Back to Agenda

Corporation of the City of
NEW WESTMINSTER

REPORT

Development Services

To:	Mayor Coté and Members of Council	**Date**:	1/14/2019
From:	Emilie K Adin, MCIP Director of Development Services	**File**:	01.0110.20
		Item #:	13/2019

Subject: **Proposed Rental Housing Revitalization Initiative**

RECOMMENDATION

THAT *Council endorse, in principle, the proposed Rental Housing Revitalization Initiative, with the following next steps:*

a. *That the Draft Rental Replacement Policy be endorsed as the basis for initiating consultation with the public and stakeholders;*
b. *That staff apply the Draft Rental Replacement Policy as an interim guideline to move applications under Pre-Application and/or initial Formal Application Review forward for consideration until the policy is adopted and becomes effective.*
c. *That the Business Regulations and Licensing (Rental Units) Bylaw Amendment Bylaw 8085, 2019 be considered for three readings and forwarded to an Opportunity to Be Heard and for consideration of adoption on January 28, 2019;*
d. *That staff report back to Council with further amendments to City bylaws to allow future fines for properties that proceed with renovictions;*
e. *That staff report back to Council with a draft Rental Housing Revitalization Program Policy, including the percentage of tax exemption to be considered.*

Back to Agenda

EXECUTIVE SUMMARY

Council has requested that staff develop policies that address the need for affordable rental housing, the risk of renovictions and the maintenance of existing purpose-built rental buildings. To this end, a draft Inclusionary Housing Policy was considered by Council on Dec 10, 2018. This report brings forward a proposed Rental Housing Revitalization Initiative, which includes a Rental Replacement Policy as the basis for negotiation of rezoning applications to redevelop existing purpose-built market rental buildings; and, a Rental Housing Revitalization Program that would include actions to dis-incent renovictions and incent the maintenance of purpose-built rental buildings through: (1) revitalization tax exemption for securing, maintaining and revitalizing of existing rental units; and, (2) business licensing restrictions against renovictions.

PURPOSE

The purpose of this report is to introduce the proposed Rental Housing Revitalization Initiative, which includes a Rental Replacement Policy and Rental Housing Revitalization Program.

POLICY AND REGULATIONS

Official Community Plan (OCP)

The *Official Community Plan* (2017) includes the following goal:

> *New Westminster's neighbourhoods are great places to live and have diverse housing choices that meet the needs of the community.*

Affordable Housing Strategy (AHS)

The Affordable Housing Strategy (2010) contains the following two goals:

1. *To preserve and enhance New Westminster's stock of safe, appropriate and affordable rental housing.*
2. *To improve the choice of housing for New Westminster's low and moderate income residents and households with unique needs.*

Specifically, the AHS identified a strategic direction as follows:

> *Strategic Direction # 2: Limit the loss of existing affordable rental housing.*

Secured Market Rental Housing Policy (SMRP)

The Secured Market Rental Housing Policy (2013) contains strategies and actions aimed at retaining, renewing and enhancing the supply of secured market rental housing. It contains the following objectives for retention of existing rental stock:

- *Reduce the likelihood that the existing purpose-built market rental housing stock will be redeveloped; and,*
- *If demolition occurs, reduce the impact of the loss of the rental housing stock on tenants.*

Tenant Relocation Policy

The Tenant Relocation Policy (2015) applies to rezoning applications and Heritage Revitalization Agreements which involve the demolition of 6 or more purpose-built market rental housing units and offers additional compensation, as well as assistance, to tenants beyond what is provided for under the *Residential Tenancy Act.*

Business Regulations and Licensing (Rental Units) Bylaw

Business Regulations and Licensing Bylaw (Rental Units) Bylaw No. 6926, 2004, is a City of New Westminster bylaw to regulate and licence the letting of rooms for living purposes and to prescribe standards for the maintenance of residential property and rental units.

Rental Tenure Zoning

Section 481.1 of the *Local Government Act* lays out provisions for local governments to enact zoning bylaws governing rental tenure, including the ability to establish rental tenure housing as a specific land use. Council received a Report to Council in Closed Meeting on this subject on August 27, 2018.

Section 481.1 Subsections (1) and (2) of the Local Government Act (LGA) are as follows:

481.1 Residential rental tenure

(1) A zoning bylaw may limit the form of tenure to residential rental tenure within a zone or part of a zone for a location in relation to which multi-family residential use is permitted.
(2) A limit under subsection (1) may limit the form of tenure to residential rental tenure in relation to a specified number, portion or percentage of housing units in a building.

Revitalization Tax Exemptions

Section 226 of the *Community Charter* lays out provisions for local governments to adopt revitalization program bylaws to establish the following:

- Revitalization program objectives
- Eligibility criteria for exemptions
- Extent of exemptions available, either absolute dollar amounts or formulas or a specified percentage
- Maximum term of an exemption, which may not exceed 10 years.

BACKGROUND

Enabling Safe, Secure, Affordable Housing

This report is one of several that focus directly on safe, secure, affordable housing. Staff is providing Council a number of reports on the short term horizon on proposed City initiatives and initiatives already underway to address affordable rental housing, renovictions, maintenance of purpose-built rental housing, and the potential use of the new rental zoning authority, including:

1. Potential use of multi-family residential rental tenure zoning for existing stratified rental buildings to protect as rental up to 10 stratified rental buildings *(November 19, 2018)*
2. Potential rezoning to the residential rental tenure zone – City owned properties *(December 10, 2018)*
3. Inclusionary housing policy to help address the City's need for affordable rental housing *(December 10, 2018)*
4. Proposed Rental Housing Revitalization Initiative to address renovictions, maintenance of existing purpose-built rental buildings, and rental replacement ***(this report)***
5. Multifamily residential rental tenure zoning – zoning amendment bylaw for first and second readings ***(on today's Regular Agenda)***
6. Potential expanded use of multi-family residential rental tenure zoning including exploring uses of this new authority in areas undergoing neighbourhood planning (22nd Street Station) and master planning (Sapperton Green) *(March 2019)*

Demonstrated Need

The proposed Rental Housing Revitalization Initiative seeks to implement policies that are within its authority and financial capacity to address renovictions, maintenance of existing purpose-built rental buildings, and rental replacement. New Westminster has a large, aging stock of over 9,000 purpose built rental units, in 300 plus buildings representing over 60% of our rental supply. The majority (70%) are located in Residential – Medium Density zones. These units feature lower rents than new secure market rental because of their age and the control of rent increases through the Residential Tenancy Act (see Attachment A for details of New Westminster's purpose-built rental inventory). To date, few rental buildings have been redeveloped due to zoning and density bonus provisions, and supported by the City's policies in the Affordable Housing Strategy and Secured Market Rental Policy which seek to preserve existing purpose built rental housing stock by not supporting redevelopment. That policy has largely been successful as very limited redevelopment has taken place, although there have been a number of recent enquiries, suggesting the need for a policy providing clear guidance.

