



POLICY REPORT

Report Date: May 14, 2019
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Meeting Date: May 28, 2019

TO: Vancouver City Council

FROM: General Manager of Planning, Urban Design and Sustainability

SUBJECT: Request to Remove Development Cost Levy Waiver and Amend the Housing Conditions for the CD-1 Rezoning at 2153-2199 Kingsway

RECOMMENDATION

THAT Council amend the conditions of by-law enactment imposed by its May 16, 2017, decision to approve in principle the CD-1 rezoning of 2153-2199 Kingsway by deleting the Housing conditions set out in sections (c) 8 (iv), (v) and (vi) of the resolutions adopted by Council, generally as shown in Appendix A, which pertain to the waiver of the Development Cost Levy (DCL), as this optional waiver is no longer requested by the applicant.

FURTHER THAT the Director of Legal Services be instructed to prepare the necessary Housing Agreement By-law for enactment without the DCL waiver conditions set out in the required Housing Agreement.

REPORT SUMMARY

This report seeks Council's approval of an amendment to the conditions of by-law enactment for the CD-1 rezoning of 2153-2199 Kingsway. The rezoning application was approved in principle at the public hearing of May 16, 2017, but the rezoning by-law has not yet been enacted. At the time of the rezoning application, the applicant requested the option of the City waiving the DCL for this rental housing project as available under the *Secured Market Rental Housing Policy* and conditions to achieve that were approved at the hearing. The request by the applicant to not seek the optional DCL waiver would require an amendment to the Housing Agreement condition and the Housing Agreement itself which is to be brought forward for enactment by by-law by Council prior to the owner satisfying all other conditions of rezoning by-law enactment. Because the condition was prescribed by Council in its resolution and the authority to vary it so significantly was not delegated, Council approval of this amendment to the condition is required.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- Policy report dated March 14, 2017 entitled “CD-1 Rezoning: 2153-2199 Kingsway”, RTS 11892 (rezoning approved in principle at public hearing May 16, 2017 with conditions of approval recorded in the minutes; enactment of CD-1 By-law is pending)
- Secured Market Rental Housing Policy (2012)
- Rental Incentive Guidelines (2012, last amended 2018)
- Vancouver Development Cost Levy By-law (DCL By-law)
- Vancouver Utilities Development Cost Levy By-law

REPORT

Background/Context

1. Site

The rental housing project site is located at the northwest corner of Kingsway and Gladstone Street in the Kensington-Cedar Cottage local area (see Figure 1).

Figure 1: Site and Surrounding Zoning



2. Policy Context

The *Secured Market Rental Housing Policy* (Rental 100) was approved by Council in May 2012 with the goal of increasing the supply of purpose-built market rental housing in Vancouver in response to a persistently tight rental market. Rental 100 replaced the former Short Term Incentives for Rental (STIR) Program which was a time-limited program to encourage the construction of market rental housing. Both programs were structured to offer various development incentives to encourage additional private sector market rental housing by

increasing the financial viability of developing rental compared to ownership projects. The incentives offered for projects requiring a rezoning under Rental 100 are optional and can be pursued at the discretion of the applicant.

3. Project Background

On May 16, 2017, Council approved in principle the rezoning of 2153-2199 Kingsway from C-2 (Commercial) District to CD-1 (Comprehensive Development) District to allow for a six-storey mixed-use development containing commercial retail units at grade and 101 rental housing units under the *Secured Market Rental Housing Policy* (known as the Rental 100 policy). This policy provides a number of optional incentives which an applicant may make use of, at their discretion, in exchange for developing a project where 100% of the residential component is secured market rental housing.

In accordance with the Rental 100 policy and the accompanying *Rental Incentive Guidelines*, the application for 2153-2199 Kingsway sought incentives available for secured market rental housing, including additional height and density, a parking reduction, concurrent processing of rezoning and development permit, and a waiver of the DCL. In exchange for these incentives, the project proposed 101 units of market rental housing, secured as rental for the life of the building or 60 years, whichever is longer. To be eligible for a DCL waiver, in addition to secured rental tenure, projects must also meet the definition of “for-profit affordable rental housing” (a term used specifically by the Province in the Vancouver Charter) as set out in the DCL By-law. This definition includes requirements for maximum average unit sizes and maximum average initial rents set at Canada Mortgage and Housing Corporation (CMHC) rates applicable at the time of the rezoning. These rates are based on the average market rent for newer residential developments in the area.

The rezoning application for this project was approved in principle by Council at a public hearing on May 16, 2017. Since that time, the applicant has revised the project through the development permit process in response to the conditions of approval of the form of development. The project has altered the unit mix from the initial application approved in 2017, significantly increasing the number of family-sized units, and is now proposing 84 rental housing units (see Figure 2).

