

DATE OF MEETING June 27, 2022

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SUBJECT AFFORDABLE HOUSING STRATEGY – ANNUAL IMPLEMENTATION UPDATE

OVERVIEW

Purpose of Report:

To provide the Governance and Priorities Committee with the third annual update on the implementation of the Nanaimo Affordable Housing Strategy.

INTRODUCTION

This report provides the progress towards implementing Nanaimo's 2018 Affordable Housing Strategy. (See Attachment A – for a link to the Affordable Housing Strategy).

BACKGROUND

On 2018-SEP-17, Council approved the Nanaimo Affordable Housing Strategy (the "Strategy"), the City of Nanaimo'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 five objectives outlined in the Strategy include:

1. Increase the supply of rental housing;
2. Support infill and intensification in existing neighbourhoods;
3. Diversify housing forms in all neighbourhoods;
4. Continue to support low-income and special needs housing; and,
5. Strengthen partnerships and connection.

The Canadian Mortgage and Housing Corporation (CMHC) and BC Housing define affordable housing as housing that costs less than 30% of a household's before-tax income. Affordable Housing is a broad term that can include housing provided by the private, public, and non-profit sectors. It also includes all forms of housing tenure including rental, various forms of ownership, and can include permanent or temporary housing. The Strategy recognizes that the definition provided by CMHC and BC Housing does not capture the range of complexity in Nanaimo's experiences with housing. The Strategy defines affordable housing as:

"Housing that includes a variety of housing types, sizes, tenures, and prices and housing that supports a mix of incomes, ages and abilities. It includes housing across the entire housing continuum from temporary shelter to social or supportive housing, market rental, and homeownership."

Through the Relmagine Nanaimo process, the objectives of the Strategy are supported with strong policies in the proposed City Plan. The Community Wellbeing and Livability section of City Plan contains policies to ensure that the values and objectives of the Affordable Housing Strategy are brought forward and strengthened.

DISCUSSION

2021 Progress Measures Summary

The Strategy identifies objectives, targets, and measures to determine implementation progress. Below is a list of the objectives, with progress towards the targets measured using key performance indicators sourced from 2021 Canadian Mortgage and Housing Corporation (CMHC) data, 2021 Census Data, and City of Nanaimo data.

Objective 1: Increase the supply of rental housing

- The Strategy identifies a target of more than 50% of new residential building permits/housing starts be intended for rental use annually. The City is **on track** to meeting this target in 2021 with 48% of new housing starts as purpose built-rental. This is an increase of 13% from the prior year. There has been a steady increase in purpose built-rental each year since 2018.

Objective 2: Support infill and intensification in existing neighbourhoods

- The Strategy identifies a housing supply mix that aims to have more than 70% of new residential building permits/housing starts be in multi-unit dwellings. The City **exceeded** this target in 2021 with 76% of starts in multi-unit dwellings. This is an increase of 14% since 2018.
- The Strategy identifies 20% of new starts to be ground-orientated units such as duplexes, triplexes, fourplexes, and townhouses. The City did **not meet** this target in 2021 with 5% of new starts as ground-orientated units. This number has shown fluctuating trends, increasing and decreasing each year since the inception of the Strategy. For example, in 2018, 10% were ground orientated housing starts, in 2019 there was 4%, and in 2020 11%.
- The Strategy identifies 50% of new starts to be intended as apartments. The City **exceeded** this target in 2021 with 71% of all starts as apartments. This is an increase of 19% from 2018.

Objective 3: Diversify housing form in all neighbourhoods

- The Strategy identifies a target of 20% of apartments to be in two and three bedroom units to support diversification. The City **exceeded** this target in 2021 with 44% of all rentals units containing two or three bedroom units. This percentage of two and three bedroom units has stayed consistent since 2018. It is important to note, that two bedrooms make up the majority of these units in 2021, only 4% of these units contained three or more bedrooms.

