



**Committee of the Whole Report  
For the Meeting of November 16, 2017**

---

**To:** Committee of the Whole **Date:** November 8, 2017  
**From:** Jonathan Tinney, Director, Sustainable Planning and Community Development  
**Subject:** **Victoria Housing Strategy 2016-2025 - Annual Review**

---

## **RECOMMENDATIONS**

That Council:

1. Receive this Victoria Housing Strategy annual review for information;
2. Consider a supplementary budget request of \$250,000 as part of the 2018 Financial Plan process to support City of Victoria housing initiatives; and direct staff to:
  - a. proceed with the proposed Inclusionary Housing Policy,
  - b. engage with housing stakeholders and the public on proposed new items to bring forward to include in the Victoria Housing Strategy going forward.

## **EXECUTIVE SUMMARY**

The Victoria Housing Strategy 2016-2025 was approved by Council on June 16, 2017, and contains 25 supporting actions to improve housing affordability in Victoria, with target completion dates up to 2019. Since the plan was adopted, nearly half of the actions identified in the Strategy have been successfully completed, which has led to an increase in the number of rental and non-market housing units developed and retained in Victoria. This report outlines progress on actions completed and in progress, and recommends Council consider directing staff to return with a formal proposal containing new actions for inclusion by Quarter 1, 2018.

Per Council direction, this report also proposes an approach to developing an inclusionary housing policy to replace the existing bonus density policy developed in 2016. Additional financial and staff resources will be required to complete this work on a priority basis; however, with these resources, staff anticipate that the current work plan could be enhanced by expediting the remainder of the Housing Strategy actions to 2018 and beginning implementation of new actions in the same year. With additional resources, staff would also be able to take on additional housing work, including expediting zoning changes following local area planning, supporting development negotiations for onsite affordable housing, and supporting the strategic real-estate function at the City. Staff would also have more agility in taking on unplanned priority housing policy work without impacting existing work plans, bringing the City closer to meeting its stated housing targets and objectives.

## PURPOSE

The purpose of this report is to present Council with the first annual review of the Victoria Housing Strategy 2016-2025, including information, analysis and recommendations for action items to expedite, future actions, and resource requirements.

## BACKGROUND

A key objective in Victoria's Strategic Plan, 2015 - 2018, is to Make Victoria More Affordable. The Mayor's Task Force on Housing Affordability was assembled to strategize how to activate that objective and the end result was the implementation of the Victoria Housing Strategy 2016-2025, which was approved by Council on June 16, 2016.

The Housing Strategy (appended to this report in Attachment A) contains data, analysis, targets, and 25 actions falling under three broad categories:

1. **Increase Supply** of attainable housing for low to moderate income households.
2. **Encourage Diversity** of housing types, tenures, and prices across the City and within neighbourhoods.
3. **Build Awareness** and partnerships for affordable housing through communication, education and advocacy.

See Attachment B for a consolidated list of all Housing Strategy action items.

## Work Completed in 2016-2017

Close to half of the action items identified in the Victoria Housing Strategy have been achieved since its implementation in June 2016.

- Remove Minimum Unit Sizes  
Staff brought forward a report recommending the removal of minimum unit sizes to increase the supply of new housing. The motion was defeated following a public hearing, and staff were instead directed to reduce minimum sizes to 33m<sup>2</sup> and to allow consideration of smaller units in new developments providing affordability. The revised motion was passed on June 8, 2017. To date, no new applications have been received for developments with units falling below established minimum unit sizes.
- Garden Suites  
On April 13, 2017, Council approved removing the rezoning requirement for garden suites, and to change the approval of garden suites to a delegated development permit process. Amendments were also made to the Garden Suite Policy and Guidelines to improve privacy considerations. Since the zoning change, 21 new applications for garden suites have been received, with 10 approved through the delegated development permit process. The number of new applications received in the seven months since the policy was approved exceeds the total number of all garden suites approved from 2006-2016.
- Secondary Suites  
On April 27, 2017, Council approved the removal of Schedule J – Secondary Suites from the *Zoning Regulation Bylaw*, which staff had identified as being an impediment to the development of this type of rental housing. With the removal of Schedule J, homeowners no longer need to consider zoning restrictions beyond allowances in their individual zones, and are instead only governed by the BC Building Code. Statistics on new building permits for

secondary suites will be collated in the 2016 and 2017 Annual Housing reports, and impacts to the number of permits issued will be identified at that time.

