



## Committee of the Whole Report For the Meeting of June 24, 2021

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**To:** Committee of the Whole **Date:** June 10, 2021  
**From:** Karen Hoese, Director, Sustainable Planning and Community Development  
**Subject:** Future Housing Needs and Gaps in *Official Community Plan* Capacity

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### RECOMMENDATION

That Council:

1. Receive this report on Victoria's future housing needs and gaps in Official Community Plan capacity for information and to inform future City policy initiatives.
2. Update Phase 2 of Village and Corridor Planning to include Oaklands, the eastern portion of the Hillside Avenue Corridor and the Shelbourne Street Corridor (areas originally approved for Phase 3), in addition to the planned process for Stadacona Village, Oak Bay Ave Village, Jubilee Village and related corridors (areas originally approved for Phase 2).
3. Update Phase 3 of Village and Corridor Planning to consider additional opportunities to add capacity along the Fairfield Road Corridor and the Skinner Street Corridor in addition to the planned process for the James Bay area (originally approved for Phase 3).
4. Direct staff to report back to Council with a proposed comprehensive planning process for the Douglas Street Corridor as part of the Official Community Plan Annual Review 2022 (the 10-year review that will be reported to Council in 2023).

### EXECUTIVE SUMMARY

In 2019, the Capital Regional District released updated growth projections that showed slightly higher growth rates than those anticipated when Victoria's *Official Community Plan* (OCP) was developed and adopted in 2012. Since that time, the City commissioned a detailed study of future housing needs and latent demand, as well as an assessment of residential capacity within the OCP's Urban Place Designations.

In recent years, the City has also established a series of goals and objectives that relate to the need for diverse and sustainable housing. The *Victoria's Housing Future* document provides a summary of these diverse objectives, current and future housing needs, gaps in existing capacity, and what they collectively mean for planning for future growth. This document is used to inform both housing requirements included in local area planning and related housing initiatives that are underway and parallel growth needs, such as underground and transportation infrastructure and annual capital budgets.

Estimating the number of housing units needed by 2040 begins with estimating outstanding needs today, or what is sometimes referred to as latent demand. Latent demand is difficult to estimate given the nature of the housing market, but a few key indicators with reliable and consistent data sources illustrate a gap of between 4,500 and 6,300 housing units or more in Victoria's market as of 2016. This figure, while conservative, provides an indication of what is needed to "catch up" with housing needs today. Looking to the future, to "keep up" with anticipated housing needs, additional units will be required for the projected 11,278 households that will form between 2016 and 2041. Comparing latent demand estimates and future growth projections to assessed capacity in the OCP's Urban Place Designations reveals a potential gap of about 20% to 35% between 2020 and 2040 (depending on the latent demand indicators used).

Latent demand estimates, growth projections, and the assessment of capacity provide a quantitative input to planning for growth and future housing needs. Established City goals and objectives help to finish the equation. The figures point to trends, such as the loss of residents in their family forming years and relatively low rates of growth in the youth population, that are counter to some the City's established objectives like the creation of diverse, inclusive, and complete communities.

Ongoing planning projects are working toward addressing gaps in capacity and advancing City goals and objectives (including Village and Corridor Planning, the Missing Middle Housing Initiative and other actions as part of *Victoria Housing Strategy* implementation). Some modifications to the phased approach to Village and Corridor Planning are recommended to fill the identified gaps in capacity, ensure there is enough room for diverse housing options and realize the OCP's vision of a network of complete, connected communities. Modifications include planning for Oaklands villages and corridors in the second phase (rather than third phase) and adding additional corridors to the process, including Fairfield Road, Skinner Street, and Douglas Street, all which were considered through neighbourhood planning processes prior to the updated growth projections and subsequent capacity assessment.

## **PURPOSE**

The purpose of this report is to bring forward findings of technical studies and analyses of Victoria's future housing needs and capacity to meet them based on the *Official Community Plan (OCP)*, and to provide recommendations for addressing gaps between existing capacity and future needs.

