

PLANNING AND DEVELOPMENT COMMITTEE

TO: *MAYOR AND COUNCILLORS*

SUBJECT: RENTAL USE ZONING POLICY REVIEW

RECOMMENDATION:

THAT the report titled “Rental Use Zoning Policy Review” dated June 14, 2023, be **REFERRED** to staff for further review and report back to Council.

REPORT

The Planning and Development Committee, at its meeting held on June 14, 2023, received the *attached* report seeking Council adoption of an updated Rental Use Zoning Policy and seeking authority to prepare amendments to the Zoning Bylaw in support of the Policy updates.

The Committee noted the need for additional analysis and revisit of the proposed amendments regarding offset density as well as minimum unit sizes. The Committee also noted the need for regional analysis regarding construction of rental housing.

Arising from discussion, the Committee declined to vote on the proposed recommendations set out in the report and instead REFERRED the report back to staff for further review to be reported back to Council.

Respectfully submitted,

Councillor Calendino
Chair

Councillor Keithley
Vice Chair

TO: PLANNING AND DEVELOPMENT COMMITTEE (PDC)

FROM: GENERAL MANAGER PLANNING AND DEVELOPMENT

SUBJECT: RENTAL USE ZONING POLICY REVIEW

PURPOSE: To seek Council adoption of an updated Rental Use Zoning Policy, and to seek authority to prepare amendments to the Zoning Bylaw in support of the Policy updates.

RECOMMENDATIONS

THAT the Planning and Development Committee recommend that Council adopt the revised Rental Use Zoning Policy, as presented in *Attachment 1*;

THAT the Planning and Development Committee recommend that Council authorize staff to prepare Zoning Bylaw amendments to minimum net floor area unit sizes for rental units, according to the terms outlined in this report dated June 14, 2023 from the General Manager Planning and Development; and

THAT the Planning and Development Committee recommend that Council authorize staff to prepare Zoning Bylaw amendments associated with the Gross Floor Area regulations for Multiple Family Residential Districts, according to the terms outlined in this report dated June 14, 2023 from the General Manager Planning and Development.

EXECUTIVE SUMMARY

This report presents the results of a review of the implementation of the Rental Use Zoning Policy (RUZP). It proposes amendments to both the policy and related Zoning Bylaw provisions to improve its implementation. The proposed policy amendments provide greater clarity on the policy's requirements as originally adopted by Council. The proposed amendments to the Zoning Bylaw increase the density available to offset the higher costs of non-market housing units constructed in concrete or mass timber buildings. Additionally, Zoning Bylaw amendments are proposed to change the minimum unit sizes for residential unit types, which would improve the livability of rental units and better align with BC Housing's Design Guidelines which set minimum unit sizes for BC Housing projects.

1.0 POLICY SECTION

Pursuant to section 481.1(1) of the *Local Government Act*, local governments are authorized to limit tenure to residential rental tenure for a zone or part of a zone where

multi-family residential use is permitted. A local government may also limit the form of tenure to a specified number, portion or percentage of housing units within a building.

An ongoing action of HOME: Burnaby’s Housing and Homelessness Strategy (2021) is to monitor and evaluate the success of the RUZP in achieving rental housing.

2.0 BACKGROUND

First adopted by Council on May 13, 2019, the RUZP framework is a key City policy that works in parallel with the Tenant Assistance Policy (TAP). The current version of the RUZP was adopted on March 9, 2020, and supports the City’s goal of increasing the supply of rental housing and facilitating the replacement of existing rental units that would otherwise be lost through redevelopment or renovations that require rezoning. The RUZP provides four streams to support the aforementioned goals; specifically: rental replacement, inclusionary rental, voluntary rental housing in commercial districts, and protection of existing rental sites. The streams aim to balance the creation of non-market rental housing for residents and increase the overall rental housing supply in Burnaby.

At the time of adoption, a two-year review of the policy was proposed. The policy enables the City to achieve new market and non-market rental units, along with replacement of existing purpose built rental housing, in new developments in community plan areas. To date, thousands of new rental units are under construction or proposed through implementation of this policy.

