



## **Committee of the Whole Report For the Meeting of June 13, 2019**

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**To:** Committee of the Whole **Date:** May 27, 2019  
**From:** Andrea Hudson, Acting Director, Sustainable Planning and Community Development  
**Subject:** **Proposed Inclusionary Housing and Community Amenity Policy Amendments**

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### **RECOMMENDATION**

1. That Council determine:
  - a) the project size threshold at 40 or 60 units
  - b) the proportion of cash-in-lieu CACs allocated to municipal reserve funds that support:
    - i. affordable housing at: 70% or 50%
    - ii. local amenities at: 30% or 50%
2. Adopt the Inclusionary Housing and Community Amenity Policy, 2019 as presented on April 11, 2019 (Attachment A)
3. Direct staff to:
  - a) apply the Inclusionary Housing and Community Amenity Policy, 2019 to rezoning applications received after June 13, 2019;
  - b) issue an Expression of Interest to non-profit housing and government agencies to purchase and/or operate inclusionary housing units;
  - c) monitor the requirements for staff resources needed for policy implementation, administration and monitoring and report back in one year with requests for additional resources as needed; and
  - d) report back on policy results in three years following policy implementation (2022).

### **EXECUTIVE SUMMARY**

On April 11, 2019, a draft Inclusionary Housing and Community Amenity Policy was presented to Council, where several policy amendments were proposed for further consideration. This report provides an assessment of the impacts of the proposed amendments, and includes a comparative policy analysis, additional economic analysis from Coriolis Consulting and feedback from Inclusionary Housing Working Group members. Staff have provided Council with the opportunity to determine two policy sections based on Council priorities as well as with consideration of the options, staff recommendations and economic analysis provided. Additional information is provided for Council consideration and includes policy outcome projections, an analysis of the use of BC assessment data and updated contributions estimates from in-stream development applications.

## **PURPOSE**

The purpose of this report is to provide an analysis of the proposed amendments to the Inclusionary Housing and Community Amenity Policy as well as additional information to inform policy expectations.

## **BACKGROUND**

On September 6, 2018, Council considered a draft Inclusionary Housing and Density Bonus Policy and provided the following directions:

- consider two options for defining bonus density, either from the base density in the Official Community Plan (OCP) or density in the zoning bylaw;
- consult on the decreased project size threshold, which identifies when the City considers cash community amenity contributions in lieu of on-site affordable housing; and
- return with a final policy to take effect no later than March 31, 2019.

On November 8, 2018, Council provided further direction on the Inclusionary Housing and Density Bonus Policy:

1. To negotiate an affordable housing component in rezoning applications for new strata housing received from that date forward, using the draft Inclusionary Housing and Density Bonus Policy as guidance.
2. That consultation on the draft policy should take the form of a working group consisting of:
  - a. rental housing advocates
  - b. non-market housing providers
  - c. Community Association Land Use Committees, and
  - d. members of the development community.
3. To request that BC Assessment provide data on land values and land appreciation in the City of Victoria over the past decade.

On November 22, 2018, Council directed staff to use an Interim Policy where staff negotiate community amenity contributions for all strata projects in every designation in the city greater than 10 units.

On April 11, 2019, the Inclusionary Housing and Community Amenity Policy was presented, and Council referred the matter back to staff with the following direction:

1. To report back with any proposed amendments to the revised policy to ensure a workable policy;
2. That revised policy be forwarded to the working group for comment;
3. That any amendments be consistent with the principle that new density beyond the entitlement in the existing zoning should be targeted toward the social purpose of expanding inclusivity and affordability in the community; and
4. That the Interim Policy adopted by Council in November 2018 remain in effect until a new policy is adopted.

## **ISSUES & ANALYSIS**

An analysis of the proposed amendments to the Inclusionary Housing and Community Amenity Policy (Attachment B) is outlined below.

