

DATE OF MEETING June 12, 2023

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SUBJECT FAMILY-FRIENDLY HOUSING REGULATION AND POLICY

## OVERVIEW

### **Purpose of Report**

To present proposed amendments to the City of Nanaimo’s Zoning Bylaw and new parking variance criteria to create more family-friendly housing in Nanaimo, and to seek direction regarding community consultation.

### **Recommendation**

That the Governance and Priorities Committee recommend Council direct Staff to proceed with community consultation for the proposed amendments to the “City of Nanaimo Zoning Bylaw 2011 No. 4500”, and new parking variance criteria to create more family-friendly housing in Nanaimo as outlined in the 2023-JUN-12 Staff report titled “Family-Friendly Housing Regulation and Policy.”

## BACKGROUND

Increasing housing costs has made finding housing challenging for families requiring multiple bedrooms. Single-detached houses in Nanaimo are often no longer affordable for families with children, and there is a need for more affordable alternatives, such as 2 and 3+ bedroom strata units, rental apartments, and townhouses. At its regular meeting on 2022-OCT-24, Council endorsed several projects to promote affordable housing in Nanaimo including “*developing a family friendly housing policy to encourage the construction of more two and three plus bedroom units in new multi-family developments*”. At the 2023-MAR-27 GPC meeting regarding the Integrated Action Plan, Committee members supported keeping this project as a priority action.

Both *City Plan - Nanaimo Reimagined (2022)* and the *City’s Affordable Housing Strategy (2018)* recommend that the City of Nanaimo develop a specific policy on family-friendly housing to encourage and incentivize new multi-unit developments that provide housing units with more bedrooms. An action in the Affordable Housing Strategy is to create a policy that “targets the construction of larger two and three bedroom units appropriate for larger and/or extended families within new multi-unit residential developments.”

## DISCUSSION

Through the housing needs research for Nanaimo, it was identified that for the next ten years an average of 1,155 housing units will be needed annually to meet the population demand projected in *City Plan*. Of the new units needed annually, to meet the range of projected household sizes, approximately 775 will need to be one bedroom units, 195 will need to be two bedroom units, and 185 units will need to contain three or more bedrooms (see Table 1). In 2022, the City issued

building permits for 1,370 housing units, 284 of these units contained two bedrooms demonstrating that the need for 270 two bedroom units annually is currently being met. Also in 2022, the City issued building permits for 240 units with three or more bedrooms, demonstrating that the need for 255 three bedroom units annually is being met. This suggests that, while the supply of family-friendly units is generally being met, it is the lack of affordable family-friendly units that is the concern. The average price for a single-family dwelling in 2022 was between \$802,475 - \$907,600; the average price for a townhouse was between \$562,559 - \$643,800; and the average price for a condo/apartment was \$408,264.

**Table 1: Housing Needs Analysis**

	1 person household	2 person household	3 person household	4 person household	Total units needed annually
<b>1 bedroom</b>	510	265	0	0	<b>775</b>
<b>2 bedrooms</b>	0	95	95	5	<b>195</b>
<b>3+ bedrooms</b>	0	0	45	140	<b>185</b>
	<b>510</b>	<b>360</b>	<b>140</b>	<b>145</b>	<b>1,155</b>

**Table 2: Family-Friendly Units – 2022 Building Permit Data**

	2022 Building Permits Issued
<b>2 bedroom units</b>	284 units (4 townhouse + 280 multi-unit)
<b>3 bedroom units</b>	240 units (37 multi-unit + 59 townhouse + 144 single family dwellings)

### Family Friendly Housing Study Findings

To address the need for more affordable family-friendly units in Nanaimo a housing study was completed to provide an analysis of the financial feasibility and the implications of creating regulations and/or policy requiring a set percentage of family-friendly dwelling units in new multi-unit developments. The analysis included preliminary consultation with several members of the City’s development community, a review of best practices, and a review of household income versus housing affordability in the current market (see Attachment A – Family Friendly Housing Study – Executive Summary).

