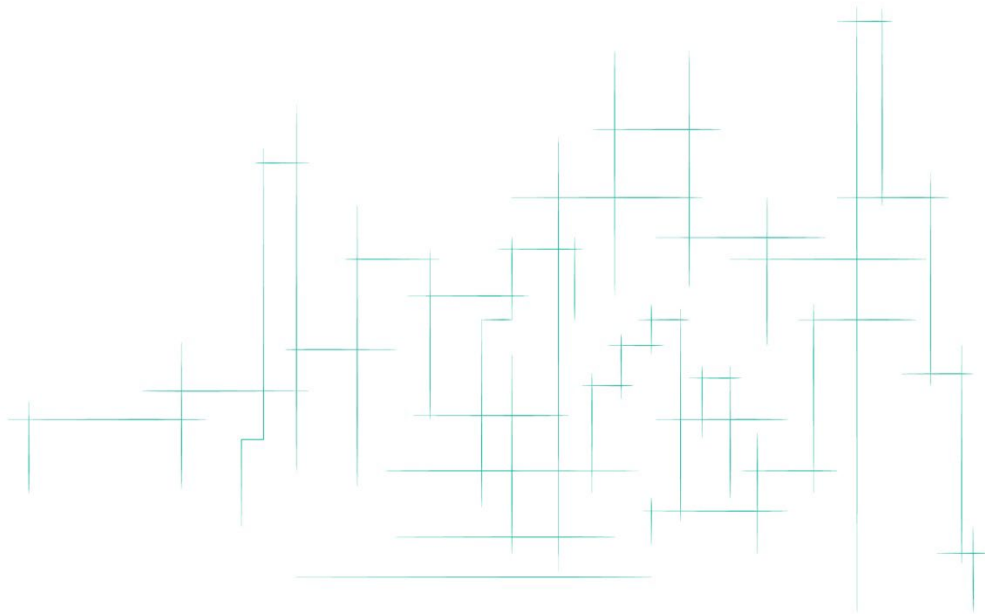


Nanaimo Family Friendly and Adaptable Housing Study

Prepared for the City of Nanaimo

May 2023



Introduction

Mulholland Parker Land Economists Ltd. (MPLE) have been retained by the City of Nanaimo to provide analysis of financial feasibility and implications of creating a policy requiring a set percentage of both family friendly units and of accessible and adaptable units in new multi-family developments. MPLE is pleased to submit this report of findings that will provide key information for staff to present to Council and inform policy decisions. Specific tasks MPLE were to undertake included:

- 1) Research into specific costs associated with development of Family Friendly and Adaptable units in new buildings.
- 2) Interviews with Nanaimo real estate and development professionals.
- 3) Review best practices in other jurisdictions.
- 4) Make recommendations on set percentages for family friendly and adaptable units to be requested from new development.

Interviews

MPLE was provided with 8 contacts active in the Nanaimo development community and spoke at length with 5 of them. Each interviewee was asked the following set of questions:

- 1) Have you had experience in developing Family Friendly units?
 - a. What are the challenges?
 - b. How do costs change?
 - c. How do revenue expectations change?
 - d. Is this the same for a blended project as for one that is entirely focused on one use?
 - e. Does inclusion of Family Friendly units affect marketability?
 - f. What is the greatest barrier you see to inclusion of Family Friendly units in a development?
- 2) Have you had experience in developing Adaptable units?
 - a. What are the challenges?
 - b. How do costs change?
 - c. How do revenue expectations change?
 - d. Is this the same for a blended project as for one that is entirely focused on one use?
 - e. Does inclusion of adaptable units affect marketability?
 - f. What is the greatest barrier you see to inclusion of adaptable units in a development?
- 3) Have you had experience in developing Accessible units?
 - a. What are the challenges?

- b. How do costs change?
 - c. How do revenue expectations change?
 - d. Is this the same for a blended project as for one that is entirely focused on one use?
 - e. Does inclusion of accessible units affect marketability?
 - f. What is the greatest barrier you see to inclusion of Accessible units in a development?
- 4) What can the City do to facilitate support by the development community for the above?

From these interviews MPLE was able to determine some key takeaways:

Family Friendly Units

Provision of Family Friendly units does not specifically drive up costs for development. There is nothing that the inclusion of more bedrooms does to increase construction costs. Bedrooms are relatively cheap space to finish requiring simply drywall, a closet, and electrical. However, the high cost for underground parking construction was noted as being a financial drain on new development, especially for rental units as purchasers and renters may not recognize the value of the parking stalls and be willing to offset those costs with increased purchase price or rents.