### **1. Proposal to Amend the Policy Purpose Section**

The proposed amendment to the draft Inclusionary Housing and Community Amenity Policy (Inclusionary Housing Policy) removes a description of the mechanics on which such policies operate and achieve their intended purpose. The purpose of the Inclusionary Housing Policy is to achieve public benefits in the form of Community Amenity Contributions (CACs) that help to reduce potential negative impacts associated with the proposed development. CACs can be provided in the form of on-site affordable units in strata residential developments, known as inclusionary housing units or other appropriate amenities (such as contributions to the housing reserve fund). The policy provides guidance to applicants, staff, Council and the community of municipal processes and CAC expectations when considering rezoning applications that seek bonus density. In order to achieve this policy purpose, a balance between the social need and the proposed projects ability to remain economically viable has to be found. Following established best practice, the City of Victoria requests 75 percent of the increase in land value that results from the increased density permissions to be devoted to CACs, in order to balance the need for CACs. It is recommended that the policy include language that clearly articulates these fundamental policy mechanics in the purpose section in order to enhance clarity for all policy users.

## **2. Proposal to Remove the Option to Use an Economic Analysis (Negotiated Approach)**

Proposed amendments to the Inclusionary Housing Policy direct staff to negotiate affordability in all rezoning applications over 10 units, as well as to remove the option to negotiate CACs using economic analysis, which create significant operational challenges. A negotiated approach inherently entails an economic analysis to determine the amount of CAC or inclusionary housing that a specific development can provide.

The Option to use Economic Analysis Section provides guidance to staff, applicants and consultants on the municipal processes and expectations when a negotiated approach is requested. Due to staff capacity limitations, the City of Victoria contracts third party consultants for this analysis rather than undertaking this task in-house. These analyses provide a precise assessment of the amount of CAC that a specific project can deliver and includes the collection and validation of hard and soft project costs, appraisals or valuations, as well as additional information as required. The analysis allows the City to verify that the amount of CAC requested from an applicant reflects the value of bonus density proposed. This verification tool is particularly important in cases where applicants are claiming that they are unable to provide a CAC, and staff need the economic analysis to inform their rezoning application review.

A negotiated approach requires significantly more time and resources and can extend development approval timelines. It also increases market uncertainty and risk, as the CACs or inclusionary housing costs cannot be included in initial pro formas nor fully considered when land is purchased. This market uncertainty tends to exacerbate the issue of inflated land values, particularly in municipalities that have a limited land supply such as Victoria. A fixed rate approach reduces development risk, provides certainty to applicants, and allows CAC costs to be allocated upon project initiation and during land transactions. Fixed rates also significantly reduce the amount of staff time and resources required to review applications. Therefore, staff recommend that the hybrid approach proposed in the Inclusionary Housing Policy be used, where economic analysis is requested when the value of the CAC or inclusionary housing may be more or less than the established fixed rates. Specifically, for typical rezoning application scenarios, the policy proposes the use of fixed rates in the form of either a charge per square foot of bonus density, or as a percentage of the building be dedicated to inclusionary housing. A negotiated approach is requested in development scenarios where there is a potentially larger or smaller CAC available, such as when there is large development site or when there is a change in land use.

### 3. Proposal to Remove the Levels of Bonus Density (Fixed Rates)

The Levels of Bonus Density section establishes fixed rates for projects that are contributing CACs as either cash-in-lieu or inclusionary housing units. The proposed amendment removes this section, which would require that a negotiated approach (economic analysis) be used to determine the amount of cash-in-lieu CACs expected from projects that are not offering inclusionary housing units. As previously mentioned, a negotiated approach creates challenges and inefficiencies including increasing costs and risk for relatively small projects, reducing clarity of municipal expectations, requiring additional staff resources and extending rezoning approval timelines. The draft Inclusionary Housing Policy's fixed charges per square foot have been increased to reflect current market conditions and will enhance policy outcomes by providing certainty to the market, as well as reduced costs, risks and development timelines. Therefore, it is recommended that the policy include fixed rates for projects that are not providing inclusionary housing in order to improve the policy's efficiencies and effectiveness.

### 4. Proposal to Increase the Inclusionary Housing Target to 30% for Strata Developments

The proposed inclusionary housing target of 30 percent represents a 3-fold increase from the initial policy recommendation. As noted by Coriolis Consulting and indicated in the working group feedback (see Attachment C), this level of inclusionary housing target appears unachievable within Victoria's development context.

Inclusionary housing targets are customarily set to reflect the value of the density increase, which is dependent upon many factors including the amount of density requested, the value of the buildable land and its location. Compared to municipalities with similar inclusionary housing policies, the City of Victoria offers relatively small amounts of density and has the lowest buildable land values, so the land value created by the bonus density is lowest in Victoria (Table 1). Despite these factors, the proposed policy target would request the highest percentage of inclusionary housing units from strata developments.