On May 11, 2022, Council adopted the scope of work for the RUZP review, which included monitoring of achievements and completion of a financial analysis of the policy. Since that time, Council requested staff to also review the Zoning Bylaw regulations for minimum unit sizes for rental units. This report outlines the work requested by Council.

3.0 GENERAL INFORMATION

3.1 Current Rental Use Zoning Policy

The intent of the RUZP is to provide more rental housing, including market and non-market units, as options for low to moderate income households. The implementation framework has been designed to secure a long-term rental stock for Burnaby residents.

The policy both requires and encourages developers to provide rental units at a range of affordability levels. There are four streams within the policy:

1. **Rental Replacement:** Requires replacement of existing purpose built rental units when existing sites are proposed for redevelopment (“**Replacement Rental Units**”). The policy intersects with the City’s Tenant Assistance Policy by providing rental replacement units to eligible tenants who were displaced during redevelopment, with access to tenant assistance under the City’s policy. The

replacement units are provided at pre-development rents for returning tenants, subject to *Residential Tenancy Act* (RTA) rental increases during construction. If tenants choose not to return to the new development or vacate a replacement unit, the affordability is maintained as an inclusionary unit at rents 20% below CMHC market median rents for that rental survey area.

2. **Inclusionary Rental:** Requires new developments within community plan areas to provide an equivalent of 20% of the total Base and Bonus Density units as non-market rental units (“**Required Inclusionary Units**” or “**Burnaby Affordable**”) at rents 20% below CMHC market median rents; and allows the option for additional rental units on a 1:1 ratio at market and CMHC market median rents (“**Optional Inclusionary Units**”). The policy encourages applicants to pursue other government funding to achieve greater affordability than the minimum non-market requirements in the RUZP, including for both the inclusionary and replacement units.
3. **Voluntary Rental Housing in Commercial Districts:** Allows developments to use up to 49% of the designated commercial floor area within applicable commercial zoning districts to be residential rental housing, provided the remaining 51% of the floor area are typical commercial uses, and that all other multiple family residential densities are utilized in line with the RUZP.
4. **Protection of Existing Rental:** Enables the City to secure existing sites improved with purpose built rental buildings by applying rental tenure zoning to the property. This would secure any new development of these sites as rental.

The implementation of the RUZP is supported by the framework for market and rental residential densities in the City's *Zoning Bylaw*, which offers additional market strata or rental density to offset the cost of inclusionary non-market rental units. For the purposes of this report, the multiple-family residential densities available in the *Zoning Bylaw* are summarized below:

1. **Base Density:** RM and RMs density intended for the provision of multi-family market strata or rental dwelling units, excluding bonus, RMr, and offset density;
2. **Bonus Density:** Additional RM and RMs market strata or rental density provided in exchange for contributing a community benefit (e.g. community amenities, affordable housing, cash-in-lieu contribution);
3. **Rental Density:** RMr rental tenure density intended for the provision of Replacement Units and Required or Voluntary Inclusionary Units in accordance with the RUZP;
4. **Offset Density:** Additional density intended for the provision of market strata or rental dwelling units to offset the cost of providing rental Replacement Units or Required Inclusionary Units.

A summary of rental units achieved and projected through the implementation of the RUZP policy can be found elsewhere on Committee’s agenda.

3.2 Financial Analysis

As part of the RUZP policy review, financial analysis conducted by a third party consultant was undertaken to assess the feasibility of the following aspects of the RUZP. The following summarizes this analysis, and the resultant policy recommendations.

Inclusionary Units and Offset Density

The value of the Inclusionary Units was assessed for the three CMHC rental market zones in Burnaby (Metrotown/Central Park, Southeast Burnaby, and North Burnaby). The values vary by location based on the different median rents and operational revenues for the three CMHC zones. Areas of Burnaby where market median rents are higher (e.g. Metrotown) are more likely to be successful in meeting the RUZP than areas with lower median rents (e.g. Edmonds).

The consultant evaluated whether the financial impact of providing the required Inclusionary Units is fully offset by the value of the additional density offset provided. The analysis focused on the RM3s, RM4s and RM5s Districts, as the inclusionary requirement is not required in the lower-density RM1, RM2, and RM6 zoning Districts.

