FINANCIAL FEASIBILITY ANALYSIS: DENSITY BONUSING, INCLUSIONARY ZONING AND TENANT PROTECTION

December 17, 2025

urban matters

550 - 1090 Homer Street, Vancouver, BC V6B 2W9 | T: 604.235.1701

PREPARED FOR

Caleb Horn

Planner, Current Planning, City of Nanaimo
455 Wallace Street

Nanaimo, BC V9R 5J6

PREPARED BY

Urban Matters CCC
550 - 1090 Homer Street
Vancouver
BC, V6B 2W9
T: 604-235-1701

TABLE OF CONTENTS

APPENDICES

urban matters

Executive Summary

The City retained Urban Matters CCC to undertake a financial feasibility analysis to review the impact various policy levers could have on the viability of development projects in Nanaimo. This analysis explored the individual and connected impact of:

1. Density Bonusing
2. Inclusionary Housing
3. Tenant Protections
4. Manufactured Home Park Protections

This financial feasibility analysis uses high-level financial modelling designed to inform policy-level discussions, rather than assess individual site conditions or landowner-specific considerations. The modelling is conceptual in nature and reflects broad development patterns rather than site-specific realities. Results highlighted in this memo should be interpreted as indicative, not definitive, offering a study of relative feasibility across prototypical development scenarios, and the financial capacity of development to make cash or in-kind contributions of various sorts.

The financial feasibility analysis explored nine prototypical development scenarios created in collaboration with City of Nanaimo staff. These concepts are not tied to specific properties but represent typical development forms within target City Plan land use designations. The development typologies are hypothetical and informed by:

- Historical and recent market precedents in the City (e.g., development projects)
- Anticipated development patterns and building forms aligned with broader city-building and housing objectives (e.g., OCP land use designations, parking requirements)

Density Bonusing and Inclusionary Housing

The analysis indicates that bonus density can create financial flexibility in select development scenarios for apartment buildings and townhouse projects. However, when 5% of the total floor area is allocated to inclusionary housing units, project feasibility becomes marginal, and the number of units secured is limited. Most scenarios tested do not demonstrate financial viability under current market conditions, with townhouses and select apartments showing the highest likelihood of viability due to lower parking and development costs.

- Bonus density improves viability for some scenarios, but its effectiveness is reduced with inclusionary housing requirements. The cost of inclusionary housing is higher than the value of incremental density.

- A 5% inclusionary housing requirement generally reduces profit-on-cost by 3-4 percentage points.
- Combining density bonusing and Inclusionary Housing offers only slight improvements; most apartment scenarios remain unviable.
- Proposed increases to Development Cost Charges (DCCs) and new Amenity Cost Charges (ACCs) reduce profit-on-cost metrics 2% to 3% across case study sites, compared to scenarios run under currently in-force bylaws.

Tenant Protection Scenarios

Under current market conditions, the redevelopment of purpose-built rental buildings, as modeled, is likely unviable, even without additional tenant protection supports. At baseline density, none of the scenarios achieved viability for strata or rental developments, regardless of tenant protection measures. Adding tenant protection at base density reduces the profit-on-cost metric by 1% for both strata and rental. With additional density, profit-on-cost improves by 2% to 9% but remains unviable under both old and new DCC/ACC regimes. These findings confirm the challenging financial context for rental redevelopment in Nanaimo. Supports should reflect these conditions, balancing trade-offs and benefits when considering further protections for existing purpose-built rental properties.

Manufactured Home Park Protection Scenarios

Redevelopment of manufactured home parks in Nanaimo is currently difficult due to market conditions. The financial feasibility analysis explored two manufactured home park protection scenarios:

- **Approach A:** If a developer were to provide the required compensation to manufactured home community residents under the Manufactured Home Park Tenancy Act and Manufactured Home Park Tenancy Regulation[1];
- **Approach B:** If a developer were to provide compensation beyond the requirements in the legislation, as proposed by the Manufactured Home Park Stakeholder Group who is located in Nanaimo. This proposal and the assumed costs are attached in **Appendix C**.

Compensation Approach A, which reflects the minimum financial requirements under provincial tenancy legislation, results in per-unit costs ranging from $115,000 to $260,000. This increases construction costs by approximately 6% and leads to negative profit margins. Some projects may

[1] If a manufactured home park is being closed or changed to a different use, and residents are being evicted because of it, the landlord must pay each affected tenant $20,000. If the tenant's manufactured home can't be moved, the landlord must also pay the difference between the $20,000 and the home's assessed value. In this report, while we refer to them as "manufactured home community residents", the legislation refers to them as tenants.

still proceed if land is acquired below assessment value and construction costs are favourable. Additional density also improves financial viability, especially for townhouse developments.

Compensation Approach B, based on recommendations from the Manufactured Home Community, assumes higher payouts between $351,000 and $659,000 per unit. This leads to a 33% increase in development costs and results in negative profit margins. Under current market conditions, most projects are unlikely to move forward using this approach. Overall, while both approaches present financial challenges, Approach A offers a more viable path forward under current conditions.

Conclusion

The analysis demonstrates that most development scenarios do not achieve financial viability under prevailing market conditions. Development in Nanaimo is facing elevated construction costs, high land acquisition costs, and stagnant or falling revenue potential. Within this context, there is some opportunity to establish a density bonus framework, given that incremental density can (but does not always) generate additional value, some of which could be captured through density bonus rates. The majority of incremental value generated through density bonusing should, however, be allowed to remain in development projects to help support overall viability in a challenging market context.

Development feasibility could improve if market economic conditions shift, including land values for development sites declining to more realistic levels, construction cost escalation stabilizing or slowing, and home prices and rents rising again as market absorption increases and demand continues. Changes in these factors could realign project economics and potentially allow for new or increased contributions. It is important to re-evaluate project economics regularly to ensure policy remains aligned with market realities.[2]

While current market conditions are challenging, Nanaimo can continue to refine its use of policy and regulatory tools to support development viability and affordable housing objectives. Ongoing monitoring and adaptive policy design will be essential to respond to changing market dynamics and to ensure that the City's housing strategy remains effective and equitable.

[2] The timeline for reevaluating project economics will depend largely on the extent of market changes over the next few years. Nanaimo staff can monitor key market indicators that are updated monthly and annually to track shifts in conditions. These include local sales data from the Vancouver Island Real Estate Board and BC Assessment, rental vacancy and rent data from the Canadian Mortgage and Housing Corporation, land value data from BC Assessment, and building construction price indexes, by type of building, from Statistics Canada.

Regular engagement with the local development community can also help staff stay informed about emerging trends. When these indicators show significant changes, it would be appropriate for Nanaimo to reassess project economics. Since the timing of these changes is uncertain, given the pace of market changes in the recent past, a re-evaluation in 12 to 18 months is likely appropriate.

1.0 Introduction

The City of Nanaimo (the "City") is exploring the potential to implement several policy tools as part of its zoning bylaw review. In 2023 and 2024, the Province of BC passed several legislative amendments to provide local governments with new or enhanced tools to build more housing, as well as amenities and infrastructure to support growth. These tools include inclusionary housing (IZ), updated density bonusing tools, Amenity Cost Charges, and new tenant protection bylaws.

1.1 Purpose

The City of Nanaimo retained Urban Matters CCC to undertake a comprehensive financial feasibility analysis of various development types and densities across the City. The purpose was to estimate the degrees to which different project types are financially viable and the extent to which projects may have the financial capacity to deliver below-market rental and homeownership housing via inclusionary housing and density bonusing provisions while maintaining overall financial viability. In addition, the study also reviews the financial feasibility of implementing tenant protection for the redevelopment of purpose-built rental apartment buildings and manufactured home parks.

The approaches taken in this work are consistent with the *Inclusionary Zoning and Density Bonusing Comprehensive Guidance*[3] document published by the Ministry of Housing and Municipal Affairs.

1.2 Market Context

1.2.1 Macroeconomic Conditions

Development on Vancouver Island, and across the country, is facing challenging conditions at the time of this analysis and report preparation. As a result, very few development opportunities in some markets are currently showing as, (and being underwritten as) feasible. This challenging dynamic can be attributed to a number of factors:

- Economic slowdown and uncertainty: Canada is experiencing modest GDP growth, with forecasts pointing to mild recession later this year. This has dampened consumer and business confidence.
- Risk-averse lending environment: banks have tightened underwriting standards, requiring higher pre-sales and stronger borrower covenants. Developers face higher equity requirements, which reduces leverage and constrains project feasibility.

[3] https://www2.gov.bc.ca/assets/gov/housing-and-tenancy/tools-for-government/local-governments-and-housing/izdb_comprehensive_guidance.pdf

- Labour market pressures: while unemployment has ticked up nationally, skilled construction labour remains scarce, keeping wage pressures elevated.
- Population growth moderation: immigration targets have been reduced, slowing household formation and moderating long-term demand growth. This affects both rental and ownership demand projections, and achievable pricing.

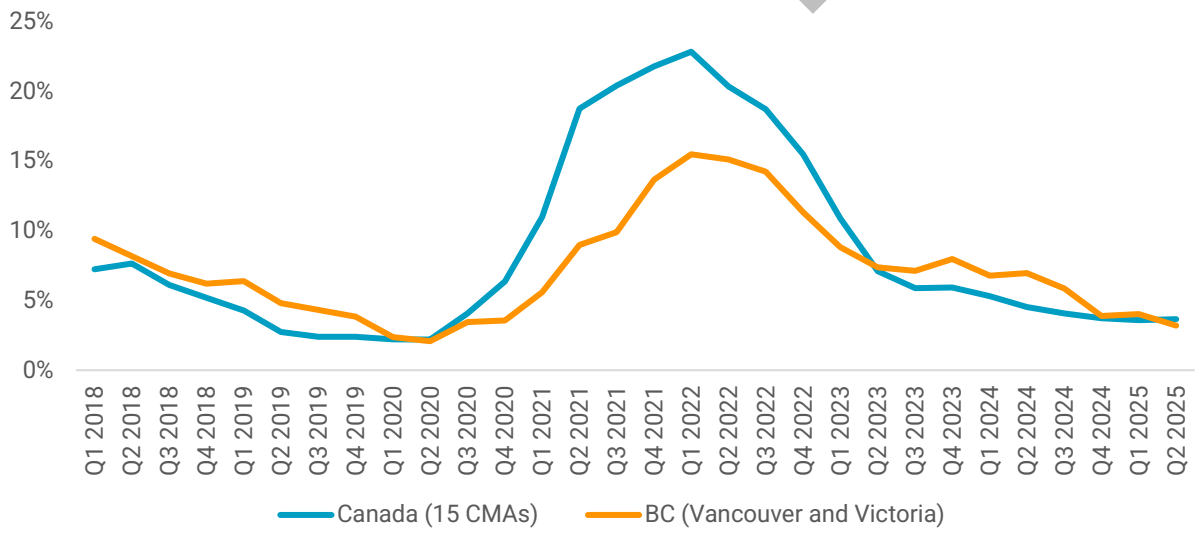
While the number of variables and specific input assumptions included in most development pro forma models are extensive, here we highlight a few of the key factors that are affecting the viability of new developments most significantly. It is important to understand this full range of external factors that are influencing the viability of development projects, and within them, be able to identify which variables are within or beyond the immediate control of the City of Nanaimo.

1.2.2 Hard Cost Escalation

As has been discussed extensively through media coverage and Statistics Canada Construction Price Indices, the costs of residential and mixed-use construction have risen sharply since the beginning of the COVID-19 pandemic in spring 2020. While there has been variability across real estate asset classes and submarkets, there has been a consistent and common observation in communities across the country.

While costs have not come down, the rate of cost growth has been in decline since 2023. The trend in year-over-year cost dynamics is illustrated in Figure 1. A return to a stable (and low) annual cost growth environment is a key prerequisite for a rebound in construction viability. While the chart does not show costs specific to the Nanaimo market, our understanding is that the general cost growth patterns that have been observed in Vancouver and Victoria are similar in other BC markets, including Nanaimo.

Figure 1: Year-over-Year Increase in Residential Construction Cost, Q1 2018 to Q2 2025



1.2.3 Interest Rates

Following an extended period of notably low interest rates leading up to the COVID-19 pandemic, 2022 through 2024 marked a period of significant increases. In conjunction with the rising capital costs for development, rising interest rates have had a significant impact on financing, including increasingly stringent requirements for the amount of equity invested (i.e., lower loan-to-cost ratios accepted by lenders), and the amount that is available to borrow.

Interest rates have been decreasing since mid-2024, which creates more favourable conditions for development, all else being equal.

1.2.4 Tariffs and Trade Uncertainty

Tariffs and trade uncertainty can shift development and fit-out costs for new projects. A few factors at play in this context include the following:

- Steel, aluminum and prefabricated building components are all directly affected by Canadian countermailing tariffs, raising costs on some projects by up to 12%.
- Supply chain disruptions and longer lead times are now common, particularly for HVAC and electrical equipment. Extended timelines lead to higher costs.
- The unpredictability of tariffs complicates cost forecasting and contract negotiations. Many contractors are inserting escalation clauses into agreements.
- Trade tensions are also weighing on GDP growth, consumer confidence and employment, all indirectly affecting housing demand and achievable pricing.
- Fluctuations in trade policy and a persistently weak Canadian Dollar could exacerbate costs, as a weak currency makes US-imported goods and materials more expensive.

1.2.5 Demographic and Market Demand Trends

Slowing immigration and reduced inflows of non-permanent residents are moderating rental demand growth. At the same time, relatively high interest rates (in the context of the 5 years) and affordability challenges are delaying transitions from rental to ownership, sustaining demand for purpose-built rental. Nanaimo continues to attract interprovincial migrants, particularly retirees and remote workers, sustaining medium-term demand despite national headwinds.

2.0 Policy Tools Overview

2.1 Density Bonusing

Density bonusing is a discretionary value-capture tool that municipalities can embed in zoning to grant additional development rights in exchange for community benefits. It is at the developer's discretion to use, or not use, the density bonus framework. Typically, accessing additional density is tied to the delivery of either specific in-kind amenities, or cash-in-lieu of direct amenity provision. The amount of in-kind or cash-in-lieu provisions tied to density bonusing should be carefully calibrated through analysis of development economics, and specifically the incremental value created through additional density. Use of density bonusing cash-in-lieu also comes with clear reserve-fund rules, so that any cash collected is demonstrably tied to the capital costs of eligible amenities or housing when the cash option is exercised. With regards to the cash-in-lieu option, density bonusing differs from inclusionary zoning (IZ) (discussed below) as IZ's cash alternative is explicitly required to be tethered to the "capital costs otherwise incurred" of building the inclusionary units, whereas density bonusing allows more policy flexibility on rate setting itself, so long as statutory cash-in-lieu mechanics are followed.

At the policy level, it is best practice to use pro forma modelling, and specifically land lift analysis, to determine both the uplift created through density bonusing, and a reasonable capture share of that uplift. This approach ensures alignment between value capture and development viability, which helps to avoid a situation where density bonus is not reflective of the actual value created by the additional density. A zoning bylaw must set out the forms of contribution (e.g., on-site units, in-kind amenities, cash), and the method for calculating a cash-in-lieu payment.

The Local Government Act (LGA) and the Province's *Comprehensive Guidance on Inclusionary Zoning and Density Bonusing (2025)* outlines the need for some alignment between density bonus cash contributions and the capital costs of amenities that those dollars are being used to fund. If a cash option for density bonusing is offered, the bylaw must specify how the "estimated capital costs" are calculated and that proceeds be placed into the density bonus reserve funds for eligible capital uses. This means that municipalities can set their density bonus rates using pro forma land-lift analysis (as conducted in this study), but ultimately, they must also ensure the bylaw contains a transparent capital cost formula and reserve fund rules, so that cash collected is tied to capital purposes.

In the context of this analysis, density bonus zoning has been evaluated through case study pro forma analysis within OCP designations that the City has identified as being areas where density bonus zoning may be used.

2.2 Inclusionary Housing

Inclusionary housing (IH) is a broad term that refers to the process that engages private developers to provide a percentage of below-market housing in their otherwise market-rate housing developments. IH provisions can be enacted in different ways using different tools, either non-discretionary or discretionary.

- **Non-Discretionary Inclusionary Housing** (***Inclusionary Zoning***)[4] – Inclusionary housing may be captured through a non-discretionary inclusionary zoning (IZ) provision within a zoning bylaw, whereby a developer must provide below-market affordable housing or a cash-in-lieu equivalency as an outright condition of zoning and development approval.
- **Discretionary Inclusionary Housing** (*through density bonusing)* – Inclusionary housing may also be tied to additional density provisions in a zoning bylaw. The developer has the discretionary ability to access or not access the additional density provisions, and delivery of inclusionary housing units (or cash-in-lieu) could be a condition for accessing the additional density.

