

BELOW-MARKET RENTAL OPTIMIZATION



PURPOSE

These boards provide information about the Below-Market Rental Optimization initiative, which proposes changes to standardize the City's below-market rental housing policies and regulations. The implementation of these changes would make it easier to build below-market rental housing in Vancouver.

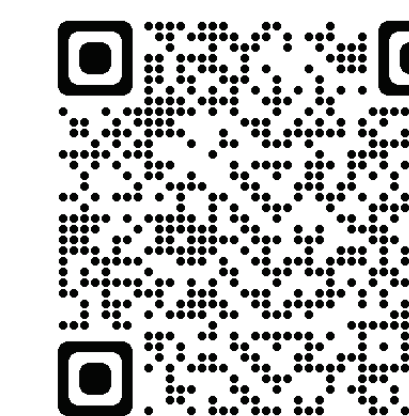


PUBLIC INFORMATION SESSIONS

We are hosting information sessions in-person and online where you can learn more about these proposed changes.

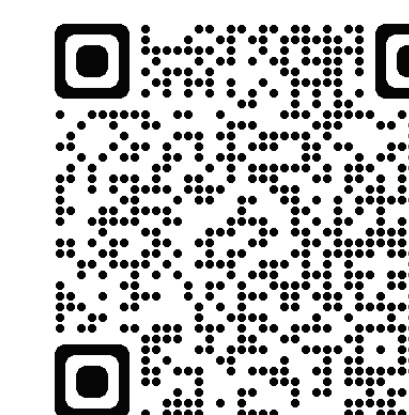
- Tuesday, July 11, 2023, from 4:30pm to 7:30pm,
Hillcrest Community Centre - Arts and Crafts Room
4575 Clancy Loranger Way
- Wednesday, July 12, 2023, from 5:30pm to 8:30pm,
Creekside Community Centre - Multipurpose Room 4
1 Athletes Way
- Thursday, July 13, 2023, from 6:00pm to 7:30pm, online session

Register here: VancouverBMR.eventbrite.ca



For more information on this proposal, please visit:

vancouver.ca/rentalhousing



HOUSING VANCOUVER

A PLAN TO ADDRESS VANCOUVER'S HOUSING NEEDS

The Housing Vancouver Strategy (2018-2027) is the city's 10-year strategy to address the housing affordability crisis.

The goal of Housing Vancouver is to ensure that housing in the city meets the needs of current and future Vancouver residents by shifting new housing toward the "right supply" to address a diversity of incomes and building forms.

