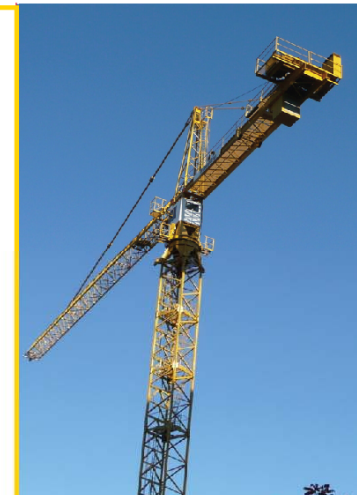
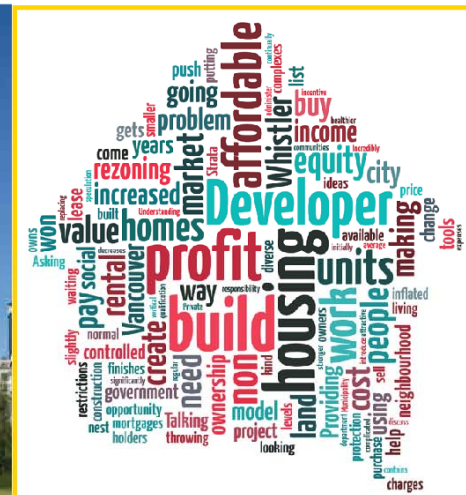




Results of Short Term Incentives for Rental (STIR) Program Presentation to City Council March 27, 2012

Presentation Outline

Background and Objectives STIR Results Lessons



What is STIR?

Council approved the Short Term Incentive for Rental (STIR) Program on June 2, 2009

2.5 year pilot to increase purpose-built market rental during the economic downturn

Incentives offered

- DCL Waiver
- Parking Reductions
- Density Bonus
- Expedited Processing



Why is Rental Housing Important?

Essential to a healthy and vibrant economy

Essential workers and new workers from other parts of Canada or the world are often renters

Allows modest income households to live in Vancouver

Median income of renters is half that of owners

Meets the needs of diverse populations

Accommodates people at different stages of their lives (e.g. young people, unmarried, seniors, and recently moved)

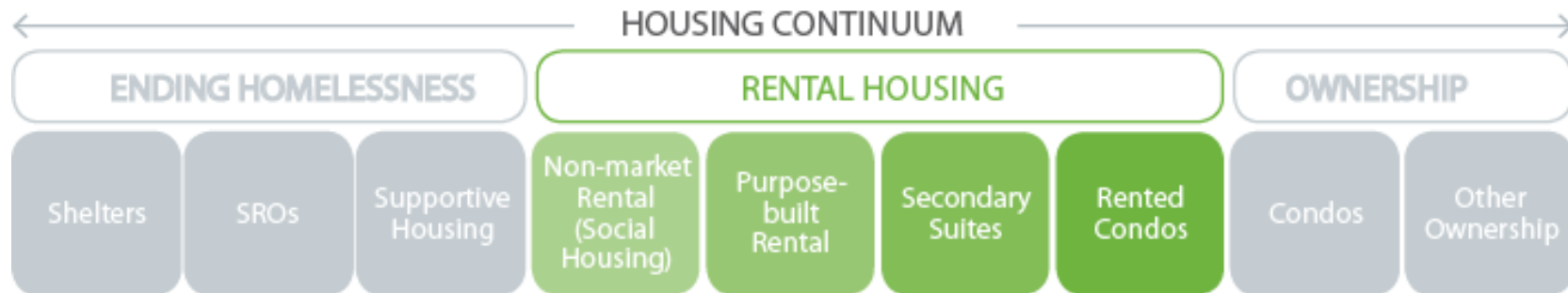


Why is Rental Housing Important?

"Vancouver's economy depends on attracting and retaining talent. Affordable housing of all types, including market rentals, is essential to the City's current and future competitiveness."

**John Tylee, Director of Policy and Research
Vancouver Economic Development Commission**

Need for Rental Housing

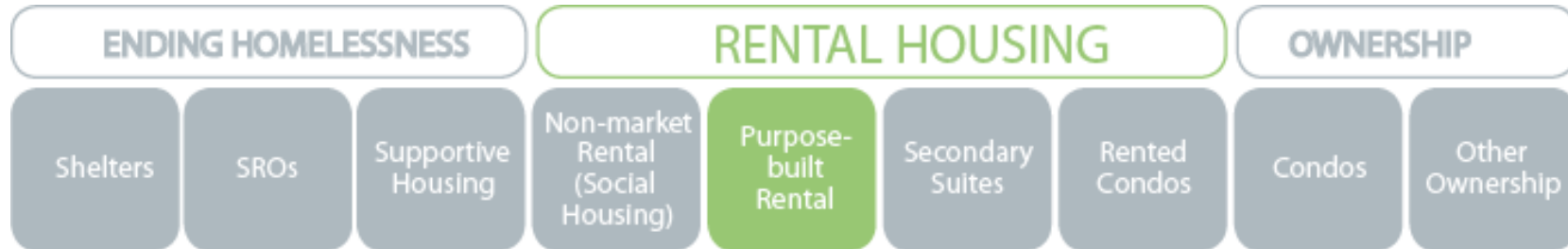


1,500 new units of rental housing needed every year

Social housing	500 units
Purpose-built market rental	500 units
Secondary rental (e.g. laneway houses, rented condos)	500 units

Source: City's Rental Housing Demand and Existing Supply, 2009

Need for Purpose-Built Rental Housing



Why purpose-built market rental?

- ✓ Long-term stability
- ✓ Becomes more affordable over time

What about rented condos?

Rented Condos are important but have limitations

- 32% of condominiums (22,000 units) are rented
- limited security of tenure
 - Owner can decide to sell at any time
- Uncertainty around future supply
 - Dependent on condo supply and investment climate
 - Strata-bylaws and rental restrictions
- more expensive compared to purpose-built market rental
 - 37% higher rent for 1-bedroom

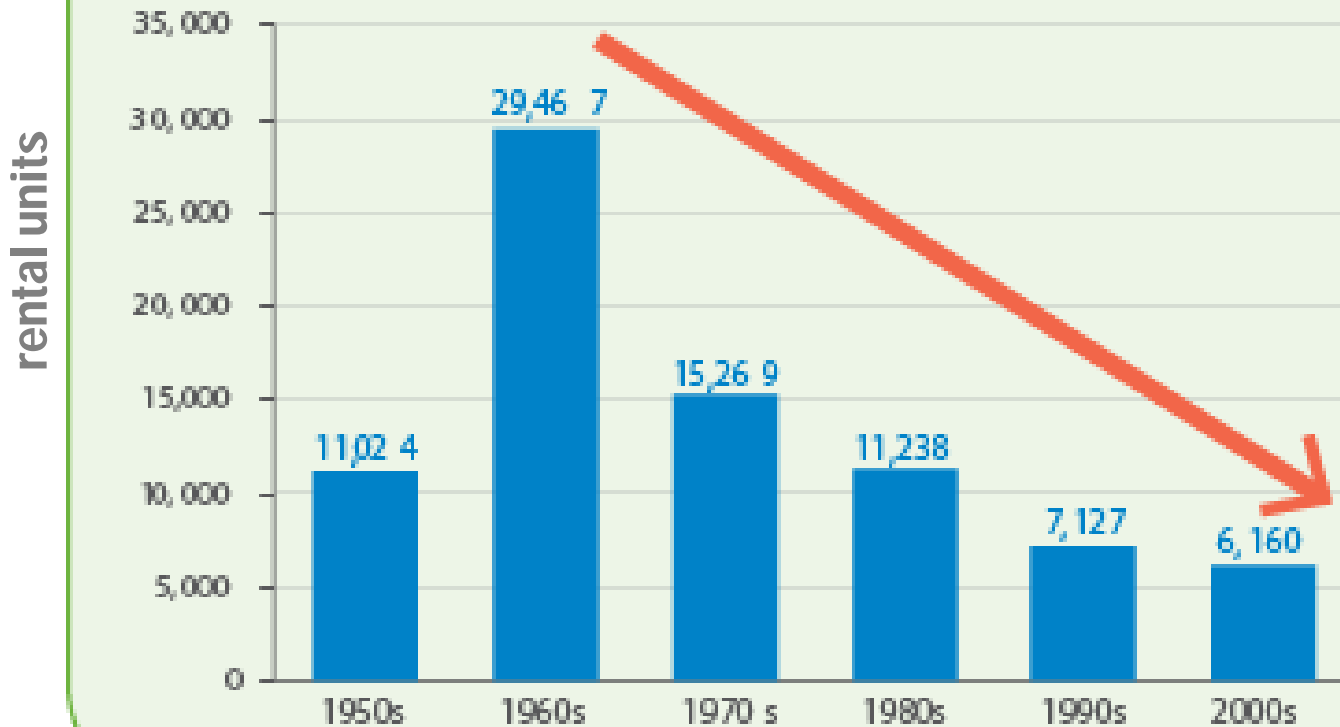
Source: CMHC Rental Market Report, 2011



Rental Housing Challenges

Limited new supply of market rental housing in recent decades

Market-rental Apartment Completions by Decade (occupied)



Notes:

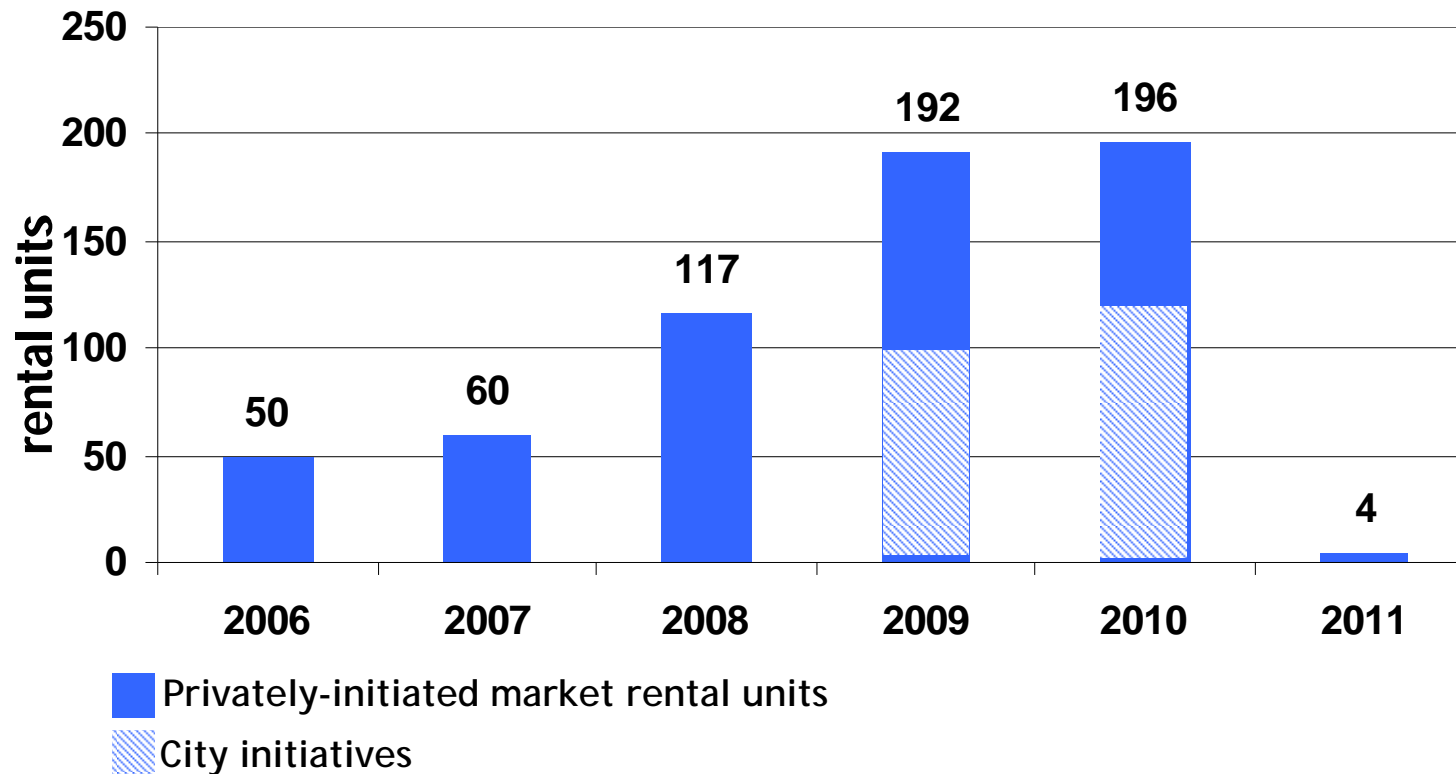
Rental units in the 1980s, 1990s, and 2000s includes both stratified and un-stratified rental units

Source: CMHC

Rental Housing Challenges

Very limited new rental units constructed over last five years
(average 150 units/year)

Market-rental Apartment Completions (Occupied) 2006 - 2011



Majority of rental units built in 2009 and 2010 were City initiatives

1 Kingsway:
98 units (City-built)

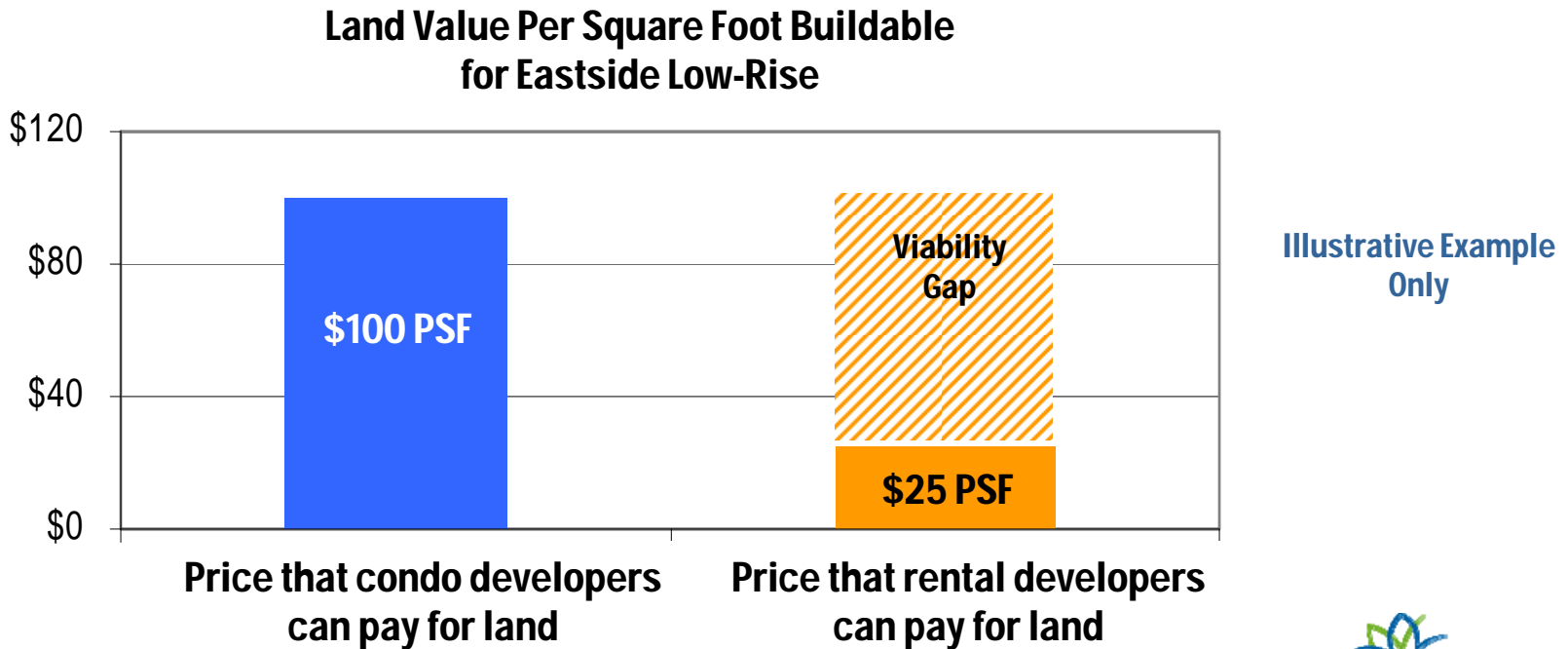
Olympic Village:
119 units (policy requirement)

Economics of Rental Housing

Why is developing rental difficult?

STIR incentives are intended to help overcome “viability gap” for rental projects

High land costs and competition with condominium developers make building purpose-built rental housing unfeasible in most cases



Source: Coriolis Consulting (November 2009)

STIR: Short Term Incentives for Rental

Purpose

- 2.5 year pilot (2009-11)
- Test City's ability to enable Market Rental Housing construction without senior govt's
- Use opportunity of slow construction market to attract activity to rental sector
- Increase construction-related jobs

Incentives Offered

- Parking reductions
- Density bonus
- DCL waivers
- Expedited processing



STIR objectives

1. Increase supply of market rental housing
2. Respond to economic downturn and stimulate employment
3. Support the City's sustainability goals by encouraging rental housing along commercial arterials, 'high' streets, and transit centres
4. Encourage development of market rental housing for households that cannot afford to buy a home
5. Inform City's long-term housing policies by testing City's ability to enable Market Rental Housing without senior government assistance





1215 Bidwell 5656 Victoria
1240 Howe 3701 W Broadway 3068 Kingsway 1650 Quebec 2730 E. 41st
2784 E. Hastings 1281 Hornby 4320 Slocan 8440 Cambie
8495 Granville 1401 Comox 1142 Granville 1620 W 6th
2215 E Hastings 1349 Granville
2551 Kingsway 963 E 19th
3522 Porter 1418 E 41st
1600 Beach

