



## ADMINISTRATIVE REPORT

Report Date: January 12, 2015  
Contact: Abigail Bond  
Contact No.: 604.873.7670  
RTS No.: 10823  
VanRIMS No.: 08-2000-20  
Meeting Date: January 20, 2015

TO: Vancouver City Council

FROM: General Manager of Planning and Development Services in consultation with the Chief Housing Officer, and the General Manager of Community Services

SUBJECT: Approval of Increased Floor Space Ratio for 311 East 6th Avenue

### **RECOMMENDATION**

- A. THAT Council approve an increase in floor space ratio (FSR) from 3.00 FSR to 4.73 FSR for the proposed development at 311 East 6th Avenue (DE417971).
- B. THAT subject to approval of Recommendation A, the Director of Legal Services be instructed to bring forward for enactment the by-law required to authorize the City to enter into a Housing Agreement with the owner prior to issuance of a development permit for the subject building as more particularly described in this Report.

### **REPORT SUMMARY**

This report seeks Council approval of the additional floor space requested by the owner of 311 East 6<sup>th</sup> Avenue, which the Development Permit Board considered at its meeting on November 17, 2014 and is prepared to permit subject to Council's prior approval, based on the proposed inclusion of 14 social housing live/work units for low-income artists. The 14 social housing units proposed to be owned and operated by a non-profit organization as wheelchair accessible social housing live/work units for low-income housing for artists with disabilities, goes beyond the requirements contemplated by section 4.7.5 of the IC-3 District Schedule of the Zoning & Development By-law, where the developer is able to retain the low cost live-work units under a Housing Agreement.

Under IC-3 section 4.7.5, the amount of the increase in floor space ratio considers the cost to the developer of adhering to the conditions of the housing agreement alongside the value of the increased floor area and any relaxations of other regulations.

If the additional density is approved, staff will negotiate a Housing Agreement with the owner of the site, to require that the owner and operator of the 14 social housing units will at all times be a non-profit society, and to secure these 14 social housing units for artists for 60 years, or the life of the building, whichever is longer and subject to such other terms and conditions as the Development Permit Board may require. That Housing Agreement, once agreed upon and signed by the owner and its mortgagee(s), will be presented to Council for approval and enactment as a Housing Agreement By-law.

The applicant has identified Vancouver Resource Society (VRS) as the proposed owner/operator of the 14 social housing units, all which will be wheelchair accessible units intended for persons with disabilities. VRS is a non-profit society that has provided housing for approximately 150 persons with disabilities since 1972. The society will purchase and operate the units in accordance with the Housing Agreement and has expressed intent to deepen the required affordability of the units by requesting rent supplements from BC Housing. VRS's extensive experience serving persons with disabilities presents a valuable and unique opportunity to serve artists with disabilities, which is above and beyond the requirements of the density bonus provision.

### ***COUNCIL AUTHORITY/PREVIOUS DECISIONS***

- Section 4.7.5 of IC-3 District Schedule of the Zoning & Development By-law.
- Downtown District and IC-3 District Policies for Low Cost Rental Artist Studios.
- Mt. Pleasant Community Plan; Mt. Pleasant Implementation Package.
- Housing and Homelessness Strategy 2012-2021.
- Artist Studio Guidelines.
- Vancouver's Culture Plan: Strategic Directions 2013-2018 aims to enhance, promote and support Vancouver's diverse and thriving cultural ecology. One of the key objectives of the plan is to invest in Vancouver's creative economy by working with community partners to retain, enhance and develop affordable, sustainable cultural spaces.
- Cultural Facilities Priorities Plan 2008 - 2023 outlines strategies and tactics for enabling the sustainable creation and operation of cultural infrastructure.
- At its meeting on November 17, 2014 the Development Permit Board concluded that it would permit the proposed additional density for the development at 311 East 6th Avenue, subject to Council's prior approval (development permit application DE417971).
- At its meeting on December 10, 2014, the Board of Variance-concluded that it would permit proposed additional height for the development at 311 East 6th Avenue.

