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SUBJECT **AFFORDABLE HOUSING STRATEGY 2019 ANNUAL UPDATE**

## **OVERVIEW**

### **Purpose of Report:**

To provide Council with the first annual update on the implementation of Nanaimo's Affordable Housing Strategy.

## **BACKGROUND**

On 2018-SEP-17, Council approved the Affordable Housing Strategy (the "Strategy"), the City's first comprehensive study of affordability across the housing continuum, which includes social, non-market and market housing. The Strategy establishes the City's role and priorities with regard to promoting affordable, appropriate, and accessible housing in Nanaimo for the 2018-2028 period. The Strategy recommends that Staff prepare an annual report card to review progress on all policy directions and actions undertaken that year.

The implementation framework divides the policy directions into immediate (1-2 year), medium (3-5 years) and long-term (5-10 year) priorities, as well as providing a list of key targets for measuring progress on the five broad policy objectives (see Attachment A: Implementation Table). Staff are providing updates primarily on those items identified as short-term priorities. While the Strategy anticipates that notable progress towards achieving these targets will likely take three to five years, this reports aims to establish where Nanaimo is today in terms of some of the key measurements. This is intended to help the Task Force understand current trends in the housing market as well as setting a baseline for future reports.

## **DISCUSSION**

While the Strategy's five key policy objectives are interrelated, for the purpose of this report the actions and measurements are provided as they relate to a specific policy objective.

### ***Objective 1. Increase the Supply of Rental Housing***

#### **1.1 Develop a Secured Market Rental Housing Policy**

Relevant key targets identified in the Strategy:

- More than 50% of new residential building permits/housing starts are intended for rental use
- Number of units secured as rental housing (market or non-market) for 10 years or longer

Protecting and increasing Nanaimo's rental housing stock is a focus of the Affordable Housing Strategy for several reasons: First, almost half of all Nanaimo's renters (48%) are in core housing need, which means they spend more than 30% of their income on housing costs. The BC Non-Profit Housing Association's Rental Index reports that the lowest income quartile of Nanaimo's renters spend nearly three quarters (72%) of their income on rent and utilities. Increases in average rent have also rapidly outpaced wage growth; between October 2017 and October 2018 the cost of renting a two-bedroom apartment in Nanaimo went up by nearly 10% while the average BC wage increased only 2.4% in 2018.

One of the positive trends in Nanaimo in 2018 was the volume of new rental units introduced into the market; last year, the City exceeded our target of having half of new units as purpose-built rental. The Canadian Mortgage and Housing Corporation (CMHC) reported a record number of rental unit completions for last year (536 units), more than double that of the year before (268 units). Overall, purpose-built rental comprised about 56% of the total units completed in 2018. The number of rental housing 'starts' in 2018 (projects initiated but not necessarily completed) also outpaced the number of new condominium starts (283 rental units vs. 247 condominium units), indicating that this trend is likely to continue into 2019 as these units are completed.

New single-family dwellings and secondary suites made up approximately half of the units that were issued a residential building permit in 2018. Since secondary suites cannot be stratified and sold, new suites become part of Nanaimo's rental market inventory. Nanaimo has permitted over 3000 legal and authorized suites to date, which make up a significant portion of our rental units. In addition to the AHS, actions to further promote the development of secondary suites are included under other policy areas.

Part of Nanaimo's challenge is that while unprecedented numbers of new rental units are being introduced to the market, many of these units are at the higher end of the market price range. For example, the average rent for a one-bedroom apartment in central Nanaimo is \$837 (CMHC, October 2018), while a new one-bedroom apartment may rent for twice that amount. Past studies have found it takes at least thirty years for high-end market rental housing to "filter" down to be affordable for those who living on the median income or less (assuming there are no significant building renovations). The high-end rental housing of today becomes, in many cases, the more affordable market rental stock for the coming generations.

Because the existing market conditions are already encouraging the development of new rental stock (which is what the actions proposed in the Strategy are focused on), Staff decided to first work to create a comprehensive inventory of all the market rental housing in Nanaimo. Using data from BC Assessment, Building Inspections, Current Planning and Business Licensing, the GIS department created interactive maps that Staff can use to determine the age, condition and unit count (by type) of every rental building with more than three units in Nanaimo.

Creating the rental inventory tool is both a preventative and protective approach to maintaining and enhancing Nanaimo's rental stock. The purpose-built rental housing boom of the 1960s - 1970s means that much of Nanaimo's older, affordable rental housing is now prime for redevelopment (or demolition). Having a clear sense of which buildings may be sold or torn down means that the City can 1) better facilitate partnerships between developers and non-profits who may wish to develop affordable housing; 2) more accurately assess the risk of significant tenant displacement; and 3) be prepared when looking for properties for the City to acquire for housing.

