



City of Port Moody

Report/Recommendation to Council

Date: March 1, 2020
Submitted by: Planning and Development Department – Policy Planning Division
Subject: Draft Corporate Policy – Interim Affordable Housing Guidelines

Purpose

To present for Council consideration Interim Affordable Housing Guidelines to establish clear expectations for current and future development applications involving Official Community Plan (OCP) amendments and/or rezoning applications for multi-family projects and mixed-use projects.

Recommended Resolution(s)

THAT Corporate Policy – 10-5080-2020-01 – Interim Affordable Housing Guidelines be approved as recommended in the report dated March 1, 2020 from the Planning and Development Department – Policy Planning Division regarding Draft Corporate Policy – Interim Affordable Housing Guidelines.

Background

Given the challenges associated with housing affordability across the region, the City has been applying applicable OCP policies that encourage the provision of affordable housing components within new projects. Over recent years, the City has seen a number of projects that have presented a variety of different proposals ranging from the provision of heavily subsidized units at shelter rates to market-rental units and affordable home ownership. While this flexible approach has allowed for a more innovative mix that provides units along the housing continuum, there is also a clear benefit to establishing clearer expectations related to the provision of affordable housing components within new development.

A September 30, 2019 staff report provided Council with an update regarding the Market-Rental Policy and Inclusionary Zoning Policy that would be informed by a Housing Needs Analysis, which the Province of British Columbia is requiring all municipalities to undertake. This report (**Attachment 1**) identified the timeline around the Housing Needs Analysis, with completion of a draft report targeted for the fall of 2020. The completed Housing Needs Analysis, along with a review of inclusionary zoning policies in other municipalities, a land economic analysis, and consultation with stakeholders, would then inform the development of a market-rental policy and inclusionary zoning policy. At the December 3, 2019 Regular Council Meeting, Council passed the following resolution:

RC19/531

THAT staff be directed to apply for funding to undertake a Housing Needs Report as recommended in the report dated September 30, 2019 from the Planning and Development Department - Policy Planning regarding Market-Rental Policy and Inclusionary Zoning Policy: Proposed Work Plan;

AND THAT the City provide overall grant management as required by the UBCM Housing Needs Report Program.

At the January 14, 2020 Regular Council Meeting, in relation to Mayor Vagramov’s report regarding Interim Affordable Housing Guidelines (**Attachment 2**), the following resolution was passed:

RC20/042

THAT staff report back with a draft policy to help Council express its expectations for affordable units in large developments as recommended in the report dated January 5, 2020 from Mayor Rob Vagramov regarding Interim Affordable Housing Guidelines.

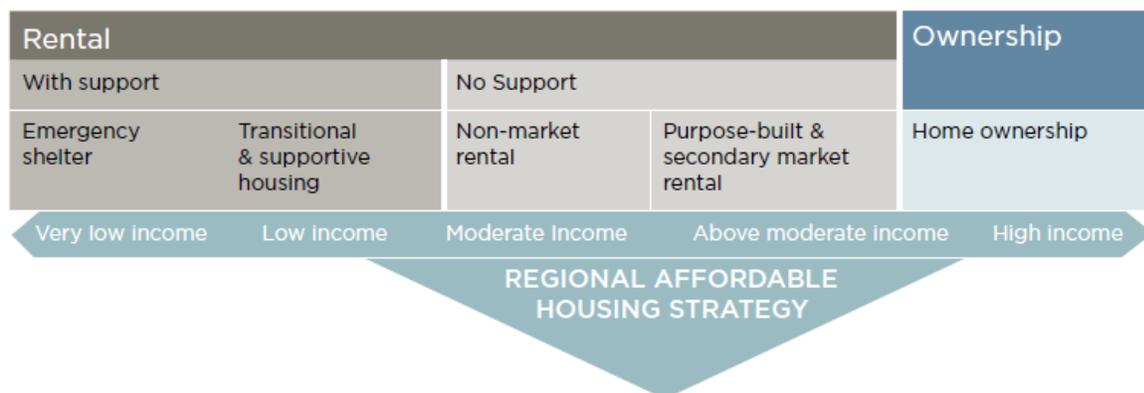
Accordingly, this report brings forward draft Corporate Policy 10-5080-2020-01 – Interim Affordable Housing Guidelines as directed by the resolution. The intent of the interim guidelines is that they would, prior to the development of a more robust policy, provide a clearer expectation for new development in relation to the provision of below market-rental units, market-rental units, and affordable ownership units.

