



# Prince Rupert Interim Housing Development Strategy

The City of Prince Rupert

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iPlan Planning and Development Services LTD.

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## Introduction:

This report presents an interim housing development strategy for the City of Prince Rupert. It has been prepared based on a review of current housing market conditions, local economic growth, and the policy initiatives underway in the City. It has also been guided by the local knowledge and insights of City staff.

The value of an interim strategy is that it enables a rapid response to significant emerging housing needs. It can provide some early direction and response in an informed manner to local conditions. The City can subsequently work towards a more robust housing needs assessment and comprehensive housing strategy which can refine and focus the interim approach.

## Context:

Located within the ancient territory of the Tsimshian First Nations, the City of Prince Rupert established as a new port city in the early 1900s and incorporated as a city in 1910. Since establishment, it has experienced growth and decline cycles typical of resource dependent communities. Activity in shipping has steadily increased over the last ten years and new port growth is expected to experience a two-fold increase in capacity which could result in a doubling of the city population over the next ten years. To prepare for this growth, the City is updating its key policy documents including the Official Community Plan and Zoning Bylaw. These actions, however, may not be sufficient in enabling the City to realize the potential growth offered by the port development.

The new OCP recognizes that the quality and vitality of the City is linked symbiotically to the health of the port industry. If the new workforce required to support port growth has no place to live in Prince Rupert, the Port Authority will have significant challenges in securing the human resources required for its operations. In other words, building and maintaining a city that is attractive, vibrant and has the services required and desired by its residents is a fundamental part of the Port's success. Housing is an essential element in attracting and sustaining a new workforce and their families.

## The Local Need:

The Vision 2030 Strategy identifies the need for focused and effective action on housing. In particular, it recommends establishing a housing agency in the form of a municipal corporation for the purpose of kick-starting the housing market. It is seen as having the capacity to apply for BC Housing support, collaborate and partner on specific housing developments, buy, renovate, and sell current dilapidated stock, and to fill gaps in housing not picked up by the private sector.

Vision 2030 states that having a suitable place to live is a fundamental element of community wellbeing. "People will not make their homes or build their future in a place if they do not see a living situation that meets their needs and those of their families. This requires enough housing



of the right type at the right place within the right neighbourhood setting” (Vision 2030, Page 41). Vision 2030 goes on to observe that housing is not freely available and affordable through the general market as there is not a local development industry capable of delivering supply to meet demand and that new homes are desperately needed for the incoming population (Vision 2030, Page 42).

Single detached housing prices have been rising over the past 5 years and increased significantly in the last year by 13.6 %. The average selling price in 2016 was \$264,745.00; however, in 2020 the average selling price was \$340,645.00. Rental vacancy rates for 2020 are reported by CMHC to be 3.7%; however, this is a Class C estimate (Class A is the most and D the least reliable). Two reports directly from property management companies representing 237 rental units peg their vacancy rates at less than 1% and any vacancies are very short term. These data point to a housing market that is experiencing supply issues.

One of the factors that has discouraged a local development industry is the variable and uncertain costs associated with developing roads, infrastructure and building sites in a geography that is host to considerable muskeg. It is very difficult to determine the costs of excavating muskeg and replacing it with engineered, stable fill for roads and building sites. This has historically resulted in a number of financially challenged developments and created a disincentive for new development. This remains one of the largest challenges for increasing housing supply in Prince Rupert.



The housing rental market in Prince Rupert has increased in price and decreased in available rental units in the past 5 years. The table below shows the annual statistics of the rental market since 2015. This indicates a rising trend in housing prices alongside a decline in rental stock.

