

MAKING SPACE FOR FAMILIES:
MUNICIPAL POLICY OPTIONS TO CREATE HIGH DENSITY HOUSING
FOR FAMILIES WITH CHILDREN

by

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Acknowledgements

My interest in this topic is greatly influenced by my personal situation. I love urban centres and I have two small children, Elias and Alexander. They, and other children I have known here in Vancouver, have taught me a lot about the kinds of environments that children thrive in and I have learned a lot about where I am most at ease raising them. Many long conversations with my wife about where we want to be and what environments we like for ourselves as well as for our children have also inspired me to look for a typology that suits our needs.

Living at Acadia Park at UBC has proven a fruitful place for these musings, as it is explicitly designed for children. As a parent, it is wonderful to be in a place where you can meet other parents and your children can meet other children so easily. As UBC plans to redevelop Acadia Park on a third of its current land base but with more units overall, I hope that they create a real child-centric neighbourhood, building and unit design instead of using a stock template from other multi-family apartments found in the region. An innovative arrangement such as high rise family housing calls for innovative design, not a cut-and-paste approach.

This paper has its origins in a project for Michael Gordon's housing class that I prepared with Josh Taylor and Zak Bennett in 2012. I am grateful for their contributions and for Michael's feedback on our ideas.

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Executive Summary

Many observers of urban life are seeing changes in where people want to live. Downtowns are being revitalized into engaging centres for living as well as for commerce, and suburban town centres are being densified and redesigned to provide the conveniences and aesthetic of an urban core. Vancouver leads the way in the transformation of its urban areas into desirable communities, but like many other cities experiencing new inner city growth, families with children are conspicuously absent. Many of the youthful urbanites who helped make downtowns vibrant again find that there are too few housing options for them when they begin to form families and have children, and many families who embrace urban environments find that there is no place for them in those areas. In places where low density family housing, such as detached houses and townhouses, are especially expensive, families with children can find themselves relegated to living in distant suburbs, no matter their locational preference. They take with them their skills, purchasing power and the children that could add much to urban areas and settle for a lifestyle that requires excessive driving and pressures on undeveloped land.

Some municipalities are taking active steps to counteract the housing pressures on families with children by adopting policies that encourage the development of new housing for families in dense areas. While many of these policies are familiar because of their application for affordable housing and other public benefits, applying them to family housing is relatively new territory for cities. This report was created first to identify the economic barriers to the creation of family housing and second, to elucidate the policy options available to municipalities and their impacts on high density family housing. The barriers identified are:

- Uncertainty about effective demand,
- The high cost of larger units,
- Lower sales price per square foot which makes this housing uncompetitive for land,
- Longer absorption periods, and
- Presale requirements for financing.

The policies that address these barriers are:

- Official plan and zoning review,
- Research and information provision to developers,
- Design guidelines,
- Minimum unit requirements/inclusionary zoning,
- Density bonusing,
- Incentive zoning
- Financial incentives
- Demonstration projects,
- Housing agreements, and

- Providing family amenities and public realm investment.

While each of these policies has the potential to impact the supply of high density family housing, an approach that applies multiple policies in a strategic way will be most likely to achieve the desired outcomes, as no single policy will address each of these barriers. The policies chosen and their timing as part of a comprehensive planning effort will depend on local conditions, especially land markets, in each municipality. However, some principles will be applicable in most contexts, and suggest a particular course of action. Municipalities should:

1. Examine their plans and bylaws to ensure there are no regulatory barriers to building high density family housing.
2. Conduct research to determine the potential market demand for this housing type.
3. Create clear, but not overly prescriptive design guidelines to ensure a common definition of a successful product.
4. a) Rezone a selected number of strategically located land parcels for this housing type using density bonus or incentive zoning.
b) Conduct a demonstration project with a private development partner to test the feasibility of this housing type.
5. Apply housing agreements to the demonstration project and consider applying them, as needed, to private projects that receive public incentives.
6. Ensure that areas slated for increased family housing have sufficient infrastructural capacity and amenities to make this a desirable environment for families with children.

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Definitions

For the purpose of this report some terms must be clarified:

- High density housing will refer to housing built at approximately 40 dwelling units per acre or greater. This means that the housing units cannot all have an entrance at grade, but that shared hallways and entrances must be used, as typical of apartment building construction.
- Family and families will refer to households with at least one child under the age of 18, whether or not they are comprised of a married couple with children, a single parent, grandparents, etc., but not institutional housing such as group homes or youth shelters.
- Family housing will refer to housing units that are adequate and suitable for families with at least one child in terms of space, design and amenities. Likewise, “family friendly” environments are those that accommodate and welcome the presence of children through their design and amenity offerings. No universal design is suggested, but a summary of important design characteristics will be provided in this report.
- Adequate housing will refer to the ability of a unit to accommodate its residents in terms of size and the number of bedrooms and bathrooms. For example, studio and one bedroom units will not be considered adequate for families although in some cases (such as a single parent with a child) they are used as such.
- Suitable housing will refer to the ability of a unit or a building to be used by children and youth in terms of its design. For example, a building with an adult-only gym and sauna for its amenity space would be less suitable for families than one with flexible recreation space.
- Urban will refer to environments where a mix of uses is common and housing is located in close proximity (within five minutes walking distance) from multiple other uses such as shops, employment, parks and institutional uses. It will not be used as analogous to downtown, city centre, urban core, etc.
- Suburban will refer to environments where a separation of uses is common and housing is located primarily beyond a five minute walking distance from other uses.

Introduction

Most families with young children seek the type of accommodation traditionally associated with a single family home, that is, a ground-oriented dwelling with access to private outdoor play space and adequate interior space to accommodate family activities. However in larger Canadian cities, the ideal and the reality no longer coincide. Increasingly, costs of existing housing, land and new construction place detached family homes beyond the price range of the average household.

(Vancouver City Planning Department, 1978, p. 1)

The dominant pattern of urban development in North American cities over the past half-century has favoured building suburban neighbourhoods of separated land uses and mostly single detached houses (Jackson, 1985). Between the 1950s and the 1990s, the city centre became synonymous with substandard housing, low income populations and social problems, while the suburbs were seen as a haven from the chaos and pollution of the city¹. Since the 1970s, environmental improvements and gentrification of the city centre, as well as the deterioration of working class suburban areas, have weakened the rich/poor dichotomy of the suburban/urban divide. Urban areas, especially in cities that have invested heavily in their downtowns, are no longer seen as the exclusive domain of the poor and dispossessed. In fact, many low income residents have now been displaced in these areas by an affluent group of new urbanites (Zukin, 1987).

In some North American cities, high density urban areas have now been recolonized by university students, childless professionals and empty-nesters. This change in urban demographics is both the cause and effect of increased public and private investment, as new development has lured new buyers and wealthier residents demand improved amenities.

This new urban landscape is largely missing a key demographic, however: families with children (Egan, 2005). It is often held that these families will prefer suburban environments because of their access to private open space (the backyard), the presence of other families and child friendly amenities (kids parks, recreation centres, schools), and safety. However, the demand for urban living by families with children is essentially untested, as they have few options that meet their needs in terms of unit size and design, amenities, and housing price. Many families with children find elements of urban living desirable, including short commute times, walkability, diverse neighbourhoods and civic infrastructure (Karsten, 2003), but when they try to locate there or remain in their urban neighbourhood as their family grows, they find that there are no housing options available to them.

¹ This was more pronounced in the United States than in Canada, although the pattern of city growth has been similar in both countries. See Linteau, 1987.

Given the conspicuous absence of families with children in their urban areas, some municipalities have sought policy approaches to create family friendly urban environments (Jersak, 2011). There are many elements that constitute a family friendly environment, including street, sidewalk and park design, presence of public open space, traffic calming, recreation opportunities and schools. This work, however, will focus on the presence of adequate and suitable housing.

The report will be divided into three sections:

Section 1 will cover the background information on providing housing to families with children, including the rationale for providing family housing and the housing and design preferences of families.

Section 2 will look at the Canadian cities that are trying to address the family housing challenge and review the issues that make this a particular concern in Vancouver.

Section 3 will examine the barriers that prevent this type of housing from being built and present a suite of policies that address these barriers, including examples of these policies where they have been implemented.

The report will conclude with recommendations for strategic policy planning to address this issue.

Section 1

Why Families with Children?

Before considering policy options to help families live in the city we must ask, “Why is this important?” Do urban families bring any advantages to their communities? Surprisingly, little formal investigation has been done on the effects of families in urban areas, and a number of cities that have made plans to retain and attract urban families do not offer strong reasons for their initiatives. Montreal’s Community Sustainable Development Plan suggests that “young families are needed to maintain demographic, social and economic vitality and to ensure a balance between age groups” (Ville de Montréal, 2010, p. 8). Toronto planners offer that it will help “maintain a thriving and diverse City” (City of Toronto Planning Department, 2007, p. 3).

The public policy goal of offering more and better housing options to families with children can be described as a “second-order” goal as “there are other, more long-standing, more fundamental social goals” underlying it (Ho, 2001, p. 12). Perhaps a reason that advocates for this goal have not clearly articulated a rationale for keeping families with children in cities is that the fundamental social goal underlying it is not entirely borne out of rational consideration of costs and benefits. It is simply that the idea of a city devoid of children is undesirable because it does not feel right and it does not seem sustainable. Gavin Newsom, the former Mayor of San Francisco said, “There’s a quality of imagination that’s very important for the spirit and the soul of the city to maintain. Children bring that to a city. A city without children has no future” (quoted in CEOs for Cities, 2007).

Another perspective is that families with children are an economic boon to cities. Because the earning potential of professionals begins to increase dramatically over the child bearing years, the loss of families to the suburbs is seen as a large tax and spending loss in cities (Ibid). The evidence of economic effects of family-flight to the suburbs remains anecdotal, however. The importance of this issue to the broader public is not well assessed either, so the public response to policies to aid families obtain high density housing is unknown. One proponent of policy intervention gives this rationale for subsidizing high density housing for families with children:

“Offering public sector support for private, middle-class housing development always invites a political and policy question: Why tinker with the housing market at public expense? There are two answers. First, we already subsidize middle-class housing, primarily through tax deductions for mortgage interest. Second, and most important, is that it's in the public interest to create new, sustainable communities with a full range of housing choices, among them choices for families with school-age children.” (Lewis, 2010)

A final reason to support family friendly urban development is that we have already committed to it as a long term goal. One of Metro Vancouver's goals presented in the Regional Growth Strategy is to "Develop Complete Communities" (Metro Vancouver, 2011).

"Complete communities are walkable, mixed use, transit-oriented communities where people can: *find an appropriate place to live at all stages of their lives*, earn a living, access the services they need, and enjoy social, cultural, educational and recreational pursuits. A diverse mix of housing types is fundamental to creating complete communities. This includes a mix of housing types and tenures that respond to an aging population, *changing family and household characteristics* and the full range of household incomes and needs across the region." (Ibid, emphasis mine)

This type of community building is the preferred model in this region as well as in others.² In order for complete communities to exist, housing options for all household types, including families with children, must be available.

