

Report to Council



Date: April 11, 2022
To: Council
From: City Manager
Subject: New Zoning Bylaw – Density Discussion
Department: Development Planning Department

Recommendation:

THAT Council receives, for information, the report from the Development Planning Department, dated April 11, 2022, with respect to the City of Kelowna's proposed new Density Bonus Program;

AND THAT Council endorse the proposed new Density Bonus Program in concept, as outlined in this report from the Development Planning Department, dated April 11, 2022.

Purpose:

To provide Council information regarding the City of Kelowna's density framework and proposed density and height bonus program, and for Council to endorse the proposed density and height bonus program in concept, as outlined in the draft new Zoning Bylaw.

Background:

Previous Council Resolution

Resolution	Date
THAT Council endorse the proposed new Zoning Bylaw process, as outlined in this report from the Development Planning Department Manager, dated October 4, 2021.	October 4, 2021
THAT Council receives, for information, the report from the Development Planning Department, dated January 17, 2022, with respect to the City of Kelowna's current Density Bonus Program.	January 17, 2022

The Planning Department is completing a comprehensive review and rewrite of Zoning Bylaw No. 8000. The new Zoning Bylaw is intended to follow the adoption of the 2040 Official Community Plan (OCP), meet the current Provincial legislative requirements and respond to current development and real estate trends. The new Zoning Bylaw project has recently completed public and stakeholder

consultation and staff is in the midst of completing a final version for Council consideration in the coming weeks.

Introduction:

One of the key objectives of the new Zoning Bylaw, endorsed by Council on October 4, 2021, was to develop a new density bonus program and bring it into alignment with the 2040 OCP. As part of the consultation process, staff engaged various internal and external stakeholders in discussions and researched several other BC municipalities' programs. Based on this approach, the following key objectives for a new density bonus program were established:

1. To develop a formula-based approach to achieving the bonusing provision for clarity and predictability for citizens and developers alike.
2. To provide the increase in density through a threshold approach giving flexibility to the developer on how much extra density they need up to an upset maximum.
3. Bonusing provisions that support or are directly attributable to the increase in density to support OCP livability objectives.
4. Developments that are eligible for bonusing will be limited to the City's Core Area, where higher densities are an OCP goal.

Discussion:

The Local Government Act allows local governments in BC to exchange bonus density for amenities by including density bonus provisions in their zoning bylaws. A density bonus model is a voluntary system of exchange between a local government and a developer. A developer can choose to either:

- Develop to the permitted base density with no additional contribution required; or
- Build additional bonus density of floor space in exchange for a contribution back to the local government.

Base Density:

The density bonus provisions will be available in zones within the Urban Core such as the Urban Centre zones (UC1-UC5), the Multi-Family zones (MF2-MF3), and the Core Area Mixed-use Zone (CA1). The zones will be developed to show both "base density" permitted and a "bonus density" permitted. The OCP building heights have been used as a guiding principle to establish density provisions to ensure both regulations are well coordinated. This effort is intended to build confidence and clarity with the developers and the public by not over allocating density that could potentially trigger unnecessary height or parking variances or unrealistic development expectations.

Staff have further tested the proposed "base density" regulations to ensure they support the City's residential growth strategy. For example, Attachment A outlines how many units could be brought online in the Downtown Area using the base density afforded, without consideration of any density bonusing or variances to height, and using only properties expected to redevelop during the OCP's life. The total capacity using this approach is estimated at 6,100, much greater than the approximately 4,500 units projected in the OCP.

Staff continue to work with stakeholders to ensure that the proposed base densities have been adequately increased to reflect the vision of the 2040 OCP. It should also be noted that the OCP

includes a robust monitoring component, recognizing that growth projections will be regularly reviewed and updated. If there is a sustained trend that indicated the City is at risk of not realizing the OCP's projections for Urban Centres or that the City continues to grow faster than anticipated, there are opportunities for revisions and amendments.

