
MEMORANDUM

July 14, 2020

TO: Mayor and Council

CC: Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Karen Levitt, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Rena Kendall-Craden, Civic Engagement and Communications Director
Rosemary Hagiwara, Acting City Clerk
Anita Zaenker, Chief of Staff, Mayor's Office
Neil Monckton, Chief of Staff, Mayor's Office
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Theresa O' Donnell, Deputy Director, Planning, Urban Design and Sustainability
Templar Tsang-Trinaistich, Issues Manager, Planning Urban Design and Sustainability
Jeff Greenberg, Solicitor Team Lead, Legal Services
Jerry Evans, Director, Real Estate Services

FROM: Gil Kelley
General Manager, Planning, Urban Design and Sustainability

SUBJECT: 2538 Birch Street (formerly 1296 West Broadway)- RTS # 13730
Response to Council's questions

The following information is offered in response to questions received from Council during the public hearing, up until July 13, 2020.

Please note that staff will also provide Council with a verbal presentation of the responses below during the debate and decision phase of the reconvened public hearing on July 14, 2020.

Question 1: Will increased height inflate land values along the Broadway corridor?

Staff Response: For this project, the land value increase has been captured through the MIRHPP units as the residential floor area is for 100% rental housing and any increase in land value has been offset by the cost of securing 58 below market rental units for 60 years or the lifetime of the building, whichever is greater. As to the broader question of increasing land values along the Broadway corridor, this application is being brought forward as an exemption under the Broadway IRP through the well MIRHPP program. The Broadway IRP and Development Cost Expectation that was approved by Council in 2018 are still in effect to help

manage and reduce speculation for land values. Speculative land value is a function of many variables including economic and financial conditions, development potential, market demand as well as regulatory constraints.

Question 2: Comment on the information presented by one speaker of their assessment of the profit margin and economic conditions of this project.

Staff Response: The City does not comment on the accuracy of financial assumptions submitted by the public. The City's Real Estate Division has reviewed the applicant's financial pro forma in accordance with industry standards and the City's protocol and determined there is no additional profit beyond the standard profit margin anticipated with any development in Vancouver. The City's Law Department has confirmed that the evaluation of the applicant's development pro forma and the financial information within it is treated as confidential and proprietary and not available for public review.

Question 3: Explain why it is necessary to give a lift of 11 more storeys for 20% rent-gear-to-moderate-income units.

Staff Response: The cost to an owner to legally secure below market rental units over a long period of time, is significant when compared to market rental housing. The proposed below market rental units in this project will rent at approximately half the rate of a market rental unit in the same building.

As noted, the City's Real Estate Division has evaluated the applicants pro forma and determined the cost to secure 58 below market rental units at this location, over 60 years, is equivalent to the value of the additional floor area requested. No additional land lift or profit is generated.

It is the City's practice to seek greater degrees of affordability with the MIRH Pilot Program. If additional land value is created, it is turned back into additional moderate income rental units. The Birch project is a good example of this, where 22% of the residential floor area will be secured at below market rates versus the standard 20% requirement.

Question 4: Does this amendment meet the exemption requirement under the Interim Broadway Corridor Rezoning Policy?

Staff Response: As described in the staff presentation provided on July 9, the Moderate Income Rental Housing Pilot Program (MIRHPP) was approved by Council in 2017. Subsequently, during the MIRHPP intake period, the applicant submitted an expression of interest package for staff's consideration on February 16, 2018. Staff responded back on June 12, 2018 in a letter inviting the applicant into the MIRHP Program. The staff invitation into the pilot program predates the Broadway Plan Interim Rezoning Policy which was approved on June 20, 2018.

To conclude, staff are confident that this proposal adheres to Policy 1 of the Interim Rezoning Policy and the reason why it has been presented for Council's consideration at public hearing.

Question 5: On March 19, 2018, staff sent the Applicant a letter indicating the 2538 Birch Street site would not be considered at that time as the proposal could preclude or impact future planning direction for the Broadway Corridor planning. Subsequently, the advice was reversed two months later. What happened during the intervening two months that convinced staff this application no longer threatened to preclude or impact future planning directions for the Broadway Corridor planning?

Staff Response: During the intervening time between the two letters, Policy staff advanced the scoping for the Broadway Plan in preparation of the report to Council to launch the Planning Program. Through that work, key goals for Broadway Planning were developed. These include expanding affordable housing opportunities close to transit and jobs to accommodate the growing demand for rental housing in the city's core while minimizing displacement of existing residents.

