the community have clear information regarding municipal expectations
- Requirements for City resources and risks are minimized

Policy Section 2: Defining Bonus Density

As per Council direction, staff have investigated two approaches for defining density bonus, including the current system, which defines bonus density as requested densities above the OCP base densities; and an alternative system, which defines it as requests for densities above those listed in the zoning bylaw.

There remains a range of preferences for both approaches amongst working group stakeholders.

Policy Options

Economic analysis shows that there are only a few sites that see a community amenity contribution (CAC) from zoning to OCP base density.

1. Define Bonus Density by Existing Zoning in one of two ways:

- a. Negotiated approach to capture the exceptional sites: uncertain results, difficult to administer, could impact land values for some sites (increases and decreases)
- b. Create a nominal fixed rate for bonus residential density from zoning to OCP base density city-wide to capture exceptional sites

2. Continue to Use OCP Base definition: Works with a fixed rate, simplified process, creates certainty, may leave room for some CACs in some projects

What We Heard

Non-Profit Housing Developers:

- It's important to use the approach that creates the best incentives for new development
- The City needs a good baseline of what is being achieved under current approach
- There are two ways to create affordability: reduce land value for property owner or [allow] additional density

Developers:

- Bonus density should be calculated from property value not OCP Base density
- OCP base density makes the most sense, otherwise you might not see projects come forward
- Concern about going from zoning, as the zoning bylaw does not consider the future growth and housing needs of the City
- Land transacts at the OCP maximum densities as land is in limited supply, this change could have negative impacts

CALUCS:

- Bonus density should be calculated from zoning not Official Community Plan (OCP) base density
- For downtown, most zones are at OCP threshold. A small number of zones show substantial lift between zoning and OCP base that could be captured with nominal fixed rate
- More transparency is needed with how CACs are determined and allocated
- Option for developers to provide land should be included
- Concern that bonus density is not captured in traditional residential neighbourhoods, and that this policy focuses on high value areas of the city alone

Community-at-Large:

- Amenity contributions should provide visible and tangible benefits to neighbourhoods
- Real estate development has lost considerable social license in the past 4 years and projects will continue to create conflict if they are not affordable to local households or providing the community with what the community needs
- Every rezoning should have sufficient level of CAC to offset the losses associated with the new development whether it is a requirement to replace low cost rental housing (and right of first refusal for displaced tenants at existing rents) or loss of green space
- CACs should be designed to incentivize neighbourhoods to embrace new density and ensure that the public enjoys some of the wealth created through up zoning
- Coriolis memo did not investigate which option for defining base density would provide more CAC. It asked what level of CAC could be required which does not interfere with the viability of the majority of real estate developments. We do not know which approach would generate more CAC. It tells us which approach will generate the most real estate developments. Therefore we do not know which approach follows council's direction 'to generate the most affordable housing, the quickest'.
- Bonus density should be calculated from existing zoning, and nominal fixed rate is the only option
- Interim policy with 10-15% is working well: we are seeing affordability coming forward

Condominium Homeowners Association:

- When we consider density it's important to consider the outcome that will create the most amount of affordable housing

Generation Squeeze

- City should pursue a policy that achieves the most amount of affordable housing overall without sacrificing all other amenities
- The City needs to determine what and how much should be asked of the development community

TAPS

- There is extreme hardship felt by many who are unable to access affordable housing
- Want to see the greatest amount of wealth put back to public good
- Important for public trust that calculations are done for public good

Policy Section 3: Approach and Targets

Many participants noted that cash in lieu was valuable for many reasons: it's clear, easier to administer, and valuable to development of affordable housing to leverage other government funding. Inclusionary housing was also seen as valuable in the event other government funding is no longer available. The group also discussed challenges with project size threshold being too low and need for updated targets to market conditions. Overall, there was support for the strategic approach of new policy direction amongst most stakeholders.

Policy Direction

- Inclusionary Housing contributions sought in large projects
- Cash in lieu contributions sought in small and moderately sized projects, with updated fixed-rate targets
- Nominal fixed-rate between zoned density and OCP base density

Bonus Density Category	Areas	Project Size	Targets	
A: Bonus density above base in OCP	Urban Core & Large Urban Villages	Large Projects (>60 units)	Affordable Housing Contribution	10% of total FSR or total units
		Small and Moderate (<60 units)	Cash in lieu contribution	\$35/sf of bonus floor space
	Urban Residential	N/A		\$20/sf of bonus floor space
B: Bonus density above zoned density to base in OCP	City-wide UPDs with residential use	N/A		\$5/sf of additional density from zoning to OCP base density