Rather the main concern from developers lies in the marketability of Family Friendly units. This is due to a variety of factors:

- 1) There is a general issue around affordability of larger units that may be at odds with demographic needs:
 - For example, a 3 bedroom apartment unit at 900 square feet might have a market price close to \$600,000 which would require an annual household income in excess of \$123,000 even with a down payment of \$118,000 (20%);
 - The same unit as a rental would need to rent for over \$2,400 per month to generate sufficient income for the developer and would require an annual household income close to \$94,000.
- 2) Speaking to realtors, families will tend to prefer ground oriented units over apartments if pricing and size are relatively close. This suggests that there is a general preference for buyers looking for family friendly units to choose townhouses over apartments when the choice is available. However, it is far easier to create family friendly units in apartment buildings with higher densities than townhouses.

Development of rental apartments is often driven by interest from Real Estate Investment Trusts (REITs) as they view it as a safe income stream. Having diversity of unit types increases the attractiveness to these REITs. In fact the significant undersupply of rentals in the Nanaimo market a decade ago combined with relatively affordable land values fueled the recent spike in purpose built rental development up through to roughly two years ago after which time land

values had risen to the point that rental development was become less attractive than strata to developers.

The key recommendation to be taken from interviews is to ensure that any stipulation on the number/percentage of Family Friendly units are “right sized” for the market. This right sizing is imperative to ensure future development remains financially feasible. What this entails is ensuring that there is a triangulation between the household incomes and maintainer rates for households from the Housing Needs Assessment. Stated another way, simply looking at a forecast of the number of 3 and 4 bedroom units required based on household size alone is likely to result in an unbalanced market. Consideration needs to be given to the affordability of these units to these households and perhaps policy around matching specific units and tenures to household income levels. Without this there is a danger of creating an oversupply of units that will not be affordable to buyers and renters in the market and could discourage development.

Adaptable and Accessible Units

MPLÉ looked at current BC Building Code requirements for accessibility and the 2020 BC Building Code Handbook notes the following:

- 25% of BC residents identify as having a disability
- Ramps for entry required for 50% of pedestrian entrances
- Elevators to accessible areas if on different storeys
- Hall widths, Door widths, and passing lanes be accessible for wheelchairs
- Lever handles be used rather than rounded knobs
- Provide adequate backing for installation of grab bars in washrooms for bath/shower and toilets
- Cooktop & sink must be adjacent or can have a continuous counter between them
- Location/height of controls, switches, and outlets be accessible

Developers have noted in interviews that demographics are trending to adaptability anyway and with the BC Building Code there are already recommendations in place. Costs should not be significant to create adaptability, but having one standard is imperative so there are not adjustments for each jurisdiction’s requirements.

The difficulty lies with the Creation of accessible units for specific needs which are difficult to anticipate and to ensure the right occupant is matched to the appropriate unit for their needs. The accessible needs of specific individuals will vary and are likely to only appeal to buyers and renters with those needs, making those units less marketable to the general purchaser;

- If a unit is specifically designed for someone in a wheelchair for instance a buyer not requiring a wheelchair might not recognize any value in designs for those needs and in fact might consider that unit less attractive to purchase;
- If a unit has been built to meet specific accessibility needs there is no guarantee that the unit will be available for those with needs when they are looking for units or that they can afford them;

This suggests that there would need to be some sort of controlling mechanism placed on those units to ensure that they are properly matched to those with matching needs, such as a covenant on title, or a management program to match buyers and sellers.

It may be more realistic to focus on creation of adaptable units as conversion of adaptable units to accessible units carries an unknown cost that will be driven by the specific needs of the purchaser or renter. It may be possible to make offsets available through grants from senior levels of government so that lower income earners will still have the ability to create accessible units suited to their needs;

- For instance eligible homeowners, renters and landlords can receive up to \$20,000 per home in the form of a forgivable loan through the BC Government's Home Adaptations for Independence program through March 31, 2023;

As with Family Friendly units there are concerns over the "right sizing" of the amount of units required as part of new development, although as noted above, creating adaptability when designing new buildings is not overly costly when considered from the start.

Best Practices

MPLÉ recommends that the City look to other jurisdictions to see what requirements they have from new development regarding both family friendly units and adaptable units. To this end we conducted a scan of 12 other jurisdictions drawn from Vancouver Island, the rest of BC, and Toronto:

City of Victoria: requires set percentages (up to 50%) of adaptable housing in new developments in certain residential districts

District of Saanich: In 2003 Council passed an amendment to the Zoning Bylaw requiring most newly constructed apartment buildings to have basic adaptability. Policy for voluntary enhanced adaptable housing for apartments, townhouses, and single family homes.

