
AUDIENCE QUESTIONS AND ANSWERS

HOW TO PUT AFFORDABLE IN THE MISSING MIDDLE –
APPENDIX TO THE SUMMARY OF THE WEBINAR SERIES
JUNE 2023 |

Part One: The “Missing Little” — A Renovation Revolution! Plus Introduction to the Series

Creating the blueprint for simple, replicable designs that are cost effective and easy to deploy.

Questions asked / answered live:

1. What is your professional and personal opinion on the feasibility of creating pre-approved standardized multiplex plans to help speed-up the approval process in the City of Toronto?

The short answer is: it's absolutely feasible, absolutely doable. The longer answer is: Who is going to form the template of analysis? What are the items that will be used to analyze a site? All that comes with experience, and that is why you hire a good architectural team. So that has to be systematized and it can be, we have our systems. We just need to make it more ubiquitous and more accessible. But it is doable. You will always have the 15-20% outlier of space and volume, and site and conditions where you need the real intricacy of an actual player, architect, orchestrator.

It is feasible. One method to do that would be to assemble a consulting team of experts and you almost work like a project manager, where you establish a risk registry and you just move through the issues and you chart where they are in terms of risks to an active right permit system. And then you can go through those risks. By doing that, you would identify the 10 to 15% that won't conform. With that, you have a very clear process. There are different models that are out there that are already useful to enact the as of right building permit system. So I think there is a combination of the best practices, like a literature review of best practices, assemble a team of experts with boots on the ground to establish and identify the risks and the protocols, and then an education piece which is managing the expectations of the citizen developer or homeowner who is going through the process about what the guardrails are.

Obviously, a renovation would be the most cost-effective and the first choice. But for housing typologies, say in Scarborough, with postwar small bungalows that are looking to be converted to a fourplex for example, it would be interesting to see how the government could pre-approve or allow for pre-design of modular stacked four-plex homes. That would further enable standardization.

2. In transit-absent communities we are struggling with loss of parking spaces that occur from missing little/middle. Any suggestions for addressing smaller urban spaces and parking challenges?

Municipal and Private stacked parking can be done. This is used in Los Angeles, a few German and Italian cities as well. There are several existing Toronto developments that are already employing this technique and devices. The bottom Woodbine, near the beach. A Townhouse

development that employs a car elevator in their garages to double the amount of parked cars on the same footprint as one car. There is another development at Dundas West near Dovercourt that uses this same device for their condominium building.

3. The panel has alluded to the possibility of co-ownership of properties. Is the existing condominium legislation well-suited to these small-scale Missing Middle housing models? Or is a different ownership structure needed?

Over a certain size, number of units, the Condo method can be used. There are other legal governing instruments such as Cohousing Share agreements, Cooperative Agreements and other tools. It is worth speaking to a good real estate lawyer familiar with these types of agreements before you proceed.

The parent company of Metro Suites builds condominiums, and it will be interesting to see how these multiplexes play out, because there are substantial upfront costs and administrative work to set up a condominium corporation. So we will have to see how the economics play out to see if most of these multiplexes will just be purpose-built rentals.

Condominium legislation is meant for larger projects. There are already pre-existing templates in the co-housing and shared housing model, or available through Vancity for example.

The condominium act and all the requirements are made for 200, 300 units, not a five-unit condo. Other avenues are being explore, such as strata-titling, which is very popular out West. The reason why it works in BC is because you can fractionalize mortgages, what you cannot do in Toronto.

Questions about Design

1. What minimum size of housing unit do you support?

I've applied for building permit a 430 s.f. (40 s.m.) in a small Ontario City. See my simplified plans here (<https://spacesbyrohan.square.site/product/-g-1-bedroom-tiny-house-sip-panel-905-7-houseplans-com-/3?cs=true&cst=custom>) Assuming no mini homes, i.e. houses on wheels. The question pertains to houses with foundations and whose infrastructure is 'hard' connected to the city infrastructure, then I've had permitted as little as 400 s.f. with a storage mezzanine where the owner had a bed.

2. How much does it cost to hire an architect? Is this a scalable cost?

All things are scalable; however it depends on many factors: Where you are in Ontario? What type of design the client wants? What level of quality are you expecting? What are the zoning

regulations? What are the site conditions? As a client, are you experienced or not experienced or somewhere in between? - as this will speak to the types of meetings, method of presentation, time of presentation etc. ... And you have to know how much is your budget. To run an architecture or design company is fairly expensive with the required office, professional, technical, bureaucratic, legal and insurance requirements ... and design talent notwithstanding.

3. Are there any design/build companies doing this in Toronto?

Many. Simply google/search the panelists on this week's event as a start. You will find some great work.

