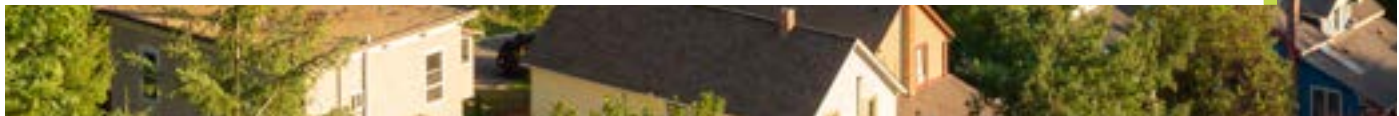




SMALL HOUSING ACCELERATOR PROGRAM

NELSON SUMMARY REPORT

MAY 2022

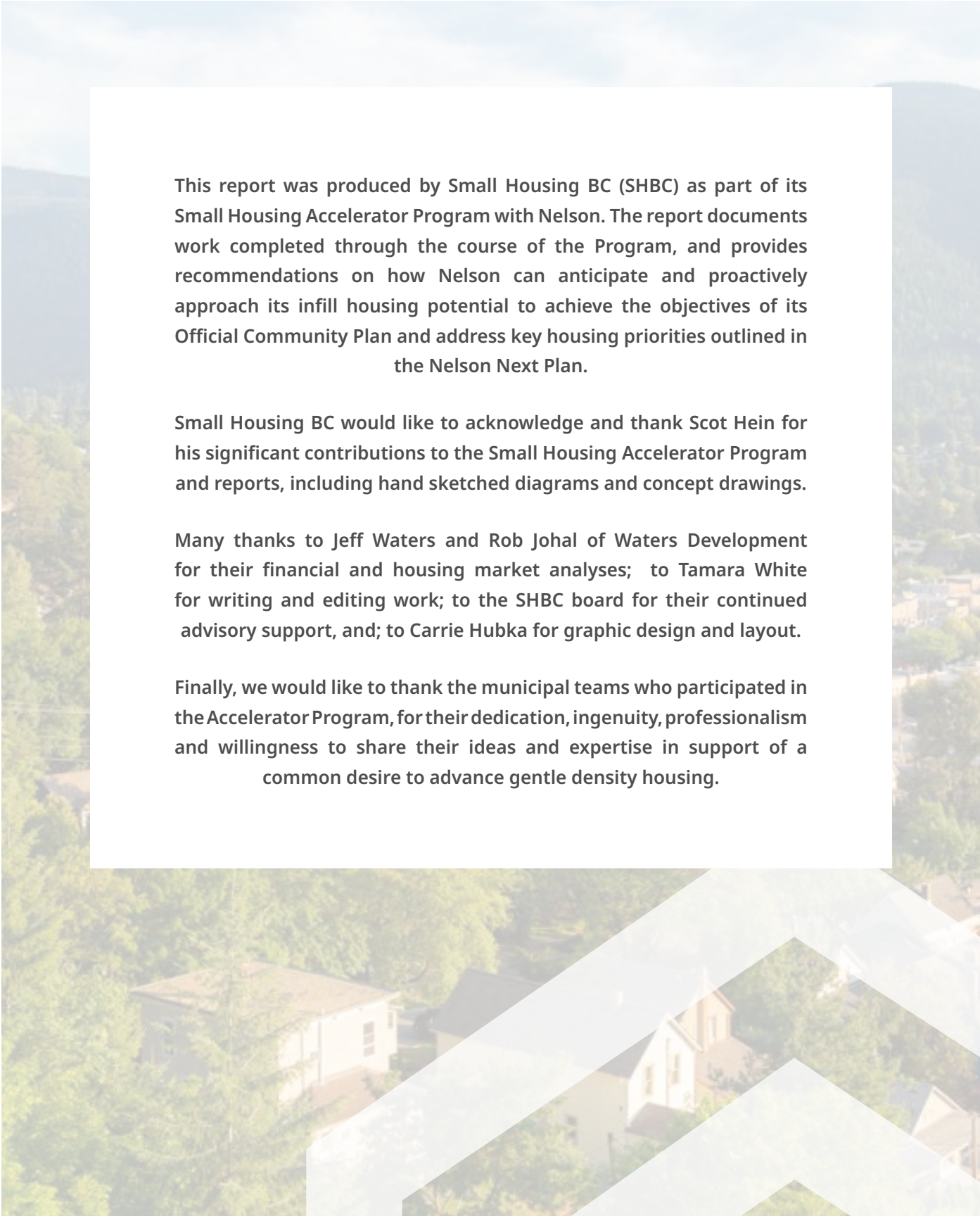


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This report was produced by Small Housing BC (SHBC) as part of its Small Housing Accelerator Program with Nelson. The report documents work completed through the course of the Program, and provides recommendations on how Nelson can anticipate and proactively approach its infill housing potential to achieve the objectives of its Official Community Plan and address key housing priorities outlined in the Nelson Next Plan.

