

Review of Vancouver's Rental Incentive Programs

July 24th, 2019

Presentation Outline

1. Background

2. Phase I Results - 10 Years of Rental Incentives

- Rental Incentive Program – Outcomes
- Economic Viability of Rental Projects

3. Issues Facing Renters Today

4. Phase II - Next Steps and Areas of Exploration



Rental Incentive Review - Council Direction To Date

Nov 2017

- **Housing Vancouver Strategy 3-Year Action Plan**

June 2018

- **Affordable Housing Delivery & Financial Strategy**
Explore proposed amendments to provide a density bonus for market rental under existing zoning in C-2 commercial zones

Feb 2019

- **Motion B.4 – Changing Vancouver’s Housing By-laws, Policies and Budgets to Achieve Real Housing Affordability**

April 2019

- **Motion B.6 – Re-conceptualizing the Rental 100 Program**

June 2019

- **Motion B.5 – Exploring New Forms of Hospitality and Housing Tenure to Support Purpose Built Rental**
- **Motion B.2 – Protecting Rental Housing Stock along Arterial Streets**

Rental Incentive Review - Purpose & Objectives

2 Phases of Work

Phase I: Document Results


- Document results of the City's rental policies
- Assess whether the program is meeting Housing Vancouver Strategy objectives
- Assess whether the program is meeting other City-wide objectives

complete

Phase II: Policy Development

- Clarify affordability objective
- Identify policy improvements and test new ideas to enhance program clarity and delivery
- Explore ways to utilize the Province's new Rental Zoning Provisions

Rental Incentive Review - Timing & Work Program

Aug - Nov 2018	Dec - June 2019	July 2019	Aug - Oct 2019	Nov 2019
1. Research and analysis	2. Documenting 10 year results and financial analysis & economic testing	3. Council check-in (10 year results and early ideas)	4. Option identification & policy refinement	5. Final policy and Council report
		 WE ARE HERE		Q1 2020
				6. Implementation and district schedule changes

Aug-May



Phase I Consultation

Background research & 10 Year Review

- Surveys & stakeholder meetings

Sep-Oct



Phase II Consultation

Policy and amendments to by-laws

Key Deliverables

- Amended Policy that combines Rental 100 & Affordable Housing Choices Policy
- Amended Rental Incentives Bulletin
- Enabling By-law / New Definitions in Z&D for form of Tenure & Draft amended district schedules
- Amendments to the DCL and Utilities By-laws

Phase I: Two Consultancies to Document Results

Comprehensive documentation/analysis of the results of City's rental incentive policies (CitySpaces)



- Historical overview
- Review of rental applications
- Consultation analysis and summary
- Key learnings & recommendations

Economics of Rental Housing & Effectiveness of Incentives (Coriolis)



Phase I:

- Test viability of rental projects:
 - Are current incentives working?
 - Impact of DCL waiver
 - Impact of deeper affordability
 - Initial thoughts - Rental zoning

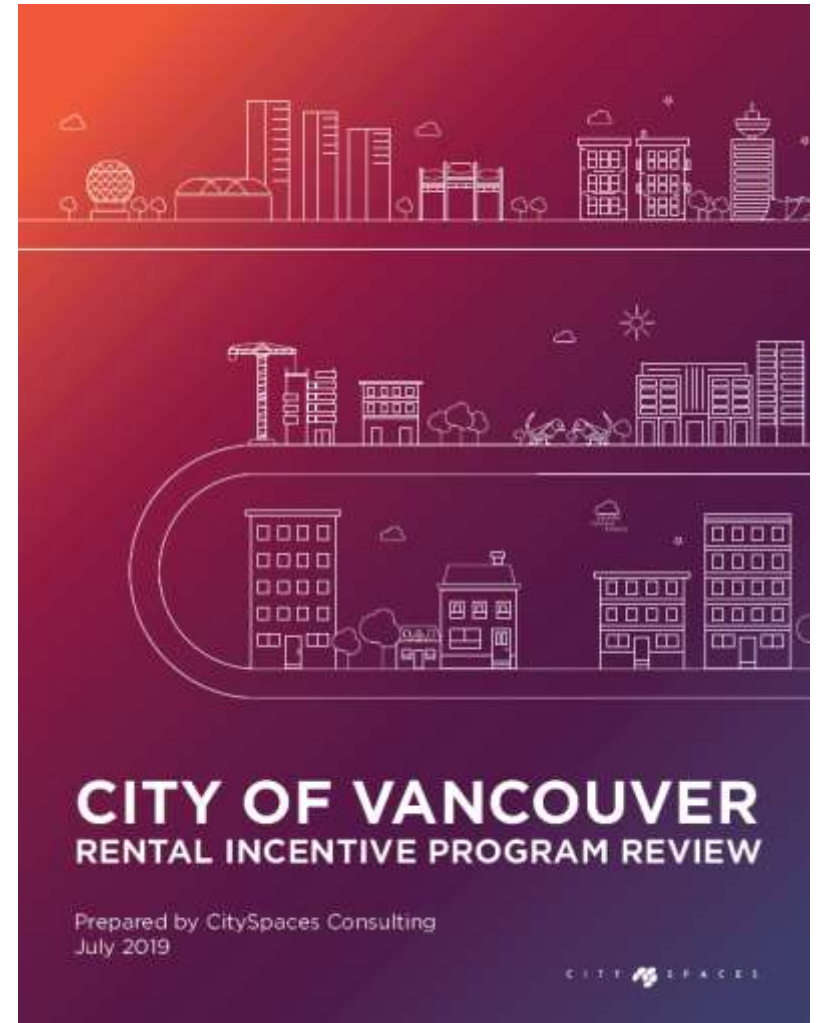
Fall 2019 (Phase II)

- Test new ideas (ZEB, mass timber, deeper affordability, other incentives, etc.)
- Pre-zoning

Summary of Phase I Review: Rental Incentive Programs

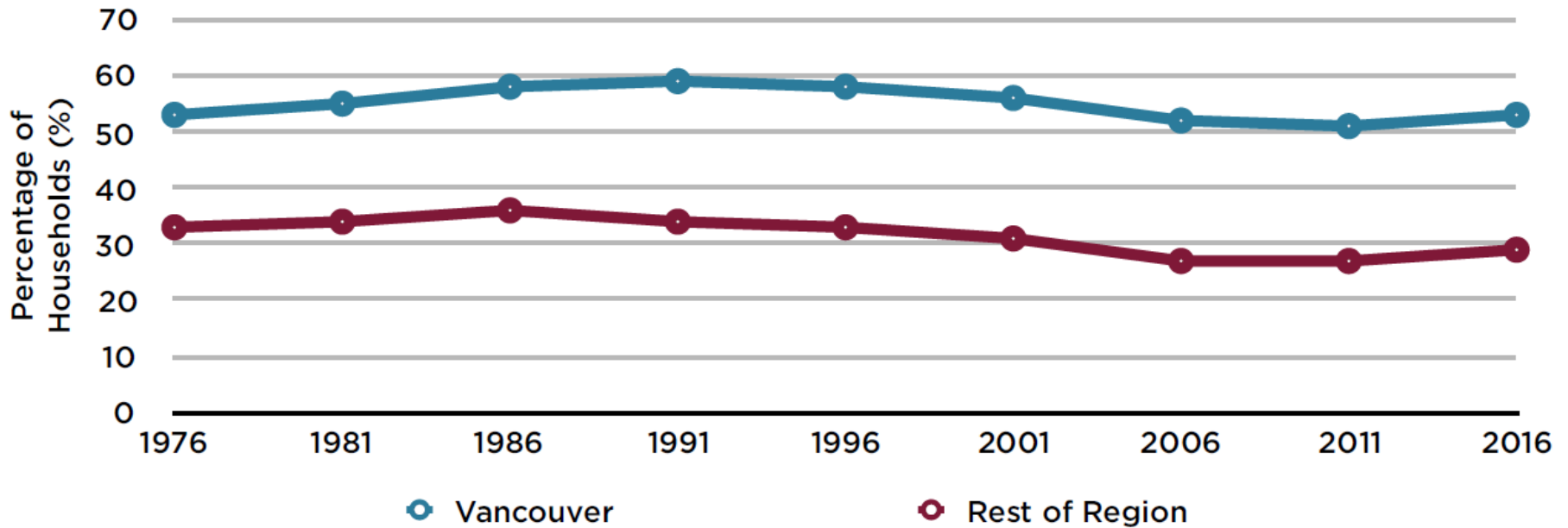
CITY  SPACES

- History of federal rental programs
- Review of City incentive programs
- Program results
- Issues and considerations



Majority of Vancouver Households Are Renters

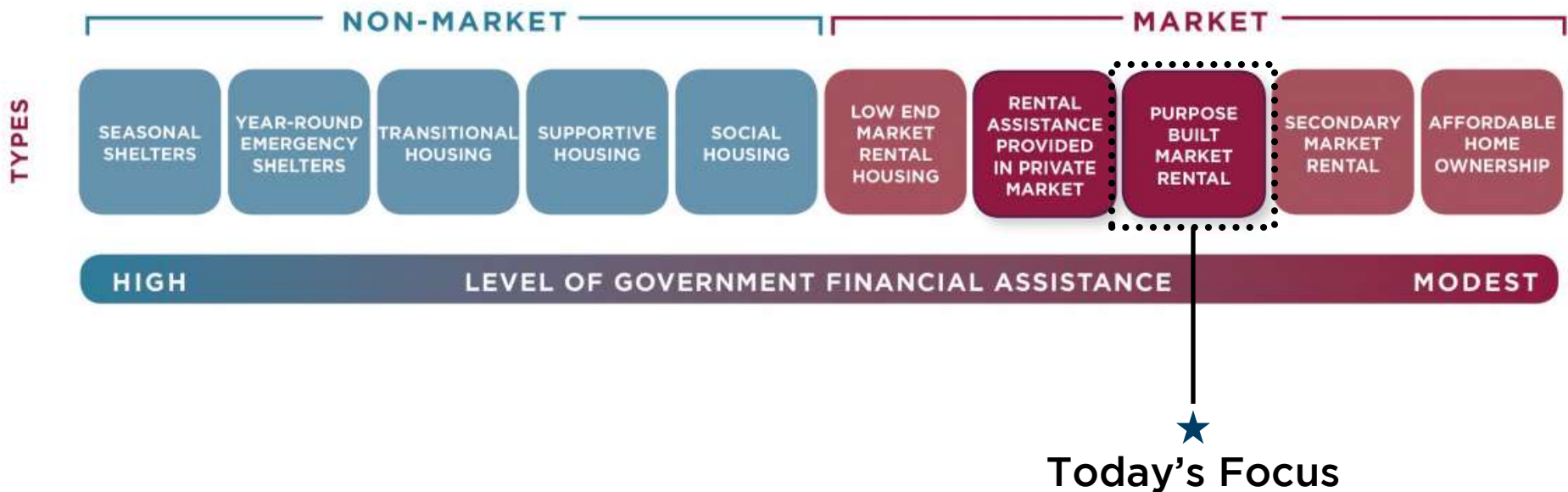
Share of Renter Households in Vancouver & Metro Vancouver



Source: Statistics Canada Census

Market Rental Housing is One Element of a Larger Housing Continuum

Each type of housing responds to different needs of various residents – all housing types are needed for a healthy housing system.



History of Federal Policies Impacting Rental Housing

Programs Supporting Rental Development

Federal Rental Incentives (1949 – 72)

- Tax write-offs for soft costs, deductions for capital cost allowance

Multiple Unit Residential Building Program (1974-1981)

- Federal tax measure to promote investment in purpose-built rental housing

Assisted Rental Program (ARP) (1974-1978)

- Program to stimulate the economy and encourage the construction of modest rental accommodation

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

- Interest free loans and tax measures to incentivize rental, intended to replace the MURB program

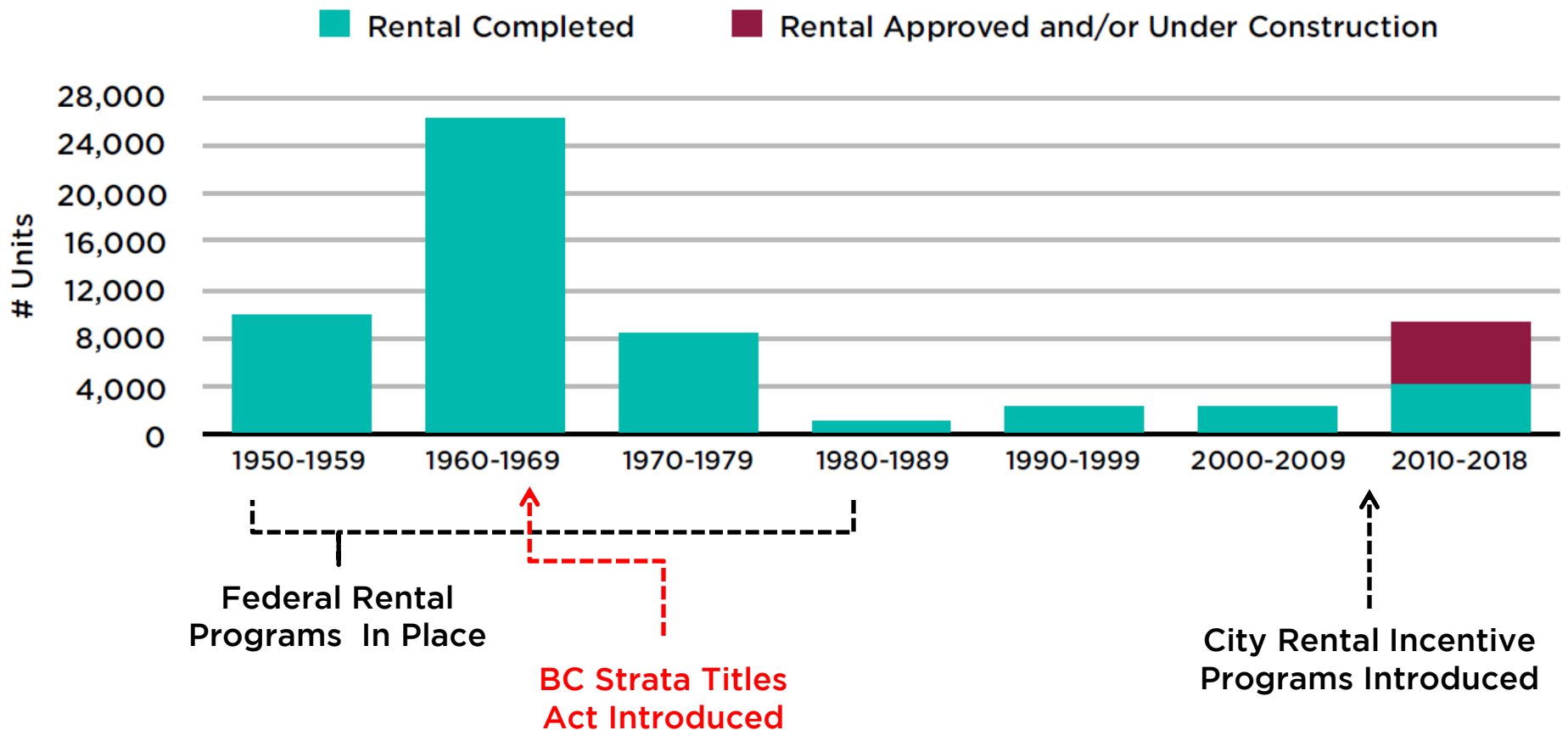
Principal Residence Capital Gains Exemption

- Federal tax exemptions for gains realized from sale of owner's principal residence