4. What would be the best scale for pre-approved plans, especially for backyard units? City? Upper tier? Province? Many smaller communities would benefit from this idea but don't have the capacity.

Scalable design responses are relatively easy if the zoning and the political will of the local population agree to the overall concept. In other words, the physical design responses are the easy part, the hard part is the 'will' of the population.

5. Isn't Making Units Without Parking Making them More Affordable?

Short answer is yes. However, it is also the practice of many architects and designers to design lift a portion of the ADU for parking or include a separate garage as part of the ADU. 2 stories, minimum assumed. See here (<https://spacesbyrohan.square.site/s/stories/make-2-or-3-or-4-homes-in-one-1-space-3>)

Policy and Programs:

1. What are your thoughts on the EHON initiative and the likelihood of it helping create affordable missing middle housing?

Physically and from a zoning point of view it has the potential to have great effect. However, in expensive parts of our province like Toronto, assuming we have easy flow through with zoning and building departments, the potential problem will be in affording the 'actual' construction renovation costs, insurance and financing costs by the property owners. If new methods of finance and a re-designed insurance template could be made then, I believe, construction methods would also evolve to produce outstanding results. Sadly, that is a lot of if, ands, or buts.

2. How to have mayors and councils in the GTHA (not a TO issue) to approve the Renovation Revolution as-of-right (no endless negotiations), one stop shop, some fed funds, etc.?

We need to develop design templates that can be analyzed and scaled. We need our places of higher learning to joint venture with each other. Trade schools, project management schools, business schools, planning and architecture to literally identify 10 demographics that represent various client scenarios. ... And form joint venture - 'monied' relationships with real willing people who own houses, have shared goals on the concept of expanded housing, are willing to joint venture and accept that they will be guinea pigs in the process and outcome. The knowledge (stat analysis) gained would be enormous and could be done in a two to three period. At that point, many mayors, with confidence and good data will make much better decisions regarding their support and directives.

3. Do panelists agree with Toronto's limits of 4 units plus accessory building per residential lot? More units should allow for more affordable housing.

The number of units might ideally be related to the size and configuration of the lots. A narrow city lot that is 80 feet deep may be able to handle 2 or 3 units but NOT 4 or 5 unit. However, some larger suburban lots can easily handle 4, 5, or 6 units. Also keep in mind that outdoor space, breathing spaces, outdoor amenity space that benefits human need for outdoor air, light, view, smell, comfort goes a very long way to tenant comfort and long term wanting to be in that unit. That speaks to community stability and endurance. Therefore, it is 'HOW' the units are designed for the spaces and building additions that matter. Not just the number of units.

4. What kind of initiatives can municipalities create to encourage homeowners to undergo the process of renovating? How do you allow citizen developers to build to their needs without getting bogged down in the bureaucracy?

Zoning requirements must be reduced or eliminated. The building permit process needs to be SUBSTANTIALLY SIMPLIFIED. The development charges, Municipal Property Tax must be substantially reduced. Tax incentives must substantially increase for the property owners.

5. What are the existing financial support policies for single family homeowner? If yes, what is the percentage of utilization of this program?

HST rebates if the addition and or ADU is for family members. There are some other minor tax incentives for seniors or people with disabilities. The number of people who act on this usually have enough money to afford an accountant who will guide them to another accountant that specializes in these rebates.

6. Do you think making implementing "missing little" housing will exacerbate the financialization of housing in our cities?

Sadly, yes. Without the collective social and political will to craft legal policy that will ensure the fair distribution of economic opportunity in the form of safe, stable, affordable rental or ownership housing, the overwhelmingly powerful trend that favours those people or groups with access to capital will likely exacerbate the affordability issue.

7. I love the idea of affordable housing but who will "police" the affordability piece?

Scenarios must be worked up, tested, evaluated, and adjusted. Tested and evaluated again and adjusted again. It can be done.

8. Can a mandated minimum density be useful along side incentives/funding support for development.

One size of incentive will NOT be good in all cases. The mandates minimum density can be useful in some areas. However, it is important to study and define the factors ... and be willing to adjust the factors as we evolve in our understanding of the consequences, both expected and unexpected.

9. Would it help to loosen use zoning on streets where houses dominate? What if homeowners were allowed to add a corner store? Or hairdressing studio? Or office space, rather than limiting change to 'adding apartments to housing for residential density.

Great idea and very polite in your phrasing. I would say our zoning by-laws need a complete re-think. This will take place either because of a desperate reactionary need and or a true creative task force that included many ordinary yet thoughtful and committed citizens over a period of time. Universities and Colleges should, like [Alabama's Auburn University of Architecture](#), utilize its students as part of their curriculum be engaged as catalysts for cohesive community driven task forces.

Finance:

1. How are these projects usually financed right now?

Private finance almost exclusively.

