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What Works

Local Government Measures for Sustaining and Expanding the Supply of Purpose-Built Rental Housing

Contents

1

Key Insights

INSIGHT 1

- In many markets, the viability of purpose-built rental projects is currently challenged, and new approaches may be warranted.
- Construction of purpose-built rental housing in Metro Vancouver is not keeping pace with the region's growing population and demand for diverse housing options.
- Many households in Metro Vancouver rely on the affordability and security of tenure of older rental housing buildings.
- New approaches are needed to support the development of new purpose-built rental projects and preserve existing rental housing in Metro Vancouver.

INSIGHT 2

Communities have several tools as part of their land use planning, policy, and regulation authority that can be used to support the construction of new purpose-built rental projects and preserve existing rental housing.

- Though these tools can be used as individual levers, best practice suggests that these tools are most effective when applied together.
- Some of the most impactful tools to support the development of purpose-built rental units include the reduction of minimum parking requirements, land-related measures that reduce land costs, waiver or reduction of development charges and fees, and tools that pre-zone for viable heights and densities for rental projects.
- To protect the existing purpose-built rental stock, the most important tools are strata conversion policies and rental replacement policies.
- Communities should consider how these more substantial measures can work in their local context, as well as implementing a range of smaller tools to build a comprehensive policy of support and preservation for rental housing.

2

Introduction

Increasing the supply of purpose-built rental housing is a fundamental strategy in fostering greater housing diversity and affordability. By building more purpose-built rental housing, communities can offer a greater variety of options that cater to different preferences. This includes different sizes, locations, features, and levels of affordability.

The purpose of this report is to summarize local government practices that are being used to both **sustain** the existing supply of purpose-built rental housing as well as **expand** the supply of new purpose-built rental housing. Case studies are used throughout the guide to demonstrate how communities use a combination of tools to sustain and expand the purpose-built rental housing supply.

This report is organized into three sections:

- **Background –** Sets the regional context of the purpose-built rental market.
- **Evidence about Local Government Measures that Work –** Summarizes findings from an analysis of various local government measures to expand the supply of purpose-built rental housing.
- **Showcase of Local Government Measures –** Highlights examples of local government measures that are being implemented to sustain and expand the supply of purpose-built rental housing in Metro Vancouver communities and other Canadian cities.

This guide is part of Metro Vancouver's "What Works" series, aiming to advance regional planning and housing policy goals through policy research and analysis. Go to metrovancouver.org and search "What Works" to learn more.

INTRODUCTION TO CASE STUDIES

Case studies have been included throughout this guide to highlight purpose-built rental projects throughout the region. These case studies showcase how communities have applied various tools to support purpose-built rental projects and how a combination of tools can work together to support viability.

Generally, a specific example of a development project has been selected to emphasize a successful example of implementation of a suite of tools and measures; however, in some cases, a program or approach is presented to highlight how a measure is used more broadly.

3

Background

The Metro Vancouver Regional Growth Strategy, Metro 2050, highlights the need to increase the supply of purpose-built rental housing as a key component of providing more diverse and affordable housing choices across the region. This approach requires both building new purpose-built rental developments and maintaining the existing stock of rental units across the region.

In Metro Vancouver, the existing stock of purpose-built rental housing is more affordable compared to new units due to its age and the current provincial model of rent control for occupied units and individual tenancies. Typically, new purpose-built rental housing rents at a higher cost. Therefore, it does not create affordability levels similar to existing purpose-built rental housing or non-profit housing. New purpose-built rental housing, however, helps meet a market demand and relieves the pressure on more affordable, existing rental housing stock.

Across Canada, rental development has generally not kept pace with condominium development.[1] Rental development has also failed to keep pace with demand, leading to vacancy rates in Metro Vancouver well below the three per cent that is considered to be a healthy vacancy rate and a sign of a balanced market.[2]

Financial considerations and the expansion of short-term rentals are cited as key factors underlying the lack of rental unit supply. Changes in interest rates and construction costs have made the financial feasibility of purpose-built rental more difficult, especially for smaller developers with higher financial debt as higher interest rates and construction costs result in higher equity requirements, and lower returns on investment.[3]

PURPOSE-BUILT RENTAL HOUSING refers to multi-family housing that is constructed for the purpose of long-term rental tenure and is not subdivided into co-op, strata condominium, or fractional ownership arrangements.

The **SECONDARY RENTAL MARKET** refers to rentals that were not originally purpose-built for the rental market.

This can include secondary suites in single detached homes or duplexes, rented condominium units, and other dwelling types rented out by the owner and/or investor.

This guide does not focus on the secondary rental market as the types of local government measures that relate to secondary rental units, and lower security of tenure for renters, make it a separate focus of research.

1 Canadian Mortgage and Housing Corporation. (2021). Purpose-Built Rentals Facing Financial Feasibility Challenges. Retrieved from: assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/housing-research/research-reports/2022/purpose-built-rentals-facing-financial-feasibility-challenges-en.pdf?rev=b59e362d-f9af-4616-8a32-

2 Metro Vancouver. (2023) Metro Vancouver Housing Data Book – December 2023. Retrieved from: metrovancouver.org/services/regional-planning/Documents/metro-vancouver-housing-data-book-2023.pdf

3 Canadian Mortgage and Housing Corporation.(2023). Rental Housing Supply not likely to improve short term as developers adjust to higher interest rates. Retrieved from: www.cmhc-schl.gc.ca/blog/2023/interest-rate-hikes-impact-rental-housing-construction-supply

While rental housing starts in Metro Vancouver have been on the rise in recent years (see Section 2.1), this growth may slow due to increasing financial challenges. As of the writing of this guide (early 2024), Canada's prime interest rate is 7.2 per cent. This is the highest lending rate in more than 20 years. Coupled with construction labour shortages and high materials costs coming out of the COVID-19 pandemic, this is likely to lead to a slowdown of development as a natural consequence of federal fiscal policy. Rental market data does not yet reflect this, as housing market activity often lags behind policy changes due to long pre-construction, development approvals, and constructions periods. Therefore, the full impacts of the latest rate hikes (from mid-2023) have yet to ripple through the market.

A **RENTAL HOUSING START** is defined as the beginning of construction work on the building where the rental dwelling unit will be located.

Because current conditions are challenging for development, it is all the more vital that incentives and supports for purpose-built rental housing be applied in order to ensure that much-needed purpose-built rental projects remain viable.

3.1 Federal and Provincial Policy Landscape

There are several initiatives on a federal and provincial level that are working to support the construction of new purpose-built rentals.

Canada's National Housing Strategy

Canada's National Housing Strategy includes several initiatives targeted at expanding the supply of purpose-built rental housing. One such initiative is the Apartment Construction Loan Program (formerly known as the Rental Construction Financing Initiative), a program administered by CMHC that provides low-cost loans on a 10-year term, up to 50-year amortization periods, and up to 100 per cent loan-to-cost for residential construction.

The Government of Canada also offers other programs focused more broadly on the creation of housing supply, including the Housing Accelerator Funding program, which was rolled out in 2023, and offers funding over three years for communities to develop innovative policies, programs, and processes to create more supply of housing at a faster pace.

Enhanced GST Rental Rebate

In September 2023, the Federal Government announced an enhancement of the Goods and Services Tax (GST) Rental Rebate.[4] The change eliminates GST for purpose-built rental housing projects, increasing the rebate from 36 percent

4 Government of Canada. (2023). Enhanced GST Rental Rebate to build more apartments for renters. Retrieved from: canada.ca/en/department-finance/news/2023/09/enhanced-gst-rental-rebate-to-build-more-apartments-for-renters.html

to 100 per cent. These changes apply to projects that begun construction between September 14, 2023, and before December 31, 2030, and are completed by December 31, 2035.

Provincial Legislative Changes

In 2023, the Province of BC made several significant policy announcements that directly target the development of rental housing and tackle the supply of housing in the province more broadly. The intent is to take a multi-pronged approach that will drive significant increases in housing supply, including purpose-built rental projects. These changes include:

Housing Statutes Amendment Act (Bill 44-2023 (Residential Development), Bill 46-2023 (Development Financing), and Bill 47-2023 (Transit-Oriented Areas)

Recent amendments in the *Local Government Act* and the *Vancouver Charter* – such as adjusting public engagement requirements, requiring Official Community Plans (OCP) to plan for housing over a longer time frame (from 5 to 20 years), and allowing more homes near transit hubs with minimum height, density, and floor area ratio requirements – could help reduce barriers to housing development.

Housing Action Plan

The Province's new housing plan, "Homes for People," introduced in April 2023, outlines several other actions that will be taken to increase the supply of housing and address speculation in the housing market. This includes launching BC Builds, a program focused on using public land to deliver housing across BC.[5] The program works by:

- Identifying underutilized and low-cost land for development.
- Bringing together municipal landowners, non-profits, First Nations, community groups, and private developers.
- Speeding up development timelines.
- Providing low-interest financing and grants.

Purpose-Built Rental Tax Exemptions

In February 2024, the Province announced that Budget 2024 will include an exemption from the general property transfer tax on purchases of new qualifying purpose-built rental buildings that take place between January 1, 2025 and December 31, 2030.[6] This change was made to encourage the construction of new purpose-built rental buildings.

5 Government of British Columbia. (2023c). New action plan delivers more homes for people, faster. Retrieved from: news.gov.bc.ca/releases/2023HOUS0019-000436

6 Government of British Columbia. (2024). Purpose-built rental exemptions. Retrieved from: gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax/exemptions/purpose-built-rental-exemption

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Evidence of Local Government Measures that Work

Growth of rentals in Metro Vancouver has been limited for much of the past three decades. Over 70 per cent of the units in the primary rental market in the region were built before 1980 (see Figure 1).

The pace of new rental starts has grown across the region in recent years. Between 2011 and 2018, new purpose-built rental starts averaged about 630 units per year. Between 2018 and 2023, they averaged more than 2,300 units per year, with the largest output of new units in 2022 and 2023. This is likely due to favourable programs (such as CMHC's Rental Construction Financing Initiative) and favourable market conditions (e.g., high demand for rentals and historically low interest rates). However, given current economic conditions, it is anticipated that the high number of new purpose-built rental starts could slow in coming years.

With less than 10,000 new purpose-built rental units built between 2011 and 2021, compared with about 87,000 new renter households (Figure 2), the uptick in purpose-built rental housing has not kept pace with the growth in new renters. In 2011, there was one unit of purpose-built rental housing for every 2.85 renter households in Metro Vancouver. By 2021, despite an increase in purpose-built rental construction, this ratio had increased to **one purpose-built rental for every 3.67 renter households** in the region.

From 2011 to 2021, the number of rental housing units has increased by 9,362 as shown in Figure 2. During this same period, the region saw a population increase of 329,497 people and an increase of 87,155 renter households.