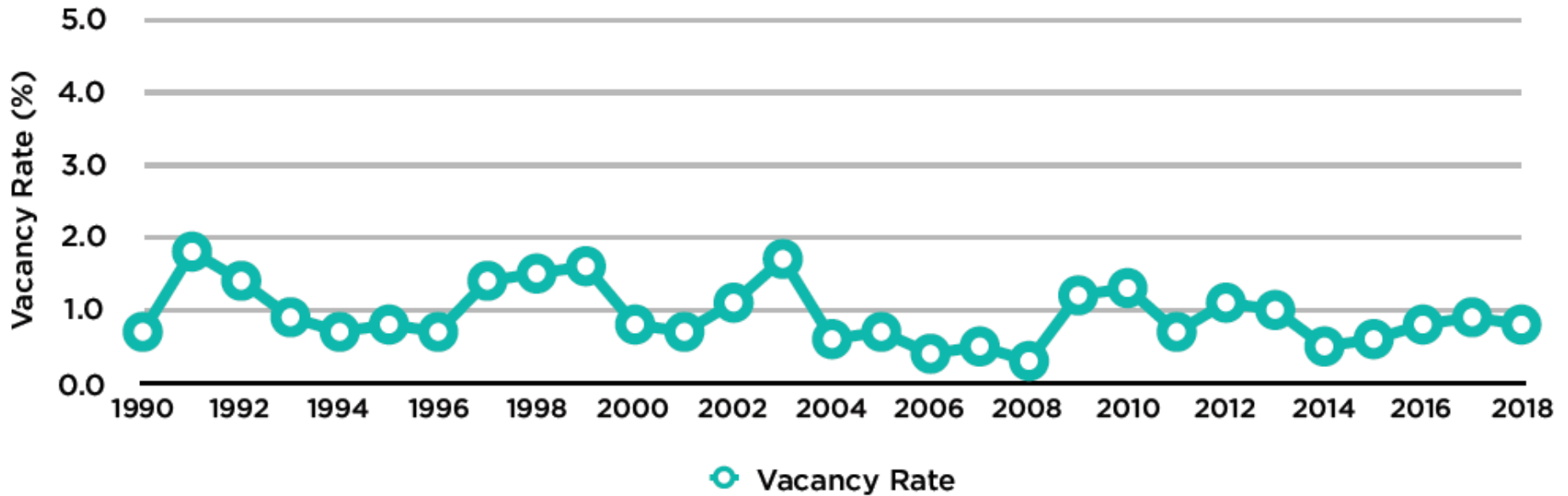
Impact of Senior Government Policies on Market Rental Housing Supply

Historic Rental Housing Construction in the City of Vancouver



Persistently Low Vacancy Rates

City of Vancouver Private Rental Apartment Vacancy Rate



Source: CMHC Rental Market Survey



Rental Incentive Programs: Overview

C I T Y  S P A C E S

City Rental Incentive Programs

Short Term Incentives for Rental (STIR)

Launched in 2009, Incentives offered for both 100% rental and mixed tenure (rental + strata) projects

Objectives

- Stimulate local economy and create jobs in response to the recession
- Test interest in rental development

Rental 100

Replaced STIR in 2012. Rental 100 only offers incentives for 100% secured rental projects.

Objectives

- Address issues and learn from STIR program
- Introduce more clarity around density bonuses available under the program
- Increase the supply of rental housing available

Affordable Housing Choices Interim Rezoning Policy

Put in place in 2012. applies to transition areas between major arterials and lower density areas.

Objectives

- Test innovative housing models and forms of tenure
- Encourage innovation in ground-oriented and mid-rise housing
- Increase the supply of rental housing available

Community Plans

The City has also used community plans to achieve a range of housing, including new market rental.

Community Plans With Rental Incentives

- Cambie Corridor Plan
- Grandview-Woodlands Plan
- Marpole Plan
- West End Plan

Incentives offered:

- Increased height & density
- Reduced parking
- Waiver of levies (eg. DCLs)
- Unit size relaxation
- Expedited/concurrent processing**

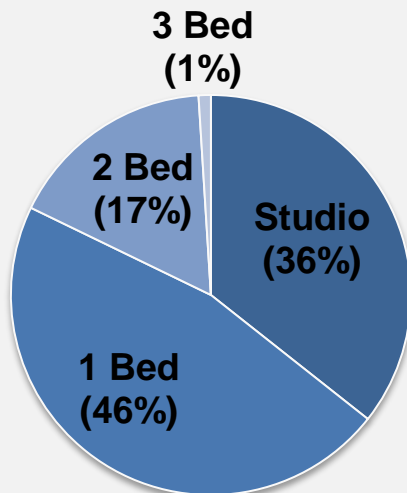
**only offered through STIR and Rental 100



Short Term Incentives for Rental (STIR)

Projects	<ul style="list-style-type: none">• 18 projects• 1,287 rental units
Density & Height	<ul style="list-style-type: none">• Avg density: 4.3 FSR• Avg height: 14 floors
DCL Waiver	<ul style="list-style-type: none">• 89% of projects took DCL waiver

Unit Mix



Key findings:

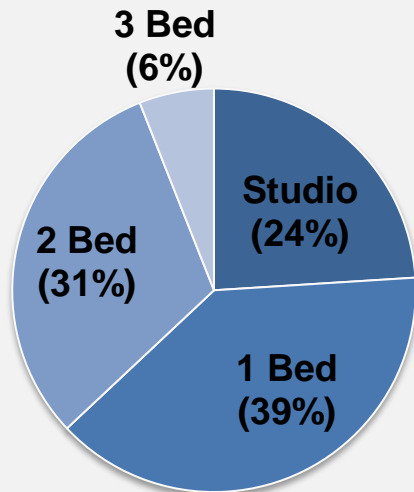
- More market rental units were created in 100% rental projects than in mixed strata/rental projects
- City contributions lower for 100% rental projects
- Concurrent RZ and DP processing worked well when there were not significant changes to form of development
- Average processing times were lengthy



Rental 100

Projects	<ul style="list-style-type: none">• 40 projects• 3,245 rental units
Density & Height	<ul style="list-style-type: none">• Avg density: 3.9 FSR• Avg height: 8 floors
DCL Waiver	<ul style="list-style-type: none">• 68% of projects took DCL waiver

Unit Mix



Key findings:

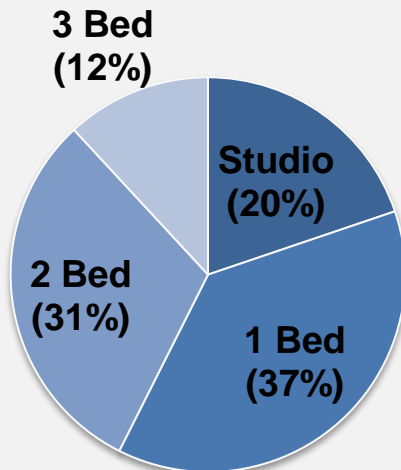
- Average delivery of 540 rental units/year
- Provided additional clarity on the locations, zones and available density bonuses, an improvement over program structure of STIR



Affordable Housing Choices Interim Rezoning Policy

Projects	<ul style="list-style-type: none">• 7 projects• 419 rental units
Density & Height	<ul style="list-style-type: none">• Avg density: 2.0 FSR• Avg height: 5 floors
DCL Waiver	<ul style="list-style-type: none">• 86% of projects took DCL waiver

Unit Mix



Key findings:

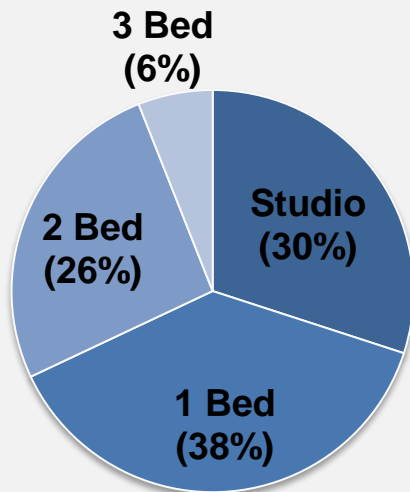
- Confusion around multiple City programs incentivizing rental housing (AHC IRP in addition to R100)
- Questions surrounding actual affordability of program
- Limitations in rental delivery given locational requirements and project spacing requirements



Community Plans

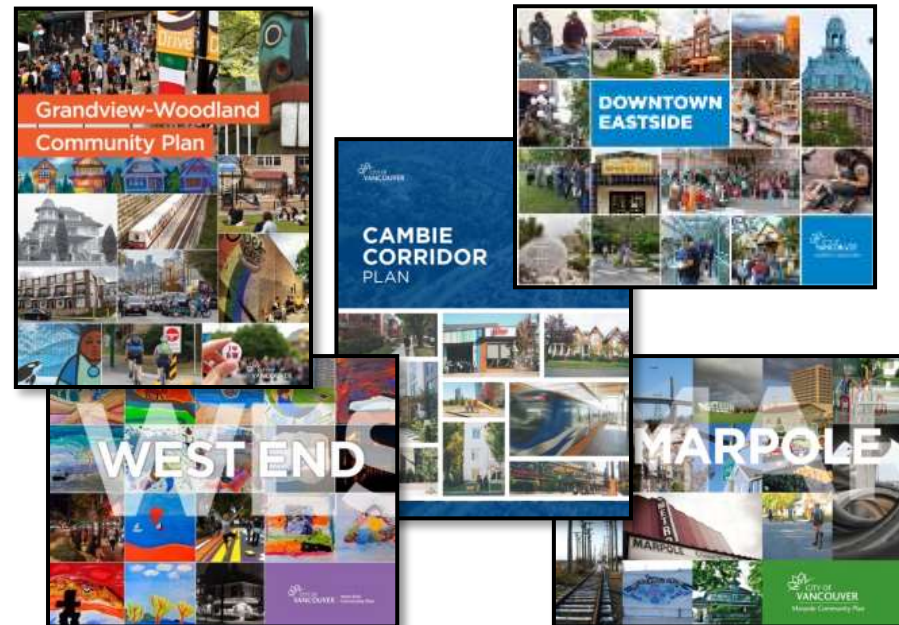
Projects	<ul style="list-style-type: none">• 30 projects• 1,999 rental units
Density & Height	<ul style="list-style-type: none">• Avg density: 4.6 FSR• Avg height: 9 floors
DCL Waiver	<ul style="list-style-type: none">• 27% of projects took DCL waiver

Unit Mix



Key community plans offering rental housing incentives:

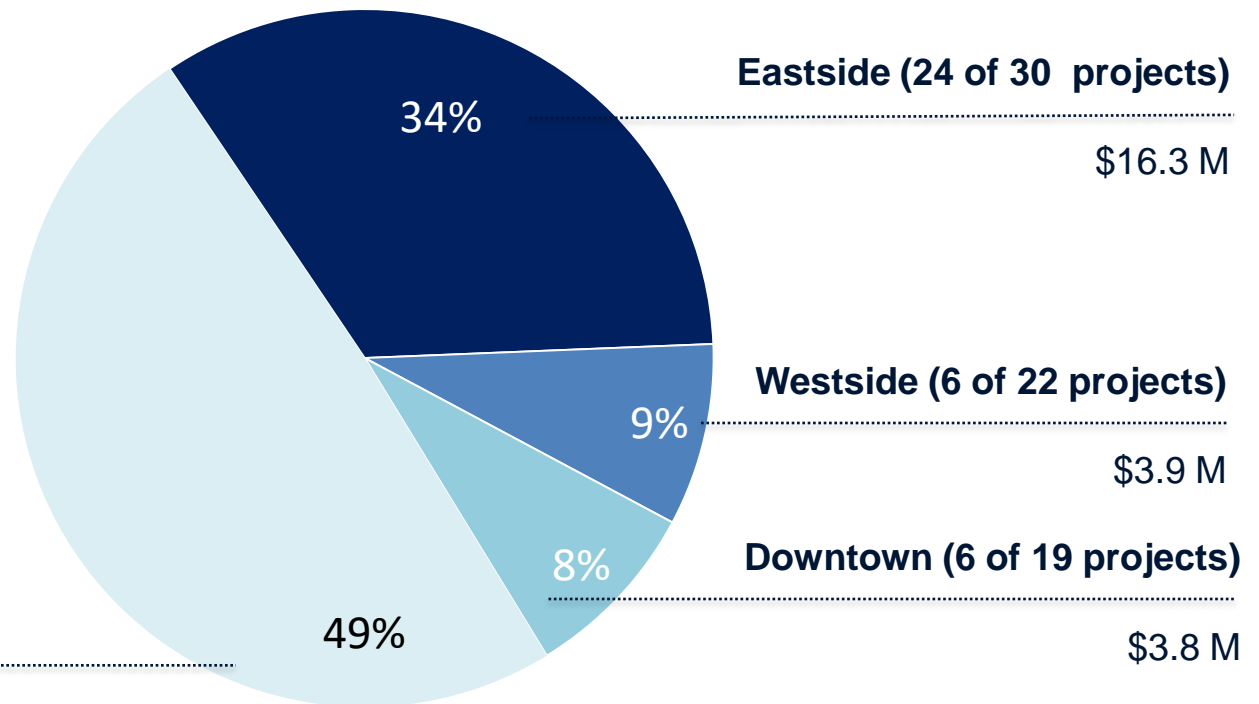
- Cambie Corridor Plan (2011-2018)
- Grandview-Woodland Community Plan (2016)
- West End Community Plan (2013)
- Downtown Eastside Plan (2014)
- Marpole Community Plan (2014)



Since Being Offered, DCL Waivers Have Enabled 2,702 Rental Units, Accounting For 4% of the Overall DCL Revenue

% Rental Projects With DCL Waiver By Area from 2010-2018

- \$24 million waived in DCLs (~\$8,800 per unit), 4% of overall DCL revenue**
- 51% of projects took the waiver
- 21 projects with waiver amount still yet to be determined (1,450 additional rental units)



No DCL Waiver Uptake*

(35 projects)



Reasons cited for not taking the waiver:

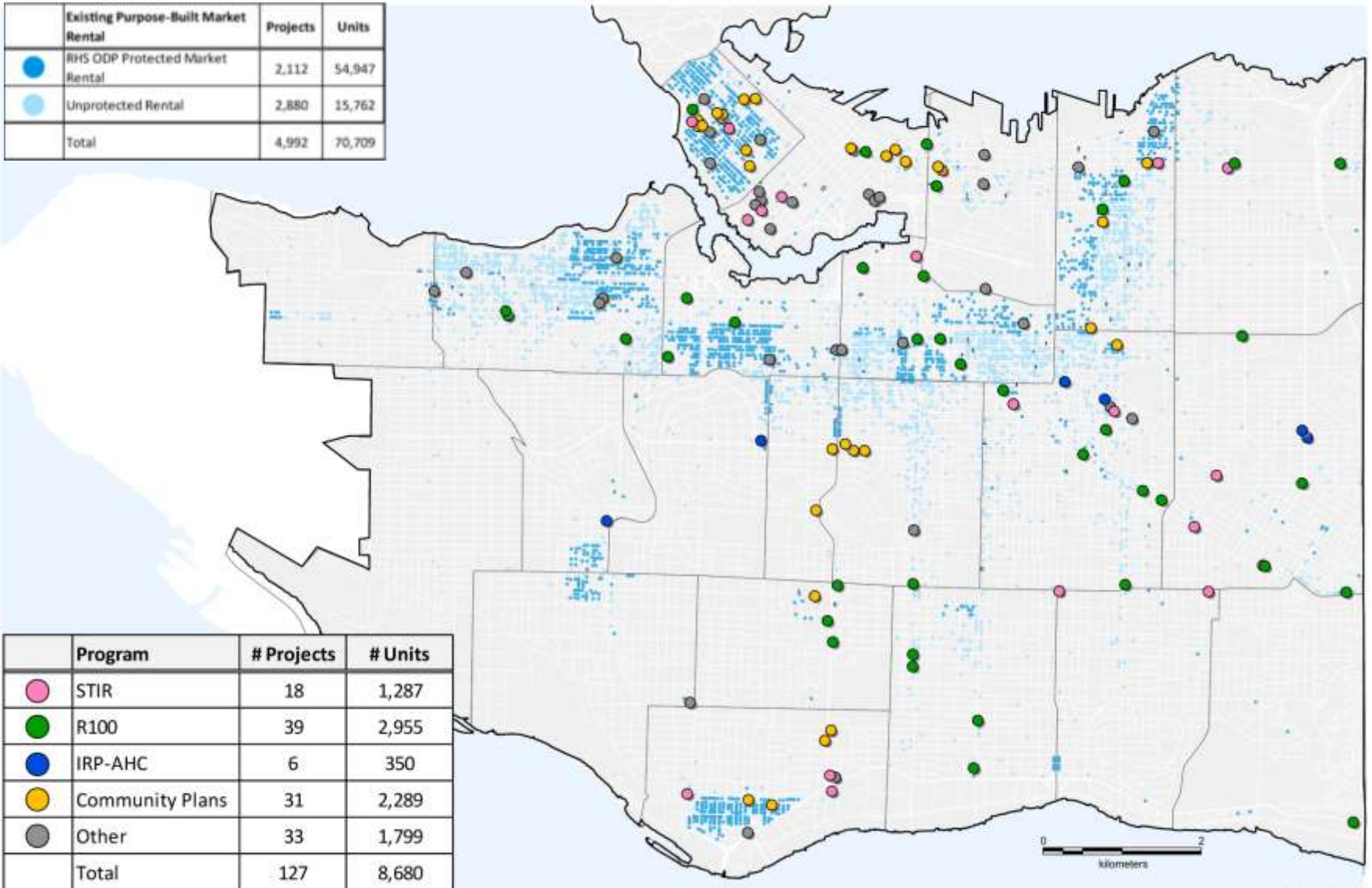
- Market rents are higher on the west side - developers don't want restricted rents
- Requirements are complicated and challenging to meet
- Mixed tenure projects do not qualify






*Number of projects with no DCL waiver uptake excludes 35 rental projects approved that were ineligible for DCL waiver option.