City of Quesnel: As part of their affordable housing strategy they have partnered with the Dakelh & Quesnel Community Housing Society to develop safe and drug free affordable apartments with wheelchair accessible suites.

City of North Vancouver: Policy in place since 1999. Three levels of Adaptable Design Guidelines are in addition to BC Building Code accessibility requirements. Level 1 covers basic design and features and is required of all apartments with common corridors. Level 2 focuses on mobility to move easily into and out of the building, common areas, and the unit itself. Level 3 increases the degree of adaptability.

In 2013 the policy was updated to require 25% of all units must meet Level 2 and a density exclusion would be applied to FAR calculations:

- 1.86 m2 for each Level 2 unit
- 4.19 m2 for each Level 3 unit

Family Friendly Policy requires new multi-family developments provide a minimum of 10% of units be 3+ bedroom.

District of North Vancouver: Policy requires 100% of apartments must meet basic accessible designs & 5% must follow enhanced accessible designs. Seniors: 50% must include sensory and/or mobility accessible design. Townhouses: 100% must meet basic accessibility requirements.

Port Moody: In 2018 the City adopted a new Zoning Bylaw which required 50% of all new apartments must meet provincial adaptable standards

Family Friendly Policy for developments with 20+ units: 5% minimum 3 bedroom units in rental projects/10% minimum 3 bedroom units in strata projects

New Westminister: in 2011 the City adopted an amendment to the Zoning Bylaw that required 40% of all single storey units in multi-family developments must be built as adaptable dwelling units as per BC building code.

The City will exempt from total floorspace calculations:

- 1.85 m2 (19.90 square feet) for every one-bedroom adaptable housing unit.
- 2.80 m2 (30.14 square feet) for every two-plus bedroom adaptable housing unit.

Family Friendly Policy for developments with 10+ units: 5% minimum 3 bedroom units in rental projects/10% minimum 3 bedroom units in strata projects

City of Coquitlam: In 2015 as part of their Housing Affordability Strategy the City introduced policy for each accessible and adaptable unit provided 2 m2 is excluded from GFA calculations up to 20% of all units. The City will also will consider in exchange for units:

- Density transfer
- amenity & parking reductions
- density bonus
- waiving density bonus contributions

Township of Langley: As of December 2016 the Township's OCP stipulates that 5% of new SF and GOM must be adaptable, and 10% of new apartments units must be adaptable.

Considering a policy to require 10% of new units to be 3+ bedroom

City of Chilliwack: The City's Zoning Bylaw requires 50% of new apartment units must meet BC Building Code for adaptability.

City of Burnaby: Policy adopted in 2013 and updated in 2018 requires all CD rezonings to have at least 20% of single level units meet adaptable design guidelines. For purpose built seniors housing this increases to 100%. The Zoning Bylaw gives a 1.85 square metre GBA exemption for every adaptable housing unit.

City of Toronto: The City has a policy requiring affordable housing units must have at least 5% of units fully accessible.

Regarding Family Friendly units, they state that the preference is for them to be ground oriented, or otherwise on a podium with access to an outdoor terrace.

- *15% of all units should be 3 bedrooms at an average size of 1,000 square feet.*
- *5% of all units should be 4 bedrooms at an average size of 1,175 square feet.*

With regard to Adaptable and Accessible units, most jurisdictions appear to be simply setting targets for percentages of new units to meet adaptability standards in the BC Building Code Guidelines. Some jurisdictions offer some incentives, including density exemptions in return for adaptable units. Very little appears to be required in terms of full accessibility in new units from jurisdictions, except in either affordable housing developments or seniors developments.

