Agenda – Executive Policy Committee – December 5, 2023

Report – Standing Policy Committee on Property and Development – November 22, 2023

Item No. 2 Residential Density Bonus Pilot Program for Affordable Housing

STANDING COMMITTEE RECOMMENDATION:

On November 22, 2023, the Standing Policy Committee on Property and Development concurred in the recommendation of the Winnipeg Public Service, as amended, and submitted the following to Council:

1. That a residential density bonus pilot program (attached as Appendix D), where land use entitlements can be supported in exchange for the provision of affordable housing in new rental projects, be approved.

2. That the Public Service report back to Council in June 2025 with lessons learned and recommendations for the establishment of a permanent density bonus program.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda – Executive Policy Committee – December 5, 2023

Report – Standing Policy Committee on Property and Development – November 22, 2023

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 22, 2023, the Standing Policy Committee on Property and Development concurred in the recommendation of the Winnipeg Public Service with the following amendment:

- In Recommendation 1 add the words "(attached as Appendix D)" immediately after "residential density bonus pilot program"

and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Residential Density Bonus Pilot Program for Affordable Housing

Critical Path: Standing Policy Committee on Property and Development – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Veitch	H. Borys	N/A	M. Jack

EXECUTIVE SUMMARY

This report is recommending the Public Service implement a residential density bonus pilot program where land use entitlements (i.e. increased density) can be supported in exchange for the provision of affordable housing in new rental projects. Many cities have density bonus programs and this tool is available to the City of Winnipeg under the City of Winnipeg Charter Act.

The Public Service is seeking Council's approval to move forward with a pilot program. As the City does not have sufficient resources or expertise to monitor affordability levels post-construction, this pilot proposes working with other levels of government to monitor affordability and enforce compliance.

General principles of the Residential Density Bonus Pilot include the following:

- The density bonus will be entirely voluntary, and must allow "win-win" conditions for both developers and the community.
- The level of a developer's contribution must be reasonable and not affect the viability of the project.
- The density bonus granted must be able to be supported by public infrastructure (i.e. water, sewer systems, roads) and not require City contributions for upgrades.
- The areas (or "districts") where density bonuses are applicable must be clearly defined and supported by existing policy.

The pilot program will aim towards a 20 percent inclusion of affordable units, but the number of affordable units in a proposed project will be determined by the minimum criteria discussed in this report. The pilot is proposed to apply to projects along a designated Corridor (as per *Complete Communities 2.0*, see Appendix B and C), and a minimum of 50 percent of units above the density that would normally be permitted must be affordable for 20 years.

The longer-term goal of this work is the development of a formalized density bonus program. Further exploration of density bonusing has also been proposed within the City's Housing Accelerator Fund (HAF) application approved by Council. In the meantime, this pilot will allow for the creation of additional affordable units that would otherwise not be provided and help shape actions under the HAF program.

There are several benefits to a density bonus program:

- Addition of affordable housing in the private rental market.
- Increased development density.
- Increases to the City's tax base.
- The property owner benefits through expanded entitlements, thereby increasing the value of their asset.
- Public and non-profit developers will be allowed to build up to greater densities.

RECOMMENDATIONS

1. That a residential density bonus pilot program, where land use entitlements can be supported in exchange for the provision of affordable housing in new rental projects, be approved.

2. That the Public Service report back to Council in June 2025 with lessons learned and recommendations for the establishment of a permanent density bonus program.

3. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

The Public Service is requesting Council approval to act on this density bonus pilot as interest has been expressed from private developers who would be willing to provide affordable units in exchange for more development potential. While there are several programs under the National Housing Strategy (NHS) for affordable housing supply, there remains untapped potential in the private rental sector.

Density bonusing is also a tool that was identified in the November 26, 2020, Menu of Options for an Affordable Housing Strategy report (Tool 6). Since the Public Service has satisfied Council's direction to report back on specific action items from that report; this represents an additional tool discussed in the report to further expand the supply of affordable housing.

IMPLICATIONS OF THE RECOMMENDATIONS

Should the Recommendations of this report be concurred with, the Public Service will pursue opportunities through the existing development approval process to seek affordable housing units that would not otherwise be proposed. No new funding is required to implement or administer the pilot. The Public Service will report back in June 2025 with lessons learned to inform a formalized program.

HISTORY/DISCUSSION

The City's Housing team participates on a working group with the Province of Manitoba (Manitoba Housing and Renewal Corporation). The major goal of the working group is to identify areas of shared interest in housing activities for the purposes of potential collaboration. One area of shared interest is with respect to density bonusing.

This proposed pilot activates the tool outlined in the City of Winnipeg Charter (s.236(2)(t.2)) that allows the City to modify zoning, including density, for the provision of a public benefit, such as affordable housing.