Key findings of the housing study are:

- That the provision of family-friendly units does not specifically drive up construction costs for multi-unit buildings, as bedrooms are relatively inexpensive spaces to incorporate. There is no negative impact on return on cost (i.e. construction cost per square foot versus sale price per square foot) with an increased proportion of two- and three-bedroom units in multi-unit projects; however, units with three or more bedrooms have a higher market value (selling and renting) that is outside of the range of affordability for many Nanaimo families. Subsequently, these units may take longer to sell, which given holding costs could have a negative impact on both revenues and profits for the development community.
- That there is a gap between the economic market, rent and sales price for family-friendly units and the income of those who require these units. The housing study findings show

that the cost to rent a market three bedroom unit in Nanaimo is estimated to be \$2,750 per month, which would require an annual household income of \$125,000. However, the estimated average income of a renting household is between \$75,000-\$100,000. Based on the 30% income and rent affordability measure, the average renter household can afford rent that is approximately \$1,200 per month, which is approximately a 550ft<sup>2</sup> unit in the current market (studio or 1 bedroom). Similarly, for a family to purchase a new three bedroom unit, a household income of \$125,000-\$150,000 would be needed (as the average cost to purchase a three bedroom condo unit is approximately \$520,000). This exceeds the reach of the average Nanaimo household income.

- Families tend to prefer ground-oriented units, such as townhouses, rather than three plus bedrooms in an apartment building, if pricing and size are relatively close.

### **Review of Family-Friendly Policy and Regulations from other Municipalities**

A review of other municipalities found that both the City of New Westminster and the City of Port Coquitlam have regulations in their Zoning Bylaw to require a minimum number of two and three bedroom units in a multi-unit development. Other municipalities tend to have either a rezoning policy or policy in their Official Community Plan to allow Staff to negotiate or encourage a minimum number of family-friendly units at the time of a rezoning application, which would be secured with a covenant on the title of the land. Of the 18 municipalities reviewed, eight had no regulations in either zoning or policies to require or encourage more family-friendly housing. A summary of the regulations and policies in other municipalities can be found in Attachment B.

The housing study recommendations are that the City follow an approach similar to the City of New Westminster, which is regarded as one of the best defined programs for increasing affordable family-friendly units in BC. Since 2016, the City of New Westminster has required family-friendly units on pre-zoned parcels (in the Zoning Bylaw), as follows:

- In a multi-family strata ownership development of 10 or more units, a minimum of 30% of the units must be 2 and 3+ bedrooms, and 10% must be 3+ bedrooms.
- In a multi-family rental development of 10 or more units, a minimum of 25% of the units must be 2 and 3+ bedrooms, and 5% must be 3+ bedrooms.

City of New Westminster Planning Staff stated in a recent meeting with City Staff that since the adoption of their Family Friendly regulations there has been no pushback from the development community, and that the regulations have stood the test of time.

### **Recommendations for Family-Friendly Housing in Nanaimo**

To encourage more affordable family-friendly housing in Nanaimo, Staff are proposing Zoning Bylaw amendments generally as recommended in the housing study, and which are generally consistent with the City of New Westminster's example. In addition, to address policy in *City Plan*, Staff are recommending amendments to the Schedule D density bonus scheme, and amendments to the policy for consideration of a parking variance.

## 1. Zoning Bylaw Proposed Amendments

For parcels in which a multi-unit development (and townhouse) is already a permitted use, Staff recommend the following requirement:

- In a multi-unit development of 10 or more units, a minimum of 30% of the units must be 2+ bedrooms, and 10% must be 3+ bedrooms. Thus, a maximum of 70% of the units can be one bedroom or bachelor units.

If the above Zoning Bylaw regulation had been applied to multi-unit developments in 2022, it is estimated that a total of 54 three plus bedroom units would have been issued building permits, rather than 37, which would have increased supply by 17 units. In addition, an average of 210 single family dwelling units are issued building permits per year (2018-2022) which also adds to the supply of three bedroom units, although as discussed these are generally not affordable. This demonstrates that the proposed Zoning Bylaw amendments will create a gentle increase in the affordable family friendly unit count, while not creating an excess supply in the market. This change in the Zoning Bylaw would be considered part of a broader suite of initiatives to increase supply of family friendly units, as outlined below and discussed in “Next Steps”.

## 2. Proposed Amendments to Schedule D (in the Zoning Bylaw)

*City Plan* contains the following policy with regard to family-friendly housing:

“C3.2.22 Support amenity zoning programs that include family-sized units, particularly near schools. In appropriate locations, encourage developers to place family-sized and accessible units on the ground floor.”

