



Committee of the Whole Report For the Meeting of June 20, 2024

To: Committee of the Whole **Date:** June 6, 2024
From: Karen Hoesel, Director, Community Planning and Sustainable Development
Subject: **Victoria Housing Strategy Annual Review 2023**

RECOMMENDATION

That Council receive the Victoria Housing Strategy Annual Review 2023 report for information.

EXECUTIVE SUMMARY

The purpose of this report is to present Council with the *Victoria Housing Strategy Annual Review 2023*. The review provides a summary of the shifting local housing conditions and outlines achievements, challenges and progress on housing targets and action items during the fourth year of implementation of the *Victoria Housing Strategy Phase Two*.

In 2023, Victoria continued to improve housing choice, availability and affordability. Specific achievements included updates to the Missing Middle Housing Regulations following a six-month review, updates to the Inclusionary Housing and Community Amenity Policy and improvements to the Victoria Housing Reserve Fund Guidelines to provide additional support to non-market rental projects. The City also initiated a new Market Rental Energy and Seismic Upgrade Incentive Program, launched the Official Community Plan 10-year Update and Zoning Bylaw Modernization initiatives and secured a nearly \$18 million grant through the Housing Accelerator Fund to support the City's approved federal housing action plan. Additionally, a third-party Parks Relocation Coordinator role was introduced to establish individualized housing connections and reduce the number of people sheltering in parks and other public spaces.

Notable progress was made this year on housing targets associated with approvals for market rentals, non-market housing for low-income households and homes for families, with some major redevelopment project approvals helping to secure a significant number of new homes containing two or more bedrooms. Though improved from 2022, progress on affordable, non-market housing approvals this year was again below target with 338 net new units of non-market affordable housing approved. Although the annual target for missing middle homes was missed for the fourth consecutive year, 2023 showed a stronger performance than in previous years with a 60 per cent increase over 2022.

Despite ongoing challenges, 2023 marked a significant achievement with the completion¹ of a record 1,567 homes – a 30-year high. Furthermore, substantial progress has been made on our Housing Strategy actions, with 40 of the 49 actions either completed or active.

PURPOSE

The purpose of this report is to present Council with the *Victoria Housing Strategy Annual Review 2023* which summarizes the strategy's achievements, challenges and outcomes over the year.

BACKGROUND

The *Victoria Housing Strategy Phase Two* 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.

Until 2025, the City will be focusing on several high-priority projects to help realize its housing and climate goals more effectively, including the 10-Year Update of the Official Community Plan and modernization of the City's Zoning Bylaw. As a result, the following actions within the Housing Strategy have been identified to proceed as originally anticipated, while other actions will be deferred until the OCP update work is complete:

- Rental Incentives Project
- Tenant Capacity Building Project
- Family Housing Initiative
- Barrier Free and Accessible Housing Initiative
- Collaborative Housing Initiative (e.g., cooperatives and cohousing)
- Zoning Bylaw Amendments to Support House Conversions.

Alongside other city projects that support housing goals, such as off-street parking requirement updates (i.e., Schedule C of the *Zoning Regulation Bylaw*) the above noted actions were highlighted as important for ensuring the housing capacity that is added through the OCP Update process meets the needs of the community. Other actions can be considered once the foundational work related to updating the City's land use framework is completed.

ISSUES & ANALYSIS

Victoria Housing Strategy Annual Review 2023

The *Victoria Housing Strategy Phase Two* (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 2023* (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 needs across the housing continuum (Figure 1 below) and monitors progress on the strategy's goals, actions and targets.

