

AGENDA INFORMATION	
☒ Regular Meeting	Date: <u>March 16, 2026</u>
☐ Other:	Date: _____

 Dept. Manager	 GM/ Director	 CAO
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The District of North Vancouver REPORT TO COUNCIL

March 2, 2026

AUTHOR: Jason Smith, Senior Community Planner

SUBJECT: **Small Scale Multi-Unit Housing (SSMUH): Residential Rental Tenure Zoning and Affordable Unit Analysis**

RECOMMENDATIONS:

THAT Council receive the report titled "Small Scale Multi-Unit Housing (SSMUH): Residential Rental Tenure Zoning and Affordable Unit Analysis" dated March 2, 2026.

REASON FOR REPORT:

At a Council Workshop on February 9, 2026, Council signalled an interest in further analysis on:

- The use of residential rental tenure zoning (RRTZ) in the context of small-scale multi-unit housing (SSMUH); and
- The economic feasibility of requiring an affordable unit in areas where up to six units of SSMUH would be permitted.

This report provides further analysis on those two topics.

BACKGROUND:

The province introduced small-scale multi-unit housing (SSMUH) through legislative changes in late 2023. In response, the District implemented changes to the Zoning Bylaw in June 2024, to permit a principal residence with a suite and coach house on most single-family lots within the District's Urban Containment Boundary.

In November 2025, the province enacted Bill 25, amending the *Local Government Act* and requiring the implementation of SSMUH density (up to 3, 4 or 6 units) on most single-family lots, including those lots where a principal residence with a suite and coach house are currently permitted. Consequently, the province has indicated that impacted municipalities must update their Zoning Bylaws by June 30, 2026, to permit SSMUH within their Urban Containment Boundaries, subject to certain exemptions.

A comprehensive report on staff's analysis and recommended approaches to implement SSMUH was presented to Council at the [February 9, 2026, Council Workshop](#).

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At the Workshop, staff introduced the potential use of residential rental tenure zoning (RRTZ) in the context of SSMUH. Council expressed support for further analysis of RRTZ, including associated economic considerations.

Staff also presented information on the possibility of requiring one unit of affordable or special needs housing within a six-unit SSMUH development. Council expressed support for further economic analysis to assess the feasibility of this approach for the sixth unit.

Staff indicated they would report back on these analyses prior to the introduction of Zoning Bylaw amendments to implement SSMUH.

ANALYSIS:

The analysis below is organized in two sections:

1. The use of rental tenure zoning as part of the District's implementation of SSMUH.
2. The feasibility of requiring an affordable or special needs unit in six-unit SSMUH developments.

SSMUH and RRTZ

Provincial legislation does not prescribe tenure requirements for small-scale multi-unit housing (SSMUH) developments. However, provincial legislation enables local governments to apply residential rental tenure zoning (RRTZ) to SSMUH developments.

Under the *Strata Property Act*, newly constructed (i.e. previously unoccupied buildings) SSMUH developments may be stratified without approval from the Approving Officer or Council, provided they meet all applicable BC Building Code requirements for stratified units. These types of strata property are created through the deposit of a "strata plan" and creates strata lots that are individual buildings or parts of buildings. Stratification of secondary suites is however not permitted. Applications to stratify previously occupied buildings are considered by the "approval authority" (i.e. Council).

As noted above, RRTZ is a regulatory tool that may be used to establish rental tenure requirements within SSMUH developments. RRTZ could support the delivery of additional rental housing in the District, consistent with the Provincial Housing Target Order, and aligns with the District's Official Community Plan and Rental and Affordable Housing Strategy by:

- Expanding the overall supply and diversity of housing, and
- Supporting growth in the supply of new purpose-built rental housing.

RRTZ could also maintain the owner-occupancy principle that has characterized single family neighbourhoods.

