

SMALL CHANGES BIG GAINS

CHALLENGING HOW WE OWN
PROPERTY IN BRITISH COLUMBIA

THROUGH

ALTERNATIVE FORMS OF TENURE



small housing
BC

a public voice for small housing & advanced urbanism



SIMON FRASER UNIVERSITY
URBAN STUDIES

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1. INTRODUCTION

This White Paper has been generated by Small Housing BC (SHBC) as part of its ongoing research into levers that can contribute to greater uptake of small housing in the Province.

PURPOSE OF THIS WHITE PAPER

- To explore emerging options for home ownership and alternative forms of tenure that facilitate ownership in British Columbia
- To identify tenure options that could facilitate and encourage the development and approval of more diverse small housing typologies in British Columbia
- To identify tenure options that reduce the impediments to affordable housing and make it more accessible to more people

DEFINITIONS OF TENURE

The conditions under which land or buildings are held or occupied.
– Oxford Dictionary

Housing tenure describes the legal status under which people have the right to occupy their accommodation. The most common forms of tenure are homeownership and renting.
– Shelter (UK)

CONTEXT

“The most significant trend is the increasing urbanization of society. This trend has the effect of making residential land in cities scarcer and more expensive. As a result, there is an economic incentive to create multi-unit buildings to house greater numbers of people within the relatively small urban space.”
– British Columbia Law Institute

Land has always been in limited supply, but in the last decade the scarcity of land for new housing has evolved from problem for a minority of British Columbians to a challenge for the majority. Options for homeownership are under pressure to adapt to a real estate market that has priced out most urban workers. This is especially true in Greater Vancouver. With the average price of a Vancouver single-family home now over \$1.8 million (Real Estate Board of Metro Vancouver, 2016), many residents—not to mention newcomers—are struggling to find a way to stay in the city. The Lower Mainland has not fared much better than Vancouver with single detached housing prices now reaching an average of \$1.1 million in April of 2016 (MLS, 2016). Pockets of the interior, such as Nelson (Metcalf, 2016) have also seen dramatic increases. Debilitating bidding wars are taking place in urban centres across the province.

One common strategy to increase affordable housing options is by shrinking the envelop of the house and increasing the density. In regions defined by an urban containment area, infill housing is not only driven by housing shortage; it is rooted in demand for “location-efficient” neighbourhoods, demographic shifts, and reemerging household structures such as multigenerational homes. The ensuing demand for small housing—defined as up to 1,500 square feet—has been a trend captured by previous Small Housing BC reports. Cities from Abbotsford to Nelson to Vancouver have been pushing uptake of secondary suites and accessory dwelling units (ADUs) such as laneway homes in order to get the most out of already developed land. Only 25% of new residential development province-wide is now single-family homes.

For those who aspire to homeownership but cannot afford or do not want a “conventional” single-family home, the strata-title condominium—the most common form of “small housing”—has been accepted as a reasonable compromise. Already in 2006, census data indicated that British Columbian metropolitan areas figured at the very top of Canadian cities by percentage of owner households in strata properties, namely Vancouver (31%), Abbotsford (23.8%), Victoria (21.2%), and Kelowna (21.1%). By 2010, Greater Vancouver had the highest percentage of strata-title housing starts, at just over half of all new developments; Greater Victoria came in at just under 50%.

Although these developments represent increased diversity in infill housing forms, tenure options remain static: condos are owned (by strata-title), ADUs are rented, and the proportionally decreasing percentage of single-family homes are typically owned through ‘fee simple’ title. As demand for small housing increases with the inflation of land values, there are signs that these limited existing tenure options and financing mechanisms are not meeting the needs of British Columbians.

Typically, homeownership in British Columbia takes one of two forms – ‘fee simple’ title, whereby the owner purchases the land and any improvements (e.g. home, garage, yard); or ‘strata title’, whereby the owner holds a portion(s) of a property and collectively owns common elements (e.g. lobby, common amenities/facilities, common open space, multi-vehicle garages, etc.). Fee simple ownership continues to be the preferred tenure of most British Columbians. However, because of its suitability primarily for single-family detached homes on single lots, it is quickly becoming financially inaccessible for the working- and middle-class. The tenure’s applicability is limited by municipalities’ zoning and lot size regulations (and unwillingness to subdivide), as well as by the financial barriers to acquiring a traditional mortgage.

