

REPORT
1996 JULY 08

CITY OF BURNABY

HOUSING COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

RE: Development Of A Framework To Implement Bonus Zoning In Town Centre Areas

RECOMMENDATIONS:

1. *THAT* Council authorize staff to consult with the Urban Development Institute Municipal Liaison Committee on the establishment of Phase 1 of density bonus scheme in Burnaby's four town centres as outlined in Section 7.2 in this report, and that the results be reported back to the Housing Committee.
2. *THAT* Council authorize staff to begin consultations on Phase II of the bonus zoning scheme as outlined in Section 7.3 of this report, and report its findings to the Housing Committee.

REPORT

The Housing Committee, at its meeting held on 1996 June 25, adopted the attached report outlining a framework for the establishment of a density bonus scheme in Burnaby's four town centres that will lead to the provision of extra development density in return for the contribution of amenities and/or affordable housing.

Respectfully submitted,

Councillor L.A. Rankin
Chairman

Copy:- City Manager
- City Solicitor
- Director Finance
- Director Engineering
- Director Plng. & Bldg
- Dir. Rec. & Cult. Ser.
- Chief Envir.Health Off.

Councillor C. Redman
Member

Councillor J. Young
Member

TO: CHAIRMAN AND MEMBERS
HOUSING COMMITTEE

1996 JUNE 20

FROM: DIRECTOR PLANNING AND BUILDING

OUR FILE:

SUBJECT: DEVELOPMENT OF A FRAMEWORK TO IMPLEMENT BONUS ZONING IN
TOWN CENTRE AREAS

PURPOSE: To develop a framework for the establishment of a density bonus scheme in Burnaby's four town centres that will lead to the provision of extra development density in return for the contribution of amenities and/or affordable housing.

RECOMMENDATION:

1. **THAT** the Housing Committee recommend that Council authorize staff to consult with the Urban Development Institute Municipal Liaison Committee on the establishment of Phase I of density bonus scheme in Burnaby's four town centres as outlined in Section 7.2 in this report, and that the results be reported back to the Housing Committee.
2. **THAT** the Housing Committee recommend that Council authorize staff to begin consultations on Phase II of the bonus zoning scheme as outlined in Section 7.3 of this report, and report its findings to the Housing Committee.

R E P O R T

1.0 BACKGROUND

The passage of Bill 57 has given local governments a new set of tools to encourage the development of affordable housing. In 1994, City Council, in response to a notice of motion put forward by the Chairman of the Housing Committee requested staff to address the implications of the new legislation, especially the use of bonus zoning to achieve affordable housing. In addition, as part of the Affordable Housing Strategy for the Brentwood Town Centre, the use of bonus density is being suggested as one method of achieving affordable housing and possibly other key amenity objectives.

Density bonuses have been used for a long time in the Zoning Bylaw for such items as underground parking or reduced site coverage. In essence, Bill 57 gave explicit authority to use density bonuses in exchange for affordable housing and amenities.

There are four common elements to any bonus zoning system:

- ▶ establishment of the purpose of the system;
- ▶ determination of the amenities needed to achieve these purposes;
- ▶ determination of the size and type of the bonus that will be granted;
- ▶ development of a method of administering the bonus system.

bonusing in the four Town Centre areas of the City to facilitate the development of affordable housing and amenities. The report provides an overview of the legislation, provides some examples where bonus zoning is used and provides a framework for the creation of a bonus zoning scheme for the designated Town Centre areas of the City.

2.0 OVERVIEW OF LEGISLATION

Bill 57, passed by the Provincial Government in July 1993 provides local governments with enhanced planning tools needed to contribute to the objective of enhancing housing affordability. The amendments provide local governments with clear authority in three areas:

- ▶ density bonusing in exchange for meeting specified conditions;
- ▶ comprehensive development zoning and
- ▶ housing agreements

The overarching premise behind the legislation is that actions undertaken by local governments such as rezoning land can generate value, and that the community has a right to retain some of that value, be it in the form of amenities or affordable housing. Generally, there are two ways that value is generated. First, lower value sites are redesignated to higher value land uses, and a public contribution can be realized through comprehensive development zoning. Second, for sites that are already zoned for a higher value use, extra value can be generated through offering bonus density.

Density bonusing enables local governments to increase the allowable density on a site in return for the developer providing affordable or special needs housing or amenities. Amenity is not defined in the legislation but is generally defined and understood as circumstances which enhance the pleasantness or desirability of a property for its residents and the community. Examples of possible amenities include underground parking, day care space, open space or an environmental conservation area.

