



ADMINISTRATIVE REPORT

Report Date: June 2, 2009
Contact: Doug Robinson
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VanRIMS No.: 08-2000-20
Meeting Date: June 16, 2009

TO: Transportation and Traffic Committee

FROM: Short Term Incentives for Rental (STIR) Steering Committee
(See Appendix F)

SUBJECT: Short Term Incentives for Rental Program

RECOMMENDATION

- A. THAT Council endorse the Short Term Incentives for Rental program for rental housing ("STIR program") for a 2.5 year period with applications beginning July 6, 2009 and ending December 15, 2011, as contained in this report;
- B. THAT Council amend the Parking By-law to authorize parking relaxations for rental housing generally as outlined in Appendix A;
- C. THAT Council amend the Vancouver Development Cost Levy By-law and Area Specific Development Cost Levy By-law ("DCL By-laws") for the waiving of DCL payments on rental housing units generally as outlined in Appendix B;
- D. THAT Council instruct the Director of Legal Services to bring forward for Council's approval of amendments to the Parking By-law, Vancouver Development Cost By-law, and Area Specific Development Cost Levy By-law, generally in accordance with Appendices A and B;
- E. THAT Council instruct the Director of Real Estate Services and the Managing Director of Social Development to report back with recommendations on the use of City lands for the development of rental housing;
- F. THAT Council instruct staff to report back every six months on industry response to the STIR program, efficacy of the incentive package, and financial implications;

- G. THAT Council instruct staff to seek affordability in projects submitted for STIR incentives through finishing, size, location and other design considerations;
- H. THAT the Mayor, on behalf of Council, write to the Premier and Minister of Housing and Social Development, Province of BC informing them of the City's efforts to increase rental housing and requesting expansion of housing programs to address affordability, in particular a partnership which could include:
- rent supplements
 - shelter allowances
 - mortgage insurance
 - interim construction financing;

CONSIDERATION

- I. THAT Council instruct the City Manager to seek an amendment to the Vancouver Charter to empower Council to exempt affordable rental housing developers from the payment of application fees for development, building and rezoning or to reduce such fees; and
- J. THAT Council establish a revitalization tax exemption program to authorize negotiated tax exemptions from municipal general purpose tax levies for eligible properties under the STIR program, and that Staff report back on the organization of such program.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of the foregoing.

CITY MANAGER'S COMMENTS

The STIR program is consistent with Council's priorities to address rental housing supply; encourage the building of strong, safe and inclusive communities; enhance environmental protection and sustainability; and promote capital investment for a growing economy.

The STIR program is one of a number of new City initiatives designed to address the issue of rental and affordable housing supply in Vancouver. Others programs which Council has considered or will consider include: Laneway Housing, Secondary Suites in Apartments, and Enabling Functional and Livable Basements and Interim Housing Plan. The Rental Housing Strategy is currently underway to develop a long term and comprehensive plan for rental housing.

STIR is an important program that is designed to:

- Increase the supply of rental housing and more housing choices for citizens;
- Stimulate employment with the potential to create 1,600 construction related jobs for every 1,000 units of rental housing¹
- Support the City's sustainability priority by encouraging rental housing along commercial arterials, neighbourhood "high" streets, and transit centres; and
- Contribute to and inform the City on the long term Rental Housing Strategy.

¹ Calculation based on Provincial Government and development industry standards

There are risks associated with the program that include:

- Foregone short term revenue for operations (tax income) and public benefits (DCL waiver); and
- Potential parking and traffic impacts from reduced parking requirements and increased density.

Staff recommend that the City provide short term incentives for rental housing development including parking reductions, waiver of development cost levies and density increases consistent with planning policy.

Staff do not recommend property tax exemptions for the STIR program as this will create property tax inequity for existing rental housing properties; and any forgone taxes will have to be borne by other taxpayers as part of the annual tax distribution exercise in order to generate the same amount of tax levies. However, if Council wishes to authorize negotiated tax exemptions for eligible properties under the STIR program, Consideration J is put forward for Council's consideration."

Fee reductions for development, building and rezoning applications are not currently authorized under the *Vancouver Charter* and will require an amendment to the *Charter* should Council consider pursuing them.

The STIR program is not a revenue neutral program and has the potential to generate consequences to City operations, most notably:

- Prioritization of rental housing at the expense of other City priorities (i.e. Social Housing, Community Amenities); and
- Financial incentives that will reduce available funding and potentially limit the City's ability to deliver on other programs and amenities.

Nevertheless, the need for new rental housing and the benefits of sustained development activity for our local employment market justify the STIR program. The City has the opportunity to use its limited resources to increase the rental housing stock and, in the absence of new senior government initiatives, the City should act with short-term incentives in advance of the completion of the Rental Housing Strategy.

The City Manager RECOMMENDS approval of the foregoing.

COUNCIL POLICY

Housing

On June 6, 1995, Council adopted "CityPlan: Directions for Vancouver" and the section entitled "Addressing Housing Costs" includes a policy to "maintain a stock of rental housing".

On May 24, 2007, Rate of Change policies and regulations were adopted to provide protection for rental housing stock in RM, FM and CD-1 zoned areas of the city. The regulations affect development proposals of six or more dwelling units where existing rental housing would be demolished and require 1:1 replacement of the rental units. Alternative approaches may be proposed.

On October 28, 2008, Council approved recommendations related to the report entitled "Rental Housing Strategy: Process and Consultancies" to undertake a comprehensive analysis of rental housing.

Community Visions

Community Visions provide neighbourhood-level planning direction for eight communities throughout the city (Dunbar, Kensington-Cedar Cottage, Victoria-Fraserview/Killarney, Sunset, Hastings-Sunrise, Renfrew-Collingwood, Arbutus Ridge/Kerrisdale/Shoughnessy, and Riley Park/South Cambie) with a ninth currently pending (West Point Grey).

Community Visions include policies regarding new housing types and locations that are supported, uncertain (requiring further planning study) or not supported, for the individual Vision area. Community Visions have flexibility to consider rezoning applications for “social or affordable housing projects”, including rental housing secured with a housing agreement, without additional area planning. Further, Community Visions identify areas where higher intensities of activity and land use would be appropriate (i.e. neighbourhood centres).

Parking

The City’s existing parking policies cover the amount, location, and design of parking for new buildings. The City has a policy of periodically reviewing residential parking standards to ensure they reflect the changes in car ownership levels and with the objective of promoting walking, cycling and transit and car sharing. Council must approve any changes to the Parking By-law.

Sustainability / EcoDensity

Rental housing is a key affordable housing resource and part of developing a sustainable city. The EcoDensity Charter identifies the facilitation of purpose-built rental housing construction as a means towards more housing affordability, types and choices and as part of the City’s EcoDensity commitment towards sustainability. It is also in keeping with the evolving commitments from the Greenest City Action Team.

Further, where STIR projects require rezoning, Council policy for greener buildings will apply. Applicants will be required to establish designs that would achieve a minimum equivalent of LEED™ Silver with required energy, water, and storm water components as per policy approved under the EcoDensity Initiative.

Property Tax Exemptions

Pursuant to Section 396E - Revitalization Tax Exemptions - of the *Vancouver Charter*, Council has authority to grant exemptions on municipal general purpose tax levies to eligible properties, based on criteria set by Council, for the purpose of promoting economic, social or environmental revitalization.

Once a property is exempt, its assessed value would not be included in the calculation of general purpose tax rates. As a result, other taxpayers would be levied a higher tax rate than they otherwise would to make up for the forgone taxes as part of the annual tax distribution exercise in order to generate the same amount of tax levies."

Development Cost Levy Waiver

Pursuant to Section 523 D of the *Vancouver Charter*, Council has the authority to waive or reduce a levy for an “eligible development” including “for-profit affordable rental housing” .

For the purposes of this initiative, “for-profit affordable rental housing” is to mean “three or more dwelling units designated for new rental housing subject to the provision of a legal agreement between the City and property owner secure the rental housing units”.

SUMMARY

The STIR program is time-limited (2.5 years). The program provides a strategic set of City incentives to encourage and facilitate the development of new residential market rental housing. The STIR program is designed to respond to a short term economic recession that has precipitated a decrease in construction activity with associated costs and challenges to the City. The timing of the STIR program represents an opportunity to increase rental housing supply with new rental housing projects as a key component of the City’s housing efforts within this economic period and at the same time provide an opportunity for supporting the development and the building industry to maintain jobs and investment in the City’s economy. The details of the STIR program have been developed by an interdepartmental staff working group, coordinated by a senior staff Steering Committee, and informed by a multi-stakeholder Roundtable discussion forum hosted by the Mayor on April 25, 2009.

The STIR program is designed to be responsive to a range of opportunities and multiple scenarios. A “simple” stream offers applicants a predetermined set of incentives that, upon confirmation of eligibility, can be realized without negotiation (“project fits the program”). Applicants are encouraged to maximize the percentage of rental units in a building (with no fewer than 8 rental units) and these must be legally secured as rental for the life of the building or 60 years, whichever is greater. Alternatively, a “negotiated” stream offers applicants and City staff more flexibility to negotiate an appropriate set of incentives targeted to the specific project. The “negotiated” stream would enable rezonings for increased density, subject to current City policies such as Rate of Change and Community Visions or existing official development plans (ODPs) and allows flexibility for length of rental term. Both streams would involve priority processing.

The incentives represent a significant effort on behalf of the City to encourage new supplies of rental housing stock in the short term. An increase in supply of rental housing assists with affordability. The intent of the City is to deliver value for money by using limited City resources to assist in the viability of market rental housing projects with the understanding that the City is not able to make all potential market rental housing projects viable or compensate for a different form of development.

PURPOSE

On March 3, 2009, Council resolved that:

1. Council ask the Mayor to convene as soon as practicable, a roundtable consultation engaging City staff with housing specialists, developers, real estate consultants, architects and designers, neighbourhood leaders and other stakeholders to seek their advice and input on, but not limited to:
 - Short-term measures by which the City can increase the stock of rental and affordable housing;
 - Elements of a longer-term strategy that builds on or reshapes existing initiatives;
 - Prioritizing and streamlining the development permit processing of rental housing applications;

- New initiatives, including consideration of incentives, to create new rental and affordable housing stock;
 - Encouraging these new developments at or near rapid transit station locations.
2. Council direct staff to report back to Council as soon as possible following the roundtable consultation on methods to increase the supply of rental housing in the immediate term.
 3. Council direct staff to report back to Council by the end of September 2009 on the state of rental and affordable housing in the City, including need, existing affordable housing, and the City's role in the development, operation and funding of affordable housing in the City, as well as affordable housing strategies now being employed in other municipalities.
 4. Council direct staff to report back to Council on additional measures to protect existing rental housing stock.

