

NO: R067

COUNCIL DATE: April 8, 2024

REGULAR COUNCIL

TO: Mayor & Council **DATE: April 4, 2024**

FROM: General Manager, Planning & Development **FILE: 1855-03**
General Manager, Engineering
General Manager, Finance
General Manager, Parks, Recreation, & Culture
General Manager, Social Infrastructure & Community Investments

SUBJECT: Housing Accelerator Fund Development Incentives

RECOMMENDATION

The Planning & Development Department, Engineering Department, Finance Department, Parks, Recreation, & Culture Department, and Social Infrastructure & Community Investments Department recommend that Council:

1. Receive this report for information;
2. Approve the Rapid Transit Development Incentive (“Rapid Transit Development Incentive”), including rebates for projects near rapid transit that are eligible for the Rapid Transit Development Incentive, as outlined in this report and detailed in Appendix “I”;
3. Approve the Non-Market Rental Housing Development Incentive (“Non-Market Rental Housing Development Incentive”), including rebates and grants for Surrey Development Cost Charges and Community Amenity Contributions for projects that are eligible for the Non-Market Rental Housing Development Incentive, as outlined in this report and detailed in Appendix “II”; and
4. Delegate authority to the General Manager, Planning & Development to oversee the operation of the two incentives, Rapid Transit Development Incentive and Non-Market Rental Housing Development Incentive.

INTENT

The intent of this report is to seek Council’s approval for two development incentives and their related actions, which aim to stimulate and accelerate the development of housing units in Surrey, especially near rapid transit, and to increase the supply of affordable non-market rental housing units. These incentives are supported by the Housing Accelerator Fund (“HAF”) grant from Canada Mortgage and Housing Corporation (“CMHC”), intended to increase the supply and diversity of housing units in the City.

BACKGROUND

In 2020, the City implemented the City Centre Economic Incentive Policy (the “CCEIP”) as one component of the Surrey Economic Action and Recovery Plan, which provided a 50% reduction of many fees relating to the development of large mixed-use high-density projects located in City Centre. The CCEIP was successful in incentivizing 2,200 housing units and helped soften the impact of the COVID-19 pandemic on the land development industry.

In June 2023, the City submitted its HAF Action Plan to CMHC, outlining eight initiatives to support the City's HAF application. Included in the application is a strategy to provide financial incentives for strategic development, namely development near rapid transit and non-market affordable rental housing projects.

On February 26, 2024, Council considered Corporate Report No. R032; 2024 which proposed additional Development Cost Charge (“DCC”) exemptions for affordable housing. These additional exemptions will apply to non-market affordable rental housing developments that meet specific requirements to increase housing affordability.

DISCUSSION

This HAF initiative is composed of the Rapid Transit Development Incentive and the Non-Market Rental Housing Development Incentive. These two incentives seek to attract and stimulate development in Surrey using the HAF grant, while also advancing the City's objectives of creating livable, sustainable, and inclusive communities.

Rapid Transit Development Incentive

The Rapid Transit Development Incentive is designed to encourage and accelerate the development of housing units near existing rapid transit. While rapid transit typically operates within an exclusive right of way, the HAF application criteria determined that, for the purposes of the initiative, the existing Rapid Bus corridors (R1 and R6 lines) were acceptable as rapid transit routes due to their frequent service and high boarding capacity.

The Rapid Transit Development Incentive targets multi-use building projects within 1.5 km existing SkyTrain stations and Rapid Bus corridors, as outlined in the details of Appendix “I”.

To be eligible for the Rapid Transit Development Incentive, a project must also receive full superstructure building permit issuance by August 31, 2026 and comply with all applicable City policies, bylaws, and regulations, as outlined in the details of Appendix “I”.

The Rapid Transit Development Incentive offers a 50% rebate on fees, which would be funded by the HAF grant, as detailed in Appendix “I”.

The Rapid Transit Development Incentive is expected to incentivize approximately 3,000 housing units near frequent transit, which would contribute to the City's overall HAF target of 9,600 units by 2027. It would also support the City's goals of reducing greenhouse gas emissions, increasing transit ridership, and creating vibrant and walkable communities.

