City of Richmond

Report to Committee

To:	Planning Committee	**Date:**	June 1, 2016
From:	Cathryn Volkering Carlile General Manager, Community Services	**File:**	08-4057-01/2016-Vol 01
Re:	**Affordable Housing Strategy Update - Low End Market Rental Policy Information Backgrounder**		

Staff Recommendation

That the staff report titled "Affordable Housing Strategy Update – Low End Market Rental Policy Information Backgrounder," dated June 1, 2016 from the General Manager, Community Services, be received for information.

Cathryn Volkering Carlile
General Manager, Community Services
(604-276-4068)

Att. 1

REPORT CONCURRENCE		
ROUTED TO:	**CONCURRENCE**	**CONCURRENCE OF GENERAL MANAGER**
Development Applications Policy Planning	☑ ☑	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	**INITIALS:** DW	**APPROVED BY CAO**

Staff Report

Origin

The purpose of this report and accompanying informational backgrounder (Attachment 1) is to provide Council with information on other models and practices from jurisdictions in Canada and the United States relating to inclusionary zoning as a means of securing low-end-market rental units.

The information backgrounder will be considered along with the findings from the completed Community Profile (anticipated to be completed in Fall 2016) as part of the Affordable Housing Strategy update to re-examine and develop policy that addresses current housing needs and challenges in Richmond.

This report supports Council's 2014-2018 Term Goal #2 A Vibrant, Active and Connected City:

> *Continue the development and implementation of an excellent and accessible system of programs, services, and public spaces that reflect Richmond's demographics, rich heritage, diverse needs, and unique opportunities, and that facilitate active, caring, and connected communities.*
>
> *2.2. Effective social service networks.*

This report also supports Council's 2014-2018 Term Goal #3 A Well-Planned Community:

> *Adhere to effective planning and growth management practices to maintain and enhance the livability, sustainability and desirability of our City and its neighbourhoods, and to ensure the results match the intentions of our policies and bylaws.*
>
> *3.4. Diversity of housing stock.*

This report also supports the Social Development Strategy Goal #1: Enhance Social Equity and Inclusion:

> *Strategic Direction #1: Expand Housing Choices*

Background

The Affordable Housing Strategy (AHS), adopted by Council on May 28, 2007, was first created to respond to residents' need for access to safe, affordable and appropriate housing. The central focus of the AHS is to ensure that the City is successful in providing a range of housing options for households of different ages, family types and incomes. The AHS identifies three priority areas:

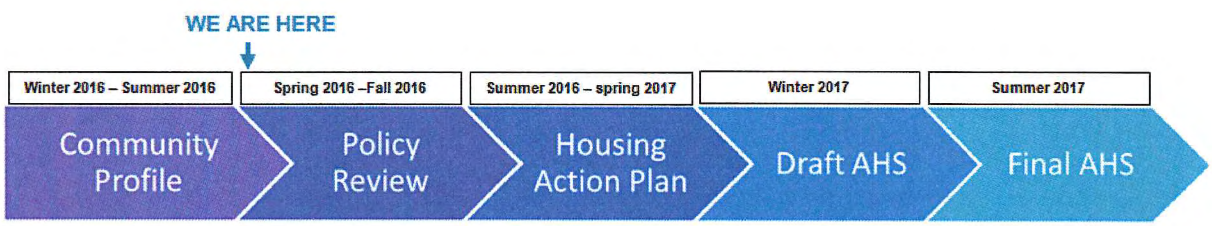
1. Subsidized rental housing, for households earning $34,000 or less;
2. Low end market rental housing, for households earning between $34,000 or less and $57,000 or less; and
3. Entry-level homeownership, for households earning $60,000 or less.

Analysis

Affordable Housing Strategy Update

To begin the Affordable Housing Strategy update process, staff presented data and statistics with respect to housing need and affordability in Richmond to Council on March 14, 2016 as part of Phase 1 (Community Profile). To supplement the statistics, staff are undertaking consultation work with the public and key stakeholders to generate a greater understanding of the challenges individuals and households face when accessing housing in Richmond. With respect to identifying the need for low-end-market-rental housing, staff are engaging non-profit housing providers and the development industry to identify potential opportunities and challenges with inclusionary zoning approaches and mechanisms to secure low-end market rental units. Feedback from these community engagement initiatives will be collated with the statistical information into a comprehensive Community Profile for Council consideration this fall.