STIR Results





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 3522 Porter 1600 Beach

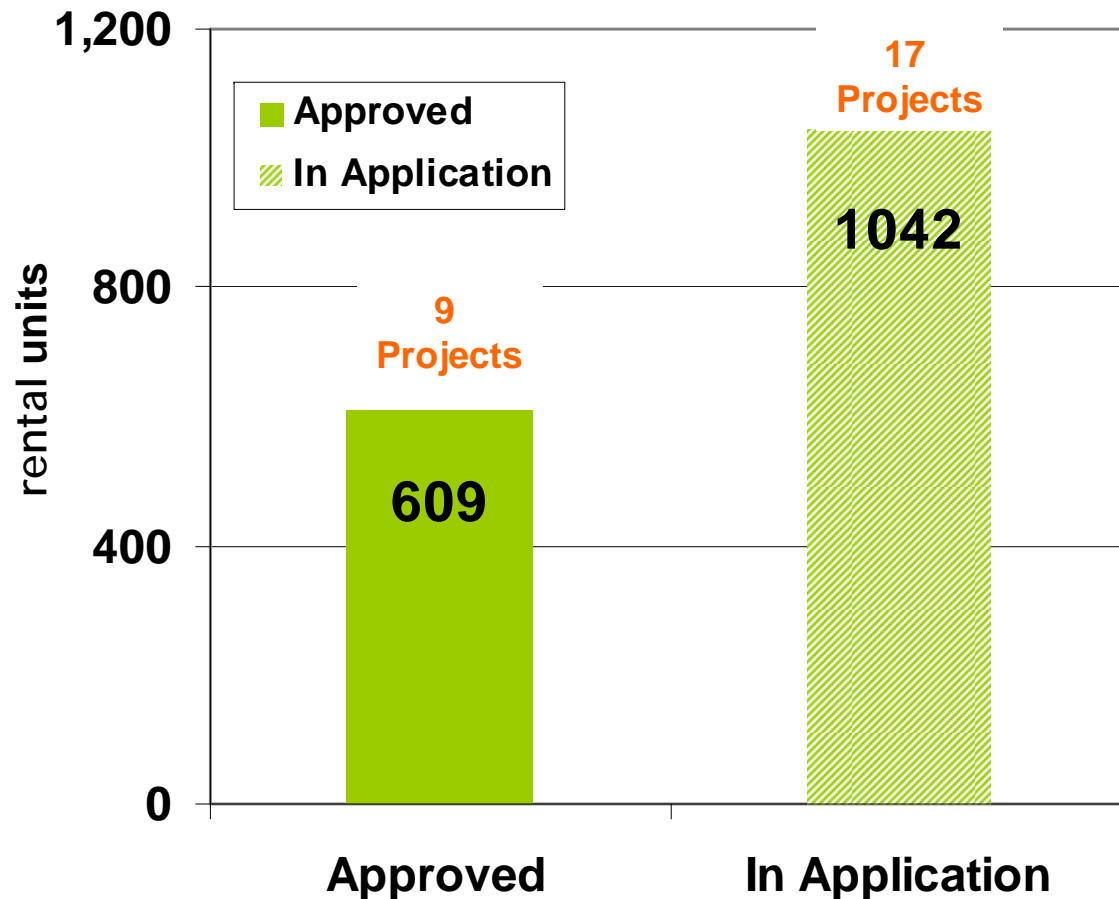
STIR Results
Objective 1:

Increase supply of rental housing



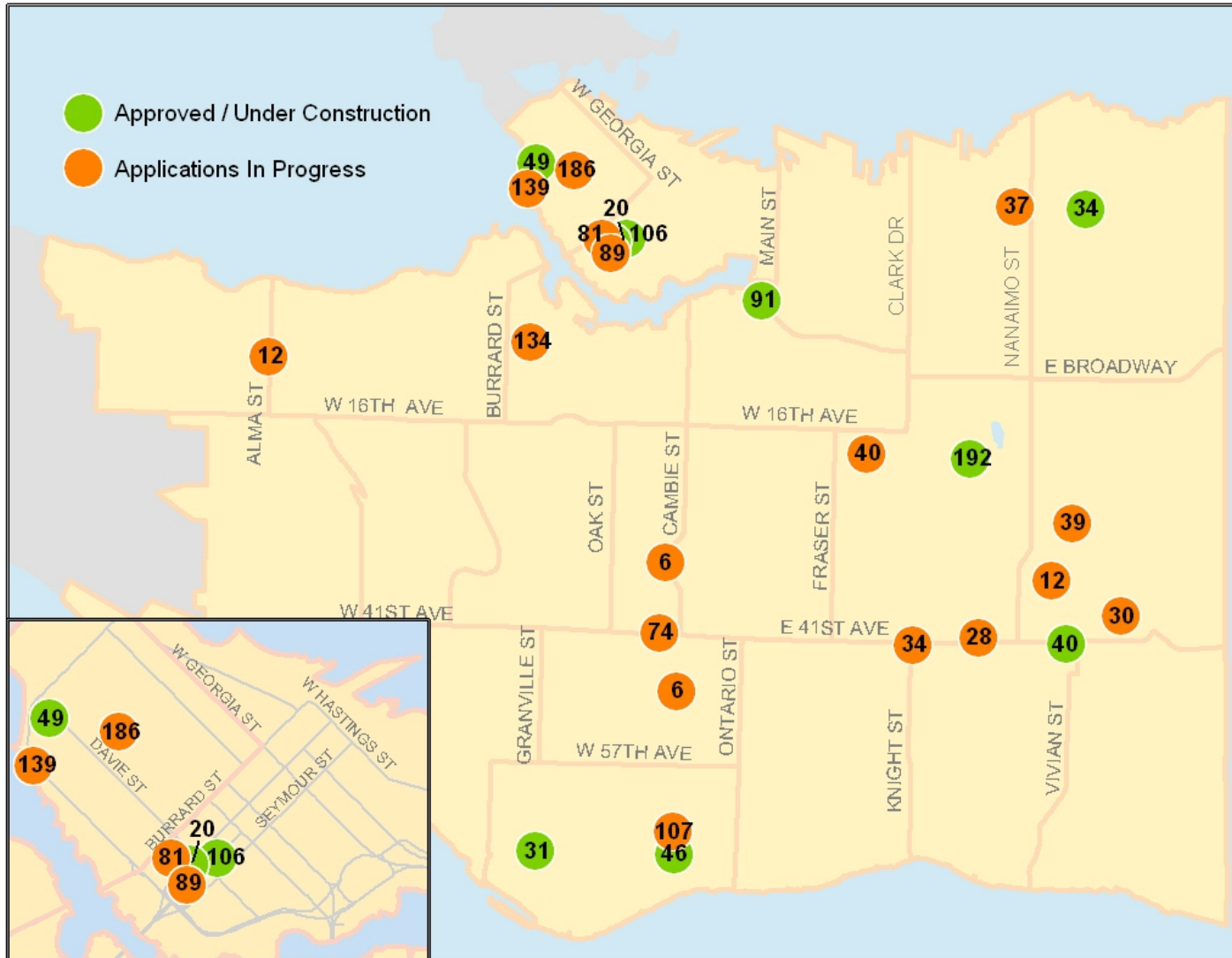
✓ New market rental units created

New Market Rental Construction, Approved and "In Application" June 2009 – December 15, 2011



