



Urban Development Institute - Victoria

Summer Quarterly Issue

July 2005

President's Message from Glen Wilson

The UDI Newsletter provides a quarterly review of events and news affecting our members. Our thanks to our contributors and supporters for story leads, photographs and articles. If you would like to provide information for our next quarterly issue, contact Gene Miller at 384-3590 or by email at: gene@newlandmarks.com.

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What a year!

No, the calendar year isn't over, but UDI Victoria, like a lot of organizations, takes a two-month summer break and returns to its active programs in September, so we tend to think of the year this way.

Our luncheon programs since January have become the 'hot ticket' for a lot of people in and out of the industry, has put the organization back on the map, and significantly boosted our membership. As one of the articles in this newsletter notes, we've been averaging a hundred a luncheon—partly through the choice of topics and speakers, partly from a strategy of promoting our luncheons to a 500-name (and growing) mailing list including not only our members and other associated professional groups, but also numerous non-industry constituencies with an interest in land use and related development matters.

This year at our monthly luncheons, in the media and in public discourse (Downtown 2020, for example), the focus has been on downtown Victoria and the shoulder areas, recipients of a development boom unprecedented in the city's history and on the maturation of Victoria as a real estate market. Several related themes spring from this news which will be explored in our luncheon program this coming season. How long will the boom times last? Who, exactly, is buying what? Can we sustain current construction costs and market prices? What are the affordability implications for people generally, and especially for those with limited shelter budgets? What policy directions, opportunities and risks are likely to emerge from the City's upcoming Downtown Plan Review?

None of this is meant to disregard the rest of the region. Big things are happening in Saanich and the Western Communities—places that are grappling with urbanizing pressures of their own.

A high-rise in Colwood... who could have predicted that?

On a different front, we are far from done with the topic of green building and sustainable development. Joe van Bellegem's June luncheon presentation on green building and LEEDS standards made it clear that this will be a topic of increasing concern throughout our industry, with important implications for costs, markets and social impacts.

For our Board of Directors, I would like to wish you the best this summer.

See you in September.

Glen Wilson, DBA, GSC.
Searidge Management Inc.

What a year!



Downtown Plan Review—Committee Volunteers

We wanted to make everyone aware of an opportunity to participate directly in the upcoming Downtown Plan Review as a member of the Steering Committee for the first phase of the review. Please read below for particulars.



Hello,

Victoria City Council recently approved the creation of a Steering Committee to work with staff on Phase 1 of the Downtown Plan Review. This review phase will have a primary focus on land development including use, height, density and design. The Steering Committee will compile, review and present information to the broader public and identify issues and opportunities. At the end of Phase 1 a recommendation will be presented to Council regarding options for future planning work for Downtown.

You are invited to submit an expression of interest to participate as a member of this committee. The time involvement will be from July through November and will involve approximately 10 meetings. Most meetings will occur in the late afternoon (after 4:30 p.m.) and will last about 2 hours.

This committee would benefit from individuals with experience or understanding of economic, environmental and social issues and those who have experience in working with multiple stakeholder groups. If you are interested in participating as a volunteer for this committee, please submit your expression of interest indicating:

- your areas of interest or expertise
- your affiliation with any organizations or businesses that operate or serve the downtown area
- your availability
- your contact information (e.g. address, phone number and email)

Background information about the project is available on the City of Victoria website at http://www.city.victoria.bc.ca/residents/planning_new.shtml.

Please send your information by July 15 to:

Lindsay Chase, Planner
City of Victoria
#1 Centennial Square
Victoria, BC V8V 1P6
Phone: 361-0286
Phone: 361-0386
Email: lindsayc@city.victoria.bc.ca

Council will select the Steering Committee members on July 21st. Those individuals not selected will be invited to participate in public events and workshops related to the Downtown Plan.

Sincerely,

Lindsay Chase, MCIP, Planner

UDI Luncheons: Something in the Food?

They came, they conquered. Victoria Councillor Pamela Madoff. Green developer Joe van Belleghem. City Planning Director Jack Basey. Amalgamation champion Myrna Borleske. And panelists galore.

Since January, UDI Victoria has been averaging one hundred attendees at its monthly luncheons at the Embassy Inn. While the fabulous buffet is probably the big draw, we like to think that the topics and speakers, and an intentional strategy of reaching out to organizations and constituencies that are not necessarily under the industry umbrella, has also contributed to the growing appeal of these events.