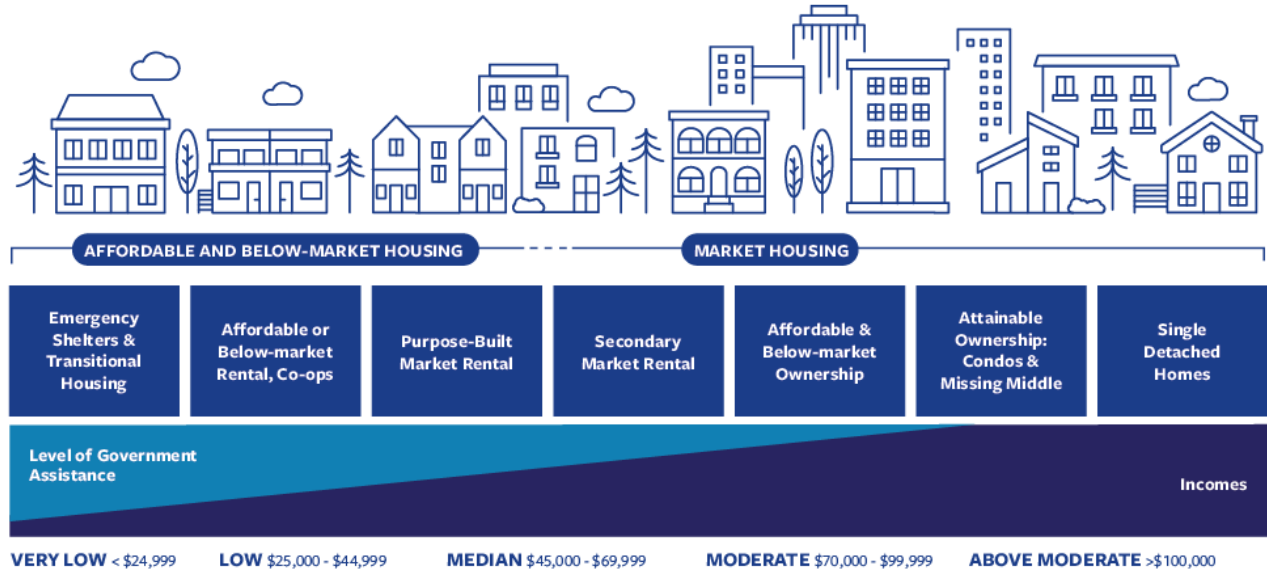
Annual Review 2023, Key Findings and Observations:

Amid growing demand for housing and sweeping changes to provincial planning legislation geared towards streamlining new housing supply across BC, in 2023 Victoria made significant

¹ Refers to projects which have been approved for occupancy.

advancements on planned housing strategy actions while also adapting projects and processes to align with provincial mandates. The fourth year of implementation of the City’s housing strategy focused on increasing the supply of secured rental housing, incentivising energy and seismic retrofits to protect existing rental buildings and refining housing policies and guidelines to align with current market dynamics.

Figure 1: The Housing Continuum



The adoption and updating of the Missing Middle Housing Regulations following a six-month review also marked a significant achievement for the City. These regulatory changes will make it easier to build this type of housing while ensuring the delivery of three-bedroom homes and help to address the long-standing shortfall on new missing middle homes over the coming years.

Consistent with previous years, Housing Strategy targets are being met for market rental housing, strata condominium housing and for households with very low incomes. However, new non-market homes for low- and median-income households and missing middle homes continue to fall farther behind the respective 2025 targets. New for this year, progress slowed on overall supply targets, while family housing approvals have jumped to within range of the 1,600-unit goal, thanks in large part to over 500 two-or-more bedroom units secured through legal agreements as part of rezoning approval processes in 2023.

The targets highlighted in Table 1 below outline key trends from 2023, while progress on additional Housing Strategy targets are detailed in Attachment A.

Table 1: Summary of progress on Victoria Housing Strategy targets across the continuum as of 2023

GOALS	TARGETS	PROGRESS IN 2023
Goal One: Focus on Renters	1,900 new Market Rental Homes by 2025 ~300 per year	EXCEEDING: 573 Building Permits issued.
	2,100 new Affordable Non-Market Homes by 2025 ~350 per year ²	SLOWER THAN WE'D LIKE: 338 net new affordable non-market homes were approved by Council including 105 units for very low-income, 146 units for low-income, as well as 87 below-market units. No units for median income households were approved this year.
Goal Two: Increase Supply	6,000 total new homes ~1,000 per year	SLOWER THAN WE'D LIKE: 739 net new homes proceeding to construction.
	1,000 total new condominium strata homes ~150 per year	TARGET ACHIEVED: 8 Building Permits issued. Between 2020 to 2023, 1,119 total new strata condominium homes have been issued Building Permits.
Goal Three: Housing Choice	1,600 new homes for families ~250 per year	EXCEEDING: 615 homes with two or more bedrooms secured through legal agreements (510 units) or issued building permits (105 units) ³ .
	1,000 Missing Middle Homes (duplexes, triplexes, fourplexes, conversions, and townhomes), ~150 per year	FALLING BEHIND: 122 Building Permits Issued.

