



CITY OF VANCOUVER

RENTAL INCENTIVE PROGRAM REVIEW

Prepared by CitySpaces Consulting
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EXECUTIVE SUMMARY

With persistently low vacancy rates, a limited and aging rental housing stock, and ongoing concerns of housing affordability, City of Vancouver staff have been directed to undertake a detailed review of current housing programs and incentives aimed at delivering new purpose-built market rental housing. This forms part of broader efforts to identify ways to better respond to the City's affordable housing needs.

The Rental Incentive Program Review considers Rental 100 (the Secured Market Rental Policy), the Affordable Housing Choices Interim Rezoning Policy, and recently completed community plans that include policies that incentivize secured market rental housing. This report summarizes the outcomes and achievements of these rental incentive initiatives over the past decade. It also identifies the key challenges and limitations of the incentive programs and presents a number of key issues and opportunities for consideration as part of the upcoming policy development phase.

Key Findings

- **Rental incentives are effective.** The incentive programs successfully led to the development of rental housing at a time when there was very limited purpose-built rental housing construction. Since 2009, the programs have resulted in the approval of **8,680 new rental units** — a substantial and important contribution to the City's rental housing stock.
- **Rental housing continues to be in short supply.** There continues to be a significant shortfall of rental supply throughout the region, created by decades of very limited new construction. While the City of Vancouver and other municipalities in the region have turned the trend away from a net loss of rental units towards a net gain of new starts, the cumulative shortfall remains considerable. The City's own targets for net new rental housing units are not being met, with a shortfall of over 1,000 units per year in the past two years. The City's vacancy rates remain exceptionally low, and demand is persistent. Additional supply is needed to respond to demand and to provide renters with housing choice.
- **Rental incentives are essential.** Incentives are needed to level the playing field between market rental development and condominium development. Financial analysis completed as part of the Rental Incentive Program Review by Coriolis Consulting demonstrates that condominium development will continue to out-compete rental use, unless substantial incentives are offered to bridge the gap. With relatively low profit margins and a highly competitive land development context, the incentives are needed to encourage new rental construction.

- **Streamlining of incentive programs is needed.** There are several programs and initiatives in place that are intended to encourage the construction of new market rental housing. There are inconsistencies across these policies and programs, which are continually evolving. This has resulted in additional risk, confusion and complexity for developers. To encourage more construction of rental housing, the programs must be simplified and streamlined, with a specific focus on creating new secured market rental housing.
- **Processing timelines are too lengthy.** The processing times for rezoning applications and development permits (not including pre-application review periods) are so significant that they are a deterrent to potential applicants interested in rental construction. To facilitate a greater number of rental units, shorter review timeframes are needed.
- **High costs of rental housing continue.** The housing constructed through the incentive programs has been critiqued because of high rents of completed projects. The rental incentive programs are primarily designed to facilitate new market rental supply. This should ultimately lead to greater availability and choice in rental housing in the city. While this may not lead to lower rents in the approved projects, it will hopefully reduce the pressure on units in the older stock of rental housing which have also experienced considerable rent increases in recent years. It is important to recognize that the newly created units play a critical role in alleviating pressure on the rental stock as a whole, and that this need not result in lower rents for those particular units in order to contribute to housing choice and affordability.
- **Affordable rental housing requires further incentives or government subsidies.** The financial analysis being undertaken concurrently confirms that in order to achieve deeper levels of affordability, significant additional density and incentives are required. The current programs and policies are necessary to facilitate new market rental housing, but they are not adequate at delivering the targeted number of new market rental units or at supporting below market rents. To achieve lower rents, direct government subsidies are the most effective. Given the limited ability on the part of the City to provide operational subsidies, partnerships with provincial and federal governments will be needed to provide greater levels of affordability.¹
- **Expanding opportunities for new rental housing.** The incentive programs are largely limited to projects that are 100% rental and only projects in select limited areas are eligible. Identifying ways to expand the program to a greater variety of projects may lead to further increases in total supply.
- **Enabling new rental housing in all neighbourhoods would support an increase in supply and choice.** The incentive programs have concentrated secured market rental development

¹ Other City initiatives under the Housing Vancouver Strategy and the Affordable Housing Delivery and Financial Strategy are focused on identifying solutions to achieve greater levels of affordability.

in selected neighbourhoods and along arterial streets. This has been effective at creating larger multi-unit projects, but has created an inequitable environment, where renters have limited housing choice. Expanding program coverage into low density areas, areas zoned for single detached housing and non-arterial locations to allow for a greater mix of structure types and densities (e.g. townhouses, small apartment buildings) are important considerations moving forward.

- **Livability considerations would benefit from further exploration.** Greater housing choice is important for renters, and while unit composition has improved since the programs were introduced in 2009, livability challenges remain. Unit size, unit mix, storage space, and noise are all important characteristics of rental housing that would benefit from detailed consideration in the upcoming policy development phase.
- **Communicating trade-offs to the public.** While the challenges facing renters are significant, the financial constraints and risks associated with rental development may not be well understood. To facilitate a greater understanding of these matters, additional analysis and communication with the public would be valuable — detailing the inherent trade-offs, the risks and regulatory requirements, and the need for incentives to achieve market rental housing.

Next Steps

To support the upcoming policy development stage, research and consultation is needed to identify approaches that aim to:

- Simplify the incentive programs
- Clarify policy objectives
- Reduce the processing timelines
- Consider the possibility of additional incentives
- Consider expanding the incentive program
- Seek partnerships with senior government
- Diversify housing choice by type
- Enable new rental housing in single detached neighbourhoods
- Communicate trade-offs to the public

1. INTRODUCTION

In April 2019, the City of Vancouver engaged CitySpaces Consulting to undertake a review of past and current rental incentive programs. This review documents 10 years of results of the City's rental incentive programs, which were first introduced in 2009. While the programs have effectively increased the number of rental housing units in Vancouver, rental vacancy rates have been persistently low and there are growing concerns surrounding the affordability of rental housing. Council and staff are seeking solutions to address these concerns, and respond to the issues of choice, affordability, and availability in Vancouver's rental market.

To facilitate this process, staff have completed an internal staff survey, a tabulated assessment of all rental projects, and have gathered feedback from renters, post occupancy, to understand the multiplicity of perspectives on this issue. Additional stakeholder consultation was completed in Spring 2019, including a focus group and survey with representatives of the Urban Development Institute (UDI); outreach to landlord and property management groups; and a neighbourhood feedback and transect survey.

Purpose

Vancouver City Council has directed staff to review all existing Vancouver market rental housing programs to identify ways to meet Vancouver residents' needs for affordable housing. This Rental Incentive Review includes Rental 100 (the Secured Market Rental Policy), the Affordable Housing Choices Interim Rezoning Policy, and recently completed community plans that include policies that incentivize secured market rental housing. The purpose of this report is to document the results of the City's past and previous market rental incentive programs, with regard to supply, take-up of incentives, affordability, form of development and public feedback. Preliminary recommendations focus on key issues and opportunities for staff to consider during a subsequent policy development phase.

With the adoption of the **Housing Vancouver Strategy (2018-2027)**, and Council's direction to expedite the development of a city-wide plan, the current policy and planning landscape has become increasingly complex and multi-faceted. While these ongoing initiatives are important considerations that will shape the policy development process, the focus of this review is the existing rental incentive programs.

Methodology

Given the project scope, this review is based on the City's existing information on purpose-built rental housing. Stakeholder focus groups held in Spring 2019 also form an important data source for this review. The quantitative and qualitative data referenced in this report was obtained from data reports and analysis previously prepared by City staff. The data sources used include:

- Inventory of rental development applications and completed projects;
- Post occupancy survey of renters living in rental buildings constructed through the rental incentive programs;
- Two focus groups held with developers and with landlords/property managers;
- Survey of Urban Development Institute (UDI) members;
- Internal staff survey; and,
- Neighbourhood feedback and intercept survey.

Other quantitative data highlighted in this report has been obtained from the City of Vancouver. Data sources include the 2006, 2011, and 2016 Census of Canada; Canada Mortgage and Housing Corporation (CMHC) Rental Market Report for the City of Vancouver; the MLS Home Price Index; and City building and development permitting information.

Limitations

Analysis of the relationship between government policies and impacts on housing market demand and supply is a complex undertaking. The housing market consists of several interrelated sub housing markets, which are significantly influenced by macroeconomic trends, financial market activity, household incomes, interest rates, taxation policy, the availability of land, consumer behaviour and preferences, and social culture. Today, the ability for global wealth to move easily between countries and continents adds another level of complexity. These inter-related factors shape the housing market and ultimately influence the development of housing policy.

The scope of this exercise is limited to a review of the City of Vancouver's programs to incentivize purpose-built rental housing. While there is the potential for further analysis at this stage, the City has committed to an extensive work program that provides the opportunity for policy development, and more in-depth issues identification.

The consulting team relied largely on data and information that had been previously compiled by the City of Vancouver. CitySpaces participated in a number of focus groups and undertook

a portion of the data analysis, but new data collection could not be undertaken independently due to the project's timeframe and scope of work.

The Housing Spectrum & Definitions

The rental housing market is just one element of the “housing spectrum”. Each source of supply on the rental housing spectrum responds to different housing needs. Vancouver’s rental housing stock includes purpose-built market rental housing, secondary market rentals, and non-market rental housing or social housing. These housing forms are illustrated on the Housing Spectrum — a visual concept used to demonstrate the full ranges of types and tenures of housing, from seasonal shelters to home ownership.

- **Purpose-Built Market Rental Housing (“purpose-built rental housing”).** Refers to multi-unit buildings (i.e. 3 units or more) designed and built expressly as long term rental housing. Purpose-built rental units are considered to form the primary rental market.
- **Secured Market Rental Housing (“secured rental housing”).** Refers to purpose-built rental housing where rental tenure is secured through legal agreements for a specified period of time.
- **Secondary Market Rental Housing (“secondary rental housing”).** Refers to units built for ownership which are then purchased by an individual or group that intends to rent and manage the units directly or through a property management firm (e.g.. secondary suites and rented condominium apartment units).

This report focuses on secured market rental housing; however, it is acknowledged that secondary market rentals form an important segment of the housing spectrum . For many owners, secondary suites provide additional financial security; and revenues from accessory units make homeownership possible for families that would otherwise struggle to transition from rental housing to homeownership. Secondary rental housing is also the only rental option available in many areas of the city, especially in lower-density neighbourhoods and in locations off of arterial roads.

Figure 1-1: The Housing Spectrum



At any point in time, and depending on prevailing rents and home prices, a household may change tenure, such as from a homeowner to renter or vice versa. The purpose-built rental housing stock is book-ended by two other important segments on the housing spectrum. To the left is social or non-market housing. This housing stock, built under a mix of federal, federal/provincial and provincial housing programs, is intended for lower-income households. It protected from market forces, thus offering predictable and affordable rents in perpetuity. To qualify for social or non-market housing, most households have to meet income and other eligibility requirements. To the right on the spectrum is “entry-level ownership.” This form of housing is at the boundary between renting and owning, and in the Vancouver context, this market segment consists primarily of older condominiums and townhouses.

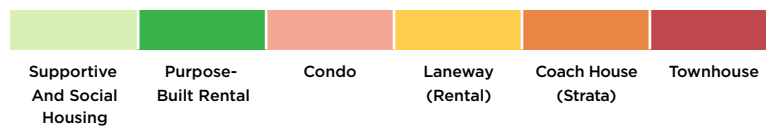
It is important to note that each source of supply along the housing spectrum is interrelated, and constraints in any one supply type will impact others. For instance, in previous decades the entry-level ownership supply of housing would have consisted of older and smaller houses in Vancouver or elsewhere in the region. Affordability pressures in this segment of the market have caused first-time buyers to instead look for rental housing, or homes in the strata condominium and townhouse market, which has contributed to limited vacancy rates, and has increased demand and the price for those types of homes accordingly. On the other side of the spectrum, moderate-income households, which in the past may have been able to afford market rental apartments, are staying in older, more affordable and often subsidized units longer. This results in lower-income households being unable to access lower-priced rental units.

Housing Vancouver Strategy

The City's **Housing Vancouver Strategy** targets indicate the amount of new housing required to meet the needs of residents along a spectrum of housing types and income groups. Figure 1-2 illustrates the City of Vancouver's target to approve 20,000 new units of purpose-built rental housing over a 10-year period (2018-2027) or 2,000 units per year. As per the **2019 Housing Vancouver Annual Progress Report and Data Book**, the City has approved just 46% of its annual targets of 2,000 units per year for purpose-built market rental over the past two years.

Figure 1-2: Housing Vancouver 10-Year Targets (2018-2027)

| Building Type | Renters | | | | Renters & Owners | Owners | Total | % of Total |
|-------------------|--------------|--------------|--------------|---------------|------------------|---------------|---------------|-------------|
| | <\$15k/Yr | <\$15-30k/Yr | <\$30-50k/Yr | <\$50-80k/Yr | <\$80-150k/Yr | >\$150k/Yr | | |
| Apartment | 5,200 | 1,600 | 2,000 | 3,000 | 200 | | 12,000 | 17% |
| | | | 2,500 | 12,000 | 5,500 | | 20,000 | 28% |
| | | | | 6,500 | 16,500 | 7,000 | 30,000 | 42% |
| Infill | | | | 2,000 | 2,000 | | 4,000 | 5% |
| | | | | | 300 | 700 | 1,000 | 1% |
| Townhouse | | | | | 1,700 | 3,300 | 5,000 | 7% |
| Total | 5,200 | 1,600 | 4,500 | 23,500 | 26,200 | 11,000 | 72,000 | 100% |
| % of Total | 7% | 2% | 6% | 33% | 37% | 15% | 100% | |



2. CONTEXT

Historical Overview

This section examines the evolution of Vancouver's purpose-built rental housing market over the past 70 years, particularly the role of the federal, provincial, and municipal governments in influencing the production of purpose-built rental housing.

Government policies at all levels play a direct role in affecting housing market trends over time. Governments set policy around housing in several ways. The role of the federal government includes tax incentives for individual capital gains and business investments in housing, federal insurance for mortgages, and direct assistance for affordable housing construction and renewal. Provincial governments play a key role in creating and supporting affordable housing projects, such as through agencies like BC Housing. Provincial governments also provide low-cost financing, and create legislation to enable municipalities to regulate land use, through zoning and other regulatory systems.

FEDERAL SUPPORT FOR PURPOSE-BUILT RENTAL HOUSING

The current inventory of purpose-built rental housing is largely a legacy of policies and decisions taken by the federal government. Beginning with federal taxation measures and provisions in place from 1951 to 1973, including incentives for new residential rental investment, there was a rapid expansion in the supply of purpose-built rental housing. These measures included high **capital cost allowances** and the ability to deduct investment losses from earned income. Federal rules at this time did not stipulate income mix or any rent restrictions, but were instead simply designed to stimulate investment in rental supply.

Federal Rental Incentives (1949-1972)

- Tax write-offs for soft costs were available for new housing investment.
- Tax deductions based on a capital cost allowance rate were granted to owners and operators of rental buildings. The deduction represented a depreciation amount which was higher in the earlier years of a building's life, and declining over time.
This provided a cash flow benefit in the earlier years of an investment.
- While these tax deductions were recaptured if a building was sold for a price higher than the assumed depreciation, a rollover provision meant that the recaptured amounts could be deferred if the investor acquired another rental building in the same tax year.

These federal taxation provisions were restricted or eliminated beginning in 1974. New incentive programs were introduced to address rental housing supply constraints, including requirements for low-rental rates and income eligibility reporting. These included the Multiple Unit Rental Building program (MURB), Assisted Rental Program (ARP), and the Canadian Rental Supply Program (CRSP), which contributed to a continued expansion of the supply of purpose-built rental units, though at a slower rate than the previous decade. These programs typically included tax write-offs for soft costs, high capital cost allowances, and transferability of losses to earned income. These provisions were often similar to those of the previous era, but more targeted and limited to qualifying investments; eligibility for these tax incentives was limited to prevent tax deferral and avoidance by high-income individuals and investors.

During the period of 1974 to 1986, additional programs were also introduced to promote the production of non-profit and co-op housing programs. These programs were designed to address the needs of low to moderate income households unable to find housing in the private rental market. Such programs typically involved funding on a cost-shared basis between the federal and provincial governments and included some combination of capital grants, favourable financing, or on-going operating subsidy. These new programs accompanied a shift away from public housing models, based on observations that community-based housing

Multiple Unit Residential Building (MURB) Program (1974-1981)

- A tax measure designed to promote investment in purpose-built rental housing through the relaxation of the capital cost restrictions of the Income Tax Act (thereby allowing CCA to be deducted against any income). Similar to the tax treatment of all real estate prior to 1972, the attractiveness of a MURB investment stemmed from the ability to defer taxes.

Assisted Rental Program (ARP) (1974-1978)

- Designed to stimulate the economy and to encourage the construction of modest rental accommodation, the program sought to eliminate negative cash flow on new purpose-built rental projects. It provided insured loans for new purpose-built rental housing construction, supplemented by grants of up to \$75 per unit per month, provided that owners of new purpose-built rental projects maintained rents at a reasonable level for a period of up to 15 years. Subsidy payments were reduced gradually over a period of 10 years as market rental rates increased.

Canada Rental Supply Plan (CRSP) (1981-1983)

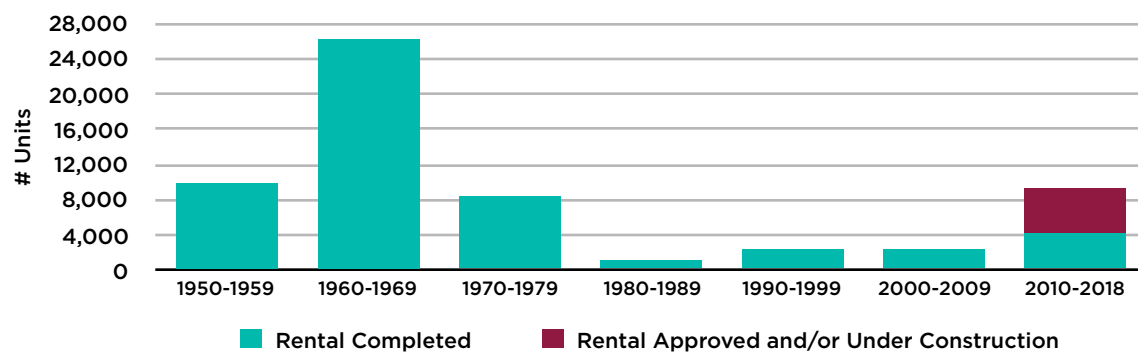
- CRSP was intended to replace the MURB program to boost the supply of purpose-built rental housing at an affordable cost. The program provided a repayable, one-time interest free loan that intended to contribute to a portion of construction costs, and also included tax measures that treated soft costs as capital costs for rental housing buildings.

providers, such as non-profit housing societies, were more cost effective when compared to larger, institutional public housing models.

PEAK PRODUCTION OF PURPOSE-BUILT RENTAL HOUSING

Due in significant part to federal incentive programs, the peak production years for purpose-built rental housing in Vancouver were in the 1960s, with over 25,000 new units being produced. Today in Vancouver, purpose-built rental housing constructed between 1950-1979 accounts for 63% of the current purpose-built rental supply, as seen in Figure 2-1.

Figure 2-1: Historic Rental Housing Construction in the City of Vancouver



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

In addition to the federal incentive programs, the 1960s rental housing boom can be attributed to the City of Vancouver's land-use policies and infrastructure investments at the time, as well as demographic trends.

- Multifamily zoning from the 1960s to early 1970s provided entitlements for a wide range of medium density and high rise buildings in the West End, Kitsilano, and Kerrisdale, and dispersed low-rise apartments in areas such as Fairview, Marpole, Mount Pleasant, and Grandview-Woodlands.
- The City invested in infrastructure necessary for the construction of apartment buildings, particular in the West End, Kitsilano, and Kerrisdale multi-family residential zones.
- At the end of World War II, Canada's housing market was under significant pressure. There was a shortage of housing due to limited construction during the Depression, and later from scarcity of available capital and resources during the war. The post-war period was also marked by a rapid increase in family formation and increased immigration and migration to large cities like Vancouver. These trends contributed to a significant increase in demand for housing in general and rental housing in particular.

- During this time, a strata-titled condominium market did not yet exist. The homeownership market, for the most part, was limited to single-detached housing. During the 1950s and 1960s, mortgage financing for homeownership was often unavailable or expensive, which further constrained opportunities for homeownership and created a strong market for rental housing.

WITHDRAWAL OF FEDERAL INCENTIVES FOR PURPOSE-BUILT RENTAL HOUSING

In the 1980s, federal programs and incentives for new purpose-built rental housing supply were eliminated, resulting in a dramatic decline in the number of new purpose-built rental units created. This included changes in the capital cost allowances or amount of depreciation allowed for rental housing assets, and less favourable treatment in the deductibility of “soft costs.” In 1993, the federal government also withdrew funding for new social housing development, and in 2006, the federal government and the province of British Columbia signed a devolution agreement transferring all responsibilities for social housing to the province. The compounding effect of these policy changes was a massive reduction of total rental development.

Principal Residence Capital Gains Exemption

Provisions of Canada’s federal income tax introduced over the past 25 years have increased demand for owner-occupied housing, including strata-titled condominium, due to the beneficial tax treatment over other types of investments. Specifically, federal income tax exempts any gains realized from the sale of homes that were the owner’s principal residence. That is, the homeowner is usually not required to pay taxes on the difference between the original purchase price and the sale price of their owner occupied home. Although this tax measure was intended to promote homeownership, it has had a number of unintended consequences.

- The beneficial tax treatment of the tax exemption increases demand for homeownership, which leads to price inflation by buyers seeking a home.
- Housing comes to be viewed as a way to secure tax-free financial gains, particularly in markets with rapidly escalating housing costs. This increases demand for homeownership opportunities, and creates a distortion in the housing market. As no equivalent exemption is available for renters, it is considered to be inequitable.
- Tax exemption also diverts savings from capital markets where the funds could be used to promote business investment, productivity, and employment. This can lead to a larger share of economic activity being concentrated in investment in the housing sector.