At the same time, the practice of renovictions, in which some landlords evict their tenants under the guise of performing major renovations and then significantly increase the rent on those units, is becoming more commonplace. Over the last two years, there is evidence that renovictions have occurred in at least fifteen rental buildings in New Westminster, affecting at least 315 units, and there may be other occasions that have not come to the attention of the City.

Federal and Provincial Context

Senior governments have traditionally provided the programs and funding for new non-profit or social housing that is affordable for low-income households. After many years of absence from this role, both the federal and provincial governments have re-entered the housing arena, through the National Housing Strategy (November 2017) and the provincial strategy, Homes for BC: A 30 Point Plan for Housing Affordability in BC (February 2018). This is a unique period, with federal and provincial governments offering a range of financing and capital support for new and existing non-profit housing, and to some extent, new market rental housing. These programs provide an important backdrop for local government policies and initiatives. While federal and provincial support is available now, federal and provincial priorities could change if elected governments change. As such, designing policies that can work independently of senior government funding is desirable.

Previous Council Direction

The City adopted a Renovictions Action Plan in 2016. Staff regularly provides implementation updates to the Mayor's Task Force on Housing Affordability and to Council.

On June 26, 2017, Council adopted the following resolution regarding renovictions:

> **MOVED and SECONDED**
>
> *THAT Council endorse the recommended Union of BC Municipalities (UBCM) resolution related to proposed amendments to the Residential Tenancy Act; and*

Back to Agenda

> *THAT Council direct staff to forward the resolution and background documentation to UBCM and to actively seek municipal support for the resolution; and,*
>
> *THAT staff seek a legal opinion on a local government's ability to impose a moratorium, or other trigger delays, on 'renovictions', subject to the city's rental vacancy rates.*

CARRIED.

On January 8, 2018, Council endorsed a work plan in support of the development of a Rental Replacement Policy and an Inclusionary Housing Policy.

On June 25, 2018, Council received a report titled, "Renovictions Update: Union of BC Municipalities Resolution Related to Proposed Amendments to the Residential Tenancy Act" and adopted the following resolutions related to renovictions:

> *THAT Council receives this report for information; and,*
>
> *THAT staff investigate how to prevent a building owner from charging for a previous free parking space after an apartment building renovation and explore imposing building fees to recover the costs of processing renoviction issues using the model of extraordinary charges for policing calls.*

CARRIED.

On Aug 27, 2018 Council endorsed the proposed next steps and timeline in support of the development of the Rental Replacement Policy and the Inclusionary Housing Policy.

Given the goal of the work related to rental replacement and to renovictions is to ensure provision of safe, secure, affordable housing, the outcomes of both are now combined in the Proposed Rental Housing Revitalization Initiative.

PROPOSED RENTAL HOUSING REVITALIZATION INITIATIVE

The proposed Rental Housing Revitalization Initiative has two main components, presented in the following sections:

A. Rental Replacement Policy
- A.1 Scope of Work and Approach
- A.2 Context Analysis
- A.3 Economic Analysis
- A.4 Draft Rental Replacement Policy

B. Rental Housing Revitalization Program
  B.1 Rental Revitalization Tax Exemption
  B.2 Business Licensing Restrictions against Renovictions

A. Rental Replacement Policy

Rental replacement policies are municipal policies that aim to: ensure that redevelopment of older purpose-built market rental buildings does not lead to loss of affordable rental housing thereby displacing existing tenants; and, add to the supply of rental and below-market rental housing.

The draft Rental Replacement Policy seeks 100% purpose built market rental housing including 10% below-market rental housing in redevelopment applications for existing purpose-built market rental housing sites requesting additional density above what is permitted under current zoning. The draft Policy aims to support only very gradual redevelopment of the aging purpose-built market rental stock, while increasing the market rental and below-market rental supply, neither of which has kept pace with demand in New Westminster or the region at large.

A.1 Scope of Work and Approach

The work to develop the draft Rental Replacement Policy has focused on two inter-related elements: the financial viability of different rental replacement scenarios (including provision of some below-market rental units); and, suitable management arrangements for the successful long-term operation of below-market units secured in these privately-owned rental buildings. Work has proceeded as follows:

Step 1: Guiding Principles and Gap Analysis (Winter 2017)
Step 2: Case Study Research (Winter 2017)
Step 3: Internal Stakeholder Consultation (Winter 2017)
Step 4: Land Economics Analysis (consultant) (Winter 2017 / Spring 2018)
Step 5: Policy Development (Summer/Fall 2018)

A.2 Context Analysis

<u>New Westminster Below-Market Rent</u>

Low and moderate income New Westminster renter households are the target of this policy. Staff reviewed available data and prepared a summary of New Westminster renter demographics, rental demand and rents (Attachment A) to determine the rent these households could afford to pay (i.e. low: $750 to $1,250/ month, moderate: $1,875/ month). To specifically target New Westminster households, a new rent measure called "New Westminster Below-Market Rent" has been created. It would be set at 10% below the annually reported Canada Mortgage and Housing Corporation (CMHC) rental market median rent, all years of construction, for New Westminster. Currently the New Westminster Below-Market Rent ranges from $777 per month for a studio unit to $1,529 per month for a three bedroom unit. The New Westminster Below-Market Rent measure is significantly below the rents charged for newly constructed secure market rental units.

Experience in Other Municipalities

Eight Metro Vancouver municipalities have adopted a rental replacement policy. The City of Vancouver's Rate of Change Policy was the first in the 1990s, and has resulted in limited rental redevelopment. Most other municipal replacement policies were implemented in the mid to late 2010s, so it is early to know how effective they have been. The usual replacement ratio sought by these policies is one-for-one units, although some accept less or require 100% rental. Some policies require inclusion of some or all below-market units in rental redevelopment, intended to match current rents (City of North Vancouver and Richmond), and Surrey will seek 100% rental replacement at below-market rents in its new policy. Burnaby Council has instructed staff to develop a rental replacement policy using the new Residential Rental Tenure Zoning tool after losing over 700 purpose-built rental units (net) to redevelopment as strata residential. Attachment B summarizes these policies.

Ownership and Management of Below-market Rental Units

In the traditional non-profit housing model, a non-profit housing society owns the units, and owns or leases the site. The non-profit provides all property management, including care of the physical property and occupancy management (tenant selection/ income verification/rent setting etc.) In other municipalities, occupancy management of below-market units secured through rental replacement policies is usually not specified and is left to private owners. (See Attachment B for details on occupancy management options for below-market rental units.)

For below-market units secured in redeveloping purpose-built market rental buildings, separating ownership is impractical given the small building size and number of units. However, the City recognizes that non-profit organizations are best suited to property management of below-market units, which have unique property management functions. As such, it is recommended for the City's policy that the building owner retains ownership of below-market units with a stipulation that all property management be done by a non-profit housing society or non-profit occupancy management entity. This entity would be selected from a pre-qualified list that meets certain conditions related to experience, and would be retained by the owner at their expense. Response to a City-issued Request for Expression of Interest for non-profit housing providers indicates that there are several non-profits interested in owning and/or managing below or non-market rental units. A similar process would be undertaken for experienced third party property management entities, including BC Housing.

