



Committee of the Whole Report For the Meeting of May 11, 2023

To: Committee of the Whole **Date:** February 3, 2023
From: Karen Hoesel, Director Sustainable Planning & Community Development
Subject: **Inclusionary Housing & Community Amenity Policy Three-Year Review**

RECOMMENDATION

1. That Council receive for information this report that includes the three-year review of the *Inclusionary Housing and Community Amenity Policy* and review of the fixed rate contribution targets for typical rezoning applications.
2. That Council approve the proposed rates and income limits for the affordable rental and affordable homeownership units as described in this report and direct the Director of Sustainable Planning & Community Development to update the Victoria Housing Strategy and Victoria Housing Reserve Fund Guidelines to align to these affordability targets and updated household income data from the 2021 Census of Canada.
3. That Council direct staff to prepare an amendment to the Affordable Housing Standards Bylaw No. 22-056 to reflect the proposed rates and income limits for the affordable rental and affordable homeownership units as described in this report and ensure alignment between the Victoria Housing Reserve Fund Program Guidelines and Victoria Housing Strategy.
4. That Council approve the suggested inclusionary housing unit and fixed rate contribution targets for the Housing Opportunity and Mixed Residential Urban Place Designations as described in the report.
5. That Council approve the *Inclusionary Housing and Community Amenity Policy 2023* (Attachment 1) as described in the report and rescind the *2019 Inclusionary Housing and Community Amenity Policy*.
6. That Council rescind the *2016 Density Bonus Policy*.

EXECUTIVE SUMMARY

This report responds to Council's motion on June 13, 2019, when the *Inclusionary Housing and Community Amenity Policy* (IHCAP or "the Policy") was adopted, that directed staff to report back on the Policy impacts after three years. In response to this direction, this report includes:

- Background on the purpose and objectives of the IHCAP, highlighting the focus on securing Community Amenity Contributions (CACs) in the form of inclusionary housing units and

cash-in-lieu contributions from rezoning applications for larger strata residential and mixed-use residential developments.

- Analysis on the low number of rezoning applications expected to comply with the Policy since its adoption in June 2019 and the limited number of inclusionary housing units and CACs secured to date.
- Discussion of the role that the Policy and market conditions played in supporting rental housing investment and associated impacts on contributions secured to date.
- Emerging policy outcomes that reinforce the role of the Policy as a complementary tool alongside the City's other affordable housing policies and strategies.
- A review of fixed rate (cash-in-lieu) contribution targets in relation to current market conditions indicating no meaningful increase in land lift since adoption of the Policy and, therefore, no rationale to adjust the fixed rate contribution targets.
- Description of the proposed updates to the IHCAP, including improved layout and formatting, guidance to clarify intent, and updates to improve alignment with other City policies (as per Attachment 1).
- A summary of how the recently added Official Community Plan Urban Place Designations (Housing Opportunity and Mixed Residential) are integrated into the proposed updates to the IHCAP.

Overall, the three-year review of the impacts of the Policy, analysis of the fixed rate cash-in-lieu contribution targets, and the proposed updates to the IHCAP support adaptive management of the Policy as part of the City's broader affordable housing and land use framework.

PURPOSE

The purpose of this report is to:

- Report back to Council on the emerging impacts of the *Inclusionary Housing and Community Amenity Policy* since adoption in June 2019,
- ensure alignment of the fixed rate (cash-in-lieu) contribution targets for typical rezoning applications in relation to current market conditions, and to
- seek approval of the proposed updates to the *Inclusionary Housing and Community Amenity Policy* as part of the City's adaptive management approach.

BACKGROUND

History of the Policy

On June 13, 2019, the City of Victoria approved the *Inclusionary Housing and Community Amenity Policy* (IHCAP or "the Policy"). The Policy seeks to encourage the supply of new affordable housing through the creation of on-site inclusionary housing units, defined as affordable rental or affordable homeownership units typically in larger strata residential or mixed-use residential developments. The Policy requests ten to 20 per cent of units on-site as inclusionary housing units for rezoning applications with 60 or more housing units ("large projects") and identifies cash-in-lieu CAC targets (fixed rates) for rezoning applications with less than 60 units ("small and moderate projects").¹ These project size thresholds inform suggested contribution targets for "typical" rezoning applications under the Policy in an effort to provide certainty to the development community where projects align with the Official Community Plan (OCP) Urban Place Designations.