INTRODUCTION OF STRATA CONDOMINIUM ACT AND BANKING REFORMS

In 1966, British Columbia enacted the *Strata Titles Act*, which created a basic legal framework for strata properties. Concurrent to the new legislation were changes made by CMHC to increase its direct lending activity and modify loan criteria to expand mortgage eligibility. Deregulation by the Bank of Canada and the Ministry of Finance allowed banks to lower lending standards, reduce capital requirements, and introduce inventive financial derivatives products. Collectively, these actions made it easier to obtain mortgages, which were often unavailable or expensive during the 1950s and 1960s. The homeownership market also expanded due to the unique capital gains exemption for owner-occupied (principal) residences.

All of these changes, combined with the general macro-economic climate at the time, characterized by rising deficits, increased taxes, and inflation, had a dampening effect on new rental housing investment. Increasingly, strata-titled condominium developments would be at a financial advantage over rental use.

Local Housing Market Conditions

Vancouver is currently experiencing high and increasing demand for housing, with residents facing some of the highest housing prices and rents among Canada's large cities. This has led to a significant shortage of rental housing in

Vancouver, as households that would have been able to afford ownership in the past are now continuing to rent. High and rising rents that are unaffordable for many moderate-income households have resulted in a significant number of renter households falling into core housing need.

Looking at the 21 municipalities that make up the Metro Vancouver region, the City of Vancouver is not alone in experiencing housing affordability challenges. The entire region has experienced escalating housing prices and rents for several years, and rental vacancy rates have consistently been below one per cent. In part, rising demand is a reflection of the city and region's economic growth and desirability as a place to live. Metro Vancouver continues to be a key economic growth centre in western Canada, with new jobs, population growth, and immigration.

What is Core Housing Need?

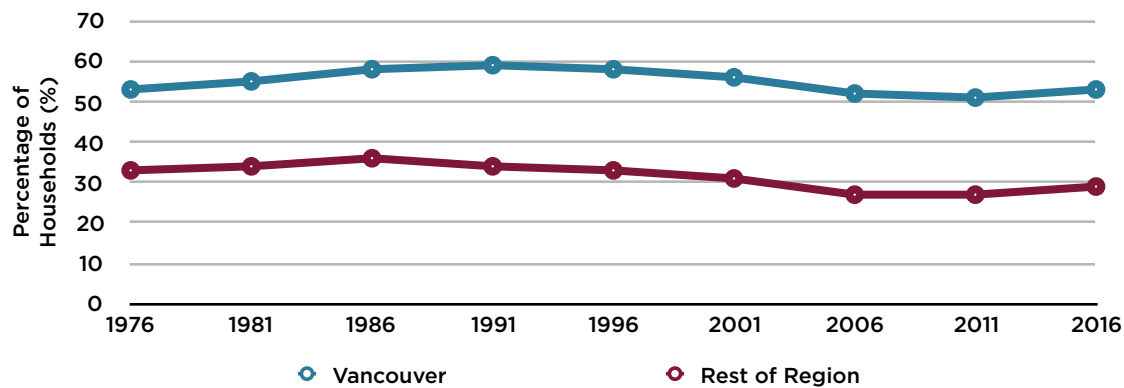
A household is said to be in "core housing need" if its housing falls below standards for adequacy or suitability, or the household it would have to spend 30% or more of its total before-tax income to pay housing costs.

The majority of housing starts for the Vancouver market over the past two decades have been in the ownership or investor sphere of the housing market, with a significant percentage of these starts being in strata-titled condominium apartment units. The production of new purpose-built rental housing dropped considerably between 1980-2010, while some new unsecured rental was made available through rented condos, secondary suites, and laneway houses. These trends have created pressure on the older rental housing stock to provide accommodation to those households that cannot afford home ownership.

RENTER INCOME PROFILE

The majority of households in Vancouver are renters (53%), which is a trend that has persisted for many years. Vancouver is unique in this regard when compared to the larger Metro Vancouver region, where the majority of households are comprised of owners (Figure 2-2).

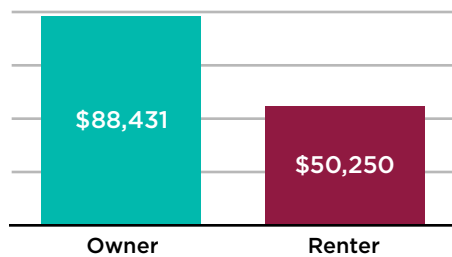
Figure 2-2: Share of Renter Households in Vancouver & Metro Vancouver



Source: Statistics Canada Census

In 2016 76% of net new households were renters, which represents a significant increase from 2011, where 41% of new households were renters. The median income of renter households is half that of owners, as depicted in Figure 2-3.

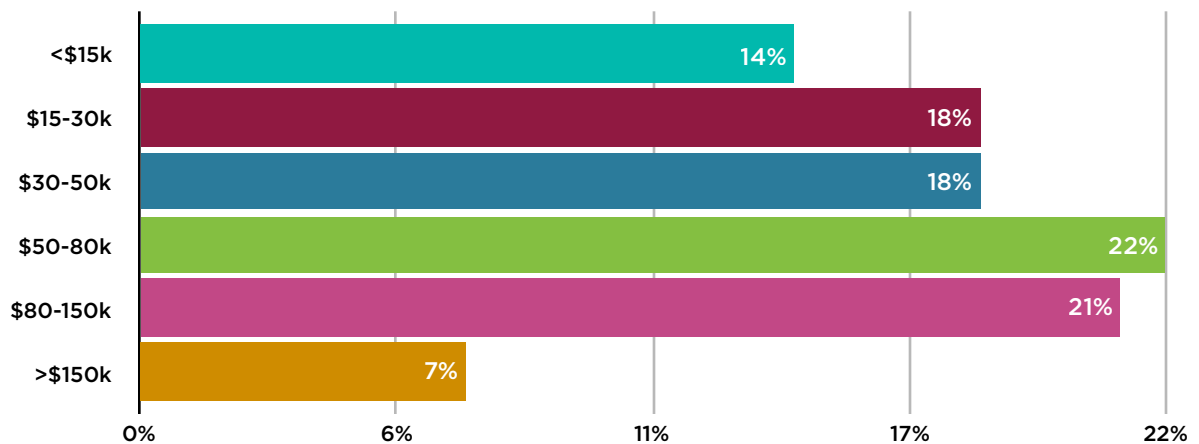
Figure 2-3: Median Renter vs Owner Household Incomes, 2015



Source: Statistics Canada Census

Within the population of renter households, there is significant income diversity. In 2015, 32% of renter households had incomes of less than \$30,000 per year, 40% between \$50,000 and \$80,000 per year, and 28% of households earned more than \$80,000 per year. These patterns (Figure 2-4) represent the diversity of demand for rental housing by different household income groups.

Figure 2-4: Income Diversity Among Renter Households (2015)

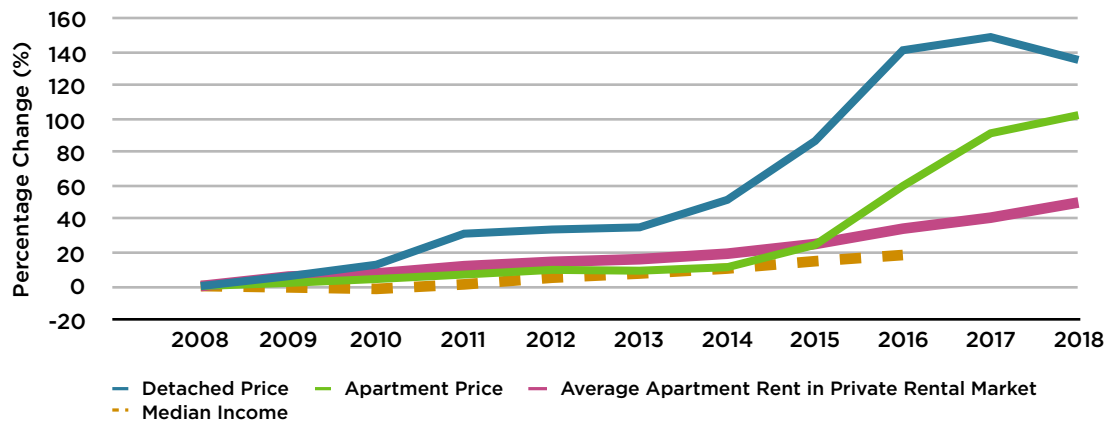


Source: Statistics Canada Census and National Household Survey

COST OF OWNERSHIP

The cost of ownership in the City of Vancouver has increased considerably since 2008; the percentage change in the benchmark price of a single-detached home on Vancouver's east side has risen by 136%. Based on median household income data alone, it would appear that home ownership is becoming increasingly out-of-reach for many moderate income renters. In reality, many households looking to get into the ownership market rely on assistance from family to be able to get financing or afford large downpayments. Those unable to benefit from such assistance, may opt to remain in rental housing, thereby contributing to the continued pressure on the existing rental housing and keeping vacancy rates low.

Figure 2-5: Cost of Ownership vs. Median Income



*Source: Benchmark prices from MLS Home Price Index - all data for Vancouver East in October of each respective year.

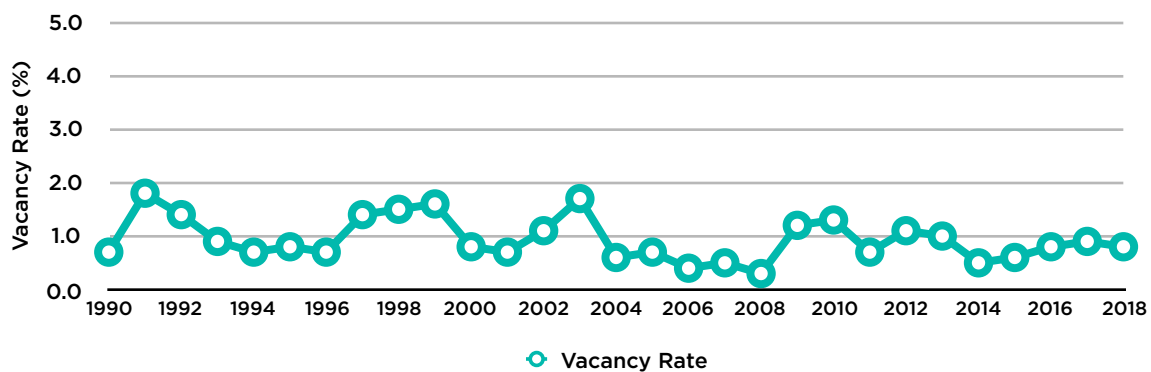
**Source: CMHC 2018 Rental Market Report

***Source: Statistics Canada Income Statistics Division, 2016. Median Income is shown for family units. The data is indexed using 2008 as the base year.

RENTAL VACANCY RATE

The City of Vancouver has experienced persistently low rental vacancy rates over the last 10 years (Figure 2-6). Over the last 30 years, there has been limited new rental construction within the City, and only since the introduction of rental incentive programs in 2009, did the City experience an increase in purpose-built rental housing supply. In small and medium sized communities, it is typical for the rental market to experience pressure when vacancy rates are less than three per cent, and significant pressure when rates are less than one percent. In Vancouver, vacancy rates are typically much less than two percent, although this has been further exacerbated in the past 15 years when the average vacancy rate was 0.76%.

Figure 2-6: City of Vancouver Private Rental Apartment Vacancy Rate

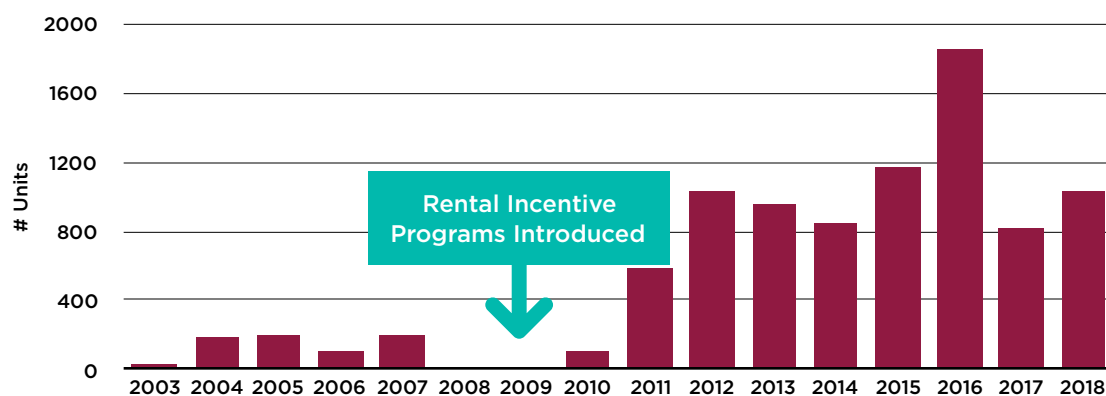


Source: CMHC Rental Market Survey

PURPOSE-BUILT RENTAL STOCK

Given the majority of the City's purpose-built rental housing was constructed before 1980, the existing stock is aging, and new rental units are needed. Figure 2-7 illustrates the number of purpose-built rental units completed in Vancouver since 2003, which demonstrates the impact of the rental incentive programs. From 2003 to 2008, on average, 119 purpose-built rental units were approved per year, which increased to 821 units per year from 2009 to 2018. The incentive programs have begun to address the shortage of new purpose-built rental development, and with more purpose-built rental housing, higher earning residents have more options to choose from, which relieves demand for lower priced rental units.

Figure 2-7: Historical Rental Approvals in the City of Vancouver



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

The Role of the Purpose-Built Rental Housing Market

The rental housing sector contributes significantly to Vancouver's social and economic diversity and is an important part of the housing spectrum. More than half of all households in Vancouver rent. Low vacancy rates and high rents are symptoms of a current shortage of rental housing demonstrating the continued high demand for rental housing. In addition, research completed by the BCNPHA shows that demand for rental units in Metro Vancouver could grow, compounding the current rental demand.² Additionally, research by Canada Mortgage and Housing Corporation (CMHC) highlights that international migration, employment growth, and an aging population, have resulted in a strong increase in demand for rental housing across the country.

² BC Non-Profit Housing Association, *Our Home, Our Future: Projections of Rental Housing Demand and Core Housing Need*, 2012

BENEFITS OF PURPOSE-BUILT RENTAL MARKET

The housing needs of individuals and families change over time, and the vast majority of individuals will live in rental housing at some point in their lives.

- Purpose-built rental housing provides a secure, long-term housing option for households that cannot afford or do not choose to own in Vancouver. With secondary market rentals, there is greater risk of displacement when owners decide to sell or when family members move into the rented unit. Purpose-built rental housing offers greater security of tenure.
- Rental housing provides an option for those seeking more flexible housing options. This is particularly helpful for households who are in the early stages of career development, when renting provides the flexibility to respond to educational and employment opportunities that may require relocation.
- Renting can also be a good option for seniors wanting to downsize from larger homes, but who may not want to take on a long-term mortgage. Conversely, a lack of rental housing in a community could prevent seniors from downsizing, preventing larger homes from entering into the housing market and being used to house newly-formed households.

A secure and robust stock of rental housing contributes to the social diversity and economic health of the City, and to the development of community sustainability.

- Purpose built rental housing is a particularly important element of the City's social safety net, housing a large share of low income seniors and working families.
- A good supply of rental units provides housing options for the workforce, which is considered essential to attracting employers to locate in the city.
- A well functioning rental housing sector helps preserve mixed-income communities and contributes to the social, economic, and political health of local communities.

Rental housing represents an important alternative to homeownership.

- Transaction costs associated with renting a unit include rental deposits, which are modest compared to costs associated with the purchase of a home, i.e. property transfer taxes, fees paid to real estate brokers, and legal fees.
- Homeownership involves significant financial risks related to the underlying value of the home as a capital asset. Homeowners with mortgages could experience unexpected expenses if interest rates were to rise, a feature that does not enter in the financial calculation of the cost of renting. Additionally, homeowners are responsible for the associated costs of ownership (maintenance, property tax, etc.), and are vulnerable to market trends.

3. RENTAL INCENTIVE PROGRAMS

The City of Vancouver introduced rental incentive programs in 2009 to address the lack of investment in new purpose-built market rental housing. These programs were designed to increase the supply of rental housing within the city by offering incentives to private sector developers. Since the 1970s, strata condominiums have increasingly become the preferred development option for new multi-unit projects and additional incentives were needed to encourage the construction of purpose-built rental housing. The following section outlines these programs in greater detail, and provides an in-depth analysis of the program objectives, given the patterns of supply and demand within the City of Vancouver and in the broader Metro Vancouver region.

Short Term Incentives For Rental Program

The STIR (Short Term Incentives for Rental) Program was initiated in July 2009 to address the limited investment in rental housing over the previous 25 years and to create construction jobs in response to the economic recession of 2009. STIR was a 2.5 year pilot program, which ended on December 15, 2011.

Table 3-1: STIR Summary

| | |
|------------|---|
| Objectives | <ul style="list-style-type: none">• Increase supply of market rental housing• Create new construction jobs in response to economic recession• Support sustainability goals by encouraging rental housing along commercial arterials, “high” streets, and transit centres• Encourage development of market rental housing for households that cannot afford to purchase a home• Test the City’s ability to enable market rental housing without the involvement of senior levels of government |
| Approach | <ul style="list-style-type: none">• Incentives were offered to encourage more private sector market rental housing |
| Structure | STIR was organized into two streams: <ol style="list-style-type: none">1. Projects that do not require rezoning or additional density2. Projects that require a rezoning and an increase in density to be economically viable |
| Incentives | <ul style="list-style-type: none">• Unit size relaxation• DCL waiver• Parking reductions• Density increases• Expedited permit processing |

The incentives offered through STIR included:

- **Unit size relaxation:** Relaxation of unit size to 320 sq. ft., provided design and location meet the City's liveability criteria.
- **Development Cost Levy (DCL) waiver:** DCLs are waived for construction of for-profit affordable rental housing.
- **Parking reductions:** Reductions were applied to standards prescribed in the Parking Bylaw for the program and adopted by Council in July 2009.
- **Density increases:** Density increases ranged significantly (from 0.3 FSR to 4.1 FSR) depending on the site, location, context and urban design review.
- **Expedited permit processing:** STIR projects were identified at the application stage and, in some cases, applications for rezoning and development permit were undertaken concurrently, shortening review time.

What is a DCL?

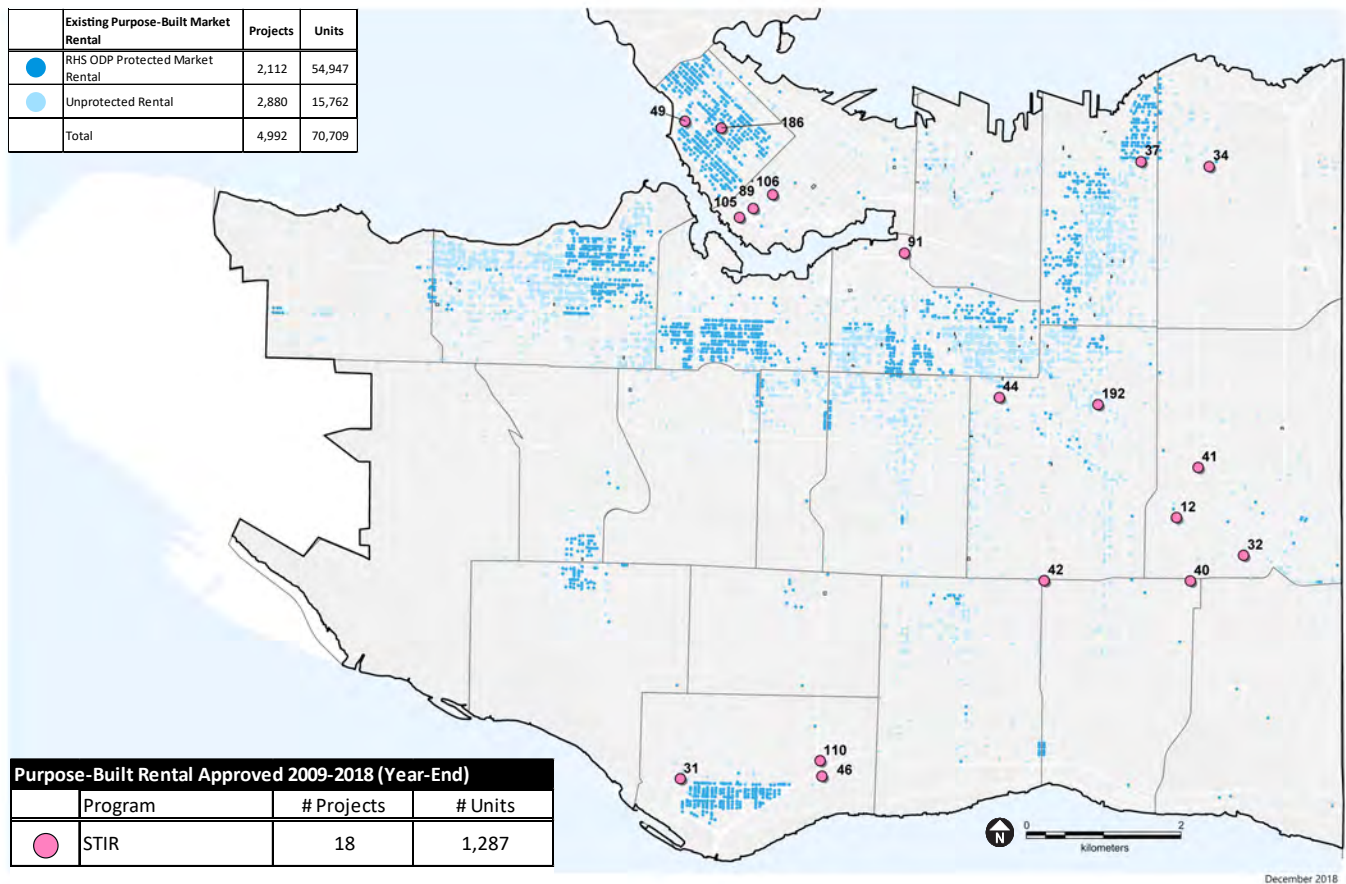
Development Cost Levies are fees collected from developers by the City of Vancouver to offset the infrastructure costs associated with new development.