Strata-title, despite enabling ownership of smaller units of property, certainly has not proven to be a panacea for today’s housing challenges. The provincial government first passed legislation regulating stratified co-ownership in 1966 with the *Strata Titles Act*. Regulation served to instil a sense of certainty and predictability in the marketplace. This skeletal act created a basic legal framework for strata construction and governance. Legislative amendments have successively increased its complexity, sophistication, and nuance. Whereas the original 1966 legislation contained merely 25 sections, today’s *Act* counts 322! Despite this apparent sophistication, BC lawyer and strata expert Patrick Williams believes that “the [BC Strata Property Act] is really in its infancy” (Smith, 2012), referring to its ongoing struggle to keep up with complex situations and the newest trends.

Strata ownership is not ‘pure’ ownership because, in essence, it is a form of *co*-ownership. Similar to the democratic co-governance of a country by its citizens, strata governance can be highly political. Various “crises” have arisen over time, most notably BC’s infamous “leaky condo crisis”. In addition to arbitrating conflicts piecemeal, the government has attempted to make the legislation as robust as possible to withstand challenges and unique cases of strata governance conflict. Due to (and thanks to) this complexity, introducing a strata-title ownership scheme is costly and onerous. The associated costs carried by the developer are inevitably passed onto the end-user: the home purchaser. Such purchasers are charged a monthly strata service levy, which can be substantial.

The narrative of a single-family home with a white-picket fence around a private front and back yard still pervades our society, but not only are economics working in favour of change and innovation, cultural narratives are themselves shifting. Empty nesters are flocking back towards city centres, seeking an urban, car-free lifestyle. Survey data are telling us that a greater share of ‘millennials’ like walking over driving and 51% prefer living in attached

housing which facilitates walking and shorter commutes (Kinney, 2015). These numbers are in stark contrast to those of other older generations. Does it make sense to try meet their housing needs with out-dated tenure tools?

Ultimately, the challenges of land scarcity re-emerge. Lacking municipal willingness to subdivide land and make individual lots smaller, make it impossible to accommodate the growing demand for urban housing with fee simple homes. In addition there is the need to preserve agricultural land to feed ourselves and the increasing demand for nearby wilderness recreational opportunities in British Columbia. Coupled with other land constraints such as mountains, the sea (along the BC coast), and the border with the USA, it is evident that low-density outward growth (i.e. suburban sprawl) is not able to keep up with market demand.

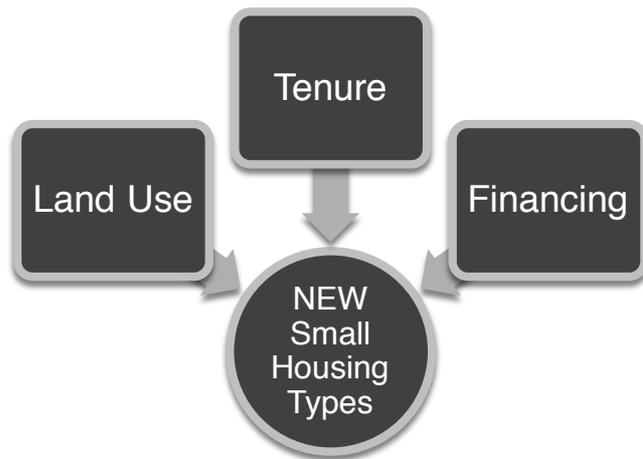
But neither is upward growth. Nearly one-third of British Columbians want most new development to be in the form of single-family homes, according to a Real Estate Foundation of BC survey published in 2016, but over a third also want new development to be compact, higher-density, low-rise (i.e. ground oriented) buildings with sustainable transportation access. Another survey published in 2016, “Bringing the Neighbourhood into Infill”, reported that in Metro Vancouver, support for and opposition to a four-storey apartment building in one’s own neighbourhood is evenly split 50/50. This survey also confirms the majority’s concern about affordability, design, and building height.

The SHBC housing innovations report cited above indeed focuses on numerous multi-unit building options, but multi-unit construction is not the only way to meet society’s housing needs within our limited, contained urban space. The single biggest opportunity for small housing is through creating a new market by extending homeownership to those who otherwise would not have the financial means or the credit to own.

What are the tenureship alternatives? A search for “alternative tenure models” reveals that the most common result is co-operative housing. BC has more than 14,500 co-op housing units. While observers agree that co-op housing is a remarkable achievement, it is a remarkable achievement of the federal and provincial governments, not the private sector. In 1992 the Canadian government cancelled the last of the federal co-op housing programs. British Columbia’s modest program, which began in the early 1990s, was terminated by 2001 (Cooperative Housing Federation of Canada, 2016).