2. great conversation... do you have a simple proforma of cost to built and finance VS rental income generated?

Check this Urban Land Institute [report](#).

3. There are many programs from Federal government to upgrade from burning gas to using heat pumps. A lot of our emissions come from buildings burning gas for space heating and hot water needs. How can The Renovation Revolution get those expenses Spent???

Since most renovations need mechanical, electrical & plumbing permits, this could introduce the possibility of incentivizing all mechanical, electrical and plumbing designers to be

financially incentivized by local and federal governments to specify smarter and better (more energy efficient) equipment. Furthermore, the homeowner or project owner would be compensated for the upgrade in the smarter and better (more energy efficient) equipment and systems. In other words, the homeowner or project owner is not saddled with the extra material and engineering expenses that would otherwise deter them from either doing the project as a whole or at the very least, deter them from upgrading to smarter and better systems. This could be done through, grants, tax rebates, and the like.

4. I'd love to hear whether the speakers' experiences align with the study you showed, that renovations are a significantly more affordable way for a homeowner to add density rather than detached ADUs? What are the factors in that?

In my experience if you are renovating it is less expensive than building new. However, if you are renovating to for the long term, energy efficiency, added fire safety, loading upgrade, air-handling, HVAC upgrade, mixed-use upgrade, i.e., mixing commercial and residential, or low hazard manufacturing (wood working shop/minor food production like a café kitchen catering) with commercial and residential - the costs for renovation can match new. So it depends on how much and what type of renovation you are doing.

Development & construction:

1. What role does strata-titling have on incentivizing new development at this scale?

“Strata-titling” is a legal method to define space, rights, responsibilities and expectations in a manner that is acceptable to financiers, i.e. lenders, insurers, and to the parties in relationship such that there is a clear path to compensation and legal settlement if something goes wrong. Also, it is a succession plan and it a path for legal transition of parts and parcels. All that to say, other methods of meeting these expectations can be granted by other legal mechanisms that a good real estate lawyer can develop without calling it “strata-titling”. They are ‘venture’ agreements in general. We can evolve them to be simple or very complex.

2. What do you see as the role of the developer in this process? What role do DCs play in this renovation process?

Assuming the Developer is relatively experienced at building triplexes and up, they will likely have established protocols and templates that can establish a base of measure. From this base, the relative ease (read experience) of assessment is critical to the renovation process? There is a ‘sweet spot’ in the proper size of an established developer. Larger developers,

those who do 20 or 30 units and up, may be too large for 3 to 6 units solutions. In short, a developer can be very important to scaling these types of housing initiatives.

Other

- 1. Is the idea for the housing to be rentals? or condized? If condo, how does the complication of creating condo boards at this small scale come into play?**

Stable rental and a lesser percentage of shared ownership / cohousing.

- 2. What do you think about condominiumizing the additional units – would it provide a better financing option for the existing homeowner? I think a lot of families are seeking ownership in a neighbourhood, even if not a full house.**

Over a certain size, number of units, the Condo method can be used. There are other legal governing instruments such as Cohousing Share agreements, Cooperative Agreements and other tools. It is worth speaking to a good real estate lawyer familiar with these types of agreements before you proceed.

- 3. Is there any generational data on the single home ownership? I doubt senior citizens would like to do this knowingly majority have accumulated enough wealth. Seems too much hassle for them**

I disagree with the conclusion above.

The majority of Seniors do not have enough wealth as they age. Seniors have to have enough money to have someone look after them as they age. There are different levels of care as seniors age. Many seniors cannot afford to sustain private assistance as they age. Most seniors MUST adapt their homes as they age. Dexterity, mobility, sight, sound, pain and recovery, house maintenance changes, and so on. Therefore many seniors are forced, if they own a home, must sell that home if they cannot afford to adapt it. They will likely move into age specific housing that can cost an average of \$4,000 to \$8,000 a month and up. In addition, of the seniors who own homes, many of the children CANNOT afford to buy the homes of their parents and pay for the new lodging of the aging parent(s).

- 4. Can co-housing be incorporated into these ideas for missing little?**

Yes, cohousing can easily be incorporated into the missing middle. Please study the website <https://cohousingoptions.ca/> and Kristopher Stevens. Note there is a higher minimum of units to be successful. 4 may be too little. 8 to 25 is more ideal.

- 5. (mixed question). How many custom-home builders are there in the market, I mean the reputable ones? Is there anything municipalities can do and warrant their quality of work by partnerships? So, like building trusts between private and public sectors? Senior citizens**

are more cautiously optimistic of these moves, assuming they are the ones own the majority of the land bank, they would like to see calculated risks

The vetting of suitable construction companies and project management companies needs to be done. This is a process. It can be done. It needs time, testing, verification and monitoring.

