

# Extension of the Rental Housing ODP to C-2 Zones

Public Hearing

March 11, 2021

RTS 14084



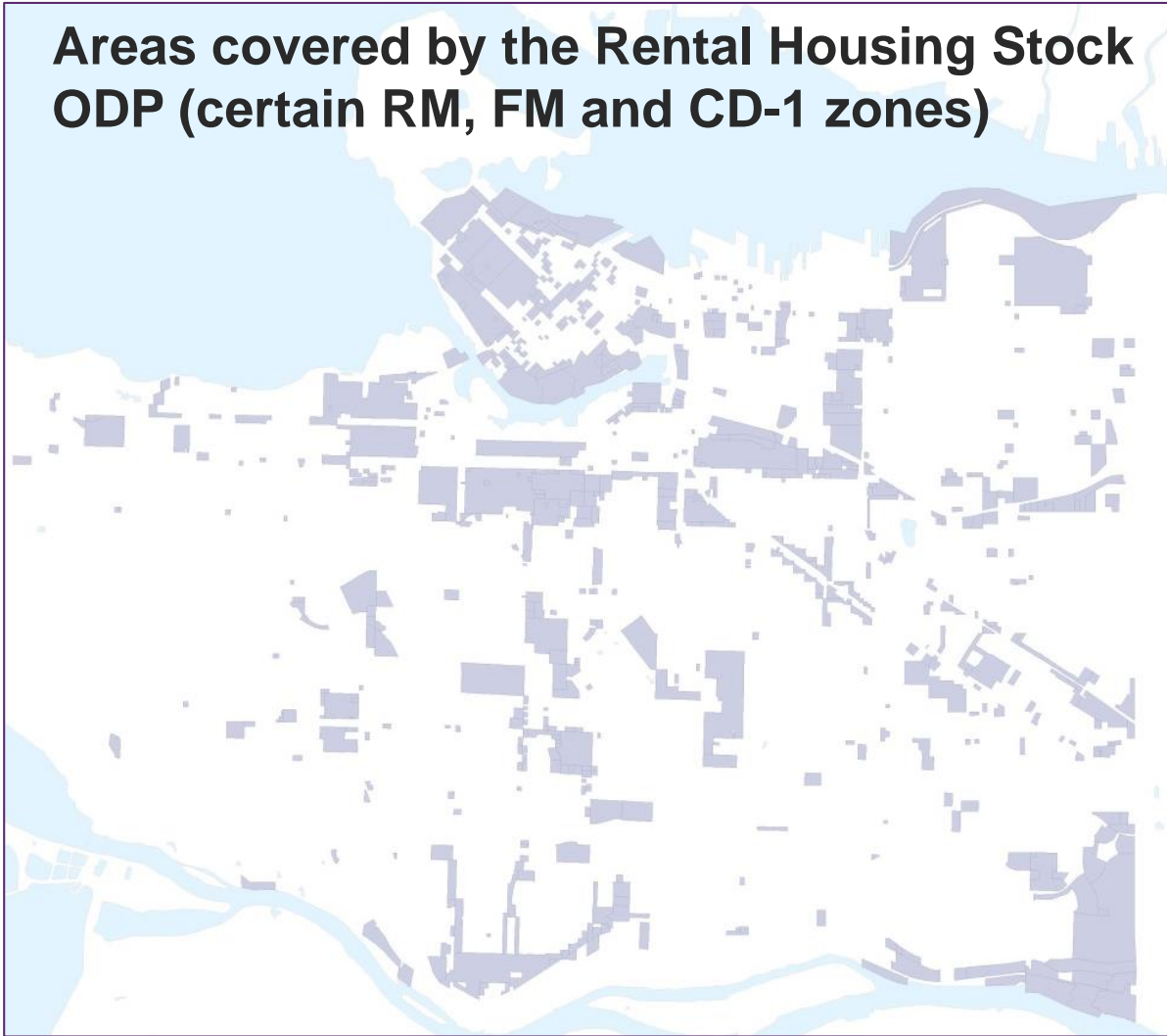
# Presentation Outline

1. Background and Recommendations
2. Engagement Results
3. Strategic Analysis - Summary of Issues and Implementation

# Background

# What is the Rental Housing Stock ODP?

Areas covered by the Rental Housing Stock ODP (certain RM, FM and CD-1 zones)



## Current By-law:

Requires **one-for-one replacement** of existing rental housing on new developments in apartment areas across the City

