

# Report to Council



**Date:** May 15, 2023  
**To:** Council  
**From:** City Manager  
**Subject:** Infill Options Project – Update and Next Steps  
**Department:** Policy and Planning

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**Recommendation:**

That Council receive, for information, the report from Policy and Planning dated May 15 with respect to an update on the Infill Options Project.

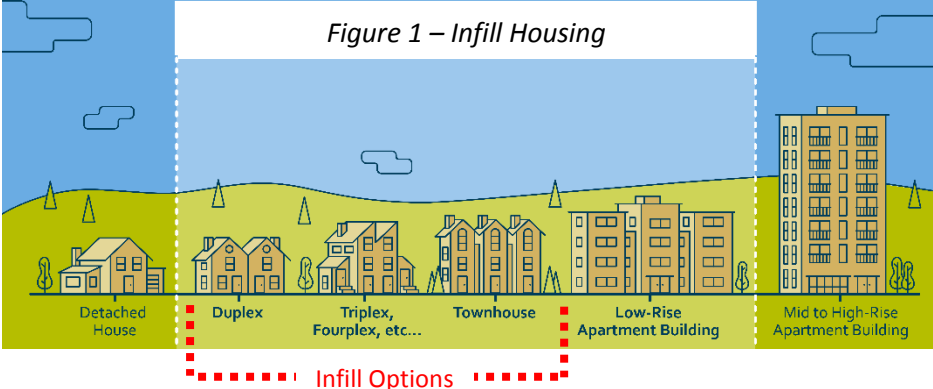
**Purpose:**

To provide an update on work done on the Infill Options project and an outline of next steps.

**Background:**

Kelowna is one of the fastest growing communities in the country with upwards of 50,000 more people expected in the next 20 years. This puts pressure on an already limited housing supply. Adding new infill housing in existing Core Area neighbourhoods is one of the solutions needed to accommodate this growth, while also supporting community and Council priorities of more attainable housing, compact growth, increased use of alternative transportation, and reduced climate impact. The challenge is that more than 90 percent of lots within Core Area neighbourhoods are not zoned to permit infill. This barrier limits housing supply, creates uncertainty, slows production, and adds cost.

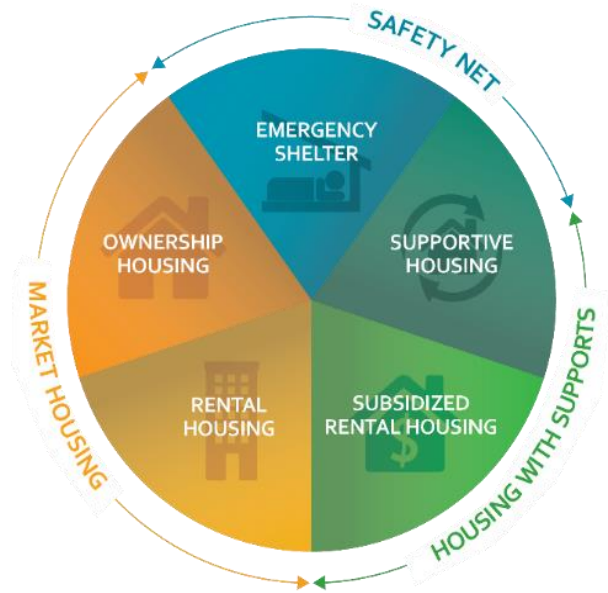
Infill housing (Figure 1) fills the gap in size and price between apartments and single-detached homes. In the context of the Infill Options project described in this report, infill refers to ‘ground-oriented’ types of housing which replace a single-detached house with several units on the same lot. Each unit has an exterior facing, ground floor front door. Apartments are not contemplated for the Infill Options project.



The Infill Options project, supported by a UBCM grant, was initiated in 2022 to respond to this zoning and supply challenge. This project explores ‘pre-zoning’ that would enable development of infill across a larger portion of Core Area neighbourhoods. The process includes engagement, developing new streamlined application processes, and revising policies and funding mechanisms to ensure development can be provided with needed infrastructure. The balance of this report provides a high-level update on work to date and identifies next steps.

Infill housing will not be able to solve all housing challenges facing the community. It is however one of numerous approaches to increasing the supply and diversity of housing. Compared to single detached, infill will provide more attainable Market Housing supply — see Figure 2. Infill housing is more likely to locate in areas which are accessible to transit, which has the added benefit of reducing overall household costs due to less dependency on vehicle ownership. The community need for non-market (affordable) housing – the wheelhouse segments of Housing with Supports – is specifically addressed by other City programs such as the Rental Housing Grant Program, the Affordable Housing Land Acquisition Strategy, ongoing partnerships with non-profit providers, and new programs to emerge from the Housing Needs Assessment/Housing Strategy.

