CITY OF VANCOUVER

REPORT

Report Date:	November 15, 2019
Contact:	Dan Garrison
Contact No.:	604.673.8435
RTS No.:	13427
VanRIMS No.:	08-2000-20
Meeting Date:	November 26, 2019

Submit comments to Council

TO: Vancouver City Council

FROM: General Manager of Planning, Urban Design, and Sustainability

SUBJECT: Rental Incentives Review Phase II Report Back

RECOMMENDATION

A. THAT Council approve the amended Secured Rental Policy, generally as contained in Appendix A.

B. THAT Council receive for information the Rental Incentive Programs Administration Bulletin, generally as contained in Appendix B.

C. THAT Council direct staff to prepare a report for consideration for referral to a public hearing proposing amendments to the Zoning and Development By-law to add a definition of "residential rental tenure" in Section 2 and to limit residential dwelling units in buildings above 4 storeys to 100% residential rental tenure in the C-2, C-2B, C-2C, and C-2C1 zoning districts generally as shown on the map in Appendix C;

FURTHER THAT the Director of Legal Services be instructed to prepare the necessary amending by-law, to be considered by Council at a future public hearing.

D. THAT Council direct staff to consolidate opportunities for rental enabled under the Affordable Housing Choices Interim Rezoning Policy (AHC IRP) into the Secured Rental Policy and formally close the AHC IRP to new applications, and prepare a report for consideration for referral to a public hearing proposing amendments to the Zoning and Development By-law to create new zoning districts for residential rental tenure, for use in "off-the-shelf" rezonings for RS and RT zoned sites in low density transition areas that are on and near arterial roads and close to parks, schools and shopping areas, as generally described in policy 2.4 of the Secured Rental Policy, contained in Appendix A;

FURTHER THAT the Director of Legal Services be instructed to prepare the necessary amending by-law, to be considered by Council at a future public hearing.

E. THAT Council approve amendments to the Moderate Income Rental Housing Pilot Program, generally as contained in Appendix E, to extend the timeline of the pilot to enable consideration of new project proposals until January 1, 2021 while maintaining the limit of up to 20 total rezoning applications, to add a new parameter for large developments including those on sites 8,000 sq. m (1.98 acres) or larger to enable consideration of additional height and density depending on the site, and to update information related to program administration and available incentives.

F. THAT Council approve the Below-Market Rental Housing Policy for Rezonings to consider modest increases in height and density to deliver increased affordability, focusing on areas already identified for growth in previous planning processes, generally as drafted in Appendix F.

G. THAT Council approve a $1.5 million grant to LandlordBC to implement the Energy Retrofit PLUS Reinvestment Pilot in partnership with a matching $1.5 million contribution from the Province's CleanBC program, generally as contained in Appendix G;

Source of funding to be:

- $1 million from the approved multi-year capital budget for the Non-City Building Emission Retrofit Program;
- $0.5 million to be added to the 2019-2022 Capital Plan for Deep Emission Building Retrofits.

The proposed grant requires 8 affirmative votes of Council per section 206(1) of the Vancouver Charter.

H. THAT Council instruct the Director of Legal Services bring forward for enactment amendments to the Vancouver Development Cost Levy By-law and the Area Specific Development Cost Levy By-law, generally as contained in Appendix H, and to be effective as of September 30, 2020.

I. THAT Council instruct the Director of Legal Services to bring forward for enactment amendments to the Utilities Development Cost Levy By-law to remove the waiver for "for-profit affordable rental housing," generally as contained in Appendix I, and to be effective as of September 30, 2020.

J. THAT Council direct Staff to report back with recommendations to urgently address the climate emergency through removal of barriers to encourage low carbon rental housing development, including:

- amendments to the Building By-law to permit mass timber construction up to 12 storeys, modelled on the proposed 2020 National Building Code, by Q1 2020;

- amendments to planning by-laws, policies, and guidelines, such as minor height relaxations or simplifications of building form, to accommodate cost-effective wood building designs, by Q1 2020; and

- Further opportunities to amend City by-laws, policies, and guidelines to remove barriers and encourage mass timber development in appropriate locations, by Q4 2020.

REPORT SUMMARY

With persistently low vacancy rates, increasing average rents, and a limited and aging rental housing stock in Vancouver, Staff have been directed to undertake a review of existing City policies aimed at delivering new purpose-built rental housing. These policies have been in place for 10 years, and have enabled almost 9000 units of new purpose-built rental housing following decades of limited new rental supply.

Although the City’s rental incentive programs have proven effective at encouraging the development of new rental instead of more expensive strata condominiums, rental production continues to fall short of need. There are also concerns about the need for new housing affordable to low and moderate income earners that may not be served by market rents.

This report includes the results of the review of existing City incentives, and provides recommendations to continue these policies, along with specific recommendations for program improvements to enhance the delivery of new purpose-built rental housing with the goal of achieving the Housing Vancouver target of 20,000 new purpose-built market rental units by 2027. The recommendations in this report are critical to ensure that City rental incentives continue to support new purpose-built rental development to ease the shortage of rental in the city.

Staff are proposing an overall approach which maintains the City’s current rental incentive programs, while clarifying, enhancing, and streamlining incentives and processes into a new Secured Rental Policy. This report also recommends consolidating the opportunities for new rental allowed under the Affordable Housing Choices Interim Rezoning Policy into the new Secured Rental Policy, and includes recommendations intended to support deeper affordability in new rental housing, including continuing to process and evaluate applications under the Moderate Income Rental Housing Pilot Program, and a new 6-storey below market option as part of the amended Secured Rental Policy.

Should Council approve the recommendations in this report, existing incentives and policies, will remain in place for the most part. Locations where the new policy applies will be generally the same as the previous Secured Market Rental Housing Policy and Affordable Housing Choices

Interim Rezoning Policy. However, Staff are recommending several changes to the structure and implementation of those incentives to reflect the findings of the review.

Meeting the targets for new rental in Housing Vancouver and achieving deeper affordability requires additional action beyond what is proposed in this report – including work through upcoming community planning programs and the Vancouver Plan to identify opportunities for rental in other parts of the city, as well as partnerships with senior government and market and non-market providers to enable non-market housing options. As an immediate action while planning is taking place, Staff recommend consideration of a new Below-Market Rental Housing Policy for Rezonings that will identify opportunities to shift some of the housing supply in recent plans towards new rental with deeper affordability city-wide.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- 10 Year Affordable Housing Delivery and Financial Strategy (2018)
- Housing Vancouver Strategy (2017)
- Housing Vancouver 3 Year Action Plan 2018-2020 (2017)
- City-wide Utilities Financing Growth Strategy (2018)
- Moderate Income Rental Housing Pilot Program (2017)
- Family Room: Housing Mix Policy for Rezoning Projects (2016)
- Affordable Housing Choices Interim Rezoning Policy (2012)
- Secured Market Rental Housing Policy (2012)
- Vancouver Development Cost Levy By-law No. 9755
- Vancouver Utilities Development Cost Levy By-law No. 12183
- Climate Emergency Response report (2019)

Council Motions:

- Motion B.2: Protecting Rental Housing Stock along Arterial Streets (2019)
- Motion B.4: Changing Vancouver's Housing By-laws, Policies and Budget to Achieve Real Housing Affordability (2019)
- Motion B.5: Exploring New Forms of Hospitality and Housing Tenure to Support Purpose Built Rental (2019)
- Motion B.6: Re-conceptualizing the Rental 100 Program (2019)

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

1. Housing Vancouver – Shifting Toward the Right Supply of Housing

In 2019, Vancouver renters continue to face a crisis in the availability and affordability of rental housing. Addressing this crisis requires action on several fronts, including shifting new housing toward the 'right supply' that meets the needs of Vancouver's diverse income and household profile and supports economic growth; addressing speculative demand; protecting existing renters and vulnerable residents; and ensuring the resilience of existing rental housing. These objectives make up the core goals and actions of the City's Housing Vancouver Strategy (2018-2027).

Rental housing is a key component of Housing Vancouver targets for the 'right supply.' Housing Vancouver sets ambitious 10 year targets for rental - including 20,000 new purpose-built market rental units (with 20% of these targeted as below-market rental), in order to ensure we are creating a stock of secure rental housing for current and future renters and meeting the needs of a growing economy. Achieving these targets requires robust policy to ensure that rental housing is financially viable for the private market to deliver, while also meeting the needs of Vancouver renters.

The focus of this report is to achieve the Housing Vancouver targets for purpose built market rental housing. There is also concurrent work underway to support the City's work with partners in senior government and the non-market housing sector to deliver the Housing Vancouver target for 12,000 social, supportive and co-op housing.

2. History of Purpose-Built Rental in Vancouver

Over 63% of Vancouver's existing purpose built rental stock was constructed between 1950 and 1980. The construction of rental during this period was supported by several important factors, including the availability of tax incentives for individuals to invest in multi-unit properties; the lack of competition from more profitable strata development; and zoning changes allowing additional height and density for multifamily properties in neighbourhoods like Kitsilano, the West End, Marpole, Mount Pleasant, and Grandview-Woodland. At the time, many rental developments faced opposition because of their height and built form and their impact on existing communities, including concerns about potential negative impact of rental on adjacent property values as well as concerns about gentrification. Today, however, this purpose-built rental is valued as an important source of affordable housing for many renters in Vancouver, renting at or below CMHC average rents in many areas.

By the 1980s, most of the important drivers of rental housing had disappeared. Federal tax reform led to the elimination of tax incentives; the introduction and refinement of the Strata Property Act encouraged construction of condos rather than rental. The result was a collapse in rental construction between 1980 and 2010, a collapse that was also experienced across other major Canadian cities like Toronto. While secondary rental housing like rented strata condominiums and basement suites have helped to address the need for rental in intervening years, this stock offers only limited security of tenure and poses a higher risk of displacement for existing renters, and cannot be relied upon as a secure, long-term source of rental housing. Secure purpose-built rental housing is also key to meeting the needs the City's economy and job growth, as employers increasingly cite lack of housing as a significant barrier to attracting key workers.

The lack new purpose built rental supply for many decades is one factor behind Vancouver's current rental housing crisis. Rising demand for rental in the past decade has further intensified the situation, as the high cost of homeownership in Vancouver has meant a growing number of households are renting instead of owning, particularly among new households. The result has been persistent low rental vacancy rates, below 1% since 2012, and significant increases in market rents in the City to levels that are increasingly unaffordable to renters earning low and moderate incomes. In this context, new renter households, often earning higher incomes, are competing for the same existing rental stock as those with lower incomes. Households with incomes over $80,000 / year make up 28% of all renter households. These higher income renters, including dual income earners, professionals, and older households downsizing, can be served by new market rental.

3. Action Required to Create Housing that Meets Diverse Renter Needs

The diverse affordability needs of renter households means that the City needs to be working to support a broad range of housing options. With assistance from senior levels of government to deepen affordability, urgently needed non-market social and co-op housing can be targeted to households earning low- and moderate incomes. Existing rental housing can also help to serve the needs of moderate income renters, though additional support is needed to ensure this housing is safe and resilient for future years. However, purpose-built market rental is also needed immediately to meet the demand for rental in the city from current and new renter households, while also creating a new stock of housing that will become more affordable as it ages in coming decades. This is critical, as 8.9 million square feet of office space is currently in the development pipeline, which will attract new office workers to Vancouver in coming years.

As a way to address the need for new purpose-built market rental, in 2009 the City of Vancouver introduced new development incentives for purpose built market rental housing. These incentives were some of the first of their kind in Canada, and have resulted in almost 9,000 new units of rental being approved since 2010.

However, even with the success of these incentive programs, the demand for new rental continues to outpace new supply, and the City continues to fall behind targets set in the City's 10-year Housing Vancouver strategy for rental. Meeting these targets requires significant action on the part of the city to identify new locations for rental, as well as work with partners in other levels of government to identify additional opportunities and incentives. One of these actions is a review of the city's rental incentive programs to determine whether additional refinements can support additional rental in coming years.

4. Vancouver's Rental Incentive Programs and the Rental Incentive Review

Since 2009, the City of Vancouver has encouraged the development of purpose-built rental housing through several rental incentive programs:

- <u>Short Term Incentives for Rental (STIR):</u> The City's first rental incentive program, STIR was a pilot program to encourage market rental housing that ran from 2009-2012
- <u>Secured Market Rental Incentive Program (Rental 100):</u> The Rental 100 program was approved in 2012, incorporating lessons and best practices from STIR into a city-wide policy to encourage the development of 100% market rental buildings secured via a housing agreement. Rental 100 generally applies to areas of the city which allow multi-family housing.
- <u>Affordable Housing Choices Interim Rezoning Policy (AHC IRP):</u> Introduced in 2012, the AHC IRP is a rezoning policy to encourage ground-oriented and mid-rise affordable housing including 100% secured market rental near and on arterial streets close to frequent transit and local shopping areas. The AHC IRP was closed to new enquiries after June 30, 2019, recognizing it was an interim measure and pilot program requiring further follow-up.

- Moderate Income Rental Housing Pilot Program (MIRHPP): The MIRHPP was introduced in 2018 as a time-limited pilot program, enabling a maximum of 20 rezoning applications for new projects where 100% of the residential floor area is purpose-built rental housing and a minimum of 20% is secured as moderate income rental housing targeted to be affordable to households with annual incomes between $30,000-$80,000.

Recent community plans have included housing policies that provide similar incentives as those offered through the City-wide incentive programs. The Community Plans that provide rental incentives include the Cambie Corridor Plan, Grandview-Woodland Plan, West End Community Plan, Downtown Eastside Plan, Marpole Community Plan, Joyce-Collingwood Station Precinct Plan, and False Creek Flats Plan. Together, these plans delivered nearly 2,300 units of rental between 2009 and 2018.

In early 2019, Staff launched a review of the outcomes and achievements of these rental incentive initiatives over the past decade. The review also aimed to identify challenges and limitations of the incentive program and present opportunities to improve the incentive programs in order to advance the Housing Vancouver targets for rental housing.

The review was divided into two phases. The results of Phase 1 were reported to Council on July 23rd, 2019. For more information, please see Appendix M. The results of Phase II are summarized in this report, and include actions to refine and improve the City's rental incentives. The review also identified additional opportunities and actions beyond existing rental incentive programs to achieve the target of 20,000 units of purpose-built rental by 2020. Achieving this goal will require Staff, Council, and key partners in industry and other levels of government to work together to advance new initiatives to encourage rental across the city.

5. Summary of Rental Incentive Review Phase 1 Findings

Phase 1 of the rental incentive review consisted of an analysis of the performance of the city's rental incentive programs since 2009 undertaken by CitySpaces Consulting, as well as a report by Coriolis Consulting Corp. to analyse the financial performance of market rental development and the effectiveness of existing City incentives. Phase 1 included the following key findings:

- **Rental incentives are effective.** The incentive programs successfully led to the development of rental housing at a time when there was very limited purpose-built rental housing construction. Since 2009, the programs have resulted in the approval of 8,680 new rental units — a substantial and important contribution to the City's rental housing stock.
- **Rental incentives are essential**. Incentives are needed to level the playing field between market rental development and condominium development. Financial analysis completed as part of the Rental Incentive Program Review by Coriolis Consulting demonstrates that condominium development will continue to out-compete rental use, unless substantial incentives are offered to bridge the gap. With relatively low profit margins and a highly competitive land development context, the incentives are needed to encourage new rental construction.
- **Streamlining of incentive programs is needed.** There are several programs and initiatives in place that are intended to encourage the construction of new market rental housing. There are inconsistencies across these policies and programs, which are continually evolving. To encourage more construction of rental housing, the programs must be simplified and streamlined, with a specific focus on creating new secured market rental housing.

- **Affordable rental housing requires further incentives or government subsidies**. In order to achieve deeper levels of affordability, significant additional density and incentives are required. The current programs and policies are necessary to facilitate new market rental housing, but they are not adequate at delivering the targeted number of new market rental units or at supporting below market rents. To achieve lower rents, direct government subsidies are the most effective via partnerships with provincial and federal governments.
- **Enabling new rental housing in all neighbourhoods would support an increase in supply and choice.** The incentive programs have concentrated secured market rental development in selected neighbourhoods and along arterial streets. This has been effective at creating larger multi-unit projects, but has created an inequitable environment, where renters have limited housing choice. Expanding program coverage into low density areas, areas zoned for single detached housing and non-arterial locations to allow for a greater mix of structure types and densities (e.g. townhouses, small apartment buildings) are important considerations moving forward.

6. Phase II Questions and Process

Phase II of the rental incentive review aimed to apply the findings from Phase I to analysis of opportunities to improve the City’s rental incentive policies, and to seek stakeholder and public input on recommendations for policy changes. Phase II involved the following initiatives:

<u>Public and stakeholder consultation</u>

As part of Phase II work, Staff consulted the public as well as key stakeholders. Key topics included rental housing need and challenges, potential policy options, and trade-offs and impacts of various options. Consultation efforts included a TalkVancouver online public survey, two public open houses, and several stakeholder workshops involving the Renters Advisory Committee (RAC), the Urban Development Institute (UDI), and local Business Improvement Associations (BIAs).

<u>Economic testing</u>

Based on findings from Phase I of the rental incentives review, Staff engaged Coriolis Consulting Corp. to perform additional testing on rental housing policy options to assess their financial feasibility. Testing included return on cost analysis for several variables: location and land values, various height and density allowances, other rental incentives offered (i.e. City-wide and Utilities DCL waivers), green building requirements, shifting from a rezoning policy to a district schedule approach, tech-enabled hospitality models, and a potential federal GST waiver.

<u>Urban design analysis</u>

Staff worked with the City’s Urban Design staff to perform preliminary urban design and architecture testing for various rental housing policy options. Testing included study of impacts to the public realm and adjacent land uses, commercial spaces, building unit layouts and liveability, and achieving green building standards.

What We Heard: ***Themes from Public Consultation on the Rental Incentive Review***

Phase II consultation took place between August and October 2019. Engagement methods included in-person dialogue during public open houses, written comment forms at open houses, an online public survey via Talk Vancouver, and workshops with key stakeholders. A diverse variety of household types, residents, and stakeholders were consulted with representation from throughout the city. Comments, responses, and ideas were thematically coded and analysed for this report. Refer to Appendix J for the full consultation report.

- 3,283 Survey Respondents: 49% renters/ 43% homeowners
- 2 Public Open Houses at Kitsilano Neighbourhood House and Polish Community Centre: 127 attendees, majority homeowners
- Stakeholder workshops: Urban Development Institute, Business Improvement Areas Executive Directors, City of Vancouver Renters Advisory Committee.

Findings from Phase I consultation activities can be found online at vancouver.ca/rentalhousing.

Main themes we heard in Phase II:

<u>There is a need for purpose built rental</u>
The overwhelming majority of survey respondents believe there is a need to build more purpose-built rental in the city. This finding was consistent across renters and owners responding to the survey. However, some open house and survey respondents question the need for purpose-built rental housing, while some assert that purpose-built rentals do not belong in low density neighbourhoods. This feedback came predominantly from respondents who own their homes.

<u>Renters are facing significant challenges</u>
With a rental vacancy rate at around 1%, the growing population of renters in Vancouver are competing for a small quantity of available apartments. As a result, many renters engaged as part of the review indicated that they are making trade-offs so they can rent in the city. The most commonly cited issues include living in small units, paying unaffordable rents, and living in inadequately maintained rentals.

<u>Residents support City's Rental Incentive Programs</u>
We heard from residents that they believe the City's rental incentive programs are working and should be refined to spur more housing growth that meets the needs of renters. Many respondents agree that the City should encourage and streamline purpose-built rental housing development:

- 66% of survey respondents strongly agree/agree, and 9% are neutral with the idea of providing incentives to developers to encourage the construction of new purpose-built rental in Vancouver.
- Another 65% of Vancouverites agree with prioritizing City actions that enable new rental housing to address challenges facing renters.

<u>Vancouverites want to see a diverse range of affordable housing options</u>
When we asked Vancouverites about the types of housing options that were needed in the city, 70% agree that there is a need for other types of housing aside from purpose built rental and below-market rental, including social and co-op housing. We also heard that the majority of

respondents (87%) believe it is important for the City to require family housing (2 or more bedrooms).

There is a willingness to see higher buildings to achieve greater affordability
69% of respondents agree/strongly agree with building larger and taller rental buildings that include a portion of units geared to moderate income households. The proportion of home owners that agree with this statement (57%) is lower than the proportion of renters (79%). Renters and most home owners believe that prohibiting taller buildings increases development costs and therefore monthly rents for Vancouverites. Renters and many home owners believe that allowing for taller building heights is an important step towards improving housing affordability in Vancouver.

Some open house respondents, generally home owners, are concerned that the character of their neighbourhoods could be negatively impacted by taller and larger rental buildings, and also shared concerns about shadow impacts on their properties, loss of green space, and loss of views. The impact of taller buildings on individual property values was also cited as a concern. Respondents also had more general concerns about potential issues associated with population growth in their communities, including increased traffic congestion, school capacity, park and community centre space, and street parking concerns. These respondents are concerned with what they see as spot rezoning and want to be engaged in community planning exercises to ensure their insights are incorporated into evolving City policies which impact their neighbourhoods.

Vancouver residents have concerns about geographic equity in the housing market
Vancouverites want an equitable city where both renters and home owners have easy access to public transit, amenities, and social infrastructure. Some home owners in low-density areas were interested in increased choices for their properties and communities. We heard from many renters, especially renters with families, that they want to have the option of living in quieter residential streets rather than busy arterial roads. 82% of survey respondents supported policies to allow rental buildings in low density areas adjacent to major streets and commercial districts.

Refer to Appendix J for more information.

Phase II economic testing findings

As part of Phase II of the City's rental incentives review, the City engaged Coriolis Consulting Corp. to perform economic testing on policy options in C-2 and RS/RT zoning districts. Coriolis tested a suite of rental incentives and building requirements. The testing results showed a few key findings:

- Achieving rental development requires incentives;
- Even with rental incentives currently offered by the City, rental housing development generates significantly lower returns than strata development; and
- There are opportunities areas for increased rental development, particularly in lower density areas on the west side of Vancouver.
- Achieving deeper affordability is challenging without significant incentives or additional subsidy

For more details on Phase II economic testing findings, please see Appendix L of this report.

Strategic Analysis

Based on Phase I of the rental incentive programs review and what we heard in Phase II consultation, Staff have identified four desired outcomes for Phase II of the review and policy updates.

1. **Increase Housing Choice for Renter Households:** Due to decades of little rental housing being built, Vancouver's purpose-built rental apartment vacancy rates have been persistently low, with a vacancy rate of 0.8% in 2018.[1] This means that finding rental housing is a major challenge. In order to meet the needs of new and existing renter households, more purpose-built rental housing is needed.

2. **Streamline Processes and Clarify Policy Requirements:** In Phase I of City's rental incentives review, CitySpaces Consulting found that processing times under the City's rental incentive programs can be lengthy. To address processing time issues, current policies could benefit from more clarity around project locational criteria, heights, densities, and other project requirements.

3. **Seek Opportunities to Enhance Affordability of Rental Housing for Moderate Income Households:** The Housing Vancouver Strategy identifies a gap in rental housing meeting the affordability needs of moderate income households earning between $30,000 and $80,000 per year. This finding was further confirmed during the City's public consultation during the rental incentive program review. Results from the survey showed that 79% of respondents agreed that there is a need to build more purpose-built rental housing renting at below-market rates.

4. **Diversify Rental Housing Options:** The majority of purpose-built rental housing created over the past decade has been apartment buildings along major arterial streets. A key finding from the City's public consultation during the rental incentive program review was a desire for a greater diversity of purpose-built rental housing types in areas throughout the city, not confined to arterial streets. Results from the rental incentives review survey showed that 82% of respondents agreed that the City should continue to allow new purpose-built rental housing in specific low-density areas of the city on or near major arterial streets.

Staff also identified additional City objectives to achieve alongside the objectives for the City's rental incentive programs:

1. **Respond to City's Climate Emergency:** In 2019, Council declared a climate emergency and approved the Climate Emergency Response. The 'Big Moves' identified in the Response include a shift toward lower carbon construction and zero emission space and water heating. Enhancing sustainability considerations in the City's rental housing incentive programs will help contribute toward the Climate Emergency Response.

2. **Protect Existing Affordable Housing:** A key objective of the *Housing Vancouver Strategy* is to protect existing affordable housing for the future. The City's rental housing incentive programs focus on new rental housing, but as part of this review, there is

[1] CMHC Rental Market Survey, 2018

opportunity to explore ways to retain and preserve the existing affordable rental housing in the city.

3. **Help Enhance Local Shopping Areas:** Over the past decade, new rental buildings have been constructed along local shopping streets throughout the city, which include commercial spaces at the ground level. The rental review presents an opportunity to help ensure that new rental buildings contribute positively to local shopping areas and the public realm.

4. **Improve Livability of Rental Housing:** Design of rental apartment buildings is critical to ensuring liveability for residents. Building design considerations to enhance livability include building features such as shared amenity spaces as well as unit design and diversity of unit mix to meet the needs of all types of households.

Summary of Approach

As mentioned in the previous sections of this report, the City's rental incentive programs in place over the past decade have been effective in enabling new purpose-built rental housing. Over the three decades between 1980 and 2009, less than 6,000 purpose-built rental units were built in Vancouver. Since introduction in 2009, the City's rental incentive programs have been a significant driver for increased rental production. From 2009 to 2018, nearly 9,000 purpose-built rental units were approved in Vancouver.

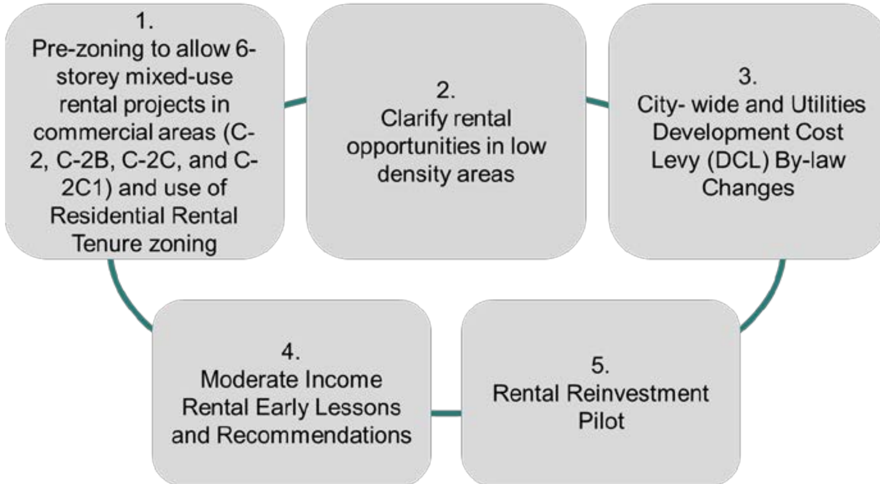
Staff are proposing an overall approach which maintains the City's current rental incentive programs, while clarifying, enhancing, and streamlining incentives and processes into a new Secured Rental Policy. This report also recommends consolidating the opportunities for new rental allowed under the Affordable Housing Choices Interim Rezoning Policy into the new Secured Rental Policy, and includes recommendations intended to support deeper affordability in new rental housing, including continuing to process and evaluate applications under the Moderate Income Rental Housing Pilot Program, and a new 6-storey below market option as part of the amended Secured Rental Policy.

Should Council approve the recommendations in this report, existing incentives and policies, will remain in place for the most part. Locations where the new policy applies will be generally the same as the previous Secured Market Rental Housing Policy and Affordable Housing Choices Interim Rezoning Policy. However, Staff are recommending several changes to the structure and implementation of those incentives to reflect the findings of the review.

Phase II Areas of Work

To achieve the desired rental housing outcomes, as well as contribute toward other City objectives, recommendations culminating from Phase II of the rental incentives review are categorized under five distinct areas of work.

Figure 1. Rental Incentives Review Phase II: Five Areas of Work



1. Prezoning to allow 6 storey mixed-use rental projects in Commercial Areas (C-2, C-2B, C-2C, C-2C1) and Use of Residential Rental Tenure Zoning

Background

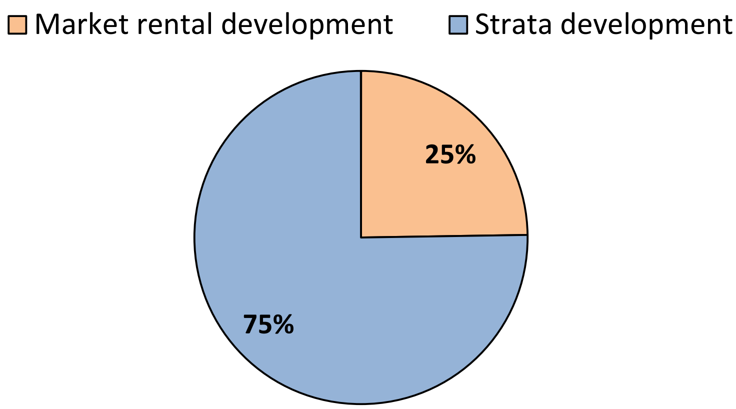
City rental housing incentive policies have applied to “C-2” zoning district since 2009. The current Rental 100 policy allows consideration for increased heights and densities through rezoning in C-2 zoning district areas proposing 100% secured purpose-built rental housing.

Commercial areas play a vital role in Vancouver’s communities, supporting jobs, businesses, and neighbourhood-based services, as well as providing public spaces that foster community life. Commercial areas have also been key areas for new rental development in recent years. A significant share of new rental has occurred in C-2 commercial zones since incentives were first introduced in 2009, with 22 purpose-built rental housing developments and 1,165 purpose-built rental units approved under STIR program and Rental 100 in previously zoned “C-2” areas of the City.[2] These account for 18% of all new rental buildings and 14% of rental units approved over the last 10 years[3].

The growth in rental development in C-2 has taken place alongside an even greater expansion in mixed-use residential strata development, with 73 strata ownership housing development and 2,800 strata units approved under existing zoning through development permit processes since 2009. Strata development made up 75% of all new residential development during this period, as shown in Figure 1.

[2] “C-2” district schedules include C-2, C-2B, C-2C, and C-2C1.
[3] Number of units approved, where a portion of units are currently under-construction or completed.

Figure 2. Residential development projects in C-2 zoning districts, 2009-2018[4]



These development trends in C-2 areas are generally consistent with the findings from Phase 1 economic testing, which found significantly higher profit margins for strata development in C-2, even with the City's rental incentives including added height, density, DCL waivers, parking reductions, etc. These findings illustrate the overall economic viability challenges in developing purpose-built rental housing in Vancouver, even with market rents. Please see Appendix L for more details on Coriolis Consulting's analysis on economic viability of rental development in C-2 zoning areas.

Objectives and Desired Outcomes

The opportunity to earn significantly higher profit from strata in C-2 zoning districts, in combination with the ongoing viability challenges facing new market rental, means that additional action is required to encourage development to shift to purpose-built rental in these key areas.

One key opportunity is to streamline the process for rental development up to six storeys in C-2 zones outside recently approved community plan areas by shifting from the current rezoning requirement to a new process under district schedules, utilizing the City's new authority to limit certain new developments to residential rental tenure ('residential rental tenure zoning'). This will be the City's first use of this new authority and is intended to make development more equitable between rental and strata, as four storey strata proposals do not require the additional cost and time of undergoing a rezoning. The intent is not to restrict existing uses already allowed in zoning, including strata and commercial.

This action is intended to create a more streamlined and predictable process for developers and communities, which will support additional rental delivery toward the city's targets. Four-storey strata development will still be permitted per existing regulations.

The proposed C2 zoning amendments would also address other important city priorities in rental developments in these areas, including responding to the climate emergency, enhancing local shopping areas, and improving the liveability of rental housing.

Recommendations

[4] City of Vancouver Development and Building Permitting System

The intent of the recommended direction is improve clarity around development potential, streamline development processes, and enable simpler building forms to encourage green buildings, improve livability, and enhance retail spaces.
Staff are recommending that Council direct staff to prepare a report for consideration for referral to public hearing, which would amend the Zoning and Development By-law to:

- Introduce a definition of Residential Rental Tenure use; and
- amend the C-2, C-2B, C-2C, and C-2C1 district schedules to provide specific regulations for Residential Rental Tenure in specific areas outside recent and upcoming community plans, as shown in Table 1. Form of development would provide height and density regulations similar to what is currently allowed under rental incentive programs through rezoning (up to 6-storeys).

With this policy recommendation, rental housing development in C-2 areas will remain part of the Secured Rental Policy; however, rental development in C-2 areas will no longer require a rezoning process to achieve up to 6-storey building forms.

This action is consistent with direction in the Housing Vancouver 3 Year Action Plan (2018-2020) to shift from a rezoning approach toward including density bonuses within district schedules for 100% rental projects in specific C-2 commercial areas.

The table below lists the current requirements under the Secured Rental Policy for rental housing development in C-2 areas, proposed changes, and rationale for changes by topic area.

Table 1. Proposed Changes to Commercial Areas (C-2, C-2B, C-2C, and C-2C1)

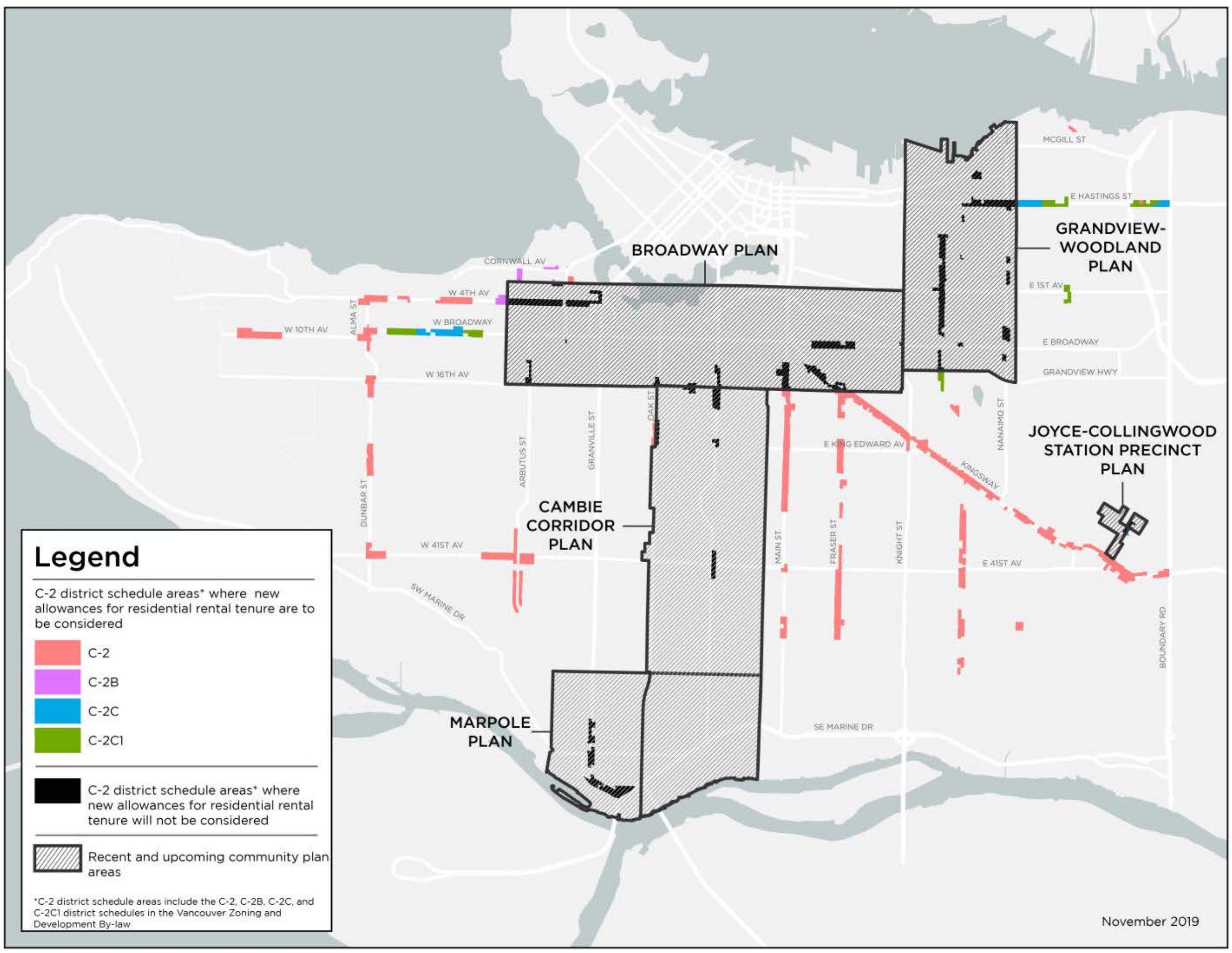
Current policy	Proposed changes	Rationale
New definition of residential rental tenure		
• The Zoning and Development By-law does not include a definition of residential rental tenure	• Introduce a new definition for residential rental tenure in Section 2 of the Zoning and Development By-law to permit circumstances where the form of tenure of a property is limited to residential rental tenure	• Use the new authority delegated by the Province to implement residential rental tenure zoning • Support new rental development through zoning
New regulations for C-2 buildings limited to residential rental tenure		
• Rezoning process required for each rental housing application to achieve increased height and density under the Secured Market Rental Housing Policy • Additional height and density is considered, up to 6-storeys	• Include defined height and density regulations for properties limited to residential rental tenure, which will specify increased height and density generally equivalent to what is currently allowed under rental incentive	• Encourage development of purpose-built rental housing • Streamline and clarify process for purpose-built rental housing applications by removing the rezoning process • Increase clarity around form of development, height, and density

• No guidance on specific density to be considered	programs through rezoning (up to 6-storeys, 3.3-3.7 FSR) • Specify regulations for rental housing based on site conditions (i.e. lot depth, frontage, corner vs. mid-block lots, etc.) • Amend C-2 design guidelines to provide guidance for applicants for new forms of development	• Create more consistency across all development in applicable areas • Utilize new definition of residential rental tenure to limit the form of tenure for properties over 4-storeys to residential rental tenure
Green buildings		
• Projects must meet the conditions specified in the City's Green Buildings Policy for Rezonings	• Include language in Secure Rental Policy setting expectations that C-2 rental buildings will meet the energy efficiency requirements of the Green Buildings Policy for Rezonings, as well as employ zero emissions building heating and hot water systems	• Advance work toward the City's Climate Emergency Response by encouraging low carbon construction and zero emissions space and water heating
Family housing		
• Under the Family Room Housing Mix Policy for Rezoning Projects, rental housing projects are required to include 35% of all units be family units (2 or more bedrooms)	• Include family housing requirements (35% of all units be family units - 2 or more bedrooms) in the C-2 district schedules	• Continuation of City requirements for family housing to help achieve the objectives and targets of the *Housing Vancouver Strategy*
Building design and livability		
• No design guidelines for C-2 rental projects through Secured Market Rental Housing Policy	• Amend C-2 design guidelines to provide guidance and clarity on building design and liveability	• Update design guidelines to be consistent with amendments and allowances in C-2 district schedules • Simplify form of development requirements to increase project flexibility for the applicant to improve rental viability, ability to achieve green building requirements, and livability of unit design
Commercial spaces		
• No clear or specific requirements for	• Require 0.35 FSR for commercial spaces for	• Improve performance of commercial spaces

commercial spaces	C-2 rental buildings • Allow additional 5 ft in building height for rental projects to allow for taller commercial spaces • Initiate work on a larger review of C-2 commercial spaces throughout the entire city for all tenures	• Ensure sufficient space is provided for commercial uses • Allow flexibility in zoning to accommodate better commercial spaces that can serve a variety of uses • Create consistent commercial space and height requirements for shopping areas throughout the city

The proposed areas of change are summarized in Figure 3 below.

Figure 3. C-2 areas where regulations for residential rental tenure to allow 6 storey mixed-use rental are being considered



Anticipated impacts

Based on analysis from Coriolis Consulting Corp., Staff do not anticipate increased land values in C-2 zoning districts as a result of the proposed Zoning and Development By-law amendments. Coriolis' results show that even with rental incentives being proposed, the rate of return on costs for strata development in C-2 areas exceeds the rate of return for rental development.

For more details, see Coriolis Consulting Corp. economic testing results contained in Appendix L.

Similarly, based on economic testing, Staff do not anticipate a significant increase in the pace of development in C-2 areas. As Coriolis' economic testing has found, the highest rate of return in C-2 areas will continue to be strata development. The proposed amendments are not anticipated to produce increased financial incentive for overall C-2 development. Rather, we expect to see a shift from some of the anticipated strata developments to rental.

Next steps – Preparing the amended District Schedules

If approved by Council, Staff will prepare a report for referral to public hearing with amendments to the Zoning and Development By-law, including addition of a definition for "Residential Rental Tenure", as well as addition of new regulations in C-2, C-2B, C-2C, and C-2C1 district schedules for development where 100% of the residential portion of the building is residential rental tenure. For more details on these proposed changes, please see Appendix C.

Specific height, density, and form of development regulations and guidelines for rental development in C-2 areas will be refined in this next phase of work. Please see Appendix K for more details on the proposed C-2 changes. Additionally, Staff will develop policy and regulation recommendations for green buildings in C-2 areas during this phase of work.

Further public consultation is expected in Q1 with referral to public hearing targeted for Q2 2020 as outlined in the Implementation section of this report.

Issues related to other planning work items

Through the work on rental housing in C-2 areas, a number of issues related to commercial retail spaces and businesses were raised, including: size of retail space and design of commercial retail units. Concerns were also raised about affordability for local businesses including rising rents and high property taxes driving displacement. These issues are not limited to C-2 areas outside of recent and upcoming community plans, where rental housing changes are being contemplated.

Staff analysis found that commercial space sizes for mixed-use development approvals in C-2 zoning districts varied based on residential tenure between 2009 and 2018. Overall, the majority of rental development approvals in C-2 resulted in a net gain in commercial space.

Commercial space retail issues, such as minimum commercial space requirements and flexibility to allow taller retail spaces, will be addressed for rental projects in C-2 areas covered by the proposed Secured Rental Policy and implemented with the creation of new district schedules. See Table 1 above for more details.

To ensure consistency of approach, Staff from the City-wide and Regional Planning Group will initiate work to implement comparable commercial space regulations across the city for all tenures. In addition, more comprehensive commercial and retail space issues, including the need for more retail space, will be addressed by future work that is informed by ongoing planning initiatives, including property assessment and taxation work through the Intergovernmental Working Group, the Retail and Commercial District Small Business Study, and the Employment Lands and Economy Review.

Employment Lands and Economy Review Staff are anticipating policy directions to improve retail in new projects, along with other relevant topics and anticipate a report back to Council in Q2 of 2020.

Rental Replacement in C-2

Motion B.2, *Protecting Rental Housing Stock along Arterial Streets*, directed staff to explore implementation of rental replacement requirements in C-2 zoning districts, noting that there is a risk of loss of existing affordable market rental units when development is proposed in these areas. Commercial zoning districts are not currently covered by City rental replacement requirements under the Rental Housing Stock ODP.

One reason why C-2 zoning districts have not historically been covered by rental replacement requirements is because they contain a relatively low share of the City's older existing rental stock. There are 377 purpose-built rental buildings containing 3,053 rental units in areas currently zoned as C-2.[5] These represent 4% of rental units in the city. Purpose built rental buildings in C-2 are generally small, with 17% of buildings containing 3 units or less; 64% with 4-10 units; and 20% with over 10 units.

Furthermore, commercial zoning districts have experienced a net gain in rental of 420 units completed in the past decade even without rental replacement requirements. Staff will continue to monitor the loss and gain of rental in these and other areas, as well as impacts to tenants annually through the Housing Vancouver Progress Report.

Recent Staff analysis of the potential impacts of rental replacement requirements on mixed-use commercial sites containing existing rental indicates mixed results. Economic testing indicates that rental replacement requirements would not necessarily limit the viability of new strata development in cases where there are a small number of rental units that need to be replaced. However, there are significant practical issues involved in securing a small number of rental units in a larger strata condominium site.

Analysis also indicated that rental replacement requirements would pose greater challenges to the viability of new strata development. Action to require rental replacement in these cases would amount to a new restriction on development rights, with potential impacts on existing land owners due to a reduction in the value of existing mixed-use commercial sites. Such a change would require consultation with land owners on a potential new rental replacement requirement.

In light of the challenges associated with securing rental replacement in new strata, along with the potential impact on development rights without consultation, Staff do not recommend a rental replacement requirement in C-2 zoning districts at this time. However, should Council

[5] Data as of December 2018

decide to pursue rental replacement, it could direct Staff to amend the Rental Housing Stock ODP to include C-2 zoned areas as follows:

THAT Council instruct Staff to amend the Rental Housing Stock Official Development Plan to extend rental replacement requirements to C-2, C-2C, C-2B, and C-2B-1 zoning districts city-wide.

2. Improve Clarity and Opportunities for New Rental in Low Density Transition Areas

Background

In addition to supporting rental in existing multifamily areas, there is strong support among Vancouver residents for initiatives aimed at addressing the city's rental crisis by creating opportunities for purpose-built rental in lower density areas of the city. We heard from renters and owners in Vancouver that enabling purpose-built rental in low density areas is key to fostering diversity and vibrancy in all communities in the city, as well as ensuring geographic equity for renters who see their current options as limited to rental on busy streets or in secondary suites. This feedback was received during public consultation for the previous Housing and Homelessness Strategy in 2012, the new Housing Vancouver strategy in 2017, and strongly re-iterated in the consultation for the current rental incentive review in 2019.

Based on this direction from the Vancouver public and stakeholders, the City has been working for the past decade to support opportunities for new rental in low density areas. A key initiative has been the Affordable Housing Choices Interim Rezoning Policy (AHC IRP), which was approved by Council in 2012 as a tool to support innovative examples of ground-oriented affordable housing types and tenures including purpose-built rental apartments and townhouses. The AHC IRP was intended as a pilot to enable real examples of housing types to be tested for potential wider application. The policy was also designed to demonstrate the transition zone concept by enabling ground-oriented housing types to provide a transition between higher density areas along arterial streets and lower density residential areas. The policy contains a map which identifies the locations of sites that can be considered and includes a spacing requirement, where no more than two projects can be considered within 10 blocks along an arterial street.

The AHC IRP was initially designed to consider a maximum of 20 rezoning applications. With the approval of Housing Vancouver, Council removed this maximum cap to better meet the new targets for purpose-built rental housing. The spacing requirement was not removed from the policy. New proposals for projects under the AHC IRP were accepted until June 30, 2019.

The AHC IRP has had some success in delivering new rental housing since 2012, including 419 units of additional rental housing in seven approved projects as of the end of 2018. However, staff also heard about several key challenges associated with the program during the review, including that the AHC IRP:

- Created confusion and an additional layer of complexity by introducing another rental incentive policy which enables consideration of rezoning applications for new rental projects much like the Secured Market Rental Housing Policy.
- Received criticism from the public regarding the predictability of project locations, project design and level of affordability.

- Is limited in its effectiveness given that it is restricted to certain areas of the city generally focused on arterial roads, with limited opportunities because of the spacing requirement between projects.

Objectives and Desired Outcomes

Based on lessons learned delivering rental in low density areas in the past decade, Staff are recommending refinements to the approach taken through the AHC IRP, and further recommending that opportunities to consider new rental projects outside of community plan areas, including in low density transition areas, be consolidated into a single policy; the Secured Rental Policy. This approach builds on the AHC IRP, simplifies the rental incentive programs, provides increased clarity, and enables a streamlined process. Further, the recommended approach also utilizes the new tools granted by the province that enable the City to enact zoning that requires new housing in residential areas to be rental.

The key objectives of the proposed approach are to improve uptake of opportunities to deliver rental in lower-density and transition areas; to better focus opportunities for new rental housing in locations near transit, shops, services and amenities; and to provide clarity on supportable building types that are financially feasible as secured rental housing, consider the surrounding building scale and context, and enable better outcomes that support the Climate Emergency Response objectives and Big Moves.

The recommended approach also includes provisions for projects that include a portion of the residential floor area as units secured at below market rents. To enable building types that are financially feasible as 100% market rental in RS and RT zones, mixed use and residential apartment buildings at 4 or 5 storeys are generally required to achieve the necessary floor space ratio. Consideration of buildings up to 6 storeys was enabled though the AHC IRP, and staff recommend continued consideration of new projects up to 6 storeys on sites along major roads but that this be reserved for projects that deliver a minimum of 20% of the residential floor area secured at below market rents. The affordability requirements proposed for the below market units align with the requirements of the Below-Market Rental Housing Policy for Rezonings, and are described in policy 3.2 of the proposed Secured Rental Policy.

Recommendations

Table 2a: Proposed Changes for Rezoning in Low Density Transition Areas

Current Policy/Practise	Proposed Changes	Rationale
Policies		
Policy to enable consideration of rezonings for new rental in RS and RT transition areas contained in the AHC IRP, separate from the Secured Market Rental Housing Policy No new proposals can currently be considered under the AHC IRP (intake was closed in June 2019)	Consolidate rezoning policies in the Secured Rental Policy, including for new rental in RS and RT transition areas	Simplify and clarify rezoning policies for new rental housing Enable consideration of new rezoning proposals to create rental housing in low density transition areas

Locational Criteria		
The AHC IRP enabled projects within 100 m or 1.5 blocks of arterials and included a project spacing requirement	Refine locational eligibility criteria to focus opportunities for new rental housing in areas near parks, schools and shopping on blocks that are within 150 m of an arterial (generally within 1 block from an arterial) Remove project spacing requirement	Expand and clarify opportunities for new rental housing Focus opportunities in locations that best support future residents' access to daily needs and support other City strategic objectives, including the Climate Emergency Response
Process		
All projects enabled by the AHC IRP rezone to a site-specific CD-1	Utilize new tools to create new residential rental tenure district schedules with design guidelines Implement a streamlined rezoning process for projects rezoning to a set residential rental district schedule, including: • A shortened rezoning enquiry process • Reduced submission requirements at rezoning (e.g. architectural drawings not required) Preserve CD-1 rezoning route for unique sites	Provide clarity and certainty on building height, density and uses Improve processing times for projects utilizing the new rental tenure district schedules
Building Types		
The AHC IRP enabled consideration of market rental projects up to 6 storeys with no requirement or additional opportunity for improved affordability	Continue to enable consideration of new market rental projects up to 4 or 5 storeys (depending on location) Enable consideration of projects up to 6 storeys that include at least 20% of the floor area at below market rents targeted to households earning under $80,000 per year	Enable new market rental housing to be delivered and create opportunities for new projects with below market rental units

Community Amenity Contributions		
Projects 4 storeys and under in RS/RT are exempt from CAC negotiations	Staff will bring recommendations to Council to amend the Community Amenity Contributions through Rezonings Policy anticipated in December 2019 to exempt 5-storeys and under in RS/RT in Secured Rental Policy areas from CAC negotiations CAC evaluation and negotiations will apply to projects proposing 6-storey option with a below-market rental component.	Economic testing demonstrates that there is no land lift in these areas for projects 5 storeys and under as proposed under the Secured Rental Policy Simplify development process for rental housing
Green Buildings		
Rezonings considered under the AHC IRP are expected to meet the Green Buildings Policy for Rezonings	Rezonings considered under the Secured Rental Policy are expected to meet the Green Buildings Policy for Rezonings and to employ zero emissions heating and hot water systems	Advance work toward the City's Climate Emergency Response by encouraging low carbon construction and zero emissions space and water heating

Issues Related to Other Planning Work

The current proposal maintains the general locational criteria from the AHC IRP, including opportunities to consider rezoning of sites that are roughly one block off an arterial. In developing the Housing Vancouver Strategy and through the rental incentive program review, staff heard from many Vancouver residents, including renters, a desire for a greater diversity of housing opportunities within neighborhoods away from arterial streets. These are options that will be explored further as part of the Vancouver Plan.

Next Steps

If approved by Council, Staff will prepare a report for referral to public hearing with amendments to the Zoning and Development By-law to introduce new zoning district schedules where residential component of the building is restricted to 100% residential rental tenure. These new district schedules would only be utilized to rezone sites proposed for change through privately initiated rezonings under the Secured Rental Policy, as described in policy 2.4. Existing uses and developments permitted under existing zoning would not be affected on sites in low density transition areas. For more details on these proposed changes, please see Appendix A and Appendix D. More specific height, density, and design guidelines will be determined in the next phase of work.

Further public consultation is expected in Q1 2020, with referral to public hearing targeted for Q2 2020 as outlined in the Implementation section of this report.

3. Early lessons from the Moderate Income Rental Housing Pilot Program (MIRHPP)

The MIRHPP was introduced in 2017 along with the Housing Vancouver Strategy to help address a critical gap in the rental market for households with moderate incomes in the range of $30,000 to $80,000 per year. Households in this income range may not be eligible or may not choose not to live in social housing, but also may not be able to afford market rents in newer market rental housing.

The MIRHPP was designed to build on the City's rental incentive programs and offers additional incentives to encourage construction of new rental buildings where at least 20% of the residential floor area is permanently secured at below-market rates that meet the affordability needs of moderate income households.

The program was designed as a "learning pilot" to test and demonstrate opportunities to deliver this type of rental housing using City tools and incentives without reliance on senior government subsidies. The MIRHPP creates opportunities for projects of various scales in locations and zoning districts across the city, and exploring how the incentives work in different types of projects is a key objective.

The MIRHPP enables a limited opportunity for staff to select up to 20 project proposals to proceed with the rezoning application process between January 1, 2018 and July 1, 2019. Staff established a specialized proposal intake process to manage applications under the program. Interested proponents have been required to submit a "pre-enquiry application" during specific proposal intake periods which were opened between January 1 and February 16, 2018 and January 14 and February 1, 2019. Staff reviewed and evaluated each of the pre-enquiry applications and invited those that best met or exceeded the program criteria and objectives and all other applicable Council policy and guidelines to proceed with the submission of a rezoning enquiry application.

Key evaluative criteria staff applied in the review of project proposals include the depth and breadth of affordability and the number of new rental units proposed, the unit mix proposed, the impact on any existing renters and rental housing, the proposed rental management plan, the scale of the proposed project in context of surrounding land uses and locational considerations including the proximity to transit, shops and amenities. To ensure opportunities for different projects across a range of scales and locations, staff also prioritized invitations for top proposals by base zoning district and location.

All invitations to proceed under the pilot have been contingent on program capacity, timing and the strength, suitability and comprehensiveness of each proposal in regard to key policy objectives and relative to other proposals received.

Proposals Received

To date, the City has received 10 rezoning applications under the MIRHPP. Table 3 provides a list of the rezoning applications currently in process under the MIRHPP, along with associated details such as current unit proposals, number of building storeys, and current zoning. None of these applications have yet been heard by Council at Public Hearing or received rezoning approval, and as such all details provided are tentative and subject to change.

Table 2b. MIRHPP Rezoning Applications (as of November 13, 2019)

	Address	Base Zoning	Proposed Height (Storeys)	Proposed Rental Units
1	2830 Grandview Highway	C-1	6	57
2	3600 E Hastings	C-2C	14	94
3	3680 E Hastings	C-2C	14	118
4	1805 Larch	RT-8	5	63
5	1956-1990 Stainsbury	RS-1A	5	80
6	2603-2655 Renfrew	RS-1	6	71
7	2543-2583 Renfrew	RS-1 / C-1	6	87
8	1296 W Broadway (2538 Birch)	C-3A	28	248
9	1111-1123 Kingsway	C-2	13	129
10	445 Kingsway & 2935 St. George	C-2	14	215
			Total	**1,162**

In addition, there are a number of proposals currently in the pre-application stage that were formally invited to proceed with the rezoning process by staff ahead of July 1, 2019, and are eligible to proceed with submission of a rezoning application should they receive support for their proposal through the rezoning enquiry process and choose to move forward. As rezoning enquiries are confidential in nature, specific details on these project proposals cannot be shared until such time as a formal rezoning application is received. Depending on the number of additional proposals that move forward with a rezoning application, an additional 500 to 1,000 rental units could be proposed as part of further rezoning applications under the MIRHPP.

What We Are Learning

Staff have identified several early learnings as a result of the proposal review process, and through consultation with stakeholders and applicants. Overall, there is broad support generally for the MIRHPP concept as a means of delivering new market and below-market rental units, especially from renters; however, in the early stages of the pilot program, several challenges and key considerations have been identified:

- <u>Economic viability</u>
  Early findings from the MIRHPP and discussions with the development industry have identified some project viability challenges with the current suite of incentives offered. In some cases, applicants have expressed that while the available additional building height and density are key, they are not always sufficient to ensure project viability under current market and regulatory conditions.

- <u>Long-term operating costs</u>
  A common issue raised by the development industry has been around operational cost increases outpacing rent escalation allowances in moderate income units over time. Aside from uncertainties related to future cost increases and the potential for decreasing

project returns over the life of the building, this may create challenges in ensuring that the project is financially viable and in securing project financing and mortgages from lenders.

In addition, following the policy development, financial testing and introduction of the MIRHPP in 2017, a change was made to the provincial Residential Tenancy Act in 2018 which decreased the annual allowable rent increases by 2%. While this change was beneficial for renters, particularly those with low, moderate incomes, or fixed incomes, this adjustment has been an important factor in MIRHPP project viability as rent increases in moderate income rental units are permanently capped at the applicable RTA rates even upon tenant turnover.

