



# DEFINING DEVELOPMENT OPPORTUNITIES FOR SMALL-SCALE HOUSING IN THE GREATER TORONTO AREA

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April 3, 2017

Catherine Pan  
Development Manager, Sorbara Group of Companies  
3700 Steeles Avenue West, Suite 800  
Vaughan, Ontario  
L4L 8M9

Dear Ms. Pan,

**RE: Defining Development Opportunities for Small Scale Housing in the Greater Toronto Area**

EVOLVE Consulting is pleased to submit a final report entitled "*Defining Development Opportunities for Small-Scale Housing in the Greater Toronto Area*" as our final deliverable identified in our proposal submitted to you on January 23<sup>rd</sup>.

This final report includes the following components:

- Analysis of the Regulatory Framework at the Municipal and Provincial level
- Existing Small-scale Housing in the GTA
- Case Study Analysis
- SWOT Analysis
- Challenges and Solutions
- Next Steps

EVOLVE Consulting believes that our extensive research and analysis will allow Sorbara Group to use this report as a guide for development opportunities in the City of Toronto and the Greater Toronto Area (GTA). Our report identifies the challenges, solutions and next steps for Sorbara Group to undertake small-scale housing projects. Please contact me via email at [rkellyru@uwaterloo.ca](mailto:rkellyru@uwaterloo.ca) if you have any questions or comments regarding our submission.

Yours Sincerely,

Evolve Consulting

A handwritten signature in black ink that reads 'Richard Kelly-Ruetz'.

Richard Kelly-Ruetz  
Senior Planner/Project Manager



## ACKNOWLEDGEMENT

Evolve Consulting would like to thank Sorbara Group of Companies for the opportunity to research small-scale housing in the Greater Toronto Area and the City of Toronto. Evolve Consulting would also like to thank our mentor, Dr. Mark Seasons, for his continued support and advice throughout the project.

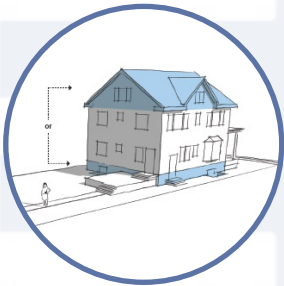


# EXECUTIVE SUMMARY

A potential opportunity to provide small-scale housing in the Greater Toronto Area (GTA) and the City of Toronto has been recognized by Sorbara Group of Companies to address affordability challenges. Although Provincial and Municipal policies allow for small-scale housing, the current environment presents several challenges that prevent widespread established development in the GTA.

Provincial policies support the development of small-scale housing as it requires municipalities to permit second units. Municipalities regulate the form, location and intensity of small-scale housing.

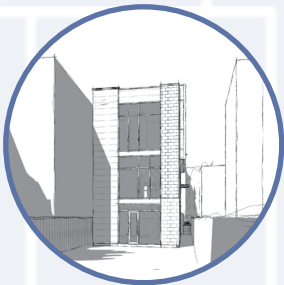
Provincial and municipal policies support the development of some small-scale housing types:



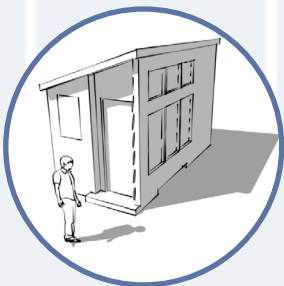
**Secondary Suites** - Permitted as-of-right in Ontario Municipalities



**Garden Suites** - Permitted through a temporary use by-law  
**Laneway Housing** - Permitted on a case-by-case basis



**Infill Townhomes** - Permitted



**Small-lot homes** - Permitted

Through case study examination, the benefits, challenges and lessons learned were identified and translated to the GTA and City of Toronto context.

Through a costing analysis, the feasibility for an individual to develop a small-scale home and the profitability for a developer are discussed. Small-scale housing costs more per square foot than regular housing, but the overall purchase price is lower, which allows it to be considered an affordable housing type. Individuals have access to the financial tools to build small-scale homes, however these tools are complex and not very common. This presents an opportunity for developers to build units for homeowners, who could then apply for a mortgage to purchase the small-scale home.

Servicing for small-scale homes may be expensive and disruptive due to existing piping configurations. Opportunities exist for new infill and greenfield development where services can be installed upfront with minimal additional costs.

The main obstacles to implementing small-scale housing in the GTA, as identified from surveyed case studies and research are financing, site servicing, public opposition, a lack of as-of-right zoning and parking requirements.

Recommended next steps for Sorbara Group are as follows:

- Short-term**
  1. Offer secondary suites in new builds
  2. Get involved in small-scale housing advocacy
- Long-term**
  1. Lobby municipalities to permit garden suites as-of-right
  2. Ensure small-scale housing can be financed
  3. Make greenfield lots “shovel-ready” for a second unit

In Ontario, secondary suites are the easiest type of small-scale housing to develop, as they are widely permitted in municipalities. While garden suites are only permitted through a temporary use by-law, homes in the GTA contain developable land in their rear yards, which is conducive to garden suites. Should garden suites be more widely permitted in Ontario, this would present a high-potential opportunity. Ultimately, the potential for small-scale housing in the GTA depends on municipal permissions. An expensive housing market has contributed to a growing interest in laneway homes, garden suites and small-scale housing in general, and Sorbara Group can capitalize on this emerging market and be an industry leader in small-scale housing.



# INTRODUCTION

*As housing prices rise in the GTA, small-scale housing can be a potential dwelling type used to improve affordability. This research paper examines small-scale housing in general, and outlines where current and future opportunities may lie in the GTA.*

Housing affordability in the GTA is one of the most relevant land use issues currently facing Ontarians. Simply put, income levels have not risen at the same rate that real estate has, which has led to an ongoing decline in affordability. In January 2017, the average housing price in the GTA was \$770,000, 22% higher than in January of 2016.<sup>2</sup> A December 2016 report by the Royal Bank of Canada (RBC) puts Toronto's aggregate affordability measure at 63%, up 3% since September of 2016.<sup>1</sup> The aggregate affordability measure is "the proportion of median pre-tax household income required to pay the mortgage, property taxes and utilities based on the average market price".<sup>5</sup> By comparison, the national average is 44%.<sup>4</sup>

Causes of this increase are the subject of much speculation, and there is no conclusive answer. Similar to what has occurred in Vancouver, some suspect that foreign investors' investments in GTA real estate has inflated the cost of housing beyond the means of middle income Ontarians. In Vancouver, an August 2016 tax of 15% on all foreign purchases of local real estate has led to some stabilization of their real estate market.<sup>4</sup> In September of 2016, the sale of homes in Vancouver decreased by 33% compared to September of 2015.<sup>4</sup> A similar tax is rumored to be under consideration by the provincial government in Ontario, but has not been tabled to date.<sup>3</sup> However, its potential effectiveness has been questioned; in Vancouver, about 15% of sales were from

foreign buyers, compared to just 5% in the Toronto market.<sup>3</sup>

It may be that the real estate rise is simply the result of demand outpacing supply. As a September 2016 news article noted, there is reason to believe that provincial planning policy has not designated enough greenfield areas in the province to match the need for new housing.<sup>6</sup> As a result, housing prices are increasing, and buyers are driving to suburban communities outside of the GTA where there is supply to purchase new homes. This arguably achieves the opposite effect of key provincial planning policy which aims to curb sprawl.<sup>6</sup>

Provincial planning policy over the past ten years has emphasized intensification in all Ontario municipalities, and is enforced through policies such as the *Provincial Policy Statement (PPS)*, the *Places to Grow Act*, and the *Greenbelt Plan*. One of the primary growth related goals of these policies are to create livable communities using existing infrastructure while limiting outward growth.

Notwithstanding a possible downturn in provincial real estate, it is probable that the cost of housing in Ontario will remain high and continue to increase. This presents an opportunity to create housing in more creative ways. The high cost of land combined with a high demand for housing can create an environment that fosters innovation. Sorbara Group

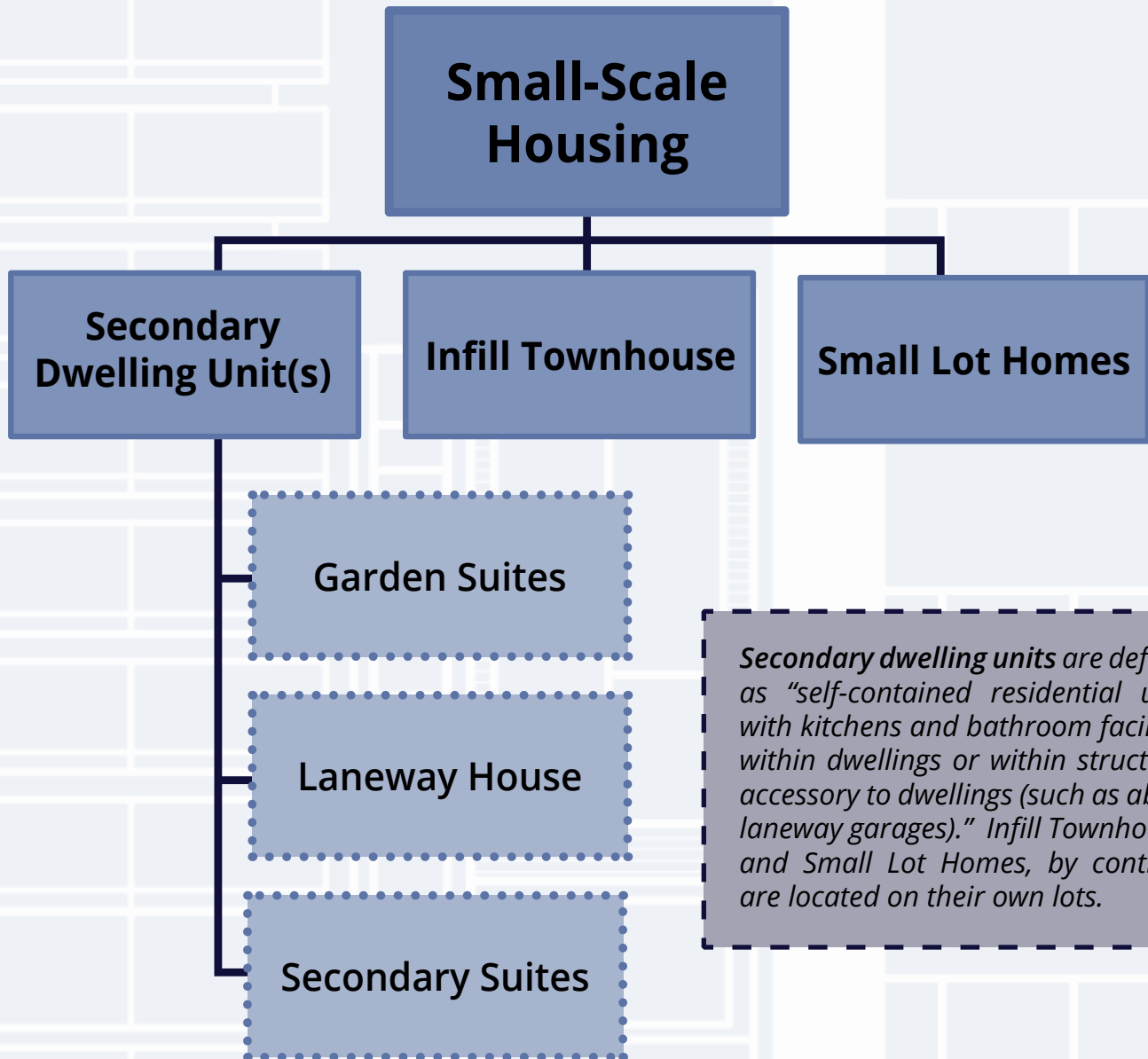
has recognized this opportunity, and is interested specifically in the potential pursuit of small-scale housing.

