

Report of the Recommendations of the Mayor’s Task Force on Housing Affordability

Background

On April 16, 2015, Victoria City Council approved its Strategic Plan for 2015-2018. One of the strategies is *Make Victoria more Affordable*. The cost of housing has been consistently identified as a significant factor that negatively impacts affordability for many residents, particularly those of low to moderate income. In order address the issue of housing affordability, Victoria City Council also approved the creation of the Mayor’s Task Force on Housing Affordability.

Task Force Scope

The Task Force was mandated by Council to identify solutions that could help increase the supply of new units of low-cost housing, defined as a unit that a person earning minimum wage or receiving a pension could afford to live in. Concerned for issues of housing affordability among other low to moderate income households, Task Force members agreed to also identify solutions that could contribute to the development of housing that meets the affordability needs of households in Victoria that fall within the middle two income quartiles as defined by Statistics Canada (\$18,147 to \$57,772 per annum). The Task Force members also agreed to examine potential solutions that could achieve greater affordability in both non-market and market housing developments.

Affordable Housing Demands



Principles

1. Right to Housing

All people deserve access to housing that is safe, stable and affordable and that supports personal and public health. The availability of a diversity of housing types across the housing spectrum that can accommodate people of different ages, incomes, household structures, and physical and social needs is one of the fundamental elements of creating and maintaining a healthy, inclusive and more sustainable community. (City of Victoria OCP pg 94)

2. City Hall has a role to play

While the responsibility for housing has fallen traditionally within the jurisdiction of the provincial and federal governments, the City of Victoria can and should take a leadership role and use the tools within its toolbox in innovative and creative ways to immediately increase the availability of low-end of market affordable housing.

Goals and Targets

1. Increase Overall Housing Supply in City

- The City of Victoria will need to add an average of 350 to 400 units of housing per-year to accommodate the OCP projected population increase of 20,000 new residents between 2011 and 2041. Eighty per cent of that growth is anticipated in downtown and in areas within and around large urban villages and town centres. Current policies and objectives within the Downtown Core Area Plan (DCAP) and the OCP anticipate denser housing development in these areas.
- With respect to rental housing, a 2013 Urban Futures report commissioned by the City of Victoria estimated that approximately 7,500 rental housing units (market and non-market) will need to be added to the City's housing stock between 2011 and 2041. This means that, within the total number of housing units added each year, an average of 250 units will need to be rental. Although municipalities do not regulate housing tenure, some have developed incentives to promote the development of more purpose-built rental units.

2. Generate and Allocate Additional City Revenue to Affordable Housing

- City Council maintain a strong commitment to contributing to the Victoria Housing Reserve Fund at a level that supports the development of an adequate number of affordable housing units to meet existing and emerging demand.
- Where possible, generate additional revenue through the sale or redevelopment of existing land.

3. Create Places where Everyone Wants to Live through Urban Planning Principles

- Good urban design does not emerge from public consultation. Public input works as part of the information gathering phase followed by analysis and then leads to the synthesis into a design. Qualified and skilled designers should be made responsible and expected to produce 'good public places' with the public good in mind. This is to be expected and not an add-on. Too much effort and resources are spent on repetitively soliciting public opinion and thereby abdicating a role of civic leadership to obtain the best design from the best and most expert, creative, humanistic and public-spirited designers. The City must find a way to budget for design of the public realm as a priority, to create a more livable and resilient city for all citizens.

Housing Types

Task Force members suggested that the City consider a range of housing types when examining potential solutions to housing affordability, including:

- Small-lot single-family housing. Stand-alone houses on 2,000 to 4,000 square foot lots.
- Multiplex. 2 to 10 units developed in existing residential areas, often single-family house conversions.

- Accessory units (also called secondary suites or granny flats). Self-contained units with separate entrances, kitchens and bathrooms.
- Garden suites or laneway houses (also called garage conversions). Small houses adjacent to a main house, sometimes above or replacing garage.
- Townhouses (also called rowhouses or attached housing).
- Low-rise (2-6 story) apartments, used for either rentals or owner-occupied condominiums.
- Additional floors added to existing buildings.
- Micro-apartments (apartments less than 500 square feet).
- Residential over commercial, Apartments above a commercial space.
- Industrial or commercial building conversions to residential uses, such as loft apartments.
- Housing developed on underused parking lots.
- Older motels and hotels converted to apartments.

