



Committee of the Whole Report For the Meeting of July 4, 2019

To: Committee of the Whole **Date:** June 20, 2019
From: Andrea Hudson, Acting Director, Sustainable Planning and Community Development
Subject: Residential Rental Tenure Zoning

RECOMMENDATION

That Council direct staff to:

1. Prepare draft zoning bylaw amendments to apply residential rental tenure zoning to existing purpose-built market rental properties through a phased approach.
2. Exclude the application of residential rental tenure zoning from secondary suites and garden suites.
3. Undertake focused consultation with affected property owners and the public to seek feedback on the draft zoning bylaw amendments and report the outcomes to Council.
4. Prepare zoning bylaw amendments for first and second readings for consideration at separate public hearings.

EXECUTIVE SUMMARY

The purpose of this report is to present Council with a proposed work plan for applying residential rental tenure (RRT) zoning to existing purpose-built multi-unit residential market rental properties in response to a Council motion from December 13, 2018 that outlines a range of directions for introducing and applying RRT zoning. This initiative aligns with and advances key objectives from the City's *Housing Strategy* and Council's *Strategic Plan* that seek to improve the provision and retention of rental housing and overall housing choices within Victoria's challenging housing market.

RRT zoning was introduced by the Province of British Columbia in May 2018 and gives municipalities new legislative authority to limit housing tenure to rental in multi-family residential zones. Since RRT zoning only regulates tenure, the City will continue to require housing agreements for new purpose-built rental projects that are subject to a rezoning process to address other related matters, such as levels of affordability and target income groups, where applicable.

To date, staff have completed the other directions from the Council motion, including the introduction of RRT zoning into the City's zoning bylaws, which staff and Council have been considering for new purpose-built multi-unit residential rental developments that are subject to a rezoning process.

The proposed initiative will focus on the potential application of RRT zoning on properties identified on the City of Victoria's rental database on VicMap that includes approximately 500 existing purpose-built multi-unit residential market rental properties across the city that comprise

the vast majority of the city's rental housing stock. In consideration of the potential impacts of Council's direction to apply RRT zoning to rental properties, staff recommend a comprehensive, phased approach that begins with the completion of a related RRT economic study through UBC, refinement of the rental properties database and development of online engagement tools this summer. The completion of this work will provide key materials and information to support a focused public engagement process with property owners and the community this fall. Public engagement will be structured to provide direct access to information about the project and individual properties through a searchable database and interactive map. Members of the public will also be able to provide direct feedback through the City website and public open houses. It is anticipated that the public engagement process will reflect similar questions, comments and key considerations as outlined in this report, such as the overall rationale, proposed approach, effectiveness and potential economic and development impacts. Many of these considerations were also identified and considered through initial public consultation as part of the City of Victoria Housing Summit and RRTZ Workshop (UBC) that were held earlier this year.

Following the public engagement process, staff will provide Council with a summary of public feedback prior to bringing forward three separate sequential zoning bylaw amendments later in the year. The zoning bylaw amendments will be structured to apply RRT zoning to groupings of existing properties, beginning with older properties as a priority given that they may be at greatest risk of redevelopment. This phased approach allows staff and Council to consider smaller manageable groupings of properties through separate public hearings rather than a single public hearing for over 500 properties.

Staff have also recommended against applying RRT zoning to secondary suites and garden suites, as this may result in several unintended consequences.

PURPOSE

The purpose of this report is to present Council with a proposed work plan for applying residential rental tenure (RRT) zoning to existing purpose-built multi-unit residential market rental properties through a phased approach.

BACKGROUND

In May 2018, the Province of British Columbia approved changes to the *Local Government Act* to provide municipalities the ability to enact zoning bylaws that limit the form of tenure to rental in zones where multi-family residential is permitted. To better support the retention of existing and future rental buildings, City Council passed the following motion on December 13, 2018 related to residential rental tenure zoning:

"That Council direct staff to:

1. Introduce residential rental tenure zoning in Victoria by:
 - a. preparing general amendments to *Zoning Bylaw 2018* and the *Zoning Regulation Bylaw*;
 - b. adding residential rental tenure regulations to zones permitting secondary and garden suites;
 - c. adding residential rental tenure regulations to all new zones proposing:
 - i. purpose-built rental projects;
 - ii. projects seeking bonus density per the draft *Inclusionary Housing and Bonus Density* policy;
 - d. report back by February 2019 with a workplan for adding residential rental tenures regulations to existing purpose-built rental housing.