Summary of Other Jurisdictions Adaptable and Accessible Policy

Jurisdiction	Adaptability			Accessibility		
	Policy	Bylaw	Requirements	Policy	Bylaw	Requirements
City of Victoria	x	None	50% of new units	None	None	
District of Saanich	x	x	variable	None	None	
City of Quesnel	x	None		x	None	
City of North Vancouver	x	None	25% of new units must meet Level 2 Adaptability, supported by density bonus	None	None	
District of North Vancouver	None	None		x	None	variable
City of Port Moody	None	x	50% of new units must meet provincial adaptability standards	None	None	
City of New Westminster	None	x	40% of new units must meet provincial adaptability standards, supported by density bonus	None	None	
City of Coquitlam	x	None	density exemptions, other incentives for each adaptable unit up to 20%	None	None	
Township of Langley	None	x	5% SF & GOM and 10% multi-family new units must be adaptable	None	None	
City of Chilliwack	None	x	50% of new apartment units meet BC Building Code on adaptability	None	None	
City of Burnaby	x	None	20% of single level units meet adaptable guidelines, supported by density exemption in Zoning Bylaw	None	None	
City of Toronto	None	None		x	None	5% of Affordable Housing must have 5% of units be fully accessible

For Family Friendly units many jurisdictions do not have any easily found policy in place. There were 4 which do, and only 3 have any firm requirements, all of which land on 10% of new strata units being 3+ bedroom in size. One additional jurisdiction is giving consideration to a policy requiring the same 10% of new strata. There are two jurisdictions that make a distinction for market rentals and only require 5% of new market rental units to be 3+ bedroom.

Summary of Other Jurisdictions Family Friendly Policy

Jurisdiction	FF Policy	Requirements
City of Victoria	NONE	
District of Saanich	NONE	
City of Quesnel	NONE	
City of North Vancouver	x	10% of new units 3+ bedrooms
District of North Vancouver	NONE	
City of Port Moody	x	5% of rental/10% of strata new units 3+ bedrooms
City of New Westminster	x	5% of rental/10% of strata new units 3+ bedrooms
City of Coquitlam	NONE	
Township of Langley	NONE	considering policy to require 10% of new units to be 3+ bedroom
City of Chilliwack	NONE	
City of Burnaby	NONE	
City of Toronto	x	prefer ground oriented units and stipulate sizes for 3 and 4 bedroom units

Housing Supply and Affordability

MPLE has reviewed the City’s Draft Housing Needs Assessment and has looked at the economics of the affordability versus market cost of housing in the City in order to give a better sense of the potential gaps in affordability versus housing needs. We note that statistical data is only available from 2021 or earlier but we have attempted to do a rough estimate of the information to 2023 by using the same marginal rates of increase as indicated by StatsCan data and BC Stats data from 2016 to 2021 for the City in terms of households, household incomes, and housing by type. The table following breaks down estimates for Households and Household Incomes in 2023, along with the CMHCs recommended spending on housing.

Estimated 2023 Household Incomes and Maximum CMHC Annual Housing Costs

Household Income (Under:)	Allowable Household Costs	Households 2023 Est
\$0	\$0	
\$5,000	\$1,650	448
\$10,000	\$3,300	203
\$15,000	\$4,950	380
\$20,000	\$6,600	1,000
\$25,000	\$8,250	2,046
\$30,000	\$9,900	1,572
\$35,000	\$11,550	1,697
\$40,000	\$13,200	1,885
\$45,000	\$14,850	2,036
\$50,000	\$16,500	2,109
\$55,000	\$18,150	3,759
\$60,000	\$19,800	3,577
\$70,000	\$23,100	3,145
\$80,000	\$26,400	2,895
\$90,000	\$29,700	2,609
\$100,000	\$33,000	5,165
\$125,000	\$41,250	3,567
\$150,000	\$49,500	4,030
\$200,000	\$66,000	2,822

Of note, Median Household Income is estimated to be \$82,790 while the Average Household income is estimated to be \$100,000 in 2023. For Renters the Median Household Income is estimated to be \$50,930 and the Average Household income to be \$61,975. This data indicates that renter households earning the City’s Median Income could afford rents of roughly \$1,200 a month after accounting for other housing costs. MPLE estimates that this would be the market rent for roughly 550 square feet, or a 1 bedroom unit. Using the City’s Average Income renters could afford roughly \$1,400 a month for a 1 bedroom plus den of roughly 630 square feet. Older units on the market may be rented for less and thus offer more square footage for the same housing costs. The cost to rent a market 3 bed unit is estimated to be \$2,750 a month which would require a household income of \$125,000 a year. A market 4 bed unit would likely rent for

\$3,300 per month requiring a household income of \$150,000 a year. This demonstrates that new rental housing may not match up housing size needs with income levels required at market pricing.

