

TO: MAYOR & COUNCILLORS
FROM: GENERAL MANAGER PLANNING AND DEVELOPMENT
SUBJECT: **PROPOSED INCLUSIONARY RENTAL REQUIREMENTS**
PURPOSE: To seek Council endorsement of proposed updated inclusionary rental requirements as the basis for related amendments to the Zoning Bylaw.

RECOMMENDATION

THAT the proposed inclusionary rental requirements described in Section 3.1.1 of the report titled “Proposed Inclusionary Rental Requirements”, dated March 11, 2025, be endorsed as the basis for advancing related amendments to the Zoning Bylaw; and

THAT staff be directed to process development applications as described in Section 3.1.2 of the report.

EXECUTIVE SUMMARY

This report provides a response to the five Council adopted inclusionary rental requirement resolutions that were added to the report titled “Proposed Height-Based Development Framework” dated October 7, 2024 (the “October 2024 HBF Report”). Included is an overview of Burnaby’s housing needs, summary of the latest financial analysis, and revisions to the proposed inclusionary rental requirements which were presented in the October 2024 HBF Report. This report also proposes an interim approach for applying the proposed inclusionary rental requirements and Final Rental Use Zoning Policy (RUZP) to development applications, prior to the completion of the full Zoning Bylaw Rewrite Project and implementation of a Tenant Protection Bylaw and Development Permit Area for tenant protection.

1.0 POLICY SECTION

Inclusionary rental requirements are authorized and regulated by the *Local Government Act* (LGA), and align with the following City policies, including:

- Corporate Strategic Plan (2022);
- Burnaby Housing Needs Report (2021);
- HOME: Burnaby’s Housing and Homelessness Strategy (2021);
- Rental Use Zoning Policy (2019);
- Mayor’s Task Force on Community Housing Final Report (2019); and
- Burnaby Official Community Plan (1998).

2.0 BACKGROUND

The October 2024 HBF Report outlined an approach to transition the City’s development framework from one that utilizes Floor Area Ratio (FAR) to a framework that regulates the height and massing of buildings. Along with the introduction of a height-based development framework, revisions to the inclusionary rental requirements and Community Benefit Bonusing (CBB) program were proposed. Council endorsed the proposed height-based development framework and directed staff to begin preparing the associated zoning regulations, as well as to bring forward a further report at a future date related to CBB. While Council did support the recommendation to prepare the inclusionary rental zoning amendments in alignment with the October 2024 HBF Report, Council adopted five additional resolutions arising from discussion, outlined in Section 2.1, which impacted or changed the amendments proposed by staff.

2.1 Additional Council Resolutions

The additional Council Resolutions that were adopted on October 7, 2024, were:

- (1) *THAT staff explore and report back to Council with tools not yet explored to improve viability of development;*
- (2) *THAT staff achieve a minimum of 15% inclusionary housing (10% at 20% below CMHC median, and 5% at CMHC median rents) in the R6 to R9 Districts;*
- (3) *THAT staff consider market strata density transfer from Edmonds to the rest of Burnaby, in order to achieve at least 5% of inclusionary zoning (CMHC median) in Edmonds with the goal of equalizing the percentage of inclusionary zoning with the rest of Burnaby;*
- (4) *THAT Southgate be excluded from Edmonds and aligned with the rest of Burnaby in inclusionary zoning requirements; and*
- (5) *THAT staff initiate proforma analysis on inclusionary zoning in two years, or upon major housing market changes, whichever comes first, with the goal of increasing inclusionary zoning percentages.*

Based on the recommendations and additional resolutions that were adopted by Council, it is acknowledged that there is general support for geographic-based inclusionary requirements, but that the goal should be a minimum requirement for all areas of the city. It was recognized that maintaining economic viability is important to ensure development is not deterred. And finally, that the percentage of affordable housing units is important to Council, and that there may be opportunities to modestly increase rent levels to achieve a greater percentage of non-market housing units.

