

## Zoning Update Strategy

### Residential Rental Tenure Zoning and Destination Zones Emerging from Local Area Planning

This document outlines a strategy to 1) implement residential rental tenure zoning in strategic areas that emerged through local area planning for North Park, Fernwood, and Hillside-Quadra; and 2) advance the development of “destination zones” to support high-quality, streamlined multi-unit residential development.

In addition to the proposed zoning strategy outlined in the following sections, staff would also identify any other required updates to the Zoning Regulation Bylaw to ensure alignment between local area planning and other citywide objectives and initiatives (such as the recently approved Rapid Deployment of Affordable Housing initiative).

## 1. Residential Rental Tenure Zoning

### Background

Residential Rental Tenure Zoning (RRTZ, or rental tenure zoning) was introduced by the Province of British Columbia in 2018 and gives municipalities new legislative authority to limit housing tenure to rental in multi-unit residential zones. The intent of these changes is to give local governments greater ability to preserve and increase the overall supply of rental housing in their communities.

The *Victoria Housing Strategy 2019-2022* includes actions related to rental tenure zoning to increase supply and reduce competition for rental units, while increasing choice for renters. Specifically, the plan calls for consideration of city-initiated zoning for increased density with provisions for purpose-built rental and affordability in low density zones.

The City's *Strategic Plan 2019-2022* reinforces the actions and goals in the *Victoria Housing Strategy* with several priority actions to increase opportunities for and encourage development of new rental housing, including to:

- Identify opportunities for affordable housing in all neighbourhood plans.
- Explore pre-zoning opportunities for purpose-built rental and affordable housing.
- Support faith-based, charitable, and non-profit housing developers

### Considering Rental Housing Through Local Area Planning

At the outset of the phased local area planning process for villages and corridors, the City recognized that the process would provide an opportunity to advance key directions from the *Strategic Plan* and the *Victoria Housing Strategy*. Rental housing objectives are also reflected in a commitment in the Terms of Reference for Local Area Planning to support equity not just in who is engaged, but in the outcomes of planning.

At the start of the local area planning process, the City completed an *Official Community Plan (OCP)* capacity assessment. As documented in the *2021 Housing Futures Report*, the assessment revealed that the OCP's Urban Place Designations fall short of meeting housing need now and in the future, reemphasizing the need to increase diverse housing supply through local area planning. Council directed adjustments to the phased process to incorporate planning in other areas of the city (Fairfield, Gonzales, Vic West, and Burnside Gorge) with the purpose of supporting housing opportunities in all neighbourhoods and strategic locations.

Making room for housing and considering opportunities to advance rental housing objectives was a key focus of engagement in the first phase of village and corridor planning (for areas in North Park, Fernwood, and Hillside-Quadra). Community members expressed that allowing a mix of housing choices in all neighbourhoods is important. A particular concern was that new housing include both rental and strata opportunities, and that existing, older, quality rental apartments (that tend to be more affordable) should be protected from rapid redevelopment. In addition, community members felt strongly that opportunities for rental housing should not be limited to Victoria's busiest transportation corridors.

Based on existing City direction and feedback from the community, the proposed local area plans emphasize opportunities for new, secured rental housing units without demolishing and replacing older purpose-built rental apartments. The first step in making room for rental is achieved by adding capacity within the OCP – redesignating strategic areas for multi-unit housing where it doesn't already exist. Considering City-initiated rental tenure zoning is a next step in ensuring these new opportunities support the diversity of housing that is desired.

### **Rental Tenure Zoning Opportunities and Risks**

Determining where and how this zoning tool should be used requires thoughtful consideration, recognition of the opportunities it provides, and mitigation of any potential risks.