Figure 2: Change in Proposed Unit Mix

Unit Type	Initial Application (Approved 2017)	Current Application
Studio	45 (44%)	0 (0%)
One Bedroom	18 (18%)	16 (19%)
Two Bedrooms	31 (31%)	44 (52%)
Three Bedrooms	7 (7%)	24 (29%)
Total	101 (100%)	84 (100%)

Strategic Analysis

The applicant has indicated that the restricted valuation on the project has reduced the amount of financing available and thus does not make the project feasible if the units are to meet the definition of “for-profit affordable rental housing” set out in the DCL By-law. The applicant has chosen not to seek the optional DCL waiver incentive for 2153-2199 Kingsway and as such, has

requested that the rezoning enactment condition for the Housing Agreement be amended to remove the conditions related to the DCL waiver. Instead of this incentive, the applicant would pay the DCL for all of the floor area in the building rather than being waived from payment for the residential component.

It is very rare that staff would recommend a change to approved rezoning conditions between the public hearing and enactment, however in this instance, it concerns an incentive that is optional and considered as part of the application process.

Should this change be approved, the conditions that would allow for a DCL waiver, being the maximum unit sizes, requirement for provision of rent rolls and maximum average rental rates, will not be included in the Housing Agreement for this project. It will further result in a DCL payment to the City when the building permit is issued for all of the floor area in the building. The proposed 84 units of what will now be secured market rental housing will still be secured by a Housing Agreement and Section 219 Covenant as rental for the life of the building or 60 years, whichever is greater. That agreement would be brought forward by by-law for enactment by Council prior to enactment of the rezoning by-law.

FINANCIAL IMPLICATIONS

If the DCL waiver is removed from the approved rezoning, the site is subject to both the City-wide DCL and City-wide Utilities DCL on the proposed 1,200 sq. m (12,912 sq. ft.) of commercial floor area and the 7,253.6 sq. m. (78,080 sq. ft.) of residential floor area. Based on the rates in effect as of September 30, 2018, it is anticipated that the project will generate about \$1,812,237 in additional DCLs for the residential floor area for total DCLs of approximately \$2,065,570.

The market rental housing units will be secured by a Housing Agreement and Section 219 Covenant for the longer of the life of the building or 60 years, and be privately owned and operated.

CONCLUSION

This report recommends that Council amend the conditions of by-law enactment for the CD-1 rezoning of 2153-2199 Kingsway by deleting the Housing Agreement conditions which pertain to the waiver of the DCL, as this optional waiver is no longer being sought by the applicant. As the DCL waiver is an incentive taken at the applicant's discretion, staff have concluded that this rezoning application remains consistent with the *Secured Market Rental Housing Policy*. The project will result in an additional 84 units of secured market rental housing, contributing to the City's inventory of market rental housing and the amendment to the condition will result in DCLs being paid for all residential floor area in the building.

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CD-1 REZONING: 2153-2199 KINGSWAY
Proposed revisions to Housing condition (c) 8 of the resolutions
adopted by Council May 16, 2017

Note: Sections proposed to be deleted are struck-through and additions are underlined.

Housing

8. Make arrangements to the satisfaction of the General Manager of Arts, Culture and Community Services and the Director of Legal Services to enter into a Housing Agreement and Section 219 Covenant securing all residential units as ~~for-profit affordable rental housing units pursuant to Section 3.1A of the Vancouver Development Cost Levy By-law~~ secured market rental housing for the longer of 60 years and life of the building, subject to the following additional conditions:

- (i) A no separate-sales covenant.
- (ii) A no stratification covenant.
- (iii) That none of such units will be rented for less than one month at a time.
- ~~(iv) That a rent roll be provided indicating the agreed initial monthly rents for each rental unit when the Housing Agreement is entered into, and again prior to development permit issuance.~~
- ~~(v) That the average initial starting monthly rents for each unit type will be at or below the following proposed starting rents subject to adjustment as contemplated by Section 3.1B(c) of the Vancouver Development Cost Levy By-law:~~

Unit Type	2153-2199 Kingsway Proposed Average Starting Rents
Studio	\$1,256
One bedroom	\$1,674
Two bedrooms	\$2,079
Three bedrooms	\$2,603

~~(vi) That a final rent roll be provided, prior to issuance of an occupancy permit, to the satisfaction of General Manager of Community Services and the Director of Legal Services, that reflects the agreed initial monthly rents as of occupancy in order to address potential changes in unit mix and/or sizes between the rezoning and development permit issuance, and to allow for the rents to be increased annually from the time of the public hearing to initial occupancy, as per the maximum increases authorized by Section 3.1B(c) of the Vancouver Development Cost Levy By-law.~~

~~(vii)~~(iv) Such other terms and conditions as the General Manager of Arts, Culture, and Community Services and the Director of Legal Services may in their sole discretion require.

Note to Applicant: This condition will be secured by a Housing Agreement to be entered into by the City, by by-law, enacted pursuant to section 565.2 of the *Vancouver Charter*.