**Sample Data:**

CMHC DATA	2015	2016	2017	2018	2019	2020	Overall Trend
<i>Vacancy Rates By Bedroom Type:</i>							
Bachelor	N/A	N/A	N/A	0%	0%	0%	N/A
1 BDRM	5.2%	3.7%	3.6%	2.1%	4.7%	3.6%	<b>-1.6%</b>
2 BDRM	3%	4.3%	3.8%	5.7%	3.4%	4.9%	<b>+1.9%</b>
3+ BDRM	1.1%	3.2%	3.4%	3%	2.5%	2.3%	<b>+1.2%</b>

Total Average	3.5%	4.8%	3.9%	3.6%	3.4%	3.7%	N/A
Average Prices By Bedroom Type:							
Bachelor	\$514	\$543	\$622	\$636	\$643	\$631	+\$127
1 BDRM	\$660	\$673	\$809	\$843	\$870	\$903	+\$243
2 BDRM	\$801	\$800	\$919	\$876	\$886	\$1,135	+\$334
3+ BDRM	\$802	\$917	\$887	\$894	\$936	\$1,153	+\$351
Total Average	\$734	\$766	\$866	\$850	\$872	\$1,029	+\$295
Number of Private Units in the Rental Universe By Bedroom Type:							
Bachelor	68	85	67	59	54	54	-14
1 BDRM	278	299	287	286	280	282	+4
2 BDRM	397	397	399	400	392	396	-1
3+ BDRM	170	172	185	183	171	144	-26
Total	913	953	938	928	897	876	-37

**Source: CMHC**

The data shows that rental prices have significantly increased by 40% (\$295) since 2015. From 2019 – 2020 alone, the rental prices have increased by 18%. The data on rental supply and rates combines with housing sales data indicate an increasing demand/supply imbalance which may continue to drive up purchase and rental rates unless sufficient new supply is provided in the Prince Rupert market.

## Opportunities:

Land for new housing development and redevelopment in Prince Rupert is characterized by a few, largely City owned, green field areas outside of the downtown city centre and by many smaller vacant parcels within the city centre as well as many older buildings that are in need of renovation. In 2017 it was estimated that there was about 200,000 square feet of vacant space in existing downtown buildings representing opportunity for redevelopment.

While there are significant opportunities for residential development both in and out of the city centre, there is a lack of local development industry capacity in undertaking housing development.

## Housing Policy:

Developing an effective approach to addressing the provision of housing requires an understanding of the different housing needs in a community. The housing continuum shown below is one way to conceptualize housing needs. They range from housing for the homeless through to market based home ownership. This spectrum illustrates that communities can have different needs ranging from the most vulnerable on the left of the scale to those who are relatively financially secure on the right of the scale.



Source: CMHC

In contrast to the housing continuum concept, another conceptualization, the Housing Wheelhouse, illustrates housing needs in a less hierarchical manner.



Source: City of Kelowna

The Wheelhouse was developed by the City of Kelowna to provide another way of thinking about housing to suggest how that City could better meet the housing needs of all its residents. The Wheelhouse suggests that not one level of housing is greater or more important than another

and that all types, forms, and tenures of housing are vital components to creating and maintaining a healthy, sustainable, and adaptable housing system. In the City of Prince Rupert, this view of housing resonates with the Vision 2030 assertion that housing is needed to attract and retain new workers and to support service workers resulting from port industry expansion.

The cost of single detached housing increased by 13.6% in 2020 suggesting that there is now a supply/demand imbalance. Without additional supply to meet the expected demand, the City may see future housing prices continue to rapidly rise resulting in increasing unaffordable housing, more transient workers, and a significant deterrent to the potential growth of the port industry. This lack of housing has broad negative economic and social impacts for the community.

In addition to housing challenges for market housing and rental housing, Prince Rupert is also challenged by housing needs from the more vulnerable populations that require safety net and supportive housing options. Recent changes in ownership of long term more affordable rental housing has resulted in “renovictions” of residents who have been challenged in finding replacement housing. There are some positive initiatives currently underway to provide supportive housing in cooperation with BC Housing. A long term strategy to address all housing needs, however, is necessary to ensure the health and prosperity of the entire community.