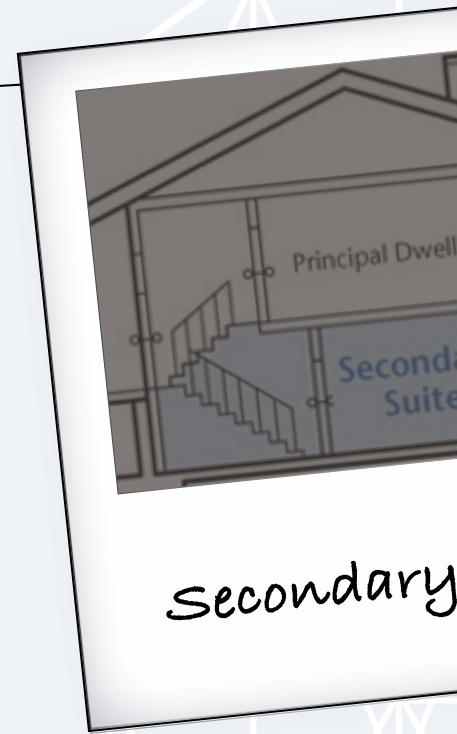
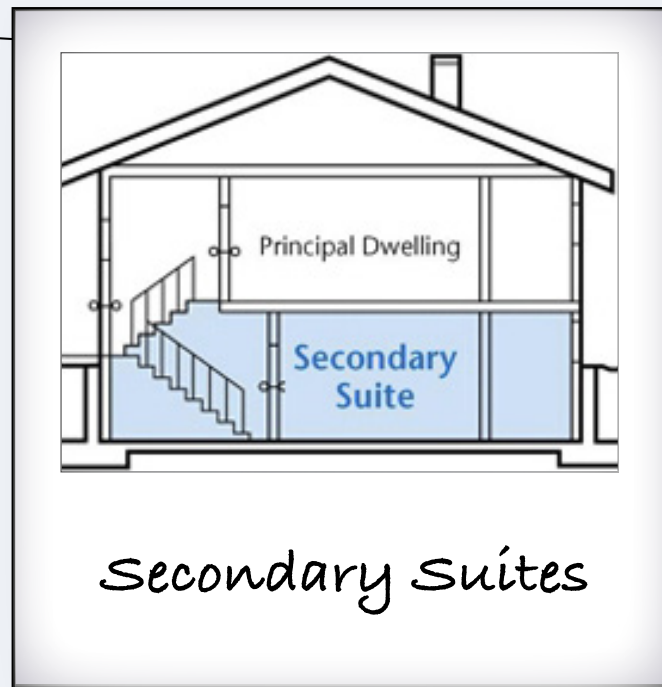
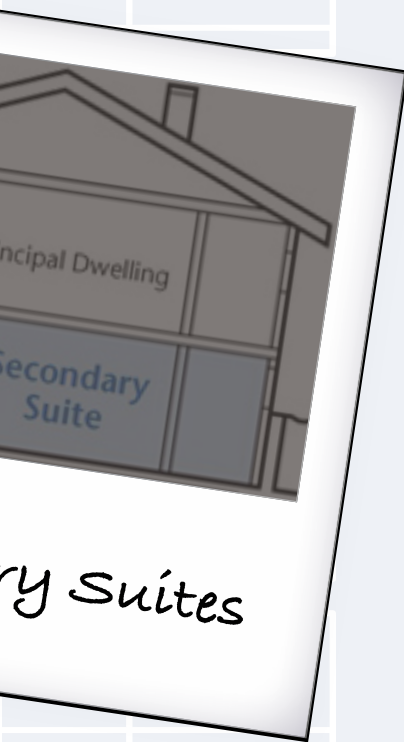
This research paper will approach small-scale housing from a GTA specific context. The most common types will be defined: Laneway House, Garden Suite, Infill Townhouse, Small Lot Home, and Secondary Suite. The existing permissions for small-scale housing in the province and its municipalities will be detailed to determine what can be built under the existing regulatory framework. The existing supply of small-scale housing in the GTA will be canvassed. Five North American communities which have been successful in providing small-scale housing for their residents will be outlined, and lessons from these communities will be related to the GTA. The cost of small-scale housing will be broken down, and the feasibility for developers and individuals to pursue it will be discussed. Ultimately, the aforementioned research findings will be consolidated into a detailed SWOT analysis for Sorbara Group's consideration. Recommendations for next steps will be suggested to Sorbara Group if they wish to pursue small-scale housing further.



# DEFINING SMALL-SCALE HOUSING

*There are many different forms and definitions of small-scale housing. This section defines five forms of small-scale housing that are focused on throughout the report and the benefits and barriers of each form is identified.*





### Secondary Suites<sup>7 10</sup>

#### Description

- Additional private, self-contained dwelling located within house
- Shares backyard, entrance, stairs, laundry (in some cases)

#### Benefits

- Developed without requiring additional municipal service infrastructure
- Lower rent
- More opportunity to for low-middle income households to live in ground-oriented residential neighbourhoods
- Easier for homeowner to cover costs/empty-nesters for additional income
- Opportunity for multi-generational household while retaining privacy and independence

#### Barriers

- Strong Communities Through Affordable Housing Act requires municipalities to authorize use of secondary suite without possibility of appealing decision
- Municipal policy inconsistent (maintaining prohibitive)
- Parking and congestion





Housing



Laneway Housing



Laneway H

Laneway Housing<sup>8 9 10</sup>

Description

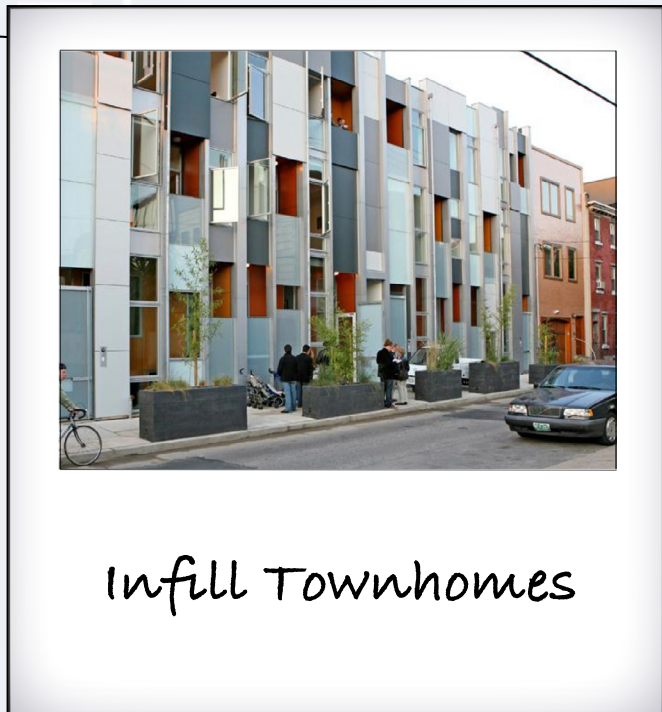
- Secondary dwellings detached from the main dwelling
- Faces the alley or laneway
- Laneway houses are separate buildings, designed to function independently of the primary residence.
- Have their own entrances that front onto a laneway or alley. Laneway houses can be rented or sold through “strata” ownership, or by severing the residential parcel into two separate properties
- Garage suite, which is a secondary suite built above a separated garage

Benefits

- Increase the supply of affordable, ground-oriented rental housing in established neighbourhoods without requiring major new construction or significantly changing the look of the community
- Opportunity to earn rental income, sell a portion of their property or provide housing for family members
- Improve the look and safety of a laneway
- Laneway houses are usually built at a much slower pace, will not significantly change in a short time

Barriers

- Municipal zoning bylaws that forbid detached dwellings that are separate from the primary residence on a single lot
- Privacy for neighbours as residents in a garage, garden or laneway dwelling are often closer in distance to neighbouring properties than usual
- Most laneways in Toronto do not have service connections, laneway houses need to be serviced via connections that are located on the main street
- Costly for developers, who would pass these costs onto the renter or homebuyer
- Low-rise housing must provide access for fire department equipment by street, private roadway or yard
- Waste collection and emergency vehicles require access routes that are at least six metres wide



### Infill Townhouses<sup>10</sup>

#### Description

- New townhouse developments that occur in established neighbourhoods and replace empty lots, brownfields, or aging and dilapidated buildings
- Use new or existing streets for their access and addresses
- Often stacked, offering more units per hectare than single detached homes on the same site

#### Benefits

- Compact and make better use of land, but still provide design characteristics that are similar to detached and semi-detached houses
- Front doors facing the street, ground-oriented access and outdoor space
- Provide more opportunities to live in established neighbourhoods that are near transit and amenities
- Can make efficient use of large or oddly shaped parcels of land, and can replace old or dilapidated buildings
- As an alternative to new detached houses in greenfields, they bring new development into existing built-up areas
- Provide a buffer and transition between areas of low and medium density housing

#### Barriers

- Fewer barriers to development than detached secondary suites as servicing can be done via existing or newly built streets
- Opposition from residents concerned that these homes will disturb the character and make-up of their neighbourhoods
- Can be overcome by communicating the many benefits of adding homes to an established neighbourhood, and by working closely with residents to ensure that matters like privacy are carefully addressed





### Garden Suites<sup>10 11</sup>

#### Description

- Self contained unit for seniors, dependants, or people with disabilities
- Can be rented, leased purchased
- Can be in the rear or side yard of the lot
- A garden suite is similar to a laneway; may not front onto a laneway.
- Garden suites may also share some facilities with the main residential building, such as the yard or laundry

#### Benefits

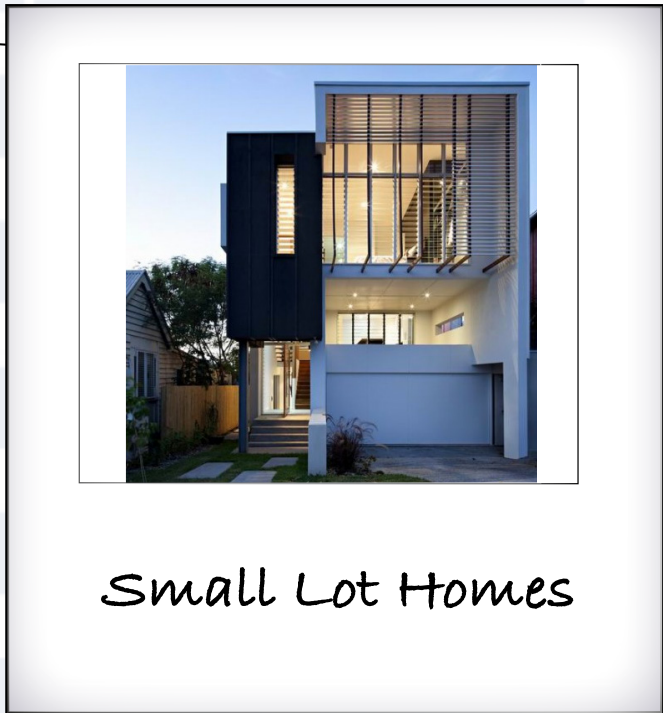
- Provides affordable housing
- Doesn't require new major construction or change the look of the community
- Opportunity to earn rental income
- Have family members close by
- Provide a healthy and supportive environment that may enable occupants to continue to live independently longer. Can be an affordable solution for taking care of aging family members
- May reduce demands on community services when the host family can provide support
- Can be constructed from modular components, do not have basement

#### Barriers

- Municipal zoning bylaws that forbid detached dwellings that are separate from the primary residence on a single lot
- Privacy for neighbours as residents in a garage, garden or laneway dwelling are often closer in distance to neighbouring properties than usual.
- Expensive to use tie in the existing infrastructure from the main dwelling
- Costly for developer who would pass these costs onto the renter or homebuyer
- May require a temporary use permit, or an agreement between the homeowner and the municipality



Lot Homes



Small Lot Homes



Small Lot Homes

### Small Lot Homes<sup>11</sup>

#### Description

- New primary dwelling units that take place in established neighbourhoods, replace empty lots, brownfields, dilapidated buildings
- Use new or existing streets for access
- Smaller homes compared to average single family homes

#### Benefits

- Compact and sustainable use of land, design characteristics similar to detached and semi-detached houses
- Front doors faces the street, ground- oriented access and outdoor space
- Opportunity to live in established neighbourhoods near transit and amenities
- Make efficient use of oddly shaped parcels of land
- Can replace old or dilapidated buildings

#### Barriers

- Opposition from concerned residents these homes will disturb the character and make-up of their neighbourhoods
- Can be overcome by communicating benefits of adding homes to an established neighbourhood, and by working closely with residents to ensure that matters like privacy are carefully addressed



# REGULATORY FRAMEWORK

*Overall, Provincial policies support the development of small-scale housing. The PPS encourages intensification and an amendment to the Planning Act provided specific direction on second units. The Strong Communities through Affordable Housing Act, requires municipalities to permit second units; although municipalities can regulate the form, location and intensity.*

## PROVINCIAL

Current provincial planning policies are supportive of small-scale housing as they encourage efficient use of land. In the PPS 2014, the province defines intensification as “the development of a property, site or area at a higher density than what currently exists through, redevelopment, development of vacant and/or underutilized lots within previously developed areas, infill development, and the expansion or conversion of existing buildings”.<sup>12</sup> The PPS provides a guideline on how intensification should be promoted within municipalities.

2011 legislation in Ontario required municipalities to review their permissions for secondary dwelling units to ensure compliance with updated requirements. The paragraph below summarizes permissions for these types, taken directly from the website of the Ministry of Municipal Affairs.

### Garden Suites

The *Strong Communities through Affordable Housing Act, 2011* amended the *Planning Act* to increase the number of years garden suites may be authorized under a temporary use bylaw from 10 to 20 years. Previously, municipalities were able to pass temporary use by-laws authorizing garden suites for up to 10 years.

### Secondary Suites

The *Strong Communities through Affordable Housing Act, 2011* amended various sections of the *Planning Act* to facilitate the creation of second units by:

- Requiring municipalities to establish official plan policies and zoning by-law provisions allowing second units in detached, semi-detached and row houses, as well as in ancillary structures
- Removing the ability to appeal the establishment of these official plan policies and zoning by-law provisions except where such official plan policies are included in five- year updates of municipal official plans
- Providing authority for the Minister of Municipal Affairs and Housing to make regulations authorizing the use of, and prescribing standards for, second units

- Ministry of Municipal Affairs

# REGULATORY FRAMEWORK

## MUNICIPAL

While the Province dictates the base permissions, municipalities have the ability to regulate the location, form and intensity of where secondary dwelling units are located.<sup>14</sup> In general, the secondary dwelling unit must be secondary to the primary dwelling and must comply with all applicable laws, including the building code, fire code and any applicable by-laws.<sup>14</sup> While secondary suites are permitted in perpetuity, garden suites must be permitted under a temporary use by-law authorized for up to 20 years. The detailed official plan and zoning by-law permissions for secondary suites and garden suites for all GTA and select other municipalities is available in APPENDIX A.

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### **Garden Suites**

Based on the inventory conducted for GTA municipalities, garden suites are permitted in the OP and/or ZBL of nearly every municipality. The overall theme was that garden suites may be permitted through a 20-year temporary use by-law which can be renewed in three year increments upon expiration. It is clear throughout the municipal policy documents that garden suites are not viewed as a permanent housing type. They are intended for family members that are aging or unwell. There is no legislation in the *Planning Act* preventing municipalities from permitting garden suites as-of-right (without a temporary use by-law), yet none of the GTA municipalities surveyed do.

