

REPORT

Planning and Development

To: Mayor Johnstone and Members of Council
Date: September 23, 2024

From: Jackie Teed,
Director, Planning and Development
File: #2559363

Item #: 2024-535

Subject: Interim Density Bonus Policy and Revised Interim Development Review Framework

RECOMMENDATION

1. **THAT** the proposed Interim Density Bonus Policy, included as Attachment 1 to the staff report titled "Interim Density Bonus Policy and Revised Interim Development Review Framework" from the Director, Planning and Development dated September 23, 2024, be approved.
 2. **THAT** the revised Interim Development Review Framework, included as Attachment 2 to the staff report titled "Interim Density Bonus Policy and Revised Interim Development Review Framework" from the Director, Planning and Development dated September 23, 2024, be endorsed.
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PURPOSE

The purpose of this report is to seek Council's endorsement of the proposed Interim Density Bonus Policy as well as minor changes to the existing Interim Development Review Framework.

EXECUTIVE SUMMARY

The new provincial legislation has substantially increased projected growth, and impacted the City's long-standing approach to collecting development contributions for the infrastructure, services and amenities needed to support growth. These impacts are extensive, requiring significant staff and consultant resources to understand and implement. The province has provided an extension allowing use of an interim

approach, which provincial staff have suggested could end mid- to late-2025, after which municipalities need to use the new legislated tools, i.e. Amenity Cost Charges (ACCs), Development Cost Charges (DCCs), inclusionary housing, and density bonus.

Interdepartmental staff are currently developing a financing growth strategy taking into consideration the higher growth projections, and analysis of implications of the provincial housing target order, which is expected to be in place consistent with the end of the Province's extension.

Development review and approval will need to continue while this work is underway, so an interim policy is needed to transparently and consistently collect development contributions. Staff have developed a policy based on the City's current density bonus zoning regulations (Attachment 1), which generally aligns with provincial directions and are seeking Council endorsement of this policy. Funds collected through the interim policy be allocated towards other City projects.

Minor changes to the City's Interim Development Review Framework (IDRF) are also required for two key reasons 1) To align the IDRF with the Interim Density Bonus Policy fixed rates and 2) To update the policy after the provincially legislated changes to Small Scale Multi-Unit Housing (SSMUH) that were previously adopted by Council. Cumulatively, the proposed changes would demonstrate a viable path and clear expectations for all development proposals that are aligned with the City's Official Community Plan. Moreover, the changes are expected to increase the City's appeal for the development of further housing in alignments with both provincial expectations and Council's Strategic Plan

BACKGROUND

Previous Council Direction

The Provincial Government has introduced wide ranging changes to housing legislation which governs how municipalities plan for and approve new development. On January 29, 2024 staff presented a report that provided an overview and the implications of the new Provincial legislation, which can be viewed [here](#). Among the items discussed in that report was the seemingly clear intention that the Province expects municipalities to move away from negotiated approaches on development contributions, such as Voluntary Amenity Contributions, and toward fixed rate charges for the majority of development applications. As such, Council endorsed the Interim Development Review Framework which among other things, signaled the moved toward fixed rate charges.

Overview of Tools for Financing Growth

The provincial legislation includes changes to municipal tools available to collect contributions from new development towards the costs of infrastructure, services and amenities needed by that new population. There are now four tools explicitly outlined in

legislation that municipalities can utilize to help achieve community infrastructure, services, amenities and affordable housing, as follows:

