

# REPORT TO COUNCIL



**Date:** March 1, 2021

**To:** Council

**From:** City Manager

**Department:** Policy & Planning

**Application:** ASP13-0001

**Owners:** Melcor Lakeside Inc.  
o844053 BC Ltd.  
Schwerdtfeger, Horst & Ulrike

**Address:** (S OF) Redstem St.  
(S OF) Hewetson Ave.  
(S OF) Kuipers Cr.  
5300 South Ridge Dr.  
5265 Upper Mission Dr.

**Applicants:** Melcor Lakeside Inc.  
o844053 BC Ltd.

**Subject:** Thomson Flats Area Structure Plan

**Existing OCP Designation:** Future Urban Reserve (FUR)

**Existing Zone:** A1 – Agriculture 1

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## 1.0 Recommendation

THAT Council receive for information the report from Policy & Planning Department dated March 1, 2021 regarding the draft Thomson Flats Area Structure Plan;

AND THAT Council not endorse the draft Thomson Flats Area Structure Plan;

AND THAT Council direct staff to exclude the subject properties from the Permanent Growth Boundary in the draft 2040 Official Community Plan;

AND FURTHER THAT the file be closed.

## 2.0 Purpose

To consider a staff recommendation to NOT endorse the draft Thomson Flats Area Structure Plan (ASP) for a new proposed suburban hillside development area of approximately 1,200 residential units south and east of the existing Upper Mission and Kettle Valley neighbourhoods..

### 3.0 Planning Summary

Thomson Flats was identified as one of several potential neighbourhoods in the 1994 Southwest Mission Sector Plan. As development in the sector has proceeded, each neighbourhood has undertaken a more detailed Area Structure Plan (ASP) for Council to consider their viability as conditions evolve. The Thomson Flats ASP has been prepared by the applicant to determine the development potential, impacts and supporting infrastructure required to develop the plan area.

Managing growth is a vital task with major implications for current residents and future generations. Growth can exacerbate the challenges facing our community, such as affordability, climate change, congestion, and the infrastructure deficit. It can also help address these challenges if focused in the right places. To this end, successive Councils endorsed a shift in policy direction towards a more urban future. The 2030 Official Community Plan, Imagine Kelowna, the Healthy City Strategy, Healthy Housing Strategy, and the Community Climate Action Plan are just a few of the documents that have laid out the rationale for shifting away from the expansion of suburban neighbourhoods.

Meanwhile, development in the Southwest Mission has continued based on a development concept originally developed nearly 30 years ago. During this time, transportation challenges have grown to the point where residents in this area experience some of the worst congestion in the city. Southwest Mission residents have limited options to get around besides driving, and drive further each day than any other neighbourhood in Kelowna. This area is too hilly and far from destinations – and particularly employment – to walk or bike; and the low densities and circuitous streets make transit service uncompetitive even when heavily subsidized. Thomson Flats would add an additional 10-14,000 vehicle trips per day in excess of future growth already approved for the area, contributing to congestion in the immediate area and across the southern half of the city.

Addressing congestion with the addition of Thomson Flats will require significant infrastructure investment, and while the applicant may contribute the majority of the upfront infrastructure within the neighbourhood, including the extension of South Perimeter Road from Gordon to Chute Lake, the long-term costs of maintenance and renewal will fall entirely to the City. Hillside neighbourhoods trigger higher infrastructure costs per household than neighbourhoods in the core. The property taxes they generate can only cover about half of the long-term cost to maintain and replace this infrastructure. This means they will require ongoing financial support from the wider community once constructed, adding to the infrastructure deficit and putting upward pressure on taxation.

While approving Thomson Flats will may add new housing supply over the long term, it will likely have little positive effect on housing affordability. The homes built in the Southwest Mission are beyond the reach of most Kelowna residents. Council has already designated (through the Official Community Plan and Zoning) roughly 6,000 detached homes in suburban areas across the city, meaning there will be ample supply for years to come. This is based on an estimated absorption of 300-400 single family homes per year.

The applicant has followed a thorough and professional process in preparing the Thomson Flats ASP. The proposal includes many benefits, such as the protections of natural spaces and trails, extension of South Perimeter Road from Gordon Drive to Chute Lake Road, and restoration of Rembler Creek.

