



ADMINISTRATIVE REPORT

Report Date: May 4, 2015
Contact: Jane Pickering
Contact No.: 604.873.7456
RTS No.: 10825
VanRIMS No.: 08-2000-20
Meeting Date: May 26, 2015

TO: Vancouver City Council

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

SUBJECT: Enhancing Housing for Families: Amendments to the Vancouver Development Cost Levy By-law and the Area Specific Development Cost Levy By-Law regarding For-Profit Affordable Rental Housing

RECOMMENDATION

- A. THAT the Director of Legal Services be instructed to prepare the necessary bylaws to amend the Vancouver Development Cost Levy By-law and the Area Specific Development Cost Levy By-law, generally as set out in Appendix B.
- B. THAT Council receive for information the amended General Administrative Bulletin "Rental Incentive Guidelines" as contained in Appendix C, which shall be posted on the City's website if the by-laws are enacted.

REPORT SUMMARY

Vancouver City Council adopted the Secured Market Rental Housing Policy in 2012 (also referred to as "Rental 100"), which offers incentives to encourage the development of market rental housing. The Rental 100 Program is the successor of the Short Term Incentives for Rental (STIR) program, initiated in 2009.

The waiver of the Development Cost Levies (DCLs) is a key incentive offered through the Rental 100 policy to encourage the creation of affordable market rental housing units. The Vancouver Charter authorizes the City to waive DCLs for eligible developments that meet the definition of "for-profit affordable rental housing." The defining criteria include maximum rental rates and sizes by unit type, as well as maximum construction costs. In addition, all rental projects must be secured through a Housing Agreement for 60 years or the life of the building, whichever is longer.

This report recommends amendments to both the Vancouver Development Cost Levy By-law and the Area Specific Development Cost Levy By-Law (the "DCL By-Laws") for three purposes:

1. To enhance the opportunity for the creation of family housing through modification of the By-laws to include 3-bedroom units;
2. Provide more flexibility to address market differentials across different parts of the city;
3. Housekeeping amendments which will update the rental rates based on current CHMC data and other clarification issues.

The recommendations in this report are intended to improve the City's rental incentive policies and to encourage greater diversity in the types of market rental units created, particularly 3-bedroom units which are more suitable for families and children.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- Short Term Incentives for Rental (STIR) Program (2009 to 2011)
- Vancouver's Housing and Homelessness Strategy 2012-2021 (2012)
- Final Report from the Mayor's Task Force on Housing Affordability (2012) and Action Plan
- Rental 100 - Secured Market Rental Housing Policy (2012)
- Development Cost Levy By-law Amendments to the Definition of For-Profit Affordable Rental Housing (2013)
- Vancouver Economic Action Strategy - 2011
- Healthy City Strategy - 2014

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

A healthy rental sector is essential to Vancouver's social, economic and cultural vibrancy and enabling the development of new purpose built rental housing is a key foundational strategy in the City's work on housing affordability. Between January 1, 2010 and December 31, 2014, the City enabled 3,783 units of secured market rental housing, demonstrating that the City can successfully encourage market rental supply without senior government assistance. This represents a 660% increase in annual approved new rental units compared to the proceeding five years. The STIR and Rental 100 programs have contributed significantly to this supply of new market rental housing.

Attracting and retaining families is important in meeting the City's goals of being a healthy, diverse, and economically vibrant city. Encouraging much needed, currently under-supplied 3-bedroom rental units will enhance access to appropriate housing for young families with children.

The proposed amendments to the DCL waiver provisions are intended to enhance the City's rental incentives in the DCL By-laws to continue to create much needed supply of market rental housing in Vancouver.

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

Importance of rental housing

Over the past few decades, over 50% of the households in the city have been renters. Secure rental housing is an important part of the housing continuum – it meets the needs of a diverse population and is vital to a healthy economy. Providing more affordable housing choices for all Vancouverites through a range of housing options is critical to the social and economic health of the city. Vancouver has some of the highest costs for home ownership in Canada. Rental housing provides an affordable alternative to ownership, as rent for a comparable unit is often lower than a mortgage payment. In the decades prior to the Rental 100 and the STIR program, construction of new rental housing occurred at a very low rate resulting in increasing pressure on available supply with resulting low vacancy rates (averaging just 0.9% over the past 30 years).

To address the demand for more market rental housing, in 2009, City Council approved the STIR program to incentivize the development of purpose built rental housing and increased opportunities for secondary rental through the expansion of the Laneway Housing program and the secondary suite program in single family neighbourhoods. The Vancouver Housing and Homelessness Strategy, approved in July 2011 set a target of 5,000 new units of secured market rental housing to be achieved by 2021.

In 2012, the Mayor's Task Force on Housing Affordability strongly supported the continuation of the City's rental incentives program under the Secured Market Rental Housing Policy, which offers a range of incentives to encourage the private sector to build new rental housing projects. Incentives include parking reductions, bonus density through rezoning, DCL waivers and expedited processing.

The Mayor's Task Force on Housing Affordability also highlighted the need for more family housing, recommending enhancing the City's family housing requirements to encourage more 3-bedroom units in new developments. Currently, less than one per cent of the City's existing purpose-built market rental housing stock includes 3-bedroom units, approximately 500 units. Of the 3,783 units approved since 2010, development permits have so far been issued for 2,238 units. This sample of units shows that only 1% of units will be built as 3-bedroom, 18% will be built as 2-bedroom and the balance will be 1-bedroom and studio units (49% and 31% respectively). The recommendations in this report are intended to help further incentivize and encourage much needed 3-bedroom rental units suitable for families.

Strategic Analysis

The waiver of DCLs is a key incentive to encourage the creation of affordable market rental housing units. The Vancouver Charter authorizes DCL waivers for developments that meet the criteria under the definition of “for-profit affordable rental housing.”

The DCL By-Laws include criteria that set maximum rental rates and sizes by unit type, as well as maximum construction costs to enable affordability. In addition, all rental projects must be secured through a Housing Agreement for 60 years or the life of the building, whichever is longer.

The following proposed amendments to the definition of “for-profit affordable rental housing” in the DCL By-laws are intended to encourage a greater number of 3-bedroom units, more suitable for families, as well as address some housekeeping requirements such as the clarification of eligibility requirements and improvements to the implementation process.