Figure 2 – Housing Wheelhouse



In April 2023, building on the new *Housing Supply Act*, the Provincial Government released “Homes for People”; an action plan to increase production of “small-scale, multi-unit townhomes” by introducing mandatory minimum standards across the province which will allow “up to 4 units on traditional single-family detached lot with additional density permitted in areas well-served by transit.” Further details on the implementation of this initiative have not been made public. Legislation is expected in Fall 2023.

The City of Kelowna is already a leader and early adopter of infill housing delivery with hundreds of units constructed in recent years. The Infill Options project will better position the City to respond to this upcoming legislative change by updating our infill housing response. The scope of the Infill Options project will allow for a pro-active approach to infill, informed by community input and supported by modernized processes, regulations, and corresponding policy and servicing strategies.

## Discussion:

Ground-oriented infill housing has proven popular and successful in Kelowna. In 2017, the City-initiated a bulk rezoning of approximately 800 lots in the Downtown and Pandosy neighbourhoods, which resulted in the annual average number of lots redeveloping with new infill to increase from 2 to 23. This 10-fold increase in the development of this type of infill once appropriate zoning was in place demonstrates a strong ongoing demand for ground-oriented housing and demonstrate that zoning is a key barrier preventing its development (Figure 3).

The Infill Options project has undertaken technical analysis needed to support an expansion to infill zoning to build on this success. This specifically includes where infill would be likely to locate, how much should be expected, and what infrastructure would be necessary. As an outcome, it is now feasible to identify opportunities and constraints and to respond with viable Kelowna-specific solutions.

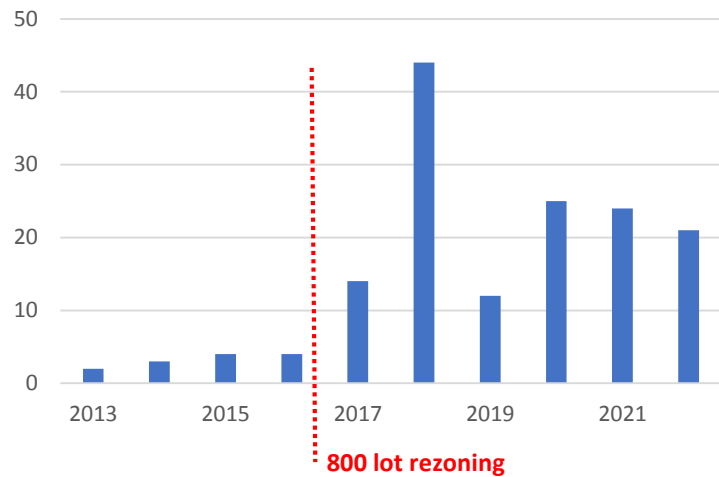
Within this analysis, there is consideration of the development economics to identify 'probable' locations to help inform development regulations. This specifically includes where infill would be likely to locate, how much should be expected, and what infrastructure would be necessary. This approach is beneficial for two reasons: i) to identify where infill could feasibly locate without the need for additional municipal expenditures or excessive developer costs, and ii) to update regulations that encourage infill while also addressing specific housing needs such as unit size.

### Infill Growth

Infill housing construction in Kelowna is expected to continue to increase in numbers but at a gradual rate. To better understand future infill patterns, growth projections and locations of past infill were analysed. Housing growth is influenced by many factors, including economic and market conditions, land available for sale, and policy decisions (such as zoning details). In this complex environment, it is not possible to accurately predict demand for infill that might be triggered by rezoning. From a current pace of about 25 projects per year, infill estimates range from approximately 50-75 projects per year (resulting in 200 – 300 housing units) with zoning in place.

Older Core Area Neighbourhoods are expected to absorb the majority of infill growth, following a pattern already established. Infill is more likely to locate on larger lots with homes that are at least 40 years old and where the land value exceeds the building value by a large amount. The most likely locations include areas surrounding where infill is already permitted in the Downtown and Pandosy neighbourhoods. Older neighbourhoods further east of Downtown and surrounding the Rutland Urban Centre would be likely new areas of growth. Analysis indicates that upwards of 40% of residential lots within these areas (over 3,000 lots) have the economic potential for redevelopment. Not all of these lots will redevelop, but this indicates that new infill housing would be dispersed in small amounts across large areas.