**DCL values exclude approved rental projects in stream with DCL waiver to be confirmed at time of building permit issuance.

8,700 Rental Units Approved from 2009-2018 (Year End)

Existing Purpose-Built Market Rental	Projects	Units
 RHS ODP Protected Market Rental	2,112	54,947
 Unprotected Rental	2,880	15,762
Total	4,992	70,709



Program	# Projects	# Units
 STIR	18	1,287
 R100	39	2,955
 IRP-AHC	6	350
 Community Plans	31	2,289
 Other	33	1,799
Total	127	8,680



Post Occupancy Survey Results

C I T Y  S P A C E S

Survey of Renters Living in Purpose-Built Rental Units Enabled by Incentive Programs

460 Responses to City of Vancouver Survey

- Invitations sent to occupied buildings (30 buildings, 2,552 units)
- Survey open from March 8 to March 25, 2019 (3 weeks)
- Questions seeking feedback on resident's experience finding rental housing, affordability, livability, community

Who Responded?

- 70% were between ages of 25 and 44
- 44% single person households
- 43% couples without children
- 7% households with children
- 47% living in 1 bedroom units;
1% living in 3 bedroom units



Rental Housing Still in Short Supply, But New Market Rental Options are Starting to Help Address the Gap

Significant Competition, Limited Options, Market Rents are High

- Most respondents said finding available rental units was difficult, and particularly so for options with the features they wanted that met their budget
- 32% said they were looking for 3+ months before they found their place
- Many said they experienced stress and frustration with the process of finding rental housing, issues with fraud postings and leasing managers

"I would spend the evening looking for a place to rent online, and when I called each place the next morning, the apartment was already taken. It got to the extent that I was panicking and desperate."

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

New Market Rental Provides Important Housing Options for Renters in Vancouver

Top Reasons Respondents Chose to Live in New Purpose-Built Market Rental

- 1) Best option for my budget
- 2) In a neighbourhood I like
- 3) Close to transit
- 4) Pet-friendly building
- 5) Close to work
- 6) More affordable than other options

I chose a smaller unit at higher rent to be close to transit, bike lanes, and walkable environment.

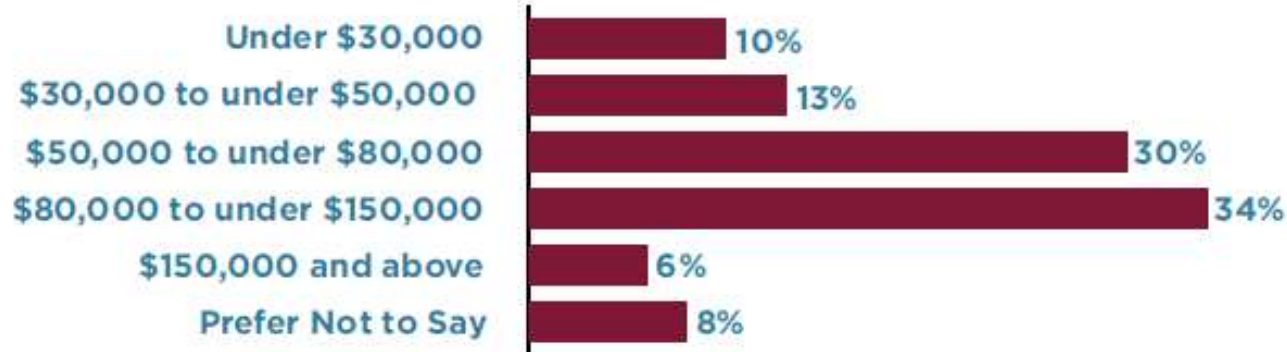
We like the neighbourhood, we like the building, we like the suite, and the price is great compared to what else is out there.



Renters With a Range of Incomes Are Choosing to Live in New Market Rental Housing

- More than half of respondents living in new market rental are earning under \$80,000 per year

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



336 Responses

Many Renters Are Making Trade-offs

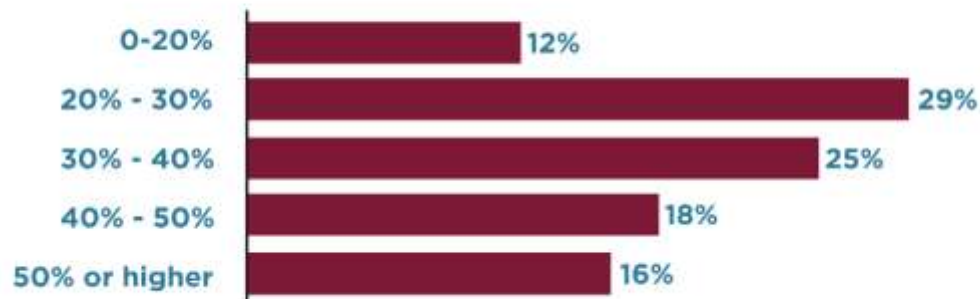
Trade-Offs Made:

- Paying larger share of income on rent (59% reported spending more than 30% of gross income on rent)
- Living in smaller units

Reasons for Making These Trade-Offs Include:

- Convenient location (close to work, transit, neighbourhood amenities)
- Pet-friendly buildings
- Preference for living in new buildings with amenities (e.g. in-suite laundry)

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



347 Responses

I decided owning anything was always going to be out of reach. So I decided to rent a nice new place. I wanted a top floor for noise reduction and a patio space. The only trade-off is the price.

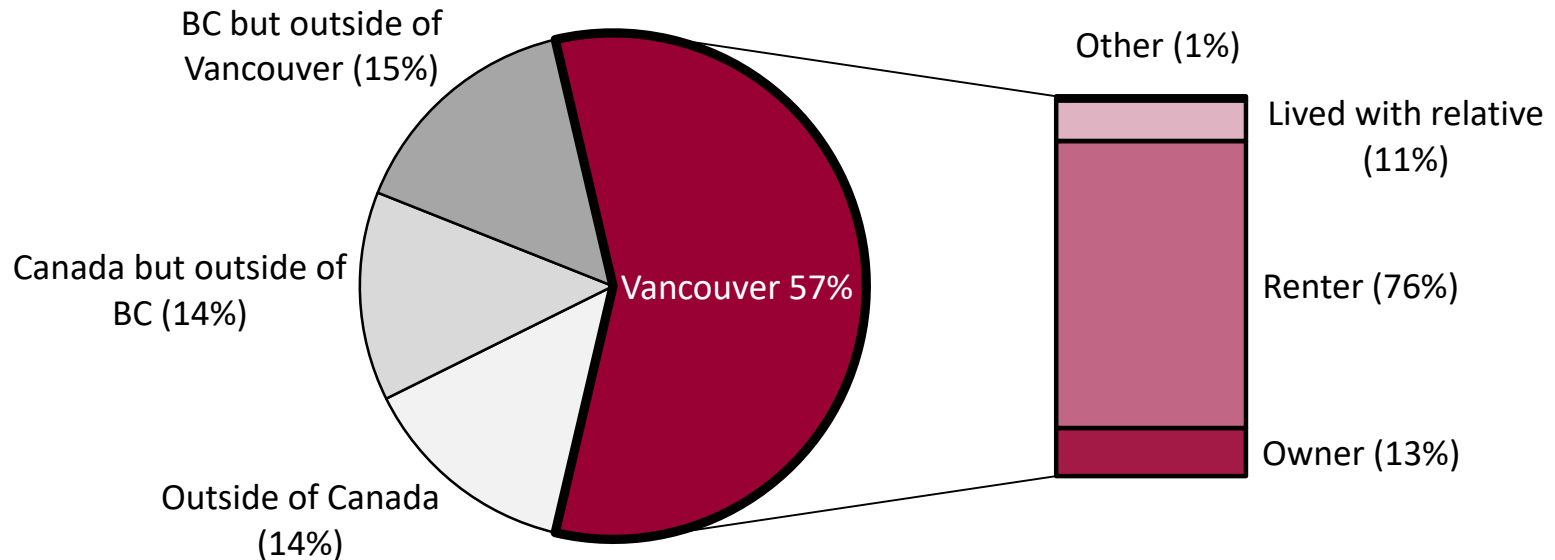
It was difficult to find a place that included everything I was looking for: in-suite laundry, dishwasher, central location. The places I found that matched my criteria were way over my budget.

Most Renters Living in New Market Rental Moved From Within Vancouver

The Majority of Respondents Lived in Vancouver Before They Moved Into Their Current Rental Home

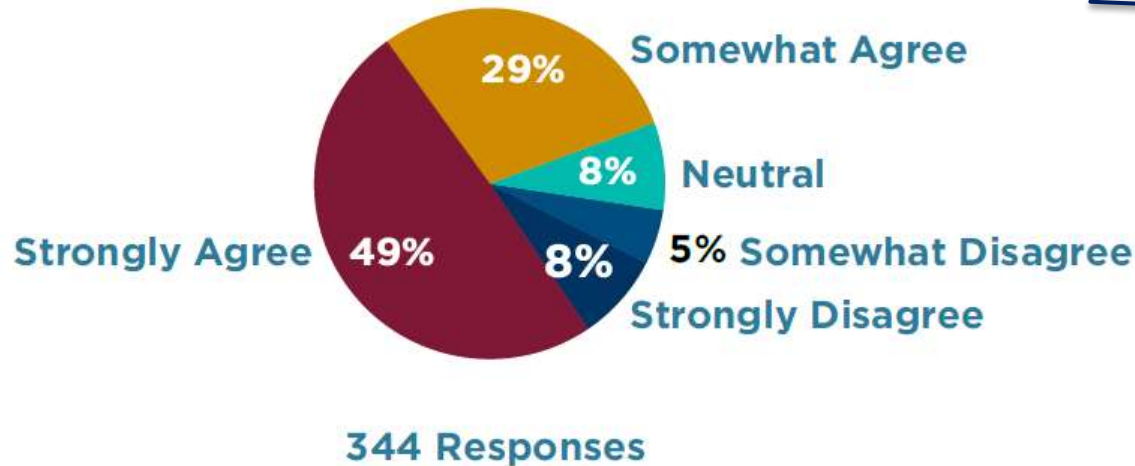
- Of those who moved within Vancouver, 76% moved from another rental unit

Where respondents lived prior to moving into their current rental building



Most Agree Incentives Should be Provided to Encourage Market Rental Construction

- **78%** of respondents agreed that incentives should be provided to encourage construction of new market rental housing.



I agree with the incentives and I believe the rental program is the only one at this time that truly provides a benefit to the end-user not only to developers .

Keep up with the program, it is a very practical solution to the housing crisis. It serves the middle of the market that does not qualify for social housing and cannot afford or does not desire to be a home owner.



Issues and Considerations for Rental Incentive Programs

C I T Y  S P A C E S

Evidence of Parking Oversupply in Market Rental Buildings

City of Vancouver Post-Occupancy Survey

- 57% of respondents indicated they do not use parking available in their building
- 52% said they do not own a car

City of Vancouver Survey of UDI and Industry with Experience in City Rental Incentive Programs

- 46% of respondents indicated that less than half of the parking spaces are being utilized;
- Only 9% indicated parking spaces were fully utilized

Metro Vancouver Parking Study

- ~44% parking oversupply in surveyed buildings (all tenures) in the City of Vancouver

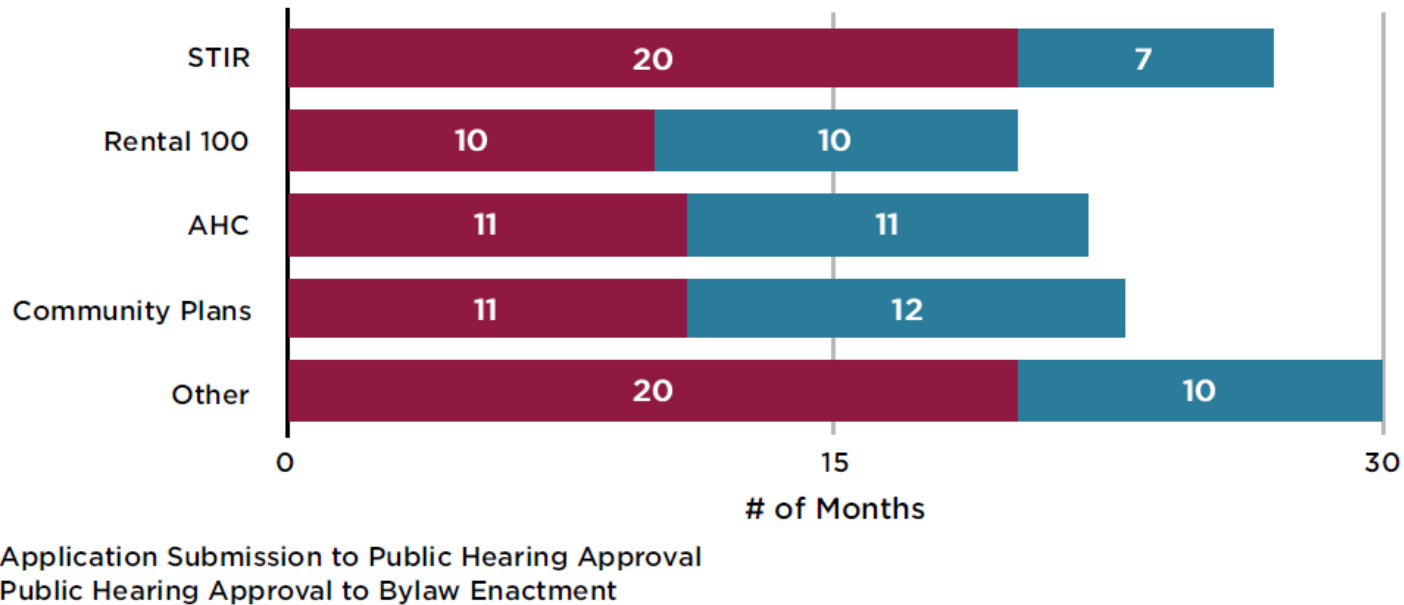
Parking Construction Costs are Significant in Metro Vancouver

- Range from \$20,000-\$45,000 per parking stall
- Can represent 10-20% of total project construction costs



