



POLICY REPORT  
DEVELOPMENT AND BUILDING

Report Date: April 17, 2018  
Contact: Dan Garrison  
Contact No.: 604.673.8435  
RTS No.: 12481  
VanRIMS No.: 08-2000-20  
Meeting Date: May 15, 2018

TO: Vancouver City Council

FROM: General Manager of Planning, Urban Design and Sustainability

SUBJECT: Measures to Retain the Rental Housing Stock - Building Reinvestment  
Actions and Amendments to the Rental Housing Stock Official  
Development Plan

**RECOMMENDATION**

- A. THAT the General Manager of Planning, Urban Design and Sustainability be instructed to make an application to amend the Official Development Plan Regarding Areas of Real Property in Certain RM, FM and CD-1 Zoning Districts (the "Rental Housing Stock Official Development Plan"), relating to the RM-2, RM-3, RM-3A, RM-4 and RM-4N, RM-5, RM-5A, RM-5B and RM-5C, RM-5D, RM-6, and FM-1 District or District Schedules, to achieve the following:
- (i) Revise the rental housing policy in Section 2.4 to:
- a. lower the "trigger" for when rental replacement is required from six or more units to three or more units, in order to better protect the rental stock;
  - b. ensure residential dwelling types with three or more units, including multiple conversion dwellings, are subject to rental replacement requirements;
  - c. clarify rental replacement obligations, including:
    - 35 per cent family housing requirement for new developments and major renovations; and
    - discretion for less than one for one replacement for renovations where the existing rental units are sleeping or housekeeping units, with the objective of maximizing rental replacement with fully self-contained units;

- (ii) remove the definition for “rate of change” in Section 1 to simplify and strengthen rental replacement requirements, by decoupling the requirements from changes in the stock;
- (iii) revise the definition of “rental housing unit” in Section 1 to clarify when rental replacement is required, including an exclusion for units in hotels and in stratified building(s) where the majority of the units were individually owned within the last three years and the building is in the process of dissolving the strata corporation for the purposes of redevelopment;

AND THAT the application be referred to public hearing;

AND FURTHER THAT the Director of Legal Services be instructed to prepare the necessary amending by-law generally as set out in Appendix A for consideration at public hearing.

- B. THAT the General Manager of Planning, Urban Design and Sustainability be instructed to make an application to amend the Zoning and Development By-law to require rental replacement for new developments having three or more dwelling units in the RM-2, RM-3, RM-3A, RM-4 and RM-4N, RM-5, RM-5A, RM-5B and RM-5C, RM-5D, RM-6, and FM-1 District Schedules and that the application be referred to the same public hearing;

AND FURTHER THAT the Director of Legal Services be instructed to prepare the necessary amending by-law generally as set out in Appendix B for consideration at public hearing.

- C. THAT, to provide guidance in the administration of the provisions of the Rental Housing Stock Official Development Plan, the General Manager of Planning, Urban Design and Sustainability be instructed to prepare and issue an Administrative Bulletin for use by staff and applicants, generally as set out in Appendix C.
- D. THAT the General Manager of Planning, Urban Design and Sustainability be instructed to bring forward, at the time of enactment of the amendments to the Zoning and Development By-law, revisions to the “Strata Title and Cooperative Conversion Guidelines”, generally as set out in Appendix D, to require that the conversion of a development under the Strata Property Act or Cooperative Association Act meets requirements aligning with the revisions to the Zoning and Development By-law.
- E. THAT Council receive for information the findings of the Building Reinvestment Study as contained in Appendix E;
- F. THAT Council instructs staff to explore a partnership with LandlordBC on a pilot program to support existing landlords with capital and energy planning through building condition and energy assessments in existing rental buildings (Appendix G). The start-up budget of the program is anticipated to be \$100,000, with the source of funds to be accommodated within the existing 2018 Planning, Urban Design and Sustainability operating budget.

- G. THAT Council direct staff to ensure all City of Vancouver procurement policies and best practices are followed in this sole source procurement.
- H. THAT Council instructs staff to explore options to encourage reinvestment in the existing rental stock, including:
  - (i) exploring the feasibility of municipal tools to encourage improvements in existing rental housing; and
  - (ii) working with senior governments to encourage the development of programs to support capital and energy efficient upgrades, such as financing, tax incentives, grant assistance, and initiatives to promote long-term capital and energy-efficiency planning.
- I. THAT Council directs staff to continue discussions with the Province for enhanced protection under the Residential Tenancy Act (RTA) in the case of renovations and redevelopment of existing rental housing.
- J. THAT Council directs staff to report back on the impact and implications of implementing the Province's proposed charter changes allowing zoning for rental tenure; and applying this to areas covered by the Rental Housing Stock ODP.

## **REPORT SUMMARY**

This report includes recommendations to better protect and retain the existing rental stock in Vancouver, including:

- amendments to the Rental Housing Stock Official Development Plan (ODP) and the associated zoning districts and guidelines to further protect the existing stock and to provide clarity in the implementation process; and
- measures to encourage reinvestment in the existing stock, including support for owners of purpose-built rental buildings, and potential policy measures by city and/or senior government to incentivize needed improvements.

The Rental Housing Stock ODP requires one for one rental replacement in new developments of six or more units in certain RM, FM, and CD-1 zoned areas of the City. Since the Rental Housing Stock ODP was last amended in 2007, there has been a steady growth in rental housing in the City, driven by protection of existing rental and city programs and initiatives to create new rental housing. The *Housing Vancouver* 10-year Strategy identifies the Rental Housing Stock ODP as a key tool for ensuring affordable, secure rental housing for moderate-income residents, and calls on staff and Council to identify opportunities to strengthen the Rental Housing Stock ODP. Over the last 10 years of implementation, several gaps and issues requiring clarification have been identified. This report includes proposed changes aimed at addressing gaps in the ODP, providing additional clarity, and strengthening protection for rental housing.

An additional challenge is the increasing need for structural and energy-efficiency investment in existing rental housing. Vancouver's rental stock is aging, and likely faces growing need for renovations and repairs. However, there is relatively little information about the structural and energy investments and retrofits that will be needed in existing rental buildings to ensure their resilience and viability in coming decades, particularly in the low-rise wood-frame stock. There is also the additional concern that major renovations or redevelopment could

lead to increased rents or the permanent displacement of renters from their homes. A key Housing Vancouver year one action is for staff to report to Council with the results of a consultant study on the structural and energy needs of existing low-rise, wood-frame rental housing and suggest policy options for supporting needed upgrades while also supporting renters. This report presents the consultant report for information and recommends further study to determine effective measures and incentives to encourage reinvestment in the existing rental stock while considering impacts on existing renters.

The analysis and recommendations in this report fit within the broader Housing Vancouver Strategy (2018 - 2027 goals of protecting existing rental and supporting vulnerable renters. Approval of the recommended directions will further protect the existing rental stock and provide direction to staff to report back on options for reinvestment in existing rental.

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

- Rental Housing Stock ODP (2007)
- RM-2, RM-3, RM-3A, RM-4 and RM-4N, RM-5, RM-5A, RM-5B and RM-5C, RM-5D, RM-6, and FM-1 District Schedules
- Greenest City Action Plan (2011)
- Tenant Relocation and Protection Policy (2015)
- Housing Vancouver Strategy 2018 - 2027 and 3 year Action Plan (2017)

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

The existing rental housing stock is critical in maintaining Vancouver's diversity, providing a significantly more affordable housing option than ownership housing or new market rental. The key to preserving affordability requires policies that continue to protect the stock from net loss, as well as to extend the useful life of this aging stock, the majority of which is now over 40 years old. The recommendations in this report implement key priority actions in the recently approved Housing Vancouver Strategy and associated Three Year Action Plan, to prioritize renters by enhancing protection and encouraging reinvestment in the existing rental stock.

The City Manager and General Manager of Planning, Urban Design, and Sustainability recommends approval of the foregoing.

### ***REPORT***

#### ***Background/Context***

##### **1. Why We Protect Existing Rental: Affordability and Diversity in Vancouver**

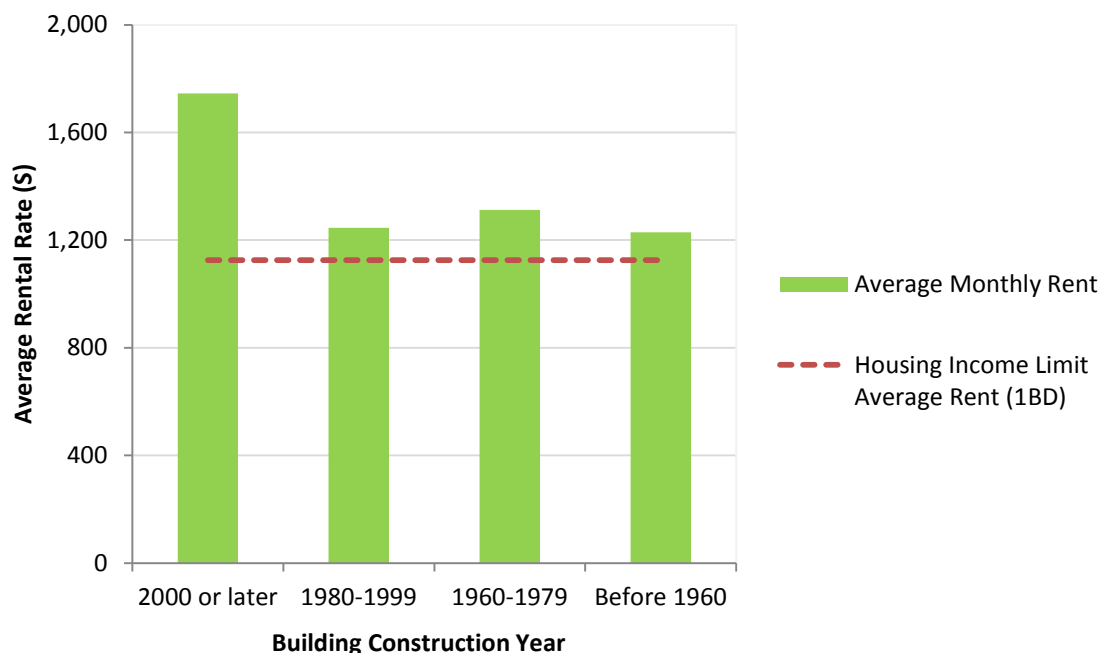
Vancouver's existing purpose-built rental stock consists of 90,000 rental homes, with approximately 57,000 market rental units, 4,600 private market SRO units and an additional 25,800 non-market rental units. Located in some of the city's most transit-accessible and amenity-rich neighborhoods, existing rental is also generally more affordable than other forms of market housing like ownership or new market rental. As a result, the Housing Vancouver 10-year strategy identifies retaining and renewal of existing rental housing as a

core approach to ensuring the ‘Right Supply’ of housing in the city, alongside initiatives to create rental housing affordable to a diverse set of incomes.

Fifty three per cent of Vancouver households are renters, representing a diverse cross-section of incomes, household types, and backgrounds, including young people, families with children, seniors, and people with special needs. On average, however, Vancouver renters typically earn low to moderate incomes, with 2015 median income for renting households of approximately \$50,000 compared to approximately \$88,000 for households that own their homes.<sup>1</sup> Although renting is a less costly option than ownership, renters in Vancouver face significant affordability challenges – 35 per cent of renters pay over 30 per cent of their income on housing, with 13 per cent paying over 50 per cent of income on housing costs.<sup>2</sup>

Existing rental is generally more affordable than other forms of market housing in the city. Vancouver’s older rental buildings rent at rates nearly 30 per cent lower than newly-constructed rental housing.<sup>3</sup> As a result, existing rental housing makes it possible for low- and moderate-income households to live in Vancouver, and is critical for fostering and maintaining a diverse population.

**Figure 1: One-Bedroom Private Apartment Average Rents by Building Age, 2017**



Source: CMHC Market Rental Report 2017

Vancouver’s existing rental is also important for the regional economy. Vancouver provides over half (52 per cent) of the primary rental housing (private apartment and row houses) in the Lower Mainland and nearly a third (32 per cent) of the primary rental housing for all of British Columbia’s urban centres (census agglomeration with population of 10,000+).<sup>4</sup> With a

<sup>1</sup> Statistics Canada Census 2016

<sup>2</sup> Statistics Canada Census 2016

<sup>3</sup> CMHC Market Rental Survey 2017

<sup>4</sup> CMHC Rental Market Report 2017

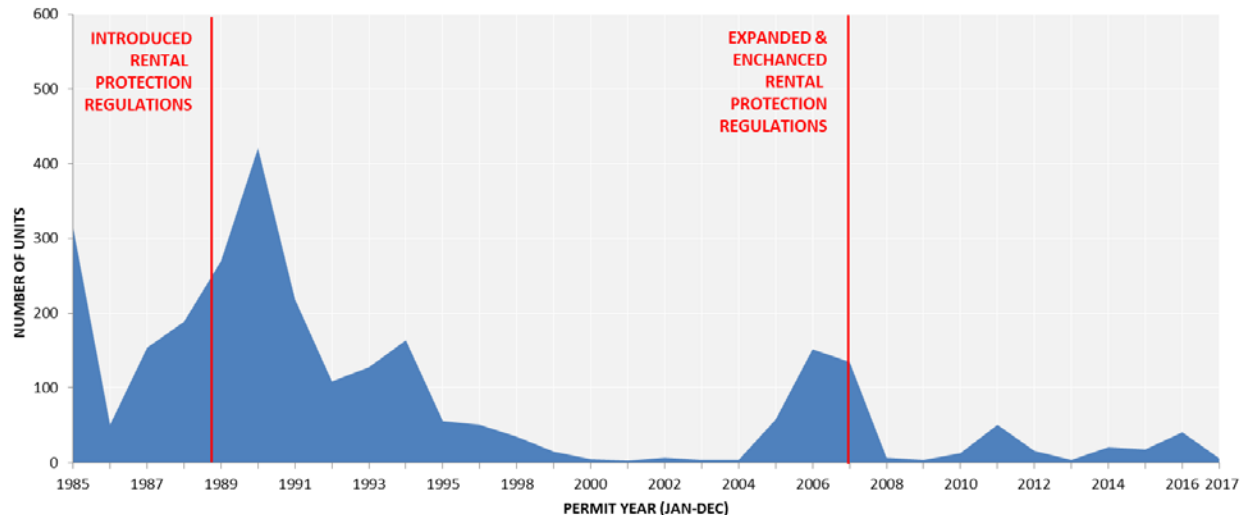
growing population in the city and region, rental housing will continue to be critically important to accommodating the income diversity required for sustaining a healthy economy.

A growing population, increased demand, and limited new supply of purpose-built rental housing in recent decades have also contributed to an extremely tight rental market in Vancouver. At 0.9 per cent, Vancouver's rental vacancy rate is among the lowest in Canada.<sup>5</sup> In the context of a growing population and strong real estate market, low vacancy can increase competition for housing among renters and create incentives for raising rents.

## 2. Preventing Loss of Rental through the Rental Housing Stock ODP

The Rental Housing Stock ODP has been successful in protecting against loss of the city's crucial existing rental supply. Approximately 53,500 units of rental housing are protected under the Rental Housing Stock ODP, or 77 per cent of the total rental stock. Currently, Vancouver leads the region in terms of net gain of rental housing, which has been accomplished by both preserving the stock of existing rental housing and by adding new rental supply. The city's existing stock has come under redevelopment pressure in recent years, driven by increases in new market rents and development opportunities. Even with this pressure, the Rental Housing Stock ODP has prevented loss of purpose built rental housing, with a net gain of approximately 2,600 units in areas protected by the ODP over the last eight years.

**Figure 2: Market Rental Units Demolished in Rental Housing Stock ODP Areas (1985 - 2017)**



**Notes**

\*Demolitions represent rental buildings with 3 units or more

\*\*Demolitions of CD-1 sites were counted after the Rental Housing Stock ODP was expanded in 2006

Where there has been loss of existing rental in ODP areas, it has typically been experienced in development that is not currently addressed by the Rental Housing Stock ODP. Rental replacement is currently required in RM, FM, and CD-1 areas for new developments proposing six or more units on sites containing existing rental; this means that new developments proposing five or fewer new units are exempt from rental replacement. This occurrence has resulted in a loss of ~60 units of rental since 2009 in RM, FM, and CD-1 areas. New

<sup>5</sup> CMHC Rental Market Report 2017

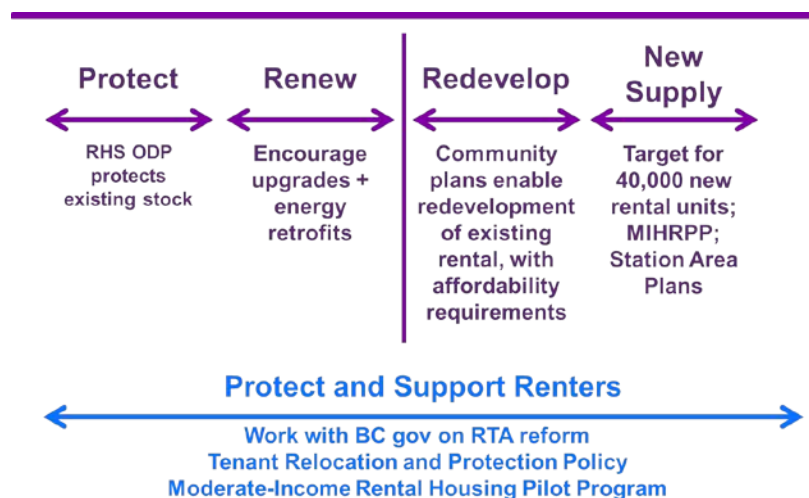
developments proposing multiple conversion dwellings (MCDs) are also currently not explicitly covered by the Rental Housing Stock ODP, which has resulted in a loss of ~80 units of rental since 2009 in RM, FM, and CD-1 areas. Lowering the threshold for rental replacement from six units to three units would protect an estimated 4,500 units of rental housing in RM and FM areas.<sup>6</sup> These two areas have been identified for improvement and are addressed in the Strategic Analysis section in this report.

Although 240 existing rental units outside rate of change areas were lost through demolitions, conversions, or renovations, there has been no net loss of rental units in the City as a whole. In the last eight years, sites outside the ODP boundaries, particularly in commercial areas, have been rezoned to CD-1 as STIR/Rental100 projects. These sites have generated a total of 1,080 completed secured rental units. This has contributed to an overall net gain of rental units across the city.

### 3. Housing Vancouver - A Comprehensive Approach to Prioritizing Rental Housing

In the context of the current housing crisis in Vancouver, a broad-spectrum approach is needed to protect existing renters and housing affordability, while also significantly expanding the supply of new rental housing to meet the needs of a diverse and growing population. Vancouver has been on the forefront of innovating new approaches to incentivize purpose-built rental construction, such as the STIR and Rental 100 programs. This has resulted in 7,030 new rental units since 2010, far exceeding units produced in any other municipality in the region. In 2017, Vancouver contributed to 80 per cent of the region's 4,290 rental units currently under construction. CMHC has forecasted a rise in the vacancy rate in the region from 0.6 per cent to 1.1 per cent by 2019.

**Figure 3: Housing Vancouver Approach to Prioritizing Rental Housing**



Expanding the supply of rental housing is a key priority in the new *Housing Vancouver* strategy. *Housing Vancouver* sets a 10 year target of 40,000 new rental units - including 20,000 new purpose-built market rental units, quadrupling the previous target set in the Housing and Homelessness Strategy (2012-2021). The City will seek to shift 20 per cent of these new units to be developer-owned rental with deeper levels of affordability (targeted to

<sup>6</sup> CoV Secured Market Rental Inventory - Number of rental units in existing purpose-built rental buildings with 3-10 units RM and FM areas

annual incomes between \$30,000 - \$80,000) secured for the long-term. Opportunities to redevelop and increase the supply of new rental housing in areas covered by the Rental Housing Stock ODP will be considered through community planning processes. In addition, sites at and near transit hubs and amenity-rich areas will be prioritized for new secured rental and social housing, including the upcoming Broadway Corridor and station area plans, and housing developed under new programs that secure affordability in new market rental housing buildings like the Moderate Income Rental Housing Pilot Program and the Cambie Corridor Plan.

#### 4. Existing Building Retrofit Strategy Priorities and Greenest City Action Plan Priorities (2015 - 2020) for Existing Buildings

In 2014, Vancouver adopted a Building Energy Retrofit Strategy for Existing Buildings (Retrofit Strategy) to inform and prioritize City action. Both the Retrofit Strategy and the update to the Greenest City Action Plan 2015 - 2020 note that existing residential structures account for almost 30 per cent of greenhouse gas emissions in Vancouver, and aim for a 20 per cent reduction in greenhouse gas emissions in existing buildings by 2020. Both Plans focus on residential and commercial building sectors where additional City actions would have the greatest impact.