Project Scope

Providing greater housing choice is laudable but not necessarily the top priority for every municipality. Given resource constraints and the nature of taxation, is it fair to dedicate government funds or to further regulate private enterprise to benefit some families with children? If there were high density housing options for families would there be sufficient demand for them? Who should benefit from policy efforts? These concerns would surely arise in any municipality that seeks to dedicate resources to improving housing opportunities for families.

There are also questions about the merits of making every neighbourhood a family one. Does a downtown really need families to be successful? Is something lost when an urban area has families expecting quiet after 10 pm introduced into it? Addressing all of these normative concerns is beyond the scope of this work and could be the subject of further research and public debate. Given that some Canadian municipalities have stated objective to make their urban areas more family friendly, this project will focus instead on the policy options available to achieve this objective with regards to housing.

Beyond normative concerns there are a number of other critical elements affecting the merit of policy intervention for this issue, including:

- Demographic analysis to determine the amount of families with young children to expect in cities over time, vis-à-vis the supply of traditional family housing types,

² See language around complete communities in the Growth Plan for the Greater Golden Horseshoe (Ontario Ministry of Infrastructure, 2006), the City of Winnipeg's Complete Communities Direction Strategy (City of Winnipeg, 2011), and the City of Portland's North Pearl District Plan (2008), for example.

- The effect of public infrastructure (schools, parks, libraries, road, etc.) on livability for families and their effects on the demand and price of high-density housing,
- Policy options available to senior governments, including tax incentives.

Each of these is important and some will be mentioned in this project, although none are the focus of this work. They will surely not receive the attention they merit in this report and should be considered subjects for further study.

Building complete communities is an essential component of a smart growth approach to planning. According to the Smart Growth Network, the principles of smart growth are:

- Mix land uses,
- Take advantage of compact building design,
- Create a range of housing opportunities and choices,
- Create walkable neighbourhoods,
- Preserve open space, farmland, natural beauty and critical environmental areas,
- Strengthen and direct development towards existing communities,
- Foster distinctive, attractive communities with a strong sense of place,
- Provide a variety of transportation choices,
- Make development decisions predictable, fair and cost effective, and
- Encourage community and stakeholder collaboration in development decisions (ICMA & EPA, 2006).

Building desirable high density housing for families with children contributes to at least the first six principles listed. It will reduce infrastructure costs, make transit more efficient, invigorate existing areas and protect further greenfield land from being developed, making this a desirable goal for economic, fiscal and environmental reasons as well as social ones.

Literature Review

The topic of families in the city is just now beginning to interest more researchers in the field of planning. Previously, the focus of this type of research was to identify the risks that high density living conditions posed to families. Children and mothers growing up in high density and usually poor environments (both in terms of design and socioeconomic status) have been found to suffer from diverse negative outcomes. In a review of the literature on the topic, Carroll, Witten and Kearns (2011) found studies indicating that “isolation and loneliness (Fanning, 1967), increased psychological strain (Gillis, 1977) ... respiratory problems (van Vliet, 1983) [and] social isolation (Mitchell, 1971)” were all among them.

Given the challenges associated with high density living for families, it may come as a surprise that this topic is being revisited in a new light – one that suggests that providing high density housing for families is possible and potentially desirable, both for the families and the cities they would live in. While this topic has interested some planning academics, much of the work is currently being done by graduate students. Willcocks (2011) conducted policy analysis on existing and proposed family friendly policies in Toronto and Vancouver, as well as interviews with planners, developers and urban families. Beck (2012) also performed interviews with key informants in Edmonton to identify policy approaches to make that city’s downtown more family friendly. Hirschberg (2010) examined the needs of children and families at the neighbourhood level, the current planning approach used by the City of Toronto to meet these needs in the downtown, and how the public sector can encourage families to locate or remain downtown.

These texts have served to introduce the topic of families in high density areas and to review much of the necessary elements required to have families inhabit downtown areas. This work differentiates itself from those works in the following ways:

- It does not define high density living as being in the downtown core. Because of the Vancouver focus of this work and the polycentric nature of the Vancouver region, downtown is not the only area that could accommodate families at high densities. Desirable high density areas are defined by their amenities and infrastructure, rather than their role in regional economies.
- It only looks at the policies available to municipalities rather than the public sector more generally.
- It surveys policies from different jurisdictions, rather than focusing on one or two cities.
- It considers housing policy exclusively.
- It uses a legal framework and urban land economics to evaluate a suite of policies, as well as examples of policies and outcomes (where they exist) from other municipalities.

This work aspires, therefore, to be a practical guide for planners as they consider ways to provide housing for families with children in their urban environments.

Design

Many urban designers, architects, child development specialists and parents have pondered what makes a space functional and desirable for children and families. No one design will meet the needs of all households, or even all households with children. There are, however, some commonly held principles of design that should be stressed when building high density housing for families. These include:

- Proximity to family friendly amenities (daycare, schools, parks, etc.),
- A clear hierarchy of spaces,
- Adequate indoor space,
- Adequate outdoor space, especially green space and play space,
- Privacy,
- Safety, security and sight lines to play spaces, and
- Access to storage.

Other design features that are considered important are:

- Secure parking and secure bicycle parking,
- Soundproofing, and
- Space to dry clothes.³

Despite research on appropriate design for families, many people consider high density environments to be anathema to raising healthy children (Dale, 2012). However, research has shown that the negative impacts ascribed to high density environments are largely attributable to socioeconomic status, overcrowding, and neighbourhood effects (Mitchell, 1971). This is because, in North America, families living in high density have predominantly been low-income households with poor housing security and quality, often living in public housing projects (Bratt, 2002). Overall, high density housing in the form of apartments or apartment-style condominiums is not the most preferred housing option for families with children. It is also an unfamiliar housing type for many people, as most North Americans were raised in detached houses (Lauster, Forthcoming). Designing high density housing specifically for families will allow future home buyers to compare between family oriented housing types rather than between an appropriate type (detached houses) and an inappropriate type (high-rises designed for childless households).

It should also be noted that high density housing for families with children has a long history in Europe, and a more recent one in some East Asian countries (although these histories and typologies are quite different from each other). A more thorough investigation into appropriate

³ For sources on the design of family friendly high density housing, consider Vancouver's Housing Families at High Densities report (1978) and Guidelines (1992), Urban Initiatives High Density Housing Qualitative Study (Hamilton, 2009), and (Marcus & Sarkissian, 1986) – each of these is based on qualitative research methods.

design for high density family housing would need to examine these precedents for lessons that could be applied in the North American context. This research will be limited to North American examples, however.

Housing Preference

Determining the demand for different housing types is difficult, especially for a housing typology (high density family housing) that is rare or non-existent in many markets. Stated preference methods do not always accurately reflect people's decisions under financial and social constraints, and revealed preference methods only work if alternatives are available and clearly understood. How much is our preference linked to familiarity and how much is linked to practicality? These questions are particularly difficult because of the cultural connotations of the housing that we choose and because there are relatively few alternative forms of housing available in many cities (Lauster, Forthcoming).

Despite these challenges, determining the depth of demand for this type of housing is an essential prerequisite to policy development in this area. This is a complex question that would require extensive study at the local level to determine. As an in-depth market study for Vancouver is beyond the scope of this project, this question will only be discussed in a general sense, with reference to other studies measuring preference.

Most surveys of residential preference, especially preferences of families, have found the most desired residential type to be the single detached house with a private yard. In 2011, it was found that 80% of Americans would prefer to live in single-detached houses over other housing types and 59% would accept a longer commute and poor access to shops and restaurants to live in one (Belden Russonello Strategists, 2011).⁴ Many people currently living in central cities intend to move to suburban neighbourhoods and detached housing (Howley, Scott, & Redmond, 2009; Carroll, Witten, & Kearns, 2011).

A number of studies have supported New Urbanist or Smart Growth aspirations by demonstrating that people do prefer walkable neighbourhoods with access to shops, services and amenities (Belden Russonello Strategists, 2011; Litman, 2009). However, these surveys often compare two different low density typologies and do not require respondents to choose between low and high density living. In some low-density cities, the choice between urban and suburban can be between two different types and configurations of the detached house on a smaller or larger lot. In dense cities, detached housing will either be extremely peripheral or extremely expensive, and the options are more likely to be between other housing types.

This is not to say that urban housing is not desired. In fact, market evidence suggests that it is in greater demand than suburban housing and that urban housing markets have fared much better during and since the economic recession of 2008 (McIlwain, 2010). This can mislead as to the preference of families, however, because this demand can partially be attributed to the relative

⁴ A Canadian study by the CMHC in 1996 found similar results: 8 out of 10 respondents aspired to own a single detached home. However, it also found a slight preference for moderate density environments (semi-detached and row houses) with many family amenities over a low amenity, detached housing environment. This preference was much more marked in Montreal, where this housing type is common, while the opposite was true for Vancouver.

decline of households with children and the relative increase of childless households that has been occurring for some time. While urban living is in demand generally, this demand is stronger from childless households, which are composed of three main segments:

- Singles,
- Couples with two incomes, and
- Empty-nesters with accumulated wealth from home equity.

The challenge for families with children is that these households all require less space⁵ to meet their housing needs and all (except singles) have greater wealth or income prospects. This means that the spaces built in urban environments will often be too small and/or too expensive for families.

Despite an expressed preference for detached houses and the costs of urban living in high demand markets, there is evidence that some families do prefer urban settings. Lia Karsten (2007) found that for some middle class urban Dutch families, their choice to live in the city was both a practical choice and a symbolic representation of their identity as urbanites. These families perceived urban living to be beneficial to their children's emotional and intellectual growth and a symbol of a counter-culture family lifestyle. A study of families in Auckland, New Zealand, found that families living in the urban core had many reasons for doing so, including:

- Proximity to work, schools, study and amenities,
- Increased family time because of shorter commutes,
- Ability to have fewer or no cars (and associated lower travel costs),
- Less housework and maintenance,
- Perception of greater safety (Carroll, Witten, & Kearns, 2011).

These same families found a number of drawbacks to their living arrangements as well, however:

- Proximity to undesirable uses (bars, nightclubs),
- Lack of indoor space for play and storage,
- Lack of natural lighting, and
- Lack of a private yard.

However, the authors note that the high density housing in Auckland was built with “minimal interference from planners until 2007, when an urban design protocol was introduced” and that the developers have built their product almost exclusively for childless households (Ibid, pg. 357). This suggests that some of the drawbacks of high density living can be mitigated by appropriate design.

⁵ We are currently witnessing rapid construction of micro unit apartments ranging from 200 to 500 square feet (Porterfield, 2013).