- Form of development
  As the MIRHPP enables consideration of rezoning applications in a wide range of locations and zoning districts throughout the city, proposed building height, density, and form of development considerations vary for each application. Staff have heard concerns from the public that in some cases the MIRHPP building heights are significantly greater than the surrounding context, as well as the heights that would be considered for market rental projects that do not include moderate income rental units, and as such are not in keeping with neighbourhood character.

  Additionally, staff have heard that more clarity and certainty on eligible locations and supportable heights and densities is needed, and that additional flexibility is needed in some cases to better enable projects to respond to their context and achieve better urban design outcomes. As an example, the potential opportunities and implications of MIRHPP applications on particularly large sites was not accounted for in the original policy development process, and large sites that trigger the Rezoning Policy for Sustainable Large Developments may necessitate different form of development considerations.

- Implementation
  Applicants have also raised concerns around the administrative and operational requirements associated with managing moderate income rental units with specific tenant eligibility requirements. In particular, many private market housing providers, including those with experience developing and managing market rental housing, may lack the necessary capacity and expertise necessary to navigate changes in tenant financial and household situations over time. As no MIRHPP projects have yet been approved, the specific operational model remains untested and further learnings will be identified as projects are approved and buildings are occupied.

As a pilot program, Staff will continue to monitor MIRHPP projects through application, approval, and occupancy for further learnings around long-term building operation. Future policy recommendations will be informed by the results of projects proposed and potentially approved and developed under the pilot program.

Recommendations

Staff are continuing to process projects invited to proceed under the MIHRPP and propose to extend the pilot timeline to allow for consideration of additional proposals during 2020 to better enable the opportunity to reach the existing limit of up to 20 rezoning applications. Also proposed are minor policy and administrative clarifications to address early issues identified.

Additionally, staff are recommending new policy parameters to address proposed developments on large sites as defined by the Rezoning Policy for Sustainable Large Developments (which includes sites that are 1.98 acres or larger), as large sites were not originally accounted for during the MIRHPP policy development. New policy language is proposed to enable consideration of greater building height and density. The objectives are to enable economic viability of MIRHPP projects while responding to local context. The goal is to land roughly the same density in a better form, by enabling additional height which can result in reduced bulk of the buildings. This approach enables more flexibility on large sites and consideration of potential inclusion of amenities (e.g. childcare) where warranted and viable.

Staff are not recommending an expansion of the number of projects that can be considered under the MIRHPP at this time. A further more comprehensive review of the program will be conducted once MIRHPP projects have reached further stages of the development approvals process.

Staff recommendations regarding the MIRHPP include:

- Continue the MIRHPP with a program limit of 20 projects;
- Extend the deadline to invite proposals to proceed with the rezoning application process to January 1, 2021 to better enable the 20 project limit to be achieved;
- Enable innovation and additional flexibility for proposals on large sites to achieve greater height and density depending on site context and urban design performance
- Minor policy changes to clarify and remove outdated administrative references; and
- Further monitoring, analyses and reporting on the status and results of the MIRHPP and potential policy options, including:
    - A report in Spring 2020 on options and proposed directions to adjust rents over time to address impacts on program goals and project viability, including long-term increases in renter incomes and project operational costs.
    - A report on the status and results of the MIRHPP in 2021 including information regarding affordability levels achieved, financial viability of projects and level of incentives required, and implementation, compliance, and long-term building operation.

The proposed amendments to the MIRHPP are contained in Appendix E.

4. City-wide and Utilities By-law Development Cost Levy (DCL) Changes

Background

The DCL waiver was introduced in 2009 as part of the Short-Term Incentives for Rental Program as a tool to incentivize the construction of new purpose-built rental, following several decades of limited rental construction in the city. New rental development typically generates profit margins that are lower than the minimum returns expected to obtain construction financing and proceed with a new project. The return on costs is also typically lower than the profit margins that can be achieved through strata development under existing zoning. The DCL waiver is offered to new secured rental projects to help overcome the “viability gap” and generate a return on costs that better competes with strata development.

Since being offered in 2009, the DCL waiver has enabled approximately 2,700 new rental units. Approximately 51% of all rental projects approved over the last 10 years have been issued a waiver, with the majority of these projects located on the east side of Vancouver. Very few projects approved under community plans seek the DCL waiver, to date only $1.1 million has been waiver for rental projects approved under community plans. Only 2 out of 30 projects approved under community plans were issued DCL waivers that were both located in the Downtown Eastside. Circumstances where projects have not sought the waiver include:

- Projects in locations where higher rents outweigh the benefit from the DCL waiver that would require rents be set below market rates for these areas
- Impact on financing – since restrictions on opening rents may be perceived as a risk by lenders
- Mixed tenure projects, which do not qualify under the current regulations
- Administrative and process challenges associated with qualifying for the waiver

Economic testing has shown that the DCL Waiver is one of the key incentives required to create new rental supply. Some projects may not need the waiver, but it may be critical for others that may not otherwise be viable. This is especially true for projects on the east side of Vancouver. Removing the DCL Waiver as an available incentive would likely result in a significant reduction in new rental construction, particularly on the east side. This would further hinder the City's progress towards meeting the purpose-built rental housing target set out in the Housing Vancouver Strategy, currently at only 47% of the 2 year target. The lack of new rental supply also puts additional pressure on an already tight rental market.

In 2018, Council approved the Citywide Utilities DCL as a means to fund necessary growth-related utility and sewer upgrades. The new Utilities DCL included a temporary waiver for "for-profit affordable rental housing" until 2020, pending completion of the current rental incentive review.

Concerns have been raised about waiving DCLs to incentivize the development of secured market rental. This includes the impact of forgone DCL revenue on financing growth, as well as concerns that the waiver is not delivering housing that is sufficiently affordable to meet the needs of Vancouver renter households. These issues were explored as part of the review process.

Objectives and Desired Outcomes

Based on analysis and consultation undertaken as part of the review, Staff are proposing changes to the DCL By-laws in order to meet the following objectives:

- Preserve the City-wide DCL waiver as a key incentive to deliver needed rental housing, while also ensuring that new rental development is contributing to key infrastructure needs through the new Citywide Utilities DCL
- Provide clarity around the waiver process for applicants to support rental delivery in market and below market rental
- Improve administration of the waiver to address process issues that have arisen in recent years
- Request a Vancouver Charter change to align the DCL By-laws with the goal of waiving DCLs for market rental tenure

Recommendations

Table 3. Proposed Changes to the Vancouver, Area Specific and Utilities Development Cost Levy (DCL) By-laws

Current By-Law/practice	Proposed changes	Rationale
Utilities DCL By-law		
Citywide Utilities DCL is waived on a temporary basis until 2020 for “for-profit affordable rental housing” where 100% of the residential development is rental in tenure	Remove the waiver for “for-profit affordable rental housing” in the Utilities DCL By-law – all rental projects will pay the Utilities DCL effective on September 30, 2020 Provision to monitor and assess the impact of the Utility DCL to rental projects prior to the next major rate review in 2021	Utilities infrastructure is required to avoid increased urban flooding and sewer back-ups when new developments occur Economic testing demonstrated that the impact of the Utilities DCL charge will have an impact of 1-2% on already marginal returns; other changes in the incentive program (i.e. removing the rezoning process) will offset this impact on some projects
Vancouver and Area Specific DCL By-laws		
City-wide DCL waiver is offered for “for-profit affordable rental housing” where 100% of the residential development is rental in tenure	Preserve the current DCL waiver	DCL Waiver is a key incentive required to create new rental supply. Taking away the waiver would significantly impact the creation of new rental housing
No specific provision in the DCL By-Law for projects with below market rental or moderate income rental units	Create new eligibility criteria that allow projects that meet the affordability requirements in the Moderate Income Rental Housing Pilot to qualify for the DCL waiver for the entire residential portion of the building. Refer to Appendix B for more information	To better enable rental projects with deeper levels of affordability In the development of the Moderate Income Rental Housing Pilot Program, economic testing concluded that majority of projects need the DCL waiver to be viable; this change will simplify and clarify the DCL waiver process for MIRHPP projects
Currently, the DCL By-laws have no specific size eligibility criteria for townhouse units and currently only includes size criteria for apartment units (based on BC Housing requirements for multi-family apartments)	Maintain current size requirements for apartment units and include a new average size requirements for townhouse units. See Appendix B for more information	Promotes diversity and housing choice for renters, particularly those with families and those who desire to live in a ground oriented townhouse form
Outdated references to data	Update data references to	

sources in current DCL By-laws	reflect most current information provided by CMHC	
For projects involving a rezoning, the current practice has been for applicants to commit to the waiver at public hearing There have been instances when applicants have changed their minds about pursuing the DCL waiver between rezoning and development permit, depending on market conditions	For routine, CAC exempt projects, the DCL waiver can be requested either at rezoning or during the development permit process	Provides flexibility for applicants seeking the DCL waiver depending on market conditions DCL waiver eligibility requirements are set out in the DCL By-laws and must be satisfied by applicants - formal Council approval of eligibility for each project involving a rezoning is not required
Complicated administration of the waiver – multiple rent roll check during the development approvals process, prior to project opening	Introduce random monitoring audits after project opening of rental projects taking the DCL waiver	Ensure compliance with City by-laws Streamline monitoring by focusing rent roll check after project opening rather than prior to occupancy

Review of Rent Level Criteria for DCL Waivers

Concerns have been raised regarding the rent maximum figures used to qualify for the DCL waiver. The current east side average maximum rents are based on city-wide average rents for newly constructed rental built since the year 2005, as published by CMHC in the annual Rental Market Report. The west side maximum DCL rents are based on city-wide average rents, plus 10%.

Rents to qualify for the DCL waiver are set as maximums where some projects may be delivering lower rental rates since market rates that a new building can achieve vary significantly by neighborhood – for instance, projects on Boundary Road may command lower rents than east side DCL average rates, while projects in more desirable, central locations (e.g. Main Street) may command at or near these rates.

Staff investigated the possibility of using CMHC average rental rates by east side and west side geographies for newer buildings, rather than city-wide average rental rates. In some cases at the present time, this would have resulted in somewhat lower average rent rates. Analyses has indicated that setting the rates any lower than the current average maximum rents would further impact project viability and exacerbate challenges in obtaining construction financing and covering operating costs, especially for project on the eastside of Vancouver. CMHC data on average rents for newer buildings by unit types is limited to generalized neighbourhoods by eastside and westside, which do not capture rent variation at smaller levels of geography.

For these reasons, staff recommend preserving the current average rent maximums, while continuing to work with CMHC to measure rents and set rates that are more representative of new rental stock.

Anticipated Impacts

The DCL Waiver for new rental construction involves trade-offs, since the waiver reduces funding available for growth costs for other facilities like parks, childcare, and engineering infrastructure. Staff have evaluated the financial impacts of forgoing growth costs for rental based on historical and forecasted trends and determined that DCL waivers account for a small share of the overall DCL revenue collected. Since the first DCL waivers in 2010, DCL waivers totaled $24 million, which is approximately 4% of the overall $608 million in DCL revenue collected over the same period, while enabling construction of approximately 2,700 new rental units.

The City has examined the impact of alternative financial incentives and the ability to off-set any changes to the DCL waiver program. Refer to section *Other Actions to Create More Rental Housing And Related Future Work* for information on Motion “Exploring New Forms of Hospitality and Housing Tenure to Support Purpose Built Rental” and actions for senior government advocacy.

5. Energy Plus Reinvestment Pilot

<u>Background</u>

Low-rise wood frame buildings represent 60 per cent of rental units and 87 per cent of rental buildings protected under the Rental Housing Stock ODP. Many of these buildings rent at or below CMHC average rents for the area, making them a critical source of affordable housing for Vancouver’s renter households. However, most of these buildings were constructed between 1950 and 1980 and are facing significant renewal needs as they age. These buildings are also far less energy efficient than similar ones constructed today and typically use natural gas to meet their space and domestic water heating needs.

While many landlords plan for and undertake maintenance and repairs on a regular basis with existing tenants in place, some landlords may not be prepared for the cost, complexity, and potential tenant impacts of renewals to major building systems and critical life-safety, energy, and structural upgrades. We have also heard from many landlords that there are significant challenges funding the substantial cost of major upgrades and new systems through current rent revenues and reserves. There are currently only limited opportunities under the RTA for landlords to increase rents to reflect the cost of needed structural, safety, or energy upgrades, which means some landlords may be deferring renovation projects that are critical to the long-term performance and resilience of their buildings. In addition, while most major upgrades can feasibly be done with tenants in place, we have heard some concerns from landlords about the logistics and added cost and time required to do work with tenants in suites, as well as a lack of knowledge of best practices for undertaking more significant work with tenants in place. This has in part driven concern from tenants about the risk of displacement due to renovations in existing rental.

Low-rise wood frame rental buildings have typically been underserved by existing energy incentive and retrofit programs that are aimed at supporting the transition to low carbon systems in larger buildings and stratas. Wood frame rental 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 also tend to find it more difficult to access financing, and might have less technical knowledge, particularly regarding more complex upgrades like building envelope rehabilitations and deep retrofits, or new heat pump technology to replace existing gas heating systems.

Objectives and Desired Outcomes

City Housing and Sustainability staff propose to launch the Energy Plus Reinvestment Pilot, a demonstration and learning pilot program in partnership with the Province of BC's CleanBC program and LandlordBC. The goal of the pilot is to support low-rise wood-frame rental owners with key upgrades while minimizing impact on tenants. The CleanBC program is committed to supporting building owners to reduce greenhouse gas emissions from existing buildings via equipment incentives and implementation support programs. LandlordBC is a non-profit membership association of 3,300 rental apartment building owners and managers in British Columbia, and has significant previous experience with supporting existing rental owners with government green technology initiatives and incentive programs.

The goal of the pilot is to test the key types of support required to carry out key building system and energy upgrades while maintaining existing tenancies. These learnings will inform future work and partnerships to further support reinvestment in the existing rental stock while maintaining stable tenancies. Of specific interest to Staff are full and/or partial building envelope rehabilitations and mechanical fuel-switching measures (from natural gas to electric) as the initial upgrades to support via the pilot. These upgrades have been identified via consultation with City building staff, structural engineers and retrofit consultants, and landlords as projects that address structural, building system, and energy needs in existing wood-frame rental buildings.

In April 2019, Council approved an initial multi-year capital project budget of $1.0 million for the Deep Building Emission Retrofit Program. An additional $0.5 million in Empty Homes Tax funding is recommended to be added to this program in this report to further support reinvestment in this key source of affordable housing for existing tenants. The Energy Plus Reinvestment Pilot will be used to build knowledge and capacity among rental building owners and industry on how to carry out retrofits in-line with the City's carbon reduction targets, including heat pumps systems and building envelope renewal. The partnership with CleanBC and LandlordBC will leverage City and Provincial funding and key industry relationships and knowledge to advance our shared objectives.

The pilot would address several City objectives, including the Housing Vancouver goal of addressing the needs of the existing rental stock while ensuring security of tenure and affordability for existing tenants; the Renewable City Strategy target of reducing emissions 50% from existing buildings below 2007 by the year 2030; and the direction from Council to address the Climate Emergency by delivering zero emission space and hot water heating equipment at the time of replacement in existing buildings by 2025.

Recommendation

Staff is requesting Council approval for a $1.5 million grant to LandlordBC to implement the Energy Plus Reinvestment Pilot with owners of existing rental buildings funded by $1 million from the approved Deep Building Emission Retrofit Program and an additional $0.5 million to be added to the 2019-2022 Capital Plan for Deep Emission Building Retrofits. The pilot will also be supported by an additional $1.5M from the Province's CleanBC program.

Funding will cover a portion of the cost to install one or more low-carbon retrofit measures identified in the building's energy study in approximately 20 buildings. It is expected that the majority of building projects will be mechanical fuel-switching measures (from natural gas to electric heat pumps). A subset of building projects (1-3 buildings) will include envelope retrofits. Participating buildings will be required to maintain all existing tenancies during the project and take proactive measures to minimize tenant impacts of the work (i.e. noise, access to suites, utility shut-offs, etc).

Additional details regarding the proposed pilot are outlined in Appendix G.

Implementation and Instream Projects

If Council approves the amended Secured Rental Policy, Staff will proceed to implementation and prepare amended district schedules in the C-2, C-2B, C-2C, and C-2C1 commercial areas outside of recently approved community plans, as well as new "off the shelf" rental rezoning schedules in low density areas. Public open houses to preview the zoning changes are expected in winter 2020 with referral and public hearing anticipated in the Spring of 2020.

The amended policy will result in changes to how applications are processed. To the extent possible, Staff will facilitate a smooth transition between the existing and amended policies, zoning and by-law changes.

All Instream Applications

While the new district schedules, the "off the shelf" rezoning schedules and associated design guidelines are being prepared, Staff will continue to process in stream rezoning applications enabled through the amended Secured Rental Housing Policy -- projects in multi-family, industrial, ODP, and commercial areas, including C-2, C-2B, C-2C, and C-2C1 zoned areas. This also includes projects under the Affordable Housing Choices Interim Rezoning Policy, which ended on June 30, 2019. Instream applications and enquiries that have received a positive letter of response from Staff are still being processed, but no new applications are being accepted under the AHC IRP. Applicable projects in low density and C-2, C-2B, C-2C, and C-2C1 zoned areas have the option to switch over to the new district schedules or "off the shelf" rezoning options when the schedules become available, or proceed as a CD-1 rezoning as per the current approach.

New Rental Projects in Commercial Areas

Regarding the pre-enquiry process, staff will continue to accept an applications for rezoning advice (Letters of Enquiries) for rental rezoning projects in existing C-2, C-2B, C-2C, and C-2C1 zoned areas until referral to public hearing of the new district schedules. During consultation with the development industry, we heard that some applicants are in the midst of preparing their pre-enquiry packages and want the option to proceed quickly, rather than waiting until the new district schedules are ready, likely Spring of 2020. Should Council approve the amendments to the district schedules at public hearings, new rental enquiries to rezone sites in these areas to a site-specific CD-1 will no longer be accepted. However, enquiries that have received a positive letter of response from Staff will still have the option to proceed as a CD-1 rezoning.

New Rental Projects in Low Density Areas

In Spring 2020, Staff will also report back to Council with recommendations for new "off the shelf" rental tenure zoning district schedules for low density areas to streamline the rezoning process. All new rezoning enquiries and applications proposing rental in low density areas (including rezonings to CD-1 for unique sites allowed under the new policy) will not be considered until Council has the opportunity to consider the new “off the shelf” rezoning district schedules at public hearing in Spring 2020. If Council should approve the rezoning district schedules, new rental enquiries and applications can then be considered under the simplified rezoning process.

Utilities DCL

This report recommends the removal of the Utilities DCL Waiver for “for-profit affordable rental” effective September 30, 2020.” This means that rental projects will be subject to the Utilities DCL as of September 30, 2020. In order to ensure fairness to applications that have been submitted prior to the adoption of the Utilities DCL By-law change, in-stream rate protection will be offered. Building permits issued within 12 months of the Utilities DCL By-law change are exempt from that DCL rate change, provided there was a precursor application (rezoning, development permit or building permit application) that was in-stream on the date of that increase.

Additional Actions to Enable Rental Housing And Related Future Work

1. Immediate Action to Increase Rental Housing with Deeper Affordability

Community Plans approved prior to Housing Vancouver did not consider opportunities for privately owned rental with below-market units (e.g. MIRHPP model). Staff have heard through consultation with the development industry that the market climate for investment in strata is less robust than in recent years. This has created more interest in rental development. There may be opportunities for new development in these areas to incorporate deeper levels of affordability. This could be done through modest increases in height and density in areas already defined for growth (e.g. areas approved for mid-rise/tower developments) or by allowing strata developments which generates a CAC to shift to rental with below-market affordability and forego the CAC.

Given the urgent need for rental housing while longer term actions are underway, Staff are proposing a new Below-Market Rental Housing Policy for Rezonings, as contained in Appendix F, as an option for Council consideration. This policy applies to areas of the city where existing plans and policies already enable redevelopment to mid-rise and high-rise apartment forms, and provides for a modest increase in height and density (2-3 additional storeys) for projects that include 100% secured rental housing with at least 20% as below-market rental units affordable to households earning less than $80,000 per year.

Staff note that there has not been consultation with residents of existing community plan areas on this proposal. However, the proposed rezoning policy is only applicable to areas already identified for growth in the plans enable consideration of only modest increases in height and density, and support plan policies and objectives of enabling additional rental housing choice.

Community Plans typically contain policy language to enable modest increases in height and density for Social Housing, and this proposal enables similar consideration for below-market rental housing. It does not replace requirements in Community Plans for Social Housing.

2. Other Work Underway to Increase Rental Housing with Deeper Affordability as well as non-market housing

In addition to initiatives to support delivery of market and below-market rental, work is underway in other city programs to expand the creation of housing with deeper affordability, including non-market housing.

Vancouver Affordable Housing Endowment Fund (VAHEF)
On September 18, 2018 Council approved in principle the provisional mandate and guiding principles for the creation of a new Vancouver Affordable Housing Endowment Fund (VAHEF). This fund is a key action working towards achieving the Housing Vancouver targets of 12,000 new social and supportive housing units for low and moderate income households. VAHEF is intended to manage and grow the City's affordable housing assets as a portfolio and provide the opportunity to look at new delivery models to take advantage of the availability of new federal and provincial funding programs. The fund has a clear mandate to preserve and grow affordable housing for the benefit of current and future residents supported by dedicated funding streams (DCLs, CACs etc.) to leverage partner investment. An interdepartmental staff team and external advisory panel are working on developing the fund strategy and governance structure with a report back to Council anticipated in 2020.

Cambie Corridor Plan Implementation
The Cambie Corridor Plan was approved in May 2018 as a framework to guide change and growth along the Canada Line. Including future development on major project sites, an estimated 2,800 additional units of social housing, 400 units of below-market rental housing and 5,000 units of market rental housing are anticipated to be delivered in Cambie Corridor over the next 30 years. The plan area includes the regionally significant Oakridge Municipal Town Centre located around Cambie Street and 41st Avenue which is a priority location for more concentrated growth, including affordable housing, job space and community amenities This area will provide a significant increase in affordable housing opportunities including social and below-market rental housing, located off the arterials and in close proximity to high quality transit and amenities. Work is underway to explore the development of new zoning districts and potential prezoning of this area as part of plan implementation in order to reduce processing times and streamline the development process to deliver new affordable housing options faster.

Vancouver Plan
In July 2019 Council directed staff to work on a city-wide planning process to create a long-term vision for future generations of Vancouver. This process is an opportunity to address key challenges facing residents and the city including affordability challenges and the need to increase and protect housing supply that is affordable to local incomes and deliver additional social, supportive and below-market rental housing. The process is anticipated to take three years with a proposed plan presented to Council in 2022.

A key opportunity in Planning Vancouver Together will be around creating more complete, walkable communities and neighbourhoods. This opportunity also aligns with Big Move #1 in the Council-approved Climate Emergency Response efforts, which states "by 2030, 90% of people will live within an easy walk/roll of their daily needs." The former Making Room program will be integrated into efforts on Planning Vancouver Together and opportunities for enabling a mix of housing for all ages and incomes, including a range of rental options, will be explored and advanced in looking at neighbourhoods holistically with much community engagement.

In addition, the following actions while planning will be happening concurrently with the Vancouver Plan.

- *Affordable Housing and Community Spaces Incentive Program (AHCSIP)*
  In response to direction provided in the Housing Vancouver 3-Year Action Plan, AHCSIP is a new city-wide program being developed to support non-profit, co-op, and faith-based organizations interested in creating new affordable homes on their own land, in addition to the recently approved $25 million 2019-2022 Community Housing Incentive program. Further work is being undertaken as part of AHCSIP to explore additional opportunities (e.g. development incentives, process improvements, and capacity support) to enable additional affordable homes through redevelopment or new projects. Consultation and policy development will key stakeholders will take place in 2020.

o *Broadway Planning Process* - The Broadway Plan will be a comprehensive area plan that focuses on opportunities to integrate new housing, job space, and amenities in the distinct neighbourhoods around the new Broadway Subway. Through the planning process there is an opportunity to test and implement new and enhanced tools to avoid tenant displacement, protect rental affordability, and grow the supply of rental housing close to rapid transit. There is the further opportunity to align plan policies with new senior government funding programs to increase the supply of social and supportive housing and below-market rental housing to meet the need in the city. Council approved the Terms of Reference for the two-year Broadway Planning Program in June 2018 with the goal of having a draft Broadway Plan for Council's consideration by December 2020.

o *Inclusion of Moderate Income Rental Housing on Large Sites* - In July 2019 Council approved an issues report providing direction to staff on intensification of large sites to include moderate income rental housing affordable to households earning between $30,000 and $80,000 per year. The Oakridge Transit Centre and Pearson Dogwood sites are both considering additional density to achieve moderate income rental housing which combined could yield a potential 350-400 units. The report also included a framework for staff to evaluate any future proposals to intensify other major project sites with approved policy statements for the same purpose.

o *Station Area Planning* - The Expo Line Station areas from Nanaimo to Boundary Road will be explored as an early planning initiative under the Vancouver Plan planning process with expanding housing choice as a key outcome. Similar to the Broadway Plan, now underway, there is an opportunity through this focussed station area planning to address challenges around land speculation while enabling delivery of social and supportive housing and below-market and market rental housing.

3. Parking Requirements for Rental Housing

Amendments to the Parking By-law were approved by Council in July of 2018 and came into effect on January 1, 2019. Currently, the Parking By-law includes specific off-street parking requirements for secured market rental housing, which are generally lower than the requirements for strata developments, dependent on the zone and location.

Through Staff's engagement with the development industry, a common issue discussed was minimum requirements for parking in rental developments. The Development industry expressed a desire to provide reduced levels of parking in new rental developments, particularly when located near frequent transit. This was due to generally lower demand and observed parking utilization rates in rental buildings.

Included in recent Parking By-law amendments, new parking reduction allowances were introduced for developments where an acceptable Transportation Demand Management (TDM) plan is submitted with a development application. The TDM parking relaxations include higher reductions for rental housing. With an acceptable TDM plan, rental housing development projects are eligible for up to a 40% parking reduction.

Rental developments are eligible for up to an additional 20% reduction in parking requirements based on their proximity to transit for a potential 60% reduction overall. For comparison the reductions available to strata developments for TDM and transit are 20% and 10% respectively for a total of up to a 30% reduction.

As part of the April 2019 Climate Emergency Response report, Council has directed staff to update of the Parking By-law, with targeted report back to Council on progress in Q3 of 2020. As part of these updates to the Parking By-law, Staff will be exploring expanded TDM options and increased clarity to enable reduced parking provisions in rental.

Due to the recent amendments to the Parking By-law, which include significant parking reductions in rental housing developments, as well as recent Council direction to update the Parking By-law for further parking reductions as part of the Climate Emergency Response, Staff are not recommending additional amendments to the Parking By-law at this time.

Following the rental incentive program review, Staff will initiate work on increasing awareness and understanding of the City's TDM parking reduction opportunities for rental housing. This will include educational information targeted towards applicants on how to achieve TDM parking reductions. Creation of additional educational material and information is anticipated to be completed by the end of 2020.
Additionally, Staff will track and monitor levels of parking provided in new rental developments and evaluate how projects compare to TDM plan allowable parking reductions.

4. Senior Government Role in Delivering Housing Affordability

The need for increased levels of market and non-market rental housing persists across Canada, including in Vancouver which continues to face acute housing affordability challenges. This is recognized in the federal National Housing Strategy, which commits to helping increase the supply of rental housing across Canada.

Partnerships and increased federal incentives are integral to supporting the City's work to increase the supply of rental housing. Recent federal government initiatives stemming from the National Housing Strategy are demonstrating the potential success that can result from strengthened partnerships between the federal government and municipalities. The CMHC Rental Construction Financing initiative (RCFi) was introduced in 2017 and is a major initiative of the National Housing Strategy aimed at supporting new rental supply. The RCFi commits $13.75 billion in loans for rental construction across Canada between 2017 and 2027. The program offers loans at lower interest rates for a 10-year term and CMHC mortgage loan insurance, which has been demonstrated to significantly enhance the viability of new rental construction.

However, the RCFi alone may not be sufficient to deliver the significant new rental supply needed in Canadian cities. With the RCFi, there are often logistical challenges for rental housing developers in obtaining CMHC loans. The program is competitive and projects are ranked based on a set of criteria. This means that not all purpose-built rental housing projects will be able to obtain RCFi financing. Additionally, some projects face eligibility challenges, depending on their development model. For instance, projects taking this financing must be holding the building for a minimum of 10 years, which poses challenges in circumstances where rental buildings are constructed with intent to sell to a long-term investor.

Given persistent low rental vacancy rates and rising rents in Vancouver and other Canadian cities, there is still substantial room for the federal government to further support the delivery rental housing. With a newly-elected federal government in place, Vancouver and other cities facing housing need continue to call on federal partners to re-commit to the goals and actions outlined in the NHS and other federal housing platforms to support delivery of greatly-needed rental, social, and co-op housing in cities like Vancouver, including:

- Roll-out of the Canada Housing Benefit to support Canadian households with rent affordability.
- Support for reinvestment in existing market rental, social, and co-op housing, such as low-cost loans or grants for critical structural upgrades, conditioned on commitments to minimize rent increases and displacement of existing renters.
- A federal government GST waiver for rental housing construction to support delivery of new market and non-market rental housing. Analysis by Coriolis consulting demonstrated a 5% increase in return on project cost when GST is waived for market rental development, which would provide a significant incentive for rental housing development. Results from Coriolis' testing are detailed in Appendix L
- Ensuring that NHS programs are delivering affordability for low- and moderate income households, with an emphasis on transit-oriented affordable housing.

5. Livability and Family Housing

In 2016, Council adopted the Family Room: Housing Mix Policy for Rezoning Projects, which requires that 35% of all residential units in rental rezoning projects be family units, consisting of 2 or more bedrooms. This policy does not extend to development projects which do not go through a rezoning process and are developed under existing district schedules.

Through consultation as part of the rental incentives review, Staff heard from the public and stakeholders that inclusion of family units in purpose-built rental housing is an important consideration. Results from the online public survey showed that 87% of respondents felt that it was either very or somewhat important for the City to require inclusion of family units in purpose-built rental housing. Similarly, the Renters Advisory Committee expressed that it is important for the City to require housing for families.

The *Housing Vancouver 3 Year Action Plan directed staff to ensure housing meets the needs of families, including a* review of the City's current family housing policies. This work is ongoing and more comprehensive family housing policy recommendations will be made as this work progresses. Staff will be exploring changes to require family housing to be included in all multi-family residential developments (rental and strata), including projects under existing zoning. As well, staff will investigate strategies to improve livability for families, including building design considerations, such as shared amenity spaces, borrowed light flexible spaces, and unit design.

6. Response to Council Motion to Explore New Forms of Hospitality in Purpose-Built Rental

On June 25, 2019 Council approved the Motion "Exploring New Forms of Hospitality and Housing Tenure to Support Purpose Built Rental" which directed staff to explore tech-enabled hotel rooms that could support the development of purpose built rental housing, the impact of enabling these types of uses in new rental buildings on the financial performance of the project, and determine intersections with the City's STR regulations. This work was to be carried out alongside work that was already underway.

Through the Council report "One-year Review of Short-term Rental Regulations" (RTS 13055), detail was provided on the intersections of this motion with the City's existing STR regulations. In response to the impact on delivery of new purpose-built rental housing, staff incorporated the motion directions into the Rental Incentives Review engagement process and financial analysis.

"Tech-enabled hotel rooms" were taken to mean commercially operated short-term rental apartments (typically multiple units in one building) that make use of online booking platforms and forego traditional hotel amenities such as a lobby, concierge and on-site hotel staff. The City does not currently have regulations specific to this type of business but rather treat them as commercial hotel units which are currently enabled in certain zoning districts.

Analysis of the impact of various incentives on the viability of rental projects revealed that increasing revenue through allowing a portion of new rental units to be rented commercially on a short-term basis would provide moderate increases in project viability at the financing stage. For more details on the financial analysis refer to Appendix L.

The following issues and considerations were identified through the review:

- One of the key strategies in Housing Vancouver and the 3-Year Action Plan is to ensure existing and new housing is serving local residents. This is particularly relevant for Vancouver's rental market which remains extremely tight with vacancy rates consistently below 1%. This is combined with high and rising demand for rental housing from a growing population, and rapid increases in housing costs that is putting homeownership out of reach. Given this context facing residents, actions to remove new purpose-built rental units from being rented long-term by residents is in conflict with city-wide objectives and Housing Vancouver targets.

- As part of aligning city processes with Housing Vancouver direction, the City's STR regulations are guided by seven Council-approved principles, with a focus on the first principle: Protect long-term rental supply. This is to ensure that Vancouver's stock of purpose-built rental housing is available for long-term residential use by people who live and work in Vancouver by not allowing short-term rentals in non-principal residences (e.g. investment properties). The potential for allowing commercial STR units or tech-enabled hotel rooms raises concerns around nuisance issues such as noise, parking, garbage and safety for local residents.

- As part of the Rental Incentives Review staff conducted a survey of residents to gather input on potential changes to the program. One of the questions asked was "Do you agree with the idea of the City allowing a portion of units within new purpose-built rental housing to be operated as hospitality/hotel units rented to short-term visitors for a period of less than 30 days?” 2,924 responses to the survey were received. Of respondents, 55% either strongly disagreed or somewhat disagreed with this idea.

Significant additional analysis and consultation with the public and stakeholders would be needed to implement a program to allow tech-enabled hotel rooms as part of the City’s rental incentive program. This would involve a re-examination of and alignment with the STR regulations, the proposed definition for “residential rental tenure” in the Zoning and Development by-law, the Empty Homes Tax and existing Housing Agreements to secure new purpose-built rental housing. There will further be additional requirements for new resources to monitor and enforce compliance with any new regulations as was needed to implement the STR regulations.

Given limited initial public support, challenges related to the City’s existing policies for new rental housing supply and short-term rentals, the scope of work required to further this initiative, and the efficacy of existing rental incentives programs in delivering much needed new rental housing now, staff do not recommend further developing a program to allow tech-enabled hotel rooms in new purpose-built rental buildings delivered under the City’s rental incentive program at this time.

However, there may be opportunities to address the future need for new forms of hotel space is already underway through the ELER and Vancouver Plan, where these ideas may be incorporated further. The lack of hotel space (both traditional and tech-enabled) has been raised as an issue in Vancouver which impacts the tourism sector and future economic development opportunities. This is being explored through the larger Employment Lands and Economy Review (ELER) in alignment with the Vancouver Plan process. The ELER is taking a broad look at Vancouver’s employment sectors across the city to develop a long-range land use plan to ensure we have an appropriate supply of land for jobs and businesses like hotels and related services to support the future growth of our economy. Staff are working with key economic sectors and stakeholders, including the tourism, hotel, hostel and tech-enabled hospitality sectors to generate ideas to support a healthy hotel sector into the future and prevent existing hotels from closing or converting.

7. Encouraging Low Carbon Rental Housing at Increased Heights

Currently, challenges exist to widespread mass timber construction in Vancouver, including costs, building codes, and lack of industry awareness and expertise. Mass timber construction could provide opportunities for taller wood-frame rental buildings, while codes currently only allow wood-frame construction up to 6-storeys. Otherwise, taller buildings generally are required to construct in concrete, resulting in increased building costs and carbon emissions.

Looking forward, Staff are exploring how the City might adopt proposed 2020 National Building Code changes that permit encapsulated mass timber up to 12 storeys, and the Province has recently announced they will facilitate early adoption of these measures for other jurisdictions. Staff have consulted with architects, engineers, code experts and developers on barriers to mass timber and wood construction, and suggestions have included exploring additional code changes, minor height or form relaxations to accommodate cost-effective wood building designs, or other ways to encourage mass timber construction. Further study of these issues are included in Recommendation J. Finally, Staff are working with partners such as BC Housing to study the factors involved in mass timber construction costs, and how the City might facilitate cost-effective mass timber development.

While codes currently allow wood construction up to 6 storeys, City Staff have been working for years to facilitate taller wood construction with mass timber. This includes both Vancouver Fire and Rescue Services, who coordinated closely with UBC during the development of the 18-storey Tallwood House student residence (the tallest mass timber building in the world until 2019), and the Chief Building Official's office, who have worked extensively with multiple projects through the Alternative Solutions process, which has code and fire experts review proposals that go beyond the solutions prescribed in the building code. Examples of projects in Vancouver to date include the 19-storey Terrace House at 1250 West Hastings (7 storeys mass timber on 12 storeys concrete), and the 10-storey mass timber office tower at 2150 Keith Drive.

8. Compliance and Monitoring

Ensuring compliance with the requirements set out under the Secured Rental Policy, Moderate Income Rental Housing Pilot Program, proposed Below Market Rental Housing Policy for Rezonings, and the City-wide and Area Specific DCL By-laws is critical to the success of achieving the affordability objectives set out under these policies and By-laws.

Housing Agreements are the City's main tool in securing affordability requirements over the long term once a project has opened. Staff in Partner Agreements in the Arts, Culture and Community Services department are responsible for compliance and monitoring of agreements set out between the City and private and non-profit housing operators. To date, the majority of these agreements have been focused on non-market housing on City land. Further work is required to expand the City's monitoring functions to ensure conditions secured through housing agreements are being met. Staff are developing a monitoring and compliance plan and will report back as necessary with resourcing implications.

Financial Implications

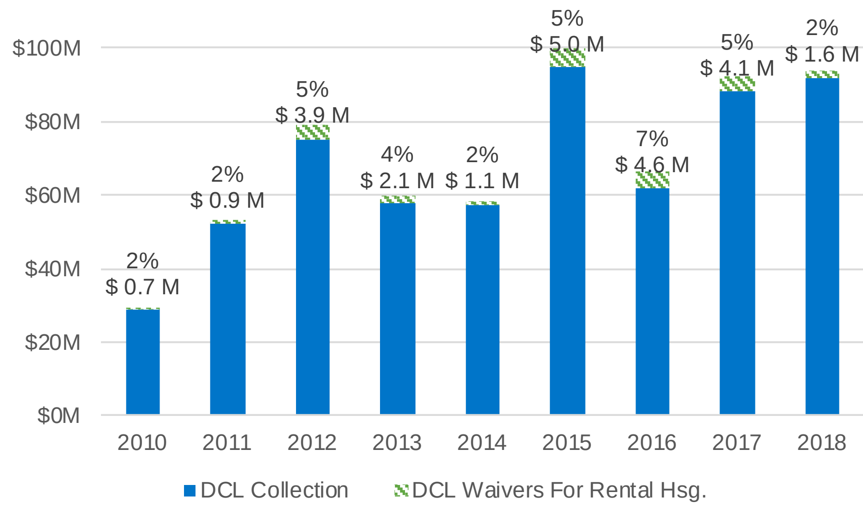
Housing Vancouver aims to change the future of housing in Vancouver. Housing should be affordable and suitable to local incomes and a variety of households, including low- and moderate-income workers, families, and seniors, while addressing the needs of the city's most vulnerable residents. To achieve these ambitious goals, the City is actively exploring strategic partnerships with other levels of government and private and/or non-profit housing partners to deliver much-needed affordable housing.

The City uses a variety of enabling tools to leverage affordable housing. For purpose-built market rental, the tools typically include additional density as well as DCL waivers for qualifying projects.

Development Cost Levies (DCLs)

Staff review of the Rental Incentive Program Review includes recommendations to continue to offer waivers for the City-wide DCL as an incentive for new rental construction. The City acknowledges that there is an impact that forgone City-wide DCLs have on the City's capacity to deliver infrastructure and amenities to support growth. Staff have assessed the historical forgone revenue of waiving DCLs for new rental construction over the last 10 years and determined that impacts are modest as a share of overall DCLs collected, while enabling 2,700 units of much needed rental supply to address the housing crisis. Since being implemented, DCL waivers for rental projects have totaled $24 million, less than 4% of the $608 million in DCLs collected over the same period. DCLs waivers are tracked and reported to Council as part of the annual DCL report. .

Figure 4. Annual DCLs Collected Vs Waived (2010-2018)



The breakdown of forgone DCL revenue by program area shows that DCL waivers for rental housing have only minor impacts to these programs, especially considering DCLs represent only one tool available to fund growth related costs.

Table 4. Cumulative Forgone DCL Revenue (2010-2018) by Program Areas

Service Categories	DCLs Waived	DCL collections	Forgone DCL as % of collections
Childcare	$1.8 M	$52 M	3.5%
Engineering Infrastructure (Transportation & Utilities)	$5.3 M	$140 M	3.8%
Parks	$9.2 M	$232 M	4.0%
Replacement Housing	$7.6 M	$184 M	4.1%
Total	**$23.9 M**	**$608 M**	**3.9%**

The City-wide Utility DCL program was developed in 2018 to address the need for upgraded water, sewer, and drainage infrastructure as the city continues to grow. The DCL waiver for for-profit affordable rental housing was extended to the new Utilities DCL by-law on a temporary basis no longer than 2020.

A review and update to both the City-wide and Utilities DCL program is expected to begin in 2021 in advance of the next 2023-2026 Capital Plan.

Below-Market Rental Housing Policy for Rezonings

The public benefit strategies supporting the various community plans are developed based on development contributions contemplated by the proposed land use. The modest increases in height and density proposed for rental projects with below market affordability could reduce development contributions as projects shift from strata to rental. Staff will evaluate and monitor any significant impact to the delivery of the various public benefit strategies as projects are considered under this policy.

Energy Retrofit PLUS Reinvestment Pilot (Appendix G)

The Energy Retrofit PLUS Reinvestment pilot is a joint demonstration and learning pilot of the Government of BC's CleanBC Program and the City of Vancouver. The pilot will be supported by funding from the City and Province and administered by Landlord BC. The Government of BC and the City of Vancouver have each committed $1.5 million to the pilot, pending final approval. The City's proposed $1.5 million contribution would be funded by $1.0 million pay-as-you-go City contributions from the approved multi-year capital budget for the Non-City Building Emission Retrofit Program and $0.5 million to be added to the 2019-2022 Capital Plan for Deep Emission Building Retrofits. To allow the additional $0.5 million to be also funded using pay-as-you-go City contributions, $0.5 million of Gas Tax Fund (GTF) Community Works Fund reserve funding will be used to replace pay-as-you-go City contributions already included in the 2019-2022 Capital Plan. Expenditures for 2019 and subsequent years will be managed as part of the City's budget processes.

CONCLUSION

Although the City's rental incentive programs have proven effective at encouraging the development of new rental instead of more expensive strata condominiums, rental production continues to fall short of need. The recommendations in this report are critical to ensure that City rental incentives continue to support new purpose-built rental development to ease the shortage of rental in the city and support the delivery of enhance the delivery of new purpose-built rental housing with the goal of achieving the Housing Vancouver target of 20,000 new purpose-built market rental units by 2027.

* * * * *

Policy

Secured Rental Policy
Incentives for New Rental Housing

Approved by Council May, 2012.
Amended _______.

Table of Contents

Background and Context

On _______, Council approved amendments to the Secured Market Rental Housing Policy originally approved by Council in May 2012. The amendments include the following:

- Retitling of the policy
- Addition of rezoning opportunities for 100% secured market rental housing previously enabled by the Affordable Housing Choices Interim Rezoning Policy
- Changes to the family housing requirements
- Additional Green Buildings requirements

Housing Choice Supports a Diverse Population

Vancouver is a growing and diverse city with significant housing challenges. Creating new housing for all Vancouverites through a range of housing options is critical to ensuring a vibrant and diverse city.

As of 2016, 53% of households in Vancouver were renters.[1] Renters in the city are a diverse group, including singles, families, and roommate households, and have a wide range of household incomes ranging from under $30,000 to over $80,000. The diversity of renters in Vancouver means that a broad range of housing types is required to meet the needs of these households.

Purpose-built market rental housing is a key source of secure, long-term housing for renter households earning a broad range of incomes. A robust supply of rental housing is also crucial for supporting a broad range of renter households in locations across the city, including areas accessible to transit and jobs, as well as in neighborhoods away from major arterial roads.

Rental Housing Challenges

Vancouver has the tightest rental market and one of the lowest vacancy rates in Canada, which over the last 30 years has averaged 0.9 percent. This is partly the result of limited new supply of rental housing in recent decades, along with the demand for rental housing from a growing population facing significant increases in the cost of home ownership. In this context, the need for suitable housing choices for renter households has grown dramatically.

Housing Vancouver Strategy Context

On November 28, 2017 City Council adopted the 10-year Housing Vancouver Strategy. A core objective of Housing Vancouver is to shift the supply of new housing toward the "Right Supply" that meets the needs of the diversity of households in the city. The Strategy identified the need for an additional 72,000 housing units over 10 years, of which 20,000 units are new purpose-built rental housing.

The Secured Rental Policy is part of the larger Housing Vancouver Strategy that also addresses the housing needs of moderate and low income households. The regulations contained in the Rental Housing Stock Official Development Plan and Single Room Accommodation By-law are in place to protect the stock of existing market rental housing. In addition, the Housing Vancouver Strategy targets 4,000 of the total 20,000 purpose-built market rental units as below-market rental, and includes aggressive targets for social, supportive, and co-op housing (12,000 units by 2028) to meet the needs of low income residents.

[1] Census 2016

Rental Housing Policies in this Document

This document contains policies to encourage new purpose-built market rental housing. These policies are intended to increase the supply of secure market rental housing that is available to renter households. Affordability will be achieved through tenure, location, modesty in unit size, and over time as the buildings age, and through terms secured in Housing Agreements for projects including below-market rental units.

Use of Residential Rental Tenure Zoning

In May 2018, the Government of British Columbia amended the Local Government Act and Vancouver Charter to provide local governments with a new authority to zone for residential rental tenure. This tool allows municipalities to require new housing to be developed as rental in multi-family or multi-use areas; set different rules that restrict the form of tenure of housing units for different zones and locations within a zone; and require that a certain number, portion or percentage of housing units in a building be rental. Through the implementation of this policy, this new authority will be utilized in several ways:

- Amendments to the C-2, C-2B, C-2C and C-2C1 zoning districts will be proposed for Council's consideration which will include a new provision that limits projects above 4 storeys and 2.5 FSR to be 100% rental in tenure in the residential units, while continuing to allow mixed use strata projects up to 4 storeys and 2.5 FSR (see Policy 2.3 and Table 1).

- New zoning district schedules will also be proposed Council's consideration to enable new apartment, townhouse and mixed use buildings where 100% of the residential units are rental in tenure, for use in privately-initiated rezonings in low density transition areas (see Policy 2.4 and Table 2)

Secured Rental Policies

1.0 Residential Rental Projects Under Existing Zoning

Development permit applications for projects which can be approved under the existing zoning will be considered where 100% of the residential rental floor space is secured as non-stratified rental housing. Qualifying projects may be mixed use (i.e. include a commercial component), but all of the residential floor space must be rental.

1.1 Incentives

Projects which can be developed under the existing zoning are eligible for the following incentives:

- Parking reductions as described in the Vancouver Parking By-law;
- City-wide and Area Specific DCL waiver for the residential floor space of the project; and
- Relaxation of unit size to a minimum of 320 sq. ft. provided that the design and location of the unit meets the livability criteria as defined in the Zoning and Development By-law.

For more information on available incentives, please refer to the Rental Incentive Programs Administration Bulletin.

2.0 Residential Rental Projects Requiring a Rezoning

Rezoning applications may be considered for projects only if 100% of the residential floor space is secured as non-stratified rental housing. Qualifying projects may be mixed-use (e.g. include a commercial component), but all residential units must be rental in tenure.

2.1 Incentives

Projects requiring a rezoning are eligible for the following incentives:

- Additional floor area, height and new uses;
- Parking reductions as described in the Vancouver Parking By-law;
- City-wide and Area Specific DCL waiver for the residential floor space of the project; and
- Relaxation of unit size to a minimum of 29.7 sq. m (320 sq. ft.) provided that the design and location of the unit meets the livability criteria as defined in the Zoning and Development By-law.

For more information on available incentives, please refer to the Market Rental Incentives Administration Bulletin.

2.2 Exclusions

These rezoning policies (2.3 and 2.4) apply city-wide, except in areas that have recently approved community plans (e.g. Cambie Corridor Plan, West End Plan, Grandview-Woodland Plan, Marpole Plan, and the Downtown Eastside Plan) or that are undergoing community planning programs and have interim rezoning policies in place (e.g. Broadway, Jericho Lands).

In community plan areas, secured rental projects may be eligible for incentives, with height and density set as per the applicable community plan policy.

2.3 Rezoning in Commercial, Multi-Family, Industrial and ODP Areas

Rezonings for 100% residential rental projects will be considered in the following locations:

- areas close to transit, employment and services (e.g. commercial and mixed use zones);
- multi-family areas (e.g. RM zones) for infill projects or projects on sites that do not have existing rental housing;
- areas with existing rezoning policies or Official Development Plans that accommodate higher residential density (e.g. Downtown District and existing CD-1 zoning) and which do not conflict with existing policies for social housing; and
- light industrial areas that currently allow residential (e.g. MC-1 and MC-2).

Table 1 outlines the additional height and density that may be considered for rezonings in commercial, multi-family, industrial, and ODP areas.

2.4 Rezoning in Low Density Transition Areas

Rezonings for 100% residential rental projects will be considered for sites zoned RS or RT that are within approximately 400 m of a park or public school and shopping area(s) with a combined minimum of 15,000 sq. ft. of commercial floor space, and are either:

- fronting an arterial or road that is on Translink's Frequent Transit Network, or
- off arterial but part of a block face that is entirely within approximately 150 m of an arterial

For an illustration of general locations eligible for rezoning under policy 2.4, see Figure 3 in the Rental Incentive Programs Bulletin.

2.4.1 Eligibility Requirements for Regular Sites – Rezoning to a Rental Tenure District Schedule

Table 2 provides direction for consideration of additional density for 100% rental projects seeking a rezoning in RS and RT zoned areas.

- To be eligible, sites must be generally rectangular in shape, part of the regular street grid and have a full lane to the rear.
- To be eligible for mixed use on blocks that do not have existing zoning for commercial use, sites must include the entire block face.

Rezoning opportunities as described in Table 2 will only be enabled through rental tenure district schedules; rezoning to a site-specific CD-1 will only be considered as per Policy 2.4.2.

2.4.2 Eligibility Requirements for Irregular Sites – Rezoning to a Site-Specific CD-1

Sites that meet the location and site context considerations in Table 2 but are irregular in size, shape, context or other attributes may be eligible for rezoning subject to a customized review and response.

In general, irregular sites will not be considered for more height or density than may be achieved on a regular lot through the set rental tenure district schedule(s). In some cases, increased setbacks and reduced FSR may be required commensurate to the irregular context to allow for reasonable adjacencies.

Examples of Irregular or Special Sites include:

- Sites with limited street frontage or no lane
- Large Parcels (10,000 sq. ft. or more)
- Sites at the corner of two arterials or roads on Translink's Frequent Transit Network

Table 1: Consideration for Rezoning in Commercial, Multi-family, Industrial, and ODP Areas

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

*****_amendments to the C-2, C-2B, C-2C and C-2C1 district schedules will be proposed for Council's consideration to enable 6 storey mixed use 100% residential rental projects in areas outside of recently approved community plans or where planning programs are underway. Should Council approve such amendments to the C-2, C-2B, C-2C and C-2C1 district, new proposals to rezone sites in these areas to a site-specific CD-1 will no longer be supported._

Table 2: Considerations for Rezoning in RS and RT Zones

Location	Site Context	Direction
On arterial	Part of a block face that has existing zoning for commercial use (C-1, C-2, C-2, C-2B, C-2C, C-2C1 or CD-1 with commercial retail at grade)	4 storey mixed use (up to 2.5 FSR) Consider up to 6 storey mixed use: • for split-zone sites where at least half of the site area is already zoned C-2; or • for projects including a minimum 20% of the residential floor area as units secured at below market rents* *(See Section 3.2 for specific requirements)*
	Part of a block face that does not have existing zoning for commercial use: • If the whole block is zoned RS or RT and does not have existing zoning that permits buildings of 3 storeys or more, sites must include a corner lot	5 storey apartment (2.0-2.2 FSR) Consider 4 storey mixed-use (up to 2.5 FSR) if the site includes the entire block face Consider 6 storey apartment or mixed-use for projects including a minimum 20% of the residential floor area as units secured at below market rents *(See Section 3.2 for specific requirements)*
Off arterial	Sites that are part of a block face that is entirely within 150 m of an arterial: • If the whole block is zoned RS or RT and does not have existing zoning that permits buildings of 3 storeys or more, sites must include a corner lot	4 storey apartment (up to 1.75 FSR) or 4 storey townhouse (up to 1.45 FSR)

Other Policy Requirements

3.1 Security of Tenure and Housing Agreement

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

3.2 Affordability

For projects proposing a 6 storey building under Policy 2.4 that are required to achieve a minimum of 20% of the residential floor area as units secured at below market rents, all below-market units will be affordable to households earning less than $80,000 per year (where rents will be targeted to 30% of tenant's before-tax household income on rent), with the goal of creating units affordable to a range of incomes, with greater affordability subject to project viability.

For details related to eligibility requirements for new and existing tenants, refer to Section 2b of the Moderate Income Rental Housing Pilot Program Administrative Bulletin for general guidance, acknowledging that variances from these guidelines may be required to support project viability.

3.3 Housing for Families

The City's Secured Rental Policy encourages the inclusion of family housing. The requirement for family housing units is set at 35% of units for all secured market rental developments. Family units are defined as units with 2 or more bedrooms, designed to meet the Council adopted High Density Housing for Families with Children Guidelines.

3.4 Tenant Relocation and Protection

Where tenants will be displaced as a result of redevelopment, a tenant relocation plan as outlined in the City's Tenant Relocation and Protection Policy will be required. Please also refer to the Tenant Relocation and Protection Policy – Process and Requirements Administration Bulletin.

3.5 Green Buildings

The Secured Rental Policy advances green building objectives and encourages the development of near-zero emission buildings.

3.5.1 Rezoning Applications

All rezoning applications considered under this policy will be expected to meet the Green Buildings Policy for Rezonings, and to employ zero emissions heating and hot water systems in the building, achieving a greenhouse gas intensity (GHGI) of 3 kg/m2 or less.

For more information on these requirements and the documentation to be submitted, please refer to the Green Buildings Policy for Rezonings and the Green Buildings Policy for Rezonings – Process and Requirements Administration Bulletin.

3.6 Community Amenity Contributions

Community Amenity Contribution (CAC) policies apply to private rezoning applications. Routine, lower density rezoning applications for secured rental that meet the criteria of the Community Amenity Contributions – Through Rezonings Policy and other Council approved policies and guidelines are not subject to a CAC.

Implementation and Monitoring

Implementation

The policies in this document provide clarity on the incentives offered to enable rental housing, as well as the scale of rental developments that may be considered. New development will be managed through privately initiated rezonings. In addition, amendments to the C-2, C-2B, C-2C and C-2C1 district schedules will be proposed for Council's consideration to enable 6 storey mixed use 100% residential rental projects in areas outside of recently approved community plans or where planning programs are underway. New zoning district schedules will also be proposed for Council's consideration to enable new residential rental tenure apartment, townhouse and mixed use buildings in low density transition areas.

New rezoning proposals in low density transition zones as described in Policy 2.4 will not be supported while Council is considering zoning changes for the corresponding residential rental tenure district schedules, including proposals that may be eligible for consideration for rezoning to a site-specific CD-1 under Policy 2.4.2

New privately initiated rezoning applications in the areas described in Table 1, including for sites in applicable areas of the C-2, C-2B, C-2C and C-2C1 zoning districts, may be supported, effective immediately. Should Council approve amendments to the C-2, C-2B, C-2C and C-2C1 district schedules as described above, new proposals to rezone sites in these areas to a site-specific CD-1 will no longer be supported.

Monitoring

The Housing Vancouver Annual Progress Report will track the rental units created through this policy, and measure and evaluate progress towards the City's approved housing targets in relationship to supply, income, and family housing.

Bulletin

Rental Incentive Programs Bulletin

Effective May 15, 2012

Last amended ___________

Authority: Director of Planning

By-law and Policy References:

- **Secured Rental Policy**
- **Moderate Income Rental Housing Pilot Program**
- **Below-Market Rental Housing Policy for Rezonings**
- **Development Cost Levy By-laws**

This Bulletin provides further information on the rental housing incentive policies approved by Council, as well as the DCL By-laws. The information contained in this document will help guide the way in which the rental incentives are applied to specific projects.

Community plans contain policies for the development of rental housing and specific direction around location and form. Information on the specific rental incentives outlined in this bulletin apply to those policies.

1. Parking Requirement Reductions

Except Downtown, in the Southeast False Creek area or in the East Fraser Lands area, the Vancouver Parking By-law provides generally reduced parking requirements for 'Secured Market Rental Housing' (as defined in Section 2 of the Vancouver Parking By-law).