#### Opportunities: What Rental Tenure Zoning Can Achieve

City-initiated zoning changes for rental tenure can result in an array of benefits and opportunities. An applied multi-unit residential rental tenure zone may:

- Incentivize rental tenure development (which is often marginally financially viable compared to strata tenure) by removing the cost, time, and uncertainty of a rezoning application.
- Reinforce climate and equity objectives by more strongly directing new housing to areas near shops, services, transit, and amenities, thus reducing transportation emissions and the housing and transportation cost burden, which is typically highest for renters.
- Improve the public realm more rapidly (by encouraging near-term redevelopment which provides frontage improvements, like sidewalks and treed boulevards – improvements that are particularly desired along frequent transit corridors).
- Alleviate the pressure to redevelop existing rental buildings, thus maintaining a range of affordability in the city's rental stock, by creating new opportunities elsewhere (to this end a multi-unit rental tenure zone would not be applied to existing purpose-built rental sites, but rather used to create opportunities elsewhere).
- Support local businesses by increasing housing (and customers) near urban villages.
- Support transit investment by increasing housing (and potential transit users) close to transit.

#### Mitigating Risks: Thoughtful Zone Drafting and Site Selection

A key risk of City-initiated zoning changes for higher density forms of development is related to the loss of a potential future public process that could come from a rezoning application.

The rezoning process provides an opportunity to consider the proposed scale and built form of a redevelopment, and if it fits with the existing and envisioned community. The risk involved in not having this process for higher density rental can be largely mitigated through a thoughtful crafting of the design

parameters in the zone, strongly guided by the proposed *General Urban Design Guidelines*. It can be further mitigated by ensuring design review would still occur at the development permit stage.

Zoning a site for rental at higher densities, also means that the City won't have an opportunity to negotiate for voluntary public benefits that may be offered during a discretionary rezoning. These might include on-site amenities, dedication of public spaces, affordable housing, or protection of properties that have heritage merit, but are not designated or listed on the Heritage Register.

Though there is a risk in this potential opportunity loss, land economic studies show that most rental development is unlikely to result in substantial increases in land value and is thus typically unable to provide significant community amenity anyway. And, in the case that a property owner desires densities, uses, or tenures not outlined in the zone (for example, strata development, which typically can provide amenity) a rezoning would be required, and negotiations for voluntary contributions would again be possible.

Still, for the best possible outcome, risks related to a City-initiated rental tenure zoning can be mitigated by:

- Continuing to require Council consideration of the required development permit, measured against the proposed *General Urban Design Guidelines*.
- Aligning permitted density and height with lot size to ensure design guidelines can be met.
- Avoiding application of the zone on properties that have heritage merit (including Heritage Designated properties, properties on the Heritage Register, or properties recognized by a neighbourhood heritage survey or walking tour).
- Avoiding application of the zone on larger sites or sites where site-specific amenities are desired and should be negotiated.
- Requiring the dedication of appropriate public rights-of-way as a condition of multi-unit densities.

### **How an Applied Rental Tenure Zone Would Work**

The multi-unit rental tenure zone would be initiated by the City and applied in select areas. The zone would allow for what exists on a property today (including homeownership) but would provide additional density and height entitlements to redevelop the property to a scale envisioned in the local area plan and OCP, if developed as purpose-built rental housing. Redevelopment above existing entitlements for any other tenure (strata) would require a rezoning application (like most properties throughout the city today). Development would be constrained by design parameters within the zone itself and the guidelines in the required development permit.

### **Selecting General Areas and Specific Sites**

Based on the above opportunities and risks, the following criteria were established to identify appropriate locations for applying a multi-unit rental tenure zone:

- **Transit Richness:** Access to existing or desired frequent and rapid transit routes, particularly more than one route is desired (approximately a 5-minute walk, or 200 metres).
- **Services and Amenities:** Proximity to an urban village with a full range of services, parks, and other amenities is desired (approximately a 10-minute walk or 400 metres; or 15-20 minute walk of downtown).
- **Mix of On- and Off-Corridor Areas:** While proximity to transit is desirable for many, we heard strongly from the community that others, including renters, desire multi-unit housing in quieter

locations, near but not directly on major transit corridors. Traffic impacts (noise, pollution) was seen as an equity issue.

