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Corporation of the City of
NEW WESTMINSTER

REPORT
Development Services

To:	Mayor Coté and Members of Council in Open Council Workshop	**Date**:	12/9/2019
From:	Emilie K Adin, MCIP Director of Development Services	**File**:	01.0110.20.13
		Item #:	466/2019

Subject: **Draft Inclusionary Housing Policy**

RECOMMENDATION

THAT *Council endorse the Inclusionary Housing Policy.*

EXECUTIVE SUMMARY

The Inclusionary Housing Policy has been developed to guide rezoning processes for strata and mixed-use residential development. This policy is one several being developed that address the need for additional affordable rental housing in New Westminster. The Inclusionary Housing policy aims to increase the supply of new units to meet New Westminster's rental housing needs for very low income households (under $30,000/year) and low to moderate income households ($30,000 to $75,000/year). These new inclusionary units are intended to supplement the existing stock of affordable market and non-market rental units.

Approximately 350 people participated in the various consultation opportunities on the Inclusionary Housing Policy, which included: workshops with housing advocates and non-profit housing providers, rental building owners and LandlordBC, and the development community; a public open house; and, a Housing Policy Survey (online and paper).

The consultation process, along with previous work to develop the Inclusionary Housing Policy including a gap analysis, case study research, and economic analysis, provided important feedback in answering key questions which informed the proposed provisions of the policy.

PURPOSE

The purpose of this report is twofold: (1) to provide Council with an update regarding the consultation program in support of the Inclusionary Housing Policy; and, (2) to provide Council with the Inclusionary Housing Policy for consideration of endorsement.

BACKGROUND

Policy and Regulations

The City has a number of existing policies and regulations which support affordable housing in New Westminster, summarized in Attachment 1.

Local Government Act

BC municipalities do not have specific authority within the *Local Government Act* (*LGA*) to enact policies that require affordable housing as a condition of rezoning. Instead, the LGA allows the granting of bonus density in exchange for the voluntary provision of amenities, such as affordable housing, to offset the impacts of development. The term "inclusionary housing" is used here (vs. the somewhat common "inclusionary zoning") to reflect that difference.

Previous Council Direction

On January 8, 2018, Council endorsed a work plan and consultation process in support the development of a Rental Replacement Policy and Inclusionary Housing Policy and approved an amount of $40,000 from the Affordable Housing Amenity Provision Capital Reserve Fund to cover the cost of a Land Economics Analysis to support this work.

On Aug 27, 2018 Council endorsed the proposed next steps and timeline in support of development of a City of New Westminster Rental Replacement Policy and Inclusionary Housing Policy.

On December 10, 2018 Council endorsed the Draft Inclusionary Housing Policy as the basis for initiating consultation with the public and directed staff to apply the draft policy to applications under Pre-Application and/or initial Formal Application Review.

On January 14, 2019 Council endorsed the Proposed Rental Housing Revitalization Initiative, which includes the Draft Rental Replacement Policy and Rental Housing Revitalization Program.

Inclusionary Housing Policy – Scope of Work and Approach

The work to develop the Inclusionary Housing Policy focused on two inter-related elements: (1) the financial viability of securing below-market and/or non-market rental units through private development; and, (2) suitable occupancy management arrangements for the successful long-term operation of the below-market and non-market rental units secured through the policy. The work undertaken to develop the policy included: determining guiding principles; a gap analysis that included a review of renter demographics, rental demand and rents; case study research which surveyed other Metro Vancouver municipalities with similar policies; and, a financial analysis to determine viability.

CONSULTATION SUMMARY

A consultation program on the Draft Inclusionary Housing Policy, Draft Rental Replacement Policy and Rental Housing Revitalization Program was conducted from February 2019 to May 2019. This report will focus on the consultation findings for the Draft Inclusionary Housing Policy. A separate report on the consultation findings for the proposed Rental Housing Revitalization Initiative, which includes the Draft Rental Replacement Policy, will be presented to Council at a future date.

Approximately 350 people participated in the various consultation opportunities, which included: stakeholder workshops with housing advocates and non-profit housing providers, rental building owners and LandlordBC, and the development community; a public open house; and, a Housing Policy Survey (online and paper). Throughout the consultation program, staff also participated in several one-on-one meetings with residents, rental building owners, and developers, as requested.

Stakeholder Workshops

Rental Housing Advocates and Non-Profit Housing Providers

The February 5, 2019 workshop was attended by 14 people including: representatives from the New Westminster Tenants Union; BC Acorn Society; local non-profit housing providers, including faith based organizations; and tenants who live in New Westminster. Participants were in support of the Inclusionary Housing Policy noting that the required percentage of affordable units should be higher when feasible. Regarding the determination of rents for the non-market and below market units, it was felt that rents should be tied to income level and not to the average monthly rent in the City.

Urban Development Institute (UDI) New Westminster Liaison Committee

Two workshops were held with UDI, the first one on February 26, 2019 on the housing policies under development and the second one, at the request of UDI, on April 24, 2019 on the Inclusionary Housing Policy. The UDI also submitted a letter summarizing their

comments on the Inclusionary Housing Policy, along with a financial analysis of the impact of the policy on RM-6 development sites, to the Director of Development Services on May 17, 2019 (Attachment 2). A similar letter was received by Wesgroup on May 30, 2019 (Attachment 3). The City requested comments from Coriolis Consulting Corp. on these submissions, which is included as Attachment 4.

Participants acknowledged the importance of providing affordable housing but noted that market conditions have changed since the financial analysis for the policy, further impacting the viability of the provision of non-market / below-market units. The need for more incentives to improve the economic viability of including below-market and non-market units in new development was highlighted, as was concern about the requirement for non-profit ownership of these units. UDI proposed a series of additional incentives to offset the additional costs of providing inclusionary units, summarized in their May 17, 2019 submission.

Rental Building Owners and LandlordBC

The March 5, 2019 workshop was attended by 27 people including: rental building owners (the largest group), property managers, and LandlordBC. Support for the Inclusionary Housing Policy was mixed, with general agreement that further incentives would help to make projects developing under this policy more viable. Suggestions included reduced parking requirements and reduced density bonus / voluntary amenity contribution payments. Concern was also expressed about the requirement for separate ownership and management of the affordable units secured through the policy. These included cost implications as well as logistic and social implications related to separate amenity spaces, entrances and management entities. Participants also noted the importance of a cash-in-lieu provision, particularly for smaller projects.

Public Open House

The March 12, 2019 public open house was an opportunity for participants to ask questions of staff about the housing policies under development and to provide comments through the Housing Policy Survey. The event was attended by approximately 20 people. Feedback collected through the surveys submitted at the public open house is included in the next section.

Housing Policy Survey

A Housing Policy Survey was posted on the City website from March 21, 2019 to May 13, 2019, and hard copies were available at all the consultation events, at City Hall, and at Century House. In total, 258 people provided feedback through the survey. A summary of the responses is included in Attachment 5.

There were a number of key themes that emerged through the various consultation opportunities related to policy scope, policy application, ownership of the below-market and non-market units, and the need for additional incentives. The consultation process provided important feedback in answering key questions which informed the Proposed Provisions of the Inclusionary Housing Policy, included as Attachment 6.

PROPOSED PROVISIONS OF THE INCLUSIONARY HOUSING POLICY

The Inclusionary Housing Policy is intended to provide guidance to property owners on the City's expectation for the delivery, ownership and management of affordable rental housing required as a condition of rezoning. The Policy is Attachment 7 of this report.

A summary of the provisions is included in the table below and in Schedule A to Attachment 7.

Policy Scope
The policy applies to strata residential and mixed-use residential development applications city-wide, with the exemptions laid out below. **Exemptions:** • Wood frame development (time limited exemption until December 31, 2022); • Properties with high existing entitlements and limited density increase (i.e. sites zoned RM-6A and designated Residential Mid-Rise in the Official Community Plan; and, sites zoned RM-6B regardless of designation) • Projects developed under the City of New Westminster Secure Market Rental Policy • Projects developed which provide only townhouse units; and, • Projects developed with not more than five residential units and residential density not exceeding 1.2 FSR.

Policy Application

There are three applicable options for strata and mixed-use rezoning applicants:

Option 1 – *Applications requesting OCP amendment and/or exceeding Density Bonus Policy*

- Provision of a minimum of 20% of total units or floor area as built affordable units;
- Number of units and rental rates subject to discussions with Council and senior government, and consideration of other amenities;
- Units sold to a non-profit or BC Housing at below-market value.

Option 2 – *Applications within OCP / Density Bonus Limits*

- Provision of a minimum of 5% of total units as built non-market units;
- Rents at shelter rate or rent geared to income (to a maximum of $29,999 in 2020), as determined by non-profit or BC Housing;
- Units provided at no cost to a non-profit or BC Housing.

Option 3 – *Applications within OCP / Density Bonus Limits*

- Provision of a minimum of 10% of total units as built below-market units*;
- Rents at 10% below the currently reported Canada Mortgage and Housing Corporate (CMHC) rental market median rent, all years, for New Westminster;
- Units may be owned by developer with occupancy management by a non-profit or BC Housing, or sold to a non-profit or BC Housing at below-market value.

** 5% for properties with high existing entitlements (i.e. sites zoned RM 6A, C-3, C-3A and designated Residential High-Rise in the OCP; and, Sapperton Green)*

Incentives

Option 1

- Additional density above OCP/density bonus maximum subject to land use and livability.

Option 1 and Option 2

- Potential City DCC Waivers and/or GVS&DD + TransLink DCC Waivers.

All Options:

- 75% reduction in Density Bonus/VAC payments (time limited – subject to annual review);
- Density exemption from FSR for affordable units;
- The Secured Rental Residential Units minimum parking space provisions of the Zoning Bylaw apply for below / non-market rental units. The City may consider further reducing parking requirements for below / non-market rental housing to a minimum of *:
  - 0.2 spaces per dwelling unit for sites within 400m of a SkyTrain Station;
  - 0.5 spaces per dwelling unit for sites within 400m of the Frequent Transit Network;
  - 0.75 spaces per dwelling unit elsewhere.

  * *Subject to a technical assessment, prepared by a qualified transportation professional, that adequately demonstrates parking space demand for the below/non-market rental units, and that is accepted by the City, with commitment by the applicant to Transportation Demand Management measures.*
- Prioritized Application Review.

Unit mix and size guidelines

- Unit mix reflects the requirements of the New Westminster Family-Friendly Housing Policy for rental units and unit sizes based on BC Housing Design Guidelines 2018.

Cash-in-lieu

- A cash contribution will be considered in the following circumstances:
  - if the applicant can demonstrate to the City's satisfaction that a suitable partnership with a non-profit housing society for ownership or management of the built units is not possible; and/or,
  - projects that in calculating as per Option 3 would result in four or fewer below-market units.

Combining required below and/or non-market units
• Where applicants propose development projects on two or more sites, the City will consider allowing the required below and/or non-market units to be combined on one site, subject to staff review to ensure that the principle of creating inclusive communities is met.

Flexibilities
• Where applicants can demonstrate unique development circumstances and financial hardship such that development viability is compromised, the City will consider negotiating for different outcomes. Financial analysis undertaken to support a case for hardship would be required. Flexibilities are solely at the City's discretion.

Selection of non-profit housing providers
• For projects that proceed through Options 2 and 3, the City will supply applicants with a shortlist of qualified non-profit housing societies and foundations that have expressed interest in partnering on affordable housing projects in the City. • For projects that proceed through Option 1, the non-profit housing partner will be determined in discussions between the City and BC Housing.

Legal Requirements
• As a condition of approval, applicants / partners will be required to enter into a Housing Agreement pursuant to Section 483 of the Local Government Act and other legal mechanisms deemed necessary with the City of New Westminster

OTHER IMPLEMENTATION CONSIDERATIONS

On December 10, 2018 Council directed staff to report back on three implementation considerations for the Inclusionary Housing Policy.