Non-Market Rental Housing Development Incentive

The Non-Market Rental Housing Development Incentive is designed to encourage and accelerate the development of non-market rental housing units, defined as units developed by non-profit and government organizations, secured through a 60-year housing agreement with the City. This incentive, funded by the HAF grant, targets projects that can provide either a portion or the entirety of the development as non-market affordable units, anywhere in the city.

The Non-Market Rental Housing Incentive is proposed to offer two streams of financial incentives:

1. Exemptions on Surrey DCCs and Community Amenity Contributions (“CACs”); and
2. Rebates on permit application fees, as detailed in Appendix “II”.

On February 26, 2024, through Corporate Report No. R032; 2024, Council considered an amendment to the DCC Bylaw to include DCC exemptions for certain types of non-market affordable housing, defined as Eligible Developments, subject to final approval by Council. The Non-Market Rental Housing Development Incentive will provide a bridge for eligible instream development projects that will allow them to increase housing affordability by compensating for Surrey DCCs and CACs not collected.

In order to qualify for the Non-Market Rental Housing Development Incentive, a new, predominantly residential multi-unit building project must meet the definition of an “Eligible Development” in the Development Cost Charge Bylaw, receive full superstructure building permit issuance by August 31, 2026 and comply with all applicable City policies, bylaws, and regulations, as outlined in the details of Appendix “II”.

Affordable Housing and Capital Project Community Amenity Contributions are not applicable to affordable rental housing projects that are secured with a housing agreement.

Staff estimate that 300 units of non-market housing will be facilitated through this incentive over three-years.

Next Steps

If approved, concierge service will be established for eligible projects. This will help developers better understand the incentives, including key milestones. This collaborative approach will allow qualifying projects to move quickly through the application and approval process, thus ensuring these important investments can move towards construction phase rapidly and help generate housing for Surrey’s growing population.

While this report provides details on the development incentive initiative, staff will provide a future report to outline details of the Spending Plan components of the HAF.

LEGAL SERVICES REVIEW

This report has been reviewed by Legal Services.

CONCLUSION

With many municipalities benefiting from HAF funding, and with continued difficult market conditions, competition for development investments can be significant. These two incentives aim to stimulate and accelerate the development of housing units in Surrey, especially near rapid transit and high boarding capacity bus routes, and to increase the supply of non-market affordable housing units.

It is recommended that Council receive this report for information and approve the Rapid Transit Development Incentive and the Non-Market Rental Housing Development Incentive, as outlined in this report and appendices.

Original signed by
Don Luymes
General Manager, Planning & Development

Original signed by
Scott Neuman, P.Eng.
General Manager, Engineering

Original signed by
Kam Grewal, CPA, CMA
General Manager, Finance

Original signed by
Laurie Cavan
General Manager, Parks, Recreation & Culture

Original signed by
Terry Waterhouse
General Manager, Social Infrastructure & Community Investments

Appendix "I" Rapid Transit Development Incentive
Appendix "II" Non-Market Rental Housing Development Incentive

RAPID TRANSIT DEVELOPMENT INCENTIVE

The Rapid Transit Development Incentive targets projects generally within 1.5 km of the following:

- Existing SkyTrain (Expo Line) stations:
 - Scott Road Station
 - Gateway Station
 - Surrey Central Station
 - King George Station
- Existing RapidBus Corridors:
 - R1 King George RapidBus between Guildford Exchange and Newton Exchange
 - R6 Scott Road RapidBus between Scott Road Station and Newton Exchange

To be eligible for the Rapid Transit Development Incentive, a project must also meet the following criteria:

1. Located within the rapid transit eligible areas (as outlined in the attached maps);
 - Rapid Transit Development Incentive Eligible Areas – SkyTrain
 - Rapid Transit Development Incentive Eligible Areas – R1
 - Rapid Transit Development Incentive Eligible Areas – R6
2. New, predominantly residential construction of multi-unit residential buildings that are:
 - a minimum of 4-storeys (e.g., low-rise apartment or higher); and
 - greater than 0.50 gross residential floor area ratio; and
 - a minimum of 2,000 square metres in residential floor area;
3. Receives full superstructure building permit issuance by August 31, 2026; and
4. Complies with all applicable City policies, bylaws, and regulations.