The research suggests that North American families with children prefer ground oriented living and are unlikely to change this preference. However, the preference for amenity rich neighbourhoods is increasing. Therefore, families choosing to live at high densities are essentially prioritizing amenities and convenience over housing type. For the next generation of families, this prioritization will be driven by:

- Increased investment in amenities in dense areas (many municipalities are actively revitalizing their downtowns),
- Shrinking household size (the average number of children born per woman in Canada has decreased from 3.9 in 1959 to 1.6 in 2010),
- Increased number of dual-income parents with high paying jobs (previous generations of dual-income households had greater educational and wage disparity between partners), and
- Increased participation by fathers in domestic duties (GWL Realty Advisors, 2010).

Smaller families, where both parents earn similar amounts and have received a similar amount of formal education, are now more common than ever. Fewer children per household mean lower costs of professional childcare. Higher earning and more educated mothers mean greater opportunity costs for remaining at home with children. When parents can work in the same geographical area, this increases the likelihood that the family will choose to locate their housing in proximity to work. As homes are occupied for fewer hours of the day, the importance of the conveniences of the unit itself will diminish as the importance of the conveniences of the location will increase. While this arrangement does not describe all Canadian families, it is becoming an increasingly common scenario that will drive preference for high density, high amenity residential location choice in the coming years.

Changes in demand will also be driven by a lack of affordable alternatives. The demand for high density housing by families has both ‘push’ and ‘pull’ components. Some families are pulled to dense areas because of the amenities they offer, while others are pushed there because they cannot afford a low density alternative. Ideally, improved housing design and neighbourhood amenities will increase the ‘pull’ factor when families choose where to live, although providing a more affordable alternative to detached housing is also an important component of the demand for high density housing.

Section 2

Canadian Policy Context

Not all municipalities have difficulty providing adequate housing for families with children. In fact, when the City of Edmonton conducted a survey of twenty-one Canadian municipalities inquiring about this issue, only three – Toronto, Halifax and Vancouver – identified housing supply for families at high density as a problem that the planning department was addressing (Jersak, 2011). The City of Montreal was not part of the survey, but does have a suite of policies aimed at keeping families in the city.

Other municipalities indicated that this was not an issue for them because of the proximity and affordability of single-detached housing or other ground oriented units (Ottawa, St. Albert, Kingston), that larger units were common even at high densities (Regina), or just because it had not emerged as an issue (Saskatoon, Abbotsford). The City of Calgary indicated that it does require that a minimum of 50% of new units be two bedroom units in some discretionary rezonings in the inner city and newer developments, but that this is a case-by-case approach, not a systematic policy. Many of these cities have official plans with language that encourages housing diversity and family housing.

Concern about a dwindling presence of children in cities is therefore concentrated in areas where more land intensive, lower density housing options are unaffordable because of land prices. Where an adequate stock of ground-oriented homes exists in proximity to urban amenities, families with children have ample choice available to them and municipal policy efforts to encourage a change in preference for housing is perhaps not justified.

Vancouver Context

In some respects, concerns about housing families with children at high density are more pressing in Vancouver than in any other North American locale save a few such as Manhattan and San Francisco. In Vancouver, a number of related issues converge to make adequate housing for families especially difficult to find:

- A lack of affordable large unit housing,
- Cultural predisposition to raising families in detached housing,
- Inflated housing prices in single-family dwelling areas compared to other housing typologies,
- Limited rapid transit coverage and highway network, and
- Geographic and policy constraints on further greenfield land development.

Culturally this is also important in Vancouver, as the city is becoming an urban centre, with most new development happening in the denser parts of the city. The image of Vancouver is

increasingly linked to its urban core and its urban design achievements rather than its leafy suburbs. If Vancouver is to be an urban success story, it must find a way to house families with children at high densities. Its stock of detached housing will only be able to house wealthy families as long as housing prices remain high.

The economics of downtown development may make family housing on the downtown peninsula prohibitively expensive. However, the Vancouver region has a number of amenity rich urban areas, even outside the downtown, that could be suitable for high density development for families.

Demographics

According to the 2011 census, the City of Vancouver has the fewest households with children of any major city in Canada. The Census Metropolitan Area (CMA), however, is in line with the national average for children in the home. This indicates that child rearing is more common in suburban areas. The following table shows the difference between Vancouver and other major Canadian cities in terms of households with children in them. In this way, Vancouver is much like San Francisco, which struggles to keep families in the city because of the high costs of living space.

Household Composition of Selected Canadian Municipalities			
City	% Couples with Children	% Lone Parents	Total with Children
Vancouver City	18.5%	8.2%	26.7%
Vancouver CMA	27.5%	8.3%	35.8%
Abbotsford	29.2%	9.5%	38.7%
Calgary	29.6%	9.1%	38.7%
Toronto	23.5%	12.3%	35.8%
Edmonton	25.1%	10.5%	35.6%
Montreal	19.2%	11.0%	30.2%
Surrey	33.4%	10.3%	43.7%

Table 1: Household Composition of Selected Canadian Municipalities (StatsCan 2011)

This is indicative of a lack of reasonable housing options for families in the city forcing families with children to move out or couples to delay child rearing. It may also result from self-selection of childless households moving to more urban areas. It is not, however, a result of Vancouver aging faster than other surrounding municipalities, such as White Rock, West Vancouver and North Vancouver have done. The City’s median age (38.6) is slightly below the CMA average (39.1) (Metro Vancouver, 2008).

Housing Stock

In the City of Vancouver, 23 percent of the housing stock is in what are traditionally considered housing for families with children: single-detached, semi-detached and row houses. The “apartment, duplex” category refers to vertically stacked suites in house-sized buildings,

including basement and main floor suites. For the purpose of this analysis it has been excluded as a housing type for families with children.

Distribution of private households by structural type of dwelling for Vancouver City and Vancouver CMA - 2011 Census						
	Vancouver, City		Vancouver, CMA		Canada	
	number	%	number	%	number	%
Total - Structural type of dwelling	264,575	100	891,335	100	13,320,615	100
Single-detached house	47,535	18.0	301,140	33.8	7,329,150	55.0
Semi-detached house	3,995	1.5	19,300	2.2	646,240	4.9
Row house	9,045	3.4	80,500	9.0	791,600	5.9
Apartment, building that has five or more storeys	70,265	26.6	129,255	14.5	1,234,770	9.3
Apartment, building that has fewer than five storeys	87,430	33.0	228,585	25.6	2,397,555	18.0
Apartment, duplex	45,845	17.3	126,610	14.2	704,485	5.3

Table 2: Distribution of Private Households by Structural Type of Dwelling

The relative amount of ground oriented units will decrease over time, as housing starts for apartments increase while those for other building types decrease. 80% of new housing starts in 2012 in the City of Vancouver were apartment units, and starts on ground oriented units only marginally outpace their demolition (Metro Vancouver Housing Book). While less marked, this trend is also apparent at the regional level, where 67% of new housing starts were multi-family in 2012 and the dominant trend for the past decade has been significantly more starts for multifamily housing rather than detached housing – see Figure 1, below (CMHC, 2013). Furthermore, the apartments that are built are becoming smaller, albeit slightly: in 2001 the average apartment in Vancouver was 874 square feet and contained 1.55 bedrooms, while in 2009 it had dropped to 844 square feet and 1.47 bedrooms (CitySpaces Consulting, 2009).

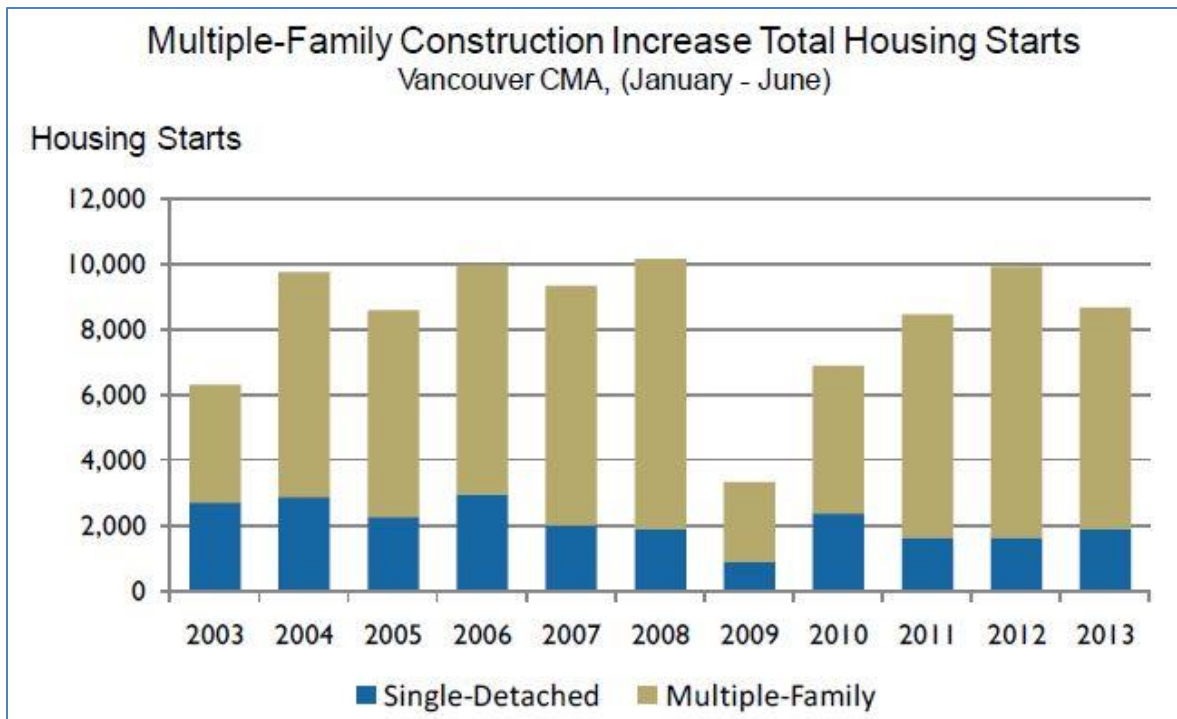


Figure 1: Total Housing Starts Vancouver CMA (CMHC, 2013)

With the high cost of living space and the high proportion of smaller units, many families are living in overcrowded conditions. 2006 Census Data for the Vancouver region show that approximately 18% of households with three or more people live in units with fewer than two bedrooms.⁶ This falls short of meeting the National Occupancy Standards (NOS) for suitability, which require that there be “one bedroom for:

- each cohabiting adult couple;
- unattached household member 18 years of age and over;
- same-sex pair of children under age 18;
- an additional boy or girl in the family, unless there are two opposite sex children under 5 years of age, in which case they are expected to share a bedroom.” (CMHC)

This figure does not count larger families that are overcrowded in 2 and 3 bedroom units.

Conditions of overcrowding suggest that families cannot afford larger spaces and that larger spaces are undersupplied in the areas in which they choose to live. As families grow and can find no suitably sized condominiums or apartments close to their work, they must move far away to meet their housing needs. Because of the high cost of ground oriented housing in the city of Vancouver, “driving to qualify” requires a considerable commute.

⁶ This analysis was done using the 2006 Census Public Use Microdata Files (PUMF) accessed through the University of British Columbia. The data was originally compiled by my colleague Leonard Machler.