¹ As low as 10 per cent inclusionary units may be considered appropriate if the applicant can demonstrate that the provision of 20 per cent inclusionary housing units will make the project financially unviable.

The Policy also establishes the process for using an economic analysis to determine expected standards for “atypical” rezoning applications. Atypical applications are defined by the Policy based on various criteria including cases where the applicant requires an OCP amendment or is applying for a rezoning from a zone with no residential use. For atypical applications, the Policy suggests that an economic analysis is used to determine the value of a CAC that would be considered appropriate under the Policy. In cases where a cash-in-lieu contribution is provided for an atypical application, the policy suggests a target of 75 per cent of the land lift from the increased density sought through the rezoning process based on an economic analysis prepared by an external consultant. Overall, the Policy is primarily oriented to CACs in the form of inclusionary housing units or cash-in-lieu contributions from larger strata rezoning applications.

The Policy also identifies several application types with significantly lower land lift values that would be challenged to provide CACs while maintaining project viability. For example, through the economic analysis it was identified that rezoning applications in Traditional Residential Areas have the lowest densities and generate very limited land lift and would therefore not be requested to provide CACs under the Policy. Also, secured rental housing that aligns with the Official Community Plan Urban Place Designations would not be requested to provide CACs under the Policy as they generate significantly lower land lift compared to strata housing rezoning applications. Overall, the policy direction to generally not request CACs from several application types reflects the economic analysis completed in 2019, while also recognizing the City’s various housing goals and targets around encouraging purpose-built rental housing.

At the time the Policy was adopted, staff were directed to review the fixed rate contribution targets (cash-in-lieu) on an annual basis to ensure they continue to reflect market conditions. Also, Council directed staff to report back in three years on Policy outcomes and to identify opportunities for adaptive management of the IHCAP.

Policy Context

Since the adoption of the *Victoria Housing Strategy* (VHS) in 2016, the City has implemented various policies, bylaws, and process improvements to encourage the development of affordable housing. The IHCAP is the primary market-driven policy to facilitate affordable housing or inclusionary housing units (affordable rental and affordable homeownership) within new market developments.

Market-reliant approaches to affordable housing are subject to economic forces and generally result in the creation of smaller amounts of affordable housing units. For example, if the City were to have a low level of development activity, the policy could result in zero CACs to support affordable housing, especially when accounting for projects not expected to provide CACs (e.g., strata projects not requiring rezoning or those in Traditional Residential Areas) under the Policy.

In contrast, non-market affordable housing projects supported by the provincial government and City land partnerships are less impacted by market downturns as affordability is driven by capital grants and operating subsidies. Also, in the case of non-market affordable housing projects, the entire development is operated as non-market affordable rental housing as opposed to the ten to 20 per cent of units secured through an application that opts to conform with the IHCAP.

In summary, inclusionary housing policies can play a complementary role alongside other policies and strategies (e.g., Rapid Deployment of Affordable Housing, land partnerships, and capital grants) to assist the City in achieving its housing objectives.

Housing Market Conditions

Market-driven affordability approaches such as the IHCAP rely on a rising private development market. For example, if the sales prices for multi-family strata housing increases, there is a greater 'land lift' associated with rezoning that can be directed toward CACs. Conversely, higher construction costs can have a negative impact on the viability of strata housing and make it harder for projects to remain viable and absorb the amenity contribution targets considered appropriate by the Policy.

Since the adoption of the Policy in 2019, the local housing and development market experienced several periods of volatility and uncertainty due to the impacts of the COVID-19 pandemic. At the time of adoption in 2019, the newly introduced mortgage 'stress test' resulted in decreased purchasing power for many prospective housing buyers. As a result, housing prices in Victoria were relatively flat from 2018 to early 2020. In response to the economic uncertainty created by the global COVID-19 pandemic, the Bank of Canada lowered the overnight interest rate from 1.75 per cent in early 2020 to 0.25 per cent in March 2020. This lowering of interest rates motivated lenders to offer historically low mortgage rates, contributing to high demand for various housing types across the country.