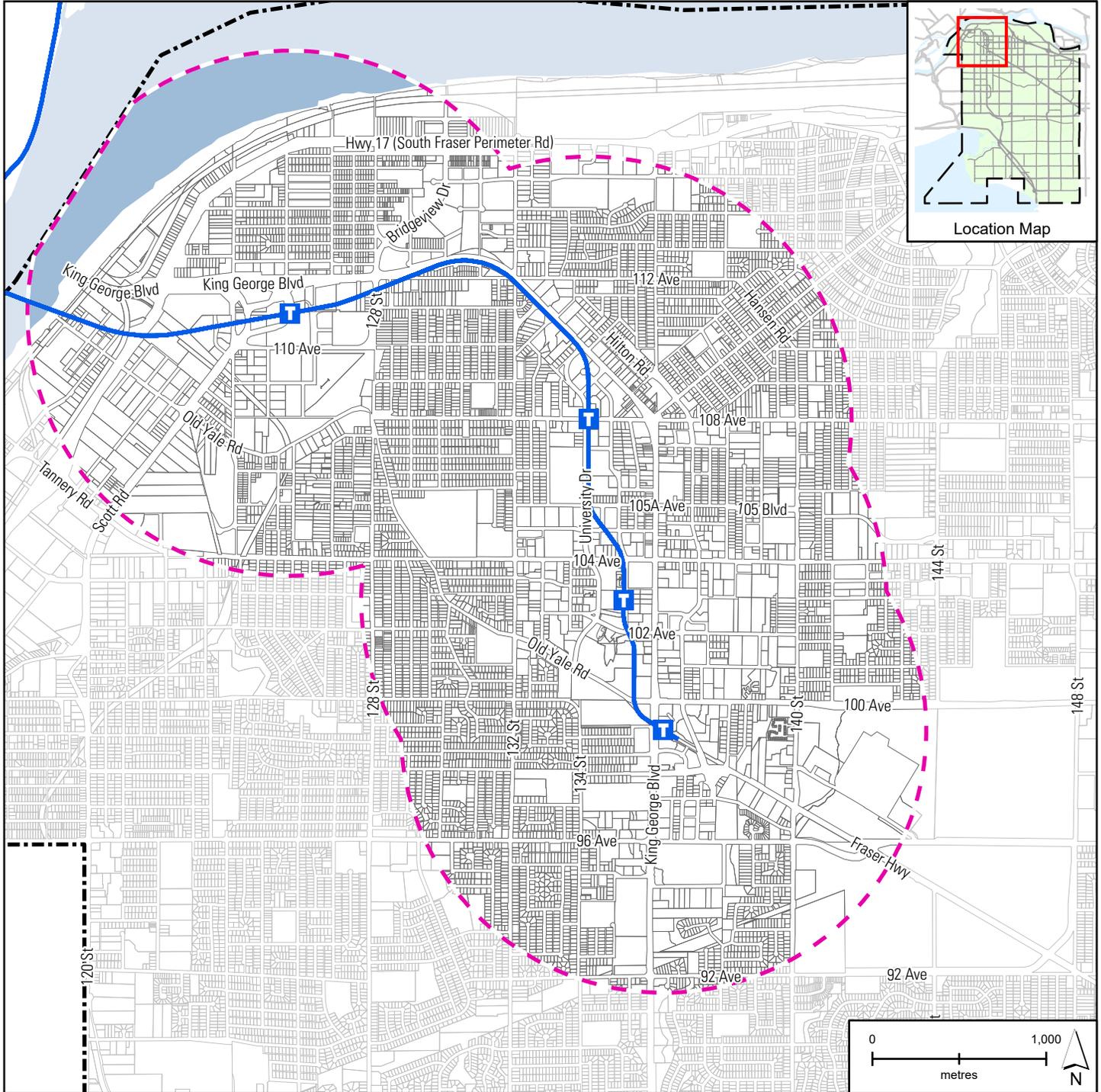
(Section 1 to 4, collectively “Rapid Transit Eligible Project”).