IMPORTANCE OF RENTAL HOUSING

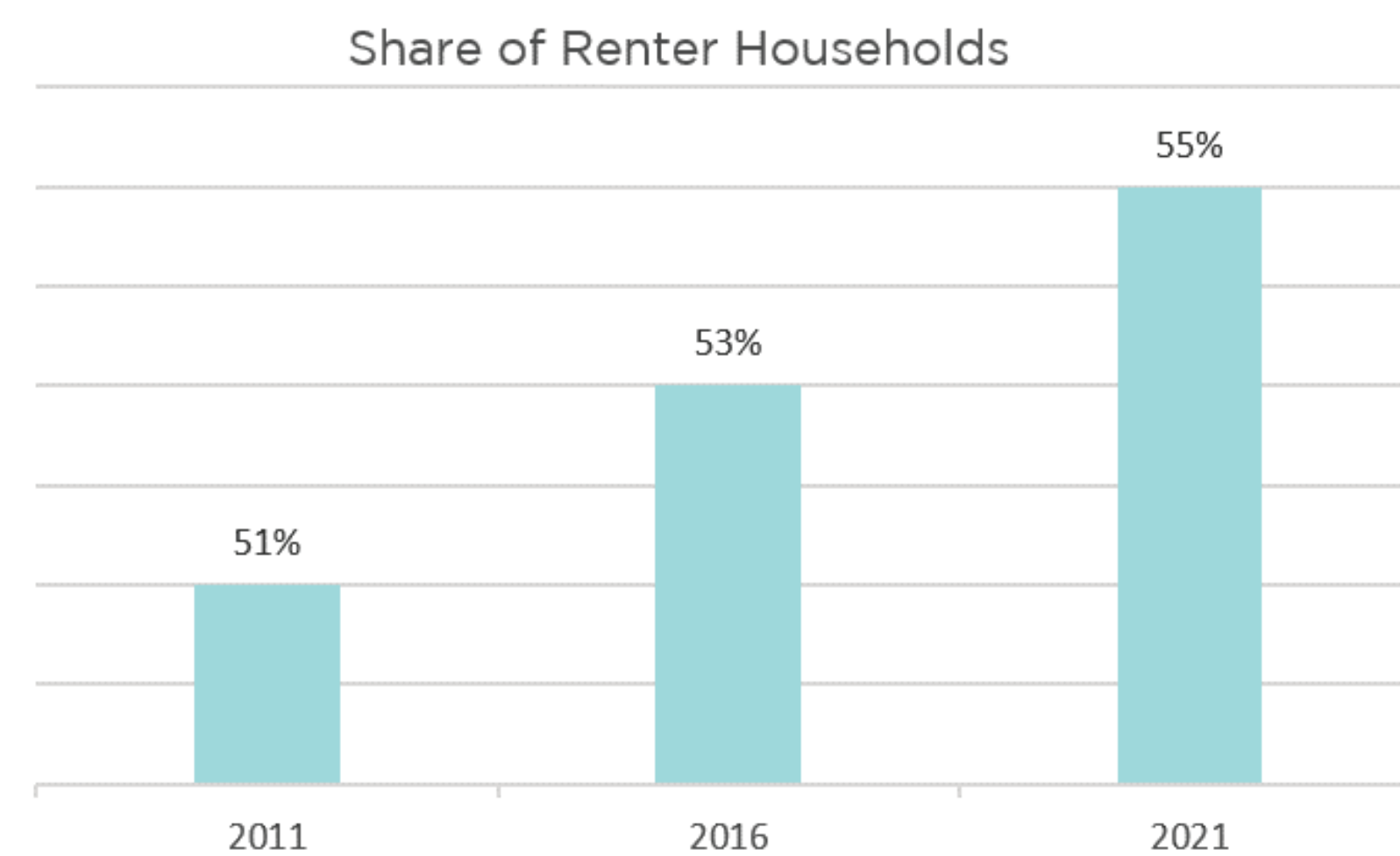
As Vancouver grows and evolves, we need to ensure that a variety of housing options are available to meet the diverse needs of the people who live and work here.

An important part of this - and in building a more equitable, resilient and diverse housing system - is creating more secure rental housing across all areas of the city.

HOUSING VANCOUVER 10-YEAR TARGETS INCLUDE:

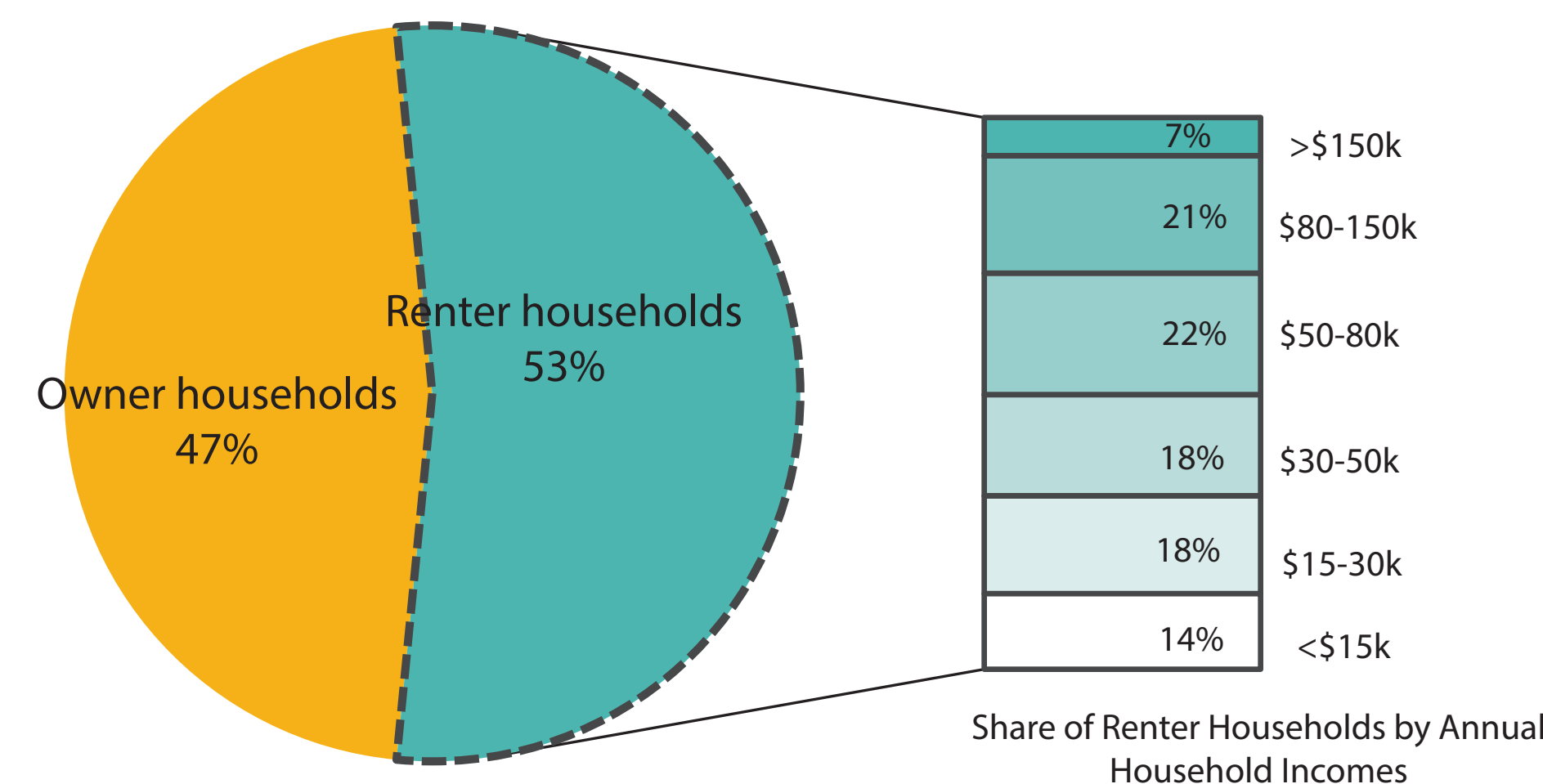
- 72,000 new homes
 - 2/3 of all new homes to be rental
 - 50% of new homes will serve households earning < \$80,000/ year
 - 40% of new homes will be suitable for families

Vancouver's renter population is growing



Source: Statistics Canada

Over half of Vancouver's households rent their homes. Renter households earn a broad range of incomes



Source: Statistics Canada 2016 Census



To read the Housing Vancouver Strategy and find out more about associated work, visit vancouver.ca/housing

