

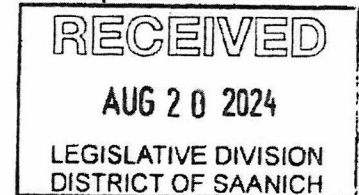


The Corporation of the District of Saanich

C-September-9-2024

Report

To: Mayor and Council
From: Lindsay Chase, Director of Planning
Date: August 20, 2024
Subject: Strata Conversion Policy
File: 2140-50



RECOMMENDATION

1. That Council approve the proposed amendments to the 2003 Council Policy on Approval of Strata Conversions (Attachment A).

PURPOSE

The purpose of this Report is to recommend that Council approve the proposed amendments to the 2003 Council Policy on Approval of Strata Conversions (Attachment A). The proposed amendments would provide a pathway for strata conversion of Small-Scale Multi-Unit Housing (SSMUH) to support residential infill development, while continuing to ensure that other multi-unit rental buildings are protected from stratification when the vacancy rate indicates a shortage of rental housing.

BACKGROUND

Current Council Policy for Approval of Strata Conversions

Council adopted a policy for the approval of strata conversions in 1981, with amendments made in the 1990's and 2000's. The policy guides the acceptance of applications for conversion of previously occupied buildings to strata lots, and its primary function is to establish that strata conversion of three or more residential units will not be considered if the Canadian Mortgage and Housing Corporation (CMHC) rental vacancy rate in the District of Saanich is below 4%. Further, it prevents the potential eviction of any current tenants when applications are approved, by requiring that a restrictive Covenant be registered on title ensuring that no residential tenants will be evicted by reason of the strata conversion.

The 2023 vacancy rate in the District of Saanich was 1.5%, and it has generally remained under 3% for as long as CMHC has measured it. The current Council Policy specifically states that duplex applications will be considered independently of the vacancy rate. The result has been that virtually all applications for residential strata conversion that the Planning Department has processed have involved strata titling of duplexes (i.e., two dwelling units).

Small-scale Multi-unit Housing (SSMUH)

The District of Saanich amended the Zoning Bylaw, 2003, to introduce regulations for Small-Scale Multi-Unit Housing (SSMUH) in June 2024. The Province of British Columbia directed this change in an effort to increase housing supply and diversity in low density residential areas. The new SSMUH use allows four to six dwelling units per lot (depending on lot size and location), with up to two residential buildings per lot, provided that at least one building is a houseplex. The houseplex definition encompasses duplexes, and Small-Scale Multi-Unit Housing has replaced the two-family dwelling use permitted in Two Family Residential (RD) Zones.

In the associated Provincial Policy Manual, it is noted that SSMUH building forms can have slim financial viability particularly in areas with higher land costs. The province encourages local governments in urban settings to anticipate most SSMUH projects to be built for market rate strata ownership, and to therefore be permissive with regards to strata titling of SSMUH, including using their statutory powers to allow conversion of previously occupied units.

Strata conversion of previously occupied buildings

Creating a strata plan for new development requires no local government approval. However, if the proposed strata plan includes any previously occupied units, it is considered a “strata conversion” and local government approval is required. This is regulated in Section 242, of the *Strata Property Act* (Act).

For municipalities, the approving authority for strata conversions is Council, unless delegated. The District of Saanich Council has delegated the power to approve all strata conversion applications except for apartments to the Director of Planning (Delegation Authorization Bylaw Strata Conversions, 2023, No. 9219). Per the Act, the approving authority **must not approve** the strata plan unless all buildings included in the plan, substantially comply with applicable municipal bylaws and meet BC Building Code requirements. Additionally, the Act lists several factors that the approving authority **must consider** in making their decision, namely:

- the priority of rental accommodation over privately owned housing in the area,
- any proposals for the relocation of persons occupying a residential building,
- the life expectancy of the building,
- projected major increases in maintenance costs due to the condition of the building, and
- any other matters that, in its opinion, are relevant.

DISCUSSION

The current Council Policy has effectively prevented any strata conversion applications of three or more units from being considered with the rental vacancy rate remaining below 4%, while allowing duplex applications to be considered independently of the vacancy rate. This policy was adopted prior to the implementation of SSMUH, at a time when smaller, multi-unit developments (i.e., houseplexes) were not contemplated as a part of the housing spectrum.

