

JUNE 13 2019

Inclusionary Housing and Community Amenity Policy



Purpose

To provide an analysis of the impacts and feasibility of the proposed amendments to the draft Inclusionary Housing and Community Amenity Policy and make recommendations for policy approval.



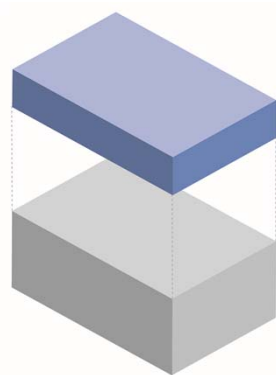
Policy Amendments

This presentation responds to the policy amendments that were proposed on April 11th, including:

1. Policy Purpose Section Amendments
2. Removal of the Levels of Bonus Density and the Option to Use Economic Analysis Sections
3. Removal of the Rental Housing Exemption
4. Increase of the Inclusionary Housing Target from 10 to 30%
5. Reduction of the Project Size Threshold from 60 to 10 units
6. Reallocation of cash in lieu CACs to municipal reserves, by reducing local amenities and increasing affordable housing allocations



1. Policy Purpose Amendments



75% of value of Bonus Density provided as a Community Amenity Contribution (CAC).

Development is permitted as of right up to the base density, with no CAC requested.



2. Amendments to the Approaches for Requesting CACs

Fixed Rate Approach (Charges per square foot)	Negotiated Approach (Economic Analysis)
<ul style="list-style-type: none"> Provides clarity and certainty 	<ul style="list-style-type: none"> Increases risk
<ul style="list-style-type: none"> Simple and efficient 	<ul style="list-style-type: none"> Costly and resource heavy
<ul style="list-style-type: none"> Some projects can provide more or less CACs 	<ul style="list-style-type: none"> Precise amount of CAC
<ul style="list-style-type: none"> CAC costs considered in land sales and at development initiation 	<ul style="list-style-type: none"> CAC costs unknown until economic analysis



Recommended Hybrid Approach

Staff recommend that the hybrid approach presented on April 11th be adopted, to maximize policy outcomes:

	Fixed Rate Approach	Negotiated Approach
<i>When its applied:</i>	<ul style="list-style-type: none"> Typical development scenarios that can provide fixed rates 	<ul style="list-style-type: none"> Atypical projects with much more or less CACs than fixed rates
<i>How it is used:</i>	<ul style="list-style-type: none"> Charges per square foot on bonus density when cash-in-lieu provided 10% target for onsite affordable rental units 	<ul style="list-style-type: none"> Used to determine the amount of Affordable Homeownership Units provided (>10% expected)



3. Proposed Removal of the Rental Housing Exemption

Staff recommend that 100% new purpose-built rental housing projects continue receive an exemption as proposed on April 11th, in order to:

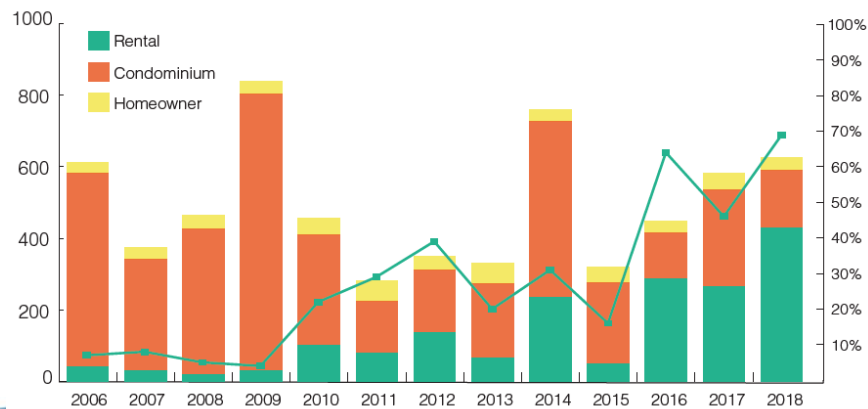
- Continue to incent needed rental housing
- Continue to improve vacancy rates
- Allow staff to initiate the Strategic Plan action to incentivize new affordable and rental projects in 2019



3. Proposed Removal of the Rental Housing Exemption

Housing Completions by Intended Market, City of Victoria

Source: CMHC Starts and Completions Survey



4. Proposed Inclusionary Housing Target Increase to 30%

Staff recommend that the 10% target as proposed on April 11th be adopted in order to establish a target that is achievable within Victoria's context.



