

The Vancouver Plan

Action while planning:

Rental Incentive Programs Review – Phase II Report Back

November 26, 2019.

**Planning
Vancouver
Together**

New Approaches to Rental Housing



Front of building
and street
interface



Rear of building
from lane

Presentation Outline

1. Council Direction + Background
2. Current State Of The Rental Housing System
3. What We Heard
4. Summary of Key Findings and Objectives
5. Recommendations



Council Direction



Rental Incentive Review - Council Direction To Date

Nov 2017

- **Housing Vancouver Strategy 3-Year Action Plan**

June 2018

- **Affordable Housing Delivery & Financial Strategy**
Explore proposed amendments to provide a density bonus for market rental under existing zoning in C-2 commercial zones

Feb 2019

- **Motion B.4 – Changing Vancouver’s Housing By-laws, Policies and Budgets to Achieve Real Housing Affordability**

April 2019

- **Motion B.6 – Re-conceptualizing the Rental 100 Program**

June 2019

- **Motion B.5 – Exploring New Forms of Hospitality and Housing Tenure to Support Purpose Built Rental**
- **Motion B.2 – Protecting Rental Housing Stock along Arterial Streets**

Rental Incentive Project Timeline

PHASE I			PHASE II		
Aug - Nov 2018	Dec - June 2019	July 2019	Aug - Oct 2019	Nov 2019	Q1 2020
Research and analysis: <ul style="list-style-type: none"> • Historical review of programs • Financial analysis & economic testing • Post-Occupancy Survey • Stakeholder Meetings 		Council check-in (10 yr results and early ideas)	Option identification & policy refinement: <ul style="list-style-type: none"> • Urban design analysis • Economic testing • Public survey & open houses • Stakeholder meetings 	Council report (policy recommendations)	Implementation & district schedule changes

*** WE ARE HERE**

Introduction & Context for Review

Housing Vancouver 10 Year Strategy



- Action to address speculation & support equity
- Support vulnerable residents
- Protect & retain the existing rental stock
- Shifting our new housing supply to the 'Right Supply'



Introduction & Context for Review

Housing Vancouver 10 Year Strategy



- Action to address speculation & support equity
- Support vulnerable residents
- Protect & retain the existing rental stock
- Shifting our new housing supply to the 'Right Supply'

Action in the last 2 years:

- Updates to Tenant Relocation and Protection Policy
- Creation of a Renter's Office
- Work with Province to strengthen renter protections
- Community Housing Incentive Program - \$25M in grants for non-market housing
- Increased Protection for Existing Rental – Enhance Rental Replacement Requirements

Introduction & Context for Review

Housing Vancouver 10 Year Strategy



- Action to address speculation & support equity
- Support vulnerable residents
- Protect & retain the existing rental stock
- Shifting our new housing supply to the 'Right Supply'

The 'Right Supply' is rental, including social and supportive housing with targets distributed across income levels to reflect who lives in Vancouver:

1. 12,000 new social/supportive units over 10 years
2. 20,000 new market rental units over 10 years
3. 35% of housing is for families (2 & 3 bedroom units)



Addressing Housing Crisis Requires Different Types and Tenures of Housing For All Incomes

The Housing Vancouver Strategy contains targets for different types of housing that serves the diversity of people and incomes across the city.



Incomes

<\$15k

\$15-30k

\$30-50k

\$50-80k

\$80-150k

\$150k+

Social and Supportive Housing

Moderate Income Rental

*** Today's focus**

Secured Market Rental

Condos

Laneways (Rental)

Coach Houses (Strata)

Townhouses

Current State of the Rental Housing System

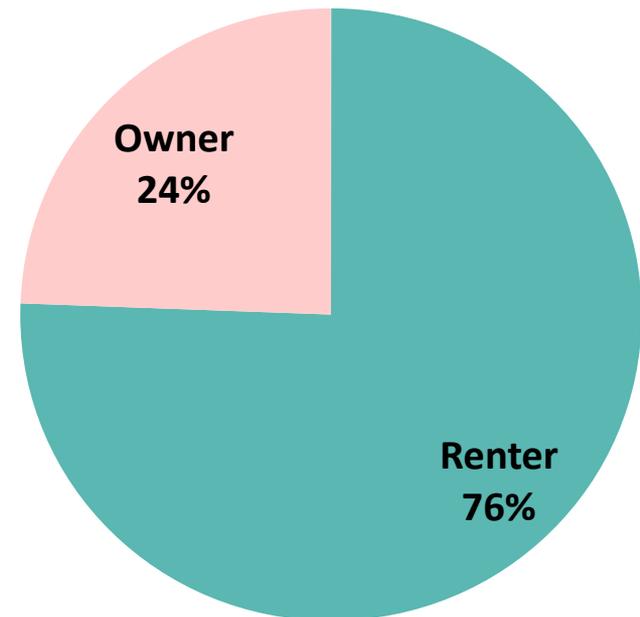


The majority of Vancouver households are renters

- 53% of Vancouver households are renters
- This trend is increasing, as renters account for 76% of net new households in Vancouver



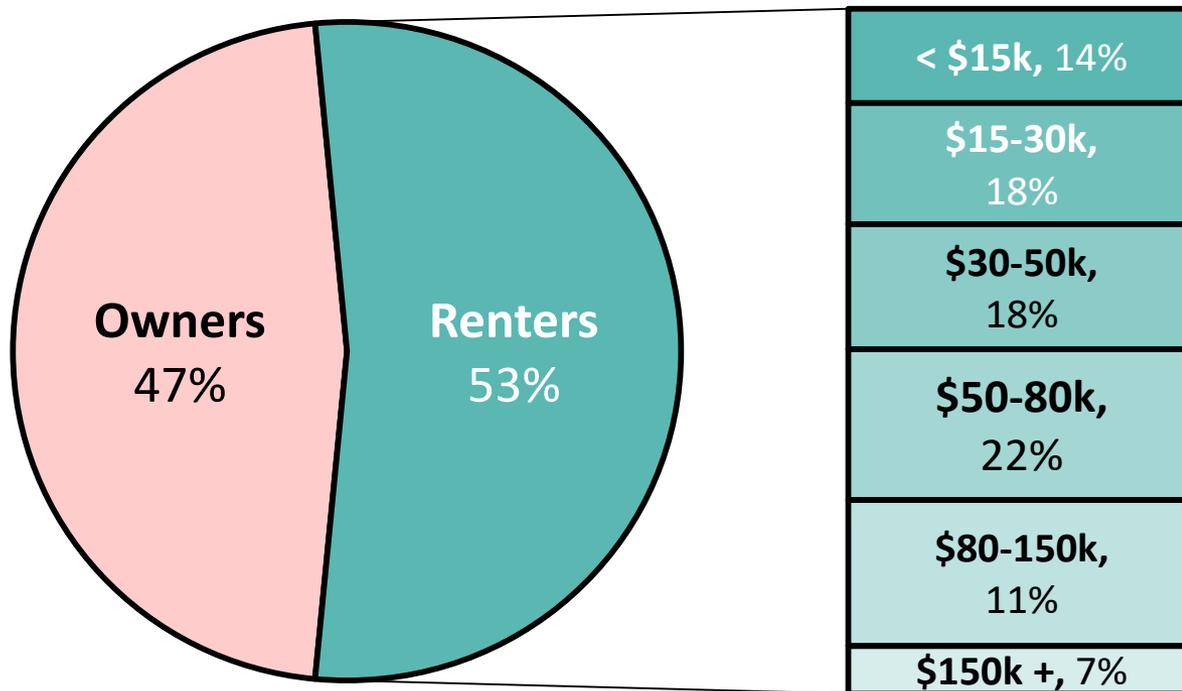
Net New Households by Tenure, 2011-2016



Source: Statistics Canada Census and National Household Survey

Note: Renter household proportion of net new households is calculated by dividing change in # of renter households by change in # of total private households

Renter households have a diversity of incomes and housing needs



History of Federal Policies Impacting Rental Housing

Programs Supporting Rental Development

Federal Rental Incentives (1949 – 72)

- Tax write-offs for soft costs, deductions for capital cost allowance

Multiple Unit Residential Building Program (1974-1981)

- Federal tax measure to promote investment in purpose-built rental housing

Assisted Rental Program (ARP) (1974-1978)

- Program to stimulate the economy and encourage the construction of modest rental accommodation

Canada Rental Supply Plan (CRSP) (1981-1983)

- Interest free loans and tax measures to incentivize rental, intended to replace the MURB program