Selection of Non-Profit Housing Providers

On September 9, 2019, Council endorsed a selection process for non-profit housing providers of below-market and non-market housing units realized through the development approvals process in new multi-unit residential strata buildings and new and/or redeveloping purpose-built market rental buildings (such as through Inclusionary Housing and Rental Replacement Policies under development). The selection process was developed in order to assist the City and applicants determine the population(s) to be served based on community need and locational considerations. The selection process endorsed by Council is included as Attachment 8.

Design of and Access to Buildings and Building Amenities

Issues of separate or shared entrances, common or shared amenities, scattered units or clustered units can arise in implementing inclusionary housing policies. Concerns about shared and separate areas were raised by various stakeholders during the housing policy consultation, particularly regarding the financial, logistical, and social implications that can arise in projects with market and non-market rental and/or ownership components. On September 9, 2019, Council endorsed a work plan for the development of a shared and separate common areas policy, included as Attachment 9. Once the policy is finalized and endorsed by Council, it will be inform applications that proceed under the Inclusionary Housing Policy.

City Ownership of Units Secured Through the Inclusionary Housing Policy

Given the legal, financial and administrative obligations that come with owning strata units and/or airspace parcels, including end of building life issues, staff is not recommending City ownership at this time.

INTERDEPARTMENTAL LIAISON

Staff from Transportation Planning have reviewed the proposed parking provisions included in the Inclusionary Housing Policy.

FINANCIAL IMPLICATIONS

The Inclusionary Housing Policy will result in reduced revenue from the Density Bonus and/or Voluntary Amenity Contribution programs, as a waiver of a portion of these contributions is an incentive included in the policy. Currently, a 75% waiver is included, to reflect challenging real estate market conditions. This will be monitored with a reduction to a 30% waiver once market conditions improve. The 30% waiver represents the portion typically allocated to the City's Affordable Housing Reserve, whereas the time-limited 75% waiver proposed in this report represents a reduction in cash contributions towards non-housing community amenities.

OPTIONS

There are two options for Council's consideration:

1. That Council endorse the Inclusionary Housing Policy.

2. That Council provide staff with other direction.

Staff recommends Options 1.

ATTACHMENTS

Attachment 1: Policy and Regulations
Attachment 2: UDI Submission dated May 17, 2019
Attachment 3: Wesgroup Submission dated May 30, 2019
Attachment 4: Comments from Coriolis Consulting Corp. dated May 31, 2019
Attachment 5: Housing Policy Survey Summary
Attachment 6: Proposed Provisions of the Inclusionary Housing Policy - Key Questions
Attachment 7: Inclusionary Housing Policy
Attachment 8: Selection Process for Non-Profit Housing Providers Report to Council dated September 9, 2019
Attachment 9: Shared and Separate Community Areas Report to Council dated September 9, 2019

This report has been prepared by:
Claudia Freire, Housing and Social Planner

This report was reviewed by:
Jackie Teed, Senior Manager of Development Services

Approved for Presentation to Council

Emilie K Adin, MCIP
Director of Development Services

Lisa Spitale
Chief Administrative Officer

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Attachment 1

Policy and Regulations

POLICY AND REGULATIONS

Official Community Plan (OCP)

The *Official Community Plan* (2017) includes the following goal:

> *New Westminster's neighbourhoods are great places to live and have diverse housing choices that meet the needs of the community.*

Affordable Housing Strategy (AHS)

The Affordable Housing Strategy (2010) contains the following two goals:

1. *To preserve and enhance New Westminster's stock of safe, appropriate and affordable rental housing.*

2. *To improve the choice of housing for New Westminster's low and moderate income residents and households with unique needs.*

Specifically, the AHS identified a strategic direction related to inclusionary housing policies:

> *Strategic Direction #1: Provide a clear policy and vision for affordable housing. Action 4 - Explore the feasibility of requiring affordable housing in new housing developments as a condition of rezoning.*

Secured Market Rental Housing Policy (SMRP)

The Secured Market Rental Housing Policy (2013) contains strategies and actions aimed at retaining, renewing and enhancing the supply of secured market rental housing. It outlines incentives to be used to encourage secured market rental housing, including exemptions from Voluntary Amenity Contribution and bonus density contributions.

Family-Friendly Housing Policy

The Family-Friendly Housing Policy, and Zoning Amendment Bylaw (Family-Friendly Housing) No. 7741, 2015, adopted by Council on January 1, 2016, stipulates that all developments which have ten or more residential units must comply with the following:

- multi-unit residential ownership (condo) projects include a minimum of 30% two- and three-bedroom units, and that at least 10% of the total project units be three-bedrooms or more
- multi-family rental projects include a minimum of 25% two- and three-bedroom units, and that at least 5% of the total project units be three-bedrooms or more

Tenant Relocation Policy

The Tenant Relocation Policy (2015) applies to rezoning applications and Heritage Revitalization Agreements which involve the demolition of 6 or more purpose-built market rental housing units and offers additional compensation, as well as assistance, to tenants beyond what is provided for under the *Residential Tenancy Act.*

Business Regulations and Licensing (Rental Units) Amendment Bylaw

On February 4, 2019 Council passed an amendment to the *Business Regulations and Licensing (Rental Units) Bylaw No. 6926, 2004* that added new regulations pertaining to evictions related to building renovations to discourage landlords from evicting tenants for building renovations without making arrangements for the tenant to continue their tenancy during and after the renovations.

On June 24, 2019, following an Opportunity to Be Heard, Council will consider for adoption *Business Regulations and Licensing (Rental Units) Amendment Bylaw No. 8130, 2019* intended to improve clarity and the practical application of the regulations for more effective enforcement of the bylaw.

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Attachment 2

UDI Submission dated May 17, 2019

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#1100 – 1050 West Pender Street
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www.udi.bc.ca

May 17, 2019

Emilie Adin
Director, Development Services
City of New Westminster
511 Royal Avenue
New Westminster, BC V3L 1H9

Dear Ms. Adin:

Re: City of New Westminster Draft Inclusionary Housing Strategy

The Urban Development Institute (UDI) recognizes the importance of providing affordable housing to New Westminster Council, your community and the region. Our members want to ensure that the Inclusionary Housing Strategy provides the affordable units desired by the City while not deterring new projects, which will provide that affordable housing - as well as units for other households along the housing continuum.

As discussed at our April 24 meeting, the market has changed since Coriolis conducted its analysis for the City last year. Because of lower sales and prices, many high-rise sites are not viable now – before the Inclusionary Housing Strategy is in place. It will be critical that additional financial burdens not be imposed because of the new policy. This is especially important at a time when other policies and cost increases are undermining affordability such as:

- An array of Federal restrictions over the past several years on mortgage lending, such as the B-20 Guideline issued by the Office of the Superintendent of Financial Institutions last year, which have significantly eroded the purchasing power of many young families;
- Provincial taxes, such as the Additional School Tax and the Luxury Property Transfer Tax, which unfortunately apply to development lands for new housing projects – including new purpose-built rental buildings;
- Metro Vancouver Sewerage Development Cost Charges (DCCs) have increased by over 200%;
- There is a new TransLink DCC coming into effect at the beginning of next year;
- Potentially new DCCs for regional water services coming in the future; and
- Higher building costs related to the implementation of the BC Energy Step Code and Electric Vehicle Charging.

At the April meeting, staff requested information on proposals to offset the additional costs of providing affordable rental units within their projects. We canvassed our members, and respectfully provide the following list of key levers that the City should consider as it implements the Inclusionary Housing Strategy. It is important to note that the city consider consolidating

these levers as implementing each one on its own will not be enough to make projects viable, nor will a diluted combination of the recommendations below. The financial implications of the inclusionary housing strategy are significant, and consequently, the offsets need to be similarly substantial.

- **Density –** We understand that staff will be recommending consideration of full exemption of the non-market/below-market housing floor area, which UDI completely supports. In addition to this, we ask that the city consider additional density bonuses. Density is the most significant approach that municipalities can offer our members. We understand that the Official Community Plan (OCP) does not prescribe density, as the focus is on building form. UDI recommends to further increase the allowable bonus density by an additional 50% of base density.

- **Parking –** There are also opportunities to offer parking reductions beyond what is being proposed. UDI recommends that parking standards should be further relaxed for below and non -market housing rental units to reflect a 1 for 2 parking/unit requirement for these inclusionary units – which results in a 30% reduction from the current by-law. We further recommend that the parking requirements for the other units (market rental and strata) also be reduced to 1 for 1 parking to unit requirement - especially near the Frequent Transit Network or SkyTrain stations. UDI also suggests that there be clarity regarding the parking reductions as they will only be "*considered*" under Options 2 and 3. The rules should be clearly stated in policy. We note that Metro Vancouver recently released a 2018 Regional Parking Study that provided extensive information about parking supply exceeding utilization across the Region. For strata apartments, supply was 42% higher than utilization, and for rental apartments, it was 35% higher.

- **Voluntary Community Amenity Contribution (VAC)/Density Bonusing Exemptions –** UDI supports the proposal in the draft Strategy to treat the affordable housing units as community amenities. Other municipalities do not charge CACs in lieu of affordable housing units. Under the draft Strategy, the City is proposing a 30% reduction in density bonusing for all three options. We recommend that there be at least a 75% reduction in density bonus and VAC costs. We note that the City increased density costs substantially because of the rising market however, the market has since declined substantially in the past year and as such, the density bonuses should at a minimum be reduced to previous levels to accurately reflect the current economy. Similar reductions should be considered for those projects that pay VACs. We recognize that, should New Westminster increase the VAC and density bonusing exemptions as we propose and the market improves, the City may wish to reassess those exemptions. We ask that if this occurs, the industry receive appropriate notice, consultation and grandfathering.

- **Ownership of the Units –** At our meetings, there were extensive discussions regarding the financial advantages of builders retaining ownership of the affordable units. Beyond the revenue advantages, builders can use these units to expand their portfolios, which can assist them in obtaining financing for future projects. We believe there may be future

opportunities for builders to retain ownership and utilize non-profits to manage the affordable units – which would ensure that the unit are operated in the manner New Westminster wishes. UDI recommends that the language in the Inclusionary Housing Strategy not preclude this approach.

- **Selling Price of the Units –** The current draft of the Strategy places a cap on the price the affordable housing units must be sold to non-profits or the City. Some non-profits may be willing, because of additional resources or senior government funding, to pay more for the affordable units than price in the Strategy. UDI recommends that there be no cap placed on the price of units sold to non-profits. Instead, the values of the units established in the Strategy should be linked to what the City will pay for the units if non-profits are not interested in purchasing the affordable units of a project.

- **Expedited Process –** As discussed at the April 24 meeting, the expedited processing for Options 2 and 3 could be potentially problematic. UDI has found in the past that faster processing times do not consistently occur when local governments offer this. Firstly, if the number of the applicants seeking the expedited process is higher than expected, it is very difficult for municipal staff to improve processing times for them. Secondly, when other local governments offer this as an incentive, UDI has found that there are additional reviews by staff of projects, which can slow the process. Finally, we note in the draft Strategy, there appear to be many potential negotiations that could occur between proponents and the City under Options 2 and 3. As noted above, some of the parking reductions will be considered – as will the exclusion of grade level commercial spaces from FSR on mixed-use sites. There is the "*potential*" of eligibility for exemptions from regional Development Cost Charges. The added density for Option 3 would have to be negotiated – "*Additional Density above OCP maximum subject to land use and livability constraints*." Negotiations take time and slow processing times. We recommend further clarity regarding what is being presented for Options 2 and 3 if expedited processing times are offered. We also suggest that the City consider removing steps from the review process for Option 2 and 3 projects. This will ensure that expectations for improved processing are met.

- **Flexibility with Cash in lieu and Combining Affordable Housing Units –** As noted in the recent Metro Vancouver Phase 2 of the *Transit-Oriented Affordable Housing Study* by Coriolis, non-profits prefer to own and manage stand-alone tenure and single ownership buildings. Management becomes difficult if the affordable units are scattered across many projects. We therefore recommend that the Inclusionary Housing Strategy include flexible language that would not discourage the cash in lieu option – especially for smaller projects. We also suggest that the language be flexible enough to allow builders to combine the required affordable units amongst their projects, so single-tenure stand-alone buildings can be developed. Agreements between builders may also be possible, so we suggest that the language in the Strategy allow for this approach as well.