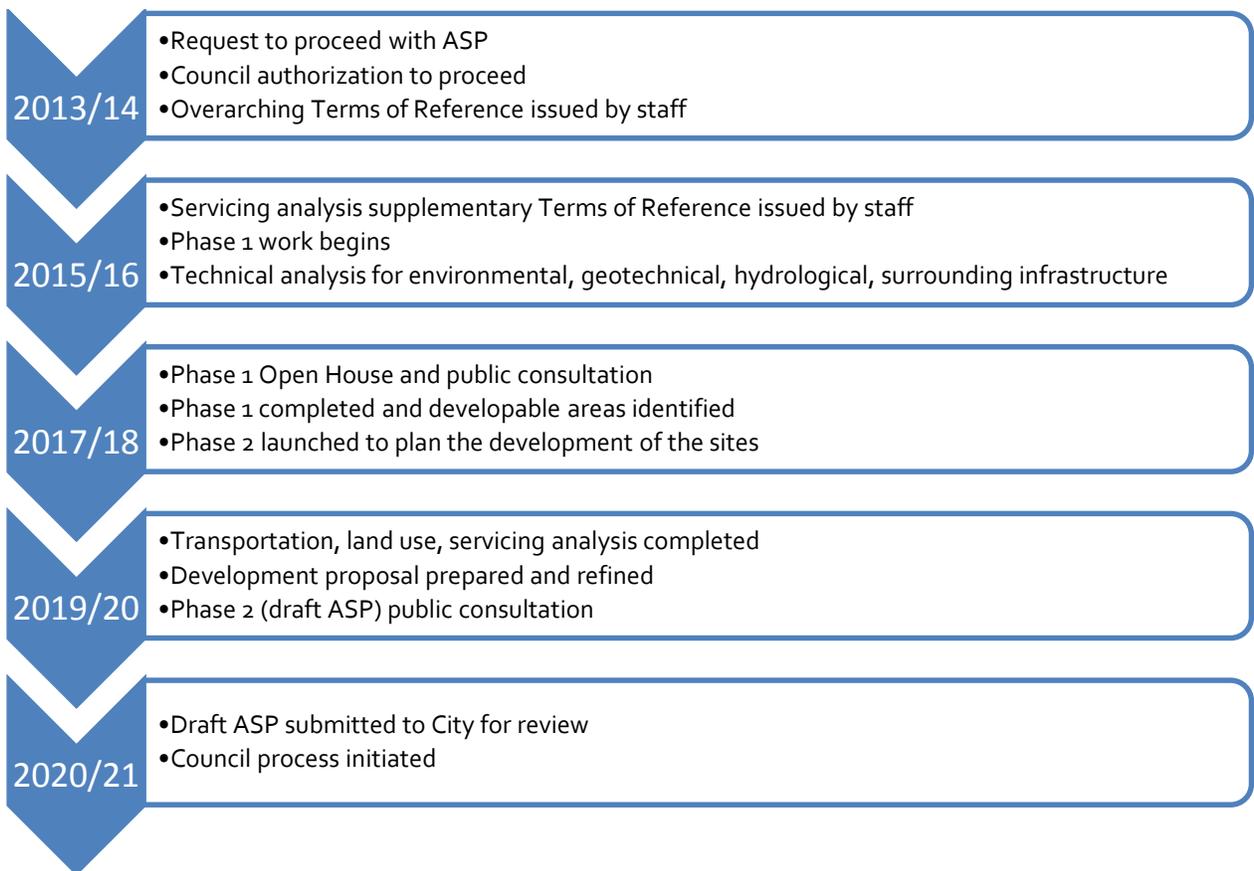
Despite the applicant's best efforts, staff have concluded through technical analysis and policy review that the proposal's costs and impacts outweigh its benefits and are recommending to not support this application. The opportunity cost of this proposal is simply too high. Adding an additional 1,200 detached homes at the fringes of the city will further entrench systemic land-use problems and make it harder to chart a sustainable course moving forward.

## 4.0 Proposal

### 4.1 Background

An ASP is a process through which a large or particularly complex piece of undeveloped land (often with multiple land owners) is reviewed to establish whether it can and should be developed in a manner consistent with City objectives. An ASP does not confer any development rights, but helps to establish a clear and common understanding of how lands may be developed and gives the City the opportunity to carefully consider the implications of the development ahead of any land use permission requests. ASPs include considerable policy and technical review. The proposals are evaluated against established City policies and objectives, and receive rigorous technical review. Technical review typically considers transportation impacts, utility and infrastructure impacts, environmental impacts, and hydrological and geotechnical impacts.