The Rapid Transit Development Incentive offers a 50% rebate on fees, which would be funded by the HAF grant. The rebate would apply to the following application fees paid after December 4, 2023:

- Planning: rezoning, development permit, development variance permit;
- Engineering: servicing agreement processing, administration, ESC application; and
- Building: building permit fees.

If the City determines a project is a Rapid Transit Eligible Project, and there are funds available in the HAF, the City will offer a 50% rebate on any of the above permit fees paid after December 4, 2023.

Rapid Transit Development Incentive Eligible Areas - SkyTrain



LEGEND

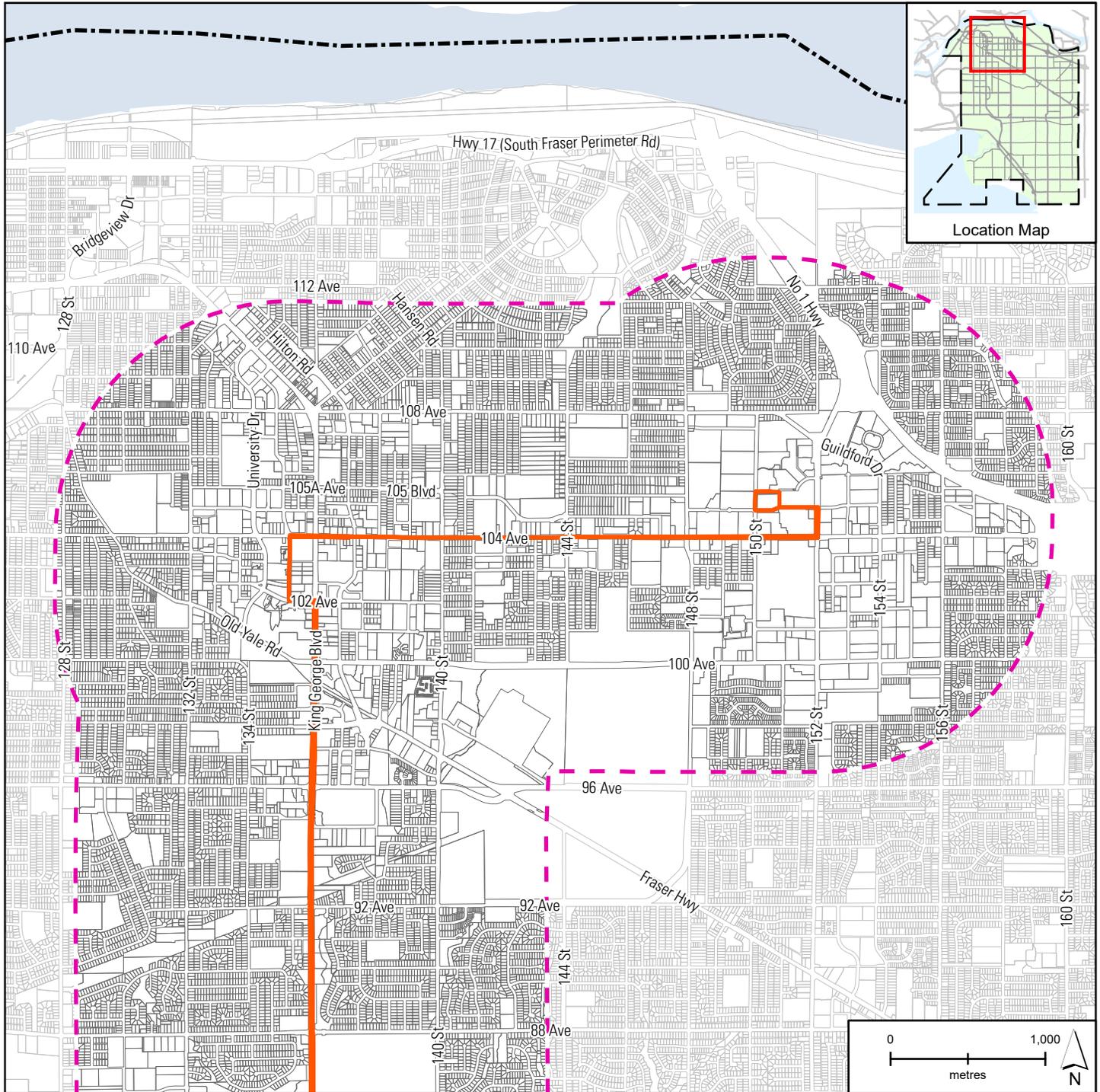
-  Rapid Transit Development Incentive Eligible Areas - SkyTrain
-  SkyTrain Station
-  SkyTrain
-  Lots
-  Surrey City Boundary



