

Attachment 3 – Proposed As-of-Right Zoning Background Analysis

1. Purpose

The purpose of this attachment is to provide Council with background analysis that informed the proposed framework for As-of-Right Zoning for Non-Market Housing in Urban Centres. It outlines the technical research and analysis, municipal best practice review, and highlights the key challenges and opportunities identified.

2. Scope of Work

This initiative responds directly to conditions of the Housing Accelerator Fund agreement with Canada Mortgage and Housing Corporation (CMHC). Under the agreement, the City must demonstrate actions that:

- a) *Incentivize market and non-market rentals through rental use zoning policy for developments with purpose-built rental buildings within urban centre zones;*

Current Context:

Section 3.29 – Density Bonus of Zoning Bylaw No. 0320 establishes incentives for purpose-built rental and diverse housing forms within Urban Centre zones. These provisions are designed to encourage developers to deliver secured rental, affordable, seniors-oriented, and accessible housing by granting additional density in exchange for long-term commitments to these housing types.

Table 1. Density Bonus for Rental, Diverse, and Affordable Housing

Type of Housing Provided	Conditions	Bonus Density
Rental Housing (secured for a minimum of 20 years)	Where 100% of the residential units are established as rental-only units.	For wood frame up to 6 storeys: +0.3 FAR per building; For concrete 6+ storeys: additional FAR up to the maximum building height
Rent-Controlled Housing (secured for a minimum of 20 years)	Where a residential unit is secured as rental-only for a minimum of 20 years at a rental rate no greater than 30% of median renter income.	Additional FAR per building, calculated as m ² equal to 115% of the sum total of the size of each non-market rental unit
Diverse Housing – Seniors (secured for a minimum of 20 years)	Where at least 50% of the residential units are established as seniors-only rental units.	+0.3 FAR per building
Diverse Housing – Accessible (secured for a minimum of 20 years)	For any new multiple residential or mixed-use building where a residential unit is constructed as an accessible unit designed to BC Building Code standards.	+28 m ² per accessible unit

b) Increase as-of-right density permissions for affordable housing;

Current Context:

Section 3.29 – Density Bonus of Zoning Bylaw No. 0320 provides additional flexibility by exempting Floor Area Ratio (FAR) from density calculations for affordable housing initiatives delivered by BC Housing, non-profits, or other provincially or federally funded housing providers in the WUC1, WUC2, WUC3, and BUC1 zones. This effectively establishes a “height-based density” approach, where building form is regulated by height and parcel coverage rather than a fixed FAR cap.

For example, in the Westbank Urban Centre – Residential Shoulder Zone (WUC3):

- The standard zoning allows a maximum FAR of 2.3 for 100% residential projects, with density bonusing up to 4.1 FAR.
- However, for qualifying affordable housing projects under Section 3.29, the FAR limit does not apply.
- Instead, the development is regulated by maximum parcel coverage (75%) and maximum building height (12 storeys).
- This means that as long as the project complies with height and site coverage regulations, it can achieve greater density than would otherwise be possible, removing a key barrier to feasibility.

Limitations:

- The exemption currently applies only to land rezoned to an Urban Centre zone, and not to all lands designated as Urban Centre in the OCP. This reduces the number of eligible sites where non-market housing is incented.
- Eligibility is restricted to housing led by BC Housing, other government agencies, or registered non-profits, which excludes some broader categories of non-market housing providers and partnerships.

c) Consider rental-only zoning and implement inclusionary zoning to require a minimum number of affordable units in new developments near transit.

Current Context:

The City of West Kelowna does not currently have rental-only zoning or inclusionary zoning provisions in its Zoning Bylaw. Rental projects are supported through density bonusing and housing agreements, but there are no regulatory tools that require units to be secured as rental or mandate the inclusion of affordable units within new market developments. Affordable housing contributions remain voluntary and are typically negotiated through the rezoning process.

Legislation Context:

- **Residential Rental Tenure Zoning (RRTZ):** In 2018, the Province amended the *Local Government Act* and *Vancouver Charter* to allow municipalities to require new or existing housing in certain zones to be secured as rental. This tool provides authority to:
 - Require all or a portion of units in new projects to be developed and maintained as rental;
 - Preserve existing rental stock; and

- Apply tenure requirements flexibly within a zone.
- **Inclusionary Zoning:** As of April 2024, municipalities may adopt inclusionary zoning bylaws requiring a portion of new market housing to deliver affordable or special-needs units. Options may also include cash-in-lieu or off-site units, subject to Council approval. To mitigate the risk of deterring new supply, the Province requires detailed stakeholder consultation, financial feasibility analysis, and clear evidence that bylaws will not compromise development viability.