Approved	609
In Application	1,042
TOTAL	1,651

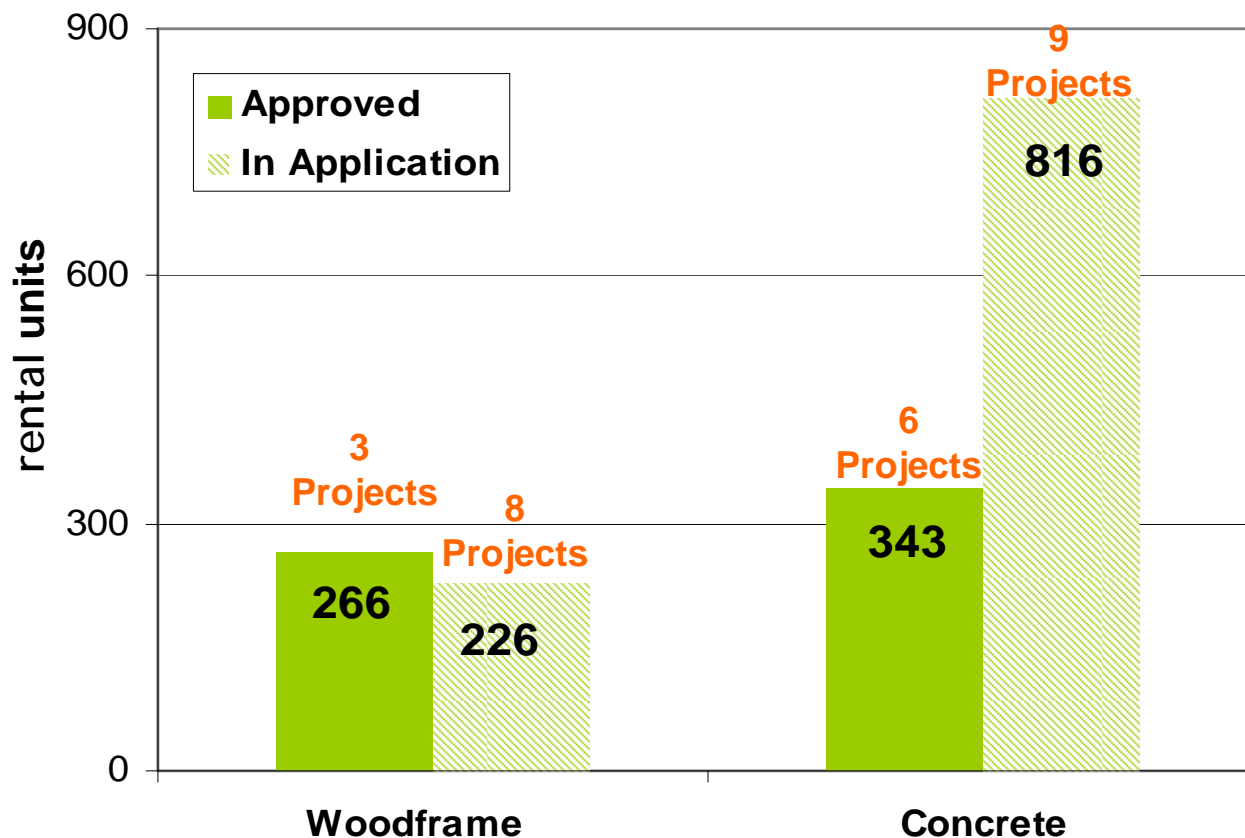
✓ STIR projects across the City



% TOTAL	
Eastside	29%
Westside	25%
West End	23%
Downtown	23%
Total	100%

✓ Projects in both woodframe and concrete

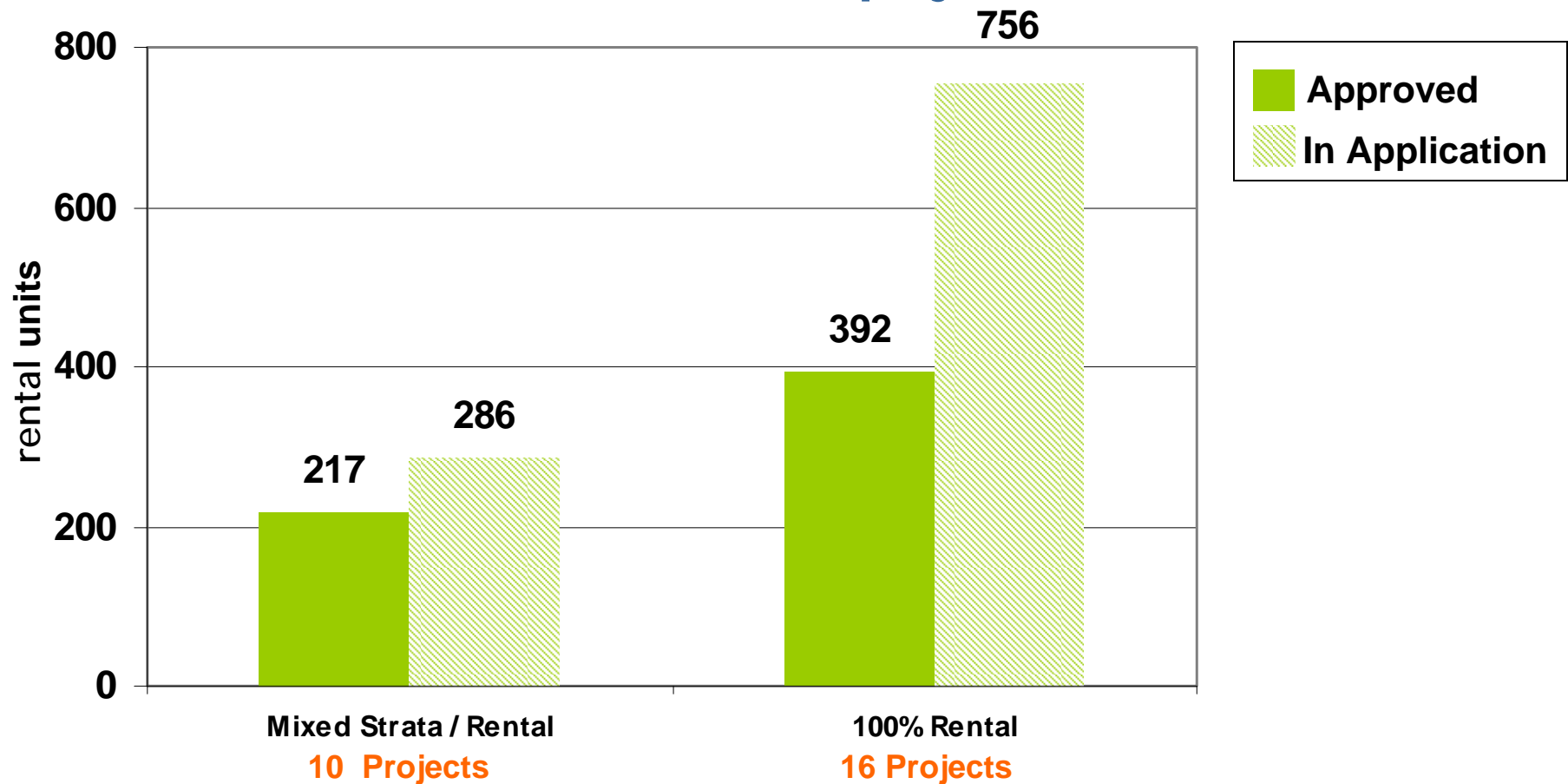
More market rental units achieved in concrete



% TOTAL	
Concrete	70%
Woodframe	30%
	100%

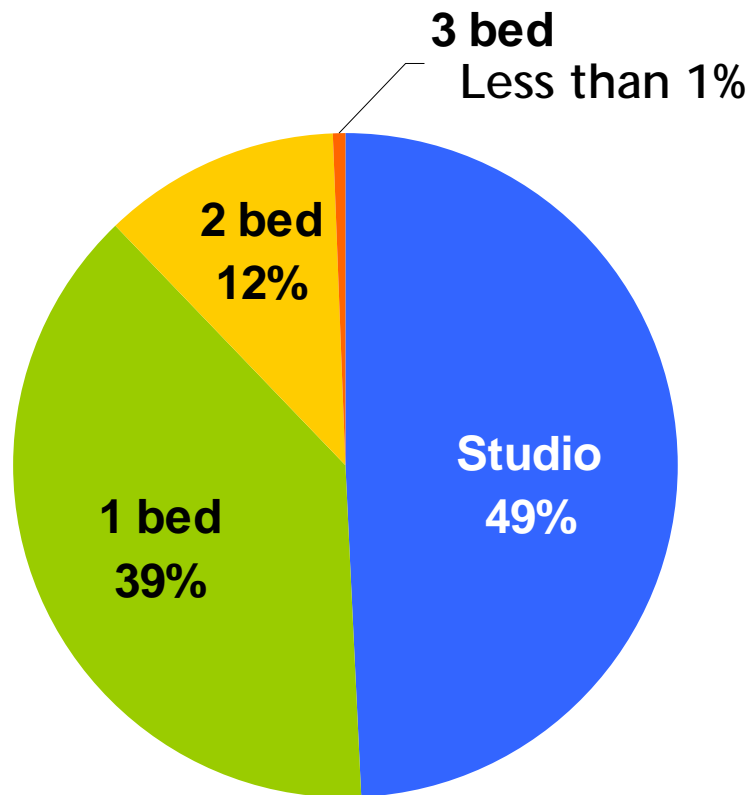
✓ Two types of projects created:
Mixed strata/rental and 100% rental

Significantly more market rental units created with mixed strata/rental vs. 100% rental projects