Staff assessed the 2538 Birch Street proposal would help achieve those goals. It also became clear that this area of Broadway did not present significant structural barriers to increased height on this site, such as those that may be present along other areas of Broadway (i.e. important view corridors, VGH helicopter flight path, etc). At the same time, Housing Policy staff were continuing to assess MIRHPP proposals to identify opportunities to invite applications into the rezoning process. As a result of both of these streams of work, staff collectively concluded that the proposal should be invited to submit a rezoning application under the MIRHP Program.

Question 6: In general, what could be the potential impacts of the height of this project on other MIRHPP applications? Does this set new expectations?

Staff Response: The MIRHP Program allowed the City to select up to 20 proposals to proceed with a rezoning application by July 1, 2019. On November 28, 2019, Council approved an amendment to the program to extend the timeline of the pilot to allow staff to select up to 20 proposals to submit rezoning applications until January 1, 2021.

The program sets out specific direction related to achievable height and density depending on the zoning district in which the project is located. For example, sites located in the C-2 zoning district are eligible for consideration of up to 14 stories in height, subject to detailed locational criteria. Larger sites in RS and RT zoning districts are eligible for consideration of heights up to 6 stories. Because the program is structured this way, the height of this proposal will have limited impact on other MIRHPP applications.

Once the MIRHPP proposal period closes and as rezoning enquiries and applications proceed, City staff will review the program outcomes and report back to Council with lessons learned and potentially with recommendations for a new program to enable and encourage the construction of more moderate income rental housing.

This project will be part of the review and the lessons learned will be brought forward to Council for consideration as part of the work on an updated MIRHPP policy.

Question 7: Who is entitled to below-market housing (the 22% of the units) and what are the criteria by which they are selected for this benefit?

Staff Response: The MIRHP program is designed to permanently secure below market rents in 20% of the residential floor area of a project.

In this case the applicant has exceeded the minimum requirement by providing 22% of the residential floor area for below market housing

Moderate income units have two key qualifying criteria:

- Household income
- Unit size eligibility

Household Income:

The MIRHP program is structured to ensure that the below market units go to households with moderate incomes defined as those earning between \$30k and \$80K annually. The income limits associated with the moderate income rental units are based on the rent for the unit.

As an example, the household income for a one bedroom unit cannot exceed four times the monthly rent for that unit. So, if the rent is \$1,200 per month, the income cannot exceed \$4,800 per month, or on average \$58,000 per year household income.

The starting rents listed are maximum average starting rents by unit type. Rents that meet these requirements are secured through a housing agreement and they apply at initial occupancy. The specific rents for each unit may be set at variable amounts provided that they meet the maximum averages.

Rents are not calculated based on tenant income as is the case with a RGI model more typical in a social housing project

Unit Size Eligibility:

The program also has occupancy requirements which stipulate that the number of people living in the units must equal to or exceed the number of bedrooms in those units.

Building owners and their property managers will be responsible to verify that households continue to qualify every 5 years after they move in.

Question 8: Regarding the rent in the below market units, how will this rent increase over time? Is there any risk that after the first tenant leaves the rents in these units could be increased to market rents?

Staff Response: The rents in the moderate income units are not permitted to increase ahead of occupancy. Maximum allowable rent increases are set by the Province and the rates are established in accordance with the Residential Tenancy Act (RTA). This effectively limits the rent increases in these units to the rate of inflation.

In addition, rents cannot be 'reset' when a new qualified moderate income renter household moves in. This means the rents are permanently secured to ensure they remain affordable over time.

Should this application be approved, staff will secure the rents in legal agreements, and secured as Housing Agreements on title. Staff will monitor and enforce compliance with these Housing Agreements to ensure that the rents do not increase beyond the allowable increases defined in the program.

Question 9: The staff report for the 2018 rezoning for the same site (1296 W. Broadway) stated on p. 8 that: "The applicable policy pertaining to height is the Central Broadway C-3A Guidelines, which specify a maximum height of 120 ft. for the Fairview Slopes Sub-area." An exception was made at that time to recommend a height increase to 16 storeys. What is the rationale for recommending an increase by 11 more storeys to 28 storeys?