The low interest rates paired with a low vacancy rate in Victoria created robust market conditions for developers to pursue rental housing development. At the same time, BC Housing and CMHC introduced new funding and financing programs to encourage purpose-built rental housing in recent years. Over the last five years, a confluence of forces created a rental housing boom that coincided with the adoption of the IHCAP in 2019.

Over the last three years, the demand for strata apartments in Victoria also increased, with the average sale price rising 14 per cent from 2020 to 2021.² The robust demand for strata housing carried into spring of 2022, with the average sales prices for strata apartments peaking in March and April of 2022 with a 25 per cent year over year increase from April 2021 to April 2022.³ In the fall of 2022 sales prices came down from the peak of Spring 2022 as higher interest rates reduced purchasing power for many prospective buyers.

Further, over the last three years, sales prices for pre-construction concrete strata projects have steadily increased from roughly \$800-\$900 per sq. ft. in 2019 to upwards of \$950-\$1,000 per sq. ft. in 2021-2022. At the same time, construction costs have increased rapidly due to inflationary pressures and supply chain disruptions arising from the global pandemic, resulting in many apartment housing projects reporting major cost increases over the last two years.⁴ Overall, rising prices for strata apartments over the last two years were largely offset by significant construction cost escalations, moderating the land lift for many multi-family housing rezoning applications.

Applications Expected to Align with Policy

Since the Policy was adopted in June 2019, roughly 90 housing projects (rezonings and development permits) have been approved by Council. However, as the Policy is primarily focused on encouraging contributions from larger strata residential rezoning applications, inclusionary housing units or cash-in-lieu contributions are not expected from several application types, including secured rental housing (without an OCP amendment), strata projects with significant heritage preservation and applications in Traditional Residential Areas.

² Average sales price for condo apartments is retrieved from the City's Housing Strategy Annual Review Reports.

³ Average sales price for condo apartments in City of Victoria from Victoria Real Estate Board monthly reports.

⁴ Based on data provided in the 2021 and 2022 Altus Canadian Cost Guide Reports.

The approach of not requesting CACs from “typical” rezoning applications for secured rental housing under the Policy has contributed to favourable conditions for purpose-built rental housing investment – since adoption of the Policy 100 per cent of rezoning applications approved for 60 units or more (large projects) have been rental. Further, applications submitted prior to the adoption of the Policy in June 2019, or which did not require rezoning, were also not expected to provide CACs under the Policy. After accounting for the various exceptions, the remaining pool of rezoning applications for strata residential approved since adoption of the Policy in June 2019 is quite limited.

As shown in Table 1, there were only eight approved rezoning applications for strata projects submitted and approved between the adoption of the Policy and December 2022. Within this pool of strata applications, no project had more than 60 units, and several rezoning applications were not subject to the Policy as they were in areas designated Traditional Residential; as a result, only two projects were requested to provide CACs under the Policy. Overall, Table 1 shows that, within this pool of approved strata rezoning applications, there were several factors that resulted in only two of the eight strata projects being expected to provide CACs under the Policy since adoption.

Table 1: Strata rezoning applications submitted and approved since adoption of the Policy in June 2019

Type of Strata Residential Project	Number of Applications	Comments
Strata-residential / mixed-use rezoning applications submitted and approved after Policy adoption.	8	All projects were less than 60 units, so payment-in-lieu rather than inclusionary housing units anticipated.
Projects Not Expected to Provide IHCAP Contributions		
Projects in Urban Place Designations not expected to make contributions under the Policy.	4	Most applications were in Traditional Residential Areas that are not subject to the Policy.
Projects where significant heritage conservation benefits were provided.	2	1442 Elford St. (5 units) and 1125 Fort St. (5 units) approved without other amenity contribution beyond heritage conservation.
Projects Expected to Provide IHCAP Contributions*		
Remaining strata rezoning applications subject to the IHCAP suggested contribution targets.	2	Redfern (1908-1920 Oak Bay Ave.) and 1114 Rockland Ave. applications subject to fixed rate contribution targets for projects with less than 60 units.

*A summary of contributions secured since adoption of the Policy is provided in Table 2.