Through Bill 25, the Province has signalled its intent for SSMUH to be implemented more consistently across municipalities. While the legislation does not favour ownership versus rental housing, the subsequent legislative changes in Bill 25 were designed to remove zoning

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barriers and inconsistencies that may limit the viability and uptake of SSMUH. Provincial guidance notes that mandating tenure may diminish the viability of some SSMUH projects. It may also impact their ability to respond to changing community needs and market conditions. The provincial guidance further recommends that local governments monitor SSMUH zoning for a minimum of three years, assess market interest and development activity, and evaluate outcomes before considering the introduction of mandatory rental tenure requirements.

Economic Analysis

In response to Council direction, staff engaged a consultant team (Urban Systems and Waters Development Management) to assess the economic feasibility of applying rental tenure zoning in the SSMUH context. The consultant's memorandum, provided in **Attachment 1**, evaluates how different types of tenure may affect the viability of SSMUH development under current economic conditions.

The financial analysis tested five sites across the District, including:

- Three sites in areas where four-unit SSMUH would apply; and
- Two sites in areas where six-unit SSMUH would apply.

Each site was assessed to determine the financial feasibility of SSMUH development under both strata and rental tenure.

Strata Tenure: Under current market conditions (e.g. high land values, high construction costs and slowing real estate market), the analysis determined that none of the five sites could support SSMUH development as a strata development (Table 1).

Rental Tenure: Similarly, accounting for current rent levels in the District, none of the sites were financially viable for SSMUH development under rental tenure (Table 1).

The above findings were consistent across the District neighbourhoods tested and typical sizes of residential lots.

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Table 1. Financial feasibility of SSMUH development under strata and rental tenure

Neighbourhood	Max. SSMUH Units	Financially viable under strata tenure?	Financially viable under rental tenure?
Boundary	6	No	No
Norgate	6	No	No
Cove Cliff	4	No	No
Carisbrooke	4	No	No
Canyon Heights	4	No	No

While the analysis indicates that SSMUH development is not currently viable for a typical developer, other circumstances may motivate property owners to pursue such projects. This may include existing owners who wish to support multi-generational housing or aging in place, or whose motivation is less focussed on economic gain. As well, it is acknowledged that market conditions will change and rental options may become more viable over time.

In summary, the financial analysis demonstrates that none of the case sites are viable for SSMUH development under either strata or rental tenure. The application of rental tenure zoning would add additional restrictions to SSMUH development. Accordingly, mandating rental tenure could further limit SSMUH uptake, although any development is expected to be very limited and incremental for either type of SSMUH tenure under current market conditions.

District Approach For RRTZ

Based on the economic analysis, staff have identified two potential approaches related to the application of rental tenure in small-scale multi-unit housing in the District:

Option 1 – No Rental Tenure Requirements

- Do not apply RRTZ requirements.
- Monitor SSMUH zoning, assessing market interest, development activity, and outcomes before considering RRTZ.

This approach provides maximum flexibility for property owners to develop SSMUH in a manner of their choosing and aligns with provincial guidance.

Option 2 – Broad Application of RRTZ

- Apply RRTZ requirements across SSMUH developments.
- This approach would support rental housing and uphold the owner-occupancy principle in single-family neighbourhoods.

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This approach is likely to result in fewer SSMUH units being constructed under current market conditions.

Six-Unit SSMUH Areas and Affordable Housing Requirements

The Province has prescribed two locations within the District in which six-unit SSMUH areas must be allowed: the areas are around Marine Drive and Lynn Valley Road. These areas have been identified as having sufficient transit service (frequent bus service) that could support six-unit SSMUH developments, provided that the residential lot is greater than 280 m²(3014 sq. ft.) in area.

Through the legislation, the Province has also established provisions enabling municipalities to set conditions for one of the six units to be affordable or special needs housing. While the legislation allows for the possibility of requiring one such unit, it mandates that the level of affordability be clearly defined and that an economic analysis confirm that the requirement would not render the SSMUH development uneconomical.

Economic Analysis

In response to Council direction, staff commissioned the consultant team to evaluate the feasibility of requiring one affordable unit in six-unit SSMUH developments. The consultant's summary can be found in **Attachment 1**.