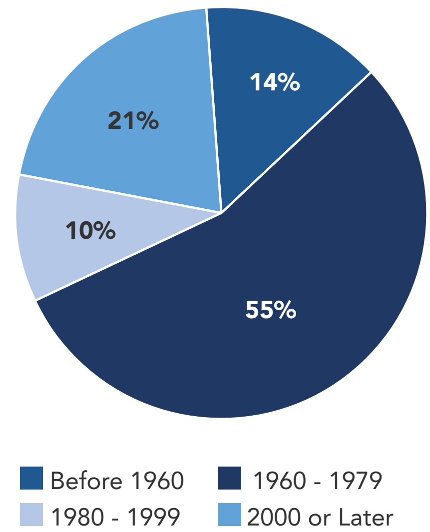


Figure 1. Primary Rental Market Units in Metro Vancouver by Period of Construction (As of October 2023)[7]

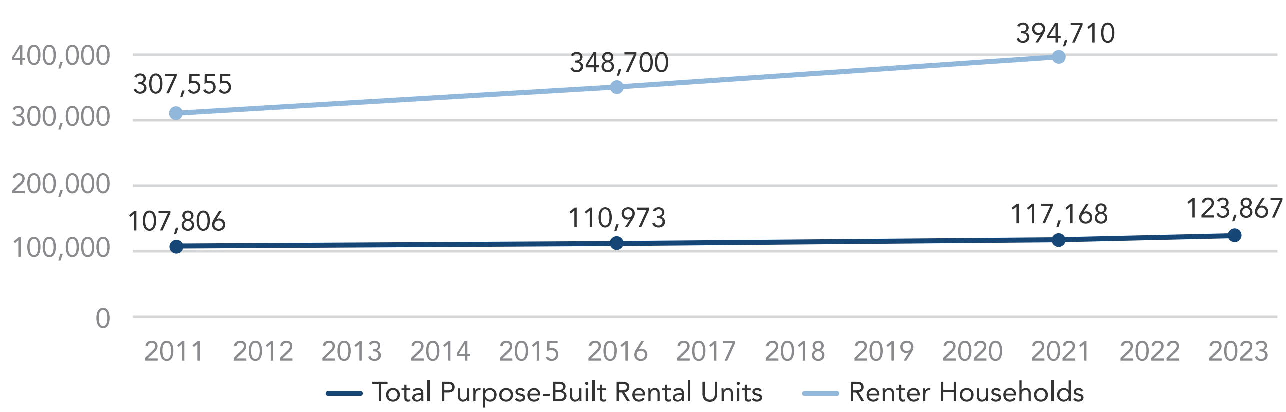


Figure 2. Renter Households and Purpose-Built Rental Unit Growth in Metro Vancouver, 2011-2022

7 Canadian Mortgage and Housing Corporation. (2024). Housing Market Information Portal. Retrieved from: www03.cmhc-schl.gc.ca/hmip-pimh/en#Profile/1/1/Canada

The communities in the region that have experienced the strongest growth in purpose-built rentals include Burnaby, Coquitlam, New Westminster, Surrey, and Vancouver.

- The City of Vancouver has been leading the region in total number of rental starts, with more 29,485 rental starts in the last 10 years. Vancouver also experienced a record year for purpose-built rental development in 2023.
- Burnaby has seen strong growth in its annual rental housing starts, increasing from zero in 2013 to 1,253 in 2023, becoming the third highest producer of purpose-built rental starts in region.
- While Surrey, Coquitlam, and New Westminster also saw strong rental development over the past 10 years, these communities experienced a decline in purpose-built rental housing starts between 2022 and 2023.

Figure 3 displays the rental housing starts of the five communities as well as an "Other" category representing the remaining communities in Metro Vancouver.

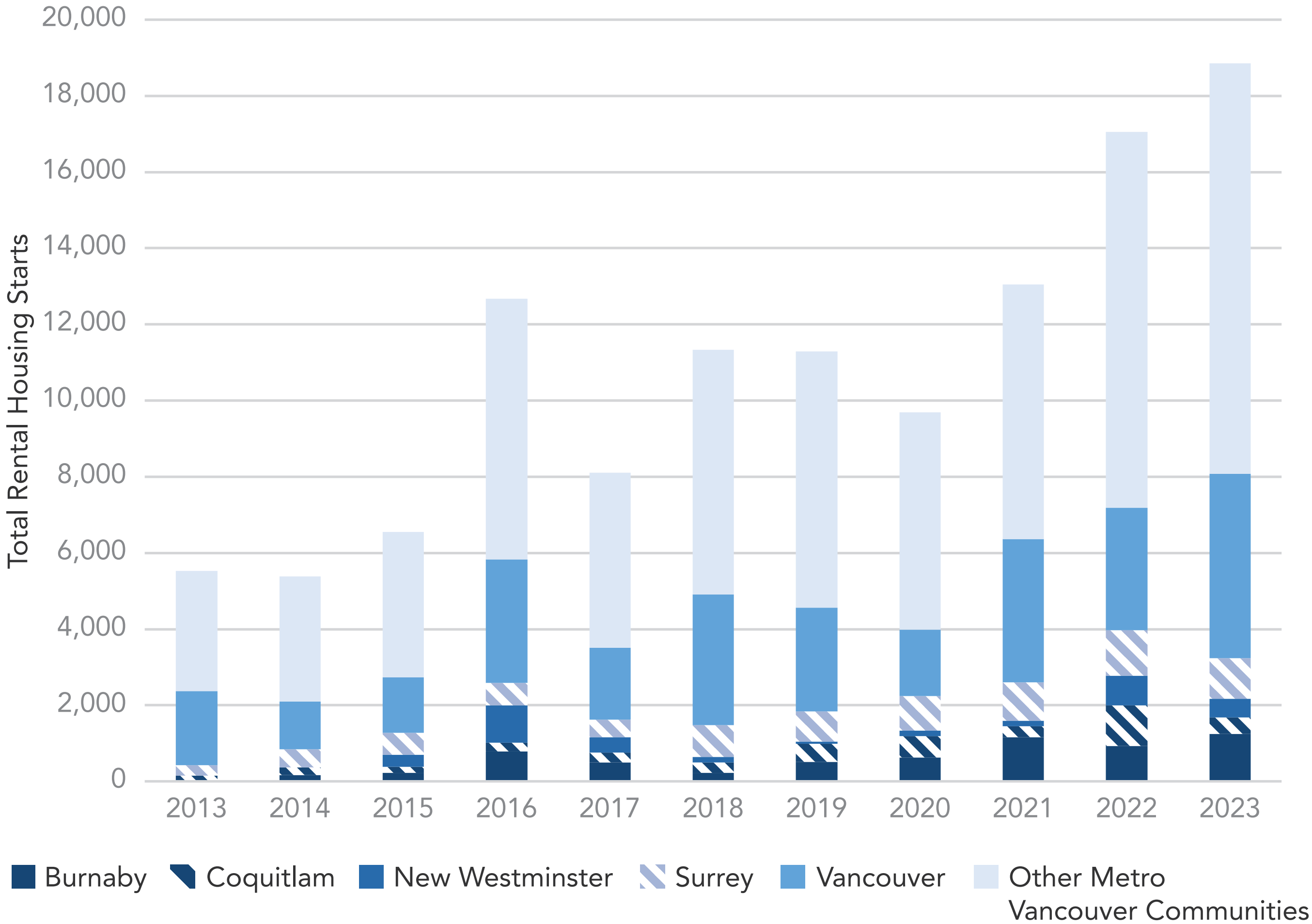


Figure 3. Rental Housing Starts as a Percentage of Total Housing Starts, 2013-2023[8]

8 Canadian Mortgage and Housing Corporation. (2024). Housing Market Information Portal. Retrieved from: www03.cmhc-schl.gc.ca/hmip-pimh/en#Profile/1/1/Canada

Vancouver and New Westminster have seen the highest share of rental housing starts as a percentage of total housing start demonstrating strong support for rental projects. Both communities have incentives that improve rental viability when compared to condominium development. Figure 4 displays the share of rental housing starts as percentages for the communities that had the highest rental starts in the past 10 years.

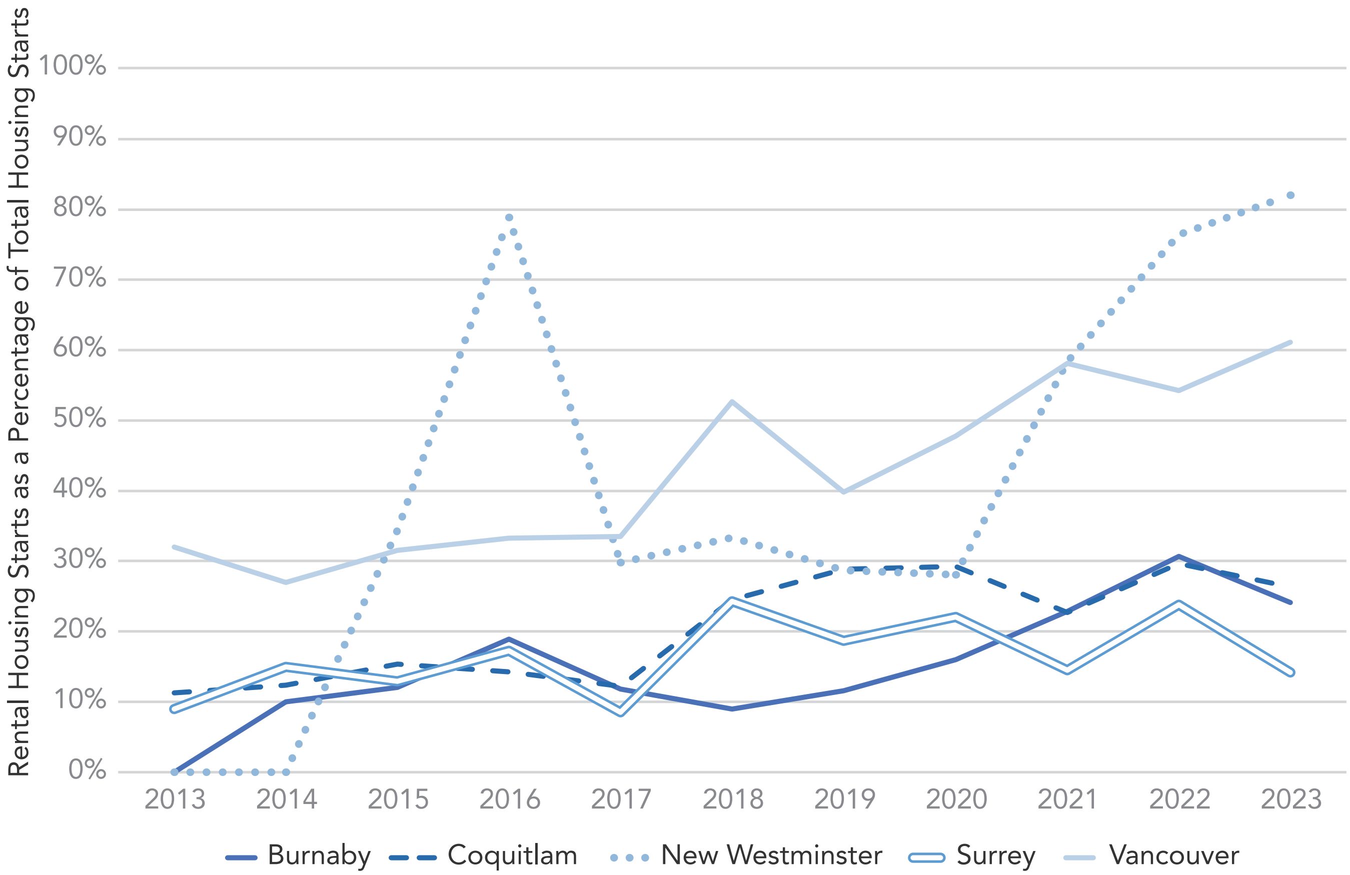


Figure 4. Housing Starts as a Percentage of Total Housing Starts of the Highest Rental Producing Communities, 2013-2023[9]

What the top five communities share is strong policy support for purpose-built rentals that can help improve viability, which in turn leads to new development. Section 5 outlines a list of tools communities can use to support the viability of purpose-built rental projects.