Figure 1: Affordable Housing Strategy Update Timeline



Staff have also compiled preliminary research on various housing policies and practices that is anticipated to inform Phase 2. Specifically with low-end market rental housing, staff have been tracking Council referrals, noting Council preferences, compiling comments and concerns from the development community and monitoring households and client groups that could benefit from increased affordable rental supply. Staff will utilize this information along with the Community Profile findings to re-visit and develop policies that are tailored to a Richmond-specific housing context.

Inclusionary Zoning and Low End Market Rental (LEMR) Housing

Inclusionary zoning is a regulatory tool that requires the provision of built affordable housing as part of residential and/or mixed use development as a condition of development approval. Inclusionary zoning is an effective way of securing built units or cash contributions in the absence of significant senior government funding or rental supply program.

Metro Vancouver estimates that Richmond needs to create a minimum of 220 low-moderate income rental units annually over ten years. Inclusionary zoning is one mechanism that can address the demand for these types of units. In Richmond, inclusionary zoning is combined with density bonus incentives to secure built LEMR units in developments larger than 80 units and secondary suites in most single family rezonings. The City also secures cash-in-lieu contributions for some single family rezonings, all townhouse developments and all apartment developments creating 80 units or less. Figure 2 details the affordable housing contributions secured through inclusionary zoning practices.

Figure 2: Contributions Secured Through Inclusionary Zoning in Richmond

Type of Development	Contribution Required
Apartments over 80 units	5% of the total residential floor area constructed as low-end market rental units
Apartments with 80 units or less	Cash-in-lieu contribution of $6/sq. ft.
Townhouse	Cash-in-lieu contribution of $4/sq. ft.
Single family (rezoning)	1) Secondary suite constructed on 100% of new lots created; or 2) Secondary suite constructed on 50% of new lots created and $2/sq. ft. contribution on 50% of the remaining lots; or 3) 100% cash contribution of $2/sq. ft. in cases where secondary suites cannot be accommodated (developer must provide rationale).

Successes with Inclusionary Zoning in Richmond

Inclusionary zoning is a successful mechanism in Richmond for securing affordable housing. Since the adoption of the AHS in 2007, the City has secured the following units through the inclusionary zoning approach:

- 320 low end market rental units
- 477 subsidized rental units
- 19 affordable homeownership units
- 165 secondary suites
- 411 market rental units (secured through a Housing Agreement registered on title)

With respect to the low-end market rental priority, the City is able to secure affordable rental units located in larger market developments targeted towards low-to-moderate income households. Examples of individuals who benefit from access to low-end market rental include students, retail/service workers and low-to-moderate income families. The chart below outlines current requirements for low-end market rental units in Richmond.

Figure 3: Low End Market Rental Thresholds

Unit Type	Minimum Size	Maximum Monthly Rent	Total Household Annual Income
Bachelor/studio	37 m^2 (400 ft^2)	$850	$34,000 or less
1 bedroom	50 m^2 (535 ft^2)	$950	$38,000 or less
2 bedroom	80 m^2 (860 ft^2)	$1,162	$46,500 or less
3+ bedroom	91 m^2 (980 ft^2)	$1,437	$57,500 or less

Staff have received feedback from the development industry that the inclusionary zoning approach is especially successful in Richmond, as a flat rate and/or built unit requirement is communicated clearly and applied in a transparent fashion. Some other successes of the low-end market rental units include:

- Use of units are secured as low-end market rental in perpetuity;

- Tenants enjoy unrestricted and unlimited access to common amenities, including facilities and parking;
- Units are dispersed throughout the building to facilitate a sense of inclusion in the community; and
- Many of the units secured are located in the City Centre neighbourhood with close proximity to services, amenities and transit.

Richmond's approach to implementing inclusionary zoning is recognized across municipalities in Metro Vancouver for its success in generating built affordable housing units and cash-in-lieu contributions. The policy review will continue to build on Richmond's successes.

Challenges with Securing LEMR Units in Richmond

While inclusionary zoning has been a success for securing built affordable housing contributions as LEMR units, there are some challenges such as:

- Occupancy management – as the City does not own or manage the units, the responsibility for tenant selection and property management often falls onto the developer/designated property management firm. Due to this model, there is no centralized waitlist or application process for eligible households. This can lead to confusion from interested tenants regarding availability of the units and how to apply.
- Concerns from the development community – this includes minimum unit sizes, access to parking, the dispersal of units throughout a development, and their ongoing management responsibility.