The financial analysis tested the same six-unit sites that were used for the rental tenure zoning analysis (located in the Boundary and Norgate neighbourhoods). For the analysis, an affordability target of 20% below District of North Vancouver median rents was applied. The analysis found that including one below-market unit in a six-unit SSMUH development (with rental tenure) had a significant impact on the pro forma. The six-unit SSMUH development was financially unfeasible under rental tenure conditions, and adding one below-market unit further impacted the project's lack of viability.

The analysis found that requiring the sixth unit to be affordable would render six-unit SSMUH projects financially unviable under current market conditions.

District Approach for Requiring an Affordable Unit

Market conditions make development of SSMUH challenging even at market rates, and requiring below-market rental units would further limit feasibility. The District can continue to incentivize the development of affordable and special needs housing in multifamily developments through rezoning negotiations. Rentals in the secondary market, including suites and coach houses, will also continue to be available to District residents.

The following options are available to the District with regards to requiring an affordable sixth unit in SSMUH developments.

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Option 1 – No Affordable Unit Requirements in Six-Unit SSMUH Developments

- Do not require an affordable unit as part of six-unit SSMUH developments.
- Monitor SSMUH zoning, assessing market interest, development activity, and outcomes before considering requiring an affordable rental unit.

This approach provides maximum flexibility for property owners to develop SSMUH in a manner of their choosing and aligns with provincial guidance to avoid unnecessary restrictions that could limit uptake.

Option 2 – Require an Affordable Unit in six-unit SSMUH developments

- Require an affordable 6th unit in the zoning bylaw amendments necessary to implement SSMUH.
- This approach would support the provision of rental housing.

This approach is likely to result in very few SSMUH units being constructed under current market conditions.

TIMING/APPROVAL PROCESS:

If Council chooses to proceed with pursuing the application of SSMUH staff will return these options to Council for further consideration.

PUBLIC INPUT:

Spring 2026 engagement specific to Bill 25 was described in the [February 9, 2026, Council Workshop staff report](#). Engagement is proposed to be limited due to the time constraints imposed on the District by the Province.

CONCLUSION:

Based on the economic analysis undertaken, current market conditions render SSMUH development financially unviable under both strata and rental tenure models. The introduction of mandatory rental tenure zoning or a requirement for an affordable or special needs unit within six-unit SSMUH developments would further constrain feasibility.

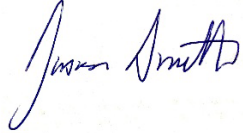
If approved by Council, SSMUH projects might proceed under limited circumstances where property owners are motivated by other objectives such as facilitating multi-generational living or aging in place. The analysis indicates that additional regulatory requirements would present further barriers in an already challenging economic environment.

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Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Jason Smith".

Jason Smith
Senior Community Planner

ATTACHMENTS:

Attachment 1: Memo - Small Scale Multi Unit Housing Rental Tenure Zoning Analysis

Attachment 2: Staff Presentation

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REVIEWED WITH:		
☐ Business and Economic _____	☐ Finance _____	External Agencies: ☐ Library Board _____ ☐ Museum and Archives _____ ☐ NSEM _____ ☐ NS Health _____ ☐ NVRC _____ ☐ RCMP _____ ☐ Other: _____
☐ Bylaw Services _____	☐ Fire Services _____	
☐ Clerk's Office _____	☐ Golf _____	
☐ Climate and Biodiversity _____	☐ Housing <u>TA</u> _____	
☐ Communications _____	☐ Human Resources _____	
☐ Community Planning _____	☐ Integrated Planning _____	
☐ Development Engineering _____	☐ ITS _____	
☐ Development Services _____	☐ Parks _____	
☐ Engineering Infrastructure _____	☐ Real Estate _____	
☐ Engineering Public Works _____	☐ Solicitor _____	
☐ Environment _____	☐ Transportation _____	
☐ Facilities _____	_____	

MEMORANDUM

DATE: March 2, 2026

TO: Jason Smith, Senior Community Planner, District of North Vancouver

CC: Jayden Koop, Zeralynne Te (District of North Vancouver)