Majority of units are bachelor and one-bedroom

More bachelor and one-bedrooms compared to existing rental stock



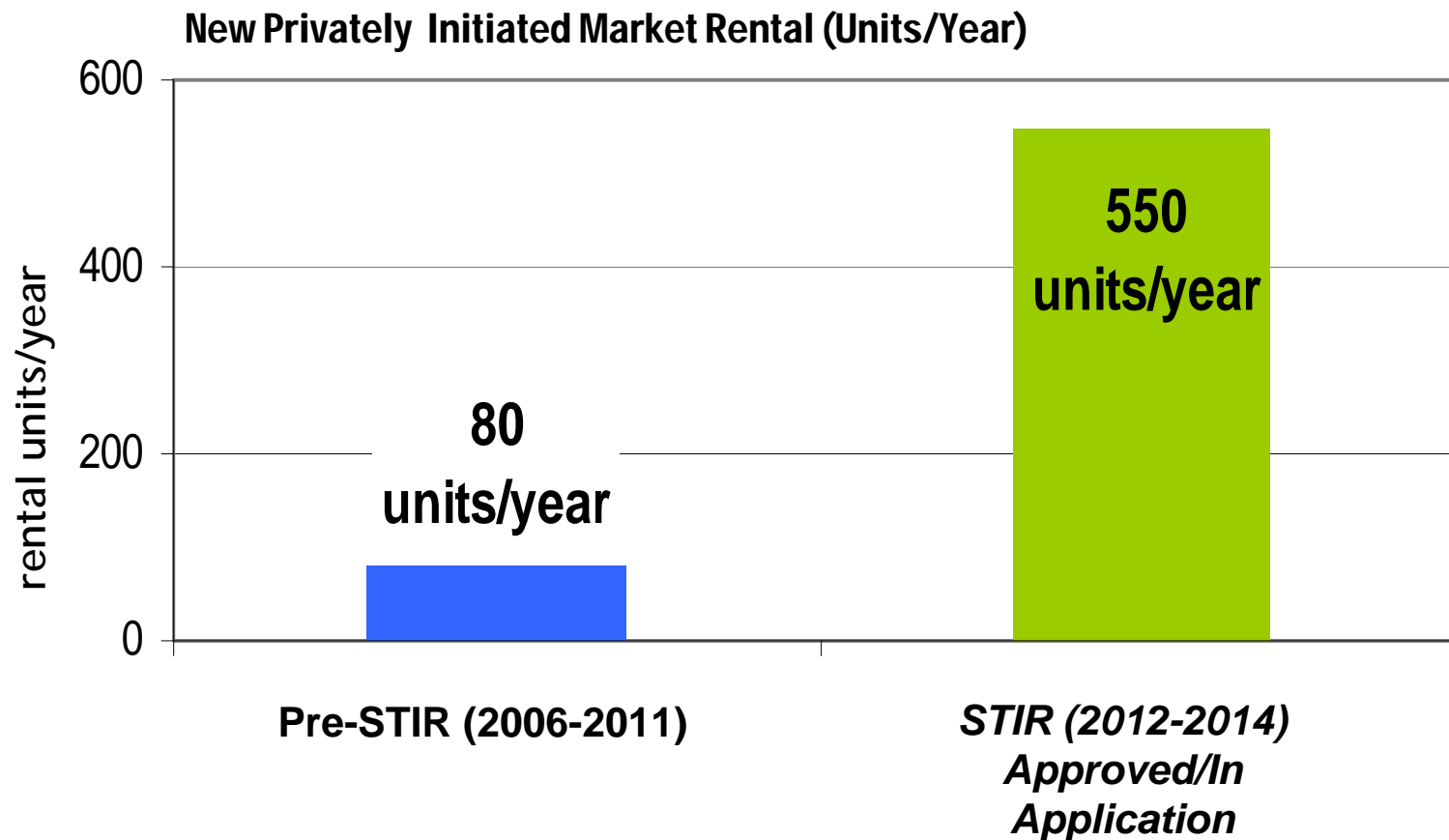
EXISTING RENTAL STOCK

- Bachelor 15%
- 1 bed 67%
- 2 bed 16%
- 3 bed 1%

Source: CMHC, 2011 Rental Market Survey

Effect of STIR on market rental housing production

Significantly more market rental units as a result of STIR





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STIR Results

Objective 2:

Respond to economic downtown and stimulate employment



✓ New jobs created

**609 approved market rental units x 2.8 jobs per unit
(multi-unit projects)**

=

1,705 new jobs created

In addition, the 1,042 market rental units in application could create an additional 2,900 new jobs

Note: Formula from CMHC



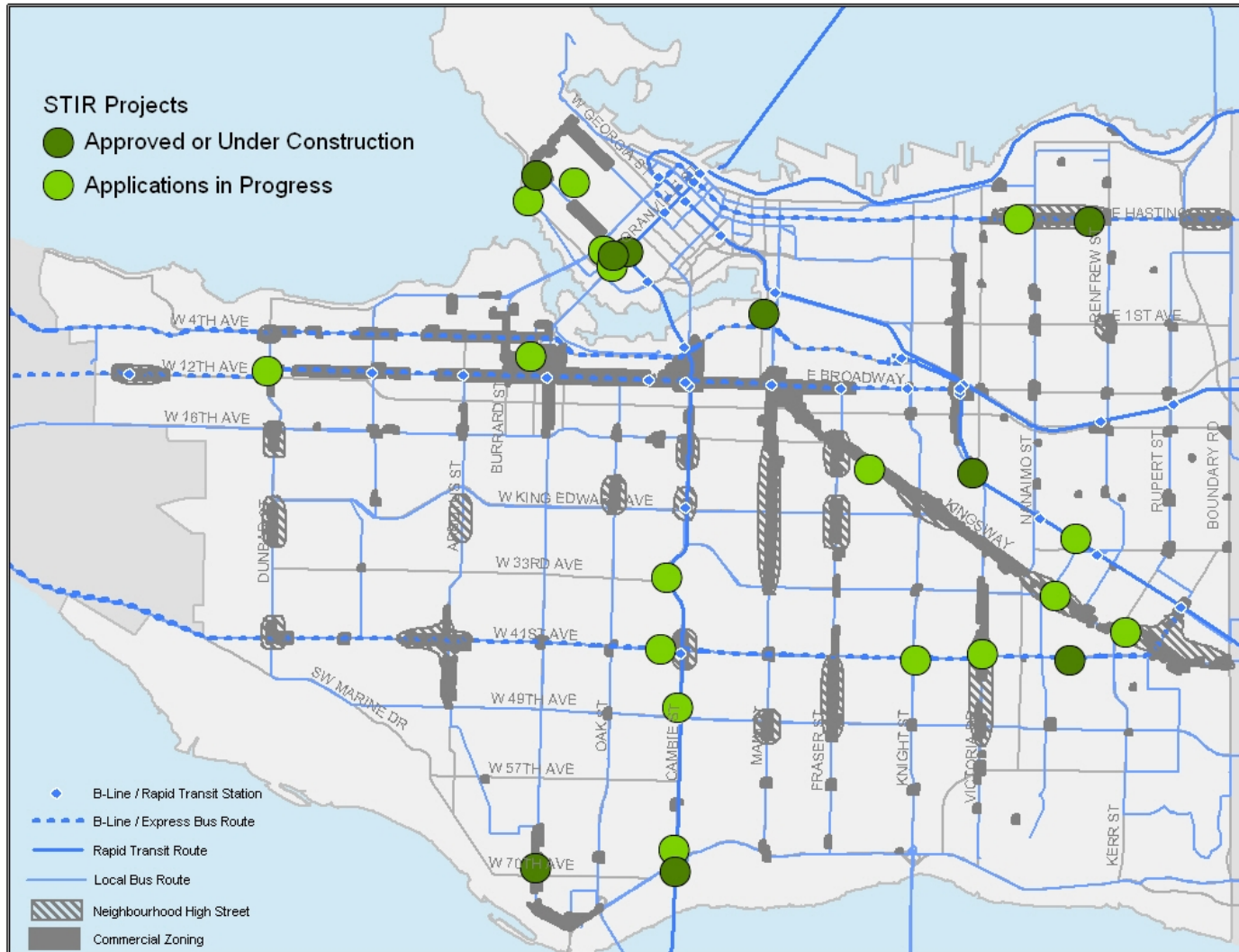
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STIR Results

Objective 3

Support the City's sustainability goals to encourage rental housing along commercial arterials, neighbourhood 'high' streets, and transit centres

✓ All projects located along arterials, neighbourhood 'high' streets, or transit centres





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 3522 Porter 963 E 19th 1281 Hornby
 1240 Howe

STIR Results

Objective 4:

Encourage development of market rental for households that cannot afford to buy a home

Affordability under STIR

Affordability was encouraged in following ways:

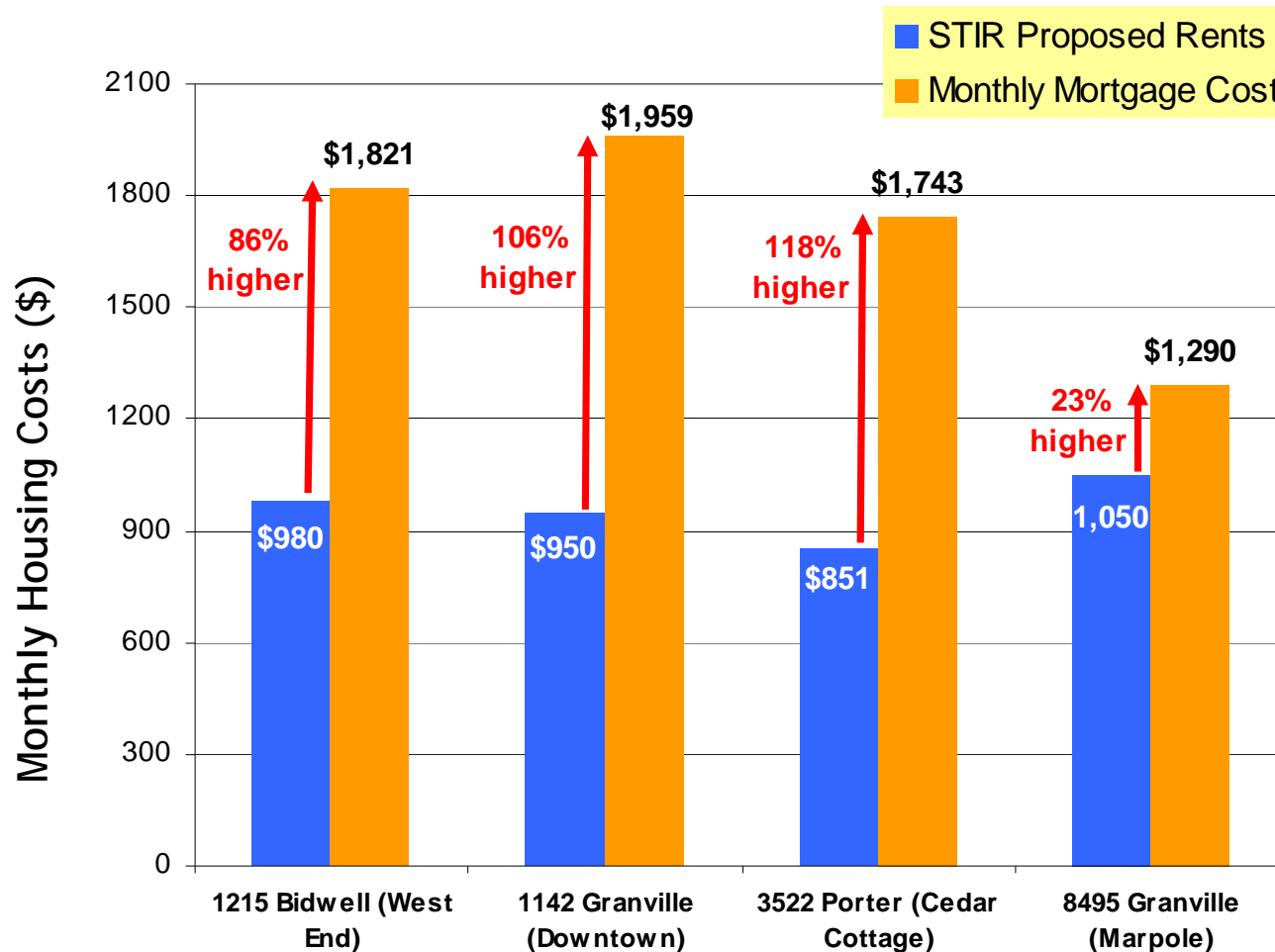
- **Renting is inherently cheaper than owning**
- **“Modesty requirements” to keep unit sizes small, finishings basic**
- **Limited private amenities**