The RHS ODP applies to **77%** of the city's purpose-built rental stock

Greatest tool in the preservation of the existing stock

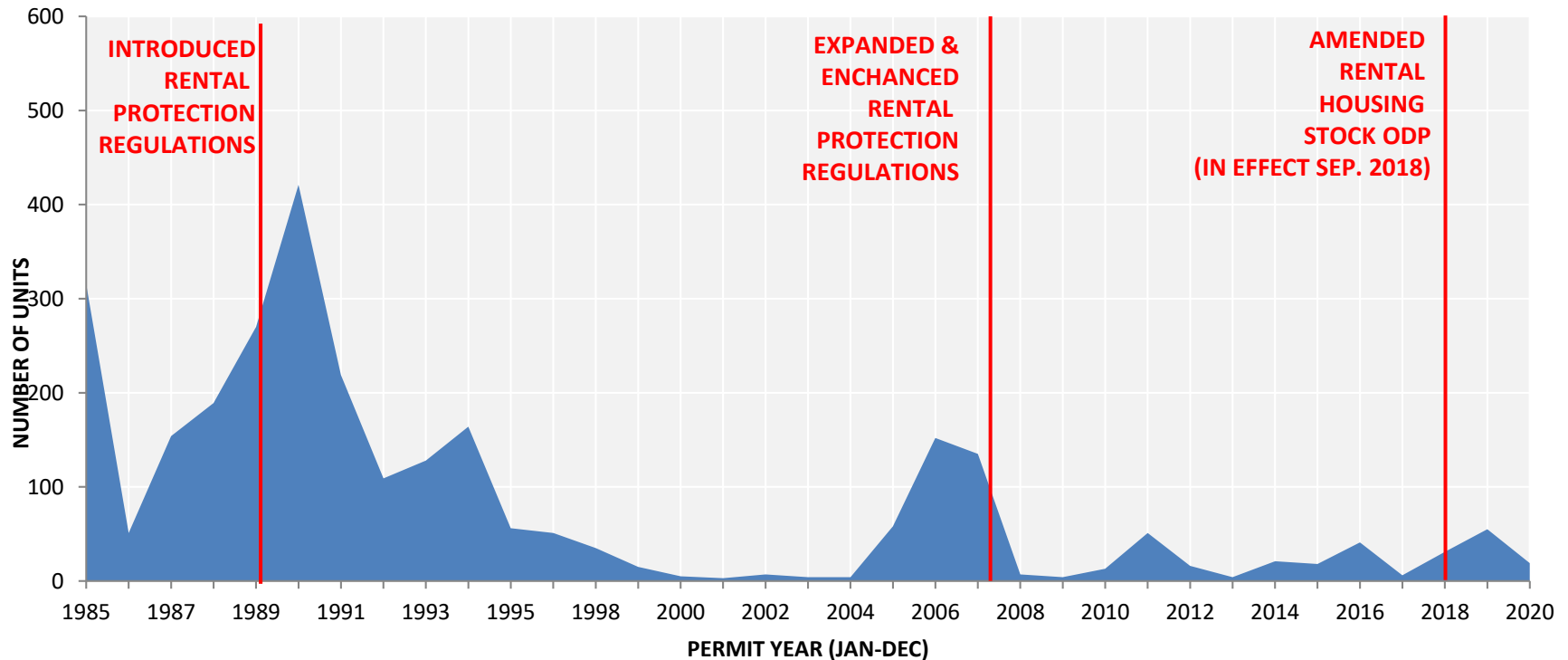


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# Rental Housing Stock ODP Effective in Stopping Rental Loss

## Market Rental Units Demolished in Rental Housing Stock ODP Areas (1985 – 2020)



### Notes

\*Demolitions represent rental buildings with 3 units or more



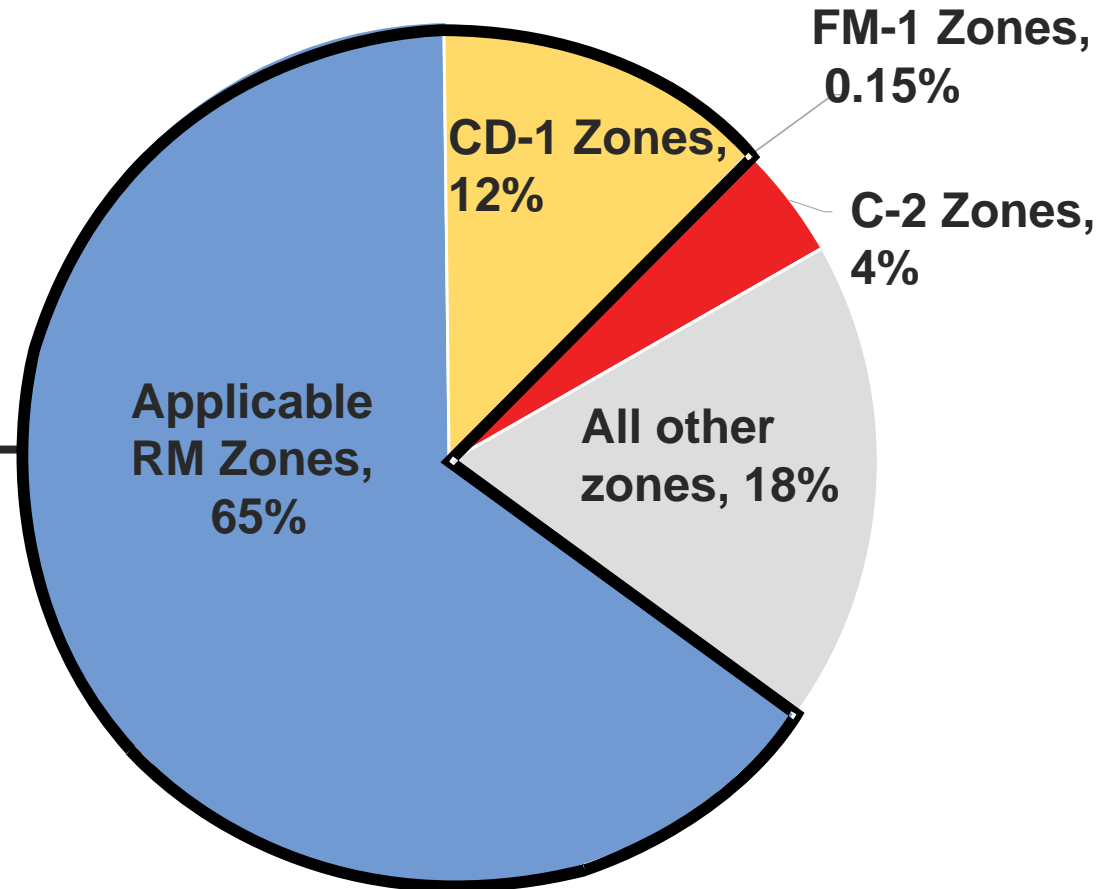
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# Historical Context - how did we determine areas to be covered by the RHS ODP?

