



Planning & Land Use Committee Report

For the Meeting of July 9, 2015

To: Planning and Land Use Committee **Date:** July 9, 2015
From: Marc Cittone, Senior Planner, Community Planning Division
Subject: **Density Bonus Outside of the Downtown Core Area**

RECOMMENDATIONS

Staff recommend that Committee:

1. Receive the City of Victoria Density Bonus Policy Study, March 2015 for information;
2. Direct staff to consider the appropriate community amenity contribution approach based on the following:
 - a. The amount of development growth envisioned within the Official Community Plan;
 - b. The findings of the Density Bonus Policy Study respecting the limited contributions predicted to be available;
 - c. Housing affordability objectives within the Strategic Plan, 2015-2018; and
 - d. Actions arising out of the Mayor's Housing Affordability Task Force related to developer contributions to affordable housing (e.g. inclusionary zoning or similar mechanism); and
3. That staff report back to Council in the fall of 2015 with a proposed approach to community amenity contributions including proposed public engagement.

LEGISLATIVE AUTHORITY

Under the Local Government Act (section 903), Council may divide the City into zones and may regulate within each zone the use of land, buildings and other structures, the density of the use of land, buildings and other structures, the siting, size and dimensions of buildings or uses, as well as the location of uses on the land or within buildings. Council has done so through the Zoning Regulation Bylaw.

In addition to the general zoning power under section 903, the Local Government Act (section 904) grants Council the power to establish special zones with different density regulations, one generally applicable and the other or others to apply only if certain conditions are met. Council can establish conditions related to conservation or provision of amenities, or provision of affordable or special needs housing that have to be met before the higher, "bonus" density applies.

When exercising zoning power, whether as part of regular rezoning under section 903 or the bonus density zoning under section 904, Council is granted broad discretion. Council must consider whether or not a rezoning is in the public interest, including potential positive and negative impacts on the community and which may include consideration of the provision of

amenities which offset the impacts of additional density. The rezoning must be consistent with the Official Community Plan (the "OCP") but there is no obligation to amend existing zoning to match the OCP land use designations.

EXECUTIVE SUMMARY

On September 26, 2013, Council approved a motion to use density bonus to facilitate the provision of community amenities outside of the Downtown Core Area, and directed staff to analyse the feasibility of setting a fixed-rate amenity contribution target to enhance or accelerate amenity development.

Coriolis Consulting completed a report on the feasibility of, and recommended approach for, a fixed-rate amenity contribution policy outside of the Downtown Core Area. The consultant's report finds that a fixed-rate amenity contribution system is feasible for standard rezonings outside of the Downtown Core Area, and that a fixed-rate target of \$5 per square foot (\$53.82 per square metre) of bonus density is appropriate in these cases. The consultant's report estimates that the total amount of amenity contribution that could be expected outside of the Downtown Core Area would be modest (\$150,000 - \$200,000 annually), and as such will need to be supplemented by other funding sources for improvements in the areas receiving the additional density.

When this study was first commissioned, the scope of work was limited to analyzing the feasibility of a fixed-rate density bonus system without consideration for additional affordable housing contributions. Since then, the Mayor's Task Force on Housing Affordability was struck. Draft recommendations from this Task Force are currently being finalized for Council's consideration, including exploring inclusionary zoning or other measures to encourage developer contributions to affordable housing stock. If these types of requirements for affordable housing are applied, it is likely that development outside of the Downtown Core Area will not yield many, if any, amenity contributions at the densities anticipated in the OCP.

In light of the findings of the Density Bonus Policy Study regarding the limited contributions predicted to be available, the housing affordability objectives within the Strategic Plan and the actions emerging out of the Mayor's Housing Affordability Task Force, staff recommend that broader consideration be given to what the appropriate mechanism is for a community amenity contribution approach. Further economic analysis will likely be necessary, following which staff will report back with options, a recommended approach and proposed public engagement. While further consideration of this would delay implementation of a fixed-rate density bonus system outside of the Downtown Core Area, it would afford Council the opportunity to consider all of the City's goals respecting housing, density, and neighbourhood amenities in a more holistic manner.

BACKGROUND

On September 26, 2013, Council approved the following motion:

"That Council use Bonus Density outside of the downtown as a way of enhancing/accelerating community amenity development."