We have also included an analytical report from Matt Nugent at Macdonald Commercial who specializes in development site sales. Matt has been very active in New Westminster and is

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currently representing 75 property owners in the City. The following report was produced with the collaboration of UDI members and simulates the impact of different policy considerations on RM-6 development sites. The conclusions in this report formed the basis for our recommendations on parking relaxations, density cost reductions and increases to existing bonus density.

If you have any questions regarding our recommendations, please do not hesitate to contact us. UDI and its members would be pleased to meet further with your team to discuss them. We look forward to working with you on this and other planning and housing initiatives.

Yours sincerely,



Anne McMullin
President & CEO

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Macdonald
COMMERCIAL

City of New Westminster
511 Royal Avenue
New Westminster BC
V3L 1H9

May 17th, 2019

To: Emilie Adin – Director of Development Services

RE: Impact of Proposed Inclusionary Housing Policy on RM-6 Development Sites and Proposal Recommendations

The following tables, analysis and comments have been conducted in response to the City of New Westminster's recently proposed Inclusionary Housing Policy. A review of the proposed policy reveals that the bulk of affordable housing to be provided through this policy is to be facilitated through the development of high-rise concrete development sites.

Unfortunately, Metro Vancouver has seen a drastic decline in the feasibility of concrete development sites over the past 18 months. Construction costs have continued to escalate while sales absorption and prices have declined, and the odds of a significant market recovery in the next three years are unlikely.

In the current economic climate, concrete development sites are not viable. Numerous listed concrete development sites remain available with little or no interest from the development community, and several high-rise development projects with approvals have been sidelined and shelved because the state of the market. If the City of New Westminster hopes to increase its supply of affordable housing in a meaningful way by the end of 2022, a concerted policy effort will be required to allow for concrete development sites to be viable in the current economic climate.

The proposed inclusionary housing policy on a whole reduces the viability of concrete development sites by millions of dollars. While the policy allows for some provisions to reduce costs to compensate for the inclusionary housing, these provisions do not do enough to make concrete development sites viable while also meeting current VAC, density bonus, municipal planning and new inclusionary housing policy obligations. Until policy can significantly improve the viability of concrete development sites, these types of developments will not proceed, and the inclusionary housing that the City of New Westminster desperately needs will not be provided.

The enclosed case study examines a hypothetical redevelopment of a one-acre RM-6 high-rise development site in Downtown New Westminster. The analysis uses current market data to test if the site is viable. The test for viability is if the project will generate a 15% return on cost. This is the minimum threshold necessary to attain adequate financing to move forward with a project.

Our analysis initially reviews the feasibility of an RM-6 site in Q3 of 2018 ***(Table 1)***, before the proposed policy was circulated and again now as of March 31st, 2019 ***(Table 2)***. These two analyses demonstrate that the Inclusionary Housing Policy, combined with a softening market and an increase in construction costs, has reduced the profit of a one-acre RM6 high-rise development by $10,500,000. This produces a return on cost of 5%, which does not meet the minimum 15% threshold for financing, making the site undevelopable in today's market.

One-acre RM-6 Proforma For New Westminster Prior to Inclusionary Housing Policy (Variables Est Q3 2018)				
Site Area			43,560	sqft
Base Density	2.00	FSR	87,120	sqft
Bonus Density	2.00	FSR	87,120	sqft
Total Market Density	4.00	FSR	174,240	sqft
Saleable Market Density	87%	Efficiency	151,589	sqft
Gross Buildable	4.00	FSR	174,240	sqft
Gross Revenue (GR)	$ 875	per sqft	$ 132,640,200	
Sales and Marketing	4.50%	of GR	$ 5,968,809	
Net Revenue			$ 126,671,391	
Hard Costs	$ 350	per sqft	$ 60,984,000	
Soft Costs	$ 120	per sqft	$ 20,908,800	
Density Costs	$ 50	per sqft	$ 4,356,000	
Land Costs	$ 135	per sqft	$ 23,522,400	
Total Costs			$ 109,771,200	
Profit			***$ 16,900,191***	
Return on Costs			***15%***	

Table 1

To deliver inclusionary housing units, this $10,500,000 shortfall needs to be resolved. Municipalities often suggest in these cases that property owners will simply need to accept a lower price. In this case, the City of New Westminster would be asking property owners to reduce their price expectations by 45% or $10.5 million on a one-acre site. Most property owners will not give this any consideration. Since development sites with Inclusionary Housing contributions are not viable in the current market, and most landowners are not willing to sell their development sites at a 45% discount, it is unlikely as a result that a significant amount of inclusionary housing units will be built by the development community.

Impact of Inclusionary Housing on 1 acre RM-6 Site Under Proposed Inclusionary Housing Policy (Variables Estimated Q1 2019)				
Site Area			43,560	sqft
Base Density	2.00	FSR	87,120	sqft
Bonus Density	2.00	FSR	87,120	sqft
Total Market Density	4.00	FSR	174,240	sqft
Saleable Market Density	87%	Efficiency	151,589	sqft
Unit Count	555	sqft avg	273	units
Parking Requirments	1.2	stall per unit	328	stalls
Below Market Rental	0.2	FSR	8,712	sqft
Rentable Below Market Re	87%	Efficiency	7,579	sqft
Unit Count	540	sqft avg	14	units
Parking Requirments	1.20	stall per unit	17	stalls
Total Required Parking	$50,000	per stall	345	stalls
Gross Buildable	4.00	FSR	182,952	sqft
Market Condo Revenue				
Gross Revenue	$ 850	per sqft	$ 128,850,480	
Sales and Marketing	4.50%		$ 5,798,272	
Net Revenue			$ 123,052,208	
Below Market Revenue				
Avg Monthly Gross Rents	$1.71	per sqft	$12,961	
Avg Annual Rents			$155,530.11	
Operating Expenses	38%		$59,101	
Structural and Vacancy	3%		$4,666	
NOI			$91,763	
Cap Value	5.00%		$1,835,255	
Loan to Value	65%		$1,192,916	
Total Revenue			***$124,245,124***	
Hard Costs	$ 380	per sqft	$ 66,211,200	
Soft Costs	$ 120	per sqft	$ 20,908,800	
Non Market HC	$ 360	per sqft	$ 3,136,320	
Non Market SC	$ 120	per sqft	$ 1,045,440	
Density Costs	$ 50	per sqft	$ 4,356,000	
Discount on Density	30%		-$ 1,306,800	
Land Costs	$ 135	per sqft	$ 23,522,400	
Total Costs			$ 117,873,360	
Profit			***$6,371,764.33***	
Return on Costs			***5%***	

Table 2

Our next three analysis perform simple tests on reduced parking, increased density and increased discounts on bonus density value. We modify the parking requirements, density and density cost value in attempts to reach a 15% return on cost. While all three analysis demonstrate an improvement on viability, no single proposal achieves the goal of returning concrete development sites to a viable opportunity.

Our first analysis tests the impact of reduced parking requirements on an RM-6 development site. Under existing policy, we've assumed that 1.2 parking stalls are required for each dwelling unit. Our analysis suggests that a one-acre RM-6 site built to a 4.2 FSR (4.0 FSR for market condominiums and 0.2 FSR excluded density for inclusionary housing) would yield 287 units and require 345 parking stalls ***(Table 2).***

The City of New Westminster is at an exciting crossroads when it comes to transportation alternatives. It could be argued that almost every development site in the City is accessible to SkyTrain stations, bus routes, bike routes and dedicated pedestrian corridors. Advancing technology is making access to car share, bike share, peer-to-peer ridesharing and automated vehicles very viable and practical options for residents. So much so, in an increasing phenomenon across the City and Metro Vancouver it can be clearly observed that significant portions of parkades are going completely unutilized. The average underground parking stall is estimated to cost $50,000 and reducing parking requirements to better match actual utility can have a very meaningful impact on the viability of a development site.

In the following analysis ***(Table 3)***, we propose reducing the parking requirements for market units from 1.2 stalls per unit to 1 stall per unit. For the inclusionary housing portion of the project we've proposed a reduction of 1.2 stalls per unit to 0.5 stalls per unit. The net effect of these reductions reduced the total number of parking stalls from 345 parking stalls to 287 parking stalls. At a cost of $50,000 per stall, this 64-stall reduction reduces the development costs of the site by $3.2 million and improves the return on cost to 8%. While acknowledging that this still doesn't allow the site to be viable at 15%, it makes a significant dent in the cost recovery required to move a site forward and ultimately provide the City with inclusionary housing units.

Impact of Reduced Parking Policy on Inclusionary Housing Policy and RM-6 Development Sites				
Site Area			43,560	sqft
Base Density	2.00	FSR	87,120	sqft
Bonus Density	2.00	FSR	87,120	sqft
Total Market Density	4.00	FSR	174,240	sqft
Saleable Market Density	87%	Efficiency	151,589	sqft
Unit Count	555	sqft avg	273	units
Parking Requirments	1	to 1	273	stalls
Below Market Rental	0.2	FSR	8,712	sqft
Rentable Below Market Rental	87%	Efficiency	7,579	sqft
Unit Count	540	sqft avg	14	units
Parking Requirments	0.50	to 1	7	stalls
Total Required Parking	$50,000	per stall	280	stalls
Gross Buildable	4.00	FSR	182,952	sqft
Market Condo Revenue				
Gross Revenue	$ 850	per sqft	$ 128,850,480	
Sales and Marketing	4.50%		$ 5,798,272	
Net Revenue			$ 123,052,208	
Below Market Revenue				
Avg Monthly Gross Rents	$1.71	per sqft	$12,961	
Avg Annual Rents			$155,530.11	
Operating Expenses	38%		$59,101	
Structural and Vacancy	3%		$4,666	
NOI			$91,763	
Cap Value	5.00%		$1,835,255	
Loan to Value	65%		$1,192,916	
Total Revenue			***$124,245,124***	
Hard Costs	$ 380	per sqft	$ 66,211,200	
Soft Costs	$ 120	per sqft	$ 20,908,800	
Non Market HC	$ 360	per sqft	$ 3,136,320	
Non Market SC	$ 120	per sqft	$ 1,045,440	
Density Costs	$ 50	per sqft	$ 4,356,000	
Discount on Density	30%		-$ 1,306,800	
Reduced Parking Costs	64	stalls	-$ 3,222,590	
Land Costs	$ 135	per sqft	$ 23,522,400	
Total Costs			$ 114,650,770	
Profit			***$9,594,354.06***	
Return on Costs			***8%***	

Table 3

Our next analysis ***(Table 4)*** experiments with density and assuming a base FSR of 2.0, suggests that a bonus density of effectively 5.65 FSR would be required to allow for an RM-6 development site to once again become viable. The gross density of the site would need to approach 8.05 FSR (7.65 FSR for market units with 0.4 FSR for inclusionary housing units). While this is a significant increase in density, it should also be noted that this will double the amount of inclusionary housing units provided in the project (5% of a 4.0 FSR vs 8.0 FSR).