Policy Target Comparison

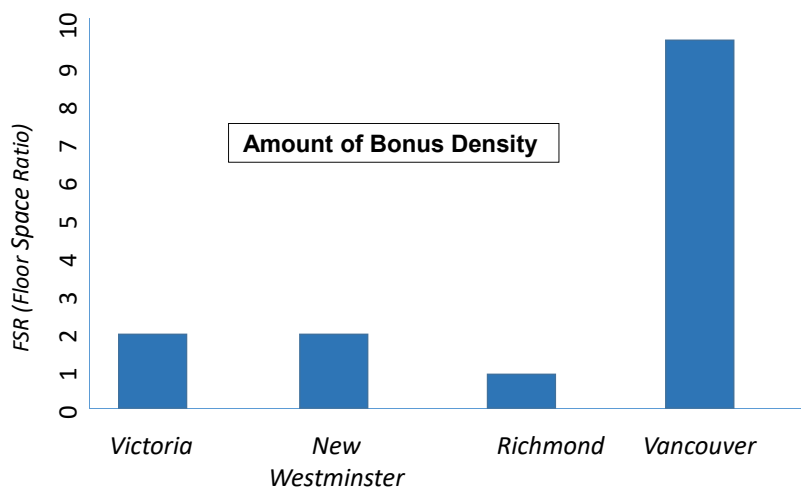


Table provides rough estimates for illustrative purposes only



Policy Target Comparison

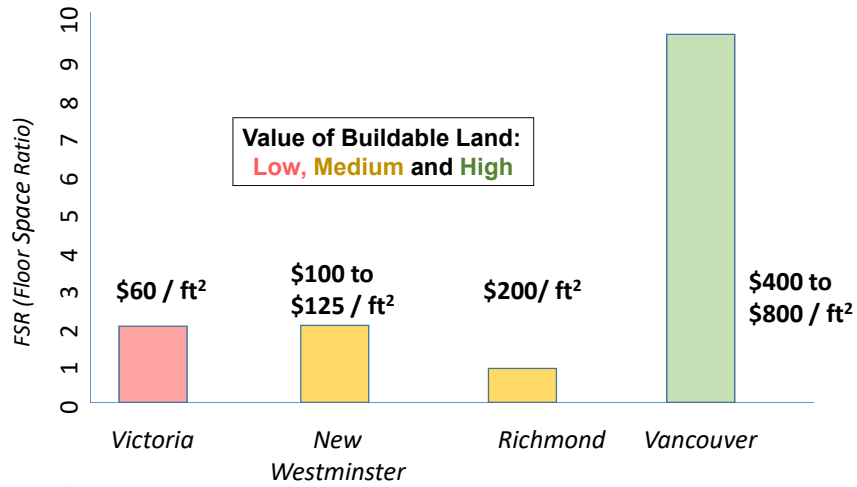


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Inclusionary Housing and Community Amenity Policy

Policy Target Comparison

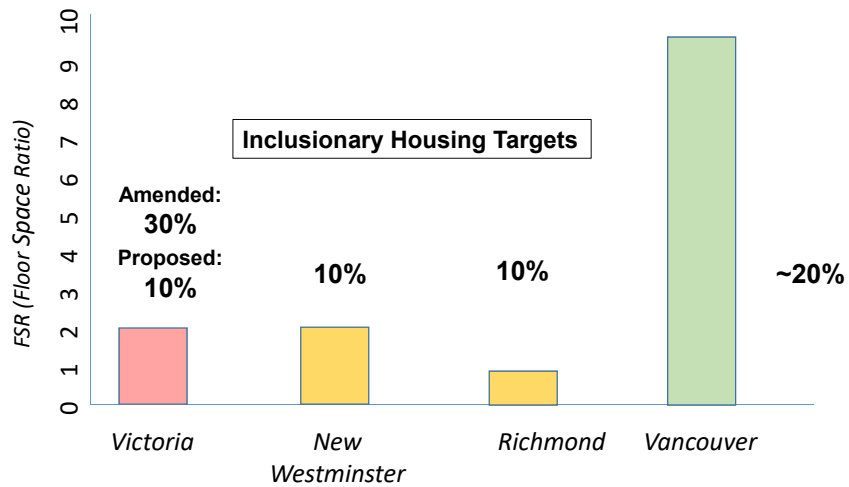


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Coriolis Consulting: Key Points

1. Redevelopment is financially viable when the land value for a site exceeds its value under its existing use. Otherwise, the existing use and/or building will be retained.
2. Rezoning is financially viable when the land value supported by the rezoning concept exceeds the value under existing zoning
3. Rezoning that increases land value can result in CACs or Inclusionary Housing contributions

Inclusionary Housing Scenarios: Downtown Case Study

Estimated Land Values Under Different Density and Inclusionary Housing Scenarios



* Land value declines due to cost associated with providing inclusionary units

Impact of Additional Bonus Density on Inclusionary Housing Target

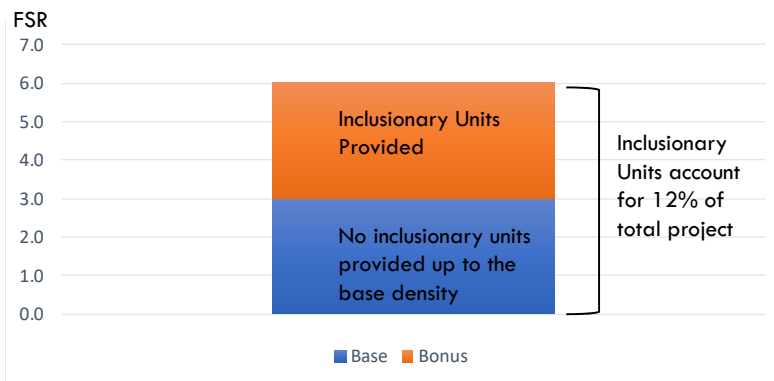
1. Existing OCP Density Limits:

At maximum density of 5.0 FSR, rezonings in the Core can provide about 10% of units as affordable rental units (varies depending on site)

2. Increased OCP Density Limits:

If maximum density is increased from 5.0 to 6.0 FSR (20% increase in FSR), rezonings can provide about 12% of units as affordable rental units.