The City acknowledged that STIR could not meet the needs of low-income households, who require senior government subsidies



✓ Renting is a more affordable option than owning

Monthly Costs – Proposed STIR Rents vs. Home Ownership (Bachelor)



Ownership Assumptions:

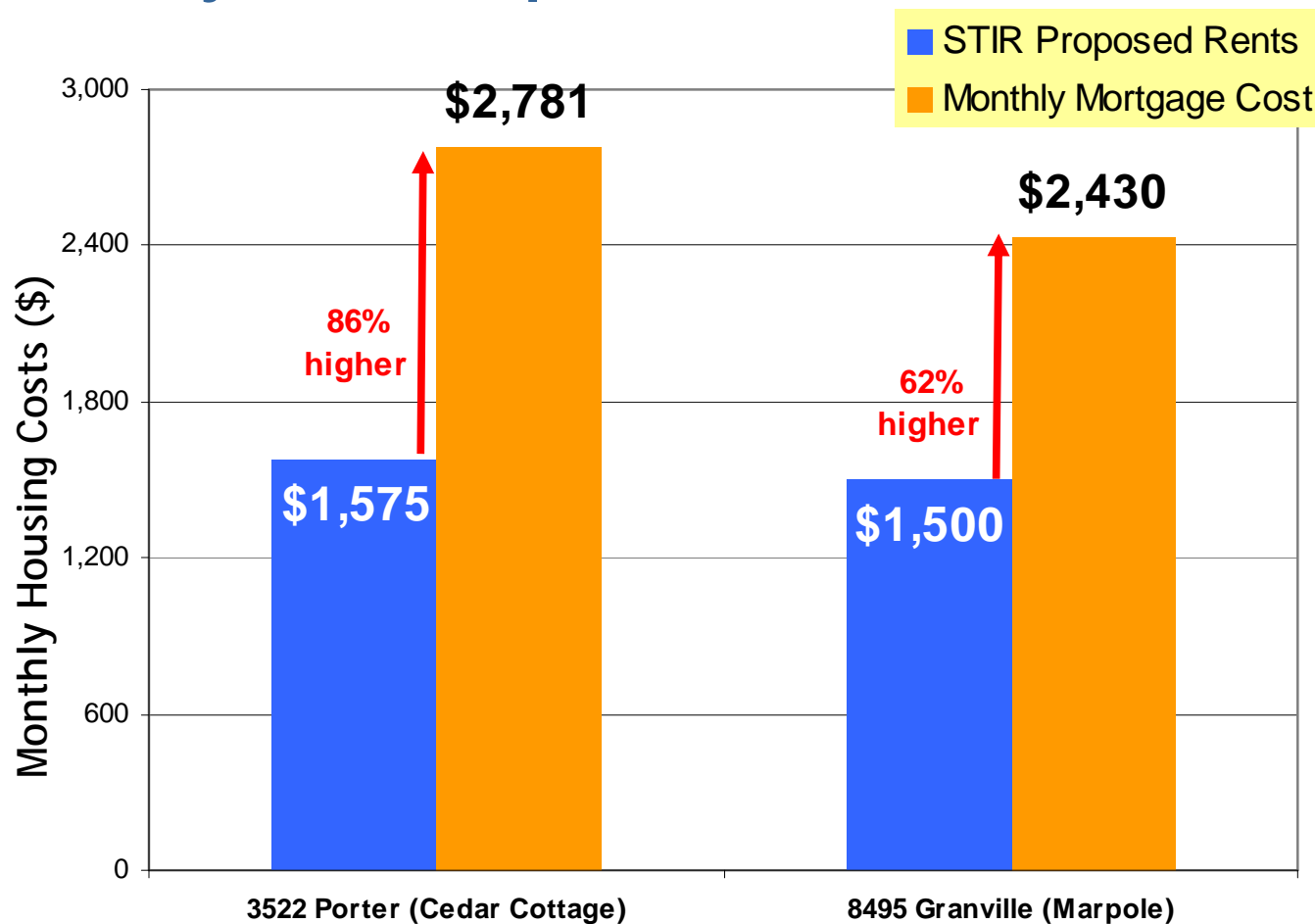
- 10% downpayment
- 5% interest rate
- 25 year amortization
- Property tax rate: \$3.59 per \$1000 assessed value
- Strata fees: \$150/month

Note:

- MLS Average sales 2011 by area

✓ Renting is a more affordable option than owning

Monthly Costs – Proposed STIR Rents vs. Home Ownership (2 bed)



Ownership Assumptions:

- 10% downpayment
- 5% interest rate
- 25 year amortization
- Property tax rate: \$3.59 per \$1000 assessed value
- Strata fees: \$250/month

Note:

- MLS Average sales 2011 by area



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 3522 Porter 1240 Howe

STIR Results

Objective 4:

Inform City's long-term housing policies by testing City's ability to create market rental housing without senior government assistance