- Housing Reserve Fund Update

Council approved a suite of changes to the Victoria Housing Reserve fund in June 2017, which included:

- a. updating the grant structure by changing funding allocations to a tiered model to encourage more family oriented housing
- b. allocating funding for affordable home ownership projects, and increasing eligible income limits for these projects
- c. allocating a smaller grant amount to projects outside the City where the projects are being developed in municipalities that contribute to the Regional Housing Trust Fund
- d. improved flexibility for how the fund may be used, including allowing the fund to be used for the retention of existing housing
- e. expanding funding eligibility criteria to include for-profit entities.

Since the guidelines were updated, three applications for funding have been received totalling 147 potential units of affordable housing developed or retained, 62 of which have been approved by Council (the remainder are forthcoming). The applications in hand represent a range of unit types and target populations, from income assistance recipients to moderate income earners.

- Prioritize Non-market Housing Applications

Planning staff have continued to prioritize applications for non-market housing, resulting in several non-market applications achieving approval ahead of normal approval schedules.

- Expand Application Prioritizing to Private Sector

Planning staff have also expanded prioritization to purpose built rental projects, resulting in quicker processing times for purpose built rentals in the City. Currently, approximately half of all new development applications are for rental housing, which is a marked increase from previous years.

- Consider Additional Delegation Authority Initiatives

The policy change to garden suites included changing the approval process to a delegated development permit, meaning the time and money required to gain approval for a garden suite is now significantly reduced. As noted under the garden suites action item above, this action has led to the number of applications for garden suites received in the past six months to eclipse the total number developed in the decade prior to this change.

- Fee Waivers

A review of Development Cost Charges in late 2016 noted that these fees, if waived, remain legislatively required to be recouped elsewhere to fund required infrastructure upgrades related to development growth, and so it was determined that these charges should be maintained with the acknowledgement that the Victoria Housing Reserve Fund (VHRF) grant may offset these costs for affordable housing projects. On June 22, 2017, Council moved to eliminate application fees for non-market housing developments, including a prorated fee reduction for buildings containing a portion of affordable units.

- Align Annual VHRF Contributions with Housing Targets

The VHRF update included a linkage of housing targets with yearly contributions to the fund, noting that the new annual contribution would need to be \$714,000 (an increase from the current contribution of \$250,000 per year), though this amount could be offset by future

amenity contributions. As there is sufficient funding in the reserves to meet targets through the end of 2018, staff will report back as part of the 2019 budget request with consideration for future annual contributions.

- Create An Inclusionary Housing Density Bonus Policy

The Inclusionary Housing Density Bonus Policy was completed in 2016. This resulted in a policy that established fixed-rate amenity contribution targets which directs funds to the public realm improvement fund and the heritage seismic upgrade fund; and provides a threshold, when it is feasible, to negotiate onsite affordable housing units in larger projects located in the Core Residential and Core Business areas that exceed 30,000 square feet of bonus density. Council has since directed staff to develop an inclusionary housing policy in order to specifically focus amenity contributions as onsite affordable housing in new developments. This report identifies an approach to this work in the "Inclusionary Housing" section below.

- Update Housing Webpage

A dedicated webpage to keep the public informed of Housing Strategy progress, with links to City policies ([www.victoria.ca/housing](http://www.victoria.ca/housing)), has been implemented.

- Host Workshops

The first Housing Strategy workshop was held in January 2017 on the topic of Affordable Home Ownership. The engagement summary of this event is attached to this report in Attachment C.

## **In Progress and Concurrent Work**

### Regional Housing First Program

The Victoria Housing Strategy notes that its actions target low-moderate income earners, with housing focused on homelessness and housing for the most vulnerable individuals being outside the general scope of the Strategy because this work falls mainly under the purview of the Province. However the strategy does identify an action to continue to support a Regional Housing First Strategy.

In March 2017, following a call for Expressions of Interest (EOI), two proponents have been selected to provide housing under the Regional Housing First Program. A partnership between the Capital Regional District (CRD), Province of British Columbia, and Island Health will earmark \$60 million in capital funding from the CRD and the Province, with mental health and addiction services provided by Island Health as required. The two projects will provide 154 units of housing, including 50 units between the two projects designated for individuals experiencing chronic homelessness.