FROM: Jeff Waters, Jessica O'Sullivan (Waters Development Management) and Justin Barer (Urban Systems)

FILE: 1333.0079.01

SUBJECT: Small Scale Multi Unit Housing Rental Tenure Zoning Analysis

EXECUTIVE SUMMARY

- **Urban Systems and Waters Development Management completed 12 detailed case study pro forma analyses** across five representative sites in the District of North Vancouver, to assess the feasibility of small-scale multi-unit housing (SSMUH) under strata and rental tenures, including scenarios requiring a sixth below-market rental unit in 6-plex areas. The analysis applies tenure-appropriate viability metrics, including profit-on-cost and debt service coverage ratio (DSCR) for rental projects.
- **At currently achievable market pricing, neither strata nor rental SSMUH development is shown to be financially viable, based on average input costs, and accounting for current land costs.** Strata scenarios generate negative profit-on-cost outcomes, while rental scenarios fail to meet minimum lender DSCR thresholds and are therefore not financeable under conventional lending conditions. Occasional exceptions may be found in the marketplace where unique paths to viability are found.
- **Requiring one unit in a 6-plex rental project to be rented at 20% below District median rents materially worsens feasibility**, resulting in a ten to twelve percentage point reduction in profit-on-cost and further declines in DSCR. None of the below-market scenarios tested meet standard viability or financeability thresholds.
- **Land value is a critical determinant of feasibility at the SSMUH scale.** Even when land acquisition costs are excluded, to reflect a hypothetical homeowner-led redevelopment, 6-plex rental projects only approach viability and generate relatively modest net cash flow, raising fundamental questions about why an owner would pursue redevelopment rather than sell the property at its highest-and-best-use market value. There may be conditions under which this is an attractive avenue for some homeowners, but it is unlikely to be the norm.
- **Given the sensitivity of SSMUH economics, the constraints of current lending practices, and the risk that rental-only zoning would further reduce project uptake**, the analysis finds that blanket rental tenure zoning is likely to narrow the already limited set of feasible projects and reduce housing delivery. A tenure-neutral zoning framework, coupled with periodic reassessment of affordable housing contribution requirements, is recommended to support incremental housing supply.

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1.0 INTRODUCTION

Urban Systems, in partnership with Waters Development Management, have prepared pro forma financial analyses for the District of North Vancouver to inform the District's exploration of small-scale multi-unit housing (SSMUH) policy directions. Specifically, the District requested the completion of financial feasibility analysis to explore the feasibility of rental tenure zoning (RTZ) for 4- and 6-plex development, and within the latter, the feasibility and impact of requiring a 6th unit at below-market rental rates.

2.0 APPROACH

2.1 CASE STUDY PRO FORMA ANALYSIS

A total of twelve (12) case study pro formas were completed, looking at SSMUH development on five case study sites across two tenure scenarios (rental vs. condo strata). For two rental pro formas prepared in areas that would be eligible for 6-plex construction, additional scenarios were prepared looking at a 6th unit built and valued at below-market rental rates. Each pro forma prepared under strata tenure solves for project profit-on-cost. Each pro forma prepared under rental tenure solves for both project profit-on-cost and ongoing debt-service-coverage ratio (DSCR).¹

A pro forma is deemed 'viable' if it can meet the following criteria:

- For strata tenure: achieve a minimum 15% profit-on-cost
- For rental tenure: achieve a minimum 10% profit on cost, and a DSCR of 1.2

2.2 CASE STUDY SITE SELECTION

Five case study sites were selected for testing, with selection undertaken by District staff. The case study sites are representative of higher probability redevelopment parcels in different neighbourhoods, where existing structures on the parcels are fully depreciated. Each development pro forma assumes typical costs for demolition of these structures. The case study sites include 2 sites in 6-plex eligible areas located around Lynn Valley and Lionsgate/Marine Drive.