Themes

Throughout the discussions and deliberations of the Task Force, the members identified two key themes:

- Increase the City of Victoria's capacity to support development of affordable housing, and
- Remove municipal barriers to the development of more affordable housing options.

Under the umbrella of these two themes, the following report presents the Task Force's recommendations as well as the rationale provided by Task Force members to support implementation of the recommended actions. The report also identifies each recommendation within a three year time frame within which the recommendations are expected to be implemented.

1. Municipal Fees

Rationale

Fixed costs and fees represent a larger share of total costs for smaller projects and lower-priced housing. For example, a planning requirement such as a traffic study, a design requirement such as an elevator, or a development fee of \$10,000 per unit, may significantly increase the retail price of small and inexpensive housing projects. These types of costs can significantly reduce the potential that affordable infill housing can be built, but, at the same time, are likely to have little impact on the final price of more expensive housing being built in larger projects. Governments can minimize such costs and provide discounts and exemptions for lower-priced infill housing by exempting such projects from traffic studies, expensive design requirements (e.g., elevators) and development fees.

Recommendation

Minimize and prorate fees for affordable housing projects.

2. Density Options

Rationale

Allowing additional density provides an immediate opportunity for developers to build more units on a single parcel of land, potentially allowing for a lower per-unit land cost and thus contributing to overall unit price. This approach supports compact, affordable, infill development while preventing land value increases that would otherwise result if increased density were allowed for higher priced housing units. The Official Community Plan and the Downtown Core Area Plan identify key areas of the city where increased density will be permitted. In many cases this will require rezoning to support additional density. The Downtown Core Area Plan includes a Density Bonus Program through which developers may opt for higher densities in exchange for contributions to the Downtown Core Area Public Realm Improvement Fund and the Downtown Heritage Buildings Seismic Upgrade Fund. A density bonus program for areas outside of the downtown core is currently being explored. Density bonus options in exchange for the development of affordable housing units are not currently a consideration within these plans and programs.

Recommendation

Allow for higher densities and greater heights than permitted within existing zones in exchange for affordable housing units.

3. Using Public Land for Affordable Housing Development

Rationale

Many municipalities purchase, keep an inventory and subsequently use land to help foster the development of more affordable housing. The City of Victoria is a compact, mostly-urban city located within a regional network of other municipalities. Because the City does not hold a large amount of property that would be eligible for development or redevelopment into housing, it may be more productive for the City to work with other public bodies such as the provincial government and school districts to identify an inventory all the publicly held land suitable for

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residential development.

Recommendation

Create an inventory of publicly and privately-held lots suitable for affordable infill.

4. Grants to Support Affordable Housing Developments

Rationale

Over the past decade, the City of Victoria Housing Reserve Fund has provided grants to developers who have committed, through a housing agreement registered on title, to build and operate housing projects affordable to low and moderate income households. Since its creation, the Fund has provided \$5.8 million in grants to support the creation of 80 emergency shelter beds, 232 supportive housing units and 426 affordable rental housing units. Recently, non-profit providers have expressed concerns that the \$10,000 per unit cap on grants may soon limit the ability of developers to build units that can meet the definition of the City’s low to moderate income levels.

Recommendation

Review the Victoria Housing Reserve allocation of \$10,000 per unit of affordable housing to determine whether there is a need to increase the amount of dollars per door.

5. Victoria Housing Reserve Fund Capacity

Rationale

The Victoria Housing Reserve Fund is currently independently managed by City staff and City Council approves each application. There are other grant providers within the region, including the Capital Regional Districts Housing Trust Fund, United Way, Victoria Foundation and Vancouver Island Community Investment Fund. The City may be able to leverage additional funding for affordable housing development through cooperative agreements with these organizations that set-out terms governing the co-management of these funds.

Recommendation

Investigate options to expand the capacity of the Victoria Housing Reserve through alternative financing mechanisms.