Significant action has been taken to address energy use in existing detached houses and commercial buildings and some action to support retrofits in multi-unit residential rental buildings. Low-rise wood frame rental buildings, which represent 60 per cent of rental units and 87 per cent of rental buildings protected under the Rental Housing Stock ODP, have typically been underserved by existing energy incentive and retrofit programs that typically serve larger buildings. This is because multiple barriers exist in the low-rise wood frame rental market segment. These buildings tend to be owned by smaller, more dispersed owners who have less experience and capacity for longer term capital and renewal planning and for carrying out and managing major retrofit projects. Owners of low-rise rental buildings often find it more difficult to access financing, and might have less technical knowledge, particularly regarding more complex energy-efficient upgrades. They can also be more reluctant to reinvest in uncertain future assets. In addition, this building type faces high assessment and project management costs relative to the energy savings potential.

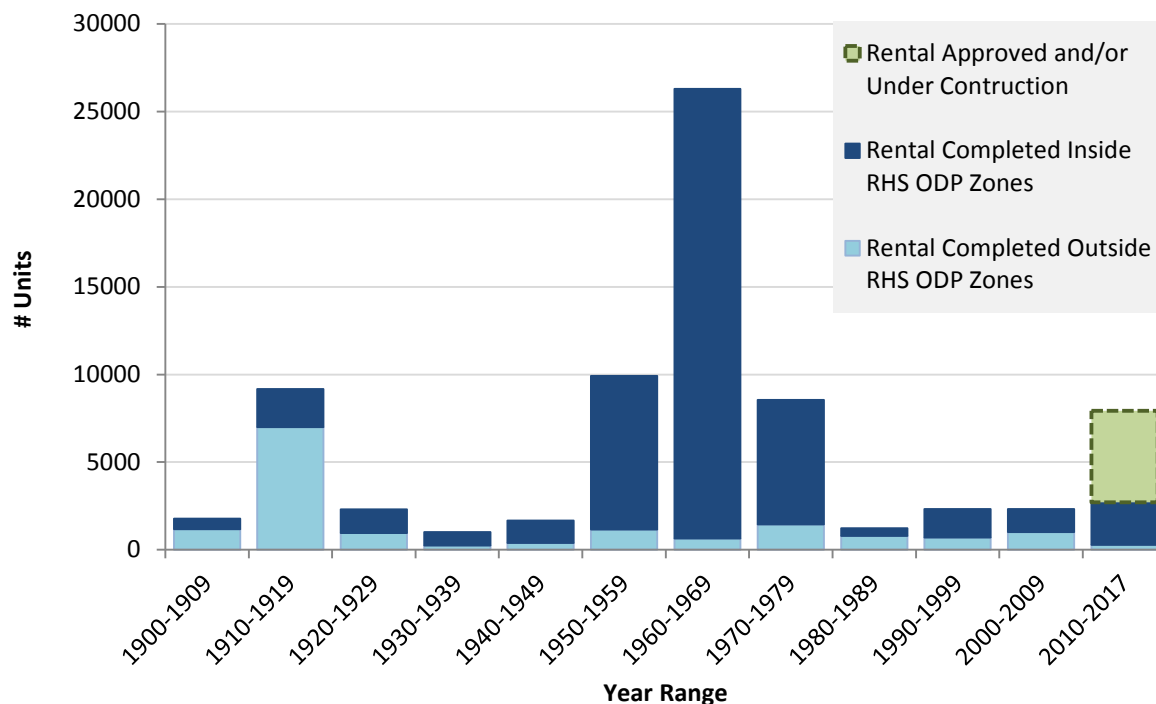
There is opportunity to support low-rise wood-frame rental building owners in combining capital and energy efficiency planning in order for energy upgrades to be carried out with structural upgrades and renewals projects. This way, project costs can be reduced, renter disruption minimized, and upgrade work optimized. Additional opportunities identified in the Greenest City Action Plan include updating the retrofit requirement options in Vancouver's Building By-Law to further reduce energy use and greenhouse gas emissions; and expanding programs to assist landlords with energy use in their buildings.

#### 5. Need for Reinvestment in Aging Rental Stock

A substantial portion of Vancouver's purpose-built rental stock is aging. Over 80 per cent of this stock was constructed prior to 1980, as demonstrated in Figure 4.



**Figure 4: Purpose-Built Market Rental Construction in Vancouver by Decade**



Source: CoV Secured Market Rental Inventory/Tracker

As shown in Figure 4, 52 per cent of the city's existing rental stock was constructed between 1950-1970, and is nearing fifty to seventy years of age today. This is notable because many of the major original components of these buildings such as the building enclosure, drainage, piping, and electrical may be near or beyond their projected service lives, particularly in wood-frame buildings. Findings from a recent City-commissioned study of rental building reinvestment needs (Appendix F) indicate that low-rise, wood-frame rental buildings constructed in this time period may require significant capital upgrades to these and other systems in the next 10-30 years, as well as energy-efficient upgrades to improve their energy performance.

As part of the City-commissioned rental reinvestment study, staff and the consultant team undertook consultation with rental owners - in person and through a survey - to understand rental owners' approach to upgrades. The study found that while rental owners report that they undertake repairs promptly as needed, they may not be prepared to address needed upgrades to major systems that may require replacement or retrofits in coming years. A core aim of the study was to identify key barriers to undertaking major capital and energy upgrade projects, as well as opportunities for the City to encourage these types of upgrades. The key barriers and opportunities identified through this analysis are outlined further in the Engagement Summary and Strategic Analysis sections.

## 6. Renter Impacts due to Renovations and Redevelopment

Reinvestment in existing purpose-built rental housing poses a challenge when it comes to protecting existing renters. As the rental stock ages and faces growing modernization and reinvestment needs, staff have observed an increased incidence of renters being displaced for major and minor renovations or redevelopment of existing rental buildings.

Evictions for renovations and redevelopment are permitted under the Residential Tenancy Act through the Notice to End Tenancy for Landlord's Use of the Property, whereby landlords may issue eviction notices for renovations once all permits are in place, on condition that renters are provided two months' notice and one month of free rent.<sup>7</sup> Renters in existing purpose-built rental properties undergoing major renovations or redevelopment (DP or rezoning) are also covered by the City's Tenant Relocation and Protection Policy.

While there is no complete source of information on the number of renters evicted for these purposes, various data sources can be used to extrapolate the trend in renter impacts over the past decade. Staff currently track renter displacement due to Rezoning and Development Permit applications as part of implementing the City's Tenant Relocation and Protection Policy. Since 2015, 1,605 units of purpose-built rental housing have been impacted by development applications involving major renovations or redevelopment of existing rental buildings that require a tenant relocation plan under the City's Tenant Relocation and Protection policy. Of these units, 13 per cent were occupied by long-term renters whose tenancies had been 10 years or more.

Renters in older rental buildings are often paying lower rents than current market rates. This gap has likely widened in recent years due to the rapid escalation in rents in newly-listed units both new and existing rental. Because of this, when renters are displaced due to renovations or redevelopment of their building, it may be difficult for them to find a new rental home with similar affordability in their community. This is a particularly serious challenge for vulnerable low-income renters, including families, seniors, and people with disabilities, who may have few if any alternative options in Vancouver that meet their affordability requirements.

Staff are committed to working with the Province on strengthening protections for renters when they are facing displacement for renovations, and to strengthening City protections for renters under the Tenant Relocation and Protection Policy and the Rental Housing Stock ODP. This work is described further in the Strategic Analysis section.

#### 7. Government Tools to Support Existing Rental and Renters - Municipal, Regional, Provincial, and Federal

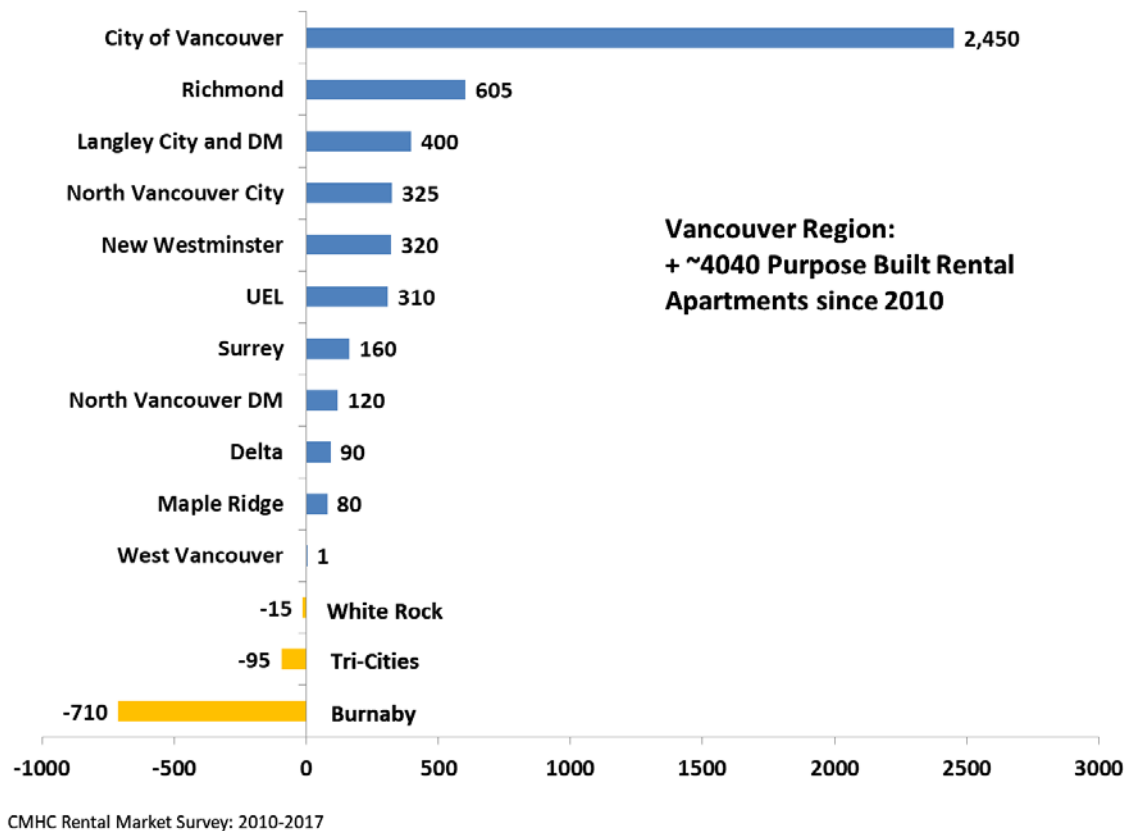
As in Vancouver, most of the purpose built rental in the Lower Mainland and on the Island was constructed before 1980, with much of it made up of low-rise, wood-frame buildings constructed between 1950 and 1970. This rental housing is key to ensuring secure, affordable housing in cities across the province.

Loss of rental housing is an issue in cities across the Lower Mainland and the rest of BC that do not have policies in place to protect the existing rental stock. Housing is regional in nature, and loss of rental in the region has an impact on all regional municipalities. While the Rental Housing Stock ODP has been effective in protecting against major losses in the Vancouver rental stock and has supported an overall net gain in rental over the past eight years, there has been a net loss of rental housing in other Lower Mainland municipalities, such as White Rock, Burnaby, and the Tri-Cities.

---

<sup>7</sup> The BC government has recently proposed changes to the Residential Tenancy Act that would increase the notice requirement for the Notice to End Tenancy for Landlord's Use due to renovations up to 4 months.

*Figure 5. Change in Apartment Units in CMHC Rental Market Survey Universe (2010-2017)*



There has been action in recent years to promote policies to protect and renew existing rental across BC municipalities. The Metro Vancouver Regional Affordable Housing Strategy commits municipalities in the region to action to protect against loss of rental housing through rental replacement requirements. Staff are also aware of several municipalities in BC that are working to explore the challenges and policy options involved in protecting this stock. However, cities have limited tools to encourage renewal of existing private market rental housing while protecting existing renters. Staff have committed to exploring policy options for municipalities to support existing rental housing while considering impacts on renters. These are outlined further in the Strategic Analysis section below.

There is also a role for senior government in the conversation about policy options to support and renew existing market rental housing. New governments at the provincial and federal level have committed to repairs and retrofits in existing non-market housing and creating new non-market supply. However, even with this commitment, existing private market rental will continue to be the primary source of affordable housing for most low- and moderate- income households.

Partnerships to support renewal of this stock while protecting renters must be part of any comprehensive strategy to support housing affordability moving ahead. Continued redevelopment pressure on rental housing may necessitate new and enhanced tools for Vancouver and other municipalities to protect rental affordability and grow the supply of rental housing. These tools could include higher rental replacement requirements (beyond one to one), coupled with density allowances and affordability requirements. The province

has also recently introduced legislation to enable municipalities to zone for residential tenure, which could allow the City to secure existing and new rental via rental-only zones. At the provincial level, there has also been a renewed commitment to strengthening renters' rights through the recent formation of the Rental Housing Task Force, enhancing capacity at the Residential Tenancy Branch, as well as property tax exemptions for rental housing.

At the federal level, there is a proposed National Housing Benefit that could provide housing assistance to as many as 300,000 households across Canada. Several additional initiatives have been proposed as options to support existing rental housing, which are explored further in the Strategic Analysis section below.

## 8. Consultation

Staff consulted with renters, advocates, landlords, and development industry stakeholders on the issues and policy recommendations identified in this report, both through the 2017 Housing Vancouver engagement process and through more targeted surveys and discussions.

### a) Consultation with renters and advocates

As part of the 2017 Housing Vancouver engagement process, staff consulted with over 10,000 Vancouver residents on their core housing challenges, through an online survey and through in-person open houses and events. Over half of the residents consulted were renters; nearly 40 per cent were young people and families; and over 10 per cent were seniors. A clear challenge identified in these conversations was the severe affordability pressure facing renters in Vancouver. Renters expressed serious concerns about their ability to find appropriate housing for themselves and their families given rising rents in the City.

Renters were also concerned about a lack of security of tenure in their current housing, due to rising rents or renovations or redevelopment to their existing housing. Many participants noted that existing rental housing is a crucial source of affordable housing and encouraged the City to continue to prioritize preservation and renewal of existing housing and support for existing renters. Participants also encouraged the City to explore opportunities for new supply that avoid or minimize displacement of existing renters.

Staff also consulted with the Tenant Resource Advisory Centre (TRAC) and City of Vancouver Renters' Advisory Committee on the specific findings and recommendations outlined in this Council report. The Renters' Advisory Committee was generally supportive of efforts to enhance protections of existing rental stock and protect against loss of affordable rental. The committee was also interested and generally supportive of the city looking at ways to support the upgrading and maintenance of aging private market rental housing, and looking at options to encourage upgrades to be done while minimizing renter displacement.

TRAC representatives were supportive of the changes to the Rental Housing Stock ODP and recommendations to work with the province on additional protections for renters. TRAC also agreed that it is important to encourage renewal of existing rental, but expressed concern that many renters in Vancouver are being displaced due to minor or cosmetic renovations to interior units. They encouraged the City to continue to enhance protections for renters in all cases of redevelopment and renovations, both through its own initiatives and through work with the Province.

b) Consultation with landlords and industry stakeholders

Targeted engagement with landlords in existing rental housing was conducted through a survey of twenty rental owners as part of the City-commissioned rental reinvestment study, as well as conversations with several rental owners and LandlordBC. Most landlords indicated that they undertake renewals on an as-needed basis, with some indicating that they have a longer-term capital plan for renewals. Several noted a preference to undertake as many renewals as possible with minimal disruption to existing tenancies; however, some landlords also noted that more comprehensive renewals projects (e.g. a major modernization of a building after a recent sale) may not be economically feasible or desirable without displacement of existing renters.

Almost all landlords identified complexity in municipal permit application and inspections processes as significant barriers to undertaking major renovation projects, noting that difficulties involved in bringing older systems in existing rental buildings up to modern building code standards. Landlords agreed that government incentives would be welcome and effective tools for encouraging renovations in existing rental, and urged the City to work with landlords on future initiatives.

Staff also consulted with the landlord and development industry on the proposed amendments to the Rental Housing Stock ODP via conversations with LandlordBC and members of the Urban Development Institute. Industry representatives agreed that renewal of existing rental housing is an important goal, but also noted that small landlords may be unprepared to manage the growing maintenance and investment needs of these buildings, particularly when improvements require significant expenditures over time. Industry representatives also urged Staff to pair efforts to protect the existing rental stock with further work to expand the supply of rental housing.

### *Strategic Analysis*

This section describes the proposed changes to the Rental Housing Stock ODP, results of the Building Reinvestment Study and proposed recommendations for future work, including partnership actions to encourage reinvestment while protecting renters.

#### **1) Proposed Changes to the Rental Housing Stock ODP**

Currently under the Rental Housing Stock ODP, one for one replacement of all existing rental units are required in new multiple dwelling developments of six or more units in certain RM, FM, and CD-1 zoned areas of the city. Over the last 10 years of implementation, several gaps and issues requiring clarification have been identified. The objective of the proposed changes are to further protect renters, provide more clarity in implementation and to clean-up outdated language and policy references in the ODP. It is estimated an additional 4,500 units of rental housing will be further protected as a result of these proposed changes.<sup>8</sup> The following table summarizes the proposed amendments and their rationale.

---

<sup>8</sup> CoV Secured Market Rental Inventory - Number of rental units in existing purpose-built rental buildings with 3-10 units RM and FM areas

**Table 1: Proposed Amendments to the Rental Housing Stock ODP**

	Current Provision	Proposed Amendments	Rationale
1	Rental replacement is triggered by new development of a multiple dwelling of six or more units (Section 2.4)	Lower the “trigger” for when rental replacement is required to developments of three or more units	To further protect the existing stock and prevent small underbuilt developments coming in under the rental replacement threshold. Between 2009 to 2016, ~60 rental units were lost to new strata developments of five units or less in RHS ODP areas
2	Rental replacement is only required for new multiple dwellings, and is not required for other residential uses such as multiple conversion dwellings <sup>9</sup>  (Section 2.4)	Require rental replacement for new developments with residential dwelling types with three or more units, including multiple conversion dwellings	Further protect the existing stock - there has been a loss of ~80 multiple conversion dwelling units due to demolitions between 2009 and 2017; Additionally, 1,200 multiple conversion dwelling units are rental in RHS ODP areas
3	The RHS ODP requirements do not specify unit mix for replacement rental - this means replacement rental may not include family units (e.g. existing two- bedroom units can be replaced with a studio)  (Section 2.4)	Require 35 per cent family housing units (two or more bedrooms) for full redevelopment scenarios and cases requiring major alterations resulting in a change to the unit mix and the reconfiguration of a majority of the existing units in the building.	Requiring family housing will ensure adequate diversity in the rental stock in order to meet the needs of a variety of households, including families with children, couples, and singles

<sup>9</sup> Multiple Conversion Dwellings are typically older houses/buildings that have been converted to contain two or more residential units.

