

April 10, 2019

Mayor and Council
City of Victoria
One Centennial Square
Victoria, BC V8W 1P6

Re: Inclusionary Housing and Density Bonus Policy

Dear Mayor and Council,

Over the past few months, City Staff have fostered a robust and collaborative dialogue on the City's proposed Inclusionary Housing and Community Amenity Policy, by way of an Inclusionary Housing Policy working group.

The dialogue has been focused on the important and necessary goal of creating more affordable housing units in the City of Victoria; a goal that the Urban Development Institute – Capital Region (UDI) and our broad membership support.

On behalf of the UDI Capital Region Board of Directors, I would like to sincerely thank Council for supporting Staff through this process, allowing time for in depth discussion and collaboration amongst a diverse group of stakeholders, which includes UDI. The work undertaken by Staff to bring together these stakeholders – all committed to working toward the shared goal of creating more affordable housing units in the City of Victoria – is to be commended. The process allowed for respectful debate and discussion and provided all in attendance with a broad range of valuable perspectives.

Given the successful dialogue and collaboration over the previous months, it is with dismay and disappointment that UDI must write this letter to express our concern regarding the City of Victoria's proposed Inclusionary Housing and Community Amenity Policy (the "Policy"). The current form of the Policy will not achieve the goal of increasing the supply of affordable housing units that this City so desperately needs, and it will likely discourage or even halt further development altogether.

Our common goal is clear; the challenge is finding the best path to achieve that goal.

Recommendations

Based on what we learned through our participation in the working group, and based on the draft report written by Coriolis (the "Report") concerning the Policy, we make the following recommendations:

1. Importance of Stakeholders.

A critical stakeholder has been excluded from the discussions to date – financial institutions.

UDI recommends further consultation and engagement with financial institutions. The importance of financial institutions to the viability of any development project cannot be understated. Development is a capital-intensive process which almost always requires a financial partner to be successful. Simply put, if financial institutions are unwilling to lend on a project, then the project will not happen. Housing units which could have been built (whether affordable or not) won't be. Our colleagues in Vancouver (and our local members) tell us that the housing model put forward by the Policy is not economically viable and may not be funded by financial institutions. The Policy makes the significant assumption that development projects will be financed and built in any event, resulting in CAC's and more affordable housing units. Receiving input from financial institutions and fact checking this assumption is critical.

2. Exemptions for Smaller Projects.

The Report suggests smaller projects should be exempt from affordable rental unit requirements and instead should be allowed to provide a cash in-lieu CAC's.

UDI recommends that all projects should have the option of providing cash in-lieu. This approach is the best way to leverage funding available from other sources (including the Provincial and Federal Governments). Allowing non-profits to leverage available funds and maximize their purchasing power provides the most flexibility in delivering more affordable housing. This approach also satisfies the common prerequisite to Provincial and Federal funding; municipal contribution.

3. Two-Tiered Approach.

UDI does not recommend a two tiered approach to density bonus. This approach is unnecessary, confusing, and may have unintended consequences.

The Report indicates that there will be less CAC's collected overall should bonus density be calculated from zoning and that doing so could further limit the supply of development sites. Yet Staff have chosen to include a nominal bonus fee from existing zoning to base OCP in an apparent attempt to address the few exceptional sites that garner additional value between the existing zoning and the base OCP.

Not only is this a significant departure from the existing approach to bonus density, it adds complexity and cost to all projects to address a few exceptional sites which may not be developed in the coming decade any event. Additional complexity and cost works against our common goal of increasing the supply of affordable housing units.

4. Rely on Current Data.

We understand Coriolis had reached the end of their contract funding and were not able to provide final numbers in their data collection when the Report was delivered to the City of Victoria. We understand data from 2018 was used to develop the Policy. The housing market has changed dramatically over the past year and data from 2018 is already out of date.

UDI recommends obtaining and considering current data to inform the current dialogue, before Council adopts the Policy. Current market conditions must be taken into consideration when considering inclusionary housing requirements.

UDI also recommends that Council direct Staff to (a) update the figures underpinning an inclusionary housing policy and (b) report to Council on an annual basis the updated figures and whether the inclusionary housing policy is achieving the desired outcomes.

5. Grandfathering.

UDI supports Staff's recommendation that if the Policy is adopted at council on April 11th, all new projects brought forward after April 11th will follow the new Policy but those projects already in process will be grandfathered under the old policy. Changing the goal posts mid-process will create uncertainty, increase costs, and be detrimental to projects under consideration as additional time and resources will need to be spent in order to comply with the new Policy. Predictability, stability, and certainty are required in order for projects to come to fruition.

6. Exemptions.

UDI is extremely supportive and appreciative of Council's decisions to exempt purpose built rental housing projects, non-market housing projects owned by non-profits, heritage projects and projects that do not include residential. It is important that purpose built rental projects are excluded, as adding further encumbrances to the development of rental housing could result in a major stagnation of this type of housing. Further, UDI would like to see more Municipal, Provincial and Federal programs enacted that encourage the development of more rental projects. Much of today's older rental housing stock was built as the result of such programs in the 1970s, such as the Multi-Unit Residential Building (MURB) program, and reinstating such programs could result in a large increase and replenishment of Victoria's rental stock.