**Figure 1: Thomson Flats ASP Milestones**



The lands subject of the Thomson Flats ASP were originally identified as part of the Southwest Okanagan Mission Sector Plan exercise that was completed in 1994. The sector plan completed very high-level planning for the area, but required that each neighbourhood to complete detailed Area Structure Plans prior to seeking development approval. Kettle Valley (Neighbourhood 1) was first, followed by Southridge (Neighbourhood 2) and, most recently, The Ponds (Neighbourhood 3).

As part of the SWMSP exercise, the Thomson Flats lands were identified outside the 20 year horizon of the plan and received limited discussion and attention. A road connection was identified as was an estimated development yield, all to be ground-truthed through an ASP.

Of the 3,925 units originally anticipated in the 20-year projection of the SWMSP, 2,900 units have been issued Building Permits<sup>1</sup>. An additional approximately 1,100 units (650 single detached, 450 multi-unit) remain planned, but not developed in the sector (The Ponds and Kettle Valley). These planned units represent approximately 10-15 years of suburban development supply<sup>2</sup> in this sector alone.

The 2030 OCP gave the subject lands a designation of Future Urban Reserve. This designation includes "land that has some development potential but is not projected for development within the Official Community Plan 20-year time horizon". Therefore, the 2030 OCP and its supporting infrastructure policies did not anticipate or plan for development of the Thomson Flats area.

In 2013, the applicant requested authorization to prepare an ASP for these lands. Council and staff supported this request with the understanding that the ASP provides the opportunity to explore the area's development potential and to understand clearly its corresponding impacts.

In 2015, Council chose to advance construction of the South Perimeter Road (SPR), from Stewart to Gordon, as a tool to help address ongoing traffic congestion concerns in the area. The SPR project represents a very significant investment and the final large-scale infrastructure project that can affect significant benefit for area residents. The SPR project does not require the development of the Thomson Flats ASP lands to be viable – rather, it is intended to serve existing traffic congestion concerns.

#### 4.2 Project Description

The Thomson Flats ASP proposes to develop approximately 1,200 housing units, spread among 17 development pockets. These pockets of developable land are what remains after setting aside steep slopes, environmentally sensitive lands, or hydrologically or geotechnically unstable lands. The pockets of development are tied together via a network of local roads and trails.

The ASP proposes an arterial road running east-west through the centre of the site, connecting Chute Lake Road to the west with South Perimeter Road and Gordon Drive to the east. This road connection is intended to provide access to SPR for residents of Thomson Flats and Kettle Valley. An additional local road connection would be provided between the new development and the South Ridge neighbourhood via South Ridge Drive.

The Rembler Creek Corridor also runs east-west through the centre of the site. The creek, which today is severely compromised, would be restored in line with the recommendations of a professional biologist. The corridor will also provide storm drainage and linear trail benefits.

The area contains several land uses, including low-density single and multiple unit housing, parks and natural areas, and a school site. Of the roughly 1,200 units of residential development identified in the draft ASP, 85-90% is expected to be single detached housing, with the remaining being comprised of low-density multiple unit residential housing, such as townhomes or duplexes.

A site for a school has been identified and deemed necessary by School District 23. The site has been generally identified in the eastern portion of the lands, providing convenient access to South Perimeter Road and Gordon Drive.

Each pocket of development is planned also to contain trail connections to other development pockets, to the proposed neighbourhood parks, the Rembler Creek Linear Park, and to established trails in the Myra-Bellevue Provincial Park to the south.

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<sup>1</sup> Total of all building permits for residential units issued since 1995. Does not include secondary suites.