Some development industry representatives continue to express concerns about the percentage of the floor area dedicated towards LEMR units. Staff are consulting with development industry stakeholders to receive feedback and identify opportunities for strengthening the inclusionary zoning model.

Highlights from Case Studies

Richmond is the only municipality in Metro Vancouver utilizing a consistent inclusionary zoning approach, which reflects the City's specific development circumstances and development opportunities. In comparison, other jurisdictions may have similar mechanisms, but it should be recognized that the funding climate and development context may be different. For example, land contributions (instead of built units) are provided for the development of affordable housing projects in the City of Vancouver and the City of Montreal. Specifically, the Provincial Government is a very active partner in affordable housing development in Montreal, often providing up to 50% of the capital funding for affordable rental housing. In addition, American municipalities referenced in the policy backgrounder often receive significant funding and assistance from the federal government.

Next Steps

Although the responsibility for providing affordable housing largely rests with senior governments, the City recognizes that providing a range of affordable and diverse housing types for residents is an important element of creating a livable community. The main objective of the AHS is to ensure that the City is successful in continuing to be a regional leader in affordable housing and providing housing options for households of different ages, family types and incomes.

Phase 2 (Policy Review) of the AHS update will examine how the City can encourage an increasing supply of housing options, including the provision of LEMR units. Review of policy practices and case studies provides comparisons on how inclusionary zoning works in other municipalities. This research will be considered with the Community Profile findings to determine the level of housing need in Richmond and generate ideas to enhance the City's current inclusionary zoning mechanisms and policies pertaining to the LEMR priority. Some of the key considerations that staff will undertake during the policy review include:

- Identify new minimum thresholds for requiring LEMR units for townhouse projects and re-examining thresholds for apartment projects of less than 80 units and built LEMR units requirements in townhouse projects;
- Update maximum rents and annual income thresholds;
- Update housing Agreement provisions and language, parking requirements;
- Update minimum units size requirements;
- Identify opportunities and options for non-profit housing providers to partner with developers to potentially manage LEMR units; and
- Continue ongoing administration and monitoring of Housing Agreements and information for eligible households.

A critical component of the LEMR policy review will be to undertake an economic analysis to generate recommendations for revising the threshold for built unit development (e.g. increasing the 5% built unit requirement, reviewing the 80 unit threshold). The LEMR policy review aims to build on Richmond's successes with achieving built units and collecting cash-in-lieu contributions from developments.

Financial Impact

None.

Conclusion

With Metro Vancouver's estimation of 220 low-moderate income rental units needed annually in Richmond over ten years, it is timely to review the successes and challenges of the current affordable homeownership policy. A thorough analysis, combined with the complete Community Profile, will generate policy recommendations that better respond to current housing need and identify opportunities for creating more affordable rental options in Richmond. LEMR units are an important part of the housing continuum, as they provide more affordable rental options for low-moderate income households. This is especially important considering the current rental market in Richmond, which has high rents and low vacancy rates. Encouraging more LEMR opportunities will help to generate a full range of housing options to meet the needs of a diverse population.

Joyce Rautenberg
Affordable Housing Coordinator
(604-247-4916)

Att. 1: Policy Backgrounder – Inclusionary Zoning for Low End Market Rental Housing

City of Richmond

DRAFT

Affordable Housing Strategy Update Policy Backgrounders

Part 2 – Inclusionary Zoning (Low-End-Market-Rental)

Richmond

Table of Contents

1. Introduction

Housing affordability continues to be a critical issue both regionally and at the local level. Richmond's *Affordable Housing Strategy* (AHS), adopted by Council in 2007, is being updated to reflect current and future community needs and to align with regional housing goals. Central to the update is a review of the AHS's three priority policy areas: subsidized housing, low end market rental, and entry level homeownership.

This report is part of a series of backgrounders intended to help inform and frame the policy review and focuses on the second priority, which is the City's inclusionary zoning approach to provide low end market rental housing targeted to households with low to moderate incomes between $34,000 and $57,500. More specifically, this report provides:

- a definition of housing affordability and inclusionary zoning;
- a high level overview of senior and regional government context with respect to inclusionary zoning and housing demand;
- a summary of Richmond's inclusionary zoning approach including achievements to date;
- a snapshot of current renter households and the rental market in Richmond; and
- case studies from other Canadian and American jurisdictions that use inclusionary zoning to address local affordability housing issues.