- *Development Cost Charges* – The primary structure of DCCs remained essentially unchanged by the legislation. DCCs must still be established by bylaw and must be approved by the Inspector of Municipalities. The types of services which can be funded by DCC have been expanded in scope to also include fire, police and solid waste infrastructure.
- *Amenity Cost Charges* – ACCs are a new tool that was created through legislation to fund different type of amenities such as community centres, libraries and child care spaces. As they are structured similar to DCCs, ACCs must be established by bylaw, which must specify the amenities. ACC's cannot be used for affordable housing and must not be charged on most types of affordable housing units.
- *Density Benefit Zoning (Density Bonus)* – an existing tool that has been amended by the most recent legislation. Density Bonus allows municipalities to construct zoning districts that allows developers to go beyond the permitted density in exchange for amenities, housing, or cash-in-lieu. The legislation changed the tool in a number of ways, however, the province has indicated that municipalities have until mid to late 2025 to fully implement these changes.
- *Inclusionary Zoning* – Previously, municipalities were only able to achieve Inclusionary Housing through the rezoning process. Municipalities are now permitted to imbed inclusionary housing requirements directly into zoning bylaws. Notwithstanding, when using inclusionary zoning, local governments are required to undertake a feasibility analysis and consultation to ensure that the bylaw provisions will not deter development.

Financial Feasibility

The general intent of the legislation is for municipalities to prioritize their needs and apply the tools accordingly. It is also legislatively required that municipalities apply these tools in such a way that they do not fetter development. This is meant to be approached by performing an economic analysis which considers the amount of profit that a development needs to achieve to be viable and then utilizing any remaining uplift created through one or more of the above tools.

In order to understand how much development is currently able to contribute to amenities and services and remain viable, staff engaged a land economist consultant, Coriolis, to undertake a detailed analysis. The study looked at a number of sites within the downtown area and undertook a pro forma review to determine both the overall value of the uplift, and how much a typical development could contribute while remaining viable and profitable. The result of this analysis, and the recommendation of

the land economist, is that development should be able to contribute \$50 per sq.ft. of density, above existing entitlements, and still remain viable. This rate is the same as current density bonus rate for high density construction.

DISCUSSION

Financing Growth Strategy

The new legislation has substantially increased projected growth, and impacted the City's approach to collecting development contributions for the infrastructure, services and amenities needed to support growth. These impacts are extensive, requiring significant staff and consultant resources to understand and implement. The province has provided a short extension allowing use of an interim approach, which provincial staff have suggested will end mid- to late-2025, after which municipalities need to use the legislated tools, i.e. ACCs, DCCs, inclusionary housing, and density benefit zoning.

An interdepartmental team of staff are currently developing a financing growth strategy taking into consideration the higher growth projections, and aligning with the City's response to the provincial housing target order, which identified a need for significant senior government funding. As part of this work, staff will seek Council direction on: (1) the proposed strategy, which will include library, parks and recreation, servicing infrastructure, transportation, fire, and affordable/supportive/shelter housing; and (2) which legislated tools, and charge rates, to apply to new development applications, in support of that strategy.

Proposed Interim Density Bonus Policy

Staff have developed a draft Interim Density Bonus Policy (IDBP), for which staff is seeking Council endorsement. The proposed policy (Attachment 1) would:

- Be applicable to all rezoning applications that are in-line with the Official Community Plan (OCP),
- Exclude purpose-built market and affordable rental floor space from density bonus payments
- Be not applicable to OCP Amendment Applications as these applications will continue to require an in-depth financial analysis
- Provide a cash-in-lieu option for any proposed density above existing entitlements while continuing to allow a path for applications to provide affordable housing units or other in-kind amenities.
- Apply to zoning applications reaching Third Reading prior to implementation of the financing growth strategy, excluding those that had a Council-endorsed amenity contribution proposal prior to the new legislation being put into place.
- Charge an initial fixed rate at \$50/sq.ft. of additional area above existing entitlements. Rates will be published online and reviewed annually.
- Be applicable to high density development across the City.

- Require payment be collected at Building Permit issuance, and charged at the published rate at that time.
- Require developers who wish to utilize the provisions of the policy to provide a commitment letter early in the rezoning review
- Require developers to register a Section 219 Covenant on title agreeing to either deliver the inclusionary housing or to provide the cash contribution at building permit, at the rate set at the time of building permit application, and valid for 12 months.
- Place collected funds into a reserve fund.

