



POLICY REPORT
DEVELOPMENT AND BUILDING

Report Date: 26 January 2009
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Meeting Date: February 19, 2009

TO: Planning and Environment Committee of Council

FROM: The Director of Planning and the Managing Director of Social Development

SUBJECT: Demolition of Rental Housing at 4550 Fraser Street and 701 East 30th Avenue

RECOMMENDATION

- A. THAT Council support further investigation by Planning and Social Development staff of available alternatives to replace the existing 89 rental housing units at a site being redeveloped by LM Century Homes Limited and Ledingham McAllister at 4550 Fraser Street/701 East 30th Avenue, including consideration of rezoning of the site to CD-1 to provide for additional density to off-set the rental housing units being demolished, in conjunction with the development of the site at 4545 Prince Albert Street (798 East 29th Avenue); and
- B. THAT Council instruct the Director of Planning to apply to amend section 10.12 of the Zoning and Development By-law, generally as set out in Appendix A, to extend to commercial zones the requirement that a development permit be issued and a building permit issuable before issuance of a demolition permit for rental housing units;

AND THAT Council instruct the Director of Legal Services to prepare the necessary amending by-law, generally in accordance with Appendix A, for consideration at the Public Hearing.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services recommends that Council APPROVE Recommendations A and B.

COUNCIL POLICY

Council's housing priorities are to maintain and expand housing opportunities in Vancouver for low-and-modest income households with priority being given to families with children; seniors on fixed incomes or in need of support; SRO residents; and the mentally ill, physically disabled, and others at risk of homelessness.

Council approved a City Plan directive to maintain a stock of rental housing as one of several actions to maintain affordability in the city.

On May 24, 2007, Council unanimously adopted revised policies and regulations pertaining to the protection of rental housing in existing apartment RM, FM and CD-1 zoned areas of the city. These regulations require that the owner of a property replace, on a one-for-one basis, existing rental housing, where a development of 6 or more units is proposed. Alternative approaches may be proposed.

On October 28, 2008, Council approved recommendations related to the report entitled "Rental Housing Strategy: Process and Consultancies" to undertake a comprehensive analysis of rental housing.

SUMMARY

Building permits BU444004 & BU444005 have been submitted by property developer Ledingham McAllister seeking permission to demolish 82 rental units at 4550 Fraser Street and 7 rental units at 701 East 30th Avenue (together referred to as the "Fraser Street Site"), following the approval of their Development Permit DE412286 to develop 213 strata units. The Fraser Street Site is zoned C-2 Commercial, which is not included in the Rental Housing Stock Official Development Plan (the "Rental Housing ODP"), which sets out the City's rate of change policy and requires one-for-one replacement of existing rental accommodation for developments of 6 or more dwelling units.

The Managing Director of Social Development and the Director of Planning note that the applicant has delayed submission of the application to demolish the existing rental housing units at the Fraser Street Site, partly at the urging of staff. The related development application for the new development will soon be ready to issue.

As discussed later in this report under the heading "Alternatives/Options", as the development permit application for the Fraser Street Site has already been received by the City, it is not possible to amend the Rental Housing ODP to impose rate of change policies on this application.

Staff recommend that Council consider two actions to mitigate the loss of rental housing units, firstly at the Fraser Street Site and secondly, in commercial zones generally, as follows:

- that Council express its interest in further exploration of a possible rezoning of the Fraser Street Site to provide for one-for-one replacement of the existing rental housing units as part of the redevelopment of that site; and
- that the requirement in Section 10.12 of the Zoning and Development By-law, that no demolition permit allowing the demolition of a building with rental housing units be issued unless a development permit is issued and a building permit is issuable, be

extended to commercial zones as soon as possible. Presently Section 10.12 does not apply to commercial [C] and industrial [M & I] zones.

PURPOSE

The purpose of the report is to provide Council with information about the current application considerations at the Fraser Street Site, background on the rate of change policy as set out in the Rental Housing ODP, and recommendations for proceeding forward. A brief history of the rate of change policy (now in the Rental Housing ODP), which applies to apartment areas of the city, is attached as Appendix B to this report.