## The Role for Local Government:

The preceding discussion identifies the need for a comprehensive housing strategy. This report does not respond fully to the housing challenge in Prince Rupert but it does present some important short term actions and a specific proposal that could be scaled in the future to assist in responding to local housing needs. This proposal recommends an active and direct role for the City of Prince Rupert in providing housing options.

Why should the City undertake a direct role in housing? While this question may inspire some healthy debate in the City, there is support and a precedence for such a role. The province of British Columbia states that it is a joint responsibility across all levels of government to ensure enough affordable housing in BC communities (province of British Columbia <https://www2.gov.bc.ca/gov/content/housing-tenancy/affordable-and-social-housing>). Accordingly, BC Housing works in partnership with the private and non-profit sectors, provincial agencies and other levels of government and community groups to develop a range of housing options.

There are many examples of local governments engaging in the provision of affordable housing. Some examples include:

- a. Whistler
- b. Langford
- c. Vancouver
- d. Capital Regional District

The Whistler Housing Authority partners with its community to provide and sustain a range of housing options both rental and home ownership for those who live and work in Whistler. It



has created an inventory of price controlled units that are only available to resident employees. This has been an effective means of reducing the impact of market forces. The Whistler model has helped to ensure a stable resident workforce which is needed for a vibrant and diversified community.

The City of Langford developed a unique approach to providing affordable home ownership for many of its less financially secure residents. This involved a partnership with the local development industry and involved the City targeting some of the amenity lands given during rezoning for affordable homes. The developer would build a modest sized home on a lot within their development and essentially sell it at the cost of construction while this program was in effect. Purchasers were subject to a housing agreement registered on title that restricted the terms of any resale of the home for 25 years to a modest profit (limited to \$2,000 per year).

The Vancouver Affordable Housing Agency (VAHA) works with partners to create below-market housing options on city owned land for individuals and families earning low to moderate incomes. Its goal is to deliver 2,500 housing units by 2021 for those residents most in need and have not being served by the private market.

The Capital Region Housing Corporation (CRHC) is a corporation wholly-owned by the Capital Regional District (CRD). Their mandate is to develop and manage affordable housing to meet the needs of people living within the capital region. As the largest social housing provider in the CRD, the CRHC provides low-moderate income families with safe, suitable homes that remain affordable for the residents.



While these four examples have different operating models, there are some notable lessons:

- 1) They demonstrate that local governments can effectively engage in providing local housing.



- 2) Local housing programs can be tailored to respond to local needs including both rental and ownership opportunities.
- 3) Each of the examples recognize the need and value of local housing in creating a healthy and sustainable local economy and community.
- 4) Using municipally owned land for housing is a proven practice.
- 5) Using subsidiary municipal corporations is a proven practice.
- 6) Local governments have undertaken the development of housing.
- 7) Local housing programs have been used to reduce the inflationary impact of market forces.

## Tools and Strategies:

In developing an interim housing strategy, reviewing the range of housing tools and strategies is helpful for determining appropriate short terms actions. These are grouped into planning strategies, zoning tools, development standards, approval processes, and other tools.

### Planning Strategies:

#### *Mixed Land Use Neighbourhoods:*

Housing affordability is assisted by planning neighbourhoods with a mixture of homes, density, retail, employment and recreational opportunities. Mixed-use neighbourhoods promote housing diversity and more compact forms of development like, for example, apartments above shops or dense residential buildings surrounding a shopping area. Mixed use areas reduce household expenditures because fewer vehicle trips are required for the residents as they can walk to local services. In the City of Prince Rupert, mixed use neighbourhoods are an important part of the vision for the city centre as outlined in the new Official Community Plan.

#### *Infill Development:*

Encourage growth and intensification in existing neighbourhoods. Developing where servicing exists makes housing more affordable because the need for new infrastructure is minimized. This reduces the cost of producing housing. Infill development is a central goal in the new OCP and is intended to provide approximately 50% of housing over the next ten years.

