



Committee of the Whole Report For the Meeting of July 28, 2022

To: Committee of the Whole **Date:** July 15, 2022
From: Karen Hoes, Director, Sustainable Planning and Community Development
Subject: **Victoria Housing Strategy Annual Review 2021**

RECOMMENDATION

That Council receive the Victoria Housing Strategy Annual Review 2021 report for information.

EXECUTIVE SUMMARY

The purpose of this report is to present Council with the Victoria Housing Strategy Annual Review. The *Victoria Housing Strategy Phase Two 2019-2022* was adopted July 2019, and guides City policy and initiatives to meet diverse needs of residents across the housing continuum. This report summarizes the Strategy's achievements throughout 2021, assesses overall progress against the various targets, and identifies emerging challenges and areas of focus for 2022 and beyond.

The *Victoria Housing Strategy Annual Review 2021* provides an overview of the shifting housing conditions and progress made on housing targets during the third year of implementation, and includes newly available population and income data from the 2021 census and information on the sale of existing purpose-built rental buildings. Significant progress on the Strategy's actions continued in 2021, with 35 of 49 actions complete or active. This includes eight actions completed, 15 underway, 12 ongoing, 13 planned for future action, and one on hold.

As a result of the approval of two large non-market rental projects, several supportive housing developments announced by the Provincial government, and a surge in the creation of market rate purpose-built rental units in 2021, the City is on track to meet its housing target of 2,100 new homes being affordable to median incomes and below, and exceed its target of 1,900 new market rental homes by 2025. In addition to 184 net new units of supportive housing advanced by the Provincial government, 210 net new units of non-market affordable housing were approved in Victoria throughout 2021.

With respect to housing choice, the City is falling behind in the creation of family-friendly housing and development of missing middle homes. A total of 142 new homes for families were secured through legal agreements or issued building permits. Among a record 1,566 gross new homes issued building permits, only 34 (or 2%) were missing middle homes in 2021, making this the poorest performing Housing Strategy target. To get back on track in 2022, approximately 400 units of missing middle homes would be needed. This housing type will help to offer a balanced supply of housing options and meet the diverse needs of the community in the coming years, particularly

for young families, couples, singles, and empty nesters who want to continue to stay in Victoria, but struggle to find appropriate housing that fits their needs and their incomes.

PURPOSE

The purpose of this report is to present Council with the *Victoria Housing Strategy Annual Review 2021* which summarizes the strategy's achievements, challenges, and outcomes over the year.

BACKGROUND

The *Victoria Housing Strategy Phase Two, 2019-2022* was adopted in July 2019. It defines the City's role in the provision of affordable housing, assesses and forecasts Victoria's housing needs in the future, while also establishing targets and tools to meet those needs. The Housing Strategy is action-oriented and includes 49 actions, organized by five focused goals.

Of the 49 actions, 11 were prioritized for initiation in 2019-2020, and an additional ten were prioritized for initiation in 2021, based on the City's capacity, resources and the actions' direct impact on the creation and preservation of housing.

In June 2020, Council re-prioritized actions of the Strategy to respond to the COVID-19 pandemic and the mounting housing insecurity faced by renters. Two existing actions were re-prioritized and two new actions were added. These actions included:

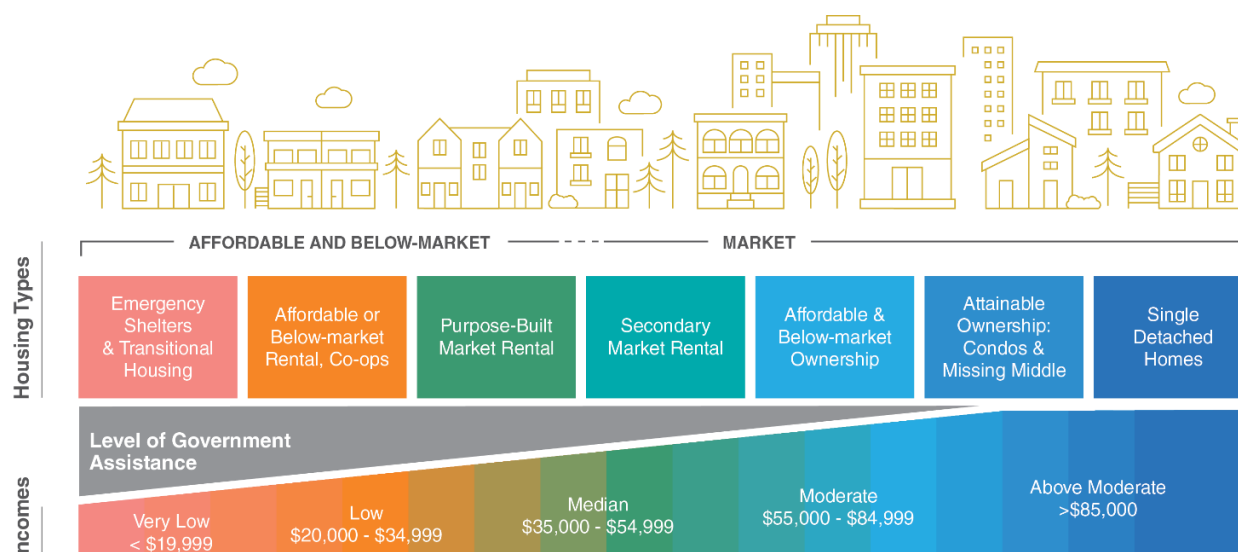
1. Advance and support the rapid supply of affordable and supportive housing with government partners and non-profit housing providers.
2. Bring forward an expanded Rental Property Standards of Maintenance Bylaw for consideration.
3. Develop a Rental Property Licensing Bylaw to prevent renovations and demovictions.
4. Explore the creation of a non-profit administered rent bank on a pilot basis.

ISSUES & ANALYSIS

1. Victoria Housing Strategy Annual Review 2021

The *Victoria Housing Strategy Phase Two 2019-2022* (Housing Strategy) includes a commitment for annual monitoring and evaluation to track progress and impacts made over the preceding year. The *Housing Strategy Annual Review 2021* (Annual Review) (Attachment A) follows the City's adaptive management framework, and is intended to help identify emerging trends, issues and new knowledge that may warrant changes to the Strategy over time. In this way, the Annual Review assesses Victoria's shifting housing conditions and housing needs across the housing continuum (Figure 1) and monitors progress on the strategy's goals, actions, and targets.

Figure 1: Housing Continuum



Annual Review 2021, Key Findings and Observations:

Overall, there have been some improvements in Victoria's housing context, primarily through the addition of new rental supply, new policies and legislation to protect tenants, and data to provide new and deeper understanding of Victorians' housing needs. However, affordability remained the biggest challenge to the housing market with soaring home prices, rising rental and construction costs, record migration to BC, and historic levels of inflation. While Housing Strategy targets are being met for market rental housing, strata apartment housing, overall supply, and for households with very low incomes, there are not enough missing middle type homes being created, new homes affordable to median or low-income households, or family-friendly units being issued building permits or secured through legal agreements. The below six targets highlight key trends from 2021, while progress on additional Housing Strategy targets are detailed in Attachment A.

Figure 2: Housing Targets Progress Summary 2021

GOALS	TARGETS	PROGRESS IN 2021
Goal One: Focus on Renters	1,900 new Market Rental Homes by 2025, ~300 per year	EXCEEDING: 492 Building Permits issued.
	2,100 new Affordable Non-Market Homes by 2025, ~350 per year	ON TRACK: 210 net new affordable non-market homes were approved by Council. In addition, 184 net new units are being advanced by the Province ¹ bringing the annual total to 394. An additional 348 homes proposed and under review, 234 are awaiting building permits, and 551 units are under construction.

¹ The data for the Housing Strategy Annual Review Report includes 184 Supportive Housing units being advanced by the Provincial Government that were announced in March 2021 as part of the total units that would be heading to the construction phase as well new non-market homes and total rental homes heading to construction (Building Permit.)

Goal Two: Increase Supply	6,000 total new homes, ~1,000 per year	EXCEEDING: 1,473 net new homes proceeding to construction.
	1,000 total new condominium strata homes, ~150 per year	EXCEEDING: 489 Building Permits issued.
Goal Three: Housing Choice	1,600 new homes for families, ~250 per year	FALLING BEHIND: 142 homes with two or more bedrooms secured through legal agreements during Council approval or issued building permits ² .
	1,000 Missing Middle Homes (duplexes, triplexes, fourplexes, conversions, and townhomes), ~150 per year	FALLING BEHIND: 34 Building Permits Issued.

