



**GENTLE  
DENSITY  
NETWORK**

# Exploring Gentle Density Supply and Housing Affordability



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City of  
**Kelowna**

# Gentle Density in Kelowna

Gentle Density Network Presentation

# Gentle Density in Kelowna

- ▶ Long history of innovation
  - ▶ Secondary suites
  - ▶ Two Dwelling Housing
  - ▶ Carriage homes
- ▶ Normalizing Infill



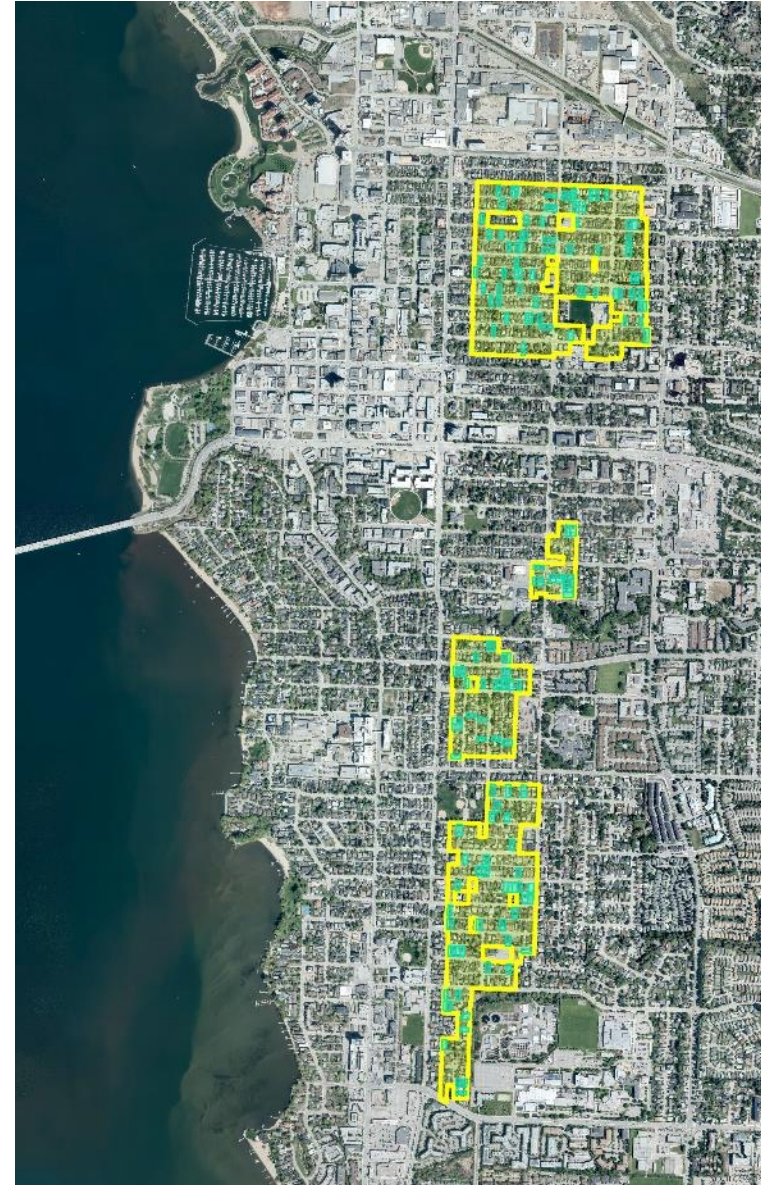
# Gentle Density in Kelowna

- ▶ 2015/16 – *how can we take infill / gentle density further in our Core Area?*
- ▶ Infill Challenge 1.0 design competition
  - ▶ Collaborative process
  - ▶ Primary objective was **diversity**
- ▶ Used winning designs to craft new zone



# Gentle Density in Kelowna

- ▶ Prezoned 800+ lots
- ▶ Proximity to:
  - ▶ Jobs
  - ▶ Transportation options
  - ▶ Amenities and services
- ▶ Lot characteristics:
  - ▶ Consistent sizes
  - ▶ Laneway access