6. Too much emphasis on Aging In Place! It's better to pass the SDFs back thru the cycle, so we don't build more of them In the Greenbelt?

Note: in 2030 1 out of 4 Canadians will be 65 years of age or over. In 2023 1 out of 5 Canadians are over the age of 65. So to push the point. NO province in Canada is prepared to house this very very large portion of the population in old age facilities. NOT even close to accommodating a fraction of that number. **Therefore, aging-in-place is, by necessity, needs to be emphasized.**

Part Two: Busting through the Barriers to the “Missing Little”

The blueprint for the Missing Little is here; now let’s make way for the Renovation Revolution!

Audience questions and answers

1. Seems like one tiny home per residential lot is a bit of a waste of land? Not much density?

You can ADD a tiny house to any residential lot that already has a house, house + ADU, or townhome. You can’t have just a tiny house on a lot; it must be additive to what’s there already. Another detail: tiny homes with interior plumbing must be connected to water & sanitary waste.

2. Did Berkeley housing reform have conflicts with studentification?

- a. A big advantage of the State approach is you don’t bog down in the “don’t change” hyper-local impulses of each region such as anti-student sentiments in university towns.
- b. Yes! And sometimes city planners/electeds will quietly hope the state tells them they have to allow ADUs. Because they know it’s more equitable and would create less expensive housing options - but politics can be too challenging at the local level to make the change there.
- c. Many of our 450 cities and 58 counties have done their own ADU rental value surveys so they can report affordability levels in their annual housing reports to the State—and are finding most ADUs rents at 65% AMI
- d. ADUs in Portland that are rented go for slightly more than a similarly-sized apartment. But we also found that ~15% of ADUs are rented for nothing. This means they’re being made available to a friend, family member, or loved one who otherwise would be competing on the rental market. So although ADUs in Portland are almost never regulated as income-screened, rent-capped affordable housing, they end up serving that purpose sometimes as the owner uses them as a safety net.

3. How does purpose built rental fit into these ADU policies?

More and more builders of multi-family and single-family products in CA are including ADUs in their prototype units. Owners of existing MF products are adding 20% more units to their properties by adding ADUs to their garages, bike rooms, yard areas, etc. Having an ADU is proving a popular feature whether to offer homeowner lifestyle flexibility over time, to cover the mortgage, or to immediately house family and share the mortgage burden with them

4. What's the best scale for pre-approved plans for backyard ADUs? County or provincial? Many smaller towns don't have the resources but want to take advantage of this idea. Who's doing this well?

- a. Eli Spevak | Orange Splot LLC: Denise may have different experience than me, since she works with larger (CA) cities. But I've seen a number of cities attempt the pre-approved plan route, and they very rarely get used. It doesn't cost all that much to design an ADU, and home owners often have unique goals for their back yard home that might not work with a pre-approved design. Contractors that build ADUs can provide standard plans to select from, and these are increasingly available on-line. The main advantage of pre-approved plans is expedited permitting. But this is more of an issue in big cities with slow permit processes (sometimes 3-4+ months!). Smaller cities tend to have more nimble permit processes, so there's less advantage to having pre-approved plans with expedited permits. Peeling, people won't build them. But you can allow them anyway, as an option, and let the market figure that out. Some of the concerns people have about ADUs are less an issue in suburban neighborhoods, where there's ample parking and lots of garages in the neighborhood fabric already. And many of those garages are full of stuff, not vehicles :-).
- b. Denise Pinkston | The Casita Coalition: In California, families need more affordable housing choices no matter what type of community. In rural California, ADUs provide housing for workforce priced out, for young people not able to rent or buy a unit, for families unable to buy a home without sharing, and are keeping senior homeowners in their homes when their fixed incomes don't cover cost of living increases, they cannot fix the fence etc. These units pretty much always rent for less than a whole house or separate apartment, and there is always demand here for a more affordable housing option across all geographies of the State.

5. Bindu spoke about infill capacity studies - is that a common thing in municipalities?

In CA, we did a quick study of "occupancy" history of neighborhoods and found that single family homes house fewer people today vs. any other time in history. So, adding people to these homes does not change "capacity" imbedded in the neighborhoods.

6. To Eli and Denise, I know here in Ontario, local municipalities have task forces to crack down on illegal ADUs and have so many requirements that deter homeowners from going through the process and increase costs (still not affordable for most). The expedited infill pilot program Bindu has referenced seems hopeful. Is there other comparable programs in the US where municipal officers are actively assisting homeowners with expedited ADU applications and offering more incentives to increase uptake?

- a. Please check out the "unpermitted ADU" guidebook on the Casita Coalition website.

7. How much of the ADUs in Portland and California affordable? Any idea if any of these units were used to generate short term rentals?