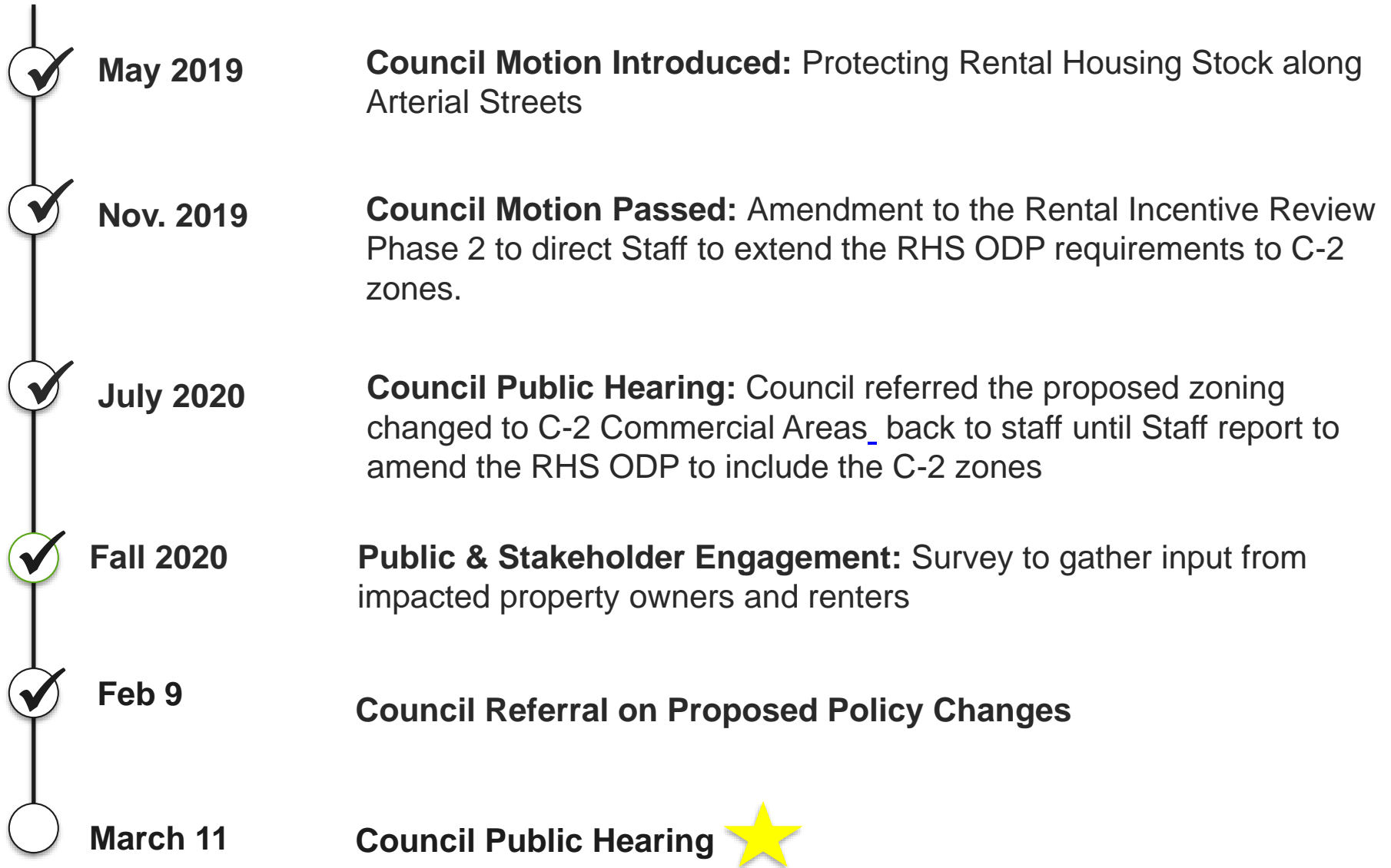
Rental Stock By Zoning Districts

- RHS ODP was expanded in **2007** to preserve rental housing in the RM, FM, and CD-1 zoning districts as these are the “apartment” zones with the most rental
- Originally, C-2 zones were not included because there were few opportunities for new housing in apartment and low density areas of the City.



# Council Direction and Recommendations

# Council Direction and Work Program

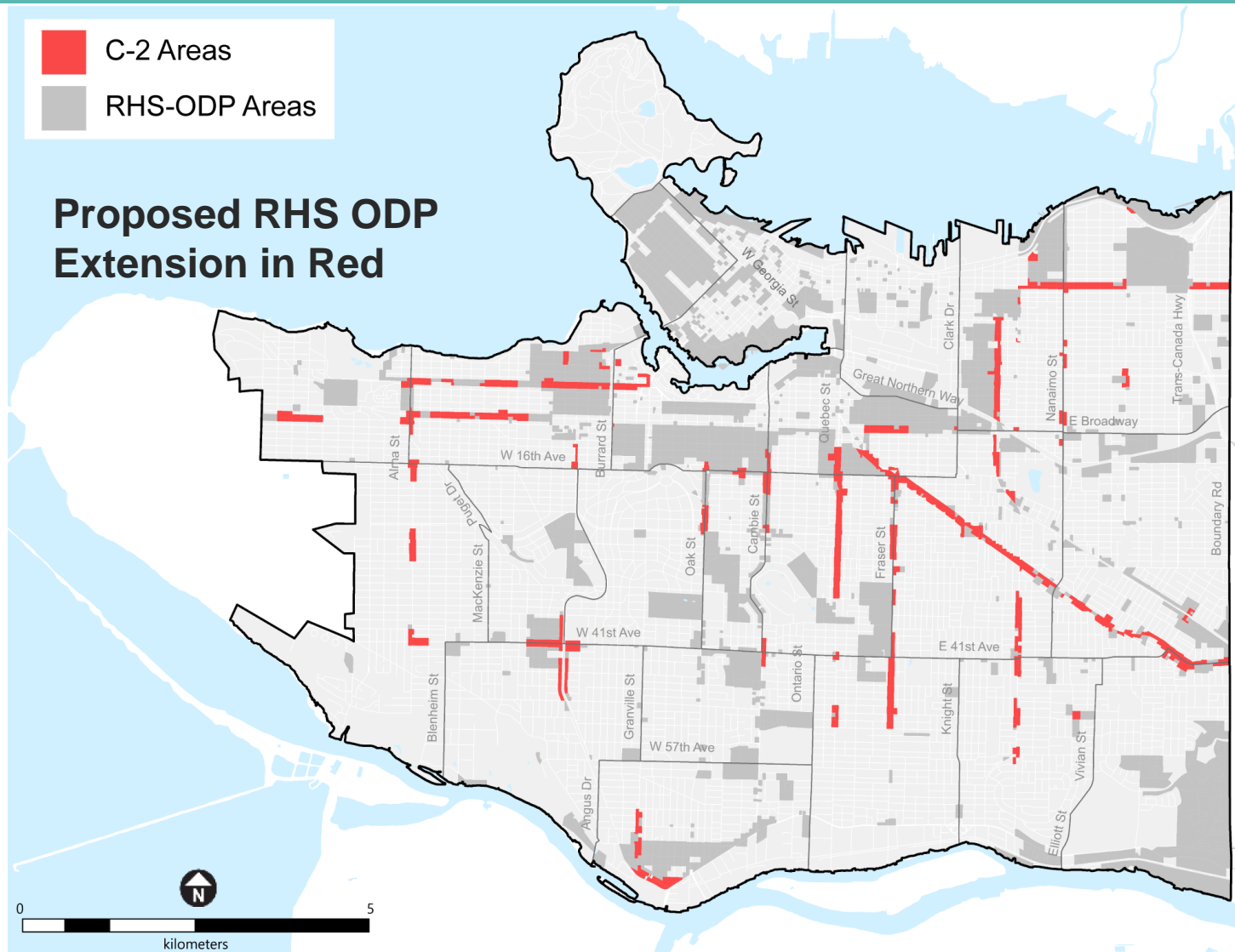




# Summary of Recommendations

- Amend the Rental Housing Stock Official Development Plan to include to C-2, C2-B, C2-C and C2-C1 zoning districts
- Consequential amendments to the:
  - Zoning and Development By-law
  - Strata Title and Cooperative Conversion Guidelines

# C-2 Zoned Areas and Rental Housing Stock ODP Areas



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# Summary of Engagement Results

# Engagement Methods

- **Extensive public notification**

- Notification was carried out through the Housing Vancouver Mailing List, social media advertising (Facebook, Instagram, Reddit, Twitter), 3 mail-outs to affected property owners, stakeholder meetings.
- Total of ~6,500 Shape Your City page visitors