*Table 1: Jurisdictional Review of CAC targets and Value of Bonus Density*

	<b>Victoria</b>	<b>New Westminster</b>	<b>Richmond</b>	<b>Vancouver</b>
Estimated Buildable Land Value* (cost per square foot)	\$60	\$100 to \$125	\$200	\$400 to \$800
Estimated range of bonus density offered in downtown (Floor Space Ratio)	2 FSR	2+ FSR	1+ FSR (for affordable housing request)	10 FSR
Affordability Target of the Inclusionary Housing Units	City's Housing Targets (\$35,000 to \$70,000 annual incomes)	90% CMHC (\$45,900 to \$75,150 annual incomes)	90% CMHC (\$45,900 to \$75,150 annual incomes)	Variable but often Turn-Key Social Housing Units (< \$20,000 annual incomes)
Inclusionary Housing Targets (percent of total buildings' units)	30% (under consideration)	10%	10%	20% (Up to 25% or 30% in select sites with tailored densities)

\*Buildable Land Value: Land value divided by permitted floor space.

Coriolis Consulting advises that Council's proposed 30% inclusionary housing target would make rezoning financially unattractive for private development, resulting in a significant decline in strata

residential rezoning applications. Rates of development of new housing supply would decrease and of the development that does occur, most would likely build within the densities permitted in the *Zoning Regulation Bylaw*, resulting in no contributions of inclusionary units or funds to the City.

Existing zoned density permissions are insufficient in meeting the City’s existing and future population needs, which is why the Official Community Plan envisions higher densities in future in appropriate areas. This shift would likely reduce vacancy rates, as well as increase land values and housing prices. These potential impacts may be further exacerbated when considering the Capital Regional District’s recent projections that estimate even faster growth for municipalities in the region’s core. Therefore, staff recommend that the inclusionary housing target remain at 10% as supported by the analysis and information provided.

The target proposed in the Inclusionary Housing policy is based on the value of the bonus density offered. Coriolis Consulting analysed how an increase in amount of bonus density offered by the City, could potentially increase the proportion of inclusionary housing that could be targeted in the policy. A case study in the Downtown Core was analysed, and it was determined that as bonus density is increased from 5.0 FSR to 6.0 FSR, the rate of inclusionary housing expected increases from 10% to 12% of the total units in the project.

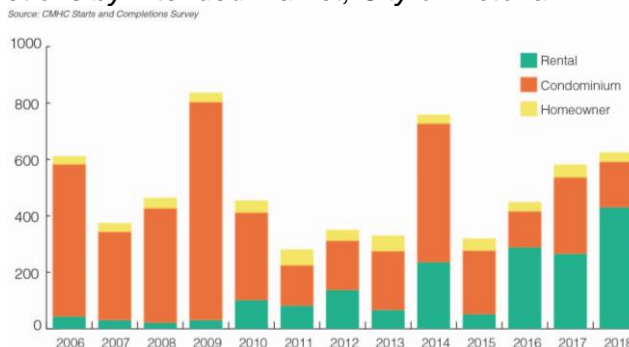
### 5. Proposal to Remove the Policy Exemption for 100% Rental Housing Developments

The development of rental housing has been relatively stagnant since the 1980’s. The proportion of renters continues to rise (9% increase from 2011 to 2016) due in part to the increasing unaffordability of home ownership, yet the majority (78%) of rental housing was built in the 1960’s and 1970’s and is need of significant investment and repair.

The consistent development of new market rental housing is vital to supporting a healthy economy, and housing continuum, that offers a rental housing stock that is diverse in age and cost for existing and future residents. Market rental stock is often defined as purpose-built rental housing, which provides greater security of tenure than secondary rentals because it is built to provide long-term tenancy and the units will remain in the rental market from one year to the next. This stock is a principal workforce housing option for low to moderate-income households, whom are not served by non-market housing options and are unable to enter into homeownership, as purchasing a home becomes further out of reach for moderate income earners.

The City of Victoria has been successful in incentivizing the development of much-needed new purpose built rental housing stock in recent years (Table 2). In 2018, the proportion of rental starts surpassed strata starts, which may be unprecedented in the province. However, due to the aging existing stock and increasing demand for rental housing, continued rental housing development is required to meet the needs of existing and future populations.

