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

- 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.

### Rental Stock By Zoning Districts

- Applicable RM Zones, **65%**
- CD-1 Zones, **12%**
- All other zones, **18%**
- C-2 Zones, **4%**
- FM-1 Zones, **0.15%**
Council Direction and Recommendations
Council Direction and Work Program

- **May 2019**: Council Motion Introduced: Protecting Rental Housing Stock along Arterial Streets
- **Nov. 2019**: Council Motion Passed: Amendment to the Rental Incentive Review Phase 2 to direct Staff to extend the RHS ODP requirements to C-2 zones.
- **July 2020**: Council Public Hearing: Council referred the proposed zoning changed to C-2 Commercial Areas back to staff until Staff report to amend the RHS ODP to include the C-2 zones.
- **Fall 2020**: Public & Stakeholder Engagement: Survey to gather input from impacted property owners and renters.
- **Feb 9**: Council Referral on Proposed Policy Changes
- **March 11**: Council Public Hearing ✭
Summary of Recommendations

- Amend the Rental Housing Stock Official Development Plan to include 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
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
Do you agree with the City's proposal to extend the RHS ODP to C2 areas?

**Renter Responses**
- Strongly Agree: 51%
- Agree: 27%
- Neutral: 3%
- Disagree: 10%
- Strongly Disagree: 8%
- Don't know: 1%

**Property Owner/Developer Responses**
- Strongly Agree: 47%
- Agree: 4%
- Neutral: 2%
- Disagree: 45%
- Strongly Disagree: 10%
- Don't know: 1%

n=134

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
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.
What sites would be impacted?

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

<table>
<thead>
<tr>
<th>Parcel Category</th>
<th># Sites</th>
<th>% Total Sites</th>
<th># Existing Rental Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>C-2 Parcels W/O Existing Rental</td>
<td>2,061</td>
<td>85%</td>
<td>-</td>
</tr>
<tr>
<td>C-2 Parcels W/ Existing Rental</td>
<td>376</td>
<td>15%</td>
<td>3,049</td>
</tr>
<tr>
<td>Total</td>
<td>2,437</td>
<td>100%</td>
<td>3,049</td>
</tr>
</tbody>
</table>

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

Majority of rental loss has been due to strata redevelopment
What types of developments will be impacted?

- Strata developments will be most impacted by the proposed changes

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

- **STRATA**
  - 76% (73 projects)

- **RENTAL**
  - 24% (23 projects)
Results of Economic Testing
Scope of Work

• Test the economic viability of strata resulting from rental replacement requirement in C-2 zoning districts:
  o 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

- $660K (8%)
- $1.5M (18%)
- $2M (25%)
- $2.6M (33%)

Minimum (4 units)  Lower (13 units)  Medium (17 units)  Higher (23 units)

Land Value For Strata Construction @2.5 FSR with no Replacement Requirements

- Impact of Rental Replacement on Land Values @ 20% ROFR
- Residual Land Value

Rental Replacement Scenarios

*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

- $880K (11%)
- $2.2M (27%)
- $3M (37%)
- $4M (51%)

Minimum (4 units)  Lower (13 units)  Medium (17 units)  Higher (23 units)

Land Value For Strata Construction @2.5 FSR with no Replacement Requirements

Impact of Rental Replacement on Land Values @ 100% ROFR

Residual Land Value

*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
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?