Rental units in these projects would be secured for a term of 60 years or life of the building, whichever is greater, through legal agreements, such as a Housing Agreement.

Table 3-2: STIR Results

| | |
|------------------|---|
| Units | <ul style="list-style-type: none"> • 18 total projects: <ul style="list-style-type: none"> • 14 complete projects totalling 1,096 rental units, 1,409 strata units • 4 projects under construction totalling 191 rental units, 372 strata units • 36.1% studios, 46.6% one-bedrooms, 16.6% two-bedrooms, 0.7% three-bedrooms |
| Density & Height | <ul style="list-style-type: none"> • Average density of 4.3 FSR • Average height of 14 floors |
| Processing Time | <ul style="list-style-type: none"> • Total Length of Rezoning (median): 27 months • Length of Development Permit (median): 17 months |
| DCL Waiver | <ul style="list-style-type: none"> • 89% of projects took the DCL waiver • DCL cost per unit: \$7,635 |

Figure 3-1: Rental Projects Approved Under STIR from 2009-2018



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018 *The labels on the map refer to unit counts.

Key Findings

STIR successfully initiated the creation of secured market rental units; however, lengthy processing times, particularly for larger projects, and the tenure mix delivered through STIR, led to several changes reflected in the ***City's Secured Market Rental Housing Policy (Rental 100)***.

- Staff concluded more market rental units were created in 100% rental projects than in mixed strata/rental developments.
- The City contribution per unit for 100% rental projects was lower than mixed strata/rental projects. For 100% rental projects, the primary financial incentive was the waiving of DCLs. No Community Amenity Contributions³ (CACs) were collected on 100% rental projects as

³ Community Amenity Contributions (CACs) are in-kind or cash contributions provided by property developers when City Council grants development rights through rezoning.

the increased rental density did not result in any increase in land value. For mixed strata/rental projects, which are more expensive to build (concrete towers), the rental component was viable primarily through increased density for the strata condominium component of the project. The incremental density with the resulting increase in land value led to the developer providing Community Amenity Contributions (CACs). The market rental units generated in mixed projects were supported through the allocation of a portion of the CACs towards the creation of secured market rental housing. The City contribution for mixed strata/rental projects was higher, as it included a portion of the CACs in addition to the waived DCLs.

- Concurrent processing worked well when the form of development did not change significantly through the rezoning process. In most cases, mixed strata/rental projects were larger and more complex, which resulted in changes to the form of development. For these reasons, the concurrent processing incentive did not work as well for mixed projects, when compared to 100% rental projects.
- Despite expedited permitting, average processing times were considerable, particularly for larger, more complex projects.

Rental 100: Secured Market Rental Housing Policy

Building on the experience of the STIR pilot program, the *Secured Market Rental Housing Policy* was developed in May 2012. The Policy only applies to projects where 100% of the residential floor space is rental housing compared to STIR where mixed rental and strata could have been approved. Mixed use projects that contain a commercial component also qualify, given that all of the residential floor space is used for rental housing. This shift was in response to a key finding of the STIR program which identified less complexity with the approvals process, relative cost efficiencies and a greater number of rental units in 100% rental projects, compared to mixed strata and rental. Rental 100 also provided additional clarity on the locations, zones and available density bonuses, which was an improvement over the program structure of STIR.

Table 3-3: Rental 100 Summary

| | |
|------------|---|
| Objectives | <ul style="list-style-type: none"> • Increase supply of 100% market rental housing (i.e. no mixed projects with both strata and rental units) • Encourage development of market rental housing for households that cannot afford to purchase a home |
| Approach | <ul style="list-style-type: none"> • Incentives are offered to encourage more private sector market rental housing |

| | |
|------------|--|
| Structure | <p>Rental 100 is organized into two streams:</p> <ol style="list-style-type: none"> 1. Projects that can be developed under the existing zoning (i.e. development permit process) 2. Projects that require a change in zoning |
| Incentives | <ul style="list-style-type: none"> • DCL waiver • Parking reductions • Relaxation of unit size to 320 sq. ft. • Density increases (for rezoning projects) • Concurrent processing (for rezoning projects) |

The City-level incentives offered to encourage the construction of purpose-built rental housing are outlined below, based on project streams:

Residential Rental Projects under Existing Zoning

- **Parking reductions** as described in the Vancouver Parking Bylaw.
- **Development Cost Levy waiver** for the residential floor area of the project.
- **Relaxation of unit size** to a minimum of 320 sq. ft. provided that the design and location of the unit meets the liveability criteria as defined in the Zoning and Development By-law.

Residential Rental Projects Requiring a Rezoning

- **Additional floor area**, which varies based on the zoning district. In certain Commercial Areas, applicants may consider increases of up to 6 storeys. Additional detail is provided in Appendix A.
- **Parking reductions** are available to all market rental housing units that are secured for a term of 60 years or life of the building. Parking reductions differ based on location, and more information is available in the City of Vancouver's Parking Bylaw.
- **Development Cost Levy waiver** for the residential rental floor area of the project.
- **Relaxation of unit size** to a minimum of 320 sq. ft. provided that the design and location of the unit meets the liveability criteria as defined in the Zoning and Development By-law.
- **Concurrent processing**, where the Rezoning and Development Permit applications processes occur concurrently.

Rental units in these projects would be secured for 60 years or life of the building, whichever is greater, through legal agreements, such as a Housing Agreement.

Project Locations

Eligible locations (that require a rezoning) include:

- Areas in proximity to transit, employment and services (e.g. commercial zones, RT zones along arterial streets);
- Multi-family areas (e.g. RM zones) for infill projects or projects on sites that **do not have existing rental housing**;
- Areas with existing rezoning policies or Official Development Plans that accommodate higher residential density (e.g. Downtown District and existing CD-1s) and which do not conflict with existing policies for social housing; and,
- Light industrial areas that currently allow residential (e.g. MC-1 and MC-2).

Family-Friendly Housing

The City's *Secured Market Rental Housing Policy* initially defined a target of 25 percent family housing units in all secured market rental developments. In 2016, the *Family Room: Housing Mix Policy for Rezoning Projects*, was introduced, which applies to all rezonings, and requires all secured market rental developments to include a minimum of **35 percent family units**.

What are family housing units?

Family housing units are defined as having 2 or more bedrooms, and must be designed to meet the Council adopted guidelines for High Density Housing for Families with Children.

DCL Waivers

The Development Cost Levy (DCL) waiver is a major element of the incentive package, and is available to all projects submitted through the different rental incentive programs. Projects that include existing rental units (e.g. alterations or extensions) are not eligible for the waiver. The DCL requirements are contained in the DCL By-law, which was amended in 2013 requiring that maximum average starting rents for the first tenants be secured at rates that do not exceed the CMHC average rents for newer rental buildings. As of 2019, applicants requesting the DCL waiver would need to meet both the maximum unit size and average rents outlined in Table 3-4.

Table 3-4: DCL Maximum Rents 2019

| Unit Type | East Area DCL Maximum Average Starting Rents* | West Area DCL Maximum Average Starting Rents* |
|-----------|---|---|
| Studio | \$1,607 | \$1,768 |
| 1-bedroom | \$1,869 | \$2,056 |
| 2-bedroom | \$2,457 | \$2,703 |
| 3-bedroom | \$3,235 | \$3,559 |

*The maximum DCL rents are the average rents for all residential units built since the year 2005 in Vancouver as published by CMHC in the fall 2018 Rental Market Report. West Area maximum rents are 10% higher than the annually determined amount in East Areas. The "East Area" refers to the part of the city that is east of Ontario Street; the West Area includes the West End and Downtown.

DCL Construction Cost Limit

In 2013, a construction cost limit was introduced, where the rental residential floor area could not exceed the specified construction cost limits. This limit was removed in mid-2018 because of construction cost increases, and to allow for concrete builds (see page 39).

DCL Unit Size and Mix

The maximum sizes for units, which generally correspond to BC Housing standards and City of Vancouver Housing Design and Technical Guidelines, are provided below.⁴

Table 3-5: DCL Maximum Unit Size

| Unit Type | Maximum Unit Size |
|-----------|---------------------------|
| Studio | 450 sq. ft. (42 sq. m.) |
| 1-bedroom | 600 sq. ft. (56 sq. m.) |
| 2-bedroom | 830 sq. ft. (77 sq. m.) |
| 3-bedroom | 1,044 sq. ft. (97 sq. m.) |

To encourage the creation of family-friendly housing, the City provides a full and partial DCL waiver for projects that include 3-bedroom units, as illustrated on the following page.

⁴ Bulk storage, excluded from FSR calculations, is not included in the measurement of the dwelling unit floor area.

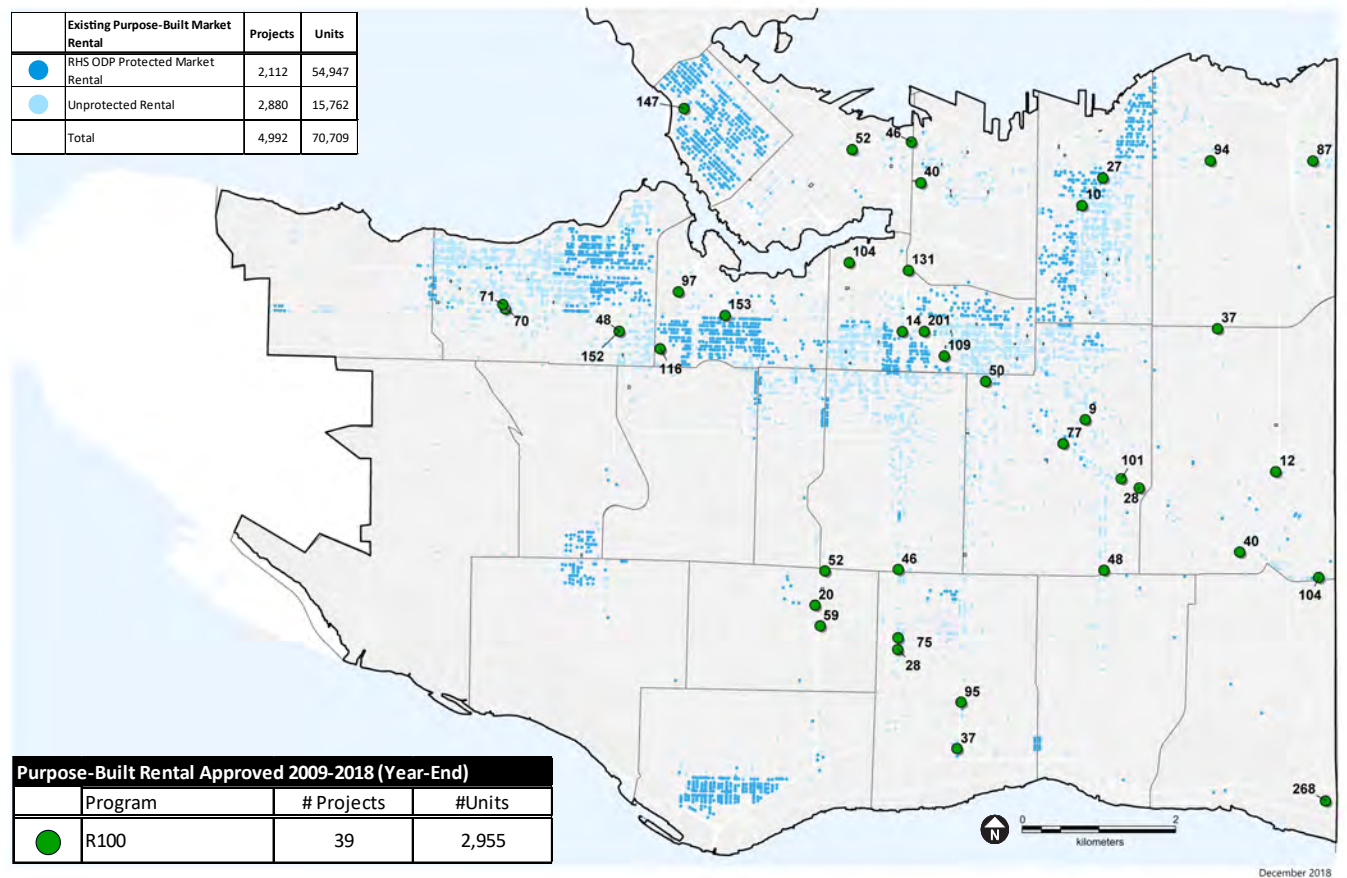
Table 3-6: DCL Waiver Eligibility

| Projects Eligible for Full DCL Waiver | Projects Eligible for Partial DCL Waiver | Projects Not Eligible for DCL Waiver |
|--|--|--|
| <ul style="list-style-type: none"> Average rents in all studio, 1- and 2-, and 3-bedroom units are at or below rents in DCL By-laws <p>✓ Eligible for full waiver</p> | <ul style="list-style-type: none"> Average rents in all studio, 1- and 2-bedroom units are at or below rents in DCL By-laws <p>✓ Eligible for waiver of these units only</p> <ul style="list-style-type: none"> Average rents in 3-bedroom units exceeds rents in DCL By-laws <p>Not eligible for waiver for 3-bedroom units</p> | <ul style="list-style-type: none"> Average rents in studio or 1- or 2- bedroom units exceeds rents in DCL By-laws (even if 3-bedroom units comply) <p>✗ Not eligible for any waiver</p> |

Table 3-7: Rental 100 Results

| | |
|------------------|---|
| Units | <ul style="list-style-type: none"> 40 total projects <ul style="list-style-type: none"> 11 complete projects totalling 1,065 rental units 13 projects under construction, totalling 838 rental units 16 approved projects totalling 1,342 rental units 24% studios, 39% one-bedrooms, 31% two-bedrooms, 6% three-bedrooms |
| Density & Height | <ul style="list-style-type: none"> Average density of 3.9 FSR Average height of 8 floors |
| Processing Time | <ul style="list-style-type: none"> Length of Rezoning (median): 21 months Length of Development Permit (median): 12 months |
| DCL Waiver | <ul style="list-style-type: none"> 68% of projects took the DCL waiver DCL cost per unit: \$9,895 |

Figure 3-2: Rental Projects Approved Under Rental 100 from 2009-2018



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018 *The labels on the map refer to unit counts.

Key Findings

Rental 100 has created additional rental housing stock in the City of Vancouver, and has shortened approval times from STIR. The program faces criticism due to the high cost of rents, which has led to changes reflected in the City's Moderate Income Rental Housing Pilot Program.

- Rental 100 has resulted in the approval of 3,245 units in 40 projects at an average of 540 units per year. Of these approvals, 1,065 units have been completed, and 838 are under construction.
- Rental 100 reduced processing times significantly from an average of five years to three years, and provided concurrent processing for those applicants that required a rezoning. Processing times are still significant.

- Within the Rental 100 policy framework, related guidelines were developed which have impacted rental housing viability to varying degrees. These include the DCL waiver introduced in 2013 (with maximum rent requirements), the construction cost limit also introduced in 2013, and the family room requirements of two or more bedrooms introduced in 2016.

Affordable Housing Choices Interim Rezoning Policy

As one of four primary recommendations of the 2011/2012 Mayor’s Task Force on Housing Affordability, the City implemented the ***Affordable Housing Choices Interim Rezoning Policy (AHC)*** in October 2012. These initiatives were developed under the broader framework of the City’s ***Housing and Homelessness Strategy***, which was adopted in July 2011.

Table 3-8: AHC Summary

| | |
|------------|--|
| Objectives | <ul style="list-style-type: none"> • Provide examples of ground-oriented and mid-rise affordable housing types and tenures, including purpose-built market rental housing • Demonstrate the “transition zone” concept where ground-oriented housing provides a transition between higher density arterial streets and single-detached housing areas |
| Approach | <p>Additional density is offered for projects that can meet one of the following affordability criteria:</p> <ul style="list-style-type: none"> • 100% of residential floor space is rental housing • Units sold for at least 20% below market value and include a secure mechanism for maintaining that level of affordability over time (e.g. resale covenant, 2nd mortgage, etc.) • Innovative housing models and forms of tenure (e.g. co-housing) that can demonstrate enhanced affordability • A Community Land Trust model is employed to secure increasing affordability over time |
| Structure | <p>AHC is organized into two streams based on location:</p> <ol style="list-style-type: none"> 1. Sites fronting an arterial street within Translink’s Frequent Transit Network and within close proximity (i.e. a 5-minute walk or 500 metres) of a local shopping area 2. Sites within approximately 100 metres (i.e. 1.5 blocks) of an arterial street |
| Incentives | <p>AHC offers height and density incentives to build rental housing:</p> <ul style="list-style-type: none"> • For sites fronting arterial streets, mid-rise forms of up to 6 storeys • For sites within 100 metres of an arterial street, 3.5 to 4 storeys |

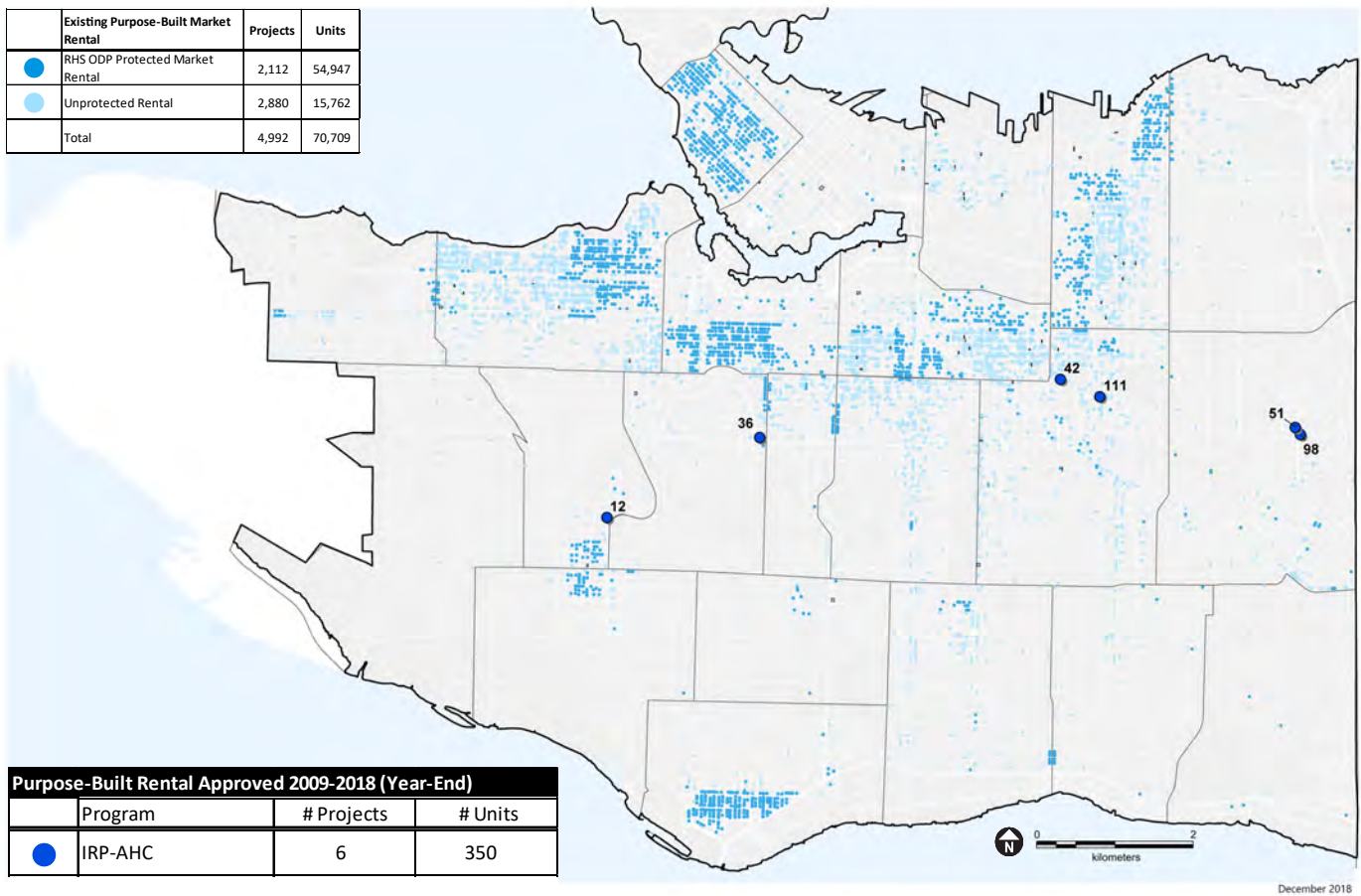
Rental units in these projects would be secured for a term of 60 years or life of the building, whichever is greater, through legal agreements, such as a Housing Agreement.

The AHC Policy was initially designed to consider a maximum of 20 rezoning applications. With the approval of *Housing Vancouver*, Council removed the maximum cap of 20 rezoning applications, to better meet the new targets for purpose-built rental housing. The policy contains a map which identifies the locations of sites that can be considered under the AHC Policy. In addition, the policy includes a spacing requirement between projects, where no more than two projects can be considered within 10 blocks along an arterial street. New proposals for projects under the AHC Policy were accepted until June 30, 2019.

Table 3-9: AHC Results

| | |
|-----------------------------|---|
| Units | <ul style="list-style-type: none"> • 7 projects: <ul style="list-style-type: none"> • 1 completed project totalling 42 rental units • 3 projects under construction totalling 245 rental units and 74 strata units • 3 approved projects totalling 132 rental units • 20% studios, 38% one-bedrooms, 30% two-bedrooms, 12% three-bedrooms |
| Density & Height | <ul style="list-style-type: none"> • Average density of 2.0 FSR • Average height of 4.9 floors |
| Processing Time | <ul style="list-style-type: none"> • Length of Rezoning (median): 25 months • Length of Development Permit (median): 14 months |
| DCL Waiver | <ul style="list-style-type: none"> • 86% of projects took the DCL waiver • DCL cost per unit: \$9,849 |

Figure 3-3: Rental Projects Approved Under AHC from 2009-2018



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018 *The labels on the map refer to unit counts.