## **BACKGROUND**

In April 2019, the Capital Regional District (CRD) released updated growth projections for the region. These projections showed a slightly higher rate of growth than was anticipated when the OCP was developed and adopted in 2012.

At the Council meeting of September 19, 2019, following a report of the *Official Community Plan 2018 Annual Review*, Council directed staff to complete an updated housing demand forecast and OCP capacity assessment.

The demand forecast (a detailed study of future housing needs), and the assessment of existing capacity are summarized in the *Victoria's Housing Future* document (Attachment A) which was created to support the ongoing Village and Corridor Planning process and other housing initiatives. The work provides an improved understanding of the potential impact of the updated growth projections for Victoria, specifically regarding household formation, future housing needs, and existing latent demand, as well as ability to meet future needs under existing conditions. In

association with these needs, the City also needs to consider parallel growth implications on access to green space, servicing requirements, right-of-way allocation and transportation infrastructure.

## ISSUES & ANALYSIS

### Indicators and Estimates of Latent Demand

A recently completed *Housing Trends and Projections Report* provides information about future household composition based on updated projections. Additionally, it includes some key indicators of latent demand in the housing market today. These estimates help to provide a more fulsome understanding of how much capacity is required to meet future needs (i.e., to catch up with latent demand and keep up with future demand).

Latent demand can be difficult to estimate as demand is shaped by factors that are hard to measure accurately. The report begins to provide a picture of latent demand based on a few factors with reliable data. Most of the below indicators are based on 2016 data, to align with Census figures and the timelines in the report.

- **Household headship rates in Victoria are dropping.** This rate measures the proportion of primary household maintainers (or household heads) in the adult population and reveals that there are more adults living in a single household than is historically typical - pointing to a lack of appropriate housing. Around 1,400 dwelling units would have been required in 2016 to meet historically average rates.
- **Families are living in homes that are not suitable for their size.** Suitable housing requires enough bedrooms for the size and make-up of the household. In 2016, over 2,300 households indicated they were living in housing that is too small or lacks enough bedrooms.
- **Rental vacancy rates are well below the 3-5% rate that is considered balanced.** Vacancy rates in the primary rental market were only at 0.5% in 2016, putting renters at a disadvantage. This represents a gap of between 800 and 1,500 rental units. (Note: The vacancy rate in 2020 jumped to above 2% for the first time since 2013, however, 2016 figures are provided for an apples-to-apples comparison.)
- **Job vacancies may also point to a lack of housing for workers.** As of 2016, an estimated 1,200 households would need to locate to Victoria to bring the job vacancies to a healthy rate in the city. (Note: This indicator is included on the higher end of the estimate only.)
- **Many people are unhoused in our region.** As of 2020, the Capital Regional District identified over 1,300 people experiencing homelessness in the Greater Victoria Region, including over 300 living outdoors. Of those, 93% would like to move to permanent housing. (Note: This indicator uses 2020 figures and is included on the higher end of the estimate only.)

These indicators illustrate a gap of between 4,500 and 6,300 housing units or more in Victoria's market as of 2016. These figures should be read with the understanding that these are just a few key indicators and that the housing market is complex – demand fluctuates with supply. Some of the same market pressures would likely still be felt today even if the estimated latent demand was met immediately. Therefore, the total range should be considered a conservative estimate of latent demand.

It is also important to note these estimates do not specify how many affordable (nonmarket) homes need to be created to meet the needs of households who are currently cost-burdened (spending more than 30% of their income on housing). The recently prepared housing targets incorporate latent demand across the spectrum for the five-year period.

## Victoria's Projected Household Growth

Carrying forward recent growth projections from the Capital Regional District (CRD), which provided projections to 2038, the *Housing Trends and Projections Report* estimates 111,299 people will be living in Victoria by 2041. This projection exceeds previous projections, used to inform the development of the OCP in 2012, by more 10,000 (at the time of adoption, 2041 population projections for Victoria were roughly 100,000). Population growth is expected to result in the formation of a projected 11,300 additional households between 2016 and 2041.