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### **Secondary Suites**

The as-of-right permissions for secondary suites are more permissive in the GTA and other southern Ontario municipalities than for garden suites. They are typically permitted in a wide range of zones, within single and semi-detached dwellings.

## SMALL-SCALE HOUSING IN THE GTA

*There are a number of successful cases of small-scale housing within the GTA. Due to current by-laws, each was implemented on a case-by-case basis and share different challenges to their development. Both cases share common themes in community resistance and site servicing challenges.*

Small-scale housing is present within the GTA context in two primary forms; infill housing via laneway or townhouses, and secondary suites. Due to the nature of secondary suites not requiring the purchase of extra land, it is far easier to develop. There are a number of secondary suites constructed within the GTA, however, there is a lack of specific case studies about them. Therefore, the scope is focused on laneway housing within the GTA.

### **Laneway Housing**

Laneway housing in the GTA is not in great supply due to a number of setbacks; including initial capital costs and the complicated approval process.<sup>10</sup> This makes it not particularly viable for individuals or small developers to undertake these kinds of projects. This being the case, there are some examples of successful implementation of laneway housing in the GTA.

118R Clinton Street is an example of successful implementation of laneway housing. The property, as well as other adjoining properties, are situated on considerably longer lots, leaving substantial amount of extra room behind these homes. A public laneway was already situated behind the lots as it was previously used by the factories behind the lot.<sup>15</sup> This property was an excellent candidate to be converted into laneway housing. Some of the necessary variables

that had to be taken into account during the development of this project was the privacy of the new residents.<sup>15</sup> The approval process was also quite lengthy as the intended use was considered to be non-conforming, but was eventually satiated by the committee of adjustment.<sup>15</sup> A major issue with the site was determining how the homes would be serviced. Originally, the plan had not taken into account extra homes being developed on the land, and so providing them with services was an issue that needed to be resolved.

Another successful example of laneway housing in the GTA is at 1 Ways Lane. Unlike the previous example, the lot size for this development was small. In order to construct a house that could fit on this lot, the developers applied for a minor variance to the rear yard setback.<sup>15</sup> Public opposition against the development was observed as it was viewed to be undesirable and a generator of too much traffic. The site was eventually redesigned after the original minor variance application was not accepted.<sup>15</sup> The architect who designed the house rallied more public support for the implementation of the laneway house and the second application was approved.<sup>15</sup>

Laneway housing is an emerging trend in the City of Toronto and the GTA. There is increased pressure from City Councillors and resident groups such as the Laneway Project for the utilization of laneways. This can act as an affordable housing solution and a way to develop underutilized urban areas. The City of Toronto's new complete streets guidelines mention designing mixed-use and residential laneways. The City of Toronto is beginning to think of laneways as valuable public space for housing and mixed-uses.



# CASE STUDIES

The sections below will provide a summary on the research gathered for the following cities: Vancouver, Edmonton, Portland, Los Angeles and San Antonio.



*The City of Vancouver is experiencing a skyrocketing housing market similar to the City of Toronto. Homeowners are looking for alternative sources of income to help pay for a mortgage and homebuyers are looking for unique forms of affordable housing inside the city. Over 1500 permits have been issued for laneway houses in Vancouver through their Laneway Housing Program.*

## Background

In July 2009, the Vancouver City Council passed a by-law allowing small homes to be built in backyards of homes designated as RS-1 and RS-5 single-family districts.<sup>9</sup> The RS-1 and RS-5 districts make up 94% of the city's single-family lots.<sup>9</sup> In the Spring of 2013, there was an expansion of the laneway housing program into any single-family RS zone.<sup>9</sup>

The City of Vancouver's laneway housing program states that homeowners can undertake a laneway home development while retaining or establishing a secondary suite in the main dwelling, adding to the overall density of the lot. As long as the lot meets the minimum requirements, laneway housing is permitted in

the city's entire single-family home lots, enabling over 70,000 homeowners to build laneway homes.<sup>16</sup> Laneway homes in Vancouver are typically marketed to young professionals, small families and retirees.

Interesting design features include a required permeable driveway and access to a private open space either in the backyard or a balcony facing the lane. There is a minimum requirement of one, uncovered parking space that can be used by any person on the lot. There are no windows allowed along the side of the home facing the side-yard to allow for privacy.<sup>16</sup>

## Benefits

There are many benefits to laneway housing in Vancouver. Laneway housing encourages gentle densification unlike large towers and apartment buildings. Laneway homes are hidden away from the street and are smaller than the primary dwelling and the added density is not immediately visible.<sup>9</sup>

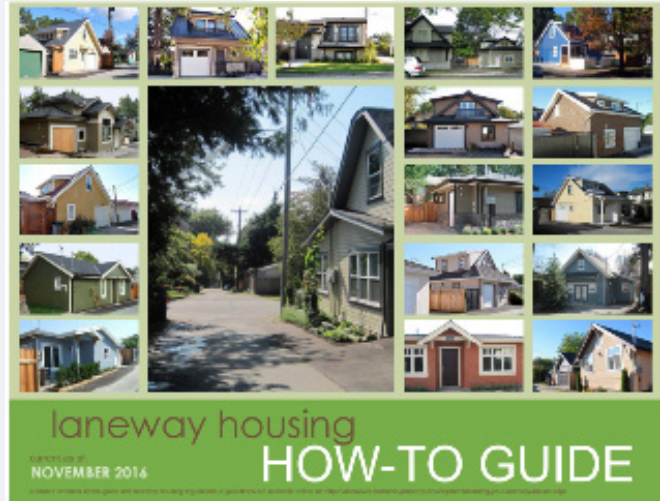
*Laneway housing program* - The City of Vancouver created a laneway housing program that provides a How-to Guide and have issued over 1,500 permits for laneway houses.<sup>9</sup> The guide provides design guidelines and minimum requirements to streamline the approval process.<sup>16</sup>

## Lessons Learned

In urban areas where there is pressure to accommodate new residents such as the City of Toronto, laneway housing offers a unique solution for existing residential neighbourhoods. Below are solutions and benefits about laneway housing in Vancouver that can benefit the City of Toronto and the GTA.

- **Typifies gentle densification** - Unlike towers and apartment buildings, laneway housing is a relatively benign form of densification. Laneway homes are not immediately visible from the street and smaller than the primary dwelling. There is the challenge of accommodating new residents in urban centers and moving away from unsustainable land use patterns, laneway housing offers a reasonable solution for existing residential neighbourhoods.<sup>9</sup> The City of Toronto is beginning to recognize this solution and encourages residential and mixed-use lanes in their new complete streets guidelines.<sup>17</sup>

- **Flexible housing arrangements** - Laneway housing facilitates intergenerational living and more flexible family arrangements. The homes can be used for aging family members, adult children, caregivers and homeowners wishing to downsize.<sup>9</sup> As communities such as the GTA and the City



of Toronto experience population growth, communities also face the issue of an aging population and look to accommodate family members and caregivers close to home.

- **Acts as a mortgage helper** - Vancouver has one of the highest housing prices in Canada. Owning a single-family detached bungalow in the city would take up 91% of a typical household's pre-tax income.<sup>18</sup> The revenue generated from the rental of a laneway house can currently range from \$1500 to \$3000 per month, which can contribute substantially to mortgage payments.<sup>17</sup> Residents of the GTA and the City of Toronto currently experiencing a housing affordability crisis and are more residents are looking for new innovative ways to generate extra income.

Financing a laneway house in Vancouver is comparatively more feasible for individual landowners than in other municipalities in the GTA. Vancity, a credit union for the Greater Vancouver Area, offers a mortgage "designed specifically for homeowners who want to build a laneway home on their property".<sup>19</sup> Vancity recognizes the market for laneway housing construction, and has developed a financing product to meet the market demand.

# CASE STUDIES (CONTINUED)



Edmonton  
Alberta

*In Edmonton, the City projected rapid growth and current policies were not supportive of infill practices. The Infill Roadmap was created in 2014 which helped to guide the City on facilitating policy and regulatory changes that were geared to encourage infill development.*

## Background

As Edmonton moves towards sustainability, it has recognized the necessary step to invest in the practice of infill development.<sup>20</sup> Like many municipalities, Edmonton is continuously changing. In the last four decades, the population of Edmonton's mature neighbourhoods has been declining, while having a projected population increase by 170,000 by 2025.<sup>21</sup> In order to accommodate this projected growth, Edmonton has implemented infill housing to intensify existing mature neighbourhoods.<sup>21</sup>

In order to advance smoothly in the field of infill, Edmonton has created the Edmonton's Infill Roadmap which provide a list of 23 actions

Edmonton must take when approaching infill development.<sup>22</sup> This work plan was written after considering the needs, goals and priorities of Edmonton communities.<sup>22</sup> Edmonton has also outlined the steps needed to overcome certain challenges. In

2013, Edmonton permitted the amendment of a zoning by-law in support of infill to allow for 50 foot lots, with shorter front-yard setbacks.<sup>23</sup> Edmonton has also provided multiple infill initiatives and tools to assist developers and help educate the community about the benefits and challenges.<sup>24</sup>



## Challenges

Despite the provided tools for developers, there are strong disincentives that discourage infill development.<sup>20</sup> Unappealing factors include extensive financing requirements and land use regulatory barriers surrounding infill developments in mature neighbourhoods.<sup>20</sup> The City of Edmonton experienced resistance from communities on infill development due to a lack of enforcement on current building practices which can be considered poor and unprofessional.<sup>20</sup> Communities felt that current infill development projects do not fit the character of the community, nor is the development affordable.<sup>25</sup> Although Edmonton has made efforts to educate the public through online tools and competitions, these efforts were not sufficient.<sup>21</sup>

## Benefits

Infill development facilitates growth while using space efficiently and protects the existing environment.<sup>20</sup> Infill will encourage and attract more people to move to mature neighbourhoods, thus initiating the process of revitalizing these neighbourhoods.<sup>20</sup> Infill leads to an increase of affordable housing and improved access to necessary amenities.<sup>20</sup> In the future, multiple infill projects will help to accommodate Edmonton's future projected growth.<sup>20</sup>

## Lessons Learned

Through this case study, the following lessons can be applied to the GTA context.

- ***Determine regulatory barriers and solutions*** - First, in order to have smooth advancement, the state of regulation must be assessed to determine the regulatory barriers. Barriers should be assessed before developing solutions to imposed regulations. This process involves evaluating and understanding the purpose and goal of current plans, zoning by-law and other regulations and policies that relate to residential development. The applicable plans and zoning by-law needs to be considered and understood to fully realize the potential of small-scale housing opportunities.
- ***Conform with character of the neighbourhood*** - To gain community support, efforts must be made to ensure that the infill development conforms with the character of the community. Attempts to educate and inform neighbouring residents should also be made to allow for increased community acceptance. In order for the City to advance, infill development needs to be understood by the community.

# CASE STUDIES (CONTINUED)



*In Portland, there's been exponential growth in permits issued for Accessory Dwelling Units (ADU) since the City waived DC's for them in 2010. While banks in Portland are hesitant to provide loans to homeowners seeking to build an ADU, one aspect is clear - once barriers to entry are removed, individual uptake is high.*

## Background

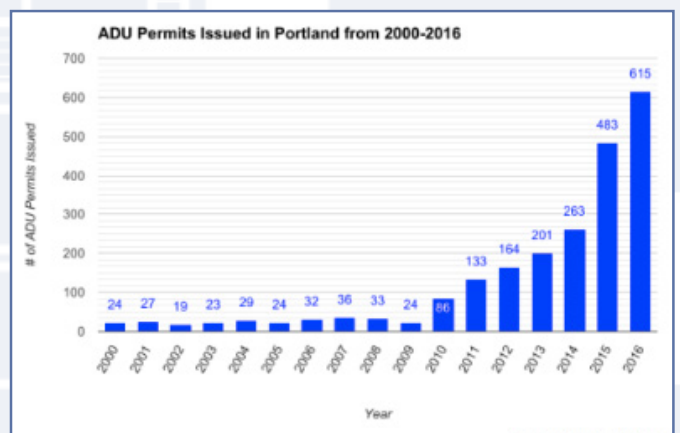
The City of Portland, Oregon, has a population of 632,309 which has grown about 8% from 2010.<sup>26</sup> The median house value is \$295,100.<sup>26</sup> In 2010, Portland City Council exempted Accessory Dwelling Units (ADU) from System Development Charges in an attempt to increase the affordable housing stock. By eliminating the development charge for ADU's, costs would be reduced from \$19,000 to \$11,000 per unit.

## Why Small-Scale Housing Works Well in Portland

ADU's are permitted as an accessory use to a house, attached house, or manufactured home in all Residential Zones in Portland.<sup>27</sup> The ADU can be up to 75% of the size of the existing house on the same lot, or up to 800 square feet, whichever is smallest.<sup>28</sup> A full kitchen must be provided in the new unit, and the location of the ADU can be within the

existing home, or detached elsewhere on the property.<sup>29</sup> Unlike in the City of Vancouver,

ADU's can be within a basement unit.<sup>30</sup> Since the charges were waived, development of ADU's in Portland have increased significantly, as shown in Figure 1.