# Gentle Density in Kelowna

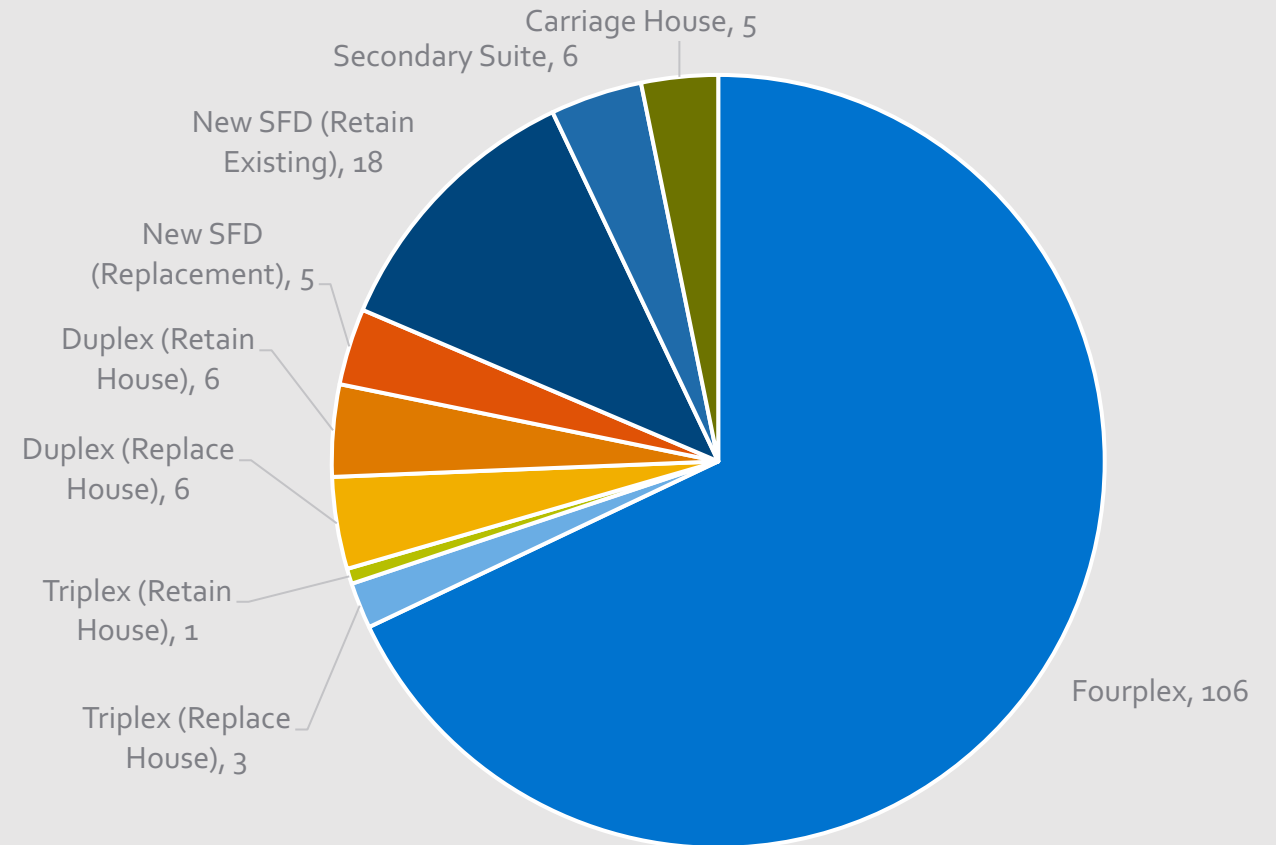
- ▶ Created “fast track” process for winning designs
  - ▶ Incentive to participate
  - ▶ Development Permit exemption
  - ▶ Rapid BP review
  - ▶ Engineering bonding