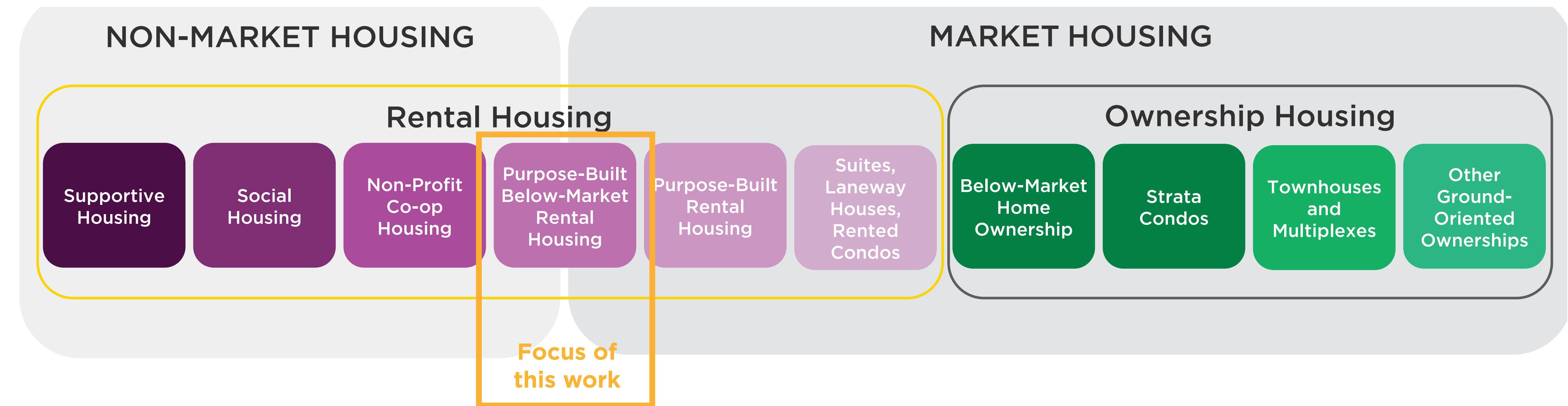
BELOW-MARKET RENTAL HOUSING

WHAT IS BELOW MARKET RENTAL HOUSING?

Below-market housing is rental housing that is more affordable than market rental housing and is delivered through incentives or inclusionary requirements, such as an increase in density. As part of the program:

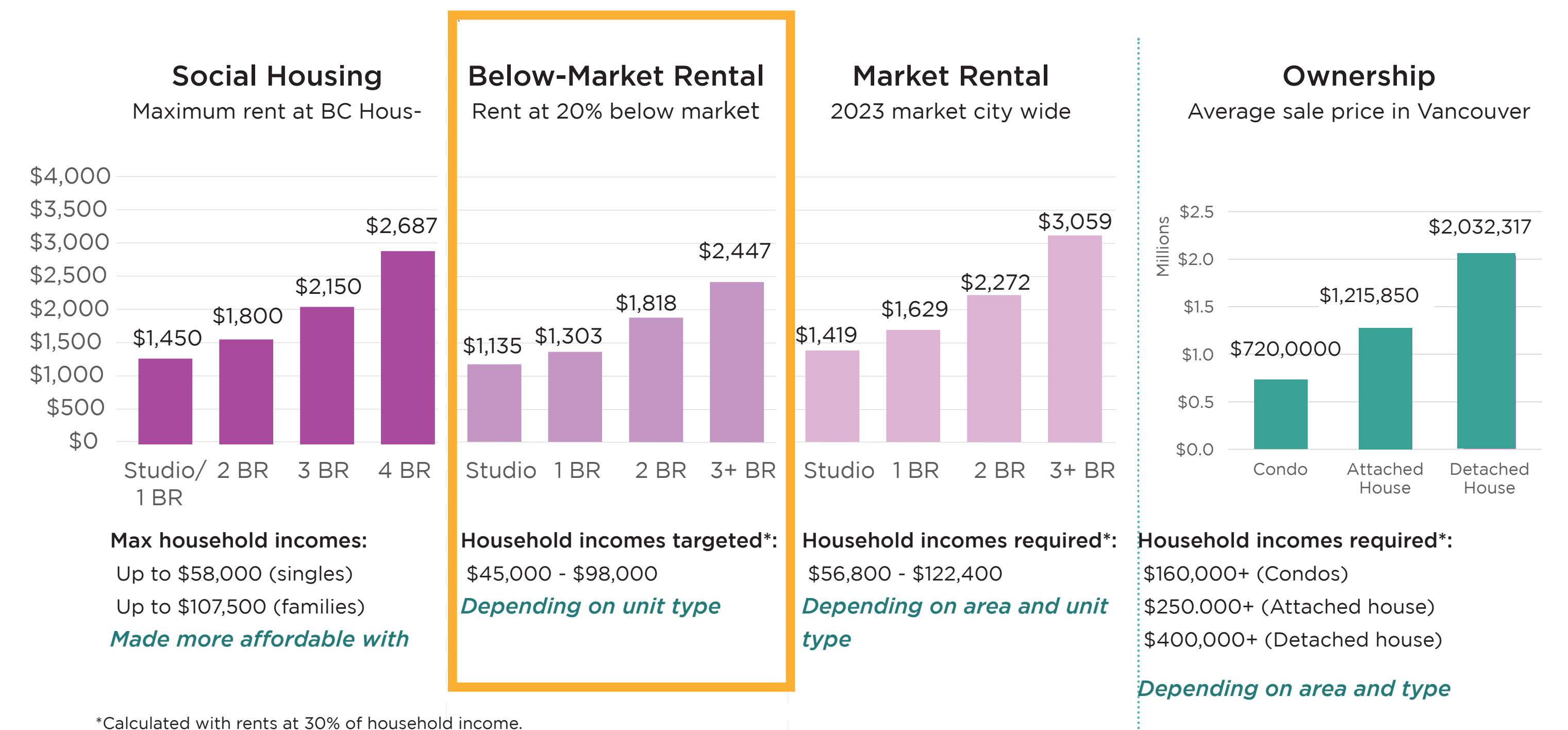
- Rents are permanently secured at below-market rates, even if one renter moves out and another moves in
- Includes a minimum of 35% two and three bedroom units
- Secured through legal agreements
- Does not receive ongoing subsidies to maintain affordability
- Relies on the market rental units to cross-subsidize below-market units