Impact of Increasing Bonusing Density of RM-6 Site Under Proposed Inclusionary Housing Policy (Variables Estimated Q1 2019)				
Site Area			43,560	sqft
Base Density	2.00	FSR	87,120	sqft
Bonus Density	5.65	FSR	246,267	sqft
Total Market Density	7.65	FSR	333,387	sqft
Saleable Market Density	87%	Efficiency	290,046	sqft
Below Market Rental	0.4	FSR	16,669	sqft
Rentable Below Market Rental	87%	Efficiency	14,502	sqft
Gross Buildable	8.04	FSR	350,056	sqft
Market Condo Revenue				
Gross Revenue	$ 850	per sqft	$ 246,539,517	
Sales and Marketing	4.50%		$ 11,094,278	
Net Revenue			$ 235,445,238	
Below Market Revenue				
Avg Monthly Gross Rents	$1.71	per sqft	$24,799	
Avg Annual Rents			$297,587.70	
Operating Expenses	38%		$113,083	
Structural and Vacancy	3%		$8,928	
NOI			$175,577	
Cap Value	5.00%		$3,511,535	
Loan to Value	65%		$2,282,498	
Total Revenue			***$237,727,736***	
Hard Costs	$ 380	per sqft	$ 126,686,973	
Soft Costs	$ 120	per sqft	$ 40,006,412	
Non Market HC	$ 360	per sqft	$ 6,000,962	
Non Market SC	$ 120	per sqft	$ 2,000,321	
Density Costs	$ 50	per sqft	$ 12,313,339	
Discount on Density	30%		-$ 3,694,002	
Land Costs	$ 135	per sqft	$ 23,522,400	
Total Costs			$ 206,836,405	
Profit			***$30,891,331.43***	
Return on Costs			***15%***	

Table 4

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Our third analysis ***(Table 5)*** tests the outcome if the density of an RM-6 site were to remain at 4.0 FSR but the density costs were reduced to $0. Even with no charges for increasing density, the site would only generate an 8% return on cost, once again an improvement but still not feasible. It should be noted that the concept of eliminating density costs in exchange for inclusionary housing is not a foreign concept and is being implemented in other municipalities through Metro Vancouver.

Impact of Reducing Density Costs for an RM-6 Site Under Proposed Inclusionary Housing Policy (Variables Estimated Q1 2019)				
Site Area			43,560	sqft
Base Density	2.00	FSR	87,120	sqft
Bonus Density	2.00	FSR	87,120	sqft
Total Market Density	4.00	FSR	174,240	sqft
Saleable Market Density	87%	Efficiency	151,589	sqft
Below Market Rental	0.2	FSR	8,712	sqft
Rentable Below Market Rental	87%	Efficiency	7,579	sqft
Gross Buildable	4.20	FSR	182,952	sqft
Market Condo Revenue				
Gross Revenue	$ 850	per sqft	$ 128,850,480	
Sales and Marketing	4.50%		$ 5,798,272	
Net Revenue			$ 123,052,208	
Below Market Revenue				
Avg Monthly Gross Rents	$1.71	per sqft	$12,961	
Avg Annual Rents			$155,530.11	
Operating Expenses	38%		$59,101	
Structural and Vacancy	3%		$4,666	
NOI			$91,763	
Cap Value	5.00%		$1,835,255	
Loan to Value	65%		$1,192,916	
Total Revenue			***$124,245,124***	
Hard Costs	$ 380	per sqft	$ 66,211,200	
Soft Costs	$ 120	per sqft	$ 20,908,800	
Non Market HC	$ 360	per sqft	$ 3,136,320	
Non Market SC	$ 120	per sqft	$ 1,045,440	
Density Costs	$ 50	per sqft	$ 4,356,000	
Discount on Density	100%		-$ 4,356,000	
Land Costs	$ 135	per sqft	$ 23,522,400	
Total Costs			$ 114,824,160	
Profit			***$9,420,964.33***	
Return on Costs			***8%***	

Table 5

Our final analysis ***(Table 6)*** looks at the what a hybrid approach could accomplish. Under this analysis, we've proposed the following:

- Parking Reduction:
  - Market Condominium use reduced from 1.2 stalls per unit to 1 stall per unit
  - Inclusionary Housing use reduced from 1.2 stalls per unit to 0.5 stalls per unit

- Increase Bonus Density from 2.0 FSR to 3.0 FSR

- Decrease Density Cost by 75%

The combination of these three specific policies once again returns a one-acre RM-6 development site to viable opportunity. Under this scenario it would be feasible for a developer to move forward with a site and the City would provide 18 inclusionary housing units as a result. It should also be noted that the gross density of the site would increase to 5.25 FSR (5 FSR for market condominium and 0.25 FSR for inclusionary housing) which we believe will be much more palatable increase in density.

Hybrid Policy Proposal on an RM-6 Site Under Proposed Inclusionary Housing Policy (Variables Estimated Q1 2019)				
Site Area			43,560	sqft
Base Density	2.00	FSR	87,120	sqft
Bonus Density	3.00	FSR	130,680	sqft
Total Market Density	5.00	FSR	217,800	sqft
Saleable Market Density	87%	Efficiency	189,486	sqft
Unit Count	555	sqft avg	341	units
Parking Reduction	0.2	to 1	68	stalls
Below Market Rental	0.25	FSR	10,890	sqft
Rentable Below Market Rental	87%	Efficiency	9,474	sqft
Unit Count	540	sqft avg	18	units
Parking Reduction	0.70	to 1	12	stalls
Total Reduced Parking	$50,000	per stall	81	stalls
Gross Buildable	5.25	FSR	228,690	sqft
Market Condo Revenue				
Gross Revenue	$ 850	per sqft	$ 161,063,100	
Sales and Marketing	4.50%		$ 7,247,840	
Net Revenue			$ 153,815,261	
Below Market Revenue				
Avg Monthly Gross Rents	$1.71	per sqft	$16,201	
Avg Annual Rents			$194,413	
Operating Expenses	38%		$73,877	
Structural and Vacancy	3%		$5,832	
NOI			$114,703	
Cap Value	5.00%		$2,294,069	
Loan to Value	65%		$1,491,145	
Total Revenue			***$155,306,405***	
Hard Costs	$ 380	per sqft	$ 82,764,000	
Soft Costs	$ 120	per sqft	$ 26,136,000	
Non Market HC	$ 360	per sqft	$ 3,920,400	
Non Market SC	$ 120	per sqft	$ 1,306,800	
Density Costs	$ 50	per sqft	$ 6,534,000	
Discount on Density	75%		-$ 4,900,500	
Reduced Parking Costs	81	stalls	-$ 4,028,237	
Land Costs	$ 135	per sqft	$ 23,522,400	
Total Costs			$ 135,254,863	
Profit			***$20,051,542.58***	
Return on Costs			***15%***	

Table 6

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This analysis is meant to illustrate the magnitude of how challenging high-rise development sites have become in the City, especially considering the proposed inclusionary housing policy. We have focused on reduced parking, increased density and density cost discounts for simplicity however, there are several policy tweaks and incentives that can all be combined to contribute to improving the viability of high-rise development sites, and ultimately inclusionary housing in the City of New Westminster. It needs to be emphasized however, that for there to be meaningful creation of inclusionary housing units in the City by the end of 2022, the final policy needs to provide incentives that accounts for the millions of dollars required to allow for the development and creation of these units.

Sincerest Regards,

Matt Nugent
Associate Vice President
Macdonald Commercial
Personal Real Estate Corporation

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Corporation of the City of
NEW WESTMINSTER

Attachment 3

Wesgroup Submission dated May 30, 2019

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WESGROUP

May 30, 2019

Emilie Adin
Director, Development Services
Development Services, Planning
City of New Westminster
511 Royal Avenue
New Westminster, BC V3L 1H9

VIA EMAIL and REGULAR MAIL

Dear Ms. Adin:

Re: City of New Westminster Draft Inclusionary Housing Policy

Thank you very much for inviting Wesgroup, as a member of UDI, to discuss the City of New Westminster's Draft *Inclusionary Housing Policy* with City staff on April 24, 2019. We appreciate the opportunity to learn about City objectives for the proposed policy as well as the opportunity to engage in meaningful dialogue about the policy's merits and implementation challenges.

Wesgroup is committed to providing a variety of housing options to the citizens of New Westminster, and this is exemplified by our Brewery District master-planned community where we are developing a mix of secured market rental housing and for sale strata housing with first class shared amenities. We understand the City's desire to provide more inclusionary housing to its citizens and believe that the *Inclusionary Housing Policy* is well intended. However, we do feel that the requirements of the current draft policy, when combined with CAC obligations and density restrictions, make developing financially viable projects almost impossible.

At our April 24th meeting, we discussed how the housing market has shifted dramatically since Coriolis provided a feasibility analysis relating to this policy in 2018: sales pricing and absorption rates have decreased significantly while construction pricing remains at an all time high. These market forces remain consistent and have rendered many concrete high-rise development sites financially infeasible. This is evident in numerous high-rise development sites being listed but not sold and other projects in planning stages being put on hold.

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Additional regulatory requirements have exacerbated high density development project viability, including:

- The implementation of BC energy step code and electric vehicle charging requirements which increase both consultant and construction costs;
- The new Translink DCC;
- Proposed DCCs for regional water services;
- Metro Vancouver Sewerage DCCs increasing by 200+%;
- The Additional School Tax and Luxury Property Tax which apply to development land, and;
- Increased federal regulations on mortgage lending which have reduced the purchasing power of the public.

We appreciate you and your staff's candour regarding challenges presented by current market dynamics and how the *Inclusionary Housing Policy* needs to be cognizant of these realities in order to be implemented. During our meeting, you requested that UDI provide suggestions for municipal incentives that could assist in more developers embracing this policy. We would like to reiterate our incentive recommendations for the *Inclusionary Housing Policy*:

- Increasing project density is the most effective way to make for *Inclusionary Housing Policy* projects viable in today's market. While the City of New Westminster Official Community Plan does not prescribe density, the City should be open to considering significant density increases to offset the cost of the inclusionary homes.

- Reduce community amenity contributions/density bonus payments for projects meeting the *Inclusionary Housing Policy* requirements. We understand Council's and the community's commitment to inclusionary housing as a primary need for the community, and the supply of inclusionary housing should be credited as a true community amenity supplied by the project developer.

- Reduce parking requirements for all homes within a development project rather than just the inclusionary housing homes. Metro Vancouver recently released a 2018 Regional Parking Study that provided extensive information about parking supply exceeding utilization across the Region. For strata apartments, supply was 42% higher than utilization, and for rental apartments, it was 35% higher. Considering this, we recommend a reduction of parking requirements to one stall per unit for all for sale units and one stall per every two inclusionary housing units.

- Provide expedited approvals for projects with inclusionary housing. Some fast-track approvals programs in other municipalities have failed because they were over-analyzed in an effort to justify the "expedited" treatment they receive. This needs to be closely measured to provide real benefit. Expedited approvals can save developers considerable money and it is becoming a requirement of some CHMC funding options.

- Ensure that the inclusionary housing policy options, inducements, and terms are clearly defined and easily implemented. Sometimes new policy can conflict with existing policy and/or be left open to interpretation.

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- Removing the selling price cap on the inclusionary housing units. The current draft policy puts a cap on the price at which the inclusionary units can be sold to a non-profit organization or the City of New Westminster. Considering the changing nature of provincial and federal funding options, it would be prudent to allow the market to determine what a non- profit organization is willing to pay for the inclusionary units. By keeping this requirement flexible, the City will encourage developers to seek out innovative financing and funding sources to improve project viability. That is a win-win for the City because it helps ensure the delivery of the project's inclusionary housing units, while also paving the way for future projects to deliver more inclusionary homes.

- Permitting developers to retain ownership of the inclusionary housing units would allow developers to strengthen their balance sheets to ensure financing for future projects. As discussed, it should be possible for developers to retain ownership of and manage the inclusionary housing units. The notion that non-profit organizations are the only groups that can appropriately manage inclusionary housing units is unfair and will negatively impact the financial viability of sites – putting developments at risk of not being built. We ask that the policy's wording is adjusted to allow this.

Thank you again for providing Wesgroup the opportunity to provide feedback on this important policy. Please feel free to contact us with any questions or concerns regarding our recommendations, and we look forward to working with the City proactively on this matter in the future.

Sincerely,



Fabian Leitner
Director of Development
Wesgroup

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Corporation of the City of
NEW WESTMINSTER

Attachment 4

Comments from Coriolis Consulting Corp.
dated May 31, 2019

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MEMORANDUM

coriolis CONSULTING CORP.

DATE: 31 May 2019

TO: Claudia Freire, City of New Westminster

FROM: Blair Erb, Coriolis Consulting Corp.