Fee simple and strata-title are not making homeownership more accessible; on the contrary, homeownership is increasingly elusive. And so, consumers are pushing the boundaries of tenure in British Columbia by exploring a number of innovative ways to gain access to housing. In this White Paper we will explore three promising examples. Like their co-op housing predecessor, all three have the premise of cooperation between individuals. They include a new model for co-ownership, an increased popularity in small-scale development, and the emergence of home ownership without land title.

TENURE, LAND-USE AND FINANCING



Housing options are evolving and as a result tenure arrangements are, as well. The purpose of tenure options is to provide stability for occupants, security for lenders, and relative simplicity for conveyancers. Tenure models simply amount to different packages of property rights; homeownership has been made to be the gold standard that everyone wants, but not everyone can attain (Hulchanski, 1988). This polarizing effect of homeownership as superior for its equity building and status, and renting as inferior leads us to wonder: can we move beyond this dichotomy and devise systems that work for more people?

It is important to remember that tenure is just a particular social arrangement or custom that can be rearranged, and that we can become accustomed to (Lawson, 2013). The flexibility and innovation that are possible are limited only by the coordination between land-use planning (municipalities and developers), tenure (provincial government), and financing (financial institutions). Each of these institutions/sectors tends to rely on the seal of approval of the others before fully recognizing and trusting the legitimacy of a particular innovation (Lawson, 2013). We see financial institutions and the private sector, as exhibited in our case studies, as having a critical role to play in evaluating the viability of new models and supporting new projects that have shown great potential to benefit core private sector objectives.

OWNERSHIP AND FINANCING

All three models presented in this paper have one thing in common: cooperation, a trait that contributes to risk reduction for lenders in a number of the strategies identified by Lawson (2013). First and foremost, small housing production assists by not overextending individuals' buying power for homes that they cannot afford, but it goes much beyond this. By creating multi-partner deals they improve the capacity of the project to repay borrowed money and furthermore, the cooperative element reduces the need for borrowed capital. Despite a plurality of partners, even intimate arrangements like co-development contain efficient mechanisms for transferring ownership, greatly reducing the risk of the project defaulting because of the withdrawal of a single partner. The strong demand exhibited for each of the housing products, benefited by their current scarcity on the market, means improved liquidity for lenders should something in fact go awry.

Risk management for alternative tenure, still according to Lawson's (2013) analysis of housing financing risk, can be improved with more robust legislative backing and regulatory enforcement mechanisms (for example, the provincial government provides conflict resolution processes for both tenancy and strata). Finally, risk is reduced by clear land-use

planning which provides not only certainty and predictability, but also the flexibility to adapt requirements, such as parking provision, to site-specific needs. (Shoup, 2014)

2. ALTERNATIVE TENURE MODELS CASE STUDIES

A. CO-OWNERSHIP (NON-STRATA)

Case Study: Vancouver, British Columbia



VANCOUVER, BC: Heather Bell, left and her husband Andrew Stegemann, centre left, stand with her parents Richard Bell, centre right and Reni Kind, right in front of the home they co-own in Vancouver, B.C. (Photo by Ric Ernst/ PNG)

PROBLEM

If ‘co-ownership’ by means of the *Strata Titles Act* cannot be applied to a property, how can co-ownership take place?

It can take more than two incomes to afford property and to secure a mortgage, particularly if a ground-oriented home in a residential neighbourhood is desired. Often, two or more households can live comfortably yet separately on one lot – for example, there may be a secondary suite, a detached accessory dwelling unit, or both. Most municipal and provincial regulations do not allow for the stratification or subdivision of all lots; what’s more, stratification is not practical on a small scale given the cumbersome legislative and legal framework that comes with.

On the leading edge of this growing trend, Vancouver real estate lawyer Richard Bell has been a keen promoter and purveyor of co-ownership as a mechanism to help people restructure their relationship to real estate and to incentivise the construction of more laneway housing to benefit affordable, family-friendly housing. He has personally entered into a co-ownership agreement, dividing up his current home to share with his daughter to help her build equity, and has arranged a number of them for his clients (Bethany, 2015).

SOLUTION

A combination of a group mortgage and a co-ownership agreement allows individuals—be they friends, family members, or strangers—to increase their purchasing power and/or occupy two distinct units on one property.

APPLICATION

Separation of a single-family home into two or more units or division of a principal property from a detached accessory house *without* physical changes to the home or the establishment of a strata corporation.

Two separate entities (individuals or families) co-own the entire deed. Their co-ownership agreement assigns a percentage ownership. It entitles, for example, the family occupying the principal house to 75% of the shares, while the secondary home occupants would hold 25%. The agreement allows one family to sell without displacing the other, whereby they can resell their shares of the property.