Residential Building Permits

- In 2021, building permits for a record 1,473 net new homes were issued in Victoria. Downtown, Victoria West, Burnside, and Harris Green accounted for a combined 1,195 net new homes, making up 80% of the citywide total.³
- Since 2007, building permits issued for net new homes per year have ranged from 134 homes in 2008 to 1,473 homes in 2021, with an average of approximately 681 homes approved per year. In 2021, the net gain of 1,473 homes is more than double this average and, after falling behind in 2020, helped bring the City back within range of meeting its 6,000-unit target by 2025.
- 93 homes were lost due to demolition or alteration. The majority of these lost units were for multifamily buildings with more than five units (47%) and detached dwellings (38%) – including one secondary suite.

Affordability

- Throughout 2021, over 1,083 net new (1,199 total gross) non-market rental homes were either approved, under review, or under construction in Victoria.
 - 394 net new non-market homes were approved throughout 2021, an increase of 89 over 2020 figures.
 - Among the 210 approved by Council in 2021 and 184 achieved through a provincial process, 216 net new units are affordable to households earning very low incomes, 60 units for low incomes, 70 units for median income earners and 49 units at below-market rental rates.
 - 551 net new non-market units were under construction in 2021, aiming to be completed over the next few years.
 - As of December 2021, 348 net new non-market homes were proposed and under review.
- In 2021, the City contributed \$660,000 to the Victoria Housing Reserve Fund (VHRF) and saw its first deposit via the Municipal and Regional District Tax Online Accommodation

² Building permits issued for townhomes and single-family detached homes are assumed to be 2 or more bedrooms for this indicator.

³ This number includes the 184 supportive housing units that the Provincial Government announced in March 2021 that would be advancing in Victoria and move straight to the construction phase, exempt from municipal processes.

Platform (MRDT OAP). As of December 2021, there were three approved applications to the VHRF, for a total of \$1,650,000 in support of 264 affordable homes in the Oaklands, Burnside, and Fernwood neighbourhoods.

- The average sale price of all housing types increased again in 2021, this year by double digits for every type; single-family dwellings increased by 17%, condo apartments increased by 14%, and townhouses increased by 12%.
- New to this year's review, the purchase price of multifamily apartments reportedly increased by 22% per unit between 2020-2021. This trend has the potential to significantly affect affordability in Victoria's rental housing market in the coming years, particularly where older, more affordable rental buildings are acquired.

Rental Market Housing

- After a temporary surge in rental vacancy rates to 2.3% as of October 2020, vacancies in the City of Victoria returned to the pre-pandemic rate of 1%, dropping still further below the healthy vacancy rate of 3 to 5%. Victoria Census Metropolitan Area (CMA) vacancy rates also returned to the 1% rate seen in 2019 from 2.2% in 2020. During the same period, the national vacancy rates remained stable at 3.1%.
- According to CMHC, in 2021, average rents in Victoria increased by 1.8% for a bachelor home, 1.8% for a one-bedroom, and 3.4% for a two-bedroom. Average private market rents have increased by 2.4%, slightly less than the 3.1% increase of the previous year.
- Building permits were issued for 1,035 rental homes⁴, or 66% of all building permits approved, including 201 units achieved through a provincial process. Of those, 465 permits were issued for purpose-built rental homes, which offer high levels of housing security for tenants, and 543 were for affordable (non-market) rental homes.
- 11 purpose-built rental homes⁵ located at the former Wellburn's Market Building were lost due to demolition or alteration. One secondary suite and 32 sleeping units⁶ were lost due to redevelopment.
- According to the Canadian Mortgage and Housing Corporation (CMHC), the primary rental market in the City of Victoria increased by eight units in 2021, bringing the primary market rental inventory to 17,764. This means that few new rental apartment buildings approved in previous years achieved occupancy in 2021. However, this is anticipated to increase significantly in the coming years as a historical high of 863 rental housing starts and 361 rental completions were recorded in Victoria in the same year.
- Building permits for 18 secondary suites and nine garden suites were also issued in 2021, compared to 34 secondary suites and ten garden suites in 2020. According to the Victoria Housing Needs Report 2020, there were approximately 2,245 secondary suite homes (defined as separate apartments or flats in single-detached houses) in Victoria as reported during the 2016 Census.
- CMHC's assessment of the secondary rental market (which only captures rented stratified condominiums) saw a 3% increase in inventory to 3,669 in 2021. This increase is up from 3,553 homes in 2020 for a total of 116 net new homes. Despite this growth, vacancy rates for rented condominiums continued to decrease from 0.4% in 2019 to 0.0% in 2021. Of the

⁴ This number includes the 184 supportive housing to be advanced by the Provincial Government in March 2021 that will move straight to the construction phase.