RE: **Comments from UDI on Draft Inclusionary Housing Policy**

1.0 Introduction

The City asked us to comment on the 17 May 2019 submission from UDI about New Westminster's draft Inclusionary Housing Policy. As requested, we completed the following tasks:

1. Reviewed the financial analysis submitted by UDI. Our understanding is that this analysis is the basis for many of the suggestions that UDI provides in its letter. Please note that we did not complete any additional independent financial analysis. We limited our review to the analysis contained in the UDI letter.
2. Commented on the recommendations provided UDI. UDI provided a variety of recommended changes to the policy. We focused on the UDI recommendations that are related to the financial viability of providing affordable units, including:
    - Increased bonus density.
    - Reduced Voluntary Amenity Contribution (VAC) rate.
    - Reduced parking requirements (and therefore reduced construction cost).
    - Ownership of the affordable units.
    - Selling price of affordable rental units to a non-profit operator.

2.0 Review of Financial Analysis Submitted by UDI

2.1.1 Assumptions and Approach

The financial analysis we completed as input to the draft Inclusionary Housing Policy was based on market conditions as of Q2 2018. UDI submitted financial analysis that is based on current market conditions. We generally agree with key assumptions used in the UDI financial analysis (i.e. revenues and costs) and think they are reflective of current (Q2 2019) market conditions.

However, it is important to note that the approach to the UDI financial analysis combines the impact of two different items:

1. The impact of the draft Inclusionary Housing Policy requirements. This should be the focus of the analysis.
2. The impact of changes in market conditions between Q2 2018 and Q2 2019. This impact is not related to the draft Policy requirements. It is due to fluctuations in market conditions which is a separate issue.

Because there was a decline in strata unit sales prices and an increase in construction costs over the past year, the change in market conditions negatively affects the performance of new strata projects (in the absence of the draft Inclusionary Housing Policy requirements) and reduces the market value of development sites. However, the UDI analysis assumes that developers would still need to pay the same amount for land in 2019 as they would have paid in 2018 (even though the market has declined). This assumption would likely

mean that projects are not financially viable whether or not the draft Inclusionary Housing Policy was introduced. We think that any analysis of the impact of the draft Inclusionary Housing Policy should factor in the decline in land acquisition costs that would result from the decline in market values. Therefore, we used UDI's assumptions for 2019 project revenues and project costs to estimate the land value supported by new strata development (in the absence of any inclusionary housing requirement) under current market conditions.

If UDI's sales revenue and cost assumptions are accurate, the land value supported by strata development has declined by about 35% over the past year. Therefore, we adjusted the UDI analysis to reflect a drop in land acquisition costs of about 35% as implied by UDI's assumed change in project revenues and project costs. We kept all of the other UDI financial assumptions constant.

2.1.2 Findings

Based on our review, we agree with the UDI recommendation that additional incentives are currently required to make it financially viable for new strata projects to include the share of affordable units required under the draft Policy (5% or 10% depending on the site). Additional incentives are needed because achievable strata sales prices have declined and project construction costs have increased since our original analysis was completed in Q2 2018. Two incentives that could be considered (as pointed out by UDI) are:

1. Increased bonus density.
2. Reduced VACs.

UDI concluded that the amount of permitted bonus density would need to be increased by about 50% and VACs would need to be reduced by 75% (from $50 to $12.50 per square foot) to make projects viable under the draft Inclusionary Housing Policy requirements. Our review indicates that this overstates the need for additional incentives to offset the impact of the draft Policy requirements.

Using UDI's financial assumptions (other than land acquisition), we estimate that strata projects would be viable under the draft Inclusionary Housing Policy if bonus density was increased by about 40% or the VAC rate was reduced by 75%. However, our review indicates that both incentives are not required. Alternatively a combination of the two could be considered (with reductions to each incentive).

If the City provided both of the incentives that UDI has recommended, it would effectively be off-setting the decline in land values over the past year or so in addition to off-setting the impact of the draft policy requirements.

3.0 Comments on Other UDI Recommendations

The UDI letter contains some other recommendations that are financial related:

1. UDI recommends reducing parking requirements. We agree that the City should examine the opportunity to reduce parking requirements, particularly for the affordable units. However, this was already factored into our 2018 analysis as the City instructed us to assume 0.75 parking stalls per affordable unit. Any decision to further reduce parking requirements should be based on a parking demand study.
2. UDI recommends allowing private ownership of the affordable rental units. We agree that this should be considered because our 2018 financial analysis indicated that a private ownership option would improve the financial ability of strata projects to provide affordable rental units.

3. UDI recommends that the sales price for affordable units to a non-profit operator should not be restricted to the mortgage amount supported by the affordable unit rents. We agree that there should not be a cap on the amount that a non-profit operator is permitted to pay the developer for the affordable units.

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Attachment 5

Housing Policy Survey Summary

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Attachment 5

Housing Policy Survey Summary

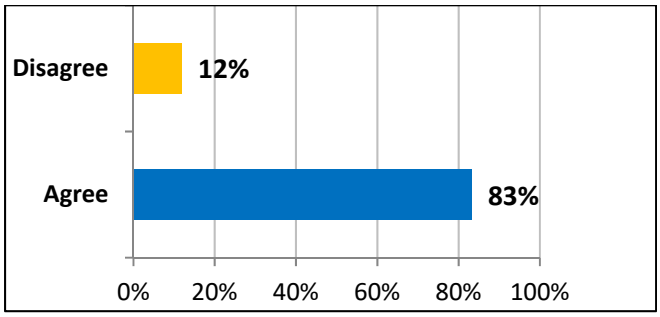
A Housing Policy Survey was posted on the City website from March 21, 2019 to May 13, 2019, and hard copies were available at all the consultation events, at City Hall, and at Century House. In total, 258 people provided feedback through the survey.

Demographic questions included as part of the survey revealed:

- The largest proportion of respondents were tenants (47.7%) or interested residents (45.6%), and a large proportion were landlords/property owners (27.6%)
- 7.5% of respondents were non-profit organizations and 3.4% developers/realtors
- Of the tenant respondents, 57.2% have lived at their current residence for five years or less and 18.6% for 10 years or more
- 204 of 258 respondents provided geographic information showing that 20.1% live in Brow of the Hill, 18.6% live downtown, and 17.6% live in Uptown.

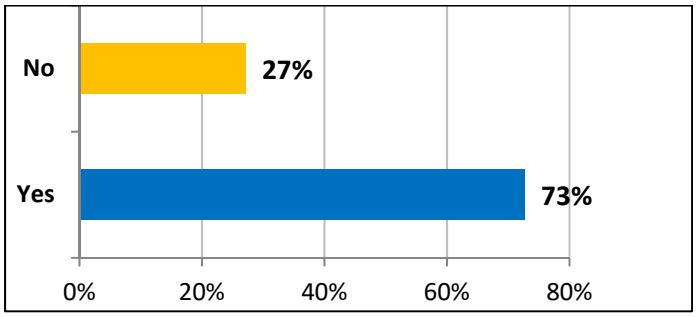
The following section summarizes feedback received for questions on, or related to, the Draft Inclusionary Housing Policy.

Question 1: Do you think that affordable housing is a significant issue in New West?



Everyone who filled out the survey responded to this question (258). The majority of respondent's agreed (83%) and of those, 64.7% strongly agreed.

Question 2: Do you support the City's Draft Inclusionary Housing Policy?



246 respondents answered this question and the majority responded yes (73%). The highest level of support was among tenants (87%), the next highest was among non-profit organizations (72%) and landlords/property owners were split between supporting (54%) and not supporting (46%).

Question 3: What do you like / dislike about the Draft Inclusionary Housing Policy?

114 respondents answered this question. Some respondents indicated that the policy does not go far enough and others that it goes too far. The following themes emerged as most common:

- The requirement for affordable units is too high, economically unviable, and will discourage development in New West
- Costs of providing the units will be passed on to landowners, developers, and taxpayers
- More incentives are needed to off-set the costs of providing the units
- Good policy, but the percentage of affordable unit should be higher
- Two-tiered definition of 'affordable units' is confusing and concern that below-market units are not very affordable.

Question 4: What, if anything, would you change to the Draft Inclusionary Housing Policy?

81 respondents answered this question, reflecting a wide variety of feedback. The following themes emerged as most common:

- Concern that it will stop development in the City
- Additional incentives needed (e.g. more density) to make the affordable units economically viable to build
- Policy language is difficult to understand
- Percentage of affordable units is too low
- Important to consider affordability needs of different demographics (e.g. seniors, single-parent families)
- Provincial and federal governments should be creating affordable housing (not developers or municipalities).

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NEW WESTMINSTER

Attachment 6

Proposed Provisions of the Inclusionary Housing Policy – Key Questions

Proposed Provisions of the Inclusionary Housing Policy

There were a number of key themes that emerged through the various consultation opportunities related to policy scope, policy application, ownership of the below-market and non-market units, and the need for additional incentives. The consultation process provided important feedback in answering the key questions which informed the proposed provisions of the Inclusionary Housing Policy.

Policy Scope

1. Should the Inclusionary Housing Policy apply to all new mid-rise and high-rise strata and mixed-use buildings in the City?

During the consultation, staff heard from various stakeholders that the changed market conditions since the 2018 financial analysis was undertaken will impact the viability of delivering the affordable units required by the Draft Inclusionary Housing Policy. Staff also heard that the policy should apply city-wide with exemptions for properties that have high existing entitlements (i.e. the current use has high value) and limited density increase potential.

The draft policy has been revised to apply to strata residential and mixed-use residential development applications city-wide, with exemptions, and excluding wood-frame strata until December 31, 2022.

A phased approach to implementing the policy would allow time for the market to adjust on smaller projects, which can be more financially sensitive and would also allow for a review of the effectiveness of the policy in the most viable scenarios. Also, exempting wood-frame strata aligns with the City's commitment to responding to the climate crisis and to preserving existing housing options that are more affordable.

Policy Application

2. Should the Inclusionary Housing Policy be more prescriptive and require less negotiating?

The draft policy is prescriptive for Options 2 and 3 (applications consistent with the Official Community Plan), which include provisions stipulating the minimum required percentage of below-market and non-market units. Option 1, which contemplates additional density above the Official Community Pan / Density Bonus Program, requires a negotiated approach to ensure that land use and livability are adequately addressed. During the consultation, staff heard from stakeholders, particularly the development community, that more clarity regarding the City's expectations and incentives offered for

Option 1 would be preferred. While there is a benefit to a more prescriptive policy, this needs to be tied to larger land use, height, design and skyline discussions as part of updates to the Downtown Community Plan and density bonus program.

The negotiated approach in Option 1 remains as is and will be reviewed when the density bonus program update is complete.

3. Should the required percentage of non-market units in Option 2 be reduced if the definition of non-market units is revised?

The required percentage of non-market units in Option 2 of the draft policy was set at 7.5% of total units in the development. During the consultation, some stakeholders felt that the definition of 'non-market units' was confusing as it required that 50% of the 7.5% of total units be at shelter rent and the other 50% of the 7.5% be at below-market rent. The definition has been revised (discussed later in this section) and as such, the required percentage of non-market units has been adjusted.

The draft policy has been revised to require that 5% of total units be non-market units in Option 2.

4. Should the amount that a non-profit operator pays a developer for the below-market units be restricted to the mortgage amount supported by the affordable units?

Option 3 of the draft policy included a provision that the sales price for the below-market units to a non-profit housing operator be restricted to the mortgage amount supported by the affordable units. The development community, through the submissions received from the Urban Development Institute (UDI) and Wesgroup, recommended that this provision be removed as some non-profits may have the capacity, because of additional resources or senior government funding, to pay more for the units. The rationale for including a cap on sales prices was to ensure that the selection of non-profit operators is as equitable as possible by limiting developers from seeking out partnerships with only those non-profits who can afford to pay more for the units. The City has endorsed a process for selecting non profit housing operators, which creates the desired equity in the selection process.