### Market Rental Revitalization Study

A significant piece of work coming out of the Housing Strategy currently underway is the Market Rental Revitalization Strategy (MaRRS), which covers four items within the strategy under the action item to "Protect existing rental stock."

The City has engaged a consultant group (RDH Building Science in partnership with the Social Planning Research Council and Skyline Consulting) to look at ways to protect the existing stock of aging affordable market rental in the City of Victoria. This work includes an inventory of the existing stock, and regulations, policies, and incentives to protect the stock; a review of the Property Maintenance Bylaw to improve tenant housing quality, and an examination of the City's legislative authority for a municipal role in maintaining rental stability. The City has also

received funding from by BC Hydro to examine how to incorporate sustainability upgrades in this same rental stock, and Council has previously directed staff to examine the feasibility of seismic upgrades in this type of housing. The MaRRS project was designed in such a way that each of these objectives could be achieved through the same study. Progress on initial findings will be reported to Council in Q4 2017.

#### Zoning Changes following Local Area Planning

The Housing Strategy identifies an action item to update zoning regulations following local area planning (LAP) to encourage a variety of housing forms consistent with the OCP. To date, the Burnside Gorge Neighbourhood Plan has been completed; and the Fairfield, Gonzales, and Victoria West Plans are all underway. This action item is ongoing.

As directed by Council, staff are also specifically consulting at LAP events on infill options for neighbourhoods. Staff developed example boards outlining infill housing options that are not currently contemplated in the current Zoning Regulation Bylaw, such as garden suites and secondary suites on the same lot, duplexes plus secondary suites, and secondary suites on small lots.

## **ISSUES AND ANALYSIS**

### **The Victoria Housing Strategy - Going Forward**

On July 21, 2017, Council passed the following motion directing staff to:

1. Replace the City of Victoria Density Bonus Policy with an Inclusive Housing and Community Amenity Policy to better support the provision of non-market housing units within developments seeking density beyond the existing legal entitlement in the Zoning Regulation Bylaw.
2. Consider best practices in local governments-in British Columbia's lower mainland and other relevant jurisdictions regarding density benefits for amenities and non-market housing.
3. Consider the attached Inclusive Housing and Community Amenity Policy Draft for Discussion and provide advice on why any of these provisions should not be included in the final policy.
4. Invite comment on the proposed changes from Community Associations, the Urban Development Institute and agencies working in the field of housing affordability.
5. Report back to Council on a priority basis with any revisions to the proposed Inclusive Housing and Community Amenity Policy for final consideration by Council.
6. Examine actions identified within the Victoria Housing Strategy Implementation and other housing-related initiatives to determination which may be expedited to complete in 2017 or early 2018.
7. Consider additional resources required to complete and expedite the above work.

Therefore, as a part of the ongoing and future work on housing affordability in the City of Victoria, the following items are outlined in this report for Council consideration:

1. A specific approach to develop an inclusionary housing policy as directed by Council on July 27, 2017 requiring Council approval as the resources will impact future housing strategy work;
2. Items currently identified in the housing strategy that could be expedited should Council approve additional staff resources per Council directions (6) and (7) above;
3. An approach for adding new items to the Housing Strategy going forward, including a target date for recommendations; and
4. Resource requirements for the above.

## 1. Inclusionary Housing

While there has not yet been any onsite affordable housing as a direct result of the Density Bonus Policy since its adoption in late 2016, the City has seen a significant number of other benefits consistent with City policy. These benefits include:

- Approximately 48% of current development applications are for purpose-built rental housing, which, while not financially able to provide additional Community Amenity Contributions (CACs), provide a strong benefit to the City in the form of new, secured rental housing supply.
- Major developments can be proposed where no rezoning is required, and therefore, no request for bonus density is made - for example the "Yates on Yates" development at 848 Yates Street; however, developers are providing other types of housing benefits. For example, 845 Johnson Street ("Vivid on Yates") will offer units at 8% below market.
- The City frequently receives different types of housing-related benefits for market developments where bonus density was given; for example, at 200 Cook Street (Cook & Oliphant), and 1008 Pandora (St. Andrews School site), a component of purpose-built rental units were included.
- Mt. St. Angela and the Customs House both achieved heritage conservation objectives through adaptive reuse and long-term protection of heritage resources (the added costs of heritage restoration do not allow for additional land uplift).