Density bonusing can be applied in two ways. The first approach is to use density bonuses with conventional zoning where the provision for density variation is included in the actual zoning bylaw itself. With this approach, the base density and the bonus density as well as the conditions necessary to achieve the extra density are explicitly provided in each District schedule. The difficulty with this approach is that it treats similarly zoned sites the same in terms of the potential density bonus, where in reality, what works on each site depends on individual development economics, location and the current state of the market. A density bonus scheme based on conventional zoning tends to be somewhat inflexible and requires frequent amendments to remain relevant.

The second approach involves comprehensive development zoning with a provision for density bonusing in an adopted development plan or Official Community Plan. In this case, it is possible to determine an appropriate density for a site on a case-by-case basis considering the current market conditions, other demands on the site, and the specific benefit that is needed for the site or neighbourhood. Approval of the proposed site densities and amenities would ultimately occur through Council.

The second approach is closely related to the way Burnaby deals now with development approvals and forms the basis of a density bonus scheme as described further in the report.

3.0 CONDITIONS NECESSARY FOR A SUCCESSFUL DENSITY BONUS FRAMEWORK

Density bonusing is most successful in areas that experience sustained pressures for growth and where development is considered attractive from an economic perspective. Variables such as location, land value, lot size buildable square foot costs, market condition and zoning will all have an impact on the value and appeal of a density bonus and the subsequent amenity which can be obtained.

The usefulness of the bonus in terms of construction type should also be considered. For example, a bonus that meant that a four storey frame building would, to accept the extra density, be forced into concrete construction would not be attractive. Similarly, a developer intent to build for a specific market niche, for example ground oriented housing, may not find a bonus attractive. It is clear that each development proposal must, to a large extent, be evaluated on its own merits so that density bonusing is used in a way that is useful to the developer as well as meeting City objectives

4.0 PRINCIPLES OF A DENSITY BONUS SCHEME

Density bonusing should be considered with the following principles in mind:

- i) The amenity or housing obtained through the bonus zoning should meet an identified special community need. Bonus density should not be granted to obtain housing or amenities that otherwise would have been provided or have been provided by the private market through rezoning or other normal channels.
- ii) The density bonus scheme must balance the need to establish extra density that is appealing to developers while at the same time still result in developments that respect good community planning principles in terms of appropriate densities and building form.
- iii) The mutual agreement of the City and developer to the proposed level of density and the amenity obtained is a crucial ingredient in assessing a development using bonus zoning. Proposals should be considered on their own merits relative to site, size and type of project, economic conditions and the nature of the amenity or housing provided, but at the same time be based on a policy framework that aims to treat all development in an equitable way.
- iv) Housing or amenities obtained through density bonusing should be related to the area where the development is located. Ideally, the housing or amenity should be provided on the site that is benefitting from the increased density, or if this is not possible, it should be provided in the relevant town centre area.

5.0 USE OF BONUS ZONING IN OTHER JURISDICTIONS

Density bonus schemes have been used in several North American cities since the late 1950's. Bonus systems are essentially systems of exchange, allowing for zoning requirements to vary in exchange for provision of certain amenities that benefit the community. Usually, developers are allowed to build more floor space, from which they derive more income, in return for providing the amenity. Bonus systems can be relatively simple provisions, or complex programs with several layers of administration.

The City of Burnaby has used density bonuses to help preserve heritage buildings, provide special needs housing and ensure a good standard of site development through encouraging underground parking and site consolidation. The City Club development has been cited as an example where extra density was granted in turn for the provision of housing for those with disabilities.

The City of Vancouver, under the powers of the City Charter, has used bonus zoning for a number of years to preserve heritage buildings and in the case of the Downtown District for example, to obtain affordable housing. Surrey and the City of North Vancouver are currently reviewing bonus zoning systems designed to obtain affordable housing and amenities.

The Vancouver system is the most sophisticated of the three and involves the preparation of a pro forma that outlines the value of the land before the zoning density, and the value of the land after the bonus is applied. In addition, a full accounting of development costs (ie. construction, soft and hard costs) gives a picture of what the true value of the bonus is estimated to be. This analysis forms the basis for negotiating the value of the housing or amenity the developer would provide.