For the analysis in this report, IH has been financially tested using a subset of case study sites that demonstrate relatively stronger financial performance under 'all-market' conditions. The analysis models IH under two scenarios: (1) a "base" density scenario, and (2) a scenario where additional density is granted to the development as Nanaimo updates its Zoning Bylaw, it can choose to grant this additional density as-of-right and apply an affordable housing requirement (i.e., inclusionary zoning within a prescribed density envelope), or offer voluntary additional density in exchange for affordable units (inclusionary housing as a condition of density bonusing). The financial testing approach in this report implicitly addresses both options, providing Nanaimo with flexibility to explore how below-market units or cash contributions directed to delivery of below-market units, could be achieved.

2.3 Tenant Protections

Bill 16 – Housing Statutes Amendment Act, 2024 provides municipalities with the authority to develop tenant protection bylaws to require owners to provide additional support over the *Residential Tenancy Act* for tenants facing displacement due to redevelopment. This includes

[4] The LGA provides municipalities with the authority to adopt Inclusionary Zoning (IZ) bylaws, and recent legislative changes under Bill 16 – Housing Statutes Amendment Act (2024), expanded and clarified how those bylaws can be structured. Under the LGA, an inclusionary zoning bylaw must specify the proportion of units or floor area to be delivered as affordable housing. IZ bylaws must include both a "build option" and a "cash-in-lieu" option." The cash option must be tethered to the "capital costs otherwise incurred" in constructing the required affordable units. This is intended to ensure that developers cannot opt out of building units by paying a nominal fee; instead, the cash contribution must reflect the actual cost of delivering equivalent below-market housing.

From a municipal finance perspective, IZ is less flexible than density bonusing because cash-in-lieu contributions are legally tied to the capital cost of the build option. This tethering is meant to ensure an equivalency between the units foregone and the financial contribution received. The challenge lies in calibrating IZ requirements, so they do not undermine project financial feasibility.

financial assistance, moving assistance, help to find a new place to live, or opportunity to exercise rights to enter into a new tenancy agreement in a comparable unit in another building. The intention of this bill is to ensure that negative impacts on tenants are mitigated while municipalities densify.

2.4 Manufactured Home Park Protections

The province provides protections for residents of manufactured home communities who face eviction due to redevelopment. Under the Manufactured Home Park Tenancy Act (MHPTA), residents who own their manufactured home and rent the site are entitled to specific notice and compensation. For those who rent both the home and the site, protections are provided under the Residential Tenancy Act (RTA)

Several communities across the province have introduced policies to provide additional protections for residents of manufactured home communities including the City of Surrey, City of Coquitlam, City of Revelstoke, City of West Kelowna, and City of Mission.

3.0 Methodology & Case Studies Overview

This Financial Feasibility Analysis uses broad financial modelling to guide policy discussions, not to evaluate individual sites or landowners. The results are conceptual and should be viewed as indicative estimates of relative feasibility for typical development scenarios, including potential cash or in-kind contributions.

3.1 Development Typologies and Modelling Approach

Prototypical development scenarios were developed collaboratively with City of Nanaimo staff. These scenarios are conceptual and not tied to specific properties; instead, they represent plausible development forms and densities that have either been constructed or could potentially be realized across various areas in Nanaimo. The development forms and densities analyzed, defined by **floor area ratios** (FARs), may not correspond to the height and density requirements specified in the City Plan, nor do they necessarily reflect the final density parameters (base or bonus) that will be established in the City's updated zoning bylaw. The analyses presented in this report serve an exploratory purpose, illustrating, through pro forma financial modelling, how project types generally consistent with City land use policy may perform financially. Ultimately, these prototypical project pro formas aim to assess the financial capacity for municipal value capture, through tools like density bonusing or inclusionary zoning, to support a variety of City amenity and below-market housing priorities.

The development typologies and densities are modelled within the City's various OCP land use designations, and have been informed by several factors:

- Historical and recent market precedents in Nanaimo, including previous development projects;
- Anticipated development patterns and building forms that are consistent with broader city-building and housing objectives, such as OCP land use designations and parking requirements;
- City input regarding building forms supported by City Plan policy, and discussions around heights and densities that may be supported in future zoning.

3.2 Financial Analysis Approach

The financial analysis is undertaken in a few stages:

1. **Engagement with Development Community –** Urban Matters conducted informational interviews with eight developers (for profit and non-profit) in order to understand the drivers and barriers to development when exploring the implementation of tenant protection, inclusionary zoning, and density bonusing. The findings can be found in **Appendix A**. This engagement was also an opportunity to gather key input data from industry.
2. **Base Density Pro Forma Scenarios** – these scenarios represent financial analysis findings under a set of base-case mix and density conditions. These are thought to be reasonable density 'floors' above which density bonus options may be offered to prospective developers. The baseline density pro forma scenarios do not include any non-discretionary requirements like inclusionary zoning or tenant protection policies.
3. **Additional Density Pro Forma Scenarios** – these scenarios test project financial performance under increasing density levels over that established in the baseline scenarios. The goal is to understand the **uplift in value** created through additional density. Critically, this stage in the analysis assumes that additional density is (i) built as full market rate housing and (ii) accessed by the developer at no cost. This is not to suggest that the City will not capture value through additional density rights in its zoning bylaw. Rather, the goal of the analysis is to understand what the maximum value of additional density may be (as though it were 'free'), so that density bonus value capture mechanisms (in-kind or cash-in-lieu) can be appropriately sized.
4. **Inclusionary Housing Scenarios (various density envelopes)** – analysis steps 2 and 3 above provide an understanding of which development scenarios are showing stronger or weaker overall performance across the City. Using that information, a sub-set of scenarios with relatively stronger financial performance are used to test inclusionary housing scenarios. In these scenarios, a 5% inclusionary housing provision is applied to understand how this may affect financial performance of a project, and ultimately whether there is sufficient financial capacity for projects to carry such a requirement. The analysis is effectively 'tool agnostic', in that it is simply evaluating the pro forma impact of the inclusionary provision at a given density threshold, regardless of how it is enacted.
5. **Tenant Protection Policy Scenarios** – these scenarios model purpose-built rental sites and add tenant protection policies to the baseline scenario.
6. **Manufactured Home Park Scenarios** – these scenarios model manufactured home park sites and add financial compensation and assistance considerations to the baseline scenario.

3.3 Case Studies Overview

3.3.1 Understanding the Case Study Approach

Financial feasibility analysis for development projects is inherently complex, shaped by a wide array of variables including land costs, construction costs, financing terms, market pricing, market absorption, and municipal requirements. To make this complexity manageable, a case study approach is typically used. This involves creating a set of representative development scenarios, on case study parcels that are thought to be broadly representative of conditions that developers will face in various parts of the City. Using case study sites, representative development forms and densities are financially modelled (using a development pro forma), from the perspective of a typical for-profit developer.

The purpose of this approach is not to predict the exact outcome for every project that may come forward, but rather to **test the general financial dynamics** of different development forms under prevailing market conditions, and prevailing or proposed policy conditions (e.g., forms, densities, fees etc.). By modelling a range of typical sites and building types, the analysis captures how different forms respond to costs, revenues and policy requirements. Through case studies, we can see how potential policy changes play out in terms of project viability. Each case study uses realistic, market-based assumptions for land values, costs, and prices, providing a credible basis for discussion.

A common question is whether the results of one or a series of case studies can be generalized to all projects of that type in a given market context. For example, if a 6-storey condo apartment case study in a Secondary Urban Centre shows poor financial returns, does this mean *all* such projects will show similar returns? The answer is, not necessarily. Case studies are illustrative, not predictive. They show how an average project, on an average development site, may perform under the prevailing grounded set of market-based assumptions. But actual projects will vary depending on site-specific conditions (e.g., land acquisition costs, construction timing, developer expertise, extent of vertical integration vs. sub-contractors used, etc.). Some projects may, in reality, perform better than case study results (e.g., if land was acquired at a lower price, if a developer can obtain lower construction costs, or if prices are higher in a particular sub-market), while others may perform worse. The value of case studies, modelled using realistically plausible development sites and best available market data, lies in identifying broad trends, such as identifying whether a certain building form or density is generally under financial pressure, or whether there is capacity to absorb additional municipal requirements. Case studies on representative test sites that show poor returns are likely indicative that most projects of a similar type will not be viable. Case studies showing marginal returns indicate that there may be a mixture of viability and non-viability in the real world, but that a given form / density /tenure combination is likely to be under financial pressure. By comparing multiple case studies, we can

see which development types are more resilient to added costs, which are more sensitive, and what is driving those results, thus helping to calibrate policy tools.

Because market conditions shift over time (construction costs, interest rates, demand), and because the past 5 years have been a particularly turbulent period where variables have been shifting rapidly, it is important to remember that case study results represent a snapshot in time. Regular updates are necessary to ensure policy remains aligned with market realities.

3.3.2 Establishing Case Study Sites

A total of **13 case study sites** were selected for financial analysis testing. Two sites represent manufactured home parks, two sites represent purpose-built rental apartments, and the balance represent prototypical sites within each OCP designation that are deemed 'higher probability' sites for near-term redevelopment. A 'higher probability' site is one that is either vacant or contains a relatively older and largely depreciated building, or with low land value. Urban Matters analysed the entirety of the municipal land base falling within each OCP designation to ensure that case study test sites are representative of the better development opportunities across the City. Case study sites are shown broadly in **Table 1**, organized by OCP land use designation.

Table 1: Case Study Sites and Testing Parameters

	OCP Designation	Base Typology Tested	Site Size (SF)	Land Price Per Acre	Density (FAR) Tested	Policy Testing
1	**Primary Urban Centre**	Concrete apartment	23,[illegible]73	$5[illegible]M	7.5, 9.0	Inclusionary Zoning and Density Bonusing (DB)
2a	**Secondary Urban Centre**	Wood frame apartment	43,560	$[illegible]2K	2.75	
2b		Wood frame mixed-use apartment				
3	**Secondary Urban Centre**	Concrete Mixed-use apartment	26,739	$2.6M	5.0, 6.0	
4	**Neighbourhood Centre**	Wood frame Mixed-use apartment	18,480	$2.3M	1.25, 1.5, 2.0, 2.4, 2.75	
5a	**Neighbourhood**	Townhouse	43,560	$536K	0.75, 1.1	
5b		Wood frame apartment			1.25, 1.5, 2.0, 2.4, 2.75	
6	**Residential Corridor**	Wood frame apartment	43,560	$516K	2.0, 2.4, 2.75	

7	**Mixed-Use Corridor**	Wood frame mixed-use apartment	43,560	$1.8M	2.0, 2.4, 2.75	
8	**Old City Neighbourhood**	Wood frame apartment	27,880	$602K	1.2, 1.5, 2.0	
9	**Waterfront**	Concrete mixed-use apartment	43,560	$2.0M	5.0, 6.0	
10	**Neighbourhood**	Wood frame apartment	43,650	$1.9M	1.25, 1.5, 2.0, 2.4, 2.75	Tenant Relocation Policy + DB
11	**Suburban Neighbourhood**	Wood frame apartment	43,560	$3.5M	1.2, 1.5, 2.0	
12	**Neighbourhood**	Townhouse	43,560	$1.8M	0.75, 1.1	Manufactured Home Protection Policy + DB
13	**Secondary Urban C re**	Wood rame mixed-use ap ment	43,560	$809K	2.75	Manufactured Home Protection Policy + DB

Using each of these case study sites, pr totypical development scenarios were created in collaboration with City of Nanaimo staf These co ts are not tied to specific properties or property conditions, but rather represen wh re th ught to be 'typical' development forms within target City Plan land use designations. Typ gies ar ypothetical (i.e., no site specific architectural or volumetric modelling was conduc d), a inf ed by:

- Historical and recent market precedents in t e City (e g., deve pment projects);
- Anticipated development patterns and building forms aligned ith roader city-building and housing objectives (e.g., OCP land use designations, p king requirements).

Three policy tools or 'levers' were tested and applied depending on the existing use of the site:

- For most case study sites, **density bonusing** parameters were tested, with density ranges (as shown in Table 1) aligned with potential density envelopes that may be supported by future zoning.
- For a sub-set of case study sites, **inclusionary housing** was tested across the relevant development typologies. Specifics on inclusionary housing assumptions are discussed in sections to follow.
- For purpose-built rental apartments (Site 10 and 11), a **tenant relocation policy** was tested, consisting of tenant moving assistance and compensation based on assumed length of tenure.

- For manufactured home parks (Site 12 and Site 13), a **manufactured home protection policy** involving two approaches to compensation for tenants was tested.

3.4 Determining Project Viability

The financial analysis models project viability or non-viability on an average or 'typical site' basis. Measures of project viability differ for ownership (strata) vs. rental tenure projects. This is outlined in more detail below.

3.4.1 Ownership Tenure Projects

For projects modelled under **ownership (condo) tenure**, the primary measure of financial viability used in this analysis is **profit-on-cost**. This is calculated as the net revenues (after commissions and other fees) generated by a project, less all creation costs including land and financing, divided by those same creation costs. This is expressed as a percentage.

- Any scenario that generates a profit-on-cost of 15% or higher is considered "**viable**."
- Any scenario that generates a profit-on-cost under 15% but higher than 10% is considered "**potentially viable**." While these scenarios may be viable in some cases, these projects would have limited financial capacity to carry new/ higher costs.
- Any scenario that generates a profit-on-cost under 10% is considered "**unlikely viable**."

These are typically accepted project viability thresholds in the development industry, and are consistent with what developers must commonly demonstrate to their lenders and investors to obtain project financing and equity.

3.4.2 Rental Tenure Projects

For projects modelled under **rental tenure**, measures of viability must consider two perspectives: (1) 'build-and-sell' (i.e., developer builds, leases up, and then sells the building to an owner/operator), and (2) 'build-and-hold.' (i.e., developer builds, leases up, and then holds the asset for a longer period). As with ownership tenure projects, the key metric for build-and-sell' is **profit-on-cost**, while for build-and-hold' developers will consider both the profit-on-cost and the unlevered and levered **internal rate of return (IRR)**[5]**.**

[5] The IRR is essentially the average annual rate a project earns, accounting for all cash going in (costs) and all cash coming out (revenue) over time. "Unlevered" IRR (or 'project level' IRR), measures the returns on the whole project, assuming it is financed entirely with equity (i.e., no debt). It is based on unlevered free cash flow (before interest and loan repayments), and thus shows a project's intrinsic profitability, regardless of how it is financed. "Levered" IRR (i.e., equity IRR) measures the return on the equity actually invested, after accounting for debt. It is based on levered free cash flow (after interest and principal repayments). It captures both operating performance and the impact of financial leverage. As such, it is often higher than the unlevered IRR, if debt is cheap and cash flows are strong.

While developers considering building and cash-flowing a project over a long period of time are inherently more interested in metrics like IRR (as it is a true illustration of what they might expect year-to-year going forward), they must still consider, and often demonstrate viability based on, a profit-on-cost perspective, as though they were going to sell the building at completion and stabilized occupancy. This is why, in this analysis, consideration is given to both profit-on-cost and IRR. Lenders (banks, credit unions, pension-backed lenders, CMHC-insured programs) typically require a residual land value test or profit-on-cost analysis to demonstrate that, if the project were sold upon completion, it would generate a sufficient return. This is because lenders need assurance that the project has an exit strategy and that the collateral (the completed building) would be worth more than the loan in a liquidation scenario.

What constitutes a 'viable' (or acceptable) profit-on-cost for a rental scenario varies amongst different developers, depending on their (and their investors') goals. For some, market rental may be seen as a less risky investment than condo development due to its long-term income generating feature, thus a lower return on cost is accepted. For the purposes of this analysis, if a project is shown to demonstrate **10% profit return on cost**, it is considered likely **viable**.

On top of the 10% return on cost requirement, for projects to be considered viable on a cash-flow basis, they must also demonstrate:

- An ability to cover costs from the point of stabilized occupancy onward and meet typical lender debt-service-coverage ratios. Lenders typically require ratios of 1.2 or higher, although CMHC-backed financing has been willing to lend on a 1.1 basis.[6]
- A **levered IRR of at least 12%,** assuming moderate leverage (60-70%), paired with an **unlevered IRR of at least 7%.**

While a developer who intends to hold a building will focus on metrics like debt-service-coverage-ratios and internal rate of return (IRR), smaller markets like Nanaimo often require slightly higher returns to reflect perceived leasing and liquidity risk.

3.5 Financial Model Assumptions

The financial model uses assumptions that are informed through recent development data (retrieved from Zonda's NHS Live database), interviews with local developers, MLS listings, and 2025 Altus Cost Guide information. Parking requirements are modelled per the *Off-Street Parking*

[6] A debt service coverage ratio (DSCR) is a measure of a rental building's ability to generate enough income to cover its mortgage payments. It is calculated by dividing the property's net operating income (NOI) by its annual debt service (principal and interest). A DSCR greater than 1.0 means the building produces more income, after all other expenses, than is required to pay its debt. Lenders typically require a DSCR of 1.2, meaning that a property must generate 20% more income than is required to service the debt. This buffer protects both the lender and the borrower against normal fluctuations in operating performance, owing to vacancy swings, operating cost inflation, and interest rate changes.