Rezoning Application Processing Times

Median Duration of Rezoning - Application to Enactment



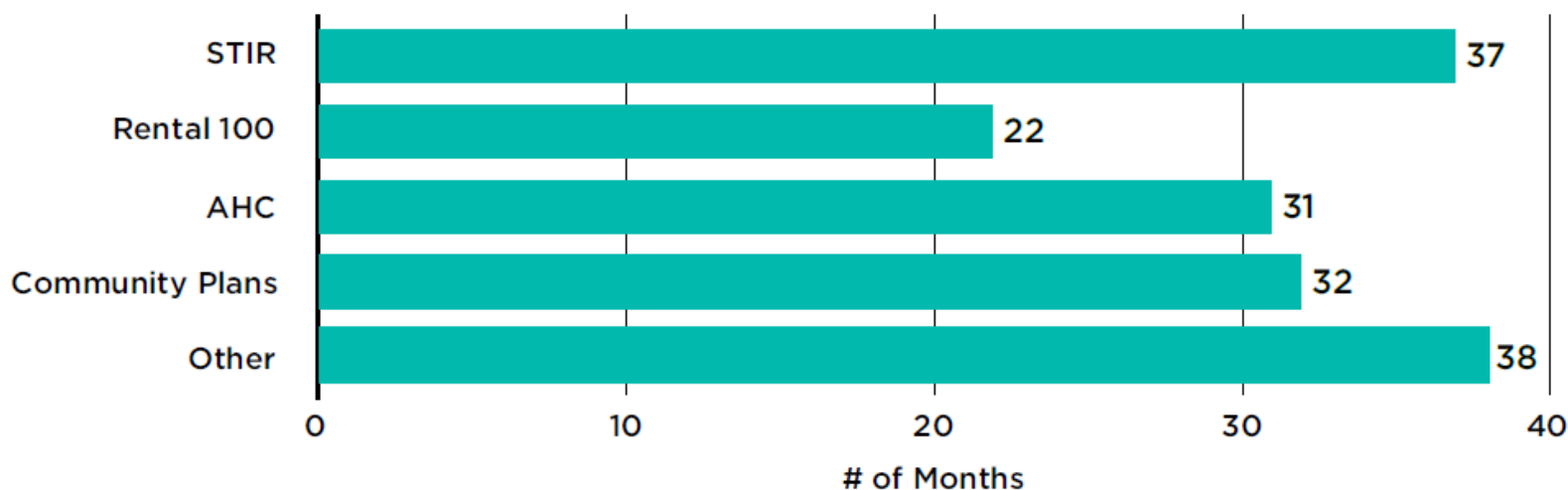
Source: City of Vancouver, Market Rental Inventory and Tracker, 2018

- Approval times are lengthy, creating considerable uncertainty and risk for a developer
- As the programs evolved (ie. from STIR to Rental 100) processing times were reduced to some extent
- Multiple City objectives for new housing projects has added complexity and time to the rezoning process

Rezoning & Development Permit Processing Times

The rezoning and development permit application processes often overlap to some degree, and together make up the majority of the pre-development approvals timeline

Median Duration of Rezoning and Development Permit Application Process



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

Key Findings

- Policies that provide more clarity and specificity (e.g. R100) have the fastest approval times
- Overall, lengthy processing times are a deterrent to potential applicants interested in rental construction

Multiple City Requirements & Objectives

Through the review, it was identified that the multiplicity of City objectives can impact secured rental project viability, create confusion, and add to project timelines

Some City requirements identified as part of the review:

- Green building measures
- Family housing requirements
- Tenant Relocation and Protection Policy



Neighbourhood Integration & Equity

The review found concerns about neighbourhood integration for projects coming in under the City's rental incentive programs, as well as a lack of choice and availability of rental housing in all neighbourhoods of the city.

Concerns Around Neighbourhood Fit

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

Equity in Housing Choice and Options

- Rental options concentrated along arterials
- Desire for rental housing in low density areas across the city

Positive Perception of Rental Buildings Constructed

- The City surveyed pedestrians around 3 completed buildings
- Respondents asked questions about the design and neighbourhood fit of the buildings.
- 41 total responses were received during 8 survey periods

Key Findings:

- **80%** of respondents said that building design was good or very good
- **80%** liked the height of the building
- **90%** liked the design of the building
- **97%** liked the space for shops and businesses associated with the building

1215 Bidwell / 1718 Davie



2525 Carnarvon



388 Skeena



Summary of Phase I Review: Economics of Rental Housing and Effectiveness of City's Incentive Programs



Coriolis Phase I Testing: Main Questions Answered

1. Are the current incentives working?

- Increased density
- City-wide DCL waiver
- Utilities DCL waiver

2. What is the role of DCL Waiver?

3. What would be the impact of Rental Tenure Zoning in C2 zones?

4. How would rent control between tenancies (vacancy control) impact rental viability?

Key Considerations

To incentivize rental housing development, rental housing must be economically preferable

- In acquiring land, market rental projects must compete with value existing property use, as well as the strata development value

Profit margins are necessary to obtain project financing

- Many lenders (i.e. banks) require specific profit margins to finance the project
- Industry standard target is 15% margin on project costs

Lower profit can be sufficient, but only in specific circumstances.

- Some cases may include:
 - Long term owners who want to retain/redevelop (tax liabilities if sold)
 - Developers creating a portfolio of rental assets who have access to financing (e.g. institutional)
 - Strata developers concerned about market risks but want to proceed with project

Economic Testing Scenarios

Scenarios Tested

1. Strata apartment under existing zoning	2. Market rental with no incentives	3. Increased permitted FSR for rental project	4. Increased permitted FSR for rental project + utilities DCL waiver	5. Increased permitted FSR for rental project + City wide DCL waiver	6. Increased permitted FSR for rental project + waiver of both DCLs
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Allowable under existing zoning

Partial incentives

Full rental incentives provided under current programs

Example: Eastside Commercial Site

Sample Site

Location: Eastside

Existing use: older low density, single story commercial

Site size: 17,000 sf

Zoning: C2 (allows 2.5 FSR strata under existing zoning)

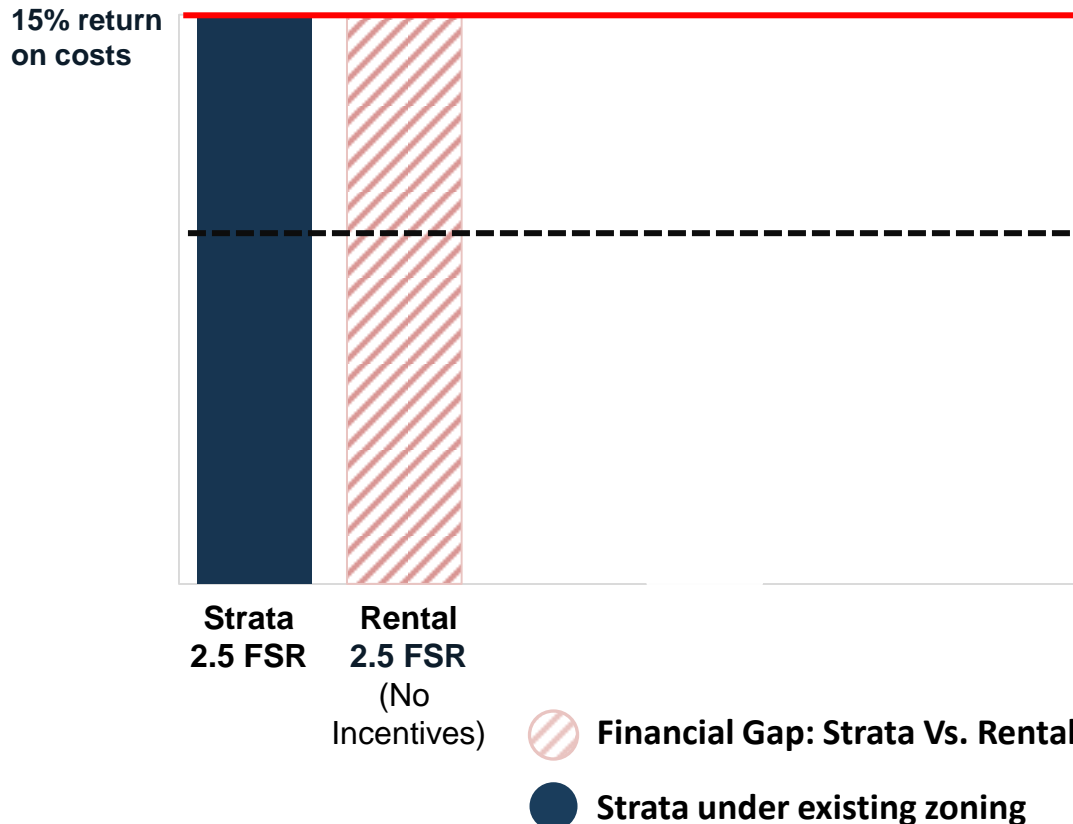
Current minimum value of site: \$9.6 million



Effectiveness of Current Incentives

Market Rental vs. Strata Redevelopment - Example of C2 Eastside Site

Approximate Returns on Cost of Redevelopment Scenarios for C2 Eastside Sites



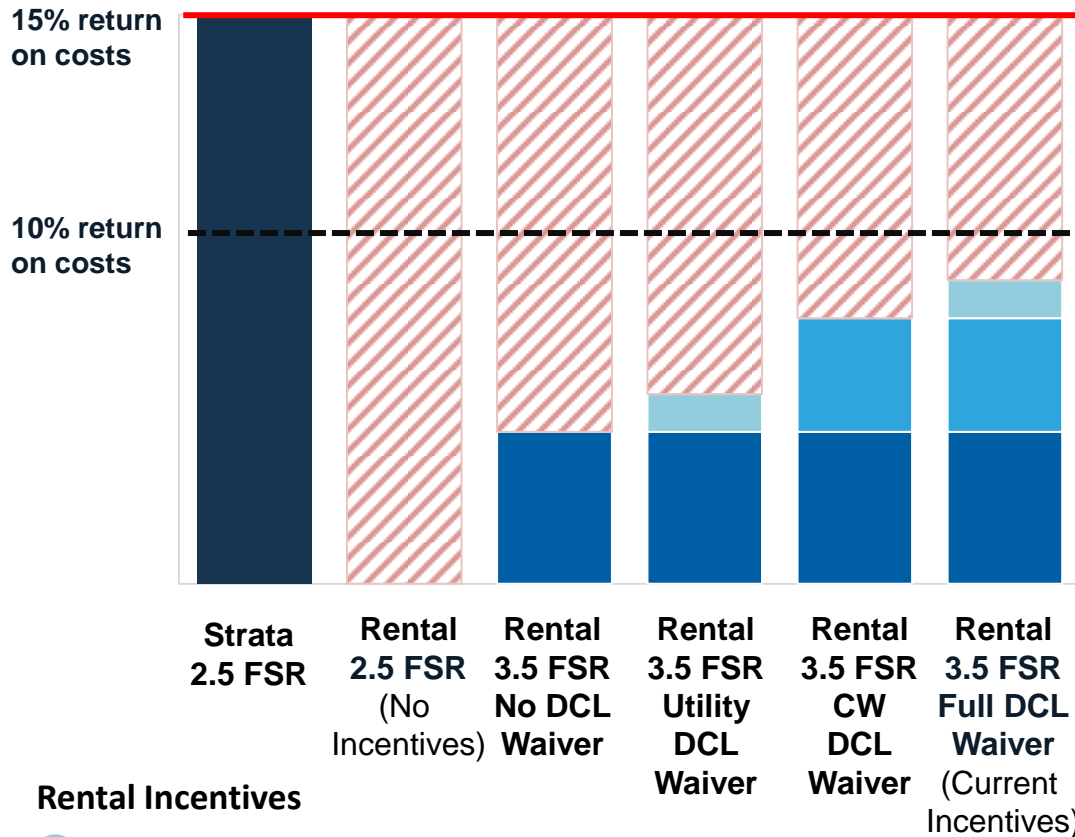
- Under existing zoning – there is a choice to develop rental or strata
- Stratas are much more financially attractive compared to rental
- **Without additional incentives, rental is not viable under existing zoning**

**Parking reductions for secured rental as per the Parking Bylaw assumed across all scenarios*

Effectiveness of Current Incentives

Market Rental vs. Strata Redevelopment - Example of C2 Eastside Site

Approximate Returns on Cost of Redevelopment Scenarios for C2 Eastside Sites



Rental Incentives

- Utilities DCL Waiver
- City-Wide DCL Waiver
- Increased Density

- ▨ Financial Gap: Strata Vs. Rental
- Strata under existing zoning

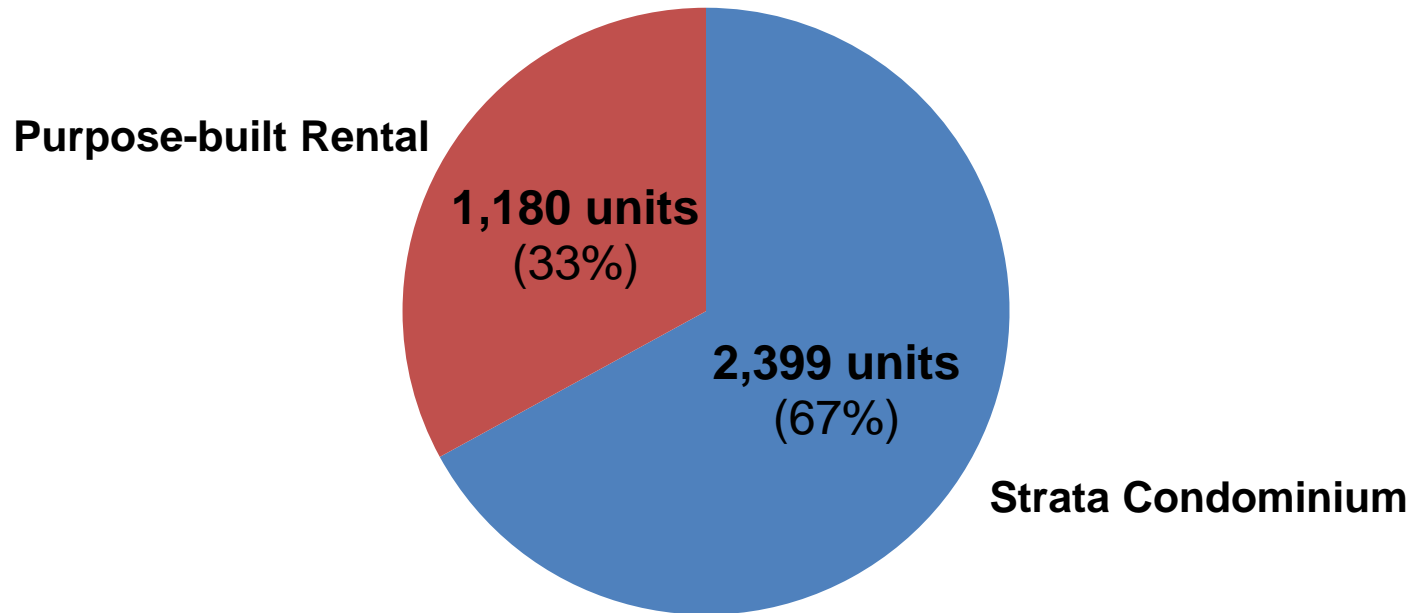
Key Findings

- Rental incentives help close the financial gap between market rental and strata development
- Increased density and the City-wide DCL waiver have the largest positive impact on viability
- Even with existing incentives, strata development is still the more financially attractive type of development

**Parking reductions for secured rental as per the Parking Bylaw assumed across all scenarios*

Rental vs Strata Approvals in C-2 Zones

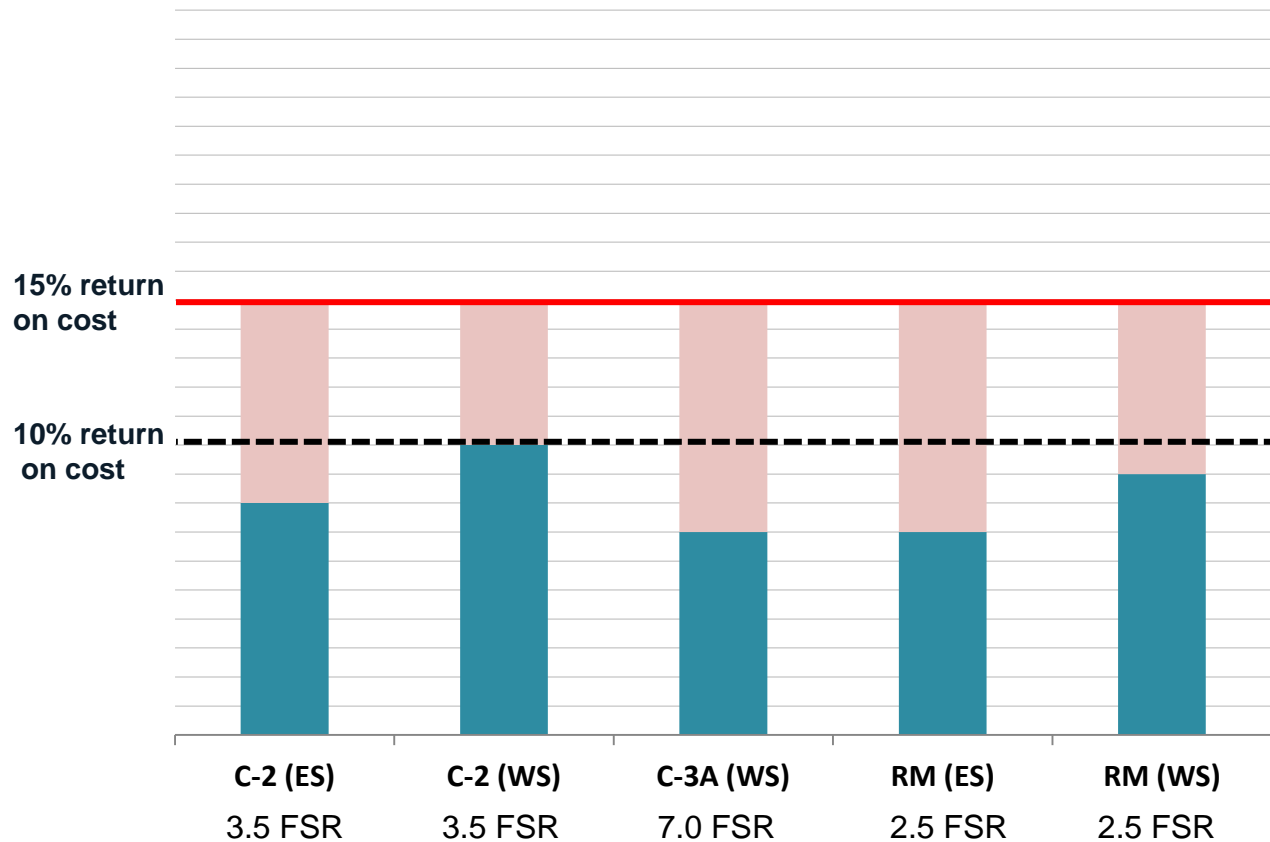
**Residential units approved in C-2 zones by tenure
(2010-2018)**





Since 2010, the majority of residential development in C-2 zones has been strata, even with rental incentive programs in place.