Community Amenity Contributions Secured Through Policy

Two approved strata rezoning applications were expected to make amenity contributions under the IHCAP as noted in Table 1 and identified in bold text in Table 2. Both projects had fewer than 60 units and elected to contribute cash-in-lieu as per the fixed rate contribution targets. The 1908-1920 Oak Bay Avenue “Redfern” project, now under construction, contributed under Small Urban Village rates, and 1114 Rockland Avenue was subject to the Core Residential rates but is still finalizing its building permit application and has therefore not made payment.⁵ Together, the contribution for the two projects is \$244,021, with 70 per cent directed to the Victoria Housing Reserve Fund (VHRF) and 30 per cent to the Local Amenities Fund.

⁵ Cash-in-lieu CACs are due prior to issuance of a building permit.

Other Contributions Secured After Adoption of the Policy

In addition to the two projects that were requested to make contributions under the IHCAP, there were several projects, initiated before and approved after June 2019, which made voluntary contributions either in response to the IHCAP or in response to previous density bonus policies. Legacy policies include the *City of Victoria Density Bonus Policy (2016)* and the *Inclusive Housing and Density Bonus Policy for Interim Use (2018)*. Generally, the *2016 Density Bonus Policy* had lower suggested contribution targets than the IHCAP. For example, the 2016 policy established a flat fixed rate of \$5/ft² of bonus density, whereas the IHCAP established a tiered structure, with Level 'A' rates similar to the 2016 policy, and the Level 'B' rates (assigned to bonus floor space beyond the OCP base density) ranging from \$20-\$35/ft². In contrast, the Interim policy (applied to applications submitted between December 6, 2018 and June 12, 2019) focused on directing land lift created through rezoning into ten per cent to 15 per cent of on-site affordable rental units, where possible.

Table 2 summarizes projects approved since adoption of the Policy, distinguishing where rezoning applications were submitted before or after June 13, 2019. It is worth noting that two projects conformed with the IHCAP by offering inclusionary housing units in the form of Affordable Homeownership (AHO) units through the BC Housing Affordable Homeownership Program despite having submitted their rezoning application prior to June 2019. In these instances, applicants could choose to conform to the IHCAP or the previous policy but chose to align with the IHCAP. In other cases, projects elected to provide amenity contributions under the previous density bonus policy.

As shown in Table 2, most amenity contributions secured arose from applications submitted prior to adoption in June 2019, including \$404,970 of \$549,000 in cash contributions, 119 of 129 on-site affordable homeownership units, and all 14 affordable rental units were secured from applications submitted pre-adoption. Where cash contributions received were not aligning to the IHCAP, in some cases, a larger portion of the monies went to the local area reserve fund, in accordance with the *2016 Density Bonus Policy*.

Affordable Homeownership Units

Under the IHCAP, AHO units are accepted as inclusionary housing units. Since adoption of the Policy, 129 AHO units were provided for moderate- and middle-income households. These units were secured through the BC Housing Affordable Homeownership Program (AHOP) and the Capital Region District (CRD) Affordable Housing Agreement Services Program.

Under the AHOP, 113 units were secured at a minimum of ten per cent below market, with qualifying purchasers also eligible for an interest-free second mortgage equal to ten per cent of the purchase price. The median sales price for the 113 AHOP units was \$483,858, 17 per cent below the 2021 average sales price (\$585,840) for strata units in Victoria.⁶ The legal agreements for the AHOP projects ensure that, when units are sold in the future, the City of Victoria will receive a payment equal to the interest-free mortgage ("benefit amount") and a share of any appreciation. In the event of future sales, the share of the benefit amount for each of the 113 AHOP units will go to the Victoria Housing Reserve Fund as a CAC to support other affordable housing projects.

Additionally, 16 affordable homeownership units were approved since 2019 with partnerships through the CRD Housing Agreement Program. Typically, these smaller units were secured at ten per cent to 20 per cent below fair market value, catering to households with moderate incomes (\$55,000-\$85,000 annually before tax). Overall, the CRD and BC Housing programs have created

⁶ Average sales prices reflect VREB Market Statistics and Victoria Annual Housing Reports.

a process and framework to deliver affordable homeownership units that improve the attainability of homeownership for moderate- and middle-income households.