# Gentle Density in Kelowna

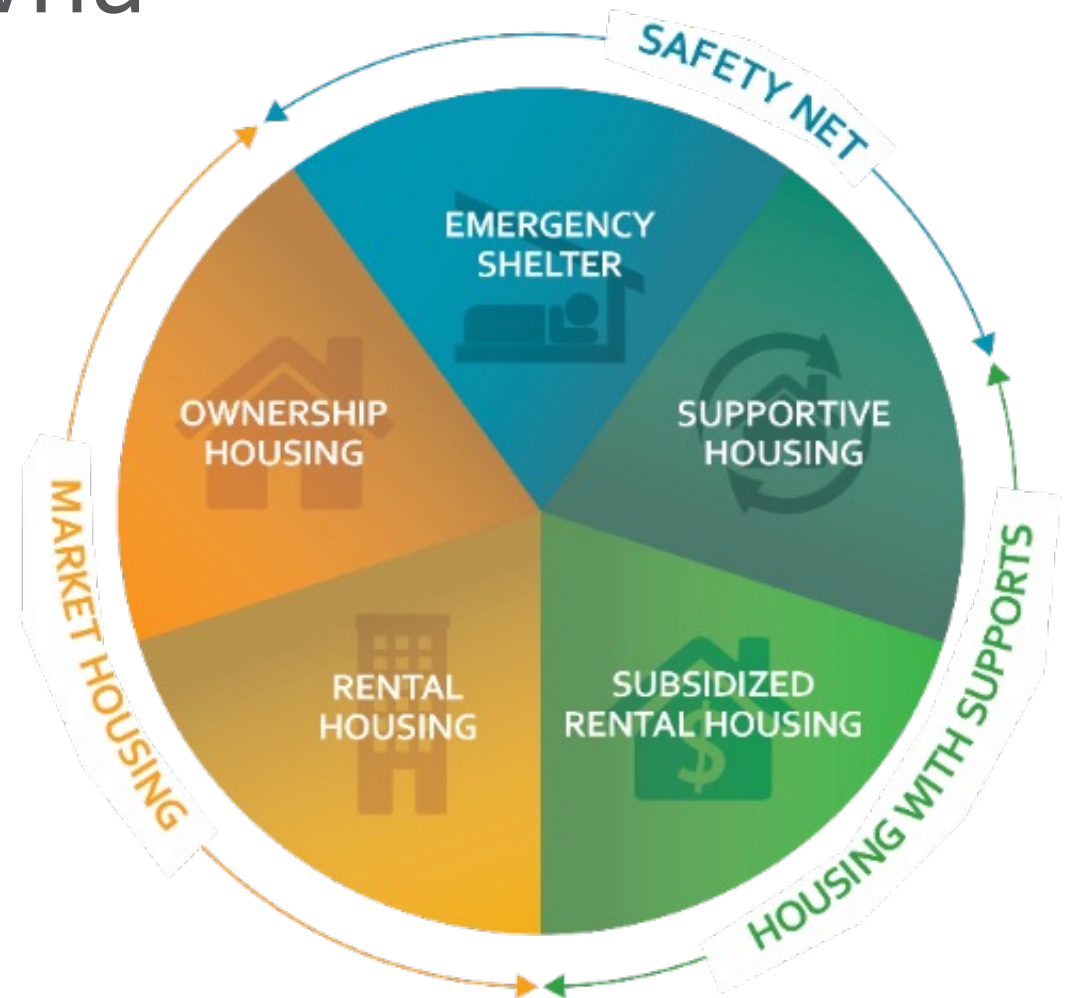
- ▶ Previous 10 years in the yielded 23 projects in Core Area
- ▶ In the 5 years following prezoning, we've had 156 projects
- ▶ Of the 800+ lots pre-zoned, 15-20% have redeveloped within 5 years