DCC charges and City offsite servicing requirements would continue to apply to development applications. All funds collected through the interim policy would be allocated to the acquisition of land for use in City projects. The interim policy would be in effect until the City transitions to the new financing growth tools which staff anticipate being completed by the end of 2025.

Inclusionary Housing

The proposed IDBP applicants would continue to allow in-kind amenities as an option to cash charges and in-kind affordable housing units would continue to be considered by the City. An applicant would have the option of either:

- A. Meeting the Current Inclusionary Housing Policy requirements, in which case, the Density Bonus Charges would not apply.
- B. Meeting the IDBP requirements. In-kind affordable housing units would be considered under this policy, and their value would offset all or a portion of the cash density bonus charge determined for the proposal. The process for determining the value of such units is being undertaken as part of the overall Inclusionary Housing Policy review.

Interim Development Review Framework (IDRF)

Minor updates to the IDRF are also required for two key reasons: 1) To align the IDRF with the Interim Density Bonus Policy fixed rates and 2) To update the policy after the provincially legislated through Bills 44, 46 and 47 that were adopted by Council in June of this year. Cumulatively, the proposed changes are intended to provide a viable and clear path for all OCP compliant development applications as follows:

Form of Development	Tool	Amount
Tower/ High Density	Density Bonus	\$50 sq.ft.
Apartments to 6 storeys	IDRF – Required to be Rental	N/A
Townhouse	IDRF – Fixed rates	\$10k-12k per unit

Consultation

The IDBP was provided to Urban Development Institute (UDI) in advance of this meeting for their comment. Staff only received minor points of clarification from UDI, specifically regarding the use of CD Zoning.

NEXT STEPS

Should Council endorse the proposed IDBP, staff would inform both new and existing applicants of the policy. Staff would anticipate bringing forward applications that are compliant with the policy

The implications of both the new legislation and the provincial housing targets on municipal financing growth programs are significant. To support this additional growth, City servicing and capital plans across all departments need to be re-evaluated and a new financing growth strategy must be created. This work will need to ensure that the City can continue to deliver core services such as infrastructure (water, sewer), recreation, parks, open space, etc. to existing and new residents, as well as determine the City's approach to provision of other amenities normally funded by the other levels of government such as affordable housing, childcare, etc.

FINANCIAL IMPLICATIONS

Creating a financing growth strategy is new and significant interdepartmental work which was not previously accounted for on department work plans. Preliminary work is underway which will be funded through the provincial capacity funding, and identification of efficiencies in current capital and operating budgets. Staff anticipate requesting an interdepartmental capital fund enhancement, as part of the 2025 budget process to further enable this work. A full accounting of the budget for this work, including allocation of related grant funding, will be presented to Council as part of that process.

Staff recommends the funds collected through the proposed IDBP be placed in a reserve to fund the acquisition of lands for civic projects. Given the evolving provincial timelines, staff are not able to accurately project the funds that would be collected through the proposed policy.

OPTIONS

1. That the proposed Interim Density Bonus Policy, included as Attachment 1 to the staff report titled "Interim Density Bonus Policy and Revised Interim Development Review Framework" from the Director, Planning and Development dated September 23, 2024, be approved.
2. That the revised Interim Development Review Framework, included as Attachment 2 to the staff report titled "Interim Density Bonus Policy and Revised Interim Development Review Framework" from the Director, Planning and Development dated September 23, 2024, be endorsed.

3. That Council provide staff with alternative direction.

Staff recommends Option 1 and 2.

ATTACHMENTS

Attachment 1 – Interim Density Bonus Policy

Attachment 2 – Revised Interim Development Review Framework

APPROVALS

This report was prepared by:

Demian Rueter, Manager, Development Planning

This report was reviewed by:

Rupinder Basi, Deputy Director, Planning

This report was approved by:

Jackie Teed, Director, Planning and Development

Lisa Spitale, Chief Administrative Officer