We drew on the thinking of the recent Downtown 2020 conferences: that land use, development and related issues are everybody's business and that, in fact, there is a constant community-wide 'conversation' going on about these topics anyway. The payoff, we believe, has been not only greater luncheon attendance, but also some 'cross-cultural' bridge-building—good for all interests.

The luncheon program resumes in September, and the following dates (all Wednesdays, if you want to note them well in advance) have been identified.

Upcoming Luncheons:



September 21
 October 19
 November 16
 December 14
 January 18 (2006)
 February 15
 March 15
 April 19
 May 17
 June 14

Topics will include:

- Is the Victoria Real Estate Market Crash-Proof?
- Municipal Election Forum: Key Candidates' Views on Land Use
- Is Density Downtown's New Frontier?
- The Condo Market: Who's Buying What, and Why?
- Vancouver Developers: All Over Victoria
- Is Housing Inclusivity Workable?
- Langford: Take the Off-Ramp to the New Power Centre
- The End of Cheap Energy and the Impact on Urban Settlement
- The Case for DCC's: the Vancouver Experience
- Ken Mariash at Songhees: A Thousand Units, More or Less
- Saanich and the Three-Month Application Challenge

And a few surprises!

Membership is Growing, and There's Room for More

Art Kool, UDI Victoria Director who looks after membership, happily reports that our membership is steadily growing, and that a lot of others are showing interest in joining.

Annual fees are reasonable and membership makes you part of an organization whose voice in development and land use matters is being heard more loudly and whose advice is being more actively sought.

If you would like more information, please contact Art directly at 388-5441 or 812-0622 cellular.

Urban Development Institute Victoria

President

Glen Wilson: 744-1072

Membership

Art Kool: 388-5441

Speakers/Newsletter

Gene Miller: 384-3590

Municipal Liaison Sannich

Glen Wilson: 744-1072

Victoria and Downtown Issues

David Adams: 360-2991

Affordable Housing

Henry Kamphof: 388-6422

At Large

Graham Smith: 388-6454

Bob Cross: 888-7159

Mark Lindholm: 383-5678

Local Politics—Bits and Pieces

In Victoria, Rob Fleming's ascendancy to provincial MLA and Denise Savoie's NDP nod to run in the next federal election means two vacant seats this November. As far as we know, all the incumbents will be running again. We've heard that Geoff Young, a former and highly credible veteran Victoria councillor, is seriously considering a return; and that Don Roughley, the city's ex-manager may shoot for a seat at the table.

Other names we've heard touted include Pieta van Dyke, also a former councillor; and Mark Pakenham, active in James Bay land use politics. No doubt, the field will fill out with the usual twenty-plus names when we get closer to next November. If anyone is going to go up against Alan Lowe, Victoria's mayor-for-life, we haven't caught wind of it.

Langford's mighty mayor, Stew Young, will not be running in the next election. He's going to sit back and rest on his laurels—essentially, the transformation of Langford from dogpatch to boomtown. Set to replace him, if rumours be true, is current council member Denise Blackwell.

Look for a fractious election in the Highlands where, in the view of some, the current council has said 'yes' to too much development of a kind (some) Highlanders moved there to get away from.

No word from Frank Leonard, Saanich's mayor, on his political intentions. Councillor Dave Cubberly has moved up to provincial politics, and we hear that Carol Pickup will not be running again and that Bob Gillespie may not run again; so potentially at least three Saanich seats may be on the block this time around. And everything else appears to be in a political steady-state in other municipalities...so far.

Global Real Estate Price Meltdown: Just the News You Were Looking For

It made the cover of the June 18th *Economist*, complete with a picture of a house in free fall. We thought you trend-watchers would want to be aware of its analysis, so please review the following:

Soaring house prices have given a huge boost to the world Economy. What happens when they drop?

Perhaps the best evidence that America's house prices have reached dangerous levels is the fact that house-buying mania has been plastered on the front of virtually every American newspaper and magazine over the past month. Such bubble-talk hardly comes as a surprise to our readers. We have been warning for some time that the price of housing was rising at an alarming rate all around the globe, including in America. Now that others have noticed as well, the day of reckoning is closer at hand. It is not going to be pretty. How the current housing boom ends could decide the course of the entire world economy over the next few years.