The purpose of this report is to follow up on item #2 above by discussing and making recommendations on the STIR program which is the staff response to Council's directive to identify methods of increasing the supply of rental housing in the immediate term. More specifically, the purpose of STIR is as follows:

- to increase the supply of new market residential rental housing stock; and
- to stimulate housing development/construction and private sector investment during challenging economic conditions for the next 2.5 years.

The STIR program is an "extraordinary" intervention that seizes the opportunity to bring together an economic need with a social imperative. It responds to an unprecedented economic downturn as well as the under-supply of rental housing.

BACKGROUND

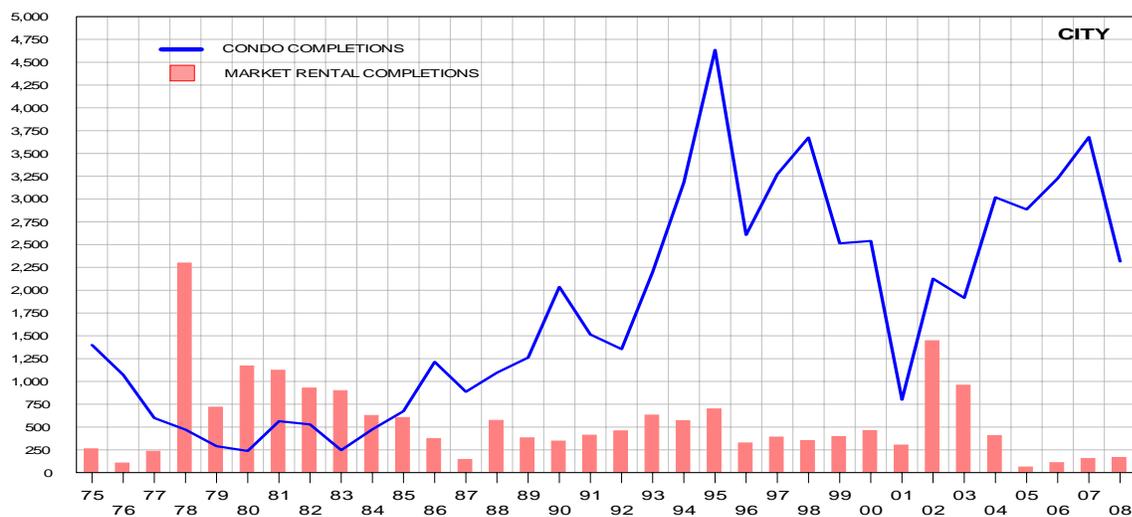
The preparation of the STIR program has been undertaken by an interdepartmental team of Department Directors and working group members. (See Appendix F)

In preparing the STIR program for Council's endorsement, the Steering Committee noted that rental housing is an important part of Vancouver's housing stock, providing accessible, affordable, and flexible housing options for a large proportion of the population.

Rental housing currently provides homes for 131,500 Vancouver households (52 percent of the total) with nearly half of the total population (48 percent) of residents living in rental housing. Renters, compared to owners, tend to be younger; tend to have lower incomes; tend to have more recently moved to the city; and/or may be recent immigrants. Further, there is strong demand for rental housing, as evidenced by the city's low vacancy rate of 0.3 percent (CMHC - 2008). CMHC is projecting Vancouver CMA vacancy rates to increase to 1.0 percent for 2009 and 1.5 percent for 2010.

Since the mid 1980's, the development of rental housing units has been lower than units developed for ownership as shown in Figure 1. Since 2004, the average annual completions of rental units are approximately 180 units, with the average annual completion of ownership units at approximately 3,000 units, varying annually to reflect economic conditions.

Figure 1: Multi Residential Completions



These trends, as illustrated above, have resulted in limited expansion of the stock of new purpose-built rental housing and continued pressure on the older rental housing stock to provide accommodation to those households that cannot afford home ownership.

The current market for new housing development has shifted. Linked to global economic trends that have seen a considerable slowing in consumer demand and availability of financing, development activity has dramatically reduced. The impacts of this shift are profound for the city. Less development activity means fewer employment opportunities, less public revenue and improvements to public infrastructure and community amenities, and reduced housing choices for households. Year to date housing starts represent a 69% fall from this time last year. (CMHC Housing Market Outlook - Vancouver & Abbotsford CMAs for Second Quarter 2009).

In the Lower Mainland-Southwest region, construction employment fell by 6.4 percent or 7,700 persons in March 2009 from February 2009. Industry spokespersons have indicated that the employment numbers support the need for public investment and reduced review processes to get projects moving as quickly as possible.

However, with these constraints also come opportunities. Reduced development costs and changing financial perspectives have the potential to improve the financial viability of new rental housing projects. The development industry is showing an increased interest in developing rental housing, provided the economics of these projects can be made to work.

For many rental housing projects, the project economics are not yet minimally viable. The City proposes to provide a variety of incentives to improve the viability of rental housing development by strategically reducing project costs from City requirements. However, it is not the intention of the City to make every potential rental housing project viable. The incentives proposed through the STIR program are designed to provide "value for money" by using limited City resources to improve rental housing project viability but not necessarily to recapture lost value or guarantee profitability.

DISCUSSION

The following discussion covers a number of topics as follows:

- The Focus of the STIR Program
- The Relationship between STIR and the Rental Housing Strategy (RHS);
- The Mayor's Roundtable
- The STIR Incentive Package
- The Importance of Community Visions and Rate of Change Policies
- Housing Affordability
- Real Estate Analysis
- Building Form and Construction

The Focus of STIR

This report proposes a STIR program where the City provides a variety of incentives to improve the viability of rental housing development. There is a continuum of housing within the City, including rooming houses, non-profit housing, market rental apartments and ownership housing. The City has programs and policies that affect the various components of the continuum and the STIR program is intended to focus on what can be done to encourage new rental housing projects in the immediate term (2.5 years). The main focus of the STIR program is to increase the supply of rental housing. This increase will assist with housing affordability, but achieving deeper levels of affordability can only be done in partnership with senior levels of government, given the limited range of incentives available to the City.

From the City's perspective, new rental housing represents an important public benefit. Developing new rental housing projects is closely aligned with the City's priorities to address Homelessness and Affordable Housing, Building Safe and Inclusive Communities, and the goals associated with the Environment and Sustainability.

The Relationship between STIR and the Rental Housing Strategy (RHS)

In the longer term, the City is currently undertaking a comprehensive work program to identify and address issues related to rental housing - the Rental Housing Strategy (RHS). The purpose of the RHS is to recommend policies for the City and other levels of government to maintain existing rental housing and encourage the development of additional rental housing. However, the RHS is a long-term program designed to guide the City through several market cycles and is not positioned to specifically address the short term need or current economic opportunity.

1. Input that confirms the direction of STIR
 - Develop a workable program with clear, consistent and sufficient incentives to enable market rental projects
 - Window of opportunity is short and program needs to be “quick off the mark”
 - Allow strata-titling and 219 covenants to enable the selling of blocks of rental units to investors
 - Concern over tax abatements relative to overall City-wide equity
 - Reduce processing time to increase project savings
2. Input that changed the direction of STIR
 - Consider smaller unit sizes as an incentive (possibly 325 square feet) as this would improve rent/profit per square foot and affordability
 - More support for long-term rental (for the life of the building) than for the “100 percent rental” projects (was initially proposed for STIR but now modified)
 - Use design choices to improve affordability where possible
3. Input that is outside of the STIR mandate but will inform general housing policy
 - Proposed incentives can enable market-based rental but the City will need to engage with Senior Governments to address core need
 - Require a minimum percentage of purpose-built rental in ALL developments (inclusionary zoning)
 - Pre-zone a “+1” discretionary FSR (to approximate free land) for rental housing
 - Enable discretion for 10 percent density increase for rental in transit station areas
 - Enable discretion to adjust the use mix without rezoning for projects with rental housing
 - Create “housing advocate” stream with mandate to create rental (supersedes other priorities)
 - Appoint an advocate to the Province to create more rights for tenants, stability of tenure, and capital input for purpose-built rental
 - Rework application process to be more “open”, inclusive of applicant, shorter and more public
 - Enable transfers of density for rental housing
 - Incentive based density bonusing (i.e. affordable rental, family units)
 - Allow 219 covenants for individual investor-owned condo rentals
 - Consider no parking requirements for long-term rental projects (life of the building)
 - Consider shared equity models
 - Advocate for Strata Act revisions to prevent discrimination against rental
 - Develop strategy for family-oriented rental housing
 - Rental subsidies will be needed to close affordability gap
 - Adopt six-storey wood-frame construction
 - Phase in property tax over 10 years at 10 percent per year
 - Use modular units on privately-owned vacant lots and allow a property tax holiday while being used for rental housing
 - Allow public access to amenities in rental buildings to offset loss of public amenities
 - Abolish or revise City policy, i.e. view corridors, Metro Core, Industrial Lands or Rate of Change to remove barriers to rental housing development

- Rents should match demographics of neighbourhood (income mix) and ability of people to pay
- City should joint venture and recapture some of the value of incentives
- Take over management of vacant buildings and spaces
- Consider applying incentives to affordable home-ownership as well
- Consider selling municipal bonds/using City borrowing power to subsidize/finance construction of purpose-built rental

The Incentive Package

STIR Program Principles

The STIR Steering Committee and Staff Working Group (Members noted in Appendix F) collaborated to formulate a number of key principles as noted in Appendix C. These principles guided the development of the STIR program, its incentives and its requirements.

The time-limited STIR Program is comprised of a package of City incentives to encourage and secure the development of rental housing. The delivery of the STIR program is divided into two administrative streams - simple and negotiated - as follows:

Proposal Streams

SIMPLE	NEGOTIATED
<ul style="list-style-type: none"> • Predetermined incentive package (No pro-forma review) • Proposals with rental units secured for the "life of the building"² • Proposals that maximize the number of rental units² • No rezoning or renegotiated existing approvals 	<ul style="list-style-type: none"> • Applicants make proposal (Pro-forma review) • Discretionary review including rezoning • Range of negotiated incentives with staff analysis • May involve mixed tenure, mixed-use, flexible planning design criteria, unit size and rental term³
<i>Simple - Project fits the Program</i>	<i>Negotiated - Program fits the Project</i>

² "For the life of the building" is for as long as the building exists or 60 years, whichever is longer.

² Proposals are encouraged to achieve 100% rental but in no case be less than 8 units.

³ Proposals are encouraged to provide rental for as long a period as possible, preferably for the life of the building. The minimum length of rental term is 20 years.