City of Vancouver Condominium Stock by Number of Bedrooms, 2001 and 2009				
	# of Bedrooms (2001)	% of Total (2001)	# of Bedrooms (2009)	% of Total (2009)
Studio	2,012	4.6%	2,841	4.4%
1 Bedroom	17,944	40.8%	27,723	42.6%
2 Bedroom	20,438	46.4%	29,897	45.9%
3+ Bedroom	3,629	8.2%	4,683	7.2%
Total	44,023	100.0%	65,144	100.0%

Table 3: City of Vancouver Condominium Stock by Number of Bedrooms, 2001 and 2009 (CitySpaces Consulting, 2009)

Table 3 provides information on the private condominium universe in the City of Vancouver. It can be seen that three bedroom or larger units comprise a small amount of the overall condominium stock, and that this amount declined from 8.2% to 7.2% between 2001 to 2009. While two bedroom units can be suitable for some families with young children and there are many of these, there is a lack of larger units in the city's stock of condominiums, meaning that families with children have few options for high density homeownership.

Housing Affordability

According to the 2006 Census, 17% of Metro Vancouver households were in core need – that is, they are inadequately housed given their income and household size. 7% of households are in core need and spend over half of their income on shelter. Of these, 42% are households with children (Metro Van Housing Book). Many Vancouver families are spending too much on their housing to meet other obligations and save for the future.

Providing additional family oriented housing at high density will not solve Vancouver's affordability problem. Without significant senior government funding to new housing programs (or local and international economic collapse) affordable housing in Vancouver will remain elusive for the foreseeable future. However, high density housing will allow families to reduce their travel time and costs, as well as their utility costs and property tax burden over time. Furthermore, a condominium can be provided cheaper than a house in absolute terms, though not on price per square foot terms.

Table 4 shows the average cost of rent for apartments and private condominiums in Vancouver. These units could potentially house families with children as they contain two or three bedrooms. Note that for private condominiums for rent there are insufficient three bedroom units in the rental market to obtain reliable data – even over the entire region. This suggests that three bedroom units are mostly owner-occupied.

Average Rents & Number of Apartments by Unit Size CMHC Rental Market Report: Fall 2012				
	Vancouver, City		Vancouver, CMA	
Unit Size	2 Bedroom	3 Bedroom	2 Bedroom	3 Bedroom
Purpose-Built Apartment Rent	\$1,522	\$1,945	\$1,261	\$1,480
Number of Units	8,981	523	25,330	2,230
% of Apartment Stock	16.26%	0.95%	24.11%	2.12%
Private Condominium Rent	\$2,067	no data	\$1,662	no data

Table 4: Average Rents & Number of Apartments by Unit Size (CMHC)

Section 3

Barriers to Family Housing Development

Given the presence of families with children and the growing preference for walkable, urban environments, one might ask why the private market has not responded by building family friendly units and buildings. There are a number of barriers to market development of new family housing, including:

- Uncertainty about effective demand,
- High cost of large spaces,
- Lower sales price per square foot (competition for land),
- Longer absorption periods, and
- Presale requirements for financing.

Expanding the pool of alternatives is difficult in part because real estate development involves large risks which must be mitigated by only supplying a product with a proven demand. Even the most progressive real estate developers must meet the requirements of their equity partners and lenders, and these will only fund projects that meet the demands of a well-defined market. For these reasons, as well as land use regulations and cultural norms about family life, little or no high density family friendly housing has been built in most North American cities.

Uncertainty about Effective Demand

The first barrier that often arises is the initial response from developers to the suggestion that more family friendly condominiums should be built. Because of the high risks and complexity involved in real estate development, developers and their lenders tend to prefer building things that they have built before and things have been proven to sell. This discourages the development of many innovative real estate products, including high density housing for families. This is especially true in North America, where most children have grown up in low density settings and raising families at high density is not a cultural norm.

In real estate development, most demand is predicted by revealed preference – that is, by evaluating the absorption of units into the market. While some stated preference data is collected, it does not always have consumers make realistic trade-offs or provide well explained, innovative products from which to choose. These sources can help builders select design and finishing options for already established housing types.

This uncertainty makes the creation of family friendly units a chicken or egg question. Are they not built because no one wants them, or does no one demand them because they do not exist?

In 2005, the City of Portland, via the Portland Development Corporation, sought to answer this question for the Portland and Vancouver, WA market. They hired a market research firm that conducted a survey using a standard questionnaire and discrete choice methods to elicit the preferences of families in the area for high density housing. They found that,

“[T]here are more than 124,000 families who live in the Portland/Vancouver metropolitan area that have or expect to have children and that have the financial wherewithal to buy a condominium in the Central City. Of this group, 15%-21% would consider purchasing a family-oriented condominium and would be willing to pay at least \$400 per square foot for that condominium. This equates to a potential market of 26,000 households.” (Ferrarini & Associates, 2006, p. 2)

The study also reveals other important details for the Portland market about the preferences for extra parking spaces (even when they are priced at \$30,000), the demand for larger units (more than two bedrooms), and the impact of finishing options, number of bathrooms, and presence of nearby playgrounds. Perhaps more importantly, it reveals that these families are willing to pay over \$400 per square foot for this type of development – a sufficient price point to make this type of development financially feasible for developers in that market.

While this unique study is very helpful for understanding the unexpressed demand for urban housing for families in Portland, the nature of real estate markets is their local character. What is true for Portland may not be true for other cities. One major difference is that, in Portland, most of those surveyed did not already live in the central city, although some had lived there previous to having children. In Vancouver, BC, young families already living downtown but pressed for

space as their family grows would likely be a much larger market for this type of development. Other important differences include the average unit size and the price that a condo must achieve to be feasible. In the Portland study, units ranged from 1,100 square feet to 1,475 square feet, and these were smaller than comparable units in the market. Two bedroom units in Vancouver average closer to 1,000 square feet and in 2009 downtown condominiums sold for an average of \$616 per square foot.

Given the surprising information obtained by the Ferrarini & Associates report and the local nature of market research, municipalities considering policies to encourage family friendly urban development would do well to conduct similar market studies to determine conditions in their area. This is exactly what is being done by the City of Edmonton. Further planning work is on hold pending the conclusion of the study.

High Cost of Large Units

Another common concern is that, even if larger units built for families were supplied, they would necessarily be at a price that families could not afford. One study that interviewed Toronto developers found that the price of large condos roughly equates with the price of a much larger single detached home in the inner suburbs (Willcocks, 2011). A 2012 study in Edmonton found that new homes at the edge of the city and older homes in the inner suburbs were noticeably less expensive than large downtown condos (Beck, 2012). One Edmonton developer explained,

A lot of people I know say they would move downtown and raise a family if they made three bedrooms. Well there are three bedroom units downtown, but they're \$600,000. So they're buying \$400,000 houses, not \$600,000 condos. (Beck, 2012, p. 24)

The challenge of making affordable larger units suitable for families is partially a function of the construction costs of high density housing. One urban designer found that high rise construction cost, on average, 2.5 times the cost of constructing a single detached home (Ellis, 2004). Following this logic, if \$200,000 could build a 2,000 square foot house, it could only build an 800 square foot high rise condominium in the same market and a 1,200 square foot three bedroom condominium would cost \$300,000.

One response to this argument would be to examine how well the current stock of larger condominiums fit with the demand profile for families. Given that most large condominiums are not currently designed for families but for the wealthy, the units finishes, view premium and building design may well factor in to this inflated cost. The Ferrarini & Associates report found that the typical three bedroom apartment in Portland sold for over \$800,000 in 2006, but that the average size and finishes of these units suggest a premium product that would be quite different from the units desired by the families surveyed. Where large condominiums are a luxury product, they are not an adequate comparable to family oriented units, while both will be large.

The other argument is that the average large condominium is out of reach financially for most families. To some extent this is true. In 2012, the median price of a high rise condominium in metro Vancouver was \$425,000 while the median family income was \$67,090, or roughly \$11,000 short of what they would need to earn to purchase a condo using 30% of their income. The reported median condo price includes all unit types and therefore does not reflect that most families requiring a two or three bedroom unit will likely pay more than this amount.

This argument does not withstand much scrutiny, however, when condominium prices are compared to other housing types. The Real Estate Board of Greater Vancouver reported in May of 2012 that the MLS® HPI benchmark price⁷ for all residential properties in Greater Vancouver was at \$625,100; for detached properties it was \$967,500, for townhouses it was \$470,000 and for condominiums it was \$379,700. In other words, the average house costs over two and a half times the average condo. However, the average condo is also less than half the size of a house,⁸ reducing the disparity in price on a square foot basis. Presently in Vancouver, detached houses sell for comparable prices per square foot as condominiums, depending on the location – houses on the west side of Vancouver sell for more per square foot on average than west side condominiums while houses on the east side sell for less per square foot than their condominium counterparts. As discussed above, based on the cost of construction, condominiums should cost 2.5 times more than detached houses on a per square foot basis. In Vancouver, however, condominiums are price competitive with detached housing.

Furthermore, it should be noted that if housing were purchased on the basis of median household income alone, the median price of a home would be \$287,000. This implies that the housing market does not only rely on fluctuations in local wages. Families may be purchasing housing using other sources, including inheritance money, equity from the refinance or sale of parent's homes, and money earned abroad. In any case, families continue to move into homes and condos in Vancouver, despite the apparent inability of their earnings to pay for their housing. The fact that areas with the most expensive housing have fewer financially strained homeowners is a testament to the fact that many purchasers buy into the housing market with a large down payment (Metro Vancouver Housing Book).

While many Canadian markets offer lower cost alternatives to urban condominiums, Vancouver does not. Another key difference is in the dispersion of urban areas and amenities in Metro Vancouver. While some cities such as Calgary and Edmonton can only compare the markedly

⁷ The MLS® HPI is a more stable price indicator than average prices, because it tracks changes of "middle-of-the-range" or "typical" homes and excludes the extreme high-end and low-end properties. Typical homes are defined by the various quantitative property attributes (e.g. above ground living area in square feet) and qualitative housing features (e.g. proximity to shopping, schools, transportation, hospitals etc.) toward the home price of properties sold in Greater Vancouver communities. See <http://www.rebgv.org/mls%C2%AE-home-price-index-explained>

⁸ Condominiums are estimated at 985 square feet in size for the City of Vancouver (CitySpaces Consulting, 2009), while home size in Canada is estimated at 1,950 square feet (Banerjee, 2012). These should be considered rough numbers because of methodological disparities in data collection. My calculations based on 140 recent MLS listings suggest that the median size of a house in Vancouver is 2,500 square feet while a condominium is 734 square feet.

different, high-density downtown with low density suburbs, Vancouver has a variety of urban, high density areas that are much cheaper than the downtown. These include the Broadway corridor, Kerrisdale, Metrotown, Lonsdale and Richmond Centre. Some suburban town centres may be appropriate for high density family housing, but they will also have more competing options for families, including slightly less expensive detached houses and townhouses.