- a. Karen Chapple | School of Cities: Our surveys show that about half are affordable for median income households. There have been multiple surveys of short-term rentals on the West Coast finding that about 10% are used for AirBnb. Typically they circle between short and long rental.
- b. Denise Pinkston | The Casita Coalition: California’s state law disallows ADUs from being rented as Air BB (less than 30 days) if they were created under State law.
- c. Denise Pinkston | The Casita Coalition: Many of our 450 cities and 58 counties have done their own ADU rental value surveys so they can report affordability levels in their annual housing reports to the State—and are finding most ADUs rents at 65% AMI
- d. Eli Spevak | Orange Splot LLC: ADUs in Portland that are rented go for slightly more than a similarly-sized apartment. But we also found that ~15% of ADUs are rented for nothing. This means they’re being made available to a friend, family member, or loved one who otherwise would be competing on the rental market. So although ADUs in Portland are almost never regulated as income-screened, rent-capped affordable housing, they end up serving that purpose sometimes as the owner uses them as a safety net.

8. Ezra Klein (NYTimes) has written a piece that underscores the challenges of making ADOs safe and affordable. To navigate this complexity, the cost then also would need to account for architect's & engineering fees - is there any funding available to offset that?

The California budget allocation covered homeowner pre-development costs up to \$40k/unit and helped thousands of owners with AMI’s below 80% to cover these costs and borrow less to build their ADUs

9. What's the best scale for pre-approved plans for backyard ADUs? County or provincial? Many smaller towns don't have the resources but want to take advantage of this idea. Who's doing this well?

- a. Eli Spevak | Orange Splot LLC: Denise may have different experience than me, since she works with larger (CA) cities. But I’ve seen a number of cities attempt the pre-approved plan route, and they very rarely get used. It doesn’t cost all that much to design an ADU, and homeowners often have unique goals for their back yard home that might not work with a pre-approved design. Contractors that build ADUs can provide standard plans to select from, and these are increasingly available on-line. The main advantage of pre-approved plans is expedited permitting. But this is more of an issue in big cities with slow permit processes (sometimes 3-4+ months!). Smaller cities tend to have more.

- b. Denise Pinkston | The Casita Coalition: In CA, we did a quick study of “occupancy” history of neighborhoods and found that single family homes house fewer people today vs. any other time in history. So adding people to these homes does not change “capacity” imbedded in the neighborhoods

Part Three: Uptake versus Affordability: What's in it for the Homeowner?

Finding the balance between homeowner profits and affordable units

Audience questions and answers

- 1. Can we get more info / link to Federal (?) program re another unit for a senior family member \$7500 grant? Thanks.**

This is the Multigenerational Home Renovation Tax Credit - <https://www.cbc.ca/news/canada/british-columbia/multi-generational-home-renovation-tax-credit-1.6707980> It launched Jan 1, 2023.

- 2. What are the programs as is? any like to a summary of those?**

I have not come across a reliable and updated list of all municipal programs. Federally, you may be eligible for up to \$7500 tax credit on expenses for an ADU for a senior family member or adult relative with a disability (see above question). Locally, if your municipality offers an incentive, they likely have a webpage dedicated to that. These incentives may not be specifically for ADUs – perhaps there is a tax-increment rebate for all new housing or for eligible investment in a particular neighbourhood. Other areas to look might be grants or forgivable loans offered locally for creating an affordable housing unit. All of this is highly local – talk to your city hall about it.

The following may also be of interest:

1. The Development Charges (DC) Deferral Program for Ancillary Secondary Dwelling Units allows for a DC deferral for eligible property owners developing a secondary dwelling unit at the rear yard of a property.
2. The Affordable Laneway Suites Pilot Program provides funding in form of a forgivable loan of up to \$50,000 for eligible property owners developing a laneway suite. The loan will be forgiven in 15 years from the date when the first tenant occupies the laneway suite. <https://www.toronto.ca/community-people/community-partners/affordable-housing-partners/laneway-suites-program/>

- 3. Is there any rent control on these auxiliary units? Any policy from LTB?**

As far as I know, ADUs would be simply subject to the rent control policies of your province. If you are sharing living space but not creating a full “unit,” that would fall into a different category. Check out [Happipad](#) or [Sparrow Living](#) (supported by the National Housing Strategy) for professional support on how shared living tenancy operates.

Additional rent controls will be applicable if you access the following grant.

The Affordable Laneway Suites Pilot Program provides funding in form of a forgivable loan of up to \$50,000 for eligible property owners developing a laneway suite. The loan will be forgiven in 15 years from the date when the first tenant occupies the laneway suite.

<https://www.toronto.ca/community-people/community-partners/affordable-housing-partners/laneway-suites-program/>

4. I missed Gracen Johnson's notes and would love to have it written out to be able to digest. It was a lot of important information!