The Simple Stream is intended to provide a pre-determined package of incentives in exchange for projects that provide rental units for the life of the building (See Notes 1, 2 & 3 above). Simple stream projects do not involve density increases or negotiated terms and conditions. Supportable proposals proceed directly to development application.

The Negotiated Stream is intended to provide flexibility and allow each project a customized incentive package to fit the project including rezonings to potentially include increases in density consistent with planning policy.

The package of incentives for the respective administrative streams is as follows. Note that each of the incentives relates only to the rental floor space portions of the building. Thus, as an example, fees and charges would be payable for the balance of the building that is not rental in a mixed-tenure/use project.

Incentives

SIMPLE (Pre-Determined)	NEGOTIATED (Customized)
<ul style="list-style-type: none"> • Rental Property Assessment (On rental units only) • DCL Waiver (On rental units only) • Development & Bldg Fee Reductions (On rental units only) (Requires Charter Amendment) • Parking Reductions (On rental units only) • Flexibility on Unit Size • Expedited Processing 	<ul style="list-style-type: none"> • Rental Property Assessment (On rental units only) • DCL Waiver (On rental units only) • Development & Bldg Fee Reductions (On rental units only) (Requires Charter Amendment) • Parking Reductions (On rental units only) • Expedited Processing • Density (rezoning) and Unit Size & Design

City-owned Lands

Staff evaluated the potential for making City owned lands available for market rental housing. Further analysis is required to determine what the prospects would be; the trade offs associated with other potential uses for the land including social housing and the relative merits of leasehold tenure vs. freehold in a tendering process. Staff recommend preparation of a future report on the use of existing City lands for development of rental housing.

Fees and Charges

A waiver or reduction of rezoning, development and building permit fees, and development cost levies (DCLs), would apply only to the rental housing portion of a project. Normal fees and charges will apply to all other uses associated with the project.

To enable the waiving or reduction of application fees for the promotion of public objectives, including rental housing, an amendment to the Vancouver Charter is required. Subsequent amendments to the existing Zoning & Development Fee By-law and the Building By-law would also be required. Staff has put forward an amendment to the Vancouver Charter for Council's consideration. Staff recommends amending the DCL By-law for DCL exemptions or reductions.

The types of fees and charges which the City may permit to waive or reduce under the STIR program:

- Development, building and rezoning application fees on the rental housing portion of the project; (*Subject to Charter change*); and
- Development Cost Levies on the rental housing portion of the project.

Rental Property Assessment

Rental units in strata titled buildings that are secured by a Housing Agreement would enable the units to be valued as rental for assessment purposes. While the precise benefit of reassessment will vary on a case by case basis, BC Assessment Authority estimates that there could be a 10 to 20 percent reduction in the assessed value of properties secured by the City as rental housing under the STIR program. The reduced valuation is intended to reflect, in part, the decline in value of units from wear and tear associated with longer term rental operations. The reduction in assessed values will result in savings in both municipal general purpose tax levies and taxes levied by other taxing authorities.

Property Tax Exemption

Section 396 E of the *Vancouver Charter* allows Council to grant exemptions on municipal general purpose tax levies to eligible properties that meet the criteria set by Council. Staff do not support the use of exemptions in the STIR program for the following reasons:

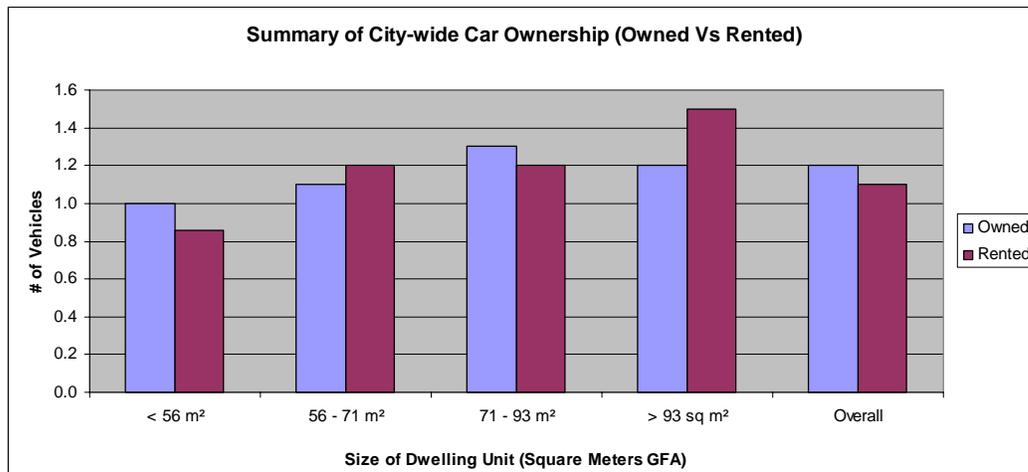
- Exempting the municipal general purpose tax levies for some, but not all, rental housing properties will create property tax inequity. There is a potential that existing rental properties, market or non-market alike, will also request such exemptions.
- Residential properties are primary beneficiaries of City services and should participate in funding those costs through property taxes.
- Once a property is exempt, its assessed value will not be included in the calculation of general purpose tax rates. As a result, other taxpayers would be levied a higher tax rate than they otherwise would to make up for the forgone taxes as part of the annual tax distribution exercise in order to generate the same amount of tax levies.

Concerns regarding the use of property tax exemptions as one of the STIR incentives were also cited at the Mayor's Roundtable. While staff do not recommend property tax exemptions, the option is put forward for Council's consideration. Should Council wish to proceed with a property tax exemption, a new by-law would be required under the *Charter* to enable this to occur.

Parking Reductions

In reviewing the parking standard for the STIR program, staff analysed data on car ownership rates between people who rent and people who own their units. Staff will use the STIR program as an opportunity to assess the impact of lower standards for rental and perhaps for all housing.

Figure 3: Citywide Car Ownership Survey, 2005, 2006



The proposed parking standards for rental housing lowers the required parking by up to 53 percent Downtown and up to 52 percent, outside of Downtown. The reduction Downtown is in addition to the general reduction that staff is proposing as part of another Council report on parking requirements for all residential uses Downtown (strata and rental). The overall reduction would result in an 85 percent decrease in required parking Downtown. Appendix D shows a comparison of the new lower standards for the STIR program compared to the standards currently in place for a sample building.

Increased Density

The City will consider proposals for increased building density for projects in the negotiated stream. It is understood that projects seeking an increase in building density through rezoning would be subject to urban design review, existing planning policy, and a rezoning process including public hearing. It is the intent of the STIR program that bonus density be used on-site only. Policies that restrict or direct rezoning applications will remain; however, there are many instances within existing policy where interpretation, direction or flexibility exists. In such cases, a balance between competing policies, commitments and priorities will be sought.

Rezoning that include increased building density will be generally limited to those areas where higher intensities of development are anticipated or enabled by policy flexibility, and where a high degree of walking, cycling or transit accessibility enables rental households to reduce transportation costs (and support the parking reductions included in the STIR program incentives) and climate change impacts. These areas are primarily along arterial roads in local shopping areas and high streets in neighbourhood centres as defined by existing Council policy (i.e. Community Visions, existing Official Development Plans, Community Plans), along arterial roads in close walking distance from rapid transit stations, or in areas with approved Official Development Plans that accommodate higher residential densities (Downtown District and South East False Creek). These are areas that also generally reflect the “smart and strategic densification” called for in the EcoDensity Charter. STIR-related rezonings are not enabled or anticipated in areas zoned for single or two-family dwelling areas (RS and RT districts), on sites governed by Rate of Change regulations as described elsewhere in this report, or sites where residential uses are restricted.

Processing Expedited Applications

The STIR program is available until December 15, 2011 and the “window of opportunity”, depending on market conditions, is narrow. A consistent message from Roundtable participants representing the development industry is that processing times should be reduced for the STIR program to work. City staff will make every effort to expedite the review of rezoning, development and building permit applications for projects under the STIR program. To reduce the time spent during this complex process, which requires the input of up to 12 departments or work groups, Council and the public, there are optimal conditions which, if put in place, will lay the foundation for significantly shorter processing times. These are enumerated in Appendix G. Further, the highest priority will be given to those applications that fit well into its local context and provide substantial public benefit in the form of rental housing and affordability, with the priority evaluated on a case by case basis.

There are many factors which can influence timing. Particularly with rezonings, which would fall into STIR’s “negotiated” stream, there are significant Council reporting and statutory requirements which must be met. Other factors which influence speed of processing include: quality and completeness of the application, consistency or deviation from policy or good practice, amount of negotiation required, project complexity, public involvement, reviews by advisory panels, staff availability, the number and complexity of conditions of approval and significantly, applicant response times. Beyond that, there is always the fundamental need to ensure quality city-building. Depending on the application, timelines can vary significantly. The basic components for a successful application process in both STIR streams are outlined for information in Appendix G.

If these conditions are met, staff anticipates that processing times for the Negotiated Stream could be reduced significantly. Time reductions would be less for the Simple Stream as these project types do not take as long in the first place.

Community Visions and Other Established Planning Policy

Planning policy influences the potential location, density, and design of new development. In general, planning policy focuses densities appropriate for rental housing in areas that function as regional or neighbourhood centres, are located along major arterials with frequent transit service, and include a mix of land uses and activities. Single-family residential areas or neighbourhoods with an established pattern of older rental housing stock are not considered strategic areas for significant new multiple dwelling developments, given impacts on affordability.

Key planning policies and regulations that will influence the potential for STIR include the following:

Community Visions

Community Visions provide a planning policy framework for the majority of neighbourhoods and community representatives at the Mayor’s Roundtable expressed concern that STIR may erode local planning policy. The Community Visions framework includes direction on the location and type of new housing that would be supported within Vision areas prior to a more comprehensive planning process such as the Neighbourhood Centres program. Community Visions support additional housing, particularly rental housing. However, housing types that provide the minimum densities sufficient to support rental housing projects that qualify for

the STIR program are either uncertain, and therefore requiring further planning study, or are not supported in Community Visions documents. Nonetheless, the Community Visions also include a policy that enables social or affordable housing projects, including projects with a legal agreement that guarantee units are rental, to be considered for rezoning without additional area planning.

Planning Department staff recognize that although the policy exempting housing agreement projects enables consideration of rezonings (and therefore consideration of increased density and height), rezonings should be consistent with general planning policy directions and good planning and design practice. Increased density and building heights for rentals should be in those contexts where they can be most appropriately accommodated. These areas should generally be located along arterials and within retail high streets, neighbourhood centres or local shopping areas and areas distinguished by high walkability and/or frequent transit service, proximity to community amenities, and/or access to the goods and services of daily life.

