Density Bonus

What is a Density Bonus?

- A zoning tool that allows a development to exceed prescribed development entitlements if it provides a specific, defined, public benefit.
- Density bonuses are commonly used to provide amenities such publicly accessible open spaces, parks, plazas, landscaping, green roofs, transit improvements and public art, but are most noted for the provision of affordable housing. However, a density bonus program can include any element identified as an important community value.
- The additional density received by the developer wishing to participate in a bonus program could be in the form of additional Floor Area Ratio (FAR), height, or by number of units per acre.
- Density bonus programs are voluntary. Developers that do not wish to participate receive the base entitlements of the respective zoning district.

Potential Applicability to Winnipeg

1. Affordable Housing
   Density bonusing could be an effective tool to provide affordable housing generally. It could also be focused within transformative areas and within T.O.D areas. A benefit of tying density bonusing to T.O.D. areas is that it responds to research/ market studies which suggest a strong correlation between transit oriented development and rising property values. In essence, this means that normal market forces will put pressure on housing affordability proximate to T.O.D.s. Density bonusing as a mechanism to provide affordable housing is a proactive way of addressing this trend. More generally, increased opportunities for affordable housing encourage mixed income communities and therefore help existing neighbourhoods to become more complete.

2. Limited Opportunities for Public Amenities in Infill Situations
   Another area of applicability for density bonuses could be in the form of expanded recreation/ community space. When dealing with intensity in existing neighbourhoods, much of the public amenities such as parks, playgrounds, and other community spaces are fixed.

How a Density Bonus Works

The zoning by-law sets out a maximum density of development that is permitted, either expressed as FAR or as the number of dwelling units per acre. A developer is entitled to build at these base parameters, or can voluntarily choose to utilize an available density bonus where beneficial. As the base, or non-bonus zoning rules provide a maximum density, so to does the bonus. A fairly routine example is where the base-zoning district allows an FAR of 1.5 and the amenity contribution (density bonus) enables an FAR of 2.0. Though there are variations in approach, a fixed and standardized density benefit is recommended in order for the density bonus program to be predictable and equitable. Similarly, each public amenity for which there is a density bonus should be clearly defined.

With respect to affordable housing, the amenity contribution does not impair the developer's profit margin. The amenity contribution is meant to be equal to the land value associated with the additional density.

Options for the Allocation of Amenity Contribution

1. Developer provides amenity benefit provided within development
2. Option for cash in lieu – sometimes smaller projects are unable to or it is impractical to provide the community benefit. Cash-in-lieu allows money to be banked and utilized for future amenity benefit.
3. Cash-in-lieu applied to all density bonus developments - While rarer for a density bonus program only to contain the cash-in-lieu option it can make the program easier to administer. In Port Coquitlam for example, the value of the additional density is paid to the City as a cash contribution based on $25 per sq ft of gross floor area created by the bonus provision. The contributions received are split 50/50 between reserve funds for community amenities and social housing amenities.

Components of a Successful Density Bonus Policy

- Set baseline requirements for participation in program
- Recognize additional FAR/density as most powerful tool to achieve community goals
- Prioritize benefits according to needs of the area
- Identify priorities, establish guidelines for implementation and work with the development industry and stakeholders to achieve defined goals.
- Define areas with common challenges/ opportunities (if city wide) and use bonus to achieve.
- Provide incentives to wrap parking with occupied space or locate underground
- Exempt from FAR calculations, uses that embody community values
- Establish ways by which transit could be funded through density bonus program
- Reduce parking requirements or delink parking spaces from residential uses to discourage automobile use and encourage transit.
- Use development agreements to achieve distinct amenity goals.

Housing Options for Density Bonus

A density bonus program for housing can address different housing needs by providing a distinct bonus calculation for each targeted housing type. These are not limited to, but generally include the following:

- Very-low income households – typically the bonus kicks in when 10% of non-bonus units are provided for these households.
- Low-income households – typically the bonus kicks in when 20-25% of non-bonus units are provided for these households.
- Affordable housing for the elderly– typically the bonus kicks in when 35% of non-bonus units are provided for these households.
- Housing for Lower income families
    - (Would need to consult with the City of Winnipeg Housing Branch to determine and define household targets).

The developer generally enters into a contract with the municipality or agency responsible for housing. The contract generally last a certain period of time, such as 25-30 years.

Planning Tools to Assist Density Bonus Programs

1. Coordinate transit planning and implementation with transit to address increased density
2. Economic feasibility model for a density bonus program
3. Policy and implementation strategy
4. Provide additional incentives to developments that volunteer to the density bonus program (eg. reduction in parking standards).

Challenges of Density Bonuses

- The already high cost of development
- The development of formulas to determine the appropriate proportions for various community benefits.
- Can be difficult to administer and monitor.
- Will not work if developers are typically not meeting existing density maximums.

Legislative Requirements

The City of Winnipeg Charter provides the legislative framework to introduce a density bonus system through regulation in a zoning by-law. This means that the zoning by-law would need to be amended to include a density bonus mechanism. Our Winnipeg provides a range of policies such as promoting mixed income housing that would support such a program. Other policies supporting a density bonus program may also appear in specific Secondary Plans such as the Centennial West Alexander Plan which provides for an increase in development rights for certain development types.

Administering, Monitoring and Enforcement

A density bonus program requires resources to administer it. Resources are needed to create requirements and ensure those requirements are being captured over the life of the program. For the provision of less complex public amenities may be as simple as drafting a development agreement signed by the developer and municipality.

<u>Density Bonus Programs for Affordable Housing</u>

Many of the municipalities that use density bonus programs to create affordable housing have robust housing departments or commissions with clear mandates to facilitate affordable housing within those communities.

<u>Rental Units</u>

Density bonuses associated with rental units are easier to administer than affordable sale units. With rental, there is usually some kind of affordable housing agreement signed between the housing authority and the developer. The housing authority monitors the rents of the units each year to ensure accordance with the agreement for the life of each unit. Generally, the developer pays an annual fee to cover administrative costs.

Condominium Units

The difficulty associated with affordable sale units is ensuring they remain affordable for at least a specified number of years. This means limiting their value in the resale market. One approach is where the housing commission has the first right to purchase the unit back at a prescribed maximum appreciation rate. This however, requires resources. In cases where a bonus is to incent very low income households, an approach is for a housing commission to take over those units for social housing.

Given that the City of Winnipeg does not have a housing department with a housing portfolio to maintain makes the provision of affordable units difficult to administer. While density bonus programs for affordable rental units may be less cumbersome to administer, a municipality may not wish to exclude condominium developers from participating in the program.

Potential Partnering Opportunity?:

The City of Winnipeg currently has limited resources to administer affordable housing and does not have a mandate to provide social housing. Given that the Province of Manitoba has a clearer mandate and well established resources to administer social housing and affordable housing, there may be opportunities for the Province of Manitoba to administer aspects of a density bonus program, such as monitoring and enforcement. However, penalties may be difficult to enforce without provincial participation in a program. Without such a partnership, a cash-in-lieu option may be the easiest way to administer a density bonus program.