Objective 4: Continue to support low income and special needs housing

- The Strategy identifies the need to build over a three to five year period, 200-240 supportive housing units, 100-120 rent supplements to facilitate access to independent living through private markets, and 400-600 below market rental units for low to moderate-income ranges. The City is **on track** to meet the supportive and below-market rental targets in 2021. Since 2018, 250 supportive units (of which 164 are temporary and 86 permanent) have been opened. 351 below market rental units were created. In addition, 59 housing first rent supplements and 56 rent bank loans, provided by City funding, were distributed in 2021 for Nanaimo residents in need. In 2021, BC Housing also provided 113 Homeless Rent Supplements and 1,197 private market rent supplements for Nanaimo residents.

Objective 5: Strengthen partnerships and connections

- The Strategy identifies the importance of developing partnerships with senior levels of government, non-profit organizations, and community agencies to respond to housing issues. The progress of these new partnerships, initiatives, and programs are outlined below and include a MOU with BC Housing; the Te'tuxwtun project with Snuneymuxw First Nation, School District 68, and BC Housing; and the Nanaimo Rent Bank.

2021 - 2022 Project Implementation Progress

Over the past year, progress has been made on several actions, falling under all five objectives identified in the Strategy, that address housing affordability and accessibility, including: Short-Term Rental Regulations, supporting infill and intensification in neighbourhoods, Community Amenity Contribution Policy update, Density Bonus Policy Review, and establishing the Nanaimo Rent Bank. Other related initiatives include the Systems Planning Organization, BC Housing MOU, and a Housing Needs Assessment. An overview of completed and ongoing implementation actions for 2021-2022 is provided in Attachment B - Affordable Housing Strategy Implementation Table.

Short-Term Rental Regulations (STR)

The City completed a Zoning and Business Licence regulation update on 2022-FEB-07 related to short-term rentals and bed and breakfast accommodations. The new regulations that came into effect 2022-APR-01 allowed the City to regulate short-term accommodations and protect the rental market by only allowing property owners to rent out a portion or all of their primary residence on a short-term basis (and not allowing short-term rentals of any additional residences). In addition to these regulations, a STR Operator's Guide was created to support and educate operators by outlining short-term rental requirements. The City began accepting STR business licence applications on 2022-APR-01. As of 2022-JUN-13, 80 applications for STR business licences have been approved and the majority of these STR's are in one- and two- bedroom secondary suites.

Support Infill and Intensification

To support infill and intensification the proposed City Plan proposes two levels of 'neighbourhood' designation (Neighbourhood and Suburban Neighbourhood) to encourage more strategic residential infill in neighbourhoods. Also, a new exemption proposed in Development Permit Area 8 (DPA8) Form and Character guidelines (Zoning Bylaw Amendment Bylaw No. 4500.199) is to not require a development permit for "Construction that is limited to no more than a total of four dwelling units on one lot" (except in the Old City area). The purpose of this exemption is encourage infill in residential areas by allowing a 2-4 unit development to proceed directly to the building permit stage. The objective is to increase the number of ground-oriented duplexes, triplexes, and fourplexes in the city as identified in the Strategy. A public hearing regarding the proposed City Plan and Bylaw No. 4500.199 was held on 2022-JUN-22. It is also worth noting, that property frontage improvements are not required for multi-family developments with 4 or less units, to provide further incentive for infill.

Other ways that the Zoning Bylaw supports infill in residential areas is by allowing a secondary suite as an accessory use to single-family dwellings or in an accessory building (coach house). In 2021, 64% of new single-family dwellings were built with a secondary suite, adding 141 secondary suites in the city. This is an increase from 2020 where 59% of new single-family dwellings were built with suites, adding 128 secondary suites. Since the adoption of secondary suite zoning in 2005, 3,661 secondary suites building permits have been issued by the City. Secondary suites fill a key gap in Nanaimo's rental housing market which is not calculated in CMHC's vacancy rental rate. CMHC reported 4,530 rental units in 2021, which means the number of rental units in the primary rental market may be closer to 8,000 units, illustrating the importance that secondary suites have on the primary rental market.

In 2021, 76% of new starts were in multi-unit dwellings, of which many received multi-family development permits on land pre-zoned to permit multi-family use. A few examples of multi-family development permits issued in 2021 on pre-zoned land include: 197 units at 400 Fitzwilliam Street, 15 townhouse units at 5768 Linley Valley Drive, 163 rental units at 340 Campbell Street, 23 rental units at 361 Albert Street, and 97 units at 4851 Cedar Ridge Place.