SkyTrain Stations

**Planning & Development
Department**

Rapid Transit Development Incentive Eligible Areas - R1



LEGEND

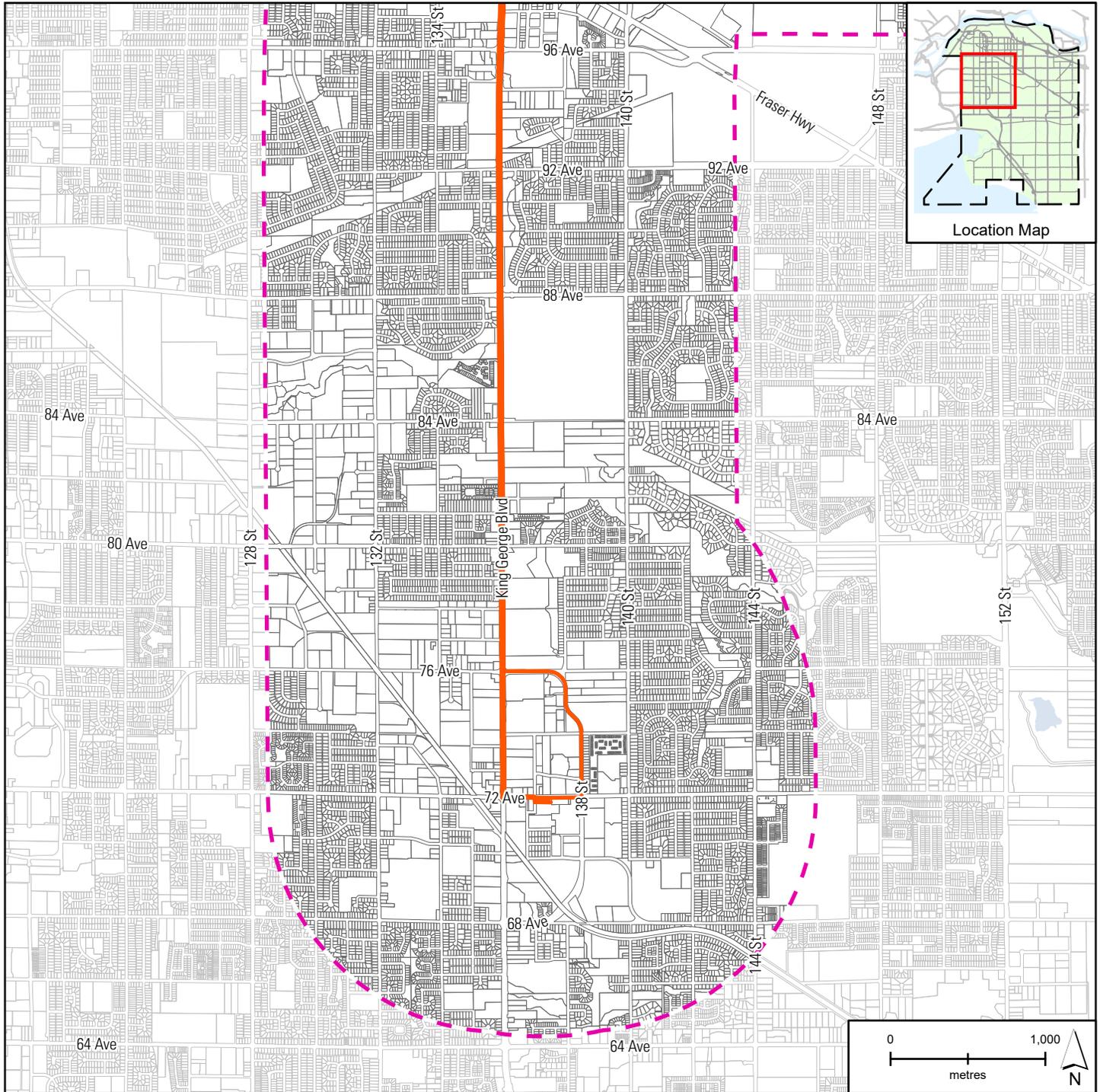
-  Rapid Transit Development Incentive Eligible Areas - R1
-  R1 Bus Route
-  Surrey City Boundary
-  Lots