#### *Increase Transportation Choices:*

Similar to the mixed use neighbourhood strategy, decreasing the reliance on cars by providing housing in walkable or cyclable distances to work and services, or by developing along effective transit routes that results in a decrease in household costs, leaving more income for housing and other expenses. One of the goals stated in the new OCP is the development of a comprehensive Transportation Plan that incorporates active transportation as a key element.

### Zoning Tools:

#### *Inclusionary Zoning:*

This type of zoning can require or permit the provision of affordable housing in new developments. This is achieved by providing a density bonus to the developer in exchange for housing at below market values. The density bonus enables the developer to off-set the cost of

the profit that is not made on the affordable units. At this point in time, the state of the development industry in Prince Rupert would likely not support density bonussing; however, as the community becomes an attractive place for developers to invest and build, this approach should be considered.

*Secondary Suites:*

Allowing or requiring secondary suites, a form of inclusionary zoning, is one of the most effective tools for providing affordable housing. These are completely financed by the private market; secondary suites are a low impact way to integrate affordable housing into neighbourhoods and can help home owners with their household income. This tool is currently being included in the City’s updated Zoning Bylaw.

*Parking Requirements:*

Providing parking spaces adds significant costs to housing projects. In areas that are well served with other land uses and with transit, it may be feasible to lower parking standards. This tool can be implemented in the Zoning Bylaw or in Development Permits and Development Variance Permits. The City of Prince Rupert has recently completed a review of its parking standards with a view to minimize parking costs while still providing sufficient parking. However, it is recognized that the City would benefit from a comprehensive parking strategy for its downtown. This strategy could look for ways to increase on-street parking, equitably address redevelopment of the City where off-street parking is not practical given historic development patterns, and finance public parking where providing private parking has proven to be a significant deterrent to redevelopment.

*Efficient Approval Processes:*

By developing efficient approval processes and prioritizing affordable housing projects, faster approvals can assist in lowering development carrying costs. As mentioned earlier, this reduces any cost-push inflation for housing prices. The City of Prince Rupert’s Council has recognized the role of efficient approval processes and has committed to achieving this; for example, it has recently adopted its new Development Procedures Bylaw to stream line the process. This will include the delegation of Development Permit approvals to staff.

*Other Tools:*

*Housing Agreements:*

A developer can register a housing agreement on title to control resale conditions. This tool is enabled by the Local Government Act and can be required as a condition of zoning approval.

*Establishing a Housing Fund:*

This fund can be used to fund or partner in funding affordable housing projects. Municipalities can build these funds from their own land resources, revenues, special tax levies, or from density bonussing or development contributions. Given the significant land holdings the City has in the greenfield development sites designated in the new OCP, this resource could enable the City to fund a municipal housing agency or corporation.

### *Special Property Tax Levies:*

Some communities have established special property tax levies to finance affordable housing projects. For example, participating municipalities in the Capital Regional District collect an annual tax for affordable housing initiatives. Given the many other financial demands faced by Prince Rupert, especially for infrastructure renewal, this may not be a useful tool except for downtown parking projects.

### *Revitalization Tax Exemption Bylaws:*

Section 225 of the Community Charter allows the City to establish a bylaw to exempt the municipal portion of property taxes, and in some cases the provincial portion of taxes. This can be an effective incentive for non-profit groups wishing to develop and operate a housing project. This tool has just been enacted by the City of Prince Rupert to incentivize residential and commercial development in the city centre.

### *Land Banking:*

Municipalities can hold land for a future contribution to an affordable housing project. The City of Prince Rupert currently has a large land bank.

### *Establishing a Housing Commission, Agency, or Corporation:*

Under Section 143 of the Community Charter, municipalities can establish commissions which can operate a variety of services including the provision of housing. This tool can be used in tandem with the Special Tax Levy Tool. The *Community Charter*, Section 185, provides the authority for incorporation of municipally owned corporations which, among other purposes, can be used for developing housing.