	Current Provision	Proposed Amendments	Rationale
		Discretion will be considered in cases that prevent or deter conservation of a protected heritage building or a building on, or eligible for addition to, the Vancouver Heritage Register; the renovation of a building where there are physical constraints due to light, access, and the form and structural elements of the existing building; and development of low and mid-rise buildings on mid-block or unique sites with significant design challenges;	Provisions to relax the family housing requirement is provided in the ODP to address situations where meeting the requirement is physically unfeasible, impacts livability, and causes unnecessary hardship
		No family housing requirements for minor renovations	For minor renovations involving only a handful of units in a building, imposing a family housing requirement would not be possible in most cases
4	No guidance provided for replacement of sleeping or housekeeping units	For projects involving major alterations where the existing rental units are sleeping or housekeeping units, discretion for less than one for one replacement with the goal of maximizing the rental replacement will be considered to the satisfaction of the Director of Planning.	Housekeeping and sleeping units are a largely outdated form of dwelling units. For livability reasons, current practice has been to replace these units with ones that are self-contained. However, it may not always be possible in cases involving major alterations to replace the rental units on a one-for-one basis due to physical constraints and impacts to livability.
5	Lack of clarity for strata developments where the existing strata building is under single ownership and is being dissolved for redevelopment purposes - these buildings could contain rented condos or the units may be rented back to the owner by the developer as part of their sales agreement. Rental replacement currently applies to these situations.	Clarify that rental replacement will not be required for developments involving hotels or strata buildings where the existing strata corporation is under single ownership and is being dissolved (or has been dissolved in the last 3 years) for redevelopment purposes	In July, 2016, changes to the Strata Property Act were made to allow strata owners to dissolve a strata corporation with an 80 per cent majority vote. As a result of this change, more strata corporations will likely be dissolved in the future (which may contain rented condos or units rented back to the owner by the developer). It was never the intention of the ODP to require rental

	Current Provision	Proposed Amendments	Rationale
			replacement for strata buildings going through the dissolution and redevelopment process.
6	Lack of clarity for developments involving longer-term rental units in commercial hotels.	Clarify that rental replacement will not be required for developments involving hotels	The ODP is not explicit about requirements for rental units in hotels, which has led to some confusion in the development process in recent years. Hotels are a commercial use, and the intention of the ODP is to protect residential rental housing
7	Outdated reference to “rate of change” language and archaic policy references	Simplify ODP by remove outdated and confusing reference to “rate of change” language and update policy reference	The ODP was approved over 10 years ago, and new policies and practices have been adopted during that time. A clean-up of the ODP language is required

The proposed amendments to the Rental Housing Stock ODP in their entirety and the corresponding changes required to the relevant district schedules and Zoning and Development Bylaws are contained in Appendix A and B of this report. In addition, further details to help guide the development and processing of the Rental Housing Stock ODP can be found in the Rental Housing Stock Official Development Plan Administrative Bulletin as attached in Appendix C.

Staff propose that the amendments to the Rental Housing Stock ODP would take effect on September 1, 2018 for new projects. All rezoning and development permit applications involving rental replacement that are currently underway or that are submitted prior to September 1, 2018 will continue to be processed under the current provisions of the Rental Housing Stock ODP and will not be impacted by these new amendments.

Ongoing monitoring of the rental stock, including net loss, additions, and affordability, will be reported out to Council annually as part of the Housing Vancouver Progress report.

## 2) Building Reinvestment Study Findings and Policy Recommendations

Based on the findings from the City-commissioned rental reinvestment study and consultation with the public and key stakeholders outlined in the Background section, Staff identified several recommendations for City and partner action in order to encourage structural and energy upgrades to existing rental buildings while also supporting existing renters. The complete findings of the City-commissioned rental reinvestment studies are included in the



report in Appendix F. Policy recommendations and key findings supporting these recommendations are outlined below:

**a) Support rental owners with planning for major structural and energy upgrades in existing rental buildings**

**Findings:**

As part of the City-commissioned rental reinvestment study, staff and the consultant team undertook consultation with rental owners – in person and through a survey – to understand barriers to undertaking major capital and energy upgrade projects and to learn about the financial considerations involved in undertaking major renewals and retrofits. This consultation was intended to identify areas where the City and/or partners could support existing owners to encourage key upgrades and energy-efficient retrofits.

A key barrier identified as part of this work is a limited knowledge and/or capacity among smaller landlords to undertake long-term capital planning and energy benchmarking for buildings they own. While over half of the rental owners surveyed responded that they complete repairs to their buildings promptly as needed, only 20 per cent indicated that they completed major repairs based on a long-term capital plan. The consultant study notes that a long-term capital and financial plan, when coupled with an assessment of the condition of major building systems and an energy assessment, can reduce deferral of major capital expenditures and facilitate planning and implementation of major projects and energy-efficient retrofits.

The consultant also conducted analysis to understand the short- and long-term financial implications of major upgrades for market rental buildings. City staff supplemented the consultant work with additional analysis, developed in consultation with LandlordBC. The overall finding is that significant expenditures on major systems, such as building envelope upgrades, almost always require financing and may not be feasible for owners who are averse to taking on debt or adding to high existing financing costs. These owners may benefit from support with developing a long-term capital plan in order to help plan for major expenditures and retrofits in their buildings in coming years.

**Policy Recommendation:**

Staff recommend partnering with LandlordBC on a program to support and encourage capital planning and energy benchmarking in existing rental housing. The target audience for the program are existing owners of low-rise, wood frame buildings in Vancouver, who may not currently have a long-term capital plan but are interested in opportunities to upgrade their buildings and explore energy retrofit opportunities.

Through the program, participating owners will obtain a building condition and energy assessment that will identify building components likely to require renewals in the coming years, as well as opportunities for energy-efficient retrofits. Owners will also receive education and advice on capital and energy planning, including how to fund or finance needed upgrades and plan for future renewals, as well as guidance on best practices for working with renters during major renovation projects. The pilot program would serve 10-20 buildings in the first two years, with an initial budget of \$100,000 and an aim to expand the program based on interest and take-up. All City of Vancouver procurement policies and best practices will be followed in the procurement process for the pilot program. More details on the proposed pilot program are available in Appendix G.

*Figure 6: Proposed Timeline for Landlord Support Program*

	2018	2019	2020	2021
Preparation and Program Design				
RFP				
Identify Consultant and Building/Energy Assessment Partners				
Pilot program				
Initial progress report				
Follow up on participant implementation of recommendations				
Final Report				

**b) Explore feasibility of municipal incentives to support structural and energy upgrades in existing rental buildings**

**Findings:**

Municipalities may be able to incentivize major upgrades through measures like tax incentives, grants, or land use tools, though further analysis is needed to determine the impact of various incentives, their feasibility to implement in the private market, and their impact on affordability and security for renters. The table below describes options that Staff propose to explore for feasibility.

An additional barrier to renewals in rental housing identified during consultation with rental owners is a widely-held perception of significant uncertainty and risk involved in the municipal permit application process. The Housing Vancouver 10-year strategy includes a commitment to identifying opportunities to streamline City processes for development applicants.

**Table 2: Proposed areas to explore:**

Approach	Considerations
Municipal property tax incentives for major capital expenditures and/or retrofits	<ul style="list-style-type: none"> <li>- BC Budget 2018 proposes property tax incentives for rental housing</li> <li>- Cost/benefit analysis required to assess the impact of property tax waivers on the cost of major upgrades</li> </ul>
Bonus density to support structural and energy-efficient upgrades through additions to existing rental, with below-market affordability in a per cent of new units	<ul style="list-style-type: none"> <li>- Need for targeted approach + pace of change requirements</li> <li>- Significant risk of renter displacement involved in allowing additions to existing rental</li> <li>- Need to test economic viability</li> </ul>
Grant support for capital and energy upgrades, conditioned on maintaining affordability and minimizing renter impacts	<ul style="list-style-type: none"> <li>- Limited ability to give grants to private sector actors; could consider working via non-profit intermediary</li> </ul>

**c) Work with partners in senior government on initiatives to support major capital and energy-efficient upgrades in existing private market rental housing**

**Findings:**

In addition to potential policy options for the City to explore, there are a broad suite of policy options that senior governments could pursue in order to create an environment that is more encouraging of critical renewals in existing purpose-built rental housing. Many of these options have been the focus of advocacy by major stakeholder groups, including LandlordBC, the Canadian Federation of Apartment Associations, and the Federation of Canadian Municipalities. Several suggested options are outlined below, including considerations for policy evaluation and implementation.

**Policy Recommendations:**

Work with the province and federal government on programs to support major capital and energy-efficient upgrades in existing private market rental housing, including:

- Initiatives to promote long-term capital planning and energy assessments, such as expanding building condition assessments in purpose-built rental buildings and integrating energy assessments
- Financing, tax incentives, and/or grant assistance to support needed capital upgrades and energy-efficient retrofits, conditioned on maintaining affordability and/or minimizing renter displacement
- Exploring ways to encourage transfer to existing private rental to non-profit ownership, such as abating or waiving capital gains upon sale of an existing rental property if it is transferred into ownership by a non-profit housing society

**d) Strengthen City and senior government protections for renters**

**Findings:**

While the City's existing renter and rental housing protections are among the strongest in BC, additional action will ensure that the broadest possible set of renters are protected, that the policy is tailored appropriately to different types of rental housing, and that renovation activity in existing rental is tracked and monitored over time. In particular, Staff have heard that renters in social housing need different protections than those in market rental housing, and that the City needs to enhance its own capacity to implement, monitor, and enforce on existing Tenant Relocation and Protection policy requirements in all types of purpose-built rental housing.

Federal and provincial initiatives could also have significant impact on renters. Current and future action to reform the Residential Tenancy Act, including the new Renter Housing Task Force will help to cement renters' rights in BC, while potential action from the federal government to address affordability for renters across Canada could bring additional support to Vancouver renters. The recent BC government 30-point housing plan includes a commitment to ensuring adequate supports and protections for renters displaced by renovations, and the BC Budget Update in 2017 included additional resources to bolster the capacity of the Residential Tenancy Branch to handle cases. The City will continue to work with partners at the province on designing and implementing these changes in Vancouver and ensuring alignment between City and provincial rental policies, while also engaging with

rental owners to understand the impacts of these changes on their operations and ensure the viability of major needed repairs.

**Policy Recommendations:**

- Work with the province on enhanced RTA protections for renters in the case of renovations or redevelopment of existing rental housing, while also exploring ways to incentivize needed repairs to aging buildings.
- Strengthen the City's Tenant Relocation and Protection Policy to ensure protections for renters displaced by renovations or redevelopment, including new protections for social housing residents, and alignment with new updates to the provincial Residential Tenancy Act, as well as any changes that may arise from the newly formed Rental Housing Task Force. This report back is anticipated to come before Council in early 2019.

**e) Impact of proposed Vancouver Charter changes allowing zoning for rental tenure**

On April 24<sup>th</sup>, the province announced the introduction of legislation that would amend the Vancouver Charter and Local Government Act to enable municipalities to limit the form of residential tenure permitted in a zoning bylaw. This legislation responded to requests from the City following the Housing Vancouver Strategy adoption in late 2017, as well as from the Union of BC Municipalities in early 2018. Once the legislation is adopted by the province, the City will have the authority to zone for rental tenure under the Vancouver Charter. Considerations involved in implementing the City's new authority to zone for rental tenure include:

- Analysis of impact on rental housing stock, renters, and residents in other tenure types (e.g. ownership, strata, co-op)
- The definition of residential rental tenure to be added to the Zoning By-Law
- The process of introducing limits to form of tenure in existing and new zoning bylaws

Rental zoning may be explored in current areas covered by the Rental Housing Stock ODP, as well as areas prioritized for affordable rental housing under new community plans. There may also be the opportunity to use rental zoning to secure long-term affordability in new rental development.

**Implementation and Monitoring**

Staff will report back on the status of the suite of Building Reinvestment policy recommendations contained in this report, along with continued monitoring of the rental housing stock, as part of Housing Vancouver's Annual Progress Report in 2019.

***Financial***

The Landlord Support Program (pilot) with LandlordBC will require \$100,000, which can be accommodated within The 2018 Planning, Urban Design and Sustainability operating budget for housing consulting and consultation. Expansion of the program and any additional funding will be brought back to Council.

## *CONCLUSION*

Vancouver's existing rental stock is critical source of affordable housing for lower and middle income residents. However, the stock is aging with the vast majority of the units now between 40 to 60 years old. This report contains recommendations that continue to retain this important housing including amendments to strengthen the Rental Housing Stock ODP and to provide better clarity in implementation; policy options to encourage reinvestment of existing rental housing; and to explore further actions to ameliorate the aging rental stock in partnership with senior governments. These recommendations are a key first step in the implementation of the Housing Vancouver Strategy goals to protect existing rental and support vulnerable renters.

\* \* \* \* \*

## Appendix A: Rental Housing Stock ODP Amending By-Law

### **A By-law to amend the Official Development Plan By-law No. 9488 regarding amendments to further protect rental housing stock, and housekeeping updates**

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

1. This By-law amends the indicated provisions of the Rental Housing Stock By-law Official Development Plan By-law No. 9488.
2. Council renames the Official Development Plan Regarding Areas of Real Property in Certain RM, FM, and CD-1 Zoning Districts as the Rental Housing Stock Official Development Plan, and deletes "Official Development Plan Regarding Areas of Real Property in Certain RM, FM, and CD-1 Zoning Districts" from the title page and from above Section 1 "Interpretation" and replaces it with "Rental Housing Stock Official Development Plan".
3. Council deletes "Schedule A" from the title page.
4. Council deletes "2.1 CityPlan policy about rental housing" in the Table of Contents and replaces it with "2.1 Housing Vancouver Strategy and Housing Vancouver 3 Year Action Plan".
5. Council deletes the definition of "rate of change" from section 1.1.
6. Council deletes the definition of "rental housing unit" from section 1.1 and replaces it with the following:

" "rental housing unit" means a dwelling unit, housekeeping unit, or sleeping unit on a site that a tenant rents, or has rented, for the purpose of living accommodation but does not include a unit rented by a not for profit housing cooperative to a member of the cooperative, a unit in a community care facility or group residence, a unit in a hotel, or units in a strata-titled building where the majority of the units were within the last three years individually owned and:

  - (a) for which a petition has been filed with the Supreme Court of BC to dissolve the strata corporation; or
  - (b) for which all the strata lots within the corporation are now under single ownership."
7. Council deletes section 2.1 and replaces it with the following:

**"Housing Vancouver Strategy and Housing Vancouver 3 Year Action Plan**

2.1 On November 27, 2017, Council adopted the Housing Vancouver Strategy and the Housing Vancouver 3 Year Action Plan, which includes specific direction to continue "protecting affordability and ensuring one-for-one replacement of rental housing"."

8. Council deletes section 2.2 and replaces it with the following:

**“Concerns about rental housing**

2.2 Council has concerns about preserving the existing rental housing stock because it continues to be some of the most affordable and secure rental housing in the city, compared to the relatively high rents of newly-constructed rental housing. In Vancouver, the existing stock of low-rise, wood-frame market rental buildings, largely constructed before 1980, makes up over 80 per cent of the city’s purpose-built rental housing stock and has rents that are nearly 30 per cent lower than newly-constructed rental housing. Located in the zoning districts, which are some of the city’s most desirable neighborhoods, this stock has come under redevelopment pressure in recent years, driven by housing price growth and development opportunities. The key to preserving this affordability requires policies and programs that aim to protect and renew the city’s rental stock.”.

9. Council deletes section 2.4 and replaces it with the following:

**“Rental Housing Policy**

2.4 Council’s policy regarding real property in the zoning districts is that development on any site consisting of three or more dwelling units that requires the demolition or change of use or occupancy of a rental housing unit on that site, or would have required such demolition or change of use or occupancy had a person, during the three years preceding the date of application for a development permit, not demolished one or more rental housing units or changed their use or occupancy, is not permissible unless:

- (a) for new development that requires demolition of one or more buildings on that site, or for an existing development that requires major alterations or additions resulting in a change to the unit mix of the building(s) and the reconfiguration of a majority of the existing dwelling units, housekeeping units, or sleeping units:
  - (i) a housing agreement, satisfactory to Council, is entered into that secures:
    - A. one for one replacement of existing rental housing units with dwelling units on the site or in the same zoning district, or one for one replacement with another type of affordable housing if permitted under an applicable community plan, except that in cases where the existing rental housing units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council’s intention to maximize the replacement of such rental units; and
    - B. a Tenant Relocation Plan in keeping with the city’s Tenant Relocation and Protection Policy, if applicable, and

- (ii) at least 35% of the total number of dwelling units include two or more bedrooms, except where the Director of Planning considers that such requirement would deter or prevent:
  - A. conservation of a protected heritage property or a building on, or eligible for addition to, the Vancouver Heritage Register;
  - B. the renovation of a building where there are physical constraints due to light, access, and the form and structural elements of the existing building;
  - C. development of low-rise and midrise buildings on mid-block or unique sites with significant design challenges in meeting the requirement; or
  - D. development of projects on sites or in areas identified in Council-approved plans or policies as targeted to single and couple households,

and

- (b) for an existing development that requires renovations resulting in a change of use or occupancy of a rental housing unit on that site, but does not require major alterations or additions resulting in a change to the unit mix of the building(s) and the reconfiguration of a majority of the existing dwelling units, housekeeping units, or sleeping units, :
  - (i) one for one replacement of existing rental housing units with dwelling units on the site or in the same zoning district is secured to the satisfaction of the Director of Planning, except that in cases where the existing rental housing units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council's intention to maximize the replacement of such rental units; and
  - (ii) a Tenant Relocation Plan in keeping with the city's Tenant Relocation and Protection Policy is provided, if applicable."

10. Council deletes section 2.5 and replaces it with the following:

**"Affordable housing and special needs housing policies**

2.5 Council's existing policies respecting affordable housing and special needs housing are to continue to apply to real property in the zoning districts. Such policies include, among others: Housing Vancouver Strategy 2018 - 2027, West End Community Plan (2013), Downtown Eastside Community Plan (2014), Marpole Plan (2014), Grandview-Woodlands Community Plan (2016), Cambie Corridor Plan (2018), Moderate Income Rental Housing Pilot Program (2017), Family Room Housing Mix in Apartments Rezoning Policy (2016), and the Tenant Relocation and Protection Policy (2015)."

\* \* \* \* \*



BY-LAW NO. \_\_\_\_\_

**A By-law to amend  
Zoning and Development By-law No. 3575  
regarding amendments related to the  
Rental Housing Stock Official Development Plan By-law No. 9488**

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

1. This By-law amends or adds to the indicated provisions of the Zoning and Development By-law.

2. In Section 2, Council:

- (a) strikes out the definition of “Rate of Change”; and
- (b) strikes out the definition of “Rental Housing Unit” and substitutes:

**“Rental Housing Unit**, for the purposes of section 3.3.6 of this by-law, and for the purposes of section 3.3.1 of the RM-2, RM-3, RM-3A, RM-4 and RM-4N, District Schedules, section 3.3.4 of the RM-5, RM-5A, RM-5B, RM-5C and RM-5D Districts Schedule, and section 3.3.2 of the RM-6, and FM-1 District Schedules, means a dwelling unit, housekeeping unit, or sleeping unit on a site that a tenant rents, or has rented, for the purpose of living accommodation but does not include a unit rented by a not for profit housing cooperative to a member of the cooperative, a unit in a community care facility or group residence, a unit in a hotel, or units in a strata-titled building where the majority of the units were within the last three years individually owned and:

- (a) for which a petition has been filed with the Supreme Court of BC to dissolve the strata corporation; or
- (b) for which all the strata lots within the corporation are now under single ownership;”.

3. Council strikes out section 3.3.6 and substitutes:

**“3.3.6** Despite anything to the contrary in this by-law, the Director of Planning or the Development Permit Board must not issue a development permit for:

- (a) a multiple dwelling with three or more dwelling units in the RM-2, RM-3, RM-3A, RM-4 and RM-4N, RM-5, RM-5A, RM-5B, RM-5C and RM-5D, RM-6, or FM -1 districts;
- (b) a multiple conversion dwelling with three or more dwelling units in the RM-2, RM-3, RM-3A, RM-4 and RM-4N, RM-5, RM-5A, RM-5B, RM-5C and RM-5D, or FM -1 districts; or
- (c) an infill multiple dwelling with three or more dwelling units in the RM-4 and RM-4N, RM-5, RM-5A, RM-5B, RM-5C and RM-5D, or FM -1 districts,

unless the development permit is subject to conditions that comply with the requirements of the applicable districts schedule or district schedule.”.