6. Converting Motel Properties to Residential Use

Rationale

Over the past fifteen years a number of motel properties throughout the City have become non-viable within transient-occupation-only zones. Through site-specific rezoning and development permit approvals, a number of these properties have been successfully converted to residential rental uses, some at the high end of the rental spectrum and others at more affordable levels. A review of currently existing T-1 zoned properties has identified a range of former motel properties, some of which may be able to be converted to residential use (see Appendix 1). The City has options with respect to how to expedite conversions. It could, amend the T-1 zoning regulations to permit residential use, create a general conversion bylaw that offers this opportunity to all properties currently operating as motels, or provide expedited processing to

those rezoning applications for motel conversions that fit within the OCP place designations. Should the City consider amending the T-1 zoning regulations or introducing a conversion bylaw for motels, it will be important to also introduce design guidelines and advisory design approval processes that ensure these buildings are developed to a standard that works for the City and surrounding properties in the long-term.

Recommendation

Expedite conversion of motels and other transient accommodations, where appropriate, and expand conversion opportunities to all downtown zones.

7. City Liaison on Landlord Tenant Issues

Rationale

Responding to tenant issues from the community related to matters within the City's property maintenance bylaws is currently the responsibility of the City's Bylaw Services section. Bylaw Services currently coordinates the RESPOND (Reacting Effectively to Solve Problems in Our Neighbourhoods and the Downtown) team, which includes a broad partnership of organizations and authorities who work together to encourage local landlords to operate appropriate rental properties and, when necessary, use progressive enforcement practices to improve housing conditions. The team currently includes staff from Bylaw Services, Victoria Fire Department, Victoria Police Department, Building and Inspections, Animal Control and Island Health. There is evidence that the team could use additional resources and staff to: review existing regulatory tools, research and develop new regulatory frameworks as well as coordinate actions to address housing conditions and to work proactively with landlords to address problematic behaviours, improve housing conditions and promote high quality of life and safety standards.

Recommendation

Designate a City Housing Officer as a lead City liaison for landlords and tenants on housing issues that are within the City's jurisdiction.

8. Property Maintenance Standards

Rationale

According to BC Assessment data, in 2013 there were an estimated 16,569 purpose built rental housing units in 514 properties located within the boundaries of the City of Victoria. Nearly 70% of these units were built between 1950 and 1975 under a series of Federal tax measures and construction incentives. Much of the remainder of the purpose built stock was built prior to 1950. Local social service organizations and tenant advocates have expressed concerns about the physical quality of the older rental stock.

The challenges for maintaining existing rental housing stock are twofold. Small margins and inflationary costs place pressures on landlords that act as a disincentive to long-term investment. Low-income tenants often face poor housing conditions with little to no recourse and lack security of tenure when renovations occur ("renovictions"). The recommendations of the Task Force are based on a common vision of an inclusive, quality of life-focused approach to housing in which the bad operators are held accountable and landlords who are contributing to long-term affordable housing stock in the City are rewarded

With this in mind, the Task Force is suggesting that the City explore the potential to strengthen its ability to intervene when housing conditions threaten the quality of life and well-being of tenants. A number of BC municipalities have introduced stronger standards of maintenance requirements within existing bylaws or introducing new regulatory tools that promote improved housing conditions.

Recommendation

Review and strengthen the Property Maintenance Bylaw and the resources to administer the Bylaw in order to better protect quality of life and promote safe housing conditions for all residents of Victoria.

- **Add conditions of tenant/resident quality of life (mold, pests, etc) to the City's Property Maintenance Bylaw.**
- **Coordinate actions to address housing conditions through the City Housing Officer and through reviewing and, where possible, re-prioritized bylaw enforcement resources towards addressing housing quality of life and safety issues.**

9. Affordable Home Ownership

Rationale

According to the 2015 Demographia International Housing Affordability Survey, Victoria is the second least affordable housing market in Canada, based on a ratio of median income to median home value. While homeownership is not appropriate for all, for some working families, affordable homeownership can offer a long-term path of equity building towards middle-class security. Beyond macro policy shifts such as enabling greater density, the City can also take steps to help introduce the concept of affordable home ownership in Victoria. There are several non-profit and municipally-based organizations working in other cities and provinces to develop and sell below market ownership housing to qualified residents. Hosting a workshop where some of these organizations could present their programs to City staff, housing providers, developers and builders would provide the opportunity to explore the potential to implement similar programs in Victoria and to establish the networks necessary to creating partnerships among organizations that have the capacity and mandate to develop affordable home-ownership programs.