A.3 Economic Analysis

Coriolis Consulting Corporation was retained in March 2018 following a public Request for Proposal process to conduct a financial analysis to establish the viability of the Draft Rental Replacement Policy. Coriolis identified case study sites and determined their valus based on current development potential under the City's OCP, and the effect a rental replacement requirement would have on the financial viability of redevelopment. The Consultant also considered the financial viability of a below-market rental unit requirement.

Assumptions of Analysis

A number of assumptions were made for the financial analysis, as documented in the Coriolis report, with four emphasized here:

- Density is generally assumed to be consistent with maximum density outlined in the Official Community Plan or Density Bonus Program.
- Rental replacement rezonings would be exempt from density bonus payments, and the replacement rental and below-market rental represent the entire contribution of the project.
- The financial analysis was updated to incorporate recent amendments to the *Residential Tenancy Act* to reduce permissible rent increases to inflation only.
- Below-market rent is defined as New Westminster Below-Market Rent, and units were considered to be owned by a non-profit housing organization or a private owner with occupancy managed by an entity experienced with non-profit housing.

Policy Scenarios

The consultant tested the financial viability of five rental replacement policy scenarios on the rental case study sites. Policy scenarios included different combinations of unit types (market rental, below-market rental and strata) as below:

A. 100% rental replacement (remaining units strata)
B. 100% rental replacement with 10% below-market units (remaining unit's strata)
C. 50% rental replacement with 10% below-market units (remaining unit's strata)
D. 100% rental (no strata, no below-market units)
E. 100% rental with 10% below-market units (no strata)

Findings

Table 2 summarizes the findings of the economic analysis and identifies the rationale for the recommended policy approach: Scenario E, which has been incorporated in the draft Rental Replacement Policy (detailed in the following section).

The most common rental properties in the city are wood-frame purpose-built rental, outside of downtown, on midrise zoned sites with an RM designation allowing up to 6 stories, approximate FSR 2.5. Generally, the analysis indicates these properties are more valuable as rental properties than redevelopment sites; therefore there is little risk of demolition, except in unique circumstances. This means that all five scenarios, including Scenario E, are unviable on most sites at this time, suggesting that limited redevelopment would take place on a limited number of sites, in unique circumstances, with senior government financing assistance, and/ or in the future when land economics change. The intent of the policy is to ensure that redevelopment meets Council objectives if and when it proceeds.

Table 2: Summary of Economic Analysis Findings and Rationale for Staff Recommendation

Scenario	**Outcome**	**Financially Viable**	**Recommend**	**Rationale**
A	100% rental replacement (remaining units strata)	Yes	No	No below-market units to accommodate existing tenants.
B	100% rental replacement with 10% below-market units (remaining units strata)	Yes	No	Mix of strata, market rental and below-market rental impractical and complex to operate on typically small sites, at relatively low densities
C	50% rental replacement with 10% below-market units (remaining units strata)	Yes	No	Mix of strata, market rental and below-market rental impractical and complex to operate on typically small sites, at relatively low densities. Allows loss of rental stock.
D	100% rental (no strata, no below-market units)	Possibly viable	No	Increases rental supply and practical to operate. No below-market units to accommodate existing tenants. Would be viable with small changes in rent levels or in unique situations. Enables gradual redevelopment.
E	100% rental with 10% below-market rental	Very limited viability at this time	Yes	Increases rental supply, practical to operate and provides below-market rental units to accommodate existing tenants. Not viable on most sites today. May be viable in unique situations, with senior government assistance or in the future.

In addition to the most common rental sites described above, there are some downtown high-rise residential sites built below their current density entitlement which may be at risk of redevelopment to 100% strata residential today, and are not financially viable for redevelopment under the City's preferred Scenario E. This situation could be addressed by exploring tools to ensure these properties remain rental, such as updating the existing density

Back to Agenda

bonus rates for zoning districts that include existing purpose-built market rental properties to set a rate level that does not incentivize premature redevelopment; and, to apply the new multi-family residential rental tenure zoning to these sites. Staff would explore this further as part of upcoming public consultation.

Attachment C summarizes the findings from the financial analysis and the full report titled, "Financial Analysis for City of New Westminster Affordable Housing Policies" is included as Attachment D.

A.4 Draft Rental Replacement Policy

The Draft Rental Replacement Policy is included as Attachment E, and is consistent with the findings summarized in Table 2 above. The draft Rental Replacement Policy is intended to enable redevelopment to occur at a slow pace while meeting Council objectives, and provides clarity about expectations for that redevelopment, including:

- provisions for cash in lieu contribution or other flexibility considerations;
- requirements for partnerships with pre-qualified non-profit housing providers or occupancy management entities, with costs paid by building owner. As noted, staff will identify qualified private or non-profit occupancy management entities with experience managing non-profit housing, including BC Housing, to determine their interest in partnering with local property owners for occupancy management of below-market rental units; and,
- a proposed grace period after the policy is adopted for application of the policy.

The results of the policy will be monitored and reported to Council over the next two years with a view to amending the Policy should circumstances warrant.

<u>B. RENTAL REVITALIZATION PROGRAM</u>

The practice of renovictions is becoming more commonplace in New Westminster, and over the last two years there is evidence that renovictions have occurred in at least fifteen rental buildings in New Westminster, affecting at least 315 units.

The Rental Housing Revitalization Program would include levers to dis-incent renovictions and incent the maintenance of purpose-built rental buildings through: (1) revitalization tax exemption for securing, maintaining and revitalizing of existing rental units; and, (2) business licensing restrictions against renovictions.

A companion Rental Housing Revitalization Program Policy outlining the terms and use of the Program, and a robust communications campaign to inform rental property owners would be developed, should it be supported by Council.

Back to Agenda

While the Program would apply to all purpose built rental properties, it is anticipated that the majority of existing buildings would continue to operate without triggering use of the Program's provisions.

B.1 Rental Revitalization Tax Exemption

Use of the permissive authority granted through s.266 of the Community Charter (revitalization tax exemptions) is proposed to provide an opportunity for landlords who have consented to the following to partially exempt their City property taxes (see Attachment F for details on this authority):

- Agree to rental tenure zoning and a housing agreement to be registered on their properties;
- Agree to negotiated building maintenance expenditures;
- Agree to a regime of annual building inspections; and,
- Agree to not engage in renovictions to undertake maintenance or renovations.

In order to establish the Rental Revitalization Tax Exemption, a bylaw would be required to establish the following:

- Revitalization program objectives, which could include the renovation of existing rental housing units;
- Eligibility criteria for exemptions (such as that the property owner would not engage in renovictions to undertake maintenance or renovations);
- Extent of exemptions available, established as a specified percentage of the total tax. The percentage would be set in relation to the typical cost of non-renoviction property maintenance, to be determined by the City following further analysis;
- Maximum term of an exemption, which may not exceed 10 years; and,
- Specify conditions that must be met for the exemption to continue and provisions for "recapture" of taxes if a condition in the tax exemption certificate is not met.