¹ Debt service coverage ratio (DSCR) measures a project's ability to service its debt from operating cash flow. In a rental multiplex pro forma, it is calculated as the net operating income (NOI) divided by the annual debt service and indicates how many times NOI covers required loan payments. A DSCR above 1.0 means the project generates sufficient cash flow to meet debt obligations, while lenders typically require a minimum DSCR of 1.2 to provide a buffer against income volatility and cost overruns.

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Table 1: Case Study

Neighbourhood	Max. Units	Lot Size (sq m)
Lynn Valley (Boundary)	6	637 sq m
Norgate	6	599 sq m
Cove Cliff	4	666 sq m
Upper Lonsdale (Carisbrooke)	4	654 sq m
Canyon Heights	4	804 sq m

2.3 MARKET RESEARCH

Research on potential market-supportable revenues for 4- and 6-plex developments relied upon a variety of data sources, including data from Zonda (NHS Live), CMHC, and the Greater Vancouver Real Estate Board (as accessed through Zealty). As there is no available information for plex-style development in the District, achievable pricing information (for-sale and for-rent) was based on data for townhouses and a large apartment. Specifically, consideration was given to:

- Current asking rents for new multi-family (apartment and townhouse) developments in the District of North Vancouver (4 developments)
- Sale prices for recently sold townhouse units in District of North Vancouver (4 developments)
- Current asking prices for new townhouses in District of North Vancouver (4 developments)
- CMHC rental survey average rents for vacant 2 and 3+ bedroom units in District of North Vancouver.

Research on development costs draw upon Waters Development Management's ongoing active project work and industry expertise, plus published data from Altus.

2.3.1 Achievable Unit Pricing

Based on available market data and our understanding of market trends, the following unit size and pricing assumptions were made for pro forma scenarios testing strata and rental development (see Tables 2 and 3 below).

We assume pricing variability to be similar across different neighbourhoods in the District for this product type at the current pro forma level of granularity. As a new product type, the available comparable projects are extremely limited, and we do not believe there to be significant sub-area price sensitivity for this product type in the District.

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Table 2: Strata Scenarios: Unit Size and Pricing Assumptions

Unit Type	Unit Size (sf)	Per-square foot (PSF) Sale Price	Unit Sale Price
Two-bedroom	850 sf	\$1050	\$892,500
Three-bedroom	1075 sf	\$1000	\$1,075,000

Table 3: Rental Scenarios: Unit Size and Pricing Assumptions

Unit Type	Unit Size (sf)	PSF Rental Rate	Unit Monthly Rent	Unit Values
Two-bedroom	850 sf	\$4.50	\$3,825.00	\$ 1,062,257.14
Three-bedroom	1075 sf	\$4.40	\$4,730.00	\$ 1,313,588.57

Rental units are valued based on their projected cash flow at completion and stabilized occupancy. This is done by calculating the net operating income (gross revenues, less operating costs and vacancy allowance) and dividing that value by a market capitalization (cap) rate. The market cap rate represents the return an investor would expect from a rental property based on its risk and market conditions and is used to convert a project's stabilized operating income into an estimate of value.

For this analysis, the following assumptions have been made to arrive at unit values:

- Operational costs: 20% of gross revenue
- Vacancy: 1% of gross revenue
- Debt Servicing: 5% interest with 25-year amortization
- Cap Rate: 3.5%

2.3.2 Cost Assumptions

Each pro forma evaluates project viability after accounting for a detailed line-by-line breakdown of typical development costs. A summary of these costs can be found below.

2.3.2.1 Hard Costs

- Rental – hard construction cost per square foot: \$400
- Strata – hard construction cost per square foot: \$425 (assume slightly higher spec of construction versus rental)
- Demolition (one existing building, minor remediation): \$80,000
- PMT & Rainwater Tank: \$50,000
- Offsite and Servicing Expenses (minor repair/refinishing): \$100,000