The purchase can be financed with a group mortgage, such as Vancity Credit Union’s “mixer mortgage”, which takes as security against each party’s stake separately. This arrangement has been practiced in the case of fractional ownership of vacation properties for some time. Vancity’s laneway home-specific mortgages offer a number of incentives.

A variety of co-ownership scenarios exist:

- Jointly own as investors and the entire property is rented out
- Jointly own as investors and one or more investors occupy
- Jointly own fixed percent and agreement for time-based exclusive usage (i.e. time share) or physically delimited use
- Jointly own entire property with no exclusive use (flexible for families)

BACKGROUND

In British Columbia, there are two ways of holding title to property jointly:

1. Joint Tenancy – “jointly” owning 100% of the shares. On the death of one owner, for example, the property automatically belongs to the surviving owner(s).
2. Tenancy In Common – each party owns a fixed percentage.

Co-ownership can result in a combination of both – if two couples enter into co-ownership of a property with an equal interest, each holds a 50% tenant in common interest but each couple holds a joint tenancy interest with their spouse.

From 2015 to 2016 there has been a big increase in co-ownership agreements in Vancouver, Bell says, asserting that his firm has developed legal documentation that covers off all necessary bases to co-own, even with non-related co-owners.

STRUCTURE

“It looks like strata, but it isn’t,” says real estate lawyer Richard Bell. It has a little more in common with co-op tenure, except that a corporation is not required. Unlike fractional ownership or timeshares, there’s no time allotment: it’s not about when, but what you are entitled to use.

The agreement allows for the possibility of one family selling their shares without displacing the other owner. Clauses can be included in the agreement to allow the remaining family the

right to refuse a potential buyer¹ or a shotgun clause in case of dispute. There can be an option-to-purchase in case of default or departure of one owner—meaning that they must offer their shares first to other owners before putting them on the market—or a no-sale clause for a fixed period of time.

Clauses can regulate on pets, which owner cuts the lawn, how disagreements are dealt with, and which parts of the property are available for common use and which for exclusive use (i.e. divided or undivided co-ownership). It can establish a process in case one co-owner dies, moves, divorces, or leaves, or a process for spending decisions (e.g. on renovations). A priority agreement requires the next buyer (the replacement) to enter into a co-ownership agreement. A bank account, jointly held by the owners, can be set up for property taxes and insurance, or the agreement can dictate which owners pay for what utilities, taxes, and other costs.

BENEFITS

Parents are able to help their children enter the housing market by selling or giving them a share in their own property. Others are also able to gain access to ground-oriented housing. Housing affordability is increased because shared ownership entails a discount off the market price, like a co-op housing unit that carries the ‘burden’ of a co-owner, explains Bell. Homeowners, and particularly seniors, are able to downsize-in-place by liquidating only a portion of their home.

Smaller-format housing remains ground-oriented, enables gentle densification, and does not require redevelopment. “If you want to fight this affordability issue, surely densification without tearing down all the houses and putting up apartments is sort of the in-between which will maintain more traditional neighbourhoods,” Bell told the *Vancouver Sun*.

CHALLENGES

Bell believes the challenge is more political than anything else. However there is a need for a standardized legal framework since customizing agreements case-by-case is costly. Bell estimates the legal fees to range from \$6,000 to \$8,000, although he is generally able to charge clients about \$1,000.

While co-ownership agreements do exist in Vancouver, we are not aware of anyone who has tried to sell a share of their property yet.

The City of Vancouver has not been enthusiastic about the idea. In an email from 2012, Small Housing BC was told that the ADUs such as laneway homes were approved as an affordable housing strategy, requiring that they remain rental units. While the City may continue to disallow strata-titling of a laneway home (the City pointed out that even if it approved strata-titling, the main house would be required to be brought up to Building Code standards, potentially at a large cost), co-ownership as outlined here relates to a provincially-regulated legal agreement out of a municipality’s control.

¹ A right-of-refusal at two different moments is possible: when one owner wants to sell and when that owner has received an offer to purchase.

B. LEASEHOLD CODEVELOPMENT

CASE STUDY: University of British Columbia Properties Trust (Hawthorne Green, Logan Lane, Clement's Green, Hawthorne Place, & Keenleyside)



VANCOUVER, BC: Hawthorn Green, the first co-development project by UBC Properties Trust, consisting of 10, three-level townhomes with 3 bedrooms and a self-contained legal rental suite in UBC's Hawthorn Place. Initially offered to staff and faculty exclusively, the townhomes are approximately 2,100 square feet and have a front patio or a south facing back garden opposite the Hawthorn Park.