Small Housing BC would like to acknowledge and thank Scot Hein for his significant contributions to the Small Housing Accelerator Program and reports, including hand sketched diagrams and concept drawings.

Many thanks to Jeff Waters and Rob Johal of Waters Development for their financial and housing market analyses; to Tamara White for writing and editing work; to the SHBC board for their continued advisory support, and; to Carrie Hubka for graphic design and layout.

Finally, we would like to thank the municipal teams who participated in the Accelerator Program, for their dedication, ingenuity, professionalism and willingness to share their ideas and expertise in support of a common desire to advance gentle density housing.

TABLE OF CONTENTS

1: INTRODUCTION AND CONTEXT

Purpose / Introduction 1
Small Housing BC 2
Small Housing Accelerator Program 2
The Nelson Context 6

2: MUNICIPAL LEVERS TO ENABLE GENTLE DENSITY

Pre-zoning vs Re-zoning. 10
Co-developing an Expanded Market 11
Regulatory Tools 12
Organizational “Machinery” 16
Sustaining a Culture of Support for Gentle Density. . 17
Celebrating Successes. 19

3: ANALYSIS OF DEVELOPMENT SCENARIOS

Methodology 20
Financial Analysis and Inputs 21
Overview of Scenarios. 23
Scenario Analysis: Midblock Conversions 24
Scenario Analysis: Corner Conversion 27
Scenario Analysis: Corner Rowhouse 30
Scenario Analysis: Small Infill Options 32
Scenario Analysis: City-owned Site: 402 Anderson St 34

4: AREAS OF OPPORTUNITY

Considerations on Stratification 37
Landowner-driven Redevelopment 38
Cross-Sector Collaboration: Socializing Approaches
and Aligning Interests on Gentle Density 39
Municipal Housing Organization 39
Aligning Efforts with Climate Change Planning 41
A Shifting Market 42

APPENDICES

A. Typologies of Interest
B. General Principles and Design Considerations
for Gentle Density
C. Select Proformas from Highlighted Scenarios

1: INTRODUCTION AND CONTEXT

PURPOSE / INTRODUCTION

There has been a growing understanding of the public benefits which can be enjoyed through more compact residential development with a diversity of housing choices, including:

- Increased household savings and affordability
- Increased local workforce housing, yielding decreases in commuter traffic
- Increased transit ridership and transit efficiency
- Increased economic opportunity
- Increased viability of local services and commercial, including “mom and pop” stores
- Increased housing options, intergenerational capacity (young families, and seniors aging-in-place) and community vibrancy
- Increased social connectivity and resilience
- Increased tax base
- Increased infrastructure savings (versus sprawled development forms)
- Increased energy conservation and emissions reductions, and
- Increased security and reduced crime.

With these benefits in mind, local governments across British Columbia are advancing new initiatives to thoughtfully introduce gentle density and smaller housing options into existing residential neighbourhoods. The small housing forms discussed throughout this report feature smaller footprint living areas than standard single detached homes, well-designed ground-oriented layouts, optimization of open space, and low perceived density owing to smart site and building design. These housing options provide a significant opportunity for local governments seeking efficient and scalable housing supply strategies, and for neighbourhoods desiring greater housing choices that can better provide for their evolving needs.

SMALL HOUSING BC

Small Housing BC (SHBC) is a Vancouver-based non-profit society that promotes the development of small housing forms in British Columbia. Our team of experts hail from academia, industry, and public institutions, and we offer a unique blend of insights that bridge planning, policy and pro formas. We engage with diverse stakeholders who wish to see their cities thoughtfully designed with smaller housing options and improved housing choice. We share our knowledge through our publications, advocacy and technical advisory efforts with communities across BC. We also facilitate information exchange, through our Small Housing Summit and our Small Housing Accelerator Program, bringing together diverse actors working across the housing system to promote these housing forms. Through these efforts, we strive to support innovation in housing policy, planning, finance, design, and construction, towards enabling the growth of more equitable and resilient neighbourhoods, with attainable housing choices.