Rental Viability Across Apartment & Commercial Zones

Rental development viability across current apartment zones (full existing incentives)



-  Financial Gap: Strata vs. Rental
-  Return on Cost for Rental with Full Incentives

Current Apartment Zones

Assumptions

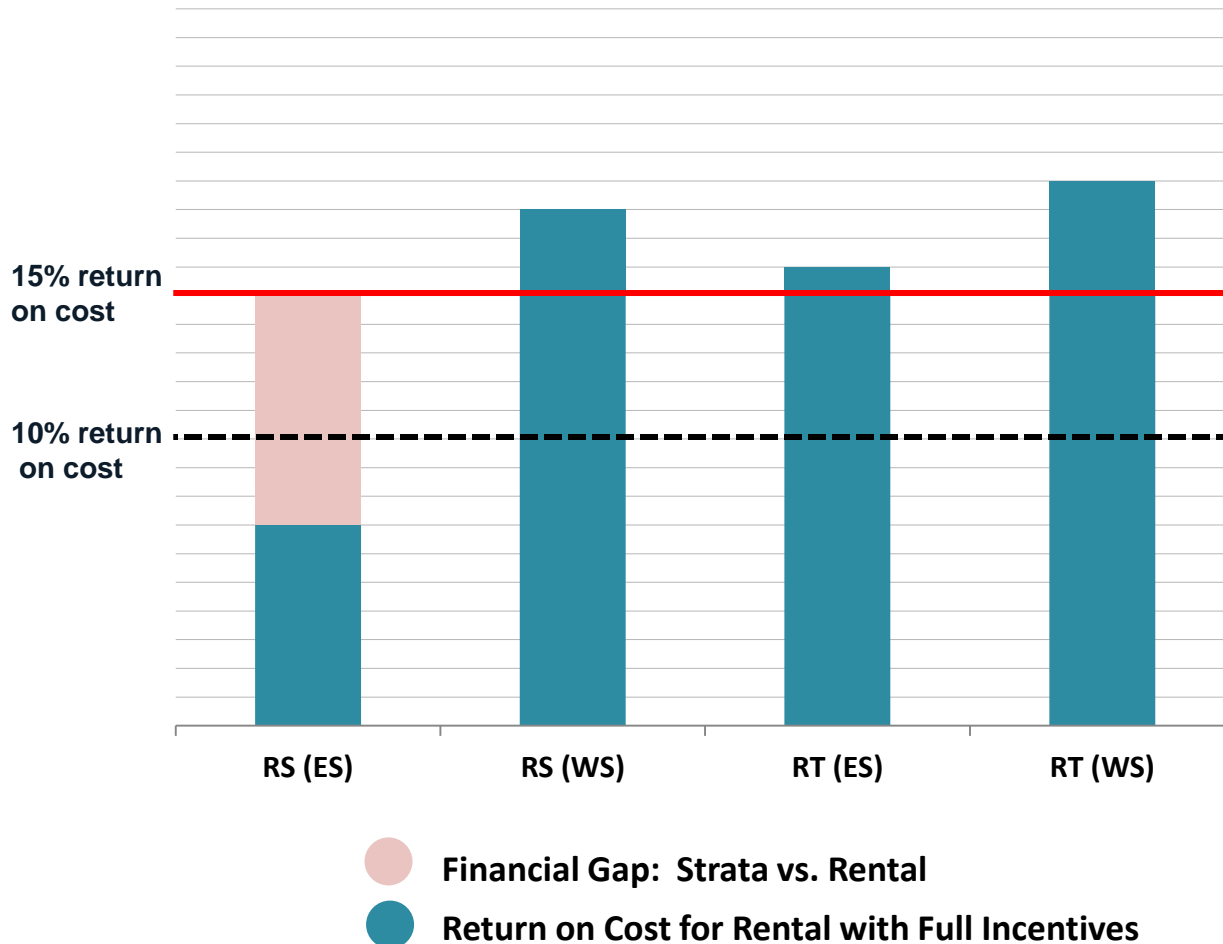
- Existing strata apartment development rights
- Apartment forms

Findings

- Even with incentives, rental is marginally viable

Rental Viability Across Lower Density Areas

Rental development viability across low-density zones (full existing incentives)



Low-Density Zones

Assumptions

- No strata apartment development rights
- 2.2 FSR rental density for RS sites and 2.6 FSR rental density for RT sites
- Apartment forms (4-6 Storeys)

Findings

- Rental is viable at many sites
- This is largely because these areas offer no strata apartment development rights, which results in lower existing land values

Key Findings - Effectiveness of Current Incentives

1. New purpose-built market rental housing financially challenging due to competing uses

- Comparative profitability and value of alternate options (i.e. strata development or retention of existing use) makes purpose-built market rental housing financially challenging

2. Incentives are required to make market rental development viable

- Most important incentive is additional density and the DCL waiver

3. Increased density and DCL waivers help rental projects at C and RM zoned sites achieve marginal viability.

- **Without incentives:**
 - Many projects would likely not proceed = less new supply
 - Less new supply = lower vacancy rates
 - Less new supply = upward pressure on rents (throughout market)

4. New market rental in lower density areas could be more viable

- If permitted, rental projects on RT & RS sites may require less incentives to be financially attractive
- Exception may be eastside sites
- Depends on permitted density and other variables (assembly costs)

Rental Tenure Zoning - Testing in Commercial Areas

In 2018, the Province granted municipalities with authority for residential rental tenure zoning. This allows municipalities to zone residential use for rental tenure and require new housing in specific zones be rental units

Rental Tenure Zoning: An Example in Commercial Areas

Current Property Options: C2 Zoning

- 
1. Existing use
- 
2. Develop as strata housing (4 storeys)
- 
3. Develop as market rental housing with R100 incentives (6 storeys)

In order to achieve new rental supply, rental housing should have the highest value compared to the existing use and as a strata development.

Rental Tenure Zoning

There are many potential approaches to rental zoning - downzoning is one option.

Downzone
Reduce value of other property
use options (eliminate strata
development rights)

Current Property Options: C2 Zoning



1. Existing use



2. Develop as strata
housing (4 storeys)



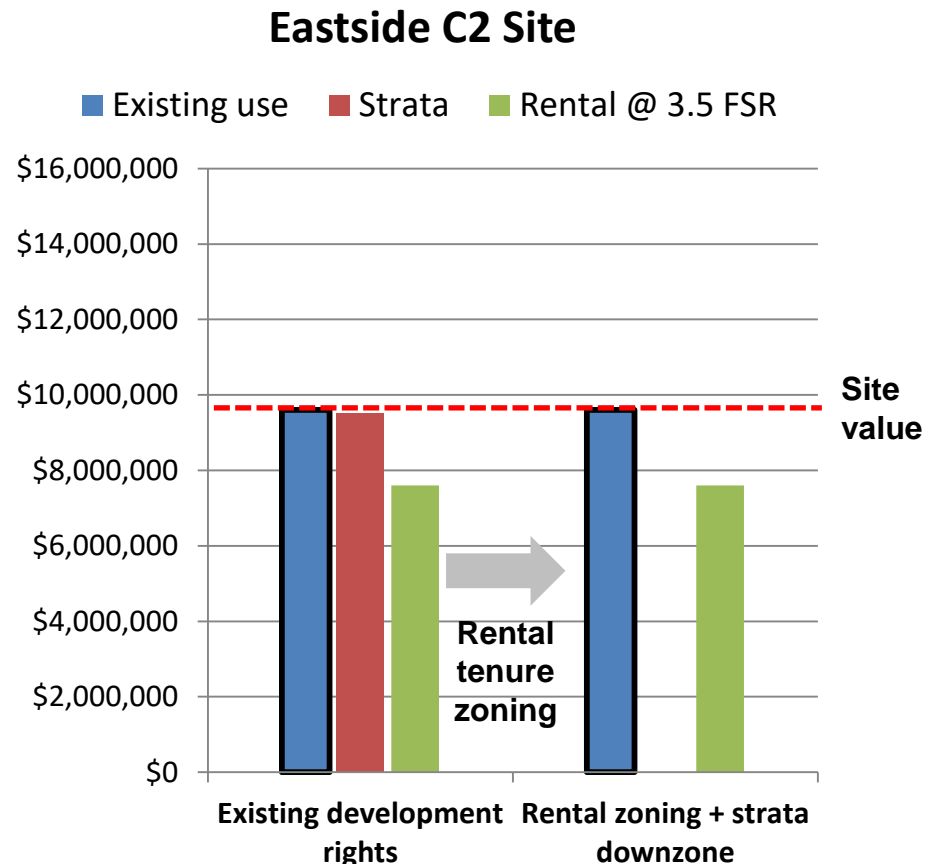
3. Develop as market
rental housing with
R100 incentives (6
storeys)

Rental Tenure Zoning - Testing in Commercial Areas

Downzone (Eliminate Strata Development Rights) Scenario

Testing Results

- Existing use has highest value
- No reduction in land value
- Rental is still not viable in many cases

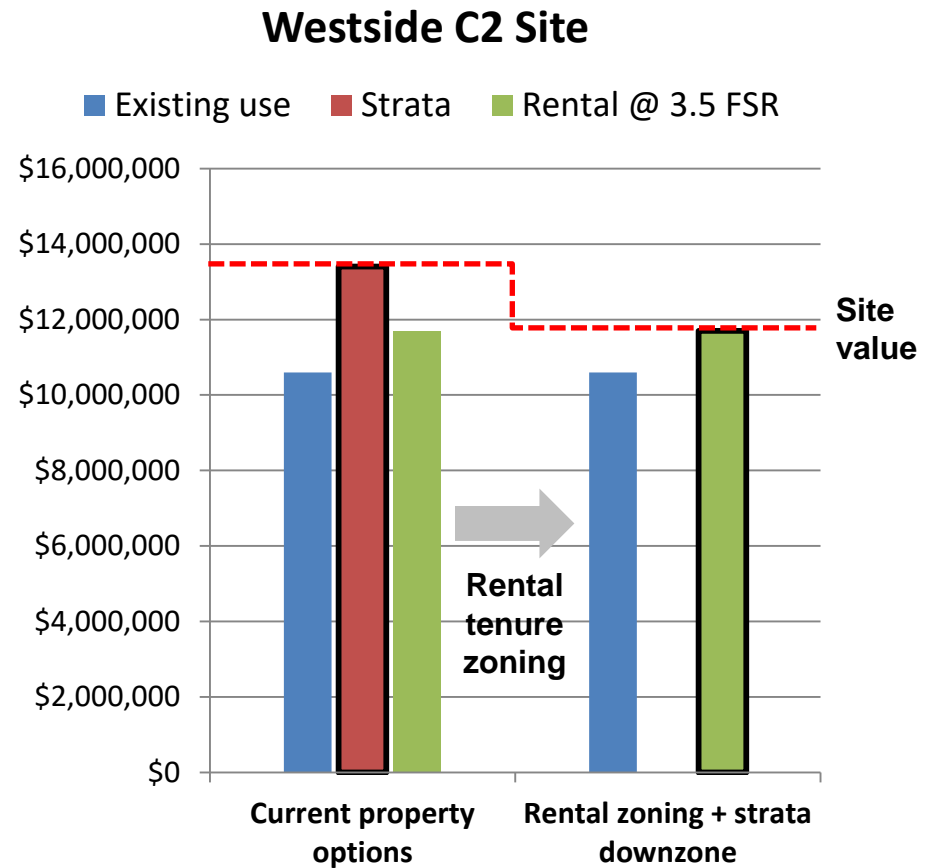


Rental Tenure Zoning - Testing in Commercial Areas

Downzone (Eliminate Strata Development Rights) Scenario

Testing Results

- Significant reduction in land value for property owner (- \$1.7 million)
- Rental is potentially viable



Rental Tenure Zoning - Testing in Commercial Areas Downzone (Eliminate Strata Development Rights) Scenario

Key Findings

1. Downzoning and eliminating strata development rights in the C2 district will reduce land values if strata development has the highest existing value (if no off-setting increase in FSR)
2. Reduced property values negatively impact existing property owners
3. Eliminating strata development rights on C2 sites can **only** improve financial viability of rental development if strata land value is higher than value of existing use



Conclusion

Downzoning strata does not improve rental viability on the east side. It may on the west side; however, doing this will negatively impact property values for owners of the site.

Rental Tenure Zoning - Testing in Commercial Areas

Alternative Approach: Increase Permitted Rental Density

Coriolis suggested an alternative approach to improve rental viability and mitigate negative land value impacts

RENTAL TENURE ZONING IN C2 DISTRICTS: ALTERNATIVE APPROACH

1. Retaining existing C2 density for strata development

AND

2. Allowing higher density for rental-only projects (or mixed rental/strata projects)

Testing Rent Control at Unit Turnover (Vacancy Control)

Adding additional regulation to limit rent increases to the inflation rate between tenancies would reduce the value of new and existing rental buildings.

Project Impacts of Vacancy Control:

- Lowers rent revenue in regulated buildings over long term
- Property taxes and operating costs could increase faster than rents (i.e. the inflation rate) over time, meaning that net income actually declines over the long term.



Recent Provincial Changes to RTA Rent Control

- Currently, annual allowable maximum rent increases set at rate of inflation (2.5% in 2019)
- RTA was changed in 2018; previously allowed annual increases of inflation + 2%
- Upon unit turnover, there is no regulation limiting the rent level that the landlord may set for the new tenant

Phase I Review: Key Takeaways

CITY  SPACES



Key Takeaways from Review

Comprehensive documentation/analysis of the results of City's rental incentive policies



- Incentives are creating rental, incentives are needed, and current incentives are insufficient
- Programs to be simplified; lengthy process
- Affordability is challenging to achieve
- Program locational requirements limit housing diversity in all areas of the city

Economics of Rental Housing & Effectiveness of Incentives



- Rental is only marginally viable, even with current incentive programs
- Most important incentives currently offered are additional density and DCL waiver
- Vacancy control would make rental housing project financially unviable
- Potential rental viability in low density areas (RS/RT zones)
- Recommend exploring rental tenure zoning used to streamline bonuses for rental rather than downzoning for strata



**Buildings constructed under the
City's rental incentive programs**



**Full Consultant Report / Summary:
vancouver.ca/housing**

Moving Forward



Addressing Housing Crisis Requires Different Types and Tenures of Housing For All Incomes

The Housing Vancouver Strategy contains targets for different types of housing that serves the diversity of people and incomes across the city.