Table 2: Contributions secured from market residential rezonings approved since June 2019

Type of Contribution	Number of Projects	Contribution Amount	Address of Projects
Affordable rental units (application pre-adoption)	3	1. 5 units	1. 2566-2580 Fifth St
		2. 5 units	2. 913-929 Burdett Ave & 914-924 McClure St
		3. 4 units	3. 1475 Fort St
(application post-adoption)	0	0	N/A
Subtotal	<i>14 affordable rental units secured within market projects</i>		
Affordable homeownership (AHO) units (application pre-adoption)	5	<i>BC Housing AHOP</i>	
		1. 104 units*	1. 1309 & 1315 Cook St, 1100-1120 Yates St and 1109-1115 Johnson St*
		2. 9 units*	2. 1301 Hillside Ave*
		<i>CRD</i>	
		3. 1 unit	3. 945 Pembroke St
	4. 2 units	4. 1712-20 Fairfield Rd	
	5. 3 units	5. 208-242 Wilson St	
	<hr/> 119 AHO units		
(application post-adoption)	3	1. 4 units* 2. 2 units* 3. 4 units*	1. 1224 Richardson St* 2. 1114 Rockland Ave* 3. 902 Foul Bay Rd*
	<hr/> 10 AHO units		
Subtotal	<i>129 affordable homeownership units</i>		
Cash-in-lieu contributions (application pre-adoption)	3	1. \$100,000 (70% to Victoria Housing Reserve Fund (VHRF), 30% to local amenity fund)	1. 1908-1920 Oak Bay Ave
		2. \$297,500 (54% to VHRF, 45% to local amenity fund)	2. 324/328 Cook St, 1044-1054 Pendergast St
		3. \$7,470 (100% to local amenity fund)	3. 931 McClure St
	<hr/> \$404,970		
(application post-adoption)	1	1. \$144,021 (70% to VHRF, 30% to local amenity fund)	1. 1114 Rockland Ave
Subtotal	<i>\$548,991 in cash contributions secured</i>		

Projects in **bold** were expected to align with IHCAP and * indicates where compliance with IHCAP was not expected.

In-stream Applications

As of January 2023, there are seven rezoning applications for strata residential housing seeking additional density under review by staff that would be encouraged to comply with the Policy. Four of the applications are in Urban Residential areas, and the remainder are in Core Areas (e.g., Core Residential or Core Songhees). The level of CACs that would be requested are still uncertain as the applications are not yet approved and unit mixes are subject to change but, currently, four of the in-stream rezoning applications are proposing greater than 60 units and would therefore be encouraged to provide inclusionary housing units under the IHCAP. The higher number of in-stream rezoning applications that would be expected to comply with the Policy reflects the less favourable market conditions for rental housing that is attracting developers to strata housing as well as the eventual decline of in-stream rezoning applications submitted prior to 2019 expected to comply with the legacy density bonus policies.

Emerging Policy Outcomes

Based on the three-year review of the Policy, the following preliminary outcomes were identified:

- Due to the multi-year approvals process of larger strata rezoning applications, there have only been eight strata rezoning applications submitted and approved after adoption in 2019, making it difficult to understand the long-term impacts of the Policy.
- Where applications were submitted before adoption of the Policy, amenity contributions were based on either the *2016 Density Bonus Policy* or *Interim Inclusive Housing and Density Bonus Policy* as opposed to the IHCAP. For this reason, many of the projects approved in 2020 made contributions under the legacy policies, resulting in fewer projects providing amenity contributions under the IHCAP.
- The robust market conditions for rental housing investment over the last three years, in combination with the City's approach of not expecting CACs for typical rezoning applications for secured rental housing, contributed to the limited CACs secured under the Policy.
- By acknowledging the lower land lift generated by rental housing and not expecting inclusionary housing units in most secured rental housing applications, the IHCAP helped to encourage rental housing, reinforcing the City's goals for purpose-built rental housing development.
- Generally, applicants indicated a preference for cash-in-lieu contributions by focusing on strata rezoning applications with less than 60 units, keeping projects below the large project threshold where projects would be encouraged to provide on-site inclusionary housing units, thereby avoiding the complexity associated with delivering mixed-tenure projects or affordable homeownership units.
- The IHCAP is a complementary policy to encourage contributions of cash-in-lieu and on-site inclusionary housing units through the rezoning process, but inclusionary policies should not be relied on as the primary delivery model for affordable housing in the City of Victoria.

