

PLANNING AND DEVELOPMENT COMMITTEE

TO: MAYOR AND COUNCILLORS

**SUBJECT: PROPOSED AMENDMENT TO RENTAL USE ZONING POLICY STREAM
2 – OPTIONAL RENTAL IN THE RMR DISTRICT**

RECOMMENDATION:

THAT the amendment to Stream 2 of the Rental Use Zoning Policy, as outlined in Section 3.0 of the report titled “Proposed Amendment to Rental Use Zoning Policy Stream 2 – Optional Rental in the RMr District”, dated July 9, 2025, of the Planning and Development Committee meeting, be approved.

REPORT

The Planning and Development Committee, at its meeting held on July 9, 2025, received and adopted the attached report proposing an amendment to Stream 2 of the Rental Use Zoning Policy to permit the full balance of surplus RMr density to be utilized for market rental purposes.

On behalf of the Planning and
Development Committee,

Councillor P. Calendino
Chair

Councillor J. Wang
Vice Chair

TO: PLANNING AND DEVELOPMENT COMMITTEE (PDC)

FROM: GENERAL MANAGER PLANNING AND DEVELOPMENT

**SUBJECT: PROPOSED AMENDMENT TO RENTAL USE ZONING POLICY
STREAM 2 – OPTIONAL RENTAL IN THE RMR DISTRICT**

PURPOSE: To propose an amendment to Stream 2 of the Rental Use Zoning Policy to permit the full balance of surplus RMr density to be utilized for market rental purposes.

RECOMMENDATION

THAT the amendment to Stream 2 of the Rental Use Zoning Policy, as outlined in Section 3.0 of the report titled “Proposed Amendment to Rental Use Zoning Policy Stream 2 – Optional Rental in the RMr District” dated July 9, 2025, be approved.

1.0 POLICY SECTION

The proposed amendment to the Rental Use Zoning Policy (RUZP) align with the following provincial and municipal laws, policies and plans adopted by Council:

- Local Government Act (2025)
- Regional Context Statement (2013)
- Corporate Strategic Plan (2022)
- Official Community Plan (1998)
- Economic Development Strategy (2016)
- Home Strategy (2021)
- Housing Needs Report (2024)
- Social Sustainability Strategy (2011)

2.0 BACKGROUND

On March 9, 2020, Council adopted the current Rental Use Zoning Policy, 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 RM and C District based 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

Applications that are required to include replacement (Stream 1) or inclusionary non-market rental units (Stream 2) are provided with additional RMr density, which varies between 1.10 and 2.20 FAR depending on the underlying RM district to which the site is being rezoned. The additional density is intended to accommodate the required non-market units. In most cases, once the required replacement or inclusionary units have been accounted for, surplus RMr density is available. Under the current RUZP, applicants may utilize surplus RMr for additional optional rental units, provided that for every optional market rental unit proposed, an additional unit at CMHC median market rent is also proposed, on a 1:1 basis. An earlier iteration of the RUZP also allowed additional optional rental units utilizing RMr density, but instead required optional units to be rent-controlled, regardless of unit turnover. This provision in the RUZP was intended to encourage delivery of additional rental units with a cross section of affordability, if supported by the market. Since RUZP was introduced, uptake of the surplus RMr density has been relatively limited. To date, approximately 679 units are proposed or approved at CMHC median market rents or vacancy-controlled rents, using surplus optional RMr available after any required inclusionary non-market units are met. These units are across twenty-eight (28) applications, of which approximately twelve (12) applications have achieved Final Adoption.

In recent months, the decline in apartment sales and development starts that began in 2022, has notably progressed. Over the period from mid-2022 to Q1 2025, CMHC in a recent report noted that sales are down almost forty (40) percent in Metro Vancouver, and project cancellations are up 10-fold. In Burnaby, staff have received confirmation of a number of stalled construction projects due to financing issues, and similarly a notable number of applications in the approvals process have paused their applications and opted against advancing to Final Adoption at this time, despite having completed all of the work necessary to finalize the rezoning application. Reasons for the slowdown are multi-faceted, with major factors including the higher interest rate environment than years prior and significant increases in development costs, combined with declining revenues as the typical homebuyer and renter have reached their budgetary limitations. The challenge in financing condominium projects has led to some developers shifting focus to rental unit construction where purpose built rental unit construction programs offer potential financing.

As a consequence of the financing challenges and the shift to rental product, staff have received requests from the development industry to explore policy amendments that have the potential to spur market rental development, as well as to keep existing mixed-tenure projects moving through to construction and occupancy by supporting increases in the proportion of market units in a development. By increasing the proportion of

market units within a development, the return on investment generally improves and by extension the project is more likely to obtain sufficient project financing.

On April 08, 2025, Council endorsed a report titled *Proposed Inclusionary Rental Requirements* as the basis for advancing related amendments to the Zoning Bylaw. The report detailed an updated approach for incentivizing market rental, as well as requirements for required inclusionary non-market rental, based on a detailed financial analysis and Burnaby's housing needs. The recommended approach included additional flexibility to provide market rental units without a requirement for non-market rental units, as well as various other measures including an amended percentage of required inclusionary non-market units to be provided with strata developments. The measures proposed in that report will replace the RUZP upon adoption of the related bylaw, anticipated later this summer, but will only apply to new applications utilizing the recently adopted height-based R zoning districts. Applications that are proceeding through approvals under an applicable RM District will continue to be subject to the RUZP, until RM applications are phased out at a later date.