Some key highlights of the breakdown of projected household growth:

- If trends observed in 2016 continue or progress, the 35-44 age cohort, typically representing those most likely to be forming families, will remain low.
- Victoria's population is aging, and more than half of household growth in the coming decades is estimated to occur among the over-75 age group. Most growth in this age group is not a result of migration to the city from other regions, but because we are all getting older.
- The 25-to-34-year-old cohort will remain the largest single category, however, their total number is projected to decline by 2% in Victoria (compared to a 3% increase for the region).
- The approximate number of children under the age of 15 in Victoria is projected to increase by just 8%, compared to a 17% increase for the region.

These household and demographic projections reflect trends the city has seen over the past two decades, and that are visible in the local housing stock today. The ongoing loss of households in their family forming years and growing share of senior-led houses is reflected in the city's dominant supply of one- and two- bedroom apartment units.

Carrying these trends forward, the city's housing stock would likely continue to reflect the projected demographics of the city with more apartments and fewer single detached homes. In many ways, these business-as-usual housing projections are intuitive: Victoria is built-out and accommodating new housing means lower density units will have to make way for other forms. However, this would likely entrench demographic trends and may be counter to established policy objectives.

## Diverse Housing Objectives

The City has a strong set of goals and objectives that provide a qualitative guide to planning for future housing needs. The *Official Community Plan*, the *Victoria Housing Strategy*, *Go Victoria* (the sustainable mobility strategy) and *Victoria 3.0: Economic Action Plan for Recovery and Resilience*, all provide guidance about how the city should evolve in the next 10 to 20 years and beyond. Many of these policies and strategies are focused on high-level goals around equity, diversity, inclusion, and sustainability.

Growth projections and latent demand estimates help to build an understanding of the housing that will need to be accommodated to support regional sustainability and avoid exacerbating stressors in the housing market (like overcrowding, reduced headship rates and low vacancy rates). These quantitative factors are complemented by the more qualitative policy objectives. Considered together, they illustrate the need to reverse certain trends that the projections are showing (like the continued loss of households in their family forming years) and ensure there is housing supply to support people of all incomes and lifestyles, diverse employment and services, and a thriving economy.

At a high level, population growth is largely out of municipal control and influenced by global trends and federal and provincial policies. However, local planning efforts to encourage the right supply in the right location can support the growth of a strong and sustainable city.

An example of “right supply in right location” also refers to the parallel needs of growth. Housing affordability has previously been measured by how much people pay for housing. This measure alone may not accurately reflect the full cost as transportation costs can be a major household expense depending on where one lives. The CRD’s 2020 Housing and Transportation Cost Study found that transportation costs are lower in neighbourhoods where a broader choice of mobility options are available and where density and mixed-use development is prevalent. Having the right supply of housing at the right locations, with diverse, affordable and safe mobility options, is a critical component to managing new growth.

Updated Five-Year Housing Targets were provided as part of the *Victoria Housing Strategy Annual Review*, last presented to Council at its December 10, 2020 Committee of the Whole meeting. These updated targets are being incorporated into both *Victoria Housing Strategy* and the *Annual Review* the help to guide the City toward realizing diverse housing objectives. Foundational to reaching these targets, as well as meeting longer term needs, is ensuring there is capacity within the City’s long term growth management framework.

### **Growth Management Framework: Capacity in the OCP Urban Place Designations**

To better understand the city’s ability to address latent demand, and meet longer term housing needs, the City commissioned an assessment of residential capacity based on the OCP Urban Place Designations.

The capacity assessment illustrates the city’s ability to accommodate growth for diverse households (differentiating between ground-oriented and apartment-type capacity) and considers various constraints as laid out in the OCP and evident in the City’s development approvals data. The assessment was conducted using a constrained residential build-out model of the existing OCP Urban Place Designations. The model includes layers at the parcel scale for existing built form, potential development supported by City policy, and development viability constraints.