Figure 3 – Infill Redevelopments 2013 - 2022



Further economic analysis points to some limited opportunities to employ a density bonus tool with infill housing. This could potentially exchange extra development rights and parking relaxations for larger unit sizes and/or contributions to the Housing Opportunities Reserve Fund (HORF). Economic analysis has confirmed that there is no opportunity for below-market housing at the scale of infill development without subsidies from external sources. These regulatory specifics will be further described in a subsequent Report to Council.

### Infrastructure Solutions

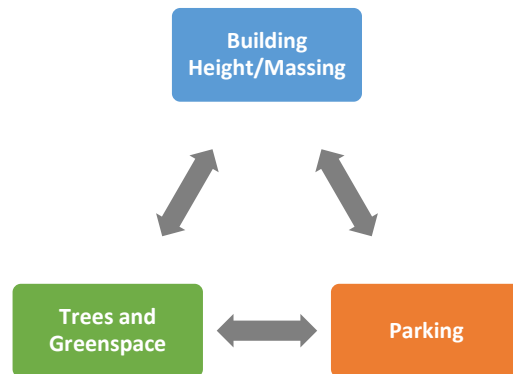
The project has investigated what broader infrastructure impacts might occur with expanded infill. It is working towards viable solutions to infrastructure obstacles in most areas that are expected to see infill. Two areas of focus have emerged: availability of adequate water infrastructure for firefighting and funding of improvements to streets (ie sidewalk, curbs, and street trees). A revised fee structure and process is being developed to address these issues. The result would not increase development costs but would restructure how existing fees are collected and allocated to necessary improvements.

The Infill Options project aims to ensure that where infill development proceeds, infrastructure needs can be met through a typical development process. It also strives to provide visible improvements in neighbourhoods, such as new sidewalks and street trees. Through this project the City will be in a stronger position to put the mechanisms in place to address potential gaps without excessive cost or increased risk which will help in responding to future changes to provincial legislation related to infill housing. Staff are identifying technical details needed to implement these new approaches and will bring forward specifics in the next phase of the project.

### Engagement and Next Steps

An information campaign on infill housing was recently launched across numerous media channels to encourage contemplation of the City's growth management strategy. The images and messages are intended to provoke thinking about the housing system and provide an opportunity to direct the public to the City's webpage where more information is available on the critical role that infill housing plays in the City's growth strategy, and the corresponding benefits infill housing can provide.

Figure 4 – Infill Housing Trade-offs



Further engagement will be structured for two purposes: i) To inform technical details with input from development stakeholders, and ii) To consult target participants and invested organizations on their preferences amongst major trade-offs related to infill (Figure 4). No single infill project can respond perfectly to each trade-off. For example, more parking requires less greenspace or more height. Input will help inform how these items are prioritized and addressed through building design and regulation. Further engagement specific to this will commence in late spring or early summer.

Over the summer months staff will prepare a package of detailed bylaw amendment proposals to bring forward to Council for consideration in early Fall. These amendments would address the specifics of the project and move it towards implementation. Corresponding policies will also be developed and brought forward as needed.

**Conclusion:**

Kelowna has been a leader in infill housing development, and the Infill Options project aims to build on this success. Recently, the province has introduced a mandate to significantly expand infill housing. The work being done in Kelowna is still a step ahead of this, putting the City in a better position to be proactive and to adapt in advance of provincial regulation. Staff are taking every opportunity to provide feedback to the province throughout these concurrent initiatives to help implementation challenges.

The Infill Options project has undertaken considerable cross-departmental work to understand barriers and solutions. It builds on previous infill housing success in Kelowna and will help to address the community's housing needs for the next 20 years and beyond. While it will not be able to solve all housing challenges, the Infill Options project directly contributes to Council's priorities of increasing attainable housing and reducing climate impact. Specifically, Infill Options will set the community up for more market housing supply at lower cost while simultaneously promoting climate-friendly urban focused growth and alternative transportation modes. Ultimately, this amounts to improved choice and attainability of housing for a greater proportion of current and future residents.

**Internal Circulation:**

Transportation Engineering  
Development Engineering  
Development Planning  
Utilities Planning  
Communications  
Partnerships Office

**Considerations applicable to this report:**

***Financial/Budgetary Considerations:***

The Infill Options Project is funded by a \$142,000 grant provided by the UBCM Local Government Development Approvals Program which was awarded in September 2021.

Submitted by:

D. Sturgeon, Planner Specialist

**Approved for inclusion:**



James Moore, Infill & Housing Policy Manager