Inclusionary Housing and Community Amenity Policy

1. Policy Purpose

This policy sets out the City’s expectations regarding Community Amenity Contributions (CACs) and provides a guide as part of the rezoning process for new multi-unit or mixed-use strata residential developments. The City of Victoria is facing an affordable housing crisis and increasing residential densities in market strata developments can exacerbate the need for affordable housing and increase pressures on community amenities. This policy seeks to mitigate these impacts by encouraging the supply of new affordable housing, through the creation of inclusionary housing units, defined as on-site secured rental or homeownership units that meet the City’s housing affordability targets, as part of new multi-unit or mixed-use strata residential developments. When delivered in small numbers, inclusionary housing units can be challenging and costly to administer, operate and monitor overtime. Therefore, for small and moderately sized projects, monetary contributions to municipal reserve funds in lieu of inclusionary housing units are considered as these contributions can accrue over time to more effectively deliver local amenities and affordable housing that provide greater public benefits. This policy balances the need for new inclusionary housing units or payments in lieu against the proposed development’s ability to provide the CACs. This is done by limiting the value of expected CACs to a reasonable fixed amount per square foot of increased density or a negotiated CACs amount equal to 75% of the value of the increased density.

2. Rezoning Proposals for Bonus Density

Proposals for rezoning will be considered on their merits based on the policies of the Official Community Plan (OCP), informed by relevant neighbourhood plans, other adopted City plans, and unique characteristics of the site. It should not be assumed that a rezoning proposal will be approved simply because amenity contributions are proposed in accordance with this policy. (See OCP 6.3).

3. Alternative Amenities Provided as Policy Exemptions

The following development proposals are exempt from this policy:

- 100% rental projects (or mixed-use projects where the residential portion is 100% rental) and tenure is secured by legal agreement for the greater of 60 years or the life of the building;
- 100% non-market projects owned by non-profit or government agency, secured by legal agreement;
- Projects with heritage conservation contributions of equal or greater value to that of the community amenity contribution are exempt as determined through an economic analysis;
- Projects that do not include residential use.

4. Levels of Bonus Density

This policy establishes two levels of residential bonus density, outlined below. One or both of the Bonus Density Levels ‘A’ or ‘B’ may apply to specific developments if amenity is provided:
Level 'B': OCP-Base-Density-to-Proposed-Density
An increase in residential density from the OCP base density to the Proposed Density if Community Amenity Contribution is provided.

Level 'A': Existing Zoning to OCP Base-Density
An increase in residential density from the Zoning Regulation Bylaw to the OCP base density if Community Amenity Contribution is provided.

As of Right Zoning: Amount of residential density permitted on an outright basis in the Zoning Regulation Bylaw.

45. Amenity Contribution Targets & Approach

For projects seeking density beyond the existing zoning, inclusive housing will be provided through negotiation with applicants.

Negotiations will be guided by the following guidelines:

Purpose-Built Rental Projects: Approximately 10% of units in purpose-built rental projects will be affordable for very low to moderate income households (applies to 100% rental projects or mixed-use projects where the residential portion is 100% rental, and tenure is secured by legal agreement for the greater of 60 years or the life of the building).

Strata Projects: Approximately 30% of units in strata projects will be affordable for very low to moderate income households.

Cash in Lieu: Cash in lieu of affordable units may be considered for projects with fewer than 10 units or projects where the applicant can demonstrate a hardship, with the cash contribution at least equivalent to the cost of building affordable units according to these guidelines.

Affordable Home Ownership: Provision for affordable home ownership units rather than affordable rental units will be considered on a case by case basis.

Additional Incentives: For projects offering affordability that exceeds these guidelines, relaxation of parking requirements, development permit fees and other incentives will be considered on a case by case basis.

The following tables outlines two approaches for either typical or atypical rezoning applications:

**APPROACH 1: FOR TYPICAL REZONING APPLICATIONS**

This table describes the City's affordable housing and amenity contribution targets that are appropriate for typical rezoning scenarios:

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Urban Core includes the following OCP urban place designations: Core Business, Core Historic, Core Employment, Core Songhees, Core Residential, and Core Inner Harbour/Legislative.

This target is to be met for the delivery of on-site inclusionary rental units. This target should be exceeded for Affordable Home Ownership units to be determined by economic analysis.

**APPRAOCH 2: FOR ATYPICAL REZONING APPLICATIONS**

Identifies unique projects whereby an economic analysis is requested and the fixed-rate targets in Table 1 will not apply. The economic analysis will calculate the land value created by the rezoning proposal beyond the land value under existing zoning to identify CACs levels that can be provided while the project remains economically viable. Atypical rezoning applications are defined as one or more of the following:

1. Requires an amendment to the urban place designation in the OCP;
2. Involves a rezoning from a zone with no residential use (e.g. industrial, general employment, shopping centre) to a zone which allows for residential use;
3. Requires significant on-site circulation or public amenities specified in a City plan;
4. Is larger than a half city block;
5. Contains a building which is eligible for heritage conservation and/or heritage designation, or listed on the heritage register;
6. Is subject to a Master Development Agreement (MDA) at the time the application is made.

Please refer to Section 8 in this policy for further guidance on the use of an economic analysis.