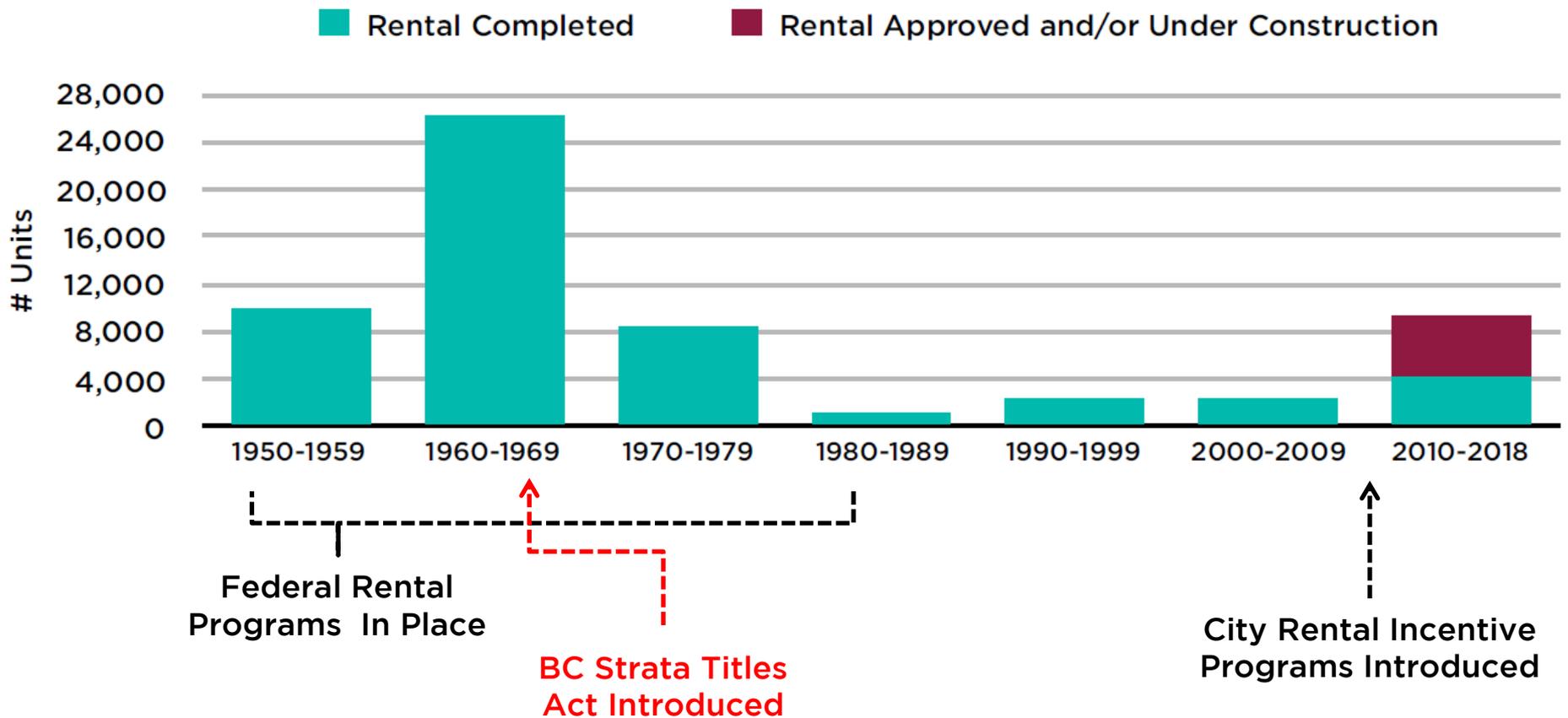
Principal Residence Capital Gains Exemption

- Federal tax exemptions for gains realized from sale of owner's principal residence



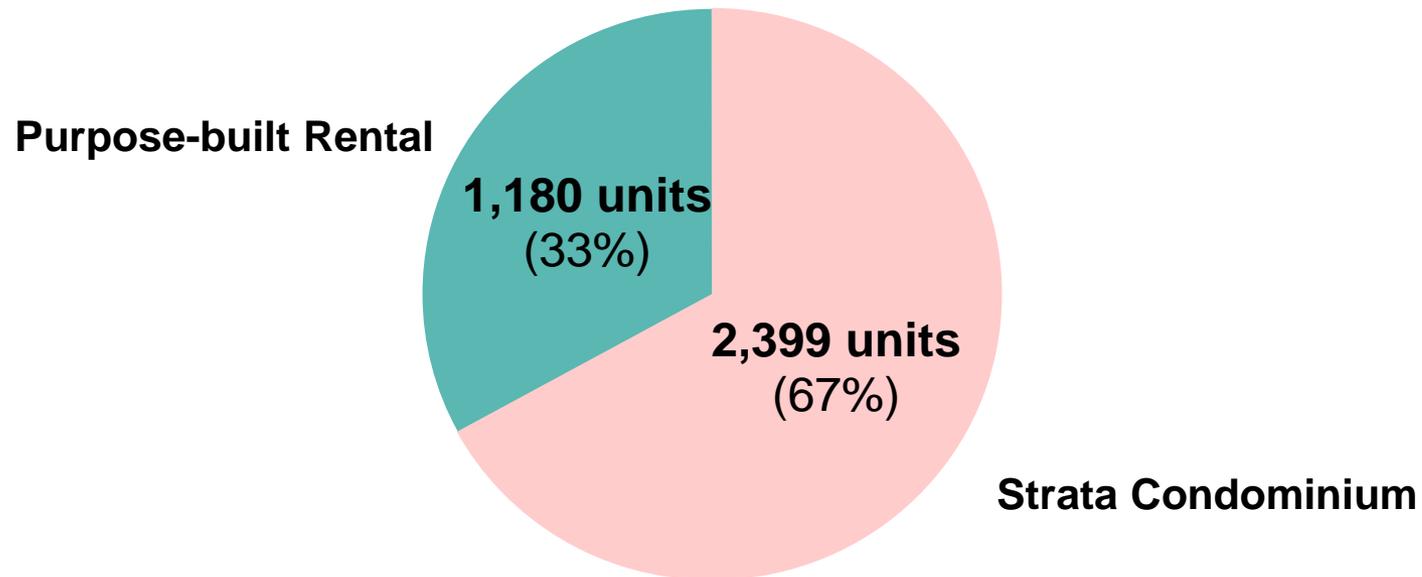
Very little new rental housing supply until recently

Historic Rental Housing Construction in the City of Vancouver



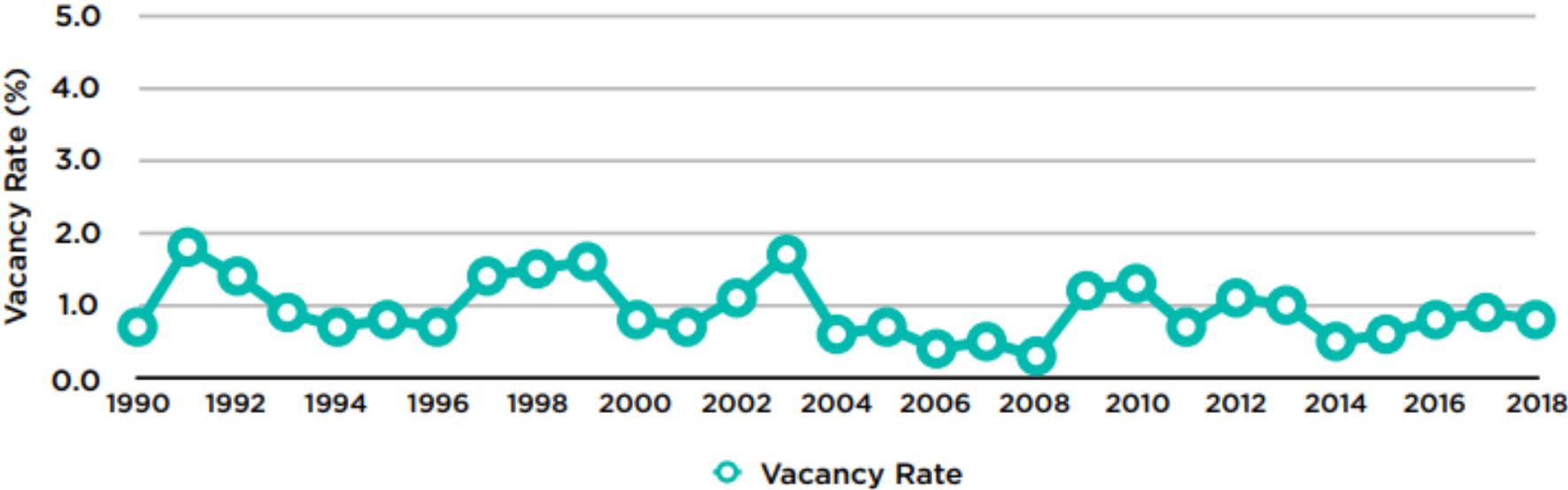
In the past 10 years, most new multi-unit development are stratas

**Residential units approved in C-2 zones by tenure
(2010-2018)**



Since 2010, the majority of residential development in C-2 zones has been strata under existing zoning, even with rental incentive programs in place.