A density bonus is a process where the developer willingly agrees to the terms and conditions of affordability in exchange for more development rights (i.e. increased density). There must be a mechanism in place to ensure developers maintain the affordability levels to which they agree (see more detail in Appendix A).

Currently, the City of Winnipeg has no official density bonus program. However, District Planners who review development applications routinely negotiate with developers on many aspects of their proposals to achieve public policy objectives. Affordable housing is one of those negotiated elements that could be formalized into a by-law. One example where this has occurred is at 145 and 149 Spence Street (DASZ 11/2022 and DAV 106801/2022D). In this example, the Public Service negotiated an expanded land use entitlement with a property owner who agreed to rent four units of an 18-unit development at Provincial affordability rates for 10 years.

In order to make the process fair and transparent, the Public Service is proposing specific criteria to guide negotiations for a pilot program. This is based on existing policy which governs where density can, and should, be prioritized. The goal is to apply the tool as consistently as possible. The process must be fair and easy to understand. Once additional information and experience is available, recommendations can be made to Council on a permanent Density Bonus Program and associated by-law.

A density bonus program will lead to more strategic approval of land use entitlements for public benefit. Focusing on affordable housing in a more deliberate manner will lead to the provision of more affordable housing units than otherwise would be available under the current regulatory framework. A Density Bonus Program can benefit several stakeholders. The program will benefit public and non-profit developers by allowing affordable housing to be built to greater densities. In other cases, the affordable housing that is being created through this process will be leveraged in the private market. We expect that the benefits of added density will engage private developers to include affordable units in some developments without capital funding from any level of government. Finally, the City also benefits by an expanded tax base and compact urban form. The biggest advantage is creating more mixed income developments. This program can create more diversity in the private rental market and could introduce more affordable housing opportunities across more neighbourhoods.

Criteria for support

General principles of the Density Bonus Pilot include the following:

- The density bonus will be entirely voluntary, and must allow "win-win" conditions for both developers and the community.

- The level of a developer's contribution must be reasonable and not affect the viability of the project.
- The density bonus granted must be able to be supported by public infrastructure (i.e. water, sewer systems, roads) and not require City contributions for upgrades.
- The areas (or “districts”) where density bonuses are applicable must be clearly defined and supported by existing policy.

The program will aim towards a 20 percent inclusion of affordable units, but the number of affordable units in a proposed project will be determined by the following minimum criteria:

- Applies to projects located along a designated Corridor (as per *Complete Communities 2.0*, see Appendix B and C).
- For sites in the Residential Multi-Family Large (RMF-L) and Residential Mixed Use (RMU) zoning districts, a minimum of 50 percent of units exceeding 121 dwelling units/acre must be affordable.
- For sites in the Transit Oriented Development (TOD) zoning district, a minimum of 50 percent of units exceeding 218 dwelling units/acre.
- Affordable units must be rented equal to, or below, Provincial Affordability Rates
- The duration of affordability must be no less than 20 years.

Participation in the Density Bonus pilot will require that any supported density increases beyond what is normally allowed (per Winnipeg Zoning By-law 200/2006 and Development Procedures By-law 104/2020) will be, in part, for the provision of affordable housing.

The Public Service has identified the following parameters to be followed in the *Complete Communities Direction Strategy (CCDS) 2.0* policy areas as outlined in Table 1 below:

Table 1 – CCDS 2.0 Priority Policy Areas

Urban Structure Area	Density	Highest Zoning District	Requirement for Affordable Housing
Rapid Transit Station Adjacent		TOD, RMF-L, RMU	50 percent of dwelling units exceeding 218 du/acre in TOD and 121 du/acre in RMF-L or RMU
Priority Corridors		RMF-L, RMU	50 percent of dwelling units exceeding 121 du/acre in RMF-L or RMU

Corridors		RMF-L, RMU	50 percent of dwelling units exceeding 121 du/acre in RMF-L or RMU
All other areas of the Urban Structure			Not part of the pilot program, but consideration could be given if CCDS 2.0 Policies / objectives are met.

CCDS 2.0 identifies the Rapid Transit and Corridor areas as areas to focus growth and apply enabling tools, such as density bonusing. Also, Corridors are areas which can generally accommodate greater density, and where parking reductions can be supported more routinely, due to the presence of frequent transit service. Consideration could be given for projects outside of these areas, on a case by case basis, at the request of the applicant, where it can be demonstrated all other objectives and policies of *Complete Communities 2.0* and *OurWinnipeg 2045* are being met. Appendix B and C include maps of the City's designated Corridors.