In summary: There ARE grants and loans like multi-generational home renovation tax credit and Toronto’s Affordable Laneway Suite forgivable loan, but they generally have rules around who can occupy the unit or how much the rent can be.

The main form of support is by **removing barriers**.

- **Municipally:** Making sure that this kind of project will fly through the approvals process. Cities like Edmonton have created how-to guides and outwardly encourage homeowners to do this.
- **Provincially:** Ontario has introduced legislation that requires cities to permit attached and detached ADUs and prohibits cities from charging development fees on them. BC has released plans to permit 3 units on all single family lots and simplify permitting across the province.
- **Federally:** In Canada we allow homeowners to count rent payments toward their debt servicing ratios when qualifying for mortgage loan insurance. That’s a way of giving people access to a lower down payment. This is for buying a home, not refinancing. Anecdotally, I’ve heard that many homebuilders are now making their new builds multi-unit or at least suite-ready so that buyers can take advantage of this.

5. How would having income generated through renting part of your personal home affect capital gains tax exemption when the property is sold?

Marcel answered this one live.

That said, highly advised people speak to their accountants on this one.

6. Let's pretend I'm a homeowner who wants to add one or two ADUs, where can I go to find money matters in one location? Does such a website, curated area exist? It would be so helpful to be able to direct residents to something like this. Either an Ontario/Federal website?

Right now, there is still some discovery work required on the part of the homeowner and speaking to a **local** practitioner is a good place to start. In my experience, a good bet would be to speak with a design-builder who does ADUs or conversions with these questions. They are likely to know: a) what gov't programs are available locally and may provide quotes for those funding applications; b) what kind of financing their previous ADU clients have used; c) people you can speak to locally re: lenders who adapt well to “missing little” projects.

Unfortunately, no one stop shop exists. The information is siloed and fragmented. You will have to do some of you own initial research and try to find a mentor (investor meetup groups are good for this). Then start building a “power team” (Realtor, who has done these themselves and clients, mortgage broker who has financed these projects, real estate lawyer, planner, architect, general contractor/builder. Get very familiar with a particular area and also speak to the zoning department to learn more about any intricacies of a given neighbourhood. They all have unwritten rules.

7. Question for Gracen from the organization doing the gentle density accelerator work you mentioned (thanks for the shout-out!) - Why do purpose-built rentals work in the US? What are the defining differences from Canada?

Very simplified: the cost of land compared to rental rates. The market has changed a good deal since 2018, but there are still many areas in the US where rents are quite high compared to the cost of acquiring and renovating a building. Sometimes this is a product of lending practices; banks may not lend at all in an area, or their appraisals will come in lower than the cost of purchase or improvements. It could be that few people have access to capital to buy or renovate those buildings. Put another way, locals in the area may be paying \$1200/month in rent, but not have access to a \$1000 mortgage as an alternative. The psychology plays a part too. In much of Canada, people have long purchased homes at a far greater cost than the rental utility of the building. There are many reasons for this, including an expectation of home price appreciation. In markets where there is expectation of stability or even decline, the house prices are more a reflection of supply and demand for living space. And quite often in those markets, there is a shortage of dignified rentals (see lending practices comment above). Particularly at this small scale, a local might buy a \$100,000 home that requires \$50,000 worth of improvements and could then be rented at \$1200 to grateful neighbours because there is so little available in the rental market (or the other rental options are run

down and still cost \$900, for example). This is a complex issue with much more to it than I can provide here.

8. Link to innovation fund information? Thanks

<https://www.cmhc-schl.gc.ca/en/professionals/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/affordable-housing-innovation-fund>

9. exactly. everything soft and hard cost is at market. so how do we expect owners' to deliver a below market rental? That's an imbalance I see here

Good point. The idea of why owners would deliver a below market rental comes down to what incentives they can benefit from (or simply personal desire). Examples of Incentives could be: zoning front of the line (time), forgivable loans, deferred tax, DC elimination, parking ratios and mortgage importantly additional density (permission for 4 or 5 units, without CoA if one is affordable).

10. Has anyone here done proforma for 'typical' properties that could have ADU in Toronto? Construction costs are vastly different here than in California.

Yes. The challenge is the land is costly in Toronto, however there are opportunities in neighbourhoods that aren't as mature and have walking distances greater than 800M to subway station. Construction costs will be north of 300/sqft.

11. Are there income tax benefits for mortgage holders in the US? This could make a big difference between comparing proformas in Canada with the US.

Yes, there are. Will leave details and comparisons of that to a tax accountant though.

The mortgage interest tax deduction may be a tax benefit available to homeowners who itemize their **federal income tax deductions in the USA**. Speak to a tax accountant for more info.

12. Does someone have an example of where the missing middle model is working in urban or predominantly black/brown neighborhoods?