9 Canadian Mortgage and Housing Corporation. (2024). Housing Market Information Portal. Retrieved from: www03.cmhc-schl.gc.ca/hmip-pimh/en#Profile/1/1/Canada

4.2. Anatomy of a Purpose-Built Rental Housing Project

This section provides an overview of pro forma financial modelling using hypothetical mid-rise, six-storey wood-frame purpose-built rental apartments in three sub-areas of the Metro Vancouver region. The intent is to develop a broad understanding of project feasibility and how viability may vary in different parts of the region. Before reviewing the scenarios, it's important to understand the main performance indicators used to determine success.

Performance Indicators

There are four common metrics used by housing developers to make decisions about constructing purpose-built rental housing:

- **Internal rate of return** (levered, 10 years) – This metric allows developers to compare investment options of different scales and types, accounting for the time value of money. Essentially, it indicates the percentage return developers can expect to receive on the money they invest in a project. While different developers/investors will have different IRR "target thresholds", a **12-15 per cent levered IRR** is considered a typical target range.
- **Profit on cost** (i.e., build and sell) – This is the profit margin on a project, based on estimated project value at completion compared to total development costs (including land and financing). Value is calculated using the net operating income (NOI) upon stabilized occupancy and a reasonable market capitalization (cap) rate. Generally, a margin of **13-15 per cent** is required.
- **Developer yield** (return on cost) – This metric can be compared against the market capitalization rate and is calculated by dividing stabilized NOI by total development costs including financing and land. A higher developer yield indicates a more profitable project for the developer.
- **Cash-on-cash return** (i.e., return on equity invested), over a 10-year hold period, with sale in year 11 – This metric measures direct returns from operations, including consideration of debt servicing year-to-year and paydown of loan principal upon sale. This metric is calculated by dividing the annual cash flow (after debt payments including principal) by equity invested. A typical average annual return target is **10 per cent**.

In reviewing a project's viability, a developer will look at multiple metrics simultaneously as each tells something different about a project and its return potential. Further, the "weight" given to one metric or another will vary depending on the interests of a given builder and their equity partners.

For projects to be deemed viable, they must show performance within the typical "target range" of the developer return metrics presented above. Note that strong (or weak) project performance according to one metric may not translate to strong (or weak) performance on another. A project that would not be viable for one developer may be acceptable for another. However, if a project performs poorly or marginally across all metrics, this is a stronger indication that the project would be unlikely to proceed.

Beyond a viability assessment based on the four metrics outlined above, it is also possible to do a simple comparison of projects on a 10-year-hold basis, based on overall net projected revenues (cumulative annual operations + disposition at end of hold period) versus cumulative costs (land + construction + 10-years of operations, including debt servicing).

By testing different policy or regulatory levers, the relative gap between revenues and costs changes to reflect the significance of impact. Figure 5 below shows an illustrative example of the revenues and costs of a project without incentives and project viability with incentives (i.e., pre-zoning, reduced parking ratios, lower interest rate and longer amortization period via CMHC, and waiver of development fees).

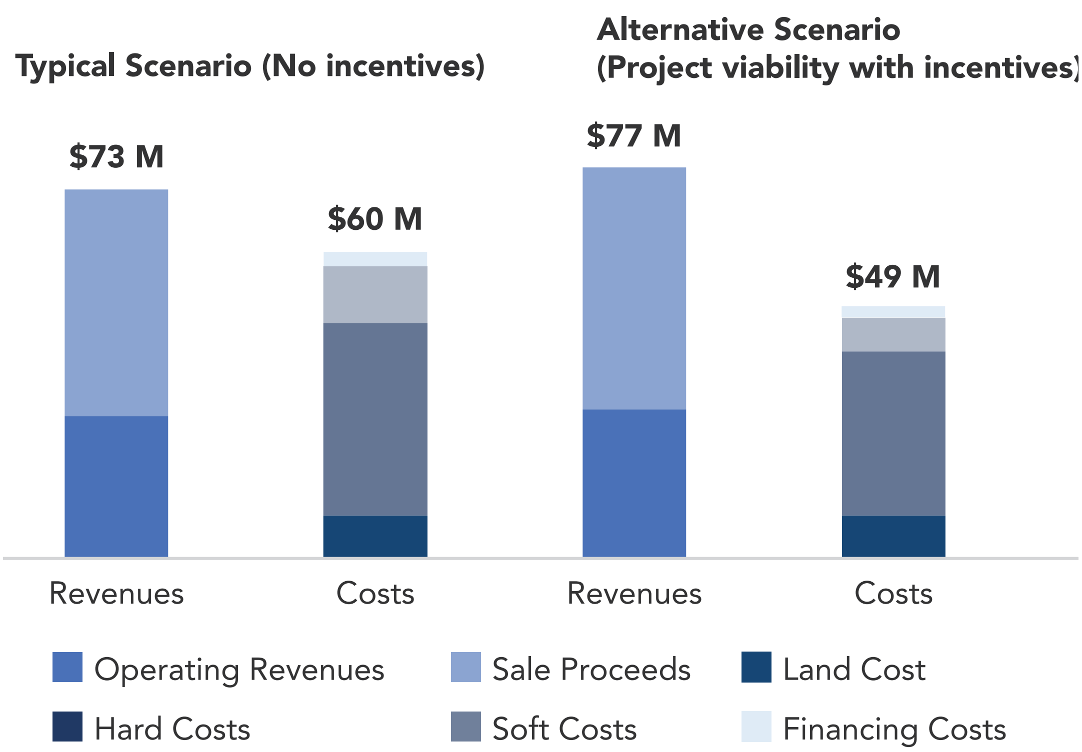


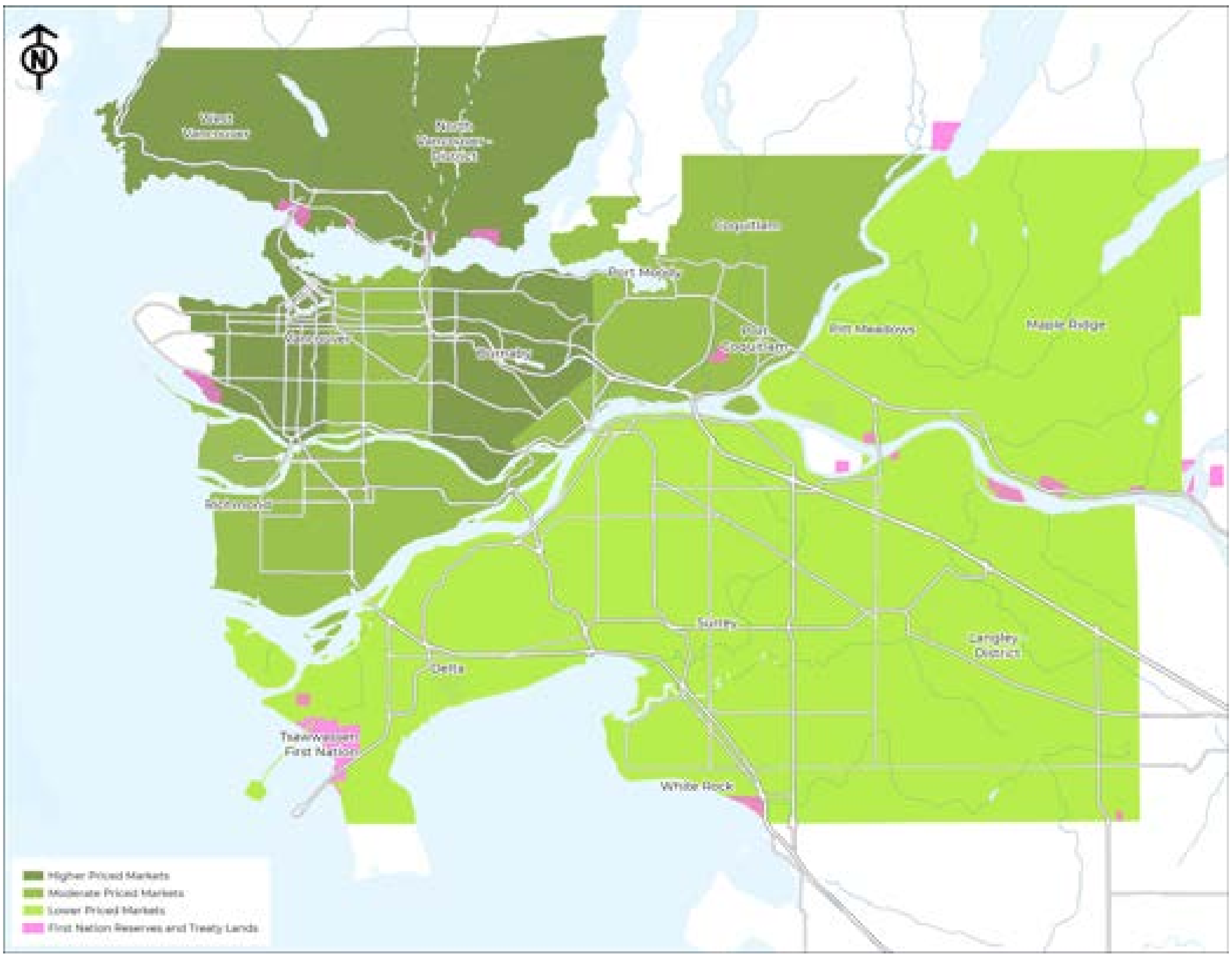
Figure 5. Conceptual Capital and Operational Budget, 10-Year Hold Period, Typical vs. Alternative Scenario 1

Market Tiers

A six-storey mid-rise market rental building was modelled under "typical" and "alternative" conditions in three representative market tiers in Metro Vancouver, based on the differentiation between average condominium prices, which is one indicator of the strength of the development environment for new construction more generally:

- Higher Priced Markets (West Vancouver, North Vancouver, Vancouver West and Burnaby)
- Moderate Priced Markets (Richmond, Vancouver East, New Westminster, Port Moody, Coquitlam and Port Coquitlam)
- Lower Priced Markets (Delta, Surrey, White Rock, Pitt Meadows, Maple Ridge and Langley.)