The boom is unprecedented in terms of both the number of countries involved and the record size of house-price gains. Measured by the increase in asset values over the past five years, the global housing boom is the biggest financial bubble in history. The bigger the boom, the bigger the eventual bust.

Throughout history, financial bubbles—whether in houses, equities or tulip bulbs—have continued to inflate for longer than rational folk believed possible. In many countries around the globe, house prices are already at record levels in relation to rents and incomes. But, as demonstrated by dotcom shares at the end of the 1990's, some prices could yet rise even higher. It is impossible to predict when prices will turn. Yet turn they will. Prices are already sliding in Australia and Britain. America's housing market may be a year or so behind.

"Many people protest that house prices are less vulnerable to a meltdown."

Many people protest that house prices are less vulnerable to a meltdown.

Houses, they argue, are not paper wealth like shares; you can live in them. Houses cannot be sold as quickly as shares, making a price crash less likely. It is true that house prices do not plummet like a brick. They tend to drift downwards, more like a brick with a parachute attached. But when they land, it still hurts. And there is a troubling similarity between the house-price boom and the dotcom bubble: investors have been buying houses even though rents will not cover their interest payments, purely in the expectation of large capital gains—just as investors bought shares in profitless firms in the late 1990's, simply because prices were rising.

Homes as cash machines

One other big difference between houses and shares is more cause for concern than comfort: people are much more likely to borrow to buy a house than the buy shares. In most countries, the recent surge in house prices has gone hand-in-hand with a much larger jump in household debt than in previous booms. Not only are new buyers taking out bigger mortgages, but existing owners have increased their mortgages to turn capital gains into cash which they can spend. As a result of such borrowing, housing booms tend to be more dangerous than stock market bubbles, and are often followed by periods of prolonged economic weakness. A study by the IMF found that output losses after house-price busts in rich countries have, on average, been twice as large as those after stock market crashes, and usually result in a recession.

Global Real Estate Price Meltdown...cont'd from pg. 5

The economic damage this time could be worse than in the past because house prices are more likely to fall in nominal, not just real terms. Not only do houses in many countries look more overvalued than at previous peaks, but with inflation so low, prices would have to stay flat for at least a decade to bring real prices back to long-run average values. Most important of all, in many countries this house-price boom has been driven far more by investors than in the past, and if prices start to dip, they are more likely to sell than owner-occupiers. In America this could mean the first fall in average house prices since the Great Depression. Owners who have been using their home like an ATM to extract cash, or who were relying on rising house prices to provide them with a comfortable pension, will suddenly realize that they need to start saving the old-fashioned way—by spending less of their income.

The Fed frets

The lesson from recent experience in Australia, Britain and the Netherlands is that, contrary to conventional wisdom, a big rise in interest rates is not necessary to make house prices falter. This is bad news for America. Even if prices there initially just flatten rather than fall, this will hurt consumer spending as the impulse to borrow against capital gains disappears. It is by encouraging such borrowing that rising house prices have given a bigger boost to America's economy than elsewhere. Two-fifths of all American jobs created since 2001 have been in housing-related sectors such as construction, real estate lending and broking. If house prices actually fall, this boost will turn into a substantial drag.

“The whole world economy is at risk.”

No wonder that the Federal Reserve is starting, belatedly, to fret about house prices. By holding interest rates so low for so long after equities crashed, the Fed helped to inflate house prices. This prevented a deep recession, but it may have merely delayed the needed economic adjustments. Ideally, the Fed should have tried to cool the housing boom by raising interest rates sooner and by giving clear verbal warnings to buyers, as Britain's and Australia's central banks have done. Even now some stern words from Alan Greenspan, the Fed's chairman, could restrain more house-price inflation.

Of course, by the time American prices begin to fall, probably some time next year, they will not be Mr. Greenspan's headache. He will have retired and someone else will be in his job. If weaker house prices push the economy towards recession, the awkward truth is that America's policymakers will have much less room to manoeuvre than they did after the stock market bubble burst. Short-term interest rates of only 3% leave less scope for cuts. In 2000, America had a budget surplus. Today, it has a large deficit, ruling out big tax cuts.