BACKGROUND

The Fraser Street Site is zoned C-2 Commercial. Properties zoned "C" were purposefully not included in the rate of change policy set out in the Rental Housing ODP, for reasons outlined in the staff report to Council dated April 5, 2007:

Adoption of the rate of change proposals in this report will mean fewer development opportunities in the RM and FM districts. One consequence may be a development focus on C zones of the city, particularly C-2 and C-3A, where developers have been active over the past decade. A significant amount of development capacity remains in these areas which currently often consist of single storey retail or commercial buildings. Development in the C-zones could generate substantial increase in supply at low risk to the rental housing stock. Some C-2 properties do, however, provide residential rental housing units on upper floors, providing relatively affordable accommodation that would be lost through redevelopment. Staff will monitor activity in the C zones, and report back as required.

A review of development activity in "C" commercial zones since May 2007, when the revised rate of change policy came into effect, shows a steady rate of new development. Over 1500 new units have been proposed over that time period, with 167 existing units proposed for demolition (including the 89 for the Fraser Street Site). Assessment of development permits within commercial zones indicates no appreciable change in activity since the rate of change adjustments occurred in May 2007.

Development application DE412286 for the Fraser Street Site is one of the most significant development initiatives involving the loss of rental units in a commercial zone since the adjustments to rate of change policy occurred in 2007. The application proposes to construct a four storey mixed-use building containing retail and office uses at grade plus 213 dwelling units. There are 82 rental units existing on the 4550 Fraser Street portion of the Fraser Street Site, situated above retail floor space which has included a grocery store. There are 7 vacant rental units on the 701 East 30th Avenue portion of the Fraser Street Site, for a total of 89 units within the C-2 buildings.

The Fraser Street Site is linked by current ownership and the developer's interest to an adjacent site addressed at 4545 Prince Albert Street (798 East 29th Avenue) (the "Prince Albert Site"). As the Prince Albert Site is zoned CD-1, it is subject to rate of change requirements in the Rental Housing ODP. It was the developer's original intention to replace the existing 48 rental units on the Prince Albert Site within the Fraser Street redevelopment. While this action is still intended by the developer, the replacement initiative for the Prince Albert Site is deferred for the time being, as it has the effect of linking the two sites and would prevent the developer from seeking a demolition permit for the Fraser Street Site.

Discussions related to rezoning of one or both of these sites did occur in 2007 between the developer and City staff. The proposal featured a significant floor space increase of between 3.0 and 4.0 FSR (over the present 2.25/2.5 FSR allowed under C-2) and building heights ranging between 4 and 16 storeys. At that time, the rezoning proposal did not receive a favourable response from staff, as the scale was seen to be out of context for the area; however, staff did offer to sit down with the developer and explore a form of development and rezoning that would be more in keeping with the Kensington Cedar Cottage Vision and the area.

DISCUSSION

The present application meets the current requirements under the C-2 zoning in terms of uses and regulations. As noted in the background section of this report, it was a decision by Council based on staff's recommendation not to include "C" commercially-zoned areas as part of the amendments to the rate of change policy in the Rental Housing ODP in May of 2007. For this reason, Development Services has continued to process the two applications. The DE for the Fraser Street Site is currently waiting for the applicant to satisfy development conditions before staff issues this permit. The application for the Prince Albert Street Site cannot be issued without securing, through legal agreements, the replacement housing that is required for that site through the rate of change policy. This will be subject of a future report to Council.

The situation regarding the existing rental units at the Fraser Street Site is somewhat complicated. The buildings were developed in the 1970s and it is evident that they are reaching the end of their economic life. In anticipation of the demolition and redevelopment of the property, the existing owner has not re-tenanted units as they have become vacant. Assistance has been provided to some tenants in the form of free last month of rent and moving costs. However, several tenants left without paying rent, and a few of the tenants remaining were refusing to pay rent, putting themselves in a position of being in arrears and subject to eviction. As of the writing of the report, 24 of the 82 units at 4550 Fraser Street were occupied. At 701 East 30th Avenue, all rental units are currently vacant.

Concerns exist about allowing the buildings to remain standing while they are vacant, with possibilities of vandalism and illegal occupancy. For these reasons, the owner and the developers would prefer to demolish the buildings.

ALTERNATIVES/OPTIONS

1. Withhold Permits

Legal Services has advised that the City is not able to rely on Section 570 of the *Vancouver Charter* to withhold issuance of the permits for demolition of the buildings at the Fraser Street Site until the Rental Housing ODP is amended to include commercial zones to impose the rate of change requirements on this site. In order to rely on Section 570, which permits the City to withhold issuance of permits in certain circumstances, an amendment to the Rental Housing ODP must be in the course of preparation, that is, Council must have already instructed City staff to prepare such an amendment as of the date of the permit application. The demolition permit application for the Fraser Street Site was received on January 16, 2009.