The Vancouver system works well in calculating the costs of providing affordable housing and the corresponding density that is required to compensate an owner to make the proposal economically feasible and attractive. The system takes into account variations in site circumstances or housing market conditions at a particular point in time. This system, however, is complex and requires a high degree of competency in calculating the true costs of development in order to prepare or analyze a pro forma for a specific project. Staff in the Housing and Properties Department who have advanced training in Urban Land Economics carry out these complex calculations with the developers.

The City of North Vancouver and Surrey proposed models are simplifications of the Vancouver model. In both cases a base zoning density and bonused zoning density is established in a zoning bylaw. The increased land value as a result of the bonused density is calculated, and is used in North Vancouver to "purchase" from a set of amenity choices and in Surrey to establish a payment into an affordable housing fund and an amenity fund.

The North Vancouver and Surrey models, while still complex, do not require the technical knowledge that the Vancouver method demands. At the same time, these methods are somewhat less flexible in responding to individual site circumstances.

6.0 BONUS DENSITY FOR AFFORDABLE HOUSING AND AMENITIES: BACKGROUND

6.1 Affordable Housing

Affordable and special needs housing should encourage the development of housing that is affordable to low or moderate income households or has features that the private market generally does not provide.

Examples include:

- ▶ units developed under senior government non-profit housing program
- ▶ price-controlled limited equity market units
- ▶ units controlled/managed/owned by non-profit housing group providing affordable housing
- ▶ guaranteed rental units with rent control mechanism
- ▶ housing for people with special needs such as those with physical or mental disabilities, victims of violence etc.

A more modest bonus could be considered for the following:

- ▶ provision of adaptable units
- ▶ guaranteed rental or time limited rental units

It is recognized that in some cases, a developer may wish to take advantage of a bonus zoning scheme but for various reasons may not be able to provide the housing on-site. Some of these reasons may include the small size of a project or the inability to access a recognized program. While the provision of housing is considered to be the main objective and the first priority, a bonus zoning scheme should be designed so that in cases where it is inadvisable to provide the housing on-site that the developer has, at his or her option, the ability to pay in-lieu to a fund earmarked to provide or assist affordable housing.

In this case it is important that a special reserve fund be established so that such offers of money could be accepted and used only for the purpose of assisting in the production of affordable housing. Funds collected may be used, for example, to purchase land to build affordable housing, write down the cost of land acquired by affordable housing providers, provide grants or loans to various groups to help meet specific needs or provide project development funding or seed money. It is important that disposition of funds collected be associated in some way to the development which received the density, for example, the benefitting project should be located in the same Town Centre area.

6.2 Amenities

The term amenity is not defined in the legislation, but is generally understood to mean something that enhances the desirability of a property and/or the local community. Some examples of amenities could be:

- ▶ urban trails
- ▶ open space or plaza
- ▶ child care facilities
- ▶ meeting rooms for community groups
- ▶ extraordinary environmental protection
- ▶ public facilities (eg. library, community centres, arts facilities)
- ▶ extraordinary public realm improvements (eg. special pavement, lights, street furniture)
- ▶ public art

Some of these items, such as environmental protection, are considered a normal part of the rezoning process. It is important, therefore, that the amenity offer a special or extraordinary aspect to the development for the purposes of obtaining a density bonus.

The need for and desirability of specific amenities may be different for each development site, and in a general sense, for each town centre. The determination of desirable amenities should involve the input of local communities. The amenities needed or desired can be specified in policy documents and Development Plans and become intrinsic components of those plans. Community based planning process such as the Lougheed Area and Edmonds Area provide one opportunity to obtain useful input regarding appropriate amenities.

The identification of amenity items could involve the collaboration of other City Departments such as Engineering, Parks, Finance, Library and Environmental Health. It is possible that some of the amenities may include some facilities that have been identified through other means, such as the Parks Master Plan. The addition of the amenity funds may greatly speed up the provision of such amenities. The amenity funds should not be used however, for the provision of items that are part of the normal City infrastructure such as sanitary or storm sewers or for items normally paid through the development approvals process such as sidewalks.

Amenities may be provided on-site or abutting the site; or in some cases where an on-site amenity is not appropriate and a developer wishes to take advantage of a density bonus, a contribution to an amenity fund could be made. Funds in the amenity fund would be used to pay for amenities that have been identified as important for a given town centre.