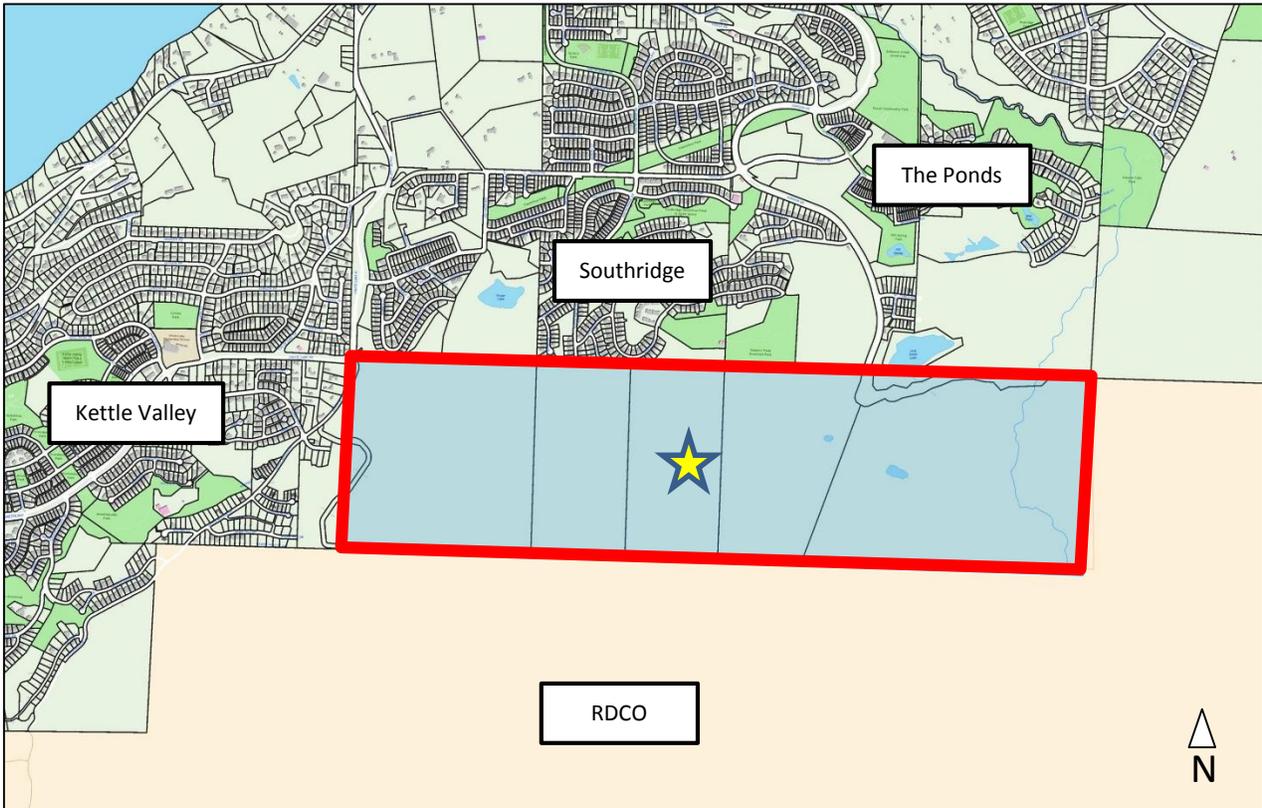
<sup>2</sup> Based on the average annual number of units issued Building Permits within the Southwest Mission Sector between 2009-2019.

There are three neighbourhood parks proposed in the Thomson Flats ASP, totalling approximately 1.8ha. The three parks are spread across the development, with one located to the west, one centrally, and one to the east. Their detailed locations would be confirmed in later development stages, and the proposal meets the City's Parkland Acquisition Guidelines.

4.3 Site Context

The Thomson Flats ASP lands consist of 5 legal parcels totaling 255.53 ha, located at the very southern boundary of the City, between Chute Lake Road to the west, and Bellevue Creek to the east.

**Subject Property Map: Thomson Flats ASP Area**



The lands are zoned A1 – Agriculture 1 today, but are not actively farmed and are not in the Agricultural Land Reserve (ALR). There is a history of some agriculture on the site, but the land has been left unused in recent decades. As such, the adjoining neighbourhoods have utilized the lands as natural recreational areas and walking and cycling trails are found throughout. Motorized vehicles also use the property, which has resulted in substantial damage to the Rembler Creek corridor.

The subject lands are surrounded in the north and west by suburban residential development approved long ago, including Kettle Valley and South Ridge. To the south is rural land within Regional District of Central Okanagan (RDCO) jurisdiction.

Specifically, adjacent land uses are as follows:

Orientation	Zoning	Land Use
North	RU1H, RM2H, RU5, RH3, P3	Low density hillside residential and park
East	n/a	Myra-Bellevue Provincial Park
South (RDCO)	Rural 1 - RU1	Rural Resource
West	RR2, RR3, RH2	Low density rural and hillside residential

In the 2030 Official Community Plan, the lands received the Future Urban Reserve (FUR) designation.