- **Shape Your City Page and Survey**

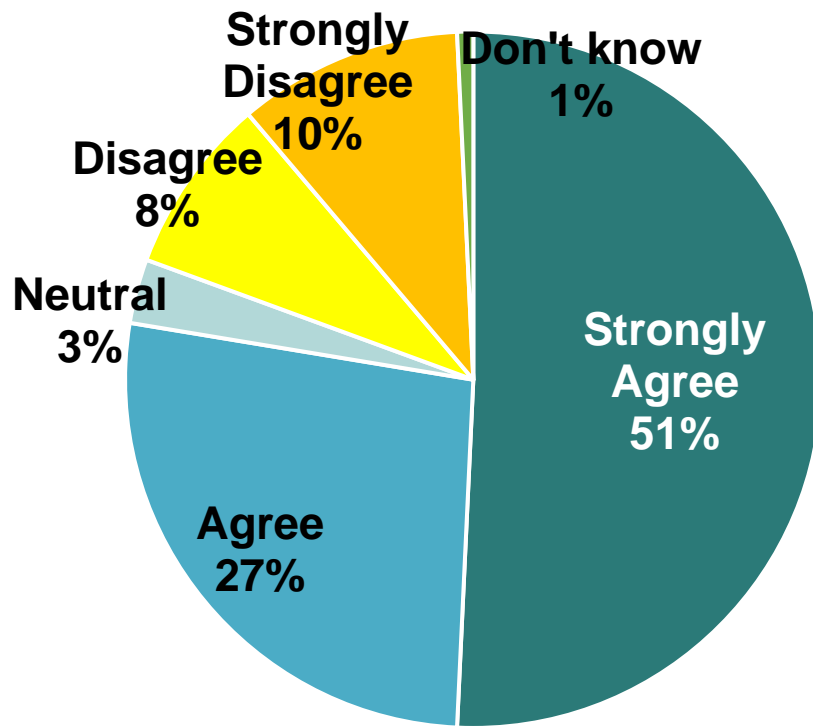
- Shape Your City Page launched in September 2020
- Two separate surveys open from September 15 – November 30 for the general public and property owners receiving 398 responses (65% general public, 35% property owners)

- **Stakeholder Engagement**

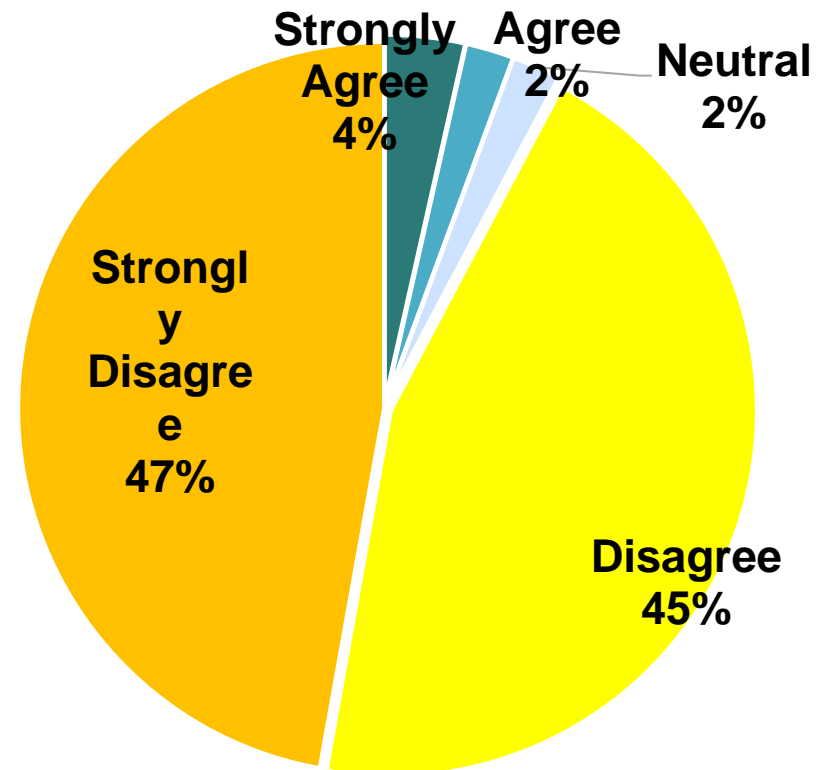
- Staff held 6 meetings with CoV Renters Advisory Committee, BIA Association, the Urban Development Institute, and financial lenders

# Public Survey Results

Do you agree with the City's proposal to extend the RHS ODP to C2 areas?



Renter  
Responses  
*n*=134



Property Owner/Developer  
Responses  
*n*=142

# Renter Response Themes

- Need for stronger tenant protection to prevent displacement of vulnerable residents
- Desire to protect existing rental, more affordable than newer rental
- Concerns about the pace of redevelopment and the difficulty in finding comparably priced housing if displaced
- Supportive of the proposal if the 6-Storey C2 rental bonus is approved by Council



# Property Owner Response Themes

- Concerns over the reduction in land value; feel it is highly punitive
- The policy **disproportionately affects small-scale property owners** who don't have the capital to absorb the devaluation
- Would slow redevelopment by negatively impacting their ability to secure financing for projects





# Stakeholder Response Themes

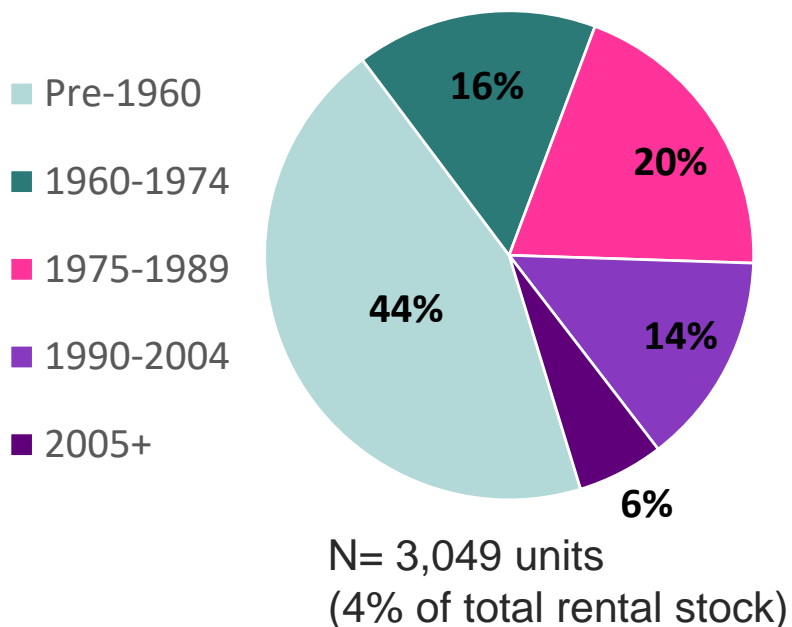
- **Renters' Advisory Committee**
  - In support, important for the City to focus efforts on the maintenance and upkeep of rental
- **Urban Development Institute**
  - In opposition – many projects will no longer be able to secure financing due to the property value reduction
  - Reduce development in these areas without compensation
  - Adds another layer of cost and complexity to an already expensive process
- **Financial Institutions**
  - The policy proposal will have a destabilizing and slowing effect on the overall housing system
  - Possibility of foreclosure for properties if projects are no longer viable