### **Gaps in Capacity**

The capacity assessment shows current OCP Urban Place Designations would fall short in catching up and keeping up with housing needs in the coming decades. Based on projected household growth and estimates of latent demand, there is a gap in existing capacity of between roughly 20% and 35% across the board. The lower side of the range reflects only the most reliable latent demand data (though it is important to note again that the overall latent demand estimates are already conservative).

The capacity assessment also helps us to understand potential locational trends and how likely it is for the OCP’s growth management framework to be realized:

- About 40% of net new dwelling units would potentially occur in the Urban Core. This falls short of the OCP target for 50% of growth in the Urban Core. However, between 2012 and 2019 the Urban Core saw a cumulative total of 60% of the city’s growth, so on balance this potential is not far from the targets.
- Only about 29% would occur within a 5-minute walk of town centres and villages. This falls well short of the OCP target of 40%, especially when considering that between 2012 and 2019 these areas saw a cumulative total of just 21% of the city’s growth. Growth in town centres and villages is critical to support climate, accessibility and mobility objectives.
- The remaining 32% would be distributed throughout the city (including in locations that have less access to services, amenities, and sustainable transportation options).

This projected distribution based on current capacity results in a more diffused pattern of growth than envisioned and impedes transportation and climate change objectives, as well as the development of complete, connected communities. A map illustrating this assessment is available in the attached *Victoria's Housing Future* document.

### Gaps in Multi-Family Housing Capacity

Considering projected demographics and capacity by housing type, the OCP falls short of meeting demand for multi-family housing – condos and apartments – by about 25%. Meeting this demand is particularly important to ensure there is housing for diverse household types and incomes, including those in service sectors that will likely grow in demand as the population ages.

The OCP needs additional room for new multi-family housing to meet future needs and ensure the city's valuable rental stock is preserved. New buildings should also be diverse and support various household sizes and tenures, including family-friendly condos and rentals for the 40% of families with children who rent.

The assessment also shows that approximately 500 units of the net new capacity is anticipated on sites with existing purpose-built rental buildings, containing a total of 375 existing rental units today. Preserving the older, more affordable purpose-built rental stock that is still in good shape is a key housing objective. New and older multi-family condos also provide a lower cost opportunity to enter the housing market.

### Gaps in Ground-Oriented Housing Capacity

The OCP may provide enough enabling policy to support development that would meet the anticipated need for ground-oriented housing. However, recent trends show limited creation of missing middle housing forms, despite the broadly supportive policies that exist in the OCP. This trend is likely attributed to zoning regulations that have not been updated to implement the OCP. The Missing Middle Housing Initiative is underway to improve the ability to achieve the ground-oriented capacity envisioned in the OCP. Ongoing monitoring of the missing middle initiative, following implementation, will be important to ensure objectives specific to ground-oriented housing are being met.

Maintaining existing capacity for and promoting the development of missing middle forms is important. However, existing capacity only meets the needs of household growth projections that are based on past trends, and with City objectives that point to a desire to reverse the trend of households leaving the city in their family forming years, more capacity for family housing in diverse forms is required. The planned family housing policy initiative will identify additional opportunities to help realize these objectives. This policy initiative will be particularly important to meet the needs of families that rent as most missing middle forms are unlikely to be viable as rental under existing economic conditions.

### **Making Room for More Housing: Addressing the Capacity Gaps**

Making room for more multi-family housing along frequent transit corridors and providing access to shared mobility and active transportation supports equity and climate objectives and can be a mechanism for transforming corridors into places for people. Many of the city's urban villages and town centres are along these corridors, providing opportunities for more people to have access to complete, walkable communities. Consistent with the intent of the OCP, these areas offer an opportunity to close the capacity gap.