Recommendation

Investigate opportunities for the City to support the development of affordable ownership programs (e.g., shared equity, non-profit) by hosting a workshop for City staff, housing providers, developers and builders.

1. Development Application Process

Rationale

The general theme underlying this recommendation is to streamline applications proportionate to project scale (i.e. smaller projects to get through faster to encourage small-scale typologies with criteria that perform more affordably). To the developer time is money; hence any chance to expedite an application presents potential cost savings for a development.

Rezoning applications for affordable housing projects could by-pass the pre-application CALUC meeting that is normally required. The City could notify the CALUC of the application so they still have an opportunity to comment during the process, but the pre-meeting would not be required. The rationale for this recommendation is due to applicants needing to expend costs to prepare detailed plans at early stages in the application process and delaying application submission dates. Thresholds should be established to determine the type and size of projects that would qualify for this streamlining.

Requiring Council approval for some development permit and heritage alteration applications adds a significant amount of time to the process of moving a project to the construction stage. In some cases it may be possible to delegate more authority for specific applications to City staff.

The City could also consider expediting all types of development applications and permits that meet criteria for affordable housing (currently, the City expedites non-profit affordable housing projects – this would expand the scope). Criteria could be established based on characteristics which lend themselves to more affordable forms of housing (e.g., construction type, unit sizes below a certain threshold, no vehicle parking provided, etc.).

Recommendation

Expedite development approval and permitting process by:

- 1. Allowing rezoning applications for affordable housing projects to by-pass the pre-application meeting required with Community Association Land Use Committees.**
- 2. Delegating more approval authority within the development permit and heritage alteration permit processes.**
- 3. Continuing to give priority status to affordable housing applications within the development approval process.**

2. Development Cost Charges

Rationale

The assessment of Development Cost Charges constitutes an essential component of assuring that the costs the City incurs in order to support development are adequately provided for by the developer. Section 933.1 of the BC Local Government Act allows for the reduction or waiver of development cost charges for new non-profit and for-profit affordable rental housing projects. The grants provided through the Victoria Housing Reserve Fund were introduced in order to offset these costs for non-profit affordable housing developments. Waiving these costs for both non-profit and for-profit affordable housing projects could allow operators to provide units at lower rent levels or at a lower purchase price. Affordable rents and/or purchase prices could be

secured in a housing agreement that the City would register on title.

Recommendation

Waive development cost charges (DCCs) for affordable housing projects.

3. Minimum Unit Sizes

Rationale

Some of the multi-unit and commercial-residential mixed use zones within the *Zoning Regulation Bylaw* as well as the *Conversion Guidelines – Transient to Residential Accommodation* set minimum unit sizes at 33 square meters (approximately 335 square feet). Allowing for smaller, more compact units within developments provides the potential for developers to reduce construction costs and allow more units within a given development. Removing this restriction would promote innovation while continuing to allow the City to ensure these buildings are developed to a standard that works for the City and the surrounding properties in the long-term.

Recommendation

Remove the minimum unit size requirements for multi-unit zones within the *Zoning Regulation Bylaw* and within the *Conversion Guidelines – Transient to Residential Accommodation*.

4. Housing Conversions

Rationale

Schedule G of the City of Victoria's *Zoning Regulation Bylaw* provides the regulations related to the conversion of existing single detached houses into multi-unit developments. Over the years, many large homes have been successfully converted into multi-unit developments. The objectives of the conversion bylaw include allowing additional density in single detached neighbourhoods and potentially creating more affordable housing by retaining and repurposing older housing stock. Currently, regulations restrict developments on the basis of housing type and the year the house was built. There are also restrictions on the number of units allowed within a given property based on the dwelling's habitable floor area. There may be opportunities to amend the regulations to increase the number of homes that would be eligible for conversion. This could include:

- Adding apartment buildings as a housing type,
- Allowing conversions of buildings on smaller and narrower lots,
- Allowing the conversion of single detached houses built after 1931 into multiple dwellings,
- Increasing the maximum number of self-contained dwellings allowed within each size category, or
- Removing or reducing the minimum floor area requirements.