The intent is also that this policy can align with the interim approach to approving a reduction in parking requirements for affordable housing projects ("Parking Reductions for Affordable Housing" report received by the SPC PD on February 2, 2023). As less parking is provided, more space is available for housing, and increased density on smaller sites becomes more feasible.

Rent monitoring

As the City does not have sufficient resources or expertise to monitor affordability levels post construction, this pilot proposes working with other levels of government to monitor affordability and enforce compliance.

One option being explored is to monitor and enforce the rents through participation in CMHC programs. In this scenario, CMHC's approval would be required, and would form a condition of approval of the development application.

Another option is to partner with the Provincial government, who has agreed to monitor affordable rents. This becomes an important partnership where the City facilitates the supply of affordable units and the Province regulates them, thus creating distinct and mutually-supporting roles. If the first Recommendation in this report is approved by Council, the Public Service will enter into a Memorandum of Understanding with the Province of Manitoba. A Memorandum of Understanding (MOU) between the City and Province could establish the exact parameters and associated roles in this collaboration. A condition of approval of the development application would require proof that an agreement with the Province has been executed. The developer would understand the terms and obligations of this commitment from the beginning and would enter into an agreement voluntarily. Compliance should last for at least 20 years so that the affordable units are transitioned into provincial rent regulation.

Conclusion

The City's application to CMHC's Housing Accelerator Fund (HAF) included an economic feasibility study for inclusionary housing and density bonusing, which, if approved, can

supplement the learnings of this pilot. This pilot is intended to act quickly on opportunities for affordable housing in new developments, and will offer learnings for full policy development and implementation.

FINANCIAL IMPACT

Financial Impact Statement

Date: October 18, 2023

Project Name:

Density Bonus Pilot Program for Affordable Housing

COMMENTS:

While the City of Winnipeg would benefit by an expanded tax base from higher density developments and avoid costs to construct related infrastructure, the purpose of this proposed pilot program is to act quickly on opportunities for affordable housing in new developments and to learn for full policy development and implementation. The timing and amount of any increase to the City's municipal tax revenue resulting from acting quickly to increase density, including affordable housing units, is not reasonably determinable at this time nor is it material in nature. As such, for the purpose of this report, there are no associated financial implications.

Mike McGinn Oct. 18, 2023

Mike McGinn, CPA, CA
Manager of Finance

CONSULTATION

This Report has been prepared in consultation with:

n/a

OURWINNIPEG POLICY ALIGNMENT

OurWinnipeg 2045

Priority 4.4 Affordable and Supportive Housing Options

Enable collaborative partnerships that provide a continuum of existing or new affordable housing, making use of municipal supports such as fiscal, regulatory and measurement tools to ensure those most in need have increased access throughout the resident and building life-cycle.

Complete Communities 2.0

Section C2 – Corridors
Goal 1.0 - Encourage strategic residential intensification on Corridors.

Section G5 – Housing
Goal 1.3 - Employ tools such as density bonusing and inclusionary zoning that encourage and/or require the development of affordable housing that is integrated with market housing. Identify minimum affordability and accessibility requirements in the development of such tools.

Goal 3.0 - Establish partnerships with the private, not-for-profit and government sectors to provide affordable housing throughout the city, with a particular focus on locations near a variety of transportation options.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

This report is in accordance with the Winnipeg Climate Action Plan as adopted by Council on September 20, 2018 in that the Plan supports:

Key Direction 4.1 Increase Strategic Infill Development that Provides Access to and Capitalizes on Existing and Planned Corridors with Frequent Transit Service (p. 43)

As well the Plan aims to: “Construct more complete neighbourhoods and revitalize the livability of all communities throughout Winnipeg” (p. iii).

- The use of tools as outlined in this report would expand affordable housing opportunities and thereby contribute to the development of more complete communities.

Key direction 5.2 – Improve energy performance of new buildings (p.47).
Primary Responsibility: Planning, Property and Development Department

- Support for the development of affordable housing can also result in opportunities of reducing operating energy consumption and greenhouse gas emissions.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

The report is in accordance with the Poverty Reduction Strategy (PRS) in that it provides a mechanism to add to the stock of affordable housing in Winnipeg. This is consistent with the PRS which identifies affordable Housing as a Life Pole (p.38).

The report is consistent with Goal 2 of the PRS: The City Actively Plans for and Partners in Affordable Housing.

SUBMITTED BY

Department: Planning, Property and Development
Division: Urban Planning & Design
Prepared by: Lissie Rappaport, Housing and Neighbourhood Revitalization Coordinator
Date: October 18, 2023
File No:

Attachments:

Appendix A: Density Bonus Backgrounder

Appendix B: Corridors Map from *Complete Communities 2.0*

Appendix C: Rapid Transit Corridor Map from *Complete Communities 2.0*