Once the program is in place, the City would enter into agreements with property owners of eligible properties and issue revitalization exemption certificates. The tax exemption certificate would apply to the property and would remain in effect for the term specified in the certificate, regardless of ownership of the property.

B.2 Business Licensing Restrictions against Renovictions

The Business Regulations and Licensing (Rental Units) Bylaw is proposed to be amended to add new regulations pertaining to building renovations (proposed amendment bylaw included as Attachment G). The intent of the proposed amendment bylaw would be to deter owners of purpose built rental buildings from evicting tenants for renovictions. It would empower the City to revoke the business licenses of multi-family rental property owners who do not comply with the bylaw. The amendment bylaw would add a new section addressing building renovations and would include a number of regulations pertaining to restrictions on evictions, including:

- Conditions under which evictions would be considered;
- Provisions for temporary accommodation for tenants in situations when evictions are deemed necessary;
- Provisions to prohibit increases in rent payable following renovations;
- Provisions for contravention of the bylaw; and,
- Conditions under which exemptions would be considered.

The above regulations would deter renovictions, however the ability to affect change will be limited if the regulations are not enforceable. For this reason it is recommended the City establish corresponding fines for the regulations proposed in the amendment bylaw, including:

- Eviction without permits
- Eviction without relocating tenant
- Failure to provide relocation agreement
- Failure to provide relocation documentation
- Excessive rent increase

The City enforces City bylaws using two municipal ticketing systems: the Bylaw Offence Notice (BON) system with maximum fine amounts capped at $500 and the Municipal Ticketing Information (MTI) system with maximum fine amounts capped at $1000.
It is recommended that the maximum fine amounts for both systems be assigned for violations of each of the above regulations.
Other opportunities for enforcement are presented by refusal of the business licence and the already available offence of carrying on business without a licence.

The City would also:

- consider imposing multi-family residential rental tenure zoning on a case by case basis for multi-family rental properties where owners do not comply with the proposed anti-renovictions business licensing bylaw requirements.

NEXT STEPS

Consultation

A consultation program with stakeholders on the Draft Rental Replacement Policy and the incentive components of the Rental Housing Revitalization Program is proposed to be conducted in February and March 2019 together with consultations for the Draft Inclusionary

Housing Policy. Identified stakeholders include renters, housing advocates such as the New Westminster Tenants Union and Acorn Canada, rental property owners, Landlord BC, non-profit housing providers, third party occupancy management entities, the development community, BC Housing, and others.

The proposed consultation program will include a variety of approaches to inform, consult and involve the public, stakeholders and key agencies in the policy review process. Staff would work collaboratively communications to ensure that specific populations of interest are included in the consultation program (e.g. seniors, youth, newcomers, renters, among others).

The proposed program includes the following elements:

<u>Online Survey:</u> An online survey for residents to provide feedback on the draft policy and draft program would be available on the City website in February and March, 2019.

<u>Open House:</u> A public open house for community members, non-profit housing providers, and other stakeholders would be held in the evening to ensure the public can attend.

<u>Stakeholder Workshops:</u> Two more focused stakeholder workshops would be held: one with non-profit housing providers, third party occupancy managers, housing advocates such as the New Westminster Tenants Union and Acorn Canada, and Landlord BC; and, one with the Urban Development Institute Local Liaison Committee.

<u>City Committee Consultation:</u> The draft policy and draft program would be presented to the Community and Social Issues Subcommittee and Advisory Planning Commission for review and feedback.

Staff would report back to Council with the outcomes of the consultation on the Draft Rental Replacement Policy, the Draft Rental Housing Revitalization Program Policy, including the proposed percentage of tax exemption, any proposed amendments to the policies, and proposed amendments to the City's fine bylaws related to renovictions. The Draft Inclusionary Housing Policy would also form part of this report back.

FINANCIAL IMPLICATIONS

Financial implications and risks of the proposed Rental Housing Revitalization Initiative would be further explored in consultation with the Director of Finance.

INTERDEPARTMENTAL LIAISON

Interdepartmental discussions have occurred and will be ongoing through to implementation.

Back to Agenda

OPTIONS

There are two options for Council's consideration:

1. That Council endorse, in principle, the proposed Rental Housing Revitalization Initiative, with the following next steps:

    a. That the Draft Rental Replacement Policy be endorsed as the basis for initiating consultation with the public and stakeholders;
    b. That staff apply the Draft Rental Replacement Policy as an interim guideline to move applications under Pre-Application and/ or initial Formal Application Review forward for consideration until the policy is adopted and becomes effective;
    c. That the Business Regulations and Licensing (Rental Units) Bylaw Amendment Bylaw 8085, 2019 be considered for three readings and forwarded to an Opportunity to Be Heard and for consideration of adoption on January 28, 2019;
    d. That staff report back to Council with further amendments to City bylaws to allow future fines for properties that proceed with renovictions;
    e. That staff report back to Council with a Draft Rental Housing Revitalization Program Policy, including the percentage of tax exemption to be considered.

2. That Council provide alternative direction to staff.

Staff recommends Option 1.

ATTACHMENTS

Attachment A: New Westminster Context: Existing Purpose-Built Market Rental Housing Stock; and , Rental Demographics, Rental Demand and Rents
Attachment B: Municipal Rental Replacement Policies and Occupancy Management
Attachment C: Summary of Findings from the Financial Analysis
Attachment D: Coriolis Consulting Corp. Financial Analysis for City of New Westminster Affordable Housing Policies November, 2018
Attachment E: Draft Rental Replacement Policy
Attachment F: Memorandum re: Revitalization Tax Exemptions for Rental Unit Renovations
Attachment G: Bylaw No. 8085, 2019 - A Bylaw to Amend Business Regulations and Licensing (Rental Units) Bylaw No. 6926, 2004

This report has been prepared by:
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This report was reviewed by:
Jackie Teed, Manager of Planning

Approved for Presentation to Council

Original Signed by:	Original Signed by:
Emilie K Adin, MCIP	Lisa Spitale
Director of Development Services	Chief Administrative Officer

Back to Agenda

Corporation of the City of
NEW WESTMINSTER

Attachment A

New Westminster Context: Existing Purpose-Built Market Rental Housing Stock; and, Rental Demographics, Rental Demand and Rents

Back to Agenda

Attachment A

New Westminster Context

Existing Purpose-Built Market Rental Housing Stock

An inventory of the existing purpose-built market rental housing stock was compiled as of December 2017 to support policy development, with the following main findings:

- About half of all purpose-built market rental buildings are located in Uptown (23% of buildings) and Brow of the Hill (29% of buildings)
- The purpose-built market rental units are even more concentrated, with approximately two in three rental units being located in either Uptown (31%) or Brow of the Hill (35%).
- The most common building size for purpose-built market rental buildings in New Westminster is 10-24 units (34% of buildings). Buildings with 25-49 units (27%) and 3-9 units (24%) are also very common.
- Almost half (46%) of all current purpose-built market rental buildings were built in the 1960s.
- Two in three rental buildings (66%) are low-rises 3 to 4 storeys tall. There are only 24 high-rise rental buildings (7 or more storeys) in New Westminster, composing 8% of rental buildings.
- The majority of purpose-built market rental buildings (70%) are located in RM (residential – medium density) zones.
- Most (63%) of the purpose-built market rental units in New Westminster are one bedroom units. There are very few three bedroom units (2%) or four+ bedroom units (0%).
- Based on the Heritage Protection Map there is only one rental building with formal heritage protection.
- There are 21 rental buildings on the heritage resource inventory (7% of all rental buildings).
- Building permits are a proxy measure of building owners investment in a building. Just over one-quarter of rental buildings have had a building permit issued in the past ten years (2008-present) for renovations etc. (85 rental buildings).
- Most of these investments (37%) were under $50,000. This is a relatively small investment relative to the value of the properties.
- Another proxy for building condition is bylaw complaints. Approximately three quarters of rental buildings (229 rental buildings) have had no property condition related bylaw complaints over the past three years.
- Fifteen buildings with 316 units have been affected by renovictions as of December 2018.