7.0 PROPOSED BONUS ZONING SYSTEM FOR BURNABY

Through the use of Comprehensive Development Zoning, Burnaby has been able to achieve the contribution of amenities and affordable housing as a condition of development. In most cases, these development approval processes have involved very large comprehensive sites (eg. Metrotown/Eatons Centre and Oaklands) where the provision of amenities and housing is considered an integral part of the plan. In these cases, bonus zoning is not necessary as the ultimate developable density is established as part of the process that creates the adopted development plan. Child care facilities and meeting rooms at Metrotown are two examples where amenities have been achieved through the Comprehensive Development (CD) process. The proposed bonus zoning scheme would not affect these large, comprehensively developed projects.

The use of bonus zoning would be to provide opportunities to build affordable housing and provide amenities on distinct parcels in the Town Centre areas. At the outset, it is suggested that reference to the ability to obtain bonus density be applied to the Town Centre areas only (Metrotown, Lougheed, Edmonds, Brentwood), where extra density is more readily expected and accepted and is capable of being supported by, for example, proximity to a full range of transportation options, as well as services and amenities. Each Town Centre Plan should identify the provision for bonus density as an option and provide a range of amenities and affordable housing options. Each Town Centre Development Plan would identify potential locations appropriate for the density bonus, taking into account such factors as edge conditions and relationship to other land uses.

The Zoning Bylaw would be amended to identify the districts where Bonus Zoning would apply, would identify the amount of density that could be bonused, and refer to the policy documents (eg. Town Centre Plan, Bonus Density Policy) that would provide the details of the scheme. The housing or amenities may be provided on-site or off-site depending on the characteristics of the specific site and depending on the priorities for amenities or housing identified in the Town Centre Development Plan. Assessment of the suitability of a specific proposal utilizing a density bonus would be subject to specific Council approval. It is important that a bonus zoning scheme for Burnaby provide for both the situation where the amenity or housing is on-site, but also extends the ability to achieve extra density for the provision of amenities and affordable housing on smaller sites when where on-site facilities are not feasible. In this way, both large and small development sites are treated equitably.

The establishment of reserve funds to collect bonus density payments is an important component of the proposal. It is essential that the bonus density payment funds be tied to the funding of actual amenities and housing proposals that are related to the contributing development. A bonus provision based on a condition that included a cash-in-lieu option should provide a clear connection between the density increase, the amenity and the payment-in-lieu. To provide this connection, reserve funds for amenity and affordable housing contributions for each town centre area should be created.

Some local governments have recently been criticized for attempting to use density bonusing as a way to extract extra cash contributions from developers. In some cases, municipalities are proposing to lower current permissible densities and to apply a bonus system that must be used in order to reach previous maximum density levels. In the case of Burnaby, all density bonuses would be provided as real increases in current development potential.

Another key component of the bonus zoning scheme is the principle that the value of the bonus density should be related to the value of the amenity or affordable housing. However, it is clear that few developers would actually find such a formula attractive in that all of the extra value is taken up by the value of the improvement. Therefore, there must be a factor built in which allows developers to keep some of the value inherent in the density bonus as a net benefit. In Surrey, it is being recommended that the developer retain 50% of the value of the bonus. The exact distribution of benefit in Burnaby should be the subject of further examination.

7.1 Suggested Range of Bonus Densities

Through the use of Comprehensive Development Zoning, staff can implement bonus zoning by recommending that a higher density category of the zoning schedule be applied. For example, if through preservation of a heritage structure, the density of a development is raised to an Floor Area Ratio of 1.1 to 1.4, then staff would recommend that the CD Zone be based on the RM4 category rather than the RM3 category. However, for the purposes of calculating a potential payment-in-lieu provision, it is necessary to state the base density and the ultimate density in the Zoning Bylaw.

Base densities and bonus densities for each of the affected Districts are proposed as follows:

District	Base Density (FAR)	Base Density + Bonus Density (FAR)
RM1	0.6	0.7
RM2	0.9	1.0
RM3	1.1	1.25
RM4	1.7	1.9
RM5	2.2	2.4

(assumes 100% underground parking)

In addition, it is recommended that a new zoning category be created to recognize the ability and desirability of the core areas of the Town Centre areas to accept higher density. This district, tentatively called the RM8 District would allow densities of up to 2.7 FAR dependent on the inclusion of site specific special amenities and/or affordable housing as well as possible contributions to an in-lieu affordable housing and amenity fund.