SMALL HOUSING ACCELERATOR PROGRAM

The 2022 Accelerator Program ran over the course of 5 months, with participation from three municipalities: Kelowna, Coquitlam, and Nelson.

PURPOSE FOR OFFERING THIS PROGRAM



Promote community-based infill homes, to meet BC's growing need for more efficient land use and increased housing supply.



Support a community of practice, through cross-learning and the cohort-based approach.



Drive innovation on securing housing affordability through community-based infill homes.



Further develop SHBC's capacity to serve as a technical advisory group, with subsidized services offered to a wide range of local governments (more efficient than each municipality independently growing their expertise, particularly for small-medium sized cities).



Generate ideas for web-based tools for planners and other stakeholders to use (with incubation funding from CMHC's Housing Supply Challenge).



Temperature-check municipal tolerances and preferences around small housing forms and tenures, to inform provincial-level advocacy and initiatives.

The SHBC staff and expert advisory team worked in close consultation with our municipal partners, through a structured program of information gathering, ideas sharing, and locally-tailored recommendations to accelerate infill initiatives that are right for each community. Further, we sought to co-discover if and how small-scale, more intense, housing forms can generate sufficient economic wealth that can be attributed back to more affordable options.

Each of our partner municipalities has a unique set of “accelerator variables” including contextual, political, societal, cultural and economic interests or preferences that, if proactively considered as an integrated opportunity, can produce new insights for policy development and ultimate piloting/ implementation. Through the course of the Program, our teams explored these variables and their margins, and effectively revealed opportunities for each municipality to strategically aim their efforts.

PROGRAM APPROACH: THE ACCELERATOR EQUATION

Small Housing BC’s methodology towards discovering local market gentle density and affordable housing potential, can be expressed as this simple equation:



Put another way: *Political Sensitivities + Locally Specific Social Housing/Tenure Needs + Local Market Viability + Available Regulatory Tools to Influence Market Response should be symbiotic with Appropriate Built Form Strategies.*

Our process work was to co-discover more deeply what each of these variables means for partner municipalities and their respective contexts; and then align them by testing development approaches that are realistically viable for immediate piloting towards ultimate implementation supported by more pervasive policies. The approach is simple. The variables less so, as each municipality is unique, and the variables themselves have their own inherent complexity. We sought to uncover these component factors as we explored creative solutions for each partner. The following section provides a breakdown of each variable.

POLITICAL

An early reading of elected officials and their shared values is a central consideration, and must be assessed in light of the timing of election cycles, and more specifically, election year promotion. The extent of political support for attainable housing supply production must be understood. This may include a recognition of the specific socio-economic impacts of a lack of lower cost, entry-ownership housing on the local context - both at the present moment, and as projected through housing market and demographic trajectories (e.g. housing impacts on the service industry and young families as

barriers that are forcing firefighters, nurses and food and beverage industry providers to relocate given the disconnect between local wages and housing costs.) Another consideration, given 4 -year election cycles, is the municipality's ability to "take the long view" that appreciates immediate and downstream considerations including the potential to expand the tax base while addressing expanding infrastructure needs. The politics of affordability also must manage competing interests including site development strategies that require tradeoffs between increased building heights (within the limits of evolving neighbourhood capacity and character) and increased building footprints (which can impact a site's stormwater infiltration capacity). In short, locally-appropriate intervention strategies must be devised to elicit political support, and, over time, cultivate elected officials as project champions for gentle density and small housing. Our shared interest is to "get started" in a way that delivers successful and well-received on the ground development, which will have a positive compounding effect on the market, and make it easier for elected officials to continue their support.

SOCIAL

Considerations include an early housing needs assessment by taking inventory of existing housing and respective tenure, pre-zoned capacity yet to be delivered by the market, as well as how local housing costs relate to local income. Specific ownership and/or tenure aspirations can then be identified and considered when testing development yield versus project form and scale to understand the "project margins" expressive of political sensitivities. From this early work, early testing of housing form and unit size/yield can be refined to address specific local needs. More tailored tenure interests, such as artist live-work, can then be reflected in housing form choices, especially where more specific spaces to serve such needs must be delivered.