**CITY MANAGER'S/GENERAL MANAGER'S COMMENTS**

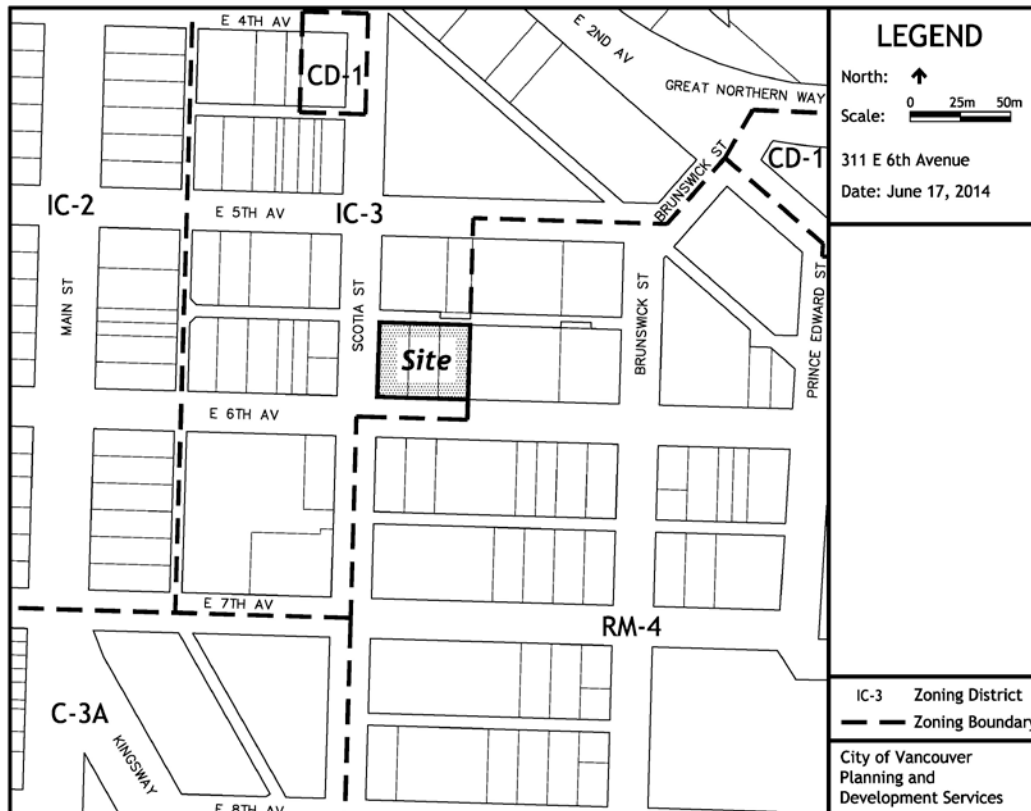
The General Manager of Planning and Development Services in consultation with the Chief Housing Officer and General Manager of Community Services RECOMMENDS approval of the foregoing.

**REPORT**

**Background/Context**

The proposed development at 311 East 6<sup>th</sup> Avenue is for a six storey mixed-tenure building with a total of 124 residential units - 110 market ownership units and 14 social housing units. Unit types include: 52 Class A live/work artist studios (market ownership), 14 Class A live/work artist studios (social housing), and 58 market ownership units, above two (2) levels of underground parking and with vehicular access from the lane.

**Figure 1 - Site and surrounding zoning**



## Use and Density

Market ownership units and artist studio with associated residential units (“live/work”) are conditional uses in the IC-3 District. The outright density permitted is 3.0 FSR. A maximum of 2.5 FSR is allowed for artist studio live/work units.

Proposed FSR:

3.00 Base Density (1.0 Market Ownership Units + 2.0 Market Artist Studio Live/Work Units)

0.57 VRS Units (Social Housing Artist Studio Live/Work Units)

1.16 Bonus Density (Market Ownership Units)

4.73 Proposed FSR

The proposed increase in density from 3.0 to 4.73 FSR is supported for having achieved the desired urban form of development, and for earning the additional density bonus having provided residential units associated with artist studio space that satisfies the income requirement as ‘core need’, as per section 4.7.5 of the IC-3 District Schedule:

“The Director of Planning or the Development Permit Board may, for any development where a residential unit is being provided in conjunction with and forming an integral part of an artist studio, permit an increase in floor space ratio, subject to prior approval by City Council, and the securing of a Housing Agreement and provided that the residential unit is occupied by persons receiving income equal to or less than income defined by the British Columbia Housing Management Corporation as “core need”\*.

“In determining the amount of the increase in floor space ratio that may be permitted by this section 4.7.5, the Director of Planning or the Development Permit Board, with advice from the Manager of the Housing Centre and the Manager of Real Estate, shall consider:

- a) The cost to the developer of adhering to the conditions of the housing agreement;
- b) The value of the increased floor area;
- c) The value of any relaxation of other regulations;
- d) The impact upon livability and environmental quality of the neighbourhood; and
- e) All applicable policies and guidelines adopted by Council.”

