

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
1 bedroom	510	265	0	0	775
2 bedrooms	0	95	95	5	195
3+ bedrooms	0	0	45	140	185
	510	360	140	145	1,155

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

	2022 Building Permits Issued
2 bedroom units	284 units (4 townhouse + 280 multi-unit)
3 bedroom units	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 550ft² 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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