With respect to construction method, wood frame construction was found to be more financially viable for the Inclusionary Units, having less overall costs per square metre/square foot than concrete construction. For concrete construction in higher density RM4s and RM5s Districts, the negative financial impact of the Inclusionary Units is on average higher than the value of the Offset Density. In some areas, such as Edmonds or Lougheed, the cost of the Inclusionary Units in concrete buildings can significantly exceed the value of the Offset Density.

In the RM3s District, where low-rise wood frame construction is most typical, the analysis indicates that apartment development is often not financially viable at the Base Density (before the Required Inclusionary and Offset Density is considered). This lack of financial viability is consistent with the limited number of RM3s rezoning applications received by the City in recent years. Further, existing purpose built rental sites that are designated for RM3s District will often have Rental Replacement obligations that far exceed the minimum requirements for Inclusionary Units.

To address questions raised by Council, while financial impacts and value of density varies across the City, the consultant determined that there is no financial ability to reduce the market Offset Density, increase the Inclusionary Units requirement, or deepen the Burnaby Affordable rate of 20% below CMHC market median rents

without significantly impacting the number of market and non-market residential units we receive and approve. However, the financial analysis supports an increase to the Offset Density to help meet the cost of providing the Required Inclusionary Units as part of concrete or mass timber buildings, which results in greater resiliency and longevity of the housing over the long term.

The analysis also investigated the use of surplus Optional Inclusionary Units, once replacement or inclusionary rental requirements are met. This surplus permits a 1:1 ratio of CMHC market median rental units and market rental units. While location and site specific variability have affected the viability of Optional Inclusionary Units, based on the analysis, it is anticipated that there remains limited interest in this option unless subsidy is available or CMHC market median rates increase. While there have been requests from the development industry to permit the Optional Inclusionary units to be rented at market, an analysis on the additional number of rental units this would generate, and the impact to overall rental affordability has not been undertaken, and would be pursued as part of a future policy review unless otherwise directed by Council.

Commercial Rental Density

The financial analysis reviewed the use of up to 49% of Commercial Rental Density for the provision of market rental units across all four Town Centres. It concluded that both market rental and commercial floor area remain viable. However, while dependent upon demand, commercial lease or strata in Burnaby still financially outperforms market rental housing and would likely result in limited uptake of this opportunity should commercial demand increase. The analysis concluded that changing the ratio of commercial vs. residential rental floor area would not have a material effect on making this option more feasible. Overall, it was concluded that the uptake of the option will be location dependent and influenced by the market for office space at the time as well as the physical ability to accommodate the different types of space on the site.

In summary, the analysis concluded that the financial viability of the RUZP varies by location and by construction method. Overall, the policy requirements for Inclusionary Rental Units is easier to meet with wood frame construction (which has less cost than concrete construction or mass timber), and in areas of Burnaby where market median rents are higher (e.g. Metrotown/Central Park).

3.3 Proposed Policy and Zoning Bylaw Amendments

Housekeeping Policy Amendments

Staff undertook a review of the implementation of the RUZP and identified aspects of the policy that needed either greater clarification, were in Council adopted reports but missing from the policy document, or needed to better align with the Tenant

Assistance Policy. Changes to the wording in the policy are proposed as outlined in *Attachment 1*, and a table of the proposed changes can be found in *Attachment 2*.

Offset Density Zoning Bylaw Amendments

Based on the findings of the financial analysis, staff are recommending updates to the *Zoning Bylaw* to provide additional Offset Density to cover the costs of Inclusionary Units in a non-combustible concrete or mass timber building. Improving the viability for concrete or mass timber Inclusionary Units is integral to the implementation and success of the RUZP for the following reasons:

- **Land Use and Urban Design:** Higher density Town Centre and Urban Village developments provide for significant non-market residential growth next to transit, employment, and services. These sites are often required to construct concrete buildings based on site area constraints, proposed building heights, and the mix of integrated land uses.
- **Building Lifespan:** Contemporary concrete and mass timber buildings provide for a building life that can be decades longer than wood frame buildings. Delivering a portion of Inclusionary Units in more robust concrete/mass timber buildings helps to support the delivery of non-market units for the long term benefit of Burnaby residents.
- **Sustainability:** The additional Offset Density is also provided for mass timber buildings that face higher construction costs than wood frame construction. Mass timber buildings are made from wood, a renewable construction material that can replace more carbon-intensive materials.

