

Below-Market Rental Housing Program Optimization

Virtual Public Information Session
July 13, 2023



The City of Vancouver is on the unceded traditional territory of the Musqueam, Squamish and Tsleil-Waututh First Nations.



These lands are the foundation of thousands of years of living culture of the Musqueam, Squamish and Tsleil-Waututh peoples.



We acknowledge hən̓q̓əmin̓əm̓ and Sḵwxwú7mesh as the original languages of these lands.

Outline

1. Introduction
2. BMR Optimization Project Scope
3. Project Timeline & Next Steps
4. Question/Answer



Introduction: Housing Vancouver Strategy

Housing Vancouver is the City of Vancouver's 10-Year Strategy to address the housing affordability crisis.

Strategy Priorities:

- Shift toward rental and non-market housing
- Protect and retain the existing rental stock
- Support marginalized residents

Goal: Shift new housing toward the “Right Supply” to address a diversity of incomes and building forms



Introduction: Housing Vancouver Strategy

Housing Vancouver targets **72,000** new homes over 10 years; **2/3** of all new homes to be rental

Critical gap identified in Vancouver's housing continuum:

Rental housing affordable to renters who may not qualify for non-market housing but find new market rental too expensive.

Proposed solution:

'Moderate Income' or 'Below-Market Rental' Housing

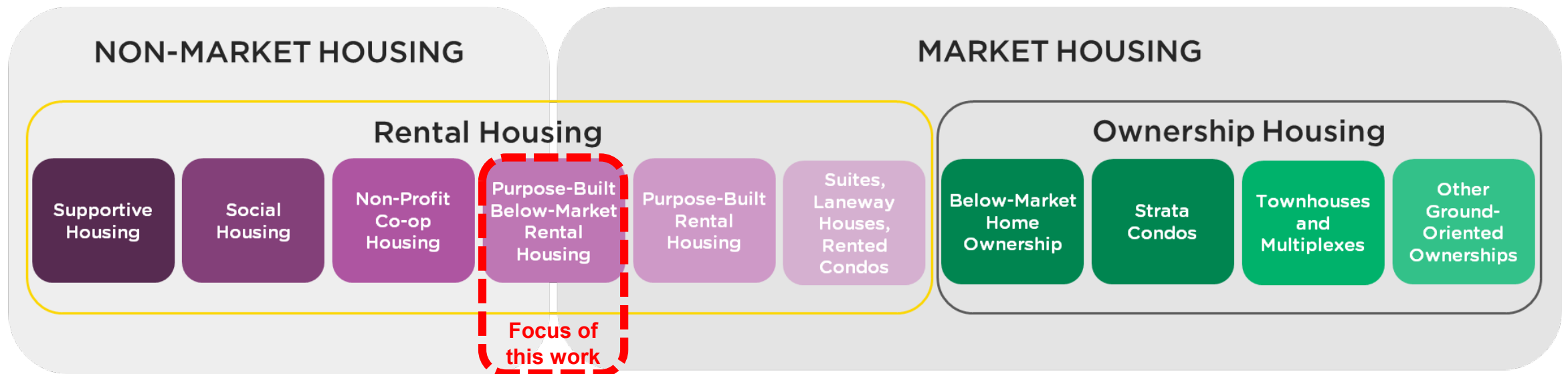


What is Below-Market Rental Housing?

Below-market housing is rental housing that is more affordable than market rental housing and is delivered by the private market in exchange for an increase in density.

- Share of renters in Vancouver has been growing; 55% of households rent in the city
- Median renter income is \$67k; homeownership is out of reach for majority
- Addresses a critical gap in Vancouver's rental housing market

Housing Continuum:



What is Below-Market Rental Housing?

Key features of below-market rental housing:

- Rents are permanently secured at below-market rates, even if one renter moves out and another moves in
- Includes a minimum of 35% 2 and 3 bedroom units
- Delivered by the private sector and secured through legal agreements
- Does not receive ongoing subsidies to maintain affordability
- Relies on market rental portion to cross-subsidize below-market units

Below-market rental housing projects provide:

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 as below-market rental housing



Moderate Income Rental Housing Pilot Program

Moderate Income Rental Housing Pilot Program (MIRHPP)

- Approved in 2017 as a “Learning Pilot” to test a new affordable housing type in Vancouver
- 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
- Moderate incomes at the time defined as between approximately \$30-\$80k
- Below-market rents ~37% discount to rents for newer market units

Moderate Income Rents, Targeted Household Incomes and Average Market Rents:

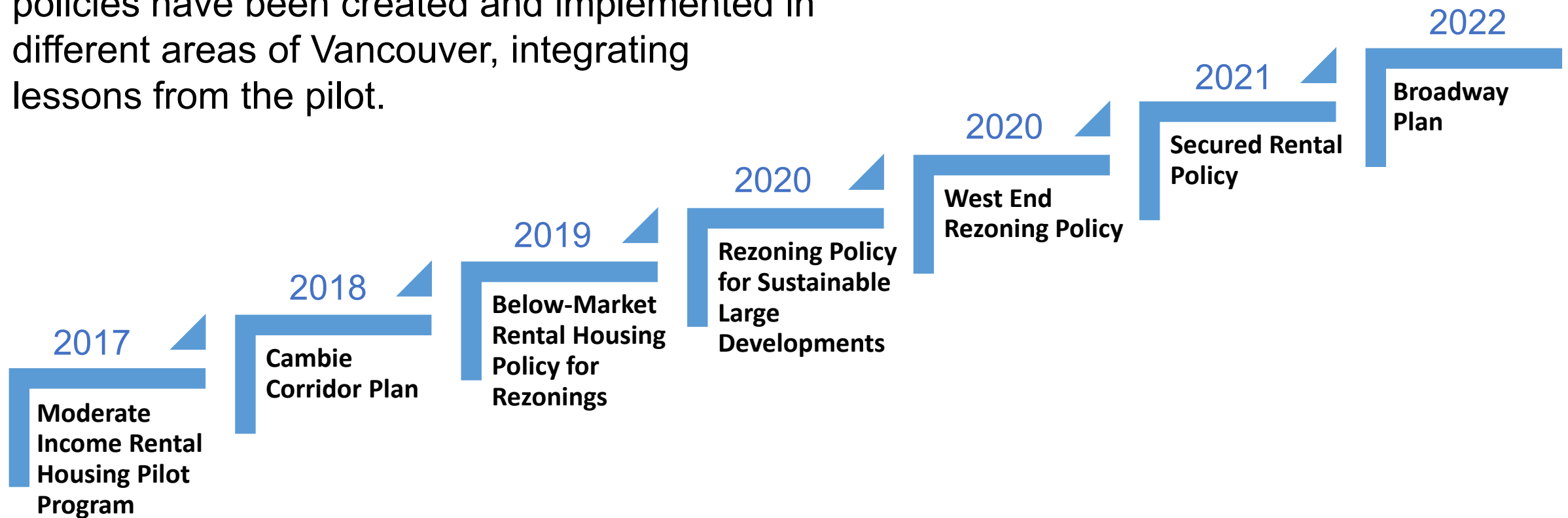
Unit	Moderate Income Unit Maximum Average Starting Monthly Rent	Household Income Served (if 30% of income spent on rent)	2018 CMHC Average Rents* (buildings constructed 2005+)
Studio	\$950	\$38,000	\$1,607
1 Bedroom	\$1,200	\$48,000	\$1,869
2 Bedroom	\$1,600	\$64,000	\$2,457
3 Bedroom	\$2,000	\$80,000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

*Source: CMHC - 2018 Rental Market Report

^some projects included a retail/commercial component

Learning from Pilot Program

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



Learning from Pilot Program

Lessons from MIRHPP and subsequent policy iterations:

- Overall broad support generally about concept as a way of delivering new market and below-market rental units, especially from renters
- Incentives for new below-market rental are effective to encourage this type of housing – a lot of interest in the pilot with initial enquiries vastly outnumbering the 20 project limit
- Risk of long-term operational issues for below-market units as operational cost increases outpace rent increase allowances over time
- Original pilot did not include a mechanism to increase rents to reflect changes in renter incomes, costs, or market conditions
- Simplicity and clarity on program requirements is important to encourage program uptake and development of new below-market units at scale to address significant need
 - Also assists with long-term program monitoring and compliance

Learning from Pilot Program

MIRHPP 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 have seen changes in renter incomes, market conditions and regulation:
 - Provincial change to Residential Tenancy Act to limit annual allowable rent increases
 - Changing economic conditions & COVID-19 challenging for rental projects – increased construction and labour costs/availability, rising interest rates

Median Renter Income City of Vancouver 2011-2020



BMR Optimization Project Scope

Proposed changes focus on standardizing the City's approach to setting below-market rental rates to create a single below-market rental program in Vancouver that integrates lessons learned from the original pilot.

Goals of this project:

- 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 home

BMR Optimization Project Scope

Proposed changed 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.

BMR Optimization Project Scope

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 and Targeted Household Incomes

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*
Studio	\$950	\$38,000	\$1,091	\$44,000	\$1,135	\$45,000
1 Bed	\$1,200	\$48,000	\$1,378	\$55,000	\$1,303	\$52,000
2 Bed	\$1,600	\$64,000	\$1,837	\$73,000	\$1,818	\$73,000
3 Bed	\$2,000	\$80,000	\$2,296	\$92,000	\$2,447	\$98,000

Proposed changed rent model

BMR Optimization Project Scope

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- Maintain same discount to newer market rental units as original pilot (~37% discount)

Comparison of Below-Market Rents and Average Market Rents

Unit	2017 MIRHPP rents	2023 MIRHPP rents (with RTA allowable annual increases)	20% discount to city-wide average rents**	Vancouver average rents (all buildings)**	Vancouver average rents (buildings constructed 2005+)
Studio	\$950	\$1,091	\$1,135	\$1,419	\$1,884
1 Bed	\$1,200	\$1,378	\$1,303	\$1,629	\$2,122
2 Bed	\$1,600	\$1,837	\$1,818	\$2,272	\$2,888
3 Bed	\$2,000	\$2,296	\$2,447	\$3,059	\$3,704

Proposed changed rent model

BMR Optimization Project Scope

Program requirements that are not changing:

- Minimum 20% of residential floor area is secured as below-market rental housing
- Rents are permanently secured at below-market rates, even if one renter moves out and another moves in
- Projects include a minimum of 35% 2 and 3 bedroom units
- Maintain affordability of ~37% discount to newer market rental units (same discount as 2017 MIRHPP)

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

Project Timeline & Next Steps

BELOW MARKET RENTAL OPTIMIZATION TIMELINE



Next Steps:

- Finalize proposal and draft Council Report – summary of public and stakeholder feedback will be included
- Proposal goes to City Council for decision on October 4, 2023 – members of the public can sign up to speak when the meeting agenda is made public, typically one week before the meeting date
 - [Sign up to speak online](#)

Questions?

Thank you

Project Contacts

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Website: <https://vancouver.ca/people-programs/creating-new-market-rental-housing.aspx>