4. In the RM-2, RM-3, and RM-3A District Schedules, Council:

- (a) in section 2.2.DW, strikes out “Multiple Dwelling consisting of five or fewer dwelling units.”;
- (b) in section 3.2.DW:
  - i. strikes out the bullet point that begins with the words “Multiple Conversion Dwelling” and substitutes:
    - “
    - Multiple Conversion Dwelling, resulting from the conversion of a building existing as of June 18, 1956, provided that:
      - (a) before making a decision, the Development Permit Board shall consider the quality and livability of the resulting units, the suitability of the building for conversion in terms of age and size, and the effect of the conversion on adjacent properties and the character of the area; and
      - (b) building additions resulting in a total floor space ratio greater than 0.6 shall be in keeping with the character of the building,
    - in accordance with section 3.3.1 of this Schedule.”; and
  - ii. strikes out the bullet point that begins with the words “Multiple Dwelling” and substitutes:
    - “
    - Multiple Dwelling, in accordance with section 3.3.1 of this Schedule.”; and
- (c) adds a new section 3.3 as follows:
  - “3.3 Conditions of Use**
  - 3.3.1 Unless its development does not require the demolition or change of use or occupancy of one or more rental housing units, registered owners of Multiple Conversion Dwellings consisting of three or more dwelling units, or Multiple Dwellings, must:
    - (a) if it is new development that requires demolition of one or more buildings on that site, or if it is an existing development that requires major alterations resulting in a change to the unit mix of

the building(s) and the reconfiguration of a majority of the existing dwelling units, housekeeping units, or sleeping units:

- (i) enter into a housing agreement, satisfactory to Council, that secures:
  - A. one for one replacement of existing rental housing units with dwelling units on the site or in the same zoning district, or one for one replacement with another type of affordable housing if permitted under an applicable community plan, except that in cases where the existing rental housing units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council's intention to maximize the replacement of such rental units; and
  - B. a Tenant Relocation Plan in keeping with the city's Tenant Relocation and Protection Policy, if applicable, and
- (ii) ensure that at least 35% of the total number of dwelling units include two or more bedrooms, except where the Director of Planning considers that such requirement would deter or prevent:
  - A. the conservation of a protected heritage property or a building on, or eligible for addition to, the Vancouver Heritage Register;
  - B. the renovation of a building where there are physical constraints due to light, access, and the form and structural elements of the existing building;
  - C. development of low-rise and midrise buildings on mid-block or unique sites with significant design challenges in meeting the requirement; or
  - D. development of projects on sites or in areas identified in Council-approved plans or policies as targeted to single and couple households,

or

- (b) if it is an existing development requiring renovations resulting in a change of use or occupancy of a rental housing unit on that site, but it does not require major alterations or additions resulting in a change to the unit mix of the building(s) and the reconfiguration of a majority of the existing dwelling units, housekeeping units, or sleeping units:

- (i) secure, to the satisfaction of the Director Planning, one for one replacement of existing rental housing units with dwelling units on the site or in the same zoning district, except that in cases where the existing rental housing units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council's intention to maximize the replacement of such rental units; and
- (ii) provide a Tenant Relocation Plan in keeping with the city's Tenant Relocation and Protection Policy, if applicable;

and, in this section, all references to the demolition or change of use or occupancy of one or more rental housing units are to include then existing rental housing units and rental housing units that, during the three years preceding the date of application for a development permit, a person has demolished or in respect of which has changed the use or occupancy.”.

5. In the RM-4 and RM-4N Districts Schedule, Council:

- (a) in section 2.2.DW, strikes out “Multiple Dwelling consisting of five or fewer dwelling units.”; and
- (b) in section 3.2.DW:
  - i. adds the words “, in accordance with section 3.3.1 of this Schedule” after “Infill”;
  - ii. strikes out the bullet point that begins with the words “Multiple Conversion Dwelling” and substitutes:

“

    - Multiple Conversion Dwelling, resulting from the conversion of a building existing as of June 18, 1956, provided that:
      - (a) before making a decision, the Development Permit Board shall consider the quality and livability of the resulting units, the suitability of the building for conversion in terms of age and size, and the effect of the conversion on adjacent properties and the character of the area; and
      - (b) building additions resulting in a total floor space ratio greater than 0.6 shall be in keeping with the character of the building,

in accordance with section 3.3.1 of this Schedule.”; and
  - iii. strikes out the bullet point that begins with the words “Multiple Dwelling” and substitutes:

“

- Multiple Dwelling, in accordance with section 3.3.1 of this Schedule.”; and

(c) adds a new section 3.3 as follows:

**“3.3 Conditions of Use**

3.3.1 Unless its development does not require the demolition or change of use or occupancy of one or more rental housing units, registered owners of Infill Multiple Dwellings, Multiple Conversion Dwellings consisting of three or more dwelling units, or Multiple Dwellings, must:

(a) if it is new development that requires demolition of one or more buildings on that site, or if it is an existing development that requires major alterations resulting in a change to the unit mix of the building(s) and the reconfiguration of a majority of the existing dwelling units, housekeeping units, or sleeping units:

(i) enter into a housing agreement, satisfactory to Council, that secures:

- A. one for one replacement of existing rental housing units with dwelling units on the site or in the same zoning district, or one for one replacement with another type of affordable housing if permitted under an applicable community plan, except that in cases where the existing rental housing units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council’s intention to maximize the replacement of such rental units; and
- B. a Tenant Relocation Plan in keeping with the city’s Tenant Relocation and Protection Policy, if applicable, and

(ii) ensure that at least 35% of the total number of dwelling units include two or more bedrooms, except where the Director of Planning considers that such requirement would deter or prevent:

- A. the conservation of a protected heritage property or a building on, or eligible for addition to, the Vancouver Heritage Register;
- B. the renovation of a building where there are physical constraints due to light, access, and the form and structural elements of the existing building;

- C. development of low-rise and midrise buildings on mid-block or unique sites with significant design challenges in meeting the requirement; or
- D. development of projects on sites or in areas identified in Council-approved plans or policies as targeted to single and couple households,

or

- (b) if it is an existing development requiring renovations resulting in a change of use or occupancy of a rental housing unit on that site, but it does not require major alterations or additions resulting in a change to the unit mix of the building(s) and the reconfiguration of a majority of the existing dwelling units, housekeeping units, or sleeping units:

- (i) secure, to the satisfaction of the Director Planning, one for one replacement of existing rental housing units with dwelling units on the site or in the same zoning district, except that in cases where the existing rental housing units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council's intention to maximize the replacement of such rental units; and
  - (ii) provide a Tenant Relocation Plan in keeping with the city's Tenant Relocation and Protection Policy, if applicable;

and, in this section, all references to the demolition or change of use or occupancy of one or more rental housing units are to include then existing rental housing units and rental housing units that, during the three years preceding the date of application for a development permit, a person has demolished or in respect of which has changed the use or occupancy."

6. In the RM-5, RM-5A, RM-5B, RM-5C and RM-5D Districts Schedule, Council:

- (a) in section 2.2.DW, adds the words "consisting of two dwelling units" after "Multiple Conversion Dwelling"; and
- (b) in section 3.2.1.DW:
  - i. adds the words ", in accordance with section 3.3.4 of this Schedule" after "Infill";
  - ii. strikes out "Infill Multiple Dwelling, in accordance with section 5 of this schedule.";
  - iii. adds the following in correct alphabetical order:

“

- (i) Multiple Conversion Dwelling, in accordance with section 3.3.4 of this Schedule.”

iv. strikes out “Multiple Dwelling, in accordance with section 5 of this schedule.”;

v. strikes out “Multiple Dwelling, consisting of five or fewer dwelling units.”; and

vi. strikes out the bullet point that begins with the words “Multiple Dwelling” and substitutes:

“

- (ii) Multiple Dwelling, in accordance with section 3.3.4 of this Schedule.”; and

(c) adds a new section 3.3.4 as follows:

“3.3.4 Unless its development does not require the demolition or change of use or occupancy of one or more rental housing units, registered owners of Infill Multiple Dwellings, or Multiple Conversion Dwellings consisting of three or more dwelling units, or Multiple Dwellings, must:

(a) if it is new development that requires demolition of one or more buildings on that site, or if it is an existing development that requires major alterations resulting in a change to the unit mix of the building(s) and the reconfiguration of a majority of the existing dwelling units, housekeeping units, or sleeping units:

(i) enter into a housing agreement, satisfactory to Council, that secures:

- A. one for one replacement of existing rental housing units with dwelling units on the site or in the same zoning district, or one for one replacement with another type of affordable housing if permitted under an applicable community plan, except that in cases where the existing rental housing units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council’s intention to maximize the replacement of such rental units; and
- B. a Tenant Relocation Plan in keeping with the city’s Tenant Relocation and Protection Policy, if applicable, and

(ii) ensure that at least 35% of the total number of dwelling units include two or more bedrooms, except where the

Director of Planning considers that such requirement would deter or prevent:

- A. the conservation of a protected heritage property or a building on, or eligible for addition to, the Vancouver Heritage Register;
- B. the renovation of a building where there are physical constraints due to light, access, and the form and structural elements of the existing building;
- C. development of low-rise and midrise buildings on mid-block or unique sites with significant design challenges in meeting the requirement; or
- D. development of projects on sites or in areas identified in Council-approved plans or policies as targeted to single and couple households,

or

- (b) if it is an existing development requiring renovations resulting in a change of use or occupancy of a rental housing unit on that site, but it does not require major alterations or additions resulting in a change to the unit mix of the building(s) and the reconfiguration of a majority of the existing dwelling units, housekeeping units, or sleeping units:

- (i) secure, to the satisfaction of the Director Planning, one for one replacement of existing rental housing units with dwelling units on the site or in the same zoning district, except that in cases where the existing rental housing units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council's intention to maximize the replacement of such rental units; and

- (ii) provide a Tenant Relocation Plan in keeping with the city's Tenant Relocation and Protection Policy, if applicable;

and, in this section, all references to the demolition or change of use or occupancy of one or more rental housing units are to include then existing rental housing units and rental housing units that, during the three years preceding the date of application for a development permit, a person has demolished or in respect of which has changed the use or occupancy.”

7. In the RM-6 District Schedule, Council:

- (a) in section 2.2.DW, strikes out the following:

“2.2.DW [Dwelling]



- Multiple Dwelling consisting of five or fewer dwelling units.”;
- (b) in section 3.2.DW, strikes out the bullet point that begins with the words “Multiple Dwelling” and substitutes:
- “
- Multiple Dwelling, in accordance with section 3.3.2 of this Schedule.”;
- and
- (c) adds a new section 3.3.2 as follows:
- “3.3.2 Unless its development does not require the demolition or change of use or occupancy of one or more rental housing units, registered owners of Multiple Dwellings must:
- (a) if it is new development that requires demolition of one or more buildings on that site, or if it is an existing development that requires major alterations resulting in a change to the unit mix of the building(s) and the reconfiguration of a majority of the existing dwelling units, housekeeping units, or sleeping units:
    - (i) enter into a housing agreement, satisfactory to Council, that secures:
      - A. one for one replacement of existing rental housing units with dwelling units on the site or in the same zoning district, or one for one replacement with another type of affordable housing if permitted under an applicable community plan, except that in cases where the existing rental housing units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council’s intention to maximize the replacement of such rental units; and
      - B. a Tenant Relocation Plan in keeping with the city’s Tenant Relocation and Protection Policy, if applicable, and
    - (ii) ensure that at least 35% of the total number of dwelling units include two or more bedrooms, except where the Director of Planning considers that such requirement would deter or prevent:
      - A. the conservation of a protected heritage property or a building on, or eligible for addition to, the Vancouver Heritage Register;

- B. the renovation of a building where there are physical constraints due to light, access, and the form and structural elements of the existing building;
- C. development of low-rise and midrise buildings on mid-block or unique sites with significant design challenges in meeting the requirement; or
- D. development of projects on sites or in areas identified in Council-approved plans or policies as targeted to single and couple households,

or

- (b) if it is an existing development requiring renovations resulting in a change of use or occupancy of a rental housing unit on that site, but it does not require major alterations or additions resulting in a change to the unit mix of the building(s) and the reconfiguration of a majority of the existing dwelling units, housekeeping units, or sleeping units:

- (i) secure, to the satisfaction of the Director Planning, one for one replacement of existing rental housing units with dwelling units on the site or in the same zoning district, except that in cases where the existing rental housing units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council's intention to maximize the replacement of such rental units; and
  - (ii) provide a Tenant Relocation Plan in keeping with the city's Tenant Relocation and Protection Policy, if applicable;

and, in this section, all references to the demolition or change of use or occupancy of one or more rental housing units are to include then existing rental housing units and rental housing units that, during the three years preceding the date of application for a development permit, a person has demolished or in respect of which has changed the use or occupancy."

8. In the FM-1 District Schedule, Council:

- (a) in section 2.2.DW, strikes out "Multiple Dwelling consisting of five or fewer dwelling units.";
- (b) in section 3.2.DW;
  - i. adds the words ", in accordance with section 3.3.2 of this Schedule." After "Infill";

- ii. strikes out the bullet point that begins with the words “Multiple Conversion Dwelling” and substitutes:

“

- Multiple Conversion Dwelling, resulting from the conversion of a building existing as of June 18, 1956, provided that:
  - (a) before making a decision, the Development Permit Board shall consider the quality and livability of the resulting units, the suitability of the building for conversion in terms of age and size, and the effect of the conversion on adjacent properties and the character of the area; and
  - (b) building additions resulting in a total floor space ratio greater than 0.6 shall be in keeping with the character of the building,

in accordance with section 3.3.2 of this Schedule.”; and

- iii. strikes out the bullet point that begins with the words “Multiple Dwelling” and substitutes:

“

- Multiple Dwelling, in accordance with section 3.3.2 of this Schedule.”; and

- (c) adds a new section 3.3.2 as follows:

“3.3.2 Unless its development does not require the demolition or change of use or occupancy of one or more rental housing units, registered owners of Infill Multiple Dwellings, or Multiple Conversion Dwellings consisting of three or more dwelling units, or Multiple Dwellings, must:

- (a) if it is new development that requires demolition of one or more buildings on that site, or if it is an existing development that requires major alterations resulting in a change to the unit mix of the building(s) and the reconfiguration of a majority of the existing dwelling units, housekeeping units, or sleeping units:
  - (i) enter into a housing agreement, satisfactory to Council, that secures:
    - A. one for one replacement of existing rental housing units with dwelling units on the site or in the same zoning district, or one for one replacement with another type of affordable housing if permitted under an applicable community plan, except that in cases where the existing rental housing units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council’s

intention to maximize the replacement of such rental units; and

- B. a Tenant Relocation Plan in keeping with the city's Tenant Relocation and Protection Policy, if applicable, and

- (ii) ensure that at least 35% of the total number of dwelling units include two or more bedrooms, except where the Director of Planning considers that such requirement would deter or prevent:

- A. the conservation of a protected heritage property or a building on, or eligible for addition to, the Vancouver Heritage Register;
- B. the renovation of a building where there are physical constraints due to light, access, and the form and structural elements of the existing building;
- C. development of low-rise and midrise buildings on mid-block or unique sites with significant design challenges in meeting the requirement; or
- D. development of projects on sites or in areas identified in Council-approved plans or policies as targeted to single and couple households,

or

- (b) if it is an existing development requiring renovations resulting in a change of use or occupancy of a rental housing unit on that site, but it does not require major alterations or additions resulting in a change to the unit mix of the building(s) and the reconfiguration of a majority of the existing dwelling units, housekeeping units, or sleeping units:

- (i) secure, to the satisfaction of the Director Planning, one for one replacement of existing rental housing units with dwelling units on the site or in the same zoning district, except that in cases where the existing rental housing units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council's intention to maximize the replacement of such rental units; and

- (ii) provide a Tenant Relocation Plan in keeping with the city's Tenant Relocation and Protection Policy, if applicable;

and, in this section, all references to the demolition or change of use or occupancy of one or more rental housing units are to include then existing rental housing units and rental housing units that, during the three years preceding the date of application for a

development permit, a person has demolished or in respect of which has changed the use or occupancy.”

\*\*\*

## Appendix C: Rental Housing Stock Official Development Plan Administrative Bulletin



### 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](mailto:planning@vancouver.ca)

# RENTAL HOUSING STOCK OFFICIAL DEVELOPMENT PLAN

*Authority - Director of Planning*

*Effective \_\_\_\_\_*

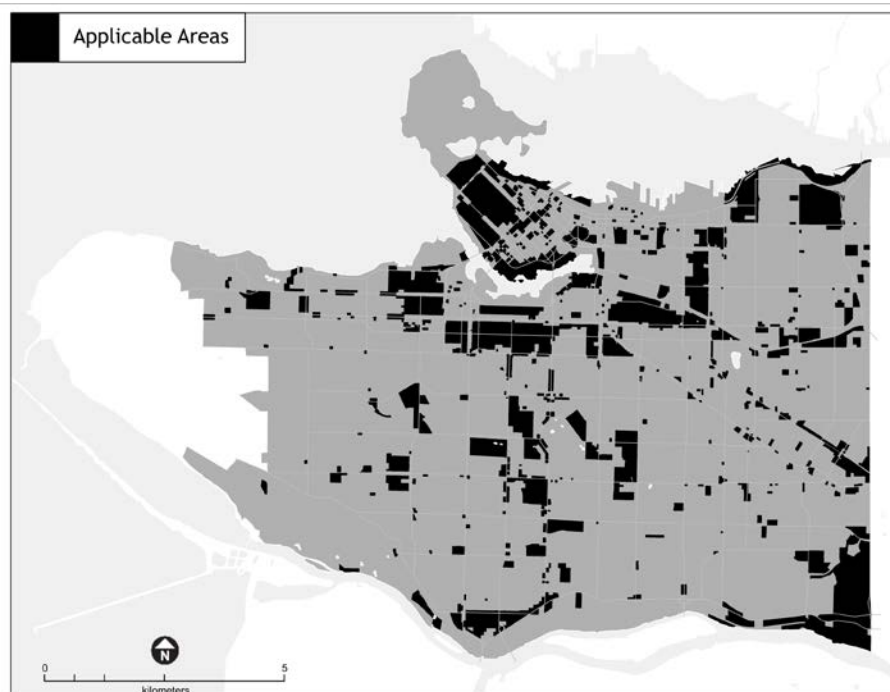
## 1. Intent

This bulletin provides further information on the amendments to the Rental Housing Stock ODP approved by Council on \_\_\_\_ and enacted on \_\_\_\_\_. The information contained in this document are intended to help inform the way in which rental replacement requirements will be applied to specific projects in areas covered by the Rental Housing Stock ODP.

## 2. Application Process

The Rental Housing Stock ODP applies to the RM-2, RM-3, RM-3A, RM-4 and 4N, RM-5, RM-5A, RM-5B and RM-5C, RM-5D, RM-6, FM-1, or CD-1 District or Districts Schedules of the Zoning and Development By-law to developments of three or more residential units that includes the demolition or change of use or occupancy of a rental housing unit. See map below.

### Rental Housing Stock ODP – Map Illustrating Applicable Areas



*Note: this map is for illustrative purposes only and is up to date as of March 13, 2018. New CD-1 districts added after March 13, 2018 are not included.*

**What is a Rental Housing Unit?**

A rental housing unit is a dwelling unit, housekeeping unit, or sleeping unit on a site that is:

- Currently being rented by a tenant for 30 days or more; or
- Has previously been rented by a tenant for 30 days or more in the 3 years preceding the date of the rezoning application or the development permit application (if made under existing zoning)

**Exclusions**

Rental replacement requirements under the Rental Housing Stock ODP does not apply to the following cases, which are not considered rental for the purposes of the this ODP:

- non-profit co-operative housing,
- community care facility or group residence,
- rented units in hotels, including stays longer than 30 days,
- strata-titled building where the majority of the units were within the last three years individually owned and
  - a) for which a petition has been filed with the Supreme Court of BC to dissolve the strata corporation, or
  - b) for which all the strata lots within the corporation are now under single ownership.”

### 3. Rental Replacement Requirements

For applicable sites under the Rental Housing Stock ODP, there are two scenarios for rental replacement requirements, depending on the scale and nature of the proposed development:

- Full redevelopment that involves demolition of one or more buildings on the existing site, or development requiring major alterations
- Renovation projects requiring a change of use or occupancy of a rental housing unit on site but does not require major alterations or additions

#### 3.1 New Developments Requiring Full Redevelopment or Major Alterations

For new development that requires:

- demolition of one or more buildings on the site; or
- alterations or additions resulting in a change to the unit mix within the buildings(s) and/or the reconfiguration of a majority of the existing residential units. Some of examples include:
  - complete renovations where everything down to the raw framing has been replaced, including: pipes and plumbing, electric, walls, etc.,
  - a major renovation involving the majority of units (e.g. 50 per cent or more of the units) in an existing building that results in the overall change of the layout, number, and/or bedroom mix of units in the building

a housing agreement, satisfactory to Council, must be entered into that requires the following:

- (i) One-for-One Replacement of Existing Rental Units:**
  - One-for-one replacement of all existing rental housing units with self contained dwelling units on the site or in the same zoning district, or
  - One-for-one replacement with another type of affordable housing (e.g. social housing) if permitted under an applicable community plan

**Note:** in cases of major alterations where the existing rental units are sleeping or housekeeping units, the Director of Planning may permit less than one-for-one replacement, having regard for the Council's intention to maximize the replacement of such rental units

(ii) **a Tenant Relocation Plan** in keeping with the city's Tenant Relocation and Protection Policy, if applicable, and

(iii) **Family Housing Units** - at least 35% of the total number of dwelling units must include two or more bedrooms, except where the Director of Planning considers that such requirement would deter or prevent:

- A. conservation of a protected heritage property or a building on, or eligible for addition to, the Vancouver Heritage Register;
- B. the renovation of a building where there are physical constraints due to light, access, and the form and structural elements of the existing building;
- C. development of low-rise and midrise buildings on mid-block or unique sites with significant design challenges in meeting the requirement; or
- D. development of projects on sites or in areas identified in Council-approved plans or policies as targeted to single and couple households.