Additionally, secured rental projects have enhanced opportunities to seek vehicle parking reductions through a Transportation Demand Management (TDM) Plan, as specified in the Vancouver Parking By-law.

For more information, please see the parking requirements for 'Secured Market Rental Housing' in Section 4.5B of the City of Vancouver's Parking By-law, and the Transportation Demand Management for Developments in Vancouver Administrative Bulletin, including its Schedules A and B.

2. Development Cost Levy (DCL) Waivers

Projects creating new rental supply, where 100% of the residential development is rental in tenure are eligible for a DCL waiver for the rental portion of the development. Under the City-wide Utilities DCL By-law (effective September 30, 2018), Vancouver and Area Specific Development Cost Levy By-laws (the "DCL By-laws"), DCLs for rental housing can be waived for "for-profit affordable rental housing" where the tenure is secured through a Housing Agreement. Projects that include existing rental units (e.g. alterations or extensions) are not eligible for the waiver.

The DCL waiver regulates maximum unit size and rents by unit type.

a. Rent Level Criteria for DCL Waivers for 2019

In order to be eligible for the DCL waiver in 2019, proposed project rents must meet or fall below one of the two following criteria *(Updated December 2018)*:

i. Average Maximum Rents Across All Residential Units

Average rents across the entire residential rental building at initial occupancy do not exceed the following specified rents:

Table 1. Average Maximum Monthly Rents for 2019

Unit Type	East Area DCL Maximum Rents[1]	West Area DCL Maximum Rents[2]
Studio	$1,607	$1,768
1-bedroom	$1,869	$2,056
2-bedroom	$2,457	$2,703

3-bedroom or larger	$3,235	$3,559

Please refer to Figure 1 for more information on Vancouver east and west area boundaries.

OR

ii. 20% of Residential Floor Area at Below Market Rents

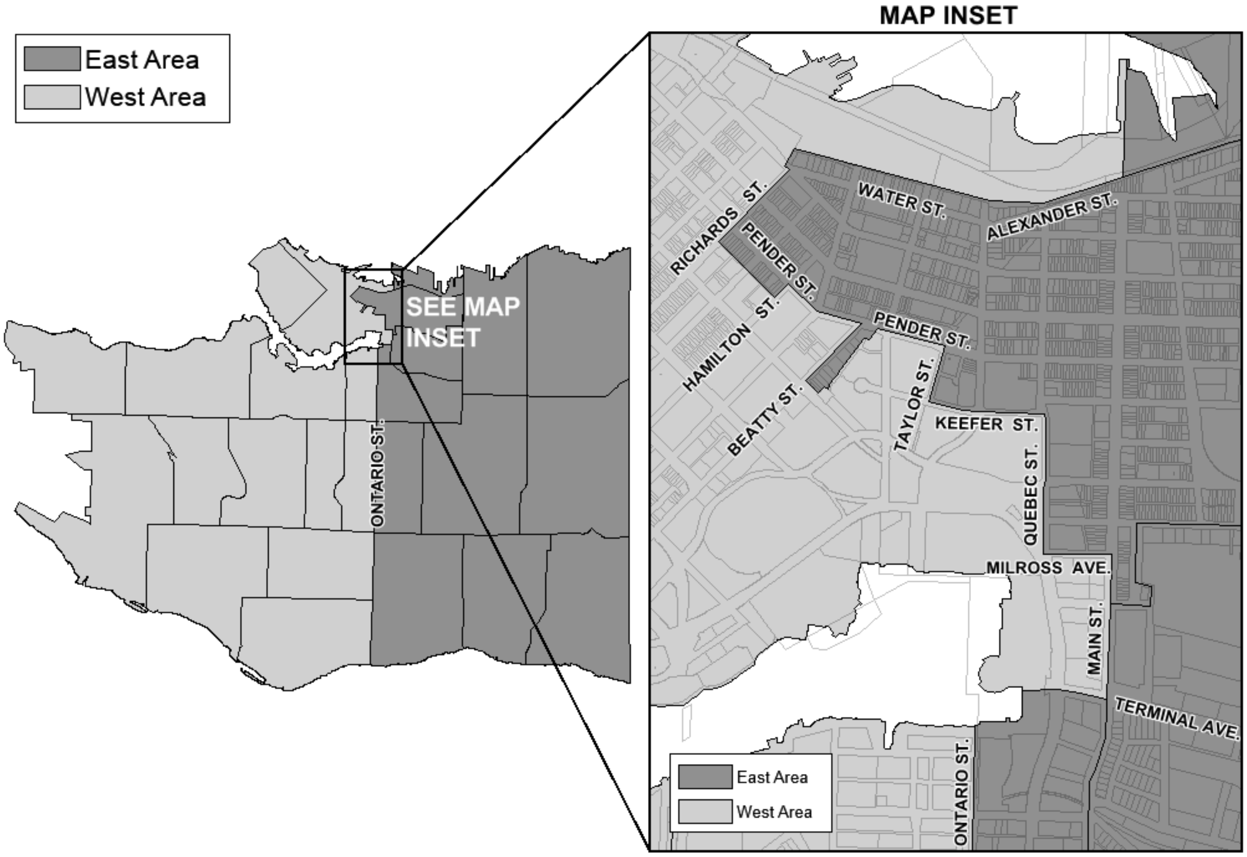
At least 20% of the residential floor area that is counted in the calculation of the floor space ratio consists of units with average rents per unit type for initial occupancy that do not exceed the following maximum average monthly rents:

Table 2. Below Market Rents for 20% of Residential Floor Area

Unit Type	Maximum Average Rents for 20% of Residential Floor Area
Studio	$950
1-bedroom	$1,200
2-bedroom	$1,600
3-bedroom or larger	$2,000

Note: a partial DCL waiver is not permitted for this option.

Figure 1. City of Vancouver Map – East and West Areas*



*This map is intended for purposes of administration of the DCL waiver

1. *For studio, 1-, 2-, and 3-bedroom units, the maximum DCL rents are the average rents for all residential units built **since the year 2005** in the City of Vancouver as published by CMHC in the fall 2018 Rental Market Report.*

2. *For studio, 1-, 2-, and 3-bedroom units, the maximum DCL rents are the average rents for all residential units built **since the year 2005** in the City of Vancouver as published by CMHC in the fall 2018 Rental Market Report plus 10%.*

b. Two Option Approach for 3 bedroom units

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

Projects applying for the DCL waiver and meeting Section 2.a.i. Average Maximum Rents Across All Residential Units with 3-bedroom units that do not meet the rent requirement, but meet the average rents in all the other bedroom types will be eligible for a partial waiver for the studio, 1- and 2-bedroom units. A full DCL will be charged for the 3-bedroom units.

A partial waiver is not permitted for any projects applying for the DCL waiver through Section 2.a.ii. 20% of Residential Floor Area at Below Market Rents.

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

Figure 2: Project Eligibility for DCL Waiver System - Meeting the Rental Rates

Projects eligible for full DCL waiver

Average rents in all studio, 1-, and 2-, and 3-bedroom units **are at or below** rents in *Section 2.a.i. Average Maximum Rents Across All Residential Units*.

OR

For at least 20% of the residential floor area, average rents in all studio, 1-, and 2-, and 3-bedroom units **are at or below** rents in *Section 2.a.ii. 20% of Residential Floor Area at Below Market Rents*.

← ELIGIBLE FOR FULL WAIVER

Projects eligible for partial DCL waiver

Average rents in all studio, 1-, and 2-bedrooms units **are at or below** rents in *Section 2.a.i. Average Maximum Rents Across All Residential Units*.

← ELIGIBLE FOR WAIVER OF THESE UNITS ONLY

Average rents in 3-bedroom units exceeds rents in DCL By-laws

X NOT ELIGIBLE FOR WAIVER FOR 3-BED UNITS

Projects not eligible for DCL waiver

Average rents in studio or 1- or 2-bedroom units **exceeds** rents in *Section 2.a.i. Average Maximum Rents Across All Residential Units* (even if 3-bedroom units comply)

AND

Average rents **do not meet** rents specified in *Section 2.a.ii. 20% of Residential Floor Area at Below Market Rents* for at least 20% of the residential floor area.

X NOT ELIGIBLE FOR ANY WAIVER

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

Notes:

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

c. Average Maximum Unit Sizes

Unit size can contribute significantly to affordability. They will be used in determining eligibility for DCL waivers.

The maximum average unit sizes, excluding storage space and balcony space excluded from FSR calculations and floor area used for stairways, are as follows:

Table 3. Maximum Average Unit Sizes for DCL Waiver by Unit Type

Unit type	Apartment Units	Townhouse Units
Studio	42 square meters (450 sq. ft)	----------
1-bedroom	56 square meters (600 sq. ft)	56 square meters (600 sq. ft)
2-bedroom	77 square meters (830 sq. ft)	90 square meters (969 sq. ft)
3-bedroom	97 square meters (1,044 sq. ft)	112 square meters (1,205 sq. ft)
4-bedroom	----------	125 square meters (1,345 sq. ft)

d. Social Housing

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

e. Administration of the DCL Waiver

At what point in the development process does the applicant request the DCL waiver?

Timing for an applicant's request of the DCL waiver depends on the application stream. For applications requiring rezoning, the applicant's request for the DCL waiver occurs either during the rezoning process or the development permit process, depending on Community Amenity Contribution (CAC) requirements. For projects developing under existing zoning, the applicant's request for the DCL waiver occurs during the development permit process. For more details, see Table 4 below.

Table 4. Timing for DCL Waiver Request

Project Application Stream	Timing of DCL Waiver Request
Requiring rezoning and exempt from CACs[1]	Development permit application
Requiring rezoning and not exempt from CACs	Rezoning application
Not requiring rezoning	Development permit application

For more information on CAC requirements, please refer to the City of Vancouver Community Amenity Contribution sThrough Rezoning policy.

[1] Community Amenity Contribution Exemptions for secured rental housing are specified in the City of Vancouver Community Amenity Contributions Through Rezonings policy.

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

The starting rents for eligible projects must not exceed the maximum rental rates set out in the DCL By-laws. For applications requiring rezoning, the proposed starting rents would be evaluated against the DCL maximum rents at the time of the applicant's request for the DCL waiver, either at public hearing or at the time the 'prior-to' letter of approval is issued, depending on the applicable timing of the DCL waiver request. For projects developing under existing zoning, rents would be evaluated against the DCL maximum rents at the time the 'prior-to' letter of approval is issued. See Table 5 below for more details.

Table 5. Effective Timing for Setting DCL Waiver Rents

Project Application Stream	Effective Timing for Setting DCL Waiver Rents
Requiring rezoning and exempt from CACs[2]	'Prior-to' letter of approval issued
Requiring rezoning and not exempt from CACs	Public hearing approval
Not requiring rezoning	'Prior-to' letter of approval issued

For projects seeking the DCL waiver by meeting the maximum average rent requirements, the proposed starting rents may be increased from the time of approval of the applicant's request for the DCL waiver until building occupancy by the allowable rent increases set out annually by the Provincial Residential Tenancy Branch. This is the maximum starting rents that the project can charge at initial occupancy.

For projects seeking the DCL waiver by providing at least 20% of residential floor area at below market rents as specified in Section 2.a.ii. of this bulletin, no rent increases will be allowed prior to building occupancy.

For more information on rent increases after project opening, refer to Section 3.a.c. of this bulletin.

When is the DCL waiver processed?

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

Does the DCL waiver extend to the Citywide Utilities DCL Bylaw?

On July 11, 2018, Council approved the new City-wide Utilities DCL by-law, which provided a waiver for for-profit affordable rental housing.

On ______, Council approved amendments to the City-wide Utilities DCL By-law and the waiver for for-profit affordable rental housing. These By-law changes mean that rental housing projects will be subject to the Utilities DCL as of September 30, 2020. In order to ensure fairness to applications that have been submitted prior to the adoption of the Utilities DCL By-law change, in-stream rate protection will be offered. Building permits issued within 12 months of the Utilities DCL By-law change are exempt from that DCL rate change, provided there was a precursor application (rezoning, development permit or building permit application) that was in-stream on the date of that increase.

3. Housing Agreement Requirements

a. *Security of Tenure*

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

[2] Community Amenity Contribution Exemptions for secured rental housing are specified in the City of Vancouver Community Amenity Contributions Through Rezonings policy.

Director of Legal Services and the General Manager of Planning, Urban Design and Sustainability.

b. Proposed Starting Rents

Proposed starting rents will be secured through a Housing Agreement. For details on when the proposed starting rents are to be specified, please see Section 2.e. of this bulletin.

c. Rent Increases After Initial Tenancies

Rent increases upon unit turnover will be regulated by the Provincial Residential Tenancy Act as well as any conditions specified in applicable City policy (e.g. Moderate Income Rental Housing Pilot Program, etc.), agreed upon between the City of Vancouver and applicant through a Housing Agreement.

4. Family Housing Requirements

The City's Secured Rental Policy encourages the inclusion of family housing. For rezoning applications, the target for family housing units is set at 35 percent of units. The General Manager of Planning, Urban Design, and Sustainability may consider a relaxation for projects that demonstrate significant design challenges or where the application of the policy would deter the development of a project that meets other Council approved policies and objectives. For more information, please see the policy "Family Room: Housing Mix Policy for Rezoning Projects".

Family units will be 2 or more bedroom units designed to meet the Council adopted High Density Housing for Families with Children Guidelines.

5. Green Buildings Requirements

All rezoning applications considered under this policy will be expected to meet the Green Buildings Policy for Rezonings, and to employ zero emissions heating and hot water systems in the building, achieving a greenhouse gas intensity (GHGI) of 3 kg/m2 or less.

For more information on these requirements and the documentation to be submitted, please refer to the Green Buildings Policy for Rezonings and the Green Buildings Policy for Rezonings – Process and Requirements Administration Bulletin.

6. Implementation of Secured Rental Policy

a. Rental Housing Applications in C-2 Areas

On ______, Council approved amendments to the Secure Rental Policy. New privately initiated rezoning applications in the areas described in Table 1 of the Secured Rental Policy, including for sites zoned C-2, C-2B, C-2C and C-2C, may be supported, effective immediately.

Amendments to the C-2, C-2B, C-2C and C-2C1 district schedules will be prepared for Council's consideration to enable 6 storey mixed use 100% residential rental projects in areas outside of recently approved community plans or where planning programs are underway. Should Council approve such amendments, new proposals to rezone sites in these areas to a site-specific CD-1 will no longer be supported.

These amendments to the C-2, C-2B, C-2C, and C-2C1 district schedules are anticipated to be brought to Council for consideration in Spring 2020.

b. Green Building Requirements in C-2 Areas

Should Council approve amendments to the C-2, C-2B, C-2C and C-2C1 district schedules to enable 6 storey mixed use 100% residential rental projects in areas outside of recently approved community plans or where planning programs are underway, new development permit applications for these projects will also be expected to employ zero emissions heating and hot water systems in the building, achieving a greenhouse gas intensity (GHGI) of 3 kg/m2 or less, and to meet the energy efficiency and emissions requirements of the Green Buildings Policy for Rezonings, by meeting the requirements of either:

- Passive House or an acceptable alternate near zero emissions standard; or,
- Greenhouse gas, thermal energy demand, and total energy use intensity limits (GHGI, TEDI, and TEUI, respectively) as specified in the policy.

c. *Rental Housing Applications in Low Density Transition Areas*

On ______, Council approved amendments to the Secure Rental Policy. New rezoning applications in low density transition zones as described in Section 2.4 of the Secured Rental Policy will not be supported unless new rental tenure district schedules are approved by Council, including proposals that may be eligible for consideration for rezoning to a site-specific CD-1 under Policy 2.4.2.

These new rental tenure district schedules are anticipated to be brought to Council for consideration in Spring 2020.

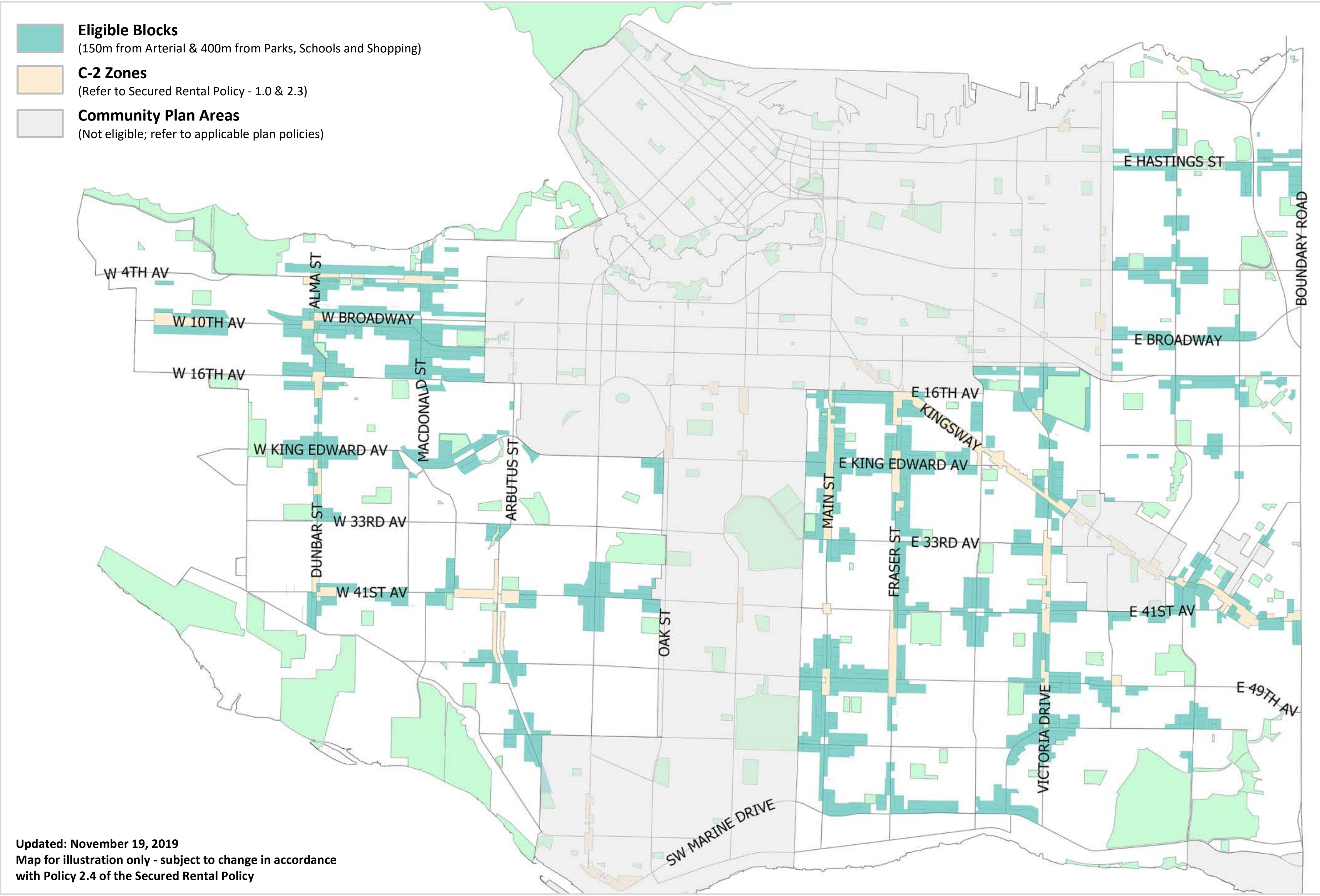
7. Map of General Locations Eligible for Rezoning in Low Density Transition Areas (Policy 2.4 in the Secured Rental Policy)

Figure 3 illustrates the general location of sites zoned RS and RT in low density transition areas that may be eligible for rezoning under policy 2.4 of the Secured Rental Policy. To be eligible, sites must be within approximately 400 m of a park or public school and shopping area(s) with a combined minimum of 15,000 sq. ft. of commercial floor space, and either:

- fronting an arterial or road that is on Translink's Frequent Transit Network, or
- off arterial but part of a block face that is entirely within approximately 150 m of an arterial

Figure 3 is intended as a general illustration only. Interested applicants should contact the Rezoning Information Line (rezoning@vancouver.ca or 604-873-7038) with details regarding the subject property so that staff can advise on eligibility and specific considerations under policy 2.4 of the Secured Rental Policy.

Figure 3: General Location of Blocks That Can Be Considered for Rezoning in Low Density Transition Areas (Policy 2.4 in the Secured Rental Policy)



<u>Draft Residential Rental Tenure Definition and Description of New Regulations in C2, C-2B, C-2C, and C-2C1 zoning districts outside recent community plan areas</u>

The purpose of this appendix is to provide information on the draft definition of residential rental tenure under consideration for inclusion in Section 2 of the Zoning and Development By-Law, as per the new authority delegated by the Province to implement residential rental tenure zoning. This definition will apply in cases where the Zoning and Development Bylaw limits tenure to residential rental tenure.

This appendix also provides a description of the proposed new additional regulations for buildings limited to 100% residential rental tenure in in C2, C-2B, C-2C, and C-2C1 district schedules outside recent community plan areas. The intent is to limit the form of tenure for properties over four storeys to residential rental tenure as per new authority delegated to cities by the Province, thereby encouraging development of purpose-built rental housing in these areas.

Draft definition of residential rental tenure

RESIDENTIAL RENTAL TENURE means, in relation to a dwelling unit in a non-stratified multiple dwelling,

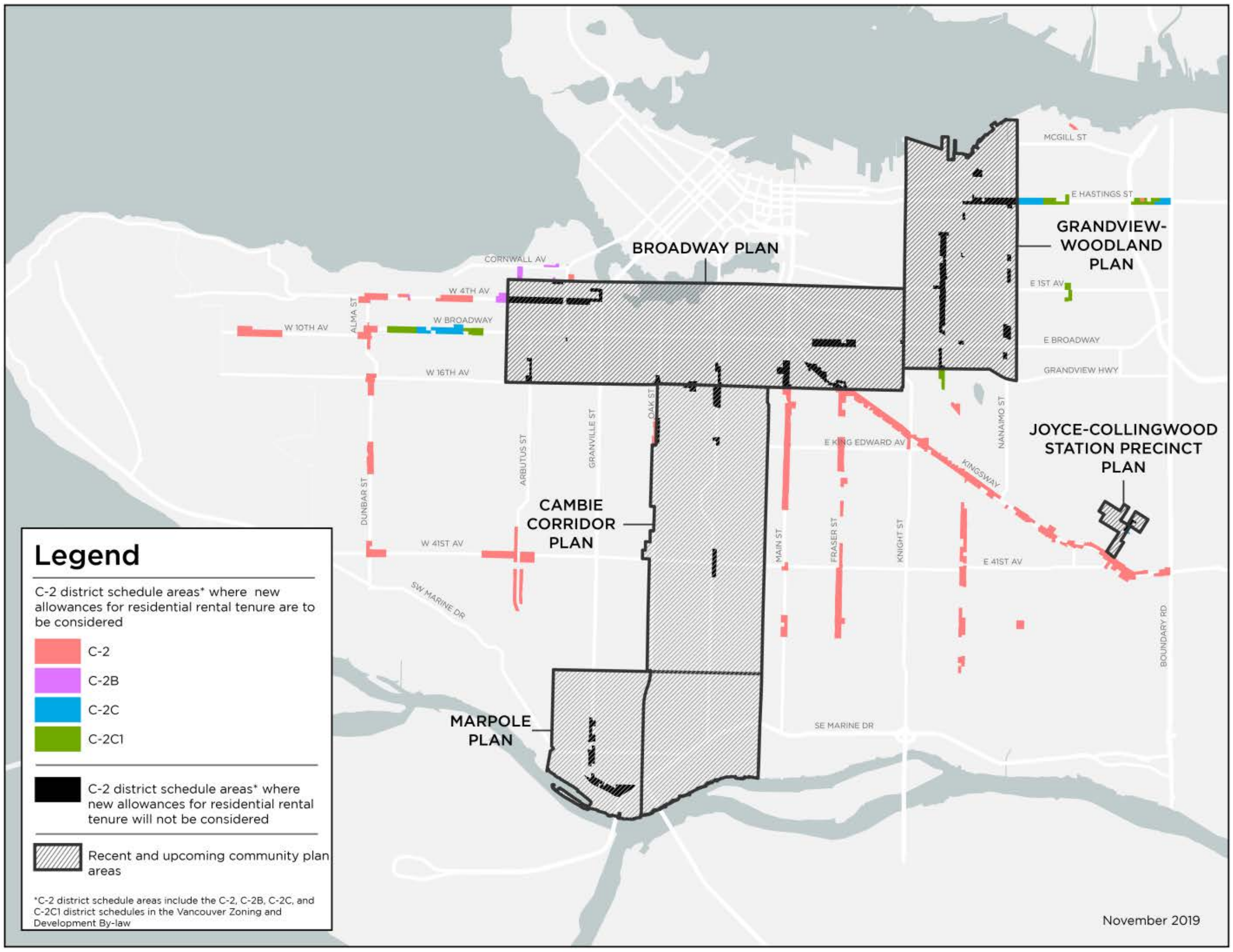
a) a tenancy governed by a tenancy agreement as defined in the Residential Tenancy Act or, in the event that the Act is repealed and not replaced, that contains the standard terms set out in the Residential Tenancy Regulation B.C. Reg. 477/2003;
b) a tenancy in which the landlord is the City of Vancouver, the Metro Vancouver Housing Corporation, the City of Vancouver Public Housing Corporation; the B.C. Housing Management Commission, a non-profit society or association incorporated under the Societies Act whose objects include the provision of affordable rental housing, or a partnership between any two or more such entities; or
c) an occupancy between a member and a non-profit housing co-operative incorporated under the Cooperative Association Act whose objects include the provision of affordable rental housing.

Description of new regulations for rental tenure in C2, C-2B, C-2C, and C-2C1 zoning districts outside recent community plan areas

New defined regulations are under consideration in C2, C-2B, C-2C, and C-2C1 zoning districts for new properties where the residential floor space is limited to 100% residential rental tenure, including increased height and density above current maximum height of four storeys for residential uses, as well as specific regulations for rental housing based on site conditions (i.e. lot depth, frontage, corner vs. mid-block lots, etc.). C-2 design guidelines will be amended to provide guidance for applicants for new forms of development.

These new regulations are under consideration in C2, C-2B, C-2C, and C-2C1 zoning districts outside recent community plan areas generally as shown in Schedule A.

Schedule A:



New Authority for Residential Rental Tenure Zoning

The Local Government Statutes (Residential Rental Tenure Zoning), Amendment Act, 2018, S.B.C. 2018, c. 26 makes amendments to the Local Government Act and Vancouver Charter. The legislation provides local governments with a new authority to zone for residential rental tenure (i.e. rental housing), and enact zoning bylaws that:

- require that new housing in residential areas be developed as rental units; and
- ensure that existing areas of rental housing are preserved as such.

The new rental zoning authority can only be used where multi-family residential use is a permitted use. Within these areas, local governments can now:

- set different rules in relation to restricting the form of tenure of housing units for different zones and locations within a zone; and
- require that a certain number, portion or percentage of housing units in a building be rental.

The intent of these changes is to give local governments greater ability to preserve and increase the overall supply of rental housing in their communities, and increase housing choice and affordability. The new authority came into effect on May 31, 2018, on Royal Assent, and is now available for local governments to use.

Summary of Proposed New Residential Rental Tenure District Schedules to be Developed for Use in Low Density Transition Areas

Background

This appendix provides a general description of the draft directions being explored for new residential rental tenure district schedules for use in conjunction with the rezoning opportunities outlined in section 2.4 of the Secured Rental Policy. These are preliminary considerations, and have been developed based on building types enabled previously by the Affordable Housing Choices Interim Rezoning Policy, and economic and urban design testing and analyses. Further work and public engagement will be undertaken to determine specific entitlements, subject to Council approval of the recommendations of this report. For further details on the proposed definition of residential rental tenure for inclusion in the Zoning and Development By-law, refer to Appendix C.

<u>Affordable Housing Choices Interim Rezoning Policy (AHC IRP)</u>

The AHC IRP previously enabled consideration for rezonings in certain locations for projects where 100% of the residential floor space is rental housing. For proposals that were received before the closing date June 30, 2019, the AHC IRP allows for the following building types:

- Mid-rise forms up to a maximum of 6 storeys
- Ground-oriented forms up to 3.5 storeys (which is generally sufficient height to include small house/duplexes, traditional row houses, stacked townhouses and courtyard row houses) or 4 storey apartments

Figures 1 and 2 provide examples of approved AHC IRP projects in RS and RT zones.

Summary of Recommended Direction

The intent is to continue to allow consideration of rezoning to achieve similar building heights, densities and forms that have been enabled in low density transition zones on sites zoned RS and RT. Designed around public and stakeholder consultation, economic and urban design analyses, and the Climate Emergency Response Big Move #1, the proposed approach also intends to:

- Utilize new tools granted by the province to create residential rental tenure district schedules, for use through "off-the-shelf" rezonings
    - o Existing developments and uses permitted under existing zoning would not be affected on sites not part of a privately-initiated rezoning)
- Provide clarity and specificity on heights, densities and uses that are supportable in certain locations in low density transition zones, and provide clarity regarding locations where new mixed use projects that include commercial retail space are required or encouraged
- Focus opportunities to add new rental housing choice in locations that allow residents to walk or roll to daily needs, including transit, parks, schools and shopping
- Simplify form of development requirements to improve applicant ability to:
    - o Design livable units
    - o Achieve green building requirements
    - o Reduce vehicle parking ratios
- Align with opportunities to enable projects that include a minimum of 20% of the residential floor area as units secured at below market rents
- Consider the surrounding building scale and context

Proposed Direction for New Residential Rental District Schedules
(Refer to policy 2.4 of the Secured Rental Policy for specific locations)

Direction	Description	Location & Considerations
Mixed Use		
6 storey Up to 3.3–3.7 FSR	Similar to the rental tenure option to be developed for Council's consideration for addition to the C-2, C-2B, C-2C and C-2C1 district schedules	Sites on major roads with split zoning including at least half the site area as C-2, or for projects that include a minimum 20% of the residential floor area as units secured at below market rents*
4 storey Up to 2.5 FSR	Similar to the current C-2 mixed use form of development	Sites on major roads, on blocks with existing commercial zoning (C-1, C-2, C-2, C-2B, C-2C, C-2C1 or CD-1 with commercial at grade) or where sites include the entire block face
Residential Apartment		
6 storey Up to ~2.6 FSR	Similar to rental options enabled in some recent Community Plans (eg. Cambie Corridor) Intent to enable simple building forms to achieve viable FSR and facilitate green building and Climate Emergency Response objectives	Sites on major roads, for projects that include a minimum 20% of the residential floor area as units secured at below market rents*
5 storey Up to 2.0-2.2 FSR		Sites on major roads
4 storey Up to 1.75 FSR		Sites off major roads
Residential Townhouse		
4 storey Up to 1.45 FSR	Similar to RM-12N (ground-oriented stacked townhouses or rowhouses)	Sites off major roads, alternate option to 4 storey residential apartment

**Refer to policy 3.2 of the Secured Rental Policy for specific requirements for projects including below market rental units*

Figures 3 and 4 provide examples of building types similar to those proposed to be enabled through new residential rental tenure district schedules.

Next steps

Following this report, Staff will continue work and undertake further analysis and public and stakeholder consultation in Q1 2020 to help inform detailed recommendations for new residential rental tenure district schedules and design guidelines. Policy and regulation recommendations are targeted to be brought to Council for referral to public hearing in Q2 2020.

Figure 1: 3120-3184 Knight Street – Rezoning from RT-2 to CD-1, approved May 20, 2014 at 2.17 FSR and a building height of 51.8 ft. (photo: Google)

Figure 2: 686 E 22nd Avenue, 3811-3833 Fraser Street & 679 E 23rd Avenue – Rezoning from RT-2 to CD-1, approved July 11, 2019 at 3.28 FSR and a building height of 71 ft. (rendering: Strand Development)

Figure 3: 2204-2276 E 1st Avenue – Conditional development permit application under RM-12N zoning, proposing 1.45 FSR and a building height of 40 ft. (rendering: Cornerstone Architecture)

Figure 4: Early rendering illustrating building types proposed to be enabled through new residential rental tenure district schedules, including 4 storey townhouses and 4 and 5 storey apartments

City of Vancouver ***Planning - By-law Administration Bulletins***
Planning and Development Services, 453 W. 12th Ave Vancouver, BC V5Y 1V4 Φ 604.873.7000
planning@vancouver.ca

MODERATE INCOME RENTAL HOUSING PILOT PROGRAM: APPLICATION PROCESS, PROJECT REQUIREMENTS AND AVAILABLE INCENTIVES

Adopted by City Council on November 28, 2017
Effective November 29, 2017
Amended December 15, 2017, May 4, 2018, November 26, 2019

On November 26, 2019, Council approved amendments to the Moderate Income Rental Housing Pilot Program: Application Process, Project Requirements and Available Incentives originally approved by Council on November 28, 2017. The amendments include the following:

- Extension of the timeline of the pilot to enable staff to continue to select up to 20 proposals to submit rezoning applications until January 1, 2021
- Addition of a new consideration for large developments as defined by the Rezoning Policy for Sustainable Large Developments in Section 3g
- Clarification of additional requirements in Section 2d
- Updated information regarding available incentives in Section 3
- Removal of outdated administrative information in Section 1

This bulletin provides information on the application process, project requirements and incentives approved by City Council on November 29th 2017 (including amendments) relating to the construction of moderate income rental housing.

Beginning January 1st, 2018, the City will begin accepting development proposals for new buildings where 100% of the residential floor area is secured rental housing and at least 20% of the residential floor area that is counted in the calculation of the floor space ratio is made available to moderate income households; earning between $30,000 and $80,000/ year. As per Council direction, rental units for moderate income households will be provided in a variety of unit types (studios, 1, 2 and 3 bedrooms).

This is a pilot program to test and demonstrate what is possible in different parts of the city. Staff will select up to 20 proposals to submit full rezoning applications between January 1st 2018 and July 1st 2019. On November 26, 2019, Council extended the timeline of the pilot to enable staff to continue to select up to 20 proposals to submit full rezoning applications until January 1, 2021. All applications will proceed through a full rezoning process including public hearing. Following the pilot program, Staff will report back to City Council with lessons learned and, if appropriate, recommendations for a new, long term program to encourage the construction of moderate income rental housing.

1. Application Process

1a. Pre-Enquiry Application

Proposals under the pilot will only be accepted during specified intake periods, and information on submission opportunities will be posted on the City's website at vancouver.ca/rentalhousing.

Interested proponents are required to complete and submit a Pre-Enquiry Application Form, along with other materials as required, which will be reviewed by an interdepartmental staff team. Projects that best meet and exceed the criteria of the pilot program and other Council policies and guidelines may be selected to submit a full rezoning enquiry package, as program capacity permits.

Key criteria that staff will apply in the review of the Pre-Enquiry Application forms include the depth and breadth of affordability being provided, the inclusion of family housing and locational considerations. As the purpose of the pilot is to demonstrate what is possible in different parts of the city, staff will seek to identify sites in a diversity of locations and zoning districts.

1b. Rezoning Enquiry Package

The interdepartmental staff team will review and compare proposals at the enquiry stage to evaluate and assess the fit with the requirements of the pilot program and other Council policies and guidelines. Proposals that score well against set criteria may be selected to proceed with the rezoning application process, as program capacity permits.

1c. Rezoning Application

Proponents of selected projects will be notified and advised of the requirements to submit a full rezoning application.

2. Project Requirements

2a. Affordability in the Moderate Income Rental Units

The incentives outlined in section 3 below are designed to encourage the delivery of new buildings where 100% of the residential floor area is secured rental housing and at least 20% of the residential floor area that is counted in the calculation of the floor space ratio is made available to moderate income households; earning between $30,000 and $80,000 per year.

Targeted Rents in Moderate Income Rental Units (at Project Opening)

Unit Type	Rents
Studio	$950
1 Bedroom	$1,200
2 Bedroom	$1,600
3 Bedroom	$2,000

Rent rates for any proposed Micro Dwelling units are expected to be lower than the rents for studio units.

Rent escalation in the moderate income units will be capped at the BC Residential Tenancy Act annual allowable increase, regardless of turnover.

2b. Requirements for Project Proponents

As a condition of approval, applicants will be required to enter into a Housing Agreement pursuant to section 565.2 of the Vancouver Charter including no stratification and no separate sales covenants (and any other legal mechanism deemed necessary by the Director of Legal Services and the General Manager of Arts, Culture, and Community Services) with the City of Vancouver to secure the applicable starting rents and the rental units for a term of 60 years or life of the building, whichever is greater.

The Housing Agreement will also include the following requirements for the proponent regarding the operation of the moderate income rental units:

- **The Proponent will Verify Eligibility for New Tenants in Moderate Income Rental Units**
  - For new tenants, household income cannot exceed 4 times the annual rent for the unit (i.e. at least 25% of income is spent on rent).
  - There should be at least one occupant per bedroom in the unit.

- **The Proponent will Verify Eligibility for Existing Tenants in Moderate Income Rental Units**
  - Building operator will test existing tenants to ensure eligibility every 5 years after initial occupancy.
    - For existing tenants, household income cannot exceed 5 times the annual rent for the unit (i.e. at least 20% of income is spent on rent)
    - There should be at least one occupant per bedroom in the unit.
  - If an existing tenant no longer qualifies for their moderate income rental unit, the operator will issue a notice to end tenancy in accordance with the BC Residential Tenancy Act. The notice will take effect 6 months after the date of issuance.
  - Note: in order to support stability of tenure, Provincial regulations allow additional flexibility for operators who meet the definition of a "housing society". The City will consider alternative proposals for ensuring that moderate income units continue to serve targeted households over the long term while ensuring that existing tenants have stability of tenure.

- **The Proponent will Provide an Annual Report to the City of Vancouver on the Operation of the Moderate Income Rental Housing Units**
  - The report will be in a format deemed acceptable by the General Manager of Arts, Culture and Community Services or their designate
  - The report will be designed to ensure that the City can confirm that the building is operating as agreed and will include information on:
    - Rents collected in all units
    - Unit turnover and incomes of new tenants
    - Updated incomes for households who have occupied the unit for 5 years
  - The City may audit the information provided in the annual report.

2c. Unit Mix Guidelines

In order to ensure a variety of unit types in both the market and below market housing units, projects should achieve the following unit mix distribution targets.

Unit Type	**% of total**
Studios	25%
1 Bedrooms	40%
2 & 3 Bedrooms	35%
Total	100%

The unit type mix in the moderate income units should generally match that of the market rate units. The City encourages the provision of 3-bedroom rental housing units.

2d. Additional Requirements

Tenant Relocation and Protection

Where existing tenants are impacted, comprehensive tenant relocation planning is required in accordance with the Tenant Relocation and Protection Policy.

The Tenant Relocation and Protection Policy was updated in June 2019 to enhance and increase protections for renters in Vancouver. Changes included increased compensation, support and requirements for ongoing notice and communication, and an extension of the policy coverage to secondary rental housing (e.g. rented houses, secondary suites, etc.) in some circumstances where there is a proposal for a new multiple dwelling.

Housing for Families

The City's Family Room: Housing Mix Policy for Rezoning Projects policy requires that at least 35% of units in secured market rental housing projects have 2 or more bedrooms.

This requirement for 35% family units will apply to projects that include at least 20% of the residential floor area that is counted in the calculation of the floor space ratio as moderate income rental housing and the unit type mix in the moderate income units will need to match that of the market rate units.

3. Available Incentives

3a. Development Cost Levy (DCL) Waivers

The City of Vancouver's Rental Incentive Programs Administration Bulletin includes a detailed description of the criteria that must be met in order for a secured rental housing project to be eligible for a DCL Waiver.

Projects will be eligible for a DCL waiver provided they meet the requirements of the DCL by-laws. Updates to the DCL by-laws approved by Council on November 26, 2019 enable projects where 100% of the residential floor area is secured rental and at least 20% of the residential floor area that is counted in the calculation of the floor space ratio is secured at the starting rents applicable to moderate income rental housing to qualify for a waiver of City-wide and Area-specific development cost levies.

3b. Senior Government Programs to Support Rental Housing Construction

Government of BC Programs

The BC Housing Community Partnership Initiative provides financing to support the creation of affordable housing for low and moderate income households in communities across British Columbia. The following financing streams may be available to support proposals that include moderate income rental housing.

Interim Construction Financing – available to both for profit and non-profit developers
BC Housing can provide interim construction financing for the development of affordable housing which includes new construction and the purchase of existing buildings to preserve affordability. Interim financing may be approved up to 100% of the construction cost to complete the affordable housing portion of the project.

Take-out Financing – available to non-profit developers
BC Housing may also help eligible non-profit housing partners obtain take-out financing. BC Housing will make arrangements with a large number of approved lenders to obtain low interest rates and favourable terms through a competitive tender and selection process conducted and approved by BC Housing. All approved BC Housing take-out loans will have low cost Canada Mortgage and Housing Corporation (CMHC) loan insurance. This stream of financing is only available to non-profit developers.

Additional details including eligibility criteria are available on the BC Housing website.

Government of Canada Programs

Interested proponents are encouraged to review the following CMHC programs that may be available to assist with project viability:

- Rental Construction Financing Initiative
- Seed Funding Program
- Mortgage Loan Insurance

3c. City of Vancouver Capital Grants for Non-Profit Developers

The City provides capital grants to improve the viability and/or the enhance affordability of social housing developments that meet the definition of "social housing", as outlined in the City of Vancouver's Zoning and Development By-law. Eligibility information (including affordability levels) and application forms are available by contacting affordable housing projects staff at: housing@vancouver.ca.

3d. Parking Requirement Reductions

The City of Vancouver's Parking By-Law outlines the reductions to parking requirements that can be considered for projects that provide "Secured Market Rental Housing."

In order to encourage the construction of projects that include moderate income rentals, the City may consider additional parking reductions in excess of those described in the Transportation Demand Management for Developments in Vancouver Administrative Bulletin (the TDM Bulletin). For moderate income rental units only, the allowable reductions for transit accessibility are as follows:

- For sites with Transit Accessibility Level A, the minimum parking requirement can be reduced by an additional 10%
- For sites with Transit Accessibility Level B, the minimum parking requirement can be reduced by an additional 5%

Additional parking reductions may also be achieved through a Transportation Demand Management (TDM) Plan. Interested proponents should refer to the TDM bulletin and worksheets.

The amount of parking that is provided will be discussed with the proponent during the enquiry stage.

3e. Relaxation of Minimum Unit Size and Configuration Requirements

As an incentive to encourage construction of moderate income rental housing, the Director of Planning may relax minimum unit size and configuration requirements in the moderate income units. Potential relaxations in unit size (e.g. micro dwellings) and configurations (e.g. in board bedrooms) may be considered subject to evaluation of livability and design performance.

Proposals that include dwelling units that are less than 398 sq. ft., including Micro Dwellings (as defined in the Zoning and Development By-law), will need to be in appropriate locations and should include building design features to support livability in the smaller units (e.g. balconies on the smaller units and enhanced common amenity space(s) in the building).

3f. Expedited Processing

Proposals that meet the requirements of the Moderate Income Rental Housing Pilot Program will be prioritized for expedited processing by City staff.

3g. Additional Floor Area

The City of Vancouver's Secured Rental Policy provides the opportunity for additional floor area for projects that deliver 100% of residential floor area as secured rental housing. The table below identifies areas of the City where additional height and density may be considered for rental projects that include at least 20% of the residential floor area that is counted in the calculation of the floor space ratio as moderate income rental housing.

General Guidelines for Additional Height and Density

	100% Secured Market Rental	**Additional Height and Density for Projects that Include at Least 20% of Residential Floor Area as Moderate Income Rental Housing**
C-1	Generally consider C-2 form	Over 4 and up to 6 storeys on arterial streets.
C-2, C-2B, C-2C & C-2C1	Up to 6 storeys	Over 6 and up to 14 storeys at arterial intersections.
C-3A	Consider additional density; adhere to existing height limits and generally to guidelines	Supportable height and density will vary depending on the site.
MC-1	Consider modest increases in height and density	Over 6 and up to 14 storeys at arterial intersections.
CD-1	Consider redevelopment of sites with no existing rental housing	Consider redevelopment of a limited number of highly underutilized sites (e.g. < 0.75 FSR). Supportable height and density will vary depending on the site.
RM zones	Consider redevelopment of sites with no existing rental housing	Consider redevelopment of a limited number of highly underutilized sites with a low number of existing tenants – buildings with a maximum of 3 existing rental units. Up to 6 storeys on arterials. Consider higher forms at arterial intersections. On larger sites off-arterials, consider up to 6 storeys where appropriate.
RT zones **RS zones**	Refer to the Secured Rental Policy for eligibility	Over 4 and up to 6 storeys on arterials. Consider higher forms at arterial intersections. On larger sites off-arterials, consider up to 6 storeys where appropriate.
Downtown District ODP (excluding areas A, B, C1, F, K1, K2 & K3)	Consider development sites which allow for residential density where there are no conflicts with existing policies for social housing (e.g. the density bonus for social housing for small sites in the Downtown South). Consider additional density appropriate to context; adhere to existing height policies and limits.	
Large developments	For large developments (on sites ≥8,000 sq. m or that contain ≥45,000 sq. m of new floor area) in zones that qualify as per this table, supportable height and density will vary depending on the site.	

Additional Considerations:

- Projects must consider and respect transitions to surrounding areas and homes.
- Neighbourhood context is an important consideration. In single family and duplex areas, projects in areas with existing precedents for higher buildings will be considered more appropriate locations for additional height and density.
- Policy direction in plan areas must be respected (e.g. Marpole, DTES, West End, Grandview-Woodland, Joyce Station Area, Cambie Corridor, Oakridge Transit Centre, Broadway).
- Where existing zoning or street context supports provision of ground floor retail space, proposals should include ground floor retail.
- Proposals for projects in areas not identified in the table above will not be considered. In particular, sites not identified as General Urban in the Regional Context Statement ODP cannot be considered.

Policy

Below-Market Rental Housing Policy for Rezonings

Approved by Council ____, 2019

Background and Context

In November 2017 City Council approved *Housing Vancouver (2018-2027)*, a 10-year strategy with targets to deliver the right supply of housing that meets the needs of a broad range of incomes and households types. A central goal of *Housing Vancouver* in achieving this right supply is to align city policies and processes to shift new housing supply toward rental and social housing to meet the greatest need in the city. The Strategy targets 20,000 new secured market rental housing units over ten years, 14,500 of which are targeted to be affordable to households with incomes between $30,000 and $80,000/year.

After three years of monitoring, the city is not achieving the annual targets set out in *Housing Vancouver* for new secured rental housing affordable to households earning $80,000/year and below. Concurrently, Vancouver's purpose-built rental vacancy rate has been less than 1 per cent since 2014 while the proportion of renter households in Vancouver continues to rise, resulting in more renters competing for a limited number of rental units.

Intent

This policy provides the project requirements and criteria which will guide consideration of additional height and density for rezoning projects to achieve below-market rental housing in areas of the city where change is already enabled. The intent of the policy is to enable new projects to deliver rental housing with a below-market component that is affordable to households earning under $80,000 per year in place of delivering new strata-titled ownership housing. The timing will take advantage of the slowing of an overheated condominium market by offering modest increases in height and density where appropriate so that projects may shift from delivery of ownership housing to below-market and market rental housing.

Policies

1.0 Below-Market Rental Housing Policy for Rezonings

In areas of the city where existing plans and policies already enable redevelopment to apartment forms, allow modest increases in height and density for projects which include 100% of the residential floor area as secured rental housing and at least 20% of the residential floor area that is counted in the calculation of the floor space ratio as below-market rental housing made available to households earning below $80,000/year. Qualifying projects may be mixed-use (e.g. include a commercial component), but all of the residential units proposed in the development must be rental in tenure.

Additional height and commensurate density will be considered generally up to:

1.1 Two additional storeys for projects 8 – 11 storeys enabled under existing plans or policies; or

1.2 Three additional storeys for projects over 12 storeys enabled under existing plans or policies.

Projects will be evaluated on a case-by-case basis with proposed additional height and commensurate density evaluated alongside public realm impacts and urban design considerations, including view cones, shadow impacts on important public open spaces.

2.0 Additional Considerations for Project Proponents

2.1 Location

This policy applies city-wide to areas where residential and mixed-use developments in apartment forms 8 storeys and above are already enabled through existing plans and policies.

The following areas are excluded from the Below-Market Rental Housing Policy for Rezonings:

(a) Areas where a community planning process is currently taking place (e.g. Broadway Plan study area)

(b) Areas where a recent community planning process has enabled delivery of below-market rental housing (e.g. Cambie Corridor, Major Project Sites)

(c) Areas where delivery of social housing is a requirement of redevelopment (e.g. areas of the Burrard Corridor area under the West End Plan, the Downtown Eastside Oppenheimer District under the Downtown Eastside Plan, parts of the Cambie sub-area of Marpole)

2.2 Affordability

All below-market units will be affordable to households earning below $80,000 per year (where rents will be targeted to 30% of tenant's before-tax household income on rent), with the goal of creating units affordable to a range of incomes, with greater affordability subject to project viability.

2.3 Security of Tenure and Operational Requirements

All the rental units will be secured for a term of 60 years or the 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 legal mechanisms deemed necessary by the Direction of Legal Services and the Director of Planning, Urban Design and Sustainability.

For details related to eligibility requirements for new and existing tenants, refer to the Moderate Income Rental Housing Pilot Program Administrative Bulletin Section 2b for general guidance, acknowledging that variances from these guidelines may be required to support project viability.

2.4 Community Amenity Contributions (CACs)

Projects involving 100% of the residential floor area as secured rental housing with 20% of the floor area as below market rental housing will be subject to a negotiated CAC process to determine if a CAC is warranted beyond securing the affordability in the project.

2.5 Housing for Families and Unit Mix

The City's Family Room: Housing Mix Policy for Rezoning Projects will apply to the below market rental units. The target for family housing units is set at 35%, defined as 2 or more bedrooms, designed to meet the Council adopted guidelines for High Density Housing for Families with Children.

For more information on incentives available for rental projects (e.g. Development Cost Levy waiver and parking reductions), please refer to the Administrative Bulletin: Rental Incentive Program Process and Administration.

Energy Retrofit PLUS Reinvestment Pilot

Context:
Low-rise wood frame buildings represent 60 per cent of rental units and 87 per cent of rental buildings protected under the Rental Housing Stock ODP. Many of these buildings rent at or below CMHC average rents for the area, making them a critical source of affordable housing for Vancouver's renter households. However, most of these buildings were constructed between 1950 and 1980 and are facing significant renewal needs as they age. These buildings are also far less energy efficient than similar ones constructed today and typically use natural gas to meet their space and domestic water heating needs.

While many landlords plan for and undertake maintenance and repairs on a regular basis with existing tenants in place, some landlords may not be prepared for the cost, complexity, and potential tenant impacts of renewals to major building systems and critical life-safety, energy, and structural upgrades. We have also heard from many landlords that there are significant challenges funding the substantial cost of major upgrades and new systems through current rent revenues and reserves. There are currently only limited opportunities under the RTA for landlords to increase rents to reflect the cost of needed structural, safety, or energy upgrades, which means some landlords may be deferring renovation projects that are critical to the long-term performance and resilience of their buildings. In addition, while most major upgrades can feasibly be done with tenants in place, we have heard some concerns from landlords about the logistics and added cost and time required to do work with tenants in suites, as well as a lack of knowledge of best practices for undertaking more significant work with tenants in place. This has in part driven concern from tenants about the risk of displacement due to renovations in existing rental.

Low-rise wood frame rental buildings have typically been underserved by existing energy incentive and retrofit programs that are aimed at supporting the transition to low carbon systems in larger buildings and stratas. Wood frame rental 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 also tend to find it more difficult to access financing, and might have less technical knowledge, particularly regarding more complex upgrades like building envelope rehabilitations and deep retrofits, or new heat pump technology to replace existing gas heating systems.

Project Description:
The Energy Retrofit PLUS Carbon pilot (The Project) is a joint demonstration and learning project of the Government of BC's CleanBC Program and the City of Vancouver. The Project will be supported by funding from the City and Province and administered by Landlord BC. The goal of the Project is to support landlords with key energy and building system upgrades while learning about the key types of support needed to minimize impact on tenants and maintain security of tenure while undertaking a range of major and minor reinvestment projects. The findings and results from the Project will inform future work and partnerships to further support reinvestment in the existing rental stock, including the potential for an incentive program to help significantly reduce GHG emissions in the province's market rental MURB sector.

The Project follows from Recommendation F of the report back on *Actions to Increase Renter Protection and Amendments to the Tenant Relocation and Protection Policy,* approved by Council on June 19th, 2019, to work with Landlord BC to explore the development of a pilot program to fund major building systems and energy retrofits in existing rental buildings without displacing existing tenants.

The Project will have four primary phases of work:

1. **Phase 1:** Provide up to $10,000 to owners of market rental MURBs in Vancouver to conduct a targeted energy study of their building. It is estimated that targeted energy studies will be conducted for up to 20 different buildings.

2. **Phase 2:** Provide capital funding for a subset of the buildings that participated in the first phase of work.

    a. The capital funding will cover a portion of the cost to install one or more of the low-carbon retrofit measures identified in the building's energy study.

    b. It is expected that the majority of building projects will be mechanical fuel-switching measures (from natural gas to electric). However, a small subset (1-3) of building projects will include envelope retrofits.

    c. To ensure a good sample of buildings participate in the capital portion of the Project, a total project cost will likely be set at around $500,000 per building. The project will also provide up to $10,000 in project supports (e.g. such as assisting with measure specifications, hiring qualified contractors, and project management).

3. **Phase 3:** Third, the Project will carry out Quality Assurance (QA) as well as Measurement and Verification (M&V) processes for all participating buildings that receive capital funds to undertake upgrades identified in the targeted energy study. This phase of work will ensure that measures taken are properly installed and provide important information to the Project's partners about the actual cost and performance of installed measures.

4. **Phase 4:** the Project will include detailed case studies of each of the completed projects. The case studies will be publicly available and targeted specifically at the market rental MURB sector. Data collected will also be used by the partners to assess the program and the potential to carry out further program work in the sector.

Participating buildings will be required to maintain all existing tenancies during the project and take proactive measures to minimize tenant impacts of the work (i.e. noise, access to suites, utility shut-offs, etc).

Draft Budget:

The Government of BC and the City of Vancouver have each committed $1.5 million to the Project, pending final approval.

The specific number of building projects receiving capital funding from the Project will depend on the types of measured chosen and the size of participating building (larger buildings are expected to incur higher per measure costs).

BY-LAW NO.

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

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

1. This By-law amends the indicated provisions of By-law No. 9755.

2. Council strikes section 3.1~~.~~A and 3.1~~.~~B and replaces them as follows:

“Waiver for for-profit-affordable housing

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

(a) all dwelling units in the building are rental units;

(b) no dwelling units are strata units;

(c) the average size of the dwelling units of each unit type is not greater than:

Bedroom Type	Multi-family Apartment	Townhouse
Studio	42 square meters	----------
One Bedroom	56 square meters	56 square meters
Two Bedroom	77 square meters	90 square meters
Three Bedroom	97 square meters	112 square meters
Four Bedroom	--------------	125 square meters

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

(d) At least 20% of the residential floor area that is counted in the calculation of the floor space ratio consists of units with average rents per unit type for initial occupancy that do not exceed the following specified rents:

(i) $950 per month for studio units,
(ii) $1,200 per month for one bedroom units,
(iii) $1,600 per month for two bedroom units; and
(iv) $2,000 per month for units with three or more bedrooms, or

where, instead of instead of complying with (d);

(e) agreed upon average rents per unit type for initial occupancy do not exceed the average rents for studio units, one bedroom units, two bedroom units and units with three or more bedrooms built in the City since 2005, as published by the Canada Mortgage and Housing Corporation in the Rental Market Rental Report in the previous calendar year, except that such rents may be 10% higher than the rents otherwise stipulated under this section if the housing is located in the West Area as shown on the map attached to this By-law as Appendix “A”, and rents shall also be adjusted annually on January 1:

i. for all studio units, one bedroom units, two bedroom units and units with three or more bedrooms to reflect the change in average rents for studio units, one bedroom units, two bedroom units, and units with three or more bedrooms built in the City since 2005, as those rents are set out by the Canada Mortgage and Housing Corporation in the Rental Market Report published in the previous calendar year, or the most recently published data for the newest building age category for private rental apartment units published in the Canada Mortgage and Housing Corporation’s Rental Market Report; or

ii. when the average rent data for any bedroom type is not reported in the Canada Mortgage and Housing Corporation’s Rental Market Report, the change in average rents will reflect the average rents for the most recent building age category available in the Canada Mortgage and Housing Corporation’s Housing Market Information Portal, as those rents are set out for the previous calendar year; and

(f) the owner of the property on which such housing is situate has registered against title to that property an instrument, in form and substance, and with priority of registration, satisfactory to the Director of Legal Services, ensuring the initial rents are in accordance with 3.1A (d) or 3.1A (e), and otherwise in compliance with this By-law, and restricting the tenure of such housing to rental for:

i. the longer of the life of the building in which they are situate and 60 years, or

ii. such other term to which the City and owner may agree.