Zoning and Design Criteria

The roundtable discussion identified design criteria that can influence the viability and affordability of rental units. A primary issue identified is minimum unit size. Current regulation regarding dwelling units (Section 10.21.2, Zoning and Development By-law) sets a minimum floor area of 37 square metres (398 square feet). However, it is important to note that the Director of Planning has the discretion to permit a minimum floor area of 29.7 square metres (320 square feet) provided that the design and location of the unit provides satisfactory living accommodation, having regard to the type of occupancy proposed.

Additional concerns voiced at the roundtable related to building height and building separation regulations. Building height, along with density, is related to the prevailing policy and the zone in which the site is located and reflects issues around appropriate relationships to surrounding properties. Considerations for additional height are currently addressed through the rezoning application process, which, in the context of the STIR program, requires the Negotiated Stream. Building separation and height are important concerns for urban design and liveability and is not being considered for relaxation through STIR, but rather may be the subject of longer-term comprehensive planning update projects.

Land Use Policy

Certain planning policies restrict residential land uses in specific areas of the City and limit where STIR may be applied. Key examples include the Metro Core area policy and the Industrial Lands policies where residential uses, including rental housing, are restricted in the interests of retaining space for employment-related land uses. Relaxations or revisions to these policies are not being considered through the STIR program.

Rate of Change

Some concern was expressed at the Mayor's Roundtable that the STIR program may displace existing tenants. The existing rental stock is important in providing accommodation to a significant portion of Vancouver's population and that stock continues to need protections provided through the Rate of Change policies. Thus the STIR incentives would be applied only at sites not affected by Rate of Change regulations, such as Commercial (C) zones.

The STIR incentives would not be applicable on sites affected by Rate of Change, to avoid incentives to demolish more affordable rental and the potential for tenant displacement. Vacant sites or buildings are developable under certain circumstances. The policy will be continued of restricting rezonings in most areas affected by Rate of Change until the Rental Housing Strategy is completed, so that land value changes do not undermine the potential introduction of policies to encourage and protect rental housing in the longer term. Exceptions are individual CD-1 sites without existing residential uses and sites in the Downtown District and South East False Creek Official Development Plans, where concerns about land value changes related to rental housing are not as significant and planning studies for these areas are completed.

A separate Council report on refinements to the Rate of Change policies will be provided later in 2009.

Housing Affordability

Affordability links what people earn with what people pay for housing. Vancouver, with our high housing costs, has for many years faced significant affordability challenges. The STIR program can assist with affordability by increasing the rental housing stock. Rental housing is more affordable than ownership housing because for a comparable unit, rents are much lower than a mortgage payment. Most renters cannot afford to buy a home as they cannot make the necessary down payment or qualify for financing, and could not pay the mortgage without compromising on other necessities such as food and transportation. The medium income of renter households (\$34,000) is half of that of ownership households (\$66,000). Further a higher portion of renter households are in core housing need (31 percent) compared to ownership households (11 percent). (A household is in core need if it has to pay more than 30 percent of its gross income to rent a unit that is in good repair and of the right size for the household.)

Affordability can be enhanced by reducing development costs which the STIR program provides through reduced parking standards, development cost levy wavier, etc. Affordability can also be achieved through location and design features. For example, smaller units are less expensive, and as noted earlier, the Director of Planning has the discretion to permit units of 29.7 square metres (320 square feet), building and unit finishes are also considerations in providing affordability. This report recommends that staff seek affordability in projects submitted for STIR incentives through finishing, size, location and other design considerations.

Currently, little market rental housing is being developed because there are not enough households able or willing to pay the high rents that would be required to cover the costs of development. Some analysis was undertaken to consider various levels of affordability. For illustration purposes, a 100 unit 4 storey wood frame building on a major transit route was considered. It was determined that without incentives, rents of close to \$2,000/month for a one bedroom unit would be required to cover development costs. This would be affordable to households with incomes of \$79,000, assuming rents are 30 percent of income. This is a theoretical project that would not be built because it is not financially viable as too few households could afford these rents.

With STIR projects, incentives would reduce projects costs resulting in some projects becoming viable. Using STIR, and assuming market rents of \$2 per square foot, the above

sample project could have one bedroom units rented at \$1,000 per month, which would be affordable to households with incomes of \$40,000 per year. About 30 percent of the city's single person renter households are paying rents of \$1,000 a month or more.

An important question is whether deeper levels of affordability, such as housing for core-need households can be achieved through a program such as STIR. However, the incentives required to achieve this level of affordability would be unreasonably large for the City to take on by itself. The incentives would include doubling the density plus an annual operating grant. The total value of these incentives would be over \$8 million in capital plus several hundreds of thousands of dollars per year in operating subsidies. The City is not able to provide this level of incentives and senior government housing programs, which build new social housing and provide rent supplements, continue to be needed to address housing needs of core-need households.

Targeting core need households without senior government housing programs is problematic for a number of reasons including the ability of the City to find sufficient funds for the needed subsidies, the large and costly administrative task of income-testing, monitoring and enforcement, and to work financially would need buildings combining both condos and core-need rental, which meet development resistance.

Therefore it is recommended that the City approach the Province to develop a partnership which would layer the City's incentives with provincial programs to achieve deeper layers of affordability. This could include rent supplements, shelter allowances, mortgage insurance and interim construction financing.

Until senior government involvement is realized, the STIR program is designed as a way to increase housing supply and can be very effective in meeting that objective.

Real Estate Analysis

Real Estate Services staff undertook pro-forma analyses of several different rental development scenarios, to evaluate the impact of the potential incentives on typical projects and assess the viability of the development of market rental housing.

The analysis concluded that the proposed STIR Program incentives in the Simple Stream improved the viability of market rental housing, particularly in areas of lower land values and where wood frame construction could be utilized. While incentives may not be sufficient to trigger development in all cases and contexts, the incentives are expected to trigger some rental housing development.

In the Negotiated Stream there will be a broader range of incentives available, including bonus density and further parking reductions, to improve the economic viability of market rental housing and stimulate development. Staff will review and evaluate the developers' pro-forma to ensure that any STIR Program incentives will not provide undue profit.

Building Form and Construction

Developers at the Mayor's Roundtable event expressed interest in the construction of up to 6 storey wood frame buildings. To date, the Vancouver Building By-law restricts wood frame construction to 4 storeys. The Province of BC has adopted regulations that permit wood frame construction for residential buildings to 6 storeys and City staff are currently preparing recommendations to Council for July 2009 on revised regulations that will permit up to 6

storey wood frame construction (which may include a non-combustible ground floor) for residential buildings. If a 6 storey building is proposed in zones where 4 storey is the maximum height, then a rezoning application is required.

IMPLEMENTATION

Application Review

Staff will determine whether proposals fit the Simple or Negotiated Stream. Applications in the Simple Stream will be directed to permit review process. An Evaluation Committee consisting of Planning, Real Estate, Social Development (Housing) and Engineering will review and evaluate applications in the Negotiated Stream and determine if they are supportable. Where issues arise regarding competing public benefits or goals, staff will review, on a case by case basis, and make recommendations based on community need and demand. At application intake, the proposal will fit the following criteria:

The Simple Stream

- No fewer than 8 legally secured rental units of the total number of residential units;
- Rental term shall be no less than life of the building or 60 years, whichever is greater;
- No increase in density (meets existing District zoning schedule and/or Director of Planning discretion under the Zoning & Development By-law);
- Unit sizes no less than 320 square feet;
- Complete/good quality application which meets City submission requirements; and
- Not applicable to rate of change sites.

Negotiated Stream

- No fewer than 8 legally secured rental units of the total number of residential units;
- Rental term shall be no less than life of the building or 60 years whichever is greater or may be a negotiated term for as long as possible but of not less than 20 years;
- Unit sizes no less than 320 square feet;
- Complete/good quality application which meets City submission requirements; and
- Not applicable to rate of change sites.

Applications will be given priority and assigned staff resources necessary to advance them expeditiously to permit issuance. Where rezoning is necessary, staff will evaluate the proposal and advance the application concurrently with development applications after consultation and support of the Director of Planning.

On-going Monitoring

Overall, the STIR program will be monitored on its ability to meet the program's principles according to the following:

- Number of rental residential units produced;
- Number of jobs created;
- Amount of investment contributed;
- Number of rental units to the total number of residential units produced;
- Percentage increase in rental units from historical trends;
- Processing time from intake to permit issuance; and
- Costs to the City of forgone revenue.

Staff will consider, where resources permit, post occupancy evaluation of STIR projects and report on such matters as prevailing rental rates, vacancy rates and household size relative to unit size and type.

FINANCIAL IMPLICATIONS

Rental Property Assessment

Based on BC Assessment's preliminary estimates, there could be a 10 to 20 percent reduction in the assessed value of properties that are constructed under the STIR program to partly reflect the wear and tear from longer term rental operations. Using the 2009 property tax rates, every \$1,000 reduction in the assessed value of a rental property could translate into annual property tax savings of \$4.23, of which \$2.14 represents municipal general purpose tax levies and \$2.09 represents taxes levied by other taxing authorities. At present, it is not possible to project the amount of municipal general purpose tax levies forgone as it depends on the uptake of this program; however, any forgone tax revenues will be shared by properties in all classes as part of the tax distribution process.

Development Cost Levy (DCL) Waiver

Waiving development cost levies for rental housing units produced under the STIR program will reduce the revenue that might be expected from development and affect those public benefits that are traditionally funded from DCLs such as affordable housing, child care, parks, and streetscape improvements. The impact of forgone revenue is estimated to be approximately \$7,600 per unit.

It should be noted that application of DCLs would continue to apply to the floor area of all uses other than rental units.

Development Fee Reductions

The City of Vancouver does not currently have the authority under the Charter to exempt or waive application fees for rezonings, development or building permits for STIR rental units. Should the City pursue a Charter amendment to allow for such fee exemptions, we would expect that the financial impact on City revenue is estimated to be approximately \$1,260 per unit. The STIR program is a time-limited program and given the time required for Charter amendments, we may conclude that for the foreseeable future, fees for development will be collected on STIR projects with no financial impact of STIR on City revenues from this potential incentive.

In addition to the financial implications of the STIR program noted above, there are additional risks to the City, which include the potential for other developments with social value requesting similar incentives.

Sensitivity Analysis on Forgone Revenues: DCL Exemptions and Development Fee Reductions

Over the past 10 years, the total number of completed housing units per year averaged at approximately 3000 units. Between 2004 and 2008, approximately 5.6% of those were

purpose-built rental units. The 10- and 20-year average is approximately 15% while the 30-year average is approximately 22%.

