

From: "Johnston, Sadhu" <Sadhu.Johnston@vancouver.ca>

To: "Direct to Mayor and Council - DL"

CC: "City Manager's Correspondence Group - DL"

"Pickard, Gail" <Gail.Pickard@vancouver.ca>

"Kelley, Gil" <Gil.Kelley@vancouver.ca>

"Haid, Susan" <Susan.Haid@vancouver.ca>

"Garrison, Dan \\\(COV\)" <Dan.Garrison@vancouver.ca>

"Singh, Sandra" <Sandra.Singh@vancouver.ca>

"Bond, Abigail" <Abigail.Bond@vancouver.ca>

Date: 1/14/2019 3:39:18 PM

Subject: Memo - Rental 100 Program – Clarification

Attachments: Memo to Mayor and Council - Rental 100 Program – Clarification.pdf

Greetings Mayor & Council,

The attached memo is in response to questions from Councillors raised at the referral to public hearing on November 13, 2018 regarding CD-1 Rezoning of 3532 East Hastings Street and 3435 East Hastings. The memo provides information on the following:

- Background on the Rental Program; and
- clarification on the intent and administration of the Development Cost Levy Waiver

If you have any questions, please contact Gil Kelley, General Manager of Planning, Urban Design & Sustainability at 604.873.7456 or Gil.Kelley@vancouver.ca.

Best,
Sadhu

Sadhu Aufochs Johnston | City Manager
City of Vancouver | 453 W 12th Avenue
Vancouver | BC V5Y 1V4
604.873.7627 | Sadhu.johnston@vancouver.ca
Twitter: sadhuajohnston



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MEMORANDUM

January 14, 2019

TO: Mayor and Council

CC: Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Rena Kendall-Craden, Communications Director
Katrina Leckovic, City Clerk
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office
Anita Zaenker, Chief of Staff, Mayor's Office
Sandra Singh, General Manager, Arts Culture and Community Services
Dan Garrison, Assistant Director, Housing Policy and Regulation
Karen Hoese, Assistant Director, Rezoning Centre
Abi Bond, Managing Director, Homelessness Services & Affordable Housing Programs

FROM: Gil Kelley
General Manager, FAICP, Planning, Urban Design and Sustainability

SUBJECT: Rental 100 Program - Clarification

This memo responds to questions raised by Councillors at the referral to public hearing on November 13, 2018 for CD-1 Rezoning of 3532 East Hastings Street and 3435 East Hastings. It provides information about the Rental Program and clarification on the intent and administration of the Development Cost Levy Waiver.

Background - Rental 100 Program

Rental 100: Secured Market Rental Housing Policy, approved in 2012, encourages the development of projects where 100 per cent of the residential units are rental. The program was designed to create market rental housing to address the critically low vacancy in Vancouver (averaging 0.9% over the last 30 years), that has resulted after decades of little or no rental construction.

Prior to the Rental 100 Program, ownership housing accounted for 89% of the housing starts between 2007 to 2012. This is primarily because condominium developments which make the majority of ownership housing starts are more profitable, allowing condo developers the ability to pay more for the land in the market than a rental developer. The Rental 100 program provides incentives to close the economic gap, making rental a viable development option. The incentives offered under the program are:

- Development cost levy (DCL) waiver
- Parking requirement reductions
- Relaxation of unit size to 320 square feet (provided the design and location meet the City's liveability criteria)
- Additional density beyond what is available under existing zoning (for projects requiring a rezoning)

All rental projects receiving incentives must be secured through a Housing Agreement for 60 years or the life of the building, whichever is longer. Since Rental 100 was approved, rental housing production has increased, accounting for 36% of all housing starts with a commensurate reduction in ownership starts to 64% (2013 - 2018).

The Rental 100 program was designed to be an alternative to those who cannot afford home ownership, targeting renters of middle income households. For lower income households, the City has other policies in place to increase new social housing and to retain the existing rental stock through the Rental Housing Stock ODP.

DCL WAIVER BACKGROUND

The waiver of the Development Cost Levies (DCLs) is a key incentive offered through the Rental 100 policy. The Vancouver Charter authorizes the City to waive DCLs for eligible developments that meet the definition of “for-profit affordable rental housing.” The defining criteria include maximum rental rates and sizes by unit type. The maximum rental rates are secured for the first tenants and controlled through the Residential Tenancy Act thereafter. The intent is to create rental that is modest, and not high-end luxury units.