It is evident that the greatest increase in density is possible in the high rise categories, with only very modest increases in the low rise categories. This reflects the ability for high rise buildings to simply become taller as a response to the extra density, whereas the low rise buildings are constrained by the wood frame construction form with a maximum height of 4 storeys as well as the significant impact on livability that could occur if the density of townhouse type development is increased. Further, increases in density at the lower end of the spectrum may force developers out of ground oriented housing forms, which is contrary to the policy direction of the Liveable Region Strategic Plan.

The Town Centre Development Plans would identify the sites that are appropriate for consideration of bonus density. In implementing bonus density schemes on individual development sites, one of the two following methods could apply:

7.2 Bonus Density: On-site Amenities and Housing

In cases where an on-site special amenity or housing opportunity is identified, the provision of the bonus density could be reviewed on a site specific basis. An example of this is the extraordinary dedication of land and construction of a public plaza feature or the provision of non-market housing on site. The provision of non-market housing under a recognized senior government program should be eligible for the extra density, subject to the normal considerations of liveability and suitability.

In many ways, this method is a refinement on the Comprehensive Development Approvals process as it is carried on at this time. The ultimate decision regarding acceptable density limits and appropriate amenities or housing remains with Council with the assistance of the Planning Department. The proposed new RM8 District will also provide a new level of development in Burnaby's most urban areas that will ensure that special amenities and affordable housing are provided.

Implementation of this part of the scheme is relatively simple. Following consultation with members of the Urban Development Institute Municipal Liaison Committee, who are most familiar with developing in Burnaby, a proposed approach amending the Zoning Bylaw to permit bonus zoning would be presented to the Housing Committee and Council. Existing adopted Community Plans will provide the framework for specifying amenities or affordable housing options, with refinements occurring over time as part of the normal plan review process.

7.3 Bonus Density: Off-site Amenities and Housing

In cases where the provision of on-site amenities or housing is not possible or desirable the developer should be given the option of taking advantage of extra density. In this case, the developer could take advantage of the bonus density and make a contribution to a fund that provides amenities and housing in the same town centre area. The value of the contribution will be based on the value of the extra density, with the distribution of the benefit distributed between the City and the developer.

It is suggested that a specified percentage of the contribution be earmarked for affordable housing and a specified percentage be earmarked for amenities. These percentages may be different for each town centre recognizing the relative need for affordable housing and amenities in each area. For example, the Edmonds Town Centre which has a generous supply of affordable housing may benefit more by improvement in amenities such as community space or other facilities than the provision of more housing at this time.

While this part of the density bonus scheme is considered key in order to maintain equity in applicability of bonus density within Town Centres, it is recognized that its implementation is much more complex. Before implementation, staff will need to consult with other departments. It is also considered appropriate to consult with the Urban Development Institute Municipal Liaison Committee and non-profit housing providers as the recognized representatives of the development community and affordable housing development community.

The following issues will form the key topics for consultation:

- ▶ Establishment and details regarding the proposed housing and amenity reserve funds;
- ▶ Review of the proposed formula for establishing the amount of financial contribution from development; especially the percentage value of the density bonus benefit that the contribution will be based on.

It is suggested therefore, that the simpler bonus density scheme based on the provision of on-site amenities and housing be pursued as a Phase I, while consultation regarding the more complex density bonus contribution in-lieu scheme be pursued as soon as possible, but the implementation occur as Phase II.

8.0 CONCLUSION AND NEXT STEPS

If the Housing Committee and Council agree, staff will initiate discussion with the development industry, through the Urban Development Institute Municipal Liaison Committee to obtain comment and feedback on Phase I of the density bonus scheme

Following this consultation process, staff will report back to the Housing Committee laying out an approach that will lead towards the implementation of a bonus zoning scheme for the City of Burnaby based on Comprehensive District Zoning based on on-site amenities and affordable housing.

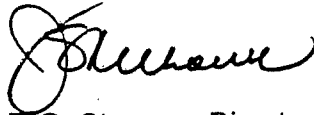
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At the same time, staff will initiate discussions with other departments, the UDI Municipal Liaison Committee and non-profit housing providers to review the details of a density bonus scheme that provides the option for developers to receive the extra density but pay into a fund that will pay for amenities and affordable housing in the Town Centre Area. Staff will report back on the findings of this consultation process as Phase II.



D.G. Stenson, Director
PLANNING AND BUILDING

BG/jp

cc: City Manager
City Solicitor
Director Finance
Director Engineering
Director Recreation and Cultural Services
Chief Environmental Health Officer

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