1.1 What is Affordable Housing and Inclusionary Zoning?

The Canadian Housing and Mortgage Corporation (CMHC) provides a commonly accepted measurement for households based on a ratio of housing costs to gross income. According to this measurement, renter households should not spend more than 30% and owner households should not spend more than 32% of their before tax income on housing costs. Owners' gross-debt-service (GDS) ratio includes applicable strata fees, homeownership insurance and heating costs, and therefore their GDS is slightly higher than that for renters.

Inclusionary zoning refers to a regulatory instrument that either encourages or requires the provision of affordable housing as part of residential and/or mixed use developments, typically requiring a percentage of affordable housing units be provided in a development as a condition of development approval. Inclusionary zoning may often be combined with density bonusing (as in Richmond's case) or other incentives, such as fast tracking permits. As in Richmond, cash-in-lieu options are also used by some jurisdictions to fund special affordable housing projects.

2. Context

2.1 Federal Government

The Federal Government has traditionally and historically played a major role in the provision of affordable housing. This has changed significantly over the past 20 years as policy changes have resulted in less funding to support the creation of new affordable housing options particularly for low to moderate income households. In response, some provincial and local governments across Canada have developed various local approaches, including the use of inclusionary zoning to encourage the construction of affordable housing targeted towards low to moderate income households.

2.2 Provincial Government

In BC, the Provincial Government has continued to match federal funding for housing with an increased focus on more vulnerable populations. In particular, there is a focus on the provision of rental supplements as the primary means of improving affordability for low to moderate income households. The Province has also used legislation through the *Local Government Act* (Section 483) giving municipalities the authority to use inclusionary zoning to facilitate the development of affordable housing. Only a few BC municipalities, including Richmond, have adopted local inclusionary zoning policies.

2.3 Metro Vancouver Regional District

Metro Vancouver 2040 – Shaping Our Future (2011), the Regional Growth Strategy, provides the overall growth management framework for Metro Vancouver. In addition to coordinating regional land use, transportation planning and directing future growth to urban centres, it provides direction for the provision of affordable housing. The draft *Regional Affordable Housing Strategy* encourages municipalities to facilitate the creation of new rental housing supply that is affordable for low-moderate income households and to plan for the special housing needs of specific populations. In supporting the Regional Growth Strategy, municipalities are required to develop local housing action plans. These housing action plans will play an important role in responding to regional goals, including affordable rental housing for low-moderate income households, to provide diverse and affordable housing choices. Metro Vancouver estimates that Richmond will require 2,200 units of low-moderate income rental housing over the next ten years

3. Richmond's Inclusionary Zoning Approach

Although the mandate to provide affordable housing is the primary responsibility of senior governments, Richmond has long acknowledged that providing a range of affordable and diverse housing types for residents is an integral part of creating a liveable community. A central focus of the current AHS is to ensure that the City is successful in providing a range of housing options for households of different ages, family types, and incomes.

An important element of the AHS is the housing continuum highlighted in Figure 1. The continuum identifies the range of housing choices including ownership and rental, as well as government supported housing such as non-profit, co-op and emergency shelters. Ideally in any community, options available to move along the housing continuum should be available for those who need them.

Figure 1: Housing Continuum

Housing Continuum

Homeless and At Risk			Rental Housing				Homeownership	
Emergency Weather Shelters	**Shelters**	**Transitional Housing**	**Non-Market/ Social Housing**	**Low-End-Market Rental**	**Purpose Built Rental**	**Secondary Market Rental**	**Affordable Homeownership**	**Market Homeownership**
Temporary shelters opened when an Extreme Weather Alert is issued.	Short-stay housing with varying levels of support to individuals	Short to medium term housing that includes the provision of support services (on or off-site), to help people move towards self-sufficiency	This housing includes funded by senior levels of government and housing managed by BC Housing, Metro Vancouver, non-profit and co-operative housing providers.	Rental units secured through inclusionary zoning. Targets low-moderate income households with rents set at below market rates.	Residential housing built as rental units, and may not be converted into stratified units. May be owned by a developer or a non-profit organization, or a secondary suite on a single-family lot.	Privately owned condominiums that could be rented out by the owner at market rate.	Units affordable to middle income home buyers. This housing units are usually are modestly sized and targeted to first-time home buyers.	Ownership including single family dwellings, row houses, and strata owned condominiums at market prices.
Richmond Highlights			**Richmond Highlights**				**Richmond Highlights**	
28 temporary spaces	**10 spaces adult males**	**10 spaces for women who** are experiencing violence	**3,652 affordable rental units** (including family and seniors' rental, and co-ops)	**320 Low-end-market-rental units** secured through inclusionary zoning	Approximately **2,806 units of purpose built rental housing** and **812 secondary suites**	Approximately **4,223 renter occupied housing units** in Richmond	Approximately **77% of households are homeowners** in Richmond	