In 2012, the British Columbia *Land Title Act* was amended to allow the registration of a party wall agreement on the title of adjoining properties allowing for fee simple row housing, and the City responded by creating the Row House Residential Zone (R7). Since 2012 there have been 6 fee simple row house developments approved in Nanaimo, creating a new form of home ownership. Row house developments on Norwell Drive, Northfield Road, Ocean View Terrace and Stirling Avenue are completed; and two row house developments are expected to be constructed in 2022.

In addition, the "Development Cost Charge Bylaw 2017 No. 7252" contains a provision allowing for a 50% reduction of development cost charge (DCC) fees for not-for-profit rental housing when at least 30% of the units are secured with a housing agreement such that rent does not exceed 30% of before tax income. Since 2018, a DCC reduction has been approved for at least 7 affordable housing developments in accordance with the DCC Bylaw reduction provisions for a total of 287 units.

Also, the City's "Revitalization Tax Exemption Bylaw 2018 No. 7261" encourages multi-family units in the downtown area by offering a tax exemption, on the municipal portion for a 10-year term, for new multi-family units. Two developments approved in the downtown that are

expected to use this incentive in 2022 are: 1) 197 rental units at 400 Fitzwilliam Street (DP1214); and 2) 163 rental units at 340 Campbell Street (DP1223).

Community Amenity Contribution (CAC) Policy Update

On 2021-NOV-15, Council endorsed a new CAC Policy, which states that for rezoning applications received after 2022-JAN-01 the monetary amenity contribution rate is increased. The CAC Policy also stipulates a monetary amenity contribution rate increase in January 2023, 2024, and 2025, and states that 40% of all monetary contributions be directed to the Housing Legacy Reserve Fund. The increased contributions to the Housing Legacy Reserve Fund will allow the City to support more affordable housing initiatives in the future. In addition, the CAC Policy states that the CAC rate is reduced by 50% for secured market rental dwelling units, and the CAC rate is waived 100% for secured non-market rental dwelling units to incentivize the development of these types of units in the city.

Density Bonus Policy Update

Schedule D of the Zoning Bylaw contains a list of amenities that a developer can provide in order to achieve more residential units or density within a development than the base zoning designation allows (without requiring a rezoning process). Points are awarded for various amenities in Schedule D, and the developer must achieve a certain total of points to be able to gain additional density. On 2021-JUN-21, an amendment to Schedule D was approved which awards points when purpose built rental units are secured, and awards points for secured affordable ownership units, affordable rental units, and non-market housing units. The objective is to incentivize and increase the supply of both rental units and non-market units in the city.

Nanaimo Rent Bank

On 2021-JAN-18, Nanaimo's first rent bank was launched. Council allocated \$90,603 from Housing Legacy Reserve Fund to the John Howard Society to operate a rent bank. A rent bank is a short term or temporary homelessness prevention tool that helps to provide housing stability for low to moderate income renters who are unable to pay their rent or utilities due to life circumstances. In 2021, the Nanaimo rent bank allocated 56 forgivable rent bank loans for Nanaimo residents.

Ongoing Projects

Ongoing projects initiated in 2021 include market studies on both family friendly housing and adaptable and accessible housing with the objective of finding ways the City can increase the supply of three+ bedroom and adaptable/accessible units in Nanaimo. See also Attachment C: 'Nanaimo Affordable Housing Initiatives', which highlights ways the City supports affordable housing.

Health and Housing Action Plan (HHAP)

One of the key recommendations from the 2021-FEB-22 HHAP was to support the incubation of a Health and Housing Systems Planning Organization (SPO) to implement the HHAP by coordinating funding and partner activities. Council established a Transition Team to develop the governance model for the SPO. Council endorsed the recommendations of the group on

2022-MAY-02. The SPO will provide collective homelessness prevention and response priorities, to enable coordinated action and advocacy by Nanaimo's non-profit organizations, Snuneymuxw First Nation and other levels of government, the business sector, and the broader community to address an end to homelessness in Nanaimo. The nine-member board includes representation from the City, Snuneymuxw First Nation, the Nanaimo Prosperity Corporation, the health/housing/shelter sector, and members at large. The goal is to host an inaugural board meeting in the summer of 2022 and have an Executive Director in place by the fall.