Following this direction, City staff engaged Coriolis Consulting to determine the feasibility of a fixed-rate amenity contribution system outside of the Downtown Core Area and, if such a system were feasible, to recommend an approach and methodology.

The City's Strategic Plan identifies density bonus as a 2015 Action:

Objective 3: Strive for Excellence in Planning and Land Use

2015 Action: Establish predictable flat fee per square metre fee for bonus density.

With respect to more specific timing of this action, the 2015 Operational Plan identified a workshop with Council in June 2015 and stakeholder engagement in September 2015.

Consideration of this Report also follows the creation of a bonus density policy within the *Downtown Core Area Plan (DCAP)* and past practice, in which Council had regularly requested community amenity contributions as a condition of rezoning. When the DCAP was under development, an analysis was completed in 2010 by Coriolis Consulting and indicated that parts of the Downtown Core Area (currently included in the *Downtown Core Area Plan's* Density Bonus System) could support a flat-rate amenity contribution with certain conditions and suggested a target contribution rate of \$11.25 per square foot of bonus density for office space and \$22.50 per square foot of bonus density for residential space. Consultation with the development community at that time indicated a preference that site-by-site calculations be used as a basis for negotiation of amenity contributions. This report is attached for information.

The *Official Community Plan* anticipates bonus density to be considered in four specific Urban Place Designations that have a range of appropriate densities. *OCP Figure 8: Urban Place Guidelines* presents two densities: a typical density, and a higher density that may be appropriate:

Urban Place Designation	Base Density	Maximum Density Considered
Town Centre	Up to approx. 2:1 FSR	Up to approx. 3:1 FSR
Large Urban Village	Up to approx. 1.5:1 FSR	Up to approx. 2.5:1 FSR
Small Urban Village	Up to approx. 1.5 FSR	Up to approx. 2:1 FSR along arterial and secondary arterial roads
Urban Residential	Up to approx. 1.2:1 FSR	Up to approx. 2:1 FSR in strategic locations. Strategic locations are defined as within 200m of the Downtown Core Area, a town centre, large urban village, or along an arterial or secondary arterial road

ANALYSIS

Coriolis Consulting completed their analysis of the feasibility of a flat rate amenity contribution. The analysis included:

- a review of the experience of communities in BC applying a fixed-rate target amenity contribution approach;
- consultation with City staff in various departments related to the development process;
- selection and analysis of 26 case-study sites representative of the breadth of potentially viable development opportunities in Victoria outside of the Downtown Core Area, in those Urban Place Designations where added density is considered by the OCP (above);
- two workshops, as well as telephone conversations with key stakeholders within the development industry.

Findings of the Analysis

Coriolis Consulting found that in current market conditions:

1. At the densities anticipated by the OCP, some sites within the Town Centres, Large Urban

Villages and Urban Residential Place Designations are currently redevelopment candidates while other sites are not.

2. Of those sites which are currently redevelopment candidates (economically viable for redevelopment), the land lift resulting from added density (up to the OCP maximum) varies.
3. A modest amenity contribution will not impact the viability of redevelopment within the city nor the city's ability to meet its OCP growth targets.
4. Certain types of redevelopment are more likely to create additional land value from the added density contemplated in the OCP. Generally, redevelopment as strata residential or mixed-use with strata residential is most likely to result in added land value, whereas, redevelopment as rental residential or commercial use is less likely to result in a land lift. Requirements to replace lost rental units may also impact the change in land value resulting from added density.
5. A modest amenity contribution would allow the City to offset the impacts of adding density.
6. The amount of amenity contribution that can be expected in the city outside of the Downtown Core Area, assuming densities anticipated by the OCP, is estimated to be no more than \$200,000 annually and will need to be combined with other funding sources to have an impact.
7. A fixed-rate amenity contribution system for typical rezonings will provide more certainty and is preferred by the development industry.
8. Non-standard rezonings (e.g. rezonings above the maximum density within the OCP, those that are required to provide significant on-site amenities, those that are larger sites requiring land dedication for circulation, or those that are rezonings from industrial or institutional uses to residential or mixed-use) do not lend themselves easily to the application of a fixed-rate target for amenity contributions.

Recommendations of the Report

Coriolis has recommended a fixed-rate density bonus and amenity contribution approach for typical rezonings from outside of the Downtown Core Area while continuing to negotiate major rezonings on a site-by-site basis. The details of these recommendations are on pages 30–31 of the attached report.