Would need some definition on what is meant by working.

There is a Housing Supply Challenge project by Cheryll Case and team exploring this topic as part of a broader examination of inclusion in the city building process <https://cpplanning.ca/roadmap>

13. Marcel - based on your experience, would it be feasible to convert single family to four-plex while keeping a full-time job? My issue is this conversion is not plausible for many unless you dedicate full time to this business...

Yes, it's possible. My advice would be to hire a good General contractor to manage the trades and project. It will cost a bit more but if you don't have experience (& the time) managing these projects it's more than worth it! There are also design/build firms that can handle planning, architect, and the build for you.

14. Is it possible to focus on affordability and how we build that into the conversation of a citizen builder? how do you get individuals to think about "mission"? How to make it easier for people who can't even afford to get into the housing market in the first place?

Yes, I think these opportunities are best for those who can't afford to get into the market as they will provide supplementary income. One could search for a property that is already converted into multiple units. ... or the concept of co-owning is something to consider here as well. 3-4 people can join forces and purchase a property together to be converted into separate units they will all live in. The challenge is exit. Ideally the units are separated in the self-contained condos/strata units.

15. How were the communities in Ontario selected to be on the adusearch.ca? Amherstburg but not Burlington?

You can refer to adusearch.ca for an answer or contact them directly.

16. How are ADUs most commonly funded? What are the range of funding sources? Please provide - would be really helpful.

Often home equity (Home Equity Line of Credit or refinance and pull cash out), a line of credit, cash savings, personal loans.

In addition to the above equity could come from: Joint ventures, retail investors, co-owners, family/friends.

Acquisition financing is most commonly from banks, B lenders.

Construction Financing is mostly commonly from credit unions, and private lenders

Questions Answered Live

1. **What has been the impact of the recent increase in interest rates on the building of affordable units?**

Kira Grewing | Sacha Investments Ltd. : In Vancouver, we are seeing significant slow-down in purposebuilt rental projects, even those that were on track to receive CMHC financing through Co-Investment or RCFI.

2. **Can we get more info / link to Federal (?) program re another unit for a senior family member \$7500 grant? thanks.**

Gracen Johnson | Canadian Mortgage and Housing Corporation: It's the Multi-generational Home Renovation Credit launched this year

3. **Question for Gracen from the organization doing the gentle density accelerator work you mentioned (thanks for the shout-out!) - Why do purpose-built rentals work in the US? What are the defining differences from Canada?**

Gracen Johnson | Canadian Mortgage and Housing Corporation: Mostly comes down to the cost of purchasing a property. Rents are high compared to the cost of land.

Part Four: This Renovation Revolution Includes Equity

Ensuring up-zoned neighbourhoods don't become exclusive

Audience questions and answers

- 1. Affordable housing is a wonderful concept. Who will be policing the "affordability" piece? A homeowner gets an ADU fast-tracked, they don't pay DC's etc but what stops them from charging above market for the space?**

There are specific affordability metrics that are used and that are consistent with provincial policy. New definitions are coming out. A basic metric of affordability is 30% of one's income, and then you can drill down based on dwelling types etc., in terms of how you keep it affordable.

In the CLT Plus One Program, they verify the income of the tenant and make sure that the ADU is leased to someone who is 60% AMI (average median income) or below.

- 2. Can ADU's comfortable provide housing for a family? Many of the images of garden suites and laneway suites appear to show a maximum of two-bedroom units, which cannot compete with suburban homes for comfort for families. Is there a way to help support comfortable and liveable options for multi-generational families through missing middle options? Are there any good case studies to demonstrate this?**

There is a desire to look at different housing options, and an ARU may be a good option for someone who has a caregiver or a grandparent who wants to live in the second unit. There are also initiatives to support family size units, because there is a need to make sure that larger households have an affordable place to live. It is fundamental to work with non-profit and private industry partners to make sure that housing is more available.

There are many factors to take into consideration, such as the size of the parcel itself that can limit how big the unit can be.

Looking at independent adults, people aging in place, the Backyards Homes Project found that these standalone units are a really good option. A lot of people are reimagining what the single-family neighborhoods look like, how to share space with others, and how to address the changing needs of a growing family.

- 3. How to make sure we have more housing for students?**

Initiatives such as the [Canada Home Share Initiative](#) and [SpacesShared](#), have been implemented in a number of municipalities and pair up a student with a senior living on their own and offer reduced rent in exchange for helping out with household tasks (e.g., taking out the garbage) and social interaction.

4. Hi Sherry Taylor is there a reason you have not structured any sharing in rental income with the CLT?

In the home +ADU (The Linwood), the homeowner receives the rental proceeds of the ADU.

