

# Report to Council



**Date:** September 28, 2020  
**To:** Council  
**From:** City Manager  
**Subject:** 2040 OCP Infill Strategy and RU7 Lessons Learned  
**Department:** Policy & Planning

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**Recommendation:**

THAT Council receives for information, the report from the Policy & Planning Department, dated September 28, 2020;

AND THAT Council direct staff to proceed with the proposed projects to support the 2040 Draft OCP Infill Housing Strategy in 2020-2021 as described in the report from Policy and Planning on September 28, 2020.

**Purpose:**

Review lessons learned from the Infill Challenge pilot project and identify future actions to support the infill housing targets of the 2040 OCP Growth Strategy.

**Background:**

A major pillar of the draft 2040 OCP is to promote housing diversity by increasing the share of development in Kelowna's Core Area Neighbourhoods over the next twenty years. The draft 2040 OCP growth strategy projects roughly 25 per cent of future growth in the form of infill housing in the Core Area Neighbourhoods. To accommodate this amount of development in a way that improves the quality of life in these areas will require new policies and regulations alongside investment from the City.

Through the City's Infill Challenge pilot project, roughly 800 lots within the City's Core Area Neighbourhoods were pre-zoned to RU7 in early 2017. The Infill Challenge process and RU7 implementation represent Kelowna's most ambitious efforts to promote housing diversity and infill to date. Through the Infill Challenge, the City piloted various policy tools and approaches to promote infill housing. Lessons learned from this process are intended to inform strategic directions for infill in the 2040 OCP.

In addition, the directions of this report reflect public consultation undertaken regarding infill housing approaches. As part of this consultation, staff hosted four interactive stakeholder workshops in summer

2019 to determine successes and challenges of the RU7 implementation as well as infill objectives for the 2040 OCP. The workshops brought together neighbourhood representatives, local design professionals, and members of the development community to consider infill housing options to support the 2040 OCP growth scenario targets. The findings from these consultations are integrated into the lessons learned section and highlight the opportunity to create infill housing that is supported by both the development community, design professionals and local neighbourhood organizations.

## **Discussion:**

This review of the lessons learned from the Infill Challenge and RU7 implementation will assist staff in adapting policies and regulations to support the implementation of the 2040 OCP. The analysis reflects building permit and real estate statistics, technical analysis as well as engagement with staff, local neighbourhood representatives and the development community completed through the 2040 OCP process.

In reviewing the lessons learned for the Infill Challenge and RU7 implementation, there were several insights related to the market demand for missing middle housing in Kelowna. A critical takeaway from the RU7 implementation is that of the 800 lots pre-zoned, roughly 250 building permits have been issued for ground-oriented housing units, demonstrating considerable market interest for new infill housing. The RU7 zone encouraged designs with four units (1,200-1,500 sq. ft.) on a lot, a form of housing that was challenging to develop prior to the RU7 implementation. The median sales price for these smaller ground-oriented units was \$539,000 from 2017-19. Although these units are not “affordable,” they do reflect a price point that is attainable for many middle-income households (\$75,000-\$130,000). In addition, the RU7 projects have resulted in different tenure configurations (e.g. owner occupied, rental etc.). As of 2019, 14 per cent of the units are owner occupied, indicating that the RU7 zone has resulted in the development of a considerable number of middle housing rental units, a form of housing not typically built in the Core Area prior to the RU7 implementation. Overall, the RU7 implementation demonstrates a strong demand for new infill housing types and the potential for these units to promote housing diversity in the Core Area neighbourhoods.

The Infill Challenge and RU7 implementation also provided staff with an opportunity to better understand the impact of different policy tools on infill housing.

- *Pre-zoning:* The development community indicated pre-zoning was a key ingredient to the success of the RU7 pilot, facilitating a shorter development application process.
- *Pre-approved Plans:* The simplified process attracted interest from the development community including small-scale builders and developers that may have been discouraged by a more complex rezoning and OCP amendment process.
- *Deferred Revenue:* RU7 projects have contributed roughly \$1.65 million in deferred revenue for Local Street urbanization works as of early 2020; however, without a formal strategy to deliver urbanization projects it will be challenging to leverage these monies in the future.

Through the Infill Challenge/RU7 implementation and the Infill Housing Strategy stakeholder workshops, several future directions for infill housing emerged:

- *Pace of Neighbourhood Change:* The workshop participants felt there was a disconnect between the level of change as a result of infill housing and level of civic investment allocated to position these areas for heightened livability.
- *Streetscape & Urbanization:* All the participants from the Infill Strategy workshops emphasized that urbanized streetscapes with street trees, boulevards, and continuous sidewalks are integral to the success of infill in Core Area neighbourhoods.
- *Design Excellence:* Through the Infill Challenge competition, pre-approved plans were considered the minimum standard for design excellence; however, many of the applications that did not use the pre-approved plans failed to deliver the design quality envisioned.
- *Parking Requirements:* Through OCP Infill Strategy workshops, reduced parking requirements were supported which highlighted opportunities to explore more 'car-lite' infill housing in Core Area neighbourhoods well served by transit, protected bike lanes and car share.