Cohousing

Cohousing has grown in popularity across British Columbia. Vancouver's first cohousing project was completed in Winter 2016 but several others in BC predate this breakthrough into Vancouver (Jackson, 2016). Many others are in the works, including cohousing within a condo tower (Gold, 2016). This development and lifestyle model often, but must not necessarily rely on strata-title as tenure. The key attraction is the intentional, sharing community that is built around a new mini-neighbourhood; affordability is achieved through the efficiencies of space achieved with common property. Savings are not achieved per square-foot constructed because cohousing projects typically hire a private sector developer who still relies on making a profit. This is a key difference from co-development. Rather, members save through the sharing of some of those square-feet. For instance, a common kitchen allows for large gatherings despite smaller private kitchens. Common green space is shared. The common house has guest bedrooms so that not every family is obliged to build a guestroom for those four weekends a year that they have guests. Carsharing can be integrated, as well. An increasingly common built form that cohousing groups opt for is the pocket neighbourhood model; a well-known example is Cully Grove in Portland, Oregon.

PROBLEM

How can individuals simultaneously build the home or multifamily dwelling they want, while achieving economies of scale?

In the early 2000s, UBC Properties Trust, the University of British Columbia-owned developer, devised a co-development scheme to help the university achieve its goals around

creating affordable housing for faculty and staff on the Endowment Lands, in order to attract top-notch faculty and staff despite Vancouver's high real estate costs and lack of affordable family-oriented housing.

The previous case study addressed how two or more parties can share ownership of one parcel of land. A similar but far more complex agreement could theoretically facilitate them building real estate as well, but not necessarily at an economy of scale. The traditional real estate development model of a developer taking a risk and hence a large profit by first building and then selling clearly increases end-user costs, but it is also a model that stifles innovation. Building anything other than the market's decades-long track record sounds risky.

SOLUTION

Co-development and cohousing projects facilitate individuals coming together to collectively design their individual units and common spaces and still achieve economies of scale. Both models offer a different means and a slightly different end. Co-development is likely to be facilitated by an institution (in this case study, the University of British Columbia), whereas cohousing emerges as a grassroots project. Co-development's aim is to build, for the most part, individually-contained units, but cohousing projects are situated on a continuum of intentional community with numerous common amenities.

APPLICATION

Building a multifamily complex (e.g. apartments or townhouses), with or without common spaces. And/or building multiple detached units in close proximity to one another. Savings are achieved primarily during construction because the convening group *becomes* a developer. The project benefited from the fact that the project manager and convener, UBC, was also the landowner and had a particular objective to attain. Leasehold tenure has the advantage of a secure 99-year lease while easily being coupled with provisions to ensure ongoing social benefit or permanent affordability.

Germany has its own version of co-development known as a "Baugruppe", or building group. Freiburg's famous Vauban eco-neighbourhood relied heavily on Baugruppen.

BACKGROUND

UBC Properties started by identifying an available parcel of UBC land, obtaining a leasehold interest from the University, and obtaining necessary approvals. A *Call for Applications* went out to UBC faculty and staff interested in partaking in developing the land. A hypothetical working group of them would meet to see if they shared enough in common to work together. If there was the interest and if their expectations married up with the available site, the project would proceed. Often twice as many applications would be submitted as spaces available and a lottery selection would be held. Five co-developments were completed during the program's lifespan of approximately 2004 to 2009.

STRUCTURE

The UBC model affords developer-occupants a 99-year leasehold, identical to all other residential property on the UBC Endowment Lands. The difference in tenure is that, in exchange for the cost guarantee UBC offered to its co-developer groups, a condition was imposed that if the owner sold within five years and made a profit, they would be required to share a portion of the profit with the university.

Faculty and staff became co-developers, with UBC Properties hired on as the project manager. Each member pays for his or her own unit and the relevant portion of the building, yet they act together as one developer hiring a design team and building contractors. As the developers, faculty and staff were limited liability partners and, in the place of a traditional

down payment, they invested some capital up-front to get the project off the ground. With UBC, a large and well-endowed institution, having a stake in making the project succeed, little risk existed for the co-developers and any risk is shared amongst them. On average, it took six months to put together a design-ready group, a year to put that project through the design and approval processes, and twelve to eighteen months to build.

