DCCs, ACCs, Inclusionary Zoning, and Density Bonusing : New Tools, New Rules, New Opportunities, New Challenges

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Scope

- New legislative planning framework for housing
- Infrastructure, amenities, and affordable housing: major changes
- Possible financial impacts
- Implementation challenges

New Legislative Framework: Objectives

- Accelerate pace of residential development by ensuring sufficient land supply
- Reduce reliance on site-by-site rezoning and negotiations, to speed approvals and reduce risk
- Make municipal costs more predictable
- Increase density, especially in transit areas

New Legislative Framework: Key Components

- Housing Needs Report
  - 5- and 20-year outlook
- OCP
  - 20+ years of housing land
  - TOAs designation
- Zoning
  - Minimum of 20 years of zoned housing land
  - TOA minimum allowable density envelope
  - SSMUH

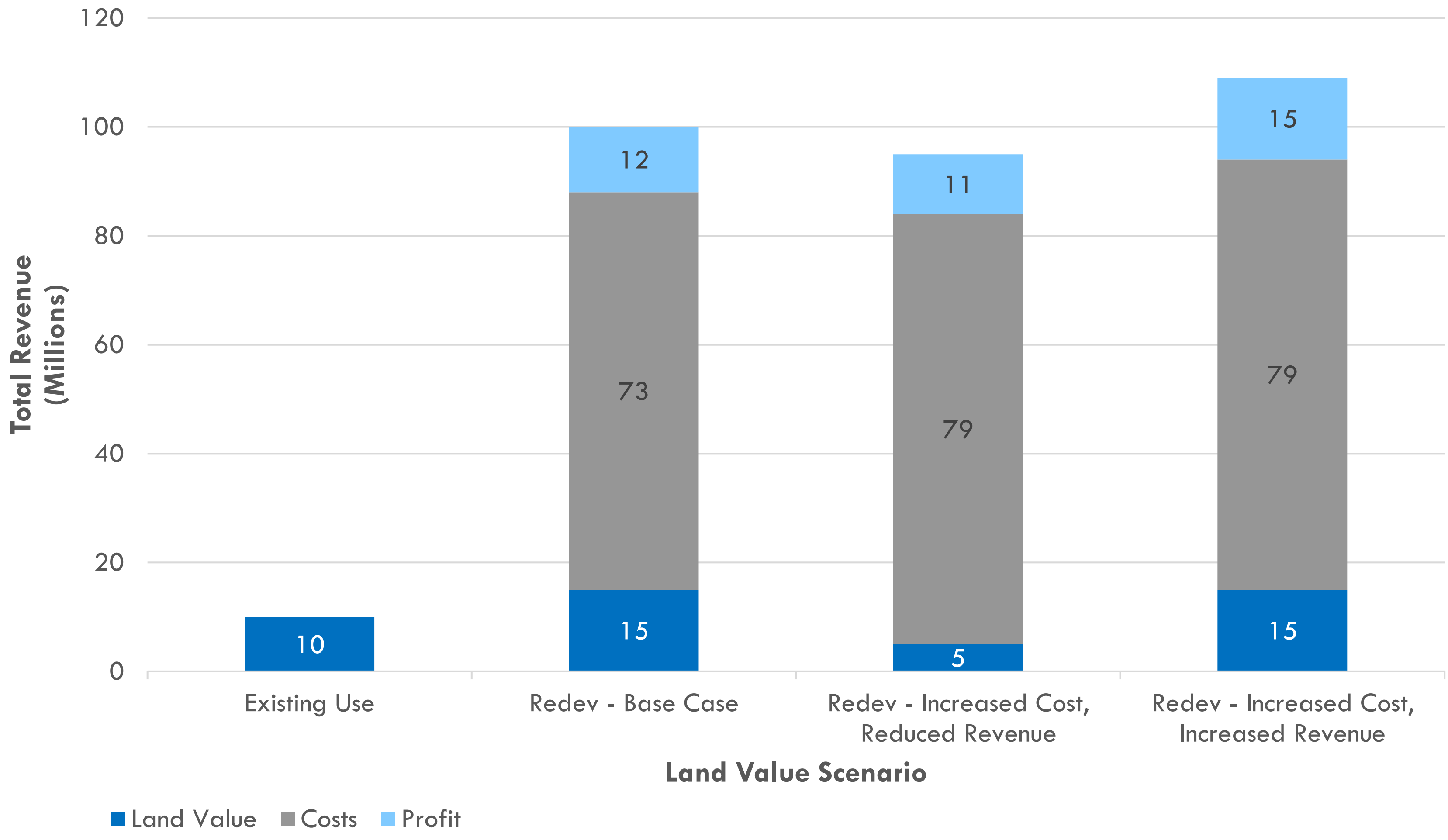
New Legislative Context: Key Components

- Infrastructure, Amenities, and Affordable Housing
  - Expanded DCCs
  - ACCs
  - Inclusionary zoning
  - Revised density bonusing