Within these market tiers there is a range of revenues and development costs which are dependent on the local conditions. In each case, a sample site was selected within each of the broadly identified market tiers deemed to be generally representative of a "typical" parcel within the local market.



Scenarios

Three conditions are presented for each market tier. Note that we have assumed traditional bank financing for these projects, at the current prime bank rate of 7.20 per cent.

- **Baseline or "typical" market conditions –** Reflects prevailing market conditions, assuming no incentives offered.
- **Alternative Scenario #1 –** Reflects application of development incentives 1 through 4 as outlined below.
- **Alternative Scenario #2 –** Reflects all development incentives outlined, including provision of free land.

Possible development incentives include:

1. **Pre-zoning –** This means reducing development approvals timeline from 18 to 10 months, which reduces carrying costs related to land and construction financing.
2. **Reduced parking ratios –** Lowering requirements from a typical minimum down to 0.7 stalls per unit reduces the hard and soft costs of building parking, which can be quite substantial.
3. **Lower rate, longer amortization financing via CMHC –** This reduces the amount of capitalized interest accrued over the course of construction and the annual ongoing debt servicing costs.[10]
4. **Reducing development fees** (i.e., waiving of development cost of charges or other fees).[11]
5. **Land acquisition at no cost –** Reflecting a land donation.

This analysis is intended to illustrate rental development viability trends broadly in the three market tier as a reflection of market conditions today. The actual development viability of a site, however, will differ on a case-by-case basis depending on the developer's risk profile, access to financing, land acquisition costs, and many other factors.

10 We assume the development project will meet program eligibility and will be approved under an affordable housing program or initiative from any government level, such as capital grants, municipal concessions or expedited planning processing. The construction financing rate and long-term loan interest rate is modelled at prime rate minus 0.5 per cent, however, projects may be qualify for lower rates through CMHC's financing programs which would improve overall viability.

11 Decision on waiving DCCs must be balanced with the correlated loss in revenue for key infrastructure services. The waiver of DCCs for purpose-built rental units is not a commonly adopted practice in communities across Metro Vancouver.

Results

Lower Priced Markets

Baseline Scenario

Under "typical" or baseline conditions, a six-storey market rental project in these parts of Metro Vancouver are not shown to be viable according to return metrics outlined above. While land acquisition costs are relatively lower than the other two market tiers, market rents are also comparatively lower.

- As a build-and-sell prospect (as reflected in the profit-on-cost metric) this project is not viable on paper.
- Total costs to build exceed total value at completion (per capitalization of stabilized NOI), resulting in a -3 per cent profit on cost.
- Looking at the project on a cash-flow basis, the project has a >9 per cent levered IRR. This return falls below the likely target range of 12-15 per cent.
- It also does not generate a sufficient return on project equity.
- Net yield on cost at 4 per cent does not necessarily indicate viability or non-viability, but would be considered in tandem with other metrics outlined above. For example, when viewed from a longer-term perspective, property appreciation and rent increases may lead to higher yields over time. Additionally, if the project is deemed low risk, a 4 per cent net yield on cost may be deemed acceptable.

Overall, the baseline scenario is unlikely to be deemed attractive to most prospective builders/investors. While rental housing development is still occurring in this market, it is more financially challenging under the current market conditions.

Alternative Scenario 1

In this scenario, the combined impacts of pre-zoning, reduced parking, CMHC financing and reduced development fees are quite significant. This project would now be deemed viable and attractive according to all cash-flow based metrics, and could also be deemed "borderline viable" as a build-and-sell project.

Alternative Scenario 2

In this last scenario, the above incentives are combined with provision of free land, resulting in a highly viable market project that offers opportunities for reduced rental rates. Land costs account for 13-16 per cent of overall project costs in the first two scenarios.

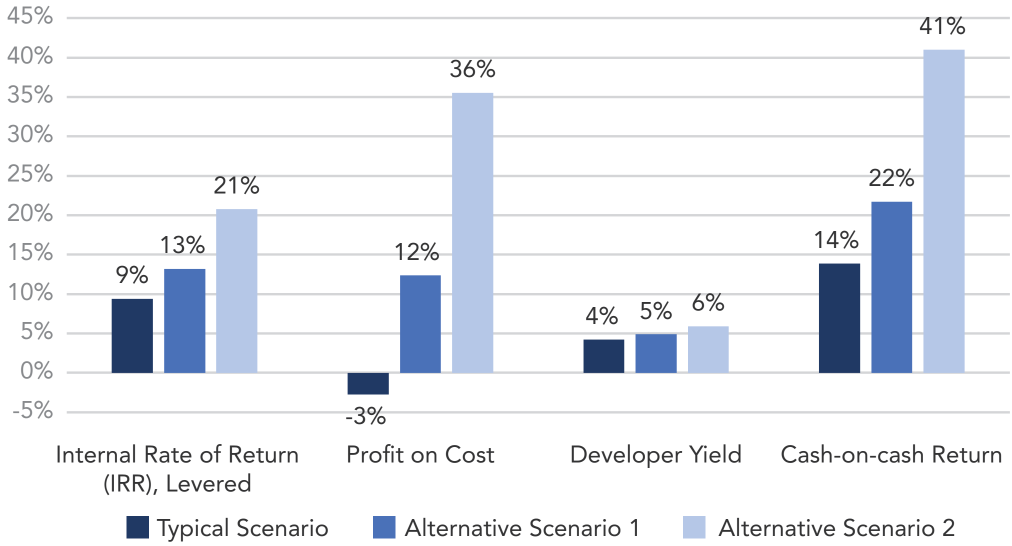


Figure 6. Lower Price Markets, Typical vs. Alternative Scenarios

Moderate Priced Markets

Baseline Scenario

Under "typical" or baseline conditions, a six-storey market rental project in these parts of Metro Vancouver are shown to be financially challenging under current market conditions and according to return metrics outlined above. As with the previous example, while rental housing development may still occur in this market, it is more challenging under the current conditions.

- Project value at completion and stabilized operations only slightly exceed the overall cost to buy the land and construct the building.
- This results in a relatively low profit-on-cost (4 per cent), and a project that would not be considered viable as a build-and-sell undertaking.
- As a longer-term build-and-operate prospect, this project performs somewhat better (11 per cent levered IRR) than the lower priced market example. However it would still not be deemed attractive for most developers.

Alternative Scenario 1

The combination of reduced parking, shorter approvals period, better financing terms, and reduced development fees, significantly improves overall project performance. Based on all return metrics, this project would be deemed viable and attractive.

Alternative Scenario 2

The addition of free land to an already viable Alternative Scenario 1 further improves project returns and opens opportunities for lower rents.

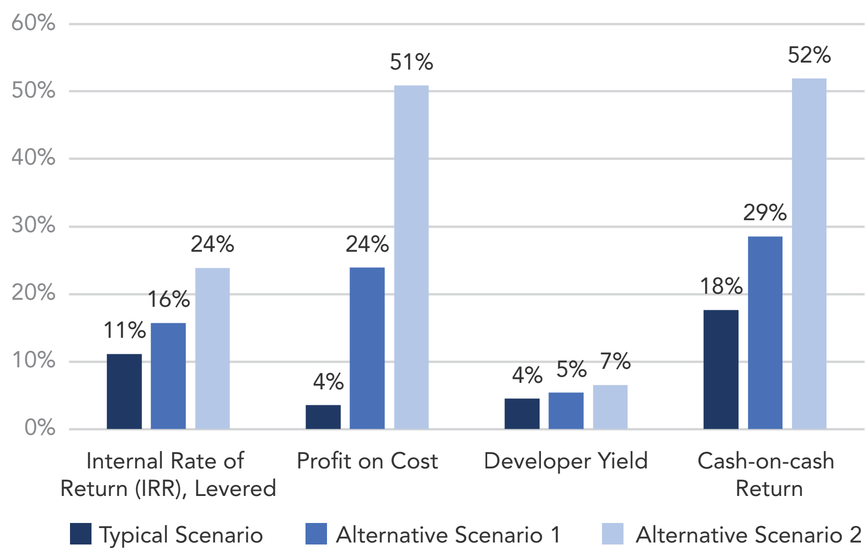


Figure 7. Moderate Priced Markets, Typical vs. Alternative Scenarios

Higher Priced Markets

Baseline Scenario

Unlike the other case studies, the higher priced market case study shows broader financial viability under baseline conditions, both under "build-and-sell" and "build-and-operate" conditions. This viability can be attributed to the higher market rents on the higher priced markets.

Alternative Scenario 1

In this scenario, the combination of pre-zoning, reduced parking, reduced development fees, and preferable financing result in project returns that exceed typical hurdle rates.

Alternative Scenario 2

The provision of free land significantly improves the project pro forma and opens opportunities for lower rents.

Note that the relative overall impact of the incentives "package" is less significant in the higher priced markets than in the other two market tiers. This is a function of:

- *A lower baseline parking ratio, which somewhat mutes the impact of the parking ratio reduction, and*
- *Relatively lower local government DCCs in the higher priced market case study community, as compared to the lower priced market case study communities.*

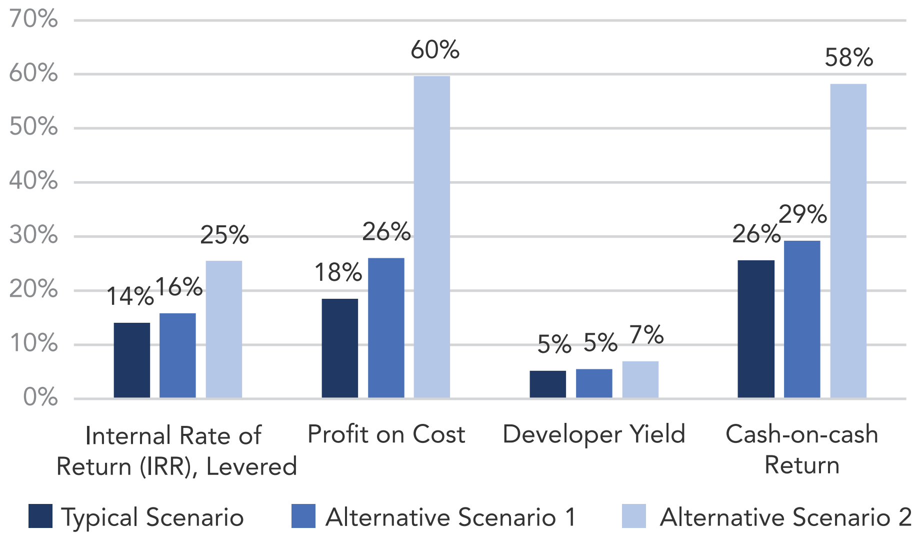


Figure 8. Higher Priced Market, Typical vs. Alternative Scenarios

5

Local Government Measures for Expanding and Sustaining the Supply of Purpose-Built Rentals

This section shares examples of measures designed to expand and sustain the supply of purpose-built rental housing in Metro Vancouver.