### 3.2 Development Requiring Renovations resulting in a change of use or occupancy of a rental housing unit on site but does not require major alterations or additions

For existing developments requiring renovations resulting in a change of use or occupancy of a rental housing unit on that site but does not require alterations or additions resulting in a change to the unit mix within the buildings(s) and/or the reconfiguration of a majority of the existing residential units, the following is required:

- (i) **one for one replacement of all existing rental housing units** with self contained dwelling units on the site or in the same zoning district is secured to the satisfaction of the Director of Planning

**Note:** in cases where the existing rental units are sleeping or housekeeping units, the Director of Planning may permit less than one for one replacement, having regard for the Council's intention to maximize the replacement of such rental units

- (ii) **a Tenant Relocation Plan** in keeping with the city's Tenant Relocation and Protection Policy is provided, if applicable.

**Note:** the requirements under section (3.2) will be secured as conditions of the development permit approval.

## 4. Tenant Relocation

The City approved the Tenant Relocation and Protection Policy and Guidelines in December, 2015. Please refer to these policies and guidelines prior to making an application if there are existing tenants that will be impacted or displaced due to major renovation or redevelopment.

## 5. Housing Agreements

Security of tenure of the rental units will be held 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.

## 6. Development Cost Levy (DCL) Waiver for New Rental Housing

Rental replacement projects resulting in a new market rental building, where 100% of the residential development is rental in tenure are eligible for a DCL waiver for the residential portion of the development. For more information about the specific requirements for the waiver, please refer to the City's Rental Incentive Guidelines.

**Note:** rental projects proposing changes to an existing building—involving renovation or alterations—are not eligible for the DCL waiver.

## Appendix D: Strata Title Cooperative Conversion Guidelines



### 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](mailto:planning@vancouver.ca)

# STRATA TITLE AND COOPERATIVE CONVERSION GUIDELINES

***Amended by City Council on X***

*Adopted by City Council on April 29, 1986,*

*Amended February 10 and December 15, 1987, November 29, 1988, January 23, 1990, July 30, 1991, October 1 and November 1, 1992, April 19, 1993, May 7, 1996, February 4, 1997, November 1, 1998, February 1, 1999, May 2, 2000, and July 1, 2000, December 4, 2001, January 1, 2002, March 1, 2003, September 14, 2004, December 14, 2004, February 15, 2005, January 1, 2006, July 1, 2006, January 1, 2007, May 24, 2007, January 1, 2008, June 10, 2008, January 1, 2009, January 1, 2010, July 1, 2010, January 1, 2011, January 1, 2012, January 1, 2013, April 1, 2013, January 1, 2014, January 1, 2015, January 1, 2016, September 1, 2016, January 1, 2017 and January 1, 2018*

## 1 Application and Intent

These guidelines outline various factors which the approving authority will take into consideration in reviewing an application for converting a previously occupied building to strata title or cooperative ownership, and note certain conditions which will be applicable to both types of applications. The guidelines are intended to protect tenants who may not wish, or who are unable, to purchase their proposed strata lot or cooperative unit and to ensure that the building proposed for conversion is in a reasonable state of repair.

Under section 242(1) of the **Strata Property Act** of British Columbia, City Council is the approving authority for conversion of previously occupied buildings into strata lots. Pursuant to Section 242(10) of the **Strata Property Act**, Council has delegated its approval authority to the Approving Officer for the following types of strata title conversion applications:

- (a) Previously occupied residential buildings containing less than six dwelling units; and
- (b) All previously occupied commercial, retail, office, industrial, institutional, recreational or mixed-use buildings which have never contained residential accommodation.

City Council is the approving authority for applications involving previously occupied residential buildings with six or more dwelling units. Council may also be requested to provide advice to the Approving Officer for any application where the Approving Officer (as delegated approving authority) is of the opinion the interests of residential tenants were not adequately respected in the change of occupancy, or there appears to be an attempt to circumvent these guidelines. Under section 6 of the **Real Estate Development Marketing Act** of British Columbia, City Council is the approving authority for conversion of previously occupied buildings into cooperative units.

## 2 Statutory Provisions

With respect to strata title conversion applications, the **Strata Property Act** requires that the approving authority must consider, in making its decision, the following:

- (a) The priority of rental accommodation over privately owned housing in the area;
- (b) Any proposals for the relocation of persons occupying a residential building;
- (c) The life expectancy of the building;
- (d) Projected major increases in maintenance costs due to the condition of the building; and
- (e) Any other matters that, in its opinion, are relevant.

## 3 City Guidelines

- (a) For the approving authority to give favourable consideration to an application for converting a previously occupied building to strata title or cooperative ownership:
  - (i) At least two-thirds (2/3) of the households occupying the building must have given their written consent to the conversion; and
  - (ii) The interests of all tenants must have been adequately respected in the conversion process.
- (b) The approving authority may refuse an application where in its opinion there appears to be an intent to circumvent these guidelines, or the interests of the rental tenants were not adequately respected in the change of occupancy.
- (c) The approving authority may refuse an application involving a building which is non-conforming as to use or regulation pursuant to the provisions of the City's Zoning and Development By-law.
- (d) The approving authority may refuse an application for conversion of a multiple dwelling, multiple conversion dwelling, or infill multiple dwelling consisting of three or more dwelling units, in the RM-2, RM-3, RM-3A, RM-4 and RM-4N, RM-5, RM-5A, RM-5B and RM-5C, RM-6, FM-1, or CD-1 District or Districts Schedules, in which rental replacement is required under the Rental Housing Stock Official Development Plan. For more information, please refer to the following documents:
  - Rental Housing Stock ODP, amended X
  - Administrative Bulletin: Rental Housing Stock ODP
- (e) The approving authority may approve an application, or approve it subject to terms and conditions, or refuse it, or refuse to approve the strata plan until terms and conditions imposed by the approving authority are met. Terms and conditions will ordinarily require that the building substantially comply with applicable City by-laws, and that the owner provide for the needs of disadvantaged tenants residing in the affected building.
- (f) Conditions imposed by the approving authority must be fulfilled within one year from the date of the approval in principle. Thereafter a new application shall be required to be submitted to the Subdivision and Strata Title Group.
- (g) The approving authority's decision on any application is final and where an application is refused, no similar application will be considered until one year from the date of the approving authority's refusal.

## 4 Application Procedure

- (a) Prior to filing a conversion application, the applicant should contact the Enquiry Centre (604.873.7613) on the Second Floor, East Wing of City Hall, to discuss whether development and building permit applications are first required for change of use, alterations or additions to the building. An applicant must secure any required permits before submitting a conversion application.
- (b) The applicant should submit a conversion application to:

Subdivision and Strata Title Group  
City of Vancouver

Planning Department  
453 West 12th Avenue  
Vancouver, B.C.  
V5Y 1V4

The applicant shall include the following:

- (i) A letter stating the property address and legal description of the site and providing the names and mailing addresses of the persons occupying the building, together with the proposals by the owner developer for the relocation of persons who may be affected by the proposed conversion;
  - (ii) A site plan, drawn to a scale of at least 1/16-inch to one foot (1:200 in metric), including a northpoint and an indication of the scale, and showing:
    - The location and dimensions of the site boundaries and the area of the site;
    - Adjoining street names;
    - The location, size, shape and siting (including setbacks) of all existing and proposed buildings or additions, including accessory buildings; and
    - The location and dimensions of all off-street parking and loading spaces, manoeuvring aisles and access driveways from streets and lanes.
  - (iii) Floor plans, drawn to a scale of at least 1/8-inch to one foot (1:100 in metric), including a northpoint and an indication of the scale, and showing:
    - The dimensions of all rooms and halls, and all outside dimensions including balconies and decks; and
    - The areas of the building designated as strata lots, common property and limited common property.
  - (iv) A notarized declaration stating:
    - That each person occupying the building has been given written notice of the intent to convert the building into strata lots under the **Strata Property Act** or cooperative units under the **Real Estate Development Marketing Act** together with the date of notice;
    - The number of units occupied on the date of the notice;
    - That notices have been posted in conspicuous places in the building, advising of the intent to convert the building into strata lots under the **Strata Property Act** or cooperative units under the **Real Estate Development Marketing Act**; and
    - That each person occupying a unit in the building has been provided with prospective sale prices, example management fees and a copy of the declaration of the building quality outlined in (v);
  - (v) A written report from a registered architect, engineer, or any other person, in a form acceptable to the City Building Inspector, that the building is of a reasonable quality for its age, including reference to the state of repair, general workmanship and measure of compliance with relevant City By-laws.
  - (vi) A non-refundable processing fee of \$5,612.00 plus \$10.00 for each unit proposed for conversion, payable to the City of Vancouver. (*See Fee Table on last page*)
- (c) Upon receipt of a conversion application, the Subdivision and Strata Title Group will send each tenant an information brochure on strata conversions, as well as a copy of these guidelines. Tenants will also be provided with a Tenant Response Form which is to be completed by every household in the building (a household being a person or group of persons occupying a unit). The forms are to be mailed back to the Subdivision and Strata Title Group in the stamped return envelopes provided. In order that the application can be processed, the forms should be returned as quickly as possible.
- (d) The Subdivision and Strata Title Group will forward the application to the City Building Inspector and Engineering Department and request comments based on an assessment of the application. The application will also be sent to the Manager of the Housing Centre for comment if the building previously contained six or more residential units.

- (e) If applicable, the Subdivision and Strata Title Coordinator will prepare a report to City Council, and the City Clerk will forward a copy to the applicant before the application is considered by Council.
- (f) For strata title conversion applications, if the approving authority grants approval in principle to the application, the applicant may then engage a British Columbia Land Surveyor to prepare strata plans in accordance with the provisions of the Strata Property Regulation. The strata plans are to be forwarded to the Subdivision and Strata Title Group for execution by the Approving Officer.
- (g) Before the strata plans are signed, the applicant must comply with the conditions imposed by the approving authority. Once signed, the Subdivision and Strata Title Group will retain one set of paper prints for the record, and return all remaining copies to the applicant for deposit with the Registrar at the Land Title Office.
- (h) For cooperative conversion applications, if Council grants approval in principle to the application, the applicant must comply with the conditions imposed by Council before the Approving Officer can grant final approval to the application.

Applications take a minimum of eight to ten weeks to process. For further information regarding these guidelines, please contact the Subdivision and Strata Title Group at 604.873.7721 or 604.871.6627.

*Note: The processing fee includes a Strata Application Fee, as required pursuant to Schedule F of the Subdivision By-law, plus all Special Inspection Application fees, required pursuant to the Building, Electrical, Plumbing and Fire By-laws. Special Inspection Fees now require payment of the 5% GST. See Table below for fee calculation.*

Strata Lots	Fee	GST	Total
2	\$5,632.00	\$33.60	\$5,665.60
3	\$5,642.00	\$34.10	\$5,676.10
4	\$5,652.00	\$34.60	\$5,686.60
5	\$5,662.00	\$35.10	\$5,697.10
6	\$5,672.00	\$35.60	\$5,707.60
7	\$5,682.00	\$36.10	\$5,718.10
8	\$5,692.00	\$36.60	\$5,728.60
9	\$5,702.00	\$37.10	\$5,739.10
10	\$5,712.00	\$37.60	\$5,749.60

## Appendix E: Engagement Summary

### Summary of Feedback Received

#### 1. Introduction

The engagement process for this report involved consultation with renters, advocates, landlords, and development industry stakeholders, both through the 2017 Housing Vancouver engagement process and through targeted surveys and discussions. The results of this engagement are summarized below.

#### 2. Consultation with renters and advocates:

##### 2.1 What We Heard from Vancouver Renters - Housing Vancouver Survey of Vancouver Residents and the Big Conversation Event

As part of the 2017 Housing Vancouver engagement process, Staff consulted with over 10,000 Vancouver residents about their core housing challenges through an online survey and through in-person open houses and events. Over half of the residents consulted were renters; of those nearly 40% were young people and families, and over 10% were seniors. A clear challenge identified in these conversations was the severe affordability pressure facing renters in Vancouver. Renters expressed serious concerns about their ability to find appropriate housing for themselves and their families given rising rents in the City. Renters were also concerned about a lack of security of tenure in their current housing due to rising rents, renovations or redevelopment to their existing housing. Many participants noted that existing rental housing is a crucial source of affordable housing and encouraged the City to continue to prioritize preservation and renewal of existing housing and support for existing renters. Participants also encouraged the City to explore opportunities for new supply that minimize displacement of existing renters.

The online survey for Vancouver residents ran from May 10<sup>th</sup> to June 23<sup>rd</sup>, 2017, and was available in English and Chinese. Printed surveys were also available in English at in-person events and open houses. The online survey for non-Vancouver residents ran from June 9<sup>th</sup> to June 23<sup>rd</sup>, and was available in English. No paper surveys were available for the survey of non-Vancouver residents.

In person consultation events included a large public conversation event on housing and emerging housing strategies, as well as several smaller open houses. All of these events took place in May and June 2017, and in total involved over 400 participants.

Detailed consultation findings are listed below. Additional details on the survey results and findings from the Housing Vancouver engagement process can be found at <http://vancouver.ca/people-programs/housing-vancouver-strategy.aspx>.

What We Heard - Quantitative Survey Findings (Vancouver Residents Survey)

- What type of housing are respondents currently living in?
  - o Renters: 17% in basement suites, 41% older apartment, 14% newer apartment
  - o Owners: 30% condo, 36% single-family home, 14% townhouse or rowhouse
  - o Families: 35% in single-family home; 13% in townhouse or row house; 13% in older apartment
- Are respondents satisfied with their housing situation?
  - o 56% of renters not very satisfied
    - Key issues with current housing situation: rent too high (69%); not enough space or bedrooms (43%); housing doesn't allow pets (33%); poor relationship with landlord/property management company (25%); housing in poor condition or unsafe (24%); currently being evicted due to renovations (20%)
  - o 19% of owners not very satisfied
    - Key issues with current housing situation: mortgage and other costs too high (49%); not enough space or bedrooms (48%); housing isn't kid-friendly (10%)
  - o Families making key trade-offs to stay in the City
    - 47% renting instead of owning; 33% living in a higher-density form instead of a ground-oriented form; 24% living on a busy street instead of a quiet street; 49% spending income on housing instead of other needs; 51% living in a smaller space than desired
- What is the housing future for survey respondents?
  - o Likelihood of moving in the next 1-3 years: 69% of respondents very or somewhat likely to move in the next 1-3 years - 40% of owners and 84% of renters; 61% of families
  - o Preferred tenure in next move: 41% looking to rent, 43% looking to own; 6% looking for co-op housing
    - Renters: 54% looking to rent, 5% looking for co-op; 30% looking to own
    - Owners: 83% looking to own; 6% looking to rent; 2% looking for co-op
  - o Likelihood of living in Vancouver in the next 3-5 years:
    - 56% respondents respond no or don't know; 34% of owners, 67% of renters
  - o Key factors driving decision to leave the City of Vancouver
    - Renters: Need housing affordable to income (88%); need housing with enough space (56%); can't afford to live in desired neighborhood (63%); looking to purchase a home (60%); need housing that can accommodate pets (49%)
    - Owners: need housing affordable to income (39%); need housing with enough space (33%); can't afford to live in desired neighborhood (28%); other (26%)
    - Families: Need housing affordable to income (67%); need housing with enough space (56%); Need housing that is kid-friendly (39%)

## 2.2 Consultation with renter stakeholders and advocates

Staff consulted with the Tenant Resource Advisory Centre and City of Vancouver Renters' Advisory Committee on the specific findings and recommendations outlined in this Council report. The Renters' Advisory Committee was generally supportive of efforts to enhance protections of existing rental stock and protect against loss of affordable rental. The committee was also interested and generally supportive of the city looking at ways to support the upgrading and maintenance of aging private market rental housing, and looking at options to ensure upgrades are done in a manner that minimizes renter displacement.

TRAC representatives were supportive of the changes to the Rental Housing Stock ODP and recommendations to work with the province on additional protections for renters. TRAC also agreed that it is important to encourage renewal of existing rental, but expressed concern that many renters in Vancouver are being displaced due to minor or cosmetic renovations to interior units. They encouraged the City to continue to enhance protections for renters in all cases of redevelopment and renovations, both through its own initiatives and through work with the Province.

## 3. Consultation with landlords and industry stakeholders

### 3.2 Landlord Survey

As part of the City-commissioned study on existing rental buildings, the consultant (RDH Building Science) prepared a survey and self-assessment tool that guided Participants through an inventory of common systems and assets in their buildings, and asked them to:

- Estimate the age of the asset by selecting the decade the asset was most likely installed,
- Estimate the condition, based on new, good (works reliably, no repairs required), fair (periodic repairs required), or poor (lots of repairs required), and
- Advise if they were very likely, somewhat likely, or not likely to replace the assets within the next 10 years.

At the end of the assessment, Participants were invited to share information on the ownership of the building, capital planning strategy, and barriers to completing work. The survey was prepared using an online survey provider (Fluid Survey), and a link was distributed to members of Landlord BC. A total of 54 individuals accessed the survey; of the 54, 18 completed the entire survey and an additional four Participants completed a portion of the self-assessment.

Most landlords indicated that they undertake renewals on an as-needed basis, with some indicating that they have a longer-term capital plan for renewals. Several noted a preference to undertake as many renewals as possible with minimal disruption to existing tenancies; however, some landlords also noted that more comprehensive renewals projects (e.g. a major modernization of a building after a recent sale) may not be economically feasible or desirable without displacement of existing tenants.

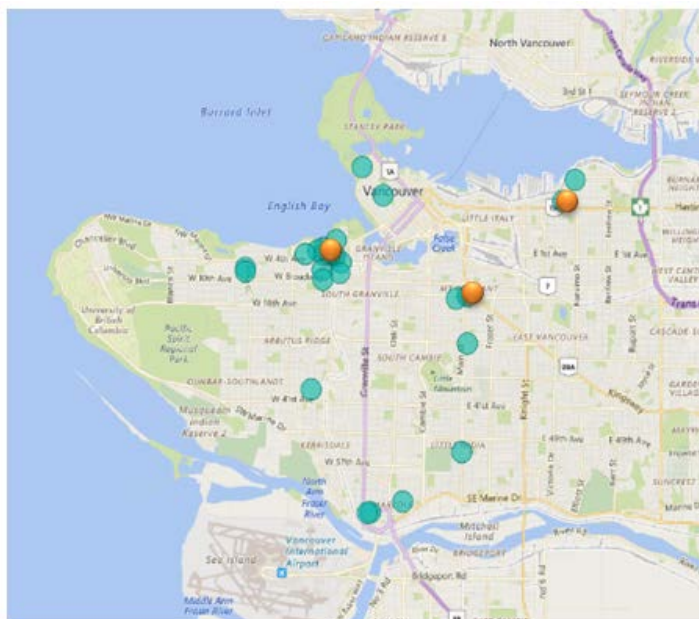
Almost all landlords identified complexity in municipal permit application and inspections processes as significant barriers to undertaking major renovation projects, noting that difficulties involved in bringing older systems in existing rental buildings up to modern



building code standards. Landlords agreed that government incentives would be welcome and effective tools for encouraging renovations in existing rental, and urged the City to work with landlords on future initiatives.

Several additional details regarding the survey participants and findings are included below.

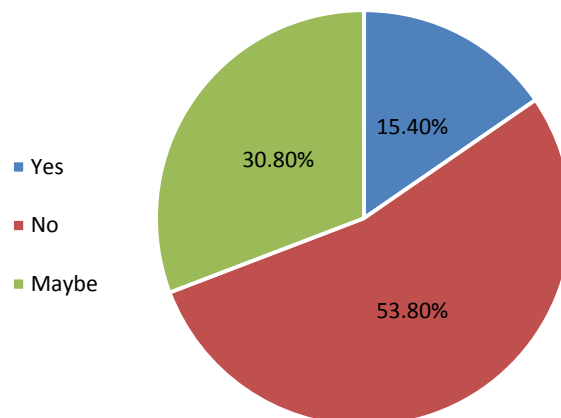
**Figure 1. Geographic Distribution of Buildings in Survey Responses**



**Figure 2: Survey Response - Barriers Reported to Undertaking Major Renovations**

Biggest Barriers to Renewals	
Financial (funds, cost, cash flow)	9
Bureaucracy and "red-tape" (delays)	4
Rent control	3
Tenants	2
No barriers	1
Unavailability of trades people	1

**Figure 3: Survey Response - Interest in Developing a Capital Plan**



### 3.3 Consultation with landlords and development industry representatives

Staff also consulted with the landlord and development industry conversations with LandlordBC and members of the Urban Development Institute. Industry representatives agreed that existing rental housing is an important source of affordability for existing renters, but also noted the growing maintenance and investment needs of these buildings as well as the need to expand the supply of rental housing in the City to address the current rental housing crisis. Industry members particularly flagged the importance of seismic upgrades in older buildings.