Discussion

Summary of Current Approach

A housing continuum depicts the main elements of the housing supply, including different housing types, tenures, and range of support services that may be required. There are a number of versions of the housing continuum, which represent the wide range of housing needed in a community, which can range from temporary options such as emergency shelters to more permanent housing such as rental and homeownership. Figure 1 below, taken from Metro Vancouver’s Regional Affordable Housing Strategy, is one example of the continuum.

Figure 1: Housing Continuum



OCP policy encourages the provision of affordable housing within new multi-family residential development. While the City of Port Moody does not currently have an inclusionary zoning policy, the City has been able to secure affordable housing units and market-rental units through two approaches:

- securing a voluntary contribution to the Affordable Housing Reserve Fund (AHRF). It is noted that applicants are now requested to provide a voluntary Community Amenity Contribution (CAC) in the amount of \$6 per square foot for new residential floor area, of which \$2 per square foot is paid into the City's AHRF, which Council has the ability to waive where affordable housing or another public amenity is provided as part of a project. Prior to the adoption of the CAC policy, applicants were also required to make a contribution to the AHRF, which saw contribution amounts varying on a project-by-project basis, for example, from \$1.58 per square foot to \$4.33 per square foot; and
- through negotiating with individual project proponents as part of the rezoning and/or OCP amendment process. In some cases, these proposals have involved OCP amendments increasing density, reduced parking requirements, and contributions to a project from the City's AHRF.

The flexible approach towards the provision of units within projects has secured a variety of units ranging from low income to above to moderate income, as reflected in Figure 1 above. **Attachment 3** lists recent developments within the City that have secured a range of units. This flexible approach has been relatively successful and resulted in the provision of a variety of units and tenures, including:

- **Low Income:** Non-market rental units/supportive housing (e.g. including units with rents at shelter rates);
- **Low/Moderate Income:** Below-market rental units (e.g. with rents based on BC Housing's Housing Income Limits (HILs) rates);
- **Moderate Income:** Other below-market rental units (e.g. 10% below market rents);
- **Above Moderate Income:** Market-rental units, while not considered affordable, helps increase the rental supply and potentially benefiting the vacancy rate;
- **Above Moderate Income:** Affordable home ownership units;
- **Above Moderate/High Income:** Rent-to-Own units, while not considered affordable, provides assistance for first-time buyers to get into the housing market;

There has though been a number of challenges with this approach, including:

- A lack of clear expectation for the public, applicant, Council and staff as to the required affordable housing component;
- The impact the lack of clear expectation has on the financing of a project, including the costs associated with the provision of such units, land purchase, and development fees and costs;
- Assessing the value of the wide variety of tenure types and the periods of time the units have been secured, (e.g. from 10 years to in perpetuity).
- The time consuming nature of negotiating the affordable housing component for every application, and of processing the related housing agreements, which, given the variety of proposals, vary significantly from project to project; and

- The challenges that may occur from having such a variety of housing agreements that may require different levels of monitoring and enforcement.

Having some form of interim affordable housing guidelines would help to provide slightly more clarity regarding the expectation for the provision of an affordable housing component within new projects and allow for a more simplified, transparent, and standardized approach to the processing of applications.

Inclusionary Zoning Policies

Currently, five Metro Vancouver municipalities have inclusionary zoning policies (Burnaby, New Westminster, City of North Vancouver, Richmond, and Vancouver) that focus on the provision of below-market rental units. These policies work in conjunction with municipal rezoning powers through the provision of incentives to leverage the voluntary inclusion of below-market rental units within new development. Such incentives can include:

- reduced parking requirements;
- increased density;
- Development Cost Charges and permit fee waivers;
- density bonus and community amenity contribution waivers;
- property tax waivers;
- fast tracking of applications; or
- a combination of the municipal measures listed above.