Table 2: Housing Completions by Intended Market, City of Victoria



The Inclusionary Housing policy and former Density Bonus policy, 2016 successfully incentivize new 100% purpose built rental housing development by permitting density increases while exempting CACs. The proposal to amend the policy to request that 10% of the units in new rental developments be affordable would constitute a significant policy shift. Coriolis Consulting expects that without additional incentives offered, very few market rental projects would be financially viable. Encouraging affordability within new rental developments is an action that staff are initiating as a priority action in 2019, as directed in the City’s Strategic Plan 2019-2023 and the forthcoming Housing Strategy update. It is recommended that Council adopt the Inclusionary Housing policy as proposed by staff on April 11<sup>th</sup> and explore ways to achieve on-site affordability in rental developments, as directed through the priority Strategic Plan action.

## 6. Proposal to Consider Additional Incentives

Coriolis Consulting advises that it is unlikely that increasing inclusionary housing targets to 30% for strata projects and 10% for rental projects is achievable for most or all private sector development projects in the City, and it is even more unlikely that a development would be able to surpass the amended targets under most circumstances, regardless of incentives. The incentives proposed in the amended policy would require additional analysis to assess the potential impacts on the City’s financial plans and how these incentives might be leveraged strategically to best support affordable housing development across the continuum. For instance, some incentives offered to private market developers may not be offered to non-profit housing developers. In order to provide a recommendation on which additional incentives to offer, analysis would need to be completed on incentive programs and their strategic applications.

## 7. Proposal to Reduce the Project Size Threshold

The suggested amendment proposes to reduce the project size threshold from 60 units, and request that projects with 10 units and over provide inclusionary housing units while projects under this threshold provide cash-in-lieu CACs. The table below summarizes the potential outcomes and performance of three threshold scenarios (10, 40 and 60 units). Council may choose the ideal project size threshold in Section 5 of the Inclusionary Housing Policy (Attachment A), which can be determined, based on the analysis provided below and on Council’s priorities; however, staff recommend establishing a threshold of 40 units or more.

*Table 3: Project Size Threshold Scenarios Summary*

	<b>10 units</b>	<b>40 units</b>	<b>60 units (Recommended)</b>
Annual Estimated Outcome Projections	~ 40 inclusionary units ~ \$0 to \$200,000 in cash-in-lieu CACs	~ 38 inclusionary units ~ \$400,000 in cash-in-lieu CACs	~ 28 inclusionary housing units ~ \$1,500,000 in cash-in-lieu CACs
Project Viability	Low viability	Medium viability	High viability
Inclusionary Housing Units Viability	Low viability	Medium viability	High viability
City Resources	High	Medium	Medium
Inclusionary Housing Distribution	<ul style="list-style-type: none"> <li>Downtown Core Area</li> <li>Town Centres</li> <li>Large Urban Villages</li> <li>Small Urban Villages</li> </ul>	<ul style="list-style-type: none"> <li>Downtown Core Area</li> <li>Town Centres</li> <li>Large Urban Villages</li> <li>Small Urban Villages</li> </ul>	<ul style="list-style-type: none"> <li>Downtown Core Area</li> <li>Town Centres</li> <li>Large Urban Villages (with land assembly)</li> <li>Non-profit development</li> </ul>
Fund Contributions	Very Limited	Small to Moderate	Moderate to High
<b>Scoring</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>

*Table 3 Key:* The performance of each scenario outcome is ranked using the following colours:

<b>Scenario Ranking:</b>	<b>Red:</b> Low performance and unintended or negative impacts	<b>Yellow:</b> Medium performance and some benefits or drawbacks	<b>Green:</b> High performance, significant benefits
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**10 Unit Project Size Threshold:**

This threshold is not recommended as it does not achieve the City’s affordability goals and creates significant unintended consequences. This option would likely result in very little to no cash-in-lieu CACs being collected, and could see a ten-fold reduction in cash-in-lieu contributions estimated at \$1,300,000 annually. This threshold option would reduce the City’s ability to support non-profit housing development through the use of the Victoria Housing Reserve Fund, either in the form of grant contributions towards non-profit housing development and preservation of existing stock, or as a funding source for municipal land acquisition for affordable development. Additionally, this threshold would require significantly more staff time and resources to review applications, negotiate CACs, secure units with legal agreements and monitor the affordability and use of these units over time. This threshold may also impact the viability of small and moderate scale development projects, such as town homes and other infill housing forms, which support more housing choice for missing middle individuals and families.