Staff were urged by this group to ensure that efforts to protect the existing rental stock are paired with further work to expand the supply of rental housing. Staff were also urged to align their efforts to support investment in existing rental with similar work underway in other municipalities in the Lower Mainland and on Vancouver Island, since a significant portion of the rental stock across the region and Province were constructed in the same time period as buildings in Vancouver and face many of the same issues.



Housing Policy Office  
City of Vancouver  
West Annex, 2<sup>nd</sup> Floor  
515 West 10th Ave  
Vancouver BC, V5Z 4A8

Submitted May 8, 2018 by  
RDH Building Science Inc.  
4333 Still Creek Drive #400  
Burnaby, BC V5C 6S6

# Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
1.1	Project Objectives	1
1.2	Project Focus	1
1.3	Methodology	1
1.4	Disclaimer and Limitations	2
<b>2</b>	<b>Vancouver Rental Stock</b>	<b>4</b>
2.1	Description of the Rental Market	4
2.2	Residential Tenancy Act Requirements and Implications for Existing Rental	5
2.3	General Characteristics of Rental Owners	6
<b>3</b>	<b>Rental Building Condition</b>	<b>8</b>
3.1	Landlords' Approach to Renewals Planning	8
3.2	Typical Renewal Projects Completed by Landlords	9
3.3	Energy Conservation Measures	10
3.4	Landlords' Approach to Renewals Implementation	11
3.5	Forecasted Renewals in Wood Frame Rental Buildings	11
3.6	Forecasted Capital Expenditures	13
3.7	Predicting Future Building Condition in Wood Frame Rental	15
<b>4</b>	<b>Financial Analysis</b>	<b>17</b>
4.1	Energy Analysis	17
4.2	Financial Outcomes	18
<b>5</b>	<b>Discussion and Implications</b>	<b>21</b>
5.1	Tenant Impacts	21
5.2	Generalizing the Observations	23
5.3	Other Types of Capital Investments	23
5.4	Barriers to Investment	24
<b>6</b>	<b>Policy Options</b>	<b>26</b>
6.1	Capital Planning	26
6.2	Permits	26
6.3	Financing	26

# 1 Introduction

RDH Building Science Inc. (RDH) was retained by the City of Vancouver (COV) to undertake research into reinvestment of low-rise, wood-frame rental housing in Vancouver. The research was completed in three phases. This report summarizes the findings from each phase of the research program, including policy options.

## 1.1 Project Objectives

The COV commissioned this research project to identify ways that COV and partner organizations can support major reinvestments and energy efficiency improvements at purpose-built rental buildings. In order to support this objective, this research seeks answers to the following questions:

- What are the maintenance, capital asset repair, and capital investment needs of Vancouver's low-rise rental stock?
- How does the energy consumption of Vancouver's older low-rise rental stock compare to that of other residential building types?
- What is the cost and economic feasibility of maintenance, repair, retrofit, and capital improvements for owners of low-rise rental buildings?
- What barriers exist to carrying out capital asset renewals and energy efficiency improvements in low-rise rental buildings?
- Do the barriers to carrying out capital asset renewals vary depending on the type of owner?
- What opportunities exist to support the renewal of COV's low-rise rental stock and improve energy efficiency?
- What is the business case for each of these opportunities?

## 1.2 Project Focus

The scope of the project focusses on purpose-built, wood-framed rental buildings, with an emphasis on small landlords. Non-combustible construction, including high-rise construction, is not within the scope of the assessment. The majority of rental buildings within the scope of this assessment were built prior to 1980; a more detailed description of the building population is provided in subsequent sections of this report.

## 1.3 Methodology

The research program combines data from five primary sources, including:

- 1) Previous research commissioned by COV, including analysis of condition of rental buildings;
- 2) Facility Condition Assessments (FCAs) on three rental buildings representative of the research focus;
- 3) Energy analysis and potential savings resulting from energy efficiency measures on three rental buildings;

- 4) Supplementary Surveys of additional landlords recruited through Landlord BC; and
- 5) RDH's database of residential building information.

The research was completed in three phases, with detailed memos issued for each phase. These Memos have been issued to the City in a separate document. The three phases and associated memos are described below:

→ Phase 1 – Literature Review: *Memo #1 – Literature Review* (issued August 4, 2016)

Previous research and other related documents were reviewed and summarized. This research included a review of the rental building portfolio in Vancouver, and the rental legislation. The review was used to build a description of the typical wood-framed rental building, including parameters such as location, age, and size. This description informed the process of selecting the three participant buildings for in-depth building condition assessments.

→ Phase 2 – Facility Condition Assessments and Survey: *Memo #2 – Data Collection Report* (issued July 14, 2017)

The second phase included visual reviews and facility condition assessments of three buildings; a web-based Survey of additional building owners; and a review of the RDH database of buildings that were previously assessed. The information from all three sources was used to develop a forecast of typical renewals for typical rental buildings over the next decade. The Survey also included questions on barriers to reinvestment and current planning strategies of landlords.

→ Phase 3 – Economic and Feasibility Analysis & Energy Analysis: *Memo #3 – Energy & Proforma Analysis* (issued in draft August 9, 2017)

The third phase combined the forecasted renewals identified in Phase 2, with an energy analysis of the three sample buildings. The analysis considered the impact of energy conservation measures on operating expenditures, and the impact of capital expenditures on landlord cashflow. The analysis was presented in a proforma for each building. Each proforma included three scenarios, based on three different levels of energy conservation measures.

## 1.4 Disclaimer and Limitations

The information collected as part of the facility condition assessments represents the building condition at the time of the initial site visit to participating properties. The condition of any given building is dynamic: building owners' complete renovations, renewals, and maintenance; building components' age and may require replacement earlier or later. The forecasting completed in this project is intended to provide a reasonable and defensible estimate of likely work, but the actual work necessary at specific buildings will vary both in scope and timing.

As previously mentioned, the research focusses on low-rise, wood-framed rental buildings. Cost forecasts and probable renewals work at non-combustible or high-rise, concrete-frame rental buildings will vary significantly, and the conclusions developed as part of this study are therefore not applicable to this alternate building stock.

The data and findings included in this report are provided for policy analysis purposes only. Readers interested in developing a financial plan or implementing renewals work for

a particular building are encouraged to obtain guidance and information from reputable consultants and construction specialists.

## 2 Vancouver Rental Stock

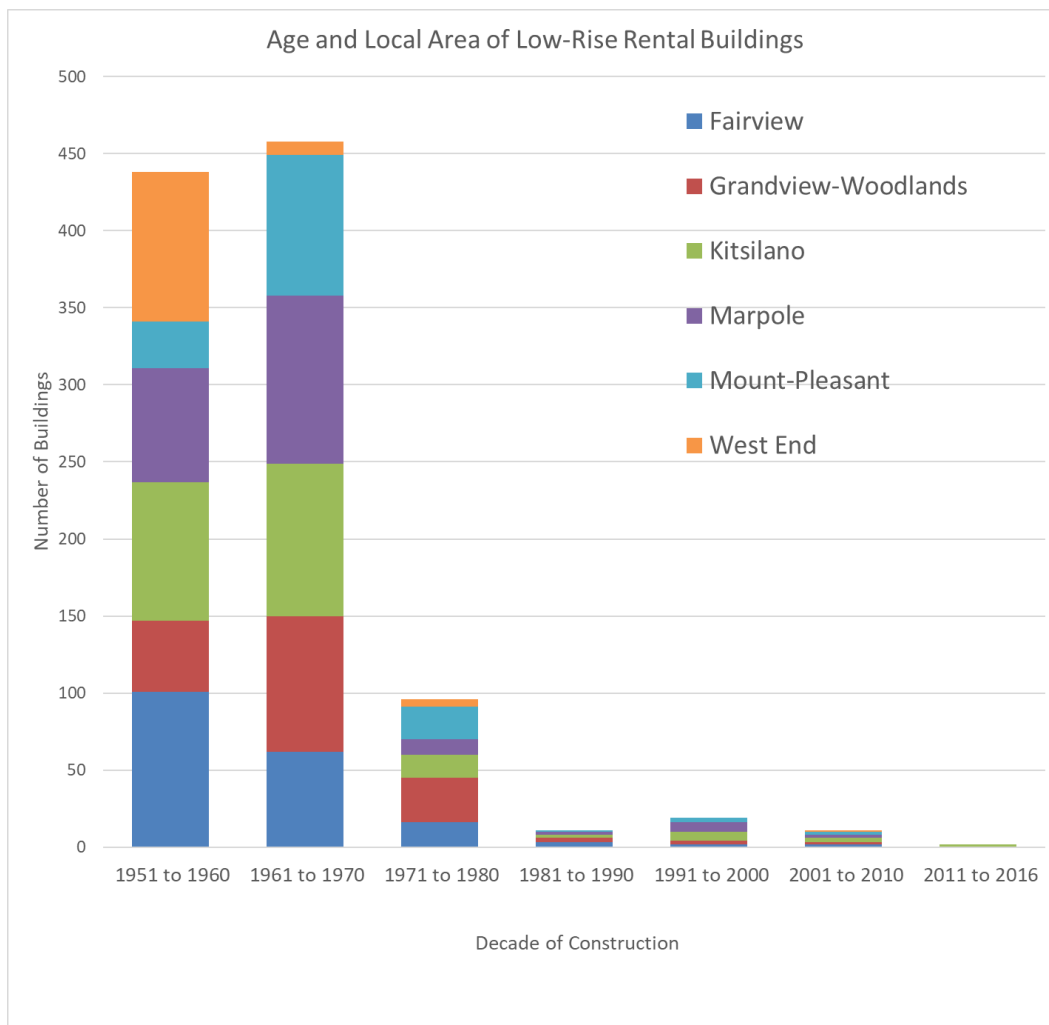
### 2.1 Description of the Rental Market

The scope of this study focusses on low-rise, wood-framed, purpose-built rental buildings. Based on information in the COV's 2015 secured rental inventory, there are approximately 25,000 rental suites in low-rise buildings, built since 1950. These suites are spread throughout 16 different local areas. Approximately 85% of the low-rise rental stock is distributed between six local areas: West End (11%), Fairview (14%), Grandview-Woodlands (13%), Mount Pleasant (14%), Marpole (15%), and Kitsilano (17%).

This report focusses on wood-framed rental buildings in the six local areas with the largest proportion of rental units. Typically, wood-framed buildings are four storeys or less. Table 2.1 summarizes the distribution of buildings less than four storeys in height, and built since 1950, across the six local areas. Figure 2.1 illustrates the distribution of rental buildings by year of construction. Note that more than 85% of low-rise, wood-frame rental buildings are currently more than 45 years old (built prior to 1973).

TABLE 2.1 DISTRIBUTION OF RENTAL BUILDINGS, TYPICAL SIZE, AND AGE				
Local Area	Number of Buildings	Number of Rental Units	Average # of Units per Building	Average Year of Construction
Fairview	186	3,604	19.4	1963
Grandview-Woodlands	169	3,377	20.0	1966
Kitsilano	217	4,415	20.3	1965
Marpole	203	3,891	19.2	1964
Mount Pleasant	148	3,655	24.7	1967
West End	112	2,697	24.1	1957
<b>Grand Total</b>	<b>1,035</b>	<b>21,639</b>	<b>21.3</b>	<b>1964</b>





*Figure 2.1 Distribution of rental buildings less than four-storeys in height by age and local area. Note that buildings constructed prior to 1950 are not included in this analysis.*

Building components, systems, and assemblies have a wide variety of service lives. Some components, such as electric hot water tanks, might need to be replaced every 5 to 8 years. Other major assemblies can last as long as 40, 50, or even 60 years; such as underground drainage, building cladding, or sanitary drainage lines. Buildings built in the 1950s and 1960s have already replaced building components with a shorter service life. Renewal of components, assemblies, and systems with a longer service life are likely to become more common in the next decade.

## 2.2 Residential Tenancy Act Requirements and Implications for Existing Rental

The *Residential Tenancy Act* (the Act) permits a “Standard Rent Increase” on an annual basis. The allowable increase is based on inflation +2%; in 2016, the allowable increase was 2.9%.

The Act also permits “Extraordinary Rent Increases” under limited circumstances; typically for “Significant” repairs that are “Not Foreseeable”, and which “will not reoccur within a timeframe that is reasonable for the repair or renovation”. This suggests that planned

renewals or upgrades to a building would likely not allow a landlord to apply for an Extraordinary Rent Increase.

Note that the Act does not impose limitations on rent increase when tenants are evicted to permit more substantial renovations. This may create an incentive for landlords to evict tenants when reinvesting in a property; particularly if the reinvestment would increase the rentability of the suite, and the rental lease rate. Displacement of tenants may also be required in circumstances where renovations are intrusive, or pose health or safety risks.

The COV has implemented a Tenant Relocation and Protection Policy for projects that require a development permit. The Policy provides tenants some additional support when they are to be displaced during a substantial building renovation.

The limitations imposed by the Act results in challenges for landlords in that extraordinary rental increases could not normally be factored into the reinvestment decision if tenants were to remain in place. However, the smaller annual increases could factor into a long-term reinvestment program, in particular, by creating and growing a dedicated reserve fund.

## **2.3 General Characteristics of Rental Owners**

In 2013, the COV commissioned a “Landlord-Tenant Survey” by Mustel Group. The Survey participants included a representative sample of landlords and tenants in the COV. With respect to the landlords, the Survey encompassed general information about the properties and management companies, including building size and investor type. In addition, the Survey collected information on the capital planning strategy used by landlords; the types of capital projects completed; the expenditures made over the past few years; and the types of renovations completed.

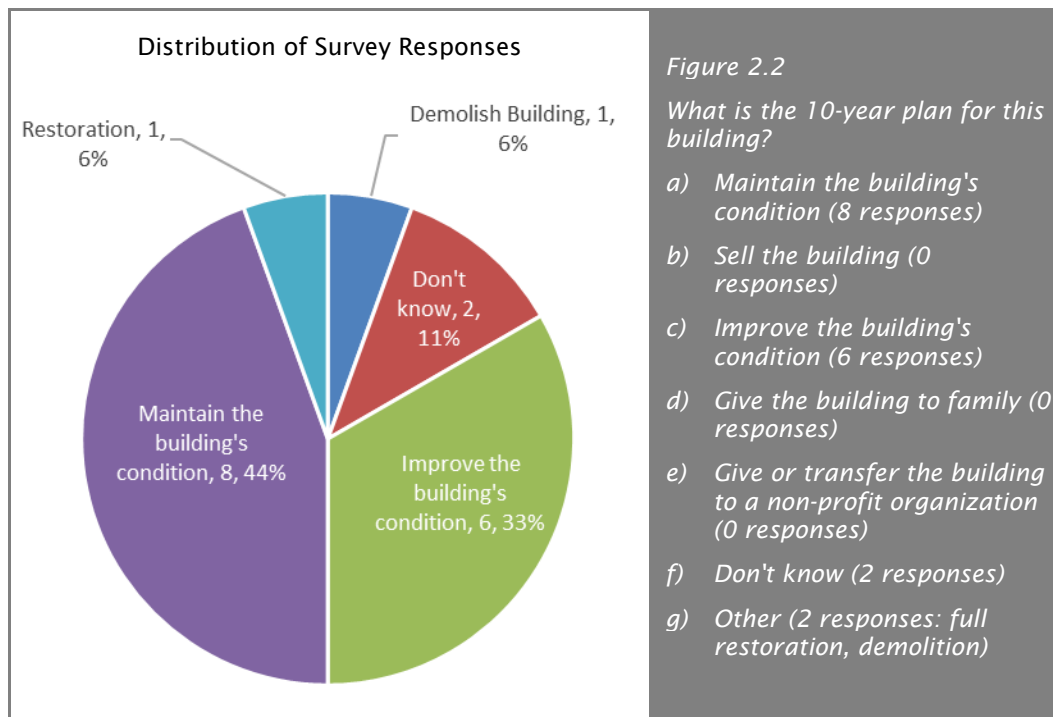
Based on the report, nearly half of all those landlords surveyed (47%) do not own or manage any other property, and an additional 37% own or manage fewer than 4 other buildings (four buildings in total). Of the 231 interviews, 84% of respondents owned or managed buildings with fewer than 30 suites. Respondents consider themselves “private investor and small landlords”.

Of the landlords participating in the 2013 Survey, nearly half were planning major renovations in the next 10 years, and only 22% were planning on selling. Almost two-thirds of the respondents indicated they owned or managed the building for more than 10 years, and 40% of respondents owned/managed for more than 20 years. This suggests a stable ownership.

For this research program, Survey participants were invited through Landlord BC. Landlord BC represents over 3,300 members and is a professional association representing owners and managers of rental housing. Those that accessed the Survey were asked about their relationship to the building:

- 83% of Survey participants indicated the building was owned by a private investor—a small landlord.
- 78% of Survey participants indicated they were the owner of the building.
- Survey participants owned the building anywhere between 6 to 10 years (17%) to more than 31 years (33%). In total, 50% of the participants had owned or managed the building for more than 20 years.

- Half of the Survey participants indicated they owned or managed only one building. 81% owned or managed three or fewer.
- When asked what the 10-year plan is for the building, 47% indicated a desire to maintain the building condition, and an additional 35% intended to improve the building condition. None of the participants planned to sell the building (Figure 2.2).



### 3 Rental Building Condition

Facility Condition Assessments (FCAs) were completed on three low-rise, wood-frame buildings, and an additional 20 landlords completed a detailed survey (Survey) of the condition of their buildings. FCAs consist of site visits to collect data on the condition of building enclosure elements (e.g. balconies, cladding, windows, roof), mechanical equipment (e.g. boilers, ventilation, pumps), and other auxiliary equipment (e.g. lighting, sprinkler system, piping, electrical). This information is then compared to the RDH database of historical renewal information for residential buildings to establish renewal priorities based on the age and condition of assets recorded in the site visit. This information was used to understand the renewal needs of the rental stock, and which renewals projects are most likely to be completed in the future.

The RDH database of residential buildings includes historical information on when renewals were forecasted and completed on the database buildings, as well as the costs associated with those renewals. This database was used to estimate probable costs for renewals of the 3 FCA buildings over the next 10 years, and to develop a sense of the change in building condition over time. The majority of low-rise buildings in RDH's database are strata and are younger than the rental stock. The analysis was limited to strata built prior to 1980, and the majority were built in the 1970's. While the buildings in the database are slightly younger than the rental population, the design and construction of the buildings are similar, with similar building systems and building form.

The following section will outline key findings from the Survey of 20 landlords and FCAs of the three study buildings, including:

- Landlords' approach to renewals planning.
- Typical renewal projects completed to date.
- Landlords' approach to implementing renewal projects.
- Energy conservation measures adopted in past renewals.
- Forecasted renewals.
- Future building condition.

#### 3.1 Landlords' Approach to Renewals Planning

The Survey results show that the likelihood that a landlord will renew a particular asset is strongly based on the perceived condition of that asset (e.g. an asset that is visibly deteriorating has a higher likelihood of being renewed).

Within the Survey, landlords were asked what renewals projects were most likely to be completed within the next 10 years. Table 3.1 summarizes the responses.

TABLE 3.1 RENEWALS PLANNED FOR THE NEXT 10 YEARS		
Project	No.	Description
Suite interiors	7	Renovations to the interior of suites. Renovations may include bathrooms, kitchens, repainting, and flooring.
Paving	4	Repave or resurface parking areas.

TABLE 3.1 RENEWALS PLANNED FOR THE NEXT 10 YEARS		
Exterior painting	3	Repaint the building exterior.
Boiler	3	Replace boilers and hot water heaters.
Roof	2	Replace roofing.
Landscaping	2	A variety of landscaping improvements.
Hallway interiors	2	Renovations to interior common spaces.
Building restoration	1	A total building restoration.
Demolish and rebuild	1	Demolition and reconstruction.
Windows and doors	1	Replace windows and sliding glass doors.
LED lighting	1	Retrofit lighting to be more energy efficient.