Back to Agenda

Rental Demographics, Rental Demand and Rents

In order to develop appropriately targeted policies, staff reviewed available data and prepared a summary of renter demographics, rental demand and rents to answer the following questions:

a) Who are New Westminster renters, what are their housing conditions, and what can they afford to pay for rent?

   Most tenant households are headed by persons under age 65, and tend to be non-family households, with a smaller household size than owners. Tenant households have significantly lower incomes than owners, with non-family households having the lowest incomes, and the greatest affordability challenges, although 88% of tenant households receive no housing subsidies. At 30% of 2015 household incomes, a median New Westminster non-subsidized non-family renter could afford to pay $940/month and a median non-subsidized family renter could afford $1,707/month.

b) What is the current need and estimated future demand for rental housing for New Westminster households, focusing on very low, low and moderate income households?

   In April 2018, there were 570 applicants on file for New Westminster at the BC Housing Registry (social housing) waitlist representing current unmet need. Future rental housing demand was estimated by Metro Vancouver for New Westminster at 220 units per year, mostly for households earning below $30,000 per year, followed by households earning $30,000 to $50,000 per year, as detailed in Table 1.

   Table 1: Estimated Annual Rental Housing Demand by Household Income Level (2016-2026) for City of New Westminster

Household income level	Estimated Annual Rental Housing Demand
Very low income <$30,000/yr	122
Low income $30,000-$50,000/yr	50
Moderate income $50,000-$75,000/yr	27
Above moderate income $75,000-$100,000/yr	12
High income >$100,000/yr	9
Total	220

   Source: Metro Vancouver Regional Affordable Housing Strategy 2016 Appendix 1.

To meet current and future rental demand, the City will need an estimated 570 units for very low income households on the waitlist, 122 additional units per year affordable for households earning under $30,000 per year, 50 units per year for households earning between $30,000 and $50,000 per year, and 27 units per year for households earning between $50,000 and $75,000.

c) What are the appropriate target rent levels to meet local need?

Very low income New Westminster renter households earning below $30,000 can afford to pay up to $750 per month. This policy does not target this rent level.

Low and moderate income renter households are the target of this policy. Low income New Westminster renter households earning between $30,000 and $50,000 per year can afford to pay between $750 and $1,250 per month. And moderate income New Westminster renter households earning between $50,000 and $75,000 can afford to pay up to $1,875 per month.

Toward creating affordable housing policy specific to New Westminster, a new rent measure called "New Westminster Below-Market Rent" has been created. It would be set at 10% below the annually reported Canada Mortgage and Housing Corporation (CMHC) rental market median rent, all years of construction, for New Westminster. Currently the New Westminster Below-Market Rent ranges from $777 per month for a studio unit to $1,529 per month for a 3 bedroom unit. This rent level would help to address the needs of current tenants who are paying well below-market rents in existing purpose-built market rental buildings and may be displaced by redevelopment. The New Westminster Below-Market Rent measure is significantly below the rents charged for newly constructed secure market rental units.

Renter demographic profile

2016 Census data and City sources reveal that a high proportion of New Westminster tenants live in purpose-built market rental housing , followed by rented condominiums, secondary suites and independent social housing (subsidized). Some tenants receive a rent supplement while living in market rental housing.

Table B1 – Rental Housing Supply New Westminster, August 2018

Type of rental housing	Number of units	Source
Secondary suites, occupied[1]	2,338	City data

[1] Note that the Census underestimates the supply of secondary suites. For example, the Census estimated that there were 1,245 occupied secondary suites in 2016, whereas City data estimated that there were

Purpose-built market rental	9,147	City data
Independent social housing	1,065	City data
Coop housing	415	City data
Rented condos	3,109	Metro Vancouver.
Rented houses	555	2016 Census
Total rented housing	16,629	Combination

The following provides an overview of all New Westminster renter households as of the 2016 Census:

- Most renter households are headed by a household maintainer under age 65, with the largest share (about one quarter of renter households) being 25-34 years old
- Proportionally fewer (17%) renter households are senior led (age 65+), compared to 24% of owner households
- Approximately half of all New Westminster renter households (50%) live in low rise apartments (fewer than 5 stories), followed by mid to high rise apartments (33%).
- More than half (57%) of renters are non-family households (roommate and one-person households) and they have a smaller average household size (1.8 persons) than owners
- About 2 in 5 New Westminster renter households have not moved within five years and are likely paying much lower rents than if they had to find a place today
- Housing affordability challenges (spending 30% or more of income on housing costs) are much more common among renters in New Westminster (40%) than owner households (24%)
- Family and non-family renter households differ in their characteristics: renter family households are more likely to live in overcrowded dwellings (i.e., not enough bedrooms) than renter non-family households. Over one in five renter families (21%) lived in overcrowded housing, compared with just under one in twenty renter non-family households (5%) in 2016
- Renters have much lower incomes than owners, with non-family renters having the lowest incomes, and paying the lowest rents
- Non-family renter households are more likely to struggle with affordability (half of them spend 30% or more of before-tax household income on rent) than family renter households (over one quarter of them spending 30% or more of before-tax household income on rent).

2,338 occupied secondary suites in 2018. This is a significant difference despite the difference in time periods.

Most renters are non-subsidized renters (88%) living in the purpose built and secondary rental market. Non-subsidized tenants' demographic characteristics mirror all renters (since they are the largest component of renters) but there are some important differences:

- Almost half of all non-subsidized renter households (45%) were led by someone between the ages of 25 and 44 years old compared to 15% of subsidized renter households
- Only 13% of non-subsidized renters are senior households, compared to 48% of subsidized renters
- Non-subsidized renters are more likely to be family households (45%) than subsidized renters (29%)

New Westminster non-subsidized renter households have the following incomes and rent characteristics:

- Non-subsidized renters tend to have higher incomes than subsidized renters
- The income gap between family and non-family non-subsidized renters is significant. The median before tax household income for non-family renter households was $37,559, and the before tax household income for family renter households was $68,279 in 2015
- At 30% of 2015 household incomes, a median New Westminster non-subsidized non-family renter could afford to pay $940/month and a median non-subsidized renter family could afford $1,707/month
- This compares with reported median shelter costs for non-subsidized non-family renter households of $902/month and median shelter costs for renter family households of $1,132/month.