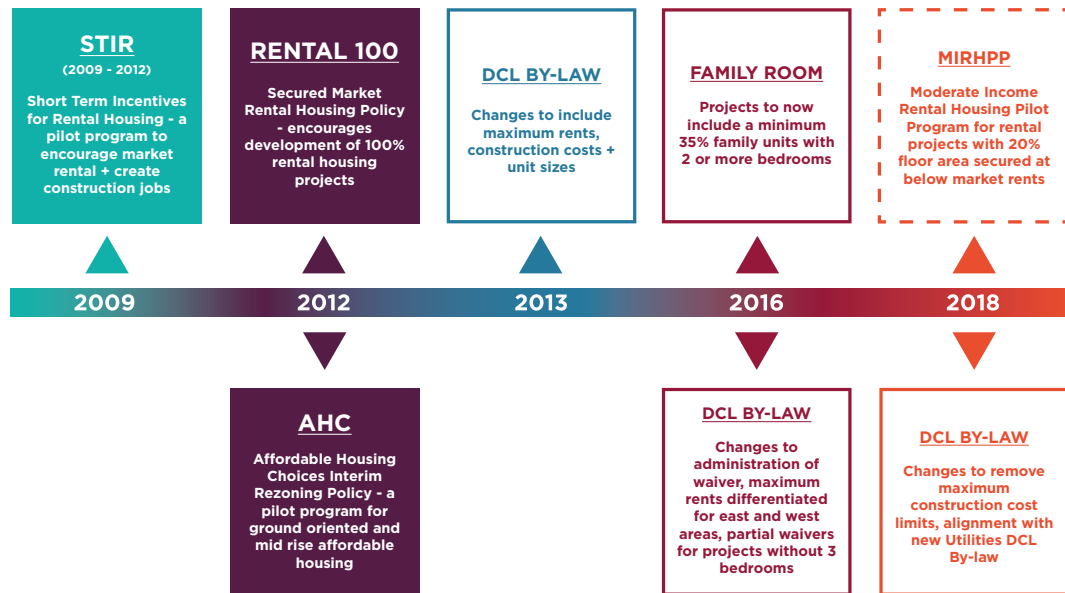
Key Findings

The AHC program has resulted in the creation of additional rental housing stock, and the program structure emphasizes the delivery of new, more affordable housing types and tenures.

- AHC introduced an additional layer of complexity to the rental incentive programs, which has resulted in some confusion among applicants.
- AHC received criticism from the public regarding the extent that it achieves affordable housing.
- The policy is restricted to certain areas of the city, and with the additional spacing requirement between projects, there are limitations to the program's effectiveness.

The rental incentive programs are summarized in Figure 3-4 on the following page.

Figure 3-4: Rental Incentive Program Timeline



Moderate Income Rental Housing Pilot Program (2017)

The Moderate Income Rental Housing Pilot Program (MIRHPP) builds on the lessons learned from Rental 100 by offering additional incentives to encourage the construction of secured rental housing buildings where at least 20% of the residential floor area is made available to moderate income households, with incomes in the range of \$30,000 and \$80,000/year. Between January 1, 2018 and July 1, 2019, staff selected 20 proposals to proceed with rezoning applications under the pilot, with the intention to report back to City Council with key conclusions. As there have been no applications completed under MIRHPP, it is not the focus of this review, and will instead be evaluated separately once it has progressed and more results are known.

Community Plans

Community Plans often establish the general size and type of buildings that can be considered in certain locations, and housing policies in these Plans provide similar incentives as those offered through the City-wide incentive programs. The Community Plans that provide rental incentives in the City of Vancouver include: Cambie Corridor Plan, Grandview-Woodland Plan, West End Community Plan, Downtown Eastside Plan, Marpole Community Plan, Joyce-Collingwood Station Precinct Plan, and False Creek Flats Plan. Three examples of rental incentives offered through Community Plans are provided below:

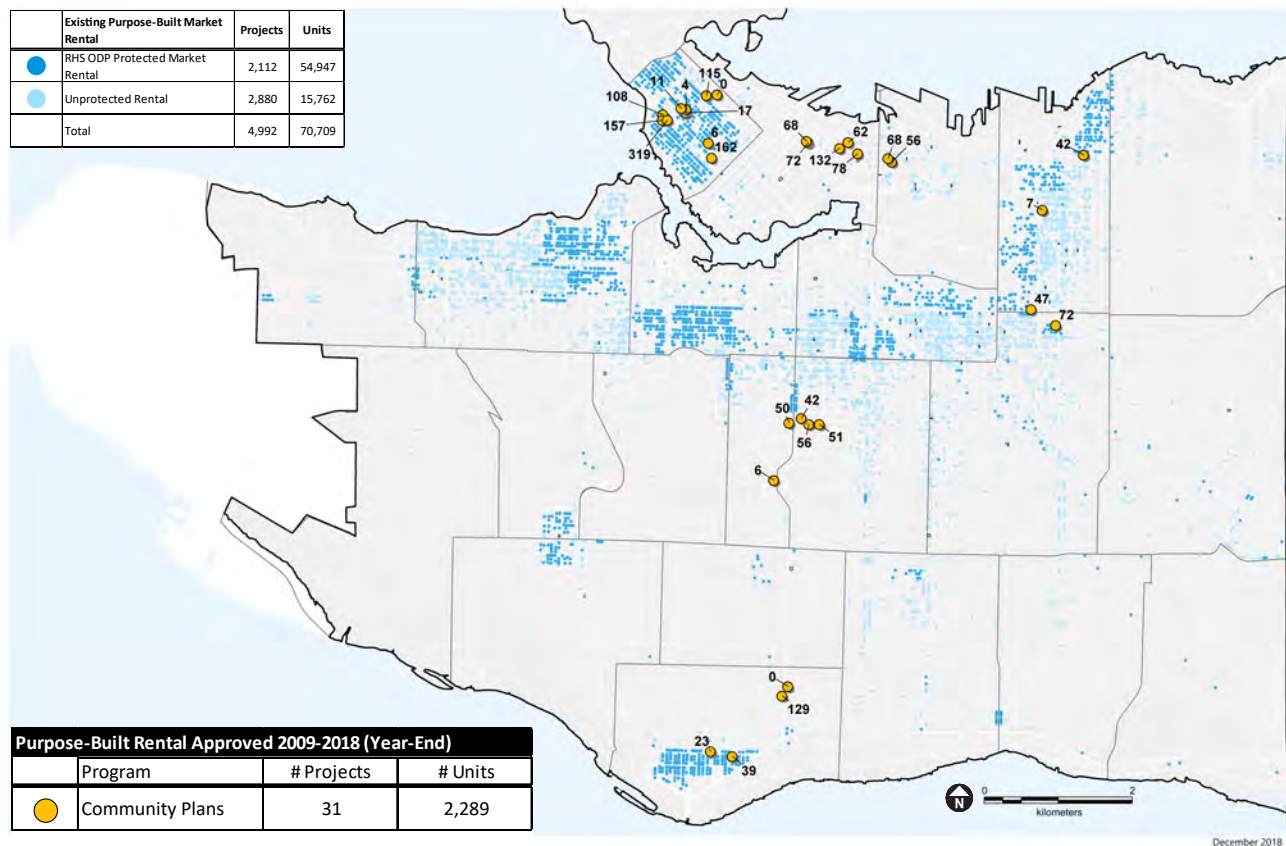
- The **Cambie Corridor Plan (2018)** allows for additional height and density in existing local shopping areas for projects that deliver 100% of the residential floor area as secured market rental housing. In higher-density residential areas within the Cambie Corridor, the Plan identifies opportunities for new market and below-market rental housing, in accordance with the specifications outlined in the MIRHPP.
- The **Grandview-Woodland Community Plan (2016)** allows for additional height and density for new rental housing in appropriate locations, including on sites without identified heritage or character value.
- The **West End Community Plan (2013)** creates opportunities for new secured market rental housing through density bonusing. Identified areas are eligible for additional height and density, by delivering either 100% secured rental housing or inclusionary social housing with strata condominiums in areas without existing rental housing. From 2009-2018, 867 units were delivered through density bonusing policies, representing approximately 10% of the secured rental housing constructed in the city during that time period. It is important to note that the density bonusing policies that allowed for the construction of secured rental housing are located within the zoning for the West End, meaning these projects did not require a rezoning. The West End Community Plan also provides an infill housing program to develop ground-oriented rental homes for families, while activating lane frontages for the public realm. Currently, 32 rental units have been approved under this program and are under construction.

These additional community-specific incentives are provided in many of the City's recently adopted Community Plans (summarized in Table 3-11).

Table 3-11: Community Plan Results

| | |
|------------------|---|
| Units | <ul style="list-style-type: none"> • 30 total projects • 7 complete projects, totalling 505 rental units, 35 strata units • 10 projects under construction, totalling 798 rental units, 45 strata units • 13 approved projects, totalling 696 rental units, 96 strata units • 30% studios, 38% one-bedrooms, 26% two-bedrooms, 6% three-bedrooms |
| Density & Height | <ul style="list-style-type: none"> • Average density of 4.6 FSR • Average height of 9 floors |
| Processing Time | <ul style="list-style-type: none"> • Length of Rezoning (average): 22 months • Length of Development Permit (average): 17 months |
| DCL Waiver | <ul style="list-style-type: none"> • 27% of projects took the DCL waiver • DCL cost per unit: \$8,786 |

Figure 3-5: Rental Projects Approved Under Community Plans from 2009-2018



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018 *The labels on the map refer to unit counts.

Rental Incentive Program Summary

The rental incentive programs have resulted in the approval of 8,680 secured market rental units since 2009 when the first program was introduced. With the incentive programs in place over the last 10 years, rental has become a much larger share of all apartment starts compared to the decade before 2009. From 1999-2008, rental comprised of 17% of all apartment starts, which has increased to 30% of all apartment starts from 2009-2018. While the rental incentive programs have successfully delivered an increase in new rental housing, the City has yet to meet its targets for purpose-built rental housing. As per the **2019 Housing Vancouver Annual Progress Report and Data Book**, the City has approved just 46 percent of its annual targets for purpose-built market rental over the past two years.

Table 3-12: Rental Incentive Program Results

| Program | # Projects Completed | Rental Units Completed | Strata Units Completed | Average FSR | Average Floors |
|-----------------|----------------------|------------------------|------------------------|-------------|----------------|
| STIR | 18 | 1,287 | 1,781 | 4.3 | 14 |
| Rental 100 | 40 | 3,245 | 0 | 3.9 | 8 |
| AHC | 7 | 419 | 74 | 2 | 5 |
| Community Plans | 30 | 1,999 | 176 | 4.6 | 9 |
| Other* | 32 | 1,730 | 2,429 | 4.8 | 13 |
| TOTAL | 127 | 8,680 | 4,460 | 3.9 | 10 |

*Note: Other refers to projects approved under existing zoning, renovations, or projects where 1 for 1 rental replacement was a requirement since redevelopment was located within a Rental Housing Stock ODP zoning district.

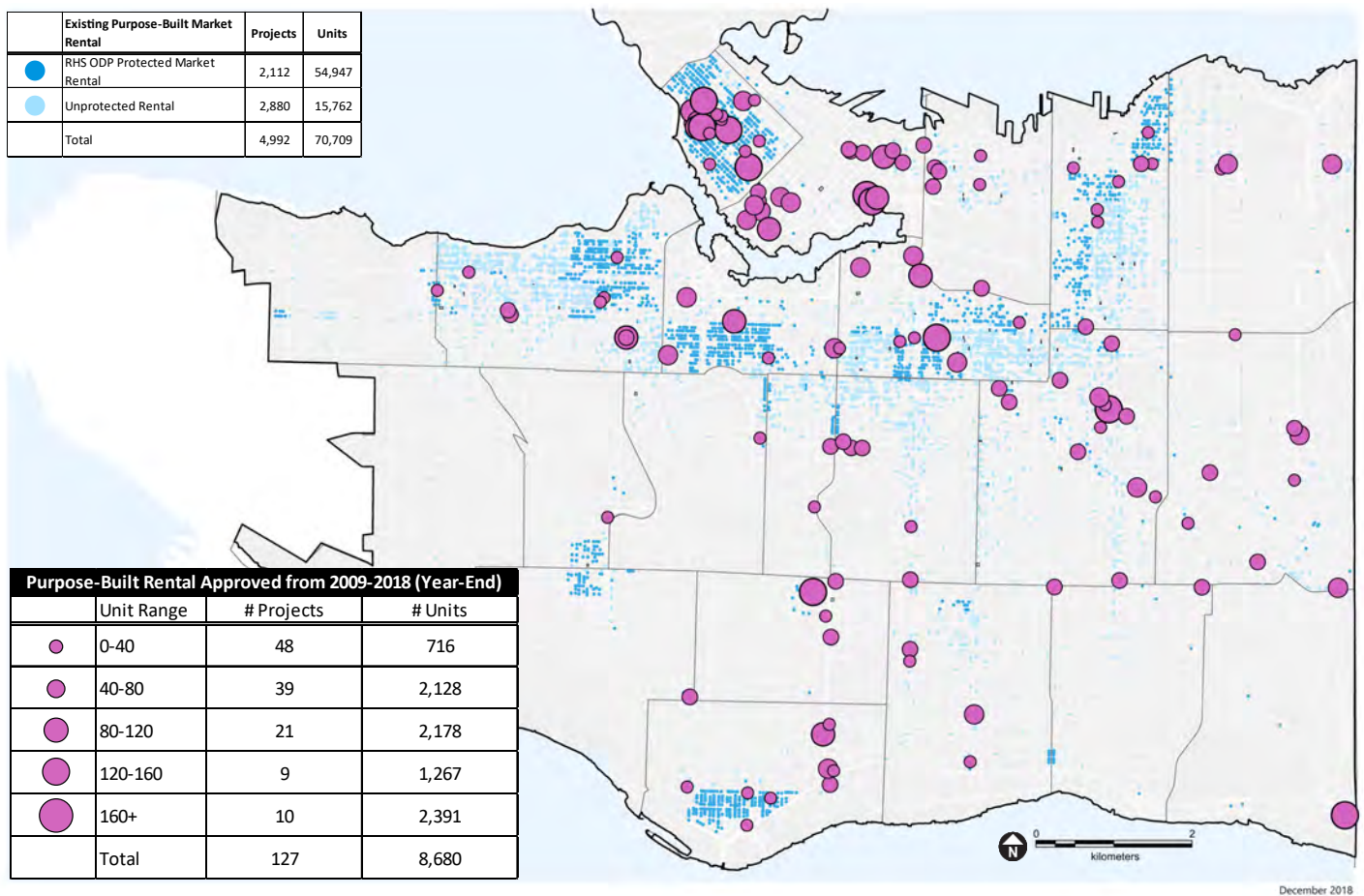
Across the programs, Rental 100 achieved the largest number of projects and total units. STIR and AHC were time-limited pilot programs, thus it follows that fewer units, and projects, were delivered through those programs. Projects completed under a Community Plan or other policy context, however, comprised 43 percent of total units generated since the rental incentive programs began — a significant contributor to new rental supply in the city.

As noted in Figure 3-6, the approved rental housing projects are distributed throughout the city, with concentrations in the West End, Downtown, East Vancouver, and along arterials including Cambie Street and Kingsway.

During the course of Rental 100, the **Family Room Policy** was introduced which required a minimum of 35 percent of units in new secured rental developments to include family-friendly housing (defined as units with 2+ bedrooms). Figure 3-7 illustrates the unit composition by program. It is important to note that there were no family unit policy requirements for STIR, which reflects the data in that the largest proportion of small units (36% studios and 47% 1-

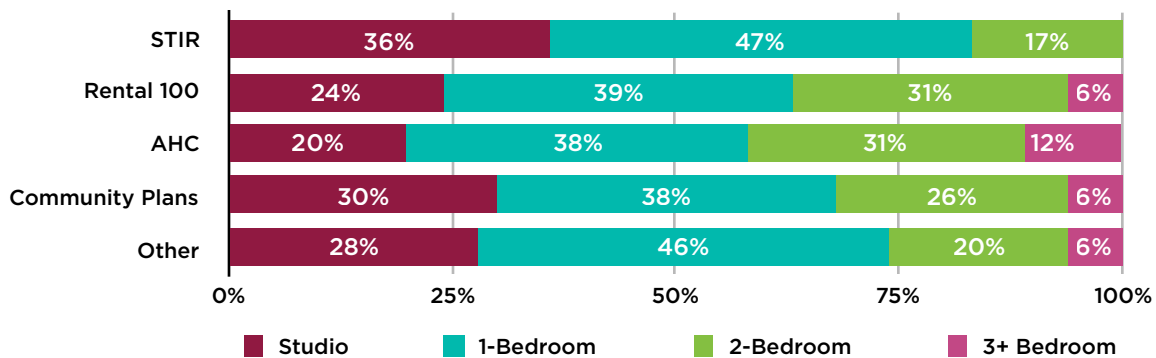
bedrooms) was created under the STIR program. Only 17 percent of the units were 2-bedrooms under STIR and no 3-bedrooms were created. Rental 100 was successful at diversifying the unit types, with 31 percent of units as 2-bedrooms and 6 percent in 3-bedrooms — largely a result of the 25 percent family unit requirement that came into effect with Rental 100. This requirement also applies to the AHC-IRP. AHC also allowed for projects in more areas of the city (i.e. RS zones), which enables a greater diversity of housing mix.

Figure 3-6: Rental Approvals (2009-2018)



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018 *The labels on the map refer to unit counts.

Figure 3-7: Unit Composition by Program



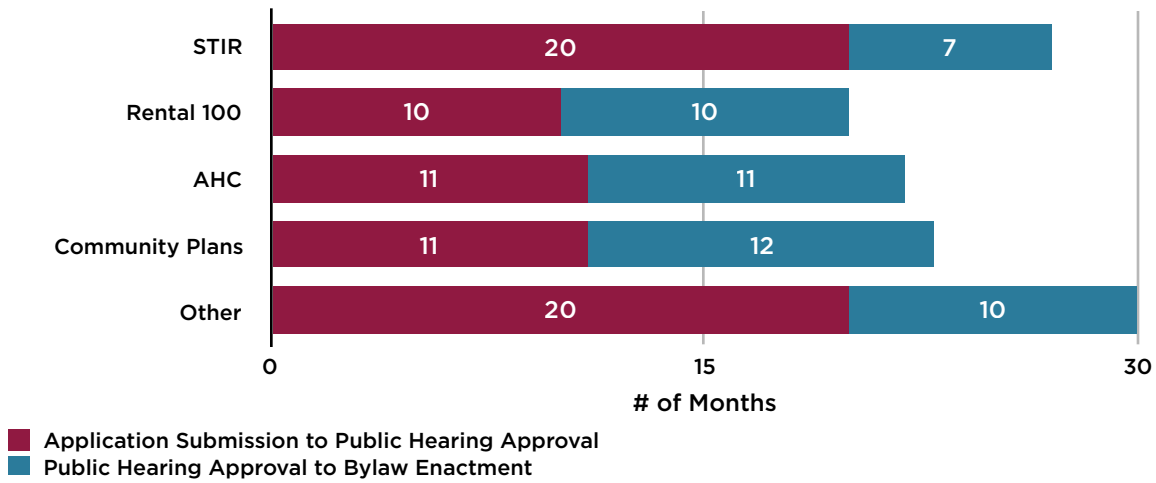
Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

Regarding application processing times, the length of a Rezoning application and Development Permit were longest for the STIR program and applications submitted outside of a program. STIR offered expedited processing, and concurrent processing where a rezoning was required, although this was not implemented consistently. As the first rental incentive program in the City of Vancouver, processing times could be expected to have been longer for STIR applications. Based on an analysis of median processing times, STIR projects took over two years (27 months) to achieve a rezoning and 17 months for a Development Permit (DP). Combined, this represents more than three years for approvals (37 months) for a typical project, accounting for an overlap of approvals for rezoning and for DP. This does not include a pre-application review period, which is often required.

As the programs evolved, Rental 100 reduced processing times to some extent. Figures 3-8 to 3-10 demonstrate the median duration of both a rezoning application and a Development Permit application for all the rental incentive programs. Given the City's commitment to expedite applications for secured market rental housing, the median approval time is still very lengthy, creating considerable uncertainty and risk for a developer.

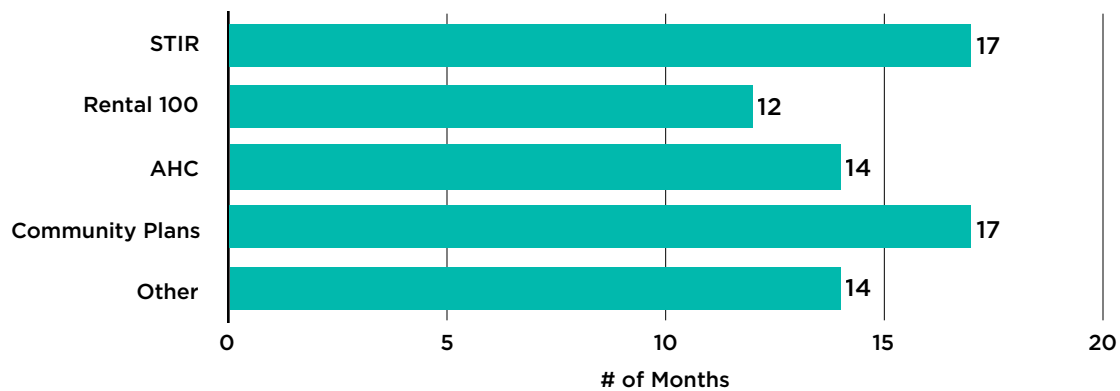
It is important to recognize that not all projects proceeded through a concurrent rezoning and development permit process. This is because concurrent rezoning/development permit means development plans cannot change substantially during the design stage; however, given the extent of rezoning requirements, the proposed form of development often changes during the process. Furthermore, the multiplicity of City objectives for new housing projects has added complexity and additional time to the rezoning process.