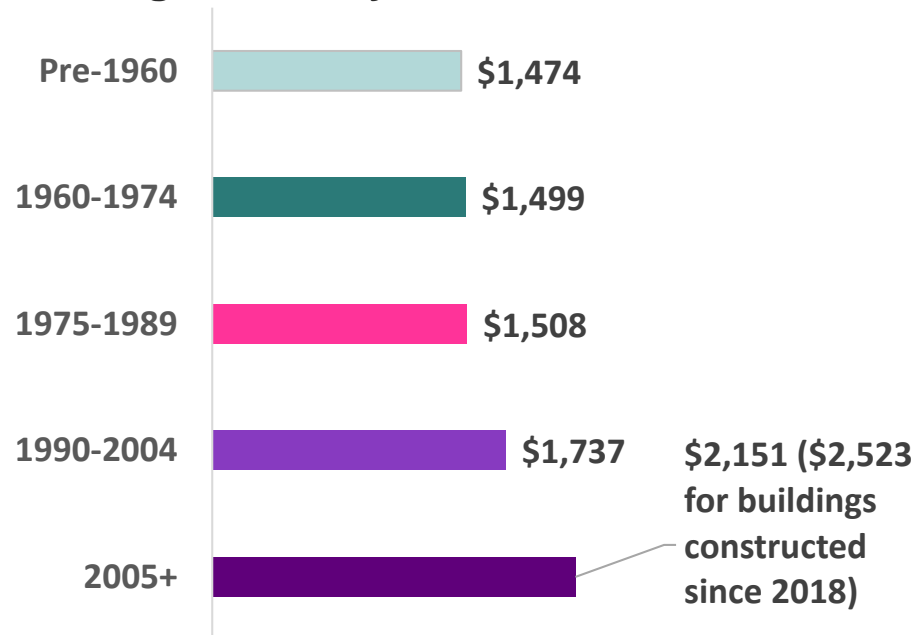
# Strategic Analysis – Summary of Issues

# Affordability of Existing Rental in C-2

## PB-Rental Stock By Construction Year in C-2



## Average Rents By Construction Year



**Majority (60%) of the rental stock in C-2 was constructed pre-1975, where the average rents are 40% lower than newer rental buildings constructed since 2018**





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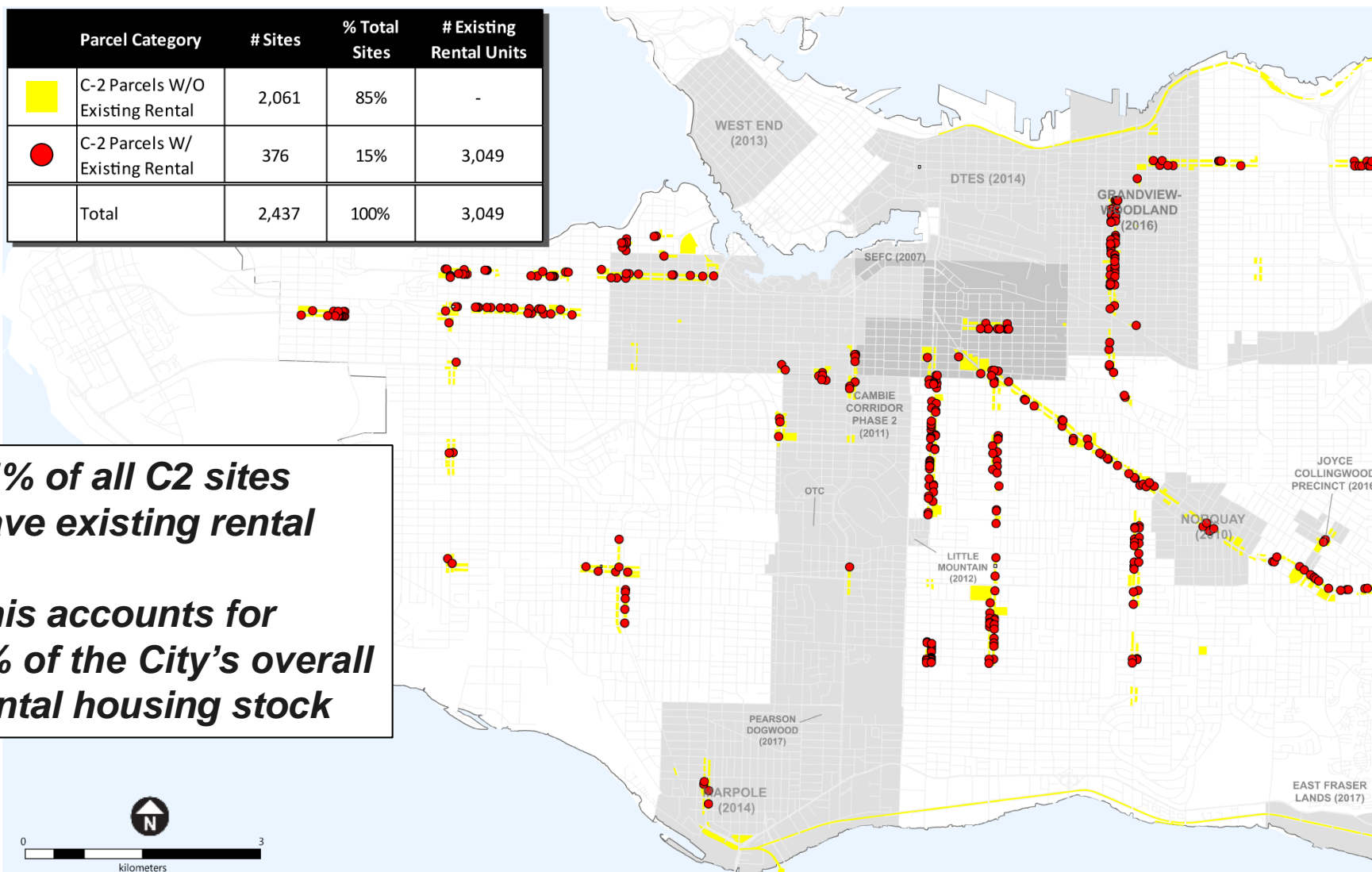
# What sites would be impacted?