Staff Response: While the base C-3A zoning permits a 12-storey tower form, that particular height corresponds to a maximum allowable density of 3.0 FSR (+10% Heritage Density transfer). In this particular scenario, the tenure of the dwelling uses is left as an open option to the applicant. The most profitable form of tenure would be market strata, and this has by far been the main tenure associated with past developments under the base zoning.

The 17-storey tower form represents an allowance for an increase of overall floor area above the allowances of the base C-3A zoning (from 3.3FSR to 7.07FSR), as per the Rental100 rezoning policy, to incentivize the applicant to shift the form of tenure of the residential floor area, from market strata to market rental. This incentive recognizes that providing market rental units instead of market strata units is less profitable, and the floor space increase corresponds to an equalization of the profit streams between the two tenures.

Similarly, the further increase in floor space between the 17-storey version and 28-Storey design is a direct reflection of another floor space incentive offered by the Moderate Income Rental Housing Pilot Program. In this scenario, the increase in floor space (from 7.07FSR to 10.52FSR) recognizes that providing 22% of a project's floor area having controlled rents that are affordable for households earning \$30,000-\$80,000 annual incomes, for the lifetime of the building, is less profitable than a project that has 100% of its residential floor area devoted to market rental, with no rent control. This floor space increase corresponds to an equalization of the profit streams between these two tenures. It is worth noting that over half of the incremental increase in units in the 28-storey design will be secured at moderate income rents (58 of the 105 incremental units, or 55% of incremental units).

In all three scenarios, the number of storeys correspond directly to the amount of floor space that the project requires to achieve profitability from the type of tenure that is targeted. It should be noted here that in all three scenarios, a slender tower form accompanied by a lower podium was required by Planning Staff to satisfy certain urban design objectives, such as achieving daylight and avoiding the imposition of a high continuous streetwall onto the Broadway public realm. While the amount of floor space in the lower podium remains fixed in all three scenarios,

the tower element also retains its overall slenderness in the east-west direction. Since these two elements remain fixed, it is therefore the tower element that must increase in the number of storeys in order to accommodate the floor space increase needed between the three scenarios. As such, the increase in height of 11 storeys between the Rental 100 tower and the 28-storey MIRHPP tower, is the direct result of the requirement to secure a minimum of 20% of the residential floor area as below market rental units.

Question 10: A number of speakers have raised the issue of local school capacity. In future, I’m wondering if planning staff can provide school capacity for the faith-based and independent schools that are near development proposals?

Staff Response: For public school forecasting and to assist the Vancouver School Board’s (VSB) long range plans for school capacity related to development, and in accordance with section 562.1 of the Vancouver Charter, City staff regularly consults with the VSB through the City’s community planning processes. The City of Vancouver also has a VSB/COV Steering Committee that meets regularly and includes the Deputy Director of Long Range and Strategic Planning. In addition, City staff work closely at the staff level on data and a data sharing agreement to assist with a more comprehensive data understanding.

Unfortunately, Staff does not have a similar formal relationship with the faith-based and independent schools at this time, nor does staff possess or track school data about the independent and faith-based schools.

The Ministry of Education does publish enrolment and graduation information for schools K-12 and includes information for independent and faith-based schools. However staff is not aware of published school data on capacity for these schools. If capacity information can be sourced for faith-based and independent schools, staff would be happy to add that data to future staff rezoning reports.

An overview of MIR and Market Rental Monthly Rents and Unit Sizes

		UNIT TYPES			
		Studio:	1-Bed:	2-Bed:	3-Bed:
UNIT SIZES & MONTHLY RENT	MIR Unit Size:	370 sq.ft.	460 sq.ft.	653 sq.ft.	790 sq.ft.
	MIR Rent:	\$950	\$1,200	\$1,600	\$2,000
	Market Unit Size:	390 sq.ft.	586 sq.ft.	670 sq.ft.	800 sq.ft.
	Market Rent: (Area Average)	\$1,804	\$1,999	\$3,059	\$3,876

This table is in response to questions staff heard from Council regarding unit sizes and monthly rents for the moderate income units and market rental units and is offered for information purposes.

Conclusion

Thank you for taking the time to provide your questions and requests in advance to staff and I hope this provides clarification on the particulars of the proposal. Please do not hesitate to connect directly with me or Theresa O'Donnell (theresa.o'donnell@vancouver.ca) should you have any other questions.

A handwritten signature in black ink, appearing to read 'Gil Kelley', with a long horizontal stroke extending to the right.

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