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- Landscaping: \$20,000

2.3.2.2 *Soft Costs + Municipal Fees + Financing*

- Architect: 3% of Construction Cost (per AIBC recommended fee pricing)
- Other Consultants: approximately 3% of construction costs
- Municipal Permit Fees: set per DNV fees and charges bylaw (as of February 2026). Assumes no rezoning or OCP amendment, and includes fees for DP and BP.
- Municipal & Regional DCCs and ACC, current as of February 2026. This includes DNV DCC and ACC, Metro Vancouver DCC, Translink DCC, and School Site Acquisition Fee.
- Legal Fees, Property Tax, Insurance, Connection Fees all captured based on typical costs
- Management Fees: construction management at 10% of hard costs, and development management at 5% of total costs.
- Sales & Marketing Costs: Rental tenure has minimal marketing allowance. Strata tenure includes sales commission at 2.5% of total revenue, and Disclosure Statement costs.
- Financing Costs
 - Assumes current financing terms available through traditional lenders²
 - CMHC rental housing funding is not currently applicable at the SSMUH scale
 - Land financing at 5.5% interest rate, construction financing at 6.5%.

² Traditional lenders are banks and credit unions. Traditional financing relies on strong credit, developer liquidity, and past performance history. As such, this is often unavailable to smaller-scale or amateur "owner-developers". Alternative financing may be found via private lenders, which will typically come with higher interest rates (prime + 3% or greater).

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3.0 FINDINGS

3.1 STRATA TENURE PRO FORMAS

A total of five (5) pro formas were prepared where each unit was valued based on likely maximum achievable market pricing (strata), less typical realtor commissions. Results are shown in Table 5. At current market pricing, strata SSMUH is not shown to be achievable for a typical developer.

Table 4: Strata Scenarios: Profit on Cost Results

No. Units	Saleable Floor Area (sq.ft.)	Floor Space Ratio (FSR)	Return on Cost (%)
6	5,771	0.84	-10%
6	5,546	0.86	-9%
4	5,343	0.75	4%
4	5,372	0.76	-4%
4	6,260	0.72	3%

3.2 RENTAL TENURE PRO FORMAS

A total of five (5) pro formas were prepared where each unit was valued based on its anticipated net operating income. Results are shown in Table 6. At currently achievable rents, valued at a supportable market cap rate (after accounting for operating costs and vacancy), rental tenure SSMUH is shown to be unviable. While profit-on-cost in 6-plex scenarios is positive (and potentially sufficient for some), neither of these scenarios yields a DSCR at or above 1.2 and would therefore not be financeable from any major lender.

Table 5: Rental Scenarios: Profit on Cost and DSCR Achieved

No. Units	Rentable Floor Area	FSR	Return on Cost (%)	DSCR*
6	5,771	0.84	10%	0.84
6	5,546	0.86	8%	0.82
4	5,343	0.75	1%	0.77
4	5,372	0.76	1%	0.77
4	6,260	0.72	9%	0.83

*DSCR calculated in the first stabilized year of operations

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3.3 RENTAL TENURE WITH 6TH UNIT AFFORDABLE PRO FORMAS

Finally, two (2) pro formas were prepared looking at the 6-plex rental scenarios, in which one unit of formerly market housing is instead built (and valued) based on below-market rental rates (at rental rates identified by the District). This has a significant pro forma impact, resulting in a downward swing in profit-on-cost, and further downward movement in the DSCR.

The pro forma assumes that one 2-bedroom unit would be rented at 20% below the District median rents (per CMHC 2025 rental market data), resulting in rents of \$2,204 per monthly, or approximately \$2.60 per square foot per month.

Table 6: Rental Scenarios with 6th Unit at Below Market Rents: Profit on Cost and DSCR Achieved

No. Units	Rentable GFA	FSR	Return on Cost (%)	DSCR
6	5,771	0.84	-2%	0.75
6	5,546	0.86	0%	0.77

3.4 INTERPRETING CASE STUDY PRO FORMA RESULTS

The findings presented above, showing that case study pro formas do not meet standard viability or financeability thresholds, does not imply that SSMUH will never be delivered in the District. Case study pro forma analysis is intentionally designed to test *typical* or *average* conditions, using standardized assumptions for land values, construction costs, financing terms, and achievable revenues. Its purpose is to assess whether a policy framework is broadly supportive of development under prevailing market conditions, not to predict outcomes for every individual site or proponent.

