



Office of the City Clerk

K. O'Connell, City Clerk
B. Zeinabova, Deputy City Clerk

INTER-OFFICE MEMORANDUM

TO: CHAIR AND MEMBERS
PLANNING AND DEVELOPMENT
COMMITTEE

DATE: 2019 SEPTEMBER 10

FROM: DEPUTY CITY CLERK

FILE: 02410-20

SUBJECT: **RENTAL USE ZONING POLICY**
NEW BUSINESS, COUNCIL 2019 SEPTEMBER 09

Under the New Business portion of the Open Council meeting held on 2019 September 09, Council referred to Items B, C, and D of the Council Correspondence Package received up to 2019 August 15 from Ledingham McAllister, ONNI Group, and Solterra regarding rental use zoning policy.

Arising from discussion, Council **REFERRED** the items to the Planning and Development Committee.

A handwritten signature in blue ink, appearing to read "Blanka Zeinabova", written over a horizontal line.

Blanka Zeinabova
Deputy City Clerk

Copied to: Director Planning and Building



LEDINGHAM McALLISTER

3rd Floor, 1285 West Pender Street, Vancouver, BC, V6E 4B1 t: (604) 662-3700 f: (604) 684-9004

July 29, 2019

Mayor Hurley and Members of Council
City of Burnaby
4949 Canada Way
Burnaby BC, V5G 1M2

Note from Director Planning and Building:

A core principle for granting the rental density to which the noted vacancy controls apply, was securing a public benefit by way of some level of affordability being obtained over time. The policy has a feedback mechanism built into it, and should the vacancy controls prove problematic in two years, staff can recommend changes at that time. Finally, it is noted that alternatives to the vacancy control that meet the intent of the policy could also be considered on an individual basis.

Dear Mayor Hurley and Members of Council:

Re: Rental Use Zoning Policy and Vacancy Control

Ledingham McAllister supports the need for more affordable and market rental housing in the City of Burnaby. We appreciate all of the hard work the Task Force on Community Housing, the Mayor's Office, Council, and City staff has put into producing the Rental Use Zoning Policy and Initial Implementation Framework (April 25, 2019).

This new policy encourages new rental housing in Burnaby, with the slowing of the condominium market and access to government programs, we believe this could be an ideal time pursue the construction of rental projects.

We support the immediate increase in affordable rental stock as a result of the density offset provided. However, we have concerns that vacancy control measures placed upon the market rental provisions within the RMr zoning will lead to a lack of market rentals being built in Burnaby and a lost opportunity for the City.

Ledingham McAllister supports the BC Residential Tenancy Act. It provides fair and equitable rental guidelines for tenants. However, under the new policy it states ***"additional permitted market rental should be limited to RTA increases regardless of tenancy"***. We support the existing RTA policy however, the new City requirements of ***"regardless to tenancy"*** we respectfully suggest should be removed from the new City policy for market rental projects to be viable. The immediate challenge projects will face is securing standard underwriting from financial institutions as they will not see projects as financially viable long-term. This is due to the long-term challenges of keeping up with the increases in operating and maintenance costs, along with the ability to provide basic unit improvements. Operating costs are already outstripping inflation, making it difficult to provide standard upgrades as buildings get older.

We currently have a number of projects in Burnaby impacted by this new policy. We are pleased to be one of the first applicants to implement your new City policy at our project 'The Bennett' at 4960 Bennett Street in Metrotown where we are replacing the existing rental stock with a 1:1 ratio of affordable rental units however, our application does not include any additional market rental units.

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City Manager
Dir. Corporate Services
Dir. Planning and Building

In Edmonds, our approved Master Plan for Southgate City includes approximately 6,000 residential units in 20 towers and 25 low-rise residential buildings. The development aims to revamp South Burnaby over the next 20 years into a vibrant new community. We have been in discussions with Burnaby Planning staff on the new rental use policy and its application to our master planned site.

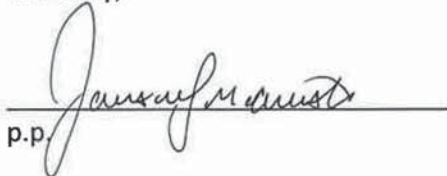
Through the application of this new policy, we envision providing 20% of our current unit estimates as affordable rental housing, which equates to approximately 800 units. We also intend to include the associated Density Offset. Our recently occupied BC Housing Family project and under construction BC Housing Seniors project at Southgate are two recent examples of our commitment to building affordable rental housing in Burnaby.

We have explored the option of adding market rental housing at Southgate City. An additional 2,800 market rental units could be provided to South Burnaby if Southgate used the RMr zone to its full capacity. In our analysis, implementing a vacancy control indicated in the new City policy would negatively impact the long-term economic feasibility of these market rental units. As a result, it is unlikely that we would utilize any of the potential market density at Southgate.

As an aside, we are currently underway with six large developments in the City of Coquitlam. In these projects we are currently including some 600 units of market rental due in large part to the City of Coquitlam's unrestricted policy for including these types of units.

We look forward to working with the City of Burnaby on the implementation of this important new policy. However, we request the removal of the vacancy control from the RMr zoning in order to generate thousands of new rental units for the citizens of Burnaby. We are able to discuss this at your convenience.

Sincerely,


p.p.