1. Enabling a DCL waiver for 3-bedroom rental units

In December 2013, Council approved amendments to the definition of “for profit affordable rental housing” in the DCL By-laws. This included the specification of maximum unit sizes and rental rates that must be met to qualify for the DCL waiver for studio, 1- and 2-bedroom units only. Council directed staff to undertake an analysis of the demand and need for 3-bedroom units and to report back.

Housing data indicates a significant shortage of 3-bedroom family rental housing in Vancouver. Less than one per cent of the existing purpose-built market rental stock¹ (530 out of 55,850 units) are 3-bedroom units, and it is estimated that only six per cent of rented strata units have 3 bedrooms. The review also found that since the DCL By-laws were amended in December 2013, a number of applicants for new market rental housing projects have indicated an interest in providing 3-bedroom rental units if a DCL waiver was available for those units.

For these reasons, it is recommended that a DCL waiver for 3-bedroom rental units be provided to encourage the provision of much-needed family-oriented housing. The maximum rental rates proposed for 3-bedroom units to qualify for the DCL waiver are discussed below in Section 2c. The maximum unit size for a three bedroom unit recommended is 1,044 sq. ft., which is generally in line with BC Housing Standards for affordable housing.

¹ Source: October 2014 CMHC Rental Market Survey; rental stock includes all private rental apartment structures of 3 or more units (does not include rented condos)

2. Data source for DCL By-law rental rate categories:

To qualify for a DCL waiver under the current DCL By-laws, the average rents in a proposed project must be at or below the average rents for newer rental buildings in Vancouver, as reported in CMHC's Rental Market Report for studio, 1-bedroom and 2-bedroom units:

"rents shall be adjusted annually on January 1 to reflect the change in average rent for all residential units built since the year 2000 in the City as set out by the Canada Mortgage and Housing Corporation in the Rental Market Report published in the previous calendar year."

The DCL By-law rental rates are adjusted when CMHC releases new rental data.

As of December 2014, CMHC no longer reports average rents for year 2000 onwards. Instead, they now report average rents for year 2005 onwards. Proposed amendments to the By-laws reflect the change in CMHC reporting.

2a. Variation in rent by location

The qualifying rental rates in the current DCL By-laws refer to the average, city-wide rents for newer rental buildings. These average rates do not account for variation in rental market and land economics across different areas of the city.

Rents in the part of the city generally west of Ontario Street (see map attached as Appendix "A") are higher than in the rest of the city. The average rents² for studio units in the west area are 11% higher than the city-wide average, with 1-bedroom and 2-bedroom units also renting at higher rates³ than the city average (14% and 8% respectively).

Since December 2013 when the DCL By-laws were amended to include the CMHC-based qualifying rental rates, there has only been one approved market rental project west of Ontario Street (1600 - 1620 W. 6th Avenue). This project was not eligible for the DCL waiver because it proposed rents higher than the qualifying threshold in the DCL By-laws.

To encourage new secured market rental developments in all areas of Vancouver, this report recommends DCL By-law amendments that allow consideration of new projects in the area of the city generally west of Ontario Street and as shown on the map attached as Appendix "A" to exceed CMHC's city-wide average rents by a maximum of 10%. This provision is designed to incentivize the development of secured purpose built market rental in the west areas of the City.

² Based on custom data for studio units from October 2014 CMHC Rental Market Survey for residential units built since the year 2005.

³ Based on custom data for 1 and 2-bedroom units from October 2014 CMHC Rental Market Survey for residential units built since 2005.

2b. 2015 Rates for Studio, 1-bedroom and 2-bedroom units based on available CMHC Data

Under the recommended DCL By-law amendments to address the changes to CMHC data, average rents for studio, 1- and 2- bedroom units in proposed projects will need to be at or below the 2015 rents contained in Table 1 to qualify for a DCL waiver (for the balance of 2015).

Table 1: Qualifying Rental Rates for DCL Waiver for Newly Constructed Studio, 1-bedroom & 2-bedroom Units

Unit Type	Citywide DCL Maximum Rents 2013*	Citywide DCL Maximum Rents 2014**	East Area DCL Maximum Rents 2015***	West Area DCL Maximum Rents 2015****
Studio	\$1,443	\$1,110	\$1,242	\$1,366
1-bedroom	\$1,517	\$1,499	\$1,561	\$1,717
2-bedroom	\$2,061	\$1,968	\$1,972	\$2,169

*These are the average rents for all residential units built since the year 2000 in the city of Vancouver as published by CMHC in the Fall 2012 Rental Market Report

**These are the average rents for all residential units built since the year 2000 in the city of Vancouver as published by CMHC in the Fall 2013 Rental Market Report

***These are the average rents for all residential units built since the year 2005 in the city of Vancouver as published by CMHC in the Fall 2014 Rental Market Report

****These are the average rents for all residential units built since the year 2005 in the city of Vancouver as published by CMHC in the Fall 2014 Rental Market Report plus 10%.

2c. Setting the 2015 rates for 3-bedroom units

Subject to Council’s approval of the application of a DCL waiver for qualifying 3-bedroom units, the setting of the rate for 3 bedrooms is challenged by the fact that CMHC’s Rental Market Report does not currently provide rental data for 3-bedroom units built since 2005 in their Rental Market Report. This is due to the low number of 3-bedroom units built since 2005.

CMHC does provide average rents for 3-bedroom rental units built since 2000 on its website “Housing Market Information Portal.” For 2014, the average rent for 3-bedroom rental units built in Vancouver since 2000 is \$2,338. While this would be a different data source than that used for the other unit types, it is recommended that the City use CMHC’s “portal” data for the 3-bedroom rents. This is the best data currently provided by CMHC for newer 3-bedroom units. In the future, when there are sufficient 3-bedroom units constructed to populate data in the CMHC Rental Market Report’s “residential units built since 2005” category, the proposed amendments to the DCL By-laws will allow the City to use the same data source for the 3-bedroom rent as for the other unit types.

Under the recommended amendments, average rents for 3-bedroom units in proposed projects will need to be at or below the 2015 rents contained in Table 3 to qualify for a DCL waiver (for the balance of 2015).

Table 3: Qualifying Rental Rates for DCL Waiver for 3-bedroom Units

Unit Type	East Area DCL Maximum Rents 2015*	West Area DCL Maximum Rents 2015 **
3-bedroom	\$2,338	\$2,572

*These are the average rents for all residential units built since the year 2000 in the city of Vancouver as published in CMHC's website "Housing Market Information Portal" for 2014.