HOUSING CONTINUUM



THE NEED FOR BELOW MARKET RENTAL HOUSING

- Ownership is out of reach for the majority of Vancouverites, with only 7% of all renter households earning over \$160,000 a year, which is the income needed to afford the average sale price of a condo.
- Below-market rental housing addresses a critical gap in Vancouver's rental market by providing homes for renters who may not qualify for social housing but find new market rental too expensive.



MODERATE INCOME RENTAL HOUSING PILOT PROGRAM

MODERATE INCOME RENTAL HOUSING PILOT (2017 - 2022)

Approved in 2017 as a “Learning Pilot”, the program’s goal was to address a critical gap in the rental housing market by delivering new rental units permanently secured with below-market rents for moderate income renters. The program:

- Allowed up to 20 rezonings for new buildings that are 100% secured market rental housing with 20% permanently secured for moderate income households
- Unit mix targets: 25% studio, 40% 1 bedroom, 35% 2 bedroom (or larger)
- Below-market rents were ~37% below rents for newer market rental units
- Proposals were accepted between January 1, 2018 and January 31, 2022



Pilot Projects provided:

100% of residential floor area as secured market rental housing

Maximum **80%** of floor area as market rental housing

Minimum **20%** of floor area secured for below market rental

MODERATE INCOME RENTS, TARGETED HOUSEHOLD INCOMES AND AVERAGE MARKET RENTS (2017)

Unit	Moderate Income Unit Maximum Average Starting Monthly Rent	Household Income Served (if 30% of income spent on rent)	2018 CMHC Average Rents* (buildings constructed 2005+)
Studio	\$950	\$38,000	\$1,607
1 Bedroom	\$1,200	\$48,000	\$1,869
2 Bedroom	\$1,600	\$64,000	\$2,457
3 Bedroom	\$2,000	\$80,000	\$3,235

*Source: CMHC - 2018 Rental Market Report

BELOW-MARKET RENTAL HOUSING 2023 REVIEW

MODERATE INCOME RENTAL HOUSING PILOT OUTCOMES AFTER 6 YEARS

- 16 total MIRHPP pilot projects;
 - 9 are currently under construction,
 - 3 have been approved, and
 - 4 are at the enquiry/application stage
- There has been a lot of interest in the program
- Current need to focus on speeding up and moving projects forward to construction and occupancy
- Since 2017 there have been changes in renter incomes, market conditions and regulation:

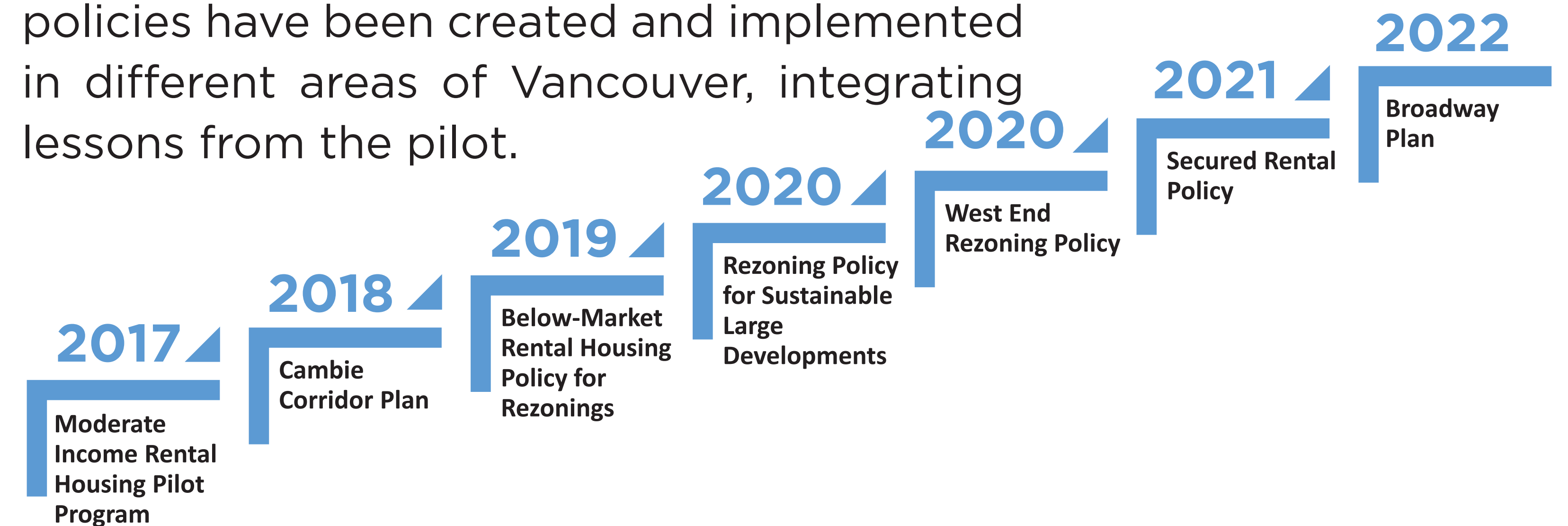
Median Renter Income
City of Vancouver 2011-2020



- Provincial change to Residential Tenancy Act to limit annual allowable rent increases
- Changing economic conditions & COVID-19 related challenges for rental projects - increased construction and labour costs/availability and rising interest rates

POLICY EVOLUTION

Since 2017, other below-market rental housing policies have been created and implemented in different areas of Vancouver, integrating lessons from the pilot.



LESSONS LEARNED FROM THE MODERATE INCOME RENTAL HOUSING PILOT

- Broad support generally for this model as a way to deliver new below-market rental homes
- Incentives have been effective to encourage below-market rental projects
- As costs increase over time there is a risk of long-term operational/ maintenance issues
- Pilot program did not include a way to increase rents to reflect changes in incomes or market conditions
- Clarity on program requirements is important to encourage more new below-market rental homes



BELOW-MARKET RENTAL OPTIMIZATION

BELOW-MARKET RENTAL OPTIMIZATION OVERVIEW

The City currently has a number of overlapping below-market rental policies, and is proposing changes to standardize them.

The proposed changes focus on standardizing the approach to setting the below market rental rates at initial occupancy and at unit turnover (when a new tenant moves in).

