

R E P O R T

DEVELOPMENT SERVICES DEPARTMENT

To: Mayor W. Wright and Members of Council in Committee of the Whole Date: October 27, 2008

From: Lisa Spitale, Director of Development Services File: 13.2550.10

Subject: Density Bonus Zoning – Comprehensive Proposal for Approval

RECOMMENDATIONS

THAT Council:

- i) Approve the proposed 2-Phase Density Bonusing System as presented in the staff report;*
 - ii) Implement Phase 1: proceed with technical and legal work for Townhouse, Stacked Townhouse and Low-rise residential apartment zones;*
 - iii) Direct staff to complete the Downtown Community Plan and recommend appropriate building heights in the Downtown prior to considering implementation of Phase 2 of the Density Bonusing System;*
 - iv) Direct staff to research and recommend appropriate building heights for the Sixth Street corridor prior to considering implementation of Phase 2 of the Density Bonusing System; and*
 - v) Approve Next Steps as outlined in the staff report.*
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PURPOSE

The purpose of this report to is review the proposed density bonusing system for the City and get Council direction to move forward with the implementation strategies and next steps as outlined in this report.

BACKGROUND

In April 2004, Council asked staff to review its approach of securing contributions from new development to help fund the capital costs required for providing services for a growing population. This launched the City's Financing Growth Review, which would include: a City-wide development cost charges program; a more structured approach when negotiating for amenity contributions from developers seeking additional development entitlements; and the use of an amenity density bonusing system, as allowed under the *Local Government Act*.

On May 30, 2005 Council passed the following resolution:

THAT staff prepare amendments to the Zoning Bylaw to introduce density bonusing provisions into appropriate zones;

THAT staff create a new density bonus zone to be used to process future applications for height and parking variances in the Downtown until height and parking regulations for that neighbourhood have been reviewed; and

THAT staff consult with the local community and the development industry during the preparation of these financing growth policies.

Since October 2007, staff have been working with Coriolis Consulting Corp. to create a density bonusing system. On March 27, 2008 staff brought a progress report to Council for information. On June 23, 2008 staff brought a report to Council outlining the general density bonusing proposal. At that meeting, Council passed the following resolution:

THAT Council approve the Density Bonus Zoning system in principle; and direct staff to complete necessary technical and legal work over the summer months and report back to Council, the community and the development industry in fall 2008.

Since that time, staff have met with the community and the development industry for their feedback on the proposed density bonusing system. This report presents a final density bonusing system proposal for Council consideration.

EXISTING POLICY/PRACTICE

Since 1993, the *Local Government Act* has authorized local governments in British Columbia to permit zoning density bonuses in exchange for the provision of amenities or affordable or special needs housing.

ANALYSIS

In October 2007, staff retained Coriolis Consulting Corp. to assist in creating a comprehensive density bonusing system for the City. The scope of work for this initiative has included:

- Identifying locations where the *City of New Westminster Official Community Plan* supports additional density and determining how much extra density would be appropriate;
- Testing higher density building designs to ensure the proposed maximum densities can be achieved in attractive, livable buildings;
- Considering alternate approaches to implementing density bonus zoning and selecting the options that best fit with the City's principles of financing growth;
- Estimating the value of different types of proposed bonus density and the likely market interest in bonus density in order to estimate the value of the amenity contributions the City might receive from the density bonusing system;
- Identifying the types of community amenity contributions that could be obtained in exchange for bonus density and how the City might set priorities for amenity investments;
- Meeting with the community and the development industry to gather feedback on a general proposal for the density bonusing system;
- Securing Council approval for the general density bonus zoning proposal; and
- Creating a more concrete proposal for New Westminster's density bonus zoning system and identifying additional work required to implement the proposal.

The following sections of this report summarize the consultant's work and present to Council a density bonusing proposal. Greater detail can be found in the attached draft Coriolis report – *Density Bonusing in New Westminster, Final Report: Proposed Density Bonus System, October 2008*.