**40 Unit Project Size Threshold:**

This threshold would result in medium achievement of City affordability goals, including achieving inclusionary housing in projects in small and large urban villages as well as in the downtown core area and town centres.. However, this threshold would see a threefold reduction the estimated amount of cash-in-lieu achieved, which could potentially support over 100 non-market housing units through the VHRF or the potential use of the funds for municipal land acquisitions for new affordable housing development.

**60 Unit Project Size Threshold (Recommended):**

This threshold best achieves the stated policy goals, including creating inclusionary housing where it is most cost-effective and impactful over the long-term. This threshold would likely see inclusionary housing created primarily in the downtown core area and town centres, with opportunities in large urban villages through land assembly. This is because the densities offered in specific areas of the City can support different project sizes, with most projects over 60 units taking place in the downtown core. However, this option would see the creation of more net new non-profit housing units, at deeper levels of affordability across the City through the use of the VHRF, as well as through enhanced funding sources for municipal land acquisition for affordable housing development. Municipal land acquisition and the consideration of a municipal housing authority are actions on the City’s Strategic Plan, both of which are typically funded by CACs in other municipalities in Canada.

**8. Proposal to Reallocate Cash-in-lieu Community Amenity Contributions (CACs)**

The amended policy would redistribute the allocation of cash-in-lieu CACs by increasing the allocation to affordable housing to 70 percent and reducing the allocation for local amenities to 30 percent. The Inclusionary Housing Working Group favours the allocation proposed in the draft policy that balances the City’s contributions to both affordable housing and local amenities. However, cash-in-lieu CACs are generally allocated by Council priority and altering the distribution does not affect the function of the policy. This reallocation may impact the City’s funding of local amenities that are currently accruing. The proposed reallocation could support the City’s

affordability goals through the use of the Victoria Housing Reserve Fund (VHRF), by enhancing non-profit housing development outcomes and by potentially funding municipal land acquisition for affordable housing development. However, these impacts are only achievable if the policy's amended project size threshold is increased in order to continue to achieve adequate amounts of cash-in-lieu CACs.

Staff recommend that Council determine the allocation of cash-in-lieu CACs to either local amenities or affordable housing, depending on Council priorities. Staff support both options listed below and have provided the option available in policy section 6, in Attachment A:

- 50% Local Amenities and 50% to Affordable Housing, or
- 30% Local Amenities and 70% to Affordable Housing.

## **9. Proposal to Amend Schedule A**

### **a. Removal of Affordability Target for Affordable Homeownership**

The policy targets incomes for affordable homeownership units in order to provide housing to renter households who are not able to enter into homeownership, but have the incomes that can support a mortgage as determined by financial institutions. By removing this target, applicants can propose units that are market rate or that do not serve this targeted population group. The level of affordability of homeownership units are limited by the approvals and determination of risks by financial institutions. These external factors limit the ability for very low and low-income earners to enter into homeownership.

Additionally, staff recommend that the following statement be removed from the initial draft policy, as the proportion of shelter costs for homeownership are determined by financial institutions:

- *The shelter costs should not exceed 30% of total household income.*

### **b. Removal of Income Thresholds for Affordable Rental Units and Proposed Annual Updates**

The targeted rents have been developed to offer the most amount of affordability, while maintaining a reasonable inclusionary housing target. The affordability of the rents are based on the City of Victoria's Housing Targets, and statistical analysis of specific population needs. The amended policy would remove the reference to the Housing Target incomes, which are the rental rate source. It is recommended that this source remain as proposed in the Inclusionary Housing Policy, in order for staff to update the rents effectively in the future. These rent targets are able to be updated annually based on data availability such as Census and annual BC Housing Income limits as well as annual CIP adjustments.