2. Add residential rental tenure zoning as a priority action item in the forthcoming *Victoria Housing Strategy, 2016-2025* update to explore options for broader utilization, with implementation to begin in 2019;
3. Participate in a University of British Columbia School of Community and Regional Planning (SCARP) sponsored rental tenure zoning research project, with costs estimated to be approximately \$2500 and allocated from the contingency fund.

In response to the Council motion, staff developed a definition of residential rental tenure (RRT) and a related framework for inclusion in the *Zoning Regulation Bylaw* and *Zoning Bylaw 2018* that was approved by Council on March 28, 2019. This initiative addresses item 1(a) from the Council motion. The inclusion of the new RRT definition and framework in the zoning bylaws also addresses 1(c) (i) and (ii) of the above Council motion by facilitating RRT regulations to be included in site-specific zoning when rezoning applications propose purpose-built rental units. This will be an ongoing consideration as part of the rezoning process.

The City of Victoria has also contributed \$2500 to support a RRT study that is being conducted by the Housing Research Collaborative in partnership with the Sauder School of Business Centre for Urban Economics and Real Estate (UBC). The study, which is currently underway, is primarily focused on the economic considerations of RRT zoning and is expected to be complete by August 2019.

Therefore, this report is focused on the remaining items in Council's motion, including outlining a potential approach for considering the application of RRT zoning on existing purpose-built multi-unit residential rental developments as identified in item 1 (d) of the Council motion, which also serves to support the broader utilization of RRT zoning as identified in item 2.

ISSUES & ANALYSIS

1. Alignment with Victoria Housing Strategy

The implementation of RRT zoning supports a wide variety of objectives in the current *Housing Strategy (2016-2025)* that collectively seek to improve affordability, stability and choice for renters in Victoria. City staff are also currently in the process of updating the *Housing Strategy* to add new housing actions to better support the related objectives from Council's new *Strategic Plan (2019-2022)*. One of the key actions contained in the draft Housing Strategy update is direction to implement rental-only zoning and engage with the community to explore other opportunities created through the new residential rental tenure authority. Therefore, the application of RRT zoning to both new and existing purpose-built rental properties is a first step in providing added assurance that these developments remain rental, as once they are zoned for RRT, property owners would be required to undergo a subsequent rezoning should they wish to change the property's tenure in the future. Once the updated Housing Strategy is approved, it is expected that staff will explore further opportunities to encourage property owners to seek RRT zoning, such as through a density bonus system or in conjunction with other incentives.

2. Existing Rental Properties

In 2018, City staff worked with a consultant to develop a City-wide database of all purpose-built multi-unit residential market rental properties, excluding properties that are owned and operated as rental housing by non-profit housing providers or government. This information is available on VicMap to illustrate the spatial distribution of rental buildings based on the number of units in each building as well as the age of the building. Staff have further refined the database to identify buildings with four or more dwelling units that typically represent multi-unit residential. As such, there are over 500 multi-unit residential market rental properties comprised of approximately

16,000 individual dwelling units in Victoria, as illustrated in Attachment A. Staff have proposed to use these properties as the basis for considering the application of RRT zoning, with the understanding that the database will be further reviewed and refined over the summer for improved accuracy prior to commencing public engagement efforts in the fall.

3. Age of Rental Buildings

As illustrated by Attachment A, approximately 96% of existing purpose-built rentals were constructed prior to 1980. More specifically, 27% were constructed between 1870 and 1939, 17% constructed between 1940 and 1959 and 52% were constructed between 1960 and 1979. It is these older buildings that will require significant capital improvements and that are at risk of redevelopment. Therefore, staff recommend an approach for implementing RRT zoning that allows staff to prepare three separate zoning bylaw amendments whereby subject properties would be grouped based on age, with a priority on bringing forward the older properties first for Council's consideration.

4. Proposed Approach

In consideration of the information presented in this report, staff recommend an approach that includes public engagement and consultation prior to bringing forward three separate draft zoning bylaw amendments to Council, as outlined in Option 1. This means that staff would undertake a public engagement process for all the affected properties, followed by staff bringing forward three separate zoning bylaw amendments with a priority on the older properties first. The primary benefit of a phased approach is that it allows Council to consider smaller batches of properties through three individual public hearings, rather than bringing forward a single bylaw for more than 500 affected properties to a single public hearing.