ISSUES & ANALYSIS

Through the three-year review, staff analysis identified the following ways that the IHCAP could be updated to reflect the City's commitment to adaptive management.

Fixed Rate Contribution Targets

In June 2019, Council directed staff to update the fixed rate contribution targets for typical rezoning applications on an annual basis. The intent of an annual review of the fixed rate contribution targets was to ensure the suggested rates continue to align with land lift estimates for typical strata rezoning applications using current market conditions. However, staff found it challenging to undertake this work ahead of other priority housing work (e.g., Rapid Deployment of Affordable Housing) given the staff time and consulting resources required for the review of the fixed rate contribution targets. In early 2020 the update of the fixed rate targets was deferred to 2022, given the high level of economic uncertainty associated with the COVID-19 pandemic.

A review of the fixed rate contribution targets was completed in July 2022 by a third-party land economist. The city-wide analysis reviewed the land lift associated with strata residential and mixed-use residential projects in relevant urban place designations. Based on the July 2022 analysis, there is no capacity to increase the fixed rate contribution targets of the IHCAP. The increased revenues associated with higher sales prices for strata housing are being absorbed by the recent escalation in construction costs (particularly over the last 18 months). As such, under current market conditions, any increase in the cash-in-lieu fixed rate contribution targets would only reduce the financial viability and delivery of both housing and requested CACs for the City. For this reason, staff are recommending no change to the fixed rate contribution targets for typical rezoning applications.

Adaptive Management Updates

The proposed updates summarized below do not change the objectives of the 2019 IHCAP. However, staff have identified various improvements that are incorporated in the draft 2023 IHCAP (Attachment 1) to create a more user-friendly document that better communicates the intent of the Policy, addresses interpretation issues, and ensures alignment with current City policies.

Formatting and Layout

The proposed changes improve the layout and formatting of the IHCAP with a view to making the Policy more user-friendly. Accordingly, staff have adjusted the ordering of sections, adjusted headings, and created updated graphics and tables to make the document more intuitive.

Interpretation and Guidance

Through implementation, a need for further guidance on the intent of the Policy in several sections was identified. To remedy interpretation challenges, additional information was provided on atypical applications, rental housing applications, mixed-use applications, process expectations for economic analysis, as well as introducing an appendix with relevant definitions to clarify intent.

Policy Alignment

Several updates are recommended to ensure alignment of the IHCAP with other City policies.

Inclusionary Housing Policy (2016): At the time of Policy adoption in 2019, there were several active applications in queue for City approvals which were expected to comply with the *2016 Density Bonus Policy*; therefore, it was premature to rescind the 2016 Policy at the time of adoption in 2019. However, in 2023 the IHCAP is the only *Inclusionary Housing Policy* that in-stream residential rezoning applications are expected to comply with, and therefore, rescindment of the *2016 Density Bonus Policy* is proposed to reduce any potential for confusion or policy misalignment.

Housing Agreement Term Length: Additionally, staff identified a misalignment between the City’s current expectations around housing agreement term length for secured market rental housing projects (perpetuity) and the suggested term length for secured rental housing in the adopted 2019 Policy (minimum of 60 years or the life of the building). The proposed update encourages secured rental projects to be secured in perpetuity. Generally, a housing agreement is registered as a notice on title and has little impact on land values. If in the future, a landowner seeks to renegotiate the housing agreement, then the City can choose to amend or rescind the housing agreement, irrespective of agreement term length.