In terms of the key metric of ‘units secured by housing agreements as rental for ten or more years,’ in 2018 the City secured 66 new affordable rental units (38 units at 2020 Estevan Road and 28 units at 3425 Uplands Drive) and 16 market rental units (half of the 31 units constructed at 337 Robson Street). As part of the Official Community Plan review, Staff are assessing the potential for the use of rental housing zoning as a tool to secure the land itself as intended for rental housing, even beyond the lifespan of a building. The rental housing inventory will be a resource for us as we review what changes have taken place over the past ten years in the housing landscape and what changes could be brought forward as part of the OCP process to facilitate optimal growth patterns.

## 1.2 Restrict Short-Term Rentals

Staff are currently reviewing Zoning and Business License regulations as they relate to short-term rentals and bed and breakfast (B&B) accommodation. The review will respond to gaps in the City’s existing regulations that do not address the potential social and economic impacts of short-term rental accommodation and address requests from hotel operators to require licensing for short-term rentals. A presentation to the Neighbourhood Network took place on October 29<sup>th</sup> and a public open house will be held on November 21st. Staff are also meeting with hotel industry stakeholders and B&B / short-term rental operators. The project is scheduled to conclude in January 2020 with a report back to Council that includes any recommended regulatory changes.

## ***Objective 2. Support Infill & Intensification in Existing Neighbourhoods***

### 2.1 Update Policy on Coach Houses & Incentivize Multiple and Smaller Units

Relevant key targets identified in the Strategy:

- Number of lock off, micro-suites or tiny homes

One of the most popular ideas during the Affordable Housing Strategy consultation process was to reduce existing barriers to tiny homes. The Strategy recommended a “review of municipal bylaws and regulations to identify ways to reduce the barriers to alternative housing forms such as tiny homes” In 2018, the City partnered with the BC Tiny House Collective to be one of the featured ‘case study’ municipalities for a research paper that seeks to analyze opportunities to regulate and support the construction of tiny houses and villages in BC. For this research, ‘tiny house’ was defined as a permanent dwelling meant for full-time living that is less than 500 square feet and can be placed on a flat deck (trailer) or a foundation.

Along with Victoria and Squamish, Nanaimo participated in dialogue with the BC Tiny House Collective to explore our respective challenges and opportunities with this form of housing. Staff have been informed the research paper is in its final draft and will be ready for distribution by the end of 2019. This report will hopefully provide some insight that Staff can use during the 2020/21 project to update the City’s policy on coach houses to encouraged the development of more laneway housing. In 2018, building permits were issued for eighteen new secondary suites in accessory buildings – a relatively small percentage of the permits issued for all new suites. The Strategy does not include a target for the number of new accessory dwellings created each year, but does make a number of recommendations for facilitating the development of additional suites which will be considered as part of the upcoming review.

One of the upcoming policy changes that Council will be asked to consider will be to allow modular construction forms for detached suites/coach houses. Currently detached suites are not allowed to be of modular construction type, which contributes to the cost as modular construction is on average about 10-20 percent cheaper than stick-built homes. Allowing modular building forms as detached suites will cut down on construction costs and provide another incentive for people to add a suite to their property when they might not otherwise have been able to afford to.

One other suggested policy action that will be addressed through the Official Community Plan (OCP) review is to “Review and revise the density ranges in the OCP; consider how the size and mix of dwelling units may be adjusted when calculating density (i.e. number of units per hectare).” Recommendations on how unit size should be considered when determining appropriate density will be part of the recommendations that come out of the OCP review process.

### **3. Diversify Housing Forms in all Neighbourhoods**

Relevant key targets identified in the Strategy:

- At least 20% of apartments in two and three bedroom units

#### **3.1 Develop a Policy on Family-Friendly Housing**

Developing a family-friendly housing policy (FFHP) was the only short-term action identified under this objective and this project been scheduled to commence in 2020. According to the CMHC Rental Market Report, Nanaimo’s private apartment market grew by 216 units between October 2017 and October 2018 (this figure also includes any units taken off the market, hence the discrepancy between rental completions and overall growth). During this period, Nanaimo gained two three-bedroom units and 58 two-bedroom units, which is about 28% of the rental universe growth. However, while we may be reaching our 20% target we know anecdotally that finding an apartment with two or more bedrooms is very challenging (CMHC no longer tracks vacancy by the number of bedrooms in a unit so we don’t have those figures for 2018).

One of the challenges with having a tight housing market across the board has meant that there is reason to incentivize small, affordable units, while at the same time having a mandate to promote two, three and four bedroom units appropriate for families. Of relevance is Nanaimo’s revised Parking Bylaw, which was adopted the same month as the Strategy. Revisions to this Bylaw replaced the previous multiple family parking rate with a table of different rates based on the location of the property and the number of bedrooms included within the development. While this was a progressive policy change, it may also discourage the development community from constructing more multi-family units. The upcoming FFHP will need to consider how to mitigate this impact with other density or incentives to promote the development of larger units. Part of the FFHP will also be looking at how to partner with and support non-profit organizations who are interested in developing housing to support their clients in need of family-friendly housing.