**Figure 1:** ADU Permits Issued in Portland from 2000-2016

In 2013, 201 permits for ADU's were issued; by comparison, 800 permits for single detached units were issued in the same year.<sup>31</sup> In Portland, the mean cost for ADU's is \$78,000, with about 25% of ADU's costing more than \$120,000.<sup>29</sup> 52% of ADU's were built as a means to generate extra income from the rent, and 79% of the units are occupied year round.<sup>29</sup> 17% of the dwellers in the ADU's are related to the primary homeowner, and 57% did not know them prior to moving in.<sup>29</sup> The mean rent is \$880/month and most homeowners repay the cost of construction in about 7 years.<sup>29</sup> Of the approximately 175,000 single-family homes in Portland, about 1% of the have an ADU compared to 35% in Vancouver.<sup>27, 32, 33</sup>

### Challenges

In Portland, most ADU's are individually financed; there are no mass market developers in the ADU market. There are some builders that specialize in the construction of ADU's for custom builds, which tend to have higher costs. The website of one builder suggests custom built ADU's in Portland are no less than \$150,000.<sup>34</sup> Lending institutions in the Portland area are hesitant to lend for ADU's, given the relative young age of this unit type.<sup>29, 31, 35</sup> The most common sources for paying the costs were cash savings (60%), home equity lines of credit (27%), and refinancing the main home's value (11%).<sup>29</sup>

As part of the research process for the Portland case study, Evolve contacted Propel Studios, an architecture and design firm in Portland. Propel has become known as one of the top design firms in Portland for ADU's. From a business perspective, Propel said that the ADU's are relatively small projects, and are done quickly; most clients have tight budgets for their projects, so the fees are typically smaller than larger projects (i.e. single detached). Their projects are done one lot at a time, but the firm is looking at developing a prototype that could be rolled

out on multiple properties at once. In terms of neighbourhood opposition for projects, since ADU's are permitted as-of-right, the neighbours have generally accepted them in the City. Emails of our discussion with Propel is shown in APPENDIX B.



### ADU Example in Portland

**Setting:** Urban

**Neighborhood:** Concordia, Portland, OR

**Type:** Stand-alone detached (new construction)

**Use:** Long-term rental

**Square Footage:** 799

**Year Built:** 2011

**Owners:** Regan Gray & George Okulitch

**Designer:** Dan Lajoie at Departure Architecture

**Builder:** Hammer & Hand

**Total Cost:** \$140,000



## Lessons Learned

Through this case study, the following lessons can be applied to the GTA context:

- **Remove Regulatory Barriers to Entry:**

The as-of-right permissions for ADU's in Portland were already in place prior to 2010, yet the development charges deterred significant uptake. In Portland, this charge could represent between 10-15% of the total cost. Once the charge was removed, the permits for ADU's increased substantially, and has continued to grow each subsequent year. The lesson learned from Portland is that when barriers to entry are removed in a market with modest housing affordability challenges, the costs become more feasible and more units are built.

- **Banks Hesitant to Finance:** From a financing perspective, it is anticipated that lending institutions in the Toronto market would have the same hesitations to finance small-scale housing construction as they do in Portland. The small-scale housing market in Portland is more advanced than in Toronto, yet the lenders are still hesitant to provide financing. Therefore, prospective homeowners in Toronto may have to draw from their savings or take out home equity loans to finance the construction.



### ADU Example in Portland

**Setting:** Urban

**Neighborhood:** Woodstock, Portland, OR

**Type:** Stand-alone detached (new construction)

**Use:** Owner's primary residence

**Square Footage:** 600

**Year Built:** 2015

**Owners:** Susan Eliot

**Designer:** Dennis Myers of Lifespace Design

**Builder:** Rob Bilyeu of Bilyeu Construction

**Total Cost:** \$115,000

# CASE STUDIES (CONTINUED)



*In Los Angeles, Small Lot Ordinance was enacted to reduce minimum lot sizes to develop underutilized land, ultimately increasing the affordable housing stock. Parking requirements were a challenge that could be mitigated through lowered auto-dependency. Additionally, thoughtful design of the homes ensured compatibility with the neighbourhood character and individual outdoor space was substituted by communal outdoor space.*

Housing prices in Los Angeles are one of the most expensive in the United States and has one of the lowest homeownership rates in the country.<sup>37</sup> The affordable housing shortage experienced in Los Angeles is similar to what Toronto is currently facing. In 2016, Toronto was ranked the second most expensive place to purchase a home in Canada.<sup>36</sup>

## Background

In 2004, the Small Lot Ordinance was enacted to reduce minimum lot sizes from 5000 to 600 square feet on land zoned for commercial uses, apartments, condominiums, duplexes or bungalow courts.<sup>37</sup> The average unit size ranges from 1000-1500 sq.ft.<sup>37</sup> The Small Lot Design Guidelines, allow for reduced

development requirements in an effort to address the affordable housing issue and increase density. The lot size may be irregularly shaped, have a minimum lot area of 600 sq.ft.

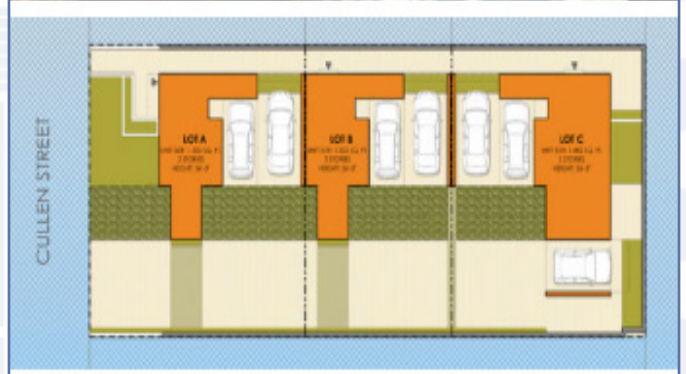
and be at least 16 ft. wide.<sup>9</sup> The setbacks have a minimum of 5 ft. between subdivision and adjacent properties and there are no yard or setback requirements along alleys, streets, between lots or within the subdivision.<sup>9</sup> The building envelope must have no more than 80% coverage, or provide 20% of common open space.<sup>9</sup> Parking requirements allow two garaged parking spaces and tandem parking is allowed.<sup>9</sup>

## Challenges

Although infill may be suitable for residential neighbourhoods, community resistance was a major challenge during the implementation of homes on small lots.<sup>37</sup> Minimal public consultation during the process may have contributed to the strong residential resistance.<sup>9</sup> Residents also raised concern of the deterioration of neighbourhood characteristics with the 'overdevelopment' of infill developments. Although design guidelines were addressed in the Small Lot Design Guidelines, a more effective way to educate and inform the public may be beneficial.

The development of infill was justified as it addressed the affordable housing issue. Small lot homes were also being constructed in more affluent neighbourhoods to appeal to a different demographic. Low-income residents were unhappy because they felt affordable housing was being replaced by small lot homes, which were not affordable for them.<sup>38</sup> The median price of a home in 2015 was \$526,000, and the cost of small lots homes ranged from \$500,000 - \$850,000 for 700-2500 sq. ft.<sup>37</sup> Although the city was achieving increased densities, the affordable housing issue was still not fully addressed.

Another obstacle that developers faced was the long and complicated approval process to obtain a building permit. There are approximately seventeen steps, through multiple departments and to do so is very time consuming and costly.<sup>9</sup> The high parking requirements also proved to be a challenge developers experienced. The requirement should be adjusted based on the transit availability in the area, assuming lowered auto-dependency.<sup>9</sup>





## Benefits

A major benefit of allowing small lot homes is that underutilized land can be subdivided, which increases overall housing production in the city.<sup>37</sup> The affordable housing issue is only slightly addressed through this initiative, while it reduces the overall costs of a home, the figure of affordability is relative. In 2016, 2624 Cullen Street was listed for \$886,100, compared to median list price in the neighbourhood of \$1,084,625.<sup>39</sup> The small lot ordinance provided more options for affordable housing by reducing the overall price of a home, due to smaller lots and the elimination of monthly fees in condominiums.<sup>37</sup>

## Lessons Learned

Through this case study, the following lessons can be applied to the GTA context:

- Reduced parking requirements can be realized as behavioural and societal trends shift towards less car dependency; it can be anticipated that people living in small-scale housing exhibit this behaviour.<sup>40</sup>
- Neighbourhood character can be addressed through thoughtful design and orientation of the building.<sup>40</sup> The Small Lot Design Guidelines, provided specific direction for design elements for developing on small lots.
- Communal outdoor space will be more prominent, as outdoor space is no individually owned; therefore it is essential that outdoor spaces are functional and thoughtfully designed.<sup>40</sup>

# CASE STUDIES (CONTINUED)



*In San Antonio, the Infill Pilot Program was introduced to help families and individuals afford homes within the city's core areas. The program introduced grants and development charge reductions to make the construction of these homes more appealing and affordable to developers and homebuyers. The extra design effort which goes into these homes also makes them more marketable.*

## Background

In 2013, the City of San Antonio entered into a Memorandum of Understanding with the Office of Urban Redevelopment of San Antonio (OURSA) to form what is now known as the Infill Pilot Program for residents of the city.<sup>41</sup> This program was brought about as a product of mutually supportive ideas and initiatives, but was catalyzed by a 2008 City Council request for the investigation of the feasibility of Land Banks.<sup>42</sup> Land banks are defined as 'quasi-governmental' entities, created to manage and redevelop underutilized inventories

of land.<sup>43</sup> The policies laid out by the pilot program are geared primarily towards singles and young families who want to live within the city but want to avoid the increasing housing prices. With the implementation of the new program, the City dedicated \$1.5 million towards the program. In order to ensure the legitimacy of the program's aims to create affordable housing, the City and OUR SA use the San Antonio Affordable Housing Inc. for all program activities that are related to the Infill Pilot Program.<sup>42</sup>

## Benefits

The implementation of the Infill Pilot Program by the City of San Antonio comes with a number of benefits for developers and home buyers. One major calling point for the construction of infill small-scale housing in San Antonio is the reduced mortgage that accompanies it. Builders are given grants as incentives to pursue infill development projects, and as a result, the buildings cost less and become more affordable. Especially for individuals that seek to live in the downtown core but cannot afford to purchase a single detached home.<sup>42</sup>

Furthermore, in San Antonio, the Infill Pilot Program created an environmental standard by which all homes are to be built. All new homes built are to be constructed to Build San Antonio Green Level 1. These homes are 15% more efficient than the typical City of San Antonio home in terms of energy use.<sup>44</sup>

## Challenges

As is the case with the creation of small-scale housing, there are challenges associated with its development. One such challenge pertains to the local demographics. The local demographics around these areas of infill are typically medium sized families who live near the city core, or are adjacent to condos and other higher density buildings. The construction of small-scale housing in infill lots create strong public resistance from residents who perceive them as “nonconforming” buildings.<sup>45</sup>

Other challenges include high development charges due to the location of Infill Development Zones (IDZs), which are situated in prime real estate locations like downtown of San Antonio; this poses affordability issues.<sup>46</sup>

## Lessons Learned

The implementation of the Infill Pilot Program has increased infill development within the city.<sup>41</sup> The lessons learned from the successes and failures of the program can be translated to the GTA context:

- **Prompts municipal policy reform** - Infill housing requires a market for smaller unit sizes which is currently on the rise. Due to the underwhelming number of small-scale infill development homes in the GTA, banks do not place high value to financing them; resulting in buyers who cannot acquire loans. The implementation of programs that promote the development of small-scale infill housing will help mitigate this issue and increase the market for these types of housing.
- **Facilitates municipal partnership with developers** - City Council was a key component in ensuring policy catered towards infill development. In San Antonio, the infill program was catalyzed by a previous request by Council. A push for cheaper intensification methods by housing committees in Toronto can help to initiate the process
- **High marketability** - Reduced lot sizes requires architects to be more creative in designing the dwelling. This, coupled with extra amenities like green ratings for energy consumption present ideal methods for increasing the market for units of this type.



## Benefits

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## Lessons Learned

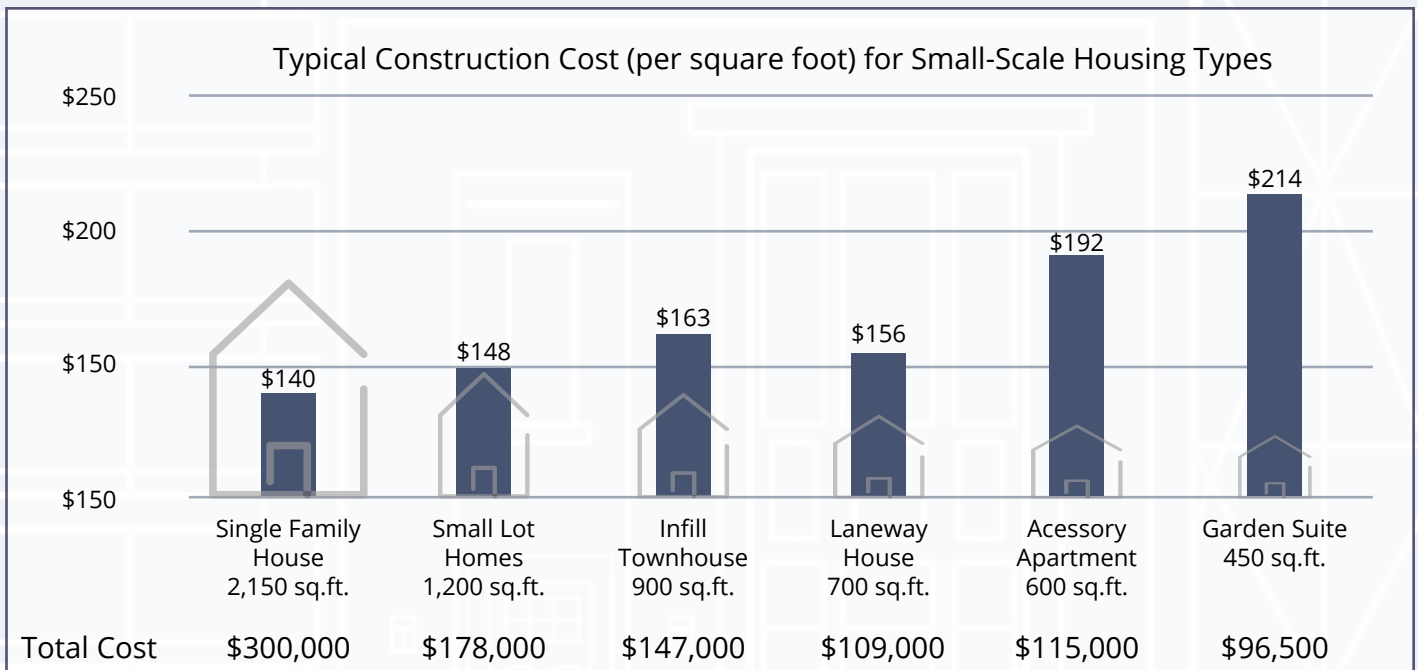
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- Neighbourhood character can be addressed through thoughtful design and orientation of the building.<sup>40</sup> The Small Lot Design Guidelines, provided specific direction for design elements for developing on small lots.
- Communal outdoor space will be more prominent, as outdoor space is no individually owned; therefore it is essential that outdoor spaces are functional and thoughtfully designed.<sup>40</sup>

# COSTING ANALYSIS

*Small-scale housing costs more per square foot than regular housing, but the overall purchase price is lower, which allows it to be considered an affordable housing type.*

Small-scale housing units usually costs more per square foot, but due to the size, the total cost of the unit is lower overall, increasing the affordability. This housing type costs more per square foot because even though the unit is smaller, there are expensive components still required for any housing type such as a kitchen, bathroom, and connecting to services. The following Figure 2 outlines the cost of small-scale housing compared to a single family house.