Inclusionary Housing Unit Share



5. Project Size Threshold Options

Staff recommend that Council select a project size threshold from the two options below that best achieves their strategic objectives:

Option 1: 40 units

Option 2: 60 units (*recommended*)



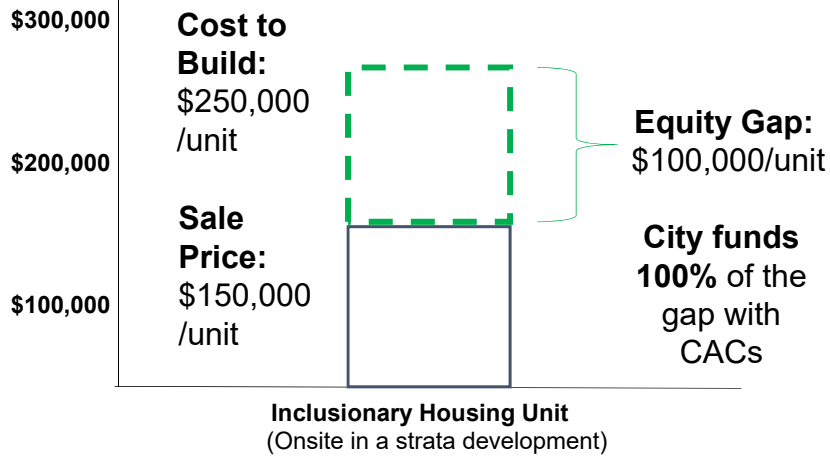
5. Project Size Threshold Options

	10 units	40 units	60 units (Recommended)
Inclusionary Units	~ 40 inclusionary units	~ 38 inclusionary units	~ 28 inclusionary housing units
Cash in lieu CACs	~ \$0 to \$200,000	~ \$400,000	~ \$1,500,000
Non-market Units	~ 0 to 20 non market units supported	~ 40 non market units supported	~ 100 to 150 non market units supported
Total Units	40 units	78 units	178 units

Projections provide rough estimates based on past development trends

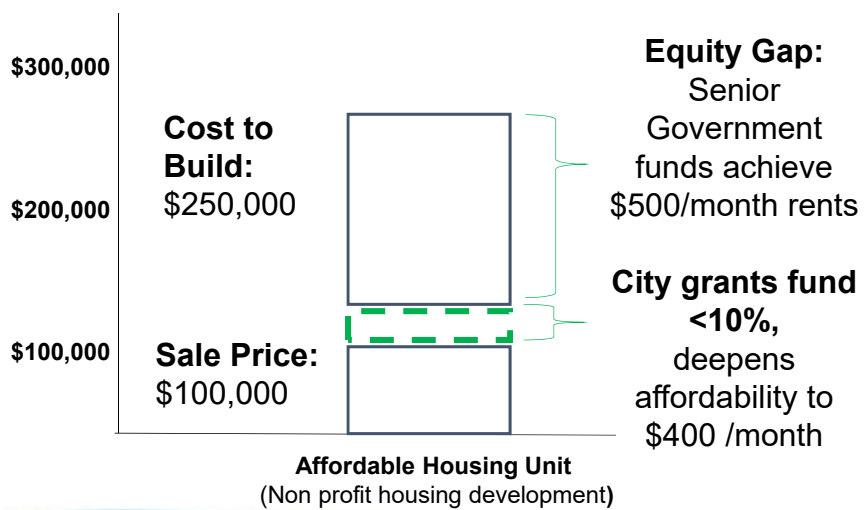


5. Inclusionary Housing Equity Gap



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5. Affordable Unit Equity Gap



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6. Community Amenity Contribution Allocation Options

Staff recommend that Council select an allocation based on their priorities and feedback from the working group:

Option 1:

- Affordable housing 50% and Local Amenities 50%

Option 2:

- Affordable housing 70% and Local Amenities 30%



Recommendation

Adopt the Inclusionary Housing and Community Amenity Policy and Implementation Actions as presented on April 11, 2019 (Attachment A) and determine the following policy sections:

- i. the project size threshold at 40 or 60 units
- ii. the proportion of cash-in-lieu CACs allocated to municipal reserve funds that support:
 - affordable housing at: 70% or 50%
 - local amenities at: 30% or 50%