- **Appropriate Lot Configuration:** Lot depths can constrain the ability to physically accommodate the density required for rental housing to be viable (generally 2-2.5:1 FSR) and still meet the design guidelines.
- **Economic Viability:** Some areas are more likely to be economically viable for rental housing, per land lift analysis, and this should be taken into consideration. (However, it is not possible to ensure that all selected lots would be viable for rental housing today, at the densities being proposed, as viability is constantly changing and depends on factors such as land value, construction costs, market rents, interest rates, and other rental incentives).
- **Opportunity to Improve Public Realm:** Areas where public realm improvements are a priority are desirable locations to encourage housing through an applied rental tenure zone (particularly enhanced sidewalks, street trees, boulevards, and bicycle facilities where desired).

In all options, sites with certain features would be avoided to mitigate potential risks, as described above.

**Excluded sites** would include:

- Sites with existing multi-unit buildings (more than 2 units).
- Sites with buildings that have heritage designation, are on the Heritage Register, are subject to a Heritage covenant, or are identified in a neighbourhood survey / walking tour.
- Sites that do not meet the minimum lot depth to accommodate a desired density after any required street right-of-way dedication.
- Sites with cultural spaces.

### **Areas Considered for City Initiated Rental Tenure Zoning**

Three different scenarios were explored for City-initiated rental tenure zoning. Areas were limited to the three communities involved in this most recent phase of local area planning (Fernwood, North Park and Hillside-Quadra) as the updated neighbourhood plans provide the new capacity required. Areas were selected based on an evaluation of the criteria above. See Table 1 for a more detailed evaluation of individual areas against the criteria.

#### **Option 1: On and Near Frequent Transit Corridors** (see Option 1 Map below)

This option focuses on three key corridors that have existing frequent transit, are candidates for frequent or rapid transit, and otherwise have good transit connectivity: Bay Street, Cook Street, Finlayson Street and Quadra Street.

- Bay Street: Bookended by major employment areas, Bay Street identified as a desired Frequent Transit route and is bisected by two other transit corridors (Quadra and Shelbourne Streets). New urban villages are proposed along Bay Street and it is within walking distance of Fernwood Village, Haultain Corners (small village) several parks, and the Crystal Pool.

Recent development pressures are resulting in the creation of small lots, duplexes and other smaller developments that are increasing driveway use and curb cuts along the street. Encouraging a more cohesive development pattern, with fewer curb cuts would reduce potential congestion and better support transit, pedestrians, emergency response, and improved walking and wheeling.

Although many lots along Bay Street are not deep enough to accommodate the higher densities

envisioned in the Housing Opportunity designation, economic analysis shows that it is one of the few areas where rental housing is likely to be economically viable at densities of 2:1 FSR or lower.

- Quadra Street is the region’s busiest Frequent Transit route and a candidate for Rapid Transit investments.<sup>1</sup> Along its length, Quadra Street is within walking distance of Quadra Village, the Douglas Street transit route, large parks (Topaz Park, Summit Park, Rutledge Park), bicycle routes and greenways, and the proposed expanded small village at Quadra and Tolmie.
- Cook Street is identified as a desired Frequent Transit route in the North Park Neighbourhood Plan. Areas along Cook Street are close to North Park Village downtown, Central Park and Crystal Pool and within walking distance several transit routes.
- Parts of Finlayson Street share many of the benefits of Quadra Street, along a more livable secondary corridor. These areas are proximate to parks, Quadra Village, and Frequent Transit routes on both Quadra Street and Hillside Avenue. Finlayson Street is also noted as a desired Frequent Transit Corridor in the Hillside-Quadra Neighbourhood Plan.

At the same time, it is recognized that community members felt strongly that major corridors are not the most livable locations for all, and that opportunities for rental homes should also be provided in quieter areas. Bay Street, with its relatively narrow sidewalks and relatively high proportion of truck traffic, was particularly mentioned as an area that faced livability challenges.

**Option 2: Off Corridors and Near Villages** (see Option 2 Map below)

This option focuses on areas near three villages: Quadra Village, Fernwood Village and North Park Village. This option better supports the objectives of locating rental housing in walkable areas, close to villages, transit, and amenities, but not located directly along the busiest corridors, supporting the overall *Official Community Plan* vision and growth management framework, while being responsive to those community members who expressed livability and equity concerns. Locations near Quadra Village and North Park Village are also generally within walking distance to the downtown.