Figure 3-8: Median Duration of Rezoning - Application to Enactment⁵



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

Figure 3-9: Median Duration of Development Permit Application

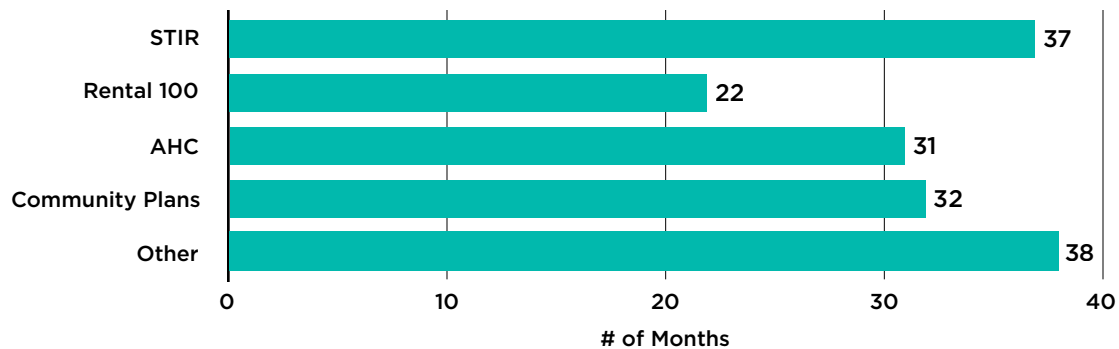


Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

⁵ Note: The total rezoning period shown in this figure (inclusive of Public Hearing and Enactment) may vary from the total duration shown in the Program Summary Results due to varying medians for each of the application periods.

Approval of Rental 100 projects typically took less than two years (22 months) - this involved a combined total of 20 months for a rezoning and 12 months for a DP. The other programs and rental approvals through a Community Plan took longer to be approved. For the West End projects that only required a DP, the median processing time was 21 months. It should be noted that the length of the approval process is also dependent on applicant's timelines and their response to City feedback and conditions⁶.

Figure 3-10: Median Duration of Rezoning and Development Permit Application Process



Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

⁶ Typically, an application involves a development enquiry period and a rezoning intake application, followed by a Public Hearing, where applicants are required to meet specific conditions before Bylaw Enactment. Once a rezoning is approved at Public Hearing, applicants can submit a development permit application, which can overlap with the rezoning process between approval and enactment.

4. ISSUES AND CONSIDERATIONS

Creating New Rental Supply

There is evidence that the rental incentive programs are addressing a critical gap in the housing spectrum. As part of the effort to evaluate these programs, the City of Vancouver conducted a survey of households living in the rental housing created through the incentive programs — including a total of 30 buildings, all of which were very recently completed. A total of 460 renting households responded to the survey, and the results indicate that households experienced great difficulty in finding their current rental housing. The full results from the survey are included in Appendix C; highlights presented below.

Renter Survey - Key Findings

♦ Who were the respondents?

- Primarily couple households without children (43%) and single person households (44%)
- 70% were between the ages of 25 and 44
- Living in studios (31%), 1-bedrooms (47%), 2-bedrooms (20%), and a limited number of 3+ bedrooms (1%)
- Median rent was \$1,625
- 53% had a total household income (before taxes) of less than \$80,000 and 40% \$80,000+; the remaining preferred not to say

♦ Where were respondents living previously?

- 22% previously owned their home, 65% were renters, the remaining lived with relatives or elsewhere
- 57% were living in Vancouver, 29% living in Canada outside of Vancouver, and 14% were not living in Canada

♦ Level of connection to community or neighbourhood

- 53% of households felt 'very much' or 'somewhat' connected to the community or neighbourhood; 46% felt 'very little' or 'not at all' connected

♦ Awareness and support for incentive programs

- 45% were not aware of the City's incentives for market rental buildings
- 78% 'strongly agree' or 'somewhat agree' with the notion of providing incentives to encourage construction of new market rental housing

- Of those households surveyed, 32% were looking for rental housing for three months or more, and 64% of households indicated rental housing was difficult or very difficult to find, a reflection of limited availability of rental units (extremely low vacancy rates).
- Households frequently cited frustrations about lack of responses to inquiries about advertised units (which included units across the market, and not specifically in buildings created through incentive programs), lack of pet-friendly units, fraudulent postings for rental housing, and high prices for available rental housing.

Although some survey comments indicated displeasure with their new rental housing, with concerns that ranged from noise, small apartment sizes, and lack of amenities, there were also many responses expressing a high degree of satisfaction. A large number of comments suggested that households felt very fortunate to have found rental housing that met the needs of their households. Households commonly cited the new condition of buildings and units, pet-friendly policies, neighbourhood location, and proximity to transit and work as positive aspects of living in their rental housing. Some households specifically noted having a sense of security from eviction as a result of living in a purpose-built rental building.

Households sought their housing for a wide variety of reasons. Many households indicated they were looking for rental housing after taking jobs in Vancouver. Others indicated they chose their rental housing because of changes in their life circumstances. Some households indicated that they were evicted from their former rental housing; others were downsizing from single-detached homes. Previous homeowners represent 22 percent of respondents living in buildings created through rental incentive programs. This information provides an indication of the extent to which the rental incentive programs have helped to create new rental supply, in a city with extremely low vacancy rates.

High Cost of Rental Housing

The rental incentive programs have received criticism from Council, the media, and the public for providing incentives for the construction of new rental development that is unaffordable for many Vancouver households. While the purpose of the rental incentive programs has been to create secured market rental housing, the ongoing housing crisis in the City has led to calls for deeper levels of affordability.

- Among survey respondents, 59% of households reported spending more than 30% of their gross income on rent. By comparison, according to the 2016 Census, 35% of renter

households in the city of Vancouver are spending more than 30% of their gross income on rent.⁷

- While the cost of rental housing is high, it is also important to recognize respondents indicated the most important reasons for choosing their current home was that it was the best option for their budget.
- In addition to challenges associated with living in higher densities, such as lack of noise insulation between floors and neighbouring units, respondents identified high rents as a priority item for improvement. In total, 47% of households indicated they were unsatisfied or very unsatisfied with their rent.⁸
- Of those households contemplating a move in the near future (35%), 25% specified the main reason to move would be the need for more space, while 22% indicated the main reason would be high rents.

Selected Comments from Survey Respondents — Households Living in Rental Units Created Through Incentive Programs

"I would spend the evening looking for a place to rent online, and when I called each place the next morning, the apartment was already taken. It got to the extent that I was panicking and desperate. Finding an apartment in Vancouver is a full time job."

"I love how it is a quiet, family oriented area of Kits. Locally owned food markets and stores are all at my door step. I take great pride in supporting local businesses."

"I decided that owning anything was always going to be out of reach. So I decided to rent a new, nice place with much higher rent in order to be satisfied. I wanted a top floor apartment for noise reduction and a patio space I could use. I got exactly what I wanted. The only trade off is the price."

"I was looking to move out of my building of 15 years when I saw the sign for the new rental building. I put my name on the wait list months before the building was completed. I received an email that they were showing the apartments and I got an appointment the same day. I signed my lease the next day. I felt like I had won the lottery."

"We sacrificed space and expense for the luxury of being close to transit. However, if we want to expand our family in the future, this building and its rental price will not work."

⁷ Additional analysis could be undertaken to determine the relationship between household income and percentage of income spent on rent; and specifically whether higher income households are opting to spend a greater proportion of their income on rent.

⁸ Delivering below-market rental housing with deepened affordability requires additional incentives or subsidies beyond what the current rental incentive programs provide (e.g. MIRHPP or senior government programs).

While the cost of renting remains high, buildings constructed through these programs have helped to address the shortage of secured rental housing in Vancouver, and many respondents indicated their appreciation in the survey comments.

Multiplicity of Programs and Policy Objectives

The incentive programs have gone through multiple iterations, and continue to evolve, which has created confusion and uncertainty for developers, renters, members of the public, and City staff. Simultaneously, the current planning and development framework has numerous overlapping policies that are not clearly explained, which is causing further confusion and uncertainty. Due to the inherent financial risk associated with rental construction, a streamlined rental incentive program is needed — one that clarifies the incentives and simplifies the requirements. Currently, the number of interrelating policies are difficult to understand, and while the existing policies are prescriptive, many relaxations are highly subjective, which has resulted in scepticism and frustration.

While the overarching goal of the rental incentive programs is to encourage the construction of secured market rental housing, rental development applications are required to comply with a number of City policies and strategies. Feedback from stakeholders indicates these policies often have competing objectives that often work against the economics of rental housing, and the following examples were identified:

- New development in the City of Vancouver is required to include certain green building measures, which increases construction costs, and may limit the viability of rental housing construction. While these standards are integral to the City's climate action goals, it is important to understand the project economics related to rental housing, and the cost implications of constructing a Passive House building or near zero emissions buildings.
- **Community Amenity Contribution (CAC)** policies apply to rezoning applications, including some secured market rental housing. Lower-density secured market rental applications (buildings under 6 storeys) that meet the City's exemption policy are not subject to a CAC. A rental development may be subject to a CAC under exceptional circumstances.
- The City's **Family Room Housing Mix Policy** introduced the requirement that rezoning applications for secured market rental projects are required to include a minimum of 35 percent family units with two or more bedrooms. Larger units are more expensive to build, and while this requirement

What is a CAC?

Community Amenity Contributions (CACs) are in-kind or cash contributions provided by property developers when City Council grants development rights through rezoning.

has resulted in the creation of more family-friendly units, industry stakeholders emphasized the impacts of multiple policy objectives. Ultimately, trade-offs are required, and policies that increase the cost of construction will likely decrease the viability of rental housing.

- The City's **Tenant Relocation and Protection Policy** specifies applicants seeking a rezoning or development permit must provide a Tenant Relocation Plan. These Plans include right of first refusal at below-market rents, compensation which varies depending on the length of the tenancy, assistance in securing alternate accommodation at current rent levels, and compensation to cover moving expenses.
- Market data and feedback from the renters survey indicates the cost of renting remains high. While the incentive programs are not intended to deliver below-market rental housing with deeper levels of affordability, stakeholders have expressed concerns with the high cost of rents. The policy language specifies the rental incentive programs are tasked with incentivizing the construction of secured market rental housing; however, further clarification is likely required to ensure the program objectives are clear.

Ultimately, these requirements have associated cost implications, which must be considered when examining the overall program objectives, within the context of the City's broader policy framework.

Lengthy Timelines

Part of the inherent risk associated with rental housing development is related to timelines, and while the expedited processing offered through the incentive programs should address this challenge, application processing and approval continues to be very lengthy. Stakeholders specified longer approvals are largely a result of the number of new considerations and competing City policy objectives that have been introduced since the incentive programs were first created. It should be noted that the length of the approval process is also dependent on applicant's timelines and their response to City feedback and conditions. Given the increasing complexity of the rezoning process, expedited processing has not generally been achieved for secured market rental projects. There was much support for the approach in place under the West End Community Plan, where prescribed density provisions in the zoning by-law resulted in clarity in the process and shorter timelines, as the applicants were not required to complete a rezoning — only a Development Permit.

Currently, applications for secured rental housing, where 100% of the residential development is rental, are eligible for concurrent processing of rezoning and development permits where the form of development at rezoning is known and supportable. The City's rental database indicates Rental 100 applications took a median of 22 months for approval, while other

programs took considerably longer. There is interest in further expediting applications, particularly for larger projects. In addition, applications initially proceed through the Letter of Enquiry (LOE) process, which may add significant time delays, and is not formally recognized as part of the applicant's development processing time.

Viability of Rental Development

The existing rental housing incentive package has resulted in the creation of new secured rental housing in Vancouver. Local developers and property managers reported that the most important existing incentive is additional height and density, given the narrow profit margins in the development of rental housing. Feedback from builders and developers noted that the additional density results in additional rent revenues, which serves to partially offset the high costs of land and construction. While the current incentive package is working to deliver secured rental housing; with additional incentives, developers would be able to deliver more rental housing.

Coriolis Consulting is undertaking a financial review and scenario analysis of the rental incentives and the impact of other policy or taxation on the viability of rental development. This analysis demonstrates the challenges associated with rental construction, as strata residential development is often the most profitable type of housing development in Vancouver. In order for rental housing to be viable, it must compete with strata condominium development that can be built under existing zoning, or must be more profitable than the existing income-producing use on site.

The results of this analysis demonstrate the importance of incentives in closing the gap, as little or no market rental development is expected to occur without incentives. Each incentive offered by the City improves the overall financial performance of rental development, and the permitted density increase has the greatest positive impact on the estimated profit margin. However, with all the incentives currently available, rental development consistently generates profit margins lower than typical profit margins required by most multifamily developers to obtain financing and proceed with a new project.

DCL Waiver

Projects creating new rental supply, where 100% of the residential development is rental in tenure are eligible for a DCL waiver for the rental portion of the development. Under the City-wide Utilities DCL by-law (effective September 30, 2018), Vancouver and Area Specific Development Cost Levy By-laws, DCLs for rental housing can be waived for “for-profit affordable rental housing” where the tenure is secured through a Housing Agreement. Projects

that include existing rental units (e.g. alterations or extensions) are not eligible for the waiver. The DCL waiver regulates maximum unit sizes and rents by unit type.

In addition to height and density, the waiving of Development Cost Levies (DCLs) was identified as an important component of the existing rental incentive programs. Feedback from representatives of the building and development community indicated incentives are needed to shrink the gap between rental and condo pro formas, and fee waivers are one of the reasons certain developers have chosen to develop rental housing. This is re-enforced by the financial analysis completed by Coriolis Consulting. While the permitted density increase has the greatest positive impact on the estimated profit margin, the combined waiver of the city-wide DCL and Utilities DCL helps to reduce the gap between strata and rental development. On average, the DCL waiver for rental projects has totalled \$8,887 per unit, which represents only 4% of the total amount of DCLs collected by the City.⁹

The DCL waiver has predominantly been sought by applicants doing projects in East Vancouver, where market rents are somewhat lower. On Vancouver's westside, market rents are higher, and developers have chosen to pay the DCL rather than be restricted to rents that are below market. While the DCL waiver has helped to improve rental viability for approximately half of all projects, 51% of projects have declined this waiver (Please see 'Reasons Projects Do Not Take the DCL Waiver' on the following page).

The DCL waiver is a major component of the rental incentive programs and will form an important element of the upcoming policy development process. Yet the waiver has received criticism for the following reasons:

- The maximum average starting rents are not seen to be affordable to enough households in Vancouver;
- The term "for-profit affordable rental housing" used by the Province of British Columbia in the Vancouver Charter causes confusion; and
- The requirements are complicated and can be challenging or impossible to meet in some projects.

⁹ The DCL values exclude projects in the 'other' category, and the figures don't account for projects seeking the waiver that have not yet reached the building permit stage.

Other Cost Considerations

Government policy changes have recently occurred, and are anticipated to continue, which has impacted, and will continue to impact, the risk potential and financial viability of new rental development.¹⁰ Some of the notable changes are as follows:

- 1. Rent Regulations in the Residential Tenancy Act (RTA).** The provincial government changed the Rent Regulations in the RTA to limit annual rent rate increases for existing tenants to the consumer price index (CPI). The previous regulations allowed annual rent increases of CPI plus 2 percentage points. This change reduces the potential long term net income of rental buildings (new and existing buildings), with a significant impact on the market value of a new rental building. The decline in the market value of the completed building reduces a developer's capacity to seek financing and the financial viability of new rental construction.
 - 2. Additional School Tax (AST).** The provincial government recently introduced an additional school tax on residential properties with assessed values in excess of \$3 million. Upon completion of a new rental building, the property is exempt from the AST. However, the AST is payable on new rental development projects during the approvals and construction period. This increases the cost of new rental construction and impacts the financial viability of new construction.
 - 3. City of Vancouver Utilities Development Cost Levy (DCL).** The City of Vancouver recently introduced a new Utilities DCL (in addition to the existing City-wide DCL). This increases the cost of new rental construction and impacts the financial viability of new construction. The City's current rental incentives allow this new DCL to be waived for new rental projects on an interim basis until 2020. The Utilities DCL may not be waived for secured market rental after 2020, and in addition, projects may be required to incur further costs associated with off-site utilities infrastructure upgrades.
- Note:** Not all rental projects qualify for the DCL waiver.
- 4. TransLink Development Cost Charge (DCC).** TransLink recently introduced a new Regional Transportation DCC to help fund transportation projects which will further increase the cost of new rental construction. Market rental projects are not exempt from this new DCC, which will start in January 2020.

"Parking supply exceeds utilization by 35% in Metro Vancouver. Over supply of 44% estimate for Vancouver."

Source: 2018 Regional Parking Study

¹⁰ Analysis provided by Coriolis Consulting.

5. **Increased Metro Vancouver Sewer and Drainage Development Cost Charge (DCC).** The Metro DCC helps fund new sanitary sewer works such as additional trunk lines, pumping stations, and wastewater treatment plant expansion. This regional DCC was recently increased. While the rate increase was modest, in combination with the other items outlined above, the costs of new rental construction will markedly increase.

In the absence of the existing incentives, Coriolis anticipates that developers would opt to build more strata housing and less new rental housing, resulting in less new rental housing supply over time. This may also be the preferred option once all these new requirements are introduced. A reduction in new rental supply would reduce vacancy rates and put upward pressure on rents at units throughout the City in both new rental buildings as well as units in existing rental buildings.

Reasons Projects Do Not Take the DCL Waiver

Although the DCL Waiver is available for new rental projects, 51% of all new projects have declined the waiver. Possible reasons include:

1. **Higher Market Rents.** If market rents are significantly higher than the DCL waiver rents, there could be an incentive for applicants to pay the DCL rather than be restricted to rents that are below market. Based on Coriolis' research of market rents (in new buildings), the DCL waiver rents are generally equal to (or sometimes higher) than market rents. There are some exceptions to this in the highest rent locations in the City, such as Downtown, the West End, certain areas of the West Side, and areas in Mount Pleasant or along Main Street.
2. **Lengthy Project Completion Timelines.** Projects seeking the waiver are required to set maximum rents that are in effect at the time of rezoning, plus inflation (CPI). However, it typically takes about 3 years after rezoning approval to complete the new rental building. If market rents increase during this construction period at a rate that is higher than inflation (which has generally been the case over the past decade), the rents for the initial tenants could be below market rents. Therefore, an applicant may decide to pay the DCL rather than lock in to the DCL waiver's maximum rent levels.
3. **Construction Costs.** Up until mid-2018, projects had to maintain hard construction costs to a pre-determined maximum in order to qualify for a DCL waiver. The limit was updated annually based on a third party cost index that is based on regional cost averages. It was not specific to Vancouver which experiences higher costs than the rest of the region. Generally, the cost limit was lower than actual construction costs for concrete construction of rental buildings in Vancouver. For example, in 2018, the construction cost limit was \$315 per square foot, while concrete construction in Vancouver was approximating \$400 per square foot by late 2018. This condition made some projects ineligible for the waiver. It was removed as a requirement from the policy in mid-2018.
4. **Mixed Projects.** Rental projects that include strata units on the same site do not qualify for the DCL waiver as these are not considered to be 100% rental projects.

Source: Coriolis Consulting

Parking Oversupply

The provision of parking stalls in buildings is a significant cost factor in construction, particularly for multi-level underground parking structures. The cost of providing on-site parking in the Vancouver region can range from \$20,000 to \$45,000 per stall, depending on design and site-specific conditions, and can account for 10% to 20% of the total construction costs.¹¹ In the City of Vancouver, the total cost per parking stall is rarely less than \$30,000 per stall. In addition to the up-front construction costs, parking adds to ongoing maintenance and operating costs throughout the building lifespan.

There are some indications that existing parking requirements are creating an excessive supply of parking. For instance, the 2018 Regional Parking Study conducted by Metro Vancouver found that, for market rental apartment buildings, parking supply exceeds utilization by 35 percent.¹² Among the 13 rental apartment buildings in the City of Vancouver that were included in the Metro Vancouver parking study, the estimated parking oversupply was 44 percent.

Based on the information obtained from the UDI survey, developers also indicated high levels of parking oversupply in newer market rental buildings. Survey results indicate 46 percent of developers indicated that less than half of the parking spaces were being utilized. Only 9 percent of developers indicated that parking spaces were being fully utilized in their projects.

Based on available information, it was not possible to assess parking utilization or demand in buildings built through the rental incentive programs. Respondents of the renter survey (households living in buildings constructed through the rental incentive programs), 57 percent of those living in buildings that provided car parking indicated they did not use parking. Many buildings constructed as part of the rental incentive programs have been built along the Frequent Transit Network and in the downtown core, and the renter survey found that many people choose their housing based on proximity to transit and employment. More research should be undertaken to understand if current parking requirements for rental housing buildings are creating an oversupply of parking and potentially inflating construction costs for these projects.

¹¹ Metro Vancouver, 2018 Regional Parking Study

¹² This is based on results from the Parking Facility Survey of parking supply and utilization at over 70 apartment sites. The Regional Parking Study also comprises the Street Parking Survey of parking supply and utilization on streets near the selected apartment sites, and a Household Survey of 1,500 households residing at the selected apartment sites.

Level of Neighbourhood Integration

The City's rental incentive programs are structured to create new secured market rental housing, which reflects the goals identified in the City's *Housing Vancouver Strategy*. In addition, many of the buildings constructed through these programs are on arterial streets, which supports the City's sustainability goals to concentrate rental housing in areas close to transit and services.

Part of the *Housing Vancouver Strategy* identifies a need to shift towards the “Right Supply” in housing production, which refers to location, type of building, incomes and tenure. Building form (height, shape, density and design) has a direct impact on end users, affordability, and neighbourhood compatibility. In terms of building form, the City tracks comments from the public received during the rezoning process. Through a review of the rezoning applications associated with rental projects, it was noted that the most common sources of concern are:

- Height of buildings;
- Size, mass and density; and,
- Character with existing neighbourhoods.

To understand how buildings perform with regards to these factors once they are built and operating, the City completed intercept surveys with the public around three buildings which received typical comments during the rezoning application process in different neighbourhoods across Vancouver. The results from this survey are summarized in Appendix D.

In total, 41 people responded to the intercept survey. Of those that participated in the intercept survey, the majority (80%) lived or worked (10%) in the area. There was limited negative feedback regarding building design — only two respondents felt the building had bad or very bad design and two respondents thought the building did not fit into the neighbourhood. Parking was the key concern for those who were surveyed (79%) and the second principal concern was building canopies. Overall, respondents felt that new buildings should be the same size (80%) as those already built under the incentive programs and an equal number supported taller or preferred smaller new buildings. While building design is a subjective exercise, it is important to note new secured market rental buildings received positive feedback as described by the renter survey. Respondents also provided feedback concerning project location, noting rental development should be available in more areas of the city (i.e. RS zones).