What We Heard

Non-Profit Housing Developers

- Cash in lieu is preferred as it can be used to leverage additional funding from other levels of government, creating more affordable housing overall with deeper levels of affordability
- Mixed interest from non-profits for owning or managing the units
- This project threshold is more reasonable. If project size threshold is too low, the costs of operating the units will be more than the unit rents, causing long-term risks and liabilities for these affordable units
- Support for the targets as they're geared to % of total units and % of total Floorspace Ratio (FSR) to incentivize family sized units
- Support for the \$5/sf fixed rate from zoning to OCP base
- Support for the balance between onsite affordable units in larger projects and cash in lieu for small and moderate projects

Developers

- Cash in lieu is preferred because it is clear, creates better certainty and is easier to administer

- Desire to see mechanism around creativity/flexibility if someone comes forward with affordable home ownership, daycare or another amenity
- Would like to see the flexibility to allow Council to consider densities above OCP if they advance Council's objectives
- New approach seems fair and balanced compared to the previous draft policy
- Urban residential at \$20/sqft is too high
- Work needs to be done to unlock additional upper end of bonus density near roads, urban villages etc.

CALUCS

- Amenities are essential for complete communities. Cash in lieu that can be directed towards amenities that support an increasing population is important
- Large projects greater than 60 units will be downtown: potential for CAC will be absorbed for affordable housing leaving no contribution for community amenity
- How will the city fund additional amenities (parks, crosswalks etc) to support quality of life with increased density when there are no rezonings required or amenities contributions are all going to housing?
- Max OCP downtown is already very generous and there is no real need to go beyond max
- Concern there will be challenges with the strata management/control through the creation of a large voting block with one organization having 10-15% of ownership in a building

Community-at-Large

- More rezonings need to generate amenity contributions
- Not sure inviting densities more than OCP is something we should do
- Support for the updated fixed rate targets and strategic approach

Generation Squeeze

- The City should pursue a policy that achieves the most amount of affordable housing overall, without sacrificing all other amenities

TAPS:

- The development community needs to be seen as contributing to affordability

Condominium Homeowners Association:

- Cash in lieu is supported as it can be used to leverage additional funding from other levels of government, potentially creating a higher number of affordable housing units

Policy Section 4: Exemptions

Policy exemptions have not changed from the previous 2016 policy.

Policy Direction

Policy Exemptions include:

- Heritage conservation costs
- 100% purpose built rental buildings secured by legal agreement
- Non-profit housing developments
- Non-residential use developments

What We Heard

- Support for these exemptions from stakeholders
- **CALUC:** Large corporations should not receive exemptions

Policy Section 5: Inclusionary Housing Options and Expectation

Stakeholders recommended that the rent levels be adjusted, as they were somewhat arbitrary in the former draft, without providing alignment with other funding programs. Additionally, rents are too low for long-term viability or non-profit partnerships. Mixing rental and strata units creates project viability and long-term operational challenges, and affordable homeownership option may be more viable.

In the revised policy, rents have been adjusted to align with City of Victoria's housing targets and BC Housing's Housing Income Limits (HILs). An affordable home ownership option has been added, unit size minimum removed for greater flexibility and family units have been prioritized.

Overall, stakeholders were generally supportive of these changes.

Policy Direction

- Inclusionary unit rents defined by City's Housing Targets for low to moderate households and align with BC Housing's Housing Income Limits, 2018
- Affordable homeownership option added:
 - City's moderate-income households target
 - Flexibility for diverse program alignment
 - Land lift analysis required to determine % of units delivered
- Unit sizes removed for flexibility, but livability of units still a consideration
- Family units prioritized (10% 3 bed & 20% 2 bed)

What We Heard

Non-Profit Housing Developers:

- Use caution when talking about affordability as there are numerous definitions, which each create limitations on policy outcomes. Don't confuse moderate and middle income limits.
- One tool cannot fix all things. This policy creates some affordability while continuing to have the market produce units.
- Support for affordable homeownership option and adjusted rent levels
- Support for CRD providing fee for service administration of affordable homeownership units on a case by case basis

- Support for prioritization of family sized units
- Add in some flexibility where the City pursues deeper levels of affordability through partnerships with upper levels of government such as BC Housing, CRD and CMHC

Developers:

- Mixing rental and strata units creates project viability and long-term operational challenges, supportive of affordable homeownership option
- Alignment with BC Housing programs very important and should be ensured with final policy

Community-at-Large:

- Pleased to see an Affordable Home Ownership option because it addresses the problems with mixing strata and rental
- Support for aligning rent levels and income levels to those established by the City's Housing Targets
- The impact of not having affordable housing is homelessness, we need to build housing people can afford