Administration of waiver

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

(a) rents to be agreed upon shall not exceed the rents stipulated in section 3.1A and this By-law at the time of Council’s approval in principle of any zoning by-law required to authorize the development of the site in cases where the application is subject to a Community Amenity Contribution, or at the time the ‘prior-to permit issuance’ letter related to the development permit is issued and for clarity, the rents to be agreed upon may be lower than the rents stipulated under this By-law, but may not exceed the rents stipulated under this By-law;

(b) notwithstanding section 3.1B (a), if the rents are determined under 3.1.A (e), rather than under 3,1A (d), the rents that may be charged at initial occupancy may be increased annually from the time that the rents are agreed upon at the applicable triggering event specified in section 3.1B (a) until initial occupancy in accordance with the annual maximum increases authorized by the province of British Columbia under section 22 of the Residential Tenancy Regulation, B.C. Reg. 477/2003;

(c) any waiver of a development cost levy authorized under section 3.1A is to be calculated and determined at the time of issuance of a building permit authorizing construction of the building subject to the waiver;

(d) a building that qualifies under section 3.1A for a development cost levy waiver shall not forfeit the waiver because other housing otherwise exempt from development costs levies under City by-laws or the Vancouver Charter is also located in the building; and

(e) all units of all unit types must meet all the requirements in section 3.1A (a) and (b), all units of all unit types must be used to calculate the averages specified in 3.1A (c), all units of all unit types that comprise the 20% of residential floor area used to calculate 3.1A (d) must meet the rents specified in 3.1A (d), and all units of all units types must be used to calculate the average rents specified in 3.1A (e), except that a building that contains studio units, one bedroom units and two bedroom units that meet all requirements in 3.1A (a),(b),(c), and (e) qualifies for a waiver for all those units in each of those unit types on a pro rata basis even if the building contains units with three or more bedrooms that do not meet the requirements in section 3.1A (e), in which case none of the units with three or more bedrooms qualifies for the waiver.

3. A decision by a court that any part of this By-law is illegal, void, or unenforceable severs that part from this By-law, and is not to affect the balance of this By-law.

4. This By-law is to come into force and take effect on enactment..

ENACTED by Council this day of , 2019

Mayor

City Clerk

BY-LAW NO.

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

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

1. This By-law amends the indicated provisions of By-law No. 9418.

2. Council strikes section 3.1A and 3.1B and replaces them as follows:

"Waiver for for-profit-affordable housing

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

(a) all dwelling units in the building are rental units;

(b) no dwelling units are strata units;

(c) the average size of the dwelling units of each unit type is not greater than:

Bedroom Type	Multi-family Apartment	Townhouse
Studio	42 square meters	----------
One Bedroom	56 square meters	56 square meters
Two Bedroom	77 square meters	90 square meters
Three Bedroom	97 square meters	112 square meters
Four Bedroom	--------------	125 square meters

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

(d) At least 20% of the residential floor area that is counted in the calculation of the floor space ratio consists of units with average rents per unit type for initial occupancy that do not exceed the following specified rents:

(i) $950 per month for studio units,
(ii) $1,200 per month for one bedroom units,
(iii) $1,600 per month for two bedroom units; and
(iv) $2,000 per month for units with three or more bedrooms, or

where, instead of instead of complying with (d),

(e) agreed upon average rents per unit type for initial occupancy do not exceed the average rents for studio, one bedroom, two bedroom and units with three or more bedrooms built in the City since 2005, as published by the Canada Mortgage and Housing Corporation in the Rental Market

Rental Report in the previous calendar year, except that such rents may be 10% higher than the rents stipulated under this section if the housing is located in the West Area as shown on the map attached to this By-law as Appendix "A", and rents shall also be adjusted annually on January 1:

i. for all studio units, one bedroom units, two bedroom units and units with three or more bedrooms to reflect the change in average rents for studio units, one bedroom units, two bedroom units, and units with three or more bedrooms built in the City since 2005, as those rents are set out by the Canada Mortgage and Housing Corporation in the Rental Market Report published in the previous calendar year, or the most recently published data for the newest building age category for private rental apartment units published in the Canada Mortgage and Housing Corporation's Rental Market Report; or

ii. when the average rent data for any bedroom type is not reported in the Canada Mortgage and Housing Corporation's Rental Market Report, the change in average rents will reflect the average rents for the most recent building age category available in the Canada Mortgage and Housing Corporation's Housing Market Information Portal, as those rents are set out for the previous calendar year; and

(f) the owner of the property on which such housing is situate has registered against title to that property an instrument, in form and substance, and with priority of registration, satisfactory to the Director of Legal Services, ensuring the initial rents are in accordance with 3.1A (d) or 3.1A (e), and otherwise in compliance with this By-law, and restricting the tenure of such housing to rental for:

i. the longer of the life of the building in which they are situate and 60 years, or

ii. such other term to which the City and owner may agree.

Administration of waiver

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

(a) rents to be agreed upon shall not exceed the rents stipulated in section 3.1A and this By-law at the time of Council's approval in principle of any zoning by-law required to authorize the development of the site in cases where the application is subject to a Community Amenity Contribution, or at the time the 'prior-to permit issuance' letter related to the development permit is issued and for clarity, the rents to be agreed upon may be lower than the rents stipulated under this By-law, but may not exceed the rents stipulated under this By-law;

(b) notwithstanding section 3.1B (a), if the rents are determined under 3.1.A (e), rather than under 3,1A (d), the rents that may be charged at initial occupancy may be increased annually from the time that the rents are agreed upon at the applicable triggering event specified in section 3.1B (a) until initial occupancy in accordance with the annual maximum increases authorized by the province of British Columbia under section 22 of the Residential Tenancy Regulation, B.C. Reg. 477/2003;

(c) any waiver of a development cost levy authorized under section 3.1A is to be calculated and determined at the time of issuance of a building permit authorizing construction of the building subject to the waiver;

(d) a building that qualifies under section 3.1A for a development cost levy waiver shall not forfeit the waiver because other housing otherwise exempt from development costs levies under City by-laws or the Vancouver Charter is also located in the building; and

(e) all units of all unit types must meet all the requirements in section 3.1A (a) and (b), all units of all unit types must be used to calculate the averages specified in 3.1A (c), all units of all unit types that comprise the 20% of residential floor area used to calculate 3.1A (d) must meet the rents specified in 3.1A (d), and all units of all units types must be used to calculate the average rents specified in 3.1A (e), except that a building that contains studio units, one bedroom units and two bedroom units that meet all requirements in 3.1A (a),(b),(c), and (e) qualifies for a waiver for all those units in each of those unit types on a pro rata basis even if the building contains units with three or more bedrooms that do not meet the requirements in section 3.1A (e), in which case none of the units with three or more bedrooms qualifies for the waiver.

3. A decision by a court that any part of this By-law is illegal, void, or unenforceable severs that part from this By-law, and is not to affect the balance of this By-law.

4. This By-law is to come into force and take effect on enactment..

ENACTED by Council this day of , 2019

Mayor

City Clerk

BY-LAW NO. _______

A By-law to amend the Vancouver Utilities Development Cost By-law to remove the waiver for for-profit affordable rental housing

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

1. This By-law amends the indicated provisions of By-law No. 12183.

2. Council strikes the definition of " for-profit affordable rental housing" from section 1.2.

3. Council strikes section 3.2 and inserts in its place "[DELETED]".

4. A decision by a court that any part of this By-law is illegal, void, or unenforceable severs that part from this By-law, and is not to affect the balance of this By-law.

5. This By-law is to come into force and take effect on its enactment.

ENACTED by Council this day of , 2019

Mayor

City Clerk

RENTAL INCENTIVE PROGRAM REVIEW - PHASE II CONSULTATION SUMMARY

November 2019

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EXECUTIVE SUMMARY

INTRODUCTION: RENTAL INCENTIVE PROGRAM

Since 2009, the City of Vancouver has had incentive programs to increase the supply of purpose-built rental housing in Vancouver. After 10 years of results, City staff are reviewing the rental incentive programs and exploring updates and improvements to recommend to Council.

Council direction regarding the review of the market rental incentive programs is included in the Housing Vancouver Strategy 3-Year Action Plan and the Housing Vancouver Affordable Housing Delivery & Financial Strategy, as well as in several motions passed in 2019.

Purpose-built rental housing provides secure, long-term housing for renter households earning a broad range of incomes. A robust supply of purpose-built rental housing is crucial for supporting a diverse city and growing economy. The rental incentive review has been focused on exploring the effectiveness of the rental incentive programs in creating new housing supply to improve housing affordability and to counter the persistently low rental vacancy rate.

Specific programs under review include the **Short Term Incentives for Rental Program, Rental 100 (the Secured Market Rental Housing Policy)**, the **Affordable Housing Choices Interim Rezoning Policy**, as well as a preliminary review of early findings from the **Moderate Income Rental Housing Pilot Program**. The review took place in two phases, culminating in a fall 2019 report to Council.

Phase I examined the performance of the City's rental incentive policies over the past decade and the current market conditions for developing rental housing. Phase II explored ideas to improve existing rental incentive policies and specific recommendations to ensure the continued effectiveness of these programs. The following is a synthesis of the key themes, findings, and comments gathered from Phase II of the review.

RENTAL INCENTIVE PROGRAM REVIEW PUBLIC CONSULTATION

Public consultation and engagement is a key driver in the policy development and continuous improvement of the City's rental incentive programs. Residents and stakeholder groups were given the opportunity to share their experiences, opinions, and ideas in a variety of mediums during both phases of the review.

Phase I

Phase I consultation included engagement and workshops with industry (including developers and landlords), a survey of renters residing in buildings constructed under City incentive programs, and pedestrian intercept surveys. The findings were compiled by CitySpaces Consulting and can be found on the Creating New Market Rental Housing page on the City's website and in Appendix M of this Report.

Phase II

Phase II consultation was conducted by City of Vancouver staff during August to October 2019. Engagement included in-person dialogue and written comment forms at the open houses, and an online public survey via Talk Vancouver. Workshops were also held with industry and other key stakeholders.

- **Public Open Houses** - Planning, Urban Design & Sustainability department staff hosted two public open houses at the Kitsilano Neighbourhood House (September 25th, 2019) and the Polish Community Centre on Fraser Street (September 26th, 2019). Overall, 127 residents attended the open houses to voice their opinions and ideas on the City's rental housing incentive programs.

- **Talk Vancouver Survey** - A Talk Vancouver online public survey was available in September, 2019 and attracted over 3,283 responses. The survey included qualitative and quantitative questions regarding participants' thoughts on the need for rental housing, existing rental housing incentive programs, and proposed changes to improve the City's programs. Respondents were also asked to provide new ideas and policy improvements to meet the City's objectives for rental housing.

- **Stakeholder Workshops** - Key stakeholders workshops were held to gather input from developers, landlords, local Business Improvement Area directors and the City's Renters Advisory Committee.
  - Urban Development Institute
  - Business Improvement Area Executive Directors
  - City of Vancouver Renters Advisory Committee
  - LandLordBC

Overall, we heard from 3,500 people during the Phase II consultations. More details about these events can be found in Sections A to D of this appendix.

WHO WE HEARD FROM - HIGHLIGHTS

Phase 1 Consultation	• Survey of rental incentive building residents • Intercept Survey • Stakeholder Consultation
Phase 2 Public Open Houses	• Kitsilano Open House - Sept. 25th, 2019 • Fraser St. Open House - Sept. 26th, 2019 • 127 attendees
Phase 2 Talk Vancouver Survey	• September 16th - 30th 2019 • 3,283 Respondents • 49% renters; 43% owners; 4% Other (living with family); 4% Co-op members
Phase 2 Stakeholder Workshops	• Urban Development Institute (UDI) • Renters Advisory Committee (RAC) • Business Improvement Areas (BIAs) • MIRHPP Survey for Developers/Consultants

WHAT WE LEARNED FROM RESIDENTS - PHASE II HIGHLIGHTS

Introduction
The high level key themes and values captured include the perspectives of a diverse range of residents, with representation from renters, home owners, co-op members, and those living in other housing types throughout Vancouver. Although there were some diverging levels of agreement between renters and home owners on specific policies, residents overall want to see improved housing affordability in Vancouver. The majority of respondents recognize the need to adapt City of Vancouver's land use and development regulations and policies to accommodate the growing number and proportion of renter households in the city.

There is a need for purpose built rental
The overwhelming majority of survey respondents believe there is a need to build more purpose-built rental in the city. This finding was consistent across renters and owners responding to the survey. However, some open house and survey respondents question the need for purpose-built rental housing, while some assert that purpose-built rentals do not belong in low density neighbourhoods. This feedback came predominantly from respondents who own their homes.

Results
- 85% believe that there is a need to build more purpose-built rental in the city.
- 78% of respondents support building below market rate apartments in Vancouver

Renters are facing significant challenges
With a rental vacancy rate under 1%, the growing population of renters in Vancouver is competing for a limited supply of available apartments. As a result, many renters engaged as part of the review indicated that they are making trade-offs in order to live in the city. The most commonly cited challenges include living in small units, paying unaffordable rents, and living in inadequately maintained rentals.

Results
- 46% of renter respondents say their rental home is only somewhat meeting their housing needs.
- 15% of renter respondents say their rental home is not meeting their housing needs at all.

Residents support City of Vancouver's Rental Incentive Programs
We heard from residents that they believe the City's rental incentive programs are working and should be refined to enable more housing that meets the needs of renters. Many respondents agree that the City should encourage and streamline purpose-built rental housing development.

Results
- 66% of survey respondents strongly agree/agree, and 9% are neutral with the idea of providing incentives to developers to encourage the construction of new purpose-built rental in Vancouver.
- Another 65% of respondents agree with prioritizing City actions that enable new rental housing to address challenges facing renters.

- 77% of survey respondents strongly agree/agree with allowing up to 6 storey purpose-built rental housing C-2 zones.

Residents want to see a diverse range of affordable housing options
When we asked Vancouverites about the types of housing options that were needed in the city, 70% agreed that there is a need for other types of housing in addition to new purpose built rental housing. We also heard that the majority of respondents (87%) believe it is important for the City to require family housing (units with 2 or more bedrooms).

Particular housing types respondents identified a need for included housing cooperatives, social and below-market rental, and ground-oriented options such as townhouses and rowhouses.

There is a willingness to see higher buildings to achieve greater affordability
69% of respondents agree/strongly agree with building larger and taller rental buildings that include a portion of units secured at rates affordable to moderate income households. The proportion of home owners that agreed with this statement (57%) was lower than the proportion of renters (79%), however most renters and home owners believe that prohibiting taller buildings increases development costs and therefore monthly rents for Vancouverites. Renters and many home owners believe that allowing for taller buildings is an important part of improving housing affordability in Vancouver.

However, some residents are concerned about the impact of taller buildings
Some open house respondents, more often those that are home owners, expressed concern that the character of their neighbourhoods could be negatively impacted by taller and larger rental buildings, and also shared concerns about shadow impacts on their properties, loss of green space, and loss of views. The impact of taller buildings on individual property values was also cited as a concern. Respondents also had some general concerns about potential issues associated with population growth in their communities, including increased traffic congestion, school capacity, park and community centre space, and street parking concerns. Some respondents are concerned with “spot rezoning” and expressed a desire to be engaged in community planning exercises to ensure their insights are incorporated into evolving City policies which impact their neighbourhood.

Vancouver residents have concerns about geographic equity in the housing market
Vancouverites want an equitable city where both renters and home owners have easy access to public transit, amenities, and social infrastructure. Some home owners in low-density areas were interested in increased choices for their properties and communities. Many renters, especially those with families, said that they want to have the option of living on quieter residential streets rather than on busy arterial roads.

Result

- 82% of survey respondents supported policies to allow rental buildings in low density areas adjacent to major streets and commercial districts.

Please refer to **Sections A to D** of this appendix for more information.

WHAT WE LEARNED FROM STAKEHOLDERS - PHASE II MAIN THEMES

Development Industry
Representatives from the Urban Development Institute assert the need for more certainty and consistency in the City's planning and development approaches. Respondents feel that the City's Zoning and Development By-laws, housing policies, and development approvals processes should be streamlined to expedite new rental development. Industry also emphasized a need for sufficient density and flexibility in building design to ensure financial viability. Developers and landlords also note potential challenges to viability posed by rent restrictions and limited rent increases over time.

Business Improvement Area Associations
Overall, BIA Executive Directors understood the proposed direction to enable more rental development in C-2 zones, but expressed that local businesses are concerned about the affordability and suitability of new commercial spaces in mixed-use developments, vacant storefronts, and the viability of new retail space in some parts of the city. Participants also recognized that these issues are not specific to new mixed-use rental buildings, as the majority of redevelopment in local shopping areas has been for new mixed-use strata buildings, which were recognized as having more significant vacancy issues related to commercial retail units.

Renters Advisory Committee
The Renters Advisory Committee recognized the need for more purpose-built rental and below market rentals housing in Vancouver. Members also identified the need to ensure that new purpose-built rental housing is easier and more appealing for developers to build. The Committee also highlighted concerns about renter displacement and gentrification.

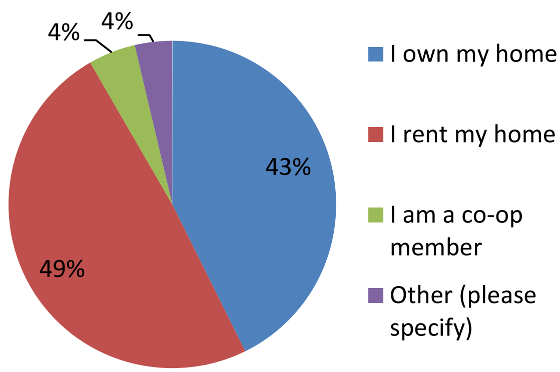
Consultation Summaries

Section A: Talk Vancouver Quantitative Survey Results Overview

The City of Vancouver's Rental Incentives Survey was the main channel for residents to express their thoughts and provide feedback to help inform the City's incentives. Over 3,200 residents sent in a response. The following section summarizes the quantitative results of the survey.

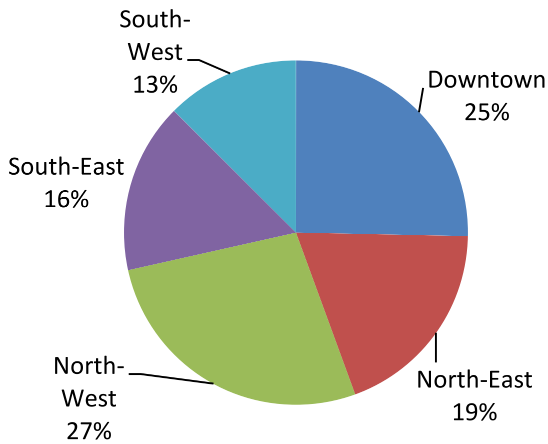
1. **Do you own or rent your home in Vancouver? Where do you live?**

		I own my home	I rent my home	I am a co-op member	Other (please specify)
Total	3283	1401	1608	153	121



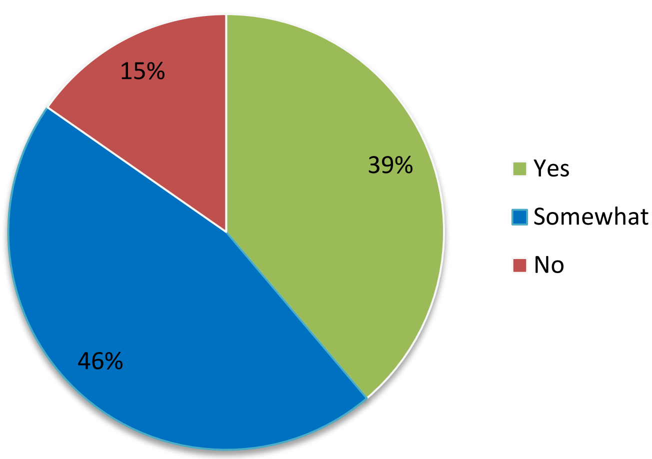
The housing tenure of survey respondents is comparable to the city-wide rates of 53% renters to 47% owners.

		Downtown	North-East	North-West	South-East	South-West
Total	3283	728	548	779	459	360



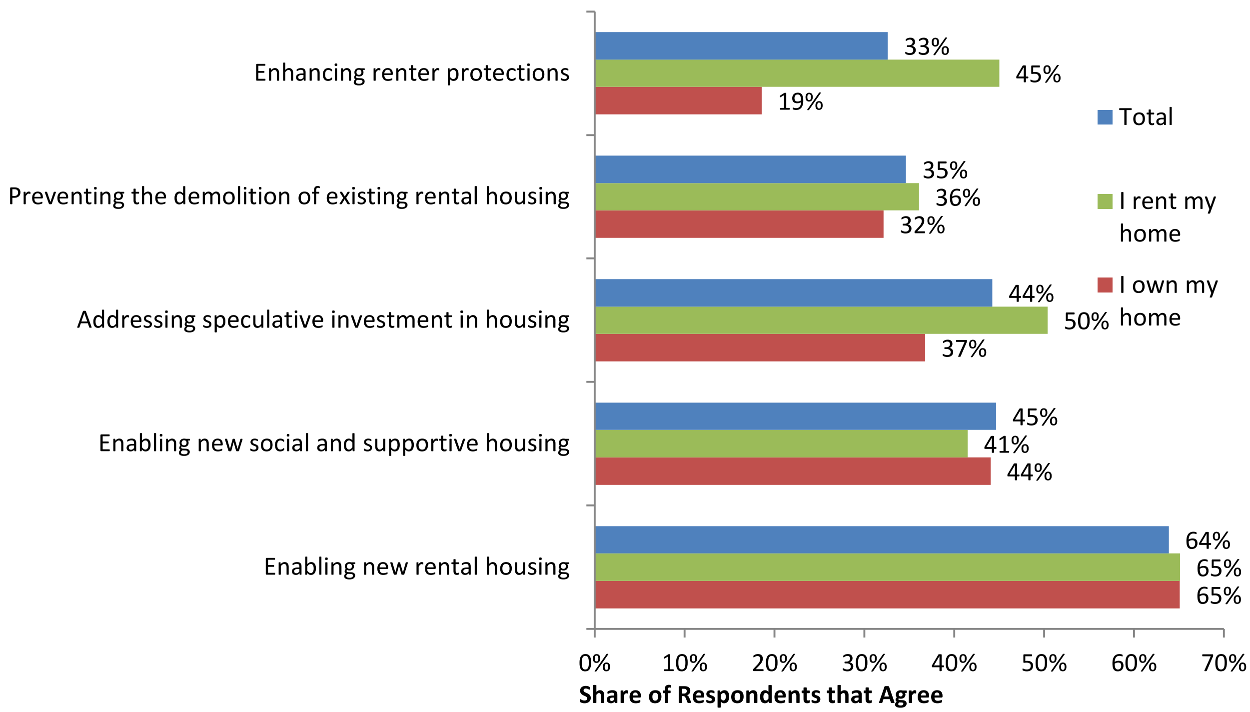
2. Does your rental home currently meet your housing needs? *Question only asked to renter households

	I rent my home
Total	1607
Yes	39%
Somewhat	46%
No	15%



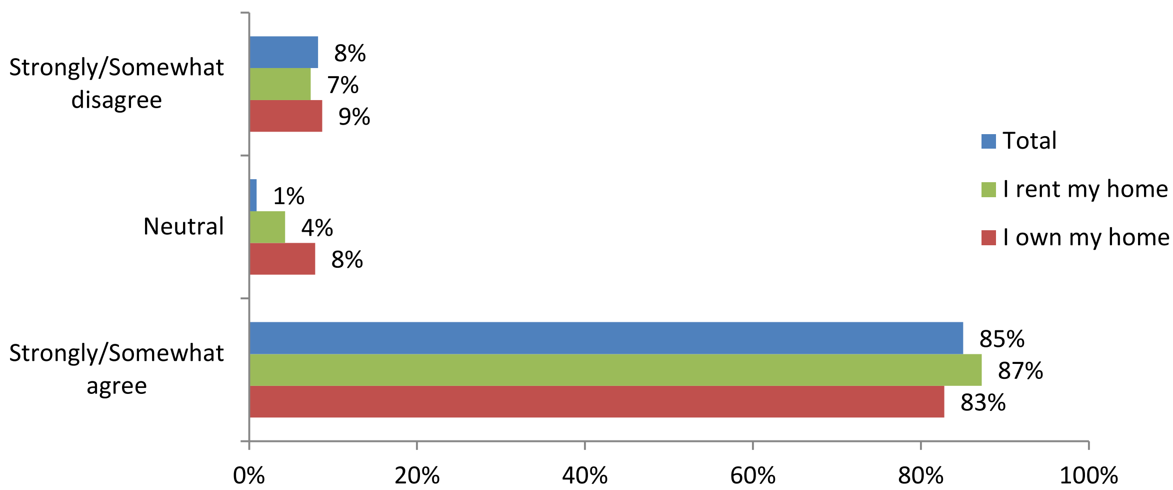
3. What City actions do you think would make the greatest impact on challenges facing renters?

Answer	Total	I own my home	I rent my home	I am a co-op member	Other (please specify)
Total	3283	1401	1608	153	121
Enabling new rental housing	64%	65%	65%	44%	59%
Enabling new social and supportive housing	45%	44%	41%	75%	56%
Addressing speculative investment in housing	44%	37%	50%	50%	42%
Preventing the demolition of existing rental housing	35%	32%	36%	47%	29%
Enhancing renter protections	33%	19%	45%	32%	31%
Other (please describe):	26%	27%	25%	31%	31%
Don't know	1%	1%	1%	0%	2%

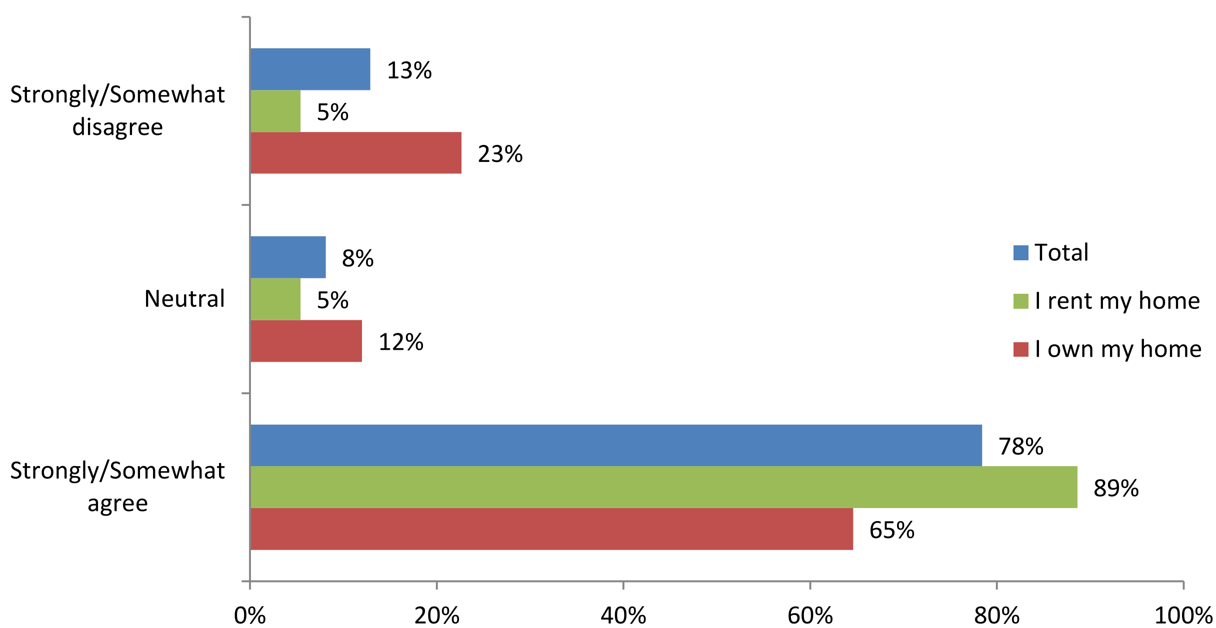


4. Do you agree or disagree with the following statements about new rental housing?

a. **There is a need to build more purpose built rental in Vancouver**



b. **There is a need to build more purpose built rental in Vancouver at below market rates**



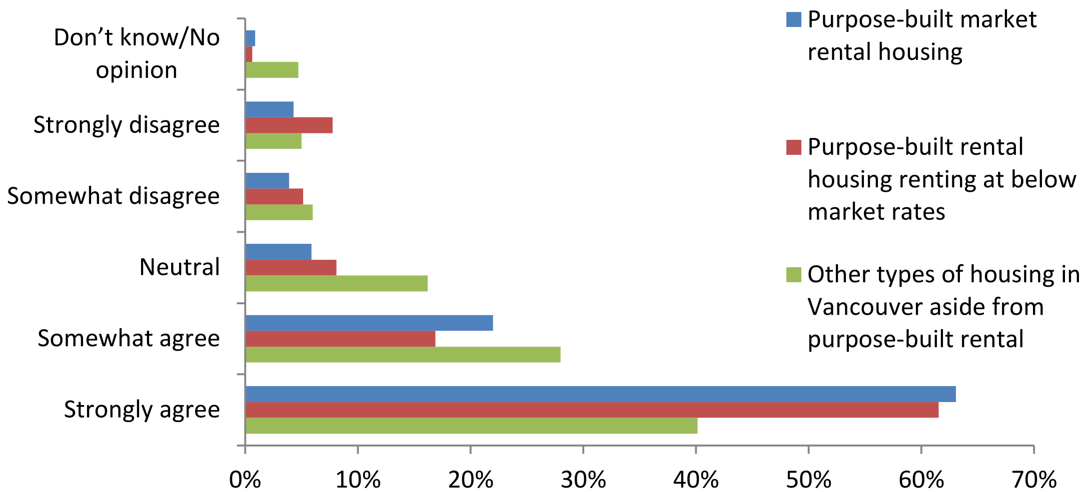
c. **There is a need for other types of housing**

2,239 respondents responded that there is a need for other types of housing aside from purpose-built rental and below-market rental housing. 2,118 respondents answered the open-ended question, which have been thematically coded below. See Section B for more details.

Codes	Results (out of 2118
Co-op/Coop	763
Social/Sub-/ Belo	325
Town-/Row	319
Condo/Strata	303
Family	231
All/Everthing	150
Apartment	141
Duplex	121
Laneway	113
Assisted/Support-	94
Senior	90
Mix/Mixed Income	58
Basement	49
Secondary	48

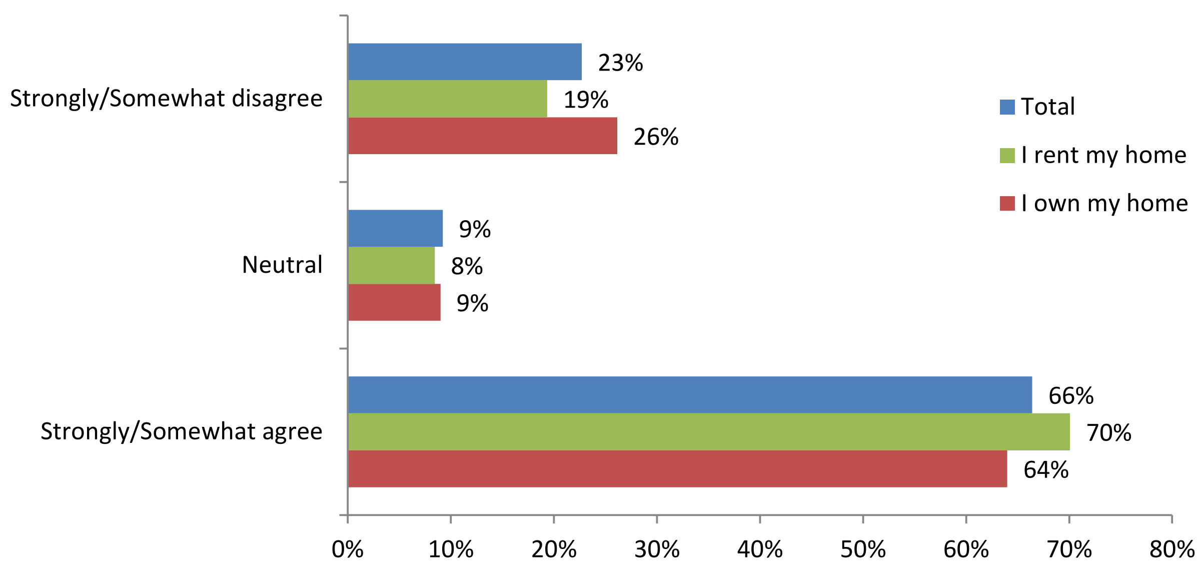
d. **Total Responses**

	There is a need to build more purpose-built market rental housing in Vancouver to meet the needs of residents	There is a need to build more purpose-built rental housing renting at below market rates to meet the needs of residents	There is a need for other types of housing in Vancouver aside from purpose-built rental housing to meet the needs of residents
Strongly agree	63%	62%	40%
Somewhat agree	22%	17%	28%
Neutral	6%	8%	16%
Somewhat disagree	4%	5%	6%
Strongly disagree	4%	8%	5%
Don't know/No opinion	1%	1%	5%



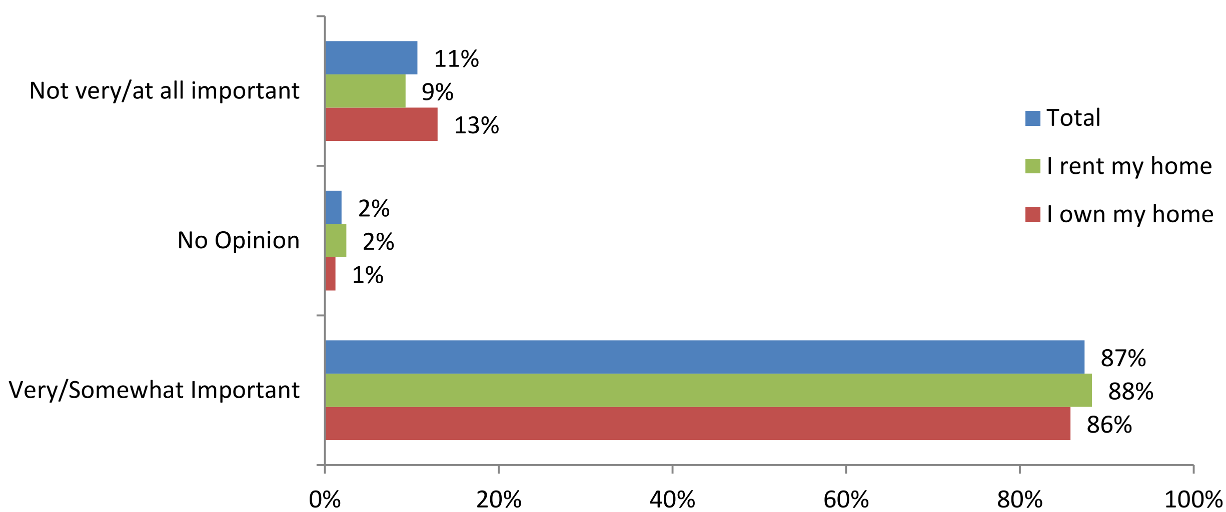
5. Do you agree or disagree with of the idea of providing incentives to developers to encourage construction of new purpose-built rental housing?

	Total	Housing Tenure			
		I own my home	I rent my home	I am a co-op member	Other (please specify)
Total	3282	1400	1608	153	121
Strongly agree	35%	34%	36%	24%	36%
Somewhat agree	32%	30%	34%	30%	25%
Neutral	9%	9%	8%	17%	12%
Somewhat disagree	10%	12%	9%	11%	11%
Strongly disagree	13%	15%	11%	14%	13%
Don't know/No opinion	2%	1%	2%	3%	2%
Merged: Strongly agree OR Somewhat agree	66%	64%	70%	54%	61%
Merged: Somewhat disagree OR Strongly disagree	23%	26%	19%	25%	24%



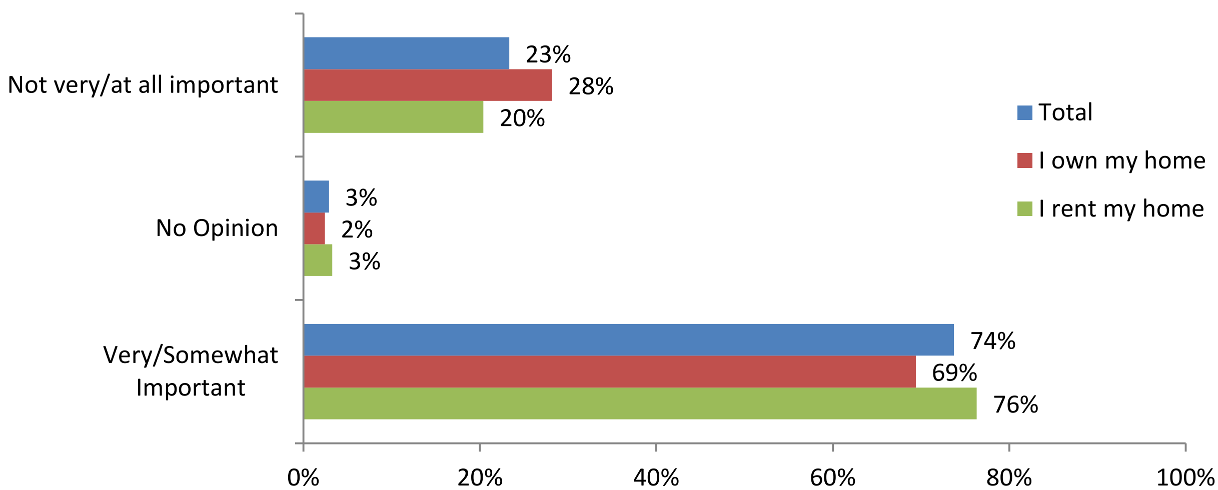
6. The City seeks to encourage rental housing for families in all parts of the city. However, it is more difficult to include family-sized units in rental housing projects, particularly 3-bedroom units, as these units are more expensive to build. How important do you think it is for the City to require family housing units (2 bedrooms or more) in all purpose-built market rental housing buildings?

	Total	Housing Tenure			
		I own my home	I rent my home	I am a co-op member	Other (please specify)
Total	2922	1242	1436	136	108
Very important	61%	59%	61%	78%	54%
Somewhat important	27%	27%	28%	18%	31%
Not very important	7%	8%	7%	2%	7%
Not at all important	4%	5%	3%	1%	4%
Don't know/ No opinion	2%	1%	2%	1%	5%
Merged: Very important OR Somewhat important	87%	86%	88%	96%	84%



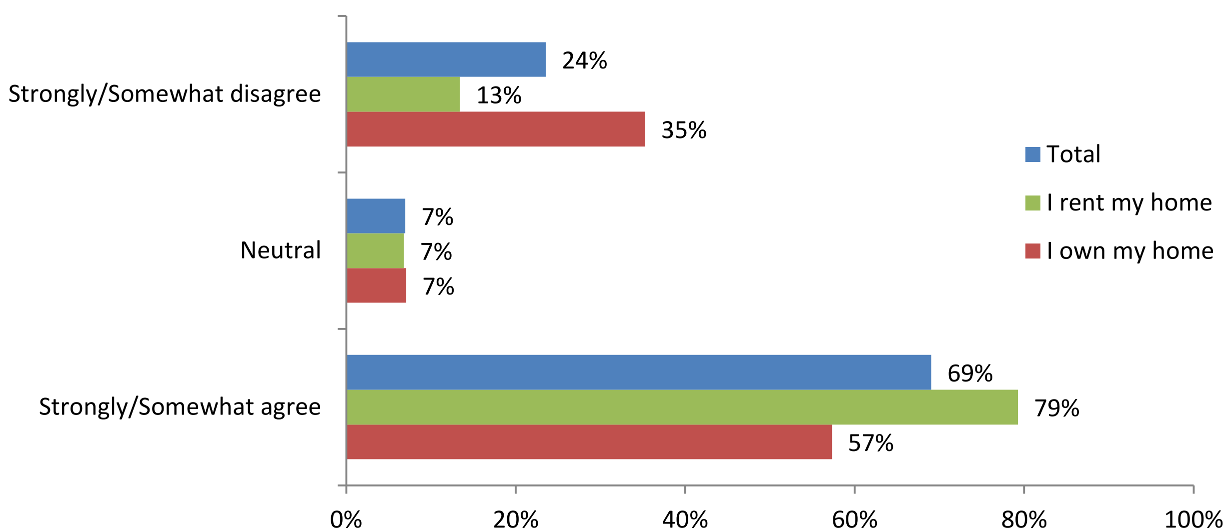
7. How important do you think it is for the City to regulate common amenity spaces in purpose-built market rental apartment buildings (e.g. minimum amenity space size, etc.) in order to provide better functioning for residents?

	Total	Housing Tenure			
		I own my home	I rent my home	I am a co-op member	Other (please specify)
Total	2922	1242	1436	136	108
Very important	41%	38%	41%	63%	46%
Somewhat important	33%	32%	36%	26%	25%
Not very important	14%	15%	14%	7%	17%
Not at all important	9%	13%	7%	1%	9%
Don't know/ No opinion	3%	2%	3%	4%	3%
Merged: Very important OR Somewhat important	74%	69%	76%	88%	71%



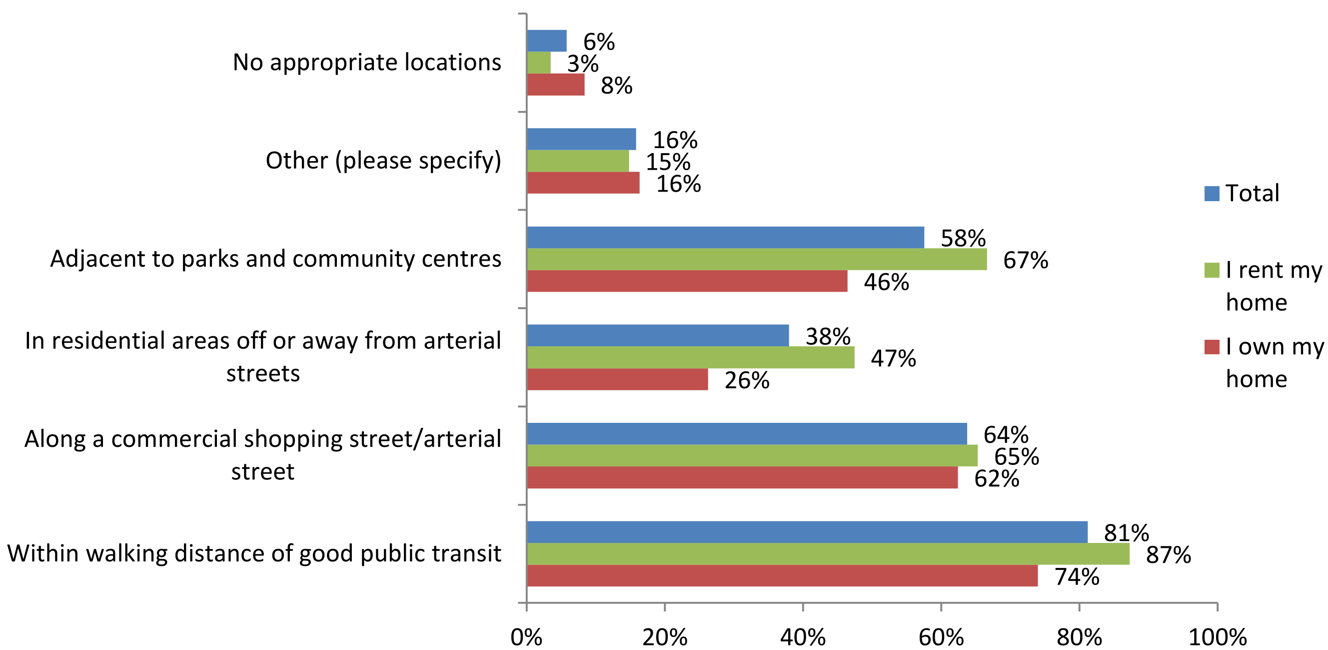
8. Do you agree or disagree with the following? Larger and taller buildings are acceptable if the result is the creation of rental buildings with units that are affordable for moderate income households.

	Total	Housing Tenure			
		I own my home	I rent my home	I am a co-op member	Other (please specify)
Total	2923	1242	1437	136	108
Strongly agree	45%	35%	54%	43%	46%
Somewhat agree	24%	23%	25%	29%	19%
Neutral	7%	7%	7%	7%	8%
Somewhat disagree	11%	15%	8%	11%	14%
Strongly disagree	12%	21%	6%	10%	12%
Don't know/No opinion	0%	0%	0%	1%	1%
Merged: Strongly agree OR Somewhat agree	69%	57%	79%	71%	65%
Merged: Somewhat disagree OR Strongly disagree	24%	35%	13%	21%	26%



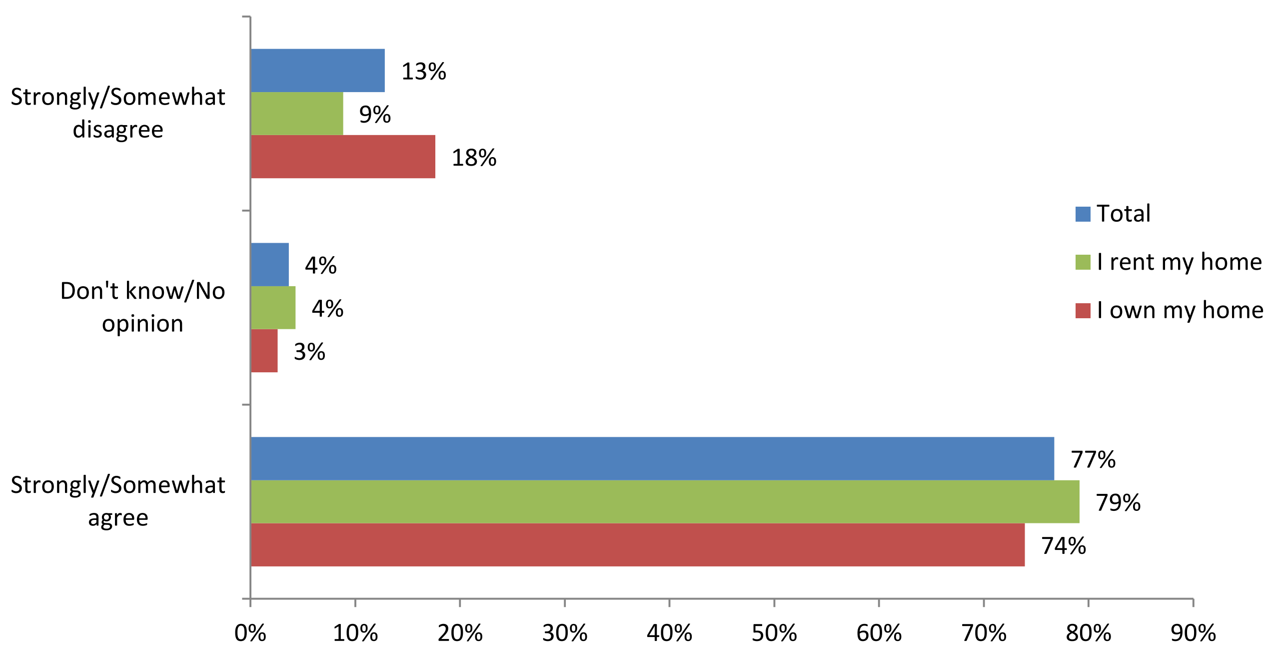
9. What locations should the City consider to build larger and taller built market rental apartments with units affordable to moderate incomes?
Respondents were asked to select all that apply

	Total	Housing Tenure			
		I own my home	I rent my home	I am a co-op member	Other (please specify)
Total	2923	1242	1437	136	108
Within walking distance of good public transit	81%	74%	87%	82%	82%
Along a commercial shopping street/arterial street	64%	62%	65%	58%	66%
In residential areas off or away from arterial streets	38%	26%	47%	43%	41%
Adjacent to parks and community centres	58%	46%	67%	63%	58%
Other (please specify)	16%	16%	15%	18%	21%
No appropriate locations	6%	8%	3%	7%	6%



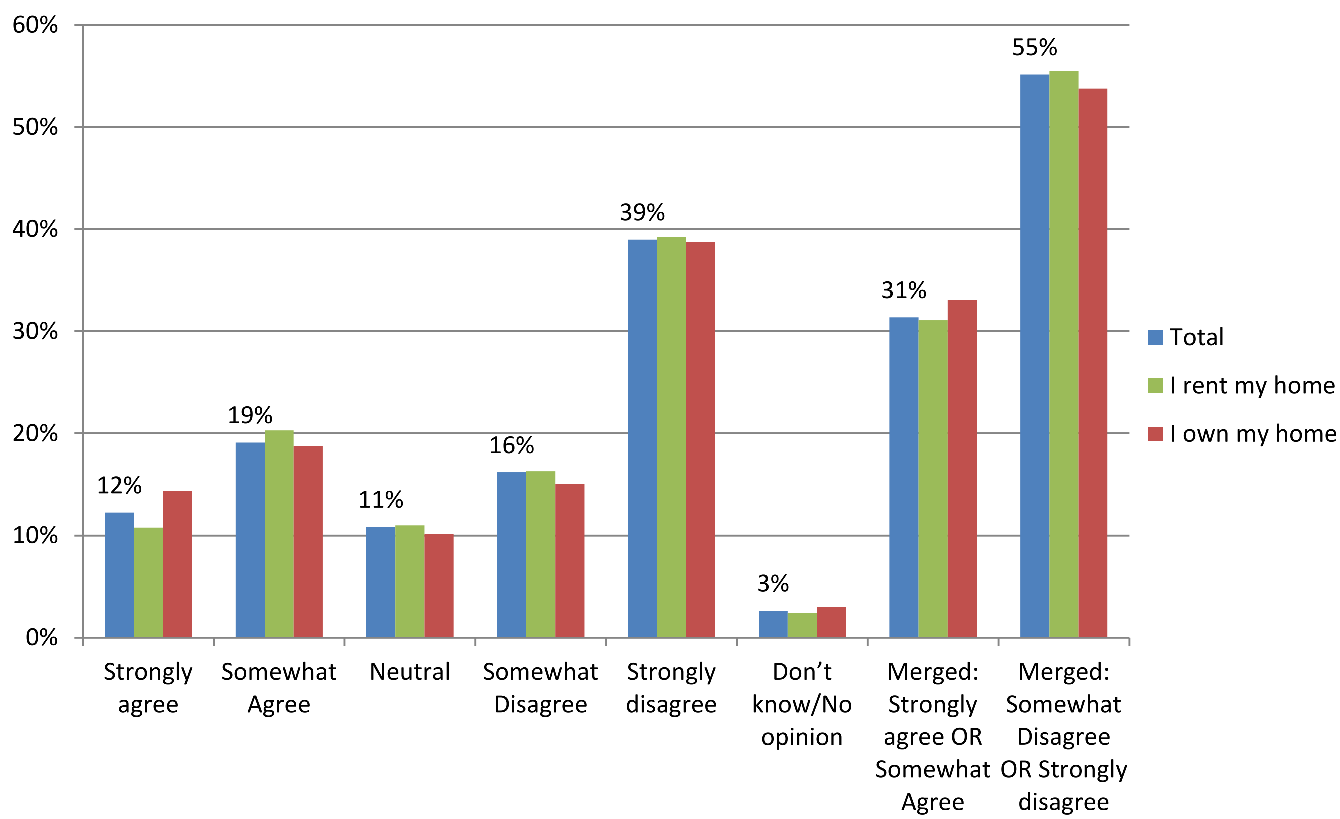
10. Do you agree or disagree with allowing purpose-built market rental housing up to 6 storeys, to be created through a development permit process instead of a rezoning process, in commercial areas zoned as C-2?

	Total	Housing Tenure			
		I own my home	I rent my home	I am a co-op member	Other (please specify)
Total	2923	1242	1437	136	108
Strongly agree	49%	46%	53%	50%	46%
Somewhat agree	27%	28%	26%	30%	27%
Neutral	7%	6%	8%	4%	8%
Somewhat disagree	5%	5%	4%	5%	6%
Strongly disagree	8%	12%	5%	7%	6%
Don't know/No opinion	4%	3%	4%	4%	6%
Merged: Strongly agree OR Somewhat agree	77%	74%	79%	80%	73%



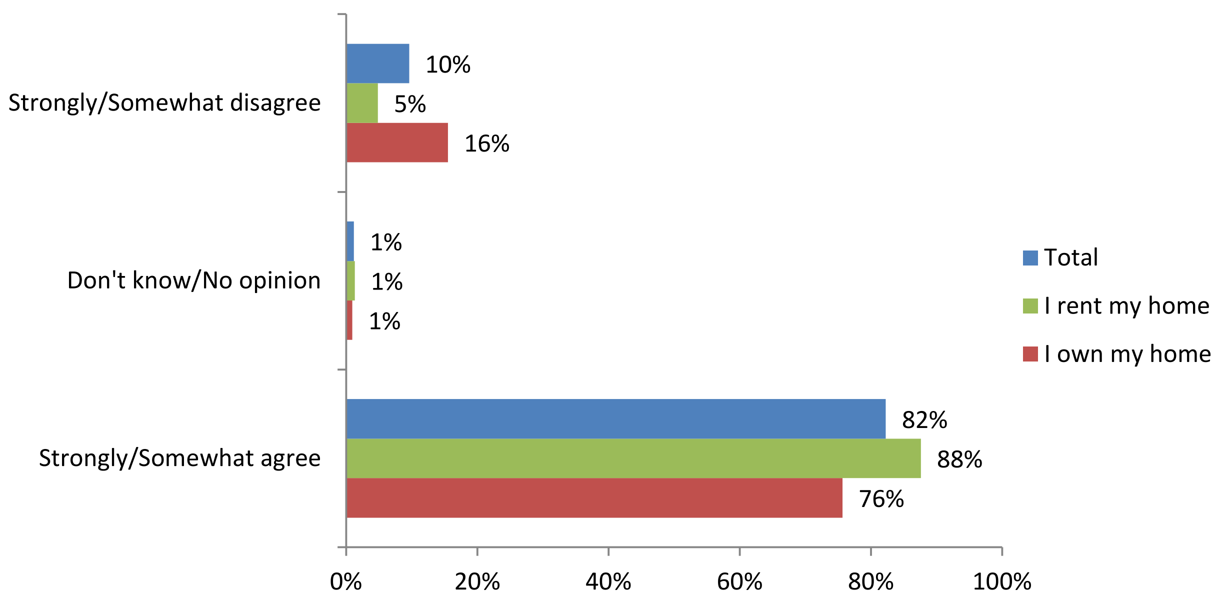
11. Do you agree with the idea of the City allowing a portion of units within new purpose-built rental housing to be operated as hospitality/hotel units rented to short-term visitors for a period of less than 30 days?

	Total	Housing Tenure			
		I own my home	I rent my home	I am a co-op member	Other (please specify)
Total	2924	1242	1438	136	108
Strongly agree	12%	14%	11%	8%	13%
Somewhat Agree	19%	19%	20%	13%	16%
Neutral	11%	10%	11%	17%	9%
Somewhat Disagree	16%	15%	16%	22%	20%
Strongly disagree	39%	39%	39%	38%	40%
Don’t know/No opinion	3%	3%	2%	2%	2%
Merged: Strongly agree OR Somewhat Agree	31%	33%	31%	21%	29%
Merged: Somewhat Disagree OR Strongly disagree	55%	54%	55%	60%	60%



12. Do you agree or disagree with the City continuing to allow new purpose-built rental homes in specific low-density areas on or near major arterial streets?

	Total	Housing Tenure			
		I own my home	I rent my home	I am a co-op member	Other (please specify)
Total	2924	1242	1438	136	108
Strongly agree	57%	48%	65%	58%	45%
Somewhat Agree	26%	28%	23%	32%	31%
Neutral	7%	8%	6%	4%	9%
Somewhat Disagree	4%	6%	3%	2%	6%
Strongly disagree	5%	9%	2%	2%	6%
Don’t know/No opinion	1%	1%	1%	1%	3%
Merged: Strongly agree OR Somewhat Agree	82%	76%	88%	90%	77%



CONSULTATION SUMMARIES

Section B: In-Depth Analysis of Open-Ended Responses –Talk Vancouver Survey

Overview

In addition to various closed-ended questions, there were eight optional open-ended questions for respondents to provide narrative and comment based feedback. A total of 18,177 open-ended comments were received from the 3,283 respondents.

Methodology

Given the diversity and quantity of responses to the open-ended questions, Staff performed high-level analysis to determine common themes and appropriate coding categories. Key words were chosen based on these themes and codes, and a thematic word count table was created for several open-ended questions. A key word search was conducted to determine the most prevalent concerns, suggestions, and opinions put forward by the respondents. The remaining open-ended responses were scanned for differing opinions and ideas, and added to the thematic table.

Questions where respondents were asked on their agreement with specific policy proposals are presented quantitatively through their level of agreement (%), and qualitatively through the themes within their responses. Comments within each category were selected for a closer analysis and a selection of relevant respondent quotations are included below.