RENTAL RATES IN THE DCL BY-LAW

The maximum rental rates in the DCL By-law are based on the rents set out by the Canadian Mortgage and Housing Corporation (CMHC) in the Rental Market Report, which are published in the previous calendar year. These rates refer to newer rental units built since 2005.

The rental rates listed in the DCL By-law under Section 3.1D were last amended in 2015 and refer to the 2014 rents in the CMHC Rental Market Report:

“...average rents per unit type for initial occupancy do not exceed the following specified rents:

- (i) \$1,242 per month for studio units,
- (ii) \$1,561 per month for one bedroom units,
- (iii) \$1,972 per month for two bedroom units, and
- (iv) \$2,338 per month for three bedroom units,

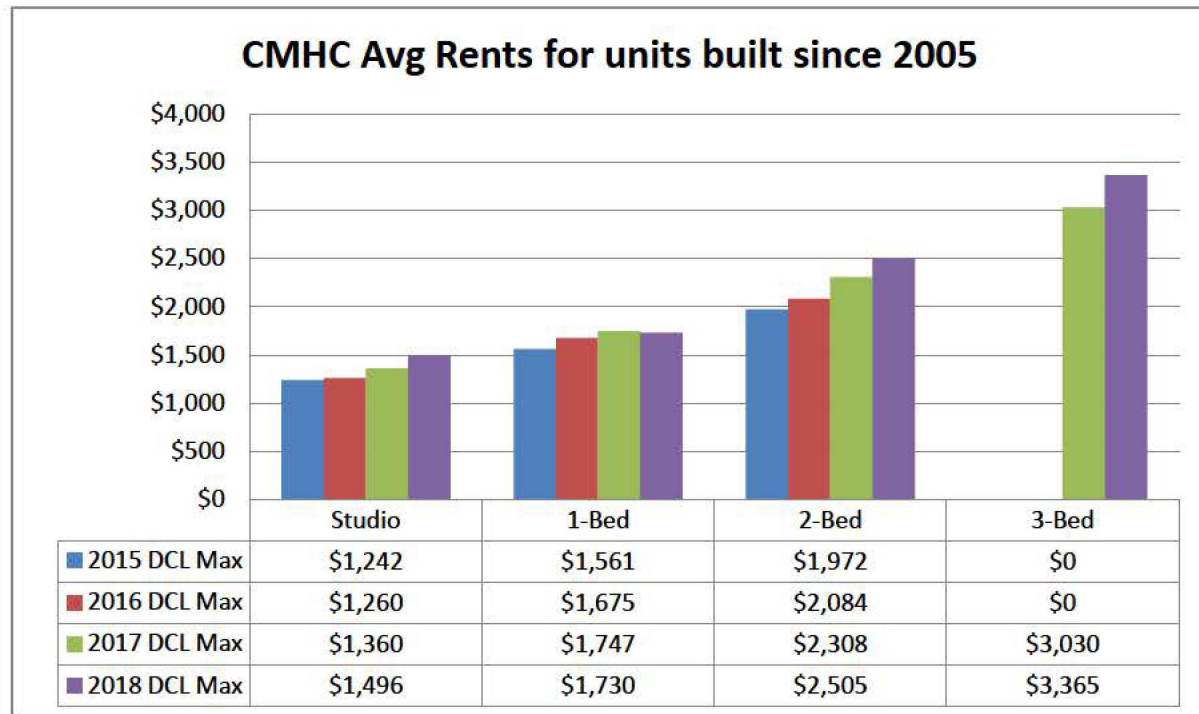
The By-law allows for the maximum rental rates to be adjusted annually to the rents published in the most recent CMHC Rental Market Report. This can be found in Section 3.1 (D) i and 3.1 (D) ii in the DCL By-laws. For more information, please see attachment with the relevant sections highlighted at the end of this memo.

Information for applicants regarding the Rental 100 Program and DCL waiver are provided in the [Rental Incentive Guidelines](#), which is updated annually to reflect the new rental rates

published by CMHC. The rental rates in the Policy Reports going to public hearing on January 15, CD-1 Rezoning: 3532 East Hastings Street & CD-1 Rezoning: 3435 East Hastings Street reflect the rental rates in these Guidelines.