Incomes

<\$15k

\$15-30k

\$30-50k

\$50-80k

\$80-150k

\$150k+

Social and Supportive Housing

Moderate Income Rental

Secured Market Rental

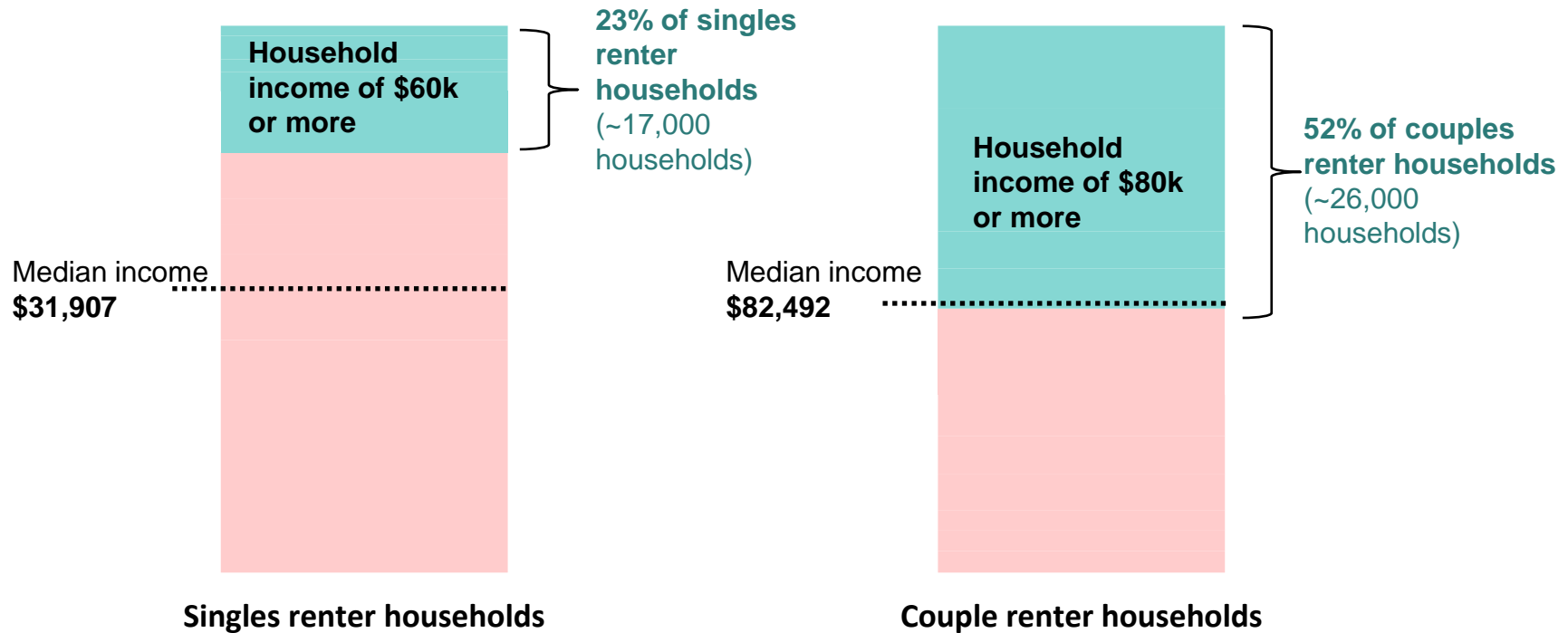
Condos

Laneways (Rental)

Coach Houses (Strata)

Townhouses

Renters Have a Diversity of Incomes - Higher Income Bands Can Afford New Market Rents



Approximate household income sufficient to afford new market rental (monthly rent between \$1,576 - 3,320)



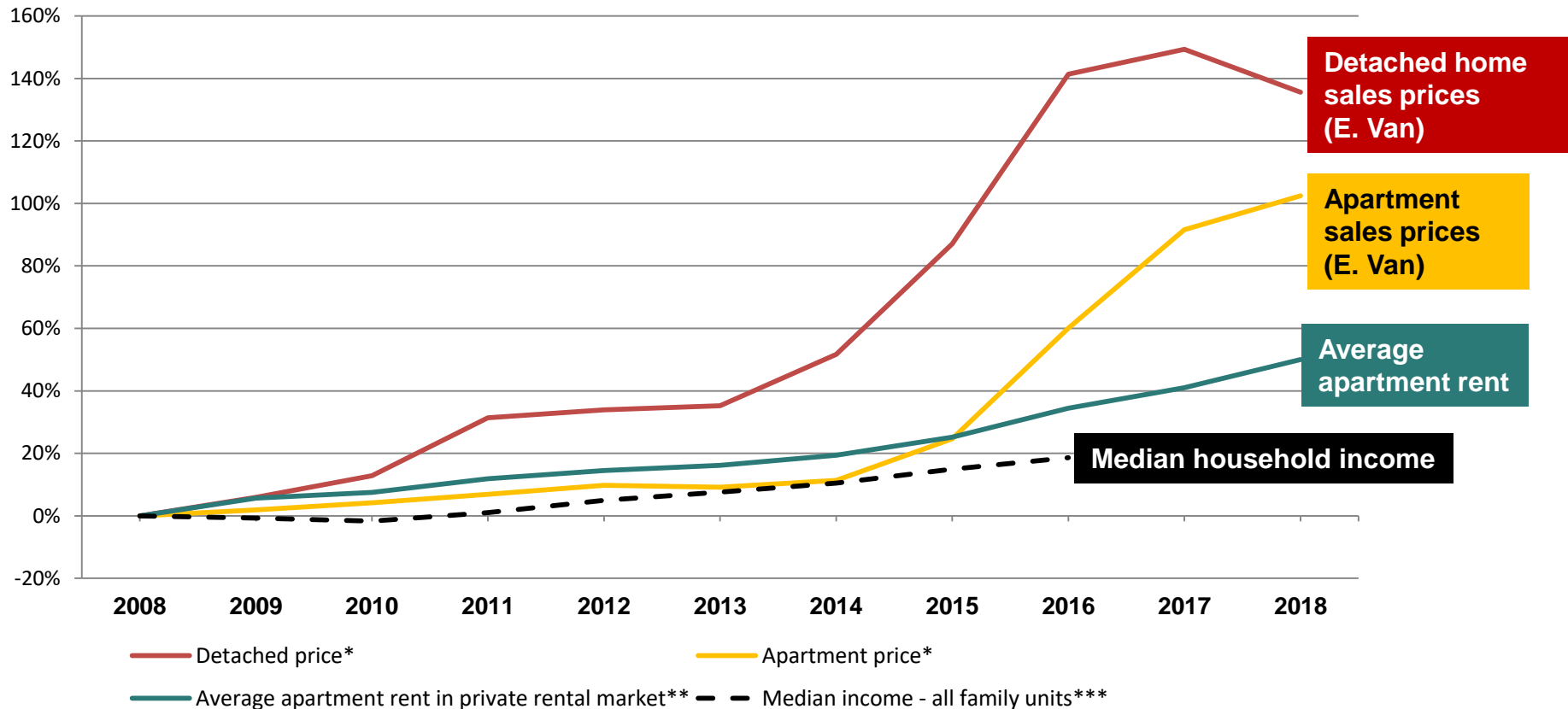
Household incomes lower than what is required to afford new market rental

Source: CMHC Market Rental Survey 2018 (rents) and Statistics Canada Census 2016 (incomes)

Notes: This assumes that singles renter households require a studio unit or greater and that couple renter households require a 1-bedroom unit or greater. Also assumes that affordability is defined by 30% of gross household income being spent on housing costs. Approximate household income required to afford a studio unit is \$63,040 and \$76,520 for a 1-bedroom. Census incomes have been rounded to the nearest \$10,000 due to data availability.

Intensification of Housing Crisis - Cost of Home Ownership is High

Percentage change in housing costs and median household income from 2008 levels, 2008-2018



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

** Source: CMHC 2018 Rental Market Report.

*** Source: Statistics Canada Income Statistics Division, 2016. Median Income is shown for all family units

Homeownership Increasingly Out of Reach, Even for Higher Income Households

- Using standard mortgage assumptions, average rent for a new 1-bedroom market rental apartment is significantly lower than mortgage payments for a benchmark condo unit.
- Income required for home ownership is likely even higher due to additional costs on top of mortgage payments, such as down-payment, strata fees, and property taxes.

	Vancouver East Benchmark Condo	New Private Rental Apartment – 1 Bedroom
Benchmark Price	\$554,100	N/A
Monthly Mortgage Payment / Average Monthly Rent	\$2,990	\$1,913
Approximate Annual Income Required	\$128,744	\$76,520



Source:

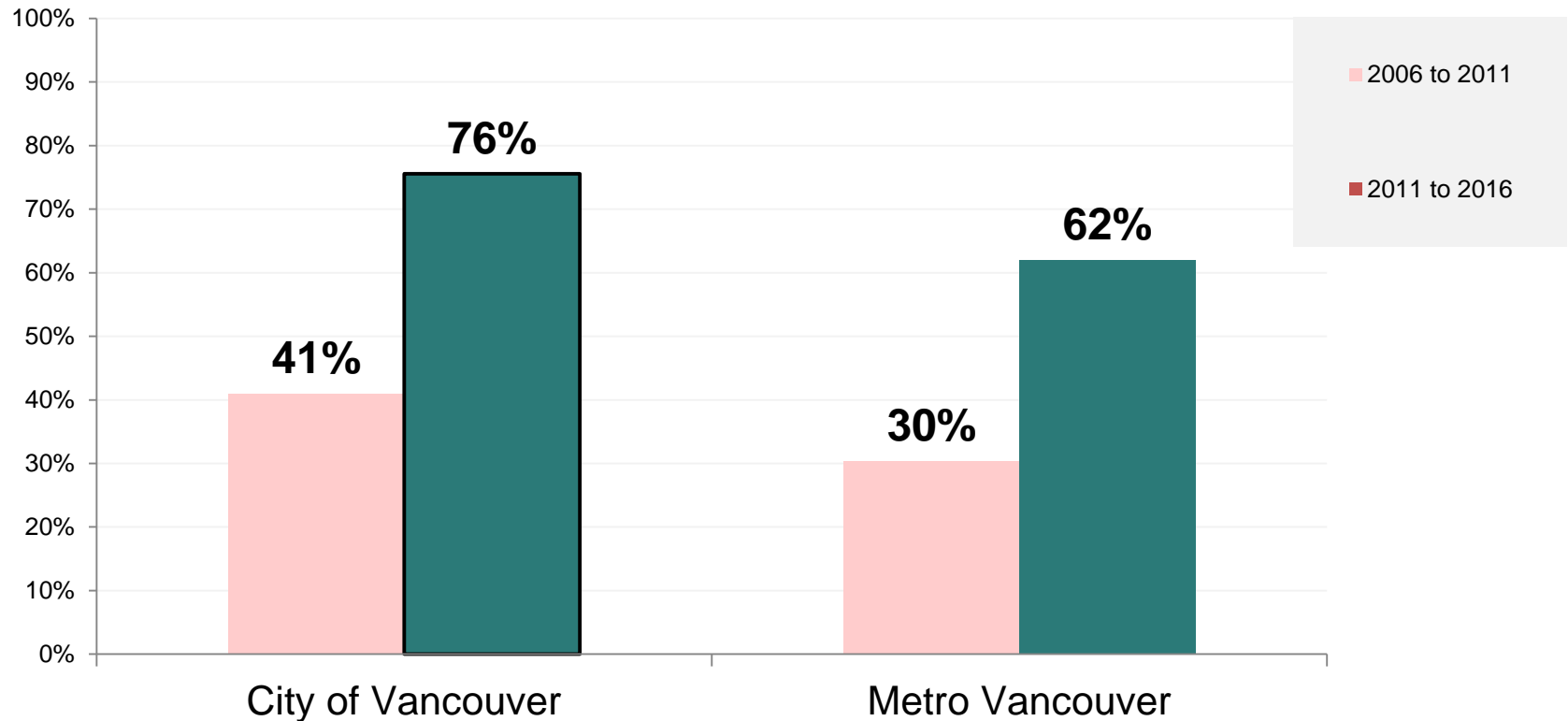
- MLS Home Price Index, June 2019
- CMHC Market Rental Survey, 2018

Assumptions:

- As per Statistics Canada, affordable housing is defined as shelter costs equal to less than 30% of before-tax household income
- Average rents for new private apartment units based on units completed between July 2016 and June 2018
- Income requirements assume that the purchaser has funds for downpayment and is not factored into the income requirement. Housing costs include mortgage payments (assuming a 5% interest rate, 10% down payment) and CMHC mortgage insurance. Does not include strata fees or property taxes.

Vancouver Increasingly Becoming a City of Renters

Renter Household Proportion of Net New Households



Source: Statistics Canada Census and National

Note: Renter household proportion of net new households is calculated by dividing change in # of renter households by change in # of total private households



The Growing Economy Requires a Housing Response

Significant Amount of Employment Space Under Construction

As of July 2019, the City had over **5.6M sq. ft.** of office, retail, and industrial space under construction or approved for development, which is space for **~25,900 jobs.**

This does not include other institutional job space that may be in the pipeline.

Space type	Job space (square feet)	Jobs (estimated)
Office	3,523,000	19,600
Retail	1,292,000	4,300
Industrial	785,000	2,000



*More detailed projections of employment growth by sector to come with Employment Lands and Economy Review update in Fall 2019.

Potential Occupations and Incomes Associated with New Office Space

Economic sectors suited to office space



**Professional
scientific and
technical services**



**Information and
cultural industries**



**Finance and
insurance**

Example occupations and median individual income

Civil, mechanical, electrical, and chemical engineers - \$90,420

Computer and information services professionals - \$81,740

Human resources and business services professionals - \$65,560

Office administrative assistants – general, legal and medical - \$46,860

Connection Between Incoming Jobs and New Market Rental Housing

What does a new market rental apartment cost?*

Studio Unit

- Average monthly rent: **\$1,576**
- Household income required: **\$63,040**

2 Bedroom Unit

- Average monthly rent: **\$2,648**
- Household income required: **\$105,920**

What type of household could live in a new market rental unit?*

Human resource professional

- Median income of \$65,560

Total Household Income:
\$65,560

Computer and information services professional

- Median income of \$81,740

Office administrative assistant

- Median income of \$46,860

Total Household Income:
\$128,600

Notes:

*A 'new market rental' apartments is defined as units completed between July 2016 and June 2018. Household income requirement assumes 30% of household income is spent on rent. Source, CMHC Market Rental Survey 2018.

**These are hypothetical households and are illustrated using 2015 median gross individual incomes by occupation. Median incomes are for only workers who worked full time for the full year in 2015. Source, Statistics Canada Census 2016.