⁵ Purpose-Built Rental Housing: Refers to rental apartment buildings containing five or more units, designed and built expressly to be rented to residential tenants at market rates.

⁶ Sleeping unit: Refers to a room or rooms which are used or intended to be used for sleeping and living purposes, but in which there is not a bathroom, water closet, sink, or cooking facility.

14,073 condominiums in Victoria, 26% are assumed to be in the rental market (unchanged from 2020), according to CMHC.

Housing Diversity

- In 2021, Council approved approximately 74 homes that are suitable for families (two or more bedrooms) in multi-unit apartments, secured in legal agreements. In addition, approximately 68 diverse ground-oriented homes assumed to include two or more bedrooms were issued building permits.
- 34 out of 1,566 (or 2%) of residential building permits were issued for 'Missing Middle' type homes in 2021. This is roughly half the total issued in 2020 and falls short of the annual target by 133; it includes eight duplexes, 22 townhomes, and five house conversions. In addition, 34 single family detached, and 27 secondary and garden suite homes were also issued building permits.
- As of 2021, only 10% of the targeted number of building permits for missing middle homes have been issued, making this the poorest performing Housing Strategy target. To get back on track in 2022, approximately 400 units of missing middle homes would be needed.
- Research completed as part of the *Victoria's Housing Future* report identified that the City's OCP is short of capacity for multi-family housing – condos and apartments – by about 25%.
- [Victoria's Housing Future](#) report also identified gaps in ground-oriented housing capacity to meet the anticipated need. Recent trends show limited creation of Missing Middle homes despite the broadly supportive policies that exist in the OCP, which can be attributed to zoning regulations that have not been updated to implement the OCP.

Key Achievements in 2021:

Progress on housing goals continued in 2021, with 35 actions being advanced; 22 are either complete or integrated into operational work, and 13 currently underway. Two actions are on hold and 12 planned for future action.

The following are key achievements from 2021:

- The Rental Property Standards of Maintenance Bylaw took effect in January 2021.
- A new Planner, Tenant Assistance position was filled in January 2021 and has contributed to an increasing number of Tenant Assistance Plans being submitted and approved.
- As a result of publication of the Victoria [Housing Needs Assessment](#) and [Victoria's Housing Future](#) report, and feedback from Council in 2020/2021, the City's Housing Unit Targets were updated in 2021 to consider latent demand and establish distinct targets for homes that are affordable for very low, low, and median income households. These targets were updated in the *Victoria Housing Strategy Phase Two* (page 48).
- Municipal development process changes to support the rapid deployment of affordable housing were introduced at COTW in the spring of 2021. In response to Council direction, staff undertook focused consultation with non-profit affordable housing providers, the Urban Development Institute, and community associations in 2021 and early 2022, garnering broad community support for the proposed Zoning Bylaw and Land Use Procedures Bylaw changes.

- The Greater Victoria Housing Security Fund and Rent Bank Program was piloted from February to April 2021 to provide housing support services and non-repayable grants or interest-free loans of up to \$3,000 to renters experiencing temporary financial emergencies and helped to support over 150 households throughout the Greater Victoria Region, with almost half of those households living in the city of Victoria. In May, the program transitioned to offering interest-free loans only. As of December 2021, the program had received over 600 applications from local renters requiring emergency support to cover their housing costs and assisted 249 households through either grant or loan program offerings.
- In July 2021, staff presented options for regulatory changes to make it easier to build Missing Middle Housing and reported on results of early engagement that informed these options. Council considered these draft recommendations and directed staff to initiate the second phase of engagement to provide opportunities for broad community feedback to help navigate important trade-offs and choices associated with this housing form. Combined with additional technical analysis, the feedback received guided the evolution and greater detailing of zoning and land use policy changes to support this important form of family friendly housing.
- A summary of the first phase of Village and Corridor Planning – which includes areas of the Hillside-Quadra, North Park, and Fernwood neighbourhoods – was published in summer 2021, containing community feedback collected in Stage Two Engagement, technical analysis, and draft planning and design directions. Key concepts emphasized in these draft directions included increasing the diversity of housing options and opportunities for higher density in the right locations in order to create new housing capacity and meet the demand identified in *Victoria's Housing Future* report. Council directed staff to prepare draft neighbourhood plans and design guidelines based on this information and initiate the final stage of engagement on the project in July 2021.
- Three projects were approved for grants under the Victoria Housing Reserve Fund supporting the development of a 28-unit project at 736 Princess Avenue, developed by the John Howard Society, a 78-unit seniors housing project by the Kiwanis Village Society, and a 158-unit development at Caledonia/Gladstone Avenue, developed by the Capital Region Housing Corporation.
- Throughout 2021, 55 affordable or below market rental and six below-market home ownership units were secured in eight private-market projects through legal agreements. A total of \$144,021 was secured in developer contributions to the Victoria Housing Reserve Fund through the City's *Inclusionary Housing and Community Amenity Policy*.
- Tenants in over 157 rental homes were supported through the *Tenant Assistance Policy* (TAP) in 2021. Eligible tenants displaced from their homes because of redevelopment received support, beyond what is mandated through the Residential Tenancy Act, to help them with relocation, and the right of first refusal for new rental homes once they are built. The sites where these apartments are located will be redeveloped to accommodate a greater number of new housing units in the city, including purpose-built rental units.
- As a result of Council feedback in 2021, in early 2022 the Right of First Refusal rent affordability rates stipulated within the *Tenant Assistance Policy* was increased from 10% to 20%, in order to enhance standards for accommodating tenants and mitigating displacement due to rezoning development.