5. Sherry is from the Durham Land Trust - I am wondering how the land trust structure specifically helps to facilitate the missing middle housing. Is this an ownership model that should be expanded in the Canadian/GTA context?

The land trust retains ownership of the land, taking the land cost out of the purchase. We also apply a resale formula once the house is resold (maximum purchase price is always affordable to moderate income families below 80% AMI). Community Land Trusts (shared-equity homeownership) is a worldwide model!

6. Question for Paul: you mentioned a \$30k forgivable loan... do you know of any other local, provincial, or federal construction financing programs in Canada for ARU development?

Some examples of federal initiatives that support rental: Canadian Mortgage and Housing Corporation Rental Construction Financing Initiative and Canada Mortgage and Housing Corporation Affordable Housing Innovation Fund. The Province of Ontario also recently expanded exemptions on development charges and other fees for ARUs.

7. Reference to lot sizes here would be helpful. Toronto's typical lot is very narrow.

Lot sizes were referenced in the webinar in terms of how local municipalities are conducting studies to identify opportunities for gentle density and innovative ground-related housing types including missing middle options such as duplexes, triplexes, etc.

8. what are the policies/initiatives being put into place at a provincial level that would help with affordable housing/missing middle housing aside from garden suites /laneway suites at the zoning level. what would entice developers to produce affordable units rather than market rate?

The speakers referenced incentives to build affordable housing through sources such as municipalities and CMHC.

9. I wanted to know, specifically in Canada how affordable housing is being inclusive for student renters and families that live in university/college communities, the prices are increasing, are there any solutions for them? also for foreign students studying in Canada

The speakers referenced pilot programs in various municipalities (such as in Peel and Toronto) that match older adults who have a spare room with post-secondary students who need housing. Students pay reduced rent in exchange for companionship and assistance around the home. Some

examples of these programs are [Canada HomeShare](#) and [SpacesShared](#). We also referenced working with colleges and universities to find suitable and affordable housing for students.

10. How do you help create the small mom & pop contractors to build these ADUs?

The speakers referenced the [My Home Second Unit Renovation Program](#) in Peel that helps to provide assistance to individual homeowners who want to renovate an existing second unit to bring it up to code etc.

11. Has Sherry already placed in service the container homes? How does cost of containers compare to stick built units or renovation of existing?

The container ADUs are still in the design phase with the design-build firm Makhers Studio (based in Atlanta, GA). The container units are projected to be 30-40% less than the stick-built according to unit size.

12. Cities in Ontario often stand in the way of missing middle housing as gatekeepers, rather than accelerators - through long permit times, complicated inspection processes etc. What programs or initiatives are in place to raise awareness of ADUs as an option for existing homeowners and reduce red tape/cost of creating more of them? (ex. Permit process in Ontario takes on average 250 days, whereas in Korea its less than 4 weeks)

The speakers referenced the role that municipalities have in encouraging and finding opportunities for ARUs in new developments, such as in a certain number of detached, semi-detached and townhouse units. This includes having the option of ARU rough ins, larger basement windows, and providing separate entrances as part of pre-construction sales.

Municipalities review their processes and policies to minimize unintended barriers that could slow down or dis-incent affordable missing middle housing. This could be through reviewing process requirements or zoning by-law standards as well as simplifying the approval process and fees.

13. Where can we go to find out more about these incentive programs? Are they available to small developers who want to create this type of unit?

The speakers referenced incentives to build affordable housing at various scales (individual homeowner or developer) provided by municipalities but also through CMHC.

- 14. With a large emphasis on the role of governments to encourage these types of housing, where do you see the roles of the various levels of governments for providing grants/loans or other funding given the regressive nature of property tax (municipal tool) versus the income tax (federal/provincial tool).**

Municipalities continuously advocate to the provincial and federal governments for sufficient and predictable funding and additional financial incentives for affordable housing and innovative housing options, which includes missing middle housing.

- 15. How do you know 30% is even affordable?**

From CMHC: In Canada, housing is considered “affordable” if it costs less than 30% of a household’s before-tax income. Many people think the term “affordable housing” refers only to rental housing that is subsidized by the government. In reality, it’s a very broad term that can include housing provided by the private, public and non-profit sectors. It also includes all forms of housing tenure: rental, ownership, and co-operative ownership, as well as temporary and permanent housing.

Municipalities work to partner with non-profits and other developers to create housing with deeper affordability, particularly for lower income households or those with a need for additional services and supports.

- 16. Have you seen any decreases in property values having a neighbour with an ADU building? Toronto has a very big NIMBY issue. Putting in a garden shed can be contentious. Not everyone is happy about this change in planning.**

ARUs provide more housing options for larger households and/or providing additional rental units that are in great need in many municipalities due to low vacancy rates. ARUs also provide a potential rental income opportunity for the homeowner.