

NO: R016

COUNCIL DATE: January 29, 2024

REGULAR COUNCIL

TO: Mayor & Council **DATE: January 25, 2024**

FROM: General Manager, Planning & Development **FILE: 1855-03**
General Manager, Community Services
Acting General Manager, Corporate Services
General Manager, Engineering
General Manager, Finance

SUBJECT: Housing Accelerator Fund Application Update

RECOMMENDATION

The Planning & Development Department, Community Services Department, Corporate Services Department, Engineering Department, and Finance Department recommend that Council receive this report for information.

INTENT

The intent of this report is to update Council on the City's Housing Accelerator Fund ("HAF") application and to provide information on Surrey's approved application, including the Action Plan, anticipated incented growth, and financial considerations.

BACKGROUND

On March 17, 2023, the Canada Mortgage and Housing Corporation ("CMHC") launched the HAF. This \$4.0 billion fund aims to provide Canadian local authorities with financial incentives to remove barriers to housing supply, accelerate growth, and support community development over the next three years.

With Council support, the City applied for the HAF on June 13, 2023. On December 4, 2023, the City received final approval for a \$95.6 million grant from CMHC and the program was formally launched on January 10, 2024.

DISCUSSION

The City's HAF application seeks to accelerate the delivery of housing for the next three years (through December 2026) with ongoing positive impacts on the approval process. The application is composed of several elements, including a Housing Growth Target, Action Plan, and Spending Plan.

Housing Baseline and Growth Targets

As part of the application, the City provided two housing projections: the total number of permitted housing units projected without the Action Plan, and the total number of permitted housing units projected with the Action Plan (the “Housing Growth Targets”).

Through the Action Plan, the City seeks to increase the number of housing units delivered by 27.8%, to an average 4,283 issued dwellings per year.

Action Plan

The Action Plan includes a series of initiatives that are intended to increase Surrey’s housing supply in both the short-term and long-term. There are eight key initiatives in the Action Plan, as outlined in Appendix “I”.

Surrey’s Action Plan allows for faster development of higher density, multi-unit housing projects. Initiatives include policy changes to expedite development of below-market housing, expanding the use of professional reliance for faster approvals, expanding the guaranteed permitting timelines program, and leveraging artificial intelligence (“AI”) to facilitate faster development and permit approvals.

Several initiatives are already underway, including development of the Building Inquiry Chatbot, Digital Compliance Project, continued expansion of end-to-end Digital Permitting capabilities, and policy work to respond to the new Provincial legislation.

A dedicated webpage, www.surrey.ca/housingaccelerator, has been created to provide information and progress updates on the initiatives.

Spending Plan

The City was awarded \$95.6 million (the “Funds”) to be received over four equal payments, concluding by December 2026. The Funds will be received as follows:

1. 25% initial payment;
2. 50% based on annual progress report to CMHC on the implementation of the Action Plan; and
3. 25% based on meeting the Housing Growth Targets.

The City will have until September 2027 to spend the Funds, based on key priorities as shown in Appendix “II” (the “Spending Plan”).

Council Engagement

Staff will provide Council with annual progress reports on the implementation of the Action Plan and Spending Plan.

Additional Council Reports will be provided at key implementation milestones or when approval is needed for any required bylaw amendments and contract awards.

Next Steps

Staff are prioritizing several actions, including:

1. Hiring of additional staff to support implementation of the Action Plan and continued processing of applications;
2. Drafting the terms of the Development Incentive Program for Council consideration in early 2024;
3. Refining the Spending Plan to ensure that investments are focused on unlocking housing supply;
4. Developing AI-powered tools to assist improved communication and quality of development and building permit submissions; and
5. Continuing to draft policies and Zoning bylaw amendments to respond to the Provincial housing legislation.

Implementing staff augmentation efforts, process improvements, and legislative changes will require focused actions with continued oversight from the respective department General Managers to ensure that these efforts do not result in undue application processing delays.

CONCLUSION

The HAF is an opportunity for Surrey to implement significant advancements in streamlining the land development approval process and increasing the delivery of housing, including affordable housing. This partnership with the Federal Government is appreciated and will help support housing access for Surrey's population growth.

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Appendix "I" Housing Accelerator Fund – Action Plan Framework
Appendix "II" Housing Accelerator Fund – Spending Plan

HOUSING ACCELERATOR FUND ACTION PLAN FRAMEWORK

The following is an outline of the approved Action Plan to support the City’s Housing Accelerator Fund (“HAF”) application. These eight initiatives support the City’s HAF application and will require further refinements, including Council engagement to approve related incentives, policies, procedures, and bylaws.