Recommendation

Amend *Schedule G – House Conversion Regulations* of the *Zoning Regulation Bylaw* to better facilitate conversion of single detached housing units to multi-unit buildings.

5. Parking Requirements

Rationale

The provision of parking units to support residential housing development adds a significant cost to construction. An individual unit of parking can cost a developer between \$25,000 and \$45,000, with this cost generally passed on to the prospective tenant or owner of the unit. There is evidence that demand for parking units is declining among residents of multi-unit developments, particularly those within affordable rental projects. Based on parking study evidence presented as part of recent development applications for two affordable rental housing projects, City Council approved parking ratios of 0.57 and 0.30 parking units per unit of housing. Reducing the levels on some specific housing types could yield affordability benefits. At the same time, the City can require that transportation demand management strategies be used to help reduce motor vehicle use through the introduction of car sharing programs and measures that support the use of more active transportation options (e.g., walking, cycling).

The City is currently reviewing *Schedule C – Off Street Parking* of the *Zoning Regulation Bylaw*, which will include a review and recommendations for changes to off-street parking requirements for various types of developments. In the interim, some immediate reductions in required parking levels would help reduce development costs and improve the capacity of developers to create more affordable housing units.

Recommendation

Reduce parking requirements within *Schedule C – Off-Street Parking* of the *Zoning Regulation Bylaw* as per the table below:

Building Class	Recommended Number of Parking Spaces Per Unit
Buildings converted to housekeeping units	0.5
Buildings converted to rooming houses or boarding houses	0.5
New buildings containing housekeeping units or rental apartments	0.5
Buildings converted to multiple dwellings in zones other than a multiple dwelling zone, both for rental and strata buildings	0.5 for any building containing more than 3 dwelling units
Buildings containing residential use in the CA-3, CA-4 and CA-5 zones	0.5
Buildings containing residential use in the C1-CR zone	0.8
Multiple dwellings located in R3-1, R3-2 and other zones	0.8
Multiple dwellings subject to strata title ownership in R3-1 zones	0.8
Multiple dwellings subject to strata title ownership in R3-2 and other zones	1.0
Rental attached dwelling	0.8
Condominium attached dwelling	1.0

6. Garden Suites - Rezoning

Rationale

Garden suites provide the opportunity for home owners to create an additional unit of housing in order to accommodate a family member or as a rental unit available to the public. Although these units often rent close to market rates, they do provide the opportunity for families to share the costs of homeownership and, while adding additional rental housing stock to the existing market, can provide a household with additional rental income to help make home ownership more achievable. Currently the City requires that all Garden Suite applications be subject to a rezoning application. This adds time and additional costs within the development process. To date the City has received very few applications for Garden Suites. Removing this requirement could potentially increase the number of suites built.

Recommendation

Remove the rezoning requirement within the *Garden Suite Policy*.

7. Garden Suites – Prohibition on Secondary Suite Properties

Rationale

The *Garden Suite Policy* currently prohibits the development of a garden suite on any property that also contains a secondary suite. Allowing the development of garden suites on properties that also contain secondary suites would allow for added density within areas where single detached housing predominates. This action could achieve objectives similar to those associated with removing the rezoning requirement for garden suites.

Recommendation

Remove the restriction within the *Garden Suite Policy* that prohibits development of garden suites on properties with secondary suites.

8. Secondary Suite Size Restrictions

Rationale

Currently *Schedule J – Secondary Suite Regulations* of the *Zoning Regulation Bylaw* sets limits on the size of a secondary suite and prohibits the development of a suite within a dwelling that has undergone the following exterior changes within the 5 years prior to the secondary suite application:

- An extension to the building that creates more than 20 square meters of enclosed floor area, including a dormer;
- Raising the building more than 0.6 meters in height; and
- The addition of steps and an entranceway more than 1.5 meters in height.

Allowing the expansion of an existing dwelling, particularly when it is located on a larger lot, and allowing the secondary suite to be bigger than regulations currently allow would allow owners of dwellings built between 1932 and 1972 to add a larger secondary suite that could accommodate a small family. This action could also achieve objectives similar to those associated with removing the rezoning requirement for garden suites

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Recommendation

Amend *Schedule J – Secondary Suite Regulations* of the *Zoning Regulation Bylaw* by eliminating the minimum size requirement and the restriction on dwellings that have been renovated in the past five years.