\* The concept of “core need” has now been replaced by Household Income Limits or “HILs”.

The additional density earned for the provision of these units has been evaluated by Real Estate Services in consultation with Housing as per the Downtown District and IC-3 District Policies and Procedures for Low Cost Rental Artist Studios, and is in accordance with section 4.7.5 above. An additional number of social housing units have been made possible with added equity from the Vancouver Resource Society, the proposed owner and operator of the 14 social housing units.

At its meeting on November 17, 2014 the Development Permit Board reviewed the development application (DE417971) for 311 East 6<sup>th</sup> Avenue and, after duly

considering the above provisions of section 4.7.5, concluded that it would permit the requested increase in density, subject to prior approval by Council.

If Council approves the proposed additional density, a Housing Agreement will be required by the Development Permit Board as a condition of development permit approval to legally secure the 14 social housing artist studios. As social housing for artists the maximum rent levels for these 14 units will be no more than BC Housing's HILs and the term of the Housing Agreement will be for 60 years, or for the life of the building, whichever is longer.

### ***Strategic Analysis***

The additional density proposed in the 311 East 6th Avenue project (DE417971) is within the direction set out in the IC-3 District Schedule and Mt. Pleasant Community Plan.

The surrounding context for 311 East 6th Avenue is comprised of 2-3 storey low rise development and 5-9 stories primarily to the southwest in the Main Street/Kingsway area. The neighbourhood houses other artist live/work residential buildings such as the Artiste (2050 Scotia St); Artworks (237 East 4th Avenue), Watershed (228 East 4th Avenue), Shine (273 East 6th Avenue) and District (251 East 7th Avenue). This cultural district is also adjacent to the cultural corridor along East 2<sup>nd</sup> Avenue leading to the new Emily Carr School of Art and Design campus. Neighbouring buildings also include social housing such as Chelsea Tower (330 East 6th Avenue) and Lions Manor (325 East 6th Avenue).

The Mount Pleasant Plan provides guidance for integrating new development with the unique character and heritage of the Mount Pleasant neighbourhood. In addition, the Plan identifies current gaps and future needs for public amenities such as cultural spaces and affordable housing with production spaces for artists. The Mt. Pleasant Public Benefits Strategy (PBS) sets a target of 750-850 social housing units over 30 years, with 300-400 social housing units in the first ten years.

The Housing and Homelessness Strategy identifies a need for 5,000 additional social housing units by 2021. The development proposal at 311 East 6th will add 14 new non-market accessible units.

Legal title to the 14 social housing artist studios will be transferred to Vancouver Resource Society (the "Society") after completion. The Society will thereafter continue to own and operate those units and will rent them only to artists for a maximum of \$850 per month per unit or HILs for artists with disabilities. VRS is currently seeking rent supplements from BC Housing to deepen affordability and bring tenant contribution to shelter component of Income Assistance for all 14 units. The tenant selection process will be conducted by the Society in conjunction with a non-profit organization serving a wide range of artistic practices. The registered arts non-profit organization will be pre-approved by the Managing Director of Cultural Services.

Based on the agreed upon tenant population and operating model, this project meets the definition of social housing in the DCL By-law. The proposed tenant mix and average rents for the 14 social housing units are shown in Table 1 below:

**Table 1: Rental Rates for Social Housing Artist Studios, 311 East 6<sup>th</sup> Avenue**

	Shelter & Old Age Security Rate**	At or Below HILs	Total
Social Housing Artist Studios		14	14
Total Social Housing Unit Count		14	14
Unit Rent/Month		\$850	\$850
(%)		100%	100%

\*\* Rent supplements from BC Housing may bring the tenant's rent contribution to shelter component of Income Assistance for all 14 units.

This project will provide an increase to the number of wheelchair accessible social housing units to the City's total social housing stock as outlined in Table 2.

**Table 2: Non-Market Housing Targets and Project Status**

	TARGETS <sup>1</sup>		CURRENT PROJECTS	GAP
	Long Term (2021)	Near Term (2014)	Committed, Under Construction and Completed	(2014 Target)
Supportive Housing Units	2,900	2,150	1,846	304
All Other Non-Market Housing Units	5,000	1,500	1,605	-105
<b>Total Non-Market Housing Units</b>	<b>7,900</b>	<b>3,650</b>	<b>3,451</b>	<b>199</b>

(1) Targets are established in the 2011 City of Vancouver Housing and Homeless Strategy.