### *Build Housing:*

Municipalities can undertake the development of housing as a direct municipal service through its natural person powers or through a municipally owned corporation. An enterprise or service can be set up inside a municipal corporation. A municipality can establish a new department or operating unit with dedicated staff, or it can simply incorporate the function within its existing organizational structure. [https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/governance-powers/local\\_government\\_corporations\\_guide.pdf](https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/governance-powers/local_government_corporations_guide.pdf) (Launching and Maintaining a Municipal Corporation: A Guide for Local Officials 2006).

### *Partnerships:*

Establishing partnerships is a way to bring more resources to the task of providing housing. There are government agencies such as BC Housing and non-profit organizations that can be partners in this endeavor. Further, the opportunity to work with the development industry in providing affordable housing can produce a range of affordable housing options. The City of Prince Rupert is currently considering the provision of land for a First Nations affordable housing project in partnership with BC Housing.

### *Lobby Other Governments to Provide Affordable Housing:*

Municipalities can raise the profile of the local housing affordability issue with senior governments in an effort to secure funding for local projects. The City can do this independently

or in collaboration with other housing advocacy groups.

*Establish Regulations to Control Renovation Evictions:*

Prince Rupert, like other municipalities, has experienced evictions as a result of building renovations (sometimes called “renovictions”). One tool that has been used for addressing renovictions is a business regulation and licensing bylaw. An example of this approach is the City of New Westminster’s Bylaw #6926 in which restrictions on evictions are established.

*Housing Needs Assessments:*

In 2018, the British Columbia Provincial Government changed Bill 18 which requires local governments to undertake a housing needs assessment by April 2022 and reoccur every five years thereafter. Part 14, Division 22 of the Local Government Act provides the framework for local governments to carry out these housing needs reports.

**Recommendations:**

The overview of potential tools that can be used to encourage affordable housing demonstrates that achieving and maintaining affordable housing in a community can be influenced by several variables. Another way to look at this is that an effective housing strategy needs to be comprehensive and address all of the variables affecting affordability. In this regard, the City of Prince Rupert is making some progress:

- 1) The draft new OCP currently under Council consideration is targeting about half of its growth for mixed use neighbourhoods in the city centre.
- 2) The draft OCP embraces sensitive infill in existing residential areas.
- 3) The draft OCP identifies the preparation of a comprehensive transportation plan that addresses active transportation as a top priority.
- 4) The draft Zoning Bylaw currently under consideration proposes to allow secondary suites in the R1 and R2 zones.
- 5) The draft Zoning Bylaw proposes to update parking standards that are meant to provide sufficient parking but not excessive parking requirements.
- 6) Council has updated the Development Procedures Bylaw to make development approvals more timely. This includes the delegation of Development Permit approvals to staff.
- 7) Council adopted a Revitalization Tax Exemption Bylaw in January of 2021 which will incentivize multifamily development in the City Centre.
- 8) The City currently has a significant bank of land in greenfield areas which are proposed for development in the new OCP.

***Recommendation #1***

***The Mayor and Council should adopt the OCP and Zoning Bylaws.***

There are a few tools that have not yet been pursued and these are recommended as follows:

***Recommendation #2***

***Council should consider using special tax levies or establish local improvement areas for areas in the downtown that may not be able to provide off-street parking. This may assist in the development and redevelopment of housing in the downtown.***



### ***Recommendation #3***

*Council should consider the use of density bonussing agreements to provide affordable housing when the local market conditions are strong enough to enable it.*

### ***Recommendation #4***

*Council should undertake the development of housing using its land bank and funds that are produced from that development. This can involve setting prices to more affordable levels and deter price inflation.*

### ***Recommendation #5***

*Council should consider establishing a city function and subsidiary housing corporation to manage the development of housing at least until such time as there is a strong and sustainable local housing development market.*

### ***Recommendation #6***

*Council should consider the use of housing agreements for City produced housing to limit the resale of City produced housing in a way that stops speculation.*

### ***Recommendation #7***

*Council should continue to pursue partnerships with industry and senior governments for the funding and development of the full range of housing required for the City.*

### ***Recommendation #8***

*By April 2022, Council should undertake the preparation of a comprehensive housing needs assessment to be used in refining this housing strategy.*

In considering the recommendations above and the recommendations of Vision 2030, a specific model for Prince Rupert to undertake a housing development function has been prepared and is described in Appendix A.