Persistently low rental vacancy rates

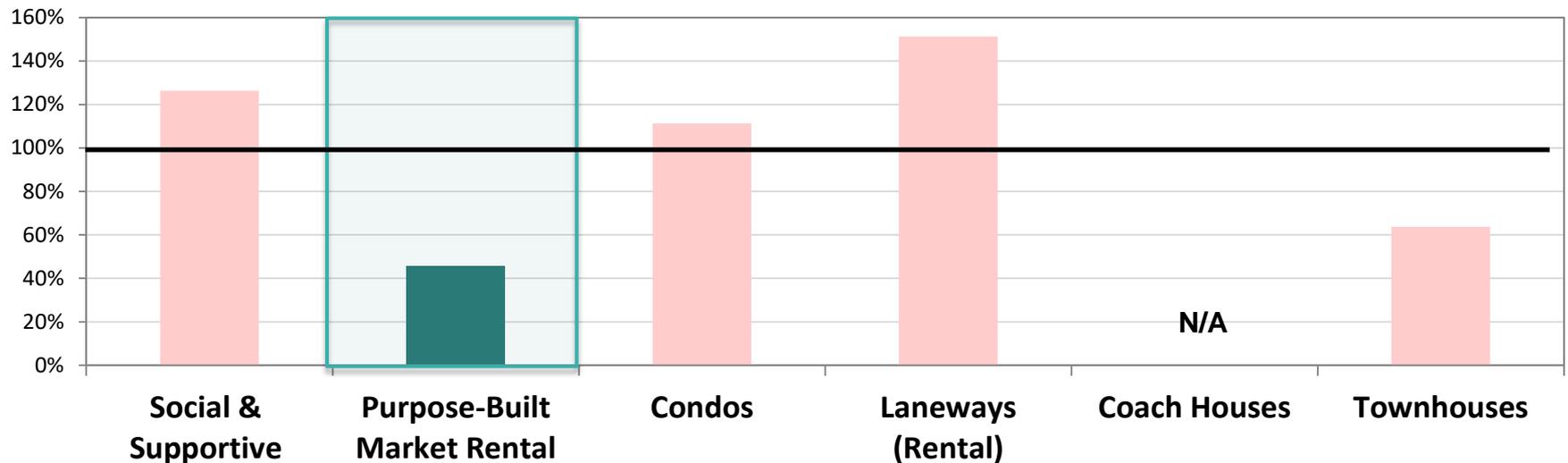


Source: CMHC Rental Market Survey

Not meeting targets for purpose-built rental housing

- Housing Vancouver set 10-year targets for new housing types and tenures across the housing continuum and income spectrum
- We've only reached **46%** of our target over the last 3 years, and **13%** of the total 10-year target for new purpose-built market rental housing

% of 3-Year (2017-Q3.2019) Unit Targets Approved By Housing Type



**Q3. 2019
Year
Targets:**

3,300 units

5,500 units

8,250 units

1,100 units

275 units

1,375 units

Significant job growth is coming in Vancouver

There is major growth in job space currently in the development pipeline.



Land use type	Development pipeline (net millions of sq. ft.)*	Estimated # of jobs
Major office	8.1	34,500
Commercial	3.5	7,500
Institutional	6.3	16,800
Industrial	2.0	3,300
Total	19.8	62,100

**The development pipeline consists of all job space built between 2016 and October 15, 2019, under construction, and approved and under review development permit and rezoning applications.*

Long-term employment growth

As part of the Employment Lands and Economy Review, Hemson Consulting performed employment growth forecasts.

From 2016 - 2051, employment forecasts expect between **115,600 - 208,700** new jobs in Vancouver, based on a range of potential growth scenarios.



**Council will receive the Employment Lands and Economy Review report containing this information on Nov. 27th, 2019.*

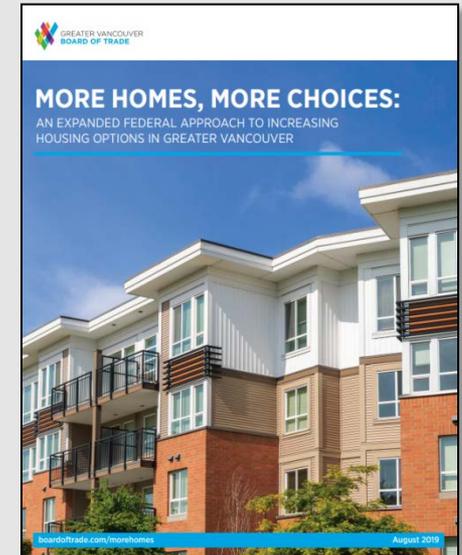
We need to provide rental housing for new workers

Lack of rental housing is a serious challenge for local businesses

- Employees cannot afford to live in Vancouver
- Businesses have difficulty retaining employees
- Employees are faced with long commutes and live in further municipalities

“High cost of rental housing means staff have to travel long distances now. During our first 20 years they all walked to work, now they all have to travel long distances.”

— City of Vancouver Employment Lands and Economy Review
Business Survey respondent



A Greater Vancouver Board of Trade report cites that employers are reporting challenges due to housing affordability which affect their ability to recruit and retain employees.

Future challenges without sufficient new rental options

- **Pressure on businesses** and inability to retain employees due to lack of housing options
- New and existing workers may need to live outside of Vancouver, **increasing commuting distances**
- **Increased competition** for existing rental housing stock leading to upward pressure on rents



What We Heard



What We Did: Phase II Engagement

Public Open Houses

- Kitsilano Neighbourhood House - Sept. 25th, 2019
- Fraser St. Open House - Sept. 26th, 2019
- **127 Residents attended**

Talk Vancouver Survey

- September 16th - 30th 2019
- **3,283 Respondents**
- 49% renters; 43% owners; 4% Other (living with family); 4% co-op members

Stakeholder Workshops

- Renters Advisory Committee (RAC)
- Urban Development Institute/LandlordBC
- Business Improvement Areas

What We Heard: There is a need for Purpose-Built Rental

- 85% of survey respondents believe there is a need to build more purpose-built rental in the city.
- Renters reported significant challenges and trade-offs when it comes to renting in Vancouver.
- Some open house attendees question the need for rental in their communities.



I chose a smaller unit at higher rent to be close to transit, bike lanes, and walkable areas

We have a situation where rentals are extremely scarce. Many potential tenants show up to each showing of a rental home

What We Heard: Support for City's Rental Incentive Programs

- 66% of survey respondents agree with providing incentives to developers to encourage the construction of new purpose-built rental in Vancouver.
- Another 65% of survey respondents agree with prioritizing City actions that enable new rental housing.



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

What We Heard: Need for a diverse range of affordable housing options

70% of survey respondents agree that there is a need for other types of housing in addition to purpose built rental:

- more co-ops (36%)
- more social and below-market rate rental (15%)
- more townhouses and row-houses (15%)

It takes years to get off the wait list for a unit in a co-op...we need more co-ops for families, seniors, and young people

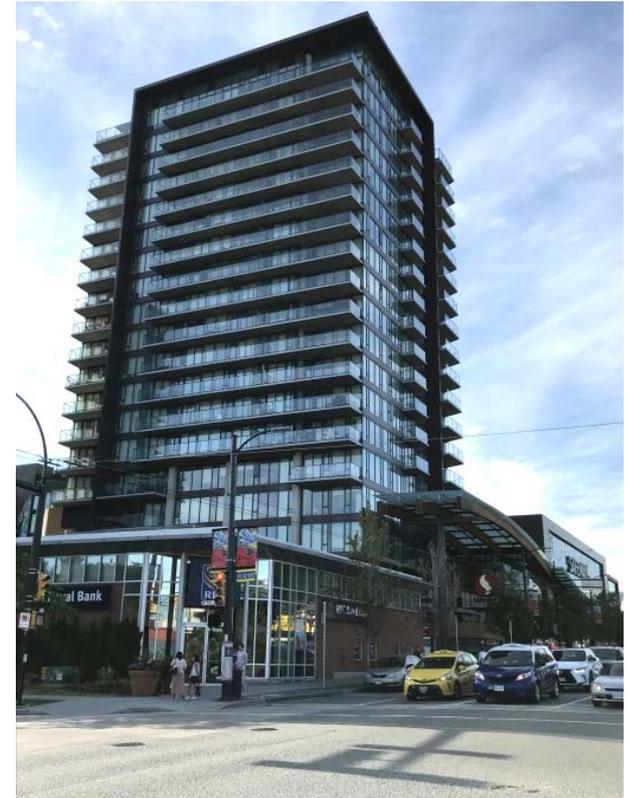


What We Heard: There is a willingness to see higher buildings to achieve greater affordability

- 69% of respondents agree/strongly agree with building larger and taller rental buildings that include a portion of units geared to moderate income households.
- Some open house and survey respondents expressed concerns about higher buildings and desire community planning approach.