2030 OCP – Chapter 4: Future Land Use

**Future Urban Reserve:** Land that has some development potential but is not projected for development within the Official Community Plan 20-year time horizon. There is potential for the reconsideration of the status of these lands as part of a future review and updating of the Official Community Plan. These boundaries are schematic in nature, and include lands that may remain within the ALR. Lands within this designation will not be supported for any further parcelization.

The lands are within the Permanent Growth Boundary (PGB) in acknowledgement that there may be some development potential for the lands at some point beyond the 20-year OCP horizon.

4.4 Discussion

**Policy Context**

For well over a decade now, successive iterations of policy direction have been moving the community's growth gradually towards a model focused on creating compact, complete and resilient neighbourhoods. Early movement in this direction began in strategic planning from the late 1990's, and has culminated in the community's Imagine Kelowna vision.

Taken together, the direction for Kelowna's future growth is unambiguous. While suburban hillside development is recognized as having a place in this context, its expansion and continuation stands at odds with broad and clear policy direction ranging from housing and transportation to land use and climate change.

The current policy context is established on a broad foundation of policy work summarized below:

2030 Official Community Plan (Bylaw No. 10500)

The 2030 OCP is the City's current growth management plan, guiding growth and development in Kelowna until the OCP update is completed. It establishes a vision for compact, complete communities that encourage transit, bicycles and pedestrians and that are serviced by efficient infrastructure. While accepting a role for modest suburban growth, the 2030 OCP clearly prioritizes urban development and redevelopment. This focus is further supported by the OCP's climate action goals that would see significant Greenhouse Gas reductions. Considering this direction, the first three goals of the OCP are to:

1. Contain Urban Growth
2. Meet the housing needs of all residents
3. Provide a balanced transportation network

Our Kelowna as we Take Action: Kelowna's Community Climate Action Plan

The Community Climate Action Plan establishes a path forward to reduce the Greenhouse Gas (GHG) emissions in Kelowna through action in 5 priority areas. Of these, two are directly related to land use and transportation:

1. The Way We Get Around - providing options to reduce vehicle trips and accelerate transition to low carbon transportation options.
2. Planning Our Community - managing energy and emissions by focusing growth in urban areas so residents and workers are located closer to transit and services.

#### Healthy Housing Strategy

The City's housing strategy, endorsed in 2018, sets out a five year plan to take on 19 important actions that will work together to improve Kelowna's housing system over the long-term. The 19 actions are set within four key directions. Of these four, two are relevant to the land use decision at hand:

1. Improve housing affordability and reduce barriers for affordable housing – actions under this direction seek to increase the supply of affordable housing being delivered in Kelowna and to enable households to reduce their transportation and energy costs.
2. Build the right supply – this direction acknowledges that new single detached housing is growing out of reach for most Kelowna households, and focuses on diversifying the community's housing options, particularly where transportation and energy costs can also be reduced.

#### Imagine Kelowna

The Imagine Kelowna process included the City's most extensive community engagement process undertaken to date. The vision developed represents the careful and considered input of thousands of local residents and leaders from every sector across the community. Of its four pillars and 14 goals, the following are the most directly related to the Thomson Flats ASP application:

1. Grow Vibrant Urban Centres and Limit Sprawl - denser neighbourhoods make our City healthier, more sustainable and easier to get around. They make more financial sense, too.
2. Embrace Diverse Transportation Options to Shift Away from Our Car-Centric Culture - making it easy for people to choose non-driving options protects the beauty of Kelowna and makes getting around more enjoyable.
3. Build Healthy Neighbourhoods That Support A Variety of Households, Income Levels and Life Stages – everyone in our community should be able to find stable and appropriate housing.
4. Take Action and Be Resilient in the Face of Climate Change – we will seize the opportunity to face climate change head-on for a hopeful and sustainable future.

## **Transportation & Land Use**

### The Transportation – Land Use Connection

While the focus of the challenges facing the SWM neighbourhoods tends to be on transportation, these challenges are symptoms of a more foundational land use problem. Unlike many other forms of development, suburban development is inseparable from the car.