For typical rezonings outside of the Downtown Core Area that are consistent with the Town Centre, Large Urban Village and Urban Residential place designations, the report recommends:

1. A target fixed-rate amenity contribution of \$5.00 per square foot (\$53.82 per square metre) could be requested for additional floor space that is permitted over the greater of the OCP base Floor Space Ratio or existing zoning FSR (whichever is higher).
2. Projects which contain multiple floors of commercial space should be exempt from this amenity contribution request.
3. Projects where the City requires new rental apartment units or the replacement of existing rental apartment units should be exempt from this amenity contribution request.
4. Applicants should have the option of using a land lift analysis approach (at the applicant's expense) if they do not believe the fixed-rate target is appropriate.
5. The City should ensure all stakeholders are aware of the Community Amenity Contribution policy.
6. The City should identify neighbourhood-specific amenities in the area in which the development takes place.
7. The target amount should be adjusted annually according to a publicly available indicator of construction cost inflation and re-examined periodically (every three years).
8. Amenity contributions related to major rezonings should continue to be based on a land lift

analysis. Major rezonings include rezonings above a certain size threshold, those that are required to provide significant on-site amenities, those that are rezonings from industrial or institutional uses to residential or mixed-use and those that exceed the maximum density in the OCP.

Affordable Housing Considerations

The Mayor's Task Force on Housing Affordability draft recommendations include consideration of inclusionary zoning or other developer contributions to the provision of affordable housing. If inclusionary zoning requirements for affordable housing are applied, it is likely that development outside of the Downtown Core Area will yield little or no amenity contributions at the densities anticipated in the OCP. While further analysis is required, Coriolis' report found that outside of the Downtown Core Area, a requirement for replacement of market rental units is likely to eliminate the potential for amenity contribution at the anticipated OCP densities. Coriolis' report considered existing City policy and did not consider the implications of inclusionary zoning (or other developer contributions to affordable housing), which emerged recently out of the Strategic Plan and the Mayor's Task Force following completion of this study.

If Council directs staff to proceed with analysis of inclusionary zoning or other options for developer contribution to affordable housing stock, then subsequent economic analysis is recommended (and would need to be budgeted) to evaluate inclusionary zoning and related options and how they would affect a fixed-rate amenity contribution system should Council adopt this system.

Use of Amenity Contributions

Amenity contributions are intended to help offset the impacts of added density and growth. The OCP envisions that growth outside of the Downtown Core Area will occur primarily in and near large urban villages, as well as along major corridors. The OCP also envisions a City with complete urban villages providing access to goods, services and gathering places within walking distance of surrounding residents. As directed by the Strategic Plan, the City will be undertaking local area planning focused on urban villages and corridors as a priority. Pursuant to OCP policy 20.5.3, each local area plan should include "a list of the number, kind and extent of amenities that are desired in the local area to guide and inform decisions about proposed development".

The estimated amount of amenity contribution available for the city outside of the Downtown Core Area is modest (no more than \$200,000 annually) and will need to supplement other funds in order to achieve results. Targeting the funds to improvements in urban villages would help to offset the impacts of added residential density within and near these villages, support the OCP's focus on developing urban villages and support the goals of local area planning. Should Council wish to proceed with establishing a policy for a fixed-rate amenity contribution system, staff propose that consultation with neighbourhoods be undertaken to identify the types of amenities desired, as part of urban village planning. This use of amenity contributions would follow Coriolis' recommendation.

Council may choose to direct part or all of the contributions associated with bonus density to affordable and/or special needs housing, or to other amenities than those to be identified in local area plans.

OPTIONS AND IMPACTS

Option 1 – Undertake Broader Consideration of Community Amenity Contributions (Recommended)

This option is recommended for a variety of reasons. First, the Density Bonus Policy Study projects limited contributions based on the growth anticipated by the OCP. Further, recent housing affordability objectives within the Strategic Plan and the emerging recommendations of the Mayor's Housing Affordability Task Force with respect to inclusionary zoning would need to be considered as part of a density bonus system and would be an additional requirement that may affect the viability of development. Therefore, staff recommend that broader consideration be given to what the appropriate mechanism is for a community amenity contribution approach.

With this option, further economic analysis will be necessary (potentially costing \$40,000-\$50,000 +/-), following which staff will report back with policy options in September, undertake further public engagement in October/November and report back to Council with a recommended approach in December 2015.