The draft policy has been revised *to remove the provision of capping the sales price for below-market units sold to non-profit housing providers in Option 3.*

5. When should the City accept cash-in-lieu of built affordable units?

The draft policy stipulated that the cash-in-lieu provision would only apply in circumstances where an applicant can demonstrate to the City's satisfaction that a

suitable partnership with a pre-qualified non-profit housing society for ownership of the built units is not possible. The rationale for this provision was the City's preference for the delivery of below-market / non-market rental units. During the consultation program, some stakeholders felt that the City should accept cash-in-lieu for small projects, pointing to operational and logistical challenges in managing a small number of below-market or non-market units.

The cash in lieu provision has been revised to accept cash-in-lieu if the number of inclusionary units for a project are found, when calculated under Option 3, to result in four or fewer affordable units.

6. Should developers be permitted to consolidate requirements for affordable units from two or more sites on one site?

The draft policy did not address this provision. Consolidation of affordable housing requirements provides for enhanced flexibility of delivering built below-market and non-market units and would allow a developer who has multiple properties in the City to provide all of the below-market or non-market units on one site. The City issued EOI for non-profit housing providers confirmed that several non-profit housing providers prefer a larger number of units.

The draft policy has been revised by adding a provision that allows for the consolidation of affordable housing requirements on one site, subject to staff review to ensure that the principle of creating inclusive communities is met.

Ownership of Below-Market and Non-Market Units

7. Should the units secured through the Inclusionary Housing Policy be owned and managed by a non-profit housing provider or owned by the developer with occupancy management by a non-profit?

The draft policy stipulated that below-market and non-market units be owned and managed by a non-profit housing provider. Non-profit housing providers are mission driven organizations with the objective of housing low income individuals and they have experience in areas such as tenant selection and income verification. During the consultation program, some stakeholders, primarily the development community, recommended removing this provision, noting that developer ownership of the below-market / non-market units improves the financial ability of strata projects to provide the affordable units, citing that this is particularly important given the changed market conditions since the financial analysis was completed. Also, there is an emerging sector of non-profit management companies interested in occupancy management functions (which typically includes tenancy management, income verification, waitlist

management, tenancy liaison etc.), and BC Housing has also indicated interest in providing this service.

The draft policy has been revised to allow developer ownership of the below-market units with occupancy management by a non-profit or BC Housing for Option 3.

Incentives

8. Should the Inclusionary Housing Policy enhance the incentives offered to improve the financial ability of projects delivering below-market and non-market units?

One of the key themes raised during the consultation program was the impact of current market conditions on the ability of projects to meet the requirements of the Inclusionary Housing Policy. Stakeholders pointed to the decline in sales prices and increase in construction costs since the financial analysis that informed the development of the draft policy was undertaken in 2018. Recommended incentives to improve the financial viability of providing below-market and non-market units focused on three areas: increased bonus density; reduced Density Bonus (DB) / Voluntary Amenity Contribution (VAC) payments; and, reduced parking requirements. The Urban Development Institute (UDI) specifically recommended that bonus density be increased by 50%; that DB/VAC payments be reduced by 75%; and, that parking requirements be reduced to one stall for every two affordable housing units and one stall for every one market housing units.

The draft policy has been revised as follows:

a) 75% reduction in Density Bonus / VAC payments for Options 1, 2 and 3, noting that the discount rate is time limited until the market improves, and would be reviewed annually

b) The Secured Rental Residential Units minimum parking space provisions of the Zoning Bylaw apply for below / non-market rental units. The City may consider reducing these minimum parking space requirements for below / non-market rental housing to a minimum of:

- *0.2 spaces per dwelling unit for sites within 400m of a SkyTrain Station*
- *0.5 spaces per dwelling unit for sites within 400m of the Frequent Transit Network*
- *0.75 spaces per dwelling unit elsewhere*

Subject to a technical assessment, prepared by a qualified transportation professional, that adequately demonstrates parking space demand for the below/non-market rental units, and that is accepted by the City, with commitment by the applicant to Transportation Demand Management measures.

City ownership of below-market / non-market units

9. Should the ownership of the non-market units secured through the Inclusionary Housing Policy be transferred to the City as stipulated in Option 2?

Option 2 of the Draft Inclusionary Housing Policy stipulated that turnkey units would be provided at no cost to a non-profit housing society or to the City. This is the only scenario where City ownership of the secured non-market units would be an option, and assumed that the City would lease to a non-profit housing provider to operate and manage the units. Given the legal, financial and administrative obligations that come with owning strata units and/or airspace parcels, including end of building life issues, staff is not recommending City ownership at this time.

The draft policy has been revised to remove the provision for City ownership of the non-market units in Option 2.

Definitions of below-market and non-market

10. Should the definition of non-market rent be revised?

During the consultation, some stakeholders felt that the definition of non-market units was confusing as it required that 50% of the 7.5% of total units be at shelter rent and the other 50% of the 7.5% be at below-market rent. There was also concern that, as defined, half of the non-market units would not be affordable to low-income households (i.e. earning under $30,000/year).

The draft policy has been revised to include the following definition of non-market housing:

Non-market rental units – Intended to serve very low-income households. All non-market units would rent at the shelter component of income assistance or rent geared to income (e.g. to a maximum of $29,999 in 2020), as determined by the non-profit or BC Housing, to meet client needs. Non-market units may be owned by developer with occupancy management by a non-profit or BC Housing, or provided at no cost to a non-profit or BC Housing.

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Attachment 7

Inclusionary Housing Policy

Inclusionary Housing Policy for Multi-unit Strata Residential and Mixed-Use Residential Developments (Applicable as conditions of rezoning)

The Inclusionary Housing Policy is grounded in the following principles:

a) New multi-unit strata residential and mixed-use residential development seeking additional density contributes to the affordable rental housing supply;
b) Below/non-market rental units serve a range of tenants corresponding to need in the City of New Westminster;
c) Occupancy management of below/non-market rental units ensures intended tenants are served;
d) Adaptable and family friendly housing policies apply;
e) Below/non-market rental units are secured for the long-term;
f) Applicants have clear information regarding municipal expectations;
g) Requirements for City staff time, resources and risk are minimized;
h) Density and built form respect the Official Community Plan (OCP) for Options 2 and 3, and are suitable for the surrounding neighbourhood for all Options; and,
i) Inclusive communities are created.

Context

Renters account for a significant portion of the City of New Westminster's population and are an important part of the City's social fabric. Generating an adequate supply of new rental housing that is affordable for very low and low income renters is a priority in New Westminster. The City's Inclusionary Housing Policy is focused on the provision of on-site built affordable rental units in multi-unit strata residential and mixed-use residential development applications seeking additional density. The Inclusionary Housing Policy is intended to provide guidance to property owners on the City's expectation for the delivery, ownership and management of affordable rental housing required as a condition of rezoning.

Purpose

The purpose of the Inclusionary Housing Policy is:

- To help meet the City's affordable rental housing needs by securing built below-market and non-market rental units in new multi-unit strata residential and mixed-use residential developments seeking additional density.
- To ensure that below-market and non-market rental units secured through this policy effectively serve intended tenants and household income levels through non-profit or BC Housing ownership or management.

- To target household income levels corresponding to rental housing demand in New Westminster, including:

    a. Below-market rental units intended to meet rental demand for households earning between $30,000 and $75,000 per year (in 2020).

    b. Non-market rental units intended to meet rental demand for very low-income households with incomes under $30,000 per year (in 2020).

- To provide incentives to help make provision of affordable housing viable.

Definitions

The policy targets a range of household income levels, which correspond to rental housing demand in New Westminster:

- **Below-market rental units** – To meet rental demand for low to moderate income households (e.g. earning between $30,000 and $75,000 per year in 2020). Average below-market rent would be set at time of application at 10% below the currently reported Canada Mortgage and Housing Corporate (CMHC) rental market median rent, all years, for New Westminster. Annual rent increases as permitted under the *Residential Tenancy Act*.

- **Non-market rental units** – Intended to serve very low income households. All non-market units would rent at the shelter component of income assistance or rent geared to income (e.g. to a maximum of $29,999 in 2020), as determined by the non-profit or BC Housing, to meet client needs.

Schedule B includes below and non-market rent amounts for 2020 and will be updated annually.

Policy Scope

Applies to strata residential and mixed-use residential development applications city-wide, with the exemptions laid out below.

The following are exempted from this policy:

- Wood-frame development (time-limited exemption until December 31, 2022);
- Properties with high existing entitlements and limited density increase (i.e. sites zoned RM-6A and designated Residential Mid-Rise in the Official Community Plan; and, sites zoned RM-6B regardless of designation);
- Projects developed under the City of New Westminster Secure Market Rental Policy;
- Projects developed which provide only townhouse units; and
- Projects developed with not more than five residential units and residential density not exceeding 1.2 FSR.

Scenarios not covered by the scope of this policy are still required to consider the inclusion of an affordable housing contribution; however this contribution would be negotiated on a case-by-case basis using the principles outlined in this policy.

If the number of inclusionary units for a project are found, when calculated as per Option 3, to result in four or fewer affordable units, cash-in-lieu contributions will be accepted by the City in lieu of inclusionary units. Cash-in-lieu contributions would be placed in the City's Affordable Housing Reserve Fund.

Policy Application

The Official Community Plan (OCP) outlines suitable building forms and the Density Bonus Program may specify anticipated densities. There are three applicable options for strata and mixed-use rezoning applicants. Option 1 would apply for applications requesting an OCP amendment and/or exceeding the Density Bonus Policy, and Options 2 and 3 would apply for applications within OCP / Density Bonus Limits.

Applicants may choose from the following options:

Option 1 – Applications requesting OCP amendment and/or exceeding Density Bonus Policy

- Provision of a minimum of 20% of total units or floor area as built affordable units;
- Number of units and rental rates subject to discussions with Council and senior government, and consideration of other amenities;
- Units sold to a non-profit or BC Housing at below-market value.

Option 2 – Applications within OCP / Density Bonus Limits

- Provision of a minimum of 5% of total units as built non-market units;
- Rents at shelter rate or rent geared to income (to a maximum income of $29,000 in 2020), as determined by non-profit or BC Housing;
- Units provided at no cost to a non-profit or BC Housing.

Option 3 – Applications within OCP / Density Bonus Limits

- Provision of a minimum of 10% of total units as built below-market units and 5% for properties with high existing entitlements (i.e. sites zoned RM 6A, C-3, C-3A and designated Residential High-Rise in the OCP; and, Sapperton Green);
- Rents at 10% below the currently reported Canada Mortgage and Housing Corporate (CMHC) rental market median rent, all years, for New Westminster;
- Units may be owned by developer with occupancy management by a non-profit or BC Housing, or sold to a non-profit or BC Housing at below-market value.

Incentives

Option 1

- Additional density above OCP / density bonus maximum subject to land use and livability.

Option 1 and Option 2

- Potential City DCC Waivers and/or GVS&DD + TransLink DCC Waivers.

All Options

- 75% reduction in Density Bonus/VAC payments (time limited – subject to annual review).
- Density exemption from FSR for affordable units.
- The Secured Rental Residential Units minimum parking space provisions of the Zoning Bylaw apply for below / non-market rental units. The City may consider further reducing parking requirements for below / non-market rental housing to a minimum of *:
  - 0.2 spaces per dwelling unit for sites within 400m of a SkyTrain Station;
  - 0.5 spaces per dwelling unit for sites within 400m of the Frequent Transit Network; and,
  - 0.75 spaces per dwelling unit elsewhere.

  ** Subject to a technical assessment, prepared by a qualified transportation professional, that adequately demonstrates parking space demand for the below/non-market rental units, and that is accepted by the City, with commitment by the applicant to Transportation Demand Management measures.*
- Prioritized Application Review.

A summary of Options 1, 2 and 3 is included in Schedule A.

Unit mix and size guidelines for below-market/non-market rental units

The unit mix reflects the requirements of the New Westminster Family-Friendly Housing Policy for rental units. Unit sizes are based on BC Housing Design Guidelines 2018. Below/ non-market rental units provided should be consistent with the unit sizes listed below. City to be flexible based on the population served.