This year's annual review of Victoria's housing system is organized around five key indicators: housing supply, demand, affordability, availability, and mobility. Persistent shortfalls in housing supply compared to demand has led to a shortage and driven up the cost of existing homes - either to rent or to own. The supply of housing we do have is also lacking in terms of the types of homes that are available to meet the needs of households with different income levels, lifestyles and sizes. This lack of diversity in our housing supply makes it difficult for Victorians to access and move between homes that suit their needs at different stages of their life. Monitoring each of these indicators is important in the understanding of how the health of our local housing system is changing year to year, and the degree to which new housing is meeting the needs of the community.

² This is a composite target category which includes sub-targets for non-market homes affordable to very low-, low-, and median income households (117 each per year, respectively).

³ Building permits issued for townhomes and single-family detached homes are assumed to be 2 or more bedrooms for this indicator.

Housing Supply

- In 2023, a total of 1,567 new homes were completed, a 30-year high.
- Since 2014, building permits issued for net new homes per year have ranged from 306 homes in 2014 to 1,473 homes in 2021, with an average of approximately 843 homes approved per year. In 2023, the net gain of 739 homes was below the annual target. However, due to an abundance of housing approved for construction in previous years, the City is still poised to achieve the supply target of 6,000 units by 2025.
- 46 homes were lost due to demolition or alteration. The majority of these lost units were for multifamily buildings with more than five units (57 per cent) and detached dwellings (22 per cent).
- 735 out of 785 (or 94 per cent) building permits issued were for rental homes.
- The primary rental market in Victoria increased by five per cent or 896 homes in 2023, bringing the rental inventory to 18,987 units.

Housing Demand

- Demand for housing grew notably in 2023, as Victoria's population reached an estimated 99,792, adding an estimated 2.8 per cent more households to the local housing market.
- According to recent projections commissioned by the City, Victoria's population is anticipated to reach a population of 142,000 by 2050, largely driven by immigration, growing at an annual rate of 1.4 per cent, which is higher than previously anticipated.
- This year, latent demand estimates were updated based on the 2021 census and have increased from a range of 4,500 to 7,000 homes, to a range of 6,500 to 11,000 homes, indicating there continues to be significant "pent up" demand for housing in Victoria.

Availability

- Despite the sizeable increase in rental supply, the primary rental vacancy rate increased slightly to 1.6 per cent while secondary rental vacancy increased to 0.1 per cent as of October 2023. Both remain well below a healthy vacancy rate of three to five per cent.
- Not enough three-bedroom homes are being created. Only 279 units or 1.5 per cent of Victoria's primary rental stock had three or more bedrooms in 2023, and zero newly completed three-bedroom rental apartments were added to the market between July 2022 and June 2023.
- More missing middle homes are being constructed, but not enough to meet local needs. 122 out of 785 (or 15.5 per cent) building permits issued were for missing middle homes in 2023 – an increase of 60 per cent since 2022, but still below the annual target of 167.

Affordability

- Average sale prices for all housing types decreased in Victoria for the first time since the pandemic, falling by 3.2 per cent for condominiums, 3.9 per cent for single detached and 11.1 per cent for townhomes. However, prices remain stubbornly high with average condo sales at \$643,277 and \$1,302,190 for a single detached home.