### 5.6. Cash-in-lieu Community Amenity Contributions

Cash-in-lieu contributions collected from bonus density will be allocated to the Victoria Housing Reserve Fund or for community amenities via the following funds, according to the following schedule or on a case-by-case basis at Council discretion:

<table>
<thead>
<tr>
<th>Allocation</th>
<th>Priority</th>
<th>Fund Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>250%</td>
<td>Affordable Housing</td>
<td>Victoria Housing Reserve Fund provides grants to assist in the development and retention of affordable housing for low or moderate income households within the City of Victoria.</td>
</tr>
<tr>
<td>350%</td>
<td>Community Amenities</td>
<td>Monetary amenity contributions provided by projects within the Downtown Core Area will be directed to the Downtown Core Area Public Realm Improvement Fund. Monetary amenity contributions for projects outside of the Downtown Core Area will be directed to the Local Amenities Fund and earmarked for the neighbourhood or local area where the density is realized. Decisions on what community amenities the funds will support will be at Council’s discretion and guided by local area or neighbourhood plans.</td>
</tr>
</tbody>
</table>
7. Option to Determine CACs Using an Economic Analysis

An economic analysis conducted at the applicant’s expense may be used to determine the amount of CAC an approvable project can support. The City considers 75% of the increase in land value from existing zoning to be a reasonable balance between the need for CACs and a project's economic viability. This analysis is to be completed by an independent third-party consultant agreed upon by the developer and the City of Victoria, and engaged by the City. Alternatively, at the City's determination, the study may be undertaken by an agent or employee of the City qualified to perform such analyses. Examples of when an applicant may opt to use an economic analysis include 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.

The applicant is required to provide key information to support the analysis, such as detailed hard and soft cost estimates for the project (from a third-party contractor or quantity surveyor), an appraisal (or valuation) supporting any valuations under existing use and existing zoning as well as any other information that the City (or its consultant) thinks is required.
Schedule A:
Inclusionary Housing Expectations 2019

The following section outlines the options and expectations for inclusionary housing units created through this policy.

Inclusionary Housing Unit Ownership: The developer can retain ownership or sell.

Affordable Homeownership Option: Partnership with a non-profit organization and/or government agency is required; however, affordability will remain flexible to align with existing or emergent programs:

- The shelter costs should not exceed 30% of total household income
- The unit purchase prices should be near the City’s moderate household income targets that range from $55,000 to $85,000 per year depending on unit size
- Units will be owner occupied as secured through legal agreements
- Owners will be income tested to verify eligibility
- The City retains long term benefits either in the form of restrictions on resale; or the collection of CACs upon resale as part of BC Housing’s Affordable Homeownership Program
- Records of ownership and resales reported to the City upon request.

Affordable Rental Units: Partnership with a non-profit housing provider and/or government agency is strongly encouraged and the affordability thresholds listed below should be achieved and maintained:

- The monthly housing costs should include all fees and charges and not exceed 30% of total household incomes, including utilities and other strata fees or other charges. This will be secured via a legal agreement and may be subject to monitoring.
- The monthly housing costs should align with the low-to-moderate and moderate income households in the City’s Housing Targets, listed below (based on 2018 levels and updated annually):

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Monthly Housing Costs</th>
<th>Annual Gross Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>$875</td>
<td>$35,000</td>
</tr>
<tr>
<td>1 Bed</td>
<td>$1,050</td>
<td>$42,000</td>
</tr>
<tr>
<td>2 Bed</td>
<td>$1,300</td>
<td>$50,000</td>
</tr>
<tr>
<td>3+ Bed</td>
<td>$1,750</td>
<td>$70,000</td>
</tr>
</tbody>
</table>

- Tenancies are to be regulated under the Residential Tenancy Act (RTA)
- The affordability and tenure will be secured for the greater of 60 years or for the life of the building through legal agreements
- The owners of the inclusionary housing units may renegotiate the legal agreements should the operating costs and taxes exceed the restricted inclusionary unit rent increase over time
- Reporting of current rent rolls to the City of Victoria is required upon request.

Unit Size Options and Family Sized Unit Prioritization (Applicants may elect either option):

A. **10%** of Total Units: These projects strive to achieve the target percentage listed to the right, in order to provide a range of unit sizes.

<table>
<thead>
<tr>
<th>Target (%)</th>
<th>Unit Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>35%</td>
<td>Studio</td>
</tr>
<tr>
<td>35%</td>
<td>1-Bedroom</td>
</tr>
</tbody>
</table>
20% 2-Bedroom
10% 3-Bedroom

B. **10% Percent** of Total FSR: These projects prioritize family units by dedicating 10% of the FSR to the provision of 2 & 3 bedroom units.
1. Securing Amenity Contributions

Amenity contributions may generally be secured in one of three ways:

- Rezoning to a zone which specifies: a base density; one or more additional densities which may be achieved with the provision of community amenities; and the number, extent and kind of amenities;
- A legal agreement that will detail the amenity contribution to be delivered; or
- Where the amenity includes affordable housing, an executed housing agreement, and adoption of a Housing Agreement Bylaw.

Where the amenity is a monetary contribution, it will include an escalator equal to the annual change in the Victoria Area as measured by Consumer Price Index (CPI) or to construction cost as measured by a rate determined through an economic study commissioned by the City of Victoria on an annual basis. Monetary amenity contributions will be due prior to issuance of a building permit. In a phased project, the amenity contribution may be divided proportionately between different phases of the development.

2. Administrative Notes

- Refer to the Downtown Core Area Plan (DCAP) for further detail on base and maximum densities for residential or commercial use within the DCAP boundaries.
- Where the OCP indicates only one density outside of the Downtown Core Area (Industrial, General Employment), the base density for residential uses is assumed to be zero as these Urban Place Designations do not support residential use.