In Richmond, the City's inclusionary zoning policy offers a density bonus at time of rezoning for multi-family and mixed use developments containing more than 80 residential units in exchange for building at least 5% of total residential floor area as low-end-market-rental (LEMR) units. These units are secured in perpetuity with a Housing Agreement registered on title. In some circumstances (apartments less than 80 units and townhouse developments), the City accepts cash contributions in-lieu of built units, which are used for larger scale affordable housing projects.

In addition, at least 50% of any single family lots that are being rezoned and subdivided must include either a secondary suite or a coach house. Although these secondary units do not have stipulated maximum rents or income thresholds for tenants and are not secured with a housing agreement, they increase the density of single family neighbourhoods and provide alternative rental options for the community.

Since adoption of the AHS and the inclusionary zoning and density bonusing approach in 2007, 320 LEMR units have been created. An additional 119,069 square feet of floor space is committed to affordable housing in future development phases. Current unit sizes, maximum monthly rents and eligible household incomes are summarized in Figure 2.

Figure 2: Richmond Low-End-Market-Rental Units Specifications

Unit Type	Minimum Unit Sizes	Maximum Monthly Rent*	Total Household Annual Income[1]*
Bachelor	37 m^2 (400 ft^2)	$850	$34,000 or less
One bedroom	50 m^2 (535 ft^2)	$950	$38,000 or less
Two bedroom	80 m^2 (860 ft^2)	$1,162	$46,500 or less
Three bedroom	91 m^2 (980 ft^2)	$1,437	$57,500 or less

4. Snapshot of Richmond's Rental Market

4.1 Rental Housing Stock

Rental housing is an important and valuable component of the City's housing continuum and includes non-market/social housing, low-end-market-rental units, purpose built market rental, and rental units available in the secondary market rental. According to the CMHC 2015 Rental Market Report, there are 2,806 units of purpose built rental units in Richmond. Figure 3 highlights the rental housing that has been secured through inclusionary zoning since 2007.

Figure 3: Rental Housing Units Secured through the AHS (2007 – 2016), by Unit Type

Units Secured Through the Affordable Housing Strategy			
Subsidized Rental	Affordable Rental (LEMR)	Market Rental	Secondary Suite
477	320	477	165

Note: Figures as of March 2016.

Between 2011 and 2015, the average rents for all types of units in Richmond have increased by 12.4%; the largest increase (20.5%) was for three bedroom units. Figure 4 displays the increase in rent for all unit types in Richmond from 2011 – 2015.

Figure 4: Richmond Rents Increase 2011-2015, by Unit Type

Richmond Monthly Average Rents, by Unit 2011-2015 ($)				
	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom +
2011	736	905	1,278	1,325
2012	749	947	1,365	1,417
2013	796	953	1,177	1,508
2014	808	994	1,198	1,327
2015	843	1,025	1,296	1,596
% Change	**14.5%**	**13.2%**	**1.4%**	**20.5%**

Source: CMHC, 2011 – 2015 Rental Market Surveys.

In 2015, rental vacancy rates in Richmond were lower than 1%, except for 1 bedroom apartments (1.4%). This is an average decrease of 25% in vacancy since 2011. According to the fall 2015 CMHC Rental Market Survey, the average vacancy rate for purpose-built apartments in Canada's 35 major urban centres was 2.7%, close to what many housing professionals believe is a healthy market rate. Richmond's lower than average vacancy rates are indicative of a constrained rental housing market resulting in higher rents and making it more difficult for renters to find adequate housing due to lack of supply.

4.2 Rental Affordability

To affordably rent a bachelor unit in Richmond, households should have an annual income of $32,320. Figure 5 highlights the annual income necessary to affordably rent housing units of various sizes in Richmond. Households falling at the lower end of the housing continuum or relying on income assistance ($375 monthly for an individual) will not be able to rent any unit in Richmond, and therefore require non-market housing with deep subsidies.