RU7 Building Permits January 2017 - November 2022



# Gentle Density in Kelowna

- ▶ Approach to affordability:
  - ▶ Diversity was primary objective
  - ▶ Unsure of uptake and margins
  - ▶ Land lift impacts
  - ▶ Supply effect





# Gentle Density in Kelowna

- ▶ Example projects in new construction



**\$1.8-2.4M**



**\$750-850,000**

# Gentle Density in Kelowna

▶ Example projects in resale



**\$1.399M**



**\$668,000**

# Gentle Density in Kelowna

- ▶ Through the process, we learned a lot:
  - ▶ Zoning is a critical barrier to gentle density
  - ▶ Combining zoning with practical “fast-track” designs worked
  - ▶ Some design issues become more critical with greater intensity
  - ▶ Affordability and displacement considerations
  - ▶ Internal processes and systems need to be challenged – there are barriers to infill and gentle density everywhere – BE CREATIVE
  - ▶ Find your core messages
  - ▶ Act, monitor results and adapt!

# Gentle Density in Kelowna

- ▶ 2022 – how would more infill and gentle density work in areas without lanes?
- ▶ Infill Challenge 2.0



# Gentle Density in Kelowna

- ▶ Infill Options program
  - ▶ Applying the lessons from the past
  - ▶ Project is tackling:
    - ▶ zoning and site development regulations,
    - ▶ design guidelines,
    - ▶ internal approval processes and systems,
    - ▶ infrastructure funding,
    - ▶ off-site works
- ▶ A great network of colleagues!!





# *GENTLE DENSITY AND AFFORDABILITY GUIDE*

**small  
housing**



# OVERVIEW



1. Background
2. Barriers to Enabling Gentle Density
3. The Three Approaches
4. Summary of Tools
5. Highlights: Local Governments
6. Highlights: Roles of Community Partners, Shareholders, and Senior Levels of Government

# *1. Background*





# AFFORDABLE GENTLE DENSITY ROUNDTABLE



## Roundtable Contributors:

- BC Housing
- Canada Mortgage and Housing Corporation
- Canadian Home Builders' Association BC
- City of Kelowna
- City of Terrace
- City of Victoria
- District of Saanich
- Town of Gibsons
- Vancity
- Waters Development

- Two expert roundtable sessions in Fall 2022 and Winter 2023
- Focused on responding to key problems identified across communities

# PURPOSE



- Identify how local governments can leverage the tools and approaches they have access to in order to strengthen the affordable delivery of gentle density units
- Identify new tools that would support local governments in strengthening the delivery of affordable gentle density
- Identify how senior government funders and financial partners can support gentle density
- Identify how industry (i.e. the private and non-profit development sector, home builders, building supply chain, etc.) can support gentle density

## *2. Barriers to Enabling Gentle Density*



# COMMON BARRIERS TO ENABLING GENTLE DENSITY AT THE LOCAL LEVEL



- Lack of municipal staff capacity
- Long permit and approval timelines
- Lack of public uptake and awareness
- High capacity requirements for long-term administration and enforcement of below-market units
- Lack of third-party agencies to oversee housing agreements
- Infrastructure limitations
- Increased cost of development and challenges accessing capital
- Limited developer capacity and knowledge

# *3. The Three Approaches*



# THREE APPROACHES TO AFFORDABLE GENTLE DENSITY



## *Approach 1: Enabling Market Supply*

- Reducing barriers to gentle density to increase availability of smaller format homes and dampen market rates.



## *Approach 2: Mandating Below-Market Housing*

- Creating requirements or incentives for units below market rates in new development projects.



## *Approach 3: Reducing Development Costs*

- Reducing costs with the goal of these measures translating to lower housing costs.
- Once sufficient supply is on the market and cost-to-build is a stronger driver of market cost, this can enable lower cost market supply which can be paired with mandates for below-market housing.