The whole world economy is at risk. The IMF has warned that, just as the upswing in house prices has been a global phenomenon, so any downturn is likely to be synchronized, and thus the effects of it will be shared widely. The housing boom was fun while it lasted, but the biggest increase in wealth was largely an illusion.

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## Affordability in Boom Times

We think that the following will be of general interest to our readers and of particular interest to those of our members who are keen about the relationship between housing affordability and community health.

### Housing Affordability Partnership – Working Across the Region



#### Mission:

*The Housing Affordability Partnership, a multi-sectoral catalyst, increases awareness and supports innovative solutions that improve housing affordability and choice in BC's Capital Region.*

The Housing Affordability Partnership (HAP) is a public-private-non-profit group working together to address housing affordability concerns and raise awareness of emerging housing issues and opportunities in BC's Capital Region.

HAP approved a new Business Plan in May 2005. By 2008 the Housing Affordability Partnership will have made a difference in addressing housing affordability by being:

- an organized and informed body of diverse expertise that is routinely consulted on the full spectrum of housing development; and
- recognized as a major regional catalyst of change and champion of initiatives that address housing affordability.

The business plan outlines the Housing Affordability Partnership's direction and goals with measurable outcomes for the next three years.

#### Our Vision:

- **Champion:** There will be an awareness of the opportunities available for all partners to develop an increased supply of more-affordable housing within BC's Capital Region.
- **Affordability:** There will be more housing that is affordable.
- **Awareness:** There will be an awareness of housing affordability.
- **Inclusiveness:** There will be a more inclusive community allowing for more housing options.
- **Capacity:** There will be an increased organizational capacity for affordable housing delivery.

## ***Affordability in Boom Times cont'd***

### **Our Goals:**

- Address the housing concerns of BC's Capital Region.
- Ensure new housing gets to market affordably.
- Mobilize collaboration across community interests.
- Work region-wide to highlight awareness of emerging housing issues and opportunities.

### **Achievements:**

- Housing Affordability Partnership played an instrumental role in the Capital Regional District's decision to undertake the development of the Regional Housing Affordability Strategy, the development of the Terms of Reference for the Strategy, the development of the Strategy itself (particularly through member participation on the Steering and Advisory Committees and at workshops), and the recommendation to adopt a Regional Housing Trust Fund bylaw.
- Housing Affordability Partnership raises awareness and understanding among residents, stakeholders and local government about housing affordability (including individual and community health and economic impacts) through presentations, meetings with key stakeholders/decision-makers, the media, website and Housing Affordability Week.
- Housing Affordability Partnership has supported a variety of market and assisted housing developments get to market sooner.
- Housing Affordability Partnership facilitates housing affordability projects by bringing potential partners together and identifying opportunities to increase supply.
- Housing Affordability Partnership advises local government on policies and practices to encourage housing affordability (e.g. adaptable housing, secondary suites, and density).

The HAP website, [www.housingaffordability.ca](http://www.housingaffordability.ca) is under review. For more information about HAP, please contact the Community Council (Secretariat) at 250-383-6166 or [info@communitycouncil.ca](mailto:info@communitycouncil.ca).

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And to Drive the Point Home

As the front-page headline reported in the *Times Colonist* on June 23rd: "Many living on the edge: ranks of Victoria's working poor on the increase, report contents." The story continues:

More people are joining the ranks of the working poor in Greater Victoria—and many are just a paycheque away from homelessness, according to a Quality of Life Challenge report released Wednesday.

"As a primarily service-sector economy, we have thousands of employees in this region who cannot afford the housing here," researcher Jane Worton told a meeting of business and community leaders.

The report, by the Community Council Social Planning Council, surveyed 1,140 people. It found 44 per cent of those polled in the Capital Regional District rate their quality of life as 'very good,' but many face substantial challenges even to put food on the table.

It is obvious that UDI Victoria must take more of a leadership role, working with local government and some of the actively engaged non-governmental organizations, in finding new, innovative responses to the challenges of housing affordability. In our experience, carrots work better than regulatory sticks and, obviously, if housing affordability was an easy problem to deal with, solutions would already be in hand. Nonetheless, we welcome opportunities this year to work with others in the effort to increase affordable housing in our region. After all, quality of life here is what keeps our industry successful.

Shout Out Loud: “I’m Green and I’m Proud.”