Option 1 Approach (Recommended)

Process	Timing
<ul style="list-style-type: none"> undertake internal review of existing zoning and potential land use agreements for all potentially affected (existing) purpose-built multi-unit residential rental properties within each neighbourhood includes review for alignment with new RRT definition and regulations refine database 	July 2019
<ul style="list-style-type: none"> initiate and complete RRT Study (UBC) 	May - August 2019
<ul style="list-style-type: none"> undertake public consultation with a focus on affected property owners 	September - October 2019
<ul style="list-style-type: none"> report to Council with summary of public engagement feedback, findings from RRT study and proposed zoning bylaw amendments for first group of affected properties for first and second reading 	November 2019
<ul style="list-style-type: none"> public hearing for first group of affected properties 	TBD
<ul style="list-style-type: none"> report to Council with subsequent zoning bylaw amendments for remaining properties 	TBD

Staff have also provided Council with the option to undertake a more streamlined approach that excludes additional public engagement beyond the required public hearings, as outlined in Option 2.

Option 2 Approach (Excludes Public Engagement)

Process	Timing
<ul style="list-style-type: none"> undertake internal review and analysis of all potentially affected (existing) purpose-built multi-unit residential rental properties within each neighbourhood includes review for alignment with new RRT definition and regulations refine database 	July 2019
<ul style="list-style-type: none"> initiate and complete RRT Study (UBC) 	May - August 2019
<ul style="list-style-type: none"> report to Council with findings from RRT study and draft zoning bylaw amendments for consideration of first and second reading 	September 2019
<ul style="list-style-type: none"> public hearing 	TBD
<ul style="list-style-type: none"> report to Council with zoning bylaw amendments for remaining properties 	TBD

5. Consultation

Option 1, as outlined in this report, is premised on undertaking focused public engagement given the multitude of existing rental properties across the City that would be affected and the potential impacts to existing property rights. Consultation efforts will allow staff to clearly inform affected property owners, property management companies, communities and other key stakeholders of the potential changes to existing zoning as well as what these changes would mean with respect to development rights, land values and the benefits that RRT zoning provides in protecting the provision of rental housing. A public consultation process for a project of this nature is also supported through the City of Victoria's *Engagement Framework*, which outlines the importance of consultation and helps to guide the overall process. Public engagement will also be structured to receive questions and feedback that will be shared with Council prior to their consideration of potential zoning bylaw amendments.

Public engagement will utilize public open houses as well the City's new public engagement portal (Have Your Say) that is available on the City's website. This webpage will include a detailed explanation of the initiative as well as background information, staff reports, etc. The engagement portal will also include a link to a property search tool where property owners and the public can view an interactive map of potentially affected properties as well as search affected properties based on civic address. The interactive maps and property search tool will ensure that property owners and members of the public have easy access to view and consider individual affected properties prior to attending a public open house or a public hearing.

Option 2 provides Council with a more streamlined approach that will focus on the expedited development of zoning bylaw amendments with public consultation being restricted to the public hearings. This approach would not align with the City's *Engagement Framework*.

6. Effectiveness of Residential Rental Tenure Zoning

According to 2016 Census data, over 61% of residents in Victoria live in rental housing, and with a current rental vacancy rate of 1.1%, Victoria continues to remain a highly challenging housing market. The application of RRT zoning to existing rental properties may be able to support the ongoing delivery of rental housing as it would provide clarity through zoning regulations that the only permitted form of tenure on a property is rental, thereby helping to reduce or eliminate redevelopment pressure for non-rental residential projects. This means that the owner of an existing rental property would not be able to convert or redevelop their property into a non-rental building such as owner-occupied condominiums unless approved by Council through a rezoning process. Since RRT zoning only regulates tenure and it is a new regulatory tool, staff will continue to require housing agreements to address levels of affordability and target income groups to secure affordability in new purpose-built rental developments subject to an applicant initiated (site specific) rezoning process.

Staff have also identified that some of the properties on the VicMap database may already be subject to existing zoning, housing agreements or other legal agreements requiring the provision of rental housing in perpetuity. Therefore, the application of the new RRT zoning would continue to align with and support these other legal and regulatory tools, ensuring the on-going protection and longevity of rental housing on some of these properties.