The list highlights that the most common renewals planned for the next 10 years are renewals activities that are easily identified and visible to landlords and tenants, or which occur relatively frequently (e.g. renewals that occur every 10 to 20 years). When questioned about specific building components, typically fewer than 50% of landlords identified building enclosure components (excluding roofing), electrical distribution equipment (excluding plugs, switches, etc. inside suites), drainage piping, and fire sprinklers as likely or very likely. These components are likely to require renewal and reinvestment work after 40 to 50 years in service.

While overall the observed approach to renewals can be effective for maintaining visible assets, the approach is less effective for maintaining the condition of building components that are not readily assessable from a visual review. These types of assets, including drainage piping, wiring, and cladding, require additional testing and inspection by qualified professionals or tradespeople to evaluate the condition; and as such, are more likely to be subject to deferred maintenance over the long term.

Only 22% of Survey participants indicated they completed renewals based on a long-term capital plan; 50% indicated they completed renewals promptly as needed. Assisting or encouraging landlords to develop longer term (5 to 10 years) capital plans and incorporating recommendations from outside specialists may help reduce deferral of major expenditures, and ensure better planning and implementation.

## 3.2 Typical Renewal Projects Completed by Landlords

The FCAs and Survey examine the typical renewal projects that have been completed by landlords of existing low-rise, wood-frame rental buildings. Based on both the FCAs and the Survey results, there is evidence that landlords in Vancouver are actively planning and completing renewals projects, though some systems are more likely to be renewed than others. The pattern of renewals is generally consistent with the Survey findings on landlord approaches to renewals discussed in Section 3.1, with systems showing visible deterioration being much more likely to be renewed.

### *Systems More Likely to be Renewed*

Participants in both the Survey and FCAs show consistent renewal patterns in several systems. For example, all participants indicated roofs have been replaced, and a majority indicated balconies and decks have been renewed. Within the mechanical system, a significant majority indicated boilers and hot water heaters have been replaced.

Replacement of plugs and switches within suites are also common among Survey and FCA participants.

More than 60% of Survey participants reported having replaced or renewed the following building components since the original construction, although the specific date and age varies.

- |   |   |
|---|---|
| → Roofs                                     | → Switchgears, panel boards, and transformers |
| → Balconies and decks, including guardrails | → Lighting                                    |
| → Boilers                                   | → Fire panels                                 |
| → Hot water heaters of various types        | → Elevators                                   |
| → Plugs and switches                        |   |

### *Systems Less Likely to be Renewed*

The Survey identified a trend of several systems that have typically not been renewed and are original to construction, including cladding, podium waterproofing (waterproofing on top of the parkade), and sanitary drainage. These components typically have a longer service life, and are likely to require renewal after 40+ years in service.

Fewer than 40% of Survey participants reported replacing the following components:

- |  |                        |
|--|------------------------|
| → Stucco cladding (all Survey and FCA participants indicated that at least a portion of the building was clad with stucco. A building may have more than one cladding type, including wood siding or brick.) | → Copper pipes         |
|  | → Sanitary drainage    |
|  | → Underground drainage |
|  | → Copper wiring        |
| → Podium waterproofing (waterproofing on top of the parkade)   |                        |

Based on the Survey and FCA participants' feedback, some building components have a greater degree of variability on age and replacement cycle. This includes windows, small exhaust fans, panel boards, and breakers in suites.

## **3.3 Energy Conservation Measures**

Amongst FCA participants, a number of the renewals projects typically included some consideration of energy conservation. These included:

- Upgrades to heating controls.
- More energy-efficient boilers and hot water heating systems.
- More energy-efficient windows and/or sliding glass doors.
- Upgrades to lighting, particularly in common areas.

### **3.4 Landlords' Approach to Renewals Implementation**

As noted in Section 3.1, landlords who responded to the Survey and participated in the FCA reported that they consistently complete renewals as they identify a need to do so. In the FCA buildings, it was observed that much of the work had been completed on a phased or localized basis, spreading the work over more than a year. This approach to ongoing localized repairs and renovations is a common strategy used by landlords, as it likely facilitates easier cashflow, and reduces the impact to tenants.

However, undertaking repairs on a localized basis rather than in a more comprehensive project may involve a trade-off in terms of quality of renewals. In the FCA buildings, a number of deficiencies were observed with the installation of balcony membranes and new windows. The observed deficiencies would likely shorten the service life of these components, and may affect the service life of adjacent assets such as exterior walls (Wood framing within exterior walls is susceptible to deterioration if exposed to regular wetting and not permitted to dry. If the new windows, balconies, or other assemblies increase either water ingress or decrease drying potential, damage to wood framing could occur.). In addition, the installation of the windows, where the existing window frame is retained and the new frame installed inside the old one, does not provide the full energy-efficiency benefit. It is more likely that the condition of the buildings could begin to fall behind; particularly if localized repairs and renewals do not last as long as the original assets, or if they do not address underlying or concealed concerns.

The approach to localized repairs also may involve a trade-off in terms of incorporating energy conservation measures (ECMs). As landlords replace more building components, it becomes less attractive to undertake more substantial ECMs, as is seen in the Mount Pleasant Building.

Larger projects are more likely to require building and trades permits, and are more likely to involve registered professionals and journeyman tradespeople. Larger projects are likely to be completed to a higher standard of care than phased or targeted if they have additional oversight and expertise, and provide greater opportunity to incorporate ECMs. With additional expertise and oversight, renewals completed as part of a larger project are also likely to have a longer service life.

### **3.5 Forecasted Renewals in Wood-Frame Rental Buildings**

In addition to cataloguing likely renewals in existing rental, the study was tasked with identifying key systems that will likely require renewal in low-rise rental buildings in the COV. While specific forecasted renewals may vary between individual buildings, some generalities may be drawn from study findings to the rest of the wood-frame rental stock. The Survey respondents and the FCA participants are generally consistent in design and construction, although certain assets are not universal to all buildings (e.g. elevators, fire sprinklers, and parking garage waterproofing).

Based on the age of the building components identified in the Surveys and the condition of the building components at the FCA participants, the most probable renewals that will be needed at wood-framed rental buildings are listed below. Where applicable, a brief discussion about the rationale for completing renewals and how prepared landlords may be for particular renewal projects is also included.

## ***Building Enclosure System***

- Re-roofing
- Balconies and decks
- Replacement of windows and sliding glass doors.
- Rehabilitation of the building cladding (e.g. stucco).

### ***Discussion***

Roofs and balcony waterproofing are replaced on a regular timeline of typically every 15 to 25 years. Landlords with roofs more than 10 years old typically report a high probability of replacement in the next 10 years. The condition of a roof membrane or balcony membrane is readily observable, and failure of waterproofing membranes will result in an observable leak, increasing the probability renewals will be completed.

Windows and sliding glass doors are being replaced for a variety of reasons, including improved building appearance, energy efficiency, and tenant comfort.

Renewal of cladding and other building enclosure assets with a long service life typically have not yet been replaced, and based on the Survey results, few landlords currently plan on replacing cladding. Typically, cladding is renewed for performance reasons, often because water ingress has resulted in deterioration to wood framing, and repair of the wood framing requires removal of the existing cladding. Deterioration to wood framing is concealed, and in many cases, it is not readily observable although it can be inferred based on the condition of the cladding. For example, the three FCA buildings had some evidence that deteriorated wood framing may be concealed behind stucco cladding. This included cracks, bulging of the cladding at rim joists, and a reported history of leaks. Additional investigation would be required to confirm. It is likely that even though landlords are not currently planning renewals, some rental buildings are experiencing deterioration and will require renewals to the wall cladding.

Based on an analysis of the three FCA participants, approximately 40% to 60% of the capital expenditures over the next 10 years are likely to be associated with the building enclosure system.

## ***Mechanical System***

- Boilers
- Repairs and upgrades to hydronic heating systems, including valves and piping.
- Replacement of exhaust fans within suites.
- Re-piping of the domestic water supply.
- Improvements to sanitary drainage.
- Improvements to below-ground drainage.

### ***Discussion***

Many items of mechanical equipment have shorter service lives, and landlords are better prepared to renew and replace items such as boilers. However, some components with longer service lives, such as drainage piping and hydronic heating system components, are likely to require some reinvestment in the next decade.



### *Electrical System*

- Repairs and upgrades to the electrical system, including panel boards and breakers, and other major pieces of equipment.

#### **Discussion**

Upgrades to the electrical system, including plugs, switches and panel boards, and breakers, particularly within suites, were reported by multiple landlords. Upgrades and repairs to the main switchgears and other building service are less common, and some renewals will likely be required.

### *Fire-Safety System*

- Renewal of fire sprinkler systems.

#### **Discussion**

In those buildings with fire sprinkler systems, the systems are typically robust with a long service life. However, after 50 years in service, the National Fire Protection Code requires an extensive testing protocol. Replacement of sprinkler heads at some buildings are likely to be required. Note that most Survey participants indicated they did not have a sprinkler system. The three FCA participants had sprinklers only in the parkade.

### *Elevators*

- Modernization of elevators including controls, motors, and signalling devices within cabs.

#### **Discussion**

Elevators were not common amongst the Survey participants, although all three FCA participants had elevators. Those buildings with elevators are likely to require renewals, unless modernization work has been completed within the past 15 to 20 years.

## **3.6 Forecasted Capital Expenditures**

The data and costs collected for the FCA participants were compared with RDH's database of wood-framed residential buildings constructed before 1980. The combination of FCA participants and database information can be used to estimate the likely capital expenditures.

Note that costing for all renewals exclude soft costs, including consulting or engineering fees; general and conditions costs; contingency allowances for repairs; or allowances to upgrade assets other than upgrades that would be required for code compliance associated with a specific asset (e.g. it is no longer possible to purchase single-paned, aluminum-framed windows). This approach to costing is consistent across RDH's database and allows for comparisons between buildings, and is also consistent with how FCA landlords are likely to implement work.

In order to address variation in building size and complexity, forecasted costs are compared to the gross floor area (GFA). The GFA calculation includes:

- The residential suites;
- Corridors and utility spaces; and

- Underground parking garages that are a part of the rental building (carports or other detached buildings would not be included).

The forecasted 10-year cost per square foot of the GFA of the three FCA participants are:

- Mount Pleasant Building: \$21/Sq Ft
- Grandview-Woodlands Building: \$41/Sq Ft
- Kitsilano Building: \$32/Sq Ft

This is generally consistent with the costs forecast of the buildings with RDH's database. Figure 3.1 breaks down the forecasted renewals into increments of \$5/Sq Ft, and shows the distribution from the fewest buildings to the most buildings.

- 60% of the buildings in RDH's database, including one of the three FCA participants, have forecasted expenditures of \$20 to \$40 per square foot GFA.
- 36% of the buildings in RDH's database have forecasted expenditures of \$20 to \$30 per square foot GFA.
- The average 10-year forecasted expenditure across both the FCA participants and database is \$27.

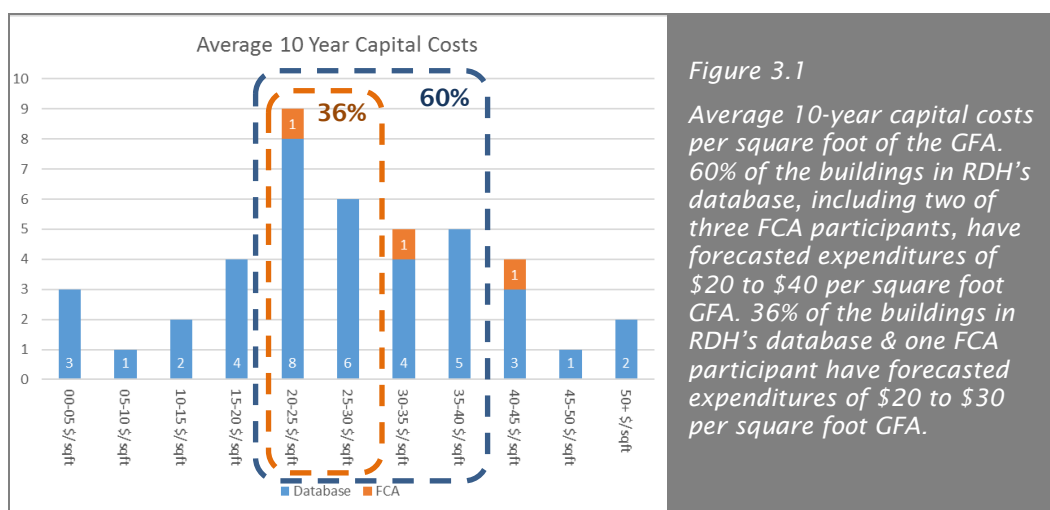


Figure 3.1

Average 10-year capital costs per square foot of the GFA. 60% of the buildings in RDH's database, including two of three FCA participants, have forecasted expenditures of \$20 to \$40 per square foot GFA. 36% of the buildings in RDH's database & one FCA participant have forecasted expenditures of \$20 to \$30 per square foot GFA.

The FCA participant in the lower cost per square foot category is notable because in the last 10 years, several major renewals projects were completed, including:

- Partial elevator modernization.
- Replacement and upgrade of the heating boiler, including various pumps, storage tanks, and valves.
- Retrofit of windows.
- Replacement of the roof.

The replacement of these assets has a significant impact on the forecasted renewals. In addition, this building is less likely to need renewals of the stucco cladding in the upcoming decade, when compared to the other FCA participants. In comparison, the building at the highest cost per square foot has not completed any of the renewals noted above within the past decade, and will likely require renewal of the stucco cladding.

### 3.7 Predicting Future Building Condition in Wood-Frame Rental

The forecast of upcoming expenditures over the medium and long term can be used to estimate the future condition of the buildings, and compare the future condition to similar buildings using standard Key Performance Indicators (KPIs).

The standard KPIs are expressed as ratios that compare the cost of capital expenditures to the building reproduction cost, or the estimated cost to rebuild a building. The resulting percentage allows for a comparison between buildings and is a quick measure of the building condition. The ratios are called Facility Condition Indexes (FCIs) and can be based on three categories of costs:

- FCI – Catch up: Overdue and backlogged repairs and renewals. In other words, work that should have been completed. This measures the current condition.
- EFCI 5 – Keep up (5 years): Renewals forecasted within the next 5 years. In other words, work that is likely to be required within the next 5 years. This measures the potential deterioration of the building over 5 years.
- EFCI 10 – Keep up (10 years): Renewals forecasted within the next 10 years. In other words, work that is likely to be required within the next decade. This measures the potential deterioration of the building over 10 years. To be consistent with previous reports commissioned by the COV, the EFCI 10 is used for comparison purposes.

The key indicator for discussion in the study is the EFCI 10. It is important to note that the Extended Facility Condition Index (EFCI) is a forecast of *future* condition of a building in 10 years, and not the current condition. A low EFCI ratio indicates that the forecasted capital expenditures over the next 10 years are relatively low compared to the overall building replacement cost, and would indicate good future condition. A high ratio would represent high expenditures relative to building cost, and be an indicator of poor future condition. The potential facility condition can be grouped into four categories:

- 0% to 5% – Good
- 5% to 10% – Fair
- 10% to 25% – Poor
- >25% – Critical

It is important to note that the EFCI and other KPIs do not necessarily account for all potential costs involved in forecasted renewals since the scale does not take into account upgrades, and assumes like-for-like replacement of building components. ECMs that exceed code minimum requirements are not included in the FCA calculations. Nor does this scale take into account the risk of deterioration due to deferred renewals. For example, if balconies are not renewed in a timely manner, deterioration of the wood framing is likely. The cost for structural repairs to wood framing are not included in FCI or EFCI calculations.

The EFCIs for the next 10 years for the three FCA participants are:

- Grandview-Woodlands: 20%
- Mount Pleasant: 10%

→ Kitsilano 16%

Assuming that the population of buildings within RDH's database is representative of the rental building stock,<sup>1</sup> then it may be possible to extend the findings about the three rental buildings to the broader stock of wood-frame rental buildings. Based on how the EFCI 10 for the three buildings compare to the distribution of EFCI 10 among the buildings in RDH's database, findings suggest that the majority of the rental buildings will likely need to spend between 10% and 25% of the reproduction value of their building over the next 10 years, with some likely to need more than 25% of the building reproduction value.

<sup>1</sup> The majority of low-rise buildings in RDH's database are strata and are younger than the rental stock. The analysis was limited to strata built prior to 1980, and the majority were built in the 1970's. While the buildings in the database are slightly younger than the rental population, the design and construction of the buildings are similar, with similar building systems, and building form.

## 4 Financial Analysis

The third phase of the research program consisted of:

- 1) Development of three bundles of ECMs that could be incorporated into the normal end-of-life renewals required at wood-framed rental buildings. The three bundles represent Good, Better, and Best options for renewals.
- 2) An energy analysis of each of the three FCA buildings, including estimating energy savings related to each of the three bundles.
- 3) Development of a proforma spreadsheet for each of the FCA buildings that incorporates a financial forecast over 30 years for each bundle of ECMs. The proforma includes operating revenue, expenditures, and capital (renewal) expenditures.

### 4.1 Energy Analysis

The three bundles of ECMs within the energy analysis are:

- **Good – Basic Asset Replacement** – Reflects business as usual upgrades with basic equipment, and the incidental energy improvements that result from these standard renewals (i.e. cladding or membrane renewal without adding insulation, replacing windows with code-minimum products, replacing boilers with standard-efficiency equipment).
- **Better – Some Energy Upgrades** – Reflects changes that improve energy performance of systems above the status quo at the time of regular renewals (i.e. adding insulation at the time of a cladding or membrane renewal, upgrading windows to above code performance, upgrading boilers and fixtures).
- **Best – Energy as a Priority** – Reflects a change in the intent of the renewals to have a focus on energy improvements, expediting the renewals timeline, and choosing the highest recommended energy performance equipment and materials. This “Best” bundle also includes ventilation upgrades by introducing in-suite HRVs with a reduced MUA ventilation rate.

Table 4.1 summarizes the ECMs included in each bundle.

TABLE 4.1 ECMS INCLUDED IN EACH BUNDLE			
Detail	Bundle 1 – Basic Asset Replacement	Bundle 2 – Some Energy Upgrades	Bundle 3 – Energy as a Priority
Walls	Cladding renewal	Add R-5 exterior insulation	Add R-10 exterior insulation
Windows	Double glazed (code minimum)	Double glazed (high performance)	Triple glazed
Airtightness	Incidental improvements	Mid-average	Above average
Roof	Membrane replacement	Add R-10 insulation	Add R-10 insulation

TABLE 4.1 ECMS INCLUDED IN EACH BUNDLE			
Heat recovery ventilators (HRVs)	n/a	n/a	Add, 85% efficient; Reduce MUA rate
Boilers	85%	90%	93%
Domestic hot water (DHW) fixtures	n/a	Low flow	Low flow
Lighting	n/a	LEDs, occupancy sensors	LEDs, occupancy sensors

Energy-related data was added to the proforma in two ways:

- 1) Utility savings from lower energy consumption were incorporated within the operating expenditures; and
- 2) Incremental costs to install higher-performance equipment in the ECM bundles were added to the capital expenditures.

The timing of renewals was adjusted for the “Best” bundle of ECMs compared to “Good” and “Better” bundles. For the “Good” and “Better” bundles, ECMs are implemented at the time of their related forecasted asset renewals (per the FCAs). In contrast, the “Best” bundle ECMs (enclosure, mechanical, and electrical) are implemented together at the time of the first forecasted renewal. For example, the first two bundles may implement a window upgrade at the time of the forecasted regular window renewal (e.g. year 8), whereas the “Best” bundle would shift all ECMs to the earliest forecasted asset replacement (e.g. year 1). This reflects a comprehensive deep energy retrofit project, where energy efficiency is considered a priority.