Density Bonus:

Staff recommend that the re-established density bonus program in the new Zoning Bylaw be aimed at achieving two key urban planning directions as outlined in the 2040 OCP:

1. Increasing the supply of rental housing and affordable housing stock.
2. Improving the quantity and quality of public amenities through investments to sidewalks and the pedestrian realm.

1. Purpose-built Rental and Affordable Housing Policy Direction:

Housing affordability has become an increasingly pressing issue for many Kelowna residents. This situation is the result of rapid growth in the City and overall Region, coupled with a restricted land supply and rising development and construction costs. As outlined in the City's Healthy Housing Strategy (HHS), many residents face challenges in finding safe, appropriate, and affordable housing in both the ownership and rental segments of the market. The four key directions of the HHS were:

- Promote and protect rental housing
- Improve housing affordability and reduce barriers for affordable housing
- Build the right supply
- Strengthen partnerships and align investment

The 2040 OCP further acknowledges affordable housing as key to Urban Centre development as "partnerships with the non-profit sector, the development community and senior levels of government will be needed to provide stable, affordable housing in Kelowna's Urban Centres"

OCP Objective 4.12: Increase the diversity of housing types and tenures to create inclusive, affordable, and complete Urban Centres

OCP Policy 4.13.2. Displacement Effects of Gentrification. Ensure Urban Centre planning initiatives and significant redevelopment opportunities include affordable housing and access to services to ensure low to moderate income renters are protected from displacement effects of gentrification.

Purpose-built rental housing offers a secure and long-term option for households who cannot or choose not to own their homes. Renting offers a more flexible and inherently less expensive housing option compared to homeownership. Purpose-built rental housing refers to multi-family projects designed and built as long-term rental housing. One of the key goals of the 2040 OCP and the City's Healthy Housing Strategy (HHS) was to improve affordability, stability, and choice for renters in the City.

HHS Recommended Actions 3.1: Promote and Protect Rental Housing.

OCP Objective 7.7: Support the protection and construction of purpose-built rental housing.

Implementation:

Encouraging the private sector to development more purpose-built rental and contribute to affordable housing objectives can be accomplished through the density bonus tool. Staff are recommending that a density increase above “base density” be allocated to a development ranging from 0.3 – 1.0 FAR. The lower end of the spectrum would be appropriate for townhouses and small apartment buildings projects, whereas the high-end would be appropriate to mid-rise and tall tower developments. The density increase would be in exchange for one of the following commitments:

- **Rental housing developments** designated with the use of rental-only zoning. This recommendation would guarantee the rental component by utilizing the sub-zone powers authorized to local governments under the Local Government Act. With lower on-site parking requirements due to the ability to manage parking more efficiently as a pooled resource rather than more traditional dedicated parking stalls per unit, then the equivalent area may be used for further housing floor area which is counted towards the total density. Parking areas are exempt from the floor area calculation, as such staff are recommending a corresponding density bonus associated with rental housing to address this reality and overall provide an incentive to the marketplace.
- Contribution to the City’s **Housing Opportunities Reserve Fund** based on a funding formula to help achieve future partnerships in the housing sector. The reserve allows the City to provide land for affordable rental housing projects to a variety of community partners.

Note: As the City continues to build its Affordable Housing Strategy in the coming years, the density bonus tool allows future potential to achieve the integration of a set number of affordable housing units within an overall market project.

Reference to the draft new Zoning Bylaw density bonus provisions for rental and affordable housing can be found in Attachment B.

2. Sidewalk Policy Direction:

The City’s Growth Strategy focuses growth in the Core Area as the best way to address the infrastructure deficit, mitigate increasing congestion, and reduce emissions. It also presents a challenge. With more activity happening in the same space, streets will have to ‘do more’ for these areas to function well. The 2040 OCP introduces the concept of ‘street character’ and places emphasis on the need for investment and improvements into sidewalks and boulevard infrastructure. Walkability is a core urban design element that creates health, livability, and sustainability benefits. It also aids in supporting significant development densities with increased connectivity and accessibility to destinations such as schools, parks and greenspaces, commercial retail, shops and services, and proximity to transit stops.