- Section 5.1 highlights measures that aim to **expand** the supply of purpose-built rental housing.
- Section 5.2 highlights measures that aim to **sustain** the supply of purpose-built rental housing. This section also includes a brief discussion of tenant assistance policies, recognizing the impact of rental housing replacement and demolition on tenants.

Case studies are included throughout this section to demonstrate successful purpose-built rental projects, and the various local government measures that support their viability or protect existing supply. The profiles do not intend to represent all of the initiatives and measures for purpose-built market rental housing that a given community is implementing. Rather, each section focuses on the implementation of particularly effective measures that contribute substantively to the success of a project.

5.1 Expanding the Supply of Purpose-Built Rentals Through Local Government Measures

Fee Waivers and Reductions

At A Glance	
What	Waiving or reducing fees for rental housing development applications.
Why	To provides an incentive for rental development through reduced costs for developers.
How	By exploring policies that reduce various types of development fees (e.g., Development Cost Charges, Amenity Cost Charges, Building Permit fees, servicing costs, and other amenity contributions) for rental housing.
Cost	Results in reduced revenue from fees and administrative costs for the implementation.
Results	A complete waiver of all local government development and building permit fees would have an impact of reducing development costs by 1% to 6% across the three markets tiers analyzed.

Reducing Development Cost Charges (DCC)

DCCs (referred to as DCLs in the City of Vancouver) are fees charged on new development to pay for infrastructure associated with growth. This infrastructure can include sewer, water, drainage, parks, roads projects, and more.

DCCs can be a significant cost to projects, so local government are able to partially or fully waive these fees from development. These waivers are traditionally applied to projects that provide a specific community benefit (e.g., affordable or non-profit rental units). However, these waivers come at a direct cost to local government. Therefore, they must carefully evaluate whether they can support the foregone revenue associated with waiving or reducing DCCs in exchange for the affordable housing benefits provided, particularly for projects built by for-profit developers.

While it is uncommon for communities to waive DCCs for purpose-built rental projects, Vancouver and Port Moody have explored partial reductions. Since DCCs operate on the principle that growth pays for growth, excluding housing projects from these fees forces the local government to seek alternative sources of funding for major infrastructure projects. In the case of non-market housing projects, some local governments are able to draw from their Affordable Housing Reserve Funds to contribute to DCCs and reduce this cost for non-profits.

Reducing Community Amenity Contributions (CAC) and Amenity Cost Charges (ACC)

CACs have been used by local governments across the province to pay for amenities that cannot be included as part of a DCC program, including affordable housing, childcare, and recreation facilities.

CACs have historically been determined either through ad-hoc negotiations between a local government and a developer. There are two types of CAC negotiations: ad hoc and formulaic. Both types use the rezoning process as the trigger to capture amenity.

- **Ad hoc –** Guided by a "land lift" analysis to determine the extent of financial room for a cash or built amenity.
- **Formulaic –** Uses pre-determined target CAC "rate"; preferred by most developers given the relatively increased transparency and certainty.

An alternative to capture amenities (including affordable housing) is the use of density bonus zoning. Unlike negotiated CACs tied to rezoning, density bonusing is explicitly permitted in the *Local Government Act*. An as-of-right base density is set, and any increase beyond as-of-right requires a prescribed contribution (typically on a per-square-foot or per unit basis). Both CACs and density bonus zoning have resulted in the provision of amenities or financial contributions towards amenities.

Alongside DCCs are Amenity Cost Charges, or ACC. ACCs function similarly to DCCs and formalizes the charges that local governments collect to fund amenities, instead of the current process where CACs are received through case-by-case rezoning negotiations. As of November 2023, the Province of BC introduced Bill 46: Housing Statutes (Development Financing) Amendment Act which introduced the power for local governments to levy ACCs.

It should be noted that while CACs and density bonusing could be used to capture affordable units or contributions to a local government's affordable housing reserve fund, new legislation does not allow the use of ACCs for this purpose.

Legal Fees for Housing Agreements

Housing agreements are often required for rental projects that receive some level of financial support from government agencies. Some communities, including Coquitlam and New Westminster, pay legal fees for preparation of housing agreements for rental housing. This can help reduce costs for purpose-built rental projects, improving overall viability.

Reducing Building Permit Fees

Several communities have reduced building permit fees for purpose-built rental housing. This reduction can range from a full to a partial reduction in an effort to reduce project costs and improve viability. New Westminster provides a 50 per cent reduction in Building Permit fees for the construction of new units in existing purpose-built rental housing as well as new medium-term and long-term secured rental housing.

Relaxing Servicing Requirements

Some communities consider relaxing servicing requirements to support the development of purpose-built rental units. For example, small additions to an existing purpose-built rental housing project may not be required to bring infrastructure up to the level expected of new development considering that the building already exists. Servicing requirements for new long-term secured market rental buildings could also be relaxed to provide services and infrastructure to a more modest level compared to market housing (e.g., re-surfacing of adjacent streets).

In cases of reduced requirements, servicing can still be required for items which are essential to support the development, or are health and safety related, such as water, sewer, electrical connections, and safe access to the site.

Land-Related Measures

At A Glance	
What	Use land within the control of the community to focus on rental development.
Why	Land costs can be one of the most significant barriers to residential development, especially given current prices in Metro Vancouver.
How	By contributing land to a rental project for discounted price or donation.
Cost	Includes administrative costs associated with transfer and monitoring of project.
Results	If land were acquired at zero cost, it would have an impact of reducing overall project costs by 14% to 18% across the three market tiers analyzed.

The cost of land continues to be one of the main barriers to purpose-built rental viability. Metro Vancouver's price per residential acre has been on the rise since 2018.[12]

Communities seeking to support purpose-built rental projects should explore opportunities to reduce land costs for new development. Communities can seek to make strategic acquisitions of land or utilize land from their existing portfolio. There are several opportunities to do this, including leasing and donating land.

Typically, local government land holdings are strategically contributed to non-market housing projects, which face an even greater struggle to acquire land under current market conditions. Local governments looking to make strategic land contributions to projects should have the appropriate tools in place that maintain the perpetual affordability of the units.

In April 2023, the Province of BC announced the BC Builds program. This program is aimed at using public land to deliver homes for middle-income earners. This could provide an opportunity for local governments to leverage their land for purpose-built rental projects.

12 Colliers Canada. (2023). National Land Report – H1 2023. Retrieved from: collierscanada.com/en-ca/research/national-land-report-2023-h1

CASE STUDY

City of Burnaby - Bevan Townhouses

PROJECT DESCRIPTION

The project is a partnership between the City of Burnaby and Mosaic Homes. The City acquired the land from Mosaic and is leasing it back to them in a 99-year lease, with renewal options at the end of the term. Mosaic will be building 92 market median rental townhouses and 91 market rental townhouses with all parking at grade. The leases for the site set out affordability, tenure, and construction and operation of the market and non-market rental units on each lot.

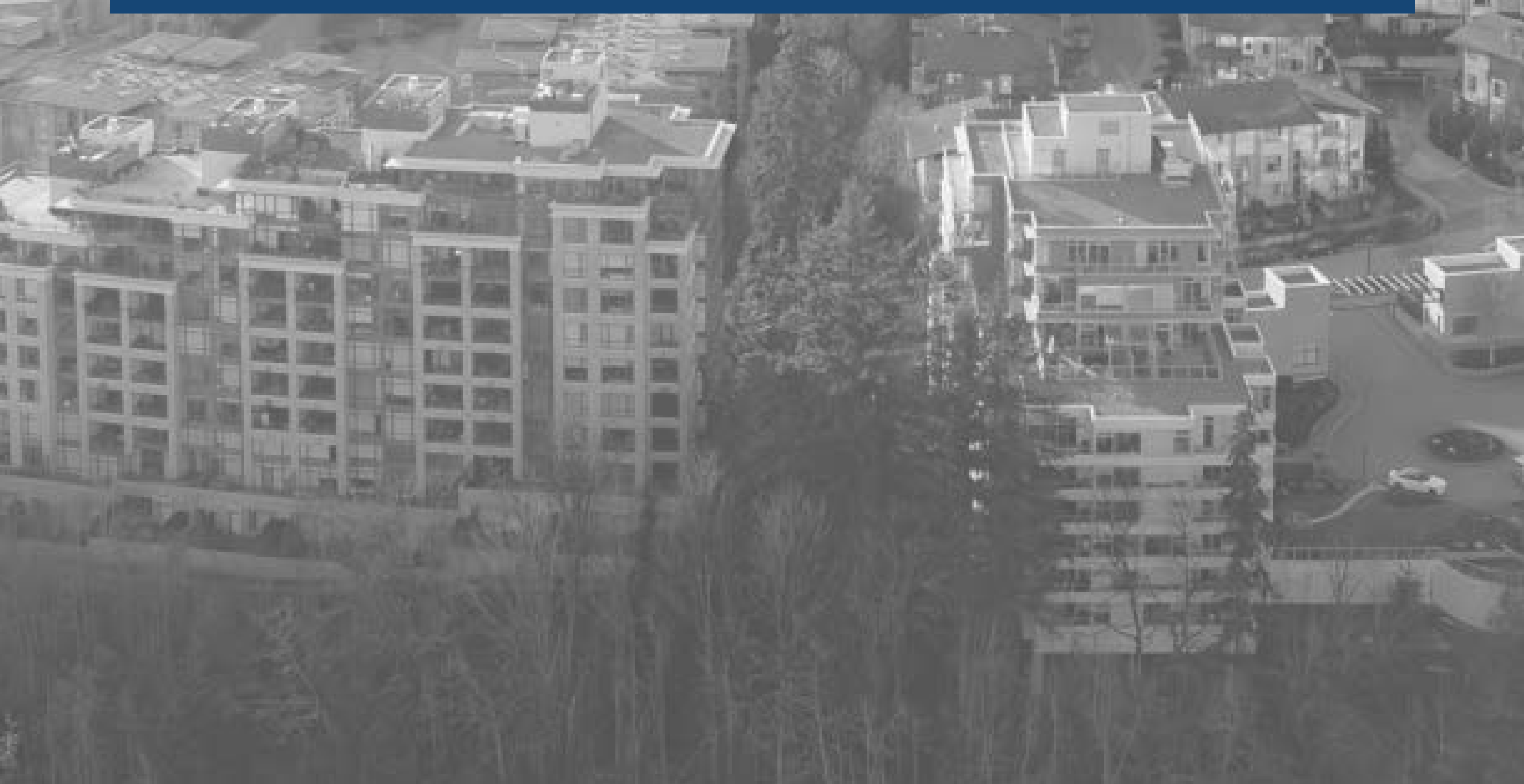
The use of City-owned land allows Burnaby to support the viability of development while also ensuring the sites remain as secured market rental through the use of a housing agreement. After the agreement terms are complete, the City will continue to own the land which allows for extra security of tenure.

LOCAL GOVERNMENT MEASURES APPLIED

- ✓ Leasing City-Owned Land

OTHER FUNDING/RESOURCES/PARTNERS

Mosaic Homes is also seeking funding from CMHC through its Rental Construction Financing Initiative.