Summary of Responses by Theme

1. **Aside from purpose-built rental housing, what other types of housing are needed?**

Codes	Results (out of 2118)
Co-op/Coop	763
Social/Sub-/ Below Market	325
Town-/Row	319
Condo/Strata	303
Family	231
All/Everything	152
Apartment	141
Duplex	121
Laneway	113
Assisted/Support-	94
Senior	90
Mix/Mixed Income	58
Basement	49

The responses above are in addition to the strong support for purpose built rental, and below-market purpose built rental housing, which were provided as options in prior survey questions

Diversity
It is important to note that the vast majority of respondents included a mix of housing types in their comments rather than just one type; over 150 respondents responded with the suggestion that all/every type of housing type is needed throughout the entire city, rather than choosing specific housing types. In general, respondents felt that Vancouver's housing stock has a selection of expensive single-detached houses and small condominium apartments, with few options in between.

Co-op Housing
The top housing priority for respondents was co-op housing. Respondents suggest building and expediting co-op housing projects and other non-profit housing models to address the lack of affordable housing options in the city. There is high demand for these co-ops as demonstrated by long wait lists, with many respondents noting that it could take up to a few years to move into a unit. Furthermore, respondents feel that the co-op model offers housing stability and an alternative to the conventional publicly built social housing market.

Social/Subsidized/Below-Market Housing
Social and subsidized housing was a common priority with 325 residents mentioning the need for more government supported units and projects. Social housing accommodates those with low and moderate incomes, and vulnerable populations, including seniors and people with disabilities. Social housing units offer long-term affordable options for residents. Many point out the importance of having a rent-geared-to-income model to ensure that renters are not paying more than 30% of their income to housing costs.

Condominiums/Strata
Over 300 believe that more condominium and strata housing is needed in Vancouver. Respondents believe that condominiums allow people to live near their place of work, reduce commute times and give residents the option to walk and bike within the city. Furthermore, condominiums offer residents an entry point into home ownership and the housing market. Respondents also note that condominiums increase the overall housing supply in the city without requiring as much land as lower density housing. However, many respondents feel that there is an oversupply of luxury condominiums in Vancouver, and call for ways to incentivize affordable condominium options.

Housing for Families
Another common theme is the need for more family appropriate units throughout the city, such as large apartments, townhomes and duplexes. Respondents feel that the majority of Vancouver's housing stock is inadequate for growing families and multi-generational households. The high cost of family appropriate homes in the market is noted as an obstacle to starting a family in Vancouver, and forces families to move out of the city. 319 respondents felt that there is a need for more townhouses because it is recognized as a feasible way to accommodate families in lower density neighbourhoods. Some respondents felt that gentle density in the form of duplex homes allows for density without changing the character of neighbourhoods. Unit floorplans which have well designed spaces and have 3+ bedrooms are desirable for families.

"Missing Middle" Forms of Housing

Over 600 respondents alluded to the need for more “missing middle” housing, or housing typologies with a range of multi-unit housing compatible with the scale of single detached neighbourhoods. These include townhouses, duplex, triplex and fourplex houses. Some respondents suggest that these housing units shouldn’t require a complex development application process to be built because these housing types have minimal neighbourhood impacts. Furthermore, missing middle housing offers family sized units in neighbourhoods without fundamentally changing the community’s character.

Seniors/Assisted and Supportive Living
130 respondents assert the need for more seniors housing and assisted living suites for people with disabilities in the city. Both owners and renters felt that building affordable options for seniors in an increasingly aging society could free up homes for the market. Respondents also feel that building accessible units in neighbourhoods is an effective solution for seniors to age-in-place within their communities rather than moving to an unknown area. Residents point out the need for more assisted housing units for people with disabilities, facing drug addiction, or mental health illnesses. Many recognize implementing a housing first solution as an effective way to prevent homelessness with at risk groups.

“There is a lack of affordable housing, especially for those of us who use wheelchairs and need an accessible space. There is a lack of stability and security and many of us do not want to have to move. I'd like to age in place.”

“Housing specifically suited for people who are homeless or at risk of homelessness, or have mental health or addiction issues - supportive housing with staff and programs in place to assist them in their daily lives.”

2. **What locations should the City consider to build larger and taller purpose-built market rental apartments with units for affordable to moderate incomes?**

Throughout the City/Low Density Neighbourhoods
The most common idea among respondents was to build rental throughout the city, including low density neighbourhoods outside of the downtown core. Feedback was received regarding the uneven growth in the city with downtown and central neighbourhoods absorbing the majority of new developments. Concerns were raised that central areas are growing too rapidly for the amount of social and physical infrastructure available in downtown. Respondents felt that the rest of the city should accommodate more developments and growth to respond to housing demands and population growth.

“We have 70% of our land zoned for SFH. We need more apartment buildings everywhere. This could be condos or rental buildings. We should strive for 3-4 bedroom apartment buildings.”

“Neighbourhoods change. Trying to keep the entire city looking like a memory of the Seventies will not end well for anyone.”

Near Amenities/Social Infrastructure
Respondents note the importance of adding density in neighbourhoods well served by social infrastructure such as parks, community centres and schools as potential areas. Residents also believe that areas close to commercial districts, strip plazas, and grocery stores have high potential to accommodate larger and taller buildings. Allowing for higher densities in these areas

gives residents the prospect to live in walkable neighbourhoods, while simultaneously improving business opportunities for business owners.

"Within 5-7 min walk of commercial shopping, parks, or community centers regardless of whether those things are on/off/away from an arterial street"
"Buildings with mixed residential/commercial units so the commercial units help pay for the below market rents."

Along Major Transit and Active Transportation Corridors

Residents gave feedback on the need to add density in areas near major transit routes specifically SkyTrain stations and high frequency bus routes. Respondents believe that areas in close proximity to stations are ideal for high density growth because it can support efficient and convenient transportation for new residents without adding congestion on local roads. However, some residents are concerned with the associated noise pollution near SkyTrain routes. Higher density development near busy cycling routes is also supported by respondents. Overall, residents support higher density development in areas where there is potential for shorter, and more efficient commute times.

"Commuter traffic is a main source of pollution. Density allows for shorter commutes, support additional transit. People who commute less are also happier"

Close to Arterial Roads

Respondents support building higher density along major arterials throughout the city. It was expressed that these roads often have good transit connections, existing commercial uses, and have less impact on low density neighbourhoods. Some residents have suggested allowing for higher density on streets directly adjacent to arterial roads to maximize access to transit and commercial uses for residents. Respondents also recognize that mandatory parking minimums could be reduced near arterial roads because of the walkability these areas offer.

"Most arterials with single family homes on them have excellent and frequent transit to many parts of the city where jobs are but lack any population to use and support that transit or even local shopping areas. Areas like Renfrew, Sunset, Fraserview. There is strong potential to expand local communities for jobs and housing and reduce commute times. Many renters and owners fight to live north of King Edward due to the opportunities, amenities, transit, and connectedness. If we had more options south of King Ed and East of Commercial Drive we would have less need to compete over existing areas of limited housing"

Specific Neighbourhoods

Neighbourhoods with the most specific mentions as areas for more rental were largely on the west side including Kitsilano, West Point Grey, Shaughnessy, and Dunbar. Respondents generally felt that low density neighbourhoods should be targeted for growth and development. Areas around Expo and Canada Line SkyTrain lines were mentioned, including Commercial-Broadway, Nanaimo, and Joyce-Collingwood.

"In neighbourhoods that are low density. Honestly, why does the density have to keep increasing in the most densely populated neighbourhood in Canada?" – Renter
"West Side-Shaughnessy, Dunbar, areas other than downtown" –Renter

3. **What City actions do you think would make the greatest impact on challenges facing renters?**

Zoning and Density
Many respondents believe that updates to the Zoning and Development By-law to accommodate for higher density developments in more areas would have the greatest impact in addressing the challenges facing renters. Restrictive zoning policies are perceived as a barrier to increasing Vancouver's housing stock. Some suggested medium to high density rental housing should be allowed in predominantly single detached home areas. Respondents feel that densities are too low to enable rental development viability.

"Eliminate single-family zoning like Oregon is doing" -Owner
"Re-zoning lower-density neighborhoods for townhouses and apartments"–Renter

Tax and Development Incentives
Some respondents felt that tax and development incentives should be offered to landlords and developers that build rental units. Respondents feel that lowering property taxes and development charges for rentals incentivizes home owners with extra space to create a secondary suite to rent out, and offers developers a financial incentive to build rentals. Offering tax incentives to renovate older affordable housing units should also be offered.

Speeding up the Development Process for Rentals and Co-ops
Respondents assert that the development process for rental housing, including secondary/basement suites, and purpose-built rental housing should be expedited to address the low vacancy rates and deliver more rental housing. Cutting red tape and simplifying the bureaucratic planning process to speed up development were common themes expressed.

"Speed approvals for market rental housing. Relax requirements, grant even more density, height, eliminate parking requirements and lower development and permitting fees." -Renter

Concern over Short Tern Rentals
Respondents believe that properties with short-term stays such as AirBNB should be taxed at a higher rate to avoid the conversion of rental units and bedrooms to short term accommodations. Some suggest banning AirBNB in the city to prioritize local residents rather than tourists.

"Ban and enforce ban on short term rental. No vacation rentals, no Airbnb etc. Houses in Vancouver should not be for tourists."

Vacancy Control
A cap or freeze on rent to provide immediate relief for renters facing high housing costs was also an action frequently suggested by respondents.

Intergovernmental Efforts
The City of Vancouver should work with the Provincial and Federal Governments to build and own affordable housing units. Some respondents believe that developers should not be allowed to market condominium units overseas. Many highlight the positive CMHC policies from the 1970s, when new co-op and rental developments were financially incentivized by the Federal Government.

“Petition the provincial and federal government for funding. Demand a 25 year housing plan from the federal government.” –Co-op Member

4. Do you agree or disagree with allowing purpose-built market rental housing up to 6 storeys, to be created through a development permit process instead of a rezoning process, in commercial areas zoned as C-2? Why or why not?

Agree (77%)

- The vast majority of respondents **agree with the proposal to allow 6 storey** developments in C-2 zones through a development permit process rather than a rezoning process.

- Residents feel that this is an **appropriate place to build medium density developments** as a response to the housing crisis in Vancouver.

- Respondents believe this will **encourage new development because it will simplify and expedite the process**. Overall, residents feel that streamlining the application process in C-2 zones will create more housing and deliver results faster than a rezoning.

- Respondents also noted that this policy change **could benefit local businesses because there is a potential to increase the customer base** in C-2 zones by adding 6 storey residential buildings. Feedback was received to ensure that the existing street level commercial uses are preserved to avoid displacing local businesses and maintain the vibrancy of these streets.

- There was also a significant amount of positive feedback regarding the potential to create **walkable neighbourhoods** with this policy change.

Disagree (13%)

- Residents bring up the concern that this policy greatly **impacts the neighbourhood character** of communities with lower densities. Respondents are concerned that the streets will become “faceless street walls with monotonous buildings”.

- Concerns were expressed that taller buildings will increase **traffic congestion, parking constraints, shadows** cast by the buildings, and a **higher demand for public infrastructure** like schools and community centres.

- **Respondents feel that projects should be reviewed on a case by case basis** to ensure that the community’s concerns are heard and considered in the design of these buildings. Respondents feel that the rezoning process has more opportunities for engagement than the usual development process.

Concerns on Both Sides

- Some were concerned that small local retailers would be replaced by big box retailers because new mixed-use buildings often have larger commercial units that smaller businesses can’t afford to lease.

- Concerns were brought up that up-zoning all C-2 areas will **block views and sightlines to the north shore mountains**. Respondents felt that the City’s view cones should not be compromised.

5. What do you think is the most significant challenge facing renters in Vancouver?

Affordability
The high cost of rent is the most cited challenge, according to 2,400 respondents. Housing affordability is a challenge for those living with fixed incomes or low incomes as many spend significantly more than the defined housing cost threshold of 30% of household income. Seniors, students, and fixed/low-income households are especially vulnerable to housing affordability challenges. Many respondents complain about paying too much rent for too little in square footage and amenities.

"The ridiculously high rent. It's even worse if you're trying to find something pet-friendly, which is usually more expensive and/or so, so tiny. If by some miracle you find a place with 'reasonable' rent, the building is falling apart."

Rental Availability and Competition
Over 1,000 respondents find the low vacancy rate of rental housing in Vancouver to be a prevailing issue. Many renters feel stuck in their current apartments due to the lack of adequate choices for affordable rentals in Vancouver. The high competition for rental suites in the city is a challenge to renters in search for a more suitable apartment for their household e.g. pet friendly, more bedrooms, and better location.

"The EXTREMELY low vacancy rate! We have a situation where rentals are extremely scarce. Many potential tenants show up to each showing of a rental home. This gives all the power to landlords."

Unit Suitability
Over 600 responses were related to the inadequate unit size or layout as a challenge for renters. It is difficult to accommodate families and children in many apartments due to the lack of space/extra bedrooms, amenity spaces, and storage. Newer apartments were pointed out as having smaller unit sizes and fewer bedrooms compared to older buildings. Some respondents note that although older buildings typically have larger units, concerns were raised over the lack of maintenance and general upkeep of these units.

In addition, many respondents indicated that that finding pet-friendly apartments, family sized units, and an accessible rentals is especially difficult in Vancouver. Single renters do not have many affordable one-bedroom/studio options to live on their own, and often have to live with a roommate.

"Lack of affordable, decent rental housing for young people and lower income, poorly maintained rental housing (mold, environmental hazards, run-down buildings)"

"Price for a room - many young adults are unable to rent a single bedroom apartment due to pricing, forced to live with housemates/roommates when that isn't necessarily ideal."

Displacement and Housing Security
Renters are vulnerable to the threat of evictions and housing stability when landlords increase rent or wish to renovate apartment units. Renters have a challenging time finding alternatives when they are evicted from their apartments due to the low vacancy rates in the city.

"That rent increases are out of control and that there isn't enough available for rent. When I go to an apartment viewing there are often 40 other people there. Renovictions are also a major issue."

Location
Many respondents complain about their long commute times to work, school, and amenities like grocery stores and community centres due to the location of their current homes. Some expressed that work opportunities are often more limited for renters living in the "fringes of the city" due to the long commute times to amenities.

"Location - needs to be close to their work, and they need to be close to public transit; the houses need to use less concrete in construction; the buildings need to include daycare facilities for working parents."

6. **Do you have any comments or other ideas about how we can improve the affordability of new purpose-built market rental buildings, or opportunities to expand or enhance the Moderate Income Rental Housing Pilot Project?**
   - **Density**: The majority of respondents believe that the program can be improved with increased density in MIRHPP buildings
   - **Accessible units**: Respondents felt that MIRHPP rentals should have more accessible units for people with disabilities and seniors.
   - **Income Eligibility**: Comments regarding the eligibility for MIRHPP should ensure that it accommodates groups such as artists and servers with inconsistent incomes. Some respondents also felt the household income eligibility range of $30,000 to $80,000 was too high. They feel that households making $80,000 should not be eligible for MIRHPP
   - **Affordable Commercial Units**: Respondents feel that the design of street level retail in MIRHPP buildings could result in big box retail stores that do not add to the "community fabric" or cater to those with moderate incomes.
   - **Single Person Households**: Respondents contend that moderately priced rental units for single people are in low supply in Vancouver. There should be more 1 bedroom units in MIRHPP buildings to accommodate single income/person households.
   - **Parking Requirements**: A common suggestion from the respondents was to relax the parking requirements in rental buildings, especially if it is located near high frequency transit routes. Respondents felt that this could reduce the land and construction costs for developers, and opens up more room for housing and common amenities.

7. **Do you agree or disagree with the idea of the City allowing a portion of units within new purpose-built rental housing to be operated as hospitality/hotel units - rented to short-term visitors for a period of less than 30 days?**

Agree (31%)

- **12% of respondents strongly agreed, and another 19% somewhat agreed with the idea.**
- Respondents who agreed said this could **ease the pressure on the hotel industry**, which currently has a shortage of rooms, and invite more tourism and economic activity to the city.
- Some respondents only agree to this proposal **if the hospitality/hotel units subsidize rental units in the same building through a tax/levy**.
- A few respondents felt that this could **lower the overall development costs for buildings** if short-term units bring increased revenue, thereby lowering the cost of rental units.

"Vancouver is losing hotel rooms with no plans to build more. This could help ease the pressure and invite more tourism."

Disagree (55%)

- **39% of respondents strongly disagreed, and another 16% somewhat disagreed with policy idea.**
- The vast majority of respondents disagree with the idea of creating short-term hospitality units in residential buildings.
- Residents are concerned that **short-term renters will be disruptive to existing tenants**, especially with the absence of a concierge/security desk. Respondents are concerned that short-term stays will result in increased security incidents, maintenance issues, noise complaints and privacy issues.
- Respondents see this as a **way of incentivizing the conversion of potential housing units to hotel/AirBNB style businesses**. Some respondents feel this idea is inappropriate given the housing crisis and 1% vacancy rate in the rental market.
- Respondents assert that short-term accommodations should be left exclusively to the hotel industry, and should not be pushed to residential developments.

"Absolutely no "hospitality" units should be given space in a desperately-needed rental building. The priority must be given to actual renters. The point of all of this is not to provide profit to developers or landlords, but to provide housing."

CONSULTATION SUMMARIES

Section C: Public Open Houses

Overview

Public open houses were held in Kitsilano on September 25th, 2019 and Fraser on September 26th, 2019. Overall, 127 residents attended these open houses to voice their concerns, ideas, and opinions on the City's rental incentive programs. City staff prepared informational materials and to ensure that residents have a clear understanding of proposals for the rental incentive programs. Staff were also available to answer questions and listen to residents' comments, which have been thematically summarized below.

Kitsilano - Consultation Themes and Comments

- Kitsilano residents felt the history and distinct character of their neighbourhood was very important and would like **more consultation and engagement with the City** to ensure that new policy changes are not disruptive.
- Concerns over **displacement** of local residents and businesses were raised, and that special attention should be placed in ensuring that proposed policy changes do not fundamentally change the character of neighbourhoods and prevent the loss/displacement of families.
- Concern that the **urban design and architectural standards** for new developments should be compatible with the existing neighbourhood character.
- Residents indicated a preference **for 6-storey buildings rather than tall residential towers** in the neighbourhood. This development typology was felt to be more compatible with the current housing stock in Kitsilano.
- Concerns were raised regarding the impact of new developments on **property values** in Kitsilano.
- Overall, **residents agree with the policy goals of MIRHPP** and the proposed changes to rental programs. Some residents even state that the minimum 20% moderate income units are not enough to address the housing crisis.
- Some attendees questioned **the need for purpose built rental** developments in Vancouver.

Fraser Street - Consultation Themes and Comments

- Residents expressed interest in **more community consultation** and engagement on specific development proposals put forward under rental incentive programs.
- Attendees are more **supportive of lower scale, 6 storey developments rather than tall buildings**.
- Residents are concerned with the possibility of **displacement as a result of lot consolidation** for larger developments.
- Respondents are generally supportive of **redevelopment along Kingsway Street** to help with the **revitalization** of the area.
- There were concerns raised about **overcrowding in local schools** with increased development and population growth.
- Attendees wish to see higher density in Fraser to address affordability issues.
- Respondents voiced their support for a **streamlined approvals process** to ensure faster housing development.

CONSULTATION SUMMARIES

Section D: Stakeholder Engagement & Workshops

1) Moderate Income Rental Housing Pilot Program Survey

Overview

A survey of industry professionals was conducted to gain insight on their experiences with the **Moderate Income Rental Housing Pilot Program** (MIRHPP). Given that private developers build the vast majority of rental buildings in Vancouver, their feedback is invaluable to understand industry perspective on how the MIRHPP program is working so far. Overall, 20 respondents completed the entire survey. Respondents included those who are currently working on a MIRHPP proposal, those that previously worked on but withdrew a proposal, and those that are interested in the pilot but have not worked on a proposal.

Respondents indicated strong ongoing interest in the MIRHPP, with nearly three-quarters noting that they would consider making a submission if a future opportunity to proceed with a proposal under the pilot became available.

Strengths

Good Approach and Policy Objectives

Respondents characterized the MIRHPP as a creative and thoughtful incentive program, which could be further improved through future policy refinement. Developers feel that City staff have effectively supported the policy implementation and project planning processes and are working to ensure that design, planning, and economic objectives are being addressed through the MIRHPP.

Incentives Provided – Additional Height and Density

The opportunity for taller buildings and higher densities was noted as the central strength and most important incentive to enable moderate income rental projects with secured affordability to be economically viable

Challenges

Uncertainty and Ambiguity

Respondents noted that there is ambiguity and uncertainty associated with the fact that this is a limited pilot program and further that the generalized nature of the policy guidelines are a particular challenge. In particular, these factors make it difficult to secure land to enable a viable proposal. Respondents expressed that there is a need for clearer guidelines to provide more up-front certainty.

Lengthy Rezoning Process

Respondents recognized that rezoning is a lengthy and challenging process that involves substantial costs and uncertainty, and significantly extends the development timeline for new rental buildings. Respondents highlighted a need to expedite the rezoning process, especially for much needed affordable rental housing, including potentially by conducting the rezoning process and development permit concurrently.

Long-Term Financial Performance of Moderate Income Rental Units

Respondents recognized that the required starting rents, which were set in late 2017 and cannot be adjusted with the rate of inflation ahead of occupancy, and the permanent controls on rent increases following occupancy create significant challenges for MIRHPP project viability. It was noted that the rent control provisions could result in a long-term income shortfall if the costs to maintain and operate the moderate income units increase more than revenues.

Urban Design Challenges
Respondents emphasized the challenge of balancing the needed density to enable project feasibility while meeting urban design goals set out by the City. Although it was noted that staff generally have a good understanding and appreciation of the underlying economics and financial viability of development projects, respondents expressed that this is not always evident in the design feedback received on projects.

Neighbourhood Opposition
While some respondents indicated they have found strong support for their proposal, others have recognized that neighbourhood opposition is a common challenge in the development process, particularly for taller and larger buildings. Some residents view new, larger developments as a disruption to existing neighbourhood character, which is a particular tension given that the MIRHPP relies on additional height and density to enable the required affordability.

<u>Policy Improvements</u>

Greater Clarity on Eligible Locations, Density and Urban Design Guidelines
Many respondents recognized a need for more specific guidelines on eligible locations and achievable heights and densities and that the uncertainties associated with the program increase the complexity of the rezoning process, extend the approvals timeline significantly and increase risk and project costs.

Additional Incentives
Respondents noted that in many cases more height and density is needed to achieve the affordability required under the MIRHPP currently. The opportunity to clarify and simplify the opportunity to secure a DCL waiver to support the delivery of moderate income rental units was also recognized as a potential improvement.

Balancing Financial and Design Objectives
Respondents suggested that the City take a more holistic and prioritized approach to reviewing project proposals under the MIRHPP in order to balance project feasibility and design objectives. Respondents recognized there are many competing City objectives which increase uncertainty and weaken project viability, and that trade-offs are necessary in order to enable proposed MIRHPP projects to be built.

Expediting the Approvals Process
The length of the rezoning and development approvals processes was emphasized as a key challenge which should be addressed. Respondents said that additional clarity and certainty on eligible locations and achievable heights and densities would help, and that the City should consider opportunities to truly expedite the approvals process such as concurrent processing of rezoning and development permit applications.

2) Urban Development Institute Workshop

Overview

City of Vancouver Planning Staff held a rental program review workshop with members from the Urban Development Institute on September 30th, 2019. Staff presented on the progress of the various incentive programs in place, trends in the rental market, and the proposed changes to these programs. Attendees were then invited to discuss and share their thoughts on how these programs could be improved from a development perspective. Overall, 17 industry professionals attended the event, a summary of the findings are below.

Themes

C-2 Zoning

- Respondents are supportive of pre-zoning C-2 areas for higher densities; it is seen as positive change to expedite development.
- However, there were concerns that the proposed urban design requirements for commercial retail units were too prescriptive and would increase project costs and time. Heights of 14' to 17' should be considered for ground level retail.
- Average building heights should also be considered when reviewing projects rather than maximum heights to allow for flexibility in design.
- There was interest in allowing inboard bedrooms to ensure 3bedroom units remain financially viable for developers and affordable for renters.
- Concerns were raised that BC Step Code was not the best sustainability guideline due to the building envelope requirements that make it difficult to build in wood. This increases overall construction costs.
- Parking requirements should be reduced or eliminated to cut project costs.

Affordable Housing Choices – Interim Rezoning Policy

- There was support for the proposed changes to the Interim Rezoning Policy
- Attendees suggested rolling these changes into Zoning and Development By-law.
- There is a strong desire for relaxation of urban design requirements for these buildings to help achieve rental housing goals (i.e. 1960s walk-up apartment model).
- Respondents brought up the point that it is not attractive to do a 6 storey project with below market units when it is possible to build 5 storey market rental housing.

MIRHPP

- Attendees agree with the program's objectives and approach, but desire to see changes in how the program is administered to ensure long-term sustainability of MIRHPP.
- Community plans should be updated to support MIRHPP objectives and policies.
- Respondents suggest targeting vacant lands as potential locations for MIRHPP to minimize displacement.
- Attendees assert that rents need to grow at the same pace as the costs to operate the building to ensure proper maintenance and upkeep.
- Rezoning and Development Permits should be combined into a single application to expedite rental buildings under this program.
- Multiple ways to calculate moderate income rent increases were suggested by attendees; indexed to cost increases; indexed to household incomes over time; indexed to CMHC averages.
- Respondents assert the need for more density to attract developers and ensure viability.
- DCL waivers should be considered for moderate income units.

Development Cost Levy Waiver Program

- Attendees are concerned that DCL waivers are set several years before occupancy of the building, resulting in a waiver that does not reflect opening rents.
- New provincial rent increase allowances set at CPI (Canada Price Index) rates makes it challenging to lock in DCL waiver rents years before occupancy.
- DCL waiver geographies should be reconsidered due to the discrepancy between various areas of the City of Vancouver.
- DCL waivers are often not attractive to developers when rents increase at a greater rate than CPI between the rezoning application date and occupancy/move-in.
- Stakeholders expressed interest in property tax waivers because it reduces operational costs in the long run, and Provincial government contributions

3) Business Improvement Area Workshop

Overview

City of Vancouver Planning Staff held a rental program review workshop with representatives from various Business Improvement Areas (BIAs) on October 2nd, 2019. Staff presented on the progress of the various incentive programs in place, trends in the rental market, and the proposed changes to these programs. Attendees were then invited to discuss and share their thoughts on how these programs could be improved from a business perspective. Overall, 13 BIA representatives were in attendance from throughout the city, a summary of the findings are below.

Themes

Affordability and Vacancy

BIA executives are concerned with the affordability of new commercial units associated with the redevelopment of C-2 because commercial units tend to be larger and have higher rental rates. Retail spaces in strata projects often sit unleased because commercial units aren’t a significant revenue generator for developers. Rental buildings tend to have better commercial retail performance and don’t sit empty due to the financial importance of leasing commercial spaces for overall project viability.

Viability of Local Retail

BIA executives commented on the need to ensure that small retail opportunities remain available for businesses in new developments.

Attendees assert the need to wait for the results of the Commercial Retail Study and the Employment Lands and Economy Review before moving forward with changes to commercial zoning policies. Caution should be exercised when expanding opportunities for mixed-use, commercial projects to ensure minimal impacts on existing shopping areas.

Amenities and Parking

Respondents are concerned with the relaxed parking requirements in new developments because it adds pressure on commercial-focused street parking. Representatives believe that residents are parking in underground commercial spaces, taking customers away from BIA areas. However, some BIAs also had feedback from developers that commercial parking requirements are too high in transit supported areas.

Some are concerned that neighbourhood amenities like schools are in short supply and can't accommodate new residents.

4) Renters Advisory Committee

<u>Overview</u>

City of Vancouver Planning Staff held a rental program review workshop with the Renters Advisory Committee (RAC) during a committee meeting on September 18th, 2019. Staff presented on the progress of the various incentive programs in place, trends in the rental market, and the proposed changes to these programs. Attendees were then invited to discuss and share their thoughts on how these programs could be improved. Overall, 10 Committee members were present, along with 2 City Councillors and 1 School Board Trustee.

<u>Themes</u>

Policy Ideas and Improvements

- The committee asserts the importance of ensuring that purpose-built rental housing is easier and faster to build. Expectations on heights, densities, and design should be clarified for developers to reduce processing times.
- Diversifying housing options for renters is also important to encourage a mix of rentals, especially townhomes and buildings off busy arterial roads. Community opposition to mid-high rise buildings for neighbourhood character reasons needs to be addressed.
- Rental incentive programs should work to address the climate emergency through density bonusing and sustainable building methods.
- The committee also asserts the need to encourage family sized rental units (2-3 bedroom), and ensuring that these units go to families.
- Attendees feel that opportunities to renew the existing rental stock without displacing tenants should is important.
- Exploring small scale improvements to commercial units in rental buildings should also be considered.
- Increased affordability was a priority for rental housing for moderate income households enabled through new community plans, project sites, and through an extension of MIRHPP.

Policy Objectives/Outcomes

- The committee asserts the importance of ensuring that rental developments are treated equitably to strata in the development process. Some feel that rental applications should be prioritized to address the housing crisis.
- Attendees agree on the need to provide more rental housing for those with moderate incomes ($30-80k). Some feel that rents should be tied to income to provide more equity.
- Respondents are concerned on the methodology to calculate rent increases. There must be a balance of ensuring that rents remain affordable to households, while upholding the quality and maintenance of these rental buildings.
- Committee members point to the importance of minimizing the displacement of current renters and the impacts of redevelopment.
- Some are concerned about the trade-offs to faster development – will the building quality be impacted? Will amenity spaces be removed to cut development costs?

Summary of Draft Building Form Regulations in C-2 District Schedules for Residential Rental Tenure

Background

This appendix is intended to provide a general description of draft form of development directions being explored to meet proposed objectives identified through the rental review in C-2 zoning districts for residential rental tenure developments. These form of development considerations are preliminary, based on urban design testing and analysis. Further work will be performed to determine specific form of development regulations, subject to Council approval of the recommendations of this report.

The areas being considered for regulatory changes relating to purpose-built rental housing include "C-2" the zoning districts. Reference to "C-2" zoning districts includes the following commercial and mixed-use development zoning district schedules as they are defined in the Zoning and Development By-law:

- C-2
- C-2B
- C-2C
- C-2C1

Rental housing rezonings in C-2 areas

Currently, the Secured Market Rental Housing Policy allows consideration for rezoning in C-2 zoning district areas where 100% of the proposed residential component of the building is secured purpose-built rental housing. In C-2 areas, the Secured Market Rental Housing Policy allows consideration for up to 6-storeys and commensurate achievable density.

Since 2009 when the City's rental incentive programs were introduced, there has been a variety of building heights, densities, and forms of development approved for purpose-built rental housing projects submitted through rezoning. Since 2016, there have been 11 rental projects approved in C-2 areas, ranging in density between 3.08 and 3.97 FSR and height between 5 and 6 storeys. This represents a wide range of building densities based on site context, which can have significant economic impacts on projects and create uncertainty around development potential.

Additionally, during consultation with the development industry, Staff heard feedback that complex form of development requirements have created rental project challenges in C-2 areas. The primary concern was around multiple building stepbacks common to C-2 rental rezonings. Forms of development with multiple building setbacks create challenges for rental project viability, meeting green building standards, and designing livable dwelling units.

Figures 1, 2, and 3 provide examples of varying building heights, densities, and forms of development for recently approved projects in C-2 areas.

Figure 1. 855 Kingsway rezoning application from C-2 to CD-1, approved June 5, 2019 at density of 3.3 FSR and building height of 79.7 ft

Figure 2. 1906-1918 West 4th Av. rezoning application from C-2B to CD-1, approved February 26, 2019 at density of 3.08 FSR and building height of 61.8 ft

Figure 3. 3532 East Hastings St. rezoning application from C-2C1 to CD-1, approved January 17, 2019 at density of 3.97 FSR and building height of 72.22 ft

Summary of Recommended Direction

The intent of the recommended direction is to continue to allow similar building heights and densities currently allowed in C-2 areas under the Secured Market Rental Housing Policy through rezoning; however, with, improved clarity around development potential, streamlined development processes, and simpler building forms to meet multiple City objectives.

The overall proposed direction is designed around select key considerations based on public and stakeholder consultation and economic and urban design analysis:

- Simplify form of development requirements to increase project flexibility for the applicant to improve rental viability, ability to achieve green building requirements, and livability of unit design;
- Provide more specific building height and density regulations which are comparable to previous approved rezoning applications under the City's rental incentive programs;
- Ensure better performing commercial spaces suitable for a variety of uses; and
- Minimize impacts on public realm.

Form of Development Draft Approach

Through Phase II of the rental incentives review, Staff have conducted preliminary analysis for proposed C-2 form of development for residential rental development. The following sections of this appendix provide an overview of preliminary C-2 zoning building form, height, and density regulations which Staff are considering.

For further details on the regulatory approach for residential rental tenure development in C-2 areas, please refer to Appendix C of this report.

Topic	Summary of Draft Regulation Proposals	Rationale
Form of development	• Introduce simpler building form regulations and increase flexibility of design approaches • Limit requirements to a single rear yard building setback above the first storey of the building and ensure appropriate distance from adjacent buildings • Provide flexibility for front yard setbacks depending on site conditions • Limit maximum residential floor plate depths to 22.9 m (75 ft) • Minimize shadowing impact on the public realm[1]	• Achieve multiple City objectives • Provide greater flexibility to enhance rental project viability • Improve ability to meet green buildings standards • Improve livability of dwelling units • Consider public realm improvements and impacts

Floor space ratio	• Allow floor space ratio range between 3.3 – 3.7 FSR
	• Specific allowance dependent on site conditions, including:
	  o Lot depth
	  o Lot location (i.e. corner vs. mid-block lot)
	  o Street right of way width and public realm impacts
		• Allow for building densities required for rental viability
		• Create enhanced clarity for rental housing development
		• Consider different building forms and densities which are responsive to site context

Building height	• Maximum building height of 19.8 m (65 ft) for residential rental tenure • Height relaxation to allow for common amenity spaces at roof level	• Allow for building densities required for rental viability • Fit within Vancouver Building By-law allowances for wood-frame construction to minimize construction costs and reduce embodied emissions • Remain generally consistent with scale of development approved recently for rental through rezoning
Commercial spaces	• Require a minimum of 0.35 FSR for commercial spaces • Allow a building height relaxation of 1.5 m (5 ft) to allow for increased commercial unit heights, to a maximum building height of 21.3 m (70 ft)	• Ensure better performing commercial spaces that are suitable to multiple uses

[1] Staff to explore performance-based and form-based regulation options to minimize impacts on public realm and provide recommended approach to Council in a future referral report to public hearing with comprehensive C-2 district schedule changes.

Next steps

Following this report, Staff will continue work and undertake further analysis and public/stakeholder consultation to help inform detailed recommendations for changes to C-2 district schedules and design guidelines. Further analysis and public/stakeholder consultation will take place in Q1 of 2020. Policy and regulation recommendations are targeted to be brought to Council for referral to public hearing in Q2 of 2020.

MEMORANDUM

coriolis
CONSULTING CORP.

DATE: 9 July 2019

TO: Edna Cho, City of Vancouver

FROM: Blair Erb, Coriolis Consulting Corp.

RE: Summary of Preliminary Key Findings for Phase 1 of Financial Analysis for Market Rental Policies

The City of Vancouver retained Coriolis Consulting Corp. to analyze the financial performance of market rental apartment development under current market conditions to determine the effectiveness of existing incentives available to new rental developments and to test potential changes to rental policies. The work was divided into two phases. Phase 1 evaluates the impact on the viability of new rental apartment projects of:

- The existing rental incentives offered by the City (increased permitted density, City-wide DCL waiver, Utilities DCL waiver).
- Off-site utility infrastructure upgrades.
- A right-of-first refusal for existing tenants at rental buildings that are approved for redevelopment.
- Rental-only zoning (at C2 sites).
- Rent control at unit turnover (vacancy control).

The preliminary analysis for Phase 1 has been completed and the key findings are summarized in this memo. Future work during Phase 2 will explore a variety of other new rental policies that could be considered by the City.

In Phase 1, we modelled the likely financial performance of new rental apartment development at a cross-section of different types of sites that have been the focus of rental development over the past several years. We examined twelve sites in different neighbourhoods in the City (some on the East Side and some on the West Side). Sites were selected from a variety of different existing zoning districts, including the C1, C2, C3A, RM3, RM4, RS and RT districts. For each site, we tested the economics of apartment development at rental densities that have recently been achieved in these zoning districts.

The key findings of our preliminary analysis for Phase 1 can be summarized as follows:

1. If the City wants developers to create new rental housing:
   - Development needs to be financially attractive.
   - Sufficient profit is required in order to obtain project financing and address the costs and risks associated with new development. Typically a minimum profit margin of about 15% is required by multifamily residential developers to obtain construction financing and proceed with a new project. However, in specific circumstances, some developers may elect to proceed at a lower margin. For example: in order to mitigate capital gains taxes, long term owners of a property may elect to redevelop at a lower margin rather than sell; developers interested in creating a portfolio of rental properties may accept a lower margin if suitable existing rental properties cannot be purchased; and developers who originally planned a strata project may elect to proceed with a rental project if they are concerned about short term market risks.
2. For sites currently zoned C1, C2, C3A, RM3, RM3A and RM4:

- Even with the existing incentives (and no off-site utility upgrades), market rental apartment development only generates an estimated profit margin in the range 7% to 11% at the sites that were tested. This is significantly lower than the typical profit margin required by most multifamily developers to obtain construction financing and proceed with a new project. It is also lower than the profit margin that can likely be achieved through strata development (under existing zoning).
- Each of the existing rental incentives currently offered by the City helps close the financial gap between market rental development and strata apartment development. Of the existing incentives, the largest positive impact is from increased permitted FSR, followed by the City-wide DCL waiver and the utilities DCL waiver. However, even with all of these incentives, strata residential development is still the most profitable type of housing development at each of the sites that were tested.
- The existing rental development incentives offered by the City (increased density, DCL waivers) are likely required to make market rental development financially attractive for the vast majority of developers. The utilities DCL waiver has the smallest positive impact of the incentives currently offered, but it is an important part of the overall package of incentives.
- Any requirement to fund off-site utility upgrades (separately from the utilities DCL) negatively affects the financial viability of new market rental development. The negative impact depends on the cost of upgrades required and size of the rental project. The impact can be large on smaller projects.
- In the absence of the existing incentives offered by the City, we would expect developers to build more strata housing and much less new rental housing in these zoning districts, resulting in less new rental housing supply over time. A reduction in new rental supply will result in lower vacancy in the market and put upward pressure on rents at units throughout the City (in both new rental buildings as well as units in existing rental stock).

3. For sites currently zoned RS and RT:

   - If it is permitted, market rental apartment development can be financially attractive at the densities the City asked us to test, if the existing rental incentives are offered.
   - Depending on the permitted density, some RS and RT sites may not require all of the existing incentives in order for rental development to be financially attractive. The exception appears to be RS sites in East Vancouver which may require all of the existing incentives.
   - A requirement to fund off-site utility upgrades negatively affects the financial viability of new market rental development at these types of sites. The impact depends on the cost of upgrades required and the size of the rental project.

4. The City is interested in examining rental-only zoning in the C2 district. There are different approaches to rental-only zoning that can be considered. If the City downzones existing C2 sites to only allow rental use (removes the existing strata development rights), it will reduce the land value of C2 sites (unless there was a very large off-setting increase in permitted rental density) and negatively affect existing property owners. In addition, although rental-only zoning will reduce C2 land values, it will not reduce market rental rates. The implications for the viability of new rental development will vary depending on the site:

   - Rental-only zoning will not improve the financial viability of new rental development at C2 sites where the value of the existing improvements is similar to, or higher, than the site's land value as a strata development site. This is likely the current situation at most C2 sites in East Vancouver. Therefore, we would not expect rental-only zoning to improve the financial viability of rental development at most C2 sites in East Vancouver.
   - Rental-only zoning will improve the financial viability of new rental development at C2 sites where the value of the existing improvements is significantly lower than the existing land value as a strata development site. This could be the case at many of the C2 sites on the West Side of Vancouver that are improved with older low density buildings (say single storey). Therefore, it is possible that rental-only zoning could improve the financial viability of rental development at C2 sites on the West Side.

However, it is important to note that the rental-only zoning improves viability only because the rental-only zoning would reduce property values for these sites. This will have a significant impact on existing property owners. At reduced values, existing owners may choose to hold sites rather than sell for redevelopment.

An alternative approach that could improve the financial viability of rental development and mitigate any negative impacts on existing C2 property owners is to introduce zoning that retains the existing C2 density for strata projects, but permits increases in residential density for rental projects (through a rental-only density bonus). This may require tall concrete buildings.

5. A right of first refusal (at below market rents) to existing tenants who are displaced due to redevelopment will have a financial impact on the rental developer. The impact depends on:

   - The number of existing units that are demolished (fewer units results in less negative impact of profit).
   - The percentage of tenants that return to the new rental building (fewer returning tenants results in less impact).
   - The length of time the returning tenants remain in the new building (less time results in less impact).
   - The rents that the returning tenants can be charged (lower rents results in increased impact).

   It is not possible for a developer to accurately estimate the impact in advance due to the number of variables that are uncertain. The impact could be small or it could be large. Lenders will likely assume the largest financial impact which makes it more challenging for a rental developer to obtain project financing.

6. The Residential Tenancy Act (RTA) restricts annual rent increases to the Consumer Price Index (CPI) until a tenant vacates the unit (until 2018, the RTA allowed annual rent increases of CPI plus two percentage points). At turnover, rents are permitted to be increased to market. CPI is typically lower than the annual increase in market rents. If rent increases were also restricted to CPI at turnover (vacancy control), it would have a large negative impact on the financial performance of new rental development because:

   - The value of the newly completed rental building would be significantly reduced due to lower potential rents over time.
   - Property taxes and other operating costs incurred by the building owner (these have historically increased at a faster rate than CPI) could increase at a faster pace than rents, resulting in lower income over time.

   We would expect rent control at unit turnover to make market rental development financially unattractive, likely resulting in a large decline in new rental housing supply over time.

   A reduction in new rental supply will result in lower vacancy in the market and put upward pressure on rents at any unregulated units throughout the City.

MEMORANDUM

coriolis
CONSULTING CORP.

DATE: 16 November 2019

TO: Edna Cho, City of Vancouver

FROM: Blair Erb, Coriolis Consulting Corp.

RE: **Rental Incentives Review Phase 2: Summary of Key Findings of Financial Analysis**

1.0 Introduction

The City of Vancouver retained Coriolis Consulting Corp. to analyze the financial performance of hypothetical market rental development projects in different locations and different zoning districts in the City as input to helping evaluate potential changes to existing rental development policies. The analysis we completed can be grouped into four different categories:

1. Evaluating the financial viability of secured market rental apartment development at different assumed heights and densities at sites currently zoned C2, RS and RT in the absence of incentives (other than increased density).
2. Evaluating the impact of possible incentives on the financial viability of secured market rental apartment development, including:
   a) City initiated rezoning (prezoning) to allow rental development at increased height and density in the existing C2, RS and RT Districts[1].
   b) Waiving the City-Wide and Utilities DCLs (these incentives are already available to qualifying projects).
   c) Providing a ten year property tax exemption to new rental projects through a Revitalization Tax Exemption (RTE).
   d) Eliminating GST on new rental development projects (this would need to be implemented by the Federal government).
   e) Allowing up to 40% of new rental buildings (at C2 sites) to be used for tech enable hospitality units (hotel units).
3. Evaluating the impact of possible new development requirements on the financial viability of secured market rental apartment development, including:
   a) Requiring rental projects to achieve higher green building standards, such as Passive House or Step Code 4 (with electric and heating and hot water).
   b) Requiring rental apartment projects (in existing RT or RS districts) to include below market rental units at Moderate Income Rental Housing Pilot Program (MIRHPP) rents.
4. Evaluating the impact of requiring strata projects in the C2 District to replace any existing rental units that are demolished as part of redevelopment (i.e. rental replacement).

The key findings of our analysis are summarized in this memo.

[1] Our analysis assumes that any change in zoning would still permit the existing uses at the existing permitted densities. In addition, rental apartment would be permitted at increased permitted density.

2.0 Context

If the City wants private developers to create new rental housing, then rental development needs to be financially attractive. This means that developers planning new projects need to think the project will generate sufficient profit to obtain project financing and address the costs and risks associated with new development.

Most strata residential developers target a minimum profit margin of about 15% on total project costs as this is typically required to obtain construction financing and proceed with a new project. Discussions with lenders (and developers) indicate that a similar profit margin is usually required to proceed with a market rental project. Having said this, in specific circumstances, some rental developers may elect to proceed with a new project at a lower anticipated profit margin. For example:

1. In order to mitigate capital gains taxes, long term owners of a property may elect to redevelop at a lower margin rather than sell.
2. Investors that interested in creating a portfolio of rental properties and have access to necessary capital may accept a lower development margin if suitable existing rental properties cannot be purchased.
3. Developers who originally planned a strata project may elect to proceed with a rental project if they are concerned about short term market risks.

However, when planning a new project most rental developers will target a profit margin of about 15% on costs. If the anticipated profit is too low, developers may elect to proceed with other options such as strata development.

3.0 Financial Viability of Rental Development at C2, RS and RT Zoned Sites

3.1 Sites Zoned C2

1. Market rental apartment development generates an estimated profit margin in the range 4% to 9% at the sites we tested without rental incentives (other than increased density), assuming densities in the range of 3.3 to 3.7 FSR. This is lower than the typical profit margin required by most developers to obtain construction financing and proceed with a new project. It is also lower than the profit margin that can typically be achieved through strata development (under existing zoning).
2. Incentives are likely required to make market rental development financially attractive at C2 sites for the vast majority of developers.
3. In the absence of rental incentives at C2 sites (such as the existing DCL waivers offered by the City), we would expect developers to build more strata housing and much less new rental housing, resulting in less new rental housing supply over time. A reduction in new rental supply will result in lower vacancy in the market and put upward pressure on rents at units throughout the City (in both new rental buildings as well as units in existing rental stock).

3.2 Sites Currently Zoned RS or RT

1. Market rental apartment development generates an estimated profit margin in the range 0% to 15% at the sites we tested, assuming densities in the range of 2.0 to 2.4 FSR without incentives (other than increased density). For most of the sites we tested, the estimated profit margin was less than 9% which

is lower than the typical profit required by most developers to obtain construction financing and proceed with a new project.

2. At densities in the 1.2 to 1.45 FSR range, estimated profit margin ranged from zero to 3% at the sites we tested (in the absence of incentives).
3. Our analysis indicates that some RS and RT sites may be financially attractive for rental development in the absence of incentives (primarily large existing lots with low existing property values per square foot of site area), but this is highly sensitive to the permitted density. Incentives (in addition to increased density) are likely required to make market rental development at RS and RT sites financially attractive for the vast majority of developers and sites.

4.0 Impact of Incentives

The incentives that we tested all have a positive impact on the estimated profitability of market rental development. The impact varies slightly depending on the overall permitted density, the location of the property, the size of the project and the existing zoning district. The results can generally be summarized as follows:

1. **Prezoning**. If the City zoned sites in advance for rental development (i.e., prezoning) so that applicants were not required to go through the rezoning process, the estimated profit margins at the sites we tested would increase by about 1 to 2 percentage points (for example an 8% profit margin increases to 9% or 10%) because the applicant would not incur the costs associated with rezoning (application fees, consultant fees) and the holding costs on land acquisition would be reduced due to a shorter approvals process. In addition, to this estimated positive impact on profit, prezoning would significantly reduce the risks and uncertainties associated with rezoning and would allow projects to be brought to the market more quickly. Reduced approvals uncertainty and risk are not are not reflected in the financial analysis; however, these would be significant benefits to an applicant.
2. **DCL Waivers**. The City already provides DCL waivers to rental projects (but these incentives are not reflected in the base case results in Section 3.0). The combined positive impact of the City-Wide DCL waiver and the Utilities DCL waiver on the estimated profit margin of a rental apartment project is between 2 and 4 percentage points depending on the project density and location (as DCLs vary based on density and location). The DCL waivers have a significant positive impact on the financial viability of rental development. The Utilities DCL waiver accounts for about 1 to 2 percentage points of the total 2 to 4 percentage point impact.
3. **Property Tax Exemption**. If the City provided a ten year property tax exemption to a new rental project through a Revitalization Tax Exemption (RTE), the estimated profit margin would increase by about 1 to 2 percentage points.
4. **GST.** If the Federal government eliminated GST on new rental development projects, the estimated profit margin would increase by about 4 to 6 percentage points. This has the largest positive impact on rental development viability of all of the incentives tested.
5. **Tech Enabled Hospitality**. Some jurisdictions are allowing rental apartment units to be used as tech enabled hospitality units (the units are operated as hotel units for tourists). Examples of tech enabled hospitality companies are Sonder and Lyric. If rental projects in the C2 district were permitted to use about 40% of the new units in the building (i.e. 2 floors of 5 residential floors) as tech enable hospitality

units, the estimated profit margin for the project would increase by about 2 percentage points (the total positive impact is actually about 4 percentage points, but the project would not quality for the DCL waiver which brings the overall net positive impact down to 2 percentage points).

Exhibit 1 shows the estimated profit that a market rental project would generate in the absence of any incentives (other than increased density) and the estimate impact on the profit margin of each of the different incentives that we tested.

Exhibit 1 – Summary of Estimated Impact of Incentives on Rental Profit Margin

	C2 Sites at 3.3 to 3.7 FSR	RS and RT Sites at 2.0 to 2.4 FSR	RS and RT Sites at 1.2 to 1.45 FSR
Estimated Profit Margin Without Incentives	4% to 9%	zero to 15%	zero to 3%
City-Wide DCL Waiver	+ 2%	+ 2%	+ 1%
Utilities DCL Waiver	+ 1% to 2%	+ 1% to 2%	+ 1%
Revitalization Tax Exemption	+ 2%	+ 1% to 2%	+ 1% to 2%
GST Exemption	+ 5%	+ 4% to 6%	+ 5% to 6%
Tech Enabled Hospitality (40% of units)	+ 2%	not analyzed	not analyzed

5.0 Impact of New Requirements on Rental Projects

The potential new requirements that we tested for rental projects all reduce the estimated profitability of a new market rental project, making rental development less attractive. The impact varies slightly depending on the overall permitted density, the location of the property, the size of the project and the existing zoning district. The results can generally be summarized as follows:

1. **Passive House**. If rental projects are required to achieve Passive House, the estimated profit margin at the sites we tested decreases by between 1 and 4 percentage points depending on the density scenario and form of development (the impact is actually larger, but the City offers a 5% FSR bonus if Passive House is achieved, which helps off-set some of the negative impact).
2. **Step Code 4**. If rental projects are required to achieve Step 4 of the BC Energy Step Code (with electric heating and hot water) the estimated profit margin at the sites we tested decreases by about 1 to 3 percentage points depending on the density scenario analyzed and form of development.
3. **Below Market Rental Units**. If rental projects at RS and RT sites are required to allocate 10%[2] of the residential floorspace to below market rental units (at MIRHPP rents), the estimated profit margin at the sites we tested decreases by about 3 to 9 percentage points depending on the density scenario analyzed. If the below market unit requirement is higher, then the decrease in profit would be larger.

Exhibit 2 shows the estimated profit that a market rental project would generate in the absence of any incentives (other than increased density) and the estimated impact on the profit margin of each of the different new requirements that we tested.

[2] This ratio was selected for illustrative purposes. The City could set a higher or lower below market unit requirement.

Exhibit 2 – Summary of Estimated Impact of Potential Requirements on Rental Profit Margin

	C2 Sites at 3.3 to 3.7 FSR	RS and RT Sites at 2.0 to 2.4 FSR	RS and RT Sites at 1.2[3] to 1.45 FSR
Estimated Profit Margin Without Incentives or New Requirements	4% to 9%	zero to 15%	zero to 3%
Passive House	- 2% to -4%	- 2% to -4%	- 1% to -4%
Step Code 4 + Electric	- 2%	- 2%	- 1% to -3%
MIRHPP (10% of residential)	not analyzed	- 3% to -6%	- 5% to -9%

6.0 Impact of a Rental Replacement Requirement at C2 Sites

The City asked us to evaluate the impact of introducing a requirement for new strata apartment projects at C2 sites to replace any existing rental units that are demolished as part of redevelopment. A requirement to include new rental units within a strata project will reduce the land value that a developer can afford to pay for a development site because the completed rental units have a lower value than a strata unit (although costs are similar). Therefore a rental replacement requirement would reduce existing land value for C2 sites. The impact on land value will vary depending on the number of rental units that need to be replaced due to demolition so the impact is not consistent across all sites.

1. Based on our analysis, we would expect the land value of most C2 sites with existing rental units (typically in mixed commercial and rental apartment building) to decline by roughly 10% to 25%, depending on the location of the property and the number of existing rental units at the site. It should be noted that this does not necessarily mean that a property's overall value will decline as it may currently be more valuable as an income producing property than as a development site. If so, its market value would continue to be based on the income stream generated by the existing improvements (which would be higher than land value).
2. If C2 land values decline, it will mean that fewer sites are financially attractive for strata redevelopment. This will not mean that more sites are financially attractive for rental development as (in the absence of incentives), the value of C2 properties will continue to be higher than the land value supported by rental development (as the existing use at C2 sites will still support a high value). Therefore, with a rental replacement requirement, more C2 sites will be retained in their existing use.
3. In addition to the potential impact on land value, a rental replacement requirement would likely also create less interest in strata development due to the requirement to create mixed tenure buildings with a small number of rental units. This increases the complexity of the development process, but it is not accounted for in our analysis.

Overall, we would expect a rental replacement policy to reduce C2 land values and lead to less new strata apartment development in the C2 District.

[3] The MIRHPP scenario was not analyzed for 1.2 FSR townhouse scenario so the estimated impact is for the 1.45 FSR scenario.

7.0 Evaluation of Potential Policy Direction

The City asked us to provide comments on the likely impact on the pace of rental development and the impact on land values of the rental policy directions it is considering. This section summarizes our preliminary comments[4].

Our understanding is that the City is considering the following policy direction for market rental projects:

1. Amending the C2 District to allow mixed use rental densities in the range of 3.3 to 3.7 FSR with a requirement to meet Step Code 4 plus electric heating. Projects would continue to be eligible to receive the City-Wide DCL waiver (subject to meeting rent rate conditions for the first tenant), but would not receive the Utilities DCL waiver.

   Amending the zoning will have a positive impact on the viability of rental development and reduce some of the time and risks associated with rental development. However, the requirement to pay the Utilities DCL and meet Step Code 4 will off-set the financial benefit of the City's zoning amendment. Overall, we would expect projects to achieve slightly lower profit margins than currently achievable under the City's rezoning policies for C2 sites. However, the uncertainty associated with rezoning will be eliminated which reduces project risk and reduces the approvals time frame. Overall, we would expect rental development interest in the C2 zone to continue to be similar to current levels. We would also expect no upward influence on development site values.

2. Creating a new zoning district(s) that applicants can rezone into for specific RS and RT locations along arterials. In blocks on arterials with existing commercial space, the new rental zoning district(s) would allow two options including:

   - 2.5 FSR mixed use with a requirement to meet Step Code 4 plus electric heating. Projects would be eligible to receive the City-Wide DCL waiver (subject to meeting rent rate conditions for the first tenant), but would not receive the Utilities DCL waiver.
   - 3.3 to 3.7 FSR mixed use with a requirement to meet Step Code 4 plus electric heating and a requirement for 20% of the residential floorspace allocated to below market rental units. Projects would be eligible to receive the City-Wide DCL waiver, but would not receive the Utilities DCL waiver.

   At these densities, we think it is possible for mixed use rental projects to achieve profit margins generally in the range of 7% to 13%, depending on location and permitted density. At these profit margins, we would expect some developers to be interested in this option. However, interest will be site specific and will depend on the actual achievable density. Over time, interest will likely increase if rental rates continue to increase. If implemented in a significant number of locations, this should help increase the pace of rental development in the City.

   In blocks on arterials without existing commercial space, the new rental zoning district(s) would allow two options including:

   - 2.0 to 2.2 FSR residential or (depending on whether the location is a commercial location) with a requirement to meet Step Code 4 plus electric heating and hot water. Projects would be eligible to receive the City-Wide DCL waiver (subject to meeting rent rate conditions for the first tenant), but would not receive the Utilities DCL waiver.

[4] Any estimates of potential profit margins are based on preliminary analysis and should be treated as approximate.

- 2.6 FSR residential with a requirement to meet Step Code 4 plus electric heating and hot water and a requirement for 20% of the residential floorspace allocated to below market rental units. Projects would be eligible to receive the City-Wide DCL waiver, but would not receive the Utilities DCL waiver.

At these densities, we think it is possible for rental projects to achieve profit margins generally in the range of 1% to 8%, depending on the location and permitted density. This is significantly less profitable than the mixed use options due to the lower assumed density and may only be attractive to developers in limited circumstances. To encourage more rental development, we would suggest examining the opportunity to increase the permitted density in this option.