HOW HAVE CMHC AVERAGE RENTS CHANGED OVER TIME?

The table below sets out the change to average rents for residential units built in the City since 2005, as published in the CMHC Market Rental Reports (2014-17):



Notes:

- As noted above CMHC did not publish figures for 3-bed units in 2014 or 2015. The rental incentive guidelines instead used the average for units built since 2000. For 3-beds in 2014 this was \$2,338 and in 2015 it was \$2,606.
- The DCL's maximum rental rates are adjusted annually to the rents published in the CMHC Rental Market Report in the previous calendar year (see highlighted DCL By-Law section appended to report).

Over the past 5 years the average rents for properties constructed since 2005 have increased year on year with a few exceptions:

Unit	Percentage Change 2014-2018
Studios	+ 29%
1 bedroom	+ 20%
2 bedroom	+ 25%

For 3 bedroom units the increase in the average rent published in the Rental Incentive Guidelines has increased from \$2,338 in 2014 to \$3,235 in 2018. This increase of 38% is significantly different from the percentage change of other units types because of the different data source originally used for 3-bed units in 2014 as explained in the notes above.

There are a number of factors which contribute to the average rents increasing above the allowable increase set by the Province:

- When a unit turns over, the landlord is free to set a new rent amount at the market level; if previous rents were below market levels, this could mean a rent increase beyond the Provincial maximum
- Previously we saw that some landlords would use successive one year fixed term tenancies as a means to circumvent the Provincial maximum rent increase. Recent changes to the RTA now prevent the use of fixed term tenancies in this way
- Newly constructed apartments which do not opt for the DCL Waiver can set rents at market rates, often higher than the rents reported in the CMHC Rental Market Report
- The low vacancy rate puts upwards pressure on rents
- Strong local economy contributing to rental demand
- Cost of entry to ownership keeps some in rental housing

REVIEW OF RENTAL 100 Program

A full review is currently underway on the City's rental incentive programs and the use of the DCL waiver for market rental housing projects. The purpose of the review is to:

- Document results of the City's rental policies - i.e. supply, take-up of incentives, affordability, and public feedback.
- Evaluate the success of the City's rental policies in meeting Housing Vancouver objectives including housing matched to incomes.
- Evaluate the success of the City's rental policies in meeting other City-wide objectives - e.g. Simplification of Regulations / Clarity, Greenest City and DCL impacts
- Identify policy improvements and test new ideas - including improve clarity and administration of DCL Bylaw.
- Explore ways to utilize the Province's new Rental Zoning Provisions.

Staff are currently in the research and analysis phase, which include public and stakeholder consultation. A report back to Council is anticipated in late 2019.

Please do not hesitate to contact me further should you have any follow-up questions.



Gil Kelley, FAICP
General Manager, Planning, Urban Design and Sustainability
604.873.7456 | gil.kelley@vancouver.ca

Memo Attachment:

Vancouver Development Cost Levy By-Law No. 9755

Section 3.1A Part D:

(d) agreed upon average rents per unit type for initial occupancy do not exceed the following specified rents:

- (i) \$1,242 per month for studio units,
- (ii) \$1,561 per month for one bedroom units,
- (iii) \$1,972 per month for two bedroom units, and
- (iv) \$2,338 per month for three bedroom units,

except that such rents may be 10% higher than the rents stipulated under this section if the housing is located in the West Area as shown on the map attached to this By-law as Appendix “A”, and rents shall also be adjusted annually on January 1:

- i. for all studio, one bedroom and two bedroom units to reflect the change in average rents for studio, one bedroom and two bedroom units built in the City since 2005, as those rents are set out by the Canada Mortgage and Housing Corporation in the Rental Market Report published in the previous calendar year, and
- ii. for three bedroom units to reflect the change in average rents for three bedroom units built since the year 2000 as reported on the Canada Mortgage and Housing Corporation’s Housing Market Information Portal website, but, if available, to reflect the change in average rents for three bedroom units built in the City since 2005, as those rents are set out by the Canada Mortgage and Housing Corporation in the Rental Market Report published in the previous calendar year; and