2.2 Regional Context & Housing Needs

In developing the proposed inclusionary rental requirements, staff conducted a comprehensive review of inclusionary policies from various municipalities in the region and carried out high-level analysis to understand how Burnaby is contributing to regional affordable housing targets.

2.2.1 Rental Rates

Inclusionary rental requirements vary significantly across the region and typically reflect the distinct market conditions and priorities of each municipality. Given the variation, staff analyzed the affordability of several municipality’s inclusionary rental requirements to understand how the rent levels compare to one another based on unit type. Most municipalities use CMHC rental market survey data to determine the affordability of the inclusionary units, but the survey data is based on rent levels of existing purpose-built rental buildings in each census subdivision or survey zone and does not consider rental units that are in the secondary market or created through existing inclusionary policies. This means that for municipalities, like Burnaby, that have a prevalence of older purpose-built rental buildings, that the CMHC median or average rent levels are lower when compared to municipalities with similar economic market conditions and development revenues, where fewer and/or newer purpose-built rental buildings exist.

2.2.2 Housing Needs

The City of Burnaby, and Metro Vancouver have identified housing estimates or targets for the next 15-25 years. Units provided through inclusionary policies can contribute to regional affordable housing targets and several sources of need as identified in the report titled “Interim Update to the Burnaby Housing Needs Report” dated October 17, 2024.

Metro Vancouver has been publishing detailed targets and methodologies over the past few months to assist municipalities in understanding how to reach the regional goal of providing 15% of newly completed housing units as affordable rental units by the year 2050. Metro Vancouver considers affordable rental housing to be all non-market rental units receiving ongoing operating subsidies under BC Housing programs as well as any private, non-market rental units that meet Metro Vancouver’s definition of affordable rents (based on census median household income). According to the Metro 2050 Regional Affordable Rental Housing Target – Baseline Data report, between 2018 and 2023, only 2.3% of newly completed housing units built in transit-oriented geographies in Metro Vancouver met its affordable rental housing definition. While Metro Vancouver suggests that affordable rental housing will primarily be provided or funded by higher orders of government, Burnaby currently has four different tools for delivering non-market rental housing, including:

- Inclusionary Policy
- Rental Replacement Policy
- Enabling Projects on City Lands; and
- Partnering with or Supporting Non-Profits/Other Government Organizations.

Between 2020 and 2024, over 4,700 non-market rental housing units in Burnaby were completed, under construction or approved to be developed by achieving final adoption of rezoning. Of this total, over one third of the non-market rental housing units were provided through the City’s inclusionary policy. It is important to balance how many non-market units each of these four tools is providing, to ensure an equitable approach to

creating non-market housing is maintained. If one of these tools is underperforming, a greater burden is placed on other tools for delivering non-market housing.

Looking at Burnaby’s contribution within the region, between 2020 and 2024, 6.19% of units (newly completed or under construction) met Metro Vancouver’s definition of affordable rental housing. Additionally, when factoring in housing units in developments that have achieved rezoning final adoption, the total percentage of affordable units is 11.17%. While Metro Vancouver’s summary only includes units in transit-oriented geographies, between 2018 and 2023 nearly 90% of newly completed housing units in Burnaby fell within transit-oriented geographies. Since 2020, Burnaby has contributed significantly towards the regional affordable housing targets and the goal is to continue to do so into the future.

2.3 Financial Analysis

Under section 482.9 of the LGA, which was introduced with the Province’s enactment of Bill 16 Housing Statutes Amendment Act (HSAA), in adopting an inclusionary bylaw, the local government must undertake and consider a financial feasibility analysis. Variables such as regional fees, market conditions, construction costs, and interest rates, all have the potential to influence a development proforma, but for the most part are not influenced by municipal regulations. Since starting the review of the City’s inclusionary rental requirements, staff have engaged a Financial Consultant to test hundreds of scenarios that looked at variables that municipalities have influence over, including:

- Development density
- Affordability of inclusionary units
- Percentage of inclusionary units
- Unit mix and sizes
- Vehicle parking provisions
- Geographic location of the inclusionary units
- Reducing, delaying, or eliminating the payment of City fees and charges
- Transferring inclusionary requirements
- Delayed implementation of inclusionary requirements
- Payment-in-lieu of inclusionary units; and
- Enabling affordable or special needs housing through other City programs.