## **10. Proposal to Amend Schedule B**

### **a. Addition of an "Or"**

The proposed amendment suggests an addition of an "or" to Schedule B, when referring to legal agreements. Staff recommend that the following statement replace the two previously proposed bullets, and the draft policy has been updated accordingly (Attachment A):



- *“A legal agreement that will secure the amenity contribution to be delivered”*

#### **b. Removal of administrative notes**

It was proposed to remove the administrative notes, which were originally included to support Development Services staff and applicants interpreting the policy application in specific scenarios, when the guiding documents are unclear. It is recommended that these notes remain in the policy to support transparency and ease of use; however, they do not affect policy outcomes.

### **11. BC Assessment Data**

On November 8, 2018, Council directed staff to request that BC Assessment provide data on land values and land appreciation in the City of Victoria over the past decade. Staff have accessed the requested BC Assessment Data through the City of Victoria’s existing database of all residential property values in the City.

BC Assessment Data tracks all sales transactions, both private and real estate board sales, which includes transactions of properties that (1) have achieved amended land use controls permitting a greater number of uses and/or density, and (2) have a high probability of achieving favourable land use control amendments. However, BC assessment data, which relies on mass assessment techniques and property transaction trends, is limited in its application to specific projects and it is not advisable for use to determine precise amounts of CAC values.

### **12. Revised Estimates of Pending Rezoning Applications**

Staff have revised the rough estimates provided in the staff report on April 11, 2019. These estimates have changed significantly since initial reports. It should be noted that these are pending applications and are currently under review and subject to significant and ongoing changes.

The vast majority of rezoning applications that are seeking bonus density were made under the previous Density Bonus Policy, and therefore reflect the former policy guidance. It is estimated that there are approximately 800 strata units, 40 inclusionary housing units, 1000 rental units and 400 affordable units currently being proposed as pending rezoning applications. There are a number of applications that either are currently on hold or are being revised. Due to the fluidity of rezoning negotiations, it is challenging to report on the amount of CACs including on-site amenities or cash-in-lieu anticipated from pending applications. In addition, it is important to note that even if Council approves an application, the CAC is not certain until (and if) an application reaches the building permit stage when cash-in-lieu contributions are collected.

### **13. Comparative Policy Analysis**

Council is currently considering three policy frameworks: 1) the Interim Policy currently in effect, 2) the draft Inclusionary Housing Policy recommended by staff on April 11, 2019 and 3) the proposed amended Inclusionary Housing Policy. Each of these policies create a variety of potential outcomes, which are illustrated in Table 4 below that compares the outcomes of two hypothetical development applications that result from the three policies under consideration, and the previous Density Bonus policy that was in effect from October 2016 to November 2019 (Table 4 Below).

**Table 4: Hypothetical Development and Policy Scenario Outcomes**

Hypothetical Development Scenarios	Density Bonus Policy (2016)	Draft Inclusionary Housing Policy	Amended Inclusionary Housing Policy	Interim Policy
<b>A: Large Urban Village, 40 units</b>	<p><b>Fixed Rates Apply:</b></p> <p>\$5 per square foot of bonus density above OCP base to proposed density</p> <p><b>Totals \$140,000</b></p>	<p><b>Fixed Rates Apply:</b></p> <ul style="list-style-type: none"> <li><b>Levels A</b> - \$5 per square foot from zoned to OCP base</li> <li><b>Level B</b> - \$35 per square foot from OCP base to proposed density</li> </ul> <p><b>Totals \$800,000</b></p>	<p><b>Limited to no CACs</b></p> <p>30% target would request 12 units. The target is unachievable for most applications, and may result in a lesser amount of inclusionary units or no application made.</p>	<p><b>Outcomes unknown</b></p> <p>Policy does not define affordability or targets for CAC contributions.</p> <p>May result in reduced rezoning applications due to increased risk.</p>
<b>B: Core Residential, 60 units</b>	<p><b>Fixed Rate Apply:</b></p> <p>\$12 per square foot of bonus density above OCP base to proposed density</p> <p><b>Totals \$500,000</b></p>	<p><b>Inclusionary housing units:</b></p> <ul style="list-style-type: none"> <li><b>≤6 units:</b> Rental</li> <li><b>≥6 units:</b> Ownership</li> </ul>	<p><b>Limited to no CACs</b></p> <p>30% target would request 18 units. May result in a lesser amount of inclusionary units proposed or no application made.</p>	