**These are the average rents for all residential units built since the year 2000 in the city of Vancouver as published in CMHC's website "Housing Market Information Portal" for 2014 plus 10%.

3. Two option approach to the 3-bedroom DCL

Currently, the DCL waiver can only be provided if the average rent for *all* unit types in a proposed project meets the rent requirements in the DCL By-laws. For example, in a proposed project containing studio, 1- and 2-bedroom rental units, the average rent for each unit type must not exceed the rents specified in the proposed amendment to the DCL By-laws (\$1,242 for studio units, \$1,561 for 1-bedroom units, and \$1,972 for two-bedroom units). If, for instance, the average rent for 1-bedroom units exceed \$1,561, the entire project would not be eligible for a DCL waiver.

To encourage the much-needed supply of 3-bedroom rental units suitable for larger households (e.g. families), and to account for the limited data set used to inform rental rates (very few built over the last decade), a hybrid approach is proposed at this time. As noted above, an accurate reflection of the market rates for newly constructed 3 bedroom units is difficult to achieve due to the paucity of data. Staff are proposing two options under the by-laws:

- Full waiver option: the rental rates proposed by the applicant for all the unit types, including 3-bedroom units, reflect the rents as set out in the By-laws. In this instance, the applicant will receive a waiver on all units.
- Partial waiver option: if the rental rates for the 3-bedroom units do not meet the by-law requirements, but all other units align with the By-law rents, then the DCL waiver can be applied to the studio, one and two bedroom units; however a full DCL will be charged for the 3-bedroom units.

Figure 1 below illustrates the proposed DCL waiver system as it relates to the maximum average rental rates.

Figure 1: Project Eligibility for DCL Waiver System - Meeting the Rental Rates

Projects eligible for <u>full</u> DCL waiver	Projects eligible for <u>partial</u> DCL waiver	Projects <u>not</u> eligible for DCL waiver
<p>Average rents in all studio, 1, and 2, and 3 bedroom units are at or below rents in DCL By-laws</p> <p>✓ ELIGIBLE FOR FULL WAIVER</p>	<p>Average rents in all studio, 1, and 2 bedrooms units are at or below rents in DCL By-laws</p> <p>✓ ELIGIBLE FOR WAIVER OF THESE UNITS ONLY</p> <hr/> <p>Average rents in 3 bedroom units exceeds rents in DCL By-laws</p> <p>× NOT ELIGIBLE FOR WAIVER FOR 3-BED UNITS</p>	<p>Average rents in studio or 1 or 2 bedroom units exceed rents in DCL By-laws (even if 3 bedroom units comply)</p> <p>× NOT ELIGIBLE FOR ANY WAIVER</p>

Projects that meet the average rent for all bedroom types will receive a full DCL waiver. Projects with 3-bedroom units that do not meet the DCL By-laws’ affordable rent requirement, but rents for all other bedroom types are at or below the average rents set in the By-laws will be eligible for a partial DCL waiver which applies solely to the square footage related to the studio, one and two bedroom units.

In addition to meeting the rental rates requirements, projects eligible for a full or partial DCL waiver must not exceed the DCL By-laws maximum unit size for all applicable unit types and the maximum construction costs.

4. Clarifications and improvements to the administration of the DCL waiver

Since the DCL By-laws were amended in December 2013, several issues have arisen that have signaled the need for clarifications and improvements. These items are discussed below.

4a. Clarify starting rents

Currently under the DCL By-laws, a project approved for a DCL waiver has to meet the rental rates set out in the by-laws *at the time of issuance of the occupancy permit* (as secured through a Housing Agreement registered on title). These rents are charged to

the initial tenants in the first year of occupancy. Several issues have arisen in regard to this. The time between a rezoning or development permit application and an occupancy permit can be upwards of three years or more. Under the current system, the applicant is required to agree to an unknown rental rate in the future that has yet to be published in the CMHC Market Rental Report, creating uncertainty. There is also a lack of clarity over what rental rates apply at the time the DCL is waived. In practice, DCLs are waived at the building permit stage, usually nine months to one year prior to occupancy.

To address these issues and to provide more certainty, this report recommends that:

- for applications processed under existing zoning, the rents for projects eligible for a DCL waiver must meet (or be below) the maximum rent levels in the DCL By-laws at the time the project is approved by the Development Permit Board or the Director of Planning (issuance of the “prior-to” letter of Development Permit approval);
- for applications requiring rezoning, the rents for projects eligible for a DCL waiver must meet (or be below) the maximum rent levels in the DCL By-laws at the time of the approval in principle by Council following a public hearing;
- Once a project is approved, the DCL maximum rents can be increased annually during the period of construction (until occupancy) only by the Allowable Rent Increases set out annually by the BC Provincial Residential Tenancy Office.

The intent of these changes is to clarify in advance the rental rates which can be anticipated by the applicant at occupancy. Given that the rents are set at approval and only eligible for inflation through the annual Allowable Rent Increases set out under the RTA mechanisms, this approach will also serve to encourage projects to be built in a timely fashion. Once the rental building is occupied at the starting rents, rent increases are regulated by the Province through the Residential Tenancy Act.

4b. Social Housing as part of Secured Market rental projects

The proposed amendments also clarify the application of the existing DCL exemption for social housing if it is included in a secured “for-profit affordable rental housing” project. The DCL waiver/exemption will apply as long as each component meets the appropriate requirements in the DCL By-laws. The proposed amendments in Appendix B support and clarify this approach.

Implementation of DCL Waiver - Projects in Process

New Rental Rates and Partial Waiver

This report recommends that the new qualifying rental rates for the DCL waiver as described in Sections 2 and 3 above take effect immediately upon enactment of the proposed DCL By-law amendments in Appendix B.

Clarifying Qualifying Rental Rates

There are currently a number of market rental applications at various stages of the permitting process. This report recommends that the proposed DCL By-law amendments described in section 4.a above be applied to all projects currently in the application process at the time of enactment of the By-laws. There are 5 rental projects (389 units) currently in application that would be administered under the amended DCL By-laws.

Rental projects that have already been approved but not yet constructed (14 projects with a total of 970 rental units) will proceed under the current DCL by-law requirements with respect to the timing of qualifying rental rates.