BC Housing Memorandum of Understanding (MOU)

The 2020 MOU agreement between BC Housing and the City of Nanaimo includes developments for seven housing projects on six sites around the city. Three affordable rental housing developments with approximately 120 homes for people with low to moderate incomes are in various stages of planning and development. There are four supportive housing developments with approximately 190 homes for people experiencing or at risk of homelessness being planned for the community. 51 supportive units opened in spring 2022 at 702 Nicol Street and an additional 51 units are scheduled to be completed in 2022 at 285 Prideaux Street. Additionally, the City is exploring a second MOU agreement with BC Housing to provide more sites for affordable housing developments.

Housing Needs Assessment (HNA)

A Housing Needs Assessment (HNA) is underway to gather housing data from all levels of government, through consultation with the community, and using the new 2021 Census Data. The HNA is anticipated to be completed by 31-DEC-2022 and will provide an updated snapshot on the state of housing in Nanaimo including the implications of COVID. The preliminary housing indicators data highlights that in 2021, just over half of the housing units in Nanaimo were single detached houses (51%), and apartments with fewer than 5 storeys followed as the most common housing type (19%). Single family housing sale prices in Nanaimo have increased to an average of \$761,737 in 2021 to \$933,954 in 2022 highlighting a 22.6% increase in price within one year.

Other preliminary findings of the HNA found that in 2021 there were 4,530 units in the primary rental market (privately initiated structures for rental purposes), an increase from 4,316 in 2020. The assessment also illustrates that the rental vacancy rate in 2021 increased to 1.8% from 1% in 2020. This vacancy rate, however, remains persistently below the 3% threshold commonly believed to indicate a balanced rental market.

CONCLUSION

The City is working on several concurrent projects to implement additional actions to meet the objectives outlined in the Strategy. Overall, the City is meeting almost all of the targets and measures outlined in the Strategy and is working positively towards the vision of the Strategy that "Nanaimo residents have access to a diversity of housing options that meet their needs for safe, stable, appropriate, and affordable within the context of a healthy built environment."

SUMMARY POINTS

- The City is on track to meet several key targets established in the Affordable Housing Strategy:
 - **On track** to meet target of 50% of new housing as purpose built rental with 48% of new housing starts as purpose built rentals in 2021.
 - **Exceeding** target of 70% of new residential housing starts in multi-unit dwellings with 76% of starts in multi-unit dwellings in 2021.
 - **Exceeding** target of 50% of new starts in apartments with 71% of new starts as apartments in 2021.
 - **Not Meeting** target of 20% of new starts as ground-orientated units with 5% of new starts as ground-orientated in 2021.
 - **Exceeding** target of 20% of rental as two to three bedroom units with 44% of all rental units containing two or three bedroom units in 2021. However only 4% are three+ bedrooms.
 - **On track** to meet the target for supportive and below-market rentals within a three to five year time frame of 200-240 supportive housing units, 400-600 below market rental units and, 100-120 rent supplements. Since 2018, 250 supportive units and 351 below market rental units were created. In 2021, the City provided funding that supported 59 housing first rent supplements and 56 rent bank loans, and BC Housing provided 113 Homeless Rent Supplements and 1,197 private market rent supplements for Nanaimo residents.
- The City has undertaken a number of Strategy implementation initiatives over the past year including: Short-Term Rental Regulations, Infill and intensification in existing neighbourhoods, Community Amenity Contribution Policy, Density bonusing, Nanaimo's Rent Bank, BC Housing MOUs, a housing needs assessment, and ongoing partnerships to coordinate and support for the provision of more affordable housing.

ATTACHMENTS

ATTACHMENT A: Link to the "Affordable Housing Strategy"

ATTACHMENT B: Affordable Housing Strategy Implementation Table

ATTACHMENT C: Nanaimo Affordable Housing Initiatives

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