5.KEY FINDINGS

Incentives are Creating New Rental Stock

There has been very limited purpose-built rental housing constructed in Vancouver since the end of federal incentive programs in the 1980s. To address this shortfall, the City developed rental incentive programs in 2009 which have resulted in the approval of 8,680 new secured rental units. This contribution has helped to make a significant and critical impact on the supply of rental housing which cannot be discounted.

Incentives are Insufficient

At the same time, the number of new units created remains well below the City's own targets for new rental housing, and the number of units has yet to offset the shortfall in rental construction that has resulted from decades of under supply. As a result, vacancy rates remain at very low levels and renters continue to experience high rents relative to their income as well as a lack of choice in rental housing options. It is evident that the incentives have been effective at increasing the supply of rental units. However, a much larger number of units and diversity of rental options is needed to fully respond to the current demand.

Incentives are Necessary

In order to make rental housing feasible in Vancouver, incentives are needed to level the playing field, given that condominium development is consistently at a financial advantage over rental. Given the land and construction costs, the up-front equity needed to support a multi-unit rental project is significant. It may be difficult to justify the expenditure on rental projects when condominium developments result in an immediate and often more significant return on investment. Condominium development will continue to out-compete rental use unless substantial incentives are offered to close the gap.

Programs Need to be Simplified

Since 2009, the City has introduced several different rental incentive programs and repeatedly adapted the current policy and regulations around rental housing development. Many of the programs are operating concurrently today, which has created confusion among staff, builders, developers, the public, and renters. While the programs are structured to incentivize the construction of secured market rental housing, there are nuanced differences within the programs in terms of available incentives, rent structures, and possible locations. Additionally, processing times are lengthy, which acts as a deterrent to potential applicants. With a more

efficient and effective program, developers would be more likely to take on the risk of new rental construction, and a greater number of new units could be expected to come on stream in a short time frame.

Objectives Need to be Clarified

Rental development applications are required to comply with a number of City policies and strategies that have competing objectives that may increase the risk and costs associated with rental development. Given the complexity of the rezoning process and the number of City objectives applicants are expected to meet (i.e. sustainability requirements, urban design performance, tree retention, engineering and utilities requirements, tenant relocation and protection, etc.), approval times have become longer. To provide clarity and consistency, the existing policy framework would need to be streamlined and simplified with a specific focus on reducing uncertainty and improving processing times. These are areas for further exploration in the upcoming policy development phase.

Affordability is Challenging to Achieve

The rental incentive programs are tasked with creating secured market rental housing. The programs have been critiqued for not facilitating the creation of housing that is rented at levels affordable to a broad base of potential renters, including moderate and low income households. While affordability is a relative and often contested term, to achieve below market rents, significant density and additional incentives are required.

The MIRHPP demonstrates these trade-offs. The program is structured to provide 20% of the residential floor space to households with moderate incomes (i.e. gross household income between \$30,000 and \$80,000). In order to provide that level of affordability, significant additional density is required, above and beyond what had been available in the previous rental incentive programs. As the City has a limited ability to subsidize new rental housing, partnerships with provincial and federal governments will be needed to provide greater levels of affordability in new rental housing projects.

Project Types and Locations are Limited

Within the City of Vancouver, particular sites are eligible for rental incentives, based on the parameters of each program. Because of these geographic limits, secured rental development has been concentrated in selected neighbourhoods and along arterial streets. This has been effective at creating larger multi-unit projects, but has created an inequitable environment, where renters have limited housing choice. Enabling rental housing development to be created in all neighbourhoods and in different parts of the city would address the lack of choice and

availability. In particular, expanding rental housing into low density areas, areas zoned for single-detached homes, and non-arterial locations are important considerations moving forward.

Currently, rental incentive programs are largely limited to projects that are 100% rental and only projects in select limited areas are eligible. In addition to enabling rental housing in all neighbourhoods, it will be important to identify ways to expand the program to a greater variety of projects. This may include sites that involve rental replacement and potentially to projects that include a mix of strata condominium and market rental as has been suggested by the development community.

Livability is Important

The City's Rental Incentive Programs have approved 8,680 units of new secured rental housing, which is an important contribution to the city's housing stock given the lack of construction that had occurred between 1980 and 2010 and the ongoing housing crisis. Unit composition has diversified over the course of the different rental incentive programs, largely as a result of the ***Family Room: Housing Mix Policy for Rezoning Projects***, which requires all secured market rental developments to include a minimum of 35 percent family units. Greater housing choice is important for renters, and while unit composition has improved since the programs were introduced in 2009, livability challenges remain. Unit size, mix, storage space, and noise are all important livability considerations that require exploration in greater detail during the upcoming policy development phase.

6. NEXT STEPS

The purpose of this review has been to document the results of the City's rental incentive programs. Based on the findings identified in this report, additional analysis is recommended to support the City's upcoming policy development stage. Next steps for research and consultation are recommended to seek approaches that address the following:

- **Simplify the incentive programs** — Review the complexity and inherent inconsistencies in the programs with a goal to create a program that is straightforward and easy to navigate, and one that strives to reduce risk for the developer.
- **Clarify policy objectives** — To provide more clarity and consistency, the existing policy framework would need to be streamlined and simplified with a specific focus of creating new secured market rental housing.
- **Reduce the processing timelines** — Investigate the step by step requirements involved with approval, from letter of enquiry through to building permit, and identify ways to streamline and shorten the approvals process, such as through rental tenure zoning.
- **Consider the possibility of additional incentives** — To achieve the Housing Vancouver targets for secured market rental housing, additional incentives will be required, particularly given the numerous City objectives that applicants are expected to meet. In order to deliver deeper affordability, further incentives will be required in the absence of senior government funding.
- **Consider expanding the incentive program** — In order to facilitate a greater number of net new rental units, the incentives could be made available to a wider variety of sites and project types.
- **Seek partnerships with senior government** — In order to further deepen affordability and provide additional non-market housing, subsidies will be needed by senior levels of government. Given the focus of this review is on the City's market rental incentive programs, this is acknowledged as an important, and ongoing initiative to provide affordable housing for lower income households. Continued efforts to partner with provincial and federal governments and non-market housing developers are encouraged.
- **Diversify housing choice by type** — There are considerable opportunities for rental housing away from arterials and the city core. Facilitating new rental housing in a variety of structure types and densities (e.g. townhouses, small apartment buildings) would broaden the housing options available.

- **Enable new rental housing in single detached neighbourhoods** — Incentivizing new secured rental housing in single detached and other low density neighbourhoods would further support the delivery of new rental housing and diversify housing choice for renters.
- **Communicate trade-offs to the public** — Renters and community members experience considerable tension regarding the lack of housing affordability in Vancouver. However, the financial constraints and risks associated with rental development are not often recognized. To facilitate a greater understanding of these matters, additional analysis and communication with the public would be valuable — detailing the inherent trade-offs, the risks and regulatory requirements, and the need for incentives to achieve market rental housing.

APPENDIX A - EXISTING POLICY FRAMEWORK: ADDITIONAL HEIGHT AND DENSITY

APPENDIX A

Additional Floor Area – Rental 100

Applications made under Policy 1.2 (Residential Rental Projects Requiring a Rezoning for Secured Purpose-Built Rental Housing for projects where 100% of the residential floor space is rental) are eligible for additional density. All projects requesting additional floor area through a rezoning are subject to urban design review and a rezoning process including public hearing. Proposals will be reviewed for conformance to the City's livability standards including tower spacing, setbacks, shadowing, view impacts, overlook and contextual fit. All applicable guidelines of Council will be considered.

The following guidelines provide general direction for consideration of additional density.

| *Areas | Zoning District | General Guidelines |
|---|---|---|
| Commercial Areas and Arterials | C-1 | Generally consider C-2 form of development (e.g. 4 storeys and 2.5 FSR) |
| | C-2, C-2B, C-2C, C-2C1 | Generally consider increases up to 6 storeys and commensurate achievable density |
| | C-3A, C-5, C-6 | Generally consider additional density; adhere to existing height limits and generally to guidelines |
| | RT zones on arterials | Generally consider RM-4N form of development (i.e. 1.45 FSR) |
| Multi-Family areas | RM-3, RM-3A, RM-5A, RM-5B, RM-5C, RM-6 | Consider redevelopment of sites where existing rental units do not currently exist and infill development where appropriate on sites where existing tenants are not displaced Adhere to existing height limits and generally to guidelines |
| CD-1 zoned areas | CD-1 | Consider redevelopment of sites where existing rental units do not currently exist and infill development on suitable sites where existing tenants are not displaced; height and density as appropriate to location and context |
| Industrial areas that allow residential | MC-1 | Consider modest increases in height and density |
| Areas with Official Development Plans that allow residential | ODP areas | Consider development sites which allow for residential density where there are no conflicts with existing policies for social housing (e.g. the density bonus for social housing for small sites in the Downtown South) Consider additional density appropriate to context; adhere to existing height limits |

Interested applicants are encouraged to inquire with City staff at the pre-application stage to determine the suitability of a site and the merits of a particular rental housing proposal.

In areas undergoing community planning programs, there are interim rezoning policies in place. These will continue to apply. Appropriate locations for market rental housing will be considered pending the outcome of these planning processes.

APPENDIX B - RESPONSES FROM URBAN DEVELOPMENT INSTITUTE (UDI)

APPENDIX B

Urban Development Institute (UDI): Responses from UDI Members Survey of City of Vancouver Rental Incentive Programs

| Received 26 responses from the following companies: | | |
|---|----------------------|-----------------------------|
| Hudsonmorris Projects | Concerts Properties | PCI Developments |
| Hungerford Properties | Locarno | Crossing at Belmont |
| Rize Alliance | Polygon Homes | Headwater Projects |
| Intracorp | Keltic Development | QuadReal Property Group |
| MOSAIC | Ledingham McAllister | 9 other anonymous companies |

| 1. Rental Program Experience: | |
|---|---|
| Rental 100: | 17 |
| Affordable Housing: | 11 |
| MIRHPP: | 10 |
| STIR: | 5 |
| None, but interested in developing rental: | 5 |
| Other: | <ul style="list-style-type: none"> • 1st & Main as of right rental, industrial and office zoning FC-2 • City of Langford rental policy • Stand alone rental buildings required through rezoning negotiation; or by City incentives (Richmond); or on behalf of non-profit groups in exchange for land for market development • Langara Gardens Policy Statement |
| Other (continued): | <ul style="list-style-type: none"> • Grandview Woodland, West End Plan, Marpole • Joyce Station Area Plan/Collingwood Village • Railyard Housing Co-op built on behalf of the City and operated by the Community Land Trust • City Ground Leases |

1a. If not currently building rental, what is the primary reason for not developing rental under the City's current rental programs?

Costs/uncertainty of developing under these programmes

The Vancouver Building Department does not support rental infill on existing rental properties without fully upgrading the existing site to current code. This is not financially viable and discourages rental infill (and encourages redevelopment and displacement of tenants).

The uncertainty from Council on what the Rental 100 guidelines will be moving forward is too much risk in proceeding on a development.

Proformas don't work with rental. Need incentives for developers to make it work.

The restrictions on market rents and the uncertainty of what rental policy will be going forward. Also, under the MIRHPP program, the extra density is useless given the increase in construction costs to provide the higher form via concrete and again the cap on rents.

City bureaucracy too difficult to invest in. Other cities provide better service and clearer direction.

We had set-up to build rental, mostly in Vancouver, but the recent flip-flopping on Rental 100 has us scared. We opted to build 200 mkt condos in Surrey right now instead. If we could be certain Rental 100 wasn't going to change or disappear, we would have 500-700-1000 units in the pipeline over the next 3-5-10.

2a. What do you like the most about Vancouver's Rental Incentive Program(s) that you want to keep?

Additional density without CACs

Incentives shrink the gap between rental and condo proformas

Fee waivers

Reduced parking requirements

Ability to build without waiting for a community plan

Addition of many RS-1 lots on arterials as possible developments under the Affordable Housing Choices Interim Rezoning Policy

AHC - outlines areas for additional density for rental

2b. What do you like the least about Vancouver's Rental Incentive Program(s) that you want to change?

Uncertainty around the application of policies (last-minute changes)

Instability of policies

Lack of expedited processing (sometimes longer than strata) or concurrent applications

Length of time for rezoning and DP processes

Prioritization of landscape considerations over rental supply

DCL waiver should be for mixed-use buildings, not just 100% rental

2b. What do you like the least about Vancouver's Rental Incentive Program(s) that you want to change?

Parking requirements still too high

Density from 4 to 6 storeys for purpose built rental should be automatic as a starting point

Lack of flexibility or room for innovation

Density increases are not always clear making it difficult to purchase land

Allow more density 1 block away from arterial roads

Available relaxations on density are still too restrictive. Policies such as the Green Building RZ Policy come at an enormous cost and density is needed to offset this.

RS-1 and RT zones should be included more broadly in rental policies

Remove the pace of change requirement and 2 in 10 blocks restrictions

RM areas are not available for increases in rental units through development

With multiple programs available it is difficult to understand which programs are favoured by the City/Council when making an application.

AHC - uncertainty of application (limited to 2 applications/10 blocks); offers no guideline on FSR/height/zoning

Rental 100 - prescribed sizes/rents limits form of development

3. What has been the primary reason you have chosen to develop rental housing (vs. strata)?

We care about offering rental choices to the community

CAC and DCL waivers

Building rental as a CAC

Expedited processing times (in theory)

Long-term income generating asset with in-house management

Planning, policy and political pressures

We would like to build more but can't because the numbers don't work

Strong demand due to low vacancy rate make it a secure investment at market rents

Trying to deliver affordable housing

Easier to rezone

Lower risk than condo once rezoning is complete

High rents + BC Housing loans + limited supply = incentive to develop rental

| 4. Importance of rental incentives, ranked by preference (total responses:24) | | | | |
|---|-----|-----|-----|-----|
| Rank: | 1 | 2 | 3 | 4 |
| Additional Height | 79% | 8% | 8% | 4% |
| DCL Waiver | 17% | 38% | 13% | 33% |
| Parking requirement reduction | 0% | 33% | 38% | 21% |
| Unit Size Relaxation | 4% | 13% | 42% | 42% |

| 5. Are there additional new incentives or changes to existing incentives the City should explore to facilitate more rental housing supply and deeper levels of affordability? |
|---|
| DCL waivers |
| Parking relaxations |
| Guaranteed additional height |
| A TRULY expedited process |
| Increase density around transit |
| Follow the example of other other municipalities (eg. Coquitlam) where density is available for “free” if rental is provided |
| Property tax exemptions |
| More density bonusing and more specific definitions of housing types to be provided |
| Removal of all rental rate restrictions |
| Allow rental projects to skip rezoning process |
| Allow more flexibility for dwelling units (micro-suites, co-housing etc.) |
| Viewcone relaxation |
| More FSR for more affordable units |
| Relaxed envelope requirements under the Green Building RZ Policy |
| Design requirements should be lowered |
| Look at amending existing OCP's to facilitate more density and options in areas without a lot of rental |
| Explore density transfer options |
| Extend infill opportunities to other areas |
| Mixed use; leveraging transit-oriented industrial sites, as permitted in the FC-2E zone |
| Specific FSR and zoning definitions; allow rental in SFH zones |

| 6. Parking provision and utilization rates (total responses: 22) | | |
|--|-----------------------|---------------------------------------|
| Approx. Utilization rate | Number of Respondents | Parking provision range (stalls/unit) |
| <25% | 5% | N/A |
| 25-50% | 41% | 0.5-0.8 |
| 50-75% | 45% | 0.4-1 |
| 100% | 9% | 0.5-0.9 |

Note: There was no correlation between lower provision and higher utilization. There was an overall average parking stall provision of 0.6, however respondents listed 0.5 most frequently. The main determinant of the number of stalls was proximity to transit.

| 7. The City of Vancouver introduced new parking requirements and enabled further vehicle parking reductions for rental housing projects through the new TDM Plan Option in the Fall of 2018. What has your experience been with these new parking measures? |
|--|
| Can be confusing, need to hire [the consultant] who helped create the policy. Often rental cannot afford the TDM measures to decrease parking. |
| Limited but introducing them into new projects |
| Way too much bike parking, does not make logical sense. |
| The plan has given us some additional flexibility in meeting parking requirements but it could still be way more aggressive in cutting back on parking requirements. Further, any flexibility has mostly been taken up by incredible amounts of required bike parking. |
| Generally the new measures are okay but the bike parking and end of trip requirements are punitive and a significant new cost driver that we did not face before. |
| This is very helpful at lowering construction costs for the project which have a massive impact on the end value had to be for rent charge. Allows for more affordability. |
| There is a certain baseline number of parking stalls we would want to provide no matter what the minimum requirements are so the additional reduction is not fully beneficial. Generally speaking, it's also a fairly complicated program which I don't generally support. |
| Uncertainty around the impact to commercial and the ability to obtain occupancy for specific commercial uses in mixed use projects. A good first step however further reductions in parking required to lower costs and lower residential rents. |
| We have active MIRHPP application that City continues to be very stringent on parking & bike storage requirements - this compromises our ability to proceed with the project. |
| Better than not having them. Some are harder and cost prohibitive to implement. |

8a. Have you encountered particular design challenges that make it difficult to achieve a higher share of family-size units (particularly units with 3 or more bedrooms)?
(total responses: 22)

| | | Comments |
|-----|-----|--|
| Yes | 77% | More height and FSR needed |
| | | Difficult to have smaller units with 3+ bedrooms Inboard bedrooms |
| | | Larger units rent for less \$/sf. |
| | | Hard to mix family units with smaller units – different demographic, different type of project |
| | | Tough for small sites. |
| | | Podium style buildings do not work well when we are not permitted to do a portion of internal bedrooms so fewer units are ultimately built due to these requirements. Also multiple bedroom units do not rent as well as studios and ones so the high family unit requirement is a disincentive to building rental in general. No problem with family units but the current family unit requirements appear to be based on ideology no science on where the demand is. |
| | | Having a requirement for 3 bedrooms that each have a window creates serious challenges from a design (exterior and interior) perspective. The building becomes less efficient and smaller which erodes its value. |
| | | It is hard to provide larger format units and still make the project financials make sense. |
| | | No borrowed light bedrooms make it very difficult to lay functional, efficient units out. Especially if increased depth to building due to site. Every bedroom needs a window, thereby effecting efficiency and creating larger suites than are necessary/efficient. Further, some areas that have much lower demand for family units (adjacent to colleges, downtown core/peripheral areas) and, as such, we have seen interest from multiple parties who want to come together in a co-living arrangement to fill these suites rather than families that this policy is supposedly geared towards. |
| | | Some of the best options for providing family-sized homes is through the development of townhomes. I believe these should be permitted as often as possible, including back alleys or adjacent to commercial retail units. |
| | | Difficult in mid block sites that are typically 122' deep. Units get too large. Internal 2nd or 3rd bedroom should be allowed with proper mech ventilation. |
| | | Design to suit City's 2 & 3 bedroom family housing requirements is very challenging. Allowing in board bedrooms in some 3 BR units is a good step. Need more flexibility by City staff and policies to support continued delivery of suitable family housing. |
| | | Limits the flexibility to provide the optimum level of units, as relates to the specific program |

8a. Have you encountered particular design challenges that make it difficult to achieve a higher share of family-size units (particularly units with 3 or more bedrooms)?
(total responses: 22)

| | | Comments |
|-----------|------------|--|
| | | Including a larger share of family-sized units can be doubly challenging financially since they inherently achieve lower rents per square foot, and with limited turn- over. Introducing a higher ratio of homes in the 750+sf range depresses ongoing operating revenue, while costs are climbing due to sustainability/resilience design requirements. Further – some relaxation re: inboard bedrooms would allow for more efficient incorporation of additional bedrooms where space or allowable GFA is limited. |
| | | Limiting rents (Rental 100) makes it difficult to provide suitable 3-bed sizes |
| No | 23% | So far no design challenges in meeting the policy. |

8b. Have you encountered particular design challenges that make it difficult to achieve other City objectives, such as near-zero emissions standards (i.e. Passive House)?
(total responses: 22)

| | | Comments |
|------------|------------|--|
| Yes | 86% | Passive house requirements are too strict |
| | | Cost associated with this which can be difficult with rental |
| | | The rezoning standards result in: <ul style="list-style-type: none"> • increased costs • reduced livable area in planning locations with floor plates are fixed (i.e. larger exterior walls) • limited architectural expression |
| | | Checking boxes on a list does not a sustainable building make |
| | | The industry is not fully experienced in these technological advancements which lead to mistakes and overpricing. |
| | | Very expensive |
| | | We have challenges meeting the way too onerous energy and envelope standards for our climate. Such robust envelopes come at an incredible cost and act against functionality in the summer over heating the suite, then possibly requiring air conditioning at a wasteful energy cost. The city should set requirements that permit inboard insulation (not exterior insulation) for wood frame buildings. Promote electric baseboard heating. Over 90% of BC energy is renewable electricity from BC Hydro. |
| | | Anything that adds cost, no matter the good intent, means it's more difficult for rental housing projects to be viable |

8b. Have you encountered particular design challenges that make it difficult to achieve other City objectives, such as near-zero emissions standards (i.e. Passive House)?
(total responses: 22)

| | | Comments |
|----|-----|---|
| | | <p>Enhanced mechanical system to meet indoor air quality requirements mean that rental projects may need to provide air conditioning in new rental buildings... despite the market not demanding/needing it. Additional measures that add cost and will drive up rents:</p> <ul style="list-style-type: none"> • Enhanced electrical system to comply with enhanced energy usage requirements • Enhanced exterior wall and roof assembly insulation to reduce thermal bridging to meet energy model requirements • Higher performance residential windows (triple glazed) and storefront glazing • Enhanced material costs to meet stricter air tightness requirements between neighbouring units and corridors (sealants, flanged electrical boxes, fully compartmentalized enclosures surrounding everything that penetrates drywall) • Additional material costs to comply with enhanced structural requirements for seismic resistance |
| | | Renters want windows like everyone else. We build in a highly sustainable fashion but it is important to keep an eye on cost and liveability of the projects as well as sustainability considerations. Overly prescriptive rules are not the best approach. |
| | | From a cost perspective, additional requirements always have an impact. The 'green' initiatives are very important for the future and should be offset by reducing other impacts to cost (DCC's, CACs, property tax breaks, further parking reductions, and further incentives). |
| | | Construction costs are already through the roof. By adding further requirements you are only forcing the developers to charge more rent to make the project make financial sense thus directly impacting affordability. |
| | | For rental projects, it erodes the capacity to provide cost efficient product |
| | | Cost of construction has increased. Coordination with all the consultants is more challenging as well. But operation of these more efficient buildings costs less as well. |
| | | Though well-intended, Sustainability and Resilience objectives add significant cost to our developments. |
| | | Costly construction |
| No | 14% | We're not far enough in to our construction to comment. |

9. What do you see as main challenges and opportunities to creating better commercial spaces in mixed-use rental projects?