Figure 5: Annual Income Necessary to Rent in Richmond, by Unit Type

Housing Type	3+ Bedroom	2 Bedroom	1 Bedroom	Bachelor
Average Monthly Rent	$1,327	$1,198	$994	$808
Annual Income Necessary to Rent with 30% GDS	$53,080	$47,920	$39,760	$32,320

According to Statistics Canada (2011), 47.5% of renter households spend more than 30% of their before tax income on housing. Figure 6 displays data about Richmond's renter households including the percentage of renter households living in subsidized housing.

Figure 6: Number of Renter Households spending 30% or Greater of Total Annual Income on Shelter

Renter Households in Richmond	
Number of tenant households in private dwellings	15,545
% of renter households in subsidized housing	15.3%
% of renter households spending 30% or more of household total income on shelter costs	47.5%
Median monthly shelter costs for rented dwellings ($)	$1,101
Median annual household income	$43,115

Source: 2011 NHS & Metro Vancouver, 2015 Housing Data Booklet.

4.3 Renter Households

In 2011, 22.9% (15,555) of households in Richmond were renters (2011 National Household Survey). Data from Metro Vancouver Housing Data Book (2016) indicated that the median gross family income for renter households was $42,483, which is substantially lower than the median income of $60,479 for all Richmond households.

The Low-Income Measure after tax (LIM-AT)[1] gives municipalities an understanding of the number of households that may be struggling to find housing. According to this measurement, Statistics Canada in 2011 estimated that 22.4% of Richmond residents were considered low-income. This may not reflect an accurate number of those who are truly considered low-income residents due to Canadian and foreign income tax laws. According to the 2016 Metro Vancouver Housing Data Booklet, in 2010 17% of all Richmond households (11,815) earned between $30,000-$49,000. These households may not be able to afford market rate rents and therefore may rely on low-end-market rental units.

[1] This measurement is a fixed percentage (50%) of median adjusted after-tax income of households observed at the person level, where "adjusted" indicates that a household's needs are taken into account. Adjustment for household sizes reflects the fact that a household's needs increase as the number of members increase, although not necessarily by the same proportion per additional member. For example, if a household of 4 persons has an after tax income of less than $38,920 all members of the household are considered low-income (Statistics Canada, 2010).

5. Inclusionary Zoning: Selected Case Studies

The following section highlights selected inclusionary zoning policies used in other jurisdictions throughout Canada and the United States. Richmond is one of the few Canadian cities to adopt a local inclusionary zoning policy. While these case studies reflect local housing market conditions including land costs as well as specific legislative circumstances, they illustrate the range of inclusionary zoning policy approaches that have been developed to address affordable housing challenges.

Vancouver

Vancouver first adopted its inclusionary zoning policy in 1988 in preparation of the redevelopment of the Expo lands in the False Creek neighbourhood. This program is combined within the City's larger Community Amenity Contributions Policy. In exchange for a density bonus the City requires a contribution of land instead of built units. The City then works with senior governments and the non-profit sector to develop affordable rental housing. To date, land contributions through Vancouver's inclusionary zoning resulted in the development of over 2,500 units of affordable rental housing.

Program Characteristics

Target Households:

- Varies between developments. Typically land gained from inclusionary zoning has been used to develop Single Room Occupancy hotels that support homeless persons, persons at risk of homeless, and persons with other barriers to housing including mental health issues.

Development Thresholds:

- Used on a case-by-case basis for residential developments of 200 units or more where staff deem it appropriate to request a land contribution towards affordable housing projects.

Contribution Rates:

- The developer is required to contribute 20% of the base density (excluding density gain through density bonusing) for affordable housing projects.

Administration:

- The contribution is negotiated on a case-by-case basis by planning staff as part of the overall Community Amenity Contribution. The City then works with senior levels of government and non-profit groups to develop the non-market housing. The City will lease the land gained through the development contribution to the operating organization for 60 years.

Montreal – Inclusionary Zoning Strategy

This voluntary approach was first adopted in 2005 with a goal to provide mixed income housing (both rental and homeownership) in all large residential developments. Similar to Richmond, this policy responds to rising housing prices and a growing demand for affordable rental housing. Unlike Richmond however, Montreal has a more affordable housing market. Montreal City staff note that the city's lower land prices relative to Metro Vancouver results in a smaller burden on developers. The Province of Quebec also continues to provide substantial capital funding towards all social housing developments. Since the policy was adopted, approximately 400 – 1,200 units of affordable housing are created annually.