# DEFINITIONS AND CLASSIFICATIONS



## *Approach 1: Enabling Market Supply*

Low	Likely to have a minor impact on the uptake of gentle density housing forms but could help nudge uptake of gentle density from developers.
Moderate	Will have a moderate impact on uptake; could be important as part of a suite of policy changes.
High	Will have a high impact and strongly incentivize and/or reduce barriers to the development of gentle density forms of housing.



## *Approach 2: Mandating Below-Market Housing*

Low	Likely to have a small impact on uptake of gentle density projects that include below-market units. This tool could be considered alongside a suite of additional tools to impact affordability.
Moderate	Moderate impacts on the uptake of below-market units in gentle density projects are expected.
High	The tool is anticipated to have a high level of impact on the creation of below-market housing as part of gentle density developments.



## *Approach 3: Reducing Development Costs*

Low	The tool will create some improvements to costs of the project.
Moderate	The tool will notably incentivize the development community to explore gentle density forms of housing.
High	This will strongly incentivize and reduce barriers to the development of gentle density forms of housing.
	The level of impact of the tool was not analyzed but is anticipated to have some impact on reducing development costs.

# *4. Summary of Tools*





# SUMMARY OF TOOLS FOR LOCAL GOVERNMENTS



Tool	Approach and Level of Impact			Timeframe	Effort
	Enabling Market Supply	Mandating Below-Market Affordability	Reducing Development Costs		
Pre-Approved Plans	High		Moderate	Medium-Term	Moderate
Prezoning	Moderate to High		Moderate	Medium to Long-Term	Moderate to High
Allow for Ownership Tenure: Strata or Freehold	Moderate to High		Not Analyzed	Short-Term	Low
Regulatory Relaxations	Moderate		Analysis not undertaken but may impact costs	Medium-Term	Moderate
Cash-in-Lieu Infrastructure Fund	TBD		Not Analyzed	Medium-Term	High
Limiting Greenfield Development	Low-to-Moderate		Not Analyzed	Medium-Term	Moderate
Parking Reductions	Moderate		Not Analyzed	Medium-Term	Moderate
Expedited Project Streams	Moderate	Moderate	Moderate	Medium-Term	Low
Delegated Approvals	Low		Low	Short-to-Medium Term	Moderate
Certified External Professional Review	Low		Analysis not undertaken but may impact costs	Long-Term	Moderate
Density Bonusing		Moderate	High	Medium-Term	Moderate
Reduced Fees		Low	Low	Medium-Term	Moderate
Tax Exemptions			Low	Short-to-Medium-Term	Moderate

# PROFORMA ANALYSIS

Municipal Tool Implemented	Impacts (% Return on Cost)		What does it mean?
<b>Density Bonusing:</b> Increase Allowable Density for a dedicated Affordable Unit	Range: +6% to +12% Average: +8.5%	<b>High</b>	Adds one 1-BR unit. Note: Depended on FAR limits if applicable.
<b>Reduced Fees:</b> DCC forgiveness on Affordable Unit at Local Median Household Income	Range: +6% to +12% Average: +9% (when combined with above)	*Combined with density bonusing	Removes DCCs on Affordable Unit
<b>Prezoning:</b> Pre-Zoned Parcel Utilized	Range: +1% to 2% Average: 1.25%	<b>Moderate</b>	Eliminated Rezoning Timeline and assumed land financing costs
<b>Delegated Approvals:</b> Delegated DP Approval (minor variances allowed)	Range: 0% to +1% Average: +0.25%	<b>Low</b>	Eliminated Council Approval and assumes a 50% reduction in DP Timeline.
<b>Expedited Project Stream</b>	Range: +1% to +2% Average: +1.5%	<b>Moderate</b>	Assumes Dedicated Stream that reduces Rezoning, DP, and BP timelines by 50%
<b>Pre-Approved Plans:</b> Pre-Approved Design Stream	Range: +1% to +2% Average: +1.5%	<b>Moderate</b>	Eliminated Rezoning, DP, and reduces BP timelines by 50% (financing savings)
Development in "Infrastructure-Ready" Areas	Range: +1% to 3% Average: +2%	<b>Moderate</b>	Assumes an 80% Reduction in Offsite Costs