1. Guiding Principles

In 2004, the City approved guiding principles for its Financing Growth review that served as a foundation when creating the density bonusing system. These are:

- The system should be squarely within the legal boundaries set by provincial legislation.
- The system should be administratively appropriate.
- The system should rely on incentives and voluntary participation to the extent possible.
- The system should be reasonably consistent and predictable.
- The system should be used to generate amenities that are linked to the costs of accommodating growth.
- Amenities sought through developer contributions should be consistent with the City's objectives for amenities and infrastructure as outlined in the City's *Official Community Plan* and Strategic Plan.
- The value of the contribution should be commensurate with the development value that is being conferred.
- Amenity contributions should not normally be anticipated from projects that are already making a contribution that is consistent with City objectives and that effectively uses all of the project's financial ability to sustain amenity contributions.

In addition to the above overarching principles, the City adopted three additional principles for the density bonusing system:

- All bonus density will fit with the land use concept in the City's *Official Community Plan* in order to ensure that the bonus density is appropriate in community planning terms and acceptable to residents.
- All opportunities for bonus density will be in addition to the density that can actually be achieved under current zoning: there will be no downzoning of properties to create more 'room' for bonus density.
- Where possible, the bonus density available will be achievable without changing the form of housing (e.g., townhouse projects are more dense, but are still townhouse projects).

2. Opportunities for Additional Density

The City has identified two opportunities for bonus density:

- a) **Areas of the City where current zoning matches OCP designations but where the maximum density in the zone is low or unachievable.** The maximum densities in some of the City's multi-family residential and mixed-use zones are lower than the densities being achieved in similar projects in other communities. The City can increase the maximum allowable densities in these zones in exchange for amenity contributions.

- b) **Areas of the City where the density allowed under current zoning is lower than the densities allowed in the *Official Community Plan (OCP)*.** At present, all applications for redevelopment to OCP densities are being handled via case-by-case negotiations for voluntary amenity contributions. The City could use density bonusing to process OCP redevelopments that only involve a change in density, not a change in use.

Within these broad categories, there are six general development opportunities that could accommodate additional residential floorspace under a density bonusing system:

- Townhouse development in Queensborough
- Townhouse development on the Mainland
- Low rise residential and mixed-use development in Queensborough
- Low rise residential and mixed-use development on the Mainland
- High rise residential and mixed-use development in Downtown
- High rise residential and mixed-use development on the Mainland outside of Downtown

3. Implementation Options

The *Local Government Act* grants municipalities the power to grant bonus density in exchange for community amenities, but does not specify the legal structure for implementation. As a result, municipalities throughout the Province vary in their approach to implementing density bonus zoning. Overall, there are 3 main options:

a) Site-Specific Rezoning

Many municipalities require applicants to rezone sites in order to obtain bonus density. Some, like the City of Burnaby, require that applicants rezone into a comprehensive development (CD) zone that closely matches a comparable existing zone and is in line with the Area Plan designation for the site. That applicant follows a standard rezoning application process. Other municipalities, like the City of Richmond and City of Surrey, require applicants seeking bonus density to rezone into pre-set zoning districts that include density bonusing provisions.

A site-specific approach is entirely voluntary, but includes a level of risk and uncertainty for the developer since the City retains full discretion when considering the rezoning application.

b) City-Led Rezoning

Another way of implementing a density bonusing system is for the municipality to change the zoning on eligible sites to include density bonusing provisions. The City of New Westminster already uses this approach: in some zones, bonus density is granted for site and building design objectives such as reduced site coverage and structured parking.

There is a high degree of certainty with this approach, however, it is not entirely voluntary since it changes existing development entitlements.

c) Rezoning and Voluntary Participation

Under this option, the City would retain all existing zoning, and layer new zoning schedules with bonus density provisions on those zones that are eligible for bonus density (see consultant's report for eligible zones).

This approach provides a high level of certainty to residents, landowners, and developers about the location and amount of bonus density, and eliminates the uncertainty involved in rezoning. It also ensures that each site retains its existing development entitlements while creating a density bonus opportunity.

The consultants recommend this approach for the City of New Westminster.

4. Calculating Density Value

Based on practices in other jurisdictions, there are two approaches to valuing bonus density: a fixed fee schedule or site specific valuation.

a) Fixed Fee Schedule

Some municipalities set a value for one or more types of bonus density and create a fee schedule to guide bonus density contributions. The City of Richmond and the City of Coquitlam use this approach within their density bonus zones.