Furthermore, the addition of the 14 social housing units for artists with disabilities will be a notable contribution to Vancouver's limited artist studio stock and housing, especially for artists with disabilities. The challenge of Vancouver's high cost real estate is intensified for artists since the average artist earns only 71 per cent of the average annual income of the overall labour force.<sup>1</sup>

### **Public Benefits**

In response to City policies which address changes in land use and density, this application offers the following public benefits.

#### **Required Public Benefits:**

**Development Cost Levies (DCLs)** - Development Cost Levies (DCLs) collected from development help pay for facilities made necessary by growth, including parks, childcare facilities, replacement housing (social/non-profit housing) and various engineering infrastructure. The site is subject to the Citywide DCL rate of \$138.53/m<sup>2</sup> (\$12.87/sq. ft.).

<sup>1</sup> Kelly Hill (Hill Strategies Research Inc.) 2014, December 3. Artists and cultural workers in Canadian municipalities in *Statistical Insights on the Arts, volume 13 number 1*.

DCL is applicable to the market residential component (75,212 sq. ft.) of the development and is estimated to be \$967,978. The non-market housing component (10,376 sq. ft.) meets the definition of “social housing” and qualifies for DCL exemption under Section 523D (10d) of the *Vancouver Charter* and the *Vancouver Development Cost Levy By-law*. The exemption is estimated to be \$133,539.

DCLs are payable at building permit issuance and are subject to an inflationary adjustment which takes place on September 30 of each year.

**Public Art Program** – The Public Art Program requires all new rezoned developments having a floor area of 9,290 m<sup>2</sup> (100,000 sq. ft.) or greater to commission public art or provide cash in lieu. As this project is not a rezoning and the proposed floor area is below the minimum threshold set out in the policy, no public art contribution will arise from this application.

#### **Offered Public Benefits:**

This is a Development Permit project with provisional density permitted under IC-3 District Schedule, section 4.7.5 and there is no Community Amenity Contribution (CAC) associated with this development.

**Non-market Housing/Artist Studios** – As part of the proposed development, 14 units of non-market, wheelchair accessible rental housing for artists (non-stratified) are proposed. The public benefit accruing from these units is their contribution to Vancouver’s limited artist studio stock. If this application is approved, these units would be secured through a Housing Agreement with the City for 60 years, or for the life of the building, whichever is longer.

#### ***Implications/Related Issues/Risk (if applicable)***

##### ***Financial***

As noted in the section on Public Benefits, there is no CAC associated with this application. The IC-3 District Schedule is a unique zoning area which allows for discretionary density increases to incentivize low cost housing for artists. This proposal would secure 14 units of non-market, wheelchair accessible rental housing for artists, which is above and beyond the bonus density requirements in IC-3.

The value of the proposed density increase (20,876 sq ft) is estimated to be \$2.4 million and the cost of constructing 14 units of secured non-market, wheelchair accessible rental housing is estimated to be \$3.9 million (~\$280,000 per unit), resulting in a funding gap of \$1.5 million. Upon completion, the Society will pay the developer \$1.5 million (funding gap), take ownership and operate the units at below HILs. The Housing Agreement will provide that if the Society does not take title to the air space parcel for the social housing or, having taken title, is unable to operate the social housing for any reason, the City will have the option to acquire the social housing on payment to the applicant/developer or the Society, as the case may be, of \$1.5 million.

This is unique to the IC\_3 District. In most other zoning districts where bonus density and inclusionary zoning is contemplated (e.g. West End Community Plan), the City typically takes ownership of the “turnkey” non-market housing units and selects appropriate non-profit operators to lease and operate them over 60 years or longer at a below market rate.

Consistent with Council policies on most non-market housing projects, the project is expected to be self-sustaining and does not require further operating subsidies, property tax exemptions, and/or financial guarantees from the City. The proposed rental mix and affordability will ensure optimization of long-term operational viability and financial sustainability of the project.

The site is within the Citywide DCL District. It is anticipated that the market residential portion of the development will generate approximately \$967,978 in DCLs. The proposed social housing component qualifies for a DCL exemption estimated to be approximately \$133,539.

### **CONCLUSION**

Staff recommend that Council approve the-increase in floor space ratio (FSR) from 3.00 FSR to 4.73 FSR for the proposed development at 311 East 6th Avenue (DE417971) based on the review and analysis conducted by the Development Permit Board pursuant to section 4.7.5 of the IC-3 District Schedule of the Zoning & Development By-law, which will secure the long-term availability of 14 social housing artist live-work studios for rent by artists with disabilities receiving income equal to or less than the income defined by the British Columbia Housing Management Corporation as HILs.

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