Lower sales price per square foot (competition for land)

This barrier is essentially that there is a differential between the price per square foot that can be achieved with a smaller unit versus a family-sized one. Where the condominium market is driven by smaller households (empty-nesters, single professionals and childless couples) and investors looking to rent to them, the demand will primarily be for one and two bedroom units. Especially large units will be sold to the same types of purchasers, except they will be wealthier. On average, larger units that are not sold at the high end of the market command a lower price per square foot, meaning that there will be smaller margins for the developer.

Lower projected margins have a ripple effect through the development process. They make financing more difficult to obtain, earn less money for the developers and, most importantly, mean that the developer cannot offer a competitive price for the land. In a competitive land market, numerous developers will bid on a redevelopment prospect. The amount they can afford to pay for the land is based on a residual land analysis. This is essentially a method where a developer projects the revenue of a project, subtracts all of the development costs and the profit margin, and is left with the sum that he or she can pay for the land. To pay more would reduce profits and increase risk.

This means that, even if there were dozens of developers and financiers hoping to build larger unit condominium developments in a normal market, they would consistently be outbid for land by developers willing to build a project with smaller, more lucrative units.

Longer absorption periods

This is one of the principle barriers to family housing and is strongly connected to the uncertainty of demand. Longer absorption periods mean that family units will sell more slowly than other unit types because there is a smaller niche market. Also, it is a new type of housing and therefore purchasers and real estate agents will be unfamiliar and perhaps leery of buying/selling a unit. Because homeownership functions as a long term savings vehicle, buyers will hesitate because of a lack of information on unit appreciation, even if the housing would suit their functional housing needs. Delays in selling the product once it is built are very costly, as this is the stage of a project when all funds from the bank have been borrowed and interest is accruing on the entire amount. Likewise, arrangements with equity partners often require payments be made to partners before the developer. This can result in high leverage and no cash flow to the developer for a longer period than they can weather, discouraging them from taking such a project on.

Absorption periods are calculated by examining the amount of comparable units on a market, how many are being produced and how many are being bought to determine how fast a new project will sell. With a unique product, the necessary comparables do not exist and accurately predicting the absorption period will be challenging.

Presale requirements for financing

In order to obtain financing for condominium development, a developer must presell a certain percentage of the units in order for the lending institution to approve their loan. This amount depends on the banks, but presently in Vancouver it is around sixty percent of a building's total units. This means that developers must be able to find buyers who are willing to commit to the purchase of a unit that has not yet been built or even started. Buyers provide a deposit and sign a contract that will allow them to purchase the unit once it is complete or forfeit their deposit. This arrangement works well for people who are buying the unit as an investment property or who are able to move into a new unit relatively quickly. This arrangement is difficult for families because those that need to move to a larger space often do not plan this move two or three years in advance, as would be necessary for a presale. Furthermore, smaller units are preferred by investors as they make better rental properties (CitySpaces Consulting, 2009).

For presales, then, the family market is further limited to families who are not constrained for space yet and persons who are planning three or more years in advance for their family situation. A large target market for this type of development – growing families that are space constrained in other condominiums or apartments – is therefore eliminated from the pool of presale buyers.

Municipal Policy Options

Municipalities are creatures of the province without constitutional recognition and, as such, have a limited set of policy options available to them for consideration. All policies must be rooted in a power granted to the municipality by a provincial government. In BC these powers are found in the Vancouver Charter for the City of Vancouver and the Local Government Act (LGA) for all other municipalities. Innovative policy approaches can be developed by municipalities, but with greater constraints than are present for other levels of government. Sometimes policies use enabling legislation in creative ways until the validity of the approach is settled through further legislation or through the courts.

Land use policy options are often divided into two camps: market-driven incentive mechanisms and traditional land use regulations – the carrot and the stick. Planning powers were originally conceived almost exclusively as the latter, but since the 1960s, the former have become more popular, varied and nuanced (Kayden, 1992). Today the majority of municipalities in North America use them in addition to the traditional zoning tools (Morris, 2000).

The traditional approach is most likely to succeed at obtaining a desired land use if that use is in demand by the market but currently prevented through zoning or when an amenity could easily be provided if it were required. Incentive mechanisms are best used when the market demand for a desired use is insufficient for it to be supplied. The two approaches can also overlap, however. Consider a case where the original zoning allows for a floor space ratio (FSR) of 1.0 and the municipality rezones (without a developer proponent) to allow FSR of 1.5 but now requires that 10% of the space be used for affordable housing. Is this a carrot or a stick? Not all policy options can be so easily categorized.

There are two other policy approaches that this report identifies: information provision and public investment. The former is a very soft approach to development control. It supposes that developers would make better decisions given the right type of information. This assumption is difficult to maintain as the objectives of planners and developers are often at odds. Also, it is difficult to measure the impact of this approach, but when acting on information incurs greater development costs or lower revenues, it can be assumed that the information will be disregarded. Public investment is a policy approach in that targeted public funds can change the desirability of a location, which in turn can encourage new private investment in an area. This is often an approach used by municipalities and businesses in business improvement districts to provide streetscape upgrades or façade improvements.

The policy options reviewed in this report are:

- Official Plan/Zoning Review,
- Research/Information Provision,
- Design Guidelines,
- Minimum Unit Requirements/Inclusionary Zoning,
- Negotiated Density Bonusing,
- Incentive Zoning,
- Financial Incentives,
- Demonstration Project,
- Housing Agreements, and
- Family Amenities & Public Realm Investment.

This list is based on the most common practices in municipal policy, especially those used to obtain affordable housing. Some of these policies have also been used or are being considered by municipalities to encourage high density housing for families with children. While there are a few examples of these policies, their application to this topic is generally so recent that identifying ‘best practices’ based on proven outcomes is impossible at this time. Where policies exist, further monitoring and adjusting will be required to determine their effects on housing supply.

Official Plan and Zoning Review

A first step to encouraging high density development can be a review of existing policies and zoning to determine if there is language in plans and regulation that would deter this type of development. This can involve changing the definition of family oriented housing (if one exists) to make it compatible with housing at higher densities but to still differentiate it from other high density development generally. Zoning bylaws can also impede opportunities for this type of development if there are no areas where high density housing can be built within a reasonable distance from schools, parks and other family oriented amenities. If the only areas that permit high density housing have none of the amenities usually sought by families with children, it implicitly discourages the supply of this type of dwelling. Cities with a strong central business district surrounded by mostly homogenously low density outlying areas may find that higher density nodes outside of the core are an alternative to providing more amenities downtown.

The City of Edmonton began its attempts to encourage high density family housing by identifying problems with the definition of family oriented dwellings in the zoning bylaw. It discovered that the definition for “family oriented dwellings” used in their official plans and zoning bylaw limited housing to small scale forms such as single detached houses and row houses by requiring ground oriented units or units no higher than the third floor of a building. The planning department has since proposed changes to the text of the zoning bylaw (Jersak, 2011).

Research/Information Provision

One of the barriers to constructing family friendly housing at high densities is the unfamiliarity with this typology and the uncertainty about the demand for this housing product. The development industry, including developers, financiers and regulators, is generally well suited to providing products that have been proven in the marketplace, so the provision of a new building typology with an ill-defined consumer base is challenging. This challenge can be partially mitigated by municipalities that are proactive in obtaining dependable information on building practices, consumer preferences and demographic trends to developers. Because this type of research can be costly and most developers are not well suited to conducting it, municipalities, as well as banks and real estate organizations can help provide the information to developers. As housing markets are local, information on potential demand for family housing must be collected locally.

Portland and Edmonton are two cities that have used this approach to both inform developers as well as guide their own policy making. The City of Edmonton is presently conducting a market analysis “to better understand what conditions would lead to increased demand for multi-unit family-oriented housing in the City of Edmonton” (City of Edmonton, 2013). The motivations of the City were explained in a committee meeting report:

“The development industry believes the primary challenge to constructing family oriented dwelling units in multi-storey buildings is limited market demand for such housing in Edmonton. As housing of this nature is relatively uncommon in the region, any City-led incentive or initiative should be focused on understanding favourable market conditions, raising awareness of housing design, and facilitating approvals.” (Jersak, 2012)

In 2005, the Portland Development Commission (PDC) conducted a market study to determine the potential demand for family oriented condominiums (see pages 19-20). The study revealed a significant unmet demand for this type of development although no explicitly family oriented market condominium project was constructed subsequent to the report.

Design Guidelines

Guidelines for a high density family friendly typology are a critical piece of information for developers looking to build units for families in urban areas because this typology is so rare in North American cities. They are especially helpful where proposed developments claim to be family friendly to seek a rezoning or favour from a municipality. In these cases, it is imperative that there be some standards by which the family friendly claims can be tested. Planners and municipal politicians must decide if the mere size of the units and number of bedrooms make a project suitable for families, or if there should be other criteria that should be met. Guidelines can indicate to a developer and to a community the most important design elements for families with children as well as some desirable but less imperative features.

The role of guidelines as municipal policy tools can be somewhat ambiguous. When a municipality wishes to establish an iron-clad rule about the design or components of a development it is easily incorporated into the zoning schedule, especially for spot rezonings. However, because sometimes overly prescriptive regulations can inhibit desired as well as undesired development, guidelines offer a second way. Guidelines allow municipalities to establish expectations of future development that can be emphasized in the case of poorly conceived projects and de-emphasized for higher quality ones that deserve some exceptions to the rules.

The City of Vancouver has a set of guidelines to influence “High-Density Housing for Families with Children” (1992). These are based on a more comprehensive “resource document outlining needs, principles and recommendations for designing medium and high density housing for families with young children” (Vancouver City Planning Department, 1978). The original document was prepared to determine the type of housing design that would best meet the needs of families as the City took part in building a significant amount of social housing along South False Creek and elsewhere in the City. These guidelines were thought to apply primarily to social housing units:

“Given that Private Market Units and Assisted Market Projects which are primarily one bedroom size are not likely to be occupied by families, due to price and/or size of unit, the Director of Planning does not see the necessity for requiring compliance with the guidelines on the off chance that any two bedroom units will be occupied by children.” (Vancouver City Planning Department, 1978, p. i)

In the late 1980s, the rezoning agreements for the north shore of False Creek included the requirement that at least 25% of market units and 50% of social housing be family friendly. This development did not fit well with the 1978 document for two reasons:

- The podium-tower typology was not the type envisioned by the original document, and

- The development required market units as well as non-market units to be family friendly.

Podium-towers were challenging because much of the guidelines are dedicated to securing outdoor play and amenity space for children and there was very little land available outside of public parks. Also, applying guidelines to market units built with private funds rather than government funds meant that only the elements of the guidelines that improved the marketability of the units were included. The 1992 guidelines adapted the earlier version to fit better with higher-density typologies.