The amended Inclusionary Housing Policy would likely create significant unintended impacts that reduces the policy’s effectiveness and efficiency. Specifically, by setting an inclusionary housing target that is arbitrarily determined, that does not reflect the analysis available and is not reflective of the development context in the city, the ability to achieve affordability is reduced in a number of ways, including:

- high municipal costs and resources required to negotiate, secure and monitor units overtime
- without effective monitoring, it is unlikely that the inclusionary housing units achieved would reflect the intended affordability expectations
- the VHRF remains oversubscribed, which limits the City’s capacity to:
  - provide grant contributions to non-profit housing development at a time where there is unprecedented need
  - harness government funding to the municipality through partnership
  - provide a potential funding source for municipal land acquisition for affordable housing development, in collaboration with the Strategic Real Estate department
- the reduction of market rental development, which limit the purpose-built rental housing stock available to future residents and would reduce vacancy rates
- development will likely continue within the densities permitted in the City’s zoning bylaws
- the housing needed for the population growth estimated in the OCP would not be achieved

The Inclusionary Housing policy proposed by staff on April 11<sup>th</sup> has been designed to best achieve City-wide affordable housing goals while avoiding the unintended impacts listed above. The policy as proposed by staff positions the City to negotiate CACs from new developments effectively and efficiently in order to quickly create the most amount of affordable housing. Staff recommend that the Inclusionary Housing Policy as presented in Attachment A be adopted and that Council select their preferred project size threshold and cash-in-lieu allocation options.

## OPTIONS & IMPACTS

**Option 1 (Recommended): Adopt the Inclusionary Housing and Community Amenity Policy and Implementation Actions as presented on April 11, 2019 (Attachment A) and determine two policy section options based on Council's preferences, including the proposed project size threshold and the cash in lieu CAC allocation**

The proposed Inclusionary Housing Policy as presented on April 11, 2019 is anticipated to best achieve City-wide affordable housing goals by negotiating CACs effectively and efficiently, while quickly creating the most amount of affordable housing.

**Option 2 (Not Recommended): Adopt the amended Inclusionary Housing and Community Amenity Policy (Attachment B)**

If Council adopts the policy with amendments proposed on April 11, 2019 (Attachment B), staff recommend monitoring the policy as well as development application types and volumes and report back on the impacts of this policy in one year as part of ongoing monitoring.

### *2019 – 2022 Strategic Plan*

This work fulfils an action in the 2019-2022 Strategic Plan, under Strategic Objective #3: Affordable Housing, to develop a community amenity contribution policy.

### *Impacts to Financial Plan*

Council allocated a budget to support this work as part of the 2018 budget process. As this policy will require ongoing monitoring and up-to-date market analysis, there will be an annual impact to future financial plans in the amount of \$35,000 starting in 2020.

Should the annual monitoring require additional policy analysis and/or engagement with stakeholders, this amount would need to be increased.

### *Accessibility Impact Statement*

The *Local Government Act* permits density benefits for amenities, affordable housing and special needs housing. As Council's objective for this policy has been focused on achieving affordability, this policy does not pursue bonus density for units adapted for special needs. Council could direct further work on this if there is a desire to include special needs housing as part of future policy updates.

### *Official Community Plan Consistency Statement*

The proposal is consistent with the OCP, particularly Section 13, Housing and Homelessness; and the Density Bonus policies (19.7 – 19.9).

## CONCLUSIONS

Council has directed staff to consider the impacts of the amendments to the draft Inclusionary Housing and Community Amenity Policy proposed during the Committee of the Whole meeting on April 11, 2019. Staff have examined and analysed each proposed amendment. In order to best fulfil Council's objectives, it is recommended that the policy proposed by staff on April 11, 2019 be

adopted, and that Council select options related to the project size thresholds and the distribution of CAC allocations to City funds.

Respectfully submitted,

Hollie McKeil  
Housing Planner  
Community Planning Division

Andrea Hudson, Acting Director  
Sustainable Planning and Community  
Development Department

Report accepted and recommended by the City Manager:

Date: \_\_\_\_\_

#### **List of Attachments**

- Attachment A: Draft Inclusionary Housing and Community Amenity Policy, April 11, 2019 with Council Options
- Attachment B: Amended Draft Inclusionary Housing and Community Amenity Policy, April 11, 2019
- Attachment C: Inclusionary Housing Working Group Feedback on Draft Policy Amendments