1. Stimulate development through a Rapid Transit Development Incentives Program and an Affordable Housing Development Incentives Program.

In 2020, the City Centre Incentives Program incentivized 2,200 units and helped soften the impact of the COVID-19 pandemic on the land development industry. Similarly, the City seeks to create two short-term project incentives to attract and stimulate development in Surrey using the HAF grant.

The Rapid Transit Development Incentives Program for projects near frequent transit seeks to advance projects at third reading that are within proximity (1.5 km) of SkyTrain stations or RapidBus along the 104 Avenue corridor in the Guildford Town Centre – 104 Avenue Plan Area, King George Boulevard to Newton Town Centre, Scott Road to 72 Avenue, and 72 Avenue between Scott Road and King George Boulevard. This incentive would offer a fee rebate (e.g., rezoning, engineering site servicing, and building permit fees) for eligible projects receiving building permit issuance by the proposed deadline of August 31, 2026.

The City also seeks to offer a development incentives program for projects with a significant affordable housing component. The Affordable Housing Development Incentives Program would help accelerate the issuance of building permits anywhere in the City for projects that have the ability to provide either a portion or the entirety of the development as affordable units, defined as below-market units secured by a housing agreement. This incentive would offer a permit fee rebate (e.g., rezoning fees, engineering site servicing, and building permit fees), Development Cost Charge (“DCC”) rebates, and acceptance of a Surety Bond, in lieu of a Letter of Credit, for Servicing Agreements on eligible projects receiving building permit issuance by the proposed deadline of August 31, 2026.

Funds received from the HAF would reimburse the City for the financial incentives.

Identified incentivized projects for each of these programs would be reviewed in an expedited fashion.

2. Expand the Guaranteed Permitting Program.

In July 2022, the City launched the Guaranteed Permitting Program with the introduction of guaranteed processing times for single-family building permits, tenant improvement building permits, and rezoning applications. This innovative partnership program provides applicants and the City significant improvements for ongoing, shared success.

Through the HAF grant, the City seeks to increase the scope of the Guaranteed Permitting Program across high-volume permit types with the:

- Implementation of processing timelines in additional permitting areas, including townhouse building permits, low-rise building permits, high-rise building permits, and rezoning applications with plan amendments;
 - Establishment of incremental performance measures at key milestones in the approval process to provide additional insights into the approval process and seek to reduce the overall application processing times for applicants; and
 - Exploration of policies to promote project completion, lowering the amount of idle land in Surrey.
3. Increase the use of Professional Reliance in the Permit Approval Process.

This initiative seeks to review and implement professional reliance in the development approval process as a means for the City to further delegate some decision-making authority to trusted qualified professionals and increase the speed of the permit issuance process.

In this approach, a professional's assessment becomes the basis for the municipality's decision to issue a building permit, rather than the municipality conducting its own independent evaluation. A high degree of trust in the professionalism and expertise of the delegated professionals is critical to the success of such a program.

This initiative seeks to provide the City and the development industry with further clarity to the legal framework around professional reliance, enhancements to existing professional reliance programs (including the Certified Professional Program), and a data-driven model to assess quality and implement training and support to professionals to ensure they have the necessary skills and knowledge to conduct assessments effectively.

Professional reliance could greatly impact the permit issuance of low-rise and high-rise building permits and would address the belief from applicants that the Certified Professional Program could be enhanced, reducing the need for the City to perform in-depth reviews. As well, professional reliance could help streamline other review processes, including environmental reviews, geotechnical reviews, erosion and sediment control, and traffic permits.

4. Leverage Digital Permitting, including the use of AI.

Digital permitting, supplemented with AI, can provide significant improvements to the permitting process, allowing for enhanced transparency, reduced errors, process automation, and reduced costs.

In 2020, the City began the shift toward digital permitting with the acquisition of the Citizen Portal, a new product from Granicus, to enable digital permitting for municipalities using AMANDA as their land management system. In April 2022, the City launched the Building Permit Inspection Request Online Module, providing significant online capabilities for building permits.

Through expansion of this initiative, the City seeks to provide end-to-end digital permitting capabilities across all permits – including building permits, area planning permits, and engineering permits – with the phased release of functionalities, including:

- Provide end-to-end online permitting capabilities for building, planning, and engineering permits;
 - Research and implement AI-powered digital compliance capabilities to support staff's work in evaluating submissions; and
 - Research and develop an AI-powered development inquiry tool to better support applicants in understanding development requirements and fostering increased development.
5. Increase the supply of Multi-Unit Housing near Transit.