Many streets in the Core Area have gravel shoulders instead of gutters for drainage, and no sidewalks. While these streets may have worked in the past, they will face challenges as neighbourhoods fill in. Core Area streets should be urbanized to include sidewalks and street trees so that residents have safe places to walk and cross busier streets. This need was captured in the Transportation Master Plan (TMP) and the 2040 OCP:

OCP Objective 5.15: Create major streets that are walkable, support local retail and connect neighbourhoods to Urban Centres by car, bike and transit.

OCP Objective 5.16: Create neighbourhood streets that are safe and comfortable for people to walk, bike and play on.

TMP Policy 1.8: Update Core Area streets with sidewalks, drainage, boulevards, and trees as neighbourhoods fill in. Explore implementation strategies and fair ways to share costs between developers, existing residents, and the City.

TMP Policy 1.9: Ensure major streets in the Core area include convenient and safe crossings for people walking, including near transit stops.

TMP Policy 1.10: Provide wider sidewalks with street trees along Transit Supportive Corridors in the Core Area to ensure they are attractive places to walk.

Implementation:

A density bonus program for sidewalks would rely upon a formula based on the subject property's area that establishes a payment amount to be allocated into a new "Public Amenity and Streetscape Reserve Fund". The Fund would be utilized for urbanization and streetscape amenities, including, sidewalks, curb and gutter, drainage, landscaping, street furniture, bus pullouts, improved on-street parking design and other boulevard streetscape components. The density bonus payment rate value was developed in consultation with the City's Development Engineering Department and based on the cost to develop frontages in various contexts and areas of the City. Attachment D demonstrates payment scenarios and amounts based on typical building form and lot size per zone district where proposed density bonus applies.

The funds collected could be utilized in combination with other funding sources and initiatives including the City's deferred revenue program, extending a developer's immediate frontage improvements to an intersection or other connection point, or in combination with a City capital project. The density bonus would be set as a threshold for those developers that wish to develop to a higher density than the "base density" and represent a maximum of 0.5 FAR and corresponding increase in height. The payment is not intended to represent the market value of the increase in density, but rather a payment that is required for passing a threshold. Once the developer qualifies for the density bonus, they would determine how much of the extra density they require for the specific development proposal to an upset maximum limit. The developer would still need to prove out meeting all the other zoning regulations such as parking requirements as well as acceptable form and character through a Development Permit process.

Reference to the draft new Zoning Bylaw density bonus provisions for sidewalks can be found in Attachment C.

Conclusion:

There is a clear need for more rental and affordable housing options in Kelowna. There is also a significant need for investment in the public sidewalk system in the City's Urban Core to help support the density and connect people with local amenities, shops and services, parks, schools, and transit. A density bonus program is a tool provided to municipalities by the Province that can help achieve those objectives and can represent a significant source of revenue. The increase in density is well supported by the 2040 OCP in the urban core areas and the new Zoning Bylaw creates an important opportunity

to overhaul the existing density bonus program to bring it into alignment with the OCP. This will ensure important public objectives are achieved for the community. As such, staff recommends that such a program be approved in principle, and that staff be directed to continue to develop the details and include the program in the new Zoning Bylaw.

Internal Circulation:

Policy and Planning Department
Development Services

Considerations not applicable to this report:

Legal/Statutory Authority
Legal/Statutory Procedural Requirements
Existing Policy
Financial/Budgetary Considerations
External Agency/Public Comments
Communication Comments

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cc:

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Attachments:

Attachment A: Downtown density allocation analysis

Attachment B: Draft new Zoning Bylaw density bonus provisions for rental and affordable housing

Attachment C: Draft new Zoning Bylaw density bonus provisions for sidewalks

Attachment D: Payment scenarios and amounts based on typical building form and lot size per zone district

Attachment E: Density analyses demonstrating density bonus tool on massing on a sample of recently constructed multi-family buildings.