The provision of the above incentives are generally necessary to ensure the economic feasibility of the inclusion of below-market units within proposed development projects.

Policy Options

The development of interim affordable housing guidelines for the short-term, though certainly desirable in order to address some of the concerns raised above, does come with a caveat. As stated in the September 30, 2019 staff report (**Attachment 1**), in order to develop a robust policy it is necessary to:

1. complete a Housing Needs Analysis for the City in order to identify existing and projected gaps in housing supply;
2. conduct a detailed review of inclusionary zoning policies in other municipalities in order to inform the development of a policy that works for Port Moody;
3. conduct a land economics analysis in order to more fully understand the complex balance of incentives and requirements to ensure the viability of projects by determining:
 - the type of affordable rental units and the impact of this on project viability;
 - the viability of particular forms of development (e.g. wood-frame versus concrete construction) at different scales and densities, when requiring an affordable-rental component, or other component with comparable value;
 - the need for and impact of reducing City fees and charges (e.g. density bonus amounts/CACs, DCCs, property tax waivers);
 - the need for flexibility of zoning requirements (e.g. additional density, parking etc.);

- the ownership requirements for affordable rental units; and
 - any other relevant factors.
4. based on the above research and analysis, develop a draft policy for Council review; and
 5. consult with key stakeholders, including non-profit housing providers, the development community, and potentially the public.

Every municipality reviewed undertook the key economic analysis and consultation elements prior to the development of their policies. As is noted in the September 30, 2019 staff report, completing the Housing Needs Analysis component may take at least until fall 2020, with further work then required to undertake the economic analysis, policy development, and consultation elements in order to develop a Market-Rental Policy and Inclusionary Zoning Policy. Timing of this work would depend on other departmental priorities.

The key challenge with developing specific housing targets is that there is the danger that it may result in a negative impact on the financial viability of residential projects, which may then contribute to greater affordability issues through slowing the supply of housing units in a community. Given the lack of economic analysis and consultation, if the City is to adopt Interim Affordable Housing Guidelines, it is recommended that such guidelines are both high-level and allow for some flexibility in their application.

Key Parameters of Interim Affordable Housing Guidelines

A draft Corporate Policy – 10-5080-2020-01 – Interim Affordable Housing Guidelines (**Attachment 4**) is provided for Council consideration. The draft guidelines avoid specifying precisely the number and type of units that need to be provided, as without the necessary economic analysis, it is difficult to understand the implications of this policy on specific types of development and/or the associated need to incentivize affordable units. Key elements of the guidelines include:

- **Policy Purpose:** The guidelines set out the expectation around the provision of affordable housing components as part of new multi-family residential and mixed-use residential development applications where additional density is being sought through a rezoning and/or Official Community Plan amendment.
- **Definitions:** Establishing definitions associated with affordable housing components, including affordable rental units, but also market-rental units, affordable ownership units, and rent-to-own units;
- **Rental Rates:** establish rental rates for the affordable rental units;
- **Application Type and Expectations:** establishing the expectation around the provision of affordable rental components within new projects involving rezonings and/or Official Community Plan (OCP) amendments;
- **Management of Units:** requirement that units be sold at below-market value to a non-profit housing society or BC Housing, or managed by a non-profit housing society or BC Housing;
- **Length of term:** requirement that the rental units be secured for the long-term e.g. 60 years or the useful life of the building;
- **Unit Mix:** establish a minimum required unit mix in order to ensure a mix of units, from studios to three-bedroom;

- **Flexibility:** it is again noted, that given the lack of economic analysis involved in developing these draft guidelines, that flexibility on this specific element may be required including:
 - where an applicant can demonstrate unique development circumstances and financial hardship;
 - where the proposal includes other community benefits (e.g. social, environmental, cultural) with a demonstrable value);
- **Incentives:** including: floor area of affordable housing units may not count towards Floor Area Ratio (FAR); Community Amenity Contributions for affordable housing, DCCs, property taxes etc. may be waived; consideration of variances to Zoning Bylaw requirements; potential fast tracking of applications, where staff resources allow etc.;
- **Exemptions:** including: projects proposing fewer than 10 units; projects that only provide townhouse units; applications submitted prior to adoption of the guidelines;
- **Legal Requirements:** requirement for a Housing Agreement that sets out the key parameters of the affordable housing component, including administration and monitoring; and
- **Cash in Lieu Contributions:** where the provision of affordable rental units or other eligible units is not seen as desirable and or feasible, a cash-in-lieu contribution to the City's Affordable Housing Reserve Fund may be considered;

