

From: **"Mochrie, Paul"** <Paul.Mochrie@vancouver.ca>

To: **"Direct to Mayor and Council - DL"**

Date: 9/13/2023 1:39:16 PM

Subject: Memo - Adding Missing Middle Housing and Simplifying Regulations – Response to Council

Attachments: Memo to Mayor & Council - Memo - Adding Missing Middle Housing and Simplifying Regulations - Response to Council Questions.pdf

Dear Mayor and Council,

The attached memo contains questions that Council has raised in relation to the proposed zoning changes to add missing middle housing and simplifying regulations in low density areas.

A short summary of the memo is as follows:

- The memo identifies each question and provides a staff response
- Many of the questions contemplate additional analysis and review that was not contemplated or included within the scope of this report.
- If Council wishes staff to advance some or all of these topics, staff recommends providing a separate motion(s) that directs staff to undertake the desired scope of work and report back at a future date.

If you have any further questions, please feel free to contact Theresa O'Donnell at Theresa.O'Donnell@vancouver.ca

Best,
Paul

Paul Mochrie (he/him)
City Manager
City of Vancouver
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The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷməθkʷəy̓əm (Musqueam), Skwxwú7mesh (Squamish), and səlilwətał (Tsleil-Waututh) Nations.

MEMORANDUM

September 13, 2023

TO: Mayor and Council

CC: Paul Mochrie, City Manager
Armin Amrolia, Deputy City Manager
Karen Levitt, Deputy City Manager
Maria Pontikis, Chief Communications Officer, CEC
Rosemary Hagiwara, Acting City Clerk
Teresa Jong, Administration Services Manager, City Manager's Office
Mellisa Morphy, Director of Policy, Mayor's Office
Trevor Ford, Interim Chief of Staff, Mayor's Office
Doug Smith, Deputy General Manager, Planning Urban Design and Sustainability
Neil Hrushowy, Director, Community Planning, Planning Urban Design and Sustainability

FROM: Theresa O'Donnell
General Manager, Planning, Urban Design and Sustainability

SUBJECT: Adding Missing Middle Housing and Simplifying Regulations – Response to Council Questions

RTS #: 15854

The following information is offered in response to questions that Councillors have emailed to staff since the Adding Missing Middle Housing and Simplifying Regulations report recommendations were referred to Public Hearing on July 25, 2023. This memo will be included in the agenda package for the Public Hearing and available for public review prior to the meeting.

The questions received from Council and the staff response are provided below.

1. The report says that financial testing demonstrated that secured rental housing is not generally viable (in multiplexes). What FSR/size did the financial testing say would be required in order to make secured rental viable in RS neighbourhoods?

A: Previous financial testing, including testing done as part of recent updates to the Secured Rental Policy, has demonstrated that generally FSRs of greater than 2.0 are needed to make secured rental housing viable to build in low density areas. In some cases, even higher densities are required. These densities generally translate to apartment buildings of

at least 4-5 storeys in height. Recent increases in interest rates are likely placing further pressure on the viability of secured rental development.

2. Could we exclude the square footage of an elevator and additional space for fully accessible washrooms from the total FSR in order to increase overall accessibility of these new homes?

A: It is possible to provide an exclusion for elevators in multiplexes, however the technical review for those exclusions has not been calculated as part of this report. It is also important to note that regulations for other similar existing townhouse zones do not currently provide elevator exclusions. If Council would like to advance these exclusions, staff suggest that Council provide direction for staff to undertake additional work to explore options and report back to Council on elevator exclusions or similar alternatives across all similar low density residential buildings. This approach would ensure regulatory alignment and a consistent, standardized approach citywide.

3. If we lower the density bonus rate for new multiplexes on the west side would we likely see more uptake in those areas?

A: The proposed density bonus rates have been set based on extensive economic feasibility testing and aligns with density bonus zoning in other districts. The rates account for standard profit margin expectations and are intended to ensure that multiplexes will be a viable and attractive option in all parts of the city, while limiting any potential land value escalation and discouraging speculation. Lower density bonus rates may make some multiplex projects on sites where the land is already owned by the developer more profitable; however, staff believe lowering rates may also create land price escalation more broadly, negatively impacting the general financial viability of multiplexes. Higher land values would also be expected to negatively influence opportunities for other new housing types, including rental and non-market housing.

Since multiplex is a new option, there is no demonstrated baseline to measure the impact of a change to the rates. Staff recommend monitoring take up and adjusting rates as needed.