Program Characteristics

Target Households:

- Low-income households with an annual income below $35,000 are eligible for social housing units; moderate-income households with an annual income between $35,000-$50,000 are eligible for affordable homeownership units.

Development Thresholds:

- All developments proposals with 100 or more residential units; smaller developments are asked to contribute cash in lieu.

Contribution Rates:

- Developers are required to provide 15% of all residential units as affordable homeownership. In addition, developers are required to provide a land contribution for a social housing development which should equal another 15% of the total residential units of the development. This land can be provided on or off site. The development of the new social housing project is financed through a combination of provincial funding, City contributions, and a chosen non-profit or co-operative housing provider.

Administration:

- Once the social housing units are built, the chosen non-profit or co-operative housing provider administers the project.
- The City of Montreal administers the unit price and resale restrictions of the affordable homeownership units.

Boston – Inclusionary Development Policy

This policy was adopted in 2000 under direction from the mayor at the time in the absence of state legislative direction. It has been modified since to respond to rapidly increasing housing prices and reduced state and federal funding for affordable housing. The program has led to the development of 1,496 new affordable housing units through on-site and off-site construction, with another 551 currently under construction. In addition, more than $100 million has been raised in cash-in-lieu contributions, which has been used to build another 1,500 affordable housing units.

Program Characteristics

Target Households:

- Households eligible for affordable rental housing must earn less than 70% of the area median income; households eligible for affordable homeownership must earn less than 100% of area median income however some units are reserved for households earning less than 80% of area median income.

Development Thresholds:

- Developments with ten or more residential units seeking rezoning.

Contribution Rates:

- Developers are required to provide 15% of affordable housing units (rental or homeownership).
- Cash-in-lieu is accepted in areas where affordable housing is better located off-site. In these cases, developers are required to provide a minimum of $200,000 per unit of required built affordable housing. In specified areas, developers are also required to pay a difference between the price of a market condominium and an affordable unit. In these cases developers are sometimes required to pay greater than $50,000.

Administration:

- The program is administered by the Boston Redevelopment Authority (BRA), a subsidiary of the City and State government. In addition, the BRA also administers rent regulations and the re-sale of any homeownership units.

San Francisco – Inclusionary Affordable Housing Program

Inclusionary zoning was first adopted by San Francisco in 1992 in response to the increasingly high price of housing. From 1992 – 2008 this policy resulted in the creation of 1,096 units from 133 residential developments and over $17 million in cash-in-lieu contributions. 72% of built units to date are affordable homeownership with the remaining 28% built as affordable rental units.

Program Characteristics

Target Households:

- For affordable rental units, households must earn less than 60% of the area median income; for affordable homeownership units, households must earn less than 120% of area average income.

Development Thresholds:

- All residential developments with five or more units; this threshold was decreased from 10 residential units in 2007.

Contribution Rates:

- Developments undergoing a rezoning must provide 17% of units as affordable. The tenure of these affordable units is negotiated on a case-by-case basis. In cases where the developer is permitted to build affordable units off-site, the developer must provide 20% affordable units. Cash-in-lieu contributions are calculated based on an 'affordability gap' or the difference between the cost of producing a unit and the market rate. These contribution rates are calculated yearly per each unit type.

Administration:

- The policy and units are administered by two full time staff members in the Mayor's Office of Housing. On an annual basis, this Office sets maximum rents, reassesses cash-in-lieu contribution rates and income thresholds. A waitlist of eligible households is also maintained.

6. Looking Ahead – Policy Review Considerations

Inclusionary zoning as part of a broader set of municipal tools remains an important mechanism for municipalities to encourage the construction of affordable housing. While Richmond's policy has been successful in leveraging development activity in the City to help create much needed low-end-market-rental units since 2007, affordability challenges affect many Richmond households particularly those earning low to moderate incomes. The current AHS policy review provides an important opportunity to ensure that the City's inclusionary zoning approach reflects Richmond's specific development circumstances and opportunities so that the policy continues to be an effective tool that helps address local affordability challenges. Fairness and equity, development thresholds, overall financial feasibility, household eligibility priorities and ongoing administration and monitoring requirements are among the key considerations that will be central to Richmond's Affordable Housing Strategy policy review.