Bylaw and are based on the specific geographic area / land use designation that a case study site falls within.

The financial analysis assumes that developers will access traditional financing sources, at prevailing market rates, for their construction and take-out loans (if applicable). While earlier versions of modelling for this project considered CMHC Apartment Construction Loan Program (ACLP) terms for rental, a decision was ultimately taken to model using a more conservative set of assumptions (traditional financing), given the unknowns about the duration of this CMHC program, and the likelihood of more stringent stipulations for program eligibility in the future. Note however that, for projects that are able to take advantage of this (or similar) preferential financing streams, financial performance will be improved in comparison to what is presented in this report.

Table 2: Financial Model Assumptions

	Townhouse	Strata Apartment	Market Rental Apartment	Commercial-Retail in Mixed-Use Building
Avg. Unit Size / Space Requirements	1,300 sq.ft.	775 sq.ft.	675 sq.ft.	0.30 FAR (sq. ft. varies from project to project)
Parking Requirements (stall/unit) incl. visitors' parking	1.5 stall / unit[7]	Ranges from 0.5 to 1.0 stall/unit	Same as strata apartment	1 per 22 stalls
Avg. Revenue / Value At Completion	$585K per unit ($450 psf)	$450K per unit ($585 psf) + 9% premium for waterfront sites	$2,025 per unit ($3.0 psf/month)	$25/sq.ft./annum Cap Rate: 6%
Estimated 'All-In' Costs (excl. Land) per sq. ft. of buildable floor area*	~$375 psf	Concrete: ~$580-615 psf Wood-frame: ~$440 psf		
Financing Interest Rate	Land and construction financing at 5.95% and 75% LTV			
Growth Charges	Existing Fees – Local and regional DCCs, CAC per residential unit and commercial space per sq.ft. Proposed Fees –Local and regional DCCs (proposed, per unit), new ACC rates (proposed, per unit)			

**Costs vary depending on number of parking stalls provided.*

[7] Typically parking for regular townhouse is built in the form of garage of the main unit, and is often incorporated as part of the construction cost of the main unit. Variation of parking ratios usually do not have significant impact on cost.

***Inclusionary Housing Units are tested at 10% below CMHC average, which is equivalent to an average of $1,400/month*

3.6 Below-Market Housing Assumptions

This section highlights the core assumptions used in scenarios involving the **provision of below-market housing units**. Note that the provision of such units may be achieved through different policy measures, such as inclusionary zoning, or density bonusing, as previously discussed. The assumptions outlined here were developed in collaboration with City staff and informed by recent practices of other local governments on Vancouver Island and the Lower Mainland.

3.6.1 Proportion of Units Set Aside for Below-Market Units

This analysis tests a below-market unit provision equal to **5% of floor space** across townhouse and apartment scenarios. Note that this 5% provision is tested under two conditions: (1) under base density conditions (i.e., as true "inclusionary zoning", as recently enabled in BC), and (2) under bonus density conditions, whereby value created through additional density is essentially 'clawed back' through below-market housing provision. The 5% of floor area set-aside rate is based on guidance from Metro Vancouver's *Inclusionary Housing Study*[8] which suggests that a 5% target for below-market rental and homeownership units may be reasonable for 'lower priced markets.' While the *Inclusionary Housing Study* focused on the Metro Vancouver region, Nanaimo's current revenue market most closely aligns with the 'lower priced markets' outlined in this study, and as such, 5% is tested as a starting point.

3.6.2 Unit Mix for Below-Market Unit Testing

In a multi-unit development of 10 or more units, we assume the below-market unit mix would be:

- A minimum of 30% 2 bedrooms
- A minimum of 10% 3 bedrooms or more

Thus, a maximum of 70% of the units can be one bedroom or bachelor units. This is based on direction from the City's proposed bedroom mix policy.

The financial feasibility analysis tests below-market units using an average blended unit size of 675 sq. ft., which is the same assumed size as the market rental units as there are no minimum square footage requirements prescribed by the City for each bedroom type at this time.

3.6.3 Below-Market Rental Levels

For the purposes of testing the viability of below-market unit provision (whether through inclusionary zoning or density bonusing), affordable rental units are defined as 10% below the

[8] Metro Vancouver Regional District. (2024). A Regional Model for Inclusionary Housing. *https://metrovancouver.org/services/regional-planning/Documents/inclusionary-housing-policy-review-regional-model-policy-framework.pdf*

CMHC's average market rental rate (AMR) for Nanaimo. This analysis assumes the CMHC October 2024 rental rates for testing, as published in the CMHC Rental Market Survey, and annual increases would be limited to an assumed 2.0%,

Table 3: CMHC Average Rental Rates, Row/Apartment, City of Nanaimo, 2024

	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom +	All Units
Average Rent	$1,246	$1,406	$1,775	$1,826	$1,556

Source: CMHC Rental Market Survey, 2024

3.6.3.1 Alternative Affordability Levels for Consideration

Below-market rental rates can also be determined using local income data, or local rental market data. Communities that set their affordable rates based on incomes often use BC Housing's Housing Income Limits (HILs). HILs for Nanaimo for 2024 and 2025 were not yet available and therefore affordability was set based on local rental market data.

Basing affordability on local income statistics can be an effective way to ensure that new affordable units meet community needs. One limitation of this approach is that household income data for Nanaimo, whether from Census sources or BC Housing, is often less current than rental market data. Rental market data is tracked and published annually by CMHC. Alternatively, setting affordable rates as a percentage of market rental rates benefits from regular data updates. This method, though, does not ensure that new units will be truly affordable for local residents.

Table 4: Comparison of BC Housing HILs and Average Rent

	BC Housing HILs (2023)		CMHC Average Market Rent (2023)	
	Max Household Income	Average Rent Equivalent (30% of HIL Monthly Income)	Average Rent	Equivalent HH Income (Average Rent as 30% of HH Income)
Bachelor	$44,000	$1,100	$1,078	$43,120
1 Bedroom			$1,230	$49,200
2 Bedroom	$56,000	$1,400	$1,531	$61,240
3 Bedroom	$63,000	$1,575	$1,584	$63,360
4+ Bedroom	$74,000	$1,850	n/a	n/a

Source: CMHC Rental Market Survey 2024 and BC Housing 2023 Housing Income Limits (HILs)

3.6.4 Below-Market Homeownership Assumptions

The analysis also explored the impact of securing the below-market units as homeownership units rather than rental units, with these scenarios examined using one case study site. For the purposes of testing the viability of below-market homeownership, target sales prices are set at 10% below the sales price of a market unit.

While securing below-market affordable homeownership units has less of a negative impact on project economics than equivalent below-market rental unit provision, there are limitations to affordable homeownership programs that should be kept in mind.

Considerations for securing below-market homeownership units as part of the IH requirement include the following:

- Identifying a consistent and public data source for setting rates (e.g., BC Assessment sales transactions, local real estate board benchmark prices, or other);
- Identifying and setting the level of affordability for affordable homeownership;
- Attaining affordability that matches local incomes;
- Allocating resources to coordinate the transfer of these units between owners; and
- Protecting affordability for future homeowners through restrictions on resale pricing.

In this analysis, the below-market homeownership is assumed at 10% below the market price, i.e. $527,000 for townhomes and $405,000 for strata apartment units.

3.6.5 Affordability Term

The analysis assumes that the IH units would be built by a developer and sold/transferred to a non-profit housing organization to own and manage, at a cost (i.e., revenue to the developer from sale of the units). The sales price of the IH unit would be based on fair market value, calculated as the capitalized value of those units at completion (i.e. net operating income, divided by market cap rate). A cap rate of 6.5% is used for the valuation, which is higher than prevailing cap rates for market rate rental housing.[9] The non-profit housing developer is expected to operate the IH units according to a 60-year housing agreement as prescribed by the City.

[9] Non-market units are typically valued using higher cap rates than market units due to their income characteristics (current and long-term) and liquidity. Non-market units are rented at below-market rents, and are subject to restrictions around revenue escalation. These restrictions reduce the owner's control over revenue (but not operating costs), thus making them inherently riskier over the long term. More risk translates to higher cap rates. Further, because the buyer pool for non-market units is limited to non-profits, this limited buyer pool means the units have a lower value.

4.0 Density Bonusing and Inclusionary Housing Scenarios

This section outlines the findings related to analysis conducted at nine (9) case study sites, modelled after what are thought to be prototypical development typologies and densities envisioned for various City Plan land use designation. Base and additional density thresholds have been established through conversations with City staff, and **do not necessarily represent density provisions that will be incorporated into the City's updated zoning bylaw**. The financial analysis examines project financial performance at various density levels as a means of understanding the value created (or not created) by additional density. It also examines the impact on project financial performance of applying inclusionary housing provisions at various density levels.

4.1 Case Study Sites

The case study sites for financial analysis looking at density bonusing and inclusionary housing provision are shown below in **Table 5.**

Table 5: Inclusionary Housing and Density Bonusing Case Study Sites

Case Study Test Site Number	OCP Designation	Typologies Tested	Case Study Site Size (SF)	Land Price Per Acre	Base Density Tested (FAR)	Additional Density Tested (FAR)
1	**Primary Urban Centre**	Concrete apartment	23,573	$5.0M	7.50	9.00
2a	**Secondary Urban Centre**	Wood frame apartment	43,560	$182K	2.75	n/a
2b		Wood frame mixed-use	43,560	$182K	2.75	n/a
3	**Secondary Urban Centre**	Concrete mixed-Use	26,739	$2.6M	5.00	6.00

4	**Neighbourhood Centre**	Wood frame mixed-Use	43,560	$2.3M	1.25	1.50, 2.00, 2.40, 2.75
5a	**Neighbourhood**	Townhouse	43,560	$536K	0.75	1.1
5b		Wood frame apartment	43,560	$536K	1.25	1.50, 2.00, 2.40, 2.75
6	**Residential Corridor**	Wood fra apartm nt	43,560	$516K	2.0	2.40, 2.75
7	**Mixed-Use Corridor**	Wo d frame mi ed-use artment	43,560	$1.8M	2.00	2.40, 2.75
8	**Old City Neighbourhood**	Wo d fram apartment	7,880	$602K	1.20	1.50, 2.00
9	**Waterfront**	Concrete m ed-use	,560	$2.0M	5.00	6.00

4.2 Baseline Scenario Findings

The baseline scenario results, presented in Table 6 below, show the exte of project financial viability across nine (9) case study sites without the application of any policy levers that would either (a) eate va e (bon density) or (b) 'claw back' value (amenity or inclusionary housing provision, within or outside of a density bonus framework). These s arios are modelled under both strata and market rental tenure. Note that the baseline densities modelled do not necessarily ref t the actual 'base density' levels that may be set in future zoning, nor are they necessarily representative of 'minimums' as outli d in the discussion of typical building forms in City Plan. Rather, 'baseline densities' represent UM's estimation of minimum densities at which development may potentially proceed, based on observations of recent development activity in the City and conversations with the City and developers. Actual 'base density' levels established in an updated zoning bylaw may be different from the 'baseline' densities tested here.

The financial analysis indicates that development viability is challenging across the case study sites under prevailing market conditions. *Note that these results do not include any proposed ACCs or new DCC rates.*

Table 6: Financial Testing Results, Baseline Density Scenarios

						Strata		Market Rental		
Site Number	**OCP Designation**	**Typology Tested**	**Price Per Acre**	**FAR**	**Residential Parking (with Visitor)**	**Viability**	**Profit-on-Cost**	**Viability**	**Profit-on-Cost**	**Levered IRR**
1	**Primary Urban Centre**	Concrete apartment	$5.0M	7.5	0.8	No	-16%	No	-32%	-5%
2	**Secondary Urban Centre**	Wood frame apartment	$182K	[illegible]	1.7	No	3%	No	-9%	4%
		Wood frame mixed-use apartment	$182K	2.75	1.7	No	-6%	No	-15%	3%
3	**Secondary Urban Centre**	Concrete mixed-use apartment	$2.6M	[illegible].0	1.2	No	-30%	No	-36%	-11%
4	**Neighbourhood Centre**	Wood frame mixed-use apartment	$2.3M	[illegible]	[illegible].5	No	-11%	No	-23%	0%
5	**Neighbourhood**	Townhouse	$536K	0.75	[illegible]	Viable	16%	n/a	n/a	n/a
		Wood frame apartment	$536K	1.25	1.5	No	3%	No	-13%	4%
6	**Residential Corridor**	Wood frame apartment	$516K	2.0	1.2	Potentially Viable	14%	No	2%	8%
7	**Mixed-Use Corridor**	Wood frame mixed-use	$1.8M	2.0	1.3	[illegible]	-6%	No	-16%	3%
8	**Old City Neighbourhood**	Wood frame apartment	$602K	1.2	1.3	No	5%	No	-7%	5%
9	**Waterfront**	Concrete apartment	$2.0M	5.0	1.5	No	-27%	No	-39%	-15%

4.2.1 Strata Scenarios - Baseline

For strata scenarios, most do not demonstrate viability under baseline conditions. In general, the profit-on-cost for concrete development ranges from -30% to -16%, while wood frame development at most sites (Except Case Study 6) ranges from -11% to 3%.

There are two scenarios that show financial feasibility to a degree. The townhouse scenario in the Neighbourhood designation (Case Study site 5) returns a >15% profit-on-cost, which means it is likely viable. The other potentially viable scenario is the 4-storey apartment in the Residential Corridor designation (Case Study 6)., with profit-on-cost of 14%.

It is also informative to compare the results for Case Study 6 (at 2.0 FAR) against Case Study 2 (at 2.75 FAR). Case Study 2 is in a location with lower market pricing for land; however, it performs considerably worse than a lower-density project with higher land pricing at site 6. This contrast in project returns is a function of significantly higher construction costs for Case Study 2, owing to a higher parking requirement. Parking provision, particularly if that provision is required to be underground, is a very significant project cost. Lower parking requirements can, therefore, significantly improve project returns although there is a 'tipping point' below which reduced parking provisions will impact achievable revenues and overall project marketability. Reduced parking requirements, therefore, do not necessarily mean parking will not be built. It simply allows the market to determine what is reasonable and to build accordingly.

For all other scenarios, no current viability is demonstrated.

4.2.2 Rental Scenarios – Baseline

For rental scenarios, none of the test sites demonstrate viability at the base density levels. The main reason is that the capitalized value (or salable value) of each development based on achievable rents falls, on a per-square-foot-buildable basis, below the construction costs, resulting in negative profit-on-cost metrics in most case studies except for rental Case Study 6. For Case Study 6, even though the project shows a levered IRR of 8%, the profit-on-cost metric falls well below the 10% threshold that would likely be needed to obtain financing. While a project like this could be achievable under the right conditions (e.g., private equity or pension fund backing with long time horizons and low return requirements), it would not be deemed viable if evaluated using standard developer metrics.

4.3 Additional Density Scenario Findings

For case studies 1, and 3 through 9, additional density is layered atop the baseline densities presented in **Table 6** above, to determine the degree to which additional density – if built entirely as market rate housing, without any value clawed back through amenity contributions or inclusionary housing – may improve financial conditions. Results of this analysis are presented in **Table 7,** below.[10]

Table 7: Financial Testing Results, Additional Density Scenarios

							Strata (higher density)		Market Rental (higher density)		
Site Number	**OCP Designation**	**Typology Tested**	**Price**	**Base Density**	**Higher Density**	**Residential Parking (with Visitor)**	**Viability**	**Profit-on-Cost**	**Viability**	**Profit-on-Cost**	**Levered IRR**
1	**Primary Urban Centre**	Concrete apartment	$5.0M	7.5	8.0	0.8	No	-16%	No	-32%	-5%
3	**Secondary Urban Centre**	Concrete mixed-use apartment	$2.6M	5.0	6.0	1.2	No	-29%	No	-36%	-11%
4	**Neighbourhood Centre**	Wood frame mixed-use apartment	$2.3M	2.00	2.2	1.5	No	-9%	No	-22%	0%
					2.4	1.5	No	-7%	No	-17%	2%
					2.75	1.5	No	-6%	No	-16%	2%
					3.0	1.5	No	-5%	No	-15%	3%
5	**Neighbourhood**	Townhouse	$536K	0.75	1.1	1.5	Yes	20%	n/a	n/a	n/a
		Wood frame apartment		1.25	1.5	1.5	No	4%	No	-12%	4%

[10] Note again that the density thresholds tested do not necessarily align with maximum densities per the future zoning bylaw. Further, the realizability of higher densities, and their alignment with 'typical building forms' per OCP designation as outlined in City Plan, will be dependent on details of future zoning such as lot coverage and upper-level setbacks. For example, 2.75 FAR is often associated with a 6-storey building form, however with sufficiently high lot coverage and no upper-level setbacks, 2.75 FAR could theoretically be achieved within a 5 or even 4-storey form as well. Future work on building massing and volumetrics will be required to establish the precise relationships between FAR and height.