This proposal also includes areas proposed for medium density “Mixed Residential” development of 4 storeys. Because the densities in mixed residential areas are considered marginal for rental housing, and more likely to attract investment in strata housing, City-initiated zoning for rental tenure can help incentivize a mix of tenures in these areas.

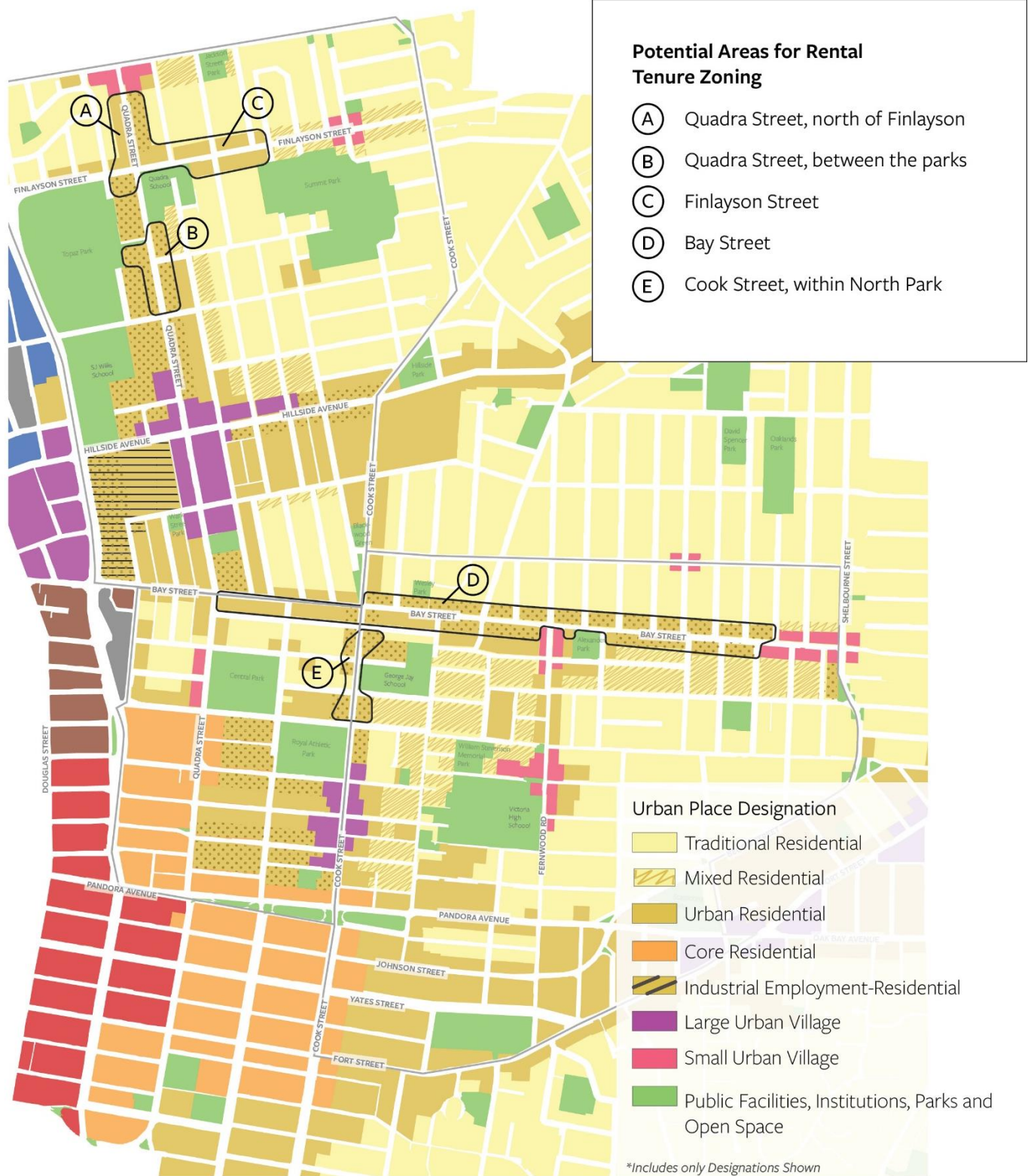
**Option 3: Hybrid (Recommended)** (see Option 3 Map below)