### ***Recommendation #9***

*The City should consider establishing a bylaw to restrict renovation evictions.*

### ***Recommendation #10***

*Council should consider the recommended housing development model as outlined in Appendix A.*

## Appendix A

### The Housing Development Model

The current and increasing demand for new housing as an outcome of the Port of Prince Rupert expansion has created an urgency for immediate housing action. To address this urgency and need, a model for the City to undertake the development of housing is proposed. This model would fill a significant gap in the local housing market that industry has not been able to fill. It is based on precedence found in other communities and minimizes the need for municipal funding by using the land bank in partnership with the private sector.

There are three cost centres in housing development: land, land development/civil, and housing construction.

Most of the available land in green field sites in Prince Rupert is owned by the City. This is a resource that the City can bring to increase housing stock.

With the prevalence of muskeg and the uncertainty of building roads and housing sites because of unknown depths of this material, this is a significant risk for development. The City can take this risk and fund it with the value of its land.

New housing construction is largely dependent on companies that operate outside of Prince Rupert. To have new construction, the City may create development opportunity that attracts the local development industry to the City. An approach that addresses both the challenge and risk of the first two cost centres may be an effective option.

Purpose of the proposed model is to:

- a. Initially assist in providing housing targeted at port workers, professionals, and trades. There is not sufficient housing meeting the needs of this demand.
- b. Discourage housing inflation by selling below market and restricting speculative gains.
- c. Assist in community revitalization.
- d. Respond to the lack of a vital and sufficient local development industry.
- e. Develop funds and capacity to undertake a full range of housing development for the in the future.

Housing Development Model Elements:

1. Produce new housing for sale at about \$30,000 less than market value as a way of assisting in the affordability of housing and to deter broader market inflation.
2. Restrict resale of City produced housing for 10 years to ensure there are no speculative gains. If housing is resold in the ten year period, \$30,000 is paid to the City. A housing agreement could be used to achieve this goal or a forgivable second mortgage in the amount of \$30,000.00.

3. Partner with local industry in developing housing: for example, a partner could finance Civil works and house construction with the City contributing its land in the development.
4. Target an all-in cost to the City (e.g., \$144 per square foot for construction plus actual cost of civil works and site preparation).
5. City would retain ownership of the land until completed housing is sold to new homeowners.
6. City would hire a housing development manager to oversee contracts, act as the City's representative, and to coordinate subdivision of City land.
7. Quality of construction to be in accordance with approved concept plans and established criteria.
8. Start with a pilot project of eight lots with houses to be developed each year for next three years. Proceeds from this and future housing projects would be retained in the housing corporation to fund a broader range of housing types in the future.
9. Housing Development Manager's costs and fees would be recovered from proceeds of housing sales.
10. The Housing Development Manager would be responsible for:
  - a. managing the subdivision process
  - b. managing the contract proposal and award process
  - c. working with the City's legal advisors
  - d. Acting as the City's representative for contracts including civil works and building site preparation.
  - e. Acting as the City's representative for housing construction management.
11. Where possible, much of this work could be done remotely but regular attendance on site will be necessary.
12. The current value of a single family lot is \$110,000. The City may target a value of \$80,000 per lot .
13. Next steps may include:
  - a. Hire a Housing Development Manager
  - b. Develop proposal documents
  - c. Develop contract documents
  - d. Establish plans and quality standards for pilot development.