					2.0	1.5	No	5%	No	-7%	5%
					2.4	1.5	No	6%	No	-6%	5%
					2.75	1.5	No	7%	No	-6%	5%
6	**Residential Corridor**	Wood frame apartment	$[illegible]oK	2.0	2.4	1.2	Yes	15%	No	2%	8%
					2.75	1.2	Yes	16%	No	3%	8%
7	**Mixed-Use Corridor**	Wood frame mixed-[illegible] apartment	$1.8M	2.0	2.4	1.3	No	-2%	No	-14%	3%
					2.75	1.3	No	0%	No	-12%	4%
8	**Old City Neighbourhood**	Wood frame apartment	$602K	[illegible]	1.5	1.3	No	6%	No	-6%	6%
					[illegible].0	1.3	No	8%	No	-4%	6%
9	**Waterfront**	Concrete mixed-use apartment	$2.0M	5.0	6.0	1.5	No	-25%	No	-39%	-15%

4.3.1 Strata Scenarios – Additional Density

For strata scenarios, most case studies do not achieve financial viability even with the provision of additional density. There are two exceptions:

- **Site 5 (Neighbourhood Designation):** Townhouse scenario, from base density of 0.75 FAR to 1.1 FAR, with a profit-on-cost of 20%, improving development viability for a scenario that was shown to be viable at base density as well. The additional buffer offered through more density would improve the chances of such a form being viable across more "Neighbourhood" designated sites, including those where going-in land prices may be higher than average, or where up-front servicing costs may be higher.
- **Site 6 (Residential Corridor Designation):** In comparison to other test sites with a similar typology, Site 6 has lower parking requirement than other sites, resulting in lower construction and development cost for incremental density than other test sites. This results in profit-on-cost of 15% and 16% when the allowed density increases from 2.0 to 2.4, and 2.75 FAR, respectively. Added density, in other words, tips this type of project into viability.

The results demonstrate that, for those project types that are already viable, or which were approaching viability, additional density can help build financial buffer, or outright tip the scales from marginal to viable. Results also suggest that there may be an opportunity for Nanaimo to capture some incremental value achieved through additional density through a density bonus rate mechanism, although such capture would need to be quite modest, owing to broader challenges to viability across the market. This is discussed further in sections to follow.

4.3.2 Rental Scenarios – Additional Density

For rental scenarios, most case studies do not achieve viability in terms of profit-on-cost or levered IRR metrics.

In all cases, while increasing density slightly improves return metrics in comparison to base density conditions, the increase in density is not sufficient to bring the projects tested to meet minimum viability thresholds. Under these conditions, while incremental density is shown to have incremental value (with patterns similar to those discussed in the strata case studies), against a backdrop of overall non-viability, no density bonus rates would be recommended for rental tenure projects. Rather, maximum envisioned densities should be offered as-of-right as an incentive to see projects such as this built, if market rental is deemed a City priority.

4.3.3 Establishing Basis for Density Bonus Cash-in-Lieu Rates

In looking to establish density bonus cash-in-lieu rates (or to calibrate in-kind density asks), consideration should be given to two factors: (1) the **lift or increase in land value generated through additional density**, and (2) **development viability overall, as measured by profit-on-cost.** These factors together establish how much incremental value is created through additional density allowance, and how much of this incremental value may be appropriate to capture, given overarching development conditions.

1. **Land lift:** this is the increase in the value of a property that can occur through provision of additional density. It is, in other words, the difference between what the land is worth to a developer if permitted to develop at a given base density, and what the land becomes worth once additional density is approved, assuming profit margin is a fixed variable as a proportion of costs, or revenues. When extra density is granted, the land can (but may not always) become more valuable, because the developer can build and sell or rent more space.[11] The land lift created by this change represents new value that did not exist under the base density, and density bonus rates are a mechanism for the municipality to share in this new value.[12] However, land lift, and capture of such through density bonus rates, must be evaluated and calibrated through consideration of overall viability (#2 below).
2. **Development viability**: land lift may occur as density goes up (notwithstanding tipping points related to changes in building materials), but land lift can occur within overall conditions of marginal or outright non-viability. For instance, bonusing of a wood frame apartment from 2.0 to 2.75 FAR will in most cases generate a lift in land value, but if that lift occurs within the context of poor or marginal profit margins at both base and bonus density thresholds, this indicates that additional density alone may not result in projects moving forward. This also suggests that, even if a density bonus is offered, the municipality should, at most, capture only a minor proportion of the bonus value created, allowing the rest of that value to remain in the project to support viability.

In sum, when establishing density bonus rates, **both land lift and overall viability must be considered**. The land lift calculation tells us the dollar value of each incremental unit of density, and whether additional density has any value. The overall viability evaluation informs our

[11] Note that in some cases, higher density projects show **lower land values** than lower density projects (i.e., negative land lift). For instance, if bonus density shifts projects from wood frame to concrete construction, it will usually result in a decrease in supportable land value owing to the higher costs of concrete construction, unless the space created can achieve value that can more than offset this higher cost. Similarly, adding density *within* concrete construction (e.g., bonus from 8 storeys to 14 storeys) can create negative land lift, if there is insufficient revenue to justify the additional costs.

[12] In setting density bonus rates, it is considered good practice to calibrate rates such that they do not capture 100% of the calculated land lift. This is both to allow for some margin of error, and to provide sufficient upside incentive for a developer to take up the additional density. It also recognizes that project viability may already be challenged at base density, and therefore some of the land lift must remain in the project to assist with achieving viability overall. It is generally good practice to have lower value capture under weaker market conditions.

judgement on what *proportion* of this incremental value may, realistically, be 'available' to capture, be it through in-kind or cash-in-lieu provisions.

Across BC, municipalities establishing density bonus frameworks on the basis of land lift calculations have historically used a wide capture rate range, depending on market context and conditions. While the typical range has often been 50%-75% of lift value captured, there are examples of municipalities that have deliberately set lower capture rates (e.g., 25% of lift value calibrated based on case-study land lift analysis), to balance feasibility and encourage uptake. These include the City of Delta, District of North Cowichan, City of Kelowna (in earlier density bonus pilot projects), Campbell River, and some Okanagan municipalities. A lower capture rate is appropriate in Nanaimo, given prevailing market conditions resulting in broad viability challenges, even with increased density, as demonstrated through the case study review.

The financial feasibility analysis results presented in Table 7 show us that, in most cases, projects are **not viable under today's market conditions**, **even with additional density provisions**. The exceptions, as discussed above, are Case Study 5 (townhouses), where projects returns are quite healthy, and Case Study 6, where bonusing from 2.0 up to 2.4, or 2.75 FAR, shows projects that are potentially or likely viable. For other case studies results can be summarized as follows:

- **Concrete apartment – Primary Urban Centre** (Case 1): higher density is not shown to have any incremental value; there is **negative lift of ~$140** per incremental square foot of density (i.e., each additional square foot reduces land value by about $140). This negative relationship is due to an insufficient amount of incremental revenue to offset additional costs as density increases.
- **Concrete mixed-use – Secondary Urban Centre** (Case 3): higher density is not shown to have any incremental value; there is **negative lift of ~$240** per incremental square foot of density (i.e., each additional square foot reduces land value by about $240). This negative relationship is due to an insufficient amount of incremental revenue to offset additional costs as density increases.
- **Wood frame mixed-use – Neighbourhood Centre** (Case 4): additional density is not shown to have any incremental value; there is **negative lift of ~$60** per incremental square foot of density. This situation is attributable primarily to the high parking ratio (1.5), causing incremental costs to be larger than incremental value opportunities.
- **Wood Frame apartment – Neighbourhood** (Case 5): additional density is not shown to have any incremental value; there is **negative lift of ~$15-$20** per incremental square foot of density. This is largely owing to the high parking ratio (1.5 per unit), and the outsized costs of parking provision.
- **Wood frame mixed-use – Mixed-use Corridor** (Case 7): projects are non-viable overall, but bonus density is shown to have a **positive lift of ~$14** per incremental square foot.

- **Wood frame residential – Old City Neighbourhood** (Case 8): the project is shown as non-viable, but bonus density is shown to have a **positive lift of ~$3** per incremental square foot.
- **Concrete mixed-use – Waterfront** (Case 9): the project is shown as non-viable, and incremental density is not shown to have any incremental value; there is **negative lift of ~$230** per incremental square foot of density. This is owing to concrete construction combined with high parking ratios.

For those case studies that are showing pathways to viability (neighbourhood townhouse and residential corridor apartment), viability and potential bonus density considerations are as follows:

- Townhouse (Neighbourhood):
  - Additional density is calculated to yield a positive land lift of approximately **$56 per incremental sq.ft. of GFA.**
  - The case study shown to be viable at base density, and profit margins increase by about 4% with additional density. Overall conditions of viability suggest that a density bonus rate could be warranted.
  - Land lift capture should be kept modest, owing to generally challenging market conditions, and likely variable performance of real-world projects owing to factors such as varied land costs, and in some cases, larger up-front infrastructure costs than have been captured in the case study analysis.
  - A modest density bonus rate should, in our view, look to capture no more than 25%-35% of the calculated lift, reflecting weak market conditions. This would be **$14 to $20 per incremental square foot** of GFA.
- Wood Frame Apartment (Residential Corridor):
  - Additional density above 2.0 FAR is shown to yield a positive land lift of approximately **$24 per incremental sq.ft. of GFA.**
  - The case study results show marginal viability at base density, and likely viability at the maximum envisioned bonus density. This suggests that there is a sufficient basis for density bonus rates to be implemented.
  - As with townhouses, land lift capture should be kept modest, owing to general market volatility, and likely variable performance of real-world projects.
  - A density bonus rate set to capture 25%-35% of the calculated lift would be **$6 to $9 per incremental square foot** of GFA.

Note that all viability and land lift calculations presented above consider currently in-force municipal fees and charges, including DCCs. As the City is undertaking updates to the DCC

program and studying implementation of Amenity Cost Charges (ACCs), the financial viability of projects may be further constrained (see section 4.5.4 below).

4.4 Inclusionary Housing Findings – Base Density

The inclusion of 5% floor space as inclusionary housing was tested for financial viability at the base density for select strata scenarios in Neighbourhood, Residential Corridor, and Mixed-Use Corridor designations (i.e. Site 5, 6 and 8). This 'layering on' of below-market housing provision in the financial pro forma was done only for a sub-set of test sites, as all other sites showed financial non-viability at base density levels, which would only be further compounded by swapping out market for below-market housing. The sub-set of sites (5, 6, and 8) represent those sites where there was either demonstrated viability or marginal viability at base density, or a profit margin that approached marginal viability.

In modelling the financial impact of inclusionary housing at a base density level, the implicit 'tool' being modelled is inclusionary zoning; the 5% inclusionary housing would be a non-discretionary requirement of the zoning (i.e. not tied to density bonus). The financial viability results are illustrated in **Table 8**

Table 8: Inclusionary Housing and Density Bonusing Financial Testing Results, Inclusionary Housing at Base Density

						Strata with 5% Floor space as Incl. Housing		Rental with 5% Floor space as Incl. Housing		
Site Number	**OCP Designation**	**Typology Tested**	**Price Per Acre**	**FAR**	**Residential Parking (with Visitor)**	**Viability**	**Profit-on-Cost**	**Viability**	**Profit-on-Cost**	**Levered IRR**
5	**Neighbourhood**	Townhouse	$536K	0.75	1.5	Potentially Viable	12%	n/a	n/a	n/a
		Wood frame apartment	$536K	1.2	1.5	No	0%	No	-15%	3%
6	**Residential Corridor**	Wood frame apartment	$516K	2.0	1.2	Potentially Viable	11%	No	-1%	7%
8	**Old City Neighbourhood**	Wood frame apartment	$602K	2.0	1.3	No	2%	No	-9%	4%

4.4.1 Strata Scenarios – Inclusionary Housing

In all scenarios, the inclusion of 5% floor space as inclusionary housing units results in a **3% to 4% lower profit-on-cost** compared to the return metrics under an 'all market' scenario, at base density.

At base density, assuming other fees remain constant, marginal viability is demonstrated for the townhouse scenario and one of the wood frame apartment scenarios (Residential Corridor), owing to relatively lower land costs and lower parking requirements.

4.4.2 Rental Scenarios – Inclusionary Housing

For rental scenarios, all scenarios do not achieve viability in terms of profit-on-cost and levered IRR metrics. There is no demonstrated financial capacity to carry a 5% inclusionary requirement.

4.5 Inclusionary Housing Findings – Additional Density

Further to Section 4.4, a 5% floorspace dedication as inclusionary housing is tested for Sites 5, 6 and 8, this time tying delivery of inclusionary units to density bonusing (i.e., as a discretionary contribution). In **Sections 4.5.1** and **4.5.3**, the inclusionary housing areas are analyzed as below-market rental. Additional details on the assumptions used for below-market rental scenarios are available in **Section 3.6**.

Table 9 below summarizes the financial viability for case studies with inclusionary housing as below-market rental at these higher density levels.

Table 9: Inclusionary Housing and Density Bonusing Financial Testing Results, Inclusionary Housing with Bonus Density

						Strata with 5% Floor space as Incl. Housing		Rental with 5% Floor space as Incl. Housing		
Site	**OCP Designation**	**Typology Tested**	**Price Per Acre**	**FAR**	**Parking (with Visitor)**	**Viability**	**Profit-on-Cost**	**Viability**	**Profit-on-Cost**	**Levered IRR**
5	**Neighbourhood**	Townhouse	$53[illegible]	0.75 (Base)	1.5	Potentially Viable	12%	n/a	n/a	n/a
				1.[illegible]		Yes	17%	n/a	n/a	n/a
		Wood frame apartment		1.25 (Ba[illegible])		No	0%	No	-15%	3%
				[illegible]		No	1%	No	-14%	3%
				2.0		No	2%	No	-9%	4%
				2.4		No	3%	No	-9%	5%
				2.75		No	3%	No	-8%	5%
6	**Residential Corridor**	Wood frame apartment	$516K	2.0 (Base)	1	Potentially Viable	11%	No	-1%	7%
				2.4		[illegible]ly Viable	11%	No	0%	7%
				2.75		[illegible]entially Viable	12%	No	0%	7%
8	**Old City Neighbourhood**	Wood frame apartment	$602K	1.2	1.3	No	[illegible]%	No	-9%	4%
				1.5		No	3%	No	-8%	5%
				2.0		No	5%	No	-7%	5%

4.5.1 Strata Scenarios – Density Bonus and Inclusionary Housing

4.5.1.1 Impact of IH on Profit Margin

With additional density allowed at each of the test sites and/or typologies, the profit-on-cost return metrics for the developments tested with 5% inclusionary floorspace are about **3% to 4% lower than an equivalent 'all-market' development at the same density level**.

- The townhouse development case study demonstrates viability for including 5% floorspace as inclusionary housing at 1.1 FAR, with a profit-on-cost exceeding the 15% threshold.
- For wood frame apartment cases, Site 6, which has a lower land price and lower parking requirement, demonstrates marginal viability with slightly improved profit-on-cost metrics under higher density.
- At the other two test sites, the wood frame development typologies remain unviable even with higher density.

4.5.1.2 Cash-in-Lieu Rates for 5% Inclusionary Housing

Among the townhouse and the Residential Corridor wood frame scenarios which demonstrate viability or marginal viability with 5% inclusionary housing floorspace, a corresponding **cash-in-lieu** (CIL) contribution is calculated through an analysis of the net capital costs that a developer would have otherwise incurred in building the noted amount of inclusionary space. This 'net capital cost' calculation, described further below, is aligned with UM's interpretation of the requirements outlined in Section 482.91 (2) of the BC Local Government Act (LGA), which states: "*if a developer exercises the option, referred to in Section 482.7 (2) (a) [zoning bylaws and affordable and special needs housing], to pay money to a local government in respect of a development, the amount of money to be paid is equal to the estimated capital costs that the developer would otherwise incur to comply with the requirements under section 482.7(1) (a) and (b) and (2) in respect of the development.*"

The above statement in the LGA appears to mandate that a cash-in-lieu amount for inclusionary housing must equal capital costs alone, which in practice would significantly exceed a developer's true 'net cost' of providing below-market units, as it ignores the fact that these units still provide value to the developer, realized either through their ultimate sale to a third-party owner-operator, or the ongoing revenue stream from holding and operating the units. While this value is lower than the full market value that would otherwise be achieved, it is value nevertheless, which partially offsets the capital costs incurred in building the units. The most straightforward, literal interpretation of the language in the LGA would not, however, allow for this value to be factored into the calculation of a cash-in-lieu rate.