We need to increase density allowances throughout the city instead of isolated areas. Single family neighbourhoods need more density

I'm ok with apartments, but I am worried about towers in my neighborhood



What We Heard: There are concerns about geographic equity in the housing market

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

We need purpose built rental within a 5-7 min walk of commercial shopping, parks, or community centers regardless of whether those things are on/off/away from an arterial street



What We Heard from Industry

- Urgent need for streamlined planning, policy, and development process to expedite new rentals
- More certainty and clarity around development allowances and design guidelines for rental housing.
- More incentives - sufficient density and flexibility in building design to meet City objectives and overcome challenging project economics



Rental Incentives Review: Summary of Key Findings + Objectives



Key Takeaways from Phase I of Review

- **Incentives are creating rental**
- **Incentives are needed**
- **Deeper affordability is challenging to achieve**
- **Current programs need to be simplified; lengthy process**
- **Current locational requirements limit housing diversity in all areas of the city**

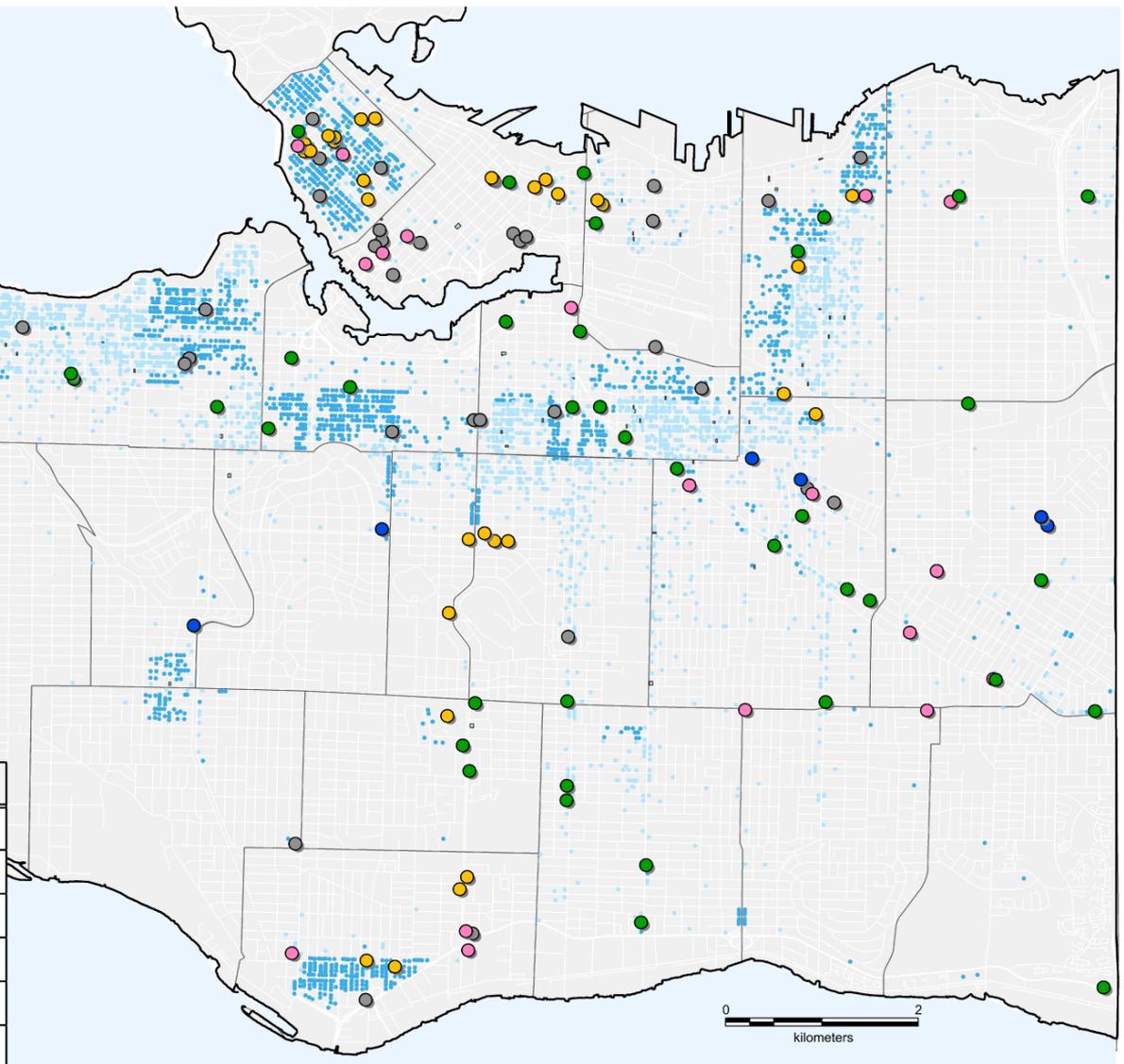


Rental incentive programs are working

	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

8,700 Rental Units Approved from 2009-2018

	Program	# Projects	# Units
●	STIR	18	1,287
●	R100	39	2,955
●	IRP-AHC	6	350
●	Community Plans	31	2,289
●	Other	33	1,799
	Total	127	8,680



Incentives are still needed – Example of an Eastside Commercial Site

Sample Site

Location: Eastside

Existing use: older low density, single story commercial

Site size: 17,000 sf

Zoning: C-2 (allows 2.5 FSR strata under existing zoning)

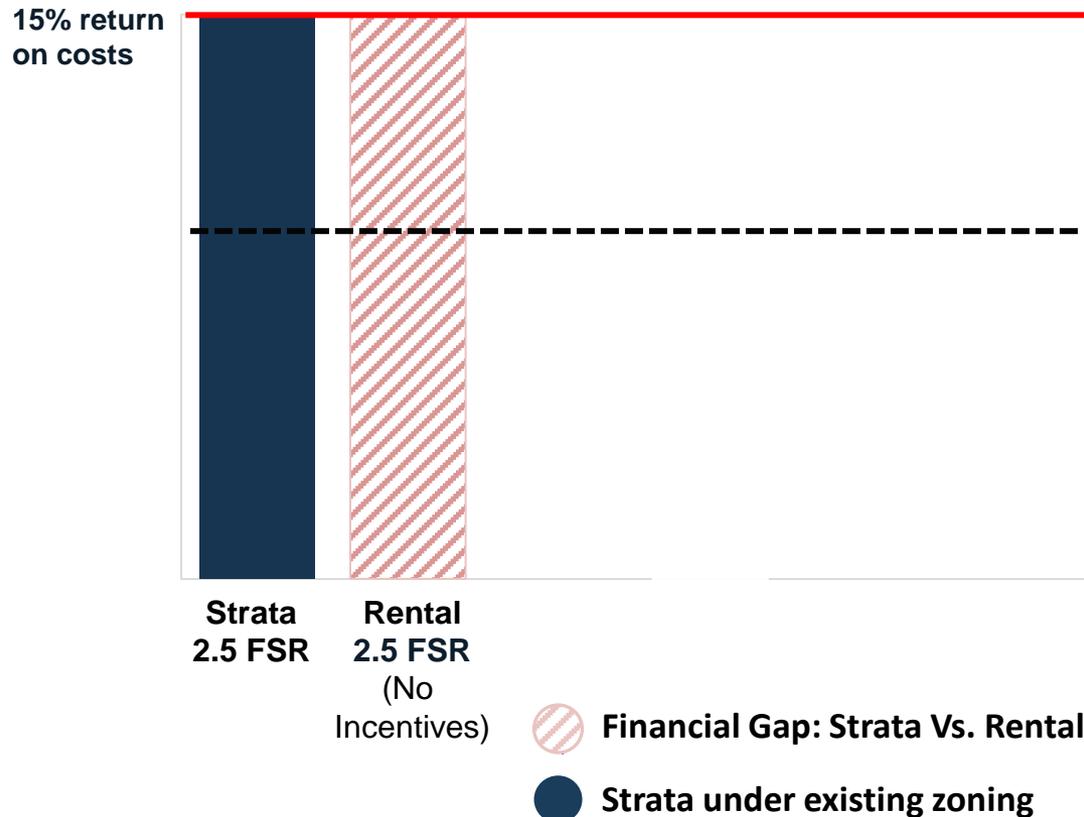
Current minimum value of site: \$9.6 million