Number of Bedrooms	Share of Units	Unit Size
Studios	75%	350 sq. ft.
1-Bedroom		525 sq. ft.
2-Bedroom	20%	725 sq. ft.
3-Bedroom	5%	925 sq. ft

Cash in lieu provision

Council priority is for delivery of built below/non-market rental units. A cash contribution will be considered in the following circumstances:

- if the applicant can demonstrate to the City's satisfaction that a suitable partnership with a non-profit housing society for ownership or management of the built units is not possible; and/or,
- projects that in calculating as per Option 3 would result in four or fewer below-market units.

The per unit cash contribution would be placed in the City's Affordable Housing Reserve Fund. The City's priority would be to utilize cash-in-lieu contributions to secure new non-market housing units, as determined by the City's Affordable Housing Reserve Fund policy.

Schedule B includes the cash-in-lieu amount per affordable housing unit for 2020 and will be updated annually.

Combining required below and/or non-market units

Where applicants propose development projects on two or more sites, the City will consider allowing the required below and/or non-market units to be combined on one site, subject to staff review to ensure that the principle of creating inclusive communities is met.

Flexibilities

Where applicants can demonstrate unique development circumstances and financial hardship such that development viability is compromised, the City will consider negotiating for different outcomes. Financial analysis undertaken to support a case for hardship would be required. Flexibilities are solely at the City's discretion.

Selection of non-profit housing providers

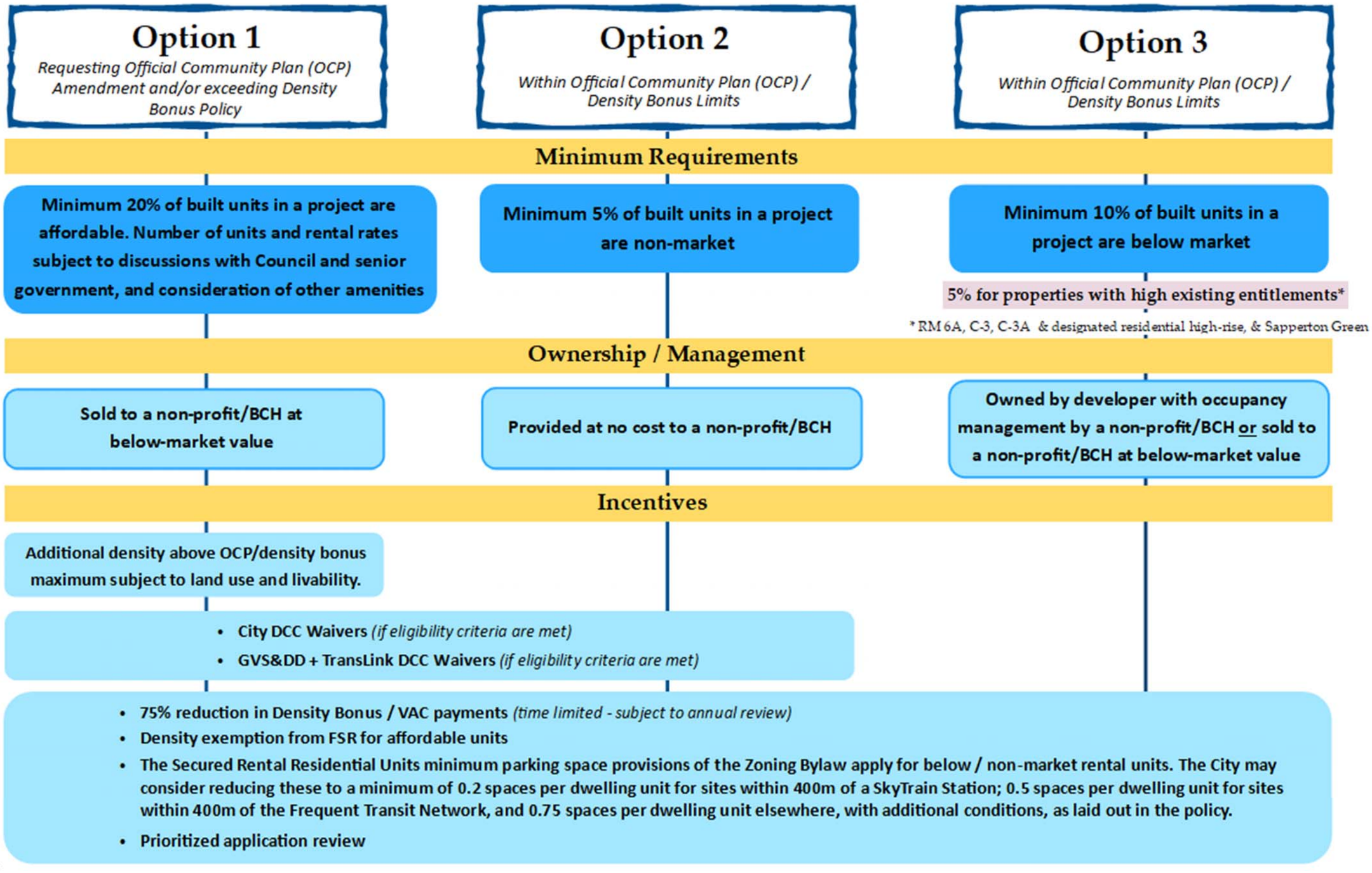
For projects that proceed through Options 2 and 3, the City will supply applicants with a shortlist of qualified non-profit housing societies and foundations that have expressed interest in partnering on affordable housing projects in the City. The shortlist will reflect population to be served based on community need and locational considerations, as outlined in the City of New Westminster *Selection Process for Non-Profit Housing Providers of Below and Non-Market Housing Units*. For projects that proceed through Option 1, the non-profit housing partner will be determined in discussions between the City and BC Housing.

Legal Requirements

As a condition of approval, applicants / partners will be required to enter into a Housing Agreement pursuant to Section 483 of the *Local Government Act* and other legal mechanisms deemed necessary with the City of New Westminster.

Schedule B includes information about legal requirements and will be updated annually.

Schedule A


Option 1
Requesting Official Community Plan (OCP) Amendment and/or exceeding Density Bonus Policy
Option 2
Within Official Community Plan (OCP) / Density Bonus Limits
Option 3
Within Official Community Plan (OCP) / Density Bonus Limits
Minimum Requirements
Minimum 20% of built units in a project are affordable. Number of units and rental rates subject to discussions with Council and senior government, and consideration of other amenities
Minimum 5% of built units in a project are non-market
Minimum 10% of built units in a project are below market
5% for properties with high existing entitlements*
*RM 6A, C-3, C-3A & designated residential high-rise, & Sapperton Green
Ownership / Management
Sold to a non-profit/BCH at below-market value
Provided at no cost to a non-profit/BCH
Owned by developer with occupancy management by a non-profit/BCH or sold to a non-profit/BCH at below-market value
Incentives
Additional density above OCP/density bonus maximum subject to land use and livability.
City DCC Waivers (if eligibility criteria are met)
GVS&DD + TransLink DCC Waivers (if eligibility criteria are met)
75% reduction in Density Bonus / VAC payments (time limited - subject to annual review)
Density exemption from FSR for affordable units
The Secured Rental Residential Units minimum parking space provisions of the Zoning Bylaw apply for below / non-market rental units. The City may consider reducing these to a minimum of 0.2 spaces per dwelling unit for sites within 400m of a SkyTrain Station; 0.5 spaces per dwelling unit for sites within 400m of the Frequent Transit Network, and 0.75 spaces per dwelling unit elsewhere, with additional conditions, as laid out in the policy.
Prioritized application review

Schedule B

The information included in Schedule B to be updated annually.

Rents

Below-market rental units – To meet rental demand for low to moderate income households (e.g. earning between $30,000 and $75,000 per year in 2020). Average below-market rent would be set at time of application at 10% below the currently reported Canada Mortgage and Housing Corporate (CMHC) rental market median rent, all years, for New Westminster. Annual rent increases as permitted under the *Residential Tenancy Act*.

The following are illustrative below-market rents as of December 2018.

Unit Type	Below-Market Monthly Rents
Studio	$777
1-Bedroom	$951
2-Bedroom	$1266
3-Bedroom	$1,529

Source: Based on CMHC Rental Market Report Fall 2018.

Non-market rental units – Intended to serve very low income households. All non-market units would rent at the shelter component of income assistance or rent geared to income (e.g. to a maximum of $29,999 in 2020), as determined by the non-profit or BC Housing, to meet client needs.

Cash-in-lieu Amount

The cash-in-lieu amount for 2020 is $210,000 per affordable housing unit.

Legal Requirements

As a condition of approval, applicants / partners will be required to enter into a Housing Agreement pursuant to Section 483 of the *Local Government Act* and other legal mechanisms deemed necessary with the City of New Westminster specifying:

a) Eligible tenants and tenant incomes for below/non-market rental units;
b) Starting rents for below/non-market rental units;
c) Transfer of built below/non-market rental units in air space parcel (preferred) or as strata lots to pre-qualified non-profit partner or BC Housing;
d) Below/non-market rental units secured as rental units for life of building or 60 years, whichever is greater;
e) Non-profit housing society or BC Housing ownership or management;

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f) That the applicant/non-profit housing partner will verify tenant eligibility for new below-market units;
g) That the applicant/non-profit housing partner will verify tenant eligibility for existing below-market tenants every five;
h) An annual report to be provided to the City of New Westminster on the operation of the below /non-market rental units;
i) No additional charges, such as parking or storage, permitted for below/non-market tenants;
j) Below/non-market tenants have access to all amenities at no charge; and
k) Other conditions as agreed.

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Attachment 8

Selection Process for Non-Profit Housing Providers - Report to Council dated September 9, 2019

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REPORT
Development Services

To:	Mayor Coté and Members of Council	**Date**:	9/9/2019
From:	Emilie K Adin, MCIP Director of Development Services	**File**:	13.0110.20.13
		Item #:	334/2019

Subject: **Proposed Selection Process for Non-Profit Housing Providers of Below - and Non-Market Housing Units achieved through the Development Approvals Process**

RECOMMENDATION

THAT *Council endorse the proposed selection process for non-profit housing providers of below- and non-market housing units achieved through the development approvals process as outlined in this report.*

EXECUTIVE SUMMARY

The City is in the process of developing an Inclusionary Housing Policy and a Rental Replacement Policy, which, when implemented, will result in the realization of below- and non-market housing units. These units could be owned and/or managed by non-profit housing providers. In order to determine the population(s) to be served and to identify and select non-profit housing providers of below- and non-market housing units achieved through the development approvals process, City staff is proposing the selection process as outlined in this report.

PURPOSE

The purpose of this report is to seek Council endorsement of the proposed selection process for non-profit housing providers of below- and non-market housing units achieved through the development approvals process.

POLICY AND REGULATIONS

Council Strategic Plan: 2019-2022

The *Council Strategic Plan; 2019-2022* (July 8, 2019) includes the following key direction:

- *Use partnerships, negotiations with developers, and leveraging of City resources to secure development of below- and non-market housing.*

Official Community Plan

The *Our City Official Community Plan* (2017) includes the following policy:

- *Facilitate access to affordable and non-market housing for low- to moderate-income households.*

Mayor's Task Force on Housing Affordability

The Mayor's Task Force on Housing Affordability, which was established in December 2014, makes recommendations to Council in support of the creation of new non-market housing for low- to moderate-income households, affordable rental housing and affordable home ownership. The Task Force includes the Mayor, two City Councilors, senior City staff and representatives from BC Housing.

Affordable Housing Strategy

The *Affordable Housing Strategy* (2010) includes the following two goals:

- *To preserve and enhance the city's stock of safe, affordable and appropriate rental housing.*

- *To improve the choice of housing for the city's low- and moderate-income residents and households with unique needs.*

BACKGROUND

Renters account for a significant portion of the city's population and are an important part of the city's social fabric. Generating an adequate supply of new rental housing that is affordable for low- to moderate-income residents is a priority in New Westminster. To this end, the City is developing an Inclusionary Housing Policy and a Rental Replacement Policy. The former seeks to leverage the development approvals process to gain inclusion of below- and/or non-market rental housing units. The latter applies in situations where purpose-built market rental buildings are redeveloping and ensures that the replacement housing comprises new rental and/or below or non-market rental units.