Financial

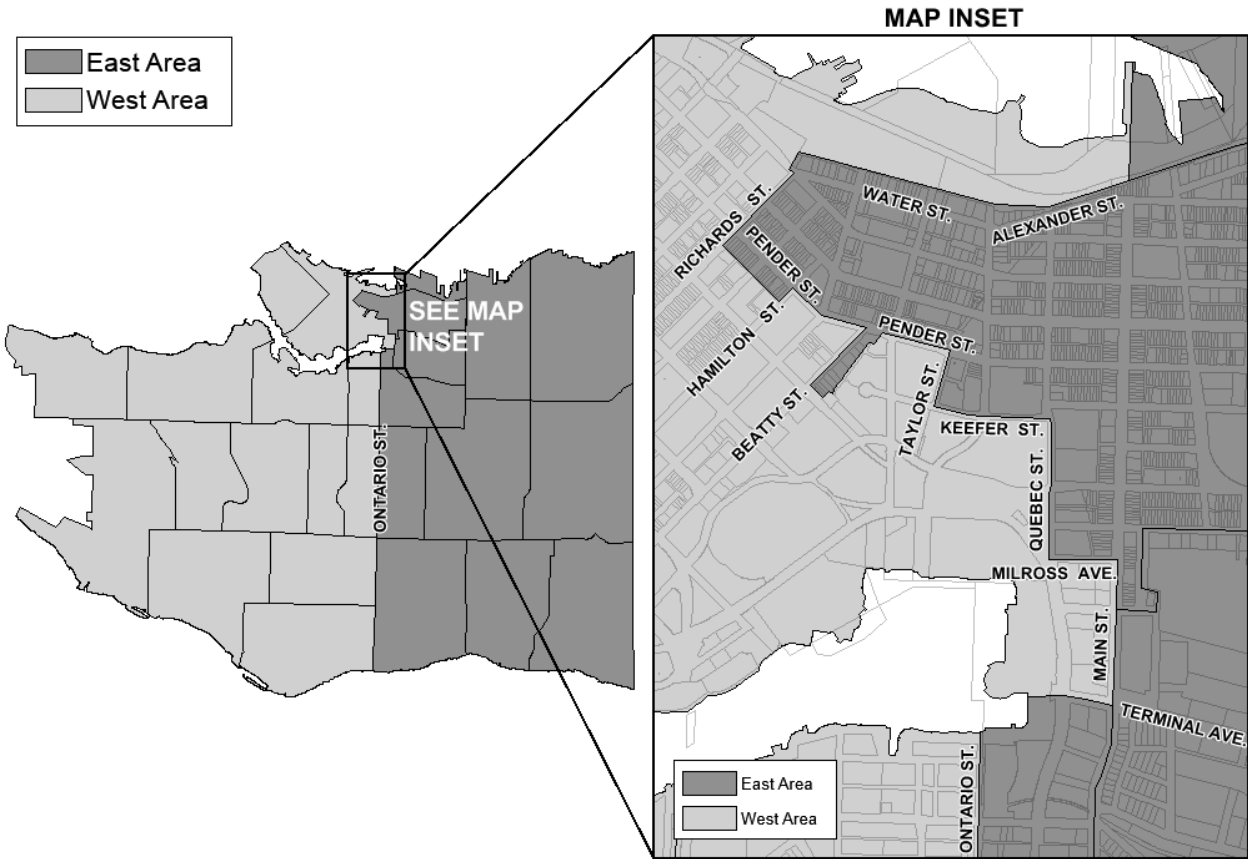
The proposed DCL amendments aim to incentivize the creation of more 3-bedroom family rental units within the secured market rental projects. Assuming no change in project density, this would result in an adjustment to the unit mix within the same floor area (i.e. there would be more family units and less non-family units) and thus no change to the DCL waived.

CONCLUSION

The by-law amendments proposed in this report seek to enhance the City's rental incentive policies, as well as to encourage more diversity in the types of rental units created. They seek to change the definition of "for-profit affordable rental housing" to include projects with 3-bedroom units, and to provide more flexibility in the DCL waiver system to achieve those units. This report also proposes amendments to the DCL By-laws to improve the clarity and administration of the DCL waiver.

* * * * *

Vancouver Map - East and West Areas



BY-LAW NO. _____

**A By-law to amend
Area Specific Development Cost Levy By-law No. 9418,
regarding for-profit affordable rental housing**

THE COUNCIL OF THE CITY OF VANCOUVER, in public meeting, enacts as follows:

1. This By-law amends the indicated provisions of By-law 9418.
2. Council strikes all of section 3.1A and inserts the following as a new 3.1A and a new section 3.1B:

“Waiver for for-profit-affordable rental housing

3.1A Notwithstanding section 3.1, Council waives the levy otherwise required under section 3 for construction of for-profit affordable rental housing, which shall mean housing where:

- (a) all dwelling units in the building are rental units,
- (b) no dwelling units are strata units;
- (c) the average size of the dwelling units of each unit type is not greater than:
 - (i) 42 square meters for studio units,
 - (ii) 56 square meters for one bedroom units,
 - (iii) 77 square meters for two bedroom units, and
 - (iv) 97 square meters for three bedroom units,

except that the floor area used for stairways within two or three bedroom townhouse units of two or more storeys is excluded from the calculation of maximum unit size;

- (d) agreed upon average rents per unit type for initial occupancy do not exceed the following specified rents:
 - (i) \$1,242 per month for studio units,
 - (ii) \$1,561 per month for one bedroom units,
 - (iii) \$1,972 per month for two bedroom units, and
 - (iv) \$2,338 per month for three bedroom units,

except that such rents may be 10% higher than the rents stipulated under this section if the housing is located in the West Area as shown on the map attached

to this By-law as Appendix "A", and rents shall also be adjusted annually on January 1:

- i. for all studio, one bedroom and two bedroom units to reflect the change in average rents for studio, one bedroom and two bedroom units built in the City since 2005, as those rents are set out by the Canada Mortgage and Housing Corporation in the Rental Market Report published in the previous calendar year, and
 - ii. for three bedroom units to reflect the change in average rents for three bedroom units built since the year 2000 as reported on the Canada Mortgage and Housing Corporation's Housing Market Information Portal website, but, if available, to reflect the change in average rents for three bedroom units built in the City since 2005, as those rents are set out by the Canada Mortgage and Housing Corporation in the Rental Market Report published in the previous calendar year;
- (e) the proposed construction costs for the rental residential floor area do not exceed \$2,691 per square meter, except that such costs shall be adjusted annually on January 1 to reflect any change in medium level construction costs for Residential Apartments as set out by Altus Group in the Construction Cost Guide published in the previous calendar year; and
- (f) the owner of the property on which such housing is situate has registered against title to that property an instrument, in form and substance, and with priority of registration, satisfactory to the Director of Legal Services, ensuring the initial rents are in accordance with 3.1A (d) and this By-law, and restricting the tenure of such housing to rental for:
 - (i) the longer of the life of the building in which they are situate and 60 years, or
 - (ii) such other term to which the City and owner may agree.