1. Innovations in Parking Requirements

Rationale

The City of Victoria is currently in the process of reviewing *Schedule C – Off-Street Parking* of the *Zoning Regulation Bylaw*. Parking demands and options for transportation demand management being used by developers have changed substantially since the last review of the regulations (see Appendix 2).

As well, unbundling parking from housing units has the potential to reduce costs for the renter or buyer. Parking unbundling means that parking spaces are rented separately from building spaces. For example, rather than paying \$1,000 a month for an apartment with two “free” parking spaces, residents pay \$800 per month for an apartment plus \$100 for each or any of the parking spaces they wish to use. In this way renters are not forced to pay for parking spaces they do not need and will not use. This is particularly appropriate for affordable-accessible housing since lower-income occupants tend to own fewer than average vehicles. This reduces development costs and encourages households to reduce their vehicle ownership, which can help reduce traffic problems.

The Task Force recommends that these trends and new approaches inform the current review of *Schedule C*.

Recommendation

Consider a variety of innovations such as facility sharing, unbundled parking, increased density, land use mix, transit accessibility, car-sharing options, and demographic needs and incomes within the scheduled review of *Schedule C – Off-Street Parking* of the *Zoning Regulation Bylaw*.

2. Inclusionary Zoning

Rationale

Affordable housing mandates (also called Inclusionary zoning) require that a portion of new housing units (typically 10-20%) be sold or rented below market prices, or developers contribute to an affordable housing fund (see Appendix 3 for a more detailed description of Inclusionary Zoning). This helps create affordable housing as communities grow, and if required of all developers, these costs are partly capitalized into land values, minimizing the burden on individual developers or governments. In the right housing market conditions, inclusionary zoning can also help stimulate the development of housing units that are affordable for low to moderate income households. A variety of approaches to inclusionary zoning exist, each of which should be examined prior to being considered for use within the City's housing market.

Recommendation

Direct City staff to report to Council with recommendations on implementing inclusionary zoning as a way to support the development of more affordable housing.

3. Using City Owned Land

Rationale

In the past, the City has provided land to support the development of affordable housing. The projects supported have ranged from affordable townhouse units within a cooperative housing project to an emergency shelter for homeless people. Under current law, the City can donate land or enter into long-term lease agreements with organizations that commit to providing affordable housing. The City can also enter into land swaps with other public institutions or the private sector and use those properties for affordable housing purposes.

Recommendation

Contribute land at no cost or at reduced market value for the development of affordable housing projects.

4. City-based Real Estate Function

Rationale

The City currently employs one staff in the role of Property Manager. Should the City wish to consider becoming more active in acquiring and using property to support the development of more affordable housing, it would be prudent to consider allocating additional resources and developing operational guidelines to support a real estate function within its administration.

Recommendation

Create a real estate function within the City's administration that can purchase and sell property for the purpose of creating affordable housing.

5. Incentives to Utilize Underdeveloped Space

Rationale

The City currently provides grants to property owners to upgrade historical businesses, particularly to improve their performance in a significant seismic event. In many cases, these grants have been used to help develop residential units above existing commercial spaces in older buildings, particularly in the downtown area. The City still has a substantial inventory of space above commercial properties that is undeveloped. There are other incentives that could possibly encourage existing property owners to convert underutilized and unused spaces above commercial properties into residential units. Possible incentives should be investigated and, where appropriate, implemented.

Recommendation

Create incentives that support converting underutilized or unused spaces above commercial properties into residential use.

6. Incentives to Maintain Existing Properties

Rationale

Since the elimination of the Federal Residential Rehabilitation Assistance Program (RRAP), rental property owners have access to very few resources that can assist in the improvement of

existing properties. A Revitalization Tax Credit that would incentivize landlords by allowing partial write-off of major capital investments could help extend the life of units that are currently more affordable. This could also help improve the quality of housing for tenants. Tax credits could be tied to Affordable Housing Agreements that includes assurances that existing tenants will continue their tenancy during and after renovations are completed. Credits should not be used to subsidize the cost of meeting basic standards of repair.