This initiative intends to update the City's Zoning By-law to readily accommodate high density residential uses within rapid transit corridors. Short-term actions include the creation of new multi-family zones that are market responsive and adjusted parking requirements to reflect transit proximity. Policy changes include a review of the City's Official Community Plan ("OCP") and existing Neighbourhood Concept Plans ("NCP") to permit higher density apartment designations in transit areas without the need for undertaking a lengthy secondary land use planning process.

Zoning By-law Updates

- Create new multi-family zones (six-storey, mid-rise, mixed-use zones);
- Introduce rental zoning as an option within multi-family zones; and
- Reduce parking requirements for rental near rapid transit.

Policy Updates

- NCP review and update of South Newton and King George Corridor; update old designations with market ready designations;
- Review land use designations in the OCP to permit higher density along rapid transit without the need for undertaking an NCP amendment;
- Refine the existing Density Bonus Policy to include affordable rental incentives for multi-family projects in transit corridors;
- Review specific office designation locations to allow rental residential uses; and
- Review use of pre-approved multi-family plans

6. Support the creation of "Missing Middle" Housing.

The initiative supports diversifying housing stock in existing infill neighbourhoods to support the 15-minute neighbourhood concept, as well as market responsive designations in new neighbourhood plan areas. The initiative will be facilitated by implementing the necessary policy and regulatory framework to permit Accessory Dwelling Units ("ADU") and other additional units "as of right" through Zoning By-law updates to existing zones as well as creation of new zones. It will be further supported by amendments to the OCP and development of Design Guidelines for pre-approved ADU plans.

Zoning By-law Updates

- Accelerate conversion of Single-Family Comprehensive Development (“CD”) Zones to permit secondary suites;
- Update existing zones to support infill densification:
 - Coach house/garden apartment use for RA – One-Acre, RH – Half-Acre, and RF – Single-Family Zones;
 - Lock-off suites in Multi-Family Zones;
 - Secondary suites in RM-D – Duplex and RF-SD – Semi-Detached Residential Zones; and
- Create new zones (triplex, quadplex, 25 u.p.a. townhouse, stacked townhouse)

OCP Update

- Review OCP to determine criteria and suitable locations for multi-unit on one lot; and
- Update OCP policies to encourage intensification of infill area (15-minute neighbourhoods).

Developing sets of pre-approved plans for ADU and “Missing Middle” units (coach house, manor house, etc.).

7. Increase supply of Below Market Affordable Housing.

This initiative aims to remove barriers to the provision of below market housing units through analysis of financial considerations based on Surrey’s market context as well as implementation of “as of right” zoning and fast track building issuance strategies.

- Partner with external agencies to expedite affordable rental (Metro Vancouver Regional District Housing or BC Housing partnerships) to fast-track building permit issuance for pre-approved plans;
- Provide “as of right” zoning for below market affordable and supportive housing units that are OCP compliant;
- Review/increase the Community Amenity Contribution (“CAC”) amounts for the Affordable Housing Reserve Fund; and
- Review the affordable housing policies, including:
 - DCC subsidy, CAC, and Density Bonus Program;
 - Rental Housing Redevelopment Policy; and
 - Inclusionary Housing Policy.

8. Review and Increase Staff Capacity.

The City seeks to provide short-term and inform long-term staffing complements through the following:

- Increase staffing complement through temporary project positions;
- Implement staff retention strategies (e.g., Love Where You Work); and
- Review staffing complement and capacity.

The Action Plan will generate significant increases in permitting demands, from inquiries to applications to be processed. To accommodate this surge, new temporary project positions will be sought to maintain and improve service levels.

The HAF may create several opportunities in other municipalities for existing City staff, and retention of existing staff will be paramount. Managers and Supervisors will develop and implement a comprehensive staff retention plan to prevent losing experienced staff. This plan will also include measures to facilitate the onboarding of new staff.

Through a review of regular full-time positions and associated workload, managers seek to better inform long-term staffing plans, including individual file-load, role expectations, decision-making authority, and advance a proactive approach to the approval process.

**HOUSING ACCELERATOR FUND
SPENDING PLAN**

The City will have until December 2027 to spend the Funds, based on the following priorities:

1. Support the implementation of the Action Plan, including temporary project staff positions, consultant and legal services, securing office space, implementation of new software, and development incentives.
2. Invest in Engineering utility infrastructure to unlock housing capacity.
3. Seed funding to initiate and advance housing related Surrey City Development Corporation (“SCDC”) projects, which may also qualify for incentives under the Action Plan.
4. Acquisition of land for future affordable housing partnership opportunities with qualified providers.
5. Any other acceptable use of the Funds, as defined in the HAF, to support the development of complete communities, including investment in affordable housing initiatives, community infrastructures, and housing related infrastructures.