PROPOSED SELECTION PROCESS

The proposed selection process applies to non-profit housing providers of below- and non-market housing units achieved through the development approvals process in new multi-unit residential strata buildings and new and/or redeveloping purpose-built market rental buildings.

Proposed Steps

1. City staff will become familiar with the application and the proposed number and type(s) of below- and non-market housing units to be created, as well as their location within the proposed development. This information will be considered as part of the selection process.

2. City staff will determine the population(s) to be served by the below- and non-market housing units based on community need and locational considerations:

   Community Need:

   - BC Housing Registry Waitlist by Household Type
   - CMHC Rental Vacancy Rate by Bedroom Type
   - Metro Vancouver Housing Demand Estimates by Household Type and Income
   - Percentage of Persons by Household Type Spending 30% and 50% of Total Household Income on Housing Costs
   - Rate of Low-Income Measure After-Tax by Age and Demographic Group
   - Recipients of Income Assistance by Demographic Group
   - Regional Homeless Count Demographic Profile
   - Others, as identified from time to time

   Locational Considerations:

   - Policy Objectives in Official Community Plan and Neighbourhood Plans (e.g., Family-Friendly Precinct in the Downtown Plan)
   - Presence of Steep Slopes and other Natural or Physical Barriers
   - Proximity to Accessibility Infrastructure (e.g., Curb Letdowns, Sidewalks)
   - Proximity to Commercial, Retail and Service Establishments
   - Proximity to Child Care Facilities, Parks, Playgrounds and Schools
   - Proximity to Civic, Community, Health, Medical and Support Services
   - Proximity to Public Transit and Pedestrian and Cycling Infrastructure
   - Others, as identified from time to time

3. In October 2018, City staff prepared a call for expressions of interest from non-profit housing providers. This call was circulated to local non-profit housing providers and posted on BC Bid. In total, 17 non-profit housing providers submitted an expression of interest. Staff will review and update the expressions on a biennial basis.

   Based on the City's current list of non-profit housing providers, staff will determine their capacity to operate the number of below- and non-market housing units in question and their ability and interest in serving the population(s) in question. Based on this review, staff will create a short list of qualified non-profit housing providers.

4. City staff will seek Council's consideration and endorsement of the population(s) to be served. Provided information will include community need and locational considerations which were used to inform that choice.

5. City staff will meet with the applicant and provide information as to the population(s) to be served and the community need and locational considerations that were used to inform that choice, along with a list of short-listed non-profit housing providers. If the developer raises concerns about the population(s) to be served and/or the listing of non-profit housing providers, then these concerns will be shared with Council for its consideration and direction.

6. The applicant will select a non-profit housing partner from the short-listed providers and negotiate the terms of an agreement with that provider. Based on the terms, City staff will develop a Housing Agreement for Council's consideration and endorsement. If no agreement can be reached with the preferred short-listed provider, then the applicant will negotiate with other short-listed providers until an agreement is reached. Based on the terms, staff will develop a Housing Agreement for Council's consideration and endorsement. If there is still no agreement, then staff can commence a new selection process or, with the direction of Council, consider other actions, including developing a call for proposals for a non-profit housing provider, having the applicant select their own non-profit housing provider, or providing the option for the applicant to make a cash in lieu payment.

7. The selected non-profit housing provider will abide by the terms of the Housing Agreement for the respective development and provide an annual report to the City.

FINANCIAL IMPLICATIONS

There are no financial implications arising from the selection process for non-profit housing providers.

OPTIONS

There are two options for Council's consideration:

1. That Council endorse the proposed selection process for non-profit housing providers of below- and non-market housing units achieved through the development approvals process as outlined in this report.

2. That Council provide staff with other direction.

Staff recommends option 1.

This report has been prepared by
John Stark, Supervisor of Community Planning

Approved for Presentation to Council

Emilie K Adin, MCIP
Director of Development Services

Lisa Spitale
Chief Administrative Officer

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Corporation of the City of
NEW WESTMINSTER

Attachment 9

Shared and Separate Community Areas
Report to Council dated September 9, 2019

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Corporation of the City of
NEW WESTMINSTER

REPORT
Development Services

To:	Mayor Coté and Members of Council	**Date**:	9/9/2019
From:	Emilie K Adin, MCIP Director of Development Services	**File**:	13.2505.10
		Item #:	335/2019

Subject: **Shared and Separate Community Areas: Policy Work Plan and Proposed Interim Guidelines**

RECOMMENDATION

THAT *Council endorse the work plan as outlined in this report for the development of a shared and separate common areas policy.*

THAT *Council endorse that the interim guidelines as outlined in this report be utilized in situations where separated common areas in mixed-tenure projects are proposed prior to the adoption of a shared and separate common areas policy*

EXECUTIVE SUMMARY

The City is currently processing several mixed-tenure development applications that incorporate market and non-market ownership and/or rental components, and that have proposed separate of entrances and amenities. It is staff's understanding that the separation of common areas is typically proposed to minimize the practical challenges and operating costs associated with the management and maintenance of common areas. However, there is the concern that separate common areas may lead to the possible stigmatization and exclusion of below and non-market renters.

At the direction of Council, staff will commence work on a shared and separate common areas policy that is intended to facilitate a flexible and practical approach to ensuring equity and inclusion for all residents in mixed-tenure projects, including those with both market ownership and market and non-market rental components. Staff is seeking Council's

endorsement of a work plan to develop a shared and separate common areas policy, and endorsement of interim guidelines to be used while the policy is being developed. The interim guidelines are intended to facilitate equity and livability while enabling in-stream applications to progress through the development approvals process, thus not delaying the realization of new and much needed market and non-market rental units in the City.

PURPOSE

The purpose of this report is twofold: (1) to seek Council's endorsement of a work plan to develop a shared and separate common areas policy, and, (2) to seek Council's endorsement of proposed interim guidelines to be used in situations where an applicant is proposing separated common areas, including entrances, prior to adoption of a policy.

POLICY CONTEXT

Council Strategic Plan: 2019-2022

The *Council Strategic Plan: 2019-2022* (July 8, 2019) includes the following key direction:

- *Apply a social equity lens throughout the organization to ensure that all residents can access, participate in, and benefit from City facilities, infrastructure, programs, and services.*

Official Community Plan

The Official Community Plan (2017) includes the following goals:

1. *New Westminster is an equitable, inclusive, safe and welcoming place where all community members have opportunities to contribute, while feeling connected and accepted.*

2. *New Westminster's neighbourhoods are great places to live and have diverse housing choices that meet the needs of the community.*

BACKGROUND

Inclusionary housing policies that aim to ensure that new developments do not exclude certain groups of people by virtue of high market prices, represent an important delivery model for below and non-market housing in the city. This is primarily done through municipal rezoning powers, and typically involves providing incentives such as additional density and parking relaxations that make inclusionary housing projects economically feasible.

Implementing inclusionary housing policies often results in mixed-tenure projects that feature market and non-market ownership and/or rental components. Traditionally spaces that serve the respective housing models have been kept separate in an effort to simplify financing and funding mechanisms, including from senior levels of government, and to minimize operating and maintenance costs for the non-profit housing provider.

At the direction of Council, staff will commence work on a policy that is intended to facilitate a flexible and practical approach to ensuring equity for all residents in mixed-tenure projects, including those with both market ownership and market and non-market rental components. The purpose of this report is to introduce a work plan for the development of the policy, and present interim guidelines to be used in situations where an applicant is proposing separated common areas prior to the completion of a policy.

DISCUSSION

Case for Separating Areas

Both developers and non-profit housing providers have noted that shared common areas in mixed-tenure projects can create practical challenges around the management and maintenance of those common areas. For example, governance structures of condominium strata corporations are unique with respect to how they acquire and distribute resources to manage, maintain, and upkeep common areas. To a non-profit housing provider, a key priority is to minimize the operational and management costs of affordable rental units within a mixed-tenure housing project. This is done by designing spaces with longevity and replacement costs in mind. Alternatively, sharing common amenity areas within a predominantly market condominium strata may expose non-market housing operators to the higher costs associated with premium interior finishes and amenities that are often provided in market housing projects.

Concerns with Separated Areas

A major identified concern around the implications of separated common areas relates to the possible stigmatization and isolation of below and non-market residents. It has been argued that in place of separated common areas, housing providers should facilitate the creation of diverse mixed-income communities with integrated household and tenure types. In particular, equity issues around having separated entrances have been raised by the media, the public, and several public figures in the region and abroad. Concerns about shared and separate common areas were also raised by various stakeholders during the City's Inclusionary Housing Policy consultation regarding the financial, logistical, and social implications that can arise in mixed-tenure projects.

Current Research

The implications around separate entrances and amenity spaces versus shared common areas is a nuanced and emergent area of planning research. A scan of available research did not reveal any established best-practices on the topic. However, there are some noteworthy studies underway that will be of interest to the City. In particular, the City of Vancouver is in the process of retaining consulting services to review best practices, analyze current practices through stakeholder interviews and research, and make recommendations on development review principles for future mixed-tenure housing projects. Research on the topic has also been recently undertaken by students of UBC's School of Community and Regional Planning (SCARP) program. While research results are still not available at the time of this report, staff is regularly following up to inquire into key findings.

NEXT STEPS

Staff has drafted a work plan to develop a shared and separate common areas policy. The work, if endorsed by Council, would include the following steps:

Step 1: Research (September to December 2019)

Staff would undertake a comprehensive review of best practices in neighbouring municipalities and jurisdictions outside the region, and furthermore undertake an analysis of available planning research on the topic of shared and separate common areas. Through this research, staff would aim to better understand the financial and operational implications of shared and separate common areas for developers and non-market housing providers alike, as well as the social considerations for the building residents.

Step 2: Policy Development (January 2020)

Staff would review the learnings from the research, and prepare draft principles for consideration in the development of a shared and separate common areas policy. Staff would retain the services of a land economist to inform and review the draft policy, particularly related to financial implications.

Step 3: Council Consideration (February 2020)

A draft shared and separate common areas policy would be presented to Council for its review and possible endorsement.

INTERIM GUIDELINES

The City currently has two in-stream mixed-tenure development applications that have proposed separate entrances and amenities. In the absence of a policy, and in situations where an applicant is proposing separated common areas, including entrances, staff is recommending the following interim guidelines. These guidelines are intended to facilitate equity and livability, while enabling in-stream applications to progress through the development approvals process, thus not delaying the realization of new and much needed market and non-market rental units.

The proposed interim guidelines are as follows:

- Separated entrances should be of similar size and of equal quality and finish and, where practical, should be clearly visible from the fronting public street and sidewalk.
- Separated lobby areas should be of similar size and of equal quality and finish.
- Separated indoor amenity areas should be similar in type and of equal quality and finish and should be equitably sized in proportion to the square footage dedicated to that form of tenure.
- Exterior building features and materials should be of equal quality and finish regardless of the form of tenure.
- Outdoor amenity areas should be designed to maximize their potential for creating opportunities for social interaction between all building residents.
- Private amenity spaces, such as balconies and patios, should be of similar size, form and finish regardless of the form of tenure.
- Outdoor landscaping elements should be of equal type, quantity and quality regardless of the form of tenure.

FINANCIAL IMPLICATIONS

The policy to address shared and separate common areas would be created in-house. Services of a land economist would be sought to inform and review the draft policy, are estimated to be in the range of $3000 to $5000, and would be covered under the existing Development Services consulting budget.

OPTIONS

The following three options are presented for Council's consideration:

1. That Council endorse the work plan for the development of a shared and separate common areas policy.

2. That Council endorse the proposed interim guidelines to be used in situations where separated common areas in mixed-tenure projects are proposed prior to the adoption of a shared and separate common areas policy.

3. That Council provide staff with other direction.

Staff recommends Options 1 and 2.

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