Completion Deadline: All actions outlined above must be completed by December 19, 2025.

3. Work Completed to Date:

Since Council endorsed the initiative work plan in August 2025 (as part of the broader HAF update), staff have advanced several streams of work, including:

- Conducted policy and financial feasibility analyses to test the viability of potential tools.
- Reviewed non-market housing best practices from peer BC municipalities (e.g. Victoria, Saanich, New Westminster, Squamish, etc.).
- Completed financial testing of 6- and 19-storey project scenarios under potential inclusionary zoning requirements.
- Convened workshops with the Urban Development Institute (UDI) and local non-profit housing providers.

Drawing from this research and engagement, staff have refined the focus of Initiative 1 to prioritize As-of-Right Zoning for Non-Market Housing in Urban Centres. A draft framework is detailed in the following sections.

4. Stakeholder Engagement

Staff conducted targeted engagement with the development and non-profit housing sectors to test findings and ground-truth potential policy directions. A Workshop with the Urban Development Institute (September 5, 2025) and meetings with non-profit housing providers (September, 2025) directly informed the proposed zoning framework. The summary of engagement feedback is provided in *Attachment 2 – Engagement Feedback Summary*.

5. Key Insights:

Residential Rental Tenure Zoning (Rental-Only Zone) is not necessary for West Kelowna

The Residential Rental Tenure Zoning tool is used differently across communities in BC; it varies by policy design, application, and accompanying incentives or requirements. Other municipalities have embedded rental-only zones into their zoning bylaws, which requires each new rental project undergo a rezoning process into a “-r” subzone (rental-only zone). This approach however creates additional approval layers, which can slow down delivery of much-needed purpose-built rental housing, and increase costs.

Rezoning is not necessary to secure rental tenure. In line with other City housing policies, tenure and affordability can be secured through the registration of a Housing Agreement on title. Housing agreements are widely regarded by development industry and non-profit housing providers as a more effective and adaptable tool. **Given these strengths, West Kelowna does not need to implement rental-only zones at this time.**

Inclusionary Zoning is Not Feasible to Be Implemented in West Kelowna Under Current Market Conditions

Staff conducted pro forma testing of inclusionary zoning scenarios for both six-storey wood-frame and 19-storey concrete projects within Urban Centres, following provincial guidance and national best practices. The analysis clearly demonstrated that under current market conditions, requiring a fixed percentage of below-market or affordable units would render these projects financially unviable.

These results are consistent with findings from Metro Vancouver¹² and CMHC³⁴, which show that without significant offsets—such as free or deeply discounted land, substantial density bonuses, reduced parking costs or major fee waivers—mandatory inclusionary zoning policies can suppress both market-rate and non-market housing supply. Inclusionary zoning policies only succeed in strong, high-value markets where land economics can absorb the cost of affordability requirements, and where they are paired with substantial incentives.

Given West Kelowna’s current development economics, the City is not in a position to adopt inclusionary zoning without risking further constraints on housing supply. Accordingly, staff recommend that inclusionary zoning not be pursued at this time. Should market conditions improve, the City could revisit this tool with updated financial testing to evaluate its viability in the local context.

Non-Market Housing Is in Dire Need in West Kelowna – A Bundle of Incentives Is Required

West Kelowna’s housing affordability crisis is severe and worsening. The 2024 Interim Housing Needs Report projects demand over 3,100 units in the next five years and more than 10,200 units in the next 20 years. Hundreds of these units are specifically required for households in extreme core housing need and those at risk of homelessness.

¹ Metro Vancouver (2024). *A Regional Model for Inclusionary Housing*. February 29, 2024.

² Metro Vancouver (2024). *What Works: Local Government Measures for Sustaining and Expanding the Supply of Purpose-Built Rental Housing*.

³ Canada Mortgage and Housing Corporation (CMHC) (2024). *Purpose-Built Rentals Facing Financial Feasibility Challenges: Archetypical Developments Yield Insufficient Returns in Selected Metropolitan Areas*. Prepared by Altus Group Economic Consulting.