Since October 7, 2024, staff have completed additional analyses and further engaged the Financial Consultant to better understand what adjustments in affordability, specifically increasing rent levels, or reductions to city fees, or both would be required to support the inclusionary rental requirements directed by Council. Highlights of the analyses are summarized below:

- Based on today’s economic conditions, it is difficult to achieve a 15% return-on-investment (ROI) for new development projects with a moderate inclusionary rental requirement, even in Brentwood which is a comparatively higher-value area in Burnaby.

- Achieving an inclusionary rental requirement in Edmonds, even at 5% of total units, is challenging.
- Utilizing an average rent rate for non-market rental units City-wide slightly improves the ROI for sites in south Burnaby, but consequently negatively impacts the ROI in north Burnaby.
- The ROI improves if the rent levels of the inclusionary rental units are increased.
- A significant reduction in municipal fees/subsidies is required to improve the ROI.

Regardless of the legislative requirement to consider financial viability analysis when establishing inclusionary housing requirements, ensuring that City-mandated bylaws, policies and fees are financially viable offers key advantages. Viable bylaws and policies encourage ongoing private sector investment and help the City achieve its housing, green building, community development and livability goals.

Considering the findings of the financial analysis, amendments to the desired rental rates and inclusionary percentages are considered necessary to continue to deliver inclusionary non-market housing options in line with Burnaby’s housing needs.

3.0 GENERAL INFORMATION

The following sections of the report propose amended inclusionary rental requirements, and the methodology for applying the various streams of the Final RUZP prior to the completion of the Zoning Bylaw Rewrite project and introduction of a new Tenant Protection Bylaw.

3.1 Rental Use Zoning Policy

On March 9, 2020, Council adopted the Final RUZP, which established requirements for the provision of affordable housing, created opportunities for new rental housing, and provided protection for existing rental housing in Burnaby by implementing rental use zones with specific rental requirements and incentives. The Policy is applied through rezoning to new multi-family residential developments and applicable commercial developments, and is structured into the following four streams:

- Stream 1: replacement rental
- Stream 2: inclusionary rental
- Stream 3: voluntary rental
- Stream 4: protection of existing rental

As outlined in the October 2024 HBF Report, updates to the Final RUZP are required to comply with recent changes to the *Local Government Act* and *Community Charter*, under Bill 16 HSAA and to align with the height-based development framework. In accordance with legislation, where a municipality requires inclusionary housing, the requirements must be adopted by bylaw.

3.1.1 Proposed Inclusionary Rental Requirements

The following amendments to the scope, application and requirements of Stream 2 and Stream 3 of the Final RUZP, for development applications proceeding under the height-

based framework, were supported by Council as outlined in the October 2024 HBF Report:

- inclusionary rental requirements apply to new residential strata (not market rental) development;
- inclusionary rental requirements apply in the R5, R6, R7, R8 and R9 Districts;
- inclusionary rental requirements do not apply to sites with rental replacement requirements;
- consider height relaxations where voluntary non-market rental is proposed; and
- payment in lieu of inclusionary rental units will be considered at a future date, subject to further analysis.

In addition to the amendments listed above, it is proposed that Stream 2 inclusionary rental requirements be amended as follows:

Amendment #1 – Set the inclusionary rental unit rate to CMHC Market Median rents applicable to the Burnaby Census Subdivision.