The guidelines were very comprehensive, including direction on where the projects should be sited and what the exterior and interior design should be. They covered a range of topics from project distance from schools and daycare to the provision of ensuite storage. While these directions emerged from valid research on family needs and preferences, they made abiding by all the rules of the guidelines extremely challenging. The result was that planning staff and developers largely ignored the guidelines after a few years, especially on market developments, opting instead to refer to anything with two or more bedrooms as family housing (Gray, 2013).

Effective guidelines must therefore find a working balance between being overly comprehensive and unwieldy (as the City of Vancouver's guidelines were) and being so basic as to not influence development (as calling any two-bedroom unit a family unit would be).

Minimum Unit Requirements/Inclusionary Zoning

Another policy option is to require that a minimum number of units in a given development be designed for families with children. This ensures that a certain amount of new units will meet the criteria established by the municipality for family friendliness and helps predict new supply. Because it is a requirement for a development permit, these units are sure to be built (unless markets cannot support any residential development) and they will inevitably be mixed with other unit types. This approach is commonly used in the USA to secure a supply of affordable housing, and is called inclusionary zoning. In Canada, informal inclusionary zoning policies have been applied in Montreal, Vancouver and Toronto with mixed results as Canadian cities do not have a provincial mandate to use this tool (Mah & Hackworth, 2011). However, it has been used effectively since the 1970's in many jurisdictions including the USA (Talbert, 2006) and Australia (Williams, 1997).

The effects of unit requirements depend largely on the nature of the family units to be provided as some requirements are more challenging and costly than others. For example, a policy requiring that 20% of new units contain 4 bedrooms will be more expensive for a developer than a policy requiring that 30% of units contain 2 bedrooms. Some requirements, such as larger units, can be met by making simple changes to the building design; others, such as ensuring the building is within a certain distance of a school, can be completely out of the control of the developer.

Any requirement that adds costs or reduces the revenues of a development project will have repercussions in the market. For example, in a hypothetical development based on condominium prices in Burnaby, BC, three different unit mixes are considered:

Scenario 1 - No regulations are applied and developer chooses to build 77% 1 bedroom units and 23% 2 bedroom units.

Scenario 2 - A regulation that requires half of the units to contain 2 bedrooms is applied.

Scenario 3 - A regulation that requires half of the units to contain 3 bedrooms is applied.

Revenue Differences by Regulation Type				
		Scenario 1 No Regulation	Scenario 2 50% 2 Bedroom Units	Scenario 3 50% 3 bedroom units
Unit Mix:				
1 bedroom size (sq. ft.):	700	70	43	26
2 bedroom size (sq. ft.):	900	21	42	10
3 bedroom size (sq. ft.):	1,100	0	0	37
Total Units:		91	85	73
1 bedroom price per sq. ft:	\$ 435			
2 bedroom price per sq. ft:	\$ 408			
3 bedroom price per sq. ft:	\$ 390			
Gross revenues:		\$29,026,200	\$ 28,515,900	\$ 27,462,000
Difference from No Regulation:		\$ -	\$ 510,300	\$ 1,564,200

Table 5: Revenue Differences by Regulation Type

Scenario 2 will decrease revenues by approximately \$500,000 and Scenario 3 will decrease them by \$1.5 million from Scenario 1. These estimates are conservative because the prices are taken from market averages, and each of these products may have very different absorption rates. That is, if a market typically absorbs 250 1-bedroom units and only 9 3-bedroom units a year, Scenario 3 will be very difficult to sell in a reasonable time frame. In this case a developer would have to price their 3 bedroom units much below the \$390 per square foot price that has been the market average.

If these regulations are imposed on a project that is already underway (land has been purchased) it will reduce the profits reaped by the developer. However, for future projects this loss of revenue will be corrected either by an increase in the price of the units, or by a reduction in the offer price for the land. Because prices are set by what the market can bear rather than the profit target of a developer, it is most likely that these regulations will depress the price of land rather than affect unit prices.⁹

⁹ However, excessive pressure on land prices will reduce the sale of land, which will constrain supply, which will increase housing prices over the long run. To keep a steady supply of land, then, a municipality must rezone and prezone for added buildable space as it increases costly regulatory requirements.

Regulations, in contrast with incentives, are a type of policy that can be desirable for municipalities because they do not incur new costs.¹⁰ Where regulations are extremely onerous, they may reduce overall tax revenue or disrupt economic growth; however this is not likely the case for family housing regulations. Regulations in real estate development are particularly effective because the industry is very location sensitive. If Toronto imposes a regulation on housing, not all developers will shift activities to Scarborough because living in one city is not the same as living in another.

Regulations are also simple to administer and monitor and do not require expensive enforcement programs. However, because they can be onerous on developers there is no incentive to make sure the regulation achieves its objectives. For example, smaller three bedroom units may be designed and built and then have walls removed to convert them into 1 or 2 bedroom units after an occupancy permit is granted, playgrounds may not be maintained or may be removed by the strata organization after the units are sold, and units may be priced so that they are out of reach of most families with children who were meant to occupy them.

In 2007 and in 2009, City of Toronto councillor Adam Vaughan proposed that the City consider a requirement that all new multi-family buildings contain a prescribed minimum number of three bedroom units. The City found that three bedroom units comprised slightly over 1% of the total number of new condominium apartment units offered for sale in high-rise buildings between 2002 and 2007 and that many of these were being built for the luxury market. When the planning department reviewed information on housing starts by type in Toronto (including the inner and outer suburbs) they determined that sufficient family-oriented housing was being provided and that the low supply of larger condominiums was not a concern.

“If the City were successful in having more three bedroom condominiums constructed, there is no indication that these units would indeed be occupied by families in the near term. Over the longer term, as housing both in the City and the surrounding market area becomes more expensive, and commuting becomes more challenging, the propensity for Torontonians to raise families in condominium apartment units may increase.” (2007)

As a follow-up to the 2009 proposal to amend Toronto’s Official Plan to require that 10% of new units in buildings with over 100 units be three bedroom suites, the City of Toronto requested that the Building Industry and Land Development Association (BILD) prepare a report on the effects and desirability of this amendment. This report identified many of the problems that a regulatory minimum approach entails, including:

¹⁰ Where an effective municipal system to capture the value created by rezoning operates (such as community amenity contributions in Vancouver), a unit requirement that decreases that value is essentially foregone revenue and can be quantified as a cost to the City. This type of cost may be more politically palatable as it does not require a cash outlay or an obvious shift of cost burden onto the public.

- Distortions to housing markets,
- Insufficient demand to warrant policy given the stock of alternative housing,
- Poor correlation between number of bedrooms and family friendly design (a more critical feature, according to the report's focus group findings), and
- Lack of supporting policies including policies to improve urban schools and parks. (BILD, 2010)

However, the report also acknowledged that, while current market dynamics in Toronto did not encourage family friendly high density condos, there would eventually be such scarcity of ground oriented and detached housing that a higher density family housing typology would be necessary. The proposed amendment did not pass in Toronto, and no citywide minimum unit requirements have been established there, although Councillor Adam Vaughan claims to have increased the supply of new three bedroom units in his ward from 2.7% in 2005-2006 to 9.6% in 2007-2008 through discussion and voluntary commitments from developers (Office of Adam Vaughan, 2009).

Halifax uses minimum unit requirements in the downtown area, where for every three studio or one bedroom units there must be a two or more bedroom unit built (Halifax Regional Municipality, 2009). Vancouver has required that 25% and 35% of units in some large developments be suitable for families with children, which usually was interpreted as having at least two bedrooms (Willcocks, 2011).

Density Bonusing

Density bonusing is a very common tool that municipalities use to encourage a number of different outcomes, from high quality building design to heritage preservation. Because this tool can be applied to most development types to leverage public benefits, it is widely used in many different municipalities. The prerequisite for density bonusing is that there is demand for more space than presently available or allowed by current zoning. That is, if market demand does not exceed meet the maximum density allowed by the zoning, a density bonusing scheme will not be successful. However, this condition is quite common in many growing municipalities, especially ones where scarcity of family oriented housing exists.

The challenge for municipalities in applying density bonusing to incentivize family oriented housing is knowing how much density must be granted in order to make a project feasible. The calculation for a sufficient density bonus is as follows:

$$\text{value of bonus floor space} = \text{difference in revenues} + \text{risk factors}$$

The difference in projected revenues is relatively simple for a municipality to model. However, getting sufficient data to produce an accurate model can be difficult when there are few comparable units that have been bought and sold in the housing market. Because there are relatively few family oriented high density apartments, it can be difficult to determine their price. Municipalities should consult with real estate agents to determine what kind of high density housing is being purchased by families with children at the present time to decide what constitutes similar development from which comparables can be drawn. In the example below, three bedroom units in Burnaby, BC are used as an analog to family housing. If sufficient product transactions can be found that meet the criteria of family oriented housing, the median price per square foot can be compared against the median price per square foot of non-family housing. This difference can then be used to model the amount of density required. For example:

Two hypothetical developments, a typical condominium project and a family oriented one, are compared for their financial performance. Because the larger family units command a lower price per square foot, there is a gap between its land offer and its profitability and that of the typical building. The difference between the two projects, the value of space per square foot (where value is the revenue it generates minus the costs of producing it) and the efficiency of the building determine the gross amount of space needed in a bonus to make the projects financially equivalent. Note that the amount of space required depends on the value of that space, so bonusing family friendly space is less valuable than bonusing typical space. See Table 6 below:

Gap Analysis and Calculated Density Bonus for a Residential Condominium Project			
Gross Buildable Area (GBA): 51,520 sq. ft.		Net Buildable Area : 46,600 sq. ft.	
Building Efficiency (net/gross area)= 90.45%			
1 bedroom return (revenue - costs) = \$ 256		per sq. ft.	
3 bedroom return (revenue - costs) = \$ 215		per sq. ft.	
	Maximum Land Offer	Profit	Total
Typical Building	\$ 5,545,547	\$ 3,417,000	\$ 8,962,547
Family Building	\$ 4,985,113	\$ 3,255,000	\$ 8,240,113
Gap	\$ 560,435	\$ 162,000	\$ 722,435
Density bonus for 1 bedroom space =	(gap/value per sq. ft. of space)* 1/building efficiency =	3,117	square feet, or 6.0% of GBA
Density bonus for 3 bedroom space =	(gap/value per sq. ft. of space)* 1/building efficiency =	3,715	square feet, or 7.2% of GBA

Table 6: Gap Analysis and Calculated Density Bonus for a Residential Condominium Project

This type of model is useful but is incomplete because it does not quantify the additional risk factors associated with building an innovative product. These risk factors can include:

- Lower and uncertain absorption rates for family units,
- Fewer presales means difficulties obtaining financing or higher interest rates, and
- Delays in permitting because of unfamiliarity with family oriented housing.

When little or no stock of family housing exists in a market, these risks are very large indeed, and the uncertainty surrounding a project will mean that a developer will need to be compensated for her risk over and above the typical equity margin expected in a development. Because these risks are difficult to quantify, a density bonus scheme with no precedents will likely need to offer significantly more density than determined in the above model. In weaker land markets and in communities concerned about too much density or out of scale buildings, there may not be a bonus sufficient to enable a project.