OPPORTUNITY: JOINT-VENTURE AFFORDABLE HOUSING DEVELOPMENT MODEL

Some communities in BC are exploring new opportunities for joint-venture housing development, building on lessons learned from past partnerships between non-profit organizations and housing development companies.

One potential avenue under exploration is a joint-venture model between a local government and a development partner as follows:

- Local Government partner provides land to joint-venture partnership through a long-term lease, alongside additional development incentives such as process streamlining, property tax, and other incentives as available.
- Development partner provides construction capital, expertise, and project management.
- Development partner operates completed building (or partners with an organization to provide building and tenant management and maintenance).
- Operating profits are shared between both partners, with share structure determined either through relative equity contributions or other factors.
- After an agreed operating period (e.g., 10 years), the project would be refinanced to allow for capital to be withdrawn to support additional development activity.
- Local Government partner would retain control over the land and the building would be transferred over as a government asset at the end of the long-term lease (e.g., 50 years).

Housing Design and Diversity

At A Glance	
What	Reduces design and form requirements for rental projects, including building articulation, underground parking and loading requirements, amenity room requirements, accessibility, balcony design requirements, and leading energy requirements.
Why	Design and form requirements, especially mandated parking, can add significant cost to a development.
How	By reducing design and form requirements including parking standard reductions in local government policies and regulatory bylaws, tied to location.
Cost	No direct cost to the local government.
Results	A reduction in the required parking ratio to 0.7 stalls per unit would have an impact of reducing development costs by 4% to 9% across the three market tiers analyzed.

Reduced Design Requirements

Design requirements are often necessary to ensure proper design and form as well as achieve certain community goals such as energy efficiency targets. Building design requirements can create barriers to development, adding to both the construction costs as well as the design work to achieve those requirements.[13]

For example, design requirements which require more complex building form and articulation combined with the requirement to achieve higher energy efficiency under the higher tiers of the BC Energy Step Code can add substantially to cost. Upper floor setbacks, step backs, recesses and other articulation requirements increase the cost of building and make it more challenging and expensive to achieve energy efficiency requirements, as additional corners in buildings contribute to heat losses. Communities can explore opportunities to simplify and streamline architectural design requirements while still meeting community and urban design objectives.

13 Research is limited on the specific cost-savings associated with specific design requirements in Metro Vancouver. Research from Simon Faser University (2022) highlights how traditional design guidance can create significant barriers for mass timber development due to several structural constraints. Research from Small Housing BC (2023) estimates pre-approved designs for infill housing generates a one to two per cent impact on the return on costs.

Reduced Parking Requirements for Purpose-Built Rental Projects

The 2018 Metro Vancouver Parking Study highlighted several key findings that speak to the opportunity for communities to rethink their approach to parking. Key findings from the study include:

- For both rental and strata buildings, apartment parking supply exceeds use across the region.
- Apartment parking supply and use is lower for buildings closer to frequent transit.
- Transit use is generally higher where apartment parking use is lower, especially for rental buildings.
- Street parking is complex in mixed-use neighbourhoods, which include aspects such as visitors to non-residential land uses in the evenings; apartment visitors on weekends, holidays, and special occasions; and some apartment residents parking on a nearby street.

By reducing the required number of parking spaces in new rental housing developments, the development and construction cost is reduced. This can enhance economic viability of purpose-built rental housing, encouraging rental housing development (instead of condominiums or other types of development) to occur.

Provincial policy changes for Transit-Oriented Areas (TOAs), outlined in Bill 47-2023 (Transit-Oriented Areas), prohibits off-street parking requirements, with some exceptions. This change will allow full flexibility for rental projects in TOAs to determine the appropriate level of parking and does not impede communities from adopting further parking relaxations outside a TOA.

CASE STUDY

City of Coquitlam - 608 Elmwood and 710 Dogwood

PROJECT DESCRIPTION

The City of Coquitlam offers developers additional density (1.0 FAR) in specific areas if the additional density is used for secured market rental units. Developers that utilize this policy tend to build the secured rental in a separate building, which can make it easier for developers to implement housing agreements with the City and satisfy CMHC requirements.

The project in this Case Study is unique as the developer utilized the City's Transfer of Development Rights and Obligations Policy to separate the rental and condo developments into different sites located several blocks from one another.

The developer owned two sites:

- 608 Elmwood St – The site is designated as Transit Village Commercial, which gives any project additional density (1.0 FAR) if the project is 100 per cent secured rental.
- 710 Dogwood – This site is designated as Medium Density Apartment Residential.

The developer requested to use the City's Transfer of Development Rights and Obligations Policy to transfer the condo density from the Dogwood site to the Elmwood Site and transfer the rental density from the Elmwood Site to the Dogwood site. The City agreed to this transfer under the condition that the rental building would be delivered first. The development at 710 Dogwood also benefitted from reduced parking requirements due to the rental tenure of the units.

As of early 2024, the six-storey wood frame rental property at Dogwood is complete and the mixed-use tower at Elmwood has just broken ground. This project showcases not only the rental incentives that made this project possible but also the incorporation of a density transfer policy that allowed the rental to be delivered faster and in a more cost-effective manner (e.g., wood frame versus concrete).

LOCAL GOVERNMENT MEASURES APPLIED

- ☑ Reduced Parking Requirements
- ☑ Density Bonus (Free Density)
- ☑ Transfer of Development Rights and Obligations Policy

Zoning/Regulatory Actions

At A Glance	
What	Zoning bylaw regulations that encourage purpose-built rental development or limit condominium development.
Why	To limit use of parcel incentivizes developer to develop rental housing.
How	By making amendments to zoning bylaw.
Cost	No cost to community.
Results	Pre-zoning areas for rental tenure and decreasing the development approvals timeline from 18 months to 10 months would have an impact of decreasing development costs by 1% to 2% across the three market tiers analyzed.

Residential Rental Tenure Zoning (RRTZ)

In 2018, the Province made changes to *the Local Government Act* and *Vancouver Charter* to provide local governments with a new authority to zone for residential rental tenure. These new powers have been applied limitedly across the Province through various approaches.

The zoning restricts the form of tenure to rental only, so residential units with this zoning cannot be occupied by the owner. The exception to this is where a unit is already occupied by an owner at the time that the zoning is put into place. In such case, the owner, and all future owners, would continue to have a right to occupy the residential unit.

There are several approaches to facilitate new rental housing using RRTZ. The first is to apply the new zoning during a rezoning process. For example, the City of Victoria has incorporated it into its density bonusing policy, allowing additional Floor Space Ratio (FSR) for projects that incorporate a rental component into projects and then applying the RRTZ-specific zone.

The City of Vancouver has applied a pre-zoning approach for rental tenure, allowing low- and mid-rise rental buildings in C2 commercial districts on arterial streets. This allows purpose-built rental projects to bypass the rezoning process, which requires time and resources from both the City and the developer. This policy allows additional height up to six stories pre-zoned, if the development meets specific affordability, energy efficiency, and mixed-used requirements. The City also extended pre-zoning of rental buildings on low-density residential zoning along arterial roads (up to six storeys) and on streets immediately off a side or arterial street (up to four storeys).

CASE STUDY

City of Victoria - 1015 Cook Street

PROJECT DESCRIPTION

The Charlesworth is a five-storey residential building in Downtown Victoria containing 31 rental units. Rental tenure was protected through the City of Victoria's density bonusing policy, which allowed additional density in exchange for the application of the RRTZ to the site to secure it for rental housing. While it was ultimately the use of density-bonusing and reduced parking requirements that contributed to project viability, the use of RRTZ in this case study allowed the City to secure the parcel and units for rental housing.

The City has been exploring opportunities to ensure the security of rental tenure without requiring a rezoning process. This would add another layer of support by reducing the resources required for the rezoning process. The City has begun adding policies to its neighborhood plans that support purpose-built rental, including support for City-initiated zoning in addition to flexibility in density and built-form, parking reductions, and financial incentives. The City is looking to expand these policies City-wide through a zoning bylaw update.

LOCAL GOVERNMENT MEASURES APPLIED

- [x] RRTZ (applied through rezoning)

Density Bonus Provisions

Density bonusing is a tool used by communities that allows communities to grant developers additional building density or height beyond what is permitted by zoning on their site in exchange for community benefits. While this is typically used to create affordable housing, some communities have chosen to extend community benefits to market rentals. Communities, including Coquitlam, have also incorporated additional "free density" (1.0 FSR) for projects if that additional density is used to create rental units.

New Provincial policy changes that aim to increase minimum allowable densities near transit, as outlined in Bill 47-2023 (Transit-Oriented Areas), may reduce the use and effectiveness of bonus density programs, which in turn would limit the overall impact of this tool. With less opportunity to use density bonusing to secure rental, communities may wish to explore increased use of RRTZ in TOAs to ensure opportunities for rental development. Development outside TOAs will not be subject to provincial required densities and can still benefit from density bonusing as a tool through which to incentivize purpose-built rentals.

INCLUSIONARY HOUSING AND PURPOSE-BUILT RENTALS

Inclusionary housing allows communities to request that a certain percentage of newly developed housing units in a given project be designated as affordable rental units. This tool is traditionally used to support affordable housing units, not purpose-built rental.

Local governments in British Columbia do not currently have the legislative authority to use true mandatory inclusionary zoning but are able to require affordable units through rezoning processes. The Province has been exploring the potential introduction of true inclusionary zoning powers for local governments.

The City of Victoria's current approach is to have stronger inclusionary polices for affordable units for condominium developments compared to purpose-built rentals. This policy does not improve the viability of purpose-built rental but makes it more viable compared to condominium development.

REGULATORY CHANGES: TRANSIT-ORIENTED AREAS (TOAS)

In fall 2023, the province passed legislation prescribing floor-area ratios (FARs) and building minimum heights (expressed in storeys) around rapid transit stations and bus exchanges where there are residential or mixed-use land uses.

The legislation targets metropolitan communities with significant transit infrastructure, and only applies to parcels zoned as residential in these areas.

Local governments will be required to approve housing developments that meet provincial height and density requirements, remove minimum parking, and address parking needs on a case-by-case basis. Local governments retain the right to approve higher densities at their discretion.

Local governments whose density bonusing programs are severely impacted by these changes may want to explore the use of RRTZ to secure new rental housing units.

CASE STUDY

City of Vancouver - 1031 Cardero

PROJECT DESCRIPTION

This project was built on a former surface parking lot for a residential tower and was enabled through the City-initiated zoning changes as part of West End Plan – Laneways 2.0. The Plan notes that the wider laneways unique to the West End presented an opportunity to develop ground-oriented infill housing and to enhance the laneways as more walkable public spaces while maintaining their integral parking, servicing, and utility functions.

The Plan allows the relaxing requirements of the RM-5 zone front yard, side yards, rear yard, floor area and density, site coverage, horizontal angle of daylight, and external design for infill if the project is 100 per cent secured market rental housing. The Plan also contains policies related to requiring a minimum number of two- and three-bedroom units.