Administration of waiver

3.1B The waiver under section 3.1A shall be administered as follows:

- (a) rents to be agreed upon shall not exceed the rents stipulated in section 3.1A (d) and this By-law at the time of Council's approval in principle of any zoning by-law required to authorize the development of the site, or at the time the 'prior-to permit issuance' letter related to the development permit is issued if no zoning by-law is required to authorize development of the site, and for clarity, the rents to be agreed upon may be lower than the rents stipulated under this By-law, but may not exceed the rents stipulated under this By-law;
- (b) if a triggering event in section 3.1B (a) has already occurred at the time of enactment of this section of the By-law, then the rents to be agreed upon shall be those stipulated in section 3.1A (d) of this By-law at the time of initial occupancy;

- (c) notwithstanding section 3.1B (a), rents that may be charged at initial occupancy may be increased annually from the time of the triggering event specified in section 3.1B (a) until initial occupancy in accordance with the annual maximum increases authorized by the province of British Columbia under section 22 of the Residential Tenancy Regulation, B.C. Reg. 477/2003;
 - (d) any waiver of a development cost levy authorized under section 3.1A is to be calculated and determined at the time of issuance of a building permit authorizing construction of the building subject to the waiver;
 - (e) a building that qualifies under section 3.1A for a development cost levy waiver shall not forfeit the waiver because other housing otherwise exempt from development cost levies under City by-laws or the Vancouver Charter is also located in the building; and
 - (f) all units of all unit types must meet all the requirements in section 3.1A (a) and (b), and all units of all unit types must be used to calculate the averages specified in 3.1A (c), (d) and (e), except that a building that contains studio units, one bedroom units and two bedroom units that meet all requirements in 3.1A (a),(b),(c),(d) and (e) qualifies for a waiver for all those units in each of those unit types on a pro rata basis even if the building contains three bedroom units that do not meet the requirements in section 3.1A (d), in which case none of the 3 bedroom units qualifies for the waiver.”
3. Council enacts the map attached as Appendix “A” of this By-law as Appendix “A” of By-law .9418,
 4. A decision by a court that any part of this By-law is illegal, void, or unenforceable severs that part from this By-law, and is not to affect the balance of this By-law.
 5. This By-law is to come into force and take effect on the date of enactment.

ENACTED by Council this day of , 2015

Mayor

City Clerk

BY-LAW NO.

A By-law to amend
Vancouver Development Cost Levy By-law No. 9755,
regarding for-profit affordable rental housing

THE COUNCIL OF THE CITY OF VANCOUVER, in public meeting, enacts as follows:

1. This By-law amends the indicated provisions of By-law 9755.
2. Council strikes all of section 3.1A and inserts the following as a new 3.1A and a new section 3.1B:

“Waiver for for-profit-affordable housing

3.1A Notwithstanding section 3.1, Council waives the levy otherwise required under section 3.2 for construction of for-profit affordable rental housing, which shall mean housing where:

- (a) all dwelling units in the building are rental units,
- (b) no dwelling units are strata units;
- (c) the average size of the dwelling units of each unit type is not greater than:
 - (i) 42 square meters for studio units,
 - (ii) 56 square meters for one bedroom units,
 - (iii) 77 square meters for two bedroom units, and
 - (iv) 97 square meters for three bedroom units,

except that the floor area used for stairways within two or three bedroom townhouse units of two or more storeys is excluded from the calculation of maximum unit size;

- (d) agreed upon average rents per unit type for initial occupancy do not exceed the following specified rents:
 - (i) \$1,242 per month for studio units,
 - (ii) \$1,561 per month for one bedroom units,
 - (iii) \$1,972 per month for two bedroom units, and
 - (iv) \$2,338 per month for three bedroom units,

except that such rents may be 10% higher than the rents stipulated under this section if the housing is located in the West Area as shown on the map attached

to this By-law as Appendix "A", and rents shall also be adjusted annually on January 1:

- i. for all studio, one bedroom and two bedroom units to reflect the change in average rents for studio, one bedroom and two bedroom units built in the City since 2005, as those rents are set out by the Canada Mortgage and Housing Corporation in the Rental Market Report published in the previous calendar year, and
 - ii. for three bedroom units to reflect the change in average rents for three bedroom units built since the year 2000 as reported on the Canada Mortgage and Housing Corporation's Housing Market Information Portal website, but, if available, to reflect the change in average rents for three bedroom units built in the City since 2005, as those rents are set out by the Canada Mortgage and Housing Corporation in the Rental Market Report published in the previous calendar year;
- (e) the proposed construction costs for the rental residential floor area do not exceed \$2,691 per square meter, except that such costs shall be adjusted annually on January 1 to reflect any change in medium level construction costs for Residential Apartments as set out by Altus Group in the Construction Cost Guide published in the previous calendar year; and
- (f) the owner of the property on which such housing is situate has registered against title to that property an instrument, in form and substance, and with priority of registration, satisfactory to the Director of Legal Services, ensuring the initial rents are in accordance with 3.1A (d) and this By-law, and restricting the tenure of such housing to rental for:
 - (i) the longer of the life of the building in which they are situate and 60 years, or
 - (ii) such other term to which the City and owner may agree.