Below outlines the potential financial implications arising from the STIR program incentives based on three scenarios:

- Assuming the total number of completed housing units remains at 3000 units per year, if the share of rental units increased from 5.6% to 20%, total DCL and development fees forgone could reach \$3.3 million and \$544,000 respectively; and if the share of rental units increased to 50%, total DCL and development fees forgone could reach \$10.1 million and \$1.7 million respectively.
- Assuming a 10% increase in total number of completed housing units at 3300 units per year, if the share of rental units increased from 5.6% to 20%, total DCL and development fees forgone could reach \$3.6 million and \$599,000 respectively; and if the share of rental units increased to 50%, total DCL and development fees forgone could reach \$11.1 million and \$1.8 million respectively.
- Assuming a 10% reduction in total number of completed housing units at 2700 units per year, if the share of rental units increased from 5.6% to 20%, total DCL and development fees forgone could reach \$3.0 million and \$490,000 respectively; and if the share of rental units increased to 50%, total DCL and development fees forgone could reach \$9.1 million and \$1.5 million respectively.

As mentioned in the Development Fee Reductions section, the City does not currently have the authority under the Charter to exempt application fees for rezonings, development or building permits. Should the City decide not to pursue a Charter amendment to allow for fee exemptions or should the Charter amendment not take effect within the time period of the STIR program, the projected development fees forgone will not apply.

ENVIRONMENTAL IMPLICATIONS

The program is expected to have positive environmental implications as a result of linking development locations to public transit service, application of green building principles and technologies to architecture and urban design, and encouraging mixed-use developments contributing to a complete community. Applications for rezoning will be required to meet LEED™ Silver equivalent, with a minimum of 3 optimized energy performance points, 1 water efficiency point and 1 storm water point, as per Council policy under the EcoDensity Initiative.

SOCIAL IMPLICATIONS

Projects under the STIR program will increase the supply of market rental housing stock and expand the diversity of housing type and tenure to assist in the accommodation of a wide range of household types and sizes. The STIR program will be applied city-wide encouraging the integrated distribution of housing type and tenure throughout the city.

COMMUNICATIONS PLAN

There are several key components regarding the STIR program which require communication. They include:

- STIR is a market rental supply program;
- STIR is time-limited and ends on December 15, 2011;
- Eligible proposals are initiated by the private sector and supported by City incentives;
- STIR is part of a continuum of housing types and options that addresses housing need;
- STIR is expected to stimulate development and construction and create or maintain construction related employment; and
- STIR will be consistent with local planning.

Council will hear delegations prior to the consideration of the STIR program. Communication of the STIR program will include:

- Preparation of a media news release;
- Advertising the opportunity for delegations to be heard by Council prior to endorsement of the STIR program;
- Preparation of a web page as part of Development Services and highlighted on the City's home page under "What's New" describing the STIR program, incentive package, application process and submission requirements;
- Designation of staff spokespersons; and
- Preparation of a Frequently Asked Questions page for the City's web page on the program.

CONCLUSION

The STIR program will encourage the increase in the supply of rental housing through private sector investment secured by legal agreement over time while respecting local planning policy and the protection of existing rental housing buildings.

* * * * *

Council should note that that the numbers set out in section 3.2.2(a) below may change if Council approves the Central Area report (RTS- 07674) on the Parking By-law and enacts the appropriate by-law before Council approves this report and enacts this by-law.

BY-LAW NO. _____

**A By-law to amend Parking By-law No. 6059 with regard to
for-profit affordable rental housing development parking requirements**

THE COUNCIL OF THE CITY OF VANCOUVER, in public meeting, enacts as follows:

1. This By-law amends the indicated provisions of the Parking By-law.
2. To section 2, after the definition of "Disability Parking Space", Council adds:

"Eligible Development means a development that provides for-profit affordable rental housing that is exempt, under the Vancouver Development Cost Levy By-law or Area Specific Development Cost Levy By-law, from payment of a development cost levy;"
3. Council repeals section 3.2.2, and substitutes:

"3.2.2 The Director of Planning and General Manager of Engineering Services, on conditions that are satisfactory to them, may allow the substitution of shared vehicles and shared vehicle parking spaces for required parking spaces:
 - (a) except as set out in subsections (b) and (c), at a 1:3 ratio, to a maximum of 1 shared vehicle and 1 shared parking space for each 60 dwelling units, rounded to the nearest whole number, or such greater substitution of shared vehicles and shared vehicle parking spaces at such ratio and for such number of dwelling units as they may consider appropriate with respect to the site;
 - (b) for eligible developments, in the Downtown area as outlined in black on Map 3.2.2, at a 1:5 ratio, to a maximum of 6 shared vehicles and 6 shared parking spaces for each 100 dwelling units;
 - (c) in eligible developments not in such downtown area, at a 1:5 ratio, to a maximum of 2 shared vehicles and 2 shared parking spaces for each 100 dwelling units; and
 - (d) in developments that are both non-eligible and eligible, at a combination of the ratios set out in subsections (a) and (b) or (a) and (c), as the case may be, as to the Director of Planning and General Manager of Engineering Services seems appropriate.

- 3.2.2A The Director of Planning and General Manager of Engineering Services, on conditions that are satisfactory to them, for an eligible development that is within two blocks of a rapid transit station, or within two blocks of the intersection of two distinct bus routes that run north to south and east to west, or within the Metro Core as outlined in black on Map 3.2.2A, except for the downtown area and Southeast False Creek, may reduce the minimum parking requirement, set out in the first paragraph in Column 2 of Table 4.5B, by 10%.
- 3.2.2B The conditions referred to in sections 3.2.2 and 3.2.2A are to include the following:
- (a) the owner of the development must register against title to the development, with such priority as the Director of Legal Services may require, and in form and substance satisfactory to the Director of Legal Services, a covenant under section 219 of the Land Title Act of British Columbia, or other instrument satisfactory to the Director of Legal Services, providing that:
 - (i) a professional car-sharing organization satisfactory to the Director of Planning and General Manager of Engineering Services must manage the car sharing vehicles,
 - (ii) the car sharing spaces must be accessible to members of the car sharing organization who do not reside in the development, and
 - (iii) with respect to eligible developments under section 3.2.2A, each dwelling unit within the eligible development will have the benefit of one or more zone transit passes for the greater of the life of the building comprising the eligible development or 60 years; and
 - (b) the owner of the development must register against title to the development, with such priority as the Director of Legal Services may require, and in form and substance satisfactory to the Director of Legal Services, a covenant under section 219 of the Land Title Act of British Columbia, statutory right of way, or other instrument satisfactory to the Director of Legal Services, providing that the car sharing spaces in the development must be accessible to members of the car sharing organization who do not reside in the development.”

4. After section 4.5A, Council adds:

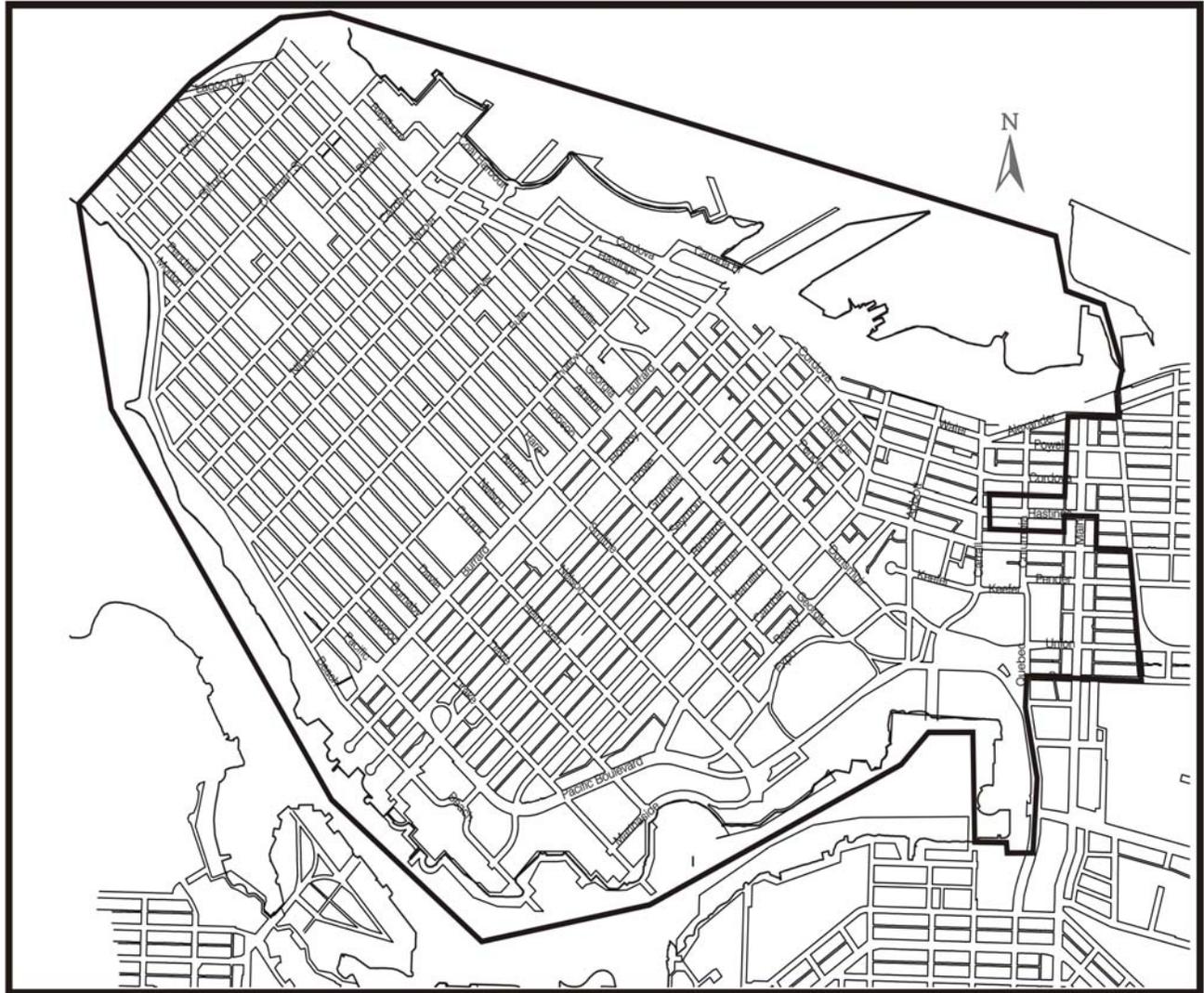
"4.5B Table of Number of Required and Permitted Parking Spaces for Eligible Developments

Despite anything to the contrary in this By-law, except for relaxations set out in Section 3.2, parking spaces for any building classified in Column 1 must meet the corresponding standard listed in Column 2:

	COLUMN 1 BUILDING CLASSIFICATION	COLUMN 2 REQUIRED AND PERMITTED PARKING SPACES
4.5.B1	For eligible developments, except in the downtown area described in Map 3.2.2, in the Southeast False Creek area described in the Southeast False Creek Official Development Plan By-law, or in the East Fraser Lands area described in the East Fraser Lands Official Development Plan area	<p>A minimum of 1 space for each 125 m² of gross floor area, except that if the eligible development is within two blocks of a rapid transit station, or within two blocks of the intersection of two distinct bus routes that run north to south and east to west, or within the Metro Core described in Map 3.2.2A, except for the downtown area and Southeast False Creek, the minimum parking requirements is 20% less.</p> <p>A minimum, for visitor parking, of that number of spaces which is equal to 7.5% of the total number of dwelling units in the development.</p> <p>A maximum number of spaces equal to the total minimum number of spaces plus .5 spaces per dwelling unit.</p> <p>A maximum, for visitor parking, of that number of spaces which is equal to 15% of the total number of dwelling units in the development.</p>

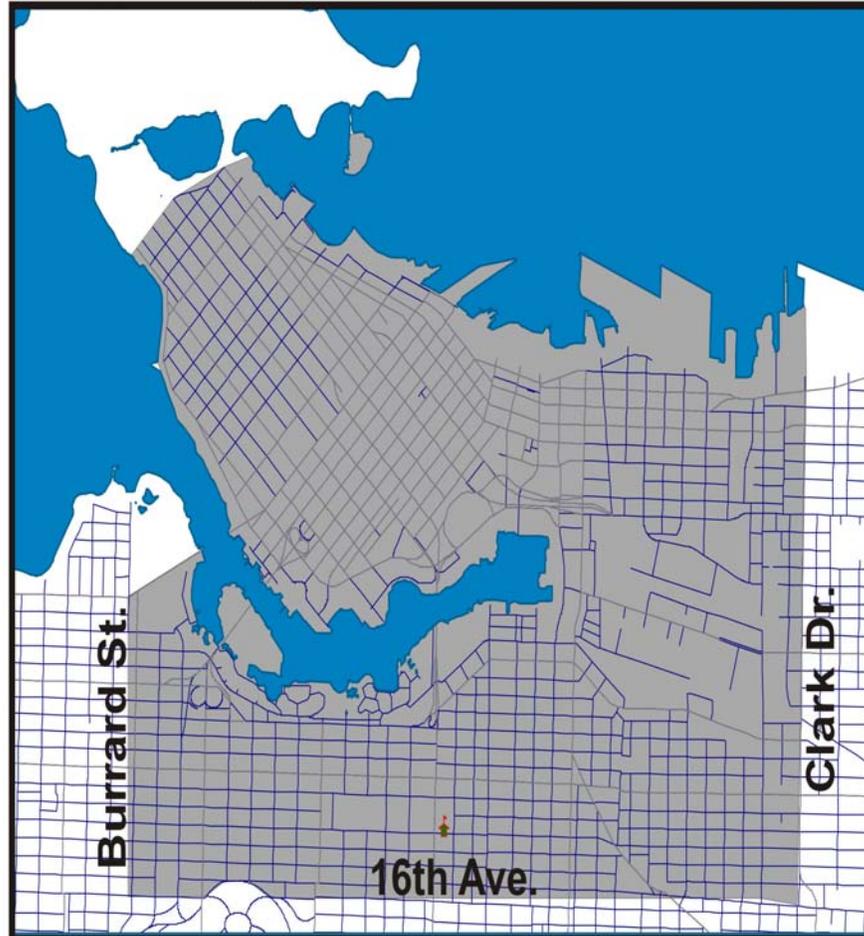
Downtown Vancouver

Map 3.2.2



Vancouver Metropolitan Core

Map 3.2.2A



BY-LAW NO. _____

A By-law to amend
Vancouver Development Cost Levy By-law No. 9755
regarding eligible developments

THE COUNCIL OF THE CITY OF VANCOUVER, in public meeting, enacts as follows:

1. This By-law amends the indicated provisions of the Vancouver Development Cost Levy By-law.
2. To section 1.2, after the definition of "floor area", Council adds:

"for-profit affordable rental housing" means three or more new dwelling units in the same building or project, determined by the City Manager under section 3.1 to be affordable, but does not include alterations of or extensions to such units;'.

3. Council repeals section 3.1 of the Area Specific Development Cost Levy By-law, and substitutes:

"3.1 Subject to this By-law, Council imposes, on every person entitled to delivery of a building permit authorizing development in the general area, the levies set out in section 3.2, except that Council waives the levy otherwise required under section 3.2 for construction of for-profit affordable rental housing:
 - (a) which the City Manager, after considering the finishing, size, location and other design considerations, and proposed rents, determines to be affordable; and
 - (b) against title to which the owner of the property on which such housing is situate has registered an instrument, in form and substance, and with priority of registration, satisfactory to the Director of Legal Services, restricting the tenure of such housing to rental only for:
 - (i) the longer of the life of the building in which they are situate and 60 years, or
 - (ii) such other term to which the city and owner may agree."
4. A decision by a court that any part of this By-law is illegal, void, or unenforceable severs that part from this By-law, and is not to affect the balance of this By-law.

5. This By-law is to come into force and take effect on the date of its enactment.

ENACTED by Council this _____ day of _____, 2009

Mayor

City Clerk

BY-LAW NO. _____

**A By-law to amend
Area Specific Development Cost Levy By-law No. 9418
regarding eligible developments**

THE COUNCIL OF THE CITY OF VANCOUVER, in public meeting, enacts as follows:

1. This By-law amends the indicated provisions of the Area Specific Development Cost Levy By-law.
2. To section 1.2, after the definition of "floor area", Council adds:

"for-profit affordable rental housing" means three or more new dwelling units in the same building or project, determined by the City Manager under section 3.1 to be affordable, but does not include alterations of or extensions to such units;".

PROGRAM PRINCIPLES

1. Prioritize Rental Housing as a public benefit. Rental housing is recognized as a form of relative affordable housing and is considered a priority public benefit relative to other benefits achieved through Community Amenity Contributions (CACs). Where proposals include competing public benefits, staff will make recommendations on a case by case basis that carefully consider the need and demand in the community.
2. Encourage new multi-residential rental for the life of the building. The intent of providing incentives for rental housing is to obtain significant rental housing benefits. The goal is to provide an increase in the City's long term rental housing stock and all projects are encouraged (but not required) to provide 100 percent of the units as rental (but no fewer than 8 units in any one project) and dedicated as rental for the life of the building. Projects that are dedicated to rental housing over the life of the building will qualify for simpler project review and processing. In some circumstances provision of rental for the life of the building may not be possible, but the term of the rental housing will be a significant factor in a STIR-related project negotiation seeking City support. The goal is to obtain rental housing for as long as practical and no less than 20 years.
3. Apply incentives to the portion of the building which is rental housing. The City wants to encourage as much rental housing development as possible and buildings where all the dwellings units are rental are preferred. Where developments include both rental and strata units, the STIR incentives (such as parking relaxations) would only be applied to the rental units.
4. Maintain Rate of Change Regulations. These regulations, with the intent of protecting the City's rental housing stock, will continue. STIR is not intended to encourage the replacement of existing rental housing stock where tenants could be displaced. The City will not support STIR proposals on sites which are affected by Rate of Change policies.
5. Where Visions and Policy provide discretion, balance the Directions expressed in Community Visions with the need to accommodate new rental housing development that is focused in local shopping areas and near transit stations. Community Visions support the development of increased housing choices, and particularly rental housing. The STIR program will assist in implementing that Direction. In certain cases new rental housing may require rezoning to enable greater densities or building heights, including areas covered by Community Visions documents. All Community Visions provide for flexibility to accommodate social, affordable or rental housing projects (projects involving a legal agreement between the City and the developer) although few allow for higher-density forms of development (four stories or more). In considering rezoning for rental housing (secured with a legal agreement), STIR would be intended to respect the spirit of Community Visions and other City policy, respect the character of single-family neighbourhoods, and promote the intention of locating higher-density development in commercial areas along arterials or at transportation nodes.

6. Implement a time-limited program. STIR is intended to address an immediate and short-term condition and should therefore be limited to an approximate 2.5 year term (July 6, 2009 to December 15, 2011) that may be renewed at the discretion of Council if the economic conditions persist and need warrants.
7. Seek Senior Government participation to address affordability. The City can encourage affordability through increasing supply and through reducing development costs. However senior government programs are needed to achieving significant levels of affordability. The City and the Province have developed partnerships to build new housing for core need households and further partnerships should be encouraged. One way to achieve deeper levels of affordability is with the provisions of rent supplements which provide low and moderate households additional funds to pay for market housing and the City can encourage the Province to expand and apply these programs in STIR projects.
8. Maintain urban design quality and green building standards. Increasing rental housing should not require the sacrifice of liveability and Vancouver's standards for urban design and environmental performance. Exemptions from our typical expectations of development quality will not be considered through the STIR program.
9. Apply the program city-wide. Rental housing is in demand throughout the city and it is anticipated that there will be a wide variety of projects in terms of built form, size, height, and construction material. STIR is to be applied city-wide but with the varying contexts of existing City policies for residential development.
10. Encourage Rental Housing in Association with Transit. It is both sustainable and cost effective to locate new rental housing where transit is most accessible. Proximity to frequent transit service has been a key consideration in determining where rezoning would be considered through the STIR program.
11. Seek Value for Money. It is important that the provision of rental housing units be consistent and comparable with the level of City incentives being provided. Staff will analyze those applications where negotiation is required. The accuracy of project pro forma consistent with current market values and development costs at the date of application is expected.
12. Analyze and Evaluate Cost Implications. Real Estate Services has modeled sample projects to better understand how the incentives that are required can assist in the viability of new rental housing development. Staff will continue to track, measure and evaluate the incentives relative to the provision of new rental housing under the program.
13. Economic Viability of Market Rental Housing. Program incentives are intended to improve the economic viability of market rental housing and are not intended to compensate for "shortfall" costs associated with alternative housing types or tenures e.g. the difference in value or cost between market condominium and market rental housing.
14. Monitor Implementation. Staff will track new rental housing project development under the program which can inform further work on the longer term Rental Housing Strategy and the expansion of rental housing stock in the city.

SAMPLE PARKING STANDARDS

Sample building is a 99-unit multiple dwelling comprised of 69 one-bedroom units of 46 m² (500ft²) each and 30 two-bedroom units of 70 m² (750 ft²) each.