# *5. Highlights: Tools for Local Governments*



# TOOLS FOR LOCAL GOVERNMENTS: Pre-Approved Plans

- Local governments are consistently requiring higher levels of professional sign-offs which increases cost and capacity requirements
- Pre-approved plans for 4-6 and 6-8 unit designs could reduce costs of development and therefore offer increased feasibility and uptake, and potentially increased natural affordability
- Plans can be shared across communities in a kit-of-parts approach
- Pre-approved plans can be used in conjunction with fast-tracked approval streams to circumvent or hasten approvals

 **Enabling Market Supply** (High)

 **Reducing Development Costs**  
(Moderate)

## Issues / Themes Addressed

Cost of development

Municipal staff capacity

Developer capacity and knowledge

Permit and approval timelines

Infrastructure limitations

Public uptake and awareness

## Speed of Delivering Housing

Medium-term

## Effort Level:

Moderate

# TOOLS FOR LOCAL GOVERNMENTS: Prezoning

- Re-zoning on a project-by-project basis can lead to significant timelines, increased cost, and high capacity requirements

Two approaches to prezoning:

- **Blanketed prezoning** can allow higher densities across a community, leaving the navigation of lot sizes and infrastructure capacity to be completed on an individual project basis
- **Targeted prezoning** can identify areas particularly suited to increased density (e.g., due to lot sizes, proximity to amenities)



**Enabling Market Supply**

(Moderate to High)



**Reducing Development Costs**

(Moderate)

## Issues / Themes Addressed

Municipal staff capacity

Permit and approval timelines

Housing agreements and non-profit housing capacity

Infrastructure limitations

## Speed of Delivering Housing

Medium- to long-term

## Effort Level:

Moderate to high

# TOOLS FOR LOCAL GOVERNMENTS: Expedited Approval Streams

- Fast-tracked streams can be developed in alignment with the local government's primary goals and areas of housing need, including for infill developments
- Streams can also prioritize projects offering below-market housing options or those with the involvement of a non-profit community housing organization



## Enabling Market Supply

(Moderate)



## Below-Market Housing

(Moderate)



## Reducing Development Costs

(Moderate)

### Issues / Themes Addressed

Municipal staff capacity

Permit and approval timelines

### Speed of Delivering Housing

Medium-term

### Effort Level:

Low

# TOOLS FOR LOCAL GOVERNMENTS: Density Bonusing

- Local governments can set a base density for as-of-right land uses, and allow a maximum additional (bonus) density when a developer provides an amenity or contribution
- Local governments can provide additional density in exchange for an affordable unit or units
- Affordability requirements need to be in line with what is deliverable through the market to warrant pursuing additional density

**Additional Impact:** DCC reductions can be applied to the affordable unit(s) to further reduce development costs and incentivize below-market housing.



**Below-Market Housing**

(Moderate)



**Reducing Development Costs**

(High)

## Issues / Themes Addressed

Cost of Development

Public Uptake and Awareness

## Speed of Delivering Housing

Medium-term

## Effort Level:

Moderate

***6. Highlights: Tools for  
Partners, Shareholders, and  
Senior Levels of  
Government***





# OPPORTUNITIES FOR SENIOR GOVERNMENTS

- Infrastructure Dedications Mechanism and Financing Tools
- Packaged Model for Incentives
- Alignment with Provincial Goals
- Transportation Demand Management Requirements
- Dedicated Financing Program (through BC Housing / CMHC)
- Sample and Standardized Templates for Local Governments



# TOOLS FOR COMMUNITY PARTNERS AND SHAREHOLDERS

- Creating a Central Knowledge Holder
- Providing Administration Support for Housing Agreements
- Overseeing and Developing Pre-Approved Plans
- Developing Supportive Lending Products





*Questions?*

For more information, visit [kelowna.ca](http://kelowna.ca).