This option focuses on parts of three major corridors (Bay Street, Cook Street and Quadra Street), with an emphasis on portions of Quadra Street closest to Quadra Village and two major parks (Topaz and Summit parks). It also includes areas of two secondary corridors (Finlayson Street and Fernwood Road) and some off-corridor areas proximate to Quadra Village, North Park Village, and Fernwood Village.

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<sup>1</sup> Transit Futures Plan, BC Transit.

# Option 1: On and Near Frequent Transit Corridors





## Option 2: Off Corridors and Near Villages



# Option 3: Hybrid





Table 1: Evaluation of Areas for Rental Tenure Zoning

Options	Mapped Area	Transit Richness (more than one route)	Walkable to Villages	Walkable to Other Amenities	Appropriate Lot Sizes	Potentially Economically Viable for Rental	Opportunities for off-corridor housing	Opportunities for public realm improvements
1	A. Quadra Street, north of Finlayson							
1 & 3	B. Quadra Street, between the parks							
1 & 3	C. Finlayson Street							
1 & 3	D. Bay Street							
1 & 3	E. Cook Street (within North Park)							
2 & 3	F. Quadra Village (surrounding area)							
2 & 3	G. Fernwood Road							
2 & 3	H. Fernwood - North Park Connection							

Option 1. On and Near Frequent Transit Corridors  
 Option 2. Off Corridors and Near Villages  
 Option 3. Hybrid

= most comparatively desirable    
 = somewhat desirable  
 = generally desirable    
 = least comparatively desirable

## Rental Tenure Zone Parameters

Parameters for a rental tenure zone would be similar to parameters for any high-quality multi-unit residential zone (see Section 2 of this document on Destination Zones for more). However, given that the intent is that the rental tenure zone would be City-initiated on specific sites there are additional parameters that should be considered to mitigate any risks.

### Density and Height

The areas proposed have a range of Urban Place Designations including the proposed Mixed Residential and Housing Opportunity designations. Several zones will be required to align with the differing envisioned heights and densities. The zones would provide a base density that supports the pre-existing use, as well as maximum density and height based on the designation (ranging from 4 to 6 storeys and 1.6:1 to 2.5:1 floor space ratios). Victoria has diverse lot sizes and shapes, and urban design testing found that not all heights and densities would work on all sites, even as aligned with the designation. Additional measures may be considered to ensure design guidelines can be met, including desired setbacks and upper-storey setbacks. Various parameters of the zone would further ensure objectives related the urban forest, open space, livability, and neighbourliness could be met (see Section 2 of this document for more).

Provision of Affordability and Public Benefit in Housing Opportunity Areas: The higher densities proposed in these areas are intended primarily for market rental and to provide additional public benefit (such as affordability). While this may be negotiated in discretionary rezonings, it is necessary to consider desired public benefits ahead of a City-initiated zoning. The community benefits sought would balance the desire for inclusion of below-market homes and other amenities with economic viability to ensure that rental housing supply can be added. The impact of public benefit provisions in the zone would be monitored and updated periodically in tandem with the *Inclusionary Housing and Community Amenity Policy*.

### Unit Mix

During engagement, the need for units that can accommodate larger households (or roommates) was often mentioned. Just 1% of purpose-built rental housing today has 3 or more bedrooms. The *Victoria Housing Strategy* includes an action to develop a Family Housing Policy. In the interim, the rental tenure zone may require a percentage of units to have at least two bedrooms to ensure diversity.