The practice of bonusing density for family oriented high density housing has been implemented in at least one North American city: Austin, Texas. In the 2011 Downtown Austin Plan (DAP) a Density Bonus Plan indicated that the City would bonus downtown family friendly housing as follows:

“For every residential dwelling unit, 150 square feet of bonused floor area will be allowed for each additional bedroom over two bedrooms.” (DAP Appendix H 2011: 4)

The full density bonus program has not yet been codified, but a simplified program, with only the affordable housing community benefit, was codified in June 2013. Staff has been directed to bring the full program back to the City Council by the end of the year, which will include the family friendly (i.e. additional bedrooms) benefit. This work will include a calibration of the density bonus amount. At the time of writing, no development proposals had been submitted applying for bonus density on the basis of providing family friendly units (Knox, 2013).

The City of Halifax also offers bonus density to development within the downtown that provides “three and four bedroom dwelling units with direct access to outdoor amenity space” (Halifax Regional Municipality, 2009, p. 26). As of September 2011 no applications had been processed seeking this bonus (Jersak, 2011).

Portland also bonuses density in multifamily zones when the development has:

- 1) Outdoor recreation facilities (2% for each 0.5% of total cost spent on this amenity up to 10% total density increase),
- 2) Children’s play areas that meet defined criteria (up to 5% total density increase),
- 3) Three bedroom units (5% if 10% of units have 3 bedrooms; 10% if 20% of units have 3 bedrooms; pro-rated between 10% and 20% of units),
- 4) Storage areas that meet defined criteria (5%), and
- 5) Sound insulation that meets defined criteria (10%) (City of Portland, 2013).

Density bonusing can be done in a formulaic way, as described in the two examples above, and it can be done in a more discretionary way through negotiation between planners and developers. This approach can be implemented on a wide scale (i.e. city-wide) or applied to certain specific areas.

Incentive Zoning

An alternative density bonusing scheme is to establish a density bonus amount conditional to the creation of a specific type of housing. This is referenced in the LGA section 904: Zoning for amenities and affordable housing. This section states that a municipality may “establish different density regulations for a zone, one generally applicable for the zone and the other... to apply if the applicable conditions... are met”. These can include “conditions related to the provision of affordable and special needs housing, as such housing is defined in the bylaw.” This section enables municipalities to create a flexible zone where a lower value use is permissible outright, but a higher value use is possible for developers who are willing to build housing “as defined by the bylaw”. Thus, a municipality could define a project that would qualify for the higher density using their guidelines to ensure that the product would have family friendly features such as larger units, play spaces, multi-purpose indoor amenity space, etc.

This approach has many benefits, including:

- Increased certainty and reduced risk for developers,
- Greater municipal control over site selection (allowing for synergies between family housing and existing and planned infrastructure),
- A more transparent process with greater opportunities for proactive community input rather than reactive input to a development proposal, and
- The elimination of competition for high density family housing with other high density housing types

The first benefit is that developers will know exactly what is expected of them when they consider new projects. The requirements to qualify for the additional density are clear and defined so that no confusion about the acceptability of a project will prevent permitting or construction. Developers will also be able to avoid the challenging and uncertain process of applying for rezoning as this will have been accomplished by the city beforehand. Clarity and certainty are extremely desirable for developers as permitting risk (the risk that a project will not receive necessary approvals) are often significant in infill settings.

Site selection is a key element of suitable high density housing for families. Municipalities track many important indicators, such as school enrollment, park space by population ratios and transit accessibility. These are some of the features that will make family housing successful and can inform the choice of sites for rezoning.

Municipalities should select sites or areas for conditional zoning that offer some family friendly amenities nearby but also have the amenities of urban living nearby, depending on the context. There are essentially two motivators for living in high density housing: access to urban amenities such as shops, transit, cultural sites and employment, and lower housing costs because of scale efficiencies, smaller spaces and land costs divided by more households. Greater access to urban

amenities will diminish the affordability of the housing because it will be in greater demand and land values are greater in these locations. Building on lower cost peripheral land, however, will reduce the desirability of the housing, potentially below the value of larger, ground oriented options. No one location will suit the needs of all families interested in high density living. For example, families where all adults in the household are employed full time and children are in child care during daytime hours will likely value proximity to employment and transit over proximity to playgrounds and parks, whereas a family with a parent at home with children will likely value local child friendly spaces near their home.

Incentive zoning also allows planners to take a more proactive role engaging the community. Discussing zoning capacity for this type of housing can be part of communities' plans to revitalize neighbourhoods, shops and schools. Communities that desire to have more children in their neighbourhoods can express their interest in this typology while communities that are resistant to this type of added density can potentially prevent it from being built in their neighbourhoods. Thus, this type of planning provides an element of certainty to communities as well as developers.

Finally, this approach has the important effect of eliminating competition for the land by other high-density uses. As discussed, conventional high density housing projects will be able to outbid a family oriented project for land because they can secure better returns on the investment and they entail lower risks because of their familiarity. With incentive zoning, the only possibilities for a parcel would be to build for a low-density use such as what already exists there, or a family oriented high density project. Competition for the land is therefore only between the existing use and the family oriented one, and a well calibrated amount of additional density will be able to make the high density use more economically appealing.

A similar approach would be to create a development permit area in the official community plan. This would not offer a two-tiered density allowance based on performance, but would instead identify areas where family oriented development is expected and it would establish the form and character of that development. Sections 919.1 and 920 of the LGA explain this approach. It should be noted, however that this approach is likely insufficient in and of itself because section 920 (8) specifies that "a development permit may include requirements respecting the character of the development, including landscaping, and the siting, form, exterior design and finish of buildings and other structures." This means that issues of unit size and any concerns about interior space, including storage and otherwise could not be controlled by the development permit process.

This option will prevent the receipt of community amenity contributions (CACs)¹¹ by municipalities, which represents an opportunity cost (foregone revenues). However, this

¹¹ CACs are a voluntary payment in kind or in cash to a municipality from a developer from the proceeds of a portion of the increase in land value resulting from rezoning. They can be used for any purposes a municipality deems appropriate. A necessary element to obtaining CACs is that rezoning be led by a developer or landowner, i.e.

approach essentially reinvests the increase in land value resulting from rezoning into the housing product itself. In other words, the land lift will help pay for the added costs of this housing type.

Incentive zoning has been employed by planners since the late 1950s and has principally been used to achieve design and smart growth features or to obtain affordable housing (Morris, 2000). Incentive zoning to create housing for families with children is essentially a hybrid of these two public benefits, in that it is housing that is defined by its design features rather than its affordability. While there is the possibility of legal challenge to this approach based on its public cost/benefit nexus, this question has potentially been resolved by legal precedents demonstrating that some land use regulations are exclusionary and warrant intervention to include different household types (Ibid).

the City cannot pre-zone the land for higher densities without negotiating the recapture of some of this value from the land owners.

Financial Incentives

Financial incentives are any funds or decrease in the cost of development that a municipality can generate for family housing. These are varied and can be applied in myriad ways. While using property tax revenues and using development fee or CAC revenues are politically and legally different, any foregone revenues, subsidies, grants or other expenditures should be treated equally from an economic perspective. Likewise, all policies that involve incentives to developers use public funds, through expenditure or foregone revenues, to produce more housing. Aside from the policy options already discussed then, there are some other financial incentives municipalities can apply to obtain a specific type of housing:

- Low cost financing or providing security for financing,
- Donating, selling or leasing municipally owned land at below market price,
- Fee waivers, and
- Property tax exemptions for up to ten years.

In BC, most of these options are not allowed by provincial legislation when the benefactor would be a private, for-profit corporation or individual and are instead used when building affordable housing managed by a non-profit organization. This means that they would only be legitimate policy options if the project was a form of family oriented housing done as an affordable rental project. In these cases, all of the above options are allowed, as per the LGA, Division 4 – Assistance.

There are two exceptions to the above rule. First, the Vancouver Charter provides the City of Vancouver the ability to grant property tax exemptions “for the purpose of encouraging revitalization in the city”. Encouraging the presence of children can easily be considered part of a revitalization strategy, especially when located in school catchment areas with declining enrollment. Second, as per amendments made in to the LGA in 1998, a municipality can lend money, guarantee a loan or sell or lease municipal land for below market rates under condition of a partnering agreement (discussed further below). However, they may not provide property tax exemptions or fee waivers in this case (BC Ministry of Municipal Affairs, 1999).

Demonstration Project

Perhaps the most proactive way that a municipality can encourage the supply of family oriented housing is by entering in a public-private partnership to provide it. This type of partnership would allow the municipality to use some of the financial incentive tools discussed above, and would mean that the municipality would bear some or most of the risks of the project. Assuming these risks, especially where this type of housing does not exist or is not known, will ensure that the project moves forward even when private developers would be hesitant to do so on their own.

A demonstration project would have the benefit of testing the market for this type of development and testing the design of a high density building for families. Success would signal that there is a market for this type of development. Partnering with a private developer would give the municipality access to expertise and help spread the knowledge of the product through the development community. While there would certainly be interest in making the project accessible to lower income families by making it an affordable rental project, this should be resisted as it would defeat the original purpose of the project: to demonstrate that this type of housing can be built and sold profitably in the private market. Because of the risks of this type of project, it should be planned with a contingency plan for poor sales of the units, such as unit conversion, pricing and tenure options.

One of the challenges of building this type of project is obtaining financing because it is a novel product and because family sized units are unlikely to presell easily. If a municipality were to partner with a developer and provide financing to the project or security to a conventional loan, this hurdle could be cleared.

This option has been pursued in Portland, where the Portland Development Commission provided \$19 million in low-cost financing to developer Ed McNamara to build the Ramona apartments, a family oriented project, in the Pearl District close to downtown. The loan is for 60 years and grows from 0% to 1% interest over the life of the loan (Portland Development Commission, 2009). The building contains 70 three bedroom units, 60 two bedroom units and eight one bedroom units, is certified energy efficient, designed for families with children and includes a school and community centre on the ground floor. Because of the public financing for the project, the Ramona uses an occupancy minimum of one person per bedroom. The project has been successful at attracting families - when it first leased it contained 108 children, then 116 in 2012 and 131 in 2013 (McNamara, 2013).

In 2007, Austin commissioned a Families and Children Task Force to study the issue of encouraging families to live in the city. Among their recommendations was “that the City target subsidized housing and housing that receives development incentives to families with children” and to “create and assist with the funding of a model family-friendly development” (2008, p. ii). To date, this recommendation has not been pursued.

Housing Agreements

A demonstration project or even a density bonus arrangement can be coupled with another policy instrument to ensure that a project designed for families is occupied by families: a housing agreement and covenant registered on the property title. For home ownership projects, an agreement is essentially a legally binding long term requirement that restricts the sale of the unit to a defined eligible purchaser, such as a household with a minimum number of members or children within a certain income bracket. Thus, one of the conditions of a density bonus could be a housing agreement that requires the units to only be sold (initially and at resale into perpetuity) to families with children.