Funny thing, convergence—all those independent actions that somehow form a pattern and take on a certain importance and urgency.

In mid-June, green building practitioner and advocate Joe van Belleghem of Windmill Developments (Windmill with financial partner VanCity won the City of Victoria’s recent competition to develop the 16-acre Dockside property) gave a UDI luncheon presentation to a hundred listeners on sustainable development, green buildings and the LEEDS program.

At that luncheon there was the announcement that next June, around the time of the United Nations World Urban Forum in Vancouver, Victoria will host a Sustainable Development Summit attracting a few hundred of North America’s leaders in sustainability—developers, architects, policy-makers, politicians, practitioners, theorists and technology and materials suppliers.

Which puts us in mind of some of the introductory notes in *Green Development: Integrating Ecology and Real Estate*, written by members of the Rocky Mountain Institute and published by Wiley:

“What has led to developers becoming pariahs?”

“Once upon a time, we erected statues to developers like William Penn and Beau Nash. They designed our cities and towns, and their creations shaped our lives. Perhaps more than any other members of society, they helped us conceive how we should live and interact with the world around us and make it better by our presence. A grateful public looked up to them as creators of something good and lasting: not buildings and streets, but communities.

“What has led to developers becoming pariahs? Why are they now rewarded, not with statues, but with adversarial land-use policies and NIMBYism? It may be the cumulative impacts of development that sprawls across the landscape, destroys habitat, and causes gross social disruption.

“Of course, this is not all the fault of developers. Car-oriented planning and zoning regulations dictate fragmented, dysfunctional landscapes. Lending criteria favor the tried and true, even when it clearly no longer works. Short-sighted purchasers prefer inefficient buildings that are cheap to buy but expensive to own. Yet merely responding to the market—the justification most developers give for doing what they do—is a peculiarly regressive competitive strategy, and one that would lead to ruin in almost any other industry. As this book will show, there is a better way, and those who practice it are gaining not only public acclaim but also competitive advantage.

“Real estate development was once a revered profession and a high calling. It can be so again. Indeed, the opportunity to create exemplary developments is greater than ever. What would it be like if developments produced more energy than they consumed? What if they increased habitat and biodiversity, produced food and clean water? What would they be like if they were deeply woven into the social and economic fabric of a community?”

[The preface to this book was written by James J. Chaffin Jr., a real estate developer and former president of the Urban Land Institute in the U.S.]

Do the Math

We've been making notes on the back of an envelope—everything we could think of in and around downtown that's just completed, coming out of the ground, going through development approval, and slated for application. The numbers are approximate—educated guesses in some cases—but not so wild as to affect the total. Also, we're sure we've missed several projects under construction or consideration, smaller infill projects of 5-10 units and, of course, every new project that may surface in the next few years.

Note, this is just a list of projects no greater than a kilometer, more or less, from the heart of downtown.

Dockside Green	1000 units (12-year buildout)
Songhees Hillside	600 units (ten-year buildout)
CP Roundhouse	600 units (ten-year buildout)
Parc (Tyee)	100 units
Wing (Tyee)	75 units
Railyards	100 units
Shutters	100 units
Swallow's Landing	100 units
Menzies Street	40 units
Michigan Street	65 units
Saint Mary's	60 units
Castana (Cook Street Village)	40 units
Fort Street, across from Mosaic	20 units
View Street, 800-Block	60 units
View Street. 1000-Block	200 units
BCAA site (Cook/Pandora)	100 units
Vogue (Government)	60 units
Bambu	150 units
Astoria and Belvedere (Humboldt)	150 units
Aria (Humboldt across from Astoria)	200 units
Wille Site (Douglas/Humboldt)	175 units
Wave (Yates)	100 units
Mozart House (Yates)	20 units
City Centre Motel site	100 units
Corazon (Cormorant)	75 units
United Church (Quadra/Pandora)	25 units
<u>Hudson's Bay</u>	<u>450 units (multi-year buildout)</u>
TOTAL	4755 units

Think about the retail and service needs implications of 7000 or more new residents living in or close to downtown. Think about the cultural appetites. Think about public space design challenges. Think about the property tax implications to the city. Think about the mobility challenges. Think about the sustainability agenda. Think about the market.

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The next quarterly issue of the Urban Development Institute newsletter will be distributed October 2005.