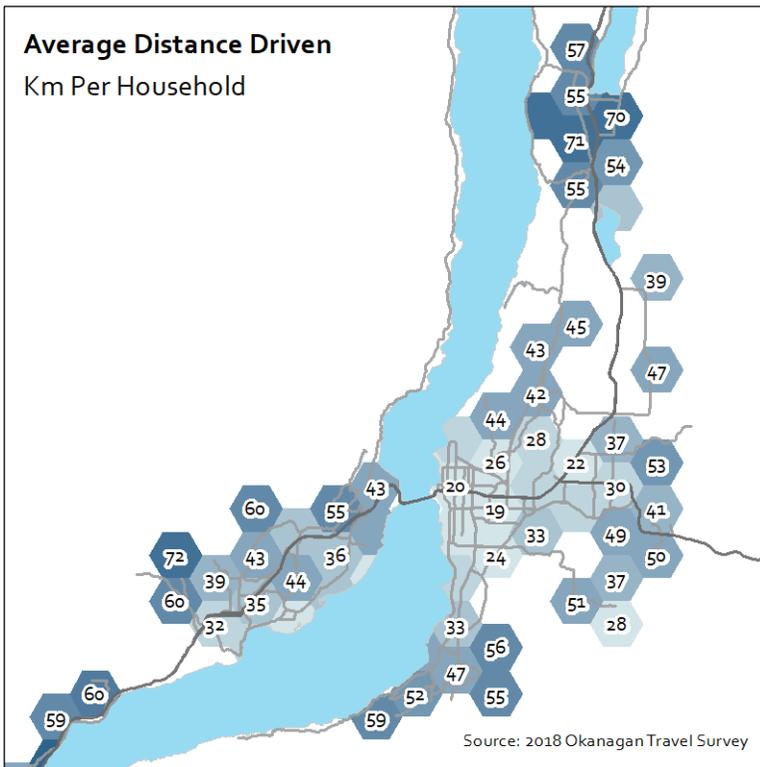
Suburban development patterns are also extremely difficult environments in which to change transportation behaviour. They are homogeneous and very low density, so transit, walking and bicycling are not viable options for most trips. Hillside environments make these already unlikely options even less palatable (See Table 1). While the central portions of cities are able to make the shift towards more sustainable transportation options as traffic congestion grows, the suburbs struggle to be flexible.

Table 1 - Thomson Flats Active Transportation Scoring Pre and Post-Development (WalkScore, 2020)

	Walkscore	Bikescore	Transitscore
Pre-development	0 – car-dependent	7 – somewhat bikeable	16 – minimal transit
Post-development*	0 – car-dependent	14 – somewhat bikeable	20 – minimal transit
Description	Almost all errands require a car	Minimal bike infrastructure	Possible to use transit

\* The adjacent Southridge neighbourhood was used as a proxy to establish a likely range of performance at buildout.

This transportation and land use problem means that the average suburban household in Kelowna drives 2 to 6 times more than the average urban household<sup>3</sup>. Due to its location at the far southern edge of the City, daily driving distances for households in the ASP are anticipated to be at the high end of this range.



<sup>3</sup> R.A. Malatest, 2018 Okanagan Travel Survey, February, 2020.

In addition, new suburban development typically yields housing that is among the most expensive in the community. Average prices for new housing in these hillside neighbourhoods exceeds \$1M<sup>4</sup>.

Village centres in suburban areas have been introduced as a measure to create more "complete communities". These centres typically offer a modest range of personal services and retail sales along with a small collection of multi-unit housing. In some cases, they are also serviced by transit. Often, however, the true impact of these centres is considerably less than advertised. At the most basic level, this is because they haven't meaningfully altered the DNA of a suburban neighbourhood. The make-up of the broader neighbourhood remains overwhelmingly auto-dependent, low-density, single dwelling housing. That low density environment is the reason that the village centres are unable to support a significant amount of commercial or office. There simply isn't the market in close proximity.

Even when successful, these village centres provide modest benefits. They do allow some vehicle trips to be shorter – say, to go to a coffee shop, or a corner store – but, they are unable to provide the range of services to alter the trips that have the greatest impacts on the transportation network, such as commuting to and from work, activities, errands and other key destinations. Even with village centres, suburban residents must travel outside of their neighbourhoods for the vast majority of their trips.

### Transportation Infrastructure Options

As discussed above, separating transportation and land use in the suburbs is difficult. It is tempting to use infrastructure to address the transportation problems resulting from suburban development. But, without addressing the underlying land use condition, these infrastructure solutions can often provide limited benefits with high costs. Nonetheless, a series of reports to Council have examined the range of infrastructure options available and the impacts of changes that have already been made to address the transportation challenges facing the Southwest Mission (SWM) sector<sup>5</sup>. Signal timing changes, the installation of roundabouts, the construction of a new school to shift travel demand, and adjusted transit servicing have all influenced, but have not addressed, traffic congestion in the SWM.