## C-2 Sites Across Vancouver With and Without Existing Rental Housing

Parcel Category	# Sites	% Total Sites	# Existing Rental Units
 C-2 Parcels W/O Existing Rental	2,061	85%	-
 C-2 Parcels W/ Existing Rental	376	15%	3,049
Total	2,437	100%	3,049

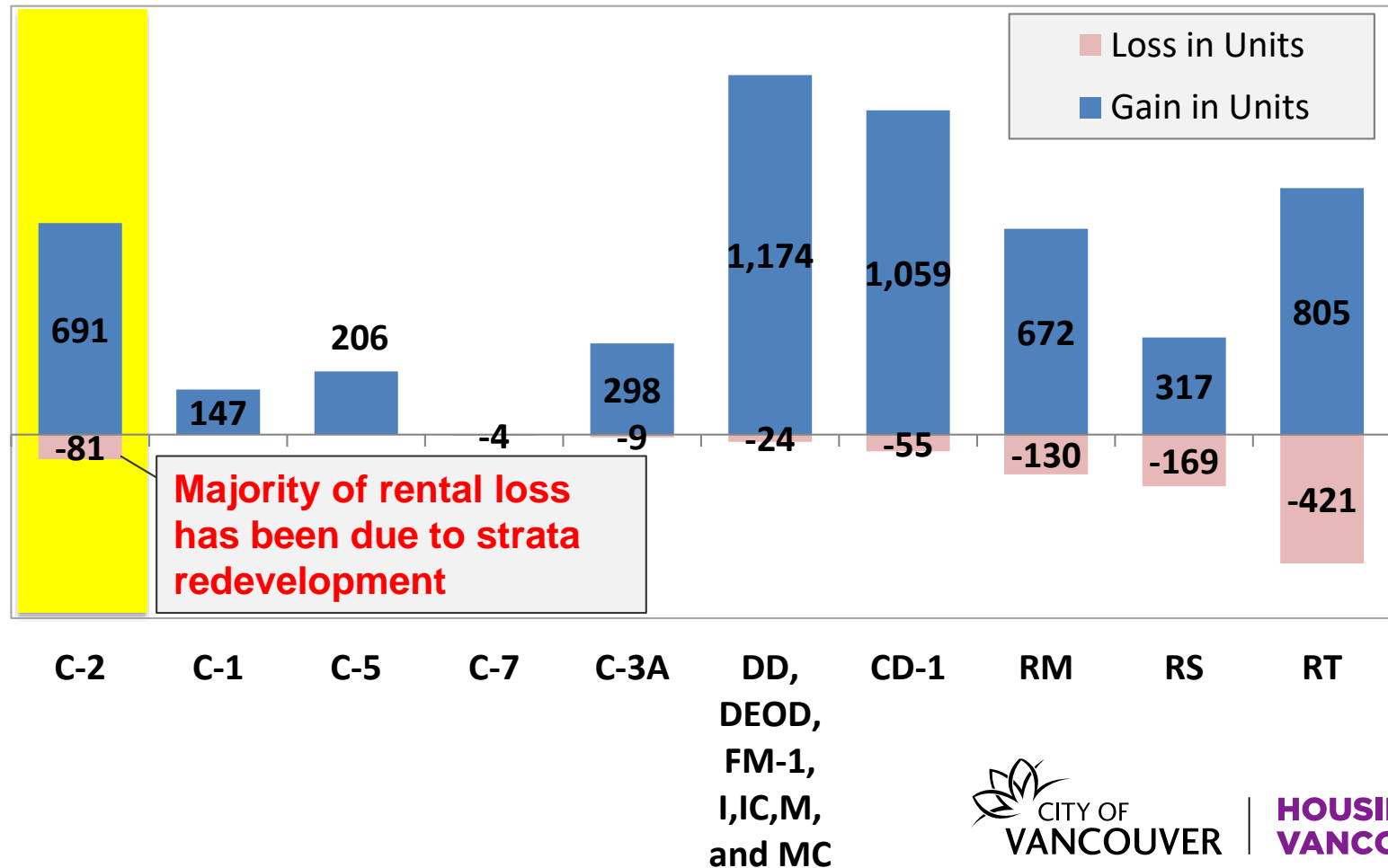
**15% of all C2 sites  
have existing rental**

**This accounts for  
4% of the City's overall  
rental housing stock**



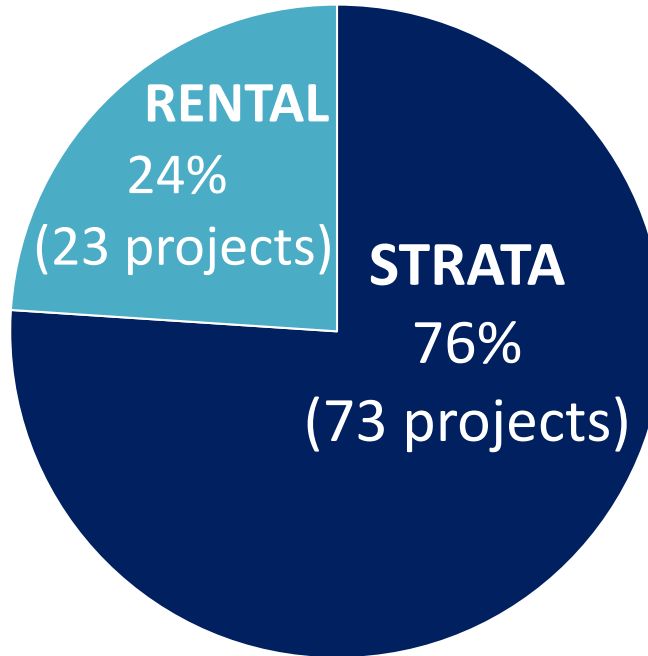
# How much rental has been lost in C-2 areas?