When establishing CIL rates, doing so in a way that focuses exclusively on capital costs and ignores value is problematic, at least if the goal is to create a policy framework in which cash-in-lieu is a real, viable option for developers. If CIL rates are calculated based on the most straightforward reading of the LGA (capital costs only), the result will *always* be a CIL option that is significantly more financially burdensome to a developer than providing built units. This is because the CIL rates would, by definition, be derived using an overstated true 'net cost' of unit provision.[13] It is, in other words, impossible to have a policy where the CIL and in-kind provision are of roughly equal burden on a development pro forma if only the capital costs, and not the revenue opportunity, are considered.

For the analysis presented here and the rates discussed below, we have taken a more permissive view of the legislation, such that the revenue side of the development equation can be considered. In so doing, we bring the CIL and in-kind provision options into approximate alignment from a pro forma cost perspective. We do this by focusing on the portion of the statement in LGA Section 482.91 (1) "*…would otherwise incur.*" In our view, this statement, and specifically the term "incur" can (and should) be stretched to allow for consideration of unit revenues, not only capital costs, as in any development it is the total revenues, less total costs, that is the net capital cost truly "incurred" by the developer. Based on the above interpretation, the net capital cost incurred can be calculated as the **differential in supported residual land value (RLV)** between a development where all residential units are built and valued at full-market rates, and a development where a specified portion of residential floor area is built and valued at specified below-market rents or sales prices. This RLV differential, divided by the total floor area of a project, establishes a per-floor-area unit (square foot or square metre) rate that is the financial equivalent of the specified built below-market inclusionary housing requirement.

What is a Residual Land Value (RLV) and how is it affected by below-market housing provision?

An RLV is the land value supported by a development under a given set of revenue and cost parameters, including a fixed profit margin. It is the amount a developer could justify paying for a parcel of land and meet a target profit threshold.

If costs are a fixed variable, and returns are also fixed as a proportion of costs, the RLV will go up or down with achievable revenues. When floor area that would otherwise have been built and valued at full-market rates is instead valued at below-market rates, the RLV supported by the project falls. This is the true 'cost' of the below-market provision to the project.

[13] The only circumstances in which a CIL rate calculated on capital costs alone would not be more burdensome than an in-kind provision would be under an IH policy that requires delivery of turnkey social housing units turned over to a third-party for negligible value (e.g., $1.00).

In applying the above methodology in the Nanaimo context, the RLV values that are compared are:

1. RLV of a project built at prescribed density level, assuming all market-rate units
2. RLV of project built with 5% of units valued based on below-market rents as outlined above.

The resulting cash-in-lieu contribution rates, equivalent to a 5% below-market rental unit provision, are calculated as follows:

- Townhouse: **$12.40/sq. ft.** of Total Gross Floor Area (GFA), at FAR 1.1
- Wood frame apartment (Based on Site 6 with Residential Corridor designation with lower parking ratio):
    - **$17.00/sq. ft** of Total GFA at FAR 2.4
    - **$16.90/sq. ft.** of Total GFA at FAR 2.75

Note that the calculation is based on pro forma costs that include currently in-force Development Cost Charges (DCCs). As the City is undertaking updates to the DCC bylaw and exploring implementation of Amenity Cost Charges (ACC), these costs may impact overall project performance (if they result in an overall higher cost), and would potentially result in different CIL rates. Potential impacts of changes in DCCs and ACCs are discussed in **Section 4.5.5.**

4.5.2 Inclusionary Housing and Density Bonusing Considerations

When considering IH within the context of density bonusing, it is important to keep in mind the following:

- Additional density can (but will not always) create new value, as discussed in section 4.3.3.
- Some of the increase in value created through density bonusing can be captured by the municipality (within the context of overall viability considerations), through various means. One option for capturing value is through in-kind or cash-in-lieu affordable housing provision.
- If a decision is taken to capture some, or all, of that new value created by density bonusing through inclusionary housing, this reduces – and in most cases eliminates – the financial capacity of a project to deliver other municipal benefits (e.g., amenities).
- If additional value through bonus density is demonstrated within the context of broad non-viability or marginal viability, then much or all of that lift in value should be left in

projects to support viability. In other words, rates should be calibrated to equal a very modest capture of value.

One illustrative way to understand the cost of inclusionary housing is to look at its cost in comparison to the incremental value created through density bonusing. Based on the case studies outlined previously, the cost of a 5% IH requirement is approximately equivalent to:

- ~70% of the value of each incremental square foot created through density bonusing in the Townhouse (neighbourhood) case study, and;
- >100% of the value of each incremental square foot created through density bonusing in all apartment and mixed-use scenarios where additional density is shown to have positive value.

The takeaways for inclusionary housing, whether instituted within a density bonusing or inclusionary zoning framework, are as follows:

- Every square foot of inclusionary housing is expensive to deliver (opportunity cost), with that cost increasing with deeper levels of required affordability.
- In most cases, the cost of delivering even 5% inclusionary housing (or paying a cash equivalency) is more than the amount of incremental value generated through density bonusing. Density, in other words, is insufficient to offset the costs incurred.
- Against a backdrop of broadly challenged viability, where much of the incremental value created through density bonusing should be left within projects to support their viability (hence the low recommended capture rates in **Section 4.3.**), inclusionary housing is a non-starter. It should be re-examined in 1-2 years, when market conditions have, hopefully, improved.

4.5.3 Rental Scenarios

For rental scenarios, when the sites are tested with inclusionary housing as below-market rental units with bonus density, all scenarios remain financially unviable. While there are slight improvements in return metrics when the allowable density becomes higher, they are not sufficient to support viability, where profit-on-cost metrics range from -9% to 0%, and levered IRR ranges from 3% to 7%. Based on the results, there is no financial capacity for projects to support inclusionary housing or equivalent rates for rentals based on current market conditions.

4.5.4 Affordable Homeownership Program Considerations

Besides below-market rental units, an alternative inclusionary housing product may be a below-market home ownership option. To evaluate the feasibility of affordable homeownership requirements and compare their impact to below-market rental units, the table below presents

key findings. These results help assess the relative viability of each approach within the inclusionary housing framework.

For the townhouse development scenario, in both cases where the 5% of floor space are allocated as below-market rental as well as 5% of floorspace being below-market homeowner unit, viability is attained, where the profit return metrics under affordable homeownership is 2% higher than the other scenario of inclusionary housing space as below-market rental.

For the six-storey apartment development in the bonus density scenario with a floor space ratio of 2.75 at Site 6, allocating five percent of units as affordable homeownership priced at ten percent below-market results in a profit-on-cost metric of fifteen percent. This is higher than the 12% profit-on-cost observed in the alternative scenario, where 5% of the floor area is designated for below-market rental units.

The stronger viability compared to the rental scenarios is, in part, due to the weaker affordability requirements. The affordable homeownership units are tested at 10% below current market prices, which is well above median household income in Nanaimo. Additional details on the assumptions used for below market homeownership are available in Section 3.6. These assumptions form the basis of the financial modeling and comparative analysis.

Table 10: Inclusionary Housing and Density Bonusing Financial Testing Results, Affordable Homeownership Program

						Strata with 5% Floor space as below-market rental		Strata with 5% Floor space as affordable homeowner unit	
Site	**OCP Designation**	**Typology Tested**	**Price Per Acre**	**FAR**	**Parking (with Visitor)**	**Viability**	**Profit-on-Cost**	**Viability**	**Profit-on-Cost**
5	**Neighbourhood**	Townhouse	$536K	1.1	1.5	Yes	17%	Yes	19%
6	**Residential Corridor**	Wood frame apartment	$516K	2.75	1.2	Potentially Viable	12%	Yes	15%

While financial testing results demonstrate higher return metrics and better potential of viability when the inclusionary housing floorspace is reserved as affordable homeownership units compared to below-market rental units, it is important to consider if the targeted homeowner units pricing can meet the purpose of affordable homeownership.

For the pricing of the affordable homeowner units modelled in the financial testing (i.e. $527,000 for townhomes and $405,000 for strata apartment units), assuming a minimum down payment and a 3-year closed mortgage at 4.49%, the minimum income a household would need to make the mortgage payments would be $121,000 for a townhouse and $96,000 for a strata

apartment unit without exceeding 30% of household income. This does not include other shelter costs including taxes, utilities, or insurance, which would push this minimum income limit higher. In comparison, the median household income in Nanaimo in 2020 was $76,000 (or $68,500 after tax). Only approximately 30% households in the City have an after-tax income above $90,000 for the affordable apartment units, and only 16% households have after-tax income above $125,000 for the affordable townhouse units. This means that these "affordable" homeownership units modelled in this scenario would likely not be affordable for most households in Nanaimo and would unlikely be able to meet the objectives of the affordable homeownership program. And in general, the City would need to consider the trade-offs between the affordable homeownership pricing that truly meet the purpose of homeownership affordability, and the pricing of the affordable homeownership that meets financial viability of development.

4.5.5 Impact on Room for Viability of Inclusionary Housing Under Proposed Development Cost Charge (DCC) and Amenity Cost Charge (ACC) Rates

The City is in the process of updating the Development Cost Charge (DCC) Bylaw and developing an Amenity Cost Charge (ACC) Bylaw. This section analyzes the impact of proposed DCC and ACC rates on the financial viability results for the test cases under combined inclusionary housing with bonus density.

The proposed rates are summarized as in **Table 11** below.

Table 11: Current and Proposed Municipal Development Cost Charge (DCC) and Amenity Cost Charge (ACC) Rates, City of Nanaimo

	Development Cost Charge (DCC) rates		Amenity Cost Charge (ACC) rates[14]
	Current	Proposed	Proposed
Townhouse	$89.1 / sq. m. of Gross Floor Area per Multi-family dwelling rate	$4,881.5 / unit per Medium Density Residential rate	$3,591.8 / unit per Medium Density Residential rate
Apartment		$2,632.7 / unit per High Density Residential rate	$2,186.3 / unit per High Density Residential rate

Table 12 demonstrates the financial impacts of the proposed municipal DCCs and ACCs on the strata scenarios. Across all strata scenarios, profit-on-cost return metrics generally decline by 2-3% under the proposed DCC/ACC rate framework, compared against the current DCC system. The impacts of updated DCCs and ACCs on financial performance of case study projects is discussed in further detail in a separate memorandum prepared by Urban Systems in October 2025, entitled *City of Nanaimo – Development Financial Feasibility Analysis DCC Update and ACC Bylaw*. With development remaining quite challenged (as demonstrated in results presented above), the imposition of proposed higher DCCs plus new ACCs will tap into limited pro forma capacity for value capture. This will further limit the ability to capture value for other amenities / priorities, such as inclusionary housing. Some potential viability is observed in the townhouse scenario under both base and increased density conditions. In contrast, all strata apartment scenarios fall below the viability threshold when assessed under the proposed DCC/ACC framework.

[14] Analysis assumes Amenity Cost Charges (ACC) is implemented in replacement for the current Community Amenity Contribution (CAC) regimes. It is also assumed that Amenity Cost Charges are not applicable to inclusionary housing units per Amenity Cost Charge Best Practices Guide released by the BC Provincial Government.

Table 12: Financial Viability of Inclusionary Housing and Density Bonusing under Proposed Municipal DCC and ACC, Strata Scenario

						Strata with 5% Floor space as Incl. Housing			
						Current DCC		Proposed DCC/ACC	
Site	OCP Designation	Typology Tested	Price Per Acre	FAR	Parking (with Visitor)	Viability	Profit-on-Cost	Viability	Profit-on-Cost
5	Neighbourhood	Townhouse		0.75 (Base)	1.5	Potentially Viable	12%	Potentially Viable	10%
				1.1		Yes	17%		13%
		Wood fr[illegible]e apart[illegible]ent		1.25 (Base)		No	0%	No	-2%
			[illegible]36K	1.5		No	1%	No	-1%
				[illegible]0	1.5	No	2%	No	0%
				[illegible].4		No	3%	No	1%
				[illegible]		No	3%	No	1%
6	Residential Corridor	Wood frame apartment	$516K	2.0 (Bas[illegible]	[illegible].2	Potentially V[illegible]ble	11%	No	8%
				2.4		Potentially Viable	11%	No	9%
				2.75		Potentia[illegible] Viabl[illegible]	[illegible]%	No	9%
8	Old City Neighbourhood	Wood frame apartment	$602K	1.2 (Base)	1.3	[illegible]	2%	No	0%
				1.5		No	3%	No	1%
				2.0		No	5%	No	3%

Table 13 demonstrates the financial impacts of the proposed municipal DCCs and ACCs on the **rental** scenarios. The profit-on-cost return metrics for all rental scenarios generally decline by 2-3% under the proposed DCCs and ACCs, compared to the current DCC system. None of the rental scenarios demonstrate financial viability under any conditions these conditions, regardless of the DCC and ACCs tested.

Table 13: Financial Viability of Inclusionary Housing and Density Bonusing under Proposed Municipal DCC and ACC, Rental Scenario

						Rental with 5% Floor space as Incl. Housing					
						Current DCC			Proposed DCC/ACC		
Site	**OCP Designation**	**Typology Tested**	**Price Per Acre**	**FAR**	**Parking (with Visitor)**	**Viability**	**Profit-on-Cost**	**Levered IRR**	**Viability**	**Profit-on-Cost**	**Levered IRR**
5	**Neighbourhood**	Wood frame apartment	[illegible]6K	1.25 (Base)	1.5	No	-15%	3%	No	-16%	2%
				1.5		No	-14%	3%	No	-15%	3%
				[illegible]0		No	-9%	4%	No	-11%	4%
				2.		No	-9%	5%	No	-11%	4%
				2.75		No	-8%	5%	No	-11%	4%
6	**Residential Corridor**	Wood frame apartment	$516K	2.0 (Base)	1.2	No	-1%	7%	No	-4%	6%
				2.4		[illegible]o	0%	7%	No	-3%	6%
				2.75		[illegible]	[illegible]%	7%	No	-3%	6%
8	**Old City Neighbourhood**	Wood frame apartment	$602K	1.2 (Base)	1.3	No	-9%	4%	No	-12%	4%
				1.5		No	-8%	5%	No	-10%	4%
				2.0		No	-7%	[illegible]%	No	-9%	4%

4.5.6 Viability of Inclusionary Housing Under Reduced Parking Minimums for Apartment/Mixed-use Scenario

The City of Nanaimo is conducting a Citywide Parking Review, encompassing a comprehensive review of parking regulations, off-street parking requirement and curbside management. During the process, reduction in residential parking requirements has been proposed across the City.

It is expected that the parking requirement reduction will have a larger impact on apartment and mixed-use developments due to the reduction in construction cost for underground parking. If proposed parking minimum reductions are implemented and applied to the scenarios with density bonusing and inclusionary housing under the Current DCCs, the profit-on-cost metrics improve in all cases.

- Among the strata scenarios, for Cases 5 and 6, when the parking ratio is slightly reduced by a magnitude of 0.2 or 0.3, the projects are shown to reach **potential viability** or **viability** at the bonus density levels.
- For Case 8, when the parking ratio is reduced by half, the profit return metric improves from **unviable** to **viable** under the base and additional bonus density scenarios. Note however that this swing in profit margin may be overstated, as the analysis did not consider the potential drag on sales prices or unit absorption owing to marketing units without parking in the Nanaimo context.

Table 14: Financial Viability of Inclusionary Housing and Density Bonusing under Current Municipal DCC, Strata Scenario

							Strata with 5% Floor space as Incl. Housing			
							Current Parking		Proposed Reduced Parking	
Site	OCP Designation	Typology Tested	Price Per Square Metre	FAR	Current Parking	Proposed Reduced Parking	Viability	Profit-on-Cost	Viability	Profit-on-Cost
5	Neighbourhood	Wood frame apartment	$536K	1.25 (Base)	1.2	0.2	No	0%	No	7%
				1.5			No	1%	No	8%
				2.0			No	2%	No	9%
				2.4				3%	Potentially Viable	10%
				2.75			No	3%	Potentially Viable	11%
6	Residential Corridor	Wood frame apartment	$516K	2.0 (Base)	1.2	1.0	Potentially Viable	11%	Potentially Viable	14%
				2.4			Potentially Viable	11%	Yes	15%
				2.75			Potentially Viable	12%	Yes	15%
8	Old City Neighbourhood	Wood frame apartment	$602K	1.2 (Base)	1.3	0.6	No	2%	Yes	18%
				1.5			No	3%	Yes	20%
				2.0			No	5%	Yes	22%

For rental scenarios, for Case 5 and 6, when the parking ratio is slightly reduced by a magnitude of 0.2 or 0.3, despite remaining unviable, the profit-on-cost metrics increase by 4% to 7%. For Case 8, when the parking ratio is reduced by half from 1.3 to 0.6, the return metrics shows **potential viability** at the density bonus at FAR 2.0, with an improvement of profit-on-cost metric by 17%.