Conclusion

Supply is a key factor in increasing affordability housing and diversity.

Rental and condominium development not only provides new supply, but also often works to increase affordability within older housing stock – whether owned or rented – as residents move up the housing continuum. Development is a complex and risky business. In recent years, the cost of constructing housing has increased significantly as a result of increased provincial taxes, construction cost escalations, tariffs on materials, challenging site and soil conditions, adjacent site constraints, seismic enhancements, Step Code compliance, bike and parking requirements and land costs. The list is long, and simply put, housing is more expensive to build than it was only a few years ago. We hear this message loud and clear from other stakeholders and from our members.

In its current form, the Policy will make future developments even more costly and will work against our common goal of increasing the supply of affordable housing. The risk is simple – projects will become financially unviable, slowing or stopping development and resulting in less housing (affordable or otherwise).

UDI recognizes the importance of encouraging all levels of housing development within the City of Victoria and supports the City's goal of developing tools to assist with that effort. We believe strongly that it is in the interest of all Victorians to ensure an ongoing supply of housing across the entire housing continuum.

Our final recommendation is that we continue our dialogue and that, prior to the Policy being adopted in its current form, further work be undertaken in order to better understand the current market realities facing our members and the implications of the Policy in its current form.

UDI would again like to thank Mayor, Council and Staff for allowing us to be part of Inclusionary Housing Policy working group and the important discussion around affordable housing. We look forward to further dialogue in order to find the best path to achieve our common goals.

Kind Regards,

A handwritten signature in black ink, appearing to read 'Kathy', followed by a long, horizontal, slightly wavy line that extends to the right.

Kathy Whitcher (Hogan) – Executive Director
(on behalf of the UDI Capital Region Board of Directors)

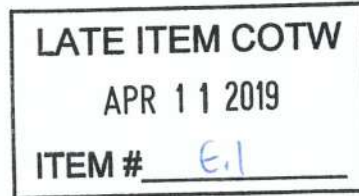


Community Builders...

Building Communities

April 10, 2019

Mayor Lisa Helps and Council
City of Victoria
1 Centennial Square
Victoria, BC V8W 1P6



Dear Mayor and Council,

Re: Inclusionary Housing and Density Bonus Policy

The Victoria Residential Builders Association does not support the City of Victoria's proposed Inclusionary Housing and Density Bonus policy. VRBA is comprised of 200 members of which more than 100 are contractors.

The city's report says, *"All members of the working group expressed support, in principle, for achieving a mix of cash and inclusionary housing units."*

VRBA was not part of the "working group" and does not support the city's spiralling density bonus fees and inclusionary housing requirements assigned to the mortgages of new homebuyers, driving up home prices.

Since 2016, the city has collected millions of dollars from new development. The report also says, *"Additionally, there are currently 15 pending rezoning applications proposing approximately \$11,000,000 in cash CACs, 500 purpose built rental units, and 80 on-site affordable or market rental units."*

But it seems it's never enough.

Social programs, including housing are the responsibility of taxpayers at large, not the mortgages of new homebuyers. BC Housing, CMHC and other government agencies have the mandate to fund affordable housing projects including partnerships with developers. In addition, the province and federal government collect billions of dollars in Property Transfer Tax and GST from new housing to provide these social programs.

The report acknowledges vacancy rentals are increasing in the CRD. One of the reasons is 60% of all new rentals and 40% of all new housing in the CRD were built in Langford in 2018, while housing starts declined in Victoria. Langford's strong performance is due to efficient development and building permit processes creating developer confidence and significantly lower costs.

Langford's efficiency and pro-supply policies are the reason for your report's statement, *"Households in their family formation years of 30 to 45 years old, continue to move outside of the City of Victoria, most likely due to the lack of affordable or attainable family appropriate housing."*

Langford is doing much more than its share for housing affordability, but one municipality out of 13 in the CRD cannot address this issue alone.

Housing prices are high because supply has not kept pace with population growth. According to Statistics Canada from 2011 to 2016, Greater Victoria's population increased 6.7% but housing grew only 3.1%, less than half of what was required.

In 2019, the population is 382,085, a rise of 10.9% since 2011. A record number of starts over the past two years boosted housing to about 183,627 or 9.8% since 2011.

Supply has not resulted in lower prices because we have been playing catch up and we're still not keeping pace with population growth. Housing must at least match growth or better to achieve a measure of affordability.

The City of Victoria can best assist supply and affordability by rezoning for higher density, improving permit processes, and avoiding unnecessary fees, taxes and regulations.

Also, the City of Victoria owns vacant property that could be developed for affordable housing with private partners. This should be another option, in addition to promoting efficient processes, rezonings and supply.