R1 Corridor (North)

Planning & Development
Department

Rapid Transit Development Incentive Eligible Areas - R1



LEGEND

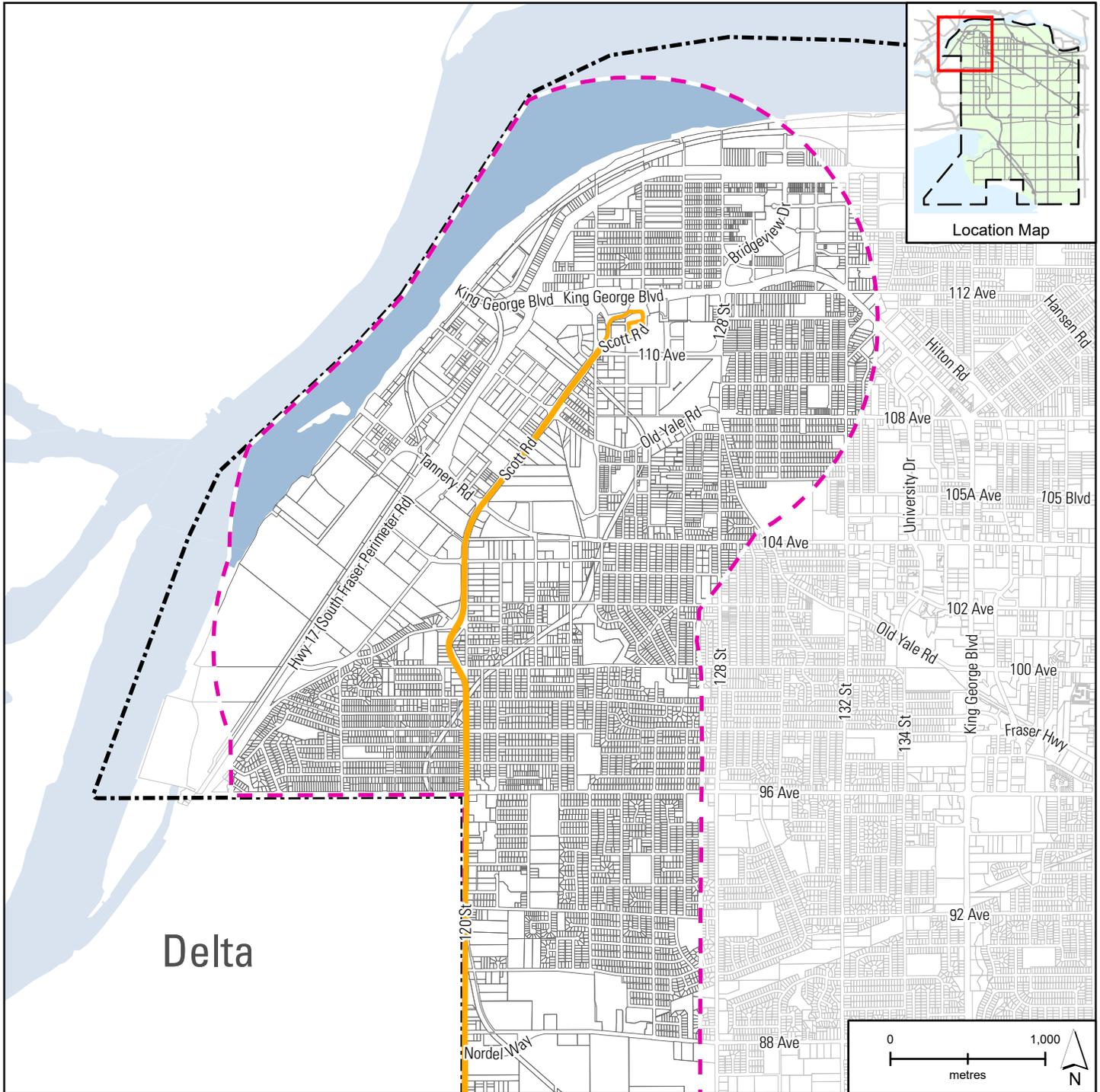
-  Rapid Transit Development Incentive Eligible Areas - R1
-  R1 Bus Route
-  Lots