Effectiveness of current incentives – rental is not viable without incentives

Market Rental vs. Strata Redevelopment - Example of C-2 Eastside Site

Approximate Returns on Cost of
Redevelopment Scenarios for C-2 Eastside
Sites



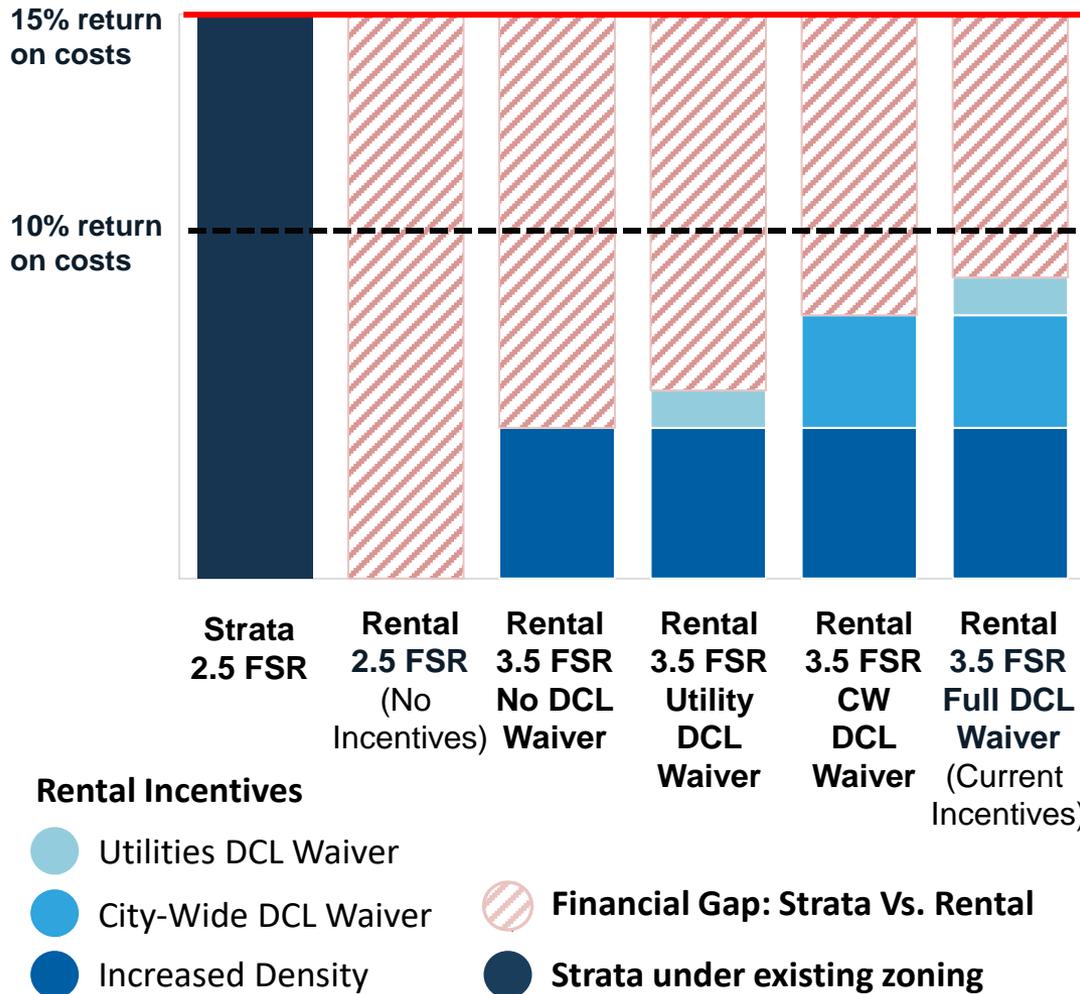
Key Findings

- Under existing zoning – there is a choice to develop rental or strata
- Stratas are much more financially attractive compared to rental
- **Without additional incentives, rental is not viable under existing zoning**

Effectiveness of Current Incentives

Market Rental vs. Strata Redevelopment - Example of C-2 Eastside Site

Approximate Returns on Cost of Redevelopment Scenarios for C2 Eastside Sites



Key Findings

- Rental incentives help close the financial gap between market rental and strata development
- Increased density and the City-wide DCL waiver have the largest positive impact on viability
- Even with existing incentives, strata development is still the more financially attractive type of development

Rental can support other City objectives but requires trade-offs

New rental can support other important objectives:

- Deeper affordability
- Climate emergency
- Economic development
- Livability for families

However, achieving these objectives requires trade-offs

- Additional incentives (i.e. height and density, further subsidy)
- Simpler building forms to facilitate climate objectives



Desired Policy Outcomes – based on what we heard and learned

Housing Objectives



**Increase Housing Choice
for Renter Households**



**Streamline Processes and
Clarify Policy
Requirements**



**Enhance Affordability of
Rental Housing for
Moderate Income
Households**



**Diversify Rental
Housing Options**

Other City Objectives



**Respond to City's
Climate Emergency**



**Help Enhance
Local Shopping
Areas**



**Improve Livability
of Rental Housing**



**Contribute to Utility
Infrastructure Needs**

Summary of Recommendations / Changes



4 Policy Areas

Preserve market rental policy and make program improvements while supporting other key objectives

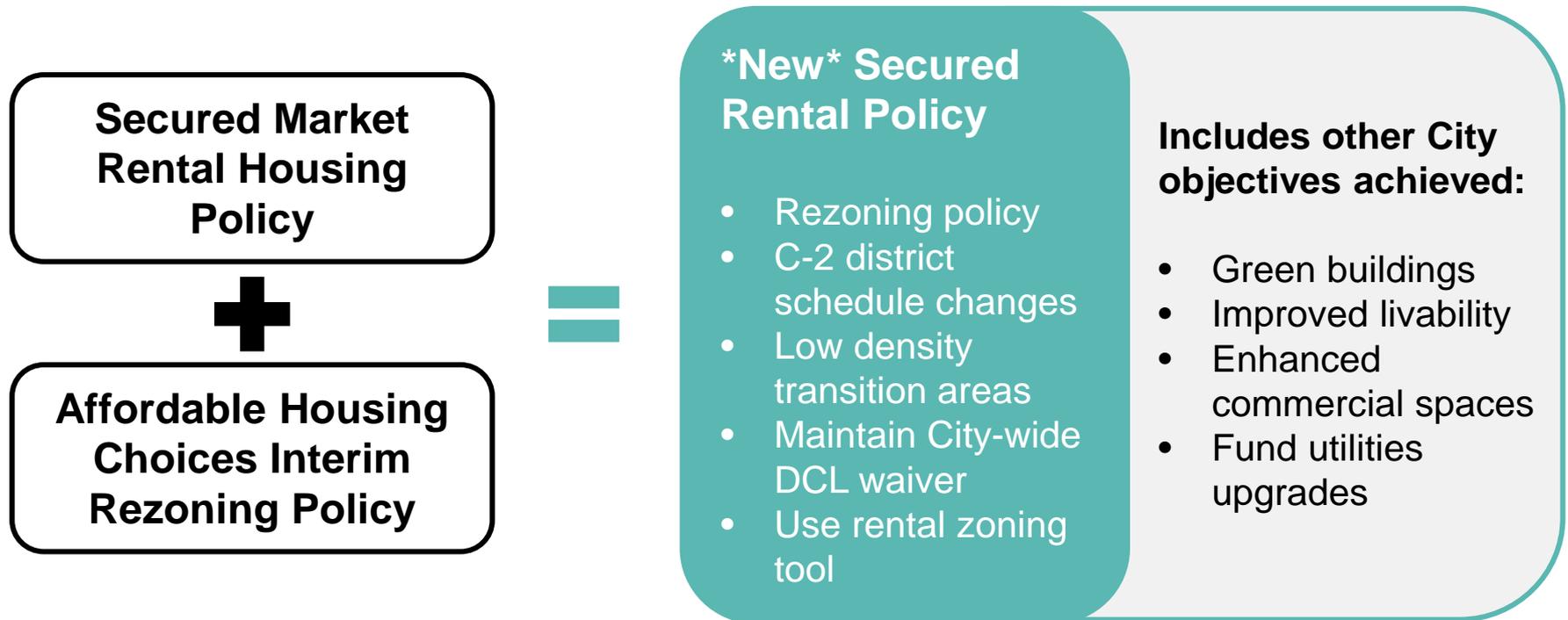
Create opportunities for below-market rental

Support reinvestment in existing rental housing

Other Work Upcoming/Underway

Policy Area 1: Preserve Market Rental Policy and Make Program Improvements while supporting other key objectives

Approach: Maintain current rental opportunities and policies while improving program process and administration and supporting other key City objectives