To achieve an inclusionary requirement in south-east Burnaby, which is a comparatively lower-value area in Burnaby, staff propose to establish a city-wide inclusionary rental rate at CMHC Market Median rents for the Burnaby Census Subdivision. By slightly increasing the rent levels of the non-market rental units, a city-wide inclusionary policy is more attainable and improves the development proforma for residential districts with lower height permissions. The Final RUZP sets tenant household income eligibility for inclusionary units at not more than BC Housing’s published Housing Income Limits (HILs). If the proposed affordability of the inclusionary units is supported by Council, revised eligibility criteria will be brought forward for Council consideration in a future report with the proposed Zoning Bylaw amendments, to ensure the units are rented to, and occupied by, those in need of such housing. The rents for the inclusionary rental units will be protected through a Housing Agreement and the proposed duration of the requirement is for the life of the development, or 99 years, whichever is longer.

Amendment #2 – Apply inclusionary rental requirements by quadrant

Staff recommend that the inclusionary rental requirements apply by quadrant, rather than CMHC survey zones given that staff are no longer proposing to use rent levels associated with CMHC survey zones. By utilizing Burnaby’s four quadrants, there is greater flexibility to establish logical boundaries and account for land value differences between the east and west, particularly in north Burnaby. If supported by Council, the exact boundaries of the four quadrants will be brought forward for Council consideration in a future report with the proposed Zoning Bylaw amendments. Generally, it is proposed that the north and south quadrants be divided by Highway 1, and the east and west quadrants be divided by Kensington Avenue in the north and Gilley Avenue in the south.

Amendment #3 – Establish the inclusionary requirement at 10% of total units (excluding market rental units) for the west quadrants and 5% of total units (excluding market rental units) for the east quadrants.

The proposed approach for calculating the non-market inclusionary requirement is based on a portion of total units, excluding any market rental units. It is proposed that 10% of total units (excluding market rental units) in the north-west and south-west quadrants be provided as non-market rental units, and that 5% of total units (excluding any market rental units) in the north-east and south-east quadrants be provided as non-market rental units. For clarity, it is noted that the 5% inclusionary requirement in the SE quadrant would apply to the Southgate Master Plan site. Under the Height Based Framework, no explicit density offset for inclusionary housing is provided, which differs from the current Rental Use Zoning Policy. As such, the Southgate development would have the same inclusionary obligations and development opportunities as other similarly designated development sites in Edmonds.

It is also proposed that the number of total units used to calculate the non-market inclusionary requirement exclude any units that are generated on floors subject to CBB. As outlined in the “Proposed Amendments to Community Benefit Bonus Policy” report appearing elsewhere on Council’s agenda, the provision of affordable or special needs housing generated through CBB floors will adhere to separate regulations but generally align with the proposed approach for calculating the inclusionary rental requirements.

Amendment #4 – Permit inclusionary rental obligation transfer within the same quadrant as the generating site, and between quadrants with Council approval.

As supported by Council on October 7, 2024, the proposed approach permits the transfer of inclusionary rental obligation to a site other than the site generating the inclusionary requirement. Given that staff are now proposing a quadrant-based inclusionary requirement, it is recommended that inclusionary rental obligation transfer be permitted if the sites are within the same quadrant. If the obligation transfer is requested between quadrants, Council approval will be required. This option has the potential to simplify the approvals process and financing requirements for applicants, and to create optimally sized non-market developments that are manageable for non-profit housing organizations to operate.

If Council endorse the proposed inclusionary rental requirements set out in section 3.1.1 of this report, then staff will bring forward a future report to Council describing and seeking approval to bring forward proposed amendments to the Zoning Bylaw to impose the inclusionary rental requirements.