In practice, some SSMUH projects may proceed despite average case study results showing non-viability. This can occur where site-specific conditions differ materially from the assumptions tested, such as lower-than-average land acquisition costs, more efficient construction approaches, access to lower-cost or patient capital, or above-average achievable rents or sales prices. Similarly, some projects may be undertaken by homeowners or small builders motivated by non-financial objectives (e.g., multi-generational housing, long-term asset holding, or neighbourhood attachment), who may accept lower returns than those assumed for a typical for-profit developer.

While excluding land acquisition costs may improve pro forma metrics in a hypothetical homeowner-led redevelopment scenario, land is not a zero-cost input; rather, it functions as the owner's equity contribution and is underwritten at its current market value. Even where a property was acquired decades ago, the owner is effectively deploying capital equal to the site's present market value, and must compare redevelopment returns to the alternative of selling at prevailing prices. For redevelopment to be economically rational, the risk-adjusted return must exceed that

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resale opportunity, not merely produce positive cash flow when historic land basis is ignored. Attributing zero land cost therefore does not demonstrate broad market viability, but instead reflects a construction-only feasibility test that does not reflect the true economic decision facing a typical longstanding owner.

In sum, case study pro formas are used to understand whether a policy framework can reasonably be expected to support consistent and scalable housing delivery across the municipality, with typical input considerations. When results show that projects are generally not viable under average assumptions, it signals that development will likely be limited to atypical circumstances, niche proponents, or favourable sites, rather than occurring at a level sufficient to materially contribute to housing supply. As such, the analysis provides insight into the overall likelihood and pace of uptake, while acknowledging that individual projects may still proceed under the right conditions.

4.0 DISCUSSION AND RECOMMENDATIONS

The pro forma work presented above was designed to test whether SSMUH is deliverable under different tenure conditions, from the perspective of a typical for-profit developer. Using five representative sites, the analysis compares strata and rental scenarios, applying tenure-appropriate viability criteria (profit-on-cost for strata; profit-on-cost and DSCR for rental). This provides a basis to assess how rental tenure zoning (and a below-market sixth unit requirement in 6-plex areas) would affect the likelihood of projects proceeding. **None of the case studies were found to be viable.**

The six-unit rental scenario has a stronger profit on cost than the six-unit strata scenario which reflects the different valuation mechanisms. Rental buildings are valued based on their ongoing net income divided by a market cap rate, which effectively applies a long-term income multiple to the project and can produce a higher overall value. In contrast, strata developments are valued based on total unit sales minus all development costs at current rates. The rental valuation captures the long-term income stream in a single capitalized figure, while the strata model reflects a one-time sales outcome with explicit profit and risk allowances. As a result, rental projects can show stronger “profit on cost” on paper, even though the underlying economics and risk profiles differ. In any case, neither strata nor rental scenarios show a strong enough profit-on-cost to meet a minimum threshold for viability.

A rental project may show a positive profit when valued using stabilized income divided by a cap rate but still fail to meet lender debt service coverage requirements. This occurs because lenders underwrite based on actual cash flow available during the early years of operation, using stressed interest rates and minimum coverage ratios, whereas the valuation assumes long-term stabilized performance and does not reflect near-term financing constraints.

A key variable for these pro formas is the land cost, which is driven by the assessed value of the land with a single-detached home. If land acquisition costs are excluded (reflecting a homeowner

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redeveloping their own property), a 6-plex rental pro forma approaches viability, achieving a year-one DSCR of 1.1.³ However, with annual project net cash flow of \$22,100 in the highest instance, assuming full occupancy of all six units, this outcome raises a fundamental economic question: which owner would pursue a rental strategy when the property could alternatively be sold for upwards of \$1.6 million with no meaningful (or any) investment?