<u>Rental Housing Demand</u>

Rental housing demand consists of both existing housing need and growth-related future demand or need.

New Westminster's vacancy rate has been consistently low throughout the past several decades, falling below a balanced vacancy rate of 3.0% for 24 out of the past 28 years and every year from 2011 onwards, suggesting unmet rental housing demand. In October 2018, the rental vacancy rate in New Westminster was 1.6%, up slightly from 1.1% a year ago.
The BC Housing waitlist provides an indicator of the existing unmet need for subsidized housing for very low-income households. There were 570 households on the BC Housing registry waitlist for social housing in New Westminster in April 2018, up from 440 households in 2011[2]. Those on the waitlist are primarily seniors (181), families (194)

[2] Note that some non-profit housing providers do not use the Housing Registry, and therefore waitlist figures likely are an underestimate.

Back to Agenda

and persons with a disability (100) as well as singles (47), those needing wheelchair accessible units (19), and transfers (28).[3]

In addition to existing unmet need or demand, future population growth and household formation will generate additional demand for rental housing. The New Westminster Official Community Plan estimates that 600 new units would be needed annually to accommodate expected population growth, but it did not consider the tenure of those units. The Metro Vancouver Regional Affordable Housing Strategy (RAHS) forecast housing demand by tenure for member municipalities, and estimates that 500 new units would be needed annually to meet growth related demand in New Westminster. Of these, roughly 220 units (or 44%) would be rental units, based largely on past trends. The RAHS further estimates the breakdown by income level. Table B2 shows that most additional rental demand will occur among lower income households. Further Metro Vancouver data indicates that very low-income rental demand consists predominantly of single person households, including seniors.

Table B2: Estimated Annual Rental Housing Demand by Household Income Level (2016-2026) for City of New Westminster

Household income level	Estimated Annual Rental Housing Demand
Very low income <$30,000/yr	122
Low income $30,000-$50,000/yr	50
Moderate income $50,000-$75,000	27
Above moderate income $75,000-$100,000	12
High income $100,000	9
Total	220

Source: Metro Vancouver Regional Affordable Housing Strategy 2016 Appendix 1.

The largest share of growth related rental housing demand is for very low-income households earning under $30,000 per year. This is similar to the incomes of those households on the BC Housing waitlist.

Rental housing demand consists of existing need plus estimated future rental demand. As such, the demand for rental housing for households earning under $30,000 per year is 470 units to meet existing demand (as per BC Housing Waitlist) plus an additional 122 units per year for growth related demand (Table B2 above). Growth related housing demand for households earning $30,000-50,000/year is the next largest component, at an estimated 50 units per year.

[3] Metro Vancouver Housing Databook. Data as of June 2017.

Back to Agenda

Rents

Chart B3 displays current rent rates for New Westminster and affordable rent thresholds used by BC Housing. The left most bars represent median rents in the existing New Westminster purpose built market rental housing stock as reported by CMHC, Fall 2017. Second from the left is the average rent charged for new secure market rental units in New Westminster (based on newly constructed market rental buildings). There is a significant difference of $400-$500 between the two rents.

The centre bars represent two provincial rent thresholds set by government policy. They highlight the significant difference between the shelter component of income assistance and both existing market rent and new market rent. Housing Income Limits (HILS) rents are somewhat above the CMHC median rent in New Westminster, because HILS rents apply to the Metro Vancouver region.

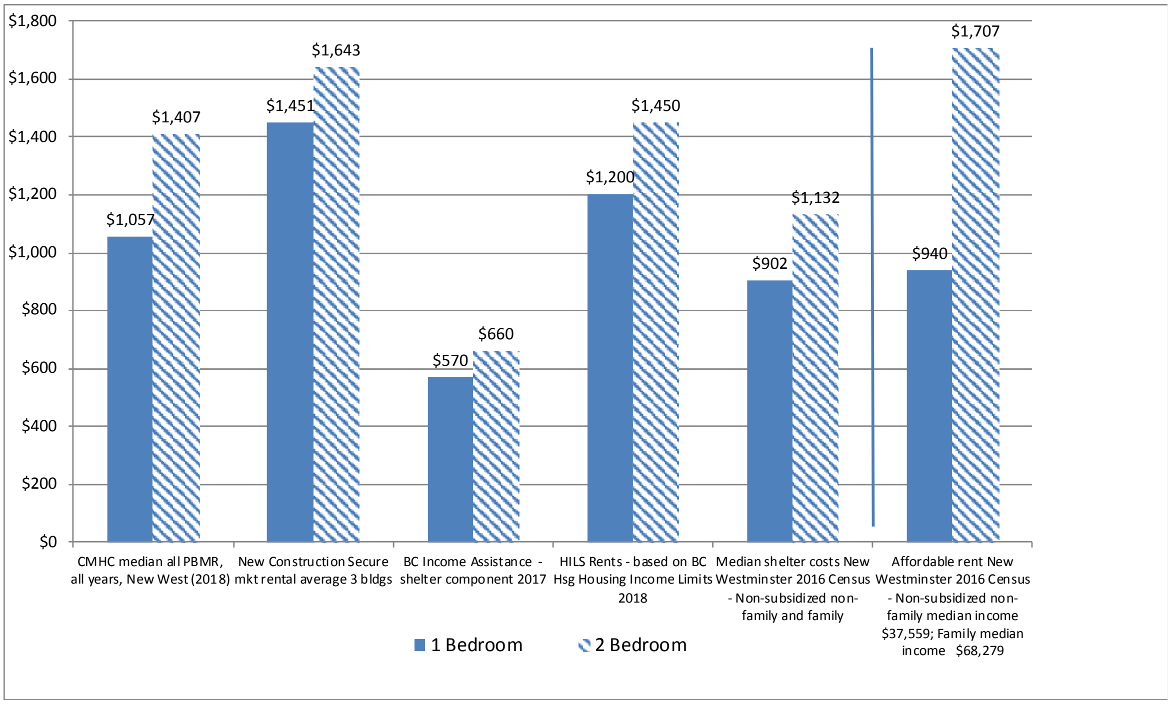
The two right-most sets of bars depict what New Westminster non-subsidized renter households report paying for rent and what they can afford to pay based on their family type and household income in the 2016 Census.

Non-family households are paying approximately what they can afford and roughly the rent charged in the existing purpose-built market rental stock for 1- bedroom units. Family renter households on average report paying slightly less than they could afford for a 2-bedroom unit based on 30% of household income in 2016. Their average household incomes are more closely aligned with the rents of new 2-bedroom market units and this is likely the source of demand for newer, more expensive market rental housing.

What is not captured in averages and medians is the fact that some long-term tenants in existing purpose-built market rental units are paying rent that is significantly below median market rent, as their rent increases have been limited by the Residential Tenancy Act (RTA) permissible rent increases for several years.