A recent study by the CD Howe Institute says government regulations add \$264,000 to the cost of new homes in Victoria. The report says restrictions such as zoning regulations, development charges, and limits on housing development dramatically increase the price.

For example, the City of Victoria's adoption of the Step Code, (wisely disregarded by Langford in favour of Built Green and National Building Code diligence) has already resulted in unintended consequences and added costs for Victoria homebuyers. An NRCan study presented at the National Building Code committee reveals the Step Code metrics cause new homes in our region to be more costly than identical homes in Nanaimo, despite similar weather conditions.

Your proposed Inclusionary Housing and Density Bonus Policy only adds to the regulatory burden and costs for housing.

Thank you for consideration of our concerns and feel free to contact me for any additional information.

Yours sincerely,



Casey Edge
Executive Director



LATE ITEM COTW

APR 11 2019

ITEM # 6.1

James Bay Neighbourhood Association

jbna@vcn.bc.ca
Victoria, B.C., Canada

www.jbna.org

April 10th, 2019

Mayor and Council,
City of Victoria.

Re: Inclusionary Housing Policy

The JBNA Board is very supportive of Council's intent to encourage the creation of more social and affordable housing, and the renewal of end-of-life housing, within the City. You will be aware that James Bay not only hosts a high proportion of the City's social and cooperative housing, but will soon see the renewal of a large CRD project which will result in an additional (net) 40 units. JBNA Board members have participated in the recent Housing Summit and Inclusionary Housing and Bonus Density discussions.

Having reviewed the documents before Council this week, we have comments and specific requests for amendment to the draft policy before acceptance by Council.

Comments:

- Workshop discussions were directed, in the main, to development and developers' profit interests; resident property rights and quality of life interests were sidelined.
- The proposed policy does not satisfy one of the key Principles of the policy itself, namely to implement the program throughout the city.
- Although the expressed intent to direct developments away from areas in need of renewal to the more expensive areas of the city was not identified in the program objectives, the intent to promote development in downtown and the south-most neighbourhoods of James Bay, Fairfield, Rockland and Gonzales was expressed several times.
- The proposed policy does not necessarily complement other policy considerations such as transporting, density throughout the city, greening, urban forest, or quality of life. Examples: 1) placing higher density south of Rockland/Downtown will increase traffic congestion in or through Downtown, and 2) the stated intent is not to develop areas of higher density which have been identified through the LAP process (completed to date) and supported by residents.
- It was not until near the end of the last meeting that the traditional residential \$5 level was revealed and therefore the opportunity to identify potential impacts was minimal. The proposed \$5 will neither create sufficient funding to provide significant amenity to a neighbourhood nor funding to go towards public housing, regardless of the chosen share-split. **Indeed, it appears to be a 'gift' provided under the cover of an inclusionary housing policy; a gift to benefit a narrow slice of the development industry.**
- In spite of significant information developed by staff, quantitative information needed to adequately assess the issue was not available. A development community representative stated *"the desire for speed replaced duty of care for analysis"*.

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During the Inclusionary Housing and Bonus Density sessions it was recognized that:


- Most traditional and urban residential structures are relative low level buildings and of wood frame construction, resulting in significantly lower construction costs.
- If CAC assessment starts at the OCP base line, as opposed to current zoning, there will be an inflationary impact as the expectation of property owners will be high, raising land costs.
- The proposed \$5 Traditional Residential rate is, in real dollar terms, a reduction of rate. JBNA objected to the \$5 level when it was introduced several years ago, realizing the impact that such a rate might create.
- Rationale for lower rates in residential areas was not provided or discussed.

The JBNA Board requests the following changes to the proposed policy:

- **That the \$35/sqft rate be applied to development proposals that fall into both urban residential and traditional residential areas.**
- Property values for CAC assessments, or other like-programs, start at the existing zoning for any proposal involving Urban or Traditional Residential areas and/or R-1, R-2, and similar zonings (i.e. do not start at OCP).
- That the policy be altered to encourage developments throughout the city, especially in areas in need of renewal and revitalization or those areas where relatively new LAP plans have designated as being in need of development (Note: this may mean differential rates with lower CAC rates being applied to areas where LAP agreements reached).
- That the neighbourhood amenity and housing split of rezoning contributions be divided on an 80% amenity 20% housing share-split basis as recommended by the DRA.
- The CAC amenity share be assigned to the neighbourhoods in which a development occurs. (The proposed policy has the DCAP, which overlays neighbourhoods, as a priority over neighbourhoods. This could negatively impact James Bay in a significant way)

Our overall objective is to partner in the creation of a Housing Policy which is respectful to residents and to neighbourhoods, and which will build community while renewing areas of the City in need of redevelopment.

For your consideration,


Marg Gardiner,
President, JBNA
marg.jbna@shaw.ca

Cc: Andrea Hudson, A/Director Planning
VCAN, c/o Don Monsour