This pre-zoning approach ultimately supported the viability of several infill projects across the West End, including this project that delivered a four-storey development made up of 10 of secured rental units, with four two-bedroom units and one three-bedroom unit.

LOCAL GOVERNMENT MEASURES APPLIED

- ☑ Pre-Zoning Infill for Rental Tenure
- ☑ Reduced Design Requirements

Since this project was built, the City of Vancouver removed parking requirements for these infill developments. This move will further support future secured market rental buildings.

Expediting the Development Process

At A Glance	
What	Reduces processing time for rental housing applications.
Why	To improve speed of development and provide potential incentives through reduced borrowing costs during approval process.
How	By improving policies to process rental housing development applications more quickly.
Cost	Additional staff needed to process applications. Potential processing time delays for non-rental projects.
Results	Improving the development approvals timeline from 18 months to 10 months would have an impact of decreasing development costs by less than 1%, meaning this tool is best used alongside pre-zoning to further reduce the costs.

Concurrent Processing of Rezoning and Development Permits

Several local governments have explored opportunities to make the traditional planning approval process faster for specific types of development. They include concurrently undertaking rezoning and development permit processes, conducting the preliminary building permit application meetings prior to zoning bylaw adoption, and drafting all legal agreements prior to council consideration.

This approach can significantly speed up the approval process and allow projects to reach construction at a faster pace, both of which have the ability to reduce costs.

Pre-Approved Designs

Several communities across Canada have used pre-approved home designs as a way to densify existing low-density neighbourhoods through infill. These initiatives have mainly targeted the secondary rental market. It is seen as a way to reduce barriers for many homeowners to develop infill projects on their own lot.

Metro Vancouver, in collaboration with the Province and 11 of its member jurisdictions, is exploring opportunities to develop standardized guidelines and zoning regulations, including pre-approved reference plans, which could be made available via open source, and would not need to go through additional design review. These designs are being tailored to support off-site construction, further expediting the delivery of rental housing, specifically for six-storey rental buildings.

5.2 Sustaining the Supply of Purpose-Built Rentals Through Local Government Measures

Zoning/Regulatory Actions

At A Glance	
What	Zoning bylaw regulations that limit tenure or allow additional improvements to purpose-built rental building.
Why	To sustain the existing purpose-built rental housing stock and creates more accessible, inclusive, and functioning communities, in aging purpose-built market rental housing.
How	By amending the zoning bylaw to create a zone for residential rental tenure for specific properties that meet list of criteria. By amending the zoning bylaw to allow for additions to existing rental housing stock.
Cost	No direct cost to the local government.
Results	These tools have demonstrated the ability to prolong redevelopment of existing purpose-built rental buildings primarily through revitalization.

Encourage Infill in Existing Purpose-Built Rental

Zoning bylaw regulations can encourage infill rental units in existing purpose-built market rental buildings. Purpose-built market rental housing owners may wish to add multiple units to their rental building; however, in some cases the existing zoning does not accommodate their plans. In this situation, some communities allow for an application for rezoning that can be submitted and considered. These projects can add several units, while increasing the operating revenue of existing market rental buildings and viability of the operation of the building.

Residential Rental Tenure Zoning

As described in Section 5.1, the Province introduced new powers for local governments to zone for residential rental tenure. Several communities have used this new zoning authority to protect the existing rental housing stock from being redeveloped into non-rental housing.

This tool can also constitute a form of pre-zoning, setting the direction for redevelopment of existing purpose-rental buildings. Many communities have also required a 1:1 rental unit replacement in their rental replacement policies as a way to protect the rental tenure of units. The application of RRTZ, in addition to rental unit replacement policies, could ensure, at a minimum, that redevelopment projects replace the existing rental units and potentially deliver even more.

CASE STUDY

City of New Westminster - 14 Agnes St, 211 Eleventh St, 514 Thirteenth St., 723 Twelfth St., 215 Tenth St., and 425 Twelfth St

PROJECT DESCRIPTION

The City of New Westminster zoned 18 properties as Residential Rental Tenure Zoning. Six of the properties were zoned to protect the rental tenure of existing stratified rental buildings, relieving some of the renoviction pressures. This zoning applied to residential units in the existing buildings and in any future buildings constructed on the properties under current zoning.

The City selected the six properties for the following reasons:

1. They fell outside the City's moratorium on the conversion of rental units to strata titled units.
2. They had operated as rental buildings from their construction to the current day.
3. They are categorized as a rental building in CMHC's Rental Housing Inventory.
4. At least one of the buildings benefitted from federal rental housing funding that was available in the 1970s and 1980s.

As of 2024, none of the six properties zoned for RRTZ to protect existing rental had been redeveloped showcasing the effectiveness of this tool.

The remaining 12 properties zoned were empty City-owned lots. The decision to zone the 12 City-owned properties was made to demonstrate the City's commitment to rental housing to residents, non-profit housing partners, and other funding partners. As of 2024, none of the City-owned properties had been developed.

Mixed Use Rental Zoning

There are several opportunities to use zoning measures to protect purpose-built rentals through the permission of small-scale commercial and community uses in existing rental housing towers. This approach can not only helps revitalize a potentially aging rental building at risk of redevelopment, but it can also help create more accessible, inclusive, and functioning communities.

The City of Toronto introduced a Residential Apartment Commercial (RAC) zone, which allows small commercial and community uses to be added to approximately 500 sites in the city with existing condominium and rental apartments.

Rental Unit Protection Policies

At A Glance	
What	Policies that limit the redevelopment of existing rental units.
Why	To protect the existing supply of rental units.
How	By creating policies that limit redevelopment of existing rental units.
Cost	Includes administrative costs associated with implementation of programs and monitoring of projects.
Results	These tools have demonstrated the ability to limit the unnecessary redevelopment or conversion of existing rental units.

Anti-Renoviction Bylaws

In 2021, the Province made changes to the *Residential Tenancy Act* (RTA) that put new requirements in place for landlords who want to do any type of renovations. The latest regulations state that should a landlord wish to terminate a tenancy for substantial renovations or repairs, they must submit a request for an Order to End Tenancy and an Order of Possession from the Residential Tenancy Branch (RTB). Once these orders are applied for, the RTB will arrange a hearing during which an arbitrator will determine whether ending the tenancy is the sole solution for carrying out the necessary renovation work.

Strata Conversion Policy

Conversion policies protect existing rental buildings from conversion to strata provided that vacancy rates are below a certain threshold (e.g., below a vacancy of two to four per cent, varies by community). Most communities' vacancy rates are lower than the threshold and thus conversion to strata is not supported.

The purpose of these policies is to limit the conversion of existing purpose-built rental buildings to strata units that can be individually owned, and to instead ensure that market rental units are available as rental units for the lifespan of the building.

REGULATORY CHANGES: SHORT-TERM VACATION RENTALS

Bill 35-2023 was passed in fall 2023 in order to provide stronger regulation for short-term vacation rental (STVR) listings in BC. Specifically, the legislation requires that in communities of 10,000 residents or more, STVRs are limited to being offered within a host's principal residence.

Additionally, hosts for STVR are required to obtain a business license (if required under local government regulations) and register under a newly-formed provincial registry.

Rental Replacement and Tenant Assistance Policies

At A Glance	
What	Policies to guide and facilitate replacement of older purpose-built rental units, in redevelopment situations, with new market rental units.
Why	To provide housing choices and rental options for residents in the long term.
How	Policies that require a specific ratio of replacement and tenant protections for rental units that are being decommissioned for a new development.
Cost	Administrative costs associated with implementation of programs and monitoring of projects as well as potential costs for community if developer defaults during redevelopment process.
Results	These tools are the ability to protect tenants and rental housing stock during a redevelopment process, and can be effective in slowing down the redevelopment of existing purpose-built rental buildings that offer more affordable units due to their age. If designed correctly, these policies can not only lead to replacement of lost rental housing but also result in a better transition for updating aging rental stock compared to markets without these protections.

Rental Replacement Policies

As older purpose-built rentals are replaced, several communities are working to facilitate the replacement of existing older purpose-built market rental units with new market rental units. For some projects, it is feasible for new market rental units to replace the demolished units with a 1:1 ratio, whereas other situations may use alternative replacement approaches.

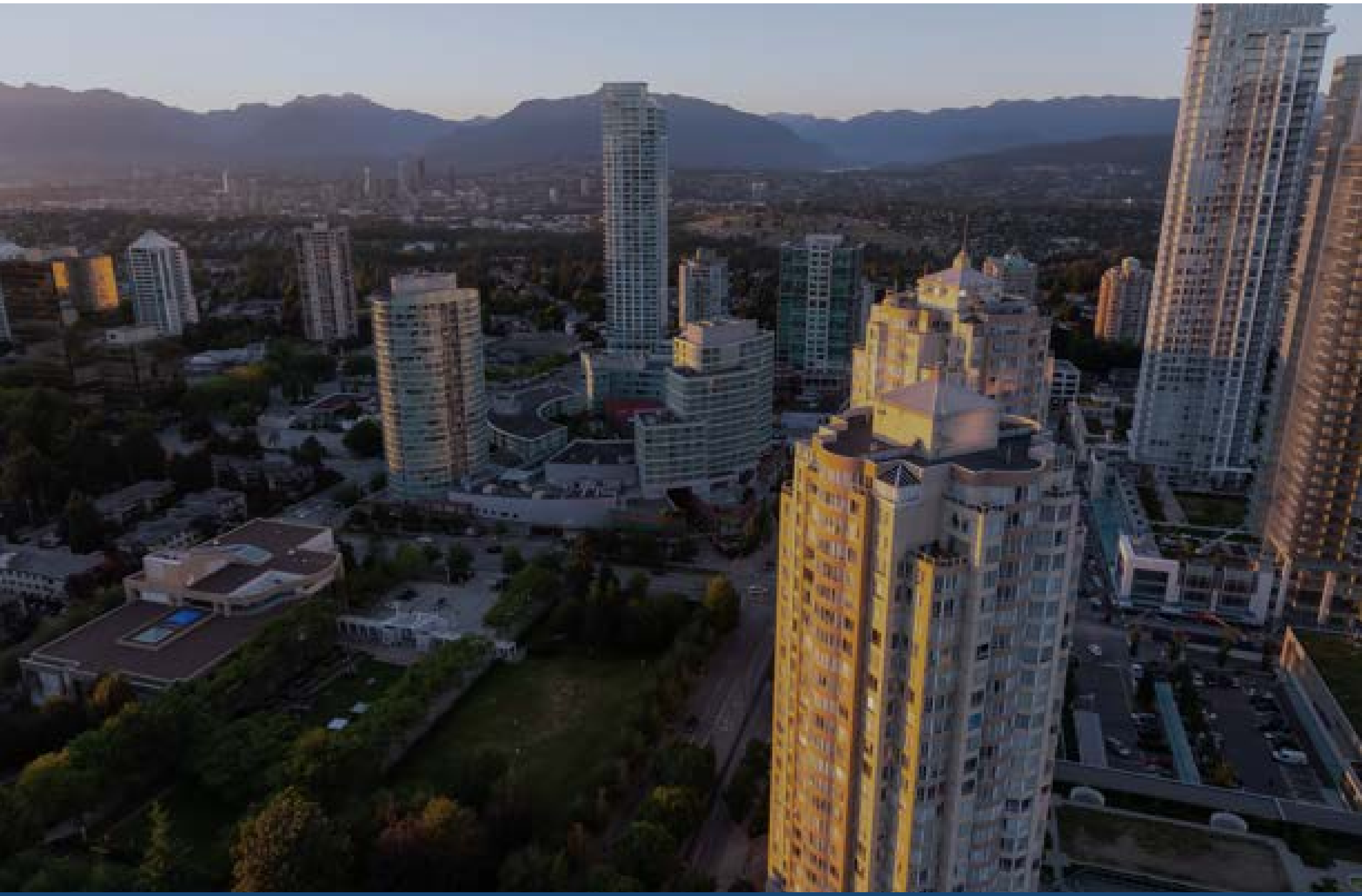
Tenant Relocation and Assistance Policy

When older multi-family buildings are proposed for demolition, the *Residential Tenancy Act* (RTA) addresses requirements of notice and assistance to be provided to relocating tenants.