There may also be properties where the provision of rental housing was approved by Council for a specified period of time as a condition of rezoning and secured through a housing agreement. If RRT zoning is applied to these properties (in perpetuity), it may contradict the previous legal agreement between the property owner and the City. Therefore, as part of the proposed work plan, staff will undertake a review of all affected properties identified in the rental properties database during the summer months to confirm alignment with the new RRT definition and regulations and to ensure that this information is accurate prior to the public engagement process in the fall.

7. Feedback from 2019 Housing Summit

On March 11, 2019, the City hosted a Housing Summit that included a presentation and workshop on residential rental tenure zoning. The RRT zoning session was attended by nearly 70 participants including building owners, property managers, development industry representatives, non-profit housing providers, rental advocacy groups, community associations and other levels of government. Participants learned about the new RRT zoning tool and provide feedback through facilitated round table discussions. Key questions focused on the potential benefits, impacts, approaches and effectiveness of implementing RRT zoning as a means of improving the local rental housing market. Common themes that emerged from the cross-sectoral feedback included:

- RRT zoning can help to support the retention of existing rental properties
- RRT zoning should only be applied through individual rezonings to avoid unintended consequences on existing properties that may occur from blanket zoning
- RRT zoning should only be applied in strategic locations that align with or support specific land use policies rather than a City-wide approach
- municipalities should develop related incentives to encourage property owners to seek RRT through (applicant initiated) individual rezonings
- municipalities need to carefully assess the potential legal risks and impacts on land value that may occur from applying RRT zoning
- the application of RRT zoning on existing rental properties may reduce land values which may impact the property owner's ability to borrow from the property equity for maintenance and upgrading

- RRT zoning will not result in affordability or prevent existing buildings from being redeveloped, as it only regulates tenure.

8. Capital Region RRT Zoning Workshop

A half-day workshop to discuss the application of RRT zoning within the Capital Region was held on May 30, 2019 at the University of Victoria. The workshop was organized by the Housing Research Collaborative (HRC) from the University of British Columbia (UBC) with sponsorship from the Capital Regional District (CRD). The workshop was structured to present an overview of how RRT zoning is being applied in BC communities and to encourage a cross-sectoral discussion of RRT zoning to generate a better understanding of this tool so that it can be implemented by BC municipalities in ways that achieve its intended uses. Participants provided feedback on approaches for implementation, best practices, benefits and impacts. Overall, the feedback received at the Capital Region workshop echoed the feedback received at the Housing Summit. The HRC will also be hosting a similar workshop in the Vancouver region and another in the Okanagan later this year. The HRC is currently preparing a summary report of the feedback received from the Victoria workshop. This report should be completed by August and will be used to support the City's proposed public engagement and consultation efforts on RRT zoning this fall.

9. Residential Rental Tenure Zoning Study

The Housing Research Collaborative in partnership with the Sauder School of Business Centre for Urban Economics and Real Estate (UBC) are in the process of undertaking a detailed study on the economic considerations of RRT zoning. The study seeks to understand the impact of RRT zoning on property values, potential implications for density bonus systems that are predicated on increased land value, influences on delivering levels of affordability and potential impacts on leveraging property value/equity to support needed, high value capital upgrades, property maintenance and improvements. The City of Victoria is currently participating in the study along with the City of North Vancouver and the City of Maple Ridge. The study commenced in May 2019 and is expected to be completed by August 2019. The findings will provide important information to better understand the potential implications of RRT zoning and will also be used by the City of Victoria to support public engagement and consultation efforts later this year.

10. Impacts on Secondary Suites and Garden Suites

Staff had previously recommended exploring the application of RRT zoning on secondary suites and garden suites as outlined in item 1 (b) of the Council motion. However, in exploring this further with Legal Services, this approach may result in several unintended consequences that would impact the operation and use of these dwelling units. For example, the application of RRT zoning would restrict the use of garden suites and secondary suites to rental only, where a rental agreement is in place subject to the *Residential Tenancy Act*. This means that a property owner would not be able to occupy or use their garden suite or secondary suite as additional living space for their own family, such as for aging parents, nor would the property owner be permitted to move into their suite and rent out the main dwelling as they age or when family composition changes. This would limit flexibility, the ability for residents to age in place, and would mean that single family homes suitable for families are excluded from the rental market.