BENEFITS

Co-developers had great influence over unit size, architecture, and other design aspects. A working group was formed to make decisions and commission architects to translate their vision into a plan. The higher-level urban design elements of UBC Properties neighbourhoods were outside the scope of an individual development, but these neighbourhoods tended to be planned with occupants' needs in mind, with greenways, parks, and cycling routes.

Smaller is more affordable and so that's what they built. Co-developers were able to build what suited their needs: compact but comfortable family-sized townhouses. In the case of Hawthorne Green, co-developers decided to include a legal secondary suite in each townhouse. This was because some couldn't sustain a mortgage without rental income. Most crucially, significant cost efficiencies were achieved. Without any marketing costs or developer's profit, the units sold for anywhere between 10% and 25% below the market appraisal.

For UBC Properties, the prime benefit was making UBC a more attractive place to work. Secondly, regional government's long-term planning vision stipulated that UBC needed to have residents who worked at the university, but existing properties were too expensive for most university staff and faculty to afford. Matthew Carter, formally of UBC Properties and who oversaw the co-development projects, says he would recommend the model.

CHALLENGES

Matthew Carter's one warning is to keep co-development projects to a manageable size: "the first, Hawthorne Green, was 10 units; that was manageable. Others went up to 60 or 70 units; it was challenging to manage 50 to 60 people's interests."

LESSONS

Since Carter left UBC Properties, the co-development program has been discontinued. According to UBC's website, this choice was made because, although a portion of any sale profit made within five years of construction was required to be remitted to UBC, "there was no requirement to re-sell to faculty and staff" and thus the benefits "did not endure for future generations of faculty and staff." The missed opportunity lies in that these homes are now on the open market and being sold to individuals unaffiliated with UBC, with no provisions to keep them affordable. The biggest beneficiaries were the original co-developers who achieved an on-average 20% discount off market value and could resell five years later at full market value. This error could easily be avoided in future projects with a deed-restricted title.

C. OWN HOME – RENT LAND

CASE STUDY: Bluegrass Meadows, near Terrace, BC



Terrace, BC: The Bluegrass Meadows village of 15 houses (soon to be 30) range in size from 200 to 500 square feet.

PROBLEM

How can residential space be made for tiny homes that is responsive to new, shifting market demand?

Hummingbird Micro Homes, a tiny home builder, was quickly made aware by its clients of the inability to legally occupy their product outside of an RV park. Many people wanted to *live* in their tiny home and did not find the answer in RV parks. A Hummingbird co-owner happened to own undeveloped land about twenty minutes north of Terrace, BC, and realized the potential to, barring any zoning restrictions that most municipalities place on smaller-than-normal housing, create a model, first-of-its-kind, low-barrier community.

SOLUTION

Hummingbird Micro Homes opened a tiny house village on private land that it held in Spring 2015. “Bluegrass Meadows” is the first up-and-running tiny house community in Canada. Now, in Spring 2016, some 15 homes are occupied. “We’ve proved there is a place to put a tiny home,” says Hummingbird Micro Homes representative Ally Blake, the owner of Bluegrass. A central benefit to tiny homes is that they are even more easily transportable than their mobile home predecessors.

APPLICATION

Creating a practical, coherent neighbourhood for tiny home dwellers—serving a particular housing need—while respecting the flexibility and mobility inherent to homes-on-wheels.

BACKGROUND

The challenge for tiny home proponents has been that there are few places where they are legal. In Kimberley, BC, so long as one owns land and obtains a building permit, a tiny home can be built, but this is certainly the exception.

Terrace, BC has experienced a rapid influx of both full-time and part-time residents thanks to the region's resource-based economy; in particular, LNG (liquefied natural gas) and construction have been major contributors to the rapid growth and continued development in manufacturing is projected (Massey, 2015). The resulting inward flows of money from the resource sector are pushing service sector and low-income individuals out of the housing market. Many workers in the region only need and want housing in Terrace part-time, be it because they are often traveling for work or because they normally live elsewhere. The conventional housing stock, designed for full-time multi-person occupancy, does not always fit their needs.

Local government did not zone the land that Bluegrass Meadows sits on, opening up possibilities for creative development that standard zoning elsewhere inhibits (Marohn, 2009; White, 2015; and Planning and Markets, 2016). The village accepts small cabins and homes-on-wheels roughly between 100 and 500 square feet, but RVs are not permitted: the community is intended to be for people who stay for at least several months, but there is also a desire to achieve a level of cohesiveness and community around the tiny home built form.