In the context of SSMUH development, property owners may choose to retain an existing building (i.e., a single-detached dwelling or a duplex) and add more units and/or build a second building on the lot. In this case, if the property owner wanted to stratify, they would have to apply for strata conversion approval. (The same process would be triggered in a scenario where a property owner builds SSMUH under one title, and later wants to stratify.) The current policy, as written, would prevent these strata conversion applications from even being considered under current vacancy rates.

As such, staff recommend that the Council Policy be amended to support consideration of strata conversion of SSMUH, while still ensuring that larger, purpose-built rental buildings remain ineligible for strata conversion while the community is experiencing a shortage of rental housing.

It should be noted that if the proposed amendments are endorsed, the Director of Planning at the District of Saanich remains the approving authority for all strata conversion applications except for apartments (which is distinct from the definition of Small-Scale Multi-Unit Housing and would require Council approval). When making a decision, the approving authority must still consider applications in the context of the legislated considerations (identified above), and they may still approve or deny any application. The proposed amendments to the Council Policy on Approval of Strata Conversions would continue to provide clear direction for the evaluation of strata conversion applications, specifically with regards to impacts on the local rental market and current tenants.

PROPOSED POLICY AMENDMENTS

Stratification of SSMUH vs other multi-unit housing

The proposed amended policy continues to rely on the rental vacancy rate as an indicator of local rental housing demand and maintains that applications for conversion of three or more units, other than for SSMUH, shall not be considered if the CMHC primary rental market vacancy rate is less than 4%. This benchmark is widely considered to indicate a well-balanced rental market. A minor housekeeping amendment to Section 1, of the policy is proposed, for added clarity regarding this CMHC indicator.

The proposed amendments to Section 2, of the policy, direct that the above will not apply to applications for strata conversion of Small-Scale Multi-Unit Housing (SSMUH) units. As such, all applications for strata conversion of SSMUH (as defined in the Zoning Bylaw, 2003) will be considered. This proposed change acknowledges that SSMUH is a form of infill housing which is now a permitted use in all zones previously limited to single-detached dwellings and duplexes, and as such there will be an interest in incorporating and stratifying existing dwellings as part of these projects. This direction is in line with the province's recommendation to enable strata titling of all forms of SSMUH development to promote viability.

In practice, the proposed policy would result in the ability to receive and consider applications for strata conversion of SSMUH units. For clarification, the Director of Planning (as the approving authority) would still have the ability to deny approval of such applications on a case-by-case basis, including by reason of loss of rental stock.

Tenant protection

The proposed amended policy maintains a clause requiring that, when applicable, the applicant register a Covenant on title ensuring that current tenants may not be evicted by reason of the strata conversion. This is essential to ensure that tenants are not displaced as a result, as strata conversion is indeed a valid reason to serve four months' notice to end tenancy as per the BC Residential Tenancy Act.

ALTERNATIVES

1. That Council approve the recommendations as outlined in the Report.
2. That Council does not approve the recommendation and leave the current Council Policy in place (status quo). This would result in applications for strata conversion of SSMUH units

(three units or more) not being considered unless the rental vacancy rate is 4% or higher, which may impede viability of SSMUH developments that incorporate existing units and does not align with provincial direction.

3. That Council provide alternative direction to staff.

FINANCIAL IMPLICATIONS

There are no financial implications for the direction.

STRATEGIC PLAN IMPLICATIONS

The recommendations in this Report are consistent with Strategic Plan Objective 3.1, “We use mechanisms available to increase and improve the supply of diverse and affordable housing that meets the needs of our residents now and in the future.”

Updating this policy is a part of the implementation of the Provincial SSMUH Legislation, and as such it contributes to implementing Initiative 3.1.2, “Undertake the Neighbourhood Homes Strategy.”, of the Strategic Plan.

PLANNING IMPLICATIONS

Saanich Housing Strategy (2021)

The recommendations in this Report support Housing Strategy 3.1, “Increase housing choice by expanding infill housing opportunities and initiatives”. The proposed amendments are directly related to the implementation of SSMUH, which addresses priority action 3.1 A “Through a “Missing Middle” Housing Program, encourage housing that fills the gap between single-family dwellings and larger scale apartments and make it easier to create infill housing.”

Official Community Plan (OCP)

The recommendations are in line with Official Community Plan (2024) Sections 7.4, Neighborhoods and 8.4, Housing Diversity, which include policies to support a mix of housing types in neighbourhoods, support a range of infill forms as-of-right, and reduce barriers to infill development.