3.1.2 Interim Application of Rental Use Zoning Policy and Proposed Inclusionary Rental Requirements

Staff propose to incorporate inclusionary rental requirements in the Zoning Bylaw, prior to the completion of the full Zoning Bylaw Rewrite and implementation of a Tenant Protection Bylaw and Development Permit Area for tenant protection. Given this, staff propose the following approach for applying the proposed inclusionary rental requirements (outlined in Section 3.1.1 of this report) and the Final RUZP:

- For any existing development applications that utilize or are guided by FAR-based zoning districts (RM3, RM4, RM5, RM7, C8 and C9), the Final RUZP will be applied in its entirety.
- For any new development applications that utilize or are guided by the height-based zoning districts, as outlined in the October 2024 HBF Report, the inclusionary rental requirements that staff propose to define by bylaw as outlined in section 3.1.1 of this report will apply and the Final RUZP will not be applied, with the exception of the following Final RUZP requirements:
 - Stream 1, Rental Replacement will continue to apply, except that applicants will not be required to provide additional inclusionary rental units, and off-set density will not be provided.

3.1.3 Future Amendments to the Rental Use Zoning Policy

Subsequent amendments to the Final RUZP will be brought forward for Council consideration at a future date as part of the Zoning Bylaw Rewrite project, and the introduction of a Tenant Protection Bylaw and Development Permit Area for tenant protection. Future reports for each of these projects will describe any applicable transitional provisions for in-stream applications related to the Final RUZP.

For clarity, it is anticipated that the Final RUZP will be amended as follows:

- Stream 1 ensures that existing rental units are replaced on a 1:1 basis and tenants are protected through the redevelopment process. It is anticipated that the objectives of Stream 1 will be achieved, firstly, by a new Tenant Protection Bylaw which will provide protection to tenants impacted by redevelopment, and secondly, through amendments to the Zoning Bylaw which will require existing rental units to be replaced on a 1:1 basis.
- Stream 4 provides protection of existing rental buildings with 5 or more purpose-built rental units through zoning, by restricting the tenure of residential buildings for rental purposes only. The current Zoning Bylaw contemplates rental tenure zoning through the “r” sub-districts and it is anticipated that this sub-district will be maintained under the proposed height-based residential districts.

These changes will enable greater certainty for obtaining affordable housing and protecting existing rental housing in Burnaby where rezoning is not required or pursued.

3.2 Further Considerations

As directed by Council, staff will regularly monitor housing market changes and initiate proforma analysis, factoring in any changes to construction costs, interest rates, and demand. Staff recommend the review of the inclusionary zoning requirements be initiated every 12-months following the release of the CMHC rental market survey data. Ultimately, the goal is to deliver affordable housing units in line with the City’s housing needs. Future consideration of the inclusionary rental requirements will also coincide with the review of other city policies & fees that incur costs to development projects.

3.3 Next Steps

If the proposed recommendations are approved by Council, staff will initiative drafting of the associated bylaws and bring forward a subsequent report this spring for Council consideration. To ensure rezoning applications continue to move forward while the bylaws are being drafted and advanced through Council approvals, staff will process and advance applications in accordance with the amendments and protocols outlined in Sections 3.1.1 and 3.1.2 of this report. For clarity, for applications utilizing the height-based zoning districts, staff will advance applications to Council for consideration of First and Second Reading, with a condition that Third Reading only be granted once the proposed inclusionary rental requirements are adopted into the Zoning Bylaw.

4.0 COMMUNICATION AND COMMUNITY ENGAGEMENT

Legislation requires that during the development of an inclusionary housing bylaw, the municipality must provide one or more opportunities it considers appropriate for consultation with persons and organizations that the municipality considers will be affected by the bylaw. Communications and engagement work on the proposed inclusionary rental requirements are being advanced in alignment with Provincial legislation. Staff will engage with affected parties, including the development industry, following the introduction of this report and obtain feedback. Further consultation will be initiated following introduction of the associated bylaws this spring.

5.0 FINANCIAL CONSIDERATIONS

Financial impacts to the City resulting from the changes are not anticipated.

Respectfully submitted,

E. W. Kozak, General Manager Planning and Development

REPORT CONTRIBUTORS

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