<\$15k

\$15-30k

\$30-50k

\$50-80k

\$80-150k

\$150k+

Prezoning - C-2 District Schedule Changes

Key policy recommendations

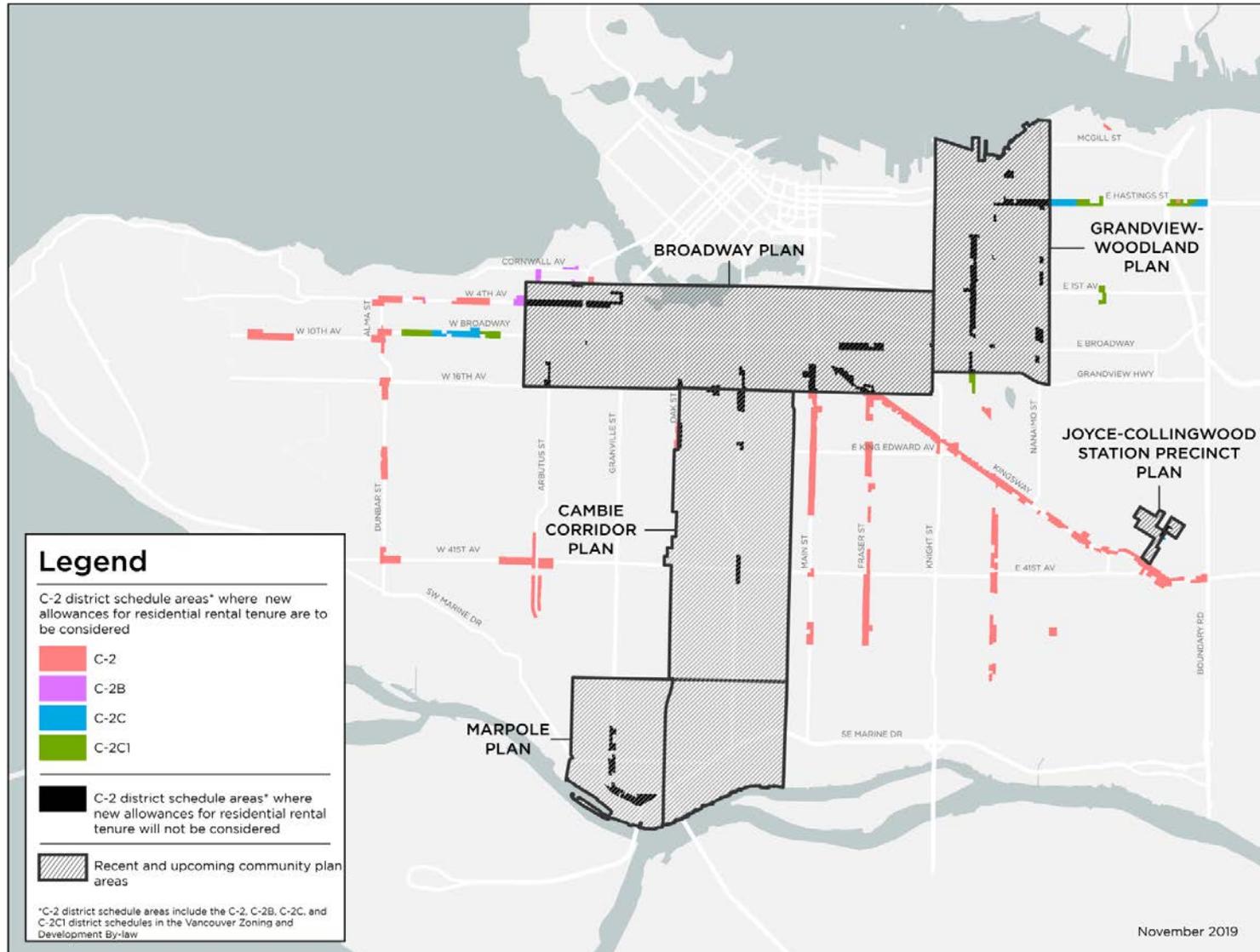
- Prezoning for rental in C-2 areas up to 6 storeys – expedited process and improved clarity
- Allow for simpler building forms to achieve multiple objectives
 - Green buildings
 - Improved livability
- Improved regulations for retail space to better suit the needs of users

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

Desired Outcomes:



Where will the new zoning changes in commercial areas apply?



Examples of previous 6-storey rental developments in C-2 areas



Examples of potential new rental building forms in C-2 areas



Front of building
and street
interface



Rear of building
from lane

Enhanced Rental Options in Low Density Transition Areas zoned RS and RT

Approach:

- Consolidate AHC IRP into the Secured Rental Policy
- Refine criteria to areas near transit, shopping, parks and schools (alignment with CER Big Move #1), and remove current project spacing requirement
- Create new rental zones to enable rezoning to “off-the-shelf” district schedules that clarify height and density
- Option for increased affordability
- Enhance green building requirements

Targeted Objectives



Building Forms

On major roads

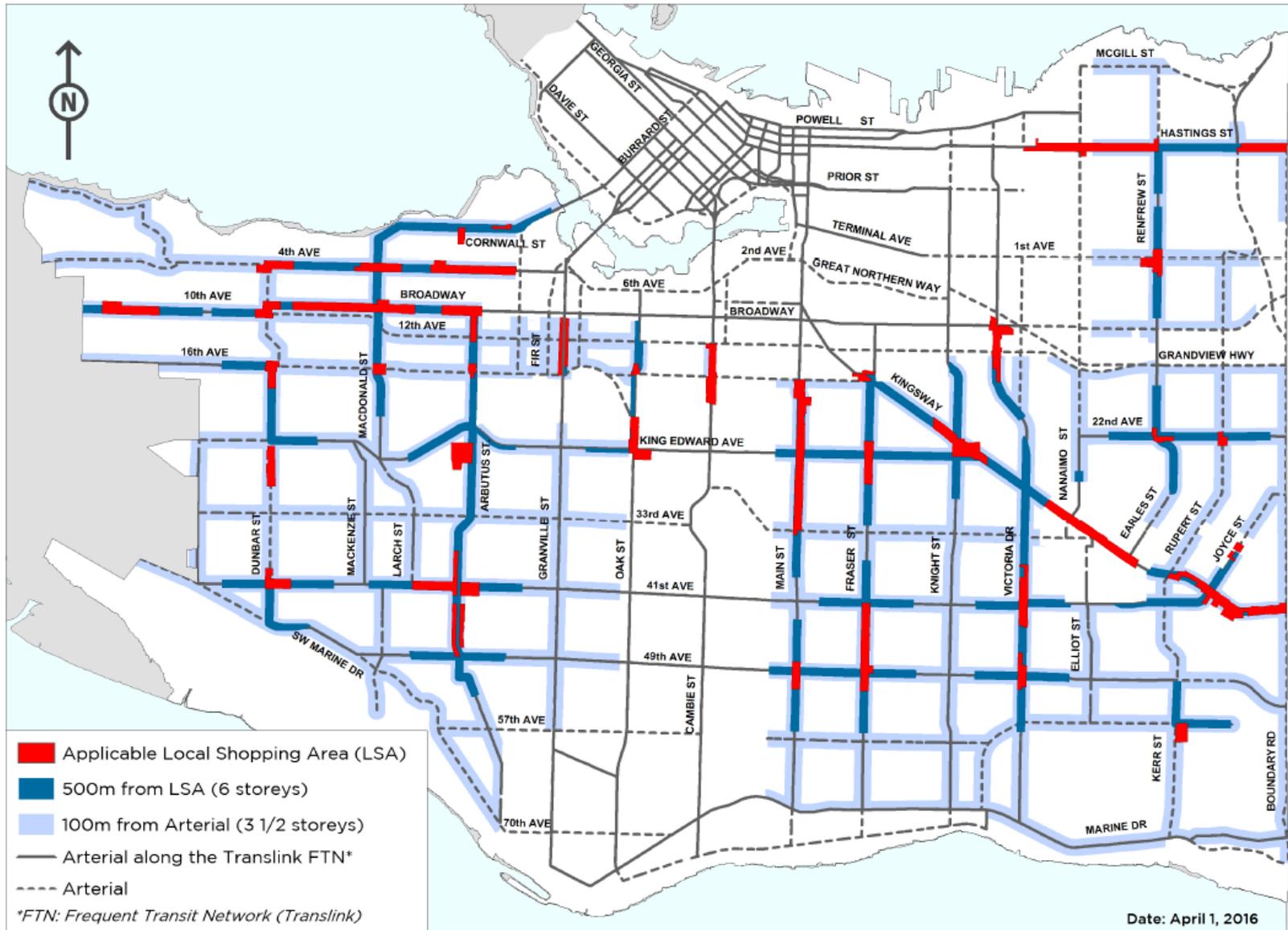
- 4 storey mixed use – commercial and rental
- 5 storey apartment
- 6 storey apartment with 20% below market or mixed use