Staff has prepared a table outlining several recent projects where land lift analyses were prepared. For most projects, sufficient bonus density was not achieved to obtain meaningful CACs, or sufficient to support onsite affordable housing; however, other benefits were often achieved. The table is appended to this report in Attachment D.

The total number of new housing units achieved will be quantified as part of the Annual Housing Report; however, considering the outcomes noted above, staff anticipate that targets identified in the Victoria Housing Strategy will likely be met or exceeded.

### Limitations of Density Bonuses

In Victoria, competing priorities have led to a limited amount of onsite affordable housing and CACs. The most significant limitation is that there is limited density envisioned in Victoria's Official Community Plan, minimizing the amount of funding that can be extricated from land lifts. Going forward, Council may wish to consider if the City is willing to increase density in order to achieve more onsite affordable housing or higher value CACs. As well, Council may wish to consider directing staff to put all land lift funds into affordable housing in order to maximize the potential for affordable housing benefits, as some of the other benefits the City has received have been for other initiatives.

### New Approach

With consideration of above in mind, a new policy that considers Council's objectives and utilizes Council's draft inclusionary housing policy (Attachment E) as a foundational framework could involve:

- a peer review of regional inclusive housing policies
- establishing affordable housing targets, and the number of units required to meet those targets
- creating an affordability scale for onsite affordable housing to ensure project feasibility (more units at moderate income targets and fewer units at deeper affordability)
- clarification that the project would be an inclusionary housing policy and no longer a density bonus policy.

Because this work would require a significant amount of technical analysis, it is recommended that Council consider providing funding to engage an external consultant to review the financial analysis that informed the fixed-rate target and consider the new objectives outlined above, or to complete a new analysis. Analysis would allow for a more nuanced look at affordable housing targets achievable based on the range of needs identified in the City's Housing Strategy that has been completed since the adoption of the *Density Bonus Policy*. Proposed resource requirements to achieve this are outlined in the Resource Requirements section below. With additional resources in place, staff anticipate a new draft inclusionary housing policy could be brought back to Council for consideration and approval by Q2 2018.

## **2. Housing Strategy Actions to be Expedited**

Currently the Senior Planner – Housing Policy position is engaged in completing ongoing items of the housing strategy, including four items under the umbrella of the Market Rental Revitalization Study; as well as, supplementary housing related work peripheral to the strategy, such as short term rental regulations. Housing Strategy items not yet begun include:

- communications on changes to secondary suites
- zoning updates for new housing forms following LAP
- motel conversion policy update as part of LAP (except as part of the *Burnside-Gorge Neighbourhood Plan*)
- City property as opportunities for affordable housing
- additional delegated authority
- revisiting the potential for secondary suite grants for accessible suites.
- voluntary adaptable housing guidelines
- workshops (preserving existing rental, faith-based housing)
- development summit to support affordable housing

At current staffing levels, and without the added work of the Inclusionary Housing Policy, it was anticipated that these items could be completed close to 'on schedule'; however, with additional staff support, all of these items could likely be expedited to 2018.

## **3. Housing Strategy – Future Actions**

The Victoria Housing Strategy 2016-2026 outlines actions up to 2019, leaving ample room for additional actions going forward. While the initial actions of the Victoria Housing Strategy were derived from recommendations from the Mayor's Task Force on Housing Affordability, there are several potential new items that have either come from staff, or have been brought to staff's attention since the Strategy's implementation in 2016. Examples of items include enhancements to further streamline the garden suite policy and guidelines; sundry minor zoning changes to remove further barriers to secondary suites; an exploration of mixed-use and special-purpose affordable housing; and an examination of municipal support and involvement in different housing forms such as modular and co-op housing. It is recommended that Council consider directing staff to return with a formal proposal of actions to be included, including proposed target completion dates by Q2 2018. Council could also consider directing staff to engage with housing stakeholders and the public on suggested actions to solicit feedback, as well as suggestions for additional items.

## **4. Resource Requirements**

As noted above, the Inclusionary Housing work is anticipated to require external consultant support in order to update to the financial analysis, as well as staff time for preparation of the policy framework. The cost of engaging a consultant is estimated to be approximately \$30,000.

In order to expeditiously complete the remainder of the Inclusionary Housing work supported by the financial analysis, additional staff resources would also be needed; however, with additional staff, several other objectives could be achieved.

