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## MEMORANDUM

July 21, 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  
Alvin Singh, Communications Director, Mayor's Office  
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 on July 14, 2020

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The following information is offered in response to questions received from Council up to July 18, 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 21, 2020.

**Question 1: What would be the DCL payable for the market rental portion of the increased square footage over the rental 100 zoning less the % of the DCL normally used for affordable housing?**

**Staff response:** The value of the DCL is estimated to be \$798,490.

**Question 2: Would it be possible to amend the rezoning to require payment of the DCL as a condition of this rezoning?**

**Staff response:** Council has enacted the DCL by-law that provides the framework for eligibility to the DCL waiver. Therefore, a DCL waiver is not a discretionary decision of Council and cannot be included as a rezoning condition.

If the applicant meets the qualifying criteria of the DCL by-law, the applicant is entitled to the DCL waiver. Similarly, if the applicant does not meet the criteria then the DCL waiver is not granted. If Council does not want a DCL waiver to be provided to applicants moving forward, an amendment to the DCL By-laws would be necessary.

**Question 3: If the current MIRHPP application did not pass, is it still economically viable in their (the applicant's) pro forma, would they move forward with BPs on the 16 stories, or has the proforma for their previous application changed?**

**Applicant response:** If the Council does not approve the application under MIRHPP, Jameson Development Corporation would seek to move forward with the 17-storey application already approved under the Rental 100 Program. In that circumstance, we also anticipate that we would seek a development cost levy waiver for the secured residential portion of the project, as afforded under the City's Development Cost Levy By-law regarding for-profit affordable rental housing.

With the applicable DCL waivers in place, both projects remain viable despite the current challenging economic climate. Under either scenario, it is staff's understanding that DCLs would be payable on the commercial floor space area of the project.

**Question 4: Is there a high vacancy rate in this neighbourhood for the types of family units at this price point?**

**Staff response:** The vacancy rate of family units (i.e. two and three bedroom units) and indeed all rental unit types is low in this area and across the city. The 2019 vacancy rate for this area (South Granville/Oak) was 0.5%. In comparison, the city-wide vacancy rate overall was 1% so this area is experiencing below-average vacancy rates.

Vancouver has had a persistently low vacancy rate in the purpose-built rental market. From 1990-2019, Vancouver's vacancy rate has ranged between 0.3% and 1.8%. Generally, a rental vacancy rate between 3-5% is considered a 'healthy' rate. The low vacancy rate in Vancouver signals high demand for limited supply. This also extends to family units. The purpose-built market rental stock in the South Granville/Oak area as a whole has a deficiency in 2 and 3 bedroom units, where only 18% (1,449 units) are 2 bedroom and 0.6 (50 units) are 3 bedroom.

Analysing the vacancy rate by rent prices city-wide, there is currently a vacancy rate of 0.6% for 2 bedroom units and 0% for 3 bedroom units that rent between \$1,250-\$1,999 (the moderate income units would fall into this category). For full market family units renting between \$2,000-\$3750, there is currently a vacancy rate of 2.3% (113 units) for 2 bedroom units and 0.6% (2 units) for 3 bedroom units.

Vacancy data by rent prices specific to South Granville/Oak does not exist; however, the vacancy rate for all 2 and 3 bed units in the area range from between 0-0.7%, again below a healthy vacancy rate.

To alleviate this low vacancy rate, building more rental supply is necessary.

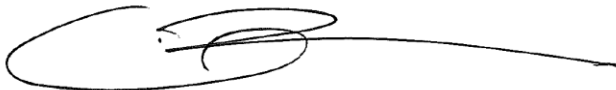
**Question 5: Staff please respond to the assessment of the land value of the 2538 Birch Street site and assumptions made by members of the public?**

**Staff response:** The real estate market in the 2016 to 2018 period was very strong, and land values in general rose significantly. Therefore, it is not surprising that land values may have risen at the 2538 Birch site, and that rise enabled the owner to increase the mortgage on the property. However, staff are unable to comment on the specific criteria for underwriting the loan the financial institution may have applied. It also worthy to note that since 2018 real estate market conditions have been quite soft, particularly so for development land. The assessed value for this site has fallen year over year which may be an indication of those changes in market conditions.

When the City's Real Estate Division reviews the applicant's development pro forma, the valuation date is set at the time of review. Changes in land value prior the proforma review, whether up or down are not relevant, as the valuation date is a given moment in time and forms the basis for determining whether a rezoning results in a land lift (increase in land value). The proforma review concluded that 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.

**Conclusion**

Thank you again for taking the time to provide your questions and requests in advance. Please do not hesitate to contact myself or Theresa O'Donnell ([theresa.o'donnell@vancouver.ca](mailto:theresa.o'donnell@vancouver.ca)) should you have any other questions.



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