Impact: Option 1 delays consideration of a Fixed-Rate Bonus Density System outside of the Downtown Core Area to the end of 2015, however, this proposed timeline would meet the Strategic Plan objectives for 2015. It also affords Council the opportunity to consider all of the City's goals respecting housing, density, and neighbourhood amenities in a more holistic manner.

Option 2 – Proceed with a Fixed-Rate Policy for Bonus Density Outside of the Downtown Core Area

This option is provided should Council wish to proceed with establishing such a policy. As part of this option, staff propose in-person consultation with the development industry, landowners and Community Association Land Use Committees (CALUC). This consultation follows two workshops held by Coriolis with the Urban Development Institute and selected developers, held on June 16, 2014 and December 16, 2014, and telephone conversations with stakeholders who could not attend these meetings.

An alternate motion is provided as follows:

1. Receive the City of Victoria Density Bonus Policy Study for consideration;
2. Direct staff to initiate in-person engagement with developers, landowners and CALUCs on the creation of a fixed-rate amenity contribution policy for areas outside of the Downtown Core Area which:
 - a. sets a fixed-rate target for amenity contribution to be requested when considering bonus density as part of standard rezonings outside of the Downtown Core Area and within Town Centre, Large Urban Village and Urban Residential place designations;
 - b. sets the amount of the fixed-rate target as \$5.00 per square foot (\$53.82 per square metre) of additional floor space that is permitted over the base density;
 - c. identifies the base density as the greater of the OCP base FSR or the existing zoning FSR (whichever is higher) within Town Centres, Large Urban Villages and Urban Residential place designations;
 - d. specifies that amenity contribution requests would not apply to purely commercial or industrial development, or to development of purpose built rental housing secured in perpetuity by a rental housing agreement;

- e. provides guidance that bonus density contributions be directed to funding amenities within neighbourhoods or urban villages near the development generating the contribution, with amenity priorities to be identified by Local Area Plans.
 - f. provides for an applicant to conduct their own land lift analysis if the applicant does not find the fixed-rate target appropriate for a standard rezoning;
 - g. provides that a land lift analysis be used as a basis of negotiation for amenity contribution when bonus density is requested as part of major rezonings (including rezonings above the maximum density within the OCP, that are required to provide significant on-site amenities, that are generally larger than a single city block, or that are rezonings from industrial or institutional uses to residential or mixed-use); and,
 - h. would be revisited if inclusionary zoning is implemented.
3. Direct staff to return to Council with a policy based on the above;
 4. Direct staff to assess this policy in relation to other potential developer contributions related to affordable housing;
 5. Direct staff to establish a fund for improvements within neighbourhoods and urban villages, to which amenity contributions can be directed;

With this option, further consultation is recommended to inform the public of the mechanics of the system, receive further input and refine aspects of the policy related to when and how amenity contributions are collected. Staff would return to Council with a summary of consultation and a proposed policy for density bonus outside of the Downtown Core Area in October 2015.

Impact: Option 2 would fulfill the Strategic Plan directions earlier than Option 1, although the policy would likely need to be revisited should Council wish to pursue affordable housing tools as they relate to density bonus.

Should Option 2 be selected, Council would also need to provide direction on the use of amenity contributions. A new fund for public improvements outside the Downtown Core Area could be created. While funds are accruing, the desired amenities could be determined through local area planning. Alternatively, Council could direct amenity contributions to city-wide amenities or the existing Housing Reserve Fund. In any option, Council retains the authority to direct contributions, on a case-by-case basis, to any appropriate amenities, or to affordable housing.

OCP Consistency Statement

The use of Density Bonus outside of the Downtown Core Area is guided by OCP policies of Section 19, Plan Administration, in particular 19.7, 19.8, and 19.9 that concern the use of the statutory authority for density bonus provision and the consideration of the creation of a density bonus system as a component of local area plans.

Respectfully submitted,


 For Marc Cittone
 Senior Planner
 Community Planning Division


 Andrea Hudson
 Assistant Director, Community Planning
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 Jonathan Tinney
 Director
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Report accepted and recommended by the City Manager:



Jason Johnson

Date:

July 3, 2015

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List of Attachments

- Attachment 1 – City of Victoria Density Bonus Policy Study: For Sites Outside the Downtown Core Area.
- Attachment 2 – Proposed Density Bonus System for Victoria's Downtown Core Area Plan.