Income Targets for Affordable Homeownership (AHO) Inclusionary Housing Units: Currently, the income targets for AHO units are aligned with those households earning moderate household incomes, while also recognizing the need for flexibility to align with existing or emergent programs (e.g., BC Housing Affordable Homeownership Program). However, the current income range is based on household income data from the 2016 Census. For this reason, the updated Policy would see the expected income targets increase from \$55,000-\$85,000 to \$70,000-\$99,000 to reflect the increase in moderate household incomes as per the 2021 Census.⁷

Income Targets and Rental Rates for Affordable Rental Inclusionary Housing Units: The rental rates and income targets for affordable rental inclusionary housing units in the 2019 IHCAP were established using household incomes for the region from the 2016 Census.⁸ As per the 2021 Census, household incomes in the region have increased significantly with median household incomes increasing upwards of 27 per cent for the City of Victoria and 21 per cent for the Victoria Census Metropolitan Area (CMA). Accordingly, it is recommended that the median household income targets and corresponding affordable rental rates used in the IHCAP, Victoria Housing Strategy and Victoria Housing Reserve Fund be updated to reflect the 2021 Census data.

Table 3: Proposed median household income affordable rent rate and income limits

	Studio	1 Bedroom	2 Bedroom	3+ Bedroom
Monthly Rent Rate	\$1,125	\$1,250	\$1,400	\$1,750
Annual Gross Household Income	\$45,000	\$50,000	\$55,000	\$69,999

The updated Policy includes the affordable rental rates and income targets for median-income households identified in Table 3 and are based on gross annual household income. The median household incomes reflect 50-80 per cent of the Victoria CMA median household income (i.e., gross incomes of \$45,000-\$69,999). The income targets are then used to determine what would be an affordable (based on 30 per cent of gross household income) rent rate for those different median income levels.

For example, the studio affordable rental rate is affordable for a household with an income near the lower end of the median household income range (\$45,000 per year). In contrast, the three-bedroom affordable rent rate reflects what would be affordable for a median household earning roughly \$70,000 per year, the upper end of the income target for median income households. Overall, these changes harmonize the Policy with current housing policy direction, including defining

⁷ The income limits in the 2019 IHCAP were based on household income data from the 2016 Census. The proposed income limits that are recommended are based on the same methodology using the Victoria CMA Median Household Income as the Area Median Income (AMI) and then defining moderate household incomes as 80%-120% of Regional AMI, using the 2021 Census data.

⁸ The median income limits in the 2019 IHCAP were based on household income data from the 2016 Census. The proposed income limits that are recommended are based on the same methodology using the Victoria CMA Median Household Income as the AMI and then defining median household incomes as 50-80% of Regional AMI using the 2021 Census data.

affordability based on median household incomes, while ensuring the City's affordability rates align with the latest household income data from the 2021 Census.

Implementation of Local Area Plans

The 2023 update to the Policy also responds to direction from Council to implement newly adopted local area plans and the recently adopted *Official Community Plan* (OCP) updates. As part of the Fernwood, North Park and Hillside-Quadra Local Area Plans, two new urban place designations were developed and subsequently adopted within the OCP (Mixed Residential and Housing Opportunity). To operationalize the urban place designations, the corresponding suggested amenity contribution levels are proposed in the updated IHCAP (Attachment 1). The proposed updates to the IHCAP reflect analysis provided by an urban land economist to determine appropriate amenity contribution targets for the Mixed Residential and Housing Opportunity designations.

Mixed Residential

The recommended contribution targets for Mixed Residential (MR) designation reflect the local area plan objectives of adding housing capacity to the OCP. Under the MR designation, new transitional areas would be envisioned for three to five stories with densities up to 1.6:1 FSR.

Under the proposed IHCAP updates strata residential rezoning applications under the MR designation would be encouraged to provide a cash-in-lieu contribution based on the increase in density from the current zoning to the OCP Base Density of 1.6:1 FSR (i.e., Level 'A' Bonus). Based on economic analysis, it is anticipated that a typical rezoning application for strata housing in MR areas would be requested to contribute \$5 for each square foot of Level 'A' Bonus floor area. However, economic analysis suggests that even without amenity contributions rental housing would not be economically viable under the proposed densities; therefore, the proposed updates recommend not to request inclusionary housing unit contributions or cash-in-lieu contributions where secured rental housing is proposed. Overall, the suggested contribution levels for the Mixed Residential designation would provide opportunities for additional cash-in-lieu CACs for strata rezoning applications under the proposed Policy updates.