## Changes in Purpose-Built Market Rental Housing Stock from 2010-2020 by Zoning Districts



# What types of developments will be impacted?

Residential Development in C-2 from 2010-2018  
By Tenure



- **Strata developments will be most impacted by the proposed changes**

# Results of Economic Testing

# Scope of Work

- **Test the economic viability of strata resulting from rental replacement requirement in C-2 zoning districts:**
  - tested scenarios based on site size/number of replacement units)
- **Apply policy options to 3 separate areas of the City** (eastside, westside, mid-Vancouver) to evaluate the impacts on:
  - land value changes
  - redevelopment potential

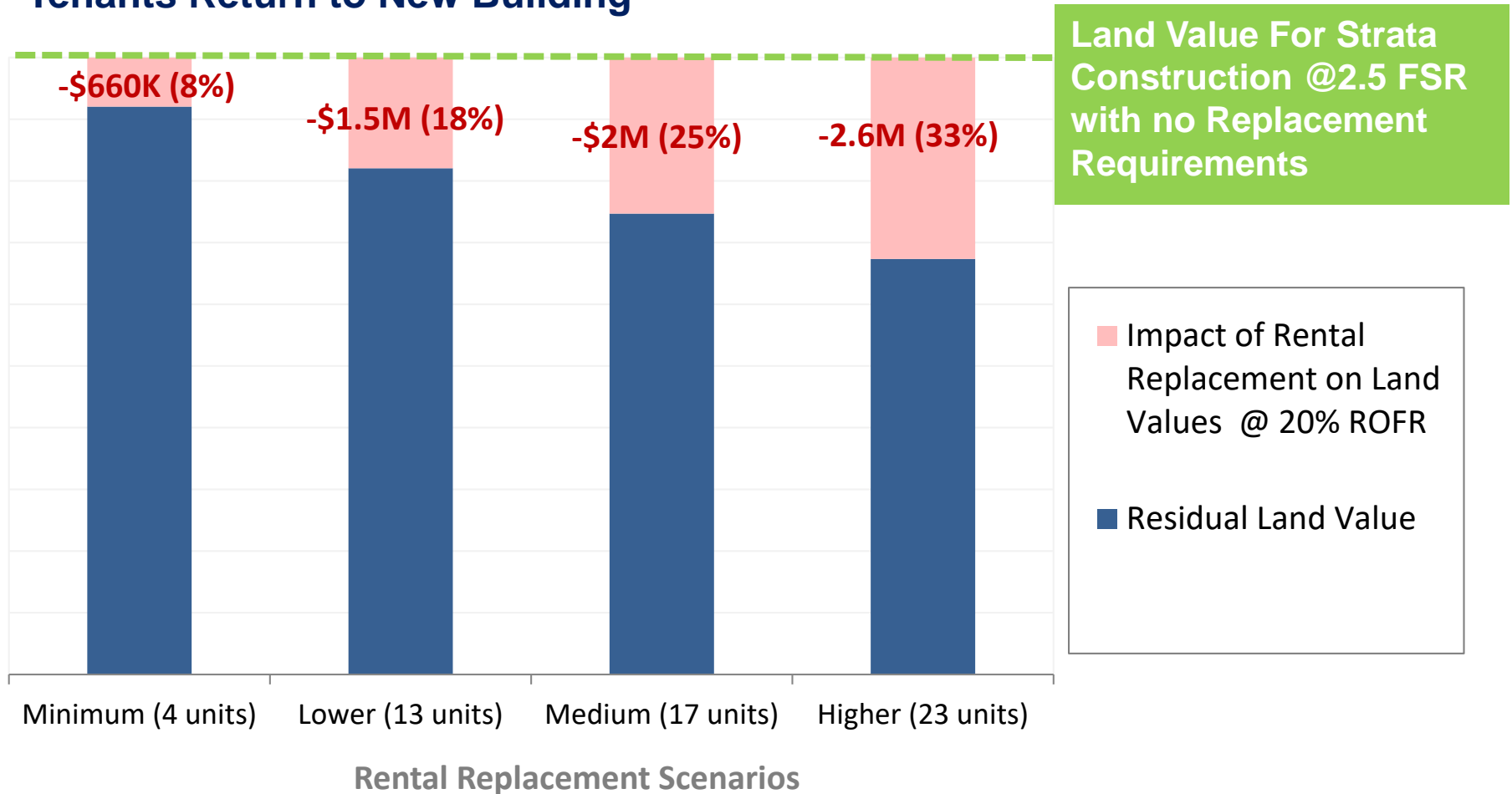
# Factors that impact land values

- **Number of existing rental units**
- **Right of First Refusal**
- **Site Location**
- **Scale of redevelopment**
- **Value of the existing building**