Back to Agenda

Chart B3: Common rent measures and affordability thresholds, New Westminster



To account for this fact, and to set a rent benchmark that ensures New Westminster residents can afford the rent in new non-market units created through an inclusionary or rental replacement policy, a new rent measure called “New Westminster Below Market Rent” is proposed. It would be set as 10% below the annually reported CMHC rental market median rent, all years of construction, for New Westminster. The rationale is that this rent level helps to address the needs of current tenants who are paying well below market rents. Table B4 shows how this rent benchmark compares with the standard CMHC measure and more importantly, with rents charged for new secure market rental units in New Westminster. It shows that the proposed Below Market Rent is from 23% to 34% below the rents charged in newly constructed rental units depending on unit type.

Back to Agenda

Table B4 –New Westminster Target Rent Levels for Below-Market Rental Housing

Rent Measures	1 Bedroom	2 Bedroom
CMHC Median Rent PBMR, all years, New Westminster (2018)*	$1,057	$1,407
Below-Market Rent New Westminster - 10% below CMHC Median Rent (above)	**$951**	**$1,266**
New construction secure market rents (average, New Westminster calculations 2018)	$1,451	$1,643
Difference between average new construction secure market rent and below-market rent $	$500	$377
Difference between average new construction secure market rent and below-market rent %	34%	23%

Source: * CMHC Rental Market Report, Dec 2018.

Back to Agenda

Corporation of the City of
NEW WESTMINSTER

Attachment B

Municipal Rental Replacement Policies and Occupancy Management

Back to Agenda

Attachment B

Municipal Rental Replacement Policies and Occupancy Management

Experience in Other Municipalities

Eight Metro Vancouver municipalities have adopted a rental replacement policy and another municipality is developing one. Others may have negotiated rental replacement on a case by case basis. The City of Vancouver's Rate of Change Policy was the first, spurred by a spate of rental building demolitions in the 1990s, and has resulted in limited rental redevelopment. The City of Vancouver has since set out some conditions for rental replacement in local area plans, for example, the West End Area Plan, where sites may be zoned to permit a level of density that generates moderate interest and uptake by the private sector for development applications. In some cases, zoning schedules or rezoning policies are set-up so that existing rental housing is only encouraged to redevelop on the condition that the new development is secured as 100% rental housing (thus achieving the objective of increasing the rental supply) or in other cases, social housing.

Most other municipal replacement policies were implemented in the mid to late 2010s, so it is early to know how effective they have been. The usual replacement ratio sought by these policies is 1 for 1 although some municipalities have accepted less and others effectively require 100% rental. Some municipal policies require inclusion of some or all below-market units in rental redevelopment situations, intended to match current rents, specifically the City of North Vancouver and Richmond. Surrey will seek 100% rental replacement at below-market rents in its new policy. Burnaby Council has instructed staff to develop a rental replacement policy using the new Residential Rental Tenure Zoning tool after losing over 700 purpose-built rental units (net) to redevelopment as strata residential. Attachment C summarizes these policies.

The table below describes active rental replacement policies in Metro Vancouver municipalities. The usual replacement ratio sought by these policies is 1:1 although some municipalities have accepted less and others effectively require 100% rental. Some municipal policies require inclusion of some or all below-market units in rental redevelopment situations, intended to match current rents, specifically the City of North Vancouver and Richmond. Surrey will seek 100% replacement at below-market rents in its new policy. Burnaby Council has instructed staff to develop a rental replacement policy using the new Residential Rental Tenure Zoning tool after losing over 700 purpose-built rental units (net) to redevelopment as strata residential. Vancouver's policy has effectively limited redevelopment of existing rental properties, while new area plans provide some economically viable replacement opportunities. Most other municipal policies have been adopted in the last five years, and there has been little experience with them.

Table C1- Municipal Rental Replacement Policies November 2018

Municipality	Policy name	Year Adopted	Replacement Ratio	Outcomes
Richmond	Market Rental Housing Policy, in OCP and Zoning Bylaw.	OCP - 2012, Market Rental Housing Policy, Sept 2018	Existing market rental units must be replaced at a minimum ratio of 1:1, with the replacement units secured as affordable housing at the City's low-end market rental (LEMR) rates.	TBD
District of North Vancouver	Goal 4: Enable the replacement of existing rental housing with conditions (in District of North Vancouver's Rental Affordable Housing Strategy)	OCP - 2011, Town Centre plans various	1:1 when feasible	Allows for payment in lieu and other arrangements
City of Vancouver	Rental Housing Stock Official Development Plan (known as Rate of Change Policy), rezoning policies, and neighbourhood plans	1990s, June 2018	1:1 replacement when rate of change of rental demolition exceeds 0.	Has effectively limited redevelopment. Council adopted neighbourhood plans which allow redevelopment, with conditions.
City of North Vancouver	Density bonus and community benefits policy, and 10 10 Perpetuity Mid Market Policy	May 2015, amended in July 2017, July 2018	At least 1:1	Generally, replacement projects are larger than the original building
Maple Ridge	Housing Action Plan Strategy 9: Minimize the loss of existing rental housing	Sept 2014	No set rate	Case of 222nd Street and 121st Ave, 291 rental units replaced 95 rental units
White Rock	OCP Policy 11.2.1 and 11.2.2	2016	At least 1:1. Not in a Bylaw, but more prescriptive than many OCP policies	TBD
Surrey	Policy O61: Rental Housing Redevelopment: Rental Replacement and Tenant Relocation Assistance Policy	2018	1:1 Affordable rental, 10% below current CMHC avg rents for appl unit size for Surrey, annually.	TBD
Port Moody	Rental Protection Policy	2018	1:1 and like for like. Less than 1:1 considered if below market rents.	TBD

Occupancy Management Options for Below-market Rental Units

In the traditional non-profit housing model, where non-profits have ownership or leasehold tenure, both occupancy management and physical property management of non-market units is carried out by the non-profit housing society. While ownership and management usually go hand in hand, in rental replacement scenarios, these functions may be separated and handled by different entities, with different missions, objectives etc. Different ownership structures of the below-market rental units can affect the financial viability of the project. The way that occupancy management is handled (i.e. the selection and income verification of tenants) is important to ensure alignment with Council objectives and can have financial implications. Physical property management would usually be handled by the building owner or its property manager.

Staff was able to find few situations where an alternate approach has been applied. One example, not directly related to rental replacement, but rather the management of below-market rental units in a market rental setting, was employed by UBC. There, a third party occupancy management entity was retained by UBC Housing and Relocation Services to income test and set rents for tenants in its new Staff Rent Geared to Income Housing program.

Staff examined options for ownership and occupancy management of below-market rental units that might be secured in New Westminster through a rental replacement policy (in redeveloping rental buildings).

Separation of ownership of the below-market units from other units, including strata units, is challenging on the typical New Westminster rental building site which is designated for a maximum of six stories. A newly redeveloped wood-frame rental building would have to be stratified or divided into two separate airspace parcels to allow for separate owners for two different tenure types, be they strata and secure rental or secure rental and below-market rental. Air space parcels are expensive and cumbersome in small buildings. To use stratification, all units would have to be stratified and then some of the units transferred to the City or a non-profit society as a condition of development, but this would affect the economics of the project.