Too much dictation on size from the city.

Commercial space needs to be useable, often we are being forced to put Mezzanines in and this space is not worth the cost to put it in. The Mezzanine space means difficulty with demising walls therefore a bigger space which is more difficult to lease.

Commercial use is less valuable than residential. Exclude the commercial density to solve problem.

Finding a tenant to build to, early on.

9. What do you see as main challenges and opportunities to creating better commercial spaces in mixed-use rental projects?

Maxing out residential FSR is critical to making the proforma work. ie. Residential on the ground floor is required. Also, the service requirements eat up a huge part of the ground floor. The ground floor becomes extremely complex.

If the intent is to try to address the diversity of businesses, then there probably needs to be some incentive programs to reduce costs associated with the commercial area (i.e. DCL waiver) or property tax reductions.

With regards to new commercial spaces often providing less commercial area than what is replaced, there's not much way around that given how the rental 100 rezonings from C-2 are structured. There's only so much space to (1) activate the lane with townhomes, (2) provide parkade ingress/egress, and (3) provide at-grade loading and garbage.

We see the opposite. Old commercial spaces typically are in low building that pay extreme commercial phantom tax on density that does not exist. We're seeing tenants come into our new buildings, pay less property tax, and still pay an equal gross rental rate. The city is starving small business with its commercial phantom property tax.

A major challenge is that staff seem to only want to see small "neighbourhood serving retailers" and have completely rejected the notion that some buildings in some areas need longer, contiguous retail frontages to serve retailers with larger footprints. Let the market decide how retail is configured! Opportunities lie in letting the market decide how little or how much retail to provide in a project. Forced retail can be an untenable risk for developers if required in areas where there is little to no established retail, or demand for such. Planners are not market experts.

Loading requirements and ramp location requirements by the city make viable commercial space a challenge in some projects. Viability of commercial space should be taken into consideration when projects go forward for approval. We do like mixing commercial with residential rental use but there needs to be some flexibility from the City to make it work.

One could argue that they are built for the highest and best use and / or built based on setback and requirements imposed by the City.

This is the same argument about new vs. old rental.....renewal needs to happen or else these buildings will fall into disrepair. With more and more retailers moving to online businesses, perhaps less space will be required?

Massive increases in land values have impacted property tax rates. These are passed along to retailers and therefore total gross rents in projects are extremely high. These costs greatly limit the pool of retailers that can afford to pay the required rent in these projects. The spaces have to be reduced in size to make them more affordable.

We would love to keep pre-existing occupants, but in a competitive market we have to find higher-revenue tenants. If there was a replacement policy that required that we keep the rents what they are (or similar etc.) and offer first right of refusal, then all prospective land purchasers would factor that into our land price, but if there is no policy then we have to remain competitive and assume higher revenue in order to have a competitive offer price. As for the mix of the tenants, we believe that condo projects are more susceptible to a street-front dentist or nail spa, but with rental projects it's more important to cast good tenants who will add value to the prospective residential rental tenants. So I see it as more of a condo issue. I also thought that maybe free density could be awarded to commercial space that is offered at non-market rates for pre-existing or local tenants. That would work where density is provided on an FAR basis but not where it's provided on a building storey basis (4 vs 6 storeys).

Parking requirements still have a negative impact on the flexibility for many commercial uses. Suggest a single parking ratio / requirement for all retail uses.

9. What do you see as main challenges and opportunities to creating better commercial spaces in mixed-use rental projects?

Removing C-2 height limit - current height limit just makes for bad retail with inferior ceiling height. Venting requirements for restaurants now only be allowed through rooftop makes adapting to increasing food service demand challenging.

Achieve profitable projects with the density mix, providing flexible trade-ins could assist with.

Often retail/commercial space is enforced/required when there is little market for the space that would be required. Different property tax models for operating businesses should be considered to encourage new retail business to grow in the City.

Loading and parking is another challenge from a site planning perspective as the incorporation of these are often at odds with urban design/planning policy and are preferred to be buried or covered at significant expense. Relaxed design guidelines that enable creative incorporation of these important operational features should be considered on a site by site basis.

10. What has been your experience interacting with neighbours and the broader community during the rezoning and development process? (total responses: 23)

| | | Comments |
|-------------------|-----|--|
| Somewhat negative | 26% | There is a project at Larch and W 2nd right now that is taking a lot of flack from the neighbourhood. This project ticks all the boxes in terms of a perfect project for the COV and the neighbourhood. If this project does not get expedited and approved in the near future, we will not be investing in COV. We are watching very closely. |
| | | Generally negative - the public would rather prevent change than accept it. |
| | | A great deal of anti-development and NIMBYism from surrounding neighbors. Adding density to existing neighborhoods is the only way to create affordability for younger generations to remain in the city but this seems to be forgotten by many landowners who have accumulated wealth through their land. |
| Neutral | 17% | Depending on the area and how many rental projects have preceded a given application, response is varied. More balanced than in the past when it was all a loud, vocal NIMBY minority. A "win" is holding a public open house where 25-50% of the room provides positive feedback. People are less motivated to show up to support something that they like, than something that elicits a strong negative reaction. |
| Somewhat positive | 48% | There is a lot of NIMBYism in Vancouver, change is always difficult especially when renters are perceived as a different class to homeowners. |
| | | Neighbourhood dependent |
| | | Currently we're working through a MIHRPP application and the response has been fairly positive. |
| | | We did not have to rezone our project so approvals process had limited public engagement required. |

10. What has been your experience interacting with neighbours and the broader community during the rezoning and development process? (total responses: 23)

| | | Comments |
|----------------------|-----------|--|
| | | Our open houses have gone ok but there is always a fairly strong sense of NIMBYism that is often rooted in ignorance. This is why open houses are good but if the policy has been adopted, then why do we have public hearings that allow objection to approved policies. |
| | | Density and street parking still common concerns. |
| | | Outside of people protecting personal views and concern over traffic, we have neighbourhoods to be generally supportive of additional height & density to support rental and affordable housing. Affordability crisis is being experienced by all. |
| Very positive | 9% | We underwent a Policy Statement Process for a large redevelopment that will include a significant rental component at Langara Gardens. The Policy Statement was approved unanimously at Council, though it should be noted that the existing community is already 100% rental. |

11. Other comments or suggestions on rental housing programs in Vancouver?

Clarity and certainty are key. Councillors have to honour the policies put forth by staff.

Work WITH developers and designers to create innovative housing forms.

The MIHRPP should become permanent policy sooner than later, but they should consider a little more density. Moving from a max of 14 to 18-storeys would be extremely beneficial.

Approval time lines would speed up if the city trusted our consultants more with our design submissions. There is too much time is wasted trying to communicate with staff over trivial issues who are way too busy. Simple arguments such as whether a landscape planter should be flush, or exist at all can take over a month. This has cascade effect and hurts supply in a big way.

Density transfers from sites that have older rental buildings on them, but could be slated for additional density. An applicant should be able to transfer that density for increased rental housing on another site. While the charter doesn't have provisions for this, this should be explored and, if the Province need authorize it, that discussion should commence.

Pre-zone sites please. New projects will encourage renters in older product that can afford better units to move and free up space in older more affordable buildings.

Vancouver has the best rental policies in the region but it is also the municipality in most need of them so please keep them! Seattle is a huge success story where cheaper market rents were achieved via supply. Don't let short-sighted NIMBYism plan this city's future.

Biggest hurdle and cost is the time lost in the permitting process.

The City may wish to review the City of Toronto's Open Door program which has been successful in attracting the development sector to build affordable rental housing based on a "site by site" application system where the developer requests incentives on an as-needed basis. The program also pairs well with National Housing Strategy programs.

| 12. Where are your projects located? (total responses: 12) | |
|--|-----|
| Westside | 17% |
| Eastside | 75% |
| Downtown Vancouver | 8% |

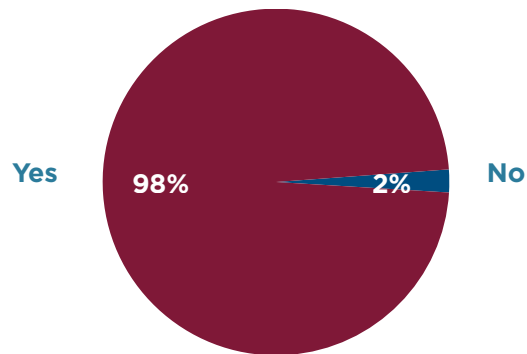
APPENDIX C - RESPONSES FROM RESIDENTS OF RENTAL HOUSING SURVEY

APPENDIX C

Rental Incentive Program Residents of Rental Housing Survey, 2019

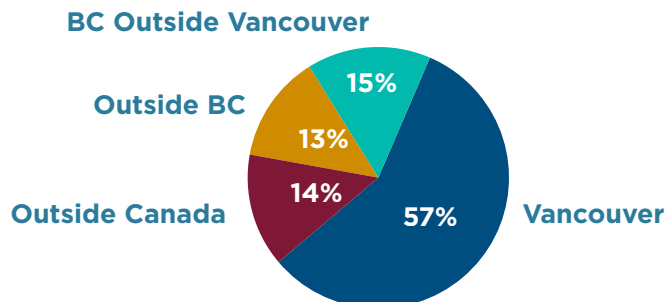
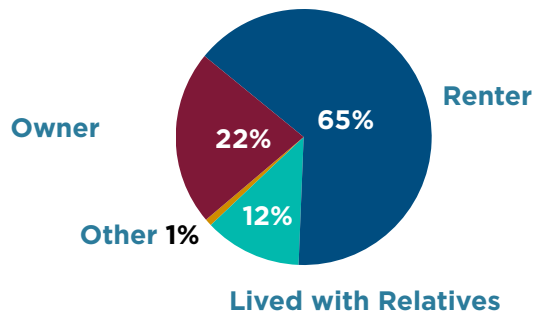
1. Are you a renter?

470 Responses Received



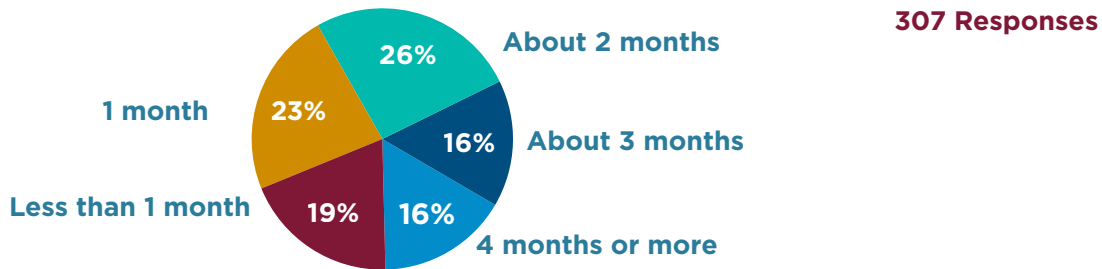
2. Where did you live before moving to this property?

101 Responses

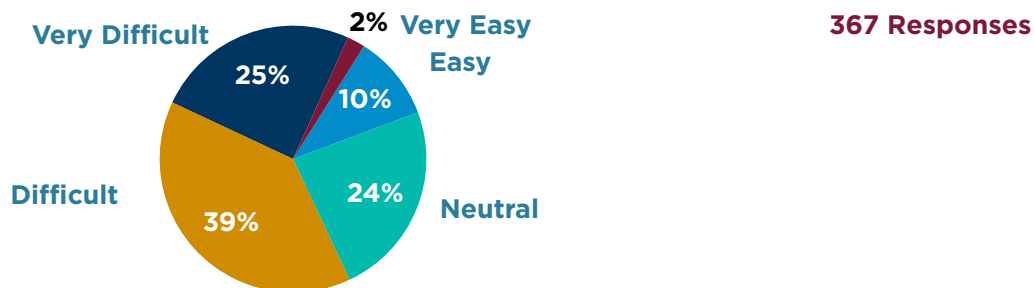


296 Responses

3. How long were you looking before you found your current home?



4. How difficult was it to find?



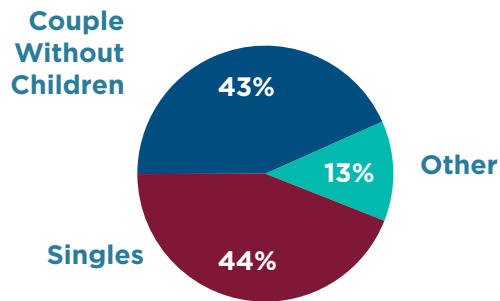
5. What was your experiences, good or bad, when searching for an apartment?

Summary of Responses

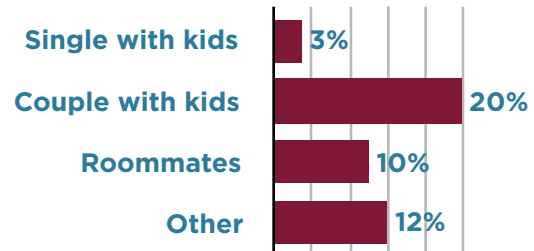
- Majority of responses indicated negative experiences. Among issues described were limited availability of rental housing, high demand for available rental housing units, lack of response to inquiries about advertised units, lack of pet-friendly units, fake or scam postings for rental housing, and high rental prices.
- A minority of responses indicated less negative experiences, especially when targeting new purpose-built rentals.

| 6. Please rank 1st, 2nd and 3rd most important reasons for choosing your current home? | | | |
|--|--------------|-------|-------------------|
| | Overall Rank | Score | Total Respondents |
| Best option for my budget | 1 | 304 | 138 |
| In a neighbourhood I like | 2 | 304 | 135 |
| Close to transit | 3 | 249 | 128 |
| The building is pet friendly | 4 | 240 | 112 |
| Close to my job | 5 | 189 | 93 |
| More affordable than other options | 6 | 187 | 79 |
| Only available option | 7 | 168 | 76 |
| I like new buildings | 8 | 147 | 84 |
| Walkable area | 9 | 107 | 63 |
| I liked the layout of the unit | 10 | 72 | 42 |
| Close to amenities | 11 | 49 | 33 |
| Close to family or friends | 12 | 46 | 27 |
| I liked the buildings design | 13 | 31 | 18 |
| I needed more bedrooms (2/3 bed home) | 14 | 27 | 16 |
| Building amenities | 15 | 27 | 17 |
| Access to parking | 16 | 19 | 12 |
| The building is child friendly | 17 | 14 | 9 |
| I like the buildings surroundings | 18 | 13 | 7 |
| Accessible suite and building | 19 | 6 | 5 |

8. How would you describe your household?

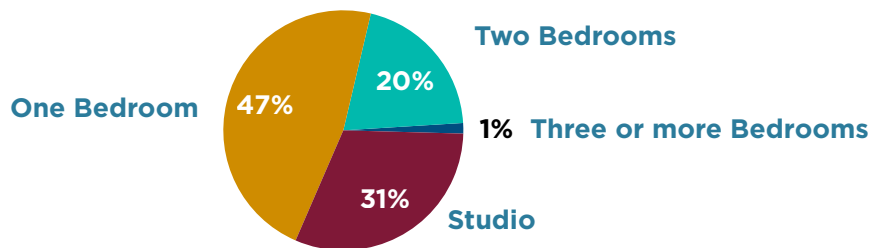


355 Responses



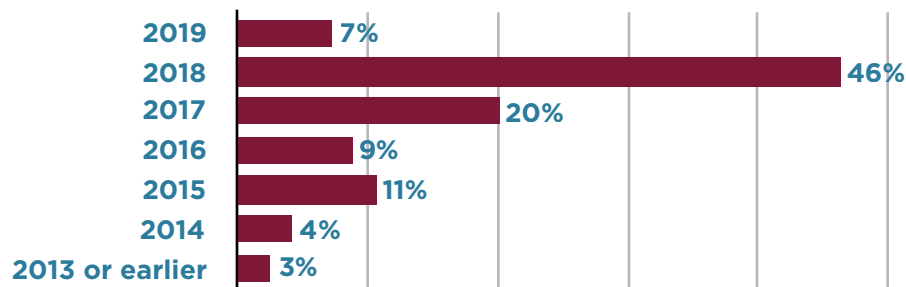
45 Responses

10. How many bedrooms does your home have?



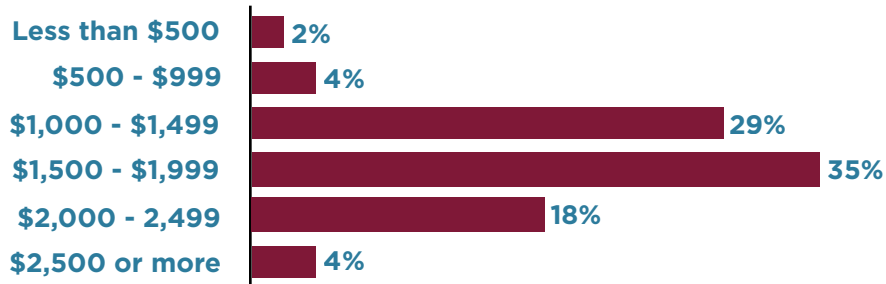
354 Responses

11. When did you move in to your current home?



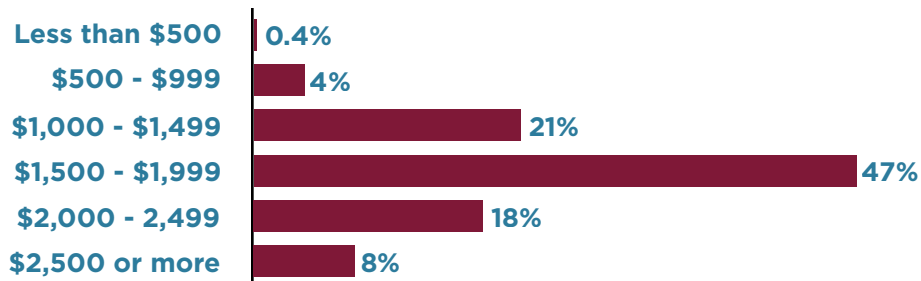
354 Responses

12. What was your rent when you moved in? (Please include figure for entire unit)



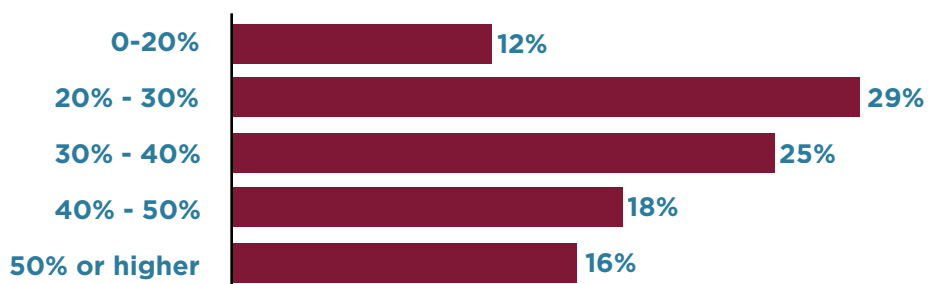
354 Responses
Median Rent: \$1,625

13. If different, what is your rent now? (Please include figure for entire unit)



240 Responses
Median Rent: \$1,725

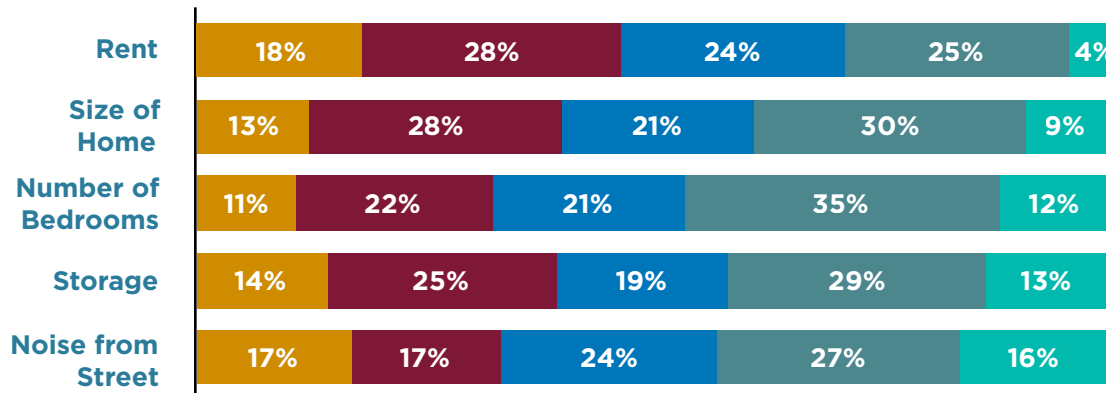
14. How much of your household's gross (pre-tax) income is spent on rent?