Given the current economic turbulence and shifting market focus to rental, this report proposes an amendment to the RUZP, specifically to enable the full balance of surplus RMr density to be utilized for purpose-built market rental units. The proposed amendment is intended to bring greater parity between the RUZP and the proposed approach outlined in the April 2025 report noted above, encourage proposals for additional market rental units, and support the viability of active or adopted RM applications during this period.

3.0 PROPOSED AMENDMENT

It is recommended that Stream 2 of the RUZP be amended to remove the requirement for applicants to provide one (1) CMHC median market unit for every market rental unit proposed utilizing surplus RMr density and instead enable the full balance of surplus RMr density to be utilized for purpose-built market rental units. It is further recommended that this measure also be extended to applications processed under the previous iteration of the RUZP, which required rental units delivered utilizing surplus RMr density to be vacancy controlled.

Eligibility

The proposed amendment is recommended to apply to all proposed developments, including those requiring rezoning approval, those with adopted rezonings that are pre-construction, and those with adopted rezonings under construction (pre-occupancy), that have fully met the rental replacement (Stream 1) and/or the inclusionary requirements (Stream 2) of the RUZP, and that do not yet have an adopted Housing Agreement registered on title. The proposed amendment only applies to applications with optional CMHC median market units or vacancy-controlled units utilizing surplus RMr density. As Housing Agreements are commonly a requirement of building

occupancy, this amendment would allow for most eligible applicants with projects already under construction to opt in prior to occupancy.

For developments that have achieved Final Adoption and meet the eligibility criteria, the amendment will only be applied and reflected in the future Housing Agreement if the applicant submits a written request. Given that the RMr District permits both market and non-market rental, the proposed amendment does not require any further rezoning or Council touch points on use, tenure or density, unless additional RMr density is added to the project beyond what was already approved by Council, in which case a new rezoning amendment application will be processed. It is further noted that the portion of any Section 219 Covenants requiring a future Housing Agreement to incorporate Stream 2 optional 1:1 CMHC market median units or vacancy-controlled units when a rezoning development application was adopted, would be updated as necessary or not enforced if the applicant requests the Housing Agreement to be prepared with all of the RMr density as market rental in line with the recommendations in this report.

For developments that have a registered Housing Agreement without building occupancy, or that incorporate CMHC median market units or vacancy control units outside of the standard policy for optional RMr density under Stream 2, it is recommended that Council consider requests from these applicants on a case-by-case basis, based on the merits of the specific application. If supportable, staff would seek Council approval to amend the terms for Housing Agreements and any related Housing Covenants.

Of the approximately twenty eight (28) development projects reviewed that utilized, or are proposing to utilize optional surplus RMr density and are at or beyond Second Reading, twenty-three (23) are yet to enter into a Housing Agreement, representing approximately 521 CMHC median market or vacancy-controlled units that would be eligible to convert to market rental. Of these 521 units, approximately 323 units are included in applications yet to receive Final Adoption, and 198 units are included in applications that have already received Final Adoption. All applications that meet the eligibility criteria outlined in this report are eligible to pursue the proposed RUZP amendment.

In addition to helping support project viability for stalled projects through allowing market rental units, the proposed amendment will provide an opportunity for developments that have already achieved Final Adoption and are financed, to come forward with amendments for consideration by Council to add some new rental units where appropriate.

During the course of researching and analyzing the proposed amendment, and through various discussions with the development industry, staff have explored, and are continuing to explore a range of measures intended to help keep projects moving forward during this period of economic uncertainty. One of the options explored was to consider a payment-in-lieu tied to the increase in land value in exchange for allowing the full balance of surplus RMr density to be utilized for purpose-built market rental units. After consultation with developers and concurrent financial analysis, it was

determined that charging a land value related payment in lieu would likely prevent applicants proceeding with market rental opportunities, and/or prevent some stalled projects from improving their proforma to a degree sufficient to achieve the financing required to continue the project. It is noted that for developments proposing new units subject to the ACC and DCCs, the residual land proformas did not support a meaningful increase in land value in this current market. For these reasons, the subject amendment was determined to be the more equitable and impactful approach, compared with charging a payment in lieu.

Next steps

If approved by Council, staff will work with eligible applicants to implement Housing Agreements and update any related Housing Covenants as necessary to reflect the updated policy change allowing for the full balance of surplus RMr to be utilized for market rental units. Staff will report back through Council with any requests to amend registered Housing Agreements, as well as to seek Council approval through the usual course of reporting where applicants wish to amend their in-process or adopted rezonings to add additional market rental density beyond the RMr density that has already been approved. Staff will also update related RUZP documents and guidelines to ensure the updated Policy is clearly conveyed to applicants and the public.

As the development industry navigates the current economic conditions, staff will continue to work with all affected developers to mitigate impacts where feasible and critically, ensure TAP requirements are met where applicable. Staff will continue to monitor progress and where further amendments to City policy and/or bylaws would be effective in helping to restart stalled development/construction projects, staff will advise Council through future reporting.

4.0 COMMUNICATION AND COMMUNITY ENGAGEMENT

If the proposed policy amendment is approved by Council, staff will proceed to inform eligible applicants and the broader development community of the amendment through appropriate channels, including through organizations such as the Urban Development Institute. Staff will also update the RUZP and any associated guidelines. No further consultation on the policy amendment would be undertaken.

5.0 FINANCIAL CONSIDERATIONS

There are no financial considerations related to this amendment.

Respectfully submitted,

E. W. Kozak, General Manager Planning and Development

REPORT CONTRIBUTORS

This report was prepared by Mark Norton, Manager Development and reviewed by Jesse Dill, Director Development, Lee-Ann Garnett, Deputy General Manager and May Leung, City Solicitor.