**Figure 2:** Cost of small-scale housing compared to a single family house

## INDIVIDUAL FEASIBILITY

### *Can an individual landowner finance their own small-scale housing project?*

If it is not feasible for an individual landowners to undertake a small-scale housing project on their own, there may be an opportunity for developers to offer the product to them. To determine whether this opportunity exists, a financial analysis was completed. It was assumed that the landowner is seeking to borrow \$100,000 to construct a small-scale unit on their own.

### *Methodology*

In speaking with a representative from TD Bank, Mr. Stephen Fioroni, he indicated that since the small-scale house the landowner is seeking is a new construction project, they could not apply for a mortgage. Instead, the most common financing sources would be a construction loan, or a home equity line of credit. Each of these sources have complex intricacies beyond the scope of this research, and approval for these loans depend on a variety of factors including financial standing, employment history, age, etc.

Determining whether the average homeowner in Ontario can access \$100,000 from a construction loan or home equity line of credit is complex. For the sake of this analysis, it will be assumed that the \$100,000 will be in the form of a mortgage. The question therefore is:

*If an individual in Ontario is seeking a loan to construct their own small-scale unit, they could not get a mortgage because it is a new build. This presents an opportunity for developers to build the unit for the homeowner, who could then get a mortgage. The average Ontario homeowner has the capacity to take on an additional \$100k on top of their existing mortgage.*

*Given the current mortgage loads and income levels for average Ontario homeowners, is there a \$100,000 difference between the highest mortgage the landowner could receive and the amount owing on their current mortgage?*

If so, it will be deduced that the landowner could afford a \$100,000 loan.



## INDIVIDUAL FEASIBILITY (CONTINUED)

### *Analysis*

A 2015 survey by Manulife Bank of Canada found that in Ontario, homeowners were carrying an average mortgage debt of \$190,000.<sup>47</sup> According to Statistics Canada, the 2014 median total income for all family types in Toronto was \$75,270 (~\$6,250/month).<sup>48</sup> Assuming standard monthly expenses for property taxes (\$300), heating (\$200), as well as a standard interest rate (3%), down payment (\$30,000), and amortization period (25 years), a family with an annual income of \$75,270 could afford a maximum mortgage of about \$305,000, according to the Canadian Mortgage and Housing Corporation's Mortgage Affordability Calculator.<sup>49</sup> This is a difference of about \$115,000 from the average mortgage debt load. It can therefore be assumed that the average family would have access to \$100,000 in credit.

<i>Highest Mortgage Average Ontario Families Could Afford</i>	<b>\$305,000</b>
<i>Average Mortgage Load in Ontario</i>	<b>-\$190,000</b>
<hr/>	
<i>Difference</i>	<b>\$115,000</b>

In reality, however, the landowner would have to receive the loan in the form of a construction loan or a home equity line of credit as opposed to a mortgage, as discussed. Both of these options are more rigorous than a mortgage application, and it can be safely assumed that this will limit the desire of landowners to use these options. When discussing loan options with the Mr. Fioroni, he mentioned that a request to utilize a construction loan or home equity line of credit to build small-scale housing would be unusual, and he does not recall anyone asking for it to construct small-scale housing in Toronto. He mentioned that such a request would be treated as a "one-off" and would result in significant investigation into the individual requesting the loan. This is similar to the findings of the Portland case study, where banks remain hesitant to loan funds to construct Accessory Dwelling Units (ADU), even though they are becoming increasingly common in that City. It is clear that a mortgage is the easiest tool for an individual landowner to receive funds to develop a small-scale dwelling.

This reality represents an opportunity for developers. If developers can secure the funding to finance the small-scale units on behalf of the landowners, the landowners could then apply for a mortgage to finance the project. As demonstrated by the above analysis, the average homeowner in Ontario could afford an additional \$115,000 on their mortgage.

## DEVELOPER FEASIBILITY

*Opportunities to streamline construction costs will be advantageous for developers to ensure profitability. Alternative construction materials have potential to reduce costs but there are still barriers that prevent it from being widely used. Premium bathroom and kitchen appliances are often installed at a premium to ensure strong returns.*

While there is market demand for small-scale housing, there are several associated financial challenges developers need to consider. When constructing small-scale housing, opportunities to streamline construction costs need to be utilized to ensure profitability.

Exploring the use of alternative construction materials, such as modular and prefabricated materials and standardized factory-built components can also reduce the construction costs for developers. Utilizing prefabricated materials have shown to reduce construction costs by 20 - 25%.<sup>10</sup> Although the material cost is lower, the costs of transporting these materials from the supplier to the site must be considered. Common delay factors, such as weather and deliveries, can be significantly reduced by using alternative materials. Further, noise and traffic disruption experienced by neighbours can also be minimized due to the shortened construction time on site.

Although using alternative construction materials seems promising, there are several limiting factors that have slowed widespread implementation. Issues regarding permitting, codes, inspection and the overall knowledge and expertise of using these materials are still limited.

The most costly component of a residential development is the kitchen and bathroom. In the small-scale housing context, developers have more incentive

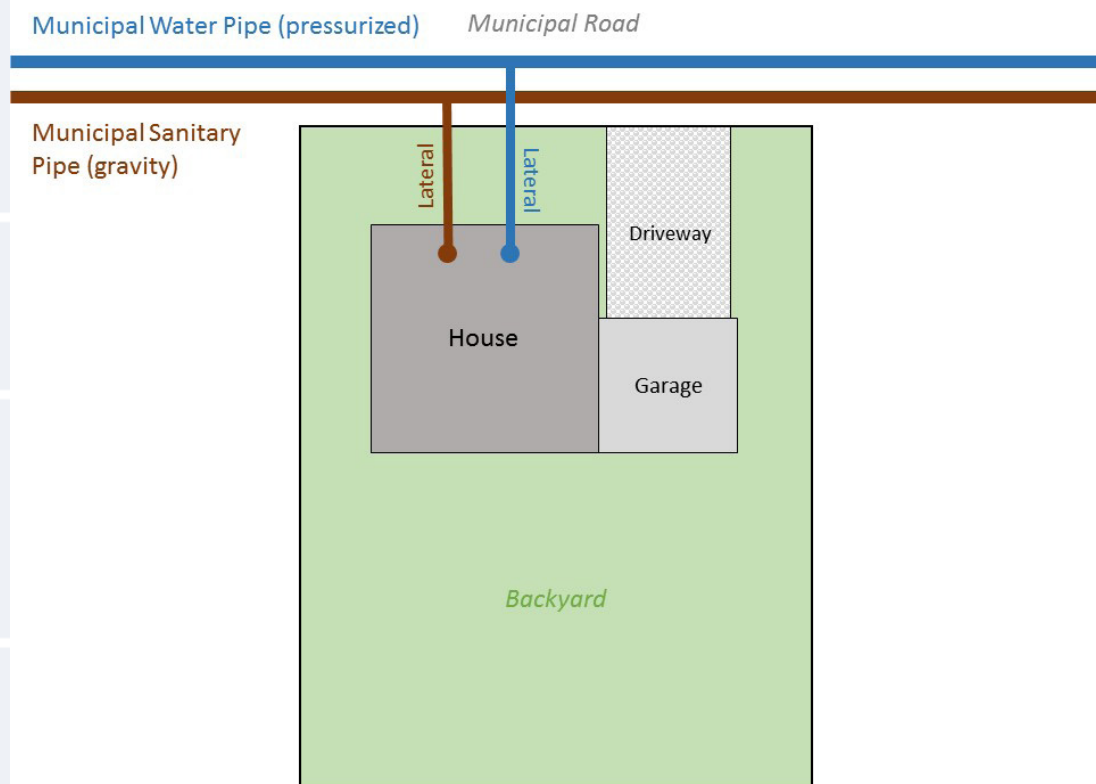
to sell premium finished in these facilities to increase the selling price and subsequent profit.<sup>10</sup> The British Columbia (BC) development industry estimates that parts and labour in small houses are four times higher compared to an average house.<sup>10</sup> Although the cost per square foot is higher, there may be potential profit recognized through economies of scale. The provision of parking spaces is expensive and presents an opportunity for developers to reduce their overall construction costs. By locating small-scale development in transit integrated areas, the reduction in parking requirements can be justified. Additionally, with the provision of carshare services or on-street parking permits, developers can further justify the reduction in parking requirements.



## SERVICING CHALLENGES

*To add a second unit at the rear of a lot containing an existing single-detached dwelling, there are significant servicing challenges, particularly around the sanitary laterals. These issues are expensive to mitigate but in greenfield settings, this problem can be solved by arranging the services in an alternate configuration with minimal additional upfront costs.*

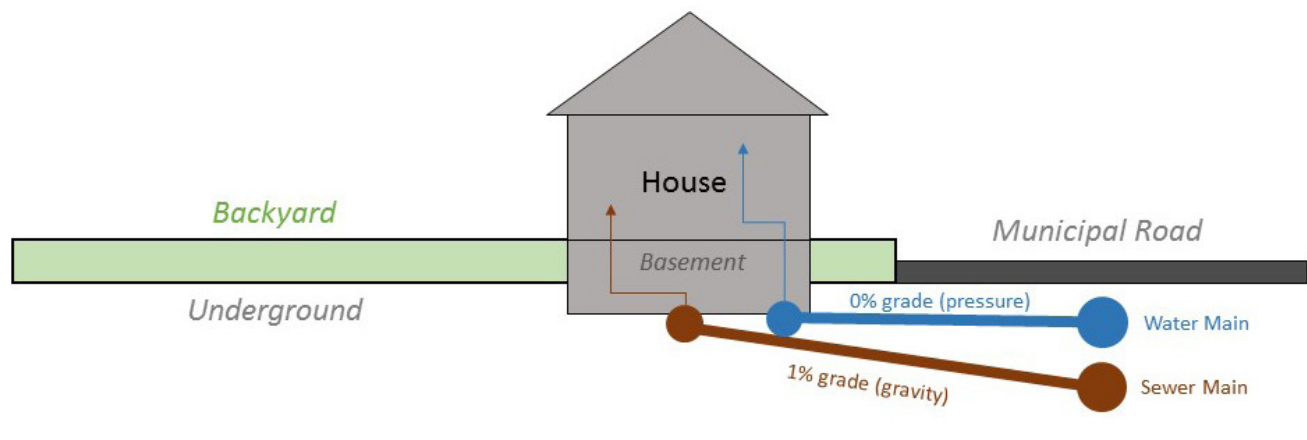
If an individual or developer is seeking to construct a second unit in the rear of a lot with an existing single detached dwelling, there are some significant servicing challenges. In speaking with Mr. Sandro Bassanese, an urban designer for the City of Kitchener with a background in construction and landscape architecture, he outlined the practicalities of servicing a secondary unit (i.e. garden suite) on a lot with a single-detached dwelling. A typical single-detached dwelling (with no second unit) receives sanitary and water services from the service mains beneath the municipal roads. The portion of pipe connecting the municipal services to the dwelling is called a “lateral”. Figure 3 shows a conceptual diagram of typical servicing.