The Village and Corridor Planning Process is underway and assessing the right locations and extents for additional capacity in many of these important areas. The current phased approach to Village and Corridor Planning is as follows:

- Phase 1: Villages and corridors within Hillside-Quadra, North Park and Fernwood neighbourhoods (underway)
- Phase 2: Villages and corridors within Rockland, Fernwood, North and South Jubilee neighbourhoods (in particular, the Fort Street Corridor and Oak Bay Avenue)
- Phase 3: Town Centres, villages and corridors within Oaklands and James Bay neighbourhoods.

Locations being explored in the current phase include key transit corridors, as well as some off-corridor locations for multi-family housing that are supported by safe active transportation networks and shared mobility services. Staff anticipate a similar process for the remaining phases of planning. However, the current three-phased process may need to be updated to provide a more comprehensive approach to close the gap in capacity city-wide.

The Shelbourne Corridor and the eastern portion of the Hillside Corridor, including Hillside Town Centre (in Oaklands), is currently slated for phase three. Moving these areas to phase two would enable a more thoughtful approach to planning these corridors with the adjacent Richmond and Begbie Corridors (currently included in phase two) and would immediately follow the planning for the western portion of the Hillside Corridor (currently underway).

Additionally, the current three-phased approach does not capture all transit corridors in the city. Fairfield Road Corridor, Skinner Street Corridor, and Douglas Street Corridor were not included in this process as they had been considered in recent neighbourhood planning processes for Fairfield, Vic West, and Burnside Gorge (which took place prior to the updated projections and capacity assessment). The Fairfield Road Corridor and Skinner Street Corridor could logically be incorporated into the planned third phase of Village and Corridor Planning given their relationship to James Bay and the Downtown area.

Douglas Street was considered as part of the Burnside Gorge Neighbourhood Plan, which included a review of the *Victoria Regional Rapid Transit Project* recommendations released by BC Transit in 2011 and a high-level assessment of employment land needs based on growth projections at the time. In addition to the updated growth projections, other changing circumstances since the neighbourhood planning process warrant a more comprehensive corridor planning approach for Douglas Street. These circumstances include planning and development in the District of Saanich's Uptown Neighbourhood, potential changes to employment land needs based on new growth projections and a changing economic landscape, and the evolving rapid transit functions of the corridor. Such a planning process could be undertaken after the current Village and Corridor Planning process is completed, aligned with the 10-year review and update of the *Official Community Plan*. Staff recommend reporting back to Council with a proposed planning approach when the OCP Annual Review 2022 is brought forward in 2023 (as each OCP Annual Review reports the data of the previous calendar year).

The Missing Middle initiative is underway, and it is anticipated that the outcomes will help to better realize the potential for ground-oriented housing capacity that exists in the OCP. A separate family housing policy initiative is also planned for 2021, which will help to ensure family friendly housing is a priority in future development. A summary of proposed revisions to planning processes to address gaps is provided in the table below.

Planning Process	Areas in Current Process	Proposed Revision	Gap to Address
Village and Corridor Phase 1 (underway)	Quadra Village North Park Village Fernwood Village Quadra Street Corridor Bay Street Corridor Cook Street Corridor West Hillside Corridor	No Change	Increasing OCP capacity for multi-family housing in the right locations
Village and Corridor Phase 2 (2022)	Stadacona Village Jubilee Village Oak Bay Ave Village  Fort Street Corridor Oak Bay Ave Corridor Richmond Road Corridor	Stadacona Village Jubilee Village Oak Bay Ave Village <b>+Hillside Town Centre</b> <b>+Haultain Village</b> Fort Street Corridor Oak Bay Ave Corridor Richmond Road Corridor <b>+East Hillside Corridor</b>	
Village and Corridor Phase 3 (2023)	James Bay Village and neighbourhood area Hillside Town Centre East Hillside Corridor	James Bay Village and neighbourhood area <del>Hillside Town Centre</del> <del>East Hillside Ave Corridor</del> <b>+Fairfield Road Corridor</b> <b>+Skinner Street Corridor</b>	
OCP 10 Year Update (2024, following the OCP Annual Review concluded in 2023)	City-wide	Include comprehensive study approach for <b>Douglas Street Corridor</b>	
Missing Middle Housing Initiative (underway)	City-wide	No Change	Improving ability to achieve ground-oriented capacity in the OCP
Family Housing Policy Initiative (planned for 2021)	City-wide	No Change	Increasing family housing in multiple forms to reverse projected trends