Table -1

Standard	Minimum Parking (spaces)	Maximum Parking (spaces)	Average Minimum (Parking per unit)	Average Maximum (Parking Per unit)	
Previous Standards (different standards for different city zones)	99-69	No Maximum	No Maximum	No Maximum	From one space per unit or one space/70m ² whichever is higher to 0.25 space/unit plus one space per 120m ² of GFA
Current Requirements (First time in May 2007 , when one citywide standard except for SEFC/EFL/DT was introduced)	64	No Maximum	0.64		Minimum ½ a space for a unit less than 50m ² , for every dwelling unit equal to or more than 50m ² of GFA but less than 180 m ² , a minimum of 0.6 spaces for every unit plus one space for every 200 m ² of gross building area. 1.5 spaces for any unit equal to or larger than 180 m ²
Proposed STIR Standard	58	128	.58	1.28	A minimum of one space per 125m ² of Gross Floor Area (GFA) plus an additional minimum of 7.5% of the total number of units as visitor parking. Maximum allowable parking spaces shall be the minimum required spaces +0.5 spaces per unit, maximum allowable visitor parking shall be 15% of the total number of units.
Proposed within two blocks of two distinct transit routes or anywhere in MetroCore, except in Downtown Area and in Southeast False Creek	41	128	0.41	1.28	20% reduction in the minimum required parking, except visitor parking
Proposed within two blocks of two distinct transit routes and provides car-sharing space and vehicles (2/100)	33	128	0.33	1.28	Reduction of 4 parking spaces for every car share vehicle and parking space provided
Located within two blocks of two transit routes, provides a one zone transit passes to every unit and provides car-sharing (2/100 units)	30	128	0.3	1.28	10% reduction in the minimum required parking, except visitor parking

Table -2

Standard	Minimum Parking (spaces)	Maximum Parking (spaces)	Average Minimum (Parking per unit)	Average Maximum (Parking Per unit)	
Current Downtown (except DD South , HA and CWD) Requirements	99	No Maximum	1	----- ---	1 space for units less than 100 m ² , 2 spaces for units greater than 100 m ²
Current Downtown South Requirements	65	112	0.65	1.12	½ a space for units less than or equal to 65 m ² , one spaces for units larger than 65 m ²
Proposed Standards	38	90	0.38	0.9	The lesser of 1 parking space per 140 m ² gross floor area, or 1 parking space per unit
With Car-sharing discount (2 vehicles/100 units - limit for strata)	30	90	0.3	0.9	Reduction of 4 parking spaces for every car share vehicle and parking space provided
With Car-sharing discount (4 vehicles/100 units - limit for rental)	22	90	0.22	0.9	
With Car-sharing discount (6 vehicles/100 units - limit for rental)	14	90	0.14	0.9	

ROUNDTABLE SUMMARY

MAYOR'S ROUNDTABLE ON RENTAL HOUSING
APRIL 25, 2009
CELEBRATION HALL

Invited Participants

Andrew Grant	PCI Development
Annabel Vaughan	
Bob Rennie	Rennie Marketing
Brent Granby	WERA
Bruno Wall	Wall Financial
Craig Crawford	BC Housing
Dale McClanaghan	McClanaghan & Associates
Darren Kitchen	Coop Housing Federation
David Negrin	Aquilini Investment Group
Gordon Harris	UniverCity
Gregory Henriquez	Henriquez Partners
Ian Gillespie	Westbank Projects
James Cheng	James Cheng Architects
Jay Wollenberg	Coriolis Consulting Group
Jim O'Dea	TERRA Consultants
Jon Stovell	Reliance Holdings Ltd.
Karen Stone	BC Non-Profit Housing Association
Kim Maust	Bastion Development Corporation
Leslie Stern	Network of Affordable Housing
Marg Gordon	Apartment Owners Association
Martha Lewis	TRAC Tenant Resource & Advisory
Matt Meehan	Concord Pacific
Michael Geller	
Ned Jacobs	Neighbourhoods for a Sustainable Vancouver
Norm Shearing	Parklane Homes
Peter Busby	Busby Perkins & Will
Richard Wittstock	Amacon
Rick Ilich	Townline Development
Robert MacArthur	Polygon
Ron Usher	Bell Alliance
Stu Lyon	GBL Architects
Walter Francl	Walter Francl Architects
Wendy Pedersen	Carnegie Community Action Project

Agenda

Welcome and opening remarks	Mayor Gregor Robertson
Overview of the afternoon	Michael Fogel
Part I – Overview and Proposed Goals - Staff presentation + Q&A	Jill Davidson
Brainstorm additional goals	Group
Part II – Ideas - Staff presentation + Q&A	Jill Davidson
Idea generation	Group
Closing remarks	Mayor Gregor Robertson

Part I – Overview and Proposed Goals

City's Short-term Goals are to:

1. Expand the supply of new rental housing stock
2. Take unilateral action using its own resources to kick start rental housing development
3. Provide leadership in difficult economic times to encourage continued developmental activity
4. Encourage 100 percent new multi-residential rental housing for the life of the building
5. Balance the Directions expressed in Community Visions with the need to accommodate new rental housing development that is focused in local shopping areas and near transit stations
6. Adhere to the Rate of Change regulations on redevelopment of existing rental housing stock
7. Maintain urban design quality and green building standards
8. Apply a program City-wide
9. Encourage rental housing in association with transit
10. Seek 'value for money' (Rental supply relative to incentives)

Proposed Principles:

- Rental Housing is a 'priority public benefit'
- Program is time-limited (renewable @ 2 years)
- Seek senior government participation to address affordability
- Analyze and evaluate cost implications
- Monitor implementation and effectiveness

Benefits:

- STIR is implemented quickly on a time-limited basis
- City provides quick response with an expedited process
- STIR provides valuable input into the longer term Rental Housing Strategy
- Advances sustainability agenda

Brainstorm Additional Goals (and Concerns)

Goals:

1. Identify who will be helped by the Market Rental
2. Needs to be affordable for purpose-built
3. Attractive investment; goals need to be internally consistent
4. Workable program with sufficient incentives
5. Ensure reality of population (income) is accurately reflected
6. Seek taxpayer input
7. Cooperate with neighbouring municipalities
8. Learn from previous experience / projects
9. Balance various factors such as income mix and mixed use
10. Must consider project economics; must cover 25 percent of capital costs
11. To have STIR provide a foundation for longer-term
12. Match program to renters' ability to pay
13. Address incentives

Concerns:

14. Application of Rate of Change guidelines; so much under-built rental
15. If government intervenes, must ensure consistency and a positive impact
16. That "Rules" aren't changed mid-program
17. Need to define who is to be assisted by program
18. Density without commensurate amenities; if DCL exemptions, who will "pick up the tab"?
19. Need policy consistency
20. Need to be clear on financial parameters / incentives
21. Shouldn't directly negatively affect taxpayers

22. Needs to fit into “complete” communities
23. Window of opportunity is short; program needs to be quick off the mark
24. Take into account needs / ideas of smaller scale developers
25. Identify measurement of success

Part II – Ideas

Idea Generation

Participants were divided into 7 groups for a brainstorming session; below are the results from each group.

Group 1 – Facilitated by Brent Toderian, Director of Planning

Participants: N. Jacobs, B. Wall, D. Negrin, J. Wollenberg and W. Franci

- City proposal assumes too much a “typical” developer model?
 - Gear to pension funds? (get them lined up)
 - Get out of the normal developer risk game
 - Offer rent guarantees to take out risk?
 - Both regular and atypical developers, though, need the same thing: reduce costs
 - Sell rental units to investors in blocks?
 - Maybe City assumes some of developer’s risk?
- City-proposed incentives are enough to get market rental but not to get core need (for that you need Province, or Feds, or free land)
- Smaller unit sizes as incentive (325 sq. ft. ?); this would max rent/profit per square foot
- Pre-zone a “+1” discretionary FSR (free land) if for rental, without rezoning?
- More support from group for rental perpetuity than for 100 percent rental
- Require a percentage of purpose-built rental in ALL developments (inclusionary zoning); start at 10 percent and increase amount over time; price of land adjusts (would de-value land initially)
- Allow public access to amenities in rental buildings (addresses the loss of amenity issue)
- Give discretion to adjust use mix without rezoning in some zones where the housing component is rental
- Areas around stations can increase +10 percent density for rental without rezoning (discretionary)
- C-Pass idea for renters? Pay in monthly fees, apply where parking relaxation is given
- Worried about what happens when construction costs go back up?
- Careful not to use “too many incentives with consequences” (i.e. loss of amenity)
- Allow strata titling; allow sell off of rental blocks to investors
- Nervous about tax abatement relative to overall City
- If allow shorter term rental, stagger

Group 2 – Facilitated by Chris Warren, Director of Development Services

Participants: B. Granby, A. Grant, B. Rennie and G. Henriquez

- Incentives not enough; need to change the way City thinks about urban design; put program and pro-forma first (before design); still need great architecture
- Need existing policy and precedent to be flexible, if not ignored
- Need to fundamentally re-think dialogue with community to avoid resistance
- Put housing into capital plan and create Housing Authority
- Give density and increased height
- Look at need under \$1,250 per month; this will come from small suites
- Create increased density through design
- Abolish view cones
- Create “housing advocate” stream with mandate to create rental; supersedes other priorities
- Rezoning: re-work letter of inquiry process so it is open, inclusive of applicant & shorter
- Open process to “public” through UDP – assess letters of inquiry

- City should have an advocate to the Province to create more rights for tenants and stability of tenure (Rental Tenancy Act)
- Also advocate to Province re: capital input to purpose-built rental
- Rental density should be transferable
- Rents should match demographics of neighbourhood (income mix); Bonuses should be realizable by community
- Metrocore and Rate of Change is contrary to rental development
- Link 2 projects to deal with displacement of renters (Developer figures this out)
- Re-work industrial land strategy to allow mixed use and live-work
- Create family housing; make it work with even more density
- Let passive investor who owns condo to get a 219 covenant to keep rental

Group 3 – Facilitated by Michael Flanigan, Director of Real Estate Services

Participants: D. Kitchen, C. Crawford, G. Harris, I. Gillespie and J. Cheng

- Who is the program going to serve?
- Consider No Parking for rental for the life of the building
- Must consider Impact on Heritage Program
- What impact does STIR have on existing programs and policies? (e.g. Parking Relaxations)
- Construction for purpose built rental for ultimate owner being a pension fund or life insurance; need to engage ultimate owner groups
- Workshop with owners of capital, “The Lending Market”
- Three Streams:
 - 1) Immediate
 - Pension Money
 - City owned vacant sites
 - City own this housing long term after developer been made whole (incl return)
 - City ultimately in control of rents
 - 2) Short Term
 - Major Project rezonings
 - 20 percent Social Housing obligation converted public equity for rental housing
 - 3) Long Term
 - Province and Federal involvement tax incentive stimulus programs
- Possibly discourage wood frame?
 - Questionable Longevity
 - Increasing maintenance costs over time
 - Don't want a stock of rotting, long-term leaky rental housing stock
- Is there a shortage of rental housing stock or really is it the stock of affordable housing stock?
- Must keep individual condo owners in the market; this is critical supply
- Shared equity models
 - Rezoning (Cambie Corridor)
 - Co-op Development
 - Subsidized / Non-market Housing
- Significantly reduced process time could translate into huge savings
- Don't encourage property tax exemptions – inequality will result in tax shift