**Figure 3:** Conceptual diagram of typical servicing



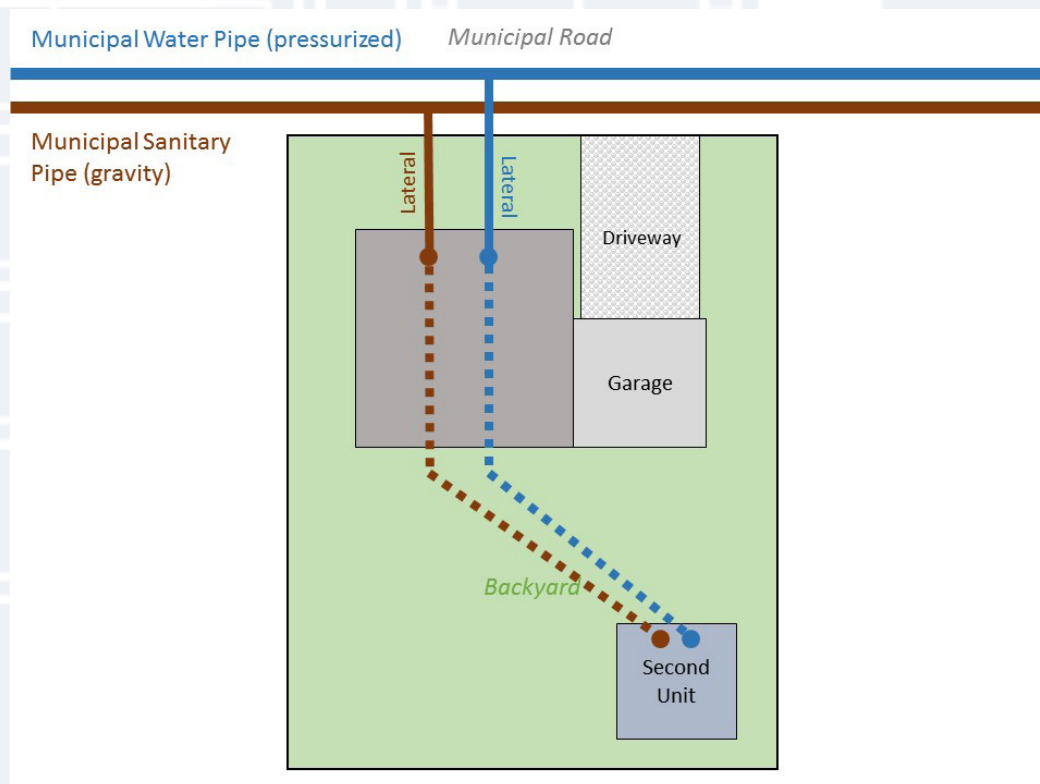
## SERVICING CHALLENGES (CONTINUED)



**Figure 4:** Cross-section of typical servicing

The water lateral can be at 0% grade because it is pressurized. The sanitary (sewer) lateral must have a grade of at least 1% because the sanitary pipes rely on gravity to transport waste from the house to the municipal sewer main. For example, if the sanitary lateral has a grade of 0.5%, the waste will eventually get stuck and have to be cleaned. The higher the grade percentage, the quicker the waste will move. 1% is a standard grade for single detached dwellings.

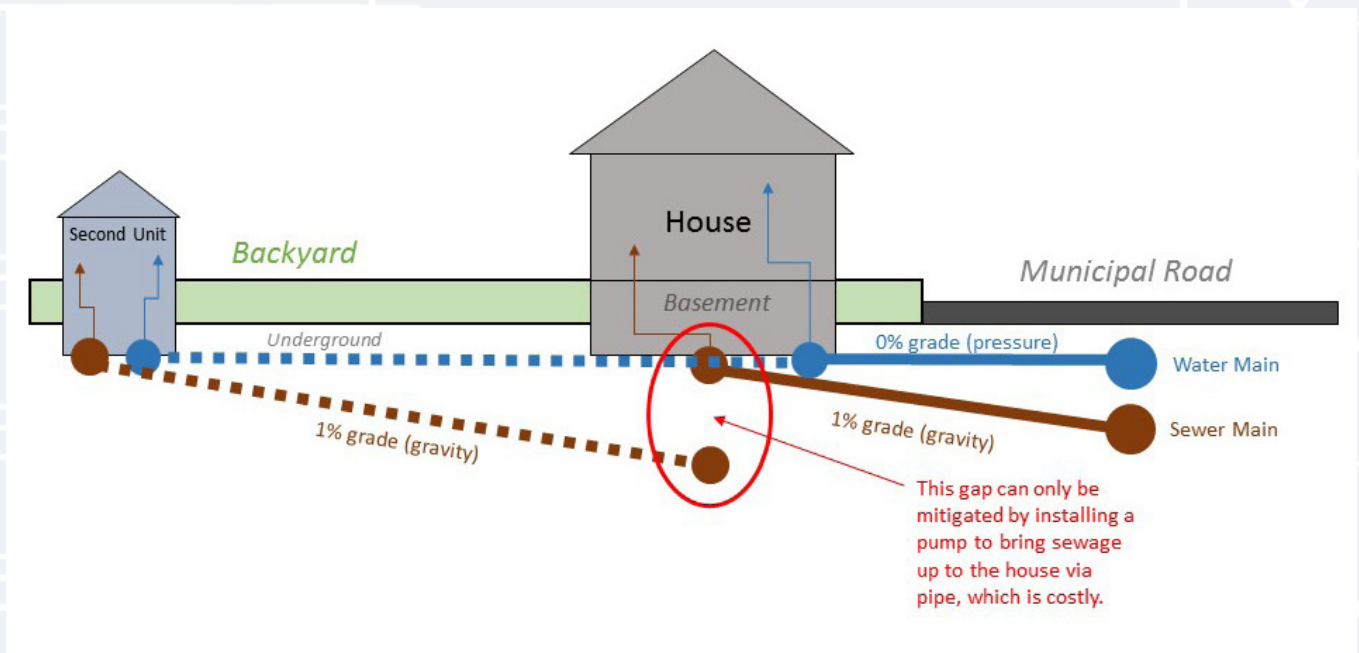
If a property owner or developer is seeking to connect services to a secondary unit on their property, the most obvious way is to connect it as shown in Figure 5.



**Figure 5:** Conceptual diagram of connecting services to secondary unit

## SERVICING CHALLENGES (CONTINUED)

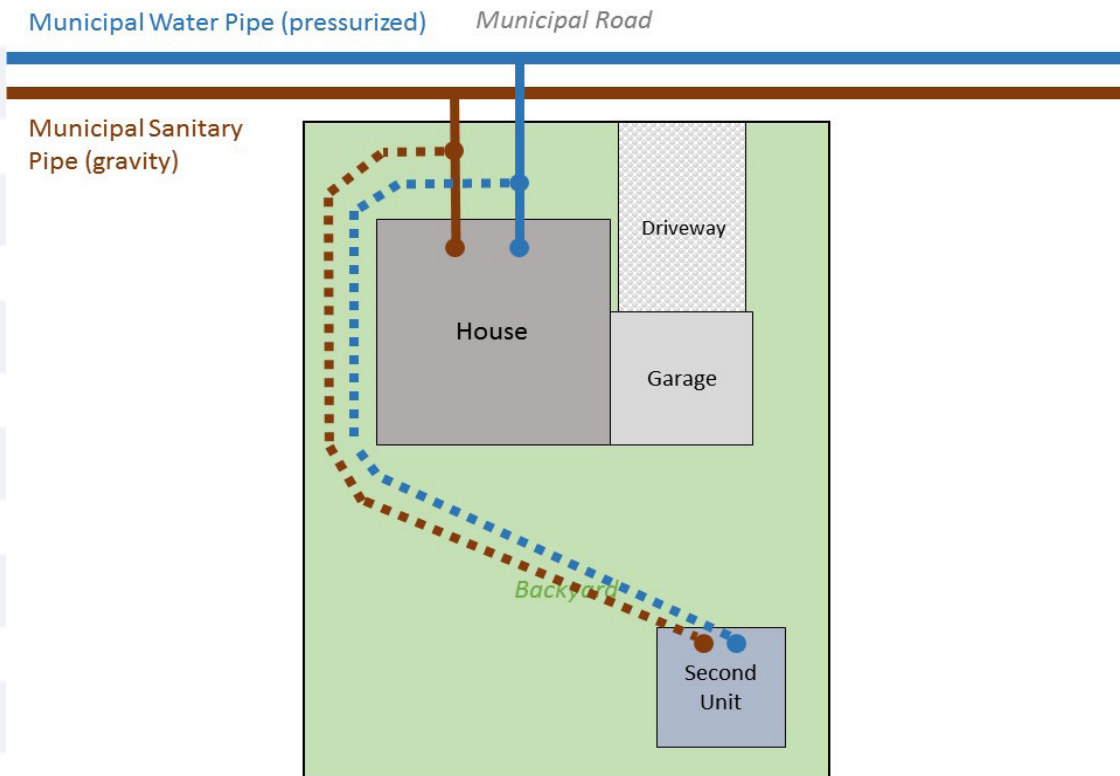
However, this configuration has a number of implications. In order to connect the last portion of the services, the basement of the existing dwelling must be excavated to place the pipes beneath the foundation. If there is a finished basement, portions of it will have to be torn up to install the pipes. This process is expensive, disruptive, and undesirable. This is a major barrier to constructing a serviced second unit. Secondly, since the sanitary lateral must have a grade of at least 1% to function, there are elevation issues with connecting the new sanitary pipe to the existing lateral, as shown in the following Figure 6.



**Figure 6:** Conceptual diagram of elevation issues when connecting the new sanitary pipe to the existing lateral

## SERVICING CHALLENGES (CONTINUED)

By extending the minimum 1% grade from the second unit to the connection at the existing dwelling, the end of the new sanitary pipe ends up beneath the connection in the existing dwelling. This does not work because as mentioned, sanitary pipes are gravity based. A solution to this is to add a pump, but this is costly. According to Mr. Bassanese, the grades can occasionally line up well, but it is rare. Also, it does not change the fact that the basement would have to be excavated, which is the major deterrent. Another possible configuration is shown in Figure 7.



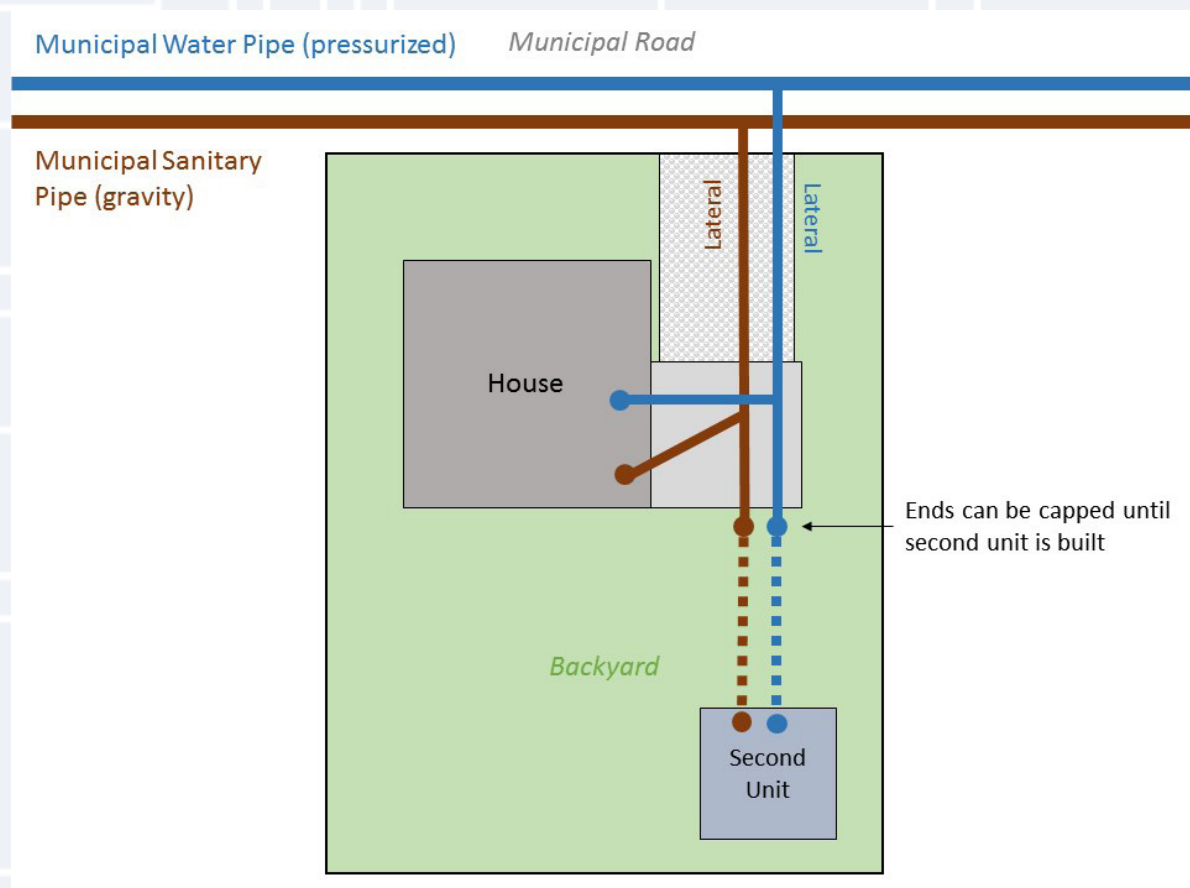
**Figure 7:** Conceptual diagram of a possible configuration



## SERVICING CHALLENGES (CONTINUED)

While this configuration would appear to be the most logical, it incurs problems of its own, particularly for the new sanitary pipe. While the need to excavate the basement is no longer required, the 1% grade alignment for the new sanitary remains a concern. Furthermore, since the sanitary pipes are gravity based, it is improbable that the two 45 degree turns the sanitary pipe makes to avoid the existing house would work well long-term. While gravity based sanitary pipes can make the occasional turn reasonably well, there are many turns over a short distance in the proposed configuration, making it unlikely to function well. The new water pipe, however, would typically work with the above configuration.