Ward S. McAllister
President & CEO

Note from Director Planning and Building:

A core principle for granting the rental density to which the noted vacancy controls apply, was securing a public benefit by way of some level of affordability being obtained over time. The policy has a feedback mechanism built into it, and should the vacancy controls prove problematic in two years, staff can recommend changes at that time. Finally, it is noted that alternatives to the vacancy control that meet the intent of the policy could also be considered on an individual basis.

From: Eric Hughes [<mailto:ehughes@onni.com>]
Sent: July-26-19 9:56 AM
To: Mayor; McDonell, Paul; Calendino, Attilio Pietro; Dhaliwal, Satvinder; cjordan@comsavings.com; Wang, James; Johnston, Dan; joe.keithlery@burnaby.ca; Volkow, Nick
Subject: City of Burnaby Rental Use Zoning Policy

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Dear Mayor and Council,

Onni has reviewed the new rental use zoning policy, generally we are supportive, but we do have some concerns with the rent restrictions for the Stream 2 market rental density that is permitted via the RMR zonings. Please find a letter attached, which outlines our concerns.

Thank you for considering our feedback.

Yours truly,

Eric Hughes
VP of Development
ONNI GROUP
200 - 1010 Seymour Street
Vancouver, BC, V6B 3M6
D: (604) 488-8987
ONNI.COM



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Copied to:
City Manager
Dir. Corporate Services
Dir. Planning and Building

July 25, 2019

Mayor and Members of Council
City of Burnaby
4949 Canada Way
Burnaby, BC
V5G 1M2

Dear Mayor and Members of Council,

Re: Rental Use Zoning Policy – Stream 2

City staff, Mayor and Council have drafted a very comprehensive rental use zoning policy that will ensure a significant amount of new affordable housing will be constructed in the City's Town Centres. Onni is generally supportive of the new policy and looks forward to working with the City to deliver affordable housing. Onni is also interested in exploring the opportunity to develop market rental density permitted via the proposed RMR zonings. However, we do have concerns with the economics of building market rental density as permitted in Stream 2 of the rental use zoning policy.

We understand, the policy currently considers a provision where rents can't be adjusted to market rates for new tenants. When a tenant vacates their dwelling, the rent that is permitted to be charged will be required to be the same as the rent charged to the previous tenant. The inability to adjust rents to market rates results in a depreciating asset for the developer. Operating costs in the Lower Mainland have traditionally outpaced CPI. Furthermore, discounted rents for market rental units creates an inequitable situation where some residents can secure discounted rents despite not having to qualify for the lower rents based on income thresholds.

Based on the new policy Onni could deliver approximately 500 Stream 2 market rental units at our Gilmore Place development and North Road project. Additional market rental units could also be delivered via Stream 3. For Onni to proceed we need to ensure the market rental units will be viable based on a long-term horizon.



Contracting Ltd.

Onni appreciates the thoughtful rental use zoning policy that has been drafted, but requests the move-out provision prohibiting rents can be adjusted to market rates be removed.

Yours truly,

A handwritten signature in black ink, appearing to read "E. Hughes", is written over a light gray grid background.

Eric Hughes
VP of Development
ONNI Group
200-1010 Seymour Street
Vancouver, BC
V6B 3M6

July 29, 2019

Mayor Mike Hurley and Members of Council
City of Burnaby
4949 Canada Way
Burnaby, BC V5G 1M2

Dear Mayor Hurley,

Note from Director Planning and Bldg: A core principle for granting the rental density to which the noted vacancy controls apply, was securing a public benefit by way of some level of affordability being obtained over time. The policy has a feedback mechanism built into it, and should the vacancy controls prove problematic in two years, staff can recommend changes at that time. Finally, it is noted that alternatives to the vacancy control that meet the intent of the policy could also be considered on an individual basis.

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It has been and continues to be a great honour to be part of the Mayor's Task Force on Community Housing, helping to support the realization of 1:1 rental replacement and to encourage a proliferation of new rental homes through density bonusing while taking care of the needs of existing tenants. These are programs that I believe will bring tangible benefits to the citizenry of Burnaby.

And having been directly involved in the envisioning and the crystallization of ideas behind these initiatives, naturally, I look forward to putting them in place for our upcoming developments. At the same time, however, I believe it is vital that the section in the new policy pertaining to vacancy rent control be revisited, and this is why:

1. The proposed rent controls on "market rental" housing is a disincentive to developers to provide this much-needed type of accommodations. Since the value of rental property is derived solely from its income potential, artificially restricting its ability to find its own equilibrium unfairly penalizes the owner of such property.
2. It is inevitable that developers will want to take advantage of the good-intentioned density bonusing program, and with the expected growth in rental stock, there is no need to legislate a ceiling on the rental rate as such a ceiling would likely defeat the great benefits of having such a program in the first place.
3. A landlord of a true "market rental" home, normally, is willing and financially able to upkeep and make improvements to such a property, over time, as there is an incentive to do so. When that incentive is removed, these properties tend to fall into disrepair, thereby reducing the quality of life for would-be renters.

The vacancy rent control effectively converts the "market rental" component of any new building into another form of "non-market rental". As a life-long Burnaby resident, I see first-hand the challenges facing our residents and families in meeting their diverse housing needs. While I believe we are moving in the right direction, I would ask that the proposed vacancy rent control of the RMr density be removed in order to encourage maximum utilization of the new policies.

Sincerely yours,
Solterra Development Corp.



Mike Bosa

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City Manager
Dir. Corporate Services
Dir. Planning and Building