

Docksider Green

A Model for Creating Affordable Housing & Inclusionary Neighbourhoods

CONTRIBUTORS

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“Both at Vancity and Windmill West, the owners/developers of Docksider Green, we firmly believe that housing affordability goes to the heart of an inclusive, diverse neighborhood.”

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ABSTRACT

The need for affordable housing in cities across Canada grows every year. Despite the well known benefits of inclusionary or mixed housing, planners are constantly challenged with how to create new residential development that includes a greater diversity of housing options than what the market would provide for on its own.

The Docksider Green neighbourhood in Victoria began development in 2005 and is famous for its achievement of being the first LEED Platinum certified neighbourhood in North America. One little known fact about the development is that it contains a portion of affordable housing. When the developers applied for a development permit they were approached by the City of Victoria and asked to include a portion of affordable housing on the site in exchange for a large portion of city land adjacent to the proposed development. The two sides secured the contribution for affordable housing through a master development agreement. In 2006 a Docksider Housing Advisory Committee was created to advise the developers on issues of housing affordability, income cut-offs and mechanisms for renting and selling the units.

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BACKGROUND AND CONTEXT

In recent years in Canada and the US the need for affordable housing has grown in most urban centres. Most Canadian cities have seen a dramatic rise in housing prices in the last five years, so much so, that it threatens the ability of many working class and low-income people to live in these centres. The impact of this change is that some employers are having a more difficult time recruiting employees and many citizens are having to commute a greater distance to get to their work. This rise in housing prices also threatens the ability of cities to create income mixed neighbourhoods that provide a high quality of schooling and high degree of safety for high and low income citizens alike. The concept of mixed income housing or mixed neighbourhoods seeks to counteract many exclusionary zoning policies of the past. The past zoning by-laws stipulated that each residential lot had to be of a certain size with certain setbacks. This made it hard to build affordably because such large plots of land were required to build a residential unit. It was these policies that created economically homogenous residential areas, such as suburbs. These zoning by-laws or ordinances were not designed to purposefully exclude the less wealthy, but did so unintentionally. This lack of access to new development created highly concentrated low-income neighbourhoods in many areas. These areas contained mostly older houses and were located in city centres. Today, generally accepted planning practices have changed and planners have created new zoning by-laws that allow for a greater diversity of dwellings with a given area. However, planners are still challenged to find ways to incorporate affordable housing into new development.

In a new urban context where urban housing has risen in price so dramatically, developers are rightfully maximizing the price they can receive for new residential development and the cost of many of the complete residential dwellings are well beyond the

affordability level of working class and low-income citizens. This has led many municipalities to actively intervene in their housing markets through explicit policies like inclusionary zoning, density bonuses and on an individual case basis, such as development agreements.



Completed townhouses and high-rise condos in Dockside Green

FACTS OF THE CASE

Vancity and Windmill West began development of the Dockside Green community in 2005 on fifteen acres of former harbourfront industrial land. Situated in the heart of the City of Victoria, Dockside Green has a planned total of 1.3 million square feet of mixed residential, office, retail and commercial space. The development is the first LEED Platinum certified neighbourhood in North America and has gained much attention for its commitment to environmental sustainability. One lesser-known fact about the development is that once it is completed it will include approximately ten percent affordable housing.

As mentioned before, the affordable housing on site was established through a master development agreement (MDA) signed between the City of Victoria and the developers. The MDA made explicit the responsibilities and contributions each party would be expected to uphold in support of affordable housing. Firstly, it was agreed upon that 31% of the residential units of the ‘city lands’, the land gifted by the city, would be affordable housing. This was achieved by the developer providing \$3 million of its own money towards the affordable housing units and agreeing that to limit profit on twenty percent of the total residential units to thirteen percent of the entire development cost. The MDA set out that the City of Victoria would contribute a portion of the Building Permit fee from the entire site and that either the city or developer would pursue greater provincial or federal assistance for the project.

Another one of the commitments set out in the MDA was that a Dockside Housing Advisory Committee would be created to advise the developers on issues regarding housing affordability. The Dockside Housing Advisory Committee created a number of guiding principles for the affordable housing strategy of the development.

GUIDING PRINCIPLES

Every effort should be made to apply the Affordable Housing Contribution to the development of affordable housing units on the Dockside Lands, as opposed to applying it elsewhere.

The suite mix of the affordable housing units on the Dockside Lands should favour provision of as many large suites as possible (i.e. two bedroom units).

The Affordable Housing Contribution of \$3 million by the developer should be applied to making units affordable to those households at the lower end of the Affordable Housing range (i.e. \$35,000 to \$47,000).