The policy will continue to protect purpose-built multi-unit rental buildings in alignment with OCP Policy 8.2.4, “Do not support the conversion of rental buildings with three or more rental units to strata when the Canada Mortgage and Housing Corporation rental vacancy rate is below 4%”.

CONCLUSION

Staff recommend that Council approve the proposed amendments to the 2003 Council Policy on Approval of Strata Conversions (Attachment A), which would ensure that there are no unintended barriers for the strata titling of Small-Scale Multi-Unit Housing (SSMUH). This is in line with guidance from the province, which states that local governments should support stratification of SSMUH to promote the viability of infill housing development.

The proposed amendments establish that the District of Saanich will consider applications for strata conversion of SSMUH units. The policy maintains that strata conversion of other types of buildings with three or more units are not to be considered, unless the rental vacancy rate in the

District of Saanich is 4% or higher, and that current tenants should be protected from eviction resulting from the strata conversion.

Prepared by:



Amanda Blick McStravick
Planning Analyst, Housing

Reviewed by:



Carley Friesen
Acting Manager of Housing Planning
and Policy

Reviewed by:



Cameron Scott
Manager of Community Planning

Approved by:



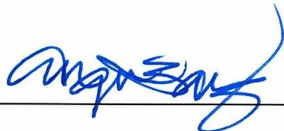
Lindsay Chase
Director of Planning

ABM/gp

Attachments: Attachment A: Proposed Council Policy on Approval of Strata Conversions
Attachment B: Redline version of current Council Policy on Approval of Strata Conversion

ADMINISTRATOR'S COMMENTS:

I endorse the recommendation from the Director of Planning.



Brent Reems, Chief Administrative Officer



COUNCIL POLICY

SUBJECT: STRATA CONVERSIONS - APPROVAL OF		
DATE:	MAY 25, 1981	REFERENCE: 81/273 (B)
Amended:	April 17, 1990	90/CW
	August 6, 1999 (Municipal Planner's report)	
	October 20, 2003	03/CW

PURPOSE

The purpose of this policy is to ensure that the current need for rental housing in the District of Saanich is prioritized when considering strata conversion of multi-unit rental buildings, and that no tenants are evicted due to stratification.

GUIDELINES FOR THE APPROVAL OF STRATA CONVERSIONS

1. Applications for strata conversions of three or more residential units shall not be considered if the District of Saanich primary rental market vacancy rate, as computed in October of each year by the Canada Mortgage and Housing Corporation, is less than four percent.
2. Section 1 above will not apply to applications for strata conversion of Small-Scale Multi-Unit Housing units, as defined in the Zoning Bylaw, 2003.
3. Strata conversions shall be completed within eighteen months of approval, after which time the approval lapses unless an extension is granted upon request by the owner.
4. When applicable, require applicants to enter into a restrictive covenant, approved by the Municipal Solicitor, preventing the eviction of residential tenants by reason of the conversion of the building into strata lots.

COUNCIL POLICY

SUBJECT: STRATA CONVERSIONS - APPROVAL OF		
DATE:	MAY 25, 1981	REFERENCE: 81/273 (B)
Amended:	April 17, 1990	90/CW
	August 6, 1999 (Municipal Planner's report)	
	October 20, 2003	03/CW

PURPOSE

The purpose of this policy is to ensure that the current need for rental housing in the District of Saanich is prioritized when considering strata conversion of multi-unit rental buildings, and that no tenants are evicted due to stratification.

~~That it be Council policy that the following guidelines for approval of strata conversions be adopted:~~

GUIDELINES FOR THE APPROVAL OF STRATA CONVERSIONS

1. Applications for strata conversions of three or more residential units shall not be considered if the **District of Saanich primary rental market** vacancy rate ~~for apartment units~~, as computed ~~on April and in~~ October of each year by the Canada Mortgage and Housing Corporation, is less than four percent.
2. ~~Duplex applications will be considered independently of the vacancy rate; Section 1 above will not apply to applications for strata conversion of Small-Scale Multi-Unit Housing units, as defined in the Zoning Bylaw, 2003.~~
3. Strata conversions shall be completed within eighteen months of approval, after which time the approval lapses unless an extension is granted upon request by the owner.
4. ~~Retain the existing policy whereby the applicant is required~~ When applicable, require **applicants** to enter into a restrictive covenant, approved by the Municipal Solicitor, preventing the eviction of residential tenants by reason of the conversion of the building into strata lots.