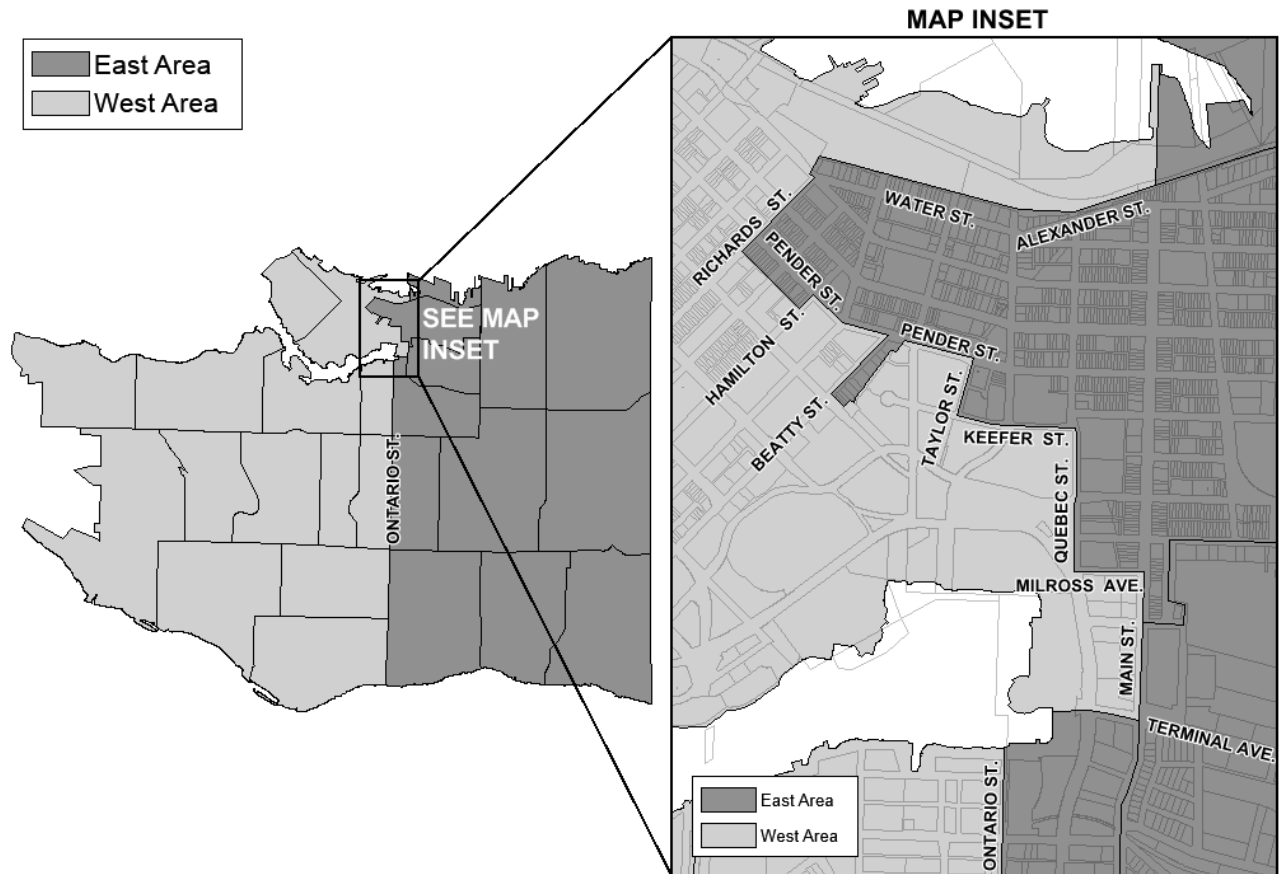
Administration of waiver

3.1B The waiver under section 3.1A shall be administered as follows:

- (a) rents to be agreed upon shall not exceed the rents stipulated in section 3.1A (d) and this By-law at the time of Council's approval in principle of any zoning by-law required to authorize the development of the site, or at the time the 'prior-to permit issuance' letter related to the development permit is issued if no zoning by-law is required to authorize development of the site, and for clarity, the rents to be agreed upon may be lower than the rents stipulated under this By-law, but may not exceed the rents stipulated under this By-law;
- (b) if a triggering event in section 3.1B (a) has already occurred at the time of enactment of this section of the By-law, then the rents to be agreed upon shall be those stipulated in section 3.1A (d) of this By-law at the time of initial occupancy;

APPENDIX A

Vancouver Map - East and West Areas





City of Vancouver *Planning - By-law Administration Bulletins*

Planning and Development Services, 453 W. 12th Ave Vancouver, BC V5Y 1V4 F 604.873.7000 fax 604.873.7060
planning@vancouver.ca

RENTAL INCENTIVE GUIDELINES

Authority - Director of Planning

Effective May 15, 2012

Amended January 10, 2013 and December 3, 2013, and May 26, 2015

This Bulletin provides further information on the rental incentives approved by Council on May 15, 2012 through the Secured Market Rental Housing Policy. The guidelines contained in this document will help inform the way in which the rental incentives are applied to specific projects.

Parking Requirement Reductions

Parking reductions will be considered for all market rental housing units that are secured for a term of 60 years or life of the building, whichever is greater, through a Housing Agreement. For more information, please see “Secured Market Rental Housing” in the City of Vancouver’s Parking By-law.

Downtown: secured rental projects will have a greater opportunity to substitute car share services for required parking spaces.

Outside of the Downtown: secured market rental projects will benefit from a reduced parking standard and will have a greater opportunity to substitute car share services for required parking spaces.

Development Cost Levy (DCL) Waivers

Projects where 100% of the residential development is rental in tenure are eligible for a DCL waiver for the rental portion of the development. Under the Vancouver and Area Specific Development Cost Levy By-laws (the “DCL By-laws”), DCLs for rental housing can be waived for “for-profit affordable rental housing” where the tenure is secured through a Housing Agreement.

The DCL waiver regulates maximum unit size and rents by unit type and hard construction cost for the project.