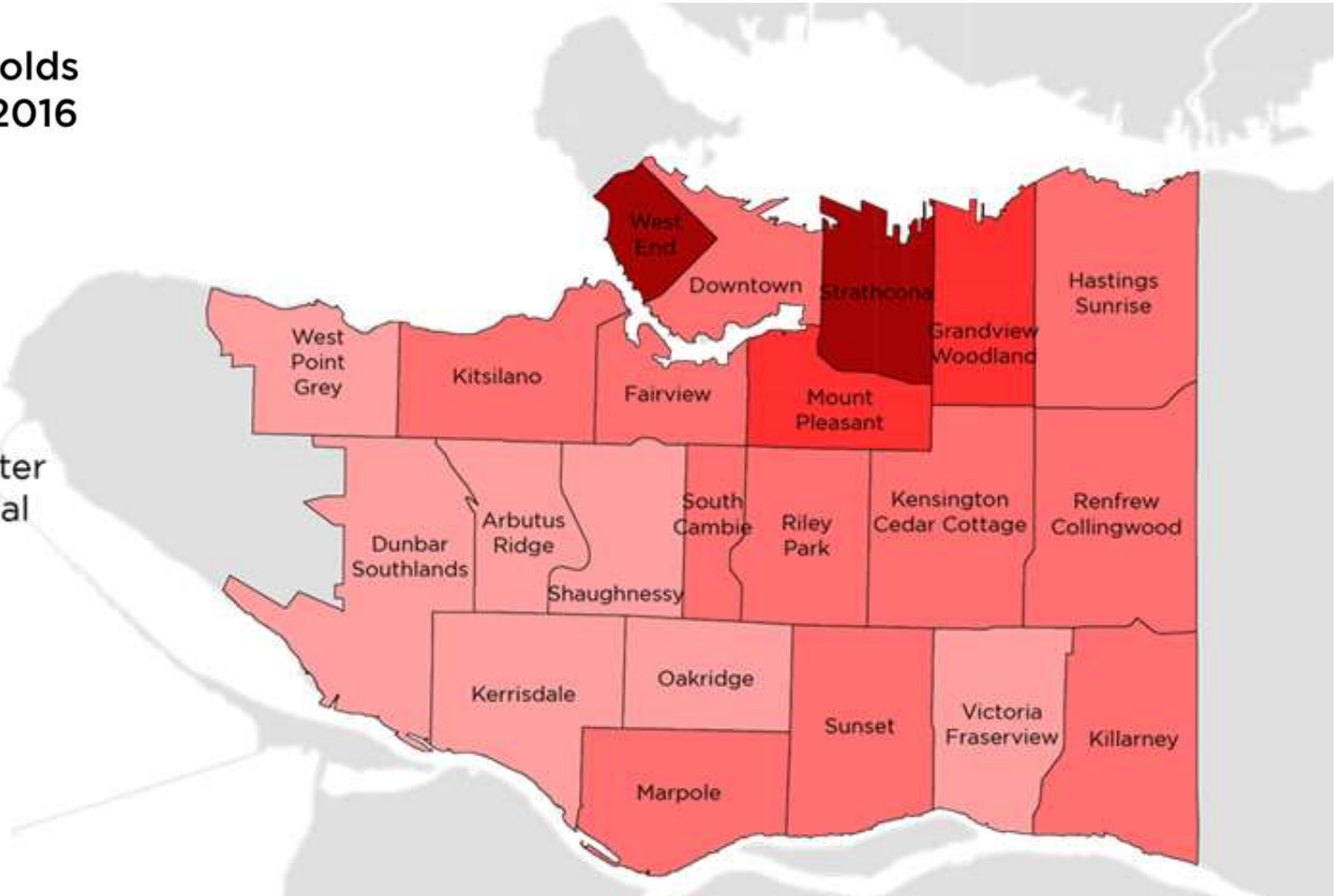


Equity for Renters

Majority of Vancouver Households are Renters, But Are Disproportionally Accommodated in Different Neighbourhoods

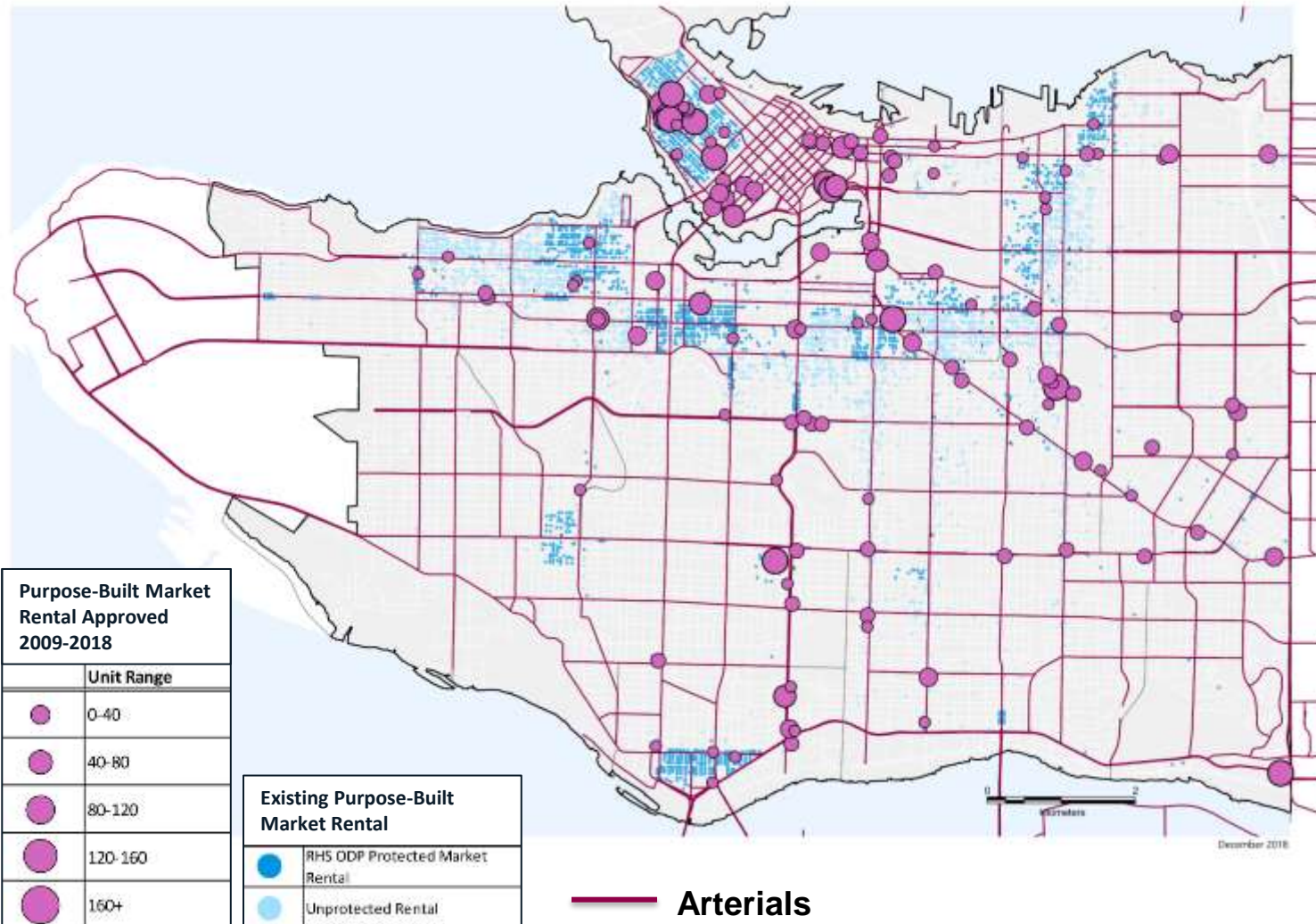
Renter households
by local area, 2016

Proportion of renter
households in local
area



The Secured Rental Housing Stock is Concentrated in Specific Areas of the City and Along Arterial Roads

Rental approvals from 2009-2018 (year end) and existing purpose-built rental housing stock



Over the last 10 years, 90% of all new purpose-built rental built in Vancouver has been located on arterial roads

Desire For Geographic Equity

- Renters value opportunities to live near transit and close to work, but identify the challenge of finding secure rental options and street and traffic noise as issues
- New rental housing has been focused along arterial roads, where traffic-related air and sound pollution levels are highest
- More rental options, including a greater variety of housing types in neighbourhoods away from busy corridors, are needed

As a young family the proximity to the community centre is a major factor in why we stay here, though we are getting tired of the noise and pollution

- CoV Rental Incentive Survey Respondent



There is a lot of dust and pollution on this stretch, making the balcony unusable - you rarely see anyone on their balcony on this side of the building

- CoV Rental Incentive Survey Respondent



Desire For Security of Tenure

- Purpose-built rental provides secure, long-term housing for households who cannot afford or don't choose to own
- Secondary rental options (including basement suites and rented houses) offer some options in low-density neighbourhoods however the risk of displacement is much higher, and livability can be a challenge



Housing instability caused incredible stress for our family. We are extremely grateful for a 3-bedroom home that is affordable, stable, safe (new construction), and close to school, transit, and amenities, and we strongly credit the incentive program with making that possible.

- CoV Rental Incentive Survey Respondent

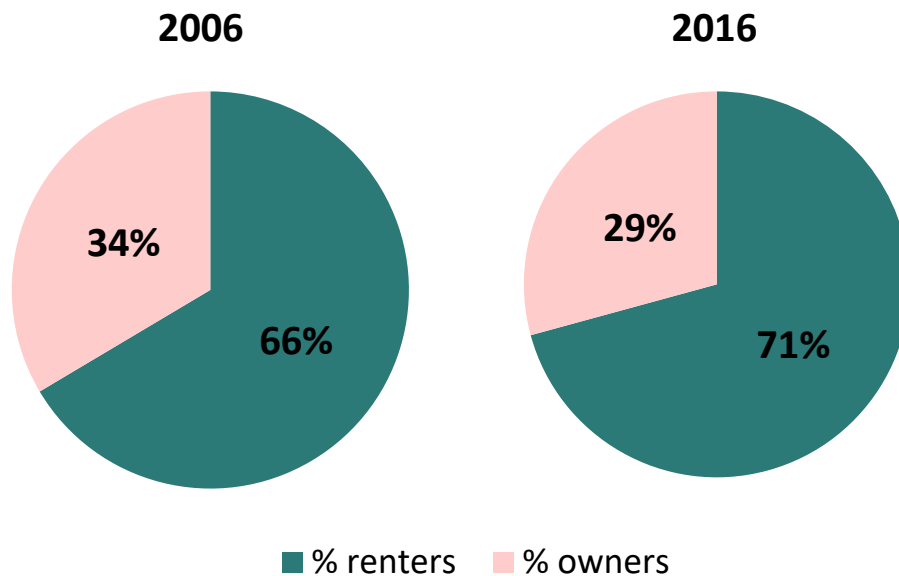
We looked for a long while, and most of the places in our price range that allowed pets were tiny, dark, closet-like basement suites that had major limits on dog size and other concessions.

- CoV Rental Incentive Survey Respondent

Renting Increasingly the New Normal for Younger Residents

In 2016, **71%** of households led by people under 45 rented their home, up from 66% in 2006

Vancouver Households With Primary Household Maintainer Under 45 by Housing Tenure



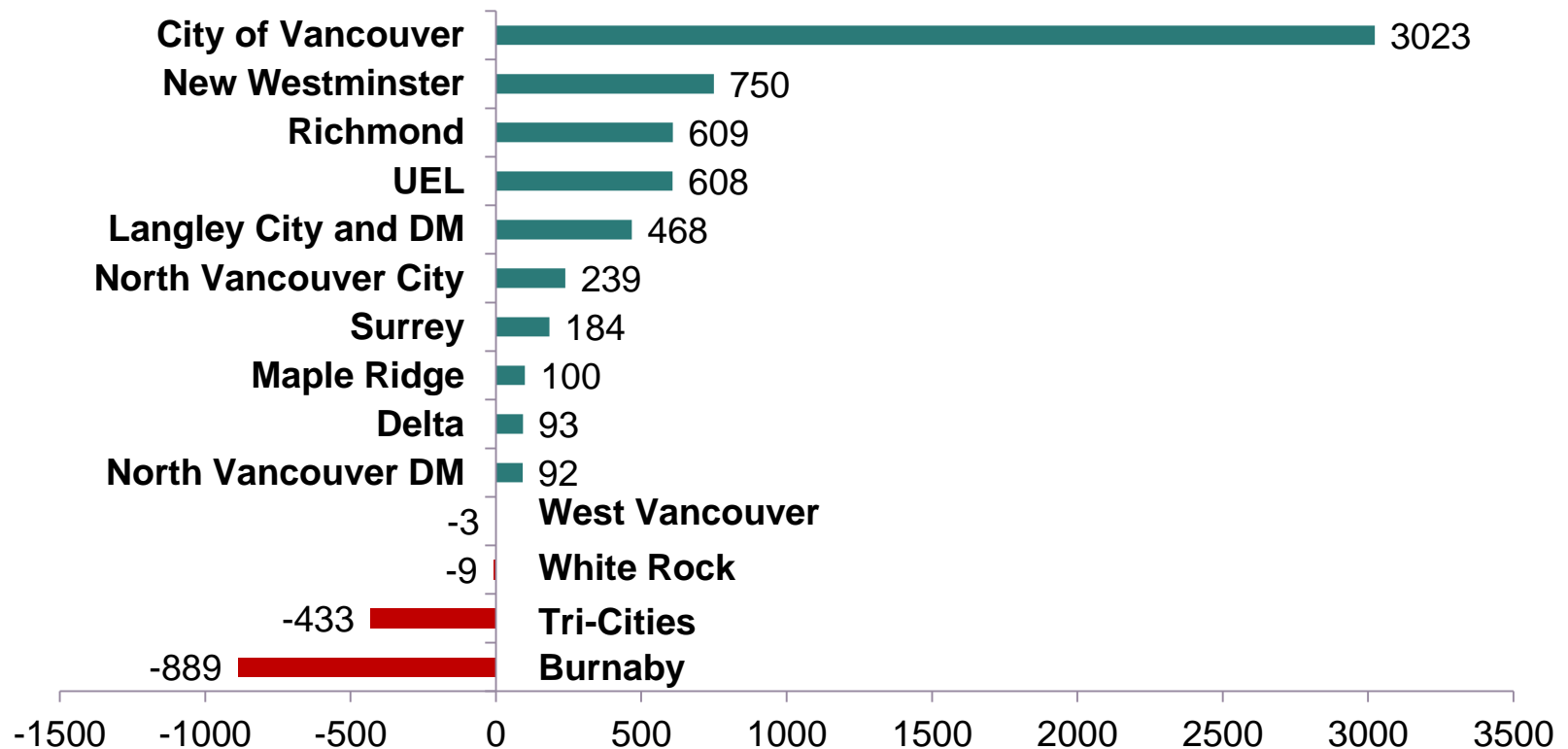
Source: Statistics Canada Census, 2016



Impact of Growing Demand on Current Rental Housing Stock

Despite growth in rental supply, much more is needed in Vancouver and across the region

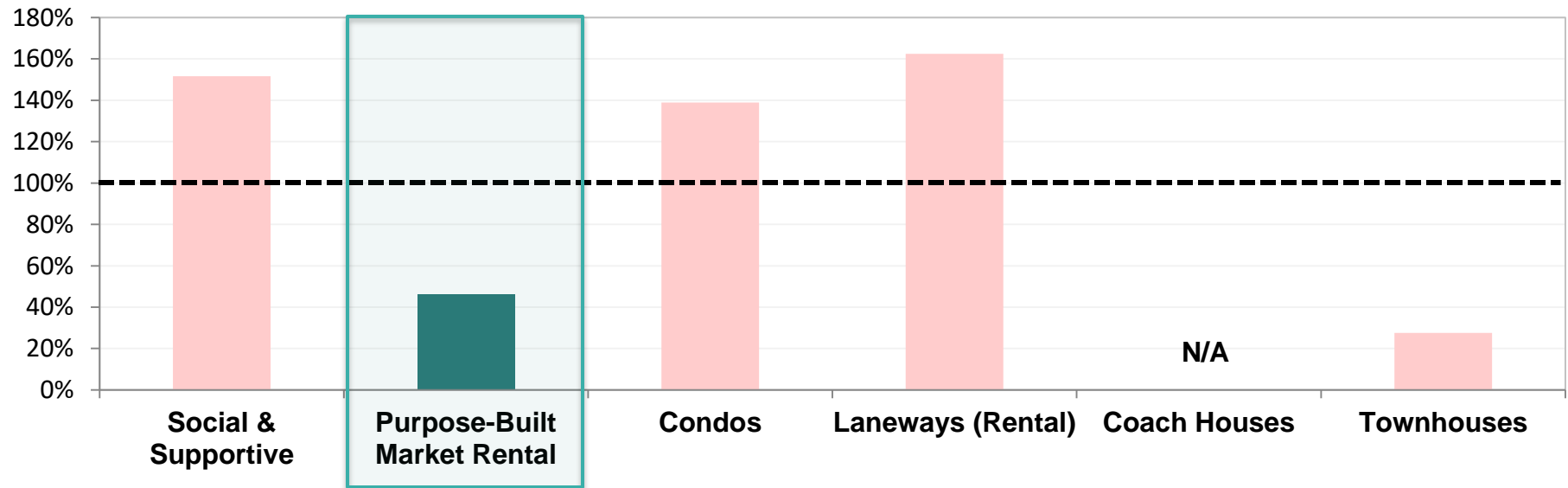
Change in Apartment Units in CMHC Rental Market Survey Universe (2010-2018)