### Parking and Transportation Provisions

Policies for new housing were premised on providing car-lite living opportunities near transit, bike routes, mobility hubs, villages, and centres. This principle was woven into consultation as well as economic testing of rental housing viability, which assumed approximately one parking space for every two residential units – a ratio close to the 0.6 cars owned by an average renter in Victoria<sup>2</sup>. Citywide bylaw updates to reflect these desires and trends are anticipated. In the interim, variances to the rental tenure zone could continue to be considered on a case-by-case basis to achieve the car-lite objective (typically the provision of Transportation Demand Management (TDM) measures is expected for such variances). A requirement for provision of right-of-way for pedestrian and other transportation needs, as specified in relevant bylaws, would be a condition for density above the base density to mitigate any opportunities that may be lost through a City-initiated zoning.

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<sup>2</sup> Origin Destination Household Travel Survey, 2017. Capital Regional District.

## 2. Destination Zones for Multi-Unit Residential Development

### Background

Creating new zones that may be used for multi-unit housing applications is a key part of implementing local area plans. These zones may be called “destination zones” since they are not proposed to be applied to specific properties by the City, but rather to guide applicants who may seek a rezoning. These zones thereby provide applicants, the City, and the community with clear expectations about aspects of future development, in order to support objectives related to compatibility, livability, setbacks, open spaces, and the urban forest, among others.

As part of implementing local area plans for Fernwood, Hillside-Quadra and North Park, staff propose the development of destination zones aligned with multi-unit densities envisioned in three *Official Community Plan* Urban Place Designations:

- Mixed Residential (1.6:1 FSR)
- Urban Residential (2:1 FSR)
- Housing Opportunity (2.5:1 FSR with substantial public benefit)

The creation of these destination zones will be guided extensively by the proposed *General Urban Design Guidelines* and the urban design testing which informed recent local area planning.

### Zone Parameters

The proposed parameters that would inform the drafting of these destination zones are provided below.

#### Uses

- Multi-unit residential uses, including lock-off suites.
- Limited commercial or community-serving uses (primarily in Urban Residential and Housing Opportunity areas, these uses would be permitted to advance complete, walkable communities and may include uses like childcare, art studios, laundry, cafes, corner groceries, or health care offices, but would be ancillary to the residential use and generally limited by a maximum floor area on the ground floor).

#### Density and Height

At least three destination zones would be developed with different densities and heights:

- For 4 storeys (generally aligned with the Mixed Residential designation): 13.7m high and 1.6:1 FSR.
- For 5 storeys (generally aligned with the Urban Residential designation): 16.8m high and 2:1 FSR.
- For 5-6 storeys (generally aligned with the Housing Opportunity designation): 16.8-19.8m high and 2.5:1 FSR.

#### Setbacks, Site Coverage, Trees and Open Space

To meet objectives for neighbourliness, building separation, green backyards with tree-planting spaces, and “green and leafy” streets, the following would be incorporated:

- Site coverage generally consistent with the provisions of the proposed *General Urban Design Guidelines*.
- Minimum required on-site landscaped open space.
- Minimum contiguous areas and soil volumes to support large canopy trees.

#### Parking

Urban design and economic testing for multi-unit, secured rental housing was premised on a slight reduction in parking ratios compared to the existing Schedule C of the Zoning Regulation Bylaw. Local area planning policies are geared toward a broader approach that facilitates opportunities for “car-lite” living with lower parking ratios and more Transportation Demand Management measures. This approach is expected to be integrated into the upcoming update to Schedule C.

Parking variances may continue to be considered and would generally be weighed against the level of Transportation Demand Management measures proposed (e.g., on-site car share, bus passes).

#### Mix of Unit Types

We heard the desire for larger units that can accommodate families with children or roommates, in multi-unit housing forms, especially in areas off major corridors. Based on this, it is proposed that the destination zone for Mixed Residential areas:

- Require a percentage of units to have two or more bedrooms (e.g., 25-35%).

Further refinement to this approach is expected through the anticipated Family Housing Policy (an action in the *Victoria Housing Strategy*).

Staff would conduct additional research and testing to refine the parameters above and prepare destination zones for future use.