It is recommended that Council consider approving additional funding to hire a temporary housing planner so that the position can support the work of the Senior Planner – Housing Policy on Housing Strategy implementation, including the development of the new inclusionary housing policy. As well, lend support to other planning staff in housing-related matter; for example, supporting neighbourhood planning staff with zoning updates concurrent with local area planning, supporting development services staff by negotiating and overseeing the implementation of housing-related benefits with developers, and supporting the Real Estate division in identifying options for affordable housing through the City's land strategy.

Council may also wish to provide funding for a two year term to ensure ample time to complete the next phase of the Housing Strategy, and to ensure that the local area planning process is sufficiently supported in terms of achieving zoning updates noted above. With a two year housing planner position, staff also anticipate that all remaining Housing Strategy action items could be brought forward to 2018; that work could commence without interruption to new items added to the Strategy following public consultation and formal approval from Council; and that unplanned/additional housing policy work and directives could be handled more efficiently and with less risk to negatively impacting scheduled work plans.

Finally, with this additional support, the City of Victoria would also be closer to aligning with other jurisdictions facing similar housing pressures. For example, the City of Vancouver currently has 26 staff between their Housing Policy and Projects, Homelessness Services, and Housing Policy – Planning, Design & Sustainability divisions (this does not include development planners, or direct housing services staff). When adjusted for population size, this is the equivalent of three full-time housing policy positions in the City of Victoria.

## **OPTIONS AND IMPACTS**

### **Option 1 (recommended):**

It is recommended that Council consider a supplementary budget request of \$250,000 as part of the 2018 Financial Plan process to support City of Victoria housing initiatives including:

1. A new temporary housing planner position to commence in Q1 2018.
2. Bringing forward all remaining items in the Housing Strategy to 2018.
3. Returning to Council by Q2 2018 with a formal proposal of new actions to be included in the Victoria Housing Strategy 2016-2025.
4. Engaging a consultant to develop data and analysis required for a new Inclusionary Housing Policy and return to Council by Q2 2018 with a new draft Inclusionary Housing Policy for Council consideration.

### **Option 2:**

Council could choose to alter, add or remove any of the actions identified in Option 1. Note that removal of items 1 and 3 (additional resources) will negatively affect proposed timelines identified above.

### *Accessibility Impact Statement*

There are no impacts on accessibility associated with the recommendations contained in this report.



*2015 - 2018 Strategic Plan*

The Victoria Housing Strategy and its associated work and resources is in direct alignment with Strategic Objective 6: "Make Victoria More Affordable".

*Impacts to Financial Plan*

Engaging a consultant to provide the necessary data to create an Inclusionary Housing Policy is estimated to incur a one-time cost of \$30,000. The addition of a Housing Planner would add an annual cost of approximately \$107,000; for a two year term this would amount to \$214,000. In total, a supplementary budget request in the amount of \$250,000 would need to be made as part of the 2018 Financial Plan process to efficiently progress housing work at the City. Council has previously proposed utilizing surplus funds to support this expense.

*Official Community Plan Consistency Statement*

This project supports OCP policies related to working with coordinated community and regional efforts to end homelessness and enable stable affordable housing with support services.

**CONCLUSIONS**

Since the Victoria Housing Strategy was approved in 2016, over half of its action items have been successfully completed, leading to more housing supply and diversity in the City of Victoria. With the addition of further financial and staff resources, the remaining items in the Strategy, including a new inclusionary housing policy, could be expedited and more actions added, bringing the City closer to meeting its strategic objective to "Make Victoria More Affordable."

Respectfully submitted,



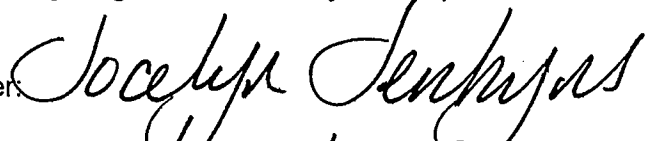
Lindsay Milburn, Senior Planner  
Housing Policy

Att.



Jonathan Tinney, Director  
Sustainable Planning and Community Development

Report accepted and recommended by the City Manager:

  
Date: November 9, 2017

**List of Attachments:**

- Attachment A - Victoria Housing Strategy 2016-2025
- Attachment B - Current Housing Strategy Actions
- Attachment C - Affordable Home Ownership Workshop Engagement Summary
- Attachment D - Recent Land Lift Analyses
- Attachment E - Council's Draft Inclusionary Housing Policy