R1 Corridor (South)

Planning & Development
Department

Rapid Transit Development Incentive Eligible Areas - R6



LEGEND

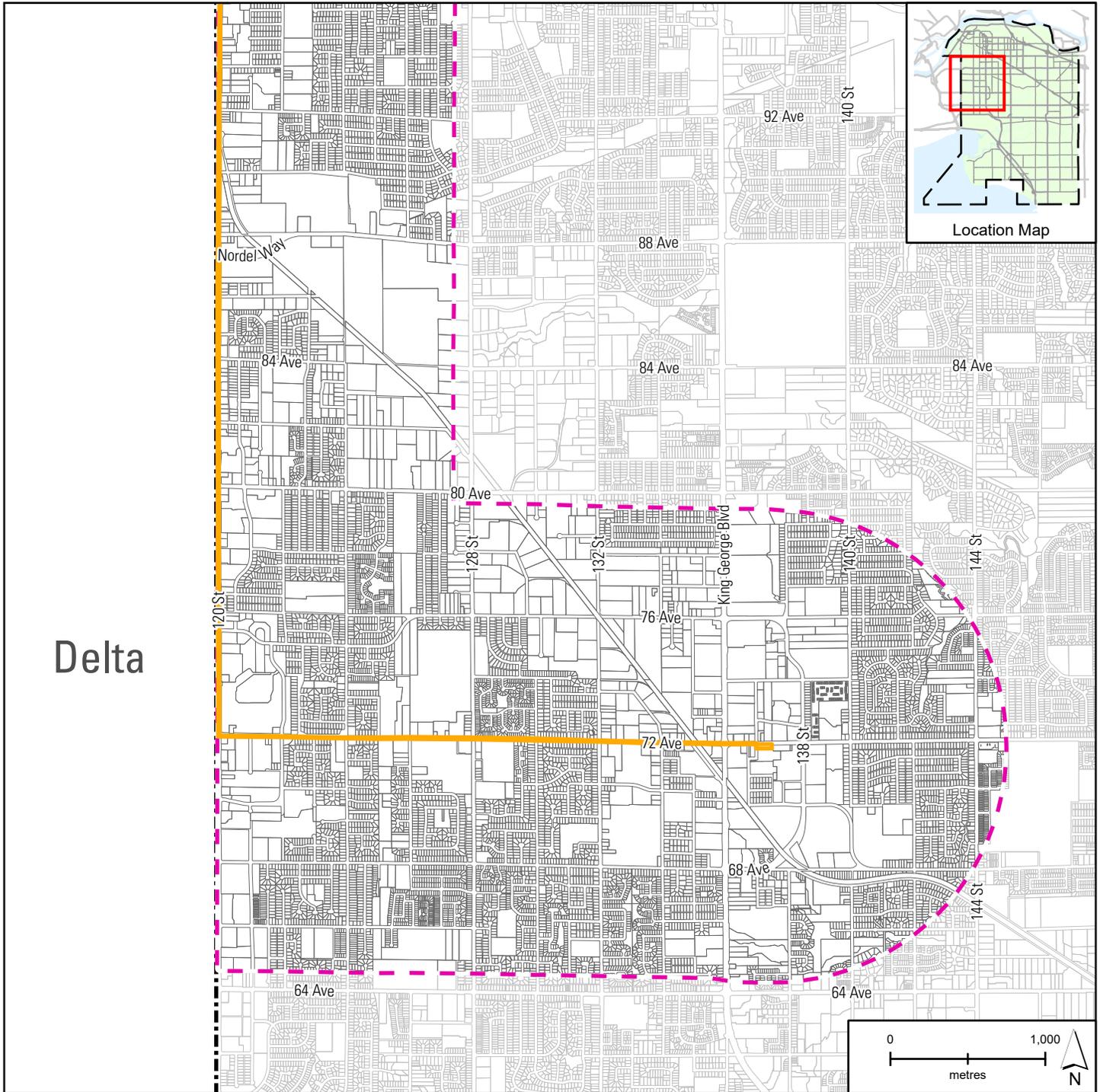
- - - Rapid Transit Development Incentive Eligible Areas - R6
- R6 Bus Route
- Surrey City Boundary
- Lots