For BC, Section 905 of the LGA provides enabling legislation for municipalities to enter into a housing agreement. It explains that a municipality can enter into an agreement that governs the type of tenure, the classes of persons who can occupy the housing, the administration of the units and the rent or sales price that can be charged for them. A copy of this section is included in Appendix A.

In order for a housing agreement to be functional it also requires a covenant on the land the housing occupies. The power of a BC municipality to enter into a covenant is described in Section 219 of the Land Title Act, which can affect the use of the land and the use of a building on (or to be built) on the land. These covenants can function in a number of ways but must not discriminate based on “sex, race, creed, colour, nationality, ancestry or place of origin of a person” pursuant to Section 222 of that act.

While a housing agreement is an effective means to ensure a project will actually be occupied by families with children, it has a number of serious challenges, including:

- Cost,
- Complexity, and
- Administrative burden.

These agreements are costly because they are very complex to establish. In BC, these costs might run from between \$50,000 to repurpose an existing agreement to \$100,000 to create a new one, \$5,000 per year to administer the agreement and sometimes up to \$10,000 when units are transacted (McClanaghan, 2013). Agreements require extensive legal work to ensure that all potential loopholes have been closed. In below market projects (where these agreements have heretofore been used), the purchaser must be prevented from reselling their unit at market rate and receiving the windfall profit (the difference between what they paid and the market value) that was generated by the cost savings or subsidy of the developing partners, including public agencies. This requires preventative measures to ensure affordability is maintained over the life of the project.

Since an agreement must function for the life of the project, there must be an organization that understands their complexity and administers it to ensure that all transactions meet the agreed terms. In order for the organization to remain involved, the agreement must have a covenant registered on the title of the land that informs the organization of a sale before the transaction is completed. In BC, the mechanisms that have been used have been a right of first refusal granted to the administering organization and the use of second mortgages held by the organization that must be discharged before a sale can occur. The right of first refusal model is employed by the Whistler Housing Authority and allows that authority to purchase the property and resell it themselves if the sale would otherwise happen to an ineligible household (Whistler Housing Authority, 2013).

Housing agreements have been used for a few affordable homeownership programs in BC, as well as a number of affordable rental programs. The most well-known affordable homeownership program is the Whistler Housing Authority, which maintains housing agreements with Section 219 covenants on many buildings to ensure a supply of affordable employee housing options. As an example of the effects of a covenant, section 7 of the Bear Ridge Housing Agreement reads:

“The Owner agrees that each Employee Unit may only be used as a permanent residence occupied by Employees or Retirees, and the Owner further agrees that the number of Employees or Retirees who permanently reside in the Employee Unit must be equal to or less than the number of Employees or Retirees that the Municipality's building inspector determines can reside in the Employee Unit given the number and size of bedrooms in the Employee Unit and in light of any relevant standards set by the Municipality in any bylaws of the Municipality” (Ibid).

Whistler has the added authority, as a resort municipality, to use development cost charges “to pay the capital costs of providing, constructing, altering or expanding employee housing” (LGA, Section 935, 3, b.1).

Simon Fraser University Foundation (SFUF) also uses a housing agreement and covenant to manage the Verdant building, which was built to provide faculty and staff an affordable home ownership option. SFUF holds the covenant and administers the agreement through the SFU Community Trust. When units are resold, they must be appraised by a professional appraiser and sold for no more than 80% of the appraised value to a faculty or staff member. This below-market rate was achievable because of land sold for below market value and efficiencies found by Vancity Enterprises – the developer – and is passed on to subsequent purchasers. Sales are facilitated by SFU Community Trust, which maintains a list of eligible applicants, much the same as Whistler Housing Authority (Vancity Enterprises, 2008). Another project, Dockside Green, exists in Victoria and the covenant and option to purchase the units there is held by the Provincial Rental Housing Corporation (Ibid).

While these examples are all for affordable housing models, housing agreements can be used for market housing developments as well, according to Section 905 of the LGA. However, affordable models have the advantage of providing a built-in demand for units through a waiting list. If units are sold at market price, the covenant on resale to families with children will reduce the price of the homes and potentially affect the appreciation of the units. The amount of density bonus granted to the developer must therefore take into account the effect of the agreement and covenant on the value of the homes, which will be lower than other unrestricted units.

Furthermore, complicated housing agreements may not be necessary to ensure that a project meets its target group. An alternative approach is to allow anyone to purchase a unit, but use the design of the project to appeal specifically to families with children. This would add some uncertainty to the project, but would allow a greater mix of occupants and allow couples who plan on having children to purchase a unit that will continue to work for them as their situation changes.

Family Amenities & Public Realm Investment

Policies that improve the public realm and neighbourhood can also indirectly affect the market demand for family housing. An excellent new building with family friendly features is likely to fail if there are no public parks, playgrounds, schools or daycares nearby. Likewise, families with children will look for other supporting infrastructure, such as complete sidewalk networks, pedestrian controlled street crossing signals, traffic calming measures and recreation centres. Safe places for children to play, especially away from cars, is an important characteristic of a family friendly environment and is the responsibility of the municipality to provide. Choosing sites near existing amenities will help projects to succeed, but additional investment in surrounding infrastructure may also be important for the success of a family housing development.

One of the most crucial elements if families of school-age children are to remain in their neighbourhood is access to schools. This is challenging for municipalities because funding for schools and selection of school sites is outside of their jurisdiction. Because of the traditional structure of cities where downtowns were places of commerce and industry and surrounding areas (today's inner suburbs) were the places for families with children, new family friendly development downtown can often be hampered by the lack of school facilities. Demographic changes and long declining enrollments in urban schools mean that some urban schools suffer from underinvestment and others have already been closed (Low, 2011). Municipalities should be sensitive to these issues and attempt to locate family oriented housing in areas where there are existing schools, or secure a commitment from the provincial government to provide school facilities in a new area.

Municipalities can also support family housing by funding the creation of childcare spaces in a community that is underserved by these spaces or an area that it intended for family housing. The Vancouver Charter allows Development Cost Levies (DCLs) to be used for this purpose, but the LGA does not allow this as a use of the comparable Development Cost Charges in other BC municipalities.

These investments can be used to leverage private investment. If land is zoned for high density family housing and subsequently the municipality begins investing in family oriented amenities in the neighbourhood, perhaps by improving pedestrian connections or upgrading laneways for multi-use, it reveals that municipality's intentions to make the space desirable for families.

Conclusion

Encouraging the creation of family oriented high density housing is challenging for municipalities because of limited resources and many competing priorities. However, for those municipalities interested in encouraging the presence of families with children in their urban areas, there are a number of policy options to achieve this goal. The main barriers to this type of development were identified as:

- Uncertainty about demand,
- High cost of large spaces,
- Lower sales price per square foot (competition for land),
- Longer absorption periods,
- Lack of family amenities, and
- Presale requirements for financing.

There are policy options that offer solutions to mitigate each of these, although some policy options require greater investment and greater risks than others. Because of the risks involved in bringing an untested product to market, it should be expected that the assistance required by government to encourage development will be considerable at first. As the market adapts to the presence of this new housing, requirements and incentives should be refined to ensure that production continues and that municipalities are not creating windfall profits for private firms.

Each municipality that is interested in this housing type must assess its own circumstances, goals and land markets to determine an optimal approach. However, some policies discussed in this report are more likely to produce changes than others. A successful strategy will necessarily begin with a market demand study and a review of existing plans and bylaws. This will eliminate regulatory barriers and determine the potential for other policies to succeed. Design guidelines will also be essential because they are the criteria that define the desired product and adherence to them will prevent abuse of any incentive systems. Municipalities should strongly consider a demonstration project in partnership with a private developer, providing financing where necessary. This will demonstrate the potential of this product type. This happen concurrent to a planning study identifying desirable locations for family housing and then a rezoning of these areas with density bonusing or incentive zoning to provide the opportunity for private developers to begin building this type of housing. Housing agreements should be applied to the demonstration project to ensure it is occupied by families with children, and they should be considered, but not required, for subsequent private projects receiving public incentives.

Complete communities are possible. Cities can improve housing options for families with children and to revitalise urban spaces with the presence of its youngest citizens.

Appendix A – BC Local Government Act - Relevant Sections

Zoning for amenities and affordable housing

904 (1) A zoning bylaw may

(a) establish different density regulations for a zone, one generally applicable for the zone and the other or others to apply if the applicable conditions under paragraph (b) are met, and

(b) establish conditions in accordance with subsection (2) that will entitle an owner to a higher density under paragraph (a).

(2) The following are conditions that may be included under subsection (1) (b):

(a) conditions relating to the conservation or provision of amenities, including the number, kind and extent of amenities;

(b) conditions relating to the provision of affordable and special needs housing, as such housing is defined in the bylaw, including the number, kind and extent of the housing;

(c) a condition that the owner enter into a housing agreement under section 905 before a building permit is issued in relation to property to which the condition applies.

Housing agreements for affordable and special needs housing

905 (1) A local government may, by bylaw, enter into a housing agreement under this section.

(2) A housing agreement may include terms and conditions agreed to by the local government and the owner regarding the occupancy of the housing units identified in the agreement, including but not limited to terms and conditions respecting one or more of the following:

(a) the form of tenure of the housing units;

(b) the availability of the housing units to classes of persons identified in the agreement or the bylaw under subsection (1) for the agreement;

(c) the administration and management of the housing units, including the manner in which the housing units will be made available to persons within a class referred to in paragraph (b);

(d) rents and lease, sale or share prices that may be charged, and the rates at which these may be increased over time, as specified in the agreement or as determined in accordance with a formula specified in the agreement.

(3) A housing agreement may not vary the use or density from that permitted in the applicable zoning bylaw.

(4) A housing agreement may only be amended by bylaw adopted with the consent of the owner.

(5) If a housing agreement is entered into or amended, the local government must file in the land title office a notice that the land described in the notice is subject to the housing agreement.

(6) Once a notice is filed under subsection (5), the housing agreement and, if applicable, the amendment to it is binding on all persons who acquire an interest in the land affected by the agreement, as amended if applicable.

(7) On filing under subsection (5), the registrar must make a note of the filing against the title to the land affected but, in the event of any omission, mistake or misfeasance by the registrar or the staff of the registrar in relation to the making of a note of the filing,

(a) neither the registrar, nor the Provincial government nor the Land Title and Survey Authority of British Columbia is liable vicariously,

(a.1) neither the assurance fund nor the Land Title and Survey Authority of British Columbia, as a nominal defendant, is liable under Part 19.1 of the *Land Title Act*, and

(b) neither the assurance fund nor the minister charged with the administration of the *Land Title Act*, as a nominal defendant, is liable under Part 20 of the *Land Title Act*.

(8) The Lieutenant Governor in Council may prescribe fees for the filing of notices under subsection (5), and section 386 of the *Land Title Act* applies in respect of those fees.

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