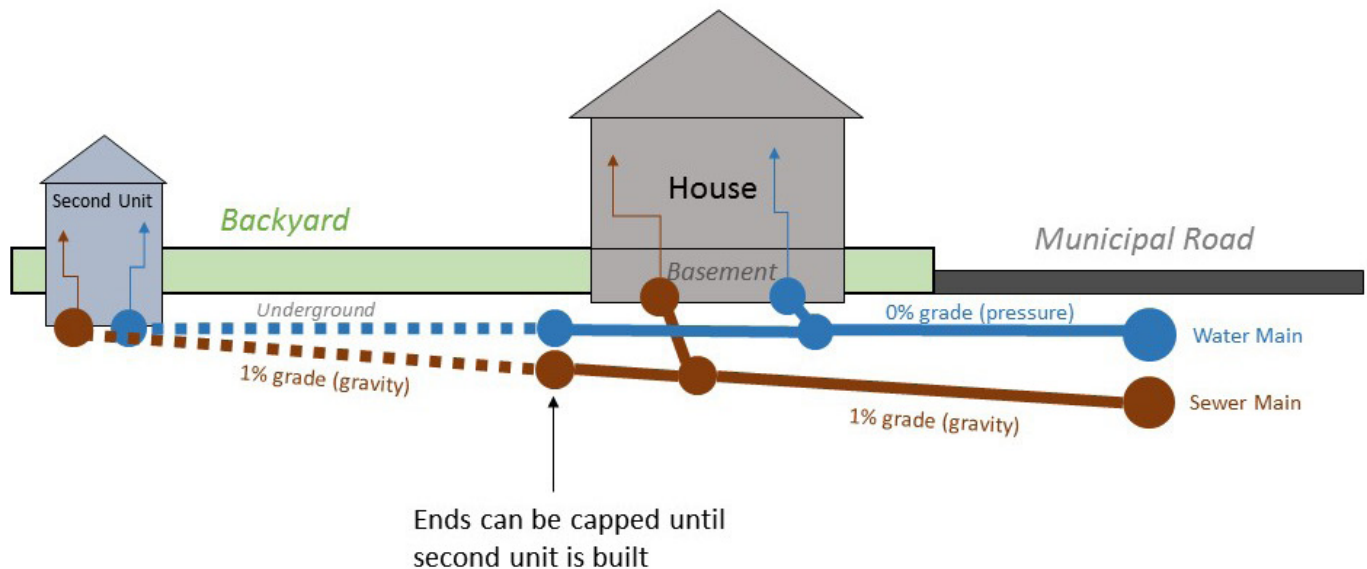
In a greenfield context (or complete new build), a potential solution to most of these issues would be the following configuration, shown in Figure 8.



**Figure 8:** Conceptual diagram of a possible configuration in a greenfield context

## SERVICING CHALLENGES (CONTINUED)

Regardless of whether the second unit is built at the same time as the house, the property can be built to be “shovel-ready” for a second unit. This is done by having the main lateral end in the backyard, and the services into the house brought in from a “spur” line. While there would be initial costs up front for the additional pipe, if Sorbara Group is seeking to promote these types of communities, it could be a worthy investment. Figure 9 shows the layout as a cross-section.



**Figure 9:** Cross-section of the possible configuration

This configuration solves the sanitary 1% grade issue because the property is pre-planned to accommodate a potential second unit. Furthermore, once the second unit is desired by the homeowner, the need to excavate the basement foundation is no longer required.

# SWOT ANALYSIS

The research findings have been synthesised to identify the key strengths, weaknesses, opportunities and threats for a developer seeking to construct small-scale housing in the GTA.

## STRENGTHS

- Provincial regulatory framework in Ontario already permits small-scale housing. Secondary suites are permitted as-of-right
- Concept of small-scale housing aligns with Provincial intensification interests - Strong Communities through Affordable Housing provides specific direction and requires municipalities to permit the development of secondary units
- There is underutilized land in the GTA that can be developed to increase density, especially within municipalities
- There is support for laneway housing in Toronto - Councillors Ana Bailão (Ward 18) and Mary-Margaret McMahon (Ward 32) are strong advocates.<sup>50</sup>
- New Complete Streets Guidelines from the City of Toronto encourage the development of mixed-use and residential lanes
- Can be used to address housing affordability issue in GTA

## WEAKNESSES

- Garden suites are only permitted through a temporary use by-law in Ontario.
- Meeting parking requirement
- New developments may not keep in character with neighbourhood
- There is an unestablished market for small-scale housing; in theory it works, but market demand is unclear

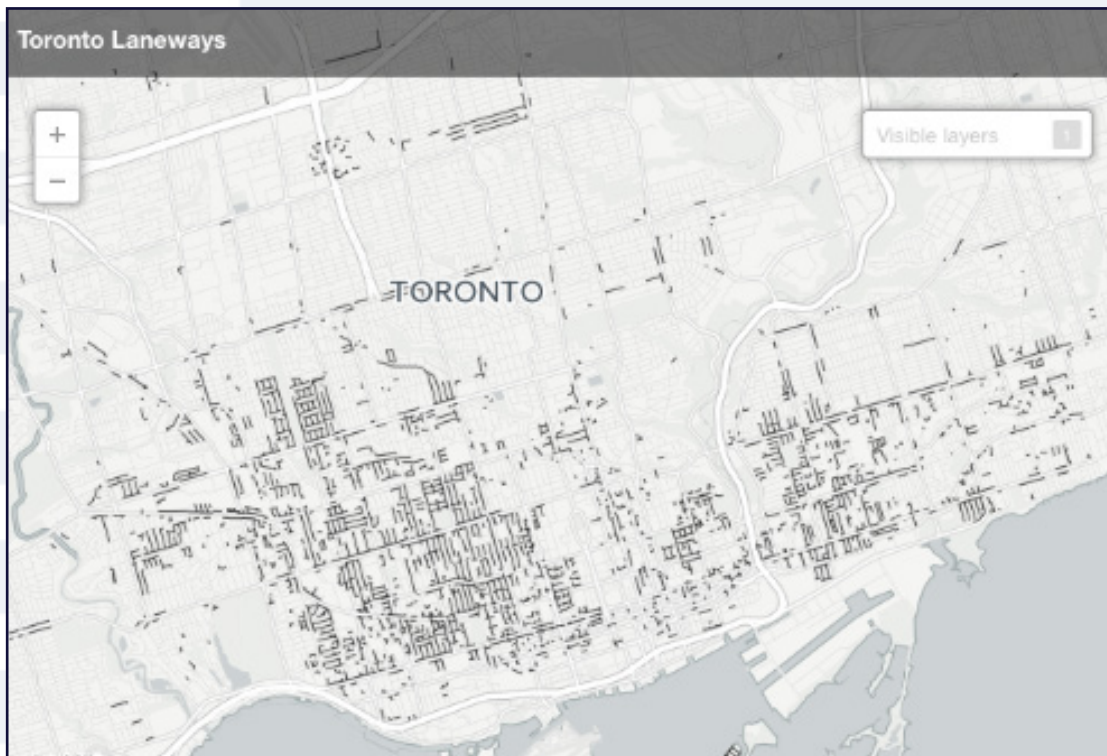
## OPPORTUNITIES

- Secondary suites are permitted as-of-right in Ontario municipalities. This could be added to new builds by developers, which could be sold for a premium
- The *Planning Act* does not specify that garden suites may only be permitted through a temporary use by-law, an opportunity exists for Sorbara Group to lobby select municipalities to permit them as-of-right
- Lobby with Councillors Ana Bailão (Ward 18) and Mary-Margaret McMahon (Ward 32) to advocate laneway housing in Toronto.<sup>50</sup>
- Hold public consultation sessions to better inform and educate citizens to minimize public resistance of small-scale housing
- The design, landscaping and orientation of the building in relation to the existing neighbourhood can be thoughtfully planned to enhance or maintain neighbourhood character



## OPPORTUNITIES (CONTINUED)

- Reduce parking requirements by locating small-scale homes in transit oriented areas, and offer car-shares and bike-shares to reduce auto-dependence.
- “Shovel-ready” configuration for new builds/greenfield servicing for second units
- The potential of development charges being potentially waived.
- Can be used to address housing affordability issue in GTA
- There are more than 2400 publicly owned laneways, covering more than 250 linear kilometers in Toronto.<sup>51</sup>



## THREATS

- Servicing a detached second unit on a lot with an existing single detached may not be viable as it could involve tearing out the basement foundation, among other issues.
- Investors in Ontario may be hesitant to provide financing to Sorbara Group for small-scale units because of the limited examples of this housing type in the province.
- Since it's an unestablished market, the extent of market demand is unknown. While the concept in theory appears marketable, high uptake may not occur, although Vancouver and Portland showed otherwise.

# CHALLENGES & SOLUTIONS

*The main obstacles to implementing small-scale housing in the GTA, as identified from surveyed case studies are financing, site servicing, public opposition, a lack of as-of-right zoning and parking requirements.*

**Financing** - Current bank policies do not provide financial support for the construction of small-scale homes, making it difficult for individuals to secure loans to construct them. Demonstrating the viability of small-scale housing on at a long-term scale to banks and other financial institutions can help to mitigate their concerns with this housing type. This will prompt them to create financing policies so that homeowners can secure loans to construct these houses.

**Site Servicing** is an expensive challenge for small-scale homes, particularly garden suites and laneway homes. Current construction techniques for homes only create enough pipe lines to reach the main house and do not extend to the backyard. Due to the 1% grading requirement for sewage lines, extending this line to a garden suite would not be possible without the use of a pump - an expensive undertaking. Even still, to undergo the addition of extra piping to reach the garden suite, the basement of the primary structure would be severely affected. This issue can be addressed with greenfield sites using a "shovel-ready" approach to piping. By implementing piping at the correct angles and extending them past the home, this issue can be averted.

**Community resistance** to types of small-scale housing in a community were shown to occur throughout the case studies. Through public consultation and community education, better acceptance may be realized.

**Lack of as-of-right zoning** for small-scale housing, specifically for garden suites. This can be resolved through as-of-right zoning in combination with design guidelines prepared by a Municipality that allows variation in development projects and a more efficient process to obtain a permit.<sup>15</sup>

**Parking requirements** relative to the size of the unit can be hard to meet for each site and parking spaces are costly. It is probable that developers would have to get a variance to eliminate parking requirements. To justify a reduction in parking requirements, homes could be located in transit integrated areas.

# CONCLUSION

*In Ontario, the easiest opportunity for small-scale housing development is for secondary suites as it permitted as-of-right. Garden suites have the most potential, but they are currently only permitted through a temporary use by-law. If municipalities permit them as-of-right long-term, this present an excellent opportunity.*

As housing prices rise and affordability declines, small-scale homes have the potential to be a housing type that can mitigate this issue. Based on the findings of this research paper, there is an opportunity for Sorbara Group to capitalize on this emerging market. In the GTA and Ontario context, the current permissions for this housing type is the result of provincial direction, which requires that municipalities permit garden suites and secondary suites to varying degrees. Laneway houses can be viable, but it requires a severance and an often timely approvals process. This reality limits the large scale development potential of laneway houses, as they will likely be approved on a case-by-case basis.

Therefore, the most viable current opportunities in the GTA are through secondary suites, which are widely permitted throughout Ontario without the need to change zoning or apply for a temporary use by-law. Out of the types studied, garden suites have the most potential, as it does not need a new lot, and there is a seemingly limitless supply of rear yards in the province. However, the reality that garden suites can only be legalized through a temporary use by-law is a significant constraint, one that could be mitigated if municipalities permitted them as-of-right. There is no policy in the *Planning Act* which prevents municipalities from allowing garden suites as-of-right without a temporary use by-law, yet no GTA municipalities do. Investing in a product that may only legally exist for up to 20 years is not practical for Sorbara Group. The current policy framework throughout Ontario appears to view garden suites as temporary, whose primary purpose should be to house an aging/unwell family member of the owner of the primary dwelling on the lot. There is no reason why this must be the case, as garden suites could clearly be expanded to offer living space for demographics beyond aging/unwell family members.

# NEXT STEPS

## **Short-term**

- Offer secondary suites in new builds
- Get involved in small-scale housing advocacy

## **Long-term**

- Lobby municipalities to permit garden suites as-of-right
- Ensure small-scale housing can be financed
- Make greenfield lots “shovel-ready” for a second unit

After exploring the feasibility of developing small-scale housing in the GTA, several short-term and long-term steps are recommended for Sorbara Group.

## **Short-term**

Secondary suites are widely permitted in Ontario, therefore options for secondary suites in new builds could be provided by Sorbara Group and sold as a premium. This option could be marketed to homeowners as a way to pay off their mortgage.

It would be beneficial for Sorbara Group to get involved in laneway housing advocacy groups such as the Laneway Project in Toronto. Through involvement in such a group, Sorbara Group can encourage the City to make developing laneway housing easier. Councillors Ana Bailão (Ward 18) and Mary-Margaret McMahon (Ward 32) are advocates of laneway housing, which reveal the potential in the city.<sup>50</sup> Further, the City of Toronto is also willing to waive permit fees on a case by case basis, therefore this opportunity could be capitalized on.

## **Long-term**

Sorbara Group should consider lobbying municipal governments to expand permissions for secondary units, particularly for garden suites, which are only permitted now in GTA municipalities through a temporary use by-law. If garden suites become a permitted use as-of-right in the zoning by-laws of Ontario municipalities, Sorbara Group could offer them within greenfield developments and consider the pursuit of their development on existing lots.

Banks are hesitant to finance small-scale housing. Sorbara Group should investigate if their investors/funders are willing to provide them the funds for construction. If so, this is ideal, because then the purchaser could secure a mortgage to pay for it, which is the best tool at their disposal. Other financing means such as construction loans or home equity lines of credit are likely too complex for average homeowners to undertake. Sorbara Group could design their greenfield single detached properties to be “shovel-ready” for a second unit, designing the services on site in such a way that they can be easily connected to a garden suite or laneway house.