Table 15: Financial Viability of Inclusionary Housing and Density Bonusing under Current Municipal DCC, Rental Scenario

							Rental with 5% Floor space as Incl. Housing					
							Current Parking			Proposed Reduced Parking		
Site	OCP Designation	Typology Tested	Price Per Acre	FAR	Current Parking	Proposed Reduced Parking	Viability	Profit-on-Cost	Levered IRR	Viability	Profit-on-Cost	Levered IRR
5	Neighbourhood	Wood frame apartment	$536K	1.25 (Base)		1.2	No	-15%	3%	No	-9%	5%
				1.5			No	-14%	3%	No	-7%	5%
				[illegible]			No	-9%	4%	No	-2%	6%
				2.4			No	-9%	5%	No	-2%	7%
				[illegible]			No	-8%	5%	No	-1%	7%
6	Residential Corridor	Wood frame apartment	$516K	2.0 (Base)	1.2	1.0	No	-1%	7%	No	3%	8%
				2.4			No	0%	7%	No	3%	8%
				2.75			[illegible]	[illegible]	7%	No	4%	8%
8	Old City Neighbourhood	Wood frame apartment	$602K	1.2	1.3	0.6	No	-9%	4%	No	6%	8%
				1.5			No	-8%	5%	No	9%	9%
				2.0 (Base)			No	-7%	5%	Potentially viable	10%	10%

4.5.7 Considerations on Built Affordable Unit Contributions vs. Cash-in-Lieu Contributions

There are varied perspectives that should be kept in mind when considering whether it is preferable to have developers deliver below-market units (rental or ownership) within market projects, or instead to provide cash-in-lieu contributions based on the net capital cost of delivering those units into a municipal affordable housing reserve. Both approaches can support below-market housing objectives, but they do so in different ways and with different implications for potential unit yield, timing, equity, and long-term affordability.

In-Kind Considerations

There are a number of arguments in favour of direct unit delivery (i.e., built units tied to density bonusing or through inclusionary zoning):

- Certainty of unit delivery: requiring built units guarantees that below-market units are delivered as part of a development approval. This provides immediate additions to the below-market housing stock (assuming the project economics allow it to be built in the first place), and avoids the risk of reserve funds taking time to accumulate before being used.
- Inflation risk: cash contributions may remain in a reserve fund until sufficient capital is available to support a viable project. During this period, construction costs may escalate, reducing the purchasing power of the original contribution. In contrast, in-kind units are delivered at the time of construction, insulating the City from future cost escalation.
- Integration: built units ensure that below-market housing is distributed across neighbourhoods and embedded within market developments. This can support mixed-income communities and reduce concentrations of below-market units in standalone projects.

Cash Contribution Considerations

While the above considerations are all valid, there are also strong arguments supporting the collection of cash contributions (via inclusionary zoning, density bonusing, or negotiated agreement mechanisms) with funds directed to a municipal affordable housing reserve.

First, cash contributions can function as project equity, which is the scarcest component of the capital stack for non-profit developers to secure. Without sufficient equity, projects cannot access:

- Construction debt financing, which requires a minimum equity position to satisfy lender requirements;
- Other capital programs, many of which require local contributions or partnerships as a condition of eligibility;
- Partnership opportunities, such as long-term land leases or co-development models, which depend on early-stage equity to advance the feasibility phase.

In BC, programs administered by BC Housing and CMHC explicitly anticipate local government participation, either through land, cash equity, or both. Municipal equity can act as a catalyst, unlocking other sources of funding and debt financing that would otherwise be inaccessible.

Second, equity has a multiplier effect when directed to a purpose-built below-market project. Because an equity contribution (in the form of land, cash, or both) can unlock additional funding sources, each dollar contributed to a reserve can ultimately generate two to four times that in total project value when combined with:

- Grants (e.g., BC Builds capital funding)
- Low-cost financing (BC Builds loans, CMHC financing)
- Other sources of community-based capital.

Cash contributions could be directed towards paying for capital works, buying land, or offsetting other fees. This leverage effect is not available when units are delivered in kind within market projects, where the developer absorbs the full cost of the below-market unit and no additional funding partners are engaged.

There are also potential economies of scale achieved in delivering larger groups of below-market units, versus a smaller number of units spread across many market projects. A 5% inclusionary contribution in a 120-unit building, for example, is 6 units. The in-kind cost to the developer of delivering those 6 units (within a wood-frame building in the 2.0 to 2.5 FAR range in Nanaimo) would be $1.3 to $1.5 million.[15] In contrast, pooled cash contributions could support larger, purpose-built below-market projects that would benefit from likely lower per-unit construction costs, and could unlock the benefits of leverage. It could also result in unit delivery in a format that has better operational efficiencies over the longer term.

Trade-Offs

Both built-unit contributions and cash-in-lieu contributions offer meaningful benefits. Built units provide guaranteed delivery of below-market units (if a project moves forward), supporting mixed-income projects and avoiding the inflationary erosion of purchasing power that can occur when reserve funds accumulate over time. Cash-in-lieu contributions can serve as equity in larger, purpose-built projects, enabling the City and partners to leverage other programs and access construction financing with a multiplier effect that would otherwise not be available. This leverage can significantly increase the total number of units delivered and could potentially allow for deeper affordability over the long term. The choice between the two approaches involves balancing immediacy and broader integration against larger scalability and potentially better returns in square-feet-built-per-dollar-invested terms. A policy direction might consider outlining conditions under which built units or cash contributions are preferred, accounting for factors like project scale, location, opportunities for leveraging senior government funding, and Nanaimo's capacity to leverage effectively. This would allow the City to respond to changing

[15] Based on a typical wood frame building residual land value differential calculation.

market conditions and partnership opportunities as they arise, while ensuring that contributions deliver the greatest overall public benefit.

4.6 Key Takeaways

- **Density bonus value is limited**: While additional density can enhance financial flexibility, especially for wood frame apartments and townhouse projects, the incremental value generated is often modest and, in many cases, insufficient to address underlying project viability concerns under prevailing market conditions.
- **Careful calibration of value capture**: Any policy to capture value from density bonusing (cash or in-kind) should be modest, targeting no more than 25–35% of the uplift in land value between base and bonus density. Regular review and adjustment of density bonus amounts (cash or in-kind) are essential to remain aligned with evolving market and financial conditions. If market conditions improve, there may be greater flexibility for more value capture.
- **Inclusionary housing cost barriers**: The cost of delivering 5% inclusionary housing, whether in-kind or as a cash-in-lieu contributions, generally exceeds the incremental value provided by additional density, except in limited cases (e.g., townhouses). This makes broad inclusionary requirements (either in exchange for bonus density, or within a higher density as-of-right envelope) financially unviable in most scenarios and warrants cautious application at best, particularly given additional municipal cost pressures. There may be an opportunity, however, to calibrate a lower inclusionary demand (<5%), which would result in a lower cash-in-lieu rate equivalent. Lower inclusionary rates have not been tested in this work but could be an avenue to explore in future updates.
- **Cash-in-lieu contributions can unlock leverage**: Direct, modest cash contributions through density bonusing can be pooled to support either capital costs of specified amenities, and/or purpose-built affordable housing projects. Use of funds for the latter would allow the City to leverage other funding and construction financing. This approach could increase the number of below-market units delivered and achieve greater economies of scale and deeper affordability than in-kind delivery within market projects.
- **New fees and charges hamper viability**: The introduction or increase of municipal fees, such as DCCs and ACCs, further erodes the financial capacity of projects to make contributions for amenities and below-market housing.
- **Parking policy as a financial lever**: Reducing or relaxing parking requirements can significantly improve project financial performance, creating pathways for viability and freeing up capacity to absorb other new municipal costs. While it is unlikely that developers will deliver zero-parking projects (due to marketability and achievable pricing concerns), allowing for market-driven calibration will be helpful for project viability.

5.0 Tenant Protection Scenarios

This section of the report outlines the findings related to two (2) case study sites, modelled after typical development typologies envisioned in City Plan designations. The financial analysis presents a baseline scenario, where tenant protections are not applied, to demonstrate financial viability under current market and policy conditions. It then layers on the tenant protection policy to understand both the cost of the policy, and the impact on financial performance.

5.1 Case Study Sites

The case study sites for tenant protection scenarios are shown in the table below.

Table 16: Tenant Protection Case Study Sites

Case Study Test Site Number	OCP Designation	Base Typology Tested	Site Size (SF)	Price Per Acre*	Base Density (Assumed FAR)	Additional Density Tested (Assumed Total FAR)
10	**Neighbourhood**	Wood frame apartment	43,560	$1.9M	2.0	2.4
11	**Suburban Neighbourhood**	Wood frame apartment	43,5[illegible]	$3.6[illegible]	1.2	2.0

5.2 Key Assumptions

5.2.1 Compensation

This analysis evaluates the combination of two compensation mechanisms: (1) moving assistance and (2) tenure-based compensation, selected following a preliminary review of existing tenant protection policies (see **Appendix B** for an overview of this review) and the *Provincial Policy Manual: Tenant Protection Bylaw* with staff to assess local applicability. These policies were chosen after confirming the baseline viability of development projects to ensure that the modeled interventions with lower financial impacts on viability.

Moving assistance is structured as a flat-rate payment per dwelling unit, with rates from the City of Coquitlam's Tenant Relocation Policy (2021). The compensation is tiered by unit type: $750 for studio and one-bedroom units, and $1,000 for two-bedroom or larger units. For modeling purposes, all units are conservatively assumed to be two-bedroom to avoid underestimating potential costs.

Tenure-based compensation is estimated in reference to with rates from the City of Coquitlam's Tenant Relocation Policy (2021). This policy provides up to 10 months' rent for tenants with 20 or more years of residency. This approach ensures consistency with regional standards while accounting for long-term tenant impacts.

Table 17: Tenant Protection Compensation Approaches Modelled

Case Study Site	Contribution per Unit	Number of Units[16]	Total Compensation
Site 10	$16,560	8	$132,480
Site 11	$16,560	18	$298,080

5.2.2 Other Assumptions

- This analysis looked at both current and proposed ACC and updated DCCs rates. The updated DCC rates are higher than the current DCC rates.
- All other construction, financing and revenue assumptions used in this section of the analysis are consistent with the rest of the report.

5.3 Tenant Protection Findings

5.3.1 Baseline Scenario

Under the baseline scenario, at baseline density, even without tenant protection measures, none of the scenarios achieved viability for both strata and rental scenarios.

[16] The number of units is a percentage of the total units, assuming only a portion would be redeveloped in the first phase of a development.

Table 18 Financial Viability of Tenant Protection Sites, No Tenant Protection Policy

						Strata		Market Rental		
Site Number	OCP Designation	Typology Tested	Site Size (sq. ft.)	Price Per Acre	FAR	Viability	Profit-on-Cost	Viability	Profit-on-cost	Levered IRR
10	**Neighbourhood**	Wood frame apartment	43,650	$1.9M	1.25	No	-4%	No	-19%	1%
11	**Suburban Neighbourhood**	Wood frame apartment	43,560	$3.6M	1.2	No	-15%	No	-25%	-1%

5.3.2 Tenant protection scenario at base density

With the tenant protection at base density, the profit-on-cost metrics reduces by about 1% for both strata and rental scenarios compared to the scenarios in **Section 5.3.1**. In all cases, the development remains **unviable**.

Table 19: Financial Viability of Tenant Protection Sites, With Tenant Protection Policy at Base Density

						Strata		Market Rental		
Site Number	OCP Designation	Typology Tested	Site Size (sq. ft.)	Price Per Acre	FAR	Viability	Profit-on-Cost	Viability	Profit-on-cost	Levered IRR (15 Years)
10	**Neighbourhood**	Wood frame apartment	43,650	$1.9M	1.25	No	-5%	No	-19%	1%
11	**Suburban Neighbourhood**	Wood frame apartment	43,560	$3.6M	1.2	No	-16%	No	-26%	-2%

5.3.3 Tenant protection scenario with Density bonus scenario

With additional density through density bonusing, the profit-on-cost metrics improves by 6% for both Site 10 and 11 in strata scenarios. For rental scenarios, the profit-on-cost metrics improves by 10% in Site 10, and 6% for Site 11. However, all development scenarios remain **unviable**.

Table 20 Financial Viability of Tenant Protection Sites, With Tenant Protection Policy at Bonus Density

						Strata		Market Rental		
Site Number	OCP Designation	Typology Tested	Site Size (sq. ft.)	Price Per Acre	FAR	Viability	Profit-on-Cost	Viability	Profit-on-cost	Levered IRR (15 Years)
10	Neighbourhood	Wood frame apartment	43,650	$1.9M	1.25 (Base)	No	-5%	No	-19%	1%
			43,650	$1.9M	1.5	No	-3%	No	-18%	2%
			43,650	$1.9M	2.0	No	-1%	No	-12%	4%
			43,650	$1.9M	2.4	No		No	-11%	4%
			43,560	$1.9M	2.75	No	1%	No	-10%	4%
11	Suburban Neighbourhood	Wood frame apartment	43,560	$3.6M	1.2 (Base)	No	-16%	No	-26%	-2%
			43,560	$3.6M	1.5	No	-13%	No	-26%	-2%
			43,560	$3.6M	2.0	No	-10%	No	-20%	1%

5.3.4 With Proposed Development Cost Charge (DCC) and Amenity Cost Charge (ACC) Rates

Under the proposed Development Cost Charges (DCC) and Amenity Cost Charge (ACC) rates as described in **Section 4.5.5**, the profit-on-cost metrics for the strata and rental scenarios are reduced by 1% to 3% compared to the scenarios under current DCC/ACC regimes, and remains **unviable**.

Table 21 Financial Viability of Tenant Protection Sites, With Tenant Protection Policy Under Proposed DCCs and ACCs at Base and Bonus Density

						Strata		Market Rental		
Site Number	OCP Designation	nology Tested	Site Size (s /	Price Per Acre	FAR	Viability	Profit-on-Cost	Viability	Profit-on-cost	Levered IRR (15 Years)
10	Neighbourhood	Wood frame apartment	43,650	$1.9M	1.25 (Base)	No	-7%	No	-21%	1%
						No	-6%	No	-19%	1%
					2.0	No	-3%	No	-14%	3%
					2.4	No	-2	o	-13%	3%
					2.75	No	-1%	No	-12%	4%
11	Suburban Neighbourhood	Wood frame apartment	43,560	$3.6M	1.2 (Base)	No	-17%	No	-27%	-2%
					1.5	No	-15%	No	-27%	-2%
					2.0	No	-11%	No	-21%	0%

5.4 Key Takeaways

Under current market conditions, analysis shows that the redevelopment of purpose-built rental buildings, as modeled, is likely unviable, regardless of whether additional tenant protection policies are applied by the City. With added tenant protection at base density, the profit-on-cost metric is reduced by 1% for both strata and rental scenarios. With additional density, the profit-on-cost metric improves by 6% to 10% but still remains unviable, regardless of whether the old DCC or new proposed DCC/ACC charges are applied.

These findings confirm the challenging financial context that rental redevelopment projects face in Nanaimo under current market realities. Policies should be designed with these challenging conditions in mind. Any additional protections must balance the trade-offs and benefits of securing or furth[illegible]iting redevelopment of existing purpose-built rental properties.

6.0 Manufactured Home Park Protection Scenarios

This section of the report outlines the key assumptions and findings related to two case study site analyses for the redevelopment of a manufactured home park in Nanaimo. Manufactured home park residents are referred to as "manufactured home community residents" in this analysis and the individual pads or houses are referred to as "dwelling units".

The financial analysis seeks to understand financial feasibility under two compensation approaches:

- **Approach A:** If a developer were to provide the required compensation to manufactured home park community residents under the Manufactured Home Park Tenancy Act and Manufactured Home Park Tenancy Regulation[17];
- **Approach B:** If a developer were to provide compensation beyond the requirements in the legislation, as proposed by the Manufactured Home Stakeholder Group who is located in Nanaimo. This proposal and the assumed costs are attached in **Appendix C**.

6.1 Case Study Sites

The two case study site parameters are shown in Table 2 below. As consistent with the other case study sites, a hypothetical 1-acre portion of the sites have been used for testing. The number of dwelling units in each park modelled for redevelopment are taken proportionally in relation to the full site size.

[17] If a manufactured home park is being closed or changed to a different use, and residents are being evicted because of it, the landlord must pay each affected tenant $20,000. If the tenant's manufactured home can't be moved, the landlord must also pay the difference between the $20,000 and the home's assessed value. In this report, while we refer to them as "manufactured home community residents", the legislation refers to them as tenants.

Table 22: Manufactured Home Park Case Study Sites

Case Study Test Site Number	OCP Designation	Base Typology Tested	Site Size (SF)	Price Per Acre*	Permitted Density (Assumed FAR)	Additional Density Tested (Assumed Total FAR)
12	Secondary Urban Centre	Townhouse	43,560	$1.8M	0.75	1.1
13	Secondary Urban Centre	Wood frame mixed-use apartment	43,560	$809K	2.75	n/a

*Based on the 2025 assessment values (land only) set by BC Assessment.