2. Explore Options for Replacement of Rental Housing Units

Staff are proposing that Council direct staff to work with the applicant to explore replacement of the 89 rental units at the Fraser Street Site through redevelopment, with considerations to include rezoning of the site. The developer has indicated non-support for such an initiative, given its previous inquiry and its desire to proceed with redevelopment of the Fraser Street Site under the current zoning in a timely fashion.

3. Amend Section 10.12 of the Zoning and Development By-law

Section 10.12 of the Zoning and Development By-law deals with the issuance of permits where residential rental accommodation in certain zoning districts is proposed to be demolished. Section 10.12.2 provides:

"...., where development necessitates the demolition of existing residential rental accommodation, no development permit shall be issued for demolition unless and until a development permit for the new development has been issued.

The development permit for the new development shall not be issued unless and until all building permits for the new development and a building permit for the demolition are issuable."

This demolition protection for residential rental accommodation does not currently extend to C, M or I zoning districts of the City. If Council chooses to proceed with Recommendation B, the exemption for C zoning districts would be eliminated.

FINANCIAL IMPLICATIONS

There are no financial implications.

SOCIAL IMPLICATIONS

Vacancy rates as of October 2008 are 0.3% city-wide. The 89 units which will be demolished represent a 2% loss of rental stock within the "C" commercial zones of the city. However, many of the units are now vacant and tenants have been able to find alternate accommodation, some within the area.

Staff will continue to monitor the overall loss of rental accommodation and report back to Council if adjustments are needed to the existing policy and regulations to further protect existing rental stock.

CONCLUSION

The Managing Director of Social Planning and the Director of Planning believe that the loss of the 89 rental units is regrettable. Given the current circumstances of the buildings, their condition and the extent of vacancies and that C-2 is not presently included in rate of change policy in the Rental Housing ODP, the City has no authority to withhold issuance of the demolition permits for the Fraser Street Site.

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PROPOSED TEXT AMENDMENT

ZONING AND DEVELOPMENT BY-LAW No. 3575

[Deletions are shown in strikeout.]

- Amend Section 10.12:

"10.12.3 The following cases of residential rental accommodation are exempted from the provisions of section 10.12.2:

(a) where located in RA-1, or any ~~C~~, M or I district;..."

Brief History of Rate of Change Policies and Regulations

In the late 1980s, the demolition of increasing numbers of market rental buildings for condominium redevelopment became controversial. Council responded in 1989 by creating a rate of change policy, and amended the zoning in Kerrisdale, South Granville-Fairview, and the various West End RM districts to include "rate of change" regulations (5% respectively in Kerrisdale and South Granville-Fairview, and 2% for the West End, later changed to zero).

As a result, multiple residential developments seeking floor space ratios over 1.0 became conditional instead of outright uses. The amendments required consideration of the "rate of change" as a condition of processing conditional development applications. If the rate of change based on the 12 month loss of rental housing units exceeded the percentage thresholds, development applicants had to satisfy guidelines intended to mitigate the "excessive" rate of change. Mitigation measures in the existing guidelines include providing accommodation for neighbourhood residents within the new development, creating a net increase in units, and providing some moderate or low cost housing. However, with the exception of the West End, development thresholds never exceeded the set out rates of change in the other two neighbourhoods.

In May 2007, in response to the demolition of several older apartment buildings in the South Granville area (Broadway and Granville area) and Kerrisdale, Council undertook the following actions:

1. established an Official Development Plan for the preservation of rental stock;
2. expanded the rate of change consideration to all RM, FM and CD-1 zoned areas of the City (as most areas of the City with Official Development Plans are zoned CD-1, rate of change also applies in areas such as the Downtown District);
3. set the rate of change to zero;
4. required that all apartment development greater than 5 units in the rate of change areas replace existing rental on a one-for-one basis, or through alternate proposals.

The Public Hearing to approve the necessary changes occurred on May 17 and 24, 2007. Council enacted the changes immediately following the Public Hearing.

The changes to the rate of change policy, and the accompanying regulations, resulted in fewer applications for redevelopment in all the affected areas. The majority of the proposals have involved limited numbers of rental housing units, mainly involving houses with secondary suites. There have been a few instances of the loss of rental units where property developers have proceeded with five units to avoid the replacement policy.