## 4.2 Financial Outcomes

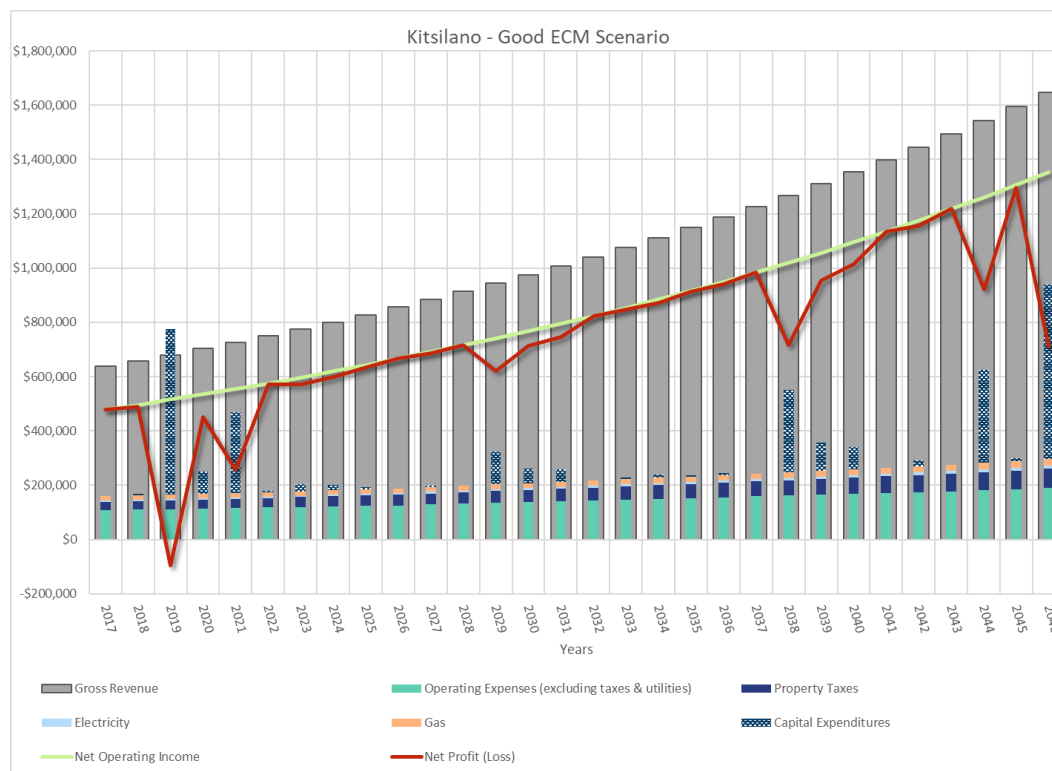
The three FCA buildings had previously completed renewals projects. The financial attractiveness of each bundle of ECMs depended on what work had already been completed. Buildings that had already completed significant renewals work, particularly in the building enclosure system, are less likely to choose the “Best” scenario because work that had already been completed would be repeated. For buildings that have not completed substantial renewals to the building enclosure system, it is easier to justify incorporating more substantial ECMs.

Table 4.2 summarizes the net present value (NPV) for each FCA participant and each ECM bundle over both 10 and 30 years.

TABLE 4.2 COMPARISON OF NPV BY FCA PARTICIPANT AND ECM BUNDLE									
	Kitsilano			Grandview Woodlands			Mount Pleasant		
	Good	Better	Best	Good	Better	Best	Good	Better	Best
EFCI/EFNI	15%	16%	17%	19%	21%	19%	9%	10%	19%
Square Footage	33,000 Sq Ft			32,700 Sq Ft			38,400 Sq Ft		
Cashflow (NPV) – 10 Years									
Balance (millions)	\$2.4	\$2.4	\$2.3	\$1.4	\$1.3	\$1.3	\$2.8	\$2.8	\$2.3

TABLE 4.2 COMPARISON OF NPV BY FCA PARTICIPANT AND ECM BUNDLE									
Per Square Foot	\$72	\$71	\$69	\$41	\$40	\$41	\$73	\$73	\$59
Cashflow (NPV) – 30 Years									
Balance (millions)	\$5.2	\$5.3	\$5.2	\$3.1	\$3.1	\$3.1	\$5.6	\$5.6	\$5.4
Per Square Foot	\$158	\$159	\$156	\$95	\$95	\$96	\$145	\$146	\$140

Cashflow is also an important consideration. When renewals are grouped together into one larger project, it is less likely that renewals can be funded through the operating budget. Landlords would require financing, either self-financing through savings or other internal sources; or external financial support, including loans and grants. For example, Figure 4.1 shows the forecasted cashflow over 30 years, for the Kitsilano FCA participant, based on basic asset replacement, with good ECMs. The costs shown in 2019 are associated with window, door, and exterior cladding renewals.



*Figure 4.1 Cashflow table over 30 years. The grey bars in the background are assumed revenues; the smaller, stacked bars represent both operating and capital expenses; and the red line represents the forecasted net profit or loss in a given year.*

Note that costing for all renewals exclude soft costs, including consulting or engineering fees; general and conditions costs; contingency allowances for repairs; or allowances to upgrade assets other than upgrades that would be required for code compliance associated with a specific asset (e.g. it is no longer possible to purchase single-paned, aluminum-framed windows). This approach to costing is consistent across RDH's database and allows for comparisons between buildings, and is also consistent with how the landlords have previously implemented work.

The proforma did not evaluate potential changes in market rent based on completed renewals projects. The analysis assumes linear rent increase over time, factoring in normal tenant turnover over time.

In addition, the physical analysis did not evaluate the additional costs associated with deferred work. Certain types of renewals projects, if not completed in a timely manner, will result in increased costs. For example, failing to re-pipe a building experiencing pinhole leaks would result in additional costs to repair leaks until such time as the pipes are replaced; and failing to replace a balcony membrane when tears or leaks develop may result in damage to underlying wood framing, increasing the cost of future repairs.



# 5 Discussion and Implications

## 5.1 Tenant Impacts

Renewals work at rental buildings are also required at other types of residential buildings, such as strata corporations and non-profit housing co-ops. In most cases, strata corporations and non-profit co-op buildings remain fully occupied. Individual suites may need to be vacated for a short period of time, typically a few hours or days, provided minimal hazardous materials abatement is required.

A recent project in Victoria, BC demonstrated that it is possible to complete large-scale renewals at an occupied rental building. The scope of work included replacing exterior cladding and upgrading the insulation; installing new windows and sliding glass doors; renewing balconies; replacing roofs; and upgrading boilers and domestic hot water heaters. The building is a purpose-built, wood-framed rental building similar to the target population of this study. A report on this project is due to be published by CMHC.

Table 5.1 identifies some significant, common building renewals, and if those renewals are completed in other residential sector buildings with occupants remaining in suites.

TABLE 5.1 RESIDENTIAL OCCUPANCY DURING RENEWALS WORK		
Capital renewal	Occupancy during work in strata properties?	Is renewal typically done on its own, or combined with other upgrades?
Window and sliding glass door replacement	Yes	May be combined with cladding and balcony renewals. May disturb hazardous materials and require abatement procedures.
Cladding replacement	Yes	Windows and sliding glass doors and balcony membranes typically replaced at same time.
Balcony and deck renewals	Yes	May be combined with cladding and sliding glass doors.
Roofing	Yes	Independent or with cladding replacement.
Waterproofing above parkade	Yes	Independent or with cladding renewals.
Re-piping	Yes	May be combined with bathroom and kitchen renovations. May disturb hazardous materials and require abatement procedures.
Boiler/domestic hot water tank replacement	Yes	May be combined with some plumbing.
Hydronic heating valves	Yes	Independent or with larger heating controls upgrade, in conjunction with cladding renewals.

TABLE 5.1 RESIDENTIAL OCCUPANCY DURING RENEWALS WORK		
Hydronic heating piping	Varies	Often combined with larger, more complex renewals, including interior renovations, changing heating system, and changing ventilation. Will likely involve more disturbance. May disturb hazardous materials.
Electrical plugs, switches, and other in-suite devices	Yes	Often done with other suite renovations.
Building electrical devices (switch gears, etc.)	Yes	
Elevators	Yes, provided residents are able to use stairs.	Fire panels and fire-safety system.
Drainage piping	Yes	
Fire detection	Yes	Often triggered by elevator modernization.
Asbestos or mould remediation	Sometimes	Depending on the extent of remediation and the risk to residents, temporary vacancy may be required.
Changes to building layout	No	

Table 5.1 is a generalization, and individual projects and buildings do have unique circumstances. While a building may remain generally occupied, suites may need to be temporarily vacated for a period of a few hours or days, depending on the nature of the work to be completed. Services to suites may be temporarily interrupted.

While it is possible to complete renewals in an occupied strata building, there are direct impacts on residents living in a building that is undergoing major renewals, including providing periodic access to tradespeople, noise, smells and unwanted odours, restrictions on using or accessing parts of a building or suite, and visible evidence of construction inside a suite. These intrusions can discourage residents from remaining in the building, and require substantial coordination and cooperation between landlords, tenants, and contractors. This may be less feasible in a rental building compared to other types of residential buildings, such as a strata. Some landlords have offered reductions in rent during the construction period.

When hazardous materials are present, abatement may be required. It is not uncommon to discover hazardous materials during building enclosure system and mechanical system renewals. Some of these projects have been successfully and safely completed in occupied buildings, depending on the level of risk associated with abatement. Some materials are more hazardous to disturb than others, and the risk to tenants may be sufficient to relocate tenants during the work. Landlords may not wish to take on the risks associated with hazardous materials abatement in an occupied building.

Where the layout of the building changes (e.g. subdividing existing suites, or adding additional suites), a partial vacancy of the building would be required. In addition, this type of work may trigger other upgrades under the current provisions of the Vancouver Building Bylaw, such as seismic upgrades, accessibility, and fire-safety/life-safety systems.

Depending on the scope of work, these upgrades may increase the level of disturbance to tenants.

## 5.2 Generalizing the Observations

The largest proportion of the wood-framed rental building stock were built between 1950 and 1970. Survey responses were predominately from buildings constructed in the 1960's. FCA participants were built in 1964, 1969, and 1970, and overlap with the Survey participants. Buildings built in the 1960's are likely more comparable, and most likely to share common renewals. Buildings constructed in the 1950's are not well represented in this study, and some variations in forecasts are likely.

There were two revisions to the National Building Code in 1953 and 1960, which may have impacted standards and styles of construction that could, in turn, result in different lifecycles. Construction technology and styles also evolved in that time period, and some variation in building layout and construction technology is likely.

Some of the variations between buildings that could affect the timing and scope of required renewals include (but are not limited to) building shape and form (e.g. the presence of overhangs), and the specific materials and assemblies used (e.g. the quality of copper used for piping). This information was not collected in the Survey or FCAs and will result in variations across the building stock. For example, buildings with larger overhangs and no balconies are less likely to require renewals to cladding to address deterioration due to water ingress.

## 5.3 Other Types of Capital Investments

This research project focussed on renewals of typical existing systems in wood-framed buildings, focussing on like-for-like replacements and upgrades for energy efficiency. However, other upgrades and capital improvements could be considered by landlords, including:

- Seismic upgrades.
- Other life-safety upgrades (e.g. installation of fire sprinkler systems).
- Accessibility upgrades (e.g. changing door hardware or bathroom layouts).
- Changes to building density (e.g. sub-dividing existing suites), or additions to the building.
- Changes to the building to increase revenue (e.g. upgrading plumbing and drainage to accommodate in-suite laundry).

Building renovations that include moving interior walls, and moving or installing new electrical wiring, plumbing lines, or gas lines require a building and trade permit from the COV. Some of these renovations may trigger additional upgrades and improvements that are outside the scope of this assessment.

Renewals associated with high-rises and concrete construction (e.g. upgrades to pumps in high-rise buildings) are not captured in this study, and costs associated with some renewals can vary significantly from low-rise, wood-framed buildings.

## 5.4 Barriers to Investment

The forecasted renewals projects are completed in other real estate sectors, particularly where building owners have a long-term commitment to the building. This includes institutional owners, commercial building owners, and residential building owners such as strata corporations and non-profit co-ops.

Unlike rental buildings, both strata corporations and many non-profit co-ops have requirements for periodic capital planning reports. These reports provide a long-term financial forecast of probable renewals and major maintenance activities. Anecdotally, over the past 4 years, since mandatory Depreciation Reports were introduced for strata corporations, there is evidence that strata corporations are actively planning for capital renewals projects, and completing work or making an informed decision to plan for work in the future. No such requirement exists for landlords, and planning is dependent on the knowledge and experience of landlords themselves. Where landlords own one or two buildings, they may not be familiar or aware of the lifecycle of some building components, and may not be prepared to address those renewals. In the Survey, only 22% of respondents indicated that they worked from a long-term capital plan.

In the Survey, landlords also identified a number of barriers, including:

- Financial (funds, cost, cashflow) (9 participants)
- Bureaucracy and “red tape” (delays) (4 participants)
- Rent control (3 participants)
- Tenants (2 participants)
- Unavailability of trades people (1 participant)

The comments and discussion regarding rent control related to the inability to get a return on reinvestment in the building; renewals projects do not typically result in increased revenue unless tenants move out, and new tenants pay rental rates that are based on the improved condition of the building.

In the Survey comments and discussion with FCA participants, issues with permitting are challenging to landlords. Development permits are required for additions to buildings, changes to the building exterior, and structural repairs; and may be required for other renewals projects such as changing the layout of the suites in a building. Building permits are required when interior walls are moved, and when electrical wiring, plumbing, or gas lines are installed or moved.<sup>2</sup>

The work itself must meet current code requirements; and may trigger upgrades to other building components, including seismic upgrades, code-required upgrades, and safety system upgrades. Some of these requirements are perceived by landlords as arbitrary, unfair, or unpredictable. If not identified during the feasibility planning stages before permit application, these requirements can delay the permitting process, or significantly increase the cost of a given project. In some cases, the additional upgrade obligations are sufficient that landlords will reduce their scope of work, defer work, or consider other options.

<sup>2</sup> City of Vancouver, “When you need a permit”, [vancouver.ca/home-property-development/when-you-need-a-permit.aspx](https://vancouver.ca/home-property-development/when-you-need-a-permit.aspx)

This document does not compare or evaluate other options open to landlords, including redevelopment. Landlords with larger portfolios may compare current and future costs against revenue, and against the cost and benefits associated with redeveloping the property.

## 6 Policy Options

We understand that the COV wishes to encourage landlords to reinvest in their buildings, to maintain the existing building stock with minimal disruption to tenants, and to improve energy efficiency. There are three general areas that could be addressed to encourage renewals:

- 1) Planning
- 2) Permitting
- 3) Financing

### 6.1 Capital Planning

There are opportunities to encourage better capital planning among rental owners. This includes supporting and facilitating the development of 5- or 10-year capital plans, and encouraging assessments and investigations. Some specific opportunities include:

- Educating and training related to asset management and capital renewal planning in partnership with other organizations, such as Landlord BC.
- Developing new tools or sharing existing tools, such as those developed by CMHC and BC Housing for capital planning in the non-profit sector.
- Developing an energy advisor program, similar to programs under development for strata corporations, and existing programs offered by BC Non-Profit Housing Association. The program could include providing information about available incentive programs, or connecting landlords to energy assessments and building condition assessments. The role would require additional research and engagement with small landlords to develop.

### 6.2 Permits

Several landlords commented that the permitting process is perceived as a barrier to undertaking major upgrades or renovations. Some specific opportunities include:

- Providing tools or resources that clarify permit requirements for applicants, focussed on the most common renewals projects, and provide guidance or assistance with the permitting process.
- Reviewing the development and building permit process for potential conflicts of priorities. There may be opportunities to alleviate some upgrade requirements when certain criteria are met. Ideally, this would be tied to an updated Tenant Relocation and Protection Policy in order to prevent displacement of tenants.
- Creating an expedited permitting process, to prioritize development and building permit reviews for projects that meet specific criteria, such as avoiding tenant relocations or including ECMs.

### 6.3 Financing

Cost and financing were the most common barriers identified by landlords. Some policy options to address this barrier may include:

- Partnering with lenders to develop discounted financing options for capital expenditures, particularly those that include ECMs and/or that minimize displacement of tenants.
- Partnering with the province to explore opportunities to incentivize significant capital upgrades, such as incremental rent increases based on the value of capital upgrades.
- Consider building permit fee reductions or rebates.
- Modifying legislation to permit abatement of property taxes for 5 to 10 years after capital upgrades are completed.

Ideally, programs are implemented in such a way that additional financial support is contingent on mitigating the impact to tenants. More specifically, requiring that tenants are not displaced during construction, or that displacement is permissible only when required for occupant safety.

## Appendix G: Proposal for Landlord Support Program

# Structural + Energy Support Program for Existing Rental

### Challenges

In Vancouver, 80 percent of the City's purpose-built rental buildings are low-rise, wood-frame buildings largely constructed before 1980s. This rental stock is a critical source of affordable housing for Vancouver's low- and moderate-income residents, on average renting for nearly 30 percent less than newly-constructed rental housing.<sup>1</sup>

However, preserving these buildings for future generations will require improvements and retrofits to maintain their structural integrity and improve energy consumption. A recent study by RDH Building Sciences indicates that low-rise, wood-frame rental buildings may require significant and costly upgrades in coming years. Furthermore, the City of Vancouver Greenest City Action Plan notes that existing residential structures account for almost 30% of greenhouse gas emission in Vancouver, and aims for a 20% reduction in energy consumption in existing buildings by 2020.

Low-rise, wood frame rental buildings are generally underserved by existing energy incentive and retrofit programs that typically target higher-density concrete buildings. Unlike strata properties, rental buildings are not required to obtain depreciation reports, which means that some rental owners may not be aware of the full scope of capital repair needs to their buildings.

### Opportunity

There is an opportunity to work with rental owners to encourage capital planning and benchmarking of energy use in existing low-rise rental buildings. A capital plan can help building owners to identify, assess and prioritize capital needs and ensures the viability of building assets in the long term, particularly when informed by a building condition assessment by a qualified firm. A holistic energy assessment of the building that focuses on capital replacement is also a valuable tool for owners to understand and plan for environmental and energy performance improvements in their buildings. Landlords can also be advised on whether work can be completed with tenants remaining in suites, which would help with minimizing tenant displacement and maintaining consistent cash flow. A survey of twenty owners of low-rise, wood-frame buildings found that relatively few owners conducted building renewals according to a medium- or long-term capital plan, though almost half of respondents indicated interest in developing one.

### Proposal

The City of Vancouver would like to collaborate with Landlord BC on a program to support and encourage capital planning and energy benchmarking in existing rental housing. The target audience for the program are existing owners of low-rise, wood frame buildings in the Vancouver, who may not currently have a long-term capital plan but are interested in opportunities to upgrade their buildings and explore energy retrofit opportunities. Landlord BC is an advocate for long-term rental providers in BC, with a mission to balance the landlord's rights to operate in a free

<sup>1</sup> CMHC Rental Market Report, 2015



market with the tenants' rights to access safe, stable housing, as one unified, respected voice for the rental housing industry.

The program may include the following elements:

- Building owners will be invited to participate in a pilot program to assist existing building owners with capital planning and energy benchmarking. The program will be managed by a third-party Consultant.
- The Consultant will work with participating owners to obtain a building condition and energy assessment according to a City-designed template (\*potential BC Housing partnership). The assessment will identify building components likely to require renewals in the coming years, as well as opportunities for energy-efficient retrofits. The program could include providing information about available incentive programs, or connect landlords to energy assessments and building condition assessments.
- Through group workshops and/or one-on-one sessions, the Consultant will provide education and advice on capital and energy planning, including a plan to fund needed upgrades and advice how to plan financially for future renewals. The Consultant will also provide guidance on whether upgrades can be done in a manner that minimizes tenant displacement, and will inform landlords about their legal responsibilities around ending tenancies if required.
- The program will involve regular reporting and annual follow ups for 3 years to check in on any early upgrades identified in the plan, and to provide further assistance as needed. The follow ups could also involve energy benchmarking to help evaluate the effectiveness of energy retrofits and confirm that energy-related cost savings are being realized.

There are over 1,000 wood-frame buildings under four storeys in Vancouver. The pilot program aims to serve 10-20 buildings in the first 2 years, with an aim to expand the program based on interest and take-up. The program could also serve as a pre-requisite for future incentive programs offered by the City or partners in senior government, such as low-cost financing, grants, and property tax waivers.

#### DRAFT Timeline

	F2018	F2019	F2020	F2021
Preparation and Program Design				
RFP				
Identify Consultant and Building/Energy Assessment Partners				
Pilot program				
Initial progress report				
Participant follow ups				
Final Report				

#### DRAFT Budget

DRAFT Cost items (assume 20 participants)	
Building Condition Assessments (\$8k/assessment)	\$80,000

---

Consultant contract	\$20,000
<i>Estimated Pilot Costs</i>	<i>\$100,000</i>

---

**Contacts**

Sarah Ellis  
CoV Housing Planner  
604-873-7207  
[sarah.ellis@vancouver.ca](mailto:sarah.ellis@vancouver.ca)

DRAFT