

September 7, 2021

Pietro Calendino
Chair, Planning and Development Committee
City of Burnaby
4949 Canada Way
Burnaby, BC, V5G 1M2

Dear Chair Calendino:

Re: Barriers to the Delivery of Market Rental Housing in Burnaby

Introduction

The City of Burnaby has worked over the past few years to increase the amount of affordable housing units being built throughout the City, while also protecting existing tenants. UDI has been supportive of these efforts. Several UDI members and I participated on the *Mayor's Task Force on Community Housing*, and our Burnaby Liaison Committee worked with staff throughout the development of the *Rental Use Zoning Policy and Implementation Framework* and the *Tenant Assistance Policy*. For the most part, UDI has been supportive of both policies and views them as models for other communities.

However, the City's current approach to the approval of 100% Purpose Built Rental (PBR) buildings is making them unviable for many proponents. As a result, projects are being delayed and some could potentially be cancelled. Thousands of PBR units are at stake, which is the very form of housing for families and individuals that Burnaby has committed to provide following your extensive and commendable public engagement process. PBR not only serves a diversity of residents including varying income levels, ages and employment types, but is also a fundamental part of the housing continuum that the City needs. The City's current approach to PBR effectively prioritizes strata and below-market housing types by making market rental challenging to deliver.

There are two key barriers – the City's inclusionary zoning policy being applied to the PBR projects, and a potential significant change to the density bonusing process.

This letter speaks to three issues:

1. Rental Versus Strata Valuations;
2. Inclusionary Zoning; and
3. Density Bonusing.

Rental Versus Strata Valuations

For the most part, new affordable housing in Burnaby has been delivered alongside new strata residential. However, rental is not the same as strata. Strata floor space has a significantly higher value

than rental floor space. The City has previously recognized this issue with regard to the density bonusing program. Up until now, PBR projects were charged substantially lower density bonus rates - approximately 50% of what equivalent strata buildings would be expected to pay. This was intended to support the feasibility of rental projects, which are valued lower than comparable strata residential projects.

It is not possible for purpose built rental to take on the same level of affordable housing and density bonus expectations as strata residential, and City policies, procedures, and decision-making that do not differentiate in this regard will significantly undermine our members' ability to deliver this much-needed housing form.

In addition, Burnaby's approach to market rental housing across multiple policies has been unclear. If changes in the City's approach are occurring, it is critical that they be communicated to builders who are purchasing sites and developing proposals based on published policy.

Inclusionary Zoning

As noted above, UDI is generally supportive of the City's 20% inclusionary zoning policy because the costs of the program are offset by a 1.1 FAR increase in strata residential floor space being offered to proponents. While this is appropriate for strata developments, it is unworkable for PBR projects because by their very nature, they do not include strata ownership units. If the additional RM density is used to build market rental housing units, the increase in value as a result of the additional density will not offset the costs to provide the required affordable housing units. This is due to strata residential floor space being far more valuable than market rental floor space as noted above.

Density Bonus Payment for Rental

Although no Bulletin or Policy has been released, we understand the Density Bonusing approach has substantially changed – in a way that will undermine our members' ability to deliver market rental.

Some of our members have been informed that PBR projects will be assessed as if they were strata projects to determine the appropriate density bonus value. This approach presents a fundamental change to project economics, as those higher costs may not be able to be absorbed, rendering PBR projects (or the rental component of other projects) unviable. We understand that there could be a potential mechanism to offset the increased density bonuses such as a grant from the City; however, there is no clarity about whether such an approach has been adopted, or how it would be operationalized.

Even if offsets were available, subject to Council approval, such an approach will likely add both time and risk to PBR projects, because there would be no certainty regarding the eligibility, amount, or timing of a grant. It would become too risky to purchase a site and invest in designs/plans for a project proposal to find out much later in the process that it is not viable because the density bonus will have to be paid, with no guarantee of an offsetting grant. Builders will more likely develop 100% PBR projects and voluntary rental units in jurisdictions without this length and risky process. The end result would be a very limited supply of new market rental homes being built, if any.

For those development proposals already underway, it is very difficult to adjust financial commitments after sites have been purchased, and equally as difficult to modify in-stream applications when significant new expectations are introduced without warning. The potential changes to the Density Bonusing approach are very consequential and will dramatically impact the economics of projects, with no clear path for mitigation aside from re-assessing and re-designing them. This would set project timelines back significantly, further impacting their viability and possibly resulting in the cancellation of in-stream PBRs

and rental units, which would undermine the affordability of rental housing in Burnaby. The delivery of PBR represents a critical housing form to fulfill the needs of residents.

As a result of these two issues, we are aware of several PBR projects that may not proceed or may need to be altered significantly, so thousands of planned rental housing units may not be developed in Burnaby. This includes the Starlight Developments project near Lougheed Station, where the proponent is seeking to build 1,200 new infill market rental housing units without any displacement of the existing 528 households on the site. Others, such as Grosvenor, with a large masterplan development project in Brentwood are re-evaluating their ability to deliver the voluntary market rental component of their project. Their proposal calls for approximately 2,000 rental housing units. The significance of these issues cannot be understated, as the imposition of the inclusionary zoning policy and potential new density bonusing approach would amount to what is effectively a moratorium on PBR.

Recommendations

UDI has several recommendations for the City:

- We ask Council to consider having a consultant review the economics of 100% PBR projects compared with strata developments and provide recommendations on whether the inclusionary zoning policy should apply to market rental projects – or what adjustments should be made to the policy to accommodate PBR projects.
- If the change, noted above, to the City's density bonusing approach for PBR and voluntary market rental housing is occurring, we ask that the City reconsider it and acknowledge the fundamental differences between market rental and strata properties. Density bonus valuation for PBR should reflect PBR economics.
- Whether or not changes are made to the City's approach, a Bulletin needs to be released detailing the approach for the density bonusing of PBR projects and voluntary market rental housing. Builders are proceeding with their developments and purchasing sites in Burnaby to build 100% PBR or include rental in their developments, and it appears that other than the two developers mentioned above, the rest of the industry is unaware that there may be a significant change in the density bonusing approach. As noted above, they will have difficulty adjusting their financial commitments and may not proceed with their market rental proposals.

UDI has been pleased to work with Burnaby as it developed very positive policies to increase the number of affordable housing units in the City while protecting tenants. However, a key component of Burnaby's Housing System – 100% PBR projects and voluntary rental units - are becoming almost impossible to build. The voluntary rental component of many mixed tenure developments may have to be re-evaluated, removed, or rendered less affordable, because of the approach the City is taking with regard to inclusionary zoning and density bonus payments for rental. We ask Council review these issues and our recommendations to resolve them.

Yours sincerely,



Anne McMullin
President & CEO, Urban Development Institute