Not Meeting Housing Vancouver Targets for New Purpose-Built Market Rental Housing



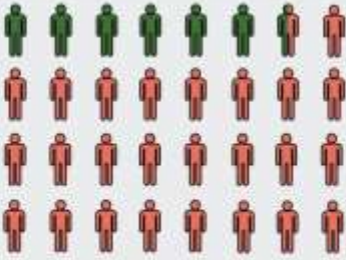

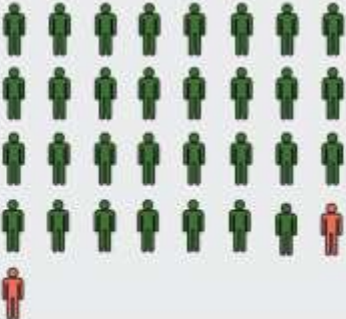

- Housing Vancouver set 10-year targets for new housing types and tenures across the housing continuum and income spectrum
- We've only reached **46%** of our target over the first two years, and **9%** of the total 10-year target for new purpose-built market rental housing

% of 2-Year (2017 + 2018) Unit Targets Approved By Housing Type







Mismatch Between Existing Rental Stock and Renter Incomes

Renter Households vs Existing Purpose-Built Rental Stock

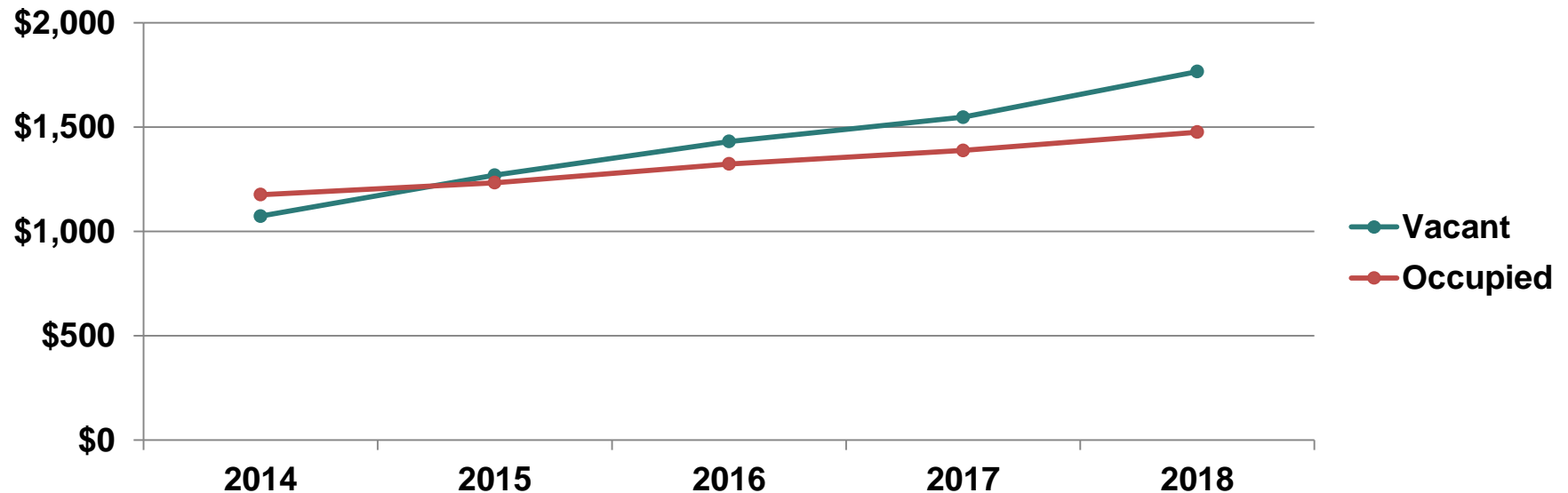
Household Income	Rent Range @ 30% of Income	# of Renter Households (2015)	# of Purpose-Built Market Rental Stock Renting @ 30% of Income
\$150k+/ year	\$3,750/ month		
\$80-150k/ year	\$2,000-3,749/ month		
\$50-80k/ year	\$1,250-1,999/ month		

Not enough new rental means higher income renters are living in the existing older, more affordable rental

-  = 1,000 units
-  = 1,000 households
-  = Households served by purpose-built rental stock renting at 30% of income
-  = Households under-served by purpose-built rental stock renting at 30% of income

High Demand Driving Up Average Rents

Average Purpose-Built Apartment Rent, Vacant vs. Occupied Units, 2014-2018



Average rents for rental apartment units are increasingly higher for vacant units than occupied units. This signals demand that is unmet by the existing rental housing stock and prices being driven up as a result.

New Market Rental Can Alleviate Pressure on Existing Stock

A recent study* from the NYU Furman Center provides a comprehensive review of the research on new market rate housing and its effects on affordability in the existing rental housing stock.

Key Findings

- New market rental can alleviate pressure on older rental stock
- New rental housing increases supply more than demand
- Little evidence to suggest new market rental housing increases rents in older existing housing in the area
- Other solutions are needed in addition to new market rental to solve affordability issues



*Been, V., Ellen, I., & O'Regan, K. (2019). Supply Skepticism: Housing Supply and Affordability. *Housing Policy Debate*, 29(1), 25-40. <https://doi.org/10.1080/10511482.2018.1476899>

Phase II: Exploring Policy Solutions to Challenges and Issues Identified Through Review



Key Challenges & Issues For Market Rental Housing

City incentives are necessary to create new market rental housing

Rental incentive programs could benefit from being enhanced, simplified and expedited

Achieving deeper levels of affordability is important but requires additional incentives

Allowing more market rental housing in lower density areas is important for geographic equity but neighbourhood integration needs to be considered

Key Challenges & Issues For Market Rental Housing

City incentives are necessary to create new market rental housing

Rental incentive programs could benefit from being enhanced, simplified and expedited

Achieving deeper levels of affordability is important but requires additional incentives

Allowing more market rental housing in lower density areas is important for geographic equity but neighbourhood integration needs to be considered

+ Additional opportunities to address equity and increase rental supply in RS/RT areas will be explored through the City-wide plan process

Phase II Approach

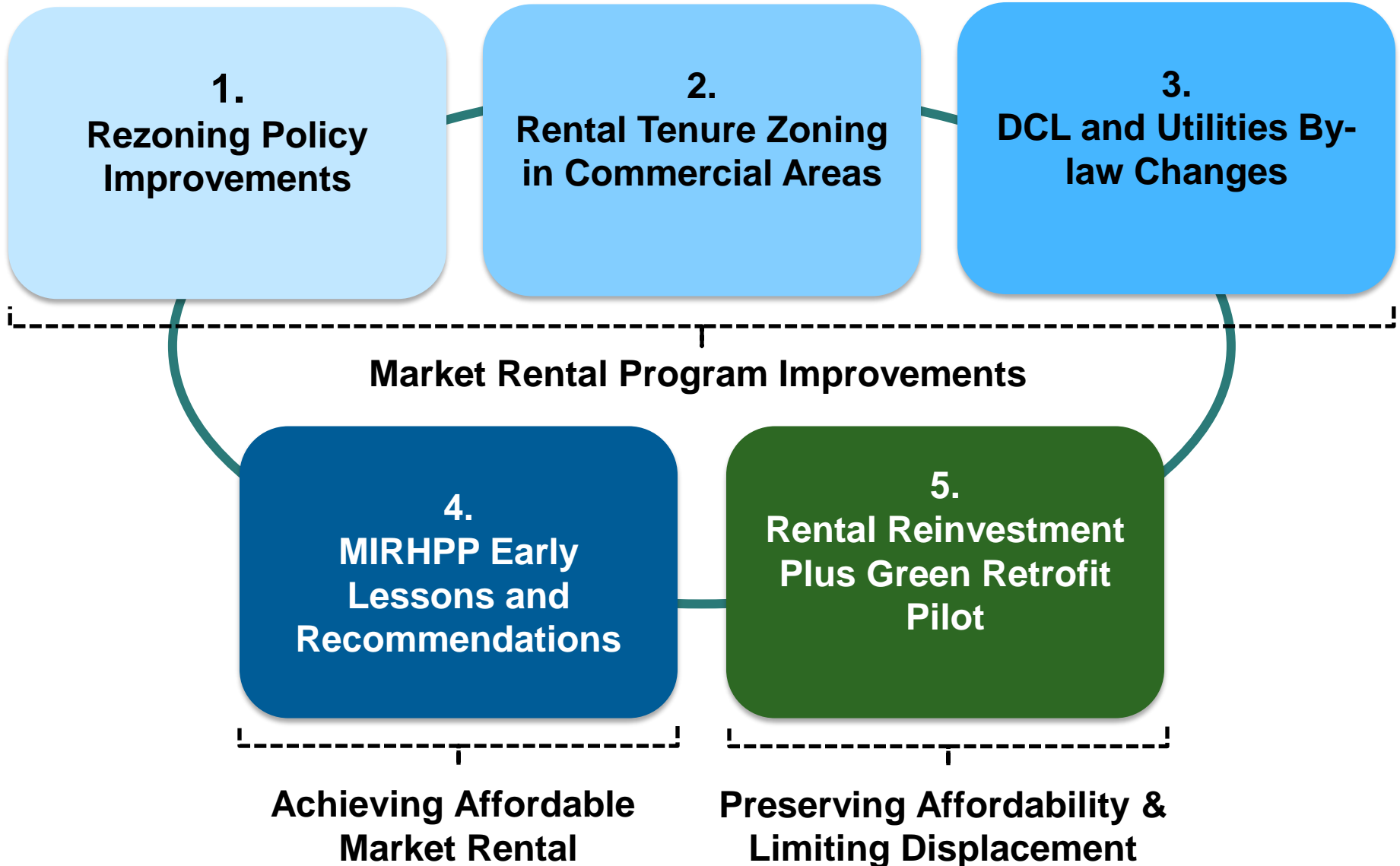
- Enhance existing rental incentive programs
- Stay generally within the geographic boundaries of current policies

In RS/RT Areas

- Improve townhouse & apartment forms currently allowed through AHC



5 Key Areas for Exploration in Phase II



Phase II: Market Rental Program Improvements

1.

Rezoning Policy Improvements

Objectives

- Increase rental supply
- Simplify existing policies
- Provide more clarity around form and development
- Test new ideas to better enable:
 - Near-zero energy buildings/reduced GHG emissions
 - Improved accessibility
- Explore opportunities to create rental housing off-arterials
- Explore additional incentives required to secure below-market units

Products

- *Updated Rezoning Policy*
- *Amended Incentive Bulletin*

2.

Rental Tenure Zoning in C2 Areas

Objectives

- Increase rental supply
- Explore ways to protect existing stock
- Simplify process and reduce processing times - prezone C2 under district schedules
- Test rental tenure zoning approach - retain existing zoning rights with rental-only density bonus option
- Explore additional incentives required to secure below-market units

Products

- *Amended Zoning & Development Bylaw to enable Rental Tenure Zoning*
- *Amended C2 district schedules*

Phase II: Market Rental Program Improvements

3. City-Wide & Utilities DCL By-law Changes

Objectives

- Improve administration and transparency of definitions
- Explore opportunities and impacts of narrowing waiver eligibility
- Test other incentives required to make rental viable if city-wide DCL waiver is removed (e.g. New Forms of Hospitality to Support Purpose Built Rental)

Products

- *Amended City-wide DCL and Utilities DCL By-laws*

Key Considerations

Provincial Requirements

- The Province through the Vancouver Charter defines "**eligible developments**" for which DCLs can be waived, which includes "for-profit affordable rental housing"
- To improve transparency, Staff have been in discussion with the Province to allow municipalities to waive DCLs on the basis of tenure (e.g. all market rental projects)

Issues

- Incentives needed for rental projects to be viable
- Growth costs – who pays?
- Confusion and opposition regarding the term "for profit affordable rental housing"

Phase II: Achieving Affordable Market Rental

4.

Moderate Income Rental Housing Pilot - Early Lessons

Objectives

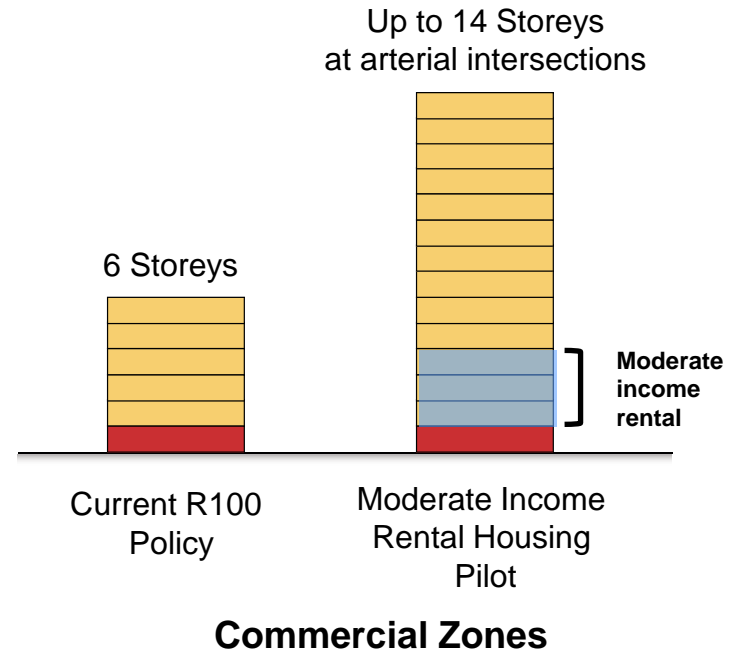
- Increase rental supply
- Create new rental units affordable to moderate income renters
- Report out on early learnings
- Consider opportunities to enable additional moderate income rental project proposals

Products

- *Pilot learnings & outcomes to-date*
- *Potential for modified or extended pilot program*

Issues

- Significant additional density required; form of development challenges
- Take-up/interest is still being determined; investors/lenders are typically conservative



Phase II: Preserving Affordability & Limiting Displacement

5.

Rental Reinvestment Plus Green Retrofit Pilot

Objectives

- Encourage upgrades in aging rental stock without displacement
- Create a pilot program to:
 - Test important safety, energy and seismic upgrades needed to preserve stock long-term
 - Document costs, take-up, and tenant outcomes
 - Explore potential to leverage new rental development opportunities

Products

- *Proposal for a Reinvestment Pilot Program without displacement*



Actions on Multiple Fronts to Expand Rental Housing Options

Comprehensive Planning Initiatives: Opportunities for New Market & Non-Market Housing

- **City-Wide Plan**
- **Broadway Plan**
- **Jericho Lands**
- **Prioritize Cambie Plan MTC & 6-storey rental bonus pre-zoning**
- **Initiate Station Area/Specific Area Planning (Nanaimo + 29th)**

Additional Initiatives to Create Opportunities for Non-Market Housing

- **Vancouver Affordable Housing Endowment Fund (VAHEF)**
- **SHORT Review**
- **Affordable Housing and Community Spaces Incentive Program**
- **2019-2022 Capital Plan Implementation for Affordable Housing (\$540 million)**



Summary of Key Phase I Findings

- New market rental fills an important need as part of the larger housing continuum
- The market rental incentive programs have been successful and incentives continue to be needed
- There are significant opportunities for continued improvement that will be further explored in Phase II in the coming months



Rental Incentive Review - Phase II

July 2019	August 2019	Sept - Oct 2019	November 2019	Q1 2020
1. Issues Identification	2. Development of Options	3. Consultation and Refinement Report drafting	5. Final policy and Council report	6. Implementation and district schedule changes



← Sep-Oct →

Phase II Consultation

- Stakeholder and public meetings
- Renters, industry, landlords, residents, partner organizations, and building experts to be consulted



Key Deliverables

- Amended Policy that combines Rental 100 & Affordable Housing Choices Policy
- Amended Rental Incentives Bulletin
- Energy Plus Reinvestment Pilot
- Enabling By-law / New Definitions in Z&D for form of Tenure & Draft amended district schedules
- Amendments to the DCL and Utilities By-laws
- Early learnings - MIRHPP

Thank You



**HOUSING
VANCOUVER**