TAPS:

- This policy can't fix the fact that people still can't afford housing, particularly very low and low income residents, but it's one tool that can help the low to moderate income earners
- A slower rate of development is okay
- We can't keep building housing that no one can afford
- More interested in seeing more affordable rental over affordable home ownership

Generation Squeeze:

- It's important to tie affordability to the income limits of people who live here
- Supportive of affordable home ownership option
- The City needs a rental incentive policy and a formal affordable home ownership program

Condominium Homeowners Association

- The operation of rental units in strata developments is challenging
- Supportive of affordable homeownership option

CALUCS

- Proposed inclusionary housing component would likely be a profound disappointment due to the lack of potential to produce any significant numbers of units. Suggest looking back 5 years and coming up with hard numbers of what a similar policy would have produced.
- Support cash-in-lieu as non-profits can leverage perhaps 25 times the funding from senior government and produce real numbers of units
- Concern there will be challenges with the strata management/control through the creation of a large voting block with one organization having 10-15% of ownership in a building

Policy Section 6: Allocating Cash-in-lieu Amenity Contributions

All participants noted the importance of amenities for supporting the livability of neighbourhoods for future generations and expressed concerns about having all amenity contributions directed towards affordable housing. Additionally, Cash in lieu that is directed to a housing fund can leverage other funding opportunities resulting in more affordable housing overall. Updated draft policy divides bonus density contribution 50/50 between housing and community amenity.

Policy Direction

- 50% Victoria Housing Reserve Fund
- 50% Local Amenities Reserve Fund or Public Realm Improvement Fund

What We Heard

Non-Profit Housing Developers:

- Cash in lieu that is directed to a housing fund can leverage other funding opportunities
- Support for 50/50 split between housing and amenities. Would also support 60% amenities / 40% housing but would not widen that any further

CALUCS:

- Allocation of CACs should be higher downtown (80% CAC/20% housing). 80-20 split is proposed to balance the total absorption of CAC by development over 60 units. Most development downtown will be more than 60 units leaving virtually no funds for essential amenities. Proposed 80-20 is to balance inequity. North Van uses 80-20 split for all CACs (not just projects over 60 units).
- Support cash-in-lieu as non-profits can leverage perhaps 25 times the funding from senior government and produce real numbers of units
- Concern heritage no longer receiving sufficient funding with loss from CAC. Tourist come to see heritage buildings, not new buildings downtown
- 80/20 ratio for CACs is also important for other neighbourhoods outside of downtown
- Concern that new development is intended for the higher land value residential areas of James Bay, Fairfield, Rockland and Gonzales. Residents in those areas should be notified of development intent. Further, the intent does not meet the avowed objectives of carrying out a policy "throughout the City" and providing "clear information regarding municipal expectations". In addition, due to current zoning many areas of the City can density without any rezoning.

Developers:

- CAC through cash in lieu can leverage other money and are important for the community

Community-at-Large:

- Support for allocating Cash contributions to both amenities and housing
- More information is needed on how amenities are funded

Generation Squeeze

- Cash in lieu that supports the livability of neighbourhoods and affordable housing is good

TAPS

- Interested in seeing units actually being built. There is a risk of money sitting in a fund if no land available to build affordable housing

Condominium Homeowners Association:

- No comments specific to cash-in-lieu

Policy Section 7: Option for Economic Analysis

There were some discussions that the term “hardship” with reference to real estate development was inappropriate. This policy section is now titled, Option for Economic Analysis, which better reflects its intention, with more details added regarding when and how it’s used.

Policy Direction

- Changed title from Hardship to Option for Economic Analysis
- The City will consider negotiating a different inclusionary housing target % or fixed rate cash-in-lieu CAC in cases where site-specific considerations compromise the development viability, including but are not limited to:
 - The existing zoning permits a density that is higher than the base OCP density
 - The land value under existing zoning is higher than the base OCP land value
 - The proposed density is significantly lower than the maximum permitted OCP density
 - Cost of land lift analysis is covered by the applicant, no longer deducted from the CAC

What We Heard

Non-Profit Housing Developers:

- Need to consider negotiating for flexible levels of affordable rents –eg: 10 units at \$25 or \$50 above rent level, which will see more units created overall
- Developers need to show full information in their proformas to validate the land lift results
- The City could consider building a proforma baseline – to show the costs within comparable projects and compare with land lift analysis costs – to ensure that they are accurate / reasonable

Developers:

- The value of existing use higher than OCP base should be on the list
- Support for more clarity in the use and purpose of this option

TAPS:

- Could be reasonable for applicant to make cash contribution if significant hardship can be demonstrated. How will applicant’s hardship be determined?