Similarly, when looking at purchasing strata apartments the City’s Median Household Income in 2023 is estimated to be \$80,000. In a scenario wherein the purchaser has a 20% downpayment and takes out a loan at 5.5% interest with a 25 year amortization period that translates to a purchase price of \$325,975 which would likely be enough for a new 1 bedroom unit 400 to 500 square feet in size depending on location and built form. Using the Median Household Income of \$100,000 with the same terms affords the buyer a purchase price of \$405,545, which would be sufficient for a new 1 bedroom plus den unit 500 to 625 square feet in size. To purchase a newly constructed 3 bedroom apartment would likely cost at least \$620,000 which would require a Household Income of \$150,000. A new 4 bedroom strata apartment unit would likely cost more than \$700,000 in wood frame and over \$865,000 in a concrete building requiring incomes of \$175,000 to \$200,000.

It would be less costly to focus on obtaining more supply of 3 and 4 bedroom units in ground oriented forms, such as rowhouses, townhouses, duplexes, or even manufactured homes. The market pricing per square foot for these forms is significantly lower per square foot than apartments. We estimate that a new 3-4 bedroom townhouse would sell for roughly \$520,000 and would be 1,000+ square feet in size. Using the same mortgage terms as above this would require a Household Income of \$125,000.

The data available to MPLE did not allow for us to clearly match Household Incomes to the current housing supply in the City, but making some rough groupings allows for some general observations to be made.

Estimated 2023 Household Affordability vs Supply

Housing Type	Afford	Supply	Over/Under
Market Rentals	12,590	14,864	2,274
Condos	5,504	1,442	-4,061
Row Houses	5,165	2,051	-3,114
Movable Dwelling	3,567	1,130	-2,437
Duplex	4,030	2,234	-1,797
Single Family	<u>2,822</u>	<u>23,132</u>	<u>20,310</u>
	33,678	44,853	11,175

Based on some rough estimating MPLE has linked estimated 2023 Household Incomes to the housing type they could afford if renting or purchasing new units in the current market. This is compared to the estimated current inventory of housing in the City in 2023 to indicated a measure of supply. The indicated oversupply of market rentals is not a concern, this is simply due to some households renting in spite of being able to afford to purchase a home. Similarly the seemingly high number of single family dwellings in the supply versus the households than could afford to purchase new product is simply a reflection of the majority of single family homeowners likely having entered the market at some point in the past.

There is a strong indication that there is a significant undersupply for all owner housing options other than single family based on what households can afford. This suggests a need for increased supply for multifamily dwellings, but also is an indicator of the high number of households (11,175 based on this rough analysis) that may be paying more than CMHC's recommended 33% of gross income on housing.

Conclusions and Recommendations

At this point in time MPLE recommends that the City of Nanaimo consider moving forward with a policy that would use the City of New Westminster's policy on Family Friendly Units as a guideline and require 10% of strata units and 5% of market rental units to be 3+ bedrooms. There is wording in their policy that also recommends a maximum percentage of units 1 bedroom or less at 70%. Consideration should also be given to setting a minimum size of development at which the above requirements would be triggered (10 units would be the minimum size of development at which a Family Friendly unit could be secured). It is our opinion that there does not need to be any incentive or offset provided for this requirement at this time. However, some guidelines as to minimum or average unit size for 3 and 4 bedroom units should be considered, perhaps an average of 950 square feet for a 3 bedroom and 1,150 square feet for a 4 bedroom unit would be appropriate.

MPLE suggests that the City of Nanaimo could create a policy requiring 50% of new multi-family units meet the BC Building Code's guidelines for adaptability. The City might also wish to give consideration to incentives similar to those offered by other jurisdictions in the form of modest density exemptions from FAR for each unit that meets those guidelines. Specific FAR exemptions would have likely been determined through an analysis in each jurisdiction that currently offers them to determine what constitutes a reasonable incentive to developers. However at least two, the City of Burnaby and the City of North Vancouver, have applied 1.85 square metre and 1.86 square metre exemptions per unit meeting guidelines respectively that could work in the interim for the City of Nanaimo.

The City could also give consideration to providing grants to offset conversion of adaptable units to fully accessible units for households that demonstrate financial need and provide support through resources linking owner/occupants with senior levels of government also offering financial assistance for accessibility. There are examples of Municipal programs that, while not targeting the same thing, could be used as a model, such as Kelowna with their grant program to incentivize rental development, or the Smithers multi family housing incentive program. This would, however, require the City to come up with a funding mechanism, either through taxation, or perhaps through monies received for amenities. Even providing a small amount of funding and then matching people up with senior levels of government for additional funding would be a means of offsetting costs for those in need.

The last recommendation is to bring this information to the City's local development community for input and make allowances for in-stream applications with any new policy requirements.