Off major roads

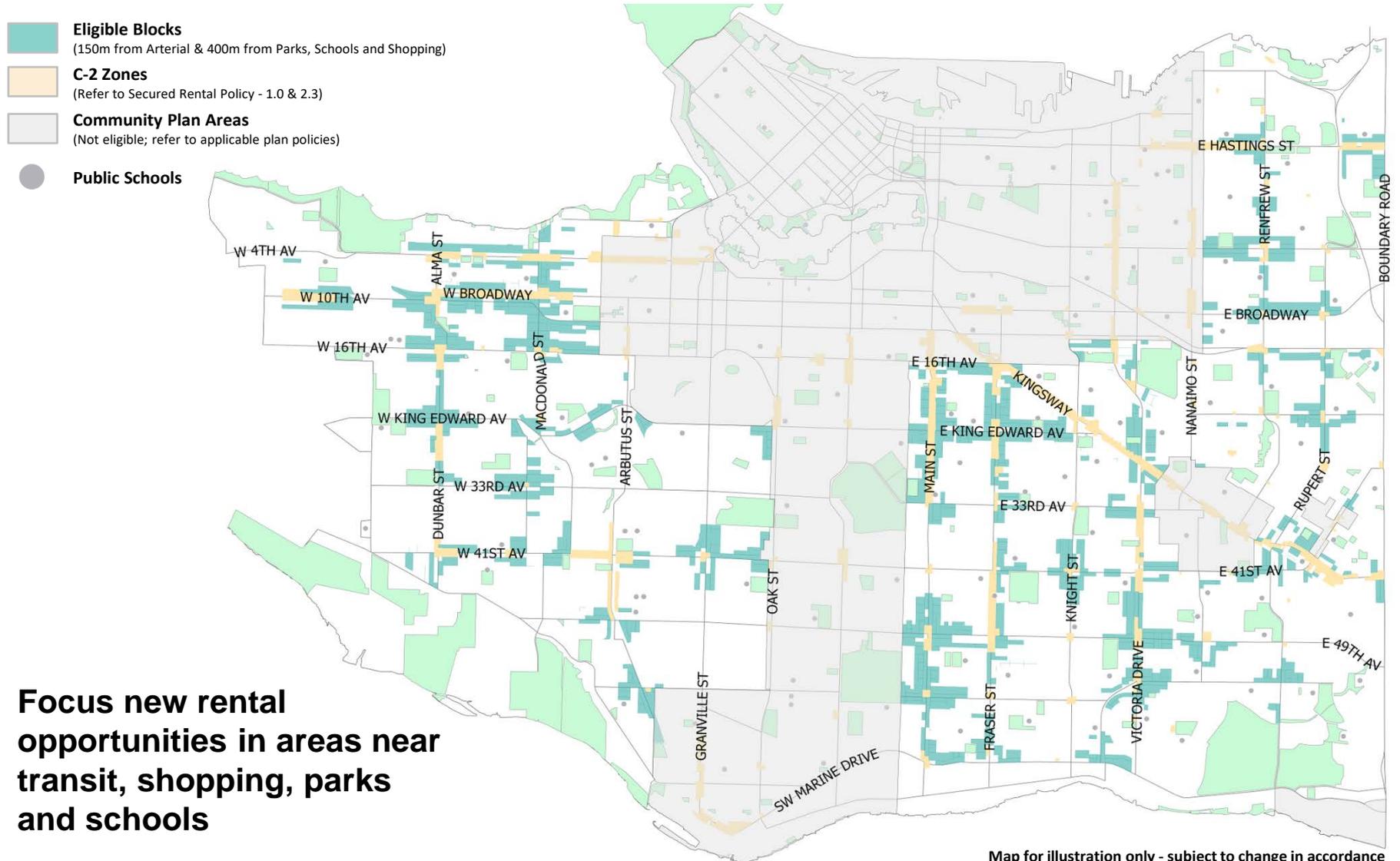
- 4 storey apartment
- 4 storey townhouse

82% of respondents supported policies to allow rental buildings in low density areas adjacent to major streets/commercial areas

Former Affordable Housing Choices Interim Rezoning Policy



Secured Rental Policy – Rental in Low Density Transition Areas



Focus new rental opportunities in areas near transit, shopping, parks and schools

Examples of building forms proposed



Maintain City-Wide DCL Waiver

Approach:

- Continue to offer City-wide DCL waiver for rental
- Remove Utilities DCL waiver for rental
- Bylaw amendments to improve administration:
 - Simplify requirements for MIRHPP projects
 - Allow townhouse projects to qualify for waiver
 - Introduce flexibility in when DCL waiver can be requested for CAC exempt projects – either at rezoning or development permit approval process



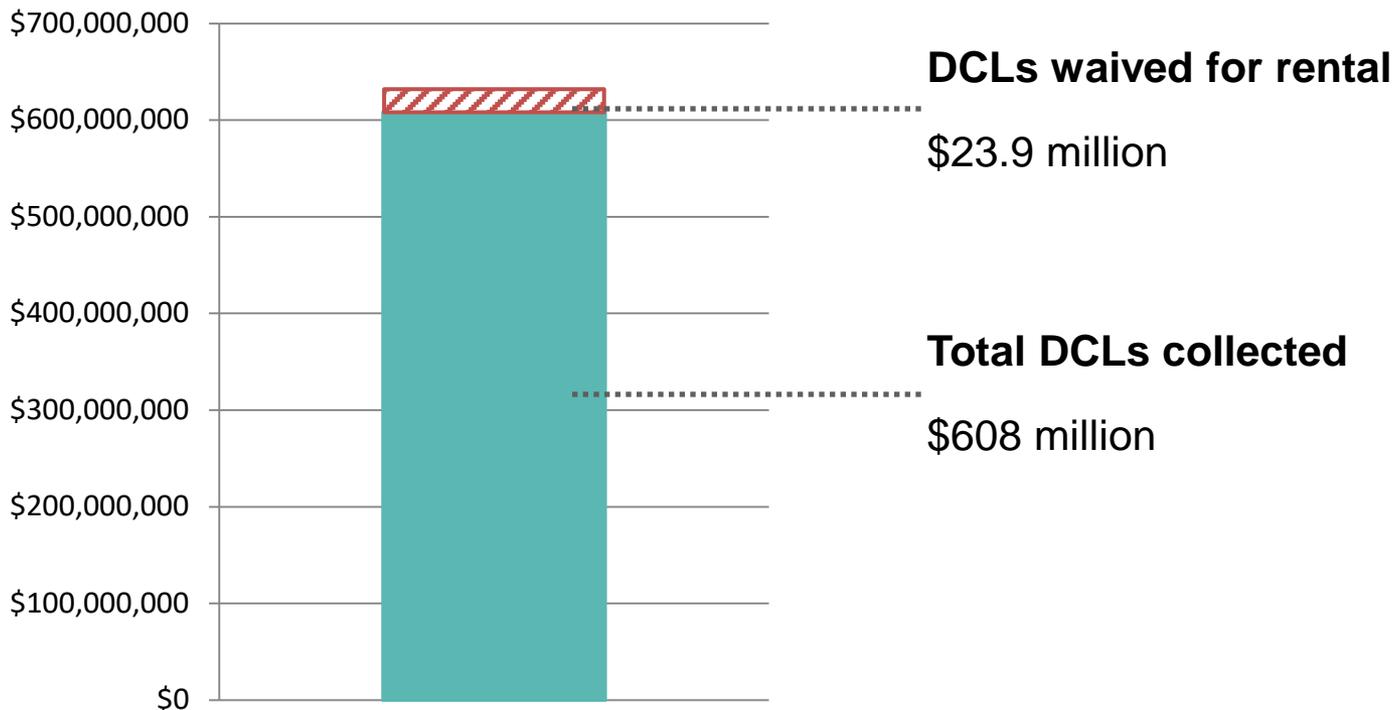
Targeted Objectives



The DCL Waiver has enabled over 2,700 new rental units

Rental projects taking the DCL waiver have enabled 2,700 rental units (over 30% of rental approvals) from 2010-2018. Forgone DCLs for rental is 4% of DCLs collected.

DCLs waived for rental and total DCL collections, 2010-2018



Financial testing shows that without the DCL waiver, there will be more strata housing and much less rental over time

*DCL values exclude approved rental projects in stream with DCL waiver to be confirmed at time of building permit issuance.