# Proposed changes to RHS ODP results in a reduction of land value of between 8% to 33% for C-2 Eastside Rental Sites

## C-2 Eastside Rental Site\* – Assuming 20% of Existing Tenants Return to New Building

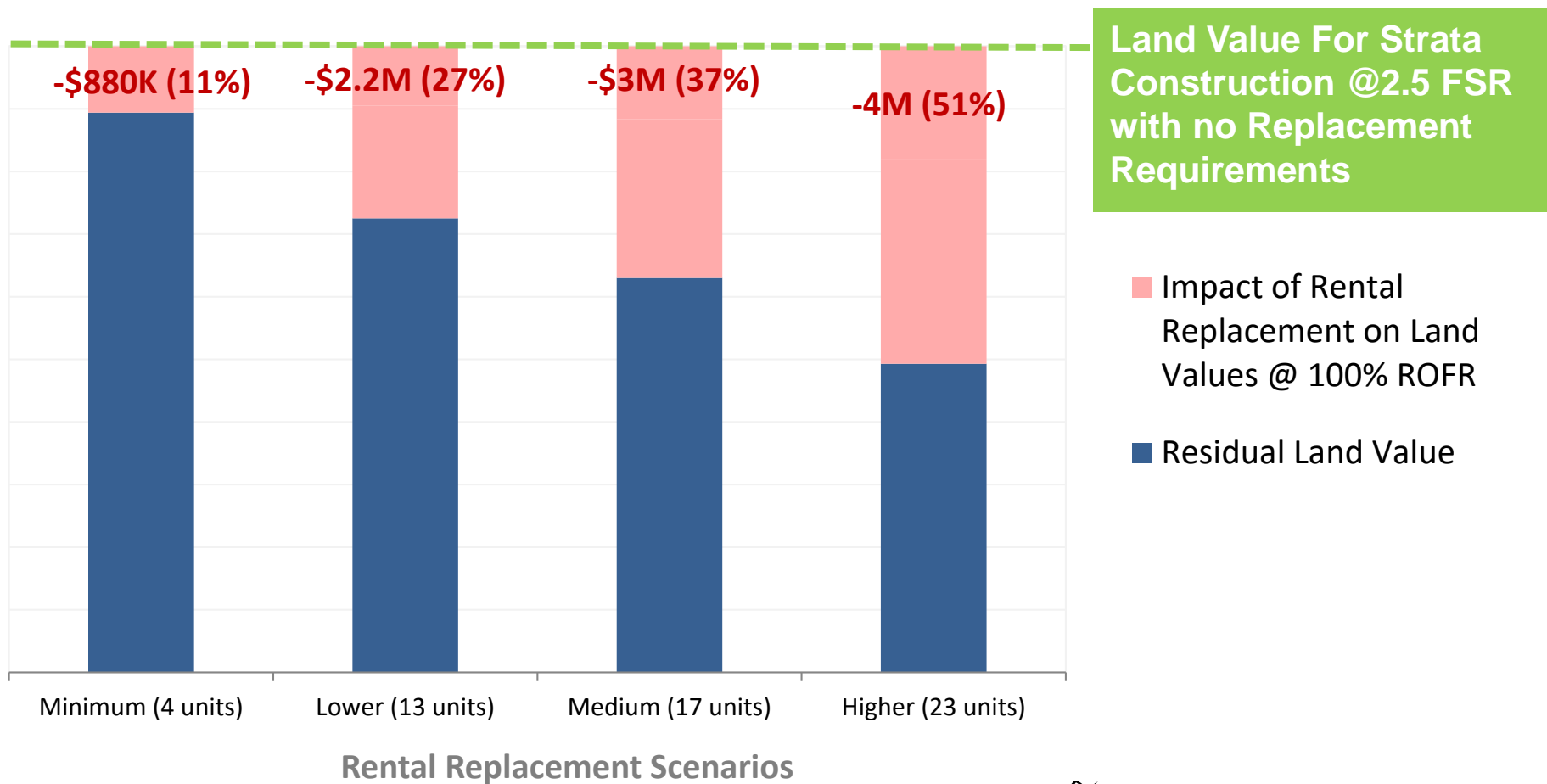


\*Site location: Renfrew-Collingwood

\*Site Size: 15,697 sq.ft

# Highest impact scenario - proposed changes from a financial lending perspective results in a reduction of land value between 11% to 51%

## C-2 Eastside Site\* – Assuming 100% of Existing Tenants Return to New Building



\*Site location: Renfrew-Collingwood

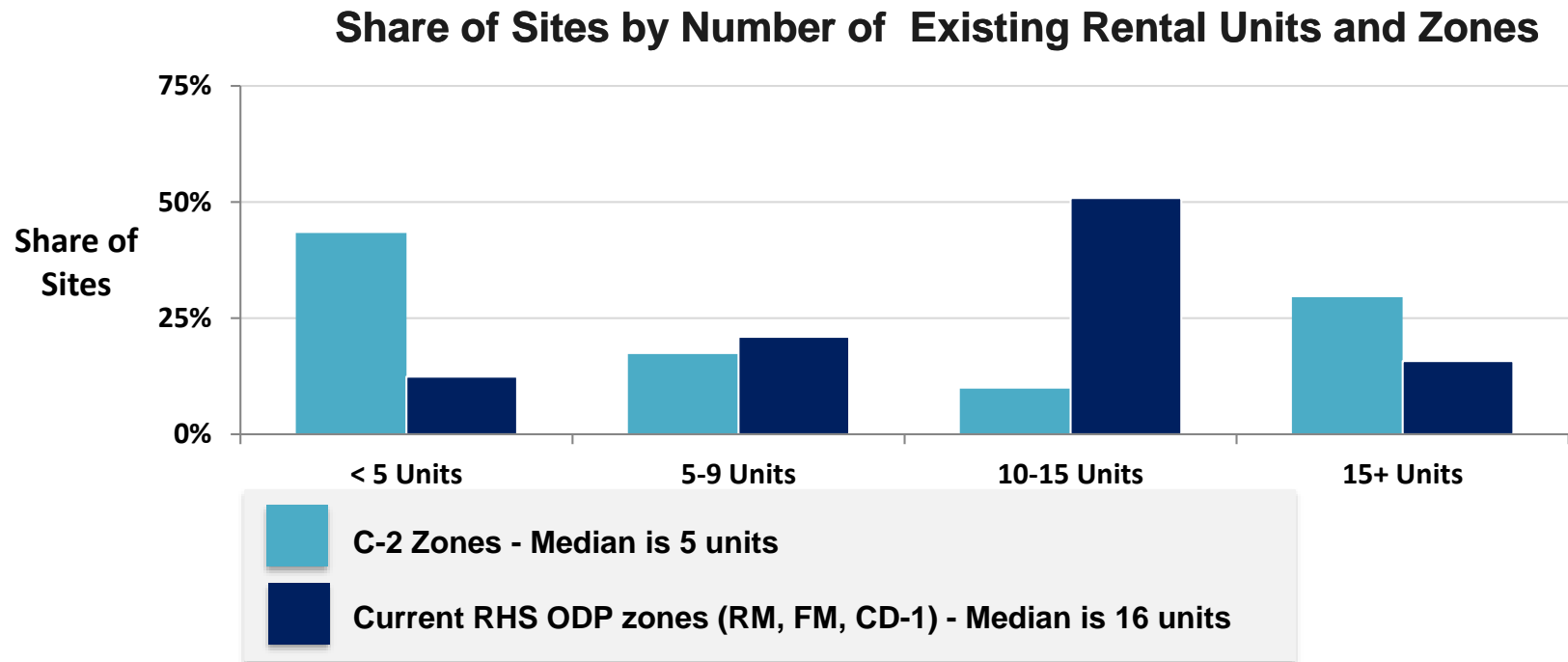
\*Site Size: 15,697 sq.ft

# Results of Financial Testing – Reductions in Land Value

- **Land owners of C-2 rental sites can expect a minimum impact to their existing land value of approximately 10-30% depending on the number of replacement rental units required**
  - Assuming the highest impact scenario (right of first refusal at 100%) will have greater reduction in land values ranging from 10-50%
- **Overall the estimated loss of land value ranging from \$700,000 to \$5 million for the scenarios tested.**
- **Impacts will primarily apply to sites where the land value of redevelopment exceeds the income value generated by the existing**
- **Proposed changes will significantly reduce development**

# Implementation

# Challenges in securing a small number of rental units within a larger mixed-use strata development



- Multiple air space parcels are typically required to guarantee security of tenure, which are costly for the long-term operation and management of the building
- Difficult to secure buyer/operator for small number of rental units

# Measures to address implementation challenges

- **Relaxing air space parcel requirements**
  - Secure rental units using housing agreements for projects with small number of rental replacement units, rather than creating mixed strata/retail air space parcels
- **Grandfather in-stream applications**
  - In-stream development permit applications, rezoning enquiries and rezoning applications will continue to be processed under the existing rules
- **Enabling 6 storey rental buildings under C-2 zoning**
  - Simplify the development process for 100% rental projects in C-2 by eliminating the requirement for a rezoning, while making the rules for development clear in district schedules.

# Summary of Policy Considerations

- **Sites covered by the proposed policy make-up 4% of the overall rental stock (3,000 units)**
- **For land owners of C-2 properties with existing rental, economic testing shows an estimated loss of land value ranging from 10-50% (\$700,000 to \$5 million)**
- **Extending the RHS ODP will slow the pace of strata development for sites in C-2 with existing rental (15%)**
- **For renters, preserves existing affordability in the older rental stock and prevents displacement in C-2 areas**

Questions?