STRUCTURE

Prospective residents have a number of options. They can rent a micro home from Hummingbird for \$750—about half the average cost of a two-bedroom apartment in Terrace, a mere 15 minutes to the south—to \$1,295 a month. They can also purchase a tiny house from Hummingbird for around \$36,000 or bring their own and rent land to park it on for \$400 per month, which includes hydro, water, septic, garbage removal, snow clearing, and access to a common house with laundry and WiFi. A new, larger common house is being planned which will sport an office, large kitchen, living and dining space, and laundry.

Bluegrass Meadows residents sign a standard but flexible BC tenancy agreement. Representative Ally Blake says that they do not typically commit to less than one month or over one year, but they handle each application case-by-case. Bluegrass Meadows remains one land parcel, owned by the developer Hummingbird, and there is no plan to subdivide. Because the property is not zoned, Hummingbird has had the agency to develop its community in a unique way. So long as they obtain building permits and provide services to their residents, they have been permitted to continue to grow.

BENEFITS

The flexibility of the tenure model and the mix of mobility and permanence that it has filled a gap in housing provision. It couples the flexibility and accessibility of tenancy with the freedom of plugging in one's own ground-oriented home. It has the added efficiency benefit of the landlord's interest in creating an attractive, viable market for its product. Ally Blake is proud to say that everyone who has come has stayed and that residents are now planning to set up a residents group for resident representation. Large, single-family homes work for large, single families, but not for everyone. Singles, couples young and old, a pilot, healthcare workers, a senior construction manager, temporary six-month contractors, and two teachers are among the residents of Bluegrass Meadows. "We're not seeing these are

accommodating families with kids,” Regional District planner Ted Pellegrino says. “If you were to have this kind of density and need services for families out there [in this remote area] such as schools, hockey, etc., how green would this project really be? You’d have a lot more traffic than there needs to be down that corridor.” As tiny housing is being used now, those hypothetical problems—the ones that have pushed many planners to close the door to tiny housing, have not arisen. Indeed, small housing fills a niche housing market for those without families, a demand that Hummingbird has proven exists but one that is not being met outside of the Terrace area.

CHALLENGES

According to landowner Hummingbird Micro Homes, the biggest challenge, as a tongue-in-cheek response, has been the demand to tour tiny homes, which are still exotic and novel for much of the population. “A lot of people just want to see one”, Ally Blake told us. The other challenge Hummingbird has encountered has been obtaining a postal code and setting up mailboxes for individual residents.

On the local government’s end, however, this project has led to numerous challenges. The Regional District of Kitimat-Stikine required Hummingbird to get certified professionals to design a water-in/water-out system, including on-site treatment. “Essentially, they’re a utility, like we are,” Regional District planner Ted Pellegrino told us. Other issues arose because Bluegrass Meadows remains one lot, with one landowner. One of these is the management of private roads and their conformity to turnaround room for garbage trucks. Negotiations are taking place to arrange for a single waste pick-up point. 911 service and house numbering—essential for identifying which unit needs assistance—is being worked on.

Is a tiny house community equivalent to a mobile home park? This is one question that the Regional District and BC Assessment are faced with concerning property tax: some structures are fixed, some are on wheels, some are rented to the occupant by Hummingbird, and others are owner-occupied. Currently, the landowner, Hummingbird, is paying property tax. They are exploring whether BC’s mobile home park registry is the right fit for this case, which allocates each home an ID and taxes on the home are owed by the occupant. The landowner pays taxes on the land.

Bluegrass Meadows might not have it so easy in the future. “We will probably extend zoning to this area within the next 10 years,” says Pellegrino. “We might zone it for rural residential, which would put them into non-conformity. This means that they could keep what they have but not expand. It’s of course a possibility that we will accommodate them in future zoning. Both are possible.”

LESSONS

The key lesson on both sides is to establish goodwill with local government early on. “It’s a matter of negotiating and having a good handle on what the proposal is and what the expectations are for local government in, for example, the provision of services,” says planner Ted Pellegrino. Bluegrass Meadows sets an example for how positive, constructive cooperation can be managed to successfully lead housing and tenure into uncharted waters.

3. RECOMMENDATIONS

There is nothing natural or permanent about tenure arrangements. They are continually in flux. Legislation, administrative regulations and judicial decisions continually redefine elements of what is meant by owning and renting housing. These are ultimately rooted in changing social attitudes about the terms and conditions by which we access and hold shelter. Alternative (new) tenure arrangements can and should be part of the housing solution in British Columbia.

As land and thus housing prices continue to climb in British Columbia, British Columbians will be challenged to develop and support new tenure models that facilitate their own access to forms of housing that they can afford in the neighbourhoods they want to be in. The examples in this paper point to the reimagining and cooperative sharing of residential space as a particularly useful approach to solving our growing housing crisis. As noted previously, cooperation is a key element that contributes to risk reduction for lenders in a number of the alternative tenure strategies.