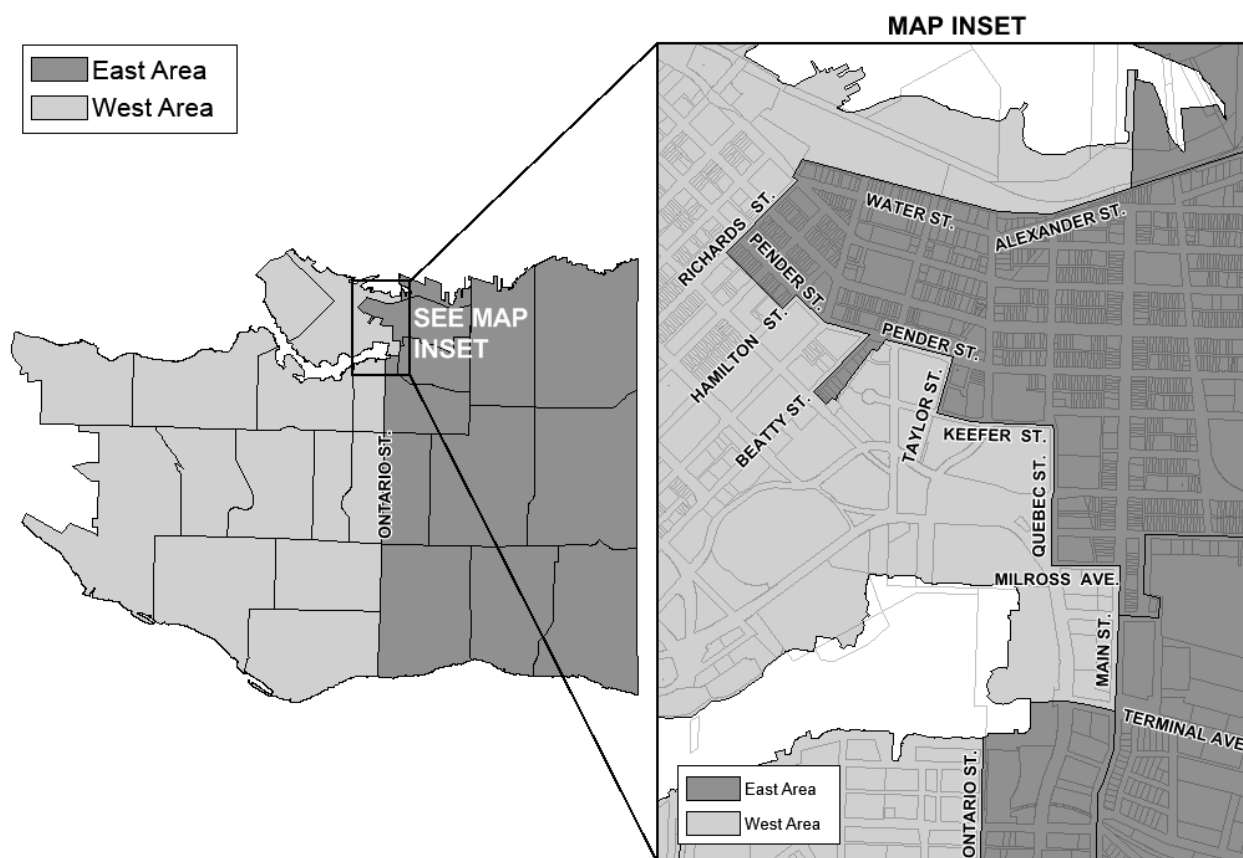
Maximum Rents for 2015

In order to be eligible for the DCL waiver in 2015, proposed project rents must meet or fall below the following:

Unit Type	East Area DCL Maximum Rents 2015 ¹	West Area DCL Maximum Rents 2015 ²
Studio	\$1,242	\$1,366
1-bedroom	\$1,561	\$1,717
2-bedroom	\$1,972	\$2,169
3-bedroom	\$2,338	\$2,572

Please refer to the map below for more information on Vancouver neighbourhood boundaries.

Vancouver Map – East and West Areas



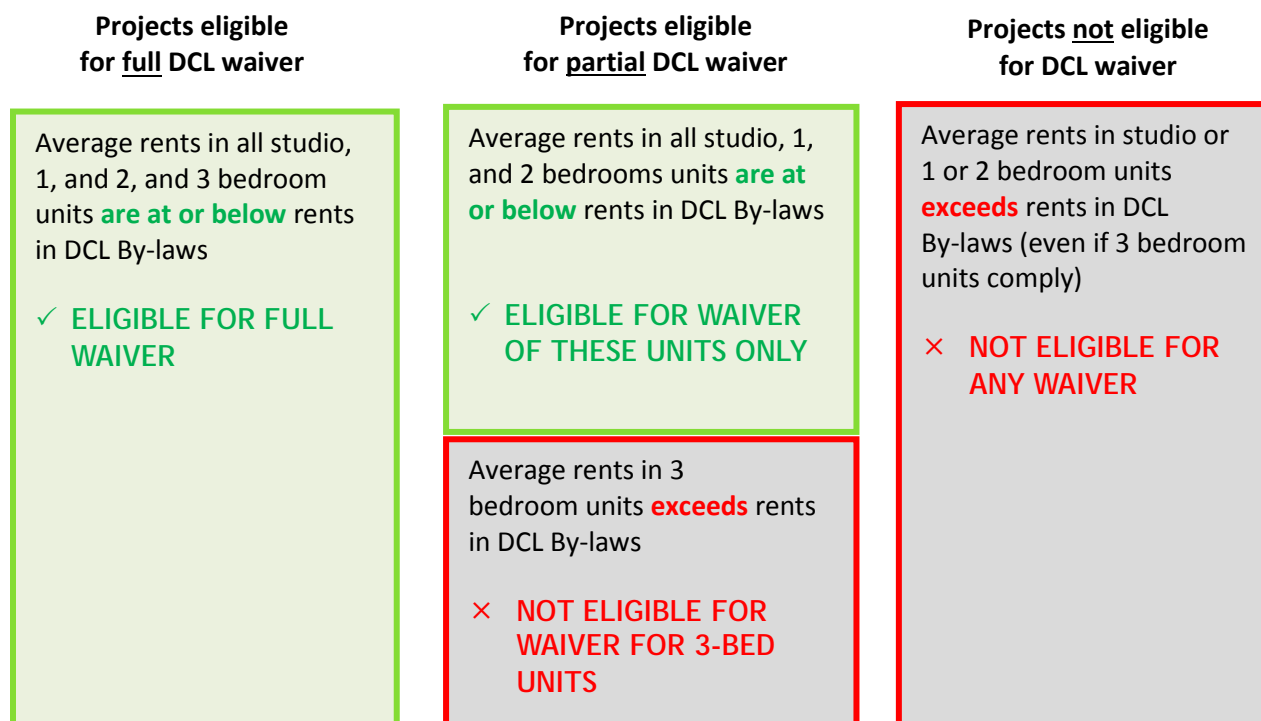
¹ For studio, 1 and 2-bedroom units, the maximum DCL rents are the average rents for all residential units built since the year 2005 in the city of Vancouver as published by CMHC in the Fall 2014 Rental Market Report. For 3-bedroom units, the maximum DCL rents are the average rents for all residential units built since the year 2000 in the city of Vancouver as published in CMHC's website "Housing Market Information Portal" for 2014.