ECONOMIC

Rigorous proforma testing drives the Accelerator Program to ensure that piloting is initiated and hopefully advanced towards greater housing capacities. As such, our work considers more conventional market driven expectations/costs normally reflected in development proformas. This work is transparent and intended to reflect current, local market viability. A challenge for staff and elected officials is to scale up the work of single-family builders to deliver small housing. Municipal support in the form of education, ease of timely approvals and site servicing will be necessary. Alternative strategies that recognize the value of current landowners who wish to remain on site/in their neighbourhood by vending in their land asset will introduce expanded potential, beyond a more conventional for-profit market response, to deliver additional units at lower costs including new construction for owner downsizing. There is great potential for a family land asset to contribute to new housing, especially for the expanded family, while enhancing a revenue producing asset that will contribute to the estate while also offering more affordable housing options to non-family members. The big idea is to unlock latent land value through zoning tools that creates new attainable housing stock while generating new revenue to be enjoyed by

future generations. The approvals process, and related potential for an enhanced land asset that remains in the family, should be reflected in development incentives under zoning when securing tenure in exchange for increased floor area.

REGULATORY

Considerations start with clarity of how prevailing zoning may offer new incentives/ entitlements in exchange for strategic housing capacity and tenure. Municipalities vary with respect to their discretionary ability to uniquely tailor zoning schedules and companion design guidelines. An early assessment of the tools available, or those that must be added to the municipality's toolkit, will impact program delivery and piloting timing/approaches. Re-zoning is not recommended as this site specific, "one-off", process is punitive with respect to protracted approval timelines and related land carrying costs, and lack of predictability. Further, such protracted approval schedule softs costs must be borne by the end purchaser or renter, contributing to housing unaffordability.

BUILT FORM

Considerations vary with municipal context including prevailing parcel pattern and respective zoning, sensitivities around built form scale, topography and seasonal impacts. Local development economies are also influential in limiting the form of development choices for market take up. For example, zoning incentives may not be sufficient when prevailing housing and land costs remain low assuming adequate supply of housing for purchasing or renting. Market take up may therefore require modest land assembly towards nominally larger projects with inherent economies of scale to pencil out. Such projects are recommended at the block ends to exploit the flanking street adjacency for ground-oriented entries with these larger sites also more efficiently sharing open space/access for inboard units. Land assembly towards larger frontage mid-block sites, given the challenges to mitigate impacts on adjacent land owners, is not recommended. The advantage of lane access is also a key determinant when considering varying built form approaches should parking be required. A more specific overview of urban design/built form considerations follows.

In short, the overarching intent of the Accelerator Equation is to identify building typologies that most efficiently deliver compact, ground oriented housing, with minimal impacts on adjacent neighbours, at a scale that is contextually compatible with prevailing neighbourhood "fabric". The built form choice must also align the other variables of political support (must not overreach), social responsiveness (must reflect housing tenure(s) most needed), economic viability (must be of interest to local developers and builders when other forms could be easily implemented), and ease of regulatory approval (aim for over the counter turnaround times for full development and building permits). Solving for a balanced equation means early identification of considerations for all variables so that a creative process of iteration can occur.

THE NELSON CONTEXT

HOUSING MARKET

Nelson is a rich and diverse town known for its strong sense of community and beautiful geography and is often considered one of the province's "hidden gems". However, the city is experiencing challenges with housing; the market is faced with limited supply and growing demand due to a continual increase in population growth. Nelson, much like other small communities in BC, is seeing a migration of residents from across the province and the country. The city's five year growth rate jumped from 3.3% up to 5.1% in the most recent census (2021). Along with the influx of new residents, the city is also home to a significant aging population.

Despite this growing and changing demographic, incomes have remained relatively stagnant.

Nelson has the highest property values in the West Kootenay's and for good reason; Nelson is constantly ranked as one of the best cities in the province to live in and the city offers great amenities, parks, and schools. The price of a single-detached home rose 44% in just five years (2015 - 2020), and another 28% since then, now averaging \$646,000 (2022. CMHC, BC Assessment).

With this combination of factors, there is ever more pressure being placed on the local housing market to deliver the right mix of sizes, tenures, and levels of affordability that will meet the needs of a growing and diverse population.

Nelson's housing stock consists of condos, townhouses, and single detached homes. Most of the housing stock consists of single detached homes on large under utilized lots. The average size of a mid-block lot in Nelson is over 12,000 square feet. Approximately 50% of the single detached homes in Nelson were constructed prior to 1960 which represents an opportunity for the homes and the lots to be redeveloped.

In addition to limited supply, increasing prices, and a growing population, the cost of new home construction in Nelson is extremely high due to its remote location and the cost to transport materials, supplies, etc. For new home construction, smart and efficient designs can reduce the cost per square foot of construction and materials.