The City's Secure Market Rental Policy requires no stratification covenants and housing agreements. Further complicating the matter, this approach would create the possibility of three tenures in one building – replacement rental units, non-market rental units, and strata units, resulting in potentially three different management regimes. Given the small number of units involved on most RM sites, there appears no practical way to separate ownership. As such, staff recommend that all new rental units remain in the hands of rental building owner/investor/landlord, with conditions imposed through housing agreements to achieve desired outcomes. The advantage of this approach is that the rental owners/operators are experienced physical property managers. The two options considered for occupancy management in rental replacement scenarios are as follows:

1. Building owner retains ownership of below-market units and manages the units/tenants under terms specified by Housing Agreement for a specified period of time with annual reporting to the City.
2. Building owner retains ownership of below-market units with a stipulation that a non-profit management entity, from a list of pre-qualified non-profits or non-profit management entities developed by City, is retained to by owner at the owners expense to manage the units/tenants according to the terms of a Housing Agreement.

Management principles

Based on research, best practices, and outreach with non-profit housing societies, staff developed the following management principles to guide development of an inclusionary and rental replacement policies:

a) Below and non-market rental units secured through the policy serve the intended residents and household income levels for the life of the building.
b) Below and non-market rental units are owned, or occupancy is managed, by qualified non-profit housing societies or occupancy management entities.
c) Housing agreements control the terms of occupancy management.
d) Regular reporting to the City on occupancy of below and non-market rental housing units to ensure alignment with policy objectives.
e) Transparent process for allocating below and non-market rental units among non-profit housing societies.
f) The non-profit manager /partner is brought into the process as early as practical.
g) The approach should be flexible to accommodate a variety of situations and non-profits housing societies.
h) Minimizes the burden on City staff time.

Evaluation criteria are based on the management principles and incorporate the City's own experience, other municipalities' experience, the non-profit perspective and legal opinion. Table D1 shows where each approach has been used regionally, if at all, whether it is a recommended approach, and the rationale.

Table D1: Evaluation of Occupancy Management Options - Below-Market Rental Units in Redeveloping Rental Buildings

Below market rental units in redeveloping rental buildings	**Where used**	**Who owns asset?**	**Who manages tenants?**	**Recom mend**	**Rationale**
Building owner retains ownership of below-market units and manages the units/tenants according to terms in Housing Agreement.	City of North Vancouver	Building Owner/ Landlord	Landlord/ property manager	No	Poor outcomes and difficult to monitor. Risk losing fidelity to Council objectives. Some municipalities are moving away from this approach.
Building owner retains ownership of below-market units with stipulation that a third party occupancy management entity, from a pre-qualified list created by City, manages units/tenants according to Housing Agreement.	UBC Staff Housing Rent Geared to Income program	Building Owner/ Landlord	Occupancy management entity	Yes	Possible for City to pre-qualify. Small pool of qualified third party occupancy managers could limit ability of development to proceed. Limited experience regionally. More entities entering this business, including potentially BC Housing.

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Attachment C

Summary of Findings from the Financial Analysis

Back to Agenda

Attachment C

Summary of Findings from the Financial Analysis

Under existing entitlements, including OCP designations, most rental buildings on low-rise zoned sites in the city are more valuable as rental properties than redevelopment sites; therefore there is little risk of demolition, except in unique circumstances.

Other findings include:

- The City's current Density Bonus Program is protecting the existing purpose-built market rental inventory due to the cost of bonus density.
- This could change over time if strata unit prices continue to rise, resulting in a higher risk of rental building redevelopment.
- Circumstances such as poor building condition or the need for major capital investment may cause some property owners to redevelop early.
- On typical rental sites, if up-zoned to Official Community Plan (OCP) maximum Floor Space Ratios (FSR), policy scenarios A, B and C are viable today based on land value.
- Scenario D is possibly viable, that is minor changes in key assumptions (rents, construction costs etc.) could tip the results from not viable to viable.
- Scenario E is not viable on most sites today.
- Exceeding maximum OCP density is the only way to improve the outcomes of these policy scenarios, particularly with respect to the provision of below-market rental units. Future work could explore higher densities in select areas of the City in return for 100% rental and a greater share of below-market rental units in redevelopment situations.

Table 2 summarizes the findings for the most common type of rental site in New Westminster (midrise, outside of downtown, wood-frame purpose-built rental site/building with an RM designation allowing up to 6 stories (approx. FSR 2.5)). It provides an overview of the recommended policy approach, with rationale. Scenario E is recommended and has been incorporated in the draft Rental Replacement Policy (detailed in the following section). Although the financial analyses has shown Scenario E to be unviable on most sites at this time, and suggests that limited redevelopment will take place, it may work for a small number of sites, in unique circumstances, with senior government financing assistance, or in the future. The intent of the policy is to ensure that redevelopment that does proceed will meet Council's objectives. Scenarios A through D either support no below-market rental units or are impractical and complex to operate as they result in combinations of rental, below-market rental and strata on one site/building and are not recommended, as noted in the table below.

Back to Agenda

Table 2: Summary of Economic Analysis Findings for Typical Wood-frame 6 storey Rental Building

Scenario	Outcome	Financially Viable	Recommend	Rationale
A	100% rental replacement (remaining units strata)	Yes	No	No below-market units to accommodate existing tenants.
B	100% rental replacement with 10% below-market units (remaining units strata)	Yes	No	Mix of strata, market rental and below-market rental impractical and complex to operate on typically small sites, at relatively low densities
C	50% rental replacement with 10% below-market units (remaining units strata)	Yes	No	Mix of strata, market rental and below-market rental impractical and complex to operate on typically small sites, at relatively low densities. Allows loss of rental stock.
D	100% rental (no strata, no below-market units)	Possibly viable	No	Increases rental supply and practical to operate. No below-market units to accommodate existing tenants. Would be viable with small changes in rent levels or in unique situations. Enables gradual redevelopment.
E	100% rental with 10% below-market rental	Very limited viability at this time	Yes	Increases rental supply, practical to operate and provides below-market rental units to accommodate existing tenants. Not viable on most sites today. May be viable in unique situations, with senior government assistance or in the future.

In addition to the typical rental sites described above, there are some downtown high-rise residential sites built to low existing density (Base 2.0 FSR rezoned to 4.0 FSR Residential) with different financial results, as follows:

- They are not financially viable under Policy Scenario D or E.
- These sites may be at risk of redevelopment to 100% strata residential today under existing entitlements, with density bonus payment, potentially resulting in the loss of existing rental stock with no replacement.

This situation could be addressed by exploring tools to ensure these properties remain rental. Examples include, updating the existing density bonus rates for the density bonus zoning districts that include existing purpose-built market rental properties to ensure that density bonus rates continue to be set at a level that does not create an incentive (i.e. less than the value of the bonus density) to redevelop under existing zoning (to strata residential) prematurely and/or to apply the new multi-family residential rental tenure zoning these sites.