- In June 2021, the City announced it would be collaborating with BC Housing and the Capital Regional Housing Corporation to build an additional 220 new non-market homes and create new community space and a child care centre on City-owned land at 930/926 Pandora Avenue.
- The City successfully launched the 'City Building Blocks' educational series on housing issues and solutions in the Fall of 2021. The first of three online 'Lunch and Learn' sessions focused on *Victoria's Housing Future: How Housing Shapes our City*. The second topic was *Missing Middle Housing*, which launched Phase 2 of engagement for the Missing Middle initiative and had more than 150 attendees. The final session covered Affordable Housing and Co-location.

2. Challenges in 2021

a. Supply Chain Disruptions, Rising Construction Costs and Inflation

While progress continued on Housing Strategy priority actions and the housing market edged closer to pre-pandemic activity levels, complex challenges arising from the ongoing COVID-19 pandemic have disrupted plans to deliver new affordable housing units. For example, global supply chain disruptions that began in 2020 with issues like border closures and public health restrictions affecting the availability of staff were exacerbated with the emergence of new COVID-19 variants and a resumption of typical global consumption patterns in 2021, resulting in significant shortages of many different product categories. Devastating flooding in BC's lower mainland in 2021 further aggravated the already challenging situation, amid a backdrop of labour shortages in the construction industry and rising inflation. These factors contributed to additional time delays and significant costs increases to housing construction in Victoria and are anticipated to persist through 2022.

b. Record Migration to BC

In 2021, BC welcomed 100,797 net new residents – the highest annual total since 1961 – many of whom arrived in Victoria, putting even more pressure on rental rates and real estate prices. Despite significant investment and growth in local housing opportunities, such a spike in housing demand means that the proposed supply growth targets to “catch up” and address latent housing demand in Victoria have likely been stymied. In addition to population and household information revealed through the 2021 Census, the high level of migration will warrant an update to housing unit targets as part of Phase Three of Victoria's Housing Strategy.

c. Rising Housing Costs and Record Purchasing Activity in Victoria Purpose-Built Rental Market

2021 was an extraordinary year for home sales in the Victoria real estate market, which saw surging demand over an already low level of inventory drive the average price of a single-family home up 17% to \$1.24 million, and condos up 14% to \$585,840. With persistently low vacancy rates and continuously rising rental rates, owning rental housing in Victoria is seen as a good investment. This is exemplified through record-breaking sales of multifamily rental buildings in the Capital Region including 1,423 existing units and 1,205 new build rental units sold across 88 transactions for \$862 million - 70% higher than the previous all-time high set in 2019 at \$505 million in regional sales. This record was largely achieved through the sale of multiple large portfolios of rental buildings in the region to institutional investors and REITs (Real Estate Investment Trusts) and

equates to a 22% increase in the price per unit for existing buildings compared to 2020 average sales.⁷

While property acquisition by institutional and REIT investors in the region is not new, the levels of activity seen in recent years has notably increased. This change in ownership contributes to the loss of naturally occurring affordable housing in Victoria's rental market, particularly amongst older purpose-built rental buildings, which make up the majority of the city's affordable rental housing stock. The turnover of ownership can contribute to even higher rent increases in Victoria's tight rental market in the near term with shareholders looking to see return on their investment and emphasizes the urgent need for support from government and non-government organizations to facilitate access to land and funding for non-market affordable housing.