Given the relatively modest achievable profit margins, we would not expect any significant upward influence on the value of existing RS and RT properties.

3. Creating a new zoning district that applicants can rezone into for specific RS and RT locations off of arterials to allow 4-storey rental densities up to 1.75 FSR with a requirement to meet Step Code 4 plus electric heating and hot water. Projects would be eligible to receive the City-Wide DCL waiver, but would not receive the Utilities DCL waiver. At this maximum density our analysis indicates that profit margins would likely be very low, so other than in unique circumstances (e.g., lots with low existing land value per square foot), we would expect little interest from developers in this option in the foreseeable future. We would also expect little or no upward influence on property values due to this policy.

CITY OF VANCOUVER
RENTAL INCENTIVE PROGRAM REVIEW

Prepared by CitySpaces Consulting
July 2019

CITY SPACES


EAST VAN

EXECUTIVE SUMMARY

With persistently low vacancy rates, a limited and aging rental housing stock, and ongoing concerns of housing affordability, City of Vancouver staff have been directed to undertake a detailed review of current housing programs and incentives aimed at delivering new purpose-built market rental housing. This forms part of broader efforts to identify ways to better respond to the City's affordable housing needs.

The Rental Incentive Program Review considers Rental 100 (the Secured Market Rental Policy), the Affordable Housing Choices Interim Rezoning Policy, and recently completed community plans that include policies that incentivize secured market rental housing. This report summarizes the outcomes and achievements of these rental incentive initiatives over the past decade. It also identifies the key challenges and limitations of the incentive programs and presents a number of key issues and opportunities for consideration as part of the upcoming policy development phase.

Key Findings

- **Rental incentives are effective.** The incentive programs successfully led to the development of rental housing at a time when there was very limited purpose-built rental housing construction. Since 2009, the programs have resulted in the approval of **8,680 new rental units** — a substantial and important contribution to the City's rental housing stock.
- **Rental housing continues to be in short supply.** There continues to be a significant shortfall of rental supply throughout the region, created by decades of very limited new construction. While the City of Vancouver and other municipalities in the region have turned the trend away from a net loss of rental units towards a net gain of new starts, the cumulative shortfall remains considerable. The City's own targets for net new rental housing units are not being met, with a shortfall of over 1,000 units per year in the past two years. The City's vacancy rates remain exceptionally low, and demand is persistent. Additional supply is needed to respond to demand and to provide renters with housing choice.
- **Rental incentives are essential.** Incentives are needed to level the playing field between market rental development and condominium development. Financial analysis completed as part of the Rental Incentive Program Review by Coriolis Consulting demonstrates that condominium development will continue to out-compete rental use, unless substantial incentives are offered to bridge the gap. With relatively low profit margins and a highly competitive land development context, the incentives are needed to encourage new rental construction.

- **Streamlining of incentive programs is needed.** There are several programs and initiatives in place that are intended to encourage the construction of new market rental housing. There are inconsistencies across these policies and programs, which are continually evolving. This has resulted in additional risk, confusion and complexity for developers. To encourage more construction of rental housing, the programs must be simplified and streamlined, with a specific focus on creating new secured market rental housing.
- **Processing timelines are too lengthy.** The processing times for rezoning applications and development permits (not including pre-application review periods) are so significant that they are a deterrent to potential applicants interested in rental construction. To facilitate a greater number of rental units, shorter review timeframes are needed.
- **High costs of rental housing continue.** The housing constructed through the incentive programs has been critiqued because of high rents of completed projects. The rental incentive programs are primarily designed to facilitate new market rental supply. This should ultimately lead to greater availability and choice in rental housing in the city. While this may not lead to lower rents in the approved projects, it will hopefully reduce the pressure on units in the older stock of rental housing which have also experienced considerable rent increases in recent years. It is important to recognize that the newly created units play a critical role in alleviating pressure on the rental stock as a whole, and that this need not result in lower rents for those particular units in order to contribute to housing choice and affordability.
- **Affordable rental housing requires further incentives or government subsidies.** The financial analysis being undertaken concurrently confirms that in order to achieve deeper levels of affordability, significant additional density and incentives are required. The current programs and policies are necessary to facilitate new market rental housing, but they are not adequate at delivering the targeted number of new market rental units or at supporting below market rents. To achieve lower rents, direct government subsidies are the most effective. Given the limited ability on the part of the City to provide operational subsidies, partnerships with provincial and federal governments will be needed to provide greater levels of affordability.[1]
- **Expanding opportunities for new rental housing.** The incentive programs are largely limited to projects that are 100% rental and only projects in select limited areas are eligible. Identifying ways to expand the program to a greater variety of projects may lead to further increases in total supply.
- **Enabling new rental housing in all neighbourhoods would support an increase in supply and choice.** The incentive programs have concentrated secured market rental development

1 Other City initiatives under the Housing Vancouver Strategy and the Affordable Housing Delivery and Financial Strategy are focused on identifying solutions to achieve greater levels of affordability.

in selected neighbourhoods and along arterial streets. This has been effective at creating larger multi-unit projects, but has created an inequitable environment, where renters have limited housing choice. Expanding program coverage into low density areas, areas zoned for single detached housing and non-arterial locations to allow for a greater mix of structure types and densities (e.g. townhouses, small apartment buildings) are important considerations moving forward.

- **Livability considerations would benefit from further exploration.** Greater housing choice is important for renters, and while unit composition has improved since the programs were introduced in 2009, livability challenges remain. Unit size, unit mix, storage space, and noise are all important characteristics of rental housing that would benefit from detailed consideration in the upcoming policy development phase.

- **Communicating trade-offs to the public.** While the challenges facing renters are significant, the financial constraints and risks associated with rental development may not be well understood. To facilitate a greater understanding of these matters, additional analysis and communication with the public would be valuable — detailing the inherent trade-offs, the risks and regulatory requirements, and the need for incentives to achieve market rental housing.

Next Steps

To support the upcoming policy development stage, research and consultation is needed to identify approaches that aim to:

- **Simplify the incentive programs**
- **Clarify policy objectives**
- **Reduce the processing timelines**
- **Consider the possibility of additional incentives**
- **Consider expanding the incentive program**
- **Seek partnerships with senior government**
- **Diversify housing choice by type**
- **Enable new rental housing in single detached neighbourhoods**
- **Communicate trade-offs to the public**

1. INTRODUCTION

In April 2019, the City of Vancouver engaged CitySpaces Consulting to undertake a review of past and current rental incentive programs. This review documents 10 years of results of the City's rental incentive programs, which were first introduced in 2009. While the programs have effectively increased the number of rental housing units in Vancouver, rental vacancy rates have been persistently low and there are growing concerns surrounding the affordability of rental housing. Council and staff are seeking solutions to address these concerns, and respond to the issues of choice, affordability, and availability in Vancouver's rental market.

To facilitate this process, staff have completed an internal staff survey, a tabulated assessment of all rental projects, and have gathered feedback from renters, post occupancy, to understand the multiplicity of perspectives on this issue. Additional stakeholder consultation was completed in Spring 2019, including a focus group and survey with representatives of the Urban Development Institute (UDI); outreach to landlord and property management groups; and a neighbourhood feedback and transect survey.

Purpose

Vancouver City Council has directed staff to review all existing Vancouver market rental housing programs to identify ways to meet Vancouver residents' needs for affordable housing. This Rental Incentive Review includes Rental 100 (the Secured Market Rental Policy), the Affordable Housing Choices Interim Rezoning Policy, and recently completed community plans that include policies that incentivize secured market rental housing. The purpose of this report is to document the results of

the City's past and previous market rental incentive programs, with regard to supply, take-up of incentives, affordability, form of development and public feedback. Preliminary recommendations focus on key issues and opportunities for staff to consider during a subsequent policy development phase.

With the adoption of the **Housing Vancouver Strategy (2018-2027)**, and Council's direction to expedite the development of a city-wide plan, the current policy and planning landscape has become increasingly complex and multi-faceted. While these ongoing initiatives are important considerations that will shape the policy development process, the focus of this review is the existing rental incentive programs.

Methodology

Given the project scope, this review is based on the City's existing information on purpose-built rental housing. Stakeholder focus groups held in Spring 2019 also form an important data source for this review. The quantitative and qualitative data referenced in this report was obtained from data reports and analysis previously prepared by City staff. The data sources used include:

- Inventory of rental development applications and completed projects;
- Post occupancy survey of renters living in rental buildings constructed through the rental incentive programs;
- Two focus groups held with developers and with landlords/property managers;
- Survey of Urban Development Institute (UDI) members;
- Internal staff survey; and,
- Neighbourhood feedback and intercept survey.

Other quantitative data highlighted in this report has been obtained from the City of Vancouver. Data sources include the 2006, 2011, and 2016 Census of Canada; Canada Mortgage and Housing Corporation (CMHC) Rental Market Report for the City of Vancouver; the MLS Home Price Index; and City building and development permitting information.

Limitations

Analysis of the relationship between government policies and impacts on housing market demand and supply is a complex undertaking. The housing market consists of several interrelated sub housing markets, which are significantly influenced by macroeconomic trends, financial market activity, household incomes, interest rates, taxation policy, the availability of land, consumer behaviour and preferences, and social culture. Today, the ability for global wealth to move easily between countries and continents adds another level of complexity. These inter-related factors shape the housing market and ultimately influence the development of housing policy.

The scope of this exercise is limited to a review of the City of Vancouver's programs to incentivize purpose-built rental housing. While there is the potential for further analysis at this stage, the City has committed to an extensive work program that provides the opportunity for policy development, and more in-depth issues identification.

The consulting team relied largely on data and information that had been previously compiled by the City of Vancouver. CitySpaces participated in a number of focus groups and undertook a portion of the data analysis, but new data collection could not be undertaken independently due to the project's timeframe and scope of work.

The Housing Spectrum & Definitions

The rental housing market is just one element of the "housing spectrum". Each source of supply on the rental housing spectrum responds to different housing needs. Vancouver's rental housing stock includes purpose-built market rental housing, secondary market rentals, and non-market rental housing or social housing. These housing forms are illustrated on the Housing Spectrum — a visual concept used to demonstrate the full ranges of types and tenures of housing, from seasonal shelters to home ownership.

- **Purpose-Built Market Rental Housing ("purpose-built rental housing"). Refers to multi-unit buildings (i.e. 3 units or more) designed and built expressly as long term rental housing. Purpose-built rental units are considered to form the primary rental market.**
    - **Secured Market Rental Housing ("secured rental housing"). Refers to purpose-built rental housing where rental tenure is secured through legal agreements for a specified period of time.**
- **Secondary Market Rental Housing ("secondary rental housing"). Refers to units built for ownership which are then purchased by an individual or group that intends to rent and manage the units directly or through a property management firm (e.g.. secondary suites and rented condominium apartment units).**

This report focuses on secured market rental housing; however, it is acknowledged that secondary market rentals form an important segment of the housing spectrum . For many owners, secondary suites provide additional financial security; and revenues from accessory units make homeownership possible for families that would otherwise struggle to transition from rental housing to homeownership. Secondary rental housing is also the only rental option available in many areas of the city, especially in lower-density neighbourhoods and in locations off of arterial roads.

Figure 1-1: The Housing Spectrum

At any point in time, and depending on prevailing rents and home prices, a household may change tenure, such as from a homeowner to renter or vice versa. The purpose-built rental housing stock is book-ended by two other important segments on the housing spectrum. To the left is social or non-market housing. This housing stock, built under a mix of federal, federal/provincial and provincial housing programs, is intended for lower-income households. It protected from market forces, thus offering predictable and affordable rents in perpetuity. To qualify for social or non-market housing, most households have to meet income and other eligibility requirements. To the right on the spectrum is “entry-level ownership.” This form of housing is at the boundary between renting and owning, and in the Vancouver context, this market segment consists primarily of older condominiums and townhouses.

It is important to note that each source of supply along the housing spectrum is interrelated, and constraints in any one supply type will impact others. For instance, in previous decades the entry-level ownership supply of housing would have consisted of older and smaller houses in Vancouver or elsewhere in the region. Affordability pressures in this segment of the market have caused first-time buyers to instead look for rental housing, or homes in the strata condominium and townhouse market, which has contributed to limited vacancy rates, and has increased demand and the price for those types of homes accordingly. On the other side of the spectrum , moderate-income households, which in the past may have been able to afford market rental apartments, are staying in older, more affordable and often subsidized units longer. This results in lower-income households being unable to access lower-priced rental units.

Housing Vancouver Strategy

The City's ***Housing Vancouver Strategy*** targets indicate the amount of new housing required to meet the needs of residents along a spectrum of housing types and income groups. Figure 1-2 illustrates the City of Vancouver's target to approve 20,000 new units of purpose-built rental housing over a 10-year period (2018-2027) or 2,000 units per year. As per the ***2019 Housing Vancouver Annual Progress Report and Data Book***, the City has approved just 46% of its annual targets of 2,000 units per year for purpose-built market rental over the past two years.

Figure 1-2: Housing Vancouver 10-Year Targets (2018-2027)

Building Type	Renters				Renters & Owners	Owners	Total	% of Total
	<$15k/Yr	<$15-30k/Yr	<$30-50k/Yr	<$50-80k/Yr	<$80-150k/Yr	>$150k/Yr		
Apartment	5,200	1,600	2,000	3,000	200		12,000	17%
			2,500	12,000	5,500		20,000	28%
				6,500	16,500	7,000	30,000	42%
Infill				2,000	2,000		4,000	5%
					300	700	1,000	1%
Townhouse					1,700	3,300	5,000	7%
Total	5,200	1,600	4,500	23,500	26,200	11,000	72,000	100%
% of Total	7%	2%	6%	33%	37%	15%	100%	

Supportive And Social Housing | Purpose-Built Rental | Condo | Laneway (Rental) | Coach House (Strata) | Townhouse

2. CONTEXT

Historical Overview

This section examines the evolution of Vancouver's purpose-built rental housing market over the past 70 years, particularly the role of the federal, provincial, and municipal governments in influencing the production of purpose-built rental housing.

Government policies at all levels play a direct role in affecting housing market trends over time. Governments set policy around housing in several ways. The role of the federal government includes tax incentives for individual capital gains and business investments in housing, federal insurance for mortgages, and direct assistance for affordable housing construction and renewal. Provincial governments play a key role in creating and supporting affordable housing projects, such as through agencies like BC Housing. Provincial governments also provide low-cost financing, and create legislation to enable municipalities to regulate land use, through zoning and other regulatory systems.

FEDERAL SUPPORT FOR PURPOSE-BUILT RENTAL HOUSING

The current inventory of purpose-built rental housing is largely a legacy of policies and decisions taken by the federal government. Beginning with federal taxation measures and provisions in place from 1951 to 1973, including incentives for new residential rental investment, there was a rapid expansion in the supply of purpose-built rental housing. These measures included high **capital cost allowances** and the ability to deduct investment losses from earned income. Federal rules at this time did not stipulate income mix or any rent restrictions, but were instead simply designed to stimulate investment in rental supply.

Federal Rental Incentives (1949-1972)

- Tax write-offs for soft costs were available for new housing investment.
- Tax deductions based on a capital cost allowance rate were granted to owners and operators of rental buildings. The deduction represented a depreciation amount which was higher in the earlier years of a building's life, and declining over time.
  This provided a cash flow benefit in the earlier years of an investment.
- While these tax deductions were recaptured if a building was sold for a price higher than the assumed depreciation, a rollover provision meant that the recaptured amounts could be deferred if the investor acquired another rental building in the same tax year.

These federal taxation provisions were restricted or eliminated beginning in 1974. New incentive programs were introduced to address rental housing supply constraints, including requirements for low-rental rates and income eligibility reporting. These included the Multiple Unit Rental Building program (MURB), Assisted Rental Program (ARP), and the Canadian Rental Supply Program (CRSP), which contributed to a continued expansion of the supply of purpose-built rental units, though at a slower rate than the previous decade. These programs typically included tax write-offs for soft costs, high capital cost allowances, and transferability of losses to earned income. These provisions were often similar to those of the previous era, but more targeted and limited to qualifying investments; eligibility for these tax incentives was limited to prevent tax deferral and avoidance by high-income individuals and investors.

During the period of 1974 to 1986, additional programs were also introduced to promote the production of non-profit and co-op housing programs. These programs were designed to address the needs of low to moderate income households unable to find housing in the private rental market. Such programs typically involved funding on a cost-shared basis between the federal and provincial governments and included some combination of capital grants, favourable financing, or on-going operating subsidy. These new programs accompanied a shift away from public housing models, based on observations that community-based housing

Multiple Unit Residential Building (MURB) Program (1974-1981)

- A tax measure designed to promote investment in purpose-built rental housing through the relaxation of the capital cost restrictions of the Income Tax Act (thereby allowing CCA to be deducted against any income). Similar to the tax treatment of all real estate prior to 1972, the attractiveness of a MURB investment stemmed from the ability to defer taxes.

Assisted Rental Program (ARP) (1974-1978)

- Designed to stimulate the economy and to encourage the construction of modest rental accommodation, the program sought to eliminate negative cash flow on new purpose-built rental projects. It provided insured loans for new purpose-built rental housing construction, supplemented by grants of up to $75 per unit per month, provided that owners of new purpose-built rental projects maintained rents at a reasonable level for a period of up to 15 years. Subsidy payments were reduced gradually over a period of10 years as market rental rates increased.

Canada Rental Supply Plan (CRSP) (1981-1983)

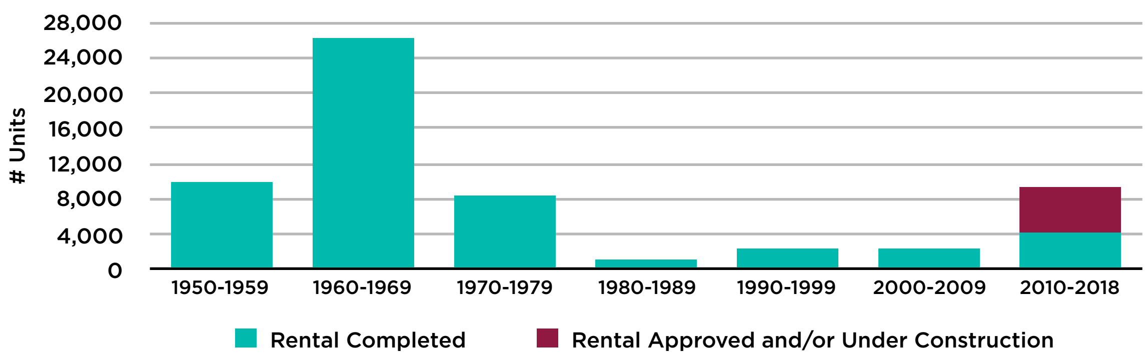
- CRSP was intended to replace the MURB program to boost the supply of purpose-built rental housing at an affordable cost. The program provided a repayable, one-time interest free loan that intended to contribute to a portion of construction costs, and also included tax measures that treated soft costs as capital costs for rental housing buildings.

providers, such as non-profit housing societies, were more cost effective when compared to larger, institutional public housing models.

PEAK PRODUCTION OF PURPOSE-BUILT RENTAL HOUSING

Due in significant part to federal incentive programs, the peak production years for purpose-built rental housing in Vancouver were in the 1960s, with over 25,000 new units being produced. Today in Vancouver, purpose-built rental housing constructed between 1950-1979 accounts for 63% of the current purpose-built rental supply, as seen in Figure 2-1.

Figure 2-1: Historic Rental Housing Construction in the City of Vancouver



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

In addition to the federal incentive programs, the 1960s rental housing boom can be attributed to the City of Vancouver's land-use policies and infrastructure investments at the time, as well as demographic trends.

- Multifamily zoning from the 1960s to early 1970s provided entitlements for a wide range of medium density and high rise buildings in the West End, Kitsilano, and Kerrisdale, and dispersed low-rise apartments in areas such as Fairview, Marpole, Mount Pleasant, and Grandview-Woodlands.
- The City invested in infrastructure necessary for the construction of apartment buildings, particular in the West End, Kitsilano, and Kerrisdale multi-family residential zones.
- At the end of World War II, Canada's housing market was under significant pressure. There was a shortage of housing due to limited construction during the Depression, and later from scarcity of available capital and resources during the war. The post-war period was also marked by a rapid increase in family formation and increased immigration and migration to large cities like Vancouver. These trends contributed to a significant increase in demand for housing in general and rental housing in particular.

- During this time, a strata-titled condominium market did not yet exist. The homeownership market, for the most part, was limited to single-detached housing. During the 1950s and 1960s, mortgage financing for homeownership was often unavailable or expensive, which further constrained opportunities for homeownership and created a strong market for rental housing.

WITHDRAWAL OF FEDERAL INCENTIVES FOR PURPOSE-BUILT RENTAL HOUSING

In the 1980s, federal programs and incentives for new purpose-built rental housing supply were eliminated, resulting in a dramatic decline in the number of new purpose-built rental units created. This included changes in the capital cost allowances or amount of depreciation allowed for rental housing assets, and less favourable treatment in the deductibility of "soft costs." In 1993, the federal government also withdrew funding for new social housing development, and in 2006, the federal government and the province of British Columbia signed a devolution agreement transferring all responsibilities for social housing to the province. The compounding effect of these policy changes was a massive reduction of total rental development.

Principal Residence Capital Gains Exemption

Provisions of Canada's federal income tax introduced over the past 25 years have increased demand for owner-occupied housing, including strata-titled condominium, due to the beneficial tax treatment over other types of investments. Specifically, federal income tax exempts any gains realized from the sale of homes that were the owner's principal residence. That is, the homeowner is usually not required to pay taxes on the difference between the original purchase price and the sale price of their owner occupied home. Although this tax measure was intended to promote homeownership, it has had a number of unintended consequences.

- The beneficial tax treatment of the tax exemption increases demand for homeownership, which leads to price inflation by buyers seeking a home.
- Housing comes to be viewed as a way to secure tax-free financial gains, particularly in markets with rapidly escalating housing costs. This increases demand for homeownership opportunities, and creates a distortion in the housing market. As no equivalent exemption is available for renters, it is considered to be inequitable.
- Tax exemption also diverts savings from capital markets where the funds could be used to promote business investment, productivity, and employment. This can lead to a larger share of economic activity being concentrated in investment in the housing sector.

INTRODUCTION OF STRATA CONDOMINIUM ACT AND BANKING REFORMS

In 1966, British Columbia enacted the ***Strata Titles Act***, which created a basic legal framework for strata properties. Concurrent to the new legislation were changes made by CMHC to increase its direct lending activity and modify loan criteria to expand mortgage eligibility. Deregulation by the Bank of Canada and the Ministry of Finance allowed banks to lower lending standards, reduce capital requirements, and introduce inventive financial derivatives products. Collectively, these actions made it easier to obtain mortgages, which were often unavailable or expensive during the 1950s and 1960s. The homeownership market also expanded due to the unique capital gains exemption for owner-occupied (principal) residences.

All of these changes, combined with the general macro-economic climate at the time, characterized by rising deficits, increased taxes, and inflation, had a dampening effect on new rental housing investment. Increasingly, strata-titled condominium developments would be at a financial advantage over rental use.

Local Housing Market Conditions

Vancouver is currently experiencing high and increasing demand for housing, with residents facing some of the highest housing prices and rents among Canada's large cities. This has led to a significant shortage of rental housing in Vancouver, as households that would have been able to afford ownership in the past are now continuing to rent. High and rising rents that are unaffordable for many moderate-income households have resulted in a significant number of renter households falling into core housing need.

What is Core Housing Need?

A household is said to be in "core housing need" if its housing falls below standards for adequacy or suitability, or the household it would have to spend 30% or more of its total before-tax income to pay housing costs.

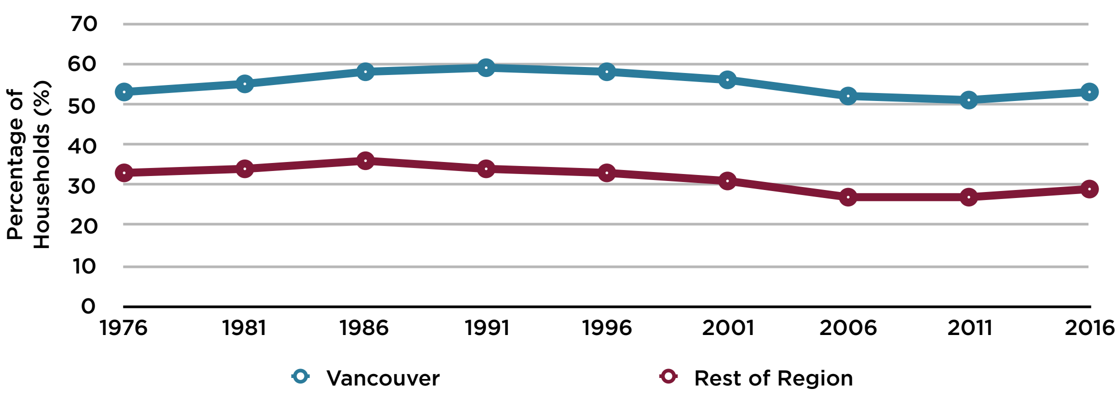
Looking at the 21 municipalities that make up the Metro Vancouver region, the City of Vancouver is not alone in experiencing housing affordability challenges. The entire region has experienced escalating housing prices and rents for several years, and rental vacancy rates have consistently been below one per cent. In part, rising demand is a reflection of the city and region's economic growth and desirability as a place to live. Metro Vancouver continues to be a key economic growth centre in western Canada, with new jobs, population growth, and immigration.

The majority of housing starts for the Vancouver market over the past two decades have been in the ownership or investor sphere of the housing market, with a significant percentage of these starts being in strata-titled condominium apartment units. The production of new purpose-built rental housing dropped considerably between 1980-2010, while some new unsecured rental was made available through rented condos, secondary suites, and laneway houses. These trends have created pressure on the older rental housing stock to provide accommodation to those households that cannot afford home ownership.

RENTER INCOME PROFILE

The majority of households in Vancouver are renters (53%), which is a trend that has persisted for many years. Vancouver is unique in this regard when compared to the larger Metro Vancouver region, where the majority of households are comprised of owners (Figure 2-2).

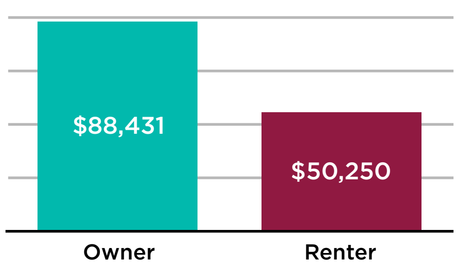
Figure 2-2: Share of Renter Households in Vancouver & Metro Vancouver



Source: Statistics Canada Census

In 2016 76% of net new households were renters, which represents a significant increase from 2011, where 41% of new households were renters. The median income of renter households is half that of owners, as depicted in Figure 2-3.

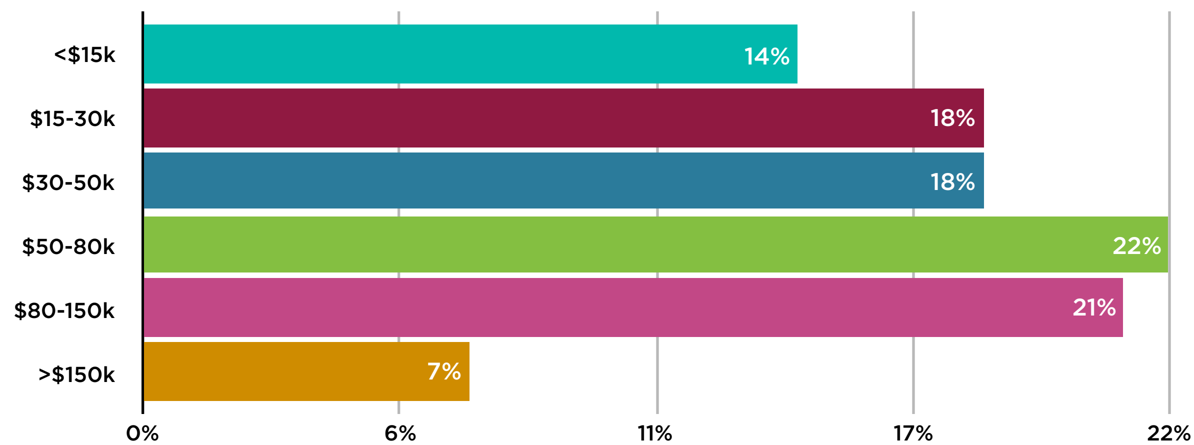
Figure 2-3: Median Renter vs Owner Household Incomes, 2015



Source: Statistics Canada Census

Within the population of renter households, there is significant income diversity. In 2015, 32% of renter households had incomes of less than $30,000 per year, 40% between $50,000 and $80,000 per year, and 28% of households earned more than $80,000 per year. These patterns (Figure 2-4) represent the diversity of demand for rental housing by different household income groups.

Figure 2-4: Income Diversity Among Renter Households (2015)

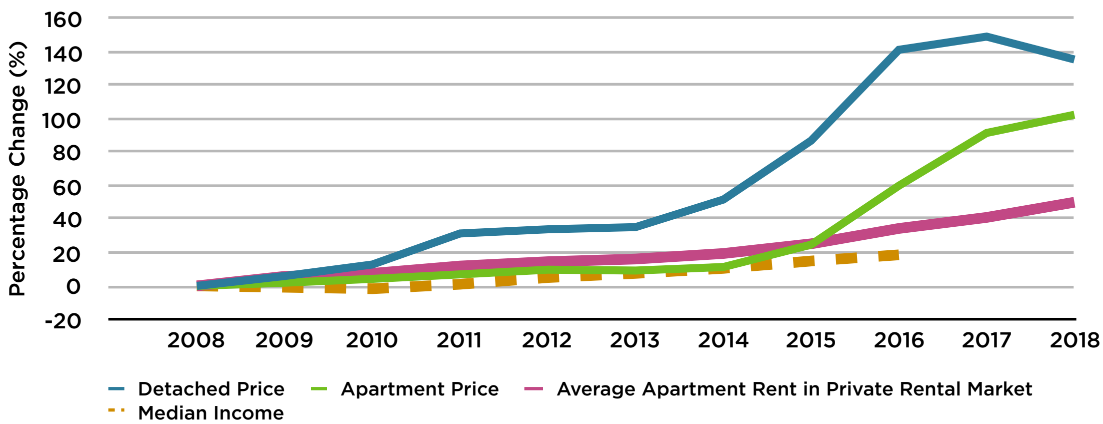


Source: Statistics Canada Census and National Household Survey

COST OF OWNERSHIP

The cost of ownership in the City of Vancouver has increased considerably since 2008; the percentage change in the benchmark price of a single-detached home on Vancouver's east side has risen by 136%. Based on median household income data alone, it would appear that home ownership is becoming increasingly out-of-reach for many moderate income renters. In reality, many households looking to get into the ownership market rely on assistance from family to be able to get financing or afford large downpayments. Those unable to benefit from such assistance, may opt to remain in rental housing, thereby contributing to the continued pressure on the existing rental housing and keeping vacancy rates low.

Figure 2-5: Cost of Ownership vs. Median Income

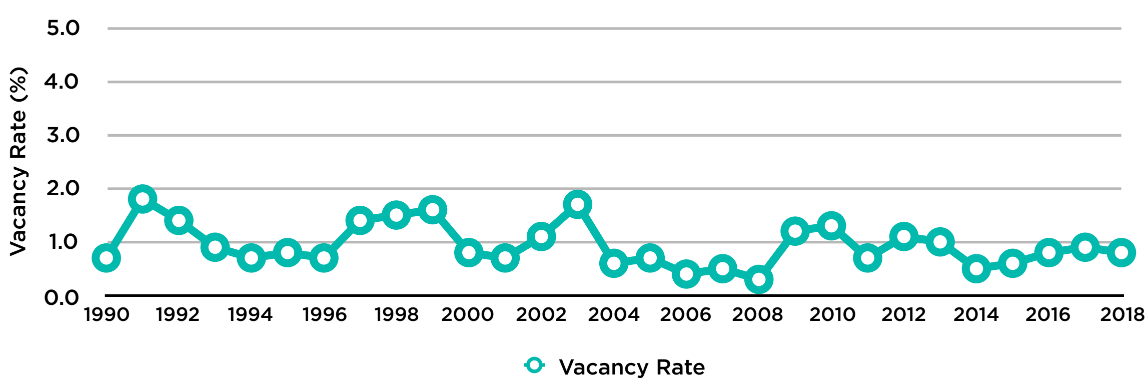


*Source: Benchmark prices from MLS Home Price Index - all data for Vancouver East in October of each respective year.
**Source: CMHC 2018 Rental Market Report
***Source: Statistics Canada Income Statistics Division, 2016. Median Income is shown for family units. The data is indexed using 2008 as the base year.

RENTAL VACANCY RATE

The City of Vancouver has experienced persistently low rental vacancy rates over the last 10 years (Figure 2-6). Over the last 30 years, there has been limited new rental construction within the City, and only since the introduction of rental incentive programs in 2009, did the City experience an increase in purpose-built rental housing supply. In small and medium sized communities, it is typical for the rental market to experience pressure when vacancy rates are less than three per cent, and significant pressure when rates are less than one percent. In Vancouver, vacancy rates are typically much less than two percent, although this has been further exacerbated in the past 15 years when the average vacancy rate was 0.76%.

Figure 2-6: City of Vancouver Private Rental Apartment Vacancy Rate

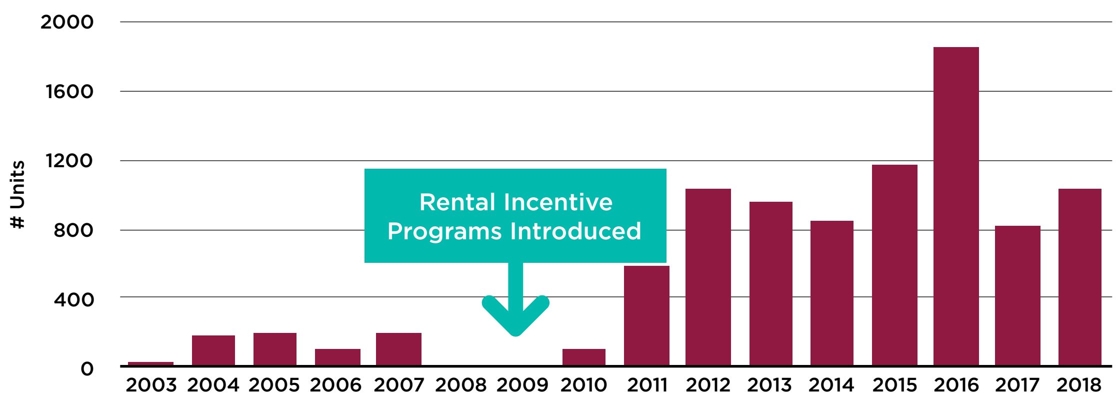


Source: CMHC Rental Market Survey

PURPOSE-BUILT RENTAL STOCK

Given the majority of the City's purpose-built rental housing was constructed before 1980, the existing stock is aging, and new rental units are needed. Figure 2-7 illustrates the number of purpose-built rental units completed in Vancouver since 2003, which demonstrates the impact of the rental incentive programs. From 2003 to 2008, on average, 119 purpose-built rental units were approved per year, which increased to 821 units per year from 2009 to 2018. The incentive programs have begun to address the shortage of new purpose-built rental development, and with more purpose-built rental housing, higher earning residents have more options to choose from, which relieves demand for lower priced rental units.

Figure 2-7: Historical Rental Approvals in the City of Vancouver



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

The Role of the Purpose-Built Rental Housing Market

The rental housing sector contributes significantly to Vancouver's social and economic diversity and is an important part of the housing spectrum . More than half of all households in Vancouver rent. Low vacancy rates and high rents are symptoms of a current shortage of rental housing demonstrating the continued high demand for rental housing. In addition, research completed by the BCNPHA shows that demand for rental units in Metro Vancouver could grow, compounding the current rental demand.[2] Additionally, research by Canada Mortgage and Housing Corporation (CMHC) highlights that international migration, employment growth, and an aging population, have resulted in a strong increase in demand for rental housing across the country.

[2] BC Non-Profit Housing Association, *Our Home, Our Future: Projections of Rental Housing Demand and Core Housing Need*, 2012

BENEFITS OF PURPOSE-BUILT RENTAL MARKET

The housing needs of individuals and families change over time, and the vast majority of individuals will live in rental housing at some point in their lives.

- Purpose-built rental housing provides a secure, long-term housing option for households that cannot afford or do not choose to own in Vancouver. With secondary market rentals, there is greater risk of displacement when owners decide to sell or when family members move into the rented unit. Purpose-built rental housing offers greater security of tenure.
- Rental housing provides an option for those seeking more flexible housing options. This is particularly helpful for households who are in the early stages of career development, when renting provides the flexibility to respond to educational and employment opportunities that may require relocation.
- Renting can also be a good option for seniors wanting to downsize from larger homes, but who may not want to take on a long-term mortgage. Conversely, a lack of rental housing in a community could prevent seniors from downsizing, preventing larger homes from entering into the housing market and being used to house newly-formed households.

A secure and robust stock of rental housing contributes to the social diversity and economic health of the City, and to the development of community sustainability.

- Purpose built rental housing is a particularly important element of the City's social safety net, housing a large share of low income seniors and working families.
- A good supply of rental units provides housing options for the workforce, which is considered essential to attracting employers to locate in the city.
- A well functioning rental housing sector helps preserve mixed-income communities and contributes to the social, economic, and political health of local communities.

Rental housing represents an important alternative to homeownership.

- Transaction costs associated with renting a unit include rental deposits, which are modest compared to costs associated with the purchase of a home, i.e. property transfer taxes, fees paid to real estate brokers, and legal fees.
- Homeownership involves significant financial risks related to the underlying value of the home as a capital asset. Homeowners with mortgages could experience unexpected expenses if interest rates were to rise, a feature that does not enter in the financial calculation of the cost of renting. Additionally, homeowners are responsible for the associated costs of ownership (maintenance, property tax, etc.), and are vulnerable to market trends.

3. RENTAL INCENTIVE PROGRAMS

The City of Vancouver introduced rental incentive programs in 2009 to address the lack of investment in new purpose-built market rental housing. These programs were designed to increase the supply of rental housing within the city by offering incentives to private sector developers. Since the 1970s, strata condominiums have increasingly become the preferred development option for new multi-unit projects and additional incentives were needed to encourage the construction of purpose-built rental housing. The following section outlines these programs in greater detail, and provides an in-depth analysis of the program objectives, given the patterns of supply and demand within the City of Vancouver and in the broader Metro Vancouver region.

Short Term Incentives For Rental Program

The STIR (Short Term Incentives for Rental) Program was initiated in July 2009 to address the limited investment in rental housing over the previous 25 years and to create construction jobs in response to the economic recession of 2009. STIR was a 2.5 year pilot program, which ended on December 15, 2011.

Table 3-1: STIR Summary

Objectives	• Increase supply of market rental housing • Create new construction jobs in response to economic recession • Support sustainability goals by encouraging rental housing along commercial arterials, "high" streets, and transit centres • Encourage development of market rental housing for households that cannot afford to purchase a home • Test the City's ability to enable market rental housing without the involvement of senior levels of government
Approach	• Incentives were offered to encourage more private sector market rental housing
Structure	STIR was organized into two streams: 1. Projects that do not require rezoning or additional density 2. Projects that require a rezoning and an increase in density to be economically viable
Incentives	• Unit size relaxation • DCL waiver • Parking reductions • Density increases • Expedited permit processing

The incentives offered through STIR included:

- **Unit size relaxation:** Relaxation of unit size to 320 sq. ft., provided design and location meet the City's liveability criteria.
- **Development Cost Levy (DCL) waiver:** DCLs are waived for construction of for-profit affordable rental housing.
- **Parking reductions:** Reductions were applied to standards prescribed in the Parking Bylaw for the program and adopted by Council in July 2009.

What is a DCL?

Development Cost Levies are fees collected from developers by the City of Vancouver to offset the infrastructure costs associated with new development.

- **Density increases:** Density increases ranged significantly (from 0.3 FSR to 4.1 FSR) depending on the site, location, context and urban design review.
- **Expedited permit processing:** STIR projects were identified at the application stage and, in some cases, applications for rezoning and development permit were undertaken concurrently, shortening review time.

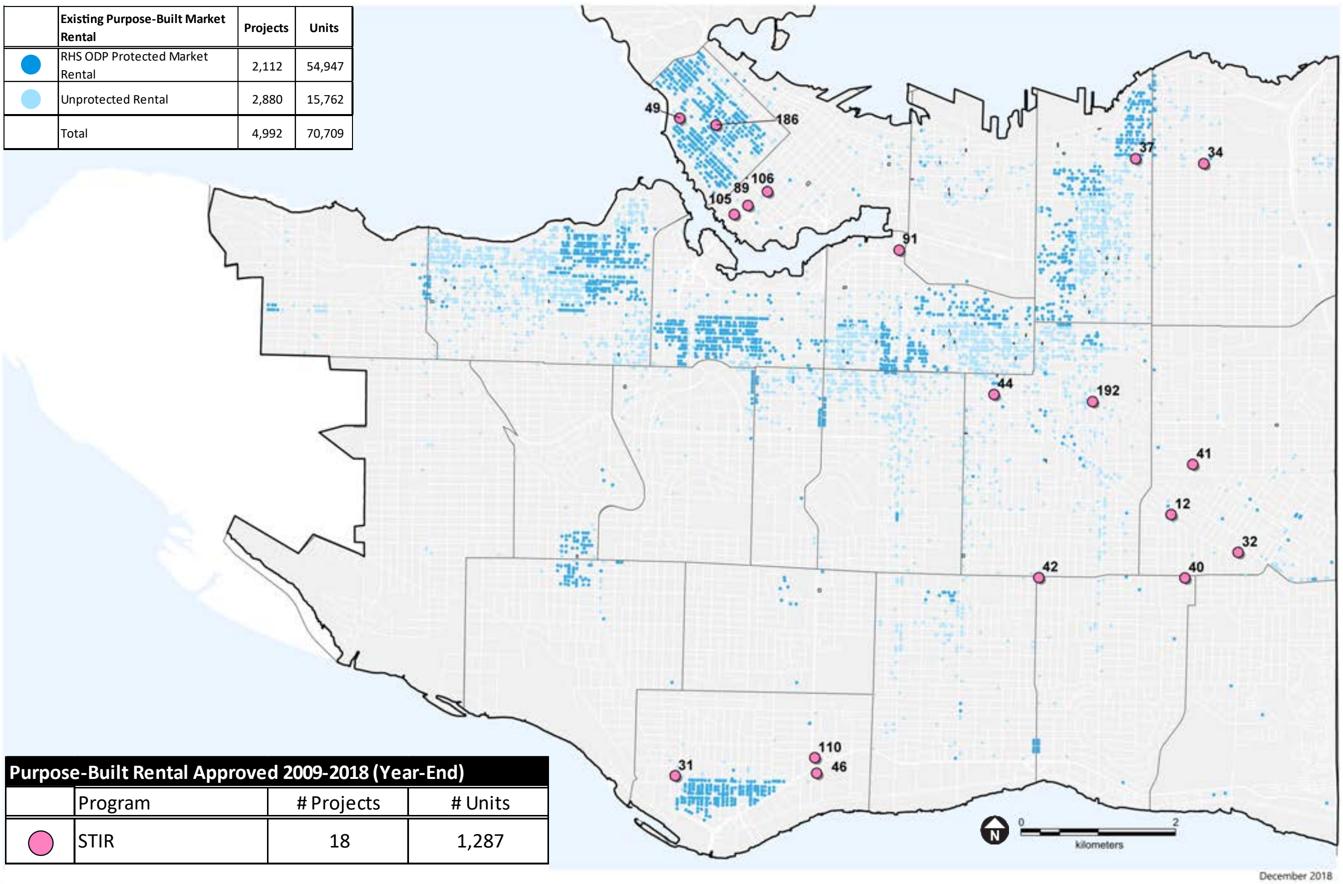
Rental units in these projects would be secured for a term of 60 years or life of the building, whichever is greater, through legal agreements, such as a Housing Agreement.

Table 3-2: STIR Results

Units	• 18 total projects:
	  • 14 complete projects totalling 1,096 rental units, 1,409 strata units
	  • 4 projects under construction totalling 191 rental units, 372 strata units
	• 36.1% studios, 46.6% one-bedrooms, 16.6% two-bedrooms, 0.7% three-bedrooms

Density & Height	• Average density of 4.3 FSR • Average height of 14 floors
Processing Time	• Total Length of Rezoning (median): 27 months • Length of Development Permit (median): 17 months
DCL Waiver	• 89% of projects took the DCL waiver • DCL cost per unit: $7,635

Figure 3-1: Rental Projects Approved Under STIR from 2009-2018



	Existing Purpose-Built Market Rental	Projects	Units
(dark blue)	RHS ODP Protected Market Rental	2,112	54,947
(light blue)	Unprotected Rental	2,880	15,762
	Total	4,992	70,709

Purpose-Built Rental Approved 2009-2018 (Year-End)			
	Program	# Projects	# Units
(pink)	STIR	18	1,287

Source: City of Vancouver, Market Rental Inventory and Tracker, 2018 *The labels on the map refer to unit counts.

Key Findings

STIR successfully initiated the creation of secured market rental units; however, lengthy processing times, particularly for larger projects, and the tenure mix delivered through STIR, led to several changes reflected in the ***City's Secured Market Rental Housing Policy (Rental 100)***.

- Staff concluded more market rental units were created in 100% rental projects than in mixed strata/rental developments.
- The City contribution per unit for 100% rental projects was lower than mixed strata/rental projects. For 100% rental projects, the primary financial incentive was the waiving of DCLs. No Community Amenity Contributions[3] (CACs) were collected on 100% rental projects as

[3] Community Amenity Contributions (CACs) are in-kind or cash contributions provided by property developers when City Council grants development rights through rezoning.

the increased rental density did not result in any increase in land value. For mixed strata/rental projects, which are more expensive to build (concrete towers), the rental component was viable primarily through increased density for the strata condominium component of the project. The incremental density with the resulting increase in land value led to the developer providing Community Amenity Contributions (CACs). The market rental units generated in mixed projects were supported through the allocation of a portion of the CACs towards the creation of secured market rental housing. The City contribution for mixed strata/rental projects was higher, as it included a portion of the CACs in addition to the waived DCLs.

- Concurrent processing worked well when the form of development did not change significantly through the rezoning process. In most cases, mixed strata/rental projects were larger and more complex, which resulted in changes to the form of development. For these reasons, the concurrent processing incentive did not work as well for mixed projects, when compared to 100% rental projects.
- Despite expedited permitting, average processing times were considerable, particularly for larger, more complex projects.

Rental 100: Secured Market Rental Housing Policy

Building on the experience of the STIR pilot program, the *Secured Market Rental Housing Policy* was developed in May 2012. The Policy only applies to projects where 100% of the residential floor space is rental housing compared to STIR where mixed rental and strata could have been approved. Mixed use projects that contain a commercial component also qualify, given that all of the residential floor space is used for rental housing. This shift was in response to a key finding of the STIR program which identified less complexity with the approvals process, relative cost efficiencies and a greater number of rental units in 100% rental projects, compared to mixed strata and rental. Rental 100 also provided additional clarity on the locations, zones and available density bonuses, which was an improvement over the program structure of STIR.

Table 3-3: Rental 100 Summary

Objectives	• Increase supply of 100% market rental housing (i.e. no mixed projects with both strata and rental units) • Encourage development of market rental housing for households that cannot afford to purchase a home
Approach	• Incentives are offered to encourage more private sector market rental housing

Structure	Rental 100 is organized into two streams: 1. Projects that can be developed under the existing zoning (i.e. development permit process) 2. Projects that require a change in zoning
Incentives	• DCL waiver • Parking reductions • Relaxation of unit size to 320 sq. ft. • Density increases (for rezoning projects) • Concurrent processing (for rezoning projects)

The City-level incentives offered to encourage the construction of purpose-built rental housing are outlined below, based on project streams:

Residential Rental Projects under Existing Zoning

- **Parking reductions** as described in the Vancouver Parking Bylaw.
- **Development Cost Levy waiver** for the residential floor area of the project.
- **Relaxation of unit size** to a minimum of 320 sq. ft. provided that the design and location of the unit meets the liveability criteria as defined in the Zoning and Development By-law.

Residential Rental Projects Requiring a Rezoning

- **Additional floor area**, which varies based on the zoning district. In certain Commercial Areas, applicants may consider increases of up to 6 storeys. Additional detail is provided in Appendix A.
- **Parking reductions** are available to all market rental housing units that are secured for a term of 60 years or life of the building. Parking reductions differ based on location, and more information is available in the City of Vancouver's Parking Bylaw.
- **Development Cost Levy waiver** for the residential rental floor area of the project.
- **Relaxation of unit size** to a minimum of 320 sq. ft. provided that the design and location of the unit meets the liveability criteria as defined in the Zoning and Development By-law.
- **Concurrent processing**, where the Rezoning and Development Permit applications processes occur concurrently.

Rental units in these projects would be secured for 60 years or life of the building, whichever is greater, through legal agreements, such as a Housing Agreement.

Project Locations

Eligible locations (that require a rezoning) include:

- Areas in proximity to transit, employment and services (e.g. commercial zones, RT zones along arterial streets);
- Multi-family areas (e.g. RM zones) for infill projects or projects on sites that **do not have existing rental housing**;
- Areas with existing rezoning policies or Official Development Plans that accommodate higher residential density (e.g. Downtown District and existing CD-1s) and which do not conflict with existing policies for social housing; and,
- Light industrial areas that currently allow residential (e.g. MC-1 and MC-2).

Family-Friendly Housing

The City's ***Secured Market Rental Housing Policy*** initially defined a target of 25 percent family housing units in all secured market rental developments. In 2016, the ***Family Room: Housing Mix Policy for Rezoning Projects***, was introduced, which applies to all rezonings, and requires all secured market rental developments to include a minimum of ***35 percent family units***.

What are family housing units?

Family housing units are defined as having 2 or more bedrooms, and must be designed to meet the Council adopted guidelines for High Density Housing for Families with Children.

DCL Waivers

The Development Cost Levy (DCL) waiver is a major element of the incentive package, and is available to all projects submitted through the different rental incentive programs. Projects that include existing rental units (e.g. alterations or extensions) are not eligible for the waiver. The DCL requirements are contained in the DCL By-law, which was amended in 2013 requiring that maximum average starting rents for the first tenants be secured at rates that do not exceed the CMHC average rents for newer rental buildings. As of 2019, applicants requesting the DCL waiver would need to meet both the maximum unit size and average rents outlined in Table 3-4.

Table 3-4: DCL Maximum Rents 2019

Unit Type	East Area DCL Maximum Average Starting Rents*	West Area DCL Maximum Average Starting Rents*
Studio	$1,607	$1,768
1-bedroom	$1,869	$2,056
2-bedroom	$2,457	$2,703
3-bedroom	$3,235	$3,559

*The maximum DCL rents are the average rents for all residential units built since the year 2005 in Vancouver as published by CMHC in the fall 2018 Rental Market Report. West Area maximum rents are 10% higher than the annually determined amount in East Areas. The "East Area" refers to the part of the city that is east of Ontario Street; the West Area includes the West End and Downtown.

DCL Construction Cost Limit

In 2013, a construction cost limit was introduced, where the rental residential floor area could not exceed the specified construction cost limits. This limit was removed in mid-2018 because of construction cost increases, and to allow for concrete builds (see page 39).

DCL Unit Size and Mix

The maximum sizes for units, which generally correspond to BC Housing standards and City of Vancouver Housing Design and Technical Guidelines, are provided below.[4]

Table 3-5: DCL Maximum Unit Size

Unit Type	Maximum Unit Size
Studio	450 sq. ft. (42 sq. m.)
1-bedroom	600 sq. ft. (56 sq. m.)
2-bedroom	830 sq. ft. (77 sq. m.)
3-bedroom	1,044 sq. ft. (97 sq. m.)

To encourage the creation of family-friendly housing, the City provides a full and partial DCL waiver for projects that include 3-bedroom units, as illustrated on the following page.

[4] Bulk storage, excluded from FSR calculations, is not included in the measurement of the dwelling unit floor area.

Table 3-6: DCL Waiver Eligibility

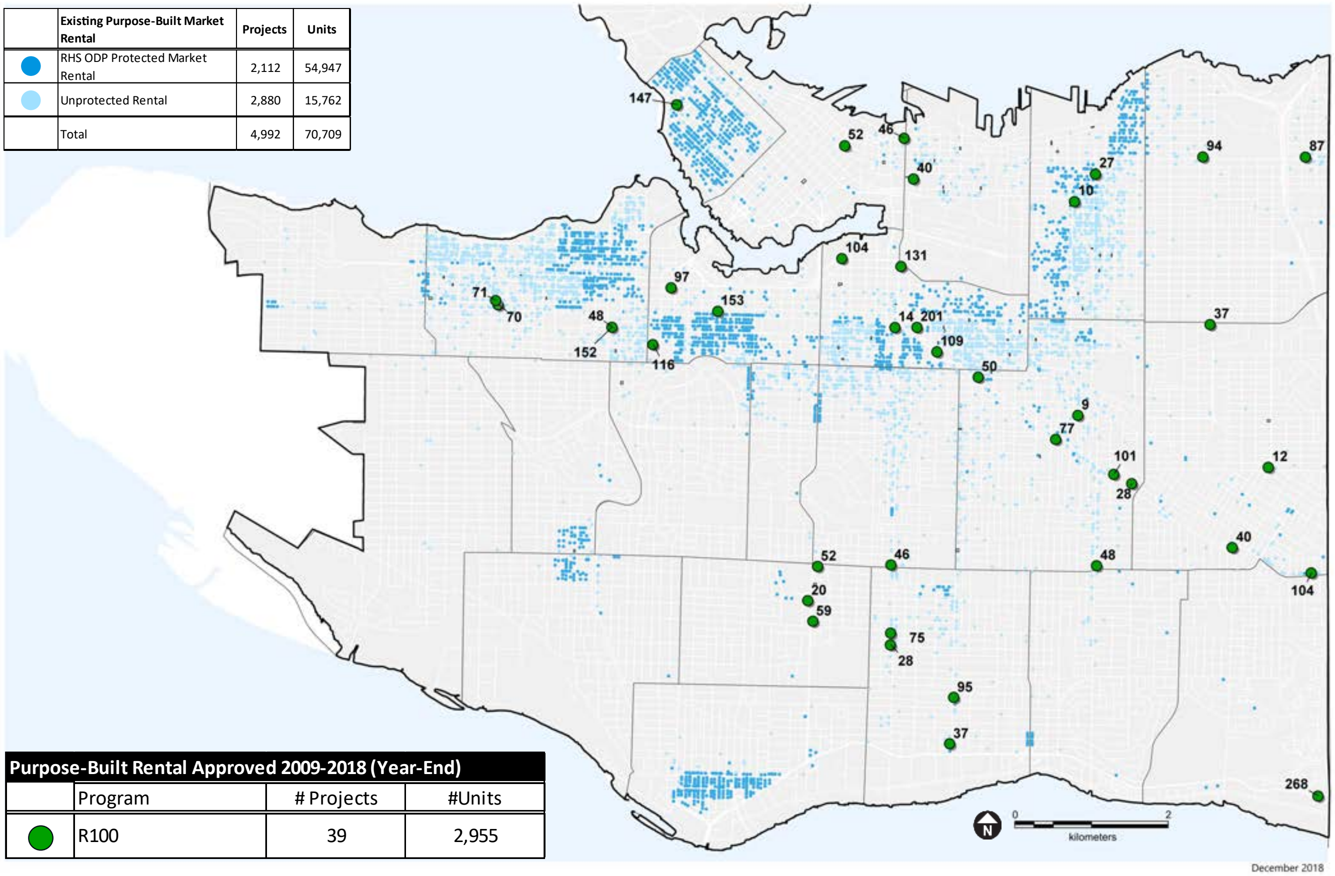
Projects Eligible for Full DCL Waiver	Projects Eligible for Partial DCL Waiver	Projects Not Eligible for DCL Waiver
• Average rents in all studio, 1- and 2-, and 3-bedroom units are at or below rents in DCL By-laws ✓ Eligible for full waiver	• Average rents in all studio, 1- and 2-bedroom units are at or below rents in DCL By-laws ✓ Eligible for waiver of these units only • Average rents in 3-bedroom units exceeds rents in DCL By-laws Not eligible for waiver for 3-bedroom units	• Average rents in studio or 1- or 2- bedroom units exceeds rents in DCL By-laws (even if 3-bedroom units comply) X Not eligible for any waiver

Table 3-7: Rental 100 Results

Units	• 40 total projects
	  • 11 complete projects totalling 1,065 rental units
	  • 13 projects under construction, totalling 838 rental units
	  • 16 approved projects totalling 1,342 rental units
	• 24% studios, 39% one-bedrooms, 31% two-bedrooms, 6% three-bedrooms

Density & Height	• Average density of 3.9 FSR • Average height of 8 floors
Processing Time	• Length of Rezoning (median): 21 months • Length of Development Permit (median): 12 months
DCL Waiver	• 68% of projects took the DCL waiver • DCL cost per unit: $9,895

Figure 3-2: Rental Projects Approved Under Rental 100 from 2009-2018



	Existing Purpose-Built Market Rental	Projects	Units
	RHS ODP Protected Market Rental	2,112	54,947
	Unprotected Rental	2,880	15,762
	Total	4,992	70,709

Purpose-Built Rental Approved 2009-2018 (Year-End)			
	Program	# Projects	#Units
	R100	39	2,955

Source: City of Vancouver, Market Rental Inventory and Tracker, 2018 *The labels on the map refer to unit counts.