### **Objective 4. Continue to support low income & special needs housing**

Relevant key targets identified in the Strategy:

- Number and description/location of parcels acquired by City

- Non-market housing targets
- Number of adaptable housing units by dwelling unit type

#### 4.1 Develop a land acquisition strategy

In 2020, Staff will be seeking to bring forward a land acquisition strategy for Council consideration that incorporates existing best practices, information gathered through the OCP review process and input from the Health and Housing Task Force.

#### 4.2 Continue to support non-market housing development

The City has continued to support the development of non-profit housing through Development Cost Charge reductions for eligible projects, low-cost leases for supportive housing developments, pre-application meetings with affordable housing providers and by providing letters of support for applications to BC Housing by developers in the private and non-profit sectors. We have also entered into a partnership with School District 68 and BC Housing to facilitate planning for jointly owned adjacent land development that includes housing.

#### 4.3 Update the approach to density bonusing

In the coming year, Staff will be bringing forward revisions to the density bonus policy (Schedule D) that will incentivize the inclusion of affordable rental units in new developments by allowing more units in exchange (which would be secured via a housing agreement). Currently, additional density may be granted in exchange for securing units as rental for ten years through a Housing Agreement or through the sale of units at below-market value, but there are no additional points awarded for the provision for affordable rental units. Staff will bring forward a recommendation to Council for this project by Q2 of 2020.

#### 4.4 Update the community amenity contribution policy

A review of the Nanaimo Community Amenity Contribution (CAC) policy began in 2019 and a new CAC policy will be introduced to Council in Q1 of 2020. A land economist consultant has been engaged to assist in the CAC analysis. The CAC policy review will include a review of best practices in comparable jurisdictions, test case economic analysis of development projects, as well as consultation with Staff and the development community.

#### 4.5 Introduce an adaptable housing policy

While this was not identified as a short-term action in the Strategy, Staff received direction through Council's Strategic Plan that the adaptable housing policy should be prioritized for the 2019-2020 work plan. As this project concerns changes to the City of Nanaimo Building Bylaw 2016 No. 7224, this project is being led by Community Planning in collaboration with Building Inspections. The project will begin with stakeholder consultations in early 2020 with the goal of providing Council with recommended regulatory changes to the Building Bylaw by Q3 of 2020.

### **5. *Strengthen partnerships & connection***

Relevant key targets identified in the Strategy:

- Description of new partnerships, initiatives and programs



### 5.1 Facilitate developer & non-profit partnerships

In 2019, Nanaimo joined the Social Purpose Real Estate (SPRE) collaborative, a consortium of BC municipalities and agencies that connects monthly to discuss programs and funding opportunities to support the development of more social purpose real estate, including housing. SPRE will be coming to Nanaimo in December 2019 to offer a capacity building workshop for non-profits groups and learn about their challenges. The findings will form part of a resource called ‘Rent Lease Own: Understanding the Real Estate Challenges Affecting the Non-profit/Social Purpose Sector,’ that will be available by the end of 2020. Our work with SPRE will also facilitate access to resources and connections that we can share with our partners in the non-profit community.

In terms of other partnerships, in 2019 the City created the Health and Housing Task Force and will be leading that work until at least June 2020. Nanaimo also continues to sit as part of the Nanaimo Homeless Coalition and in 2019 provided a Social Planning Grant to enhance the communications and engagement capacity of the Coalition.

### 5.2 Support the development of a local rent bank program

Rent banks provide low or no-interest, short-term loans to people at risk of losing housing or basic utilities. The BC Government recently announced a new \$20 million investment in the BC Rent Bank program as part of the 2019 budget. Staff are currently working with our partners at the Ministry for Social Development and Poverty Reduction and the United Way of Central and Northern Vancouver Island to determine how Nanaimo can be one of the next communities to get a locally-administered rent bank system, and will return to Council with an update when more information becomes available.

## **CONCLUSION**

Access to safe, affordable and appropriate housing continues to be a challenge for many Nanaimo residents. Recent increases by the private sector in rental housing will alleviate some pressure by adding new stock to the overall rental universe, though the price of the newer housing stock will remain out of reach for many renters. Staff continue to work on the identified immediate priorities and anticipate returning to Council within the next 6 - 9 months with key deliverables, such as short-term rental regulations, the community amenity contribution review, revisions to the density bonusing policy (Schedule D of Zoning Bylaw 4500), and a land acquisition strategy.

### **SUMMARY POINTS**

- Staff are working on several concurrent projects to implement the identified short-term priorities of the 2018 Affordable Housing Strategy.
- Some of the Strategy’s key targets were met or exceeded in 2018, such as having more than 50% of new residential units intended for rental use. Similar housing trends are anticipated to continue for 2019.

- Key deliverables for 2020 include new short-term rental regulations, a community amenity contribution review, revisions to the density bonusing policy (Schedule D), and a land acquisition strategy for new affordable housing.

## **ATTACHMENTS**

ATTACHMENT A: Affordable Housing Strategy Implementation Table |

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