The last option being pursued actively is the construction of the South Perimeter Way (SPR). After analysis, the function of SPR as a 'relief valve' has become clear. It may be a frequently convenient route for residents of The Ponds and for the remaining SWM residents, it will be a convenient route when both Lakeshore and Gordon are heavily congested. In that way, SPR is unlikely to dramatically reduce congestion, but may help prevent congestion from getting worse until it, too, becomes congested. Once the SPR connection is made, there are few remaining options to limit congestion from land use decisions in the SWM sector.

The draft Thomson Flats ASP proposes to connect SPR to Chute Lake Road. This connection would improve the attractiveness of the SPR route for Kettle Valley residents. However, the primary beneficiaries of this connection would be residents of the Thomson Flats development. Without Thomson Flats development, staff do not see enough value in the SPR to Chute Lake Road connection proposed to warrant the considerable expenditure needed to build and maintain it over the long run. Accordingly, the connection between Chute Lake Road and SPR is not being considered for funding in the draft TMP scenario currently in process.

The TMP has been developed to support the 2040 OCP Growth Scenario, which did not include Thomson Flats. There are several transportation capital projects adjacent to the Casorso Bridge that are not included, or funded, in the draft TMP that would be required if the Thomson Flats ASP is approved. These projects

<sup>4</sup> CMHC, New Housing Construction Activity, Absorbed Single Detached Unit Prices, October, 2020.

<sup>5</sup> Southwest Mission Sector Transportation Update, May 2017.

<sup>6</sup> Lakeshore Corridor – Transportation Update, August 2020.

are identified in the current 2030 Infrastructure Plan with an estimated cost of \$12M; however, based on recent experience, staff estimate that these costs could be much higher. Should the Thomson Flats ASP be approved staff would need to revisit the TMP and allocate significant additional funding. The opportunity cost of these funds should also be considered, as the additional funding would likely yield greater citywide benefit and alignment with City goals if spent on other currently unfunded projects.

Beyond their high cost and impact to the draft TMP, there remain concerns about the ultimate viability of these projects, which would require Agricultural Land Reserve (ALR) lands, and impact First Nations Reserve lands. Moreover, since improvements on SPR, Stewart, Casorso and Benvoulin work as a system, if any one project cannot be delivered, or is delayed, it would impact the entire corridor.

**Other Infrastructure Systems**

In addition to transportation infrastructure, there are several other infrastructure systems that will be effected by the proposed ASP, including sanitary, water and storm drainage. Staff have concerns regarding the long-term sustainability and maintenance challenges associated with water and sanitary infrastructure on the south side of the draft ASP identified as "Future Low Density Urban Reserve". The remainder of the ASP area did not trigger significant concerns from a utility infrastructure perspective.

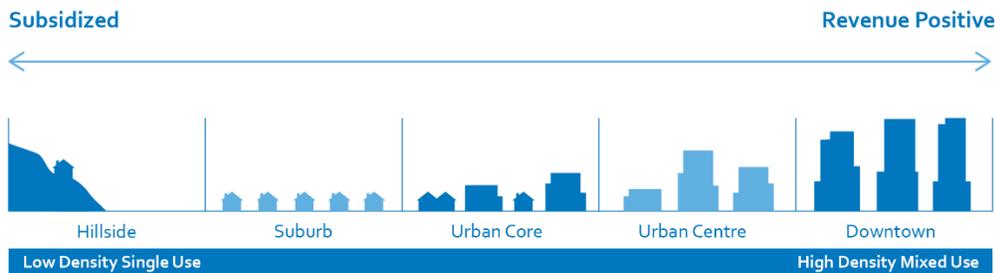
**Infrastructure Costs**

In August of 2020, Council received a staff report regarding the ModelCity Infrastructure (MCI) analysis tool that explores the long-term infrastructure costs and revenues associated with different land use patterns in Kelowna. The tool is intended to bring focus to the important connection between land use decisions and long-term asset management.

To do this, the MCI tool compares the long-term revenue associated with a neighbourhood against the long-term costs associated with operating, maintaining and replacing that neighbourhood's share of the infrastructure it relies on.

The results (see Figure 1) showed that suburban hillside development provides substantially less long-term revenue than is needed to support its infrastructure demands. Conversely, denser, mixed-use urban development performs better in the long-run.