*Note: Timelines are provided as estimates and depend on budgeting, staff capacity, and impacts of the COVID-19 pandemic.*

### Other Programs and Initiatives Related to Planning for Growth

Planning for anticipated population growth goes beyond consideration of future housing needs. The projections, latent demand estimates, capacity assessment, and ongoing planning are coordinated



with other programs and initiatives related to growth management. Some initiatives, such as updates to the City's Subdivision and Development Servicing Bylaw, are required to address parallel growth implications on mobility, accessibility, and urban forest.

**Infrastructure Planning** – Planning includes upcoming updates to the Stormwater Master Plan and future updates to Sewer and Water Plans (updated on 5-year cycles).

**Subdivision and Development Servicing Bylaw** – This bylaw includes local requirements and standards for the provision of highway, water, sewer and drainage infrastructure in connection with the subdivision or development of land. An update to this bylaw is planned, pending resource allocation, including incorporation of best-practice standards in transportation, accessibility, and green infrastructure.

**Parks and Open Spaces Development and Acquisition** – The City identifies opportunities for parkland development and acquisition that align with the Official Community Plan, Parks and Open Spaces Master Plan, and other approved City plans, per the 2022 action in the City's Strategic Plan (2019-2022).

**Development Cost Charge (DCC) Bylaw** – DCCs are levied on development to help cover the cost of expanding or improving transportation (such as roads, pedestrian, and bicycle access), water, sewer, storm drainage and parkland to accommodate growth. The bylaw is updated annually to increase the fees by inflation, and comprehensive updates take place every five years (2023 is next update) to reflect population and growth estimates, servicing requirements, construction and land acquisition costs, and growth-related infrastructure and community needs.

**School Planning** – Information is shared with the School District, who is involved in ongoing City-led planning processes.

## **OPTIONS & IMPACTS**

### *Accessibility Impact Statement*

The City's Accessibility Framework is considered in all planning processes and informs final products and outcomes.

### *2019 – 2022 Strategic Plan*

The recommendations are supported by Strategic Plan Objective 8.17, under Strong Livable Neighbourhoods: Develop Local Area Plans. They also support a range of strategic plan objectives which may be furthered by Local Area Planning, such as 3.22, Identify opportunities for affordable housing in all neighbourhood plans.

### *Impacts to Financial Plan*

The recommendations do not impact the Financial Plan. Village and Corridor Planning Phase 2 would be delivered using existing funding for OCP Implementation. As identified upon the launch of the Village and Corridor Planning process, staff would need evaluate additional funding needs for Phase 3. Funding of the 10-year OCP Review and Update would also be identified in a future budget.

*Official Community Plan Consistency Statement*

The recommendations are consistent with the *Official Community Plan (OCP)*. Section 20: Local Area Planning, envisions a range of local area plans, with a focus on corridors, villages and areas expected to undergo growth and change. Section 22: Adaptive Management provides a framework for keeping the OCP up to date based in emerging trends, including growth projections.

**CONCLUSIONS**

Recently updated growth projections and policy analysis illustrate the city’s future housing needs. A capacity assessment reveals gaps in the City’s ability to meet these needs based on the *Official Community Plan* Urban Place Designations. There is shortfall in overall capacity, capacity of the right supply, and capacity in the right locations.

Ongoing planning work, including Village and Corridor Planning, is working to close many of these gaps. However, modifications to the phased planning approach are recommended.

Respectfully submitted,

Lauren Klose  
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Karen Hoese, Director  
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**Report accepted and recommended by the City Manager.**

**List of Attachments**

- Attachment A: *Victoria’s Housing Future* (summary document).