Key Findings

Rental 100 has created additional rental housing stock in the City of Vancouver, and has shortened approval times from STIR. The program faces criticism due to the high cost of rents, which has led to changes reflected in the City's Moderate Income Rental Housing Pilot Program.

- Rental 100 has resulted in the approval of 3,245 units in 40 projects at an average of 540 units per year. Of these approvals, 1,065 units have been completed, and 838 are under construction.
- Rental 100 reduced processing times significantly from an average of five years to three years, and provided concurrent processing for those applicants that required a rezoning. Processing times are still significant.

- Within the Rental 100 policy framework, related guidelines were developed which have impacted rental housing viability to varying degrees. These include the DCL waiver introduced in 2013 (with maximum rent requirements), the construction cost limit also introduced in 2013, and the family room requirements of two or more bedrooms introduced in 2016.

Affordable Housing Choices Interim Rezoning Policy

As one of four primary recommendations of the 2011/2012 Mayor's Task Force on Housing Affordability, the City implemented the ***Affordable Housing Choices Interim Rezoning Policy (AHC)*** in October 2012. These initiatives were developed under the broader framework of the City's ***Housing and Homelessness Strategy***, which was adopted in July 2011.

Table 3-8: AHC Summary

Objectives	• Provide examples of ground-oriented and mid-rise affordable housing types and tenures, including purpose-built market rental housing • Demonstrate the "transition zone" concept where ground-oriented housing provides a transition between higher density arterial streets and single-detached housing areas
Approach	Additional density is offered for projects that can meet one of the following affordability criteria: • 100% of residential floor space is rental housing • Units sold for at least 20% below market value and include a secure mechanism for maintaining that level of affordability over time (e.g. resale covenant, 2nd mortgage, etc.) • Innovative housing models and forms of tenure (e.g. co-housing) that can demonstrate enhanced affordability • A Community Land Trust model is employed to secure increasing affordability over time
Structure	AHC is organized into two streams based on location: 1. Sites fronting an arterial street within Translink's Frequent Transit Network and within close proximity (i.e. a 5-minute walk or 500 metres) of a local shopping area 2. Sites within approximately 100 metres (i.e. 1.5 blocks) of an arterial street
Incentives	AHC offers height and density incentives to build rental housing: • For sites fronting arterial streets, mid-rise forms of up to 6 storeys • For sites within 100 metres of an arterial street, 3.5 to 4 storeys

Rental units in these projects would be secured for a term of 60 years or life of the building, whichever is greater, through legal agreements, such as a Housing Agreement.

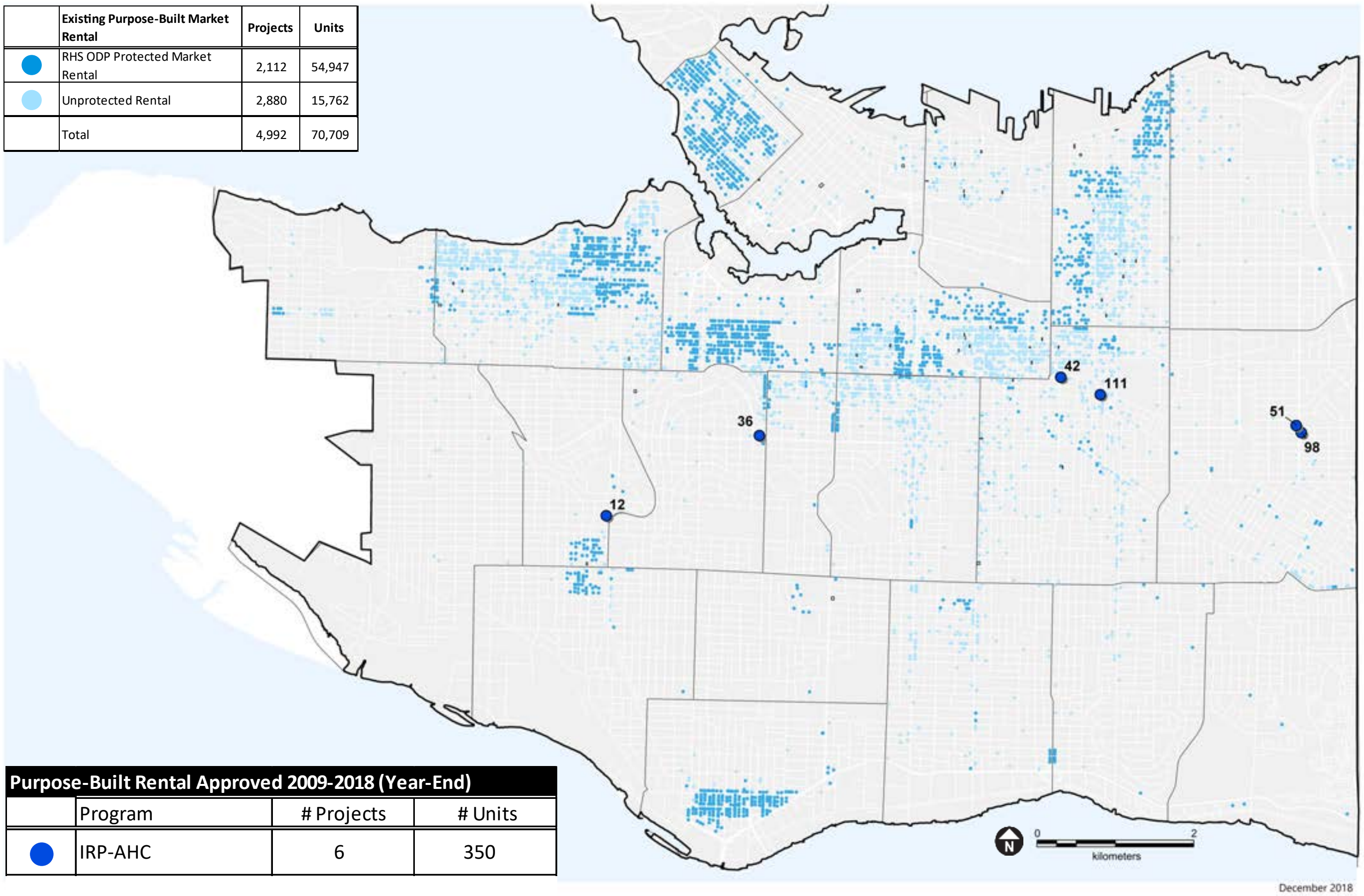
The AHC Policy was initially designed to consider a maximum of 20 rezoning applications. With the approval of ***Housing Vancouver,*** Council removed the maximum cap of 20 rezoning applications, to better meet the new targets for purpose-built rental housing. The policy contains a map which identifies the locations of sites that can be considered under the AHC Policy. In addition, the policy includes a spacing requirement between projects, where no more than two projects can be considered within 10 blocks along an arterial street. New proposals for projects under the AHC Policy were accepted until June 30, 2019.

Table 3-9: AHC Results

Units	• 7 projects:
	  ◦ 1 completed project totalling 42 rental units
	  ◦ 3 projects under construction totalling 245 rental units and 74 strata units
	  ◦ 3 approved projects totalling 132 rental units
	• 20% studios, 38% one-bedrooms, 30% two-bedrooms, 12% three-bedrooms

Density & Height	• Average density of 2.0 FSR • Average height of 4.9 floors
Processing Time	• Length of Rezoning (median): 25 months • Length of Development Permit (median): 14 months
DCL Waiver	• 86% of projects took the DCL waiver • DCL cost per unit: $9,849

Figure 3-3: Rental Projects Approved Under AHC from 2009-2018



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018 *The labels on the map refer to unit counts.

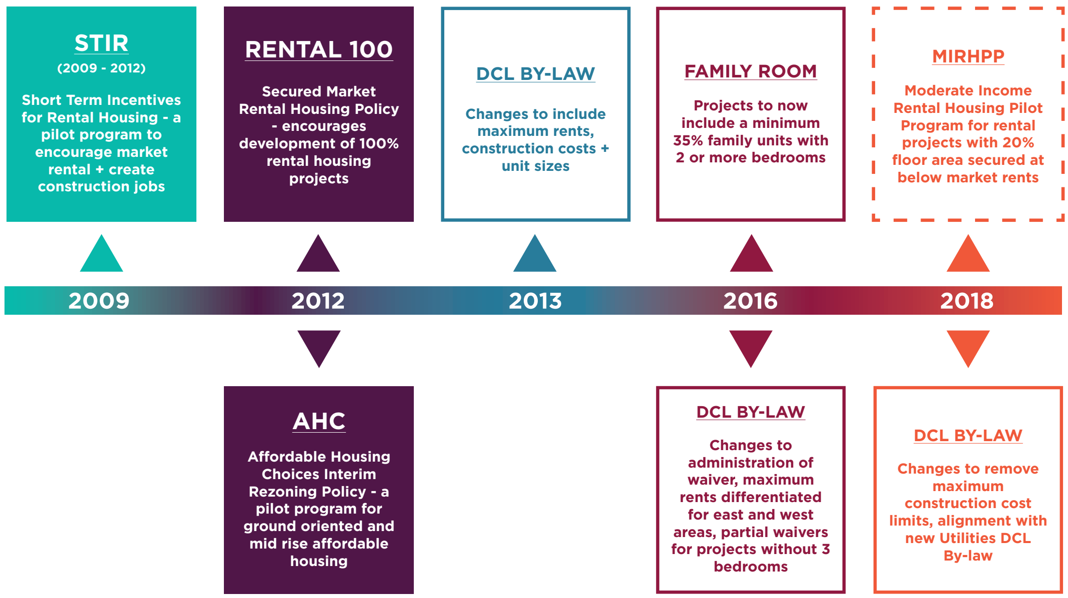
Key Findings

The AHC program has resulted in the creation of additional rental housing stock, and the program structure emphasizes the delivery of new, more affordable housing types and tenures.

- AHC introduced an additional layer of complexity to the rental incentive programs, which has resulted in some confusion among applicants.
- AHC received criticism from the public regarding the extent that it achieves affordable housing.
- The policy is restricted to certain areas of the city, and with the additional spacing requirement between projects, there are limitations to the program's effectiveness.

The rental incentive programs are summarized in Figure 3-4 on the following page.

Figure 3-4: Rental Incentive Program Timeline



Moderate Income Rental Housing Pilot Program (2017)

The Moderate Income Rental Housing Pilot Program (MIRHPP) builds on the lessons learned from Rental 100 by offering additional incentives to encourage the construction of secured rental housing buildings where at least 20% of the residential floor area is made available to moderate income households, with incomes in the range of $30,000 and $80,000/year. Between January 1, 2018 and July 1, 2019, staff selected 20 proposals to proceed with rezoning applications under the pilot, with the intention to report back to City Council with key conclusions. As there have been no applications completed under MIRHPP, it is not the focus of this review, and will instead be evaluated separately once it has progressed and more results are known.

Community Plans

Community Plans often establish the general size and type of buildings that can be considered in certain locations, and housing policies in these Plans provide similar incentives as those offered through the City-wide incentive programs. The Community Plans that provide rental incentives in the City of Vancouver include: Cambie Corridor Plan, Grandview-Woodland Plan, West End Community Plan, Downtown Eastside Plan, Marpole Community Plan, Joyce-Collingwood Station Precinct Plan, and False Creek Flats Plan. Three examples of rental incentives offered through Community Plans are provided below:

- The **Cambie Corridor Plan (2018)** allows for additional height and density in existing local shopping areas for projects that deliver 100% of the residential floor area as secured market rental housing. In higher-density residential areas within the Cambie Corridor, the Plan identifies opportunities for new market and below-market rental housing, in accordance with the specifications outlined in the MIRHPP.

- The **Grandview-Woodland Community Plan (2016)** allows for additional height and density for new rental housing in appropriate locations, including on sites without identified heritage or character value.

- The **West End Community Plan (2013)** creates opportunities for new secured market rental housing through density bonusing. Identified areas are eligible for additional height and density, by delivering either 100% secured rental housing or inclusionary social housing with strata condominiums in areas without existing rental housing. From 2009-2018, 867 units were delivered through density bonusing policies, representing approximately 10% of the secured rental housing constructed in the city during that time period. It is important to note that the density bonusing policies that allowed for the construction of secured rental housing are located within the zoning for the West End, meaning these projects did not require a rezoning. The West End Community Plan also provides an infill housing program to develop ground-oriented rental homes for families, while activating lane frontages for the public realm. Currently, 32 rental units have been approved under this program and are under construction.

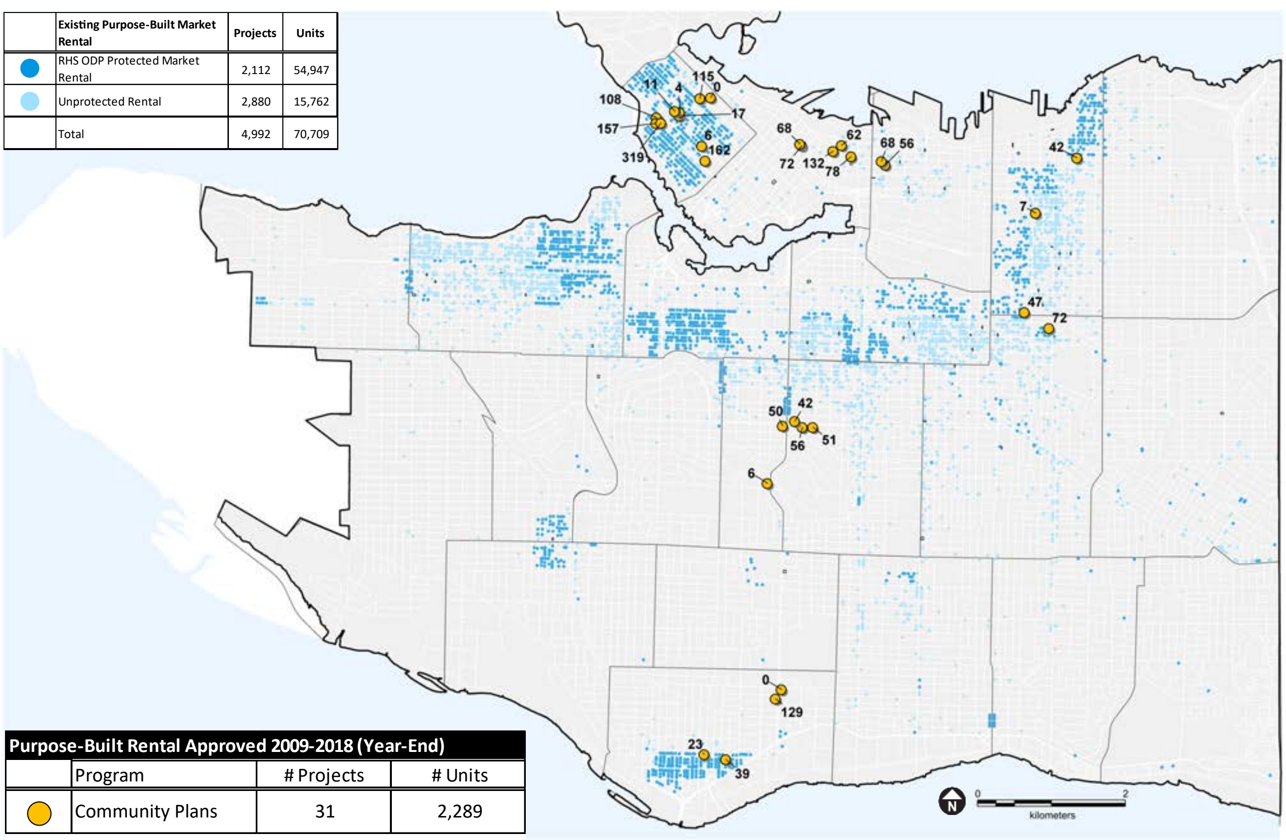
These additional community-specific incentives are provided in many of the City's recently adopted Community Plans (summarized in Table 3-11).

Table 3-11: Community Plan Results

Units	• 30 total projects
	  • 7 complete projects, totalling 505 rental units, 35 strata units
	  • 10 projects under construction, totalling 798 rental units, 45 strata units
	  • 13 approved projects, totalling 696 rental units, 96 strata units
	• 30% studios, 38% one-bedrooms, 26% two-bedrooms, 6% three-bedrooms

Density & Height	• Average density of 4.6 FSR • Average height of 9 floors
Processing Time	• Length of Rezoning (average): 22 months • Length of Development Permit (average): 17 months
DCL Waiver	• 27% of projects took the DCL waiver • DCL cost per unit: $8,786

Figure 3-5: Rental Projects Approved Under Community Plans from 2009-2018



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018 *The labels on the map refer to unit counts.

Rental Incentive Program Summary

The rental incentive programs have resulted in the approval of 8,680 secured market rental units since 2009 when the first program was introduced. With the incentive programs in place over the last 10 years, rental has become a much larger share of all apartment starts compared to the decade before 2009. From 1999-2008, rental comprised of 17% of all apartment starts, which has increased to 30% of all apartment starts from 2009-2018. While the rental incentive programs have successfully delivered an increase in new rental housing, the City has yet to meet its targets for purpose-built rental housing. As per the ***2019 Housing Vancouver Annual Progress Report and Data Book***, the City has approved just 46 percent of its annual targets for purpose-built market rental over the past two years.

Table 3-12: Rental Incentive Program Results

Program	# Projects Completed	Rental Units Completed	Strata Units Completed	Average FSR	Average Floors
STIR	18	1,287	1,781	4.3	14
Rental 100	40	3,245	0	3.9	8
AHC	7	419	74	2	5
Community Plans	30	1,999	176	4.6	9
Other*	32	1,730	2,429	4.8	13
TOTAL	**127**	**8,680**	**4,460**	**3.9**	**10**

*Note: Other refers to projects approved under existing zoning, renovations, or projects where 1 for 1 rental replacement was a requirement since redevelopment was located within a Rental Housing Stock ODP zoning district.

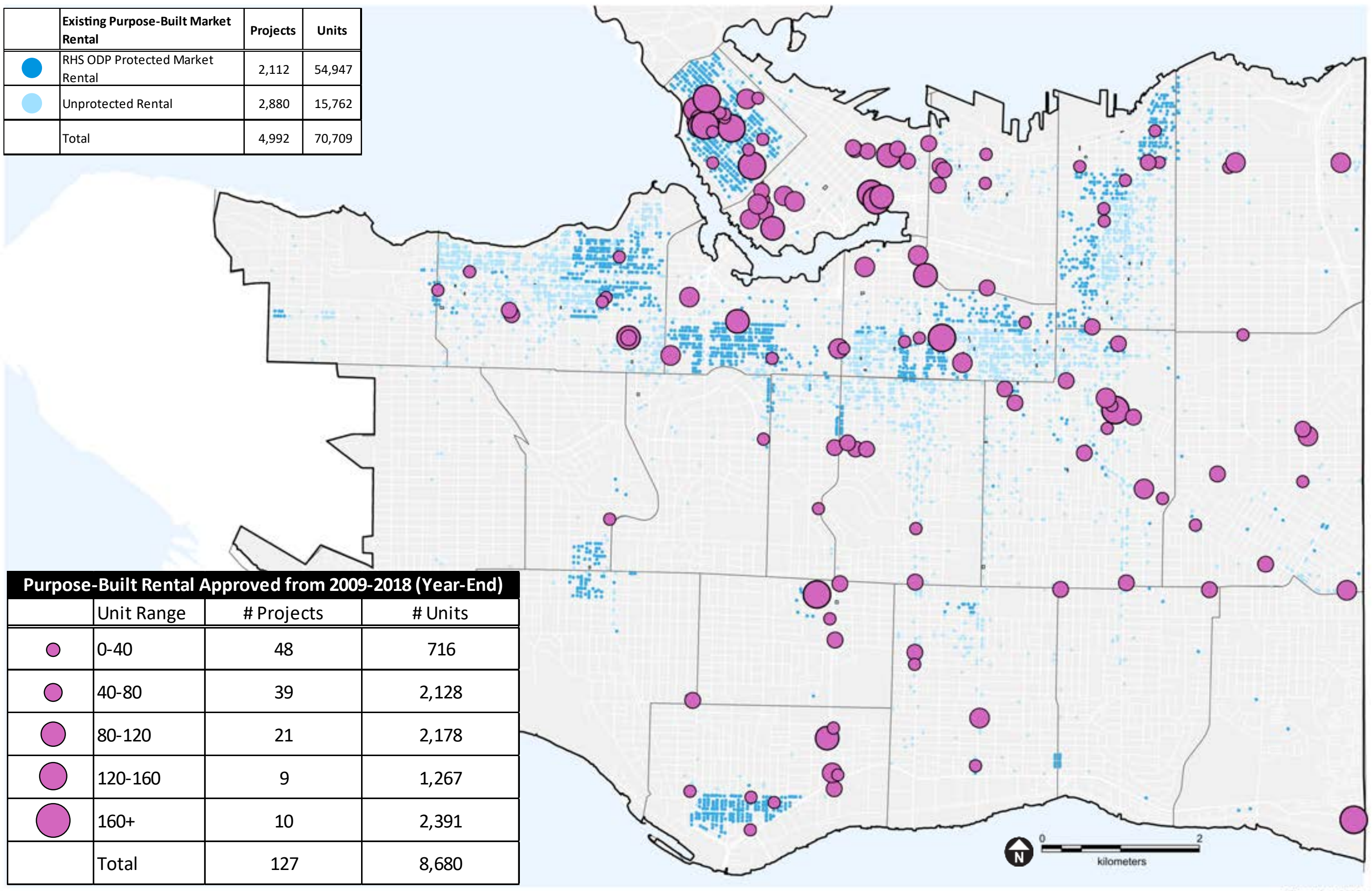
Across the programs, Rental 100 achieved the largest number of projects and total units. STIR and AHC were time-limited pilot programs, thus it follows that fewer units, and projects, were delivered through those programs. Projects completed under a Community Plan or other policy context, however, comprised 43 percent of total units generated since the rental incentive programs began — a significant contributor to new rental supply in the city.

As noted in Figure 3-6, the approved rental housing projects are distributed throughout the city, with concentrations in the West End, Downtown, East Vancouver, and along arterials including Cambie Street and Kingsway.

During the course of Rental 100, the ***Family Room Policy*** was introduced which required a minimum of 35 percent of units in new secured rental developments to include family-friendly housing (defined as units with 2+ bedrooms). Figure 3-7 illustrates the unit composition by program. It is important to note that there were no family unit policy requirements for STIR, which reflects the data in that the largest proportion of small units (36% studios and 47% 1-

bedrooms) was created under the STIR program. Only 17 percent of the units were 2-bedrooms under STIR and no 3-bedrooms were created. Rental 100 was successful at diversifying the unit types, with 31 percent of units as 2-bedrooms and 6 percent in 3-bedrooms — largely a result of the 25 percent family unit requirement that came into effect with Rental 100. This requirement also applies to the AHC-IRP. AHC also allowed for projects in more areas of the city (i.e. RS zones), which enables a greater diversity of housing mix.

Figure 3-6: Rental Approvals (2009-2018)

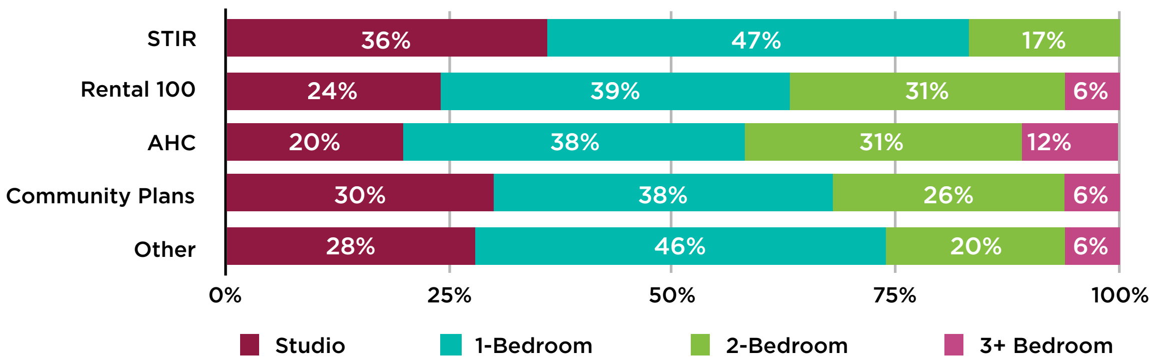


	Existing Purpose-Built Market Rental	Projects	Units
	RHS ODP Protected Market Rental	2,112	54,947
	Unprotected Rental	2,880	15,762
	Total	4,992	70,709

Purpose-Built Rental Approved from 2009-2018 (Year-End)			
	Unit Range	# Projects	# Units
	0-40	48	716
	40-80	39	2,128
	80-120	21	2,178
	120-160	9	1,267
	160+	10	2,391
	Total	127	8,680

Source: City of Vancouver, Market Rental Inventory and Tracker, 2018 *The labels on the map refer to unit counts.

Figure 3-7: Unit Composition by Program



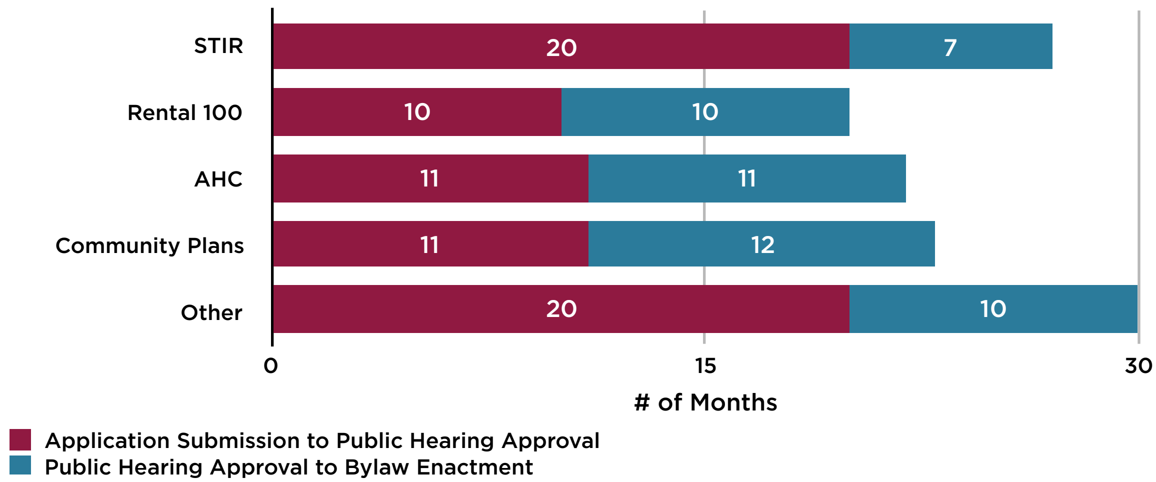
Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

Regarding application processing times, the length of a Rezoning application and Development Permit were longest for the STIR program and applications submitted outside of a program. STIR offered expedited processing, and concurrent processing where a rezoning was required, although this was not implemented consistently. As the first rental incentive program in the City of Vancouver, processing times could be expected to have been longer for STIR applications. Based on an analysis of median processing times, STIR projects took over two years (27 months) to achieve a rezoning and 17 months for a Development Permit (DP). Combined, this represents more than three years for approvals (37 months) for a typical project, accounting for an overlap of approvals for rezoning and for DP. This does not include a pre-application review period, which is often required.

As the programs evolved, Rental 100 reduced processing times to some extent. Figures 3-8 to 3-10 demonstrate the median duration of both a rezoning application and a Development Permit application for all the rental incentive programs. Given the City's commitment to expedite applications for secured market rental housing, the median approval time is still very lengthy, creating considerable uncertainty and risk for a developer.

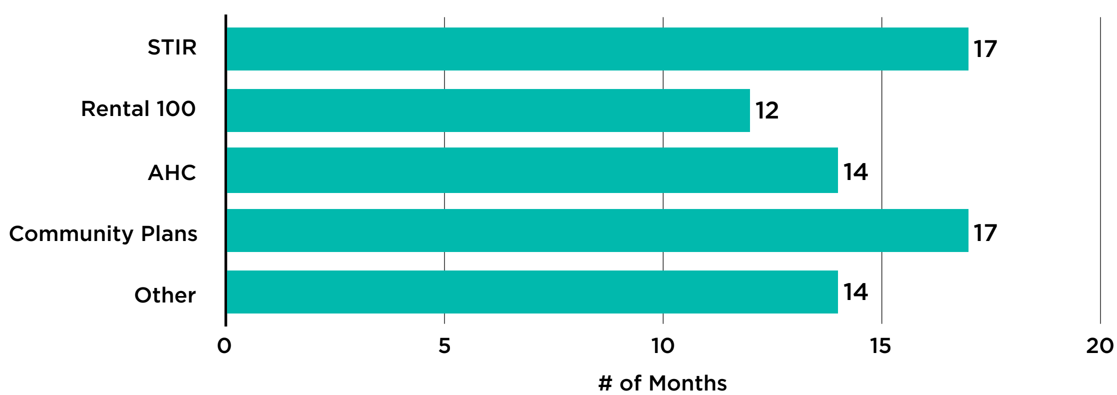
It is important to recognize that not all projects proceeded through a concurrent rezoning and development permit process. This is because concurrent rezoning/development permit means development plans cannot change substantially during the design stage; however, given the extent of rezoning requirements, the proposed form of development often changes during the process. Furthermore, the multiplicity of City objectives for new housing projects has added complexity and additional time to the rezoning process.

Figure 3-8: Median Duration of Rezoning - Application to Enactment[5]



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

Figure 3-9: Median Duration of Development Permit Application

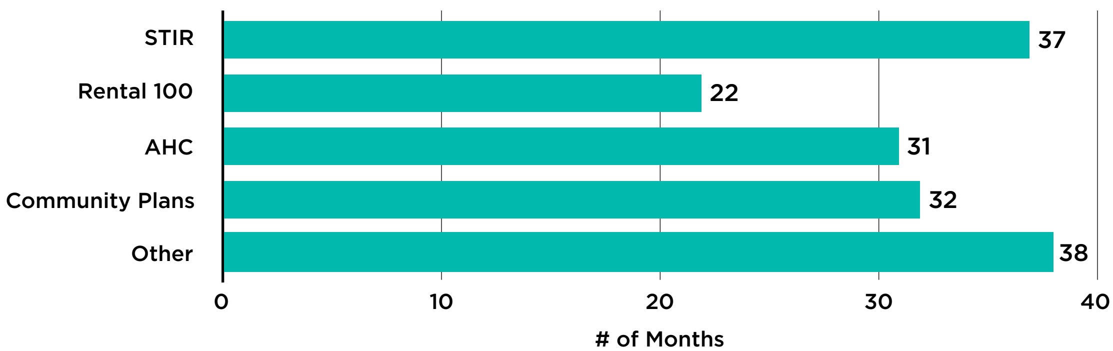


Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

[5] Note: The total rezoning period shown in this figure (inclusive of Public Hearing and Enactment) may vary from the total duration shown in the Program Summary Results due to varying medians for each of the application periods.

Approval of Rental 100 projects typically took less than two years (22 months) - this involved a combined total of 20 months for a rezoning and 12 months for a DP. The other programs and rental approvals through a Community Plan took longer to be approved. For the West End projects that only required a DP, the median processing time was 21 months. It should be noted that the length of the approval process is also dependent on applicant's timelines and their response to City feedback and conditions[6].

Figure 3-10: Median Duration of Rezoning and Development Permit Application Process



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

[6] Typically, an application involves a development enquiry period and a rezoning intake application, followed by a Public Hearing, where applicants are required to meet specific conditions before Bylaw Enactment. Once a rezoning is approved at Public Hearing, applicants can submit a development permit application, which can overlap with the rezoning process between approval and enactment.

4. ISSUES AND CONSIDERATIONS

Creating New Rental Supply

There is evidence that the rental incentive programs are addressing a critical gap in the housing spectrum. As part of the effort to evaluate these programs, the City of Vancouver conducted a survey of households living in the rental housing created through the incentive programs — including a total of 30 buildings, all of which were very recently completed. A total of 460 renting households responded to the survey, and the results indicate that households experienced great difficulty in finding their current rental housing. The full results from the survey are included in Appendix C; highlights presented below.

Renter Survey - Key Findings

- Who were the respondents?
  - Primarily couple households without children (43%) and single person households (44%)
  - 70% were between the ages of 25 and 44
  - Living in studios (31%), 1-bedrooms (47%), 2-bedrooms (20%), and a limited number of 3+ bedrooms (1%)
  - Median rent was $1,625
  - 53% had a total household income (before taxes) of less than $80,000 and 40% $80,000+; the remaining preferred not to say
- Where were respondents living previously?
  - 22% previously owned their home, 65% were renters, the remaining lived with relatives or elsewhere
  - 57% were living in Vancouver, 29% living in Canada outside of Vancouver, and 14% were not living in Canada
- Level of connection to community or neighbourhood
  - 53% of households felt ‘very much’ or ‘somewhat’ connected to the community or neighbourhood; 46% felt ‘very little’ or ‘not at all’ connected
- Awareness and support for incentive programs
  - 45% were not aware of the City’s incentives for market rental buildings
  - 78% ‘strongly agree’ or ‘somewhat agree’ with the notion of providing incentives to encourage construction of new market rental housing

- Of those households surveyed, 32% were looking for rental housing for three months or more, and 64% of households indicated rental housing was difficult or very difficult to find, a reflection of limited availability of rental units (extremely low vacancy rates).
- Households frequently cited frustrations about lack of responses to inquiries about advertised units (which included units across the market, and not specifically in buildings created through incentive programs), lack of pet-friendly units, fraudulent postings for rental housing, and high prices for available rental housing.

Although some survey comments indicated displeasure with their new rental housing, with concerns that ranged from noise, small apartment sizes, and lack of amenities, there were also many responses expressing a high degree of satisfaction. A large number of comments suggested that households felt very fortunate to have found rental housing that met the needs of their households. Households commonly cited the new condition of buildings and units, pet-friendly policies, neighbourhood location, and proximity to transit and work as positive aspects of living in their rental housing. Some households specifically noted having a sense of security from eviction as a result of living in a purpose-built rental building.

Households sought their housing for a wide variety of reasons. Many households indicated they were looking for rental housing after taking jobs in Vancouver. Others indicated they chose their rental housing because of changes in their life circumstances. Some households indicated that they were evicted from their former rental housing; others were downsizing from single-detached homes. Previous homeowners represent 22 percent of respondents living in buildings created through rental incentive programs. This information provides an indication of the extent to which the rental incentive programs have helped to create new rental supply, in a city with extremely low vacancy rates.

High Cost of Rental Housing

The rental incentive programs have received criticism from Council, the media, and the public for providing incentives for the construction of new rental development that is unaffordable for many Vancouver households. While the purpose of the rental incentive programs has been to create secured market rental housing, the ongoing housing crisis in the City has led to calls for deeper levels of affordability.

- Among survey respondents, 59% of households reported spending more than 30% of their gross income on rent. By comparison, according to the 2016 Census, 35% of renter households in the city of Vancouver are spending more than 30% of their gross income on rent.[7]

- While the cost of rental housing is high, it is also important to recognize respondents indicated the most important reasons for choosing their current home was that it was the best option for their budget.
- In addition to challenges associated with living in higher densities, such as lack of noise insulation between floors and neighbouring units, respondents identified high rents as a priority item for improvement. In total, 47% of households indicated they were unsatisfied or very unsatisfied with their rent.[8]
- Of those households contemplating a move in the near future (35%), 25% specified the main reason to move would be the need for more space, while 22% indicated the main reason would be high rents.

Selected Comments from Survey Respondents — Households Living in Rental Units Created Through Incentive Programs

"I would spend the evening looking for a place to rent online, and when I called each place the next morning, the apartment was already taken. It got to the extent that I was panicking and desperate. Finding an apartment in Vancouver is a full time job."

"I love how it is a quiet, family oriented area of Kits. Locally owned food markets and stores are all at my door step. I take great pride in supporting local businesses."

"I decided that owning anything was always going to be out of reach. So I decided to rent a new, nice place with much higher rent in order to be satisfied. I wanted a top floor apartment for noise reduction and a patio space I could use. I got exactly what I wanted. The only trade off is the price."

"I was looking to move out of my building of 15 years when I saw the sign for the new rental building. I put my name on the wait list months before the building was completed. I received an email that they were showing the apartments and I got an appointment the same day. I signed my lease the next day. I felt like I had won the lottery."

"We sacrificed space and expense for the luxury of being close to transit. However, if we want to expand our family in the future, this building and its rental price will not work."

[7] Additional analysis could be undertaken to determine the relationnship between household income and percentage of income spent on rent; and specifically whether higher income households are opting to spend a greater proportion of their income on rent.

[8] Delivering below-market rental housing with deepened affordability requires additional incentives or subsidies beyond what the current rental incentive programs provide (e.g. MIRHPP or senior government programs).

While the cost of renting remains high, buildings constructed through these programs have helped to address the shortage of secured rental housing in Vancouver, and many respondents indicated their appreciation in the survey comments.

Multiplicity of Programs and Policy Objectives

The incentive programs have gone through multiple iterations, and continue to evolve, which has created confusion and uncertainty for developers, renters, members of the public, and City staff. Simultaneously, the current planning and development framework has numerous overlapping policies that are not clearly explained, which is causing further confusion and uncertainty. Due to the inherent financial risk associated with rental construction, a streamlined rental incentive program is needed — one that clarifies the incentives and simplifies the requirements. Currently, the number of interrelating policies are difficult to understand, and while the existing policies are prescriptive, many relaxations are highly subjective, which has resulted in scepticism and frustration.

While the overarching goal of the rental incentive programs is to encourage the construction of secured market rental housing, rental development applications are required to comply with a number of City policies and strategies. Feedback from stakeholders indicates these policies often have competing objectives that often work against the economics of rental housing, and the following examples were identified:

- New development in the City of Vancouver is required to include certain green building measures, which increases construction costs, and may limit the viability of rental housing construction. While these standards are integral to the City's climate action goals, it is important to understand the project economics related to rental housing, and the cost implications of constructing a Passive House building or near zero emissions buildings.
- **Community Amenity Contribution (CAC)** policies apply to rezoning applications, including some secured market rental housing. Lower-density secured market rental applications (buildings under 6 storeys) that meet the City's exemption policy are not subject to a CAC. A rental development may be subject to a CAC under exceptional circumstances.
- The City's **Family Room Housing Mix Policy** introduced the requirement that rezoning applications for secured market rental projects are required to include a minimum of 35 percent family units with two or more bedrooms. Larger units are more expensive to build, and while this requirement

What is a CAC?

Community Amenity Contributions (CACs) are in-kind or cash contributions provided by property developers when City Council grants development rights through rezoning.

has resulted in the creation of more family-friendly units, industry stakeholders emphasized the impacts of multiple policy objectives. Ultimately, trade-offs are required, and policies that increase the cost of construction will likely decrease the viability of rental housing.

- The City's **Tenant Relocation and Protection Policy** specifies applicants seeking a rezoning or development permit must provide a Tenant Relocation Plan. These Plans include right of first refusal at below-market rents, compensation which varies depending on the length of the tenancy, assistance in securing alternate accommodation at current rent levels, and compensation to cover moving expenses.
- Market data and feedback from the renters survey indicates the cost of renting remains high. While the incentive programs are not intended to deliver below-market rental housing with deeper levels of affordability, stakeholders have expressed concerns with the high cost of rents. The policy language specifies the rental incentive programs are tasked with incentivizing the construction of secured market rental housing; however, further clarification is likely required to ensure the program objectives are clear.

Ultimately, these requirements have associated cost implications, which must be considered when examining the overall program objectives, within the context of the City's broader policy framework.

Lengthy Timelines

Part of the inherent risk associated with rental housing development is related to timelines, and while the expedited processing offered through the incentive programs should address this challenge, application processing and approval continues to be very lengthy. Stakeholders specified longer approvals are largely a result of the number of new considerations and competing City policy objectives that have been introduced since the incentive programs were first created. It should be noted that the length of the approval process is also dependent on applicant's timelines and their response to City feedback and conditions. Given the increasing complexity of the rezoning process, expedited processing has not generally been achieved for secured market rental projects. There was much support for the approach in place under the West End Community Plan, where prescribed density provisions in the zoning by-law resulted in clarity in the process and shorter timelines, as the applicants were not required to complete a rezoning — only a Development Permit.

Currently, applications for secured rental housing, where 100% of the residential development is rental, are eligible for concurrent processing of rezoning and development permits where the form of development at rezoning is known and supportable. The City's rental database indicates Rental 100 applications took a median of 22 months for approval, while other programs took considerably longer. There is interest in further expediting applications, particularly for larger projects. In addition, applications initially proceed through the Letter of Enquiry (LOE) process, which may add significant time delays, and is not formally recognized as part of the applicant's development processing time.

Viability of Rental Development

The existing rental housing incentive package has resulted in the creation of new secured rental housing in Vancouver. Local developers and property managers reported that the most important existing incentive is additional height and density, given the narrow profit margins in the development of rental housing. Feedback from builders and developers noted that the additional density results in additional rent revenues, which serves to partially offset the high costs of land and construction. While the current incentive package is working to deliver secured rental housing; with additional incentives, developers would be able to deliver more rental housing.

Coriolis Consulting is undertaking a financial review and scenario analysis of the rental incentives and the impact of other policy or taxation on the viability of rental development. This analysis demonstrates the challenges associated with rental construction, as strata residential development is often the most profitable type of housing development in Vancouver. In order for rental housing to be viable, it must compete with strata condominium development that can be built under existing zoning, or must be more profitable than the existing income-producing use on site.

The results of this analysis demonstrate the importance of incentives in closing the gap, as little or no market rental development is expected to occur without incentives. Each incentive offered by the City improves the overall financial performance of rental development, and the permitted density increase has the greatest positive impact on the estimated profit margin. However, with all the incentives currently available, rental development consistently generates profit margins lower than typical profit margins required by most multifamily developers to obtain financing and proceed with a new project.

DCL Waiver

Projects creating new rental supply, where 100% of the residential development is rental in tenure are eligible for a DCL waiver for the rental portion of the development. Under the City-wide Utilities DCL by-law (effective September 30, 2018), Vancouver and Area Specific Development Cost Levy By-laws, DCLs for rental housing can be waived for "for-profit affordable rental housing" where the tenure is secured through a Housing Agreement. Projects that include existing rental units (e.g. alterations or extensions) are not eligible for the waiver. The DCL waiver regulates maximum unit sizes and rents by unit type.

In addition to height and density, the waiving of Development Cost Levies (DCLs) was identified as an important component of the existing rental incentive programs. Feedback from representatives of the building and development community indicated incentives are needed to shrink the gap between rental and condo pro formas, and fee waivers are one of the reasons certain developers have chosen to develop rental housing. This is re-enforced by the financial analysis completed by Coriolis Consulting. While the permitted density increase has the greatest positive impact on the estimated profit margin, the combined waiver of the city-wide DCL and Utilities DCL helps to reduce the gap between strata and rental development. On average, the DCL waiver for rental projects has totalled $8,887 per unit, which represents only 4% of the total amount of DCLs collected by the City.[9]

The DCL waiver has predominantly been sought by applicants doing projects in East Vancouver, where market rents are somewhat lower. On Vancouver's westside, market rents are higher, and developers have chosen to pay the DCL rather than be restricted to rents that are below market. While the DCL waiver has helped to improve rental viability for approximately half of all projects, 51% of projects have declined this waiver (Please see 'Reasons Projects Do Not Take the DCL Waiver' on the following page).

The DCL waiver is a major component of the rental incentive programs and will form an important element of the upcoming policy development process. Yet the waiver has received criticism for the following reasons:

- The maximum average starting rents are not seen to be affordable to enough households in Vancouver;
- The term "for-profit affordable rental housing" used by the Province of British Columbia in the Vancouver Charter causes confusion; and
- The requirements are complicated and can be challenging or impossible to meet in some projects.

[9] The DCL values exclude projects in the 'other' category, and the figures don't account for projects seeking the waiver that have not yet reached the building permit stage.

Other Cost Considerations

Government policy changes have recently occurred, and are anticipated to continue, which has impacted, and will continue to impact, the risk potential and financial viability of new rental development.[10] Some of the notable changes are as follows:

> **"Parking supply exceeds utilization by 35% in Metro Vancouver. Over supply of 44% estimate for Vancouver."**
>
> **Source: 2018 Regional Parking Study**

1. **Rent Regulations in the Residential Tenancy Act (RTA).** The provincial government changed the Rent Regulations in the RTA to limit annual rent rate increases for existing tenants to the consumer price index (CPI). The previous regulations allowed annual rent increases of CPI plus 2 percentage points. This change reduces the potential long term net income of rental buildings (new and existing buildings), with a significant impact on the market value of a new rental building. The decline in the market value of the completed building reduces a developer's capacity to seek financing and the financial viability of new rental construction.

2. **Additional School Tax (AST).** The provincial government recently introduced an additional school tax on residential properties with assessed values in excess of $3 million. Upon completion of a new rental building, the property is exempt from the AST. However, the AST is payable on new rental development projects during the approvals and construction period. This increases the cost of new rental construction and impacts the financial viability of new construction.

3. **City of Vancouver Utilities Development Cost Levy (DCL).** The City of Vancouver recently introduced a new Utilities DCL (in addition to the existing City-wide DCL). This increases the cost of new rental construction and impacts the financial viability of new construction. The City's current rental incentives allow this new DCL to be waived for new rental projects on an interim basis until 2020. The Utilities DCL may not be waived for secured market rental after 2020, and in addition, projects may be required to incur further costs associated with off-site utilities infrastructure upgrades.

   Note: Not all rental projects qualify for the DCL waiver.

4. **TransLink Development Cost Charge (DCC).** TransLink recently introduced a new Regional Transportation DCC to help fund transportation projects which will further increase the cost of new rental construction. Market rental projects are not exempt from this new DCC, which will start in January 2020.

[10] Analysis provided by Coriolis Consulting.

5. **Increased Metro Vancouver Sewer and Drainage Development Cost Charge (DCC).** The Metro DCC helps fund new sanitary sewer works such as additional trunk lines, pumping stations, and wastewater treatment plant expansion. This regional DCC was recently increased. While the rate increase was modest, in combination with the other items outlined above, the costs of new rental construction will markedly increase.

In the absence of the existing incentives, Coriolis anticipates that developers would opt to build more strata housing and less new rental housing, resulting in less new rental housing supply over time. This may also be the preferred option once all these new requirements are introduced. A reduction in new rental supply would reduce vacancy rates and put upward pressure on rents at units throughout the City in both new rental buildings as well as units in existing rental buildings.

Reasons Projects Do Not Take the DCL Waiver

Although the DCL Waiver is available for new rental projects, 51% of all new projects have declined the waiver. Possible reasons include:

1. Higher Market Rents. If market rents are significantly higher than the DCL waiver rents, there could be an incentive for applicants to pay the DCL rather than be restricted to rents that are below market. Based on Coriolis' research of market rents (in new buildings), the DCL waiver rents are generally equal to (or sometimes higher) than market rents. There are some exceptions to this in the highest rent locations in the City, such as Downtown, the West End, certain areas of the West Side, and areas in Mount Pleasant or along Main Street.

2. Lengthy Project Completion Timelines. Projects seeking the waiver are required to set maximum rents that are in effect at the time of rezoning, plus inflation (CPI). However, it typically takes about 3 years after rezoning approval to complete the new rental building. If market rents increase during this construction period at a rate that is higher than inflation (which has generally been the case over the past decade), the rents for the initial tenants could be below market rents. Therefore, an applicant may decide to pay the DCL rather than lock in to the DCL waiver's maximum rent levels.

3. Construction Costs. Up until mid-2018, projects had to maintain hard construction costs to a pre-determined maximum in order to qualify for a DCL waiver. The limit was updated annually based on a third party cost index that is based on regional cost averages. It was not specific to Vancouver which experiences higher costs than the rest of the region. Generally, the cost limit was lower than actual construction costs for concrete construction of rental buildings in Vancouver. For example, in 2018, the construction cost limit was $315 per square foot, while concrete construction in Vancouver was approximating $400 per square foot by late 2018. This condition made some projects ineligible for the waiver. It was removed as a requirement from the policy in mid-2018.

4. Mixed Projects. Rental projects that include strata units on the same site do not qualify for the DCL waiver as these are not considered to be 100% rental projects.

Source: Coriolis Consulting

Parking Oversupply

The provision of parking stalls in buildings is a significant cost factor in construction, particularly for multi-level underground parking structures. The cost of providing on-site parking in the Vancouver region can range from $20,000 to $45,000 per stall, depending on design and site-specific conditions, and can account for 10% to 20% of the total construction costs.[11] In the City of Vancouver, the total cost per parking stall is rarely less than $30,000 per stall. In addition to the up-front construction costs, parking adds to ongoing maintenance and operating costs throughout the building lifespan.

There are some indications that existing parking requirements are creating an excessive supply of parking. For instance, the 2018 Regional Parking Study conducted by Metro Vancouver found that, for market rental apartment buildings, parking supply exceeds utilization by 35 percent.[12] Among the 13 rental apartment buildings in the City of Vancouver that were included in the Metro Vancouver parking study, the estimated parking oversupply was 44 percent.

Based on the information obtained from the UDI survey, developers also indicated high levels of parking oversupply in newer market rental buildings. Survey results indicate 46 percent of developers indicated that less than half of the parking spaces were being utilized. Only 9 percent of developers indicated that parking spaces were being fully utilized in their projects.

Based on available information, it was not possible to assess parking utilization or demand in buildings built through the rental incentive programs. Respondents of the renter survey (households living in buildings constructed through the rental incentive programs), 57 percent of those living in buildings that provided car parking indicated they did not use parking. Many buildings constructed as part of the rental incentive programs have been built along the Frequent Transit Network and in the downtown core, and the renter survey found that many people choose their housing based on proximity to transit and employment. More research should be undertaken to understand if current parking requirements for rental housing buildings are creating an oversupply of parking and potentially inflating construction costs for these projects.

11 Metro Vancouver, 2018 Regional Parking Study

12 This is based on results from the Parking Facility Survey of parking supply and utilization at over 70 apartment sites. The Regional Parking Study also comprises the Street Parking Survey of parking supply and utilization on streets near the selected apartment sites, and a Household Survey of 1,500 households residing at the selected apartment sites.

Level of Neighbourhood Integration

The City's rental incentive programs are structured to create new secured market rental housing, which reflects the goals identified in the City's ***Housing Vancouver Strategy***. In addition, many of the buildings constructed through these programs are on arterial streets, which supports the City's sustainability goals to concentrate rental housing in areas close to transit and services.

Part of the ***Housing Vancouver Strategy*** identifies a need to shift towards the "Right Supply" in housing production, which refers to location, type of building, incomes and tenure. Building form (height, shape, density and design) has a direct impact on end users, affordability, and neighbourhood compatibility. In terms of building form, the City tracks comments from the public received during the rezoning process. Through a review of the rezoning applications associated with rental projects, it was noted that the most common sources of concern are:

- Height of buildings;
- Size, mass and density; and,
- Character with existing neighbourhoods.

To understand how buildings perform with regards to these factors once they are built and operating, the City completed intercept surveys with the public around three buildings which received typical comments during the rezoning application process in different neighbourhoods across Vancouver. The results from this survey are summarized in Appendix D.

In total, 41 people responded to the intercept survey. Of those that participated in the intercept survey, the majority (80%) lived or worked (10%) in the area. There was limited negative feedback regarding building design — only two respondents felt the building had bad or very bad design and two respondents thought the building did not fit into the neighbourhood. Parking was the key concern for those who were surveyed (79%) and the second principal concern was building canopies. Overall, respondents felt that new buildings should be the same size (80%) as those already built under the incentive programs and an equal number supported taller or preferred smaller new buildings. While building design is a subjective exercise, it is important to note new secured market rental buildings received positive feedback as described by the renter survey. Respondents also provided feedback concerning project location, noting rental development should be available in more areas of the city (i.e. RS zones).

5.KEY FINDINGS

Incentives are Creating New Rental Stock

There has been very limited purpose-built rental housing constructed in Vancouver since the end of federal incentive programs in the 1980s. To address this shortfall, the City developed rental incentive programs in 2009 which have resulted in the approval of 8,680 new secured rental units. This contribution has helped to make a significant and critical impact on the supply of rental housing which cannot be discounted.

Incentives are Insufficient

At the same time, the number of new units created remains well below the City's own targets for new rental housing, and the number of units has yet to offset the shortfall in rental construction that has resulted from decades of under supply. As a result, vacancy rates remain at very low levels and renters continue to experience high rents relative to their income as well as a lack of choice in rental housing options. It is evident that the incentives have been effective at increasing the supply of rental units. However, a much larger number of units and diversity of rental options is needed to fully respond to the current demand.

Incentives are Necessary

In order to make rental housing feasible in Vancouver, incentives are needed to level the playing field, given that condominium development is consistently at a financial advantage over rental. Given the land and construction costs, the up-front equity needed to support a multi-unit rental project is significant. It may be difficult to justify the expenditure on rental projects when condominium developments result in an immediate and often more significant return on investment. Condominium development will continue to out-compete rental use unless substantial incentives are offered to close the gap.

Programs Need to be Simplified

Since 2009, the City has introduced several different rental incentive programs and repeatedly adapted the current policy and regulations around rental housing development. Many of the programs are operating concurrently today, which has created confusion among staff, builders, developers, the public, and renters. While the programs are structured to incentivize the construction of secured market rental housing, there are nuanced differences within the programs in terms of available incentives, rent structures, and possible locations. Additionally, processing times are lengthy, which acts as a deterrent to potential applicants. With a more efficient and effective program, developers would be more likely to take on the risk of new rental construction, and a greater number of new units could be expected to come on stream in a short time frame.

Objectives Need to be Clarified

Rental development applications are required to comply with a number of City policies and strategies that have competing objectives that may increase the risk and costs associated with rental development. Given the complexity of the rezoning process and the number of City objectives applicants are expected to meet (i.e. sustainability requirements, urban design performance, tree retention, engineering and utilities requirements, tenant relocation and protection, etc.), approval times have become longer. To provide clarity and consistency, the existing policy framework would need to be streamlined and simplified with a specific focus on reducing uncertainty and improving processing times. These are areas for further exploration in the upcoming policy development phase.

Affordability is Challenging to Achieve

The rental incentive programs are tasked with creating secured market rental housing. The programs have been critiqued for not facilitating the creation of housing that is rented at levels affordable to a broad base of potential renters, including moderate and low income households. While affordability is a relative and often contested term, to achieve below market rents, significant density and additional incentives are required.

The MIRHPP demonstrates these trade-offs. The program is structured to provide 20% of the residential floor space to households with moderate incomes (i.e. gross household income between $30,000 and $80,000). In order to provide that level of affordability, significant additional density is required, above and beyond what had been available in the previous rental incentive programs. As the City has a limited ability to subsidize new rental housing, partnerships with provincial and federal governments will be needed to provide greater levels of affordability in new rental housing projects.

Project Types and Locations are Limited

Within the City of Vancouver, particular sites are eligible for rental incentives, based on the parameters of each program. Because of these geographic limits, secured rental development has been concentrated in selected neighbourhoods and along arterial streets. This has been effective at creating larger multi-unit projects, but has created an inequitable environment, where renters have limited housing choice. Enabling rental housing development to be created in all neighbourhoods and in different parts of the city would address the lack of choice and availability. In particular, expanding rental housing into low density areas, areas zoned for single-detached homes, and non-arterial locations are important considerations moving forward.

Currently, rental incentive programs are largely limited to projects that are 100% rental and only projects in select limited areas are eligible. In addition to enabling rental housing in all neighbourhoods, it will be important to identify ways to expand the program to a greater variety of projects. This may include sites that involve rental replacement and potentially to projects that include a mix of strata condominium and market rental as has been suggested by the development community.

Livability is Important

The City's Rental Incentive Programs have approved 8,680 units of new secured rental housing, which is an important contribution to the city's housing stock given the lack of construction that had occurred between 1980 and 2010 and the ongoing housing crisis. Unit composition has diversified over the course of the different rental incentive programs, largely as a result of the ***Family Room: Housing Mix Policy for Rezoning Projects***, which requires all secured market rental developments to include a minimum of 35 percent family units. Greater housing choice is important for renters, and while unit composition has improved since the programs were introduced in 2009, livability challenges remain. Unit size, mix, storage space, and noise are all important livability considerations that require exploration in greater detail during the upcoming policy development phase.