**Figure 1: Development Revenue Scale**



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The MCI tool was used to model the performance of the proposed Thomson Flats development specifically. The results show that Thomson Flats at buildout would perform as expected from other hillside suburban neighbourhoods, covering roughly 50-55% of its total infrastructure cost burden. The MCI estimate is that

<sup>7</sup> City of Kelowna, Model City Infrastructure, 2020.

this 40-45% revenue shortfall equates to an average annualized deficit of approximately \$1.4M that will be required from other sources.

The MCI tool is only one of a range of analytical tools and approaches that should be applied in the review of major development applications. The results from the MCI tool should not alone be used to evaluate the merits of a development proposal.

Nevertheless, its results indicate that the proposed development will hinder the City's objective of addressing the infrastructure deficit, and would, in fact, contribute to making it worse. Essentially, with each new suburban hillside development, the City is increasing the size of the infrastructure deficit while eroding financial capacity to address it moving forward.

## **5.0 Summary**

Over successive years, the City has been making concrete and concerted efforts to shift its land use and transportation patterns away from hillside suburban development embodied by the Thomson Flats ASP proposal. The reasons for this shift are many and range from the cost of supporting expensive infrastructure and the transportation challenges associated with car-dependant neighbourhoods, to housing affordability, and climate impacts from transportation-related greenhouse gas emissions. Approval of the Thomson Flats ASP would commit the City to further supporting this form of development for the next 20 years or more and would set the community back in its efforts to meet the City's Imagine Kelowna vision.

Should a development proposal be brought forward for consideration in the longer-term, careful examination would be warranted for issues, including but not limited to the following:

- Long-term changes to transportation behaviour;
- Transportation network performance;
- Life-cycle infrastructure costs;
- Housing diversity and affordability; and,
- Environmental considerations, including climate change impacts.

## **6.0 External Referral Comments**

### **6.1 RDCO**

The Regional District's South Slopes OCP (2012), Section 10 – Community Facilities, Parks, Recreation and Heritage objectives and policies supports securing future linear parks and greenway connectivity with municipal, Provincial and Regional District parks. Parks and greenways identified in the South Slopes OCP for future connectivity in the vicinity of the Thomson Flats ASP include Lebanon Creek Greenway, Bellevue Creek Greenway, Myra-Bellevue Provincial Park, Okanagan Mountain Provincial Park, Johns Family Nature Conservancy Regional Park (formerly known as Cedar Mountain Regional Park). Refer to South Slopes OCP Map3: Future Parks Connectivity.

RDCO staff reiterates that the Regional District is very concerned that endorsement of the OCP amendment/ASP authorization by the City of Kelowna will lead to further pressure for development to occur in the South Slopes area (both within the City and outside City boundaries).

6.2 SD23

Based on current projections, the elementary, middle and secondary schools are over their building capacity. The Mission area has a student yield of .3 to .45 students per residential unit. As of 2019 numbers, the yield was 0.43 students per residential unit. The Thomson Flats plan shows the school site to be developed in the later stages of the ASP and it looks like 695 units (phase A-K) will be constructed prior to the school site being available. If this is the case, the number of units will generate 210 – 300 new students in the area and there will be no student space available. The School District is highlighting the potential need for a school site sooner based on the phased identified residential units. It is unclear when the school site may be available and if the site is available later in the land development process, there will be a lack of space in the current schools for students from this development.

6.3 Interior Health

See attached letter dated August 27, 2020.

7.0 **Application Chronology**

See Figure 1 in Section 4.1.

8.0 **Alternate Recommendation**

THAT Council receive for information the report from the Policy & Planning Department dated March 1, 2021 regarding the draft Thomson Flats Area Structure Plan;

AND THAT Council direct staff to work with the applicant to complete the final stage of the Transportation Analysis;

AND FINALLY THAT Council direct staff to consider and integrate the impacts of the ASP within the draft Transportation Master Plan, the draft 2040 Official Community Plan, and the draft 20-Year Servicing Plan.

**Report prepared by:** James Moore, Long Range Policy & Planning Manager

**Reviewed by:** Danielle Noble-Brandt, Policy & Planning Department Manager

**Approved for Inclusion:** Ryan Smith, Divisional Director, Planning & Development Services

**Attachments:**

Attachment A: DRAFT Thomson Flats Area Structure Plan

Attachment B: Interior Health Authority, RE: Thomson Flats Area Structure Plan, dated August 27, 2020.