Group 4 – Facilitated by Jill Davidson, Assistant Director, Housing Policy

Participants: L. Stern, K. Maust, R. Wittstock, S. Lyon and J. O'Dea

- Use tools that have worked before such as incentive based density bonusing (e.g. l'Hermitage and the Beasley)
- Allow relaxation of use regulations under Metro Core policy so residential rental could be built
- Encourage demonstration projects for 5 and 6 storey wood frame

- Relax guidelines such as height, building separation as has been done before, example of building in DTS. Also should relax requirements such as suite size, enclosed balconies, requirements for direct light into bedrooms, bike parking. Market would determine liveability)
- Need political direction so staff can relax guidelines for rental housing
- Change strata act to prevent discrimination against rentals
- Shift landlord / tenant relationship (mindset change) re: who renters are
- Program should fit what people can pay (\$1,000/mo may be too high)
- Affordability a bigger problem than this program can solve
- Initially building not as affordable but in longer term (40 years) will be more affordable
- Need definition of affordability (e.g. is it rental?)
- Projects should be eligible for incentives where “Rental” includes stratified units covered by a 219 Covenant for no separate sales. The number of units covered in each package should be of a certain number (perhaps 10)
- Need more discussion with developers about STIR
- City should joint venture and recapture some of the value of incentives; profits to Affordable Housing Fund
- Negotiated stream important
- Don’t discourage partial strata / rental buildings
- Asking for more in Stream 1 than Stream 2, yet more incentives; i.e. revisit conclusions in Stream 1
- Transfer of density policies should be expanded; should be able to move to other sites (e.g. 7th and Scotia cannot take more density on that site—want to move density to other sites)
- Zones should require / set targets for rental (UBC can trade rental targets between sites); lock off suites should be allowed
- Non-profits and Co-ops own land and buildings that could be redeveloped; they should be eligible for STIR as affordability increases over time
- Increase buildings in recently funded 6 social housing sites by 1-2 stories
- Take funding for family units from social housing project (such as Olympic Village and move onto sites where existing non-profit buildings need to be regenerated
 - Reaction: What about relocating people? We should keep Olympic Village family units
- Need strategy for family rental housing
- STIR could require % of family units
 - Reaction: Costs developer more
 - Reaction: non-profits could take advantage of this
- Is the City really prepared to provide all these incentives? (e.g. give 2 stories on each social housing building)

Group 5 – Facilitated by Jerry Dobrovlny, Assistant City Engineer

Participants: M. Lewis, M. Gordon, M. Geller, N. Shearing and P. Busby

- Rental subsidies will be needed to close gap
- Support increasing density and decreasing parking; support property tax decrease
- Need to Fast Track 20-22 months down to 6 months
- Re-use of existing buildings and condos; i.e., take over management of vacant buildings and space
- Designate a City Facilitator to fast track
- Fast track group terms need to be more workable
- Support 100 percent AND partial rental for more attractive
 - 20 years → fast track, parking, density
 - Secondary suites in multi family
- Laneway housing support, BUT likely too expensive
- Increase density City-wide; equitable
- Adopt 6-storey wood frame

- Relax parking → convert space; better use of existing unused space
- Using modular units on privately owned vacant lots; need property tax holiday while being rented
- Modular units for social housing on City lots
- Allow conversion of currently zoned, vacant social housing lots to be built as rental
- City Hall processing time is key
 - 2-3 months to get a response to a letter of enquiry
 - Decision by committee too long
 - Fast can still be professional
- Hospitals / Toyota approach to reduce waiting times; do same thing at City Hall
- Should apply to affordable home ownership as well
- Housing homeless
- Model operating agreement on title will be key—can't be too cumbersome
- Provide affordable rental
- Eliminate land lift contribution on density used for rental
- Some projects won't need all of these contributions, need rezoning, parking, faster processing

Group 6 – Facilitated by Cameron Gray, Managing Director, Social Development

Participants: W. Pedersen, M. Meehan, R. MacArthur, J. Stovell and A. Vaughan

- Need to address Land Costs
- Need to define “niche” for STIR; is it affordable or market supply
 - Affordable to whom? Those who can't afford to buy vs. those who can't afford to pay market rents
- Need to consider micro-suites (e.g. 275 sq. ft.)
- Should City provide “free land” — Land Trust – to neutralize land costs over longer term
- Make process easy
- Need to respect property interests; need to motivate market
- Need to get rental to where it is “highest and best use”; need incentives, not sticks
 - Condo tenure has taken over market
- Encourage existing rental owners to redevelop and retain ownership as it doesn't trigger capital gains (as would a sale)
 - Don't let Rate of Change regulations be a barrier to redevelopment of existing housing
- Eliminate parking requirements and let market decide
- Make sure all zonings provide for amenity FSR exemptions; e.g. RM-3 doesn't now
- Housing agreements to prohibit stratas from prohibiting rental
- Existing tenants have to be winners (e.g. 6 months rent in cash and 2 months notice) if they are displaced
- Need to address potential displacement both short term and longer terms—loss of affordability across the City
- How does CMHC fit in? CMHC mortgage insurance is an onerous, long process and won't insure unless huge equity; Should BC Housing? City?
- Get rid of CAC's, or at least make rental an eligible CAC
- City needs its own home-grown LEED™ so that it gets value for sustainability investments and they reflect local reality/priorities
- Creative financing – without it rental development won't be feasible
- Phase in property tax over 10 years at 10 percent per year
- DCL's secured by 2nd mortgage (need to reduce operating expense)
- Get rid of GST on rental or have City pay it and add it to 2nd mortgage to be repaid on refinancing or at end of term of rental covenant
- Find a way to get affordability (e.g. by setting rent or partner with Province)

Group 7 – Facilitated by Theresa Parlby, Development Services

Participants: R. Ilich, D. McClanaghan and R. Usher

- Concerned that the benefits are still not enough; financing a real issue—suggested City look at selling Municipal bonds to subsidize / finance construction for purpose built rental
- The City could create “rental-only” zoning; suggest changing industrial to rental
- Recognizing there are 3 kinds of rental-suite opportunities (each with different needs): Tower, 3- or 4-Storey, and Suites within family dwellings; City direction should include incentives for the other housing options that can include rentals such as Lock-off/Flex suites, Basement suites, Laneway housing, etc.
- Briefly discussed 5- & 6-storey wood frame potential; felt that although cheaper building costs, likely would go concrete: saves time & usually easier to implement on smaller sites
- Heritage density suggestions:
 - SELL heritage density to single family owners (don’t give it away)
 - allow heritage density FSR bonuses to transfer off-site (e.g. RM-4 gets automatic 10 percent more FSR from density bank)
- Increasing FSR can oppose community vision plans and increase community resistance to larger buildings (unfortunately no true solution); additional help from City staff with community facilitation could help.

STEERING COMMITTEE AND WORKING GROUP STAFF

Steering Committee

Chris Warren (Chair) - Development Services

Brent Toderian - Planning Department

Cameron Gray - Social Development

Michael Flanigan - Real Estate Services

Ken Bayne - Business Planning & Services

Graham Johnsen - Legal Services

Carli Edwards - Engineering Services

Working Group

Doug Robinson - Development Services

Neal LaMontagne - Planning Department

Michael Naylor - Planning Department

Jill Davidson - Social Development, Housing

Jerry Evans - Real Estate Services

Leigh Gayman - Real Estate Services

Michael Chin - Real Estate Services

Grace Cheng - Financial Services

Liz Jones - Business Planning & Services

Wali Memon - Engineering Services

EXPEDITED APPLICATION PROCESSING

A matrix showing the basic processing elements for both STIR program streams is as follows:

Process Step	Simple Stream	Negotiated Stream
1. Enquiry	x	x
2. Pre-application	x	x
3. Submission preparation (applicant)	x	x
4. Intake and distribution to review groups	x	x
5. Public notification, advisory panel(s),	x	x
6. Staff review (concurrent with #5)	x	x
7. Negotiation of pro-forma, incentives (concurrent with #s 5 and 6)		x
8. Open house with community (concurrent with #s 5, 6, and 7)	As necessary	x
9. Preparation of Council report		x
10. By-law preparation		x
11. Council report - referral to Public Hearing		x
12. Advertise Public Hearing and post by-laws		x
13. Public Hearing		x
14. Director of Planning - Design Review and decision	x	x
15. Prior-to response (applicant)	x	x
16. Staff final review and clearances	x	x
17. By-law enactment (requires executed and registered legal agreements)	Legal Agreements only	x
18. Form of Development report to Council		x
19. Issuance of Development Permit	x	x

To reduce the time spent during this complex process, which requires the input of up to 12 departments or work groups, Council and the public, there are optimal conditions which, if put in place, will lay the foundation for significantly shorter processing times. These are:

- The establishment of criteria for intake and prioritization (i.e. Only take in viable projects which meet the criteria and then, if volume of applications is high, prioritize processing according to key measurements such as number of rental units provided);
- An acknowledged time-limit for the enquiry and pre-application process;
- Concurrent rezoning and development permit application processes. Joint (rezoning and development permit) public notifications, neighbourhood open houses and Urban Design Panel consideration (and that of other advisory panels, if required);
- High quality, complete applications. For a concurrent rezoning/development application process, drawings would require more detail than is typically provided at the rezoning stage;
- Quick response times from applicants at all stages, particularly after the pre-application and decision (response to conditions of approval) stages;
- Regular meetings with design consultants;
- Established evaluation criteria for analysis and negotiation of pro-forma and incentive packages;
- Templates written for all possible legal agreements. (e.g. Housing agreement; 219 covenants). Project specific information would be entered into the templates. The typical practice of project-by-project negotiations regarding legal requirements to be avoided;
- STIR project identified as high-priority for all permit processing staff. Many of these staff are also involved in policy work and a sense of prioritization is very useful;
- The establishment of regular decision-making meetings with senior staff. This will require a significant time commitment on the part of several staff;
- Every effort made to reduce the number of conditions of approval; and
- Project facilitators and other Development Services staff assigned to each application as required.