✓ All STIR units were created using only City-level incentives

**Density
Bonus**

**DCL
waiver**

**Parking
Reductions**

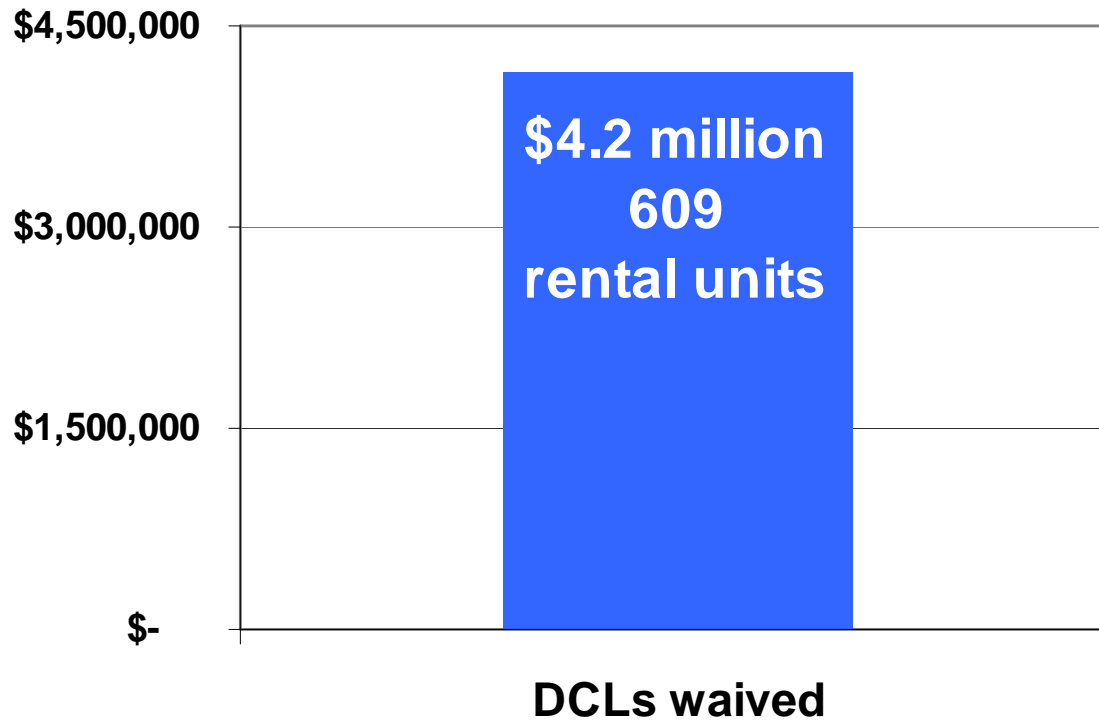
**Expedited
Processing**

9 approved projects
609 market rental units

DCL waiver

✓ 100% take-up of DCL waiver

DCL waiver was the most popular incentive



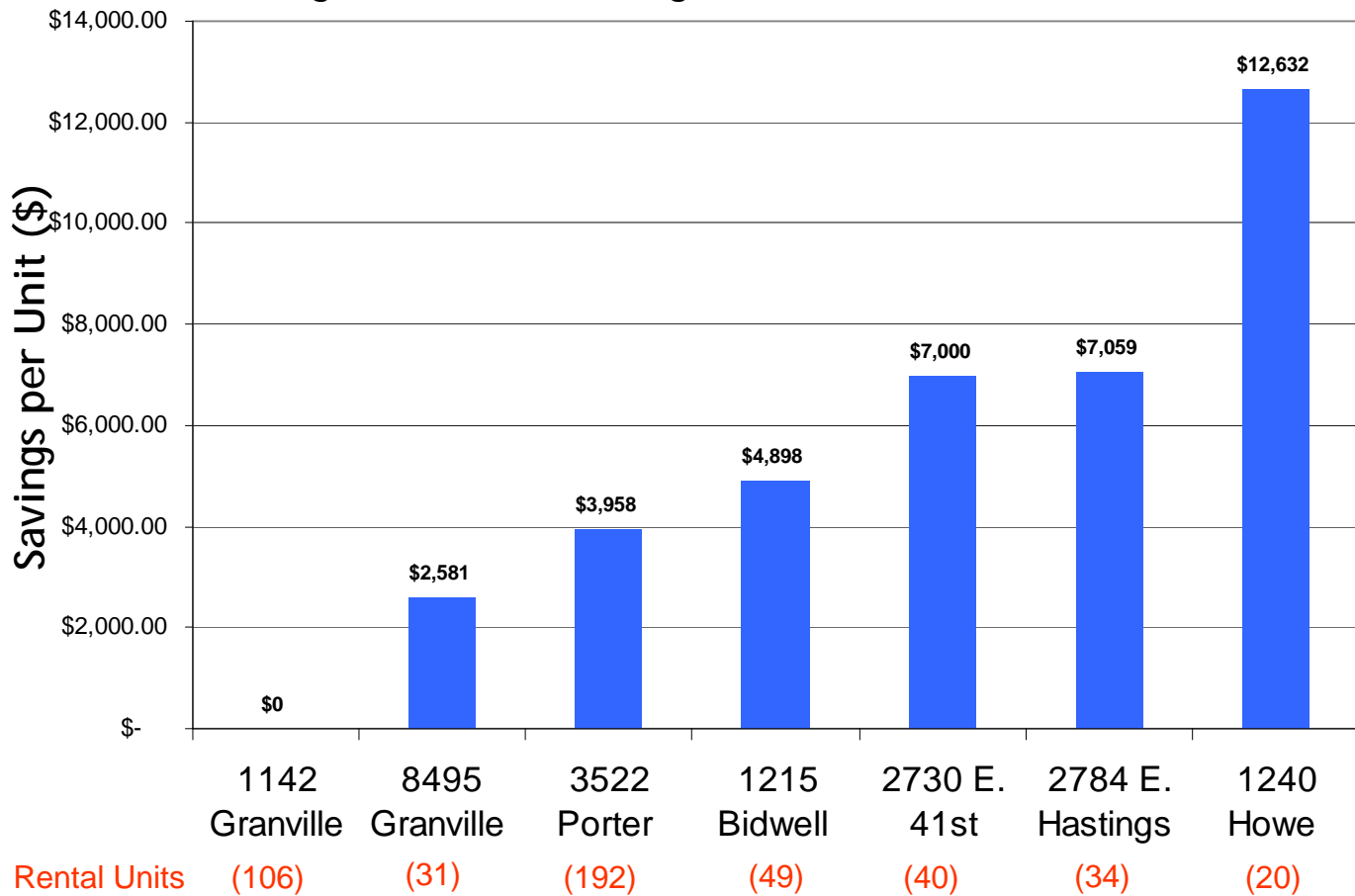
DCL WAIVER:
\$6,800 PER UNIT

Parking Reductions

✓ Over 75% take-up

Parking reductions lowered a project's cost by \$2,600 - \$13,000 per unit

Parking Reductions – Savings Per Unit

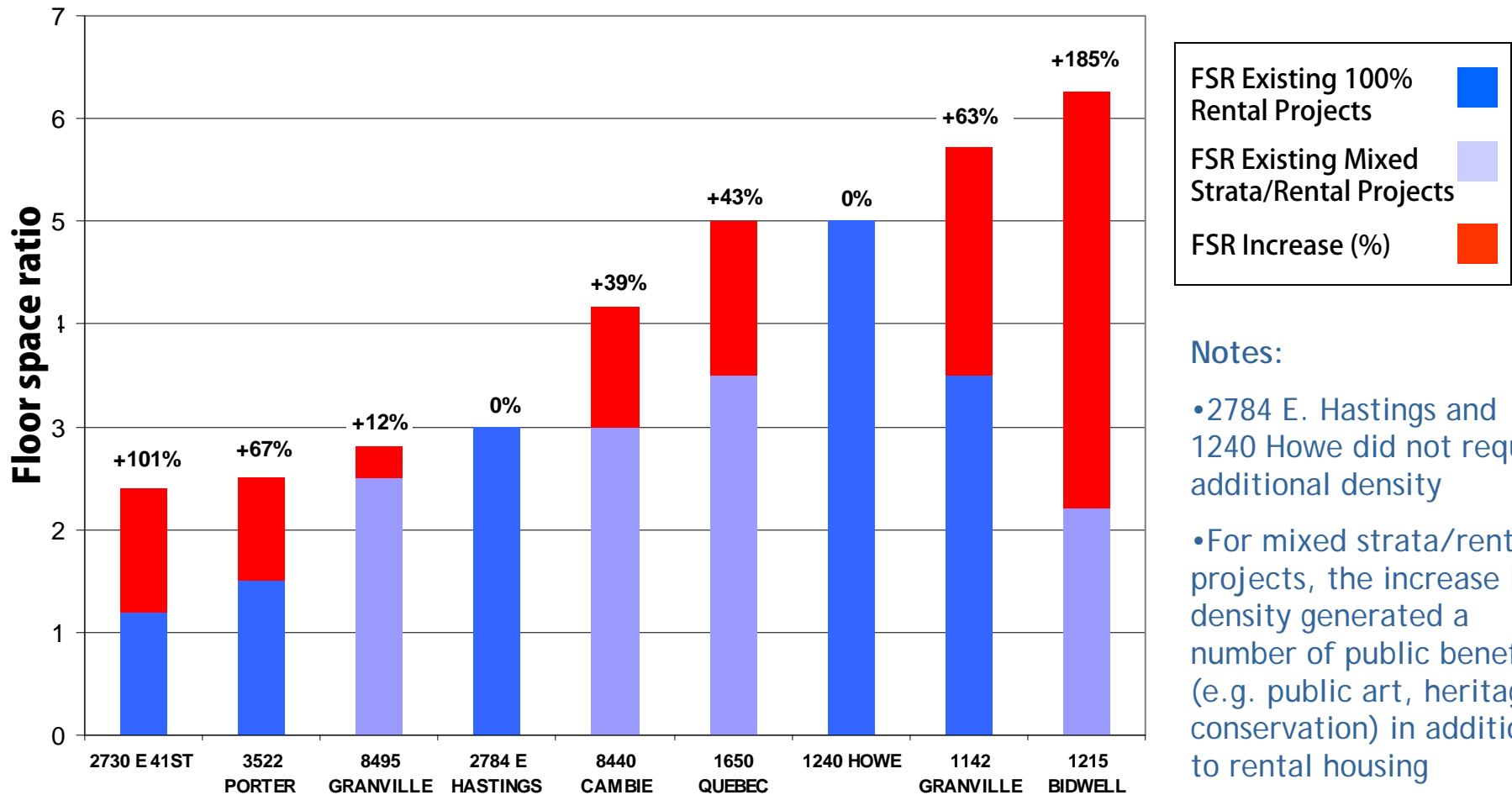


SUMMARY
SPACES REDUCED:
46
SAVINGS
Per stall: \$40,000
Total: \$1.84 M
AVERAGE SAVED PER RENTAL UNIT:
\$3,900

Density Bonus

✓ Over 75% take-up

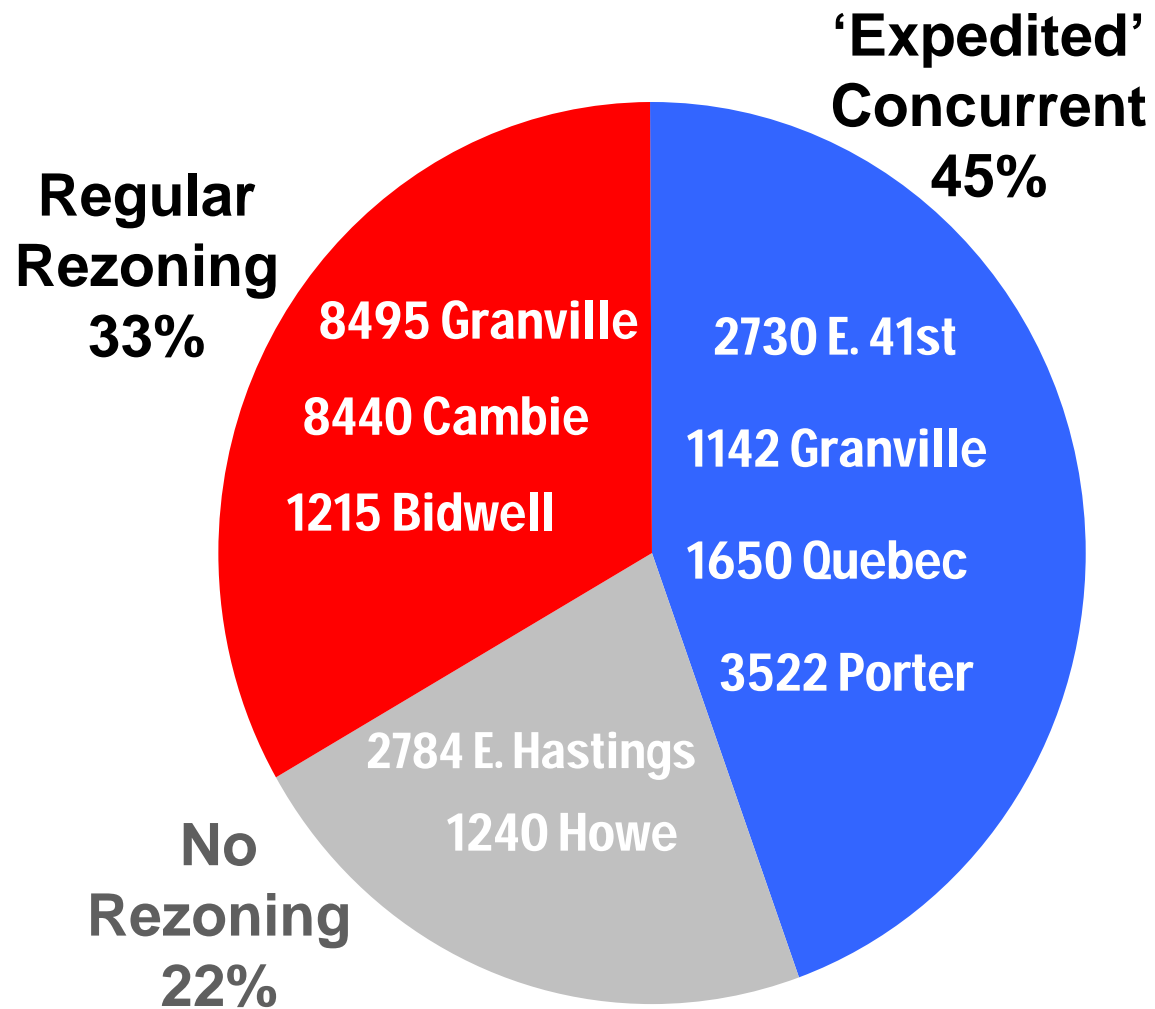
Density increases range significantly depending on site, location, context, and urban design review (from 0.3 - 4.1 FSR)



- Notes:**
- 2784 E. Hastings and 1240 Howe did not request additional density
 - For mixed strata/rental projects, the increase in density generated a number of public benefits (e.g. public art, heritage conservation) in addition to rental housing

Expedited Processing

✓ 60% take-up by eligible projects

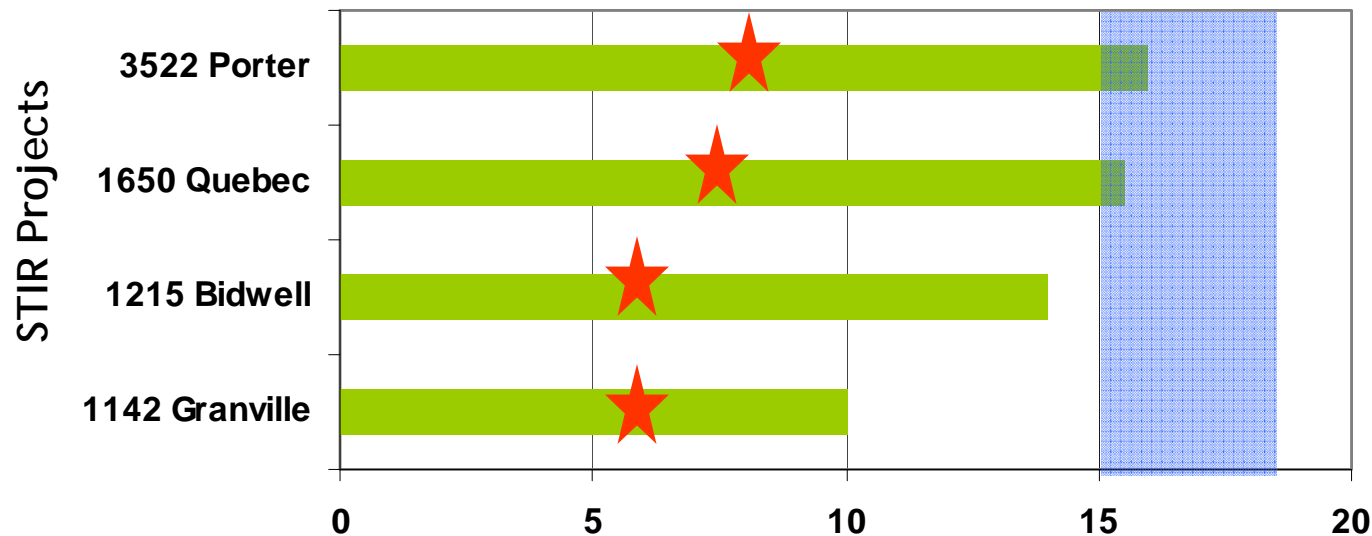


Concurrent Processing worked best for simple projects (e.g. 100% rental buildings)

Expedited Processing

Processing times ranged from 10 to 16 months

Concurrent STIR Projects Processing Time
(from Rezoning Application to Development Permit Issuance)



Majority were 100% Rental projects

Rezoning at Council ranged from 6 to 8 months

Time savings ranged from 5 to 8 months

- ★ Council Approval of Rezoning
- ▨ Typical non-concurrent processing times

What did it take for the City to make STIR projects viable?

Key Assumptions re Purpose Built Rental

100% Rental Projects

- Land value does not increase with additional density
- Rental housing is the public benefit achieved through increased density
- Rezoning for 100% rental would not have been permitted for a mixed strata/rental project