The goals of these updates are to:

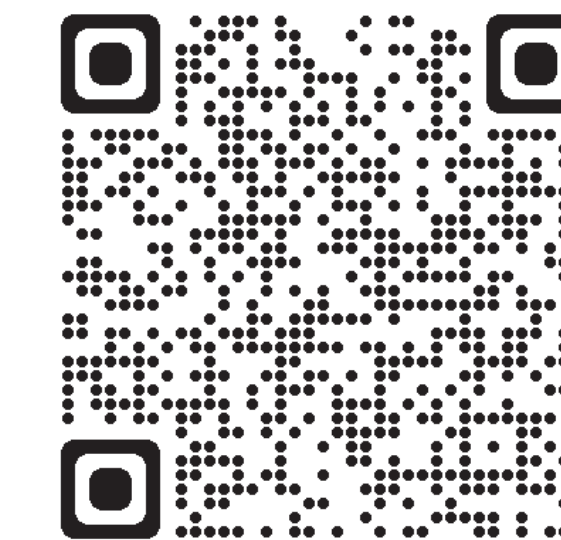
- Streamline and speed up the process of developing below-market rental homes to meet needs of Vancouver renters
- Address long-term operating risks for below-market rental projects and contribute to financial viability of below-market rental projects
- Create program clarity and simplified requirements to encourage the creation of more below-market rental homes

NEXT STEPS

- Finalize proposal and draft Council Report
 - A summary of public and stakeholder feedback will be included

- Proposal goes to City Council for decision on October 4th, 2023

- Members of the public can sign up to speak when the meeting agenda is made public, typically one week before the meeting date:



(vancouver.ca/your-government/speak-at-city-council-meetings.aspx)



BELOW MARKET RENTAL OPTIMIZATION TIMELINE



BELOW-MARKET RENTAL OPTIMIZATION

PROPOSED CHANGE TO RENT MODEL

- Rents in below-market units will be set at a 20% discount to city-wide average rents by unit type for the City of Vancouver. At unit turnover the rent can be re-indexed to the current city-wide average rent less 20%
 - Previously, rents were set based on 30% of a set income and rent increases were limited to the Residential Tenancy Act (RTA) annual allowable amount, regardless of unit turnover
- Below-market rents and the maximum rents needed to qualify for a Development Cost Levy (DCL) waiver for rental housing will be secured at Occupancy Permit
 - Previously, below-market and DCL-qualifying rents were set at the time of Rezoning Public Hearing or at the 'prior-to' letter of approval for Development permit projects, then escalated by the RTA annual allowable amount until Occupancy Permit.

PROGRAM REQUIREMENTS THAT ARE NOT CHANGING

- Minimum 20% of residential floor area is below-market rental housing
- Rents are permanently secured at below-market rents, even if one renter moves out and another moves in
- Minimum of 35% 2 and 3 bedroom units

Changes will not impact existing tenants of below-market rental homes or tenants who have been offered right-of-first-refusal to come back to a below-market rental

WHAT THESE CHANGES MEAN FOR AFFORDABILITY AND RENTER INCOMES SERVED:

- Maintain focus on moderate income renter households (2023 median renter income: \$67,000K/year)
- Maintain same discount to newer market rental units as original pilot (~37% discount)

COMPARISON OF BELOW-MARKET RENTS, TARGETED HOUSEHOLD INCOMES, AND MARKET RENTS

Unit`	2017 MIRHPP rents	Household Income Served*	2023 MIRHPP rents (with RTA allowable annual increases)	Household Income Served*	20% discount to city-wide average rents**	Household Income Served*	Vancouver average rents (buildings constructed 2005+)
Studio	\$950	\$38,000	\$1,091	\$44,000	\$1,135	\$45,000	\$1,884
1 Bed	\$1,200	\$48,000	\$1,378	\$55,000	\$1,303	\$52,000	\$2,122
2 Bed	\$1,600	\$64,000	\$1,837	\$73,000	\$1,818	\$73,000	\$2,888
3 Bed	\$2,000	\$80,000	\$2,296	\$92,000	\$2,447	\$98,000	\$3,704

*If 30% of income spent on rent

**Source: Canada Mortgage and Housing Corporation, Rental Market Report - Vancouver CMA, 2022