



Short Term Incentives for Rental - Frequently Asked Questions

May 11, 2010

Q: What is the STIR Program?

A: The STIR program - Short Term Incentives for Rental -started in July 2009. STIR is a time limited program running until December 2011 to encourage the construction of market rental housing and to create construction jobs in response to the economic recession in 2009.

With a shortage of private sector development and senior government program support for increasing the supply of rental housing, the City is offering incentives to encourage more private sector market rental housing.

STIR has two streams. The first expedites approval for projects that fit within existing zoning parameters and require no increase in density. The second is for proposals that require an increase in density to be viable, making rezoning necessary.

The program currently has approximately 1,000 units in the enquiry/application process.

Q: Why did Council start the STIR program?

A: More than half of Vancouver households (52 per cent) are renters. Little purpose built rental housing has been built over the last 25 years. Only about 6 per cent of new market development since 2004 has been for rental housing. In response to the strong demand for more rental housing, Council passed a motion in March 2009 asking the Mayor to convene events to engage City staff with housing specialists, developers, real estate consultants, architects and designers, neighbourhood leaders and other stakeholders to seek their advice and input on short term measures by which the City can increase the stock of rental and affordable housing. Those sessions occurred in April 2009.

Q: Why has there been so little development of rental housing in recent decades?

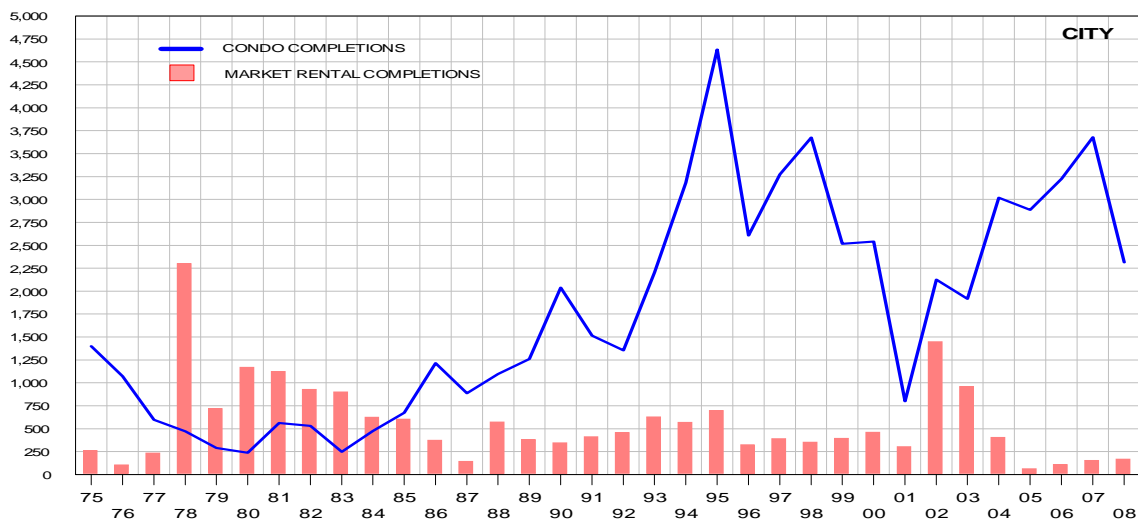
A: In 1966, BC passed the Strata Titles Act which ushered in the condominium era, by making it possible for developers to subdivide apartment blocks into individual units for sale. Rental housing became uncompetitive compared to the more profitable condo market, and rental housing development declined significantly in BC and across Canada. In the 1970s, there were several programs that increased the supply of rental housing. The last of these programs ended in the 1980s.

Changes to the federal tax system further discouraged investment in rental properties by not allowing capital gains reinvested in rental housing to be exempt from capital gains tax.

Since the mid-1980s, the development of rental housing has been significantly lower than the development of housing for ownership. (See Figure 1). Since 2004, about 180

units of rental housing are completed every year. Units for ownership, on the other hand, number about 3,000 every year.

Figure 1: Multi Residential Completions



This has meant little new purpose-built rental housing and continued pressure on older rental housing stock to accommodate households that cannot afford home ownership.

Q: What consultation has occurred under STIR?

A: Council wanted to act quickly to implement a program to increase the supply of rental housing to take advantage of a period of economic uncertainty.

As a result, consultation focused on the Mayor’s Roundtable with industry, community organizations and individuals involved in housing. Suggestions were added in to the Council report.

Q: What does affordability mean under the STIR program?