Where possible and appropriate, applying reduced charges for development and building permits as well as licensing fees could be used to help encourage non-market and market affordable housing providers to add units to their existing properties.

Recommendation

Investigate and implement appropriate incentives (e.g. grants, tax credits, loans and/or loan guarantees, lowered development fees for adding units to existing rental stock) that can assist landlords in maintaining and/or improving affordable market and non-market housing.

7. Housing Agreements

Rationale

Currently the City uses Housing Agreements to ensure that new strata units are not restricted from being rented within the secondary rental market. It also uses Housing Agreements to secure rental affordability levels on properties where Victoria Housing Reserve Fund Grants have been used to build affordable housing units. There has been a recent increase in applications to build rental-only multi-unit housing. In some cases, developers are seeking to secure short-term (10 year) rental-only covenants on strata-titled properties. This may secure rental units in the short-term, but does not guarantee that units will remain rental into the long-term, potentially compromising tenant security.

Recommendation

Develop policies and procedures for establishing affordable housing agreements that include:

- **Consistent and transparent processes;**
- **Guarantees or protections for the long-term security of tenure and affordability of units; and/or**
- **Supports for other housing affordability measures (e.g. inclusionary zoning requirements, revitalization tax credits, etc.).**

1. Zoning Regulations

Rationale

The City is currently planning a comprehensive review of the *Zoning Regulation Bylaw*. This is a long-term project that will take up to three years to complete. There is evidence that there are a number of emerging housing types and options for the redevelopment of existing housing that could contribute to greater owner affordability. This review provides the opportunity also use a housing affordability “lens” when examining specific regulations and how they may limit the potential to build or transform existing housing in order to achieve affordability objectives.

Recommendation

Review the *Zoning Regulation Bylaw* to ensure it accommodates a variety of housing types (e.g., fee-simple row housing, co-housing, and where appropriate, strata conversion and subdivision of oversized lots for infill) that can be used to achieve greater owner affordability in the housing market.

Appendix 1

Potential Motel Conversions to Residential in Victoria

City of Victoria

Status	Motel Name	Address	Units	Current Zoning	Residential Permitted In Zone	OCP Designation	OCP Amendment Required?
Under Renovation	Traveller's Inn	626 Gorge Rd	26	R-70	YES	Urban Residential	NO
	Traveller's Inn	3025 Douglas St	UK	T-1	NO	General Employment	YES
	Dalton	759 Yates St	105	CA-4	YES	Core Business	NO
Operating as Motel	Scotsman Inn	474 Gorge Rd	UK	T-1	NO	General Employment	YES
	Robin Hood	136 Gorge Rd	UK	T-1	NO	Urban Residential	NO
	Castle Inn	133 Gorge Rd	UK	T-1	NO	Urban Residential	NO
	Mayfair	650 Speed Ave	UK	T-1	NO	Urban Residential	NO
	Strathcona	919 Douglas St	UK	CA-22	YES	Core Business	NO
	Hotel 760	760 Queens Ave	UK	C1-N-Q	NO	Core Employment	NO
	Ocean Island Inn	791 Pandora Ave	UK	CA-4	YES	Core Business	NO
	Super 8	2915 Douglas St	60	T-1	NO	General Employment	YES
	Tally-Ho	3020 Douglas St.	UK	T-1	NO	General Employment	YES
	Capital CityCenter	1961 Douglas St.	84	T-1	NO	Core Employment	NO
Vacant	Plaza	603 Pandora Ave	UK	CA-70	YES	Core Historic	NO
	Crystal Court	701 Belleville St	UK	T-1	NO	Core Inner Harbour	NO

 No rezoning or OCP amendment required to operate as residential

 Requires rezoning

 Requires OCP amendment and rezoning

Onsite Parking + Impacts on Affordability
www.portlandoregon.gov/bps/article/420062