MAINSTREAMING CO-OWNERSHIP

- a. Financial institutions, local government, and the provincial government have a role to play in endorsing and streamlining co-ownership agreements and variations, such as co-ownership-based laneway construction as a strategy for affordable homeownership.
- b. The provincial government and financial institutions are able to standardize co-ownership agreements to achieve certainty, predictability, and lower costs for individual projects. The risk management benefits for financial institutions serve as an incentive to act.

INTRODUCTION OF FLEXIBLE ZONING

- c. Local government can improve the flexibility of approval processes for innovative yet safe combinations of freestanding structure sizes and layouts. Flexibility in setback and parking requirements are essential. The flexibility demonstrated by the Regional District of Kitimat Stikine vis-à-vis Bluegrass Meadows is an example of where government kept an open mind and willingness to work with the landowner to satisfy local demand for innovative housing. More flexible municipal zoning regulations could also open up the possibility of such tenure arrangements as fee-simple row house ownership. Hitherto this form of tenure for row housing (where attached adjacent rowhomes share a 'party wall') has been virtually impossible to do in most BC municipalities, for a combination of complex legal, insurance liability and regulatory reasons, thus forestalling this option of home ownership as an alternative to the detached single-family home. Yet many cities in other jurisdictions have successfully done this form of housing for decades and even centuries.

Another area where more flexible zoning may facilitate and encourage the development and approval of more diverse small housing typologies is around what is commonly referred to as 'laneway' housing. In the City of Vancouver, for example, laneway homes are being promoted as a more affordable alternative form of housing, yet they may not be sold, leased or co-owned, only rented out by the owner of the principal residence. This relates to issues around subdivision, street address, etc., yet this restriction of tenure limits the attractiveness and accessibility of laneway housing as a viable alternative to the single-family house. More flexible/permissive zoning could also result in more lots being allowed to have laneway homes (currently

'laneway house' sites in the City Vancouver are limited by a range of proscriptive site criteria).

Typical municipal zoning regulations around minimum lot size and frontage width also limit the number, type and size of house forms that are permitted in any given municipality. More flexibility in municipal zoning regulations around minimum lot size and frontage width (i.e. allowing wider lots to be subdivided into two narrower lots) would permit a wider range of housing sizes and forms than currently (e.g. 'skinny' houses, semi-detached houses, etc.).

Many of these zoning regulations were introduced in recent decades and now make 'illegal' several efficient forms of housing that were common in the 19th and early 20th centuries, such as narrow lot semi-detached houses (Toronto), walk-up tenement apartment housing (Montreal), brownstone houses (New York), etc.

Local governments, which in Canada regulate land use through zoning, are key gatekeepers to the availability of housing. Anything local governments can do to improve the flexibility of approval processes, including more flexible and permissive zoning regulations, would make it easier, faster, cheaper and less risky for developers to create more housing of all kinds, which in turn would help increase supply and thus reduce costs and make more housing of different types available to the public.

BUY-IN FROM DEVELOPERS AND NEIGHBOURS

- d. Developers can proactively convene and encourage co-development groups to form. Co-development and cohousing represent unique opportunities for successful, low-risk development projects, regardless of their uniqueness, because buy-in, both politically from the neighbourhood and economically from purchasers, is achieved right away, even before the developer needs to begin preparing applications. Developers can use their experience to serve as Project Managers for co-development groups.
- e. All levels of government can create incentives and conditions for developers to follow through with the above. For example, tax breaks could be created by senior levels of government to incentivize certain kinds of development such as co-housing, such as was done by the federal government for many decades to encourage the construction of rental housing (this tax break was removed some time ago).
- f. Neighbourhood associations might recognize the advantages to them of cohousing and co-development projects over conventional top-down development and seek to actively demonstrate a preference for bottom-up grassroots development projects.

SECURING PRE-CONSTRUCTION BUY-IN FROM THE MARKET

- g. An additional window of opportunity is securing market buy-in pre-construction. The co-development and cohousing models discussed in this White Paper are solutions to this barrier. Conventional developers are not necessarily in the business of developing conventional homes, but they are in the business of minimizing risk to themselves. If a developer has secured buyers up-front, there is no risk in building any form of housing, so long as it is legal. Even then, it may be in the developer's interest to lobby government to relax restrictions in order to close the sale and get building. It is well within their interest to build what that group of buyers wants and can afford.

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