Tenant assistance policies clarify the expectations for resources and considerations for existing tenants, when rezoning applications involve demolition of multi-family residential buildings. They often provide a minimum standard of expectations and practice for additional notice, rent compensation, moving cost assistance, relocation information, and opportunity for rental or purchase of an available unit in the new development. Tenant relocation and assistance policies generally aim to exceed RTA requirements.

Tenant assistance policies can add significant financial burden to developers of redevelopment projects. Careful consideration should be given to how these policies are designed to achieve both tenant support and project viability. Some communities include a separate stream for non-profit developers whose focus is on rehousing. This helps to ensure that requirements for compensation to tenants does not jeopardize the viability of the redevelopment project.

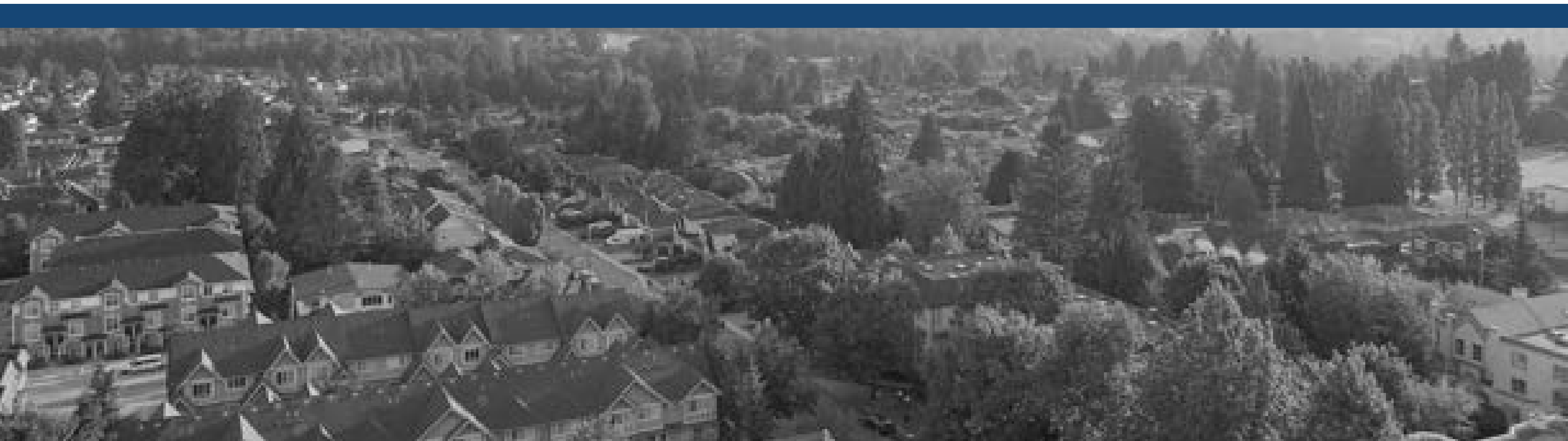
Tenant assistance policies can also place a financial burden on the community if a redevelopment falls through. Communities can be left to support the rents of relocated tenants if the developer is no longer able to provide rent compensation that may have been required in the policy. The City of Burnaby now requires developers provide a bond that can cover the required rent compensation for relocated tenants for three years. This bond can be used by the City when the developer defaults during a redevelopment. While this protects the City for the three-year period, it is not always enough for every project.



Conclusion

As demonstrated in this report, communities have several tools at their disposal to support the construction of new purpose-built rental projects and the preservation of existing rental units. There are a few tools, including parking reductions and land-related measures, that make a large and direct impact on viability. Communities should consider how these more substantive measures can work in their local context in complement with a suite of smaller tools to build a robust policy of support and preservation.

The table below summarizes the types of effective tools available to communities in Metro Vancouver as well as other key considerations for use of the tool. The table also includes a summary of findings from the economic analysis outlined in Section 4.2, which found that purpose-built rental developments in two of the three market tiers analyzed are not likely to achieve the necessary viability without the support of at least one tool whereas the viability of purpose-built rental units in the third market tier (higher priced markets) can be further improved through the use of the tools.



Expanding the Supply of Purpose-Built Rental Housing

Measures	Economic Testing Results	Considerations for Impact
Fee Waivers and Reductions	Reducing the burden of development costs and fees has the biggest impact on viability, particularly in markets where developments fees are higher than in other markets. Exploring waivers of development and other fees can increase the price that developers are willing to pay for land, potentially leading to greater viability for new rental projects.	Communities must find alternative sources of funding to offset the reduction in fees.
Land-Related Measures	If land were to be acquired at no costs, the development costs would be reduced by 14% to 18%.	Communities with more limited land base may find more difficulty identifying land for rental housing opportunities.
Housing Design and Diversity	A reduction in parking requirements has a substantial impact on reducing development costs, particularly in markets where the requirement is close to or above 1.0 stalls per unit.	By relinquishing control, communities may end up with less desirable building forms and designs. If there are not appropriate Transportation Demand Management (TDM) measures in place, parking reductions can have negative impacts on street parking availability. Locating these projects close to transit will also encourage users to reduce the use of individual vehicles.

Measures	Economic Testing Results	Considerations for Impact
Zoning/Regulatory Actions	Pre-zoning for rental tenure would reduce carrying costs due to the improved development approvals process as well as costs associated with rezoning.	Communities should consider potential pushback from property owners.
Expediting the Development Process	The expedition of the development approvals process from 18 months to 10 months would reduce development costs slightly. This practice has a bigger impact when combined with other levers, such as pre-zoning.	Expediting specific processes requires more resources and can limits staff capacity to focus on other development approval processes.

Sustaining the Supply of Purpose-Built Rental Housing

Measures	Economic Testing Results	Considerations for Impact
Zoning/Regulatory Actions	These policies were not included as part of the economic testing.	Communities should considers potential pushback from property owners.
Rental Unit Protection Policies		Communities should consider the specific parameters that activate these policies to avoid limiting legitimate redevelopment and renovation projects.
Rental Replacement and Tenant Assistance Policies		These policies require significant staff time for implementation and monitoring. Communities should also consider the potential financial burden placed on the community if a redevelopment project is unsuccessful and there are no funds to support the rent of the relocated tenants if required by the policy.

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Appendix

Financial Analysis Methodology and Assumptions

In developing the methodology for the financial analysis, two approaches to the land acquisition price were considered. While there is merit in determining the average assessment value of all parcels suitable for six-storey wood-frame apartment redevelopment across the three market tiers, the intent of this analysis is to model the impact of policy levers on financial viability for a single prototype across the three market tiers, and not to account for the range of possible land acquisition costs.

The second approach is to pick a sample site in each of the market tiers that could represent a "typical" land assembly and redevelopment site suitable for this use. The limitation to this approach is that there could be variability in the land acquisition cost depending on the specific site location, land use designation and zone, development application status, and existing use.

In this analysis, the second approach was adopted. The six-storey wood-frame building was modelled using a land assembly of parcels equivalent to 0.8 acres in site size. The 2023 BC Assessment Values for each of the parcels was used as the land acquisition costs in each scenario.

Assumptions Across All Scenarios	Typical Scenario	Alternative Scenario 1	Alternative Scenario 2
Site Size	35,000 sq. ft. or 0.8 acres		
Floor Space Ratio (FSR)	2.6		
Site Coverage	56%		
Gross Buildable Area (sq. ft)	90,605		
Development Approvals Timeline	18 months	10 months	10 months
Construction Timeline	18 months		
Rezoning	Yes	No	No
Interest Rate (Construction)	7.20%	6.70%	6.20%
Interest Rate (Mortgage)	6.70%	6.70%	6.20%
Amortization Period	25 Years	50 Years	50 Years

Table 1. Financial Analysis Assumptions

Generally, the inputs and assumptions for each market tier were kept consistent to demonstrate the impact of the policy lever between the "typical" and "alternative" scenarios as shown in Table 1. However, market inputs differed for each market tier, including development costs, parking ratios, typical soil conditions, average unit size, market rents, and local government development fees as shown in Table 2 on the next page. These market inputs were informed by consultant research and conversations with developers.

	Higher Priced Market			Moderate Priced Market			Lower Priced Market		
	Typical Scenario	Alternative Scenario 1	Alternative Scenario 2	Typical Scenario	Alternative Scenario 1	Alternative Scenario 2	Typical Scenario	Alternative Scenario 1	Alternative Scenario 2
MARKET UNIT TYPE									
Dwelling Units	111	111	111	115	115	115	118	118	118
Parking Stalls (#)	109	78	78	161	81	81	130	83	83
Parking Ratio - Resident and Visitors	1.0	0.7	0.7	1.4	0.7	1	1.1	0.7	0.7
Average Unit Size (sq. ft.)	696	696	696	667	667	667	654	654	654
Average Monthly Rent	$3,334	$3,334	$3,334	$2,775	$2,775	$2,775	$2,341	$2,341	$2,341
Per Sq. Ft.	$4.79	$4.79	$4.79	$4.16	$4.16	$4.16	$3.58	$3.58	$3.58
FINANCIAL STATISTICS									
Total Project Costs – Hard Costs, Soft Costs, Financing, excluding Land Costs ($/sq. ft.)	$541	$496	$491	$573	$454	450	$528	$439	$436
Land Cost Per Buildable Sq. Ft.		$84	$0		$92	$0		$122	$0
Internal Rate of Return (IRR), Levered	14%	16%	60%	11%	16%	51%	9%	13%	36%
Profit on Cost	18%	27%	7%	4%	24%	7%	-3%	13%	6%
Developer Yield	5%	5%	58%	4%	5%	52%	4%	5%	41%
Cash-on-cash Return	26%	30%	0%	18%	29%	0%	14%	22%	0%

Table 2. Financial Analysis Assumptions by Market Tier