In addition, between 2010 and 2017, the City offered a \$5000 grant program to encourage the development of secondary suites, which resulted in the development of approximately 50 new legal secondary suites. One of the conditions of the grant was for the property owner to enter into a legal agreement, registered on title, to restrict the use of the secondary suite as rental only for a period of five years, after which the property owner would be able to apply to have the City

discharge the covenant. Approximately 36 of these original agreements have now lapsed, thereby allowing property owners to continue using the secondary suite as a rental or for other purposes, such as extended living space in their home.

Therefore, if the City applied RRT zoning to all secondary suites and garden suites, this would reinstate a rental restriction on these properties in perpetuity, which would undermine the intent and good faith of the original (time limited) agreements. There is also a risk that this additional restriction may deter property owners from seeking City-authorized building permits for the construction or refurbishment of secondary suites and garden suites.

Finally, the City's current zoning regulations prohibit the use of secondary suites and garden suites for short term rental use, except when limited to a home occupation by the occupant (up to 2 bedrooms only and not the entire unit). Considering the potential impacts noted above and given that current zoning regulations are sufficient to maintain the intended purpose of these types of secondary residential units, staff recommend against applying RRT zoning to secondary suites and garden suites. However, if Council directs staff otherwise, then staff would propose that the current definition of residential rental tenure be amended to also allow the use of the dwelling by a family member or a periodic house guest without a formal rental agreement.

OPTIONS AND IMPACTS

Option 1 (Recommended):

Direct staff to prepare zoning bylaw amendments to apply residential rental tenure zoning to all existing purpose-built multi-unit residential market rental properties identified in the City's database through a phased approach, excluding secondary suites and garden suites and undertake public consultation.

This option will allow staff to consult and receive direct feedback from affected property owners and the public about the potential changes to existing zoning including key considerations and benefits. Property owners and the public will also have access to an online database and interactive map of the affected properties, thereby allowing them to confirm the properties or similarly identify any potential corrections prior to Council's consideration of the separate draft zoning bylaw amendments.

Option 2:

If Council prefers a more streamlined approach, staff could be directed to prepare zoning bylaw amendments without additional public consultation and proceed directly to public hearings.

This approach can be completed in a shorter timeline than Option 1 and would still allow for public feedback through a public hearing. However, the lack of a more robust public engagement process for a project with City-wide impacts may not align with the City's *Engagement Framework* and may prevent the City from understanding any unintended impacts of this untested application.

Accessibility Impact Statement

The application of residential rental tenure zoning does not have any impacts on accessibility.

2019 – 2022 Strategic Plan

The implementation of RRT zoning is identified as a 2019 action in the *2019 – 2022 Strategic Plan* which directs staff to 'Implement rental-only zoning' as identified in Strategic Objective 3: Affordable Housing.

Impacts to Financial Plan

The application of residential rental tenure zoning will not have any impacts to the *Financial Plan*.

Official Community Plan Consistency Statement

This project is consistent with the *Official Community Plan* (OCP, 2012) which supports access to appropriate, secure, affordable housing (Goal 13 A), as well as supporting a wide range of housing types, tenures and prices that give residents choices (Goal 13B). Chapter 13 (Housing and Homelessness) of the OCP has several specific policies (13.23 – 13.31) that address the retention, regeneration and provision of market rental housing.


CONCLUSIONS

The application of residential rental tenure zoning to existing purpose-built multi-unit residential market rental properties may be an effective tool to ensure the provision of rental housing within Victoria's challenging housing market. This initiative helps to implement key directions for rental housing as contained in Council's *Strategic Plan 2019-2022*, the *Official Community Plan* and the *Victoria Housing Strategy 2016-2025*. The proposed approach for engaging with property owners and the community provides the opportunity to share information and receive feedback on a range of key economic and development considerations that may arise from RRT zoning prior to reporting to Council with a summary of public feedback and separate zoning bylaw amendments.

Respectfully submitted,



Robert Batallas
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Andrea Hudson, Acting Director
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Report accepted and recommended by the City Manager:



Date:

June 26, 2019

List of Attachments

- Attachment A: Rental Building Inventory by Age.