Should the Interim Affordable Housing Guidelines be adopted, in order to facilitate these guidelines, staff would also seek to develop and maintain a shortlist of non-profit housing societies that have expressed an interest in partnering on affordable housing projects in the City.

Concluding Comments

Currently, given the lack of analysis and consultation that has been undertaken in relation to the development of a Market Rental Policy and Inclusionary Zoning Policy, the draft Interim Affordable Housing Guidelines as presented are high-level guidelines that allow for the provision of a variety of units that range across the affordable housing continuum, as has been seen in recently approved projects. Rather than being wholly prescriptive, the guidelines set out broad expectations and some key parameters, but allow for flexibility of approach. The format of these guidelines could form the basis and key parameters of the development from which more formal Market-Rental and Inclusionary Zoning Policies are developed, with such policies informed by necessary economic analysis and consultation, allowing for clearer expectations to be included, such as types of units and percentage of new units required to be affordable or market-rental.

Other Option(s)

1. THAT staff be directed to continue with the work program associated with the development of a Market Rental Policy and Inclusionary Zoning Policy following the completion of Housing Needs Study, policy review, land economics analysis, policy development, and consultation.
2. THAT Council provide alternative direction.

Financial Implications

Should Interim Affordable Housing Guidelines or a Market Rental Policy and Inclusionary Zoning Policy be approved by Council, depending on its content, there may be implications in revenue received from the reduction of density bonus payments and CACs, and from any fee waivers (e.g. DCCs, property taxes etc.) that may be considered.

Communications and Civic Engagement Initiatives

If the proposed Corporate Policy is adopted, it will be posted to the City website and shared with current and future applicants.

Council Strategic Plan Objectives

This proposal is consistent with the goals of the 2019-2022 Council Strategic Plan as they relate to Community Evolution:

- plan for a variety of housing types to meet community needs; and
- ensure future community growth is carefully considered and strategically managed consistent with the targets approved in our Official Community Plan.

Attachment(s)

1. Staff report dated September 30, 2019, regarding the Market-Rental Policy and Inclusionary Zoning Policy.
2. Report from Mayor Rob Vagramov dated January 5, 2019, regarding Interim Housing Guidelines.
3. Summary of Development-Related Affordable Housing Contributions 2017-2019.
4. Draft Corporate Policy – 10-5080-2020-01 – Interim Affordable Housing Guidelines.

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Report Approval Details

Document Title:	Draft Corporate Policy - Interim Affordable Housing Guidelines.docx
Attachments:	<ul style="list-style-type: none">- Attachment 1 - Staff report dated September 30, 2019, regarding the Market-Rental Policy and Inclusionary Zoning Policy.pdf- Attachment 2 - Report from Mayor Rob Vagramov dated January 5, 2019, regarding Interim Housing Guidelines.pdf- Attachment 3 - Summary of Development-Related Affordable Housing Contributions 2017-2019 .pdf- Attachment 4 - Draft Corporate Policy 10-5080-2020-01 – Interim Affordable Housing Guidelines.pdf
Final Approval Date:	Mar 9, 2020

This report and all of its attachments were approved and signed as outlined below:

Dorothy Shermer, Corporate Officer - Mar 5, 2020 - 1:02 PM

Natasha Vander Wal for Rosemary Lodge, Manager of Communications and Engagement –
Mar 6, 2020 - 10:45 AM

Paul Rockwood, General Manager of Finance and Technology - Mar 6, 2020 - 2:12 PM

André Boel, General Manager of Planning and Development - Mar 6, 2020 - 2:15 PM

Tim Savoie, City Manager - Mar 9, 2020 - 11:33 AM