Mixed Strata/Rental Projects

- Land value increases with additional condo density
- Increase in land value triggers CAC
- For STIR projects, part of the CAC was used to create rental housing



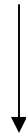
Enabling rental unit creation – City role

100% Rental Projects

\$1.9 million (DCL waived)



392 Rental Units

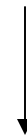


\$4,900/unit

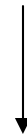
Mixed Strata/Rental Projects

\$2.2 million (DCL waived)

\$14 million (CACs allocated to rental)



217 Rental Units



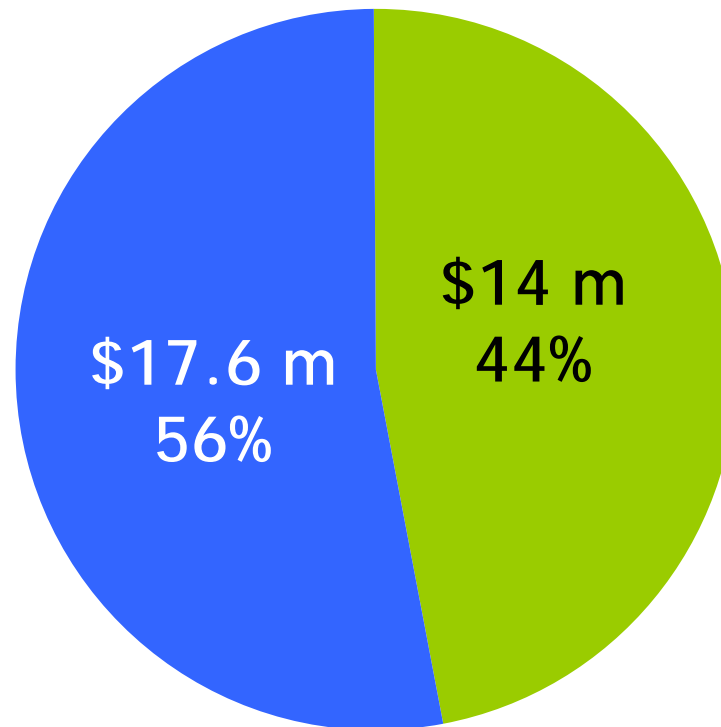
\$75,000/unit

Public Benefits

Mixed Strata/Rental Projects

Other CAC funded public benefits:
Mixed strata/rental projects

Other CAC funded
public benefits
(public art, heritage, cash
contribution, etc)



Rental housing
217 units



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1240 Howe

LESSONS

Lessons

STIR incentives significantly increased development of market rental housing during pilot

Density is a key incentive - sensitivity to neighbourhood context is important

Parking reductions work well - aligns with other City objectives (e.g. Greenest City)

Value for money in 100% rental projects significantly higher than mixed strata/rental projects

Lessons: 100% Rental vs. Mixed Projects

100% Rental

- More rental units/project
- Simpler
- All incentives work well
- Market rental housing is the primary public benefit

Mixed Rental/Strata

- Less rental units/project
- More complex
- Not all incentives work
- Market rental housing created as part of a public benefits package

NEXT STEPS



Feedback from Mayor's Taskforce on Housing Affordability

Positive feedback overall

- Continue to focus on transit-oriented development
- Recognized importance of STIR program on job creation

Suggestions

- Explore ways to encourage family units
- Ensure program parameters are clear
- Ongoing evaluation – feedback from occupants and community



Report back with policy recommendations
later this spring