The upward pressure on housing prices has pushed residents, both current and new, to look for housing outside of the city core.

POLICY CONTEXT

There is limited land base available to expand residential growth areas within city limits, and the City has responsibly focused some effort toward enabling and incentivizing infill development within existing built up areas.

Nelson's Official Community Plan (OCP) demonstrates a "cautious acceptance" of higher density housing forms, while simultaneously encouraging compact residential growth. The OCP articulates strong direction in support of gentle density throughout the city, stating: "Ground-oriented multi-unit residential development will be encouraged throughout all residential neighbourhoods where there are supporting amenities nearby." It further specifies that its vision of healthy neighbourhoods requires "diverse and affordable housing opportunities in all neighbourhoods", and recognizes that "smaller lots and multi-unit residential development can provide more affordable housing options, as well as requiring less energy".

The OCP's Housing section includes the following relevant policies:

1. The City will consider developing policies that complement/ support the affordable housing policies on secondary suites, incentive initiatives, disposition of City land, and unused rights of way
3. The City will consider the development of a policy to allow an increase in density when affordable housing units (including purpose built rental housing) are provided in the development or cash in lieu is provided towards affordable housing.
8. The City will continue to support and encourage the development of fee simple townhouses.
20. The City will explore opportunities for residential infill and intensification in low and medium density areas.

The Infill Housing Policy allows for secondary suites and/or laneway houses on almost all residential lots. There has been a reduction in minimum lot size: reduced to 40' in R1 and 25' in R3, and suite-ready development is required in the R3 zone. Several other actions have been pursued in support of infill.

The City's laneway housing program has been a huge success, with strong community support and good program uptake. Through the program, regulations were revised, a design competition was held, and pre-approved designs were established. Since then, approximately 35 new laneway homes have been built - per capita more laneway homes than in Vancouver.

There has been some recent focus placed on increasing rental supply, as well as the development of BC Housing-supported projects for low income and special needs populations. There has also been the creation of several permanent affordable ownership units, with restrictive covenants managed by the City, as part of a market development in the downtown.

The City has made laudable moves towards addressing climate change, as demonstrated in the Nelson Next Plan, which was unanimously adopted by Council. The Plan includes numerous strategies and actions that closely align with smart growth and residential infill, recognizing the key objectives of improved health, quality of life for future generations, community vibrancy and well-being, as well as cost savings.

Heritage conservation is an important topic for the City of Nelson as well, and a Heritage Master Plan is currently under development. The OCP references the retention of character through integration of residential and commercial uses to match neighbourhood form and function, as well as reinforcing visual signature.

City staff participated in the Small Housing Accelerator Program with the intention of exploring the potential for introducing new gentle density into the City, with a particular interest in securing permanently affordable homes.

Within the scope of the scenarios that have been analyzed through this Program, and given Nelson's land market, costs of construction, and demographic conditions, it is currently challenging for the City to advance gentle density infill initiatives that yield immediate results for housing affordability. While heritage retention is possible and may be supported through conversion to multiple living units, it is unlikely to deliver on housing affordability.

This research does, however, set up an important strategic conversation for the municipality, to monitor the market and take proactive steps towards aligning interests and readying initiatives for affordability through gentle density, in advance of greater spikes in housing values. Corner lots, in particular, show promise for being able to accommodate more homes per land area, with higher potential for affordability.

In the meantime, any efforts to support supply generation of smaller, more "naturally attainable" (due to limited size, shared walls, shared land costs) home types should be actively pursued. Sufficient increase in supply will have some dampening effect on home price escalations. And while there may be "sticker shock" at the prices that the market is delivering new homes at ...

... it is imperative that the choice framework be well understood: the City can facilitate additional small housing supply in its existing residential neighbourhoods in addition to denser multi-unit projects in strategic locations, or residential development will continue to expand in the outlying areas of the city, leading to increased commuting traffic, pollution, and road safety considerations, increased infrastructure extension costs, and a lost opportunity for building the local tax base and more resilient neighbourhoods.

TOPICS COVERED IN THIS REPORT

THE FOLLOWING CHAPTERS PRESENT:

- An overview of municipal tools that can be leveraged in support of gentle density;
- An analysis of several sets of development scenarios;
- A discussion of topical areas of opportunity for the City to consider pursuing;
- Documentation of typologies of interest;
- Select financial proformas; and
- Rowhouse site considerations.