Some prefer this approach because the contribution amount is clearly laid out and known in advance. However, it involves averaging so the value might be too high for some sites and too low for others. It also requires frequent updating of the bylaws to account for changing market conditions.

b) Site-Specific Valuation

The most accurate approach to valuing bonus density is on a site-specific basis. This helps to account for the most recent available market information at the time of the application and can take into account site-specific considerations (e.g., waterfront development, views, brownfield redevelopment). This approach is practiced in the City of Burnaby, and the City of Surrey recently adopted this approach for valuing bonus density in Surrey City Centre and Guildford Town Centre.

This approach requires more work than a fixed fee schedule, but does ensure the density is valued as close to real market value as possible.

5. Amenity Contribution Value

Municipalities throughout the region differ in the amount they expect a developer to pay for bonus density. Some, like the City of Burnaby, expect the developer to pay 100% of the value of the density, while others, like the City of Surrey, expect the developer to pay 25% of the value of the bonus density. If the City chooses the *Rezoning and Voluntary Participation* approach to implementation, it is recommended the City of New Westminster expect 100% of the value of the bonus density. This implementation approach removes the risk of a rezoning from the development approvals process, therefore, the developer should be able to purchase the bonus density at full market value.

Under the proposed system, it is estimated the City will receive approximately **\$45 million (present value) over the next 20 years in density bonusing contributions.**

6. Amenity Priorities

a) Amenity Type

The *Local Government Act* does not define amenity, but provincial guidelines suggest an amenity is something that “enhances the desirability of a property such as a view, access to the water, underground parking, child care space or an environmentally sensitive area.”¹ From this, staff and the consultants created a list of general amenity categories that should be considered for funding from density bonusing and surveyed participants at the community consultation sessions to determine community preference for allocation of amenity contribution funding.

¹ Government of British Columbia, Density Bonusing Provisions of the Municipal Act: A Guide and Model Bylaw (1997).

From that overall list, we looked at other possible funding sources for the different types of amenities. Because there are a variety of regulatory and financial tools available, it is recommended that amenities with the least amount of available funding be considered as priorities for funding through density bonusing.

Based on all factors that were considered during the amenity prioritization process, it is recommended that funding from density bonusing be focused on:

- Affordable housing
- Childcare
- Civic lands and buildings
- Parks and open space
- Public art
- Specific types of transportation infrastructure

b) Location of Amenities

Generally speaking, there are two main types of amenities necessary within a municipality: those that serve the more immediate neighbourhood (such as pocket parks and child care facilities) and those that serve the entire community (such as community centres and larger city-serving parks). Given the need for both, it is recommended that the City take a balanced approach when determining the location of amenities funded through density bonusing: 50% should go towards larger City-serving amenities, and 50% should go towards amenities that will serve areas absorbing growth.

This approach was strongly supported by both industry and the community.

Staff recommend that further work be done to determine more strategic allocation of the density bonus funding, but that Council support, in principle, the above list of eligible amenities and balanced allocation approach.

7. Community Feedback

Since October 2007, the City has held 4 community consultation sessions and 2 development industry consultation sessions on the density bonusing initiative. **Overall, both groups have indicated strong support for the proposed density bonusing system.**

Amongst some community members, concern has been raised regarding building heights in the High Rise and Mixed-use zones. The two geographic areas noted by the community are the Downtown and the Sixth Street corridor of Uptown.

As Council is aware, staff are currently working on a new Plan for the Downtown. One of the important components of the Plan is to recommend appropriate heights for new buildings based on sound planning and urban design principles, and community consultation. Staff recommend that the Downtown Plan be completed prior to implementing density bonus zones for High Rise and Mixed-use zones in the Downtown.

Moreover, staff recommend that new public policy work be undertaken for the Sixth Street corridor at this time. Given the sensitivities in the community regarding the height of buildings along Sixth Street, staff also recommend that more detailed planning and urban design work around appropriate heights be completed prior to implementing density bonus zones for High Rise and Mixed-use zones along the Sixth Street corridor. This work will include looking at on-the-ground examples, throughout the region, of the densities and housing forms the City will be considering through density bonus zoning in these areas.