4. The stratification of multiplexes is contemplated in the referral report, but it appears that laneway houses are not proposed for stratification. Please clarify and advise whether staff are planning to bring a proposal to allow for the stratification of laneway houses to Council?

A: Laneway houses were introduced in 2009, and offered additional density to incentivize homeowners to provide secondary rental units that are more livable than basement suites. Today, there are approximately 5,000 laneway houses that account for a significant component of secondary rental housing stock.

A policy and technical analysis for the stratification of laneway houses was not undertaken as part of this study and is not included in this report. There are a number of policy and regulatory aspects that would need to be reviewed and presented to Council for future consideration including:

- The goal of protecting and expanding rental housing stock*

- *The requirements of the Strata Property Act and the Vancouver Building By-law that will trigger expensive code upgrades to the existing house, depending on age of the house, including seismic, fire safety, rain screen, and energy upgrades.*

Council may wish to direct staff to study the potential stratification of laneway houses and report back with options for consideration at a future date.

5. Can incentives for character projects be increased to match the floor space ratio (1.0 FSR) proposed for multiplex projects?

A: In 2018, Character incentives to encourage both new housing options and retention were added to RS areas across the city. The incentives include more units and additional floor area (up to 0.85 FSR). The projects are also allowed to include enclosed parking, which provides a total net floor area that is just below the FSR proposed for multiplex projects.

Council has previously asked staff to consider additional incentives for character retention projects. A detailed memo on this subject was provided to Council in [June 2022](#). The key points from that memo include the following:

- *Character projects are complex to design and review and are costly to build (up to 50% more than new construction).*
- *The projects are achieving a low level of actual character retention (25% of the structure) due to upgrades triggered by the Strata Property Act and the VBBL.*
- *From a climate emergency perspective, new construction is superior to character retention.*

Council could direct staff to undertake the analysis of increasing the FSR offered for character or heritage house retention to match that of multiplex including financial testing to determine whether density bonus charges should apply to the additional floor area, changes to the parking by-law and other needed regulatory changes.

6. Why are staff proposing to reduce the size of a new house from 0.7 FSR to 0.6 FSR and how does that relate to the size of a laneway house and options for secondary suites?

A: In the January 2022 (Making Home) motion, Council identified a number of topics to explore in relation to the work including reducing the size of a new house to encourage new options. Reducing the size of a new detached house is an effective zoning tool to encourage more inclusive housing options, like duplexes and multiplexes. The majority of existing homes were built prior to 2009, when FSR was limited to 0.6.

To offset the reduced size of the house, this report recommends an increase to the size of a laneway house from 0.16 FSR to 0.25 FSR. Therefore, the total buildable floor area with a detached house remains about the same as it is today and shifts more floor area to the laneway house to increase suitability for families.

Staff have confirmed through external testing that with the proposed reduction in floor area to 0.6 FSR will result in floor area that is sufficiently large enough to construct a 4-bedroom house or a 3-bedroom house with a secondary suite. On a standard lot (33 ft.), a house size

of 2,400 sq. ft. could be achieved with a laneway of 1,000 sq. ft. (2 bedroom). On a 50 ft. wide lot, houses could be constructed up to 3,600 sq. ft. with a laneway of 1,500 sq. ft., providing a 2 or 3 bedroom separate unit for extended family.

Alternatively, owners can build a duplex at 0.7 FSR and include a secondary suite in each half duplex for a total of four (4) separate units for multi-generational households. Through our engagement, we have heard that many households are interested in building a multiplex to house inter-generational families.

If Council wishes to retain the existing 0.7 FSR for a single family house, staff suggest also retaining the original 0.16 FSR for the laneway, so as not limit the attractiveness of the new multiplex option. Additional work would be required to simplify the laneway regulations while maintaining current size.

Many of these questions contemplate additional analysis and review that was not included or completed within the scope of this report. If Council wishes to advance some or all of this work, staff recommends providing a separate motion(s) that directs staff to undertake the desired scope of work and report back at a future date.

Thank you for providing these questions in advance and we hope you find this information useful. If you have further questions, please do not hesitate to contact Neil Hrushowy (Neil.Hrushowy@vancouver.ca) or myself directly.

A handwritten signature in black ink that reads "Theresa O'Donnell". The signature is written in a cursive, flowing style.

Theresa O'Donnell
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