Cost of Onsite Parking + Impacts on Affordability

Development Prototype	# of Units	# of Parking Spaces	Parking Spaces per Unit	% of Ground Floor used for parking	Parking Cost as a Percentage of Total Construction Cost	Construction Cost	Potential Monthly Rental Range (\$50 sq ft apartment)*	Monthly Rent Increase as a percentage above No Parking Development Prototype
A  Tuck-Under	50	0	0	0%	0%	4.3 M	\$800 - \$1,150	-
B  Surface	45	9	0.25	33%	4%	4.3 M	\$850 - \$1,200	6%
C  Podium	30	19	0.6	47%	2%	2.8 M	\$1,200 - \$1,800	50%
D  Mechanical	42	22	0.5	66%	10%	4.3 M	\$950 - \$1,350	19%
E  Underground	46	23	0.5	40%	22%	5.4 M	\$1,175 - \$1,660	47%
F  Underground	44	33	0.75	20%	28%	6.5 M	\$1,300 - \$1,900	63%



* Based on Results of Emission Tomorrow Return on Investment Model & Analysis.
 • Developments with a Return on Investment of 7 to 10% are reported.

Cost Comparison: Parking Prototype Impacts on Form and Affordability
 Prepared by Bureau of Planning and Sustainability

Appendix 3

Inclusionary Zoning

Definition

The process whereby a municipality, by ordinance, sets forth a minimum percentage of units to be provided in a specific residential development as affordable to households at particular income levels.

Goals

- Create mixed-income neighbourhoods, where residents of diverse socio-economic backgrounds can meet, interact and potentially gain culturally and economically from that interaction; and
- Produce affordable housing units through private development projects.
- Features of Inclusionary Zoning
- Sub-areas within a given region should meet their fair share of low and moderate housing needs.
- Proportion of units to be included is identified – current practice of 10% to 25% depending on market.
- The developer is generally afforded some form of compensation due to lost profitability (e.g., increased density, reduced municipal costs, and relaxation of regulations).
- Affordability controls are generally secured through a legal housing agreement or covenant.
- Development controls attached to the affordable portion of the development ensures that low-income housing is not low-quality housing.
- Developers can accrue development credits when they build more affordable units than required and then redeem them in future developments that are on the higher end of the market spectrum.
- Developers can sometimes be offered alternatives to building a specific portion of the development as affordable (e.g., make contribution to an affordable housing fund).

Recommended Principles for Program

- Target IH units to those most in need while assuring that new development is still financially feasible.
- Incorporate affordability standards into the program that are consistent with CRL standards.
- Consider depth of income targeting and percentage of IH units together, because there is an inherent financial trade-off between them
- Record long term affordability covenants on IH units in order to benefit as many households as possible and meet agency's production obligation (e.g. 45 years for sale; 55 years for rental).
- Confirm that the restricted sales prices and rents of IH units are sufficiently below those of market rate units to generate demand. Consider allowing a phase-in period for the IH requirement.
- Consider allowing alternative ways for the development community to meet the IH requirement if these alternatives are economically equivalent to the on-site requirement (e.g., contribution to the Victoria Housing Fund Reserve).
- Consider exempting small developments from the on-site requirement or allow them to pay a fee in-lieu of providing the units on-site.

Local Examples of Inclusionary Zoning

- *Langford*: All new rezoning applications for fifteen or more new single-family residential lots will provide either one affordable housing unit or a cash contribution to the City's Affordable Housing Reserve Fund.
- *Richmond*: In exchange for increased density proposed as part of a rezoning application, multi-family or mixed-used developments containing more than 80 residential units must build at least five per cent of total residential building area as LEMR units, with a minimum 4 units, secured in perpetuity with a Housing Agreement registered on title.
- *Burnaby*: Through its "Community Benefit Policy", during a rezoning additional density may be permitted for the provision of affordable housing units within the project.
- *Vancouver*: The City currently, as part of its rezoning process, provides additional density to developers willing to include up to 20% of base density as affordable units. The final percentage to be built as affordable is negotiated on a project by project basis. To date, projects have achieved between 11% and 17% as affordable housing.

Victoria Context

The City has used inclusionary approaches in the past but has not created a specific policy in this regard. In 2012, City Council approved the Downtown Core Area Plan that includes a density bonus program. In exchange for additional density during a rezoning application, developers are required to make cash contributions equal to 75% of the lift in land value to the Downtown Core Area Public Realm Improvement Fund and the Downtown Heritage Buildings Seismic Upgrade Fund. Currently, a density bonus program for areas outside the downtown is being explored and recommendations to Council are expected in the near future.