To address this policy in *City Plan*, Staff recommend an amendment to Schedule D in the Zoning Bylaw to allow for a density bonus (on parcels parcel zoned for multi-unit use) as follows:

- When family-friendly units are proposed within 400 metres of a public school; and,
- When family-friendly units are ground-oriented, such as on the first storey of a multi-storey building.

A density bonus in the Zoning Bylaw is an increase to the allowable floor area ratio on a parcel when certain amenities are achieved in accordance with Schedule D.

## 3. Amendment to “City of Nanaimo Policy for Consideration of a Parking Variance”

As an incentive for the provision of family-friendly housing, Staff is recommending to amend the evaluation criteria in the “City of Nanaimo Policy for Consideration of a Parking Variance” such that reduced parking will be considered for underground parking spaces that are for 3+ bedroom units that exceed the base target amount. The base target proposed in (1) above is: in a multi-unit development of 10 or more units, a minimum of 30% of the units must be 2+ bedrooms, and 10% must be 3+ bedrooms.

Note that the City’s “Off-Street Parking Regulations Bylaw 2018 No. 7266” already contains a reduced parking rate for 2 and 3 bedroom units in multi-unit developments, and the City will

continue to review and monitor the parking bylaw to ensure the City's needs parking space are being met.

### **Next Steps**

Staff are seeking direction to proceed with public consultation on the proposed recommendations above to encourage more affordable family-friendly housing. The consultation process would include the City's Design Advisory Panel, the development community, and the general public. Based on the input received during the consultation process, Staff will revise the proposed recommendations, and return to Council for final review. Amendments to the Zoning Bylaw would require bylaw readings and a public hearing. In addition, information materials would be posted on the City website to advise the development community of the proposed changes.

The purpose of this report is to propose recommendations to encourage more affordable family-friendly housing in Nanaimo, and these recommendations are part of a broader suite of family-friendly housing initiatives for the City including:

- Working with BC Housing, through the Memorandum of Understanding, to encourage the development of non-market family friendly housing.
- In the review of Nanaimo's 'General Development Permit Guidelines' family-friendly design features will be proposed for multi-unit and townhouse developments.
- Amendments to the Zoning Bylaw are proposed to create more opportunities for infill and secondary suite housing (as outlined in the 2023-JUN-12 staff report "Secondary Suite Regulations and Infill Housing in Existing Neighbourhoods").
- Continuing to monitor the City's housing needs and supply, and to propose adjustments to policy and regulations accordingly as required.

### **OPTIONS**

1. That the Governance and Priorities Committee recommend Council direct Staff to proceed with community consultation for the proposed amendments to the "City of Nanaimo Zoning Bylaw 2011 No. 4500", and new parking variance criteria to create more affordable family-friendly housing in Nanaimo as outlined in the 2023-JUN-12 Staff report titled "Family-Friendly Housing Regulation and Policy."
  - The advantages of this option: Will allow Staff to proceed with community consultation for the proposed recommendations to increase the supply of affordable family friendly housing in Nanaimo. This is consistent with policy direction in *City Plan: Nanaimo Reimagined* and the *Nanaimo Affordable Housing Strategy*, and reinforced by Council Direction on 2022-OCT-24 and at the 2023-MAR-27 GPC meeting.
  - The disadvantages of this option: Staff time and resources will be required for the consultation process.
  - Financial Implications: The resources required for the proposed consultation is within the approved 2023 budget.
2. That Council provide alternate direction.]

### **SUMMARY POINTS**

- *City Plan* and the *Nanaimo Affordable Housing Strategy* recognize that affordable family-friendly housing units are needed in Nanaimo. It is estimated that annually the City will need approximately 775 one bedroom units, 195 two bedroom units, and 185 units with three or more bedrooms.
- To increase affordable family friendly housing in Nanaimo, Staff are recommending amendments to the Zoning Bylaw and an amendment to the 'City of Nanaimo Policy for Consideration of a Parking Variance' for Council consideration.
- Staff are seeking direction to proceed with public consultation on the proposed family friendly housing recommendations.

### **ATTACHMENTS:**

ATTACHMENT A: Family-Friendly Housing Study – Executive Summary

ATTACHMENT B: Summary of Family-Friendly Policy and Regulations from other Municipalities

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# ATTACHMENT A

## Excerpt from Family Friendly Housing Study Executive Summary

### *Costs associated with development of family- friendly units in new buildings:*

Key findings with regard to family-friendly units, are that the provision of family-friendly units does not specifically drive up construction costs for multi-unit and townhouse buildings as bedrooms are a relatively inexpensive space to incorporate. However, the provision of underground parking for the unit does increase costs. It is primarily the market that sets the purchasing rate and rental rate for housing units.