Housing Opportunity

The recommended contribution targets for Housing Opportunity (HO) designation reflect the local area plan direction of increasing density to create opportunities for on-site affordable rental (inclusionary housing units) in new market rental housing projects. Under the HO designation, areas would be envisioned for multi-family housing of four to six storeys with lot assemblies allowing for densities of up to 2.5:1 FSR. For projects seeking densities up to 2.0:1 FSR, the amenity contribution expectations would align with the current targets for Urban Residential areas under the existing IHCAP. However, the HO designation would have unique on-site affordability targets that secured rental projects seeking densities above 2.0:1 FSR (Level 'B' Bonus floor area) would be encouraged to comply with.

More specifically, projects seeking densities of 2.5:1 FSR would be encouraged to secure eight per cent of the units or floor area as inclusionary housing units, at rental rates affordable to the City's median income earners. Moreover, the proposed IHCAP updates clearly indicate that applications for strata residential above 2.0:1 FSR are not encouraged, reinforcing OCP Policy 6.16A and encouraging maximum densities to be primarily for applications with secured rental including on-site affordable rental units. Overall, staff have identified suggested inclusionary housing units and CAC fixed rate contribution targets to align with the City's Housing Strategy, OCP land use policies and third-party economic analysis for a range of Housing Opportunity scenarios.

OPTIONS & IMPACTS

Accessibility Impact Statement

The Local Government Act permits density benefits for amenities, affordable housing, and special needs housing.

2019 – 2022 Strategic Plan

This work supports various actions in the Strategic Plan associated with Affordable Housing. Specifically, Action 17 “Regularly evaluate the City’s bonus density policy and the number of units being created as a result of it”.

Impacts to Financial Plan

This work is supported by the Council approved housing budget that supports the ongoing monitoring and associated third-party market analysis.

Official Community Plan Consistency Statement

The proposal is consistent with the OCP, particularly Chapter 13, Housing and Homelessness; and the Density Bonus policies (19.7–19.9). Further, the recommended updates to IHCAP would operationalize OCP Policy (6.1.6.A) that encourages Housing Opportunity areas with secured rental housing and public benefit, including on-site, non-market and affordable rental.

CONCLUSIONS

It is difficult to fully assess the outcomes and efficacy of the Policy at three years due to the low number of strata rezoning applications submitted after adoption that were approved. To date, the Policy has resulted in limited cash-in-lieu contributions and few inclusionary housing units. However, the limited CACs secured under the Policy is partly due to the high number of approved applications in 2019 and 2020 that were encouraged to comply with legacy density bonus policies. Also, the few CACs secured reflect the broader market shift to rental housing development in recent years, with approved strata units accounting for only nine per cent of units approved via rezoning applications submitted after June 2019.

Further, all approved rezoning applications submitted after June 2019 for projects with 60 units or more were for secured rentals, which were not typically requested to provide inclusionary housing units or cash-in-lieu contributions under the Policy. The decision to not request CACs from typical secured rental housing applications offered a valuable incentive to develop rental housing and contributed to delivering on the City’s rental housing targets over the last three years.

Also, in general, the Policy has helped to establish the City’s expectations around CACs for larger strata rezoning applications with several in-stream rezoning applications that will be encouraged to provide greater on-site affordability and/or cash-in-lieu contributions in the next one to two years.

Overall, the Policy is best viewed as a complementary tool to support the City’s broader affordable housing policies and programs.

The review of the fixed rate contribution targets and the proposed updates to the IHCAP support the City’s on-going adaptive management of the City’s land use and housing policies. The proposed updates around affordability rates will prevent misalignment with other City policies for rezoning

applications securing inclusionary housing units. Other updates related to the implementation of local area plans reflect efforts to clearly signal suggested amenity standards for these new OCP Urban Place Designations moving forward. Overall, the proposed updates to the Policy do not alter the purpose or primary objectives of the 2019 Policy, but instead reflect the on-going evolution of the Policy as a key part of the City's land use planning framework.

Respectfully submitted,

Ross Soward
Senior Planner – Housing Development

Karen Hoese
Director of Sustainable Planning & Community
Development

Report accepted and recommended by the City Manager

List of Attachments:

- Attachment 1: Inclusionary Housing and Community Amenity Policy 2023