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# APPENDIX A

## GTA POLICIES

Region	Municipality	Garden Suites/Laneway Homes - small self-contained dwellings located on the SAME LOT as an existing single-family dwelling	Accessory Apartments/Secondary Suites - separate dwelling unit located WITHIN the structure of a principal dwelling unit
<b>HALTON</b>	Milton	<ul style="list-style-type: none"> <li>• Permitted with existing single detached dwelling in residential area</li> <li>• Temporary use by-law; subject to site plan approval</li> <li>• Located on sufficiently sized lot</li> <li>• Detached residential structure containing bathroom/kitchen facilities; portable</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted with detached dwellings in residential area</li> <li>• Subject to registration by the Town</li> <li>• Comply with ZBL, building/fire code, municipal services</li> </ul>
	Burlington	<ul style="list-style-type: none"> <li>• Permitted with existing residential structure</li> <li>• Temporary accommodation within residential neighbourhoods</li> <li>• One-unit detached residential structure; bathroom/kitchen</li> </ul>	<ul style="list-style-type: none"> <li>• Self-contained second dwelling unit by converting part or adding on to existing in Residential-Low-Density area</li> </ul>
	Halton Hills	<ul style="list-style-type: none"> <li>• Permitted with single detached dwelling in Low Density Residential Area</li> <li>• Located in rear yard; temporary by-law</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted with single detached/ semi-detached in Low Density Residential Area (LDR1, RCO, UR) - can't occupy more than 70 sq.m of floor area, lot frontage of more than 11m required</li> <li>• Comply with ZBL, building/fire code, compatible with neighbourhood</li> </ul>
	Oakville	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>

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<b>PEEL</b>	Caledon	<ul style="list-style-type: none"> <li>• 1 suite permitted per lot; 1 storey</li> <li>• Temporary Use By-law: 10 yrs; extended 3 yrs</li> <li>• Comply with ZBL; compatibility of surrounding community</li> <li>• Situated in side/rear yard; not front</li> </ul>	<ul style="list-style-type: none"> <li>• One permitted per lot; within detached semi-detached, duplex, link house located in residential area</li> <li>• Registered in Town's Apartment-in-House-Register</li> </ul>
	Brampton	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted in detached, semi-detached, townhouse dwellings; one unit per house</li> <li>• Comply with ZBL, building/fire code; registered with the City of Brampton</li> </ul>
	Mississauga	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted in detached, semi-detached, townhouse dwellings; one unit per house</li> <li>• Comply with ZBL, building/fire code</li> </ul>



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Region	Municipality	Garden Suites/Laneway Homes - small self-contained dwellings located on the SAME LOT as an existing single-family dwelling	Accessory Apartments/Secondary Suites - separate dwelling unit located WITHIN the structure of a principal dwelling unit
YORK	Georgina	<ul style="list-style-type: none"> <li>• Permitted in all land uses where a single detached dwelling is permitted</li> <li>• Temporary use; agreement for installations/removal/maintenance</li> <li>• One garden suite per existing dwelling unit</li> <li>• Comply with health/building/fire code</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with ZBL, building/fire code; registered with the City of Brampton</li> </ul>
	East Gwillimbury	<ul style="list-style-type: none"> <li>• Permitted in Low Density Residential designation; same lot as existing single detached dwelling; ZBL ammendment</li> <li>• Permitted on Temporary Use By-law (not to exceed 20 years)</li> <li>• Agreement to installation, maintenance, removal, occupancy</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted in a residential dwelling unit in any land use designation</li> </ul>
	New Market	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Permits one unit per dwelling; secondary to main unit</li> <li>• Comply with ZBL, building/fire code</li> <li>• Registered with Town of Newmarket's By-law for the Registration of Two Unit Houses</li> </ul>
	Aurora	<ul style="list-style-type: none"> <li>• Permitted under "housing for seniors"</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted within existing single detached/ semi-detached dwelling</li> <li>• Only 1 secondary suite on same lot w/ primary dwelling (unless ZBL allows it)</li> <li>• Meets ZBL, Ontario Building Code and all other regulations</li> </ul>

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Region	Municipality	Garden Suites/Laneway Homes - small self-contained dwellings located on the SAME LOT as an existing single-family dwelling	Accessory Apartments/Secondary Suites - separate dwelling unit located WITHIN the structure of a principal dwelling unit
<b>YORK</b>	Richmond Hill	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• One secondary suites permitted/ground-related dwelling</li> <li>• Comply with ZBL and building/fire codes</li> <li>• Contains living, cooking, sleeping, washroom facilities</li> </ul>
	Whitchurch-Stouffville	<ul style="list-style-type: none"> <li>• Permitted on same lots as existing single detached dwelling</li> <li>• ZBL amendment required</li> <li>• Permitted temporary use by-law; site specific</li> </ul>	<ul style="list-style-type: none"> <li>• Not permitted in semi-detached, townhouses, row houses, or in separate building (garden/coach house)</li> <li>• By-law requires all secondary suites to be registered</li> </ul>
	Markham	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Not permitted - except specific areas where zoning permits; existed in 1995</li> </ul>
	King	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
	Vaughan	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted; requirements are under development</li> </ul>
<b>CITY OF TORONTO</b>	Toronto	<ul style="list-style-type: none"> <li>• Laneway housing; requires severance from rear lot/relief from ZBL</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted in a detached house, semi-detached house, townhouse (R zone)</li> <li>• Max. one secondary suite for each dwelling unit</li> </ul>

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Region	Municipality	Garden Suites/Laneway Homes - small self-contained dwellings located on the SAME LOT as an existing single-family dwelling	Accessory Apartments/Secondary Suites - separate dwelling unit located WITHIN the structure of a principal dwelling unit
<b>DURHAM</b>	<b>Brock</b>	<ul style="list-style-type: none"> <li>• Permitted in all Residential Areas; one per single-detached dwelling</li> <li>• Subject to a temporary use zoning by-law</li> <li>• Residential purposes; kitchen/bathroom facilities</li> <li>• Approval from Region of Durham Works Dept., health/building/fire</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted in all Residential Areas</li> <li>• Max. one per single detached dwelling</li> <li>• Approval from Region of Durham Works Dept., health/building/fire</li> </ul>
	<b>Uxbridge</b>	<ul style="list-style-type: none"> <li>• Permitted in a single detached, semi-detached subject to ZBL</li> <li>• Permitted as temporary use in Rural Exception Zone</li> <li>• Subject to rezoning; adequate parking/ space from adjacent uses</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted in Hamlet Residential Zone</li> </ul>
	<b>Scugog</b>	<ul style="list-style-type: none"> <li>• Permitted in all residential uses; temporary by-law may be preferred</li> <li>• Be in conjunction with and secondary to primary unit</li> <li>• Must keep in character with area</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted within the Port Perry Urban Area/Hamlets</li> <li>• Require temporary use by-law</li> <li>• Be in conjunction with and secondary to primary unit</li> </ul>
	<b>Pickering</b>	<ul style="list-style-type: none"> <li>• Permitted where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted where appropriate</li> </ul>
	<b>Ajax</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted in Low Density Residential; single detached and semi-detached</li> <li>• Subject to site-specific implementing ZBL</li> </ul>
	<b>Whitby</b>	<ul style="list-style-type: none"> <li>• Permitted in rear yard areas zoned residential areas</li> <li>• Temporary use by-law for up to 10 years</li> <li>• One suite permitted per lot; kitchen/ bathroom facilities; portable</li> <li>• Comply with building/fire regulation</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>

# APPENDIX A

Region	Municipality	Garden Suites/Laneway Homes - small self-contained dwellings located on the SAME LOT as an existing single-family dwelling	Accessory Apartments/Secondary Suites - separate dwelling unit located WITHIN the structure of a principal dwelling unit
<b>DURHAM</b>	Oshawa	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted in single detached, semi-detached located in R1, R2, R5, OS-ORM, AG-A, AG-B, AG-ORM</li> <li>• Maximum 1 per lot</li> </ul>
	Clarington	<ul style="list-style-type: none"> <li>• One suite permitted through a temporary use by-law; max. 10 yrs</li> <li>• Demonstrate a need for accommodation for elderly, sick, disabled</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted within single detached, semi-detached in Urban Residential: R1, R2, R3</li> </ul>
<b>WATERLOO</b>	Kitchener	<ul style="list-style-type: none"> <li>• Permitted as stand-alone secondary dwelling; subordinate to primary</li> <li>• Comply with ZBL; subject to site plan control</li> <li>• Integrate with surroundings; compatible</li> </ul>	<ul style="list-style-type: none"> <li>• Permit secondary dwelling within residential unit</li> <li>• Comply with ZBL</li> </ul>
	Waterloo	<ul style="list-style-type: none"> <li>• Garden suites - Prohibited</li> </ul>	<ul style="list-style-type: none"> <li>• Permit one self-contained residential unit within single-detached, semi-detached, row houses</li> <li>• Coach House permitted within an existing building that is accessory to a single detached building</li> </ul>
	Cambridge	<ul style="list-style-type: none"> <li>• Permitted on existing lots in Residential areas; secondary to primary dwelling</li> <li>• Temporary use by-law; comply with ZBL</li> <li>• Development agreement required</li> <li>• Compatible with surroundings</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted in Residential Use; without amendment to ZBL</li> <li>• Secondary to primary dwelling unit</li> <li>• Compatible with surroundings</li> </ul>

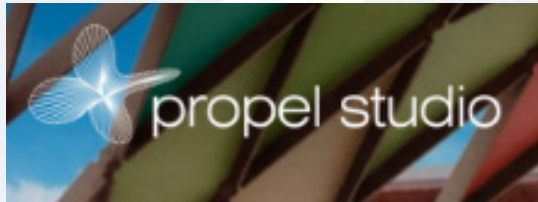


# APPENDIX A

Region	Municipality	Garden Suites/Laneway Homes - small self-contained dwellings located on the SAME LOT as an existing single-family dwelling	Accessory Apartments/Secondary Suites - seperate dwelling unit located WITHIN the structure of a principal dwelling unit
WELLINGTON COUNTY	Guelph	<ul style="list-style-type: none"> <li>• Permitted in all land use designations; secondary to primary dwelling</li> <li>• Regulated by ZBL; subject to site plan control</li> <li>• Integrated with surroudnings; visual impact to streetscape</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted in single detached, semi-detached houses in R1, R2, CBD2 and OR zones</li> <li>• Inspected/registered by the City as two-unit house</li> <li>• Comply with ZBL, building/fire code</li> </ul>
CITY OF HAMILTON	Hamilton	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Permitted within single/semi-detached dwelling in Institutional, Neighbourhoods, Commercial and Mixed Use designations; subject to zoning regulations</li> </ul>

# APPENDIX B

Below is the email transcript of Evolve's discussion with an Accessory Dwelling Unit (ADU) design firm in Portland



**What was Propel Studio's motivation for entering the ADU market from a business perspective and otherwise?**

It was just a lucky break. When we started the firm we reached out to our neighborhoods to see if anyone needed any design work. One of our first projects was an ADU. This led to a second ADU, which led to a third and it started to snowball from there. Once we had a few on our website we started getting more and more inquiries. People started finding us through google searches and word-of-mouth. Eventually we got to the points of being experts in the field and started blogging about the process which attracted more projects.

They actually fit closely with my interests as well. I'm very interested in cities, urban planning, and ways to make our cities more dense, walkable, and ultimately sustainable places to live. ADUs are a great way of increasing density and providing investment opportunities for middle income people.

**Relative to other residential construction you may be involved in (i.e Single Detached, Townhouses, etc.), have you found ADU's to be as marketable and/or as profitable as other types of housing?**

As far as design fees? They are ok. They are relatively quick projects but at the same time they are smaller and thus demand lower fees. Most clients also have very tight budgets and don't have a lot to spend on design. Ultimately, they provide a good steady stream of income but aren't going to make us rich anytime soon. That being said, they are good projects to market. We get to do a lot of design exploration and get to show a lot of design ideas relatively quickly. This has built a portfolio of work pretty quickly which helps the firm market our services and attract new clients. So in that sense they pay off. I would say doing full custom homes would be more profitable as each project would get much higher fees. However, ADUs are a good way to break into that market. We have also been working at streamlining our process to deliver these projects, hopefully cutting down the time it takes to produce the work, ultimately making them more profitable.

**What types of clients do you typically serve in the ADU market? Is it usually a homeowner looking to build an additional unit on their property?**

Almost every client is a homeowner looking to build an ADU for themselves, as a rental unit, or for aging family. However, we have been reaching out to Community Development Companies who own multiple single family properties. The idea is to develop some ADU prototypes that we could roll out on dozens of properties at once. We are still in early talks so we will see if this moves forward.

**Have you had any negative/positive experiences regarding neighbourhood reaction to ADU projects?**

Portland has a pretty straightforward design approval process. There really isn't a way people can stop them from happening, and we don't personally receive negative pushback from the neighborhoods in which we work. Sometimes, depending on the type of project, there is a neighborhood notification requirement but all comments are submitted directly to the city and we don't really see them.

I would say that there are some NIMBY people who don't like them and try to push back on the city rules. However, at this point they are pretty well ingrained in the local codes and regulations.

**Based on the information on your website, Propel Studio focuses on custom built ADU's. Are you aware of any developers in Portland or elsewhere who offer "mass-produced" ADU's? Any information on the ADU development industry would be helpful.**

There are some groups trying to offer mass produced ones. There is a company called Dweller that is trying to install them on people's land for free with a revenue sharing system to drive the profit for the business and homeowners. There has also been a construction company that sells some shipping container type units. However, in Portland the biggest challenge with these is that we have some unfortunate design style limitations, which makes mass production pretty difficult to work out.

In general, people have been trying to make modular construction work for decades, yet it just doesn't seem to take off. I don't know if it ever will to be honest. I think most people like the idea of custom designed ADUs, plus with each site being unique and city permitting requirements, there is a lot of work that is required to be specific to each project, making mass producing less applicable.

If you have any other questions please let me know. You can also follow us on facebook ([www.facebook.com/propelstudio](http://www.facebook.com/propelstudio)) and twitter (@propelstudio) as we often post about our recent work and ADU projects in general. Also, please credit us in your work and link to our website if you can. We are always looking for additional exposure for our work.