The *Zoning Bylaw* amendments propose to increase Offset Density for concrete or mass timber construction, which property owners and prospective development applicants may consider as they determine the preferred type of construction to meet the RUZP obligations. This approach allows the *Zoning Bylaw*, along with the RUZP and adopted Community Plans, to support a more accurate two-tiered offset of costs for the future development of non-market Inclusionary Units that vary in construction methods and costs (i.e. wood frame buildings vs. concrete / mass timber buildings).

Table 1 below summarizes the maximum Base, Bonus, and Rental Density, and the current and proposed Offset Density for the Multiple Family Districts that require Inclusionary Units. Maximum densities may not be achievable or desired for all development sites, particularly where challenging site configurations or environmental constraints exist.

Table 1. Summary of Proposed Offset Density Zoning Bylaw Amendments

Zoning Districts	Maximum Density (FAR)			Current Offset Density	Proposed Offset Density	
	Base Density	Bonus Density	Rental Density (RMr)		Standard FAR regardless of non-market construction	% of Base and Bonus Density, based on type of non-market construction
Multiple Family Residential					Wood Frame	Concrete / Mass Timber
Within Town Centres						
RM5s/RM5	3.40	1.60	2.20	1.10	22.0%	30.0%
RM4s/RM4	2.50	1.10	1.70	0.85	24.0%	30.0%
RM3s/RM3	1.10	0.40	1.10	0.55	36.0%	36.0%
Outside Town Centres						
RM5	2.20	0.00	2.20	1.10	36.0%	36.0%
RM4	1.70	0.00	1.70	0.85	36.0%	36.0%
RM3	1.1	0.00	1.1	0.55	36.0%	36.0%

Notes on Table 1:

- Full Base Density is only permitted if all off-street parking is provided underground.
- Bonus Density is only permitted in Town Centres.
- Strata or Market rental units may be achieved through Base, Bonus and Offset Density.
- Maximum RMr Rental Density is inclusive of both required and optional Inclusionary Units.
- Previously adopted Urban Village Multiple Family Sub-Districts (i.e. with a uv, uv-a, uv-b, or uv-c suffix) already incorporate offset density percentages that are based on recent financial analysis of urban village building forms, which are distinct from Town Centre podium and high-rise point tower forms. As such, the proposed offset percentages for RM5, RM4, and RM3 Districts outside of Town Centres, as shown above, are the same as the offset percentages provided in the RM5, RM4, and RM3 Urban Village Sub-Districts for both wood frame and concrete / mass timber.

Rather than a standard FAR number, the proposed Offset Density provision is calculated based on a percentage of the Base and Bonus FAR utilized. Using a percentage to calculate Offset Density ensures that the Offset Density is able to increase or decrease proportionally with the Base and Bonus Density and non-market requirements being pursued for a development site. For wood frame construction in Town Centres, the proposed Offset Density percentages are generally consistent with the existing proportion of Offset Density for RM3s, RM4s, and RM5s Districts that utilize maximum density. For concrete or mass timber construction, the higher percentage of Offset Density was informed through financial analysis to determine the additional market density needed to help offset the delivery of concrete Inclusionary Units required under the RUZP.

Minimum Unit Size Zoning Bylaw Amendments

Council requested that staff review the *Zoning Bylaw* regulations governing minimum unit sizes for rental units. The review included calculating the average unit sizes being proposed in new developments in Burnaby, unit size regulations in other municipalities, and a review of BC Housing’s design guidelines. When compared to other municipalities and BC Housing’s design standards, the City’s minimum unit sizes for rental units were generally smaller. However, when staff reviewed the average unit sizes of non-market units in 15 randomly selected RUZP rezoning applications submitted between 2018 and 2021, it was found that, on average, non-market rental units are generally being designed at sizes larger than the City’s minimum unit size requirements.