#### *Emerging Best Practices for Infill Housing*

Recently, a number of cities throughout North America have implemented comprehensive strategies to promote infill housing and create more inclusive and sustainable communities. The following highlights of recent infill strategies are provided:

- *City of Portland, Residential Infill Project:* This suite of housing updates rezoned upwards of 90 per cent of the city's single detached housing areas to support middle housing (up to six units per lot) subject to minimum lot sizes, while also making off-street parking optional.
- *City of Minneapolis, 2040 Zoning Plan:* The City up-zoned much of the City's low-density residential areas that previously only allowed single-family housing to allow triplexes, effectively tripling Minneapolis' future housing potential.
- *City of Seattle, Accessory Dwelling Unit Legislation:* New regulations made it easier to build up to 2 accessory dwelling units (e.g. suites and backyard cottages) on 75 per cent of low-density residential lots, while also lowering the maximum size of new single-detached homes.
- *Coquitlam, Housing Choices Program:* Updates to the zoning bylaw and new OCP designations have made it easier to build triplex and fourplexes subject to minimum lot sizes.

#### *Summary of Lessons Learned*

The implementation of the Ru7 Zone demonstrated the strong demand for new forms of infill housing in Kelowna. The high level of interest from the development community translated into roughly 200-250 attainable infill housing units being constructed since 2017 that were not previously permitted in the Core Area. However, the implementation of the RU7 Zone has also demonstrated some of the challenges associated with infill. Specifically, the lack of sidewalks and street trees on many streets in the Core Area detracts from the walkability and livability of these neighbourhoods. Furthermore, the absence of a formal City strategy to leverage the existing \$1.65 million in deferred revenue collected for urban infrastructure points to the broader challenge of delivering the amenities (street trees, sidewalks, and parks etc.,) required to support urban neighbourhoods. In summary, the Infill Challenge / RU7

implementation and recent infill initiatives in other jurisdiction offer inspiration as the City looks ahead to the implementation of the infill housing goals of the Draft 2040 OCP.

### **2040 OCP Infill Housing Strategy Next Steps**

The Infill Challenge pilot project demonstrated the City's ability to take a leadership role to encourage infill development. The implementation of the RU7 Zone also provided insights as to new directions for the City's Infill Housing strategy in the coming years. Through the RU7 implementation and 2040 OCP engagement, staff identified three projects (subject to Council Consideration) to advance in late 2020 and continue through 2021 to promote infill housing and support the City's 2040 OCP Growth Scenario.

### **Proposed Projects**

- **Zoning Bylaw Update:** As part of Zoning Bylaw updates to support draft 2040 OCP implementation, staff will be reviewing regulations and considering opportunities for pre-zoning in 2020-21 to promote infill (e.g., number of units, parking, and lot size etc.) in Core Area Neighbourhoods.
- **Infill Challenge Competition 2.0:** Explore potential for a second infill housing design competition led by the City in partnership with the development community to establish a new infill housing area (e.g. areas without lanes) with new pre-approved designs. Key activities in 2020-2021 could include the following: partnership development, design competition planning, and establishing an infill competition design review panel.
- **Local Street Urbanization Project:** This pilot project would explore alternative project delivery strategies to tackle local street urbanization (e.g. sidewalks, street trees, and stormwater) in the Core Area. Funding for urbanization projects would likely include a mix of deferred revenue, local area service bylaw funding and taxation dollars. Key activities in 2020-2021 could include local street design concepts and costing estimates, neighbourhood outreach, council check-in and a 2022 capital plan submission. If successful, this pilot project in the RU7 area could be expanded to other local streets in the Core Area providing a new approach to delivering streetscape improvements in areas that are receiving infill.

### **Conclusion:**

Moving forward, the draft 2040 OCP proposes a significant increase in the amount of development in Kelowna's Core Area Neighbourhoods. To achieve the 2040 OCP infill housing targets the City will need to adapt policies and zoning regulations to encourage new forms of infill housing, while enhancing the livability of Core Area neighbourhoods. The City's Infill Challenge project and 2019 stakeholder workshops provide insight as to how the City can encourage a greater level of infill housing as well as current challenges that will need to be resolved to provide a high quality of life to citizens of the city's Core Area Neighbourhoods in the years ahead.

### **Internal Circulation:**

Development Planning  
Policy and Planning

Integrated Transportation  
Development Engineering

**Considerations applicable to this report:**

***Existing Policy:***

Official Community Plan

*Policy .2*

Compact urban form. Develop a compact urban form that maximizes the use of existing infrastructure and contributes to energy efficient settlement patterns. This will be done by increasing densities through development, conversion and redevelopment within Urban Centres in particular and existing areas as per the provisions of the Generalized Future Land Use Map 4.1.

**Financial Implications:**

*Infill Housing Competition*

A modest budget of \$15,000 would support promotions as well as a cash prize to attract participation in the design competition. Staff would explore opportunities for partnership with other groups to reduce the financial burden on the City.

*Local Street Urbanization Pilot Project*

In 2020-2021, staff would develop conceptual designs and high-level costing estimates for local street urbanization works within existing budgets. Capital works would likely occur in subsequent years 2022-2023 and therefore Capital Plan submission would occur once design and costing work as well as neighbourhood outreach is completed in 2021.

Submitted by: R. Soward, Policy & Planning

**Approved for inclusion:**

J. Moore, Manager, Long Range Policy Planning