We see the economics of redevelopment, relative to the value of a single detached home, impacting the uptake of SSMUH across the province. Anecdotally, the primary motivation for homeowner-led redevelopment involves multi-generational living, aging in place, and a strong connection to the neighbourhood. Sophisticated private developers in some municipalities are leveraging construction technologies to reduce hard costs while identifying sites with relatively lower land values. Municipalities with strong policy levers designed to encourage SSMUH construction, such as straight-to-BP permitting and fee-waivers, also have a significant impact on the market uptake of redevelopment.

Generally, the economics at the SSMUH scale are sensitive to relatively minor changes in costs. This increases the risk from the lender side, which is impacting the ease in financiability of these sites. At the time when the Province published its SSMUH policy direction, it was anticipated that single family homeowners would be able to leverage the equity in their home to undertake development. However, as the market has evolved, both alternative and traditional lenders are requiring demonstration of significant liquidity (i.e., cash, or assets that can readily be made liquid) in addition to property equity, meaning that the potential developer typically needs to be able to show cash equal to the build-out value to receive financing. This places a significant barrier to homeowner-led redevelopment.

At a high-level, the blanket application of rental tenure zoning for the SSMUH zones in the DNV would further narrow the already-small set of feasible projects, which is likely to translate into fewer SSMUH projects delivered, in turn reducing the future capacity for housing supply within the District. The application of rental-tenure-only zoning could put a downward pressure on land values if the zoning policy made existing single-family homes non-compliant, thus reducing resale value by forcing the construction of 4+ units rather than the construction or major renovation of single-family homes.

Assuming that SSMUH rental tenure zoning does not render existing homes non-compliant and does not restrict the construction of a new single-detached dwelling, it is unlikely to materially

³ Note that for a homeowner-led development, the DSCR is the metric of greatest importance as failure to achieve a sufficiently high DSCR would mean inability to secure construction financing.

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SUBJECT: Small Scale Multi Unit Housing Rental Tenure Zoning Analysis

reduce underlying property values. The continued as-of-right ability to develop a single-detached home effectively establishes a pricing “floor” for the land.

Under such a framework, the financial viability of SSMUH projects at scale would depend on sustained increases in regional rental rates, potentially reinforced by a reduction in redevelopment activity attributable to the rental tenure requirement. In this respect, rental tenure zoning operates as an implicit reliance on future rent growth: the feasibility gap is not absorbed through lower land values or reduced construction costs, but instead through **higher rents borne by renters in the broader market**, which ultimately enable the rental-only format to be financeable.

Given the broader economic and housing context, we strongly recommend tenure-neutral zoning for SSMUH zones with direction to revisit the affordable housing contribution viability on an annual basis.

Sincerely,

URBAN SYSTEMS LTD, and WATERS DEVELOPMENT MANAGEMENT



Justin Barer
Lead – Land Economics



Jeff Waters
Principal



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/JB, JW, JO

An aerial photograph of a coastal city, likely North Vancouver, showing a large body of water (False Creek) in the foreground, a dense urban area, and forested hills in the background under a clear sky.

Small Scale Multi-Unit Housing: Rental Tenure Zoning and Affordable Unit Analysis

March 16, 2026 Regular Council Meeting

Small-Scale Multi-Unit Housing (Bill 25)

Requires the District to accommodate up to 3, 4, or 6 units on eligible (non-exempt) single-family lots by **June 30, 2026**



On lots 280 m²
(3,014 ft²) or less



On lots greater than
280 m² (3,014 ft²)



On lots larger than
280 m² (3,014 ft²)
and
within 400m of frequent
transit bus stops

February 9, 2026 Council Workshop

Council supported further analysis on:

Using residential rental tenure zoning in the context of SSMUH

Economic feasibility of requiring one affordable unit in 6-unit SSMUH areas

SSMUH & RRTZ Economic Analysis

Testing Conditions



5 sites across the District



Financial feasibility of SSMUH development

Results



SSMUH development not viable under strata **OR** rental tenure

6-unit SSMUH & Affordable Housing Economic Analysis

Testing Conditions



Two 6-unit sites



Financial feasibility of requiring one below-market

Results



Requiring one below-market unit was not viable

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