The two case study sites were selected based on the lowest home and land assessment value (dwelling units **plus** land) relative to the other 20 manufactured home parks in Nanaimo[18]. Case Study Site 13 has a significantly lower assessment price on a per acre basis (land only) than Case Study Site 12. This is assumed to be the **minimum** price per acre that a landowner would be willing to sell their land for, although it is dependent on the individual circumstances.

Additional density bonus was tested to understand the impact on financial feasibility. For Case Study Site 12, the density tested was 0.75 FAR, with a density bonus up to 1.1 FAR. For Case Test Site 13, additional density was not tested as building higher than 6 storeys would result in a change of building materials and form (e.g., concrete).

[18] Note there are a total of 22 manufactured home parks in Nanaimo.

6.2 Key Assumptions

6.2.1 Compensation

In calculating appropriate compensation, it is assumed that manufactured home community residents would not be able to move their dwelling unit to a new site (due to Provincial standards and requirements), and would therefore need to be compensated for their value. Based on the case study sites selected and the corresponding 2025 assessment values of each dwelling unit as provided by BC Assessment, the average financial compensation is shown in **Table 23** below.

Table 23: Compensation Approaches Modelled

Compensation Approach	Case Study Site	Contribution per Unit	Number of Units	Total Compensation
A	Site 12	$115,000	8	$920,000
A	Site 13	$260,000	7	$1,820,000
B	Site 12	$351,000	8	$2,808,000
B	Site 13	$659,000	7	$4,613,000

On average, the dwelling units on Case Study Site 13 are of higher assessment values than the dwelling units on Case Study Site 12, which is likely reflective of the condition of the dwellings.

6.2.2 Other Assumptions

- The proposed ACC and updated DCCs are assumed to be in effect for this manufactured home park analysis. The updated DCC rates are higher than the current DCC rates.
- All other construction, financing, and revenue assumptions used in this section of the analysis are consistent with the rest of the report.

6.3 Baseline Scenario Findings

The financial analysis shows that under the current market conditions, both compensation Approach A and Approach B results in the development projects that are likely not viable, meaning that the development project would likely not result in a sufficient profit for the developer to proceed under current market conditions.

As shown in **Table 24,** both the townhouse at 0.75 FAR on Case Study Site 12 and the mixed-use apartment at 2.75 FAR on Case Study Site 13 show negative profit-on-cost returns from a development perspective under current market conditions.

Table 24: Baseline Scenario Findings, Manufactured Home Park Analysis

								Strata		Rental		
Site	**Compensation Approach**	**OCP Designation**	**Typology Tested**	**Site Size (sq. ft.)**	**Price Per Acre**	**FAR**	**Parking (with Visitor)**	**Viability**	**Profit-on-Cost**	**Viability**	**Profit-on-Cost**	**Levered IRR (15 year)**
12	A	Neighbourhood	Townhouse	43,560	$1.8M	0.75	n/a	No	-10%	n/a	n/a	n/a
12	B	Neighbourhood	Townhouse	43,560	$1.8M	0.75	n/a	No	-26%	n/a	n/a	n/a
13	A	Secondary Urban Centre	Wood frame mixed-use apartme	43,560	$809K	2.75	1.3	No	-10%	No	-16%	5%
13	B	Secondary Urban Centre	Woo fr ixed-use apartment	4 60	$809K	2.75	1.3	No	-13%	No	-19%	4%

6.4 Density Bonus Findings

For Case Study Site 12, additional density of 0.25 FAR was tested (for a total of 1.1 FAR). The analysis shows that the profit-on-cost increases relative to the baseline scenarios, however, for both compensation Approach A and Approach B, the development projects are not shown to be viable under current market conditions, as it returns a profit-on-cost that is under the 10% threshold (**Table 25**).

Table 25: Density Bonus Scenario Findings, Manufactured Home Park Analysis

Case Study Site	Compensation Approach	OCP Designation	Typology Tested	Site Size (sq. ft.)	Price Per Acre	F	rking (wi Visitor)	Viability	Profit-on-Cost
12	A	Neighbourhood	Townhouse	43,560	$1.8 M	1.1	n/a	No	-1%
12	B	Neighbourhood	Townhouse	43,560	$1.8 M	1.1	n/a	No	-15%

6.5 Key Takeaways

The financial analysis of case study sites indicates that the re-development of manufactured home parks in Nanaimo is currently challenging due to market conditions. For development projects that are required to provide compensation, Approach A are more likely to proceed than Approach B, as the per dwelling unit costs are significantly lower.

Compensation Approach A:

- Compensation Approach A models the minimum financial compensation under the Manufactured Home Park Tenancy Act and Manufactured Home Park Tenancy Regulation. As modelled, this results in a compensation range of $115,000 and $260,000 per dwelling unit, resulting in projects with negative profit-on-costs. This means they are likely not viable from a development perspective under current market conditions. The per-unit compensation represents a 16% increase in the cost of construction for a new unit, compared to without compensations.
- However, some projects may still move forward under compensation Approach A, as the financial analysis models a hypothetical site with average conditions. If a landowner is willing to sell their land for below assessment price and the developer is able to realize more favourable construction costs relative to achievable sales pricing, then there is a possibility for a project to move forward.
- Additional density improves the project performance for townhouse developments under Approach A.

Compensation Approach B

- Compensation Approach B, which models an assumed financial compensation of $351,000 to $659,000 per dwelling unit, as recommended by the Manufactured Home Community, results in a significantly lower profit-on-cost relative to compensation Approach A. The per-unit compensation represents a 33% increase in the cost of construction for a new unit, as modelled.
- As the findings show a double-digit negative profit-on-cost in most cases, it is challenging for most projects to move forward under Approach B under current market conditions.

7.0 Conclusion

This financial feasibility assessment provides an assessment of the impacts of density bonusing, inclusionary housing, tenant protection, and manufactured home park protection policies on development viability in Nanaimo. The findings are based on high-level financial modelling of prototypical development scenarios, reflecting current market conditions as of Q3 2025. These results should be interpreted as indicative, not definitive, and are intended to inform policy-level discussions rather than site-specific decisions.

Key Findings from Financial Feasibility Analysis:

- **Baseline conditions**
    - Financial viability of townhouses, apartments and mixed-use projects is challenging across Nanaimo under today's market conditions. Persistently high and rising costs, combined against flatlining / falling revenues, are creating conditions that are not conducive to new housing developments moving forward.
    - It is likely to take multiple years for market conditions to re-align before many projects can move forward.
    - These challenges are illustrated by the fact that, of all case study financial analyses completed for projects across the Primary Urban Centre, Secondary Urban Centre, Neighbourhoods / Neighbourhood Centres, Residential / Mixed-Use Corridors, Old City and Waterfront designations.
- **Density Bonusing and Inclusionary Housing:**
    - The provision of additional density can create better financial conditions for projects. For those project types that were showing at least marginal viability under baseline conditions (townhouses, and wood-frame apartments with lower parking requirements), additional density improves project returns.
    - Additional density is not universally helpful in improving project financial conditions. For concrete construction, or projects with exceptionally high parking requirements, analysis shows that under current market conditions, additional density costs more than the additional revenue opportunity associated with more density.
    - Against this background of highly challenged conditions for development, financial analysis indicates that there is a basis for a density bonusing framework for wood frame apartments and townhouse projects in the "Neighbourhood" and "Residential Corridor" designations, and possibly in other

areas if adjustments are made to other policies that drive costs of development – most critically, parking requirements. Density bonus rates should be calibrated to capture a minority of indicated lift in value between base and bonus density thresholds.

- There is minimal or no financial capacity in projects to provide inclusionary housing, either within baseline or bonus density frameworks. Even a 5% inclusionary requirement is shown, in nearly all cases, to cost more than the incremental value uplift generated through bonus density. Sub-5% inclusionary housing requirements (through inclusionary zoning or tied to density bonusing) could be considered, however alternatives approaches have not been tested in this analysis. This could be tested as part of a future update, if the City wishes to explore inclusionary options in more depth.
- New/higher costs related to DCCs, and ACCs, will further hamper financial performance, reducing the financial capacity of projects to make other contributions.
- From a cash-in-lieu perspective, density bonusing provides greater flexibility than inclusionary zoning as the former can still be calibrated using a land lift calculation, whereas the latter must likely be explicitly tied to the capital costs that would otherwise be incurred through unit delivery. Inclusionary zoning cash-in-lieu rates could be calibrated (up or down) by shifting the percentage of units / floor area required in the 'build' option.

- **Tenant Protection Scenarios:**
  - Under current market conditions, the redevelopment of purpose-built rental buildings is unlikely to be viable, regardless of which set of tenant protection policies are considered.
  - At baseline density, none of the scenarios achieved viability for strata or rental developments, regardless of tenant protection measures. Adding tenant protection at base density reduces the profit-on-cost metric by 1% for both strata and rental. With additional density, profit-on-cost improves by 2% to 6% but remains unviable under both old and new DCC/ACC frameworks.
- **Manufactured Home Park Protection:**
  - Redevelopment of manufactured home parks is currently challenging due to market conditions. Compensation Approach A (minimum requirements under provincial legislation) results in per-unit costs ranging from $115,000 to $260,000, increasing construction costs by approximately 6% and leading to negative profit margins.

- Some projects may proceed if land is acquired below assessment value and construction costs are more favourable, with additional density improving viability for townhouse developments.
- Compensation Approach B (higher payouts as proposed by the Manufactured Home Park Stakeholder Group) leads to a very significant **33% increase in development costs,** and results in double-digit negative profit margins, making most projects highly unlikely to move forward.
- The above analysis is conducted using a hypothetical 1-acre sub-set of a larger manufactured home park. More detailed analysis, considering a phased development and potentially higher pricing in future phases, may be considered as part of future work.

It is important to note that all results presented in this report reflect current market realities. This does not have to prevent Nanaimo from exploring policies that may impact viability now or in the future. Policies should be designed with these challenging conditions in mind, where Nanaimo must balance the trade-offs and benefits of securing affordable housing or limiting redevelopment for existing purpose-built rental properties and manufactured home sites, which currently provide some of the city's most affordable housing. While securing or protecting affordable units can reduce the viability of market development projects, policies can be designed to clearly consider these impacts.

Development feasibility could improve if macroeconomic conditions shift, including:

- Land values for development sites coming down further. There is more room for development site pricing to fall in circumstances where existing use values are low (e.g., a commercial property struggling with vacancy, or requiring significant reinvestment).
- Construction costs stabilizing;
- Home prices rising again as market absorption increases and demand returns.

Changes in these factors could realign project economics and potentially allow for new or increased contributions. It is important to re-evaluate project economics regularly (at least every 12-18 months) to ensure policy remains aligned with market realities.

Appendix A – What We Heard Memo

This project involved engagement with local builders and developers, real estate brokers, and non-profit housing providers to understand the drivers and barriers to development when exploring the implementation of tenant protection, inclusionary housing, and density bonusing. This engagement was also an opportunity to gather key input data from industry.

urban matters

1.0 OVERVIEW

In April 2025, Urban Matters conducted eight 30-minute informational interviews with:

- Local builders and developers
- Real estate brokers
- Non-profit housing providers

The purpose of the interviews was to collect market data and to identify opportunities and challenges related to residential and mixed-use development in Nanaimo. The interviews are an initial step in the engagement process to hear from private and non-profit housing providers. Ultimately, the goal is to use the data and insights to develop pro formas in order to inform the City's review of the Zoning Bylaw and exploration of inclusionary housing, density bonusing, and tenant protection policies.

Interviewees were identified by the City of Nanaimo and contact information provided to Urban Matters. We spoke to six local builders and developers, and two non-profit housing providers between April and June of 2025. Two sets of questions and topics were asked of the private developers and non-profit housing providers.

Private developers and real estate brokers were asked questions relating to:

- Current and contemplated projects
- Industry opportunities and challenges
- Experiences with density bonusing
- Thoughts on potential implementation of inclusionary zoning and tenant protection policies
- Other construction costs and financing considerations
- Non-profit housing providers where asked questions relating to:
- Experience managing or developing inclusionary zoning units or affordable housing units
- City considerations for changes to affordable housing policies
- Operational concerns

2.0 WHAT WE HEARD

This section analyzes the data collected in the interview process, organizing it into key themes which are supported by main points that we heard. Themes were developed by reviewing all responses, identifying the relevant points from each, which were then categorized into topic areas where natural themes began to emerge.

The apartment market is primarily focused on building low-rise apartments (4 to 6 storey)

Low-rise apartments, ranging from 4 to 6 storeys in building height, are the current desirable forms of development due to affordability and development costs.

- One participant felt that high-rise apartment buildings in Nanaimo are not feasible at this time due to Nanaimo not having sufficient demand to warrant such high volumes of housing, also pointing to the availability of land for development making high-rise apartment buildings unnecessary.
- The development costs for high-rise apartments are much higher than low-rise apartments due to the change in construction material required (i.e., transition from wood-frame to concrete construction).
- One participant expressed that encouraging apartment building heights of 6-storeys could yield more units for Nanaimo overall, rather than encouraging high-rise apartments on specific sites.

Construction costs have been escalating higher due to multiple factors

We consistently heard from participants that construction costs have significantly increased over recent years, with one participant reporting a 30% increase in the past three years

- One participant pointed to supply chain uncertainty and potential tariffs affecting costs, while another participant noted that building costs in Nanaimo are lower than in Victoria and South Vancouver Island.
- The 2024 BC Building Code changes were widely cited as having a large impact on construction costs, including requirements for accessible units affecting Part 3 buildings (e.g., primarily apartments), as well as new seismic requirements.
- One participant commented that redevelopment sites which can physically accommodate apartments with surface parking are now limited in Nanaimo, so new redevelopment will require underground parking which adds significant costs.

- Due to rising costs of construction, participants are finding it increasingly difficult to make projects (particularly condos) financially feasible. Nanaimo is a medium-sized market, and when skilled labour is pre-engaged on larger construction projects, it becomes more difficult to find trades to build.

Reducing land regulations to allow for a wider range of townhouse development

Some participants indicated that Nanaimo households are interested in townhouses due to affordability and space needs, particularly for younger families moving to Nanaimo.

- There was advocacy among participants for 3-storey townhouses on a more compact footprint to be considered by the city, opposed to traditional 2.5-storey townhouse development forms which can be more costly to build
- One participant stated that new low-carbon building requirements enacted by the City (e.g., EL-4 Zero Carbon performance) have added additional costs to townhouse developments, which are considered above the Energy Step Code requirement of level 4 for townhouses. The cost to add an extra unit to meet Step Code 4 is $5,000 per unit.

Slowdown in rental housing development

The rental development market has been strong in recent years due to CMHC financing; however, some participants indicated a slowdown in Nanaimo and nearby markets.

- One participant felt the slowdown was related to there being an oversupply of rental units in the market due to an influx in rental development from CMHC financing and it is becoming increasingly difficult to find investors.
- One participant felt that there is still demand but it has levelled off due to decreased renter demand.
- Some participants felt that CMHC financing has been an effective tool in encouraging more affordable housing forms, attributing the current oversupply of rental homes to this.

Comments about density bonusing and inclusionary zoning

The interview discussions were brief regarding current density bonusing policies and considerations for updating the policy. Opinions were mixed and further engagement is needed on the topic.

- Participants indicated that the current density bonusing program could benefit from increased flexibility as the eligibility criteria is dependent on the site conditions.

- One participant felt that a density bonus should only be provided on top of a base density that is financially feasible. If significant density bonuses were provided to incentive certain tenures of housing (e.g., affordable housing), the participant felt that these new buildings could be easily distinguished based on the building height from regular market buildings.
- On the other hand, one developer noted that developers would be more motivated to incorporate density bonusing that was 4-storey strata with 2 storeys of market rental on top.
- One participant indicated that they have considered density bonusing before, but it did not make economical sense.
- Some private participants felt that inclusionary zoning policies would increase construction costs and thereby the selling costs of the units.
- One non-profit housing provider felt that inclusionary zoning is an area worth exploring, but operating units in a non-profit building can be challenging depending on the level of affordability offered. This is due to the high level of care required to support the tenants, and stringent organizational building specifications for maximum cost efficiencies and maintenance.
- Another non-profit housing provider was open to inclusionary zoning, but under the condition that they could own the units and assurance that the financing aligns with BC Housing.

Affordable housing providers require special considerations

Input from non-profit housing providers interviewed offered insight to operation preferences of NPOs in managing their housing stock.

- Land or cash contribution is preferable to purchasing units, as financing units in a building is more expensive for NPOs and they are more limited in customizing units to their required specifications for tenants.
- One non-profit housing operator felt that shared doors between NPO and owner-residents in a strata building are difficult to integrate given comfort considerations for both groups, but that this is not as much of an issue in rental buildings as they consider who would be the right fit for the building.
- 50 units and above was the ideal number of units to manage in one building due to associated costs and operational efficiencies, with one operator expressing that they

would be open to less units if it was near other sites so they could have a maintenance person attached to the area.