Testing Financial Impact of New Development Requirements

- In urban areas, most potential redevelopment properties have two candidates for market value:
  - Value supported by existing use (e.g. single detached houses, older commercial, older rental housing): what would owner/occupier or investor pay to retain this use?
  - Value supported by redevelopment: what is the most a developer can afford to pay for site to demolish/redevelop?
- For redevelopment to be financially viable, developer must be able to pay more than the value supported by the existing use

Land Value Scenarios



Outcomes of changes to zoning and local government costs

- Developers cannot seek rents/prices above market value to offset increased costs
- If value for redevelopment is higher than value of existing use, there is financial room for public benefits
- If increased costs mean the value for redevelopment is lower than the value of existing use, redevelopment is not feasible
- Increased costs may be offset by increased density, depending on market conditions, but if not…
- Widespread reduced viability means less new supply, which means **housing prices will rise**

DCCs and ACCs

- Expanded DCCs (fire, police, solid waste/recycling) and ACCs (for amenities such as library, recreation, daycare) can be levied on all development (not just increased density at rezoning)
- Unless carefully calibrated, costs can be too high for redevelopment to be viable

Inclusionary Zoning

- Called “affordable and special needs housing” in LGA
- Can **require** developments to include affordable or special needs units
- **Must** set requirements for tenure, prices/rents, timeframe and **may** include provisions for share of units or area, ownership and management, unit type, increased density
- Requires consultation and feasibility analysis by LG
- Cash in lieu at developer option (payment is “estimated capital costs that the developer would otherwise incur”)
- Units can be provided elsewhere by agreement
- Can decrease revenue and increase cost, so may not be viable

Density Bonusing

- Land zoned for outright base density plus defined extra density in exchange for defined public benefits (affordable housing, amenities, combination)
- Key changes for LGs:
  - Consultation and financial feasibility analysis
  - Establish reserve fund(s)
  - Annual reporting
  - Conditional density cannot be included in 20-year capacity calculation *and* cannot be part of the minimum allowable density in TOA

Density Bonusing

- Key changes for LGs…continued:
  - Can provide for cash in lieu only at developer’s option
  - Can provide units elsewhere by agreement
  - If bonus provided for affordable housing, bylaw **must** impose conditions for %, tenure, prices/rents, timeframe, and **may** include conditions for ownership/management

Density Bonusing

- Successful density bonus framework requirements:
  - Developer must want more density, *and*
  - Extra density must be profitable, *and*
  - Value of extra density must be greater than the cost of the required public benefit
- Otherwise, not a viable method of achieving affordable housing or amenities

Potential Financial Impacts of New Tools

- DCCs and ACCs increase cost
- Inclusionary units can reduce revenue and/or increase cost
- Increased cost and decreased revenue can impair viability of redevelopment: less new supply means prices will rise
- Additional density for market housing **may** offset the impacts, depending on market conditions, but if not LG may need to adjust requirements for DCCs, ACCs, or IZ

Implementation Challenges

- DCCs and ACCs
  - Applied to all new development even when density not increasing
  - Consider whether ACC rates must include site acquisition
  - Additional costs must be set carefully by LG
- Inclusionary Zoning or Density Bonus for Affordable Housing
  - DB optional, IZ mandatory
  - Using DB for housing reduces opportunity to use for amenities
  - May not be viable

Implementation Challenges

- Cash in lieu
  - Only at developer's option, which may limit ability to pool funds for community-wide amenity
  - Requires payment of "capital cost otherwise incurred", which is complicated for affordable units retained by developer

Implementation Challenges

- Large Redevelopment Properties
  - If pre-zoned to help meet 20-year requirement, reduced ability to negotiate on-site requirements for amenities or obtain sites for community uses
  - If pre-zoned with density bonus, can’t include conditional density in 20-year capacity
  - TOA minimum density may limit ability to bonus for higher density in locations where concrete construction is not viable

Conclusions

- New tools create new opportunities but come with risks
- Increased supply of zoned land only helps if development is financially viable
- Market-specific analysis of viability is essential
- If DCCs, ACCs, and IZ are too costly for viability:
  - Reduce requirements?
  - Add market density if viable?
  - Reduce land cost (public or non-profit sector lands)?
  - Reduce profit (only possible for public or non-profit projects)?
  - Shift costs of amenities and infrastructure (to taxes)?