As the RUZP encourages applicants to seek operating funding from other levels of government, including BC Housing, and generally RUZP rental units that exceed the minimum unit size regulations are already being proposed, staff propose amending the minimum unit size requirement for rental units to more closely align with the BC Housing’s Design Guidelines. This would apply in all areas outside of the P11e/r SFU Neighbourhood District developed specifically for Simon Fraser University, which has smaller units permitted given the focus on providing housing for students. As shown on *Table 2*, this would result in minimum unit size increases for studios and two bedroom units, and a small decrease in size for one bedroom units. The proposed three bedroom rental unit increases in size to be consistent with the current minimum area applied to three bedroom strata units. To ensure all unit sizes are reported in whole numbers, the current minimum three bedroom unit of 904.20 sq.ft. is proposed to be 905 sq.ft. To bring further clarity to the bylaw, the proposed minimum unit sizes for rental units are also proposed to be applied to strata units. In this way, both rental and strata units have the same minimum unit areas.

Table 2. Summary of Proposed Minimum Unit Size Changes

Multiple Family Unit Type	BC Housing Unit Size Guidelines		Burnaby Current Minimum Unit Size				Burnaby Proposed Minimum Unit Size	
			Strata Units		Rental Units		Strata or Rental Units*	
	m ²	sq.ft.	m ²	sq.ft.	m ²	sq.ft.	m ²	sq.ft.
Studio	32.52	350	37	398.25	30	322.93	32.52	350
1 BR	48.77	525	56	602.80	50	538.21	48.77	525
2 BR	67.35	725	70	753.50	65	699.68	67.35	725
3 BR	85.94	925	84	904.20	80	861.14	84.08	905

*1 or 2 Bedroom Units with a Den must increase the proposed minimum unit size by 5 m² (53.82 sq.ft.) and the 5m² must be allocated to the floor space of the Den.

3.4 Next Steps

Future related work that will be undertaken as part of the Planning and Development Department’s work program will include:

- Financial analysis of the feasibility of 100% Market Rental buildings with 20% inclusionary units; and
- An implementation plan for the Protectionary Stream of the policy

This work is anticipated to be completed by Q1 2024.

If the proposed policy amendments are adopted by Council, the new policy would apply to new applicable rezoning applications under the RUZP Policy, and for active rezoning applications that have not yet achieved Second Reading. If authorized, the proposed *Zoning Bylaw* amendments would be brought forward in future reports in Fall 2023, including details on how the amended zoning regulations may apply to in-stream rezoning applications. Staff will monitor input on the proposed changes to the Rental Use Zoning Policy and summarize what we heard in a future report. Also, in line with ongoing action 8.1 of HOME: Burnaby’s Housing and Homelessness Strategy, staff will continue to monitor and evaluate the implementation of RUZP in achieving rental housing and other community needs.

4.0 COMMUNICATION AND COMMUNITY ENGAGEMENT

Currently, information on the RUZP is available on the City’s website and in a brochure. Development and Urban Design staff also provide an overview of the policy in response to enquiries from developers through the Urban Development Institute (UDI). If the proposed amendments to the policy are adopted, staff would communicate with interested parties through a variety of methods. Staff would update and improve web content related to the policy and related *Zoning Bylaw* regulations, including development of a guide for developers. Staff will also inform the non-profit housing sector through BC Non-Profit Housing Association of the City’s policy and the opportunities that it presents for its members.

The proposed *Zoning Bylaw* amendments will be detailed as part of future reporting to Council, and will require a Public Hearing prior to the adoption of the amendments. A notice will be published in two consecutive issues of the local newspaper in advance of the Public Hearing date.

5.0 FINANCIAL CONSIDERATIONS

Funding for the financial analysis of the feasibility of 100% Market Rental buildings with 20% Inclusionary rental will be included as part of Planning and Development one time funding request list for 2024.

Respectfully submitted,

E.W. Kozak, General Manager Planning and Development

ATTACHMENTS

Attachment 1 – Amended Rental Use Zoning Policy
Attachment 2 – Table of Policy Issues and amendments

REPORT CONTRIBUTORS

This report was prepared by Jesse Dill, Planner 3 and Carla Schuk, Planner 3, and reviewed by Mark Norton, Planner 3, Carl Isaak, Director Community Planning, Johannes Schumann, Director Development and Urban Design, and Lee-Ann Garnett, Deputy General Manager Planning and Development.