The team should initiate the selection process for partner(s) to manage the covenant on the Market Affordable Units and to purchase the Non-Market Units. Special consideration will be given to partners that bring equity to the table. Further research will be undertaken on ownership and tenure options that may allow additional investment funds to come to the fore.

- Dockside Green (2006). *Housing Affordability Strategy*

The definition of “Affordable Housing” that was used to outline who qualifies for units in the Dockside Neighbourhood was set out in the MDA as “housing which costs 30% (rent or mortgage plus taxes and including 10% down payment) or less of a household’s gross annual income.” Once the Dockside Green neighbourhood is completed affordable housing will amount to around 10% of the total development or approximately seventy-five units on site. The developers are looking to achieve a balance of 70% rental to 30% ownership in the area.



To date, twenty-six market affordable or ownership suites have been built and sold to low-income families in Victoria in partnership with local and provincial agencies. These units sold for 15% below their market value and were targeted at families with incomes between \$30,000-\$60,000. According to the developers, these units were located in regular market buildings and were identical to the full cost units. The only money-saving difference was that the affordable suites did not include parking spaces. To compensate for this the developer is responsible for providing tenants with membership to a car-share group, a bicycle or a bus pass subsidy for three years. To ensure that these units remain affordable into the future the developer has placed price restrictions on the future sale of units through a restrictive covenant on each suite.

The remaining non-market, affordable rental units are still to be built and have been delayed due to high construction costs and competition for construction labour. However, according to the developers the recent changes in the economy and decreased financing rates are creating an atmosphere where it

will be possible to build the units in the near future.

The developer hopes to sell these rental suites to a non-profit housing organization to manage and run. Thus the purchaser could be identified ahead of time and the developer might benefit from cost savings that a non-profit could leverage such as grants or preferred financing rates. Also, the selection of the non-profit organization will be based on its ability to bring equity and operating grants to the project. Of all of the affordable units built, approximately 35% of the units will be located in regular market buildings while the other 65% will be located in their own, stand alone buildings.

Beyond the commitments set out in the development agreement the developer has, on its own initiative, created programs to ensure greater success of the affordable market units. Vancity has pledged that a number of the units will be open to participants in their Springboard Home Ownership Program. This program allows families that are currently renting suites in subsidized housing to make the transition to home ownership.



LESSONS LEARNED

The inclusion of affordable housing in the Dockside Green neighbourhood, a world-renowned ecologically cutting edge development, provides much hope for the future of developer/municipal government agreements for affordable housing.

According to Windmill West and Vancity Credit Union the major lessons learned through this project from a developer's perspective are as follows:

Multiple partners are essential

Focus on a housing continuum where a developer can make a difference (family income of \$30,000 to \$60,000)

Supportive municipal and provincial government infrastructure are essential (policies, grants, financing, etc)

A well-defined housing affordability strategy guided by the developer is a must

Development partners should strongly believe that housing affordability is key to diverse and livable, sustainable communities

Never give up.....

APPLICABILITY TO WINNIPEG

Exploring the issue of inclusionary housing is particularly timely in Winnipeg as the Executive Policy Committee of City Council has put forward a recommendation that the “Winnipeg Public Service be directed to explore innovative best practices (such as inclusionary zoning, density bonuses, secondary suite policy, etc.) to encourage the development of more affordable housing in Winnipeg.”

While the inclusionary housing strategy adopted at Dockside Green was achieved via a development agreement and not an inclusionary zoning by-law, the two topics are certainly interrelated. The Dockside Green case is an important Canadian example that illustrates how some governments are using development agreements, sometimes only thought of as infrastructure agreements, to encourage affordable housing. While the Dockside Green example is not as concrete or far reaching as inclusionary zoning, it has the benefit of allowing City and developer more leeway to decide on the exact project targets based on need for affordable housing within a city and the cost to the developer. However, some cities such as Chicago have city-wide policies ensuring that if city land is gifted to a developer it must contain at least 10% affordable housing on site. These commitments work to create a continuous new supply of affordable housing, while facilitating income mixing in the city.

At present, many of Winnipeg's new residential developments are quite homogeneous and lean heavily in favour of mid to high priced single-family housing. If the City of Winnipeg was to adopt a policy similar to Chicago's or to enter into agreements like the one signed with Dockside Green it could help to ensure that low-income residents wouldn't remain concentrated exclusively in low-income neighbourhoods. Lastly, the Dockside Green case illustrates that there are developers concerned with creating vibrant and diverse neighbourhoods, whose bottom line goes beyond environmental sustainability

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