⁴ Canada Mortgage and Housing Corporation (CMHC) (2024). *Impact of minimum parking requirements for multi-family residential buildings on housing affordability and sustainability*.

Current State of Non-Market Housing (2021)⁵ ⁶in West Kelowna:

- Only 1.2% of households lived in subsidized rental housing, compared with 3.5% in Kelowna and higher averages across the region.
- The city had just 123 BC Housing–affiliated units and roughly 152 purpose-built affordable rentals overall, many of which are aging and insecure.
- 6% of renter households lived in units requiring major repairs (vs. 7% province-wide).
- 44% of renter households spent more than 30% of their income on housing costs, compared to 38% across B.C.
- 20% of renter households spent more than 50% of their income on housing, compared to 16% province-wide.
- Average monthly rent and utilities in West Kelowna reached \$1,738, about 16% higher than the provincial average.

Key Challenge and Opportunity

Despite the scale of need, density alone does not make non-market housing viable. Research and engagement feedback confirm that projects operate on very thin margins and remain vulnerable to high land and construction costs, layered approvals, parking requirements, and municipal charges—all of which make non-profit housing delivery fragile without further support.

The opportunity is to implement a bundle of coordinated incentives that improve project feasibility and accelerate delivery. Commonly used tools include as-of-right zoning, expedited approvals, flexible parking requirements, and targeted fee relief. Together, these measures can help West Kelowna attract senior government funding, improve competitiveness with other municipalities, and ensure that critical non-market housing needs are met.

Emerging Provincial Trend – Unlocking Non-Market Housing with As-of-Right Zoning

Staff reviewed recent policies in other BC municipalities to inform West Kelowna's approach. Across the province, municipalities are increasingly adopting as-of-right zoning for non-market housing to accelerate delivery. Common elements include:

- Eliminating rezoning for non-market housing projects.
- Permitting OCP-aligned height and density as-of-right.
- Reducing or removing parking requirements to lower costs and increase density.

Examples of As-of-Right Zoning for Non-Market Housing in B.C. Municipalities

The following examples highlight how municipalities across British Columbia are adopting (not some policies are in process, and not yet adopted) as-of-right zoning, and related measures to accelerate Non-Market Housing delivery:

Table 2. Municipality Scan

<i>Municipality & Policy</i>	<i>Key Features</i>
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⁵ City of West Kelowna 2024 Housing Needs Report Interim Update

⁶ Canadian Rental Housing Index – West Kelowna

Saanich – Rapid Deployment Program (2024)	No rezoning required for non-market housing up to OCP-supported heights; DP approvals delegated to staff; parking requirements eliminated.
Victoria – Fast Track for Affordable Housing (2022)	Non-profit/co-op rental projects proceed without rezoning; higher densities permitted; approvals delegated to staff to fast-track approvals.
Squamish – Blanket Affordable Housing Zoning (2023)	Municipality-wide as-of-right zoning for affordable rental; up to 6 storeys anywhere; density/setback limits removed; parking reduced by 50%.
Surrey – As-of-Right Zoning (2025)	Removes rezoning for OCP-compliant non-market rental projects; designed to reduce prohibitive time, cost, and financing risks tied to rezoning.
New Westminster – Pre-Zoning Bylaw (2025)	Select sites pre-zoned for up to 6-storey non-profit rental; requires non-profit ownership and long-term housing agreements.
Vancouver – Social Housing Initiative (2025)	As-of-right up to 6 storeys in neighbourhood centres through pre-zoning; ground floor commercial permitted; projects secured as social housing for 60 years or the life of the building, whichever is longer.

6. Conclusion

The analysis of West Kelowna’s housing needs, development economics, and lessons from other municipalities demonstrates that a customized as-of-right zoning framework for Non-Market Housing in Urban Centres is both necessary and achievable. By removing unnecessary barriers and embedding incentives directly into zoning, the City can create a more predictable, supportive environment for non-profit and government housing providers.

This approach reflects emerging provincial best practices while being tailored to West Kelowna’s unique context, ensuring that housing delivery is accelerated, projects remain financially viable, and outcomes are consistent with the City’s Official Community Plan. Implementing such a framework positions West Kelowna to better compete for scarce senior government funding and to make meaningful progress toward meeting the community’s most urgent housing needs.