### *Preliminary consultation with Nanaimo real estate and development professionals:*

The main concern from the development community is the marketability of family-friendly units for both selling and renting. There is no negative impact on return on cost (i.e., construction cost per square foot versus sale price per square foot) with an increased proportion of two- and three-bedroom units in multi-family projects; however, units with three or more bedrooms have a higher market value (selling and renting) that is outside of the range of affordability for many Nanaimo families. Thus, these units may take longer to sell, which given holding costs, could have a negative impact on both revenues and profits for the development community. Also, it was reported that families tend to prefer ground oriented units, such as townhouses, rather than three plus bedrooms in an apartment building, if pricing and size are relatively close.

### *Review of best practices in other jurisdictions:*

Three B.C. municipalities were identified that have family-friendly unit bylaws or policies, North Vancouver, Port Moody and New Westminister. New Westminister has required family-friendly units in their Zoning Bylaw since 2016 and was found to be the best defined program in BC.

North Vancouver - Rezoning policy requiring that proposed new multi-unit developments must provide a minimum of 10% three plus bedroom units.

Port Moody – Rezoning policy requiring that proposed new multi-unit development of 20 or more units must provide: Rental development - minimum 20% 2-bedroom units and 5% 3+ bedroom units; and Strata development – minimum 20% 2-bedroom units and 10% 3+ bedroom units.

New Westminister – Family-friendly unit requirements are in the Zoning Bylaw. In a multi-unit strata ownership development of 10 or more units, a minimum of 30% of the units must be 2 and 3+ bedrooms, and 10% must be 3+ bedrooms. In a multi-unit rental development of 10 or more units, a minimum of 25% of the units must be 2 and 3+ bedrooms, and 5% must be 3+ bedrooms.

### *Recommendations for family-friendly units in Nanaimo:*

Based on a household income and market analysis there is a strong indication that there is an undersupply of affordable family-friendly owner and renter housing options. In the current market owning or renting a single family dwelling would cause many households to spend more than 30% of their income on housing. There is a gap between the economic market rent and sales price for family-friendly units and the incomes of those who require these units. This suggests a need for both non-market units for families, as well as an increased supply of more affordable family-friendly housing options such as townhouse and multi-unit dwellings. To help improve the supply of more affordable family-friendly units Mulholland Parker Land Economists Ltd. recommends that the City of Nanaimo consider moving forward with family-friendly housing requirements that would use the City of New Westminister's policies and bylaws as a guideline. Further consultation with the development community is also recommended.

[Link: Nanaimo Family Friendly and Adaptable Housing Study \(Mulholland Parker Land Economists Ltd. Report - May 2023\)](#)

## ATTACHMENT B

City	Summary of Family Friendly Policy and/or Regulations from Other Municipalities
<b>REGULATION IN ZONING BYLAW</b>	
<b>New Westminster</b>	<ul style="list-style-type: none"> <li>• A minimum of 30% of all units, in a multi-family development (ownership) of 10 or more units, must be 2 and 3+ bedrooms, and 10% must be 3+ bedrooms.</li> <li>• A minimum of 25% of all units, in a multi-family development (rental) of 10 or more units must be 2 and 3+ bedrooms, and 5% must be 3+ bedrooms.</li> </ul>
<b>Port Coquitlam</b>	<ul style="list-style-type: none"> <li>• At least 25% of the total number of dwelling units in a multi-family development with more than 10 units must be family-oriented dwelling units, and at least 5% of the total number of dwellings units within the development must have 3+ bedrooms.</li> <li>• Increase the viability of family-friendly and affordable housing by reducing parking requirements for 3-bedroom units and non-market rental projects and allowing partial payment cash-in-lieu for secured market rental projects.</li> </ul>
<b>REZONING POLICY AND/OR OCP POLICY</b>	
<b>Central Saanich</b>	<ul style="list-style-type: none"> <li>• OCP Policy – favourable consideration is given to development applications that address identified housing gaps, including, “family oriented rental housing”.</li> </ul>
<b>City of Duncan</b>	<ul style="list-style-type: none"> <li>• Looking to include regulations in new zoning bylaw to require affordable family units (min. percentages to come). Currently use Community Amenity Contributions to secure family friendly units in new developments.</li> </ul>
<b>Victoria</b>	<ul style="list-style-type: none"> <li>• Use incentives like density bonusing for developments that implement OCP policies – family friendly is one policy that has benefitted from density bonusing.</li> <li>• Looking to implement policy to encourage all new multi-unit developments include 20% family friendly units, of which 10% must be 3+ bedrooms.</li> <li>• Rental Incentives Project will explore possible density and tax incentives for encouraging the development of below market rental housing and other housing objectives, including family friendly.</li> </ul>
<b>Kelowna</b>	<ul style="list-style-type: none"> <li>• OCP Policy – Incorporate ground-oriented units in the design of multi-family development to support family-friendly housing types. Ensure multi-unit developments include a variety of unit sizes, encouraging 10% of new units to be 3+ bedrooms.</li> <li>• OCP Policy – Encourage multi-unit developments near schools to include a variety of unit sizes, including 3 or more bedrooms.</li> </ul>
<b>Langley (Township)</b>	<ul style="list-style-type: none"> <li>• Considering a policy to require 10% of new multiple family units must be 3+ bedrooms.</li> </ul>