8. Summary of the Recommended System

Staff recommend that Council approve a phased approach to implementing the Density Bonus System. Staff recommend implementing Phase 1 at this time, and Phase 2 once further technical work is complete.

Phase 1 – Implement Now

- a) Increase allowable or achievable densities in all eligible Townhouse, Stacked Townhouse and Low Rise residential zones, as identified in Table 3 of the Coriolis report.
- b) Use the layered zoning (*Prezoning and Voluntary Participation*) approach to implementation. This will allow developers the option of developing under existing zoning or using the new density bonus option.
- c) Use the *Site-Specific Valuation* approach to determine the value of bonus density, expecting 100% of the value of the bonus density as the contribution.
- d) Allow cash-in-lieu in all bonus density zones.
- e) Adopt priorities for amenities to be created using density bonus funds.

Phase 2 – Further Technical Work Required Prior to Implementation

- a) Increase allowable or achievable densities in all eligible High Rise residential and Mixed-use zones, as identified in Table 3 of the Coriolis report.
- b) Use the layered zoning (*Prezoning and Voluntary Participation*) approach to implementation. This will allow developers the option of developing under existing zoning or using the new density bonusing option.
- c) Use the *Site-Specific Valuation* approach to determine the value of bonus density, expecting 100% of the value of the bonus density as the contribution.
- d) Allow cash-in-lieu in all bonus density zones.
- e) Adopt priorities for amenities to be created using density bonusing funds.

9. Next Steps

If Council approves the recommended system, as outlined above, next steps will be as follows:

- a) Staff and the City's lawyers will:
 - draft new zoning schedules for the eligible Townhouse, Stacked Townhouse and Low Rise residential zones, as indicated in the Coriolis report
 - notify stakeholders (e.g., landowners, BC Assessment)
 - host a community meeting walking the community through the proposed bylaws
 - implement bylaws
- b) Staff will continue to work on, and bring forward procedural recommendations on:
 - Collecting revenues
 - Establishing reserve accounts to accumulate funds
 - Initiating amenity construction projects
 - Ensuring that bonus density granted becomes part of that property's permanent development entitlement in the event of destruction or redevelopment
- c) Staff will continue with their work on developing appropriate height limits in the Downtown High Rise and Mixed-Use zones, and will expand this work to include determining appropriate heights for the High Rise and Mixed-Use zones along the Sixth Street corridor. Once this work has been approved by Council, staff will bring forward recommendations for implementing Phase 2 of the Density Bonusing System.

SUSTAINABILITY IMPLICATIONS

Although amenities are key to the economic, social, and environmental well-being of a community, municipalities have limited financial means of acquiring them. Density bonusing is a way to secure amenities from new development without burdening the existing community with the financial provision of those amenities.

OPTIONS

There are 2 options presented for Council consideration:

Option 1 – Approval of Phase 1 and Further Research Prior to Implementation of Phase 2

- Approve the proposed 2-Phase Density Bonusing System as presented in the staff report;
- Implement Phase 1: proceed with technical and legal work for Townhouse, Stacked Townhouse and Low-rise residential apartment zones;
- Direct staff to complete the Downtown Community Plan and recommend appropriate building heights in the Downtown prior to considering implementation of Phase 2 of the Density Bonusing System;
- Direct staff to research and recommend appropriate building heights for the Sixth Street corridor prior to considering implementation of Phase 2 of the Density Bonusing System; and
- Approve Next Steps as outlined in the staff report.

Option 2 - Provide staff with other direction.

Staff recommend Option 1.

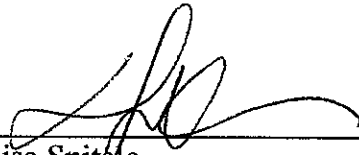
CONCLUSION

As part of the City's Financing Growth review, and under Council direction, staff have been working on creating a Density Bonusing System for the City. In June 2008, staff brought forward a general density bonusing proposal, which Council approved and directed staff to continue to undertake further technical work and consultation before bringing forward a formal density bonus zoning proposal. That work is now complete. This report summarizes the work involved during the density bonusing review, and

recommends a Density Bonusing System for the City, outlining next steps for executing implementation.



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Approved for Presentation to Council



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