6. NEXT STEPS

The purpose of this review has been to document the results of the City's rental incentive programs. Based on the findings identified in this report, additional analysis is recommended to support the City's upcoming policy development stage. Next steps for research and consultation are recommended to seek approaches that address the following:

- **Simplify the incentive programs** — Review the complexity and inherent inconsistencies in the programs with a goal to create a program that is straightforward and easy to navigate, and one that strives to reduce risk for the developer.
- **Clarify policy objectives** — To provide more clarity and consistency, the existing policy framework would need to be streamlined and simplified with a specific focus of creating new secured market rental housing.
- **Reduce the processing timelines** — Investigate the step by step requirements involved with approval, from letter of enquiry through to building permit, and identify ways to streamline and shorten the approvals process, such as through rental tenure zoning.
- **Consider the possibility of additional incentives** — To achieve the Housing Vancouver targets for secured market rental housing, additional incentives will be required, particularly given the numerous City objectives that applicants are expected to meet. In order to deliver deeper affordability, further incentives will be required in the absence of senior government funding.
- **Consider expanding the incentive program** — In order to facilitate a greater number of net new rental units, the incentives could be made available to a wider variety of sites and project types.
- **Seek partnerships with senior government** — In order to further deepen affordability and provide additional non-market housing, subsidies will be needed by senior levels of government. Given the focus of this review is on the City's market rental incentive programs, this is acknowledged as an important, and ongoing initiative to provide affordable housing for lower income households. Continued efforts to partner with provincial and federal governments and non-market housing developers are encouraged.
- **Diversify housing choice by type** — There are considerable opportunities for rental housing away from arterials and the city core. Facilitating new rental housing in a variety of structure types and densities (e.g. townhouses, small apartment buildings) would broaden the housing options available.

- **Enable new rental housing in single detached neighbourhoods** — Incentivizing new secured rental housing in single detached and other low density neighbourhoods would further support the delivery of new rental housing and diversify housing choice for renters.
- **Communicate trade-offs to the public** — Renters and community members experience considerable tension regarding the lack of housing affordability in Vancouver. However, the financial constraints and risks associated with rental development are not often recognized. To facilitate a greater understanding of these matters, additional analysis and communication with the public would be valuable — detailing the inherent trade-offs, the risks and regulatory requirements, and the need for incentives to achieve market rental housing.

APPENDIX A - EXISTING POLICY FRAMEWORK: ADDITIONAL HEIGHT AND DENSITY

APPENDIX A

Additional Floor Area – Rental 100

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

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

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

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

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

APPENDIX B - RESPONSES FROM URBAN DEVELOPMENT INSTITUTE (UDI)

APPENDIX B

Urban Development Institute (UDI): Responses from UDI Members Survey of City of Vancouver Rental Incentive Programs

Received 26 responses from the following companies:		
Hudsonmorris Projects	Concerts Properties	PCI Developments
Hungerford Properties	Locarno	Crossing at Belmont
Rize Alliance	Polygon Homes	Headwater Projects
Intracorp	Keltic Development	QuadReal Property Group
MOSAIC	Ledingham McAllister	9 other anonymous companies

1. Rental Program Experience:	
Rental 100:	17
Affordable Housing:	11
MIRHPP:	10
STIR:	5
None, but interested in developing rental:	5
Other:	• 1st & Main as of right rental, industrial and office zoning FC-2 • City of Langford rental policy • Stand alone rental buildings required through rezoning negotiation; or by City incentives (Richmond); or on behalf of non-profit groups in exchange for land for market development • Langara Gardens Policy Statement
Other (continued):	• Grandview Woodland, West End Plan, Marpole • Joyce Station Area Plan/Collingwood Village • Railyard Housing Co-op built on behalf of the City and operated by the Community Land Trust • City Ground Leases

1a. If not currently building rental, what is the primary reason for not developing rental under the City's current rental programs?
Costs/uncertainty of developing under these programmes
The Vancouver Building Department does not support rental infill on existing rental properties without fully upgrading the existing site to current code. This is not financially viable and discourages rental infill (and encourages redevelopment and displacement of tenants).
The uncertainty from Council on what the Rental 100 guidelines will be moving forward is too much risk in proceeding on a development.
Proformas don't work with rental. Need incentives for developers to make it work.
The restrictions on market rents and the uncertainty of what rental policy will be going forward. Also, under the MIRHPP program, the extra density is useless given the increase in construction costs to provide the higher form via concrete and again the cap on rents.
City bureaucracy too difficult to invest in. Other cities provide better service and clearer direction.
We had set-up to build rental, mostly in Vancouver, but the recent flip-flopping on Rental 100 has us scared. We opted to build 200 mkt condos in Surrey right now instead. If we could be certain Rental 100 wasn't going to change or disappear, we would have 500-700-1000 units in the pipeline over the next 3-5-10.

2a. What do you like the most about Vancouver's Rental Incentive Program(s) that you want to keep?
Additional density without CACs
Incentives shrink the gap between rental and condo proformas
Fee waivers
Reduced parking requirements
Ability to build without waiting for a community plan
Addition of many RS-1 lots on arterials as possible developments under the Affordable Housing Choices Interim Rezoning Policy
AHC - outlines areas for additional density for rental

2b. What do you like the least about Vancouver's Rental Incentive Program(s) that you want to change?
Uncertainty around the application of policies (last-minute changes)
Instability of policies
Lack of expedited processing (sometimes longer than strata) or concurrent applications
Length of time for rezoning and DP processes
Prioritization of landscape considerations over rental supply
DCL waiver should be for mixed-use buildings, not just 100% rental

2b. What do you like the least about Vancouver's Rental Incentive Program(s) that you want to change?
Parking requirements still too high
Density from 4 to 6 storeys for purpose built rental should be automatic as a starting point
Lack of flexibility or room for innovation
Density increases are not always clear making it difficult to purchase land
Allow more density 1 block away from arterial roads
Available relaxations on density are still too restrictive. Policies such as the Green Building RZ Policy come at an enormous cost and density is needed to offset this.
RS-1 and RT zones should be included more broadly in rental policies
Remove the pace of change requirement and 2 in 10 blocks restrictions
RM areas are not available for increases in rental units through development
With multiple programs available it is difficult to understand which programs are favoured by the City/Council when making an application.
AHC - uncertainty of application (limited to 2 applications/10 blocks); offers no guideline on FSR/height/zoning
Rental 100 - prescribed sizes/rents limits form of development

3. What has been the primary reason you have chosen to develop rental housing (vs. strata)?
We care about offering rental choices to the community
CAC and DCL waivers
Building rental as a CAC
Expedited processing times (in theory)
Long-term income generating asset with in-house management
Planning, policy and political pressures
We would like to build more but can't because the numbers don't work
Strong demand due to low vacancy rate make it a secure investment at market rents
Trying to deliver affordable housing
Easier to rezone
Lower risk than condo once rezoning is complete
High rents + BC Housing loans + limited supply = incentive to develop rental

4. Importance of rental incentives, ranked by preference (total responses:24)				
Rank:	**1**	**2**	**3**	**4**
Additional Height	79%	8%	8%	4%
DCL Waiver	17%	38%	13%	33%
Parking requirement reduction	0%	33%	38%	21%
Unit Size Relaxation	4%	13%	42%	42%

5. Are there additional new incentives or changes to existing incentives the City should explore to facilitate more rental housing supply and deeper levels of affordability?
DCL waivers
Parking relaxations
Guaranteed additional height
A TRULY expedited process
Increase density around transit
Follow the example of other other municipalities (eg. Coquitlam) where density is available for "free" if rental is provided
Property tax exemptions
More density bonusing and more specific definitions of housing types to be provided
Removal of all rental rate restrictions
Allow rental projects to skip rezoning process
Allow more flexibility for dwelling units (micro-suites, co-housing etc.)
Viewcone relaxation
More FSR for more affordable units
Relaxed envelope requirements under the Green Building RZ Policy
Design requirements should be lowered
Look at amending existing OCP's to facilitate more density and options in areas without a lot of rental
Explore density transfer options
Extend infill opportunities to other areas
Mixed use; leveraging transit-oriented industrial sites, as permitted in the FC-2E zone
Specific FSR and zoning definitions; allow rental in SFH zones

6. Parking provision and utilization rates (total responses: 22)		
Approx. Utilization rate	**Number of Respondents**	**Parking provision range (stalls/unit)**
<25%	5%	N/A
25-50%	41%	0.5-0.8
50-75%	45%	0.4-1
100%	9%	0.5-0.9

Note: There was no correlation between lower provision and higher utilization. There was an overall average parking stall provision of 0.6, however respondents listed 0.5 most frequently. The main determinant of the number of stalls was proximity to transit.

7. The City of Vancouver introduced new parking requirements and enabled further vehicle parking reductions for rental housing projects through the new TDM Plan Option in the Fall of 2018. What has your experience been with these new parking measures?
Can be confusing, need to hire [the consultant] who helped create the policy. Often rental cannot afford the TDM measures to decrease parking.
Limited but introducing them into new projects
Way too much bike parking, does not make logical sense.
The plan has given us some additional flexibility in meeting parking requirements but it could still be way more aggressive in cutting back on parking requirements. Further, any flexibility has mostly been taken up by incredible amounts of required bike parking.
Generally the new measures are okay but the bike parking and end of trip requirements are punitive and a significant new cost driver that we did not face before.
This is very helpful at lowering construction costs for the project which have a massive impact on the end value had to be for rent charge. Allows for more affordability.
There is a certain baseline number of parking stalls we would want to provide no matter what the minimum requirements are so the additional reduction is not fully beneficial. Generally speaking, it's also a fairly complicated program which I don't generally support.
Uncertainty around the impact to commercial and the ability to obtain occupancy for specific commercial uses in mixed use projects. A good first step however further reductions in parking required to lower costs and lower residential rents.
We have active MIRHPP application that City continues to be very stringent on parking & bike storage requirements - this compromises our ability to proceed with the project.
Better than not having them. Some are harder and cost prohibitive to implement.

8a. Have you encountered particular design challenges that make it difficult to achieve a higher share of family-size units (particularly units with 3 or more bedrooms)? (total responses: 22)		
		Comments
Yes	**77%**	More height and FSR needed
		Difficult to have smaller units with 3+ bedrooms Inboard bedrooms
		Larger units rent for less $/sf.
		Hard to mix family units with smaller units – different demographic, different type of project
		Tough for small sites.
		Podium style buildings do not work well when we are not permitted to do a portion of internal bedrooms so fewer units are ultimately built due to these requirements. Also multiple bedroom units do not rent as well as studios and ones so the high family unit requirement is a disincentive to building rental in general. No problem with family units but the current family unit requirements appear to be based on ideology no science on where the demand is.
		Having a requirement for 3 bedrooms that each have a window creates serious challenges from a design (exterior and interior) perspective. The building becomes less efficient and smaller which erodes its value.
		It is hard to provide larger format units and still make the project financials make sense.
		No borrowed light bedrooms make it very difficult to lay functional, efficient units out. Especially if increased depth to building due to site. Every bedroom needs a window, thereby effecting efficiency and creating larger suites than are necessary/efficient. Further, some areas that have much lower demand for family units (adjacent to colleges, downtown core/peripheral areas) and, as such, we have seen interest from multiple parties who want to come together in a co-living arrangement to fill these suites rather than families that this policy is supposedly geared towards.
		Some of the best options for providing family-sized homes is through the development of townhomes. I believe these should be permitted as often as possible, including back alleys or adjacent to commercial retail units.
		Difficult in mid block sites that are typically 122' deep. Units get too large. Internal 2nd or 3rd bedroom should be allowed with proper mech ventilation.
		Design to suit City's 2 & 3 bedroom family housing requirements is very challenging. Allowing in board bedrooms in some 3 BR units is a good step. Need more flexibility by City staff and policies to support continued delivery of suitable family housing.
		Limits the flexibility to provide the optimum level of units, as relates to the specific program

8a. Have you encountered particular design challenges that make it difficult to achieve a higher share of family-size units (particularly units with 3 or more bedrooms)? (total responses: 22)		
		Comments
		Including a larger share of family-sized units can be doubly challenging financially since they inherently achieve lower rents per square foot, and with limited turn- over. Introducing a higher ratio of homes in the 750+sf range depresses ongoing operating revenue, while costs are climbing due to sustainability/resilience design requirements. Further – some relaxation re: inboard bedrooms would allow for more efficient incorporation of additional bedrooms where space or allowable GFA is limited.
		Limiting rents (Rental 100) makes it difficult to provide suitable 3-bed sizes
No	**23%**	So far no design challenges in meeting the policy.

8b. Have you encountered particular design challenges that make it difficult to achieve other City objectives, such as near-zero emissions standards (i.e. Passive House)? (total responses: 22)		
		Comments
Yes	**86%**	Passive house requirements are too strict
		Cost associated with this which can be difficult with rental
		The rezoning standards result in: • increased costs • reduced livable area in planning locations with floor plates are fixed (i.e. larger exterior walls) • limited architectural expression
		Checking boxes on a list does not a sustainable building make
		The industry is not fully experienced in these technological advancements which lead to mistakes and overpricing.
		Very expensive
		We have challenges meeting the way too onerous energy and envelope standards for our climate. Such robust envelopes come at an incredible cost and act against functionality in the summer over heating the suite, then possibly requiring air conditioning at a wasteful energy cost. The city should set requirements that permit inboard insulation (not exterior insulation) for wood frame buildings. Promote electric baseboard heating. Over 90% of BC energy is renewable electricity from BC Hydro.
		Anything that adds cost, no matter the good intent, means it's more difficult for rental housing projects to be viable

8b. Have you encountered particular design challenges that make it difficult to achieve other City objectives, such as near-zero emissions standards (i.e. Passive House)? (total responses: 22)

		Comments
		Enhanced mechanical system to meet in door air quality requirements mean that rental projects may need to provide air conditioning in new rental buildings… despite the market not demanding/needing it. Additional measures that add cost and will drive up rents: • Enhanced electrical system to comply with enhanced energy usage requirements • Enhanced exterior wall and roof assembly insulation to reduce thermal bridging to meet energy model requirements • Higher performance residential windows (triple glazed) and storefront glazing • Enhanced material costs to meet stricter air tightness requirements between neighbouring units and corridors (sealants, flanged electrical boxes, fully compartmentalized enclosures surrounding everything that penetrates drywall) • Additional material costs to comply with enhanced structural requirements for seismic resistance
		Renters want windows like everyone else. We build in a highly sustainable fashion but it is important to keep an eye on cost and liveability of the projects as well as sustainability considerations. Overly prescriptive rules are no the best approach.
		From a cost perspective, additional requirements always have an impact. The 'green' initiatives are very important for the future and should be offset by reducing other impacts to cost (DCC's, CACs, property tax breaks, further parking reductions, and further incentives).
		Construction costs are already through the roof. By adding further requirements you are only forcing the developers to charge more rent to make the project make financial sense thus directly impacting affordability.
		For rental projects, it erodes the capacity to provide cost efficient product
		Cost of construction has increased. Coordination with all the consultants is more challenging as well. But operation of these more efficient buildings costs less as well.
		Though well-intended, Sustainability and Resilience objectives add significant cost to our developments.
		Costly construction
No	**14%**	We're not far enough in to our construction to comment.

9. What do you see as main challenges and opportunities to creating better commercial spaces in mixed-use rental projects?
Too much dictation on size from the city.
Commercial space needs to be useable, often we are being forced to put Mezzanines in and this space is not worth the cost to put it in. The Mezzanine space means difficulty with demising walls therefore a bigger space which is more difficult to lease.
Commercial use is less valuable than residential. Exclude the commercial density to solve problem.
Finding a tenant to build to, early on.

9. What do you see as main challenges and opportunities to creating better commercial spaces in mixed-use rental projects?
Maxing out residential FSR in critical to making the proforma work. ie. Residential on the ground floor is required. Also, the service requirements eat up a huge part of the ground floor. The ground floor becomes extremely complex.
If the intent is to try to address the diversity of businesses, then there probably needs to be some incentive programs to reduce costs associated with the commercial area (i.e. DCL waiver) or property tax reductions.
With regards to new commercial spaces often providing less commercial area than what is replaced, there's not much way around that given how the rental 100 rezonings from C-2 are structured. There's only so much space to (1) activate the lane with townhomes, (2) provide parkade ingress/egress, and (3) provide at-grade loading and garbage.
We see the opposite. Old commercial spaces typically are in low building that pay extreme commercial phantom tax on density that does not exist. We're seeing tenants come into our new buildings, pay less property tax, and still pay an equal gross rental rate. The city is starving small business with its commercial phantom property tax.
A major challenge is that staff seem to only want to see small "neighbourhood serving retailers" and have completely rejected the notion that some buildings in some areas need longer, contiguous retail frontages to serve retailers with larger footprints. Let the market decide how retail is configured! Opportunities lie in letting the market decide how little or how much retail to provide in a project. Forced retail can be an untenable risk for developers if required in areas where there is little to no established retail, or demand for such. Planners are not market experts.
Loading requirements and ramp location requirements by the city make viable commercial space a challenge in some projects. Viability of commercial space should be taken into consideration when projects go forward for approval. We do like mixing commercial with residential rental use but there needs to be some flexibility from the City to make it work.
One could argue that they are built for the highest and best use and / or built based on setback and requirements imposed by the City.
This is the same argument about new vs. old rental.....renewal needs to happen or else these buildings will fall into disrepair. With more and more retailers moving to online businesses, perhaps less space will be required?
Massive increases in land values have impacted property tax rates. These are passed along to retailers and therefore total gross rents in projects are extremely high. These cost greatly limit the pool of retailers that can afford to pay the required rent in these projects. The spaces have to be reduced in size to make them more affordable.
We would love to keep pre-existing occupants, but in a competitive market we have to find higher-revenue tenants. If there was a replacement policy that required that we keep the rents what they are (or similar etc.) and offer first right of refusal, then all prospective land purchasers would factor that into our land price, but if there is no policy then we have to remain competitive and assume higher revenue in order to have a competitive offer price. As for the mix of the tenants, we believe that condo projects are more susceptible to a street-front dentist or nail spa, but with rental projects it's more important to cast good tenants who will add value to the prospective residential rental tenants. So I see it as more of a condo issue. I also thought that maybe free density could be awarded to commercial space that is offered at non-market rates for pre-existing or local tenants. That would work where density is provided on an FAR basis but not where it's provided on a building storey basis (4 vs 6 storeys).
Parking requirements still negative impact the flexibility for many commercial uses. Suggest a single parking ratio / requirement for all retail uses.

9. What do you see as main challenges and opportunities to creating better commercial spaces in mixed-use rental projects?
Removing C-2 height limit - current height limit just makes for bad retail with inferior ceiling height. Venting requirements for restaurants now only be allowed through rooftop makes adapting to increasing food service demand challenging.
Achieve profitable projects with the density mix, providing flexible trade-ins could assist with.
Often retail/commercial space is enforced/required when there is little market for the space that would be required. Different property tax models for operating businesses should be considered to encourage new retail business to grow in the City.
Loading and parking is another challenge from a site planning perspective as the incorporation of these are often at odds with urban design/planning policy and are preferred to be buried or covered at significant expense. Relaxed design guidelines that enable creative incorporation of these important operational features should be considered on a site by site basis.

10. What has been your experience interacting with neighbours and the broader community during the rezoning and development process? (total responses: 23)

		Comments
Somewhat negative	**26%**	There is a project at Larch and W 2nd right now that is taking a lot of flack from the neighbourhood. This project ticks all the boxes in terms of a perfect project for the COV and the neighbourhood. If this project does not get expedited and approved in the near future, we will not be investing in COV. We are watching very closely.
		Generally negative - the public would rather prevent change than accept it.
		A great deal of anti-development and NIMBYism from surrounding neighbors. Adding density to existing neighborhoods is the only way to create affordability for younger generations to remain in the city but this seems to be forgotten by many landowners who have accumulated wealth through their land.
Neutral	**17%**	Depending on the area and how many rental projects have preceded a given application, response is varied. More balanced than in the past when it was all a loud, vocal NIMBY minority. A "win" is holding a public open house where 25-50% of the room provides positive feedback. People are less motivated to show up to support something that they like, than something that elicits a strong negative reaction.
Somewhat positive	**48%**	There is a lot of NIMBYism in Vancouver, change is always difficult especially when renters are perceived as a different class to homeowners.
		Neighbourhood dependent
		Currently we're working through a MIHRPP application and the response has been fairly positive.
		We did not have to rezone our project so approvals process had limited public engagement required.

10. What has been your experience interacting with neighbours and the broader community during the rezoning and development process? (total responses: 23)		
		Comments
		Our open houses have gone ok but there is always a fairly strong sense of NIMBYism that is often rooted in ignorance. This is why open houses are good but if the policy has been adopted, then why do we have public hearings that allow objection to approved policies.
		Density and street parking still common concerns.
		Outside of people protecting personal views and concern over traffic, we have neighbourhoods to be generally supportive of additional height & density to support rental and affordable housing. Affordability crisis is being experienced by all.
Very positive	**9%**	We underwent a Policy Statement Process for a large redevelopment that will include a significant rental component at Langara Gardens. The Policy Statement was approved unanimously at Council, though it should be noted that the existing community is already 100% rental.

11. Other comments or suggestions on rental housing programs in Vancouver?
Clarity and certainty are key. Councillors have to honour the policies put forth by staff.
Work WITH developers and designers to create innovative housing forms.
The MIHRPP should become permanent policy sooner than later, but they should consider a little more density. Moving from a max of 14 to 18-storeys would be extremely beneficial.
Approval time lines would speed up if the city trusted our consultants more with our design submissions. There is too much time is wasted trying to communicate with staff over trivial issues who are way too busy. Simple arguments such as whether a landscape planter should be flush, or exist at all can take over a month. This has cascade effect and hurts supply in a big way.
Density transfers from sites that have older rental buildings on them, but could be slated for additional density. An applicant should be able to transfer that density for increased rental housing on another site. While the charter doesn't have provisions for this, this should be explored and, if the Province need authorize it, that discussion should commence.
Pre-zone sites please. New projects will encourage renters in older product that can afford better units to move and free up space in older more affordable buildings.
Vancouver has the best rental policies in the region but it is also the municipality in most need of them so please keep them! Seattle is a huge success story where cheaper market rents were achieved via supply. Don't let short-sighted NIMBYism plan this city's future.
Biggest hurdle and cost is the time lost in the permitting process.
The City may wish to review the City of Toronto's Open Door program which has been successful in attracting the development sector to build affordable rental housing based on a "site by site" application system where the developer requests incentives on an as-needed basis. The program also pairs well with National Housing Strategy programs.

12. Where are your projects located? (total responses: 12)	
Westside	17%
Eastside	75%
Downtown Vancouver	8%

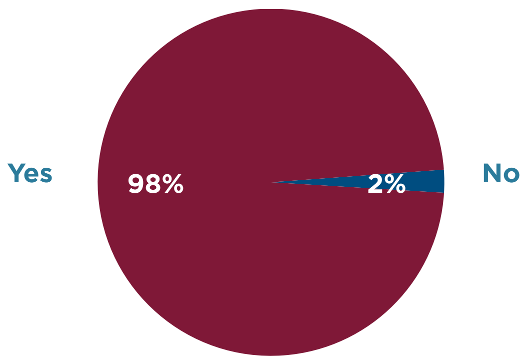
APPENDIX C - RESPONSES FROM RESIDENTS OF RENTAL HOUSING SURVEY

APPENDIX C

Rental Incentive Program
Residents of Rental Housing Survey, 2019

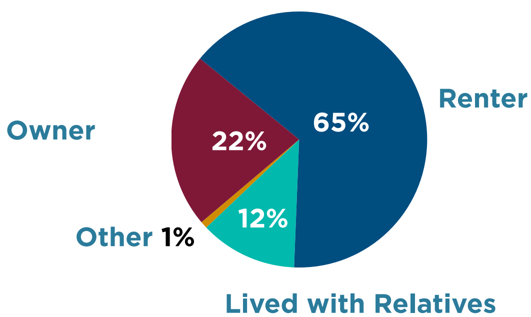
1. Are you a renter?

470 Responses Received

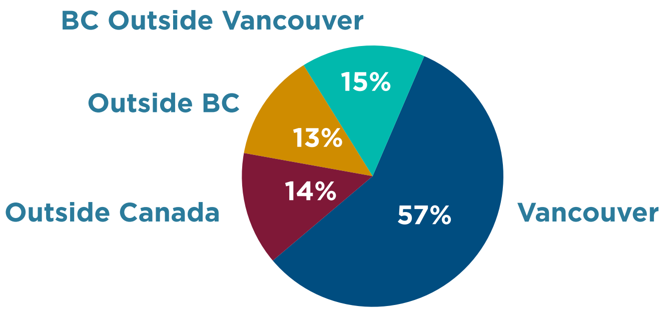


2. Where did you live before moving to this property?

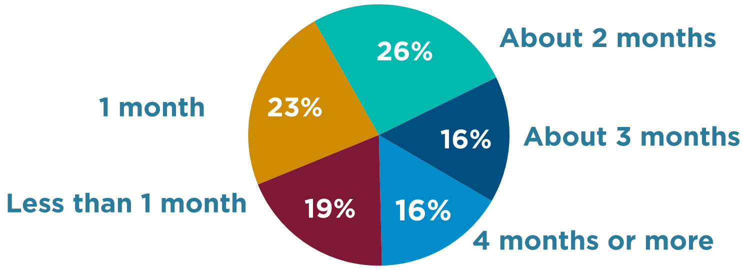
457 Responses



457 Responses

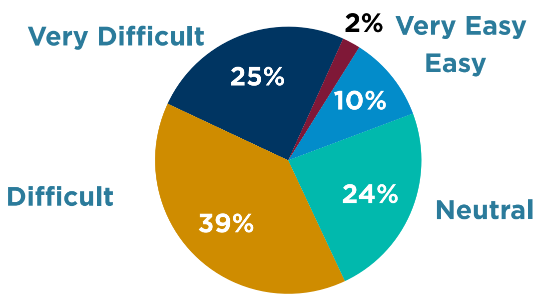


3. How long were you looking before you found your current home?



307 Responses

4. How difficult was it to find?



367 Responses

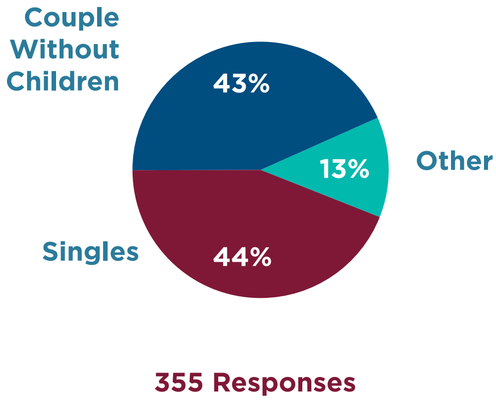
5. What was your experiences, good or bad, when searching for an apartment?

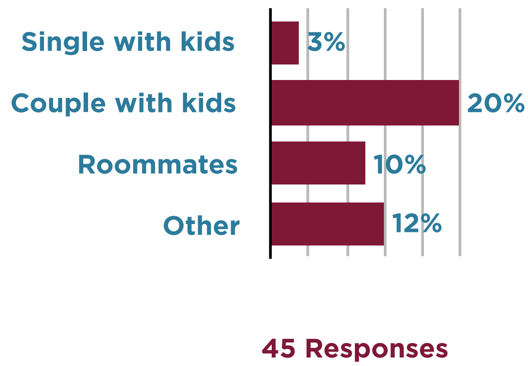
Summary or Responses

- Majority of responses indicated negative experiences. Among issues described were limited availability of rental housing, high demand for available rental housing units, lack of response to inquiries about advertised units, lack of pet-friendly units, fake or scam postings for rental housing, and high rental prices.
- A minority of responses indicated less negative experiences, especially when targeting new purpose-built rentals.

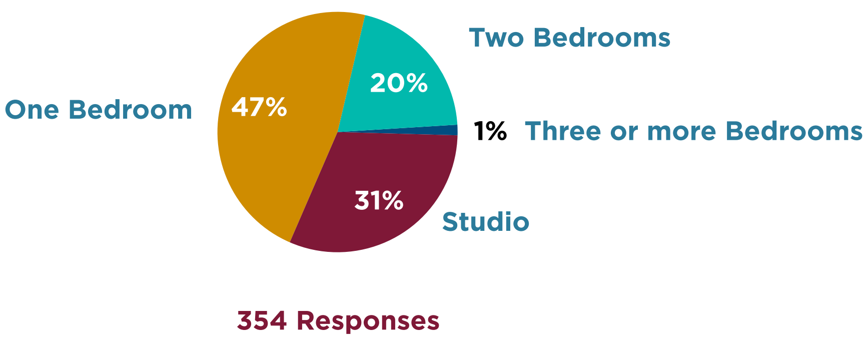
6. Please rank 1st, 2nd and 3rd most important reasons for choosing your current home?			
	Overall Rank	Score	Total Respondents
Best option for my budget	1	304	138
In a neighbourhood I like	2	304	135
Close to transit	3	249	128
The building is pet friendly	4	240	112
Close to my job	5	189	93
More affordable than other options	6	187	79
Only available option	7	168	76
I like new buildings	8	147	84
Walkable area	9	107	63
I liked the layout of the unit	10	72	42
Close to amenities	11	49	33
Close to family or friends	12	46	27
I liked the buildings design	13	31	18
I needed more bedrooms (2/3 bed home)	14	27	16
Building amenities	15	27	17
Access to parking	16	19	12
The building is child friendly	17	14	9
I like the buildings surroundings	18	13	7
Accessible suite and building	19	6	5

8. How would you describe your household?

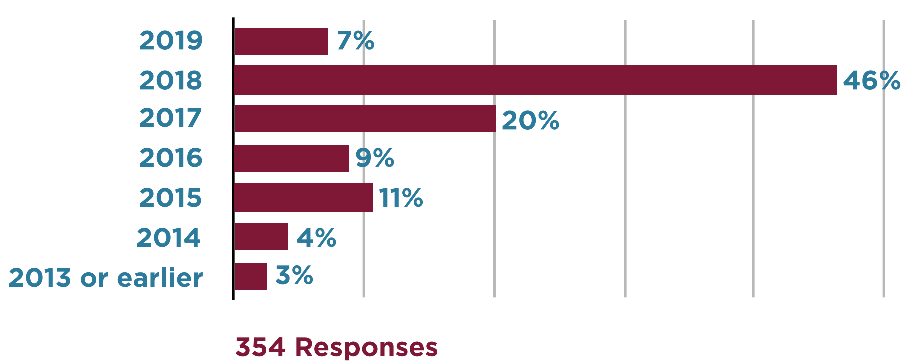




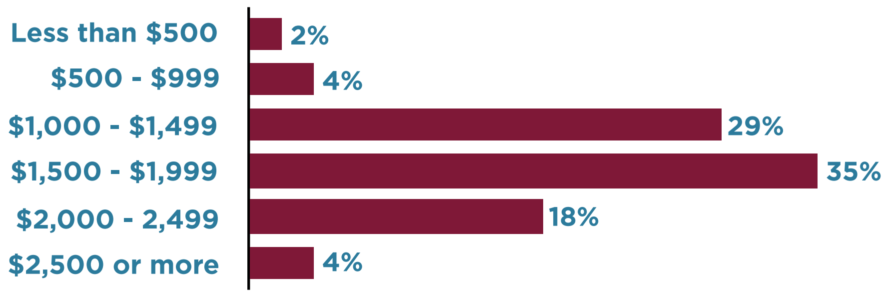
10. How many bedrooms does your home have?



11. When did you move in to your current home?

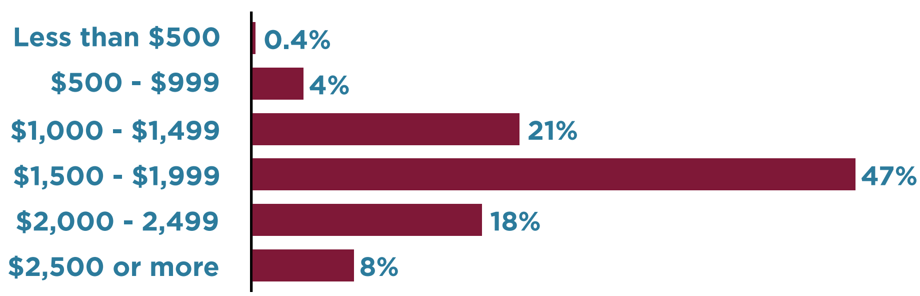


12. What was your rent when you moved in? (Please include figure for entire unit)



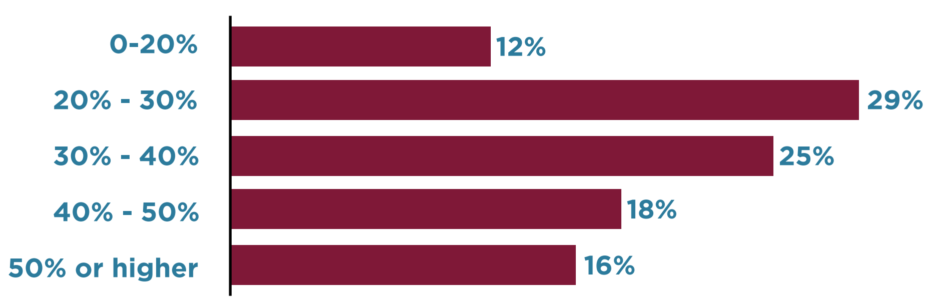
354 Responses
Median Rent: $1,625

13. If different, what is your rent now? (Please include figure for entire unit)



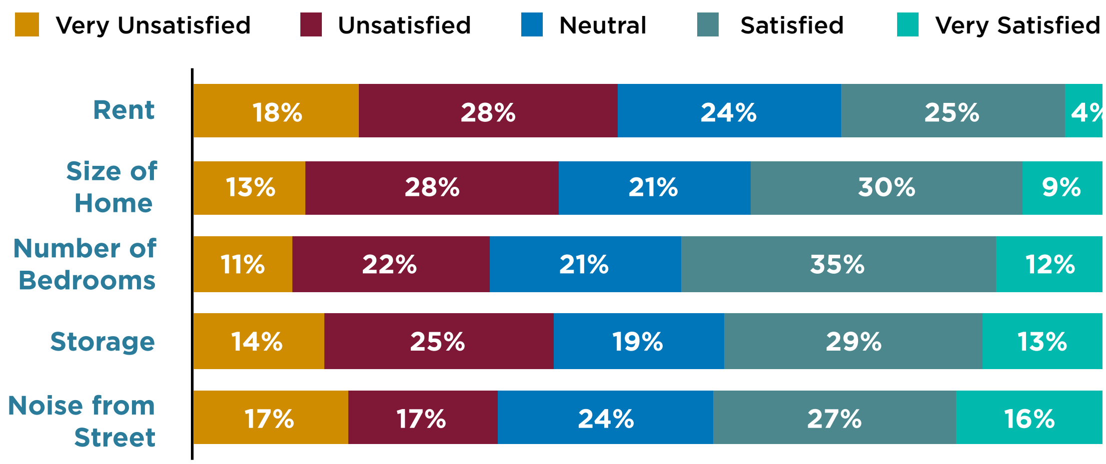
240 Responses
Median Rent: $1,725

14. How much of your household's gross (pre-tax) income is spent on rent?

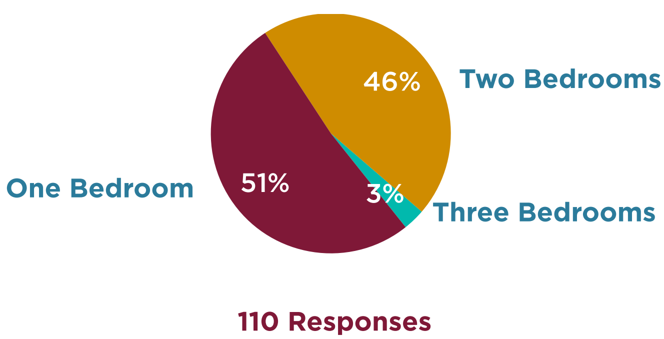


347 Responses

15. Overall, how satisfied are you with you with the following?



16. How many bedrooms do you need?



17. Are any of the following available in your building?

	Yes and Use It		Yes but Don't Use It		No and Don't Want It		No but Want It		Total
	#	%	#	%	#	%	#	%	#
Car parking	126	37%	165	49%	20	6%	29	9%	340
Cycle parking	162	48%	149	44%	17	5%	9	3%	337
Shared outdoor spaces	136	40%	88	26%	30	9%	83	25%	337
Shared amenity/party rooms	110	33%	127	38%	43	13%	57	17%	337
Child play spaces	9	3%	111	33%	158	48%	54	16%	332
Balcony	227	67%	45	13%	11	3%	56	17%	339

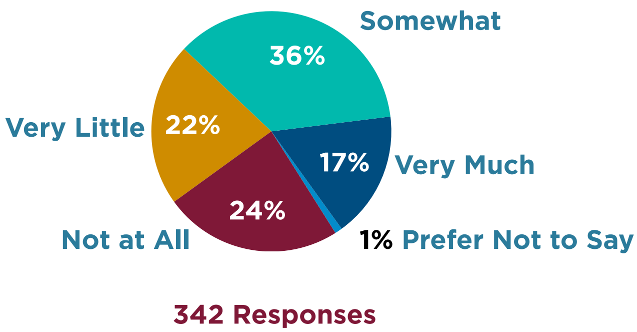
18. What is the top thing you want improved in your building?
Summary or Responses
• A large number of responses related to challenges of living in higher densities, such as lack of noise insulation between floors and neighbouring units. • More affordable rents were a common response, as well as larger unit sizes. • There were a number of complaints about problems with building maintenance, with broken down elevators, and cleanliness of shared spaces. • A wide range of amenities were described as desirable, including gyms, swimming pools, hot tubs, air conditioning, free parking, storage rooms, concierge, and in-suite laundry. • A number of responses indicated that street noise and lack of sound insulation was a problem. • Some responses indicated that security in the building and the local area was an issue.

19. Are there any other features that you want but don't have in your home or building?
Summary or Responses
• Response provided were very similar to those provided in question 18, with a wide range of amenities were described as desirable.

20. What is the best thing about living in your building?
Summary or Responses
• Common responses related to units being new, buildings being pet friendly, proximity to neighbourhood amenities, building amenities, good management, and balconies. • Location, particularly proximity to transit and work, were frequently cited. • Some responses cited renting in a secure, purpose-built rental building as a key benefit.

21. Everyone's priorities are different when choosing a place to live. Please tell us how you came to a decision and any trade-offs you made?
Summary or Responses
• Numerous responses cited the small size of units and expensive rents as trade offs for convenient locations (such as to work, transit, and neighbourhood amenities). • People also frequently stated that the small size of units and increased rent was worth it to live in a new building or to live without roommates. • A number of respondents indicated that they had no choice to live in their previous home, and that their new rental housing was their only option. • Many respondents indicated that they were willing to pay more in rent to live in a pet-friendly building.

22. Do you feel connected to the community or neighbourhood where your home is located?

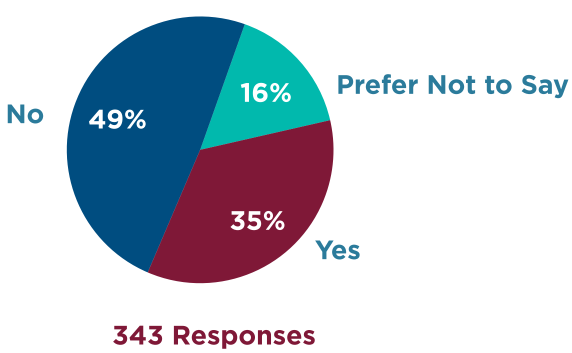


23. Please share any examples which illustrate your feelings

Summary or Responses

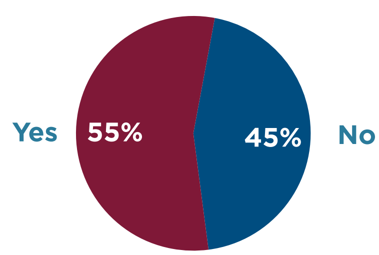
- Many illustrations of people enjoying neighbourhood amenities, such as parks, local stores, and restaurants. Ability to walk to neighbourhood amenities is also highlighted.
- A number of respondents indicated that the new rental building allowed them to stay in a neighbourhood where they had lived for a long time, maintaining existing social connections.
- Some concerns of crime, drug use, noise, and dirty urban environments.
- A number of concerns about character of Vancouverites and other tenants in building not being friendly.

24. Are you planning to move in the near future (within 1 year) from your current home?



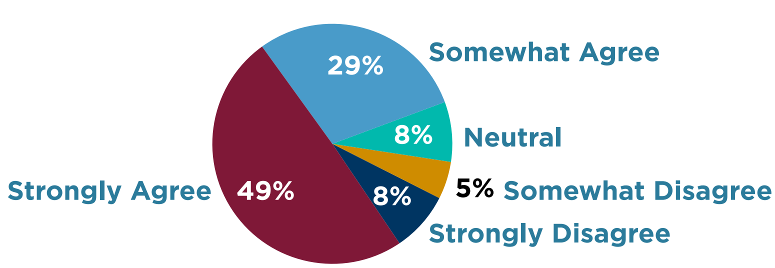
25. What's the main reason behind your decision to move?	Percent	Number
Need more space	25%	29
Rent increases	22%	26
Building management issues	8%	9
Job change / relocation	7%	8
Want to change neighbourhood	7%	8
Purchased a home in Vancouver	3%	4
Problems with neighbours	3%	3
Change in personal circumstance	3%	3
Purchased a home outside Vancouver	3%	3

26. Did you know the City of Vancouver currently provides incentives for the construction of market rental buildings? (e.g. buildings where all units are rental and secured for this purpose through a legal agreement)



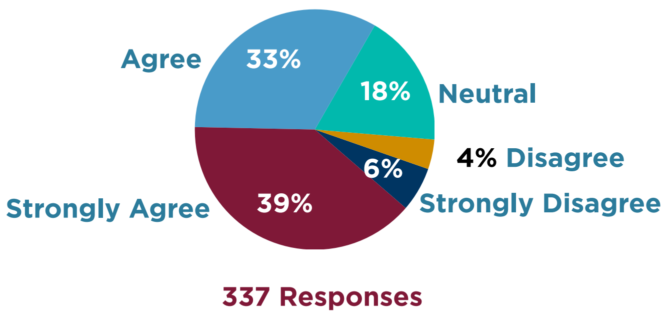
344 Responses

27. The City offers incentives to developers to build market rental buildings because - Without an incentive developers would typically only build condos as this is the most profitable use. Over half the cities population are renters and there is a shortage of available rental housing in Vancouver. Rental housing can help middle and moderate-income households to stay in the city; the household incomes of renters are typically half that of owners The type of incentives offered include additional height and density, waived development cost charges, and parking requirement relaxations. How much do you agree or disagree with the notion of providing incentives to encourage construction of new market rental housing?

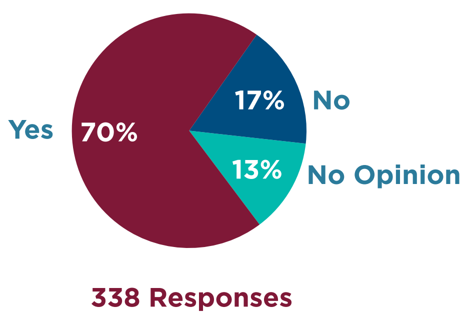


344 Responses

28. The City seeks to include options for families in all parts of the city. A family home is considered to be one with two or more bedrooms. Generally we require at least 35% of the units to be family sized. To what extent do you support a City requirement to include family housing in all developments across the City?

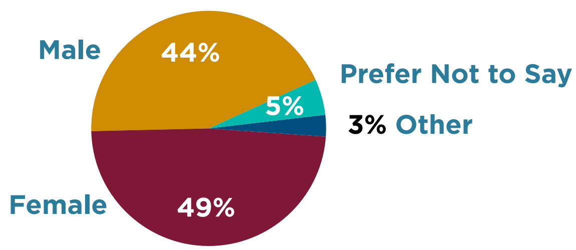


29. The City's Rental Incentive Programs do not allow 'micro' studio rental units' that measure less than 320 square feet. A key concern regarding 'micro' units is balancing livability and affordability. Do you agree in principle with the approach of not allowing 'micro' studios as part of market rental housing developments?



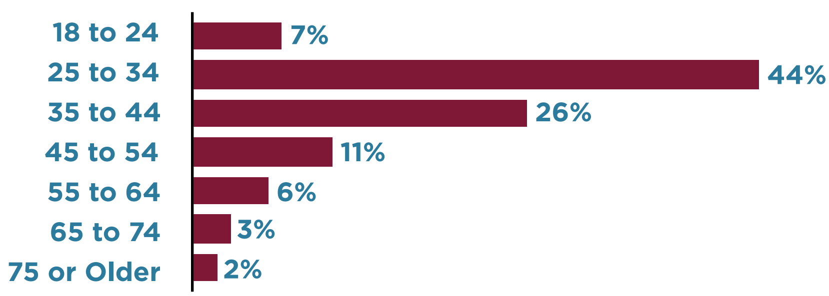
30. Please provide any additional comments you have on the City's Rental Incentive Program below.
Summary or Responses
• A large number of responses were supportive of the program. • A large number of responses indicated concern that the program is not providing affordable units. • Some respondents indicated perceptions that rental buildings are constructed and managed inferiorly to strata-condominium buildings. • Respondents provided a wide range of opinions on the role of government, developers and corporations, and profit in the housing market. • A small number of respondents indicated perceptions that the program is increasing profits for developers. • A number of responses raised concerns about the small unit sizes, including a number of comments about the small size of "micro" units.

31. Do you identify as...?



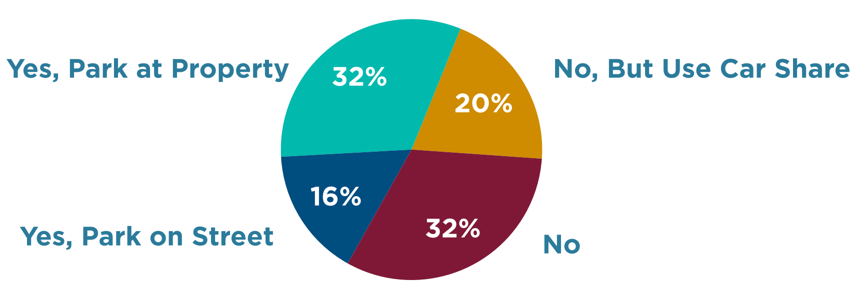
336 Responses

32. Which age category do you fall in?



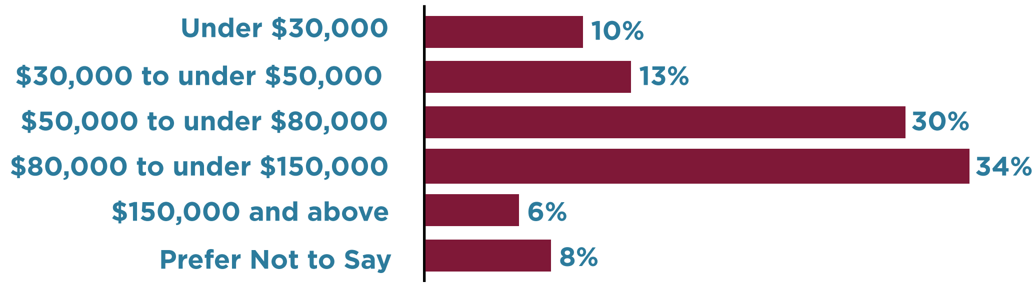
331 Responses

34. Do you own a car?



334 Responses

35. Which of the following categories best describes your total household income before taxes?



336 Responses

37. Did we miss anything in the survey? (Continued)

Summary or Responses
• Various responses, including concerns about affordability, livability, and quality of construction.

APPENDIX D - RESPONSES FROM PEDESTRIAN INTERCEPT SURVEY

APPENDIX D

Pedestrian Intercept Survey, 2019

Through the City of Vancouver's review of the rezoning applications associated rental projects it was noted that the most common sources of concern associated with such projects are:

- Height of buildings
- Size, mass and density
- Out of character with neighbourhoods

To understand how buildings perform with regards to these factors once they are built and operating, the City undertook intercept surveys with the public around 3 buildings which received typical comments during the rezoning application process in different neighborhoods around Vancouver. The survey took place over the following times and dates.

Other sites in different locations were considered, but the following sites were favoured due to the concerns raised, location in areas of high pedestrian traffic, and geographic spread.

Intercept Survey Site 1: The Robert, 2525 Carnarvon Street

Neighbourhood:	Kitsilano
Date and Time:	Wednesday, May 15, 2019 11:30 am - 1:30 pm 5:00 pm - 7:00 pm Saturday, May 18, 2019 11:30 am - 1:30 pm
Total Hours:	6 hours
Number Surveyed:	13

Key public concerns during the rezoning process: height of building, impact on the character of the area, and parking.

Reasons for selection: Westside project, in area with high traffic movement and concerns were raised over the scheme design and height.

Intercept Survey Site 2: 1215 Bidwell / 1718 Davie Street

Neighbourhood:	West End
Date and Time:	Thursday, May 16, 2019 11:30 am - 1:30 pm 5:00 pm - 7:00 pm Saturday, May 18, 2019 3:30 pm - 5:30 pm
Total Hours:	6 hours
Number Surveyed:	14

Key public concerns during the rezoning process: Building too tall, inadequate heritage retention.

Reasons for selection: Downtown project, in area with high traffic movement and concerns were raised over the scheme design and height.

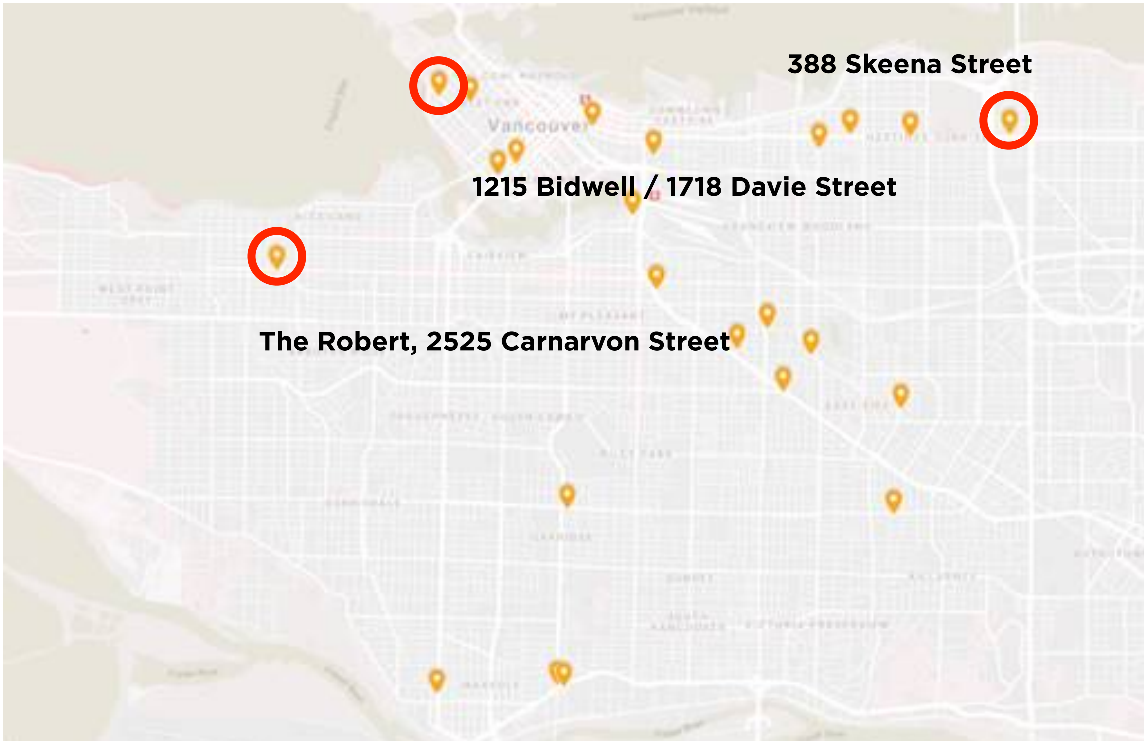
Intercept Survey Site 3: 388 Skeena Street

Neighbourhood:	Hastings-Sunrise
Date and Time:	Friday, May 17, 2019 11:30 am - 1:30 pm 5:00 pm - 7:00 pm
Total Hours:	4 hours
Number Surveyed:	13

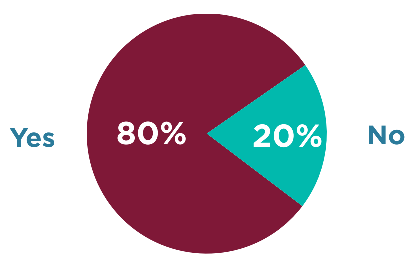
Key public concerns during the rezoning process: Height of building, out of character with area.

Reasons for selection: Eastside project, in area with medium traffic movement and concerns were raised over the scheme height.

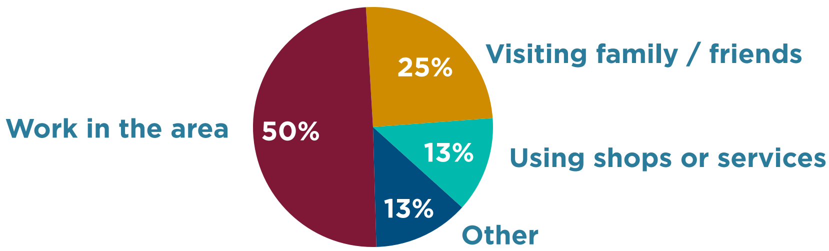
Map of Sites



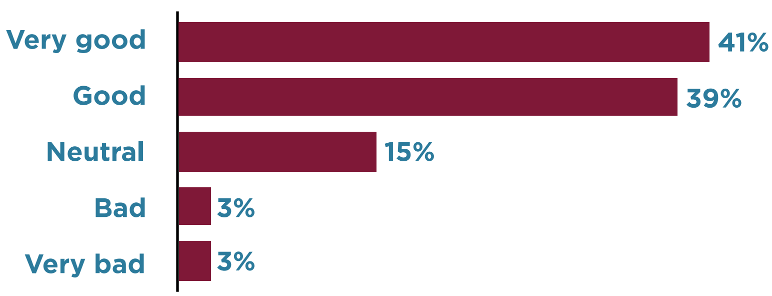
1. Do you live in the neighbourhood?



2. Why are you visiting today?



3. This building was built in the last 6 years. What do you think of its design?



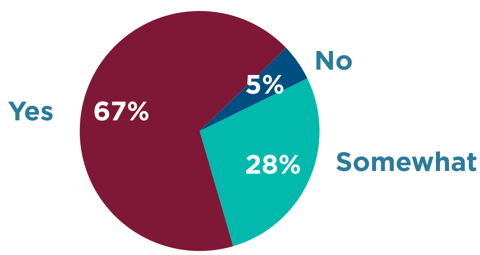
4. Are there particular features that you like or don't like?

	Like		Dislike	
	Row %	Count	Row %	Count
Height	80%	32	20%	8
Design	89.7%	35	10.3%	4
Colours	79.5%	31	20.5%	8
Materials	87.2%	34	12.8%	5
New modern building	79.5%	31	20.5%	8
More housing	71.8%	28	28.2%	11
Balconies	71.8%	28	28.2%	11
Space for shops / businesses	97.4%	38	2.6%	1

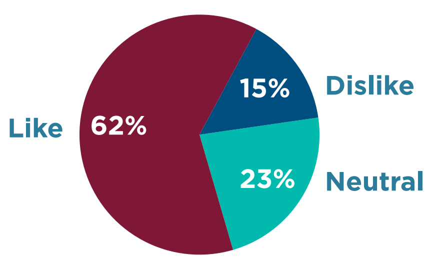
4. Are there particular features that you like or don't like? (Continued)

	Like		Dislike	
	Row %	Count	Row %	Count
Activity around the building	89.7%	35	10.3%	4
Pavement space	94.9%	37	5.1%	2
Trees and planting	89.7%	35	10.3%	4
Parking	20.5%	8	79.5%	31
Entrances	84.6%	33	15.4%	6
Building canopies	61.5%	24	38.5%	15

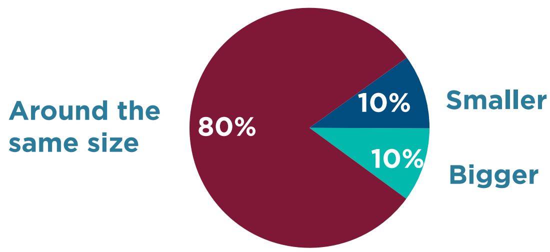
5. Do you think this building fits into this neighbourhood?



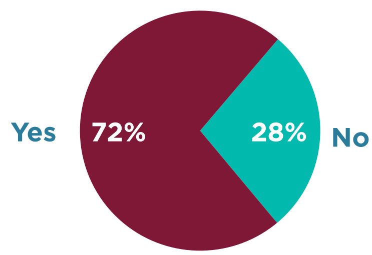
6. How would you feel about more buildings like this in the area?



7. Should new buildings in the area be bigger, smaller or around the same size?



8. Did you know this is a purpose-built rental building? (Purpose-built rental = an apartment building that was built to be rented in the private market. Apartments cannot be separated or sold individually.)



CITY SPACES