- Preferable lease agreement term is 15-20 years, after that period rents that were set when tenants first moved in move too far apart from costs and the model becomes difficult to maintain; however, this is specific to units captured within a market building, as opposed to a land contribution where affordable housing can be developed as a stand-alone building.

Appendix B – Overview of Policy Research

This appendix outlines the foundational research that informed the economic testing of tenant protections and manufactured home community (MHC) protections conducted for the City of Nanaimo. Our work was grounded in a review of relevant policies, precedents, and planning tools from across British Columbia, with a focus on identifying approaches that are both effective and locally adaptable.

Tenant Protection Research

To inform the economic testing of tenant protection policies in Nanaimo, we reviewed the City of Nanaimo's existing research on protection policies for tenants of rental apartment buildings. The findings from the City's research are outlined in the table below.

In addition to municipal comparisons, we reviewed the Provincial Policy Manual: Tenant Protection Bylaws[19] to ensure alignment with provincial standards and guidance. This step was essential to ensure that any proposed policies in Nanaimo are both legally sound and consistent with broader Provincial objectives.

Summary of Policies from Other Municipalities – For Tenants of Rental Apartment Building – Prepared by the City of Nanaimo

Municipality	Policy Title	Brief Overview
City of Revelstoke	Manufactured Home Park Redevelopment, Residential Tenant Protection, and Strata Conversion Policy (2023)	Communication Plan - Notification requirements to inform tenants of the development application process. Tenant Relocation Plan - Assistance in finding new affordable accommodation. Right of First Refusal - Applicant to offer a right of first refusal for new unit on the property. Other – Applicant may provide new below-market housing units on site for eligible displaced tenants (with Housing Agreement secured on title) or a contribution to the Housing Legacy Reserve Fund.
City of Vancouver	Tenant Relocation and Protection Policy (updated in June 2024)	Communication Plan – Mandatory ongoing notification and tenant meeting requirements throughout the development application process. Interim and final report required to be submitted to the City to demonstrate all tenant protection requirements have been met, prior to issuance of occupancy for new units on the property. Tenant Relocation Plan – Assistance in finding new equally affordable accommodation. Three reasonable and affordable options are to be provided to each tenant. Right of First Refusal – Applicant to offer a right of first refusal for new unit on the property, with 20% discount off starting market rents, or a unit in another building. Financial Compensation – Applicant to pay between 4-24 months rent depending on length of tenancy. Owner may need to offset relocation costs.

[19] Province of British Columbia. (2025). Provincial Policy Manual: Tenant Protection Bylaws. https://www2.gov.bc.ca/assets/gov/housing-and-tenancy/tools-for-government/local-governments-and-housing/tenant_protection_bylaws_comprehensive_guidance.pdf

City of Coquitlam	Tenant Relocation Policy (2021)	Other –Extra requirements for tenants being displaced in certain areas such as Broadway Plan area, and Transit Oriented Areas. There are also extra requirements when tenants in non-market housing are being displaced, and for vulnerable tenants (i.e. seniors or persons with disability). Communication Plan – Mandatory ongoing notification and tenant meeting requirements. Tenant Relocation Plan – Relocation plan and a relocation coordinator is required. Right of First Refusal - Applicant to offer a right of first refusal for new unit on the property. Financial Compensation – To be provided based on length of tenancy. Moving assistance to be provided based on number of bedrooms and is paid by a one-time flat rate. Other – Separate requirements for tenants displaced from non-market units. Communication Plan – Mandatory ongoing notifications and tenant meeting requirements. Tenant Relocation Plan – Tenant relocation coordinator is required to provide assistance in finding new affordable accommodation. Three reasonable and affordable options are to be provided to each tenant. Extra support for vulnerable tenants must be provided.
City of Burnaby	Tenant Relocation Policy	Right of First Refusal - Applicant to offer a right of first refusal for new unit on the property. Financial Compensation – Applicant to pay lump sum payment to tenant or 'top-up' increase of new unit rent rate for a specific time. Moving assistance must be provided based on number of bedrooms and is paid as a one-time flat rate. Other – Applicant to provide funding at the beginning of the application process to ensure requirements are met. Communication Plan – Mandatory ongoing notifications and tenant meeting requirements. Tenant relocation website required. Final tenant relocation report required as condition of demolition of building. Tenant Relocation Plan – Tenant relocation coordinator is required to provide assistance in finding new affordable accommodation. Three reasonable and affordable options are to be provided to each tenant. Extra support for vulnerable tenants must be provided (i.e. seniors, disability).
City of Langley	Tenant Relocation Policy (2024)	Right of First Refusal - Applicant to offer a right of first refusal for new unit on the property at rent set at 20% below average, or purchase of unit at 15% discount of purchase price. Financial Compensation – Applicant to pay lump sum payment to tenant or 'top-up' increase of new unit rent rate for a specific time. Moving assistance must be provided based on number of bedrooms and is paid by a one-time flat rate. Compensation is to be paid out at the time of termination of tenancy in either cash and/or free rent per the tenant's preference.

District of Saanich	Tenant Assistance Policy (2023)	Communication Plan – Mandatory ongoing notifications to tenants. Submit a tenant relocation status report before the issuance of any building permits pertaining to the site. Tenant Relocation Plan – Tenant relocation coordinator is required to aid in finding new affordable accommodation. Extra support for vulnerable tenants must be provided (i.e. seniors, disability). Right of First Refusal - Applicant to offer a right of first refusal for new unit on the property at rent set at 20% below average. Financial Compensation – Applicant to pay lump sum payment to tenant or 'top-up' increase of new unit rental rate for a specific time. Moving assistance must be provided based on number of bedrooms and is paid by a one-time flat rate. Compensation is to be paid out at the time of termination of tenancy in either cash and/or free rent per the tenant's preference. Other – Extra support for vulnerable tenants must be provided.

Manufactured Home Community Protections

To inform the development of manufactured home community protections, we conducted a comparative review of protection measures implemented in various communities across British Columbia. This research aimed to identify strategies that could inform our testing in Nanaimo and ensure that any proposed measures are both effective and responsive to the lived realities of residents in manufactured home parks. The findings from the City's research are outlined in the table below.

Our review included a scan of policies from other jurisdictions, with attention to how they address issues such as displacement, rent increases, and redevelopment. The results of this scan are summarized in the table below. To ensure our approach reflects both community priorities and legal requirements, we also reviewed two key documents:

- Manufactured Home Park Stakeholder Group Policy Recommendations for the City of Nanaimo, which provided valuable insight into local concerns and aspirations; and
- Manufactured Home Park Tenancy Act: A Guide for Manufactured Home Park Landlords & Tenants in British Columbia, which ensured our work aligns with provincial legislation and guidance.

Jurisdiction	Key Protections & Compensation Requirements	Compensation Collection Timing
Province of BC's Minimum Requirements **Manufactured Home Park Tenancy Act**	$20,000 minimum compensation per household 12-month written notice before eviction Additional compensation for unmovable homes (assessed value above $20,000) minus $20,000 Landlord covers disposal costs if home cannot be moved	Upon eviction/park closure
City of Surrey	Communications: Proponents must notify residents within two weeks of application submission, include a copy of the policy, and maintain ongoing updates through a City-	The Policy does not include specific guidance related to the timing of compensation collection.

Manufactured Home Park Redevelopment and Strata Conversion Policy (2015)[2021]	approved Communications Plan detailing key dates and ways for residents to voice concerns. Relocation Support: Proponents must assess resident needs and home conditions, and provide support for relocation, including identifying alternative housing and covering reasonable moving costs. Right of First Refusal: Displaced residents may be offered the first opportunity to rent or purchase units in the new development at or below-market rates as part of the Affordable Housing Program developed by the Proponent. Additional Financial Compensation: Compensation under the Affordable Housing Program must cover reasonable costs for relocating existing homes within the Lower Mainland, including additional expenses for non-CSA or older units in acceptable condition, tenant compensation beyond Manufactured Home Park Tenancy Act requirements, and reasonable disposal and moving costs. Other: An Affordable Housing Program[22] must be developed prior to Council introduction to offer a range of housing options, and the policy supplements—not replaces—provincial legislation.	Follow-up with the City confirmed that the has not collected any securities or guarantees and does not have a process to track/enforce the Affordable Housing Program negotiated with the developers.
City of Coquitlam	Communications: Applicants must notify tenants in writing at the pre-application stage and provide ongoing updates throughout the redevelopment process.	The Policy does not include specific guidance related to the timing of compensation collection.

[20] City of Surrey. (2015). Manufactured Home Park Redevelopment and Strata Conversion Policy. https://www.surrey.ca/sites/default/files/media/documents/CityPolicy0-34ManufacturedHomeParkLocationCriteria.pdf

[21] Note that this policy applies to the development or redevelopment of a manufactured home park where existing manufactured homes are proposed to be displaced; or an application to convert a manufactured home park into a strata development. It is not tied to a rezoning application, however most, applications are rezonings.

[22] Note that in Surrey, the terms of the Affordable Housing Program are negotiated on a case-by-case basis, however in most cases the developer has often already come to an agreement with residents prior to engaging with the City.

Mobile Home Park Redevelopment Tenant Assistance Policy[23]	Relocation Support: A flexible, multi-dimensional relocation assistance program must be developed, including demographic and housing needs assessments. These programs may include additional payments with some amount of flexibility for to support tenants' plans for relocation. Right of First Refusal: Ten[illegible]t must be offered first right of refusal on the site if [illegible]e redev[illegible]opment plans include a residential compon[illegible]t. This may [illegible]clude purchase discounts on new u[illegible]its develop[illegible] by th[illegible] applicant in the Relocation Assistance [illegible]n. Additional Financial Compensati[illegible]. Compen[illegible]tion may include unconditional payme[illegible]s beyo[illegible]tat[illegible]ory requirements, such as the assessed v[illegible]ue of the home and arranging and paying for disposa[illegible]of the ho[illegible]s. Communications: Tenants must be notifi[illegible] a[illegible]least [illegible]0 days before Council considers the redevelopmen[illegible] application.	The City of Coquitlam requires proponents to formulate, communicate, and begin implementing components of the program as soon as possible after plans for redevelopment are made. The relocation assistance plan is submitted with the development application.
Kelowna **Mobile Home Park Redevelopment Policy[24]**	Relocation Support: Rezoning is not considered [illegible]nle[illegible]a viable relocation plan is in place, especially for older or non-CSA units. Right of First Refusal: Tenants must be given the first opportunity to purchase units in the new development. Additional Financial Compensation: Not explicitly detailed beyond provincial requirements.	[illegible]he Policy [illegible]oes not include specific guidance related to the timing [illegible]f [illegible]mpensation collection.

[23] City of Coquitlam. (2006). Mobile Home Park Redevelopment Tenant Assistance Policy. https://www.coquitlam.ca/DocumentCenter/View/14054/Mobile-Home-Park-Redevelopment-Resident-Assistance-Policy-PDF

[24] City of Kelowna. (2010). Mobile Home Park Redevelopment Policy. https://www.kelowna.ca/sites/files/1/docs/city-hall/policies/mobile_home_park_redevleopment_-_policy_229.pdf

City of Revelstoke **Manufactured Home Park Redevelopment, Residential Tenant Protection, and Strata Conversion Policy[25]**	Communications: Residents must be notified at least two weeks before application submission and provided with the City's policy and relocation resources. Relocation Support: Proponents must assist tenants with relocation planning and provide information on home condition and moving feasibility. Right of First Refusal: Where ratification of an existing Manufactured Home Park is not feasible and residential rental tenure zoning is not proposed, right of first refusal is required but can be provided through cash-in-lieu. In all other cases, it is encouraged. Additional Financial Compensation: Not explicitly outlined in the policy.	The Policy does not include specific guidance related to the timing of compensation collection.
City of Mission **Manufactured Home Park Redevelopment Tenant Assistance Policy[26]**	Communications: Developers must notify tenants early and provide updates throughout the redevelopment process. This includes a two-year eviction notice, effective from the date of Final Approval for the Rezoning Application. Relocation Support: A relocation plan must be submitted, including support for finding alternative housing, a professional appraisal of the site's housing stock and moving feasibility, and a survey of housing preferences of existing residents. The proponent must also commit to hiring a qualified professional to assist tenants. Right of First Refusal: The right of first refusal for tenants wishing to purchase a unit in the proposed new development, with the compensatory amount being	Prior to receiving Final Reading, the applicant must demonstrate compliance with the conditions of the tenant relocation plan (have either completed these requirements or submitted securities in the amount of the required compensation measures to ensure honouring these commitments.

[25] City of Revelstoke. (2023). Manufactured Home Park Redevelopment, Residential Tenant Protection, and Strata Conversion Polic. https://bcmho.ca/resources/archived/2023-06-27_Revelstoke%20-%20MHP%20Redevelopment%20Policy.pdf

[26] City of Mission. (2024). Manufactured Home Park Redevelopment Tenant Assistance Policy. https://www.mission.ca/media/file/lan67c-manufactured-home-park-redevelopment-tenant-assistance-policy1pdf

	applied as a down payment to the fair market value on a new unit. Additional Financial Compensation: Additional compensation will include paying for greater of professionally appraised values, assessed values, or $20,000; the responsibility for disposal; as well as the right of first refusal for tenants wishing to purchase a unit in the proposed new development, with the compensatory amount being applied as a down payment to the fair market value on a new unit.	
City of West Kelowna **Manufactured Home Park Redevelopment Policy**[27]	Communications: Tenants must be notified in writing 30 days before application submission, with updates provided throughout the process. Relocation Support: A comprehensive plan must include demographic profiles, housing needs, and relocation condition assessments. Right of First Refusal: Relocation assistance programs must include opportunities for the right of first refusal to purchase and purchase discounts on local units developed by the applicant(s), including new units built on the subject property. Additional Financial Compensation: May include support beyond statutory requirements, including Arranging and paying for the disposal of manufactured homes; compensation to provide tenants with flexibility for relocation.	West Kelowna may request adequate assurance, either by way of a financial or legal undertaking (i.e. letter of credit, performance bond, or a similar alternative) that the relocation assistance plan will be implemented.

[27] City of West Kelowna. (2008). Manufactured Home Park Redevelopment Policy. https://www.westkelownacity.ca/en/city-hall/resources/Documents/Manufactured-Home-Park-Redevelopment-Policy.pdf

Appendix C – Manufactured Home Park Stakeholder Group Policy Recommendations

This appendix outlines the recommendations made by the Manufactured Home Park Stakeholder Group for the creation of policies related to protection of manufactured home community residents in Nanaimo. This appendix also includes the approach to modelling the request from the stakeholder group.

The table below outlines the Stakeholder Group's request and the approach taken in the analysis to model the request.

Manufactured Home Park Stakeholder Group Policy Recommendations

Stakeholder Group Request	Proposed Methodology in Stakeholder Report	Approach In Analysis
Communication Plan	**Early notification**: Landowners should inform residents before applying for rezoning. **City-led**: The City should appoint a staff lead to manage homeowner communication. **Host meetings**: The City should lead public info sessions. **Updates**: Provide regular updates on timelines and compensation. **Monitoring**: Require proof of funds and monitor compensation delivery.	No specific cost was modelled.
Relocation Support	The stakeholder group notes that many homeowners will not require relocation assistance, but that a small minority of homeowners who, through age, lack of family, or health reasons will require assistance in making the best decisions for their lives upon the threat of losing their homes. The Stakeholder Group recommended the City and landowner provide any resources required to assist these individuals.	No specific cost was modelled.
Financial Compensation[28]		
BC Assessed Value (or Market Value)	The Stakeholder Group recommended the developer provide the latest BC Assessment value for the current taxation year.	Assessed value

[28] Given the scale of this request, the analysis assumes that meeting these requirements would also satisfy the Province's requirements, rather than being additional to them.

Compensation for Loss of Site Value / Increased Housing Cost (monthly difference × years)	The Stakeholder Group recommended the developer provide additional compensation based on the differential between the residents' current monthly land lease fee and their new monthly cost over a defined period (i.e. 10 -20 years).	$72,000 ($600/month × 12 months × 10 years = $72,000)
Relocation & Transition Costs	The Stakeholder Group recommended the developer provide additional compensation based on the following fees, which they estimated at approximately $20,000: • Disconnection/reconnection of services (hydro, water, internet, etc.). • Storage and transportation of personal belongings. • Temporary accommodations (if needed). • All realtor and/or legal fees required. • Costs to demolish their home if they choose not to move it to another location.	$20,000
Loss of Resale Value (if home cannot be moved)	The Stakeholder Group recommended the developer provide full compensation based on a market value for the manufactured home.	Assessment value[29]
Emotional Disruption Payment	The Stakeholder Group recommended the developer provide payments between $25,000 to $50,000 depending on the context for emotional disruption.	$50,000
Total Costs:	Apply $142,000, plus assessment value, and market value (assumed to be assessment value)	

[29] Assessed value was modelled due to lack of publicly sales transaction data in the community.