R6 Corridor (North)

**Planning & Development
Department**

Rapid Transit Development Incentive Eligible Areas - R6



LEGEND

- - - Rapid Transit Development Incentive Eligible Areas - R6
- R6 Bus Route
- Surrey City Boundary
- Lots



R6 Corridor (South)

**Planning & Development
Department**

NON-MARKET RENTAL HOUSING DEVELOPMENT INCENTIVE

In order to qualify for the Non-Market Rental Housing Development Incentive, a project must meet the definition of an “Eligible Development” in the Development Cost Charge Bylaw, as outlined below.

“Eligible Development’ means a rental housing development operated by public housing bodies prescribed in the *Residential Tenancy Act* and Regulations are subject to a legal agreement securing rental tenure for a minimum period of 60-years, as accepted by the City, and is either:

- (a) wholly owned and operated by a public housing body; or
- (b) operated by a public housing body, pursuant to a legal agreement with the property owner;”

In the Surrey context, public housing bodies include BC Housing, CMHC, Metro Vancouver Housing Corporation, and any housing society that has an agreement regarding the operation of housing with any of the above.

Affordable Housing and Capital Project Community Amenity Contributions are not applicable to affordable rental housing projects that are secured with a housing agreement.

To be eligible for the Non-Market Rental Housing Development Incentive, a project must meet all of the following criteria:

1. Located within the City;
2. Meets the definition of “Eligible Development” as outlined in the *Development Cost Charge Bylaw*;
3. New, predominantly residential construction of multi-unit residential buildings that are:
 - a minimum 3-storeys; and
 - greater than 0.50 gross residential floor area ratio;
4. Receives a full superstructure building permit issuance by August 31, 2026; and
5. Complies with all applicable City policies, bylaws, and regulations.

(Section “1-5” collectively, the “Non-Market Eligible Project”).

If the City determines that a project is a Non-Market Eligible Project, and there are funds available in the HAF, the applicant will receive:

- an exemption for Surrey DCCs; and
- an exemption for Secondary Plan and Infill Area CACs; and
- a 50% rebate on application fees, paid after December 4, 2023:
 - Planning: rezoning, development permit, development variance permit;
 - Engineering: servicing agreement processing, administration, ESC application;
 - Building: building permit fees.