² For studio, 1 and 2-bedroom units, the maximum DCL rents are the average rents for all residential units built since the year 2005 in the city of Vancouver as published by CMHC in the Fall 2014 Rental Market Report plus 10%. For 3-bedroom units, the maximum DCL rents are the average rents for all residential units built since the year 2000 in the city of Vancouver as published in CMHC's website "Housing Market Information Portal" for 2014 plus 10%.

Two Option Approach for 3 bedroom units

One of Council’s objective is to create more diversity in the rental housing stock. This includes encouraging more housing suitable for children and families, especially 3-bedroom units. In order to meet this objective, a full and partial DCL waiver is available for projects proposing 3 bedrooms as illustrated below:

Figure 1: Project Eligibility for DCL Waiver System - Meeting the Rental Rates



Projects that meet all criteria, including the average rent for all bedroom types will receive a full waiver.

Projects with 3-bedroom units that do not meet the rent requirement, but meet the average rents in all the other bedroom types, will be eligible for a partial waiver for the studio, 1- and 2-bedroom units. A full DCL will be charged for the 3-bedroom units.

Apart from meeting the rental rates requirements, projects eligible for a full or partial waiver must not exceed the maximum unit size for all unit types and maximum construction costs outlined in the DCL By-laws.

Note: a partial waiver is not permitted for studio, 1 and 2-bedroom units. These unit types must all meet the maximum rental rates in order to qualify for any waiver.

Maximum Unit Sizes

Unit size can contribute significantly to affordability. The suggested maximum sizes for units are:

- studio – 42 square meters (450 sq. ft.)
- one-bedroom – 56 square meters (600 sq. ft.)
- two-bedroom – 77 square meters (830 sq. ft.) and
- three-bedroom – 97 square meters (1,044 sq. ft.)

These unit sizes generally correspond to BC Housing standards for affordable housing and will be used in determining eligibility for DCL waivers.

Construction Costs

For 2015, the proposed construction costs for the rental residential floor area should not exceed \$2,691 per square meter.

This cost is updated annually on January 1 to reflect any change in medium level construction costs for Residential Apartments as set out by Altus Group in the Construction Cost Guide published in the previous calendar year.

Social Housing

Projects where 100% of the residential development is rental in tenure and also contain another type of housing exempt from DCLs, such as social housing, are eligible for the DCL waiver provided that the market rental units meet the requirements under the DCL By-laws.

Administration of the Waiver

How are rental rates evaluated for each project and when do they come into effect?

The starting rents for eligible projects must not exceed the maximum rental rates set out in the DCL By-laws. For applications requiring rezoning, the proposed starting rents would be evaluated against the DCL maximum rents at the time of the public hearing. For projects developing under existing zoning, rents would be evaluated against the DCL maximum rents at the time the 'prior-to' letter of approval is issued.

Once projects are approved, the DCL maximum rents are increased during the period of construction (until occupancy) by the Allowable Rent Increases set out annually by the Provincial Tenancy Office.

Note: the rent requirements under the DCL By-laws apply only to the starting rents at initial occupancy. After occupancy, rent increases are regulated by the Provincial Residential Tenancy Act.

When is the DCL waiver processed?

Once projects are approved, DCLs are calculated and waived at the time of Building Permit issuance.

Additional Floor Area

Applications made Under Policy 1.2 (Residential Rental Projects Requiring a Rezoning for Secured Purpose-Built Rental Housing for projects where 100% of the residential floor space is rental) are eligible for additional density. All projects requesting additional floor area through a rezoning are subject to urban design review and a rezoning process including public hearing. Proposals will be reviewed for conformance to the City's liveability standards including tower spacing, setbacks, shadowing, view impacts, overlook and contextual fit. All applicable guidelines of Council will be considered.

The following guidelines provide general direction for consideration of additional density.

*Areas	Zoning District	General Guidelines
Commercial Areas and Arterials	C-1	Generally consider C-2 form of development (e.g. 4 storeys and 2.5 FSR)
	C-2, C-2B, C-2C, C-2C1	Generally consider increases up to 6 storeys and commensurate achievable density
	C-3A, C-5, C-6	Consider additional density; adhere to existing height limits and generally to guidelines
	RT zones on arterials	Generally consider RM-4N form of development (i.e. 1.45 FSR)
Multi-Family areas	RM-3, RM-3A, RM-5A, RM-5B, RM-5C, RM-6	Consider redevelopment of sites where existing rental units do not currently exist and infill development where appropriate on sites where existing tenants are not displaced Adhere to existing height limits and generally to guidelines
CD-1 zoned areas	CD-1	Consider redevelopment of sites where existing rental units do not currently exist and infill development on suitable sites where existing tenants are not displaced; height and density as appropriate to location and context
Industrial areas that allow residential	MC-1	Consider modest increases in height and density
Areas with Official Development Plans that allow residential	ODP areas	Consider development sites which allow for residential density where there are no conflicts with existing policies for social housing (e.g. the density bonus for social housing for small sites in the Downtown South) Consider additional density appropriate to context; adhere to existing height limits

Interested applicants are encouraged to inquire with City staff at the pre-application stage to determine the suitability of a site and the merits of a particular rental housing proposal.

In areas undergoing community planning programs, there are interim rezoning policies in place. These will continue to apply. Appropriate locations for market rental housing will be considered pending the outcome of these planning processes.

Concurrent Processing

Applications made Under Policy 1.2 (Residential Rental Projects Requiring a Rezoning for Secured Purpose Built Rental Housing for projects where 100% of the residential development is rental) are eligible for concurrent processing of rezoning and development permits where the form of development at rezoning is known and supportable. Applicants are not encouraged to incur the expense of development permit drawings when the form of development is uncertain at rezoning.

Housing Agreement Requirements

Security of Tenure

The rental units will be secured for a term of 60 years or life of the building, whichever is greater, through legal agreements, (e.g. Housing Agreement pursuant to section 565.2 of the Vancouver Charter including no stratification and no separate sales covenants), or any other legal mechanism deemed necessary by the Director of Legal Services and the Chief Housing Officer.

Proposed Starting Rents

Proposed starting rents will be secured through a Housing Agreement.

If the project is subject to a rezoning, the proposed starting rents will be specified in the Council Report and approved by Council following a Public Hearing. For projects that do not involve a rezoning, the proposed starting rents will be specified in the “prior-to” letter of approval. Once projects are approved, the proposed starting rents may be increased during the period of construction (until occupancy) by the Allowable Rent Increases set out annually by the Provincial Tenancy Office.

After occupancy, rent increases are regulated by the Provincial Residential Tenancy Act.