



Council Report

For the Meeting of June 27, 2019

To: Council **Date:** June 20, 2019
From: Andrea Hudson, Acting Director of Sustainable Planning and Community Development
Subject: Draft Inclusionary Housing and Community Amenity Policy with Council Amendments

For the Council meeting of June 27, 2019, the Committee recommends the following:

1. That Council approve:
 - a) the project size threshold at 60 units
 - b) the proportion of cash-in-lieu CACs allocated to municipal reserve funds that support:
 - i. affordable housing at: 70%
 - ii. local amenities at: 30%
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).
4. Change the requirement for onsite units for large projects from 10% to 20%.
5. Allow projects to come forward with between 10% and 20% of inclusionary units if:
 - a) the applicant demonstrates that the inclusionary units will make the project not financially viable; or
 - b) the project is primarily comprised of 2 or 3 bedroom units; or
 - c) economic analysis shows a different level of non-market rental or home ownership units is supportable within the project; or

- d) there is an energy efficiency above the step code requirements.
6. Consider development proposals with height and densities greater than the OCP through a bonus density of floor area provided that the additional height and density results in community amenities deemed appropriate by Council for the benefit of the community such as:
- a) affordable housing
 - b) energy efficiency above the current BC Energy Step Code
 - c) accessible housing (special needs housing as defined by the Local Government Act)
 - d) 2 and 3 bedroom units
 - e) daycare facilities
 - f) enhanced green space
 - g) other provisions deemed appropriate by Council

ISSUES AND ANALYSIS

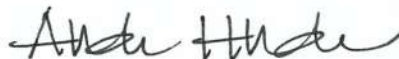
To assist Council in considering the COTW recommendation, staff have prepared an amended Inclusionary Housing Policy that includes changes based on the COTW motions. This updated Inclusionary Housing Policy is attached as Appendix A.

The direction to consider development applications, which propose height and densities beyond those listed in the OCP and result in Community Amenity Contributions and Affordable Housing that support City objectives and provide public benefits has not been included in the revised Inclusionary Housing Policy. Upon considering this motion, staff recommend that, should Council endorse this COTW recommendation, this objective be implemented as an amendment to the Official Community Plan rather than as a component of the Inclusionary Housing Policy. Should Council approve this direction, staff will develop a process to amend the OCP, which will include consultation with stakeholders and a public hearing, and will bring the proposed process to Council for consideration at a later date.

Respectfully submitted,

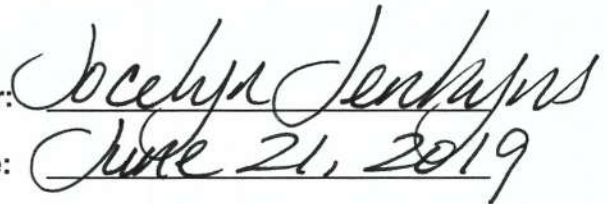


Hollie McKeil
Housing Planner



Andrea Hudson
Acting Director Sustainable Planning and Community Development

Report accepted and recommended by the City Manager:



Date:

List of Attachments

- **Attachment A:** Amended Draft Inclusionary Housing and Community Amenity Policy

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).

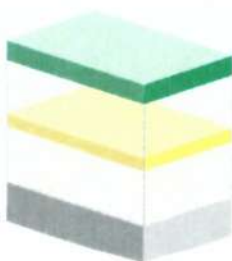
3. Alternative Amenities Provided as Policy Exemptions

The following development proposals are exempt from this policy:

- 100% purpose-built 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 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. No Community Amenity Contributions or affordable housing provided.

5. Amenity Contribution Targets & Approach

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:

Levels of Bonus Density (One or both may apply)	Areas	Project Size	Affordable Housing & Amenity Contribution Targets	
Level 'A' Bonus: Existing Zoning to OCP Base Density	Urban Core*, Town Centre, Large and Small Urban Villages, Urban Residential	N/A	Cash-in lieu contribution	\$5/ ft ² of bonus floor space
Level 'B' Bonus: OCP Base Density (or zoning whichever is higher) to Proposed Density	Urban Core* Town Centres Large Urban Villages	Large Projects (≥ 60 units)	Inclusionary Housing Units (Rental)	210 0%** of the project's total FSR or total units
			Inclusionary Housing Units (Ownership)	Determined by economic analysis
		Small and Moderate (≤ 59 units)		\$35/ft ² of bonus floor space
	Urban Residential	N/A	Cash-in-lieu contribution	\$20/ ft ² of bonus floor space
	Small Urban Villages	N/A		\$5/ ft ² of bonus floor space

*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. 10 to 20% may be considered if:~~

- ~~(a) applicant demonstrates that provision of 20% of units or FSR as inclusionary housing units would make the project not financially viable;~~
- ~~(b) the project is primarily comprised of family size (2 or 3 bedrooms) units; or~~
- ~~(c) the project is built and operated to energy efficiency above the step code requirements.~~

APPROACH 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 7 in this policy for further guidance on the use of an economic analysis.

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:

Allocation	Priority	Fund Descriptions
 70%	Affordable Housing	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.
 30%	Community Amenities	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.

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 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):

	Studio	1 Bed	2 Bed	3+ Bed
Monthly Housing Costs	\$875	\$1,050	\$1,300	\$1,750
Annual Gross Household Income	\$35,000	\$42,000	\$50,000	\$70,000

- 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.
- B. 10% of Total FSR:** These projects prioritize family units by dedicating 10% of the FSR to the provision of 2 & 3 bedroom units.

Target (%)	Unit Size
35%	Studio
35%	1-Bedroom
20%	2-Bedroom
10%	3-Bedroom

Schedule B: Inclusionary Housing and Community Amenity Policy Administration

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 secure the amenity contribution to be delivered.

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.