<b>North Vancouver (City)</b>	<ul style="list-style-type: none"> <li>• Rezoning policy requires new multi-family developments containing a minimum of 10% 3+ bedroom units.</li> </ul>
<b>Port Moody</b>	<ul style="list-style-type: none"> <li>• Rezoning policy (with design guidelines) requires new multifamily developments of 20 or more units must provide: <ul style="list-style-type: none"> <li>• Rental development - minimum 20% 2-bedroom units and 5% 3+ bedroom units</li> <li>• Strata development – minimum 20% 2-bedroom units and 10% 3+ bedroom units</li> </ul> </li> </ul>
<b>Township of Esquimalt</b>	<ul style="list-style-type: none"> <li>• OCP Policy encouraging the provision of medium and high density commercial mixed-use developments designed for families with children.</li> </ul>
<b>NO FAMILY FRIENDLY REGULATION OR POLICY</b>	
<b>Prince George</b>	None
<b>Saanich (District)</b>	None
<b>Burnaby</b>	None
<b>Chilliwack</b>	None
<b>Coquitlam</b>	None
<b>District of North Saanich</b>	None
<b>North Vancouver (District)</b>	None
<b>Langford</b>	None

# Family-Friendly Housing

Governance & Priorities Committee

2023-JUN-12

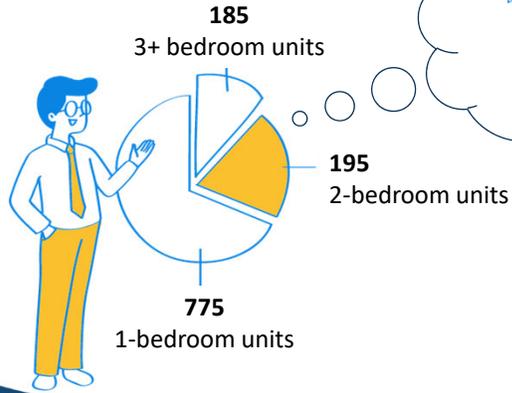
## Context



Increasing housing costs has made finding housing challenging for families requiring multiple bedrooms.

## Housing Needs

It is estimated that the following unit composition will be needed annually for the next 10 years.



## Key findings

- The addition of extra bedrooms does not drive-up construction cost.
- There is a gap between rent and sales price for family friendly units, and the income of those who require the unit.
- Families prefer ground-oriented units.



# Proposed Amendment to Zoning Bylaw

In a development of 10 or more units, a minimum of 30% of the units must be 2+ bedrooms, and 10% must be 3+ bedrooms.



# Proposed Amendments to Schedule D

Allow a density bonus when:

- Family friendly units in a multi-unit development are within 400m of a public school.
- Family friendly units are ground oriented, such as in the lower portions of a multi-storey building .



# Amend City's Parking Variance Policy

Consider allowing a parking variance for underground parking for those family friendly units beyond the base amount of 30%.



# Next Steps

- a) Public consultation (including City's Design Advisory Panel, the development community, and the general public).
- b) Based on input received, staff will revise *proposed* amendments and return to Council for final review.
- c) Amendments to the Zoning Bylaw would require bylaw readings and a public hearing.