Vancouver's first use of rental zoning

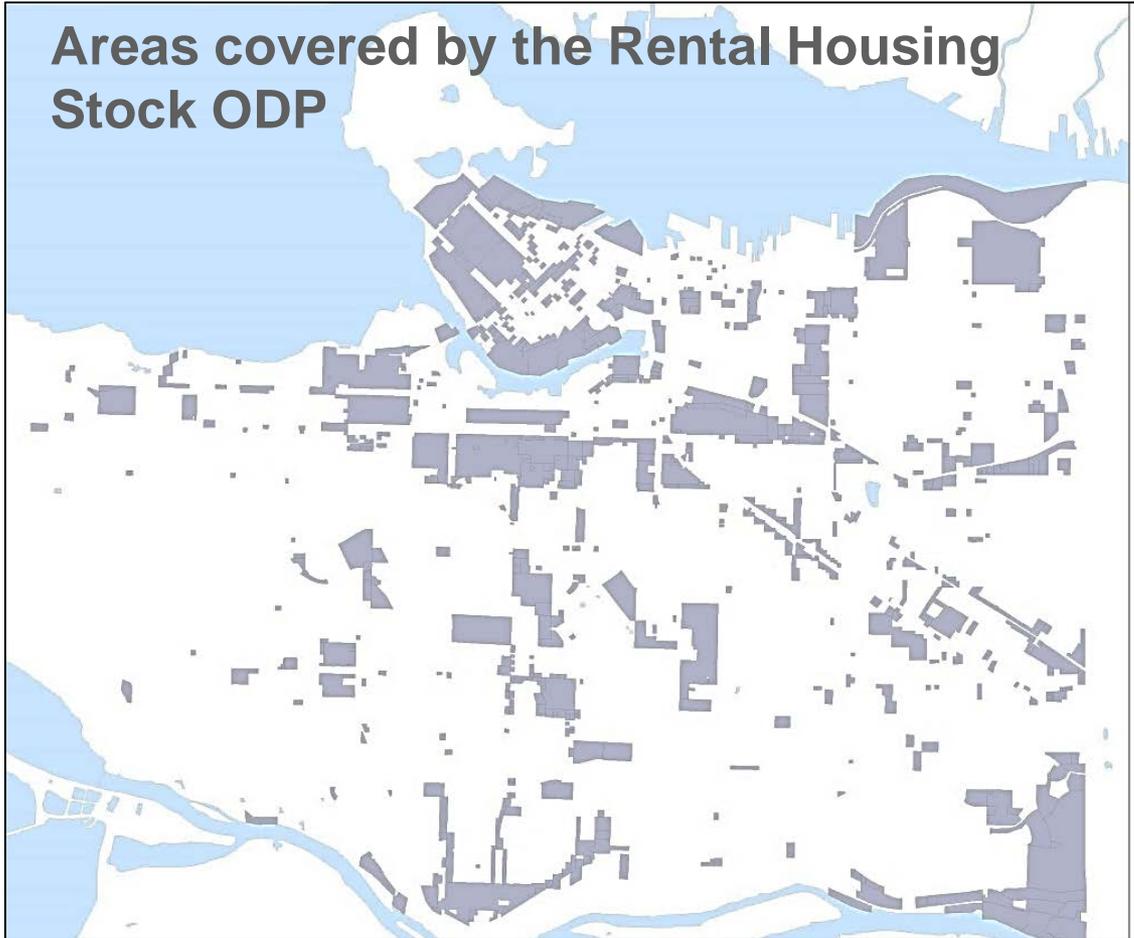
Announced by the Province in the 2018 30 Point Housing Plan, rental zoning is intended as a new tool to empower local governments to support and accelerate the construction of new rental housing.

To date, we have primarily seen rental zoning used by other municipalities to protect existing rental housing from being redeveloped as strata.



Vancouver has a long history of strong protections for existing rental housing

Areas covered by the Rental Housing Stock ODP



The Rental Housing Stock ODP was first introduced in 1989 and requires **one-for-one replacement** of existing rental housing on new developments of 3 or more units in certain multi-family areas of the city

The RHS ODP applies to **77%** of the city's purpose-built rental stock (**53,475 units**)

Vancouver's approach: use rental zoning to encourage rental in large areas of the city

Previous rental policies required rezoning to custom CD-1. New rental zoning will allow for a more streamlined and clearer process:

New regulations for 6-storey rental in C-2

- Prezoning under district schedules; rezoning no longer required
- Maintain existing uses – commercial and strata for projects up to 4 storeys

New 'off the shelf' district schedules in low-density areas for rental townhouses and low-rise apartments

- New approach new zones with clear regulations allowing for a more streamlined rezoning process



Rental zoning allows us for unique regulations (e.g. allowable height and density) for properties limited to 100% residential rental tenure

Rental Replacement in C-2

What is the existing rental stock in C-2?

- C-2 zones contain 4% of purpose-built rental units
- 81% of this rental are in buildings of less than 10 units, often a few units above commercial
- These units are not protected by the Rental Housing Stock ODP

Staff is not recommending extending rental replacement in C-2 at this time:

- There has not been a net loss in rental, in fact there has been a net gain of 420 rental units over the past decade
- Complexity involved with replacing a small number of rental units in strata developments
- New requirement would impact property values for existing owners – more consultation with impacted residents is needed

Council report contains language should Council decide to pursue rental replacement



Policy Area 2: Create opportunities for below-market rental

Continue MIRHPP + report back on early lessons

New Below Market Rental Policy for Rezonings

6 storey Below Market Option in the Secured Rental Policy

69% of respondents agreed that larger and taller buildings are acceptable if they create a portion of units affordable to moderate incomes



<\$15k

\$15-30k

\$30-50k

\$50-80k

\$80-150k

\$150k+

Continue MIHRPP and report back on early lessons

Approach:

- Leave program generally unchanged as initial projects make their way through public hearing
- Extend MIRHPP intake to Jan 1, 2021 to consider new applications to reach the 20 project cap
- Amend policy document improve clarity and update administrative information
- Report back findings and emerging issues (e.g. renter income trends, long term operation costs for projects, etc.)



Targeted Objectives



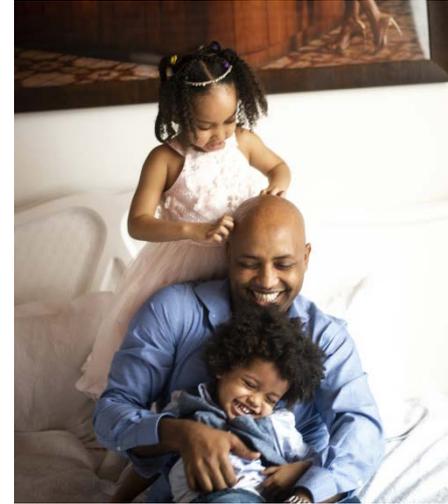
New Below Market Rental Housing Policy for Rezoning

Objectives

- Include options for below market rental in community plan areas approved prior to Housing Vancouver
- Provide a rental option to respond to shift in condo market

Policy:

- In areas where existing plans already enable apartment forms, allow modest increases in height and density, generally up to:
 - 2 additional storeys for 8 – 11 storey projects
 - 3 additional storeys for 12+ storey projects
- For 100% secured market rental projects with at least 20% of the residential floor area as below-market rental housing made available to households earning below \$80,000K/year



Targeted Objectives



6-Storey Below Market Option in Secured Rental Policy – Low Density Transition Areas

Objectives

- Create opportunities to deliver rental to households below \$80K in low density areas

Policy:

- In low density areas (zoned RS/RT) along arterials, consider up to 6 storeys for projects that delivery 20% of residential floor area for units targeted to households earning under \$80,000K/year



Targeted Objectives:



Policy Area 3: Support reinvestment in existing rental housing

Objectives:

- Support landlords in existing rental housing with major high-cost structural and green building upgrades with tenants in place
- Document best practices for proactive reinvestment in without tenant displacement
- Preserve affordability for existing tenants

Approach:

- \$1.5 million grant to LandlordBC to implement a new Energy Retrofit PLUS Reinvestment Pilot in partnership with a matching \$1.5 million contribution from the Province's CleanBC program;



Targeted Objectives



Other Work Upcoming/Underway

Purpose-Built Rental

- Vancouver Plan
- Oakridge MTC implementation
- Broadway Plan
- Station area planning

Social housing:

- Vancouver Affordable Housing Endowment Fund (VAHEF)
- Affordable Housing and Community Space Incentive Program
- Community Housing Incentive Program

Mass Timber:

- Changes to VBBL in 2020 for encapsulated mass timber up to 12 storeys to match provincial proposals
- Explore opportunities to encourage mid-rise mass timber (e.g. zoning changes)

Work with Senior Governments

- National Housing Strategy Implementation



Summary of recommendations and objectives

Policy Area

Targeted City Objectives

C-2 District Schedule Changes



Low Density Transition Areas



Maintain City-Wide DCL Waiver



Continue MIHRPP



New Below Market Initiatives



Support reinvestment in existing rental housing



Summary

Overall, the recommendations contained in this report are intended to achieve the following goals:

- **Enhance rental incentives after 10 years of learnings**
- **Consolidate and streamline processes**
- **Address climate emergency**
- **Increase affordability and deliver below market rental**
- **Use rental zoning to prioritize new rental**
- **Test innovative approaches to inform future planning programs**

Thank You



**HOUSING
VANCOUVER**