A: The STIR program provides City incentives to private sector developers so that building rental housing becomes economically viable. The objective is to achieve rents that are affordable to households in the regular housing market looking for rental housing. Staff evaluates affordability of STIR proposals by looking at interior finishes, unit sizes and design features.

Q: Why doesn’t the STIR program include rent control?

A: Rent control is beyond the mandate of municipalities. Rent increases are governed by provincial legislation under the Residential Tenancy Act.

Rental housing has generally been unprofitable for developers. The STIR program encourages the private sector to increase the supply of market rental housing by making rental development viable at prevailing market rents. Setting rent levels below market renders projects even more financially unviable and development unlikely.

Q: Why doesn't the STIR program require that rents be set relative to income and assist lower income households?

A: Staff investigated whether deeper levels of affordability, such as housing for core-need, could be achieved through the program. It was discovered that the costs for most sites were too great - in the millions of dollars - and the City would not be able to take on these costs itself. Further, the additional density required to make rental housing viable would create buildings too large for their context. This would also result in the City using its limited tools to address a responsibility traditionally addressed by the Province.

To take one example in Vancouver's Eastside, it was determined that the incentives needed would include doubling the density of the building plus an annual operating grant. The total value of these incentives would be over \$8 million in capital plus several hundreds of thousands of dollars per year in operating subsidies. A collaborative government approach with funding and programs from senior levels of government is needed to achieve housing at below market rents.

STIR is one of many City programs in place to address the issue of housing affordability. The City plays a major role in providing land to non-profit groups who obtain subsidies from senior governments to build and operate low-income housing. Other City initiatives include the Interim Housing Strategy, 20 per cent Inclusionary Zoning Policy, and the Single-Room Accommodation Bylaw. For more information, please see www.vancouver.ca/housing

At the provincial level, rent supplements are offered through Shelter Aid for Elderly Renters (SAFER) and Rental Assistance Programs. For more information, please see: <http://www.bchousing.org/applicants/affordable>

Q: Will the STIR Program displace existing tenants?

A: STIR projects cannot be developed on sites where existing rental housing would be demolished and the new development would include six or more units. The existing rental stock provides accommodation to a significant portion of Vancouver's population. In order to protect the rental housing stock, Vancouver has rate of change regulations requiring the replacement of the rental units on a 1 to 1 basis. This can be done on or off-site or through another form of affordable housing.

Q: What incentives are offered to developers?

A: The STIR program offers the following incentives to build rental housing:

- a. Property tax assessment
- b. Development Cost Levy (DCL) waiver;
- c. Parking reductions;
- d. Density increases;
- e. Expedited permit processing

Q: What does “property tax assessment” mean?

A: A property tax assessment occurs when a stratified unit is encumbered by a Housing Agreement limiting the unit to rental, usually for life of the building. BC Assessment Authority will re-value the assessed value of the stratified unit as rental and not strata titled. If the unit is not stratified and encumbered with a Housing Agreement, there is no incentive, since the unit is assessed as rental without reference to assessment as a stratified unit.

Q: How does a “waiver of development cost levies” work?

A: The Vancouver Charter provides for the waiver of DCLs for “*for-profit affordable rental housing*”. Council passed a bylaw in July of 2009 to enable the waiver of DCLs for rental housing when the tenure is secured by a Housing Agreement. All Housing Agreements for STIR projects have thus far resulted in a term of life equal to the building’s lifespan.

The bylaw allows the City Manager to determine affordability, which STIR defines as market rental housing for those who cannot afford to buy a home.

Q: How is the parking reduction calculated?

A: The reduction of parking is measured against the standards prescribed in the Parking Bylaw for the program and adopted by Council in July 2009.

Q. Does STIR over-ride planning policy or urban design considerations?

A: No. Each STIR enquiry is evaluated against current planning policy and requests for increased density are reviewed using a variety of urban design criteria including views, shadowing, scale and building character.

Q: What does expedited permit processing mean?

A: STIR projects are identified at the application stage by staff and particular attention paid to the schedule and timelines associated with processing to permit

issuance. In some cases, applications for rezoning and development permit are undertaken concurrently shortening review time.

Q: Where are STIR projects located?

A: There are currently seven development applications under the STIR program throughout the City, for a total of 471 units. They are at:

1215 Bidwell and 1401 Comox	West End
1240 Howe and 1142 Granville	Downtown
1418 E 41 st , 963 E 19 th and 3068 Kingsway	East Vancouver

Q: Does Council approve all STIR projects?

A: Council approves projects that require rezoning to change land use regulations - such as permitted uses, building height and density - at a public meeting. Decisions on development permit applications within current zoning regulations are dealt with by the Director of Planning or at the Development Permit Board in a meeting open to the public.