The City continues to advocate for and address affordability by providing city-owned land for new affordable housing through measures such as the Johnson Street Firehall development and 930/926 Pandora affordable housing project. However, these measures will require increased funding and support from other levels of government in order to achieve sustainability and long-term housing goals.

3. What the 2021 Census Reveals About Victoria's Changing Housing Landscape

At this time, Statistics Canada has released data from the 2021 census for population, demographics, military experience, families and households, as well as income profiles (not including housing analysis).

As of May 2021, Victoria's population had increased by 7.1%, an increase of 6,075 residents since 2016 and an increase in the City's total population to more than 90,000. This level of population growth is higher than previously issued estimates for 2021 included as part of the Victoria Housing Futures report, and accounts for 30% of the projected 25-year increase after only the first 5 years. Victoria now represents 23% of the CRD population, up 1% from 2016 figures, and absorbed 20.6% of the additional 29,467 new residents in the region since 2016. The total number of dwellings in Victoria grew by 7.8%, indicating that the growth of housing was roughly in line with growth in population since 2016.

The 2021 Census data also shows that Victoria's population is aging. The largest population age group shifted from adults between 25 to 29 in 2016, to adults 30 to 34 years old in 2021, while Seniors 65+ appeared as the fastest growing age cohort in Victoria, increasing by 18.3%, and the only age cohort to increase as an overall share of the City's population.

Reporting on cisgender, transgender, and non-binary gender identities for the first time ever, this year's census revealed that approximately 0.75% of people living in the Victoria CMA identify as transgender or non-binary, making Victoria the most gender-diverse urban centre in Canada. This information will help to inform Victoria's housing needs, particularly as research has shown that people who identify as LGBTQ2S+ have accounted for a disproportionately large percentage of Canadians who are homeless, at risk of becoming homeless, or in core housing need. This was particularly true for those who are also members of at-risk groups such as youth, seniors, Indigenous people, newcomers, or people with mental health or addiction issues.

While income data has not yet been released by housing tenure, the most recent 2021 census data release included information on household incomes of Victoria residents, indicating that median income increased by 27% to \$67,500, from \$53,126 in 2016. The release of housing related data (including experiences of core housing need) from the 2021 census is scheduled for September 2022 and will be incorporated into next year's Housing Strategy Annual Review.

⁷ [Victoria Multifamily Report 2021 | Colliers \(collierscanada.com\)](https://www.collierscanada.com/victoria-multifamily-report-2021)

OPTIONS & IMPACTS

Accessibility Impact Statement

There are no direct accessibility impacts associated with the adoption of this resolution. Work is continuing within the 2022 workplan to support key actions related to the Accessibility Framework, including review of design guidelines, updating design standards and specifications, and parking standards for new developments. Additionally, the Barrier Free Housing and Universal Design project will be initiated in 2022 to put in place measures that encourage barrier-free housing and universal design in new developments.

2019-2022 Strategic Plan

This work aligns with the actions in Strategic Objective Three: Affordable Housing.

Impacts to Financial Plan

This report does not have any impacts to the Financial Plan.

Official Community Plan Consistency Statement

This report is consistent with the Official Community Plan, particularly Section 13: Housing and Homelessness.

CONCLUSIONS

Overall, the third year of implementation of the Victoria Housing Strategy Phase Two has demonstrated mixed success. Despite making significant progress on policy actions and housing targets associated with market strata and rental unit supply, as well as in housing affordable to households with median incomes or below, progress on targets associated with housing choice has been slower. Significant gains in homes for families as well as Missing Middle Housing types are required in the coming years to offer a balanced supply of housing options and meet the diverse needs of the community, particularly for young families, couples, singles, and empty nesters who want to continue to stay in Victoria, but struggle to find appropriate housing that fits their needs and their incomes.

The Housing Strategy Annual Review 2021 has provided a valuable opportunity for Victoria to consider achievements, challenges and outcomes as it continues to build a diverse, healthy and resilient city.

Respectfully submitted,

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Report accepted and recommended by the City Manager.

List of Attachments

- Attachment A: Victoria Housing Strategy Annual Review 2021