CALUCS:

- The value of existing use higher than OCP base should not be considered a hardship

Generation Squeeze:

- No comments specific to hardship/economic analysis

Condominium Homeowners Association:

- No comments specific to hardship/economic analysis

Working Group Feedback on Strengths and Recommended Improvements

After sharing with the Working Group revised draft policy directions, participants were asked to each note their final feedback on the draft policy direction's strengths and recommended areas for improvement:

Stakeholder	Draft Policy Strengths	Recommendations for Additional Improvements:
Aryze Developments	It provides flexibility and ongoing monitoring	Allow policy to consider densities above the OCP if the affordability or amenity goals of the city are advanced
BC Housing	Providing some certainty to the development community	Utilize/align with BC Housing affordable definitions for rental and affordable home ownership projects
Capital Regional District Housing	Support for the balance between onsite affordable units in larger projects and cash in lieu contributions in small and moderate projects	Add in flexibility where the City pursues deeper levels of affordability through partnerships with upper levels of government such as BC Housing, CRD and CMHC
Community-at-Large representation	Affordable home ownership needs to be made more clear	Concerned that Council will continue to ask for affordable housing from every project if the policy doesn't require affordable housing from every project which requests a rezoning
Condominium Homeowners Association	Provides an opportunity for cash in lieu that can be leveraged for additional funding opportunities and partnerships	With the goal of increasing the total number of affordable rental units in Victoria consider various types of incentives and options – do not exclusively look to mandating a certain percentage of rental units in new strata developments
Downtown Residents Association	That it moves away from the previous draft policy [100% inclusionary housing] to allow opportunities for cash in lieu	Cash in lieu ratio should be 80/20 for Downtown

Generation Squeeze	Admirably it incorporated most of the working group's feedback. The policy itself is a strength and it provides extra info for Council on real world potential	Add more clarity for how amenities are funded by the City and how this policy relates. Ensure there isn't a net loss of units in redevelopment from the secondary rental market that provides relatively affordable units.
Greater Victoria Housing Society	That cash in lieu will be allowed for some projects	Allow large projects to make cash in lieu
James Bay Neighbourhood Association	Standardizes, hence creates predictability for development community. Partnership and alignment with BC Housing and CRD programs	CAC divide should be 80% CAC, 20% housing. Outside downtown core area (DCAP) \$5 too low and needs to start from existing zoning
Together Against Poverty Society	Affordability: cost is tied to city's low- and moderate-income targets	Does this policy align enough with the goals of council and provide affordable housing through every new development?
Urban Development Institute / GMC Projects	Providing an opportunity for community amenity contributions to produce cash that can be levered up to 25-1 to create the most affordable units the fastest	Remove unit threshold so all projects can pay. Undertake a capacity assessment to determine where growth can go. Need more incentives.

The consultation period for the development of the Inclusionary Housing and Community Amenity Policy took place from September 2018 to April 2019, and included consultation with diverse stakeholders in addition to those included in the Working Group. All of the consultation that took place outside of the working group meetings is outlined below, and includes additional meetings that took place in advance of September 2018:

Stakeholder Group	Consultation	Date and location
BC Assessment	Phone Meeting and Email Correspondence	Between January 2019 and March 6 th , 2019
BC Housing	Meetings	January 15, 2019 and March 20, 2019 at City Hall
Canada Mortgage and Housing Corporation	Meetings and Email Correspondence	June 25, 2019 at City Hall
CALUCs	Presentation and meeting	November 29, 2018, at City Hall and January or February TBD
Condominium Home Owners Association	Conference call and meeting	December 12, 2018 conference call and January 25, 2019 at City Hall
Interested Community Members	Meetings	December 21 and 27, 2018 at City Hall
Habitat for Humanity	Meeting	December 20 at City Hall
Heritage Advisory Panel	Presentation and meeting	October 9 2018 at City Hall
Members of the Development Community	Two workshops, and one meeting with the City of Victoria planning staff and the Coriolis Consultant, Blair Erb	August 1 at City Hall (1.5 hours) October 2 at the UDI office (2 hours) February 22, 2019 at City Hall (1 hour)
Non profit housing developers	A two-hour meeting where feedback on the Inclusionary Housing and Density Bonus Policy and Victoria Housing Reserve Fund Guidelines	October 26, 2018 at City Hall (2 hours)
Private Property Managers	Phone Meetings & Email Correspondence	October 2019
VanCity Credit Union	Email Correspondence	Between February and April 2019
Victoria Heritage Trust	Presentation and meeting	October 30 2018 at City Hall