- Average rent overall increased by 6.8 per cent in 2023 to \$1,515 per month. A minimum wage worker renting at the 2023 average rent of \$1,297 for a vacant studio suite would have to spend approximately 45 per cent of their monthly income to maintain housing at this rent.
- The escalating trend of increasing sales of purpose-built rental apartment buildings seen in recent years slowed in 2023. This year, amid rising interest rates, sales of existing units in Victoria dropped to 389, compared to last year's peak sales at 1,282. The average price per existing unit sold also dropped 4.2 per cent from \$303,169 in 2022 to \$290,415 in 2023.
- 1,230 people are waiting for non-market subsidized housing – up 17 people from 2022.
- In 2023, Victoria's pipeline of affordable, non-market housing consisted of 1,659 units – 30 more than in 2022. 197 of these homes were completed in 2023 – including 139 units of supportive housing – with 631 were under construction.
- A Homeless Needs Survey and Point-in-Time Count was conducted in March. The count identified 1,665 people experiencing homelessness in Greater Victoria. The top three reported obstacles to finding housing were: high rent, low income and lack of options.

Mobility

- Transitioning between rental units remains challenging in Victoria. However, the gap between average rents for occupied versus vacant rental units in the city narrowed compared to 2022 when vacant rents were significantly higher than occupied rental units.
- The shortage of housing options for households needing three or more bedrooms makes it difficult for larger families to move between homes that suit their needs at different stages of their life.

Key Achievements in 2023

Progress on housing goals continued in 2023, with 40 of 49 actions being advanced; 17 actions have been completed, 13 integrated into operational work, and 10 are underway. One action is on hold and eight are planned for future implementation.

The following are key achievements from 2023:

- A new Market Rental Energy and Seismic Upgrade Tax Incentive Program was approved. The purpose of this tax exemption pilot program is to incentivize retrofits and seismic upgrades for older market rental buildings (built prior to year 2000).
- Following a six-month review, changes to the Missing Middle Regulations were approved to make it easier to build ground-oriented housing.
- Revisions to the Victoria Housing Reserve Fund Guidelines were approved to provide additional support to non-market rental housing projects.
- To reduce the trend of sheltering within parks, the City allocated \$25,000 to engage with unhoused people in Stadacona, Topaz, Hollywood and Regatta Parks, then match them with suitable shelters, housing and support options based on individual needs. Council later approved an additional \$94,000 to extend this work to include other parks as well as streets, boulevards and other public places.
- The 10-year update to the City's Official Community Plan was initiated to address housing and climate challenges. The proposed approach emphasizes a bold and meaningful response to the housing crisis through a city-wide lens for long-range policy updates

alongside modernization and alignment of the City's Zoning Bylaws and other implementation tools to realize policy objectives.

- A nearly \$18 million grant through the Government of Canada's Housing Accelerator Fund was secured to support City housing initiatives.
- Two projects were approved for grants totalling \$3.27 million through the Victoria Housing Reserve Fund (VHRF), supporting the development of 40-units of affordable and below-market housing targeted to the tourism sector workforce by Greater Victoria Housing Society, as well as 77 of units affordable and below-market housing for seniors and families by Gorge View Society.
- The City contributed \$50,000 to the VHRF in 2023, alongside a contribution of \$1,411,944 through the Municipal Regional Destination Tax Online Accommodation Platform program (MRDT). MRDT funding is expected to decline considerably in future years based on new provincial legislation to limit the use of homes for short-term rental accommodation.

OPTIONS & IMPACTS

Accessibility Impact Statement

There are no accessibility impacts associated with the adoption of this resolution.

2023 – 2026 Strategic Plan

This work aligns with the Council priorities related to 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 OCP, particularly Section 13: Housing and Homelessness.

CONCLUSIONS

Over the past year, Victoria's housing system has shown some modest signs of improvement, primarily through a record number of newly completed homes, and an escalating number of building permits approved for rental housing. These are indicative of the City's continued leadership in advancing bold housing policy and alignment with the strategic direction of the Victoria Housing Strategy. Despite these advances, housing affordability and diversity targets continue to be a challenge. The recent updates to Missing Middle Regulations, along with the forthcoming family housing policy and Official Community Plan update, are critical for providing a broader range of housing options to meet the evolving needs of residents. To meaningfully address affordability challenges, significant investments in new non-market housing from senior government will be essential to deliver a steady supply of affordable housing projects in Victoria.

Respectfully submitted,

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Community Planning

Karen Hoese, Director
Sustainable Planning and
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Report accepted and recommended by the City Manager

List of Attachments

- Attachment A: Victoria Housing Strategy Annual Review 2023