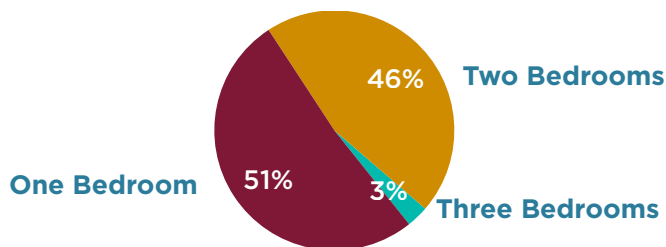
347 Responses

15. Overall, how satisfied are you with you with the following?

Very Unsatisfied Unsatisfied Neutral Satisfied Very Satisfied



16. How many bedrooms do you need?



110 Responses

17. Are any of the following available in your building?

| | Yes and Use It | | Yes but Don't Use It | | No and Don't Want It | | No but Want It | | Total |
|----------------------------|----------------|-----|----------------------|-----|----------------------|-----|----------------|-----|-------|
| | # | % | # | % | # | % | # | % | # |
| Car parking | 126 | 37% | 165 | 49% | 20 | 6% | 29 | 9% | 340 |
| Cycle parking | 162 | 48% | 149 | 44% | 17 | 5% | 9 | 3% | 337 |
| Shared outdoor spaces | 136 | 40% | 88 | 26% | 30 | 9% | 83 | 25% | 337 |
| Shared amenity/party rooms | 110 | 33% | 127 | 38% | 43 | 13% | 57 | 17% | 337 |
| Child play spaces | 9 | 3% | 111 | 33% | 158 | 48% | 54 | 16% | 332 |
| Balcony | 227 | 67% | 45 | 13% | 11 | 3% | 56 | 17% | 339 |

18. What is the top thing you want improved in your building?

Summary or Responses

- A large number of responses related to challenges of living in higher densities, such as lack of noise insulation between floors and neighbouring units.
- More affordable rents were a common response, as well as larger unit sizes.
- There were a number of complaints about problems with building maintenance, with broken down elevators, and cleanliness of shared spaces.
- A wide range of amenities were described as desirable, including gyms, swimming pools, hot tubs, air conditioning, free parking, storage rooms, concierge, and in-suite laundry.
- A number of responses indicated that street noise and lack of sound insulation was a problem.
- Some responses indicated that security in the building and the local area was an issue.

19. Are there any other features that you want but don't have in your home or building?

Summary or Responses

- Response provided were very similar to those provided in question 18, with a wide range of amenities were described as desirable.

20. What is the best thing about living in your building?

Summary or Responses

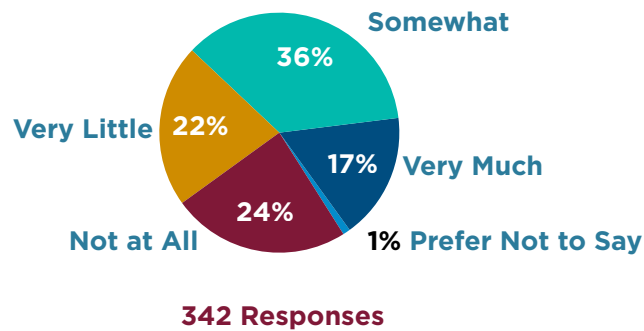
- Common responses related to units being new, buildings being pet friendly, proximity to neighbourhood amenities, building amenities, good management, and balconies.
- Location, particularly proximity to transit and work, were frequently cited.
- Some responses cited renting in a secure, purpose-built rental building as a key benefit.

21. Everyone's priorities are different when choosing a place to live. Please tell us how you came to a decision and any trade-offs you made?

Summary or Responses

- Numerous responses cited the small size of units and expensive rents as trade offs for convenient locations (such as to work, transit, and neighbourhood amenities).
- People also frequently stated that the small size of units and increased rent was worth it to live in a new building or to live without roommates.
- A number of respondents indicated that they had no choice to live in their previous home, and that their new rental housing was their only option.
- Many respondents indicated that they were willing to pay more in rent to live in a pet-friendly building.

22. Do you feel connected to the community or neighbourhood where your home is located?

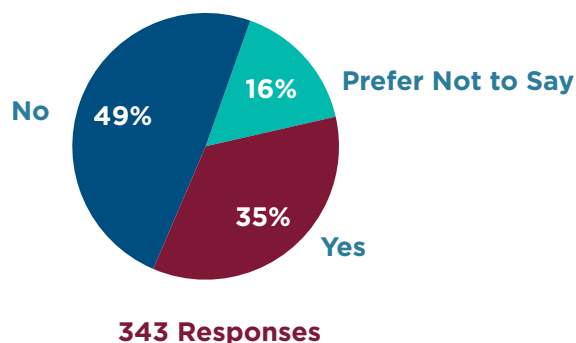


23. Please share any examples which illustrate your feelings

Summary of Responses

- Many illustrations of people enjoying neighbourhood amenities, such as parks, local stores, and restaurants. Ability to walk to neighbourhood amenities is also highlighted.
- A number of respondents indicated that the new rental building allowed them to stay in a neighbourhood where they had lived for a long time, maintaining existing social connections.
- Some concerns of crime, drug use, noise, and dirty urban environments.
- A number of concerns about character of Vancouverites and other tenants in building not being friendly.

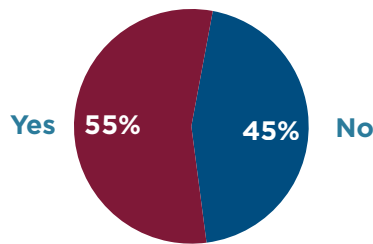
24. Are you planning to move in the near future (within 1 year) from your current home?



25. What's the main reason behind your decision to move?

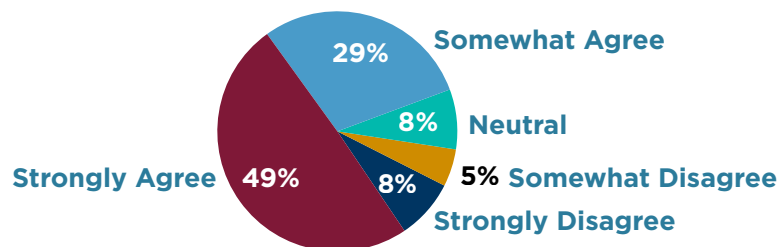
| | Percent | Number |
|------------------------------------|---------|--------|
| Need more space | 25% | 29 |
| Rent increases | 22% | 26 |
| Building management issues | 8% | 9 |
| Job change / relocation | 7% | 8 |
| Want to change neighbourhood | 7% | 8 |
| Purchased a home in Vancouver | 3% | 4 |
| Problems with neighbours | 3% | 3 |
| Change in personal circumstance | 3% | 3 |
| Purchased a home outside Vancouver | 3% | 3 |

26. Did you know the City of Vancouver currently provides incentives for the construction of market rental buildings? (e.g. buildings where all units are rental and secured for this purpose through a legal agreement)



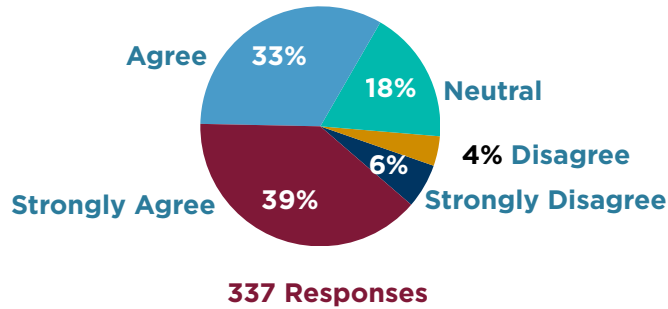
344 Responses

27. The City offers incentives to developers to build market rental buildings because - Without an incentive developers would typically only build condos as this is the most profitable use. Over half the cities population are renters and there is a shortage of available rental housing in Vancouver. Rental housing can help middle and moderate-income households to stay in the city; the household incomes of renters are typically half that of owners. The type of incentives offered include additional height and density, waived development cost charges, and parking requirement relaxations. How much do you agree or disagree with the notion of providing incentives to encourage construction of new market rental housing?

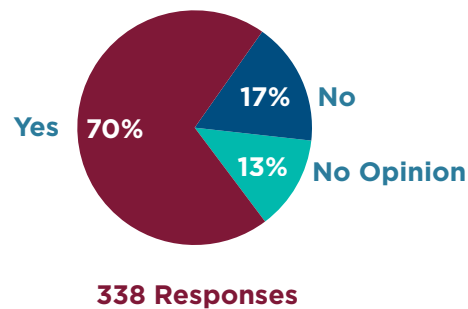


344 Responses

28. The City seeks to include options for families in all parts of the city. A family home is considered to be one with two or more bedrooms. Generally we require at least 35% of the units to be family sized. To what extent do you support a City requirement to include family housing in all developments across the City?



29. The City's Rental Incentive Programs do not allow 'micro' studio rental units' that measure less than 320 square feet. A key concern regarding 'micro' units is balancing livability and affordability. Do you agree in principle with the approach of not allowing 'micro' studios as part of market rental housing developments?

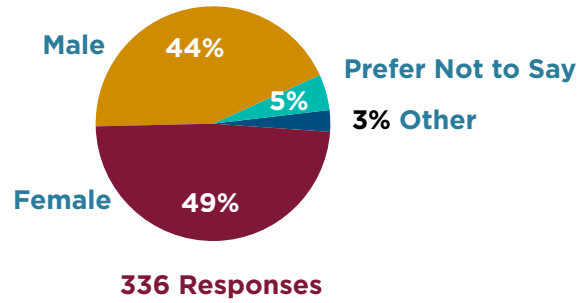


30. Please provide any additional comments you have on the City's Rental Incentive Program below.

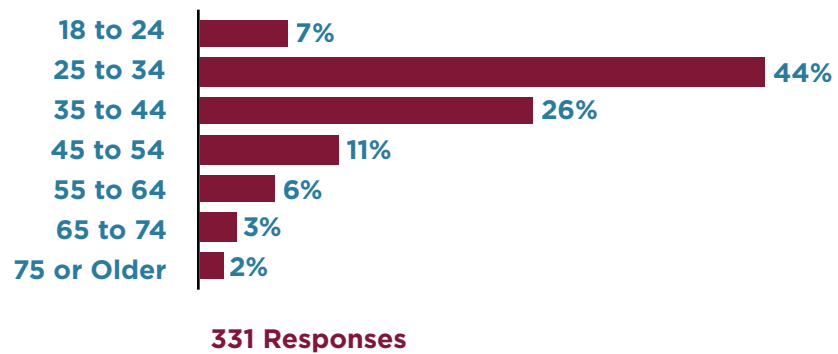
Summary or Responses

- A large number of responses were supportive of the program.
- A large number of responses indicated concern that the program is not providing affordable units.
- Some respondents indicated perceptions that rental buildings are constructed and managed inferiorly to strata-condominium buildings.
- Respondents provided a wide range of opinions on the role of government, developers and corporations, and profit in the housing market.
- A small number of respondents indicated perceptions that the program is increasing profits for developers.
- A number of responses raised concerns about the small unit sizes, including a number of comments about the small size of "micro" units.

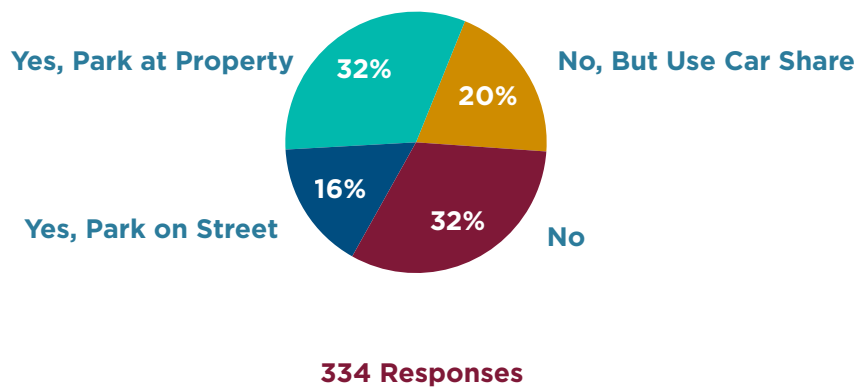
31. Do you identify as...?



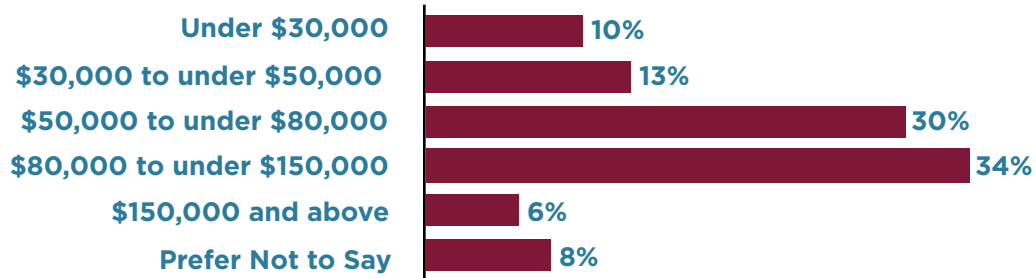
32. Which age category do you fall in?



34. Do you own a car?



35. Which of the following categories best describes your total household income before taxes?



336 Responses

37. Did we miss anything in the survey? (Continued)

Summary or Responses

- Various responses, including concerns about affordability, livability, and quality of construction.

APPENDIX D - RESPONSES FROM PEDESTRIAN INTERCEPT SURVEY

APPENDIX D


Pedestrian Intercept Survey, 2019

Through the City of Vancouver's review of the rezoning applications associated rental projects it was noted that the most common sources of concern associated with such projects are:

- Height of buildings
- Size, mass and density
- Out of character with neighbourhoods

To understand how buildings perform with regards to these factors once they are built and operating, the City undertook intercept surveys with the public around 3 buildings which received typical comments during the rezoning application process in different neighborhoods around Vancouver. The survey took place over the following times and dates.

Other sites in different locations were considered, but the following sites were favoured due to the concerns raised, location in areas of high pedestrian traffic, and geographic spread.

| Intercept Survey Site 1: The Robert, 2525 Carnarvon Street | |
|--|--|
|  | Neighbourhood: Kitsilano |
| | Date and Time: Wednesday, May 15, 2019 11:30 am - 1:30 pm 5:00 pm - 7:00 pm |
| | Saturday, May 18, 2019 11:30 am - 1:30 pm |
| | Total Hours: 6 hours |
| | Number Surveyed: 13 |
| Key public concerns during the rezoning process: height of building, impact on the character of the area, and parking. | |
| Reasons for selection: Westside project, in area with high traffic movement and concerns were raised over the scheme design and height. | |

Intercept Survey Site 2: 1215 Bidwell / 1718 Davie Street



Neighbourhood: West End
Date and Time: Thursday, May 16, 2019
11:30 am - 1:30 pm
5:00 pm - 7:00 pm
Saturday, May 18, 2019
3:30 pm - 5:30 pm
Total Hours: 6 hours
Number Surveyed: 14

Key public concerns during the rezoning process: Building too tall, inadequate heritage retention.

Reasons for selection: Downtown project, in area with high traffic movement and concerns were raised over the scheme design and height.

Intercept Survey Site 3: 388 Skeena Street

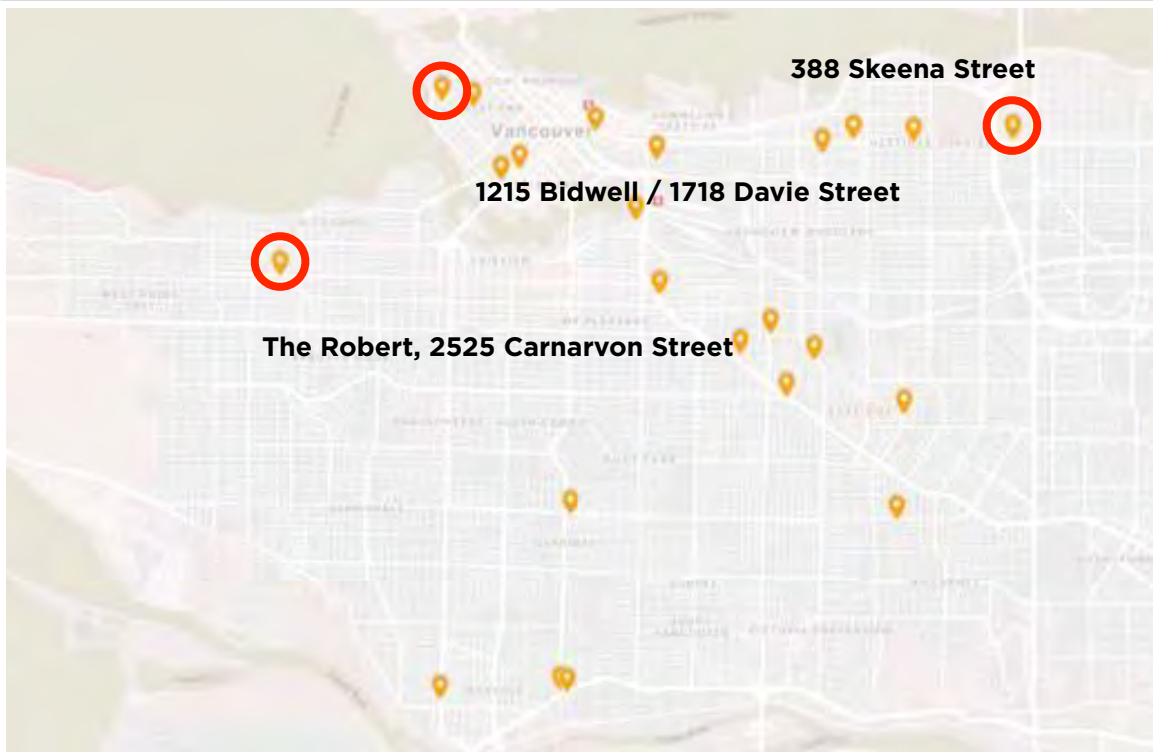


Neighbourhood: Hastings-Sunrise
Date and Time: Friday, May 17, 2019
11:30 am - 1:30 pm
5:00 pm - 7:00 pm
Total Hours: 4 hours
Number Surveyed: 13

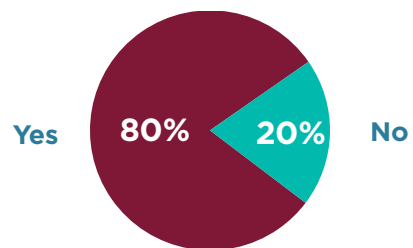
Key public concerns during the rezoning process: Height of building, out of character with area.

Reasons for selection: Eastside project, in area with medium traffic movement and concerns were raised over the scheme height.

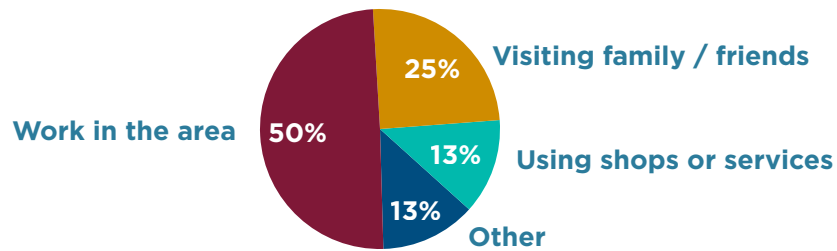
Map of Sites



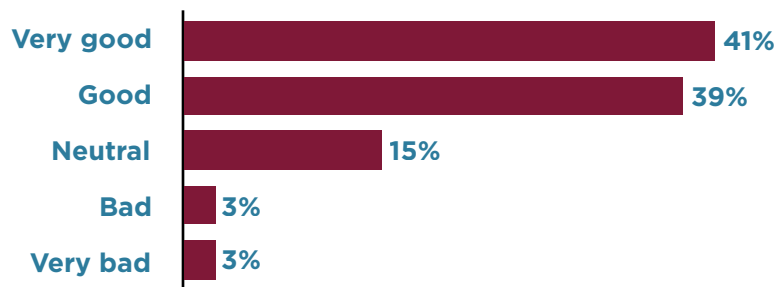
1. Do you live in the neighbourhood?



2. Why are you visiting today?



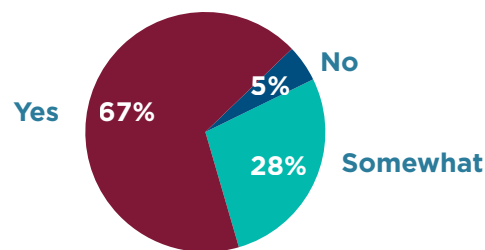
3. This building was built in the last 6 years. What do you think of its design?



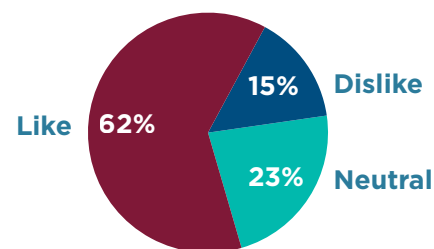
| 4. Are there particular features that you like or don't like? | | | | |
|---|-------|-------|---------|-------|
| | Like | | Dislike | |
| | Row % | Count | Row % | Count |
| Height | 80% | 32 | 20% | 8 |
| Design | 89.7% | 35 | 10.3% | 4 |
| Colours | 79.5% | 31 | 20.5% | 8 |
| Materials | 87.2% | 34 | 12.8% | 5 |
| New modern building | 79.5% | 31 | 20.5% | 8 |
| More housing | 71.8% | 28 | 28.2% | 11 |
| Balconies | 71.8% | 28 | 28.2% | 11 |
| Space for shops / businesses | 97.4% | 38 | 2.6% | 1 |

| 4. Are there particular features that you like or don't like? (Continued) | | | | |
|---|-------|-------|---------|-------|
| | Like | | Dislike | |
| | Row % | Count | Row % | Count |
| Activity around the building | 89.7% | 35 | 10.3% | 4 |
| Pavement space | 94.9% | 37 | 5.1% | 2 |
| Trees and planting | 89.7% | 35 | 10.3% | 4 |
| Parking | 20.5% | 8 | 79.5% | 31 |
| Entrances | 84.6% | 33 | 15.4% | 6 |
| Building canopies | 61.5% | 24 | 38.5% | 15 |

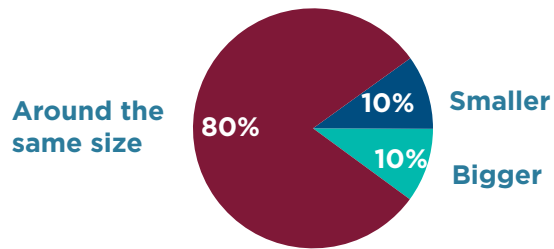
5. Do you think this building fits into this neighbourhood?



6. How would you feel about more buildings like this in the area?



7. Should new buildings in the area be bigger, smaller or around the same size?



8. Did you know this is a purpose-built rental building? (Purpose-built rental = an apartment building that was built to be rented in the private market. Apartments cannot be separated or sold individually.)

